

Aktia Bank Plc

# ANNUAL REPORT 2017

**Aktia**

Bank | Asset Management | Insurance | Real Estate Agency

## About the Annual Report

Aktia's 2017 annual report describes Aktia's strategy and presents our group-wide objectives, initiatives and results. Aktia sets out the Group's corporate responsibility as part of the company's annual report. The annual report covers the major events that have taken place in the calendar year, and their effect on the company and on society. The annual report also includes the report by the Board of Directors, financial statements and corporate governance report.

The information is also available on the Aktia Group's website at [www.aktia.com](http://www.aktia.com).

The annual report can be ordered from Corporate Communications, tel. +358 10 247 5000 or e-mail [kommunikation@aktia.fi](mailto:kommunikation@aktia.fi). All reports are also available on the Aktia Group website [www.aktia.com](http://www.aktia.com) under Investor Relations and Reports and Messages.

## Aktia Bank plc – Capital and Risk Management Report 2017

Aktia Group's internal control, risks and risk management are presented in greater detail in the Group's Capital and Risk Management Report, which is published separately at the same time as the annual report. The report is available at Aktia Group's web site [www.aktia.com](http://www.aktia.com).

## Martin Backman stepped down as CEO of Aktia as of 7 March 2018

Aktia Bank Plc's Board of Directors and CEO Martin Backman have mutually agreed that Martin Backman will step down as CEO of Aktia as of 7 March 2018. Backman has acted as the company's CEO since March 2017. Juha Hammarén, the company's Executive Vice President & COO, and Deputy to CEO, will act as interim CEO.

Annual Report 2017 is a translation of the original Swedish version Årsredovisning 2017. In case of discrepancies, the Swedish version shall prevail.

## Calendar 2018

Annual General Meeting	10 April 2018
Interim Report Jan–Mar 2018	8 May 2018
Half-year Report Jan–Jun 2018	7 August 2018
Interim Report Jan–Sep 2018	31 October 2018

## Annual General Meeting 2018

Aktia Bank Plc's Annual General Meeting is being held at 4.00 p.m. on Tuesday 10 April 2018 at the Pörssitalo, Fabianinkatu 14, Helsinki.

## Right to participate and registration

Each shareholder, who is registered in the company's register of shareholders maintained by Euroclear Finland Ltd as at 27 March 2018, has the right to participate in the Annual General Meeting. Shareholders whose shares are registered in their personal Finnish book-entry account are registered in the company's register of shareholders. Shareholders who are registered in the company's register of shareholders and who wish to participate in the Annual General Meeting must register their intention to attend by 4.00 p.m. on 4 April 2018, at the latest. Participants can register for the Annual General Meeting:

- through the company's website [www.aktia.com](http://www.aktia.com)
- by telephone at +358 800 0 2474 (8.30 a.m.–4.30 p.m. on weekdays); or
- in writing to Aktia Bank Plc, Group Legal, P.O. Box 207, 00101 Helsinki.

For registration purposes, the shareholder is requested to give his/her name and personal identification code or business ID, address, telephone number as well as the name and personal identification code of any representative. The personal details that shareholders give to Aktia Bank Plc will only be used for purposes associated with the Annual General Meeting and processing the relevant registrations.

## Dividend

For the financial year 2017, the Board of Directors proposes that a dividend of EUR 0.57 per share shall be paid.

Shareholders entitled to dividend are those who are registered in the register of shareholders of the company maintained by Euroclear Finland Ltd on the record date 12 April 2018. The Board of Directors proposes that the dividend shall be paid out on 27 April 2018 in accordance with the rules of Euroclear Finland Ltd.

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# Aktia in brief

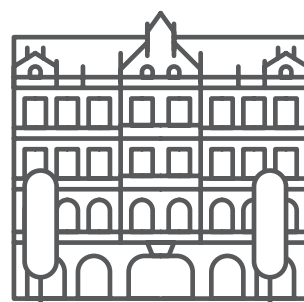


903

employees

32

customer  
service units



Aktia dates  
back to

1825

when Helsingfors  
Sparbank was  
founded

318,000

private customers

30,000

corporate and  
institutional customers

10.5 million

online banking logins

15.0 million

online banking payments



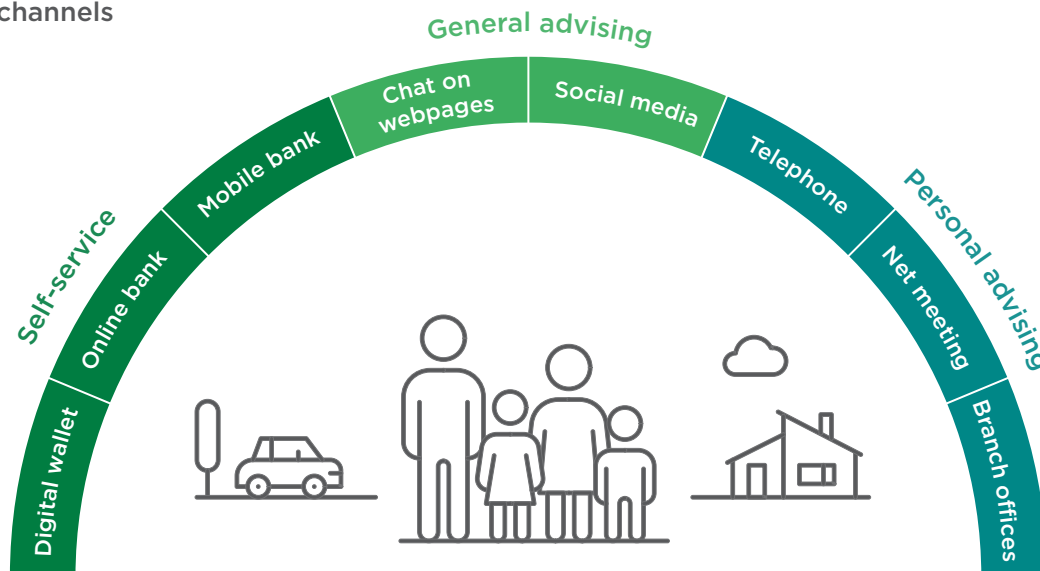
70,000

Aktia Wallet  
application downloads

77.5 NPS

EUR 9,679 million AUM

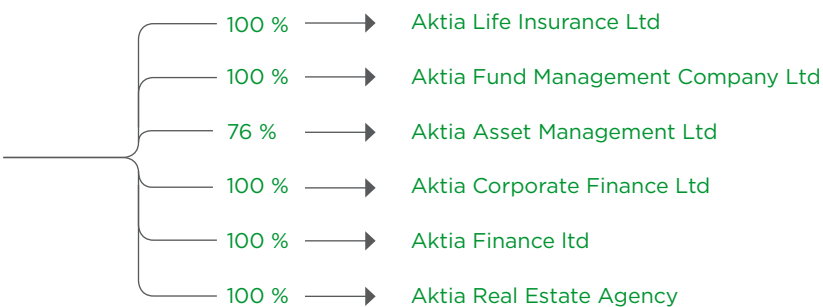
Forms and channels of service



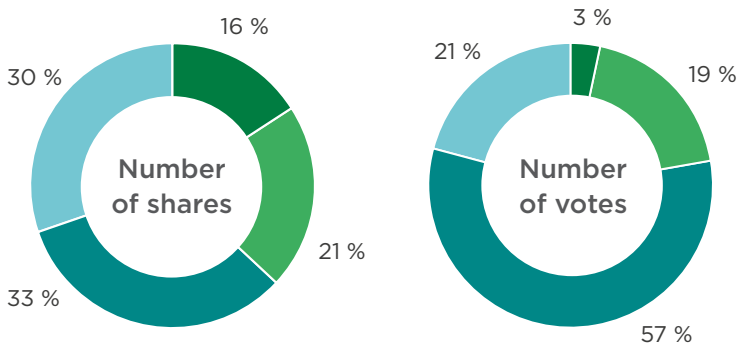
The legal structure of Aktia Group

**Aktia Bank plc**

(is quoted in Nasdaq Helsinki Ltd)

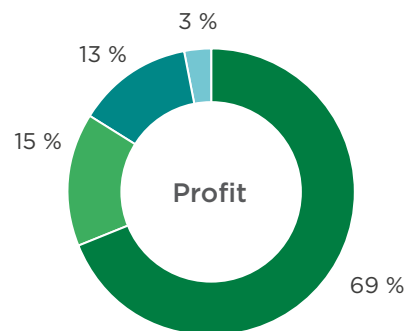


The number of shares and votes



■ Households    ■ Aktia and Savings' bank foundations  
 ■ Corporates    ■ Corporations and the public sector

The share of profits generated from the operations



■ Bank    ■ Asset management  
 ■ Insurance    ■ Real Estate Agency Services

# The year in brief

## Q1

### **Aktia Real Estate Mortgage Bank Plc was merged with Aktia Bank plc**

On 28 February 2017, in accordance with a previous agreement, the Aktia Group's wholly-owned Aktia Real Estate Mortgage Bank plc was merged with Aktia Bank plc. Following the merger, all the Real Estate Mortgage Bank's assets and commitments were transferred to Aktia Bank plc.

### **Aktia raises its profile as a responsible investor**

Aktia partnered with ISS-Ethix, strengthening its commitment to responsible ownership. ISS-Ethix monitors and assesses companies all over the world from the viewpoint of responsibility. ISS-Ethix regularly reviews Aktia's portfolios to ensure that operations concerning holdings in shares and corporate bonds are carried out according to standards. The partnership will enable Aktia to steer its companies towards increasingly responsible activities, since the association of owners brought together by ISS-Ethix carries greater weight than a single company.

### **The partnership with Wrapp provides benefits and offers to Aktia's card customers**

Aktia integrates the Wrapp application into Aktia Wallet. The partnership gives Aktia's customers individualised offers based on their purchase history. When customers have made their purchase via Wrapp, money can be reimbursed to their account if the purchase is returned. The partnership with Wrapp is a part of the growth in Aktia's digital services.

### **Once again Aktia is one of the world's best interest fund managers**

Aktia was among the top three interest fund managers when Morningstar, which makes global comparisons, gave awards to interest fund managers and interest funds. This placing required five years of a very strong ratio between risk and returns in the company's funds. The award is a recognition that Aktia's active portfolio management has been successful in the long term. The successful interest funds are available to all customers from monthly savers to institutional asset managers.

### **Financial overview: Finland – like a little boat on the open sea**

Aktia's forecast in March was that Finland's economy would grow by 1.4% in 2017. At the beginning of the year, the economic cycles turned, while the structural challenges remained. Private consumption was the economy's engine, but industrial production and exports grew as time went on, which helped to provide a broader base for growth. In the beginning of the year, global uncertainty resulted in caution also in the change in Finland's economic cycle.

### **Financial overview: Finland – a need for new building blocks**

In spring 2017, Aktia adjusted its growth forecast upwards, while pointing out the need for structural changes. During an economic boom, it is easier to implement difficult changes. Solutions should be found, e.g. for the matching problem on the labour market. Growth in the world economy picked up pace, but the stimulus measures of monetary policy still have great significance.

### **New executive committee**

In 2017, Aktia appointed a new executive committee. The goal of the new executive committee is to enhance the customer-oriented perspective and increase profitability in business operations.

## Q2

### **Aktia appointed new Chief Executive Officer**

Martin Backman, M.Sc. (Tech.) and M.Sc. (Econ.), was appointed as new Chief Executive Officer for Aktia Bank plc on 8 September 2016. Mr. Backman started as CEO for Aktia Bank plc on 6 March 2017.

### **Aktia donated half a million euros to promote higher education and research**

Aktia Bank donated EUR 500,000 to the universities and university colleges that are active within the bank's area of business. The aim of Aktia's donations was to promote the continuous development of internationally competitive and first-rate education and research in Finland. The donations particularly targeted education and research in economics, law and technology. The donations were a part of the state's campaign to acquire funding.

### **The Ekonomini idag portal made analyses available to everyone**

Aktia's portal Ekonomini idag contains Aktia's financial overviews and information on the economic situation. These analyses and forecasts are based on publicly available data. The information is available to everyone on the internet.

## Q3

**New core banking system introduced**

A new core banking system was launched in the first week of July. The change of system replaced the previous systems with modern and cost-effective solutions. The launch was a result of long-term development work and the first change of a banking system in Finland of this scale. The new system will facilitate a more agile development of products and services in the future.

**Codetermination negotiations in order to renew the business model**

In autumn 2017, Aktia underwent a renewal process together with its staff in connection with the codetermination negotiations. The negotiations covered the changes in the business model and their impact on duties. The role of experts in the organisation was strengthened, and some of the activities were directed particularly towards advice for asset management customers.

**Financial overview: Growth, growth – but how much and for how long?**

In September, economic growth in Finland was on a more sustainable basis than ever before after the financial crisis. Growth was supported by export, and investments began to increase. In the midst of this growth, Aktia pointed out that the structural changes should be implemented since the upswing was unlikely to last very long.

**The administration structure is simplified**

The extraordinary Annual General Meeting adopted the simplification of the Aktia Group's administration structure. This decision abolished the Board of Supervisors, and the election of board members was transferred to the Annual General Meeting. The election of board members and the preparation of remuneration is the responsibility of a nomination committee, consisting of the five largest shareholders.

**Focus on advice to customers**

Aktia reduced the number of offices since customers increasingly manage their day-to-day banking online or over the phone, and the spontaneous need for service at our branch offices has decreased. The renewal of the business model merged ten of Aktia's offices with nearby offices. Aktia still has an extensive geographical network of offices. The bank provides service at 32 customer service units, ten of which are regional competence centres.

**EUR 10,000 in a Christmas donation towards anti-bullying**

Aktia made its Christmas donation to the Mannerheim League for Child Welfare (MLL) for work against bullying. The donation will enable MLL to continue its anti-bullying work in schools and day nurseries. MLL's activities with support pupils and telephone helpline for children and young people provide support and help them to find friends.

**Financial overview: The world economy is accelerating – can Finland keep up?**

The strong growth in the world economy showed that 2017 was the best year since 2011. The world economy will continue to grow over the next two years, but there are signs of external uncertainty. Aktia assesses that the first interest rate rises will be made in mid-2019. Historically speaking, 2017 was also a financially good year in Finland. However, the structural problems pose challenges to the long-term prospects.

**Aktia's investment competence still among the best in Finland**

Aktia was still among the best asset managers when Scandinavian Financial Research named Aktia Finland's third best asset manager in a customer survey of institutional investors. Customers particularly valued Aktia's market view, historical returns over twelve months and three years, and the clear investment process.

**Mobile banking in smartphones**

Autumn 2017 saw the launching of mobile banking based on the new core banking system. Aktia's customers can manage their everyday money matters with a smartphone in Mobile banking in the same way as in online banking. Customers were very interested in Mobile banking, and the app enjoyed excellent reviews by many app stores.

**Aktia's new strategy – focus on asset management and financing**

Aktia's new strategy is a response to external changes in the financial sector. In the new strategy, Aktia has a focus on increasing and safeguarding its customers' assets. The strategy is based on Aktia's successful asset management and our personal service model. The new customer service model and user-friendly digital solutions improve the availability of Aktia's asset management to all customers.

## Q4

# Courageous in the face of challenges



For us at Aktia, 2017 was a time of major changes. We established a new strategy for Aktia and introduced a core banking system for the entire bank. The new executive committee commenced its work to achieve the common objectives. Despite these extensive changes, there was a strong development in sales, particularly within asset management and funds. Development was also strong in borrowing and lending, which is a sign of our organisation's excellent ability to adapt to new situations.

The financial sector is undergoing major changes and this requires an even greater readiness for change. The low interest rate environment entails particular challenges for banking business, while international competition and digital transformation in the sector are accelerating. The increasingly stringent regulation also sets its requirements. In particular, the MiFID II Directive, which entered into force in early 2018 and which regulates investment services, investor protection and trading with financial instruments, is highly significant to our activities.

The customer is the starting point for everything we do at Aktia. To ensure individual service, our strategy divides customers into separate segments; preferred customers, premium customers, private banking customers, owner-operated companies, and institutions and foundations. Every customer has individual needs that we attempt to meet as well as possible. We at Aktia wish to continue offering our customers first-class service in many different channels, both at our branch offices, over the phone, online and by means of digital services. Consequently, our customer-oriented business culture manifests itself in the continuous development of services and increasingly smooth banking services.

## A new strategy and digital investments

In October 2017, Aktia's Board of Directors approved the bank's new strategy. The starting point of the new strategy is a focus on individual management of customer assets and increasing these in the long term. Even in challenging environments, the right decisions will enable every one of us to ensure that our own assets increase with a view to the future. Our specialized advisors help customers to make the right decisions. Responsibility is also an important part of Aktia's new strategy – we want to offer our customers tailored investment and financing solutions in a simple and responsible manner. Our qualified and award-winning asset management provides us with excellent conditions to serve our customers successfully.

The new core banking system introduced in summer 2017 is the result of five years of hard development work. The system facilitates a modern platform on which we develop new digital banking services for our customers. By means of Aktia's new core banking system, it is also possible to combine automated processes and robotics in our service solutions. One example of this is Aktia's automated loan decisions that make it possible to grant loans very quickly. In the autumn, we launched new digital solutions for customers when we took online fund subscription into service, made it possible to apply for consumer loans using the Aktia Wallet app and launched Aktia's own online banking application.

## A successful 2017

I am especially pleased that our earnings continued to grow despite the bank's change process. Our commission income rose by about 15 %, which is fairly good performance considering all the changes last year.

However, implementing organisational changes is not always easy, let alone simple. New duties arise, while others have to be discontinued. In autumn 2017, Aktia underwent codetermination negotiations that resulted in 260 positions coming to an end, but also the creation of 160 new positions. Situations of this kind are always challenging for an organisation, but with the reform of the business model and duties, Aktia is now well placed to continue successful banking business. As part of the reform, we introduced new processes for managing customers' most urgent matters. Thanks to the new business model, an increasing proportion of our staff can focus on personal customer service, financial advice and on acquiring new customers. In the future, we will be investing in the development of digital services so that we can offer our customers interactive total solutions that combine personal service and easy-to-use digital interfaces.

At the end of the year 2017, we renewed our values. Courageously, skilfully and together form the basis of our identity. Our values strongly reflect how we plan to meet the future changes in the financial sector. The staff plays an extremely important role in big changes. We here at Aktia are the organisation that can make the changes happen.

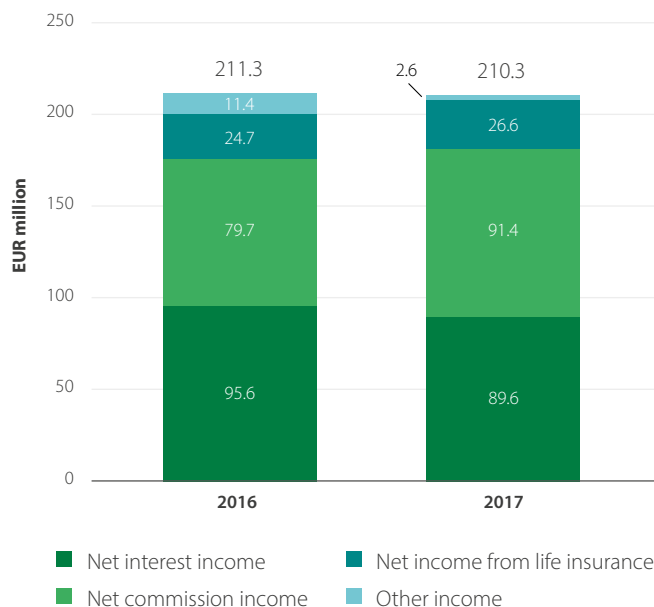
I would here like to take the opportunity to thank all Aktia's staff for the past year. It was an exceptional year, and it has been good to discover how well the organisation has adapted internally to all the phases of change even when these have required extra efforts.

Now it is time to look ahead. It is impossible to predict the future, but Aktia moves into 2018 in an even better position than before. We will prioritise continued investment in growth in accordance with our new strategy and continuously develop our customer service and corporate culture. The world is changing – and we always want to be one step ahead.

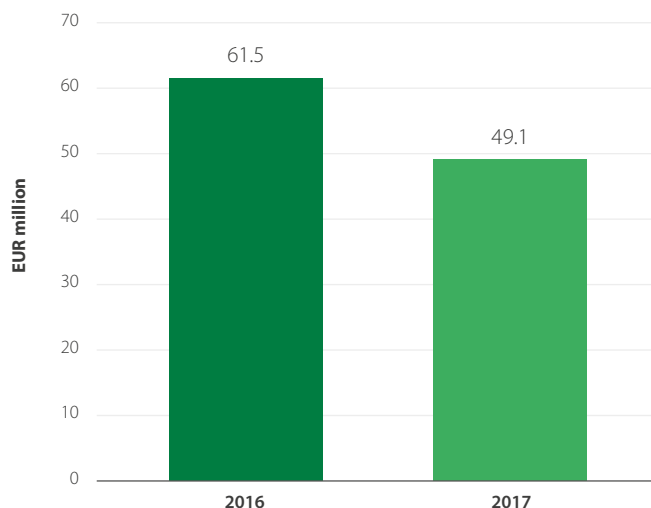
Juha Hammarén  
Acting CEO

# Key figures

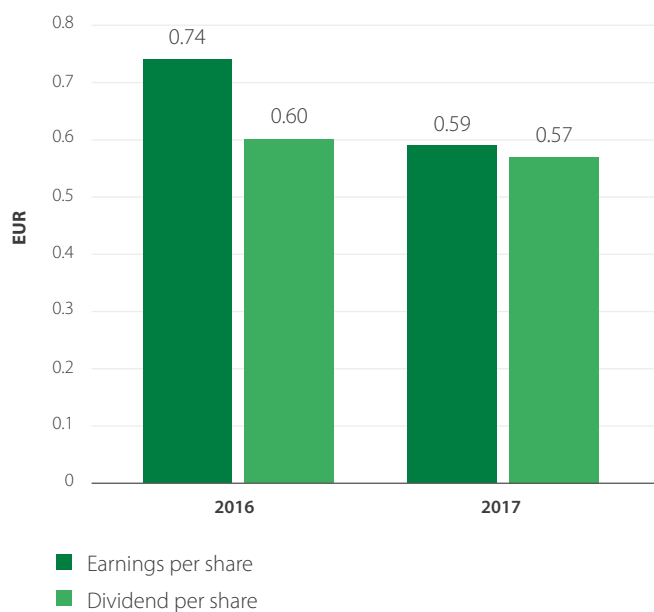
## Operating income



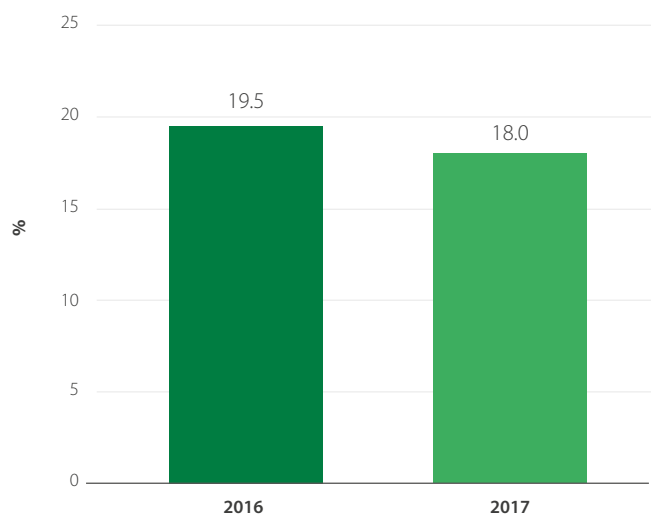
## Operating profit



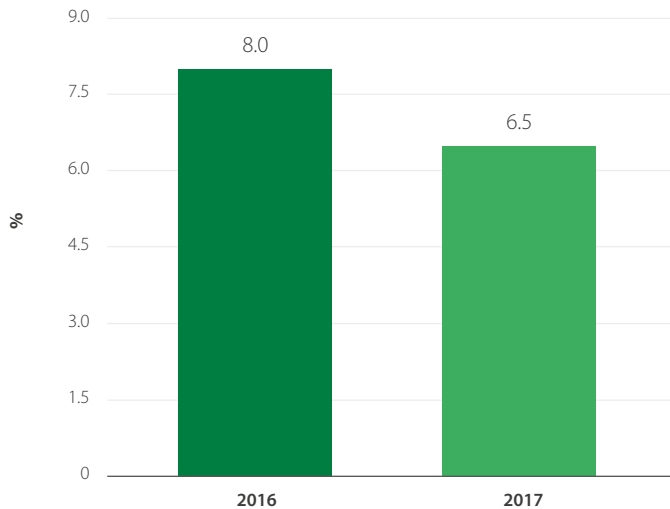
## Earnings per share and dividend per share



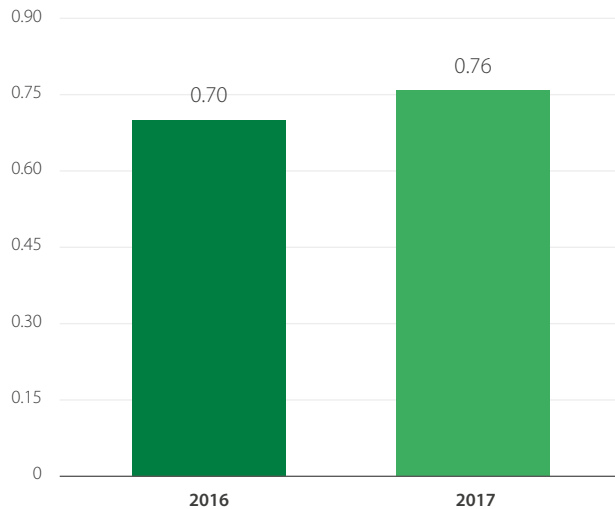
## Common Equity Tier 1 capital ratio (Bank Group)



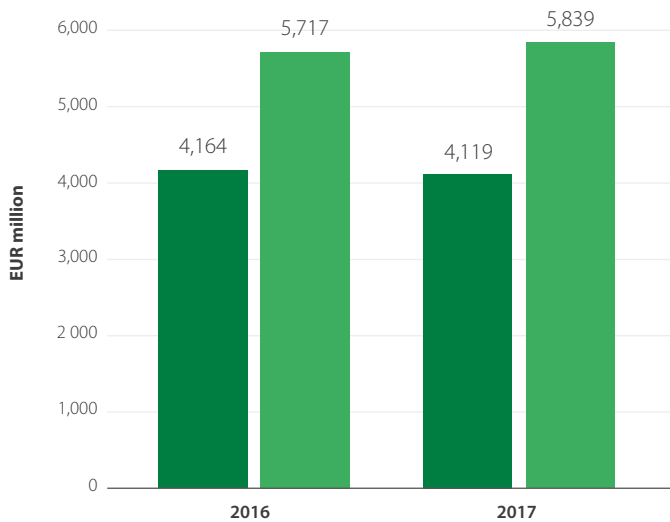
Return on equity (ROE)



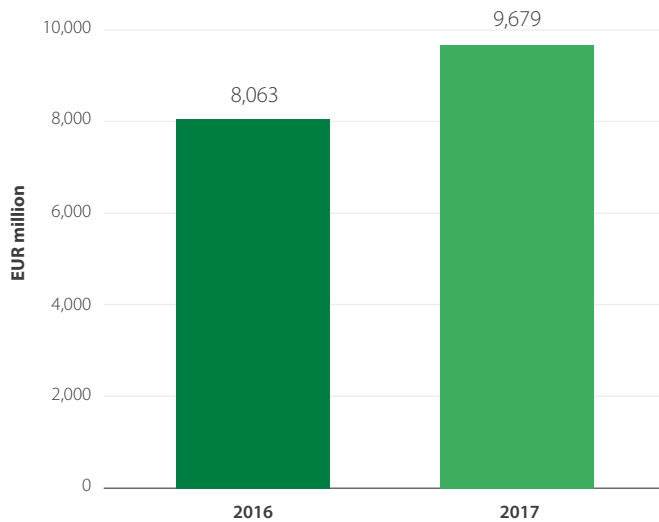
Cost-to-income ratio



Borrowing from the public and lending to the public



Assets under management



- Borrowing from the public
- Lending to the public

# Aktia is a builder of society

The financial sector is one of the most important forces behind a well-functioning society. Aktia is a local and trusted actor: we make sure that payments go through and that both minor and major investments obtain financing. We assist our customers with the expertise they need to find the best savings and investment solutions. We work for the welfare of Finland and the Finnish people.

The rigorous regulation in the financial sector sets the framework for our activities. The foundations of our success are our competence and our customers' confidence in us. New EU rules regarding GDPR, MiFID II and PSD2 enter into force in 2018, and these will entail major changes in the banking environment. The new rules both sharpen competition and increase the administrative requirements on actors in the financial sector.

Digital transformation is bringing more rapid changes than ever in the financial sector environment. The new rules are making competition increasingly international, and new actors are entering the market. Aktia is driven by the desire to promote greater welfare for Finland and the Finnish people.

As a local actor, we want to be present in people's daily lives – we want to be seen and heard. Through our owners, we channel back approximately 80 % of the returns paid via the Aktia and savings bank foundations to local communities in the form of support for sports, culture and voluntary work. Our activities spread financial benefits to several different actors in society. We pay salaries, pensions and taxes in Finland and in accordance with Finnish law and Finnish collective agreements.

## The General Data Protection Regulation (GDPR)

The EU's General Data Protection Regulation will begin to be applied in May 2018. The General Data Protection Regulation will make the use of customers' personal data more transparent. The Regulation contains new obligations on personal data controllers and rights for data subjects.

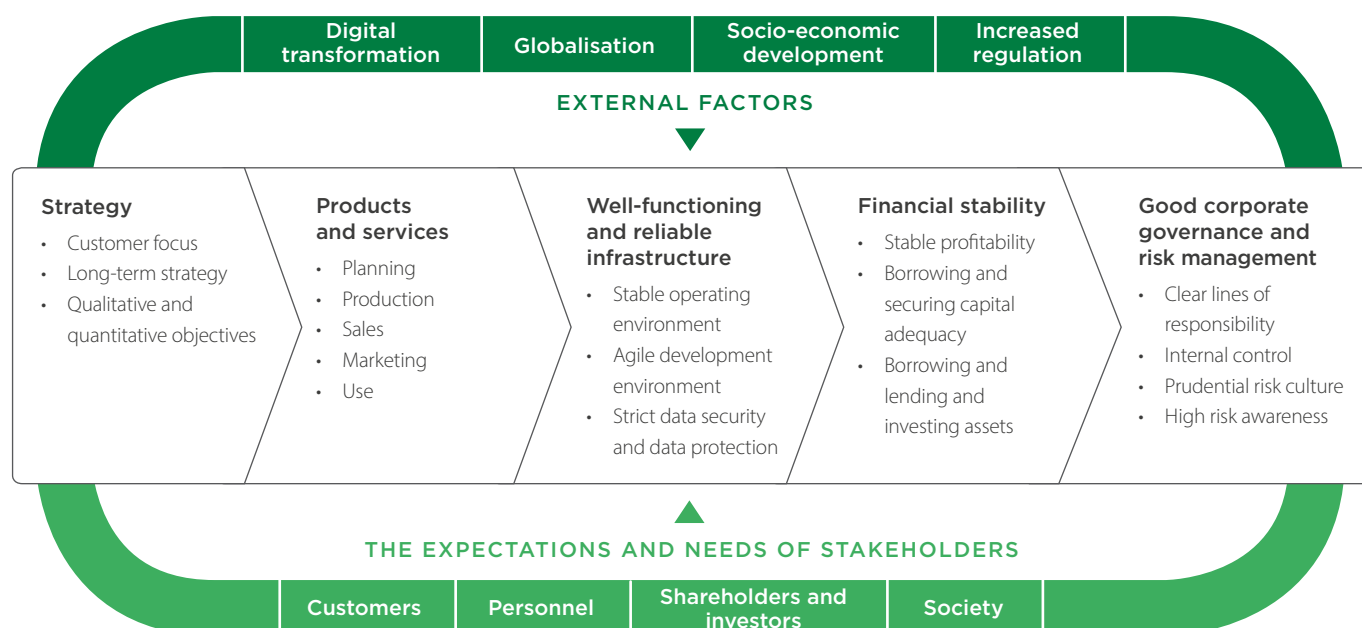
## The Payments Service Directive (PSD2)

The first provisions that are compatible with the EU's Payments Service Directive entered into force in January 2018. The Directive requires account-holding banks to give third-party service providers access to customer accounts if customers want this. Following the change, account-holding banks will open their interfaces to new service providers.

## The Markets in Financial Instruments Directive (MiFID II)

MiFID II began to be applied in January 2018. The regulations entail changes regarding authorisation to provide investment services and to the requirements on the organisation of activities. The purpose of the regulations is to improve investor protection and to increase transparency. The changes required extensive customer communication and the development of reporting and internal tools.

## How Aktia creates social value



# The economy is growing – continued structural challenges

In 2017, the world economy saw positive development in all countries. Finland benefited from this growth when exports and investments, in addition to greater private consumption, helped to boost growth. Growth continues, but we should not become complacent. During an economic boom, it is important to focus on structures in the economy to make sustainable growth possible. For consumers, economic growth creates opportunities to increase assets through saving.

Economic development in 2017 was significantly affected by the positive turn in the world economy in late 2016. The economic cycles developed positively in all countries, and according to forecasts, growth in the world economy is 3.7 % in 2017. Confidence in the economy started to increase, and the increase in investments particularly picked up pace.

The world economy will also continue to grow in the coming years, and the outlook for how the economy will develop is generally positive. However, there are signs of external uncertainty. Continued risks to the stability of the world economy are that the growth in China is debt-driven and that the stimulus measures of monetary policy have ceased. The stimulus measures of monetary policy have long played a major role in the growth of the world economy, and the real economy and the market have become accustomed to this. Now that the stimulus measures have ceased, this might jeopardise stability on the market. Aktia assesses that the first interest rate rises will be made in mid-2019.

## Economic growth in Finland is considerable

Historically speaking, 2017 was a financially good year in Finland. Finland has particularly benefited from growth in the world economy, and economic growth was 3.1 % in 2017 according to Aktia's forecast. Besides this, economic growth was on a more sustainable basis than ever before after the financial crisis. Growth was not only promoted by the increase in private consumption, but also by the positive development of export and the production investments that had started to rise.

However, the structural problems pose challenges to the long-term prospects. Finland's challenge is still how the country should consolidate public sector finances and implement the structural reforms. If Finland is to be able to create sustainable growth, reforms are needed, especially in order to resolve the matching problem in the labour market.

## Public sector finances need structural reforms

Employment in Finland has improved, but not to a sufficient extent. Although the employment rate has risen, the number of those in employment has not kept pace with the decrease in the number of people of working age. Since 2010, the number of people of working age in Finland has decreased by more than 110,000.

In order to maintain prosperity and the welfare state, it is important to find solutions to the challenges on the labour market. When the employment rate rises, it becomes easier to consolidate public sector finances and the Finnish people can increase their assets through working. The structural reforms should be implemented during the ongoing economic boom.

## Economic growth creates opportunities to save

Aktia wants to help Finland and the Finns to increase their assets. The household savings rate should rise to enable the Finns to increase their assets. Despite Finland's modest level of wage increases in recent years, household consumption has remained on a good level. The downside of this is that the household savings rate has already been negative for a long time. Regardless of their willingness to save, households have believed that they cannot afford to save.

Now that the economy has started to grow, households should also be offered opportunities to save. Traditionally, the Finns' savings have been heavily based on housing savings. However, in order for prosperity to increase in a sustainable manner, there is a need for more versatile savings solutions and the spreading of investments to objects other than housing.

## Finland's BNP, percentage change from last year





## Aktia's new strategy – focus on asset management and financing

In October 2017, Aktia's Board of Directors approved the group's new strategy. To ensure individual service, the new strategy deepens Aktia's segment philosophy. The new customer segments consist of private customers, premium customers, private banking customers, corporate customers, and institutions and foundations.

### We help Finns to increase their assets

One of the most important priorities in the new strategy is to strengthen Aktia's initiative for savings and investments: Aktia wants to continuously improve how it helps its customers to increase and manage their assets. This is done by, among other things, providing investment and financing solutions tailored to the customer's needs, in a simple and responsible manner.

We want to find the products and services that best satisfy our customers' needs and concentrate on those. Aktia's distinguished and award-winning asset management provides excellent conditions for this. With the renewed range of products, successful asset management is available to all.

### Digital services part of the new strategy

A considerable part of the new strategy is to develop our service models and utilise digital services. By means of the new centralised service models, Aktia's customers can do their banking even more flexibly – at a branch office, over the phone and online. The new strategy means that Aktia is investing in flexible digital solutions and a positive user experience, making the entire range of services available to our customers. Investments in data analytics, automation and robotics will help us to continue serving our customers and their changing needs in a constantly developing environment. They also have a significant role when Aktia streamlines its activities.

## Professional development

The business model under the new strategy enhances Aktia's role as an expert organisation. Central to the model is our staff's knowledge, development and cooperation. The rapid and continuous changes accompanying digital transformation, both externally and in our working methods, pose a challenge for the organisation. In accordance with our strategy, we support the professional development of staff and encourage them to seize new opportunities.

## New values

In connection with the work on our new strategy, Aktia also developed new values. The purpose of establishing these values is to create a basis for implementing strategy and to encourage the company's staff towards new ways of working and acting. This also serves to develop the organisational culture in order to support Aktia's new strategy. Aktia's new values are "courageously", "skilfully" and "together".

## The new strategy and customers

Our goal is for the new strategy to be visible to the customers in the form of an even more active Aktia. The customer is the starting point for everything we do at Aktia, and individual service – regardless of channel – is our competitive advantage. We want to promote an increase in assets for Finland and the Finns. We encourage customers to plan their finances for the long term, and to help with this we provide versatile products and services in the area of asset management and financing adapted to every customer's situation in life.

### **The new core banking system facilitates the digital leap and new innovative products**

One of the cornerstones of Aktia's new strategy is to utilise the digital transformation and provide our customers with better service. In recent years, we have implemented – in terms of scope – a unique project to reform the core banking system. The new core banking system makes it possible to develop new products and services and to utilise all information without technology posing an obstacle to the development work. The modern core banking system has also proven to be an effective platform for meeting regulatory changes and providing our customers with ever-improving solutions.

### **We are developing the digital society**

Society's digital transformation and Aktia's core banking system as a platform facilitate an increasingly smooth automation of our services. Central to the development of these services is that customers will attain as much added value as possible. We are taking great strides towards a service model that automatically handles credit decisions of a routine nature and gives customers an immediate answer. At the same time, we attach particular importance to the secure storage of customer information and to transparent action on our part. Utilising machine intelligence makes it easier to detect misuse and increases confidence in our activities.

In developing the services, we are cooperating with several actors, such as start-up companies, established minor and major actors, and the state. A good example of this is the national service channel suomi.fi, which helps us to develop our services so that they become even easier to use. Cooperation is also becoming more extensive between the actors in the financial sector, and Aktia's funds, for example, are provided on the most important marketplaces.

### **Technology as support**

Constant development constitutes an essential element in the utilisation of technology. With our new business model, we have incorporated utilisation of technology and constant development as an integral part of our day-to-day activities. Our new model for teleworking facilitates work that is independent of location. The new systems strengthen our overall understanding of customers and the services that are needed. Using the information, we can increasingly improve the targeting and tailoring of our services to the customer's individual needs.



## Responsibility is an essential part of asset management

At Aktia, responsibility has been integrated into day-to-day portfolio management work. Investment decisions are steered by Aktia's principles for responsible investment, which were renewed in 2017. The principles observe the UN Sustainable Development Goals as well as climate change mitigation. The new principles further specified the policy for responsible investments in different asset categories: shares and corporate bonds, government bonds, third-party funds and alternative investments.

Responsible investment in Aktia is based on three methods:

- **Observance of responsibility factors**  
As a signatory to the United Nations Principles for Responsible Investment (PRI), we have committed ourselves to observing various aspects of responsibility (concerning the environment, society and good governance) as part of our day-to-day investment decisions in the entire product range.
- **Excluded sectors**  
We do not make direct investments in the tobacco or arms industries or in gambling activities. Nor do we invest in companies using child labour.
- **Active ownership**  
We make use of partners to regularly review our investments with respect to potential breaches of standards. Besides this, we conduct dialogue with companies that have breached standards and, where necessary, make use of our right to vote at annual general meetings.

## Standards-based screening of investments

In 2017, we strengthened our responsibility efforts by initiating a partnership with ISS-Ethix, which provides versatile services in the area of responsible investments. This partnership makes Aktia part of an extensive investor consortium, enabling us to conduct advocacy and dialogue with companies that may have breached standards. At the same time, there are regular reviews of our funds' share and corporate bond holdings with respect to any breaches of standards.

## Carbon footprint of our equity funds is half as large

Aktia's investment process has been proven to lead to a smaller carbon footprint than that of the reference market. The carbon footprint of our equity funds is on average approximately 50 % smaller than that of the relevant reference market. Environmental thinking is also prominent in our other work. In May 2017, Aktia signed a joint letter from global investors to the G20 governments, urging them to support the Paris climate change agreement, to promote investments required by the transition to a lower carbon economy and to implement the reporting framework in connection with climate change. In autumn 2017, we also signed CDP's Climate Change initiative, which encourages listed companies to report greenhouse gas emissions.

## The emerging economies are speeding up after the industrialised nations

Investments in government bonds on emerging markets is part of Aktia's special competence. In autumn 2017, we produced an environmental analysis of the long-term development of the states bordering the emerging economies, i.e. frontier markets, and of their current level in relation to developed economies. The review used several different indicators (EPI and CCPI) and individual variables, from air pollution to energy consumption. The analysis showed that the emerging economies are still behind the industrialised countries regarding measures to combat climate change, but their positive development is often stronger than in the industrialised nations. This is, for example, the case regarding the EPI index, which measures how the countries are doing in terms of protecting health and ecosystems. However, the spread between the countries is quite large since several countries – such as Argentina and Brazil – come close to the average levels for the industrialised nations. Besides this, Morocco, for example, has significant plans to use renewable energy as well as great potential in the areas of wind and solar energy.

## Greater transparency

There is also demand for Aktia's funds in the other Nordic countries. Therefore, in late 2017, we created sustainability profiles for selected funds for our customers in Sweden. This reporting standard has been established by Swesif, the Swedish forum for sustainable investments, together with actors in the sector. In the future, we will also produce responsibility profiles for other funds. The profiles give customers detailed information on the different funds from a responsibility perspective.

## Many means of influencing through investments

The energy transition, the ageing population and urbanisation are shaping the economic environment and the environment of its actors. Our day-to-day work with portfolio management continually assesses factors such as how more stringent regulation alters the business environment of oil companies, which healthcare companies are finding solutions to the problems accompanying demographic change or how technological breakthroughs are changing consumer behaviour and creating opportunities for the actors. Observing sustainability issues helps us to find attractive investment objects and, on the other hand, to avoid uncontrolled risks.

Aktia's special competence has for a long time included investments in government bonds on emerging markets. We have incorporated ESG factors, i.e. a responsibility perspective, in the country analyses that we perform when assessing a country's economic and societal development and direction. Our analysis uses various metrics to monitor e.g. political approaches, the strength of the administration, social development, economic and fiscal stability, resilience to external shocks, and the willingness for reform. Selecting instruments enables us to influence when we finance a state directly and when we finance a targeted development project, for example through multinational development programmes. A stronger integration of the emerging states in the global financial system, and their access to the international bond market on reasonable terms, will promote investments, development and growth in these countries. This will make possible a better and higher standard of living for the population of the emerging countries. Our investments help to support a society's development in the right direction. A higher standard of living and improved living conditions will also improve conditions for securing the population's human rights on a global level, particularly in the long term.

Responsibility can also be seen in our partnerships with other asset managers. When we invest in or recommend third-party funds, we first investigate how the aspects of responsibility have been observed. We presuppose that the asset managers incorporate responsibility in their investment activities. We expect asset managers to establish their approach regarding responsible investment and also develop, communicate and report this in an appropriate manner. Factors central to realising responsibility include the signing of the United Nations Principles for Responsible Investment (PRI), the observance of international standards, the observance and incorporation of ESG factors in the investment processes as well as active ownership. We encourage asset managers to commit to limiting climate change and to support society's development towards less carbon dependency and also to observe this in their investment decisions.

# Digital transformation improves customer experience and reduces risks

**Aktia's credit policy is based on a sustainable level of profitability and responsibility. The goal can be achieved through a moderate level of risk and an appropriate pricing of risks. All lending is based on the customer having a sufficiently good ability to pay. Digital transformation can automate lending and improve customer experience.**

Aktia's lending is governed by responsibility and good business practice. Responsibility is based on an understanding of the customer's situation, business and needs. Through a common understanding, we can ensure the customer's ability to repay and prevent over-indebtedness. A fundamental prerequisite for being able to grant credit is understanding the financing arrangement from both the customer's and the bank's points of view.

Our aim in the first instance is to satisfy our customers' needs through our services, and we avoid individualised solutions. In accordance with our credit policy, the risk of ownership is always borne by the borrower. In accordance with our policy, we only make sustainable and ethically motivated financing decisions. We do not offer products that circumvent legislation or taxation. Aktia does not finance instant loan companies.

## Risk surveys promote responsibility

When lending, we always assess the customer's ability to repay the credit. Our assessment of private customers' ability to pay takes into account factors such as income, costs for handling loans, potential increases in interest costs, necessary costs of living and any expenses resulting from maintenance obligations. Aktia's risk assessment of household exposures uses an internal risk classification (IRBA) that takes into account the customer's ability to repay and possible collateral for loans. If loan repayment problems arise, the bank makes efforts to find a solution together with the customer as quickly as possible so that repayment can continue.

Assessment of the creditworthiness of companies considers accounting information about the company's finances. In addition to financial information, an evaluation is also made of other factors that affect the risks, including sector, the company's market position, the company's business idea, the relationship between the company's size and the financing that is needed, as well as the management's competence. Aktia is currently applying to the Financial Supervisory Authority for permission to use FIRB for risk assessment of corporate exposures.

## Digital transformation promotes responsible lending

The digital transformation makes it easier to decide on credit and improves the quality of decisions. The automation of routine credit decisions reduces the operational risk, makes it easier to monitor decisions, makes the decisions more objective and allows our competence and resources to be concentrated on more demanding decisions. As a result of the changes accompanying the Payments Service Directive (PSD2), the sector actors have access to a source of additional information, which improves the quality of lending from both the bank's and the customer's points of view.

In 2017, Aktia strengthened its partnership with various service providers. When lending, not only the internal risk model is taken into account, but also the customer's total exposures, such as consumer credit and instant loans. An understanding of total exposures also allows us to make greater use of automation for credit decisions.

In 2017, Aktia further developed the automation of credit decisions without collateral. Automation is being introduced in stages as and when the user experience increases. When documents become electronic, automation can also be used in the granting of credit with collateral. Electronic housing share certificates and the National Land Survey of Finland's electronic mortgage deeds are examples of national development projects that contribute to automation also in the case of credit decisions with collateral.



## Personal Banking

Customers in the Personal Banking segment are served in all their situations in life. As a result of a new business model, customers who have concentrated their affairs to Aktia are offered a personal customer advisor who helps them to increase their assets.

The goal of Personal Banking is to guarantee that everyday banking matters go smoothly and to offer expert advice on increasing assets and major financial decisions as life situations change. Typical products are loans, insurance and various savings and investment products that are offered to Aktia's private customers. This development means that routine credit decisions are increasingly made automatically via digital channels, and the focus of customer service is on individualised advice.

### Customer-specific solutions for asset management

Aktia's basic task is to increase customers' assets. The asset management services are based on long-term, individualised solutions that take into account different life situations and plans. With the new service model, active service is offered to all private customers who have concentrated their affairs to Aktia.

### Increased sales of investment and savings products

In 2017, sales of investment and products to private customers increased by 26.1 %. Competition on the mortgage market became much harder

during the year. In the ever harder competitive climate, Aktia managed to maintain its position, and the bank's lending to private customers increased by 3 %.

### Focus on first-rate financial advice

Customers increasingly manage their day-to-day banking online and over the phone, and the spontaneous need for service at our branch offices has decreased. Instead, the need for expert advice has increased and Aktia's business model was therefore revised in 2017. The new business model means that it is Aktia's branch network and customer advice unit that are responsible for providing first-rate financial advice to customers. The branch network consists of 10 competence centres and 22 offices, and customer service attends to Aktia's customers over the phone and online.

### Reforming the activities

In 2017, Aktia continued its renewal process in order to create a basis for activities that take into account changes in customer behaviour and changes in the business environment. Aktia's branch network was reorganised during the year, and ten regional competence centres were founded. Aktia's customers are served at 32 customer service units that focus on individual service and advice. During the year, efforts have been made to increase availability and range in the digital channels, in part through the launch of Aktia's new mobile bank. The extensive renewal process will continue in the coming year. We are working to strengthen our specialist organisation in the branch network and to develop our range of services.



## Premium Banking

The goal of Aktia Premium Banking is to be the market's best service provider in the area of investment advice, refinancing and digital solutions. Our value proposition and range of services is based on personal customer service, first-rate savings and investment products and on digital channels that support customers when they manage their day-to-day finances.

Aktia's Premium Banking customers are private individuals or entrepreneurs who are interested in developing and managing their total assets. Aktia wants to provide its Premium Banking customers with comprehensive product and service solutions that enable customers to achieve their own long-term financial goals.

### Customer promise: simplicity and accessibility

Aktia's service promise in the customer segment Premium Banking includes every customer being assigned a named Premium Banker to provide comprehensive customer care. With regards to banking services, simplicity, availability and accessibility are in our experience particularly important to many of Aktia's customers. Our goal is therefore to serve customers as quickly and flexibly as possible. Meetings can be arranged in the traditional way at a bank office, but we can also meet at the customer's location or talk over the phone. This is a way to make life easier for the customer.

### Investment and savings solutions combined with financing solutions

Our professional Premium team strives to serve customers in the most comprehensive manner possible. This means that we help customers to achieve their own goals in terms of both returns and risk. When providing advice on investments and savings, we have access to modern product and service solutions in the area of asset management that are structured around funds managed by Aktia itself. We want to help our customers to combine investment and savings solutions with optimal financing solutions that are best suited to every customer's situation in life. Examples of such solutions are the use of securities as collateral for loans as well as senior loans and investment loans – both for securities and for housing investments. We also provide advice on legal issues such as succession.

### Own organisation for Premium Banking

Aktia Premium Banking commenced during the year. The organisation, which is in the line with the new strategy, and new job descriptions were introduced at the end of the year. During this time we have seen excellent individual achievements in customer service for Premium Banking: we want to meet our customers, listen to them and understand their needs in order to find a solution that suits the individual customer.



## Corporate Banking

The customer segment Aktia Corporate Banking concentrates on serving the bank's corporate and organisational customers. The starting point of activities is to understand and support our customers and their business objectives. We want to be a partner who provides financial advice with the goal of improving both the success of companies and the welfare of their owners.

The customer segment Aktia Corporate Banking serves companies and organisations, from micro-businesses and associations to listed companies. Our advice aims to combine the strategic objectives of the companies and their owners. The best possible customer experience is something we prioritise very highly. Our business philosophy is to help customers achieve success.

Together with our partners – of which Veritas and Folksam have been the most important in recent years – we offer companies comprehensive solutions for all finance needs.

### Partnership throughout the organisation

Throughout Aktia's organisation, partnership with experts constitutes a central part of business activities. Such partnerships ensure that our customers obtain the best solutions both for their own finances and for the finances of company owners.

### Responsible corporate customer activities

We want to influence responsibility issues already at the stage when we are selecting customers. The business activities of customer companies must rest on an ethically sustainable basis. We have not developed our business models simply to meet the standards of increased regulation, but in order to act responsibly.

### Focus on customers needs

2017 was a year of change for Aktia's corporate customer activities. Aktia's new strategy strengthened and clarified the role of the customer segment. The strategy reform also influenced the model for corporate customer activities: we want to become better and better at taking into account the needs of our various customers and give them access to the best possible expertise. Despite the changes, we succeeded in achieving the goals set for us by concentrating on the issues that are important to customers.



# Private Banking

Aktia Private Banking is a customer-oriented asset management service that aims to provide comprehensive asset management and banking services, combined with a unique customer experience – both in personal service and in the customer’s utilisation of digital channels.

Aktia’s Private Banking services are intended for private individuals and families, minor investment companies and organisational customers with investment assets of over EUR 500,000. We provide Private Banking services at our branches in Helsinki, Turku and Vasa.

## Customer-oriented business model

At Private Banking, we always see the customer as a whole. The goal is to tailor the service exactly according to customer needs – this gives customers the best possible service to support their decisions. Through an agreement on discretionary asset management, it is also possible to delegate these placement decisions to Aktia. Aktia’s award-winning asset management provides excellent conditions for offering investment products in different asset categories, which do well in international comparisons.

Although personal meetings with the asset manager are an important part of how Aktia handles customer relations in Private Banking, various digital solutions, such as automated loan decisions, also create more flexibility in our service. Competitive handling of demanding customer entities presupposes that Aktia constantly listens to and understands its customers and develops its own knowledge and range of services.

## Intensive partnership with Aktia Asset Management

The strengths of the customer segment Aktia Private Banking are active and skilful Private Bankers in the service channels that customers themselves have selected, and an intensive partnership with Aktia’s asset management. Personal Private Bankers always provide their customers with individual and responsible recommendations – even in a difficult market situation. Aktia Private Banking’s services also include competitive insurance-based investment solutions and the use of securities as collateral for loans.

## Transparency the starting point for asset management

Transparency is the starting point for everything we do at Aktia. We take responsibility for the advice we have given the customer. Customers must know what they can expect from the product or service they have purchased and what it costs. Aktia always makes a suitability assessment of customers, carefully mapping their situation before giving investment advice.

## Customer satisfaction remains at a good level

In 2017, Aktia’s investment activities achieved the returns expectations of Private Banking customers. Customer satisfaction also maintained a good level.

# Institutions

**The new and ever stronger institutional customer relations meant that customer assets managed by Aktia saw a sharp increase in 2017. During the year, Aktia Asset Management received praise for its knowledge of portfolio management and did well in surveys measuring satisfaction among institutional customers.**

Examples of institutional customers are pension associations, foundations, cities and municipalities, higher education, social partner organisations and actors in the financial sector. Aktia offers institutions special asset management services that require a high level of knowledge. The range of services also includes versatile financing solutions and payment services. First-rate, professional asset management is one of the cornerstones of Aktia's new strategy. The growth of our asset management business is possible thanks to the increasingly wide range of products, new external distribution channels and excellent expertise.

## Internationally praised asset management at the local level

Aktia's successful asset management is based on first-class knowledge. We compete with international actors for the most demanding institutional customers. To withstand such competition, our products must be top class. At the same time, the local element is one of our strengths: we and our knowledge of the local business environment are always accessible to our most demanding customers. Customers present us with challenges on a

daily basis, which is why confidence and constant dialogue are among the main principles of Aktia's institutional asset management. Responsibility, environmental perspectives and social perspectives, as well as good governance, have been integrated into the investment processes of our asset management and thereby steer our day-to-day investment decisions.

In 2017, Aktia Asset Management received four internationally renowned awards. Morningstar once again named Aktia the best domestic interest fund manager. In the Lipper Fund Awards competition, Aktia was the best Nordic asset manager in the category "Overall Group Awards, Small Company". Aktia was also successful in the customer satisfaction surveys among institutional investors conducted by Scandinavian Financial Research and TNS Sifo Prospera.

## Strong sales gave momentum to growth

2017 was an exceptionally strong year for institutional asset management. At the end of the year, assets under management were EUR 7,962 million. The increase in customer assets was particularly based on the success of interest products in emerging economies and on successful product launches of alternative investments that corresponded to the needs of customers.

In 2017, interest products in emerging economies, Nordic equity funds and equity funds concentrating on small companies, as well as solutions with alternative investments, gained popularity among institutional customers. Besides this, the fund selection service, which focuses on the services of other asset managers and which constitutes an essential part of our services, increased its business activities considerably during the year.

### Responsibility in the analysis of emerging markets

Responsibility has been incorporated into Aktia's risk analysis of government bonds in emerging economies, taking into account the economic, political and social development of those countries. Besides economic metrics, the assessment of responsibility is based on indicators specifying factors including social and human development, freedom of expression, wealth distribution, the quality of public administration and on reports by independent international institutions.

Countries that are potential investment objects have been divided into different classes according to investability. At present, blacklisted (non-investable) countries include Venezuela, Afghanistan, Yemen, Cuba, the Central African Republic, Libya and Zimbabwe. Similarly, Russia has been classified as a country whose government bonds Aktia Asset Management does not currently invest in, due to the

sanctions that the country is under and to the deterioration of the country's long-term economic outlook. The economic, political and social development of the countries is systematically monitored, and if the situation improves, it might potentially lead to a change in the country's investability.

A recent example of a change in investability is Ecuador, which was long a non-investable country in Aktia Asset Management's model, but whose recent development favoured a reconsideration of its situation. President Moreno, who came to power in 2017, has explicitly distanced himself from the former regime's policies, implementing both economic and political reforms and increasing cooperation with the international community. These factors enhance the improved long-term development outlook. For this reason, we have included Ecuador in our investment solutions for the interest markets in emerging countries.



## Responsible business activities

Corporate responsibility is integrated in Aktia's strategy and is a part of our day-to-day activities. Our goal is to work for the welfare of Finland and the Finns. Our activities are based on long-term returns. The prerequisites for this are our specialists' solid competence as well as responsible investment and financing solutions for our customers. In order to prevent over-indebtedness, we always offer financing solutions based on a comprehensive review of our customers' exposures. We are convinced that we can also use investments to influence the development of societies. For this reason, our responsibility is reflected both in our day-to-day investment solutions and in active ownership.

### We promote responsibility both locally and globally

Aktia's values, vision and mission support our responsibility efforts. We repay our customers' confidence on a daily basis. We want to be active in local communities within our area of business. What we do also has a global impact that becomes tangible in our investing activities.

Our responsibility efforts are governed by financial sector regulation, Aktia's Code of Conduct, our obligations and third-party assessments. We have committed ourselves to the United Nations Principles for Responsible

Investment (PRI) and signed CDP's initiatives Climate Change and Climate Action 100+. In 2017, we revised our principles for responsible investment and entered partnership with ISS-Ethix. ISS-Ethix uses standards-based screening to ensure that our investments remain responsible.

### The goals steer our work

We establish our responsibility goals through economic, social and environmental responsibility, and good governance. The particular goal of our economic responsibility is to achieve long-term profitability and maintain a functioning infrastructure of financial services. The goal of our social and environmental responsibility is to promote diversity, to manage resources efficiently and to reduce emissions. In the area of good governance, our goal is transparent administration.

We measure the achievement of the goals by conducting regular customer and staff surveys for our stakeholders. Our investing activities utilise several different indicators and metrics, such as EPI and CCPI. The carbon footprint of our equity funds is on average 50 % smaller than in general on the relevant reference market. Customer satisfaction has remained high. Our staff was affected by the major changes in our business model and organisation in 2017.

## Overall corporate responsibility objectives

### FINANCIAL RESPONSIBILITY

We are working for satisfied customers, long-term profitability, and good returns. We make financial decisions easier for our customers, their families and businesses. We provide financial advice to support a steady increase in the prosperity of our customers. We maintain a working infrastructure of financial services. We are accessible. We work for a sustainable national economy and for transparency, while combating corruption. We create and maintain responsible products and services.

### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

We work for a functioning society which respects diversity. We offer a versatile workplace where each individual is met with respect and is given the opportunity to grow and develop themselves. We work for the continuous improvement of the working environment, continuing professional development, diversity and equality. We support efficient resource management and strive to reduce emissions. With the aid of technology, we can take resource efficiency into account in our actions and thereby help to reduce the environmental impact. Our investing activities are governed by social and environmental aspects.

### GOOD GOVERNANCE

We strive for transparency and openness in our administration. In addition to complying with legislation in force and the company's articles of association, Aktia also follows the corporate governance code for listed companies issued by the Finnish Securities Market Association. The corporate governance report and can be found at [www.aktia.com](http://www.aktia.com).

## Aspects of responsibility in our business

### RESPONSIBLE BUSINESS

Aktia must be very stable and highly effective. We guarantee a high degree of availability and reliability performance through our digital channels. We focus on risk management and responsible product and service development. Aktia pursues responsible lending. We work to create a sustainable economy for our customers and increase their prosperity. Aktia takes part in work to prevent money laundering and corruption. Our business utilises various technologies to prevent irregularities. Aktia works to increase understanding for and knowledge about corporate responsibility within the Group and among our partners and service providers.

### VALUE FOR OUR CUSTOMERS

Aktia must be the best financial advisor. We have a high level of customer satisfaction, mutual confidence and a strong brand. Aktia helps its customers to grow by understanding their needs and by providing them with the right products and services. Aktia develops service models in order to better manage and safeguard our customers' finances through proactivity, responsible lending and good forward planning. Aktia has a high degree of digital accessibility and secure services. Aktia strives to improve customer satisfaction in all channels, to reach an NPS score above 50.

### VALUE FOR OUR STAFF

Aktia must be an attractive workplace. Our staff is committed and motivated and our management is good. We aim for continuing professional development and encourage our employees to grow in their roles. Aktia provides a versatile and interesting working environment with space for individual development. Aktia continues to focus on professional development and the transfer of knowledge in order to increase resource efficiency. Aktia aims for equal opportunities and diversity to secure competitiveness and expertise. Aktia is working to raise employee satisfaction and employer recommendation.

### VALUE FOR SOCIETY AND THE ENVIRONMENT

Aktia plays an important role in the local community as an employer and provider of financial services. We contribute to society by having stable finances. We want to be an active driving force in society and try to generate interest in important topics. Aktia is working to contribute to a more sustainable society through innovative products and services. Aktia is working to reduce its environmental and climate footprint caused by business travel. Aktia is working to reduce environmental impact through increased resource and energy efficiency. Aktia is working to increase knowledge in finance, especially among young people and young adults.

## Influence through dialogue

In January 2017, Aktia started a partnership with ISS-Ethix regarding standards-based screening and corporate influence. The service Aktia purchases from ISS-Ethix is called Pooled Engagement and can be described as a tool for investors to be active owners via dialogue with companies on issues and incidents associated with the environment, society and good governance. As a signatory to the United Nations Principles for Responsible Investment (PRI), we have, among other things, committed ourselves to be an active owner and include ESG aspects in our ownership procedures, and to report on our ESG activities. The partnership will help us to meet this requirement.

The corporate influence that ISS-Ethix provides for us and other investors is based on standards-based screening. Based on the UN Global Compact framework, this screening involves identifying companies that have acted in breach of international standards regarding environmental protection, human rights, labour law and corruption.

In its dialogue, Aktia requires companies to address and report on their handling of such problems and to take measures to improve their procedures in the future.

Every year, ISS-Ethix conducts approximately 100 influence discussions with companies globally. Aktia obtains access to all communications between ISS-Ethix and these companies via a reporting tool and via quarterly and annual reports that also evaluate the results of the influence discussions.

In addition to standards-based screening, there is also reviews of our portfolios regarding holdings in companies that are either directly or indirectly associated with controversial weapons (development, production or distribution). Different types of weapons covered by the screening include weapons of mass destruction (such as nuclear, biological and chemical weapons), cluster bombs and anti-personnel land mines.

### Examples of our influence

#### Dialogue as a force for change

Our partnership with ISS-Ethix in 2017 involved participation in almost 90 influence discussions with various companies.

#### Climate work through equity funds

The carbon footprint of eight of our audited equity funds is on average 50 % smaller than on the reference market.

Equity fund, tonnes CO <sub>2</sub> /euro	Portfolio	Comparison market	Diff., %
Aktia Capital	60	170	-65 %
Aktia Nordic	48	61	-22 %
Aktia Nordic Small Cap	25	90	-72 %
Aktia Nordic Micro Cap	35	90	-62 %
Aktia Europa	98	126	-22 %
Aktia Europe Small Cap	50	90	-45 %
Aktia America	39	58	-33 %
Aktia Global	25	117	-78 %
<b>Average</b>			<b>-50 %</b>



## Aktia's stakeholders

**Our stakeholders are a major resource for Aktia. We want to maintain an ongoing and open dialogue with our stakeholders in order to develop our activities. Aktia's stakeholder groups include customers, staff, shareholders and investors as well as various societal actors such as authorities, partners and the media.**

The whole of society from children to pensioners and the self-employed to institutional investors are represented among our customers. Aktia has approximately 318,000 private customers and just over 30,000 corporate customers and institutional customers. Aktia has approximately 900 employees and 32 customer service units. We are proud of our staff and want to promote diversity, gender equality and equality at Aktia.

Aktia has approximately 40,000 shareholders. Via our shareholders, a significant part of our revenues goes back to society in the form of subsidies and support. Through our activities, we are involved in all sectors of society. An open and transparent cooperation with authorities, partners and the media is important to us. We also want to be a significant actor in society at the local level.

Aktia listens to its stakeholders and involves them in developing its products and services as well as its corporate responsibility. Through an active dialogue with our stakeholders, we can become better at identifying those aspects of our operations that we must prioritise and improve. By doing this we keep up to date with their demands on and preferences for Aktia.

We undertake both ongoing and individual surveys, directed primarily at our customers, our staff and our shareholders. These surveys are supplemented with in-depth dialogue. Through systematic work with internal and external customer surveys we can find out what our customers think of us and our products and services.

In 2015 we undertook our first comprehensive stakeholder survey on corporate responsibility. Stakeholder surveys are undertaken regularly every few years. Just over 700 respondents took part in this. Alongside an online survey several in-depth interviews were carried out. A new stakeholder analysis will be performed in 2018.

We participate in various industry forums in order to discuss trends, challenges and opportunities. Aktia holds an active dialogue with the authorities. We meet with representatives for both the national and local media to discuss current topics. We take part in seminars, local events, trade fairs and projects, giving us an excellent opportunity to listen to and learn from our stakeholders.

Aktia's Chief Economist is responsible for the bank's macroeconomic analyses and forecasts. The Chief Economist publishes a quarterly Economic Overview and also participates regularly in the socio-economic debate.

We communicate actively with our stakeholders through a number of channels. The most important tools for communication are the company's website, social media, press and stock exchange releases, customer messages and regular customer information to selected customer groups.



## A sustainable offering

Aktia offers its customers a versatile range of investment and financing solutions tailored to customer needs. Our goal is to provide our customers with products and services that best satisfy their needs. We actively develop our service models and take into account the opportunities of digital transformation for improving our products and services.

### Versatile savings services based on customer needs

Aktia has a versatile range of savings services based on customer needs. The customer can save in a traditional savings account, invest in deposits and place assets in investment funds. Aktia provides first-rate asset allocation solutions. For private customers, the spearhead solution has been Aktia Profile Service, an actively managed allocation portfolio with a risk level that customers themselves have selected. The Profile Service's change in value is linked to an investment basket, whose core consists of funds managed by Aktia itself.

The assets under Aktia's management continued to grow in 2017 and, for the first time ever, managed assets exceeded 5 billion euros at the end of the year. The company also gained market shares during the year. During the year, Aktia Fund Management Company Ltd turned 30 and is one of the oldest fund management companies in Finland.

Aktia's new strategy rests upon three cornerstones; increasing and safeguarding its customers' assets, developing our service model and utilising digital transformation. Based on the strategy and our desire to offer customers simple, modern and cost-effective solutions, we have developed our range in 2017. These efforts are seen in products including new allocation funds and management portfolios with different risk levels.

During the year, work in the business area was done to implement several sets of regulation, such as MiFID II, IDD and PRIIPS. These sets of regulation have been introduced in order to increase market transparency and to strengthen investor protection. From early 2018, the new regulation will be visible to the customer mainly through the bank asking a greater number of more detailed questions in connection with the giving of investment advice. This is done to identify the customer's financial situation better than before. The customer will also receive a more transparent reporting of costs.

## Developed payment solutions and partnerships

Development in the area of payments is rapid, and Aktia offers its customers payment solutions in all channels. In addition to the traditional service channels, Aktia in partnership with Finland's biggest chain of convenience stores R-kioski offers bills payment in all the approximately 600 R-kioski stores in Finland. Irrespective of bank, private individuals can pay their bills at R-kioski.

We offer versatile card products to all our customers in Finland. We have payment solutions for everyone. If someone wants to give a payment sticker to their child or a prepaid card as a gift, they will find all these products with us. We have the widest range of card products on the Finnish market and a leading position in prepaid cards branded by international card companies (e.g. Visa or Mastercard) in Finland.

## Measures to combat money laundering

Aktia works continuously to identify and address central risks. Most risks relate to money laundering and the financing of terrorism. Money laundering legislation imposes stringent requirements regarding knowledge about customers and risk identification. As a responsible bank, Aktia strives to continuously monitor the changing market and behavioural models and to develop its processes for identifying and preventing all forms of misuse.

## Responsible financing solutions

Aktia offers several financing solutions for both private customers and companies. Housing loans are granted with a variable interest rate (Euribor), fixed interest rate or an interest rate ceiling. In addition, Aktia also offers consumer loans for various purposes as well as unsecured consumer loans. Housing and consumer loans can be supplemented with an insurance policy that secures the ability to repay in the event of unemployment or illness.

The area of borrowing has been affected by several sets of regulation. One of these is the Mortgage Credit Directive from 2016, which imposed further requirements for customer information and strengthened consumer protection. Summer 2016 also saw the introduction of a limit on the maximum loan to value ratio, a "loan ceiling", which limited leverage against housing collateral to 90 % for home buyers and 95 % for first-time home buyers. This loan ceiling was introduced to moderate the indebtedness of Finnish households.

For companies, Aktia offers versatile and flexible financing options, such as promissory note loans, interest subsidy loans, leasing, corporate account with credit and factoring. The best financing option is determined on the basis of the company's needs and situation. Most of the lending to companies is related to housing companies and to small and medium-sized companies.

Aktia is striving to digitalise its financing services and will gradually reduce the need for manual work, thereby freeing resources for customer service and advice.

## Readiness for change

Financing is a central part of our service offering at Aktia and it supports our efforts to create long-term customer relations. All lending is preceded by a detailed risk assessment that evaluates the customers' ability to repay and assures us that customers will be able to fulfil their obligations. Assessment of the ability to repay also considers interest rate risks, and we also investigate the long-term financial situation of customers. Repayment plans for housing loans are drawn up to allow the opportunity for adjustments.

At Aktia, customers are encouraged to save so that they create a buffer for unanticipated expenses or changes to their life situation. A current credit rating always forms the basis for every credit decision, and Aktia actively follows up all shifts in credit rating.

## Customer satisfaction an essential metric for activities

Customer satisfaction is one of the key indicators for how well customers are served at Aktia. According to EPSI Rating Finland (European Performance Satisfaction Index), the confidence of private customers in the banking sector has risen in the past year to 75 (71.2). For private customers, customer satisfaction in Aktia was 77.5 in 2017, the same level as in 2016 (77.3). However, confidence in the banking sector among corporate customers has risen to 79.9 (77.1). Aktia continuously strives to improve its customer satisfaction. Our goal is that customers feel well-received, regardless if they contact us in person at the branch office or do it online or by telephone.

Listening to the customers' opinions and wishes is a long-standing custom of Aktia. We chart and monitor customer satisfaction based on the focus themes in our sales and operational processes. In order to create a comprehensive idea of what our customers think about our staff, products and services, we monitor customer satisfaction using both internal and external surveys. Aktia's own customer satisfaction surveys give us a concrete idea of how customers experience the service they receive in our own channels, in the branch offices, by telephone and online. The internal surveys focus on specific channels and, therefore, they can be effectively utilised in managing the operations and sales activities. Aktia has chosen NPS (Net Promoter Score) as a common metric for all surveys.

The purpose of the external marketing surveys is to create a picture of our standing on the market. We monitor consumer perception and customer experiences of the bank, for instance, through customer panels which are administrated by external service providers. In addition, Aktia participates in the national EPSI survey, which acts as an external and unbiased metric of customer satisfaction.

The results of the customer surveys are reported regularly to segment managers and they are used as the basis for developing our customer service.

According to the surveys, Aktia's customers are very happy with their customer relationships. Aktia's strengths include friendliness, security, expertise and good handling of customers' problems, which is in line with our promise to provide responsible banking services. As development issues, Aktia has identified its accessibility through digital channels and the development of products and services.



## Handling customer feedback

Aktia has internal rules for handling customer feedback, which apply to the entire Group. The idea is that all customer feedback be registered in a system, which at the same time functions as a log for the measures taken. Customers can give feedback using a form on Aktia's website, by telephone or in person at a bank branch. Inquiries and service requests concerning the customer's personal banking are not to be managed via the customer feedback form but via the protected message function in online banking.

Aktia's executive management, Compliance, Risk Control and Internal Audit receive regularly a summary of the customer feedback and the corresponding measures taken. Aktia's customer service handles all customer feedback received via the online channel; customer response is otherwise in the first instance handled by the unit they apply to. All customer complaints are recorded and followed up as necessary. General information about how Aktia handles customer feedback is available on Aktia's website.

In 2017, Aktia has received approximately 1,700 feedback messages and suggestions through various channels. The content primarily applies to operational changes which in one way or another have affected customers. Based on the feedback in 2012–2017, Aktia's situation is very good. The result is in line with Aktia's marketing and customer satisfaction surveys, which have given excellent scores for customer satisfaction.

Furthermore, customer feedback is an important tool for developing Aktia's products and services. Customers have shown great appreciation for the customer service they receive through the various channels. Based on the spontaneous feedback, one of Aktia's major strengths is the friendly, personal and human service approach, which is also confirmed by our own customer surveys. Most of the criticism relates to service interruptions.

## Code of Conduct

To support its staff in their work Aktia has compiled the most important rules to be observed when they are carrying out their duties in a Code of Conduct. The Group's CoC includes rules regarding access to workplaces, the use of the Group's computer system, the role of staff as representatives of Aktia, managing one's own affairs and those of friends and family in Aktia, outside work, positions of trust, and on keeping Aktia's trade secrets confidential. Customer relationships are crucial to Aktia's business operations and because of this the CoC contains the most important rules related to the duty of confidentiality and the handling of complaints.

Based on the Group's internal regulations, the CoC constitutes the foundation of Aktia's corporate responsibility, which aims at providing responsible financial services to our customers.

All Aktia employees are instructed to observe the CoC. The Code lays great responsibility on each employee to maintain the customers' and the market's confidence in Aktia. Staff receive training on CoC issues on a regular basis.

The CoC urges all Group staff to report any infringement of CoC rules as well as unethical business methods or the suspicion of this (whistle blowing). Notification is made via the intranet and relayed to the heads of Aktia Compliance and Internal Audit. In 2017 no reports of infringements of this sort were received.

Observance of certain rules in the CoC is checked regularly by Compliance, while observance of other rules is subject to monitoring by the immediate supervisor or other person assigned to the task.

## International agreements

Aktia follows accepted international conventions and standards, such as the UN Universal Declaration of Human Rights, ILO conventions, OECD Guidelines for Multinational Enterprises, and the Rio Declaration on Environment and Development.

Aktia is a signatory to the United Nations Principles for Responsible Investment (PRI). Thus, Aktia has committed itself to focus on the environment, society and good asset management practice. The PRI principles are seen as a tool for developing Aktia's asset management activities in both those units that manage investment funds and discretionary customer assets, and in those areas where the bank's own investments are managed. The PRI also mean that Aktia can assist in achieving more responsible activities in those companies in which Aktia holds shares. Aktia is a member of FINSIF – Finland's Sustainable Investment Forum r.y.

## Responsible marketing

Aktia's marketing activities are governed by the principles of responsible marketing, the Finnish marketing law, as well as instructions issued by the Finnish Competition and Consumer Authority and the Financial Supervisory Authority.

In its marketing activities, Aktia aims at transparency and divulging such essential information about the products and services which may influence the customer's decision. As stipulated by national law and directives, Aktia has restricted its marketing targeted at persons under age. The restricted legal capacity of both minors and incapacitated persons with regard to signing contracts on certain bank services has been taken into account in marketing. No major infringements of the regulations and voluntary codes for marketing, advertising or sponsoring have been reported for 2017.

## Preventing money laundering and the financing of terrorism

Through a high level of business ethics and internal scrutiny Aktia shall prevent the Group, deliberately or by mistake, from contributing directly or indirectly to illegal activities, such as money laundering or the financing of terrorism. Aktia is obliged to have a good working knowledge of their customers and their banking, both when the customer relationship is initiated and while it is in place.

Aktia's internal regulatory frameworks, procedures, system support and training support staff in gaining knowledge about customers. In this way Aktia can ensure that Group companies or Group services are not utilised for money laundering or the financing of terrorism.

For the prevention of the financing of terrorism, Aktia's customer register and customer transactions are regularly checked against the sanctions lists published by various authorities. On a regular basis, Aktia's staff receive training in Group principles for preventing money laundering and the financing of terrorism.

## The organisation of responsibility issues

Aktia's various business areas are responsible for observing responsibility issues in day-to-day business operations. The activities are governed by Aktia's internal rules in which external regulations and regulatory requirements have been implemented.

The strategic goals and the principles of responsible business are laid down by Aktia's Executive Committee. Aktia observes its financial, social and environmental responsibilities in all business activities.

At Group level, the promotion of corporate responsibility is managed and coordinated by the Group's Chief Financial Officer (CFO) in cooperation with the Group Legal Counsel, who is responsible for the coordination of corporate responsibility in the Group.

The operational responsibility for observing corporate responsibility at Aktia rests on every employee of the Group. In this manner, it is duly integrated in the day-to-day work.

# Business model

Aktia Bank's business model is based essentially on offering private individuals and companies effective long-term asset management by brokering capital and offering financial solutions to private individuals and companies with financing needs.

## Net interest income constitutes a significant income item

Net interest income consists of the difference between our interest income and interest expenses in the income statement. Interest income is mainly driven by lending activities but also by liquidity management. Interest expenses are driven by items that finance lending activities and liquidity management. Lending activities and liquidity management are financed by lending from companies and private individuals, and by borrowing on the capital market via bonds and shareholder equity. In order to secure access to capital at a low cost, Aktia must have the confidence of both the public and the financial market. This is achieved through a controlled risk in lending activities.

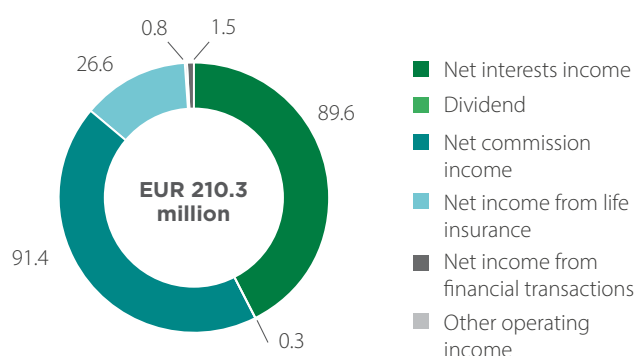
The investment margin, i.e. the net interest income in relation to the average balance sheet total, should be large enough to cover expenses such as administrative costs, returns on shareholder equity and any credit

losses for counterparties unable to pay their interest or make repayments. Credit losses are recognised under a separate item in the income statement. The development of both net interest income and credit losses has a strong link to the real economy and is thereby affected by factors such as GDP growth, interest rates and unemployment.

## Net commission income constitutes the biggest income item

Besides lending and borrowing, Aktia offers its customers a variety of services and products whose main revenues consist of various forms of fees. These revenues, adjusted for transaction costs, are recognised in the income statement under the item net commission income. Net commission income constitutes the biggest income item. Most of the net commission income is derived from various asset management services and products. Aktia's asset management includes customer assets of over 9 billion euros. Most of this is placed in Aktia's own funds. A percentage of deposited capital is charged as a fee for managing capital and covering costs, including staff. Revenues from funds are thus largely dependent on growth in the volume managed, which in turn is influenced by the development on the capital markets. Other significant commissions consist of fees levied in order to cover costs such as staff and other administrative costs for managing customer credit matters in lending activities and for handling payment traffic.

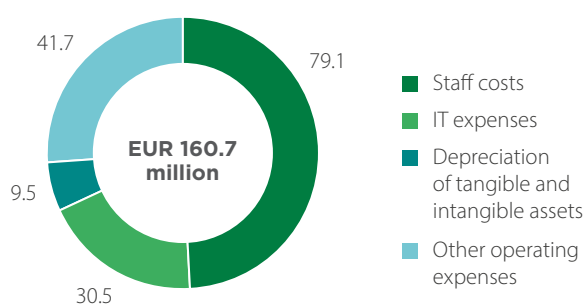
## Operating income 2017, EUR million



## Net income from life insurance consists of the income from Aktia's life insurance business

Aktia Life Insurance Company offers a comprehensive range of insurance policies for both private and corporate customers. Net income from life insurance consists of the actuarially calculated result and net income from investments. The actuarially calculated result describes the difference between the policy premium revenues paid in by customers and the insurance claims paid out to customers as well as the change in technical provisions, which describes the future claims provisions arising from the sold policies. Net income from investments describes the returns on those assets which are intended to cover the future insurance provisions.

## Operating expenses 2017, EUR million



## Staff and IT the biggest operating expenses

The Aktia Group's main operating expenses consist of salaries to the Group's employees. Besides the staff who are in direct contact with customers through various channels, a large number of people work with a variety of support tasks, such as IT development, risk management and financial reporting.

Other major cost items consist of IT and rental expenses for maintaining and developing the distribution network of offices and digital channels that Aktia provides for its customers.



## Staff and local cooperation

The year 2017 brought restructuring that also affected the staff as a whole. In August–September 2017, there were codetermination negotiations that led to the organisation being renewed, new roles defined and a total of 160 people receiving new duties. The changes demanded energy from the whole organisation, but we are now looking to the future.

### An attractive workplace

Aktia aims to be the best financial advisor for families and their businesses and the most attractive employer in the financial sector. To achieve these goals good relationships with both our customers and staff are required. It is important for Aktia that staff are seen and are committed and motivated. Good management has positive effects on both occupational health and a good working atmosphere. We want our employees to experience Aktia as a good workplace and to feel valued.

In 2017, we worked together with the entire staff to develop new values. The goal is that our new values – courageously, skilfully, together – will permeate our entire business operation. They form the basis of how we treat our customers, colleagues, partners and other stakeholders. The work on these values and what they mean for each of us in day-to-day activities will continue in 2018.

Within the framework of Aktia's growth strategy, two qualitative staff metrics have been defined in order to guarantee extensive expertise and to meet our objective of being the best financial advisor. One is that Aktia increases the number of certified salespeople. At the end of 2017 the proportion of certified salespeople at Aktia was approximately 80 %. Our objective is that the proportion of certified salespeople should be above 90 %. As a certified salesperson in Aktia the individual is to have met the diploma requirements set by the Federation of Finnish Financial Services for people working in customer services in the securities market. Examinations that form part of these diploma requirements include the General Securities Qualification (APV 1) and the Investment Adviser Qualification (APV 2). The diploma for authorised real estate broker (LKV), the insurance examination (VTS) and the advanced diploma in insurance (YVTS) have been included as metrics for certification.

The other metric is employer recommendation (eNPS). This matches our goal to be the most attractive employer in the financial sector. In the latest survey, the readiness of staff to recommend Aktia as an employer was 17. Our goal is for the employer recommendation to be above the average for the respondent group, which consists of 200 companies in the Nordic region and whose eNPS in the latest survey was 7.

In 2017, we focused on staff training and development of internal processes to make the transition to the new core banking environment and to the new sets of financial regulation as smooth as possible. Over the year we have also continued investing in management training and coaching.

## Broad skills

The changes in customer behaviour, the increasing digitalisation and the technological development make heavy demands on competence enhancement. Continuous, well-planned and needs-based training raises skills levels in the Group and strengthens the motivation of employees. Adequate skills are also important to well-being at work. The goal is extensive expertise at both an organisational and individual level so as to strengthen Aktia's competitiveness, contribute to Aktia's differentiation from its competitors and support Aktia's growth strategy. Aktia has a broad palette of various training modules, and many courses are arranged in a local setting in order to, among other things, reduce travel. On average, Aktia employees spent 3.7 (4.0) days in training in 2017. Aktia also has a broad range of external training, including language training provided to staff in order to secure a genuine equal use of Finnish and Swedish within the Group. The idea is that each employee is responsible for enhancing their own competence. All employees are encouraged to find new solutions and methods and to engage in an open dialogue with their colleagues and supervisors. The most important tool for securing competence enhancement within the Group are, however, the regularly held development reviews where the employee's individual development, goals and performance are discussed and assessed. The training platforms are improved and the number of available online courses has increased. Consequently, the amount of self-tuition and distance learning is increasing within the Group. The number of internal course days in 2017 was approximately 3,600 (4,100). In addition to this approximately 21 e-learning courses were carried out. A total of just over 610 (690) employees participated in the training.

## Occupational health and job satisfaction

The work environment is extremely important for the employees' day-to-day work and their job satisfaction. Aktia closely monitors job satisfaction using both occupational health surveys and staff well-being surveys. The aim is to establish a working culture geared towards job satisfaction. The most important factors behind job satisfaction and inspiration for the employees are experiencing success and feeling proud of your achievements. It is extremely important to feel that you have a good grasp of your tasks and that there is a balance between work and the private sphere. As an employer, Aktia supports the employees' individual resources, for instance, by providing training and health promotion measures.

## Good leadership

Committed and motivated employees and good leadership constitute the foundation of success in order to become the best financial advisor for our customers. All employees have the right to enjoy good leadership. A major proportion of the individual development takes place on the job; therefore, it is important that we create opportunities for our employees to do so.

Aktia continuously invests in strengthening management, including through regular management training and coaching. Management training is based on Aktia's strategy and values and capacity for leadership in change.

In 2018, Aktia will invest to a greater degree in staff commitment, leadership development and in renewing the internal metrics to support future initiatives.

Aktia employees place great importance on leadership in the organisation; the managers define clear targets, possess good decision-making abilities, have the ability to motivate, and have an interactive approach.

## Remuneration

Aktia's salary and remuneration system is aimed at supporting diverse expertise, collaboration and professional development, taking into account changing circumstances such as requirements on business development and changes to the company and to society. Aktia has a remuneration system based on fixed and variable components.

The Aktia Group remuneration policy describes the remuneration principles for management and other staff. Supporting good and efficient risk management, the remuneration policy is based on the principles of fairness and competitiveness.

Equality of treatment is a core principle of Aktia's HR management and remuneration policy. Aktia's aim is equal pay for equal work. Aktia as employer offers its employees competitive compensation. The contribution of our employees is necessary for Aktia to achieve sustainable earnings. To motivate its staff, Aktia aims to transfer some of its profits into the Personnel Fund each year. The Personnel Fund is a registered and independent legal entity owned by its members; its purpose is to receive and manage the profit-sharing provision paid annually into the Personnel Fund, depending on Aktia's business result. The outcome of the profit-sharing provision for 2017 is EUR 1.1 million. More detailed information on Aktia's remuneration system and the Group's accounts for remuneration of the Group Executive Committee and administrative organs is presented in G44 Related-party transactions.

## Cooperation between management and employees

Aktia aims at an open dialogue between the management and the employees. Approximately 85 (88) % of Aktia employees are covered by a collective bargaining agreement. Aktia has a cooperation delegation, which functions as a discussion forum for the Group's elected officials, occupational safety committee and where both the employees and the employer are represented. Aktia observes national legislation in all activities. In case of considerable changes in operations, Aktia complies with current labour legislation. According to law, in the event of a business transfer, the personnel shall be informed within a week from the transfer. Upon commencement of negotiations, employee representatives shall be given a written proposal for negotiations.



## Environmental responsibility and sustainable development

Aktia is working to contribute to a more sustainable society through innovative products and services. We work towards reducing our environmental and climate footprint in connection with business travel and endeavour to reduce our environmental impact through increased resource and energy efficiency.

However, Aktia's environmental impact is relatively small. Our direct environmental impact comes from the consumption of energy, materials, equipment, travel and transport. In recent years the digital trend has contributed to reduced environmental impact. One concrete measure is to reduce environmental stress including that caused by business travel. Aktia encourages the use of public transport instead of private cars for work-related travel and the use of telephone and video conferences to avoid unnecessary travel. Aktia endeavours to improve the routines for managing environmental issues and encourages the use of environmentally friendly solutions in day-to-day activities.

Aktia works to continuously raise awareness of environmental and sustainability issues within the company. We endeavour to reduce paper consumption by sending electronic mail instead of conventional letters. Customers and other stakeholders can receive account statements, customer brochures, insurance forms and financial reports by e-mail or through the online bank. Moreover, Aktia has created an electronic signature tool, which enables customers to sign agreements via online banking. Aktia is continuously working to create the conditions for the management of banking tasks via the digital channels.

Aktia has a relatively small supply chain. Our suppliers are mainly domestic service providers with some European exceptions. The annual procurement amount for supplier services is approximately EUR 68 million. Because Aktia has relatively few service providers, and most of these are domestic, the company has no formal process for auditing them. We are convinced that suppliers with high quality service delivery also take account of social, ethical and environmental factors in their business activities. The need for a formal audit process for suppliers is evaluated regularly.

# Report by the Board of Directors

## Aktia Bank's new strategy and financial objectives – focus on asset management and financing

At its meeting 17 October 2017, the Board of Directors approved the renewed strategy and the new financial objectives for Aktia Bank up until 2022. The new strategy is based on increasing and securing the customers' wealth over the long-term in an easy and sustainable way, focusing on customer experience in asset management and financing.

It is the strategic objective of Aktia Bank to develop its service model further in order to provide the customer segments, comprising private and corporate customers as well as institutions, with interactive comprehensive solutions, combining both individual service and user-friendly digital interfaces.

With new strategy changes will be applied to monitoring and reporting of strategic, prioritised business segments. The new segments will be based on the new business and service model.

Aktia Bank's new strategy has three keystones:

- Increase and secure our customers' wealth: We provide tailored solutions for investments and financing in an easy and sustainable way.
- Develop our service model: We enhance our specialist organisation and offer our customers advanced services and individual solutions.
- Use of digitalisation: We invest in flexible digital concepts and user interfaces through which we offer our services.

## Financial objectives up until 2022 and dividend policy

Aktia Bank's financial objectives up until 2022:

- 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 %)

Aktia Bank's dividend policy:

- Dividend payout 60–80 % of profit for the period after taxes

Previous financial objectives for the period up until 2018:

- Improve cost-to-income ratio by at least 10 %
- Improve Return on Equity (ROE) to at least 9 %
- Maintain a Common Equity Tier 1 Capital Ratio (CET1) of 15 % at a minimum
- Dividend payout of at least 50 % of the profit for the year

## Aktia Bank completed simplification of the company's administration structure

As a step towards simplification of the company's administration structure, the Extraordinary General Meeting of Aktia Bank plc did on 21 September 2017 take the decision to amend the bank's articles of association in order to abolish the Board of Supervisors. Thus, the responsibility to appoint the bank's Board of Directors will be transferred from the Board of Supervisors to the Annual General Meeting. A Nomination Board comprising representatives of the five largest shareholders will have the duty to prepare the election of and remuneration for members of the Board of Directors. The Extraordinary General Meeting adopted a Charter for the Shareholders' Nomination Board.

The amended articles of association were entered in the Trade Register on 22 September 2017.

## Codetermination negotiations

As a part of Aktia's transformation process codetermination negotiations with the personnel at Aktia Bank plc and Aktia Life Insurance Ltd started 4 September 2017 and were concluded 22 September 2017. Following the codetermination negotiations approx. 160 new job opportunities opened in the bank, and approx. 260 of the earlier jobs ended. The codetermination negotiations resulted in a decrease of 83 jobs.

## Aktia's new core banking system was implemented

The full-scale implementation of Aktia's new core banking system was completed during the first week of July. The project to replace the previous core banking system with modern, cost-efficient solutions, enhancing development of Aktia's digital services in the future, started at the end of 2013.

The total investment, including migration costs, amounted to EUR 65 million, and the total activated investment costs for the project amounted to EUR 62 million. However, the implementation step-by-step resulted in higher running IT costs in 2017. The cost savings brought by the new core banking platform materialised gradually at end of the year.

## Aktia Bank's Executive Committee renewed

To support Aktia's new strategy, the Executive Committee was renewed in order to strengthen customer focus and to transform business operations with the aim to increase profitability. The changes in the Executive Committee, entered into force during 2017, are presented in the section Board of Directors and Executive Committee of the Accounts announcement.

## Merger between Aktia Real Estate Mortgage Bank plc and Aktia Bank plc

aikaisemman tiedotuksen mukaisesti (pörsstitiedote 8.10.2015). Aktia Real Estate Mortgage Bank, a wholly owned subsidiary to Aktia Bank plc, was on 28 February 2017 merged with Aktia Bank plc in accordance with a previous Stock Exchange Release dated 8 October 2015.

## Aktia in the top of fixed income fund management again

Aktia Asset Management has been commended for good asset management several years in a row. Aktia came on third place in a customer survey conducted by the independent Scandinavian Financial Research (SFR) among institutional investors in 2017. In SFR's survey 2016, Aktia was on second place.

In 2017 Aktia got the appreciated Lipper Fund Award as best Nordic asset manager in the category "Overall Group Award, Small Company" (Thomson Reuters Lipper Fund Awards 2017), and third place in TNS Sifo Prospera's "External Asset Management Finland 2017". Further, Aktia has been successful as best interest fund manager in evaluations carried out by Morningstar.

## Business environment

The economy in Europe as well as the financial prognoses developed more positively than expected in 2017, and the European Central Bank has informed that it will ease the pace of its bond-buying stimulus program in 2018. Increases in the interest rates are, however, not expected until 2019. The low interest rates have reacted moderately on the central bank's guidance and the over one-year interest rates have increased slightly. Forward rate agreements expect interest rate levels to increase in 2019 and be clearly positive in longer maturities than one year. On the other hand, the continuing moderate inflation levels within the euro zone imply a more moderate interest level increase. The period with negative interest rates seems to be over.

According to Statistics Finland, inflation was 0.5 (1.0) % in December. In December, consumer prices increased compared to the year before, mainly due to increases in vehicle tax, higher prices on cigarettes and electricity as well as higher rents. The increase in consumer prices from one year ago was curbed by lower interest rates on housing loans among other things. Consumer prices were unchanged from November to December.

The index of consumer confidence in the economy continued strong, amounting to 24.0 (19.5) in December. The index for October–November was at 23.1 (15.8) and 23.0 (17.6) respectively. The long-time average was 12.2. (Statistics Finland)

According to Statistics Finland, housing prices increased in the whole country by 1.5 % in October–December compared with the corresponding period the previous year. In the Helsinki region, prices increased by 2.8 %, while they increased by 0.4 % in the rest of Finland.

Unemployment stood at 8.4 (7.9) % in December, corresponding to approximately 227,000 unemployed, 20,000 more than the year before. There were 48,000 more employed than in December the previous year. During the fourth quarter of the year, unemployment was 7.6 %, approximately 0.4 percentage points lower than in the corresponding period a year ago. (Statistics Finland)

The OMX Helsinki 25-index increased by approximately 5 % in January–December 2017, while the Nordic banking sector's PI-index decreased by approximately 4 %. The price of Aktia's series A share decreased by approximately 12 % during 2017.

### Key figures

Y-o-y	2018E*	2017E*	2016
<b>GDP growth, %</b>			
World	3.6	3.7	3.3
Euro area	2.1	2.3	1.8
Finland	2.6	3.1	1.9
<b>Consumer price index, %</b>			
Euro area	1.5	1.6	0.2
Finland	1.3	0.8	0.4
<b>Other key ratios, %</b>			
Development of real value of housing in Finland <sup>1</sup>	1.0	0.7	0.5
Unemployment in Finland <sup>1</sup>	8.4	8.7	8.8
<b>Interest rates<sup>2</sup>, %</b>			
ECB	0.00	0.00	0.00
10-y Interest rate, Finland	1.20	0.70	0.40
Euribor 12 months	-0.10	-0.19	-0.08
Euribor 3 months	-0.25	-0.33	-0.32

\*Aktia's chief economist's prognosis (24 January 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	-

## Profit

The Group's operating profit was EUR 49.1 (61.5) million. The Group's profit was EUR 39.3 (49.3) million. Operating profit excluding items affecting comparability was EUR 59.9 (57.5) million.

### Items affecting comparability

(EUR million)	2017	2016
Dividend from Suomen Luotto-osuuskunta	1.1	-
Income from the sale of Visa Europe	0.2	6.9
Write-down of shareholdings in Folksam Non-Life Insurance	-1.0	-
Phasing-out of Aktia Real Estate Mortgage Bank	-	-1.6
Costs for restructuring	-11.1	-1.4
<b>Total</b>	<b>-10.8</b>	<b>3.9</b>

## Income

Group operating income amounted to EUR 210.3 (211.3) million. Operating income excluding items affecting comparability amounted to EUR 210.0 (206.0) million.

Net interest income decreased by 6 % to EUR 89.6 (95.6) million. Net interest income from borrowing and lending improved by 14 % to EUR 69.1 (60.8) million. Continued low market interest rates and lower returns from the bank's liquidity portfolio resulted in a decrease of the Group's net interest income of EUR 8.7 million. Both derivatives and fixed-rate instruments are used to manage interest rate risk and the liquidity portfolio. Net interest income in unwound interest rate hedges decreased by EUR 1.5 million.

Net commission income increased by 15 % to EUR 91.4 (79.7) million. Commission income from mutual funds, asset management and securities brokerage increased by 23 % to EUR 54.2 (44.1) million. Card and other payment service commissions amounted to EUR 20.7 (20.4) million. Commission income from real estate agency increased by 11 % to EUR 7.9 (7.1) million.

Net income from life insurance increased by 8 % to EUR 26.6 (24.7) million. The increase is mainly attributable to increased actuarially calculated result and higher realised capital gains from the investment portfolio.

Net income from financial transactions amounted to EUR 0.8 (8.3) million, including a dividend from Suomen Luotto-osuuskunta EUR 1.1 million and paid as additional consideration in the sale of Visa Europe EUR 0.2 million. Previous year includes one-time gains of EUR 6.9 million from the sale of Visa Europe. In December 2017 a write-down of EUR 1.0 million was made in shares of Folksam Non-Life Insurance. Net income from hedge accounting was EUR -0.3 (-1.5) million. Previous year includes expenses of EUR 1.6 million arising from the phasing out of Aktia Real Estate Mortgage Bank. The comparable net income from financial transactions was EUR 0.5 (3.0) million, of which sales gains from the liquidity portfolio amounted to EUR 0.1 (2.7) million.

Other operating income was at EUR 1.5 (3.1) million. The previous year includes a one-time income amounting to EUR 1.1 million from the final settlement of the purchase sum for Saarisosäästöpankki.

## Expenses

Operating expenses increased by 8 % and amounted to EUR 160.7 (148.4) million. Operating expenses excluding items affecting comparability was EUR 150.0 (147.0) million.

Staff costs increased by 9 % and amounted to EUR 79.1 (72.3) million. The increase is attributable to costs for restructuring of EUR 9.2 (1.4) million. IT expenses increased by 7 % to EUR 30.5 (28.4) million due to higher operating costs. The depreciation of tangible and intangible assets was EUR 9.5 (8.2) million. Other operating expenses increased by 5 % to EUR 41.7 (39.6) million and include costs for restructuring of EUR 1.4 (-) million as well as Aktia's donations to various universities of EUR 0.5 (-) million.

Impairment of tangible assets amounting to EUR 0.5 million is attributable to restructuring costs in the third quarter.

## Write-downs on credits and other commitments

Write-downs on credits and other commitments amounted to EUR -0.6 (-2.2) million.

## Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of December was EUR 9,550 (9,486) million.

## Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 1,816 (1,794) million. The liquidity portfolio was financed with repurchase agreements to a value of EUR 146 (146) million.

At the end of December, the Bank Group's liquidity buffer was approximately equivalent to the estimated cash flow of finance from the wholesale market for 33 months.

The Liquidity Coverage Ratio (LCR) was 161 (209) %.

Liquidity coverage ratio (LCR)*	31 Dec 2017	31 Dec 2016
LCR %	161 %	209 %

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

## Borrowing

Deposits from the public and public sector entities was EUR 4,119 (4,164) million, corresponding to a market share of deposits of 3.5 (3.7) %.

In total, the value of the Aktia Group's issued bonds was EUR 2,451 (2,477) million. Of these, EUR 1,669 (1,685) million were covered bonds issued by Aktia Bank. As security for the issues, bonds with a value of EUR 2,110 (2,103) million were reserved at the end of December.

During the period, Aktia Bank has issued one senior unsecured bond worth EUR 300 million as part of its EMTN programme. The issue was made in order to replace a senior unsecured by the same size which was repaid at the beginning of October as well as to secure that the bank complies with future regulatory requirements.

## Lending

Total Group lending to the public amounted to EUR 5,839 (5,717) million at the end of December, an increase of EUR 121 million. Aktia's own loan book increased by EUR 340 million (6 %) to EUR 5,839 (5,499) million. The share of the loan book brokered by savings banks and POP Banks was transferred to the distributing banks by the end of May 2017.

Loans to private households accounted for EUR 4,714 (4,790) million or 80.7 (83.8) % of the total loan book.

The housing loan book increased by 4 % and amounted to EUR 4,655 (4,482) million, of which the share for households was EUR 3,971 (4,077) million. Aktia's new lending to private households increased to EUR 791 (778) million. At the end of December, Aktia's market share in housing loans to households stood at 4.2 (4.1) %.

Corporate lending accounted for 10.1 (9.5) % of Aktia's loan book. Total corporate lending amounted to EUR 592 (543) million. Loans to housing companies increased by 45 %, totalling EUR 491 (340) million and making up 8.4 (5.9) % of Aktia's total loan book. Other increase in corporate lending is mainly related to a couple of larger financing arrangements for Finnish companies.

### Loan book by sector

(EUR million)	31 Dec 2017	31 Dec 2016	Δ	Share, %
Households	4,714	4,790	-76	80.7 %
Corporates	592	543	49	10.1 %
Housing companies	491	340	152	8.4 %
Non-profit organisations	38	40	-2	0.6 %
Public sector entities	4	5	-1	0.1 %
<b>Total</b>	<b>5,839</b>	<b>5,717</b>	<b>121</b>	<b>100.0 %</b>

## Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Bank Group and other interest-bearing investments amounting to EUR 1,816 (1,794) million, the life insurance company's investment portfolio amounting to EUR 574 (600) million and the real estate and equity holdings of the Bank Group amounting to EUR 9 (9) million.

### Technical provisions

The life insurance company's technical provisions were EUR 1,217 (1,162) million, of which EUR 802 (719) million were unit-linked. Interest-related technical provisions decreased to EUR 415 (443) million.

## Equity

Aktia Group's equity amounted to EUR 598 (613) million. The fund at fair value decreased by EUR 16 million amounting to EUR 52 (67) million.

## Commitments

Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees, increased by EUR 25 million and amounted to EUR 553 (528) million.

## Managed assets

The Group's total managed assets amounted to EUR 12,281 (10,769) million.

Assets under management (AuM) comprise managed and brokered mutual funds and managed capital in the subsidiary companies in the Asset Management & Life Insurance segment, as well as Aktia Bank's Private Banking business. 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 Dec 2017	31 Dec 2016	Δ %
Assets under management (AuM)	9,679	8,063	20 %
Group financial assets	2,602	2,706	-4 %
<b>Total</b>	<b>12,281</b>	<b>10,769</b>	<b>14 %</b>

## 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 18.0 (19.5) %. After deductions, Common Equity Tier 1 capital decreased by EUR 14.2 million during the period which affected the CET1 capital ratio by -0.7 percentage points. The change is mainly attributable to the increase of intangible assets, the decrease in the fund at fair value as well as the dividend pay-out. At a total, risk-weighted commitments increased by EUR 82.5 million which reduced the CET1 capital ratio by 0.8 percentage points. During the period, risk-weighted assets grew as a result of an increase of corporate lending.

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 54 (56) % of the Bank Group's exposures are calculated according to the IRB approach. The work continues on migration to internal models for exposure to corporates and credit institutions.

Capital adequacy, %	31 Dec 2017 IRB	31 Dec 2016 IRB
<b>Bank Group</b>		
CET1 capital ratio	18.0	19.5
T1 capital ratio	18.0	19.5
Total capital ratio	23.4	26.3
<b>Aktia Bank</b>		
CET1 capital ratio	17.9	16.1
T1 capital ratio	17.9	16.1
Total capital ratio	23.2	21.7
<b>Aktia Real Estate Mortgage Bank</b>		
CET1 capital ratio	-	193.9
T1 capital ratio	-	193.9
Total capital ratio	-	193.9

The capital requirement of banking business increased at the beginning of 2015 as the requirement for capital conservation buffer and the countercyclical buffer requirement were introduced to Finland. The requirement for capital conservation buffer will increase the minimum requirement by 2.5 percentage points. The countercyclical buffer requirement will vary between 0.0 and 2.5 percentage points. The board of the Financial Supervisory Authority will decide quarterly the magnitude of the requirement for the countercyclical capital buffer on the basis of analysis of macroeconomic stability. The latest decisions on the requirement (22 December 2017) placed no countercyclical capital buffer requirement on the banks for Finnish exposures, and the policy for macroeconomic stability was not tightened up by other means either. The European Commission did not object to the decision taken earlier by the Finnish Financial Supervisory Authority 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. Thus the minimum level was applied as from 1 January 2018. At the end of the period, Aktia Bank Group's average risk weight on households' exposures with residential real estate collateral calculated according to the IRB approach was 13.0 (13.5) %, i.e. the minimum level of risk weight on residential mortgage loans would lead to a decrease of CET1 by approximately 0.7 percentage points.

The countercyclical buffer is calculated taking the geographic distribution of exposures into account. Authorities in some 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 0.06 % as per 31 December 2017, taking the geographic distribution of exposures into account. When taking its latest macro-prudential decision, the Financial Supervisory Authority also updated the list of Other Systemically Important Institutions (O-SIIs) in Finland, and set buffer requirements for them. No O-SII buffer requirement was set for Aktia.

The Financial Supervisory Authority has on 16 December 2016, supported by the Credit Institutions Act, set a consolidated buffer requirement based on assessment for Aktia. The requirement is based on the Financial Supervisory Authority's assessment (Supervisory Review and Evaluation Process, SREP). The buffer requirement amounts to a total of 1.75%, including concentration risk within credit risk and structural interest rate risk. For these there are no specific capital requirements 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 June 2017. Taking all buffer requirements into account, the minimum capital adequacy level for the Bank Group was 12.31 %, and 10.31 % for CET1 at the end of the period.

The Aktia Group has implemented IFRS 9 as of 1 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 4.5 (4.7) % based on end of quarter figures.

Leverage Ratio *	31 Dec 2017	31 Dec 2016
Tier 1 capital	375	390
Total exposures	8,259	8,206
<b>Leverage Ratio, %</b>	<b>4.5</b>	<b>4.7</b>

\* The leverage ratio is calculated based on end of quarter figures

During the second quarter the Financial Stability Board 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.

As of 1 January 2016, the life insurance company follows the Solvency II directive, in which the solvency calculations deviate from previous solvency requirements, as 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 December 2017, SCR amounted to EUR 85.1 (80.6) million, MCR to EUR 23.9 (24.4) million and the available capital to EUR 169.5 (144.7) million. Thus the solvency ratio was 199.2 (179.4) %. Without transitional measures SCR amounted to EUR 98.6 (80.8) million, MCR to EUR 26.1 (26.7) million and the available capital to EUR 116.3 (87.9) million. The solvency ratio without transitional measures was 117.9 (108.7) %. In the solvency figures 31 December 2017 the consideration of adjustments for deferred taxes has changed from previous periods, thus increasing SCR requirements. The transition to IFRS 9 had no impact on the solvency of Aktia Life Insurance.

The financial conglomerate's capital adequacy ratio was 164.5 (188.6) %. The financial conglomerate's capital adequacy decreased during the period, following the introduction of the SREP requirement. 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 segments: Banking Business, Asset Management & Life Insurance and Miscellaneous.

### Group operating profit by segment

(EUR million)	2017	2016	Δ %
Banking Business	33.5	44.3	-25 %
Asset Management & Life Insurance	28.1	21.5	30 %
Miscellaneous	-13.0	-5.1	-154 %
Eliminations	0.6	0.7	-19 %
<b>Total</b>	<b>49.1</b>	<b>61.5</b>	<b>-20 %</b>

## Banking Business

The segment Banking Business contributed EUR 33.5 (44.3) million to Group operating profit.

Operating income was EUR 162.2 (163.7) million, of which EUR 89.3 (95.3) million was net interest income. Net interest income from borrowing and lending has increased thanks to strong increase in the bank's own lending, lower interest rates on deposits and lower re-financing costs. However, the liquidity portfolio shows a decrease in interest income due to continuing low interest rates and lower yield.

Net commission income increased to EUR 71.0 (65.2) million, of which commission income from mutual funds, asset management and securities brokerage amounted to EUR 19.3 (16.4) million. The increase is mainly a result of strong net sales of mutual funds. Commission income from lending operations also increased to EUR 10.9 (10.1) million and commission income from Aktia real estate agency increased to EUR 7.9 (7.1) million.

Net income from financial transactions was EUR 0.5 (1.4) million. Sales gains from the liquidity portfolio amounted to EUR 0.1 (2.7) million.

Operating expenses were higher than the year before and totalled EUR 127.6 (117.1) million. Staff costs amounted to EUR 61.2 (55.7) million, including costs for restructuring of EUR 8.2 (1.4) million. IT-related expenses totalled EUR 25.4 (23.6) million. The increase in IT-related expenses is mainly attributable to higher operating costs due to the delayed implementation of the new core banking platform. Other operating expenses were higher than in the previous year and amounted to EUR 34.3 (32.2) million, including costs for restructuring of EUR 1.3 million from the codetermination negotiations and the restructuring of Aktia's branch network.

Write-downs on credits and other commitments amounted to EUR -0.6 (-2.2) million. The depreciation of tangible and intangible assets was EUR -0.5 (-) million.

Total savings by households increased to EUR 4,473 (4,412) million, of which household deposits were EUR 2,939 (3,032) million and savings by households in mutual funds were EUR 1,534 (1,380) million.

Aktia's lending to private households increased to EUR 4,714 (4,581) million. All loans brokered by savings banks and POP Banks were transferred to the distributing banks by 31 May 2017. The corporate customer loan book increased to EUR 585 (536) million. Lending to housing companies and non-profit organisations increased to EUR 529 (380) million. The increase is attributable to larger single credit arrangements.

Aktia Private Banking, which offers comprehensive individual investment services and legal advice, increased its customer assets by approximately 6 % to EUR 2,276 (2,154) million.

## Asset Management & Life Insurance

The segment Asset Management & Life Insurance contributed EUR 28.1 (21.5) million to Group operating profit.

Operating income for the segment was significantly higher than in the corresponding period the previous year and was EUR 53.7 (46.0) million. The capital market has continued to develop positively during the period. The equity markets in USA, Europe and Japan reaches new record levels. The commodity market has also been strong. The positive market development had a positive impact on sales and income for the year. The demand for Aktia Group's broad and competitive offering of investment solutions and products was good. Aktia was rewarded by for example Thompson Reuters as the best Nordic asset manager of equity funds (Overall Group Award, Small Company).

Aktia Fund Management Company's investment fund stock closed 2017 at an all-time high, over EUR 5.0 billion. The increase in Aktia Fund Management Company's fund stock during 2017 derives to 74 % from sales and to 26 % from increases in value on the market. Fund sales for the year reached a record level. Net sales totalled EUR 678 (219) million, of which the main part, i.e. EUR 536 million, is attributable to fixed-income funds on Emerging markets. Nordic equity funds and alternative investments were also well received by our customers, subscriptions of approximately EUR 67 million were made during the year. Net commission income from asset management was EUR 31.0 (24.8) million and net income from life insurance EUR 22.6 (21.2) million.

Premiums written in life insurance increased by 12 % year-on-year to EUR 125.2 (112.0) million. Premiums paid for interest-linked pensions insurance has decreased as expected. The sales of unit-linked savings policies was at a higher level than in the previous year. Unit-linked insurance comprises Aktia Profile investment service and the Allocation service+ and they contribute to 65 (56) % of premiums written.

Net income from life insurance investment activities amounted to EUR 16.4 (17.6) million. The decrease in net income from the investment portfolio was a result of lower investment returns and smaller net sales gains. The return on the company's investments based on market value was 1.8 (3.6) %.

Operating expenses increased slightly from the year before, and totalled EUR 25.7 (24.5) million. Staff costs amounted to EUR 13.1 (11.7) million, including costs for restructuring, amounting to EUR 1.0 (-) million. The expense ratio for the life insurance business was at a good level, 78.9 (81.9) %.

The value of assets managed by Aktia Asset Management & Life Insurance totalled EUR 7,962 (6,523) million.

(EUR million)	31 Dec 2017	31 Dec 2016	Δ %
Aktia Fund Management	5,138	4,238	21 %
Aktia Asset Management	8,236	6,796	21 %
Aktia Life Insurance	802	723	11 %
Eliminations	-6,214	-5,233	19 %
<b>Total</b>	<b>7,962</b>	<b>6,523</b>	<b>22 %</b>

Life insurance technical provisions totalled EUR 1,217 (1,162) million, of which allocations for unit-linked provisions were EUR 802 (719) million and interest-related provisions EUR 415 (443) million. Unit-linked provisions continued at a high level, amounting to 66 (62)% of total technical provisions. The average discount rate for the interest-linked technical provisions was 3.5 %. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which is used for hedging future interest requirements.

## Miscellaneous

The Miscellaneous segment encompasses certain administrative functions for Aktia Bank plc.

The segment's contribution to the Group's operating profit was EUR -13.0 (-5.1) million.

Operating income totalled EUR 1.8 (9.0) million. Net income from financial transactions was EUR 0.4 (6.9) million including a dividend from Suomen Luotto-osuuskunta EUR 1.1 million and paid as additional consideration in the sale of Visa Europe EUR 0.2 million. The previous year includes a one-time gain of EUR 6.9 million from the sale of Visa Europe. In December 2017 a write-down of EUR 1.0 million was made in shares of Folksam Non-Life Insurance. Other operating income decreased to EUR 0.1 (1.1) million. The previous year includes a one-time income amounting to EUR 1.1 million from the final settlement of the purchase sum for Saaristosäästöpankki.

Operating expenses amounted to EUR 14.8 (14.2) million, of which staff costs accounted for EUR 4.7 (4.9) million. The segment's IT expenses after cost allocations to the other segments were EUR 3.0 (2.7) million. Of the provision for the change of core banking system, a total of EUR 1.4 (0.9) million was released in the year. Thus, the provision is completely dissolved. Other operating expenses amounting to EUR 4.8 (4.6) million include Aktia's donations of EUR 0.5 million to various universities in its operating area.

## Valuation of financial assets

### Value changes reported through the income statement

Write-downs on financial assets amounted to EUR -2.5 (-0.9) million, attributable to permanent value decrease of interest and real estate funds and small private equity holdings as well as the Bank's shares and participations.

#### Write-downs on financial assets

(EUR million)	2017	2016
<b>Interest-bearing securities</b>		
Banking Business	-	-
Life Insurance Business	-	-0.1
<b>Shares and participations</b>		
Banking Business	-1.0	0.0
Life Insurance Business	-1.6	-0.8
<b>Total</b>	<b>-2.5</b>	<b>-0.9</b>

### Value changes reported through the fund at fair value

A value impairment that is not reported in the income statement, or an increase in the value that has not been realised, is reported through the fund at fair value. Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 51.5 (67.3) million after deferred tax.

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

## The fund at fair value

(EUR million)	31 Dec 2017	31 Dec 2016	Δ
<b>Shares and participations</b>			
Banking Business	1.3	1.3	0.0
Life Insurance Business	3.7	4.2	-0.6
<b>Direct interest-bearing securities</b>			
Banking Business	7.6	14.5	-6.9
Life Insurance Business	39.0	47.3	-8.3
Cash flow hedging	-0.1	-0.1	0.1
<b>Fund at fair value, total</b>	<b>51.5</b>	<b>67.3</b>	<b>-15.8</b>

## Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consists of reclassified interest-bearing securities reclassified in earlier years. Most of the reclassified securities have an AAA rating. Over the year new purchases to a value of EUR 148 million were made for the portfolio, while a total of EUR 222 million in securities matured during the year. As per 31 December 2017 the portfolio amounted to EUR 368 (445) million.

## Unwinding of hedging interest rate derivatives

In November 2012, the company unwound all of its interest rate derivatives for hedging purposes, i.e. to hedge the demand deposits and savings deposits (applying the EU 'carve-out' to hedge accounting). For these interest rate derivatives, the effective part of the market value has been compensated by a corresponding amount in the balance sheet item Deposits.

The unwound interest rate derivatives will have a positive impact on the net interest income up until the end of 2019. In 2017, the positive impact on net interest income amounted to EUR 14.4 million. In 2018, the positive impact on net interest income will amount to approximately EUR 10.3 million. The remaining positive impact on the result, amounting to approximately EUR 2.5 million, will be reported in the 2019.

The bank is maintaining its policy of actively hedging net interest income where this is considered justified in the long term with regard to the interest rate situation.

## Overview of risks and risk management

### General

The Group focuses primarily on banking, capital market and life insurance operations, and real estate agency services. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk are credit, counterparty, interest and liquidity risks in the Bank Group, interest and other market risks and actuarial risks in the life insurance business. All of these operations are exposed to business and operational risks.

## Credit and counterparty risks

Credit risks occur in banking operations, while counterparty risks occur in both banking and insurance operations. Together, these form the largest risks that the Group is exposed to. Aktia applies a credit policy that is based on an assessment of whether the debtor has a satisfactory ability to repay the debt. The majority of the loan portfolio consists of household loans secured against real estate. The customers' ability to repay the loans is stressed using a higher discount rate than the actual interest rate on the loan, and a reasonable decline in price is factored into the assessment of the collateral.

In the bank's corporate lending activities the focus is on risk management. For each customer, a credit assessment is made that includes a business and market analysis, and a forecast-based assessment of the borrower's ability to repay the loan. Collateral arrangements and contract-specific terms are also taken into account. Aktia attaches particular importance to training staff in corporate credit assessment. Staff are trained in analysing and forecasting corporate borrowers' financial position and operating environment.

At the end of 2017, household loans accounted for 80.7 (83.8) % of the total loan book while the share of corporate loans was 10.1 (9.5) %. The value of the total loan book at 31 December 2017 was EUR 5,839 million. Credit quality remained relatively high, with loans more than 90 days past due totalling EUR 36 (46) million during the year and representing 0.61 (0.79) % of the total loan book at year-end.

Counterparty risks occur in conjunction with investments and in relation to entering into derivative contracts for hedging purposes. These risks are managed through the requirement for satisfactory external ratings, conservative allocation and contractual collateral arrangements with daily collateral valuation and exchange.

## Market risks

No trading activities are carried out by the Aktia Group, which is why the market risks are structural in nature and occur due to differences in the balance sheet primarily relating to the interest terms of the loans and the periods for which interest rates are tied.

In the banking business, structural interest rate risks are managed actively through trading arrangements, either through hedging derivatives or investments in the liquidity portfolio or a combination of both, depending on the prevailing market conditions. At year-end, the Bank Group's liquidity portfolio and other interest-bearing investments had a total value of EUR 1,816 (1,794) million. Of the Bank Group's liquidity portfolio and other interest-bearing securities, 52 (50) % constituted investments in covered bonds, 15 (16) % constituted investments in banks, 32 (34) % constituted investments in the public sector (including state-guaranteed bonds and investments in supranational counterparties) and 1 (0) % were investments in companies.

The life insurance business is subject to Solvency II regulations, which affects the allocation of the investment portfolio. Of the investment portfolio, which stood at EUR 574 (600) million, 86.1 (85.6) % constituted investments in interest-bearing securities, 13.6 (14.0) % constituted investments in real estate and 0.3 (0.4) % constituted alternative investments.

## Financing and liquidity risks

At year-end, the Bank Group's liquidity position was very good, representing over 33 months of outgoing cash flow excluding new market borrowing. At year-end, the bank's outstanding covered bonds had a total value of EUR 1,647 (1,540) million. During the year, the bank issued a long-term unsecured senior loan of EUR 300 million. The loan was issued by replacing a unsecured senior loan of the same amount, which matured in autumn 2017. At year-end, long-term unsecured senior financing totalled EUR 769 (769) million.

Aktia Bank has a sizeable unused liquidity reserve through its ability to issue further covered bonds. At year-end, the bank had mortgage loan receivables that can be used as collateral totalling EUR 4,170 (4,280) million.

## Operational risks

The digitisation of service channels, for which the bank is increasingly taking over the IT operation, has created a situation where incidents and disruptions related to IT systems constitute serious operational risks for Aktia. Data security arrangements coupled with business continuity plans are the key risk management tools used to secure the operation of the systems. The bank can also be subject to information security incidents in the form of phishing for bank codes or the spread of malicious software. A number of phishing campaigns were conducted in 2017 but did not result in any losses for the bank. Aktia has standardised methods for handling such campaigns and is working with the authorities to bring those responsible to justice.

Detailed information about the Group's risks, capital and capital adequacy is presented in note G2.

A description of internal control, risks and risk management in the Aktia Group, including the disclosure requirements contained in the Capital Requirements Regulation, Chapter 8 (Pillar III), is provided in the group's Capital and Risk Management Report, which is published separately from the annual report on the Group's website, [www.aktia.com](http://www.aktia.com).

## 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.

On 21 September 2017, the Extraordinary General Meeting of Aktia Bank plc took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors. Before 21 September 2017, the members of the Board of Supervisors were included in Aktia Group's key persons. No other significant changes concerning related parties occurred during the year.

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

## Other events during the year

Aktia Bank plc divested 125,192 series A treasury shares as payment of remuneration for the Board of Directors and deferred instalments under the Share-Based Incentive Schemes' earning periods 2012-2013, 2013-2014, 2014-2015 and 2015-2016 as well as under the Share ownership scheme 2014-2017, earning period 2015-2016.

To the company's 26 members of the Board of Supervisors 40 % of the annual remuneration 2017 was paid in the form of Aktia A shares, a total of 7,037 shares.

During the period from 9 November to 4 December 2017, Aktia Bank plc purchased a total of 185,000 of its own series A shares in public trading in compliance with the rules of NASDAQ Helsinki Ltd. The acquired treasury shares have, and will continue to be used for the company's share-based incentive scheme and for the remuneration of members of the Board of Directors, mainly in 2018.

At the end of December the number of series A treasury shares held by the company was 237,440 and the number series R shares 6,658.

Anu Tuomolin (41), M.Sc. (Econ.), was appointed new HR Director and member of the Executive Committee of Aktia Bank plc. Anu Tuomolin comes from the post as HR Director at Accenture Finland. Anu Tuomolin took office 2 January 2018.

In the future, Aktia will provide services at 32 customer service units, of which 10 units will be competence centres (Espoo Tapiola, Helsinki Kolme Seppää, Karjaa, Oulu, Pietarsaari, Porvoo, Tampere, Turku, Vaasa Torikonttori and Vantaa Tikkurila). The regional competence centres are going to focus on advanced customer advice and proactive sales. The competence centres will support other branches in respective area.

Within the branch network of Aktia, a total of 10 branches were merged with nearby branches. The branches Bromarf, Espoon Keskus, Espoonlahti, Itäkeskus, Kannelmäki, Kerava, Oravainen, Sulva, Tenhola and Uusikaarlepyy closed at the end of 2017.

The companies Evry and Samlink announced on 29 March 2017 that Evry has signed a letter of intent to acquire Oy Samlink Ab. As part of these discussions, 50 banks currently serviced by Samlink would select EVRY's core banking solution as their future banking platform. Aktia implemented its own new core bank platform during the summer 2017, but still holds approximately 23 % of the shares in Samlink. In Aktia's balance sheet the shares have a book value of EUR 0 million. Aktia is not an active part in the on-going negotiations between Evry and Samlink. At present it's not possible to reliably estimate the effects of a possible transaction on Aktia's profit and financial position.

Aktia donated EUR 500,000 to various universities in its area of operations. Donations were given to the Aalto University, the University of Helsinki, the Hanken School of Economics, the University of Oulu, the University of Tampere, the University of Turku, the University of Vaasa and the Åbo Akademi University.

## Events after year-end

In its meeting on 31 January 2018, the Board of Directors of Aktia Bank Plc resolved to launch a new long-term share savings plan for Aktia's employees to support the implementation of Aktia's new strategy.

The AktiaUna Share Plan will be offered to approximately 800 Aktia employees, who will be offered an opportunity to save a proportion of their salaries (2-4 %, the members of the Group's Executive Committee, 7 %) and regularly acquire the company's A shares at a reduced price (-10 %). 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 on the basis of 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 A shares. As from 2018, the share savings plan will replace the annual savings into Aktia Group's personnel fund.

In addition to the above AktiaUna Share Plan, approximately 60 key employees can within the programme, including the Managing Director and the members of the Group's Executive Committee, be offered a possibility to participate in a performance-based share savings plan. This part of the programme would replace the 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 payable of the basis of 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 A shares.

Aktia Bank plc has on 15 January 2018, supported by a decision taken by the company's Board of Directors, 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 under the share-based incentive scheme as well as the share ownership programme to 24 key persons included in the share-based incentive scheme.

Following the divestment the number of series A treasury shares is 197,609 and series R treasury shares 6,658.

The Board of Directors decided 12 January 2018, following an initiative taken by the five largest shareholders of the company, to start preparations for combination of the company's two share series to be resolved upon by Aktia Bank's Annual General Meeting 2018. According to the proposal, the combination of the two share series shall be based on a provision be paid to the owners of R shares, corresponding to 12 % of the value of A shares.

## Staff and personnel fund

At the end of December 2017, the total number of full-time employees in Aktia Group stood at 804 (903). The average number of full-time employees in the year was 903 (925).

The Aktia Group's Personnel Fund is a reward system for all employees of the Group except members of the Executive Committee. For 2017, the Board of Directors of Aktia Bank Abp has decided that the achievement of an operating profit of EUR 61 million would generate a profit premium of 40 % of the maximum amount. The minimum distribution to the Personnel Fund is EUR 250,000 and the maximum distribution EUR 3 million.

## Incentive schemes for key personnel

Key employees of the Aktia Group are provided with a possibility to participate in the share-based incentive schemes, Share Based Incentive Scheme and Share Ownership Scheme, in compliance with the decision of Aktia Bank plc's Board of Directors. Both schemes aim to support the long-term strategy of the group, unify the objectives of the owners and key personnel, raise the value of the company and tie the key personnel to the company and offering them competitive incentives based on share ownership in Aktia Bank plc.

For more information on the incentive scheme see [www.aktia.com](http://www.aktia.com) > Corporate Governance > Remuneration.

## Board of Directors and Executive Committee

The Extraordinary General Meeting held on 21 September 2017 adopted the decision to extend the term of office of the current Board of Directors from the end of this calendar year up until the General Meeting 2018, that will appoint the members of the Board of Directors.

Aktia Bank plc's Board of Directors for 1 January 2017 – 10 April 2018:

- Chair Dag Wallgren, M.Sc. (Econ.)
- Vice chair Lasse Svens, M.Sc. (Econ.)
- Christina Dahlblom, M.Sc. (Econ.)
- Stefan Damlin, M.Sc. (Econ.)
- Sten Eklundh, M.Sc. (Econ.)
- Kjell Hedman, Business Economist
- Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)
- Arja Talma, M.Sc. (Econ.), eMBA

The members of Aktia Bank plc's Executive Committee were 31 December 2017:

- Martin Backman, M.Sc. (Technology) and M.Sc. (Economics), Managing Director
- Juha Hammarén, LL.M., Executive Vice President and COO
- Merja Sergelius, Executive Vice President; private customers and SMEs
- Anssi Rantala, Dr. Soc.Sc., Executive Vice President; Aktia Asset Management, Aktia Fund Management Company and Aktia Life Insurance
- Carola Nilsson, M.Sc. (Econ.), Executive Vice President; private banking
- Irma Gillberg-Hjelt, LL.M., Vice President; corporate customers
- Sam Olin, B.Sc. (Econ.), Vice President; premium customers
- Outi Henriksson, M.Sc. (Econ.), Chief Financial Officer; finance, treasury and investor relations
- Minna Miettinen, BBA, Chief Digital and Marketing Officer
- Juha Volotinen, M.Sc. (Econ.), Aktia's IT and data architecture
- Anu Tuomolin, M.Sc. (Econ.), HR. Anu Tuomolin took office 2 January 2018.

There is also a staff representative in the Executive Committee.

Director Mia Bengts, responsible for HR, Legal & Communications, stepped down from Aktia's Executive Committee 10 August 2017 to focus on the role as Corporate Counsel at Aktia in the future. Her areas of responsibility are governance, corporate and securities markets law as well as CSR.

Having completed the implementation of the new core banking system, director Magnus Weurlander, M. Sc. (Econ.), took a new position in Aktia. Weurlander is responsible for coordination and monitoring of strategic development projects within the Group. Simultaneously Weurlander resigned from Aktia's Executive Committee.

Previous members of the Executive Committee, Deputy Managing Director Taru Narvanmaa and CFO Fredrik Westerholm, left Aktia 5 May 2017. Deputy Managing Director Carl Petterson left Aktia on 25 April 2017 to become Managing Director of Veritas Pension Insurance.

## Decisions of Aktia Bank plc's Extraordinary General Meeting 21 September 2017

As a step towards simplification of the company's administration structure, the Extraordinary General Meeting of Aktia Bank plc took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors. Thus, the responsibility to appoint the bank's Board of Directors will be transferred from the Board of Supervisors to the Annual General Meeting. A Nomination Board comprising representatives of the five largest shareholders will have the duty to prepare the election of and remuneration for members of the Board of Directors. The Extraordinary General Meeting adopted a Charter for the Shareholders' Nomination Board.

The amended articles of association were entered in the Trade Register on 22 September 2017, thus abolishing the Board of Supervisors.

The Extraordinary General Meeting confirmed the decision taken by the Board of Supervisors to extend the term of office of the current Board of Directors from the end of this calendar year up until the Extraordinary General Meeting 2018 in order to facilitate a rhythm where the General Meeting elects the members of the Board of Directors and the Board's term of office runs from that General Meeting to the following General Meeting.

All proposals mentioned above are included in the Summons to the EGM published on the website [www.aktia.com](http://www.aktia.com) under About Aktia > Corporate Governance > Annual General Meeting > Extraordinary General Meeting.

## Shareholders' Nomination Board of Aktia Bank plc

In accordance with the Articles of Association of Aktia Bank plc registered 22 September 2017, a Nomination Board shall be appointed annually with the duty to prepare a proposal for members of the Board of Directors as well as for the remuneration of them to the Annual General Meeting. The Nomination Board comprises representatives of the five largest shareholders according to number of shares held. Further, the chairman of the Board of Directors participates in the work of the Nomination Board.

The composition of the Nomination Board up until 30 august 2018 is:

- Chancery counsellor Håkan Mattlin, appointed by Stiftelsen Tre Smeder
- Managing Director Carl Pettersson, appointed by the Pension Insurance Company Veritas
- Honorary Counsellor Magnus Bargum, appointed by The Society of Swedish Literature in Finland
- Chairman of the Board, Lars Hammarén, appointed by Oy Hammarén & Co Ab
- Honorary Counsellor Peter Boström, appointed by the Åbo Akademi University Foundation
- Chairman of the Board of Aktia Bank plc Dag Wallgren.

Håkan Mattlin was elected chairman of the Nomination Board.

The Nomination Board complies with a Charter set by the General Meeting and published at [www.aktia.com](http://www.aktia.com) under Corporate Governance.

## The proposals of the Shareholders' Nomination Board to the Annual General Meeting 2018

The Shareholders' Nomination Board has decided to present the following proposition to the Annual General Meeting of Aktia Bank plc on 10 April 2018:

The number of Board members is proposed to be seven, i.e. one less than the present eight members.

The Shareholders' Nomination Board proposes that the present members of the Board of Directors, Christina Dahlblom, Stefan Damlin, Catharina von Stackelberg-Hammarén, Lasse Svens and Arja Talma, subject to consent, be re-elected for a term continuing up until the end of the next Annual General Meeting.

The Board members Sten Eklundh and Kjell Hedman as well as the Chairman of the Board Dag Wallgren have informed that they are no longer available for election to members of the Board.

The Nomination board proposes that:

- MBA Maria Jerhamre Engström, with her consent, be elected to new member of the Board of Directors with the same term as above. Maria Jerhamre Engström, (b. 1969, Swedish citizen) has held several executive posts in banking, insurance and IT, the latest as CIO at the Länsförsäkringar Alliance and before that positions at SkandiaBanken
- M. Sc. (Econ.) Johannes Schulman, with his consent, be elected to new member of the Board of Directors with the same term as above. Johannes Schulman (b. 1970, Finnish citizen) is partner and Managing Director for Miltton Markets and he has earlier held several leading positions in the FIM Group, such as member of the Board of Directors and Managing Director, and before that positions at Deutsche Bank.

The Shareholders' Nomination Board proposes that the fees for the members of the Board of Directors be unchanged from last year.

- Chair EUR 61,200 p.a.
- Vice Chair EUR 34,650 p.a.
- Member EUR 27,140 p.a.

The Nomination Committee proposes that 40 % of the annual remuneration be paid to the members of the Board of Supervisors in the form of Aktia's A shares. The remuneration per attended meeting was kept unchanged at EUR 500 and EUR 1,000 per committee meeting for chairs of committees.

The proposals of the Shareholders' Nomination Board will be included in the summons of the Annual General Meeting, and be available at the company's website at [www.aktia.com](http://www.aktia.com).

## Board of Directors Proposals for the Annual General Meeting 2018

Following the improved Comparable Operating profit, the Board of Directors propose a dividend of EUR 0.57 (2016; 0.60 of which EUR 0.08 derived from one-off gains) per share. The proposed record date for the dividend will be 12 April 2018, and the dividend will be paid on 27 April 2017.

As recommended by the Board of Directors' Audit Committee, the Board of Directors propose to the AGM that the number of auditors for the accounting period 2018 be defined to one and that the APA firm KPMG Oy Ab be re-elected as auditor. KPMG Oy Ab has informed that APA Markus Tötterman would act as auditor-in-charge.

The recommendation given by the Board of Directors' Audit Committee is based on audit tenders for the company. In the tender process the company received tenders from the APA firms who were interviewed by the Audit Committee. Two finalists were chosen (KPMG and PWC). The Audit Committee found that KPMG Oy Ab complied best with the criteria given in the call for tenders, and therefore proposes that they will be chosen as auditor.

The auditors are proposed to be paid against invoices.

## Share capital and ownership

The share capital of Aktia Bank plc amounts to EUR 163 million, comprising a total of 46,706,723 A shares and 19,872,088 R shares, or 66,578,811 shares in all. The number of shareholders at the end of December 2017 was 39,757 (41,791). Foreign ownership was 0.1 (2.6) %. The number of unregistered shares was 765,829 (768,001).

On 31 December 2017, the Group held 237,440 (184,669) treasury A shares and 6,658 (6,658) treasury R shares.

The Board of Directors decided 12 January 2018, following an initiative taken by the five largest shareholders of the company, to start preparations for combination of the company's two share series to be resolved upon by Aktia Bank's Annual General Meeting 2018. According to the proposal, the combination of the two share series shall be based on a provision be paid to the owners of R shares, corresponding to 12 % of the value of A shares.

## Shares

Aktia Bank's trading codes are AKTAV for A shares and AKTRV for R shares. Each A share confers one vote, and each R share confers 20 votes. Otherwise, the shares confer the same rights.

Aktia's market value at 31 December 2017 was EUR 631 (720) million, a decrease of 12 % from the end of 2016. On 31 December 2017, the closing price for a series A share was EUR 9.11 (9.73) and for a series R share EUR 10.36 (13.40). The highest closing price for A series shares was EUR 10.95 (10.26) and the lowest EUR 8.76 (7.70). The highest price for the series R share was EUR 15.60 (16.00) and the lowest EUR 10.97 (9.59).

The average daily turnover in 2017, for series A shares, doubled from the previous year to EUR 396,990 (192,880) or 42,125 (21,028) shares. An average of 250 (111) transactions per day were carried out with series A shares.

The average daily turnover of R shares decreased, amounting to EUR 6,878 (13,716) or 560 (1 124) shares. An average of 3 (2) transactions per day were carried out with series R shares.

## Outlook and risks

### Outlook for 2018

The persistent low interest rate level and decreased income from previously unwound interest rate hedging (2012) will have a negative impact on total net interest income in 2018.

Commission income is expected to increase in 2018. Further, cost savings from 2017 are expected to have a positive impact on profitability.

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

**The comparable operating profit 2018 is expected to be approximately on the same level as the comparable operating profit in 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, asset 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 risk.

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 59.5 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 %)

## Publication of information

Aktia's information policy covers Aktia Bank plc and all subsidiaries. The information policy describes key principles for Aktia's communication with the capital market, mass media and other stakeholder groups. The information policy is published on Aktia's website, [www.aktia.com](http://www.aktia.com). All reports and communications published by Aktia Bank plc are also available on the website.

Aktia Bank plc meets its disclosure obligations in the form of publications. The main publications are:

- The annual report and interim reports, including the notes, contain financial information on the results and activities of the Aktia Group.
- The Corporate Governance Report contains information on the administration and administrative structure of the Aktia Group. The report follows the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association (the Finnish Corporate Governance Code 2015).
- The CSR Report contains information on how Aktia has implemented corporate social responsibility issues in its day-to-day activities and processes. The report provides a general picture of those material aspects which Aktia's stakeholders consider important for the activities of the bank. The report follows the guidelines of the Global Reporting Initiative (GRI).
- The Capital and Risk Management Report provides information about the Group's risk position and various types of risk as well as capital adequacy. The report covers the requirements set forth in the Capital Requirements Regulation (CRR), Part 8.
- Aktia Life Insurance publishes a Solvency and Financial Condition Report, which provides information on the company's financial position and solvency. The report will be published no later than 3 May 2018.
- Aktia will publish a report on non-financial information no later than 30 June 2018.

Aktia's website, [www.aktia.com](http://www.aktia.com), contains information on the Group's management, administration and remuneration systems. The Aktia Group's financial calendar with publication dates is also published on the website.

In their reports, banks are required to indicate where and in which publication the disclosures provided for in Part 8 of the Capital Requirements Regulation (EU) No. 575/2013 are published. More detailed information is provided in Appendix 6 to the Capital and Risk Management Report 2017.

## 5 year overview

(EUR 1,000)	2017	2016	2015	2014	2013
<b>Income statement</b>					
Net interest income	89,620	95,588	97,347	102,779	112,643
Net commission income	91,429	79,672	79,969	74,866	70,737
Net income from life-insurance	26,597	24,666	24,875	24,004	28,116
Net income from financial transactions	841	8,280	3,724	7,327	8,310
Other operating income	1,798	3,136	2,461	3,322	4,345
<b>Total operating income</b>	<b>210,284</b>	<b>211,341</b>	<b>208,376</b>	<b>212,298</b>	<b>224,150</b>
Staff costs	-79,057	-72,250	-72,652	-69,518	-77,689
IT expenses	-30,451	-28,352	-26,850	-26,324	-27,265
Depreciation of tangible and intangible assets	-9,465	-8,186	-8,123	-7,344	-6,774
Other operating expenses	-41,681	-39,627	-36,794	-41,265	-45,519
<b>Total operating expenses</b>	<b>-160,654</b>	<b>-148,414</b>	<b>-144,419</b>	<b>-144,451</b>	<b>-157,247</b>
Impairment of tangible and intangible assets	-534	-	-	-	-
Write-downs on credits and other commitments	-574	-2,198	-341	-1,729	-2,734
Share of profit from associated companies	597	738	599	2,195	1,216
<b>Operating profit</b>	<b>49,118</b>	<b>61,467</b>	<b>64,215</b>	<b>68,314</b>	<b>65,385</b>
Taxes	-9,778	-12,159	-12,646	-13,282	-13,030
<b>Profit for the year</b>	<b>39,340</b>	<b>49,308</b>	<b>51,569</b>	<b>55,031</b>	<b>52,354</b>
<b>Attributable to:</b>					
Shareholders in Aktia Bank plc	39,340	49,308	52,001	52,499	52,169
Non-controlling interest	-	-	-432	2,532	186
<b>Total</b>	<b>39,340</b>	<b>49,308</b>	<b>51,569</b>	<b>55,031</b>	<b>52,354</b>
<b>Comprehensive income</b>					
Profit for the year	39,340	49,308	51,569	55,031	52,354
Comprehensive income from items which can be transferred to the income statement	-15,750	-7,799	-28,906	22,886	-34,660
Comprehensive income from items which can not be transferred to the income statement	2,093	-503	48	339	-68
<b>Total comprehensive income for the year</b>	<b>25,683</b>	<b>41,006</b>	<b>22,711</b>	<b>78,257</b>	<b>17,626</b>
<b>Comprehensive income attributable to:</b>					
Shareholders in Aktia Bank plc	25,683	41,006	23,038	75,610	17,180
Non-controlling interest	-	-	-327	2,647	446
<b>Total</b>	<b>25,683</b>	<b>41,006</b>	<b>22,711</b>	<b>78,257</b>	<b>17,626</b>
<b>Balance sheet</b>					
Cash and balances with central banks	282,477	380,095	268,361	395,905	414,328
Financial assets reported at fair value through the income statement	-	-	-	-	102
Financial assets available for sale	1,925,358	1,840,526	2,197,648	2,375,417	2,256,506
Financial assets held until maturity	367,800	445,294	481,653	488,509	499,267
Derivative instruments	84,046	132,246	172,495	231,302	197,629
Loans and other receivables	5,888,674	5,760,460	5,900,156	6,461,808	6,897,349
Investments for unit-linked insurances	802,575	723,144	667,748	545,271	465,856
Other assets	199,071	204,213	193,482	208,476	202,769
<b>Total assets</b>	<b>9,550,000</b>	<b>9,485,978</b>	<b>9,881,543</b>	<b>10,706,688</b>	<b>10,933,806</b>
Deposits	4,812,963	4,673,148	4,396,818	4,755,748	4,892,982
Derivative instruments	33,559	54,254	86,176	113,196	128,595
Other financial liabilities	2,745,994	2,800,312	3,427,248	3,930,668	4,106,018
Technical provisions	1,217,328	1,162,446	1,130,463	1,025,417	965,870
Other liabilities	142,135	182,709	225,612	190,770	198,632
<b>Total liabilities</b>	<b>8,951,979</b>	<b>8,872,869</b>	<b>9,266,317</b>	<b>10,015,799</b>	<b>10,292,097</b>
Equity	598,022	613,108	615,226	690,890	641,709
<b>Total liabilities and equity</b>	<b>9,550,000</b>	<b>9,485,978</b>	<b>9,881,543</b>	<b>10,706,688</b>	<b>10,933,806</b>

## Key figures and ratios

	2017	2016	2015	2014	2013
Earnings per share (EPS), EUR	0.59	0.74	0.78	0.79	0.78
Total earnings per share, EUR	0.39	0.62	0.35	1.14	0.26
Dividend per share, EUR	0.57	0.60 <sup>1</sup>	0.54 <sup>2</sup>	0.48	0.42
Payout ratio, %	96.1	80.8 <sup>1</sup>	69.0 <sup>2</sup>	60.7	53.6
Equity per share (NAV), EUR <sup>3</sup>	9.02	9.24	9.26	9.39	8.67
Average number of shares (excluding treasury shares)	66,483,958	66,515,599	66,532,842	66,548,468	66,561,769
Number of shares at the end of the period (excluding treasury shares)	66,334,713	66,387,484	66,430,041	66,434,747	66,544,500
Return on equity (ROE), % <sup>3</sup>	6.5	8.0	7.9	8.3	8.1
Return on assets (ROA), % <sup>3</sup>	0.41	0.51	0.50	0.51	0.47
Cost-to-income ratio <sup>3</sup>	0.76	0.70	0.69	0.68	0.70
Common Equity Tier 1 capital ratio (Bank Group), %	18.0	19.5	20.7	14.6	-
Tier 1 capital ratio (Bank Group), %	18.0	19.5	20.7	14.6	12.3
Capital adequacy ratio (Bank Group), %	23.4	26.3	27.1	19.1	19.3
Risk-weighted commitments (Bank Group), EUR 1,000	2,080,185	1,997,682	1,998,768	3,263,318	3,463,456
Capital adequacy ratio, % (finance and insurance conglomerate)	164.5	188.6	226.7	216.5	198.6
Equity ratio, % <sup>3</sup>	6.3	6.3	6.3	6.4	5.8
Group financial assets, EUR 1,000 <sup>3</sup>	2,601,921	2,705,988	2,994,365	3,282,191	3,114,669
Assets under management, EUR 1,000 <sup>3</sup>	9,679,272	8,063,363	7,138,190	6,782,800	6,341,319
Borrowing from the public, EUR 1,000	4,118,544	4,164,289	3,921,993	3,979,188	3,797,477
Lending to the public, EUR 1,000	5,838,764	5,717,386	5,856,262	6,416,025	6,802,230
Premiums written before reinsurers' share, EUR 1,000 <sup>3</sup>	125,935	112,753	174,924	125,726	140,765
Expense ratio, % (life insurance company) <sup>3</sup>	78.9	81.9	83.8	81.5	88.3
Solvency ratio (according to Solvency II, life insurance company), % <sup>4</sup>	199,236	179,412	175,801	-	-
Own funds (Solvency II, life insurance company), EUR 1,000 <sup>4</sup>	169,490	144,660	143,220	-	-
Solvency ratio (according to Solvency I, life insurance company), % <sup>4</sup>	-	-	22.3	23.3	17.5
Solvency margin (according to Solvency I, life insurance company), EUR 1,000 <sup>4</sup>	-	-	130,423	133,397	99,044
Investments at fair value (life insurance company), EUR 1,000	1,342,758	1,293,517	1,225,742	1,135,207	1,091,811
Technical provisions for risk insurances and interest-related insurances, EUR 1,000	414,978	443,014	468,260	482,275	503,451
Technical provisions for unit-linked insurances, EUR 1,000	802,349	719,432	662,203	543,143	462,419
Group's personnel (FTEs), average number of employees	903	925	936	941	998
Group's personnel (FTEs), at the end of the period	804	903	920	932	967

1) Dividend of EUR 0.60 per share, of which EUR 0.08 were attributable to one-time gains

2) In addition to dividend, a return of capital of EUR 0.10 per share was paid

3) 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.

4) From 2016 onwards the life insurance company' solvency ratio is calculated according to Solvency II rules

Starting from 2015, the cost-to-income ratio is calculated for the whole Group. The comparative figure have been recalculated correspondingly.

## Basis of calculation

### Earnings per share (EPS), EUR

Profit for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

### Total earnings per share, EUR

Comprehensive income for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

### Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc / Number of shares at the end of the year

### Return on equity (ROE), %

Profit for the year / Average equity x 100

### Return on assets (ROA), %

Profit for the year / Average balance total x 100

### Cost-to-income ratio

Total operating expenses / Total operating income

### Common Equity Tier 1 capital ratio (Bank Group), %

Common Equity Tier 1 capital / Risk-weighted commitments x 100

### Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

### Capital adequacy ratio (Bank Group), %

Capital base (Tier 1 capital + Tier 2 capital) / Risk-weighted commitments x 100

The capital base is calculated in accordance with the EU requirements on capital adequacy.

### Risk-weighted commitments (Bank Group)

Total assets in the balance sheet and off-balance sheet items, including derivatives valued and risk-weighted in accordance with the EU requirements on capital adequacy.

The capital requirements for operational risks have been calculated and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

### Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) / Minimum requirement for the conglomerate's own funds (credit institution + insurance business) x 100

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates and its related degree.

### Equity ratio, %

Equity incl. non-controlling interest's share of equity / Average balance total x 100

### Group financial assets

The Bank Group's liquidity portfolio and the life insurance company's investment portfolio

### Assets under management

Assets under management and brokered mutual funds and assets managed by Aktia Fund Management Company, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance.

### Expense ratio, % (life insurance company)

(Operating costs + cost of claims paid) / Total expense loadings x 100

Total expense loadings are items which, according to actuarial calculations, should cover the costs. The operating costs do not include the re-insurers' commissions.

### Solvency ratio, % (according to Solvency II, life insurance company)

Solvency II capital / Solvency capital requirement (SCR) x 100

### Own funds (Solvency II capital, life insurance company)

The difference between assets and liabilities valued at fair value according to the law implemented from 2016

### Solvency ratio, % (according to Solvency I, life insurance company)

Solvency capital / (Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance) x 100

The technical provision is calculated after deduction of the re-insurers' share.

### Solvency margin (according to Solvency I, life insurance company)

The difference between assets and liabilities valued at fair value according to the law valid before 2016

# Aktia Bank Plc – Consolidated and parent company’s financial statements

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## Consolidated income statement

(EUR 1,000)	Note	2017	2016
Interest income		91,020	108,817
Interest expenses		-1,400	-13,229
Net interest income	G4	89,620	95,588
Dividends	G5	307	38
Commission income		102,485	90,014
Commission expenses		-11,056	-10,342
Net commission income	G6	91,429	79,672
Net income from life-insurance	G7	26,597	24,666
Net income from financial transactions	G8	841	8,280
Other operating income	G9	1,490	3,098
<b>Total operating income</b>		<b>210,284</b>	<b>211,341</b>
Staff costs	G10	-79,057	-72,250
IT expenses		-30,451	-28,352
Depreciation of tangible and intangible assets	G11	-9,465	-8,186
Other operating expenses	G12	-41,681	-39,627
<b>Total operating expenses</b>		<b>-160,654</b>	<b>-148,414</b>
Impairment of tangible and intangible assets	G26	-534	-
Write-downs on credits and other commitments	G21	-574	-2,198
Share of profit from associated companies		597	738
<b>Operating profit</b>		<b>49,118</b>	<b>61,467</b>
Taxes	G13	-9,778	-12,159
<b>Profit for the year</b>		<b>39,340</b>	<b>49,308</b>
<b>Attributable to:</b>			
Shareholders in Aktia Bank plc		39,340	49,308
<b>Total</b>		<b>39,340</b>	<b>49,308</b>
Earnings per share (EPS), EUR	G14	0.59	0.74
Earnings per share (EPS), EUR, after dilution	G14	0.59	0.74
<b>Operating profit excluding items affecting comparability:</b>			
Operating profit		49,118	61,467
Operating income:			
The sale of Visa Europe and dividend from Suomen Luottokunta		-1,298	-6,914
Write-down of shareholdings in Folksam Non-Life Insurance		966	-
Phasing out of Aktia Real Estate Mortgage Bank		-	1,600
Operating expenses:			
Expenses for restructuring		11,144	1,396
<b>Comparable operating profit</b>		<b>59,929</b>	<b>57,549</b>

## Consolidated statement of comprehensive income

(EUR 1,000)	Note	2017	2016
Profit for the year		39,340	49,308
<b>Other comprehensive income after taxes:</b>			
Change in valuation of fair value for financial assets available for sale		-20,451	-2,463
Change in valuation of fair value for financial assets held until maturity		7,614	-859
Change in valuation of fair value for cash flow hedging		69	-202
Transferred to the income statement for financial assets available for sale		-2,982	-4,276
Comprehensive income from items which can be transferred to the income statement		-15,750	-7,799
Defined benefit plan pensions		2,093	-503
Comprehensive income from items which can not be transferred to the income statement		2,093	-503
<b>Total comprehensive income for the year</b>		<b>25,683</b>	<b>41,006</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders in Aktia Bank plc		25,683	41,006
<b>Total</b>		<b>25,683</b>	<b>41,006</b>
Total earnings per share, EUR	G14	0.39	0.62
Total earnings per share, EUR, after dilution	G14	0.39	0.62
<b>Total comprehensive income excluding items affecting comparability:</b>			
Total comprehensive income		25,683	41,006
Operating income:			
The sale of Visa Europe and dividend from Suomen Luottokunta		-1,038	-5,531
Write-down of shareholdings in Folksam Non-Life Insurance		1,257	-
Phasing out of Aktia Real Estate Mortgage Bank		-	1,280
Operating expenses:			
Expenses for restructuring		8,915	1,117
<b>Comparable total comprehensive income</b>		<b>34,816</b>	<b>37,871</b>

## Consolidated balance sheet

(EUR 1,000)	Note	31 Dec 2017	31 Dec 2016
<b>Assets</b>			
Cash and balances with central banks	G17	282,477	380,095
Interest-bearing securities available for sale		1,797,199	1,739,259
Shares and participations available for sale		128,159	101,267
Financial assets available for sale	G18	1,925,358	1,840,526
Financial assets held until maturity	G19	367,800	445,294
Derivative instruments	G20	84,046	132,246
Lending to Bank of Finland and other credit institutions		49,910	43,074
Lending to the public and public sector entities		5,838,764	5,717,386
Loans and other receivables	G21	5,888,674	5,760,460
Investments for unit-linked insurances	G22	802,575	723,144
Investments in associated companies	G23	0	0
Intangible assets	G24	71,139	63,698
Investment properties	G25	55,195	58,057
Other tangible assets	G26	4,812	7,672
Accrued income and advance payments		38,862	46,568
Other assets		24,420	20,197
Total other assets	G27	63,283	66,764
Income tax receivables		456	208
Deferred tax receivables	G28	4,187	7,814
Tax receivables		4,643	8,022
<b>Total assets</b>		<b>9,550,000</b>	<b>9,485,978</b>
<b>Liabilities</b>			
Liabilities to Bank of Finland and credit institutions		694,419	508,860
Liabilities to the public and public sector entities		4,118,544	4,164,289
Deposits	G29	4,812,963	4,673,148
Derivative instruments	G20	33,559	54,254
Debt securities issued	G30	2,450,748	2,476,712
Subordinated liabilities	G31	235,200	243,596
Other liabilities to credit institutions	G32	60,045	74,504
Liabilities to the public and public sector entities	G33	-	5,500
Other financial liabilities		2,745,994	2,800,312
Technical provisions for risk insurances and interest-related insurances		414,978	443,014
Technical provisions for unit-linked insurances		802,349	719,432
Technical provisions	G34	1,217,328	1,162,446
Accrued expenses and income received in advance		53,700	53,337
Other liabilities		29,553	67,048
Total other liabilities	G35	83,253	120,385
Provisions	G36	-	1,406
Income tax liabilities		1,809	953
Deferred tax liabilities	G28	57,073	59,965
Tax liabilities		58,882	60,918
<b>Total liabilities</b>		<b>8,951,979</b>	<b>8,872,869</b>
<b>Equity</b>			
Restricted equity		214,533	230,283
Unrestricted equity		383,489	382,826
Shareholders' share of equity		598,022	613,108
<b>Equity</b>	G37	<b>598,022</b>	<b>613,108</b>
<b>Total liabilities and equity</b>		<b>9,550,000</b>	<b>9,485,978</b>

## Consolidated off-balance-sheet commitments

(EUR 1,000)	Note	31 Dec 2017	31 Dec 2016
<b>Off-balance sheet commitments</b>	G41		
Guarantees		31,704	30,817
Other commitments provided to a third party		7,325	807
Commitments provided to a third party on behalf of the customers		39,029	31,624
Unused credit arrangements		505,190	495,618
Other commitments provided to a third party		8,806	413
Irrevocable commitments provided on behalf of customers		513,996	496,032
<b>Total</b>		<b>553,025</b>	<b>527,655</b>

## Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Total equity
<b>Equity as at 1 January 2016</b>	<b>163,000</b>	<b>75,081</b>	<b>2,143</b>	<b>115,113</b>	<b>259,889</b>	<b>615,226</b>
Acquisition of treasury shares					-1,716	-1,716
Divestment of treasury shares				-140	1,521	1,381
Dividend to shareholders					-35,946	-35,946
Capital return to shareholders				-6,657		-6,657
Profit for the year					49,308	49,308
Financial assets available for sale		-6,738				-6,738
Financial assets held until maturity		-859				-859
Cash flow hedging		-202				-202
Defined benefit plan pensions					-503	-503
Total comprehensive income for the year		-7,799			48,804	41,006
Other change in equity			-186			-186
<b>Equity as at 31 December 2016</b>	<b>163,000</b>	<b>67,283</b>	<b>1,957</b>	<b>108,316</b>	<b>272,552</b>	<b>613,108</b>
<b>Equity as at 1 January 2017</b>	<b>163,000</b>	<b>67,283</b>	<b>1,957</b>	<b>108,316</b>	<b>272,552</b>	<b>613,108</b>
Acquisition of treasury shares				-	-1,703	-1,703
Divestment of treasury shares				84	1,216	1,300
Dividend to shareholders					-39,908	-39,908
Profit for the year					39,340	39,340
Financial assets available for sale		-23,433				-23,433
Financial assets held until maturity		7,614				7,614
Cash flow hedging		69				69
Defined benefit plan pensions					2,093	2,093
Total comprehensive income for the period		-15,750			41,433	25,683
Other change in equity			-458			-458
<b>Equity as at 31 December 2017</b>	<b>163,000</b>	<b>51,533</b>	<b>1,499</b>	<b>108,400</b>	<b>273,590</b>	<b>598,022</b>

## Consolidated cash flow statement

(EUR 1,000)	2017	2016
<b>Cash flow from operating activities</b>		
Operating profit	49,118	61,467
Adjustment items not included in cash flow	875	-7,035
Paid income taxes	-4,864	-4,745
<b>Cash flow from operating activities before change in receivables and liabilities</b>	<b>45,129</b>	<b>49,687</b>
<b>Increase (-) or decrease (+) in receivables from operating activities</b>	<b>-226,200</b>	<b>491,145</b>
Financial assets available for sale	-118,561	344,167
Financial assets held until maturity, increase	-147,339	-
Financial assets held until maturity, decrease	222,000	42,700
Loans and other receivables	-107,832	139,215
Investments for unit-linked insurances	-79,431	-55,396
Other assets	4,963	20,459
<b>Increase (+) or decrease (-) in liabilities from operating activities</b>	<b>164,788</b>	<b>-304,049</b>
Deposits	154,214	290,475
Debt securities issued	353	-552,155
Other financial liabilities	-19,959	-78,821
Technical provisions	54,882	31,983
Other liabilities	-24,702	4,469
<b>Total cash flow from operating activities</b>	<b>-16,284</b>	<b>236,782</b>
<b>Cash flow from investing activities</b>		
Investments in group companies and associated companies	-3,593	-1,022
Proceeds from sale of group companies and associated companies	10,393	-63,317
Investment in investment properties	-2,806	-4,392
Investment in tangible and intangible assets	-14,604	-19,158
Proceeds from sale of tangible and intangible assets	24	4
<b>Total cash flow from investing activities</b>	<b>-10,587</b>	<b>-87,884</b>
<b>Cash flow from financing activities</b>		
Subordinated liabilities, increase	18,389	48,776
Subordinated liabilities, decrease	-26,784	-40,227
Dividend/share issue to the non-controlling interest	-1,086	-1,146
Acquisition of treasury shares	-1,703	-1,716
Divestment of treasury shares	1,300	1,381
Paid dividends	-39,908	-35,946
Paid capital return	-	-6,657
<b>Total cash flow from financing activities</b>	<b>-49,792</b>	<b>-35,534</b>
<b>Change in cash and cash equivalents</b>	<b>-76,662</b>	<b>113,363</b>
Cash and cash equivalents at the beginning of the year	396,779	283,415
Cash and cash equivalents at the end of the year	320,116	396,779
<b>Cash and cash equivalents in the cash flow statement consist of the following items:</b>		
Cash in hand	4,753	7,025
Bank of Finland current account	277,723	373,070
Repayable on demand claims on credit institutions	37,640	16,684
<b>Total</b>	<b>320,116</b>	<b>396,779</b>
<b>Adjustment items not included in cash flow consist of:</b>		
Impairment of financial assets available for sale	2,522	871
Write-downs on credits and other commitments	574	2,198
Change in fair values	4,898	-331
Depreciation and impairment of tangible and intangible assets	9,999	8,186
Sales gains and losses from tangible and intangible assets	-815	-
Unwound fair value hedging	-14,400	-15,946
Change in provisions	-1,406	-930
Change in fair values of investment properties	-582	80
Change in share-based payments	-1,305	-856
Other adjustments	1,390	-307
<b>Total</b>	<b>875</b>	<b>-7,035</b>

## Quarterly trends in the Group

(EUR 1,000)	4Q2017	3Q2017	2Q2017	1Q2017	2017
Net interest income	21,832	21,546	22,856	23,385	89,620
Dividends	-	5	298	5	307
Commission income	26,539	24,995	27,451	23,500	102,485
Commission expenses	-2,830	-3,005	-2,867	-2,354	-11,056
Net commission income	23,709	21,990	24,584	21,145	91,429
Net income from life-insurance	7,377	6,422	5,789	7,010	26,597
Net income from financial transactions	-610	94	104	1,252	841
Other operating income	355	225	600	309	1,490
<b>Total operating income</b>	<b>52,663</b>	<b>50,281</b>	<b>54,232</b>	<b>53,107</b>	<b>210,284</b>
Staff costs	-17,927	-22,076	-21,143	-17,911	-79,057
IT expenses	-8,004	-6,721	-7,955	-7,771	-30,451
Depreciation of tangible and intangible assets	-2,979	-3,129	-1,668	-1,689	-9,465
Other operating expenses	-13,049	-9,764	-8,977	-9,890	-41,681
<b>Total operating expenses</b>	<b>-41,960</b>	<b>-41,689</b>	<b>-39,743</b>	<b>-37,262</b>	<b>-160,654</b>
Impairment of tangible and intangible assets	0	-534	-	-	-534
Write-downs on credits and other commitments	-444	-24	-56	-50	-574
Share of profit from associated companies	-	-	-	597	597
<b>Operating profit</b>	<b>10,259</b>	<b>8,034</b>	<b>14,433</b>	<b>16,392</b>	<b>49,118</b>
Taxes	-2,056	-1,548	-3,264	-2,909	-9,778
<b>Profit for the period</b>	<b>8,203</b>	<b>6,486</b>	<b>11,168</b>	<b>13,483</b>	<b>39,340</b>
<b>Attributable to:</b>					
Shareholders in Aktia Bank plc	8,203	6,486	11,168	13,483	39,340
<b>Total</b>	<b>8 203</b>	<b>6 486</b>	<b>11 168</b>	<b>13 483</b>	<b>39 340</b>
Earnings per share (EPS), EUR	0.12	0.10	0.17	0.20	0.59
Earnings per share (EPS), EUR, after dilution	0.12	0.10	0.17	0.20	0.59
<b>Operating profit excluding items affecting comparability:</b>					
Operating profit	10,259	8,034	14,433	16,392	49,118
Operating income:					
The sale of Visa Europe and dividend from Suomen Luottokunta	-	-158	-	-1,140	-1,298
Write-down of shareholdings in Folksam Non-Life Insurance	966	-	-	-	966
Operating expenses:					
Expenses for restructuring	190	7,834	2,423	697	11,144
<b>Comparable operating profit</b>	<b>11,415</b>	<b>15,710</b>	<b>16,856</b>	<b>15,948</b>	<b>59,929</b>

## Quarterly trends of comprehensive income

(EUR 1,000)	4Q2017	3Q2017	2Q2017	1Q2017	2017
Profit for the period	8,203	6,486	11,168	13,483	39,340
<b>Other comprehensive income after taxes:</b>					
Change in valuation of fair value for financial assets available for sale	-3,874	-643	-6,367	-9,566	-20,451
Change in valuation of fair value for financial assets held until maturity	1,272	-296	2,018	4,620	7,614
Change in valuation of fair value for cash flow hedging	-3	84	19	-31	69
Transferred to the income statement for financial assets available for sale	-2,069	-225	-178	-510	-2,982
Comprehensive income from items which can be transferred to the income statement	-4,675	-1,079	-4,508	-5,488	-15,750
Defined benefit plan pensions	2,400	-	-	-307	2,093
Comprehensive income from items which can not be transferred to the income statement	2,400	-	-	-307	2,093
<b>Total comprehensive income for the period</b>	<b>5,929</b>	<b>5,407</b>	<b>6,660</b>	<b>7,687</b>	<b>25,683</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders in Aktia Bank plc	5,929	5,407	6,660	7,687	25,683
<b>Total</b>	<b>5,929</b>	<b>5,407</b>	<b>6,660</b>	<b>7,687</b>	<b>25,683</b>
Total earnings per share, EUR	0.09	0.08	0.10	0.12	0.39
Total earnings per share, EUR, after dilution	0.09	0.08	0.10	0.12	0.39
<b>Total comprehensive income excluding items affecting comparability:</b>					
Total comprehensive income	5,929	5,407	6,660	7,687	25,683
Operating income:					
The sale of Visa Europe and dividend from Suomen Luottokunta	-	-126	-	-912	-1,038
Write-down of shareholdings in Folksam Non-Life Insurance	1,257	-	-	-	1,257
Operating expenses:					
Expenses for restructuring	152	6,267	1,939	557	8,915
<b>Comparable total comprehensive income</b>	<b>7,337</b>	<b>11,548</b>	<b>8,598</b>	<b>7,332</b>	<b>34,816</b>

## Key figures and ratios

	2017	2016	2015	2014	2013
Earnings per share (EPS), EUR	0.59	0.74	0.78	0.79	0.78
Total earnings per share, EUR	0.39	0.62	0.35	1.14	0.26
Dividend per share, EUR	0.57	0.60 <sup>1</sup>	0.54 <sup>2</sup>	0.48	0.42
Payout ratio, %	96.1	80.8 <sup>1</sup>	69.0 <sup>2</sup>	60.7	53.6
Equity per share (NAV), EUR <sup>3</sup>	9.02	9.24	9.26	9.39	8.67
Average number of shares (excluding treasury shares)	66,483,958	66,515,599	66,532,842	66,548,468	66,561,769
Number of shares at the end of the period (excluding treasury shares)	66,334,713	66,387,484	66,430,041	66,434,747	66,544,500
Return on equity (ROE), % <sup>3</sup>	6.5	8.0	7.9	8.3	8.1
Return on assets (ROA), % <sup>3</sup>	0.41	0.51	0.50	0.51	0.47
Cost-to-income ratio <sup>3</sup>	0.76	0.70	0.69	0.68	0.70
Common Equity Tier 1 capital ratio (Bank Group), %	18.0	19.5	20.7	14.6	-
Tier 1 capital ratio (Bank Group), %	18.0	19.5	20.7	14.6	12.3
Capital adequacy ratio (Bank Group), %	23.4	26.3	27.1	19.1	19.3
Risk-weighted commitments (Bank Group), EUR 1,000	2,080,185	1,997,682	1,998,768	3,263,318	3,463,456
Capital adequacy ratio, % (finance and insurance conglomerate)	164.5	188.6	226.7	216.5	198.6
Equity ratio, % <sup>3</sup>	6.3	6.3	6.3	6.4	5.8
Group financial assets, EUR 1,000 <sup>3</sup>	2,601,921	2,705,988	2,994,365	3,282,191	3,114,669
Assets under management, EUR 1,000 <sup>3</sup>	9,679,272	8,063,363	7,138,190	6,782,800	6,341,319
Borrowing from the public, EUR 1,000	4,118,544	4,164,289	3,921,993	3,979,188	3,797,477
Lending to the public, EUR 1,000	5,838,764	5,717,386	5,856,262	6,416,025	6,802,230
Premiums written before reinsurers' share, EUR 1,000 <sup>3</sup>	125,935	112,753	174,924	125,726	140,765
Expense ratio, % (life insurance company) <sup>3</sup>	78.9	81.9	83.8	81.5	88.3
Solvency ratio (according to Solvency II, life insurance company), % <sup>4</sup>	199,236	179,412	175,801	-	-
Own funds (Solvency II, life insurance company), EUR 1,000 <sup>4</sup>	169,490	144,660	143,220	-	-
Solvency ratio (according to Solvency I, life insurance company), % <sup>4</sup>	-	-	22.3	23.3	17.5
Solvency margin (according to Solvency I, life insurance company), EUR 1,000 <sup>4</sup>	-	-	130,423	133,397	99,044
Investments at fair value (life insurance company), EUR 1,000	1,342,758	1,293,517	1,225,742	1,135,207	1,091,811
Technical provisions for risk insurances and interest-related insurances, EUR 1,000	414,978	443,014	468,260	482,275	503,451
Technical provisions for unit-linked insurances, EUR 1,000	802,349	719,432	662,203	543,143	462,419
Group's personnel (FTEs), average number of employees	903	925	936	941	998
Group's personnel (FTEs), at the end of the period	804	903	920	932	967

1) Dividend of EUR 0.60 per share, of which EUR 0.08 were attributable to one-time gains

2) In addition to dividend, a return of capital of EUR 0.10 per share was paid

3) 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.

4) From 2016 onwards the life insurance company' solvency ratio is calculated according to Solvency II rules

Starting from 2015, the cost-to-income ratio is calculated for the whole Group. The comparative figure have been recalculated correspondingly.

## Basis of calculation

### Earnings per share (EPS), EUR

Profit for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

### Total earnings per share, EUR

Comprehensive income for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

### Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc / Number of shares at the end of the year

### Return on equity (ROE), %

Profit for the year / Average equity x 100

### Return on assets (ROA), %

Profit for the year / Average balance total x 100

### Cost-to-income ratio

Total operating expenses / Total operating income

### Common Equity Tier 1 capital ratio (Bank Group), %

Common Equity Tier 1 capital / Risk-weighted commitments x 100

### Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

### Capital adequacy ratio (Bank Group), %

Capital base (Tier 1 capital + Tier 2 capital) / Risk-weighted commitments x 100

The capital base is calculated in accordance with the EU requirements on capital adequacy.

### Risk-weighted commitments (Bank Group)

Total assets in the balance sheet and off-balance sheet items, including derivatives valued and risk-weighted in accordance with the EU requirements on capital adequacy.

The capital requirements for operational risks have been calculated and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

### Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) / Minimum requirement for the conglomerate's own funds (credit institution + insurance business) x 100

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates and its related degree.

### Equity ratio, %

Equity incl. non-controlling interest's share of equity / Average balance total x 100

### Group financial assets

The Bank Group's liquidity portfolio and the life insurance company's investment portfolio

### Assets under management

Assets under management and brokered mutual funds and assets managed by Aktia Fund Management Company, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance.

### Expense ratio, % (life insurance company)

(Operating costs + cost of claims paid) / Total expense loadings x 100

Total expense loadings are items which, according to actuarial calculations, should cover the costs. The operating costs do not include the re-insurers' commissions.

### Solvency ratio, % (according to Solvency II, life insurance company)

Solvency II capital / Solvency capital requirement (SCR) x 100

### Own funds (Solvency II capital, life insurance company)

The difference between assets and liabilities valued at fair value according to the law implemented from 2016

### Solvency ratio, % (according to Solvency I, life insurance company)

Solvency capital / (Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance) x 100

The technical provision is calculated after deduction of the re-insurers' share.

### Solvency margin (according to Solvency I, life insurance company)

The difference between assets and liabilities valued at fair value according to the law valid before 2016

## G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the financial year 1 January - 31 December 2017 were approved by the Board of Directors on 27 February 2018 and are to be adopted by the Annual General Meeting on 10 April 2018. The report by the Board of Directors and financial statements are published on 20 March 2018 at the latest.

The Group's parent company is Aktia Bank plc, domiciled in Helsinki. Aktia Bank plc's financial statements and interim reports are available on Aktia's website [www.aktia.com](http://www.aktia.com).

### Basis for preparing financial statements

Aktia Bank plc's consolidated financial statement is prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS), as adopted by the EU. In preparing the notes to the consolidated accounts, the applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account. Figures in the accounts are presented in thousands of euros, unless indicated otherwise. The consolidated accounts have been prepared in accordance with original acquisition value, unless otherwise indicated in the accounting principles.

During the year, the figures in the interim reports are presented so that income statement items are compared with the corresponding period of the previous year, while the comparison of balance sheet items relates to the previous year-end unless specified otherwise.

In the financial statement, the term Basel III refers to EU requirements on capital adequacy 575/2013 and additional regulations issued by European and national supervisory authorities.

Aktia complies with the guidelines for Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA). 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.

As from 1 January 2017 staff costs for the share based incentive schemes have been distributed to the business segments, and the reference period has been reconstructed to comply with that. The Groups staff costs and operating profit have not changed, but the different segments' staff costs and operating profit for the reference period differ from the figures published in 2016.

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

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 1 January 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 will 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 present IAS 39 standard.

The new rules for recognition and measurement with the transition to IFRS 9 led to less reclassification from the present 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 current 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 are not expected to have any 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 note G16. Note G21 includes the changes in provisions for credit losses with the implementation of ECL (Expected Credit Loss) models according to IFRS 9 and note G2 include the presentation of the impact on the Group's equity at the time of transition to IFRS 9.

### 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)
- Valued at fair value through other comprehensive income (FVOCI)
- Valued at fair value through the income statement (FVOCI)

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. Write-downs are based on a three-stage model for expected credit losses (ECL) and are described under the heading Write-down of financial assets. Interest income, write-downs and sales gains and losses are reported in the income statement.

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

- shares and participations
- interest-bearing securities

Financial assets are valued 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 an 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 recorded in the fund for fair value (miscellaneous 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 profits and losses on such instruments are reported in other comprehensive income.

The category **Financial assets valued 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 valued 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 valued 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 reported at fair value through the income statement, the company may, on the occasion of first accounting, irrevocably choose also to value 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 value and sales profits and losses are reported on an ongoing basis in the 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 'Expected Credit Loss') 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) valued at amortised cost
- debt instruments (interest-bearing securities) valued 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 of 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 sale 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 impairment losses.

**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.

**Evaluation of the impairment requirement (definition of failure):**

In the model for the calculation of future credit losses (ECL), the Group has defined failure (default) as described in the Group's credit regulations and processes when assessing impairment requirement. Failure (default) means the counterparty's inability or probable inability to manage all its obligations to the bank in accordance with the agreed terms and conditions.

**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.

**Transitional rules:** In connection with the transition from IAS 39 to IFRS 9, the new standard, with certain exceptions, must be applied retrospectively in accordance with IAS 8. IFRS 9 does not apply to items which, on the first date of application, have already been removed from the balance sheet. The transition from the previous valuation category according to IAS 39:

- From Loans and other receivables in accordance with IAS 39 to Amortised cost in accordance with IFRS 9: Any difference between the previous book value and the new value is reported in retained earnings.
- From Loans and other receivables in accordance with IAS 39 to at fair value through the income statement in accordance with IFRS 9: Any difference between the previous book value and the new value is reported in retained earnings.
- From held until maturity in accordance with IAS 39 to Amortised cost in accordance with IFRS 9: Any difference between the previous book value and the new value is reported in retained earnings. Any valuation adjustments in the fund at fair value, on transition to IFRS 9, must also be transferred to retained earnings.
- From held until maturity in accordance with IAS 39 to Fair value through other comprehensive income in accordance with IFRS 9: Any difference between the previous book value and the new value is reported in the fund for fair value. Any expected credit losses must, on transition to IFRS 9, reduce retained earnings and at the same time increase the fund for fair value by the same amount.
- From Can be sold in accordance with IAS 39 to Amortised cost in accordance with IFRS 9: Any difference between the previous book value and the new value is reported in retained earnings. Any valuation adjustments in the fund for fair value, on transition to IFRS 9, must also be transferred to retained earnings.
- From Can be sold in accordance with IAS 39 to Fair value through other comprehensive income in accordance with IFRS 9: Any difference between the previous book value and the new value is reported in the fund for fair value. Any expected credit losses must, on transition to IFRS 9, reduce retained earnings and at the same time increase the fund for fair value by the same amount.
- From Can be sold in accordance with IAS 39 to Fair value through the balance sheet in accordance with IFRS 9: Any difference between the previous book value and the new value is reported in retained earnings. Any valuation adjustments in the fund for fair value, on transition to IFRS 9, must also be transferred to retained earnings.

The impacts of the transition to IFRS 9 on equity are reported in Aktia Group's notes in 2017 financial statements.

**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.

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.

### Consolidation principles

The consolidated financial statement encompasses the parent company, Aktia Bank plc, and all the subsidiaries in which the parent company has a controlling interest. The Group is deemed to have a controlling interest if it has control over the investment object, is exposed to or is entitled to variable gains from the investment and has the opportunity to use its controlling interest to influence its gain from the investment. When deeming controlling interest both potential shares with voting right and actual control are considered. Subsidiaries are consolidated from the time of acquisition until the controlling interest no longer exists.

The consolidated accounts cover those subsidiaries in which the parent company directly or indirectly owns more than 50% of voting rights or otherwise has considerable influence. The acquisition method has been applied to acquisition eliminations. The acquisition method involves the identifiable assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. Transaction costs, with the exception of costs attributable to issue of equity instruments or debt instruments, arising in connection with an acquisition are recognised directly in the income statement.

The consolidated accounts cover those associated companies in which the parent company directly or indirectly owns 20-50 % of voting rights or otherwise has considerable influence. When consolidating associated companies, the equity method has been applied. The equity method means that the Group's share of the associated company's equity and result increase or reduce the value of the shares reported on the date the accounts are closed. The Group's share of associated companies' other comprehensive income is reported on a separate row under the Group's other comprehensive income.

All internal business transactions, receivables, liabilities, dividends, profits and losses are eliminated within the consolidated accounts.

Non-controlling holdings are based on their proportional share of net assets and reported separately under consolidated shareholders' equity. The share of holdings where a non-controlling interest exists which cannot be reported as shareholders' equity is reported as other liabilities. In acquisitions possible non-controlling holdings in the acquired company are identified at the time of acquisition. The holdings are reported as shareholders' equity or as other liabilities depending on the contents of possible agreements with the owners of non-controlling interest.

## Segment-based reporting

Segment reporting corresponds internal reporting to the highest executive body. The highest executive body is the function responsible for appropriation of resources and evaluation of the business segments' results. In the Group this function is identified as the Executive Committee, taking strategic decisions.

The costs of central support functions are allocated to the segments in accordance with resource use, defined projects and according to different allocation rules. Aktia Bank plc is not allocating equity to the different segments. The Miscellaneous segment consists of items in the income statement and balance sheet that are not allocated to the business segments.

Group internal transactions are eliminated within each segment if the entities are in the same segment. Group internal transactions between entities in different segments are included in the eliminations.

Pricing between the segments is based on market prices.

The Banking Business segment includes Aktia Bank plc's branch office operations, private banking, corporate banking, card operations and treasury as well as the subsidiaries Aktia Corporate Finance Ltd, Aktia Finance Ltd and Aktia Real Estate Agency Ltd.

The Asset Management & Life insurance segment includes the subsidiaries Aktia Asset Management Ltd, Aktia Fund Management Company Ltd, Aktia Life Insurance Ltd and its real estate subsidiaries Keskinäinen Kiinteistö Oy Pakkalantie 21, Keskinäinen Kiinteistö Oy Pakkalantie 19, Keskinäinen Kiinteistö Oy Tikkurilantie 141, Kiinteistö Oy Green Park as well as the associated companies Kiinteistö Oy Keinusaaren Toimistotalo 1 (holdings 50 %), Keskinäinen Kiinteistö Oy Sähkötie 14–16 (holdings 33.33 %), Kiinteistö Oy Lahden BW Tower (holdings 33.33 %), Kiinteistö Oy Skanssinkatu (holdings 49.95 %) and Kiinteistö Oy Lempäälän Rajamäentie (holdings 49.95 %).

The Miscellaneous segment encompasses Group administration and certain administrative functions for Aktia Bank plc.

## Foreign currency translation

The functional currency of the parent company is euro, and it is also the currency used in the parent company's and the Group's reporting. Functional currency is the currency used in the economic environment where the company operates. Transactions in foreign currency are converted into the functional currency using the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency using the exchange rate on the balance date. Assets and liabilities denominated in foreign currencies

outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency trading. The exchange rate differences that arise from the life insurance business are reported in Net income from investments, which is included in the Net income from life-insurance.

## Revenue and expenses recognition

### Interest and dividends

Interest income and expenses are periodised according to the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity. Interest income and expenses attributable to Financial assets held for trading are reported in the income statement as Net income from financial transactions.

When a financial asset is impaired due to a reduction in value, the original effective interest rate is used when calculating interest income.

Dividends paid on shares and participations are reported as income for the reporting period during which the right to receive payment is noted.

### Commissions

Commission income and expenses are reported in accordance with the accruals convention. The cost of acquiring new insurance policies or renewing existing policies is dealt with within the insurance business as commission expenses, and is included in other operating expenses.

### Insurance premiums

Life insurance premiums received are reported as premiums written in the income statement and are included in the Net income from life-insurance. Premiums are reported as premiums written depending on the line of insurance in accordance with the debiting or payment principle. For the duration of the insurance contract, insurance premiums are generally reported as income on a pro rata basis. For the share of premiums written attributed to the time after the balance sheet date, a provision for unearned premiums (premium liabilities) is adopted in the balance sheet as part of the technical provision. An outstanding premium receivable is reported only if there is insurance coverage on the balance sheet date, but so that the insurance premiums which, according to experience will remain unpaid, is deducted from premiums written.

The life insurance business' insurance policies are classified either as insurance or investment agreements, based on the assessment of the insurance risk included in the agreements. Risk insurance and interest-linked insurance policies are classified as insurance agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. For investment agreements with the right to discretionary benefits (customer compensation), the opportunity in IFRS 4 to report these as insurance agreements is applied.

### Claim costs

Claims paid by the life insurance business and the change in technical provision are reported in the income statement and are included in the Net income from life-insurance.

In this respect, for losses incurred that remain unpaid at the time the accounts are prepared and claims adjustment costs for these, including for losses that have not yet been reported to the Group, a provision is made in the company's technical provision (claim provision).

### Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

### Depreciation

Tangible and intangible assets are subject to linear planned depreciation, according to the financial lifetime of the assets. As a rule, the residual value of these tangible and intangible assets is assumed to be zero. There is no depreciation of land areas. The estimated financial lifetimes for each asset category are as follows:

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–10 years

If fixed assets are classified according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, depreciation ceases.

### Employee remuneration

#### Pension plans

The Group reports pension plans either as defined-contribution pension plans or defined-benefit pension plans. For defined-contribution pension plans, the Group makes fixed payments to external pension insurance companies. After this, the Group has no legal or actual obligation to make further payments if the pension insurance companies do not have sufficient assets to pay the employees' pensions for current or preceding periods. According to the Employees' Pensions Act, basic insurance coverage is the most important defined-contribution pension plan. Independent pension insurance companies are responsible for this form of pension protection within the Group companies. The pension insurance premiums for those arrangements which are classified as defined-contribution plans have been periodised to correspond to performance salaries in the financial statements.

The Group also has voluntary defined-benefit plans. For defined-benefit plans, the Group still has obligations after payments have been made for the reporting period, and bears the actuarial risk and/or the investment risk. The Group's defined-benefit plans are reported in accordance with IAS 19 Employee benefits. Calculations are made by a qualified actuary, using the so called "Projected Unit Credit" method. A liability for defined-benefit pension plans was recognised in the financial statements.

### Share-based payments

The Group has an incentive agreement with key personnel in management positions. The Group continuously evaluates the likely outcome of this incentive agreement. The benefits earned within the incentive agreement are valued at fair value on the decision date and costs are entered linearly during the earning-period. Payment is made either as transfer of equity instruments or in cash.

For the part of the incentive agreement where payment is made as transfer of equity instruments, a periodised change is booked in shareholders' equity under Fund for share-based payments. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liabilities are reported as Staff costs.

### Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be used.

### Financial assets

Aktia applies IAS 39 rules whereby financial assets (debt securities, shares and participations, receivables from credit institutions and receivables from the public and public sector entities) are divided into four valuation categories.

#### Financial assets reported at fair value through the income statement

Financial assets reported at fair value through the income statement include financial assets which are held for trading. This category includes debt certificates, shares and participations that are actively traded with and that have been acquired for the short term with the intent to earn revenue. They have continuously been entered at fair value with changes in value entered in the income statement. Structured bonds and investments with embedded derivatives are classified as financial assets held for trading, which means that changes in value are recognised directly in the income statement.

In the life insurance business, investments providing cover for unit-linked agreements are classified as Financial assets reported at fair value through the income statement, and these are reported separately in the balance sheet under the item Investments for unit-linked insurance.

## Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category Financial assets available for sale. The unrealised value change is recognised in the comprehensive income with deductions for deferred tax until sold or impaired. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and included under the item Net income from financial assets available for sale and falls under Net income from financial transactions. In the life insurance businesses, the above-mentioned gains and losses are reported as Net income from investments, which is included in the Net income from life-insurance.

## Financial assets held until maturity

Debt certificates to be held until maturity are reported in the category Financial assets held until maturity. These securities are entered at amortised cost. If there is objective evidence to suggest that full repayment will not be received on such a security at the end of the reporting period, the difference compared with the acquisition price is entered as an expense. The difference between the acquisition price and the nominal value has been periodised as interest income or loss of it.

If securities classified as Financial assets held until maturity are sold prior to maturity, these securities are reclassified as Financial assets available for sale. The reason for the reclassification is that the intention or ability in relation to the investments (a significant amount) changes so that the conditions for the use of this category are no longer met. After any such reclassification, these securities are reported as Financial assets available for sale for at least two consecutive reporting periods.

## Loans and other receivables

Receivables from credit institutions and receivables from the public and public sector entities are reported in the category Loans and other receivables. These receivables are entered at amortised cost.

## Reclassification

Financial assets, excluding derivatives, held for sale may be reclassified to assets held until maturity if Aktia intends and has the opportunity to hold the financial assets for the foreseeable future or until maturity. At the time of reclassification, the assets to be reclassified shall comply with the definitions of the category to which they are reclassified. A prerequisite for reclassification to the category Financial assets held until maturity is that Aktia has changed the purpose of the holdings and has the opportunity to hold the financial assets until maturity.

Reclassification is made at fair value at the time of reclassification. As fair value will be the original acquisition cost or amortised cost.

Securities to be reclassified from Financial assets available for sale to Financial assets held until maturity shall be pledgeable with the central bank and have good creditworthiness. When reclassified the financial assets shall fulfil the minimum rating of Aa3/AA-.

## Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities and debt securities to the public are reported in the category Financial liabilities. Financial liabilities are recognised in the balance sheet at cost on entering into the agreement, and subsequently at amortised cost. When hedge accounting is applied, the amortised cost of the liabilities is adjusted with the fair value of the hedged risk. If the financial liabilities are related to commitments to acquire equity instruments, the liabilities are reported at fair value through the income statement. In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

## Valuation of financial instruments at fair value

The fair value of listed shares and other financial instruments that are traded on an active market is based on the latest listed purchase price. Should the listed price of a financial instrument not represent actual market transactions occurring with regularity, or if listed prices cannot be obtained, the fair value is established with an appropriate valuation technique. The valuation techniques may vary from a simple analysis of discounted cash flows to complex option valuation models. The valuation models have been drawn up so that observable market prices and rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

## Impairment of financial assets

The impairment of Financial assets available for sale is recognised through the income statement if the financial position of the company in which the investment has been made has deteriorated significantly. The criteria are as follows:

- the company has entered into bankruptcy or is de facto insolvent and unable to make payments
- the company has entered into a corporate reorganisation agreement, or has sought protection against its creditors, or is undergoing significant restructuring which affects creditors.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the market value and the acquisition value at the time of reporting. If no market value is available, or if there are specific reasons for assuming that the market value does not represent the fair value of the security, or if the Group holds a controlling stake in the company, a decision is made on reporting an impairment in accordance with a separate assessment made by the Board of Directors.

In addition to default, interest-bearing securities are reviewed individually to assess the need for write-downs if the price of the security has fallen by more than 50% and the instrument rating has fallen below investment grade (BB+, Ba1 or lower).

For shares and share fund investments, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. A significant drop has occurred if the difference between the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) and the acquisition value exceeds certain volatility-based limits. Volatility is quantified using betas which measure the riskiness of the shares in relation to the market (a comparison index). For share funds, this index is the same as the share fund's ascribed comparison index. For individual shares, the index is a combination of an industry index and a geographic exposure index. The weighting for these two indices is calculated separately for each share by applying the change in value for historic data and maximising the share-index correlation. The same method is used for the Group's Value-at-Risk calculation.

For investments in real estate funds, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. When determining the extent of the impairment, real estate risks, liquidity risks, financing risks and interest rate risks are taken into account.

A long-term drop has occurred if the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) has been continuously below the acquisition value for 18 months.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the fair value at the time of reporting and the acquisition value.

### Write-downs of loans and other receivables

Write-downs of loans and other receivables are entered individually and in groups. A write-down is entered individually if there is objective evidence that the customer's ability to pay has been weakened after the receivable was originally entered in the balance sheet. Objective evidence exists where the debtor is experiencing significant financial difficulties, a breach of contract such as delayed payment of interests or capital occurs, concessions are granted for financial or legal reasons which the lender had not otherwise considered, the debtor enters bankruptcy or other financial restructuring.

The value of the receivable has been weakened if the estimated incoming cash flow from the receivable, with regard to the fair value of the security, is less than the sum of the book value of the receivable and the unpaid interest on the receivable. The estimated incoming cash flow is discounted by the credit's original effective interest rate. If the credit has a variable interest rate, the interest rate in the agreement is used as discount rate at the time of review. The write-down is entered as the difference between the lower current value of the recoverable cash flow and the book value of the credit.

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in underlying credit portfolios. The write-down is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. The need for write-downs is assessed taking into account changes in credit quality and security values that are expected to occur within 12 months, whereas the size of the write-down is determined taking the whole lifetime of the portfolios into account.

### Accounting for the acquisition and disposal of financial assets

When acquiring or selling financial assets, these are entered in accordance with the trade date.

### Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments.

Derivative instruments in the banking business are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedging or cash flow hedging according to the following accounting principles. The life insurance business reports the change in value of derivative instruments, together with gains and losses realised, in the income statement as Net income from investments in Net income from life-insurance.

### Hedge accounting

All derivatives are valued at fair value. In accordance with the IAS 39, Aktia has documented hedge accounting either as fair value hedging or cash flow hedging.

Aktia's policy for hedge accounting is that the hedging relationship between the hedging instrument and the hedged item, along with the risk management aim and the strategy, are documented when hedging. In order to apply hedge accounting, the hedge must be highly efficient. A hedge is deemed to be highly efficient if, at the time of hedging and throughout the entire hedging period, it can be expected that changes in the fair value of the hedge item will be significantly neutralised by changes in the fair value of the hedging instrument. The outcome should be within the range of 80-125%. When subsequently assessing the efficiency of the hedging, Aktia values the hedging instrument at fair value and compares the change in this value with the change in the fair value of the hedged item. The efficiency is 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 as Net income from financial transactions.

If the hedging relationship fails to meet the above requirements, the hedge accounting ceases. The change in the unrealised value of the derivative is reported at fair value in the income statement as Net interest income with effect from the time when the hedging was latest deemed to be efficient.

### Fair value hedging

Fair value hedging is applied for derivatives which are used in order to hedge changes in fair value for a reported asset or liability which is attributable to a specific risk. The risk of changes in fair value for assets and liabilities reported by Aktia relates primarily to loans, securities and fixed-interest borrowing, giving rise to interest rate risk.

Changes in the fair value of derivatives are, like changes in the fair value of the hedged item, reported separately in the income statement as Net income from financial transactions. If the hedging is efficient, both changes in fair value mostly cancel each other out, which means that the net result is virtually zero. In the balance sheet, the change in value of the hedged item is reported as adjusted value of the hedged balance sheet item. Interest rate swaps and forward rate agreements are used as hedging instruments.

Fair value hedging is no longer applied in the following situations:

- the hedging instrument expires, is sold, unwound or revoked
- the hedge no longer qualifies for hedge accounting
- hedging is discontinued

When hedging ceases, accumulated profit or loss adjusting the value of the item hedged, is periodised in the income statement. Periodisation is made over the hedged item's remaining period until maturity or over the unwound hedging instrument's original lifetime.

### **Cash flow hedging**

Cash flow hedging is applied in order to hedge future interest streams, such as future interest payments on assets or liabilities with variable interest rate. The efficient element of the change in fair value is reported in comprehensive income and the inefficient element in the income statement as Net income from financial transactions. The accumulated change in fair value is transferred from Cash flow hedging in shareholders' equity to the income statement during the same period as the hedged cash flows have an impact on the income statement. Interest rate swaps, forward rate agreements and interest rate options are used as hedging instruments.

When interest rate options are used as hedging instruments, only their intrinsic value is included in hedge accounting. The change in time value for interest rate options is reported through the income statement.

Cash flow hedging ceases in the same situations as fair value hedging. When cash flow hedging ceases, but an inward cash flow is expected, accumulated profit or loss concerning the hedging instrument is reported as separate item in shareholders' equity. Accumulated profit or loss is then reported in the income statement under the same periods as previously hedged interest streams are reported in the income statement.

### **Other derivative instruments valued through the income statement (hedged back-to-back with third parties)**

Other derivative instruments consist primarily of interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties. These interest-rate derivatives are valued at fair value, and the change in fair value is recognised in Net income from financial transactions. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks. Individual security arrangements are made with third parties in accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

### **Financial derivatives valued at fair value through the income statement**

Derivatives which are not classified as hedging instruments and which are not efficient as such are classified as derivatives valued at fair value through the income statement.

Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Derivatives are entered in the balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value, together with profits and losses realised, are reported in the income statement and are included in Net income from financial transactions.

### **Repurchase agreements**

Repurchase agreements relate to agreements where the parties have reached an agreement on selling securities and the subsequent repurchase of corresponding assets at a set price. For repurchase agreements, sold securities are still reported in the balance sheet, and the payment received is reported as a financial liability. Sold securities are also reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

### **Cash and balances with central banks**

Cash and balances with central banks consist of cash, bank balances, a current account held with the Bank of Finland and short-term deposits with a duration of less than three months. Loans to credit institutions repayable on demand are included in Loans and other receivables. Cash and cash equivalents in the cash flow statement include cash and balances with central banks, and loans to credit institutions repayable on demand.

### **Tangible and intangible assets**

The Group's real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Group. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If part of the premises is used by the Group, the division has been made according to the square metres reserved for their respective purposes.

Commercial properties are reported at cost after deduction for accumulated depreciations and impairments, whereas investment properties are reported at fair value. The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments. Changes in the fair values of investment properties are reported in the income statement.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. Planned depreciation is based on the financial lifetime of the assets.

## Assets classified as held for sale

A fixed asset, or a disposal group, is reported in Assets classified as held for sale if the asset is available for immediate sale in accordance with conditions that are normal and customary when selling such assets. It must also be extremely likely that a sale will take place. In order for a sale to be extremely likely, a decision must have been taken by the Board of Directors on a plan for selling the asset, and active work must have been started to find a buyer and accomplish the plan. Assets held for sale are valued at fair value with deductions for sales costs. Discontinued operations are part of the company's operations, representing an independent business, a significant operation within a geographic area or a subsidiary acquired solely for the purpose to be sold again. Classification as discontinued operation is made at the time of divestment or at an earlier time when the business operations meet the criteria for assets held for sale.

## Provisions

A provision is reported where the Group has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the Group can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation.

## The Group as a lessor

### Finance lease agreements

The leasing of assets where the financial risks and advantages associated with the ownership of an object are essentially transferred from the Group to the lessee is classified as a finance lease, and the assets are entered in the lessee's balance sheet. At the beginning of the leasing period, a receivable on the lessee arises in the Group which is repaid in line with the length of the leasing period. Each leasing payment is allocated between interest and repayment of the receivable. The interest income is allocated over the leasing period, so that every reporting period is allocated an amount which corresponds to a fixed interest rate for the receivable reported for each reporting period.

## The Group as a lessee

### Finance lease agreements

Where a lessor in all significant respects bears the financial risks and advantages associated with the ownership of an object, this is classified as an operating lease and the assets are entered in the lessor's balance sheet. Leasing rents on operating lease agreements are reported in the income statement as rental expenses.

## Insurance and investment agreements

### Classification of insurance and investment agreements

Insurance agreements are classified either as insurance agreements or investment agreements. Insurance agreements are agreements whereby sufficient insurance risks are transferred from the policyholder to the insurer. Investment agreements are agreements with policyholders that do not cause sufficient insurance risk to be classified as insurance agreements.

For investment agreements with the right to discretionary benefits (customer compensation) or which can be changed to such agreements, the opportunity in IFRS 4 to report these as insurance agreements is applied. Unit-linked agreements are classified either as insurance agreements or investment agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. Capitalisation agreements are agreements without insurance risk, so these are classified as investment agreements.

Agreements are classified as follows:

#### Insurance agreements

- Agreements with sufficient insurance risk
- Agreements containing a discretionary part or the possibility of one
- Unit-linked agreements with sufficient insurance risk

#### Investment agreements

- Unit-linked agreements without sufficient insurance risk
- Capitalisation agreements

## Reinsurance

The term reinsurance agreements refers to insurance agreements under which the insurance business can receive remuneration from another insurance company if it is liable to pay remuneration itself as a result of insurance agreements entered into. Premiums paid to reinsurers are reported as premiums written and costs attributable to compensation as insurance claims paid. Remuneration which will be received through reinsurance agreements is reported in the balance sheet as assets. Unpaid premiums to reinsurers are reported in the balance sheet as liabilities.

### Liabilities attributable to insurance and investment agreements

Liabilities attributable to insurance and investment agreements are reported as technical provisions, comprising premium liabilities and outstanding claims. Calculation of technical provisions are based on assumptions of for example mortality, costs and loss ratios. The technical interest rate used in the calculation of technical provisions for insurance agreements with a guaranteed interest varies between 1.0 and 4.5 %.

Outstanding claims include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and the estimated claims adjustment costs for these and provisions for claims which have not yet been reported to the Group (claims incurred but not reported). Risk insurance outstanding claims include provisions for losses incurred

which are still unpaid when the accounts are closed (claims incurred) and provisions for claims which have not yet been reported to the Group (claims incurred but not reported).

Savings insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred). Pension insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred) and an estimate of future pension payments including costs.

In the consolidated IFRS accounts, the insurance company's equalisation provisions (FAS) have been transferred to shareholders' equity and deferred tax liability.

### Assessment of technical provisions

When the accounts are closed, an assessment is made on whether the technical provisions included in the balance sheet are sufficient or not. If this assessment shows that they are insufficient, the technical provisions are increased.

### The life insurance business' equity principle

In accordance with chapter 13, § 3 of the Insurance Companies Act, the equity principle should be followed when it comes to insurance for policies which, according to the insurance agreement, bring entitlement to additional benefits.

The life insurance business strives to ensure that the sum of the technical interest rate and the annually set customer compensation on the interest-linked pension insurance savings is higher than the return on the Finnish state ten-year bond, and on the interest-linked saving and investment insurance savings is at the same level as the Finnish state five-year bond. The solvency of the life insurance company should also be kept at a level which allows customer compensation payments and profits to be paid to the shareholders.

The Board of Directors of Aktia Life Insurance Ltd decides on customer bonuses and rebates on an annual basis.

### Equity

Dividend payments to shareholders are reported in shareholders' equity when the annual general meeting decides on the pay-out.

### Holdings with non-controlling interest

Non-controlling holdings include the minority's share and is reported in equity. Subsidiaries having certain redemption clauses in their contracts report non-controlling holdings as liability to the owners. The liability to non-controlling holdings is valued at fair value on the reporting date.

Non-controlling holdings of the subsidiary Aktia Asset Management Ltd is reported as a liability to the owners, and the change in the fair value of the liability is reported as personnel costs.

## Accounting principles requiring management discretion

When preparing reports in accordance with the IFRSs certain estimations and assessments are required by management which have an impact on the income, expenses, contingent assets and contingent liabilities presented in the report.

The Group's central assumption relates to the future and key uncertainty factors in connection with balance date estimations, and depends on factors such as fair value estimations, the impairment of financial assets, the write-down of loans and other receivables, impairment of tangible and intangible assets, and assumptions made in actuarial calculations.

### Estimates and valuation of fair value

Valuation of unquoted financial assets or other financial assets where access to market information is limited requires management discretion. The principles of valuation at fair value are described in the section Valuation of financial instruments at fair value. The fair value of financial assets held until maturity is sensitive to both changes in interest rate levels and the liquidity and risk premiums of the instrument.

### Impairment of financial assets

The Group performs an impairment test for every balance sheet date to see whether there is objective evidence of a need to make impairments on financial assets, except for financial assets that are valued at fair value through the income statement. The principles are described above in the section Impairment of financial assets.

### Write-downs of loans and other receivables

The Group continuously evaluates objective causes for value changes in receivables and decides according to certain criteria if a write-down or a reversal of write-down shall be booked. The principles are described above in the section Write-downs of loans and other receivables.

### Actuarial calculations

Calculation of technical provisions always includes uncertainties as the technical provisions are based on assumptions of, among other things, future interest rates, mortality, illness and future cost levels. This is described in more detail in the notes and methods used and assumptions made when determining technical provisions in the life insurance business.

### Share-based payments

The Group has an incentive agreement with key personnel in management positions, and the probable outcome of the incentive agreement is continuously evaluated. The principles are described above in the Section Employee remuneration and Share-based payments.

## G2 The Group's risk management

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## 1. General

The Group focuses primarily on banking, asset management and life insurance operations, and real estate agency services. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, interest rate and other market risks and actuarial risks in the life insurance business. All of these operations are exposed to business and operational risks.

Aktia Bank Abp is the parent company of the Aktia Group. For the preparation of regulatory reports, capital adequacy calculations, and internal risk and capital allocation assessments, the company compiles data for the Bank Group, which includes Aktia Bank Abp and all subsidiaries excluding insurance holdings (the subsidiary company Aktia Life Insurance Ltd).

A description of internal control, risks and risk management in the Aktia Group, including the disclosure requirements in CRR Part 8 (Pillar III), is provided in the group's Capital and Risk Management Report, which is published separately from and at the same time as the annual report.

## 2. Internal control and risk management

In providing financial solutions and services to its customers, Aktia is exposed to various risks. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The term risk management refers to all activities related to risk taking, risk reduction, analysis, measurement, control and monitoring.

Business units and the line organisations have the primary responsibility for internal control as they are in charge of the governance of the day-to-day business activities, operational process and controls in these processes as well as for risk management measures. Risk management is a central part of the internal control process.

The independent control functions consist of the group's Risk Control, Compliance function, Financial Reporting and Analysis functions as well as the independent Actuarial function in Aktia Life Insurance Ltd. The role of the Risk Control function is to develop, maintain and monitor principles, instructions and limits for the management of risks, and to measure and analyse risk positions, and monitor how risk management is implemented in the company's operational activities. Compliance function is responsible for ensuring that the rules are adhered to within the Group's activities by assisting operational management and line managers in the application of internal rules and by identifying, handling and reporting on risks related to a inadequate compliance. Financial Reporting and Analysis is responsible for financial data, current situation analyses and reporting to regulators and other agencies.

The Group's Internal Audit function makes an independent assessment and evaluation of the adequacy and quality of the Group's internal control, risk management and control functions. External parties, such as auditors, also evaluate the internal control and its adequacy.

## 3. Group capital management

The purpose of the Group's capital management activities is to assess the Group's capitalisation in relation to the risk of operations. Capital management should support the Group's business strategies and ensure that the Group has access to capital also during periods of weak economic activity. The objective is to find a balance between the shareholders' required rate of return and financial stability requirements of regulators, debt investors, counterparties in the Group's business activities and rating agencies. In its capital management activities the Group strives to identify material risks and assess their extent and the capital requirements that they give rise to.

The Executive Committee is responsible for preparing the Board's annual strategic process, and for the accompanying capital planning and allocation. The Board's Risk Committee is involved in the work and prepares proposals which are then decided on by the group's board of directors. The Group's internal audit conducts an annual evaluation of the capital management process in its entirety. The rules of procedure for the Board of Directors and its Risk Committee specify the drafting and decision-making process in the capital management process. The Group's Risk Control function is in charge of compiling data and performing calculations for assessing in the internal capital requirement and capital adequacy objectives.

The Group's capital planning is based on business plan which covers changes in volumes and risk levels in the near future. Based on the plans, forecasts of changes in capital adequacy requirements for the Group and the various companies are prepared. In addition to the baseline scenarios, stress tests are performed, which are used to assess how weaker economic environments would affect capital adequacy.

During the period Aktia revised its capital adequacy objectives. The target for the Bank Group's Core Tier 1 ratio is 1.5–3 percentage points above the regulatory requirement. The life insurance business's target Solvency II ratio is a minimum level of 125 %, taking account of the transition rules. For the finance and insurance conglomerate, the target for capital adequacy is for it to exceed 120 %.

Information on the Group's capital adequacy is presented in the Report by the Board of Directors.

## 4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's creditworthiness. Credit and counterparty risks are measured by assessing the default risk and any losses incurred by such. The risk of default is measured using scoring or rating models, and the loss in the event of default is measured by taking into account the realisation value of collateral and the anticipated recovery, with deductions for recovery costs. Each year, the Group's Board of Directors determines the credit policy, and revises both the credit risk strategy and delegation of decision-making. The regulation of counterparty risks is managed in a similar manner.

Table G2.1 presents the Group's exposure per operating area. The figures include accrued interest. Internal Group receivables and liabilities are eliminated, and deductions for acceptable collateral have not been made. Investments for unit-linked provisions are not included.

**G2.1 The Group's maximum exposure by operation**

EUR million	31 Dec 2017			31 Dec 2016		
	Banking business	Life insurance business	Total Group	Banking business	Life insurance business	Total Group
<b>Cash and money market</b>	<b>329</b>	<b>28</b>	<b>332</b>	<b>420</b>	<b>19</b>	<b>423</b>
<b>Bonds</b>	<b>1,808</b>	<b>373</b>	<b>2,180</b>	<b>1,782</b>	<b>431</b>	<b>2,210</b>
Public sector	508	105	613	510	124	634
Government guaranteed bonds	72	6	79	99	7	105
Banks	269	24	293	284	47	327
Covered bonds	948	174	1,122	890	179	1,069
Corporate	10	63	73	0	75	75
<b>Shares and mutual funds</b>	<b>9</b>	<b>119</b>	<b>128</b>	<b>9</b>	<b>92</b>	<b>101</b>
Fixed income funds	0	94	94	0	64	64
Shares and equity funds	9	0	9	9	0	9
Real estate funds	0	23	23	0	26	26
Private Equity	0	2	2	0	3	3
Hedge funds	0	0	0	0	0	0
<b>Loans and claims</b>	<b>5,845</b>	<b>0</b>	<b>5,845</b>	<b>5,725</b>	<b>0</b>	<b>5,725</b>
Public sector entities	4	0	4	5	0	5
Housing associations	492	0	492	341	0	341
Corporate	594	0	594	545	0	545
Households	4,717	0	4,717	4,794	0	4,794
Non-profit organisations	38	0	38	40	0	40
<b>Tangible assets</b>	<b>5</b>	<b>55</b>	<b>60</b>	<b>8</b>	<b>58</b>	<b>66</b>
<b>Bank guarantees</b>	<b>39</b>	<b>0</b>	<b>39</b>	<b>32</b>	<b>0</b>	<b>32</b>
<b>Unused facilities and unused limits</b>	<b>505</b>	<b>9</b>	<b>514</b>	<b>496</b>	<b>0</b>	<b>496</b>
<b>Derivatives (credit equivalents)</b>	<b>96</b>	<b>0</b>	<b>96</b>	<b>155</b>	<b>0</b>	<b>155</b>
<b>Other assets</b>	<b>43</b>	<b>5</b>	<b>46</b>	<b>38</b>	<b>5</b>	<b>42</b>
<b>Total</b>	<b>8,680</b>	<b>589</b>	<b>9,242</b>	<b>8,664</b>	<b>605</b>	<b>9,249</b>

Credit risks occur in the Bank Group, while counterparty risks occur in both banking and insurance operations.

The limit structure restricts credit and counterparty risks in both banking and insurance operations, individually and also at conglomerate level, through restrictions on the total exposure to individual counterparties.

**4.1 Problem loans**

Problem loans are followed up regularly both in the branch network through delinquency lists and at loan book level in the Group's risk control unit. Internal rules have been created to identify at an early stage those customers whose ability to pay no longer fulfils the conditions of the debt. Acting quickly in these situations is in the interest of both the customers and the bank.

Adjustment of lending terms and conditions in the form of deferral of payment can also be made based on other circumstances than a weakened ability to pay.

According to the Group's accounting principles, a receivable is tested for default and individual impairment when there is objective that the customer's credit standing has deteriorated since the receivable was originally booked into the balance sheet. Objective evidence exists

where the borrower is experiencing significant financial difficulties, a breach of contract such as delayed payment of interest or capital occurs, concessions are granted for financial or legal reasons which the lender had not otherwise considered, bankruptcy or other financial reconstruction of the borrower. An adjustment of lending terms and conditions as a result of the borrower's deteriorated credit standing according to the above therefore results in a reclassification as default and an individual impairment if the amount of the receivable exceeds the expected cash flow from the collateral.

**G2.2 Past due loans by length of payment delay**

EUR million	31 Dec 2017	% of loan book	31 Dec 2016	% of loan book
<b>Days</b>				
3 - 30	74	1.26	57	1.00
of which households	56	0.96	52	0.91
31 - 89	29	0.50	28	0.49
of which households	26	0.44	23	0.41
90-	36	0.61	46	0.79
of which households	30	0.51	38	0.67

### G2.3 Loans past due but not impaired

EUR million	31 Dec 2017		
Days	Carrying amount	% of loan book	Market value of collateral
3–30	74	1.26	73
31–89	29	0.49	28
90–	33	0.56	31

EUR million	31 Dec 2016		
Days	Carrying amount	% of loan book	Market value of collateral
3–30	56	0.97	55
31–89	28	0.49	29
90–	40	0.69	38

### G2.4 Gross loans and write-downs

EUR million	31 Dec 2017	31 Dec 2016
<b>Loan book before impairment</b>	5,885	5,766
Individual impairment losses	-37	-38
Of which related to non-performing loans	-34	-34
Of which related to other loans	-3	-5
Group-related impairment losses	-9	-10
<b>Loan book, carrying amount</b>	<b>5,839</b>	<b>5,717</b>

## 5. Management of funding and liquidity risks

Funding and liquidity risk implies a risk that the Group will not be able to meet its payment obligations, or could only do so at high cost, and is defined as the availability and cost of refinancing, as well as differences in maturity between assets and liabilities. Funding risk also occurs if funding is largely concentrated in individual counterparties, instruments or markets. Management of refinancing risks ensures that the Group can honour its financial obligations.

The funding and liquidity risks are managed at legal company level, and there are no explicit financing commitments between Aktia Bank Abp and Aktia Life Insurance Ltd.

### 5.1 Liquidity reserve and measurement of liquidity risk

The aim is to maintain a continuous liquidity reserve that covers the outgoing cash flow for at least one year.

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which in the aforesaid manner can be used as a liquidity reserve, including cash, had a market value of EUR 1,356 (1,637) million at year-end, representing approximately 33 months' outgoing cash flows from the wholesale market.

Liquidity risks are also measured and monitored based on the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR measures the short-term liquidity risk and is aimed at ensuring that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is sufficient to meet short-term net outflows in stressed situation over the coming 30 days.

NSFR measures the matching of assets and liabilities with maturities of more than one year for in Aktia Bank's balance sheet and is designed to ensure that long-term lending is financed by long-term borrowing to a satisfactory degree.

LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. Table G2.5 presents outcomes in 2017 for the LCR and NSFR risk measures for the Aktia Bank Group.

### G2.5 LCR and NSFR

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
LCR %	161 %	116 %	168 %	179 %	209 %
NSFR %	122 %	125 %	130 %	134 %	130 %

## 6. Management of market, balance sheet and counterparty risks

### 6.1 Market and asset and liability risks in the Bank Group

Each year, following preparatory work in the Group's Asset and Liability Committee and the Board's Risk Committee, the Group's Board of Directors adopts a strategy and defines limits for managing market risks related to the development of net interest income and volatility, and for the operational management of the Group's internal investment assets within the defined framework and limits. The bank's Treasury unit carries out transactions in order to manage the structural interest rate risk based on the established strategy and limits.

#### 6.1.1 Interest rate risk in the banking book (IRRBB)

Structural net interest income risk arises as a result of an imbalance between reference rates and the re-pricing of assets and liabilities. As well as matching reference rates in lending and borrowing through business management, hedging with interest rate derivatives, and fixed rate investments in the liquidity portfolio are also utilised, with the aim of maintaining net interest income at a stable level and protecting financial performance against sustained low interest rates.

The structural net interest income risk is simulated using a dynamic asset and liability risk management model. The model takes into account the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied. Table G2.6 shows that net interest income would increase if interest rates rose and decrease if interest rates declined.

### G2.6 Structural interest rate risk

Period	Change in interest rate	Change in net interest income (EUR million)			
		31 Dec 2017		31 Dec 2016	
		Down	Up	Down	Up
Change in next 12 months		-0.5	9.0	-1.4	13.2
Change in 12–24 months		-2.5	23.0	-2.0	24.3

### 6.1.2 Reclassification of financial assets

In late 2012 and mid-2013 Aktia Bank chose to reclassify interest-bearing securities from the available-for-sale financial assets portfolio to the held-to-maturity financial assets portfolio in order to reduce volatility of the Group's equity and to manage the regulatory risks arising from Basel III.

A majority of the reclassified securities have an AAA rating. No new reclassifications were made during the period. Securities held until maturity are reported at amortised cost. No impairment existed at 31 December 2017. Table G2.7 presents carrying amounts for the reclassified financial assets.

#### G2.7 Reclassification of financial assets

EUR million	2017	2016
Carrying amount	144.3	369.5
Fair value	145.1	373.1
Change in value that would have been recognised in comprehensive income if no reclassification had been made.	0.6	2.9
Recognised interest income after reclassification	4.0	8.0

### 6.1.3 The Bank Group's liquidity portfolio and other interest-bearing securities

The liquidity portfolio of the Bank Group, which comprises of interest-bearing securities and is managed by the bank's Treasury unit, stood at EUR 1,816 (1,794) million as at 31 December 2017, which includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the Bank Group.

The counterparty risks that arise in connection with liquidity management and the conclusion of derivatives contracts are managed by demanding a sufficiently high external rating. Counterparty risks in derivative

instruments are managed through the requirement for a Credit Support Annex agreement. Individual investment decisions are made in accordance with an investment plan in place and are based on careful assessment of the counterparty. The Group's Board of Directors establishes limits for counterparty risks every year. The investment portfolio is market valued and monitored on a daily basis.

At the end of the period there were bonds worth EUR 43 million that did not meet the eligibility requirements for refinancing at the central bank. Two of the bonds from domestic credit institutions did not meet eligibility requirements for refinancing at the central bank because the issues are unrated. The other bonds did not meet the eligibility requirements for refinancing at the central bank because the country of issue for these covered bonds is not an EEA or G7 country, which is an eligibility requirement for refinancing at the central bank.

No impairment losses were recognised during the year.

#### G2.8 Rating distribution for the banking business's liquidity portfolio and other interest-bearing investments

EUR million	31 Dec 2017	31 Dec 2016
<b>Total</b>	<b>1,816</b>	<b>1,794</b>
Aaa	53.1 %	53.3 %
Aa1–Aa3	27.4 %	29.6 %
A1–A3	5.0 %	4.8 %
Baa1–Baa3	2.3 %	3.0 %
Ba1–Ba3	0.0 %	0.0 %
B1–B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Unrated domestic local governments and credit institutions	11.6 %	9.3 %
Other unrated	0.6 %	0.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

#### G2.9 Bank Group's geopolitical and instrument type distribution

EUR million	Government and Govt. guaranteed		Covered Bonds		Financial institutions excl. CB		Corporate bonds		Equity instruments		Total	
	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16
Finland	225.4	185.2	49.0	45.3	81.5	85.2	10.0	-	-	-	365.9	315.7
Norway	-	-	257.2	217.4	-	-	-	-	-	-	257.1	217.4
Sweden	-	-	133.3	60.6	107.6	88.5	-	-	-	-	240.9	149.1
France	65.6	66.5	78.8	107.8	31.5	32.1	-	-	-	-	175.9	206.3
Netherlands	-	25.0	67.5	164.1	48.8	59.6	-	-	-	-	116.3	248.7
Canada	-	-	89.3	23.7	-	-	-	-	-	-	89.3	23.7
Denmark	-	-	76.8	83.8	-	-	-	-	-	-	76.8	83.8
United Kingdom	-	-	75.5	172.9	-	18.4	-	-	-	-	75.5	191.3
Germany	48.4	48.6	-	-	-	-	-	-	-	-	48.4	48.6
Austria	15.0	25.5	12.1	-	-	-	-	-	-	-	27.1	25.5
Supranational	180.5	213.5	-	-	-	-	-	-	-	-	180.5	213.5
Other	53.7	54.5	108.8	16.1	-	-	-	-	-	-	162.5	70.6
<b>Total</b>	<b>588.6</b>	<b>618.8</b>	<b>948.1</b>	<b>891.6</b>	<b>269.4</b>	<b>283.7</b>	<b>10.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,816.3</b>	<b>1,794.1</b>

#### 6.1.4 Exchange rate risk

Exchange rate risk refers to a negative change in value of the bank Group's currency positions caused by fluctuations in exchange rates, particularly against the euro.

In the Bank Group, currency dealings are based on customer requirements, which is why most of this activity involves Nordic currencies and the US dollar. The guiding principle for the management of exchange rate risks is matching. The Treasury unit is responsible for managing the bank's day-to-day currency position, subject to the limits set.

At year end, total net currency exposure for the Bank Group amounted to EUR 3.5 (0.3) million.

#### 6.1.5 Equity and real estate risk

Equity risk refers to changes in value due to fluctuations in share prices. Real estate risk refers to risk associated with a fall in the market value of real estate assets.

No equity trading or investments in real estate are carried out by the Bank Group.

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 9.3 (9.2) million. Investments in shares refer mainly to the shareholding in Folksam Non-Life Insurance.

#### 6.1.6 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. Table G2.10 summarises market value sensitivity for the bank Group's financial assets available for sale in various market risk scenarios as at 31 December 2017 and 31 December 2016. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board's limits on capital usage. As of 31 December 2017 an additive shock is applied with fixed percentage rates instead of a percentage shock. The risk components set out in the table are defined as follows:

**Upward interest rate risk:** The change is applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined on the basis of a historical analysis and the changes have been selected to represent a 99.5 percentile (the 995th highest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually. Due to the low interest rate environment, this method results in an insignificant change, and the stressed interest rate curve's upward shock is therefore at least 100 basis points.

**Downward interest rate risk:** Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined on the basis of a historical analysis and the changes have been selected to represent a 0.5 percentile (the 5th lowest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually. Due to the low interest rate environment, this method results in an insignificant change, and the stressed interest rate curve's downward shock is therefore at least 50 basis points.

**Credit spread risk:** Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The size of the change is an annually revised figure that is based on yield curves for interest rate instruments with a given rating and investment type. The stress factors have been determined based on a historical analysis based on a 99.5 percentile from which the interest rate component has been excluded. The factors are revised annually.

**Exchange rate risk:** Describes the risk of changes in different currencies against the euro. Each currency is tested separately for an upward shock and a downward shock, and the worse outcome for each currency is selected and the effects for all currencies are then summed up. The stress factors have been determined on the basis of a historical analysis and the changes have been selected so that the upward shock represents a 99.5 percentile and the downward shock a 0.5 percentile for possible outcomes over a one-year period. The factors are revised annually.

**Equity and real estate risk:** Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -50 % for listed shares, -60 % for unlisted shares and -25 % for real estate.

The impact on equity and income statement is given after tax.

#### G2.10 Sensitivity analysis for market risks

Bank Group	Financial assets available for sale		2016	
	2017 EUR million	%	EUR million	%
Market value 31 Dec	1,445.4	100.0 %	1,338.9	92.6 %
Upward interest rate risk (normal method)	-27.8	-1.9 %	-14.7	-1.0 %
Upward interest rate risk (even 100 bp)	-27.8	-1.9 %	-14.7	-1.0 %
Downward interest rate risk (normal method)	23.3	1.6 %	6.0	0.4 %
Spread risk	-27.0	-1.9 %	-28.3	-2.0 %
Equity risk	-5.6	-0.4 %	-5.5	-0.4 %
Real estate risk	0.0	0.0 %	0.0	0.0 %

#### 6.2 Market and asset and liability risks in the insurance business

After preparation by the Executive Committee, the companies' boards and the Board's Risk Committee, the Group's Board of Directors sets out the strategy and limits for managing market risks in both the investment portfolio and interest-linked provisions. The Group's Asset and Liability Committee (ALCO) is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. An investment manager has been appointed to be in charge of operational management. The Group's Risk Control function supervises risk exposure and limits.

In the life insurance business, the policyholder bears the investment risk of the investments that provide cover for unit-linked insurance policies. Other investments within the insurance company for covering technical provisions are at the company's risk. There is thus a certain degree of risk-taking in the investment activities of the insurance companies.

**G2.11 Rating distribution for direct fixed income investments in the life insurance business** (excluding investments in fixed income funds, real estate, equities and alternative assets)

EUR million	31 Dec 2017	31 Dec 2016
	373	431
Aaa	50.0 %	47.6 %
Aa1–Aa3	32.4 %	29.8 %
A1–A3	3.3 %	6.9 %
Baa1–Baa3	3.8 %	5.0 %
Ba1–Ba3	0.5 %	0.0 %
B1–B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Unrated domestic local governments and credit institutions	1.6 %	1.4 %
Other unrated	8.3 %	9.3 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

From a risk sensitivity perspective, the key market risks are interest rate, counterparty (spread) and real estate risk. For provisions for the interest-bearing portfolios, other risks than interest rate risk are insignificant. For the unit-linked portfolios the most significant risk is equity risk. The equalising effect between the portfolios and provisions is significantly greater than for the interest-bearing portfolios, as most of the risk is borne by the customer.

Interest rate risk is the most significant risk connected with provisions in the life insurance company and affects profitability as a result of demands for returns over guaranteed interest rates and capital adequacy as a result of the market valuation of assets and liabilities. Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk refers to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities.

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral, and remained the third largest market risk at year-end. On the asset side, essentially the same instruments (fixed-income instruments) are exposed interest rate and credit spread risk, but as the interest-bearing provisions are not exposed to credit risk, this risk is one-sided, unlike interest rate risk. This also makes it much harder to hedge the risk, as hedging is effectively impossible without the use of credit derivatives. However, as the company is choosing not to invest in equities at this stage, a higher credit risk is the natural price to pay for the desired return. The fixed income portfolio's share of the risk remains very dominant, and at year-end fixed income investments including cash funds amounted to EUR 467.1 (EUR 495.0) million, corresponding to 81 (83) % of the investment portfolio.

For several years, the equity risk in the fixed income portfolio has related exclusively to investments in private equity funds and similar asset classes, which are not immediately available for sale. In 2017 these investments were further reduced, and now amount to only EUR 1.7 (3.3) million. The investments in hedge funds, which on 31 December 2016 were EUR 0.2 million, have been fully divested in 2017. In the unit-linked portfolio, on the other hand, equity risk is a significant risk. This is because equity and balanced funds account for such a large investment volume among the customers' investments that, although the company's share of the risk in the unit-linked portfolios is small in percentage terms, the amount is still significant. The market value of the unit-linked investments at year-end was EUR 802.6 (667.7) million, of which EUR 557.0 (368.1) million was exposed to equity risk.

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year end, total real estate investments amounted to EUR 77.9 (81.6) million. Real estate risk is the second most significant risk. In the unit-linked portfolios it is insignificant.

**G2.12 Life insurance company's geopolitical and instrument type distribution**

EUR million	Government and Govt. guaranteed		Covered Bonds		Financial institutions excl. CB		Corporate bonds		Real estate		Alternative investments		Equity instruments		Total	
	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16	12/17	12/16
Finland	27.8	31.4	-	6.0	34.9	37.9	79.6	65.2	77.9	83.9	1.6	2.4	-	-	221.75	226.7
France	38.4	39.2	80.3	82.6	-	1.2	7.5	9.6	-	-	-	-	-	-	126.19	132.6
Netherlands	10.9	9.8	29.4	30.3	12.5	12.9	2.4	2.1	-	-	-	-	-	-	55.14	55.1
United Kingdom	-	-	34.3	35.4	-	3.1	1.3	1.2	-	-	-	0.0	-	-	35.57	39.7
Austria	22.7	23.5	5.8	6.0	-	-	0.1	-	-	-	-	-	-	-	28.55	29.5
Denmark	-	-	18.4	19.0	1.1	1.1	-	-	-	-	-	-	-	-	19.55	20.1
Sweden	-	-	5.8	-	7.4	12.6	1.9	1.9	-	-	0.1	0.1	-	-	15.22	14.6
Germany	3.1	16.3	-	-	-	-	-	-	-	-	-	-	-	-	3.12	16.3
Norway	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supranational	8.7	5.9	-	-	-	-	-	-	-	-	-	-	-	-	8.72	5.9
Other	50.7	21.4	-	-	1.2	5.3	8.8	32.7	-	-	-	-	-	-	60.69	59.4
<b>Total</b>	<b>162.3</b>	<b>147.6</b>	<b>174.1</b>	<b>179.3</b>	<b>57.1</b>	<b>74.0</b>	<b>101.5</b>	<b>112.6</b>	<b>77.9</b>	<b>83.9</b>	<b>1.7</b>	<b>2.5</b>	<b>-</b>	<b>-</b>	<b>574.5</b>	<b>600.0</b>

## G2.13 Sensitivity analysis for market risks

	Portfolio		Technical provisions*		Total		2016	
	2017	2016	2017	2016	2017	%**	EUR million	%**
Life insurance company	EUR million	EUR million	EUR million	EUR million	EUR million			
<b>Interest linked</b>								
Market value 31 Dec.	546.6	581.5	-452.2	-504.5	94.4	<b>66.2 %</b>	111.4	<b>74.8 %</b>
IR risk up	-19.2	-23.5	42.0	46.9	22.8	<b>16.0 %</b>	23.4	<b>15.7 %</b>
IR risk down	22.3	19.0	-75.0	-44.7	-52.7	<b>-37.0 %</b>	-25.7	<b>-17.3 %</b>
Spreadrisk	-18.0	-25.4	0.0	0.0	-17.9	<b>-12.6 %</b>	-25.4	<b>-17.1 %</b>
Currency risk	-4.0	-4.3	0.1	0.1	-3.9	<b>-2.7 %</b>	-4.2	<b>-2.8 %</b>
Equity risk	-1.1	-1.4	0.0	0.0	-1.1	<b>-0.8 %</b>	-1.4	<b>-0.9 %</b>
Real estate risk	-24.3	-25.8	0.3	0.3	-24.1	<b>-16.9 %</b>	-25.5	<b>-17.1 %</b>
<b>Unit- and index linked</b>								
Market value 31 Dec.	802.3	723.1	-754.1	-685.6	48.2	<b>33.8 %</b>	37.5	<b>25.2 %</b>
IR risk up	-13.3	-17.2	13.8	18.8	0.6	<b>0.4 %</b>	1.6	<b>1.1 %</b>
IR risk down	15.9	23.7	-13.2	-21.8	2.7	<b>1.9 %</b>	1.9	<b>1.3 %</b>
Spreadrisk	-19.6	-17.7	18.2	16.3	-1.5	<b>-1.0 %</b>	-1.4	<b>-0.9 %</b>
Currency risk	-37.4	-35.9	34.6	33.1	-2.8	<b>-2.0 %</b>	-2.8	<b>-1.9 %</b>
Equity risk	-216.6	-200.3	200.3	184.8	-16.2	<b>-11.4 %</b>	-15.5	<b>-10.4 %</b>
Real estate risk	0.0	0.0	0.0	0.0	0.0	<b>0.0 %</b>	0.0	<b>0.0 %</b>
<b>Total</b>								
<b>Market value 31 Dec</b>	<b>1,348.9</b>	<b>1,304.6</b>	<b>-1,206.3</b>	<b>-1,190.1</b>	<b>142.6</b>	<b>100.0 %</b>	<b>148.9</b>	<b>100.0 %</b>
IR risk up	-32.4	-40.7	55.8	65.7	23.4	<b>16.4 %</b>	25.0	<b>16.8 %</b>
IR risk down	38.2	42.7	-88.2	-66.5	-50.0	<b>-35.0 %</b>	-23.8	<b>-16.0 %</b>
Spreadrisk	-37.6	-43.1	18.2	16.3	-19.4	<b>-13.6 %</b>	-26.8	<b>-18.0 %</b>
Currency risk	-41.4	-40.2	34.7	33.2	-6.7	<b>-4.7 %</b>	-7.0	<b>-4.7 %</b>
Equity risk	-217.7	-201.7	200.3	184.8	-17.3	<b>-12.1 %</b>	-16.9	<b>-11.3 %</b>
Real estate risk	-24.3	-25.8	0.3	0.3	-24.1	<b>-16.9 %</b>	-25.5	<b>-17.1 %</b>

\* The market value of the Technical Provisions is a risk neutral value which is obtained by discounting simulated cashflows. Therefore it differs from the book value of the Technical Provisions.

\*\* The percentage is the portion of the total market value (EUR 142.6 million in 2017)

The life insurance company's exchange rate risk comes from holdings in fixed income funds that invest in emerging market government bonds issued in USD or local currencies. Some of the hedge funds' and private equity funds' holding are also in foreign currencies. Exchange rate risk has increased significantly as the volume of investments in emerging markets has increased. At the end of the period, the life insurance company had underlying investments totalling EUR 69.0 (19.8) million, with open exchange rate risk in the interest-linked portfolios. Exchange rate risk arises also in the unit-linked portfolios, as a part of the fixed income and equity funds are denominated in other currencies than the euro.

The same parameters are used to calculate risk sensitivity as in the risk sensitivity calculation for the bank. These parameters are described in Chapter 6.1.6. For the life insurance company, stress is also taken into account for technical provisions.

## 7. Management of insurance risks

Insurance risk refers to the risk that claims to be paid out to policyholders exceed the amount expected. The risk is divided into underwriting risk and provision risk. Underwriting risk is caused by losses due to e.g. incorrect pricing, risk concentrations, inadequate reinsurance or unexpectedly high frequency of claims. Provision risk is the risk caused by a situation where

reserves in the technical provision are not adequate to cover the claims arising from known or unknown damages covered by insurance contracts that have already been entered into.

Aktia Life Insurance provides life insurance and savings insurance. Due to the legal rules concerning insurance contracts, the company is very limited in its ability to influence premiums and terms and conditions for old policies that have already come into effect. Premium adequacy is followed up annually. For new policies, the company is free to set the premium levels itself. This is done by the Board, at the proposal of the head actuary. Reinsurance is used to limit compensation liabilities for the company's own account so that its solvency capital is adequate and results do not fluctuate too much. As part of the Group's capital and risk management process, limits are derived which the Board of Directors of the life insurance company defines for the risks that the company itself can bear without taking out reinsurance.

The principal risks associated with risk insurance are biometric risks connected to mortality, compensation for healthcare costs, long-term inability to work and daily compensation in the event of illness. The most important methods used to manage risks associated with risk insurance are risk selection, tariff classification, reinsurance of risks and the monitoring of compensation costs. With respect to health insurance, the company can increase policy premiums, within certain limits, to cover the increasing compensation paid out in the event of ill health.

## 8. Management of operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, inadequate or unreliable systems, insufficient or unreliable information, deficient quantitative models, other failures in internal control or risk management, staff or from external factors. Operational risk also includes legal risks, but excludes strategic risks. The damage arising from the occurrence of an operational risk can take the form of direct or indirect financial loss for Aktia, but can also, independently thereof, pose a threat to Aktia's reputation.

Operational risks are present in all of Aktia's operations. Under a resolution of the Board of Directors, the level of operational risks must be normal in relation to Aktia's activities and in relation to its competitors. A normal risk level is predicated on compliance with regulations, instructions and applicable laws. The level of information security in the business must also be high, i.e. the risk level must be low. All this requires a deep insight into the company's own activities, adequate, well functioning and effective internal control and risk management, good leadership, sound processes and competent staff.

As part of the Group's risk management framework, the Board of Directors has also adopted an instruction for the management and reporting of operational risks, which covers information security and data protection.

In addition to preventing operational risks from being realised, Aktia also strives to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities, etc.

**The Bank Group's capital adequacy**

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

Calculation of the Bank Group's capital base	31 Dec 2017		30 Sep 2017		30 Jun 2017		31 Mar 2017	
	Group	Bank Group	Group	Bank Group	Group	Bank Group	Group	Bank Group
<b>Total assets</b>	<b>9,550,000</b>	<b>8,242,145</b>	<b>9,514,902</b>	<b>8,215,603</b>	<b>9,515,703</b>	<b>8,229,260</b>	<b>9,784,993</b>	<b>8,506,863</b>
of which intangible assets	71,139	70,575	71,026	70,377	70,309	69,591	67,346	66,577
<b>Total liabilities</b>	<b>8,951,979</b>	<b>7,741,502</b>	<b>8,921,340</b>	<b>7,718,131</b>	<b>8,927,707</b>	<b>7,735,694</b>	<b>9,163,967</b>	<b>7,980,029</b>
of which subordinated liabilities	235,200	235,200	238,076	238,076	241,423	241,423	245,574	245,574
Share capital	163,000	163,000	163,000	163,000	163,000	163,000	163,000	163,000
Fund at fair value	51,533	8,870	56,207	11,349	57,286	11,116	61,795	14,214
Restricted equity	214,533	171,870	219,207	174,349	220,286	174,116	224,795	177,214
Unrestricted equity reserve and other funds	109,899	109,899	109,665	109,665	109,506	109,506	109,353	109,353
Retained earnings	234,250	190,782	233,553	190,085	233,553	190,085	273,396	229,928
Profit for the year	39,340	28,092	31,136	23,372	24,651	19,859	13,483	10,339
Unrestricted equity	383,489	328,773	374,354	323,122	367,710	319,451	396,231	349,620
Shareholders' share of equity	598,022	500,644	593,562	497,471	587,996	493,567	621,026	526,834
<b>Equity</b>	<b>598,022</b>	<b>500,644</b>	<b>593,562</b>	<b>497,471</b>	<b>587,996</b>	<b>493,567</b>	<b>621,026</b>	<b>526,834</b>
<b>Total liabilities and equity</b>	<b>9,550,000</b>	<b>8,242,145</b>	<b>9,514,902</b>	<b>8,215,603</b>	<b>9,515,703</b>	<b>8,229,260</b>	<b>9,784,993</b>	<b>8,506,863</b>
Off-balance sheet commitments	553,025	544,240	654,466	654,100	542,565	542,201	489,396	488,983
<b>The Bank Group's equity</b>		<b>500,644</b>		<b>497,471</b>		<b>493,567</b>		<b>526,834</b>
Provision for dividends to shareholders		-37,811		-25,211		-19,948		-
Profit for the year, for which no application was filed with the Financial Supervisory Authority		-		-		-		-10,339
Intangible assets		-70,575		-70,377		-69,591		-66,577
Debentures		111,048		122,300		133,551		138,113
Additional expected losses according to IRB		-9,775		-13,186		-15,392		-21,375
Deduction for significant holdings in financial sector entities		-7,860		-7,241		-7,237		-7,229
Other incl. unpaid dividend		828		799		901		-38,928
<b>Total capital base (CET1 + AT1 + T2)</b>		<b>486,499</b>		<b>504,554</b>		<b>515,850</b>		<b>520,499</b>

<b>The Bank Group's capital adequacy</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>	<b>30 Jun 2017</b>	<b>31 Mar 2017</b>	<b>31 Dec 2016</b>
Common Equity Tier 1 Capital before regulatory adjustments	465,070	472,795	474,152	477,186	480,020
Common Equity Tier 1 Capital regulatory adjustments	-89,619	-90,540	-91,854	-94,800	-90,368
<b>Total Common Equity Tier 1 Capital (CET1)</b>	<b>375,451</b>	<b>382,255</b>	<b>382,299</b>	<b>382,386</b>	<b>389,652</b>
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
<b>Additional Tier 1 capital after regulatory adjustments (AT1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tier 1 capital (T1 = CET1 + AT1)</b>	<b>375,451</b>	<b>382,255</b>	<b>382,299</b>	<b>382,386</b>	<b>389,652</b>
Tier 2 capital before regulatory adjustments	111,048	122,300	133,551	138,113	136,148
Tier 2 capital regulatory adjustments	-	-	-	-	-
<b>Total Tier 2 capital (T2)</b>	<b>111,048</b>	<b>122,300</b>	<b>133,551</b>	<b>138,113</b>	<b>136,148</b>
<b>Total own funds (TC = T1 + T2)</b>	<b>486,499</b>	<b>504,554</b>	<b>515,850</b>	<b>520,499</b>	<b>525,800</b>
<b>Risk weighted exposures total</b>	<b>2,080,185</b>	<b>2,205,607</b>	<b>2,122,904</b>	<b>2,099,698</b>	<b>1,997,682</b>
of which credit risk, the standardised model	855,781	952,317	905,548	863,803	748,815
of which credit risk, the IRB model	874,488	904,541	868,607	887,147	900,118
of which market risk	-	-	-	-	-
of which operational risk	349,916	348,749	348,749	348,749	348,749
Own funds requirement (8 %)	166,415	176,449	169,832	167,976	159,815
Own funds buffer	320,084	328,106	346,018	352,523	365,986
CET1 Capital ratio	18.0 %	17.3 %	18.0 %	18.2 %	19.5 %
T1 Capital ratio	18.0 %	17.3 %	18.0 %	18.2 %	19.5 %
Total capital ratio	23.4 %	22.9 %	24.3 %	24.8 %	26.3 %
<b>Own funds floor (CRR article 500)</b>					
Own funds	486,499	504,554	515,850	520,499	525,800
Own funds floor <sup>1</sup>	193,016	200,507	190,754	189,739	183,576
Own funds buffer	293,483	304,048	325,096	330,760	342,224

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.

<b>Risk-weighted amount for operational risks</b>	<b>2015*</b>	<b>2016</b>	<b>2017</b>	<b>12/2017</b>	<b>9/2017</b>	<b>6/2017</b>	<b>3/2017</b>	<b>12/2016</b>
Gross income	187,674	183,272	188,920					
- average 3 years			186,622					
<b>Capital requirement for operational risk</b>				<b>27,993</b>	<b>27,900</b>	<b>27,900</b>	<b>27,900</b>	<b>27,900</b>
<b>Risk-weighted amount</b>				<b>349,916</b>	<b>348,749</b>	<b>348,749</b>	<b>348,749</b>	<b>348,749</b>

\* Recalculated after acquisition 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 risk is calculated by dividing the capital requirement by 8 %.

## 31 Dec 2017

The Bank Group's total exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %
<b>Exposure class</b>					
<b>Credit risk, IRB approach</b>					
Retail - Secured by immovable property non-SME	4,493,600	4,489,596	13 %	584,974	46,798
Retail - Secured by immovable property SME	141,602	141,252	50 %	70,395	5,632
Retail - Other non-SME	140,511	131,358	45 %	58,884	4,711
Retail - Other SME	33,876	32,237	93 %	30,017	2,401
Equity exposures	47,628	47,628	273 %	130,219	10,417
<b>Total exposures, IRB approach</b>	<b>4,857,217</b>	<b>4,842,072</b>	<b>18 %</b>	<b>874,488</b>	<b>69,959</b>
<b>Credit risk, standardised approach</b>					
States and central banks	401,010	488,626	0 %	-	-
Regional governments and local authorities	240,658	264,349	1 %	1,342	107
Multilateral development banks	50,963	50,963	0 %	-	-
International organisations	127,990	127,990	0 %	-	-
Credit institutions	702,821	433,862	25 %	109,786	8,783
Corporates	412,511	229,085	99 %	226,842	18,147
Retail exposures	276,112	127,168	68 %	86,639	6,931
Secured by immovable property	903,032	839,310	36 %	299,825	23,986
Past due items	35,995	8,959	104 %	9,332	747
Covered bonds	836,373	836,373	10 %	83,637	6,691
Other items	70,548	64,573	40 %	26,016	2,081
<b>Total exposures, standardised approach</b>	<b>4,058,012</b>	<b>3,471,258</b>	<b>24 %</b>	<b>843,420</b>	<b>67,474</b>
<b>Total risk exposures</b>	<b>8,915,229</b>	<b>8,313,330</b>	<b>21 %</b>	<b>1,717,908</b>	<b>137,433</b>

## 31 Dec 2016

The Bank Group's total exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %
<b>Exposure class</b>					
<b>Credit risk, IRB approach</b>					
Retail - Secured by immovable property non-SME	4,620,213	4,613,563	14 %	629,746	50,380
Retail - Secured by immovable property SME	155,666	154,765	49 %	75,125	6,010
Retail - Other non-SME	110,459	105,995	43 %	45,897	3,672
Retail - Other SME	22,659	20,994	78 %	16,421	1,314
Equity exposures	48,780	48,780	273 %	132,930	10,634
<b>Total exposures, IRB approach</b>	<b>4,957,776</b>	<b>4,944,097</b>	<b>18 %</b>	<b>900,118</b>	<b>72,009</b>
<b>Credit risk, standardised approach</b>					
States and central banks	500,947	630,491	0 %	-	-
Regional governments and local authorities	199,744	223,786	0 %	755	60
Multilateral development banks	51,578	51,578	0 %	-	-
International organisations	159,156	159,156	0 %	-	-
Credit institutions	696,505	385,356	31 %	117,550	9,404
Corporates	355,819	149,873	99 %	148,753	11,900
Retail exposures	249,499	104,929	69 %	72,196	5,776
Secured by immovable property	772,105	701,396	38 %	265,624	21,250
Past due items	37,621	10,529	109 %	11,462	917
Covered bonds	866,130	866,130	10 %	86,613	6,929
Other items	52,644	44,404	44 %	19,629	1,570
<b>Total exposures, standardised approach</b>	<b>3,941,748</b>	<b>3,327,629</b>	<b>22 %</b>	<b>722,582</b>	<b>57,807</b>
<b>Total risk exposures</b>	<b>8,899,524</b>	<b>8,271,727</b>	<b>20 %</b>	<b>1,622,700</b>	<b>129,816</b>

The Bank Group's leverage Ratio *	31 Dec 2017	31 Dec 2016
Tier 1 capital	375,451	389,652
Total exposure	8,258,937	8,206,073
<b>Leverage Ratio, %</b>	<b>4.55</b>	<b>4.75</b>

\* The leverage ratio is calculated based on end of quarter figures

The financial conglomerate's capital adequacy	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
<b>Summary</b>					
The Group's equity	598,022	593,562	587,996	621,026	613,108
Sector-specific assets	117,768	129,260	140,751	145,793	143,828
Intangible assets and other reduction items	-174,845	-187,743	-200,894	-247,571	-234,480
<b>Conglomerate's total capital base</b>	<b>540,944</b>	<b>535,079</b>	<b>527,854</b>	<b>519,248</b>	<b>522,456</b>
Capital requirement for banking business	243,858	258,967	248,866	207,139	196,366
Capital requirement for insurance business <sup>1</sup>	85,071	79,488	80,135	80,610	80,629
<b>Minimum amount for capital base</b>	<b>328,930</b>	<b>338,455</b>	<b>329,001</b>	<b>287,749</b>	<b>276,995</b>
<b>Conglomerate's capital adequacy</b>	<b>212,015</b>	<b>196,623</b>	<b>198,852</b>	<b>231,499</b>	<b>245,461</b>
Capital adequacy ratio, %	164.5 %	158.1 %	160.4 %	180.5 %	188.6 %

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.

#### The Bank Group's main counterparties and branches by exposure class before the effect of risk mitigation techniques

Counterparty	Industry	31 December 2017				Total
		Corporate exposures	Retail exposures	Real estate collateralised	Past due items	
Corporate						
	Property	39,057	6,013	152,010	402	197,483
	Trade	3,104	16,346	28,950	518	48,919
	Financing	54,729	593	146,744	48	202,114
	Industry, energy	24,467	8,756	19,096	2,609	54,928
	Construction	18,536	15,376	20,532	633	55,077
	Research, consulting, services	11,413	13,430	24,129	2,210	51,181
	Transport	10,313	13,637	9,893	207	34,048
	Hotels and restaurants	165	2,381	8,826	1,174	12,546
	Agriculture, fisheries, mining	1,160	3,629	12,071	6	16,867
	Other	72,877	6,961	16,646	2,392	98,876
	<b>Total</b>	<b>235,821</b>	<b>87,122</b>	<b>438,896</b>	<b>10,200</b>	<b>772,038</b>
Households		9,404	333,704	4,549,989	35,572	4,928,669
Housing corporations		156,278	18,116	479,754	374	654,523
Other non-profit corporations		11,001	1,353	27,553	419	40,327
<b>Total</b>		<b>412,504</b>	<b>440,295</b>	<b>5,496,192</b>	<b>46,565</b>	<b>6,395,556</b>

## The Bank Group's loans which have been individually impaired

Sector	31 December 2017				Change during the period	
	Contract value	Individual impairments	Book value	Fair value of collateral	Impairments	Losses on credits and other commitments
Corporates	28,862	25,885	2,977	3,159	-295	1,245
Housing corporations	631	631	-	67	134	115
Non-profit corporations	603	200	403	407	-	-
Households	13,126	10,620	2,505	7,471	1,724	1,060
<b>Total</b>	<b>43,222</b>	<b>37,337</b>	<b>5,884</b>	<b>11,104</b>	<b>1,564</b>	<b>2,420</b>
<b>Write-downs on corporate loans by industry</b>						
Research, consulting and other services	14,561	14,435	126			
Trade	2,129	2,115	14			
Construction	2,608	2,393	215			
Hotel- and restaurant services	2,127	1,519	607			
Human health and other service activities for households	4,581	2,570	2,011			
Other	2,857	2,853	4			
<b>Total</b>	<b>28,862</b>	<b>25,885</b>	<b>2,977</b>			

Sector	31 December 2016				Change during the period	
	Contract value	Individual impairments	Book value	Fair value of collateral	Impairments	Losses on credits and other commitments
Corporates	32,387	27,436	4,952	3,579	-932	6,148
Housing corporations	612	612	-	67	219	-
Non-profit corporations	609	200	409	457	200	-
Households	13,110	9,946	3,163	7,735	2,360	2,016
<b>Total</b>	<b>46,718</b>	<b>38,194</b>	<b>8,524</b>	<b>11,838</b>	<b>1,847</b>	<b>8,164</b>
<b>Write-downs on corporate loans by industry</b>						
Research, consulting and other services	15,837	15,093	743			
Trade	2,323	2,296	27			
Construction	3,099	2,884	215			
Hotel- and restaurant services	2,654	1,521	1,133			
Human health and other service activities for households	5,337	2,516	2,821			
Other	3,138	3,126	12			
<b>Total</b>	<b>32,387</b>	<b>27,436</b>	<b>4,952</b>			

G3 Group's segment reporting

(EUR 1,000)	Asset Management and													
	Banking Business			Life Insurance			Miscellaneous			Eliminations			Total Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		
<b>Income statement</b>														
Net interest income	89,327	95,278	0	0	242	245	50	65	89,620	95,588				
Dividends	5	5	-	-	302	33	-	-	307	38				
Net commission income	71,026	65,151	31,022	24,755	837	716	-11,456	-10,950	91,429	79,672				
Net income from life-insurance	-	-	22,635	21,151	-	-	3,962	3,515	26,597	24,666				
Net income from financial transactions	470	1,373	-18	1	389	6906	-	-	841	8,280				
Other operating income	1,336	1,860	98	94	57	1,144	0	0	1,490	3,098				
<b>Total operating income</b>	<b>162,164</b>	<b>163,667</b>	<b>53,736</b>	<b>46,001</b>	<b>1,827</b>	<b>9,043</b>	<b>-7,443</b>	<b>-7,370</b>	<b>210,284</b>	<b>211,341</b>				
Staff costs	-61,236	-55,652	-13,114	-11,724	-4,707	-4,874	-	-	-79,057	-72,250				
IT expenses	-25,380	-23,649	-2,112	-2,007	-2,960	-2,696	-	-	-30,451	-28,352				
Depreciation of tangible and intangible assets	-6,664	-5,617	-413	-604	-2,389	-1,965	-	-	-9,465	-8,186				
Other operating expenses	-34,314	-32,230	-10,042	-10,146	-4,768	-4,620	7,443	7,370	-41,681	-39,627				
<b>Total operating expenses</b>	<b>-127,594</b>	<b>-117,147</b>	<b>-25,680</b>	<b>-24,481</b>	<b>-14,824</b>	<b>-14,155</b>	<b>7,443</b>	<b>7,370</b>	<b>-160,654</b>	<b>-148,414</b>				
Impairment of tangible and intangible assets	-534	-	-	-	-	-	-	-	-534	-				
Write-downs on credits and other commitments	-574	-2,198	-	-	-	-	-	-	-574	-2,198				
Share of profit from associated companies	-	-	-	-	-	-	597	738	597	738				
<b>Operating profit</b>	<b>33,461</b>	<b>44,321</b>	<b>28,057</b>	<b>21,520</b>	<b>-12,996</b>	<b>-5,113</b>	<b>597</b>	<b>738</b>	<b>49,118</b>	<b>61,467</b>				
<b>Balance sheet</b>														
Cash and balances with central banks	282,476	380,094	0	0	-	-	-	-	282,477	380,095				
Financial assets available for sale	1,430,877	1,319,361	485,240	515,619	9,241	9,101	-	-3,555	1,925,358	1,840,526				
Financial assets held until maturity	367,800	445,294	-	-	-	-	-	-	367,800	445,294				
Loans and other receivables	5,878,608	5,750,806	50,690	35,857	6,855	6,646	-47,480	-32,849	5,888,674	5,760,460				
Investments for unit-linked insurances	-	-	802,575	723,144	-	-	-	-	802,575	723,144				
Other assets	160,913	205,811	73,252	77,069	120,845	181,605	-71,892	-128,026	283,117	336,459				
<b>Total assets</b>	<b>8,120,673</b>	<b>8,101,366</b>	<b>1,411,758</b>	<b>1,351,690</b>	<b>136,941</b>	<b>197,352</b>	<b>-119,372</b>	<b>-164,430</b>	<b>9,550,000</b>	<b>9,485,978</b>				
Deposits	4,860,428	4,705,983	-	-	14	14	-47,480	-32,849	4,812,963	4,673,148				
Debt securities issued	2,450,748	2,480,268	-	-	-	-	-	-3,555	2,450,748	2,476,712				
Technical provisions	-	-	1,217,328	1,162,446	-	-	-	-	1,217,328	1,162,446				
Other liabilities	389,498	512,097	37,992	35,842	53,143	18,581	-9,692	-5,958	470,940	560,563				
<b>Total liabilities</b>	<b>7,700,674</b>	<b>7,698,348</b>	<b>1,255,320</b>	<b>1,198,288</b>	<b>53,157</b>	<b>18,596</b>	<b>-57,172</b>	<b>-42,362</b>	<b>8,951,979</b>	<b>8,872,869</b>				

## Notes to the consolidated income statement

(EUR  
1,000)

G4 Net interest income	2017	2016
<b>Interest income</b>		
Cash and balances with central banks	-	6
Financial assets available for sale	10,978	17,404
Claims on credit institutions	334	430
Claims on public and public sector entities	73,336	80,820
Finance lease contracts	372	395
Loans and other receivables	74,041	81,645
Financial assets held until maturity	5,992	9,461
Other interest income	9	301
<b>Total</b>	<b>91,020</b>	<b>108,817</b>
<b>Interest expenses</b>		
Deposits, credit institutions	-423	-867
Deposits, other public entities	-4,870	-11,822
Deposits	-5,293	-12,689
Debt securities issued to the public	-31,812	-42,397
Subordinated liabilities	-6,265	-6,481
Securities issued and subordinated liabilities	-38,077	-48,879
Hedging derivative instruments	41,965	48,360
Other Interest expenses	4	-21
<b>Total</b>	<b>-1,400</b>	<b>-13,229</b>
<b>Net interest income</b>	<b>89,620</b>	<b>95,588</b>
Deposits and lending	69,087	60,757
Hedging, interest rate risk management <sup>1</sup>	29,239	35,431
Other	-8,707	-599
<b>Net interest income</b>	<b>89,620</b>	<b>95,588</b>

1) Includes liquidity portfolio's fixed rate investments

G5 Dividends	2017	2016
Equity instruments available for sales	307	38
<b>Total</b>	<b>307</b>	<b>38</b>

G6 Net commission income	2017	2016
<b>Commission income</b>		
Lending	10,860	10,061
Borrowing	1,285	1,210
Card- and payment services	20,734	20,385
Mutual funds, asset management and securities brokerage	54,208	44,103
Brokerage of insurance	4,227	4,168
Guarantees and other off-balance sheet commitments	632	419
Real estate agency	7,888	7,076
Legal services	1,244	1,061
Other commission income	1,406	1,530
<b>Total</b>	<b>102,485</b>	<b>90,014</b>
<b>Commission expenses</b>		
Money handling	-1,372	-1,758
Card- and payment services	-4,107	-3,940
Securities and investments	-4,977	-4,030
Other commission expenses	-600	-614
<b>Total</b>	<b>-11,056</b>	<b>-10,342</b>
<b>Net commission income</b>	<b>91,429</b>	<b>79,672</b>

G7 Net income from life-insurance	2017	2016
Premiums written	125,206	112,003
Net income from investments	20,357	21,093
Insurance claims paid	-106,740	-112,836
Net change in technical provisions	-12,226	4,406
<b>Net income from life-insurance</b>	<b>26,597</b>	<b>24,666</b>
<b>PREMIUMS WRITTEN</b>		
<b>Premiums written from insurance agreements</b>		
Insurance agreements	31,625	34,898
Total gross premiums written before reinsurer's share	31,625	34,898
Reinsurer's share	-729	-750
Premiums written from investment agreements	94,310	77,855
<b>Total premiums written</b>	<b>125,206</b>	<b>112,003</b>

Distribution of premiums	From insurance agreements		From investment agreements		Total	
	2017	2016	2017	2016	2017	2016
<b>Premiums written from risk insurance and interest-related insurance</b>						
Saving plans	1,120	1,327	-	-	1,120	1,327
Individual pension insurance	3,621	6,007	-	-	3,621	6,007
Group pension insurance	2,597	2,174	-	-	2,597	2,174
Risk insurance	20,705	20,713	-	-	20,705	20,713
<b>Total</b>	<b>28,043</b>	<b>30,222</b>	<b>-</b>	<b>-</b>	<b>28,043</b>	<b>30,222</b>
<b>Premiums written from unit-linked agreements</b>						
Saving plans	267	312	90,488	73,569	90,755	73,881
Individual pension insurance	1,846	2,651	3,822	4,286	5,668	6,938
Group pension insurance	1,469	1,712	-	-	1,469	1,712
<b>Total</b>	<b>3,582</b>	<b>4,676</b>	<b>94,310</b>	<b>77,855</b>	<b>97,893</b>	<b>82,531</b>

On-going and one-off premiums from direct insurance	2017	2016
On-going premiums from insurance agreements	31,232	34,472
One-off premiums from insurance agreements	393	426
On-going premiums from investment agreements	63,359	49,151
One-off premiums from investment agreements	30,951	28,704
<b>Total premiums written</b>	<b>125,935</b>	<b>112,753</b>

<b>NET INCOME FROM INVESTMENTS</b>	<b>2017</b>	<b>2016</b>
<b>Net income from financial assets available for sale</b>		
Interest income	12,076	13,310
Capital gains and losses	-712	-417
Transferred to income statement from fund at fair value	1,393	1,548
Other income and expenses	-26	-107
Interest-bearing securities	12,731	14,334
Capital gains and losses	1,606	2,075
Impairments	-1,556	-764
Transferred to income statement from fund at fair value	1,643	741
Other income and expenses	1,724	1,394
Shares and participations	3,417	3,446
<b>Total</b>	<b>16,148</b>	<b>17,779</b>
<b>Net income from investment properties</b>		
Rental income	5,026	4,866
Valued at fair value	-387	-
Capital gains and losses	653	-
Direct expenses from investment properties, which generated rental income during during the accounting period	-1,084	-1,553
<b>Total</b>	<b>4,209</b>	<b>3,313</b>
<b>Total for the Insurance business' net income from the investment business</b>	<b>20,357</b>	<b>21,093</b>
Exchange rate differences included in net income from the investment business	-	30

## INSURANCE CLAIMS PAID

	From insurance agreements		From investment agreements		Total	
	2017	2016	2017	2016	2017	2016
<b>Claims paid from risk insurance and interest-related insurance</b>						
<b>Saving plans</b>						
Repayment of saving sums	-4,388	-6,259	-	-	-4,388	-6,259
Payments in the event of death	-1,219	-942	-	-	-1,219	-942
Repurchase	-4,005	-1,481	-	-	-4,005	-1,481
<b>Total</b>	<b>-9,611</b>	<b>-8,682</b>	<b>-</b>	<b>-</b>	<b>-9,611</b>	<b>-8,682</b>
<b>Individual pension insurance</b>						
Pensions	-25,302	-24,834	-	-	-25,302	-24,834
Payments in the event of death	-629	-266	-	-	-629	-266
Repurchase	-5,999	-12,399	-	-	-5,999	-12,399
<b>Total</b>	<b>-31,930</b>	<b>-37,498</b>	<b>-</b>	<b>-</b>	<b>-31,930</b>	<b>-37,498</b>
<b>Group pension insurance</b>						
Pensions	-3,149	-2,905	-	-	-3,149	-2,905
Other	-77	-37	-	-	-77	-37
<b>Total</b>	<b>-3,226</b>	<b>-2,941</b>	<b>-</b>	<b>-</b>	<b>-3,226</b>	<b>-2,941</b>
<b>Risk insurance</b>						
Individual insurance	-10,789	-11,030	-	-	-10,789	-11,030
Group life insurance for employers	-895	-985	-	-	-895	-985
<b>Total</b>	<b>-11,683</b>	<b>-12,015</b>	<b>-</b>	<b>-</b>	<b>-11,683</b>	<b>-12,015</b>
<b>Total claims paid from risk insurance and interest-related insurance</b>	<b>-56,451</b>	<b>-61,136</b>	<b>-</b>	<b>-</b>	<b>-56,451</b>	<b>-61,136</b>
<b>Claims paid from unit-linked agreements</b>						
<b>Saving plans</b>						
Repayment of saving sums	-180	-281	-	-	-180	-281
Payments in the event of death	-133	-82	-13,999	-13,231	-14,132	-13,313
Repurchase	-1,284	-962	-28,418	-25,032	-29,701	-25,994
<b>Total</b>	<b>-1,596</b>	<b>-1,325</b>	<b>-42,417</b>	<b>-38,263</b>	<b>-44,013</b>	<b>-39,588</b>
<b>Individual pension insurance</b>						
Pensions	-	-	-1,522	-1,365	-1,522	-1,365
Payments in the event of death	-84	-119	-218	-63	-302	-182
Repurchase	-4,042	-10,080	-405	-405	-4,447	-10,485
<b>Total</b>	<b>-4,126</b>	<b>-10,199</b>	<b>-2,144</b>	<b>-1,834</b>	<b>-6,270</b>	<b>-12,032</b>
<b>Group pension insurance</b>						
Repurchase	-6	-80	-	-	-6	-80
<b>Total</b>	<b>-6</b>	<b>-80</b>	<b>-</b>	<b>-</b>	<b>-6</b>	<b>-80</b>
<b>Total claims paid from unit-linked agreements</b>	<b>-5,728</b>	<b>-11,603</b>	<b>-44,561</b>	<b>-40,096</b>	<b>-50,289</b>	<b>-51,700</b>
<b>Total claims paid</b>	<b>-62,179</b>	<b>-72,740</b>	<b>-44,561</b>	<b>-40,096</b>	<b>-106,740</b>	<b>-112,836</b>
					<b>2017</b>	<b>2016</b>
Changes in premium provisions, interest-related					3,535	-8,469
Changes in claims provisions, interest-related					24,500	33,715
<b>Change in technical provisions, risk insurance and interest-related insurance</b>					<b>28,036</b>	<b>25,246</b>
Changes in claims provisions, unit-linked					-804	-379
Changes in premium provisions, unit-linked					-82,114	-56,850
Changes in value of unit-linked investments, net					42,655	36,389
<b>Net change in technical provisions, unit-linked insurance</b>					<b>-40,262</b>	<b>-20,840</b>
<b>Total net change in technical provisions</b>					<b>-12,226</b>	<b>4,406</b>

G8 Net income from financial transactions	2017	2016
<b>Financial assets held for trading</b>		
Capital gains and losses		
Other items	1	-1
Total	1	-1
<b>Total</b>	<b>1</b>	<b>-1</b>
<b>Financial assets and liabilities reported at fair value via the income statement</b>		
Capital gains and losses		
Derivative instruments	-244	-307
Total	-244	-307
Valuation gains and losses		
Derivative instruments	-682	-869
Total	-682	-869
<b>Total</b>	<b>-926</b>	<b>-1,176</b>
<b>Financial assets available for sale</b>		
Capital gains and losses		
Interest-bearing securities	27	-321
Shares and participations	1,366	6,896
Total	1,394	6,574
Transferred to income statement from fund at fair value		
Interest-bearing securities	87	3,056
Other items	-	10
Total	87	3,066
Impairments		
Shares and participations	-966	-11
Total	-966	-11
<b>Total</b>	<b>514</b>	<b>9,629</b>
<b>Net income from currency trading</b>	<b>1,525</b>	<b>1,367</b>
<b>Net income from hedge accounting</b>		
Ineffective share of cash flow hedging	-	-
<b>Fair value hedging</b>		
Financial derivatives hedging issued bonds	-23,989	-575
Changes in fair value of hedge instruments, net	-23,989	-575
Bonds issued	23,715	-965
Changes in fair value of items hedged, net	23,715	-965
<b>Total</b>	<b>-273</b>	<b>-1,540</b>
<b>Total hedge accounting</b>	<b>-273</b>	<b>-1,540</b>
<b>Net income from financial transactions</b>	<b>841</b>	<b>8,280</b>

On disposal of financial instruments, the unrealised value change, included in the fund at fair value at the beginning of the year, is transferred from the fund at fair value to the income statement.

G9 Other operating income	2017	2016
Income from other banking business	128	146
Capital gains from sale of tangible and intangible assets	-132	10
Other operating income	1,494	2,942
<b>Total</b>	<b>1,490</b>	<b>3,098</b>

G10 Staff	2017	2016
Salaries and remunerations	-66,744	-59,303
Share-based payments	1,273	839
Pension costs		
Defined contribution plans	-10,876	-10,568
Defined benefit plans	-487	-429
Other indirect employee costs	-2,224	-2,789
Indirect employee costs	-13,586	-13,786
<b>Total</b>	<b>-79,057</b>	<b>-72,250</b>
<b>Number of employees 31 December</b>		
Full-time	759	839
Part-time	58	68
Temporary	79	119
<b>Total</b>	<b>896</b>	<b>1,026</b>
Number of employees converted to full-time equivalents	804	903
Full-time equivalent average number of employees for the year	922	925
The managements salaries and remuneration are presented in note G44.		
<b>G11 Depreciation of tangible and intangible assets</b>	<b>2017</b>	<b>2016</b>
Depreciation on tangible assets	-2,935	-3,091
Depreciation on intangible assets	-6,530	-5,095
<b>Total</b>	<b>-9,465</b>	<b>-8,186</b>
<b>G12 Other operating expenses</b>	<b>2017</b>	<b>2016</b>
Other staff expenses	-5,784	-4,117
Office expenses	-1,949	-2,589
Communication expenses	-4,162	-3,684
Marketing- and representation expenses	-4,758	-5,893
Purchased services	-6,727	-6,218
Rental expenses	-10,183	-10,205
Expenses for properties in own use	-1,560	-1,679
Insurance and security expenses	-1,538	-764
Monitoring, control and membership fees	-1,459	-1,471
Other operating expenses	-3,561	-3,007
<b>Total</b>	<b>-41,681</b>	<b>-39,627</b>
<b>Auditors' fees</b>		
Statutory auditing	-219	-248
Services related to auditing	-124	-129
Tax counselling	-41	-39
Other services	-145	-401
<b>Total</b>	<b>-529</b>	<b>-817</b>
<b>The Financial Stability Board has determined the stability fees as:</b>		
Deposit guarantee contribution	-1,840	-1,716
amount of which paid from the old Deposit Guarantee Fund	-1,840	-1,716
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	25	17
Contribution to the Single Resolution Fund	-1,653	-1,664
amount of which transferred from previously paid bank tax	-1,653	-1,372
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	2	4

G13 Taxes	2017	2016
Income taxes	-5,858	-5,365
Taxes from previous years	385	22
Change in deferred taxes	-4,306	-6,816
<b>Total</b>	<b>-9,778</b>	<b>-12,159</b>

More information on deferred taxes is presented in note G28. The tax on the Group's profit before tax deviates from the theoretical value that should arise when using the tax rate for the parent company as follows:

Profit before tax	49,118	61,467
Tax calculated on a 20.0% tax rate	-9,824	-12,293
Non-deductible expenses	-597	-297
Tax free income	296	681
Unused write-downs for tax purposes	275	-62
Utilisation of previously unrecognised tax losses	6	-
Loss when deferred tax is not recorded	-260	-396
Tax on the share of the profit from associated companies	320	58
Taxes from previous years	385	22
Other	-381	128
<b>Total taxes</b>	<b>-9,778</b>	<b>-12,159</b>
Average effective tax rate	20 %	20 %

#### Deferred tax recognised in comprehensive income

Deferred tax relating to financial assets available for sale	5,738	1,849
Deferred tax relating to financial assets held until maturity	-1,904	215
Deferred tax relating to cash flow hedging	-17	50
Deferred tax relating to defined benefit plan pensions	-523	126
<b>Total</b>	<b>3,294</b>	<b>2,240</b>

G14 Earnings per share	2017	2016
Profit for the year attributable to shareholders in Aktia Bank plc	39,340	49,308
Average number of A shares	46,618,528	46,650,169
Average number of R shares	19,865,430	19,865,430
Average number of shares (excluding treasury shares)	66,483,958	66,515,599
<b>Earnings per share (EPS), EUR (excluding treasury shares)</b>	<b>0.59</b>	<b>0.74</b>
<b>Earnings per share (EPS), EUR, after dilution (excluding treasury shares)</b>	<b>0.59</b>	<b>0.74</b>
Total comprehensive income attributable to shareholders in Aktia Bank plc	25,683	41,006
<b>Total earnings per share, EUR (excluding treasury shares)</b>	<b>0.39</b>	<b>0.62</b>
<b>Total earnings per share, EUR, after dilution (excluding treasury shares)</b>	<b>0.39</b>	<b>0.62</b>

As both A and R series shares entitle holders to equal amounts of the company's profit, these are not shown separately.

Notes to the consolidated balance sheet

(EUR 1,000)

G15 Classification of assets and liabilities

Note

	Valued at fair value via the income statement	Held for sale	Held to maturity	Derivatives used for hedging	Loans and other receivables	Non-financial assets	Total
<b>Assets 31 December 2017</b>							
Cash and balances with central banks					282,477		282,477
Interest-bearing securities		1,797,199	367,800				2,164,998
Shares and participations		128,159					128,159
Derivative instruments				84,046			84,046
Lending to Bank of Finland and other credit institutions					49,910		49,910
Lending to the public and public sector entities					5,838,764		5,838,764
Investments for unit-linked insurances	802,575						802,575
Investments in associated companies						0	0
Intangible assets						71,139	71,139
Investment properties						55,195	55,195
Other tangible assets						4,812	4,812
Accrued income and advance payments						38,862	38,862
Other assets						24,420	24,420
Income tax receivables						456	456
Deferred tax receivables						4,187	4,187
<b>Total</b>	<b>802,575</b>	<b>1,925,358</b>	<b>367,800</b>	<b>84,046</b>	<b>6,171,150</b>	<b>199,071</b>	<b>9,550,000</b>
<b>Liabilities 31 December 2017</b>							
Liabilities to credit institutions					694,419		694,419
Liabilities to the public and public sector entities					4,118,544		4,118,544
Derivative instruments				33,559			33,559
Debt securities issued					2,450,748		2,450,748
Subordinated liabilities					235,200		235,200
Other liabilities to credit institutions					60,045		60,045
Technical provisions for risk insurances and interest-related insurances						414,978	414,978
Technical provisions for unit-linked insurances						802,349	802,349
Accrued expenses and income received in advance						53,700	53,700
Other liabilities						29,553	29,553
Income tax liabilities						1,809	1,809
Deferred tax liabilities						57,073	57,073
<b>Total</b>				<b>33,559</b>	<b>7,558,956</b>	<b>1,359,463</b>	<b>8,951,979</b>

	Valued at fair value via the income statement					Loans and other receivables	Non-financial assets	Total
	Held for sale	Held to maturity	Derivatives used for hedging					
<b>Assets 31 December 2016</b>								
Cash and balances with central banks				G17		380,095		380,095
Interest-bearing securities	1,739,259	445,294		G18, G19				2,184,552
Shares and participations	101,267			G18				101,267
Derivative instruments			132,246	G20				132,246
Lending to Bank of Finland and other credit institutions				G21		43,074		43,074
Lending to the public and public sector entities				G21		5,717,386		5,717,386
Investments for unit-linked insurances				G22	723,144			723,144
Investments in associated companies				G23			0	0
Intangible assets				G24			63,698	63,698
Investment properties				G25			58,057	58,057
Other tangible assets				G26			7,672	7,672
Accrued income and advance payments				G27			46,568	46,568
Other assets				G27			20,197	20,197
Income tax receivables							208	208
Deferred tax receivables				G28			7,814	7,814
<b>Total</b>	<b>1,840,526</b>	<b>445,294</b>	<b>132,246</b>			<b>6,140,554</b>	<b>204,213</b>	<b>9,485,978</b>
<b>Liabilities 31 December 2016</b>								
Liabilities to credit institutions				G29		508,860		508,860
Liabilities to the public and public sector entities				G29		4,164,289		4,164,289
Derivative instruments			54,254	G20				54,254
Debt securities issued				G30		2,476,712		2,476,712
Subordinated liabilities				G31		243,596		243,596
Other liabilities to credit institutions				G32		74,504		74,504
Other liabilities to the public and public sector entities				G33		5,500		5,500
Technical provisions for risk insurances and interest-related insurances				G34			443,014	443,014
Technical provisions for unit-linked insurances				G34			719,432	719,432
Accrued expenses and income received in advance				G35			53,337	53,337
Other liabilities				G35			67,048	67,048
Provisions				G36			1,406	1,406
Income tax liabilities							953	953
Deferred tax liabilities				G28			59,965	59,965
<b>Total</b>	<b>54,254</b>	<b>7,473,461</b>	<b>1,345,155</b>			<b>8,872,869</b>	<b>1,345,155</b>	<b>8,872,869</b>

## G16 Classification of financial assets and liabilities under IFRS 9 as of 1 January 2018

Classification of financial instruments 1 January 2018	Note	Classification under IAS39	Classification under IFRS9	Carrying amount IAS39	Reclassifi- cation	Remeasure- ment *	Carrying amount IFRS 9	Equity impact as at 1 Jan 2018
Cash and balances with central banks	G17	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	G18	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 <sup>1</sup>	G19	Held to maturity	Amortised cost	367,800	-	-	367,800	122
Shares and participations	G18	Held for sale	Fair value through the income statement	128,159	-	-	128,159	-
Derivative instruments	G20	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	G21	Loans and other receivables	Amortised cost	49,910	-	-	49,910	-
Lending to the public and public sector entities	G21	Loans and other receivables	Amortised cost	5,838,764	-	1,016	5,839,780	813
Investments for unit-linked insurances	G22	Fair value through the income statement	Fair value through the income statement	802,575	-	-	802,575	-
<b>Total</b>				<b>9,350,929</b>	<b>-</b>	<b>-22,611</b>	<b>9,328,318</b>	<b>-17,967</b>

\* Includes value change and change in provisions for credit loss in connection with the transition to IFRS 9. The change in provisions for credit loss is presented in detail in note G21.

1) In connection with the transition to IFRS 9, the periodised overvalue of reclassified interest-bearing securities held until maturity 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 Change in shareholder's equity in the table above as per 1 January 2018.

(EUR 1,000)

<b>G17 Cash and balances with central banks</b>	<b>2017</b>	<b>2016</b>
Cash in hand	4,753	7,025
Bank of Finland current account	277,723	373,070
<b>Total</b>	<b>282,477</b>	<b>380,095</b>

<b>G18 Financial assets available for sale</b>	<b>2017</b>	<b>2016</b>
Interest bearing securities, governments and public sector entities	424,500	422,143
Interest bearing securities, credit institutions	996,317	897,162
Interest bearing securities, other	10,003	-
Interest-bearing securities, Banking business	1,430,820	1,319,304
Interest bearing securities, governments and public sector entities	109,364	127,924
Interest bearing securities, credit institutions	194,184	218,235
Interest bearing securities, other	62,830	73,795
Interest-bearing securities, Life insurance	366,378	419,954
Total interest-bearing securities	1,797,199	1,739,259
Publicly quoted shares and holdings	2,680	1,104
Shares and holdings that are not publicly quoted	6,618	8,053
Shares and holdings, Banking business	9,297	9,158
Publicly quoted shares and holdings	94,305	64,016
Shares and holdings that are not publicly quoted	24,557	28,094
Shares and holdings, Life insurance	118,862	92,110
Total shares and holdings	128,159	101,267
<b>Total</b>	<b>1,925,358</b>	<b>1,840,526</b>

Write-downs on financial assets available for sale stood at EUR 2.5 (0.9) million and are a result of significant or long-term negative value changes in shares and equity funds and in interest-bearing securities where the issuer has noted an inability to pay.

<b>Impairment of financial assets</b>	<b>2017</b>	<b>2016</b>
Interest-bearing securities		
Life insurance business	-	96
Shares and participations		
Banking business	966	11
Life insurance business	1,556	764
<b>Total</b>	<b>2,522</b>	<b>871</b>

Above mentioned impairments reported in income statement are included in notes G7 and G8.

<b>G19 Financial assets held until maturity</b>	<b>2017</b>	<b>2016</b>
Interest-bearing securities, states	48,202	47,869
Interest-bearing securities, other public corporations	319,598	397,425
<b>Total</b>	<b>367,800</b>	<b>445,294</b>

## G20 Derivative instruments

## Derivative instruments, book value

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	56,894	2,401	84,184	4,948
Fair value hedging	56,894	2,401	84,184	4,948
Interest rate derivatives	-	3,927	-	1,532
Cash flow hedging	-	3,927	-	1,532
Interest rate derivatives	27,109	27,215	46,400	46,253
Currency derivatives	44	16	597	455
Shares derivatives	-	-	1,065	1,065
Other derivative instruments	27,152	27,231	48,062	47,773
<b>Total</b>	<b>84,046</b>	<b>33,559</b>	<b>132,246</b>	<b>54,254</b>

## The nominal value of the underlying property and the fair value of the derivative instrument

31 December 2017

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
<b>Fair value hedging</b>						
Interest rate swaps	525,000	1,120,000	282,000	1,927,000	56,894	2,401
<b>Total fair value hedging</b>	<b>525,000</b>	<b>1,120,000</b>	<b>282,000</b>	<b>1,927,000</b>	<b>56,894</b>	<b>2,401</b>
<b>Cash flow hedging</b>						
Interest rate swaps	85,079	-	-	85,079	-	3,927
<b>Total cash flow hedging</b>	<b>85,079</b>	<b>-</b>	<b>-</b>	<b>85,079</b>	<b>-</b>	<b>3,927</b>
<b>Total interest rate derivatives</b>	<b>610,079</b>	<b>1,120,000</b>	<b>282,000</b>	<b>2,012,079</b>	<b>56,894</b>	<b>6,329</b>
<b>Total hedging derivative instruments</b>	<b>610,079</b>	<b>1,120,000</b>	<b>282,000</b>	<b>2,012,079</b>	<b>56,894</b>	<b>6,329</b>
<b>Other derivative instruments</b>						
Interest rate swaps	235,330	321,200	60,000	616,530	26,431	26,537
Interest rate option agreements	80,000	-	-	80,000	678	678
Purchased	40,000	-	-	40,000	678	678
Written	40,000	-	-	40,000	-	-
<b>Total interest rate derivatives</b>	<b>315,330</b>	<b>321,200</b>	<b>60,000</b>	<b>696,530</b>	<b>27,109</b>	<b>27,215</b>
Forward rate agreements	8,805	-	-	8,805	44	16
<b>Total forward rate agreements</b>	<b>8,805</b>	<b>-</b>	<b>-</b>	<b>8,805</b>	<b>44</b>	<b>16</b>
<b>Total other derivative instruments</b>	<b>324,135</b>	<b>321,200</b>	<b>-</b>	<b>705,335</b>	<b>27,152</b>	<b>27,231</b>
<b>Total derivative instruments</b>	<b>934,215</b>	<b>1,441,200</b>	<b>282,000</b>	<b>2,717,415</b>	<b>84,046</b>	<b>33,559</b>

31 December 2016

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
<b>Fair value hedging</b>						
Interest rate swaps	320,000	1,145,000	782,000	2,247,000	84,184	4,948
<b>Total fair value hedging</b>	<b>320,000</b>	<b>1,145,000</b>	<b>782,000</b>	<b>2,247,000</b>	<b>84,184</b>	<b>4,948</b>
<b>Cash flow hedging</b>						
Interest rate swaps	-	85,079	-	85,079	-	1,532
<b>Total cash flow hedging</b>	<b>-</b>	<b>85,079</b>	<b>-</b>	<b>85,079</b>	<b>-</b>	<b>1,532</b>
<b>Total interest rate derivatives</b>	<b>320,000</b>	<b>1,230,079</b>	<b>782,000</b>	<b>2,332,079</b>	<b>84,184</b>	<b>6,481</b>
<b>Total hedging derivative instruments</b>	<b>320,000</b>	<b>1,230,079</b>	<b>782,000</b>	<b>2,332,079</b>	<b>84,184</b>	<b>6,481</b>
<b>Other derivative instruments</b>						
Interest rate swaps	210,380	616,600	-	826,980	41,705	41,558
Interest rate option agreements	400,000	80,000	-	480,000	4,695	4,695
Purchased	200,000	40,000	-	240,000	4,695	4,695
Written	200,000	40,000	-	240,000	-	-
<b>Total interest rate derivatives</b>	<b>610,380</b>	<b>696,600</b>	<b>-</b>	<b>1,306,980</b>	<b>46,400</b>	<b>46,253</b>
Forward rate agreements	52,404	-	-	52,404	597	455
<b>Total forward rate agreements</b>	<b>52,404</b>	<b>-</b>	<b>-</b>	<b>52,404</b>	<b>597</b>	<b>455</b>
Equity options	4,594	-	-	4,594	1,065	1,065
Purchased	2,297	-	-	2,297	1,065	-
Written	2,297	-	-	2,297	-	1,065
<b>Total equity options</b>	<b>4,594</b>	<b>-</b>	<b>-</b>	<b>4,594</b>	<b>1,065</b>	<b>1,065</b>
<b>Total other derivative instruments</b>	<b>667,378</b>	<b>696,600</b>	<b>-</b>	<b>1,363,978</b>	<b>48,062</b>	<b>47,773</b>
<b>Total derivative instruments</b>	<b>987,378</b>	<b>1,926,679</b>	<b>782,000</b>	<b>3,696,057</b>	<b>132,246</b>	<b>54,254</b>

## G21 Loans and other receivables

	2017	2016
Repayable on demand claims on credit institutions	37,640	16,684
Other than repayable on demand claims on credit institutions	12,270	26,390
Lending to Bank of Finland and other credit institutions	49,910	43,074
Current account credits, public and corporates	170,215	160,909
Loans	5,651,051	5,503,362
Syndicated loans and repurchase agreements	34	42,500
Receivables from finance lease contracts	16,985	10,152
Loans	5,838,284	5,716,924
Bank guarantee claims	480	462
Lending to the public and public sector entities	5,838,764	5,717,386
<b>Total</b>	<b>5,888,674</b>	<b>5,760,460</b>
<b>A sector-by-sector analysis of receivables from the public and public sector entities as well as write-downs and reversed write-downs for these</b>		
Households	4,713,782	4,789,708
Corporates	591,504	542,591
Housing associations	491,419	339,903
Public sector entities	4,189	4,888
Non-profit organisations	37,870	40,295
<b>Total</b>	<b>5,838,764</b>	<b>5,717,386</b>

<b>Write-downs during the year</b>	<b>2017</b>	<b>2016</b>
Write-downs at the beginning of the year	48,461	54,372
Individually assessed write-downs on credits	4,373	5,354
Individually assessed write-downs on other commitments	60	25
Individually assessed write-downs on interest receivables	25	36
Write-downs on collectively assessed credits	-915	415
Reversal of individually assessed write-downs on credits	-2,867	-3,529
Reversal of individually assessed write-downs on other commitments	-1	-3
Reversal of individually assessed write-downs on interest receivables	-9	-8
Reversal of impairment losses on credits	-90	-91
<b>Total write-downs for the year</b>	<b>574</b>	<b>2,198</b>
Realised credit losses for which individual write-downs were made in previous years	-1,438	-7,944
Realised other commitments for which individual write-downs were made in previous years	-29	-256
Reversal of impairment losses on credits	90	91
<b>Write-downs at the end of the year</b>	<b>47,658</b>	<b>48,461</b>
Impaired receivables at the beginning of the year, contract value	56,956	62,565
New impaired receivables during this year, contract value	5,176	8,399
Reversal of impaired receivables during this year	-8,590	-14,008
Impaired receivables at the end of the year, contract value	53,542	56,956
Information on the fair values is given in note G38 and on collateral obtained in note G40.		
<b>Transition to IFRS 9 - New impairment calculations at 1 January 2018</b>		
Calculation of provisions for expected credit losses according to IFRS 9 comprises financial assets valued at amortised cost and financial assets valued at fair value through other comprehensive income as well as guarantees and credit commitments. Transitional effect at implementation of IFRS 9 decreased the reported provisions of credit losses 1 January 2018 by EUR 0.1 million.		
Write-downs on credits and the other commitments 31 December 2017 according to IAS 39	47,658	
Change in write-downs on credits	-1,629	
Write-downs of loan promises and financial guarantee contract	613	
Write-downs on interest-bearing securities	883	
<b>Write-downs on financial assets 1 January 2018 according IFRS 9</b>	<b>47,525</b>	
<b>Breakdown of maturity on finance lease receivables</b>		
Under 1 year	6,811	3,400
1-5 years	10,035	7,189
Over 5 years	831	68
<b>Gross investment</b>	<b>17,677</b>	<b>10,657</b>
Unearned future finance income	-692	-505
<b>Net investment</b>	<b>16,985</b>	<b>10,152</b>
<b>Present value of lease payment receivables</b>		
Under 1 year	6,501	3,158
1-5 years	9,659	6,927
Over 5 years	824	67
<b>Total</b>	<b>16,985</b>	<b>10,152</b>

G22 Investments for unit-linked insurances	2017	2016
Publicly quoted shares and holdings	802,575	723,144
<b>Total</b>	<b>802,575</b>	<b>723,144</b>

G23 Investments in associated companies	2017	2016
Acquisition cost at 1 January	0	0
Acquisition cost at 31 December	0	0
Share of profit from associated companies	597	738
Dividends obtained during the year	-597	-738
<b>Book value at 31 December</b>	<b>0</b>	<b>0</b>
<b>Associated companies</b>		
Samlink Ltd, Helsinki		
Percentage of shares and votes	23 %	23 %
Book value of Samlink Ltd in parent company at 31 December	0	0
Total share of profits in Samlink Ltd	597	738

Aktia Bank plc has obtained dividends from Samlink Ltd EUR 0.6 (0.7) million.

Reports for associated companies are prepared following the Group's accounting principles in accordance with IFRS.

See note G44 for transactions with associated companies.

G24 Intangible assets	2017	2016
Acquisition cost at 1 January	89,575	71,536
Acquisitions	-	957
Increases	13,971	17,083
Decreases	-23	-
Acquisition cost at 31 December	103,523	89,575
Accumulated depreciations and impairments at 1 January	-25,878	-20,783
Accumulated depreciation on decreases	23	-
Planned depreciation	-6,530	-5,095
Accumulated depreciations and impairments at 31 December	-32,384	-25,878
<b>Book value at 31 December</b>	<b>71,139</b>	<b>63,698</b>

## G25 Investment properties

	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
<b>2017</b>				
Acquisition cost at 1 January	5,961	33,429	18,667	58,057
Valuation at fair value	-	-387	1,006	619
Acquisitions	-235	-6,016	-	-6,251
Increases	-	968	1,838	2,806
Acquisition cost at 31 December	5,726	27,995	21,511	55,232
Impairments	-	-	-38	-38
Accumulated depreciations and impairments at 31 December	-	-	-38	-38
<b>Book value at 31 December</b>	<b>5,726</b>	<b>27,995</b>	<b>21,473</b>	<b>55,195</b>

	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
<b>2016</b>				
Acquisition cost at 1 January	5,961	33,017	14,768	53,746
Valuation at fair value	-	412	-492	-80
Increases	-	-	4,392	4,392
Acquisition cost at 31 December	5,961	33,429	18,667	58,057
<b>Book value at 31 December</b>	<b>5,961</b>	<b>33,429</b>	<b>18,667</b>	<b>58,057</b>

## G26 Other tangible assets

	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
<b>2017</b>				
Acquisition cost at 1 January	16,582	11,300	1,587	29,469
Increases	417	216	-	633
Decreases	-770	-1,464	-19	-2,253
Acquisition cost at 31 December	16,229	10,053	1,568	27,850
Accumulated depreciations and impairments at 1 January	-13,117	-7,427	-1,254	-21,798
Accumulated depreciation on decreases	765	1,464	-	2,229
Planned depreciation	-1,597	-1,338	-	-2,935
Impairments	-95	-438	-	-534
Accumulated depreciations and impairments at 31 December	-14,044	-7,740	-1,254	-23,038
<b>Book value at 31 December</b>	<b>2,185</b>	<b>2,312</b>	<b>315</b>	<b>4,812</b>

	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
<b>2016</b>				
Acquisition cost at 1 January	14,992	10,820	1,587	27,398
Increases	1,591	484	-	2,075
Decreases	0	-4	-	-4
Acquisition cost at 31 December	16,582	11,300	1,587	29,469
Accumulated depreciations and impairments at 1 January	-11,452	-6,001	-1,254	-18,707
Accumulated depreciation on decreases	0	-	-	0
Planned depreciation	-1,664	-1,427	-	-3,091
Accumulated depreciations and impairments at 31 December	-13,117	-7,427	-1,254	-21,798
<b>Book value at 31 December</b>	<b>3,466</b>	<b>3,873</b>	<b>333</b>	<b>7,672</b>

G27 Total other assets	2017	2016
Accrued and advance interests	22,293	31,576
Other accrued income and advance payments	16,569	14,992
Accrued income and advance payments	38,862	46,568
Cash items being collected	8,633	82
Other receivables	15,787	20,114
Other assets	24,420	20,197
<b>Total</b>	<b>63,283</b>	<b>66,764</b>

G28 Deferred tax receivables and liabilities	2017	2016
<b>Deferred tax liabilities / receivables, net</b>		
Net deferred tax liabilities / receivables at 1 January	52,151	47,967
Acquisitions / divestments	-276	-393
Changes during the year booked via the income statement	4,306	6,816
Financial assets:		
Valuation at fair value direct to equity	-3,089	-995
Transferred to the income statement	-746	-1,069
Cash flow hedging:		
Valuation at fair value direct to equity	17	-50
Defined-benefit pensions plans via comprehensive income	523	-126
<b>Net deferred tax liabilities / receivables at 31 December</b>	<b>52,886</b>	<b>52,151</b>
<b>Deferred tax liabilities</b>		
Appropriations	41,113	40,519
Group-specific write-downs	-1,844	-2,027
Financial assets	12,615	16,192
Cash flow hedging	-71	-146
Investment properties valued at fair value	1,377	1,229
Activated development costs	2,203	2,260
Equalisation provision of the life insurance business	1,680	1,920
Other	-	19
<b>Total</b>	<b>57,073</b>	<b>59,965</b>
<b>Deferred tax receivables</b>		
Financial assets	2,538	5,418
Defined-benefit pension plans	122	586
Negative result	960	960
Other	567	850
<b>Total</b>	<b>4,187</b>	<b>7,814</b>
<b>Specification of changes during the year booked via the income statement</b>		
Appropriations	-631	-3,812
Group-specific write-downs	-183	83
Financial assets	-3,121	-2,986
Cash flow hedging	-75	-158
Investment properties valued at fair value	-387	-270
Defined-benefit pension plans	59	-11
Activated development costs	57	-633
Equalisation provision of the life insurance business	240	240
Negative result	-	960
Other	-264	-229
<b>Total</b>	<b>-4,306</b>	<b>-6,816</b>

G29 Deposits	2017	2016
Repayable on demand liabilities to credit institutions	71,684	46,000
Other than repayable on demand deposits from credit institutions	622,735	462,860
Liabilities to credit institutions	694,419	508,860
Repayable on demand deposits	3,930,242	3,765,759
Other than repayable on demand deposits	188,301	398,530
Liabilities to the public and public sector entities	4,118,544	4,164,289
<b>Total</b>	<b>4,812,963</b>	<b>4,673,148</b>

### G30 Debt securities issued

	2017		2016	
	Book value	Nominal value	Book value	Nominal value
Bonds	2,450,748	2,458,929	2,476,712	2,484,043
<b>Total</b>	<b>2,450,748</b>	<b>2,458,929</b>	<b>2,476,712</b>	<b>2,484,043</b>

Secured Debts (collateralised)	2017			2016		
	Under 1 year	Over 1 year	Total	Under 1 year	Over 1 year	Total
Issued debts	503,373	1,165,215	1,668,587	-	1,685,193	1,685,193
<b>Total</b>	<b>503,373</b>	<b>1,165,215</b>	<b>1,668,587</b>	<b>-</b>	<b>1,685,193</b>	<b>1,685,193</b>

Unsecured Debts	2017			2016		
	Under 1 year	Over 1 year	Total	Under 1 year	Over 1 year	Total
Issued unsecured debts, senior financing	236,318	545,843	782,161	300,866	490,654	791,520
<b>Total</b>	<b>236,318</b>	<b>545,843</b>	<b>782,161</b>	<b>300,866</b>	<b>490,654</b>	<b>791,520</b>

31 December 2017	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
	Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	500,000	1,064,750	-	83,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	5,000	-	15,000	184,000	204,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	235,079	330,000	-	-	565,079
Other	-	-	-	-	-	42,100
<b>Total</b>	<b>-</b>	<b>740,079</b>	<b>1,394,750</b>	<b>15,000</b>	<b>267,000</b>	<b>2,458,929</b>

31 December 2016	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
	Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	1,000,000	500,000	40,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	300,000	5,000	15,000	184,000	504,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	-	265,079	-	-	265,079
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	64,750	-	43,000	107,750
Other	-	-	-	-	-	67,214
<b>Total</b>	<b>-</b>	<b>300,000</b>	<b>1,334,829</b>	<b>515,000</b>	<b>267,000</b>	<b>2,484,043</b>

<b>G31 Subordinated liabilities</b>	<b>2017</b>	<b>2016</b>
Debtures	235,200	243,596
<b>Total</b>	<b>235,200</b>	<b>243,596</b>
Nominal value	235,200	243,595
Amount counted to Tier capital	111,048	136,148

No individual debenture loan exceeds 10 % of all the subordinated liabilities.

<b>G32 Other liabilities to credit institutions</b>	<b>2017</b>	<b>2016</b>
Other liabilities to credit institutions, secured debts	23,000	28,000
Other liabilities to credit institutions, unsecured debts	37,045	46,504
<b>Total</b>	<b>60,045</b>	<b>74,504</b>

Other liabilities to credit institutions include liabilities of EUR 56 (67) million with fixed interest rate to the European Investment Bank.

<b>G33 Liabilities to the public and public sector entities</b>	<b>2017</b>	<b>2016</b>
Repayable on demand	-	5,500
<b>Total</b>	<b>-</b>	<b>5,500</b>

## G34 Technical provisions

	From insurance agreements		From investment agreements		Total	
	2017	2016	2017	2016	2017	2016
Technical provisions at 1 January	518,941	552,188	643,504	578,276	1,162,446	1,130,463
Income from insurance premiums	30,896	34,148	94,310	77,855	125,206	112,003
Insurance claims paid	-62,179	-72,740	-44,561	-40,096	-106,740	-112,836
Transfer of savings from / to unit-linked insurance	-3,809	-3,774	3,809	3,774	-	-
Compensated interest for savings	14,858	16,145	-	-	14,858	16,145
Customer compensation for savings	35	6	-	-	35	6
Total expense loading	-8,732	-9,147	-7,765	-6,823	-16,497	-15,970
Value increases and other items	433	2,116	37,586	30,519	38,019	32,635
<b>Technical provisions at 31 December</b>	<b>490,444</b>	<b>518,941</b>	<b>726,883</b>	<b>643,504</b>	<b>1,217,328</b>	<b>1,162,446</b>
<b>Technical provisions by the various insurance branches</b>						
	From insurance agreements		From investment agreements		Total	
	2017	2016	2017	2016	2017	2016
Saving plans	67,251	76,478	644,201	569,076	711,452	645,554
Individual pension insurance	325,718	345,436	82,682	74,428	408,400	419,865
Group pension insurance	70,798	67,829	-	-	70,798	67,829
Risk insurance	26,678	29,198	-	-	26,678	29,198
<b>Total</b>	<b>490,444</b>	<b>518,941</b>	<b>726,883</b>	<b>643,504</b>	<b>1,217,328</b>	<b>1,162,446</b>
<b>Change in technical provisions</b>						
	From insurance agreements		From investment agreements		Total	
	2017	2016	2017	2016	2017	2016
Technical provisions at 1 January	518,941	552,188	643,504	578,276	1,162,446	1,130,463
Year's change	-28,497	-33,246	83,379	65,229	54,882	31,983
<b>Technical provisions at 31 December</b>	<b>490,444</b>	<b>518,941</b>	<b>726,883</b>	<b>643,504</b>	<b>1,217,328</b>	<b>1,162,446</b>
- of which technical provisions for risk insurance and interest-related insurance	411,771	440,090	3,208	2,924	414,978	443,014
- of which technical provisions for unit-linked insurance	78,674	78,852	723,676	640,580	802,349	719,432
<b>Average calculation interest</b>						
	2017	2016				
Saving plans	2,9 %	3,0 %				
Individual pension insurance	3,8 %	3,7 %				
Group pension insurance	3,3 %	3,3 %				
Risk insurance	2,9 %	3,0 %				
<b>Total</b>	<b>3,5 %</b>	<b>3,5 %</b>				

**Methods used and assumptions made when determining technical insurance provisions of the life insurance business**

Technical provisions is partly calculated so that future benefits are discounted at current value with deductions for future premiums, and partly so that premiums paid are credited with technical rate of interest and customer bonuses and rebates and debited with costs and risk premiums. In the calculations assumptions for the technical rate of interest, mortality and prevalence are used, as well as the loading mentioned in the actuarial assumptions of respective product. Further, extra provisions are made in pension insurance for interest costs and increased life expectancy. Provisions for outstanding claims include provisions for claims incurred and claims incurred but not reported. Specified customer bonuses are included in technical provisions.

For unit-linked insurances, the technical provisions is calculated on the basis of the market value for those funds which are associated with the insurance policy.

The insurance amount for risk insurance which exceed the company's excess are reinsured.

G35 Total other liabilities	2017	2016
Interest liabilities	20,346	22,714
Interests received in advance	1,566	1,918
Accrued interest expenses and interest income received in advance	21,911	24,632
Other accrued expenses and income received in advance	31,789	28,705
<b>Accrued expenses and income received in advance</b>	<b>53,700</b>	<b>53,337</b>
Cash items in the process of collection	13,331	55,105
Defined benefit plan pensions	609	2,932
Other liabilities	15,613	9,011
<b>Total other liabilities</b>	<b>29,553</b>	<b>67,048</b>
<b>Total</b>	<b>83,253</b>	<b>120,385</b>

G36 Provisions	2017	2016
Provisions 1 January	1,406	2,336
Provisions used	-1,406	-930
<b>Provisions 31 December</b>	<b>-</b>	<b>1,406</b>

Aktia Bank plc has invested in a modern core banking system. The migration to the new core banking system was made in collaboration with the IT operator Samlink Ltd. The full-scale implementation of Aktia's new core banking system was completed in July 2017, and the provision for the change of core banking system is now completely dissolved.

G37 Equity	2017	2016
Share capital	163,000	163,000
Fund at fair value	51,533	67,283
<b>Restricted equity</b>	<b>214,533</b>	<b>230,283</b>
Fund for share-based payments	1,499	1,957
Unrestricted equity reserve	108,400	108,316
Retained earnings 1 January	272,552	259,889
Dividend to shareholders	-39,908	-35,946
Acquisition of treasury shares	-1,703	-1,716
Divestment of treasury shares	1,216	1,521
Defined pension plans, OCI	2,093	-503
Profit for the year	39,340	49,308
<b>Unrestricted equity</b>	<b>383,489</b>	<b>382,826</b>
Shareholders' share of equity	598,022	613,108
<b>Equity</b>	<b>598,022</b>	<b>613,108</b>

#### Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 divided into 46,706,723 A shares and 19,872,088 R shares, totalling 66,578,811 (66,578,811) shares. The number of registered shareholders at the end of the year was 39,757 (41,791). The number of A shares attributable to unidentified shareholders was 765,829 (768,001). A shares have 1 vote, and R shares have 20 votes.

#### Treasury shares

At year-end, the number of treasury A shares was 237,440 (184,669) and the number of treasury R shares was 6,658 (6,658).

#### Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets available for sale and on financial derivatives that are held for cash flow hedging. Financial assets recognised in the fund at fair value are transferred to the income statement on sale or on impairment of the assets.

#### Fund for share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there are remuneration programs with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in shareholder's equity under Fund for share-based payments.

**Unrestricted equity reserve**

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue.

**Retained earnings**

Retained earning contains retained earnings from previous years, dividends to shareholders and profit for the year. Retained earnings also contains appropriations in the separate financial statements of Group companies and the insurance companies' equalisation provisions that in the IFRS financial statements have been booked under retained earnings after deduction for deferred tax.

**Specification of change in fund at fair value**

	2017	2016
Fund at fair value at 1 January	67,283	75,081
Profit / loss on valuation to fair value, shares and holdings	1,603	3,928
Profit / loss on valuation to fair value, interest bearing securities	-17,529	-8,243
Deferred taxes on profit / loss on valuation to fair value	3,089	995
Transferred to the income statement, shares and participations, included in:		
Net income from financial transactions	-605	-
Net income from life insurance	-1,643	-741
Deferred taxes	450	148
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-87	-3,056
Net income from life insurance	-1,393	-1,548
Deferred taxes	296	921
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	86	-252
Deferred taxes on profit / loss on valuation to fair value	-17	50
<b>Fund at fair value at 31 December</b>	<b>51,533</b>	<b>67,283</b>

**Share capital and unrestricted equity reserve**

	Number of shares	Share capital	Unrestricted equity reserve
<b>1 January 2016</b>	<b>66,578,811</b>	<b>163,000</b>	<b>115,113</b>
Divestment of treasury shares			-140
Capital return to shareholders			-6,657
<b>31 December 2016</b>	<b>66,578,811</b>	<b>163,000</b>	<b>108,316</b>
Divestment of treasury shares			84
<b>31 December 2017</b>	<b>66,578,811</b>	<b>163,000</b>	<b>108,400</b>

<b>Group's unrestricted equity</b>	<b>2017</b>	<b>2016</b>
<b>Group's non-distributable earnings in unrestricted equity</b>		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	162,077	146,894
Share of activated development expenses that have been included in the retained earnings at 1 January	9,042	6,508
Total non-distributable earnings in the retained earnings 1 January	171,118	153,402
Share of accumulated appropriations that have been included in the profit for the year	2,376	15,183
Share of activated development expenses that have been included in the profit for the year	-229	2,534
Total non-distributable earnings that have been included in the profit for the year	2,146	17,716
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	164,452	162,077
Share of activated development expenses that have been included in the retained earnings 31 December	8,812	9,042
<b>Total non-distributable earnings in the retained earnings 31 December</b>	<b>173,265</b>	<b>171,118</b>
<b>Group's distributable earnings in unrestricted equity</b>		
Fund for share-based payments	1,499	1,957
Unrestricted equity reserve	108,400	108,316
Retained earnings 1 January	101,434	106,487
Dividend to shareholders	-39,908	-35,946
Other changes in retained earnings	1,606	-698
Profit for the year	37,193	31,591
<b>Total</b>	<b>210,224</b>	<b>211,707</b>
<b>Group's total unrestricted equity</b>		
Fund for share-based payments	1,499	1,957
Unrestricted equity reserve	108,400	108,316
Retained earnings 1 January	272,552	259,889
Dividend to shareholders	-39,908	-35,946
Other changes in retained earnings	1,606	-698
Profit for the year	39,340	49,308
<b>Total</b>	<b>383,489</b>	<b>382,826</b>

#### **Dividend to shareholders**

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 10 April 2018 that a dividend of EUR 0.57 per share, totalling EUR 37,810,786.41 to be paid for the year based on the parent company's distributable retained earnings of EUR 39,905,236.90.

There have been no significant changes in the company's financial position after the end of the accounting period. The company's liquidity is good, and according to the Board of Directors the proposed distribution of dividend does not affect the solvency of the company.

## Other notes

### G38 Financial assets and liabilities

#### Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash and balances with central banks	282,477	282,477	380,095	380,095
Financial assets available for sale	1,925,358	1,925,358	1,840,526	1,840,526
Financial assets held until maturity	367,800	376,489	445,294	457,199
Derivative instruments	84,046	84,046	132,246	132,246
Loans and other receivables	5,888,674	5,811,166	5,760,460	5,679,639
<b>Total</b>	<b>8,548,354</b>	<b>8,479,535</b>	<b>8,558,620</b>	<b>8,489,704</b>
Investments for unit-linked insurances	802,575	802,575	723,144	723,144
<b>Financial liabilities</b>				
Deposits	4,812,963	4,803,459	4,673,148	4,651,047
Derivative instruments	33,559	33,559	54,254	54,254
Debt securities issued	2,450,748	2,465,729	2,476,712	2,477,214
Subordinated liabilities	235,200	238,227	243,596	247,330
Other liabilities to credit institutions	60,045	60,371	74,504	76,500
Other liabilities to the public and public sector entities	-	-	5,500	5,502
<b>Total</b>	<b>7,592,516</b>	<b>7,601,346</b>	<b>7,527,714</b>	<b>7,511,846</b>

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 determined by market prices quoted on the active market. If quoted market prices are not available, the value of the balance sheet items is mainly determined by discounting future cash flow 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 determining 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 flow 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 margin corresponding the seniority of the instrument is applied.

Derivatives are valued 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 total credit risk component 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.

Financial instruments measured at fair value	31 December 2017				31 December 2016			
	Fair value classified into				Fair value classified into			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets valued via the income statement</b>								
Interest-bearing securities	-	-	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-
<b>Financial assets available for sale</b>								
Interest-bearing securities	1,457,566	93,215	246,419	1,797,199	1,439,468	93,450	206,340	1,739,259
Shares and participations	94,305	-	33,854	128,159	64,016	-	37,252	101,267
<b>Total</b>	<b>1,551,870</b>	<b>93,215</b>	<b>280,273</b>	<b>1,925,358</b>	<b>1,503,484</b>	<b>93,450</b>	<b>243,592</b>	<b>1,840,526</b>
Derivative instrument, net	28	50,459	-	50,487	142	77,850	-	77,992
<b>Total</b>	<b>28</b>	<b>50,459</b>	<b>-</b>	<b>50,487</b>	<b>142</b>	<b>77,850</b>	<b>-</b>	<b>77,992</b>
Investments for unit-linked insurances	802,575	-	-	802,575	723,144	-	-	723,144
<b>Total</b>	<b>2,354,473</b>	<b>143,674</b>	<b>280,273</b>	<b>2,778,420</b>	<b>2,226,771</b>	<b>171,300</b>	<b>243,592</b>	<b>2,641,663</b>

### 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 reporting period, interest-bearing securities worth EUR 8 million were moved from level 2 to level 1 due to increased market activity.

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 class 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 reported at fair value.

Reconciliation of the changes taken place for financial instruments which belong to level 3	Financial assets valued at fair value via the income statement			Financial assets available for sale			Total		
	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Carrying amount 1 January 2017	-	-	-	206,342	37,252	243,594	206,342	37,252	243,594
New purchases	-	-	-	56,011	1,307	57,318	56,011	1,307	57,318
Sales	-	-	-	-	-1,779	-1,779	-	-1,779	-1,779
Matured during the year	-	-	-	-15,769	-	-15,769	-15,769	-	-15,769
Realised value change in the income statement	-	-	-	-	-2,522	-2,522	-	-2,522	-2,522
Unrealised value change in the income statement	-	-	-	-	-	-	-	-	-
Value change recognised in total comprehensive income	-	-	-	-164	-405	-569	-164	-405	-569
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
<b>Carrying amount 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246,420</b>	<b>33,853</b>	<b>280,273</b>	<b>246,420</b>	<b>33,853</b>	<b>280,273</b>

**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 percentage 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 (2.4) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31 December 2017			31 December 2016		
	Effect at an assumed movement Carrying amount	Positive	Negative	Effect at an assumed movement Carrying amount	Positive	Negative
<b>Financial assets valued via the income statement</b>						
Interest-bearing securities	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Financial assets available for sale</b>						
Interest-bearing securities	246,419	7,393	-7,393	206,340	6,190	-6,190
Shares and participations	33,854	6,771	-6,771	37,252	7,450	-7,450
<b>Total</b>	<b>280,273</b>	<b>14,163</b>	<b>-14,163</b>	<b>243,592</b>	<b>13,641</b>	<b>-13,641</b>
<b>Total</b>	<b>280,273</b>	<b>14,163</b>	<b>-14,163</b>	<b>243,592</b>	<b>13,641</b>	<b>-13,641</b>

**Set off of financial assets and liabilities**

Assets	31 December 2017		31 December 2016	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	84,046	-	132,246	-
Set off amount	-	-	-	-
<b>Carrying amount in the balance sheet</b>	<b>84,046</b>	<b>-</b>	<b>132,246</b>	<b>-</b>
Amount not set off but included in general agreements on set off or similar	5,826	-	8,813	-
Collateral assets	76,550	-	117,140	-
<b>Total amount of sums not set off in the balance sheet</b>	<b>82,376</b>	<b>-</b>	<b>125,953</b>	<b>-</b>
<b>Net amount</b>	<b>1,670</b>	<b>-</b>	<b>6,293</b>	<b>-</b>

Liabilities	31 December 2017		31 December 2016	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	33,559	146,185	54,254	-
Set off amount	-	-	-	-
<b>Carrying amount in the balance sheet</b>	<b>33,559</b>	<b>146,185</b>	<b>54,254</b>	<b>-</b>
Amount not set off but included in general agreements on set off or similar	5,826	-	8,813	-
Collateral liabilities	12,270	145,909	26,390	-
<b>Total amount of sums not set off in the balance sheet</b>	<b>18,096</b>	<b>145,909</b>	<b>35,203</b>	<b>-</b>
<b>Net amount</b>	<b>15,463</b>	<b>276</b>	<b>19,051</b>	<b>-</b>

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.

## G39 Breakdown by maturity of financial assets and liabilities by balance sheet item

	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
<b>Assets 31 December 2017</b>							
Cash and balances with central banks	G17	282,477	-	-	-	-	282,477
Financial assets available for sale	G18	146,240	266,992	1,068,970	275,512	167,644	1,925,358
Financial assets held until maturity	G19	98,792	30,144	45,245	193,618	-	367,800
Derivative instruments	G20	2,104	8,951	35,666	7,844	29,481	84,046
Loans and other receivables	G21	174,060	421,642	1,624,092	1,634,966	2,033,913	5,888,674
<b>Total</b>		<b>703,673</b>	<b>727,729</b>	<b>2,773,974</b>	<b>2,111,940</b>	<b>2,231,038</b>	<b>8,548,354</b>
<b>Liabilities 31 December 2017</b>							
Deposits	G29	4,322,199	72,126	418,639	-	-	4,812,963
Derivative instruments	G20	2,949	7,157	17,099	6,354	-	33,559
Debt securities issued	G30	130	739,560	1,403,324	16,145	291,589	2,450,748
Subordinated liabilities	G31	6,361	21,021	207,819	-	-	235,200
Other liabilities to credit institutions	G32	1,379	13,080	40,069	5,517	-	60,045
<b>Total</b>		<b>4,333,017</b>	<b>852,943</b>	<b>2,086,950</b>	<b>28,016</b>	<b>291,589</b>	<b>7,592,516</b>
<b>Assets 31 December 2016</b>							
Cash and balances with central banks	G17	380,095	-	-	-	-	380,095
Financial assets available for sale	G18	227,277	163,859	1,150,787	148,817	149,786	1,840,526
Financial assets held until maturity	G19	113,387	110,132	160,926	60,849	-	445,294
Derivative instruments	G20	3,235	9,106	63,688	19,169	37,048	132,246
Loans and other receivables	G21	148,170	576,839	1,692,643	1,485,396	1,857,412	5,760,460
<b>Total</b>		<b>872,164</b>	<b>859,936</b>	<b>3,068,044</b>	<b>1,714,230</b>	<b>2,044,246</b>	<b>8,558,620</b>
<b>Liabilities 31 December 2016</b>							
Deposits	G29	4,136,690	274,740	261,719	-	-	4,673,148
Derivative instruments	G20	3,494	6,396	35,590	8,773	-	54,254
Debt securities issued	G30	2,417	296,447	1,359,166	519,579	299,103	2,476,712
Subordinated liabilities	G31	10,010	16,775	210,217	6,594	-	243,596
Other liabilities to credit institutions	G32	1,379	13,080	46,011	14,034	-	74,504
Other liabilities to the public and public sector entities	G33	5,500	-	-	-	-	5,500
<b>Total</b>		<b>4,159,491</b>	<b>607,437</b>	<b>1,912,703</b>	<b>548,981</b>	<b>299,103</b>	<b>7,527,714</b>

## G40 Collateral assets and liabilities

	2017	2016
<b>Collateral assets</b>		
<b>Collateral for own liabilities</b>		
Securities	575,159	380,137
Outstanding loans constituting security for covered bonds	2,110,366	2,315,664
<b>Total</b>	<b>2,685,525</b>	<b>2,695,802</b>
<b>Other collateral assets</b>		
Pledged securities <sup>1</sup>	146,656	119,500
Cash included in pledging agreements and repurchase agreements	12,270	26,390
<b>Total</b>	<b>158,926</b>	<b>145,890</b>
<b>Total collateral assets</b>	<b>2,844,450</b>	<b>2,841,692</b>

<b>Collateral above refers to the following liabilities</b>	<b>2017</b>	<b>2016</b>
Liabilities to credit institutions <sup>2</sup>	569,185	373,720
Issued covered bonds <sup>3</sup>	1,668,567	1,685,193
Derivatives	12,270	26,390
<b>Total</b>	<b>2,250,023</b>	<b>2,085,302</b>

1) Refers to securities pledged for the intra day limit. As at 31 December 2017, a surplus of pledged securities amounted to EUR 21 (4) 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**

Cash included in pledging agreements <sup>1</sup>	76,550	117,140
<b>Total</b>	<b>76,550</b>	<b>117,140</b>

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

<b>G41 Off-balance sheet commitments</b>	<b>2017</b>	<b>2016</b>
Guarantees	31,704	30,817
Other commitments provided to a third party	7,325	807
Unused credit arrangements	505,190	495,618
Other irrevocable commitments	8,806	413
<b>Total</b>	<b>553,025</b>	<b>527,655</b>

Off-balance sheet commitments, exclude rental commitments.

<b>31 December 2017</b>	<b>Under 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>5-10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Guarantees	3,640	5,598	22,431	-	36	31,704
Other commitments provided to a third party	-	200	7,125	-	-	7,325
Unused credit arrangements	105,270	24,331	26,484	54,185	294,919	505,190
Other irrevocable commitments	-	134	225	168	8,279	8,806
<b>Total</b>	<b>108,910</b>	<b>30,263</b>	<b>56,265</b>	<b>54,354</b>	<b>303,234</b>	<b>553,025</b>

<b>31 December 2016</b>	<b>Under 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>5-10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Guarantees	6,354	7,657	7,410	9,395	-	30,817
Other commitments provided to a third party	5	200	432	170	-	807
Unused credit arrangements	204,385	40,467	9,124	26,026	215,615	495,618
Other irrevocable commitments	7	153	254	-	-	413
<b>Total</b>	<b>210,751</b>	<b>48,477</b>	<b>17,220</b>	<b>35,592</b>	<b>215,615</b>	<b>527,655</b>

<b>G42 Rent commitments</b>	<b>2017</b>	<b>2016</b>
Less than 1 year	6,925	7,830
1-5 years	5,160	8,789
More than 5 years	108	201
<b>Total</b>	<b>12,192</b>	<b>16,821</b>

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Materiality principle has been adopted and only significant rent commitments are considered.

## G43 Subsidiaries included in consolidated accounts

	31 Dec 2017		31 Dec 2016	
	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes
Financing				
Aktia Real Estate Mortgage Bank plc, Helsinki <sup>1</sup>	-	-	100 %	100 %
Aktia Corporate Finance Ltd, Helsinki	100 %	100 %	100 %	100 %
Aktia Finance Ltd, Helsinki	100 %	100 %	100 %	100 %
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100 %	100 %	100 %	100 %
Securities companies				
Aktia Asset Management Ltd, Helsinki	76 %	76 %	76 %	76 %
Real estate agency operations				
Aktia Kiinteistönvälitys Oy, Turku	100 %	100 %	100 %	100 %
Insurance companies				
Aktia Life Insurance Ltd, Turku	100 %	100 %	100 %	100 %
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	100 %	100 %	100 %	100 %
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	100 %	100 %	100 %	100 %
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100 %	100 %	100 %	100 %
Kiinteistö Oy Green Park, Lempäälä	100 %	100 %	-	-
Kiinteistö Oy Kantaatti, Turku	-	-	100 %	100 %
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50 %	50 %	50 %	50 %
Kiinteistö Oy Skanssinkatu, Turku	50 %	50 %	50 %	50 %
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50 %	50 %	50 %	50 %
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33 %	33 %	33 %	33 %
Kiinteistö Oy Lahden BW Tower, Helsinki	33 %	33 %	33 %	33 %
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33 %	33 %	-	-

1) Aktia Real Estate Mortgage Bank plc merged with Aktia Bank plc on 28 February 2017.

### Subsidiaries that have material non-controlling interests

	Segment	31 Dec 2017		31 Dec 2016	
		Non-controlling interests' share of shares	Non-controlling interests' share of votes	Non-controlling interests' share of shares	Non-controlling interests' share of votes
Aktia Asset Management Ltd	Asset Management & Life Insurance	24 %	24 %	24 %	24 %

Non-controlling holdings in subsidiaries are subject to restrictions concerning transfer of the shares.

Summarised financial information (before inter-company eliminations)	Aktia Real Estate Mortgage Bank plc		Aktia Asset Management Ltd	
	2017	2016	2017	2016
Profit for the year	9	-3,840	7,543	4,538
attributable to non-controlling interest	-	-1,887	1,805	1,086
Total comprehensive income for the year	9	-3,840	7,543	4,538
attributable to non-controlling interest	-	-1,887	1,805	1,086
Assets	250,903	253,062	15,700	11,620
Liabilities	121,358	122,566	5,811	4,735
Net assets	129,545	130,496	9,889	6,885
attributable to non-controlling interest	-	-	2,366	1,647
Cash flow from operating activities	44,503	-31,991	7,795	4,168
Cash flow from investing activities	-	-	-2	-6
Cash flow from financing activities	-	-213	-4,538	-4,351
Net change in cash and cash equivalents	44,503	-32,204	3,254	-189
Dividens paid to non-controlling interest	-	105	1,086	1,041

See note P45 for transactions with subsidiaries.

## G44 Related-party transactions

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 Supervisors and the Board of Directors of Aktia Bank plc, the Managing Director, the Managing Director's alternate and other members of the Executive Committee.

### Management personnel compensation

	2017					
	Fixed compensation *	Variable compensation **				
	Salary, remunerations and other fringe benefits	Result-based salary	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Martin Backman, Managing Director	257	-	93	350	45	38
Jussi Laitinen, Managing Director (until 3 March 2017)	46	17	241	304	11	55
Juha Hammarén, Deputy Managing Director	246	26	18	290	48	35
Taru Narvanmaa, Deputy Managing Director (until 5 May 2017)	89	20	169	277	19	59
Executive Committee excl. Managing Director and Deputy Managing Director <sup>1</sup>	1,140	100	114	1,353	218	167
<b>Total</b>	<b>1,777</b>	<b>162</b>	<b>635</b>	<b>2,574</b>	<b>342</b>	<b>353</b>

	2016					
	Fixed compensation *	Variable compensation **				
	Salary, remunerations and other fringe benefits	Result-based salary	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Jussi Laitinen, Managing Director	315	41	554	910	63	232
Taru Narvanmaa, Deputy Managing Director	246	35	338	619	50	126
Executive Committee excl. Managing Director and Deputy Managing Director	1,189	161	421	1,771	238	180
<b>Total</b>	<b>1,750</b>	<b>237</b>	<b>1,314</b>	<b>3,300</b>	<b>350</b>	<b>538</b>

\* Including salaries and other fringe benefits such as car and phone

\*\* Payments in accordance with the long-term incentive programme for executive management during the financial year

Compensation to Members of the Board of Directors <sup>2</sup>	2017			2016		
	Annual remuneration and remuneration per meeting	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)	Annual remuneration and remuneration per meeting	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Dag Wallgren, Chairman	84	15	-	82	15	-
Lasse Svens, Vice Chair (from 1 January 2017)	56	10	-	41	7	-
Nina Wilkman, Vice Chairman (until 31 December 2016)	-	-	-	52	9	-
Christina Dahlblom	37	6	-	20	3	-
Stefan Damlin	40	7	-	38	7	-
Sten Eklundh	49	8	-	47	8	-
Kjell Hedman	39	7	-	40	8	-
Catharina von Stackelberg-Hammarén	38	7	-	35	6	-
Arja Talma	44	8	-	38	7	-
<b>Total</b>	<b>386</b>	<b>67</b>	<b>-</b>	<b>393</b>	<b>70</b>	<b>-</b>
<b>Compensation to Members of the Board of Supervisors <sup>3</sup></b>						
Nina Wilkman, Chair	27	-	-	-	-	-
Håkan Mattlin, Chair	2	-	-	31	6	-
Christina Gestrin, Deputy Chair	13	-	-	14	2	-
Patric Lerche, Deputy Chair	13	-	-	15	3	-
Clas Nyberg, Deputy Chair	13	-	-	15	3	-
Jan-Erik Stenman, Deputy Chair	14	-	-	14	2	-
Other members	123	-	-	140	25	-
<b>Total</b>	<b>204</b>	<b>-</b>	<b>-</b>	<b>228</b>	<b>40</b>	<b>-</b>
Total management personnel compensation	2,574	342	353	3,300	350	538
Total compensation to Members of the Board of Directors	386	67	-	393	70	-
Total compensation to Members of the Board of Supervisors	204	-	-	228	40	-
<b>Total compensation to Management personnel, the Board of Directors and the Board of Supervisors</b>	<b>3,163</b>	<b>408</b>	<b>353</b>	<b>3,922</b>	<b>461</b>	<b>538</b>

1) The other members of the Executive Committee are Vice Managing Director Merja Sergelius, Vice Managing Director Anssi Rantala, Vice Managing Director Carola Nilsson, Director Irma Gillberg-Hjelt, Director Sam Olin, CFO Outi Henriksson, Director Minna Miettinen, Director Juha Volotinen and Director Anu Tuomolin.

The notice of dismissal for the Managing Director is from the employer's side 15 months, and for the other members of the executive committee the notice of dismissal is 12 months. Members of the executive committee follow statutory pension age.

2) 40 % (40 %) of the Board of Directors' annual remuneration was paid in the form of Aktia A shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2017, the members of the Board of Supervisors acquired Aktia A shares corresponding 40 (35) % of their annual remuneration from the Stock Exchange at market price. In accordance with the proposal by the Board of Directors, the Extraordinary General Meeting of Aktia Bank plc took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors.

## Shareholding

At the end of 2017, the Group's key personnel held a total of 162,463 (306,743) series A shares and 525 (8,552) series R shares in Aktia Bank plc. This represents 0.2 (0.5) % of the total number of shares and 0.0 (0.1) % of votes.

	<b>Associated companies</b>	<b>Other related-party</b>
<b>Related-party transactions 2017</b>		
Credits and guarantees	-	15,328
Deposits	572	6,077
Services bought	7,745	162
<b>Related-party transactions 2016</b>		
Credits and guarantees	-	16,624
Deposits	505	8,055
Services bought	10,997	121

Lending to close relations is on the normal customer conditions, with the normal evaluation of the debtor risk and with the same security requirement and with the same requirement on return as applies to the bank's customers in general.

## G45 Defined benefit pension plans

In addition to statutory pensions, Aktia has defined-benefit pension plans for members of the Executive Committee and some key persons in management as well as for employees who were members of Savings Banks' Pension Fund (Sparbankernas Pensionskassa) when the pensions fund was closed down 31 December 1993. The retirement age of members of the Executive Committee and key persons in management is 63. On reaching retirement age, they receive a pension of 60 % of the pensionable salary.

Assets in the insurance plan show the insurance company's liability of the obligation, and they are calculated by using the same discount rate as for the obligation. The insurance plan is regulated by local laws and other legal rules. Thus the company's liability only includes the effect of changes on the discount rate and salary increases on the net liability. The insurance company carries the total risk of pension increases.

The assets comprise 100 % qualifying insurance policies.

During 2017, 19 members have left the programme, reducing the Group's future liability. The pension reform has not been taken into consideration.

	2017	2016
Current service cost	-451	-390
Net interest income	-35	-39
<b>Expense recognised in income statement</b>	<b>-487</b>	<b>-429</b>
Remeasurements in total comprehensive income	2,616	-629
<b>Total comprehensive income before taxes</b>	<b>2,130</b>	<b>-1,058</b>
<b>Present value of obligation 1 January</b>	<b>7,700</b>	<b>7,032</b>
Current service cost	451	390
Interest expenses	99	121
Actuarial gains (-) / losses (+) from experience adjustments	-2,436	118
Actuarial gains (-) / losses (+) from changes in financial assumptions	-438	682
Benefits paid	-2,058	-642
<b>Present value of obligation 31 December</b>	<b>3,320</b>	<b>7,700</b>
<b>Fair value of plan assets 1 January</b>	<b>4,768</b>	<b>4,673</b>
Interest income	64	82
Return on plan assets excluding amount included in interest expenses / income	-257	170
Benefits paid	-2,058	-642
Contributions by employer	193	485
<b>Fair value of plan assets 31 December</b>	<b>2,711</b>	<b>4,768</b>
Present value of obligation	3,320	7,700
Fair value of plan assets	-2,711	-4,768
<b>Liability recognised in balance sheet 31 December</b>	<b>609</b>	<b>2,932</b>
<b>Liability recognised in balance sheet 1 January</b>	<b>2,932</b>	<b>2,359</b>
Expenses recognised in income statement	487	429
Contributions by employer	-193	-485
Additional expense (+) to local GAAP	293	-56
Remeasurements in comprehensive income	-2,616	629
<b>Liability recognised in balance sheet 31 December</b>	<b>609</b>	<b>2,932</b>
<b>Actuarial assumptions</b>		
Discount rate, %	1.7 %	1.3 %
Rate of salary increase, %	2.8 %	2.5 %
Rate of benefit increase, %	0.0 %	0.0 %
<b>Sensitivity analysis - net liability</b>		
The following table show how the changes in assumptions used affect the net liability (EUR)		
Discount rate 1.30 % (1.80 %)	609	2,932
Change in discount rate +0.50 %	-96	-296
Change in discount rate -0.50 %	111	340
Salary increase 2.50 % (2.60 %)	609	2,932
Change in salary increase +0.50 %	108	242
Change in salary increase -0.50 %	-104	-234

The duration is 21 years according to the weighted average of the obligation.

The Group is expected to pay approximately EUR 0.2 million contributions to the defined benefit plans during 2018.

## G46 Share Based Incentive scheme

### Share Based Incentive Scheme

The Managing Director, other members of the Executive Committee as well as certain key persons are included in a share-based incentive scheme. The incentive scheme has been prepared in accordance with regulations concerning remuneration schemes in the financial sector, and the reward will be paid partly as A shares in Aktia Bank plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person.

The maximum reward paid out through current share-based incentive schemes (earning periods 2015–2016, 2016–2017) may amount to a maximum of 204,000 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares. The number of shares deferred from earlier earning periods (2013–2014, 2014–2015) may amount to a maximum of 39,494 A shares in Aktia Bank plc. For the earning period 2017–2018 a share-based incentive scheme has been set up, amounting to a maximum of 120,000 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

The share-based incentive schemes are based on earnings criteria and cover two rolling earning periods. The earnings criteria are based on the development of the Aktia Group's cumulated adjusted equity (NAV) (50 % weighting) and of the Group's total net provision and net income from insurance in the earning period (50 % weighting). Key persons are obliged to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain their shares as long as they are employed in the Group.

The potential reward for each earning period will be paid out in four instalments after each earning period. The reward is paid in the form of shares and in cash. The Board of Directors has stipulated a maximum level of reward per key person. In general, the reward is not paid to a key person who is no longer employed by the Aktia Group at the time of payment of rewards.

<b>The earning period 2013 - 2014</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	12,121	24,250	36,367	120,000	137,500
Sum in cash corresponding max. number of shares	12,121	24,250	36,367	120,000	137,500
Decision date	19 Jun 2013	19 Jun 2013	19 Jun 2013	19 Jun 2013	19 Jun 2013
Earning period starts	1 Jan 2013	1 Jan 2013	1 Jan 2013	1 Jan 2013	1 Jan 2013
Earning period ends	31 Dec 2014	31 Dec 2014	31 Dec 2014	31 Dec 2014	31 Dec 2014
Number of persons on the decision date	4	10	10	12	14
Rate of A share on the decision date, EUR	6.88	6.88	6.88	6.88	6.88
Rate of A share at the end of the accounting period, EUR	9.11	9.73	10.31	9.77	8.10
<b>The earning period 2014 - 2015</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	19,862	29,790	112,500	112,500	-
Sum in cash corresponding max. number of shares	19,862	29,790	112,500	112,500	-
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	-
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014	-
Earning period ends	31 Dec 2015	31 Dec 2015	31 Dec 2015	31 Dec 2015	-
Number of persons on the decision date	5	13	13	13	-
Rate of A share on the decision date, EUR	8.35	8.35	8.35	8.35	-
Rate of A share at the end of the accounting period, EUR	9.11	9.73	10.31	9.77	-
<b>The earning period 2015 - 2016</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	7,511	120,000	120,000	-	-
Sum in cash corresponding max. number of shares	7,511	120,000	120,000	-	-
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	-	-
Earning period starts	1 Jan 2015	1 Jan 2015	1 Jan 2015	-	-
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	-	-
Number of persons on the decision date	7	15	16	-	-
Rate of A share on the decision date, EUR	9.46	9.46	9.46	-	-
Rate of A share at the end of the accounting period, EUR	9.11	9.73	10.31	-	-
<b>The earning period 2016 - 2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	84,000	101,500	-	-	-
Sum in cash corresponding max. number of shares	84,000	101,500	-	-	-
Decision date	16 Dec 2015	16 Dec 2015	-	-	-
Earning period starts	1 Jan 2016	1 Jan 2016	-	-	-
Earning period ends	31 Dec 2017	31 Dec 2017	-	-	-
Number of persons on the decision date	7	14	-	-	-
Rate of A share on the decision date, EUR	10.07	10.07	-	-	-
Rate of A share at the end of the accounting period, EUR	9.11	9.73	-	-	-

<b>The earning period 2017 - 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	120,000	-	-	-	-
Sum in cash corresponding max. number of shares	120,000	-	-	-	-
Decision date	15 Feb 2017	-	-	-	-
Earning period starts	1 Oct 2017	-	-	-	-
Earning period ends	31 Mar 2018	-	-	-	-
Number of persons on the decision date	10	-	-	-	-
Rate of A share on the decision date, EUR	9.66	-	-	-	-
Rate of A share at the end of the accounting period, EUR	9.11	-	-	-	-

### Share Ownership Scheme

In addition to the share-based incentive schemes some key persons are enabled to also receive a conditional reward based on the acquisition of A shares when the incentive scheme is implemented. The conditional reward will be paid to key persons after the earning period, and will take the form of both cash and shares, provided that the key person is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of rewards. The total reward paid out through the Share Ownership Scheme (MRS) may amount to a maximum of 108,400 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

<b>Share Ownership Scheme 2014</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	8,400	69,000	69,000	69,000	-
Sum in cash corresponding max. number of shares	8,400	69,000	69,000	69,000	-
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	-
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014	-
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	-
Number of persons on the decision date	3	23	23	22	-
Rate of A share on the decision date, EUR	8.35	8.35	8.35	8.35	-
Rate of A share at the end of the accounting period, EUR	9.11	9.73	10.31	9.77	-

<b>Share Ownership Scheme 2015</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	39,000	45,000	45,000	-	-
Sum in cash corresponding max. number of shares	39,000	45,000	45,000	-	-
Decision date	18 Dec 2014	18 Dec 2014	18 Dec 2014	-	-
Earning period starts	1 Jan 2015	1 Jan 2015	1 Jan 2015	-	-
Earning period ends	31 Dec 2017	31 Dec 2017	31 Dec 2017	-	-
Number of persons on the decision date	13	14	14	-	-
Rate of A share on the decision date, EUR	9.46	9.46	9.46	-	-
Rate of A share at the end of the accounting period, EUR	9.11	9.73	10.31	-	-

<b>Share Ownership Scheme 2016</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	21,000	27,000	-	-	-
Sum in cash corresponding max. number of shares	21,000	27,000	-	-	-
Decision date	16 Dec 2015	16 Dec 2015	-	-	-
Earning period starts	1 Jan 2016	1 Jan 2016	-	-	-
Earning period ends	31 Dec 2018	31 Dec 2018	-	-	-
Number of persons on the decision date	7	7	-	-	-
Rate of A share on the decision date, EUR	10.07	10.07	-	-	-
Rate of A share at the end of the accounting period, EUR	9.11	9.73	-	-	-

<b>Share Ownership Scheme 2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Basic information					
Max. number of shares	40,000	-	-	-	-
Sum in cash corresponding max. number of shares	40,000	-	-	-	-
Decision date	24 Aug 2017	-	-	-	-
Earning period starts	1 Jan 2017	-	-	-	-
Earning period ends	31 Dec 2018	-	-	-	-
Number of persons on the decision date	4	-	-	-	-
Rate of A share on the decision date, EUR	9.27	-	-	-	-
Rate of A share at the end of the accounting period, EUR	9.11	-	-	-	-

**Impact of share-based payments on the company's result and financial position**

	2017	2016	2015	2014	2013
Accounting period expenses from share-based payments in the income statement	-1,305	-856	516	854	1,652
of which recorded as liability 31 December	1,650	2,497	3,166	2,936	2,331
of which recorded as fund for share-based payments 31 December	1,499	1,957	2,143	1,858	1,608

**G47 The customer assets being managed**

Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.

**Customer assets being managed**

	2017	2016
Funds in a customer funds account	167	4,107
Funds in discretionary asset management services	6,285,964	5,084,884
Funds within the framework of investment advising according to a separate agreement	6,456,364	4,995,676
<b>Total</b>	<b>12,742,495</b>	<b>10,084,667</b>

**PS savings**

The act governing long-term savings agreements entered into force 1 January 2010. As service provider, Aktia Bank plc offers this form of saving for private customers since 1 April 2010. The pension saving comprises bank account, investments in mutual funds, bonds and shares.

**Customer assets within PS savings**

PS Savings account	69	78
PS Deposit	60	76
<b>Total</b>	<b>128</b>	<b>154</b>

**Customers' PS investments**

Investments in mutual funds	6,421	5,473
Shares	243	193
<b>Total</b>	<b>6,664</b>	<b>5,665</b>

**G48 Events after the end of the year**

In its meeting on 31 January 2018, the Board of Directors of Aktia Bank Plc resolved to launch a new long-term share savings plan for Aktia's employees to support the implementation of Aktia's new strategy.

The AktiaUna Share Plan will be offered to approximately 800 Aktia employees, who will be offered an opportunity to save a proportion of their salaries (2–4 %, the members of the Group's Executive Committee, 7 %) and regularly acquire the company's A shares at a reduced price (-10 %). 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 on the basis of the savings period 2018–2019 to the participants amounts up to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 195,000 Aktia A shares. As from 2018, the share savings plan will replace the annual savings into Aktia Group's personnel fund.

In addition to the above AktiaUna Share Plan, approximately 60 key employees can within the programme, including the Managing Director and the members of the Group's Executive Committee, be offered a possibility to participate in a performance-based share savings plan. This part of the programme would replace the 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 payable on the basis of the performance period 2018–2019 amounts up to a maximum total of EUR 2,600,000 upon the launch of the plan, corresponding to the value of 280,000 Aktia A shares.

Aktia Bank plc has on 15 January 2018, supported by a decision taken by the company's Board of Directors, 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 under the share-based incentive scheme as well as the share ownership programme to 24 key persons included in the share-based incentive scheme. Following the divestment the number of series A treasury shares is 197,609 and series R treasury shares 6,658.

The Board of Directors decided 12 January 2018, following an initiative taken by the five largest shareholders of the company, to start preparations for combination of the company's two share series to be resolved upon by Aktia Bank's Annual General Meeting 2018. According to the proposal, the combination of the two share series shall be based on a provision be paid to the owners of R shares, corresponding to 12 % of the value of A shares.

## Aktia Bank Plc - Income statement

(EUR 1,000)	Note	2017	2016
Interest income		89,758	98,347
Interest expenses		-1,582	-6,756
Net interest income	P2	88,176	91,591
Income from equity instruments	P3	9,263	9,116
Commission income		70,379	69,417
Commission expenses		-5,757	-6,010
Net commission income	P4	64,622	63,408
Net income from securities and currency trading	P5	335	-957
Net income from financial assets available for sale	P6	514	9,641
Net income from hedge accounting	P7	-255	169
Other operating income	P8	6,028	3,191
Staff costs	P9	-60,461	-59,676
Other administrative expenses	P10	-45,092	-42,940
Total administrative expenses		-105,553	-102,616
Depreciation of tangible and intangible assets	P11	-8,189	-7,285
Other operating expenses	P12	-18,077	-16,206
Impairment of tangible and intangible assets	P21, P22	-534	-
Write-downs on credits and other commitments	P13	-519	-2,229
<b>Operating profit</b>		<b>35,811</b>	<b>47,824</b>
Appropriations		-3,150	-19,000
Taxes	P14	-3,346	-3,414
<b>Profit for the year</b>		<b>29,314</b>	<b>25,410</b>

## Aktia Bank Plc - Balance sheet

(EUR 1,000)	Note	31 Dec 2017	31 Dec 2016
<b>Assets</b>			
Cash and balances with central banks		282,476	380,077
Bonds eligible for refinancing with central banks	P15, P18	1,587,679	1,605,090
Claims on credit institutions	P16	46,137	40,186
Receivables from the public and public sector entities	P17	5,827,805	5,488,343
Bonds from public sector entities		200,938	159,508
Other bonds		10,003	-
Total bonds	P18	210,941	159,508
Shares and participations	P19	76,307	201,380
Derivative instruments	P20	83,924	134,546
Intangible assets	P21	60,803	54,350
Investment properties		78	78
Other tangible assets		2,419	3,691
Tangible assets	P22	2,497	3,769
Other assets	P23	24,448	17,687
Accrued income and advance payments	P24	31,799	34,800
Deferred tax receivables	P25	2,538	5,418
<b>Total assets</b>		<b>8,237,356</b>	<b>8,125,153</b>
<b>Liabilities</b>			
Liabilities to credit institutions	P26	754,464	604,258
Borrowing		4,171,983	4,204,949
Other liabilities		-	5,500
Liabilities to the public and public sector entities	P27	4,171,983	4,210,449
Debt securities issued to the public	P28	2,449,596	2,362,426
Derivatives and other liabilities held for trading	P20	33,015	64,048
Other liabilities	P29	19,915	50,635
Provisions	P30	-	1,406
Total other liabilities		19,915	52,041
Accrued expenses and income received in advance	P31	45,289	43,646
Subordinated liabilities	P32	235,200	243,596
Deferred tax liabilities	P33	2,218	3,835
<b>Other liabilities</b>		<b>7,711,680</b>	<b>7,584,298</b>
Accumulated appropriations		205,500	202,350
<b>Equity</b>			
Share capital		163,000	163,000
Fund at fair value		8,870	15,745
Restricted equity		171,870	178,745
Unrestricted equity reserve		108,400	108,316
Retained earnings		51,444	62,361
Dividend to shareholders		-39,908	-35,946
Change in share-based payments		-458	-186
Acquisition of treasury shares		-487	-195
Profit for the year		29,314	25,410
Unrestricted equity		148,305	159,760
<b>Total equity</b>	P34	<b>320,176</b>	<b>338,505</b>
<b>Total liabilities and equity</b>		<b>8,237,356</b>	<b>8,125,153</b>

## Aktia Bank Plc - off-balance-sheet commitments for the parent company

(EUR 1,000)	Note	31 Dec 2017	31 Dec 2016
<b>Off-balance sheet commitments</b>	P39		
Guarantees and pledges		31,704	30,817
Other		7,325	807
Commitments provided to a third party on behalf of the customers		39,029	31,624
Unused credit arrangements		505,663	586,586
Irrevocable commitments provided on behalf of customers		505,663	586,586
<b>Total</b>		<b>544,691</b>	<b>618,210</b>

## Aktia Bank Plc - cash flow statement

(EUR 1,000)	2017	2016
<b>Cash flow from operating activities</b>		
Operating profit	35,811	47,824
Adjustment items not included in cash flow for the period	-6,124	-6,985
Paid income taxes	-243	599
<b>Increase (-) or decrease (+) in receivables from operating activities</b>	<b>-204,759</b>	<b>7,778</b>
Interest-bearing securities available for sale	-131,623	441,976
Interest-bearing securities held until maturity, increase	-147,339	-
Interest-bearing securities held until maturity, decrease	222,000	42,700
Claims on credit institutions	16,120	21,450
Receivables from the public and public sector entities	-164,680	-499,227
Shares and participations available for sale	-1,025	-952
Other assets	1,789	1,831
<b>Increase (+) or decrease (-) in liabilities from operating activities</b>	<b>162,191</b>	<b>181,497</b>
Liabilities to credit institutions	213,817	-7,859
Liabilities to the public and public sector entities	-22,597	172,655
Debt securities issued to the public	-10,842	1,554
Other liabilities	-18,188	15,147
<b>Total cash flow from operating activities</b>	<b>-13,124</b>	<b>230,712</b>
<b>Cash flow from investing activities</b>		
Investments in group companies and associated companies	-	-64,973
Investments in tangible and intangible assets	-13,923	-15,314
Proceeds from sale of tangible and intangible assets	24	4
Capital increase and issue directed to Aktia Finance Ltd	-	-3,155
<b>Total cash flow from investing activities</b>	<b>-13,900</b>	<b>-83,439</b>
<b>Cash flow from financing activities</b>		
Subordinated liabilities, increase	18,389	48,776
Subordinated liabilities, decrease	-26,784	-40,227
Acquisition of treasury shares	-1,703	-1,716
Divestment of treasury shares	1,300	1,381
Paid dividends	-39,908	-35,946
Paid capital return	-	-6,657
<b>Total cash flow from financing activities</b>	<b>-48,706</b>	<b>-34,389</b>

	2017	2016
<b>Change in cash and cash equivalents</b>	<b>-75,730</b>	<b>112,885</b>
Cash and cash equivalents at the beginning of the year	391,873	278,987
Cash and cash equivalents at the end of the year	316,343	391,873
Cash and equivalents transferred in connection with merger	200	-
<b>Cash and cash equivalents in the cash flow statement consist of the following items:</b>		
Cash in hand	4,753	7,007
Bank of Finland current account	277,723	373,070
Repayable on demand claims on credit institutions	33,867	11,796
<b>Total</b>	<b>316,343</b>	<b>391,873</b>
<b>Adjustment items not included in cash flow consist of:</b>		
Impairment of financial assets available for sale	966	11
Write-downs on credits and other commitments	519	2,229
Change in fair values	5,112	1,221
Depreciation and impairment of intangible and tangible assets	8,723	7,285
Unwound fair value hedging	-14,400	-15,946
Change in provisions	-1,406	-930
Change in share-based payments	-1,305	-856
Other adjustments	-4,333	-
<b>Total</b>	<b>-6,124</b>	<b>-6,985</b>

## Notes to the parent company's financial statements

### P1 The parent company's accounting principles

The parent company Aktia Bank plc's financial statement is prepared in compliance with Finnish accounting standard (FAS), the statutes of the Finnish Accounting Act and the Credit Institutions Act, the ordinance issued by the Ministry of Finance on financial statements, consolidated financial statements and reports by the board of directors for credit institutions as well as Regulations and guidelines 2/2016, Accounting, financial statements and report by the board of directors issued by the Financial Supervisory Authority.

Information about business segments in the parent company is not relevant. The Group's segment reporting is presented in note G3.

Aktia Bank plc, domiciled in Helsinki, is the parent company of the Aktia Bank plc Group. Aktia Bank plc's financial statements and interim reports are available on Aktia's website [www.aktia.com](http://www.aktia.com).

### Foreign currency translation

Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency trading.

### Revenue and expenses recognition

#### Interest and dividends

Interest income and expenses are periodised according to the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity. Interest income and expenses attributable to Financial assets held for trading are reported in the income statement as Net income from securities and currency trading.

When a financial asset is impaired due to a reduction in value, the original effective interest rate is used when calculating interest income.

Dividends paid on shares and participations are reported as income for the reporting period during which the right to receive payment is noted.

#### Commissions

Commission income and expenses are reported in accordance with the accruals convention.

#### Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

### Depreciation

Tangible and intangible assets are subject to linear planned depreciation, according to the financial lifetime of the assets. As a rule, the residual value of these tangible and intangible assets is assumed to be zero. There is no depreciation of land areas. The estimated financial lifetimes for each asset category are as follows:

Buildings	40 years
Basic repairs to buildings	5-10 years
Other tangible assets	3-5 years
Intangible assets (IT acquisitions)	3-10 years

### Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be used.

### Financial assets and liabilities

Financial assets reported at fair value through the income statement include financial assets which are held for trading. This category includes debt certificates, shares and participations that are actively traded with and that have been acquired for the short term with the intent to earn revenue. They have continuously been entered at fair value with changes in value entered in the income statement. Structured bonds and investments with embedded derivatives are classified as financial assets held for trading, which means that changes in value are recognised directly in the income statement.

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category Financial assets available for sale. The unrealised value change is recognised in equity in the Fund at fair value with deductions for deferred tax until sold or impaired. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and included under the item Net income from financial assets available for sale.

Debt certificates to be held until maturity are reported in the category Financial assets held until maturity. These securities are entered at amortised cost. If there is objective evidence to suggest that full repayment will not be received on such a security at the end of the reporting period, the difference compared with the acquisition price is entered as an expense. The difference between the acquisition price and the nominal value has been periodised as interest income or loss of it. If securities classified as Financial assets held until maturity are sold prior to maturity,

these securities are reclassified as Financial assets available for sale. The reason for the reclassification is that the intention or ability in relation to the investments (a significant amount) changes so that the conditions for the use of this category are no longer met. After any such reclassification, these securities are reported as Financial assets available for sale for at least two consecutive reporting periods.

Receivables from credit institutions and receivables from the public and public sector entities are reported in the category Loans and other receivables. These receivables are entered at amortised cost.

Liabilities to credit institutions, liabilities to the public and public sector entities and debt securities to the public are reported in the category Financial liabilities. Financial liabilities are recognised in the balance sheet at cost on entering into the agreement, and subsequently at amortised cost. In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

### Reclassification

Financial assets, excluding derivatives, held for sale may be reclassified to assets held until maturity if Aktia intends and has the opportunity to hold the financial assets for the foreseeable future or until maturity. At the time of reclassification, the assets to be reclassified shall comply with the definitions of the category to which they are reclassified. A prerequisite for reclassification to the category Financial assets held until maturity is that Aktia has changed the purpose of the holdings and has the opportunity to hold the financial assets until maturity.

Reclassification is made at fair value at the time of reclassification. As fair value will be the original acquisition cost or amortised cost.

Securities to be reclassified from financial assets available for sale to financial assets held until maturity shall be pledgeable with the central bank and have good creditworthiness. When reclassified the financial assets shall fulfil the minimum rating of Aa3/AA-.

### Valuation of financial instruments at fair value

The fair value of listed shares and other financial instruments that are traded on an active market is based on the latest listed purchase price. Should the listed price of a financial instrument not represent actual market transactions occurring with regularity, or if listed prices cannot be obtained, the fair value is established with an appropriate valuation technique. The valuation techniques may vary from a simple analysis of discounted cash flows to complex option valuation models. The valuation models have been drawn up so that observable market prices and rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

### Impairment of financial assets

The impairment of Financial assets available for sale is recognised through the income statement if the financial position of the company in which the investment has been made has deteriorated significantly. The criteria are as follows:

- the company has entered into bankruptcy or is de facto insolvent and unable to make payments
- the company has entered into a corporate reorganisation agreement, or has sought protection against its creditors, or is undergoing significant restructuring which affects creditors.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the market value and the acquisition value at the time of reporting. If no market value is available, or if there are specific reasons for assuming that the market value does not represent the fair value of the security, or if the Group holds a controlling stake in the company, a decision is made on reporting an impairment in accordance with a separate assessment made by the Board of Directors.

In addition to default, interest-bearing securities are reviewed individually to assess the need for write-downs if the price of the security has fallen by more than 50% and the instrument rating has fallen below investment grade (BB+, Ba1 or lower).

For shares and share fund investments, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. A significant drop has occurred if the difference between the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) and the acquisition value exceeds certain volatility-based limits. Volatility is quantified using betas which measure the riskiness of the shares in relation to the market (a comparison index). For share funds, this index is the same as the share fund's ascribed comparison index. For individual shares, the index is a combination of an industry index and a geographic exposure index. The weighting for these two indices is calculated separately for each share by applying the change in value for historic data and maximising the share-index correlation. The same method is used for the bank's Value-at-Risk calculation.

A long-term drop has occurred if the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) has been continuously below the acquisition value for 18 months.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the fair value at the time of reporting and the acquisition value.

### Write-downs of loans and other receivables

Write-downs of loans and other receivables are entered individually and in groups. A write-down is entered individually if there is objective evidence that the customer's ability to pay has been weakened after the receivable was originally entered in the balance sheet. Objective evidence exists where the debtor is experiencing significant financial difficulties, a breach of contract such as delayed payment of interests or capital occurs, concessions are granted for financial or legal reasons which the lender had not otherwise considered, the debtor enters bankruptcy or other financial restructuring.

The value of the receivable has been weakened if the estimated incoming cash flow from the receivable, with regard to the fair value of the security, is less than the sum of the book value of the receivable and the unpaid interest on the receivable. The estimated incoming cash flow is discounted by the credit's original effective interest rate. If the credit has a variable interest rate, the interest rate in the agreement is used as discount rate at the time of review. The write-down is entered as the difference between the lower current value of the recoverable cash flow and the book value of the credit.

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in underlying credit portfolios. The write-down is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. The need for write-downs is assessed taking into account changes in credit quality and security values that are expected to occur within 12 months, whereas the size of the write-down is determined taking the whole lifetime of the portfolios into account.

## Accounting for the acquisition and disposal of financial assets

When acquiring or selling financial assets, these are entered in accordance with the trade date.

## Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments.

Derivative instruments are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedging or cash flow hedging according to the following accounting principles.

### Hedge accounting

All derivatives are valued at fair value. Aktia Bank has documented hedge accounting either as fair value hedging or cash flow hedging.

Aktia Bank's policy for hedge accounting is that the hedging relationship between the hedging instrument and the hedged item, along with the risk management aim and the strategy, are documented when hedging. In order to apply hedge accounting, the hedge must be highly efficient. A hedge is deemed to be highly efficient if, at the time of hedging and throughout the entire hedging period, it can be expected that changes in the fair value of the hedge item will be significantly neutralised by changes in the fair value of the hedging instrument. The outcome should be within the range of 80-125%. When subsequently assessing the efficiency of the hedging, Aktia values the hedging instrument at fair value and compares the change in this value with the change in the fair value of the hedged item. The efficiency is 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.

If the hedging relationship fails to meet the above requirements, the hedge accounting ceases. The change in the unrealised value of the derivative is reported at fair value in the income statement as Net interest income with effect from the time when the hedging was latest deemed to be efficient.

### Fair value hedging

Fair value hedging is applied for derivatives which are used in order to hedge changes in fair value for a reported asset or liability which is attributable to a specific risk. The risk of changes in fair value for assets and liabilities reported by Aktia Bank relates primarily to loans, securities and fixed-interest borrowing, giving rise to interest rate risk.

Changes in the fair value of derivatives are, like changes in the fair value of the hedged item, reported separately in the income statement as Net income from hedge accounting. If the hedging is efficient, both changes in fair value mostly cancel each other out, which means that the net result is virtually zero. In the balance sheet, the change in value of the hedged item is reported as adjusted value of the hedged balance sheet item. Interest rate swaps and forward rate agreements are used as hedging instruments.

Fair value hedging is no longer applied in the following situations:

- the hedging instrument expires, is sold, unwound or revoked
- the hedge no longer qualifies for hedge accounting
- hedging is discontinued

When hedging ceases, accumulated profit or loss adjusting the value of the item hedged, is periodised in the income statement. Periodisation is made over the hedged item's remaining period until maturity or over the unwound hedging instrument's original lifetime.

### Cash flow hedging

Cash flow hedging is applied in order to hedge future interest streams, such as future interest payments on assets or liabilities with variable interest rate. The efficient element of the change in fair value is reported in equity in the Fund at fair value with deductions for deferred tax and the inefficient element in the income statement as Net income from hedge accounting. The accumulated change in fair value is transferred from Cash flow hedging in shareholders' equity to the income statement during the same period as the hedged cash flows have an impact on the income statement. Interest rate swaps, forward rate agreements and interest rate options are used as hedging instruments.

When interest rate options are used as hedging instruments, only their intrinsic value is included in hedge accounting. The change in time value for interest rate options is reported through the income statement.

Cash flow hedging ceases in the same situations as fair value hedging. When cash flow hedging ceases, but an inward cash flow is expected, accumulated profit or loss concerning the hedging instrument is reported as separate item in shareholders' equity. Accumulated profit or loss is then reported in the income statement under the same periods as previously hedged interest streams are reported in the income statement.

### Other derivative instruments valued through the income statement (hedged back-to-back with third parties)

Other derivative instruments consist primarily of interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties. These interest-rate derivatives are valued at fair value, and the change in fair value is recognised in Net income from securities. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks. Individual security arrangements are made with third parties in accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

### Financial derivatives valued at fair value through the income statement

Derivatives which are not classified as hedging instruments and which are not efficient as such are classified as derivatives valued at fair value through the income statement.

Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Derivatives are entered in the balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value, together with profits and losses realised, are reported in the income statement and are included in Net income from securities.

### Repurchase agreements

Repurchase agreements relate to agreements where the parties have reached an agreement on selling securities and the subsequent repurchase of corresponding assets at a set price. For repurchase agreements, sold securities are still reported in the balance sheet, and the payment received is reported as a financial liability. Sold securities are also reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

### Cash and balances with central banks

Cash and balances with central banks consist of cash, bank balances, a current account held with the Bank of Finland and short-term deposits with a duration of less than three months. Loans to credit institutions repayable on demand are included in Loans and other receivables. Cash and cash equivalents in the cash flow statement include cash and balances with central banks, and loans to credit institutions repayable on demand.

### Tangible and intangible assets

Real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Company. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If part of the premises is used by the Company, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their original acquisition value. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. Planned depreciation is based on the financial lifetime of the assets.

### Provisions

A provision is reported where the bank has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the bank can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation.

### Equity

Dividend payments to shareholders are reported in shareholders' equity when the annual general meeting decides on the pay-out.

## Aktia Bank Plc - Notes to the income statement

(EUR 1,000)

P2 Net interest income	2017	2016
<b>Interest income</b>		
Claims on credit institutions	334	779
Receivables from the public and public sector entities	68,467	68,651
Bonds	16,970	26,869
Other interest income	3,987	2,048
<b>Total</b>	<b>89,758</b>	<b>98,347</b>
<b>Interest expenses</b>		
Liabilities to credit institutions	-424	-765
Liabilities to the public and public sector entities	-4,870	-11,822
Debt securities issued to the public	-31,805	-29,833
Derivatives and liabilities held for trading	41,777	42,331
Subordinated liabilities	-6,265	-6,481
Other interest expenses	5	-185
<b>Total</b>	<b>-1,582</b>	<b>-6,756</b>
<b>Net interest income</b>	<b>88,176</b>	<b>91,591</b>
<b>P3 Income from equity instruments</b>	<b>2017</b>	<b>2016</b>
Group companies	8,359	8,340
Associated companies	597	738
Equity instruments available for sales	307	38
<b>Total</b>	<b>9,263</b>	<b>9,116</b>
<b>P4 Net commission income</b>	<b>2017</b>	<b>2016</b>
<b>Commission income</b>		
Lending	10,381	12,927
Borrowing	1,285	1,210
Card- and payment services	19,936	19,830
Mutual funds, asset management and securities brokerage	20,575	17,551
Brokerage of insurance	10,686	9,987
Guarantees and other off-balance sheet commitments	632	419
Other commission income	6,885	7,494
<b>Total</b>	<b>70,379</b>	<b>69,417</b>
<b>Commission expenses</b>		
Money handling	-1,372	-1,758
Card- and payment services	-3,154	-3,034
Securities and investments	-1,215	-1,165
Other commission expenses	-16	-52
<b>Total</b>	<b>-5,757</b>	<b>-6,010</b>
<b>Net commission income</b>	<b>64,622</b>	<b>63,408</b>

P5 Net income from securities and currency trading	2017	2016
<b>Shares and participations</b>		
Other items	1	-1
<b>Total</b>	<b>1</b>	<b>-1</b>
<b>Derivative instruments</b>		
Capital gains and losses	-244	-307
Valuation gains and losses	-965	-2,016
<b>Total</b>	<b>-1,209</b>	<b>-2,322</b>
<b>Total</b>		
Capital gains and losses	-244	-307
Valuation gains and losses	-965	-2,016
Other items	1	-1
<b>Net income from securities trading</b>	<b>-1,208</b>	<b>-2,323</b>
Net income from currency trading	1,543	1,367
<b>Net income from securities and currency trading</b>	<b>335</b>	<b>-957</b>
<b>P6 Net income from financial assets available for sale</b>	<b>2017</b>	<b>2016</b>
<b>Interest-bearing securities</b>		
Capital gains and losses	27	-309
Transferred to income statement from fund at fair value	87	3,056
<b>Total</b>	<b>114</b>	<b>2,746</b>
<b>Shares and participations</b>		
Capital gains and losses	1,971	6,906
Transferred to income statement from fund at fair value	-605	-
Impairments	-966	-11
<b>Total</b>	<b>400</b>	<b>6,895</b>
<b>Total</b>		
Capital gains and losses	1,999	6,597
Transferred to income statement from fund at fair value	-518	3,056
Impairments	-966	-11
<b>Total</b>	<b>514</b>	<b>9,641</b>
<b>P7 Net income from hedge accounting</b>	<b>2017</b>	<b>2016</b>
Ineffective share of cash flow hedging	-	-
<b>Fair value hedging</b>		
Financial derivatives hedging repayable on demand liabilities	-1,525	-3,886
Financial derivatives hedging issued bonds	-15,429	14,876
Changes in fair value of hedge instrument, net	-16,954	10,989
Repayable on demand liabilities	1,469	3,625
Bonds issued	15,229	-14,445
Changes in fair value of items hedged, net	16,698	-10,820
<b>Total</b>	<b>-255</b>	<b>169</b>
<b>Total hedge accounting</b>	<b>-255</b>	<b>169</b>

<b>P8 Other operating income</b>	<b>2017</b>	<b>2016</b>
Income from other banking business	128	146
Group internal compensations	179	192
Merger and sales gains	4,333	-
Other operating income	1,388	2,853
<b>Total</b>	<b>6,028</b>	<b>3,191</b>

<b>P9 Staff</b>	<b>2017</b>	<b>2016</b>
Salaries and remunerations	-50,009	-48,024
Pension costs	-8,523	-8,783
Other indirect employee costs	-1,929	-2,869
Indirect employee costs	-10,452	-11,651
<b>Total</b>	<b>-60,461</b>	<b>-59,676</b>

#### **Number of employees 31 December**

Full-time	575	666
Part-time	44	48
Temporary	70	105
<b>Total</b>	<b>689</b>	<b>819</b>

#### **Pension commitments**

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are no pension commitments with a liability deficit.

<b>P10 Other administrative expenses</b>	<b>2017</b>	<b>2016</b>
Other staff expenses	-5,034	-3,452
Office expenses	-1,633	-2,260
Communication expenses	-3,464	-2,923
IT-expenses	-27,376	-25,477
Marketing- and representation expenses	-3,454	-4,680
Group internal expenses	-619	-474
Other administrative expenses	-3,512	-3,674
<b>Total</b>	<b>-45,092</b>	<b>-42,940</b>

<b>P11 Depreciation of tangible and intangible assets</b>	<b>2017</b>	<b>2016</b>
Depreciation on tangible assets	-1,572	-1,642
Depreciation on intangible assets	-6,617	-5,643
<b>Total</b>	<b>-8,189</b>	<b>-7,285</b>

P12 Other operating expenses	2017	2016
Rental expenses	-8,947	-8,952
Expenses for properties in own use	-1,492	-1,572
Insurance and security expenses	-1,475	-708
Monitoring, control and membership fees	-1,003	-1,044
Consulting fees	-2,330	-1,570
Group internal expenses	-312	-148
Other operating expenses	-2,518	-2,212
<b>Total</b>	<b>-18,077</b>	<b>-16,206</b>
<b>Auditors' fees</b>		
Statutory auditing	-149	-159
Services related to auditing	-42	-24
Tax counselling	-19	-35
Other services	-128	-401
<b>Total</b>	<b>-338</b>	<b>-619</b>
<b>The Financial Stability Board has determined the stability fees as:</b>		
Deposit guarantee contribution	-1,840	-1,716
amount of which paid from the old Deposit Guarantee Fund	-1,840	-1,716
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	25	17
Contribution to the Single Resolution Fund	-1,653	-1,372
amount of which transferred from previously paid bank tax	-1,653	-1,372
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	2	4
P13 Write-downs on credits and other commitments	2017	2016
<b>Receivables from the public and public sector entities</b>		
Individual write-downs	-4,065	-5,337
Write-downs by group	915	-415
Reversals of and recoveries of write-downs	2,608	3,520
Reversals of credit losses	38	30
<b>Total</b>	<b>-504</b>	<b>-2,202</b>
<b>Interest receivables</b>		
Individual write-downs	-25	-36
Reversals of and recoveries of write-downs	9	8
<b>Total</b>	<b>-15</b>	<b>-27</b>
<b>Total write-downs on credits and other commitments</b>	<b>-519</b>	<b>-2,229</b>
P14 Taxes	2017	2016
Income taxes on the ordinary business	-504	-157
Taxes from previous years	19	-49
Changes in deferred taxes	-2,862	-3,208
<b>Total</b>	<b>-3,346</b>	<b>-3,414</b>

## Aktia Bank Plc - Notes to the balance sheet

(EUR 1,000)

P15 Bonds eligible for refinancing with central banks	2017	2016
Government bonds	82,263	83,225
Other	1,505,415	1,521,864
<b>Total</b>	<b>1,587,679</b>	<b>1,605,090</b>
<b>P16 Claims on credit institutions</b>		
<b>Repayable on demand</b>		
Finnish credit institutions	14,035	6,353
Foreign credit institutions	19,832	5,443
<b>Total</b>	<b>33,867</b>	<b>11,796</b>
<b>Other than repayable on demand</b>		
Finnish credit institutions	11,000	25,500
Foreign credit institutions	1,270	2,890
<b>Total</b>	<b>12,270</b>	<b>28,390</b>
<b>Total claims on credit institutions</b>	<b>46,137</b>	<b>40,186</b>
<b>P17 Receivables from the public and public sector entities</b>		
<b>A sector-by-sector analysis of receivables from the public and public sector entities</b>		
Households	4,707,426	4,575,314
Corporates	587,003	537,657
Housing associations	491,419	330,188
Public sector entities	4,189	4,888
Non-profit organisations	37,768	40,295
<b>Total</b>	<b>5,827,805</b>	<b>5,488,343</b>
The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.		
<b>Write-downs during the year</b>		
Write-downs at the beginning of the year	48,330	54,231
Receivables from the public and public sector entities		
Individual write-downs	4,065	5,337
Group write-downs	-915	415
Individual write-downs that were reversed	-2,608	-3,520
Credit losses for which individual write-downs were made in previous years	-2,314	-8,133
<b>Write-downs at the end of the year</b>	<b>46,557</b>	<b>48,330</b>

## P18 Bonds by financial instrument

	Total 2017	Of which, the bonds that are eligible for refinancing with central banks	Total 2016	Of which, the bonds that are eligible for refinancing with central banks
<b>Bonds available for sale</b>				
Publicly quoted	1,398,803	1,355,763	1,294,796	1,265,599
Other	32,017	32,017	24,508	24,508
<b>Total</b>	<b>1,430,820</b>	<b>1,387,780</b>	<b>1,319,304</b>	<b>1,290,107</b>
<b>Bonds held until maturity</b>				
Publicly quoted	367,800	367,800	445,294	445,294
<b>Total</b>	<b>367,800</b>	<b>367,800</b>	<b>445,294</b>	<b>445,294</b>
<b>Total bonds</b>	<b>1,798,620</b>	<b>1,755,580</b>	<b>1,764,598</b>	<b>1,735,400</b>

## P19 Shares and participations

	2017	2016
<b>Shares and participations available for sale</b>		
Credit institutions	1,969	168
Other	7,327	8,988
<b>Total</b>	<b>9,296</b>	<b>9,156</b>
<b>Total shares and participations</b>	<b>9,296</b>	<b>9,156</b>
<b>Shares and participations in associated companies</b>		
Other companies	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Shares and participations in group companies</b>		
Credit institutions	13,315	138,527
Other companies	53,697	53,697
<b>Total</b>	<b>67,011</b>	<b>192,224</b>
<b>Total shares and participations</b>	<b>76,307</b>	<b>201,380</b>

The holdings in associated and group companies have been valued at their acquisition cost.

## P20 Derivative instruments

### The nominal value of the underlying property and the fair value of the derivative instrument

31 December 2017

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
<b>Interest rate derivatives</b>						
Interest rate swaps	845,409	1,441,200	342,000	2,628,609	83,324	32,865
Interest rate options	80,000	-	-	80,000	678	678
Purchased	40,000	-	-	40,000	678	678
Written	40,000	-	-	40,000	-	-
<b>Total</b>	<b>925,409</b>	<b>1,441,200</b>	<b>342,000</b>	<b>2,708,609</b>	<b>84,003</b>	<b>33,543</b>
<b>Total interest rate derivatives</b>	<b>925,409</b>	<b>1,441,200</b>	<b>342,000</b>	<b>2,708,609</b>	<b>84,003</b>	<b>33,543</b>
Forward rate agreements	8,805	-	-	8,805	44	16
<b>Total forward rate agreements</b>	<b>8,805</b>	<b>-</b>	<b>-</b>	<b>8,805</b>	<b>44</b>	<b>16</b>
<b>Total derivative instruments</b>	<b>934,215</b>	<b>1,441,200</b>	<b>342,000</b>	<b>2,717,415</b>	<b>84,046</b>	<b>33,559</b>

31 December 2016

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
<b>Interest rate derivatives</b>						
Interest rate swaps	596,380	1,854,139	895,000	3,345,519	128,189	57,833
Interest rate options	426,229	81,674	-	507,903	4,695	4,695
Purchased	200,000	40,000	-	240,000	4,695	4,695
Written	226,229	41,674	-	267,903	-	-
<b>Total</b>	<b>1,022,609</b>	<b>1,935,813</b>	<b>895,000</b>	<b>3,853,422</b>	<b>132,884</b>	<b>62,528</b>
<b>Total interest rate derivatives</b>	<b>1,022,609</b>	<b>1,935,813</b>	<b>895,000</b>	<b>3,853,422</b>	<b>132,884</b>	<b>62,528</b>
Forward rate agreements	52,404	-	-	52,404	597	455
<b>Total forward rate agreements</b>	<b>52,404</b>	<b>-</b>	<b>-</b>	<b>52,404</b>	<b>597</b>	<b>455</b>
Equity options	4,594	-	-	4,594	1,065	1,065
Purchased	2,297	-	-	2,297	1,065	-
Written	2,297	-	-	2,297	-	1,065
<b>Total equity options</b>	<b>4,594</b>	<b>-</b>	<b>-</b>	<b>4,594</b>	<b>1,065</b>	<b>1,065</b>
<b>Total derivative instruments</b>	<b>1,079,607</b>	<b>1,935,813</b>	<b>895,000</b>	<b>3,910,420</b>	<b>134,546</b>	<b>64,048</b>

## P21 Intangible assets

	Immaterial rights (IT expenses)	Other long-term expenditures	Total
<b>2017</b>			
Acquisition cost at 1 January	68,975	10,776	79,751
Increases	13,292	216	13,509
Decreases	-	-1,394	-1,394
Acquisition cost at 31 December	82,268	9,598	91,866
Accumulated depreciations and impairments at 1 January	-18,476	-6,926	-25,401
Accumulated depreciation on decreases	-	1,394	1,394
Planned depreciation	-5,284	-1,333	-6,617
Impairments	-	-438	-438
Accumulated depreciations and impairments at 31 December	-23,759	-7,304	-31,063
<b>Book value at 31 December</b>	<b>58,508</b>	<b>2,295</b>	<b>60,803</b>

	Immaterial rights (IT expenses)	Other long-term expenditures	Total
<b>2016</b>			
Acquisition cost at 1 January	55,646	10,321	65,967
Increases	13,330	459	13,788
Decreases	-	-4	-4
Acquisition cost at 31 December	68,975	10,776	79,751
Accumulated depreciations and impairments at 1 January	-14,256	-5,502	-19,759
Planned depreciation	-4,219	-1,424	-5,643
Accumulated depreciations and impairments at 31 December	-18,476	-6,926	-25,401
<b>Book value at 31 December</b>	<b>50,500</b>	<b>3,850</b>	<b>54,350</b>

## P22 Tangible assets

### Investment properties

#### Shares and participations in real estate corporations

	2017	2016
Acquisition cost at 1 January	78	78
Acquisition cost at 31 December	78	78
<b>Book value at 31 December</b>	<b>78</b>	<b>78</b>
<b>Carrying amount at 31 December</b>	<b>78</b>	<b>78</b>

### Other tangible assets

	Machines and equipment	Other tangible assets	Total tangible assets
<b>2017</b>			
Acquisition cost at 1 January	14,745	1,574	16,397
Increases	415	-	415
Decreases	-724	-19	-743
Acquisition cost at 31 December	14,435	1,555	16,069
Accumulated depreciations and impairments at 1 January	-11,375	-1,252	-12,628
Accumulated depreciation on decreases	724	-	724
Planned depreciation	-1,572	-	-1,572
Impairments	-95	-	-95
Accumulated depreciations and impairments at 31 December	-12,319	-1,252	-13,571
<b>Book value at 31 December</b>	<b>2,116</b>	<b>303</b>	<b>2,497</b>

	Machines and equipment	Other tangible assets	Total tangible assets
<b>2016</b>			
Acquisition cost at 1 January	13,219	1,574	14,871
Increases	1,526	-	1,526
Acquisition cost at 31 December	14,745	1,574	16,397
Accumulated depreciations and impairments at 1 January	-9,733	-1,252	-10,986
Planned depreciation	-1,642	-	-1,642
Accumulated depreciations and impairments at 31 December	-11,375	-1,252	-12,628
<b>Book value at 31 December</b>	<b>3,369</b>	<b>322</b>	<b>3,769</b>

P23 Other assets	2017	2016
Cash items being collected	8,561	1
Other assets	15,887	17,686
<b>Total</b>	<b>24,448</b>	<b>17,687</b>

P24 Accrued income and advance payments	2017	2016
Interests	15,990	23,908
Other	15,809	10,892
<b>Total</b>	<b>31,799</b>	<b>34,800</b>

P25 Deferred tax receivables	2017	2016
Deferred tax receivables at 1 January	5,418	8,607
Change booked via the income statement during the year	-2,880	-3,189
<b>Deferred tax receivables at 31 December</b>	<b>2,538</b>	<b>5,418</b>

Deferred tax receivables relates to the unwound hedge interest-rate derivatives.

P26 Liabilities to credit institutions	2017	2016
Repayable on demand liabilities to credit institutions	71,684	66,894
Other than repayable on demand deposits from credit institutions	682,780	537,364
<b>Total</b>	<b>754,464</b>	<b>604,258</b>

P27 Liabilities to the public and public sector entities	2017	2016
Repayable on demand	3,983,682	3,806,419
Other than repayable on demand	188,301	398,530
Borrowing	4,171,983	4,204,949
Repayable on demand	-	5,500
Other liabilities	-	5,500
<b>Total</b>	<b>4,171,983</b>	<b>4,210,449</b>

#### P28 Debt securities issued to the public

	2017		2016	
	Book value	Nominal value	Book value	Nominal value
Bonds	2,449,596	2,416,829	2,362,426	2,311,376
<b>Total</b>	<b>2,449,596</b>	<b>2,416,829</b>	<b>2,362,426</b>	<b>2,311,376</b>

<b>P29 Other liabilities</b>	<b>2017</b>	<b>2016</b>
Cash items in the process of collection	9,651	47,131
Other	10,264	3,504
<b>Total</b>	<b>19,915</b>	<b>50,635</b>

<b>P30 Provisions</b>	<b>2017</b>	<b>2016</b>
Provisions 1 January	1,406	2,336
Provisions used	-1,406	-930
<b>Provisions 31 December</b>	<b>-</b>	<b>1,406</b>

Aktia Bank plc has invested in a modern core banking system. The migration to the new core banking system was made in collaboration with the IT operator Samlink Ltd. The full-scale implementation of Aktia's new core banking system was completed in July 2017, and the provision for the change of core banking system is now completely dissolved.

<b>P31 Accrued expenses and income received in advance</b>	<b>2017</b>	<b>2016</b>
Interests	20,346	20,561
Other	24,943	23,085
<b>Total</b>	<b>45,289</b>	<b>43,646</b>

<b>P32 Subordinated liabilities</b>	<b>2017</b>	<b>2016</b>
Debentures	235,200	243,596
<b>Total</b>	<b>235,200</b>	<b>243,596</b>
Nominal value	235,200	243,595
Amount counted to Tier capital	111,048	136,148

No individual debenture loan exceeds 10 % of all the subordinated liabilities.

<b>P33 Deferred tax liabilities</b>	<b>2017</b>	<b>2016</b>
Deferred tax liabilities at 1 January	3,835	6,056
Change during the year booked via the income statement	-19	19
Financial assets:		
- Fair value measurement	-1,460	-1,629
- Transferred to income statement	-138	-611
<b>Deferred tax liabilities at 31 December</b>	<b>2,218</b>	<b>3,835</b>

Deferred tax liabilities relates to the fund at fair value.

## P34 Equity

	At the beginning of the year	Increase/ Decrease	At the end of the year
Share capital	163,000	-	163,000
Fair value hedging	15,893	-6,943	8,950
Cash flow hedging	-148	69	-79
Fund at fair value	15,745	-6,875	8,870
<b>Restricted equity</b>	<b>178,745</b>	<b>-6,875</b>	<b>171,870</b>
Unrestricted equity reserve	108,316	84	108,400
Retained earnings	51,444	-	51,444
Dividend to shareholders		-39,908	-39,908
Change in share-based payments		-458	-458
Acquisition / divestment of treasury shares		-487	-487
Profit for the year		29,314	29,314
<b>Unrestricted equity</b>	<b>159,760</b>	<b>-11,455</b>	<b>148,305</b>
<b>Equity</b>	<b>338,505</b>	<b>-18,329</b>	<b>320,176</b>

	2017	2016
Fund at fair value at 1 January	15,745	24,048
Changes in fair value during the year	-7,782	-7,488
Deferred taxes on changes in fair value during the year	1,460	1,629
Transferred to income statement during the year	-692	-3,056
Deferred taxes on transferred to income statement during the year	138	611
<b>Fund at fair value at 31 December</b>	<b>8,870</b>	<b>15,745</b>

Fair value for financial assets available for sale are recognised in the fund at fair value.

	2017	2016
<b>Distributable assets in unrestricted equity</b>		
Retained earnings	48,999	60,023
Dividend to shareholders	-39,908	-35,946
Profit for the year	29,314	25,410
Unrestricted equity reserve	108,400	108,316
Share-based payments	1,499	1,957
<b>Total</b>	<b>148,305</b>	<b>159,760</b>

Unrestricted equity only consist of distributable assets. No development costs have been activated.

### Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 divided into 46,706,723 A shares and 19,872,088 R shares, totalling 66,578,811 (66,578,811) shares. The number of registered shareholders at the end of the year was 39,757 (41,791). The number of A shares attributable to unidentified shareholders was 765,829 (768,001). A shares have 1 vote, and R shares have 20 votes.

### Treasury shares

At year-end, the number of treasury A shares was 237,440 (184,669) and the number of treasury R shares was 6,658 (6,658).

### Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets available for sale and on financial derivatives that are held for cash flow hedging. Financial assets recognised in the fund at fair value are transferred to the income statement on sale or on impairment of the assets.

### Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in a new issue.

### Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

## Aktia Bank Plc - Other notes

(EUR 1,000)

## P35 Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash and balances with central banks	282,476	282,476	380,077	380,077
Bonds	1,798,620	1,807,309	1,764,598	1,776,503
Claims on credit institutions	46,137	46,137	40,186	40,186
Receivables from the public and public sector entities	5,827,805	5,750,305	5,488,343	5,406,263
Shares and participations	9,296	9,296	9,156	9,156
Shares and participations in associated companies	0	0	0	0
Shares and participations in group companies	67,011	67,011	192,224	192,224
Derivative instruments	83,924	83,924	134,546	134,546
<b>Total</b>	<b>8,115,269</b>	<b>8,046,457</b>	<b>8,009,129</b>	<b>7,938,954</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions and central banks	754,464	754,875	604,258	606,792
Liabilities to the public and public sector entities	4,171,983	4,162,395	4,210,449	4,186,341
Debt securities issued to the public	2,449,596	2,464,577	2,362,426	2,363,718
Derivatives and other liabilities held for trading	33,015	33,015	64,048	64,048
Subordinated liabilities	235,200	238,227	243,596	247,330
<b>Total</b>	<b>7,644,259</b>	<b>7,653,089</b>	<b>7,484,776</b>	<b>7,468,229</b>

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 determined by market prices quoted on the active market. If quoted market prices are not available, the value of the balance sheet items is mainly determined by discounting future cash flow 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 determining 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 flow 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 margin corresponding the seniority of the instrument is applied.

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

## P36 Breakdown by maturity of financial assets and liabilities by balance sheet item

	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
<b>Assets 31 December 2017</b>							
Bonds eligible for refinancing with central banks	P15, P18	208,983	241,392	779,433	357,505	364	1,587,679
Claims on credit institutions	P16	46,137	-	-	-	-	46,137
Receivables from the public and public sector entities	P17	158,429	410,183	1,591,277	1,634,003	2,033,913	5,827,805
Bonds	P18	28,012	41,005	141,924	-	-	210,941
<b>Total</b>		<b>441,561</b>	<b>692,581</b>	<b>2,512,634</b>	<b>1,991,508</b>	<b>2,034,278</b>	<b>7,672,562</b>
<b>Liabilities 31 December 2017</b>							
Liabilities to credit institutions and central banks	P26	295,798	13,080	440,069	5,517	-	754,464
Liabilities to the public and public sector entities	P27	4,081,219	72,126	18,639	-	-	4,171,983
Debt securities issued to the public	P28	-	739,171	1,402,690	16,145	291,589	2,449,596
Subordinated liabilities	P32	6,361	21,021	207,819	-	-	235,200
<b>Total</b>		<b>4,383,378</b>	<b>845,397</b>	<b>2,069,217</b>	<b>21,662</b>	<b>291,589</b>	<b>7,611,244</b>
<b>Assets 31 December 2016</b>							
Bonds eligible for refinancing with central banks	P15, P18	307,097	251,269	980,593	65,756	376	1,605,090
Claims on credit institutions	P16	40,186	-	-	-	-	40,186
Receivables from the public and public sector entities	P17	133,690	544,163	1,599,827	1,422,436	1,788,227	5,488,343
Bonds	P18	24,508	10,011	124,989	-	-	159,508
<b>Total</b>		<b>505,481</b>	<b>805,443</b>	<b>2,705,408</b>	<b>1,488,191</b>	<b>1,788,603</b>	<b>7,293,126</b>
<b>Liabilities 31 December 2016</b>							
Liabilities to credit institutions and central banks	P26	331,133	13,080	246,011	14,034	-	604,258
Liabilities to the public and public sector entities	P27	3,873,991	274,740	61,719	-	-	4,210,449
Debt securities issued to the public	P28	2,288	299,613	1,290,385	519,571	250,569	2,362,426
Subordinated liabilities	P32	10,010	16,775	210,217	6,594	-	243,596
<b>Total</b>		<b>4,217,422</b>	<b>604,207</b>	<b>1,808,332</b>	<b>540,199</b>	<b>250,569</b>	<b>7,420,728</b>

## P37 Property items and liabilities in euros and in foreign currency

	Euros	Foreign currency	Total
<b>Assets 31 December 2017</b>			
Bonds	1,798,620	-	1,798,620
Claims on credit institutions	31,529	14,607	46,137
Receivables from the public and public sector entities	5,827,805	-	5,827,805
Shares and participations	76,307	-	76,307
Derivative instruments	83,924	-	83,924
Other assets	404,563	-	404,563
<b>Total</b>	<b>8,222,748</b>	<b>14,607</b>	<b>8,237,356</b>
<b>Liabilities 31 December 2017</b>			
Liabilities to credit institutions and central banks	754,464	-	754,464
Liabilities to the public and public sector entities	4,157,753	14,230	4,171,983
Debt securities issued to the public	2,449,596	-	2,449,596
Derivative instruments	33,015	-	33,015
Subordinated liabilities	235,200	-	235,200
Other liabilities	67,422	-	67,422
<b>Total</b>	<b>7,697,450</b>	<b>14,230</b>	<b>7,711,680</b>

<b>Assets 31 December 2016</b>	<b>Euros</b>	<b>Foreign currency</b>	<b>Total</b>
Bonds	1,764,598	-	1,764,598
Claims on credit institutions	35,691	4,495	40,186
Receivables from the public and public sector entities	5,488,343	-	5,488,343
Shares and participations	201,380	-	201,380
Derivative instruments	134,546	-	134,546
Other assets	496,101	-	496,101
<b>Total</b>	<b>8,120,658</b>	<b>4,495</b>	<b>8,125,153</b>

<b>Liabilities 31 December 2016</b>	<b>Euros</b>	<b>Foreign currency</b>	<b>Total</b>
Liabilities to credit institutions and central banks	604,258	0	604,258
Liabilities to the public and public sector entities	4,198,211	12,238	4,210,449
Debt securities issued to the public	2,362,426	-	2,362,426
Derivative instruments	64,048	-	64,048
Subordinated liabilities	243,596	-	243,596
Other liabilities	99,521	-	99,521
<b>Total</b>	<b>7,572,059</b>	<b>12,238</b>	<b>7,584,298</b>

### P38 Collateral assets and liabilities

	<b>2017</b>	<b>2016</b>
<b>Collateral assets</b>		
<b>Collateral for own liabilities</b>		
Securities	575,159	380,137
Outstanding loans constituting security for covered bonds	2,110,366	2,103,122
<b>Total</b>	<b>2,685,525</b>	<b>2,483,259</b>
<b>Other collateral assets</b>		
Pledged securities <sup>1</sup>	146,656	119,500
Cash included in pledging agreements and repurchase agreements	12,270	28,390
<b>Total</b>	<b>158,926</b>	<b>147,890</b>
<b>Total collateral assets</b>	<b>2,844,450</b>	<b>2,631,149</b>
<b>Collateral above refers to the following liabilities</b>		
Liabilities to credit institutions <sup>2</sup>	569,185	373,720
Issued covered bonds <sup>3</sup>	1,668,567	1,567,350
Derivatives	12,270	28,390
<b>Total</b>	<b>2,250,023</b>	<b>1,969,460</b>
1) Refers to securities pledged for the intra day limit. As at 31 December 2017, a surplus of pledged securities amounted to EUR 21 (4) 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.		
<b>Collateral liabilities</b>		
Cash included in pledging agreements <sup>1</sup>	76,550	117,140
<b>Total</b>	<b>76,550</b>	<b>117,140</b>

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

<b>P39 Off-balance sheet commitments</b>	<b>2017</b>	<b>2016</b>
Guarantees	31,704	30,817
Other commitments provided to a third party	7,325	807
Unused credit arrangements	505,663	586,586
<b>Total</b>	<b>544,691</b>	<b>618,210</b>
- of which Group internal off-balance sheet commitments:		
Unused credit arrangements	24,337	110,920

Off-balance sheet commitments exclude rental commitments.

<b>P40 Rent commitments</b>	<b>2017</b>	<b>2016</b>
Less than 1 year	6,379	7,395
1-5 years	3,983	7,808
More than 5 years	108	201
<b>Total</b>	<b>10,470</b>	<b>15,404</b>

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Materiality principle has been adopted and only significant rent commitments are considered.

<b>P41 Customer assets being managed</b>	<b>2017</b>	<b>2016</b>
The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.		
<b>Customer assets being managed</b>		
Funds in a customer funds account	167	4,107
Funds in discretionary asset management services	97,476	183,651
Funds within the framework of investment advising according to separate agreement	2,147,896	2,091,688
<b>Total</b>	<b>2,245,539</b>	<b>2,279,446</b>
<b>PS savings</b>		
The act governing long-term savings agreements entered into force 1 January 2010. As service provider, Aktia Bank plc offers this form of saving for private customers since 1 April 2010. The pension saving comprises bank account, investments in mutual funds, bonds and shares.		
<b>Customer assets within PS savings</b>		
PS Savings account	69	78
PS Deposit	60	76
<b>Total</b>	<b>128</b>	<b>154</b>
<b>Customers' PS investments</b>		
Investments in mutual funds	6,421	5,473
Shares	243	193
<b>Total</b>	<b>6,664</b>	<b>5,665</b>

P42 The parent company's capital adequacy	2017	2016
<b>Calculation of the parent company's capital base</b>		
<b>Total assets</b>	<b>8,237,356</b>	<b>8,125,153</b>
of which intangible assets	60,803	54,350
<b>Total liabilities</b>	<b>7,917,180</b>	<b>7,786,648</b>
of which subordinated liabilities	235,200	243,596
Share capital	163,000	163,000
Fund at fair value	8,870	15,745
Restricted equity	171,870	178,745
Unrestricted equity reserve and other funds	108,400	108,316
Retained earnings	10,591	26,034
Profit for the year	29,314	25,410
Unrestricted equity	148,305	159,760
<b>Equity</b>	<b>320,176</b>	<b>338,505</b>
<b>Total liabilities and equity</b>	<b>8,237,356</b>	<b>8,125,153</b>
Off-balance sheet commitments	544,691	618,210
<b>Aktia Bank plc's equity</b>	<b>320,176</b>	<b>338,505</b>
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-29,314	-25,410
Intangible assets	-60,803	-54,350
Debentures	111,048	136,148
Additional expected losses according to IRB	-9,452	-20,676
Deduction for significant holdings in financial sector entities	-7,827	-6,140
Other	163,034	162,440
<b>Total capital base (CET1 + AT1 + T2)</b>	<b>486,861</b>	<b>530,516</b>
<b>The parent company's capital adequacy</b>		
Common Equity Tier 1 Capital before regulatory adjustments	457,499	478,476
Common Equity Tier 1 Capital regulatory adjustments	-81,686	-84,107
<b>Common Equity Tier 1 Capital total (CET1)</b>	<b>375,813</b>	<b>394,368</b>
Additional TIER 1 capital before regulatory adjustments	-	-
Additional TIER 1 capital regulatory adjustments	-	-
<b>Additional TIER 1 (AT1) capital after regulatory adjustments</b>	<b>-</b>	<b>-</b>
<b>TIER 1 capital (T1 = CET1 + AT1)</b>	<b>375,813</b>	<b>394,368</b>
TIER 2 capital before regulatory adjustments	111,048	136,148
TIER 2 capital regulatory adjustments	-	-
<b>TIER 2 capital (T2)</b>	<b>111,048</b>	<b>136,148</b>
<b>Own funds total (TC = T1 + T2)</b>	<b>486,861</b>	<b>530,516</b>
<b>Risk weighted exposures total</b>	<b>2,097,358</b>	<b>2,445,680</b>
of which credit risk, the standardised model	865,127	754,761
of which credit risk, the IRB model	934,259	1,387,445
of which market risk	-	-
of which operational risk	297,972	303,475
CET1 Capital ratio	17.9 %	16.1 %
T1 Capital ratio	17.9 %	16.1 %
Total capital ratio	23.2 %	21.7 %

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

<b>Risk-weighted amount for operational risks</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
Gross income	161,411	154,326	161,019		
- average 3 years			158,918		
<b>Capital requirement for operational risk</b>				<b>23,838</b>	<b>24,278</b>
<b>Risk-weighted amount</b>				<b>297,972</b>	<b>303,475</b>

The capital requirement for operational risk is 15 % of average gross income during the last three years.

The risk-weighted amount for operational risk is calculated by dividing the capital requirement by 8 %.

## P43 Holdings in other companies

<b>Subsidiaries</b>	<b>31 Dec 2017</b>		<b>31 Dec 2016</b>	
	<b>Percentage of shares</b>	<b>Book value</b>	<b>Percentage of shares</b>	<b>Book value</b>
Financing				
Aktia Real Estate Mortgage Bank plc, Helsinki <sup>1</sup>	-	-	100 %	125,212
Aktia Corporate Finance Ltd, Helsinki	100 %	8,503	100 %	8,503
Aktia Finance Ltd, Helsinki	100 %	4,811	100 %	4,811
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100 %	2,507	100 %	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	76 %	2,206	76 %	2,206
Real estate agency operations				
Aktia Kiinteistöväälitys Oy, Turku	100 %	2,792	100 %	2,792
Insurance companies				
Aktia Life Insurance Ltd, Turku	100 %	46,191	100 %	46,191
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	100 %	8,203	100 %	8,203
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	100 %	7,403	100 %	7,403
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100 %	12,900	100 %	13,200
Kiinteistö Oy Green Park, Lempäälä	100 %	3,695	-	-
Kiinteistö Oy Kantaatti, Turku	-	-	100 %	9,588
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50 %	9,450	50 %	9,450
Kiinteistö Oy Skanssinkatu, Turku	50 %	2,297	50 %	2,297
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50 %	2,095	50 %	2,095
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33 %	1,017	33 %	1,017
Kiinteistö Oy Lahden BW Tower, Helsinki	33 %	3,675	33 %	3,712
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33 %	1,838	-	-
<b>Total</b>		<b>119,582</b>		<b>249,187</b>

1) Aktia Real Estate Mortgage Bank plc merged with Aktia Bank plc on 28 February 2017.

Associated companies	31 Dec 2017		31 Dec 2016	
	Percentage of shares	Book value	Percentage of shares	Book value
Data processing				
Samlink Ltd, Helsinki	23 %	0	23 %	0
<b>Total</b>		<b>0</b>		<b>0</b>

Financing income obtained from and financing expenses paid to other group companies	2017	2016
Interest income	540	523
Dividends	8,955	9,079
Interest expenses	-50	-229
<b>Net finance income</b>	<b>9,445</b>	<b>9,372</b>
<b>Receivables from and liabilities to other group companies</b>		
Loans to credit institutions	1,994	2,000
Lending to the public and public sector entities	49,539	40,080
Other assets	-	890
Accrued income and advance payments	8,233	5,791
<b>Total receivables</b>	<b>59,766</b>	<b>48,761</b>
Liabilities to credit institutions	-	20,894
Liabilities to the public and public sector entities	53,440	39,191
Debt securities issued	-	3,555
Accrued expenses and income received in advance	463	2,155
<b>Total liabilities</b>	<b>53,902</b>	<b>65,796</b>

## P44 Shareholders

	Shareholders 31 December 2017			Shareholders 31 December 2016		
	A shares	R shares	Shares	Of shares, %	Votes	Of votes, %
<b>The 20 largest shareholders:</b>						
Stiftelsen Tre Smeder sr	1,191,925	4,706,804	5,898,729	8.9	95,328,005	21.5
Veritas Pension Insurance Company Ltd.	3,627,469	2,154,397	5,781,866	8.7	46,715,409	10.5
Svenska litteratursällskapet i Finland rf	4,864,205	789,229	5,653,434	8.5	20,648,785	4.7
Oy Hammarén & Co Ab	1,905,000	945,994	2,850,994	4.3	20,824,880	4.7
Åbo Akademi University Foundation sr	1,595,640	751,000	2,346,640	3.5	16,615,640	3.7
Aktiaistiftelsen i Borgå sr	1,212,297	656,348	1,868,645	2.8	14,339,257	3.2
Life Annuity Institution Hereditas	-	1,646,106	1,646,106	2.5	32,922,120	7.4
Aktiaistiftelsen i Vasa sr	978,525	547,262	1,525,787	2.3	11,923,765	2.7
Sparbanksstiftelsen i Kyrkslätt sr	804,206	493,350	1,297,556	2.0	10,671,206	2.4
Aktiaistiftelsen i Vanda sr	-	1,205,490	1,205,490	1.8	24,109,800	5.4
Aktiaistiftelsen i Esbo-Grankulla sr	-	1,203,708	1,203,708	1.8	24,074,160	5.4
Sparbanksstiftelsen i Karis-Pojo sr	787,350	393,675	1,181,025	1.8	8,660,850	2.0
Föreningen Konstsamfundet rf.	1,176,173	-	1,176,173	1.8	1,176,173	0.3
Varma Mutual Pension Insurance Company	1,175,000	-	1,175,000	1.8	1,175,000	0.3
OP (OP-Suomi Pienyhtiöt, OP-Kiinteistö Sijoitusrahasto)	911,161	-	911,161	1.4	9,111,161	0.2
Sampo plc	722,614	-	722,614	1.1	7,226,140	0.2
Sparbanksstiftelsen i Sibbo sr	464,254	234,201	698,455	1.1	5,148,274	1.2
Sparbanksstiftelsen i Ingå sr	283,262	349,552	632,814	1.0	7,274,302	1.6
Vörå Sparbanks Aktiaistiftelse sr	615,460	10,500	625,960	0.9	825,460	0.2
SEB Gyllenberg (Finlandia, Finland Small Cap, Finland Optimum)	580,117	-	580,117	0.9	5,801,170	0.1
<b>Largest 20 owners</b>	<b>22,894,658</b>	<b>16,087,616</b>	<b>38,982,274</b>	<b>58.5</b>	<b>344,646,978</b>	<b>77.6</b>
Other	23,812,065	3,784,472	27,596,537	41.5	99,501,505	21.9
<b>Total</b>	<b>46,706,723</b>	<b>19,872,088</b>	<b>66,578,811</b>	<b>100.0</b>	<b>444,148,483</b>	<b>100.0</b>

<b>Shareholders by sector 31 Dec 2017:</b>	<b>Number of owners</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>	<b>Number of votes</b>	<b>%</b>
Corporates	2,235	5.6	6,268,857	9.4	33,477,465	7.5
Financial institutes and insurance companies	51	0.1	6,885,257	10.3	50,929,498	11.5
Public sector entities	28	0.1	7,049,985	10.6	47,983,528	10.8
Non-profit organisations	519	1.3	32,602,472	49.0	296,079,291	66.7
Households	36,777	92.5	9,991,063	15.0	14,797,284	3.3
Foreign shareholders	147	0.4	44,690	0.1	115,588	0.0
<b>Total</b>	<b>39,757</b>	<b>100.0</b>	<b>62,842,324</b>	<b>94.4</b>	<b>443,382,654</b>	<b>99.8</b>
entered in nominee register	10		2,970,658	4.5		
Unidentified shareholders			765,829	1.2	765,829	0.2
<b>Total by sector</b>	<b>39,757</b>	<b>100.0</b>	<b>66,578,811</b>	<b>100.0</b>	<b>444,148,483</b>	<b>100.0</b>

<b>Shareholders by sector 31 Dec 2016:</b>	<b>Number of owners</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>	<b>Number of votes</b>	<b>%</b>
Corporates	3,039	7.3	8,320,011	12.5	68,784,034	15.5
Financial institutes and insurance companies	50	0.1	7,731,689	11.6	19,395,051	4.4
Public sector entities	28	0.1	7,053,876	10.6	47,987,419	10.8
Non-profit organisations	685	1.6	32,910,305	49.4	294,688,752	66.3
Households	37,836	90.5	7,875,593	11.8	12,468,957	2.8
Foreign shareholders	153	0.4	35,648	0.1	56,269	0.0
<b>Total</b>	<b>41,791</b>	<b>100.0</b>	<b>63,927,122</b>	<b>96.0</b>	<b>443,380,482</b>	<b>99.8</b>
entered in nominee register	8		1,883,688	2.8		
Unidentified shareholders			768,001	1.2	768,001	0.2
<b>Total by sector</b>	<b>41,791</b>	<b>100.0</b>	<b>66,578,811</b>	<b>100.0</b>	<b>444,148,483</b>	<b>100.0</b>

<b>Breakdown of stock 31 Dec 2017:</b>	<b>Number of owners</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>	<b>Number of votes</b>	<b>%</b>
<b>Number of shares</b>						
1-100	25,320	63.7	1,022,270	1.5	1,191,598	0.3
101-1,000	12,199	30.7	4,016,366	6.0	5,430,593	1.2
1,001 - 10,000	2,043	5.1	5,206,190	7.8	7,876,184	1.8
10,001 - 100,000	128	0.3	3,171,663	4.8	7,823,471	1.8
100,000 -	67	0.2	52,396,493	78.7	421,060,808	94.8
<b>Total</b>	<b>39,757</b>	<b>100.0</b>	<b>65,812,982</b>	<b>98.8</b>	<b>443,382,654</b>	<b>99.8</b>
entered in nominee register	10					
Unidentified shareholders			765,829	1.2	765,829	0.2
<b>Total by sector</b>	<b>39,757</b>	<b>100.0</b>	<b>66,578,811</b>	<b>100.0</b>	<b>444,148,483</b>	<b>100.0</b>

<b>Breakdown of stock 31 Dec 2016:</b>	<b>Number of owners</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>	<b>Number of votes</b>	<b>%</b>
<b>Number of shares</b>						
1-100	28,623	68.5	1,134,637	1.7	1,267,200	0.3
101-1,000	11,427	27.3	3,480,536	5.2	4,696,631	1.1
1,001 - 10,000	1,578	3.8	4,044,863	6.1	6,753,921	1.5
10,001 - 100,000	97	0.2	2,473,869	3.7	6,124,415	1.4
100,000 -	66	0.2	54,676,905	82.1	424,538,315	95.6
<b>Total</b>	<b>41,791</b>	<b>100.0</b>	<b>65,810,810</b>	<b>98.8</b>	<b>443,380,482</b>	<b>99.8</b>
entered in nominee register	8					
Unidentified shareholders			768,001	1.2	768,001	0.2
<b>Total by sector</b>	<b>41,791</b>	<b>100.0</b>	<b>66,578,811</b>	<b>100.0</b>	<b>444,148,483</b>	<b>100.0</b>

## P45 Related-party information

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 Supervisors and the Board of Directors of Aktia Bank plc, the Managing Director, the Managing Director's alternate and other members of the Executive Committee.

Management personnel compensation	2017			2016		
	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension
Martin Backman, Managing Director	350	45	38	-	-	-
Jussi Laitinen, Managing Director (until 3 March 2017)	304	11	55	910	63	232
Juha Hammarén, Deputy Managing Director	290	48	35	-	-	-
Taru Narvanmaa, Deputy Managing Director (until 5 May 2017)	277	19	59	619	50	126
Executive Committee excl. Managing Director and Deputy Managing Director <sup>1</sup>	1,353	218	167	1,771	238	180
<b>Total</b>	<b>2,574</b>	<b>342</b>	<b>353</b>	<b>3,300</b>	<b>350</b>	<b>538</b>
<b>Compensation to Members of the Board of Directors<sup>2</sup></b>						
Dag Wallgren, Chairman	84	15	-	82	15	-
Lasse Svens, Vice Chair (from 1 January 2017)	56	10	-	41	7	-
Nina Wilkman, Vice Chairman (until 31 December 2016)	-	-	-	52	9	-
Christina Dahlblom	37	6	-	20	3	-
Stefan Damlin	40	7	-	38	7	-
Sten Eklundh	49	8	-	47	8	-
Kjell Hedman	39	7	-	40	8	-
Catharina von Stackelberg-Hammarén	38	7	-	35	6	-
Arja Talma	44	8	-	38	7	-
<b>Total</b>	<b>386</b>	<b>67</b>	<b>-</b>	<b>393</b>	<b>70</b>	<b>-</b>
<b>Compensation to Members of the Board of Supervisors<sup>3</sup></b>						
Nina Wilkman, Chair	27	-	-	-	-	-
Håkan Mattlin, Chair	2	-	-	31	6	-
Christina Gestrin, Deputy Chair	13	-	-	14	2	-
Patric Lerche, Deputy Chair	13	-	-	15	3	-
Clas Nyberg, Deputy Chair	13	-	-	15	3	-
Jan-Erik Stenman, Deputy Chair	14	-	-	14	2	-
Other members	123	-	-	140	25	-
<b>Total</b>	<b>204</b>	<b>-</b>	<b>-</b>	<b>228</b>	<b>40</b>	<b>-</b>
<b>Total compensation to Management personnel, the Board of Directors and the Board of Supervisors</b>	<b>3,163</b>	<b>408</b>	<b>353</b>	<b>3,922</b>	<b>461</b>	<b>538</b>

1) The other members of the Executive Committee are Vice Managing Director Merja Sergelius, Vice Managing Director Anssi Rantala, Vice Managing Director Carola Nilsson, Director Irma Gillberg-Hjelt, Director Sam Olin, CFO Outi Henriksson, Director Minna Miettinen, Director Juha Volotinen and Director Anu Tuomolin.

The notice of dismissal for the Managing Director is from the employer's side 15 months, and for the other members of the executive committee the notice of dismissal is 12 months. Members of the executive committee follow statutory pension age.

2) 40 % (40 %) of the Board of Directors' annual remuneration was paid in the form of Aktia A shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2017, the members of the Board of Supervisors acquired Aktia A shares corresponding 40 (35) % of their annual remuneration from the Stock Exchange at market price. In accordance with the proposal by the Board of Directors, the Extraordinary General Meeting of Aktia Bank plc took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors.

### Shareholding

At the end of 2017, the Group's key personnel held a total of 162,463 (306,743) series A shares and 525 (8,552) series R shares in Aktia Bank plc. This represents 0.2 (0.5) % of the total number of shares and 0.0 (0.1) % of votes.

<b>Related-party transactions with subsidiaries</b>	<b>2017</b>	<b>2016</b>
Credits and guarantees	50,323	42,080
Deposits	53,487	60,092
Receivables	9,443	6,681
Liabilities	463	2,155
<b>Income and expenses from other activities</b>	<b>2017</b>	<b>2016</b>
Group contribution to Aktia Finance Ltd from Group's wholly-owned subsidiaries	3,195,000	-
<b>Total</b>	<b>3,195,000</b>	<b>-</b>

# The Board of Directors' and the CEO's signing of the Report by the Board of Directors and the Financial statements 2017

The Group's parent company is Aktia Bank plc domiciled in Helsinki. A copy of the report by the Board of Directors and financial statement is available from Aktia Bank plc, Mannerheimintie 14 A, 00100 Helsinki and from Aktia's website [www.aktia.com](http://www.aktia.com).

The parent company's distributable retained earnings including profit for the year are EUR 39,905,236.90 and the unrestricted equity reserve is

EUR 108,399,981.17. The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.57 per share, totalling EUR 37,810,786.41, excluding dividend for treasury shares, be paid. Dividend is paid from retained earnings. After dividend pay-out the distributable retained earnings in the parent company are EUR 2,094,450.49.

Helsinki, 27 February 2018  
Aktia Bank's Board of Directors

Dag Wallgren  
Chair

Lasse Svens  
Vice chair

Christina Dahlblom

Stefan Damlin

Sten Eklundh

Kjell Hedman

Catharina  
von Stackelberg-Hammarén

Arja Talma

Martin Backman  
Managing Director

Our auditor's report has been issued today  
Helsinki, 27 February 2018

KPMG Oy Ab

Jari Härmälä  
Authorised Public Accountant

# Auditor's Report

To the Annual General Meeting of Aktia Bank plc

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Aktia Bank plc (business identity code 2181702-8) for the year ended 31 December 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

### Basis for Opinion

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

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

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

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

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

## THE KEY AUDIT MATTER

## HOW THE MATTER WAS ADDRESSED IN THE AUDIT

### Valuation of Loans and Other Receivables (Accounting Principles and Notes G2, G21, P13, P17)

- Loans and other receivables totalled EUR 5,889 million. This comprises approximately 62 % of the group's total assets. Due to the materiality of the balances, loans and other receivables are considered a key audit matter.
  - Valuation of loans and other receivables is subject to management judgement regarding the amount and timing of impairment provisions.
  - Impairment allowances of loans and other receivables are recognised on a collective and on an individual basis.
- We have assessed controls over the loans and other receivables' approvals, recognition and monitoring. In addition, we have assessed the principles to monitor risks and to determine impairment allowances.
  - Our audit procedures have included testing the above-mentioned controls. In addition, we have assessed the most significant impairment provisions that were recognised during the financial year.
  - We have read the group's quarterly risk reporting and assessed its appropriateness to identify risks.
  - We have assessed appropriateness of the collective allowances by assessing models used to calculate collective allowances.

### Financial Assets (Accounting Principles and Notes G2, G8, G16, G18, G19, G38, G39, G40, P5, P6, P20, P35, P36)

- Financial assets (excluding derivatives) are a material item in the consolidated financial statements. The financial assets (excluding derivatives) totalled EUR 2,293 million and they comprise approximately 24 % of the total assets.
  - Valuation of certain financial assets are subject to a considerable amount of management judgement.
  - Determining fair values of financial assets may include estimation uncertainty when fair value cannot be derived from public available market quotes.
- We have assessed the group's valuation methods to value financial assets.
  - Our audit procedures in relation to the financial assets have concentrated on the risk management and valuation process by testing process controls. In addition, we have assessed valuation models and assumptions within the models.
  - We have specifically noted the disclosures of the financial assets and liabilities.

### Insurance Liabilities (Accounting Principles and Notes G2, G7, G34)

- Insurance liabilities totalled EUR 1,217 million, and is a material item in the group's balance sheet.
  - Determining insurance liability is subject to management judgement. In addition, different calculation methodologies can be used. The most significant assumptions are related to mortality and illness.
- We have assessed and tested process controls over the insurance liabilities calculation process.
  - As part of our audit our actuary specialist has assessed and validated assumptions and calculation methodologies used in insurance liabilities calculations.
  - We have summed up information and assumptions used in insurance liabilities calculations and evaluated their appropriateness by using industry knowledge and available market practise information.

### IT Systems

- The key processes of the bank are dependent on information systems. Information technology plays an essential role in business continuity, incident management and the accuracy of financial reporting.
  - The key risks are related to data integrity, data confidentiality and system availability.
  - During the financial year, the bank has implemented a new core bank system. The implementation has had implications on the IT control environment and the key processes.
- Prior to the go-live of the new core bank system, we have familiarised us with the plans and controls related to the completeness and accuracy of data migrations, uninterrupted system availability and financial reporting.
  - During the system go-live, we have performed audit procedures to evaluate the completeness and accuracy of data migrations, from a continuance of books perspective.
  - After the go-live, we have performed walkthroughs of IT processes and performed testing of identified controls related to access rights, change management and system continuity.
  - We have performed walkthroughs of financial reporting relevant processes.

## Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Som del av en revision enligt god revisionsse gör vi professionell bedömning och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Other Reporting Requirements

### Information on our audit engagement

We have acted as the auditor appointed by the shareholders' meeting uninterrupted for 7 years.

### Other Information

The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 27 February 2018  
KPMG OY AB

Jari Härmälä  
Authorised Public Accountant, KHT

# Corporate Governance Report of Aktia Bank Abp

This report has been approved by the Board of Directors of Aktia Bank Abp ("Aktia") on 27 February 2018. The report has been prepared separately from the Directors' Report and has been examined by the Audit Committee of the Board of Directors.

This corporate governance report has been prepared in accordance with the Finnish Corporate Governance Code 2015. This report and other disclosures required under the Corporate Governance Code, the company's financial statements, the Directors' Report and the auditor's report for 2017 are available on the company's website, [www.aktia.com](http://www.aktia.com).

## Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's Articles of Association, Aktia also follows the 2015 Corporate Governance Code for Listed Companies issued by the Finnish Securities Market Association ("Corporate Governance Code"), which became effective on 1 January 2016. The Code is publicly available on the website of the Finnish Securities Market Association, [www.cgfinland.fi](http://www.cgfinland.fi). Aktia is a supporting member of the Securities Market Association.

Aktia follows the recommendations of the Corporate Governance Code 2015.

Up until the abolition of the Board of Supervisors of Aktia Bank Abp on 22 September 2017 Aktia followed the recommendations of the Corporate Governance Code 2015, with the exception of Recommendation 5 (Election of Board Members) and Recommendations 18a (Nomination Committees) and 22 (Decision-making Procedure for Remuneration), as Aktia's shareholders' meeting had previously appointed a Board of Supervisors (deviations from Recommendations 5 and 22 in the Corporate Governance Code 2015), and the duties of the Board of Supervisors included appointing the Board of Directors of Directors of Aktia and deciding on the remuneration of Board members.

## Composition and duties of the Board

In keeping with the provisions of the Articles of Association, Aktia's Board of Directors encompasses a minimum of 5 and a maximum of 12 ordinary members. The shareholders' meeting decides on the number of Board members, elects Board members and decides on the fees to be paid to the Board members based on the proposal submitted by the shareholders' Nomination Committee. The Board members' mandates begin at the end of the Annual General Meeting and ends at the end of the following Annual General Meeting. The Board of Directors elects its Chairman and Deputy Chairman from among its members. No Board members are appointed through a special appointment procedure.

## Aktia Bank plc's administration structure



## Aktia's Board of Directors 2017

<b>Name:</b>	<b>Date of birth:</b>	<b>Education, job title and main occupation:</b>
Dag Wallgren, Chairman	1961	M.Sc. in Business and Economics, Managing Director of the Swedish Society of Literature in Finland
Christina Dahlblom	1978	Ph.D. in Economics, CEO of Milton Sparks Oy
Stefan Damlin	1968	M.Sc. in Business and Economics, CEO of Wärtsilä Finland Oy
Sten Eklundh	1960	M.Sc. in Business and Economics
Kjell Hedman	1951	Business Economist
Catharina von Stackelberg-Hammarén	1970	M.Sc. in Business and Economics, Managing Director of Marketing Clinic Ab
Lasse Svens	1962	M.Sc. in Business and Economics, Treasurer of the Åbo Akademi University Foundation sr
Arja Talma	1962	M.Sc. in Business and Administration, eMBA

### Independence and diversity of Board members

None of the Board members has been or is an employee of the company. The Board of Directors deems all members of the Aktia's Board to be independent in relation to Aktia within the meaning of the Corporate Governance Code 2015. According to the Board's assessment, all Board members with the exception of Lasse Svens, who is a member of the Board of Directors of Pensionsförsäkringsaktiebolaget Veritas, are also independent of significant shareholders of the company (a shareholding representing at least ten percent of the total number of shares or voting rights).

The Board has approved principles for diversity with the aim of ensuring that the Board as a whole has the expertise and the diversity required to ensure a healthy board culture, preserve shareholder value through effective supervision of the business and increase shareholder value through insights and strategic thinking. The principles are available on the company's website, [www.aktia.com/sv/johto-ja-hallinto](http://www.aktia.com/sv/johto-ja-hallinto).

The principles for diversity have been taken into account in the composition of the Board. In 2017 the share of female Board members was 38 %.

### The duties of the Board of Directors

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws and the Articles of Association. Apart from assignments given by the Board of Directors to its members in individual cases, Board members do not have individual duties related to the governance of the company.

### Board meetings

The Board has adopted written rules of procedure for its work. Meetings of the Board are held mainly at the head office of Aktia in Helsinki. When required, the Board can also hold meetings by telephone/e-mail and adopt resolutions without convening. In accordance with the rules of procedure, the Board normally meets once a month. At one longer meeting the Board mainly discusses the Group's strategy.

Meetings of the Board of Directors are deemed quorate when more than half the members, including the Chairman or Deputy Chairman, are present.

The rules of procedure for the Board of Directors define, in greater detail, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings and reporting procedures.

In 2017 the Board held 15 meetings. In addition, the Board of Directors adopted separate decisions on 10 occasions concerning matters that fall under its authority.

Board members' attendance at meetings in 2017:

Wallgren Dag, Chairman	15/15
Svens Lasse, Deputy Chairman	15/15
Dahlblom Christina	13/15
Damlin Stefan	14/15
Eklundh Sten	13/15
Hedman Kjell	10/15
von Stackelberg-Hammarén Catharina	15/15
Talma Arja	15/15

### Composition and duties of Board committees

To draw up issues to be resolved by the Board of Directors and to make decisions on certain defined matters, the Board of Directors has three committees. The committees' rules of procedures constitute a part of the Board of Directors' rules of procedure. Under the rules of procedure, the committees must have at least two and not more than four members. The rules of procedure also specify which matters are to be prepared by the committees and the matters on which the committees are authorised to decide.

Within the framework established by the Board of Directors, the Risk Committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the Board of Directors to pass decision on. The committee decides on the annual plan and on procedures for the Compliance function, and studies the reports submitted by Compliance. In 2017 the committee held 8 meetings.

Members of the Risk Committee and meeting attendance in 2017:

Eklundh Sten, Chairman	7/8
Hedman Kjell	5/8
Svens Lasse	8/8
Wallgren Dag	8/8

The Audit Committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee defines the principles for internal auditing and adopts the Group's internal audit plan. The committee studies the reports issued by the external auditor, the Internal Audit function and the Compliance function and assesses the sufficiency of the other internal reports. The Audit Committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. In 2017 the committee held 8 meetings.

Members of the Audit Committee and meeting attendance in 2017:

Talma, Arja, Chairman	8/8
Damlin Stefan	8/8
Svens Lasse	8/8

The Compensation and Corporate Governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties towards the company, and on matters relating to the development of the Group's administration and control system. In 2017 the committee held 6 meetings.

Members of the Compensation and Corporate Governance Committee and meeting attendance in 2017:

Wallgren Dag, Chairman	6/6
von Stackelberg-Hammarén Catharina	6/6
Dahlblom Christina	6/6

## Board members' shareholdings

Shareholdings attributable to Board members and related persons, 31 Dec 2017

Name	A shares	R shares
Dag Wallgren	11,584	525
Christina Dahlbom	1,968	
Stefan Damlin	2,272	
Sten Eklundh	14,419	
Kjell Hedman	-	
Catharina von Stackelberg-Hammarén	4,625	
Lasse Svens	2,561	
Arja Talma	3,767	

Information on remuneration of Board members is found in Note G44 of the financial statements.

## CEO and his duties

Martin Backman, born 1969, M.Sc. in Engineering and M.Sc. in Business and Economics, took over as CEO on 6 March 2017. Until that date the CEO of Aktia was Jussi Laitinen, born 1956, M.Sc. in Business and Economics.

The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The CEO is assisted in the day-to-day management by an Executive Committee.

## Executive Committee

### Duties of the Executive Committee

The Group's Executive Committee is tasked with assisting the CEO. The Executive Committee discusses and monitors the outcome of the Group's strategy and its earnings performance as well as outcomes for significant projects and the achievement of defined targets.

The Executive Committee has no formal corporate law status. The Executive Committee consists of the CEO, who acts as chairman, the Segment Managers and Function Managers, as stipulated by the Board. The members of the Executive Committee report to the CEO. In 2017 the Executive Committee convened every two weeks, as a rule.

### Composition of the Executive Committee

At 31 December 2017 the Group Executive Committee consisted of the following persons:

Martin Backman, b. 1969  
CEO

Education: M.Sc. in Engineering and M.Sc. in Business and Economics  
At Aktia since 2017

Juha Hammarén, b. 1960

Executive Vice President, Deputy to the CEO,

in charge of Operational Activities and Fastighetsförmedling, Aktia's estate agency business

Education: LL.M.

At Aktia since 2014

Merja Sergelius, b. 1965

Executive Vice President, in charge of Private Customers and small and medium-sized enterprises

Education: eMBA

At Aktia since 1986

Carola Nilsson, b. 1967

Executive Vice President, in charge of Private Banking

Education: M.Sc. in Business and Economics

At Aktia since 2017

Anssi Rantala, b. 1972  
 Executive Vice President, in charge of Asset Management, market research and development of Aktia's overall institutional client offering  
 Education: Ph.D.  
 At Aktia since 2014

Irma Gillberg-Hjelt, b. 1962  
 Vice President Corporate Customers  
 Education: LL.M.  
 At Aktia since 2017

Sam Olin, b. 1973  
 Vice President Premium Customers  
 Education: B.Sc. in Business and Economics  
 At Aktia since 2016

Outi Henriksson, b. 1969  
 CFO, in charge of Accounts, treasury and investor relations  
 Education: M.Sc. in Business and Economics  
 At Aktia since 2017

Minna Miettinen, b. 1969  
 Chief Digital & Marketing Officer, in charge of digitisation and marketing  
 Education: Diploma in Business Studies (Marketing)  
 At Aktia since 2017

Juha Volotinen, b. 1975  
 CIO, in charge of the Group's IT functions  
 Education: M.Sc. in Business and Economics  
 At Aktia since 2010

## Shareholdings of the Executive Committee

Shareholdings attributable to members of the Executive Committee and related persons, 31 Dec 2017

Name:	A shares	R shares
Martin Backman	70,011	
Juha Hammarén	6,955	
Merja Sergelius	20,069	
Carola Nilsson	45	
Anssi Rantala	4,500	
Irma Gillberg-Hjelt	-	
Sam Olin	-	
Outi Henriksson	-	
Minna Miettinen	-	
Juha Volotinen	1,000	

Information on remuneration of members of the Executive Committee is found in Notes G44 and G46 of the financial statements.

## Internal control in the Aktia Group

The system of internal control is designed to ensure that the activities of the Aktia Group comply with the applicable regulatory requirements and the operational guidelines adopted by the Board. Internal control is implemented at all levels of the organisation. Ensuring the appropriate organisation and functioning of internal control is part of the duties of the Board of Directors of Aktia Bank Abp.

In addition to financial reporting processes, effective internal control in the Aktia Group is ensured by the Risk Control and Compliance functions, the independent actuarial function and the Internal Audit function. All these functions operate independently of the operational side of the business and report directly to the Group's Board of Directors and the boards of the Group's regulated subsidiaries. To ensure effective internal control, the Board defines internal instructions and working methods which guarantee that the Aktia Group's business activities comply with the law.

## Financial reporting

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures in the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also been built into all key processes where information is recorded. Internal control is supported by observations made by the Group's Internal Audit function which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control.

The Aktia Group's operational financial reporting organisation consists of an accounts unit at Group level that is in charge of external as well as internal financial reporting. The unit's remit includes consolidation, budgeting, internal performance monitoring, updating of accounting principles, and internal financial reporting guidelines and instructions. For each business segment and key individual subsidiaries within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis. The Group's reports are compiled centrally and are based on a common financial reporting system covering external as well as internal reporting, which helps to ensure that day-to-day financial reporting is handled in a uniform manner.

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. The Aktia Group has an ownership interest in and is represented on the board of Samlink Ab's wholly owned subsidiary, which handles the Aktia Group's outsourced bookkeeping services.

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Chief Accounting Officer, who is in charge of internal and external financial management, is not involved in making direct business decisions. His incentive is mainly independent of factors driving the business. The Chief Accounting Officer reports to the Chief Financial Officer of the Aktia Group, who is a member of the Executive Committee.

The Aktia Group's internal reporting and monthly financial statements are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are currently distributed to the Aktia Group's Board of Directors and management, selected key personnel and the auditors.

The Aktia Group's financial development and performance is addressed each month by the Group's executive committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its Cudit Committee in the form of interim reports and an annual report. The annual report is revised and the interim reports are reviewed by the Group's external auditors, who report their observations to the Audit Committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its Audit Committee.

## Risk management

The Board of Directors of Aktia Bank Abp is responsible for ensuring the appropriate organisation of risk management in the Group. The Aktia Group has a Risk Control function which is independent of the operational side of the business, and which evaluates risk management in the Group and its subsidiaries and reports on risks to management and the Board of Directors. The function monitors that risks are appropriately measured, analysed and monitored in all areas of activity in the Group and makes assessments of the Group's overall risk position. The regular reports submitted by the Risk Control function to the Executive Committee and, on a quarterly basis, to the Group's Board of Directors and its Risk Committee cover all significant risk positions. The Risk Control function also reports to the boards of the subsidiary companies on a quarterly basis. Risk control in the subsidiaries takes account of the particular characteristics of each subsidiary and the specific regulations which apply to its operations. The Risk Control function is guided by a set of principles and an annual plan for the function, which are adopted annually by the Board of Directors.

The Board determines principles, instructions, risk strategies and risk appetite in the Group, and thus establishes a framework for risk management in the Group. The Board's Risk Committee also prepares risk management-related matters for resolution by the Board.

The main principles for risk management in the Aktia Group as well as the processes and internal control procedures are described in detail in the Capital and Risk Management Report 2017 CAR, which is available on the website, [www.aktia.com/sv/julkaisut](http://www.aktia.com/sv/julkaisut).

## The Compliance function

In the Aktia Group the Compliance function performs advisory, supervisory and reporting tasks for the purpose of ensuring compliance with the applicable customer protection, market conduct and anti-money laundering regulations, and is responsible for maintaining instructions on compliance risk management. Compliance is a separate function which supports Aktia's operational activities and is tasked with ensuring that these activities are conducted in compliance with the applicable laws. The Compliance function is governed by a set of principles and an annual plan for the function which are adopted annually by the Board of Directors. The Compliance function reports on a quarterly basis to Aktia Bank Abp, the boards of the concessionaire subsidiaries and the Board's Risk Committee, describing the function's observations, changes in the regulations applied and any impact that these may have on the activities.

As a listed company and issuer, Aktia Bank Abp follows Nasdaq Helsinki Oy's (the Helsinki Stock Exchange) Guidelines for Insiders and the Market Abuse Regulation (MAR), under which companies are required to draw up insider lists and lists of persons discharging managerial responsibilities and persons closely associated with them. More information on the handling of insider information is available on Aktia's website <https://www.aktia.com/sv/johto-ja-hallinto/sisapiirihallinto>.

Credit matters in Aktia Bank involving Aktia Bank Abp's Board members, CEO and other members of the Executive Committee are generally handled by the Board of Directors of Aktia Bank Abp. Transactions with related persons are presented in Not G44 to the financial statements.

## Internal auditing

The Aktia Group has an Internal Audit function that is independent of the operational side of the business. The function examines the adequacy and effectiveness of the internal monitoring system and the quality of the tasks performed, and thereby (by addressing observed shortcomings and identifying areas of potential improvement) helps to ensure that necessary changes are implemented. Principles for the activities of the Internal Audit function as well as the Group's audit plan are reviewed and adopted by the Group's Board of Directors on an annual basis. On a quarterly basis, Internal Audit reports on its key observations, the review of previously implemented actions and the implementation of the audit plan directly to the Aktia Group's Board of Directors and its Audit Committee.

The Internal Audit function operates in accordance with the international framework for the professional practice of internal auditing, including the definition of internal audit, the professional ethical code, and guidelines for professional internal auditing. The function also follows other legislation and regulatory requirements applying to the industry.

## Auditor

The auditing firm KPMG Oy Ab with Jari Härmälä, Authorised Public Accountant, as lead audit engagement partner has been the Aktia Group's auditors since 2017. The auditor is elected by the shareholders' meeting. Information on fees paid for audit and non-audit services is provided in Note G12 to the financial statements.

# Corporate responsibility report

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# Corporate responsibility is part of the business strategy

In Aktia, corporate responsibility is anchored in the day-to-day operation and it is based on Aktia's mission, vision, promise to customers and values. Our objective is to act responsibly towards customers and society. For Aktia, this means that we provide responsible financial services to our customers but we also respect the interests of the owners and society. Corporate responsibility in Aktia is led by the group's strategy and managed as an integrated part of the business activity. We endeavour to integrate the aspects of responsibility in the bank's central processes and business decisions.

As corporate responsibility is part of our business strategy, our corporate responsibility report forms part of our annual report. Aktia's reporting follows the applicable parts of the Global Reporting Initiative (GRI) guidelines, version G4 and the Core level.

The part for strategy and social value and also the GRI report provide an in-depth look at how we have integrated the issues of responsibility in our operations. The GPI report also includes an overview of all indicators that are considered essential for Aktia. The accounts given in the report relate to the calendar year 2017.

The part for strategy and social value and the GRI report are not subject to external inspection.

## Organisation of issues of responsibility

Aktia's various areas of business are responsible for ensuring that the issues of responsibility are considered in the day-to-day operations. The work is controlled by Aktia's internal rules, ensuring that external regulation and the decisions of authorities are implemented.

The strategic objectives and principles for responsible business activity are determined by Aktia's management group. Aktia observes financial, social and environmental responsibility in all of its operations.

At the group level, the promotion of corporate responsibility is managed by the Group's CFO (Chief Financial Officer) and is coordinated by the Group's lawyer, who is responsible for corporate responsibility within the Group.

The operative responsibility for observing corporate responsibility in Aktia rests with all personnel in the Group. In this way, its integration in the day-to-day work is assured.

## GRI reporting principles

The GRI report is Aktia's seventh report, which complies with the guidelines that have been prepared in accordance with the recommendations of the Global Reporting Initiative (GRI). In the part for strategy and social value and the GRI report, we have chosen to follow the internationally established GRI G4 guidelines in their applicable parts, in order to provide an overall picture of how the issues of responsibility permeate through the entire activity.

What is accounted for in the part for strategy and social value and the GRI report relates to the accounting period 1 January – 31 December 2017, unless otherwise stated.

The GRI indicators reported by Aktia, including references to where information can be found, are listed in the GRI contents comparison.

The part for strategy and social value and the GRI report are a complement to the financial reports and cover the entire Group's operations. The part for strategy and social value and the GRI report are not audited. The report can be downloaded from the address [www.aktia.com](http://www.aktia.com) and questions concerning the report may be sent to [kommunikation@aktia.fi](mailto:kommunikation@aktia.fi).

Aktia has prepared the reporting as an integrated part of the annual report. The reporting covers the operations of the entire Aktia Group.

The GRI report contains information and key figures that have been identified, on the basis of the materiality analysis, as important from the perspective of the stakeholders and the business activity.

## GRI contents comparison

GRI standard information		Reference/Information	AR = Annual Report		
<b>Strategy and analysis</b>					
G4-1	The Chief Executive Officer's overview	AR 2017 p. 6-7			
G4-2	Key impacts, risks and opportunities	AR 2017 p. 10-11			
<b>Organisation profile</b>					
G4-3	Name of the reporting organisation	Cover			
G4-4	Principal trade marks, products and services	AR 2017 p. 2-3			
G4-5	Location of head office	AR 2017 Note G1			
G4-6	Number of countries where the organisation has operations and a list of the countries where the organisation has operations or that are significant with respect to the essential aspects of corporate responsibility described in the report	AR 2017 p. 2-3			
G4-7	Ownership structure and corporate form	AR 2017 p. 3, Note P44			
G4-8	Market areas	AR 2017 p. 2-3			
G4-9	Size of the reporting organisation	AR 2017 p. 2-3, 25, 31-32, 164-165			
G4-10	Number of employees and distribution according to occupation and employment contract, region and gender	AR 2017 p. 164-165, Note G10			
		The number of employment relationships in Aktia amounted to 896 (1,026) persons at the beginning of the year, 88 (82) % of whom are employed on a full-time and 12 (18) % on a part-time basis. Women make up 65 (65) % of the total labour force and the proportion of men is 35 (35) %. At the end of 2017, the number of employees in Aktia had decreased by 130 (25) persons, a reduction of approx. 12 % on the previous year.			
			<b>2017</b>	<b>2016</b>	
	<b>Number of appointments</b>				
	Total number of full-time employees		793	839	
	Total number of part-time employees		103	187	
	Average age of retired staff		63	64	
	Average age of employees		43	43	
	Sickness absence, (%)		2.1	2.3	
	Staff turnover, (%)		7.7	10.7	
	Accidents, reported injuries		22	27	
			<b>2017</b>	<b>2016</b>	
	<b>Employment relationships, by gender</b>				
	Women		581	665	
	Men		315	361	
			<b>2017</b>	<b>2016</b>	
	<b>Distribution by gender (%)</b>				
	Senior management (W/M)		50/50	43/57	
	Middle management (W/M)		32/68	37/63	
	Specialists (W/M)		50/50	50/50	
	Officials (W/M)		78/22	77/23	
	<b>Employment relationships, distribution by age (number)</b>				
		<b>Functionaries</b>	<b>Middle managers</b>	<b>Specialists</b>	<b>Senior managers</b>
	18-30 years	135	1	16	-
	31-40 years	115	21	101	2
	41-50 years	102	32	74	8
	51-60 years	140	20	77	6
	61 years	36	1	9	-

<b>New employees, distribution by gender and age (number)</b>	<b>2017</b>	<b>2016</b>
18-30 years (W/M)	37/19	47/37
31-40 years (W/M)	4/3	10/16
41-50 years (W/M)	2/1	6/9
51-60 years (W/M)	4/2	7/2
61 years (W/M)	-	-

<b>Employment relationships, distribution by gender per age group (number)</b>	<b>2017</b>	<b>2016</b>
18-30 years (W/M)	98/54	139/76
31-40 years (W/M)	131/108	141/117
41-50 years (W/M)	135/81	146/92
51-60 years (W/M)	180/63	196/65
61 years (W/M)	36/10	43/11

<b>Administrative body, administrative council* distribution by age (number)</b>	<b>2017</b>	<b>2016</b>
18-30 years (W/M)	-	-
31-40 years (W/M)	1/2	3/1
41-50 years (W/M)	1/2	3/4
51-60 years (W/M)	3/3	4/6
61 years (W/M)	6/10	6/12

<b>Administrative body, distribution by gender (number)</b>	<b>2017</b>	<b>2016</b>
Administrative council* (W/M)	11/17	12/18
The Management (W/M)	3/5	4/5

\* At its annual general meeting, Aktia Bank Abp resolved to amend its Articles of Association and hence to dissolve the administrative council. The administrative council was dissolved in September 2017.

G4-11	Personnel covered by a collective agreement	AR 2017 p. 32
G4-12	The organisation's supply chain	Is not reported
G4-13	Significant changes in the organisation's size, structure, ownership structure or supply chain during the reporting period	Is partially reported. AR 2017 p. 4-5
G4-14	Application of the precautionary principle	AR 2017 p. 26-29, Note G1
G4-15	External operators' principles or initiatives that are adopted or promoted by the organisation	Aktia respects key international conventions and norms, such as the UN's Universal Declaration of Human Rights and similar UN conventions, ILO conventions, the OECD's guidelines for multinational companies and the Rio Declaration on Sustainable Development.
G4-16	Membership of organisations and the regulation of interest	<p>Aktia has signed up to the UN's Principles for Responsible Investment (PRI). Aktia thereby undertakes to respect the environment and society, and to observe good administrative practice in its investment activity. The PRI is seen as a tool for the development of Aktia's investment activity both in the units that administer investment funds and discretionary client funds and in the functions where the bank's own interests are safeguarded. The PRI also means that Aktia is able to contribute to more responsible operations in those companies in whose securities Aktia invests.</p> <p>Aktia is a member of FINSIF – Finland's Sustainable Investment Forum ry.</p> <p>Aktia Bank Abp's subsidiary company, AktiaAsset Management Ltd, has signed the international Climate Action 100+ initiative. In this five-year project investors work together with major global corporations to fight climate change.</p>

#### Identified essential aspects and reporting limitations

G4-17	The Group's reporting limitation	AR 2017 Note G1
G4-18	Definition of the report's contents	Inner cover

G4-19	Reporting limitations for essential aspects within the organisation
G4-20	Reporting limitations for essential aspects outside the organisation
G4-21	Reporting limitations for essential aspects outside the organisation

## Essential aspects and delimitation

In Aktia, corporate responsibility involves taking greater financial, social and environmental responsibility in all activities. We apply ourselves to applicable parts of the internationally established Global Reporting Initiative's (GRI) updated G4-guidelines and the GRI's industry-specific recommendations for accounting within the financial sector. Aktia has reported the measures the company has taken to support sustainable development since 2010.

The report for 2017 follows the GRI G4 guidelines and the "Core" level. The report has not undergone an external examination. In Aktia's own estimation, this report meets in its scope the requirements made for the Core level within GRI G4. The key figures relating to financial responsibility have been examined in connection with the auditing of the Group's financial statements, which was carried out by the KPMG Oy Ab auditing firm. Other numerical data have been prepared in accordance with the Group's accounting and bookkeeping principles. All environmental data are based on estimations made at group level.

Aktia's ambition is to continuously develop the corporate responsibility report as part of the operations. The materiality analysis reveals the aspects that are identified as the most important for Aktia's operations, products and services, as seen from the perspective of both the business and stakeholders. Aktia's group management has processed and ascertained the results of the materiality analysis.

The KPMG Oy Ab auditing firm has had the function of advisor in the materiality analysis. On page 167 of the GRI report, there is a summary of compulsory indicators and performance indicators relevant to the operations, which Aktia has chosen to report. These are reported in the table above the special content. Special content is reported for those aspects that are identified as essential, at Core level at least one key figure per essential aspect is reported. A new materiality analysis is being carried out in 2018.

The previous report was published on 15 March 2017 and followed the GRI G4 recommendations for applicable parts.

### The most important aspects for stakeholders

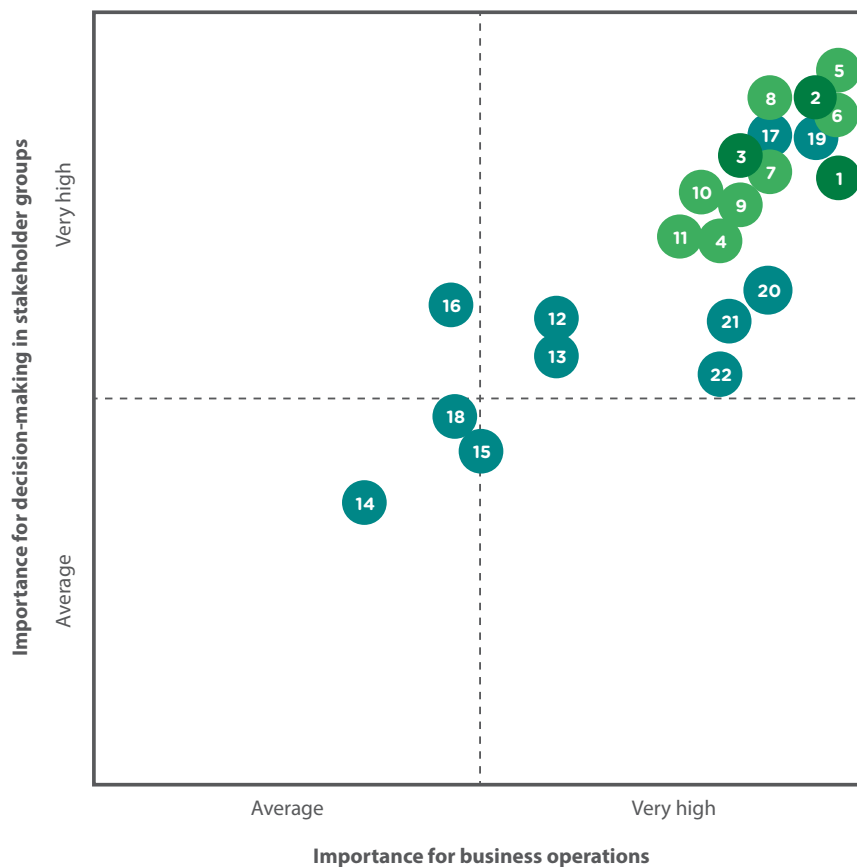
1. Solvency and reliability
2. Confidential client data and data security
3. Compliance with the regulations within the financial sector
4. Competent staff and management
5. Transparent administration and ethical principles
6. Responsible investment activity and administration of capital
7. Customer loyalty and customer satisfaction
8. Responsible financing, granting of credit and responsible services
9. Compliance with competition legislation
10. Prevention of money laundering and fighting corruption
11. Transparent reporting and payment of taxes
12. Management of responsibility risks and opportunities

### Other aspects of average importance for stakeholders

1. Responsible marketing
2. Occupational health
3. Employment conditions, wage and attractive employer
4. Equality and diversity
5. The accessibility of banking services for all
6. Responsible supply chain
7. Social contacts and development
8. The promotion of financial skills
9. Participation in the development of the information society
10. Environmental effect of the activity

**The materiality analysis in matrix**

The diagram below shows an assessment and evaluation of the matters that have been identified as important for Aktia and our stakeholders.



Good administration	Financial responsibility	Social and environmental responsibility
1. Transparent administration and ethical principles	4. Responsible marketing	12. Responsible supply chain
2. Compliance with regulations within the financial sector	5. Solvency and reliability	13. Social contacts and development
3. Compliance with competition legislation	6. Confidential client data and data security	14. Environmental effect of the activity
	7. Responsible financing, granting of credit and responsible services	15. Participation in the development of the information society
	8. Responsible investment activity and administration of capital	16. The accessibility of banking services for all
	9. Prevention of money laundering and fighting corruption	17. Customer loyalty and satisfaction
	10. Transparent reporting and payment of taxes	18. The promotion of financial skills
	11. Management of responsibility risks and opportunities	19. Competent staff and good management
		20. Occupational health
		21. Employment conditions, wage and attractive employer
		22. Equality and diversity

G4-22	Changes in previously reported information	No essential changes in the reporting have occurred.
G4-23	Significant changes in the scope of the report and the reporting limitations of the aspects	<p>In 2014 Aktia took the first steps towards reporting its corporate responsibility in accordance with the new GRI G4 guidelines in order to facilitate the assessment of our responsibility-related performance. During 2017 the issues of corporate responsibility have been actively managed in connection with the formation of the Group's new strategy. We have continued the work by developing the understanding of the issues of corporate responsibility within the Group and the reporting of these.</p> <p>In its reporting of the corporate responsibility, Aktia has focused on reporting within the economic and social area as the bank's direct environmental impact is relatively limited. Our assessment has been strengthened by the results of the materiality analysis. For Aktia, it is important to act responsibly in all respects in consideration of all interests. We see a clear competitive advantage in being a reliable financial partner for our customers and a long-term investment for our owners.</p> <p>By means of the materiality analysis, which was carried out in 2015, we were able to determine the most important aspects of our corporate responsibility. The most important aspects of Aktia's corporate responsibility are the generation of added value for the stakeholder groups, solvency and reliability, the protection of customers' privacy (data security), transparent administration and compliance with regulations. Particular importance is also attached to the supply of responsible products and services and the emphasis on competence and good management in the operations. The responses support and strengthen Aktia's overall objectives within corporate responsibility.</p> <p>A new materiality analysis is being carried out in 2018.</p>

### Stakeholder involvement

G4-24	List of the organisation's stakeholder groups	AR 2017 p. 25
G4-25	Grounds for the identification and selection of stakeholder groups	AR 2017 p. 25
G4-26	Principles for cooperation with stakeholders	AR 2017 p. 25
G4-27	The most important issues and concerns propounded by the stakeholder groups	AR 2017 p. 25

### Description of the report

G4-28	Period of the report	<p>Inner cover</p> <p>In the part for strategy and social value and the GRI report, we present Aktia's view on responsible business activity. What is accounted for here relates to the accounting period 1 January - 31 December 2017</p>
G4-29	Date of previous report	The previous report was published on 15 March 2017 and followed the GRI G4 recommendations for applicable parts.
G4-30	Frequency of publication	The corporate responsibility report is a complement to the financial reports, it covers the entire Group's operations and is published annually.
G4-31	Contact information for ordering the report and further questions	<p>Inner cover,</p> <p>The report can be downloaded from the address <a href="http://www.aktia.com">www.aktia.com</a> and questions concerning the report may be sent to <a href="mailto:kommunikation@aktia.fi">kommunikation@aktia.fi</a>.</p>
G4-32	GRI contents comparison	AR 2017 p. 164-172
G4-33	Policy and procedures for external examination	The part for strategy and social value and the GRI report are not audited. The KPMG Oy Ab auditing firm has had the function of advisor in the materiality analysis for 2015.

### Administration

#### Administration structure and composition

G4-34	Administration structure and committee	AR 2017 p. 157-161, <a href="http://www.aktia.com">www.aktia.com</a>
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#### Ethics in the business activity

G4-56	Evaluations and business principles	AR 2017 p. 2, 6-7, 10, 12-13, 14-15, 22-24
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## GRI contents comparison for special contents

Essential aspects	DMA and indicators	Reference/Information
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**Description of management type**

DMA	General description of management type	AR 2017 p. 157-161, www.aktia.com
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**Financial impact***Financial result*

G4-EC1	Created and delivered direct financial added value	AR 2017 p. 10, 14-15, 22-23  The distribution of social income shows from what units Aktia's total revenue comes and in what way they are distributed between various stakeholder groups. At the same time, it illustrates the Aktia Group's influence as a social operator.
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<b>Distribution of social income (mil. euro)</b>	<b>2017</b>	<b>2016</b>
Net income from interest	89.6	95.6
Net income from commission	91.4	79.7
Income from premiums and valuation changes in unit-linked insurance policies from the Life Insurance operations	111.0	126.0
Net income from investments operations	19.7	28.0
Other income	3.9	5.2
<b>Total income</b>	<b>315.6</b>	<b>334.5</b>
Insurance payments to customers	104.0	121.7
Reinsurers' share	0.7	0.7
Net depreciation of credits to customers	0.6	2.2
Wages to staff	65.5	58.5
Other operating expenses	82.1	76.2
Society (taxes + non-wage labour costs)	23.4	25.9
Further development of the Aktia Group	1.5	9.5
Distribution to the shareholders (proposal for the annual general meeting)	37.8	39.8
Proportion of non-controlling interests	0.0	0.0
<b>Distribution of revenue</b>	<b>315.6</b>	<b>334.5</b>

**Environmental Impact***Material*

G4-EN1	Consumption of materials according to weight or volume	The estimated consumption of paper within the Aktia Group is reported.  The tables below give an estimation of Aktia's internal paper consumption. The internal paper consumption shows a continuously decreasing trend.
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<b>Consumption of materials</b>	<b>2017</b>	<b>2016</b>
Paper expenses (euro)	42,606	44,518
Consumption of paper/kg	35,505	37,098
Kg paper/employee	40	41

## Energy

G4-EN3 The organisation's own energy consumption

The estimated consumption of energy within the Aktia Group is reported.

The tables below give an estimation of the Aktia Group's energy consumption. The internal energy consumption shows a clearly decreasing trend, a reduction of over 4 (4) % for 2017 on the previous year.

Electricity expenses (euro)	2017	2016
Electricity expenses, total	442,262	461,697
Of which energy fees	168,060	175,445
Of which energy taxes	163,637	170,828
Of which electricity transmission	110,566	115,424
kWH	4,010,968	4,187,230

## Emissions

G4-EN16 Energy-related indirect emissions from greenhouse gases (Scope 2)

Indirect emissions, tonne CO<sub>2</sub>/eur, unit trust for eight unit trusts, are reported.

Unit trust, tonne CO <sub>2</sub> /euro	Portfolio	Market comparison	Diff., %
Aktia Capital	60	170	-65 %
Aktia Nordic	48	61	-22 %
Aktia Nordic Small Cap	25	90	-72 %
Aktia Nordic Micro Cap	35	90	-62 %
Aktia Europe	98	126	-22 %
Aktia Europe Small Cap	50	90	-45 %
Aktia America	39	58	-33 %
Aktia Global	25	117	-78 %
<b>Averages</b>			<b>-50 %</b>

G4-EN17 Other indirect emissions from greenhouse gases (Scope 3)

CO<sub>2</sub> emissions from air travel are reported.

The tables below show an estimation of the number of business trips and CO<sub>2</sub> emissions. The number of business trips is at approximately the same level as in 2016. The use of rail travel has increased compared with air travel, which correlates to a reduction of CO<sub>2</sub> emissions.

Air travel, kg CO <sub>2</sub> emissions	2017	2016
Within the country	25,299 (18 %)	31,791 (22 %)
Overseas	115,515 (82 %)	111,345 (78 %)
<b>Trips, number</b>		
Air	565	546
Rail	490	355

## Products and services

G4-EN27 Scope of measures for reducing the environmental impact of products and services

In Aktia, we proceed on the basis that our customers are able to take care of their day-to-day affairs in the bank easily and smoothly and in a way that suits them best; online, by phone or in person. We endeavour to meet with our customers regularly to enable them to draw up their own financial plan, by examining, together with the customer, present and future needs, so that we are able to offer the right solution options. In Aktia, over 18,000 dialogues were held throughout 2017, and private and business customers' own financial plans were produced. The total number of customers in the Aktia Group was approx. 350,000 at the end of the year.

Customers handle most of their daily banking affairs online and the number of online banking agreements has increased steadily over recent years. In 2017 the number of online banking agreements among private customers increased by around 2.8 % and among business customers by around 6.2 %. The increased number of online banking agreements and logins onto online banking confirm the trend in digitisation and shows that the customers appreciate functional and smooth digital services. Accessibility is important and the customers will be able to take care of their day-to-day banking matters regardless of place and time. The number of payments made online increased by approx. 2 % over the year. The increased number of payments follows general trends in the industry and is a consequence of the increase in the use of online banking.

**Social impact****Personnel and employment relationships***Employment*

G4-LA1	The number of new employees and their proportion of the staff, and also staff turnover according to age group, gender and region	Aktia reports the number of new employees and staff turnover in G4-10.
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*The relations between the staff and the employer*

G4-LA4	Minimum notice period for restructurings and whether this has been included in the collective agreement	AR 2017 p. 32
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*Occupational health and safety*

G4-LA6	Types of accidents, scope of injuries, work-related illnesses, lost work days, absence and work-related fatal accidents, according to region and gender	The number of accidents and sickness absence are reported in G4-10.
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*Training*

G4-LA9	The number of training hours per person on average for the year according to gender and personnel category	The total number of training days is reported.
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<b>Internal training</b>	<b>2017</b>	<b>2016</b>
Training days/employee	3.7	4.0
Number of internal course days	3,600	4,100
E-learning courses	21	20
Number of employees participating in training	610	690

*Diversity and equal opportunities*

G4-LA12	The administrative body's composition and personnel per category and according to gender, age group, minority group background and other diversity indicators	The distribution by age and gender in the management and administrative council is reported in G4-10.
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**Social impact****Product responsibility***Product and service information*

DMA	Procedures for responsible development and sale of financial services and products	AR 2017 p. 14-15, 16, 22-24, 26-27, Note G2 The Group's risk management, Capital and Risk Management Report (CAR) at <a href="http://www.aktia.com">www.aktia.com</a> .
G4-PR5	Results of customer satisfaction surveys	AR 2017 p. 27
FS16	Initiative for increasing financial skills, per participant	AR 2017 p. 33

*Marketing communication*

G4-PR7	The number of contraventions of regulations and voluntary codes in connection with marketing communication, advertising and sponsoring, broken down according to end results	AR 2017 p. 29
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### Product portfolio

DMA	Policies for corporate responsibility in various business functions	Partially reported. AR 2017 p. 26-29
FS6	Breakdown of the product portfolio	Partially reported. AR 2017 p. 39-40 The management's business report, segment overview.
FS7	The total value of products and services that aim to create social value broken down into industry and purpose	Partially reported. AR 2017 p. 26-29
FS8	The total value of products and services that aim to create special environmental value	Is not reported for 2017.

### Ownership

FS10	Proportion as a percentage and number of companies in the portfolio that the reported organisation has collaborated with on environmental and/or social issues	The number of impact discussions that have been realised through cooperation with ISS Ethix is reported.  Aktia has participated in impact discussions with approx. 89 companies in 2017.
FS11	Positive or negative assessment of the objects	Partially reported. AR 2017 p. 26-29

# Board of Directors

1.1.2018



**Dag Wallgren**

b. 1961

*Chairman of the Board and chairman of the Board's Remuneration and Corporate Governance Committee and member of the Board's Risk Committee*

M.Sc. (Econ.)  
Managing Director, Swedish Literature Society in Finland  
Member of the Board since 2003 (Chairman since 2010)  
Shares in Aktia: A shares 11,584, R shares 525



**Lasse Svens**

b. 1962

*Vice chairman of the Board, member of the Board's Risk Committee and Audit Committee*

M.Sc. (Econ.)  
CEO, Stiftelsen Åbo Akademi  
Member of the Board since 2016  
Shares in Aktia: A shares 2,561



**Christina Dahlblom**

b. 1978

*Member of the Board's Remuneration and Corporate Governance Committee*

Ph.D (Econ.)  
Managing Director,  
Miltton Sparks Ltd  
Member of the Board since 2016  
Shares in Aktia: A shares 1,968



**Stefan Damlin**

b. 1968

*Member of the Board's Audit Committee*

M.Sc. (Econ.)  
Managing Director,  
Wärtsilä Finland Oy  
Member of the Board since 2016  
Shares in Aktia: A shares 2,272



**Sten Eklundh**

b. 1960

*Chairman of the Board's Risk Committee*

M.Sc. (Econ.)  
Member of the Board since 2013  
Shares in Aktia: A shares 14,419

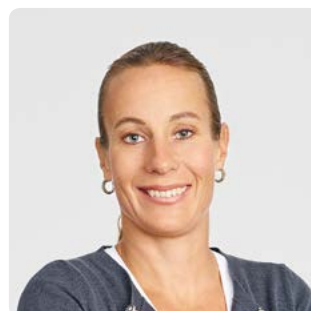


**Kjell Hedman**

b. 1951

*Member of the Board's Risk Committee*

Business Economist  
Member of the Board since 2012  
Shares in Aktia: A shares 0

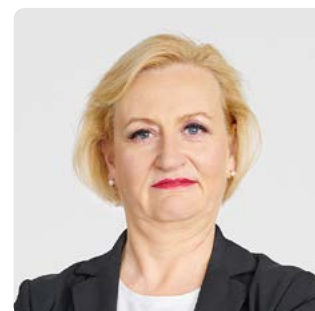


**Catharina von Stackelberg-Hammarén**

b. 1970

*Member of the Board's Remuneration and Corporate Governance Committee*

M.Sc. (Econ.)  
Managing Director,  
Marketing Clinic Oy  
Member of the Board since 2012  
Shares in Aktia: A shares 4,625



**Arja Talma**

b. 1962

*Chairman of the Board's Audit Committee*

Ekonomie magister, eMBA  
M.Sc. (Econ.), eMBA  
Member of the Board since 2013  
Shares in Aktia: A shares 3,767

# Executive Committee

1.1.2018



**Juha Hammarén**

b. 1960

Executive Vice President and COO,  
Deputy to CEO  
LL.M., eMBA  
At Aktia since 2014  
Shares in Aktia: A shares 6,955



**Anssi Rantala**

b. 1972

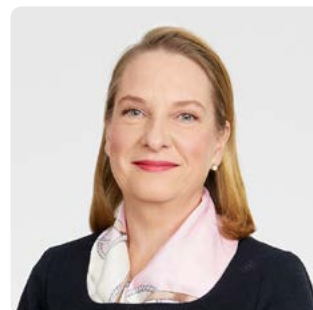
Executive Vice President  
Dr.Soc.Sc.  
At Aktia since 2014  
Shares in Aktia: A shares 4,500



**Merja Sergelius**

b. 1965

Executive Vice President  
eMBA  
At Aktia since 1992  
Shares in Aktia: A shares 20,069



**Irma Gillberg-Hjelt**

b. 1962

Vice President  
LL.M.  
At Aktia since 2017  
Shares in Aktia: A shares 0



**Outi Henriksson**

b. 1969

Director, CFO  
M.Sc. (Econ.)  
At Aktia since 2017  
Shares in Aktia: A shares 0



**Minna Miettinen**

b. 1969

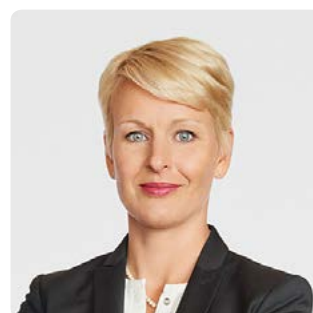
Director, CDMO  
Bachelor of Business Administration  
At Aktia since 2017  
Shares in Aktia: A shares 0



**Sam Olin**

b.1973

Director  
B.Sc. (Econ.)  
At Aktia since 2016  
Shares in Aktia: A shares 0



**Anu Tuomolin**

b. 1976

Director  
M.Sc. (Econ.)  
At Aktia since 2018  
Shares in Aktia: A shares 0



**Juha Volotinen**

b. 1975

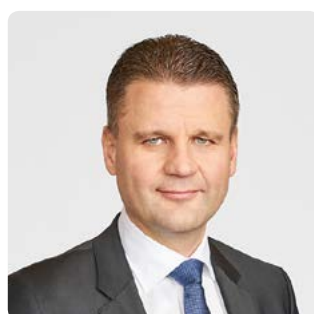
Director  
M.Sc. (Econ.)  
At Aktia since 2010  
Shares in Aktia: A shares 1,000



**Carola Nilsson**

b. 1967

Executive Vice President  
M.Sc. (Econ.)  
At Aktia since 2017  
Shares in Aktia: A shares 45



**Martin Backman**

b. 1969

Managing Director  
M.Sc. (Tech.) and M.Sc. (Econ.)  
At Aktia since 2017  
Shares in Aktia: A shares 70,011  
Member of the Executive  
Committee until 7 March 2018







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Business ID: 2181702-8  
BIC/S.W.I.F.T: HELSFIHH

The logo for Aktia, consisting of the word "Aktia" in a bold, green, sans-serif font.