AKTIA BANK PLC

ANNUAL REPORT 2016

Aktia

Bank | Asset Management | Insurance | Real Estate Agency

About the annual report

Aktia's 2016 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.

The annual report can be ordered from Corporate Communications, tel. 010 247 5000 or e-mail kommunikation@aktia.fi. All reports are also available on the Aktia Group website www.aktia.com under Investor Relations and Reports and Messages.

Aktia Bank plc – Capital and Risk Management Report 2016

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.

Annual Report 2016 is a translation of the original Swedish version 'Årsredovisning 2016'. In case of discrepancies, the Swedish version shall prevail.

Calendar 2017

Annual General Meeting 2017	5 April 2017
Interim Report 1–3/2017	11 May 2017
Interim Report 1–6/2017	11 August 2017
Interim Report 1–9/2017	8 November 2017

Annual General Meeting 2017

Aktia Bank plc Annual General Meeting is being held at 4.00 pm on Wednesday, 5 April 2017 at the Old Student House, address Mannerheimintie 3, Helsinki.

Right to participate and registration

Each shareholder, who is registered on in the company's register of shareholders maintained by Euroclear Finland Ab as at 24 March 2017, has the right to participate in the Annual General Meeting. Shareholders whose shares a registered to 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 pm on 30 March 2017 at the latest. Participants can register for the Annual General Meeting:

a) through the company's website www.aktia.com
b) by telephone at +358 800 0 2474 (8.30 am-4.30 pm on weekdays)
c) 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 preparing the relevant registrations.

Dividend

For the financial year 2016, the Board of Directors proposes that a dividend of EUR 0.60 per share shall be paid, of which EUR 0.08 are attributable to one-time gains during the year.

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 7 April 2017. The Board of Directors proposes that the dividend shall be paid out on 21 April 2017 in accordance with the rules of Euroclear Finland Ltd.

Contents

A strategic look back

The first year of the new Growth 2018 strategy is over. Aktia achieved a satisfactory full year result despite a weak start to the year. The business climate in Finland improved in 2016 and consumer confidence rose towards the end of the year.

Aktia's lending increased significantly with growth in both housing and corporate loans. Asset Management's sales and its managed assets increased thanks to successful product launches and a focus on institutional customers. Net commission income recovered over the course of the year but did not achieve growth. Negative interest rates continue to put pressure on net interest income and unfortunately place ever greater demands on cost effectiveness in the future. While the core banking project has negatively impacted earnings the project is now on the home straight and incremental implementation will start in the first quarter of 2017. The pace of development of Aktia's mobile solutions is accelerating. One good example of this is Aktia's new digital wallet, Aktia Wallet, which was launched in the autumn. The modernisation of Aktia continues, and we aim to be able to offer our customers a growing number of solutions that will simplify the way they manage their day-to-day finances.

My years at Aktia have been eventful. Veritas Life had just become part of the bank when I took over as CEO, and a merger with Veritas Non-Life Insurance was on the books. In conjunction with this Aktia was to be listed on the stock exchange. The financial crisis that started in the summer of 2008 delivered completely new challenges that impacted our strategic choices.

One Aktia strategy, started in conjunction with our stock exchange listing, supported the merger with Veritas Non-Life Insurance and was in place between 2008 and 2012. The primary aim was to develop a common approach to addressing the needs of our customers and we decided on a centralised group management model. To create synergies we united all our subsidiaries under one brand. We invested in organic growth through cross-selling and increasing sales to existing customers, and through new sales, particularly in the larger cities in the geographical area in which we operate. Our competitive advantage was founded on a dialogue between customers and staff and on optimum accessibility.

The Action Plan 2015 was started in the autumn of 2012. At the same time Aktia's financial objectives up to 2015 were updated. This update was motivated by the business environment which was already characterised by low interest rates and the expansive growth of new regulation and an increase in statutory requirements. The Action Plan consisted of a number of individual initiatives. Our objective was to improve Aktia's competitiveness while becoming Finland's best company in the provision of customer service in our chosen customer segments. Profitability was improved by cutting costs, modernising our IT structure, simplifying the structure of the group and by no longer acting as a central credit institution for the independent savings banks and local cooperative banks. The focus was on cost efficiency and the development of our core business. In the spring of 2015 there was a transition to our current growth strategy, although some action plan initiatives are still in progress.

The Growth 2018 strategy aims for long-term profitability and good returns. Increasing the number of customers, including increased sales, controlled risk taking, general cost consciousness and efficiency, form the basis of the current strategy. In line with our financial objectives Aktia will double the number of new customers, improve its cost-to-income ratio, improve return on equity and maintain its common equity tier 1 capital ratio. Strategic work is a continuous process and flexibility is needed to perceive and react to change in the business environment. The continued low level of interest rates puts pressure on profitability, and the accelerating digital transformation of many banking and insurance services means that challenges persist.

I have completed my time at Aktia at the beginning of March. I want to wish my successor Martin Backman the best of luck in his assignment as CEO of Aktia.

In conclusion I want to thank Aktia's staff for their efforts and their commitment in working to grow the business. I also want to thank our customers, shareholders and other stakeholders for their trust and confidence.

Jussi Laitinen
CEO
to 3 March 2017

Customer focus and profitable growth

It is with great enthusiasm that I take on the post of Aktia's CEO. I look forward to leading Aktia towards increased digital transformation and profitable growth. In a rapidly changing commercial environment Aktia should be able to adapt its customer offering and business model so as to meet customer preferences with regard to both personal service and digitalised solutions.

In the spring of 2017 Aktia starts a strategic process to define future areas of focus for the business. The priority will be the continued development of Aktia's customer-oriented business culture and work on valuation issues. An environment characterised by low interest rates, greater regulation and significant investment in digital transformation will also increase the requirement for a fast-paced and efficient organisation. We will also focus on continual development of our customer offering and on broadening the skills of our staff to give financial advice as well as on cost consciousness and capital efficiency.

Aktia's strongly customer-oriented business model and, by Finnish standards, its extensive range of operational expertise and strong capital adequacy, form a good basis for navigating the changing world of the financial services industry.

I would like to extend my sincere thanks to my predecessor Jussi Laitinen for his far-sighted and successful work in leading Aktia, and I look forward, together with the bank's staff, to taking on the future opportunities for the development of our business.

Martin Backman
CEO
from 6 March 2017

Aktia in brief

Aktia's roots date back to 1825, when Finland's first deposit bank saw the light of day. Business operations started the following year. Aktia of today is the result of a merger of eight savings banks.

We offer a wide range of solutions covering banking, asset management, insurance and real estate agency services. We deliver responsible financial services to our customers and engage in an active dialogue with them.

We make financial decisions easier. Aktia aims to be the best financial advisor for families and their businesses. We understand our customers' needs and provide advice and services helping them maintain a sound financial position, both now and in the future.

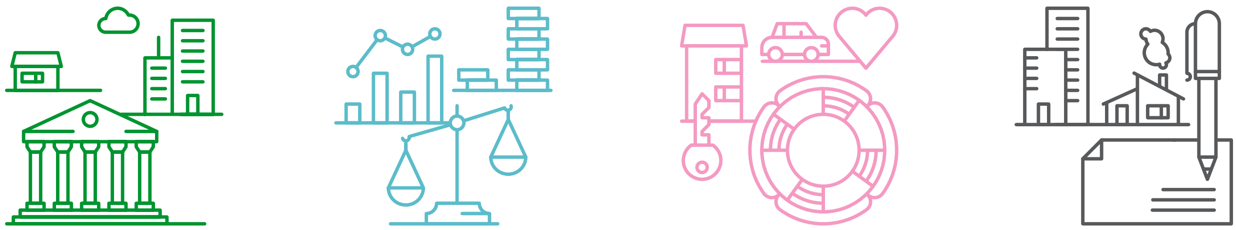
Our passion is to enhance our customers' well-being. Thriving families and businesses generate thriving societies. We want our customers to feel that their finances are in safe hands with Aktia.

We are a responsible, safe and humane financial advisor. We have our customer's best interests at heart.

Our customers are given personal service at our offices and by way of the online and telephone banking. We have over 1,000 employees and 45 offices. Our group's geographical areas of activity are the Finnish coastal region, the Helsinki area and inland areas of growth. The Group's headquarters are in Helsinki. Aktia's shares are listed on the Nasdaq Helsinki Ltd stock exchange.

We maintain an active cooperation with key strategic partners, including Folksam General, Veritas Pension Insurance Company, AXA Partners – Credit & Lifestyle Protection and the R-kioski chain of convenience stores to provide comprehensive solutions to our customers.

We are owned by Finnish Aktia and savings bank foundations, institutions, corporations, and private individuals.



BANK

We offer our customers comprehensive banking and insurance services and extensive financial advice digitally, by telephone and in our offices.

Aktia Private Banking also offers personal asset management to wealthier customers.

ASSET MANAGEMENT

Asset management offers our customers mutual funds, discretionary asset management and other investment services.

Private banking customers can even take advantage of active fund-based portfolio management services through the Aktia Profile Service.

INSURANCE

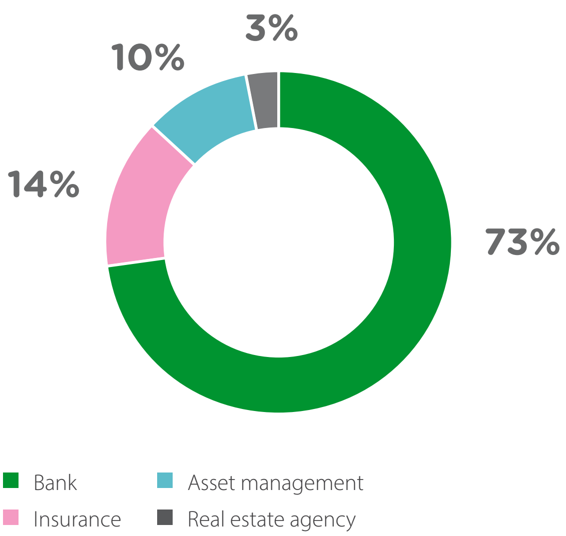
We offer life insurance solutions and a versatile range of voluntary personal insurance policies through Aktia Life Insurance Ltd.

Our customers are offered property insurance policies through our partnership with Folksam and statutory pension insurance policies through our partnership with Veritas.

REAL ESTATE AGENCY

We manage all types of services in this field of activity.

Share of total income generated by business operations



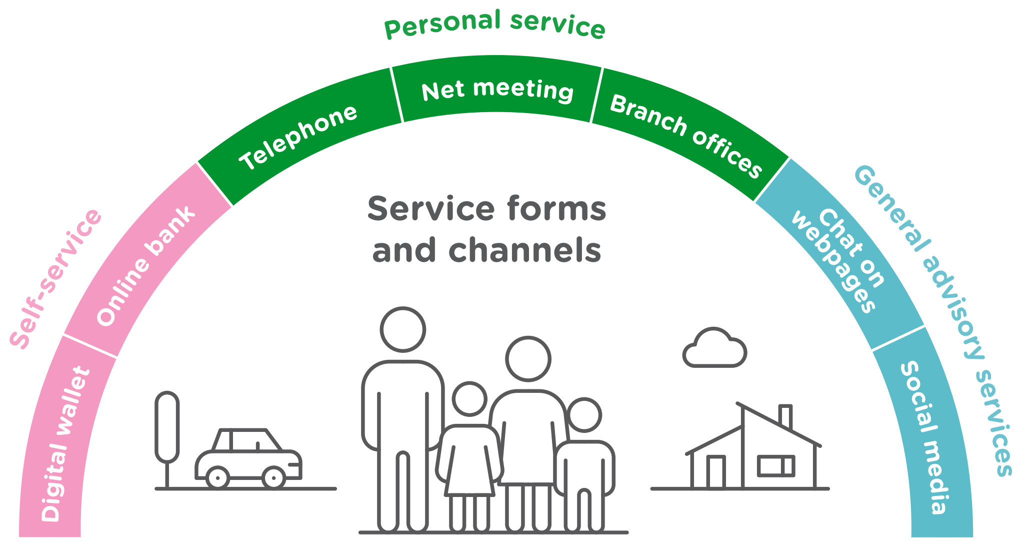
Number of customers in the Group

350,000

Private cutomers, of which approx. 140,000 total customers

30,000

Corporate customers, of which approx. 10,000 total customers



Flexible access - locally, digitally and by telephone

To meet the needs of our customers Aktia offers financial advice locally, digitally and by telephone. Changes to customer behaviour, due to strong digital transformation, has led customers to manage their day-to-day affairs primarily through online banking. This change in customer behaviour has required increased flexibility and an ability to quickly adjust to the prevailing trend. Over the years Aktia has developed its digital services both online and by telephone. Today, because we can quickly and easily identify our customers, a great deal of day-to-day banking can be handled by telephone through Aktia's customer service. Aktia believes that is important to give our customers first rate and professional service irrespective of the channel that the customer chooses to use.

Aktia's collaboration with the R-kioski chain of convenience stores and K-food stores allows our customers to withdraw cash when shopping. Customers can also pay their bills economically in the R-kioski chain. This partnership has allowed wider local access.

The use of digital services continues to grow

Today Aktia's online bank is the main channel for day-to-day banking and insurance matters. In 2017 Aktia will launch online banking as a mobile app. The number of online banking logins in 2016 was approximately 10 million. Over the course of the year there were approximately 13 million transactions online.

Despite the increased use of digital services Aktia also has an extensive branch network with 45 branch offices in its area of operation along the coast and in the inland areas of growth. The role of the branch offices has changed; today they are somewhere the customer can come to manage more complicated affairs or to get financial advice.

This autumn the Aktia Wallet application was launched; this is a digital wallet that provides customers with secure access to the world of mobile and online payments. Using the digital wallet customers can easily manage their payment cards, see the balance of different means of payment and follow transactions in real time. Using the wallet the user can also order and use payment stickers that can be easily attached to the customer's telephone or keyring or given to family members. It is also possible to transfer funds from one wallet to another.

There has been an increase in the use of social media in Aktia's customer service. Today Aktia provides general advice through chat on its webpages and on Facebook. Twitter is used to a lesser extent as a communication channel. Alongside these offerings, general information is published on themes of interest to the customers. On the other hand the customers' personal banking is not handled on social media; instead customers are referred to the correct channel for the matter in question.

Aktia Group's legal structure

AKTIA BANK PLC*
(Listed on Nasdaq Helsinki Ltd)

100 %	Aktia Life Insurance Ltd
100 %	Aktia Fund Management Company Ltd
76 %	Aktia Asset Management Ltd
100 %	Aktia Corporate Finance Ltd
100 %	Aktia Finance Ltd
100 %	Aktia Real Estate Agency

* The group legal structure entered into force 28/02/2017.

Aktia Bank plc is the Aktia Group's parent company. The Aktia Group includes the wholly-owned subsidiaries Aktia Life Insurance Ltd, Aktia Fund Management Company Ltd, Aktia Finance Ltd, Aktia Corporate Finance Ltd as well as Aktia Real Estate Agency Ltd.

The Group also includes Aktia Asset Management Ltd, of which Aktia Bank owns 76% and key personnel 24%.

Aktia Group segments

In the financial statements Aktia's business operations are divided into three segments: Banking Business, Asset Management & Life Insurance and Miscellaneous.

The **Banking Business** segment includes Aktia Bank plc's branch office operations, private banking, corporate banking, card activities 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 and Aktia Life Insurance Ltd and its wholly owned and partially owned property subsidiaries.

The **Miscellaneous** segment includes certain administrative functions in Aktia Bank plc.

The year in brief

Q1

Streamlining the sales organisation. In January Aktia announced codetermination negotiations in the bank's sales organisation. These were for financial and productivity reasons, and for the reorganisation of the operation with the aim of streamlining it, achieving cost savings and meeting the needs of continued digital transformation. The codetermination negotiations brought about the loss of approximately 55 jobs. The reduction in staff resulted in a one-off cost of EUR 1.4 million, of which EUR 1.0 million was posted in the last quarter of 2015. On an annual basis the cost saving is estimated to be approximately EUR 2 million.

Aktia's Financial Overview: Troubled waters. Aktia's Chief Economist takes part in the public debate, including by publishing an financial overview four times a year. In February it was noted that the world market had been volatile and unpredictable at the beginning of 2016. Much of the uncertainty that characterised the markets stemmed from the significant fall in the oil price and uncertainty about the future of China. Still, Aktia's economic forecast was for continued global growth.

Aktia's interest fund management a winner. Aktia was the only domestic asset manager in the three best in the interest fund manager category of the Morningstar Awards 2016 in Finland. In the best interest instrument fund category Aktia's Corporate Bond+ was the only interest instrument fund managed by a Finnish service provider nominated in the top three. Aktia has previously won the title best interest fund manager in 2012, 2013 and 2014.

Q2

Aktia's Financial Overview: Brexit increases risk of turbulence. Aktia's Chief Economist predicted turbulence in the summer following the Brexit poll. An exit from the EU would be a step out in unknown territory, and the foundations of both the EU and Europe would be shaken.

Aktia introduces a new card application. Using the Aktia Card application customers can keep up with their balances and card payments in real time. Customers can use the application to manage their cards in a completely new way, increasing security by restricting the use of the card on the internet or within a particular geographical area, and if necessary blocking the card.

Aktia and the R-kioski chain extend their collaboration. The collaboration between Aktia and the R-kioski chain of convenience stores, which started in December, was extended as R-kioski's payment services were moved to Aktia.

Aktia is 190 years old. On 8 April it was 190 years since Helsingfors Sparbank opened, and our first customer, fisherman's daughter Sophia Albertina Schelin, deposited 16 shillings in savings account number 1. Thus Aktia is the country's oldest deposit bank and the oldest active bank in Finland, supporting our claim to tradition, stability, experience and customer insight. One success factor that has defined our business all of these years is Aktia's local presence and its genuine interest in the welfare of our customers.

Q3

Aktia buys Elisa Rahoitus. The popular Elisa Lompakko service was given a new home at Aktia and renamed Aktia Wallet. Elisa Lompakko had been the first service for mobile payments in Europe, where mobile money payments could be made immediately from one user to another. This acquisition was a part of Aktia's growth strategy, reinforcing Aktia's expertise in mobile payments and raising the development of technical solutions to a new level.

Moody's rating for Aktia Bank unchanged, the outlook improves. In July Moody's Investors Service Ltd confirmed the bank's rating as A3 (long-term borrowing) and P2 (short-term borrowing) as well as raising the ratings outlook to positive (previously stable). The bank's Baseline Credit Assessment (BCA) remained unchanged (baa2).

Aktia's Financial Overview: Marking time. In the third financial overview of the year the Chief Economist noted that Finland's economy still needed a stimulus and restructuring . Despite the end of a three year period of negative growth the year before, factors that could lift growth back to the levels of the early 2000s were missing. Foreign trade was grappling with significant challenges, both with its own cost structure and with weak international demand. Domestic demand supported growth but the overall picture was bleak.

Aktia's customer service the best in Finland. Aktia's customer service won the HDI Nordic Oy's Contact Center competition in 2016. The year before the bank's customer service came second in this tough competition.

Martin Backman appointed new CEO for Aktia. Backman has a Master of Science degree in engineering and a Masters degree in economics with extensive experience of management positions in capital market undertakings both in Finland and in Sweden. He took up his post in March 2017.

Q4

Aktia and Garantia entering into a mortgage guarantee collaboration. In December Aktia and the Garantia insurance company entered into a cooperation agreement which means that Aktia's mortgage guarantees will be backed by Garantia. A mortgage guarantee is an additional security that can be taken out when the loan for which the customer is applying is greater than the collateral value of the property. The new mortgage guarantee gives Aktia's customers the opportunity of extensive and flexible housing finance.

Aktia and Wrapp enter into partnership to give customers individualised offers and money back on purchases. From the beginning of 2017 Aktia's customers can benefit from individual offers with all of the bank's payment cards. In addition to being shown in Wrapp's own application these offers will also be available directly in Aktia Wallet.

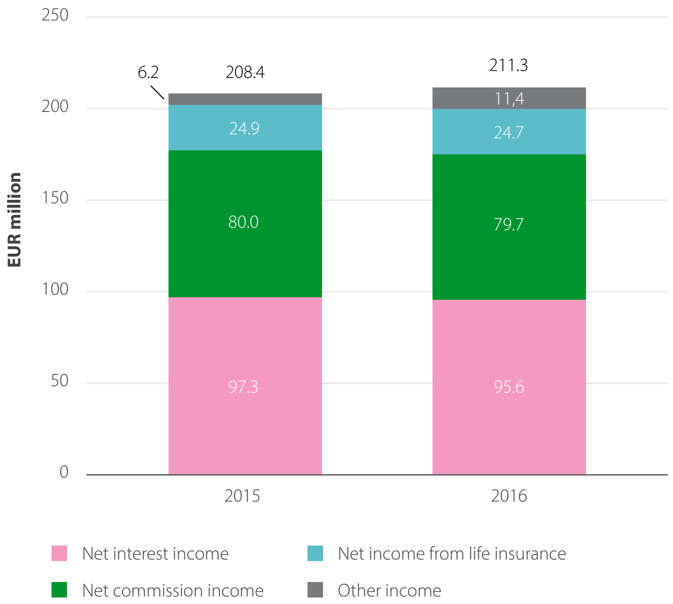
Aktia's Financial Overview: Sweden beating Finland – but why? In November Aktia's Chief Economist predicted that the outlook for the Finnish economy would improve but that the overall picture was still not rosy. Growth in Finland will remain weak in the coming years despite encouraging signals from the real economy.

Standard & Poor's outlook for Aktia Bank improves. In November Standard & Poor's confirmed Aktia Bank plc's creditworthiness rating as A- (long-term borrowing) and A-2 (short-term borrowing) and raised the outlook to stable (previously negative).

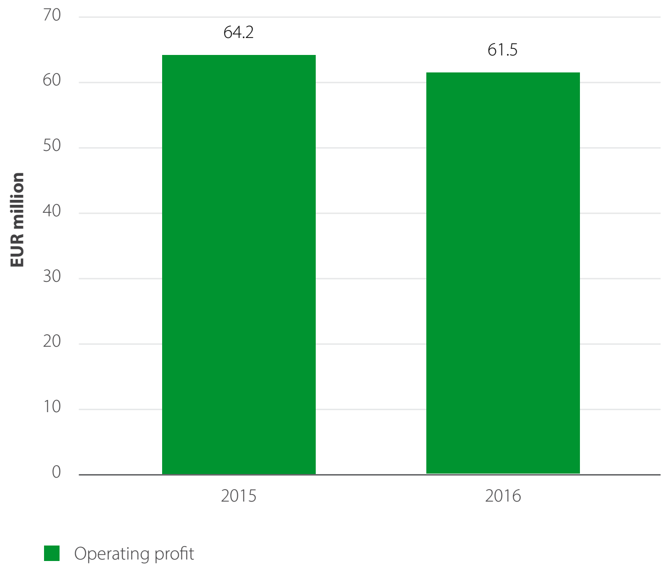
Aktia's investment expertise praised in the SFR customer survey. Aktia Asset Management was the second best asset manager in the SFR customer survey of institutional investors in 2016. Aktia Asset Management was the only asset manager to receive SFR's Gold Award. The year before Aktia came third in the survey. Above all customers appreciated the asset managers' ability to take a market view, manage the investment process and provide first rate verbal reporting.

Key figures

Operating income

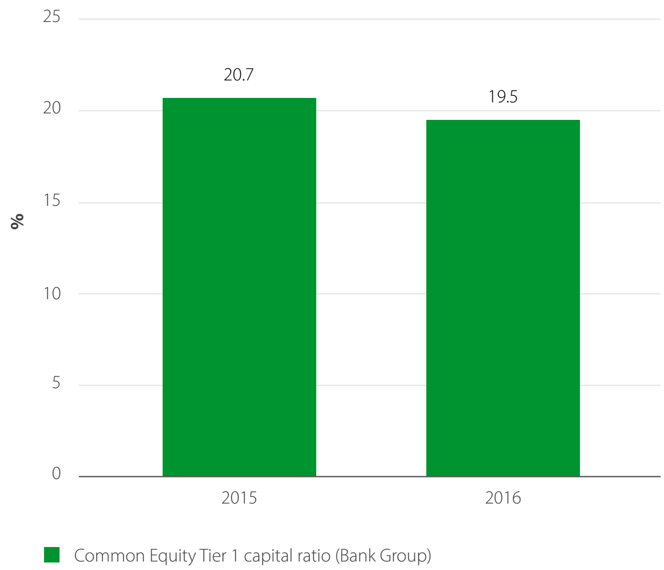


Operating profit

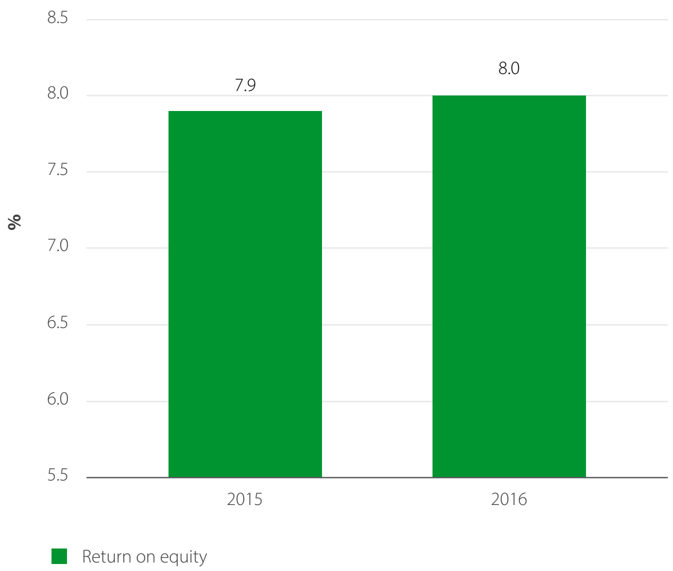


Earnings per share and dividend per share

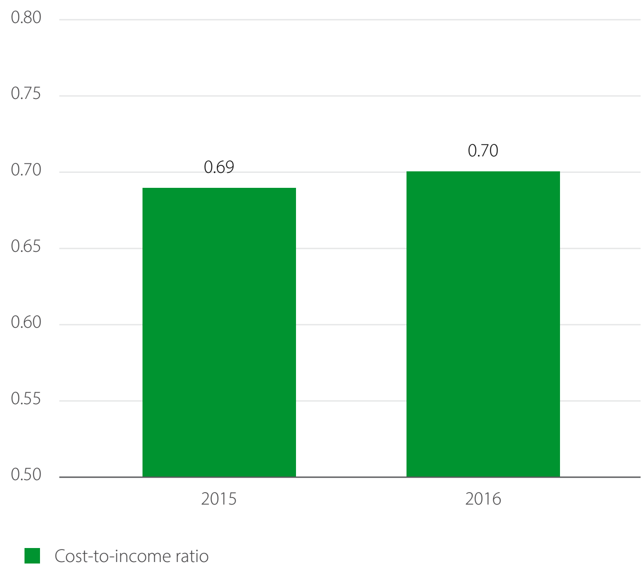
Common Equity Tier 1 capital ratio (Bank Group)



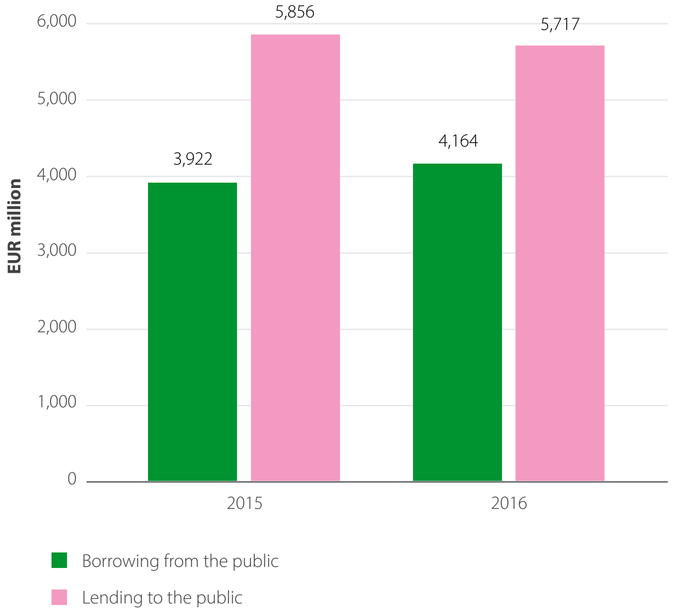
Return on equity (ROE)



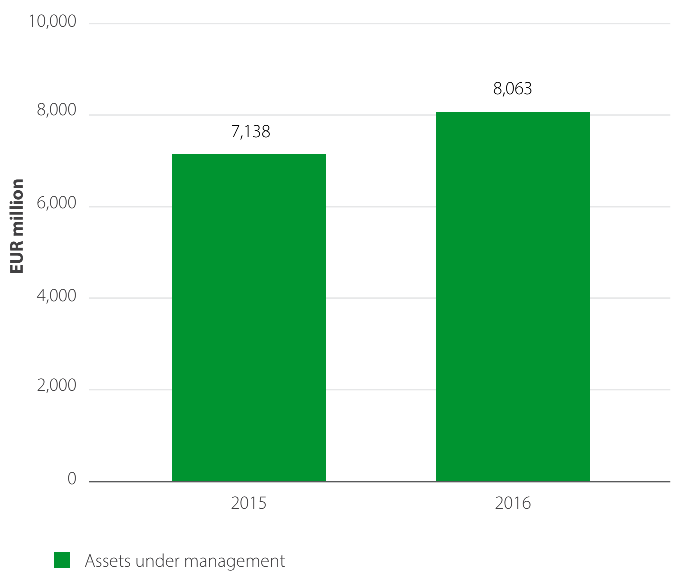
Cost-to-income ratio



Borrowing from the puplic and lending to the public



Assets under management



Aktia's role in society

Aktia is an important part of the financial system in Finland. We help to create economic and social values in a society that is subject to constant development and change. Our role in society is in helping maintain the financial system and a working payment system, as well as supporting our customers in dealing with their own finances and with potential risk. We contribute to financing investment and economic growth. By acting responsibly towards our customers, owners and the local community we help strengthen financial stability in the market.

In the past few years, following the global financial crisis, the banking and finance sector has been characterised by a weak economic climate and all-time low market rates. In addition to this the general economy and the industry as a whole have been acutely affected by increased regulation designed to protect the financial system and to prevent future tax financing of banks and shaky European national economies.

The problems and phenomena are global, but they have consequences in and for Finland as we are an integrated part of the EU and the euro zone. Because of the consequences we have to be good at adapting ourselves. The bleak economic climate, characterised by all-time low interest rates and increased regulation, has in recent years resulted in much lower interest income from both traditional borrowing and lending and from the Bank's liquidity investments. Reasons for the increased costs include more extensive reporting and requirements for more comprehensive internal control and risk management.

Strong capital adequacy and sustainably profitable operations over time are necessary to ensure that our deposit customers, institutional debt investors and shareholders will see Aktia as a secure banking and investment option in the future.

Change creates business opportunities

In addition to requiring a solid financial position, the changes within the sector place demands upon our capital adequacy and risk management. Digital transformation and changes to customer behaviour require the development of products and services and increased availability in different channels, and it also has a cost reducing impact on the business. The bank must be available anywhere and at any time, and digital services are becoming increasingly important for our customers. The customer experience is extremely important and our services must be user friendly and fit for purpose.

Customers expect to be able to manage their affairs in real time in a stable and predictable environment, at the same time as the demand for expert advice is on the increase. These developments give economies of scale and reduce costs, provide opportunities for better focused customer service and a closer analysis of customer data. Digital transformation increases the use of the bank's services through digital channels while branch visits by customers decrease. Fewer customers visit branch offices to manage their traditional banking business, instead bank branches are expected to meet the needs of customers for advice. The number of cash desk transactions decreased by 15.6 per cent from last year.

Digital transformation is opening the market to new actors, challenging and changing the business environment and increasing competition. Digital transformation brings with it significant business opportunities and increases our accessibility, at the same time as it places demands on our competencies and efficiency. The further digital transformation goes in other industries, the greater the demands for versatile and flexible digital banking services.

We continuously strive to develop our services to increase customer and shareholder value and create synergies.

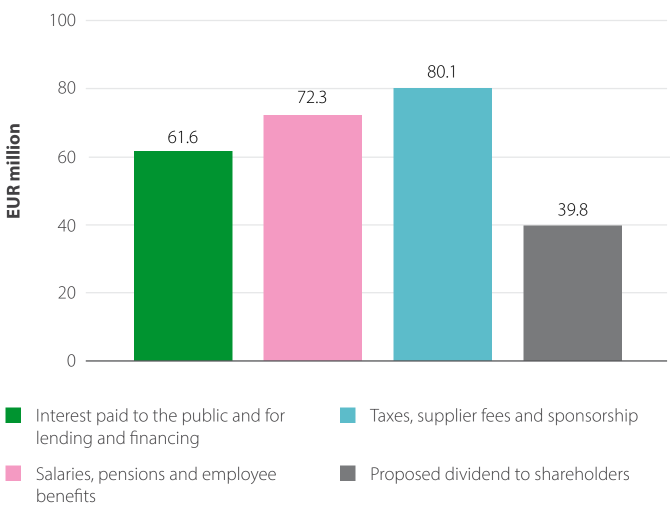
Local actor

Aktia's business operations help maintain the economic flow in society by providing a wide range of solutions for lending, payment, saving, investment and asset management.

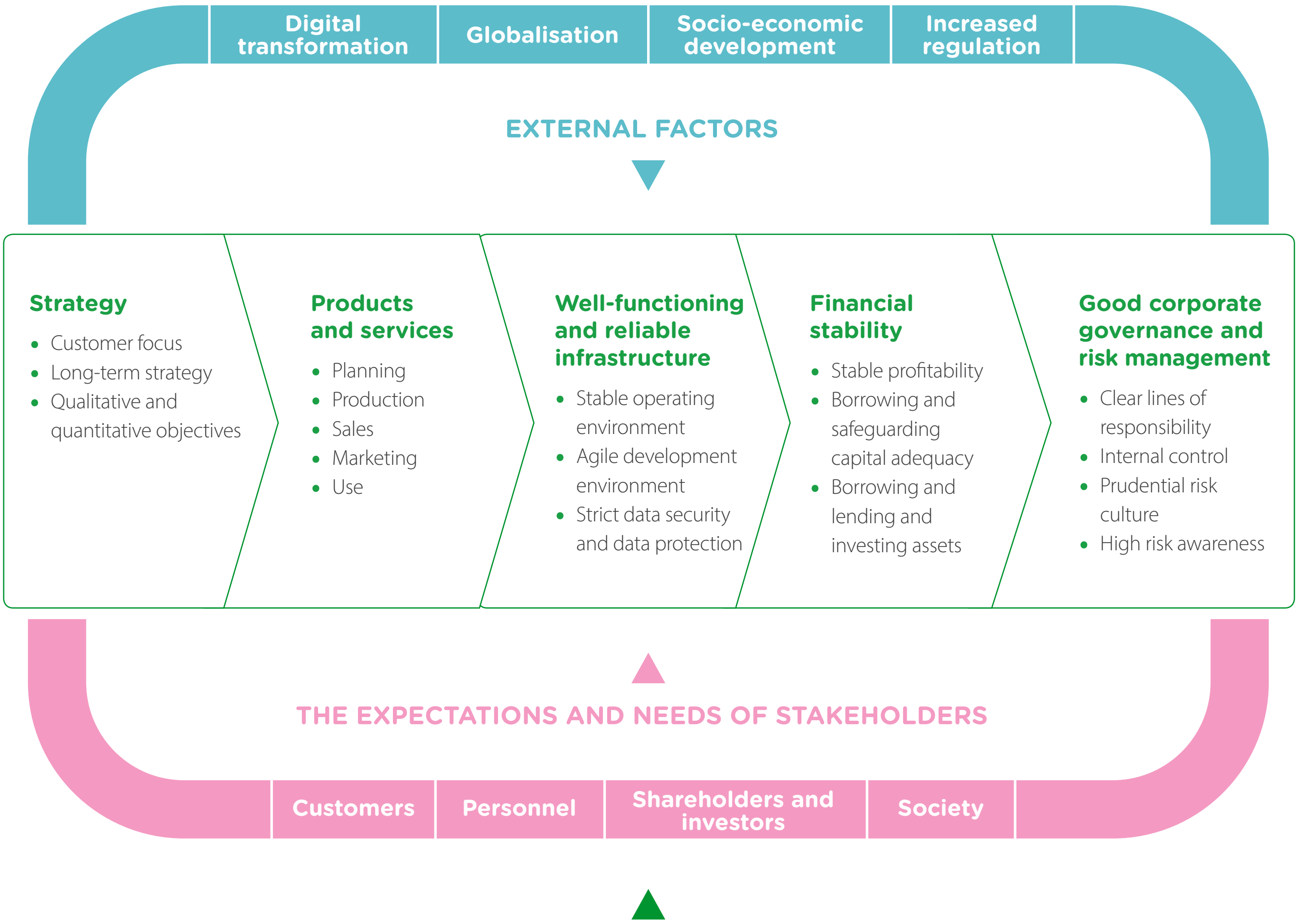
Aktia's social commitment is characterised by a local presence and a genuine interest in the well-being of our customers. Our primary role is to generate added value for our customers, shareholders and the local community. We endeavour as best we can to take our responsibility in a continuously changing society. We want to meet our customers' needs and promote economic development and, thus, also contribute to the local communities within our market.

Taking responsibility for us is based locally on concrete action. We take responsibility as both an employer and tax payer. We provide secure financial services to our customers in order to help them reach and maintain a steady financial footing now and in the future. Our specialists make visits to schools, organisations and businesses in order to increase the public's awareness of personal and corporate economy and instruct them in using the new digital services. As a medium-sized player on the Finnish market, we are able to act and react in the local setting.

Distribution of economic value added



How Aktia creates social value



Aktia creates value for all stakeholders, including by

- creating economic value added for approximately 380,000 customers using first class financial advice
- a dividend of approximately EUR 40 million to approximately 42,000 shareholders. The annual amount is determined at the Annual General Meeting according to a proposal from the Board of Directors. Approximately EUR 13 million is returned to the local community by way of 30 ownership foundations in the form of subsidies and support
- offering staff an interesting working environment and good opportunities for development
- healthy economic development that creates stable profitability and that is a secure choice for our customers and owners
- in our capacity as a Finnish bank to pay tax for all of our business activities in Finland.

Trends in society

In recent years developments in the financial sector have escalated; this has resulted in a significant change in customer behaviour driven by digital transformation and globalisation. The financial sector is a trust-based industry where customers must feel secure and know that their banking is managed diligently and skilfully. The requirement for trust increases when new actors enter the market in particular.

Uncertainty in the global economy, increased regulation and rapid technical developments place heavy demands on us, but also create new business opportunities. Globalisation means that our customers' needs change, this requires innovation, flexibility and efficiency on our part. We are actively working to carry out external analysis and to analyse trends and changes in customer behaviour so as to meet tomorrow's needs. External analysis is integrated into our strategic work so as to provide us with the capability to react and adapt rapidly.

Explained below are some of the current trends that Aktia sees in society and the financial sector.

Economy

We were treated to many political surprises in 2016. The British voted to leave the EU, USA voted in Donald Trump as president and Italy's prime minister resigned after losing a referendum on changes to the constitution.

So far the macroeconomic situation has survived the political tumult relatively intact, and the outlook is cautiously optimistic. After many years of some unease about deflation inflationary pressure has increased and, particularly in the USA, the normalisation of monetary policy has taken a step forward with interest rates being raised from base levels twice. In Europe the ECB have announced a reduction in the purchase programme, but the path to interest rate rises is still long.

In Finland the economic outlook clearly improved during 2016. Private consumption expanded strongly backed by low inflation, low interest rates and the somewhat better labour market situation. Industrial production also experienced an upturn in 2016 after many years of decline. During 2017 the economy is expected to grow by approximately 1%. There is some growth in foreign trade but at the same time we will see a slower growth in private consumption due to higher inflation and the impact of the Competitiveness Pact on purchasing power.

Employment

Low employment levels continue to be a challenge for Finland, especially from the standpoint of the public sector. A broader taxpayer base is needed to balance public sector finances. However, in 2016 the situation improved somewhat; the unemployment rate dropped below 9%.

Economic reforms are needed to improve the ability of the labour market to match job vacancies with job seekers and to improve the ability of Finnish companies to adapt to changed economic realities. At the same time the structure of incentives, for both recruitment and accepting work, should be addressed further. A well-functioning active labour market policy is also important for the structural changes that Finland is currently undergoing.

Digital transformation

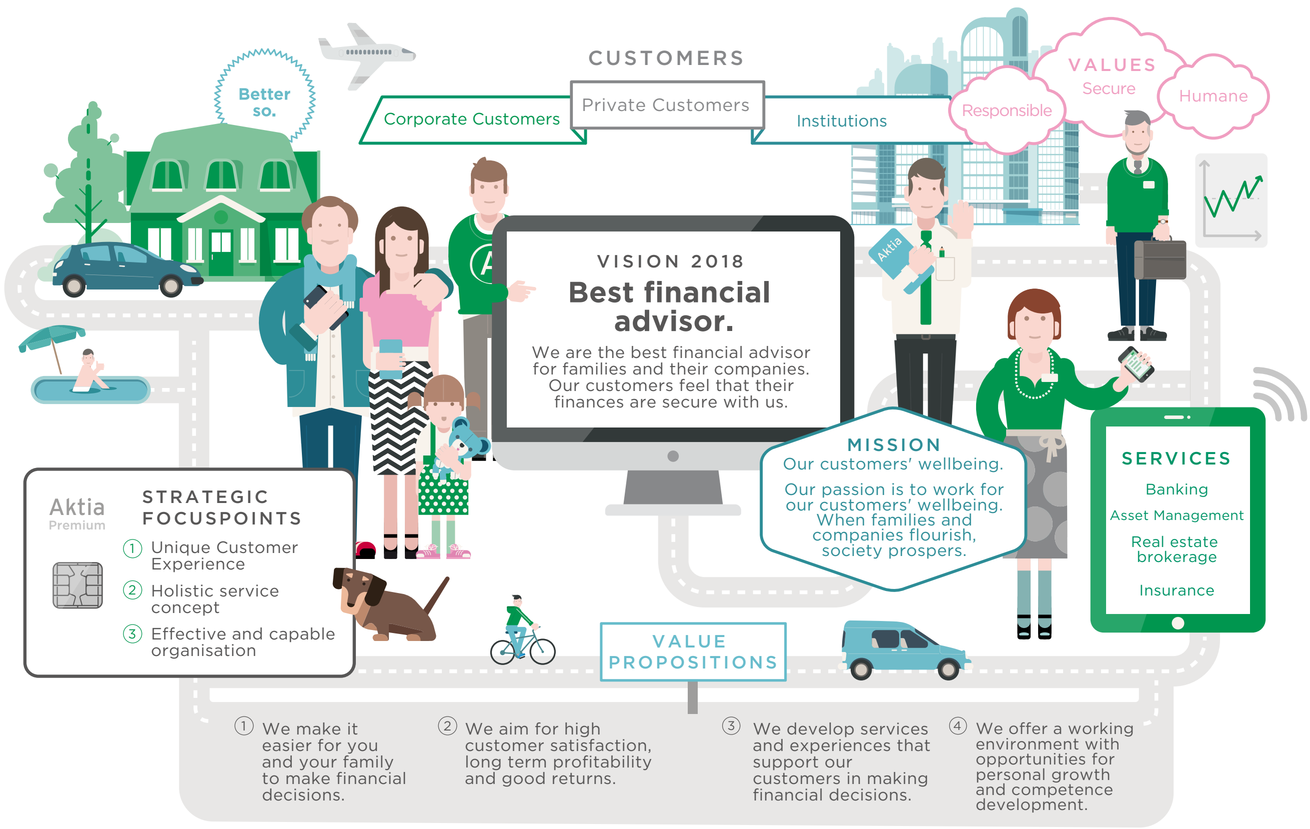
The financial sector is under a constant pressure for change. Technological development and digital transformation are rapid. Corporate production is changing, but so is our way of working and consuming. The banking sector finds itself at the centre of this wave of digital transformation which is rapidly redefining the meaning of the term good service. Customers place ever higher demands on banking services and offers. The processes must be flexible and versatile.

Digital transformation creates new and more cost effective methods of providing banking services to our customers, at the same time as it is driven by our customers' expectations and demands. Digital transformation increases availability and gives our customers more options, placing ever greater demands on transparency. Transparency and increased availability place greater demands on advice and the forms of interaction with customers are changing. To an ever greater extent digital transformation creates opportunities for actors in the sector to create new services through partnerships and alliances with FinTech companies. The new market participants often focus on specific customer requirements and quickly develop new solutions, which we have already seen in the development of payment services. Collaboration with new actors is based on a partnership that is becoming more common in the industry with banks investing in joint infrastructure in order to increase their range of products and services.

Increased regulation

In recent years a great deal of regulation has been introduced in the EU for actors in the financial sector to follow, mainly on customer protection and capital adequacy. Capital adequacy and liquidity requirements have become more stringent and, in addition to this, capital and assets must be of better quality. In 2017 certain macroeconomic stability tools will be taken into operation. These will also impact the banks' capital adequacy requirements at the same time as the European banking authorities continue work to adjust capital adequacy regulations. Ever more focus is placed on transparency and consumer protection. The increased regulation and compliance with statutory requirements is increasing bank costs. However, alongside changes to IT systems, customer information and staff training, changes to regulation also mean business opportunities.

The trends presented above bring challenges and business opportunities for Aktia as an actor in the financial sector. The effects of digital transformation on the financial sector are significant, and they affect the range of services and products on offer, as well as production and sales. The majority of customers use our digital services to manage their day-to-day banking and insurance matters. The demand for and use of online and mobile services is increasing exponentially. Aktia endeavours to develop sustainable and dependable services for its customers at the same time as new partnerships are being formed. Today our customers can withdraw cash and pay their bills in thousands of K-food stores and R-kioski convenience stores all over the country, demonstrating the benefits of partnership, with the retail trade for example.



Strategy

Aktia's strategy focuses on growth and customer relations. Our strength is our local presence and good customer insight. The basis of the strategy is therefore first class advice, accessibility and the continued development of the range of products and services in the various channels. To realise this strategy Aktia is also investing in increased expertise.

Our customers' need for financial services drive the development of the business. The significance of good customer insight and digital transformation is increasing. By developing our digital services and automating our processes we guarantee long-term profitability, good returns and a high level of efficiency. Growth is created through an increase in the number of customers, managing existing customers and streamlining processes. The objective is to double the number of new customers annually during the strategic period.

Aktia will maintain a well-functioning infrastructure of financial services, both digitally and locally, and guarantee a good customer experience, irrespective of the channel chosen by customers to manage their banking. We are working to achieve customer satisfaction, long-term profitability, and good returns. Our institutional customers are offered a long-term holistic collaboration within the framework of our asset management services.

Aktia's vision is to be the best financial advisor for families and their businesses. Our customers will feel that their finances are safe with us.

Our strategy is based on our strengths and an extensive understanding of our customers' financial situation, the world and the market. Our three strategic emphases: unique customer experience, comprehensive service concept and efficient and proficient organisation, will support us in our ambition to be the best financial advisor for families and their businesses.

In addition to developing our products, services and advice to add value for our customers we are easily accessible, local and personal. For customers Aktia is a secure and responsible partner and managing their financial transaction with Aktia is simple and flexible. Our overall goal is to create mutual financial value in our customer relationships.

We share our financial expertise with our customers so as to increase their welfare. Our financial strength is based on good capital adequacy and creditworthiness. The Group's strategic focal points have consistently emphasised controlled risk taking, cost consciousness, first rate customer service and extensive expertise. The objective has been to create long-term and financially sustainable profitability, guaranteeing good returns for the owners, a dividend for the Personnel Fund and taxes for society.

Continuing strategic process

Changes in the rest of the world, globalisation and regulatory requirements require an agile strategic process and sensitivity to market trends. Strategic work is an ongoing process that requires good responsiveness and flexibility to understand changes in the environment. Aktia evaluates its strategy annually and also updates it as necessary during the ongoing strategy period.

Strategic focal points

Aktia's growth strategy was drawn up in the spring of 2015 and the strategic objectives apply until 2018. They aim for long-term profitability and good returns. The basis of the strategy is first class advice, accessibility and the continued development of the range of products and services in the various channels. Aktia will maintain a well-functioning infrastructure of financial services, both digitally and locally, and guarantee a good customer experience, irrespective of the channel chosen by customers to manage their banking.

Our objective is to meet the requirements stipulated for a financial group today. We are to keep our credibility with our stakeholders by maintaining a strong rating and competitive dividend. As a medium-sized, independent and well managed bank Aktia must also have a strong capital adequacy ratio. To achieve target profitability we need to be generally cost conscious, to invest in profitable growth and have satisfied customers and committed and efficient staff.

The Group's strategic focal points have consistently emphasised controlled risk taking, cost consciousness, first rate customer advice and extensive expertise. Our strategy is aimed at growth in selected areas. For some time Aktia has concentrated on streamlining its business operations and create a basis for solid growth. Our growth strategy has bravely addressed growth opportunities, but without forgetting to protect and develop the solid footing on which the bank stands.

Aktia's growth is based on profitability and broad earnings, which assume a greater use of digital services and continued investment in comprehensive solutions for our customers. Increased cost effectiveness will be achieved using a renewed core banking platform, allowing the more flexible and effective development of our digital services and simplified processes.

Areas of focus

Aktia defined the areas of focus that will support the work of achieving our vision of being the best bank for families and their businesses. Aktia's overall strategy aims at strengthening our customer focus to create mutual financial value. We must satisfy our customers' needs and strengthen customer relationships so as to increase profitability. To ensure that Aktia can be the best financial advisor to its customers, investment in skills is required. We are working to raise the skills of our staff using external certification, at the same time ensuring the continuing professional development and skills transfer needed to meet the demands of increased digital transformation on our staff.

Our objective in the long-term is to offer our customers a uniform customer experience through all channels - anywhere and at any time. It must be easy and flexible to go from a dialogue started with Aktia on the internet or by mobile phone to the branch office and vice versa. The demand for first rate customer service must be met regardless of the channel used.

The enormous change in customer behaviour, rooted in digitisation, places demands on accessibility and flexibility in our business operations. The demand for digital services is on the increase. With its new core banking platform Aktia will be able to develop its services to be significantly more efficient, more flexible and faster than before. Alongside the development of our digital services we are looking for new partners to secure access to traditional financial services locally such as cash management and payment services.

Strategic focal points

UNIQUE CUSTOMER EXPERIENCE

Aktia constantly strives to develop our customer service so as to fulfil our promise to be the best financial advisor.

Regular dialogue with the customer is an important tool for us and guarantees a comprehensive review of the customer's current financial situation and their future financial needs and goals.

Objective

We are developing our products, services and advice to add value for our customers. We are a credible partner for owner-operated and family businesses, housing companies and institutions.

Initiatives and outcomes (2016)

Over the course of the year Aktia has aimed to achieve

- improved customer satisfaction survey results
- increased asset management initiatives

At a national level the confidence of private banking customers in the banking sector dropped from 75.7 to 73.1 in 2016. The drop in customer satisfaction among Aktia's private banking customers followed the national trend and dropped from 79.3 to 77.3. However, confidence in the sector increased among corporate customers and customer satisfaction at a national level increased from 73.9 to 76.9. Among Aktia's corporate customers customer satisfaction was 76.6 (-). Read more on pages 27-30.

Over the course of the year Aktia has started using a new business model for institutional customers with its focus on holistic customer care. Successful product launches have played a part in our being able to enhance our existing customer relationships and obtain new customers. As a sign of increased customer satisfaction with asset management Aktia came second in the annual SFR (Scandinavian Financial Research) survey. Over the year Aktia has also started a project with the objective of raising our profile as a responsible investor.

COMPREHENSIVE SERVICE CONCEPT

Aktia constantly strives to develop and improve services in all of our channels.

The new core banking platform allows a more efficient use of all of our channels and will support effective development work and streamline our processes and working methods.

Objective

We are developing our channels so that they form an effective comprehensive service for our customers. Our first class advice and products are to be accessible to all of our customers in all of our channels.

Initiatives and outcomes (2016)

Aktia's objective over the year has been to:

- launch new mobile services
- make further investment in the development of digital services

Over the course of the year investment in the development of digital services has continued. The year included the launch of Dream Catcher, a tool for quickly and easily checking whether a housing loan of a certain amount is possible for a customer or not. Easy login in operation in Aktia's mobile internet bank. Easy login is activated in the mobile internet bank, after which it is possible to simply log in to the mobile online bank using a user name and password. Aktia also launched the Aktia Wallet, a digital wallet in the form of a mobile application that facilitates and speeds up payments and card management. Read more on pages 27-30.

AN EFFICIENT AND PROFICIENT ORGANISATION

Our values govern the way we treat our customers and colleagues in everyday life. Proficient and committed staff are the key to good customer service and advice. To ensure first class advice we aim for the majority of our customer service staff to have an external certification of their skills.

Objective

We strive to constantly boost our expertise in order to respond to changes in the outside world and in the market. Proficient and committed staff are the key to good customer service and advice.

Initiatives and outcomes (2016)

Aktia's objective over the course of the year has been to

- implement the new management model
- support staff in the transition to the new core banking platform

The new management model was implemented over the year and all managers with a HR responsibility took part in comprehensive management training over the course of the year. In conjunction with this training Aktia's management principles were renewed. Over the course of the year the implementation of the new core banking platform has been a priority. The comprehensive training modules have been run to support staff in the implementation of new systems. Read more on pages 31-33.

Priorities 2017

The difficult market situation that has characterised the sector in recent years requires increased cost consciousness in order to guarantee stable profitability, a strong capital adequacy and creditworthiness. Our business is driven by the need of our customers for financial services. To satisfy our customers' need for effective and first class banking services we must adapt to change in the world, changing customer behaviour and increasing regulatory requirements.

Digital transformation increases our opportunity to create a range of services based on our customers' needs. We must be more agile, rapidly developing and changing our business so that we can meet the needs of our customers and owners and the market requirement for long-term profitability. We are going to analyse our customer information to a greater degree, creating a customer offering that is as targeted as possible together with our customers and their financial advisors. Our objective is to offer versatile digital solutions for our customers' everyday finances and more comprehensive advice through digital solutions or in branch offices.

To make our business more cost effective we are going to focus on our range of products and services. Our new core banking platform provides the opportunity to make things better, quicker, simpler and more effective.

General cost consciousness forms the basis of our corporate culture. Effectiveness gives us greater investment opportunities, creating better long and short-term customer value.

Growth requires not just cost effectiveness and adaptation but also competitive financing costs achieved through stable profitability and strong creditworthiness. Aktia strives for low risk and high quality in lending. Stable growth and earnings require a controlled level of risk but above all an ability to rapidly adapt to external factors such as changing customer behaviour. Aktia's financial objectives are therefore reviewed regularly and adjusted as necessary.

When the new core banking system has been taken into service in 2017 Aktia will focus on developing and launching digital solutions for a unique customer experience. This includes everything from the development of personal advice to communication through various digital solutions. It must be possible for customers to quickly and easily decide where and in what way they want to be served. We must meet our customers' needs through accessible and stable systems and through a transparent and comprehensible range of products and services

PRIORITIES

Aktia endeavours to be the best financial advisor for its customers. We are sensitive and attentive to response and continuously strive to improve customer satisfaction.

Over the course of the year we will:

- Continue to invest in the development of our digital offering.
- Strengthen our expertise with regard to the increased demand for advice.
- Digitalise, simplify and automate internal processes in order to improve efficiency.
- Continue to actively support our staff in the rapid skills shift underway in the sector where the role of the staff is expanding.
- Support and develop leadership in the company.

Strategic objectives and metrics

Financial and qualitative objectives that support Aktia's ambitions for growth will guarantee that in the long-term Aktia will create value for both its customers and owners. Aktia's commercial growth target is to double the number of new customers annually during the strategic period 2015-2018. All objectives were adopted in the spring of 2015, when the implementation of the new growth strategy was initiated.

The financial objectives were adjusted in the spring of 2015 because Aktia was granted IRBA approval which strengthened the capital adequacy of the Bank Group. During the previous strategy period the focus was on cost effectiveness and the development of Aktia's core business. The bank's strong balance sheet and solid footing now allows investment in growth. The financial objectives are supported by long-term qualitative objectives aimed at achieving our vision of being the best financial advisor.

Our qualitative objectives are customer and staff-related. We measure customer satisfaction using an NPS (Net Promoter Score) based on customer experience and the customer's readiness to recommend us to others. Customer satisfaction is an important metric for the confidence our customers have in us and our brand. Alongside customer satisfaction we measure the readiness of our staff to recommend Aktia as an employer. Continuing professional development is needed to ensure first class financial advice and our objective is to increase the number of certified salespeople.

Objectives and outcomes

FINANCIAL OBJECTIVES	REMARKS ON PERFORMANCE AND OUTCOME
Double the annual number of new customers	In 2016 the number of new private and corporate customers increased to 2,000 (1,300). In 2017 the aim is a net increase to 3,000 new private and corporate customers (total customers).
Improve the cost-to-income ratio by at least 10%	In 2016 the Group's cost-to-income ratio has dropped to 0.70 (0.69). The long-term objective of an improvement of -10% will require both growth in the form of new customers and increased earnings, as well as the continuous oversight of operating expenses.
Improve return on equity (ROE) to at least 9%	In 2016 the Group's return on equity increased slightly to 8.0 (7.9)%. The long-term objective of an ROE of 9% will require both growth in the form of new customers and increased earnings, as well as the continuous oversight of operating expenses.
Maintain a Common Equity Tier 1 Capital Ratio (CET 1) of 15% as a minimum	Due to increased lending the banking group's Common Equity Tier 1 Capital Ratio has dropped to 19.5 (20.7)% in 2016. The strong capital adequacy ratio provides conditions favourable to continued growth and a stable dividend.
A dividend of at least 50% of the annual profit	The proposed dividend is EUR 0.60 per share, of which EUR 0.08 are attributable to one-time gains during the year. The total dividend corresponds to 81 (82)% of the profit for 2016.

QUALITATIVE OBJECTIVES	REMARKS ON PERFORMANCE AND OUTCOME
Increased customer satisfaction, NPS (recommendation index according to EPSI rating)	In 2016 Aktia's NPS index dropped to 32 (37.5). The long-term objective is to have an NPS level among the three highest in the country by the end of 2018. Currently Aktia is in fifth place among the banks in Finland.
Employer recommendation, %	In 2016 Aktia's employer recommendation dropped to 80 (86)%. The long-term objective throughout the strategy period is to maintain a level above the average for companies in Finland (> 82%).
Increase in the number of certified salespeople, %	In 2016 the proportion of certified salespeople has risen to 55 (45)%. The long-term objective is to have over 90% of our salespeople certified before the end of 2018.

The qualitative metrics are described in more detail in the relevant sections on pages 27-37.

Responsible business

At Aktia corporate responsibility is anchored in day-to-day business operations and is based on Aktia's mission, vision, value proposition and values. Our aim is to have a responsible approach towards customers and society. For Aktia this means delivering responsible financial services to our customers but at the same time taking account of the interests of our shareholders and society. Aktia promotes financial stability on the market through controlled risk-taking and responsible advice to customers. At Aktia, responsibility work is governed by the Group's strategy and managed as an integral part of business operations.

Aktia's development and business opportunities are depending on customers, staff, shareholders, investors and society having a high degree of confidence in the company. To maintain and strengthen this confidence activity, transparency, high ethical standards and comprehensively responsible behaviour is needed from the company.

Taking responsibility for us is based locally on concrete action. We take responsibility as both an employer and tax payer. We provide safe financial services to our customer in order to help them reach and maintain a steady financial footing now and in the future. Our specialists make visits to schools, organisations and businesses in order to increase the public's awareness of personal and corporate economy and instruct them in using the new digital services. As a medium-sized player on the Finnish market, we are able to act and react in the local setting. At Aktia customer satisfaction is one of the most important metrics of our success in maintaining and strengthening confidence in us as a local player.

It is important to us that the local community grows and prospers. Through our ownership foundations, a significant part of our profit is channelled back to the local community.

We endeavour to find new methods of working so as to generate new, innovative solutions for the market, reduce risk and meet future challenges. Our greatest potential for influence is in our own products and services. Because of this responsibility issues are part of our day-to-day business operations.

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 steady growth. 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.

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. Aktia's governance model, with a Board of Supervisors, deviates from some of the code's recommendations. We set out these exceptions in the corporate governance report and at 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 sound and sustainable economy for our customers.
- Aktia takes part in work to prevent money laundering and corruption.
- Aktia develops responsible products and services.
- 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 though 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 are 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 finance knowledge, especially among children and young adults.

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 head of communications. 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.

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 have been enjoined 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 on the intranet and relayed to the heads of Aktia Compliance and Internal Audit. In 2016 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 ry.

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 2016.

Prevention of money laundering and combatting corruption

Through a high level of business ethics and internal scrutiny Aktia shall prevent the Group, deliberately or by mistake, 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 achieving 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.

Aktia's stakeholders

Aktia's stakeholders are the people who impact the company's business activities most and are most affected by them. They are the company's greatest asset and expect Aktia to deliver stable results and maintain an ongoing and open dialogue with them.

Aktia's stakeholder groups include customers, staff, shareholders, and investors as well as society including the authorities, industry organisations, partners, suppliers and the media.

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. Customer satisfaction is measured using an NPS.

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 the latest stakeholder survey. Alongside an online survey several in-depth interviews were carried out. The survey showed that our stakeholders consider that responsibility issues are part of our business operations and that they have been dealt with properly. Particular weight was also given to issues that affected good governance and communication. Stakeholders felt that Aktia is a secure, reliable, stable and well managed bank and that communication with owners and investors was working well. Additional information is available and reporting is transparent and correct. The bank's financial analyses were considered to be high quality.

Stakeholders also felt that Aktia could further its corporate responsibility through continued focus on the expertise of staff. The change in customer behaviour increases the demand for digital services and places greater demands on financial advice, increasing competency requirements.

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.

The following are our most important stakeholders.

CUSTOMERS

Aktia has approximately 350,000 private customers and approximately 30,000 corporate and institutional customers.
We work to provide for our customers' welfare and provide advice and services, helping them maintain a sound financial position, now and in the long-term. We aim to deliver responsible financial services to our customers. We hold an active dialogue with them so as to understand their current and future needs. The most important dialogue with customers takes place daily at our branch offices, by telephone and through our digital channels. We listen to our customers and undertake regular customer surveys; we pay attention to customer feedback. We invest in long-term customer relations, proactivity and follow-up. We behave responsibly, ethically and transparently.

SHAREHOLDERS AND INVESTORS

Aktia has approximately 42,000 shareholders.
We aim for long-term profitability and good returns in order to create long-term value for our shareholders. This value is created through a stable share price trend and dividend. We want to be an interesting and stable investment and we achieve this by maintaining a strong capital adequacy ratio and ratings and through cost consciousness and investment in profitable growth. Through transparent reporting we regularly provide our shareholders and debt investors as well as analysts with comprehensive information about Aktia's economic development and business activities. At the annual general meeting our shareholders have the opportunity to put questions to the management and Board of Directors.

PERSONNEL

Aktia has approximately 1,000 staff.
We endeavour to be an attractive employer. The skill and performance of our staff are crucial to Aktia's development and growth. We strive for continuing professional development and encourage our employees to grow in their roles. We maintain an open dialogue between staff and management. We hold annual performance appraisals and undertake regular employee surveys, organise joint meetings, offer a leadership training programme and organise regular health and safety inspections. We offer a versatile workplace with respect for equal opportunities and equality.

SOCIETY

We endeavour to hold an open and active dialogue with the authorities, decision makers, the media and industry organisations. We aim for long-term relationships with our partners and suppliers. Aktia provides industry specific expert opinions and when necessary takes part as an expert in the drafting of legislation. We are proactive in the dialogue regarding the evolution of the industry. We actively discuss market growth and trends with our stakeholders. We arrange regular discussions with the authorities, media and decision makers and actively participate in the work of industry organisations.

Long-term customer relationships

Aktia carries on its business activities in a responsible fashion. Our financial responsibility stresses strong capital adequacy, controlled risk and sustainable earnings. Our primary goal is to support the customers to achieve a stable economy. In this way we create and maintain long-term and confidential customer relationships.

Aktia offers its customers a wide range of banking and insurance services. Aktia has approximately 350,000 private customers and approximately 30,000 corporate and institutional customers. In 2016 the number of new private and corporate customers was 2,000 (1,300). Aktia's strategic objective is to double the number of new customers annually before end of 2018.

In accordance with our vision we are to be the best financial advisor to our customers. In order to manage our customers' finances we want them to concentrate their banking and insurance matters to Aktia. In this way we can offer them a number of customer benefits. Today Aktia has approximately 150,000 total customers. Our objective is that they can manage their affairs smoothly with Aktia. We are developing and streamlining our processes with regard to the needs of our customers.

In 2016 our priorities of continued development and improved accessibility in the digital channels and developing service models in order to better manage and secure our customers' finances and to improve customer satisfaction. We care about our customers' loyalty and preserve this by giving them first class advice and good access. We want our customers to be satisfied with their relationship with their bank and to recommend us to others. Within the framework of Aktia's growth strategy an increase in customer recommendations has been established as a qualitative metric.

Better access through digital channels and partnership

In the past few years, we have seen a significant change in customer behaviour which, in turn, has led to greater demands on accessibility and availability. Our customers are constantly on-line and they expect the same of their bank.

Changed customer behaviour clearly shows that customers to a large extent manage their day-to-day banking themselves using digital services anywhere and at any time. Over the course of the year Aktia has focussed on offering first class advice to our customers at our branch offices. Our customers want straightforward and transparent products and when they book an appointment at a branch office to manage their affairs they want more extensive financial advice. This means that the requirements on the competency of our staff are changing, at the same time as the demand for flexibility is increasing.

In the past few years, Aktia has invested a great deal on developing digital services in order to meet the customers' needs. Today, Aktia's services are available online, over the telephone and in our branches. In addition, social media have become an increasingly important communication channel. No customers issues are handled in the social media, but our customer service answers general questions about products and services.

Due to the increased demand on place-independent service, we have allocated more resources to the functions which handle customers over the internet and by telephone. Lately, we have concentrated our development measures on our capability to provide customers a more comprehensive range of digital services. Over the year Aktia has adopted electronic signatures to make the purchase of different products easier.

For Aktia, it is important to maintain good access to services. In general, we pick up customer calls within seconds, and customer messages through the secure messaging function in the online bank receive a reply within a banking day. Aktia emphasises the importance of data security in all customer communication over the internet, and instructs all customers to contact the bank via the secure messaging function in the online bank.

Access for our customers has been improved with the ability to withdraw cash at all R-kioski convenience stores and the majority of K-food stores. In addition to this it is easy to pay bills at the R-kioski chain of convenience stores.

In the summer of 2016 Aktia took over the payment processing from R-kioski. It was a natural continuation of the partnership that had such a good start the year before when the Aktia Mastercard Prepaid card became part of the chain's range of services. Aktia is developing its range of products and services in various channels, and partnership with R-kioski makes it possible to offer the most common products in a very extensive distribution network.

Innovative development of product and service solutions

At the start of the year Aktia introduced Dream Catcher, a tool for quickly and easily checking whether a housing loan of a certain amount is possible for a customer or not. The customer answers five questions and immediately gets a response as to whether the dream house in question is a reasonable proposition given financial limits.

In the spring easy login was introduced for Aktia's mobile online bank. Easy login is activated in the mobile online bank, after which it is possible to simply log in to the mobile online bank using a user name and password. Using the easy login the customer can smoothly and simply check their balances, account transactions, card balance, card transactions and bills falling due without using a key code card. For many people getting out their key code card while in a queue for the till just to check their balance has been too much bother. The key code card is only needed when a customer wants to make a payment.

In July it was announced that Aktia is acquiring Elisa Rahoitus Oy. Through this acquisition the forerunner of mobile payments, Elisa Lompakko, got a new home in Aktia. The primary purpose of this company, renamed Aktia Finance Ltd, is to be responsible for and develop innovative mobile payment solutions for our customers. The company is also responsible for Aktia's MasterCard products and third party payment solutions. This acquisition was a part of Aktia's growth strategy, reinforcing Aktia's expertise in mobile payments and raising the development of technical solutions to a new level.

As a result of the acquisition in October Aktia was able to launch the Aktia Wallet, a digital wallet in the form of a mobile application that makes payments and card management easier and quicker. The application gives customers easy and secure access to mobile and online payments. The Aktia Wallet is a versatile digital wallet, customers can download money to their Wallet account using their payment cards or using their online bank account. Different means of payment such as payment stickers and online payment cards can be linked to the Wallet account. Using the application customers can conveniently follow their transactions in their Wallet account and on Aktia's payment cards, as well as administering card settings. It is easy to check account balances and card transactions in real time. The Aktia Wallet also allows increased security as a lost card can quickly be temporarily blocked and unblocked. Aktia Wallet users can send money to each other using the application. All transactions take place in real time.

In the Aktia Wallet customers can also order payment stickers for themselves and family members. Payment stickers make contactless payments even easier, because the sticker can be attached to the customer's telephone or key ring so that it is always available. The customer holds the payment sticker up to the point-of-sale terminal and the Wallet account is debited for the purchase. The new Aktia Wallet can also be complemented with an online payment card for secure and simple online payments. Payment is made as usual, i.e. the card details are entered into the online store or service. The online payment card is always available and cannot be lost.

In 2017 most of our development work will focus on digital solutions and we will be offering our customers a mobile banking application among other things. Aktia is one of the partner banks taking part in the launch of Siirto, Finland's first platform for mobile real-time transfers between banks, that is being built by Automatia. Siirto is an open payment platform that complies with the new EU Directive on payment services (PSD2). This paves the way for innovations and new payment solutions for the sector. Users only need a mobile number to send and receive money, and all transactions take place in real time in the user's bank account. The new platform will work for all banks that collaborate with Automatia.

Responsible lending

Lending is central to Aktia's aim of creating long-term customer relations in its private and corporate customer segments. The credit risk exposure pertaining to customer financing is the most crucial risk area for Aktia; therefore, it serves the bank's and society's interest that loans are not granted to customers who lack the resources to handle the loan. In accordance with good business practice, the bank fulfils its responsibilities with regard to loan relationships and strives to take the customer's financial security so that business financed with credit can be successful. Consequently, whenever loans are granted, the basic criterion is the customer's ability to repay the debt.

Following from the above, loans are granted only for well-known purposes in which we understand the business aspects for the use of the loan and for the repayment. Before any funding commitment both the customer and Aktia must understand the business arrangement. Whenever necessary, any official handling a loan is obliged to make use of the best available knowledge at Aktia.

We only sign credit agreements contracts that are sound and ethically defensible. We refrain from arrangement whose purpose it is to evade laws or regulations. We do not grant financing to borrowers who in the bank's opinion will not be able to repay their debts, even if the bank receives sufficient security. We also refrain from granting financing against security placed by third parties who apparently have failed to see the risks related to the financing.

The customer's ability to repay the debt is assessed for each loan application and the customer's credit rating is established after the results assessment. The customer's ability to bear considerably higher interest expenses is also established. The loan period is established the working life of the financed object is taken into account. In addition, private banking customers are given the option of protection against unemployment, illness and possible increases in the interest rate in the form of different types of insurance policies and interest rate hedging.

The bank encourages customers to save prior to buying a house and complies with regulatory policies on housing finance.

In order to ascertain that the loan costs for customers are not too high in proportion to their income, the customer has to have a sufficient sum to live by, after the loan and housing expenses have been paid. The credit rating used for the assessment of private persons is based on, for instance, information about possible payment default, the customer's ability to repay the loan at the time of application and in the future.

With regard to financing business activities, factors which will be taken into account include the business idea, market, management competence, cash flow and potential earnings. A company's environmental risk and the effect of the planned investment on the environment will be investigated as part of the normal corporate credit analysis.

If loan repayment problems arise, the bank aims at finding a solution as quickly as possible to enable the customer to handle the loan. In the case of temporary difficulties, the bank can suggest various repayment relief plans to help the customer to successfully meet their obligations towards the bank. If the difficulties are permanent and force the customer to sell of the assets placed as collateral for the loan, the bank encourages the customer to handle the discharge of assets voluntarily and using their own resources.

Responsible investment

Aktia's sustainable investments are based on the idea that businesses operating in a responsible manner, in accordance with sustainable norms, are more profitable and have a better competitive edge in the long term than companies that do not adhere to these norms.

Aktia's aim regarding asset management is to adhere to principles of responsibility and sustainability. Aktia applies the principles of responsible investment to both Aktia Fund Management Company Ltd's investment funds and our other investment services provided to institutional investors.

Since 2006, Aktia's investment funds are managed in accordance with Aktia Fund Management Company Ltd's principles of responsible investments. The principles are updated regularly; the latest revision took place in 2014. The principles are based on integration, exclusion and responsible ownership.

Integration:
Environmental, social and governance factors (ESG factors) are integrated into the investment process. We identify ESG risks and opportunities and thereby create a better basis for sound investment decisions.

Exclusion:
We have determined that certain forms of activity, while legitimate, can be subject to negative events such as claims for compensation and unfavourable publicity, which can pose risks that are difficult to predict or quantify. Therefore, Aktia's investment strategy is to avoid investments in companies with such risk profile, and the funds avoid direct investments in companies whose main business area is within the gambling, tobacco and weapons industries. The funds also avoid direct investments in companies using child labour.

Responsible ownership:
In practicing our owner governance, we observe Aktia Fund Management Company Ltd's ownership policy. It allows for Aktia to vote, if needed, on the funds' behalf at annual meetings. The purpose is to look after the participation holders' joint interests in the long term. The ownership policy was last updated in 2012. Aktia assumes that Finnish listed companies observe the principles of the Finnish Corporate Governance Code published by the Securities Market Association.

During 2016 Aktia has started a project aimed at raising our profile as a responsible investor. From 31.1.2017 Aktia has chosen ISS-Ethix as a partner with regard to engagement and screening. Using the screening service we identify companies that have breached international standards regarding the environment, society and good governance. Using the engagement service we can help guide these companies in a positive direction on ESG issues.

Institutional customers are given the option to invest according to their own responsibility criteria and guidelines. For each customer's investment portfolio, the selected financial instruments correspond to the customer's agreed principles of responsible investment. In this manner, the customers can prioritise responsible companies that respect the environment, society and follow good governance.

From the beginning of 2016 Aktia is regularly publishing an overview of responsible investment. This overview includes the CO2 profile of Aktia's equity funds. The overview is available on Aktia's web site.

With goal-oriented activities, we have been able to achieve a solid position within our industry. Over many years our business model and expert staff have received very positive responses in independent customer surveys. Asset Management has been named Finland's best institutional asset manager in the SFR (Scandinavian Financial Research) surveys in 2010, 2012 and 2013 (Platinum Award), and placed in the top two in 2011, 2015 and 2016 (Gold Award). In addition to this Morningstar named us best interest fund manager in Finland in 2013, 2014 and 2015 among all domestic and global managers active in Finland. In 2016 Morningstar again named Aktia as the best domestic interest fund manager.

The Swedish Tell Media Group, specialised in fund analysis, has for the sixth year in row named our fund analyst team for external investment funds as the best in Finland (2010-2015). According to the response, our strengths are i.e. analysis and choice of investment products, the combination of investment products, a coherent investment process and successful operations.

Monitoring customer satisfaction

Customer satisfaction is one of the key indicators for how well customers are served at Aktia. According to the EPSI Rating for Finland (European Performance Satisfaction Index) the confidence of private banking customers in the banking sector has dropped in the past year to 73.1 (75.7). The customer satisfaction of Aktia's private customers decreased somewhat in 2016 and was 77.3 (79.3), which is the same level as in 2014. However, confidence in the banking sector among corporate customers has risen to 76.9 (73.9). According to EPSI Rating, that published its report in October 2016, the results pretty much at the same level as for private customers. Customer satisfaction was 76.6 (-). 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 that acts as an external and unbiased metric of customer satisfaction. In 2016 Aktia's NPS, i.e. the recommendation index was 32 (38) for private customers and 38 (-) for corporate customers.

The results of the customer surveys are reported regularly to the sales management 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 relation. 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. A development issues, Aktia has identified its accessibility through digital channels and the development of products and services.

Handling customer feedback

Aktia has a customer feedback directive which applies 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.

Aktia's executive management (including sales management, Compliance and Internal Audit) receive regularly a summary of the customer feedback and the corresponding measures taken. Complaints are handled in the first instance by the unit they apply to, but all complaints are recorded and followed up as necessary.

Aktia receives approximately 1,200 feedback messages and suggestions every year through the various channels. The content primarily applies to operational changes which in one way or another have affected customers. Based on the feedback in 2012-2016, 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 took 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.

An attractive workplace

Aktia aims at being the best financial advisor for families and their businesses. To achieve this goal good relationships with both our customers and staff are required. It is important for Aktia that staff 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.

Our values – responsible, safe and humane – permeate our entire business operation. They form the basis of how we treat our customers, colleagues, partners and other stakeholders.

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 2016 the proportion of certified salespeople at Aktia was approximately 55%. The other metric is employer recommendation. At the end of the year the readiness of staff to recommend Aktia as an employer was 80 (86.5)%. Our objective is that the proportion of certified salespeople should be above 90%, and the figure for employer recommendation should be above the Finnish average, 82%, at the end of the strategy period in 2018.

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.

In 2016 we focussed on staff training and development of internal processes to make the transition to the new core banking environment as smooth as possible. Over the year we have also continued investing in management training. All Aktia managers have taken part in management training tailored for the organisation. In conjunction with this training Aktia's management principles were also renewed.

Our materiality analyses show that issues related to staff have a high priority and are deemed essential for Aktia. The key aspects which were emphasised in the analyses related to continuing professional development, leadership and occupational health, equality and diversity, and remuneration.

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 strengthen the motivation of employees. Adequate skills are also important to wellbeing 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 4.0 (2.6) days in training in 2016. 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 2016 was approximately 4,100 (2,400). In addition to this approximately 20 e-learning courses were carried out. A total of just over 690 (650) employees participated in the training.

Aktia's training structure was overhauled for 2016 to correspond to the changes in the financial sector and future competency requirements. The renewed training structure for the sales organisation in the autumn of 2015 supports the role changes aimed at strengthening the financial advice. The purpose of this is also to raise the quality of training and simplify and standardise harmonise the training structure.

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 wellbeing surveys. The aim is to establish a working culture geared in on job satisfaction.

Staff wellbeing surveys have been undertaken at least twice a year since 2014. The aim of the Pulse survey is to gauge the current general mood of staff.

The results of the staff wellbeing surveys are used to continuously develop the business. The results of the Pulse survey in 2016 show that staff are very satisfied with their duties, workplace and management. 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.

Over the course of the year wide-ranging measures have been taken to reduce short periods of sick leave. Short periods of sick leave have been reduced appreciably through training, support and management tools.

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. Management training is based on Aktia's strategy and values and capacity for leadership in change. The response rate in Aktia's managerial assessment was 88 (91)%. The total manager index was 80.7 (79.1)%. The manager index in the Group has improved by 9.0 (7.3) percentage points since 2009, when the first managerial assessment on this scale was made.

In 2017 Aktia will invest in staff commitment to a greater degree and internal metrics will be renewed to support future initiatives.

Aktia employees place great importance on leadership in the organisation; the managers are expected to 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. As an employer, Aktia wants to offer its employees competitive remuneration.

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 2016 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 and where both the employees and the employer are represented. In addition, Aktia has an occupational safety committee. Both meet regularly over the course of the year.

In 2017 the Occupational Safety Committee and Cooperation Delegation will be merged in order to more effectively deal with common matters.

Aktia observes national legislation in all activities. In case of considerable changes in operations, Aktia complies with current labour legislation. According to law, in connection with a business transfer, the personnel shall be informed within a week from the transfer. At the commencement of negotiations, employee representatives shall be given a written proposal for negotiations at least five days prior to the negotiations.

Social commitment with a local orientation

Aktia has a strong local commitment which derives from the old savings bank tradition. Even 190 years ago, the bank's basic premise was to take care of the local community. The bank has always been active in social development. In each region in which Aktia operates, the company plays an important role in the local community, as employer and provider of financial services. Aktia's branches support a number of local cultural events as well as sports and association activities The Group co-operates with authorities, organisations, scientific societies, schools, and institutions of higher learning.

Support to society

Every year Aktia Group traditionally supports both culture and sport. For many years Aktia has worked together with Svenska Teatern and supports the theatre's activities. One of the larger child and youth initiatives that Aktia supports is the Relay Carnival. Every year the carnival gathers Swedish-speaking Finnish children and young people from all over Finland and for many years Aktia has been one of the main sponsors.

In 2016 Aktia sponsored the promising young rally driver Niclas Grönholm who is currently reigning Finnish champion.

Approximately 80% of the returns paid to Aktia and savings bank foundations are channelled back to society in the form of support and subsidies. Currently, there are 30 foundations. Practically all the Aktia and savings bank foundations made contributions to different forms of local activities in 2016. These contributions varied based on the size of the foundation, but the number of recipients remains stable. Recipients are active in areas such as child and youth activities, cultural activities, and education. Moreover, the foundations emphasise the importance of environmental responsibility and underpin a number of projects to that end. The foundations' contributions are essential to maintaining and developing these activities.

Aktia's collaboration with Dropp Water continued in 2016. DROPP offers sustainable, Baltic Sea friendly spring water to consumers in Finland. They donate 100% of their profits to the Baltic Sea Action Group and its commitment to save the Baltic Sea.

For a couple of years, Aktia has chosen not to give Christmas presents to the employees and instead make a donation to charity. The 2016 Christmas donation of EUR 10,000 was made to the Mannerheim League for Child Welfare (MLL) for work to prevent bullying. Using donations MLL can continue its long-term work to prevent bullying in schools and day nurseries. Today there are 11,000 support pupils in schools who help younger pupils to find friends and security. MLL trains support pupils and supervisors all over Finland and produces materials for schools and day nurseries. In addition MLL maintains its telephone helpline for children and young people, allowing them to tell an adult they can trust about their problems and get support.

Aktia is a part-owner of Women's Bank. Women's Bank is an association and fund supporting women's sustainable entrepreneurship and livelihood in developing countries. The funds given are used to finance projects that promote women's economic livelihood, skills and rights, to finance small loans, vocational training, other activities to encourage entrepreneurship and innovative pilot projects aimed at promoting women's entrepreneurship.

Cooperation with schools and organisations

During the year, Aktia has engaged in cooperation with schools and organisations relating to managing the individual economy by giving lectures at schools and by inviting groups to the branches and showing them how the digital services work. The objective is to increase the public's understanding for their personal economy and to facilitate their managing of their day-to-day banking activities using the various digital services available. Aktia also wishes to present the financial sectors as an attractive place to work.

In addition, Aktia participates in courses at secondary schools, vocational schools and polytechnics providing expertise in areas of entrepreneurship and the basics of entrepreneurship.

For several years Aktia has engaged in an active cooperation with the Arcada University of Applied Sciences by providing students an excellent opportunity to learn to know the financial services sector via a two-year trainee programme. Through the programme, the students are trained as customer advisers and often have the option to work at Aktia alongside their studies.

Aktia donates – either directly or in cooperation with the bank's ownership foundations – funds for grants to schools in order to promote and encourage study performance. An example is the City of Vantaa, where the city's primary and secondary schools and the Vocational College Varia and the Laurea University of Applied Sciences annually receive a total sum of EUR 25,000 for grants.

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 internet 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 banking tasks via the digital channels.

Environmental factors and sustainability issues are taken into consideration in Aktia's lending and investment activities. See pages 28-30.

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.

A stable and secure investment

Aktia's aim is to create a long-term and financially sustainable level of profitability that provides good returns for the owners. This value is created through a positive share price trend and stable dividend.

Aktia endeavours to be an attractive and stable investment for both domestic and foreign investors. A long-term and sustainable level of profitability is necessary to ensure good returns, strong creditworthiness and refinancing at favourable terms.

Aktia maintains transparent and regular reporting of the company's economic development and business activities to both shareholders and debt investors, ratings agencies, the media and analysts. The purpose of providing detailed information is to promote a better understanding of the business and thus minimise share price volatility.

Aktia should be perceived as a secure and sustainable long-term investment. For the past five years the price of the A series share has risen by 96%, and with reinvested dividends the return has been 149%.

Within the framework of its growth strategy Aktia has clearly defined and communicated its financial goals, the outcome and development of which are regularly reported in Aktia's financial statements and interim reports.

Aktia's current capital level and long-term capital adequacy target (a Common Equity Tier 1 Capital Ratio above 15%) exceed the current average level for banks in Finland. The stated objective of an improved cost-to-income ratio (-10%) describes Aktia's aim of achieving a cost effectiveness that is reasonable in relation to competing banks of a similar size, while growing at the same time. The target for return on equity (ROE above 9%) has been set taking into consideration Aktia's ambition for a relatively high level of capital, a generally conservative level of risk in the various business operations and a stable dividend to its owners.

Aktia Bank plc is listed on the Nasdaq Helsinki Ltd exchange.

Dividend

Aktia aims to pay out a stable dividend to its shareholders which, according to the dividend policy, is at least 50% of annual profit.

For 2016 the Board of Directors proposes a dividend of EUR 0.60 , of which EUR 0.08 are attributable to one-time gains during the year. This corresponds to a total dividend payout ratio of 81 (82)% of profit for the year. This corresponds to a dividend yield, calculated on the share price as at 31 December 2016, of 6.1 (6.2)% for A series shares.

Share price trend

Aktia's stock exchange value as at 31 December 2016 was EUR 720 (714) million. As at 31 December 2016, the closing price for an A series share was EUR 9.73 (10.31) and for an R series share EUR 13.40 (11.71). The highest closing price for an A series share was EUR 10.26 (12.07) and the lowest EUR 7.70 (9.33). The highest for the R series share was EUR 16.00 (13.49) and the lowest EUR 9.59 (10.45).

Total return

In the period from 31 December 2015 to 31 December 2016, the total return (with dividend reinvestment) on the Aktia series A share amounted to 1.7 (10.2)% and on the R series share to 20.0 (15.0)%. During 2016, the OMX Helsinki-25 index rose by 13.0 (12.0)%.

Turnover

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.

Average daily turnover in 2016 for A series shares dropped somewhat from the previous year to EUR 192,880 (EUR 188,556) or 21,028 (20,734) shares. For the A series share there were an average of 111 (110) transactions per day.

The average daily turnover of R series shares was still low but greater than the year before and was EUR 13,716 (EUR 5,412) or 1,124 (224) shares. There were an average of 2 (2) transactions per day.

Ownership structure

The number of registered shareholders at the end of the year was 41,791 (42,194). Of the shareholders number of shares, 12.5 (12.8)% were corporations; 11.6 (12.5)% financial institutions and insurance companies;10.6 (10.7)% public sector entities; 49.4 (49.6)% non-profit organisations; and 11.8 (10.9)% households. Foreign owners represented 2.8 (2.1)% of the shareholders.

The most part of shareholders, i.e. 68.5 (70.4)%, owned less than 100 shares. The shareholders holding 500,001 shares or more, i.e. 0.1% of all shreholders, owned a total of 67.2 (67.6)% of share capital and 82.0 (82.0)% of votes. Together, the three largest shareholders represent 26.1% of shares and 36.6% of votes. The foundation Stiftelsen Tre Smeder (8.89% of the share capital, 21.47% of the votes), Pension Insurance Company Veritas (8.68% and 10.52%) and The Society of Swedish Literature in Finland (8.49% and 4.65%).

At the end of December 2016, the paid-up share capital of Aktia Bank plc as entered in the Finnish Trade Register was EUR 163 million, divided into 46,706,723 series A shares and 19,872,088 series R shares.

Own shares retained by Aktia Bank plc as at 31 December 2016 amounted to 184,669 (142,112) series A shares and 6,658 (6,658) series R shares.

Equity policy

Aktia's goal is to have a Common Equity Tier 1 Capital Ratio that exceeds 15%. At year end 2016, this ratio (as calculated according to the IRB approach) was 19.5%. The Financial Supervisory Authority granted Aktia the permission to apply internal risk classification (IRBA) to the calculation of capital requirements for the credit risks of retail exposure from 31 March 2015. The positive effects of IRBA on the Common Equity Tier 1 Capital Ratio amounted to approximately 6 percentage points.

Communication with investors

The fundamental concept behind Aktia's communications is to regularly provide all stakeholders with reliable, up-to-date and transparent information about the Group's objectives, operations and development. Transparency is sought in all financial reporting.

Aktia publishes, without delay, all significant information relating to the Group's strategy and business operations. Aktia's responsibility to provide information consists of providing regular and continuous information. A responsibility to provide regular information relates to the company's duty to regularly publish information about the company's earnings trends. This covers annual accounts and reports by the Board of Directors as well as interim reports. The publishing dates for reports covered by the responsibility to provide regular information are to be disclosed before the end of the previous accounting period.

A responsibility to provide continuous information relates to the company providing information regarding factors that, in the judgement of the company, could substantially affect the value of the company's securities. In accordance with the new regulation on market abuse, which came into force on 1 July 2016, Aktia also publishes stock exchange releases on transactions carried out by parties related to Aktia or in leading positions.

With environmental impact and efficiency issues in mind, Aktia has sent the annual report and the interim reports only to those stakeholders who have expressed the wish to receive them in printed format. The annual reports, interim reports and other investor information are available on www.aktia.com.

Report by the Board of Directors

New CEO for Aktia

Aktia Bank plc's Board of Directors appointed Martin Backman as new Chief Executive Officer for Aktia on 8 September 2016. Backman, M.Sc. (Technology) and M.Sc. (Economics), has a strong background from management positions on the capital markets both in Finland and in Sweden. Backman- started as CEO on 6 March 2017. Until then, Jussi Laitinen continued as CEO. Backman was earlier President and CEO of Finnish Industry Investment Ltd.

Acquisition of minority shares in Aktia Real Estate Mortgage Bank

In October 2015, Aktia Bank gave notification that the bank has entered an agreement to purchase the minority shareholders' shares in the bank's subsidiary Aktia Real Estate Mortgage Bank plc. According to the agreement, the conveyance of shares was to take place at the beginning of 2017. Both the seller and the buyer found that the measures planned at that time to be completed before the conveyance of shares had, however, already been completed to a sufficient extent, and the conveyance of shares was executed on 23 September 2016 by the parties. The transaction had no significant impact on Aktia's capital adequacy or the result for 2016. The Board of Directors of Aktia Bank plc did in October 2016 approve a plan to merge Aktia Real Estate Mortgage Bank with the parent company Aktia Bank. The merger took place on 28 February 2017.

Implementation of the new core banking platform step-by-step will commence during the first quarter of 2017

Implementation of the new core banking system step-by-step will commence during the first quarter of 2017.

The total investment, including migration costs, is estimated to exceed EUR 65 million, and the total activated investment costs for the project are estimated to amount to approximately EUR 55 million. At the end of December 2016, the activated investment costs amounted to EUR 54 million.

The new core banking systems will bring more efficient processes and modernised work approaches. The core banking platform will also be a base for continued development of digital services.

The implementation step-by-step implies higher running IT costs in the first quarter of 2017. The cost savings brought by the new core banking platform will materialise gradually from the second quarter of 2017 onwards.

The divestment of holdings in Visa Europe brought one-time gains for Aktia

The sale of Visa Europe to Visa Inc. was executed on 21 June 2016, resulting in one-time gains of EUR 6.9 million. In addition to the cash consideration, Aktia received preference shares in Visa Inc. to an estimated market value of EUR 1.1 million per 31 December 2016, that have been booked in the fund at fair value after the deduction of deferred tax. Aktia Bank was a part owner of Visa Europe and brokered Visa Europe's card services. Besides upfront consideration for the transaction, an additional earn-out may be paid after 4 to 12 years. Further, Aktia Bank may receive shares of considerations paid to other Visa part owners, the card products of which Aktia Bank has brokered. The final amount of consideration depends on a number of legal and other uncertain factors, such as profitability of Visa Europe and continued operations of Visa Inc, development of Visa Inc's shares, development of USD exchange rate, outcome of certain legal proceedings etc.

Aktia carried out codetermination negotiations

Aktia Bank plc carried out codetermination negotiations in its sales organisation in January–February 2016. The negotiations resulted in a staff reduction of approximately 55 persons. The reduction of staff generated a one-off cost of EUR 1.4 million, of which EUR 1 million was booked in the last quarter of 2015 and EUR 0.4 million in the first quarter of 2016. The estimated annual cost savings amounts to approx. EUR 2 million.

Aktia Life Insurance started to apply Solvency II transitional measures

The Financial Supervisory Authority granted Aktia Life Insurance Company Ltd permission to apply transitional measures for calculation of technical provision within the Solvency II framework entered into force on 1 January 2016. Taking the transitional measures into consideration, the solvency ratio is 179.4% of the solvency capital requirement (SCR), whereas the corresponding solvency ratio was 175.8% on 31 December 2015. The permission granted by the Financial Supervisory Authority has no impact on the Aktia Bank Group's capital adequacy, operating profit or ability to pay dividends.

Business environment

The prolonged period of low growth, political uncertainty and negative interest rate environment have lowered profitability of the banking sector and yields from the institutional investment market. There is still political uncertainty concerning Brexit and the future elections in France, the Netherlands and Germany. The refugee crisis is still overshadowing Europe. Simultaneously, a stronger GDP is expected in several European countries.

According to Statistics Finland, inflation was 1.0 (-0.2)% in December. In November, the index stood at 0.7 (-0.2)%, and in October at 0.5 (-0.3)%. Higher inflation was due to increases in the vehicle tax, hospital and dental fees, as well as higher costs for single-family residences. The average inflation rate for 2016 was 0.4%.

The index of consumer confidence in the economy continued to strengthen in the autumn, reaching 19.5 (2.4) in December. Consumer confidence has not reached this level since February 2011. In October consumer confidence was 15.8 (1.3), and it improved to 17.6 (4.7) in November. The long-time average was 11.7. (Statistics Finland)

During the fourth quarter, housing prices in Finland increased by 1.2% on the previous year. In the Helsinki region, prices went up by 2.6%, and in the rest of Finland prices went down by 0.1%. (Statistics Finland)

Unemployment decreased from the previous year, amounting to 7.9 (9.2)% in December. There were 34,000 more employed than in the previous year. During the last quarter of the year, unemployment was 8.0%, approximately 0,7 percentage points lower than a year ago. (Statistics Finland)

The OMX Helsinki 25-index increased by approximately 13% in 2016, and the Nordic banking sector index somewhat more, by approximately 17%. The price of Aktia's series A share decreased by approximately 4% during 2016.

Key figures Y-o-y	2017E*	2016E*	2015
GDP growth, %			
World	3.5	3.1	3.2
Euro area	1.5	1.6	1.6
Finland	1.0	0.9	0.2
Consumer price index, %			
Euro area	1.0	0.3	0.0
Finland	1.0	0.3	-0.2
Other key ratios, %			
Development of real value of housing in Finland[1]	0.9	0.9	-0.6
Unemployment in Finland[1]	8.6	8.8	9.3
Interest rates[2], %			
ECB	0.00	0.00	0.00
10-y Interest rate, Finland	0.60	0.40	0.92
Euribor 12 months	-0.05	-0.05	0.06
Euribor 3 months	-0.30	-0.30	-0.13

* Aktia's chief economist's prognosis (23 January 2017)

[1]annual average

[2]at the end of the year

Rating

Standard and Poor's upgraded its view on Aktia Bank plc's outlook to stable (previously negative) on 16 November 2016 and also confirmed its rating of Aktia's creditworthiness at A- for long-term borrowing and A2 for short-term borrowing.

Moody's Investor Service upgraded Aktia Bank plc's outlook to positive on 4 July 2016 (previously stable). Aktia Bank plc's credit rating remained unchanged at A3 for long-term borrowing, P-2 for short-term borrowing and C- for financial strength. The bank's Baseline Credit Assessment (BCA) also remained unchanged (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 61.5 (64.2) million. The Group's profit was EUR 49.3 (51.6) million.

Income

The Group's total income increased by 1% and amounted to EUR 211.3 (208.4) million.

During the year, interest rates continued to decrease and net interest income decreased by 2%, amounting to EUR 95.6 (97.3) million. Net interest income from traditional borrowing and lending operations improved by 6% to EUR 60.8 (57.4) million. Derivatives and fixed-rate instruments are used to manage interest rate risk. Their proportion of net interest income increased to EUR 35.4 (32.3) million. Net interest income from other treasury operations decreased to EUR -0.6 (7.7) million.

Net commission income was at the same level as last year and amounted to EUR 79.7 (80.0) million. Commission income from mutual funds, asset management and securities brokerage decreased by 1% to EUR 44.1 (44.8) million. Card and other payment service commissions increased by 6% and amounted to EUR 20.4 (19.2) million. Commission income from real estate agency increased by 6% and amounted to EUR 7.1 (6.7) million.

Net income from life insurance amounted to EUR 24.7 (24.9) million. The actuarially calculated result is higher than in the previous year, while the net income from investments has decreased.

Net income from financial transactions was EUR 8.3 (3.7) million. The accounting period includes one-time gains of EUR 6.9 million from the sale of Visa Europe to Visa Inc. Net income from hedge accounting was EUR -2.0 (-0.1) million, including costs of EUR 1.6 million arising from the phasing out of Aktia Real Estate Mortgage Bank.

Other operating income was EUR 3.1 (2.8) million.

Expenses

Operating expenses increased by 3% and was EUR 148.4 (144.4) million.

Staff costs amounted to EUR 72.3 (72.7) million. IT-related expenses increased by 6% to EUR 28.4 (26.9) million due to higher operating costs and delayed implementation of the core banking platform. Other operating expenses increased by 8% to EUR 39.6 (36.8) million. The main increase in expenses is due to training for the implementation of the new core banking system, card production costs, purchase of advisory services and marketing expenses.

Depreciation of tangible and intangible assets amounted to EUR 8.2 (8.1) million.

Write-downs on credits and other commitments

Write-downs on credits and other commitments amounted to EUR -2.2 (-0.3) million. The reference period includes a reversal of a previous write-down related to one large individual customer entity.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total at the end of December was EUR 9,486 (9,882) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 1,794 (2,295) million. The liquidity portfolio was financed with repurchase agreements to a value of EUR 146 (163) million.

At the end of December, the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow of finance from the wholesale market for 40 months.

Aktia Bank is committed to guarantee the liquidity of its subsidiary Aktia Real Estate Mortgage Bank up to EUR 20 (previously 550) million.

The Liquidity Coverage Ratio (LCR) was 209%.

Liquidity coverage ratio (LCR)	**31 Dec 2016**	**31 Dec 2015**
LCR %	209%	275%

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

Borrowing

Borrowing from the public and public sector entities increased and amounted to EUR 4,164 (3,922) million, corresponding to a market share of deposits of 3.7 (3.8)%.

In total, the value of the bonds issued by Aktia Group was EUR 2,477 (3,033) million. Of these, EUR 118 (776) million was covered bonds issued by the Aktia Real Estate Mortgage Bank. The equivalent amount for Aktia Bank was EUR 1,567 (1,514) million. As security for the issues, bonds with a value of EUR 2,103 million were reserved at the end of December.

Certificates of deposit issued by Aktia Bank amounted to EUR 0 (12) million at the end of the year. During the year Aktia Bank issued new subordinated debts with a total value of EUR 49 million.

Lending

Total Group's lending to the public amounted to EUR 5,717 (5,856) million at the end of December, a decrease of EUR 139 million. Aktia's own loan book increased by EUR 416 million (8%) and amounted to EUR 5,499 (5,083) million. The loans brokered by savings banks and POP Banks decreased by 72% and amounted to EUR 219 (774) million.

Loans to private households, including mortgages brokered by savings banks and POP Banks, accounted for EUR 4,790 (5,177) million or 83.8 (88.4)% of the total loan book.

The housing loan book totalled EUR 4,482 (4,736) million, of which the share for households was EUR 4,077 (4,453) million. Aktia's new lending to private households increased by 14%, totalling EUR 707 (620) million. At the end of December, Aktia's market share in housing loans to households stood at 4.1 (4.1)%.

Corporate lending accounted for 9.5 (7.1)% of Aktia's loan book. Total corporate lending amounted to EUR 543 (414) million. Loans to housing associations totalled EUR 340 (222) million and made up 5.9 (3.8)% of Aktia's total loan book. In accordance with Aktia's growth strategy, lending to housing companies increased by 53% (EUR 118 million) during the year. 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 2016**	**31 Dec 2015**	**Δ**	**Share,%**
Households	4,790	5,177	-388	83.8%
Corporates	543	414	128	9.5%
Housing companies	340	222	118	5.9%
Non-profit organisations	40	41	-1	0.7%
Public sector entities	5	1	4	0.1%
Total	**5,717**	**5,856**	**-139**	**100.0%**

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Bank Group and other interest-bearing investments amounting to EUR 1,794 (2,295) million, the life insurance company's investment portfolio amounting to EUR 600 (609) million and the real estate and equity holdings of the Bank Group amounting to EUR 9 (8) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,162 (1,130) million, of which EUR 719 (662) million were unit-linked. Interest-related technical provisions amounted to EUR 443 (468) million.

Equity

The Aktia Group's equity amounted to EUR 613 (615) million. The fund at fair value decreased by EUR 8 million to EUR 67 (75) million during the year.

Commitments

Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees, increased by EUR 202 million and amounted to EUR 528 (326) million.

Managed assets

The Group's total managed assets amounted to EUR 10,769 (10,133) million.

Assets under management (AuM) comprise of 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 unit. The assets presented in the table below reflect net volumes, so that AuM in multiple companies has 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 2016	31 Dec 2015	Δ%
Assets under Management (AuM)	8,063	7,138	13%
Group financial assets	2,706	2,994	-10%
Total	**10,769**	**10,133**	**6%**

Capital adequacy and solvency

At the end of the year, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank plc and all its subsidiaries except Aktia Life Insurance Ltd) was 19.5 (20.7)%. After deductions, Common Equity Tier 1 capital decreased by EUR 23.7 million during the year. The decrease is mainly attributable to the increase of intangible assets and other deductible items. At a total, risk-weighted commitments decreased by EUR 1.1 million. During the accounting period, risk-weighted commitments grew in corporate lending due to an increase of lending. Simultaneously capital requirements for housing loans decreased due to the phasing out of Aktia Real Estate Mortgage Bank plc.

Aktia Bank Group applies internal risk classification (IRB) to the calculation of capital requirement for retail and equity exposures. For other exposures the standardised approach is used. A total of 56 (58)% of the Bank Group's exposures are calculated according to the IRB approach. The work continues on migration to internal models for exposures to corporates and credit institutions.

Capital adequacy, %	31 Dec 2016 IRB	31 Dec 2015 IRB
Bank Group		
CET1 Capital ratio	19.5	20.7
T1 Capital ratio	19.5	20.7
Total capital ratio	26.3	27.1
Aktia Bank		
CET1 Capital ratio	16.1	18.6
T1 Capital ratio	16.1	18.6
Total capital ratio	21.7	24.6
Aktia Real Estate Mortgage Bank		
CET1 Capital ratio	193.9	79.5
T1 Capital ratio	193.9	79.5
Total capital ratio	193.9	79.5

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 decision on the requirement (21 December 2016) 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. However, the board of the Financial Supervisory Authority informed that preparations continue to introduce a minimum level of 10% for the average risk weight on residential mortgage loans from credit institutions that have adopted the IRB approach. The minimum level will come into force on 1 July 2017 at the latest. At the end of the year, Aktia Bank Group's average risk weight on retail exposures with real estate collateral calculated according to the IRB approach was 14 (15)%.

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 0.03% as per 31 December 2016, taking the geographic distribution of exposures into account. In accordance with the Credit Institutions Act, the Financial Supervisory Authority has defined Other Systemically Important Institutions (O-SIIs) in Finland, and set buffer requirements for them. The requirements entered into force at the beginning of 2016. No O-SII buffer requirement was set for Aktia. Taking all buffer requirements into account, the minimum capital adequacy level for the Bank Group was 10.53% at the end of the year.

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 (so-called 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 CET 1 capital. The requirement enters into force as of 30 June 2017, increasing both the Bank Groups minimum requirements for capital adequacy and the conglomerate's capital requirements.

Aktia's target for Common Equity Tier 1 capital ratio (CET1) is 15% at a minimum, which exceeds regulatory requirements by a good margin.

Aktia Bank Group's leverage ratio was 4.7 (4.7)% calculated based on end of quarter figures.

Leverage Ratio*	31 Dec 2016	31 Dec 2015
Tier 1 capital	390	413
Total exposures	8,206	8,814
Leverage Ratio, %	**4.7**	**4.7**

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

As of 1 January 2016, the life insurance company follows the Solvency II directive, in which the solvency calculations deviate considerably from previous requirements. The most important difference, is that technical provisions are now 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.

As at 31 December 2016, SCR amounted to EUR 80.6 million, MCR to EUR 24.4 million and the available capital to EUR 144.7 million. Thus the solvency ratio was 179.4%. Without the transitional measures, SCR amounted to EUR 80.8 million, MCR to EUR 26.7 million and the available capital to EUR 87.9 million. The solvency ratio without transitional measures was 108.7%.

The financial conglomerate's capital adequacy ratio was 188.6 (226.7)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%. Capital adequacy decreased due to higher capital requirements for the insurance business due to the Solvency II framework, entered into force on 1 January 2016.

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)	2016	2015	Δ %
Banking Business	42.2	52.3	-19%
Asset Management & Life Insurance	21.7	22.0	-1%
Miscellaneous	-3.2	-11.3	72%
Eliminations	0.7	1.2	-38%
Total	**61.5**	**64.2**	**-4%**

Banking Business

The segment Banking Business contributed EUR 42.2 (52.3) million to Group operating profit.

Operating income was EUR 163.7 (169.2) million, of which EUR 95.3 (97.0) 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, Treasury's liquidity portfolio shows a decrease in interest income due to lower interest rates and yield level.

Net commission income remained on the same level as last year and was EUR 65.2 (65.3) million. Commission income from card and payment services increased compared to the previous year, whereas commission income from borrowing and lending, mutual funds and asset management as well as the insurance business decreased. Commission income from Aktia Real Estate Agency rose to EUR 7.1 (6.7) million.

Net income from financial transactions was EUR 1.4 (3.8) million, including costs of EUR 1.6 million arising from the phasing out of Aktia Real Estate Mortgage Bank.

Operating expenses were higher than the year before and totalled EUR 119.3 (116.6) million. Staff costs amounted to EUR 57.8 (57.4) million. IT-related expenses totalled EUR 23.6 (24.1) million. Other operating expenses increased to EUR 32.2 (29.3) million. The increase in other operating expenses is mainly attributable to increased expenses for card production and training pertaining to the implementation of the new core banking platform as well as transfer tax related to the phasing out of Aktia Real Estate Mortgage Bank.

Write-downs on credits and other commitments amounted to EUR -2.2 (-0.3) million. The reference period includes a reversal of a previous write-down related to one large individual customer entity. Included in write-downs for the year is an increase of group write-downs of EUR 0.4 million.

Total savings by households increased to EUR 4,412 (4,310) million, of which household deposits were EUR 3,032 (3,017) million and savings by households in mutual funds were EUR 1,380 (1,293) million.

Aktia's lending to private households increased to EUR 4,580 (4,421) million. The transfer of mortgages brokered by Aktia from Aktia Real Estate Mortgage Bank was completed during the third quarter. Due to the intensified transfer of loans to the local banks, Aktia Real Estate Mortgage Bank's total lending decreased by EUR 638 million to EUR 219 (857) million. The corporate customer loan book increased and was EUR 543 (414) million.

Aktia Private Banking, which offers comprehensive individual investment services and legal advice, increased its client base by 9%. Private Banking's assets under management increased by approximately 12% and amounted to EUR 2,152 (1,923) million.

The Premium concept for private customers was renewed at the beginning of 2016. The number of Premium customers increased, standing at approximately 17,100 (13,000) at year-end.

Asset Management & Life Insurance

The segment Asset Management & Life Insurance contributed EUR 21.7 (22.0) million to Group operating profit.

Operating income for the segment was at the same level as previous year and was EUR 46.0 (46.3) million. The capital market recovered from the uncertainty caused by Brexit and the presidential election in the US, developing positively during the second half of the year. The positive market development has turned the trend upwards, with increased sales and income as a result. At the end of December, Aktia Fund Management Company's investment fund stock reached an all-time high, over EUR 4 billion. Net commission income from asset management amounted to EUR 24.8 (24.5) million and net income from life insurance to EUR 21.2 (21.6) million.

Premiums written within the life insurance business decreased by 36% year-on-year and amounted to EUR 112.0 (174.4) million. The decrease is attributable to unit-linked savings policies, including sales of Aktia Profile and Allocation service+. The Aktia Profile investment service and the Allocation service+ contributed 56 (66)% to premiums written.

Net income from life insurance investment activities amounted to EUR 17.6 (18.3) million. Lower running returns from investments were compensated by lower write-downs and higher sales gains in the investment portfolio. The return on the company's investments based on market value was 3.6 (1.6)%.

Operating expenses remained on the same level as last year and was EUR 24.3 (24.3) million. Staff costs amounted to EUR 11.5 (11.4) million. The expense ratio for the life insurance business was at a good level, 81.9 (83.8)%.

The value of assets under managed by Aktia Asset Management & Life Insurance totalled EUR 6,523 (5,788) million.

(EUR million)	31 Dec 2016	31 Dec 2015	Δ%
Aktia Fund Management	4,238	3,764	13%
Aktia Asset Management	6,796	6,011	13%
Aktia Life Insurance	723	667	8%
Eliminations	-5,233	-4,655	12%
Total	**6,523**	**5,788**	**13%**

Life insurance technical provisions totalled EUR 1,162 (1,130) million, of which allocations for unit-linked provisions were EUR 719 (662) million and interest-related provisions EUR 443 (468) million. Unit-linked provisions continued at a high level, amounting to 62 (59)% 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 amounted to EUR -3.2 (-11.3) million.

Operating income totalled EUR 9.0 (-0.5) million for the year. The sale of Visa Europe to Visa Inc. was executed in June, resulting in one-time gains of EUR 6.9 million. The reference period was burdened by sales losses of EUR 0.9 million from the sale of real estate holdings and from the divestment of further 24% of Aktia Bank's holdings in Folksam Non-Life Insurance ltd.

Operating expenses amounted to EUR 12.2 (10.8) million, of which staff costs accounted for EUR 3.0 (3.8) million. The segment's IT expenses after cost allocations to other segments were EUR 2.7 (0.9) million. The increase in expenses is primarily related to the delay in the implementation of the new core banking platform. Of the provision for the change of core banking system, a total of EUR 0.9 (1.2) million has been released in the accounting period. At the end of December, EUR 1.4 (2.3) million remain of the provision. Depreciations amounted to EUR 2.0 (1.6) million. The segment's other operating expenses totalled EUR 4.6 (4.5) million.

Valuation of financial assets

Value changes reported through the income statement

Write-downs on financial assets amounted to EUR -0.9 (-3.2) million, attributable to permanent impairment of the value of interest and real estate funds and small private equity holdings.

Write-downs on financial assets

(EUR million)	2016	2015
Interest-bearing securities		
Banking Business	-	-
Life Insurance Business	-0.1	-
Shares and participations		
Banking Business	0.0	0.0
Life Insurance Business	-0.8	-3.2
Total	**-0.9**	**-3.2**

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 67.3 (75.1) million after deferred tax.

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

The fund at fair value

(EUR million)	31 Dec 2016	31 Dec 2015	Δ
Shares and participations			
Banking Business	1.3	-0.1	1.5
Life Insurance Business	4.2	3.1	1.2
Direct interest-bearing securities			
Banking Business	14.5	24.1	-9.6
Life Insurance Business	47.3	48.0	-0.7
Cash flow hedging	-0.1	0.1	-0.2
Fund at fair value, total	**67.3**	**75.1**	**-7.8**

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consists of during earlier years reclassified interest-bearing securities. Most of the reclassified securities have an AAA rating. During the year new acquisitions of EUR 13 million were made to the portfolio which, on 31 December 2016, amounted to EUR 445 (482) 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 result in net interest income up until the end of 2019. In 2017, the positive impact on net interest income will amount to approximately EUR 14 million. The remaining positive impact on the result, amounting to approximately EUR 13 million, will mainly be recognised in the years 2018–2019.

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.

The Group's risk positions and risk management

General

The Group focuses primarily on banking, asset management and life insurance operations, and real estate agency services. Risks and risk management are thus a substantial part of Aktia's operating environment and business activities. The main areas of risk are credit, interest and liquidity risks in the Bank Group, interest and other market risks and insurance 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 pursues a conservative lending policy based on the debtor's ability to repay the debt. The majority of the loan book comprises loans to households with real estate collateral. Customers' ability to pay is stressed against a higher calculatory interest rate than the actual rate, and in the assessment of collateral a reasonable price reduction is taken into account.

Corporate lending focuses on risk management. Creditworthiness is assessed in a process comprising analyses of the company's business operations and business environment as well as projections of the company's ability to repay the debt. Further, collateral arrangements and contractual terms are considered. Aktia focuses especially on training in the assessment of creditworthiness of companies. A major project for employee training concerned analyses and projections of the financial position and business opportunities of companies was carried out. At the end of the year, the organisation for sales of corporate credits was reorganised into a group of specialists working in Aktia's whole operating area.

As at 31 December 2016, loans to households accounted for 83.8 (88.4)% of the total loan book, while corporate lending accounted for 9.5 (7.1)%. The total loan book amounted to EUR 5,987 (5,856) million as at 31 December 2016. Credit quality continued on a high level, and for instance credits past due more than 90 days amounted to EUR 46 (44) million during the year, and made up 0.79 (0.75)% of the total loan book at the end of the year.

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 high-level external ratings, conservative allocation, contract based collateral arrangements and daily valuation and exchange of collaterals.

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 imbalances between reference rates and repricing of assets and liabilities.

In the banking business, the structural interest rate risks and especially the risk of sustained low interest rates have been actively managed through the business arrangements, following the nature of the current market situation either through or as a combination of, hedging derivatives and investments in the liquidity portfolio. The Bank Group's liquidity portfolio and other interest-bearing investments stood at EUR 1,794 (2,295) million at year-end. Of the Bank Group's liquidity portfolio and other interest-bearing securities, 50 (57)% constituted investments in covered bonds, 16 (16)% constituted investments in banks, 34 (27)% constituted investments in public sector entities including state-guaranteed bonds and supranational counterparties and approximately 0 (0)% were investments in corporates.

The migration to Solvency II is completed, and the share of direct interest rate investments has been gradually increased. Of the investment portfolio which stood at EUR 600 (609) million, 85.6 (86.1)% constituted investments in interest-bearing securities, 14.0 (13.4)% constituted investments in real estate holdings and 0.4 (0.5)% alternative investments.

Financing and liquidity risks

The Bank Group's liquidity situation was very good at year-end, corresponding to outgoing cash-flow for 40 months without any new market borrowing. At year-end Aktia Bank's outstanding long-term covered bonds amounted to a total of EUR 1,540 (1,500) million. There was no need to issue further long-term senior financing without collateral, which amounted to EUR 769 (789) million at year-end.

The opportunity to emit further long-term covered bonds gives Aktia Bank a significant unused liquidity reserve. At year-end, Aktia Bank's covered housing loan receivables amounted to a total of EUR 4,280 (3,989) million.

Operational risks

Due to its scale and impact on business operations, the ongoing work to implement a new core banking system is associated with significant operational risks. To reduce these risks, risk assessment is carried out and identified risks are dealt with continuously. Possible outcomes of operational risks in connection with the migration to the new core banking system may also cause outcomes of business risks.

As a result of the digitisation of service channels, and the fact that the bank is responsible for the IT production processes of these, incidents and technical problems in IT systems present serious operational risks for Aktia. Data security arrangements as well as continuity plans are the basis of risk management to guarantee the operation of processes. The bank may also be targeted in incidents concerning information security, such as phising for online bank user codes or spreading malware. In 2016 we had some phising incidents, but no losses incurred. Aktia has standardised methods in place to handle these incidents and cooperates with the authorities in order to take legal action against the perpetrators.

Further details on the Group's risk positions, capital and capital adequacy are presented in Note G2.

Aktia Group's internal control and risk management, including requirements on disclosure, are presented in greater detail in the Group's Capital and Risk Management Report, which is published separately from the Annual Report on the website 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 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.

Further information on events concerning related parties is given in note G44 to the Financial statements 2016. No significant changes concerning related parties occurred during the year.

Growth 2018

The present strategy of the Aktia Group "Growth 2018" was adopted during the first quarter of 2015. The bank's strong capital adequacy ratio and balance sheet enable growth. According to the new strategy, Aktia focuses mainly on services for private customers and their families, but also on family businesses and owner-operated companies. Aktia will also continue to strive for efficient and customer-friendly service in both branches and digital channels.

During the strategy period, Aktia Bank will increase lending to corporate customers and housing companies. As from March 2015, Aktia participates in the European Central Bank's long-term refinancing operations (TLTRO), which has enabled Aktia to offer financing with favourable terms. Aktias objective is to double the annual number of new customers before the end of 2018. The number of new private and corporate customers was 2,000 (1,300) in 2016. In 2017, the objective is an increase of 3,000 new private and corporate customers.

Measures still to be completed from the Group's previous strategy "Action Plan 2015" are the migration to the new core banking platform, final phasing out of Aktia Real Estate Mortgage Bank plc and the process improvements that the new core banking system will bring. These measures will be implemented in 2017 within the framework of Aktia's present strategy "Growth 2018".

Other events during the year

Aktia Bank plc divested 135,920 Series A treasury shares as payment of remuneration for the Board of Directors and deferred instalments under Share Based Incentive Scheme 2011, earning periods 2011–2012, 2012–2013, 2013–2014 and earning period 2014-2015, to 16 key employees included in the share-based incentive scheme.

Aktia Bank plc divested further 6,523 Aktia series A shares held by the company to the company's 28 members of the Board of Supervisors as payment of 35% of the annual remuneration 2016 for members of the Board of Supervisors in the form of Aktia A shares, as decided by the Annual General Meeting 12 April 2016.

During the period from 7 September to 13 December 2016, Aktia Bank purchased a total of 185,000 of its own series A shares in public trading in compliance with the rules of NASDAQ Helsinki Oy. The acquired treasury shares have, and will continue to be used for the company's share-based incentive scheme and/or for the remuneration of members of the company's administrative bodies, mainly in 2017.

At the end of December the number of Serie A treasury shares held by the company was 184,669 and the number Serie R shares 6,658.

Aktia strengthened its know-how in mobile payments through the acquisition of Elisa Rahoitus Oy, a subsidiary of Elisa Corporation. The company's name has been changed to Aktia Finance Ltd. The net purchase price of EUR 1,0 million was paid in cash, and the acquisition had no significant effect on Aktia Bank plc's result or financial position The service "Elisa Lompakko" (current Aktia Wallet), launched in 2012, was the first mobile payment service in Europe, transmitting payment messages instantly from one user to another. The service will remain unchanged after the acquisition.

On 12 May 2016 at its first meeting following the ordinary annual general meeting 2016, the Board of Supervisors of Aktia Bank plc re-elected Honorary Counsellor Håkan Mattlin as the Chair of the Board of Supervisors. Christina Gestrin, Patrik Lerche, Clas Nyberg and Jan-Erik Stenman were re-elected as Deputy Chairs. The Board of Supervisors' Chair and the Deputy Chairs are presiding officers tasked with drawing up matters to be dealt with by the Board of Supervisors such as preparing the election of the Board of Directors.

On 9 May 2016, the Board of Directors of Aktia Bank plc decided to add the new board member Christina Dahlblom to the Remuneration and Corporate Governance Committee. At the same time, Nina Wilkman informed that she will resign from her post as member of the Remuneration and Corporate Governance Committee. Thus the members of the Board of Directors' Remuneration and Corporate Goveranance Committe are Dag Wallgren (Chair), Christina Dahlblom and Catharina von Stackelberg-Hammarén.

Aktia and R-kioski came to an agreement in April to expand their cooperation, and Aktia took over R-kioski's payment transaction services during the summer 2016. The cooperation between Aktia and R-kioiski commenced in December 2015 when the R-kioski convenience stores started to sell Aktia's Mastercard Prepaid cards. Aktia is developing its range of products and services in different channels, and cooperation with R-kioski allows us to offer the most popular products in a very extensive distribution network.

On 8 April 2016 it was 190 years since the day Helsinki Savings Bank received its first deposits, being the first savings bank in the capital of Finland. Thus, Aktia is the oldest savings bank in Finland, and the oldest still operating bank in Finland, which vouches for traditions, stability, experience and good knowledge of our customers. Aktia of today was founded 25 years ago, in 1991, when seven Swedish-speaking and Swedish-Finnish bilingual banks in the coastal areas of Finland and Helsinki Savings Bank, after the bank crisis, decided to found a new bank together.

Aktia's former Senior Advisor and long-standing Chief Economist Timo Tyrväinen, was on 6 April 2016 conferred the certificate Certified Business Economist (TM) as the first person in Finland. CBE (TM) is a new certificate launched in the autumn of 2015, and owned by the American National Association for Business Economics (NABE).

In March, Morningstar chose Aktia, as the only Finnish service provider, as one of the top three in the category of the best interest asset manager in Morningstar's Finland Awards 2016. In the category of the best interest fund, Aktia's Corporate Bond+ was the only interest fund managed by a Finnish servicer provider, which made it to the top three. Aktia was the best interest asset manager in 2012, 2013 and 2014.

Aktia Bank lowered its prime rate by 0.25 percentage points from 1.00% to 0.75%. The new interest rate entered into force 1 March 2016. The change was due to the decrease of market rates. Previously, Aktia has lowered its prime rate in November 2014.

Events after year-end

Aktia Bank announced 31 January 2017 that the current administration model, in which a Board of Supervisors is included, will be reconsidered. The responsibility to appoint the bank's Board of Directors would then be transferred from the Board of Supervisors to the Annual General Meeting, and the appointments would be prepared by a Nomination Committee. The planned schedule for transition to a simplified administration model is September 2017, when the bank aims to hold an extraordinary Annual General Meeting to decide on changes in the articles of association.

Deputy Managing Director Carl Pettersson has on 26 January 2017 informed that he will resign from Aktia to become Managing Director of Veritas Pension Insurance. Carl Pettersson will continue in his present position and as member of Aktias Executive Committe until 25 April 2017.

Aktia Bank plc has on 12 January 2017, supported by a decision taken by the company's Board of Directors, divested 48,313 series A treasury shares held by the company for payment of deferred instalments mainly for the earning periods 2012–2013, 2013–2014 and 2014–2015 under the share-based incentive scheme to 16 key persons included in the share-based incentive scheme.

Following the divestment the number of Series A treasury shares is 136,356 and Series R treasury shares 6,658.

Personnel and personnel fund

At the end of December 2016, the total number of full time employees in Aktia Group stood at 903 (920). The average number of full-time employees for the year was 925 (936).

The personnel fund of Aktia Group is a remunerations system including all personnel with the exception of the members of the Executive Committee. Aktia Bank plc's Board of Directors has confirmed that the profit sharing provision for the personnel fund for 2016 is EUR 3 million at a group operating profit of EUR 80 million. If the group operating profit amounts to a minimum of EUR 50 million, the profit sharing provision is EUR 250,000 and increases thereafter with an amount corresponding to 10% of the group operating profit exceeding EUR 50 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 > Corporate Governance > Remuneration.

Board of Directors and Executive Committee

Aktia Bank plc's Board of Directors for 1 January - 31 December 2016:
Chair Dag Wallgren, M.Sc. (Econ.)
Vice chair Nina Wilkman, LL.M.
Christina Dahlblom, M.Sc. (Econ.) (1 April–31 December 2016)
Stefan Damlin, M.Sc. (Econ.)
Sten Eklundh, M.Sc. (Econ.)
Kjell Hedman, Business Economist
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)
Lasse Svens, M.Sc. (Econ.)
Arja Talma, M.Sc. (Econ.), eMBA

Aktia Bank plc's Board of Directors for 1 January - 31 December 2017:
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

On 8 December 2016, the Board of Supervisors decided on the annual remuneration for the Board of Directors for 2017:

- Annual remuneration, chair, EUR 61,200
- Annual remuneration, vice chair, EUR 34,650
- Annual remuneration, member, EUR 27,140

Of the annual remuneration 40% shall be paid in the form of Aktia A shares. The remuneration per attended meeting was kept unchanged at EUR 500 and EUR 1,000 per committee meeting for chairs of committees.

Aktia's Executive Committee comprises Managing Director Jussi Laitinen (up until 5 March 2017), Deputy Managing Director and Managing Director's alternate Taru Narvanmaa, Deputy Manging Director Carl Pettersson (until 25 April 2017), Director Mia Bengts, Director Juha Hammarén, Director Anssi Rantala, Director Fredrik Westerholm and Director Magnus Weurlander.

Martin Backman, M.Sc. (Technology) and M.Sc. (Economics), was appointed as new Chief Executive Officer for Aktia Bank plc on 8 September 2016, and he took office on 6 March 2017.

Proposals for the Annual General Meeting 2017

The Board of Directors proposes a dividend of EUR 0.60 per share, of which EUR 0.08 are attributable to one-time gains during the year, for the period 1 January–31 December 2016.

The proposed record date for the dividend is 7 April 2017 and the proposed day for paying out the dividend is 21 April 2017.

Aktia Bank plc's Nomination Committee proposes to the Annual General Meeting of Aktia Bank plc to be held on 5 April 2017 that the current members of the Board of Supervisors Christina Gestrin, Patrik Lerche, Håkan Fagerström, Peter Simberg, Solveig Söderback and Peter Karlgren, whose turn it is to step down at the 2017 AGM, should be re-elected.

Nina Wilkman, LL.M., and Mats Löfström, B. Soc. Sciences, are proposed to be elected as new members.

The number of members in the Board of Supervisors is proposed to be reduced from 28 to 26.

The Nomination Committee proposes that the annual remuneration of the Board of Supervisors members should remain unchanged and therefore be as follows:

- Chair EUR 24,400
- Vice Chair EUR 10,500
- Member EUR 4,400

The Nomination Committee proposes further that the share of annual remuneration (gross amount) paid as Aktia A shares be increased from 35 to 40 per cent. In addition, the Nomination Committee proposes a remuneration or EUR 500 per attended meeting. However, the chair of the Presiding Officers of the Board of Supervisors is proposed to receive a remuneration of EUR 1,000 per meeting of the Presiding Officers. Compensation for travelling and accommodation expenses as well as a daily allowance is proposed to be paid in line with the Tax Administration guidelines.

The Nomination Committee proposes that APA firm KPMG Oy Ab be elected as auditor, with Jari Härmälä, APA, as auditor-in-charge. The auditors are proposed to be paid against invoices.

In accordance with the shareholders' decision, at Aktia Bank plc the Nomination Committee prepares the proposals for the members of the Board of Supervisors, auditor(s) and their remuneration for decision by the AGM. The Nomination Committee consists of representatives of the three largest shareholders on 1 November on the calendar year preceding the AGM, as well as of the Chair of the Board of Supervisors. This year's Nomination Committee has, in addition to Håkan Mattlin, the Chair of the Board of Supervisors, included Mikael Westerback (Foundation Tre Smeder), Jan-Erik Stenman (Pension Insurance Company Veritas) and Dag Wallgren (The Society of Swedish Literature in Finland).

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 2016 was 41,791. Foreign ownership was 2.6%. The number of unregistered shares was 768,001 or 1.1% of all shares.

On 31 December 2016, the Group held 184,669 (142,112) A treasury shares and 6,658 (6,658) R treasury 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 2016 was EUR 720 (714) million. On 31 December 2016, the closing price for serie A shares was EUR 9.73 (10.31) and for serie R shares EUR 13.40 (11.71). The highest closing price for A series shares was EUR 10.26 (12.07) and the lowest EUR 7.70 (9.33). The highest for the series R share was EUR 16.00 (13.49) and the lowest EUR 9.59 (10.45).

The average daily turnover in 2016, for series A shares, increased slightly from the previous year to EUR 192,880 (188,556) or 21,028 (20,734) shares. An average of 111 (110) transactions per day were carried out with series A shares.

The average daily turnover of R shares continued low, but higher than the previous year, amounting to EUR 13,716 (5,412) or 1,124 (224) shares. An average of 2 (2) transactions per day were carried out with series R shares.

New insider regulations

EU regulation on market abuse (MAR) entered into force on 3 July 2016. The new regulation brings about comprehensive notification and disclosure obligations for persons discharging managerial responsibilities in listed companies, as well as for persons closely associated with them, for transactions conducted relating to the companies' financial instruments.

Aktia has updated its internal rules and instructions for transactions conducted with Aktia's financial instruments for persons discharging managerial responsibilities, as well as for persons closely associated with them, to comply with the new regulations. The closed period, during which persons having access to insider information are not allowed to make transactions with Aktia's financial instruments, has been prolonged so that it starts 30 days before announcement of an interim financial report is published and ends on the banking day following the publication. Aktia's Information policy has also been updated in accordance with the changes introduced in MAR.

Outlook and risks

Outlook 2017

The continued low interest rates will have a negative impact on the yield from Aktia's liquidity portfolio, resulting in lower net interest income (NII) than in 2016. Write-downs on credits are expected to remain low in 2017.

The operating profit for 2017 is estimated to be lower than in 2016, as no larger one-time gains are expected.

Risks

Aktia's financial results 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.

Successful implementation of the core banking system is a critical factor for Aktia's aim to achieve better cost efficiency and attain its future growth targets.

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.

The years following the financial crisis have brought increased regulation of banking and insurance operations, first and foremost the Basel III regulatory framework. This has led to more stringent capital and liquidity requirements for the bank. The new regulation has also resulted in increased competition for deposits, higher demands on long-term financing and higher fixed costs.

Financial objectives 2018

Within the framework of the present strategy "Growth 2018", adopted in February 2015, the following financial objectives have been set:

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

Disclosure of information

Aktia's information policy includes Aktia Bank plc and all subsidiaries. The information policy describes the key principles followed at Aktia when communicating with the capital market, media and other stakeholders. The information policy is published on the Aktia Bank plc website www.aktia.com. All reports and information published by Aktia Bank is found on the website.

Aktia Bank plc fulfils its responsibility to provide information in the form of publications. The main publications are:

- The annual report and the interim reports, including notes, provide information on the Aktia Group's result and business operations.
- The Corporate Governance Report provides information on the administration of the Aktia Group and its administration structure. The report follows the corporate governance code for listed companies issued by the Finnish Securities Market Association (Corporate Governance Code 2015).
- The Corporate Responsibility Report provides information on implementation of corporate responsibility in Aktia's day-to-day business and in different processes. The report gives a comprehensive picture of the stakeholders' view on significant aspects for Aktia's business operations. The report is compiled in accordance with the Global Reporting Initiative (GRI) recommendations.
- The Capital and Risk Management Report provides information on the Group's risk positions and different forms of risks as well as on capital adequacy. The report covers the requirements in capital requirements regulation (CRR), Article 8.
- Aktia Life Insurance publishes a Solvency and Financial Condition Report providing information on the company's financial position and solvency. The report will be published in May 2017.

Aktia's website www.aktia.com provides information on, for example, Group management, governance and remuneration system. On the website information is also published on the Aktia Groups financial calendar, including publishing dates.

Reports by the Board of Directors of all banks shall include information on where and in what publication the banks publish information complying with the Article 8 of the capital requirements regulation (CRR). More information is given in appendix 6 to the Capital and Risk Management Report 2016.

5 year overview

(EUR 1,000)	2016	2015	2014	2013	2012
Income statement					
Net interest income	95,588	97,347	102,779	112,643	117,279
Net commission income	79,672	79,969	74,866	70,737	65,319
Net income from life-insurance	24,666	24,875	24,004	28,116	27,304
Net income from financial transactions	8,280	3,724	7,327	8,310	2,940
Other operating income	3,136	2,461	3,322	4,345	5,073
Total operating income	**211,341**	**208,376**	**212,298**	**224,150**	**217,915**
Staff costs	-72,250	-72,652	-69,518	-77,689	-75,352
IT expenses	-28,352	-26,850	-26,324	-27,265	-31,419
Depreciation of tangible and intangible assets	-8,186	-8,123	-7,344	-6,774	-7,158
Other operating expenses	-39,627	-36,794	-41,265	-45,519	-40,291
Total operating expenses	**-148,414**	**-144,419**	**-144,451**	**-157,247**	**-154,219**
Impairments and write downs, net	-2,198	-341	-1,729	-2,734	-8,181
Share of profit from associated companies	738	599	2,195	1,216	501
Operating profit	**61,467**	**64,215**	**68,314**	**65,385**	**56,015**
Taxes	-12,159	-12,646	-13,282	-13,030	-15,764
Profit for the period from continuing operations	**49,308**	**51,569**	**55,031**	**52,354**	**40,251**
Profit for the year from discontinued operations	-	-	-	-	9,776
Profit for the year	**49,308**	**51,569**	**55,031**	**52,354**	**50,027**
Attributable to:					
Shareholders in Aktia Bank plc	49,308	52,001	52,499	52,169	49,189
Non-controlling interest	-	-432	2,532	186	839
Total	**49,308**	**51,569**	**55,031**	**52,354**	**50,027**
Comprehensive income					
Profit for the year	49,308	51,569	55,031	52,354	50,027
Comprehensive income from items which can be transferred to the income statement	-7,799	-28,906	22,886	-34,660	97,336
Comprehensive income from items which can not be transferred to the income statement	-503	48	339	-68	-559
Total comprehensive income for the year	**41,006**	**22,711**	**78,257**	**17,626**	**146,804**
Comprehensive income attributable to:					
Shareholders in Aktia Bank plc	41,006	23,038	75,610	17,180	145,600
Non-controlling interest	-	-327	2,647	446	1,203
Total	**41,006**	**22,711**	**78,257**	**17,626**	**146,804**
Balance sheet					
Cash and balances with central banks	380,095	268,361	395,905	414,328	587,613
Financial assets reported at fair value through the income statement	-	-	-	102	51
Financial assets available for sale	1,840,526	2,197,648	2,375,417	2,256,506	2,106,661
Financial assets held until maturity	445,294	481,653	488,509	499,267	350,020
Derivative instruments	132,246	172,495	231,302	197,629	302,227
Loans and other receivables	5,760,460	5,900,156	6,461,808	6,897,349	7,360,225
Investments for unit-linked insurances	723,144	667,748	545,271	465,856	360,873
Other assets	204,213	193,482	208,476	202,769	172,520
Total assets	**9,485,978**	**9,881,543**	**10,706,688**	**10,933,806**	**11,240,190**
Deposits	4,673,148	4,396,818	4,755,748	4,892,982	4,689,040
Derivative instruments	54,254	86,176	113,196	128,595	186,362
Other financial liabilities	2,800,312	3,427,248	3,930,668	4,106,018	4,584,724
Technical provisions	1,162,446	1,130,463	1,025,417	965,870	878,474
Other liabilities	182,709	225,612	190,770	198,632	244,180
Total liabilities	**8,872,869**	**9,266,317**	**10,015,799**	**10,292,097**	**10,582,781**
Equity	613,108	615,226	690,890	641,709	657,409
Total liabilities and equity	**9,485,978**	**9,881,543**	**10,706,688**	**10,933,806**	**11,240,190**

Key figures and ratios

	2016	2015	2014	2013	2012
Earnings per share (EPS), EUR	0.74	0.78	0.79	0.78	0.74
Total earnings per share, EUR	0.62	0.35	1.14	0.26	2.19
Dividend per share, EUR	*) 0.60	**) 0.54	0.48	0.42	***) 0.36
Payout ratio, %	*) 80.8	**) 69.0	60.7	53.6	***) 48.7
Equity per share (NAV), EUR	9.24	9.26	9.39	8.67	8.91
Average number of shares (excluding treasury shares)	66,515,599	66,532,842	66,548,468	66,561,769	66,521,777
Number of shares at the end of the period (excluding treasury shares)	66,387,484	66,430,041	66,434,747	66,544,500	66,522,280
Return on equity (ROE), %	8.0	7.9	8.3	8.1	8.5
Return on assets (ROA), %	0.51	0.50	0.51	0.47	0.45
Cost-to-income ratio	0.70	0.69	0.68	0.70	0.71
Common Equity Tier 1 capital ratio (Bank Group), %	19.5	20.7	14.6	-	-
Tier 1 capital ratio (Bank Group), %	19.5	20.7	14.6	12.3	11.8
Capital adequacy ratio (Bank Group), %	26.3	27.1	19.1	19.3	20.2
Risk-weighted commitments (Bank Group), EUR 1,000	1,997,682	1,998,768	3,263,318	3,463,456	3,611,209
Capital adequacy ratio, % (finance and insurance conglomerate)	188.6	226.7	216.5	198.6	205.1
Equity ratio, %	6.3	6.0	6.4	5.8	5.9
Group financial assets, EUR 1,000	2,705,988	2,994,365	3,282,191	3,114,669	2,954,985
Assets under management, EUR 1,000	8,063,363	7,138,190	6,782,800	6,341,319	5,877,367
Borrowing from the public, EUR 1,000	4,164,289	3,921,993	3,979,188	3,797,477	3,631,479
Lending to the public, EUR 1,000	5,717,386	5,856,262	6,416,025	6,802,230	7,201,556
Premiums written before reinsurers' share, EUR 1,000	112,753	174,924	125,726	140,765	111,240
Expense ratio, % (life insurance company)	81.9	83.8	81.5	88.3	90.8
Solvency ratio (according to Solvency II, life insurance company), % ****)	179,412	175,801	-	-	-
Own funds (Solvency II, life insurance company), EUR 1,000 ****)	144,660	143,220	-	-	-
Solvency ratio (according to Solvency I, life insurance company), % ****)	-	22.3	23.3	17.5	27.4
Solvency margin (according to Solvency I, life insurance company), EUR 1,000 ****)	-	130,423	133,397	99,044	158,578
Investments at fair value (life insurance company), EUR 1,000	1,293,517	1,225,742	1,135,207	1,091,811	1,020,711
Technical provisions for risk insurances and interest-related insurances, EUR 1,000	443,014	468,260	482,275	503,451	519,930
Technical provisions for unit-linked insurances, EUR 1,000	719,432	662,203	543,143	462,419	358,544
Group's personnel (FTEs), average number of employees	925	936	941	998	1,044
Group's personnel (FTEs), at the end of the period	903	920	932	967	1,005

*) According to the Board of Directors' proposal dividend of EUR 0.60 per share, of which EUR 0.08 are attributable to one-time gains
**) In addition to dividend, a return of capital of EUR 0.10 per share was paid
***) In addition to dividend, a return of capital of EUR 0.14 per share was paid
****) 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 derivates 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, life insurance company

Total expense loadings are items which, according to acturial 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, life insurance company

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

Consolidated income statement

(EUR 1,000)	Note	2016	2015
Interest income		108,817	135,626
Interest expenses		-13,229	-38,278
Net interest income	G4	95,588	97,347
Dividends	G5	38	53
Commission income		90,014	89,884
Commission expenses		-10,342	-9,915
Net commission income	G6	79,672	79,969
Net income from life-insurance	G7	24,666	24,875
Net income from financial transactions	G8	8,280	3,724
Net income from investment properties	G9	-	-399
Other operating income	G10	3,098	2,807
Total operating income		**211,341**	**208,376**
Staff costs	G11	-72,250	-72,652
IT expenses		-28,352	-26,850
Depreciation of tangible and intangible assets	G12	-8,186	-8,123
Other operating expenses	G13	-39,627	-36,794
Total operating expenses		**-148,414**	**-144,419**
Write-downs on credits and other commitments	G21	-2,198	-341
Share of profit from associated companies		738	599
Operating profit		**61,467**	**64,215**
Taxes	G14	-12,159	-12,646
Profit for the year		**49,308**	**51,569**
Attributable to:			
Shareholders in Aktia Bank plc		49,308	52,001
Non-controlling interest's share		-	-432
Total		**49,308**	**51,569**
Earnings per share (EPS), EUR	G15	0.74	0.78
Earnings per share (EPS), EUR, after dilution	G15	0.74	0.78

Consolidated statement of comprehensive income

(EUR 1,000)	Note	2016	2015
Profit for the year		49,308	51,569
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		-2,463	-21,388
Change in valuation of fair value for financial assets held until maturity		-859	-3,693
Change in valuation of fair value for cash flow hedging		-202	54
Transferred to the income statement for financial assets available for sale		-4,276	-3,804
Transferred to the income statement for cash flow hedging		-	-74
Comprehensive income from items which can be transferred to the income statement		-7,799	-28,906
Defined benefit plan pensions		-503	48
Comprehensive income from items which can not be transferred to the income statement		-503	48
Total comprehensive income for the year		**41,006**	**22,711**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		41,006	23,038
Non-controlling interest's share		-	-327
Total		**41,006**	**22,711**
Total earnings per share, EUR	G15	0.62	0.35
Total earnings per share, EUR, after dilution	G15	0.62	0.35

Consolidated balance sheet

(EUR 1,000)	Note	31 Dec 2016	31 Dec 2015
Assets			
Cash and balances with central banks	G17	380,095	268,361
Interest-bearing securities available for sale		1,739,259	2,103,235
Shares and participations available for sale		101,267	94,413
Financial assets available for sale	G18	1,840,526	2,197,648
Financial assets held until maturity	G19	445,294	481,653
Derivative instruments	G20	132,246	172,495
Lending to Bank of Finland and other credit institutions		43,074	43,894
Lending to the public and public sector entities		5,717,386	5,856,262
Loans and other receivables	G21	5,760,460	5,900,156
Investments for unit-linked insurances	G22	723,144	667,748
Investments in associated companies	G23	0	0
Intangible assets	G24	63,698	50,753
Investment properties	G25	58,057	53,746
Other tangible assets	G26	7,672	8,692
Accrued income and advance payments		46,568	51,598
Other assets		20,197	18,152
Total other assets	G27	66,764	69,750
Income tax receivables		208	795
Deferred tax receivables	G28	7,814	9,747
Tax receivables		8,022	10,541
Total assets		**9,485,978**	**9,881,543**
Liabilities			
Liabilities to Bank of Finland and credit institutions		508,860	474,826
Liabilities to the public and public sector entities		4,164,289	3,921,993
Deposits	G29	4,673,148	4,396,818
Derivative instruments	G20	54,254	86,176
Debt securities issued	G30	2,476,712	3,033,374
Subordinated liabilities	G31	243,596	235,049
Other liabilities to credit institutions	G32	74,504	84,825
Liabilities to the public and public sector entities	G33	5,500	74,000
Other financial liabilities		2,800,312	3,427,248
Technical provisions for risk insurances and interest-related insurances		443,014	468,260
Technical provisions for unit-linked insurances		719,432	662,203
Technical provisions	G34	1,162,446	1,130,463
Accrued expenses and income received in advance		53,337	62,721
Other liabilities		67,048	101,903
Total other liabilities	G35	120,385	164,624
Provisions	G36	1,406	2,336
Income tax liabilities		953	938
Deferred tax liabilities	G28	59,965	57,714
Tax liabilities		60,918	58,651
Total liabilities		**8,872,869**	**9,266,317**
Equity			
Restricted equity		230,283	238,081
Unrestricted equity		382,826	377,145
Shareholders' share of equity	G37	**613,108**	**615,226**
Total liabilities and equity		**9,485,978**	**9,881,543**

Consolidated off-balance-sheet commitments

(EUR 1,000)	Note	31 Dec 2016	31 Dec 2015
Off-balance sheet commitments	G41		
Guarantees		30,817	27,394
Other commitments provided to a third party		807	1,287
Commitments provided to a third party on behalf of the customers		31,624	28,681
Unused credit arrangements		495,618	296,089
Other commitments provided to a third party		413	991
Irrevocable commitments provided on behalf of customers		496,032	297,080
Total		**527,655**	**325,761**

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Sharehold-ers' share of equity	Non-controlling interests	Total equity
Equity as at 1 January 2015	**163,000**	**317**	**104,093**	**1,858**	**115,030**	**239,651**	**623,949**	**66,941**	**690,890**
Acquisition of treasury shares						-1,305	-1,305		-1,305
Divestment of treasury shares					84	1,113	1,197		1,197
Dividend to shareholders						-31,938	-31,938	-262	-32,200
Profit for the year						52,001	52,001	-432	51,569
Financial assets available for sale			-25,193				-25,193	0	-25,193
Financial assets held until maturity			-3,693				-3,693		-3,693
Cash flow hedging			-126				-126	106	-20
Defined benefit plan pensions						48	48		48
Total comprehensive income for the year			-29,012			52,050	23,038	-327	22,711
Other change in equity *)		-317		286		317	286	-66,352	-66,067
Equity as at 31 December 2015	**163,000**	**-**	**75,081**	**2,143**	**115,113**	**259,889**	**615,226**	**-**	**615,226**
Equity as at 1 January 2016	**163,000**	**-**	**75,081**	**2,143**	**115,113**	**259,889**	**615,226**	**-**	**615,226**
Acquisition of treasury shares					-	-1,716	-1,716		-1,716
Divestment of treasury shares					-140	1,521	1,381		1,381
Dividend to shareholders						-35,946	-35,946		-35,946
Capital return to shareholders					-6,657		-6,657		-6,657
Profit for the year						49,308	49,308		49,308
Financial assets available for sale			-6,738				-6,738		-6,738
Financial assets held until maturity			-859				-859		-859
Cash flow hedging			-202				-202		-202
Defined benefit plan pensions						-503	-503		-503
Total comprehensive income for the year			-7,799			48,804	41,006		41,006
Other change in equity *)				-186			-186		-186
Equity as at 31 December 2016	**163,000**	**-**	**67,283**	**1,957**	**108,316**	**272,552**	**613,108**	**-**	**613,108**

*) On 8 October 2015, Aktia Bank signed an agreement with the savings banks and POP Banks to acquire the other owners' holdings in Aktia Real Estate Mortage Bank plc. As from 8 October 2015, the other owners' holdings are for Aktia Real Estate Mortgage Bank reported as a liability to the owners (before the agreement the other owners' holdings were reported as non-controlling holdings in equity).

Consolidated cash flow statement

(EUR 1,000)	2016	2015
Cash flow from operating activities		
Operating profit	61,467	64,215
Adjustment items not included in cash flow	-7,035	-7,104
Paid income taxes	-4,745	-3,190
Cash flow from operating activities before change in receivables and liabilities	**49,687**	**53,922**
Increase (-) or decrease (+) in receivables from operating activities	**491,145**	**591,901**
Financial assets available for sale	344,167	149,097
Financial assets held until maturity, decrease	42,700	-
Loans and other receivables	139,215	557,504
Investments for unit-linked insurances	-55,396	-122,477
Other assets	20,459	7,778
Increase (+) or decrease (-) in liabilities from operating activities	**-304,049**	**-746,656**
Deposits	290,475	-343,026
Debt securities issued	-552,155	-471,516
Other financial liabilities	-78,821	-14,794
Technical provisions	31,983	105,046
Other liabilities	4,469	-22,366
Total cash flow from operating activities	**236,782**	**-100,833**
Cash flow from investing activities		
Investments in group companies and associated companies	-1,022	-3,712
Proceeds from sale of group companies and associated companies	-63,317	15,557
Investment in investment properties	-4,392	-
Investment in tangible and intangible assets	-19,158	-23,049
Proceeds from sale of investment properties	-	480
Proceeds from sale of tangible and intangible assets	4	0
Total cash flow from investing activities	**-87,884**	**-10,725**
Cash flow from financing activities		
Subordinated liabilities, increase	48,776	65,722
Subordinated liabilities, decrease	-40,227	-53,208
Dividend/share issue to the non-controlling interest	-1,146	-262
Acquisition of treasury shares	-1,716	-1,305
Divestment of treasury shares	1,381	1,197
Paid dividends	-35,946	-31,938
Paid capital return	-6,657	-
Total cash flow from financing activities	**-35,534**	**-19,794**
Change in cash and cash equivalents	**113,363**	**-131,352**
Cash and cash equivalents at the beginning of the year	283,415	414,767
Cash and cash equivalents at the end of the year	396,779	283,415
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,025	7,415
Bank of Finland current account	373,070	260,946
Repayable on demand claims on credit insitutions	16,684	15,054
Total	**396,779**	**283,415**
Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	871	3,249
Write-downs on credits and other commitments	2,198	341
Change in fair values	-331	-1,307
Depreciation and impairment of tangible and intangible assets	8,186	8,123
Result effect from associated companies	-	-261
Sales gains and losses from tangible and intangible assets	-	782
Unwound cash flow hedging	-	-93
Unwound fair value hedging	-15,946	-15,903
Change in provisions	-930	-1,213
Change in fair values of investment properties	80	-1,338
Change in share-based payments	-856	516
Other adjustments	-307	-
Total	**-7,035**	**-7,104**

Quarterly trends in the Group

(EUR 1,000)	4Q2016	3Q2016	2Q2016	1Q2016	2016
Net interest income	22,956	23,945	24,066	24,621	95,588
Dividends	4	-	33	0	38
Commission income	23,308	22,793	23,089	20,824	90,014
Commission expenses	-3,195	-2,792	-2,437	-1,919	-10,342
Net commission income	20,113	20,001	20,653	18,905	79,672
Net income from life-insurance	6,135	5,780	6,853	5,899	24,666
Net income from financial transactions	553	-284	7,426	584	8,280
Net income from investment properties	-2	1	1	1	-
Other operating income	861	1,483	376	378	3,098
Total operating income	**50,619**	**50,926**	**59,409**	**50,389**	**211,341**
Staff costs	-19,687	-16,269	-17,922	-18,373	-72,250
IT expenses	-8,139	-6,390	-6,735	-7,089	-28,352
Depreciation of tangible and intangible assets	-1,892	-2,085	-2,114	-2,095	-8,186
Other operating expenses	-10,740	-9,878	-10,078	-8,930	-39,627
Total operating expenses	**-40,457**	**-34,621**	**-36,848**	**-36,487**	**-148,414**
Write-downs on credits and other commitments	-1,545	-461	-122	-71	-2,198
Share of profit from associated companies	-	-	-	738	738
Operating profit	**8,616**	**15,843**	**22,439**	**14,569**	**61,467**
Taxes	-2,082	-2,983	-4,435	-2,659	-12,159
Profit for the period	**6,535**	**12,860**	**18,004**	**11,910**	**49,308**
Attributable to:					
Shareholders in Aktia Bank plc	6,535	12,860	18,004	11,910	49,308
Total	**6,535**	**12,860**	**18,004**	**11,910**	**49,308**
Earnings per share (EPS), EUR	0.10	0.19	0.27	0.18	0.74
Earnings per share (EPS), EUR, after dilution	0.10	0.19	0.27	0.18	0.74

Quarterly trends of comprehensive income

(EUR 1,000)	4Q2016	3Q2016	2Q2016	1Q2016	2016
Profit for the period	6,535	12,860	18,004	11,910	49,308
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	-13,846	1,155	590	9,638	-2,463
Change in valuation of fair value for financial assets held until maturity	1,337	-893	-883	-420	-859
Change in valuation of fair value for cash flow hedging	-65	-41	62	-158	-202
Transferred to the income statement for financial assets available for sale	-995	-278	-2,126	-876	-4,276
Comprehensive income from items which can be transferred to the income statement	-13,569	-57	-2,357	8,184	-7,799
Defined benefit plan pensions	-503	-	-	-	-503
Comprehensive income from items which can not be transferred to the income statement	-503	-	-	-	-503
Total comprehensive income for the period	**-7,538**	**12,803**	**15,647**	**20,094**	**41,006**
Total comprehensive income attributable to:					
Shareholders in Aktia Bank plc	-7,538	12,803	15,647	20,094	41,006
Total	**-7,538**	**12,803**	**15,647**	**20,094**	**41,006**
Total earnings per share, EUR	-0.11	0.19	0.24	0.30	0.62
Total earnings per share, EUR, after dilution	-0.11	0.19	0.24	0.30	0.62

Key figures and ratios

	2016	2015	2014	2013	2012
Earnings per share (EPS), EUR	0.74	0.78	0.79	0.78	0.74
Total earnings per share, EUR	0.62	0.35	1.14	0.26	2.19
Dividend per share, EUR	*) 0.60	**) 0.54	0.48	0.42	***) 0.36
Payout ratio, %	*) 80.8	**) 69.0	60.7	53.6	***) 48.7
Equity per share (NAV), EUR	9.24	9.26	9.39	8.67	8.91
Average number of shares (excluding treasury shares)	66,515,599	66,532,842	66,548,468	66,561,769	66,521,777
Number of shares at the end of the period (excluding treasury shares)	66,387,484	66,430,041	66,434,747	66,544,500	66,522,280
Return on equity (ROE), %	8.0	7.9	8.3	8.1	8.5
Return on assets (ROA), %	0.51	0.50	0.51	0.47	0.45
Cost-to-income ratio	0.70	0.69	0.68	0.70	0.71
Common Equity Tier 1 capital ratio (Bank Group), %	19.5	20.7	14.6	-	-
Tier 1 capital ratio (Bank Group), %	19.5	20.7	14.6	12.3	11.8
Capital adequacy ratio (Bank Group), %	26.3	27.1	19.1	19.3	20.2
Risk-weighted commitments (Bank Group), EUR 1,000	1,997,682	1,998,768	3,263,318	3,463,456	3,611,209
Capital adequacy ratio, % (finance and insurance conglomerate)	188.6	226.7	216.5	198.6	205.1
Equity ratio, %	6.3	6.0	6.4	5.8	5.9
Group financial assets, EUR 1,000	2,705,988	2,994,365	3,282,191	3,114,669	2,954,985
Assets under management, EUR 1,000	8,063,363	7,138,190	6,782,800	6,341,319	5,877,367
Borrowing from the public, EUR 1,000	4,164,289	3,921,993	3,979,188	3,797,477	3,631,479
Lending to the public, EUR 1,000	5,717,386	5,856,262	6,416,025	6,802,230	7,201,556
Premiums written before reinsurers' share, EUR 1,000	112,753	174,924	125,726	140,765	111,240
Expense ratio, % (life insurance company)	81.9	83.8	81.5	88.3	90.8
Solvency ratio (according to Solvency II, life insurance company), % ****)	179,412	175,801	-	-	-
Own funds (Solvency II, life insurance company), EUR 1,000 ****)	144,660	143,220	-	-	-
Solvency ratio (according to Solvency I, life insurance company), % ****)	-	22.3	23.3	17.5	27.4
Solvency margin (according to Solvency I, life insurance company), EUR 1,000 ****)	-	130,423	133,397	99,044	158,578
Investments at fair value (life insurance company), EUR 1,000	1,293,517	1,225,742	1,135,207	1,091,811	1,020,711
Technical provisions for risk insurances and interest-related insurances, EUR 1,000	443,014	468,260	482,275	503,451	519,930
Technical provisions for unit-linked insurances, EUR 1,000	719,432	662,203	543,143	462,419	358,544
Group's personnel (FTEs), average number of employees	925	936	941	998	1,044
Group's personnel (FTEs), at the end of the period	903	920	932	967	1,005

*) According to the Board of Directors' proposal dividend of EUR 0.60 per share, of which EUR 0.08 are attributable to one-time gains
**) In addition to dividend, a return of capital of EUR 0.10 per share was paid
***) In addition to dividend, a return of capital of EUR 0.14 per share was paid
****) 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 derivates 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, life insurance company

Total expense loadings are items which, according to acturial 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, life insurance company

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 2016 were approved by the Board of Directors on 27 February 2017 and are to be adopted by the Annual General Meeting on 5 April 2017. The report by the Board of Directors and financial statements are published on 15 March 2017 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.

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.

As of 1 January 2016 the contents of the segment's has been changed so that administrative units, the net expenses of which are in total allocated to the segment Banking Business, are included directly in Banking Business (previously included in segment Miscellaneous). The change has no impact on the segment's operating profit, but as a result of it net expenses, previously reported under other operating expenses, are now reported on separate rows in the income statement of the Banking Business. As of 1 January 2016 the principle for how non-controlling holdings are reported in segment reporting was also changed. Following the change, non-controlling holdings are included in the segments respectively, which affected the operating profit of the segments Banking Business and Asset Management & Life Insurance. The changes above have an impact on other assets and liabilities in the segments' balance sheets. The reference period has been reconstructed to comply with these changes.

The following new and amended IFRS standards may have an impact on future transactions and business events

The standard **IFRS 9** Financial Instruments was approved by the EU in November 2016, and it replaces IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets and liabilities. Aktia's model for risk management and the characteristics of financial instruments in respect of future cash flows will have an impact on categories applied by Aktia. Aktia's financial assets are expected to be classified in the categories amortised cost, at fair value through other comprehensive income and at 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 Group does not expect any significant reclassifications between fair value and amortised cost as a result of the transition to IFRS 9. Therefore, the changes in classification and measurement rules are not expected to have any significant impact on the Group's result or financial position.

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 valued at amortised cost and financial assets valued at fair value through other comprehensive income as well as guarantees and credit commitments. Based on preliminary surveys, the implementation of IFRS 9 is expected to increase reported provisions for credit losses.

In our view, all the above changes at the transition to IFRS 9 will reduce equity with a marginal negative impact on capital adequacy. In hedge accounting according to IFRS 9 the biggest change will be that it will be more adapted to risk management. The above mentioned changes in hedge accounting are not expected to have any significant impact on the Group's result or financial position. During 2017,Aktia will continue to clarify the impact of IFRS 9 on the Group's result and financial position. Aktia Group plans to implement IFRS 9 when the standard becomes mandatory as of 1 January 2018.

IFRS 15 Revenue from contracts with customers replaces all earlier standards and interpretations of recognition of revenue. IFRS 15 includes a comprehensive five-step model for revenue recognition, and the standard is not estimated to have any significant impact on the revenue recognition in the Aktia Group. The standard was approved by the EU in October 2016, and it will become mandatory as of 1 January 2018.

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 has yet to be approved by the EU. The Aktia Group plans to implement 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 results, 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 Real Estate Mortgage Bank plc, 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 Kantaatti 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 written down 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 generally 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 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 the 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 purchase and sale of financial assets

When purchasing 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 per cent 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 year's change in fair value this year 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 result 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

Operating 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.

The subsidiary Aktia Real Estate Mortgage Bank plc had non-controlling holdings up until 23 September 2016, when Aktia Bank acquired the remaining holdings, now owning 100% of the company. On 8 October 2015, Aktia Bank signed an agreement with the savings banks and POP Banks to acquire the other owners' holdings. As from the agreement of sale, the other owners' holdings in Aktia Real Estate Mortgage Bank are reported as a liability to the owners. In accordance with the agreement, the former minority shareholders are responsible for their share of Aktia Real Estate Mortgage Bank's results up until the day when the final purchase price is paid. This is planned for the second quarter of 2017. From October 2015 onwards, the change in fair value is reported as Net income from financial transactions. The Board of Directors of Aktia Bank plc did in October 2016 approve a plan to merge Aktia Real Estate Mortgage Bank with the parent company Aktia Bank. The merger will took place on 28 February 2017.

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

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 a substantial part of Aktia's operating environment and business activities. The main areas of risk are credit, interest and liquidity risks in the Bank Group, interest and other market risks and insurance risks in the life insurance business. All of the Group's activities are exposed to business and operational risks.

Aktia Bank plc is the parent company of Aktia Group. The preparation of regulatory reporting, capital adequacy calculations as well as internal risk and capital allocation assessments are compiled as tasks concerning the Bank Group. The Bank Group includes Aktia Bank plc and all its subsidiaries, excluding holdings in insurance companies (the subsidiary Aktia Life Insurance Ltd).

Aktia Group's internal control and risk management, including CRR, Chapter 8 (Pillar 3) requirements on disclosure, are presented in greater detail in the Group's Capital and Risk Management Report, published separately from the Annual Report.

2. Internal control and risk management

In providing financial solutions to its customers, Aktia is exposed to various risks. Risks and risk management are thus a substantial part of Aktia's operating environment and business activities. The term risk management refers to all activities involved in the taking, reducing, analysing, measuring, controlling and monitoring of risks.

The primary responsibility for internal control lies with the business units and line organisations responsible for the day-to-day running of business, operative processes and their control as well as for risk management measures. Risk management is the key element of internal control.

The independent control functions are the Group's Risk Control, Compliance and Financial Reporting and Analysis. The role of risk control function is to develop, maintain and monitor the principles, instructions and limits for managing risks, measure and analyse risk positions as well as monitor how risk management is implemented in business operations. The compliance function works to ensure compliance with regulatory framework in the Group's business operations, supporting executive and line management in the implementation of internal rules and regulations as wells as identifying and reporting risks related to shortcomings in compliance. Financial Reporting and Analysis is responsible for financial data, analyses of the present situation and for reporting to authorities and other instances. At the beginning of 2016 an independent actuary function was implemented in Aktia Life Insurance Ltd and reports directly to the company's Board of Directors.

The Group's Internal audit is responsible for independent assessment and evaluation of the sufficiency and quality of the Group's internal control, risk management and of the control functions. External parties, such as the Group's auditors, also assess the internal control and its adequacy.

3. Group capital management

Capital management assesses the group's capitalisation in relation to the risks of operations. The aim is to support business strategies and secure an adequate capital base even during weaker parts of the economic cycle. The objective is to strike a balance between shareholder demands on returns and the need for financial stability as imposed by the authorities, investors in debt instruments, business partners and ratings agencies. Capital management aims to identify material risks as a whole and to assess their extent and the capital they require.

The Group executive committee is responsible for preparing the board's annual strategic planning process, and for the accompanying capital planning and allocation. The Board's risk committee monitors this work while decisions are made in 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 closely govern the work and decision-making within the capital management process. The Group's risk control function is responsible for preparing the proposal for the internal minimum capital requirements and capital adequacy targets.

A business plan regarding changes in volumes and risk levels within the near future is used as the starting point for capital planning. The plans are also used as the basis for creating forecasts regarding the development of the capital adequacy of the Group and different companies. In addition to base scenarios, stress tests are carried out in order to assess how weaker parts of the economic cycle affect capital adequacy.

Aktia's target for Common Equity Tier 1 capital ratio (CET1) is 15% at a minimum. The capital adequacy required by the authorities for the other regulated companies in the Group should exceed the minimum requirements under the current rules, so that any capital buffer is maintained in the parent company. For the financial conglomerate, the target for capital adequacy is for it to exceed 150%.

For information on the Group's capital adequacy, please see 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 credit worthiness. Credit and counterparty risks are measured by assessing the probability of default and any losses incurred by such. The probability of default is measured using scoring or rating models, and the loss given 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.

G2.1 The Group's maximum exposure by operation as at 31 December 2016

(EUR million)	31 Dec 2016 Banking business	31 Dec 2016 Life insurance business	31 Dec 2016 Total group	31 Dec 2015 Banking business	31 Dec 2015 Life insurance business	31 Dec 2015 Total group
Cash and money market	**420**	**19**	**423**	**308**	**40**	**312**
Bonds	**1,782**	**431**	**2,210**	**2,190**	**429**	**2,615**
Public sector	510	124	634	521	126	646
Government guaranteed bonds	99	7	105	98	6	104
Banks	284	47	327	355	43	394
Covered bonds	890	179	1,069	1,217	186	1,402
Corporate	0	75	75	0	68	68
Shares and mutual funds	**9**	**92**	**101**	**8**	**87**	**95**
Fixed income funds	0	64	64	0	56	56
Shares and equity funds	9	0	9	8	0	8
Real estate funds	0	26	26	0	28	28
Private Equity	0	3	3	0	3	3
Hedge funds	0	0	0	0	0	0
Loans and claims	**5,725**	**0**	**5,725**	**5,864**	**0**	**5,864**
Public sector entities	5	0	5	1	0	1
Housing associations	341	0	341	223	0	223
Corporate	545	0	545	416	0	416
Households	4,794	0	4,794	5,182	0	5,182
Non-profit organisations	40	0	40	42	0	42
Tangible assets	**8**	**58**	**66**	**9**	**54**	**62**
Bank guarantees	**32**	**0**	**32**	**29**	**0**	**29**
Unused facilities and unused limits	**496**	**0**	**496**	**296**	**1**	**297**
Derivatives (credit equivalents)	**155**	**0**	**155**	**200**	**0**	**200**
Other assets	**38**	**5**	**42**	**40**	**4**	**43**
Total	**8,664**	**605**	**9,249**	**8,943**	**615**	**9,517**

Table G2.1 shows the Group's exposure by area of operations. The figures include accrued interest. Internal Group receivables and liabilities are eliminated, and deductions for eligible collateral have not been made. Investments that provide cover for unit-linked provisions are not included.

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 financial conglomerate level, through restrictions on the total exposure to individual counterparties.

According to the Group's accounting principles a receivable will be tested for default and individual write-down when there is objective evidence that the customer's credit standing has deteriorated since the receivable was originally booked into the balance sheet. Objective evidence includes the borrower having significant financial difficulties; breach of contract, such as late payments of interest or capital; the granting of concessions for financial or legal reasons which the lender would otherwise not have considered; the bankruptcy or other financial reconstruction of the borrower. An adjustment of the terms of the loan as a result of the borrower's deteriorated credit standing as above thus results in a reclassification as default and an individual write-down where the receivable exceeds the anticipated cash flow.

4.1 Problem loans

Problem loans are regularly monitored both at the branch network through delinquency lists and at portfolio level at the Group's risk control. Internal policies and tools have been put in place in order to identify customers whose credit standing no longer corresponds to their level of debt at an early stage. Quickly reacting to such situations is in the interest of both the customer and the bank.

Loan forbearance and modification in the form of repayment deferral also takes place due to other circumstances than a persistent deterioration in the borrower's credit standing.

G2.2 Past due loans by length of payment delay

(EUR million) Days	31 Dec 2016	% of the loan book	31 Dec 2015	% of the loan book
3 - 30	57	1.00	76	1.29
of which households	52	0.91	71	1.20
31 - 89	28	0.49	28	0.48
of which households	23	0.41	26	0.44
90-	46	0.79	44	0.75
of which households	38	0.67	37	0.63

G2.3 Loans past due but not impaired

(EUR million)			31 Dec 2016
Days	Book value	% of the loan book	Fair value of collateral
3-30	56	0.97	55
31-89	30	0.52	29
90-	40	0.69	38

(EUR million)			31 Dec 2015
Days	Book value	% of the loan book	Fair value of collateral
3-30	76	1.29	75
31-89	28	0.48	26
90-	40	0.68	39

G2.4 Gross loans and write-downs

(EUR million)	31 Dec 2016	31 Dec 2015
Gross loans	5,766	5,910
Individual write-downs	-38	-45
Of which made to non-performing loans past due at least 90 days	-34	-39
Of which made to other loans	-5	-6
Write-downs by group	-10	-10
Net loans, balance amount	**5,717**	**5,856**

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 meet its financial obligations.

The funding and liquidity risks are dealt with at the legal company level, and there are no explicit financing commitments between Aktia Bank plc and Aktia Life Insurance Ltd.

5.1 Liquidity reserve and assessment of liquidity risks

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

The liquidity portfolio contains high-quality assets to service liquidity needs in stressed situations. The unencumbered financial assets in the liquidity portfolio that can be utilised, as outlined above, as a liquidity reserve, including cash assets, had a total market value of approximately EUR 1,637 (2,090) million at year-end, corresponding to an outgoing cash flow for just over 40 months from the wholesale market.

Furthermore, liquidity risks are measured and monitored with the help of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR measures the short-term liquidity risk and the purpose is to ensure that Aktia Bank's liquidity reserve, comprising unencumbered financial assets of high-quality, is large enough to meet a short-term cash outflows in a stress scenario within the next 30 days. NSFR which is expected to be introduced in 2018 measures the matching of assets and liabilities with a maturity of over one year in Aktia Bank's balance sheet and the purpose is to ensure that long-term lending is to a safe extent matched by long-term funding.

LCR will fluctuate over time, depending among other things on how the maturity structure of the bank's issued debt securities evolves. Table G2.5 presents the development of LCR and NSFR in 2016 for Aktia Bank Group.

G2.5 LCR and NSFR

	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
LCR %	209%	196%	178%	242%	275%
NSFR %	130%	128%	121%	120%	120%

6. Management of market, balance sheet and counterparty risks

6.1 Market and balance sheet risks in the Bank Group

After preparation in the executive committee and the board's risk committee, the board of directors sets out annually the strategy and limits for managing market risks related to the development of net interest income and volatility. The Group's investment and funding committee is responsible for the operational management of internal Group investment assets within the given guidelines 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 the increase of net interest income with an upturn in interest rates and the decrease with a downturn of interest rates.

G2.6 Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve with 100 basis points		Change in net interest income (EUR million)			
		31 Dec 2016		31 Dec 2015	
Period	Interest rate change	Down	Up	Down	Up
Changes during the next 12 months		-1.4	13.2	-1.1	8.3
Changes during 12-24 months		-2.0	24.3	-3.7	20.1

6.1.2. Reclassification of financial assets

Aktia Bank decided to reclassify interest-bearing securities at the end of 2012 and at the middle of 2013 from the portfolio of financial assets available for sale to the portfolio of financial assets held until maturity in order to reduce the volatility of the Group's equity and in order to manage the regulatory risks that materialise with Basel III.

Most of the reclassified securities have an AAA rating. No new reclassifications were done during the financial period. Securities held until maturity are recognised amortised cost. As of 31 December 2016, no write-downs had been necessary. Table G2.7 shows the carrying amounts of the reclassified financial assets.

G2.7 Reclassification of financial assets

EUR million	2016	2015
Carrying amount	369.5	419.2
Fair value	373.1	425.8
Value change which would have been recognised in other comprehensive income if reclassification had not occurred	2.9	5.3
Recognised interest income after reclassification	8.0	8.2

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

The liquidity portfolio of the Bank Group, which consists of interest-bearing securities and is managed by the bank's treasury unit, stood at EUR 1,794 (2,295) million as of 31 December 2016. The figure includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the banking business.

Counterparty risks arising from the liquidity portfolio and derivative contracts are managed through the requirement for high-level external ratings. 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 two domestic bonds from Finnish credit institutions, with a total value of EUR 29 million, that did not meet the eligibility requirements for refinancing at the central bank due to the fact that the issues have no rating.

No write-downs were made during the year.

G2.9 Geopolitical distribution of investments due to instrument type

Aktia banking business	Government and govt. guaranteed		Covered Bonds (CB)		Finans.inst. excl. CB		Corporate bonds		Listed Equity		Total	
EUR million	12/16	12/15	12/16	12/15	12/16	12/15	12/16	12/15	12/16	12/15	12/16	12/15
Finland	185.2	182.2	45.3	148.9	85.2	83.9	-	-	-	-	**315.7**	**415.1**
Netherlands	25.0	25.0	164.1	189.0	59.6	85.1	-	-	-	-	**248.7**	**299.2**
Norway	-	-	217.4	283.1	-	-	-	-	-	-	**217.4**	**283.1**
France	66.5	65.4	107.8	142.3	32.1	47.4	-	-	-	-	**206.3**	**255.1**
United Kingdom	-	-	172.9	298.1	18.4	18.6	-	-	-	-	**191.3**	**316.7**
Sweden	-	-	60.6	74.5	88.5	119.9	-	-	-	-	**149.1**	**194.4**
Denmark	-	-	83.8	83.6	-	-	-	-	-	-	**83.8**	**83.6**
Austria	48.6	25.9	-	53.8	-	-	-	-	-	-	**48.6**	**79.7**
Germany	25.5	48.5	-	9.4	-	-	-	-	-	-	**25.5**	**57.8**
Supranational	213.5	228.1									**213.5**	**228.1**
Other	54.5	53.7	39.8	28.1		-	-	-	-	-	**94.3**	**81.8**
Total	**618.8**	**628.9**	**891.6**	**1,310.9**	**283.7**	**354.9**	**-**	**-**	**-**	**-**	**1,794.1**	**2,294.7**

G2.8 Rating distribution for banking business' liquidity portfolio and other direct fixed income assets

	31 Dec 2016	31 Dec 2015
EUR million	**1,794**	**2,295**
Aaa	53.3%	59.9%
Aa1-Aa3	29.6%	25.1%
A1-A3	4.8%	5.5%
Baa1-Baa3	3.0%	2.2%
Ba1-Ba3	0.0%	0.0%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Unrated domestic municipalities and credit institutions	9.3%	7.4%
Others without rating	0.0%	0.0%
Total	**100.0%**	**100.0%**

6.1.4 Foreign exchange rate risk

Foreign exchange (FX) 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.

Within the Bank Group, FX transactions are based on customer requirements, which is why most activity involves Nordic currencies and the US dollar. The guiding principle in managing exchange rate risks is matching. The treasury unit is responsible for managing the bank's day-to-day FX exposure, subject to the limits set.

At year-end, total net FX exposure for the Bank Group amounted to EUR 0.3 million (0.6) 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 as well as the investments in shares amounted to EUR 9.2 (7.5) million. Investments in shares are mainly attributable to the holdings in Folksam Non-Life Insurance. Shares in Folksam Non-Life Insurance is reported as normal equity holdings.

6.1.6 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. The table G2.10 summarises market value sensitivity for the Bank Group 's assets available for sale in various market risk scenarios as of 31 December 2016 and 31 December 2015. 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. The risk components set out in the table are defined as follows:

Upward interest rate risk: Change applied to a risk-free interest rate curve based on Euribor and Euro swap interest rates. The stress factors were determined using historical analysis and the stresses were chosen so that they represent the 99.5% percentile (the 995th highest of 1,000 cases) of the historical rate changes during a period of one year. The factors are revised every year. Due to the low interest rates this method gives an insignificant change. Therefore, for the upward chock an absolute minimum of 1.0 percentage points is applied for the stressed interest rate curve.

Downward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors were determined using historical analysis and the stresses were chosen so that they represent the 0.5% percentile (the 5th lowest of 1,000 cases) of the historical rate changes during a period of one year. The factors are revised every year. Due to the low interest rates this method gives an insignificant change. Therefore, for the downward chock an absolute minimum of 0.5 percentage points is applied for the stressed interest rate curve. However, the downward chocked interest rate, cannot sink lower than -0.5%.

Credit spread risk: Describes the risk that spreads, in other words the counterparty-specific risk premiums, will rise. The magnitude of the change is an annually revised figure which is based on the yield curves of interest instruments of a given rating and investment type. The stress factors were determined using historical analysis and the stresses were chosen for 2016 based on a percentile of 99.5% from which the interest component has been excluded.

Currency risk: Describes the risk of the values of different currencies changing against the euro. Each currency is tested separately for the shock that the increase or decrease of its value would cause, and the worst case scenario is chosen for each currency, after which the effects of all currencies are added together. The stress factors were determined using historical analysis and the stresses were chosen so that an upward shock represents a percentile of 99.5% and a downwards shock a percentile of 0.5% of the possible outcomes during a period of one year. The factors are revised every year.

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% or -60% (unlisted) for equity and -25% for real estate.

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

G2.10 Sensitivity analysis for market risks

	Financial assets available for sale			
	2016		2015	
Bank Group	**EUR million**	**%**	**EUR million**	**%**
Market value 31 Dec	1,338.9	**100.0%**	1,835.7	**100.0%**
IR risk up (99,5-quantile)	-14.7	**-1.1%**	-21.3	**-1.2%**
IR risk up (100 bp)	-14.7	**-1.1%**	-21.3	**-1.2%**
IR risk down (0,5-quantile)	6.0	**0.4%**	10.5	**0.6%**
Spreadrisk	-28.3	**-2.1%**	-42.4	**-2.3%**
Equity risk	-5.5	**-0.4%**	-4.5	**-0.2%**
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 of directors and the board's risk committee, the Group's board of directors sets out investments strategies and the strategy and plan as well as limits for managing market risks in both the investment portfolio and interest-linked provisions. The Group's investment committee 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 unit supervises risk exposure and limits.

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

G2.11 Rating distribution for the life insurance business' direct fixed income investments (excluding investements in fixed-income funds, real estates, equities and alternative investments)

EUR million	31 Dec 2016 431	31 Dec 2015 429
Aaa	47.6%	61.2%
Aa1-Aa3	29.8%	17.9%
A1-A3	6.9%	7.9%
Baa1-Baa3	5.0%	4.8%
Ba1-Ba3	0.0%	0.5%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Unrated domestic municipalities and credit institutions	1.4%	0.0%
Others without rating	9.3%	7.7%
Total	**100.0%**	**100.0%**

With regard to risk sensitivity, the key market risks involved are interest rate, counterparty (spread) and real estate risk. With regard to the technical provisions of the interest-linked insurance policies, other risks except interest risk are insignificant. With regard to the unit-linked insurance policies, equity risk is the most important risk. On the unit-linked side, the netting effect between the portfolio and the technical provisions is much higher than for the interest-linked policies, as the customer bears the largest part of the risk.

Interest rate risk is the most significant risk connected with technical provisions in the life insurance company and affects profitability through the rate of returns over guaranteed interest rates as well as capital adequacy through the market valuation of assets and liabilities applied in the Solvency II framework. From the capital adequacy point-of-view, the interest rate risk is an ALM risk which arises from differences between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk arises from 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. With the current low interest rates, the credit spread risk has increased in importance, and at year-end it is the second biggest market risk after the interest rate risk. Interest rate and credit spread risk applies largely to the same securities (fixed-income instruments), but as there is no credit spread risk in the interest-linked technical provisions, the risk is one-sided as opposed to the interest rate risk. Therefore it is also much more difficult to hedge, practically impossible without the use of credit derivatives. As the company refrains from equity holdings at present, a higher credit risk is the natural price to pay for a higher yield. Fixed-income investments continued to dominate in the life insurance company's portfolio, and at the end of the year these investments including cash amounted to EUR 524.4 (EUR 527.9) million, corresponding to 86 (84)% of the investment portfolio.

G2.12 Geopolitical distribution of investments due to instrument type

Aktia Life Insurance	Government and govt. guaranteed		Covered Bonds (CB)		Finans.inst. excl. CB		Corporate bonds		Real estate		Alternative investments		Listed equities		Total	
EUR million	**12/16**	**12/15**	**12/16**	**12/15**	**12/16**	**12/15**	**12/16**	**12/15**	**12/16**	**12/15**	**12/16**	**12/15**	**12/16**	**12/15**	**12/16**	**12/15**
Finland	31.4	34.4	6.0	6.1	37.9	55.7	65.2	60.9	83.9	81.6	2.4	2.9	-	-	226.7	241.7
France	39.2	38.0	82.6	85.9	1.2	1.2	9.6	9.5	-	-	-	-	-	-	132.6	134.7
Netherlands	9.8	10.1	30.3	30.7	12.9	13.0	2.1	2.0	-	-	-	-	-	-	55.2	55.9
United Kingdom	-	-	35.4	35.9	3.1	3.2	1.2	1.2	-	-	0.0	0.1	-	-	39.7	40.4
Austria	23.5	22.5	6.0	6.1	-	-	-	-	-	-	-	-	-	-	29.5	28.6
Germany	-	-	19.0	19.2	1.1	-	-	2.4	-	-	-	-	-	-	20.1	21.5
Denmark	16.3	16.9	-	-	-	-	-	3.7	-	-	-	-	-	-	16.3	20.6
Sweden	-	-	-	-	12.6	9.0	1.9	-	-	-	0.1	0.2	-	-	14.6	9.1
Norway	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supranational	5.9	6.5													5.9	6.5
Other	21.4	21.4	-	2.1	5.3	5.5	32.7	21.2	-	-	-	0.2	-	-	59.4	50.4
Total	**147.6**	**149.8**	**179.3**	**185.9**	**74.0**	**87.6**	**112.6**	**100.9**	**83.9**	**81.6**	**2.5**	**3.3**	**-**	**-**	**600.0**	**609.3**

G2.13 Sensitivity analysis for market risks

	Portfolio		Technical provisions*		Total			
	2016	2015	2016	2015	2016		2015	
Life Insurance company	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**%****	**EUR million**	**%****
Interest linked								
Market value 31 Dec	581.5	609.3	-504.5	-504.6	77.0	**67.2%**	111.4	**77.7%**
IR risk up	-23.5	-23.2	46.9	52.4	23.4	**20.4%**	29.2	**20.4%**
IR risk down	19.0	18.4	-44.7	-60.8	-25.7	**-22.4%**	-42.4	**-29.6%**
Spreadrisk	-25.4	-24.3	0.0	0.0	-25.4	**-22.2%**	-24.3	**-16.9%**
Currency risk	-4.3	-8.2	0.1	0.0	-4.2	**-3.7%**	-8.2	**-5.7%**
Equity risk	-1.4	-2.1	0.0	-0.2	-1.4	**-1.2%**	-2.3	**-1.6%**
Real estate risk	-25.8	-21.5	0.3	0.0	-25.5	**-22.3%**	-21.5	**-15.0%**
Unit- and index linked								
Market value 31 Dec	723.1	667.7	-685.6	-635.7	37.5	**32.8%**	32.0	**22.3%**
IR risk up	-17.2	-12.3	18.8	13.6	1.6	**1.4%**	1.3	**0.9%**
IR risk down	23.7	13.8	-21.8	-14.6	1.9	**1.7%**	-0.8	**-0.6%**
Spreadrisk	-17.7	-17.0	16.3	16.4	-1.4	**-1.2%**	-0.6	**-0.4%**
Currency risk	-35.9	-44.0	33.1	42.6	-2.8	**-2.4%**	-1.4	**-1.0%**
Equity risk	-200.3	-184.9	184.8	167.1	-15.5	**-13.5%**	-17.8	**-12.4%**
Real estate risk	0.0	0.0	0.0	0.0	0.0	**0.0%**	0.0	**0.0%**
Total								
Market value 31 Dec	**1,304.6**	**1,277.0**	**-1,190.1**	**-1,140.3**	**114.5**	**100.0%**	**143.4**	**100.0%**
IR risk up	-40.7	-35.5	65.7	66.0	25.0	**21.8%**	30.5	**21.3%**
IR risk down	42.7	32.2	-66.5	-75.4	-23.8	**-20.8%**	-43.2	**-30.1%**
Spreadrisk	-43.1	-41.3	16.3	16.4	-26.8	**-23.4%**	-24.9	**-17.4%**
Currency risk	-40.2	-52.2	33.2	42.6	-7.0	**-6.1%**	-9.6	**-6.7%**
Equity risk	-201.7	-187.0	184.8	166.9	-16.9	**-14.8%**	-20.1	**-14.0%**
Real estate risk	-25.8	-21.5	0.3	0.0	-25.5	**-22.3%**	-21.5	**-15.0%**

* 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 (114.5 for 2016)

The equity risk of the interest-linked stock has for many years comprised only Private Equity holdings and other asset types that cannot be sold promptly. In 2016, these holdings have decreased further, and now they only amount to EUR 3.3 (15.9) million. A further EUR 0.2 (0.3) million is associated with hedge funds. For the portfolio comprising unit-linked insurance, equity risk is significant. This is due to the larger volume of investments in equity and mixed funds, which yields a substantial risk, even though the percentage of the risk is low. At year-end, the market value of the unit-linked insurance policies amounted to EUR 667.7 (545.3) million, of which EUR 368.1 (296.9) million were 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 81.6 (85.7) million. Real estate risk is the third most important risk. It is insignificant in the unit-linked stock.

The life insurance company's FX rate risk comes from holdings in fixed income funds that invest in emerging market government bonds issued in USD or local currencies. Some hedge fund and Private Equity holdings are also in other currencies. At the end of the period, the life insurance company had underlying investments totalling EUR 20.6 (23.7) million, with open FX risk in its interest-linked portfolios.

There is FX risk also in unit-linked portfolios, as the interest rate and equity funds are partly in other currencies than euro.

When calculating risk sensitivity the same parameters as in calculation of the bank's risk sensitivity are used. These are described under 6.1.6. For the life insurance company, the stress for technical provision is also taken into consideration.

7. Managing 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 claims incurred, or claims incurred but not reported covered by insurance contracts that have already been entered into.

Aktia Life Insurance provides voluntary pension insurance, life insurance and savings insurance. Due to legislation concerning insurance contracts, the company is very limited in its ability to influence premiums, terms or 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. This is done by the board, at the proposal of the head actuary. Reinsurance is used to limit compensation liabilities on the company's own account, so that its solvency capital is adequate and the profit level does not fluctuate too much. In the Group's capital and risk management process, and in the life insurance company's board, limits have been set for the risks that the company can bear itself without mitigating the risk by using reinsurance.

8. Managing operational risks

Operational risk refers to the risk of losses resulting from unclear or incomplete internal processes or instructions, inadequate or unreliable systems, inadequate or unreliable information, incomplete quantitative models, other failures in internal control and risk management, staff or by external events. Operational risks include legal risks, but exclude strategic risks. The loss occurring as a result of an operational risk may be a direct or indirect financial loss for Aktia, but may also be a threat to Aktia's reputation.

Operational risks are present in all of Aktia's operations. Following a decision by the board of directors, the level of operational risk shall be normal in relation to Aktia's business operations and the competitors. A normal level of risk requires compliance with rules, instructions and current legislation. The level of information security shall be high, thus the level of risk shall be low. This is achieved through thorough insight into business activities, sufficient, well-functioning and efficient internal control mechanisms, good leadership, sound processes and competent staff.

As part of the framework for the Group's risk management, the board of directors has adopted instructions on management and reporting of operational risks as well as instructions concerning information security

In addition to the work aimed at avoiding operational risks, efforts are also made within Aktia to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities, etc.

Appendix to note G2, Group's capital adequacy and risk exposures

(EUR 1,000)

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.

	31 Dec 2016		30 Sep 2016		30 Jun 2016		31 Mar 2016	
Calculation of the Bank Group's capital base	**2016 Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**9,485,978**	**8,224,863**	**9,548,182**	**8,285,245**	**9,729,134**	**8,493,650**	**9,792,531**	**8,584,816**
of which intangible assets	63,698	62,829	61,158	60,111	58,112	56,915	53,934	52,619
Total liabilities	**8,872,869**	**7,706,761**	**8,926,312**	**7,765,143**	**9,119,903**	**7,982,730**	**9,156,469**	**8,041,210**
of which subordinated liabilities	243,596	243,596	235,503	235,503	235,065	235,065	234,292	234,292
Share capital	163,000	163,000	163,000	163,000	163,000	163,000	163,000	163,000
Fund at fair value	67,283	15,745	80,852	20,238	80,908	21,583	83,265	27,103
Restricted equity	230,283	178,745	243,852	183,238	243,908	184,583	246,265	190,103
Unrestricted equity reserve and other funds	110,273	110,273	110,131	110,131	110,016	110,016	116,547	116,547
Retained earnings	223,245	189,043	225,115	190,913	225,394	191,192	261,339	227,137
Profit for the year	49,308	40,042	42,773	35,800	29,913	25,130	11,910	9,819
Unrestricted equity	382,826	339,358	378,019	336,844	365,323	326,338	389,796	353,504
Shareholders' share of equity	613,108	518,103	621,871	520,082	609,231	510,921	636,061	543,607
Non-controlling interest's share of equity	-	-	-	-	-	-	-	-
Equity	**613,108**	**518,103**	**621,871**	**520,082**	**609,231**	**510,921**	**636,061**	**543,607**
Total liabilities and equity	**9,485,978**	**8,224,863**	**9,548,182**	**8,285,225**	**9,729,134**	**8,493,650**	**9,792,531**	**8,584,816**
Off-balance sheet commitments	527,655	527,242	445,132	444,738	380,618	379,770	328,619	327,826
The Bank Group's equity		**518,103**		**520,082**		**510,921**		**543,607**
Provision for dividends to shareholders		-39,832		-29,505		-21,097		-8,465
Intangible assets		-62,829		-60,111		-56,915		-52,619
Debentures		136,148		132,770		135,473		130,878
Additional expected losses according to IRB		-20,268		-20,252		-20,811		-21,042
Deduction for significant holdings in financial sector entities		-6,569		-5,102		-4,928		-4,290
Other incl. unpaid dividend 2015		1,048		288		532		-42,474
Total capital base (CET1 + AT1 + T2)		**525,800**		**538,170**		**543,175**		**545,593**

The Bank Group's capital adequacy	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Common Equity Tier 1 Capital before regulatory adjustments	480,020	490,961	489,823	492,539	486,331
Common Equity Tier 1 Capital regulatory adjustments	-90,368	-85,177	-82,122	-77,824	-72,950
Total Common Equity Tier 1 Capital (CET1)	**389,652**	**405,783**	**407,701**	**414,716**	**413,380**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**389,652**	**405,783**	**407,701**	**414,716**	**413,380**
Tier 2 capital before regulatory adjustments	136,148	132,770	135,473	130,878	128,365
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**136,148**	**132,770**	**135,473**	**130,878**	**128,365**
Total own funds (TC = T1 + T2)	**525,800**	**538,554**	**543,175**	**545,593**	**541,745**
Risk weighted exposures total	**1,997,682**	**2,114,111**	**2,072,940**	**2,128,481**	**1,998,768**
of which credit risk, the standardised model	748,815	795,206	712,598	735,236	643,216
of which credit risk, the IRB model	900,118	961,983	1,004,219	1,037,122	999,429
of which market risk	-	-	-	-	-
of which operational risk	348,749	356,923	356,123	356,123	356,123
Own funds requirement (8%)	159,815	169,129	165,835	170,279	159,901
Own funds buffer	365,986	369,425	377,339	375,315	381,844
CET1 Capital ratio	19.5 %	19.2 %	19.7 %	19.5 %	20.7 %
T1 Capital ratio	19.5 %	19.2 %	19.7 %	19.5 %	20.7 %
Total capital ratio	26.3 %	25.5 %	26.2 %	25.6 %	27.1 %
Own funds floor (CRR article 500)					
Own funds	525,800	538,554	543,175	545,593	541,745
Own funds floor *	183,576	185,268	189,504	187,804	185,841
Own funds buffer	342,224	353,286	353,671	357,789	355,905

* 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.

Risk-weighted amount for operational risks	2014*	2015*	2016	Dec 2016	Sep 2016	Jun 2016	Mar 2016	Dec 2015
Gross income	187,052	187,674	183,272					
- average 3 years			185,999					
Capital requirement for operational risk				**27,900**	**28,554**	**28,490**	**28,490**	**28,490**
Risk-weighted amount				**348,749**	**356,923**	**356,123**	**356,123**	**356,123**

* Recalculated after acquisation of Aktia Finance ltd.

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%.

The financial conglomerate's capital adequacy	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Summary					
The Group's equity	613,108	621,871	609,231	636,061	615,226
Sector-specific assets	143,828	140,690	143,633	139,278	128,365
Intangible assets and other reduction items	-234,480	-236,523	-212,157	-227,397	-212,741
Conglomerate´s total capital base	**522,456**	**526,038**	**540,707**	**547,942**	**530,850**
Capital requirement for banking business	196,366	208,983	204,737	210,710	199,367
Capital requirement for insurance business *	80,629	81,130	85,381	81,691	34,789
Minimum amount for capital base	**276,995**	**290,113**	**290,118**	**292,401**	**234,156**
Conglomerate´s capital adequacy	**245,461**	**235,925**	**250,589**	**255,541**	**296,694**
Capital adequacy ratio, %	188.6 %	181.3 %	186.4 %	187.4 %	226.7 %

* 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.

	31 December 2016				
The Bank Group's total exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital requirement 8%**
Exposure class					
Credit risk, IRB approach					
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
Total exposures, IRB approach	**4,957,776**	**4,944,097**	**18%**	**900,118**	**72,009**
Credit risk, standardised approach					
States and central banks	500,947	630,491	0%	0	0
Regional goverments and local authorities	199,744	223,786	0%	755	60
Multilateral development banks	51,578	51,578	0%	0	0
International organisations	159,156	159,156	0%	0	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
Total exposures, standardised approach	**3,941,748**	**3,327,629**	**22%**	**722,582**	**57,807**
Total risk exposures	**8,899,524**	**8,271,727**	**20%**	**1,622,700**	**129,816**

The Bank Group's total exposures	31 December 2015 Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	5,012,230	5,006,767	15%	732,121	58,570
Retail - Secured by immovable property SME	162,212	161,277	52%	84,485	6,759
Retail - Other non-SME	89,374	83,542	39%	32,227	2,578
Retail - Other SME	24,113	22,043	84%	18,459	1,477
Equity exposures	49,328	49,328	268%	132,137	10,571
Total exposures, IRB approach	**5,337,256**	**5,322,956**	**19%**	**999,429**	**79,954**
Credit risk, standardised approach					
States and central banks	390,030	497,957	0%	-	-
Regional goverments and local authorities	205,071	225,888	0%	164	13
Multilateral development banks	64,992	64,992	0%	-	-
International organisations	159,525	159,525	0%	-	-
Credit institutions	864,805	469,546	31%	144,106	11,528
Corporates	199,249	66,227	96%	63,846	5,108
Reatil exposures	237,422	99,765	70%	69,715	5,577
Secured by immovable property	501,880	476,883	39%	184,447	14,756
Past due items	44,815	11,177	109%	12,218	977
Covered bonds	1,183,777	1,183,777	10%	118,378	9,470
Other items	55,923	49,208	46%	22,526	1,802
Total exposures, standardised approach	**3,907,490**	**3,304,946**	**19%**	**615,400**	**49,232**
Total risk exposures	**9,244,746**	**8,627,903**	**19%**	**1,614,829**	**129,186**

The Bank Group's leverage Ratio	31 Dec 2016	31 Dec 2015
Tier 1 capital	389,652	413,380
Total exposure	8,206,073	8,814,221
Leverage Ratio, %	**4.75**	**4.75**

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

Counterparty	Industry	31 December 2016 Corporate exposures	Retail exposures	Real estate collateralised	Past due items	Total
Corporate						
	Property	69,895	5,378	133,636	349	209,259
	Trade	5,270	12,927	32,190	1,248	51,634
	Financing	33,295	641	97,408	11	131,356
	Industry, energy	30,940	7,013	16,960	745	55,657
	Construction	31,830	11,688	39,424	1,224	84,166
	Research, consulting, services	595	12,296	26,670	1,333	40,895
	Transport	5,696	12,063	10,843	324	28,926
	Hotels and restaurants	613	1,834	7,154	1,797	11,398
	Agriculture, fisheries, mining	1,306	3,463	13,261	9	18,040
	Other	36,808	7,653	16,726	4,738	65,925
	Total	**216,249**	**74,956**	**394,273**	**11,778**	**697,256**
Households		9,717	295,726	4,673,894	40,817	5,020,154
Housing corporations		116,055	4,980	403,426	351	524,812
Other non-profit corporations		12,817	836	27,530	413	41,595
Total		**354,837**	**376,499**	**5,499,124**	**53,359**	**6,283,818**

The Bank Group's loans which have been individually impaired

	31 December 2016				Change during the period	
Sector	Contract value	Individual impairments	Book value	Fair value of collateral	Imparments	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
Total	**46,718**	**38,194**	**8,524**	**11,838**	**1,847**	**8,164**

Write-downs on corporate loans by industry			
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
Total	**32,387**	**27,436**	**4,952**

	31 December 2015				Change during the period	
Sector	Contract value	Individual impairments	Book value	Fair value of collateral	Imparments	Losses on credits and other commitments
Corporates	39,294	34,524	4,770	4,803	-2,066	4,469
Housing corporations	1,099	393	706	1,290	150	-
Households	12,340	9,594	2,746	6,444	1,935	1,350
Total	**52,733**	**44,510**	**8,222**	**12,537**	**19**	**5,819**

Write-downs on corporate loans by industry			
Research, consulting and other services	15,888	15,149	740
Trade	2,383	2,353	30
Construction	3,275	3,060	215
Industry	4,963	4,744	219
Human health and other service activities for households	6,008	3,304	2,704
Other	6,777	5,914	863
Total	**39,294**	**34,524**	**4,770**

G3 Group's segment reporting

(EUR 1,000)	Banking Business		Asset Management and Life Insurance		Miscellaneous		Eliminations		Total Group	
Income statement	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Net interest income	95,278	97,033	0	-2	245	251	65	65	95,588	97,347
Dividends	5	5	-	-	33	47	-	-	38	53
Net commission income	65,151	65,343	24,755	24,472	716	593	-10,950	-10,440	79,672	79,969
Net income from life-insurance	-	-	21,151	21,617	-	-	3,515	3,258	24,666	24,875
Net income from financial transactions	1,373	3,753	1	27	6,906	-55	-	-	8,280	3,724
Net income from investment properties	-	5	-	-	-	-403	-	-	-	-399
Other operating income	1,860	3,078	94	197	1,144	-912	0	444	3,098	2,807
Total operating income	**163,667**	**169,217**	**46,001**	**46,312**	**9,043**	**-480**	**-7,370**	**-6,672**	**211,341**	**208,376**
Staff costs	-57,767	-57,424	-11,519	-11,385	-2,963	-3,843	-	-	-72,250	-72,652
IT expenses	-23,649	-24,140	-2,007	-1,836	-2,696	-875	-	-	-28,352	-26,850
Depreciation of tangible and intangible assets	-5,612	-5,706	-604	-780	-1,970	-1,637	-	-	-8,186	-8,123
Other operating expenses	-32,230	-29,328	-10,146	-10,267	-4,620	-4,456	7,370	7,256	-39,627	-36,794
Total operating expenses	**-119,258**	**-116,598**	**-24,277**	**-24,267**	**-12,250**	**-10,810**	**7,370**	**7,256**	**-148,414**	**-144,419**
Write-downs on credits and other commitments	-2,198	-341	-	-	-	-	-	-	-2,198	-341
Share of profit from associated companies	-	-	-	-	-	-	738	599	738	599
Operating profit	**42,211**	**52,278**	**21,724**	**22,045**	**-3,207**	**-11,289**	**738**	**1,183**	**61,467**	**64,215**

Balance sheet	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Cash and balances with central banks	380,094	268,360	0	0	-	-	-	-	380,095	268,361
Financial assets available for sale	1,319,361	1,686,147	515,619	507,628	9,101	7,445	-3,555	-3,571	1,840,526	2,197,648
Financial assets held until maturity	445,294	481,653	-	-	-	-	-	-	445,294	481,653
Loans and other receivables	5,750,806	5,889,759	35,857	57,120	6,646	6,616	-32,849	-53,339	5,760,460	5,900,156
Investments for unit-linked insurances	-	-	723,144	667,748	-	-	-	-	723,144	667,748
Other assets	194,616	235,882	77,069	72,486	192,800	184,599	-128,026	-126,990	336,459	365,977
Total assets	**8,090,171**	**8,561,802**	**1,351,690**	**1,304,982**	**208,547**	**198,659**	**-164,430**	**-183,900**	**9,485,978**	**9,881,543**
Deposits	4,705,983	4,450,157	-	-	14	-	-32,849	-53,339	4,673,148	4,396,818
Debt securities issued	2,480,268	3,036,945	-	-	-	-	-3,555	-3,571	2,476,712	3,033,374
Technical provisions	-	-	1,162,446	1,130,463	-	-	-	-	1,162,446	1,130,463
Other liabilities	509,858	644,481	35,842	31,203	20,820	34,816	-5,958	-4,839	560,563	705,662
Total liabilities	**7,696,109**	**8,131,583**	**1,198,288**	**1,161,666**	**20,835**	**34,816**	**-42,362**	**-61,748**	**8,872,869**	**9,266,317**

Notes to the consolidated income statement

(EUR 1,000)

G4 Net interest income

	2016	2015
Interest income		
Cash and balances with central banks	6	23
Financial assets available for sale	17,404	24,828
Caims on credit institutions	430	282
Claims on public and public sector entities	80,820	100,266
Finance lease contracts	395	383
Loans and other receivables	81,645	100,931
Financial assets held until maturity	9,461	9,688
Other interest income	301	155
Total	**108,817**	**135,626**
Interest expenses		
Deposits, credit institutions	-867	-3,244
Deposits, other public entities	-11,822	-21,315
Deposits	-12,689	-24,558
Debt securities issued to the public	-42,397	-59,553
Subordinated liabilities	-6,481	-6,411
Securities issued and subordinated liabilities	-48,879	-65,964
Hedging derivative instruments	48,360	52,433
Other Interest expenses	-21	-188
Total	**-13,229**	**-38,278**
Net interest income	**95,588**	**97,347**
Deposits and lending	60,757	57,407
Hedging, interest rate risk management	35,431	32,290
Other	-599	7,650
Net interest income	**95,588**	**97,347**

G5 Dividends

	2016	2015
Equity instruments available for sales	38	53
Total	**38**	**53**

G6 Net commission income

	2016	2015
Commission income		
Lending	10,061	10,290
Borrowing	1,210	1,612
Card- and payment services	20,385	19,153
Mutual funds, asset management and securities brokerage	44,103	44,756
Brokerage of insurance	4,168	4,341
Guarantees and other off-balance sheet commitments	419	435
Real estate agency	7,076	6,694
Legal services	1,061	1,082
Other commission income	1,530	1,520
Total	**90,014**	**89,884**

Commission expenses	2016	2015
Money handling	-1,758	-1,804
Card- and payment services	-3,940	-2,957
Securities and investments	-4,030	-4,621
Other commission expenses	-614	-532
Total	**-10,342**	**-9,915**
Net commission income	**79,672**	**79,969**

G7 Net income from life-insurance

	2016	2015
Premiums written	112,003	174,397
Net income from investments	21,093	21,590
Insurance claims paid	-112,836	-90,288
Net change in technical provisions	4,406	-80,824
Net income from life-insurance	**24,666**	**24,875**

Premiums written

Premiums written from insurance agreements	2016	2015
Insurance agreements	34,898	36,456
Total gross premiums written before reinsurer's share	34,898	36,456
Reinsurer's share	-750	-527
Premiums written from investment agreements	77,855	138,467
Total premiums written	**112,003**	**174,397**

Distribution of premiums

	From insurance agreements		From investment agreements		Total	
Premiums written from risk insurance and interest-related insurance	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Saving plans	1,327	1,639	-	-	1,327	1,639
Individual pension insurance	6,007	6,339	-	-	6,007	6,339
Group pension insurance	2,174	2,797	-	-	2,174	2,797
Risk insurance	20,713	20,429	-	-	20,713	20,429
Total	**30,222**	**31,204**	**-**	**-**	**30,222**	**31,204**
Premiums written from unit-linked agreements						
Saving plans	312	385	73,569	134,202	73,881	134,587
Individual pension insurance	2,651	2,970	4,286	4,265	6,938	7,235
Group pension insurance	1,712	1,897	-	-	1,712	1,897
Total	**4,676**	**5,252**	**77,855**	**138,467**	**82,531**	**143,719**

On-going and one-off premiums from direct insurance	2016	2015
On-going premiums from insurance agreements	34,472	36,106
One-off premiums from insurance agreements	426	350
On-going premiums from investment agreements	49,151	67,967
One-off premiums from investment agreements	28,704	70,500
Total premiums written	**112,753**	**174,924**

Net income from investments	2016	2015
Net income from financial assets available for sale		
Interest income	13,310	13,855
Capital gains and losses	-417	-367
Transferred to income statement from fund at fair value	1,548	1,542
Other income and expenses	-107	9
Interest-bearing securities	14,334	15,039
Capital gains and losses	2,075	3,011
Impairments	-764	-3,241
Transferred to income statement from fund at fair value	741	145
Other income and expenses	1,394	1,163
Shares and participations	3,446	1,078
Total	**17,779**	**16,117**
Net income from investment properties		
Rental income	4,866	5,078
Valued at fair value	-	1,350
Capital gains and losses	-	-128
Direct expenses from investment properties, which generated rental income during during the accounting period	-1,553	-828
Total	**3,313**	**5,472**
Total for the Insurance business' net income from the investment business	**21,093**	**21,590**
Exchange rate differences included in net income from the investment business	30	7

Insurance claims paid

	From insurance agreements		From investment agreements		Total	
Claims paid from risk insurance and interest-related insurance	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Saving plans						
Repayment of saving sums	-6,259	-5,595	-	-	-6,259	-5,595
Payments in the event of death	-942	-1,455	-	-	-942	-1,455
Repurchase	-1,481	-2,069	-	-	-1,481	-2,069
Total	**-8,682**	**-9,119**	**-**	**-**	**-8,682**	**-9,119**
Individual pension insurance						
Pensions	-24,834	-25,064	-	-	-24,834	-25,064
Payments in the event of death	-266	-269	-	-	-266	-269
Repurchase	-12,399	-1,930	-	-	-12,399	-1,930
Total	**-37,498**	**-27,262**	**-**	**-**	**-37,498**	**-27,262**
Group pension insurance						
Pensions	-2,905	-2,645	-	-	-2,905	-2,645
Repurchase	-	-5	-	-	-	-5
Other	-37	-56	-	-	-37	-56
Total	**-2,941**	**-2,706**	**-**	**-**	**-2,941**	**-2,706**
Risk insurance						
Individual insurance	-11,030	-11,467	-	-	-11,030	-11,467
Group life insurance for employers	-985	-637	-	-	-985	-637
Other group life insurance	-	-16	-	-	-	-16
Total	**-12,015**	**-12,120**	**-**	**-**	**-12,015**	**-12,120**
Total claims paid from risk insurance and interest-related insurance	**-61,136**	**-51,207**	**-**	**-**	**-61,136**	**-51,207**

Claims paid from unit-linked agreements	From insurance agreements 2016	2015	From investment agreements 2016	2015	Total 2016	2015
Saving plans						
Repayment of saving sums	-281	-349	-	-1	-281	-350
Payments in the event of death	-82	-138	-13,231	-11,424	-13,313	-11,562
Repurchase	-962	-1,366	-25,032	-22,670	-25,994	-24,036
Total	**-1,325**	**-1,854**	**-38,263**	**-34,095**	**-39,588**	**-35,949**
Individual pension insurance						
Pensions	-	-	-1,365	-1,108	-1,365	-1,108
Payments in the event of death	-119	-64	-63	-84	-182	-148
Repurchase	-10,080	-1,588	-405	-258	-10,485	-1,846
Total	**-10,199**	**-1,653**	**-1,834**	**-1,450**	**-12,032**	**-3,103**
Group pension insurance						
Payments in the event of death	-	-10	-	-	-	-10
Repurchase	-80	-20	-	-	-80	-20
Total	**-80**	**-29**	**-**	**-**	**-80**	**-29**
Total claims paid from unit-linked agreements	**-11,603**	**-3,536**	**-40,096**	**-35,545**	**-51,700**	**-39,081**
Total claims paid	**-72,740**	**-54,743**	**-40,096**	**-35,545**	**-112,836**	**-90,288**

	2016	2015
Changes in premium provisions, interest-related	-8,469	-6,463
Changes in claims provisions, interest-related	33,715	20,477
Change in technical provisions, risk insurance and interest-related insurance	**25,246**	**14,015**
Changes in claims provisions, unit-linked	-379	-698
Changes in premium provisions, unit-linked	-56,850	-118,362
Changes in value of unit-linked investments, net	36,389	24,222
Net change in technical provisions, unit-linked insurance	**-20,840**	**-94,838**
Total net change in technical provisions	**4,406**	**-80,824**

G8 Net income from financial transactions

	2016	2015
Financial assets held for trading		
Capital gains and losses		
Other items	-1	0
Total	**-1**	**0**
Total	**-1**	**0**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	-307	-243
Total	**-307**	**-243**
Valuation gains and losses		
Derivative instruments	-869	-228
Total	**-869**	**-228**
Total	**-1,176**	**-471**
Financial assets available for sale		
Capital gains and losses		
Interest-bearing securities	-321	-222
Shares and participations	6,896	-55
Total	**6,574**	**-277**
Transferred to income statement from fund at fair value		
Interest-bearing securities	3,056	3,069
Other items	10	-
Total	**3,066**	**3,069**
Impairments		
Shares and participations	-11	-8
Total	**-11**	**-8**
Total	**9,629**	**2,784**
Net income from currency trading	**1,367**	**1,471**
Net income from hedge accounting		
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging issued bonds	-575	-25,768
Changes in fair value of hedge instruments, net	-575	-25,768
Bonds issued	-965	25,709
Changes in fair value of items hedged, net	-965	25,709
Total	**-1,540**	**-59**
Total hedge accounting	**-1,540**	**-59**
Net income from financial transactions	**8,280**	**3,724**

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 Net income from investment properties

	2016	2015
Rental income	-	31
Capital gains	-	21
Other income	-	3
Capital loss	-	-553
Impairment and reversal of impairment	-	122
Direct expenses, which generated rental income during the accounting period	-	-22
Total	**-**	**-399**

Net income from investment properties in life insurance business are included in net income from investments, see note G7, and are EUR 3.3 (5.5) million.

G10 Other operating income

	2016	2015
Income from central bank services	146	176
Capital gains from sale of tangible and intangible assets	10	-469
Other operating income	2,942	3,100
Total	**3,098**	**2,807**

G11 Staff

	2016	2015
Salaries and remunerations	-59,303	-58,839
Share-based payments	839	-508
Pension costs		
Defined contribution plans	-10,568	-10,475
Defined benefit plans	-429	-436
Other indirect emplyee costs	-2,789	-2,394
Indirect emplyee costs	-13,786	-13,304
Total	**-72,250**	**-72,652**
Number of emplyees 31 December		
Full-time	839	822
Part-time	68	87
Temporary	119	142
Total	**1,026**	**1,051**
Number of employees converted to full-time equivalents	903	920
Full-time equivalent average number of employees for the year	925	936

The managements salaries and remuneration,are presented in note G44.

G12 Depreciation of tangible and intangible assets

	2016	2015
Depreciation on tangible assets	-3,091	-2,862
Depreciation on intangible assets	-5,095	-5,261
Total	**-8,186**	**-8,123**

G13 Other operating expenses	2016	2015
Other staff expenses	-4,117	-3,781
Office expenses	-2,589	-1,905
Communication expenses	-3,684	-3,337
Marketing- and representation expenses	-5,893	-5,419
Purchased services	-6,218	-5,598
Rental expenses	-10,205	-10,648
Expenses for properties in own use	-1,679	-1,805
Insurance and security expenses	-764	-590
Monitoring, control and membership fees	-1,471	-1,102
Other operating expenses	-3,007	-2,609
Total	**-39,627**	**-36,794**
Auditors' fees		
Statutory auditing	-248	-154
Services related to auditing	-129	-87
Tax counselling	-39	-98
Other services	-401	-275
Total	**-817**	**-614**
The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-1,716	-1,928
amount of which paid from the old Deposit Guarantee Fund	-1,716	-1,928
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	17	16
Contribution to the Single Resolution Fund	-1,664	-983
amount of which transferred from previously paid bank tax	-1,372	-639
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	4	5

G14 Taxes	2016	2015
Income taxes	-5,365	-4,502
Taxes from previous years	22	325
Change in deferred taxes	-6,816	-8,469
Total	**-12,159**	**-12,646**

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:

	2016	2015
Profit before tax	61,467	64,215
Tax calculated on a 20.0% tax rate	-12,293	-12,843
Non-deductible expenses	-297	-227
Tax free income	681	3
Unused write-downs for tax purposes	-62	122
Utilisation of previously unrecognised tax losses	-	46
Loss when deferred tax is not recorded	-396	-4
Tax on the share of the profit from associated companies	58	93
Taxes from previous years	22	325
Other	128	-161
Total taxes	**-12,159**	**-12,646**
Average effective tax rate	20%	20%

Deferred tax recognised in comprehensive income	2016	2015
Deferred tax relating to financial assets available for sale	1,849	5,679
Deferred tax relating to financial assets held until maturity	215	923
Deferred tax relating to cash flow hedging	50	5
Deferred tax relating to defined benefit plan pensions	126	-12
Total	**2,240**	**6,595**

G15 Earnings per share

	2016	2015
Profit for the year attributable to shareholders in Aktia Bank plc	49,308	52,001
Average number of A shares	46,650,169	46,667,412
Average number of R shares	19,865,430	19,865,430
Average number of shares (excluding treasury shares)	66,515,599	66,532,842
Earnings per share (EPS), EUR (excluding treasury shares)	**0.74**	**0.78**
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	**0.74**	**0.78**
Total comprehensive income attributable to shareholders in Aktia Bank plc	41,006	23,038
Total earnings per share, EUR (excluding treasury shares)	**0.62**	**0.35**
Total earnings per share, EUR, after dilution (excluding treasury shares)	**0.62**	**0.35**

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)

G16 Classification of financial instruments

Assets 31 December 2016	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
Cash and balances with central banks	G17					380,095		380,095
Interest-bearing securities	G18, G19		1,739,259	445,294				2,184,552
Shares and participations	G18		101,267					101,267
Derivative instruments	G20				132,246			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
Total		**723,144**	**1,840,526**	**445,294**	**132,246**	**6,140,554**	**204,213**	**9,485,978**

Liabilities 31 December 2016	Note	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
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	G20	54,254			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
Total		**54,254**	**7,473,461**	**1,345,155**	**8,872,869**

Assets 31 December 2015		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
Cash and balances with central banks	G17					268,361		268,361
Interest-bearing securities	G18, G19		2,103,235	481,653				2,584,888
Shares and participations	G18		94,413					94,413
Derivative instruments	G20				172,495			172,495
Lending to Bank of Finland and other credit institutions	G21					43,894		43,894
Lending to the public and public sector entities	G21					5,856,262		5,856,262
Investments for unit-linked insurances	G22	667,748						667,748
Investments in associated companies	G23						0	0
Intangible assets	G24						50,753	50,753
Investment properties	G25						53,746	53,746
Other tangible assets	G26						8,692	8,692
Accrued income and advance payments	G27						51,598	51,598
Other assets	G27						18,152	18,152
Income tax receivables							795	795
Deferred tax receivables	G28						9,747	9,747
Total		**667,748**	**2,197,648**	**481,653**	**172,495**	**6,168,517**	**193,482**	**9,881,543**

Liabilities 31 December 2015		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities to credit institutions	G29		474,826		474,826
Liabilities to the public and public sector entities	G29		3,921,993		3,921,993
Derivative instruments	G20	86,176			86,176
Debt securities issued	G30		3,033,374		3,033,374
Subordinated liabilities	G31		235,049		235,049
Other liabilities to credit institutions	G32		84,825		84,825
Other liabilities to the public and public sector entities	G33		74,000		74,000
Technical provisions for risk insurances and interest-related insurances	G34			468,260	468,260
Technical provisions for unit-linked insurances	G34			662,203	662,203
Accrued expenses and income received in advance	G35			62,721	62,721
Other liabilities	G35			101,903	101,903
Provisions	G36			2,336	2,336
Income tax liabilities				938	938
Deferred tax liabilities	G28			57,714	57,714
Total		**86,176**	**7,824,066**	**1,356,075**	**9,266,317**

(EUR 1,000)

G17 Cash and balances with central banks

	2016	2015
Cash in hand	7,025	7,415
Bank of Finland current account	373,070	260,946
Total	**380,095**	**268,361**

G18 Financial assets available for sale

	2016	2015
Interest bearing securities, goverments and public sector entities	422,143	424,054
Interest bearing securities, credit institutions	897,162	1,261,989
Interest-bearing securities, Banking business	1,319,304	1,686,043
Interest bearing securities, goverments and public sector entities	127,924	129,613
Interest bearing securities, credit institutions	218,235	221,175
Interest bearing securities, other	73,795	66,404
Interest-bearing securities, Life insurance	419,954	417,192
Total interest-bearing securities	1,739,259	2,103,235
Publicly quoted shares and holdings	1,104	-
Shares and holdings that are not publicly quoted	8,053	7,549
Shares and holdings, Banking business	9,158	7,549
Publicly quoted shares and holdings	64,016	55,870
Shares and holdings that are not publicly quoted	28,094	30,994
Shares and holdings, Life insurance	92,110	86,865
Total shares and holdings	101,267	94,413
Total	**1,840,526**	**2,197,648**

Write-downs on financial assets available for sale stood at EUR 0.9 (3.2) 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. During the year, the majority of write-downs was attributable to shares and participations.

Impairment of financial assets	**2016**	**2015**
Interest-bearing securities		
Life insurance business	96	-
Shares and participations		
Banking business	11	8
Life insurance business	764	3,241
Total	**871**	**3,249**

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

G19 Financial assets held until maturity

	2016	2015
Interest-bearing securities, states	47,869	47,535
Interest-bearing securities, other public corporations	397,425	434,118
Total	**445,294**	**481,653**

G20 Derivative instruments

Derivative instruments, book value

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	84,184	4,948	97,455	12,949
Fair value hedging	84,184	4,948	97,455	12,949
Interest rate derivatives	-	1,532	2,023	-
Cash flow hedging	-	1,532	2,023	-
Interest rate derivatives	46,400	46,253	70,942	70,877
Currency derivatives	597	455	359	634
Shares derivatives	1,065	1,065	1,716	1,716
Other derivative instruments	48,062	47,773	73,017	73,227
Total	**132,246**	**54,254**	**172,495**	**86,176**

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

31 December 2016

Hedging derivative instruments

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

31 December 2015

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest rate swaps	648,000	1,475,000	782,000	2,905,000	97,455	12,949
Total fair value hedging	**648,000**	**1,475,000**	**782,000**	**2,905,000**	**97,455**	**12,949**
Cash flow hedging						
Interest rate swaps	-	85,079	-	85,079	2,023	-
Total cash flow hedging	**-**	**85,079**	**-**	**85,079**	**2,023**	**-**
Total interest rate derivatives	**648,000**	**1,560,079**	**782,000**	**2,990,079**	**99,478**	**12,949**
Total hedging derivative instruments	**648,000**	**1,560,079**	**782,000**	**2,990,079**	**99,478**	**12,949**
Other derivative instruments						
Interest rate swaps	394,000	772,480	120,000	1,286,480	60,928	60,862
Interest rate option agreements	-	480,000	60,000	540,000	10,014	10,015
Purchased	-	240,000	30,000	270,000	10,008	10,008
Written	-	240,000	30,000	270,000	7	7
Total interest rate derivatives	**394,000**	**1,252,480**	**180,000**	**1,826,480**	**70,942**	**70,877**
Forward rate agreements	59,659	241	-	59,900	359	634
Total forward rate agreements	**59,659**	**241**	**-**	**59,900**	**359**	**634**
Equity options	10,556	4,594	-	15,150	1,716	1,716
Purchased	5,278	2,297	-	7,575	1,668	48
Written	5,278	2,297	-	7,575	48	1,668
Total equity options	**10,556**	**4,594**	**-**	**15,150**	**1,716**	**1,716**
Total other derivative instruments	**464,215**	**1,257,315**	**180,000**	**1,901,530**	**73,017**	**73,227**
Total derivative instruments	**1,112,215**	**2,817,395**	**962,000**	**4,891,609**	**172,495**	**86,176**

G21 Loans and other receivables

	2016	**2015**
Repayable on demand claims on credit institutions	16,684	15,054
Other than repayable on demand claims on credit institutions	26,390	28,840
Lending to Bank of Finland and other credit institutions	43,074	43,894
Current account credits, public and corporates	160,909	143,899
Loans	5,503,362	5,701,771
Syndicated loans and repurchase agreements	42,500	-
Receivables from finance lease contracts	10,152	10,051
Loans	5,716,924	5,855,722
Bank guarantee claims	462	540
Lending to the public and public sector entities	5,717,386	5,856,262
Total	**5,760,460**	**5,900,156**

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

Households	4,789,708	5,177,241
Corporates	542,591	414,368
Housing associations	339,903	221,872
Public sector entities	4,888	1,293
Non-profit organisations	40,295	41,487
Total	**5,717,386**	**5,856,262**

Write-downs during the year	2016	2015
Write-downs at the beginning of the year	54,372	59,679
Individually assessed write-downs on credits	5,354	4,523
Individually assessed write-downs on other commitments	25	0
Individually assessed write-downs on interest receivables	36	33
Write-downs on collectively assessed credits	415	511
Reversal of individually assessed write-downs on credits	-3,529	-4,447
Reversal of individually assessed write-downs on other commitments	-3	-58
Reversal of individually assessed write-downs on interest receivables	-8	-16
Reversal of impairment losses on credits	-91	-206
Total write-downs for the year	2,198	341
Realised credit losses for which individual write-downs were made in previous years	-7,944	-5,674
Realised other commitments for which individual write-downs were made in previous years	-256	-179
Reversal of impairment losses on credits	91	206
Write-downs at the end of the year	**48,461**	**54,372**
Impaired receivables at the beginning of the year, contract value	62,565	68,421
New impaired receivables during this year, contract value	8,399	7,151
Reversal of impaired receivables during this year	-14,008	-13,008
Impaired receivables at the end of the year, contract value	56,956	62,565

Information on the fair values is given in note G38 and on collateral obtained in note G40.

Breakdown of maturity on finance lease receivables		
Under 1 year	3,400	3,645
1-5 years	7,189	6,939
Over 5 years	68	-
Gross investment	**10,657**	**10,583**
Unearned future finance income	-505	-533
Net investment	**10,152**	**10,051**
Present value of lease payment receivables		
Under 1 year	3,158	3,375
1-5 years	6,927	6,676
Over 5 years	67	-
Total	**10,152**	**10,051**

G22 Investments for unit-linked insurances

	2016	2015
Publicly quoted shares and holdings	723,144	667,748
Total	**723,144**	**667,748**

G23 Investments in associated companies

	2016	2015
Acquisition cost at 1 January	0	17,516
Disposals	-	-17,516
Acquisition cost at 31 December	0	0
Share of profits at 1 January	-	6,056
Accrued equity adjustments on disposals	-	-4,017
Share of profit from associated companies	738	599
Dividends obtained during the year	-738	-338
Share of direct entries of equity	-	-2,300
Share of profits at 31 December	-	-
Book value at 31 December	**0**	**0**
Associated companies		
Percentage of shares and votes:	**2016**	**2015**
Samlink Ltd, Helsinki	23%	23%

Folksam Non-Life Insurance Company Ltd	**2016**	**2015**
Profit for the year	-	767
attributabel to non-controlling interest	-	261
attributabel to investee's shareholders	-	506
Total comprehensive income for the year	-	2,332
attributabel to non-controlling interest	-	793
attributabel to investee's shareholders	-	1,539
Book value in parent company at 1 January	-	17,516
Share of profits at 1 January	-	6,056
Group's share of net assets at 1 January	-	23,571
Disposals	-	-24,364
Total comprehensive income for the year attributable to the group	-	793
Group's share of net assets at 31 December	-	-
Samlink Ltd		
Book value of Samlink Ltd in parent company at 31 December	0	0
Total investments in associated companies	**0**	**0**
Profit for the year attributable to non-controlling interests:		
Folksam Non-Life Insurance Company Ltd	-	261
Samlink Ltd	738	338
Total share of profits in associated companies	**738**	**599**

Aktia Bank pcl has obtained dividends from Samlink Ltd EUR 0.7 (0.3) million.

Reports for associated companies are prepared following the Group's accounting principles in accordance with IFRS. On 3 March 2015, Aktia Bank plc divested further 24% of its holdings in Folksam Non-Life Insurance Ltd. The remaining holding (10%) is reported as shares available for sale.

See note G44 for transactions with associated companies.

G24 Intangible assets

	2016	2015
Acquisition cost at 1 January	71,536	54,103
Acquisitions	957	-
Increases	17,083	19,735
Decreases	-	-2,303
Acquisition cost at 31 December	89,575	71,536
Accumulated depreciations and impairments at 1 January	-20,783	-17,825
Accumulated depreciation on decreases	-	2,303
Planned depreciation	-5,095	-5,261
Accumulated depreciations and impairments at 31 December	-25,878	-20,783
Book value at 31 December	**63,698**	**50,753**

G25 Investment properties

2016	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
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
Book value at 31 December	**5,961**	**33,429**	**18,667**	**58,057**

2015	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	7,602	39,776	9,685	57,063
Valuation at fair value	-	1,350	354	1,704
Divestments	-1,641	-8,109	-	-9,750
Increases	-	-	4,729	4,729
Acquisition cost at 31 December	5,961	33,017	14,768	53,746
Book value at 31 December	**5,961**	**33,017**	**14,768**	**53,746**

G26 Other tangible assets

2016	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
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
Book value at 31 December	**3,466**	**3,873**	**333**	**7,672**

2015	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	13,433	9,207	1,588	24,227
Increases	1,695	1,619	-	3,314
Decreases	-136	-7	-1	-143
Acquisition cost at 31 December	14,992	10,820	1,587	27,398
Accumulated depreciations and impairments at 1 January	-9,973	-4,761	-1,253	-15,987
Accumulated depreciation on decreases	136	7	-	142
Planned depreciation	-1,615	-1,246	-1	-2,862
Accumulated depreciations and impairments at 31 December	-11,452	-6,001	-1,254	-18,707
Book value at 31 December	**3,539**	**4,819**	**333**	**8,692**

G27 Total other assets

	2016	2015
Accrued and advance interests	31,576	37,541
Other accrued income and advance payments	14,992	14,057
Accrued income and advance payments	46,568	51,598
Cash items being collected	82	79
Other receivables	20,114	18,073
Other assets	20,197	18,152
Total	**66,764**	**69,750**

G28 Deferred tax receivables and liabilities

	2016	2015
Deferred tax liabilities / receivables, net		
Net deferred tax liabilities / receivables at 1 January	47,967	46,233
Acquisitions / divestments	-393	-115
Changes during the year booked via the income statement	6,816	8,444
Financial assets:		
Valuation at fair value direct to equity	-995	-5,651
Transferred to the income statement	-1,069	-951
Cash flow hedging:		
Valuation at fair value direct to equity	-50	13
Transferred to the income statement	0	-19
Defined-benefit pensions plans via comprehensive income	-126	12
Net deferred tax liabilities / receivables at 31 December	**52,151**	**47,967**
Deferred tax liabilities		
Appropriations	40,519	36,707
Group-specific write-downs	-2,027	-1,944
Financial assets	16,192	18,509
Cash flow hedging	-146	-304
Investment properties valued at fair value	1,229	959
Activated development costs	2,260	1,627
Equalisation provision of the life insurance business	1,920	2,160
Other	19	-
Total	**59,965**	**57,714**
Deferred tax receivables		
Financial assets	5,418	8,607
Defined-benefit pension plans	586	472
Negative result	960	-
Other	850	667
Total	**7,814**	**9,747**

Specification of changes during the year booked via the income statement	**2016**	**2015**
Appropriations	-3,812	-4,340
Group-specific write-downs	83	102
Financial assets	-2,986	-2,930
Cash flow hedging	-158	-236
Investment properties valued at fair value	-270	-341
Defined-benefit pension plans	-11	1
Activated development costs	-633	-731
Equalisation provision of the life insurance business	240	-13
Negative result	960	-
Other	-229	43
Total	**-6,816**	**-8,444**
Investment properties valued at fair value	-	-25
Change in deferred taxes from assets classified as held for sale	**-**	**-25**
Total change in deferred taxes	**-6,816**	**-8,469**

G29 Deposits

	2016	**2015**
Repayable on demand liabilities to credit institutions	46,000	48,647
Other than repayable on demand deposits from credit institutions	462,860	426,179
Liabilities to credit institutions	508,860	474,826
Repayable on demand deposits	3,765,759	3,479,734
Other than repayable on demand deposits	398,530	442,258
Liabilities to the public and public sector entities	4,164,289	3,921,993
Total	**4,673,148**	**4,396,818**

G30 Debt securities issued

	2016		**2015**	
	Book value	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposits	-	-	11,997	12,000
Bonds	2,476,712	2,484,043	3,021,377	3,031,087
Total	**2,476,712**	**2,484,043**	**3,033,374**	**3,043,087**

	2016			**2015**		
Secured Debts (collateralised)	**Under 1 year**	**Over 1 year**	**Total**	**Under 1 year**	**Over 1 year**	**Total**
Issued debts	-	1,685,193	1,685,193	515,596	1,685,409	2,201,004
Total	**-**	**1,685,193**	**1,685,193**	**515,596**	**1,685,409**	**2,201,004**
Unsecured Debts	**Under 1 year**	**Over 1 year**	**Total**	**Under 1 year**	**Over 1 year**	**Total**
Issued unsecured debts, senior financing	300,866	490,654	791,520	37,232	795,137	832,369
Total	**300,866**	**490,654**	**791,520**	**37,232**	**795,137**	**832,369**

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	1,540,000
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
Others						67,214
Total	**-**	**300,000**	**1,334,829**	**515,000**	**267,000**	**2,484,043**

31 December 2015	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Certificates of deposit with fixed interest rate	5,000	7,000	-	-	-	12,000
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	1,000,000	500,000	-	1,500,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	305,000	15,000	184,000	504,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	20,000	265,079	-	-	285,079
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	569,500	100,000	-	83,000	752,500
Others						-10,492
Total	**5,000**	**596,500**	**1,670,079**	**515,000**	**267,000**	**3,043,087**

G31 Subordinated liabilities

	2016	2015
Debentures	243,596	235,049
Total	**243,596**	**235,049**
Nominal value	243,595	235,046
Amount counted to Tier capital	136,148	128,365

The bank has a bond program that is updated and approved by the Board of Directors yearly. Currently, the program's size is EUR 500 million. In this program, other bonds (included in note G30) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

No individual debenture loan exceeds 10% of all the subordinated liabilities.

G32 Other liabilities to credit institutions

	2016	2015
Other liabilities to credit institutions, secured debts	28,000	33,000
Other liabilities to credit institutions, unsecured debts	46,504	51,825
Total	**74,504**	**84,825**

Other liabilities to deposit banks include liabilities of EUR 67 (73) million with both fixed and variable interest rate to the European Investment Bank.

G33 Liabilities to the public and public sector entities

	2016	2015
Repayable on demand	5,500	74,000
Total	**5,500**	**74,000**

G34 Technical provisions

	From insurance agreements		From investment agreements		Total	
	2016	2015	2016	2015	2016	2015
Technical provisions at 1 January	552,188	786,863	578,276	238,554	1,130,463	1,025,417
Change of category due to amended insurance terms and conditions	-	-223,056	-	223,056	-	-
Income from insurance premiums	34,148	35,930	77,855	138,467	112,003	174,397
Insurance claims paid	-72,740	-54,743	-40,096	-35,545	-112,836	-90,288
Transfer of savings from / to unit-linked insurance	-3,774	-3,074	3,774	3,074	-	-
Compensated interest for savings	16,145	16,862	-	-	16,145	16,862
Customer compensation for savings	6	2	-	-	6	2
Total expense loading	-9,147	-9,403	-6,823	-6,788	-15,970	-16,191
Value increases and other items	2,116	2,806	30,519	17,457	32,635	20,263
Technical provisions at 31 December	**518,941**	**552,188**	**643,504**	**578,276**	**1,162,446**	**1,130,463**

Technical provisions by the various insurance branches	From insurance agreements		From investment agreements		Total	
	2016	2015	2016	2015	2016	2015
Saving plans	76,478	83,206	569,076	513,287	645,554	596,493
Individual pension insurance	345,436	373,070	74,428	64,989	419,865	438,059
Group pension insurance	67,829	64,711	-	-	67,829	64,711
Risk insurance	29,198	31,200	-	-	29,198	31,200
Total	**518,941**	**552,188**	**643,504**	**578,276**	**1,162,446**	**1,130,463**

Change in technical provisions	From insurance agreements		From investment agreements		Total	
	2016	2015	2016	2015	2016	2015
Technical provisions at 1 January	552,188	786,863	578,276	238,554	1,130,463	1,025,417
Change of category due to amended insurance terms and conditions	-	-223,056	-	223,056	-	-
Year's change	-33,246	-11,619	65,229	116,665	31,983	105,046
Technical provisions at 31 December	**518,941**	**552,188**	**643,504**	**578,276**	**1,162,446**	**1,130,463**
- of which technical provisions for risk insurance and interest-related insurance	440,090	465,718	2,924	2,542	443,014	468,260
- of which technical provisions for unit-linked insurance	78,852	86,470	640,580	575,734	719,432	662,203

Average calculation interest	2016	2015
Saving plans	3.0%	3.1%
Individual pension insurance	3.7%	3.8%
Group pension insurance	3.3%	3.3%
Risk insurance	3.0%	3.2%
Total	**3.5%**	**3.6%**

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	2016	2015
Interest liabilities	22,714	31,749
Interets received in advance	1,918	115
Accrued interest expenses and interest income received in advance	24,632	31,864
Other accrued expenses and income received in advance	28,705	30,857
Accrued expenses and income received in advance	**53,337**	**62,721**
Cash items in the process of collection	55,105	24,970
Defined benefit plan pensions	2,932	2,359
Other liabilities	9,011	74,575
Total other liabilities	**67,048**	**101,903**
Total	**120,385**	**164,624**

G36 Provisions	2016	2015
Provisions 1 January	2,336	3,549
Increase in provisions	-	595
Provisions used	-930	-1,808
Provisions 31 December	**1,406**	**2,336**

Aktia Bank plc has decided to invest in a modern core banking system. The migration to the new core banking system is made in collaboration with the current IT operator Samlink Ltd. An agreement was made on the transitional period and services that Samlink will continue to provide. Following the agreement, Aktia is obliged to bear a part of the development and project costs during the transitional period. The adequacy of the provision is valued at each time of reporting. The implementation of the new core banking system will be completed during the first half of 2017.

G37 Equity	2016	2015
Share capital	163,000	163,000
Fund at fair value	67,283	75,081
Restricted equity	**230,283**	**238,081**
Fund for share-based payments	1,957	2,143
Unrestricted equity reserve	108,316	115,113
Retained earnings 1 January	259,889	239,651
Dividend to shareholders	-35,946	-31,938
Other change in retained earnings	-	317
Acquisition of treasury shares	-1,716	-1,305
Divestment of treasury shares	1,521	1,113
Defined pension plans, OCI	-503	48
Profit for the year	49,308	52,001
Unrestricted equity	**382,826**	**377,145**
Shareholders' share of equity	613,108	615,226
Equity	**613,108**	**615,226**

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 41,791. The number of A shares attributable to unidentified shareholders was 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 184,669 (142,112) 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 seperate 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	**2016**	**2015**
Fund at fair value at 1 January	75,081	104,093
Profit / loss on valuation to fair value, shares and holdings	3,928	-1,181
Profit / loss on valuation to fair value, interest bearing securities	-8,243	-27,251
Deferred taxes on profit / loss on valuation to fair value	995	5,651
Transferred to the income statement, shares and participations, included in:		
Net income from life insurance	-741	-145
Deferred taxes	148	29
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-3,056	-3,069
Net income from life insurance	-1,548	-1,542
Deferred taxes	921	922
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	-252	-39
Deferred taxes on profit / loss on valuation to fair value	50	-13
Transferred to the income statement, cash flow hedging derivative contracts, included in:		
Net income from securities and currency trading	-	-93
Deferred taxes	0	19
Share of Folksam Non-Life Insurance's fund at fair value	-	-2,300
Fund at fair value at 31 December	**67,283**	**75,081**

Share capital and unrestricted equity reserve

	Number of shares	**Share capital**	**Unrestricted equity reserve**
1 January 2015	66,578,811	163,000	115,030
Divestment of treasury shares			84
31 December 2015	66,578,811	163,000	115,113
Divestment of treasury shares			-140
Capital return to shareholders			-6,657
31 December 2016	**66,578,811**	**163,000**	**108,316**

Group's unrestricted equity	2016	2015
Group's non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	146,894	129,469
Share of accumulated appropriations that have been included in the profit for the year	15,183	17,426
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	**162,077**	**146,894**
Group's distributable earnings in unrestricted equity		
Fund for share-based payments	1,957	2,143
Unrestricted equity reserve	108,316	115,113
Retained earnings 1 January	112,994	110,183
Dividend to shareholders	-35,946	-31,938
Other changes in retained earnings	-698	174
Profit for the year	34,125	34,576
Total	**220,749**	**230,251**
Group's total unresticted equity		
Fund for share-based payments	1,957	2,143
Unrestricted equity reserve	108,316	115,113
Retained earnings 1 January	259,889	239,651
Dividend to shareholders	-35,946	-31,938
Other changes in retained earnings	-698	174
Profit for the year	49,308	52,001
Total	**382,826**	**377,145**

Dividend to shareholders

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 5 April 2017 that a dividend of EUR 0.60 per share, totalling EUR 39,832,490.40 to be paid for the year based on the parent company's distributable retained earnings of EUR 51,443,593.98.

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

	2016		2015	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	380,095	380,095	268,361	268,361
Financial assets available for sale	1,840,526	1,840,526	2,197,648	2,197,648
Financial assets held until maturity	445,294	457,199	481,653	496,090
Derivative instruments	132,246	132,246	172,495	172,495
Loans and other receivables	5,760,460	5,679,639	5,900,156	5,841,073
Total	**8,558,620**	**8,489,704**	**9,020,313**	**8,975,667**
Investments for unit-linked insurances	723,144	723,144	667,748	667,748
Financial liabilities				
Deposits	4,673,148	4,651,047	4,396,818	4,358,617
Derivative instruments	54,254	54,254	86,176	86,176
Debt securities issued	2,476,712	2,477,214	3,033,374	3,035,333
Subordinated liabilities	243,596	247,330	235,049	239,163
Other liabilities to credit institutions	74,504	76,500	84,825	86,914
Other liabilities to the public and public sector entities	5,500	5,502	74,000	74,026
Total	**7,527,714**	**7,511,846**	**7,910,242**	**7,880,228**

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 determing fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash 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. The valuation adjustment is booked in the income statement.

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 2016				31 December 2015			
	Fair value classified into				Fair value classified into			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets valued via the income statement								
Interest-bearing securities	-	-	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets available for sale								
Interest-bearing securities	1,439,468	93,450	206,340	1,739,259	1,745,128	186,033	172,073	2,103,235
Shares and participations	64,016	-	37,252	101,267	55,870	-	38,543	94,413
Total	**1,503,484**	**93,450**	**243,592**	**1,840,526**	**1,800,999**	**186,033**	**210,616**	**2,197,648**
Derivative instrument, net	142	77,850	-	77,992	-275	86,594	-	86,319
Total	**142**	**77,850**	**-**	**77,992**	**-275**	**86,594**	**-**	**86,319**
Investments for unit-linked insurances	723,144	-	-	723,144	667,748	-	-	667,748
Total	**2,226,771**	**171,300**	**243,592**	**2,641,663**	**2,468,472**	**272,627**	**210,616**	**2,951,716**

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period no transfers between level 1 and 2 have occurred.

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 shows a reconciliation from period to period 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 via the income statement			Financial assets available for sale			Total		
	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1 January 2016	-	-	-	172,073	38,543	210,616	172,073	38,543	210,616
New purchases	-	-	-	39,071	734	39,805	39,071	734	39,805
Sales	-	-	-	-4,554	-1,260	-5,814	-4,554	-1,260	-5,814
Matured during the year	-	-	-	-250	-129	-379	-250	-129	-379
Realised value change in the income statement	-	-	-	-	-754	-754	-	-754	-754
Unrealised value change in the income statement	-	-	-	-	-	-	-	-	-
Value change recognised in the total comprehensive income	-	-	-	-	118	118	-	118	118
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 31 December 2016	**-**	**-**	**-**	**206,340**	**37,252**	**243,592**	**206,340**	**37,252**	**243,592**

Sensitivity analysis for level 3 Financial instruments

The value of financial instruments reported at fair value in the balance sheet 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 an indication of future changes in fair value.

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%. These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.6 (2.4)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31 December 2016			31 December 2015		
	Effect at an assumed movement			Effect at an assumed movement		
	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets valued via the income statement						
Interest-bearing securities	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets available for sale						
Interest-bearing securities	206,340	6,190	-6,190	172,073	5,162	-5,162
Shares and participations	37,252	7,450	-7,450	38,543	7,709	-7,709
Total	**243,592**	**13,641**	**-13,641**	**210,616**	**12,871**	**-12,871**
Total	**243,592**	**13,641**	**-13,641**	**210,616**	**12,871**	**-12,871**

Set off of financial assets and liabilities

Assets	31 December 2016		31 December 2015	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	132,246	-	172,495	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**132,246**	**-**	**172,495**	**-**
Amount not set off but included in general agreements on set off or similar	8,813	-	15,317	-
Collateral assets	117,140	-	158,040	-
Total amount of sums not set off in the balance sheet	**125,953**	**-**	**173,357**	**-**
Net amount	**6,293**	**-**	**-862**	**-**

Liabilities	31 December 2016		31 December 2015	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	54,254	-	86,176	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**54,254**	**-**	**86,176**	**-**
Amount not set off but included in general agreements on set off or similar	8,813	-	15,317	-
Collateral liabilities	26,390	-	44,128	-
Total amount of sums not set off in the balance sheet	**35,203**	**-**	**59,445**	**-**
Net amount	**19,051**	**-**	**26,731**	**-**

The table shows financial assets and liabilities that are presented net in the balance sheet or with potential rights to set-off associated with enforceable master netting arrangements or similar arrangements, together with related collateral. The net amounts show the exposure under normal business conditions as well as in the events of default or bankruptcy.

G39 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets 31 December 2016	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
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
Total		**872,164**	**859,936**	**3,068,044**	**1,714,230**	**2,044,246**	**8,558,620**

Liabilities 31 December 2016	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
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
Total		**4,159,491**	**607,437**	**1,912,703**	**548,981**	**299,103**	**7,527,714**

Assets 31 December 2015	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Cash and balances with central banks	G17	268,361	-	-	-	-	268,361
Financial assets available for sale	G18	189,308	204,851	1,482,854	166,466	154,169	2,197,648
Financial assets held until maturity	G19	7,737	35,793	390,588	47,535	-	481,653
Derivative instruments	G20	2,627	21,675	96,825	17,278	34,091	172,495
Loans and other receivables	G21	142,566	597,240	1,715,657	1,510,279	1,934,413	5,900,156
Total		**610,599**	**859,559**	**3,685,924**	**1,741,557**	**2,122,673**	**9,020,313**

Liabilities 31 December 2015	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Deposits	G29	3,866,845	347,885	182,089	-	-	4,396,818
Derivative instruments	G20	3,490	6,669	57,669	18,348	-	86,176
Debt securities issued	G30	4,999	547,617	1,676,774	507,462	296,521	3,033,374
Subordinated liabilities	G31	13,893	26,336	173,242	21,577	-	235,049
Other liabilities to credit institutions	G32	-	10,850	49,423	24,552	-	84,825
Other liabilities to the public and public sector entities	G33	42,000	32,000	-	-	-	74,000
Total		**3,931,226**	**971,358**	**2,139,197**	**571,939**	**296,521**	**7,910,242**

G40 Collateral assets and liabilities

	2016	2015
Collateral assets		
Collateral for own liabilities		
Securities	380,137	303,464
Outstanding loans constituting security for covered bonds	2,315,664	2,907,300
Total	**2,695,802**	**3,210,764**
Other collateral assets		
Pledged securities 1)	119,500	125,951
Securities included in pledging agreements	-	25,000
Cash included in pledging agreements and repurchase agreements	26,390	28,840
Total	**145,890**	**179,791**
Total collateral assets	**2,841,692**	**3,390,556**

Collateral above refers to the following liabilities	2016	2015
Liabilities to credit institutions 2)	373,720	296,139
Issued covered bonds 3)	1,685,193	2,201,004
Derivatives	26,390	53,840
Total	**2,085,302**	**2,550,983**

1) Refers to securities pledged for the intra day limit. As at 31 December 2016, a surplus of pledged securities amounted to EUR 4 (26) 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 1)	117,140	158,040
Total	**117,140**	**158,040**

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

G41 Off-balance sheet commitments

	2016	2015
Guarantees	30,817	27,394
Other commitments provided to a third party	807	1,287
Unused credit arrangements	495,618	296,089
Other irrevocable commitments	413	991
Total	**527,655**	**325,761**

Off-balance sheet commitments, exclude rental commitments.

31 December 2016	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
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
Total	**210,751**	**48,477**	**17,220**	**35,592**	**215,615**	**527,655**

31 December 2015	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Guarantees	8,260	5,529	9,421	4,105	80	27,394
Other commitments provided to a third party	192	61	820	214	-	1,287
Unused credit arrangements	90,802	24,370	11,857	5,990	163,071	296,089
Other irrevocable commitments	12	690	289	-	-	991
Total	**99,265**	**30,650**	**22,387**	**10,308**	**163,151**	**325,761**

G42 Rent commitments

	2016	2015
Less than 1 year	7,830	8,243
1-5 years	8,789	14,451
More than 5 years	201	319
Total	**16,821**	**23,014**

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

	2016		2015	
	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes
Financing				
Aktia Real Estate Mortgage Bank plc, Helsinki	100%	100%	51%	70%
Aktia Corporate Finance Ltd, Helsinki	100%	100%	100%	100%
Aktia Finance ltd, Helsinki	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 Kantaatti, Turku	100%	100%	100%	100%
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50%	50%	50%	50%
Kiinteistö Oy Skanssinkatu, Turku	50%	50%	-	-
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%	50%	-	-
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33%	33%	33%	33%
Kiinteistö Oy Lahden BW Tower, Helsinki	33%	33%	33%	33%

Subsiadiaries that have material non-controlling interets		**2016**		**2015**	
		Non-controlling interests' share of		**Non-controlling interests' share of**	
	Segment	**shares**	**votes**	**shares**	**votes**
Aktia Real Estate Mortgage Bank plc	Banking Business	-	-	49%	30%
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**	
	2016	**2015**	**2016**	**2015**
Profit for the year	-3,840	-1,357	4,538	4,353
attributabel to non-controlling interest	-1,887	-667	1,086	1,042
Total comprehensive income for the year	-3,840	-1,141	4,538	4,353
attributabel to non-controlling interest	-1,887	-561	1,086	1,041
Assets	253,062	950,462	11,620	11,065
Liabilities	122,566	815,913	4,735	4,367
Net assets	130,496	134,549	6,885	6,698
attributabel to non-controlling interest	-	66,118	1,647	1,602
Cash flow from operating activities	-31,991	-149,001	4,168	5,657
Cash flow from investing activities	-	-	-6	-8
Cash flow from financing activities	-213	-533	-4,351	-4,338
Net change in cash and cash equivalents	-32,204	-149,535	-189	1,311
Dividens paid to non-controlling interest	105	262	1,041	1,038

See note P46 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	**2016**			**2015**		
	Fixed compensation *)	**Variable compensation **)**		**Fixed compensation *)**	**Variable compensation **)**	
	Salary, remunerations and other fringe benefits	**Result-based salary**	**Share-based payment**	**Salary, remunerations and other fringe benefits**	**Result-based salary**	**Share-based payment**
Jussi Laitinen, Managing Director	315	41	554	314	55	469
Taru Narvanmaa, Deputy Managing Director	246	35	338	246	43	305
Executive Management excl. Managing Director and Deputy Managing Director 1)	1,189	161	421	1,061	145	284
Total	**1,750**	**237**	**1,314**	**1,620**	**243**	**1,057**

*) 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 Executive Management	**2016**			**2015**		
	Salary and remunerations	**Statutory pension costs**	**Cost for voluntary supplementary pension (IFRS)**	**Salary and remunerations**	**Statutory pension costs**	**Cost for voluntary supplementary pension (IFRS)**
Jussi Laitinen, Managing Director	910	63	232	837	64	160
Taru Narvanmaa, Deputy Managing Director	619	50	126	593	50	101
Executive Management excl. Managing Director and Deputy Managing Director 1)	1,771	238	180	1,490	209	128
Total	**3,300**	**350**	**538**	**2,920**	**323**	**389**
Compensation to the Board of Directors and the Board of Supervisors (including annual remuneration and remuneration per meeting)						
Members of the Board of Directors 2)						
Dag Wallgren, Chairman	82	15	-	82	14	-
Nina Wilkman, Vice Chairman	52	9	-	49	9	-
Christina Dahlblom	20	3	-	-	-	-
Stefan Damlin	38	7	-	-	-	-
Sten Eklundh	47	8	-	46	8	-
Hans Frantz	-	-	-	38	7	-
Kjell Hedman	40	8	-	39	7	-
Catharina von Stackelberg-Hammarén	35	6	-	34	6	-
Lasse Svens	41	7	-	-	-	-
Arja Talma	38	7	-	36	6	-
Total	**393**	**70**	**-**	**324**	**56**	**-**
Members of the Board of Supervisors 3)						
Håkan Mattlin, Chair	31	6	-	29	5	-
Christina Gestrin, Deputy Chair	14	2	-	15	3	-
Patric Lerche, Deputy Chair	15	3	-	15	3	-
Clas Nyberg, Deputy Chair	15	3	-	14	2	-
Jorma J. Pitkämäki, Deputy Chair (deceased in 2016)	6	1	-	14	2	-
Jan-Erik Stenman, Deputy Chair	14	2	-	15	3	-
Henrik Sundbäck, Deputy Chair	-	-	-	1	0	-
Bo-Gustav Wilson, Deputy Chair	1	0	-	15	3	-
Other members	134	24	-	132	23	-
Total	**228**	**40**	**-**	**249**	**43**	**-**
Total compensation to Executive Management, the Board of Directors and the Board of Supervisors	**3,922**	**461**	**538**	**3,494**	**423**	**389**

1) The other members of the Executive Management are Director Mia Bengts, Director and CCO Juha Hammarén, Vice Managing Director Carl Pettersson, Director Anssi Rantala, Director and CFO Fredrik Westerholm and Director Magnus Weurlander.

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 12 and 15 months. Members of the Executive Committee have a retirement age of 62-63 years.

2) 40% (35%) 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 2016, the members of the Board of Supervisors acquired Aktia A shares corresponding 35 (30)% of their annual remuneration from the Stock Exchange at market price.

Shareholding

At the end of 2016, the Group's key personnel held a total of 306,743 (237,480) series A shares and 8,552 (8,253) series R shares in Aktia Bank plc. This represents 0.5 (0.6)% of the total number of shares and 0.1 (0.1)% of votes.

Related-party transactions 2016	Associated companies	Other related-party
Credits and guarantees	-	16,624
Deposits	505	8,055
Services bought	10,997	121

Related-party transactions 2015	Associated companies	Other related-party
Credits and guarantees	-	11,965
Deposits	44	8,192
Services bought	12,520	13

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 Execituve 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.

The impact of the reform concerning Finnish earnings-related pensions, coming into effect 1 January 2017, has not been taken into account in pension provisions per 31 December 2016.

	2016	2015
Current service cost	-390	-396
Net interest income	-39	-39
Expense recognised in income statement	**-429**	**-436**
Remeasurements in total comprehensive income	-629	61
Total comprehensive income before taxes	**-1,058**	**-375**
Present value of obligation 1 January	**7,032**	**9,127**
Current service cost	390	396
Interest expenses	121	170
Actuarial gains (-) / losses (+) from experience adjustments	118	207
Actuarial gains (-) / losses (+) from changes in financial assumptions	682	-92
Actuarial gains (-) / losses (+) from changes in demographic assumptions	-	357
Settlements	-	-900
Benefits paid	-642	-2,232
Present value of obligation 31 December	**7,700**	**7,032**
Fair value of plan assets 1 January	**4,673**	**6,712**
Interest income	82	130
Return on plan assets excluding amount included in interest expenses / income	170	532
Settlements	-	-900
Benefits paid	-642	-2,232
Contributions by employer	485	431
Fair value of plan assets 31 December	**4,768**	**4,673**
Present value of obligation	7,700	7,032
Fair value of plan assets	-4,768	-4,673
Liability recognised in balance sheet 31 December	**2,932**	**2,359**
Liability recognised in balance sheet 1 January	**2,359**	**2,414**
Expenses recognised in income statement	429	436
Contributions by employer	-485	-431
Additional expense (+) to local GAAP	-56	5
Remeasurements in comprehensive income	629	-61
Liability recognised in balance sheet 31 December	**2,932**	**2,359**
Actuarial assumptions		
Discount rate, %	1.3%	1.8%
Rate of salary increase, %	2.5%	2.6%
Rate of benefit increase, %	0.0%	0.0%
Sensitivity analysis - net liability		
The following table show how the changes in assumptions used affect the net liability (EUR)		
Discount rate 1.30% (1.80%)	2,932	2,359
Change in discount rate +0.50%	-296	-250
Change in discount rate -0.50%	340	288
Salary increase 2.50% (2.60%)	2,932	2,359
Change in salary increase +0.50%	242	232
Change in salary increase -0.50%	-234	-223

The duration is 21 years according to the weighted average of the obligation.

The Group is expected to pay approximately EUR 0.5 million contributions to the defined benefit plans during 2017.

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 191,500 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 (2012–2013, 2013–2014, 2014–2015) may amount to a maximum of 51,000 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 five 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.

The earning period 2012 - 2013	**2016**	**2015**	**2014**	**2013**	**2012**
Basic information					
Max. number of shares	19,000	38,000	57,000	130,000	137,500
Sum in cash corresponding max. number of shares	19,000	38,000	57,000	130,000	137,500
Decision date	8 May 2012	8 May 2012	8 May 2012	8 May 2012	8 May 2012
Earning period starts	1 Jan 2012	1 Jan 2012	1 Jan 2012	1 Jan 2012	1 Jan 2012
Earning period ends	31 Dec 2013	31 Dec 2013	31 Dec 2013	31 Dec 2013	31 Dec 2013
Number of persons on the decision date	7	7	9	10	12
Rate of A share on the decision date, EUR	5.25	5.25	5.25	5.25	5.25
Rate of A share at the end of the accounting period, EUR	9.73	10.31	9.77	8.10	5.80

The earning period 2013 - 2014	**2016**	**2015**	**2014**	**2013**	**2012**
Basic information					
Max. number of shares	24,250	36,367	120,000	137,500	-
Sum in cash corresponding max. number of shares	24,250	36,367	120,000	137,500	-
Decision date	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	-
Earning period ends	31 Dec 2014	31 Dec 2014	31 Dec 2014	31 dec 2014	-
Number of persons on the decision date	10	10	12	14	-
Rate of A share on the decision date, EUR	6.88	6.88	6.88	6.88	-
Rate of A share at the end of the accounting period, EUR	9.73	10.31	9.77	8.10	-

The earning period 2014 - 2015	**2016**	**2015**	**2014**	**2013**	**2012**
Basic information					
Max. number of shares	29,790	112,500	112,500	-	-
Sum in cash corresponding max. number of shares	29,790	112,500	112,500	-	-
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	-	-
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	-	-
Earning period ends	31 Dec 2015	31 Dec 2015	31 Dec 2015	-	-
Number of persons on the decision date	13	13	13	-	-
Rate of A share on the decision date, EUR	8.35	8.35	8.35	-	-
Rate of A share at the end of the accounting period, EUR	9.73	10.31	9.77	-	-

The earning period 2015 - 2016	**2016**	**2015**	**2014**	**2013**	**2012**
Basic information					
Max. number of shares	120,000	120,000	-	-	-
Sum in cash corresponding max. number of shares	120,000	120,000	-	-	-
Decision date	28 Jan 2014	28 Jan 2014	-	-	-
Earning period starts	1 Jan 2015	1 Jan 2015	-	-	-
Earning period ends	31 Dec 2016	31 Dec2016	-	-	-
Number of persons on the decision date	15	16	-	-	-
Rate of A share on the decision date, EUR	9.46	9.46	-	-	-
Rate of A share at the end of the accounting period, EUR	9.73	10.31	-	-	-

The earning period 2016 - 2017	2016	2015	2014	2013	2012
Basic information					
Max. number of shares	101,500	-	-	-	-
Sum in cash corresponding max. number of shares	101,500	-	-	-	-
Decision date	16 Dec 2015	-	-	-	-
Earning period starts	1 Jan 2016	-	-	-	-
Earning period ends	31 Dec 2017	-	-	-	-
Number of persons on the decision date	14	-	-	-	-
Rate of A share on the decision date, EUR	10.07	-	-	-	-
Rate of A share at the end of the accounting period, EUR	9.73	-	-	-	-

Share Ownership Scheme

In addition to the share-based incentive schemes 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 151,000 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

Share Ownership Scheme 2014	2016	2015	2014	2013	2012
Basic information					
Max. number of shares	69,000	69,000	69,000	-	-
Sum in cash corresponding max. number of shares	69,000	69,000	69,000	-	-
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	-	-
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	-	-
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	-	-
Number of persons on the decision date	23	23	22	-	-
Rate of A share on the decision date, EUR	8.35	8.35	8.35	-	-
Rate of A share at the end of the accounting period, EUR	9.73	10.31	9.77	-	-

Share Ownership Scheme 2015	2016	2015	2014	2013	2012
Basic information					
Max. number of shares	45,000	45,000	-	-	-
Sum in cash corresponding max. number of shares	45,000	45,000	-	-	-
Decision date	18 Dec 2014	18 Dec 2014	-	-	-
Earning period starts	1 Jan 2015	1 Jan 2015	-	-	-
Earning period ends	31 Dec 2017	31 Dec 2017	-	-	-
Number of persons on the decision date	14	14	-	-	-
Rate of A share on the decision date, EUR	9.46	9.46	-	-	-
Rate of A share at the end of the accounting period, EUR	9.73	10.31	-	-	-

Share Ownership Scheme 2016	2016	2015	2014	2013	2012
Basic information					
Max. number of shares	27,000	-	-	-	-
Sum in cash corresponding max. number of shares	27,000	-	-	-	-
Decision date	16 Dec 2015	-	-	-	-
Earning period starts	1 Jan 2016	-	-	-	-
Earning period ends	31 Dec 2018	-	-	-	-
Number of persons on the decision date	7	-	-	-	-
Rate of A share on the decision date, EUR	10.07	-	-	-	-
Rate of A share at the end of the accounting period, EUR	9.73	-	-	-	-

Impact of share-based payments on the company's result and financial position	2016	2015	2014	2013	2012
Accounting period expenses from share-based payments in the income statement	-856	516	854	1,652	1,947
of which recorded as liability 31 December	2,497	3,166	2,936	2,331	1,171
of which recorded as fund for share-based payments 31 December	1,957	2,143	1,858	1,608	1,116

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.

	2016	2015
Customer assets being managed		
Funds in a customer funds account	4,107	-
Funds in discretionary asset management services	5,084,884	4,643,016
Funds within the framework of investment advising according to a separate agreement	4,999,783	4,206,666
Total	**10,084,667**	**8,849,682**

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.

	2016	2015
Customer assets witin PS savings		
PS Savings account	78	49
PS Deposit	76	66
Total	**154**	**114**
Customers' PS investments		
Investments in mutual funds	5,473	4,513
Shares	193	168
Total	**5,665**	**4,681**

G48 Events after the end of the year

Aktia Bank announced 31 January 2017 that the current administration model, in which a Board of Supervisors is included, will be reconsidered.. The responsibility to appoint the bank's Board of Directors would then be transferred from the Board of Supervisors to the Annual General Meeting, and the appointments would be prepared by a Nomination Committee. The planned schedule for transition to a simplified administration model is September 2017, when the bank aims to hold an extraordinary Annual General Meeting to decide on changes in the articles of association.

Deputy Managing Director Carl Pettersson has on 26 January 2017 informed that he will resign from Aktia to become Managing Director of Veritas Pension Insurance. Carl Pettersson will continue in his present position and as member of Aktias Executive Committe during the spring 2017.

Aktia Bank plc has on 12 January 2017, supported by a decision taken by the company's Board of Directors, divested 48,313 series A own shares held by the company for payment of deferred instalments mainly for the earning periods 2012–2013. 2013–2014 and 2014–2015 under the share-based incentive scheme to 16 key persons included in the share-based incentive scheme. Following the divestment the number of Series A treasury shares is 136,356 and Series R treasury shares 6,658.

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Income statement - Aktia Bank plc

(EUR 1,000)	Note	2016	2015
Interest income		98,347	115,664
Interest expenses		-6,756	-22,626
Net interest income	P2	91,591	93,038
Income from equity instruments	P3	9,116	9,462
Commission income		69,417	70,535
Commission expenses		-6,010	-6,601
Net commission income	P4	63,408	63,934
Net income from securities and currency trading	P5	-957	985
Net income from financial assets available for sale	P6	9,641	2,784
Net income from hedge accounting	P7	169	-290
Net income from investment properties	P8	-	5
Other operating income	P9	3,191	7,089
Staff costs	P10	-59,676	-61,055
Other administrative expenses	P11	-42,940	-39,656
Total administrative expenses		-102,616	-100,711
Depreciation of tangible and intangible assets	P12	-7,285	-7,101
Other operating expenses	P13	-16,206	-16,339
Write-downs on credits and other commitments	P14	-2,229	-360
Operating profit		**47,824**	**52,495**
Appropriations		-19,000	-21,800
Taxes	P15	-3,414	-3,252
Profit for the year		**25,410**	**27,442**

Balance sheet - Aktia Bank plc

(EUR 1,000)	Note	31 Dec 2016	31 Dec 2015
Assets			
Cash and balances with central banks		380,077	268,360
Bonds eligible for refinancing with central banks	P16, P19	1,605,090	2,088,062
Claims on credit institutions	P17	40,186	60,467
Receicables from the public and public sector entities	P18	5,488,343	4,991,345
Bonds from public sector entities		159,508	168,508
Total bonds	P19	159,508	168,508
Shares and participations	P20	201,380	131,643
Derivative instruments	P21	134,546	179,927
Intangible assets	P22	54,350	46,208
Investment properties		78	78
Other tangible assets		3,691	3,807
Tangible assets	P23	3,769	3,885
Other assets	P24	17,687	16,473
Accrued income and advance payments	P25	34,800	38,506
Deferred tax receivables	P26	5,418	8,607
Total assets		**8,125,153**	**8,001,991**
Liabilities			
Liabilities to credit institutions	P27	604,258	612,116
Borrowing		4,204,949	3,983,365
Other liabilities		5,500	74,000
Liabilities to the public and public sector entities	P28	4,210,449	4,057,365
Debt securities issued to the public	P29	2,362,426	2,349,831
Derivatives and other liabilities held for trading	P21	64,048	119,121
Other liabilities	P30	50,635	25,934
Provisions	P31	1,406	2,336
Total other liabilities		52,041	28,270
Accrued expenses and income received in advance	P32	43,646	46,309
Subordinated liabilities	P33	243,596	235,049
Deferred tax liabilities	P34	3,835	6,056
Other liabilities		**7,584,298**	**7,454,119**
Accumulated appropriations		202,350	183,350
Equity			
Share capital		163,000	163,000
Fund at fair value		15,745	24,048
Restricted equity		178,745	187,048
Unrestricted equity reserve		108,316	115,113
Retained earnings		62,361	66,763
Dividend to shareholders		-35,946	-31,938
Change in share-based payments		-186	286
Acquisition of treasury shares		-195	-192
Profit for the year		25,410	27,442
Unrestricted equity		159,760	177,474
Total equity	P35	**338,505**	**364,523**
Total liabilities and equity		**8,125,153**	**8,001,991**

Aktia Bank plc - off-balance-sheet commitments for the parent company

(EUR 1,000)	Note	31 Dec 2016	31 Dec 2015
Off-balance sheet commitments	P40		
Guarantees and pledges		30,817	27,394
Other		807	1,287
Commitments provided to a third party on behalf of the customers		31,624	28,681
Unused credit arrangements		586,586	954,615
Irrevocable commitments provided on behalf of customers		586,586	954,615
Total		**618,210**	**983,296**

Cash flow statement - Aktia Bank plc

(EUR 1,000)	2016	2015
Cash flow from operating activities		
Operating profit	47,824	52,495
Adjustment items not included in cash flow for the period	-6,985	-6,380
Paid income taxes	599	2,562
Increase (-) or decrease (+) in receivables from operating activities	**7,778**	**-205,358**
Financial assets available for sale	441,976	176,132
Financial assets held until maturity, decrease	42,700	-
Claims on credit institutions	21,450	133,201
Receicables from the public and public sector entities	-499,227	-524,405
Shares and participations	-952	-
Other assets	1,831	9,715
Increase (+) or decrease (-) in liabilities from operating activities	**181,497**	**47,370**
Liabilities to credit institutions	-7,859	-268,904
Liabilities to the public and public sector entities	172,655	-31,477
Debt securities issued to the public	1,554	381,460
Other liabilities	15,147	-33,709
Total cash flow from operating activities	**230,712**	**-109,311**
Cash flow from investing activities		
Investments in group companies and associated companies	-64,973	-
Proceeds from sale of group companies and associated companies	-	14,124
Investments in tangible and intangible assets	-15,314	-18,798
Proceeds from sale of tangible and intangible assets	4	-
Capital increase and issue directed to Aktia Finance ltd	-3,155	-
Total cash flow from investing activities	**-83,439**	**-4,674**
Cash flow from financing activities		
Subordinated liabilities, increase	48,776	65,722
Subordinated liabilities, decrease	-40,227	-53,208
Acquisition of treasury shares	-1,716	-1,305
Divestment of treasury shares	1,381	1,197
Paid dividends	-35,946	-31,938
Paid capital return	-6,657	-
Total cash flow from financing activities	**-34,389**	**-19,532**

	2016	2015
Change in cash and cash equivalents	**112,885**	**-133,517**
Cash and cash equivalents at the beginning of the year	278,987	412,505
Cash and cash equivalents at the end of the year	391,873	278,987
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,007	7,414
Bank of Finland current account	373,070	260,946
Repayable on demand claims on credit insitutions	11,796	10,627
Total	**391,873**	**278,987**
Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	11	8
Write-downs on credits and other commitments	2,229	360
Change in fair values	1,221	7,132
Depreciation and impairment of intangible and tangible assets	7,285	7,101
Sales gains and losses from tangible and intangible assets	-	-3,774
Unwound cash flow hedging	-	-93
Unwound fair value hedging	-15,946	-15,903
Change in provisions	-930	-1,213
Change in share-based payments	-856	516
Other adjustments	-	-514
Total	**-6,985**	**-6,380**

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. A copy of the consolidated financial statement is available from Aktia Bank plc, Mannerheimintie 14, 00100 Helsinki, Finland or from Aktia's website 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 interest 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 generally 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 via 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 in 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 accrued acquisition 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 accrued acquisition value.

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 included in the balance sheet at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value. 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 accrued acquisition 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 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.

As of 2014, the above mentioned principle is applied also in assessment write-downs by group related to larger corporate customers.

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 per cent 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 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 year's change in fair value this year 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 result 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 only 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 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.

Equity

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

Notes to the income statement - Aktia Bank plc

(EUR 1,000)

P2 Net interest income

	2016	2015
Interest income		
Claims on credit institutions	779	1,233
Receivables from the public and public sector entities	68,651	78,107
Bonds	26,869	34,603
Other interest income	2,048	1,721
Total	**98,347**	**115,664**
Interest expenses		
Liabilities to credit institutions	-765	-918
Liabilities to the public and public sector entities	-11,822	-21,315
Debt securities issued to the public	-29,833	-30,910
Derivatives and liabilities held for trading	42,331	40,010
Subordinated liabilities	-6,481	-6,411
Other interest expenses	-185	-3,082
Total	**-6,756**	**-22,626**
Net interest income	**91,591**	**93,038**

P3 Income from equity instruments

	2016	2015
Group companies	8,340	9,072
Associated companies	738	338
Equity instruments available for sales	38	53
Total	**9,116**	**9,462**

P4 Net commission income

	2016	2015
Commission income		
Lending	12,927	13,489
Borrowing	1,210	1,612
Card- and payment services	19,830	19,301
Mutual funds, asset management and securities brokerage	17,551	18,282
Brokerage of insurance	9,987	10,172
Guarantees and other off-balance sheet commitments	419	435
Other commission income	7,494	7,244
Total	**69,417**	**70,535**
Commission expenses		
Money handling	-1,758	-1,804
Card- and payment services	-3,034	-2,808
Securities and investments	-1,165	-1,520
Other commission expenses	-52	-469
Total	**-6,010**	**-6,601**
Net commission income	**63,408**	**63,934**

P5 Net income from securities and currency trading	2016	2015
Shares and participations		
Other items	-1	-
Total	**-1**	**-**
Derivative instruments		
Capital gains and losses	-307	-459
Valuation gains and losses	-2,016	-
Total	**-2,322**	**-459**
Other		
Capital gains and losses	-	0
Total	**-**	**0**
Total		
Capital gains and losses	-307	-460
Valuation gains and losses	-2,016	-
Other items	-1	-
Net income from securities trading	**-2,323**	**-460**
Net income from currency trading	1,367	1,445
Net income from securities and currency trading	**-957**	**985**

P6 Net income from financial assets available for sale	2016	2015
Interest-bearing securities		
Capital gains and losses	-309	-222
Transferred to income statement from fund at fair value	3,056	3,069
Total	**2,746**	**2,847**
Shares and participations		
Capital gains and losses	6,906	-55
Impairments	-11	-8
Total	**6,895**	**-63**
Total		
Capital gains and losses	6,597	-277
Transferred to income statement from fund at fair value	3,056	3,069
Impairments	-11	-8
Total	**9,641**	**2,784**

P7 Net income from hedge accounting	2016	2015
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-3,886	-5,703
Financial derivatives hedging issued bonds	14,876	-6,977
Changes in fair value of hedge instrument, net	10,989	-12,680
Repayable on demand liabilities	3,625	5,621
Bonds issued	-14,445	6,769
Changes in fair value of items hedged, net	-10,820	12,390
Total	**169**	**-290**
Total hedge accounting	**169**	**-290**

P8 Net income from investment properties

	2016	2015
Rental income	-	3
Other income	-	2
Total	**-**	**5**

P9 Other operating income

	2016	2015
Income from central bank services	146	176
Group internal compensations	192	241
Merger and sales gains	0	4,063
Other operating income	2,853	2,609
Total	**3,191**	**7,089**

P10 Staff

	2016	2015
Salaries and remunerations	-48,024	-49,683
Pension costs	-8,783	-8,683
Other indirect emplyee costs	-2,869	-2,689
Indirect emplyee costs	-11,651	-11,372
Total	**-59,676**	**-61,055**
Number of emplyees 31 December		
Full-time	666	649
Part-time	48	72
Temporary	105	130
Total	**819**	**851**

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.

P11 Other administrative expenses

	2016	2015
Other staff expenses	-3,452	-3,017
Office expenses	-2,260	-1,627
Communication expenses	-2,923	-2,559
IT-expenses	-25,477	-24,658
Marketing- and representation expenses	-4,680	-4,361
Group internal expenses	-474	-537
Other administrative expenses	-3,674	-2,898
Total	**-42,940**	**-39,656**

P12 Depreciation of tangible and intangible assets

	2016	2015
Depreciation on tangible assets	-1,642	-1,594
Depreciation on intangible assets	-5,643	-5,507
Total	**-7,285**	**-7,101**

P13 Other operating expenses	2016	2015
Rental expenses	-8,952	-9,122
Expenses for properties in own use	-1,572	-1,706
Insurance and security expenses	-708	-555
Monitoring, control and membership fees	-1,044	-748
Consulting fees	-1,570	-1,990
Group internal expenses	-148	-220
Other operating expenses	-2,212	-1,999
Total	**-16,206**	**-16,339**
Auditors' fees		
Statutory auditing	-159	-79
Services related to auditing	-24	-24
Tax counselling	-35	-51
Other services	-401	-273
Total	**-619**	**-427**
The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-1,716	-1,928
amount of which paid from the old Deposit Guarantee Fund	-1,716	-1,928
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	17	16
Contribution to the Single Resolution Fund	-1,372	-639
amount of which transferred from previously paid bank tax	-1,372	-639
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	4	5

P14 Write-downs on credits and other commitments	2016	2015
Receivables from the public and public sector entities		
Individual write-downs	-5,337	-4,494
Write-downs by group	-415	-511
Reversals of and recoveries of write-downs	3,520	4,498
Reversals of credit losses	30	163
Total	**-2,202**	**-343**
Interest receivables		
Individual write-downs	-36	-33
Reversals of and recoveries of write-downs	8	16
Total	**-27**	**-17**
Total write-downs on credits and other commitments	**-2,229**	**-360**

P15 Taxes	2016	2015
Income taxes on the ordinary business	-157	-68
Taxes from previous years	-49	-4
Changes in deferred taxes	-3,208	-3,181
Total	**-3,414**	**-3,252**

Notes to the balance sheet - Aktia Bank plc

(EUR 1,000)

P16 Bonds eligible for refinancing with central banks

	2016	2015
Government bonds	83,225	82,021
Other	1,521,864	2,006,041
Total	**1,605,090**	**2,088,062**

P17 Claims on credit institutions

	2016	2015
Repayable on demand		
Finnish credit institutions	6,353	186
Foreign credit institutions	5,443	10,441
Total	**11,796**	**10,627**
Other than repayable on demand		
Finnish credit institutions	25,500	46,500
Foreign credit institutions	2,890	3,340
Total	**28,390**	**49,840**
Total claims on credit institutions	**40,186**	**60,467**

P18 Receivables from the public and public sector entities

	2016	2015
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	4,575,314	4,332,902
Corporates	537,657	411,041
Housing associations	330,188	204,629
Public sector entities	4,888	1,293
Non-profit organisations	40,295	41,480
Total	**5,488,343**	**4,991,345**

The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.

	2016	2015
Write-downs during the year		
Write-downs at the beginning of the year	54,231	59,521
Receivables from the public and public sector entities		
Individual write-downs	5,337	4,494
Group write-downs	415	511
Individual write-downs that were reversed	-3,520	-4,498
Credit losses for which individual write-downs were made in previous years	-8,133	-5,796
Write-downs at the end of the year	**48,330**	**54,231**

P19 Bonds by financial instrument

	Total 2016	Of which, the bonds that are eligible for refinancing with central banks	Total 2015	Of which, the bonds that are eligible for refinancing with central banks
Bonds available for sale				
Publicly quoted	1,294,796	1,265,599	1,722,409	1,676,214
Other	24,508	24,508	52,508	52,508
Total	**1,319,304**	**1,290,107**	**1,774,917**	**1,728,722**
Bonds held until maturity				
Publicly quoted	445,294	445,294	481,653	481,653
Total	**445,294**	**445,294**	**481,653**	**481,653**
Total bonds	**1,764,598**	**1,735,400**	**2,256,570**	**2,210,375**

P20 Shares and participations

	2016	2015
Shares and participations available for sale		
Credit institutions	168	168
Other	8,988	7,379
Total	**9,156**	**7,547**
Shares and participations in associated companies		
Other companies	0	0
Total	**0**	**0**
Shares and participations in group companies		
Credit institutions	138,527	70,399
Other companies	53,697	53,697
Total	**192,224**	**124,095**
Total shares and participations	**201,380**	**131,643**

The holdings in associated- and group companies have been valued at their acquisition cost.

P21 Derivative instruments

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

31 December 2016

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
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	-	-
Total	**1,022,609**	**1,935,813**	**895,000**	**3,853,422**	**132,884**	**62,528**
Total interest rate derivatives	**1,022,609**	**1,935,813**	**895,000**	**3,853,422**	**132,884**	**62,528**
Forward rate agreements	52,404	-	-	52,404	597	455
Total forward rate agreements	**52,404**	**-**	**-**	**52,404**	**597**	**455**
Equity options	4,594	-	-	4,594	1,065	1,065
Purchased	2,297	-	-	2,297	1,065	-
Written	2,297	-	-	2,297	-	1,065
Total equity options	**4,594**	**-**	**-**	**4,594**	**1,065**	**1,065**
Total derivative instruments	**1,079,607**	**1,935,813**	**895,000**	**3,910,420**	**134,546**	**64,048**

31 December 2015

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	1,692,700	2,540,869	985,000	5,218,569	167,838	106,755
Interest rate options	41,870	507,903	60,000	609,773	10,014	10,017
Purchased	-	240,000	30,000	270,000	10,008	10,008
Written	41,870	267,903	30,000	339,773	7	8
Total	**1,734,570**	**3,048,772**	**1,045,000**	**5,828,342**	**177,852**	**116,771**
Total interest rate derivatives	**1,734,570**	**3,048,772**	**1,045,000**	**5,828,342**	**177,852**	**116,771**
Forward rate agreements	59,659	241	-	59,900	359	634
Total forward rate agreements	**59,659**	**241**	**-**	**59,900**	**359**	**634**
Equity options	10,556	4,594	-	15,150	1,716	1,716
Purchased	5,278	2,297	-	7,575	1,668	48
Written	5,278	2,297	-	7,575	48	1,668
Total equity options	**10,556**	**4,594**	**-**	**15,150**	**1,716**	**1,716**
Total derivative instruments	**1,804,785**	**3,053,608**	**1,045,000**	**5,903,392**	**179,927**	**119,121**

P22 Intangible assets

31 December 2016	Immaterial rights (IT expenses)	Other long-term expenditures	Total
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
Book value at 31 December	**50,500**	**3,850**	**54,350**

31 December 2015	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	42,441	8,704	51,145
Increases	15,507	1,619	17,127
Decreases	-2,303	-2	-2,305
Acquisition cost at 31 December	55,646	10,321	65,967
Accumulated depreciations and impairments at 1 January	-12,299	-4,257	-16,556
Accumulated depreciation on decreases	2,303	2	2,305
Planned depreciation	-4,261	-1,246	-5,507
Accumulated depreciations and impairments at 31 December	-14,256	-5,502	-19,759
Book value at 31 December	**41,389**	**4,819**	**46,208**

P23 Tangible assets

	2016	2015
Investment properties		
Shares and participations in real estate corporations		
Acquisition cost at 1 January	78	78
Acquisition cost at 31 December	78	78
Book value at 31 December	**78**	**78**
Carrying amount at 31 December	**78**	**78**

Other tangible assets

31 December 2016	Machines and equipment	Other tangible assets	Total tangible assets
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
Book value at 31 December	**3,369**	**322**	**3,769**

31 December 2015	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	11,627	1,574	13,279
Increases	1,672	-	1,672
Decreases	-80	-	-80
Acquisition cost at 31 December	13,219	1,574	14,871
Accumulated depreciations and impairments at 1 January	-8,220	-1,252	-9,471
Accumulated depreciation on decreases	80	-	80
Planned depreciation	-1,594	-1	-1,594
Accumulated depreciations and impairments at 31 December	-9,733	-1,252	-10,986
Book value at 31 December	**3,485**	**322**	**3,885**

P24 Other assets

	2016	2015
Cash items being collected	1	14
Other assets	17,686	16,459
Total	**17,687**	**16,473**

P25 Accrued income and advance payments

	2016	2015
Interests	23,908	30,316
Other	10,892	8,190
Total	**34,800**	**38,506**

P26 Deferred tax receivables

	2016	2015
Deferred tax receivables at 1 January	8,607	11,788
Change booked via the income statement during the year	-3,189	-3,181
Deferred tax receivables at 31 December	**5,418**	**8,607**

Deferred tax receivables relates to the unwound hedge interest-rate derivatives.

P27 Liabilities to credit institutions

	2016	2015
Repayable on demand liabilities to credit institutions	66,894	59,132
Other than repayable on demand deposits from credit institutions	537,364	552,985
Total	**604,258**	**612,116**

P28 Liabilities to the public and public sector entities

	2016	2015
Repayable on demand	3,806,419	3,541,107
Other than repayable on demand	398,530	442,258
Borrowing	4,204,949	3,983,365
Repayable on demand	5,500	74,000
Other liabilities	5,500	74,000
Total	**4,210,449**	**4,057,365**

P29 Debt securities issued to the public

	2016		2015	
	Book value	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposits	-	-	11,997	12,000
Bonds	2,362,426	2,311,376	2,337,834	2,296,654
Total	**2,362,426**	**2,311,376**	**2,349,831**	**2,308,654**

P30 Other liabilities

	2016	2015
Cash items in the process of collection	47,131	23,016
Other	3,504	2,918
Total	**50,635**	**25,934**

P31 Provisions

	2016	2015
Provisions 1 January	2,336	3,549
Increase in provisions	-	595
Provisions used	-930	-1,808
Provisions 31 December	**1,406**	**2,336**

Aktia Bank plc has decided to invest in a modern core banking system. The migration to the new core banking system is made in collaboration with the current IT operator Samlink Ltd. An agreement was made on the transitional period and services that Samlink will continue to provide. Following the agreement, Aktia is obliged to bear a part of the development and project costs during the transitional period. The adequacy of the provision is valued at each time of reporting. The implementation of the new core banking system will be completed during the first half of 2017.

P32 Accrued expenses and income received in advance

	2016	2015
Interests	20,561	20,891
Other	23,085	25,418
Total	**43,646**	**46,309**

P33 Subordinated liabilities

	2016	2015
Debentures	243,596	235,049
Total	**243,596**	**235,049**
Nominal value	243,595	235,046
Amount counted to Tier capital	136,148	128,365

The bank has a bond program that is updated and approved by the Board of Directors yearly. Currently, the program's size is EUR 500 million. In this program, other bonds (included in note P29) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

No individual debenture loan exceeds 10% of all the subordinated liabilities.

P34 Deferred tax liabilities

	2016	2015
Deferred tax liabilities at 1 January	6,056	10,134
Change during the year booked via the income statement	19	-
Financial assets:		
- Fair value measurement	-1,629	-3,445
- Transferred to income statement	-611	-632
Deferred tax liabilities at 31 December	**3,835**	**6,056**

Deferred tax liabilities relates to the fund at fair value.

P35 Equity

	At the beginning of the year	Increase/ Decrease	At the end of the year
Share capital	163,000	-	163,000
Fair value hedging	23,995	-8,102	15,893
Cash flow hedging	54	-202	-148
Fund at fair value	24,048	-8,303	15,745
Restricted equity	**187,048**	**-8,303**	**178,745**
Unrestricted equity reserve	115,113	-6,797	108,316
Retained earnings	62,361	-	62,361
Dividend to shareholders		-35,946	-35,946
Change in share-based payments		-186	-186
Acquisition / divestment of treasury shares		-195	-195
Profit for the year		25,410	25,410
Unrestricted equity	**177,474**	**-17,714**	**159,760**
Equity	**364,523**	**-26,017**	**338,505**

	2016	2015
Fund at fair value at 1 January	24,048	40,536
Changes in fair value during the year	-7,488	-17,404
Deferred taxes on changes in fair value during the year	1,629	3,445
Transferred to income statement during the year	-3,056	-3,161
Deferred taxes on transferred to income statement during the year	611	632
Fund at fair value at 31 December	**15,745**	**24,048**

Fair value for financial assets available for sale are recognised in the fund at fair value.

Distributable assets in unrestricted equity	2016	2015
Retained earnings	60,023	64,714
Dividend to shareholders	-35,946	-31,938
Profit for the year	25,410	27,442
Unrestricted equity reserve	108,316	115,113
Share-based payments	1,957	2,143
Total	**159,760**	**177,474**

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 41,791. The number of A shares attributable to unidentified shareholders was 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 184,669 (142,112) 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 an new issue.

Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

Other notes - Aktia Bank plc

(EUR 1,000)

P36 Fair value of financial assets and liabilities

Financial assets	**2016**		**2015**	
	Book value	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	380,077	380,077	268,360	268,360
Bonds	1,764,598	1,776,503	2,256,570	2,271,006
Claims on credit institutions	40,186	40,186	60,467	60,467
Receicables from the public and public sector entities	5,488,343	5,406,263	4,991,345	4,925,030
Shares and participations	9,156	9,156	7,547	7,547
Shares and participations in associated companies	0	0	0	0
Shares and participations in group companies	192,224	192,224	124,095	124,095
Derivative instruments	134,546	134,546	179,927	179,927
Total	**8,009,129**	**7,938,954**	**7,888,312**	**7,836,433**

Financial liabilities	**2016**		**2015**	
	Book value	**Fair value**	**Book value**	**Fair value**
Liabilities to credit institutions and central banks	604,258	606,792	612,116	614,294
Liabilities to the public and public sector entities	4,210,449	4,186,341	4,057,365	4,014,011
Debt securities issued to the public	2,362,426	2,363,718	2,349,831	2,350,786
Derivatives and other liabilities held for trading	64,048	64,048	119,121	119,121
Subordinated liabilities	243,596	247,330	235,049	239,163
Total	**7,484,776**	**7,468,229**	**7,373,483**	**7,337,374**

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 determing fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash 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.

P37 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets 31 December 2016	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P16, P19	307,097	251,269	980,593	65,756	376	1,605,090
Claims on credit institutions	P17	40,186	-	-	-	-	40,186
Receicables from the public and public sector entities	P18	133,690	544,163	1,599,827	1,422,436	1,788,227	5,488,343
Bonds	P19	24,508	10,011	124,989	-	-	159,508
Total		**505,481**	**805,443**	**2,705,408**	**1,488,191**	**1,788,603**	**7,293,126**

Liabilities 31 December 2016		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P27	331,133	13,080	246,011	14,034	-	604,258
Liabilities to the public and public sector entities	P28	3,873,991	274,740	61,719	-	-	4,210,449
Debt securities issued to the public	P29	2,288	299,613	1,290,385	519,571	250,569	2,362,426
Subordinated liabilities	P33	10,010	16,775	210,217	6,594	-	243,596
Total		**4,217,422**	**604,207**	**1,808,332**	**540,199**	**250,569**	**7,420,728**

Assets 31 December 2015		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P16, P19	139,490	296,112	1,603,153	48,951	356	2,088,062
Claims on credit institutions	P17	60,467	-	-	-	-	60,467
Receicables from the public and public sector entities	P18	109,544	521,132	1,440,512	1,255,268	1,664,889	4,991,345
Bonds	P19	52,508	-	116,000	-	-	168,508
Total		**362,009**	**817,244**	**3,159,664**	**1,304,219**	**1,665,245**	**7,308,381**

Liabilities 31 December 2015		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P27	424,291	13,850	149,423	24,552	-	612,116
Liabilities to the public and public sector entities	P28	3,598,391	376,885	82,089	-	-	4,057,365
Debt securities issued to the public	P29	4,999	32,234	1,601,993	507,462	203,144	2,349,831
Subordinated liabilities	P33	13,893	26,336	173,242	21,577	-	235,049
Total		**4,041,575**	**449,305**	**2,006,747**	**553,591**	**203,144**	**7,254,362**

P38 Property items and liabilities in euros and in foreign currency

Assets 31 December 2016	Euros	Foreign currency	Total
Bonds	1,764,598	-	1,764,598
Claims on credit institutions	35,691	4,495	40,186
Receicables 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
Total	**8,120,658**	**4,495**	**8,125,153**

Liabilities 31 December 2016	Euros	Foreign currency	Total
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
Total	**7,572,059**	**12,238**	**7,584,298**

Assets 31 December 2015	Euros	Foreign currency	Total
Bonds	2,256,570	-	2,256,570
Claims on credit institutions	51,690	8,777	60,467
Receicables from the public and public sector entities	4,991,345	-	4,991,345
Shares and participations	131,643	-	131,643
Derivative instruments	179,927	-	179,927
Other assets	382,040	-	382,040
Total	**7,993,214**	**8,777**	**8,001,991**

Liabilities 31 December 2015	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	612,116	0	612,116
Liabilities to the public and public sector entities	4,040,290	17,075	4,057,365
Debt securities issued to the public	2,349,831	-	2,349,831
Derivative instruments	119,121	-	119,121
Subordinated liabilities	235,049	-	235,049
Other liabilities	80,635	-	80,635
Total	**7,437,043**	**17,075**	**7,454,119**

P39 Collateral assets and liabilities

	2016	2015
Collateral assets		
Collateral for own liabilities		
Securities	380,137	345,332
Outstanding loans constituting security for covered bonds	2,103,122	2,026,700
Total	**2,483,259**	**2,372,032**
Other collateral assets		
Pledged securities 1)	119,500	125,951
Securities included in pledging agreements	-	25,000
Cash included in pledging agreements and repurchase agreements	28,390	49,840
Total	**147,890**	**200,791**
Total collateral assets	**2,631,149**	**2,572,824**

	2016	2015
Collateral above refers to the following liabilities		
Liabilities to credit institutions 2)	373,720	338,120
Issued covered bonds 3)	1,567,350	1,513,891
Derivatives	28,390	74,840
Total	**1,969,460**	**1,926,851**

1) Refers to securities pledged for the intra day limit. As at 31 December 2016, a surplus of pledged securities amounted to EUR 4 (26) 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.

	2016	2015
Collateral liabilities		
Cash included in pledging agreements 1)	117,140	158,040
Total	**117,140**	**158,040**

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

P40 Off-balance sheet commitments

	2016	2015
Guarantees	30,817	27,394
Other commitments provided to a third party	807	1,287
Unused credit arrangements	586,586	954,615
Total	**618,210**	**983,296**
- of which Group internal off-balance sheet commitments		
Unused credit arrangements	110,920	661,501

Off-balance sheet commitments, exclude rental commitments.

P41 Rent commitments

	2016	2015
Less than 1 year	7,395	7,730
1-5 years	7,808	12,961
More than 5 years	201	319
Total	**15,404**	**21,010**

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.

P42 Customer assets being managed

The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.

	2016	2015
Customer assets being managed		
Funds in a customer funds account	4,107	253
Funds in discretionary asset management services	183,651	86,937
Funds within the framework of investment advising according to separate agreement	2,091,688	1,814,676
Total	**2,279,446**	**1,901,867**

PS savings	2016	2015

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.

	2016	2015
Customer assets witin PS savings		
PS Savings account	78	49
PS Deposit	76	66
Total	**154**	**114**
Customers' PS investments		
Investments in mutual funds	5,473	4,513
Shares	193	168
Total	**5,665**	**4,681**

P43 The parent company's capital adequacy

	2016	2015
Calculation of the parent company's capital base		
Total assets	**8,125,153**	**8,001,991**
of which intangible assets	54,350	41,389
Total liabilities	**7,786,648**	**7,637,469**
of which subordinated liabilities	243,596	235,049
Share capital	163,000	163,000
Fund at fair value	15,745	24,048
Restricted equity	178,745	187,048
Unrestricted equity reserve and other funds	108,316	115,113
Retained earnings	26,034	34,929
Profit for the year	25,410	27,432
Unrestricted equity	159,760	177,474
Equity	**338,505**	**364,523**
Total liabilities and equity	**8,125,153**	**8,001,991**
Off-balance sheet commitments	618,210	983,296
Aktia Bank plc's equity	**338,505**	**364,523**
Provision for dividends to shareholders	-	-42,515
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-25,410	-
Intangible assets	-54,350	-46,208
Debentures	136,148	128,365
Additional expected losses according to IRB	-20,676	-18,174
Deduction for significant holdings in financial sector entities	-6,140	-5,766
Other	162,440	146,626
Total capital base (CET1 + AT1 + T2)	**530,516**	**526,851**
The parent company's capital adequacy		
Common Equity Tier 1 Capital before regulatory adjustments	478,476	470,243
Common Equity Tier 1 Capital regulatory adjustments	-84,107	-71,757
Common Equity Tier 1 Capital total (CET1)	**394,368**	**398,485**
Additional TIER 1 capital before regulatory adjustments	-	-
Additional TIER 1 capital regulatory adjustments	-	-
Additional TIER 1 (AT1) capital after regulatory adjustments	**-**	**-**
TIER 1 capital (T1 = CET1 + AT1)	**394,368**	**398,485**

	2016	2015
TIER 2 capital before regulatory adjustments	136,148	128,365
TIER 2 capital regulatory adjustments	-	-
TIER 2 capital (T2)	**136,148**	**128,365**
Own funds total (TC = T1 + T2)	**530,516**	**526,851**
Risk weighted exposures total	**2,445,680**	**2,142,045**
of which credit risk, the standardised model	754,761	697,710
of which credit risk, the IRB model	1,387,445	1,139,976
of which operational risk	303,475	304,359
CET1 Capital ratio	16.1%	18.6%
T1 Capital ratio	16.1%	18.6%
Total capital ratio	21.7%	24.6%

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

Risk-weighted amount for operational risks	**2014**	**2015**	**2016**	**12/2016**	**12/2015**
Gross income	156,069	162,278	167,212		
- average 3 years			161,853		
Capital requirement for operational risk				**24,278**	**24,349**
Risk-weighted amount				**303,475**	**304,359**

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%.

P44 Holdings in other companies

Subsidiaries	**2016**		**2015**	
	Percentage of shares	**Book value**	**Percentage of shares**	**Book value**
Financing				
Aktia Real Estate Mortgage Bank plc, Helsinki	100%	125,212	51%	61,895
Aktia Corporate Finance Ltd, Helsinki	100%	8,503	100%	8,503
Aktia Finance ltd, Helsinki	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 Kiinteistönvälitys 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%	6,803	100%	6,803
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%	13,000	100%	13,000
Kiinteistö Oy Kantaatti, Turku	100%	9,588	100%	9,588
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50%	9,450	50%	9,495
Kiinteistö Oy Skanssinkatu, Turku	50%	2,297	-	-
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%	2,095	-	-
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33%	1,017	33%	1,017
Kiinteistö Oy Lahden BW Tower, Helsinki	33%	3,712	33%	3,712
Total		**248,387**		**175,913**

Associated companies	2016		2015	
	Percentage of shares	Book value	Percentage of shares	Book value
Data processing				
Samlink Ltd, Helsinki	23%	0	23%	0
Total		**0**		**0**

On March 3 2015 Aktia Bank plc divested further 24% of its holdings in Folksam Non-Life Insurance Ltd. The remaining holding (10%) is reported as shares and participations.

Financing income obtained from and financing expenses paid to other group companies	2016	2015
Interest income	523	1,385
Dividends	9,079	9,409
Interest expenses	-229	-2,961
Net finance income	**9,372**	**7,833**
Receivables from and liabilities to other group companies		
Loans to credit institutions	2,000	20,814
Lending to the public and public sector entities	40,080	28,313
Debt securities	-	88,874
Other assets	890	2,155
Accrued income and advance payments	5,791	4,243
Total receivables	**48,761**	**144,398**
Liabilities to credit institutions	20,894	52,838
Liabilities to the public and public sector entities	39,191	56,279
Debt securities issued	3,555	3,571
Other liabilities	-	10,450
Accrued expenses and income received in advance	2,155	80
Total liabilities	**65,796**	**123,218**

P45 Shareholders

	Shareholders 31 December 2016						Shareholders 31 December 2015	
	A shares	R shares	Shares	Of shares, %	Votes	Of votes, %	Of shares, %	Of votes, %
The 20 largest shareholders:								
Stiftelsen Tre Smeder sr	1,212,079	4,706,804	5,918,883	8.9	95,348,159	21.5	8.9	21.0
Veritas Pension Insurance Company Ltd.	3,627,469	2,154,397	5,781,866	8.7	46,715,409	10.5	8.7	10.5
Svenska litteratursällskapet i Finland rf	4,864,205	789,229	5,653,434	8.5	20,648,785	4.7	8.5	4.7
Sampo (Madantum Life, Sampo plc)	4,070,687	-	4,070,687	6.1	4,070,687	0.9	6.1	0.9
Oy Hammarén & Co Ab	1,905,000	945,994	2,850,994	4.3	20,824,880	4.7	4.3	4.7
Åbo Akademi University Foundation sr	1,595,640	751,000	2,346,640	3.5	16,615,640	3.7	3.5	3.7
Aktiastiftelsen i Borgå sr	1,312,297	656,348	1,968,645	3.0	14,439,257	3.3	3.0	3.3
Life Annuity Institution Hereditas	-	1,646,106	1,646,106	2.5	32,922,120	7.4	2.5	7.4
Aktiastiftelsen i Vasa sr	978,525	547,262	1,525,787	2.3	11,923,765	2.7	2.3	2.7
Sparbanksstiftelsen i Kyrkslätt sr	844,206	458,350	1,302,556	2.0	10,011,206	2.3	2.0	2.3
Aktiastiftelsen i Esbo-Grankulla sr	-	1,238,708	1,238,708	1.9	24,774,160	5.6	2.0	6.0
Aktiastiftelsen i Vanda sr	-	1,222,000	1,222,000	1.8	24,440,000	5.5	1.9	5.5
Sparbanksstiftelsen i Karis-Pojo sr	787,350	393,675	1,181,025	1.8	8,660,850	2.0	1.8	2.0
Föreningen Konstsamfundet r.f.	1,176,173	-	1,176,173	1.8	1,176,173	0.3	1.8	0.3
Varma Mutual Pension Insurance Company	1,175,000	-	1,175,000	1.8	1,175,000	0.3	1.8	0.3
Sparbanksstiftelsen i Ingå sr	412,669	349,552	762,221	1.1	7,403,709	1.7	1.1	1.7
Sparbanksstiftelsen i Sibbo sr	464,254	234,201	698,455	1.1	5,148,274	1.2	1.1	1.2
Nordea (Nordea Funds Ltd, Nordea Life Assurance Finland Ltd, Nordea Fennia Fund)	628,537	-	628,537	0.9	628,537	0.1	2.2	0.3
Vörå Sparbanks Aktiastiftelse sr	615,460	10,500	625,960	0.9	825,460	0.2	0.9	0.2
Aktiastiftelsen i Malax sr	361,138	177,600	538,738	0.8	3,913,138	0.9	0.8	0.9
Largest 20 owners	**26,030,689**	**16,281,726**	**42,312,415**	**63.5**	**351,665,209**	**79.2**	**64.9**	**79.4**
Other	20,676,034	3,590,362	24,266,396	36.5	92,483,274	20.8	35.1	20.6
Total	**46,706,723**	**19,872,088**	**66,578,811**	**100.0**	**444,148,483**	**100.0**	**100.0**	**100.0**

Shareholders by sector 2016:	Number of owners	%	Number of shares	%	Votes	%
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
Total	**41,791**	**100.0**	**63,927,122**	**96.0**	**443,380,482**	**99.8**
entered in nominee register	8		1,883,688	2.8		
Unidentified shareholders			768,001	1.2	768,001	0.2
Total by sector	**41,791**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Shareholders by sector 2015:	Number of owners	%	Number of shares	%	Votes	%
Corporates	3,152	7.5	8,554,025	12.8	69,267,138	15.6
Financial institutes and insurance companies	58	0.1	8,349,625	12.5	19,248,913	4.3
Public sector entities	31	0.1	7,118,202	10.7	48,051,745	10.8
Non-profit organisations	688	1.6	32,991,154	49.6	294,680,453	66.3
Households	38,107	90.3	7,261,928	10.9	11,999,445	2.7
Foreign shareholders	158	0.4	119,700	0.2	130,674	0.0
Total	**42,194**	**100.0**	**64,394,634**	**96.7**	**443,378,368**	**99.8**
entered in nominee register	6		1,414,062	2.1		
Unidentified shareholders			770,115	1.2	770,115	0.2
Total by sector	**42,194**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2016:	Number of owners	%	Number of shares	%	Votes	%
Number of shares						
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
Total	**41,791**	**100.0**	**65,810,810**	**98.8**	**443,380,482**	**99.8**
entered in nominee register	8					
Unidentified shareholders			768,001	1.2	768,001	0.2
Total by sector	**41,791**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2015:	Number of owners	%	Number of shares	%	Votes	%
Number of shares						
1-100	29,695	70.4	1,165,460	1.8	1,278,263	0.3
101-1 000	10,850	25.7	3,208,725	4.8	4,402,856	1.0
1 001 - 10 000	1,479	3.5	3,749,954	5.6	6,546,203	1.5
10 001 - 100 000	103	0.2	3,014,451	4.5	6,875,764	1.5
100 000 -	67	0.2	54,670,106	82.1	424,275,282	95.5
Total	**42,194**	**100.0**	**65,808,696**	**98.8**	**443,378,368**	**99.8**
entered in nominee register	6					
Unidentified shareholders			770,115	1.2	770,115	0.2
Total by sector	**42,194**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

P46 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.

Compensation to Executive Management	2016			2015		
	Salary and remunera-tions	Statutory pension costs	Cost for voluntary supplemen-tary pension	Salary and remunera-tions	Statutory pension costs	Cost for voluntary supplemen-tary pension
Jussi Laitinen, Managing Director	910	63	232	837	64	160
Taru Narvanmaa, Deputy Managing Director	619	50	126	593	50	101
Executive Management excl. Managing Director and Deputy Managing Director 1)	1,771	238	180	1,490	209	128
Total	**3,300**	**350**	**538**	**2,920**	**323**	**389**
Compensation to the Board of Directors and the Board of Supervisors						
Members of the Board of Directors 2)						
Dag Wallgren, Chairman	82	15	-	82	14	-
Nina Wilkman, Vice Chairman	52	9	-	49	9	-
Christina Dahlblom	20	3	-	-	-	-
Stefan Damlin	38	7	-	-	-	-
Sten Eklundh	47	8	-	46	8	-
Hans Frantz	-	-	-	38	7	-
Kjell Hedman	40	8	-	39	7	-
Catharina von Stackelberg-Hammarén	35	6	-	34	6	-
Lasse Svens	41	7	-	-	-	-
Arja Talma	38	7	-	36	6	-
Total	**393**	**70**	**-**	**324**	**56**	**-**
Members of the Board of Supervisors 3)						
Håkan Mattlin, Chair	31	6	-	29	5	-
Christina Gestrin, Deputy Chair	14	2	-	15	3	-
Patric Lerche, Deputy Chair	15	3	-	15	3	-
Clas Nyberg, Deputy Chair	15	3	-	14	2	-
Jorma J. Pitkämäki, Deputy Chair (deceased in 2016)	6	1	-	14	2	-
Jan-Erik Stenman, Deputy Chair	14	2	-	15	3	-
Henrik Sundbäck, Deputy Chair	-	-	-	1	0	-
Bo-Gustav Wilson, Deputy Chair	1	0	-	15	3	-
Other members	134	24	-	132	23	-
Total	**228**	**40**	**-**	**249**	**43**	**-**
Total compensation to Executive Management, the Board of Directors and the Board of Supervisors	**3,922**	**461**	**538**	**3,494**	**423**	**389**

1) The other members of the Executive Management are Director Mia Bengts, Director and CCO Juha Hammarén, Vice Managing Director Carl Pettersson, Director Anssi Rantala, Director and CFO Fredrik Westerholm and Director Magnus Weurlander.

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 12 and 15 months. Members of the Executive Committee have a retirement age of 62-63 years.

2) 40% (35%) 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 2016, the members of the Board of Supervisors acquired Aktia A shares corresponding 35 (30)% of their annual remuneration from the Stock Exchange at market price.

Shareholding

At the end of 2016, the Group's key personnel held a total of 306,743 (237,480) series A shares and 8,552 (8,253) series R shares in Aktia Bank plc. This represents 0.5 (0.6)% of the total number of shares and 0.1 (0.1)% of votes.

Related-party transactions with subsidiaries	2016	2015
Credits and guarantees	42,080	49,499
Deposits	60,092	67,358
Receivables	6,681	11,622
Liabilities	2,155	33,466

Income and expenses from other activities	2016	2015
Group contribution to Aktia Fastighetsförmedling Ab from Group's wholly-owned subsidiaries	-	200
Total	**-**	**200**

The Board of Directors' and the CEO's signing of the Report by the Board of Directors and the Financial statements 2016

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.

The parent company's distributable retained earnings including profit for the year are EUR 51,443,593.98 and the unrestricted equity reserve is EUR 108,316,407.98. The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.60 per share, totalling EUR 39,832,490.40, 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 11,611,103.58.

Helsinki, 27 February 2017
Aktia Bank plc's Board of Directors

Dag Wallgren
Chair

Lasse Svens
Vice chair

Sten Eklundh

Christina Dahlblom

Stefan Damlin

Kjell Hedman

Catharina
von Stackelberg-Hammarén

Arja Talma

Jussi Laitinen
Managing Director

Our auditor's report has been issued today
Helsinki, 27 February 2017

KPMG Oy Ab

Jari Härmälä
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Aktia Bank p.l.c.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aktia Bank p.l.c. (business identity code 2181702-8) for the financial year ended 31 December 2016. 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 performance, financial position 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.

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.

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 and/or possible 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.

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, P14, P18)	
• Loans and other receivables totalled 5 761 million euros. This comprises approximately 60 % 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 allowances. • 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 material impairment allowances 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.
Investment Assets (Accounting Principles and Notes G2, G8, G16, G18, G19, G38, G39, G40, P5, P6, P20, P36, P37)	
• Investment assets (excluding derivatives) is a material item in the consolidated financial statements. The investment assets (excluding derivatives) totalled 2 286 million euros and they comprise approximately 24 % of the total assets. • Valuation of certain investment assets are subject to a considerable amount of management judgement. • Determining fair values of financial instruments may include estimation uncertainty if fair value cannot be derived from public available market quotes.	• We have assessed the group's valuation methods to value investment assets. • Our audit procedures in relation to the investment 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 investment assets and liabilities.
Insurance Liabilities (Accounting Principles and Notes G2, G7, G34)	
• Insurance liabilities totalled 1 162 million euros, 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 with the help of industry knowledge and available market practise information.
IT Systems	
• The group's key processes and functions are dependent on functioning technology. Undisturbed IT systems have a pivotal role in bank and insurance business, their continuity and financial reporting. • The most significant risks are related to integrity of data, confidentiality and services disruptions.	• We have summed up IT processes over the financial reporting process. • In addition, we have assessed system controls including amongst others access management and change and business continuity management.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a 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 the 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We 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 report of the Board of Directors, 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 2017
KPMG OY AB

Jari Härmälä
Authorised Public Accountant, KHT

Statement by the Board of Supervisors

Approved at the meeting of the Board of Supervisors on 8 March 2017.

The Board of Supervisors has examined the financial statement, the consolidated accounts, the report by the Board of Directors, and the audit report for 2016 and recommends that the financial statement and the consolidated accounts be accepted at the General Meeting of Aktia Bank plc.

Members of Aktia Bank plc's Board of Supervisors

Håkan Mattlin Chair	Christina Gestrin Deputy Chair	Patrik Lerche Deputy Chair
Clas Nyberg Deputy Chair	Jan-Erik Stenman Deputy Chair	Harriet Ahlnäs
Mikael Aspelin	Ralf Asplund	Johan Aura
Anna Bertills	Agneta Eriksson	Håkan Fagerström
Annika Grannas	Peter Karlgren	Yvonne Malin-Hult
Annika Pråhl	Marcus Rantala	Henrik Rehnberg
Gunvor Sarelin-Sjöblom	Peter Simberg	Bengt Sohlberg
Solveig Söderback	Sture Söderholm	Lars Wallin
Mikael Westerback	Kim Wikström	Ann-Marie Åberg

Aktia Bank plc's corporate governance report

This report was approved by the Board of Directors of Aktia Bank plc on 27 February 2017. The report is drawn up separately from the Report by the Board of Directors and it has been discussed in the Audit Committee.

This report is prepared in compliance with the Corporate Governance Code 2015. This report as well as other information required in the Corporate Governance Code, the company's financial statements, the report by the Board of Directors and the audit report are available on the company's website www.aktia.com.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's articles of association, Aktia follows the corporate governance code for listed companies issued by the Finnish Securities Market Association 2015 ("Corporate Governance Code 2015") entered into force 1 January 2016.The Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi. Aktia is a supporting member of the Finnish Securities Market Association.

Aktia complies with the recommendations laid down in the Corporate Governance Code 2015 with the exception of recommendation 5 (Election of the Board of Directors), recommendation 18a (Nomination Committee) and 22 (Decision-making relating to remuneration).

Deviations from recommendations and the grounds for them

By way of deviation from recommendations 5 and 22 in the Corporate Governance Code 2015, the Board of Supervisors is appointed by Aktia's annual general meeting. The tasks of the Board of Supervisors include for example appointing Aktia's Board of Directors and making decisions on remuneration to the members of the Board of Directors and issues which involve the significant restriction or expansion of operations. These decision-making arrangements have been adopted by Aktia's shareholders in current articles of association. A simplification of the company's administration structure through phasing out of the Board of Supervisors is under way in 2017.

Aktia's Board of Directors has not set up a nomination committee in itself, which means that Aktia is deviating from recommendation 18a of the Corporate Governance Code 2015. The reason for this deviation is that the members of the Board of Directors are appointed by the Board of Supervisors, the presiding officers of which prepare issues that relate to the composition, appointment and remuneration of the Board of Directors. Decisions concerning deviations are taken in Aktia's articles of association.

Aktia Bank plc's administration structure

Composition and tasks undertaken by the Board of Directors

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, whose term of office is one calendar year. No person who turns 67 before the beginning of the term can be elected as a board member. Aktia's Board of Directors is appointed by the Board of Supervisors for one calendar year at a time. The Board of Supervisors also appoints the chair and vice chair of the Board of Directors. No members of the Board are appointed through special order of appointment.

Aktia's Board of Directors 2016:

Name:	Born:	Education, title and main occupation:
Dag Wallgren, Chair	1961	M.Sc. (Econ.), Managing Director of The Society of Swedish Literature in Finland
Nina Wilkman, Deputy Chair	1958	LL.M., Attorney-at-Law, postgraduate student, doctoral program
Christina Dahlblom (From 1 April 2016)	1978	M.Sc. (Econ.), Managing Director of Miltton Sparks Ltd
Stefan Damlin	1968	M. Sc. (Econ.), Managing Director of Wärtsilä Finland Ltd
Sten Eklundh	1960	M.Sc. (Econ.)
Kjell Hedman	1951	Business Economist
Catharina von Stackelberg-Hammarén	1970	M. Sc. (Econ.), Managing Director of Marketing Clinic Ab
Lasse Svens	1962	M.Sc. (Econ.), CEO for Åbo Akademi University Endowment
Arja Talma	1962	M.Sc. (Econ.), eMBA

The independence of Board members and diversity

None of the members of the Board of Directors was or is employed by the company. The Board of Directors deems all board members 2016 of Aktia to be independent in relation to Aktia within the meaning of the Corporate Governance Code 2015. Further, the Board of Directors deems all board members of Aktia, with the exception of Lasse Svens who is a member of the Board of Directors of Pension Insurance Company Veritas, to be independent in their relationships with significant shareholders (shareholders who hold at least ten per cent of the total number of shares or votes).

The Board of Directors has, on 8 December 2016, approved the principles concerning diversity with the objective to ensure the competence and diversity of the Board of Directors required by a sound corporate culture, to preserve shareholder value through effective monitoring of business operations, and to increase shareholder value with insight and strategic thinking. The principles concerning diversity are available on the company's website www.aktia.com/en/johto-ja-hallinto.

The principles concerning diversity have been taken into consideration in the composition of the Board of Directors. The share of female board members was 44 per cent in 2016.

Tasks undertaken by the Board of Directors

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of applicable laws, the articles of association and the instructions issued by the Board of Supervisors. 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 of Directors has established written rules of procedure for its work. Board meetings are mainly held at Aktia's headquarters in Helsinki. The Board of Directors may also conduct meetings over the phone or by e-mail and make decisions without convening. In accordance with the rules of procedure for the Board of Directors, the Board convenes when necessary, but in general every month. The Group's strategy is dealt with in one longer meeting per year.

Meetings of the Board of Directors are deemed quorate when more than half the members, including the chair or vice chair, are present. No member of the Board of Directors may be a member of the Board of Supervisors.

The rules of procedure adopted by 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.

The Board of Directors convened 12 times in 2016. In addition, the Board of Directors adopted separate decisions on 7 occasions concerning matters that fell under its authority.

Attendance of Board members in 2016:

Wallgren Dag, Chair	12/12
Dahlblom Christina	8/12 (From 1 April 2016)
Damlin Stefan	12/12
Eklundh Sten	12/12
Hedman Kjell	11/12
von Stackelberg-Hammarén Catharina	12/12
Svens Lasse	12/12
Talma Arja	12/12
Wilkman Nina, Vice Chair	12/12

Composition and tasks undertaken by the Board of Directors's committees

The Board of Directors set up three committees from among its members to take decisions on certain predefined matters and to draw up issues to be resolved upon by the Board of Directors. The committees' rules of procedure are a part of the Board of Directors' rules of procedure. Following the rules of procedure, the committees shall have a minimum of 2 and a maximum of 4 members. Further, the rules of procedure determines the matters prepared by the committees and the matters the committees may decide on.

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 convened 12 times in 2016.

Members of the risk committee and attendance in 2016:

Eklundh Sten, Chair	12/12
Hedman Kjell	11/12
Svens Lasse	11/12
Wallgren Dag	12/12

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 determines the principles for internal auditing, sets down the Group's internal audit schedule and annual plan, and adopts routines and procedures for the compliance function. The committee studies the reports issued by the external auditor, the internal audit unit and the compliance unit 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. The committee convened 9 times in 2016.

Members of the audit committee and attendance in 2016:

Wilkman Nina, Chair	9/9
Damlin Stefan	9/9
Talma Arja	9/9

The remuneration 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 outside the company, and on matters relating to the development of the Group's administration and control system. The committee convened 3 times in 2016.

Members of the remuneration and corporate governance committee and attendance in 2016:

Wallgren Dag, Chair	3/3
von Stackelberg-Hammarén Catharina	3/3
Dahlblom Christina	3/3

Holdings by Members of the Board of Directors

Holdings by members of the Board of Directors and persons closely associated with them 31 December 2016:

Name	A-share	R-share
Dag Wallgren	9,124	525
Nina Wilkman	4,000	100
Christina Dahlbom	877	
Stefan Damlin	1,189	
Sten Eklundh	13,328	
Kjell Hedman	4,534	
Catharina von Stackelberg-Hammarén	3,609	
Lasse Svens	1,169	
Arja Talma	2,676	

Information concerning remuneration paid to members of the Board of Directors is included in notes G44 and G46 to the financial statements.

Composition of and tasks undertaken by the Board of Supervisors in 2016

The members of the Board of Supervisors, at least 7 and no more than 36, are appointed by Aktia's annual general meeting for a term of three years. No person who turns 67 before the beginning of the term of office can be elected as a member of the Board of Supervisors. All members of the Board of Supervisors are Finnish citizens.

Proposals for decisions to be taken by Aktia Bank's Annual General Meeting concerning members of the Board of Supervisors as well as their remuneration are prepared by a nomination committee, comprising representatives of the three largest shareholders and the Chairman of the Board of Supervisors as expert member.

Name:	Born:	Education, title and main occupation:
Håkan Mattlin, Chair	1948	Lic.Soc. Sc., Honorary Counsellor
Christina Gestrin, Deputy Chair	1967	M. Sc. (Agr. & For.)
Patrik Lerche, Deputy Chair	1964	M.Sc. (Econ.), Managing Director
Clas Nyberg, Deputy Chair	1953	M.Sc. (Eng), Entrepreneur in agriculture and tourism
Jorma J. Pitkämäki, Deputy Chair (Deceased 19 Sep 2016)	1953	M.Sc. (Econ.), Director General
Jan-Erik Stenman, Deputy Chair	1953	LL.M.,Managing Director
Bo-Gustav Wilson, Deputy Chair (Until 12 April 2016)	1947	M.Sc. (Econ.)
Harriet Ahlnäs	1955	M.Sc. (Eng.), Principal
Mikael Aspelin	1954	LL.M.
Ralf Asplund (From12 April 2016)	1954	Entrepreneur
Johan Aura	1972	MA (Education), Chief Secretary
Anna Bertills	1979	M.Soc.Sc., Managing Director
Agneta Eriksson	1956	M.A., Director
Håkan Fagerström	1956	Forester, Managing Director
Annika Grannas	1971	M.Sc. (Econ.), Ombudsman
Erik Karls (Until 12 April 2016)	1947	Agrologist, Agricultural Entrepreneur
Peter Karlgren	1969	Agrologist, Agricultural Entrepreneur
Yvonne Malin-Hult	1959	M. Sc. (Econ.), CFO
Stefan Mutanen (Until 12 April 2016)	1953	M.Soc. Sc., Managing Director, Honorary Counsellor
Annika Pråhl (From 12 April 2016)	1954	B.A., cultural
Marcus Rantala (From 12 April 2016)	1977	M.Soc.Sc., partner, senior consultant
Henrik Rehnberg	1965	M.Sc. (Eng), Farmer
Gunvor Sarelin-Sjöblom	1949	M.A., Author, Artist
Peter Simberg	1954	Agrologist
Bengt Sohlberg	1950	Agrologist, Agricultural Entrepreneur, Honorary Councellor
Solveig Söderback	1955	M. Soc. Sc., Chief Secretary
Sture Söderholm	1949	Lic. Odont.
Lars Wallin	1953	Service Manager
Mikael Westerback	1948	Chamber Counsellor
Maj-Britt Vääriskoski (Until 12 April 2016)	1947	Retired
Kim Wikström	1961	D.Sc. (Tech.), Industrial Management, Professor
Ann-Marie Åberg	1950	Physiotherapist

Independence of the members of the Board of Supervisors

The Board of Supervisors has broad connections to local owners or Aktia. All members of the Board of Supervisors are deemed to be independent in relation to Aktia. Håkan Mattlin, Mikael Westerback, Patrick Lerche and Jan-Erik Stenman are not independent in their relationships with significant shareholders.

Tasks undertaken by the Board of Supervisors

The Board of Supervisors is responsible for overseeing the administration of Aktia and comments on Aktia's accounts, the report by the Board of Directors and the audit report at Aktia's Annual General Meeting. The Board of Supervisors makes decisions on matters that involve the significant restriction or expansion of operations, determines the number of members on the Board of Directors, appoints and dismisses the chair of the Board of Directors, the deputy chair and other board members and determines the remuneration of the board members. It may issue instructions to the Board of Directors in matters that are of special importance or fundamentally vital.

The Board of Supervisors' meetings

The Board of Supervisors has established written rules of procedure for its work. Meetings of the Board of Supervisors are deemed quorate when more than half the members are present. The rules of procedure adopted by the Board of Supervisors define, in greater detail, the general duties of the Board, of Supervisors meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at meetings of the Board of Supervisors and reporting procedures. Within the Board of Supervisors the presiding officers prepare the election of the Board of Directors. The presiding officers also closely monitor the activities of the Board of Directors and executive management and report their observations to the Board of Supervisors.

The Board of Supervisors convened 4 times in 2016 and the average attendance of members was 73 per cent.

Composition of and tasks undertaken by the Board of Supervisors' presiding officers

At its first meeting following the annual general meeting, the Board of Supervisors appoints a number of presiding officers.

The presiding officers are tasked with drawing up matters to be dealt with by the Board of Supervisors, studying reports on decisions taken by the Board of Directors concerning overall strategy and studying reports concerning loans and guarantee commitments that have been extended to members of the Board of Directors. The presiding officers include the chair and deputy chairs of the Board of Supervisors. The presiding officers in 2016 were Håkan Mattlin (chair), Christina Gestrin, Patrik Lerche, Clas Nyberg, Jorma J. Pitkämäki (deceased 19 September 2016), Jan-Erik Stenman and Bo-Gustav Wilson (until 12 April 2016). The presiding officers held 4 minuted meetings in 2016, and attendance of the officers was 79 per cent.

Holdings of the members of the Board of Supervisors

Holdings by members of the Board of Supervisors and persons closely associated with them 31 December 2016:

Name	A-share	R-share
Håkan Mattlin	4,664	525
Christina Gestrin	1,756	
Patrik Lerche	395	
Clas Nyberg	1,489	13
Jan-Erik Stenman	1,758	
Harriet Ahlnäs	747	
Mikael Aspelin	6,193	
Ralf Asplund	344	500
Johan Aura	432	
Anna Bertills	747	
Agneta Eriksson	1,730	
Håkan Fagerström	814	
Annika Grannas	356	
Peter Karlgren	432	
Yvonne Malin-Hult	882	
Annika Pråhl	165	
Marcus Rantala	175	
Henrik Rehnberg	5,487	
Gunvor Sarelin-Sjöblom	-	
Peter Simberg	2,165	52
Bengt Sohlberg	7,958	1,750
Solveig Söderback	435	
Sture Söderholm	836	
Lars Wallin	885	
Mikael Westerback	1,462	87
Kim Wikström	282	
Ann-Marie Åberg	893	

Information concerning remuneration paid to members of the Board of Supervisors is included in note G44 to the financial statements.

The CEO and his duties

Aktia's CEO was Jussi Laitinen as at 31 December 2016, born 1956, M.Sc. (Econ.). M.Sc. (Eng.), and M.Sc. (Econ.) Martin Backman, born 1969, started as CEO on 6 March 2017.

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 and the Board of Supervisors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The Executive Committee assists the CEO in day-to-day management.

Executive Committee

Tasks undertaken by the Executive Committee

The Group's Executive Committee is a consultative body for the Managing Director. The Executive Committee deals with and follows up the outcome of the Group's strategy and the development of results as well as the outcome of significant projects and how the objectives were met.

The Executive Committee has no formal legal status. The Executive Committee comprises the CEO, who acts as chair, and persons in the Group's management as determined by the Board of Directors. The members of the Executive Committee report to the CEO. Each of the members of the Executive Committee has a clear area of responsibility defined according to Group functions or business segments. The Executive Committee convenes every week. .

Composition of the Executive Committee

The Executive Committee had the following members on 31 December 2016:

Jussi Laitinen, b. 1956
CEO, Chair
Member of the Executive Committee since: 2008
At Aktia since: 2008
Education: M.Sc. (Econ)

Taru Narvanmaa, b. 1963
Deputy Managing Director, Managing Director's alternate
Member of the Executive Committee since: 2007
At Aktia since: 2007
Education: M.Sc. (Econ)
Area of responsibility: Products and Group Communications

Carl Pettersson, b. 1979
Deputy Managing Director
Member of the Executive Committee since: 2014
At Aktia since: 2008
Education: B.Sc. (Econ.), eMBA
Area of responsibility: Private and Corporate Customers, Telephone and Web Channels, Private Banking, Marketing, Business Development and Strategy, Card Operations, Aktia Real Estate Services

Mia Bengts, b. 1970
Director, HR and Group Legal
Member of the Executive Committee since: 2015
At Aktia since: 2010
Education: M.Sc. (Econ.), LL.M.
Area of responsibility: HR and Group Legal

Juha Hammarén, b. 1960
Chief Control Officer
Member of the Executive Committee since: 2014
At Aktia since: 2014
Education: LL.M., eMBA
Area of responsibility: Responsible for the Group's appetite for risk, risk strategy, capital adequacy and balance sheet management, IRBA and credit control, collection and bank legal

Anssi Rantala, b. 1972
Director
Member of the Executive Committee since: 2015
At Aktia since: 2014
Education: Dr. Soc. Sc.
Area of responsibility: Asset management, market analysis and development of the total offering for institutional customers

Fredrik Westerholm, b. 1972
Director, CFO
Member of the Executive Committee since: 2013
At Aktia since: 2007
Education: M.Sc. (Econ)
Area of responsibility: Economy, Treasury and IR, Group services

Magnus Weurlander, b. 1964
Director, CIO
Member of the Executive Committee since: 2011
At Aktia since: 1990
Education: M.Sc. (Econ)
Area of responsibility: IT and Back Office functions

Holdings of the members of the Executive Committee

Holdings by members of the Executive Committee and persons closely associated with them 31 December 2016:

Name	A-share	R-share
Jussi Laitinen	77, 639	
Taru Narvanmaa	74,806	5,000
Carl Pettersson	20, 069	
Mia Bengts	1,000	
Juha Hammarén	5,422	
Anssi Rantala	1,000	
Fredrik Westerholm	13,563	
Magnus Weurlander	28,129	

Information concerning remuneration paid to members of the Executive Committee is included in notes G44 and G46 to the financial statements.

Internal control in the Aktia Group

The internal control in the Aktia Group is tasked with securing that business operations carried out in the Aktia Group comply with regulatory requirements as well as with the guidelines established by the Board of Directors for business operations. Internal control is implemented on all organisation levels. The Board of Directors of Aktia Bank Plc is responsible for appropriate organisation of internal control and that its functions are secured.

In addition to financial reporting processes a functioning internal control in the Aktia Group is secured by Risk Control, Compliance and Internal Audit. All these functions operate independently and separately from business operations, and report directly to the Group's Board of Directors and to the Boards of Directors of the controlled subsidiaries in the Group. In order to secure internal control the Board of Directors establishes internal instructions and working processes which guarantee that Aktia Group's business operations are compliant with legislation.

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 from the Group's internal audit unit 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 organisation for financial reporting comprises a finance unit at Group level which is in charge of both external and internal reporting. The unit is responsible for Group consolidation, budgeting, internal follow-up of results, upholding accounting principles and internal reporting guidelines and instructions. For each business segment and/or key individual companies within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis. Group reporting is compiled centralised and based on a common system for financial reporting, comprising both external and internal reporting and contributing to consistent management of financial reporting on different levels on an on-going basis.

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 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 is represented in different groups and bodies on different organisation levels steering the service providers' development of systems and processes. The Group has a direct ownership interest in the most important IT service provider 2016, Samlink Ltd, and is represented in the company's Board of Directors. Further, Aktia Group has a representative in the Board of Directors of the wholly-owned subsidiary of Samlink Ltd providing and managing accountancy services for Aktia Group.

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 Financial Manager, who is in charge of internal and external financial reporting, is not involved in making direct business decisions. His incentives are mainly independent of factors driving the business. The Financial Manager reports to the Aktia Group's Chief Financial Officer, 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 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 audit committee in the form of interim reports and an annual report. The interim reports and the annual report are scrutinised 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 Plc is responsible for appropriate organisation of risk management in the Group. The Aktia Group's risk control unit, which is independent of business operations, oversees and evaluates risk management in the Group and in its subsidiaries and reports to the management and the Board of Directors. The unit is responsible for measuring, analysing and monitoring risks in all areas of operation within the Group, and for evaluating the Group's total risk exposure. The purpose of the reports that the risk control unit provides to the Executive Committee regularly and to the Group's Board of Directors and its risk committee on a quarterly basis encompasses all the central risk exposure and balance sheet items that can have an essential impact on the outcome indicated in the Group's financial reporting. Risk Control also reports to the Boards of Directors of the subsidiaries on a quarterly basis. In the risk control of the subsidiaries, special features of and specific regulation applying to their operations are taken into consideration.

The Board of Directors establishes principles and instructions as well as the risk taking levels for the Group, thus securing the bounds for the risk control unit's operations. The Board of Directors Risk Committee prepares matters relating to risk control to be decided by the Board of Directors.

The main principles for risk management in the Aktia Group and the processes as well as the contact with Internal Control is presented in detail in the Capital and Risk Management Report 2016, CAR, available on the website www.aktia.com/en/julkaisut.

The Compliance function

In the Aktia Group, the Compliance function is responsible for monitoring and evaluating compliance in questions relating to Aktia as a company operating on the financial market, excluding regulation supervised by other functions. The Compliance function is a separate function, supporting Aktia's business operations and supervising that operations in the Group comply with legislation. The Compliance function follows the principles for compliance functions as well as the annual plan for the function established by the Board of Directors. The Compliance function submits quarterly reports on its observations and on significant changes in rules applied and their possible impact on the operations of Aktia Bank plc to the Boards of Directors of subsidiaries holding concession and to the Board of Directors' Audit Committee.

As a listed company and issuer, Aktia Bank plc complies with the insider rules of Nasdag Helsinki Ltd. (Helsinki Stock Exchange) and the market abuse regulation (MAR), and draws up insider lists and list of persons discharging managerial responsibilities and persons closely associated with them. For more information on the insider administration, see Aktia's website https://www.aktia.com/en/johto-ja-hallinto/sisapiirihallinto.

In general, credit applications by members of the Board of Directors, the Managing Director and other members of the Executive Committee are processed by Aktia Bank plc's Board of Directors. Transactions with related parties are presented in note G44 in the financial statements.

Internal audit

In the Aktia Group, Internal Audit is a function independent from business operations. The function monitors sufficiency and efficiency of internal control systems and quality of performed tasks, thus promoting necessary changes (by way of pointing at failures observed and development areas). The Group's Executive Committee decides on the principles for internal audit and the Groups audit schedule annually. Internal Audit reports quarterly about its most significant observations, the follow-up of actions and about the implementation of the internal audit schedule directly to the Board of Directors of the Aktia Group and to its Audit Committee.

Internal Audit is carried out in compliance with the international professional practices framework for auditing, including the definition of internal auditing, the code of ethics and the core principles for the professional practice of internal auditing. Furthermore, other legislation and regulatory requirements in the field are observed.

Auditor

The firm of authorised public accountants KPMG Oy Ab with Jari Härmälä, M.Sc. (Econ.), APA, as auditor-in-charge, was the auditor of the Aktia Group in 2016. The auditor is appointed by the annual general meeting. Information on remuneration for auditing and on payments for services not directly connected to auditing is given in note G13 to the financial statements.

GRI report

Corporate responsibility is integrated in our business strategy

At Aktia, corporate responsibility is governed by the Group's strategy. It has been firmly established in our day-to-day operations and it is based on Aktia's mission, vision, value proposition and core values. Our aim is to have a responsible approach towards customers and society, providing sound financial services to our customers, while also taking the owners' and the society's interests into consideration. We strive to integrate responsibility aspects in the bank's central processes and business decisions.

Aktia has reported the measures it has taken to support sustainable development since 2010. Our reporting on corporate responsibility focuses on how our responsible daily activities influence society, from the economic, environmental and social perspective.

As the corporate responsibility is integrated in our business strategy, the parts strategy and social value and GRI report are published as part of our Annual Report. Aktia´s strategy and social value part and GRI report are compiled in accordance with the Global Reporting Initiative (GRI), version 4 and Core level, recommendations. Aktia´s strategy and social value part and GRI report are not reviewed by an external party.

The part concerning corporate responsibility gives a deeper insight in how we have integrated responsibility issues in our daily activities. The GRI report also includes an overview of all indicators deemed to be essential for Aktia. The report covers the calendar year 2016.

Development of reporting

Aktia took the first steps towards corporate responsibility reporting in accordance with the new GRI G4 guidelines in 2014, in order to make evaluation of our activities related to corporate responsibility easier. In 2016, we focused on increasing our understanding of corporate responsibility issues within the Group and how they should be reported.

In corporate responsibility reporting we focus on financial and social matters as the direct environmental impact of the banks' operations is rather limited. Materiality analyses have confirmed this. For Aktia, it is important to have a responsible approach in all aspects, taking all stakeholders into consideration. We find a competitive advantage in being a safe financial partner for our customers and a long-term investment for our shareholders.

The most important elements of our corporate responsibility were established as a result of the materiality analysis carried out in 2015. The most important aspects within Aktia's corporate responsibility are generating added value for stakeholders; stability and reliability; data security for customers; transparent and good management practice and regulatory compliance. Special attention is given to responsible products and services as well as to the importance of competence and good leadership in business operations. The answers support and strengthen Aktia's overall objectives for corporate responsibility.

Organisation of matters concerning corporate responsibility

Aktia's different business areas are responsible for securing that responsibility issues are observed in day-to-day activities. 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 operations.

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

On the operative level, carrying out Aktia's corporate responsibility is the task of every employee. In this manner, it is duly integrated in the day-to-day work.

GRI reporting principles

The GRI report is Aktia's sixth report compiled in accordance with the Global Reporting Initiative (GRI) recommendations. In the report, Aktia has chosen to follow the GRI G4 guidelines, where applicable, in order to give a comprehensive picture of how responsibility is theme permeating all activities.

The strategy and social value part and GRI report are a presentation of Aktia's view of responsible banking.

Unless otherwise indicated, the details accounted in the parts strategy and social value and GRI report apply to the financial period 1 January–31 December 2016. The GRI comparison contains a list of the GRI indicators accounted by Aktia, including references to where the information can be found.

The parts strategy and social value and GRI report supplements the financial reports and comprise activities of the entire Group. The status of the strategy and social value part and GRI report is non-audited. The report can be downloaded from www.aktia.com. Any questions regarding the report can be directed to kommunikation@aktia.fi.

Aktia´s strategy and social value part and GRI report are now integrated parts of the Annual Report. The report comprises business operations of the entire Group.

Reporting in accordance with GRI comprises details and kay figures which, based on the materiality analysis, have been identified as important from the perspective of stakeholders and business operations.

Material aspects and boundaries (G4-20, G4-21)

At Aktia, corporate responsibility means assuming more extensive financial, social and environmental responsibility in all operations. Where applicable, we follow the updated G4 guidelines of GRI as well as GRI's sector-specific recommendations for use by financial accounting professionals.

In the parts strategy and social value and GRI report, Aktia has applied the GRI G4 guidelines and the "Core" option. These parts has not been reviewed by an external part. Based on Aktia's own assessment, the scopes of the strategy and social value part and GRI report meet the criteria for Core according to GRI G4. The key figures for financial responsibility have been audited in conjunction with the audit of the Group's financial statements performed by the APA firm KPMG Oy Ab. Other figures have been generated based on the Group's accounting and calculation principles.

All environmental data are based on Group level assessments.

Aktia's ambition is to continuously develop corporate reporting as part of the bank's operations. The materiality analysis makes apparent the aspects identified as crucial for Aktia's operations, products and services out of the perspectives of business operations and stakeholders. Aktia's Executive Committee has discussed and adopted the outcome of the materiality analysis. The APA firm KPMG Oy Ab acted as advisor for the materiality analysis.

Pages 169-175 of the GRI report present an overview of the compulsory indicators as well as those relevant indicators for operational performance which Aktia has chosen to report. These will be reported in the table of specific disclosures. Specific disclosures apply to the identified material aspects; for Core, at least one key figure per material aspect has to be disclosed.

The previous report, published on 21 March 2016, followed the GRI G4 recommendations, where applicable.

GRI comparison sheet

GRI content index		Page/Information AR= Annual Report
Strategy and analysis		
G4-1	Statement from the CEO	AR 2016 p. 4-5
G4-2	Description of key impacts, risks and opportunities	AR 2016 p. 14-17
Organisational profile		
G4-3	Name of the organisation	AR 2016 Front cover
G4-4	Primary brands, products and services	AR 2016 p. 6-7
G4-5	Location of organisation's headquarter	AR 2016 p. 6
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	AR 2016 p. 6
G4-7	Nature of ownership and legal form	AR 2016 p. 6, 9, 37, Note P45
G4-8	Market areas	AR 2016 p. 6
G4-9	Scale of the organisation	AR 2016 p. 6, 26, 31-33, 169-170
G4-10	Total number of employees by employment type, region and gender	AR 2016 p. 31-33, Note G11 At year-end, Aktia's total workforce was 1,026 (1,051) employees; 82 (78)% have full-time and 18 (22)% part-time contracts. The gender distribution of the total workforce between women and men is 65 (67)% and 35 (33)%, respectively. At the end of 2016, the number of employees had decreased by 25 (17) persons, which corresponds to approximately 2 % from last year.

Number of employees	2016	2015
Full-time employees, total	839	822
Part-time employees, total	187	229
Average retirement age	64	65
Average age of employees	43	43
Absentee rate (%)	2.3	2.2
Employee turnover (%)	10.7	9.7
Accidents, registered injuries (occurrences)	27	28

Number of employees, gender distribution	2016	2015
Female	665	703
Male	361	348

Gender distribution (%)	2016	2015
Executive management (F/M)	43/57	31/69
Middle management (F/M)	37/63	37/63
Specialists (F/M)	50/50	51/49
Officials (F/M)	77/23	80/20

Total workforce by age (number of employees)	Officials	Middle management	Specialists	Executive management
18-30 yrs	191	1	23	-
31-40 yrs	124	25	109	-
41-50 yrs	112	34	89	3
51-60 yrs	146	24	81	10
61- years	39	2	12	1

Recruitments, distribution by gender and age (number of employees)	2016	2015
18-30 yrs (F/M)	47/37	73/44
31-40 yrs (F/M)	10/16	6/7
41-50 yrs (F/M)	6/9	4/6
51-60 yrs (F/M)	7/2	8/3
61- yrs (F/M)	-	-

Total workforce, gender distribution by age group (number of employees)	2016	2015
18-30 yrs (F/M)	139/76	153/79
31-40 yrs (F/M)	141/117	148/120
41-50 yrs (F/M)	146/92	170/73
51-60 yrs (F/M)	196/65	184/59
61- yrs (F/M)	43/11	48/17

Administrative organs, age distribution (number of persons)	2016	2015
18-30 yrs (F/M)	-	-
31-40 yrs (F/M)	3/1	2/1
41-50 yrs (F/M)	3/4	3/3
51-60 yrs (F/M)	4/6	6/5
61- yrs (F/M)	6/12	4/15

	2016	2015
Board of Supervisors, gender distribution (F/M)	12/18	12/ 21
Board of Directors, gender distribution (F/M)	4/5	3/3

G4-11	Percentage of employees covered by collective bargaining agreements	AR 2016 p. 33
G4-12	Supply chain	Not reported 2016.
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain	Partial disclosure. AR 2016 p. 10-11. Aktia does not report significant changes in its supply chain.
G4-14	Report on how the precautionary principle is addressed	AR 2016 p. 25, Note G1
G4-15 G4-16	Externally developed principles or initiatives subscribed or endorsed Membership of associations	AR 2016 p. 25 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). Thereby, Aktia has committed itself to focus on the environment, society and to follow 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 Ry.

Material aspects identified and boundaries for reporting

G4-17	The Group's boundaries for reporting	AR 2016, Note G1
G4-18	Process for defining report content	AR 2016 Inner cover, p. 23-25, 167-168

G4-19	Materiality aspects	AR 2016 p. 23-25, 167-168
G4-20	Boundaries of material aspects within the organisation	
G4-21	Boundaries of material aspects outside the organisation	

Materiality aspects and boundaries

At Aktia, corporate responsibility means assuming more extensive financial, social and environmental responsibility in all operations. Where applicable, we follow the updated G4 guidelines of Global Reporting Initiative (GRI) as well as GRI's sector-specific recommendations for use by financial accounting professionals. Aktia has reported the measures it has taken to support sustainable development since 2010.

Aktia's ambition is to continuously develop corporate reporting as part of the bank's operations. The materiality analysis makes apparent the aspects identified as crucial for Aktia's operations, products and services out of the perspectives of business operations and stakeholders. Aktia's Executive Committee has discussed and adopted the outcome of the materiality analysis. The APA firm KPMG Oy Ab acted as advisor for the materiality analysis.

The most important aspects to stakeholders

1. Equity ratio and reliability
2. Confidential customer data, and data security
3. Compliance with finance sector regulations
4. Qualified personnel and leadership
5. Transparent management practices and ethical principles
6. Responsible investment and asset management
7. Customer loyalty and customer satisfaction
8. Responsible financing, lending and responsible services
9. Compliance with competition legislation
10. Prevention of money laundering and combatting corruption
11. Transparent reporting and payment of taxes
12. Management of liability risk and opportunity

Other aspects of medium importance to stakeholders

1. Responsible marketing
2. Occupational health
3. Conditions of employment, remuneration and attractiveness as an employer
4. Equality and diversity
5. The accessibility of banking services for everybody
6. Responsible supply chain
7. Contact with and development of society
8. Promotion of finance knowledge
9. Participation in development of the information society
10. Environmental impact

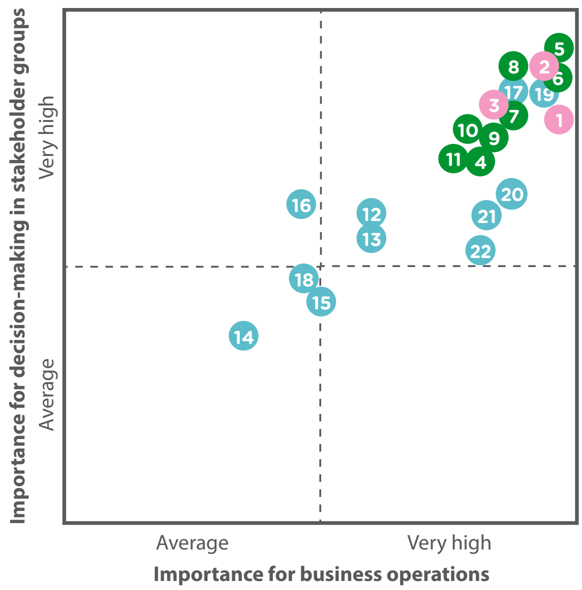
Materiality analysis matrix

The diagram below shows an assessment and evaluation of the issues identified as important to Aktia and our stakeholders.

Financial responsibility

Good administration

Social and environmental responsibility



1. Transparent management practices and ethical principles
2. Compliance with finance sector regulations
3. Compliance with competition legislation
4. Responsible marketing
5. Equity ratio and reliability
6. Confidential customer data, and data security
7. Responsible financing, lending and responsible services
8. Responsible investment and asset management
9. Prevention of money laundering and combatting corruption
10. Transparent reporting and payment of taxes
11. Management of liability risk and opportunity
12. Responsible supply chain
13. Contact with and development of society
14. Environmental impact
15. Participation in development of the information society
16. The accessibility of banking services for everybody
17. Customer loyalty and customer satisfaction
18. Promotion of finance knowledge
19. Qualified personnel and good leadership
20. Occupational health
21. Conditions of employment, remuneration and attractiveness as an employer
22. Equality and diversity

G4-22	Restatement of information provided in previous reports	AR 2016 p. 23-25, 167-168 No substantial change
G4-23	Significant changes in the report regarding scope and aspect boundaries	AR 2016 Inner cover, p. 23-25, 167-168 No substantial changes
Stakeholder engagement		
G4-24	List of stakeholder groups	AR 2016 p. 26
G4-25	Basis for identification and selection of stakeholders with whom to engage	AR 2016 p. 26
G4-26	Approach to stakeholder management	AR 2016 p. 26
G4-27	Key topics and concerns raised through stakeholder engagement	AR 2016 p. 26
Report profile		
G4-28	Reporting period	AR 2016 Inner cover The parts strategy and social value and GRI report are a presentation of Aktia's view of responsible banking. The details accounted in the parts strategy and social value and GRI report apply to the financial period 1 January–31 December 2016.
G4-29	Date of most recent previous report	The previous report, published on 21 March 2016, followed the GRI G4 recommendations, where applicable.
G4-30	Reporting cycle	The parts strategy and social value and GRI report are published annually and supplements the financial reports and comprises activities of the entire Group.
G4-31	Contact point for questions regarding the report or its contents	Inner cover The report can be downloaded from www.aktia.com. Any questions regarding the report can be directed to kommunikation@aktia.fi.
G4-32	Report GRI Content Index for chosen options	AR 2016 p. 169-175
G4-33	Policy for seeking externa assurance for the report	The status of the parts strategy and social value and GRI report is non-audited. The APA firm KPMG Oy Ab acted as advisor for the materiality analysis.
Administration		
Governance structure and composition		
G4-34	Governance structure and committees	AR 2016 p. 158-165, www.aktia.com
Ethics and integrity		
G4-56	Values, principles and code of conduct in business operations	AR 2016 p. 6, 14-15, 18-22, 23-25, 27-30

Comparison sheet for special content

Materiality aspects	DMA and indicator	Page/Information
Disclosures on management approach		
DMA	Generic disclosures on management approach	AR 2016 p. 158-165, www.aktia.com
Economic responsibility		
Economic performance		
G4-EC1	Direct economic value generated and distributed	AR 2016 p. 14-15, 23-25 The revenue distribution shows the sources of Aktia's income and how it is divided between various stakeholder groups. This also illustrates Aktia Group's role in society.

Revenue distribution (EUR million)	2016	2015
Net interest income	95.6	97.3
Net commission income	79.7	80.0
Premium income and change in value in unit-linked insurance policies from the life insurance business	126.0	101.3
Net income from investments	28.0	23.8
Other income	5.2	4.5
Total income	**334.5**	**307.0**
Paid out insurance claims to customers	121.7	97.4
Reinsurers' share	0.7	0.5
Net write-downs on credits to customers	2.2	0.3
Wages to personnel	58.5	59.3
Other operating expenses	76.2	71.8
Society (taxes + indirect employee costs)	25.9	26.0
Continuous development of Aktia Group	9.5	16.1
Dividend to shareholders (proposal to the AGM)	39.8	35.9
Share of non-controlling holdings	0.0	-0.4
Distribution of revenue	**334.5**	**307.0**

Materiality aspects	DMA and indicator	Page/Information
Environmental responsibility		
Materials		
G4-EN1	Materials used by weight or volume	Estimated paper consumption in Aktia Group reported. The table below shows an estimate of the paper consumption within Aktia. The internal paper consumption has followed a declining trend.

	2016	2015
Cost of paper, euro	44,518	50,799
Consumption of paper, kg	37,098	42,332
Kg paper/employee	41	46

Energy		
G4-EN3	Energy consumption within the organisation	Estimated energy consumption in Aktia Group reported. The table below shows an estimate of the energy consumption within Aktia Group. The internal energy consumption displays a clearly declining trend by approximately 7 (4)% in 2016.

Electricity cost, euro	2016	2015
Total electricity cost	461,697	496,787
Of which energy cost	175,445	188,779
Of which energy tax	170,828	183,811
Of which transmission of electricity	115,424	124,197
kWH	4,187,230	4,505,467

G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	Partial disclosure. CO2 emissions in air travel reported. The table below shows an estimate of the number of business trips and of CO2 emissions.

Air travel, CO2 emissions	2016	2015
Domestic	31,791 (22%)	40,465 (37%)
International	111,345 (78%)	68,273 (63%)
Travels		
Plane	546	574
Train	355	257

G4-EN27	Extent of impact mitigation of environmental impacts of products and services	AR 2016 p. 6, 8, 27-28, 35 At Aktia, we take it for granted that our customers want easy and flexible options for managing their day-to-day banking activities in the manner that suits them – either online, by telephone or at the branch office. We aim at regularly meeting the customers for a dialogue, meaning a discussion where we together with the customer systematically consider the customer's current and future needs in order to be able to offer suitable solutions. In 2016, Aktia engaged in approximately 47,900 dialogues with private and corporate customers. At year-end, Aktia had approximately 380,000 private and corporate customers. Today, customers manage most of their day-to-day banking activities online, and the number of online banking contracts has increased steadily over the past few years. The number of online banking contracts with private customers increased by approximately 2% in 2016. The number of logins to the online bank increased by approximately 5%, and the number of transactions in the online bank by approximately 4%. The increasing number of online banking contracts, logins into the online bank and transactions confirm the digitalisation trend and prove that customers appreciate functional and flexible digital services. Accessibility is important, and customers want to handle their day-to-day banking activities anywhere and anytime. The number of payments via the online bank increased by approximately 4% during the year. The increasing number of payments, as a result of the increased use of online banking, follows the general trend within the industry.
Social responsibility		
Workforce and working conditions *Employment*		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Partial disclosure. Number of new recruitments and employee turnover reported in G4-10.
Labour/management relations		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	AR 2016 p. 33
Occupational health and safety		
G4-LA6	Type of injury and rates of injury, occupational diseases, list days and absenteeism, and total number of work-related fatalities, by region and by gender	Partial disclosure. Number of accidents and absence due to illness reported in G4-10.

Training		
G4-LA9	Average hours of training per year per employee, by gender and by employment category	Partial disclosure. Total number of training days reported.

Internal training	2016	2015
Training days/employee	4.0	2.6
Number of internal training days	4,148	2,428
eLearning courses	20	20
Number of employees enrolled in training	690	650

Diversity and equal opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Partial disclosure. Distribution by gender and age in Board of Supervisors and Board of Directors reported in G4-10.
Society		
Product responsibility *Product and service labelling*		
DMA	Procedures to enhance responsible development and sales of financial services and products	AR 2016 p. 23-25, Note G2 and Capital and Risk Management Report (CAR) at www.aktia.com.
G4-PR5	Results of surveys measuring customer satisfaction	AR 2016 p. 30
FS16	Initiatives to improve financial literacy, by beneficiary	AR 2016 p. 34-35
Marketing communication		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcome	AR 2016 p. 25
Product portfolio		
DMA	Corporate social responsibility policies in different business operations	Partial disclosure AR 2016 p. 25, 164
FS6	Distribution of product portfolio	Partial disclosure AR 2016 p. 42-43
FS7	Total value of products and services giving special social advantage, by business are and purpose	Partial disclosure AR 2016 p. 29-30
FS8	Total value of products and services giving environmental advantage	Not reported 2016.
Ownership		
FS10	Interaction with companies in the investment portfolio in environmental and social matters	Partial disclosure AR 2016 p. 29-30
FS11	Positive or negative valuation of investment objects	Partial disclosure AR 2016 p. 29-30

Board of Directors

1 January 2017







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 9,124, R shares 525

Lasse Svens
b. 1962
Vice chairman of the Board, member of the Board's Risk Committee and Audit Comittee
M.Sc. (Econ.)
CEO, Stiftelsen Åbo Akademi
Member of the Board since 2016
Shares in Aktia: A shares 1,169

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 877

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 1,189

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 13,328

Kjell Hedman
b. 1951
Member of the Board´s Risk Committee
Business Economist
Member of the Board since 2012
Shares in Aktia: A shares 4,534

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 3,609

Arja Talma
b. 1962
Chairman of the Board´s Audit Committee
M.Sc. (Econ.), eMBA
Member of the Board since 2013
Shares in Aktia: A shares 2,676

Nina Wilkman was member of the Board of Directors until 31 December 2016.

Executive Committee

1 January 2017

Martin Backman
b. 1969
Managing Director
M.Sc. (Tech.) and M.Sc. (Econ.)
At Aktia since 2017
Shares in Aktia: A shares 5,000
Member of the Executive Committee from 6 March 2017.

Taru Narvanmaa
b. 1963
Deputy Managing Director, Managing Director's alternate
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: A shares 74,806, R shares 5,000

Carl Pettersson
b. 1979
Deputy Managing Director
B.Sc. (Econ.), eMBA
At Aktia since 2008
Shares in Aktia: A shares 20,069
Member of the Executive Committee until 25 April 2017.

Mia Bengts
b. 1970
Director
M.Sc. (Econ.), Master of Laws
At Aktia since 2010
Shares in Aktia: A shares 1,000

Juha Hammarén
b. 1960
CCO
LL.M., eMBA
At Aktia since 2014
Shares in Aktia: A shares 5,422

Anssi Rantala
b. 1972
Director
Dr.Soc.Sc.
At Aktia since 2014
Shares in Aktia: A shares 1,000

Fredrik Westerholm
b. 1972
Director, CFO
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: A shares 13,563

Magnus Weurlander
b. 1964
Director
M.Sc. (Econ.)
At Aktia since 1990
Shares in Aktia: A shares 28,129

Jussi Laitinen
b. 1956
Managing Director 2008-2017
M.Sc. (Econ.)
At Aktia since 2008
Shares in Aktia: A shares 77,639
Member of the Executive Committee until 3 March 2017.

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BIC/S.W.I.F.T: HELSFIHH