Continued strong sales

CEO Martin Backman

”Net commission income increased by 19 % thanks to strong sales of mutual funds and asset management. Net interest income from borrowing and lending continued to increase, while the, as expected, lower returns from the liquidity portfolio resulted in a decrease of total net interest income by 5 %. Excluding items affecting comparability[1], such as gains from the sale of Visa Europe in 2016 and the costs for restructuring this spring, operating profit was stable at EUR 16.9 (16.6) million.”

April - June 2017:

- Total income amounted to EUR 54.2 (59.4) million, with a significant increase of net commission income to EUR 24.6 (20.7) million. In the reference period 2016, Aktia received one-time gains of EUR 5.9 million from the sale of Visa Europe. Yield from the liquidity portfolio deceased by EUR 2 million in April–June, which burdened net interest income.
- The new core banking system was implemented successfully in the first week of July.
- Total expenditure rose by 8 % to EUR 39.7 (36.8) million. The increase in expenses is mainly attributable to personnel-related costs for restructuring of EUR 2.4 million as well as to an increase in IT expenses of 1.3 million due to completion of the system change. The ongoing organisation changes and the implemented core banking system are expected to improve efficiency and result in a lower cost structure from 2018 onwards. The transformation of Aktia is made in order to strengthen customer focus and to increase profitability.
- **Outlook for 2017 (unchanged):** The operating profit for 2017 is estimated to be lower than in 2016, as no larger one-time gains are expected.

Key figures

(EUR million)	**2Q2017**	**2Q2016**	**Δ %**	**1H2017**	**1H2016**	**Δ %**	**1Q2017**	**2Q/1Q**	**2016**
Net interest income	22.9	24.1	-5 %	46.2	48.7	-5 %	23.4	-2 %	95.6
Net commission income	24.6	20.7	19 %	45.7	39.6	16 %	21.1	16 %	79.7
Total operating income	54.2	59.4	-9 %	107.3	109.8	-2 %	53.1	2 %	211.3
Total operating expenses	-39.7	-36.8	8 %	-77.0	-73.3	5 %	-37.3	7 %	-148.4
Write-downs on credits and other commitments	-0.1	-0.1	-54 %	-0.1	-0.2	-45 %	-0.1	12 %	-2.2
Operating profit	**14.4**	**22.4**	**-36 %**	**30.8**	**37.0**	**-17 %**	**16.4**	**-12 %**	**61.5**
Comparable operating profit[1]	16.9	16.6	2 %	32.8	32.2	2 %	15.9	6 %	57.5
Cost-to-income ratio	0.73	0.62	18 %	0.72	0.67	7 %	0.70	4 %	0.70
Earnings per share (EPS), EUR	0.17	0.27	-37 %	0.37	0.45	-18 %	0.20	-15 %	0.74
Equity per share (NAV)[2], EUR	8.84	9.15	-3 %	8.84	9.15	-3 %	9.34	-5 %	9.24
Return on equity (ROE), %	7.4	11.6	-36 %	8.2	9.8	-16 %	8.7	-15 %	8.0
Common Equity Tier 1 capital ratio[2], %	18.0	19.7	-8 %	18.0	19.7	-8 %	18.2	-1 %	19.5
Capital adequacy ratio[2], %	24.3	26.2	-7 %	24.3	26.2	-7 %	24.8	-2 %	26.3

[1] Alternative performance measures exclusive items affecting comparability, see page 18
[2] At the end of the period

Content

Financial calendar

Interim report January - September 2017	**8 November 2017**
Extraordinary General Meeting 2017	**21 September 2017**

The Half-year report January - June 2017 is a translation of the original Swedish version "Halvårsrapport 1.1–30.6.2017". In case of discrepancies, the Swedish version shall prevail.

CEO's comments

The Finnish economy continues to strengthen, and during the second quarter consumer confidence in the economy improved to the highest level in several years. In the European economy, the upward trend seems to continue, and inflation appears to increase, but short-term interest rates still continue at low levels.

The transformation of Aktia started during the spring. The transformation has led for example to significant changes in the organisation of Aktia and to new the areas of responsibility.

Aktia's operating profit for the first half-year amounted to EUR 30.8 million. The comparable operating profit was stable at EUR 32.8 million.

The strong development of sales in January–June has continued especially in asset management and mutual funds. Sales of mutual multiplied, and the managed capital in Aktia's fund stock reached a new all-time high, exceeding EUR 4.8 billion.

Net commission income increased by 16 % to EUR 45.7 million, and does now contribute an equal share as that of net interest income to total income. Net interest income from Aktia's borrowing and lending continued to increase, 16 % up year-on-year, and is amounting to EUR 34.9 million. However, the prolonged low interest rates burdened yields from the bank's liquidity portfolio with approximately EUR 4 million. Thus total net interest income decreased by 5 % during the first half-year to EUR 46.2 million.

Expenses increased by 5 % to EUR 77.0 million. The increase in expenses is mainly attributable to the ongoing transformation of Aktia, and of this, EUR 3.1 million are costs for restructuring related to personnel. Also IT expenses increased by 14 % to EUR 15.7 million due to the final implementation of the core banking system. When excluding these, the comparable expenses were on the same level as in the previous year. The transforming measures taken and the fact that the core banking project is completed are expected to bring savings and a lower cost structure in the long run.

Aktia's extensive core banking project is completed, and the new core banking system was implemented succesfully in the first week of July. The new core banking system enables implementation of advanced digital and mobile services. The next step in IT development will be to build a smart and future-oriented data architecture. In the future, efficient data processing will be an even more important factor when distinguishing between financial actors, and here it's important that Aktia places itself at the head of development.

It's the ambition of Aktia to be able to offer its customers a wider range of solutions generating income from digital services. The objective is that they will make up a larger share of our earnings in time.

The work to draw up a new strategy for Aktia continues, and it's our aim to present it as well as new financial objectives this autumn.

Helsinki, 8 August 2017

Martin Backman
CEO

Main events

Aktia's new core banking system implemented

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

The total investment, including migration costs, is estimated at EUR 67 million, and the total activated investment costs for the project are estimated to amount to EUR 61 million. Depreciation for the project is planned to be made within 10 years, i.e. approximately EUR 6 million per year. At the end of June 2017, the activated investment costs amounted to EUR 58 million. However, the implementation step-by-step has caused higher running IT expenses in 2017. But, only in IT expenses, the new core banking system is expected to bring savings of approximately EUR 5 million annually. The cost savings will materialise gradually from the second half of 2017 onwards.

Aktia Bank renewed its Executive Committee

On 5 May 2017 Aktia informed that the company renews its Executive Committee in order to strengthen customer focus and to transform business operations with the aim to increase profitability. The changes in the Executive Committee, entered into force on 5 May 2017, are presented in the Half-year report in the section Board of Directors and Executive Committee.

Martin Backman took office as President & CEO

Aktia Bank plc's Board of Directors appointed Martin Backman as new President & CEO on 8 September 2016, and he took office 6 March 2017.

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

Aktia Real Estate Mortgage Bank, a wholly-owned subsidiary to Aktia Bank plc, was on 28 February 2017 merged with Aktia Bank plc in accordance with a previous Stock Exchange Release dated 8 October 2015. All operations of Aktia Real Estate Mortgage Bank plc have thus been terminated, and its assets and liabilities have been transferred to Aktia Bank plc.

Aktia in the top of fixed income fund management again

Aktia was, again, the best Finnish asset manager in Morningstar's Finland Awards 2017. In the category of the best fixed income fund, Aktia's Corporate Bond+ was the only fixed income fund managed by a Finnish service provider, which made it to the top three. Aktia was the best interest asset manager in 2013, 2014 and 2015. Further, Aktia was the only Finnish service provider in the top three in 2016 and 2017. Morningstar named Aktia Asset Management, Fidelity and as the three best asset managers in 2017.

Aktia donated EUR 500,000 to universities

Aktia donated EUR 500,000 to various universities in its area of operations. The donations made by Aktia are directed to education and research in the fields of economy, law and technology. Aktia's aim with these donations is to guarantee continued development of internationally competitive, first-class education and research in Finland.

Donations were given to the Aalto University, the University of Helsinki, the University of Oulu, the Hanken School of Economics, the University of Tampere, the University of Turku, the University of Vaasa and the Åbo Akademi University.

Aktia Bank prepares simplification of the company's administration structure

Aktia Bank is preparing a simplification of its administration structure. An EGM is planned for 21 September 2017 to take decisions on amendment of the articles of association in order to abolish the Board of Supervisors.

Activity in January – June 2017

Business environment

Interest rates continue at historically low levels, but there is some upward pressure on them. In USA the key interest rate has already been increased three times from the lowest levels, and the long-term interest rates are up also in Europe, but short-term interest rates still continue at very low levels, which is a challenge for the banking sector. The Italian banking sector is also a cause of uncertainty for the whole of Europe. A stronger GDP is expected in several European countries.

According to Statistics Finland, inflation was 0.8 (0.3) % in April and 0.7 (0.4) % in both May and June. Consumer prices of for example cigarettes, the vehicle tax and electricity increased from one year ago, but the increase in consumer prices was curbed by reductions in the prices of mobile phones, games of chance and used cars.

The index of consumer confidence in the economy continued to strengthen, reaching 23.9 (14.9) in June. The figures for May–June were the highest ever measured in the period 1995–2017. Consumer confidence reached the record levels of 24.1 (12.5) in May and 21.5 (9.8) in April. The long-time average is 12.0. *(Statistics Finland)*

According to Statistics Finland, housing prices increased in the whole country by 1.2 % compared with the corresponding period the previous year. In the Helsinki region, prices increased by 2.7 %, while they were almost unchanged in the rest of Finland.

Unemployment decreased to 8.9 (9.3) % in June, corresponding to approximately 250,000 unemployed, 14 000 less than the year before. There were 15,000 more employed than in the previous year. During the second quarter of the year, unemployment was 9.9 %, approximately 0.1 percentage points lower than in the corresponding period a year ago. *(Statistics Finland)*

The OMX Helsinki 25-index increased by approximately 6 % in January–June 2017 and the Nordic banking sector index by approximately 8 %. During the same period, the price of Aktia's series A share decreased by approximately 6 %.

KEY FIGURES

Y-o-y	2018E*	2017E*	2016
GDP growth, %			
World	3.5	3.4	3.1
Euro area	1.9	1.8	1.8
Finland	1.5	1.9	1.9
Consumer price index, %			
Euro area	1.3	1.5	0.2
Finland	1.3	1.0	0.4
Other key ratios, %			
Development of real value of housing in Finland[1]	1.1	0.5	0.5
Unemployment in Finland[1]	8.2	8.5	8.8
Interest rates[2], %			
ECB	0.00	0.00	0.00
10-y Interest rate, Finland	1.00	0.75	0.40
Euribor 12 months	0.05	-0.05	-0.05
Euribor 3 months	-0.10	-0.30	-0.30

*Aktia's chief economist's prognosis (24 July 2017)
1) annual average
2) at the end of the year

Rating

On 13 June 2017, Standard and Poor's confirmed its rating of Aktia Bank plc's creditworthiness. The rating is A- for long-term borrowing and A2 for short-term borrowing, both with a stable outlook.

On 9 January 2017, Moody's Investors Service confirmed its rating of Aktia Bank plc's creditworthiness for long-term borrowing as A3, short-term borrowing as P-2 and financial strength as C-. The outlook is positive. The bank's Baseline Credit Assessment (BCA) is baa2.

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

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

Profit April – June 2017

The Group's operating profit was EUR 14.4 (22.4) million. Operating profit excluding items affecting comparability amounted to EUR 16.9 (16.6) million. The Group's profit was EUR 11.2 (18.0) million.

Income

The Group's total income decreased by 9% to EUR 54.2 (59.4) million. Operating income excluding items affecting comparability amounted to EUR 54.2 (53.5) million.

Net interest income decreased by 5% to EUR 22.9 (24.1) million.

Net commission income increased by 19% to EUR 24.6 (20.7) million. The biggest increase derives from commission income from mutual funds, asset management and securities brokerage which increased by 27% to EUR 13.7 (10.8) million. Commission income from lending increased by 16% to EUR 3.2 (2.8) million and commission income from real estate agency increased by 19 % to EUR 2.4 (2.0) million.

Net income from life insurance decreased by 16% to EUR 5.8 (6.9) million. The decrease is mainly due to lower net income from investment activities.

The net income from financial transactions was EUR 0.1 (7.4) million. The reference period includes one-time gains of EUR 5.9 million from the sale of Visa Europe. Sales gains from the liquidity portfolio amounted to EUR 0.1 (1.4) million.

Other operating income stood at EUR 0.6 (0.4) million.

Expenses

The Group's operating expenses increased by 8% to EUR 39.7 (36.8) million. Operating expenses excluding items affecting comparability amounted to EUR 37.3 (36.8) million. Of this total, staff costs amounted to EUR 21.1 (17.9) million. Staff costs were affected by costs for restructuring amounting to EUR 2.3 million. IT-expenses increased to EUR 8.0 (6.7) million due to higher operating costs and delayed implementation of the core banking platform. Other operating expenses decreased to EUR 9.0 (10.1) million including costs for restructuring of EUR 0.1 million. Expenses for purchased services, manufacturing of cards and marketing were lower than in the corresponding period last year.

Profit January – June 2017

The Group's operating profit was EUR 30.8 (37.0) million. Operating profit excluding items affecting comparability amounted to EUR 32.8 (32.2) million. The Group's profit was EUR 24.7 (29.9) million.

TOTAL ITEMS AFFECTING COMPARABILITY

(EUR million)	1H2017	1H2016
Dividends from Suomen Luotto-osuuskunta	1.1	-
Income from the sale of Visa Europe	-	5.9
Phasing-out of Aktia Real Estate Mortgage Bank	-	-0.6
Costs for restructuring	-3.1	-0.4
Total	**-2.0**	**4.8**

Income

The Group's total income decreased by 2% to EUR 107.3 (109.8) million. Total income excluding items affecting comparability amounted to EUR 106.2 (104.5) million.

Continued low market interest rates and lower returns from the bank's liquidity portfolio resulted in a decrease of total net interest income by 5% to EUR 46.2 (48.7) million. Net interest income from traditional borrowing and lending operations improved by 16% to EUR 34.9 (30.1) million. Both derivatives and fixed-rate instruments are used to manage interest rate risk. Their proportion of net interest income decreased to EUR 15.5 (17.9) million. Net interest income from other treasury operations was EUR -4.2 (0.6) million.

Net commission income increased by 16% to EUR 45.7 (39.6) million. Commission income from mutual funds, asset management and securities brokerage increased by 23% to EUR 25.9 (21.2) million. Card and other payment service commissions increased by 5% to EUR 10.2 (9.7) million. Commission income from real estate agency increased by 18% to EUR 4.1 (3.5) million.

Net income from life insurance remained unchanged at EUR 12.8 (12.8) million. Net income from investments was slightly lower than last year, but the actuarially calculated result was somewhat better.

The net income from financial transactions was EUR 1.4 (8.0) million, and included a dividend from Suomen Luotto-osuuskunta of EUR 1.1 million. The reference period includes one-time gains of EUR 5.9 million from the sale of Visa Europe. Net income from hedge accounting was EUR -0.1 (-0.8) million, in which costs of EUR 0.6 million arising from the phasing-out of Aktia Real Estate Mortgage Bank, are included in the reference period.

Other operating income stood at EUR 0.9 (0.8) million.

Expenses

Operating expenses increased by 5% and amounted to EUR 77.0 (73.3) million. Operating expeses excluding items affecting comparability amounted to EUR 73.9 (72.9) million.

Staff costs increased by 8% and amounted to EUR 39.1 (36.3) million. The increase is mainly attributable to costs for restructuring of EUR 3.0 (0.4) million. IT expenses increased by 14% to EUR 15.7 (13.8) million due to higher operating costs and delayed implementation of the core banking platform. Other operating expenses amounted to EUR 18.9 (19.0) million, including restructuring costs of EUR 0.1 million.

The depreciation of tangible and intangible assets was EUR 3.4 (4.2) million.

Write-downs on credits and other commitments

Write-downs on credits and other commitments amounted to EUR -0.1 (-0.2) million.

Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of June was EUR 9,516 (9,486) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 1,967 (1,794) million. The liquidity portfolio was financed with repurchase agreements to a value of EUR 32 (146) million.

At the end of June, the Bank Group's liquidity buffer was approximately equivalent to the estimated cash flow of finance from the wholesale market for 36 months.

The Liquidity Coverage Ratio (LCR) was 168 (209) %.

Liquidity coverage ratio (LCR)*	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2016**
LCR %	168 %	209 %	178 %

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

Borrowing

Deposits from the public and public sector entities was EUR 4,186 (4,164) million, corresponding to a market share of deposits of 3.6 (3.7)%.

In total, the value of the Aktia Group's issued bonds was EUR 2,457 (2,477) million. Of these, EUR 1,674 (1,685) million were covered bonds issued by Aktia Bank. As security for the issues, bonds with a value of EUR 2,154 million were reserved at the end of June.

During the period Aktia Bank issued new subordinated debts with a total value of EUR 18 million. No new subordinated debts have been issued since the end of April.

Lending

Total Group lending to the public amounted to EUR 5,746 (5,717) million at the end of June, an increase of EUR 29 million. Aktia's own loan book increased by EUR 247 million (4%) to EUR 5,764 (5,499) million. The share of the loan book brokered by savings banks and POP Banks was transferred to the distributing banks at the end of May 2017.

Loans to private households accounted for EUR 4,680 (4,790) million or 81.4 (83.8)% of the total loan book.

The housing loan book totalled EUR 4,424 (4,482) million, of which the share for households was EUR 3,953 (4,077) million. Aktia's new lending to private households increased to EUR 442 (January–June 2016: 381) million. At the end of June, Aktia's market share in housing loans to households stood at 4.2 (4.1)%.

Corporate lending accounted for 10.3 (9.5)% of Aktia's loan book. Total corporate lending amounted to EUR 590 (543) million. Loans to housing companies increased by 27%, totalling EUR 433 (340) million and making up 7.5 (5.9)% of Aktia's total loan book. Other increase in corporate lending is mainly related to a couple of larger financing arrangements for Finnish companies.

LOAN BOOK BY SECTOR

(EUR million)	**30 Jun 2017**	**31 Dec 2016**	**Δ**	**Share, %**
Households	4,680	4,790	-110	81.4 %
Corporates	590	543	47	10.3 %
Housing companies	433	340	93	7.5 %
Non-profit organisations	38	40	-2	0.7 %
Public sector entities	5	5	0	0.1 %
Total	**5,746**	**5,717**	**29**	**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 1,967 (1,794) million, the life insurance company's investment portfolio amounting to EUR 584 (600) million and the real estate and equity holdings of the Bank Group amounting to EUR 10 (9) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,193 (1,162) million, of which EUR 765 (719) million were unit-linked. Interest-related technical provisions amounted to EUR 428 (443) million.

Equity

Aktia Group's equity amounted to EUR 588 (613) million. The fund at fair value decreased by EUR 10 million during the period, amounting to EUR 57 (67) million.

Commitments

Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees, increased by EUR 15 million and amounted to EUR 543 (528) million.

Managed assets

The Group's total managed assets amounted to EUR 11,605 (10,769) million.

Assets under management (AuM) comprise managed and brokered mutual funds and managed capital in the subsidiary companies in the Asset Management & Life Insurance segment, as well as Aktia Bank's Private Banking business. The assets presented in the table below reflect net volumes, so that AuM in multiple companies have been eliminated.

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

MANAGED ASSETS

(EUR million)	30 Jun 2017	31 Dec 2016	Δ %
Assets under management (AuM)	8,926	8,063	11 %
Group financial assets	2,679	2,706	-1 %
Total	**11,605**	**10,769**	**8 %**

Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank plc and all its subsidiaries except Aktia Life Insurance Ltd) was 18.0 (19.5)%. After deductions, Common Equity Tier 1 capital decreased by EUR 7.4 million during the period which affected the CET1 capital ratio by -0.3 percentage points. The decrease is mainly attributable to the increase of intangible assets and other deductible items. At a total, risk-weighted commitments increased by EUR 125.2 million which reduced the CET1 capital ratio by 1.2 percentage points. During the period, risk-weighted assets grew due to an increase of corporate lending.

Aktia Bank Group applies internal risk classification (IRB) to the calculation of capital requirement for retail and equity exposures. For other exposures the standardised approach is used. A total of 55 (56)% of the Bank Group's exposures are calculated according to the IRB approach. The work continues on migration to internal models for exposure to corporates and credit institutions.

Capital adequacy, %	30 Jun 2017 IRB	31 Dec 2016 IRB	30 Jun 2016 IRB
Bank Group			
CET1 capital ratio	18.0	19.5	19.7
T1 capital ratio	18.0	19.5	19.7
Total capital ratio	24.3	26.3	26.2
Aktia Bank			
CET1 capital ratio	17.6	16.1	17.4
T1 capital ratio	17.6	16.1	17.4
Total capital ratio	23.9	21.7	23.4
Aktia Real Estate Mortgage Bank			
CET1 capital ratio	-	193.9	94.5
T1 capital ratio	-	193.9	94.5
Total capital ratio	-	193.9	94.5

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 decisions on the requirement (27 June 2017) placed no countercyclical capital buffer requirement on the banks for Finnish exposures, and the policy for macroeconomic stability was not tightened up by other means either. However, the board of the Financial Supervisory Authority informed that they have made a decision to introduce a minimum level of 15% for the average risk weight on residential mortgage loans for credit institutions that have adopted the IRB approach. The minimum level will enter into force on 1 January 2018. At the end of the period, Aktia Bank Group's average risk weight on households' retail exposures with residential real estate collateral calculated according to the IRB approach was 13.1 (13.5)%, i.e. the minimum level of risk weight on residential mortgage loans would lead to a decrease of CET1 by approximately 0.6 percentage points.

The countercyclical buffer is calculated taking the geographic distribution of exposures into account. Authorities in some other countries have set higher requirements for countercyclical buffers. This requirement also applies to certain exposures in the Bank Group's liquidity portfolio. Aktia Bank Group's requirement for a countercyclical buffer amounted to 0.05% as per 30 June 2017, 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.

The Financial Supervisory Authority has on 16 December 2016, supported by the Credit Institutions Act, set a consolidated buffer requirement based on assessment for Aktia. The requirement is based on the Financial Supervisory Authority's assessment (Supervisory Review and Evaluation Process, SREP). The buffer requirement amounts to a total of 1.75%, including concentration risk within credit risk and structural interest rate risk. For these there are no specific capital requirements in the EU's Capital Requirements Regulation (CRR). According to the decision, the requirements shall be met with CET1 capital. The requirement entered into force on 30 June 2017. Taking all buffer requirements into account, the minimum capital adequacy level for the Bank Group was 12.30% at the end of the period.

Aktia Bank Group's leverage ratio was 4.6 (4.7) % based on end of quarter figures.

Leverage Ratio [1]	**30 Jun 2017**	**31 Dec 2016**
Tier 1 capital	382	390
Total exposures	8,248	8,206
Leverage Ratio, %	**4.6**	**4.7**

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

During the second quarter the Financial Stability Board set the minimum requirement for Aktia Bank on eligible liabilities that can be written down (MREL requirement). The requirement set is twice the minimum capital requirement, including the total buffer requirement according to the Finnish Credit Institutions Act, however, at least 8 % of the balance sheet total. The requirement will enter into force on 31 December 2018.

As of 1 January 2016, the life insurance company follows the Solvency II directive, in which the solvency calculations deviate from previous solvency requirements, as technical provisions are measured at market value. According to Solvency II, the company calculates its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and identifies its available solvency capital within Solvency II. Aktia Life Insurance applies the standard formula for SCR, with consideration of the transitional measure for technical provisions in accordance with the permission granted by the Financial Supervisory Authority.

As at 30 June 2017, SCR amounted to EUR 80.1 (80.6) million, MCR to EUR 23.8 (24.4) million and the available capital to EUR 155.0 (144.7) million. Thus the solvency ratio was 193.5 (179.4)%. Without transitional measures SCR amounted to EUR 80.3 (80.8) million, MCR to EUR 23.8 (26.7) million and the available capital to EUR 101.8 (87.9) million. The solvency ratio without transitional measures was 126.7 (108.7)%.

The financial conglomerate's capital adequacy ratio was 160.4 (188.6)%. The financial conglomerate's capital adequacy decreased during the period, following the introduction of the SREP requirement. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

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)	**1H2017**	**1H2016**	**Δ %**
Banking Business	21.0	24.2	-13 %
Asset Management & Life Insurance	12.8	10.5	21 %
Miscellaneous	-3.6	1.5	-
Eliminations	0.6	0.7	-19 %
Total	**30.8**	**37.0**	**-17 %**

Banking Business

The segment Banking Business contributed EUR 21.0 (24.2) million to Group operating profit.

Operating income was EUR 83.7 (84.3) million, of which EUR 46.1 (48.5) 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.

Compared to the corresponding period last year, net commission income developed strongly and increased to EUR 36.5 (32.9) million. The increase in net commission income is mainly attributable to higher commission income of EUR 9.5 (8.0) million, from fund and asset management as a result of strong net sales of funds and increased commission income from card and payment services, totalling EUR 10.3 (9.8) million, as well as lending amounting to EUR 5.8 (5.1) million. Over the period, also commission income from Aktia Real Estate Agency increased to EUR 4.1 (3.5) million.

Net income from financial transactions was EUR 0.2 (2.2) million. Sales gains from the liquidity portfolio amounted to EUR 0.1 (2.6) million.

Operating expenses were higher than the year before and totalled EUR 62.5 (59.9) million. Staff costs amounted to EUR 30.7 (29.8) million. The increase in staff costs is attributable to costs for restructuring burdening the segment's result by EUR 2.3 million. IT related expenses totalled EUR 14.3 (11.8) million. The increase in IT related expenses is mainly attributable to higher operating costs due to the delayed implementation of the core banking platform. Other operating costs were on the same level as in the previous year, standing at EUR 15.2 (15.4) million.

Write-downs on credits and other commitments amounted to EUR -0.1 (-0.2) million.

Total savings by households increased to EUR 4,493 (4,412) million, of which household deposits were EUR 3,014 (3,032) million and savings by households in mutual funds were EUR 1,479 (1,380) million.

Aktia's lending to private households increased to EUR 4,680 (4,580) million. All loans brokered by savings banks and POP Banks were transferred to the distributing banks 31 May 2017. The corporate customer loan book increased and was EUR 590 (543) million. Lending to housing companies and non-profit organisations also increased to EUR 438 (345) million. The increase is attributable to larger individual credit arrangements.

At the end of June 2017, assets under management by Aktia Private Banking increased by approximately 5 % to EUR 2,270 (2,152) million. Aktia Private Banking offers comprehensive individual investment services and legal services.

Asset Management & Life Insurance

The segment Asset Management & Life Insurance contributed EUR 12.8 (10.5) million to Group operating profit.

Operating income for the segment was significantly higher than in the corresponding period the previous year and stood at EUR 25.4 (22.8) million. The capital market has developed positively lately. The market development has turned the trends of sales and income for the period upwards. At the end of the second quarter, Aktia Fund Management Company's fund stock reached an all-time high, exceeding EUR 4.8 billion. 75% of the increase in the first half of 2017 is attributable to sales in the period and 25 % to an increase in value on the market. The net sales of funds in the first six months totalled EUR 455 (92) million. The main part of net sales, i.e. EUR 365 million, is attributable to fixed income funds on Emerging Markets. The Nordic equity funds have been well received and customers have subscribed for units to a value of approximately EUR 28 million during the period. Net commission income from asset management amounted to EUR 14.5 (11.8) million and net income from life insurance to EUR 10.8 (11.0) million.

Life insurance premiums written increased by 14 % year-on-year to EUR 66.2 (57.9) million. Premiums paid for interest-linked pensions insurance has decreased. Instead, sales of unit-linked savings policies were on a higher level than in the corresponding period the previous year. Unit-linked insurance comprises the Aktia Profile investment service and the Allocation service+, and they make up 64 (56)% of premiums written.

Net income from life insurance investment activities amounted to EUR 8.9 (9.7) million. Lower investment returns were not completely 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 0.1 (2.0)%.

Operating expenses increased compared to the corresponding period the previous year and stood at EUR 12.6 (12.3) million. The period includes costs for restructuring, amounting to EUR 0.7 million. Staff costs amounted to EUR 6.5 (5.8) million. The expense ratio for the life insurance business was at a good level, 78.9 (85.6)%.

The value of assets managed by Asset Management & Life Insurance totalled EUR 7,328 (6,523) million.

(EUR million)	30 Jun 2017	31 Dec 2016	Δ %
Aktia Fund Management	4,851	4,238	14 %
Aktia Asset Management	7,624	6,796	12 %
Aktia Life Insurance	764	723	6 %
Eliminations	-5,910	-5,233	13 %
Total	**7,328**	**6,523**	**12 %**

Life insurance technical provisions totalled EUR 1,193 (1,162) million, of which allocations for unit-linked provisions were EUR 765 (719) million and interest-related provisions EUR 428 (443) million. Unit-linked provisions continued at a high level, amounting to 64 (62)% of total technical provisions. The average discount rate for the interest-linked technical provisions was 3.5%. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which is used for hedging future interest requirements.

Miscellaneous

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

The segment's contribution to the Group's operating profit amounted to EUR -3.6 (1.5) million.

Operating income totalled EUR 2.0 (6.4) million. In the first quarter Aktia receive a dividend from Suomen Luotto-osuuskunta of EUR 1.1 million. The reference period includes the sale of Visa Europe to Visa Inc., resulting in one-time gains of EUR 5.9 million. In addition to the cash consideration, Aktia received preference shares in Visa Inc. to an estimated market value of EUR 1.4 million at the end of June 2017 (31 December 2016; 1.1).

Operating expenses amounted to EUR 5.6 (4.9) million, of which staff costs accounted for EUR 1.8 (0.7) million. The segment's IT expenses after cost allocations to the other segments were EUR 0.3 (1.0) million. Of the provision for the change of core banking system, a total of EUR 1.2 (0.4) million has been released during the period. At the end of June, EUR 0.2 (1.4) million remain of the provision. Other operating expenses amounting to EUR 2.6 (2.2) million include Aktia's donations of EUR 0.5 million to various universities in its operating area.

The Group's risk exposures

Definitions and general principles for asset and risk management can be found in Aktia Bank plc's Annual Report for 2016 (www.aktia.com), in note G2 on pages 72-85, or in Aktia Bank plc's Capital and Risk Management Report on the Group's website www.aktia.com.

BANK GROUP'S GEOPOLITICAL AND INSTRUMENT TYPE DISTRIBUTION

	Government and Govt. guaranteed		Covered Bonds		Financial institutions excl. CB		Corporate bonds		Equity instruments		Total	
(EUR million)	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016
Finland	273	185	34	45	101	85	52	-	-	-	459	316
Norway	-	-	252	217	-	-	-	-	-	-	252	217
Sweden	-	-	155	61	97	88	-	-	-	-	252	149
France	65	66	106	108	32	32	-	-	-	-	202	206
United Kingdom	-	-	117	173	-	18	-	-	-	-	117	191
Netherlands	-	25	68	164	49	60	-	-	-	-	117	249
Canada	-	-	88	24	-	-	-	-	-	-	88	24
Denmark	-	-	83	84	-	-	-	-	-	-	83	84
Germany	48	49	-	-	-	-	-	-	-	-	48	49
Austria	25	26	12	-	-	-	-	-	-	-	37	26
Supranationals	182	214	-	-	-	-	-	-	-	-	182	214
Other	54	54	75	16	-	-	-	-	-	-	129	71
Total	**648**	**619**	**990**	**892**	**278**	**284**	**52**	**-**	**-**	**-**	**1,967**	**1,794**

LIFE INSURANCE COMPANY'S GEOPOLITICAL AND INSTRUMENT TYPE DISTRIBUTION

	Government and Govt. guaranteed		Covered Bonds		Financial institutions excl. CB		Corporate bonds		Real estate		Alternative investments		Equity instruments		Totalt	
(EUR million)	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016	6/2017	2016
Finland	31	31	-	6	39	38	77	65	74	84	2	2	-	-	223	227
France	38	39	81	83	1	1	8	10	-	-	-	-	-	-	128	133
Netherlands	10	10	30	30	12	13	3	2	-	-	-	-	-	-	55	55
United Kingdom	-	-	34	35	-	3	1	1	-	-	0	0	-	-	36	40
Austria	23	23	6	6	-	-	0	-	-	-	-	-	-	-	28	30
Denmark	-	-	19	19	1	1	-	-	-	-	-	-	-	-	20	20
Sweden	-	-	6	-	7	13	2	2	-	-	0	0	-	-	15	15
Germany	10	16	-	-	-	-	-	-	-	-	-	-	-	-	10	16
Norway	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supranationals	6	6	-	-	-	-	-	-	-	-	-	-	-	-	6	6
Other	24	21	-	-	6	5	32	33	-	-	-	-	-	-	62	59
Total	**143**	**148**	**175**	**179**	**67**	**74**	**122**	**113**	**74**	**84**	**2**	**3**	**-**	**-**	**584**	**600**

Lending-related risks within banking business

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection decreased to EUR 38 (46) million, corresponding to 0.65 (0.79)% of the credit stock. The credit stock also includes off-balance sheet guarantee commitments.

Loans to households past due more than 90 days corresponded to 0.56 (0.67)% of the entire loan book and 0.69 (0.80) % of the household loan book.

Loans with payments 3–30 days overdue increased to EUR 68 (57) million, equivalent to 1.18 (1.00)% of the loan book. Loans with payments 31-89 days overdue amounted to EUR 31 (28) million, equivalent to 0.53 (0.49)% of the loan book.

LOANS PAST DUE BY TIME OVERDUE

(EUR million) Days	30 Jun 2017	% of loan book	31 Dec 2016	% of loan book
3 - 30	68	1.18	57	1.00
of which households	61	1.05	52	0.91
31 - 89	31	0.53	28	0.49
of which householdsl	23	0.40	23	0.41
90-	38	0.65	46	0.79
of which households	32	0.56	38	0.67

Write-downs on credit and other commitments

Over the period total write-downs on credits and other commitments amounted to EUR -0.1 (-0.2) million. Of these write-downs, EUR -2.0 (-0.2) million were attributable to households, and EUR 1.9 (0.0) million to companies.

Total write-downs on credits amounted to 0.00 (0.00)% of total lending. The share of write-downs on corporate loans in relation to corporate lending overall amounted to -0.32 (0.00)%.

Distribution of risk across financial assets

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

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

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

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

Investments within the liquidity portfolio and other interest-bearing investments increased during the period by EUR 173 million and amounted to EUR 1,967 (1,794) million.

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

	30 Jun 2017	31 Dec 2016
(EUR million)	**1,967**	**1,794**
Aaa	52.9 %	53.3 %
Aa1 - Aa3	24.6 %	29.6 %
A1 - A3	4.0 %	4.8 %
Baa1 - Baa3	2.7 %	3.0 %
Ba1 - Ba3	0.0 %	0.0 %
B1 - B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Finnish municipalities (no rating)	13.5 %	9.3 %
No rating	2.3 %	0.0 %
Total	**100.0 %**	**100.0 %**

At the end of the period, there were covered bonds with a total value of EUR 45 million that did not meet the eligibility requirements for refinancing at the central bank. Three of the covered bonds from Finnish credit institutions did not meet the eligibility requirements for refinancing at the central bank due to the fact that the issues have no rating. The rest of the covered bonds did not meet the eligibility requirements for refinancing at the central bank due to the fact that their home countries were not countries within the EEA area or G7 countries.

The Bank Group's investments in the so-called GIIPS countries stood at EUR 22 (23) million on 30 June 2017. All exposures relating to GIIPS countries are marked to market on an ongoing basis at current market prices.

Other market risks within the banking business

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

At the end of the period, real estate holdings amounted to EUR 0.1 (0.1) million and investments in shares necessary for the business amounted to EUR 10.2 (9.2) million.

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 584 (600) million. The life insurance company's direct real estate investments amounted to EUR 49 (58) million. The properties are located in the Helsinki region and in other growth areas in Southern Finland, and they mostly have long tenancies.

The life insurance company's direct fixed income interest investments in GIIPS countries amounted to EUR 0 (0) million.

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

	30 Jun 2017	31 Dec 2016
(EUR million)	**400**	**431**
Aaa	48.8 %	47.6 %
Aa1 - Aa3	28.7 %	29.8 %
A1 - A3	7.8 %	6.9 %
Baa1 - Baa3	3.5 %	5.0 %
Ba1 - Ba3	0.5 %	0.0 %
B1 - B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Finnish municipalities (no rating)	1.5 %	1.4 %
No rating	9.2 %	9.3 %
Total	**100.0 %**	**100.0 %**

Valuation of financial assets

Value changes reported through the income statement

Write-downs on financial assets amounted to EUR -0.5 (-0.3) 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)	1H2017	1H2016
Interest-bearing securities		
Banking Business	-	-
Life Insurance Business	-	-0.1
Shares and participations		
Banking Business	-	-
Life Insurance Business	-0.5	-0.2
Total	**-0.5**	**-0.3**

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 57.3 (67.3) million after deferred tax.

Cash flow hedging, which comprises of already unwound interest rate derivative contracts that have been acquired for the purpose of hedging the banking business' net interest income, amounted to EUR -0.2 (-0.1) million.

THE FUND AT FAIR VALUE

(EUR million)	30 Jun 2017	31 Dec 2016	Δ
Shares and participations			
Banking Business	1.9	1.3	0.5
Life Insurance Business	4.7	4.2	0.5
Direct interest-bearing securities			
Banking Business	9.4	14.5	-5.1
Life Insurance Business	41.5	47.3	-5.8
Cash flow hedging	-0.2	-0.1	0.0
Fund at fair value, total	**57.3**	**67.3**	**-10.0**

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consists of reclassified interest-bearing securities in earlier years. Most of the reclassified securities have an AAA rating. Over the period, new purchases to a value of EUR 139 million were made for the portfolio, while a total of EUR 186 million in securities matured during the period. As per 30 June 2017 the portfolio amounted to EUR 396 (445) million.

Unwinding of hedging interest rate derivatives

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

The unwound interest rate derivatives will have a positive impact on the net interest income up until the end of 2019. In 2017, the positive impact on net interest income will amount to approximately EUR 14 million. The remaining positive impact on the result, amounting to approximately EUR 13 million, will be reported 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.

Operational risks

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

Events concerning related parties

Related parties include shareholders with significant influence and key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling influence. The Aktia Group's key persons are the members of the Board of 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 notes G44 and P46 to the Financial statements 2016. No significant changes concerning related parties occurred during the period.

Other events during the period

The companies Evry and Samlink announced on 29 March 2017 that Evry has signed a letter of intent to acquire Oy Samlink Ab. As part of these discussions, 50 banks currently serviced by Samlink would select EVRY's core banking solution as their future banking platform. With the implementation of its new core banking system Aktia has ceased to use Samlink as main supplier of its IT systems.

Aktia owns approximately 23% of the shares in Samlink. In Aktia's balance sheet the shares have a book value of EUR 0. Aktia is not an active part in the on-going negotiations between Evry and Samlink. At present it's not possible to reliably estimate the effects of a possible transaction on Aktia's profit and financial position.

Events after the end of the period

The implementation of Aktia's new core banking system was completed during the first week of July 2017.

Staff

At the end of June 2017, the total number of full time employees in Aktia Group stood at 948 (31 December 2016; 903). The average number of full-time employees in the first half-year was 920 (1 January - 31 December 2016; 925).

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 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

The new members of the Executive Committee appointed 5 May 2017 and their respective areas of responsibility are:

- Merja Sergelius (52), Executive Vice President; private customers and SMEs

- Carola Nilsson (49), M.Sc. (Econ.), Executive Vice President; private banking
- Irma Gillberg-Hjelt (55), LL.M., Vice President; corporate customers
- Sam Olin (43), B.Sc. (Econ.), Vice President; premium customers
- Outi Henriksson (47), M.Sc. (Econ.), Chief Financial Officer; finance, treasury and investor relations
- Minna Miettinen (48), BA, Chief Digital and Marketing Officer

Minna Miettinen comes from VR Passenger Traffic where she was responsible for marketing and e-commerce. Minna Miettinen will take office 7 August 2017. Outi Henriksson comes from VR Group where she was CFO. She will take office 21 August 2017. Carola Nilsson comes from SEB where she was Head of SEB Private Bank Finland and managing director for SEB Wealth Management Ltd. Carola Nilsson will take office 20 November 2017 at the latest.

The following persons continue as members of the Executive Committee with new areas of responsibility:

- Juha Hammarén (56), LL.M., Executive Vice President and COO
- Anssi Rantala (45), Dr. Soc.Sc., Executive Vice President; Aktia Asset Management, Aktia Fund Management Company and Aktia Life Insurance
- Mia Bengts (47), M.Sc. (Econ.), LL.M., Head of HR, Communications and Group Legal

On 7 July 2017, Juha Volotinen (42), M.Sc. (Econ.) was appointed as new CIO and member of the Executive Committee with responsibility for Aktia's IT and data architecture.
Having completed the implementation of the new core banking system, director Magnus Weurlander, M. Sc. (Econ.), took a new position in Aktia with responsibility for coordination and monitoring of strategic development projects within the Group. Simultaneously Weurlander resigned from Aktia's Executive Committee.

There is also a staff representative in the Executive Committee.

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

Martin Backman, M.Sc. (Technology) and M.Sc. (Economics), took office as President & CEO for Aktia Bank plc 6 March 2017. Executive Vice President Juha Hammarén was appointed Deputy to CEO.

Decisions of Aktia Bank plc's Annual General Meeting 2017

The Annual General Meeting of Aktia Bank plc on 5 April 2017 adopted the consolidated financial statements of the parent company and the group, and discharged the members of the Board of Supervisors, the members of the Board of Directors, the Managing Director and his alternate from liability.

In accordance with the proposal by the Board of Directors, the Annual General Meeting decided to distribute a dividend of EUR 0.60 per share, totalling approximately EUR 39.9 million for the accounting period 1 January – 31 December 2016.

The Annual General Meeting established the number of members in the Board of Supervisors to be twenty six.

The members of the Board of Supervisors Christina Gestrin, Patrik Lerche, Håkan Fagerström, Peter Simberg, Solveig Söderback and Peter Karlgren, who were all due to step down, were re-elected as members of the Board of Supervisors and Nina Wilkman (LL.M.) and Mats Löfström (Member of Parliament), were elected as new members of the Board of Supervisors.

As annual remuneration for the members of the Board of Supervisors, EUR 24,400 for the chair, EUR 10,500 for deputy chairs and EUR 4,400 for members were established. Further, a remuneration of EUR 500 was set per meeting attended.

On 11 May 2017 at its first meeting following the ordinary Annual General Meeting 2017, the Board of Supervisors of Aktia Bank plc elected Nina Wilkman, LL.M., as the Chair of the Board of Supervisors. Christina Gestrin, Patrik Lerche, Clas Nyberg and Jan-Erik Stenman were re-elected as Deputy Chairs.

Aktia Bank is preparing a simplification of its administration structure. An EGM is planned for September 2017 to take decisions on amendment of the articles of association in order to abolish the Board of Supervisors.

The Annual General Meeting determined that the number of auditors shall be one, and elected APA firm KPMG Oy Ab as auditor with Jari Härmälä, M.Sc. (Econ.), APA, as auditor-in-charge.

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

All proposals mentioned above are included in the Summons to the AGM published on the website www.aktia.com under About Aktia > Corporate Governance > Annual General Meeting > Annual General Meeting 2017.

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 June 2017 was 43,119. Foreign ownership was 4.3 %. The number of unregistered shares was 767,286.

On 30 June 2017, the Group held 52,440 (6,192) treasury A shares and 6,658 (6,658) treasury R 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 30 June 2017 was EUR 677 (577) million, an increase of 17% from the corresponding period the previous year. On 30 June 2017, the closing price for a series A share was EUR 9.37 (8.19) and for a series R share EUR 12.07 (9.80). The highest closing price for A series shares was EUR 10.95 (10.26) and the lowest EUR 8.76 (7.70). The highest price for the series R share was EUR 15.60 (12.00) and the lowest EUR 11.50 (9.59).

The average daily turnover in 2017, for series A shares, increased from the previous year to EUR 478,450 (208,377) or 50,064 (22,800) shares. An average of 265 (115) transactions per day were carried out with series A shares.

The average daily turnover of R shares continued low, amounting to EUR 9,138 (2,297) or 707 (214) shares. An average of 3 (2) transactions per day were carried out with series R shares.

Outlook and risks

Outlook 2017 (unchanged)

The continued low interest rates will have a negative impact on the return 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.

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

The financial objectives stipulated by the Board of Directors in February 2015 are:

- Improve cost-to-income ratio by at least 10 %
- Common Equity Tier 1 Capital Ratio (CET1) 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

Key figures

(EUR million)	1H2017	2H2016	Δ %	2Q2017	1Q2017	4Q2016	3Q2016	2Q2016
Earnings per share (EPS), EUR	0.37	0.45	-18 %	0.17	0.20	0.10	0.19	0.27
Total earnings per share, EUR	0.22	0.54	-60 %	0.10	0.12	-0.11	0.19	0.24
Equity per share (NAV), EUR, euro *[1]	8.84	9.15	-3 %	8.84	9.34	9.24	9.35	9.15
Average number of shares (excl. treasury shares), million[2]	66.5	66.5	0 %	66.5	66.5	66.5	66.5	66.5
Number of shares at the end of the period (excl. treasury shares), million[1]	66.5	66.6	0 %	66.5	66.5	66.4	66.5	66.6
Return on equity (ROE), % *	8.2	9.8	-16 %	7.4	8.7	4.2	8.4	11.6
Return on assets (ROA), % *	0.52	0.61	-15 %	0.46	0.56	0.27	0.53	0.74
Cost-to-income ratio *	0.72	0.67	7 %	0.73	0.70	0.80	0.68	0.62
Common Equity Tier 1 capital ratio (Bank Group), %[1]	18.0	19.7	-8 %	18.0	18.2	19.5	19.2	19.7
Tier 1 capital ratio (Bank Group), %[1]	18.0	19.7	-8 %	18.0	18.2	19.5	19.2	19.7
Capital adequacy ratio (Bank Group), %[1]	24.3	26.2	-7 %	24.3	24.8	26.3	25.5	26.2
Risk-weighted commitments (Bank Group)[1]	2,122.9	2,072.9	2 %	2,122.9	2,099.7	1,997.7	2,114.1	2,072.9
Capital adequacy ratio (finance and insurance conglomerate), %[1]	160.4	186.4	-14 %	160.4	180.5	188.6	181.3	186.4
Equity ratio, % *[1]	6.2	6.2	0 %	6.2	6.4	6.3	6.4	6.2
Group financial assets *[1]	2,679.1	2,692.1	0 %	2,679.1	2,985.8	2,706.0	2,667.9	2,692.1
Assets under Management *[1]	8,926.1	7,298.4	22 %	8,926.1	8,710.1	8,063.4	7,728.3	7,298.4
Borrowing from the public[1]	4,185.9	4,235.4	-1 %	4,185.9	4,113.1	4,164.3	4,254.0	4,235.4
Lending to the public[1]	5,746.1	5,987.0	-4 %	5,746.1	5,703.2	5,717.4	5,797.7	5,987.0
Premiums written before reinsurers' share *	66.6	58.2	14 %	33.3	33.3	29.9	24.6	24.7
Expense ratio, % (life insurance company) *[2]	78.9	85.6	-8 %	78.9	77.7	81.9	82.7	85.6
Solvency ratio (life insurance company), %	193.5	154.5	25 %	193.5	185.7	179.4	165.3	154.5
Own funds (life insurance company)	155.0	131.9	18 %	155.0	149.7	144.7	134.1	131.9
Investments at fair value (life insurance company) *[1]	1,315.6	1,265.6	4 %	1,315.6	1,310.4	1,293.5	1,295.4	1,265.6
Technical provisions for risk insurances and interest-related insurances[1]	428.3	457.0	-6 %	428.3	434.5	443.0	450.4	457.0
Technical provisions for unit-linked insurances[1]	764.7	672.1	14 %	764.7	749.6	719.4	702.2	672.1
Group's personnel (FTEs), average number of emplyees	920	927	-1 %	924	916	911	942	929
Group's personnel (FTEs), at the end of the period[1]	948	968	-2 %	948	919	903	915	968
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio *	0.70	0.70	0 %	0.69	0.70	0.80	0.67	0.69
Comparable earnings per share (EPS), EUR *	0.39	0.39	1 %	0.20	0.20	0.10	0.21	0.20
Comparable return on equity (ROE), % *	8.7	8.5	3 %	8.7	8.5	4.2	8.9	8.6

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

[1] At the end of the period
[2] Cumulative from the beginning of the year

Basis of calculation for the key figures are presented in Aktia Bank plc's Annual Report 2016 on page 62.

Consolidated income statement

(EUR million)	Note	1H2017	1H2016	Δ %	2016
Net interest income	4	46.2	48.7	-5 %	95.6
Dividends		0.3	0.0	797 %	0.0
Commission income		51.0	43.9	16 %	90.0
Commission expenses		-5.2	-4.4	-20 %	-10.3
Net commission income		45.7	39.6	16 %	79.7
Net income from life-insurnace	5	12.8	12.8	0 %	24.7
Net income from financial transactions	6	1.4	8.0	-83 %	8.3
Net income from investment properties		-	0.0	-	-
Other operating income		0.9	0.8	21 %	3.1
Total operating income		**107.3**	**109.8**	**-2 %**	**211.3**
Staff costs		-39.1	-36.3	8 %	-72.3
IT expenses		-15.7	-13.8	14 %	-28.4
Depreciations of tangible and intangible assets		-3.4	-4.2	-20 %	-8.2
Other operating expenses		-18.9	-19.0	-1 %	-39.6
Total operating expenses		**-77.0**	**-73.3**	**5 %**	**-148.4**
Write-downs on credits anf other commitments		-0.1	-0.2	-45 %	-2.2
Share of profit from associated companies		0.6	0.7	-19 %	0.7
Operating profit		**30.8**	**37.0**	**-17 %**	**61.5**
Taxes		-6.2	-7.1	-13 %	-12.2
Profit for the period		**24.7**	**29.9**	**-18 %**	**49.3**
Attributable to:					
Shareholders in Aktia Bank plc		24.7	29.9	-18 %	49.3
Total		**24.7**	**29.9**	**-18 %**	**49.3**
Earnings per share (EPS), EUR		0.37	0.45	-18 %	0.74
Earnings per share (EPS), EUR, after dilution		0.37	0.45	-18 %	0.74
Operating profit excluding items affecting comparability:					
Operating profit		30.8	37.0	-17 %	61.5
The sale of Visa Europe and dividends from Suomen Luottokunta		-1.1	-5.9	81 %	-6.9
Phasing-out of Aktia Real Estate Mortgage Bank		-	0.6	-	1.6
Costs for restructuring		3.1	0.4	610 %	1.4
Comparable operating profit		**32.8**	**32.2**	**2 %**	**57.5**

Consolidated comprehensive income

(EUR million)	1H2017	1H2016	Δ %	2016
Profit for the period	24.7	29.9	-18 %	49.3
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	-15.9	10,2	-	-2.5
Change in valuation of fair value for financial assets held until maturity	6.6	-1,3	-	-0.9
Change in valuation of fair value for cash flow hedging	0.0	-0,1	87 %	-0.2
Transferred to the income statement for financial assets available for sale	-0.7	-3,0	77 %	-4.3
Comprehensive income from items which can be transferred to the income statement	-10.0	5,8	-	-7.8
Defined benefit plan pensions	-0.3	-	-	-0.5
Comprehensive income from items which can not be transferred to the income statement	-0.3	-	-	-0.5
Total comprehensive income for the period	**14.3**	**35,7**	**-60 %**	**41.0**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank plc	14.3	35,7	-60 %	41.0
Total	**14.3**	**35,7**	**-60 %**	**41.0**
Total earnings per share, EUR	0.22	0,54	-60 %	0.62
Total earnings per share, EUR, after dilution	0.22	0,54	-60 %	0.62
Total comprehensive income excluding items affecting comparability:				
Total comprehensive income	14.3	35.7	-60 %	41.0
The sale of Visa Europe and dividends from Suomen Luottokunta	-0.9	-4.7	81 %	-5.5
Phasing-out of Aktia Real Estate Mortgage Bank	-	0.5	-	1.3
Costs for restructuring	2.5	0.4	610 %	1.1
Comparable total comprehensive income	**15.9**	**31.9**	**-50 %**	**37.9**

Consolidated balance sheet

(EUR million)	Note	30 Jun 2017	31 Dec 2016	Δ %	30 Jun 2016
Assets					
Cash and balances with central banks	9	195.3	380.1	-49 %	286.5
Interest-bearing securities		1,943.6	1,739.3	12 %	1,791.2
Shares and participations		121.9	101.3	20 %	101.4
Financial assets available for sale	9	2,065.5	1,840.5	12 %	1,892.6
Financial assets held until maturity	9	396.1	445.3	-11 %	470.6
Derivative instruments	7,9	97.7	132.2	-26 %	164.3
Lending to Bank of Finland and credit institutions		49.6	43.1	15 %	51.4
Lending to the public and public sector entities	8	5,746.1	5,717.4	1 %	5,987.0
Loans and other receivables	9	5,795.7	5,760.5	1 %	6,038.3
Investments for unit-linked insurances	9	764.8	723.1	6 %	674.2
Investments in associated companies		0.0	0.0	-	0.0
Intangible assets		70.3	63.7	10 %	58.1
Investment properties		48.7	58.1	-16 %	55.7
Other tangible assets		6.6	7.7	-14 %	8.8
Accrued income and advance payments		44.3	46.6	-5 %	47.7
Other assets		24.3	20.2	20 %	23.2
Total other assets		68.6	66.8	3 %	70.9
Income tax receivables		0.3	0.2	48 %	0.9
Deferred tax receivables		6.1	7.8	-22 %	8.2
Tax receivables		6.4	8.0	-20 %	9.1
Total assets		**9,515.7**	**9,486.0**	**0 %**	**9,729.1**
Liabilities					
Liabilities to Bank of Finland and credit institutions		583.5	508.9	15 %	575.9
Liabilities to the public and public sector entities		4,185.9	4,164.3	1 %	4,235.4
Deposits	9	4,769.4	4,673.1	2 %	4,811.2
Derivative instruments	7,9	41.1	54.3	-24 %	69.0
Debt securities issued	9	2,456.8	2,476.7	-1 %	2,517.6
Subordinated liabilities	9	241.4	243.6	-1 %	235.1
Other liabilities to credit institutions	9	69.8	74.5	-6 %	82.9
Other liabilities to the public and public sector entities	9	-	5.5	-	43.0
Other financial liabilities		2,768.0	2,800.3	-1 %	2,878.5
Technical provisions for risk insurances and interest-related insurances		428.3	443.0	-3 %	457.0
Technical provisions for unit-linked insurances		764.7	719.4	6 %	672.1
Technical provisions		1,193.0	1,162.4	3 %	1,129.1
Accrued expenses and income received in advance		52.0	53.3	-3 %	53.7
Other liabilities		44.2	67.0	-34 %	113.7
Total other liabilities		96.2	120.4	-20 %	167.5
Provisions		0.2	1.4	-87 %	2.0
Income tax liabilities		1.5	1.0	53 %	1.3
Deferred tax liabilities		58.4	60.0	-3 %	61.4
Tax liabilities		59.9	60.9	-2 %	62.6
Total liabilities		**8,927.7**	**8,872.9**	**1 %**	**9,119.9**
Equity					
Restricted equity		220,3	230.3	-4 %	243.9
Unrestricted equity		367,7	382.8	-4 %	365.3
Total equity		**588,0**	**613.1**	**-4 %**	**609.2**
Total liabilities and equity		**9 515,7**	**9,486.0**	**0 %**	**9,729.1**

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Total equity
Equity as at 1 Jan 2016	**163.0**	**75.1**	**2.1**	**115.1**	**259.9**	**615.2**
Acquisation of treasury shares					-1.7	-1.7
Divestment of treasury shares				-0.1	1.5	1.4
Dividend to shareholders					-35.9	-35.9
Capital return to shareholders				-6.7		-6.7
Profit for the year					49.3	49.3
Financial assets available for sale		-6.7				-6.7
Financial assets held until maturity		-0.9				-0.9
Cash flow hedging		-0.2				-0.2
Defined benefit plan pensions					-0.5	-0.5
Total comprehensive income for the year		-7.8			48.8	41.0
Other change in equity			-0.2			-0.2
Equity as at 31 Dec 2016	**163.0**	**67.3**	**2.0**	**108.3**	**272.6**	**613.1**
Equity as at 1 Jan 2017	**163.0**	**67.3**	**2.0**	**108.3**	**272.6**	**613.1**
Divestment of treasury shares				0.1	1.2	1.3
Dividend to shareholders					-39.9	-39.9
Profit for the period					24.7	24.7
Financial assets available for sale		-16.6				-16.6
Financial assets held until maturity		6.6				6.6
Cash flow hedging		0.0				0.0
Defined benefit plan pensions					-0.3	-0.3
Total comprehensive income for the period		-10.0			24.3	14.3
Other change in equity			-0.9			-0.9
Equity as at 30 Jun 2017	**163.0**	**57.3**	**1.1**	**108.4**	**258.2**	**588.0**
Equity as at 1 Jan 2016	**163.0**	**75.1**	**2.1**	**115.1**	**259.9**	**615.2**
Divestment of treasury shares				**-0.1**	-1.5	-1.3
Dividend to shareholders					-35.9	-35.9
Capital return to shareholders				-6.7		-6.7
Profit for the year					29.9	29.9
Financial assets available for sale		7.2				7.2
Financial assets held until maturity		-1.3				-1.3
Cash flow hedging		-0.1				-0.1
Total comprehensive income for the year		5.8			29.9	35.7
Other change in equity			-0.5			-0.5
Equity as at 30 Jun 2016	**163.0**	**80.9**	**1.7**	**108.3**	**255.3**	**609.2**

Consolidated cash flow statement

(EUR million)	1H2017	1H2016	Δ %	2016
Cash flow from operating activities				
Operating profit	30.8	37.0	-17 %	61.5
Adjustment items not included in cash flow	-4.1	-5.7	29 %	-7.0
Paid income taxes	-2.7	-3.0	11 %	-4.7
Cash flow from operating activities before change in receivables and liabilities	**24.1**	**28.3**	**-15 %**	**49.7**
Increase (-) or decrease (+) in receivables from operating activities	-259.0	183.6	-	491.1
Increase (+) or decrease (-) in liabilities from operating activities	108.4	-138.4	-	-304.0
Total cash flow from operating activities	**-126.6**	**73.5**	**-**	**236.8**
Cash flow from investing activities				
Investments in group companies and business operations	-	-	-	-1.0
Proceeds from sale of group companies and associated companies	10.4	-	-	-63.3
Investment in investment properties	-0.8	-2.3	66 %	-4.4
Investment in tangible and intangible assets	-8.9	-11.7	24 %	-19.2
Proceeds from sale of tangible and intangible assets	0.0	-	-	0.0
Total cash flow from investing activities	**0.7**	**-14.0**	**-**	**-87.9**
Cash flow from financing activities				
Subordinated liabilities	-2.2	0.0	-	8.5
Dividend/share issue to the non-controlling interest	-1.1	-1.1	5 %	-1.1
Acquisation of treasury shares	-	-	-	-1.7
Divestment of treasury shares	1.3	1.3	-2 %	1.4
Paid dividends	-39.9	-35.9	-11 %	-35.9
Paid capital return	-	-6.7	-	-6.7
Total cash flow from financing activities	**-41.9**	**-42.4**	**1 %**	**-35.5**
Change in cash and cash equivalents	**-167.7**	**17.1**	**-**	**113.4**
Cash and cash equivalents at the beginning of the year	396.8	283.4	40 %	283.4
Cash and cash equivalents at the end of the period	229.0	300.5	-24 %	396.8
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	7.1	6.0	19 %	7.0
Bank of Finland current account	188.1	280.5	-33 %	373.1
Repayable on demand claims on credit insitutions	33.8	14.0	142 %	16.7
Total	**229.0**	**300.5**	**-24 %**	**396.8**
Adjustment items not included in cash flow consist of:				
Impairment of financial assets available for sale	0.5	0.3	70 %	0.9
Write-downs on credits and other commitments	0.1	0.2	-45 %	2.2
Change in fair value	2.6	-0.6	-	-0.3
Depreciation and impairment of tangible and intangible assets	3.4	4.2	-20 %	8.2
Unwound fair value hedging	-7.5	-7.9	5 %	-15.9
Change in provisions	-1.2	-0.4	-229 %	-0.9
Change in fair values of investment properties	0.3	0.3	9 %	0.1
Change in share-based remuneration	-2.1	-1.8	-16 %	-0.9
Other adjustments	0.6	-0.1	-	-0.3
Total	**-4.1**	**-5.7**	**29 %**	**-7.0**

Quarterly trends in the Group

(EUR million)

Income statement	**2Q2017**	**1Q2017**	**4Q2016**	**3Q2016**	**2Q2016**	**1H2017**	**1H2016**
Net interest income	22.9	23.4	23.0	23.9	24.1	46.2	48.7
Dividends	0.3	0.0	0.0	-	0.0	0.3	0.0
Net commission income	24.6	21.1	20.1	20.0	20.7	45.7	39.6
Net income from life-insurance	5.8	7.0	6.1	5.8	6.9	12.8	12.8
Net income from financial transactions	0.1	1.3	0.6	-0.3	7.4	1.4	8.0
Net income from investment properties	-	-	0.0	0.0	0.0	-	0.0
Other operating income	0.6	0.3	0.9	1.5	0.4	0.9	0.8
Total operating income	**54.2**	**53.1**	**50.6**	**50.9**	**59.4**	**107.3**	**109.8**
Staff costs	-21.1	-17.9	-19.7	-16.3	-17.9	-39.1	-36.3
IT-expenses	-8.0	-7.8	-8.1	-6.4	-6.7	-15.7	-13.8
Depreciation of tangible and intangible assets	-1.7	-1.7	-1.9	-2.1	-2.1	-3.4	-4.2
Other operating expenses	-9.0	-9.9	-10.7	-9.9	-10.1	-18.9	-19.0
Total operating expenses	**-39.7**	**-37.3**	**-40.5**	**-34.6**	**-36.8**	**-77.0**	**-73.3**
Write-downs on credits and other commitments	-0.1	-0.1	-1.5	-0.5	-0.1	-0.1	-0.2
Share of profit from associated companies	-	0.6	-	-	-	0.6	0.7
Operating profit	**14.4**	**16.4**	**8.6**	**15.8**	**22.4**	**30.8**	**37.0**
Taxes	-3.3	-2.9	-2.1	-3.0	-4.4	-6.2	-7.1
Profit for the period	**11.2**	**13.5**	**6.5**	**12.9**	**18.0**	**24.7**	**29.9**
Attributable to:							
Shareholders in Aktia Bank plc	11.2	13.5	6.5	12.9	18.0	24.7	29.9
Total	**11.2**	**13.5**	**6.5**	**12.9**	**18.0**	**24.7**	**29.9**
Earnings per share (EPS), EUR	0.17	0.20	0.10	0.19	0.27	0.37	0.45
Earnings per share (EPS), EUR, after dilution	0.17	0.20	0.10	0.19	0.27	0.37	0.45
Comprehensive income							
Profit for the period	11.2	13.5	6.5	12.9	18.0	24.7	29.9
Other comprehensive income after taxes:							
Change in valuation of fair value for financial assets available for sale	-6.4	-9.6	-13.8	1.2	0.6	-15.9	10.2
Change in valuation of fair value for financial assets held until maturity	2.0	4.6	1.3	-0.9	-0.9	6.6	-1.3
Change in valuation of fair value for cash flow hedging	0.0	0.0	-0.1	0.0	0.1	0.0	-0.1
Transferred to the income statement for financial assets available for sale	-0.2	-0.5	-1.0	-0.3	-2.1	-0.7	-3.0
Comprehensive income from items which can be transferred to the income statement	-4.5	-5.5	-13.6	-0.1	-2.4	-10.0	5.8
Defined benefit plan pensions	-	-0.3	-0.5	-	-	-0.3	-
Comprehensive income from items which can not be transferred to the income statement	-	-0.3	-0.5	-	-	-0.3	-
Total comprehensive income for the period	**6.7**	**7.7**	**-7.5**	**12.8**	**15.6**	**14.3**	**35.7**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank plc	6.7	7.7	-7.5	12.8	15.6	14.3	35.7
Total	**6.7**	**7.7**	**-7.5**	**12.8**	**15.6**	**14.3**	**35.7**
Total earnings per share, EUR	0.10	0.12	-0.11	0.19	0.24	0.22	0.54
Total earnings per share, EUR, after dilution	0.10	0.12	-0.11	0.19	0.24	0.22	0.54

Notes to the Half-year report

Note 1. Basis for preparing the half-year report and important accounting principles

Basis for preparing the Half-year report

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

The Half-year report for the period 1 January – 30 June 2017 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The Half-year report does not contain all the information and notes required for an annual report and should therefore be read together with the Aktia Group's annual report of 31 December 2016. Figures in the tables are presented in millions of euros rounded to one decimal. Therefore the total of individual amounts may differ from the presented total.

The Half-year report for the period 1 January – 30 June 2017 was approved by the Board of Directors on 8 August 2017.

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

Key accounting principles

In preparing the Half-year report the Group has followed the accounting principles applicable to the annual report of 31 December 2016.

Aktia complies with the guidelines for Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA). The APMs make comparison of different periods easier and gives users of financial reports useful further information. As from the second quarter of 2017, Aktia presents a number of new APMs, from which items complicating comparison are excluded. Items complicating comparison are not associated with day-to-day business, and such items are income and expenses attributable to restructuring, divestment of operations as well as impairment of assets departing from day-to-day business.

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

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

The standard **IFRS 9** Financial Instruments was approved by the EU in November 2016, and it replaces IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 introduces new requirements for recognition 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 will be classified in the categories amortised cost, fair value through other comprehensive income, and fair value through the income statement. The reporting of financial assets according to a mixed business model, where changes in fair value according to IFRS 9 are reported through other comprehensive income, corresponds to the reporting of financial assets available for sale according to the present IAS 39 standard.

The 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. The development of ECL models continues, and preliminary surveys show that the implementation of IFRS 9 will have marginal impact on reported provisions for credit losses.

In our view, all the above changes at the transition to IFRS 9 will reduce marginally 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. The Aktia Group plans to implement IFRS 9 when the standard becomes mandatory as of 1 January 2018.

IFRS 15 Revenue from contracts with customer 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.

Note 2. Group's segment reporting

(EUR million)	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Total Group	
Income statement	**1H2017**	**1H2016**	**1H2017**	**1H2016**	**1H2017**	**1H2016**	**1H2017**	**1H2016**	**1H2017**	**1H2016**
Net interest income	46.1	48.5	0.0	0.0	0.1	0.1	0.0	0.0	46.2	48.7
Net commission income	36.5	32.9	14.5	11.8	0.4	0.4	-5.7	-5.5	45.7	39.6
Net income from life insurance	-	-	10.8	11.0	-	-	2.0	1.7	12.8	12.8
Other income	1.1	2.9	0.0	0.0	1.5	5.9	0.0	0.0	2.6	8.8
Total operating income	**83.7**	**84.3**	**25.4**	**22.8**	**2.0**	**6.4**	**-3.7**	**-3.7**	**107.3**	**109.8**
Staff costs	-30.7	-29.8	-6.5	-5.8	-1.8	-0.7	-	-	-39.1	-36.3
IT-expenses	-14.3	-11.8	-1.1	-1.0	-0.3	-1.0	-	-	-15.7	-13.8
Depreciation of tangible and intangible assets	-2.3	-2.9	-0.2	-0.3	-0.8	-1.0	-	-	-3.4	-4.2
Other expenses	-15.2	-15.4	-4.8	-5.2	-2.6	-2.2	3.7	3.7	-18.9	-19.0
Total operating expenses	**-62.5**	**-59.9**	**-12.6**	**-12.3**	**-5.6**	**-4.9**	**3.7**	**3.7**	**-77.0**	**-73.3**
Write-downs on credits and other commitments	-0.1	-0.2	-	-	-	-	-	-	-0.1	-0.2
Share of profit from associated companies	-	-	-	-	-	-	0.6	0.7	0.6	0.7
Operating profit	**21.0**	**24.2**	**12.8**	**10.5**	**-3.6**	**1.5**	**0.6**	**0.7**	**30.8**	**37.0**

	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Total Group	
Balance sheet	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Cash and balances with central banks	195.3	380.1	0.0	0.0	-	-	-	-	195.3	380.1
Financial assets available for sale	1,553.3	1,319.4	505.7	515.6	10.1	9.1	-3.5	-3.6	2,065.5	1,840.5
Financial assets held until maturity	396.1	445.3	-	-	-	-	-	-	396.1	445.3
Loans and other receivables	5,779.3	5,750.8	37.4	35.9	7.7	6.6	-28.7	-32.8	5,795.7	5,760.5
Investments for unit-linked insurances	-	-	764.8	723.1	-	-	-	-	764.8	723.1
Other asset	164.6	194.6	65.9	77.1	136.1	192.8	-68.3	-128.0	298.3	336.5
Total assets	**8,088.5**	**8,090.2**	**1,373.7**	**1,351.7**	**154.0**	**208.5**	**-100.5**	**-164.4**	**9,515.7**	**9,486.0**
Deposits	4,798.0	4,706.0	-	-	0.0	0.0	-28.7	-32.8	4,769.4	4,673.1
Debt securities issued	2,460.3	2,480.3	-	-	-	-	-3.5	-3.6	2,456.8	2,476.7
Technical provisions	-	-	1,193.0	1,162.4	-	-	-	-	1,193.0	1,162.4
Other liabilities	455.5	509.9	31.5	35.8	27.6	20.8	-6.1	-6.0	508.5	560.6
Total liabilities	**7,713.8**	**7,696.1**	**1,224.5**	**1,198.3**	**27.7**	**20.8**	**-38.3**	**-42.4**	**8,927.7**	**8,872.9**

Note 3. Group's risk exposures

THE BANK GROUP'S CAPITAL ADEQUACY

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

(EUR million)	30 Jun 2017		31 Dec 2016		30 Jun 2016	
Calculation of the Bank Group's capital base	**The Group**	**The bank Group**	**The Group**	**The Bank Group**	**The Group**	**The Bank Group**
Total assets	**9,515.7**	**8,229.3**	**9,486.0**	**8,224.9**	**9,729.1**	**8,493.7**
of which intangible assets	70.3	69.6	63.7	62.8	58.1	56.9
Total liabilities	**8,927.7**	**7,735.7**	**8,872.9**	**7,706.8**	**9,119.9**	**7,982.7**
of which subordinated liabilities	241.4	241.4	243.6	243.6	235.1	235.1
Share capital	163.0	163.0	163.0	163.0	163.0	163.0
Fund at fair value	57.3	11.1	67.3	15.7	80.9	21.6
Total restricted equity	220.3	174.1	230.3	178.7	243.9	184.6
Unrestricted equity reserve and other funds	109.5	109.5	110.3	110.3	110.0	110.0
Retained earnings	233.6	190.1	223.2	189.0	225.4	191.2
Profit for the reporting period	24.7	19.9	49.3	40.0	29.9	25.1
Unrestricted equity	367.7	319.5	382.8	339.4	365.3	326.3
Shareholders' share of equity	588.0	493.6	613.1	518.1	609.2	510.9
Non-controlling interest's share of equity	-	-	-	-	-	-
Equity	**588.0**	**493.6**	**613.1**	**518.1**	**609.2**	**510.9**
Total liabilities and equity	**9,515.7**	**8,229.3**	**9,486.0**	**8,224.9**	**9,729.1**	**8,493.7**
Off-balance sheet commitments	**542.6**	**542.2**	**527.7**	**527.2**	**380.6**	**379.8**
Equity in the Bank Group		**493.6**		**518.1**		**510.9**
Provision for dividends to shareholders		-19.9		-39.8		-21.1
Profit for the year for which no application was filed with the Financial Supervisory Authority		-		-		-
Intangible assets		-69.6		-62.8		-56.9
Debentures		133.6		136.1		135.5
Additional expected losses according to IRB		-15.4		-20.3		-20.8
Deduction for significant holdings in financial sector entities		-7.2		-6.6		-4.9
Other incl. unpaid dividend		0.9		1.0		0.5
Total capital base (CET1 + AT1 + T2)		**515.8**		**525.8**		**543.2**

(EUR million)

The Bank Group's capital adequacy	**30 Jun 2017**	**31 Mar 2017**	**31 Dec 2016**	**30 Sep 2016**	**30 Jun 2016**
Common Equity Tier 1 Capital before regulatory adjustments	474.2	477.2	480.0	491.0	489.8
Common Equity Tier 1 Capital regulatory adjustments	-91.9	-94.8	-90.4	-85.2	-82.1
Total Common Equity Tier 1 Capital (CET1)	**382.3**	**382.4**	**389.7**	**405.8**	**407.7**
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)	**382.3**	**382.4**	**389.7**	**405.8**	**407.7**
Tier 2 capital before regulatory adjustments	133.6	138.1	136.1	132.8	135.5
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**133.6**	**138.1**	**136.1**	**132.8**	**135.5**
Total Own funds (TC = T1 + T2)	**515.8**	**520.5**	**525.8**	**538.6**	**543.2**
Total Risk weighted exposures	**2,122.9**	**2,099.7**	**1,997.7**	**2,114.1**	**2,072.9**
of which credit risk, the standardised approach	905.5	863.8	748.8	795.2	712.6
of which credit risk, the IRBA approach	868.6	887.1	900.1	962.0	1,004.2
of which market risk	-	-	-	-	-
of which operational risk	348.7	348.7	348.7	356.9	356.1
Own funds requirement (8 %)	169.8	168.0	159.8	169.1	165.8
Own funds buffer	346.0	352.5	366.0	369.4	377.3
CET1 capital ratio	18.0 %	18.2 %	19.5 %	19.2 %	19.7 %
T1 capital ratio	18.0 %	18.2 %	19.5 %	19.2 %	19.7 %
Total capital ratio	24.3 %	24.8 %	26.3 %	25.5 %	26.2 %
Own funds floor (CRR article 500)					
Own funds	515.8	520.5	525.8	538.6	543.2
Own funds floor[1]	190.8	189.7	183.6	185.3	189.5
Own funds buffer	325.1	330.8	342.2	353.3	353.7

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

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

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

(EUR million)

Risk-weighted amount for operational risks	**2014***	**2015***	**2016**	**Jun 2017**	**Mar 2017**	**Dec 2016**	**Sep 2016**	**Jun 2016**
Gross income	187.1	187.7	183.3					
- average 3 years			186.0					
Capital requirement for operational risk				**27.9**	**27.9**	**27.9**	**28.6**	**28.5**
Risk-weighted amount				**348.7**	**348.7**	**348.7**	**356.9**	**356.1**

* Recalculated after acquisation of Aktia Finance ltd.

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

(EUR million)	30 Jun 2017				
The Bank Group's total exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital require-ment 8 %**
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,505.7	4,498.4	13 %	596.8	47.7
Retail - Secured by immovable property SME	148.7	148.0	48 %	70.9	5.7
Retail - Other non-SME	109.6	104.4	40 %	42.2	3.4
Retail - Other SME	29.5	27.9	85 %	23.7	1.9
Equity exposures	49.1	49.1	275 %	135.1	10.8
Total exposures, IRB approach	**4,842.7**	**4,827.9**	**18 %**	**868.6**	**69.5**
Credit risk, standardised approach					
States and central banks	313.4	416.8	0 %	-	-
Regional goverments and local authorities	287.2	313.0	0 %	1.4	0.1
Multilateral development banks	51.6	51.6	0 %	-	-
International organisations	128.2	128.2	0 %	-	-
Credit institutions	608.5	434.4	28 %	121.3	9.7
Corporates	417.2	266.5	99 %	264.8	21.2
Retail exposures	260.5	111.8	69 %	76.9	6.2
Secured by immovable property	886.4	792.4	38 %	301.2	24.1
Past due items	34.8	8.1	109 %	8.9	0.7
Covered bonds	878.9	878.9	10 %	87.9	7.0
Other items	79.4	72.3	47 %	34.1	2.7
Total exposures, standardised approach	**3,946.2**	**3,474.0**	**26 %**	**896.4**	**71.7**
Total risk exposures	**8,788.9**	**8,301.9**	**21 %**	**1,765.0**	**141.2**

(EUR million)	31 Dec 2016				
The Bank Group's total exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital require-ment 8 %**
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,620.2	4,613.6	14 %	629.7	50.4
Retail - Secured by immovable property SME	155.7	154.8	49 %	75.1	6.0
Retail - Other non-SME	110.5	106.0	43 %	45.9	3.7
Retail - Other SME	22.7	21.0	78 %	16.4	1.3
Equity exposures	48.8	48.8	273 %	132.9	10.6
Total exposures, IRB approach	**4,957.8**	**4,944.1**	**18 %**	**900.1**	**72.0**
Credit risk, standardised approach					
States and central banks	500.9	630.5	0 %	-	-
Regional goverments and local authorities	199.7	223.8	0 %	0.8	0.1
Multilateral development banks	51.6	51.6	0 %	-	-
International organisations	159.2	159.2	0 %	-	-
Credit institutions	696.5	385.4	31 %	117.5	9.4
Corporates	355.8	149.9	99 %	148.8	11.9
Retail exposures	249.5	104.9	69 %	72.2	5.8
Secured by immovable property	772.1	701.4	38 %	265.6	21.2
Past due items	37.6	10.5	109 %	11.5	0.9
Covered bonds	866.1	866.1	10 %	86.6	6.9
Other items	52.6	44.4	44 %	19.6	1.6
Total exposures, standardised approach	**3,941.7**	**3,327.6**	**22 %**	**722.6**	**57.8**
Total risk exposures	**8,899.5**	**8,271.7**	**20 %**	**1,622.7**	**129.8**

THE FINANCIAL CONGLOMERATE'S CAPITAL ADEQUACY

(EUR million)	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Summary					
The Group's equity	588.0	621.0	613.1	621.9	609.2
Sector-specific assets	140.8	145.8	143.8	140.7	143.6
Intangible assets and other reduction items	-200.9	-247.6	-234.5	-236.5	-212.2
Conglomerate´s total capital base	**527.9**	**519.2**	**522.5**	**526.0**	**540.7**
Capital requirement for banking business	248.9	207.1	196.4	209.0	204.7
Capital requirement for insurance business[1]	80.1	80.6	80.6	81.1	85.4
Minimum amount for capital base	**329.0**	**287.7**	**277.0**	**290.1**	**290.1**
Conglomerate´s capital adequacy	**198.9**	**231.5**	**245.5**	**235.9**	**250.6**
Capital adequacy ratio, %	160.4 %	180.5 %	188.6 %	181.3 %	186.4 %

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

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

Note 4. Net interest income

(EUR million)	1H2017	1H2016	Δ %	2016
Deposits and lending	34.9	30.1	16 %	60.8
Hedging, interest rate risk management	15.5	17.9	-13 %	35.4
Other	-4.2	0.6	-	-0.6
Net interest income	**46.2**	**48.7**	**-5 %**	**95.6**

The impact of fixed rate investments is divided into two components consisting of interest rate risk and credit risk. The interest rate risk component is included in hedging of Interest rate risk whereas the credit risk component is included in other net interest income.

Note 5. Net income from life insurance

(EUR million)	1H2017	1H2016	Δ %	2016
Premiums written	66.2	57.9	14 %	112.0
Net income from investments	10.9	11.4	-5 %	21.1
of which impairment of financial assets	-0.5	-0.3	-70 %	-0.9
Insurance claims paid	-58.6	-52.5	-12 %	-112.8
Net change in technical provisions	-5.7	-4.1	-38 %	4.4
Net income from life insurance	**12.8**	**12.8**	**0 %**	**24.7**

Note 6. Net income from financial transactions

(EUR million)	1H2017	1H2016	Δ %	2016
Net income from securities and currency trading	0.7	0.7	5 %	1.4
Net income from financial assets and liabilities valued at fair value through the income statement	-0.6	-0.4	-49 %	-1.2
Net income from financial assets available for sale	1.3	8.5	-85 %	9.6
of which impairment of financial assets	-	-	-	0.0
Net income from hedge accounting	-0.1	-0.8	93 %	-1.5
Net income from financial transactions	**1.4**	**8.0**	**-83 %**	**8.3**

Note 7. Derivative instruments

Hedging derivative instruments (EUR million)	30 Jun 2017 Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,227.0	61.8	2.7
Total	**2,227.0**	**61.8**	**2.7**
Cash flow hedging			
Interest rate-related	85.1	-	2.3
Total	**85.1**	**-**	**2.3**
Derivative instruments valued through the income statement			
Interest rate-related[1]	1,066.7	35.9	36.0
Currency-related	6.2	0.1	0.0
Total	**1,072.9**	**36.0**	**36.1**
Total derivative instruments			
Interest rate-related	3,378.8	97.6	41.1
Currency-related	6.2	0.1	0.0
Total	**3,385.0**	**97.7**	**41.1**

Hedging derivative instruments (EUR million)	31 Dec 2016 Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,247.0	84.2	4.9
Total	**2,247.0**	**84.2**	**4.9**
Cash flow hedging			
Interest rate-related	85.1	-	1.5
Total	**85.1**	**-**	**1.5**
Derivative instruments valued through the income statement			
Interest rate-related[1]	1,307.0	46.4	46.3
Currency-related	52.4	0.6	0.5
Equity-related[2]	4.6	1.1	1.1
Total	**1,364.0**	**48.1**	**47.8**
Total derivative instruments			
Interest rate-related	3,639.1	130.6	52.7
Currency-related	52.4	0.6	0.5
Equity-related	4.6	1.1	1.1
Total	**3,696.1**	**132.2**	**54.3**

[1] Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 1,065.0 (1,305.0) million.

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

Note 8. Gross loans and write-downs

(EUR million)	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Gross loans	5,793	5,751	5,766	5,845	6,035
Individual write-downs	-37	-38	-38	-37	-39
of which made to non-performing loans past due at least 90 days	-34	-33	-34	-33	-34
of which made to other loans	-4	-5	-5	-5	-5
Write-downs by group	-10	-10	-10	-10	-9
Net loans, balance amount	**5,746**	**5,703**	**5,717**	**5,798**	**5,987**

Note 9. Financial assets and liabilities

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(EUR million)	30 Jun 2017		31 Dec 2016	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	195.3	195.3	380.1	380.1
Financial assets available for sale	2,065.5	2,065.5	1,840.5	1,840.5
Financial assets held until maturity	396.1	405.0	445.3	457.2
Derivative instruments	97.7	97.7	132.2	132.2
Loans and other receivables	5,795.7	5,725.9	5,760.5	5,679.6
Total	**8,550.3**	**8,489.4**	**8,558.6**	**8,489.7**
Investments for unit-linked insurances	764.8	764.8	723.1	723.1
Financial liabilities				
Deposits	4,769.4	4,752.6	4,673.1	4,651.0
Derivative instruments	41.1	41.1	54.3	54.3
Debt securities issued	2,456.8	2,466.7	2,476.7	2,477.2
Subordinated liabilities	241.4	245.0	243.6	247.3
Other liabilities to credit institutions	69.8	70.5	74.5	76.5
Other liabilities to the public and public sector entities	-	-	5.5	5.5
Total	**7,578.5**	**7,575.8**	**7,527.7**	**7,511.8**

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

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

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

Derivatives are 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 counterparty credit risk as well as for the own credit risk.

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

	30 Jun 2017				31 Dec 2016			
(EUR million)	**Fair value classified into**				**Fair value classified into**			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued through the income statement								
Interest-bearing securities	-	-	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets available for sale								
Interest-bearing securities	1,496.8	212.6	234.2	1,943.6	1,439.5	93.5	206.3	1,739.3
Shares and participations	84.0	-	37.9	122.0	64.0	-	37.3	101.3
Total	**1,580.8**	**212.6**	**272.2**	**2,065.6**	**1,503.5**	**93.5**	**243.6**	**1,840.5**
Derivative instrument, net	0.1	56.6	-	56.6	0.1	77.8	-	78.0
Total	**0.1**	**56.6**	**-**	**56.6**	**0.1**	**77.8**	**-**	**78.0**
Investments for unit-linked insurances	764.8	-	-	764.8	723.1	-	-	723.1
Total	**2,345.7**	**269.2**	**272.2**	**2,887.0**	**2,226.8**	**171.3**	**243.6**	**2,641.7**

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the reporting period, interest-bearing securities worth EUR 4 million were moved from level 2 to level 1 due to increased market activity. The increase in level 2 is due to an increase in business volumes, mainly relating to domestic municipal bonds and commercial papers.

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

Changes within level 3

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

Reconciliation of the changes for financial instruments belonging to level 3	Financial assets valued at fair value via the income statement			Financial assets available for sale			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1 Jan 2017	-	-	-	206.3	37.3	243.6	206.3	37.3	243.6
New purchases	-	-	-	38.0	0.2	38.3	38.0	0.2	38.3
Sales	-	-	-	-	-0.5	-0.5	-	-0.5	-0.5
Matured during the period	-	-	-	-10.0	-	-10.0	-10.0	-	-10.0
Realised value change in the income statement	-	-	-	-	-0.5	-0.5	-	-0.5	-0.5
Unrealised value change in the income statement	-	-	-	-	-	-	-	-	-
Value change recognised in other comprehensive income	-	-	-	-0.1	1.5	1.4	-0.1	1.5	1.4
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 30 Jun 2017	**-**	**-**	**-**	**234.2**	**37.9**	**272.2**	**234.2**	**37.9**	**272.2**

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20 %. These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.8 (2.4) % of the finance and insurance conglomerate's own funds.

	30 Jun 2017			31 Dec 2016		
Sensitivity analysis for financial instruments belonging to level 3	**Effect at an assumed movement**			**Effect at an assumed movement**		
(EUR million)	**Carrying amount**	**Positive**	**Negative**	**Carrying amount**	**Positive**	**Negative**
Financial assets valued through the income statement						
Interest-bearing securities	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets available for sale						
Interest-bearing securities	234.2	7.0	-7.0	206.3	6.2	-6.2
Shares and participations	37.9	7.6	-7.6	37.3	7.5	-7.5
Total	**272.2**	**14.6**	**-14.6**	**243.6**	**13.6**	**-13.6**
Totalt	**272.2**	**14.6**	**-14.6**	**243.6**	**13.6**	**-13.6**

SET OFF OF FINANCIAL ASSETS AND LIABILITIES

(EUR million)	**30 Jun 2017**		**31 Dec 2016**	
Assets	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial assets included in general agreements on set off or similar agreements	97.7	-	132.2	-
Set off amount	-	-	-	-
Value recognised in the balance sheet	**97.7**	**-**	**132.2**	**-**
Amount not set off but included in general agreements on set off or similar	6.6	-	8.8	-
Collateral assets	93.7	-	117.1	-
Total amount of sums not set off in the balance sheet	**100.3**	**-**	**126.0**	**-**
Net amount	**-2.6**	**-**	**6.3**	**-**

Liabilities	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial liabilities included in general agreements on set off or similar agreements	41.1	0.0	54.3	-
Set off amount	-	-	-	-
Value recognised in the balance sheet	**41.1**	**0.0**	**54.3**	**-**
Amount not set off but included in general agreements on set off or similar	6.6	-	8.8	-
Collateral liabilities	15.8	0.0	26.4	-
Total amount of sums not set off in the balance sheet	**22.4**	**0.0**	**35.2**	**-**
Net amount	**18.7**	**-**	**19.1**	**-**

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

Note 10. Specification of Aktia Group's funding structure

(EUR million)	30 Jun 2017	31 Dec 2016	30 Jun 2016
Deposits from the public and public sector entities	4,185.9	4,169.8	4,278.4
Short-term liabilities, unsecured debts			
Banks	57.8	46.0	69.5
Total	**57.8**	**46.0**	**69.5**
Short-term liabilities, secured debts (collateralised)			
Banks - received cash in accordance with collateral agreements	93.7	117.1	149.5
Repurchase agreements - banks	32.0	145.7	156.9
Total	**125.7**	**262.9**	**306.4**
Total short-term liabilities	**183.5**	**308.9**	**375.9**
Long-term liabilities, unsecured debts			
Issued debts, senior financing	783.0	789.2	817.5
Issued structured debts	-	2.3	4.1
Other credit institutions	41.8	46.5	49.9
Subordinated debts	241.4	243.6	235.1
Total	**1,066.2**	**1,081.6**	**1,106.6**
Long-term liabilities, secured debts (collateralised)			
Central bank and other credit institutions	428.0	228.0	233.0
Issued covered bonds	1,673.8	1,685.2	1,695.9
Total	**2,101.8**	**1,913.2**	**1,928.9**
Total long-term liabilities	**3,168.0**	**2,994.8**	**3,035.5**
Interest-bearing liabilities in the banking business	**7,537.4**	**7,473.5**	**7,689.8**
Technical provisions in the life insurance business	1,193.0	1,162.4	1,129.1
Total other non interest-bearing liabilities	197.3	237.0	301.1
Total liabilities	**8,927.7**	**8,872.9**	**9,119.9**

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

Note 11. Collateral assets and liabilities

Collateral assets (EUR million)	30 Jun 2017	31 Dec 2016	30 Jun 2016
Collateral for own liabilities			
Securities	461.6	380.1	293.3
Outstanding loans constituting security for covered bonds	2,153.7	2,315.7	2,776.9
Total	**2,615.4**	**2,695.8**	**3,070.2**
Other collateral assets			
Pledged securities[1]	186.1	119.5	224.7
Cash included in pledging agreements and repurchase agreements	15.8	26.4	37.4
Total	**201.9**	**145.9**	**262.1**
Total collateral assets	**2,817.2**	**2,841.7**	**3,332.3**
Collateral above refers to the following liabilities			
Liabilities to credit institutions[2]	460.0	373.7	389.9
Issued covered bonds[3]	1,673.8	1,685.2	1,695.9
Derivatives	15.8	26.4	37.4
Total	**2,149.5**	**2,085.3**	**2,123.2**

[1] Refers to securities pledged for the intra day limit. As at 30 June 2017, a surplus of pledged securities amounted to EUR 7 (4) million.
[2] Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
[3] Own repurchases deducted.

Collateral liabilities (EUR million)	30 Jun 2017	31 Dec 2016	30 Jun 2016
Cash included in pledging agreements[1]	93.7	117.1	149.5
Total	**93.7**	**117.1**	**149.5**

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

Note 12. Off-balance sheet commitments

(EUR million)	30 Jun 2017	31 Dec 2016	30 Jun 2016
Commitments provided to a third party on behalf of the customers			
Guarantees	36.0	30.8	25.8
Other commitments provided to a third party	0.6	0.8	1.2
Irrevocable commitments provided on behalf of customers			
Unused credit arrangements	505.6	495.6	352.7
Other commitments provided to a third party	0.4	0.4	0.8
Off-balance sheet commitments	**542.6**	**527.7**	**380.6**

Helsinki 8 August 2017

AKTIA BANK PLC
THE BOARD OF DIRECTORS

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

Report on review of the half-year report of Aktia Bank plc as of and for the six months period ending June 30, 2017

To the Board of Directors of Aktia Bank plc

Introduction

We have reviewed the balance sheet as of June 30, 2017 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of

Aktia Bank plc Group for the six-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

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

Conclusion

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

Helsinki 8 August, 2017

KPMG OY AB
Jari Härmälä
Authorised Public Accountant, KHT

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