AKTIA BANK PLC ACCOUNTS ANNOUNCEMENT JANUARY-DECEMBER 2016

GROWTH IN LENDING AND ASSET MANAGEMENT

CEO JUSSI LAITINEN

"Aktia achieved a satisfactory result for the whole year despite the slow start of the year. The market climate improved in Finland during 2016, and consumers' confidence in their economy strengthened at the end of the year. Aktia's lending improved by 8 per cent, showing growth both in housing loans and corporate lending. Asset Management increased both its sales and its assets under management, following successful product launches and focus on institutional customers. Net commission income recovered during the year, but it did not increase. The low interest rate level continues to press NII and puts further demands on high efficiency. Profits have been burdened by the core banking project, but the project is now close to the finish line, and implementation of the systems will commence during Q1 2017. Aktia's mobile services are developed at an accelerating speed; the new digital wallet, Aktia Wallet, has already been downloaded by more than 30,000 users. Aktia continues its modernisation process with the aim to offer the customers more solutions for easier management of their daily economy."

OCTOBER-DECEMBER 2016: OPERATING PROFIT EUR 8.6 (11.1) MILLION

- The Group's operating profit was EUR 8.6 (11.1) million and the profit was EUR 6.5 (8.7) million.
- Net interest income (NII) decreased by 3% and amounted to EUR 23.0 (23.7) million.
  Net commission income increased by 6% to EUR 20.1 (18.9) million.
- Earnings per share (EPS) was EUR 0.10 (0.13).

JANUARY-DECEMBER 2016: OPERATING PROFIT EUR 61.5 (64.2) MILLION

- The Group's operating profit was EUR 61.5 (64.2) million and the profit was EUR 49.3 (51.6) million.
- Excluding one-time gains from the sale of Visa Europe, the Group's operating profit would have been EUR 54.6 (64.2) million and the profit for the period EUR 43.8 (51.6) million.
- Net interest income (NII) dropped by 2% to EUR 95.6 (97.3) million. Net commission income amounted to EUR 79.7 (80.0) million.
- Earnings per share (EPS) was EUR 0.74 (0.78).
- The Board of Directors proposes a dividend of EUR 0.60 per share, of which EUR 0.08 are attributable to one-time gains during the year.
- Aktia's Common Equity Tier 1 capital ratio amounted to 19.5 (20.7)%.
- Equity per share stood at EUR 9.24 (9.26).
- Write-downs on credits and other commitments increased to EUR -2.2 (-0.3) million.
- **OUTLOOK 2017 (p. 14): 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)	**4Q2016**	**4Q2015**	**Δ %**	**2016**	**2015**	**Δ %**	**3Q2016**	**4Q vs. 3Q**	**2Q2016**	**1Q2016**
Net interest income	23.0	23.7	-3%	95.6	97.3	-2%	23.9	-4%	24.1	24.6
Net commission income	20.1	18.9	6%	79.7	80.0	0%	20.0	1%	20.7	18.9
Total operating income	50.6	51.9	-2%	211.4	208.4	1%	50.9	-1%	59.4	50.4
Total operating expenses	-40.5	-40.5	0%	-148.4	-144.4	3%	-34.6	17%	-36.8	-36.5
Write-downs on credits and other commitments	-1.5	-0.3	455%	-2.2	-0.3	545%	-0.5	235%	-0.1	-0.1
Operating profit	**8.6**	**11.1**	**-22%**	**61.5**	**64.2**	**-4%**	**15.8**	**-46%**	**22.4**	**14.6**
Cost-to-income ratio	0.80	0.78	3%	0.70	0.69	1%	0.68	18%	0.62	0.72
Earnings per share (EPS), EUR	0.10	0.13	-23%	0.74	0.78	-5%	0.19	-47%	0.27	0.18
Equity per share (NAV)[1], EUR	9.24	9.26	0%	9.24	9.26	0%	9.35	-1%	9.15	9.56
Return on equity (ROE), %	4.2	5.4	-21%	8.0	7.9	2%	8.4	-49%	11.6	7.6
Common Equity Tier 1 capital ratio[1], %	19.5	20.7	-6%	19.5	20.7	-6%	19.2	2%	19.7	19.5
Capital adequacy ratio[1], %	26.3	27.1	-3%	26.3	27.1	-3%	25.5	3%	26.2	25.6
Dividend per share (proposal from Board of Directors)				0.60*	0.64**	-6%				
Write-downs on credits / total loan book, %	0.03	0.00	-	0.04	0.01	300%	0.01	200%	0.00	0.00

1) At the end of the period. * A dividend of EUR 0.60 per share, of which EUR 0.08 are attributable to one-time gains. ** Including capital return of EUR 0.10 per share

The Accounts Announcement January - December 2016 is a translation of the original Swedish version "Bokslutskommuniké 1.1-31.12.2016". In case of discrepancies, the Swedish version shall prevail.

Profit
October-December 2016

Profit October - December 2016

The Group's operating profit was EUR 8.6 (11.1) million. The Group's profit was EUR 6.5 (8.7) million.

Income

Total Group's total income decreased by 2% and amounted to EUR 50.6 (51.9) million.

Net interest income for the quarter was EUR 23.0 (23.7) million. Net interest income from the bank's borrowing and lending operations increased by 3% to EUR 14.8 (14.4) million. The result for the quarter includes one separate larger reversal of interest-rate receivable of EUR -1.0 million. Both derivatives and fixed-rate instruments are utilised to manage interest rate risks. These hedging measures, including derivatives unwound in 2012, which are used by Aktia Bank to limit its interest rate risk, contributed EUR 8.7 million to net interest income, EUR 0.2 million less than in the previous year. Net interest income from other treasury operations was EUR -0.6 (0.4) million.

Net commission income increased by 6% to EUR 20.1 (18.9) million. Commission income from mutual funds, asset management and securities brokerage increased by 8% and amounted to EUR 11.9 (11.0) million. Card and other payment service commissions increased by 14% and amounted to EUR 5.2 (4.6) million. Commission income from real estate agency services increased by 6% and amounted to EUR 1.8 (1.7) million.

Net income from life insurance decreased by 23% and amounted to EUR 6.1 (8.0) million. The decrease is attributable to lower running net income from investments. Net income from the insurance business includes premiums written, net income from investment activities, insurance claims paid and the change in technical provisions.

Net income from financial transactions was EUR 0.6 (0.1) million, and includes one-time gains of EUR 1.0 million arising from the sale of Visa Europe to Visa Inc. Net income from hedge accounting was EUR -0.7 (-0.1) million. The decrease is mainly attributable to an increase of long-term interest rates.

Other operating income was EUR 0.9 (1.2) million.

Expenses

Group operating expenses remained unchanged at EUR 40.5 (40.5) million. Of this, staff costs amounted to EUR 19.7 (20.0) million. IT expenses amounted to EUR 8.1 (8.0) million and other operating expenses to EUR 10.8 (10.6) million.

Group operating profit by segment

(EUR million)	4Q2016	4Q2015	Δ %
Banking Business	5.2	7.9	-34%
Asset Management & Life Insurance	5.5	6.7	-18%
Miscellaneous	-2.1	-4.0	48%
Eliminations	0.0	0.5	-
Total	**8.6**	**11.1**	**-22%**

The profit of the banking business was burdened mainly by lower net interest income and higher write-downs on credits and other commitments.

The decrease in profit of Asset Management & Life insurance is attributable to lower net income from investments in the life insurance business.

Main events January-December 2016

New CEO for Aktia

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

Acquisition of minority shares in Aktia Real Estate Mortgage Bank

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

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

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

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

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

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

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

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

Aktia carried out codetermination negotiations

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

Aktia Life Insurance started to apply Solvency II transitional measures

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

Activity in January-December 2016

Business environment

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

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

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

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

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

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

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

* Aktia's chief economist's prognosis (23 January 2017)
[1]annual average
[2]at the end of the year

Rating

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

Moody's Investor Service upgraded Aktia Bank plc's outlook to positive on 4 July 2016 (previously stable). Aktia Bank plc's credit rating remained unchanged at A3 for long-term borrowing, P-2 for short-term borrowing and C- for financial strength. The bank's Baseline Credit Assessment (BCA) also remained unchanged (baa2).

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

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

Profit January - December 2016

The Group's operating profit was EUR 61.5 (64.2) million. The Group's profit was EUR 49.3 (51.6) million.

Income

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

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

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

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

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

Other operating income was EUR 3.1 (2.8) million.

Expenses

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

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

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

Write-downs on credits and other commitments

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

Balance sheet and off-balance sheet commitments

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

Liquidity

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

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

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

The Liquidity Coverage Ratio (LCR) was 209%.

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

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

Borrowing

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

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

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

Lending

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

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

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

Corporate lending accounted for 9.5 (7.1)% of Aktia's loan book. Total corporate lending amounted to EUR 543 (414) million. Loans to housing associations totalled EUR 340 (222) million and made up 5.9 (3.8)% of Aktia's total loan book. In accordance with Aktia's growth strategy, lending to housing companies increased by 53% (EUR 118 million) during the year. Other increase in corporate lending is mainly related to a couple of larger financing arrangements for Finnish companies.

Loan book by sector

(EUR million)	31 Dec 2016	31 Dec 2015	Δ	Share,%
Households	4,790	5,177	-388	83.8%
Corporates	543	414	128	9.5%
Housing companies	340	222	118	5.9%
Non-profit organisations	40	41	-1	0.7%
Public sector entities	5	1	4	0.1%
Total	**5,717**	**5,856**	**-139**	**100.0%**

Financial assets

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

Technical provisions

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

Equity

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

Commitments

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

Managed assets

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

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

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

Managed assets

(EUR million)	31 Dec 2016	31 Dec 2015	Δ%
Assets under Management (AuM)	8,063	7,138	13%
Group financial assets	2,706	2,994	-10%
Total	**10,769**	**10,133**	**6%**

Capital adequacy and solvency

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

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

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

The capital requirement of banking business increased at the beginning of 2015 as the requirement for capital conservation buffer and the countercyclical buffer requirement were introduced to Finland. The requirement for capital conservation buffer will increase the minimum requirement by 2.5 percentage points. The countercyclical buffer requirement will vary between 0.0 and 2.5 percentage points. The board of the Financial Supervisory Authority will decide quarterly the magnitude of the requirement for the countercyclical capital buffer on the basis of analysis of macroeconomic stability. The latest decision on the requirement (21 December 2016) placed no countercyclical capital buffer requirement on the banks for Finnish exposures, and the policy for macroeconomic stability was not tightened up by other means either. However, the board of the Financial Supervisory Authority informed that preparations continue to introduce a minimum level of 10% for the average risk weight on residential mortgage loans from credit institutions that have adopted the IRB approach. The minimum level will come into force on 1 July 2017 at the latest. At the end of the year, Aktia Bank Group's average risk weight on retail exposures with real estate collateral calculated according to the IRB approach was 14 (15)%.

The countercyclical buffer is calculated taking the geographic distribution of exposures into account. Authorities in some other countries have set higher requirements for countercyclical buffers. This requirement also applies to certain exposures in the Bank Group's liquidity portfolio. Aktia Bank Group's requirement for a countercyclical buffer amounted to 0.03% as per 31 December 2016, taking the geographic distribution of exposures into account. In accordance with the Credit Institutions Act, the Financial Supervisory Authority has defined Other Systemically Important Institutions (O-SIIs) in Finland, and set buffer requirements for them. The requirements entered into force at the beginning of 2016. No O-SII buffer requirement was set for Aktia. Taking all buffer requirements into account, the minimum capital adequacy level for the Bank Group was 10.53% at the end of the year.

The Financial Supervisory Authority has on 16 December 2016, supported by the Credit Institutions Act, set a consolidated buffer requirement based on assessment for Aktia. The requirement is based on the Financial Supervisory Authority's assessment (so-called SREP). The buffer requirement amounts to a total of 1.75%, including concentration risk within credit risk and structural interest rate risk. For these there are no specific capital requirements in the EU's Capital Requirements Regulation (CRR). According to the decision, the requirements shall be met with CET 1 capital. The requirement enters into force as of 30 June 2017, increasing both the Bank Groups minimum requirements for capital adequacy and the conglomerate's capital requirements.

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

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

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

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

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

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

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

Segment overview

Aktia Bank's operations are divided into three segments: Banking Business, Asset Management & Life Insurance and Miscellaneous.

Group operating profit by segment

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

Banking Business

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

Operating income was EUR 163.7 (169.2) million, of which EUR 95.3 (97.0) million was net interest income. Net interest income from borrowing and lending has increased thanks to strong increase in the bank's own lending, lower interest rates on deposits and lower re-financing costs. However, Treasury's liquidity portfolio shows a decrease in interest income due to lower interest rates and yield level.

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

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

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

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

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

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

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

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

Asset Management & Life Insurance

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

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

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

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

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

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

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

Life insurance technical provisions totalled EUR 1,162 (1,130) million, of which allocations for unit-linked provisions were EUR 719 (662) million and interest-related provisions EUR 443 (468) million. Unit-linked provisions continued at a high level, amounting to 62 (59)% of total technical provisions. The average discount rate for the interest-linked technical provisions was 3.5%. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which is used for hedging future interest requirements.

Miscellaneous

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

The segment's contribution to the Group's operating profit amounted to EUR -3.2 (-11.3) million.

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

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

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 2015 (www.aktia.com), in note G2 on pages 44-59, and in Aktia Bank plc's Capital and Risk Management Report on the Group's website www.aktia.com.

Lending related risks within banking business

Loans past due more than 90 days, including claims on bankrupt companies and receivables for collection increased to EUR 46 (44) million, corresponding to 0.79 (0.75)% of the loan book. The loan book also includes off-balance sheet guarantee commitments.

Loans past due to households more than 90 days corresponded to 0.67 0.63)% of the entire loan book and 0.80 (0.71)% of the household loan book.

Loans with payments 3–30 days overdue decreased to EUR 57 (76) million, equivalent to 1.00 (1.29)% of the loan book. Loans with payments 31–89 days overdue amounted to EUR 28 (28) million, or 0.49 (0.48)% of the loan book.

Loans past due by time overdue

(EUR million)

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

Write-downs on credits and other commitments

During the year total write-downs on credits and other commitments was EUR -2.2 (-0.3) million. Of these write-downs, EUR -1.2 (-0.8) million were attributable to households, and EUR -1.0 (0.5) million to companies.

Total write-downs on credits amounted to 0.04 (0.01)% of total lending. The share of write-downs on corporate loans in relation to corporate lending overall amounted to 0.18 (-0.11)%.

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 marked to market on an ongoing basis.

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 the other interest-bearing investments decreased during the year by EUR 501 million, and amounted to EUR 1,794 (2,295) million. The decrease of the liquidity portfolio is related to repayment of covered bonds issued by Aktia Real Estate Mortgage Bank to a value of approximately EUR 480 million, matured at the end of the second quarter.

Rating distribution for Bank Group's liquidity portfolio and other direct interest-bearing investments

	31 Dec 2016	31 Dec 2015
(EUR million)	**1,794**	**2,295**
Aaa	53.3%	59.9%
Aa1-Aa3	29.6%	25.1%
A1-A3	4.8%	5.5%
Baa1-Baa3	3.0%	2.2%
Ba1-Ba3	0.0%	0.0%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	9.3%	7.4%
No rating	0.0%	0.0%
Total	**100.0%**	**100.0%**

At year-end, there were two covered bonds from Finnish credit institutions, with a total value of EUR 29 million, that did not meet the eligibility requirements for refinancing at the central bank due to the fact that the issues have no rating.

The Bank Group's investments in the so-called GIIPS countries stood at EUR 23 (30) million on 31 December 2016. 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 year, real estate holdings amounted to EUR 0.1 (0.1) million and investments in shares necessary for the business amounted to EUR 9.2 (7.5) million.

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 600 (609) million. The life insurance company's direct real estate investments amounted to EUR 58 (54) million. The properties are mainly located in the Helsinki region and have long tenancies.

The life insurance company's direct interest rate investments in GIIPS countries amounted to EUR 0 (2) million.

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

	31 Dec 2016	31 Dec 2015
(EUR million)	**431**	**429**
Aaa	47.6%	61.2%
Aa1-Aa3	29.8%	17.9%
A1-A3	6.9%	7.9%
Baa1-Baa3	5.0%	4.8%
Ba1-Ba3	0.0%	0.5%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	1.4%	0.0%
No rating	9.3%	7.7%
Total	**100.0%**	**100.0%**

Valuation of financial assets

Value changes reported through the income statement

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

Write-downs on financial assets

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

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)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Finland	185	182	45	149	85	84	-	-	-	-	316	415
Netherland	25	25	164	189	60	85	-	-	-	-	249	299
Norway	-	-	217	283	-	-	-	-	-	-	217	283
France	66	65	108	142	32	47	-	-	-	-	206	255
United Kingdom	-	-	173	298	18	19	-	-	-	-	191	317
Sweden	-	-	61	75	88	120	-	-	-	-	149	194
Denmark	-	-	84	84	-	-	-	-	-	-	84	84
Austria	49	26	-	54	-	-	-	-	-	-	49	80
Germany	26	48	-	9	-	-	-	-	-	-	26	58
Supranationals	214	228	-	-	-	-	-	-	-	-	214	228
Others	54	54	40	28	-	-	-	-	-	-	94	82
Total	**619**	**629**	**892**	**1,311**	**284**	**355**	**-**	**-**	**-**	**-**	**1,794**	**2,295**

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		Total	
(EUR million)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Finland	31	34	6	6	38	56	65	61	84	82	2	3	-	-	227	242
France	39	38	83	86	1	1	10	10	-	-	-	-	-	-	133	135
Netherlands	10	10	30	31	13	13	2	2	-	-	-	-	-	-	55	56
United Kingdom	-	-	35	36	3	3	1	1	-	-	0	0	-	-	40	40
Austria	23	22	6	6	-	-	-	-	-	-	-	-	-	-	30	29
Denmark	-	-	19	19	1	-	-	2	-	-	-	-	-	-	20	22
Germany	16	17	-	-	-	-	-	4	-	-	-	-	-	-	16	21
Sweden	-	-	-	-	13	9	2	-	-	-	0	0	-	-	15	9
Norway	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supranationals	6	6	-	-	-	-	-	-	-	-	-	-	-	-	6	6
Others	21	21	-	2	5	5	33	21	-	-	-	0	-	-	59	50
Total	**148**	**150**	**179**	**186**	**74**	**88**	**113**	**101**	**84**	**82**	**3**	**3**	**-**	**-**	**600**	**609**

Value changes reported through the fund at fair value

A value impairment that is not reported in the income statement, or an increase in the value that has not been realised, is reported through the fund at fair value. Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 67.3 (75.1) million after deferred tax.

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

The fund at fair value

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

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consists of during earlier years reclassified interest-bearing securities. Most of the reclassified securities have an AAA rating. During the year new acquisitions of EUR 13 million were made to the portfolio which, on 31 December 2016, amounted to EUR 445 (482) million.

Unwinding of hedging interest rate derivatives

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

The unwound interest rate derivatives will have a positive impact on the result in net interest income up until the end of 2019. In 2017, the positive impact on net interest income will amount to approximately EUR 14 million. The remaining positive impact on the result, amounting to approximately EUR 13 million, will mainly be recognised in the years 2018–2019.

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

Operational risks

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

Events concerning close relations

Close relations refers to Aktia Bank's key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling interest. The Aktia Group's key persons are the members of the Board of Supervisors, the Board of Directors of Aktia Bank plc, the Managing Director and Managing Director's alternate.

Further information on events concerning close relations is given in note G45 to the Financial statements 2015. No significant changes concerning close relations occurred during the year.

Growth 2018

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

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

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

Other events during the year

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

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

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

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

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

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

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

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

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

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

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

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

Events after year-end

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

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

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

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

Personnel and personnel fund

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

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

Incentive schemes for key personnel

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

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

Board of Directors and Executive Committee

Aktia Bank plc's Board of Directors for 1 January - 31 December 2016:

Chair Dag Wallgren, M.Sc. (Econ.)
Vice chair Nina Wilkman, LL.M.
Christina Dahlblom, M.Sc. (Econ.) (1 April–31 December 2016)
Stefan Damlin, M.Sc. (Econ.)
Sten Eklundh, M.Sc. (Econ.)
Kjell Hedman, Business Economist
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)
Lasse Svens, M.Sc. (Econ.)
Arja Talma, M.Sc. (Econ.), eMBA

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

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

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

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

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

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

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

Proposals for the Annual General Meeting 2017

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

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

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

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

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

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

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

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

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

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

Share capital and ownership

The share capital of Aktia Bank plc amounts to EUR 163 million, comprising a total of 46,706,723 A shares and 19,872,088 R shares, or 66,578,811 shares in all. The number of shareholders at the end of December 2016 was 41,791. Foreign ownership was 2.6%. The number of unregistered shares was 768,001 or 1.1% of all shares.

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

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

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

New insider regulations

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

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

Outlook and risks

Outlook 2017

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

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

Risks

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

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

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

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

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

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

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

Financial objectives 2018

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

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

Key figures

(EUR million)	2016	2015	Δ%	4Q2016	3Q2016	2Q2016	1Q2016
Earnings per share (EPS), EUR	0.74	0.78	-5%	0.10	0.19	0.27	0.18
Total earnings per share, EUR	0.62	0.35	78%	-0.11	0.19	0.24	0.30
Equity per share (NAV), EUR[1]	9.24	9.26	0%	9.24	9.35	9.15	9.56
Average number of shares (excl. treasury shares), million[2]	66.5	66.5	0%	66.5	66.5	66.5	66.5
Number of shares at the end of the period (excl. treasury shares), million[1]	66.4	66.4	0%	66.4	66.5	66.6	66.6
Return on equity (ROE), %	8.0	7.9	2%	4.2	8.4	11.6	7.6
Return on assets (ROA), %	0.51	0.50	2%	0.27	0.53	0.74	0.48
Cost-to-income ratio	0.70	0.69	1%	0.80	0.68	0.62	0.72
Common Equity Tier 1 capital ratio (Bank Group), %[1]	19.5	20.7	-6%	19.5	19.2	19.7	19.5
Tier 1 capital ratio (Bank Group), %[1]	19.5	20.7	-6%	19.5	19.2	19.7	19.5
Capital adequacy ratio (Bank Group), %[1]	26.3	27.1	-3%	26.3	25.5	26.2	25.6
Risk-weighted commitments (Bank Group)[1]	1,997.7	1,998.8	0%	1,997.7	2,114.1	2,072.9	2,128.5
Capital adequacy ratio (finance and insurance conglomerate), %[1]	188.6	226.7	-17%	188.6	181.3	186.4	187.4
Equity ratio, %[1]	6.3	6.0	6%	6.3	6.4	6.2	6.5
Group financial assets[1]	2,706.0	2,994.4	-10%	2,706.0	2,667.9	2,692.1	2,864.7
Assets under Management[1]	8,063.4	7,138.2	13%	8,063.4	7,728.3	7,298.4	7,179.0
Borrowing from the public[1]	4,164.3	3,922.0	6%	4,164.3	4,254.0	4,235.4	3,969.4
Lending to the public[1]	5,717.4	5,856.3	-2%	5,717.4	5,797.7	5,987.0	5,861.7
Premiums written before reinsurers' share	112.8	174.9	-36%	29.9	24.6	24.7	33.6
Expense ratio, % (life insurance company)[2]	81.9	83.8	-2%	81.9	82.7	85.6	86.1
Solvency ratio (according to Solvency II, life insurance company), %[3]	179.4	175.8	2%	179.4	165.3	154.5	160.8
Own funds (according to Sovency II, life insurance company)[3]	144.7	143.2	1%	144.7	134.1	131.9	131.4
Solvency ratio (according to Solvency I, life insurance company), %[3]	-	22.3	-	-	-	-	-
Solvency margin (according to Solvency I, life insurance company)[3]	-	130.4	-	-	-	-	-
Investments at fair value (life insurance company)[1]	1,293.5	1,225.7	6%	1,293.5	1,295.4	1,265.6	1,238.0
Technical provisions for risk insurances and interest-related insurances[1]	443.0	468.3	-5%	443.0	450.4	457.0	464.7
Technical provisions for unit-linked insurances[1]	719.4	662.2	9%	719.4	702.2	672.1	659.7
Group's personnel (FTEs), average number of employees	925	936	-1%	911	942	929	924
Group's personnel (FTEs), at the end of the period	903	920	-2%	903	915	968	924

[1] At the end of the period
[2] Cumulative from the beginning of the year
[3] From 2016 onwards the life insurance company' solvency ratio is calculated according to Solvency II rules.
Solvency ratio (according to Solvency II) = Solvency II capital / Solvency capital requirement (SCR)

Other basis of calculation for the key figures are presented in Aktia Bank plc's annual report 2015 page 27.

Consolidated income statement

(EUR million)	2016	2015	Δ%
Net interest income	95.6	97.3	-2%
Dividends	0.0	0.1	-29%
Commission income	90.0	89.9	0%
Commission expenses	-10.3	-9.9	-4%
Net commission income	79.7	80.0	0%
Net income from life insurance	24.7	24.9	-1%
Net income from financial transactions	8.3	3.7	122%
Net income from investment properties	-	-0.4	-
Other operating income	3.1	2.8	10%
Total operating income	**211.3**	**208.4**	**1%**
Staff costs	-72.3	-72.7	-1%
IT-expenses	-28.4	-26.9	6%
Depreciation of tangible and intangible assets	-8.2	-8.1	1%
Other operating expenses	-39.6	-36.8	8%
Total operating expenses	**-148.4**	**-144.4**	**3%**
Write-downs on credits and other commitments	-2.2	-0.3	545%
Share of profit from associated companies	0.7	0.6	23%
Operating profit	**61.5**	**64.2**	**-4%**
Taxes	-12.2	-12.6	-4%
Profit for the year	**49.3**	**51.6**	**-4%**
Attributable to:			
Shareholders in Aktia Bank plc	49.3	52.0	-5%
Non-controlling interest	-	-0.4	-
Total	**49.3**	**51.6**	**-4%**
Earnings per share (EPS), EUR	0.74	0.78	-5%
Earnings per share (EPS), EUR, after dilution	0.74	0.78	-5%

Consolidated statement of comprehensive income

(EUR million)	2016	2015	Δ%
Profit for the year	49.3	51.6	-4%
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale	-2.5	-21.4	88%
Change in valuation of fair value for financial assets held until maturity	-0.9	-3.7	77%
Change in valuation of fair value for cash flow hedging	-0.2	0.1	-
Transferred to the income statement for financial assets available for sale	-4.3	-3.8	-12%
Transferred to the income statement for cash flow hedging	-	-0.1	-
Comprehensive income from items which can be transferred to the income statement	-7.8	-28.9	73%
Defined benefit plan pensions	-0.5	0.0	-
Comprehensive income from items which can not be transferred to the income statement	-0.5	0.0	-
Total comprehensive income for the year	**41.0**	**22.7**	**81%**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc	41.0	23.0	78%
Non-controlling interest	-	-0.3	-
Total	**41.0**	**22.7**	**81%**
Total earnings per share, EUR	0.62	0.35	78%
Total earnings per share, EUR, after dilution	0.62	0.35	78%

Consolidated balance sheet

(EUR million)	31 Dec 2016	31 Dec 2015	Δ%
Assets			
Cash and balances with central banks	380.1	268.4	42%
Interest-bearing securities	1,739.3	2,103.2	-17%
Shares and participations	101.3	94.4	7%
Financial assets available for sale	1,840.5	2,197.6	-16%
Financial assets held until maturity	445.3	481.7	-8%
Derivative instruments	132.2	172.5	-23%
Lending to Bank of Finland and credit institutions	43.1	43.9	-2%
Lending to the public and public sector entities	5,717.4	5,856.3	-2%
Loans and other receivables	5,760.5	5,900.2	-2%
Investments for unit-linked insurances	723.1	667.7	8%
Investments in associated companies	0.0	0.0	-
Intangible assets	63.7	50.8	26%
Investment properties	58.1	53.7	8%
Other tangible assets	7.7	8.7	-12%
Accrued income and advance payments	46.6	51.6	-10%
Other assets	20.2	18.2	11%
Total other assets	66.8	69.8	-4%
Income tax receivables	0.2	0.8	-74%
Deferred tax receivables	7.8	9.7	-20%
Tax receivables	8.0	10.5	-24%
Total assets	**9,486.0**	**9,881.5**	**-4%**
Liabilities			
Liabilities to Bank of Finland and credit institutions	508.9	474.8	7%
Liabilities to the public and public sector entities	4,164.3	3,922.0	6%
Deposits	4,673.1	4,396.8	6%
Derivative instruments	54.3	86.2	-37%
Debt securities issued	2,476.7	3,033.4	-18%
Subordinated liabilities	243.6	235.0	4%
Other liabilities to credit institutions	74.5	84.8	-12%
Other liabilities to the public and public sector entities	5.5	74.0	-93%
Other financial liabilities	2,800.3	3,427.2	-18%
Technical provisions for risk insurances and interest-related insurances	443.0	468.3	-5%
Technical provisions for unit-linked insurances	719.4	662.2	9%
Technical provisions	1,162.4	1,130.5	3%
Accrued expenses and income received in advance	53.3	62.7	-15%
Other liabilities	67.0	101.9	-34%
Total other liabilities	120.4	164.6	-27%
Provisions	1.4	2.3	-40%
Income tax liabilities	1.0	0.9	2%
Deferred tax liabilities	60.0	57.7	4%
Tax liabilities	60.9	58.7	4%
Total liabilities	**8,872.9**	**9,266.3**	**-4%**
Equity			
Restricted equity	230.3	238.1	-3%
Unrestricted equity	382.8	377.1	2%
Shareholders' share of equity	**613.1**	**615.2**	**0%**
Total liabilities and equity	**9,486.0**	**9,881.5**	**-4%**

Consolidated statement of changes in equity

(EUR million)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders share of equity	Non-controlling interest	Total equity
Equity as at 1 Jan 2015	**163.0**	**0.3**	**104.1**	**1.9**	**115.0**	**239.7**	**623.9**	**66.9**	**690.9**
Acquisation of treasury shares						-1.3	-1.3		-1.3
Divestment of treasury shares					0.1	1.1	1.2		1.2
Dividend to shareholders						-31.9	-31.9	-0.3	-32.2
Profit for the year						*52.0*	*52.0*	*-0.4*	*51.6*
Financial assets available for sale			*-25.2*				*-25.2*	*0.0*	*-25.2*
Financial assets held until maturity			*-3.7*				*-3.7*		*-3.7*
Cash flow hedging			*-0.1*				*-0.1*	*0.1*	*0.0*
Defined benefit plan pensions						*0.0*	*0.0*		*0.0*
Total comprehensive income for the year			-29.0			52.0	23.0	-0.3	22.7
Other change in equity *)		-0.3		0.3		0.3	0.3	-66.4	-66.1
Equity as at 31 Dec 2015	**163.0**	**-**	**75.1**	**2.1**	**115.1**	**259.9**	**615.2**	**-**	**615.2**
Equity as at 1 Jan 2016	**163.0**	**-**	**75.1**	**2.1**	**115.1**	**259.9**	**615.2**	**-**	**615.2**
Acquisation of treasury shares						-1.7	-1.7		-1.7
Divestment of treasury shares					-0.1	1.5	1.4		1.4
Dividend to shareholders						-35.9	-35.9		-35.9
Capital return to shareholders					-6.7		-6.7		-6.7
Profit for the year						*49.3*	*49.3*		*49.3*
Financial assets available for sale			*-6.7*				*-6.7*		*-6.7*
Financial assets held until maturity			*-0.9*				*-0.9*		*-0.9*
Cash flow hedging			*-0.2*				*-0.2*		*-0.2*
Defined benefit plan pensions						*-0.5*	*-0.5*		*-0.5*
Total comprehensive income for the year			-7.8			48.8	41.0		41.0
Other change in equity				-0.2			-0.2		-0.2
Equity as at 31 Dec 2016	**163.0**	**-**	**67.3**	**2.0**	**108.3**	**272.6**	**613.1**	**-**	**613.1**

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

Consolidated cash flow statement

(EUR million)	2016	2015	Δ%
Cash flow from operating activities			
Operating profit	61.5	64.2	-4%
Adjustment items not included in cash flow	-7.0	-7.1	1%
Paid income taxes	-4.7	-3.2	-49%
Cash flow from operating activities before change in receivables and liabilities	**49.7**	**53.9**	**-8%**
Increase (-) or decrease (+) in receivables from operating activities	491.1	591.9	-17%
Increase (+) or decrease (-) in liabilities from operating activities	-304.0	-746.7	59%
Total cash flow from operating activities	**236.8**	**-100.8**	**-**
Cash flow from investing activities			
Investments in group companies and business operations	-1.0	-3.7	72%
Proceeds from sale of group companies and associated companies	-63.3	15.6	-
Investment in investment properties	-4.4	-	-
Investment in tangible and intangible assets	-19.2	-23.0	17%
Proceeds from sale of investment properties	-	0.5	-
Proceeds from sale of tangible and intangible assets	0.0	0.0	-
Total cash flow from investing activities	**-87.9**	**-10.7**	**-719%**
Cash flow from financing activities			
Subordinated liabilities	8.5	12.5	-32%
Dividend/share issue to the non-controlling interest	-1.1	-0.3	-337%
Acquisation of treasury shares	-1.7	-1.3	-32%
Divestment of treasury shares	1.4	1.2	15%
Paid dividends	-35.9	-31.9	-13%
Paid capital return	-6.7	-	-
Total cash flow from financing activities	**-35.5**	**-19.8**	**-80%**
Change in cash and cash equivalents	**113.4**	**-131.4**	**-**
Cash and cash equivalents at the beginning of the year	283.4	414.8	-32%
Cash and cash equivalents at the end of the year	396.8	283.4	40%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	7.0	7.4	-5%
Bank of Finland current account	373.1	260.9	43%
Repayable on demand claims on credit insitutions	16.7	15.1	11%
Total	**396.8**	**283.4**	**40%**
Adjustment items not included in cash flow consist of:			
Impairment of financial assets available for sale	0.9	3.2	-73%
Write-downs on credits and other commitments	2.2	0.3	545%
Change in fair values	-0.3	-1.3	75%
Depreciation and impairment of tangible and intangible assets	8.2	8.1	1%
Result effect from associated companies	-	-0.3	-
Sales gains and losses from tangible and intangible assets	-	0.8	-
Unwound cash flow hedging	-	-0.1	-
Unwound fair value hedging	-15.9	-15.9	0%
Change in provisions	-0.9	-1.2	23%
Change in fair values of investment properties	0.1	-1.3	-
Change in share-based payments	-0.9	0.5	-
Other adjustments	-0.3	-	-
Total	**-7.0**	**-7.1**	**1%**

Quarterly trends in the Group

Income statement (EUR million)	4Q2016	3Q2016	2Q2016	1Q2016	4Q2015	2016	2015
Net interest income	23.0	23.9	24.1	24.6	23.7	95.6	97.3
Dividends	0.0	-	0.0	0.0	-	0.0	0.1
Net commission income	20.1	20.0	20.7	18.9	18.9	79.7	80.0
Net income from life insurance	6.1	5.8	6.9	5.9	8.0	24.7	24.9
Net income from financial transactions	0.6	-0.3	7.4	0.6	0.1	8.3	3.7
Net income from investment properties	0.0	0.0	0.0	0.0	0.0	-	-0.4
Other operating income	0.9	1.5	0.4	0.4	1.2	3.1	2.8
Total operating income	**50.6**	**50.9**	**59.4**	**50.4**	**51.9**	**211.3**	**208.4**
Staff costs	-19.7	-16.3	-17.9	-18.4	-20.0	-72.3	-72.7
IT-expenses	-8.1	-6.4	-6.7	-7.1	-8.0	-28.4	-26.9
Depreciation of tangible and intangible assets	-1.9	-2.1	-2.1	-2.1	-2.0	-8.2	-8.1
Other operating expenses	-10.7	-9.9	-10.1	-8.9	-10.6	-39.6	-36.8
Total operating expenses	**-40.5**	**-34.6**	**-36.8**	**-36.5**	**-40.5**	**-148.4**	**-144.4**
Write-downs on credits and other commitments	-1.5	-0.5	-0.1	-0.1	-0.3	-2.2	-0.3
Share of profit from associated companies	-	-	-	0.7	-	0.7	0.6
Operating profit	**8.6**	**15.8**	**22.4**	**14.6**	**11.1**	**61.5**	**64.2**
Taxes	-2.1	-3.0	-4.4	-2.7	-2.4	-12.2	-12.6
Profit for the period	**6.5**	**12.9**	**18.0**	**11.9**	**8.7**	**49.3**	**51.6**
Attributable to:							
Shareholders in Aktia Bank plc	6.5	12.9	18.0	11.9	8.7	49.3	52.0
Non-controlling interest	-	-	-	-	-	-	-0.4
Total	**6.5**	**12.9**	**18.0**	**11.9**	**8.7**	**49.3**	**51.6**
Earnings per share (EPS), EUR	0.10	0.19	0.27	0.18	0.13	0.74	0.78
Earnings per share (EPS), EUR, after dilution	0.10	0.19	0.27	0.18	0.13	0.74	0.78
Comprehensive income (EUR million)							
Profit for the period	6.5	12.9	18.0	11.9	8.7	49.3	51.6
Other comprehensive income after taxes:							
Change in valuation of fair value for financial assets available for sale	-13.8	1.2	0.6	9.6	-4.2	-2.5	-21.4
Change in valuation of fair value for financial assets held until maturity	1.3	-0.9	-0.9	-0.4	-0.9	-0.9	-3.7
Change in valuation of fair value for cash flow hedging	-0.1	0.0	0.1	-0.2	0.1	-0.2	0.1
Transferred to the income statement for financial assets available for sale	-1.0	-0.3	-2.1	-0.9	-0.1	-4.3	-3.8
Transferred to the income statement for cash flow hedging	-	-	-	-	-	-	-0.1
Comprehensive income from items which can be transferred to the income statement	-13.6	-0.1	-2.4	8.2	-5.2	-7.8	-28.9
Defined benefit plan pensions	-0.5	-	-	-	0.0	-0.5	0.0
Comprehensive income from items which can not be transferred to the income statement	-0.5	-	-	-	0.0	-0.5	0.0
Total comprehensive income for the period	**-7.5**	**12.8**	**15.6**	**20.1**	**3.6**	**41.0**	**22.7**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank plc	-7.5	12.8	15.6	20.1	3.6	41.0	23.0
Non-controlling interest	-	-	-	-	-	-	-0.3
Total	**-7.5**	**12.8**	**15.6**	**20.1**	**3.6**	**41.0**	**22.7**
Total earnings per share, EUR	-0.11	0.19	0.24	0.30	0.05	0.62	0.35
Total earnings per share, EUR, after dilution	-0.11	0.19	0.24	0.30	0.05	0.62	0.35

Notes to the Accounts Announcement

Note 1. Basis for preparing the Accounts Announcement and important accounting principles

Basis for preparing the Accounts Announcement

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

The Accounts Announcement for the period 1 January – 31 December 2016 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The Accounts Announcement 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 2015.

The Accounts Announcement for the period 1 January – 31 December 2016 was approved by the Board of Directors on 14 February 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 Accounts Announcement the Group has followed the accounting principles applicable to the annual report of 31 December 2015.

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

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

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

The Group does not expect any significant reclassifications between fair value and amortised cost as a result of the transition to IFRS 9. Therefore, the changes in classification and measurement rules are not expected to have any significant impact on the Group's result or financial position.

Differing from the current model concerning provisions for credit losses based on occurred events, the requirements concerning impairment in IFRS 9 are based on a model for expected credit losses. Calculation of provisions for expected credit losses comprises financial assets valued at amortised cost and financial assets valued at fair value through comprehensive income as well as guarantees and credit commitments. Based on preliminary surveys, the implementation of IFRS 9 is expected to increase reported provisions for credit losses.

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

IFRS 15 Revenue from contracts with 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

Income statement	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Group total	
(EUR million)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Net interest income	95.3	97.0	0.0	0.0	0.2	0.3	0.1	0.1	95.6	97.3
Net commission income	65.2	65.3	24.8	24.5	0.7	0.6	-10.9	-10.4	79.7	80.0
Net income from life insurance	-	-	21.2	21.6	-	-	3.5	3.3	24.7	24.9
Other income	3.2	6.8	0.1	0.2	8.1	-1.3	0.0	0.4	11.4	6.2
Total operating income	**163.7**	**169.2**	**46.0**	**46.3**	**9.0**	**-0.5**	**-7.4**	**-6.7**	**211.3**	**208.4**
Staff costs	-57.8	-57.4	-11.5	-11.4	-3.0	-3.8	-	-	-72.3	-72.7
IT-expenses	-23.6	-24.1	-2.0	-1.8	-2.7	-0.9	-	-	-28.4	-26.9
Depreciation of tangible and intangible assets	-5.6	-5.7	-0.6	-0.8	-2.0	-1.6	-	-	-8.2	-8.1
Other expenses	-32.2	-29.3	-10.1	-10.3	-4.6	-4.5	7.4	7.3	-39.6	-36.8
Total operating expenses	**-119.3**	**-116.6**	**-24.3**	**-24.3**	**-12.2**	**-10.8**	**7.4**	**7.3**	**-148.4**	**-144.4**
Write-downs on credits and other commitments	-2.2	-0.3	-	-	-	-	-	-	-2.2	-0.3
Share of profit from associated companies	-	-	-	-	-	-	0.7	0.6	0.7	0.6
Operating profit	**42.2**	**52.3**	**21.7**	**22.0**	**-3.2**	**-11.3**	**0.7**	**1.2**	**61.5**	**64.2**

Balance sheet	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Group total	
(EUR million)	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Cash and balances with central banks	380.1	268.4	0.0	0.0	-	-	-	-	380.1	268.4
Financial assets available for sale	1,319.4	1,686.1	515.6	507.6	9.1	7.4	-3.6	-3.6	1,840.5	2.197.6
Financial assets held until maturity	445.3	481.7	-	-	-	-	-	-	445.3	481.7
Loans and other receivables	5,750.8	5,889.8	35.9	57.1	6.6	6.6	-32.8	-53.3	5,760.5	5.900.2
Investments for unit-linked insurances	-	-	723.1	667.7	-	-	-	-	723.1	667.7
Other assets	194.6	235.9	77.1	72.5	192.8	184.6	-128.0	-127.0	336.5	366.0
Total assets	**8,090.2**	**8,561.8**	**1,351.7**	**1,305.0**	**208.5**	**198.7**	**-164.4**	**-183.9**	**9,486.0**	**9.881.5**
Deposits	4,706.0	4,450.2	-	-	0.0	-	-32.8	-53.3	4,673.1	4.396.8
Debt securities issued	2,480.3	3,036.9	-	-	-	-	-3.6	-3.6	2,476.7	3.033.4
Technical provisions	-	-	1,162.4	1,130.5	-	-	-	-	1,162.4	1.130.5
Other liabilities	509.9	644.5	35.8	31.2	20.8	34.8	-6.0	-4.8	560.6	705.7
Total liabilities	**7,696.1**	**8,131.6**	**1,198.3**	**1,161.7**	**20.8**	**34.8**	**-42.4**	**-61.7**	**8,872.9**	**9.266.3**

Note 3. Derivatives and off-balance sheet commitments

Hedging derivative instruments (EUR million)

31 December 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 *)	1,307.0	46.4	46.3
Currency-related	52.4	0.6	0.5
Equity-related **)	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**

Hedging derivative instruments (EUR million)

31 December 2015	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,905.0	97.5	12.9
Total	**2,905.0**	**97.5**	**12.9**
Cash flow hedging			
Interest rate-related	85.1	2.0	-
Total	**85.1**	**2.0**	**-**
Derivative instruments valued through the income statement			
Interest rate-related *)	1,826.5	70.9	70.9
Currency-related	59.9	0.4	0.6
Equity-related **)	15.2	1.7	1.7
Total	**1,901.5**	**73.0**	**73.2**
Total derivative instruments			
Interest rate-related	4,816.6	170.4	83.8
Currency-related	59.9	0.4	0.6
Equity-related	15.2	1.7	1.7
Total	**4,891.6**	**172.5**	**86.2**

*) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 1,305.0 (1,824.0) million.
**) All equity-related and other derivative instruments relate to the hedging of structured debt products.

Off-balance sheet commitments

(EUR million)	31 Dec 2016	31 Dec 2015
Commitments provided to a third party on behalf of the customers		
Guarantees	30.8	27.4
Other commitments provided to a third party	0.8	1.3
Irrevocable commitments provided on behalf of customers		
Unused credit arrangements	495.6	296.1
Other commitments provided to a third party	0.4	1.0
Off-balance sheet commitments	**527.7**	**325.8**

Note 4. Group's risk exposures

The Bank Group's Capital Adequacy

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

(EUR million)	31 Dec 2016		31 Dec 2015	
Calculation of the Bank Group's capital base	**The Group**	**Bank Group**	**The Group**	**Bank Group**
Total assets	**9,486.0**	**8,224.9**	**9,881.5**	**8,686.3**
of which intangible assets	63.7	62.8	50.8	49.4
Total liabilities	**8,872.9**	**7,706.8**	**9,266.3**	**8,156.3**
of which subordinated liabilities	243.6	243.6	235.0	235.0
Share capital	163.0	163.0	163.0	163.0
Fund at fair value	67.3	15.7	75.1	24.0
Total restricted equity	230.3	178.7	238.1	187.0
Unrestricted equity reserve and other funds	110.3	110.3	117.3	117.3
Retained earnings	223.2	189.0	207.9	179.5
Profit for the reporting period	49.3	40.0	52.0	46.1
Unrestricted equity	382.8	339.4	377.1	342.9
Shareholders' share of equity	613.1	518.1	615.2	530.0
Non-controlling interest's share of equity	-	-	-	-
Equity	**613.1**	**518.1**	**615.2**	**530.0**
Total liabilities and equity	**9,486.0**	**8,224.9**	**9,881.5**	**8,686.3**
Off-balance sheet commitments	**527.7**	**527.2**	**325.8**	**324.8**
Equity in the Bank Group		**518.1**		**530.0**
Provision for dividends to shareholders		-39.8		-43.7
Intangible assets		-62.8		-49.4
Debentures		136.1		128.4
Additional expected losses according to IRB		-20.3		-19.2
Deduction for significant holdings in financial sector entities		-6.6		-4.4
Other incl. unpaid dividend 2015		1.0		0.0
Total capital base (CET1 + AT1 + T2)		**525.8**		**541.7**

The financial conglomerate's capital adequacy

	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Summary					
The Group's equity	613.1	621.9	609.2	636.1	615.2
Sector-specific assets	143.8	140.7	143.6	139.3	128.4
Intangible assets and other reduction items	-234.5	-236.5	-212.2	-227.4	-212.7
Conglomerate´s total capital base	**522.5**	**526.0**	**540.7**	**547.9**	**530.9**
Capital requirement for banking business	196.4	209.0	204.7	210.7	199.4
Capital requirement for insurance business*	80.6	81.1	85.4	81.7	34.8
Minimum amount for capital base	**277.0**	**290.1**	**290.1**	**292.4**	**234.2**
Conglomerate´s capital adequacy	**245.5**	**235.9**	**250.6**	**255.5**	**296.7**
Capital adequacy ratio, %	188.6%	181.3%	186.4%	187.4%	226.7%

* From 1 January 2016 Solvency II requirement (SCR)

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

The Bank Group

(EUR million)

	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Common Equity Tier 1 Capital before regulatory adjustments	480.0	491.0	489.8	492.5	486.3
Common Equity Tier 1 Capital regulatory adjustments	-90.4	-85.2	-82.1	-77.8	-73.0
Total Common Equity Tier 1 Capital (CET1)	**389.7**	**405.8**	**407.7**	**414.7**	**413.4**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**389.7**	**405.8**	**407.7**	**414.7**	**413.4**
Tier 2 capital before regulatory adjustments	136.1	132.8	135.5	130.9	128.4
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**136.1**	**132.8**	**135.5**	**130.9**	**128.4**
Total Own funds (TC = T1 + T2)	**525.8**	**538.6**	**543.2**	**545.6**	**541.7**
Total Risk weighted exposures	**1,997.7**	**2,114.1**	**2,072.9**	**2,128.5**	**1,998.8**
of which credit risk, the standardised approach	748.8	795.2	712.6	735.2	643.2
of which credit risk, the IRBA approach	900.1	962.0	1,004.2	1,037.1	999.4
of which market risk	-	-	-	-	-
of which operational risk	348.7	356.9	356.1	356.1	356.1
Own funds requirement (8%)	159.8	169.1	165.8	170.3	159.9
Own funds buffer	366.0	369.4	377.3	375.3	381.8
CET1 Capital ratio	19.5%	19.2%	19.7%	19.5%	20.7%
T1 Capital ratio	19.5%	19.2%	19.7%	19.5%	20.7%
Total capital ratio	26.3%	25.5%	26.2%	25.6%	27.1%
Own funds floor (CRR article 500)					
Own funds	525.8	538.6	543.2	545.6	541.7
Own funds floor *	183.6	185.3	189.5	187.8	185.8
Own funds buffer	342.2	353.3	353.7	357.8	355.9

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

* Recalculated after acquisation of Aktia Finance ltd.

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

The Bank Group's total exposures	31 December 2016 Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	(EUR million) Capital requirement 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%	0.0	0.0
Regional goverments and local authorities	199.7	223.8	0%	0.8	0.1
Multilateral development banks	51.6	51.6	0%	0.0	0.0
International organisations	159.2	159.2	0%	0.0	0.0
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 Bank Group's total exposures	31 December 2015 Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	(EUR million) Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	5,012.2	5,006.8	15%	732.1	58.6
Retail - Secured by immovable property SME	162.2	161.3	52%	84.5	6.8
Retail - Other non-SME	89.4	83.5	39%	32.2	2.6
Retail - Other SME	24.1	22.0	84%	18.5	1.5
Equity exposures	49.3	49.3	268%	132.1	10.6
Total exposures, IRB approach	**5,337.3**	**5,323.0**	**19%**	**999.4**	**80.0**
Credit risk, standardised approach					
States and central banks	390.0	498.0	0%	-	-
Regional goverments and local authorities	205.1	225.9	0%	0.2	0.0
Multilateral development banks	65.0	65.0	0%	-	-
International organisations	159.5	159.5	0%	-	-
Credit institutions	864.8	469.5	31%	144.1	11.5
Corporates	199.2	66.2	96%	63.8	5.1
Retail exposures	237.4	99.8	70%	69.7	5.6
Secured by immovable property	501.9	476.9	39%	184.4	14.8
Past due items	44.8	11.2	109%	12.2	1.0
Covered bonds	1,183.8	1,183.8	10%	118.4	9.5
Other items	55.9	49.2	46%	22.5	1.8
Total exposures, standardised approach	**3,907.5**	**3,304.9**	**19%**	**615.4**	**49.2**
Total risk exposures	**9,244.7**	**8,627.9**	**19%**	**1,614.8**	**129.2**

Note 5. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	31 December 2016		31 December 2015	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	380.1	380.1	268.4	268.4
Financial assets available for sale	1,840.5	1,840.5	2,197.6	2,197.6
Financial assets held until maturity	445.3	457.2	481.7	496.1
Derivative instruments	132.2	132.2	172.5	172.5
Loans and other receivables	5,760.5	5,679.6	5,900.2	5,841.1
Total	**8,558.6**	**8,489.7**	**9,020.3**	**8,975.7**
Investments for unit-linked insurances	723.1	723.1	667.7	667.7
Financial liabilities				
Deposits	4,673.1	4,651.0	4,396.8	4,358.6
Derivative instruments	54.3	54.3	86.2	86.2
Debt securities issued	2,476.7	2,477.2	3,033.4	3,035.3
Subordinated liabilities	243.6	247.3	235.0	239.2
Other liabilities to credit institutions	74.5	76.5	84.8	86.9
Other liabilities to the public and public sector entities	5.5	5.5	74.0	74.0
Total	**7,527.7**	**7,511.8**	**7,910.2**	**7,880.2**

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 the active market. 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 total credit risk component (counterparty credit risk as well as own credit risk) . The valuation adjustment is booked in the income statement.

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

(EUR million)	31 December 2016 Fair value classified into				31 December 2015 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	1,439.5	93.5	206.3	1,739.3	1,745.1	186.0	172.1	2,103.2
Shares and participations	64.0	-	37.3	101.3	55.9	-	38.5	94.4
Total	**1,503.5**	**93.5**	**243.6**	**1,840.5**	**1,801.0**	**186.0**	**210.6**	**2,197.6**
Derivative instrument, net	0.1	77.8	-	78.0	-0.3	86.6	-	86.3
Totalt	**0.1**	**77.8**	**-**	**78.0**	**-0.3**	**86.6**	**-**	**86.3**
Investments for unit-linked insurances	723.1	-	-	723.1	667.7	-	-	667.7
Total	**2,226.8**	**171.3**	**243.6**	**2,641.7**	**2,468.5**	**272.6**	**210.6**	**2,951.7**

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 period no transfers between level 1 and 2 have occurred.

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

Changes within level 3

The following table shows a reconciliation from period to period of level 3 Financial assets reported at fair value.

Reconciliation of the changes taken place for financial instruments which belong to level 3	Financial assets valued through 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 2016	-	-	-	172.1	38.5	210.6	172.1	38.5	210.6
New purchases	-	-	-	39.1	0.7	39.8	39.1	0.7	39.8
Sales	-	-	-	-4.6	-1.3	-5.8	-4.6	-1.3	-5.8
Matured during the year	-	-	-	-0.3	-0.1	-0.4	-0.3	-0.1	-0.4
Realised value change in the income statement	-	-	-	-	-0.8	-0.8	-	-0.8	-0.8
Unrealised value change in the income statement	-	-	-	-	-	-	-	-	-
Value change recognised in the total comprehensive income	-	-	-	-	0.1	0.1	-	0.1	0.1
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 31 Dec 2016	**-**	**-**	**-**	**206.3**	**37.3**	**243.6**	**206.3**	**37.3**	**243.6**

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate 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 through the fund at fair value corresponding to 2,6 (2.4)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31 December 2016 Effect at an assumed movement			31 December 2015 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	206.3	6.2	-6.2	172.1	5.2	-5.2
Shares and participations	37.3	7.5	-7.5	38.5	7.7	-7.7
Total	**243.6**	**13.6**	**-13.6**	**210.6**	**12.9**	**-12.9**
Total	**243.6**	**13.6**	**-13.6**	**210.6**	**12.9**	**-12.9**

Set off of financial assets and liabilities

(EUR million)	31 December 2016		31 December 2015	
Assets	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	132.2	-	172.5	-
Set off amount	-	-	-	-
Value recognised in the balance sheet	**132.2**	**-**	**172.5**	**-**
Amount not set off but included in general agreements on set off or similar	8.8	-	15.3	-
Collateral assets	117.1	-	158.0	-
Total amount of sums not set off in the balance sheet	**126.0**	**-**	**173.4**	**-**
Net amount	**6.3**	**-**	**-0.9**	**-**
Liabilities	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial liabilities included in general agreements on set off or similar agreements	54.3	-	86.2	-
Set off amount	-	-	-	-
Value recognised in the balance sheet	**54.3**	**-**	**86.2**	**-**
Amount not set off but included in general agreements on set off or similar	8.8	-	15.3	-
Collateral liabilities	26.4	-	44.1	-
Total amount of sums not set off in the balance sheet	**35.2**	**-**	**59.4**	**-**
Net amount	**19.1**	**-**	**26.7**	**-**

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

Note 6. Specification of Aktia Group's funding structure

(EUR million)	31 Dec 2016	31 Dec 2015
Deposits from the public and public sector entities	4,169.8	3,985.1
Short-term liabilities, unsecured debts		
Banks	46.0	64.5
Certificates of deposits issued	-	12.0
Total	**46.0**	**76.5**
Short-term liabilities, secured debts (collateralised)		
Banks - received cash in accordance with collateral agreements	117.1	158.0
Repurchase agreements - banks	145.7	163.1
Total	**262.9**	**321.2**
Total short-term liabilities	**308.9**	**397.7**
Long-term liabilities, unsecured debts		
Issued debts, senior financing	789.2	812.9
Issued structured debts	2.3	7.5
Other credit institutions	46.5	51.8
Subordinated debts	243.6	235.0
Total	**1,081.6**	**1,107.2**
Long-term liabilities, secured debts (collateralised)		
Centralbank and other credit institutions	228.0	133.0
Issued covered bonds	1,685.2	2,201.0
Total	**1,913.2**	**2,334.0**
Total long-term liabilities	**2,994.8**	**3,441.3**
Interest-bearing liabilities in the banking business	**7,473.5**	**7,824.1**
Technical provisions in the life insurance business	1,162.4	1,130.5
Total other non interest-bearing liabilities	237.0	311.8
Total liabilities	**8,872.9**	**9,266.3**

Short-term liabilities = liabilities which original maturity under 1 year

Long-term liabilities = liabilities which original maturity over 1 year

Note 7. Collateral assets and liabilities

Collateral assets (EUR million)	31 Dec 2016	31 Dec 2015
Collateral for own liabilities		
Securities	380.1	303.5
Outstanding loans constituting security for covered bonds	2,315.7	2,907.3
Total	**2,695.8**	**3,210.8**
Other collateral assets		
Pledged securities[1]	119.5	126.0
Securities included in pledging agreements	-	25.0
Cash included in pledging agreements and repurchase agreements	26.4	28.8
Total	**145.9**	**179.8**
Total collateral assets	**2,841.7**	**3,390.6**
Collateral above refers to the following liabilities		
Liabilities to credit institutions[2]	373.7	296.1
Issued covered bonds[3]	1,685.2	2,201.0
Derivatives	26.4	53.8
Total	**2,085.3**	**2,551.0**

[1] Refers to securities pledged for the intra day limit. As at 31 December 2016, a surplus of pledged securities amounted to EUR 4 (26) million.
[2] Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
[3] Own repurchases deducted.

Collateral liabilities (EUR million)	31 Dec 2016	31 Dec 2015
Cash included in pledging agreements[1]	117.1	158.0
Total	**117.1**	**158.0**

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

Note 8. Net income from financial transactions

(EUR million)	2016	2015	Δ %
Net income from securities and currency trading	1.4	1,5	-7%
Net income from financial assets and liabilities valued at fair value through the income statement	-1.2	-0,5	-149%
Net income from financial assets available for sale	9.6	2,8	246%
of which impairment of financial assets	0.0	0,0	-36%
Net income from hedge accounting	-1.5	-0,1	-
Net income from financial transactions	**8.3**	**3,7**	**122%**

Note 9. Net interest income

(EUR million)	2016	2015	Δ %
Deposits and lending	60.8	57.4	6%
Hedging, interest rate risk management	35.4	32.3	10%
Other	-0.6	7.7	-
Net interest income	**95.6**	**97.3**	**-2%**

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 10. Gross loans and write-downs

(EUR million)	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Gross loans	5,766	5,845	6,035	5,915	5,910
Individual write-downs	-38	-37	-39	-44	-45
of which made to non-performing loans past due at least 90 days	-34	-33	-34	-40	-39
of which made to other loans	-5	-5	-5	-4	-6
Write-downs by group	-10	-10	-9	-9	-10
Net loans, balance amount	**5,717**	**5,798**	**5,987**	**5,862**	**5,856**

Note 11. Net income from life insurance

(EUR million)	2016	2015	Δ %
Premiums written	112.0	174.4	-36%
Net income from investments	21.1	21.6	-2%
of which impairment of financial assets	-0.9	-3.2	73%
Insurance claims paid	-112.8	-90.3	-25%
Net change in technical provisions	4.4	-80.8	-
Net income from life insurance	**24.7**	**24.9**	**-1%**

This report has not been subject to external auditing.

Helsinki 14 February 2017

AKTIA BANK PLC

The Board of Directors

Annual General Meeting 2017	5 April 2017
Interim Report January - March 2017	11 May 2017
Interim Report January - June 2017	8 August 2017
Interim Report January - September 2017	8 November 2017

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