Aktia

AKTIA BANK PLC INTERIM REPORT JANUARY-JUNE 2014

HIGHER COMMISSION INCOME AND LOWER COSTS

CEO JUSSI LAITINEN

"Sales continued to increase even though the general market situation has not improved. Net commission income increased during the first half-year and Action Plan 2015 measures have resulted in cost-cuts. Our core banking project proceeds, and the new platform is planned to be taken into operation in 2015. As expected, the persistent low interest rate level had a negative impact on net interest income. In the second quarter the demand for housing loans and the number of household loans increased. Our customers desire to secure their finances can be seen in the increased volumes of payment protection insurance and an increased interest in monthly saving plans. Aktia's Core Tier 1 capital ratio strengthened further to 13.8%, exceeding regulatory requirements."

APRIL-JUNE 2014: OPERATING PROFIT EUR 22.0 (15.1) MILLION

- The Group's operating profit amounted to EUR 22.0 (15.1) million and profit for the period amounted to EUR 17.9 (11.0) million
- Net commission income increased by 5% to EUR 19.6 (18.6) million. Net interest income (NII) amounted to EUR 25.9 (28.3) million.
- Earnings per share (EPS) increased to EUR 0.27 (0.16)

JANUARY-JUNE 2014: OPERATING PROFIT EUR 38.4 (34.6) MILLION

- The Group's operating profit amounted to EUR 38.4 (34.6) million and profit for the period amounted to EUR 31.0 (25.8) million.
- Net commission income increased by 8% to EUR 38.4 (35.5) million and borrowing increased to EUR 3,978 (3,797) million. However, net interest income (NII) decreased to EUR 51.4 (58.4) million.
- Earnings per share (EPS) stood at EUR 0.46 (0.38).
- According to the Basel III capital requirement the capital adequacy ratio stood at 17.8% and the Core Tier 1 capital ratio at 13.8%.
- Equity per share stood at EUR 8.96 (31 December 2013: 8.67).
- Write-downs on credits and other commitments decreased to EUR 1.2 (1.5) million.
- **OUTLOOK 2014 (unchanged):** Despite the persistent low interest rate level, the Group's operating profit for 2014 is expected to reach approximately the 2013 level.

KEY FIGURES (EUR million)	4-6/2014	4-6/2013	Δ %	1-6/2014	1-6/2013	Δ %	1-3/2014	Δ %	2013
Net interest income	25.9	28.3	-8%	51.4	58.4	-12%	25.4	2%	112.6
Net commission income	19.6	18.6	5%	38.4	35.5	8%	18.8	4%	70.7
Total operating income	58.4	55.7	5%	110.5	113.2	-2%	52.0	12%	224.2
Total operating expenses	-36.2	-39.2	-8%	-72.3	-76.8	-6%	-36.1	0%	-157.2
Write-downs on credits and other commitments	-0.8	-0.4	82%	-1.2	-1.5	-23%	-0.4	88%	-2.7
Operating profit	22.0	15.1	46%	38.4	34.6	11%	16.4	34%	65.4
Cost-to-income ratio	0.64	0.70	-9%	0.68	0.68	0%	0.72	-11%	0.72
Earnings per share (EPS), EUR	0.27	0.16	66%	0.46	0.38	20%	0.20	35%	0.78
Equity per share (NAV)[1], EUR	8.96	8.34	7%	8.96	8.34	7%	8.55	5%	8.67
Return on equity (ROE), %	11.1	6.9	60%	9.5	8.1	18%	8.2	34%	8.1
Core Tier 1 capital ratio[1], % *	13.8	-	-	13.8	-	-	13.6	1%	12.1
Capital adequacy ratio[1], % **	17.8	20.3	-12%	17.8	20.3	-12%	17.3	3%	19.3
Tier 1 capital ratio[1], % **	13.8	12.1	14%	13.8	12.1	15%	13.6	2%	12.3
Write-downs on credits / total credit stock, %	0.01	0.01	0%	0.02	0.02	0%	0.01	0%	0.04

1) At the end of the period

* According to Basel III, **2014 according to Basel III, other periods 2013 according to Basel II

The Interim report January-June 2013 is a translation of the original Swedish version "Delårsrapport 1.1-30.6.2014". In case of discrepancies, the Swedish version shall prevail.

PROFIT
April-June 2014

Profit April - June 2014

The Group's operating profit was EUR 22.0 (15.1) million.

Income

Total Group income rose by 5% to EUR 58.4 (55.7) million.

Net interest income from the bank's borrowing and lending operations increased to EUR 11.5 (10.0) million and the total net interest income was EUR 25.9 (28.3) million. Derivatives and fixed-rate instruments are used to manage interest rate risk. These hedging measures, which are used by Aktia Bank to limit its interest rate risk, earned net interest income of EUR 9.1 million, EUR 1.8 million less than in the previous year. Net interest income from other treasury operations was EUR 5.3 (7.4) million.

Net commission income increased by 5% to EUR 19.6 (18.6) million. Commission income was EUR 21.9 (21.3) million. Card and other payment service commissions rose by 8% to EUR 5.0 (4.7) million. Net income from life insurance was EUR 6.6 (5.6) million. Net income from the insurance business includes premiums written, net income from investment activities, insurance claims paid and the change in technical provisions.

The net income from financial transactions was EUR 5.4 (1.9) million, which includes a dividend from Suomen Luotto-osuuskunta of EUR 2.4 (2.0) million. Net income from financial assets available for sale was EUR 5.0 (2.1) million. Net income from hedge accounting was to EUR -0.2 (-0.5) million.

Other operating income was unchanged at EUR 0.8 (0.8) million.

Expenses

Group operating expenses decreased by 8% to EUR 36.2 (39.2) million. Of this, staff costs amounted to EUR 17.6 (18.8) million. IT costs decreased to EUR 6.3 (8.1) million, mainly due to lower costs from the IT supplier Samlink.

Other operating expenses were EUR 10.5 (10.6) million.

Segment overview

Group operating profit by segment

(EUR million)	4-6/2014	4-6/2013	Δ %
Banking Business	16.8	12.0	40%
Asset Management & Life Insurance	5.5	4.1	33%
Miscellaneous	-0.7	0.2	-
Eliminations	0.4	-1.2	-
Total	**22.0**	**15.1**	**46%**

The improved earnings in the segment Banking Business were primarily related to higher commission income, higher income from financial assets and reduced costs. Higher commission income also improved the profit of Asset Management & Life Insurance.

ACTIVITY IN January-June 2014

Business environment

The general interest rate level remained low during the first half of the year. This has had a negative impact on Aktia's net interest income. However, low interest rates have resulted in continued higher values for Aktia's fixed-rate investments.

According to Statistics Finland inflation slowed to 0.9% in June compared with the same period the previous year when it was 1.4%. In April and May 2014 inflation was 1.1% (1.5%) and 0.8% (1.6%) respectively.

In June the consumer confidence index was at the same level as it was in May, in other words 8.7. In July the index improved slightly to 9.4. In the same period in 2013 the index was 8.1. In April consumer confidence was 3.7. The long-term mean value is 12.1. ***(Statistics Finland)***.

In June 2014, real estate prices in Finland went down by by 1.4% on the previous year. In the Helsinki region prices went down by 0.2% while in the rest of Finland they went down by 2.3% ***(Statistics Finland)***.

Unemployment increased to 9.2% in June 2014, and was 1.4 percentage points higher than in the previous year ***(Statistics Finland)***.

The Nasdaq OMX Helsinki 25 index rose by 4% between January-June 2014, while the Nordic banking sector rose by approximately 10%. In the same period Aktia's A series share price rose by approximately 15%.

Key figures Y-o-y	**2015E***	**2014E***	**2013**
GDP growth, %			
World	3.8	3.3	3.0
Euro area	1.5	1.0	-0.4
Finland	1.3	-0.3	-1.2
Consumer price index, %			
Euro area	1.2	0.7	1.3
Finland	1.6	1.3	1.5
Other key ratios, %			
Development of real value of housing in Finland[1]	-0.5	-1.0	0.1
Unemployment in Finland[1]	8.4	8.6	8.2
OMX Helsinki 25	-	-	23.0
Interest rates[2], %			
ECB	0.15	0.15	0.25
10-y Interest Ger (=benchmark)	2.00	1.50	1.90
Euribor 12 months	1.00	0.50	0.56
Euribor 3 months	0.30	0.20	0.29

* Aktia's chief economist's prognosis (28 July 2014)
[1]annual average
[2]at the end of the year

Rating

On 30 April 2014, Standard and Poor's confirmed its rating of Aktia Bank plc's creditworthiness. The rating for long-term borrowing is A- and for short-term borrowing A2, both with a negative outlook.

On 26 February 2014, Moody's Investors Service confirmed its rating of Aktia Bank plc's creditworthiness for long-term borrowing as A3, short-term borrowing as P-2 and financial strength as C-. The outlook for these ratings remains negative.

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	neg	Aaa
Standard & Poor's	A-	A-2	neg	-

New regulations and regulatory reporting

The implementation of the Basel III reform on 1 January 2014 in the EU, through the Capital Requirements Regulation (CRR), and the CRD IV regulation, which will be implemented in national law over the course of the year, has meant changes to the form and content of all regulatory reporting.

Taking transitional provisions and exemptions concerning holdings in the life insurance company into consideration, the new regulation had a marginal impact on the banking business's Core Tier 1 capital ratio. The impact during the transitional period are presented on page 6 under The effect of the new regulation on the capital adequacy for the banking business.

In every respect Aktia Bank has fulfilled the requirements entailed in the new regulations, reporting within the time limits set by the new reporting standards.

The Bank Group continuously follows up changes to regulations; the interpretations of these by the authorities; and transitional provisions in connection with the Basel III regulatory framework.

Profit January - June 2014

The Group's operating profit was EUR 38.4 (34.6) million. The Group's profit was EUR 31.0 (25.8) million.

Income

The Group's total earnings decreased somewhat due to the lower net interest income, to EUR 110.5 (113.2) million.

As a consequence of the continued low level of interest rates, net interest income decreased to EUR 51.4 (58.4) million. Net interest income from traditional borrowing and lending operations improved by 7% to EUR 21.7 (20.4) million, while earnings from interest rate risk management and hedging measures dropped. Derivatives and fixed-rate instruments are used to manage interest rate risk. Their proportion of net interest income decreased to EUR 18.5 (22.0) million.

Net commission income increased by 8 % to EUR 38.4 (35.5) million. Commission income from mutual funds, asset management and securities brokerage was EUR 19.6 (18.8) million. Card and other payment service commissions rose by 20% to EUR 10.5 (8.7) million.

Net income from life insurance was EUR 12.6 (13.1) million. The actuarially calculated result has developed positively, while net income from investments was somewhat poorer than the previous year.

Net income from financial transactions increased, and was EUR 6.3 (4.1) million, this was due to slightly increased reallocation income from the bank's liquidity portfolio. Net income from hedge accounting was EUR -0.5 (-0.8) million.

Other operating income was unchanged at EUR 1.6 (1.6) million.

Expenses

As a result of Action Plan 2015, Group operating expenses decreased by 6% to EUR 72.3 (76.8) million. Staff costs decreased by 8% EUR 35.1 (38.0) million.

IT costs decreased to EUR 12.9 (14.0) million, mainly due to somewhat lower costs from the IT supplier Samlink.

Other operating expenses decreased to EUR 20.7 (21.3) million, mainly as a result of lower rental and office costs. Bank tax amounted to EUR 1.5 (1.2) million of the other operating expenses.

The depreciation of tangible and intangible assets was EUR 3.6 (3.4) million.

Write-downs on credits and other commitments

Write-downs on credits remained low. During the first half-year write-downs on credits and other commitments decreased by 23% to EUR 1.2 (1.5) million.

Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of June was EUR 10,910 (10,934) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 2,553 (2,405) million. The liquidity portfolio was not financed with repurchase agreements. In addition to the liquidity portfolio, the Bank's subsidiaries held other interest-bearing securities to a value of EUR 16 (20) million.

At the end of June the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow of finance from the wholesale market for 25 months.

Borrowing

Deposits from the public and public sector entities increased to EUR 3,978 (3,797) million, corresponding to a market share of deposits of 3.8 (3.7)%.

In total the value of the Aktia Group's issued bonds was EUR 3,548 (3,658) million. Of these issued bonds, EUR 1,703 (2,305) million were covered bonds issued by the Aktia Real Estate Mortgage Bank. The equivalent amount for Aktia Bank was EUR 1,013 (498) million.

Certificates of deposit issued by Aktia Bank amounted to EUR 185 (314) million at the end of the period. During the period Aktia Bank issued new subordinated loans with a total value of EUR 35 million. During the period Aktia Bank issued its second long-term covered bond with a value of EUR 500 million. As security for both issues, bonds with a value of EUR 1,351 million were reserved at the end of June. All bonds have an LTV less than 70% of the market value of the securities in compliance with the Mortgage Banking Act. In addition to this, Aktia Bank issued long-term collateralised bonds ("Schuldscheindarlehen") with a value of EUR 20 million.

Secured Debts (collateralised)

(EUR million)	Under 1 year	Over 1 year	Total
Issued debts	741	1,828	2,570
Secured liabilities	21	38	59
Total	**762**	**1,866**	**2,628**

Unsecured Debts

(EUR million)	Under 1 year	Over 1 year	Total
Issued unsecured debts	221	757	978
Subordinated debts	60	158	218
Other unsecured liabilities	192	275	467
Total	**473**	**1,190**	**1,663**

Lending

Total Group lending to the public amounted to EUR 6,598 (6,802) million at the end of June, a decrease of EUR 204 million.

Loans to private households (including mortgages brokered by savings banks and POP Banks) accounted for EUR 5,843 (5,973) million or 88.5 (87.8)% of the total credit stock.

The housing loan stock totalled EUR 5,371 (5,521) million, of which the share for households was EUR 5,071 (5,191) million. At the end of June, Aktia's market share in housing loans to households stood at 4.1 (4.1)%.

Corporate lending accounted for 6.8 (8.0)% of Aktia's credit stock. Total corporate lending amounted to EUR 446 (541) million.

Loans to housing associations totalled EUR 260 (241) million and made up 3.9 (3.5)% of Aktia's total credit stock.

Credit stock by sector

(EUR million)	30.6.2014	31.12.2013	Δ	Share,%
Households	5,843	5,973	-131	88.5%
Corporate	446	541	-94	6.8%
Housing associations	260	241	19	3.9%
Non-profit organisations	46	43	3	0.7%
Public sector entities	3	4	0	0.0%
Total	**6,598**	**6,802**	**-204**	**100.0%**

Financial assets

The Aktia Group's financial assets consist of the liquidity portfolio of the banking business and other interest-bearing investments amounting to EUR 2,569 (2,424) million, the life insurance company's investment portfolio amounting to EUR 628 (661) million and the real estate and share holdings of the banking business amounting to EUR 1 (7) million.

Technical provisions

The life insurance company's technical provisions were EUR 994 (965) million, of which EUR 498 (462) million were unit-linked. Interest-related technical provisions decreased to EUR 496 (503) million.

Equity

Over the period, the Aktia Group's equity increased by EUR 19 million to EUR 661 (642) million.

Commitments

Off-balance sheet commitments, consisting of liquidity commitments to local banks, other loan promises and bank guarantees, increased by EUR 7 million and amounted to EUR 398 (391) million.

Managed assets

The Group's total managed assets amounted to EUR 10,183 (9,456) million.

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

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

Managed assets

(EUR million)	30.6.2014	31.12.2013	Δ %
Assets under management	6,872	6,341	8%
Group financial assets	3,311	3,115	6%
Total	**10,183**	**9,456**	**8%**

Capital adequacy and solvency

The Bank Group's (including Aktia Bank plc and subsidiaries except Aktia Life Insurance and the associated company Folksam Non-Life Insurance) capital adequacy was 17.8 according to Basel III requirements* (31 December 2013; 19.3, Basel II)%, the Tier 1 capital ratio was 13.8 (31 December 2013; 12.3, Basel II)% and the Core Tier 1 capital ratio was 13.8%.

Capital adequacy	30.6.2014 Basel III*	31.3.2014 Basel III*	31.12.2013 Basel III*
Bank Group			
CET1 Capital ratio	13.8	13.6	12.1
T1 Capital ratio	13.8	13.6	12.1
Total capital ratio	17.8	17.3	15.5
Aktia Bank			
CET1 Capital ratio	14.7	15.2	14.0
T1 Capital ratio	14.7	15.2	14.0
Total capital ratio	19.5	19.8	18.4
Aktia Real Estate Mortgage Bank			
CET1 Capital ratio	14.7	12.9	11.9
T1 Capital ratio	14.7	12.9	11.9
Total capital ratio	14.7	12.9	11.9

*EU requirements on capital adequacy and national requirements stipulated by supervisory authorities.

Capital adequacy for the banking business is currently calculated using the standard model for credit risk. An IRBA (Internal Risk Based Approach) application for the Group's retail exposures was submitted in August 2011 and is currently being processed by the Financial Supervisory Authority. Application of the IRBA method would raise the Tier 1 capital ratio by at least 4 percentage points.

The life insurance company's solvency margin amounted to EUR 120.2 (99.0) million, where the minimum requirement is EUR 34.5 (34.3) million. The solvency ratio was 20.9 (17.5)%.

The capital adequacy ratio for the conglomerate amounted to 205.7 (31 December 2013; 198.6, Basel II)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

The effect of the new regulations on the capital adequacy for the banking business

The Basel III reform is being implemented in the EU through the capital requirement regulation (CRR), which entered into force 1 January 2014 with some transitional regulations, and through the CRD IV regulation, which will be implemented through national legislation and is to enter into force in the middle of August 2014.

The new rules require a higher Tier 1 capital and a number of technical calculation changes with a negative impact on the Banking group's Core Tier 1 capital. The most significant changes for Aktia Bank are those related to holdings in insurance companies and for minority holder's paid-up equity. Moreover, the Bank Group's Tier 2 capital base will suffer from the negative effects of stricter maturity requirements on issued debenture capital.

The Bank Group's Core Tier 1 capital will be impacted somewhat by changes in the risk weighting of investment instruments in the liquidity portfolio. To some degree, these effects will be neutralised by the stricter liquidity requirements in the future, which will restrict investment in certain types of instrument, as well as in instruments with lower ratings.

The Bank Group is applying the transitional provision for handling minority shareholders' paid-up share capital in Aktia Real Estate Mortgage Bank plc. This will gradually increase deductions up until 2018.

The Financial Supervision Authority granted Aktia Bank an exemption on 22 January 2014 to the effect that Aktia need not deduct from its capital base its investments in its wholly-owned subsidiary Aktia Life Insurance Ltd, which is covered by the supervision of financial and insurance conglomerates. This exemption expires on 31 December 2014 and requires that the holding in Aktia Life Insurance Ltd be included in the Bank Group's risk-weighted exposures at a risk weighting of at least 280%.

As of 1 January 2014, Aktia Bank's holdings in the associated company Folksam Non-Life Insurance are included in the Bank Group's risk-weighted commitments to a risk weight of 250%.

Significant effects on capital adequacy with the implementation of new regulations

Bank Group, %	Core Tier 1 ratio	Capital Adequacy
31.12.2013 according to Basel II rules	**12.3**	**19.3**
Change in risk-weighted exposures		
Credit stock	0.5	0.8
Counterparty credit risk in liquidity portfolio	-0.8	-1.3
Investments in Aktia Life Insurance Ltd	-0.4	-0.6
Investments in Folksam Non-Life Insurance Ltd	-0.1	-0.2
Other	0.2	0.3
Changes in regulatory capital		
Minority interests in Aktia REMB plc, including transitional rules	-0.2	-0.1
Investments in Folksam Non-Life Insurance Ltd	0.1	0.1
Excemption regarding investments in Aktia Life Insurance Ltd	0.5	0.9
Stricter maturity criteria on issued debenture capital incl. transitional rules	0.0	-3.9
1.1.2014 according to Basel III rules	**12.1**	**15.5**

In order to compensate negative effects of Basel III and to further strengthen capital adequacy of the banking business, the subsidiary Aktia Life Insurance Ltd has paid a dividend of EUR 50 million to the parent company Aktia Bank plc in the first quarter of 2014.

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)	1-6/2014	1-6/2013	Δ %
Banking Business	27.8	27.2	2%
Asset Management & Life Insurance	10.5	10.4	2%
Miscellaneous	-0.9	-2.2	59%
Eliminations	1.0	-0.8	-
Total	**38.4**	**34.6**	**11%**

Banking Business

The segment Banking Business contributed EUR 27.8 (27.2) million to Group operating profit.

Operating income was EUR 87.2 (90.2) million, of which EUR 51.1 (58.6) million was net interest income.

Compared to the same period the previous year, net commission income increased to EUR 30.7 (28.2) million. The increase in commission income came mainly from card commissions due to the repatriation of the Visa credit stock from Nets Oy in December 2013. Mutual fund commissions and commissions from the day to day services for private customers have also grown. Commissions from the real estate agency business decreased by 11% compared to the same period the previous year to EUR 3.2 (3.7) million.

Net income from financial assets available for sale was EUR 3.4 (2.4) million.

Operating expenses increased from the previous year, totalling EUR 58.2 (61.5) million. Staff costs decreased by 8%, from EUR 19.7 million to EUR 18.2 million. IT-related expenses decreased to EUR 6.5 (7.4) million. Other operating expenses decreased to EUR 32.6 (33.5) million, mainly as a result of lower rental and office costs. The bank tax reduced the earnings of the banking business by EUR 1.5 million. Compared to the same period the previous year, write-downs on credits and other commitments decreased to EUR 1.2 (1.5) million.

In the second quarter the demand for housing loans and the number of household loans increased. The average margins on new housing loans have dropped somewhat over the period, while the average margin on the loan stock as a whole has continued to rise. Our customers desire to secure their finances can be seen in the increased volumes of payment protection insurance and an increased interest in monthly saving plans.

Kesko and Aktia have entered into a partnership agreement. From the beginning of April 2014 Aktia's customers can withdraw cash using the debit function of debit and credit cards in the K supermarket chain in Finland.

Aktia Private Banking, which offers comprehensive individual investment services and legal advice, increased its client base by approximately 15%. In six months of the year, Private Banking's customer assets increased by approximately 12% and amounted to EUR 1,785 (1,597) million.

Total saving by households was approximately 4% greater than at year end, and was EUR 4,240 (4,060) million, of which household deposits were EUR 3,065 (2,968) million, and savings by households in mutual funds were EUR 1,175 (1,092) million.

Aktia's lending to private households, including the mortgages brokered by Aktia, amounted to EUR 4,367 (4,362) million. During the period, Aktia Real Estate Mortgage Bank's total lending decreased by EUR 428 million and amounted to EUR 2,454 (2,882) million.

Aktia Bank and Vöyrin Säästöpankki transferred the banking business of Vöyrin Säästöpankki to Aktia Bank on 2 June 2014. Almost 4,100 customers were transferred to Aktia Bank's Vöyri branch. At the end of June lending at the Aktia Vöyri branch was EUR 31 million while deposits amounted to EUR 54 million. At the same time Vöyrin Säästöpankki was restructured as the foundation Vöyrin Säästöpankin Aktiasäätiö.

Between 30 October 2013 and 30 June 2014 Saaristosäästöpankki acted as an Aktia Bank subsidiary. The merger of Saaristosäästöpankki with Aktia Bank took place on 1 July 2014.

Asset Management & Life Insurance

The segment Asset Management & Life Insurance contributed EUR 10.5 (10.4) million to Group operating profit.

Operating income for the segment remained at the same level as for the previous year, and stood at EUR 21.8 (21.7) million. The net commission income from asset management improved and was EUR 10.3 (9.4) million. Net income from life insurance decreased to EUR 11.5 (12.2) million. The actuarially calculated result has developed positively and is higher than that of the previous year. The net income from investments for life insurance is lower than for the previous year, this is because the reference period contains a higher proportion of capital gains.

Life insurance premiums written decreased by 32% compared to the previous year to EUR 56.8 (83.3) million. This decrease is attributable to unit-linked savings policies. The Aktia Profile investment service was responsible for 49% (65%) of premiums written.

Net income from life insurance investments was EUR 11.8 (13.4) million. This reduction was the result of lower sales gains in 2014 than the previous year. The return on the company's investments based on market value was 4.9% (0.4%).

Operating expenses remained at the same level as for the previous year, and stood at EUR 11.3 (11.3) million. Staff costs amounted to EUR 5.2 (5.3) million. The expense ratio of the life insurance business improved and was 85.3 (95.0)%. This improvement depends both on lower costs and a greater expense loading as a result of an increase in unit-linked savings policies.

The value of assets managed by Aktia Asset Management & Life Insurance totalled EUR 5,599 (5,192) million.

(EUR million)	30.6.2014	31.12.2013	Δ %
Aktia Fund Management	3,281	3,053	7%
Aktia Invest	2,655	2,452	8%
Aktia Asset Management	4,900	4,843	1%
Aktia Life Insurance	500	451	11%
Eliminations	-5,737	-5,608	2%
Total	**5,599**	**5,192**	**8%**

Life insurance technical provisions totalled EUR 994 (965) million, of which allocations for unit-linked provisions was EUR 498 (462) million and interest-related provisions EUR 496 (503) million. Unit-linked provisions increased to 50 (48)% of total technical provisions. The average discount rate for the interest-linked technical provisions was 3.6%. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which is used for hedging future interest requirements.

All the companies in the segment have a capital adequacy which exceeds minimum regulatory requirements by a good margin.

Miscellaneous

The Miscellaneous segment contributed EUR -0.9 (-2.2) million to Group operating profit.

Miscellaneous includes some of the joint administrative functions within Aktia Bank and the subsidiary Vasp-Invest Ltd. Costs attributable to the administrative units are invoiced on an ongoing basis from the subsidiaries.

Operating income was EUR 5.4 (5.5) million, and includes a dividend from Suomen Luotto-osuuskunta of EUR 2.4 (2.0) million. Net income from investment properties has decreased compared with the same period the previous year because of the sale of holdings in the Vasp-Invest Ltd subsidiary.

Operating expenses, including cost allocations to subsidiaries, decreased by EUR 1.4 million to EUR 6.3 (7.7) million. Following staff cuts in the autumn of 2013, staff costs have decreased by EUR 1.3 million to EUR 11.4 (12.7) million. IT costs for the segment remained at the same level as for the previous year, and stood at EUR 5.5 (5.6) million. Of the provision in the 2012 annual accounts due to the renegotiation of service agreements associated with the change to core banking, a total of EUR 1.3 million has been released in the first six months of the year. At the end of June the remaining share of the provision was EUR 5.0 (31 December 2013; 6.4) 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 2013 (www.aktia.com) in note G2 on pages 40–64.

Lending related risks within banking business

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection increased to EUR 48 (45) million, corresponding to 0.73 (0.66)% of the credit stock. The credit stock also includes off-balance sheet guarantee commitments.

Non-performing loans to households more than 90 days overdue corresponded to 0.53 (0.46)% of the entire credit stock and 0.60 (0.52)% of the household credit stock.

Loans with payments 3–30 days overdue increased to EUR 126 (114) million, equivalent to 1.89 (1.66)% of the credit stock. Loans with payments 31–89 days overdue increased to EUR 38 (34) million, or 0.57 (0.49)% of the credit stock.

Non-performing loans by time overdue

(EUR million)

Days	30.6.2014	% of credit stock	31.12.2013	% of credit stock
3 - 30	126	1.89	114	1.66
of which households	112	1.69	106	1.55
31 - 89	38	0.57	34	0.49
of which households	35	0.53	28	0.42
90-	48	0.73	45	0.66
of which households	35	0.53	31	0.46

Write-downs on credits and other commitments

Over the period total write-downs on credits and other commitments decreased by EUR 0.3 million compared to the same period the previous year, to EUR 1.2 (1.5) million. Of these write-downs, EUR 0.8 (0.3) million were attributable to households, and EUR 0.4 (1.2) million to companies.

Total write-downs on credits amounted to 0.02% (0.02%) of total lending for the year. The share of write-downs on corporate loans in relation to corporate lending overall amounted to 0.09% (0.2%).

Distribution of risk across financial assets

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

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

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

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

Investments within the liquidity portfolio and the other interest-bearing investments increased from year-end by EUR 141 million, and amounted to EUR 2,569 (2,428) million.

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

	30.6.2014	31.12.2013
(EUR million)	**2,569**	**2,424**
Aaa	50.3%	52.9%
Aa1-Aa3	30.1%	27.5%
A1-A3	13.6%	15.2%
Baa1-Baa3	0.8%	1.3%
Ba1-Ba3	0.0%	0.0%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	5.0%	3.0%
No rating	0.2%	0.1%
Total	**100.0%**	**100.0%**

At the end of the period, with the exception of one foreign certificate of deposit for EUR 20 million, all covered bonds in the Bank Group's liquidity portfolio met the eligibility requirements for refinancing at the central bank.

Investments without a rating consist of investments in domestic companies, and as the issuer lacks a rating, they do not meet the eligibility requirements for refinancing at the central bank.

Bank Group's geopolitical and instrument type distribution

	Government and Govt. guaranteed		Covered Bonds		Financial institu-tions exkl. CB		Corporate bonds		Equity instru-ments		Total	
	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013
Nordic EU-countries	**144**	**79**	**333**	**423**	**124**	**139**	**10**	**3**	**-**	**2**	**611**	**646**
Finland	144	79	234	305	50	64	10	3	0	2	437	452
Sweden	-	-	92	111	75	75	-	0	-	-	167	187
Denmark	-	-	7	7	-	0	-	-	-	-	7	8
Other EU-countries	**189**	**98**	**924**	**1,022**	**326**	**244**	**-**	**-**	**-**	**-**	**1,438**	**1,363**
Germany	48	-	10	20	3	6	-	-	-	-	61	26
France	62	66	216	223	131	96	-	-	-	-	410	385
United Kingdom	-	-	306	368	13	29	-	-	-	-	319	397
Netherlands	25	-	213	212	178	113	-	-	-	-	416	325
Austria	12	11	152	151	-	-	-	-	-	-	163	163
Belgium	42	20	-	-	-	-	-	-	-	-	42	20
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	28	47	-	-	-	-	-	-	28	47
Portugal	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	**-**	**-**	**259**	**234**	**10**	**12**	**-**	**-**	**-**	**-**	**269**	**246**
North America	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**12**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**238**	**161**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**238**	**161**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**0**	**-**	**-**	**0**	**0**
Total	**570**	**337**	**1,527**	**1,690**	**460**	**395**	**10**	**4**	**-**	**2**	**2,569**	**2,428**

Group investments in GIIPS countries

The Group's investments in the so-called GIIPS countries decreased during the period by EUR 20 million, and as of 30 June 2014 totalled EUR 39 (59) million. The total unrealised result amounted to EUR 2.9 (2.2) million. These items are reported under Equity and fund at fair value. No write-downs have been made for these holdings via the income statement.

All exposures relating to GIIPS countries are marked to market on an ongoing basis at current market prices.

Other market risks within the banking business

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

At the end of the period, real estate holdings amounted to EUR 0.1 (0.1) million and investments in shares necessary for the business as well as the investments in shares acquired from Saaristosäästöpankki amounted to EUR 1.1 (6.6) million.

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 628 (661) million. Over the period the real estate allocation in the life insurance company has remained unchanged. The life insurance company's direct real estate investments amounted to EUR 61 (60) million. The properties acquired are located in the Helsinki region and have tenants with long rental agreements.

The life insurance company's investments in GIIPS countries amounted to EUR 12 (12) million.

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

	30.6.2014	31.12.2013
(EUR million)	**469**	**493**
Aaa	58.0%	55.4%
Aa1-Aa3	19.5%	19.2%
A1-A3	11.0%	13.9%
Baa1-Baa3	3.7%	4.7%
Ba1-Ba3	0.5%	0.9%
B1-B3	0.0%	0.4%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	0.0%	0.0%
No rating	7.4%	5.5%
Total	**100.0%**	**100.0%**

Life Insurance company's geopolitical and instrument type distribution

	Government and Govt. guaranteed		Covered Bonds		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Equity instruments		Total	
	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013	6/2014	2013
Nordic EU-countries	**36**	**34**	**25**	**34**	**39**	**39**	**54**	**50**	**103**	**102**	**6**	**7**	**-**	**-**	**263**	**267**
Finland	36	34	6	15	31	33	51	46	103	102	6	7	-	-	232	237
Sweden	-	-	-	-	8	7	-	2	-	-	0	1	-	-	9	9
Denmark	-	-	19	18	-	-	3	2	-	-	-	-	-	-	22	21
Other EU-countries	**123**	**132**	**171**	**174**	**23**	**25**	**13**	**19**	**-**	**-**	**0**	**0**	**-**	**-**	**330**	**349**
Germany	23	23	-	-	-	2	4	7	-	-	-	-	-	-	27	33
France	53	63	84	82	6	6	3	3	-	-	-	-	-	-	146	154
United Kingdom	-	-	36	37	4	4	3	1	-	-	0	0	-	-	43	42
Netherlands	24	24	36	34	13	12	1	7	-	-	-	-	-	-	74	77
Austria	21	20	6	11	-	-	-	-	-	-	-	-	-	-	27	31
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	2	2	-	-	2	2	-	-	-	-	-	-	4	4
Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	7	7	-	-	-	-	-	-	-	-	-	-	7	7
Other countries	1	2	-	-	-	-	(0)	(1)	-	-	-	-	-	-	1	1
Europe excluding EU	**1**	**3**	**-**	**-**	**6**	**6**	**4**	**5**	**-**	**-**	**0**	**0**	**-**	**-**	**11**	**14**
North America	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**4**	**-**	**-**	**0**	**0**	**-**	**-**	**2**	**4**
Other OECD-countries	**4**	**6**	**-**	**-**	**-**	**-**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**6**
Supranationals	**5**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**5**
Others	**13**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**15**
Total	181	195	196	207	69	70	72	78	103	102	6	8	-	-	628	661

Valuation of financial assets

Value changes reported via income statement

At the end of the period write-downs on financial assets amounted to EUR -0.9 (-1.2) million, attributable to permanent reductions in the value of real estate funds and small private equity holdings.

Write-downs on financial assets

(EUR million)	1-6/2014	1-6/2013
Interest-bearing securities		
Banking Business	-	-
Life Insurance Business	-	-
Shares and participations		
Banking Business	-0.3	-
Life Insurance Business	-0.6	-1.2
Total	**-0.9**	**-1.2**

Value changes reported via the fund at fair value

A value impairment that is not reported in the income statement, or an increase in the value of financial assets that has not been realised, is reported via the fund at fair value. Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 97.8 (81.1) million after deferred tax.

Cash flow hedging, which comprises of unwound derivative contracts that have been aquired for the purposes of hedging the banking business' net interest income, amounted to EUR 1.6 (4.6) million.

The fund at fair value

(EUR million)	30.6.2014	31.12.2013	Δ
Shares and participations			
Banking Business	0.0	1.7	-1.8
Life Insurance Business	3.5	2.0	1.4
Direct interest-bearing securities			
Banking Business	42.6	36.0	6.5
Life Insurance Business	48.9	36.9	12.0
Share of Non-Life insurance's fund at fair value	1.3	-0,1	1.5
Cash flow hedging	1.6	4.6	-3.1
Fund at fair value, total	**97.8**	**81.1**	**16.6**

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consist of reclassified interest-bearing securities. Most of the reclassified securities have an AAA rating. Over the period no new acquisitions were made to the portfolio which, on 30 June 2014, amounted to EUR 496 (499) million.

The portfolio includes high credit quality fixed-rate investments with which the bank manages its interest rate risk. The aim of the portfolio is to reduce volatility in the Group's equity and to address the regulatory risks arising from Basel III. Securities held until maturity are reported at their accrued acquisition value.

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 on-demand accounts 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 unwinding of interest rate derivatives produced a positive cash flow of EUR 92.1 million. Hedge accounting ceased following the unwinding of derivatives, and the valuation of deposits will be dissolved in 2014–2017 according to the original duration of the interest rate derivatives, which will have a positive effect on net interest income of approximately EUR 15.7 million per year. The remaining cash flow will provide a positive result effect of approximately EUR 12 million in 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 first six months of 2014.

Events concerning close relations

Close relations refers to Aktia Bank's key persons in management positions and close family members, as well as companies that are under the dominant influence of a key person in a management position. 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 the Deputy Managing Director.

No significant changes concerning close relations occurred.

Action Plan 2015

At the end of 2012, Aktia's Board of Directors introduced Action Plan 2015 and updated the financial objectives up until 2015. The update was motivated by the business environment characterised by extremely low interest rates and new regulations. Action Plan 2015 includes several individual measures and will be realised step-by-step until 2015.

- Aktia's core banking system will be renewed in consultation with the external IT suppliers Temenos and Emric. The new core banking platform will be taken into operation in 2015 and migration will take place in consultation with our existing IT supplier Samlink. Investment in the new core banking platform is estimated to be EUR 30 million. Annual cost savings are expected to be approximately EUR 5 million. On 30 June 2014 total cumulative investment was EUR 14.4 (6.8) million.

- The unifying of the Group's workstations into one network was completed according to plan in March 2014, and in the long-term is expected to generate annual cost savings of approximately EUR 2 million.

- During the first quarter, a total of eight branch offices were merged. During the second quarter, a programme to utilise space at head office more effectively was completed. These measures will result in lower rental expenses.

- In the autumn of 2013 staff numbers were reduced by just over 50 people, this will result in an annual cost saving of EUR 5-6 million.

- Aktia has decided to phase out its services as central financial institution by the beginning of 2015.

- In March 2013, Aktia Bank was granted a mortgage bank concession and issued its first EUR 500 million covered bond in June 2013. The second, of EUR 500 million was issued in April 2014.

- Action Plan 2015 also aims to simplify the structure of the Group. In 2013 the Group's previous parent company, Aktia plc, was merged with Aktia Bank plc. Aktia's Asset Management was reorganised in the first quarter of 2014.

- In 2014 Action Plan 2015 will focus on areas related to: core banking renewal, continued cost reductions and simplifying the Group structure, work on the IRBA application process and investigations into a structural solution for Aktia Real Estate Mortgage Bank plc.

Other events during the period

Carl Pettersson B.Sc. (Econ.) was appointed as Development Director and member of Aktia Bank plc's Executive Committee with responsibility for the telephone and internet channels, business development and partnershipsas of 1st September 2014.

Deputy Managing Director Taru Narvanmaa was appointed the Managing Director's alternate as of 1st September 2014.

Juha Hammarén, LL.M, eMBA was appointed as the new CRO (Chief Risk Officer) and as a member of Aktia Bank plc's Executive Committee with responsibility for the Group's risk control, capital management and credit quality as of 9 September 2014. Juha Hammarén succeeds Deputy Managing Director, CRO Jarl Sved who is retiring on 31 December 2014. Sved will continue to serve Aktia as a Senior Advisor and member of the Executive Committee until his retirement, and will hand over his duties to Hammarén in the autumn of 2014.

On 30 May 2014 Aktia Bank plc and Vöyrin Säästöpankki decided to implement the merger of Vöyrin säästöpankki and Aktia Bank. On 2 June 2014 the transfer of the banking business of Vöyrin Säästöpankki to Aktia Bank was filed for registration with the Finnish Trade Register.

On 31 January 2014 Aktia Asset Management Ltd acquired all the shares in Aktia Invest Ltd. Following this transaction Aktia Bank plc owns 75% of the shares in Aktia Asset Management Ltd. The company's minority shareholders (25%) consist of key personnel in Aktia Asset Management Ltd and Aktia Invest Ltd.

Anders Ehrström has been appointed Managing Director of Aktia Asset Management Ltd and Jetro Siekkinen its Deputy Managing Director.

On 7 January 2014, Deputy Managing Director Stefan Björkman announced that he was resigning from his position with Aktia to take up a position as Managing Director of the Etera Mutual Pension Insurance Company. Björkman left Aktia on 2 February 2014.

Events after the end of the period

Aktia Bank plc's wholly-owned subsidiary Saaristosäästöpankki Oy was merged into Aktia Bank on 1 July 2014.

Personnel

At the end of June, the number of full-time employees was 972 (31 December 2013; 967).

The average number of full time staff has decreased by 60 from year-end and was 938 on 30 June 2014 (31 December 2013; 998).

Personnel fund

Aktia Bank plc's Board of Directors has confirmed that the profit sharing provision for the personnel fund for 2014 will be based on 10% of that part of group operating profit exceeding EUR 45 million. However, if group operating profit is EUR 45 million, a sum of EUR 250,000 will be added to the personnel fund. The profit sharing provision cannot, however, exceed EUR 3 million.

Incentive schemes for key personnel

In January 2014, the Board of Directors of Aktia Bank plc decided to launch two new share-based incentive schemes for key personnel: Share Based Incentive Scheme 2014–2017 and Share Ownership Scheme 2014. 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 incentive schemes based on share ownership in Aktia.

Incentive scheme for 2014-2017

The Share Based Incentive Scheme 2014-2017 is a continuation of Aktia's 2011 Share Based Incentive Scheme. The Share Based Incentive Scheme covers three earnings periods; the calendar years 2014-2015, 2015-2016 and 2016-2017. The bonus consists in part of A shares in the company and in part of cash to cover the taxes and tax-related fees that the bonus will cost the key personnel.

The earnings criteria for the earnings period 2014-2015 are based on the development of the Aktia Group's cumulative adjusted equity during the period 1 January 2014 to 31 December 2015 (NAV) (50% weighting), and of the Group's total net commission and insurance income in the period 1 January 2014 to 31 December 2015 (50% weighting).

Any bonus for each earnings period will be paid out in four instalments after the earnings period, over a period of approximately three years. In general a bonus is not paid out to a key person who, at the time of payment, no longer has an employment relationship with the Aktia Group. All shares obtained must be held for one year and then half of the shares until the person owns an amount of Aktia A shares with a value corresponding to their fixed annual salary.

Currently the target group of the Share Based Incentive Scheme 2014–2017 consists of 13 key persons, including the Managing Director and Executive Committee members. The total bonus paid out through the scheme can amount to a maximum of 400,000 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

Share ownership scheme 2014

The Share Ownership Scheme 2014 makes it possible for key personnel in Aktia to obtain Aktia shares as compensation for the acquisition of A shares in Aktia Bank plc using their own funds. Remuneration will be paid to the key person after approximately three years and will be made up of both shares and cash on condition that the key person still has an employment contract. It is recommended that the Share Ownership Scheme's target group own a large proportion of the shares obtained through the scheme while they are employed by Aktia Bank plc, or until they own Aktia A shares with a value corresponding to their fixed annual salary.

The target group of the Share Ownership Scheme 2014 consists of 23 key persons. The total bonus paid out through the scheme can amount to a maximum of 90,000 series A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

Incentive scheme 2011

In 2011 Aktia Bank plc's board of directors decided on a new share-based incentive scheme for key personnel in the Aktia Group.

The bonus consisted in part of A shares in Aktia Bank plc and in part of cash to cover the taxes and tax-related fees that the bonus will cost the key personnel. The incentive scheme was divided into two parts. The first part of the scheme is based on earnings criteria and covers three earnings periods:

the calendar years 2011-2012, 2012-2013 and 2013-2014. The earnings criteria for the earnings period 2013-2014 are based on the development of the Aktia Group's cumulative adjusted equity (NAV) (50% weighting), and of the group's total net commission and insurance income (50% weighting). The earnings criteria for the earnings period 2013-2014 were determined in June 2013. The second part of the scheme gave key personnel the opportunity to receive Aktia shares as compensation for acquisition of Aktia Bank plc's A shares using their own funds. The earnings periods 2011–2012 and 2012–2013 had an outcome of 100%.

The Aktia Group's report on remuneration to the Executive Committee and Board of Supervisors is published on the Aktia Bank plc website (www.aktia.com).

Board of Directors and Executive Committee

Aktia Bank plc's Board of Directors for 1 January - 31 December 2014:
Chair Dag Wallgren, M.Sc. (Econ.)
Vice Chair Nina Wilkman, LL.M.
Sten Eklundh, M.Sc.
Hans Frantz, Lic.Soc.Sc.
Kjell Hedman, Business Economist
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)
Arja Talma M.Sc. (Econ.), eMBA

On 11 December 2013, the Board of Supervisors decided on the annual remuneration for the Board of Directors for 2014:

- annual remuneration, chair, EUR 53,000
- annual remuneration, vice chair, EUR 30,000
- annual remuneration, member, EUR 23,500

Following a proposal, the Board of Supervisors decided that members of the Board of Directors be obliged to buy Aktia Bank A shares for 25% of their annual remuneration (2013: 15%). Members of the Board of Directors acquired the shares from the stock exchange at market price 14 February 2014.

In addition, the Board of Supervisors decided to encourage members of the Board of Directors to keep the shares they acquire for the set share of their annual remuneration for the duration of their directorships.

Following a proposal, the Board of Supervisors also decided that the fee of EUR 500 paid to each member of the Board of Directors per meeting attended remain unchanged from 2013 and that committee chairs have the right to a double renumeration (unchanged from 2013), i.e. he or she will receive EUR 1,000 for each meeting that he or she chairs.

On 30 June 2014 Aktia's Executive Committee comprised Managing Director Jussi Laitinen, Deputy Managing Director and alternate Jarl Sved, Deputy Managing Director Taru Narvanmaa, Director Fredrik Westerholm and Director Magnus Weurlander.

Decisions at the Annual General Meeting 2014

On 7 April 2014 the Annual General Meeting of Aktia Bank plc adopted the consolidated financial statements of the parent company and the Group, and discharged the members of the Board of Supervisors, the members of the Board of Directors, the Managing Director and his alternate from liability.

In accordance with a proposal from the Board of Directors, the AGM decided to distribute a dividend of EUR 0.42 per share, totalling EUR 28.0 million for the accounting period 1 January – 31 December 2013. The record date for the dividend was 10 April 2014 and the dividend will be paid out 23 April 2014.

The Annual General Meeting established the number of members on the Board of Supervisors to be thirty two.

Members of the Board of Supervisors Håkan Mattlin, Christina Gestrin, Patrik Lerche, Håkan Fagerström, Jorma J. Pitkämäki, Peter Simberg, Bengt Sohlberg and Mikael Westerback, who were due to step down were re-elected to the Board of Supervisors. Agrologist Peter Karlgren and Solveig Söderback M.Soc.Sc. were elected as new members. All of the above were elected for a term of three years.

The annual remuneration for members of the Board of Supervisors was set at EUR 22,600 for the Chair, EUR 10,000 for the Vice Chair and EUR 4,400 for ordinary members. The remuneration per attended meeting was set at EUR 500. The members of the Board of Supervisors shall be obliged to use 30% of their annual remuneration for the acquisition of Aktia plc A shares directly from the Stock Exchange at market price within two weeks from the inaugural meeting of the Board of Supervisors 6 May 2014. The shares were aquired 7 May 2014.

The Annual General Meeting established the number of auditors as one. The APA firm KPMG Oy Ab was re-elected as auditor, with Jari Härmälä, APA, as auditor-in-charge. The auditors will be paid against invoices.

The AGM adopted the proposal of the Board of Directors regarding resolutions for share issue authorisation, authorisation to acquire the company's own shares for use in the company's share based incentive scheme and/or the remuneration of members of the company Board of Supervisors and authorisation to divest the company's own shares.

Share capital and ownership

The share capital of Aktia Bank plc amounts to EUR 163 million, comprising a total of 46,706,723 A shares and 19,872,088 R shares, or 66,578,811 shares in all. The number of shareholders at the end of June 2014 was 44,748. Foreign ownership of shares was 1.5%.

The number of unregistered shares was 773,603 or 1.2% of all shares. Inspection and registration of outstanding shares continue.

With regard to its own shares, on 30 June 2014 the Group owned three (3) A series shares in the parent company Aktia Bank plc and the subsidiary Saaristosäästöpankki owned 7,403 Aktia Bank plc A series shares and 6,658

R series shares. Over the course of the first six months of the year Saaristosäästöpankki has sold 15,427 Aktia Bank plc A series shares and 5,000 Aktia Bank plc R series 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.

On 30 June 2014, the closing price for an A series share was EUR 9.27 and for an R series share EUR 10.20, indicating a market value of approx. EUR 630 million for Aktia Bank plc. The highest quotation for the A share during the period January - June 2014 was EUR 9.89 and the lowest EUR 7.99. The highest for the R share was EUR 11.20 and the lowest EUR 8.20.

The average daily turnover of A shares during the period January - June 2014 was EUR 591,870 or 67,873 shares. Average daily turnover for R shares was EUR 9,860 or 1,071 shares.

Outlook and risks in 2014

Outlook (unchanged)

Aktia is striving to grow slightly more than the market in the sectors focusing on private customers and small companies.

Aktia's Action Plan 2015 includes several individual measures and will be realised in steps with the aim of reaching the financial objectives for 2015.

Aktia's aim is to improve competitiveness and to become the Finnish champion of customer services in selected customer segments. Aktia will continue to strive for efficient and customer-friendly service, and to provide financial solutions for households, business owners, small companies and institutions.

Write-downs on credits are expected to reach the 2013 level.

Despite the persistant low interest rate level, the Group's operating profit for 2014 is expected to reach approximately the 2013 level.

Risks

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

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

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

The availability of liquidity on the money markets 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 financial crisis has resulted in many new initiatives for the 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 regulations will also result in increased competition for deposits, higher demands on long-term financing, higher fixed costs and higher lending margins.

Aktia's financial objectives for 2015

- Increase cross-selling index by 20%
- Increase commission income by 5% p.a.
- Cut expenses by 5% p.a.
- Tier 1 capital ratio at least 13% over an economic cycle (upon approval of internal rating)
- Dividend pay-out 40–60% of profit for the year

Key figures

(EUR million)	1-6/2014	1-6/2013	Δ %	4-6/2014	1-3/2014	10-12/2013
Earnings per share (EPS), EUR	0.46	0.38	20%	0.27	0.20	0.18
Equity per share (NAV)[1], EUR	8.96	8.34	7%	8.96	8.55	8.67
Return on equity (ROE), %	9.5	8.1	18%	11.1	8.2	7.5
Total earnings per share, EUR	0.71	-0.07	-	0.41	0.30	0.14
Capital adequacy ratio (finance and insurance conglomerate)[1], % **	205.7	202.9	1%	205.7	202.1	198.6
Average number of shares[2], million	66.6	66.6	0%	66.6	66.5	66.6
Number of shares at the end of the period [1], million	66.6	66.6	0%	66.6	66.6	66.5
Personnel (FTEs), average number of employees from the beginning of the year[1]	938	1,010	-7%	938	936	998
Group financial assets[1]	3,311.4	3,379.7	-2%	3,311.4	3,119.9	3,114.7
Banking business						
Cost-to-income ratio	0.68	0.68	0%	0.64	0.72	0.87
Borrowing from the public[1]	3,978.5	3,807.2	4%	3,978.5	3,861.1	3,797.5
Lending to the public[1]	6,598.3	6,984.9	-6%	6,598.3	6,693.0	6,802.2
Core Tier 1 capital ratio[1], % *	13.8	-	-	13.8	13.6	12.1
Capital adequacy ratio[1], % **	17.8	20.3	-12%	17.8	17.3	19.3
Tier 1 capital ratio[1], % **	13.8	12.1	15%	13.8	13.6	12.3
Risk-weighted commitments[1] **	3,539.5	3,625.3	-2%	3,539.5	3,592.0	3,463.5
Asset Management and Life Insurance						
Assets under management[1]	6,872.1	5,901.7	16%	6,872.1	6,525.6	6,341.3
Premiums written before reinsurers' share	57.0	83.5	-32%	25.3	31.7	33.0
Expense ratio[2], %	85.3	95.0	-10%	85.3	85.4	88.3
Solvency margin[1]	120.2	147.5	-19%	120.2	107.2	99.0
Solvency ratio[2], %	20.9	25.3	-17%	20.9	18.8	17.5
Investments at fair value[1]	1,101.3	1,050.1	5%	1,101.3	1,064.6	1,091.8
Technical provisions for interest-related insurances[1]	496.3	512.2	-3%	496.3	502.0	503.5
Technical provisions for unit-linked insurances[1]	498.0	410.3	21%	498.0	474.3	461.9

[1] At the end of the period
[2] Cumulative from the beginning of the year
* According to Basel III

** 2014 according to Basel III, other periods 2013 according to Basel II

Banking business' Core Tier 1 capital ratio, % = Core Tier 1 capital x 100 / Risk-weighted commitments.

Basis of calculation for key figures can be found in Aktia Bank plc's Annual Report 2013 on page 19.

Consolidated income statement

(EUR million)	1-6/2014	1-6/2013	Δ%	2013
Net interest income	51.4	58.4	-12%	112.6
Dividends	0.1	0.1	29%	0.1
Commission income	42.8	40.2	6%	81.1
Commission expenses	-4.4	-4.7	8%	-10.4
Net commission income	38.4	35.5	8%	70.7
Net income from life insurance	12.6	13.1	-4%	28.1
Net income from financial transactions	6.3	4.1	54%	8.3
Net income from investment properties	0.0	0.4	-91%	0.4
Other operating income	1.6	1.6	4%	3.8
Total operating income	**110.5**	**113.2**	**-2%**	**224.2**
Staff costs	-35.1	-38.0	-8%	-77.7
IT-expenses	-12.9	-14.0	-8%	-27.3
Depreciation of tangible and intangible assets	-3.6	-3.4	5%	-6.8
Other operating expenses	-20.7	-21.3	-3%	-45.5
Total operating expenses	**-72.3**	**-76.8**	**-6%**	**-157.2**
Write-downs on credits and other commitments	-1.2	-1.5	-23%	-2.7
Share of profit from associated companies	1.5	-0.3	-	1.2
Operating profit	**38.4**	**34.6**	**11%**	**65.4**
Taxes	-7.4	-8.8	-16%	-13.0
Profit for the period	**31.0**	**25.8**	**20%**	**52.4**
Attributable to:				
Shareholders in Aktia Bank plc	30.7	25.6	20%	52.2
Non-controlling interest	0.3	0.2	46%	0.2
Total	**31.0**	**25.8**	**20%**	**52.4**
Earnings per share (EPS), EUR	0.46	0.38	20%	0.78
Earnings per share (EPS), EUR, after dilution	0.46	0.38	20%	0.78

Consolidated comprehensive income statement

(EUR million)	1-6/2014	1-6/2013	Δ%	2013
Profit for the period	31.0	25.8	20%	52.4
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	26.3	-18.7	-	-10.3
Change in valuation of fair value for financial assets held until maturity	-1.8	-1.5	-18%	-3.3
Change in valuation of fair value for cash flow hedging	0.0	0.0	-	0.2
Transferred to the income statement for financial assets available for sale	-4.8	-3.6	-34%	-9.7
Transferred to the income statement for cash flow hedging	-3.1	-5.9	47%	-11.6
Comprehensive income from items which can be transferred to the income statement	16.6	-29.7	-	-34.7
Defined benefit plan pensions	-	-	-	-0.1
Comprehensive income from items which can not be transferred to the income statement	-	-	-	-0.1
Total comprehensive income for the period	**47.6**	**-3.9**	**-**	**17.6**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank plc	47.3	-4.7	-	17.2
Non-controlling interest	0.3	0.8	-66%	0.4
Total	**47.6**	**-3.9**	**-**	**17.6**
Total earnings per share, EUR	0.71	-0.07	-	0.26
Total earnings per share, EUR, after dilution	0.71	-0.07	-	0.26

Consolidated balance sheet

(EUR million)	30.6.2014	31.12.2013	Δ%	30.6.2013
Assets				
Cash and balances with central banks	358.0	414.3	-14%	448.5
Financial assets reported at fair value via the income statement	-	0.1	-	0.0
Interest-bearing securities	2,357.1	2,157.0	9%	2,549.3
Shares and participations	83.9	99.5	-16%	98.3
Financial assets available for sale	2,441.0	2,256.5	8%	2,647.6
Financial assets held until maturity	495.7	499.3	-1%	355.7
Derivative instruments	207.2	197.6	5%	210.5
Lending to Bank of Finland and credit institutions	89.2	95.1	-6%	109.6
Lending to the public and public sector entities	6,598.3	6,802.2	-3%	6,984.9
Loans and other receivables	6,687.4	6,897.3	-3%	7,094.5
Investments for unit-linked provisions	500.5	465.9	7%	412.7
Investments in associated companies	21.9	19.3	14%	18.4
Intangible assets	27.2	20.3	34%	15.0
Investment properties	60.4	60.6	0%	51.0
Other tangible assets	7.3	6.4	13%	5.3
Accrued income and advance payments	65.0	66.2	-2%	70.5
Other assets	18.0	8.8	104%	4.4
Total other assets	83.0	75.0	11%	74.9
Income tax receivables	5.1	3.7	39%	2.0
Deferred tax receivables	14.7	16.2	-9%	21.8
Tax receivables	19.8	19.9	0%	23.8
Assets classified as held for sale	1.2	1.2	-2%	1.2
Total assets	**10,910.4**	**10,933.8**	**0%**	**11,359.2**
Liabilities				
Liabilities to credit institutions	1,012.7	1,095.5	-8%	1,051.5
Liabilities to the public and public sector entities	3,978.5	3,797.5	5%	3,807.2
Deposits	4,991.1	4,893.0	2%	4,858.7
Derivative instruments	123.6	128.6	-4%	145.4
Debt securities issued	3,547.7	3,657.9	-3%	4,065.9
Subordinated liabilities	218.0	232.2	-6%	269.7
Other liabilities to credit institutions	116.3	123.5	-6%	141.5
Other liabilities to the public and public sector entities	84.0	92.4	-9%	51.1
Other financial liabilities	3,966.0	4,106.0	-3%	4,528.2
Technical provisions for interest-related insurances	496.3	503.5	-1%	512.2
Technical provisions for unit-linked insurances	498.0	461.9	8%	410.3
Technical provisions	994.3	965.4	3%	922.5
Accrued expenses and income received in advance	73.4	96.5	-24%	73.2
Other liabilities	37.2	40.5	-8%	142.7
Total other liabilities	110.5	137.0	-19%	215.8
Provisions	5.0	6.4	-21%	6.9
Income tax liabilities	2.2	5.2	-58%	1.0
Deferred tax liabilities	56.3	50.4	12%	60.5
Tax liabilities	58.5	55.6	5%	61.5
Liabilities for assets classified as held for sale	0.2	0.2	-1%	0.2
Total liabilities	**10,249.3**	**10,292.1**	**0%**	**10,739.1**
Equity				
Restricted equity	261.1	244.5	7%	190.0
Unrestricted equity	335.4	332.7	1%	365.1
Shareholders' share of equity	596.5	577.1	3%	555.1
Non-controlling interest's share of equity	64.6	64.6	0%	64.9
Equity	**661.0**	**641.7**	**3%**	**620.0**
Total liabilities and equity	**10,910.4**	**10,933.8**	**0%**	**11,359.2**

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 interests' share of equity	Total equity
Equity as at 1 January 2013	**93.9**	**10.3**	**116.1**	**1.1**	**72.7**	**298.6**	**592.6**	**64.8**	**657.4**
Divestment of treasury shares						0.4	0.4		0.4
Dividend to shareholders						-24.0	-24.0	*-0.7*	-24.6
Capital return to shareholders					-9.3		-9.3		-9.3
Profit for the period						*25.6*	*25.6*	*0.2*	*25.8*
Financial assets available for sale			*-22.3*				*-22.3*	*0.0*	*-22.3*
Financial assets held until maturity			*-1.5*				*-1.5*		*-1.5*
Cash flow hedging			*-6.4*				*-6.4*	*0.5*	*-5.9*
Total comprehensive income for the period			-30.2			25.6	-4.7	0.8	-3.9
Other change in equity				0.1			0.1	0.0	0.1
Equity as at 30 June 2013	**93.9**	**10.3**	**85.8**	**1.2**	**63.3**	**300.6**	**555.1**	**64.9**	**620.0**
Equity as at 1 January 2014	**163.0**	**0.3**	**81.1**	**1.6**	**128.4**	**202.6**	**577.1**	**64.6**	**641.7**
Divestment of treasury shares						0.2	0.2		0.2
Dividend to shareholders					**-13.4**	-14.6	-28.0	**-0.3**	-28.2
Profit for the period						*30.7*	*30.7*	*0.3*	*31.0*
Financial assets available for sale			*21.5*				*21.5*	*0.0*	*21.5*
Financial assets held until maturity			*-1.8*				*-1.8*		*-1.8*
Cash flow hedging			*-3.1*				*-3.1*	*-0.1*	*-3.1*
Total comprehensive income for the period			16.6			30.7	47.3	0.3	47.6
Other change in equity				-0.2			-0.2	0.0	-0.2
Equity as at 30 June 2014	**163.0**	**0.3**	**97.8**	**1.4**	**115.0**	**218.9**	**596.5**	**64.6**	**661.0**

Consolidated cash flow statement

(EUR million)	1-6/2014	1-6/2013	Δ%	2013
Cash flow from operating activities				
Operating profit	38.4	34.6	11%	65.4
Adjustment items not included in cash flow for the period	-8.4	-8.4	-1%	-20.4
Paid income taxes	-8.2	-27.1	70%	-26.3
Cash flow from operating activities before change in receivables and liabilities	**21.8**	**-0.9**	**-**	**18.7**
Increase (-) or decrease (+) in receivables from operating activities	104.5	-358.4	-	82.6
Increase (+) or decrease (-) in liabilities from operating activities	-110.0	278.0	-	-152.1
Total cash flow from operating activities	**16.4**	**-81.3**	**-**	**-50.9**
Cash flow from investing activities				
Investments in business operations	-11.8	-	-	-6.3
Proceeds from sale of group companies and associated companies	-	0.9	-	0.6
Investment in investment properties	-	-23.0	-	-32.5
Investment in tangible and intangible assets	-11.8	-4.2	-180%	-14.5
Disposal of investment properties	-	-	-	0.8
Disposal of tangible and intangible assets	0.5	1.2	-54%	1.0
Total cash flow from investing activities	**-23.1**	**-25.2**	**8%**	**-50.8**
Cash flow from financing activities				
Subordinated liabilities	-14.2	0.2	-	-37.3
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	-0.3	-0.7	57%	-0.7
Divestment of treasury shares	0.2	0.4	-55%	0.4
Paid dividends	-28.0	-24.0	-17%	-24.0
Capital return	-	-9.3	-	-9.3
Total cash flow from financing activities	**-42.2**	**-33.3**	**-27%**	**-70.9**
Change in cash and cash equivalents	**-48.9**	**-139.9**	**65%**	**-172.6**
Cash and cash equivalents at the beginning of the year	429.7	602.3	-29%	602.3
Cash and cash equivalents at the end of the period	380.7	462.4	-18%	429.7
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	7.4	6.7	11%	8.3
Bank of Finland current account	350.6	441.1	-21%	404.9
Repayable on demand claims on credit insitutions	22.8	14.6	56%	16.5
Total	**380.7**	**462.4**	**-18%**	**429.7**
Adjustment items not included in cash flow consist of:				
Impairment of financial assets available for sale	0.6	1.2	-49%	1.3
Write-downs on credits and other commitments	1.2	1.5	-23%	2.7
Change in fair values	0.6	0.7	-14%	0.4
Depreciation and impairment of intangible and tangible assets	3.6	3.4	5%	6.8
Result effect from associated companies	-1.1	0.6	-	-1.0
Sales gains and losses from intangible and tangible assets	0.0	-0.4	95%	-0.4
Unwound cash flow hedging	-3.9	-7.8	50%	-15.4
Unwound fair value hedging	-7.9	-7.9	0%	-15.9
Change in provisions	-1.3	-	-	-0.5
Change in fair values of investment properties	0.3	-	-	0.0
Change in share-based payments	-0.4	0.3	-	1.7
Other adjustments	-	-	-	-0.1
Total	**-8.4**	**-8.4**	**-1%**	**-20.4**

Quarterly trends in the Group

(EUR million)	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013
Net interest income	25.9	25.4	27.3	26.9	28.3
Dividends	0.0	0.1	0.0	-	0.1
Net commission income	19.6	18.8	17.8	17.4	18.6
Net income from life insurance	6.6	6.0	8.4	6.5	5.6
Net income from financial transactions	5.4	0.9	2.5	1.8	1.9
Net income from investment properties	0.0	0.0	0.0	0.0	0.4
Other operating income	0.8	0.8	1.3	0.9	0.8
Total operating income	**58.4**	**52.0**	**57.3**	**53.6**	**55.7**
Staff costs	-17.6	-17.5	-23.1	-16.6	-18.8
IT-expenses	-6.3	-6.6	-6.4	-6.9	-8.1
Depreciation of tangible and intangible assets	-1.8	-1.8	-1.7	-1.7	-1.7
Other operating expenses	-10.5	-10.2	-14.7	-9.5	-10.6
Total operating expenses	**-36.2**	**-36.1**	**-45.9**	**-34.6**	**-39.2**
Write-downs on credits and other commitments	-0.8	-0.4	-1.1	-0.2	-0.4
Share of profit from associated companies	0.5	0.9	0.8	0.8	-1.0
Operating profit	**22.0**	**16.4**	**11.1**	**19.6**	**15.1**
Taxes	-4.1	-3.3	0.8	-5.0	-4.1
Profit for the period	**17.9**	**13.1**	**11.9**	**14.7**	**11.0**
Attributable to:					
Shareholders in Aktia Bank plc	17.6	13.1	11.7	14.9	10.8
Non-controlling interest	0.3	0.1	0.2	-0.2	0.3
Total	**17.9**	**13.1**	**11.9**	**14.7**	**11.0**
Earnings per share (EPS), EUR	0.27	0.20	0.18	0.22	0.16
Earnings per share (EPS), EUR, after dilution	0.27	0.20	0.18	0.22	0.16

Quarterly trends of comprehensive income

(EUR million)	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013
Profit for the period	17.9	13.1	11.9	14.7	11.0
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	15.6	10.8	1.6	6.7	-16.9
Change in valuation of fair value for financial assets held until maturity	-0.9	-0.9	-0.9	-0.8	-0.8
Change in valuation of fair value for cash flow hedging	0.0	0.0	0.2	0.0	0.0
Transferred to the income statement for financial assets available for sale	-3.7	-1.1	-0.4	-5.7	-2.1
Transferred to the income statement for cash flow hedging	-1.4	-1.8	-2.7	-3.0	-3.0
Comprehensive income from items which can be transferred to the income statement	9.6	7.0	-2.2	-2.8	-22.7
Defined benefit plan pensions	-	-	-0.1	-	-
Comprehensive income from items which can not be transferred to the income statement	-	-	-0.1	-	-
Total comprehensive income for the period	**27.5**	**20.1**	**9.6**	**11.9**	**-11.6**
Total comprehensive income attributable to:					
Shareholders in Aktia Bank plc	27.2	20.1	9.6	12.2	-12.1
Non-controlling interest	0.3	0.0	0.0	-0.3	0.5
Total	**27.5**	**20.1**	**9.6**	**11.9**	**-11.6**
Total earnings per share, EUR	0.41	0.30	0.14	0.18	-0.18
Total earnings per share, EUR, after dilution	0.41	0.30	0.14	0.18	-0.18

Notes to the Interim Report

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

Basis for preparing the Interim Report

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

The Interim Report for the period 1 January – 30 June 2014 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The Interim Report does not contain all the information and notes required for an annual report and should therefore be read together with the Aktia Group's annual report of 31 December 2013.

The Interim Report for the period 1 January – 30 June 2014 was approved by the Board of Directors on 5 August 2014.

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

Key accounting principles

In preparing the Interim Report the Group has followed the accounting principles applicable to the annual report of 31 December 2013.

As of 1 January 2014, the Group harmonises reporting of discounts attributable to asset management. Due to the change, commission income and expenses are reduced by EUR 9 million on an annual basis which gives a more accurate picture of the Group's commission income and expenses. Net commission income is unchanged, thus the amendment has no affect on results. The reference period has been reconstructed to comply with the new accounting principle.

The following IFRSs and interpretations may affect the reporting of future transactions and business, but had no impact on the Group's result or financial position in 2014:

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and separate financial statements, introducing a new way to define weather an investment object shall be included in the consolidated financial statements or not. The standard is mandatory as of 1 January 2014, and based on an analysis made it causes no changes in companies or other investment objects included in the consolidated financial statements.

IFRS 11 Joint Arrangements replaces IAS 31 Interest in joint ventures. The standard only permits the equity method to be used in consolidation, and has not had any impact on the way that the Aktia Group consolidates joint arrangements. The standard is mandatory as of 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities is a combined disclosure standard for subsidiaries, associated companies, joint arrangements and other unconsolidated structured entities. The standard is mandatory as of 1 January 2014, and Aktia evaluates new requirements on disclosures for the annual report.

The standard IFRS 9 Financial Instruments is the first stage in the process to replace IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 introduces new requirements for recognition and measurement of financial assets and liabilities. Aktia's model for risk management and the characteristics of financial instruments in respect of future cash flows will have an impact on categories applied by Aktia. The standard is mandatory as of 1 January 2018. Aktia follows up development of the new standard, evaluating its impact on financial reporting on an ongoing basis.

Calculation of capital adequacy

In the interim report the term ***Basel III*** refers to EU Regulation No 575/2013 and supplementary regulation issued by European and National supervisory authorities.

Note 2. Group's segment reporting

Income statement	**Banking Business**		**Asset Management & Life Insurance**		**Miscellaneous**		**Eliminations**		**Group total**	
(EUR million)	**1-6/2014**	**1-6/2013**	**1-6/2014**	**1-6/2013**	**1-6/2014**	**1-6/2013**	**1-6/2014**	**1-6/2013**	**1-6/2014**	**1-6/2013**
Net interest income	51.1	58.6	0.0	0.0	0.1	-0.3	0.1	0.1	51.4	58.4
Net commission income	30.7	28.2	10.3	9.4	2.4	2.7	-5.0	-4.8	38.4	35.5
Net income from life insurance	-	-	11.5	12.2	-	-	1.1	0.9	12.6	13.1
Other income	5.3	3.4	0.0	0.0	2.8	3.1	-0.1	-0.4	8.0	6.2
Total operating income	**87.2**	**90.2**	**21.8**	**21.7**	**5.4**	**5.5**	**-3.8**	**-4.1**	**110.5**	**113.2**
Staff costs	-18.2	-19.7	-5.2	-5.3	-11.4	-12.7	-0.3	-0.4	-35.1	-38.0
IT-expenses	-6.5	-7.4	-0.9	-0.9	-5.5	-5.6	-	-	-12.9	-14.0
Depreciation of tangible and intangible assets	-0.9	-0.9	-0.5	-0.5	-2.2	-2.0	-	-	-3.6	-3.4
Other expenses	-32.6	-33.5	-4.6	-4.7	12.8	12.7	3.7	4.1	-20.7	-21.3
Total operating expenses	**-58.2**	**-61.5**	**-11.3**	**-11.3**	**-6.3**	**-7.7**	**3.4**	**3.7**	**-72.3**	**-76.8**
Write-downs on credits and other commitments	-1.2	-1.5	-	-	-	-	-	-	-1.2	-1.5
Share of profit from associated companies	-	-	-	-	-	-	1.5	-0.3	1.5	-0.3
Operating profit	**27.8**	**27.2**	**10.5**	**10.4**	**-0.9**	**-2.2**	**1.0**	**-0.8**	**38.4**	**34.6**

Balance sheet	**Banking Business**		**Asset Management & Life Insurance**		**Miscellaneous**		**Eliminations**		**Group total**	
(EUR million)	**30.6.2014**	**31.12.2013**	**30.6.2014**	**31.12.2013**	**30.6.2014**	**31.12.2013**	**30.6.2014**	**31.3.2013**	**30.6.2014**	**31.12.2013**
Cash and balances with central banks	358.0	413.2	0.0	1.1	-	-	-	-	358.0	414.3
Financial assets reported at fair value via the income statement	-	0.1	-	-	-	-	-	-	-	0.1
Financial assets available for sale	1,899.7	1,688.2	546.6	578.0	0.8	2.9	-6.1	-12.7	2,441.0	2,256.5
Financial assets held until maturity	495.7	499.3	-	-	-	-	-	-	495.7	499.3
Loans and other receivables	6,689.9	6,891.2	26.3	26.7	-3.3	6.8	-25.5	-27.3	6,687.4	6,897.3
Investments for unit-linked provisions	-	-	500.5	465.9	-	-	-	-	500.5	465.9
Other assets	265.5	256.2	82.2	82.6	214.2	199.1	-134.1	-137.4	427.8	400.4
Total assets	**9,708.7**	**9,748.2**	**1,155.6**	**1,154.3**	**211.7**	**208.7**	**-165.6**	**-177.4**	**10,910.4**	**10,933.8**
Deposits	5,017.3	4,920.9	-	-	-	-	-26.1	-27.9	4,991.1	4,893.0
Debt securities issued	3,553.8	3,670.6	-	-	-	-	-6.1	-12.7	3,547.7	3,657.9
Technical provision for insurance business	-	-	994.3	965.4	-	-	-	-	994.3	965.4
Other liabilities	625.3	679.6	33.2	30.0	62.0	71.0	-4.2	-4.8	716.2	775.8
Total liabilities	**9,196.3**	**9,271.1**	**1,027.5**	**995.4**	**62.0**	**71.0**	**-36.4**	**-45.3**	**10,249.3**	**10,292.1**

Note 3. Derivatives and off-balance sheet commitments

Hedging derivative instruments (EUR million)

30.6.2014	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,951.0	96.7	14.9
Total	**2,951.0**	**96.7**	**14.9**
Cash flow hedging			
Interest rate-related	300.0	1.0	-
Total	**300.0**	**1.0**	**-**
Derivative instruments valued via the income statement			
Interest rate-related *)	2,953.0	106.8	106.1
Currency-related	38.8	0.1	0.1
Equity-related **)	47.9	2.5	2.5
Other derivative instruments **)	11.7	-	-
Total	**3,051.4**	**109.4**	**108.7**
Total derivative instruments			
Interest rate-related	6,204.0	204.5	121.0
Currency-related	38.8	0.1	0.1
Equity-related	47.9	2.5	2.5
Other derivative instruments	11.7	-	-
Total	**6,302.4**	**207.2**	**123.6**

Hedging derivative instruments (EUR million)

31.12.2013	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	3,090.0	89.4	21.4
Total	**3,090.0**	**89.4**	**21.4**
Cash flow hedging			
Interest rate-related	300.0	0.2	-
Total	**300.0**	**0.2**	**-**
Derivative instruments valued via the income statement			
Interest rate-related *)	3,505.4	104.3	103.6
Currency-related	36.1	0.2	0.1
Equity-related **)	55.3	3.6	3.6
Other derivative instruments **)	20.8	-	-
Total	**3,617.5**	**108.0**	**107.2**
Total derivative instruments			
Interest rate-related	6,895.4	193.9	124.9
Currency-related	36.1	0.2	0.1
Equity-related	55.3	3.6	3.6
Other derivative instruments	20.8	-	-
Total	**7,007.5**	**197.6**	**128.6**

*) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 2,904.0 (3,446.0) million.
**) All equity-related and other derivative instruments relate to the hedging of structured debt products.

Off-balance sheet commitments

(EUR million)	30.6.2014	31.12.2013	30.6.2013
Commitments provided to a third party on behalf of the customers			
Guarantees	28.5	31.8	33.5
Other commitments provided to a third party	3.0	2.9	2.4
Irrevocable commitments provided on behalf of customers			
Unused credit arrangements	365.0	354.3	293.8
Other commitments provided to a third party	1.7	2.2	2.5
Off-balance sheet commitments	**398.3**	**391.3**	**332.2**

Note 4. Group's risk exposure

The Bank Group's Capital Adequacy

The Bank Group comprises Aktia Bank plc and all its subsidiaries except Aktia Life Insurance Ltd and the associated company Folksam Non-Life Insurance Ltd, and forms a consolidated group in accordance with regulations pertaining to capital adequacy.

(EUR million)

Calculation of the Bank Group's capital base	30.6.2014 Group	30.6.2014 The Bank Group	31.3.2014 Group	31.3.2014 The Bank Group
Total assets	**10,910.4**	**9,835.5**	**10,855.7**	**9,819.7**
of which intangible assets	27.2	24.9	24.0	21.5
Total liabilities	**10,249.3**	**9,251.2**	**10,222.4**	**9,250.7**
of which subordinated liabilities	218.0	218.0	227.7	227.7
Share capital	163.0	163.0	163.0	163.0
Fund at fair value	97.8	44.1	88.2	43.9
Other restricted equity	0.3	0.3	0.3	0.3
Total restricted equity	261.1	207.4	251.5	207.2
Unrestricted equity reserve and other funds	116.4	116.4	129.6	129.6
Retained earnings	188.2	121.1	174.8	107.7
Profit for the reporting period	30.7	74.7	13.1	60.2
Unrestricted equity	335.4	312.2	317.5	297.5
Shareholders' share of equity	596.5	519.7	569.0	504.7
Non-controlling interest's share of equity	64.6	64.6	64.3	64.3
Equity	**661.0**	**584.2**	**633.3**	**569.0**
Total liabilities and equity	**10,910.4**	**9,835.5**	**10,855.7**	**9,819.7**
Off-balance sheet commitments	**398.3**	**396.6**	**403.0**	**400.7**
Equity in the Banking Group		**584.2**		**569.0**
Provision for dividends to shareholders		-19.1		-8.1
Intangible assets		-24.9		-21.5
Share of non-controlling interest of equity		-5.9		-4.9
Debentures		96.3		89.8
Other		-1.2		-2.7
Total capital base (CET1 + AT1 + T2)		**629.4**		**621.7**

The Bank Group

(EUR million)	30.6.2014 Basel III	31.3.2014 Basel III	31.12.2013 Basel III	31.12.2013 Basel II
Common Equity Tier 1 Capital before regulatory adjustments	556.2	552.5	499.0	
Common Equity Tier 1 Capital regulatory adjustments	-68.6	-65.2	-60.0	
Common Equity Tier 1 Capital total	**487.6**	**487.4**	**439.0**	
Additional TIER 1 capital before regulatory adjustments	1.3	1.5	1.6	
Additional TIER 1 capital regulatory adjustments	-	-	-	
Additional TIER 1 capital after regulatory adjustments	**1.3**	**1.5**	**1.6**	
TIER 1 capital total	**488.9**	**488.9**	**440.6**	**427.5**
TIER 2 capital before regulatory adjustments	98.0	91.8	84.8	
TIER 2 capital regulatory adjustments	42.5	41.0	37.8	
TIER 2 capital total	**140.5**	**132.8**	**122.6**	**241.7**
OWN FUNDS TOTAL	**629.4**	**621.7**	**563.2**	**669.2**
Risk weighted exposures total	**3,539.5**	**3,592.0**	**3,628.5**	**3,463.5**
of which Credit risk	3,170.2	3,224.4	3,260.8	3,095.8
of which Market risk	-	-	-	-
of which Operational risk	369.3	367.7	367.7	367.7
CET1 Capital ratio	13.8%	13.6%	12.1%	
T1 Capital ratio	13.8%	13.6%	12.1%	12.3%
Total capital ratio	17.8%	17.3%	15.5%	19.3%

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

Risk-weighted amount for operational risks

(EUR million)

Year	2011	2012*	2013*	6/2014	3/2014	12/2013
Gross income	199.8	196.5	194.6			
- average 3 years			197.0			
Capital requirement for operational risk				**29.5**	**29.4**	**29.4**
Risk-weighted amount				**369.3**	**367.7**	**367.7**

* Recalculated after the conveyance of the bank business operations of Vöyrin Säästöpankki to Aktia Bank plc.

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 finance and insurance conglomerate's capital adequacy

The finance and insurance conglomerate's capital adequacy	30.6.2014 Basel III	31.3.2014 Basel III	31.12.2013 Basel III	(EUR million) 31.12.2013 Basel II
Summary				
The Group's equity	661.0	633.3	641.7	641.7
Sector-specific assets	96.3	89.8	82.6	223.5
Intangible assets and other reduction items	-115.5	-79.7	-86.7	-237.4
Conglomerate´s total capital base	**641.8**	**643.4**	**637.7**	**627.8**
Capital requirement for banking business	272.7	279.1	279.9	277.1
Capital requirement for insurance business	39.2	39.2	39.0	39.0
Minimum amount for capital base	**311.9**	**318.4**	**318.9**	**316.1**
Conglomerate´s capital adequacy	**329.9**	**325.1**	**318.8**	**311.7**
Capital adequacy ratio, %	205.7%	202.1%	199.9%	198.6%

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

Note 5. Financial assets and liabilities

Fair value of financial assets and liabilities

	30.6.2014		31.12.2013	
Financial assets (EUR million)	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	358.0	358.0	414.3	414.3
Financial assets reported at fair value via the income statement	-	-	0.1	0.1
Financial assets available for sale	2,441.0	2,441.0	2,256.5	2,256.5
Financial assets held until maturity	495.7	507.8	499.3	498.7
Derivative instruments	207.2	207.2	197.6	197.6
Loans and other receivables	6,687.4	6,545.9	6,897.3	6,698.8
Total	**10,189.2**	**10,059.8**	**10,265.2**	**10,066.1**

	30.6.2014		31.12.2013	
Financial liabilities (EUR million)	**Book value**	**Fair value**	**Book value**	**Fair value**
Deposits	4,991.1	4,931.8	4,893.0	4,825.1
Derivative instruments	123.6	123.6	128.6	128.6
Debt securities issued	3,547.7	3,573.0	3,657.9	3,707.7
Subordinated liabilities	218.0	223.1	232.2	237.2
Other liabilities to credit institutions	116.3	122.9	123.5	128.9
Other liabilities to the public and public sector entities	84.0	84.0	92.4	92.3
Total	**9,080.8**	**9,058.4**	**9,127.6**	**9,119.9**

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.

	30.6.2014				31.12.2013			
	Fair value classified into				Fair value classified into			
Financial instruments measured at fair value (EUR million)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued via the income statement								
Interest-bearing securities	-	-	-	-	-	-	0.1	0.1
Shares and participations	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Financial assets available for sale								
Interest-bearing securities	2,035.5	221.9	99.7	2,357.1	1,920.6	189.1	47.3	2,157.0
Shares and participations	34.2	-	49.7	83.9	45.7	-	53.8	99.5
Total	**2,069.7**	**221.9**	**149.4**	**2,441.0**	**1,966.4**	**189.1**	**101.1**	**2,256.5**
Derivative instrument, net	0.0	83.6	-	83.5	0.0	69.0	-	69.0
Totalt	**0.0**	**83.6**	**-**	**83.5**	**0.0**	**69.0**	**-**	**69.0**
Total	**2,069.6**	**305.5**	**149.4**	**2,524.5**	**1,966.4**	**258.0**	**101.2**	**2,325.6**

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the reporting period no transfers between level 1 and level 2 has occurred. The increase in level 2 is purely due to increased business volumes.

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 via the income statement			Financial assets available for sale			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1.1.2014	0.1	-	**0.1**	47.3	53.8	**101.1**	47.4	53.8	**101.2**
New purchases	-	-	**-**	55.0	-	**55.0**	55.0	-	**55.0**
Sales	-0.1	-	**-0.1**	-0.3	-2.5	**-2.8**	-0.4	-2.5	**-2.9**
Matured during the year	-	-	**-**	-0.9	-	**-0.9**	-0.9	-	**-0.9**
Realised value change in the income statement	-	-	**-**	0.0	-0.9	**-0.9**	0.0	-0.9	**-0.9**
Unrealised value change in the income statement	-	-	**-**	0.0	-	**0.0**	0.0	-	**0.0**
Value change recognised in the total comprehensive income	-	-	**-**	-	-0.6	**-0.6**	-	-0.6	**-0.6**
Transfer from level 1 and 2	-	-	**-**	-	-	**-**	-	-	**-**
Transfer to level 1 and 2	-	-	**-**	-1.5	-	**-1.5**	-1.5	-	**-1.5**
Carrying amount 30.6.2014	**-**	**-**	**-**	**99.7**	**49.7**	**149.4**	**99.7**	**49.7**	**149.4**

Transfers from level 1 and 2 refer to bonds issued by Finnish municipalities which were earlier reported under level 2. The transfer to level 3 is due to the illiquidity these bonds face on the market.

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%, with exception for Suomen Luotto-osuuskunta, which is valued based on its lowest estimated value of the return of capital after the sale of its subsidiary Nets Oy (previously known as Luottokunta). These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.1 (1.9)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	30.6.2014 Effect at an assumed movement			31.12.2013 Effect at an assumed movement		
	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets valued via the income statement						
Interest-bearing securities	-	-	-	0.1	0.0	0.0
Shares and participations	-	-	-	-	-	-
Total	**-**	**-**	**-**	**0.1**	**0.0**	**0.0**
Financial assets available for sale						
Interest-bearing securities	99.7	3.0	-3.0	47.3	1.4	-1.4
Shares and participations	49.7	9.9	-9.9	53.8	10.3	-10.3
Total	**149.4**	**12.9**	**-12.9**	**101.1**	**11.7**	**-11.7**
Total	**149.4**	**12.9**	**-12.9**	**101.2**	**11.8**	**-11.8**

Set off of financial assets and liabilities

	Assets		Liabilities	
(EUR million)	**30.6.2014**	**31.12.2013**	**30.6.2014**	**31.12.2013**
Financial assets and liabilities included in general agreements on set off or similar agreements				
Derivative instruments, gross amount	207.2	197.6	123.6	128.6
Set off amount	-	-	-	-
Value recorded in the balance sheet	**207.2**	**197.6**	**123.6**	**128.6**
Amount not set off but included in general agreements on set off or similar				
Derivative instruments	26.0	26.6	26.0	26.6
Collateral assets and liabilities	174.4	173.2	60.7	67.1
Total amount of sums not set off in the balance sheet	**200.3**	**199.8**	**86.7**	**93.6**
Net	**6.8**	**-2.2**	**37.0**	**35.0**

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 in normal business as well as in the events of default or bankruptcy.

Note 6. Net interest income

(EUR million)	**1-6/2014**	**1-6/2013**	**Δ %**	**2013**
Deposits and lending	21.7	20.4	7%	41.2
Hedging, interest rate risk management	18.5	22.0	-16%	44.0
Other	11.1	16.0	-30%	27.5
Net interest income	**51.4**	**58.4**	**-12%**	**112.6**

The impact of fixed rate investments is divided into two components consisting of interest rate risk and credit risk. The interest rate risk component is included in Hedging of interest rate risk whereas the credit risk component is booked as a part of Other net interest income.

Note 7. Gross loans and write-downs

(EUR million)	**30.6.2014**	**31.3.2014**	**31.12.2013**	**30.9.2013**	**30.6.2013**
Gross loans	6,662.7	6,757.1	6,867.2	6,911.5	7,050.3
Individual write-downs	-54.3	-54.1	-55.4	-51.6	-51.0
Of which made to non-performing loans past due at least 90 days	-39.6	-40.1	-40.5	-40.7	-40.1
Of which made to other loans	-14.7	-14.1	-15.0	-10.9	-10.9
Write-downs by group	-10.1	-10.0	-9.6	-14.1	-14.5
Net loans, balance amount	**6,598.3**	**6,693.0**	**6,802.2**	**6,845.8**	**6,984.9**

Note 8. Net income from life insurance

(EUR million)	**1-6/2014**	**1-6/2013**	**Δ %**	**2013**
Premiums written	56.8	83.3	-32%	140.0
Net income from investments	13.0	14.4	-10%	27.2
Insurance claims paid	-50.1	-41.4	-21%	-81.0
Net change in technical provisions	-7.0	-43.1	84%	-58.2
Net income from life insurance	**12.6**	**13.1**	**-4%**	**28.1**

Helsinki 5 August 2014

AKTIA BANK PLC

The Board of Directors

TRANSLATION

Report on review of the interim report of Aktia Bank p.l.c. as of and for the six months period ending June 30, 2014

To the Board of Directors of Aktia Bank p.l.c.

Introduction

We have reviewed the consolidated balance sheet as of 30 June 2014, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement of Aktia Bank p.l.c. for the six-month period then ended, as well as a summary of significant accounting policies and other explanatory notes to the financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report does not give a true and fair view of the consolidated financial position as at 30 June 2014 and the consolidated result of its operations and cash flows for the six-month period then ended, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki 5 August 2014

KPMG Oy Ab

Jari Härmälä
Authorized Public Accountant

4 November 2014	Interim report Jan - Sep 2014
12 February 2015	Annual accounts announcement 2014
13 April 2015	Annual General Meeting 2015
8 May 2015	Interim report Jan - March 2015
11 August 2015	Interim report Jan - June 2015
17 November 2015	Interim report Jan - Sep 2015

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