Aktia

AKTIA BANK PLC ACCOUNTS ANNOUNCEMENT JANUARY-DECEMBER 2014

STRONG RESULT, IRBA ENABLES FUTURE GROWTH

CEO JUSSI LAITINEN

"Aktia achieved a good result for the whole year, net commission income continued to grow throughout the year and costs decreased according to plan. Aktia's core banking project is progressing, but investment costs will be higher than planned due to increased costs for testing and prolonged parallel operation of the new and existing banking systems. The Finnish Financial Supervisory Authority granted Aktia permission to implement an internal method for risk classification (IRBA), further strengthening our good capital adequacy and enabling growth. Taking this into account, Aktia will present its new strategy and update its long-term objectives in spring 2015"

OCTOBER-DECEMBER 2014: OPERATING PROFIT EUR 12.6 (11.1) MILLION

- The Group's operating profit amounted to EUR 12.6 (11.1) million and profit for the period amounted to EUR 10.4 (11.9) million.
- Net commission income increased by 6% to EUR 18.9 (17.8) million. Net interest income (NII) amounted to EUR 25.3 (27.3) million.
- Earnings per share (EPS) stood at EUR 0.14 (0.18)

JANUARY-DECEMBER 2014: OPERATING PROFIT EUR 68.3 (65.4) MILLION

- The Group's operating profit amounted to EUR 68.3 (65.4) million and profit for the period amounted to EUR 55.0 (52.4) million.
- Net commission income increased by 6% to EUR 74.9 (70.7) million and borrowing increased to EUR 3,979 (3,797) million. Net interest income (NII) decreased to EUR 102.8 (112.6) million.
- Earnings per share (EPS) was EUR 0.79 (0.78).
- The Board of Directors proposes an increased dividend of EUR 0.48 (0.42) per share.
- According to the Basel III capital requirement the capital adequacy ratio stood at 19.0 (19.3**)% and the Core Tier 1 capital ratio at 14.5 (12.1**)%.
- Equity per share stood at EUR 9.39 (31 December 2013: 8.67).
- Write-downs on credits and other commitments decreased from the previous year amounting to EUR 1.7 (2.7) million.
- **OUTLOOK 2015 (new): Aktias operating profit for 2015 is expected to reach a similar level as 2014.**

KEY FIGURES (EUR million)	10-12/2014	10-12/2013	Δ %	2014	2013	Δ %	7-9/2014	4-6/2014	1-3/2014
Net interest income	25.3	27.3	-7%	102.8	112.6	-9%	26.1	25.9	25.4
Net commission income	18.9	17.8	6%	74.9	70.7	6%	17.6	19.6	18.8
Total operating income	51.7	57.3	-10%	212.3	224.2	-5%	50.1	58.4	52.0
Total operating expenses	-39.3	-45.9	-14%	-144.5	-157.2	-8%	-32.8	-36.2	-36.1
Write-downs on credits and other commitments	0.0	-1.1	-98%	-1.7	-2.7	-37%	-0.5	-0.8	-0.4
Operating profit	12.6	11.1	13%	68.3	65.4	4%	17.3	22.0	16.4
Cost-to-income ratio	0.78	0.87	-10%	0.71	0.72	-1%	0.69	0.64	0.72
Earnings per share (EPS), EUR	0.14	0.18	-23%	0.79	0.78	1%	0.19	0.27	0.20
Equity per share (NAV)[1], EUR	9.39	8.67	8%	9.39	8.67	8%	9.27	8.96	8.55
Return on equity (ROE), %	6.0	7.5	-19%	8.3	8.1	2%	8.1	11.1	8.2
Core Tier 1 capital ratio[1], % *	14.6	12.1	20%	14.6	12.1	20%	14.2	13.8	13.6
Capital adequacy ratio[1], % **	19.1	19.3	-1%	19.1	19.3	-1%	18.4	17.8	17.3
Tier 1 capital ratio[1], % **	14.6	12.3	18%	14.6	12.3	18%	14.2	13.8	13.6
Write-downs on credits / total credit stock, %	0.00	0.02	-100%	0.03	0.04	-25%	0.01	0.01	0.01

1) At the end of the period.

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

The Accounts Announcement January-December 2014 is a translation of the original Swedish version "Bokslutskommuniké 1.1-31.12.2014". In case of discrepancies, the Swedish version shall prevail.

PROFIT
October-December 2014

Profit October - December 2014

The Group's operating profit was EUR 12.6 (11.1) million.

Income

Total Group income decreased by 10% to EUR 51.7 (57.3) million.

Net interest income from the bank's borrowing and lending operations increased to EUR 13.0 (11.2) million and the total net interest income was EUR 25.3 (27.3) 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 8.1 million, EUR 2.7 million less than in the previous year. Net interest income from other treasury operations was EUR 4.2 (5.3) million.

Net commission income increased by 6% to EUR 18.9 (17.8) million. Commission income was EUR 21.4 (20.6) million. Card and other payment service commissions rose to EUR 4.9 (4.8) million.

Net income from life insurance was EUR 5.6 (8.4) million. Net income from the insurance business includes premiums written, net income from investment activities, insurance claims paid and the change in technical provisions. Investment activities were burdened in the fourth quarter by an impairment of real estate properties, funds and alternative investments shown in the income statement.

The net income from financial transactions was EUR 1.0 (2.5) million. Net income from financial assets available for sale was EUR 0.5 (1.8) million. Net income from hedge accounting was EUR 0.5 (0.6) million.

Other operating income decreased to EUR 0.9 (1.3) million.

Expenses

Group operating expenses decreased by 14% to EUR 39.3 (45.9) million. Of this, staff costs amounted to EUR 18.6 (23.1) million. IT costs increased to EUR 7.0 (6.4) million, as a result of the core banking project among other things.

Other operating expenses decreased by 20% to EUR 11.8 (14.7) million. The comparison period in 2013 included non-recurring staff costs of EUR 3.4 million and non-recurring operating expenses of EUR 2.4 million.

Segment overview

Group operating profit by segment

(EUR million)	10-12/2014	10-12/2013	Δ %
Banking Business	10.5	9.9	6 %
Asset Management & Life Insurance	5.7	7.1	-21 %
Miscellaneous	-2.9	-6.6	56 %
Eliminations	-0.8	0.7	-
Total	**12.6**	**11.1**	**13 %**

Earnings in the segment Banking Business improved from the previous year, as smaller write-downs of credits compensated the effect of lower income. Earnings in the segment Asset Management & Life Insurance are explained by lower earnings from the investment activities of Life Insurance. Improved earnings of the Miscellaneous segment are related to non-recurring costs in 2013.

ACTIVITY IN January-December 2014

Business environment

The general interest rate level remained low for the whole of 2014. This 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 stood at 0.5% in December compared with the same period the previous year when it was 1.6%.

In December, the consumer confidence index was lower than a year ago at 4.4 (7.2). In October, the index stood at 0.4 (3.8), and in November, at 2.6 (6.4). The long-time average is 11.9 ***(Statistics Finland).***

In December 2014, housing prices in Finland decreased by 1.0% on the previous year. In the Helsinki region, prices decreased by 0.5% and in the rest of Finland by 1.5% ***(Statistics Finland).***

Unemployment increased to 8.8% in December, and was 0.9 percentage points higher than in the previous year ***(Statistics Finland).***

The OMX Helsinki 25-index increased by approximately 6% and the Nordic banking sector by 8% during 2014. During the same period, the price of Aktia's series A share increased by approximately 21%.

Key figures Y-o-y	**2016***	**2015E***	**2014**
GDP growth, %			
World	3.8	3.6	3.3
Euro area	1.5	1.0	0.7
Finland	1.3	0.3	-0.3
Consumer price index, %			
Euro area	0.5	-0.5	0.4
Finland	1.0	0.2	1.0
Other key ratios, %			
Development of real value of housing in Finland[1]	-1.5	-1.5	-1.6
Unemployment in Finland[1]	8.7	8.9	8.6
OMX Helsinki 25	-	-	6.2
Interest rates[2], %			
ECB	0.05	0.05	0.05
10-y Interest Ger (=benchmark)	1.20	0.70	0.80
Euribor 12 months	0.50	0.30	0.33
Euribor 3 months	0.06	0.06	0.08

* Aktia's chief economist's prognosis (19 January 2015)
[1]annual average
[2]at the end of the year

IRBA

The Finnish Financial Supervisory Authority has on 10 February 2015 granted Aktia Bank Group permission to implement an internal method (IRBA) for calculating the capital requirements for exposure to households as from 31 March 2015.

IRBA enables closer risk assessment, strengthening the Bank Group's capital adequacy due to good credit quality of household exposures.

The IRBA method would have had a positive effect of 4-5 percentage points on the Bank Group's Core Tier 1 capital ratio (CET1) at year-end 2014. Aktia's Core Tier 1 ratio 31 December 2014 stood at 14.6%.

The work continues on migration to internal models for exposure to companies and financial institutions.

Core banking system project

Aktia's core banking system project, initiated in November 2013, has proceeded to the testing stage. The investment in the core banking system is estimated to approximately EUR 40 million (previously EUR 30 million). The increase is due to higher costs for testing and longer parallel operation of the new and the existing banking systems.

Commissioning of the new core banking system is scheduled to the last quarter of 2015. The annual savings achieved with the new core banking platform are estimated to be approximately EUR 5 million for the IT costs alone. The new core banking system will facilitate quicker customer service processes, thus improving efficiency. The process improvements brought by the new core banking system will gradually materialise in 2016.

The total cumulative investment amounted to EUR 24.3 (6.8) at the end of 2014.

Rating

On 22 October 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 3 November 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 Basel III reform in the EU, through the Capital Requirements Regulation (CRR), and the CRD IV regulation, were implemented in Finnish law during the year. This meant changes to the form and content of all regulatory reporting.

Taking transitional provisions and exemptions concerning the bank's 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 is 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 - December 2014

The Group's operating profit was EUR 68.3 (65.4) million. The Group's profit was EUR 55.0 (52.4) million.

Income

Total Group income decreased to EUR 212.3 (224.2) million as a result of lower net interest income and lower net income from life insurance.

As a consequence of the continued low level of interest rates, net interest income decreased to EUR 102.8 (112.6) million. Net interest income from traditional borrowing and lending operations improved by 15% to EUR 47.2 (41.2) million, while income 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 35.0 (44.0) million.

Net commission income increased by 6% to EUR 74.9 (70.7) million. Commission income from mutual funds, asset management and securities brokerage was EUR 39.4 (38.5) million. Card and other payment service commissions rose by 10% to EUR 20.4 (18.5) million.

Net income from life insurance was EUR 24.0 (28.1) million. The actuarially calculated result has developed positively, while the net income from investments decreased due to an impairment of real estate properties, funds and alternative investments shown in the income statement.

Net income from financial transactions amounted to EUR 7.3 (8.3) million. The figure includes a dividend from Suomen Luotto-osuuskunta of EUR 2.4 (2.8) million. Net income from hedge accounting was EUR 0.2 (0.1) million.

Other operating income stood at EUR 3.1 (3.8) million.

Expenses

Operating expenses decreased and stood at EUR 144.5 (157.2) million.

As a result of measures taken within the Action Plan 2015, Group operating expenses decreased by 8%. Staff costs decreased by 11% to EUR 69.5 (77.7) million. When the non-recurring costs of 2013 are taken into account, the comparable decrease of expenses was 5%.

IT-expenses decreased to EUR 26.3 (27.3) million, mainly due to somewhat lower costs from the IT supplier Samlink.

Other operating expenses decreased to EUR 41.3 (45.5) million, mainly as a result of lower rental and office expenses. Bank tax amounted to EUR 3.1 (2.8) million of the other operating expenses.

The depreciation of tangible and intangible assets was EUR 7.3 (6.8) million.

Write-downs on credits and ither commitments

Write-downs on credits remained low. In 2014, write-downs on credits and other commitments were lower than in 2013 and amounted to EUR 1.7 (2.7) million. The lower level of credit losses is partly due to increased cancellations of earlier insurance loss provisions.

Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of December was EUR 10,707 (10,934) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 2,502 (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 10 (20) million.

At the end of December the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow of finance from the wholesale market for 34 months.

Borrowing

Deposits from the public and public sector entities increased to EUR 3,979 (3,797) million, corresponding to a market share of deposits of 3.9 (3.7) %.

In total the value of the Aktia Group's issued bonds was EUR 3,535 (3,658) million. Of these issued bonds, EUR 1,698 (2,305) million were covered bonds issued by the Aktia Real Estate Mortgage Bank. The equivalent amount for Aktia Bank was EUR 997 (498) million.

Certificates of deposit issued by Aktia Bank amounted to EUR 161 (314) million at the end of the year. During the period Aktia Bank issued new subordinated loans with a total value of EUR 64 million. During the year, Aktia Bank issued its second long-term Covered Bond with a value of EUR 500 million. As security for the CB issue, loans with a value of EUR 1,579 million were reserved at the end of December. 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	1,849	2,590
Other secured liabilities	11	33	44
Total	**752**	**1,882**	**2,634**

Unsecured Debts

(EUR million)	Under 1 year	Over 1 year	Total
Issued unsecured debts	231	559	790
Subordinated debts	53	169	223
Other unsecured liabilities	308	250	557
Total	**592**	**978**	**1,570**

Lending

Total Group lending to the public amounted to EUR 6,416 (6,802) million at the end of December, a decrease of EUR 386 million.

Loans to private households, including mortgages brokered by savings banks and POP Banks, accounted for EUR 5,697 (5,973) million or 88.8 (87.8)% of the total credit stock.

The housing loan stock totalled EUR 5,229 (5,521) million, of which the share for households was EUR 4,939 (5,191) million. At the end of December, Aktia's market share in housing loans to households stood at 4.1 (4.1)%.

Corporate lending accounted for 6.5 (8.0)% of Aktia's credit stock. Total corporate lending amounted to EUR 420 (541) million.

Loans to housing companies totalled EUR 251 (241) million and made up 3.9 (3.5)% of Aktia's total credit stock.

Credit stock by sector

(EUR million)	31.12.2014	31.12.2013	Δ	Share,%
Households	5,697	5,973	-276	88.8
Corporate	420	541	-121	6.5
Housing companies	251	241	10	3.9
Non-profit organisations	46	43	3	0.7
Public sector entities	2	4	-2	0.0
Total	**6,416**	**6,802**	**-386**	**100**

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 2,512 (2,424) million, the life insurance company's investment portfolio amounting to EUR 629 (661) million and the real estate and equity holdings of the banking business amounting to EUR 1 (7) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,025 (966) million, of which EUR 543 (462) million were unit-linked. Interest-related technical provisions decreased to EUR 482 (503) million.

Equity

Over the period, the Aktia Group's equity increased by EUR 49 million to EUR 691 (642) million.

Commitments

Off-balance sheet commitments, consisting of liquidity commitments to local banks, other loan promises and bank guarantees, decreased by EUR 70 million and amounted to EUR 322 (391) million.

Managed assets

The Group's total managed assets amounted to EUR 10,065 (9,456) million.

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

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

Managed assets

(EUR million)	31.12.2014	31.12.2013	Δ %
Assets under Management (AuM)	6,783	6,341	7%
Group financial assets	3,282	3,115	5%
Total	**10,065**	**9,456**	**6%**

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 19.1% according to Basel III requirements* (31 December 2013; 19.3, Basel II)%, the Tier 1 capital ratio was 14.6 (31 December 2013; 12.3, Basel II)% and the Core Tier 1 capital ratio was 14.6%.

Capital adequacy, %	31.12.2014 Basel III*	30.9.2014 Basel III*	31.12.2013 Basel III*
Bank Group			
CET1 Capital ratio	14.6	14.2	12.1
T1 Capital ratio	14.6	14.2	12.1
Total capital ratio	19.1	18.4	15.5
Aktia Bank			
CET1 Capital ratio	15.0	14.9	14.0
T1 Capital ratio	15.0	14.9	14.0
Total capital ratio	20.3	20.0	18.4
Aktia Real Estate Mortgage Bank			
CET1 Capital ratio	19.6	16.2	11.9
T1 Capital ratio	19.6	16.2	11.9
Total capital ratio	19.6	16.2	11.9

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

Capital adequacy for the banking business is calculated using the standard model for credit risk.

The life insurance company's solvency margin amounted to EUR 133.4 (99.0) million, where the minimum requirement is EUR 34.2 (34.3) million. The solvency ratio was 23.3 (17.5)%.

The capital adequacy ratio for the conglomerate amounted to 216.5 (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 was 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 was implemented through national legislation and entered 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 Supervisory 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 expired on 31 December 2014 and required that the holding in Aktia Life Insurance Ltd be included in the Bank Group's risk-weighted exposures at a risk weight 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 at 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)	1-12/2014	1-12/2013	Δ %
Banking Business	51.4	50.8	1%
Asset Management & Life Insurance	22.0	23.9	-8%
Miscellaneous	-4.8	-9.8	51%
Eliminations	-0.2	0.5	-
Total	**68.3**	**65.4**	**4%**

Banking Business

The segment Banking Business contributed EUR 51.4 (50.8) million to Group operating profit.

Operating income was EUR 169.3 (178.1) million, of which EUR 102.3 (113.9) million was net interest income. Compared to the previous year, net commission income increased to EUR 59.0 (55.5) 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 developed positively. Commissions from the real estate agency business decreased by 14% compared to the previous year to EUR 5.9 (6.9) million. Net income from financial assets available for sale was EUR 4.2 (4.6) million.

Operating expenses were lower than the year before and totalled EUR 116.2 (124.5) million. Staff costs decreased by 4% from EUR 37.6 million to EUR 35.9 million, and the IT-related costs decreased to EUR 13.8 (14.5) million. Other operating expenses decreased to EUR 64.7 (70.8) million as a result of lower rental and office expenses. All credit cards were renewed in 2013, which meant higher non-recurring costs than in 2014. In 2014, payments to the Deposit Guarantee Fund amounted to EUR 2.0 (1.8) million and the banking tax costs were EUR 3.1 (2.8) million.

Write-downs on credits and other commitments amounted to EUR 1.7 (2.7) million.

Aktia Private Banking, which offers comprehensive individual investment services and legal advice, increased its client base by approximately 20%. Private Banking's customer assets had by 31 December 2014 increased by approximately 12% and amounted to EUR 1,791 (1,597) million.

Total savings by households were approximately 5% higher than at the previous year's end at EUR 4,275 (4,060) million, of which household deposits made up EUR 3,054 (2,968) million and savings by households in mutual funds EUR 1,221 (1,092) million. Aktia's lending to private households, including the mortgages brokered by Aktia, amounted to EUR 4,357 (4,362) million. During the period, Aktia Real Estate Mortgage Bank's total lending decreased during the period by EUR 941 million and amounted to EUR 1,941 (2,882) million.

The number of Aktia Bank's Premium and Preferred Customers increased during the year and was 131,714 at the end of 2014. The market share of household lending increased to 3.9 (3.7) during 2014.

Kesko and Aktia 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 Bank plc and Vöyrin Säästöpankki implemented the transfer of Vöyrin Säästöpankki's banking business to Aktia Bank on 2 June 2014. In the conveyance nearly 4,100 customers, with credit and deposit stocks of EUR 32 million and EUR 56 million, were transferred to Aktia Banks Vöyri branch office.

Asset Management & Life Insurance

The segment Asset Management & Life Insurance contributed EUR 22.0 (23.9) million to Group operating profit.

Operating income for the segment was lower than in the previous year and stood at EUR 43.5 (45.8) million. The net commission income from asset management improved and was EUR 20.9 (19.7) million. Net income from life insurance decreased to EUR 21.5 (26.1) million. The actuarially calculated result developed positively, while the net income from investments for life insurance decreased.

Life insurance premiums written decreased by 11% compared to the previous year to EUR 125.1 (140.0) million. This decrease is attributable to unit-linked savings policies. The Aktia Profile investment service was responsible for 47 (57)% of premiums written.

Net income from life insurance investments shown in the income statement was EUR 19.5 (25.3) million. The decrease was the result of lower investment returns, impairment of real estate properties, funds and alternative investments shown in the income statement and lower sales gains in 2014 than the previous year. The return on the company's investments based on market value was 8.0 (1.0)%.

Operating expenses were lower than in the previous year and stood at EUR 21.6 (21.9) million. Staff costs amounted to EUR 9.8 (10.4) million. The expense ratio of the life insurance business improved and was 81.5 (88.3)%. This improvement depends both on lower costs and a higher 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 5,525 (5,192) million.

(EUR million)	31.12.2014	31.12.2013	Δ %
Aktia Fund Management	3,450	3,053	13%
Aktia Asset Management	7,496	7,295	3%
Aktia Life Insurance	545	466	17%
Eliminations	-5,966	-5,622	6%
Total	**5,525**	**5,192**	**6%**

Life insurance technical provisions totalled EUR 1,025 (966) million, of which allocations for unit-linked provisions were EUR 543 (462) million and interest-related provisions EUR 482 (503) million. Unit-linked provisions increased to 53 (48)% of total technical provisions. The average discount rate for the interest-linked technical provisions was 3.5%. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which is used for hedging future interest requirements.

All the companies in the segment had a capital adequacy that exceeded minimum regulatory requirements by a good margin.

Miscellaneous

The Miscellaneous segment contributed EUR -4.8 (-9.8) million to Group operating profit.

Miscellaneous includes some of the joint administrative functions within Aktia Bank plc 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 8.3 (7.6) million, and includes a dividend from Suomen Luotto-osuuskunta of EUR 2.4 (2.8) million. Net income from investment properties has decreased compared with 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 4.4 million to EUR 13.1 (17.5) million. Following cost saving measures in the autumn of 2013, staff costs have decreased to EUR 22.8 (29.0) million. IT-expenses for the segment decreased from the previous year and stood at EUR 10.7 (11.0) million. Of the provision in the 2012 annual accounts due to the renegotiation of service agreements associated with the change of core banking system, a total of EUR 2.8 million has been released in the period. At the end of December, the remaining share of the provision was EUR 3.5 (31 December 2013; 6.4) million.

The subsidiary Vasp-Invest Ltd made a pre-tax profit of EUR 0.1 (0.3) 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 46 (45) million, corresponding to 0.71 (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 0.56 (0.46)% of the entire credit stock and 0.63 (0.52)% of the household credit stock.

Loans with payments 3–30 days overdue increased to EUR 101 (114) million, equivalent to 1.57 (1.66)% of the credit stock. Loans with payments 31–89 days overdue increased to EUR 41 (34) million, or 0.63 (0.49)% of the credit stock.

Non-performing loans by time overdue

(EUR million)

Days	**31.12.2014**	**% of credit stock**	**31.12.2013**	**% of credit stock**
3 - 30	101	1.57	114	1.66
of which households	94	1.46	106	1.55
31 - 89	41	0.63	34	0.49
of which households	34	0.53	28	0.42
90-	46	0.71	45	0.66
of which households	36	0.56	31	0.46

Write-downs on credits and other commitments

Over the period total write-downs on credits and other commitments amounted to EUR 1.7 (2.7) million. Of these write-downs, EUR 1.9 (1.8) million were attributable to households, and EUR -0.2 (0.9) million to companies. The lower level of credit losses is partly due to increased cancellations of earlier loss provisions.

Total write-downs on credits amounted to 0.03 (0.04)% of total lending for the period. The share of write-downs on corporate loans in relation to corporate lending overall amounted to -0.04 (0.17)%.

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 84 million, and amounted to EUR 2,512 (2,428) million.

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

	31.12.2014	**31.12.2013**
(EUR million)	**2,512**	**2,424**
Aaa	50.9 %	52.9%
Aa1-Aa3	29.7 %	27.5%
A1-A3	13.5 %	15.2%
Baa1-Baa3	0.6 %	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)	5.3 %	3.0%
No rating	0.0 %	0.1%
Total	**100.0 %**	**100.0%**

At the end of the period, there were three covered bonds in the Bank Group's liquidity portfolio, with a total value of EUR 33 million, that did not meet the eligibility requirements for refinancing at the central bank. The credit rating of one of the bonds was Aaa, while the credit rating of the two other bonds was Aa1.

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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
EU-countries	**357**	**176**	**1,210**	**1,445**	**436**	**383**	**-**	**3**	**0**	**2**	**2,002**	**2,009**
Finland	149	79	239	305	50	64	-	3	-	2	**438**	**452**
Sweden	-	-	87	111	96	75	-	0	-	-	**183**	**187**
Denmark	-	-	27	7	-	-	-	-	-	-	**27**	**8**
Germany	48	-	10	20	3	6	-	-	-	-	**61**	**26**
France	66	66	195	223	133	96	-	-	-	-	**393**	**385**
United Kingdom	-	-	320	368	25	29	-	-	-	-	**346**	**397**
Netherlands	25	-	208	212	129	113	-	-	-	-	**363**	**325**
Austria	26	11	95	151	-	-	-	-	-	-	**121**	**163**
Belgium	42	20	-	-	-	-	-	-	-	-	**42**	**20**
Greece	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Ireland	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Italy	-	-	27	47	-	-	-	-	-	-	**27**	**47**
Portugal	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	**-**	**-**	**248**	**234**	**10**	**12**	**-**	**-**	**-**	**-**	**258**	**246**
North America	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**12**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**240**	**161**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**240**	**161**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**596**	**337**	**1,469**	**1,690**	**446**	**395**	**-**	**4**	**0**	**2**	**2,512**	**2,428**

Group investments in GIIPS countries

The Group's investments in the so-called GIIPS countries decreased during the period by EUR 25 million, and as of 31 December 2014 totalled EUR 34 (59) million. The total unrealised result amounted to EUR 2.7 (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 during the period.

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

Other market risks within the banking business

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

At the end of the year, real estate holdings amounted to EUR 0.1 (0.1) million and investments in shares necessary for the business as well as the investments in shares amounted to EUR 0.9 (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 629 (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 57 (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 7 (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)

	31.12.2014	31.12.2013
(EUR million)	**460**	**493**
Aaa	59.6 %	55.4 %
Aa1-Aa3	18.4 %	19.2 %
A1-A3	9.4 %	13.9 %
Baa1-Baa3	4.3 %	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	7.8 %	5.5 %
Total	**100.0 %**	**100.0 %**

Life Insurance company's geopolitical and instrument type distribution

	Government and Govt. guaranteed		Covered Bonds		Financial insti-tutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Equity instruments		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
EU-countries	**146**	**166**	**198**	**207**	**76**	**64**	**66**	**69**	**86**	**102**	**16**	**7**	**-**	**-**	**589**	**617**
Finland	35	34	6	15	44	33	53	46	86	102	15	7	-	-	240	237
Sweden	-	-	-	-	8	7	-	2	-	-	0	1	-	-	9	9
Denmark	-	-	20	18	-	-	2	2	-	-	-	-	-	-	22	21
Germany	17	23	-	-	-	2	4	7	-	-		-	-	-	21	33
France	46	63	88	82	6	6	3	3	-	-	-	-	-	-	143	154
United Kingdom	-	-	37	37	4	4	1	1	-	-	-	-	-	-	43	42
Netherlands	23	24	37	34	13	12	1	7	-	-	-	-	-	-	74	77
Austria	23	20	6	11	-	-	-	-	-	-	-	-	-	-	30	31
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	2	2	-	-	2	2	-	-	-	-	-	-	5	4
Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	2	7	-	-	-	-	-	-	-	-	-	-	2	7
Other countries	1	2	-	-	-	-	0	-1	-	-	-	-	-	-	1	1
Europe excluding EU	**1**	**3**	**-**	**-**	**6**	**6**	**2**	**5**	**-**	**-**	**0**	**0**	**-**	**-**	**9**	**14**
North America	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**4**	**-**	**-**	**0**	**0**	**-**	**-**	**3**	**4**
Other OECD-countries	**6**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**6**
Supranationals	**5**	**5**		**-**		**-**		**-**	**-**	**-**		**-**	**-**	**-**	**5**	**5**
Others	**17**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**15**
Total	**176**	**195**	**198**	**207**	**82**	**70**	**71**	**78**	**86**	**102**	**16**	**8**	**-**	**-**	**629**	**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 -3.7 (-1.3) million, attributable to permanent reductions in the value of real estate funds and small private equity holdings.

Write-downs on financial assets

(EUR million)	1-12/2014	1-12/2013
Interest-bearing securities		
Banking Business	-	-
Life Insurance Business	-	-
Shares and participations		
Banking Business	-0.3	-
Life Insurance Business	-3.4	-1.3
Total	**-3.7**	**-1.3**

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 104.1 (81.1) million after deferred tax.

Cash flow hedging, which comprises of unwound derivative contracts that have been acquired for the purposes of hedging the banking business' net interest income, amounted to EUR 0.2 (4.6) million.

The fund at fair value

(EUR million)	31.12.2014	31.12.2013	Δ
Shares and participations			
Banking Business	0.0	1.7	-1.7
Life Insurance Business	4.0	2.0	2.0
Direct interest-bearing securities			
Banking Business	40.5	36.0	4.5
Life Insurance Business	57.1	36.9	20.3
Share of Non-Life insurance's fund at fair value	2.3	-0,1	2.4
Cash flow hedging	0.2	4.6	-4.4
Fund at fair value, total	**104.1**	**81.1**	**22.9**

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consists 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 31 December 2014, amounted to EUR 489 (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 year.

Events concerning close relations

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

No significant changes concerning close relations occurred during the year.

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.

- Aktia's core banking system will be renewed in consultation with the external IT suppliers Temenos and Emric. The new core banking platform is planned to be taken into operation at the end of 2015 and migration will take place in consultation with the existing IT supplier Samlink. The investment in the core banking system is estimated to approximately EUR 40 million (previously EUR 30 million). The increase is due to higher costs for testing and longer parallel operation of the new and the existing banking systems. The annual cost savings are still expected to be approximately EUR 5 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 of 2014, 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, and this will result in an annual cost saving of EUR 5–6 million.

- Aktia decided in 2012 to discontinue its services as a central financial institution from the beginning of 2015. Most of the services were discontinued in connection with the discontinuation of the Savings Banks' payment traffic services in November 2014. The payment traffic services of POP Banks ceased on 7 February 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 and the subsidiary Aktia Invest merged with Aktia Asset Management in 2014.

- The Finnish Financial Supervisory Authority has on 10 February 2015 granted Aktia Bank Group permission to implement an internal method (IRBA) for calculating the capital requirements for exposure to households as from 31 March 2015.

- The Action Plan 2015 measures still to be implemented are the renewal of core banking system, continued unwinding of Aktia Real Estate Mortgage Bank Plc and the process improvements that the new core banking system will bring.

Other events during the year

Deputy Managing Director Taru Narvanmaa was appointed Managing Director's alternate on 1 January 2015. Her predecessor Deputy Managing Director Jarl Sved retired on 31 December 2014.

During the autumn, Aktia Bank acquired 130,000 of its own A shares in compliance with the resolution of the AG. The shares will be used for the company's share-based incentive scheme and/or for the remuneration of members of the company's governing bodies.

On 3 November 2014, Aktia Bank lowered its Prime interest rate to 1.0 (1.25)%.

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

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

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

The merger of Aktia Bank plc and Vöyrin Säästöpankki was implemented on 30 May 2014.

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. The restructuring was completed on 1 October 2014.

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. Stefan Björkman left Aktia on 2 February 2014.

Events after year-end

The Finnish Financial Supervisory Authority has on 10 February 2015 granted Aktia Bank Group permission to implement an internal method (IRBA) for calculating requirements for exposure to households as from 31 March 2015. Aktia has decided to implement IRBA as of the Interim Report 1 January - 31 March 2015.

Aktia Bank plc has divested 39,244 Series A treasury shares as payment of deferred instalments under Share Incentive Scheme 2011, earning period 2011–2012 and earning period 2012–2013, to 13 key employees belonging to the share-based incentive scheme.

Personnel

At the end of December, the number of full-time employees was 932 (31 December 2013; 967).

The average number of full time staff has decreased by 59 from year-end and was 939 (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

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

1. Share Based Incentive Schemes

The Share Based Incentive Schemes consist of three rolling earning periods of two years each, based on performance criteria. The incentive consists in part of A shares in Aktia Bank plc and in part of cash to cover the taxes and tax-related cost arising from the incentive of a key person. Any incentive for each earning period will be paid out in four instalments after the earning period, over a period of approximately three years. In general, no incentive will be paid to a key employee who, at the time of payment, is no longer employed by the Aktia Group. All shares received must be held for one year, and then half of the shares must be held until the employee owns an amount of Aktia A shares with a value equal to his/her fixed annual salary. Aktia Bank plc's Board of Directors has established two share-based incentive schemes:

Share Based Incentive Scheme 2011

The first share based incentive scheme was introduced in 2011, the Share Incentive Scheme 2011. The scheme covers three earning periods; the calendar years 2011–2012, 2012–2013 and 2013–2014. The performance criteria for the above earning periods 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) for each earning period. The earning periods 2011–2012 and 2012–2013 had an outcome of 100%. The earning period 2013-2014 is expected to have an outcome of 78%.

The target group of the Share Based Incentive Scheme 2011 consists of 13 key employees, including the Managing Director and Executive Committee members. The incentive paid out through the scheme can amount to a maximum of 401,200 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

Share Based Incentive Scheme 2014-2017

The Share Based Incentive Scheme 2014-2017 is a continuation of Share Based Incentive Scheme 2011. The Share Based Incentive Scheme covers three earning periods; the calendar years 2014–2015, 2015–2016 and 2016–2017. The performance criteria for the earning periods 2014–2015 and 2015–2016 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 target group of the Share Based Incentive Scheme 2014–2017 consists of 16 key employees, 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.

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).

2. Share Ownership Scheme

The Share Ownership Scheme aims to unify the objectives of the owners and key employees and to have the key employees committed to Aktia by offering them a bonus based on share ownership in Aktia Bank plc.

Provided that the employment of key employees at Aktia Group continues at the time the bonus is paid and that the shareholding referred to in the scheme still exits, the bonus is paid to the key employees partly in A shares and partly in cash to cover the taxes and tax-related costs resulting from the bonus. As a rule, the bonus is paid around three years after the initial subscription to the scheme was made.

The Board of Directors has established two share ownership schemes:

Share Ownership Scheme 2011

Includes 13 key employees. At most 41,200 Aktia A shares given on 31 May 2016 at the latest.

Share Ownership Scheme 2014

Includes 22 key employees. At most 90,000 Aktia A shares (net) given on 31 May 2017 at the latest.

Share Ownership Scheme 2015

Includes at most 16 key employees. At most 48,000 Aktia A shares given on 31 May 2018 at the latest.

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

The entire Board of Directors was re-elected for a term of 1 January - 31 December 2015.

On 11 December 2014, the Board of Supervisors decided on the annual remuneration for the Board of Directors for 2015:

- Annual remuneration, chair, EUR 58,300
- Annual remuneration, vice chair, EUR 33,000
- Annual remuneration, member, EUR 25,800

The Board of Supervisors decided that the whole increase would be paid in Aktia A shares. Thus, 35% of the annual remuneration is paid in shares. The remuneration per attended meeting was kept unchanged at EUR 500 and EUR 1,000 per committee meeting for chairs of committees.

Aktia's Executive Committee comprises Managing Director Jussi Laitinen, Deputy Managing Director and alternate Jarl Sved (up to his retirement on 31 December 2014), Deputy Managing Director Taru Narvanmaa (Managing Director's alternate from 1 January 2015), Director Juha Hammarén, Director Carl Pettersson, Director Fredrik Westerholm and Director Magnus Weurlander.

Proposals for the Annual General Meeting 2015

The Board of Directors proposes an increased dividend of EUR 0.48 (0.42) per share for the period 1.1–31.12.2014.

The proposed record date for the dividend is 15 April 2015 and the proposed day for paying out the dividend is 22 April 2015.

Aktia Bank plc's Nomination Committee proposes the Annual General Meeting of Aktia Bank plc to be held on 13 April 2015 that the current members of the Board of Supervisors Harriet Ahlnäs, Johan Aura, Anna Bertills, Henrik Rehnberg and Sture Söderholm whose turn it is to step down at the 2015 AGM should be re-elected.

For new members, the following persons are proposed: Annika Grannas, M.Sc. (Econ.) (43), among other things the Chair of the Board of Vöyrin Säästöpankki's Aktia Foundation, Yvonne Malin-Hult, M.Sc. (Econ.) (55), among other things the Chair of the Board of Aktia Foundation in Sipoo, as well as Professor Kim Wikström (53).

All candidates are proposed for a term of three years. Therefore, the number of members in the Board of Supervisors is proposed to be confirmed as 29.

The Nomination Committee proposes that the annual remuneration of the Board of Supervisors members should remain unchanged and therefore be as follows:
- Chair: EUR 22,600
- Vice Chair: EUR 10,000
- Member: EUR 4,400

The Nomination Committee proposes that 30% of the annual remuneration (gross) should continue to be paid to the members of the Board of Supervisors in Aktia's A shares.

In addition, the Nomination Committee proposes a remuneration or EUR 500 per attended meeting plus compensation for traveling and accommodation expenses as well as a daily allowance in line with the Tax Administration guidelines.

The Nomination Committee proposes that APA firm KPMG Oy Ab be elected as auditor, with Jari Härmälä, APA, as auditor-in-charge. It is proposed that the auditors are paid against invoices.
In accordance with the shareholders' decision, at Aktia Bank plc the Nomination Committee prepares the proposals for the members of the Board of Supervisors, auditor(s) and their remuneration for decision by the AGM. The Nomination Committee consists of representatives of the three largest shareholders on 1 November on the calendar year preceding the AGM, as well as of the Chair of the Board of Supervisors. This year's Nomination Committee has, in addition to Håkan Mattlin, the Chair of the Board of Supervisors, included Mikael Westerback (Foundation Tre Smeder), Jan-Erik

Stenman (Pension Insurance Company Veritas) and Dag Wallgren (The Society of Swedish Literature in Finland).

Share capital and ownership

The share capital of Aktia Bank plc amounts to EUR 163 million, comprising a total of 46,706,723 A shares and 19,872,088 R shares, or 66,578,811 shares in all. The number of shareholders at the end of December 2014 was 43,862. Foreign ownership was 1.2%.

The number of unregistered shares was 771,538 or 1.2% of all shares. Inspection and registration of outstanding shares continue.

On 31 December 2014, the Group held 137,406 A shares and 6,658 R shares in the parent company Aktia Bank plc.

During the autumn of 2014, Aktia Bank acquired 130,000 of its own A shares at an average price of approximately EUR 9.66 per share by public trading in compliance with the rules of NASDAQ Helsinki Oy. These acquired treasury shares will be used for the company's share-based incentive scheme and/or for the remuneration of members of the company's Board of Supervisors.

Shares

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

Aktia's market value was at 31 December 2014 EUR 667 (540) million. The closing price for an A series share was EUR 9.77 and for an R series share EUR 10.60. The highest quotation for the A share during the period January - December 2014 was EUR 10.00 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 - December 2014 was EUR 402,873 (173 703) or 45,032 (24,808) shares. Average daily turnover for R shares was EUR 10,402 (9,810) or 1,077 (1,262) shares.

Outlook and risks in 2015

Outlook (*NEW*)

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.

During 2015, the write-downs on credits are expected to remain at the same level as in 2014.

Aktia's main focus in 2015 is on the migration to the new core banking system. The core banking system is expected to bring with it lower costs, more growth and more efficient processes.

Aktias operating profit for 2015 is expected to reach a similar level as in 2014.

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.

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

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

Any future write-downs on credits in Aktia's loan portfolio could be due to many factors, of which the most important 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)	2014	2013	Δ%	10-12/2014	7-9/2014	4-6/2014	1-3/2014
Earnings per share (EPS), EUR	0.79	0.78	1%	0.14	0.19	0.27	0.20
Equity per share (NAV), EUR[1]	9.39	8.67	8%	9.39	9.27	8.96	8.55
Return on equity (ROE), %	8.3	8.1	2%	6.0	8.1	11.1	8.2
Total earnings per share, EUR	1.14	0.26	341%	0.12	0.31	0.41	0.30
Capital adequacy ratio (finance and insurance conglomerate), %[1] **	216.5	198.6	9%	216.5	213.2	205.7	202.1
Average number of shares, million [2]	66.5	66.6	0%	66.5	66.6	66.6	66.5
Number of shares at the end of the period, million[1]	66.4	66.5	0%	66.4	66.6	66.6	66.6
Personnel (FTEs), average number of employees from the beginning of the year[1]	939	998	-6%	939	943	938	936
Group financial assets[1]	3,282.2	3,114.7	5%	3,282.2	3,387.9	3,311.4	3,119.9
Banking Business (incl. Private Banking)							
Cost-to-income ratio	0.71	0.72	-1%	0.78	0.69	0.64	0.72
Borrowing from the public [1]	3,979.2	3,797.5	5%	3,979.2	3,991.0	3,978.5	3,861.1
Lending to the public[1]	6,416.0	6,802.2	-6%	6,416.0	6,504.9	6,598.3	6,693.0
Core Tier 1 capital ratio, % [1] *	14.6	12.1	20 %	14.6	14.2	13.8	13.6
Capital adequacy ratio, %[1] **	19.1	19.3	-1 %	19.1	18.4	17.8	17.3
Tier 1 capital ratio, %[1] **	14.6	12.3	18 %	14.6	14.2	13.8	13.6
Risk-weighted commitments[1] **	3,263.3	3,463.5	-6 %	3,263.3	3,426.3	3,539.5	3,592.0
Asset Management & Life Insurance							
Assets under management [1]	6,782.8	6,341.3	7%	6,782.8	6,889.4	6,872.1	6,525.6
Premiums written before reinsurers' share	125.7	140.8	-11%	43.8	24.9	25.3	31.7
Expense ratio, % [2]	81.5	88.3	-8%	81.5	82.1	85.3	85.4
Solvency margin[1]	133.4	99.0	35%	133.4	128.6	120.2	107.2
Solvency ratio, %[2]	23.3	17.5	33%	23.3	22.3	20.9	18.8
Investments at fair value[1]	1,135.2	1,091.8	4%	1,135.2	1,118.4	1,101.3	1,064.6
Technical provisions for interest-related insurances[1]	482.3	503.5	-4%	482.3	491.4	496.3	502.0
Technical provisions for unit-linked insurances[1]	543.1	462.4	17%	543.1	512.2	498.0	474.3

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

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

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

Other formulas for key figures are presented in AktiaBank plc's annual report 2013 page 19.

Consolidated income statement

(EUR million)	2014	2013	Δ%
Net interest income	102.8	112.6	-9%
Dividends	0.1	0.1	29%
Commission income	84.4	81.1	4%
Commission expenses	-9.5	-10.4	8%
Net commission income	74.9	70.7	6%
Net income from life insurance	24.0	28.1	-15%
Net income from financial transactions	7.3	8.3	-12%
Net income from investment properties	0.1	0.4	-85%
Other operating income	3.1	3.8	-18%
Total operating income	**212.3**	**224.2**	**-5%**
Staff costs	-69.5	-77.7	-11%
IT-expenses	-26.3	-27.3	-3%
Depreciation of tangible and intangible assets	-7.3	-6.8	8%
Other operating expenses	-41.3	-45.5	-9%
Total operating expenses	**-144.5**	**-157.2**	**-8%**
Write-downs on credits and other commitments	-1.7	-2.7	-37%
Share of profit from associated companies	2.2	1.2	81%
Operating profit	**68.3**	**65.4**	**4%**
Taxes	-13.3	-13.0	2%
Profit for the year	**55.0**	**52.4**	**5%**
Attributable to:			
Shareholders in Aktia Bank plc	52.5	52.2	1%
Non-controlling interest	2.5	0.2	-
Total	**55.0**	**52.4**	**5%**
Earnings per share (EPS), EUR	0.79	0.78	1%
Earnings per share (EPS), EUR, after dilution	0.79	0.78	1%

Consolidated comprehensive income statement

(EUR million)	2014	2013	Δ%
Profit for the year	55.0	52.4	5%
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale	37.6	-10.3	-
Change in valuation of fair value for financial assets held until maturity	-3.6	-3.3	-10%
Change in valuation of fair value for cash flow hedging	-	0.2	-
Transferred to the income statement for financial assets available for sale	-6.8	-9.7	30%
Transferred to the income statement for cash flow hedging	-4.3	-11.6	63%
Comprehensive income from items which can be transferred to the income statement	22.9	-34.7	-
Defined benefit plan pensions	0.3	-0.1	-
Comprehensive income from items which can not be transferred to the income statement	0.3	-0.1	-
Total comprehensive income for the year	**78.3**	**17.6**	**344%**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc	75.6	17.2	340%
Non-controlling interest	2.6	0.4	493%
Total	**78.3**	**17.6**	**344%**
Total earnings per share, EUR	1.14	0.26	341%
Total earnings per share, EUR, after dilution	1.14	0.26	341%

Consolidated balance sheet

(EUR million)	31.12.2014	31.12.2013	Δ%
Assets			
Cash and balances with central banks	395.9	414.3	-4%
Financial assets reported at fair value via the income statement	-	0.1	-
Interest-bearing securities	2,290.0	2,157.0	6%
Shares and participations	85.4	99.5	-14%
Financial assets available for sale	2,375.4	2,256.5	5%
Financial assets held until maturity	488.5	499.3	-2%
Derivative instruments	231.3	197.6	17%
Lending to Bank of Finland and credit institutions	45.8	95.1	-52%
Lending to the public and public sector entities	6,416.0	6,802.2	-6%
Loans and other receivables	6,461.8	6,897.3	-6%
Investments for unit-linked insurances	545.3	465.9	17%
Investments in associated companies	23.6	19.3	22%
Intangible assets	36.3	20.3	78%
Investment properties	57.1	60.6	-6%
Other tangible assets	8.2	6.4	29%
Accrued income and advance payments	57.2	66.2	-14%
Other assets	8.6	8.8	-2%
Total other assets	65.9	75.0	-12%
Income tax receivables	3.4	3.7	-7%
Deferred tax receivables	13.0	16.2	-20%
Tax receivables	16.4	19.9	-18%
Assets classified as held for sale	1.1	1.2	-10%
Total assets	**10,706.7**	**10,933.8**	**-2%**
Liabilities			
Liabilities to credit institutions	776.6	1,095.5	-29%
Liabilities to the public and public sector entities	3,979.2	3,797.5	5%
Deposits	4,755.7	4,893.0	-3%
Derivative instruments	113.2	128.6	-12%
Debt securities issued	3,534.5	3,657.9	-3%
Subordinated liabilities	222.5	232.2	-4%
Other liabilities to credit institutions	99.8	123.5	-19%
Other liabilities to the public and public sector entities	73.9	92.4	-20%
Other financial liabilities	3,930.7	4,106.0	-4%
Technical provisions for risk insurances and interest-related insurances	482.3	503.5	-4%
Technical provisions for unit-linked insurances	543.1	462.4	17%
Technical provisions	1,025.4	965.9	6%
Accrued expenses and income received in advance	78.1	96.5	-19%
Other liabilities	47.2	40.0	18%
Total other liabilities	125.3	136.5	-8%
Provisions	3.5	6.4	-44%
Income tax liabilities	2.6	5.2	-51%
Deferred tax liabilities	59.2	50.4	17%
Tax liabilities	61.8	55.6	11%
Liabilities for assets classified as held for sale	0.1	0.2	-18%
Total liabilities	**10,015.8**	**10,292.1**	**-3%**
Equity			
Restricted equity	267.4	244.5	9%
Unrestricted equity	356.5	332.7	7%
Shareholders' share of equity	623.9	577.1	8%
Non-controlling interest's share of equity	66.9	64.6	4%
Equity	**690.9**	**641.7**	**8%**
Total liabilities and equity	**10,706.7**	**10,933.8**	**-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	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**
Changes in the Group equity as a result of the merger of Aktia plc with Aktia Bank plc 1.7.2013	69.1	-10.0			65.1	-124.3	0.0		0.0
Treasury shares received in connection wit acquisation						-0.3	-0.3		-0.3
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 year						*52.2*	*52.2*	*0.2*	*52.4*
Financial assets available for sale			*-20.0*				*-20.0*	*0.0*	*-20.0*
Financial assets held until maturity			*-3.3*				*-3.3*		*-3.3*
Cash flow hedging			*-11.6*				*-11.6*	*0.2*	*-11.4*
Defined benefit plan pensions						*-0.1*	*-0.1*		*-0.1*
Total comprehensive income for the period			-34.9			52.1	17.2	0.4	17.6
Other change in equity				0.5			0.5	0.0	0.5
Equity as at 31 December 2013	**163.0**	**0.3**	**81.1**	**1.6**	**128.4**	**202.6**	**577.1**	**64.6**	**641.7**
Equity as at 1 January 2014	**163.0**	**0.3**	**81.1**	**1.6**	**128.4**	**202.6**	**577.1**	**64.6**	**641.7**
Acquisation of treasury shares						-1.3	-1.3		-1.3
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 year						*52.5*	*52.5*	*2.5*	*55.0*
Financial assets available for sale			*30.8*				*30.8*	*0.0*	*30.8*
Financial assets held until maturity			*-3.6*				*-3.6*		*-3.6*
Cash flow hedging			*-4.4*				*-4.4*	*0.1*	*-4.3*
Defined benefit plan pensions						*0.3*	*0.3*		*0.3*
Total comprehensive income for the period			22.8			52.8	75.6	2.6	78.3
Other change in equity			0.2	0.2		-0.2	0.2	0.0	0.2
Equity as at 31 December 2014	**163.0**	**0.3**	**104.1**	**1.9**	**115.0**	**239.7**	**623.9**	**66.9**	**690.9**

Consolidated cash flow statement

(EUR million)	2014	2013	Δ%
Cash flow from operating activities			
Operating profit	68.3	65.4	4%
Adjustment items not included in cash flow for the period	-10.4	-20.4	49%
Paid income taxes	-8.7	-26.3	67%
Cash flow from operating activities before change in receivables and liabilities	**49.2**	**18.7**	**164%**
Increase (-) or decrease (+) in receivables from operating activities	357.5	82.6	333%
Increase (+) or decrease (-) in liabilities from operating activities	-347.6	-152.1	-129%
Total cash flow from operating activities	**59.1**	**-50.9**	**-**
Cash flow from investing activities			
Investments in business operations	-11.8	-6.3	-86%
Proceeds from sale of group companies and associated companies	1.8	0.6	184%
Investment in investment properties	-	-32.5	-
Investment in tangible and intangible assets	-25.1	-14.5	-73%
Proceeds from sale of investment properties	0.1	0.8	-84%
Proceeds from sale of tangible and intangible assets	0.0	1.0	-99%
Total cash flow from investing activities	**-35.0**	**-50.8**	**31%**
Cash flow from financing activities			
Subordinated liabilities	-9.7	-37.3	74%
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	-0.3	-0.7	57%
Acquisation of treasury shares	-1.3	-	-
Divestment of treasury shares	0.2	0.4	-55%
Paid dividends	-28.0	-24.0	-17%
Capital return	-	-9.3	-
Total cash flow from financing activities	**-39.0**	**-70.9**	**45%**
Change in cash and cash equivalents	**-14.9**	**-172.6**	**91%**
Cash and cash equivalents at the beginning of the year	429.7	602.3	-29%
Cash and cash equivalents at the end of the year	414.8	429.7	-3%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	8.0	8.3	-4%
Bank of Finland current account	387.9	404.9	-4%
Repayable on demand claims on credit insitutions	18.9	16.5	15%
Total	**414.8**	**429.7**	**-3%**
Adjustment items not included in cash flow consist of:			
Impairment of financial assets available for sale	3.7	1.3	179%
Write-downs on credits and other commitments	1.7	2.7	-37%
Change in fair values	0.3	0.4	-7%
Depreciation and impairment of tangible and intangible assets	7.3	6.8	8%
Result effect from associated companies	-1.9	-1.0	-78%
Sales gains and losses from tangible and intangible assets	0.0	-0.4	-
Unwound cash flow hedging	-5.4	-15.4	65%
Unwound fair value hedging	-15.9	-15.9	0%
Change in provisions	-2.8	-0.5	-484%
Change in fair values of investment properties	1.7	0.0	-
Change in share-based payments	0.9	1.7	-48%
Other adjustments	-	-0.1	-
Total	**-10.4**	**-20.4**	**49%**

Quarterly trends in the Group

(EUR million)	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013
Net interest income	25.3	26.1	25.9	25.4	27.3
Dividends	-	-	0.0	0.1	0.0
Net commission income	18.9	17.6	19.6	18.8	17.8
Net income from life insurance	5.6	5.7	6.6	6.0	8.4
Net income from financial transactions	1.0	0.1	5.4	0.9	2.5
Net income from investment properties	0.0	0.0	0.0	0.0	0.0
Other operating income	0.9	0.6	0.8	0.8	1.3
Total operating income	**51.7**	**50.1**	**58.4**	**52.0**	**57.3**
Staff costs	-18.6	-15.8	-17.6	-17.5	-23.1
IT-expenses	-7.0	-6.4	-6.3	-6.6	-6.4
Depreciation of tangible and intangible assets	-1.9	-1.9	-1.8	-1.8	-1.7
Other operating expenses	-11.8	-8.8	-10.5	-10.2	-14.7
Total operating expenses	**-39.3**	**-32.8**	**-36.2**	**-36.1**	**-45.9**
Write-downs on credits and other commitments	0.0	-0.5	-0.8	-0.4	-1.1
Share of profit from associated companies	0.2	0.6	0.5	0.9	0.8
Operating profit	**12.6**	**17.3**	**22.0**	**16.4**	**11.1**
Taxes	-2.2	-3.7	-4.1	-3.3	0.8
Profit for the period	**10.4**	**13.6**	**17.9**	**13.1**	**11.9**
Attributable to:					
Shareholders in Aktia Bank plc	9.0	12.8	17.6	13.1	11.7
Non-controlling interest	1.4	0.8	0.3	0.1	0.2
Total	**10.4**	**13.6**	**17.9**	**13.1**	**11.9**
Earnings per share (EPS), EUR	0.14	0.19	0.27	0.20	0.18
Earnings per share (EPS), EUR, after dilution	0.14	0.19	0.27	0.20	0.18

Quarterly trends of comprehensive income

(EUR million)	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013
Profit for the period	10.4	13.6	17.9	13.1	11.9
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	-0.2	11.5	15.6	10.8	1.6
Change in valuation of fair value for financial assets held until maturity	-0.9	-0.9	-0.9	-0.9	-0.9
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	-0.1	-1.9	-3.7	-1.1	-0.4
Transferred to the income statement for cash flow hedging	-0.3	-0.9	-1.4	-1.8	-2.7
Comprehensive income from items which can be transferred to the income statement	-1.5	7.8	9.6	7.0	-2.2
Defined benefit plan pensions	0.3	-	-	-	-0.1
Comprehensive income from items which can not be transferred to the income statement	0.3	-	-	-	-0.1
Total comprehensive income for the period	**9.2**	**21.4**	**27.5**	**20.1**	**9.6**
Total comprehensive income attributable to:					
Shareholders in Aktia Bank plc	7.8	20.5	27.2	20.1	9.6
Non-controlling interest	1.4	0.9	0.3	0.0	0.0
Total	**9.2**	**21.4**	**27.5**	**20.1**	**9.6**
Total earnings per share, EUR	0.12	0.31	0.41	0.30	0.14
Total earnings per share, EUR, after dilution	0.12	0.31	0.41	0.30	0.14

Notes to the Accounts Announcement

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

Basis for preparing the Accounts Announcement

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

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

The Accounts Annoucement for the period 1 January – 31 December 2014 was approved by the Board of Directors on 12 February 2015.

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

Key accounting principles

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

As of 1 January 2014, the Group harmonises reporting of discounts attributable to asset management. Due to the change, commission income and commission 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 previous year has been reconstructed to comply with the new accounting principle.

The following new and amended IFRSs 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 o 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 reports notes to the financial statement completed according to the new disclosure standard.

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

IFRS 15 Revenue from contracts with customer replaces all earlier standards and interpretations of recognition of revenue. IFRS 15 includes a complete revenue recognition model, and the standard is not estimated to have significant impact on the recognition of revenue in the Aktia Group. The standard will become mandatory as of 1 January 2017.

IFRS 9 The Financial Instruments standard 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 has yet to be approved by the EU. Aktia follows up development of the new standard, evaluating its impact on financial reporting on an on-going basis. The standard will become mandatory as of 1 January 2018.

The Group does not expect other new or revised IFRSs or interpretations from IFRIC (International Financial Reporting Interpretations Committee) to have an impact on the Group's future results, financial position or explanatory notes.

Calculation of capital adequacy

As of 1 January 2014, capital adequacy is calculated according to Basel III. In the accounts announcement, the term refers to Basel III EU requirements on capital adequacy 575/2013 and additional regulations 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)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**1-9/2013**
Net interest income	102.3	113.9	0.0	0.0	0.3	-1.5	0.1	0.3	102.8	112.6
Net commission income	59.0	55.5	20.9	19.7	4.8	4.7	-9.9	-9.2	74.9	70.7
Net income from life insurance	-	-	21.5	26.1	-	-	2.5	2.0	24.0	28.1
Other income	7.9	8.6	1.1	0.0	3.2	4.5	-1.5	-0.5	10.6	12.7
Total operating income	**169.3**	**178.1**	**43.5**	**45.8**	**8.3**	**7.6**	**-8.8**	**-7.4**	**212.3**	**224.2**
Staff costs	-35.9	-37.6	-9.8	-10.4	-22.8	-29.0	-1.0	-0.7	-69.5	-77.7
IT-expenses	-13.8	-14.5	-1.8	-1.7	-10.7	-11.0	-	-	-26.3	-27.3
Depreciation of tangible and intangible assets	-1.8	-1.7	-1.1	-1.1	-4.5	-4.1	-	-	-7.3	-6.8
Other expenses	-64.7	-70.8	-8.9	-8.8	24.9	26.7	7.4	7.4	-41.3	-45.5
Total operating expenses	**-116.2**	**-124.5**	**-21.6**	**-21.9**	**-13.1**	**-17.5**	**6.4**	**6.7**	**-144.5**	**-157.2**
Write-downs on credits and other commitments	-1.7	-2.7	-	-	-	-	-	-	-1.7	-2.7
Share of profit from associated companies	-	-	-	-	-	-	2.2	1.2	2.2	1.2
Operating profit	**51.4**	**50.8**	**22.0**	**23.9**	**-4.8**	**-9.8**	**-0.2**	**0.5**	**68.3**	**65.4**

Balance sheet	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Group total	
(EUR million)	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Cash and balances with central banks	395.9	413.2	0.0	1.1	-	-	-	-	395.9	414.3
Financial assets reported at fair value via the income statement	-	0.1	-	-	-	-	-	-	-	0.1
Financial assets available for sale	1,841.7	1,688.2	538.0	578.0	0.8	2.9	-5.1	-12.7	2,375.4	2,256.5
Financial assets held until maturity	488.5	499.3	-	-	-	-	-	-	488.5	499.3
Loans and other receivables	6,453.7	6,891.2	42.8	26.7	6.1	6.8	-40.9	-27.3	6,461.8	6,897.3
Investments for unit-linked insurances	-	-	545.3	465.9	-	-	-	-	545.3	465.9
Other assets	283.5	256.1	76.0	82.6	202.9	199.1	-122.7	-137.4	439.8	400.4
Total assets	**9,463.4**	**9,748.1**	**1,202.1**	**1,154.3**	**209.8**	**208.8**	**-168.6**	**-177.4**	**10,706.7**	**10,933.8**
Deposits	4,798.0	4,920.9	-	-	-	-	-42.2	-27.9	4,755.7	4,893.0
Debt securities issued	3,539.6	3,670.6	-	-	-	-	-5.1	-12.7	3,534.5	3,657.9
Technical provisions	-	-	1,025.4	965.9	-	-	-	-	1,025.4	965.9
Other liabilities	530.9	679.6	31.9	29.5	139.0	71.0	-1.6	-4.8	700.1	775.3
Total liabilities	**8,868.4**	**9,271.1**	**1,057.3**	**995.4**	**139.0**	**71.0**	**-48.9**	**-45.3**	**10,015.8**	**10,292.1**

Note 3. Derivatives and off-balance sheet commitments

Hedging derivative instruments (EUR million)

31.12.2014	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,915.0	131.5	13.8
Total	**2,915.0**	**131.5**	**13.8**
Cash flow hedging			
Interest rate-related	-	-	-
Total	**-**	**-**	**-**
Derivative instruments valued via the income statement			
Interest rate-related *)	2,414.2	97.3	97.2
Currency-related	37.8	0.7	0.4
Equity-related **)	39.9	1.8	1.8
Other derivative instruments **)	1.9	-	-
Total	**2,493.8**	**99.8**	**99.4**
Total derivative instruments			
Interest rate-related	5,329.2	228.7	111.0
Currency-related	37.8	0.7	0.4
Equity-related	39.9	1.8	1.8
Other derivative instruments	1.9	-	-
Total	**5,408.8**	**231.3**	**113.2**

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 2,370.0 (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)	31.12.2014	31.12.2013
Commitments provided to a third party on behalf of the customers		
Guarantees	26.8	31.8
Other commitments provided to a third party	2.1	2.9
Irrevocable commitments provided on behalf of customers		
Unused credit arrangements	291.5	354.3
Other commitments provided to a third party	1.3	2.2
Off-balance sheet commitments	**321.7**	**391.3**

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	31.12.2014 Group	31.12.2014 The Bank Group	30.9.2014 Group	30.9.2014 The Bank Group	30.6.2014 Group	30.6.2014 The Bank Group
Total assets	**10,706.7**	**9,597.2**	**10,955.2**	**9,864.6**	**10,910.4**	**9,835.5**
of which intangible assets	36.3	34.4	31.0	28.9	27.2	24.9
Total liabilities	**10,015.8**	**8,998.1**	**10,272.5**	**9,267.4**	**10,249.3**	**9,251.2**
of which subordinated liabilities	222.5	222.5	215.7	215.7	218.0	218.0
Share capital	163.0	163.0	163.0	163.0	163.0	163.0
Fund at fair value	104.1	40.6	105.7	46.3	97.8	44.1
Other restricted equity	0.3	0.3	0.3	0.3	0.3	0.3
Total restricted equity	267.4	204.0	269.0	209.6	261.1	207.4
Unrestricted equity reserve and other funds	116.9	116.9	116.7	116.7	116.4	116.4
Retained earnings	187.2	119.9	188.1	121.0	188.2	121.1
Profit for the reporting period	52.5	91.5	43.5	84.5	30.7	74.7
Unrestricted equity	356.5	328.2	348.2	322.1	335.4	312.2
Shareholders' share of equity	623.9	532.2	617.2	531.7	596.5	519.7
Non-controlling interest's share of equity	66.9	66.9	65.5	65.5	64.6	64.6
Equity	**690.9**	**599.1**	**682.7**	**597.2**	**661.0**	**584.2**
Total liabilities and equity	**10,706.7**	**9,597.2**	**10,955.2**	**9,864.6**	**10,910.4**	**9,835.5**
Off-balance sheet commitments	**321.7**	**320.4**	**407.9**	**406.5**	**398.3**	**396.6**
Equity in the Banking Group		**599.1**		**597.2**		**584.2**
Provision for dividends to shareholders		-39.4		-27.9		-19.1
Intangible assets		-34.4		-28.9		-24.9
Share of non-controlling interest of equity		-6.7		-6.5		-5.9
Debentures		103.9		96.5		96.3
Other		-0.7		-0.1		-1.2
Total capital base (CET1 + AT1 + T2)		**621.8**		**630.4**		**629.4**

The Bank Group

(EUR million)

The Bank Group	31.12.2014 Basel III	30.9.2014 Basel III	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	550.7	560.0	556.2	552.5	499.0	
Common Equity Tier 1 Capital regulatory adjustments	-75.5	-74.6	-68.6	-65.2	-60.0	
Common Equity Tier 1 Capital total	**475.1**	**485.4**	**487.6**	**487.4**	**439.0**	
Additional TIER 1 capital before regulatory adjustments	1.0	1.2	1.3	1.5	1.6	
Additional TIER 1 capital regulatory adjustments	-	-	-	-	-	
Additional TIER 1 capital after regulatory adjustments	**1.0**	**1.2**	**1.3**	**1.5**	**1.6**	
TIER 1 capital total	**476.1**	**486.6**	**488.9**	**488.9**	**440.6**	**427.5**
TIER 2 capital before regulatory adjustments	105.2	98.1	98.0	91.8	84.8	
TIER 2 capital regulatory adjustments	40.5	45.7	42.5	41.0	37.8	
TIER 2 capital total	**145.7**	**143.8**	**140.5**	**132.8**	**122.6**	**241.7**
Own funds total	**621.8**	**630.4**	**629.4**	**621.7**	**563.2**	**669.2**
Risk weighted exposures total	**3,263.3**	**3,426.3**	**3,539.5**	**3,592.0**	**3,628.5**	**3,463.5**
of which Credit risk	2,900.1	3,054.8	3,170.2	3,224.4	3,260.8	3,095.8
of which Market risk	-	-	-	-	-	-
of which Operational risk	363.2	371.5	369.3	367.7	367.7	367.7
CET1 Capital ratio	14.6%	14.2%	13.8%	13.6%	12.1%	
T1 Capital ratio	14.6%	14.2%	13.8%	13.6%	12.1%	12.3%
Total capital ratio	19.1%	18.4%	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.

The Bank Group's risk-weighted amount for operational risks

(EUR million)

Risk-weighted amount for operational risks	2012*	2013*	2014	12/2014	9/2014	6/2014	3/2014	12/2013
Gross income	198.3	196.4	186.5					
- average 3 years			193.7					
Capital requirement for operational risk				**29.1**	**29.7**	**29.5**	**29.4**	**29.4**
Risk-weighted amount				**363.2**	**371.5**	**369.3**	**367.7**	**367.7**

* Recalculated after transfer of the banking business of Vöyrin Säästöpankki to Aktia Bank plc and the merger with Saaristosäästöpankki Oy.

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

(EUR million)

	31.12.2014 Basel III	30.9.2014 Basel III	30.6.2014 Basel III	31.3.2014 Basel III	31.12.2013 Basel III	31.12.2013 Basel II
Summary						
The Group's equity	690.9	682.7	661.0	633.3	641.7	641.7
Sector-specific assets	103.9	96.5	96.3	89.8	82.6	223.5
Intangible assets and other reduction items	-167.6	-133.8	-115.5	-79.7	-86.7	-237.4
Conglomerate´s total capital base	**627.1**	**645.4**	**641.8**	**643.4**	**637.7**	**627.8**
Capital requirement for banking business	250.7	263.6	272.7	279.1	279.9	277.1
Capital requirement for insurance business	39.0	39.2	39.2	39.2	39.0	39.0
Minimum amount for capital base	**289.7**	**302.8**	**311.9**	**318.4**	**318.9**	**316.1**
Conglomerate´s capital adequacy	**337.4**	**342.6**	**329.9**	**325.1**	**318.8**	**311.7**
Capital adequacy ratio, %	216.5%	213.2%	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

	31.12.2014		31.12.2013	
Financial assets (EUR million)	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	395.9	395.9	414.3	414.3
Financial assets reported at fair value via the income statement	-	-	0.1	0.1
Financial assets available for sale	2,375.4	2,375.4	2,256.5	2,256.5
Financial assets held until maturity	488.5	505.3	499.3	498.7
Derivative instruments	231.3	231.3	197.6	197.6
Loans and other receivables	6,461.8	6,321.3	6,897.3	6,698.8
Total	**9,952.9**	**9,829.2**	**10,265.2**	**10,066.1**
Investments for unit-linked insurances	545.3	545.3	465.9	465.9

	31.12.2014		31.12.2013	
Financial liabilities (EUR million)	**Book value**	**Fair value**	**Book value**	**Fair value**
Deposits	4,755.7	4,704.8	4,893.0	4,825.1
Derivative instruments	113.2	113.2	128.6	128.6
Debt securities issued	3,534.5	3,504.1	3,657.9	3,707.7
Subordinated liabilities	222.5	225.5	232.2	237.2
Other liabilities to credit institutions	99.8	105.8	123.5	128.9
Other liabilities to the public and public sector entities	73.9	73.8	92.4	92.3
Total	**8,799.6**	**8,727.2**	**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.

	31.12.2014				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	1,975.6	194.9	119.5	2,290.0	1,920.6	189.1	47.3	2,157.0
Shares and participations	39.8	-	45.6	85.4	45.7	-	53.8	99.5
Total	**2,015.4**	**194.9**	**165.1**	**2,375.4**	**1,966.4**	**189.1**	**101.1**	**2,256.5**
Derivative instrument, net	0.3	117.8	-	118.1	0.0	69.0	-	69.0
Totalt	**0.3**	**117.8**	**-**	**118.1**	**0.0**	**69.0**	**-**	**69.0**
Investments for unit-linked insurances	545.3	-	-	545.3	465.9	-	-	465.9
Total	**2,561.0**	**312.7**	**165.1**	**3,038.8**	**2,432.3**	**258.0**	**101.2**	**2,791.5**

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period no transfers between level 1 and level 2 has occurred. Further increase in level 2 is due to an increase in 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 participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Carrying amount 1.1.2014	0.1	-	**0.1**	47.3	53.8	**101.1**	47.4	53.8	**101.2**
New purchases	-	-	**-**	75.0	-	**75.0**	75.0	-	**75.0**
Sales	-0.1	-	**-0.1**	-0.3	-2.7	**-3.0**	-0.4	-2.7	**-3.1**
Matured during the year	-	-	**-**	-1.1	-	**-1.1**	-1.1	-	**-1.1**
Realised value change in the income statement	-	-	**-**	0.0	-3.7	**-3.7**	0.0	-3.7	**-3.7**
Unrealised value change in the income statement	-	-	**-**	0.0	-	**0.0**	0.0	-	**0.0**
Value change recognised in the total comprehensive income	-	-	**-**	-	-1.8	**-1.8**	-	-1.8	**-1.8**
Transfer from level 1 and 2	-	-	**-**	-	-	**-**	-	-	**-**
Transfer to level 1 and 2	-	-	**-**	-1.5	-	**-1.5**	-1.5	-	**-1.5**
Carrying amount 31.12.2014	**-**	**-**	**-**	**119.5**	**45.6**	**165.1**	**119.5**	**45.6**	**165.1**

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 2.0 (1.9)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31.12.2014 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	119.5	3.6	-3.6	47.3	1.4	-1.4
Shares and participations	45.6	9.1	-9.1	53.8	10.3	-10.3
Total	**165.1**	**12.7**	**-12.7**	**101.1**	**11.7**	**-11.7**
Total	**165.1**	**12.7**	**-12.7**	**101.2**	**11.8**	**-11.8**

Set off of financial assets and liabilities

	Assets		Liabilities	
(EUR million)	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Financial assets and liabilities included in general agreements on set off or similar agreements				
Derivative instruments, gross amount	231.3	197.6	113.2	128.6
Set off amount	-	-	-	-
Value recorded in the balance sheet	**231.3**	**197.6**	**113.2**	**128.6**
Amount not set off but included in general agreements on set off or similar				
Derivative instruments	22.4	26.6	22.4	26.6
Collateral assets and liabilities	201.9	173.2	58.6	67.1
Total amount of sums not set off in the balance sheet	**224.3**	**199.8**	**81.0**	**93.6**
Net	**7.0**	**-2.2**	**32.2**	**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)	**2014**	**2013**	**Δ %**
Deposits and lending	47.2	41.2	15%
Hedging, interest rate risk management	35.0	44.0	-20%
Other	20.5	27.5	-25%
Net interest income	**102.8**	**112.6**	**-9%**

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)	**31.12.2014**	**30.9.2014**	**30.6.2014**	**31.3.2014**	**31.12.2013**
Gross loans	6,475.5	6,570.0	6,662.7	6,757.1	6,867.2
Individual write-downs	-50.3	-55.0	-54.3	-54.1	-55.4
Of which made to non-performing loans past due at least 90 days	-37.6	-43.0	-39.6	-40.1	-40.5
Of which made to other loans	-12.7	-12.0	-14.7	-14.1	-15.0
Write-downs by group	-9.2	-9.0	-10.1	-10.0	-9.6
Net loans, balance amount	**6,416.0**	**6,505.0**	**6,598.3**	**6,693.0**	**6,802.2**

Note 8. Net income from life insurance

(EUR million)	**2014**	**2013**	**Δ %**
Premiums written	125.1	140.0	-11%
Net income from investments	22.0	27.2	-19%
Insurance claims paid	-94.8	-81.1	-17%
Net change in technical provisions	-28.2	-58.1	51%
Net income from life insurance	**24.0**	**28.1**	**-15%**

This report has not been subject to external auditing.

Helsinki 12 February 2015

AKTIA BANK PLC

The Board of Directors

Annual General Meeting 2015	13 April 2015
Interim Report Jan - March 2015	8 May 2015
Interim Report Jan - June 2015	11 August 2015
Interim Report Jan - Sep 2015	17 November 2015

Aktia

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