Aktia

AKTIA BANK PLC ACCOUNTS ANNOUNCEMENT JANUARY-DECEMBER 2015

GOOD RESULT DUE TO INCREASE IN COMMISSION INCOME

CEO JUSSI LAITINEN

"Aktia achieved a good result despite the tougher market situation with negative market interest rates and uncertainty on the capital markets at the end of the year. We have managed to compensate for lower net interest income through an increase in commission income. Despite the challenges faced in the project to renew our core banking platform, we look forward to a full-scale implementation of the system in the second half of 2016. At the beginning of the year, Aktia was granted permission to apply IRBA, consequently our capital adequacy rose to a high level. The strong capital adequacy enables us both to focus on future growth and to maintain a good dividend pay-out. At present, Aktia intensifies efforts within mobile services in order to improve accessibility and offer first class customer service also in the future."

OCTOBER-DECEMBER 2015: OPERATING PROFIT EUR 11.1 (12.6) MILLION

- The Group's operating profit was EUR 11.1 (12.6) million and the profit was EUR 8.7 (10.4) million.
- Net commission income amounted to EUR 18.9 (18.9) million. Net interest income (NII) was EUR 23.7 (25.3) million.
- Earnings per share (EPS) was EUR 0.13 (0.14).

JANUARY-DECEMBER 2015: OPERATING PROFIT EUR 64.2 (68.3) MILLION

- The Group's operating profit was EUR 64.2 (68.3) million and the profit was EUR 51.6 (55.0) million.
- Net commission income strengthened by 7% to EUR 80.0 (74.9) million. Net interest income (NII) dropped by 5% to EUR 97.3 (102.8) million.
- Earnings per share (EPS) was EUR 0.78 (0.79).
- The Board of Directors proposes a dividend of EUR 0.54 per share and a return of capital of EUR 0.10 per share.
- The transition to IRB approach increased Aktia's Common Equity Tier 1 capital ratio to 20.7 (14.6)%.
- Equity per share stood at EUR 9.26 (9.39).
- Write-downs on credits and other commitments continued low and stood at EUR -0.3 (-1.7) million.
- **OUTLOOK 2016 (new, p. 15): Aktias operating profit for 2016 is expected to reach an approximately similar level as in 2015.**

KEY FIGURES (EUR million)	**4Q2015**	**4Q2014**	**Δ %**	**2015**	**2014**	**Δ %**	**3Q2015**	**Δ %**	**2Q2015**	**1Q2015**
Net interest income	23.7	25.3	-6%	97.3	102.8	-5%	23.8	0%	24.3	25.5
Net commission income	18.9	18.9	0%	80.0	74.9	7%	19.7	-4%	21.7	19.7
Total operating income	51.9	51.7	0%	208.4	212.3	-2%	49.3	5%	54.0	53.1
Total operating expenses	-40.5	-39.3	3%	-144.4	-144.5	0%	-32.4	25%	-35.8	-35.7
Write-downs on credits and other commitments	-0.3	0.0	-	-0.3	-1.7	-80%	-0.5	-44%	1.5	-1.0
Operating profit	**11.1**	**12.6**	**-12%**	**64.2**	**68.3**	**-6%**	**16.4**	**-32%**	**19.7**	**17.0**
Cost-to-income ratio	0.78	0.76	3%	0.69	0.68	1%	0.66	18%	0.66	0.67
Earnings per share (EPS), EUR	0.13	0.14	-4%	0.78	0.79	-1%	0.20	-35%	0.25	0.20
Equity per share (NAV)[1], EUR	9.26	9.39	-1%	9.26	9.39	-1%	9.20	1%	9.05	9.59
Return on equity (ROE), %	5.4	6.0	-11%	7.9	8.3	-5%	8.0	-32%	9.6	7.5
Common Equity Tier 1 capital ratio[1], %	20.7	14.6	42%	20.7	14.6	42%	20.5	1%	22.4	22.6
Capital adequacy ratio[1], %	27.1	19.1	42%	27.1	19.1	42%	25.8	5%	27.7	27.1
Write-downs on credits / total loan book, %	0.00	0.00	-	0.01	0.03	-67%	0.01	-100%	-0.02	0.02
Dividend per share (*proposal from Board of Directors)				0.54*	0.48	13%				
Return of capital per share (*proposal from Board of Directors)				0.10*	-	-				

1) At the end of the period.

Starting from the fourth quarter of 2015, the cost-to-income ratio calculates for the whole Group. The comparative figure have been recalculated correspondingly.

The Accounts Announcement January - December 2015 is a translation of the original Swedish version "Bokslutskommuniké 1.1-31.12.2015". In case of discrepancies, the Swedish version shall prevail.

Profit
October-December 2015

Profit October - December 2015

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

Income

Total Group's total income amounted to EUR 51.9 (51.7) million.

Net interest income from the bank's borrowing and lending operations increased by 11% to EUR 14.4 (13.0) million and the total net interest income was EUR 23.7 (25.3) million. Both derivatives and fixed-rate instruments are utilised to manage interest rate risks. These hedging measures, which are used by Aktia Bank to limit its interest rate risk, earned net interest income of EUR 8.9 million, EUR 0.8 million more than in the previous year. Net interest income from other treasury operations was EUR 0.4 (4.2) million.

Net commission income was EUR 18.9 (18.9) million. Commission income increased by 2% to EUR 21.7 (21.4) million. Commission income from mutual funds, asset management and securities brokerage increased by 7% to EUR 11.0 (10.3) million. Commission income from real estate agency increased by 22% to EUR 1.7 (1.4) million. Card and other payment service commissions amounted to EUR 4.6 (4.9) million.

Net income from life insurance was EUR 8.0 (5.6) million. The increase is due to considerably lower write-downs than in the previous year. Net income from the insurance business includes premiums written, net income from investment activities, insurance claims paid and the change in technical provisions.

Net income from financial transactions was EUR 0.1 (1.0) million. Net income from financial assets available for sale was EUR 0.0 (0.5) million. Net income from hedge accounting was EUR -0.1 (0.5) million.

Other operating income was EUR 1.2 (0.9) million.

Expenses

Group operating expenses increased by 3% to EUR 40.5 (39.3) million. Of this, staff costs amounted to EUR 20.0 (18.6) million, including one-time costs of EUR 1.0 million for the codetermination negotiations in the sales organisation initiated by Aktia in January 2016. IT expenses amounted to EUR 8.0 (7.0) million, including an increased provision of EUR 0.6 million due to the delayed implementation of the new core banking system.

Other operating expenses decreased to EUR 10.6 (11.8) million. This decrease is attributable to lower regulatory costs.

Group operating profit by segment

(EUR million)	4Q2015	4Q2014	Δ %
Banking Business	7.7	10.5	-27%
Asset Management & Life Insurance	6.8	5.7	20%
Miscellaneous	-4.0	-2.9	-41%
Eliminations	0.6	-0.8	-
Total	**11.1**	**12.6**	**-12%**

The operating profit from banking business decreased, mainly due to lower net interest income and lower net income from financial transactions. Operating expenses were at the same level as in the previous year.

The shares of both asset management and life insurance operating profit increased thanks to higher net commission income and net income from life insurance. Operating expenses were somewhat higher than in the previous year.

Main events January-December 2015

Implementation of Aktia's strategy "Growth 2018"

Aktia's Action Plan 2015, aimed at improving Aktia's cost efficiency and competitiveness, is largely completed. The most extensive project, the renewal of the core banking system, continues as well as the phasing-out of Aktia Real Estate Mortgage Bank.

The bank's strong capital adequacy ratio and balance sheet enable Aktia to focus on growth. The objective is to double the annual number of new customers before the end of 2018.

Aktia Bank aims to increase its corporate lending and participated for the first time in the European Investment Bank's longer-term refinancing operations (TLTRO), which enabled Aktia to put EUR 100 million onto the market in the form of Aktia financing with favourable terms.

According to its new strategy, Aktia focuses mainly on services for private customers and their families, but also on family businesses and owner-operated companies. Aktia also seeks growth in loans to housing companies in need for renovations for which the bank may offer competitive loans.

Financial objectives 2018

Simultaneously with presenting the company's new strategy in the first quarter, Aktia also updated its financial objectives:

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

Implementation of the new core banking system is planned for the second half of 2016

Testing of the systems included in the new core banking platform has been extensive, and final acceptance testing will commence in the first quarter of 2016. Full-scale implementation is planned for the second half of 2016. The migration to the new core banking system is a highly complex project, and comprehensive testing is made in order to ensure smoothest possible transition.

Due to the delay in implementation and comprehensive testing, the total investment for the core banking project, including migration costs, is estimated to exceed EUR 55 million. The total activated investment cost of the project is estimated to approximately EUR 50 million. In December, the activated investment costs amounted to EUR 41 million.

The total impact on the result at implementation of the new core banking system will be neutral. The running IT costs will decrease, whereas write-downs will increase and the implementation will require more staff initially. The new core banking system will facilitate a number of quicker customer service processes and changes in work approaches, materialising simultaneously with training for and implementation of the system. The cost savings brought by the new core banking system will be delayed and materialise from 2017 onwards.

IRBA

On 10 February 2015, the Financial Supervisory Authority granted Aktia Bank Group (Aktia Bank plc and all its subsidiaries except Aktia Life Insurance Ltd) permission to apply internal risk classification (IRBA) to the calculation of capital requirement for retail exposures. Simultaneously, the IRB approach was introduced also in the calculation of capital requirement for equity exposures. The work continues on migration to internal models for exposure to corporates and credit institutions.

The transfer to IRB approach improved Aktia's Common Equity Tier 1 capital ratio by approximately 6 percentage points.

Main events January-December 2015

Aktia Real Estate Mortgage Bank

Aktia Bank has on 8 October 2015 entered an agreement with savings banks and POP Banks concerning acquisition of minority shares in Aktia Real Estate Mortgage Bank plc. Prior to the acquisition, the parties aim to further reduce the balance sheet total of Aktia Real Estate Mortgage Bank. Hence the acquisition of shares will not take place until the financial statements of Aktia Real Estate Mortgage Bank for 2016 have been completed. Subsequently a merger with the parent company is planned.

Following the agreement, the other owners' holdings in Aktia Real Estate Mortgage Bank are reported as a liability to the owners. Before the agreement the other owners' holdings were reported as non-controlling interest's share of equity. The effect on Aktia's key figures for 2015 was:

- The Group's equity decreased by approximately EUR 66 million, but this will have no impact on Aktia's shareholders' share of equity.
- Aktia's Return on equity (ROE) improved by approximately 0.5 percentage points.
- Aktia's Common Equity Tier 1 capital ratio decreased temporarily by approximately 2 percentage points and increase again concurrently with savings banks and POP Banks repurchasing their respective shares of Aktia Real Estate Mortgage Bank's loan book in 2016.

The acquisition of the other owners' shares will have no effect on Aktia's profits, but possible premature repayment of liabilities of Aktia Real Estate Mortgage Bank may, considering the current level on interest rates, cause certain one-time costs for the Group in 2016.

Decreased holdings in Folksam

On 3 March 2015, Aktia Bank divested further 24% of its holdings in Folksam Non-Life Insurance Ltd. Thus Aktia Bank's ownership in Folksam Non-Life Insurance decreased to 10 (34)%. The total effect of the transaction on the Group's equity was negative, amounting to EUR -3.3 million, of which EUR -0.5 million burdened the operating profit.

The transaction does not effect Aktia's cooperation with Folksam Non-Life Insurance Ltd, and Aktia continues to offer insurance services to its customers.

Aktia Life Insurance received permission to apply Solvency II transitional measures

The Financial Supervisory Authority granted Aktia Life Insurance Company Ltd permission to apply transitional measures for calculation of technical provision within the Solvency II framework entered into force on 1 January 2016.

Application of the transitional measures increases the company's available capital as calculated according to Solvency II rules, thus improved the company's solvency. Taking the transitional measures into consideration, the available solvency capital amounts to approximately 182% of the solvency capital requirement (SCR).

The permission has no significant impact on Aktia Bank Group's capital adequacy, operating profit or ability to pay dividends.

Activity in January-December 2015

Business environment

The general interest rate level remained low in 2015, which had a negative impact on Aktia's net interest income. However, the low interest rates resulted in higher values for Aktia's fixed-rate investments.

According to EPSI Rating Finland (European Performance Satisfaction Index), confidence for the banking business has been restored compared to the previous year. According to EPSI Rating, published in October 2015, Aktia Bank is best in Finland in offering its customers new solutions proactively. Aktia's position in total comparison of customer satisfaction improved to 4th place (previously 6th).

According to Statistics Finland, inflation was -0.2% in both November and December 2015. The negative inflation is mainly attributable to lower fuel prices and interests on housing loans. In December 2014 inflation was 0.5%.

The index of consumer confidence in the economy weakened in December to 2.4 (4.4). In October consumer confidence was 1.3 (0.4), and it improved to 4.7 (2.6) in November. The long-time average is 11.7 ***(Statistics Finland).***

In December 2015, housing prices in Finland increased by 0.2% on the previous year. In the Helsinki region, prices increased by 1.4%, while they decreased in the rest of Finland by 0.9%. Compared with the third quarter of the year, housing prices went down in the whole country by 0.2% ***(Statistics Finland).***

Unemployment increased to 9.2% in December, and was 0.4 percentage points higher than in the previous year ***(Statistics Finland).***

The OMX Helsinki 25-index rose by approximately 12%, and the Nordic banking sector by approximately 7%, in 2015. During the year, the price of Aktia's series A share increased by approximately 4%.

Key figures Y-o-y	**2016E***	**2015E**	**2014**
GDP growth, %			
World	3.4	3.0	3.4
Euro area	1.7	1.5	0.8
Finland	0.5	0.0	-0.4
Consumer price index, %			
Euro area	0.5	0.0	0.4
Finland	0.4	-0.2	1.2
Other key ratios, %			
Development of real value of housing in Finland[1]	-0.2	-0.3	-1.7
Unemployment in Finland[1]	9.6	9.4	8.7
OMX Helsinki 25	-	12.4	5.4
Interest rates[2], %			
ECB	0.05	0.05	0.05
10-y Interest Ger (=benchmark)	0.95	0.92	0.80
Euribor 12 months	-0.05	0.06	0.33
Euribor 3 months	-0.20	-0.13	0.08

* Aktia's chief economist's prognosis (25 January 2016)
[1]annual average
[2]at the end of the year

Rating

On 16 December 2015, Moody's Investors Service confirmed its rating of Aktia Bank plc's creditworthiness. Aktia Bank plc's credit rating for long-term borrowing was confirmed as A3, for short-term borrowing as P-2 and its financial strength as C-. The outlook is unchanged stable.

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

On 2 December 2015, 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.

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

Profit January - December 2015

The Group's operating profit was EUR 64.2 (68.3) million. The Group's profit was EUR 51.6 (55.0) million.

Income

The Group's total income decreased to EUR 208.4 (212.3) million, mainly due to lower net interest income and lower net income from financial transactions.

Interest rates remained low and net interest income decreased by 5%, amounting to a total of EUR 97.3 (102.8) million. Net interest income from traditional borrowing and lending operations improved by 22% to EUR 57.4 (47.2) 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 32.3 (35.0) million. Net interest income from other treasury operations was EUR 7.7 (20.5) million.

Net commission income increased by 7% to EUR 80.0 (74.9) million. Commission income from mutual funds, asset management and securities brokerage increased by 14% to EUR 44.8 (39.4) million. Card and other payment service commissions decreased by 6% to EUR 19.2 (20.4) million. This is mainly a result of decreased payment service commissions after ending operations as central credit institution. Commission income from real estate agency increased by 13% to EUR 6.7 (5.9) million.

Net income from life insurance was EUR 24.9 (24.0) million. The increase is mainly attributable to an increase in premium volumes and to an increased actuarially calculated result. Net income from life insurance investments was somewhat lower than in the previous year.

Net income from financial transactions was EUR 3.7 (7.3) million. The previous year includes a dividend from Suomen Luotto-osuuskunta of EUR 2.4 million. Net income from hedge accounting was EUR -0.1 (0.2) million.

Other operating income was EUR 2.8 (3.1) million. Other operating income was impacted by EUR -0.5 million as a result of the decrease of Aktia's holdings in Folksam Non-Life Insurance in the first quarter of the year.

Expenses

Operating expenses were unchanged and stood at EUR 144.4 (144.5) million.

Staff costs increased by 5% and amounted to EUR 72.7 (69.5) million. In the last quarter of 2015, a provision of EUR 1.0 million was made for the codetermination negotiations in the sales organisation initiated by Aktia in January 2016. IT expenses amounted to EUR 26.9 (26.3) million. Other operating expenses decreased by 11% to EUR 36.8 (41.3) million. The previous year was affected by the temporary bank tax and by payments to the Deposit Guarantee Fund totalling EUR 5.1 million.

The depreciation of tangible and intangible assets increased and was EUR 8.1 (7.3) million.

Write-downs on credits and other commitments

Write-downs on credits remained low. Write-downs on credits and other commitments amounted to EUR -0.3 (-1.7) million. The negative outcome is due to the reversal in the second quarter of an individual large write-down.

Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of December was EUR 9,882 (10,707) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 2,295 (2,502) million. The liquidity portfolio was financed with repurchase agreements to a value of EUR 163 (0) 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 39 months.

Aktia Bank has undertaken to guarantee the liquidity of Aktia Real Estate Mortgage Bank up to EUR 550 million.

The Liquidity Coverage Ratio (LCR) was 275%.

Liquidity coverage ratio (LCR)	**31.12.2015**	**31.12.2014**
LCR %	275%	186%

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

Borrowing

Deposits from the public and public sector entities decreased marginally to EUR 3,922 (3,979) million, corresponding to a market share of deposits of 3.8 (3.9) %.

In total, the value of the Aktia Group's issued bonds was EUR 3,033 (3,535) million. Of these issued bonds, EUR 776 (1,698) million were covered bonds issued by the Aktia Real Estate Mortgage Bank. The equivalent amount for Aktia Bank was EUR 1,514 (997) million.

Certificates of deposit issued by Aktia Bank amounted to EUR 12 (161) million at the end of the year. During the year Aktia Bank issued new subordinated debts with a total value of EUR 66 million. During the year Aktia Bank issued a new long-term covered bond with a value of EUR 500 million and a maturity of 7 years. The issue was carried out to favourable terms, and it was oversubscribed three times. As security for the CB issue, loans with a value of EUR 2,027 million were reserved at the end of December.

Taking the new regulatory requirements into consideration, the bank strengthened its financing structure with the issue of long-term covered bonds worth EUR 265 million as part of its EMTN programme in October. During the year, the long-term senior financing received from savings banks and POP Banks for Aktia Real Estate Mortgage Bank, amounting to EUR 198 million, was repaid prematurely.

Lending

Total Group lending to the public amounted to EUR 5,856 (6,416) million at the end of December, a decrease of EUR 560 million.

Loans to private households (including mortgages brokered by savings banks and POP Banks) accounted for EUR 5,177 (5,697) million or 88.4 (88.8)% of the total loan book. Aktia's loan book, including the bank's share in Aktia Real Estate Mortgage Bank, amounted to EUR 5,083 (5,043) million. The loans brokered by savings banks and POP Banks decreased by 44% to EUR 774 (1,373) million.

The housing loan book totalled EUR 4,736 (5,229) million, of which the share for households was EUR 4,453 (4,939) million. Aktia's new lending to private households increased by 24%, totalling EUR 620 (500) 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 7.1 (6.5)% of Aktia Group's loan book. Total corporate lending amounted to EUR 414 (420) million.

Loans to housing companies totalled EUR 222 (251) million and made up 3.8 (3.9)% of Aktia's total loan book.

Loan book by sector

(EUR million)	31.12.2015	31.12.2014	Δ%	Share,%
Households	5,177	5,697	-520	88.4%
Corporates	414	420	-6	7.1%
Housing companies	222	251	-29	3.8%
Non-profit organisations	41	46	-5	0.7%
Public sector entities	1	2	-1	0.0%
Total	**5,856**	**6,416**	**-560**	**100.0%**

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Bank Group and other interest-bearing investments amounting to EUR 2,295 (2,512) million, the life insurance company's investment portfolio amounting to EUR 609 (630) million and the real estate and equity holdings of the Bank Group amounting to EUR 8 (1) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,130 (1,025) million, of which EUR 662 (543) million were unit-linked. Interest-related technical provisions amounted to EUR 468 (482) million.

Equity

The Aktia Group's equity decreased by EUR 76 million to EUR 615 (691) million. As of the fourth quarter of 2015, other owners' holdings in Aktia Real Estate Mortgage Bank are reported as liabilities, decreasing equity by approximately EUR 66 million. Compared to the previous year, the fund at fair value decreased by EUR 29 million.

Commitments

Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees, increased by EUR 4 million and amounted to EUR 326 (322) million.

Managed assets

The Group's total managed assets amounted to EUR 10,133 (10,065) 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)	31.12.2015	31.12.2014	Δ%
Assets under Management (AuM)	7,138	6,783	5%
Group financial assets	2,994	3,282	-9%
Total	**10,133**	**10,065**	**1%**

Capital adequacy and solvency

On 10 February 2015, the Financial Supervisory Authority granted Aktia Bank Group (Aktia Bank plc and all its subsidiaries except Aktia Life Insurance Ltd) permission to apply internal risk classification (IRBA) to the calculation of capital requirement for retail exposures. Simultaneously, the IRB approach was introduced also in the calculation of capital requirement for equity exposures. A total of 58% of the Bank Group's exposures are calculated according to the IRB approach. The work continues on migration to internal models for exposure to corporates and credit institutions.

The average risk weight for retail exposures with real estate collateral calculated according to the IRB approach was 15% compared to 35% using the standardised method. The lower risk weight resulted in an improvement of Aktia's Common Equity tier 1 capital ratio compared with the previous year.

Capital adequacy, %	30.9.2015 IRB	30.9.2015 IRB	31.12.2014 STD
Bank Group			
CET1 Capital ratio	20.7	20.5	14.6
T1 Capital ratio	20.7	20.5	14.6
Total capital ratio	27.1	25.8	19.1
Aktia Bank			
CET1 Capital ratio	18.6	18.7	15.0
T1 Capital ratio	18.6	18.7	15.0
Total capital ratio	24.6	23.7	20.3
Aktia Real Estate Mortgage Bank			
CET1 Capital ratio	79.5	67.8	19.6
T1 Capital ratio	79.5	67.8	19.6
Total capital ratio	79.5	67.8	19.6

On 8 October 2015, Aktia Bank entered an agreement with savings banks and POP Banks concerning acquisition of minority shares in Aktia Real Estate Mortgage Bank plc. The agreement has a negative effect on the Bank Group's capital adequacy. Following the agreement, the other owners' holdings in Aktia Real Estate Mortgage Bank are reported as a liability, which was recognised in the capital adequacy already at the end of the third quarter. Without the loan book brokered by savings banks and POP Banks, the Bank Group's Common Tier 1 capital ratio would have been approximately 22.3% at the end of the year.

Following the decrease of Aktia Bank's holdings in Folksam Non-Life Insurance to 10%, the company is no longer part of the Aktia Bank financial conglomerate. Aktia Bank still owns 100% of Aktia Life Insurance Ltd. The exemption granted by the Financial Supervisory Authority to the effect that Aktia Bank does not need to deduct its holdings in Aktia Life Insurance when calculating capital adequacy expired at the end of 2014.

As the Group's total holdings in insurance companies decreased, deductions for them will not have to be made in total from the Bank Group's CET1 capital. According to the IRB approach, Aktia Bank's risk weight for holdings in Aktia Life Insurance is 250% and for holdings in Folksam Non-Life Insurance 370%.

The capital requirement of banking business increased at the beginning of 2015 as the requirement for a so-called capital conservation buffer and the so-called countercyclical capital buffer requirement were introduced to Finland. The requirement for capital conservation buffer increases the minimum requirement by 2.5 percentage points. The countercyclical buffer requirement will vary between 0.0 and 2.5 percentage points. The board of the Financial Supervisory Authority decides quarterly the magnitude of the requirement for the countercyclical capital buffer on the basis of analysis of macroeconomic stability. The latest decisions on the requirement (22 December 2015) placed no countercyclical capital buffer requirement on the banks for Finnish exposures. The policy for macroeconomic stability was not tightened up by other means either, but the authorities are initiating preparations to increase risk weights of housing loans in the capital adequacy analysis.

The authorities in Sweden and Norway have set 1% as requirement for the countercyclical capital buffer of Swedish and Norwegian exposures. This requirement also applies to certain exposures in the Bank Group's liquidity portfolio. Aktia Bank Group's requirement for a countercyclical buffer amounted to 0.02% as per 31 December 2015, taking the geographic distribution of exposures into account. In accordance with the Credit Institutions Act, the Financial Supervisory Authority has defined systemically important institutions (O-SIIs) in Finland, and set buffer requirements for them. The requirements will enter into force at the beginning of 2016. No O-SII buffer requirement was set for Aktia. Taking all buffer requirements into account, the minimum capital adequacy level for the Bank Group was 10.52%.

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

Aktia Bank Group's leverage ratio was 4.7 (4.9)% based on end of fourth quarter figures.

Leverage Ratio*	31.12.2015	31.12.2014
Tier 1 capital	413	476
Total exposure	8,814	9,694
Leverage Ratio, %	**4.7**	**4.9**

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

The life insurance company's solvency margin amounted to EUR 130.4 (133.4) million, where the minimum requirement is EUR 34.8 (34.2) million. The solvency ratio was 22.3 (23.3)%. The Solvency II framework entered into force for insurance companies on 1 January 2016. One of the consequences is a new method for calculation of solvency ratio. The Financial Supervisory Authority granted Aktia Life Insurance Ltd permission to apply transitional measures for calculation of technical provision within the Solvency II framework. Without the transitional measures the available solvency capital amounts to 118% of the solvency capital requirement (SCR). Taking the transitional measures into consideration, the available solvency capital amounts to 182% of the solvency capital requirement (SCR).

The financial conglomerate's capital adequacy ratio was 226.7 (216.5)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%. When the requirements for capital buffers in banking business enter into force, the capital requirements for the financial conglomerate are also increased, thus reducing the financial conglomerate's capital adequacy accordingly. The simultaneous introduction of the IRB approach did, however, reduce the total requirement for the financial conglomerate.

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)	2015	2014	Δ %
Banking Business	52.0	51.4	1%
Asset Management & Life Insurance	23.1	22.0	5%
Miscellaneous	-11.3	-4.8	-135%
Eliminations	0.4	-0.2	-
Total	**64.2**	**68.3**	**-6%**

Banking Business

The segment Banking Business contributed EUR 52.0 (51.4) million to Group operating profit.

Operating income was EUR 165.4 (169.3) million, of which EUR 97.0 (102.3) million was net interest income. Compared to the previous year, net commission income increased to EUR 62.0 (59.0) million. The increase in commission income is primarily due to increased fund and insurance commissions. Commission income from Aktia Real Estate Agency increased by 13% year-on-year to EUR 6.7 (5.9) million.

Net income from financial transactions was EUR 3.6 (4.9) million.

Operating expenses were lower than the year before and totalled EUR 113.0 (116.2) million. Staff costs remained unchanged compared to the previous year, standing at EUR 36.1 (35.9) million. IT-related expenses totalled EUR 15.5 (17.8) million. IT-expenses in the segment Banking Business decreased due to lower costs from the IT supplier Samlink. Other operating expenses decreased to EUR 59.3 (60.7) million. The decrease in other operating expenses is attributable to lower regulatory fees.

Write-downs on credits and other commitments amounted to EUR -0.3 (-1.7) million. Lower write-downs are due to the reversal in the second quarter of a previous write-down related to one large individual customer entity.

Total savings by households increased to EUR 4,310 (4,275) million, of which household deposits were EUR 3,017 (3,054) million and savings by households in mutual funds were EUR 1,293 (1,221) million.

Aktia's lending to private households, including the mortgages brokered by Aktia, amounted to EUR 4,421 (4,357) million. The corporate loan book decreased and was EUR 414 (420) million. Due to the intensified transfer of loans to the local banks, Aktia Real Estate Mortgage Bank's total lending decreased by EUR 1,084 million to EUR 857 (1,941) million.

Aktia Private Banking, which offers comprehensive individual investment services and legal advice, increased its customer base by approximately 9%. Private Banking's Assets under Management had by 31 December 2015 increased by approximately 7% and amounted to EUR 1,923 (1,791) million.

The efforts to develop digital services continued. Electronic signing of documents and an online chat were implemented, and pilots for online meetings were carried out successfully.

The number of Aktia Bank's Premium and Preferred Customers increased during the year and was approximately 134,000 at the end of 2015.

In December, Aktia Bank plc and R-kioski Oy initiated cooperation for sales of Mastercard Prepaid cards. Thus the R-kiosks offer Aktia Mastercard Prepaid cards to customers in all their kiosks. The cooperation enables Aktia to launch of more standardised products in a distribution network throughout the country in the future.

Asset Management & Life Insurance

The segment Asset Management & Life Insurance contributed EUR 23.1 (22.0) million to Group operating profit.

Operating income for the segment was higher than in the previous year and stood at EUR 46.3 (43.5) million. The net commission income from asset management improved and was EUR 24.5 (20.9) million, and net income from life insurance was EUR 21.6 (21.5) million. The actuarially calculated result developed positively, while the net income from investments for life insurance decreased on the previous year.

Life insurancen premiums written increased by 40% year-on-year to EUR 174.4 (125.1) million. The increase is attributable to unit-linked savings policies, including sales of Aktia Profile and Allocation service+. Sales of Allocation service+ commenced at the end of 2014. The Aktia Profile investment service and the Allocation service+ contributed 66 (54)% to premiums written.

Net income from life insurance investment activities amounted to EUR 18.3 (19.5) million. The decrease was the result of lower investment returns and impairment of individual fixed-income funds. The return on the company's investments based on market value was 1.6 (8.0)%.

Operating expenses were higher than in the previous year and stood at EUR 23.2 (21.6) million, mainly as a result of higher sales and maintenance commissions in the life insurance business. Staff costs amounted to EUR 10.3 (9.8) million. The expense ratio for the life insurance business was at a good level, 83.8 (81.5)%.

The value of assets managed by Aktia Asset Management & Life Insurance totalled EUR 5,788 (5,525) million.

(EUR million)	31.12.2015	31.12.2014	Δ%
Aktia Fund Management	3,764	3,450	9%
Aktia Asset Management	6,011	5,677	6%
Aktia Life Insurance	667	545	22%
Eliminations	-4,655	-4,147	12%
Total	**5,788**	**5,525**	**5%**

Life insurance technical provisions totalled EUR 1,130 (1,025) million, of which unit-linked provisions were EUR 662 (543) million and interest-related provisions EUR 468 (482) million. Unit-linked provisions continued to increase, amounting to 59 (53)% 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 exceeded minimum regulatory requirements for capital adequacy by a good margin.

Miscellaneous

The Miscellaneous segment contributed EUR -11.3 (-4.8) million to Group operating profit.

Miscellaneous includes some of the joint administrative functions within Aktia Bank plc and the former subsidiary Vasp-Invest Ltd (merged 30 November 2015). Costs attributable to the administrative units are invoiced on an ongoing basis from the subsidiaries.

Operating income totalled EUR 4.6 (8.3) million. Net income from investment properties amounted to EUR -0.4 (0.1) million as a result of continued sale of real estate holdings in the Vasp-Invest Ltd subsidiary. Other operating income is impacted by EUR -0.5 million resulting from the decrease in Aktia's holdings in Folksam Non-Life Insurance. The previous year included a dividend from Suomen Luotto-osuuskunta of EUR 2.4 million. No dividend is to be received from that cooperative for 2015.

Operating expenses after cost allocations to subsidiaries totalled EUR 15.9 (13.1) million. Staff costs amounted to EUR 25.1 (22.8) million. This increase is mainly attributable to increased reservations for result-related remuneration and a provision of EUR 1.0 million for the codetermination negotiations in the sales organisation initiated by Aktia in January 2016.

IT expenses for the segment increased to EUR 9.5 (6.8) million. The provision recognised in the 2012 annual accounts for the change of core banking system has decreased with EUR 1.2 (2.8) million during the year. At the end of December, the provision amounted to EUR 2.3 (3.5) million, including an increase of EUR 0.6 million due to the delayed implementation of the new core banking system.

During the first six months of 2016, 4 branch offices will be merged, and a provision for costs of EUR 0.4 million was made for this.

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 2014 (www.aktia.com) in note G2 on pages 40–65.

Lending related risks within banking business

Loans past due more than 90 days, including claims on bankrupt companies and receivables for collection decreased to EUR 44 (46) million, corresponding to 0.75 (0.71)% of the loan book. The loan book also includes off-balance sheet guarantee commitments.

Loans past due to households more than 90 days corresponded to 0.63 (0.56)% of the entire loan book and 0.71 (0.63)% of the household loan book.

Loans with payments 3–30 days overdue decreased to EUR 76 (101) million, equivalent to 1.29 (1.57)% of the loan book. Loans with payments 31–89 days overdue decreased to EUR 28 (41) million, or 0.48 (0.63)% of the loan book.

Loans past due by time overdue

(EUR million)

Days	31.12.2015	% of loan book	31.12.2014	% of loan book
3 - 30	76	1.29	101	1.57
of which households	71	1.20	94	1.46
31 - 89	28	0.48	41	0.63
of which households	26	0.44	34	0.53
90-	44	0.75	46	0.71
of which households	37	0.63	36	0.56

Write-downs on credits and other commitments

During the year total write-downs on credits and other commitments was EUR -0.3 (-1.7) million. Of these write-downs, EUR -0.8 (-1.9) million were attributable to households, and EUR 0.4 (0.2) million to companies.

Total write-downs on credits amounted to 0.01 (0.03)% of total lending. The share of write-downs on corporate loans in relation to corporate lending overall amounted to -0.11 (-0.04)%.

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 decreased during the year by EUR 217 million, and amounted to EUR 2,295 (2,512) million.

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

	31.12.2015	31.12.2014
(EUR million)	**2,295**	**2,512**
Aaa	59.9%	50.9%
Aa1-Aa3	25.1%	29.7%
A1-A3	5.5%	13.5%
Baa1-Baa3	2.2%	0.6%
Ba1-Ba3	0.0%	0.0%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	7.4%	5.3%
No rating	0.0%	0.0%
Total	**100.0%**	**100.0%**

At the end of the year, there were two covered bonds with a total value of EUR 21 million, that did not meet the eligibility requirements for refinancing at the central bank. The credit rating of these bonds was Aa1. In addition, there are securities to a value of EUR 25 million from a Finnish credit institution that do not meet the criteria for refinancing at the central bank, due to the fact that the issue has no rating.

The Group's investments in the so-called GIIPS countries stood at EUR 30 (34) million on 31 December 2015. All exposures relating to GIIPS countries are marked to market on an ongoing basis at current market prices.

Other market risks within the banking business

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

At the end of the year, real estate holdings amounted to EUR 0.1 (0.1) million and investments in shares necessary for the business amounted to EUR 7.5 (0.9) million. The increase of investments in shares is attributable to the divestment of shares in the erstwhile associated company Folksam Non-Life Insurance. The remaining holding (10%) in Folksam Non-Life Insurance is reported as shares available for sale.

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 609 (630) million. During the year, the real estate allocation in the life insurance company has decreased slightly due to reallocations in the investment portfolio. The life insurance company's direct real estate investments amounted to EUR 54 (57) million. The properties are mainly located in the Helsinki region and have tenants with long rental agreements.

The life insurance company's direct fixed-income interest investments in GIIPS countries amounted to EUR 2 (7) million.

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

	31.12.2015	**31.12.2014**
(EUR million)	**429**	**460**
Aaa	61.2%	59.6%
Aa1-Aa3	17.9%	18.4%
A1-A3	7.9%	9.4%
Baa1-Baa3	4.8%	4.3%
Ba1-Ba3	0.5%	0.5%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	0.0%	0.0%
No rating	7.7%	7.8%
Total	**100.0%**	**100.0%**

Bank Group's geopolitical and instrument type distribution

	Government and Govt. guaranteed		**Covered Bonds**		**Financial institutions excl. CB**		**Corporate bonds**		**Equity instruments**		**Total**	
(EUR million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Finland	182	149	149	239	84	50	-	-	-	-	**415**	**438**
United Kingdom	-	-	298	320	19	25	-	-	-	-	**317**	**346**
Netherlands	25	25	189	208	85	129	-	-	-	-	**299**	**363**
Norway	-	-	283	248	0	10	-	-	-	-	**283**	**258**
France	65	66	142	195	47	133	-	-	-	-	**255**	**393**
Sweden	-	-	75	87	120	96	-	-	-	-	**194**	**183**
Denmark	-	-	84	27	-	-	-	-	-	-	**84**	**27**
Austria	26	26	54	95	-	-	-	-	-	-	**80**	**121**
Germany	48	48	9	10	-	3	-	-	-	-	**58**	**61**
Supranationals	228	240	-	-	-	-	-	-	-	-	**228**	**240**
Others	54	42	28	39	-	-	-	-	-	-	**82**	**81**
Total	**629**	**596**	**1,311**	**1,469**	**355**	**446**	**-**	**-**	**-**	**-**	**2,295**	**2,512**

Life Insurance company's geopolitical and instrument type distribution

	Government and Govt. guaranteed		**Covered Bonds**		**Financial institutions excl. CB**		**Corporate bonds**		**Real estate**		**Alternative investments**		**Equity instruments**		**Total**	
(EUR million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Finland	34	35	6	6	56	45	61	53	82	86	3	15	-	-	**242**	**241**
France	38	46	86	88	1	6	10	3	-	-	-	-	-	-	**135**	**143**
Netherlands	10	23	31	37	13	13	2	1	-	-	-	-	-	-	**56**	**74**
United Kingdom	-	-	36	37	3	4	1	1	-	-	0	0	-	-	**40**	**43**
Austria	22	23	6	6	-	-	-	-	-	-	-	-	-	-	**29**	**30**
Germany	17	17	-	-	-	-	4	4	-	-	-	-	-	-	**21**	**21**
Denmark	-	-	19	20	-	-	2	3	-	-	-	-	-	-	**22**	**22**
Sweden	-	-	-	-	9	8	-	-	-	-	0	0	-	-	**9**	**9**
Norway	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Supranationals	6	5	-	-	-	-	-	-	-	-	-	-	-	-	**6**	**5**
Others	21	26	2	4	5	6	21	7	-	-	0	0	-	-	**50**	**43**
Total	**150**	**176**	**186**	**198**	**88**	**83**	**101**	**71**	**82**	**86**	**3**	**16**	**-**	**-**	**609**	**630**

Valuation of financial assets

Value changes reported via income statement

Write-downs on financial assets amounted to EUR -3,2 (-3.7) million, attributable to permanent reductions in the value of interest rate and real estate funds and small private equity holdings.

Write-downs on financial assets

(EUR million)	2015	2014
Interest-bearing securities		
Banking Business	-	-
Life Insurance Business	-	-
Shares and participations		
Banking Business	0.0	-0.3
Life Insurance Business	-3.2	-3.4
Total	**-3.2**	**-3.7**

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 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 75.1 (104.1) million after deferred tax.

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

The fund at fair value

(EUR million)	31.12.2015	31.12.2014	Δ
Shares and participations			
Banking Business	-0.1	0.0	-0.1
Life Insurance Business	3.1	4.0	-0.9
Direct interest-bearing securities			
Banking Business	24.1	40.5	-16.3
Life Insurance Business	48.0	57.1	-9.2
Share of Non-Life insurance's fund at fair value	-	2.3	-2.3
Cash flow hedging	0.1	0.2	-0.1
Fund at fair value, total	**75.1**	**104.1**	**-29.0**

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consists of reclassified interest-bearing securities from previous years. Most of the reclassified securities have an AAA rating. During the year no new acquisitions were made to the portfolio which, on 31 December 2015, amounted to EUR 482 (489) million.

Unwinding of hedging interest-rate derivatives

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

The unwound interest-rate derivatives will have a positive impact on the result in net interest income up until the end of 2019. In 2016, the positive impact on net interest income will amount to approximately EUR 16 million. The remaining positive impact on the result, amounting to approximately EUR 27 million, will mainly be reported in the years 2017–2018.

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

Operational risks

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

Events concerning close relations

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

Further information on events concerning close relations is given in note G46 to the Financial statements 2014. 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. This was motivated by the business environment characterised by extremely low interest rates and new regulations. Action Plan 2015 included several separate measures, of which for example the following have been completed:

- Mergers of branch offices and more effective use of office space as well as simplification of Group structure and reduction of the workforce.
- Aktia Bank terminated services as central credit institution, was granted mortgage bank concession and has issued covered bonds since 2013.
- The agreement with Samlink as main supplier of IT services was terminated, development of a new core banking system initiated, and the Group's workstations unified into one network.
- The Finnish Financial Supervisory Authority granted Aktia Bank permission to implement an internal method for risk classification (IRBA), further strengthening the good capital adequacy.
- Agreement with savings banks and POP Banks concerning acquisition of minority shares in Aktia Real Estate Mortgage Bank after the balance sheet is unwound during 2015–2016.

The Action Plan 2015 measures still to be completed are the implementation of the renewed core banking system, the phasing-out of Aktia Real Estate Mortgage Bank plc and the process improvements that the new core banking system will bring. These measures will be implemented within the framework of Aktia's present strategy Growth 2018.

Other events during the year

Aktia Bank plc has divested 115,294 Series A treasury shares as remuneration payment to the Board of Directors and Board of Supervisors, as well as for deferred instalments under Share Based Incentive Scheme 2011, earning period 2011–2012 and earning period 2012–2013, to 13 key employees belonging to the share-based incentive scheme.

On 12 May 2015 at its first meeting following the ordinary annual general meeting 2015, the Board of Supervisors of Aktia Bank plc re-elected Honorary Counsellor Håkan Mattlin as the Chair of the Board of Supervisors. Christina Gestrin, Patrik Lerche, Jorma J. Pitkämäki, Jan-Erik Stenman and Bo-Gustav Wilson were re-elected as Deputy Chairs. Clas Nyberg was elected as new Deputy Chair.

During the first quarter, Aktia Bank plc divested further 24% of its holdings in Folksam Non-Life Insurance Ltd. Following the transaction, Aktia Bank's ownership in Folksam Non-Life Insurance decreased to 10%.

On 10 February 2015, the Financial Supervisory Authority granted Aktia Bank Group permission to apply internal risk classification (IRBA) to the calculation of credit risk capital requirements for retail exposures from 31 March 2015. Thus, Aktia applies the internal method for risk classification from the Interim Report 1 January–31 March 2015.

Aktia Bank plc has completed acquisition of own shares as informed in the Stock Exchange Release of 11 August 2015. A total of 120,000 Series A shares were purchased.

On 7 October, Heidi Schauman, D.Sc. (Econ.), was appointed as new Chief Economist. She was previously employed by Nordea, and started at Aktia in November 2015.

Aktia Bank has on 8 October 2015 entered an agreement concerning acquisition of minority shares in Aktia Real Estate Mortgage Bank plc and subsequent merger with the parent company. Prior to the acquisition, the parties aim to further reduce the balance sheet total of Aktia Real Estate Mortgage Bank. Hence the acquisition of shares will not take place until the financial statements of Aktia Real Estate Mortgage Bank for 2016 have been completed.

On 10 November 2015, Nasdaq Nordic announced that Aktia Bank plc A (AKTAV) would be included in the OMX Helsinki Benchmark index. The new composition of the OMX Helsinki Benchmark index entered into force on 1 December 2015.

Aktia Bank and R-kioski initiated cooperation for the sales of Mastercard Prepaid cards as from 10 December 2015.

Event after year-end

On 12 January 2016 Aktia Bank announced that codetermination negotiations will be initiated in the bank's sales organisation. The bank's sales organisation will be reorganised and its efficiency will be enhanced simultaneously with structural changes in customer services. The codetermination negotiations were initiated due to financial and production-related reasons and reorganising of the operations. The negotiations were concluded on 8 February 2016, resulting in a staff reduction of approx. 55 persons. The reduction of staff generated a one-off cost of EUR 1.0 million which was recognised in the last quarter of 2015. The estimated annual cost savings amounts to approx. EUR 2 million.

Aktia Bank has on 15 January 2016 divested 51,727 Series A treasury shares for the payment of deferred instalments under the Share-Based Incentive Scheme to 16 persons included in the Share-Based Incentive Scheme. Following the divestment the number of Series A treasury shares is 90,385 and Series R treasury shares 6,658.

The Board of Directors of Visa Europe has, supported by authorisation from the owners of the company, agreed to sell the company to the American Visa Inc. subject to regulatory approval. The expected time frame for a decision on whether the sale may be executed is the second quarter of 2016. Aktia Bank is a part owner of Visa Europe and a broker of Visa Europe's card services. The divestement of holdings in Visa Europe is expected to bring a one-time gain of approximately EUR 7 million in 2016. Besides upfront consideration for the transaction, an additional earn-out may be paid after 4 to 12 years. Further, Aktia Bank may receive shares of considerations paid to other Visa Europe part owners, the card products of which Aktia Bank has brokered. Both the transaction and the amount of consideration depend on a number of legal and other uncertain factors. Therefore Aktia Bank has decided not to recognise any of the consideration in the income statement.

Personnel and personnel fund

At the end of December 2015, the total number of full time employees in Aktia Group stood at 920 (932).

The average number of full-time employees for the year was 936 (941).

Aktia Bank plc's Board of Directors has confirmed that the maximum profit sharing provision for the personnel fund for 2015 will be EUR 3 million at a group operating profit of EUR 79 million. If the group operating profit amounts to a minimum of EUR 49 million, the profit sharing provision is EUR 250,000 and increases thereafter with an amount corresponding to 10% of the group operating profit exceeding EUR 49 million.

Incentive schemes for key personnel

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

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

Board of Directors and Executive Committee

Aktia Bank plc's Board of Directors for 1 January - 31 December 2015:

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

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

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

On 8 December 2015, the Board of Supervisors decided on the annual remuneration for the Board of Directors for 2016:

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

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

Aktia's Executive Committee comprises Managing Director Jussi Laitinen, Deputy Managing Director and Managing Director's alternate Taru Narvanmaa, Director Mia Bengts, Director Juha Hammarén, Director Carl Pettersson, Director Anssi Rantala, Director Fredrik Westerholm and Director Magnus Weurlander.

Proposals for the Annual General Meeting 2016

The Board of Directors proposes an increased dividend of EUR 0.54 (0.48) per share for the period 1 January–31 December 2015. Further, a return of capital of EUR 0.10 per share is proposed.

The proposed record date for the dividend is 14 April 2016 and the proposed day for paying out the dividend is 26 April 2016.

Aktia Bank plc's Nomination Committee proposes to the Annual General Meeting of Aktia Bank plc to be held on 12 April 2016 that the current members of the Board of Supervisors Mikael Aspelin, Agnetha Eriksson, Clas Nyberg, Gunvor Sarelin-Sjöblom, Jan-Erik Stenman, Lars Wallin, Ann-Marie Åberg, whose turn it is to step down at the 2016 AGM, be re-elected.

As new members the Nomination Committee proposes Ralf Asplund (61), entrepreneur, Annika Pråhl (61), B. A., and Marcus Rantala (38), M. Soc. Sc.

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 28.

The Nomination Committee proposes that the annual remuneration of the Board of Supervisors members be increased by 5 per cent and therefore be as follows:

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

The Nomination Committee proposes that 35% of the annual remuneration (gross) continues 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. However, the chair of the Presiding Officers of the Board of Supervisors is proposed to receive a remuneration of EUR 1,000 per meeting of the Presiding Officers. Compensation for traveling and accommodation expenses as well as a daily allowance is proposed to be paid in line with the Tax Administration guidelines.

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

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

Share capital and ownership

The share capital of Aktia Bank plc amounts to EUR 163 million, comprising a total of 46,706,723 A shares and 19,872,088 R shares, or 66,578,811 shares in all. The number of shareholders at the end of December 2015 was 42,194. Foreign ownership was 2.1%.

The number of unregistered shares was 770,115 or 1.2% of all shares. Inspection and registration of outstanding shares continue.

On 31 December 2015, the Group held 142,112 (137,406) A shares and 6,658 (6,658) R shares.

Shares

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

Aktia's market value at 31 December 2015 was EUR 714 (667) million. On 31 December 2015, the closing price for a series A share was EUR 10.31 (9.77) and for a series R share EUR 11.71 (10.60). The highest closing price for A series shares was EUR 12.07 (10.00) and the lowest EUR 9.33 (7.99). The highest for the series R share was EUR 13.49 (11.20) and the lowest EUR 10.45 (8.20).

The average daily turnover in 2015, for series A shares, decreased from the previous year to EUR 279,620 (402,873) or 26,116 (45,032) shares. An average of 109 (113) transactions per day were carried out with series A shares.

The average daily turnover of R shares was higher than in 2014, amounting to EUR 40,078 (10,402), or 3,468 (1,077) shares. The number of trading days was low, and the average number of transactions was about 2 (3) per day.

Outlook and risks

The bank's strong capital adequacy ratio and balance sheet enable Aktia to focus on growth. According to the new strategy, Aktia focuses mainly on services for private customers and their families, but also on family businesses and owner-operated companies. Aktia also seeks growth in loans to housing companies in need for renovations for which the bank may offer competitive loans. Aktia will continue to strive for efficient and customer-friendly service in both branch offices and digital channels.

Outlook 2016 (new)

The continued low interest rates have a negative impact on Aktia's net interest income, and the increasing uncertainty on the capital markets makes it challenging to reach the same level of growth in commission income as in 2015. During 2016 Aktia expects to receive a larger one-off income from the sale of Visa Europe. Write-downs on credits are expected to remain low in 2016.

Aktias operating profit for 2016 is expected to reach an approximately similar level as in 2015.

Aktia's objective is to double the annual number of new customers before the end of 2018. The number of new private and corporate customers was 1,300 in 2015. In 2016, the objective is an increase of 3,000 new private and corporate customers.

Risks

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

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

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

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

The availability of liquidity on the 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 has also resulted in increased competition for deposits, higher demands on long-term financing and higher fixed costs.

Financial objectives 2018

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

Key figures

(EUR million)	2015	2014	Δ%	4Q2015	3Q2015	2Q2015	1Q2015
Earnings per share (EPS), EUR	0.78	0.79	-1%	0.13	0.20	0.25	0.20
Total earnings per share, EUR	0.35	1.14	-70%	0.05	0.16	-0.07	0.21
Equity per share (NAV), EUR[1]	9.26	9.39	-1%	9.26	9.20	9.05	9.59
Average number of shares (excl. treasury shares), million[2]	66.5	66.5	0%	66.5	66.5	66.5	66.5
Number of shares at the end of the period (excl. treasury shares), million[1]	66.4	66.4	0%	66.4	66.5	66.6	66.5
Return on equity (ROE), %	7.9	8.3	-5%	5.4	8.0	9.6	7.5
Return on assets (ROA), %	0.50	0.51	-2%	0.35	0.53	0.64	0.49
Cost-to-income ratio [3]	0.69	0.68	1%	0.78	0.66	0.66	0.67
Common Equity Tier 1 capital ratio (Bank Group), %[1]	20.7	14.6	42%	20.7	20.5	22.4	22.6
Tier 1 capital ratio (Bank Group), %[1]	20.7	14.6	42%	20.7	20.5	22.5	22.7
Capital adequacy ratio (Bank Group), %[1]	27.1	19.1	42%	27.1	25.8	27.7	27.1
Risk-weighted commitments (Bank Group)[1]	1,998.8	3,263.3	-39%	1,998.8	2,126.3	2,164.5	2,234.4
Capital adequacy ratio (finance and insurance conglomerate), %[1]	226.7	216.5	5%	226.7	223.5	225.7	230.1
Equity ratio, %[1]	6.0	6.4	-7%	6.0	6.6	6.4	6.6
Group financial assets[1]	2,994.4	3,282.2	-9%	2,994.4	2,949.5	3,087.9	3,360.6
Assets under Management[1]	7,138.2	6,782.8	5%	7,138.2	6,815.1	7,156.2	7,322.8
Borrowing from the public[1]	3,922.0	3,979.2	-1%	3,922.0	3,920.0	3,978.5	3,903.5
Lending to the public[1]	5,856.3	6,416.0	-9%	5,856.3	5,934.4	6,598.3	6,189.5
Premiums written before reinsurers' share	174.9	125.7	39%	42.9	26.6	45.1	60.3
Expense ratio, % (life insurance company)[2]	83.8	81.5	3%	83.8	84.9	85.3	88.1
Solvency margin (life insurance company)[1]	130.4	133.4	-2%	130.4	128.9	126.9	144.3
Solvency ratio, % (life insurance company)[2]	22.3	23.3	-4%	22.3	22.3	21.5	24.2
Investments at fair value (life insurance company)[1]	1,225.7	1,135.2	8%	1,225.7	1,198.2	1,237.7	1,246.8
Technical provisions for interest-related insurances[1]	468.3	482.3	-3%	468.3	473.2	496.3	481.9
Technical provisions for unit-linked insurances[1]	662.2	543.1	22%	662.2	613.8	644.4	637.3
Group's personnel (FTEs), average number of employees	936	941	-1%	919	949	945	936
Group's personnel (FTEs), at the end of the period	920	932	-1%	920	916	974	934

[1] At the end of the period
[2] Cumulative from the beginning of the year
[3] Starting from the fourth quarter of 2015, the cost-to-income ratio calculates for the whole Group. The comparative figure have been recalculated correspondingly.

Bank Group's Common Equity Tier 1 capital ratio, %= Common Equity Tier 1 capital x 100 / Risk-weighted commitments.

Other formulas for key figures are presented in AktiaBank plc's annual report 2014 page 19.

Consolidated income statement

(EUR million)	2015	2014	Δ%
Net interest income	97.3	102.8	-5%
Dividends	0.1	0.1	-55%
Commission income	89.9	84.4	7%
Commission expenses	-9.9	-9.5	-4%
Net commission income	80.0	74.9	7%
Net income from life insurance	24.9	24.0	4%
Net income from financial transactions	3.7	7.3	-49%
Net income from investment properties	-0.4	0.1	-
Other operating income	2.8	3.1	-11%
Total operating income	**208.4**	**212.3**	**-2%**
Staff costs	-72.7	-69.5	5%
IT-expenses	-26.9	-26.3	2%
Depreciation of tangible and intangible assets	-8.1	-7.3	11%
Other operating expenses	-36.8	-41.3	-11%
Total operating expenses	**-144.4**	**-144.5**	**0%**
Write-downs on credits and other commitments	-0.3	-1.7	-80%
Share of profit from associated companies	0.6	2.2	-73%
Operating profit	**64.2**	**68.3**	**-6%**
Taxes	-12.6	-13.3	-5%
Profit for the reporting period	**51.6**	**55.0**	**-6%**
Attributable to:			
Shareholders in Aktia Bank plc	52.0	52.5	-1%
Non-controlling interest	-0.4	2.5	-
Total	**51.6**	**55.0**	**-6%**
Earnings per share (EPS), EUR	0.78	0.79	-1%
Earnings per share (EPS), EUR, after dilution	0.78	0.79	-1%

Consolidated statement of comprehensive income

(EUR million)	2015	2014	Δ%
Profit for the reporting period	51.6	55,0	-6%
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale	-23.8	37,6	-
Change in valuation of fair value for financial assets held until maturity	-3.7	-3,6	-2%
Change in valuation of fair value for cash flow hedging	0.1	-	-
Transferred to the income statement for financial assets available for sale	-1.3	-6,8	80%
Transferred to the income statement for cash flow hedging	-0.1	-4,3	98%
Comprehensive income from items which can be transferred to the income statement	-28.9	22,9	-
Defined benefit plan pensions	0.0	0,3	-86%
Comprehensive income from items which can not be transferred to the income statement	0.0	0,3	-86%
Total comprehensive income for the reporting period	**22.7**	**78,3**	**-71%**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc	23.0	75,6	-70%
Non-controlling interest	-0.3	2,6	-
Total	**22.7**	**78,3**	**-71%**
Total earnings per share, EUR	0.35	1,14	-70%
Total earnings per share, EUR, after dilution	0.35	1,14	-70%

Consolidated balance sheet

(EUR million)	31.12.2015	31.12.2014	Δ%
Assets			
Cash and balances with central banks	268.4	395.9	-32%
Interest-bearing securities	2,103.2	2,290.0	-8%
Shares and participations	94.4	85.4	11%
Financial assets available for sale	2,197.6	2,375.4	-7%
Financial assets held until maturity	481.7	488.5	-1%
Derivative instruments	172.5	231.3	-25%
Lending to Bank of Finland and credit institutions	43.9	45.8	-4%
Lending to the public and public sector entities	5,856.3	6,416.0	-9%
Loans and other receivables	5,900.2	6,461.8	-9%
Investments for unit-linked insurances	667.7	545.3	22%
Investments in associated companies	0.0	23.6	-100%
Intangible assets	50.8	36.3	40%
Investment properties	53.7	57.1	-6%
Other tangible assets	8.7	8.2	5%
Accrued income and advance payments	51.6	57.2	-10%
Other assets	18.2	8.6	110%
Total other assets	69.8	65.9	6%
Income tax receivables	0.8	3.4	-77%
Deferred tax receivables	9.7	13.0	-25%
Tax receivables	10.5	16.4	-36%
Assets classified as held for sale	-	1.1	-
Total assets	**9,881.5**	**10,706.7**	**-8%**
Liabilities			
Liabilities to Bank of Finland and credit institutions	474.8	776.6	-39%
Liabilities to the public and public sector entities	3,922.0	3,979.2	-1%
Deposits	4,396.8	4,755.7	-8%
Derivative instruments	86.2	113.2	-24%
Debt securities issued	3,033.4	3,534.5	-14%
Subordinated liabilities	235.0	222.5	6%
Other liabilities to credit institutions	84.8	99.8	-15%
Other liabilities to the public and public sector entities	74.0	73.9	0%
Other financial liabilities	3,427.2	3,930.7	-13%
Technical provisions for risk insurances and interest-related insurances	468.3	482.3	-3%
Technical provisions for unit-linked insurances	662.2	543.1	22%
Technical provisions	1,130.5	1,025.4	10%
Accrued expenses and income received in advance	62.7	78.1	-20%
Other liabilities	101.9	47.2	116%
Total other liabilities	164.6	125.3	31%
Provisions	2.3	3.5	-34%
Income tax liabilities	0.9	2.6	-63%
Deferred tax liabilities	57.7	59.2	-3%
Tax liabilities	58.7	61.8	-5%
Liabilities for assets classified as held for sale	-	0.1	-
Total liabilities	**9,266.3**	**10,015.8**	**-7%**
Equity			
Restricted equity	238.1	267.4	-11%
Unrestricted equity	377.1	356.5	6%
Shareholders' share of equity	615.2	623.9	-1%
Non-controlling interest's share of equity	-	66.9	-
Equity	**615.2**	**690.9**	**-11%**
Total liabilities and equity	**9,881.5**	**10,706.7**	**-8%**

Consolidated statement of changes in equity

(EUR million)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders share of equity	Non-controlling interest	Total equity
Equity as at 1 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 year			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**
Equity as at 1 January 2015	**163.0**	**0.3**	**104.1**	**1.9**	**115.0**	**239.7**	**623.9**	**66.9**	**690.9**
Acquisation of treasury shares						-1.3	-1.3		-1.3
Divestment of treasury shares					0.1	1.1	1.2		1.2
Dividend to shareholders						-31.9	-31.9	-0.3	-32.2
Profit for the reporting period						*52.0*	*52.0*	*-0.4*	*51.6*
Financial assets available for sale			*-25.2*				*-25.2*	*0.0*	*-25.2*
Financial assets held until maturity			*-3.7*				*-3.7*		*-3.7*
Cash flow hedging			*-0.1*				*-0.1*	*0.1*	*0.0*
Defined benefit plan pensions						*0.0*	*0.0*		*0.0*
Total comprehensive income for the year			-29.0			52.0	23.0	-0.3	22.7
Other change in equity *)		-0.3		0.3		0.3	0.3	-66.4	-66.1
Equity as at 31 December 2015	**163.0**	**-**	**75.1**	**2.1**	**115.1**	**259.9**	**615.2**	**-**	**615.2**

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

Consolidated cash flow statement

(EUR million)	2015	2014	Δ%
Cash flow from operating activities			
Operating profit	64.2	68.3	-6%
Adjustment for non cash flow items	-7.1	-10.4	32%
Paid income taxes	-3.2	-8.7	63%
Cash flow from operating activities before change in receivables and liabilities	**53.9**	**49.2**	**10%**
Increase (-) or decrease (+) in receivables from operating activities	591.9	357.5	66%
Increase (+) or decrease (-) in liabilities from operating activities	-746.7	-347.6	-115%
Total cash flow from operating activities	**-100.8**	**59.1**	**-**
Cash flow from investing activities			
Investments in business operations	-3.7	-11.8	69%
Proceeds from sale of group companies and associated companies	15.6	1.8	754%
Investment in tangible and intangible assets	-23.0	-25.1	8%
Proceeds from sale of investment properties	0.5	0.1	263%
Proceeds from sale of tangible and intangible assets	0.0	0.0	-98%
Total cash flow from investing activities	**-10.7**	**-35.0**	**69%**
Cash flow from financing activities			
Subordinated liabilities	12.5	-9.7	-
Dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	-0.3	-0.3	7%
Acquisation of treasury shares	-1.3	-1.3	-4%
Divestment of treasury shares	1.2	0.2	558%
Paid dividends	-31.9	-28.0	-14%
Total cash flow from financing activities	**-19.8**	**-39.0**	**49%**
Change in cash and cash equivalents	**-131.4**	**-14.9**	**-782%**
Cash and cash equivalents at the beginning of the year	414.8	429.7	-3%
Cash and cash equivalents at the end of the year	283.4	414.8	-32%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	7.4	8.0	-7%
Bank of Finland current account	260.9	387.9	-33%
Repayable on demand claims on credit insitutions	15.1	18.9	-20%
Total	**283.4**	**414.8**	**-32%**
Adjustment for non cash flow items consist of:			
Impairment of financial assets available for sale	3.2	3.7	-12%
Write-downs on credits and other commitments	0.3	1.7	-80%
Change in fair values	-1.3	0.3	-
Depreciation and impairment of tangible and intangible assets	8.1	7.3	11%
Result effect from associated companies	-0.3	-1.9	86%
Sales gains and losses from tangible and intangible assets	0.8	0.0	-
Unwound cash flow hedging	-0.1	-5.4	98%
Unwound fair value hedging	-15.9	-15.9	0%
Change in provisions	-1.2	-2.8	57%
Change in fair values of investment properties	-1.3	1.7	-
Change in share-based payments	0.5	0.9	-40%
Total	**-7.1**	**-10.4**	**32%**

Quarterly trends in the Group

Income statement (EUR million)	4Q2015	3Q2015	2Q2015	1Q2015	4Q2014	2015	2014
Net interest income	23.7	23.8	24.3	25.5	25.3	97.3	102.8
Dividends	-	-	0.1	-	-	0.1	0.1
Net commission income	18.9	19.7	21.7	19.7	18.9	80.0	74.9
Net income from life insurance	8.0	4.1	6.0	6.8	5.6	24.9	24.0
Net income from financial transactions	0.1	0.9	1.4	1.4	1.0	3.7	7.3
Net income from investment properties	0.0	0.0	0.0	-0.4	0.0	-0.4	0.1
Other operating income	1.2	0.8	0.5	0.2	0.9	2.8	3.1
Total operating income	**51.9**	**49.3**	**54.0**	**53.1**	**51.7**	**208.4**	**212.3**
Staff costs	-20.0	-16.0	-18.7	-18.0	-18.6	-72.7	-69.5
IT-expenses	-8.0	-6.4	-5.9	-6.5	-7.0	-26.9	-26.3
Depreciation of tangible and intangible assets	-2.0	-2.0	-2.1	-2.1	-1.9	-8.1	-7.3
Other operating expenses	-10.6	-8.0	-9.1	-9.1	-11.8	-36.8	-41.3
Total operating expenses	**-40.5**	**-32.4**	**-35.8**	**-35.7**	**-39.3**	**-144.4**	**-144.5**
Write-downs on credits and other commitments	-0.3	-0.5	1.5	-1.0	0.0	-0.3	-1.7
Share of profit from associated companies	-	-	-	0.6	0.2	0.6	2.2
Operating profit	**11.1**	**16.4**	**19.7**	**17.0**	**12.6**	**64.2**	**68.3**
Taxes	-2.4	-3.0	-3.3	-3.9	-2.2	-12.6	-13.3
Profit for the period	**8.7**	**13.4**	**16.5**	**13.0**	**10.4**	**51.6**	**55.0**
Attributable to:							
Shareholders in Aktia Bank plc	8.7	13.5	16.8	13.0	9.0	52.0	52.5
Non-controlling interest	-	-0.1	-0.3	0.0	1.4	-0.4	2.5
Total	**8.7**	**13.4**	**16.5**	**13.0**	**10.4**	**51.6**	**55.0**
Earnings per share (EPS), EUR	0.13	0.20	0.25	0.20	0.14	0.78	0.79
Earnings per share (EPS), EUR, after dilution	0.13	0.20	0.25	0.20	0.14	0.78	0.79
Comprehensive income (EUR million)							
Profit for the period	8.7	13,4	16,5	13,0	10,4	51.6	55.0
Other comprehensive income after taxes:							
Change in valuation of fair value for financial assets available for sale	-6.6	-1,0	-18,2	2,0	-0,2	-23.8	37.6
Change in valuation of fair value for financial assets held until maturity	-0.9	-0,9	-0,9	-0,9	-0,9	-3.7	-3.6
Change in valuation of fair value for cash flow hedging	0.1	-	-	-	-	0.1	-
Transferred to the income statement for financial assets available for sale	2.3	-1,1	-2,5	-0,1	-0,1	-1.3	-6.8
Transferred to the income statement for cash flow hedging	-	-	-	-0,1	-0,3	-0.1	-4.3
Comprehensive income from items which can be transferred to the income statement	-5.2	-3,1	-21,6	0,9	-1,5	-28.9	22.9
Defined benefit plan pensions	0.0	-	-	-	0,3	0.0	0.3
Comprehensive income from items which can not be transferred to the income statement	0.0	-	-	-	0,3	0.0	0.3
Total comprehensive income for the period	**3.6**	**10,3**	**-5,1**	**13,9**	**9,2**	**22.7**	**78.3**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank plc	3.6	10,4	-4,8	13,9	7,8	23.0	75.6
Non-controlling interest	-	-0,1	-0,3	0,1	1,4	-0.3	2.6
Total	**3.6**	**10,3**	**-5,1**	**13,9**	**9,2**	**22.7**	**78.3**
Total earnings per share, EUR	0.05	0,16	-0,07	0,21	0,12	0.35	1.14
Total earnings per share, EUR, after dilution	0.05	0,16	-0,07	0,21	0,12	0.35	1.14

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 International Financial Reporting Standards (IFRS), as adopted by the EU.

The Accounts Announcement for the period 1 January – 31 December 2015 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 2014.

The Accounts Announcement for the period 1 January – 31 December 2015 was approved by the Board of Directors on 12 February 2016.

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 2014.

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

IFRS 15 Revenue from contracts with customers 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 2018.

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 Aktia's classification. Aktia's financial assets are expected to be classified at accrued acquisition cost and at fair value via other comprehensive income. Based on preliminary surveys the implementation of IFRS 9 is expected to increase reported provisions for credit losses. Hedge accounting according to IFRS 9 in not expected to have a significant impact on the Group's results or financial position. Aktia continues to follow the development of the new standard, evaluating its impact on financial reporting on an on-going basis. The standard has yet to be approved by the EU. Aktia Group plans to apply IFRS 9 when the standard will become mandatory as of 1 January 2018.

On 13 January 2016, IASB published a new standard, IFRS 16 'Leases', to supersede IAS 17 'Leases'. IFRS 16 eliminates the distinction between operating and finance leases for lessees, introducing a new model instead, where assets and liabilities for all leases with lease terms exceeding 12 months shall be reported in the balance sheet. For leases where the lease term is 12 months or less, or where the value of the underlying asset is low, exemptions may be applied. For the leased asset, depreciation and interest costs relating to the lease liability are reported separately. Lessor accounting remains unchanged from IAS 17, and the distinction between operating and finance leases is retained. Aktia evaluates the impact of the new standard on financial reporting on an on-going basis. The standard has yet to be approved by the EU. The Aktia Group plans to implement IFRS 16 when the standard becomes mandatory as of 1 January 2019.

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

Note 2. Group's segment reporting

Income statement	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Group total	
(EUR million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Net interest income	97.0	102.3	0.0	0.0	0.3	0.3	0.1	0.1	97.3	102.8
Net commission income	62.0	59.0	24.5	20.9	5.3	4.8	-11.8	-9.9	80.0	74.9
Net income from life insurance	-	-	21.6	21.5	-	-	3.3	2.5	24.9	24.0
Other income	6.3	7.9	0.2	1.1	-0.9	3.2	0.5	-1.5	6.2	10.6
Total operating income	**165.4**	**169.3**	**46.3**	**43.5**	**4.6**	**8.3**	**-7.9**	**-8.8**	**208.4**	**212.3**
Staff costs	-36.1	-35.9	-10.3	-9.8	-25.1	-22.8	-1.0	-1.0	-72.7	-69.5
IT-expenses	-15.5	-17.8	-1.8	-1.8	-9.5	-6.8	-	-	-26.9	-26.3
Depreciation of tangible and intangible assets	-2.0	-1.8	-0.8	-1.1	-5.3	-4.5	-	-	-8.1	-7.3
Other expenses	-59.3	-60.7	-10.3	-8.9	24.0	21.0	8.7	7.4	-36.8	-41.3
Total operating expenses	**-113.0**	**-116.2**	**-23.2**	**-21.6**	**-15.9**	**-13.1**	**7.7**	**6.4**	**-144.4**	**-144.5**
Write-downs on credits and other commitments	-0.3	-1.7	-	-	-	-	-	-	-0.3	-1.7
Share of profit from associated companies	-	-	-	-	-	-	0.6	2.2	0.6	2.2
Operating profit	**52.0**	**51.4**	**23.1**	**22.0**	**-11.3**	**-4.8**	**0.4**	**-0.2**	**64.2**	**68.3**

Balance sheet	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Group total	
(EUR million)	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Cash and balances with central banks	268.4	395.9	0.0	0.0	-	-	-	-	268.4	395.9
Financial assets available for sale	1 686.1	1.841.7	507.6	538.0	7.4	0.8	-3.6	-5.1	2,197.6	2,375.4
Financial assets held until maturity	481.7	488.5	-	-	-	-	-	-	481.7	488.5
Loans and other receivables	5,889.8	6,453.7	57.1	42.8	6.6	6.1	-53.3	-40.9	5,900.2	6,461.8
Investments for unit-linked insurances	-	-	667.7	545.3	-	-	-	-	667.7	545.3
Other assets	226.6	283.5	72.5	76.0	193.9	202.9	-127.0	-122.7	366.0	439.8
Total assets	**8,552.5**	**9,463.4**	**1,305.0**	**1,202.1**	**208.0**	**209.8**	**-183.9**	**-168.6**	**9,881.5**	**10,706.7**
Deposits	4,450.2	4,798.0	-	-	-	-	-53.3	-42.2	4,396.8	4,755.7
Debt securities issued	3,036.9	3,539.6	-	-	-	-	-3.6	-5.1	3,033.4	3,534.5
Technical provisions	-	-	1,130.5	1,025.4	-	-	-	-	1,130.5	1,025.4
Other liabilities	573.1	530.9	29.6	31.9	40.0	139.0	62.9	-1.6	705.7	700.1
Total liabilities	**8,060.2**	**8,868.4**	**1,160.1**	**1,057.3**	**40.0**	**139.0**	**6.0**	**-48.9**	**9,266.3**	**10,015.8**

Note 3. Derivatives and off-balance sheet commitments

Hedging derivative instruments (EUR million)

31.12.2015	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,905.0	97.5	12.9
Total	**2,905.0**	**97.5**	**12.9**
Cash flow hedging			
Interest rate-related	85.1	2.0	-
Total	**85.1**	**2.0**	**-**
Derivative instruments valued via the income statement			
Interest rate-related *)	1,826.5	70.9	70.9
Currency-related	59.9	0.4	0.6
Equity-related **)	15.2	1.7	1.7
Total	**1,901.5**	**73.0**	**73.2**
Total derivative instruments			
Interest rate-related	4,816.6	170.4	83.8
Currency-related	59.9	0.4	0.6
Equity-related	15.2	1.7	1.7
Total	**4,891.6**	**172.5**	**86.2**

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**
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**

*) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 1,824.0 (2,370.0) million.
**) All equity-related and other derivative instruments relate to the hedging of structured debt products.

Off-balance sheet commitments

(EUR million)	31.12.2015	31.12.2014
Commitments provided to a third party on behalf of the customers		
Guarantees	27.4	26.8
Other commitments provided to a third party	1.3	2.1
Irrevocable commitments provided on behalf of customers		
Unused credit arrangements	296.1	291.5
Other commitments provided to a third party	1.0	1.3
Off-balance sheet commitments	**325.8**	**321.7**

Note 4. Group's risk exposures

The Bank Group's Capital Adequacy

Aktia Bank Group implements the internal method for risk classification from 31 March 2015. The Bank Group comprises Aktia Bank plc and all its subsidiaries except Aktia Life Insurance Ltd. and forms a consolidated group in accordance with regulations pertaining to capital adequacy.

(EUR million)	31.12.2015		31.12.2014	
Calculation of the Bank Group's capital base	**The Group**	**The Bank Group**	**The Group**	**The Bank Group**
Total assets	**9,881.5**	**8,686.3**	**10.706.7**	**9.597.2**
of which intangible assets	50.8	49.4	36.3	34.4
Total liabilities	**9,266.3**	**8,156.3**	**10.015.8**	**8.998.1**
of which subordinated liabilities	235.0	235.0	222.5	222.5
Share capital	163.0	163.0	163.0	163.0
Fund at fair value	75.1	24.0	104.1	40.6
Other restricted equity	-	-	0.3	0.3
Total restricted equity	238.1	187.0	267.4	204.0
Unrestricted equity reserve and other funds	117.3	117.3	116.9	116.9
Retained earnings	207.9	179.5	187.2	119.9
Profit for the reporting period	52.0	46.1	52.5	91.5
Unrestricted equity	377.1	342.9	356.5	328.2
Shareholders' share of equity	615.2	530.0	623.9	532.2
Non-controlling interest's share of equity	-	-	66.9	66.9
Equity	**615.2**	**530.0**	**690.9**	**599.1**
Total liabilities and equity	**9,881.5**	**8,686.3**	**10.706.7**	**9.597.2**
Off-balance sheet commitments	**325.8**	**324.8**	**321.7**	**320.4**
Equity in the Bank Group		**530.0**		**599.1**
Provision for dividends to shareholders		-43.7		-39.4
Intangible assets		-49.4		-34.4
Non-controlling interest's share of equity*		-		-6.7
Debentures		128.4		103.9
Additional expected losses according to IRB		-19.2		-
Deduction for significant holdings in financial sector entities		-4.4		-
Other incl. unpaid dividend 2014		0.0		-0.7
Total capital base (CET1 + AT1 + T2)		**541.7**		**621.8**

* Following the agreement on acquisition of minority shares in Aktia Real Estate Mortgage Bank, the minority shares' proportion of equity (non-controlling interest) has been deducted from the Bank Group's capital base.

The financial conglomerate's capital adequacy

	31.12.2015	30.9.2015	30.6.2015	31.3.2015	31.12.2014
Summary					
The Group's equity	615.2	678.0	668.4	673.2	690.9
Sector-specific assets	128.4	114.2	113.2	104.3	103.9
Intangible assets and other reduction items	-212.7	-240.7	-217.0	-184.8	-167.6
Conglomerate´s total capital base	**530.9**	**551.6**	**564.6**	**592.7**	**627.1**
Capital requirement for banking business	199.4	212.1	215.1	222.4	250.7
Capital requirement for insurance business	34.8	34.6	35.1	35.2	39.0
Minimum amount for capital base	**234.2**	**246.8**	**250.2**	**257.6**	**289.7**
Conglomerate´s capital adequacy	**296.7**	**304.8**	**314.4**	**335.1**	**337.4**
Capital adequacy ratio, %	226.7%	223.5%	225.7%	230.1%	216.5%

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

The Bank Group

(EUR million)

	31.12.2015	30.9.2015	30.6.2015	31.3.2015	31.12.2014
Common Equity Tier 1 Capital before regulatory adjustments	486.3	500.9	545.1	549.4	550.7
Common Equity Tier 1 Capital regulatory adjustments	-73.0	-65.5	-59.3	-44.1	-75.5
Total Common Equity Tier 1 Capital	**413.4**	**435.4**	**485.8**	**505.3**	**475.1**
Additional Tier 1 capital before regulatory adjustments	-	-	0.6	0.8	1.0
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments	**-**	**-**	**0.6**	**0.8**	**1.0**
Total Tier 1 capital	**413.4**	**435.4**	**486.4**	**506.1**	**476.1**
Tier 2 capital before regulatory adjustments	128.4	114.2	114.0	105.3	105.2
Tier 2 capital regulatory adjustments	-	-	-	-6.2	40.5
Total Tier 2 capital	**128.4**	**114.2**	**114.0**	**99.2**	**145.7**
Total Own funds	**541.7**	**549.6**	**600.4**	**605.2**	**621.8**
Total Risk weighted exposures	**1,998.8**	**2,126.3**	**2,164.5**	**2,234.4**	**3,263.3**
of which Credit risk, the standardised approach	643.2	751.6	779.3	723.4	2,900.1
of which Credit risk, the IRBA approach	999.4	1,011.5	1,022.1	1,147.8	-
of which Market risk	-	-	-	-	-
of which Operational risk	356.1	363.2	363.2	363.2	363.2
Own funds requirement (8%)	159.9	170.1	173.2	178.8	261.1
Own funds buffer	381.8	379.5	427.3	426.5	360.8
CET1 Capital ratio	20.7 %	20.5%	22.4%	22.6%	14.6%
T1 Capital ratio	20.7 %	20.5%	22.5%	22.7%	14.6%
Total capital ratio	27.1 %	25.8%	27.7%	27.1%	19.1%
Own funds floor (CRR article 500)					
Own funds	541.7	549.6	600.4	605.2	
Own funds floor *	185.8	195.1	198.1	198.2	
Own funds buffer	355.9	354.5	402.4	407.0	

* 80 % of the capital requirement based on standardised approach (8%)

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

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

(EUR million)

Risk-weighted amount for operational risks	2013*	2014	2015	12/2015	9/2015	6/2015	3/2015	12/2014
Gross income	196.4	186.5	187.0					
- average 3 years			189.9					
Capital requirement for operational risk				**28.5**	**29.1**	**29.1**	**29.1**	**29.1**
Risk-weighted amount				**356.1**	**363.2**	**363.2**	**363.2**	**363.2**

* 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 Bank Group's total exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
	31.12.2015				(EUR million)
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	5,012.2	5,006.8	15%	732.1	58.6
Retail - Secured by immovable property SME	162.2	161.3	52%	84.5	6.8
Retail - Other non-SME *	89.4	83.5	39%	32.2	2.6
Retail - Other SME	24.1	22.0	84%	18.5	1.5
Equity exposures	49.3	49.3	268%	132.1	10.6
Total exposures, IRB approach	**5,337.3**	**5,323.0**	**19%**	**999.4**	**80.0**
Credit risk, standardised approach					
States and central banks	390.0	498.0	0%	0.0	0.0
Regional goverments and local authorities	205.1	225.9	0%	0.2	0.0
Multilateral development banks	65.0	65.0	0%	0.0	0.0
International organisations	159.5	159.5	0%	0.0	0.0
Credit institutions	864.8	469.5	31%	144.1	11.5
Corporates	199.2	66.2	96%	63.8	5.1
Retail exposures	237.4	99.8	70%	69.7	5.6
Secured by immovable property	501.9	476.9	39%	184.4	14.8
Past due items	44.8	11.2	109%	12.2	1.0
Covered bonds	1,183.8	1,183.8	10%	118.4	9.5
Other items	55.9	49.2	46%	22.5	1.8
Total exposures, standardised approach	**3,907.5**	**3,304.9**	**19%**	**615.4**	**49.2**
Total risk exposures	**9,244.7**	**8,627.9**	**19%**	**1,614.8**	**129.2**

The Bank Group's total exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
	31.3.2015				(EUR million)
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	5,058.1	5,058.1	15%	783.3	62.7
Retail - Secured by immovable property SME	160.5	160.5	53%	84.9	6.8
Retail - Other non-SME *	360.7	360.7	37%	132.1	10.6
Retail - Other SME	13.5	13.5	48%	6.5	0.5
Equity exposures	52.7	52.7	268%	141.1	11.3
Total exposures, IRB approach	**5,645.6**	**5,645.6**	**20%**	**1,147.8**	**91.8**
Credit risk, standardised approach					
States and central banks	591.0	738.2	0%	-	-
Regional goverments and local authorities	176.5	197.3	0%	0.2	0.0
Multilateral development banks	65.5	65.5	0%	-	-
International organisations	159.8	159.8	0%	-	-
Credit institutions	1,147.1	532.0	35%	185.1	14.8
Corporates	242.2	102.3	98%	100.4	8.0
Retail exposures	239.8	98.2	69%	68.0	5.4
Secured by immovable property	457.8	447.0	37%	167.5	13.4
Past due items	50.4	9.2	112%	10.4	0.8
Covered bonds	1,254.7	1,254.7	10%	125.5	10.0
Other items	58.2	48.7	56%	27.2	2.2
Total exposures, standardised approach	**4,443.0**	**3,653.0**	**19%**	**684.2**	**54.7**
Total risk exposures	**10,088.6**	**9,298.6**	**20%**	**1,832.0**	**146.6**

* Changed classification between IRB exposure classes

Note 5. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	31.12.2015		31.12.2014	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	268.4	268.4	395.9	395.9
Financial assets available for sale	2,197.6	2,197.6	2,375.4	2,375.4
Financial assets held until maturity	481.7	496.1	488.5	505.3
Derivative instruments	172.5	172.5	231.3	231.3
Loans and other receivables	5,900.2	5,841.1	6,461.8	6,321.3
Total	**9,020.3**	**8,975.7**	**9,952.9**	**9,829.2**
Investments for unit-linked insurances	667.7	667.7	545.3	545.3
Financial liabilities				
Deposits	4,396.8	4,358.6	4,755.7	4,704.8
Derivative instruments	86.2	86.2	113.2	113.2
Debt securities issued	3,033.4	3,035.3	3,534.5	3,504.1
Subordinated liabilities	235.0	239.2	222.5	225.5
Other liabilities to credit institutions	84.8	86.9	99.8	105.8
Other liabilities to the public and public sector entities	74.0	74.0	73.9	73.8
Total	**7,910.2**	**7,880.2**	**8,799.6**	**8,727.2**

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

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

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

Derivatives are valued at fair value corresponding to quotes on the market.

Measurement of financial assets at fair value

Level 1 consists of financial instruments that are valued using prices listed on an active market. In an active market transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes listed bonds and other securities, listed equity instruments and derivatives, for which tradable price quotes exist.

Level 2 consists of financial instruments that do not have directly accessible listed prices from an effective market. The fair value has been determined by using valuation techniques, which are based on assumptions supported by observable market prices. Such market information may include listed interest rates, for example, or prices for closely related instruments. This category includes the majority of OTC derivative instruments, as well as many other instruments that are not traded on an active market. In addition, the Bank makes an independent valuation adjustment to the market value of the outstanding OTC derivatives for the total credit risk component (counterparty credit risk as well as own credit risk) . The valuation adjustment is booked in the income statement.

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

(EUR million)	31.12.2015 Fair value classified into				31.12.2014 Fair value classified into			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued via the income statement								
Interest-bearing securities	-	-	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets available for sale								
Interest-bearing securities	1,745.1	186.0	172.1	2,103.2	1,975.6	194.9	119.5	2,290.0
Shares and participations	55.9	-	38.5	94.4	39.8	-	45.6	85.4
Total	**1,801.0**	**186.0**	**210.6**	**2,197.6**	**2,015.4**	**194.9**	**165.1**	**2,375.4**
Derivative instrument, net	-0.3	86.6	-	86.3	0.3	117.8	-	118.1
Totalt	**-0.3**	**86.6**	**-**	**86.3**	**0.3**	**117.8**	**-**	**118.1**
Investments for unit-linked insurances	667.7	-	-	667.7	545.3	-	-	545.3
Total	**2,468.5**	**272.6**	**210.6**	**2,951.7**	**2,561.0**	**312.7**	**165.1**	**3,038.8**

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.

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

Changes within level 3

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

Reconciliation of the changes taken place for financial instruments which belong to level 3	Financial assets valued via the income statement			Financial assets available for sale			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1.1.2015	-	-	-	119.5	45.6	165.1	119.5	45.6	165.1
New purchases	-	-	-	61.0	7.2	68.2	61.0	7.2	68.2
Sales	-	-	-	-	-11.9	-11.9	-	-11.9	-11.9
Matured during the year	-	-	-	-18.5	-0.2	-18.6	-18.5	-0.2	-18.6
Realised value change in the income statement	-	-	-	-	-0.4	-0.4	-	-0.4	-0.4
Unrealised value change in the income statement	-	-	-	-	-	-	-	-	-
Value change recognised in the total comprehensive income	-	-	-	-	-1.9	-1.9	-	-1.9	-1.9
Transfer from level 1 and 2	-	-	-	10.0	-	10.0	10.0	-	10.0
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 31.12.2015	**-**	**-**	**-**	**172.1**	**38.5**	**210.6**	**172.1**	**38.5**	**210.6**

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%. These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.4 (2.0)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31.12.2015 Effect at an assumed movement			31.12.2014 Effect at an assumed movement		
(EUR million)	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets valued via the income statement						
Interest-bearing securities	-	-	-	-	-	-
Shares and participations	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets available for sale						
Interest-bearing securities	172.1	5.2	-5.2	119.5	3.6	-3.6
Shares and participations	38.5	7.7	-7.7	45.6	9.1	-9.1
Total	**210.6**	**12.9**	**-12.9**	**165.1**	**12.7**	**-12.7**
Total	**210.6**	**12.9**	**-12.9**	**165.1**	**12.7**	**-12.7**

Set off of financial assets and liabilities

(EUR million)	31.12.2015		31.12.2014	
Assets	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial assets included in general agreements on set off or similar agreements	172.5	-	231.3	-
Set off amount	-	-	-	-
Value recorded in the balance sheet	**172.5**	**-**	**231.3**	**-**
Amount not set off but included in general agreements on set off or similar	15.3	-	22.4	-
Collateral assets	158.0	-	201.9	-
Total amount of sums not set off in the balance sheet	**173.4**	**-**	**224.3**	**-**
Net amount	**-0.9**	**-**	**7.0**	**-**

Liabilities	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial liabilities included in general agreements on set off or similar agreements	86.2	-	113.2	-
Set off amount	-	-	-	-
Value recorded in the balance sheet	**86.2**	**-**	**113.2**	**-**
Amount not set off but included in general agreements on set off or similar	15.3	-	22.4	-
Collateral liabilities	44.1	-	58.6	-
Total amount of sums not set off in the balance sheet	**59.4**	**-**	**81.0**	**-**
Net amount	**26.7**	**-**	**32.2**	**-**

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

Note 6. Specification of Aktia Group's funding structure

(EUR million)	31.12.2015	31.12.2014
Deposits from the public and public sector entities	3,985.1	4,053.1
Short-term liabilities, unsecured debts		
Banks	64.5	377.4
Certificates of deposits issued	12.0	161.3
Total	**76.5**	**538.7**
Short-term liabilities, secured debts (collateralised)		
Banks - received cash in accordance with collateral agreements	158.0	201.4
Repurchase agreements - banks	163.1	-
Total	**321.2**	**201.4**
Total short-term liabilities	**397.7**	**740.1**
Long-term liabilities, unsecured debts		
Senior financing from savings- and POP banks	-	197.8
Issued debts, senior financing	812.9	751.0
Issued structured debts	7.5	38.9
Other credit institutions	51.8	55.8
Subordinated debts	235.0	222.5
Total	**1,107.2**	**1,266.0**
Long-term liabilities, secured debts (collateralised)		
Centralbank and other credit institutions	133.0	44.0
Issued covered bonds	2,201.0	2,583.3
Total	**2,334.0**	**2,627.3**
Total long-term liabilities	**3,441.3**	**3,893.3**
Interest-bearing liabilities in the banking business	**7,824.1**	**8,686.5**
Technical provisions in the life insurance business	1,130.5	1,025.4
Total other non interest-bearing liabilities	311.8	303.9
Total liabilities	**9,266.3**	**10,015.8**

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

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

Note 7. Collateral assets and liabilities

Collateral assets (EUR million)	31.12.2015	31.12.2014
Collateral for own liabilities		
Securities	303.5	67.4
Outstanding loans constituting security for covered bonds	2,907.3	3,613.6
Total	**3,210.8**	**3,681.0**
Other collateral assets		
Pledged securities[1]	126.0	160.4
Securities included in pledging agreements	25.0	43.0
Cash included in pledging agreements and repurchase agreements	28.8	19.4
Total	**179.8**	**222.7**
Total collateral assets	**3,390.6**	**3,903.8**
Collateral above refers to the following liabilities		
Liabilities to credit institutions[2]	296.1	44.0
Issued covered bonds[3]	2,201.0	2,634.0
Derivatives	53.8	62.7
Total	**2,551.0**	**2,740.7**

1) Refers to securities pledged for the intra day limit. As at 31 December 2015, a surplus of pledged securities amounted to EUR 26 (60) million.
2) Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
3) Own repurchases deducted.

Collateral liabilities (EUR million)	31.12.2015	31.12.2014
Cash included in pledging agreements[1]	158.0	201.9
Securities included in repurchase agreements[2]	-	7.2
Total	**158.0**	**209.1**

1) Refers to derivative transactions where collaterals were received from the counterparty in accordance with ISDA/CSA agreements
2) Refers to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.

Note 8. Net income from financial transactions

(EUR million)	2015	2014	Δ %
Net income from securities and currency trading	1.5	1.1	37%
Net income from financial assets and liabilities valued at fair value via income statement	-0.5	-0.5	13%
Net income from financial assets available for sale	2.8	6.6	-58%
of which impairment of financial assets	0.0	-0.3	97%
Net income from hedge accounting	-0.1	0.2	-
Net income from financial transactions	**3.7**	**7.3**	**-49%**

Note 9. Net interest income

(EUR million)	2015	2014	Δ %
Deposits and lending	57.4	47.2	22%
Hedging, interest rate risk management	32.3	35.0	-8%
Other	7.7	20.5	-63%
Net interest income	**97.3**	**102.8**	**-5%**

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

Note 10. Gross loans and write-downs

(EUR million)	31.12.2015	30.9.2015	30.6.2015	31.3.2015	31.12.2014
Gross loans	5,910	5,992	6,033	6,249	6,476
Individual write-downs	-45	-48	-48	-50	-50
Of which made to non-performing loans past due at least 90 days	-39	-39	-39	-37	-38
Of which made to other loans	-6	-8	-9	-13	-13
Write-downs by group	-10	-10	-10	-9	-9
Net loans, balance amount	**5,856**	**5,934**	**5,975**	**6,190**	**6,416**

Note 11. Net income from life insurance

(EUR million)	2015	2014	Δ %
Premiums written	174.4	125.1	39%
Net income from investments	21.6	22.0	-2%
of which impairment of financial assets	-3.2	-3.4	4%
Insurance claims paid	-90.3	-94.8	5%
Net change in technical provisions	-80.8	-28.2	-187%
Net income from life insurance	**24.9**	**24.0**	**4%**

This report has not been subject to external auditing.

Helsinki 12 February 2016

AKTIA BANK PLC

The Board of Directors

Annual General Meeting 2016	12 April 2016
Interim report Jan - March 2016	10 May 2016
Interim report Jan - June 2016	10 August 2016
Interim report Jan - Sep 2016	17 November 2016

Aktia

Aktia Bank plc
PO Box 207
Mannerheimintie 14, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Website: www.aktia.com
Contact: aktia@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 2181702-8
BIC/S.W.I.F.T: HELSFIHH