AKTIA BANK PLC

ANNUAL REPORT 2014

Aktia

Bank | Asset Management | Insurance | Real Estate Agency

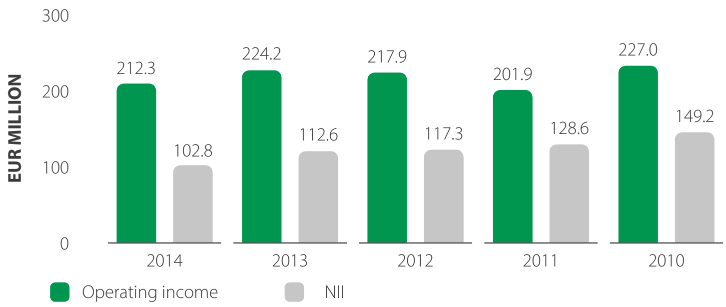
Aktia provides individual solutions in banking, asset management, insurance and real estate services. Aktia operates in the Helsinki region, in the coastal area and in growth centres of Finland.

The year 2014 in brief

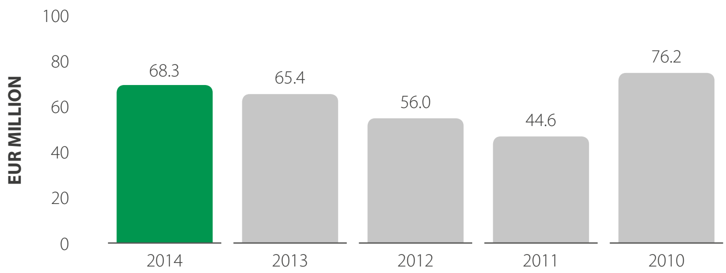
- **Operating profit was EUR 68.3 (65.4) million** and the profit for the year was EUR 55.0 (52.4) million. Earnings per share stood at EUR 0.79 (0.78).
- **Write-downs on credits and other commitments decreased** to EUR 1.7 (2.7) million.
- **The Board of Directors propose a higher dividend** of EUR 0.48 (0.42).
- **Aktia Bank is renewing its core banking system** and the launch of the new system is planned to the end of 2015. The investment cost is estimated to approx. EUR 40 million and the system modernisation is estimated to generate annual IT cost savings of some EUR 5 million.
- **The Finnish FSA granted Aktia Bank permission to implement an internal method for risk classification (IRBA)** as of March 31 2015. This further strengthens the good capital adequacy and enables growth.
- **Tier 1 capital ratio improved to 14.6 (12.3)% and capital adequacy was 19.1 (19.3)%** which exceeds stricter regulatory demands.

Annual Report 2014 is a translation of the original Swedish version 'Årsredovisning 2014'. In case of discrepansies, the Swedish version shall prevail.

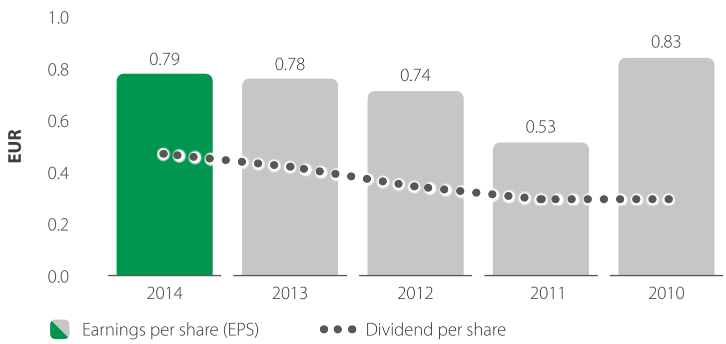
Operating income and Net Interest Income (NII)



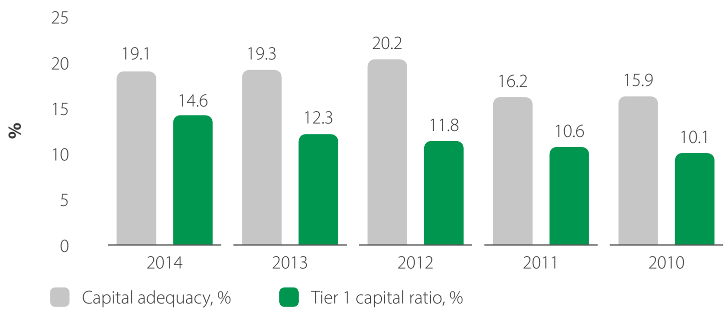
Operating profit



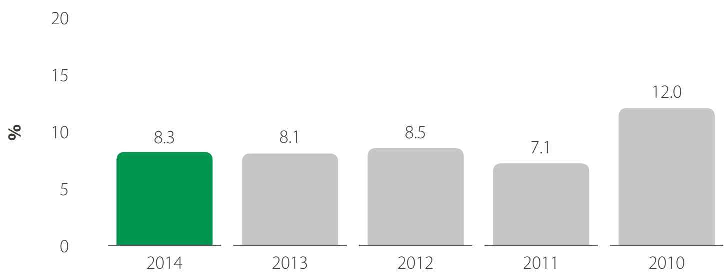
Earnings and dividend per share



Capital adequacy



Return on equity, (ROE)




Kiinteistönvälitys
FASTIGHETSFÖRMEDLING
Vakuutukset
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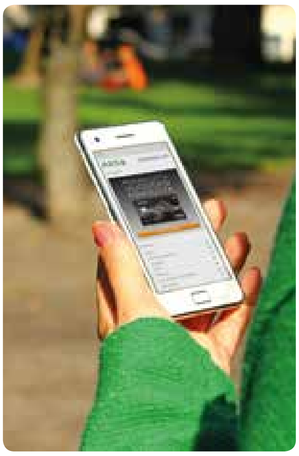


Contents

Focus on growth

Aktia achieved a good result for the whole year 2014. The decline of net interest income was compensated by an increase in commission income and the fact that we managed to cut expenses. The Action plan 2015 proceeds according to plan. The single largest project within the Action plan, the renewal of our core banking system, has now reached its testing stage. The new IT system will enable quicker development of products and services for our customers.

Aktia's operating profit amounted to EUR 68 (65) million. Commission income continued to grow and costs decreased according to plan. This was an effective counterbalance to the negative effects of the low interest rates on net interest income. Net interest income from borrowing and lending shows an upward trend thanks to measures taken during the year.

Aktia has been very cautious in lending, and as expected this is reflected in very low write-downs on credits.

The new regulations entail high requirements for banks and have long-term effects on the whole financial sector. The level of Aktia's re-financing, liquidity and capital management is good, and they will comply with the swiftly tightening regulations. Aktia has continued to adjust its cost structure to enable profitable growth.

Aktia aims at a dividend pay-out of 40–60% of profit for the year. The proposed dividend for 2015 is EUR 0.48 per share, corresponding a pay-out of some 60%. A major part of the profit generated by Aktia is channelled back to the local communities through Aktia's owner foundations. Of the dividends paid to Aktia and savings banks foundations approximately 80% is channelled back to the local community in the form of various assistance and contributions. We are very grateful for the support given by our owner foundations to the local communities.

Good capital adequacy and IRBA

A long and arduous project reached its goal when the Finnish Financial Supervisory Authority has on 10 February 2015 granted Aktia permission to implement an internal method (IRBA) for calculating the capital requirements for exposure to households as from 31 March 2015. IRBA enables closer risk assessment, strengthening the Bank Group's capital adequacy thanks to good credit quality of household exposures. The IRBA method would have had a positive effect of 4-5 percentage points on the Bank Group's Core Tier 1 capital ratio at year-end 2014.

IRBA guarantees both competitive strength and growth potential. Aktia now has good opportunities for focusing on growth. IRBA may also be considered as a quality certificate for our risk management. In our daily operations, IRBA enables quick and systematic assessment of the risks of individual customers and credits, and correct pricing of the risks.

Even though we have now reached an important goal, the work on IRBA continues as we are for example developing internal models for exposure to companies and financial institutions.

Action plan 2015

During the year, many decisions were made to be able to reach the financial goals set in the Action plan. In the first quarter, the branch office network was restructured, and eight branches were integrated with nearby branches. Further, the programme to utilise space at head office more effectively was completed. Today, most of our employees work in open-plan offices. Simplifying the Group structure was also completed through the merger of Aktia Asset Management and the subsidiary Aktia Invest. All these measures have contributed to the reduction of costs according to the objectives of the Action plan.

Aktia's most extensive IT project ever, the modernisation of the core banking system, has proceeded to testing stage, and will engage a lot of personnel resources this year. Higher costs for testing and parallel operation of systems increases project costs. The total investment is expected to be approximately EUR 40 million. For IT costs alone, the annual savings achieved will be EUR 5 million. The last stage of the project will bind lots of resources in the testing and training programmes in 2015. When in operation, the new core banking systems will increase flexibility in product development and enable easier and more effective processes.

From Action plan towards new Growth Strategy

Action plan 2015 was necessary to ensure long-term and financially sustainable profitability for Aktia. Upon completion of the Action plan, Aktia has a good financial ground for the future, and when the new core banking system is in operation, we will also have a flexible and effective platform for further technical development.
The work to renew company strategy started in the autumn 2014 with extensive customer reviews to increase our understanding of the customers' preferences and values. As a result, Aktia's mission, vision and values as well as our customer promise were revised.

The new strategy focuses on growth in the segments private customers and their families as well as small businesses. Aktia focuses even more on the customer. The strategy is based on competent financial advice, accessibility and continued development of products and services in the different channels. Aktia's aim is to be the best financial adviser for families and their companies, and to make their financial decisions easier. Our aims are satisfied customers, long-term profitability and good yield. Aktia will maintain a well-functioning infrastructure of financial services and guarantee good customer experience, regardless of which channel the customer chooses for banking.

I would like to extend my sincere thanks to each and every member of Aktia's staff for all the good work you have done for our customers, and to our owners for the support you have rendered in the building of a more modern and flexible Aktia. Aktia's aim is to become the Finnish champion of customer service both in the segments private customers and small businesses.

I would also like to thank our customers for placing their confidence in us – we do our very best to earn your continued confidence in the future.

Helsinki, March 2015
Jussi Laitinen

Share capital and ownership

Aktia Bank's A and R shares are listed on the Nasdaq Helsinki exchange.

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.

Dividend

Aktia aims to provide a stable dividend to the owners, amounting to approx. 40–60% of profit for the year.

For 2014, the Board of Directors proposes a dividend of EUR 0.48 (0.42) which corresponds to a dividend ratio of 61 (54)%. This corresponds to a dividend yield based on the closing price of A shares as at 31 December 2014 of 4.9%.

Share price development

Aktia's market value as at 31 December 2014 was EUR 667 (540) million. As at 31 December 2014, the closing price for an A series share was EUR 9.77 and for a R series share EUR 10.60. The highest trading price for an A series shares was EUR 10.00 and the lowest EUR 7.99. The highest for the R series shares was EUR 11.20 and the lowest EUR 8.20.

Total yield

From the end of December 2013 to the end of December 2014, the total yield (given that the dividend was re-invested) on Aktia A series shares was 26.7 % and 34.5 % on R series shares. The OMX Helsinki-25 index increased by 8.6 % during 2014.

Turnover and volume

In 2014, the average daily turnover of A shares was EUR 402,873 (173,703), or 45,032 (24,808) shares. During the same period, the average daily turnover of R shares was EUR 10,402 (9,810), or 1,077 (1,262) shares.

Ownership structure

At year-end, the number of registered shareholders was 43,862. Of the owners 14.3 (21.6)% were companies, 12.0 (5.7)% financial institutions and insurance companies, 11.2 (13.5)% public-sector entities, 49.2 (47.0)% non-profit organisations, and 10.7 (9.9)% households. Foreign owners were 0.2(0.2)%.

The most part of them, i.e. 71.4 (73.4)%, owned less than 100 shares. The 0.1 % of all shareholders, holding 500 001 shares or more, owned a total of 67.9 (68.0)% of share capital and 82.5 (83.4)% of votes. Together, the three largest shareholders represent 26.6% of shares and 34.9% of votes. The foundation Stiftelsen Tre Smeder (9.44% of share capital, 19.85% of votes), Pension Insurance Company Veritas (9.25% and 10.52% respectively) and The Society of Swedish Literature in Finland (7.89% and 4.56% respectively).

Capital adequacy

Aktia aims at a Core Tier 1 capital ratio exceeding 13%. At year-end 2014, the Core Tier 1 capital ratio was 14.6% calculated according to the standardised method. Financial Supervisory Authority has granted Aktia the permission to apply internal risk classification (IRBA) to the calculation of capital requirements for the credit risks of retail exposure from 31 March 2015. The IRBA method is expected to have a positive effect of 4–5 percentage points on the Core Tier 1 Capital Ratio.

The 20 largest shareholders as at 31 December 2014	A shares	R shares	Shares	Of shares, %	Votes	Of votes, %
Stiftelsen Tre Smeder	1,971,925	4,310,216	6,282,141	9.4	88,176,245	19.9
Veritas Pension Insurance Company Ltd.	4,027,469	2,134,397	6,161,866	9.3	46,715,409	10.5
Svenska litteratursällskapet i Finland rf	4,464,154	789,229	5,253,383	7.9	20,248,734	4.6
Sampo plc	3,814,057	-	3,814,057	5.7	3,814,057	0.9
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.3	20,905,000	4.7
Åbo Akademi University Endowment	1,595,640	751,000	2,346,640	3.5	16,615,640	3.7
Life Annuity Institution Hereditas	-	2,046,106	2,046,106	3.1	40,922,120	9.2
Aktia foundation in Porvoo	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2
Aktia foundation in Vaasa	978,525	547,262	1,525,787	2.3	11,923,765	2.7
Aktia foundation in Espoo-Kauniainen	-	1,338,708	1,338,708	2.0	26,774,160	6.0
Savings bank foundation in Kirkkonummi	846,529	441,733	1,288,262	1.9	9,681,189	2.2
Savings bank foundation in Karjaa - Pohja	787,350	393,675	1,181,025	1.8	8,660,850	2.0
Föreningen Konstsamfundet r.f.	1,176,173	-	1,176,173	1.8	1,176,173	0.3
Varma Mutual Pension Insurance Company	1,175,000	-	1,175,000	1.8	1,175,000	0.3
Aktia foundation in Vantaa	28,541	1,138,588	1,167,129	1.8	22,800,301	5.1
Ab Kelonia Oy	549,417	308,662	858,079	1.3	6,722,657	1.5
Savings bank foundation in Inkoo	452,669	345,569	798,238	1.2	7,364,049	1.7
Savings bank foundation in Sipoo	462,002	232,001	694,003	1.0	5,102,022	1.2
Mutual fund Nordea Finland	620,000	-	620,000	0.9	620,000	0.1
Vörå Sparbank's Aktia foundation	585,460	10,500	595,960	0.9	795,460	0.2
Largest 20 owners	**26,743,281**	**16,389,171**	**43,132,452**	**64.8**	**354,526,701**	**79.8**
Other	19,963,442	3,482,917	23,446,359	35.2	89,621,782	20.2
Total	**46,706,723**	**19,872,088**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

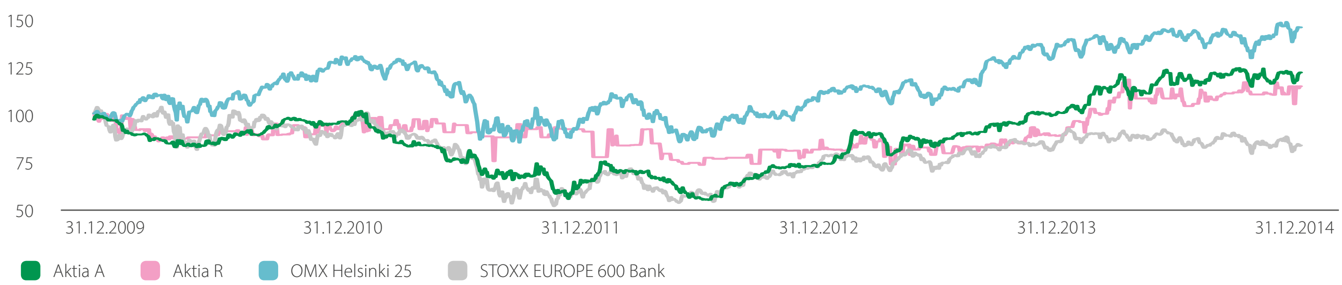
Data per share	2014	2013	2012	2011	2010
Earnings per share (EPS)	0.79	0.78	0.74	0.53	0.83
Dividend per share *	0.48	0.42	0.36	0.30	0.30
Capital return per share *	-	-	0.14	-	-
Total dividend per share *	0.48	0.42	0.50	0.30	0.30
Payout ratio, %	60.8	53.8	48.6	56.6	36.0
Dividend growth, %	14.3	16.7	20.0	0.0	25.0
Yield (dividend/A share), %	4.9	5.2	8.6	6.1	4.0
Closing price 31.12 A share	9.77	8.10	5.80	4.88	7.60
Closing price 31.12 R share	10.60	8.17	7.51	8.50	8.50
Year high, A share	10.0	8.14	6.00	8.14	7.98
Year low, A share	7.99	5.82	4.34	4.34	6.50
Year high, R share	11.2	8.60	8.50	9.15	9.35
Year low, R share	8.2	6.76	6.75	6.93	7.89
Share price development A share	20.6	39.7	16.0	-35.7	-2.2
Share price development R share	29.7	8.8	-11.8	-1.6	-8.6
Equity per share (NAV), EUR	9.39	8.67	8.91	7.01	6.81
Closing 31.12 A share /NAV	1.04	0.93	0.65	0.70	1.12
Closing 31.12 R share /NAV	1.13	0.94	0.84	1.21	1.25
Average daily turnover on Helsinki Nasdaq OMX, A share	402,873	173,703	115,862	223,602	122,822
Average daily turnover on Helsinki Nasdaq OMX, R share	10,402	9,810	39,496	38,417	9,529
Average daily volyme Nasdaq OMX, A share	45,032	24,808	21,950	36,772	16,889
Average daily volyme Nasdaq OMX, R share	1,077	1,262	4,679	4,497	2,115
Turnover rate, A share, %	23.44	13.23	13.27	13.83	10.29
Turnover rate, R share, %	1.35	1.58	2.35	2.31	2.85
P/E ratio, A share	12.37	10.38	7.84	9.21	9.16
P/E ratio, R share	13.42	10.47	10.15	16.04	10.24
Market capitalisation, EUR million	667	540	423	399	527
No shares as of 31.12, A share	46,706,723	46,706,723	46,936,908	46,936,908	46,936,908
No shares as of 31.12, R share	19,872,088	19,872,088	20,050,850	20,050,850	20,050,850
No of shares in total (A and R)	**66,578,811**	**66,578,811**	**66,987,758**	**66,987,758**	**66,987,758**

* proposal by the Board of Directors

Shareholders by sector 2014:	Number of owners	%	Number of shares	%	Votes	%
Corporations	3,332	7.6	9,491,074	14.3	77,767,669	17.5
Financial institutes and insurance companies	58	0.1	7,963,913	12.0	18,446,559	4.2
Public sector entities	31	0.1	7,455,145	11.2	48,008,688	10.8
Non-profit institutions	689	1.6	32,788,896	49.2	286,801,549	64.6
Households	39,591	90.3	7,132,105	10.7	12,170,506	2.7
Foreign shareholders	161	0.4	160,740	0.2	181,974	0.0
Total	**43,862**	**100.0**	**64,991,873**	**97.6**	**443,376,945**	**99.8**
in nominee register	9		815,400	1.2		
Unidentified shareholders			771,538	1.2	771,538	0.2
Total by sector	**43,862**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2014:	Number of owners	%	Number of shares	%	Votes	%
1-100	31,300	71.4	1,221,710	1.8	1,329,117	0.3
101-, 000	10,983	25.0	3,175,752	4.8	4,384,836	1.0
1,001 - 10,000	1,419	3.2	3,568,334	5.4	6,176,521	1.4
10,001 - 100,000	93	0.2	2,548,821	3.8	7,627,863	1.7
100,000 -	67	0.2	55,292,656	83.0	423,858,608	95.4
Total	**43,862**	**100.0**	**65,807,273**	**98.8**	**443,376,945**	**99.8**
in nominee register	9					
Unidentified shareholders			771 538	1.2	771,538	0.2
Total by sector	**43,862**	**100.0**	**66 578 811**	**100.0**	**444 148 483**	**100.0**

Share price development 5 years, 31.12.2009 = 100



Report by the Board of Directors

Business environment

The general interest rate level remained low for the whole of 2014. This had a negative impact on Aktia's net interest income. However, low interest rates have resulted in continued higher values for Aktia's fixed-rate investments.

According to Statistics Finland, inflation stood at 0.5% in December compared with the same period the previous year when it was 1.6%.

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

In December 2014, housing prices in Finland decreased by 1.0% on the previous year. In the Helsinki region, prices decreased by 0.5% and in the rest of Finland by 1.5% (Statistics Finland). Unemployment increased to 8.8% in December, and was 0.9 percentage points higher than in the previous year (Statistics Finland).

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

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

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

IRBA

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

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

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

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

Core banking system project

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

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

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

Rating

On 22 October 2014, Standard and Poor's confirmed its rating of Aktia Bank plc's creditworthiness. The rating for long-term borrowing is A- and for short-term borrowing A2, both with a negative outlook.

On 3 November 2014, Moody's Investors Service confirmed its rating of Aktia Bank plc's creditworthiness for long-term borrowing as A3, short-term borrowing as P-2 and financial strength as C-. The outlook for these ratings remains negative.

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

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

New regulations and regulatory reporting

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

Taking transitional provisions and exemptions concerning the bank's holdings in the life insurance company into consideration, the new regulation had a marginal impact on the banking business's Core Tier 1 capital ratio. The impact during the transitional period is presented on page 9 under "The effect of the new regulation on the capital adequacy for the banking business".

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

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

Profit

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

Income

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

As a consequence of the continued low level of interest rates, net interest income decreased to EUR 102.8 (112.6) million. Net interest income from traditional borrowing and lending operations improved by 15% to EUR 47.2 (41.2) million, while income from interest rate risk management and hedging measures dropped. Derivatives and fixed-rate instruments are used to manage interest rate risk. Their proportion of net interest income decreased to EUR 35.0 (44.0) million, mainly due to lower income from unwound interest derivatives.

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

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

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

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

Expenses

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

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

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

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

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

Write-downs on credits and other commitments

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

Balance sheet and off-balance sheet commitments

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

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 2,502 (2,405) million. The liquidity portfolio was not financed with repurchase agreements. In addition to the liquidity portfolio, the Bank's subsidiaries held other interest-bearing securities to a value of EUR 10 (20) million.

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

Borrowing

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

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

Certificates of deposit issued by Aktia Bank amounted to EUR 161 (314) million at the end of the year. During the period Aktia Bank issued new subordinated loans with a total value of EUR 64 million. During the year, Aktia Bank issued its second long-term Covered Bond with a value of EUR 500 million. As security for the CB issue, loans with a value of EUR 1,579 million were reserved at the end of December. All bonds have an LTV less than 70% of the market value of the securities in compliance with the Mortgage Banking Act. In addition to this, Aktia Bank issued long-term bonds ("Schuldscheindarlehen") with a value of EUR 20 million.

Secured Debts (collateralised)

(EUR million)	Under 1 year	Over 1 year	Total
Issued debts	741	1,849	2,590
Other secured liabilities	11	33	44
Total	**752**	**1,882**	**2,634**

Unsecured Debts

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

Lending

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

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

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

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

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

Credit stock by sector

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

Financial assets

The Aktia Group's financial assets consist of the liquidity portfolio of the banking business and other interest-bearing investments amounting to EUR 2,512 (2,424) million, the life insurance company's investment portfolio amounting to EUR 629 (661) million and the real estate and equity holdings of the banking business amounting to EUR 1 (7) million.

Technical provisions

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

Equity

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

Commitments

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

Managed assets

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

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

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

Managed assets

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

Capital adequacy and solvency

The Bank Group's (including Aktia Bank plc and subsidiaries except Aktia Life Insurance and the associated company Folksam Non-Life Insurance) capital adequacy was 19.1% according to Basel III requirements* (31 December 2013; 19.3, Basel II)%, the Tier 1 capital ratio was 14.6 (31 December 2013; 12.3, Basel II)% and the Core Tier 1 capital ratio was 14.6%.

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

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

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

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

The capital adequacy ratio for the conglomerate amounted to 216.5 (31 December 2013; 198.6, Basel II)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

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

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

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

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

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

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

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

Significant effects on capital adequacy with the implementation of new regulations

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

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

Segment overview

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

Group operating profit by segment

(EUR million)	1-12/2014	1-12/2013	Δ %
Banking Business	51.4	50.8	1%
Asset Management & Life Insurance	22.0	23.9	-8%
Miscellaneous	-4.8	-9.8	51%
Eliminations	-0.2	0.5	-
Total	**68.3**	**65.4**	**4%**

Banking Business

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

Operating income was EUR 169.3 (178.1) million, of which EUR 102.3 (113.9) million was net interest income. Compared to the previous year, net commission income increased to EUR 59.0 (55.5) million. The increase in commission income came mainly from card commissions due to the repatriation of the Visa credit stock from Nets Oy in December 2013. Mutual fund commissions and commissions from the day to day services for private customers developed positively. Commissions from the real estate agency business decreased by 14% compared to the previous year to EUR 5.9 (6.9) million. Net income from financial assets available for sale was EUR 4.2 (4.6) million.

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

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

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

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

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

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

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

Asset Management & Life Insurance

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

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

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

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

Operating expenses stood at EUR 21.6 (21.9) million. Staff costs amounted to EUR 9.8 (10.4) million. The expense ratio of the life insurance business improved and was 81.5 (88.3)%. This improvement depends both on lower costs and a higher expense loading as a result of an increase in unit-linked savings policies.

The value of assets managed by Aktia Asset Management & Life Insurance totalled EUR 5,525 (5,192) million.

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

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

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

Miscellaneous

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

Miscellaneous includes some of the joint administrative functions within Aktia Bank plc and the subsidiary Vasp-Invest Ltd. Costs attributable to the administrative units are invoiced on an ongoing basis from the subsidiaries. Operating income was EUR 8.3 (7.6) million, and includes a dividend from Suomen Luotto-osuuskunta of EUR 2.4 (2.8) million. Net income from investment properties has decreased compared with the previous year because of the sale of holdings in the Vasp-Invest Ltd subsidiary.

Operating expenses, including cost allocations to subsidiaries, decreased by EUR 4.4 million to EUR 13.1 (17.5) million. Following cost saving measures in the autumn of 2013, staff costs have decreased to EUR 22.8 (29.0) million. IT-expenses for the segment decreased from the previous year and stood at EUR 10.7 (11.0) million. Of the provision in the 2012 annual accounts due to the renegotiation of service agreements associated with the change of core banking system, a total of EUR 2.8 million has been released in the period. At the end of December, the remaining share of the provision was EUR 3.5 (31 December 2013; 6.4) million.

The subsidiary Vasp-Invest Ltd made a pre-tax profit of EUR 0.1 (0.3) million.

Valuation of financial assets

Value changes reported via income statement

Write-downs on financial assets amounted to EUR -3.7 (-1.3) million, attributable to permanent reductions in the value of real estate funds and small private equity holdings.

Write-downs on financial assets

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

Value changes reported via the fund at fair value

A value impairment that is not reported in the income statement, or an increase in the value of financial assets that has not been realised, is reported via the fund at fair value. Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 104.1 (81.1) million after deferred tax.

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

The fund at fair value

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

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consists of reclassified interest-bearing securities. Most of the reclassified securities have an AAA rating. Over the period no new acquisitions were made to the portfolio which, on 31 December 2014, amounted to EUR 489 (499) million.

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

Unwinding of hedging interest-rate derivatives

In November 2012, the company unwound all of its interest rate derivatives for hedging purposes, i.e. to hedge the 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 unwinding of interest rate derivatives produced a positive cash flow of EUR 92.1 million. Hedge accounting ceased following the unwinding of derivatives, and the valuation of deposits will be dissolved in 2014–2017 according to the original duration of the interest rate derivatives, which will have a positive effect on net interest income of approximately EUR 15.7 million per year. The remaining cash flow will provide a positive result effect of approximately EUR 12 million in 2018–2019.

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

The Group's risk positions

Overview

In providing financial solutions to its customers, Aktia is exposed to various risks. Risks and risk management are thus a substantial feature of Aktia's operating environment and business activities. Aktia is a diversified financial conglomerate with a conservative risk policy. The main areas of risk encompass credit, interest rate and liquidity risks in the banking business, market and interest rate risks in the life insurance business. All operations are exposed to business and operational risks. The overall business risk is reduced through diversifying operations.

Credit and counterparty risks

Credit risks occur in banking operations, while counterparty risks occur in both banking and insurance operations. Together, these form the largest risks that the Group is exposed to. Aktia pursues a conservative lending policy based on the debtor's ability to repay the debt and the bank's full understanding of their business position. The majority of the loan portfolio is to be accounted for by loans to households, and large individual risk concentrations are avoided. Lending to households is generally secured against collateral. Customers' ability to pay is stressed against a higher calculatory interest rate than the actual rate, and in the assessment of collateral a reasonable price reduction is taken into account.

As at 31 December 2014, loans to households accounted for 88.8 (87.8)% of the total credit stock of EUR 6,416 (6,802) million. Corporate lending continued to be moderate with a focus on risk management.

Counterparty risks occur in conjunction with investments and in relation to entering into derivative contracts for hedging purposes. These risks are managed through the requirement for high-level external ratings, conservative allocation and various collateral arrangements.

Market risks

No trading activities are carried out by the Aktia Group, which is why the market risks are structural in nature and occur due to imbalances between reference rates and repricing of assets and liabilities.

In the banking business, the structural interest rate risks and especially the risk of sustained low interest rates have been actively managed through the nature of the business arrangements, hedging derivatives and investments in the liquidity portfolio. The Bank Group's liquidity portfolio and other interest-bearing investments stood at EUR 2,512 (2,428) million at the year-end. Of the Bank Group's liquidity portfolio and other interest-bearing securities, 58 (70)% constituted investments in covered bonds, 18 (16)% constituted investments in banks, 24 (14)% constituted investments in public sector entities including state-guaranteed bonds and supranational counterparties and 0 (0)% were investments in other corporates.

The migration towards Solvency II will increase the share of direct interest rate investments and the duration in the life insurance company's investment portfolio gradually. Of the investment portfolio which stood at EUR 629 (661) million, 83.8 (83.3)% constituted investments in interest-bearing securities, 13.6 (15.5)% constituted investments in real estate holdings and 2.6 (1.2)% alternative investments.

Financing and liquidity risks

The Bank Group's liquidity situation was very good at year-end, corresponding to outgoing cash-flow for 34 months without any new market borrowing. During the second quarter Aktia Bank issued its second long-term covered bonds with a value of EUR 500 million and a maturity of 5 years on very favourable terms. At the year-end Aktia Bank's outstanding long-term covered bonds amount to a total of EUR 1,000 (500) million.

The opportunity to emit further long-term covered bonds gives Aktia Bank a significant unused liquidity reserve. At year-end, Aktia Bank's cover pool eligible assets, mortgage loans, amounted to EUR 3,451 (2,756) million.

Operational risks

Due to its scale and impact on business operations, the ongoing work to implement a new core banking system is associated with significant operational risks. To reduce these risks, risk assessment is carried out and identified risks are dealt with continuously. Possible outcomes of operational risks in connection with the migration to the new core banking system may also cause outcomes of business risks.

Aktia ceasing to act as central bank for its cooperation banks lead to dissolving of the so-called 4-group. Comprehensive risk assessment was made before the separation of Aktia's systems from both the savings banks' and the local banks' systems. From Aktia's point of view, the separation went without significant problems.

During the year, Saaristosäästöpankki and Vöyrin Säästöpankki were integrated in Aktia. To reduce risks arising from the integration, a risk assessment of the integration process was made.

The complete card operations were transferred from Nets to Aktia at the end of 2013. As a result of the migration, some challenges were experienced to maintain the service standard within card operations at the beginning of 2014.

Events concerning close relations

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

No significant changes concerning close relations occurred during the year. For more information concerning close relations, please see note G46.

Action Plan 2015

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

- Aktia's core banking system will be renewed in consultation with the external IT suppliers Temenos and Emric. The new core banking platform is planned to be taken into operation at the end of 2015 and migration will take place in consultation with the existing IT supplier Samlink. The investment in the core banking system is estimated to approximately EUR 40 million (previously EUR 30 million). The increase is due to higher costs for testing and longer parallel operation of the new and the existing banking systems. The annual cost savings are still expected to be approximately EUR 5 million.
- The unifying of the Group's workstations into one network was completed according to plan in March 2014, and in the long-term is expected to generate annual cost savings of approximately EUR 2 million.
- During the first quarter of 2014, a total of eight branch offices were merged. During the second quarter, a programme to utilise space at head office more effectively was completed. These measures will result in lower rental expenses.
- In the autumn of 2013, staff numbers were reduced by just over 50 people, and this will result in an annual cost saving of EUR 5–6 million.
- Aktia decided in 2012 to discontinue its services as a central financial institution from the beginning of 2015. Most of the services were discontinued in connection with the discontinuation of the Savings Banks' payment traffic services in November 2014. The payment traffic services of POP Banks ceased on 7 February 2015.
- In March 2013, Aktia Bank was granted a mortgage bank concession and issued its first EUR 500 million covered bond in June 2013. The second covered bond, of EUR 500 million, was issued in April 2014.
- Action Plan 2015 also aims to simplify the structure of the Group. In 2013 the Group's previous parent company, Aktia plc, was merged with Aktia Bank plc. Aktia's Asset Management was reorganised and the subsidiary Aktia Invest merged with Aktia Asset Management in 2014.
- The Finnish Financial Supervisory Authority has on 10 February 2015 granted Aktia Bank Group permission to implement an internal method (IRBA) for calculating the capital requirements for exposure to households as from 31 March 2015.
- The Action Plan 2015 measures still to be implemented are the renewal of core banking system, continued unwinding of Aktia Real Estate Mortgage Bank Plc and the process improvements that the new core banking system will bring.

Other events during the year

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

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

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

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

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

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

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

On 31 January 2014 Aktia Asset Management Ltd acquired all the shares in Aktia Invest Ltd. Following this transaction Aktia Bank plc owns 75% of the shares in Aktia Asset Management Ltd. The company's minority shareholders (25%) consist of key personnel in Aktia Asset Management. The restructuring was completed on 1 October 2014.

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

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

Events after year-end

Aktia Bank plc has on 26 February 2015 divested further 24 per cent of its holdings in Folksam Non-Life Insurance Ltd to Folksam General. Following the divestment. Aktia Bank's ownership in Folksam Non-Life Insurance decreases to 10 per cent. The ownership of shares is transferred on 3 March 2015 when the transaction price EUR 14.1 million is paid for the shares. The estimated total effect of the transaction on the Bank Group's equity is negative, amounting to EUR -2.7 million, of which approximately EUR -0.4 milion will burden the operating profit for the first quarter of 2015.

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

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

Personnel

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

The average number of full time staff has decreased by 57 from year-end and was 941 (31 December 2013; 998).

Personnel fund

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

Based on the Group's result 2014, the profit sharing provision for the personnel fund will amount to EUR 2.3 (2013: 3.0) million.

Incentive schemes for key personnel

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

1. Share Based Incentive Schemes

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

Aktia Bank plc's Board of Directors has established two share-based incentive schemes:

Share Based Incentive Scheme 2011

The first share based incentive scheme was introduced in 2011, the Share Incentive Scheme 2011. The scheme covers three earning periods; the calendar years 2011–2012, 2012–2013 and 2013–2014. The performance criteria for the above earning periods are based on the development of the Aktia Group's cumulative adjusted equity (NAV) (50% weighting), and of the group's total net commission and insurance income (50% weighting) for each earning period. The earning periods 2011–2012 and 2012–2013 had an outcome of 100%. The outcome for the earning period 2013-2014 is 76%.

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

Share Based Incentive Scheme 2014–2017

The Share Based Incentive Scheme 2014-2017 is a continuation of Share Based Incentive Scheme 2011. The Share Based Incentive Scheme covers three earning periods; the calendar years 2014–2015, 2015–2016 and 2016–2017. The performance criteria for the earning periods 2014–2015 and 2015–2016 are based on the development of the Aktia Group's cumulative adjusted equity (NAV) (50% weighting), and of the Group's total net commission and insurance income (50% weighting).

The target group of the Share Based Incentive Scheme 2014–2017 consists of 16 key employees, including the Managing Director and Executive Committee members. The total bonus paid out through the scheme can amount to a maximum of 400,000 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

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

2. Share Ownership Scheme

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

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

The Board of Directors has established three share ownership schemes:

Share Ownership Scheme 2011

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

Share Ownership Scheme 2014

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

Share Ownership Scheme 2015

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

Board of Directors and Executive Committee

Aktia Bank plc's Board of Directors for 1 January - 31 December 2014:

Chair Dag Wallgren, M.Sc. (Econ.)
Vice Chair Nina Wilkman, LL.M.
Sten Eklundh, M.Sc.
Hans Frantz, Lic.Soc.Sc.
Kjell Hedman, Business Economist
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)
Arja Talma M.Sc. (Econ.), eMBA

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

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

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

35% of the annual remuneration is paid in Aktias 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 alternate Jarl Sved (up to his retirement on 31 December 2014), Deputy Managing Director Taru Narvanmaa (Managing Director's alternate from 1 January 2015), Director Juha Hammarén, Director Carl Pettersson, Director Fredrik Westerholm and Director Magnus Weurlander.

Proposals for the Annual General Meeting 2015

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

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

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

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

- Chair: EUR 22,600
- Vice Chair: EUR 10,000
- Member: EUR 4,400

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

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

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

In accordance with the shareholders' decision, at Aktia Bank plc the Nomination Committee prepares the proposals for the members of the Board of Supervisors, auditor(s) and their remuneration for decision by the AGM. The Nomination Committee consists of representatives of the three largest shareholders on 1 November on the calendar year preceeding 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 registered shareholders at the end of December 2014 was 43,862. Foreign ownership was 1.2%.

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

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

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

Shares

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

Aktia's market value was at 31 December 2014 EUR 667 (540) million. The closing price for an A series share was EUR 9.77 and for an R series share EUR 10.60. The highest quotation for the A share during the period January - December 2014 was EUR 10.00 and the lowest EUR 7.99. The highest for the R share was EUR 11.20 and the lowest EUR 8.20.

The average daily turnover of A shares 2014 was EUR 402,873 (173 703) or 45,032 (24,808) shares. Average daily turnover for R shares was EUR 10,402 (9,810) or 1,077 (1,262) shares during the same period.

Outlook and risks in 2015

Outlook (NEW)

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

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

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

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

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

Aktias operating profit for 2015 is expected to reach the same level as in 2014.

Risks

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

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

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

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

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

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

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

Aktia's financial objectives for 2015

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

Proposals for the Annual General Meeting 2015

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

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

Five-year overview

(EUR 1,000)	2014	2013	2012	2011	2010
Income statement					
Net interest income	102,779	112,643	117,279	128,615	149,159
Net commission income	74,866	70,737	65,319	60,565	57,771
Net income from life-insurance	24,004	28,116	27,304	22,732	16,477
Net income from financial transactions	7,327	8,310	2,940	-14,815	-5,585
Other operating income	3,322	4,345	5,073	4,800	9,156
Total operating income	**212,298**	**224,150**	**217,915**	**201,898**	**226,977**
Staff costs	-69,518	-77,689	-75,352	-73,203	-71,971
IT expenses	-26,324	-27,265	-31,419	-26,380	-22,750
Depreciation of tangible and intangible assets	-7,344	-6,774	-7,158	-5,914	-5,983
Other operating expenses	-41,265	-45,519	-40,291	-41,238	-38,688
Total operating expenses	**-144,451**	**-157,247**	**-154,219**	**-146,735**	**-139,393**
Impairments and write downs, net	-1,729	-2,734	-8,181	-10,487	-12,950
Share of profit from associated companies	2,195	1,216	501	-70	1,594
Operating profit	**68,314**	**65,385**	**56,015**	**44,606**	**76,229**
Taxes	-13,282	-13,030	-15,764	-10,465	-19,349
Profit for the period from continuing operations	**55,031**	**52,354**	**40,251**	**34,141**	**56,880**
Profit for the year from discontinued operations	-	-	9,776	2,177	1,158
Profit for the year	**55,031**	**52,354**	**50,027**	**36,318**	**58,038**
Attributable to:					
Shareholders in Aktia Bank plc	52,499	52,169	49,189	35,335	55,474
Non-controlling interest's share	2,532	186	839	983	2,564
Total	**55,031**	**52,354**	**50,027**	**36,318**	**58,038**
Profit for the year	55,031	52,354	50,027	36,318	58,038
Comprehensive income from items which can be transferred to the income statement	22,886	-34,660	97,336	-3,949	-20,936
Comprehensive income from items which can not be transferred to the income statement	339	-68	-559	-1,344	-
Comprehensive income	**78,257**	**17,626**	**146,804**	**31,025**	**37,102**
Comprehensive income of which:					
Shareholders in Aktia Bank plc	75,610	17,180	145,600	30,613	34,634
Non-controlling interest's share	2,647	446	1,203	412	2,468
Total	**78,257**	**17,626**	**146,804**	**31,025**	**37,102**
Balance sheet					
Cash and balances with central banks	395,905	414,328	587,613	475,042	273,364
Financial assets reported at fair value via income statement	-	102	51	1,905	20,870
Financial assets available for sale	2,375,417	2,256,506	2,106,661	2,619,146	3,383,652
Financial assets held until maturity	488,509	499,267	350,020	20,034	21,459
Derivative instruments	231,302	197,629	302,227	300,575	230,158
Loans and other receivables	6,461,808	6,897,349	7,360,225	7,152,124	6,637,551
Investments for unit-linked insurances	545,271	465,856	360,873	286,742	279,964
Other assets	208,476	202,769	172,520	200,494	172,135
Total assets	**10,706,688**	**10,933,806**	**11,240,190**	**11,056,063**	**11,019,153**
Deposits	4,755,748	4,892,982	4,689,040	4,757,179	4,356,327
Derivative instruments	113,196	128,595	186,362	155,998	149,493
Other financial liabilities	3,930,668	4,106,018	4,584,724	4,464,037	4,827,366
Technical provisions	1,025,417	965,870	878,474	941,491	989,841
Other liabilities	190,770	198,632	244,180	213,601	198,837
Total liabilities	**10,015,799**	**10,292,097**	**10,582,781**	**10,532,306**	**10,521,863**
Equity	690,890	641,709	657,409	523,756	497,290
Total liabilities and equity	**10,706,688**	**10,933,806**	**11,240,190**	**11,056,063**	**11,019,153**

Key figures and ratios

	2014	2013	2012	2011	2010
Return on equity (ROE), %	8.3	8.1	8.5	7.1	12.0
Return on assets (ROA), %	0.51	0.47	0.45	0.33	0.54
Equity ratio, %	6.4	5.8	5.9	4.7	4.6
Capital adequacy ratio, % (finance and insurance conglomerate)	216.5	198.6	205.1	163.5	156.5
Personnel (FTEs), average number of employees from the beginning of the year	941	998	1,044	1,192	1,183
Earnings per share (EPS), EUR	0.79	0.78	0.74	0.53	0.83
Equity per share (NAV), EUR	9.39	8.67	8.91	7.01	6.81
Dividend per share, EUR	0.48	0.42	0.36 *)	0.30	0.30
Payout ratio, %	60.7	53.6	48.7 *)	56.5	36.0
Total earnings per share, EUR	1.14	0.26	2.19	0.46	0.52
Average number of shares (excluding treasury shares)	66,548,468	66,561,769	66,521,777	66,503,954	66,477,825
Number of shares at the end of the period (excluding treasury shares)	66,434,747	66,544,500	66,522,280	66,520,322	66,492,404
Group financial assets, EUR 1,000	3,282,191	3,114,669	2,954,985	2,901,669	3,461,105
Banking Business (incl. Private Banking)					
Cost-to-income ratio	0.71	0.72	0.74	0.73	0.59
Borrowing from the public, EUR 1,000	3,979,188	3,797,477	3,631,479	3,645,238	3,396,579
Lending to the public, EUR 1,000	6,416,025	6,802,230	7,201,556	7,063,345	6,591,584
Core Tier 1 capital ratio, %	14.6	-	-	-	-
Capital adequacy ratio, %	19.1	19.3	20.2	16.2	15.9
Tier 1 capital ratio, %	14.6	12.3	11.8	10.6	10.1
Risk-weighted commitments, EUR 1,000	3,263,318	3,463,456	3,611,209	3,693,979	3,673,092
Asset Management & Life Insurance					
Assets under management, EUR 1,000	6,782.800	6,341,319	5,877,367	5,034,487	5,942,390
Premiums written before reinsurers' share, EUR 1,000	125,726	140,765	111,240	103,494	101,227
Expense ratio, %	81.5	88.3	90.8	91.7	93.6
Solvency margin, EUR 1,000	133,397	99,044	158,578	117,231	98,830
Solvency ratio, %	23.3	17.5	27.4	20.7	16.1
Investments at fair value, EUR 1,000	1,135,207	1,091,811	1,020,711	911,626	951,307
Technical provisions for interest-related insurances, EUR 1,000	482,275	503,451	519,930	533,365	587,720
Technical provisions for unit-linked insurances, EUR 1,000	543,143	462,419	358,544	284,836	282,448

*) In addition to dividend, a return of capital of EUR 0.14 per share was paid.

Basis of calculation

Earnings per share (EPS, EUR

Profit for the year after taxes attributable to the shareholders of Aktia Bank plc
Average number of shares over the year (adjusted for new issue)

Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc
Number of shares at the end of the period

Return on equity (ROE), %

Profit for the year x 100
Average equity

Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) x 100
Minimum requirement for the conglomerate's own assets (credit institution + insurance business)

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates and its related degree.

Banking business cost/income ratio

Total operating expenses
Total operating income

Banking business risk-weighted commitments

Total assets in the balance sheet and off-balance sheet items, including derivates valued and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

The capital requirements for operational risks have been calculated and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

Banking business capital adequacy ratio, %

Capital base (Tier 1 capital + Tier 2 capital) x 100
Risk-weighted commitments

The capital base is calculated in accordance with regulation 4.3a.

Banking business Tier 1 capital ratio, %

Tier 1 capital x 100
Risk-weighted commitments

Life insurance business expense ratio, %

(Operating costs + cost of claims paid) x 100
Total expense loadings

Total expense loadings are items which, according to acturial calculations, should cover the costs. The operating costs do not include the re-insurers' commissions.

Life insurance business solvency ratio, %

Solvency capital x 100
Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance

The technical provision is calculated after deduction of the re-insurers' share.

Group financial assets

The Bank Group's liquidity portfolio and the life insurance company's investment portfolio

Assets under management

Aktia Fund Management Company's assets under management and brokered mutual funds and assets managed by, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance

Aktia Bank plc – Consolidated and parent company's financial statements

Consolidated income statement

(EUR 1,000)	Note	2014	2013
Interest income		165,388	172,952
Interest expenses		-62,608	-60,309
Net interest income	G4	102,779	112,643
Dividends	G5	117	91
Commission income		84,379	81,119
Commission expenses		-9,514	-10,382
Net commission income	G6	74,866	70,737
Net income from life-insurance	G7	24,004	28,116
Net income from financial transactions	G8	7,327	8,310
Net income from investment properties	G9	66	439
Other operating income	G10	3,139	3,815
Total operating income		**212,298**	**224,150**
Staff costs	G11	-69,518	-77,689
IT expenses		-26,324	-27,265
Depreciation of tangible and intangible assets	G12	-7,344	-6,774
Other operating expenses	G13	-41,265	-45,519
Total operating expenses		**-144,451**	**-157,247**
Write-downs on credits and other commitments	G21	-1,729	-2,734
Share of profit from associated companies		2,195	1,216
Operating profit		**68,314**	**65,385**
Taxes	G14	-13,282	-13,030
Profit for the year		**55,031**	**52,354**
Attributable to:			
Shareholders in Aktia Bank plc		52,499	52,169
Non-controlling interest's share		2,532	186
Total		**55,031**	**52,354**
Earnings per share (EPS), EUR	G15	0.79	0.78
Earnings per share (EPS), EUR, after dilution	G15	0.79	0.78

Consolidated statement of comprehensive income

(EUR 1,000)	Note	2014	2013
Profit for the year		55,031	52,354
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		37,631	-10,320
Change in valuation of fair value for financial assets held until maturity		-3,616	-3,279
Change in valuation of fair value for cash flow hedging		0	246
Transferred to the income statement for financial assets available for sale		-6,795	-9,686
Transferred to the income statement for cash flow hedging		-4,333	-11,621
Comprehensive income from items which can be transferred to the income statement		22,886	-34,660
Defined benefit plan pensions		339	-68
Comprehensive income from items which can not be transferred to the income statement		339	-68
Total comprehensive income for the year		**78,257**	**17,626**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		75,610	17,180
Non-controlling interest's share		2,647	446
Total		**78,257**	**17,626**
Total earnings per share, EUR	G15	1.14	0.26
Total earnings per share, EUR, after dilution	G15	1.14	0.26

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2014	31.12.2013
Assets			
Cash and balances with central banks	G16	395,905	414,328
Financial assets reported at fair value via income statement	G17	-	102
Interest-bearing securities available for sale		2,289,989	2,156,977
Shares and participations available for sale		85,428	99,528
Financial assets available for sale	G18	2,375,417	2,256,506
Financial assets held until maturity	G19	488,509	499,267
Derivative instruments	G20	231,302	197,629
Lending to Bank of Finland and other credit institutions		45,783	95,119
Lending to the public and public sector entities		6,416,025	6,802,230
Loans and other receivables	G21	6,461,808	6,897,349
Investments for unit-linked insurances	G22	545,271	465,856
Investments in associated companies	G23	23,571	19,292
Intangible assets	G24	36,279	20,326
Investment properties	G25	57,063	60,644
Other tangible assets	G26	8,240	6,403
Accrued income and advance payments		57,231	66,227
Other assets		8,646	8,819
Total other assets	G27	65,877	75,046
Income tax receivables		3,403	3,661
Deferred tax receivables		12,976	16,215
Tax receivables	G28	16,379	19,876
Assets classified as held for sale	G29	1,067	1,183
Total assets		**10,706,688**	**10,933,806**
Liabilities			
Liabilities to credit institutions		776,560	1,095,505
Liabilities to the public and public sector entities		3,979,188	3,797,477
Deposits	G30	4,755,748	4,892,982
Derivative instruments	G20	113,196	128,595
Debt securities issued	G31	3,534,511	3,657,941
Subordinated liabilities	G32	222,539	232,199
Other liabilities to credit institutions	G33	99,767	123,524
Liabilities to the public and public sector entities	G34	73,852	92,353
Other financial liabilities		3,930,668	4,106,018
Technical provisions for risk insurances and interest-related insurances		482,275	503,451
Technical provisions for unit-linked insurances		543,143	462,419
Technical provisions	G35	1,025,417	965,870
Accrued expenses and income received in advance		78,146	96,455
Other liabilities		47,174	40,044
Total other liabilities	G36	125,320	136,499
Provisions	G37	3,549	6,367
Income tax liabilities		2,559	5,203
Deferred tax liabilities		59,209	50,402
Tax liabilities	G28	61,768	55,605
Liabilities for assets classified as held for sale	G29	133	162
Total liabilities		**10,015,799**	**10,292,097**
Equity			
Restricted equity		267,410	244,464
Unrestricted equity		356,539	332,662
Shareholders' share of equity		623,949	577,126
Non-controlling interest's share of equity		66,941	64,583
Equity	G38	**690,890**	**641,709**
Total liabilities and equity		**10,706,688**	**10,933,806**

Consolidated off-balance-sheet commitments

(EUR 1,000)	Note	31.12.2014	31.12.2013
Off-balance sheet commitments	G43		
Guarantees		26,778	31,832
Other commitments provided to a third party		2,140	2,946
Commitments provided to a third party on behalf of the customers		28,918	34,778
Unused credit arrangements		291,485	354,262
Other commitments provided to a third party		1,336	2,248
Irrevocable commitments provided on behalf of customers		292,820	356,510
Total		**321,739**	**391,288**

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Share-holders' share of equity	Non-controlling interests	Total equity
Equity as at 1 January 2013	**93,874**	**10,277**	**116,068**	**1,116**	**72,654**	**298,619**	**592,608**	**64,801**	**657,409**
Changes in the Group equity as a result of the merger of Aktia plc with Aktia Bank plc 1.7.2013	69,126	-9,960			65,102	-124,268	0		0
Treasury shares received in connection with acquisition						-263	-263		-263
Divestment of treasury shares						400	400		400
Dividend to shareholders						-23,968	-23,968	-665	-24,633
Capital return to shareholders					-9,321		-9,321		-9,321
Profit for the year						52,169	52,169	186	52,354
Financial assets available for sale			-20,031				-20,031	25	-20,006
Financial assets held until maturity			-3,279				-3,279		-3,279
Cash flow hedging			-11,610				-11,610	236	-11,374
Defined benefit plan pensions						-68	-68		-68
Total comprehensive income for the year			-34,921			52,100	17,180	446	17,626
Other change in equity				492			492	0	492
Equity as at 31 December 2013	**163,000**	**317**	**81,147**	**1,608**	**128,434**	**202,619**	**577,126**	**64,583**	**641,709**
Equity as at 1 January 2014	**163,000**	**317**	**81,147**	**1,608**	**128,434**	**202,619**	**577,126**	**64,583**	**641,709**
Acquisition of treasury shares						-1,255	-1,255		-1,255
Divestment of treasury shares						182	182		182
Dividend to shareholders					-13,405	-14,558	-27,963	-283	-28,246
Profit for the year						52,499	52,499	2,532	55,031
Financial assets available for sale			30,837				30,837	-1	30,835
Financial assets held until maturity			-3,616				-3,616		-3,616
Cash flow hedging			-4,449				-4,449	116	-4,333
Defined benefit plan pensions						339	339		339
Total comprehensive income for the year			22,772			52,838	75,610	2,647	78,257
Other change in equity			174	249		-174	249	-6	244
Equity as at 31 December 2014	**163,000**	**317**	**104,093**	**1,858**	**115,030**	**239,651**	**623,949**	**66,941**	**690,890**

Consolidated cash flow statement

(EUR 1,000)	2014	2013
Cash flow from operating activities		
Operating profit	68,314	65,385
Adjustment items not included in cash flow for the period	-10,381	-20,443
Paid income taxes	-8,739	-26,290
Cash flow from operating activities before change in receivables and liabilities	**49,194**	**18,651**
Increase (-) or decrease (+) in receivables from operating activities	**357,509**	**82,563**
Financial assets reported at fair value via the income statement	102	49
Financial assets available for sale	-84,924	-286,812
Financial assets held until maturity, increase	-	-61,644
Financial assets held until maturity, decrease	-	10,114
Loans and other receivables	502,595	522,240
Investments for unit-linked insurances	-79,415	-104,983
Other assets	19,152	3,599
Increase (+) or decrease (-) in liabilities from operating activities	**-347,627**	**-152,128**
Deposits	-177,390	151,904
Debt securities issued	-173,911	-153,877
Other financial liabilities	-43,193	-221,824
Technical provisions	60,021	86,922
Other liabilities	-13,155	-15,254
Total cash flow from operating activities	**59,076**	**-50,913**
Cash flow from investing activities		
Investments in group companies and associated companies	-11,805	-6,335
Proceeds from sale of group companies and associated companies	1,822	642
Investment in investment properties	-	-32,460
Investment in tangible and intangible assets	-25,148	-14,505
Proceeds from sale of investment properties	132	830
Proceeds from sale of tangible and intangible assets	11	1,043
Total cash flow from investing activities	**-34,988**	**-50,785**
Cash flow from financing activities		
Subordinated liabilities, increase	64,144	85,683
Subordinated liabilities, decrease	-73,809	-123,025
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	-283	-665
Acquisition of treasury shares	-1,255	-
Divestment of treasury shares	182	400
Paid dividends	-27,963	-23,968
Capital return	-	-9,321
Total cash flow from financing activities	**-38,985**	**-70,897**
Change in cash and cash equivalents	**-14,897**	**-172,596**
Cash and cash equivalents at the beginning of the year	429,663	602,259
Cash and cash equivalents at the end of the year	414,767	429,663
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,968	8,258
Bank of Finland current account	387,937	404,949
Repayable on demand claims on credit insitutions	18,862	16,456
Total	**414,767**	**429,663**

Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	3,691	1,323
Write-downs on credits and other commitments	1,729	2,734
Change in fair values	327	353
Depreciation and impairment of tangible and intangible assets	7,344	6,774
Result effect from associated companies	-1,857	-1,044
Sales gains and losses from tangible and intangible assets	5	-443
Unwound cash flow hedging	-5,416	-15,392
Unwound fair value hedging	-15,903	-15,903
Change in provisions	-2,818	-483
Change in fair values of investment properties	1,664	38
Change in share-based payments	854	1,652
Other adjustments	-	-53
Total	**-10,381**	**-20,443**

Quarterly trends in the Group

(EUR 1,000)	10–12/2014	7–9/2014	4–6/2014	1–3/2014
Net interest income	25,299	26,091	25,941	25,448
Dividends	-	-	23	94
Commission income	21,410	20,213	21,908	20,848
Commission expenses	-2,553	-2,610	-2,298	-2,053
Net commission income	18,857	17,603	19,611	18,795
Net income from life-insurance	5,637	5,737	6,630	6,000
Net income from financial transactions	1,007	50	5,394	876
Net income from investment properties	17	10	23	16
Other operating income	889	643	821	786
Total operating income	**51,707**	**50,134**	**58,442**	**52,016**
Staff costs	-18,586	-15,820	-17,645	-17,468
IT expenses	-7,010	-6,388	-6,311	-6,615
Depreciation of tangible and intangible assets	-1,922	-1,854	-1,777	-1,790
Other operating expenses	-11,778	-8,786	-10,492	-10,210
Total operating expenses	**-39,296**	**-32,848**	**-36,225**	**-36,083**
Write-downs on credits and other commitments	-24	-529	-767	-409
Share of profit from associated companies	171	553	548	923
Operating profit	**12,558**	**17,310**	**21,999**	**16,447**
Taxes	-2,189	-3,682	-4,102	-3,310
Profit for the period	**10,369**	**13,628**	**17,897**	**13,137**
Attributable to:				
Shareholders in Aktia Bank plc	9,008	12,790	17,645	13,056
Non-controlling interest's share	1,361	838	252	81
Total	**10,369**	**13,628**	**17,897**	**13,137**
Earnings per share (EPS), EUR	0.14	0.19	0.27	0.20
Earnings per share (EPS), EUR, after dilution	0.14	0.19	0.27	0.20

Quarterly trends of comprehensive income

(EUR 1,000)	10–12/2014	7–9/2014	4–6/2014	1–3/2014
Profit for the period	10,369	13,628	17,897	13,137
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	-164	11,465	15,567	10,763
Change in valuation of fair value for financial assets held until maturity	-912	-912	-902	-892
Change in valuation of fair value for cash flow hedging	-	-	0	0
Transferred to the income statement for financial assets available for sale	-117	-1,858	-3,722	-1,099
Transferred to the income statement for cash flow hedging	-312	-875	-1,355	-1,791
Comprehensive income from items which can be transferred to the income statement	-1,504	7,820	9,588	6,981
Defined benefit plan pensions	339	-	-	-
Comprehensive income from items which can not be transferred to the income statement	339	-	-	-
Total comprehensive income for the period	**9,205**	**21,448**	**27,485**	**20,119**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank plc	7,755	20,514	27,209	20,131
Non-controlling interest's share	1,449	934	276	-12
Total	**9,205**	**21,448**	**27,485**	**20,119**
Total earnings per share, EUR	0.12	0.31	0.41	0.30
Total earnings per share, EUR, after dilution	0.12	0.31	0.41	0.30

G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the year ended 31 December 2014 were approved by the Board of Directors on 27 February 2015 and are to be adopted by the Annual General Meeting on 13 April 2015. The report by the Board of Directors and financial statements are published on 23 March 2015 at the latest.

The Group's parent company is Aktia Bank plc, domiciled in Helsinki. A copy of the consolidated financial statement is available from Aktia Bank plc, Mannerheimintie 14, 00100 Helsinki, Finland or from Aktia's website www.aktia.com.

Basis for preparing financial statements

Aktia Bank plc's consolidated financial statement is prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS), as adopted by the EU. In preparing the notes to the consolidated accounts, the applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account. Figures in the accounts are presented in thousands of euros, unless indicated otherwise. The consolidated accounts have been prepared in accordance with original acquisition value, unless otherwise indicated in the accounting principles.

During the year, the figures in the interim reports are presented so that income statement items are compared with the corresponding period of the previous year, while the comparison of balance sheet items relates to the previous year-end unless specified otherwise.

As of 1 January 2014, capital adequacy is calculated according to Basel III. In the financial statement, the term refers to Basel III EU requirements on capital adequacy 575/2013 and additional regulations issued by European and national supervisory authorities.

New or amended standards in 2014 that had no impact on the Group's result or financial position:

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

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

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

IFRS 12 Disclosure of Interests in Other Entities is a combined disclosure standard for subsidiaries, associated companies, joint arrangements and other unconsolidated structured entities. The standard is mandatory as of 1 January 2014, and Aktia reports notes to the financial statement completed according to the new disclosure standard.

New and amended standards in 2015 or later that may have an impact on the Group's result and financial position

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 2017.

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

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

Consolidation principles

The consolidated financial statement encompasses the parent company, Aktia Bank plc, and all the subsidiaries in which the parent company has a controlling interest. The Group is deemed to have a controlling interest if its shareholding brings entitlement to more than 50% of the votes, including potential votes, or if it is otherwise entitled to influence the company's financial position and operating strategies in order to gain benefit from its operations. Subsidiaries are consolidated from the time of acquisition until the date of disposal.

The consolidated accounts cover those subsidiaries in which the parent company directly or indirectly owns more than 50% of voting rights or otherwise has controlling interest. The acquisition method has been applied to acquisition eliminations. The acquisition method involves the assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. Intangible assets not included in the acquired company's balance sheet, such as trade marks, patents or customer relations, are identified and assessed on acquisition. Following assessment at fair value, either goodwill or negative goodwill may arise. If goodwill arises, this is examined at least once for each financial statement. If negative goodwill arises, this is charged to income in its entirety at the time of acquisition. Acquisition costs are not included in the acquisition calculation, but entered as cost when they occur and the services are received.

The consolidated accounts cover those associated companies in which the parent company directly or indirectly owns 20-50% of voting rights or otherwise has considerable influence. When consolidating associated companies, the equity method has been applied. The equity method means that the Group's share of the associated company's equity and results increases or reduces the value of the shares reported on the date the accounts are closed.

All internal business transactions, receivables, liabilities, dividends and profits are eliminated within the consolidated accounts.

Holdings where a non-controlling interest exists are shown separately in consolidated shareholders' equity. The share of holdings where a non-controlling interest exists which cannot be reported as shareholders' equity is reported as other liabilities. In acquisitions possible non-controlling holdings in the acquired company are identified at the time of acquisition. The holdings are reported as shareholders' equity or as other liabilities depending on the contents of possible agreements with the owners of non-controlling interest.

Segment-based reporting

Segment reporting corresponds internal reporting to the highest executive body. The highest executive body is the function responsible for appropriation of resources and evaluation of the business segments' results. In the Group this function is identified as the Executive Committee, taking strategic decisions.

The Banking Business segment includes Aktia Bank plc's branch office operations, private banking, corporate banking, card operations and treasury as well as the subsidiaries Aktia Real Estate Mortgage Bank plc, Aktia Corporate Finance Ltd and Aktia Real Estate Agency Ltd.

The Asset Management & Life insurance segment includes the subsidiaries Aktia Asset Management Ltd (Aktia Invest Ltd merged with Aktia Asset Management Ltd on 1 October 2014), Aktia Fund Management Company Ltd, Aktia Life Insurance Ltd and its real estate subsidiaries Kiinteistö Oy Pakkalantie 21, Kiinteistö Oy Pakkalantie 19, Kiinteistö Oy Tikkurilantie 141, Kiinteistö Oy Sähkötie 14–16, Kiinteistö Oy Kantaatti as well as the associated company Keinusaaren Toimistotalo 1 (holdings 50%). The real estate company Kiintesitö Oy Virkatie 10 was sold 30 October 2014.

The Miscellaneous segment encompasses the Group administration of Aktia Bank plc as well as the subsidiary Vasp-Invest Ab.

Allocation principles and Group eliminations

Net interest income from those units included in the Banking Business segment includes the margins on volumes of borrowing and lending. Reference interest rates for borrowing and lending and the interest rate risk that arises because of new pricing being out of step are transferred to Treasury in accordance with the Group's internal pricing. Treasury assumes responsibility for the Group's interest rate risk, liquidity as well as asset and liability hedging for which management has issued authority. The costs of central support functions are allocated to the segments in accordance with resource use, defined projects and according to different allocation rules.

Aktia Bank plc is not allocating equity to the different segments. The Miscellaneous segment consists of items in the income statement and balance sheet that are not allocated to the business segments.
Internal Group transactions between legal entities are eliminated and reported within each segment if the legal entities are in the same segment. Internal Group transactions between legal entities in different segments are included in the eliminations.

Pricing between the segments is based on market prices.

Foreign currency translation

Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency trading. The exchange rate differences that arise from the life insurance business are reported in Net income from investments, which is included in the Net income from life-insurance.

Revenue and expenses recognition

Interest and dividends

Interest income and expenses are periodised according to the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity. Interest income and expenses attributable to Financial assets held for trading are reported in the income statement as Net income from financial transactions.

When a financial asset is written down due to a reduction in value, the original effective interest rate is used when calculating interest income.

Dividends paid on shares and participations are reported as income for the reporting period during which the right to receive payment is noted.

Commissions

Commission income and expenses are generally reported in accordance with the accruals convention. The cost of acquiring new insurance policies or renewing existing policies is dealt with within the insurance business as commission expenses, and is included in other operating expenses.

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

Insurance premiums

Life insurance premiums received are reported as premiums written in the income statement and are included in the Net income from life-insurance. Premiums are reported as premiums written depending on the line of insurance in accordance with the debiting or payment principle. For the duration of the insurance contract, insurance premiums are generally reported as income on a pro rata basis. For the share of premiums written attributed to the time after the balance sheet date, a provision for unearned premiums (premium liabilities) is adopted in the balance sheet as part of the technical provision. An outstanding premium receivable is reported only if there is insurance coverage on the balance sheet date, but so that the insurance premiums which, according to experience will remain unpaid, is deducted from premiums written.

The life insurance business' insurance policies are classified either as insurance or investment agreements, based on the assessment of the insurance risk included in the agreements. Risk insurance and interest-linked insurance policies are classified as insurance agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. For investment agreements with the right to discretionary benefits (customer compensation), the opportunity in IFRS 4 to report these as insurance agreements is applied.

Claim costs

Claims paid by the life insurance business and the change in technical provision are reported in the income statement and are included in the Net income from life-insurance.

In this respect, for losses incurred that remain unpaid at the time the accounts are prepared and claims adjustment costs for these, including for losses that have not yet been reported to the Group, a provision is made in the company's technical provision (claim provision).

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

Depreciation

Tangible and intangible assets are subject to linear planned depreciation, according to the financial lifetime of the assets. As a rule, the residual value of these tangible and intangible assets is assumed to be zero. There is no depreciation of land areas. The estimated financial lifetimes for each asset category are as follows:

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–7 years

If fixed assets are classified according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, depreciation ceases.

Employee remuneration

Pension plans

The Group reports pension plans either as defined-contribution pension plans or defined-benefit pension plans. For defined-contribution pension plans, the Group makes fixed payments to external pension insurance companies. After this, the Group has no legal or actual obligation to make further payments if the pension insurance companies do not have sufficient assets to pay the employees' pensions for current or preceding periods. According to the Employees' Pensions Act, basic insurance coverage is the most important defined-contribution pension plan. Independent pension insurance companies are responsible for this form of pension protection within the Group companies. The pension insurance premiums for those arrangements which are classified as defined-contribution plans have been periodised to correspond to performance salaries in the financial statements.

The Group also has voluntary defined-benefit plans. For defined-benefit plans, the Group still has obligations after payments have been made for the reporting period, and bears the actuarial risk and/or the investment risk. The Group's defined-benefit plans are reported in accordance with IAS 19 Employee benefits. Liabilities for defined-benefit pension plans have been recorded in the financial statements.

Share-based payments

The Group has an incentive agreement with key personnel in management positions. The Group continuously evaluates the likely outcome of this incentive agreement. The benefits earned within the incentive agreement are valued at fair value on the decision date and costs are entered linearly during the earning-period. Payment is made either as transfer of equity instruments or in cash.

For the part of the incentive agreement where payment is made as transfer of equity instruments, a periodised change is booked in shareholders' equity under Fund for share-based payments. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liabilities are reported as Staff costs.

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be used.

Financial assets

For financial assets, Aktia applies the IFRS rules whereby financial assets are divided into the following four valuation categories: debt certificates (debt securities), receivables from credit institutions, receivables from the public and public sector entities as well as shares and participations.

Financial assets reported at fair value via the income statement

Financial assets reported at fair value via the income statement include financial assets which are held for trading. This category includes debt certificates, shares and participations that are actively traded with and that have been acquired for the short term with the intent to earn revenue. They have continuously been entered at fair value with changes in value entered in the income statement. Structured bonds and investments with embedded derivatives are classified as financial assets held for trading, which means that changes in value are recognised directly in the income statement.

In the life insurance business, investments providing cover for unit-linked agreements are classified as Financial assets reported at fair value via the income statement, and these are reported separately in the balance sheet under the item Investments for unit-linked insurances.

Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category Financial assets available for sale. The unrealised value change is recognised in the comprehensive income with deductions for deferred tax until sold or impaired. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and included under the item Net income from financial assets available for sale and falls under Net income from financial transactions. In the life insurance businesses, the above-mentioned gains and losses are reported as Net income from investments, which is included in the Net income from life-insurance.

Financial assets held until maturity

Debt certificates to be held until maturity are reported in the category Financial assets held until maturity. These securities are entered at accrued acquisition cost. If there is objective evidence to suggest that full repayment will not be received on such a security at the end of the reporting period, the difference compared with the acquisition price is entered as an expense. The difference between the acquisition price and the nominal value has been periodised as interest income or loss of it.

If securities classified as Financial assets held until maturity are sold prior to maturity, these securities are reclassified as Financial assets available for sale. The reason for the reclassification is that the intention or ability in relation to the investments (a significant amount) changes so that the conditions for the use of this category are no longer met. After any such reclassification, these securities are reported as Financial assets available for sale for at least two consecutive reporting periods.

Loans and other receivables

Receivables from credit institutions and receivables from the public and public sector entities are reported in the category Loans and other receivables. These receivables are entered at accrued acquisition value.

Reclassification

Financial assets, excluding derivatives, held for sale may be reclassified to assets held until maturity if Aktia intends and has the opportunity to hold the financial assets for the foreseeable future or until maturity. At the time of reclassification, the assets to be reclassified shall comply with the definitions of the category to which they are reclassified. A prerequisite for reclassification to the category Financial assets held until maturity is that Aktia has changed the purpose of the holdings and has the opportunity to hold the financial assets until maturity.

Reclassification is made at fair value at the time of reclassification. As fair value will be the original acquisition cost or accrued acquisition cost.

Securities to be reclassified from financial assets available for sale to financial assets held until maturity shall be pledgeable with the central bank and have good creditworthiness. When reclassified the financial assets shall fulfil the minimum rating of Aa3/AA-.

Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities and debt securities to the public are reported in the category Financial liabilities. Financial liabilities are included in the balance sheet at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value. In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

Valuation of financial instruments at fair value

The fair value of listed shares and other financial instruments that are traded on an active market is based on the latest listed purchase price. Should the listed price of a financial instrument not represent actual market transactions occurring with regularity, or if listed prices cannot be obtained, the fair value is established with an appropriate valuation technique. The valuation techniques may vary from a simple analysis of discounted cash flows to complex option valuation models. The valuation models have been drawn up so that observable market prices and rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

Impairment of financial assets

The impairment of Financial assets available for sale is recognised through the income statement if the financial position of the company in which the investment has been made has deteriorated significantly. The criteria are as follows:

- the company has entered into bankruptcy or is de facto insolvent and unable to make payments

- the company has entered into a corporate reorganisation agreement, or has sought protection against its creditors, or is undergoing significant restructuring which affects creditors.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the market value and the acquisition value at the time of reporting. If no market value is available, or if there are specific reasons for assuming that the market value does not represent the fair value of the security, or if the Group holds a controlling stake in the company, a decision is made on reporting an impairment in accordance with a separate assessment made by the Board of Directors.

In addition to default, interest-bearing securities are reviewed individually to assess the need for write-downs if the price of the security has fallen by more than 50% and the instrument rating has fallen below investment grade (BB+, Ba1 or lower).

For shares and share fund investments, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. A significant drop has occurred if the difference between the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) and the acquisition value exceeds certain volatility-based limits. Volatility is quantified using betas which measure the riskiness of the shares in relation to the market (a comparison index). For share funds, this index is the same as the share fund's ascribed comparison index. For individual shares, the index is a combination of an industry index and a geographic exposure index. The weighting for these two indices is calculated separately for each share by applying the change in value for historic data and maximising the share-index correlation. The same method is used for the Group's Value-at-Risk calculation.

For investments in real estate funds, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. When determining the extent of the impairment, real estate risks, liquidity risks, financing risks and interest rate risks are taken into account.

A long-term drop has occurred if the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) has been continuously below the acquisition value for 18 months.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the fair value at the time of reporting and the acquisition value.

Write-downs of loans and other receivables

Write-downs of loans and other receivables are entered individually and in groups. A write-down is entered individually if there is objective evidence that the customer's ability to pay has been weakened after the receivable was originally entered in the balance sheet. Objective evidence exists where the debtor is experiencing significant financial difficulties, a breach of contract such as delayed payment of interests or capital occurs, concessions are granted for financial or legal reasons which the lender had not otherwise considered, the debtor enters bankruptcy or other financial restructuring.

The value of the receivable has been weakened if the estimated incoming cash flow from the receivable, with regard to the fair value of the security, is less than the sum of the book value of the receivable and the unpaid interest on the receivable. The estimated incoming cash flow is discounted by the credit's original effective interest rate. If the credit has a variable interest rate, the interest rate in the agreement is used as the discount rate at the time of review. The write-down is entered as the difference between the lower current value of the recoverable cash flow and the book value of the credit.

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in underlying credit portfolios. The write-down is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. The need for write-downs is assessed taking into account changes in credit quality and security values that are expected to occur within 12 months, whereas the size of the write-down is determined taking the whole lifetime of the portfolios into account.

As of 2014, the above mentioned principle is applied also in assessment write-downs by group related to larger corporate customers.

Accounting for the acquisition and disposal of financial assets

When acquiring or selling financial assets, these are entered in accordance with the trade date.

Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments.

Derivative instruments in the banking business are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedging or cash flow hedging according to the following accounting principles. The life insurance business reports the change in value of derivative instruments, together with gains and losses realised, in the income statement as Net income from investments in Net income from life-insurance.

Hedge accounting

All derivatives are valued at fair value. In accordance with the IAS 39, Aktia has documented hedge accounting either as fair value hedging or cash flow hedging. Aktia applies the 'carve out' version of IAS 39 as approved by the European Union for hedge accounting. The EU's 'carve out' for macro hedging enables combinations of groups of derivatives (or proportions thereof) to be used as hedging instrument which eliminates certain restrictions for hedging strategies for fair value in the hedging of borrowing and under-hedges. Aktia applies the EU's 'carve out' hedging to Balance items repayable on demand i.e. to portfolio hedging of demand deposit accounts and savings accounts. The aim is to neutralise the potential changes in fair value of assets and liabilities, and to stabilise the Groups net interest income.

Aktia's policy for hedge accounting is that the hedging relationship between the hedging instrument and the hedged item, along with the risk management aim and the strategy, are documented when hedging. In order to apply hedge accounting, the hedge must be highly efficient. A hedge is deemed to be highly efficient if, at the time of hedging and throughout the entire hedging period, it can be expected that changes in the fair value of the hedge item will be significantly neutralised by changes in the fair value of the hedging instrument. The outcome should be within the range of 80-125%. When subsequently assessing the efficiency of the hedging, Aktia values the hedging instrument at fair value and compares the change in this value with the change in the fair value of the hedged item. The efficiency is measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 per cent match, the ineffective part is reported in the income statement as Net income from financial transactions.

If the hedging relationship fails to meet the above requirements, the hedge accounting ceases. The change in the unrealised value of the derivative is reported at fair value in the income statement as Net interest income with effect from the time when the hedging was latest deemed to be efficient.

Fair value hedging

Fair value hedging is applied for derivatives which are used in order to hedge changes in fair value for a reported asset or liability which is attributable to a specific risk. The risk of changes in fair value for assets and liabilities reported by Aktia relates primarily to loans, securities and fixed-interest borrowing, giving rise to interest rate risk.

Changes in the fair value of derivatives are, like changes in the fair value of the hedged item, reported separately in the income statement as Net income from financial transactions. If the hedging is efficient, both changes in fair value mostly cancel each other out, which means that the net result is virtually zero. In the balance sheet, the change in value of the hedged item is reported as adjusted value of the hedged balance sheet item. Interest rate swaps and forward rate agreements are used as hedging instruments.

Fair value hedging is no longer applied in the following situations:

- the hedging instrument expires, is sold, unwound or revoked
- the hedge no longer qualifies for hedge accounting
- hedging is discontinued

When hedging ceases, accumulated profit or loss adjusting the value of the item hedged, is periodised in the income statement. Periodisation is made over the hedged item's remaining period until maturity or over the unwound hedging instrument's original lifetime.

Cash flow hedging

Cash flow hedging is applied in order to hedge future interest streams, such as future interest payments on assets or liabilities with variable interest rate. The efficient element of the year's change in fair value this year is reported in comprehensive income and the inefficient element in the income statement as Net income from financial transactions. The accumulated change in fair value is transferred from Cash flow hedging in shareholders' equity to the income statement during the same period as the hedged cash flows have an impact on the income statement. Interest rate swaps, forward rate agreements and interest rate options are used as hedging instruments.

When interest rate options are used as hedging instruments, only their intrinsic value is included in hedge accounting. The change in time value for interest rate options is reported through the income statement.

Cash flow hedging ceases in the same situations as fair value hedging. When cash flow hedging ceases, but an inward cash flow is expected, accumulated profit or loss concerning the hedging instrument is reported as separate item in shareholders' equity. Accumulated profit or loss is then reported in the income statement under the same periods as previously hedged interest streams are reported in the income statement.

Other derivative instruments valued through the income statement (hedged back-to-back with third parties)

Other derivative instruments consist primarily of interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties. These interest-rate derivatives are valued at fair value, and the change in result is recognised in Net income from financial transactions. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks. Individual security arrangements are made with third parties in accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

Financial derivatives valued at fair value through the income statement

Derivatives which are not classified as hedging instruments and which are not efficient as such are classified as derivatives valued at fair value through the income statement.

Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Derivatives are entered in the balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value, together with profits and losses realised, are reported in the income statement and are included in Net income from financial transactions.

Repurchase agreements

Repurchase agreements relate to agreements where the parties have reached an agreement on selling securities and the subsequent repurchase of corresponding assets at a set price. For repurchase agreements, sold securities are still reported in the balance sheet, and the payment received is reported as a financial liability. Sold securities are also reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

Cash and balances with central banks

Cash and balances with central banks consist of cash, bank balances, a current account held with the Bank of Finland and short-term deposits with a duration of less than three months. Loans to credit institutions repayable on demand are included in Loans and other receivables. Cash and cash equivalents in the cash flow statement include cash and balances with central banks, and loans to credit institutions repayable on demand.

Tangible and intangible assets

The Group's real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Group. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If part of the premises is used by the Group, the division has been made according to the square metres reserved for their respective purposes.

Commercial properties are reported at original acquisition value, whereas investment properties are reported at fair value. The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments. Changes in the fair values of investment properties are reported in the income statement.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. Planned depreciation is based on the financial lifetime of the assets.

Assets classified as held for sale

A fixed asset, or a disposal group, is reported in Assets classified as held for sale if the asset is available for immediate sale in accordance with conditions that are normal and customary when selling such assets. It must also be extremely likely that a sale will take place. In order for a sale to be extremely likely, a decision must have been taken by the Board of Directors on a plan for selling the asset, and active work must have been started to find a buyer and accomplish the plan.

Assets in Vasp-Invest Ltd are classified as assets held for sale. Assets held for sale are valued at fair value with deductions for sales costs.

Provisions

A provision is reported where the Group has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the Group can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation.

The Group as a lessor

Finance lease agreements

The leasing of assets where the financial risks and advantages associated with the ownership of an object are essentially transferred from the Group to the lessee is classified as a finance lease, and the assets are entered in the lessee's balance sheet. At the beginning of the leasing period, a receivable on the lessee arises in the Group which is repaid in line with the length of the leasing period. Each leasing payment is allocated between interest and repayment of the receivable. The interest income is allocated over the leasing period, so that every reporting period is allocated an amount which corresponds to a fixed interest rate for the receivable reported for each reporting period.

The Group as a lessee

Operating lease agreements

Where a lessor in all significant respects bears the financial risks and advantages associated with the ownership of an object, this is classified as an operating lease and the assets are entered in the lessor's balance sheet. Leasing rents on operating lease agreements are reported in the income statement as rental expenses.

Insurance and investment agreements

Classification of insurance and investment agreements

Insurance agreements are classified either as insurance agreements or investment agreements. Insurance agreements are agreements whereby sufficient insurance risks are transferred from the policyholder to the insurer. Investment agreements are agreements with policyholders that do not cause sufficient insurance risk to be classified as insurance agreements.

For investment agreements with the right to discretionary benefits (customer compensation) or which can be changed to such agreements, the opportunity in IFRS 4 to report these as insurance agreements is applied. Unit-linked agreements are classified either as insurance agreements or investment agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. Capitalisation agreements are agreements without insurance risk, so these are classified as investment agreements.

Agreements are classified as follows:

Insurance agreements
- Agreements with sufficient insurance risk
- Agreements containing a discretionary part or the possibility of one
- Unit-linked agreements with sufficient insurance risk

Investment agreements
- Unit-linked agreements without sufficient insurance risk
- Capitalisation agreements

Reinsurance

The term reinsurance agreements refers to insurance agreements under which the insurance business can receive remuneration from another insurance company if it is liable to pay remuneration itself as a result of insurance agreements entered into. Premiums paid to reinsurers are reported as premiums written and costs attributable to compensation as insurance claims paid. Remuneration which will be received through reinsurance agreements is reported in the balance sheet as assets. Unpaid premiums to reinsurers are reported in the balance sheet as liabilities.

Liabilities attributable to insurance and investment agreements

Liabilities attributable to insurance and investment agreements are reported as technical provisions, comprising premium liabilities and outstanding claims. Calculation of technical provisions are based on assumptions of for example mortality, costs and loss ratios. The technical interest rate used in the calculation of technical provisions for insurance agreements with a guaranteed interest varies between 1.0 and 4.5%.

Outstanding claims include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and the estimated claims adjustment costs for these and provisions for claims which have not yet been reported to the Group (claims incurred but not reported). Risk insurance outstanding claims include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and provisions for claims which have not yet been reported to the Group (claims incurred but not reported).

Savings insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred). Pension insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred) and an estimate of future pension payments including costs.

In the consolidated IFRS accounts, the insurance company's equalisation provisions (FAS) have been transferred to shareholders' equity and deferred tax liability.

Assessment of technical provisions

When the accounts are closed, an assessment is made on whether the technical provisions included in the balance sheet are sufficient or not. If this assessment shows that they are insufficient, the technical provisions are increased.

The life insurance business' equity principle

In accordance with chapter 13, § 3 of the Insurance Companies Act, the equity principle should be followed when it comes to insurance for policies which, according to the insurance agreement, bring entitlement to additional benefits.

The life insurance business strives to ensure that the sum of the technical interest rate and the annually set customer compensation on the interest-linked pension insurance savings is higher than the return on the Finnish state ten-year bond, and on the interest-linked saving and investment insurance savings is at the same level as the Finnish state five-year bond. The solvency of the life insurance company should also be kept at a level which allows customer compensation payments and profits to be paid to the shareholders.

The Board of Directors of Aktia Life Insurance Ltd decides on customer bonuses and rebates on an annual basis.

Equity

Dividend payments to shareholders are reported in shareholders' equity when the annual general meeting decides on the pay-out.

Holdings where a non-controlling interest exists

Aktia Real Estate Mortgage Bank plc's non-controlling holdings are reported as part of the Group's shareholders' equity. The subsidiary Aktia Asset Management Ltd has certain redemption clauses in its contracts which means that its non-controlling holdings are reported as other liabilities. The change in this liability is reported in the income statement as Staff costs.

Accounting principles requiring management discretion

When preparing reports in accordance with the IFRSs certain estimations and assessments are required by management which have an impact on the income, expenses, contingent assets and contingent liabilities presented in the report.

The Group's central assumption relates to the future and key uncertainty factors in connection with balance date estimations, and depends on factors such as fair value estimations, the impairment of financial assets, the write-down of loans and other receivables, impairment of tangible and intangible assets, and assumptions made in actuarial calculations.

Estimates and valuation of fair value

Valuation of unquoted financial assets or other financial assets where access to market information is limited requires management discretion. The principles of valuation at fair value are described in the section Valuation of financial instruments at fair value. The fair value of financial assets held until maturity is sensitive to both changes in interest rate levels and the liquidity and risk premiums of the instrument.

Impairment of financial assets

The Group performs an impairment test for every balance sheet date to see whether there is objective evidence of a need to make impairments on financial assets, except for financial assets that are valued at fair value through the income statement. The principles are described above in the section Impairment of financial assets.

Write-downs of loans and other receivables

The Group continuously evaluates objective causes for value changes in receivables and decides according to certain criteria if a write-down or a reversal of write-down shall be booked. The principles are described above in the section Write-downs of loans and other receivables.

Actuarial calculations

Calculation of technical provisions always includes uncertainties as the technical provisions are based on assumptions of, among other things, future interest rates, mortality, illness and future cost levels. This is described in more detail in the notes and methods used and assumptions made when determining technical provisions in the life insurance business.

Share-based payments

The Group has an incentive agreement with key personnel in management positions, and the probable outcome of the incentive agreement is continuously evaluated. The principles are described above in the Section Employee remuneration and Share-based payments.

G2 Group risk management

1. General

The group focuses primarily on banking, asset management and life insurance operations, and real estate agency services. Risks and risk management are thus a substantial part of Aktia's operating environment and business activities. The main areas of risk are credit, interest and liquidity risks in the banking sector, interest and other market risks and actuarial risks in the life insurance business. All of these operations are exposed to business and operational risks. The overall business risk is reduced by diversifying operations.

The results and capital adequacy of the banking business are affected primarily by business volumes, deposit and lending margins, the balance sheet structure, the general interest rate level, write-downs and cost efficiency. Fluctuating results in banking operations may occur as a result of sudden credit or operational risk outcomes. Business risks in the form of changes in volume and interest margins change slowly, and are managed through diversification and adjustment measures.

The results from asset management operations are mainly affected by negative trends in the growth of business volumes, commission levels and cost efficiency. Opportunities for improving, customising and developing new products and processes help reduce the business risks.

Life insurance operations are based on bearing and managing the risk of loss events, as well as the financial risks involved in assets and liabilities. Volatility in the solvency and results from the life insurance operations can be attributed primarily to market risks in investment operations and the interest rate risk in technical provisions. The policyholder bears the market risk of the investments that act as cover for unit-linked policies, while the company bears the risk of that part of the investment portfolio that covers technical provisions for interest-linked policies.

Aktia Bank plc is the parent company of Aktia Group. The preparation of regulatory reporting, capital adequacy calculations as well as internal risk and capital allocation assessments are compiled for the bank group. The Bank Group includes Aktia Bank plc and all its subsidiaries excluding insurance holdings (subsidiary Aktia Life Insurance Ltd and associated company Folksam Non-life Insurance Company Ltd).

2. Internal control and risk management

In providing financial solutions to its customers, Aktia is exposed to various risks. Risks and risk management are thus a substantial part of Aktia's operating environment and business activities. The term risk management refers to all activities involved in the taking, reducing, analysing, measuring, controlling and monitoring of risks.

The primary responsibility for internal control lies with the business units responsible for the day-to-day running of business, operative processes and their control as well as for risk management measures. Risk management is the key element of internal control.

The control functions consist of the group's risk control, IT risk control and the compliance function, all of which are independent from the business units. The role of risk control functions (group's risk control and IT risk control) is to develop the principles, methods and instructions for managing risks, analysis and assessment of risk positions as well as for monitoring how risk management is implemented in business operations. The compliance function works to ensure that applicable regulatory frameworks are known within the organisation and are appropriately implemented and that any breaches of regulations are identified, managed and reported.

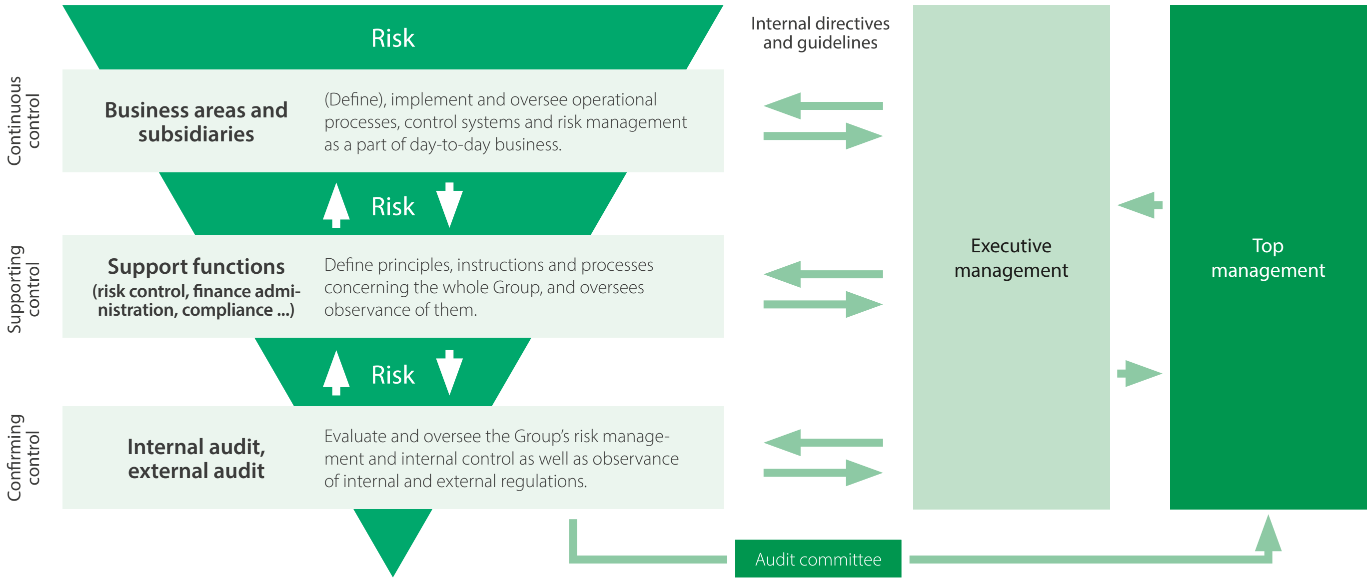
Internal audit is responsible for an independent assessment and evaluation of the adequacy and quality of the group's internal control, risk management and of the control functions. External parties, such as the group's auditors, also assess the internal control and its adequacy.

Internal control and risk management in the Aktia Group is summarised in Figure G2.2.

G2.1 General risk definitions

Risk	Definition
General	Risk refers to a calculated or unexpected event that has a negative impact on results (loss) or capital adequacy/solvency. The term covers both the probability of an event taking place, as well as the impact of the event taking place.
Credit risk	The risk of loss due to the debtor failing to fulfil obligations towards Aktia; counterparty risk is defined as the risk of loss or negative valuation differences due to deterioration of the counterparty's credit worthiness. Credit risk also includes concentration risk and settlement risk.
Market risk	Market risk covers interest, exchange rate, equity and real estate risks. Market risk refer to changes in the value of assets or liabilities, including the effects of correlation and volatility, that have a negative effect on the result or equity/solvency.
Funding and liquidity risk	The risk that the group will not be able to meet its payment obligations, the availability and cost of refinancing, as well as differences in maturity between assets and liabilities.
Insurance risk	Insurance risk refers to the risk that claims to be paid out to policyholders exceed the expected amount. The risk is divided into underwriting risk and technical provision risk.
Operational risk	Operational risks refer to risk of loss arising from unclear or incomplete instructions and internal processes, unreliable information, human error, deficient systems or external events.
Other	Other risks include business risk, strategic risk and reputational risk. Business risk refers to risk of decreased income and increased costs due to decreasing volumes, price pressures or competition. Strategic risk is closely related to business risk and is defined as risk of losses due to mistaken business decisions or failure to react to the changes in society, regulatory system or the banking sector, while reputational risk is a decline in confidence towards the group due to negative publicity.

G2.2 Internal controll ans risk management in Aktia Group



2.1 Organisation and responsibility

Board of Directors of the group and the Board's Risk Committee

The group's strategy governs all risk taking, and the board of directors' has the responsibility for the group's risk management and the resources it requires. The board of directors annually sets the group's risk management framework, also called the group's risk policy, including goals and limits for managing the operations. The board of directors regularly monitors the group's compliance with the risk policy, and risk positions and limit usage are reported to the board of directors at least once every three months.

The board of directors approves and monitors the group's internal capital assessment, including stress tests, in order to measure the adequacy of capital, taking into account the group's risks.

The group's board of directors appoints a risk committee from among its members to prepare risk-related matters for the board's consideration, and to make individual credit decisions in accordance with the principles and limits laid down by the board. The risk committee also handles and prepares internal capital assessments for the group (ICAAP) and for the insurance subsidiary (ORSA).

Executive committee

The CEO is responsible for organising the risk management processes, and the executive committee prepares matters relating to internal capital allocation and further delegation of risk mandates.

The CEO has appointed a specific committee to follow up and develop risk management in all areas of risk. The role of the committee is to handle and prepare matters for decisions by the board of directors and to develop risk management processes. The committee consists of members of the executive committee and of risk control function representatives. Risk control, however, does not participate in decision-making.

The group's risk control

The group's risk control function is subordinate to the group's CRO who is a member of the executive committee. Risk control monitors the business units risk management and is responsible for maintaining appropriate calculations, analysis and monitoring of risks in all areas of the group's operations, including subsidiaries, and for assessing the group's overall risk position. Risk control is responsible for preparing the group's risk management framework which is annually confirmed by the board of directors. The group's capital management process managed and compiled by risk control, evaluates impacts of different scenarios on capital adequacy and on the result of the financial conglomerate and group companies.

3. Group capital management

3.1 Capital adequacy

Aktia's capital adequacy strengthened in 2014. The improvement in the bank group was brought about by the fact that Core Tier 1 capital increased and the capital requirement in euros decreased. The decrease in the capital requirement was due to the fact that the Balance Sheet total decreased following discontinuation of the cooperation with savings banks and POP Banks. The solvency of Aktia Life Insurance as Solvency I increased as a result of positive development of the business' profit and the fair value of investment portfolio. The capital adequacy of the financial conglomerate increased, mainly as a result of decreased credit risk requirements of the bank group.

G2.3 Capital adequacy in banking operations

Capital adequacy, %	31.12.2014 Basel III *	31.12.2013 Basel II
Bank Group		
CET1 Capital ratio	14.6%	
Tier 1 Capital ratio	14.6%	12.3%
Total capital ratio	19.1%	19.3%
Aktia Bank		
CET1 Capital ratio	15.0%	
Tier 1 Capital ratio	15.0%	14.7%
Total capital ratio	20.3%	23.1%
Aktia Real Estate Mortgage Bank		
CET1 Capital ratio	19.6%	
Tier 1 Capital ratio	19.6%	13.3%
Total capital ratio	19.6%	14.2%
Aktia Asset Management		
CET1 Capital ratio	19.9%	
Tier 1 Capital ratio	19.9%	19.1%
Total capital ratio	19.9%	19.1%

*EU's capital requirement regulation and national requirements stipulated by supervisory authorities.

G2.4 Capital adequacy	31.12.2014	31.12.2013
Aktia Lifeinsurance		
Solvency margin	133.4	99.0
Minimum requirement	34.2	34.3
Buffer	99.2	64.8
Solvency ratio, %	23.3	17.5
Financial conglomerate		
Conglomerate´s total capital base	627.1	627.8
Minimum amount for capital base	289.7	316.1
Conglomerate´s capital adequacy	337.4	311.7
Capital adequacy ratio, %	216.5	198.6

The bank group's capital adequacy was calculated at year-end using the standardised approach for credit risks, while the basic indicator approach was used for operational risks. There are no capital requirements for market risks because of the small trading book and small currency positions. The solvency of the life insurance company is calculated in accordance with the provisions set down in the Insurance Companies Act and the financial statement is prepared in accordance with Finnish accounting standards (FAS). The capital adequacy of the financial conglomerate is calculated using the consolidation approach, taking into account the capital requirements for Folksam Non-life Insurance Company Ltd which correspond to the Aktia group's holding in the non-life insurance company.

As part of the financial statements, Aktia annually publishes a full report on capital adequacy in accordance with the Basel III capital adequacy rules and the EU's capital requirements regulation. The accuracy of data pertaining to capital adequacy is verified as part of the auditing process.

The Basel III reform entered into force in the EU on 1 January 2014. The reform was implemented in Finnish legislation through the Capital Requirements Regulation (CRR) and the CRD IV directive. Part of the new requirements will become effective during 2015–2018, and there are several transitional rules that apply to the calculation rules.

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

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

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

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

G2.5 Significant effects on capital adequacy with the implementation of new regulations

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

In order to compensate for the negative effects of Basel III and to further strengthen the capital adequacy of the banking business, the subsidiary Aktia Life Insurance Ltd has paid a dividend of EUR 50 million to the parent company Aktia Bank plc in the first quarter of 2014. As a whole, the increase of core capital strengthened the Bank Group's Core Tier 1 capital ratio according to Basel III by 1.1 percentage points during 2014. The decrease in the capital requirements following the decrease of the Balance Sheet total affected the Core Tier 1 capital ratio by 1.35 percentage points.

The amended regulation reduced the Tier 2 capital base compared to the end of the previous year. The stricter maturity criteria on subordinated loans had the effect that a major part of the subordinated loans issued under the Basel II regulation can no longer be included in own funds. The amount in own funds of subordinated loans issued in accordance with the new regulation increased during the financial period by EUR 53.8 million and amounted on the balance sheet date to EUR 78.9 million. In compliance with the transition rules, subordinated loans issued before 31 December 2011, amounting to EUR 24.9 million, were included in Tier 2 capital. In 2014, the unrealised gains from financial assets available for sale were also included in Tier 2 capital. From the beginning of 2015, unrealised gains are included in Core Tier 1 capital.

On 10 February 2015, the Financial Supervisory Authority granted Aktia Bank Group the permission to apply internal risk classification (IRBA) to the calculation of credit risk capital requirements for retail exposures from 31 March 2015. The method will increase the Bank Group's capital adequacy. The effect on Core Tier 1 capital ratio on the balance sheet date is 4–5 percentage points. The corporate and institution exposures will be transferred to IRBA at a later date.

3.2 Capital management

Capital management assesses the group's capitalisation in relation to the risks of operations. The aim is to support business strategies and secure adequate capital base even during weaker parts of the economic cycle. The objective is to strike a balance between shareholder demands on returns and the need for financial stability as imposed by the authorities, investors in debt instruments, business partners and ratings agencies. Capital management aims to identify material risks as a whole and to assess their extent and the capital they require. The operations are forward-looking and use the annually produced strategic plan as the starting point.

The group executive committee is responsible for preparing the board's annual strategic planning process, and for the accompanying capital planning and allocation. The Board's risk committee monitors this work while decisions are made in the group's board of directors. The group's internal audit conducts an annual evaluation of the capital management process in its entirety. The rules of procedure for the board of directors and its risk committee closely govern the document preparation and decision-making within the capital management process. The group's independent risk control unit is responsible for ensuring that the group's material risks are identified, measured and reported consistently, correctly and adequately. The unit is also responsible for preparing proposals for internal capital requirements and capital adequacy targets.

A business plan regarding changes in volumes and risk levels within the near future is used as the starting point for capital planning. The plans are also used as the basis for creating forecasts regarding the development of the capital adequacy of the group and different companies. In addition to base scenarios, stress tests are carried out in order to assess how weaker parts of the economic cycle affect capital adequacy.

The stress scenarios and sensitivity analyses are also used to derive the group's capital adequacy targets. The purpose of capital adequacy targets is to ensure the availability of a sufficient capital buffer in cases where unexpected losses are incurred. The capital adequacy targets also take into account the targets for external creditworthiness and the impacts of any changes in regulatory requirements. The capital adequacy targets are set for a long term, but the actual buffer can vary over an economic cycle. Any deterioration in capital adequacy due to weak operational results is primarily managed by restructuring operations. The restructuring measures can include cancellations of growth or investments, discontinuation of capital-intensive positions, cost savings and changes in the group structure.

The capital adequacy target for the Bank Group is 12% for total capital adequacy and 10% for Tier 1 capital adequacy. As a part of the transition to the IRBA calculation for retail exposures, the Tier 1 capital adequacy target will be increased.

The target for Aktia Bank is 12% for total capital adequacy and minimum 10% for Tier 1 capital adequacy. As a part of transition to the IRBA calculation for retail exposures, the Tier 1 capital adequacy target will be increased.

The target for Tier 1 capital adequacy is 10% for the Aktia Real Estate Mortgage Bank. The banks that have previously brokered mortgage loans have committed themselves to capitalise the mortgage bank in relation to the volume brokered. Restructuring of the mortgage bank operations may require a revision of the capital adequacy targets.

The capital adequacy required by the authorities for the other regulated companies in the group, i.e. Aktia Asset Management and Aktia Life Insurance, should exceed the minimum requirements under the current rules, so that any capital buffer is maintained in the parent company.

For the financial conglomerate, the target for capital adequacy is for it to exceed 150%.

Capital management also assesses different alternative actions which the operative management can take in situations where capital adequacy is at risk. The board and its risk committee monitor changes in capital adequacy each quarter, and within the framework of the capital management process, also the effects of various stress tests.

3.3 Internal assessment of capital requirements

The internal assessment of capital requirements for the group companies is an important element of capital management. The internal capital requirement reflects the company's capital adequacy more comprehensively than the regulatory capital requirements because it also takes into account risks not included in them. The internal capital requirement encompasses all the material risks facing the group and represents an internal assessment of the capital requirements implied by business operations. The internal governance and risk-based pricing are based on models for internal capital assessment.

The Bank Group's internal capital requirement is based on the Pillar 1 regulatory capital requirements for credit risks and operational risks. The capital requirement is supplemented with capital requirement for other risks as well as with factors covered insufficiently under Pillar 1.

Unexpected outcomes for credit, market, business and operational risks are managed through capital reserves, while stable operations and a well-functioning risk management strategy are crucial in terms of liquidity and refinancing risks.

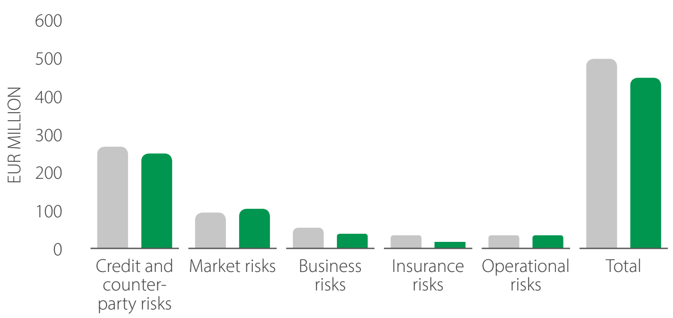
The models for internal capital requirements to cover credit risks are based on the standardised approach for regulatory capital adequacy, with additional allowances for concentration risks. From the beginning of 2015, Aktia starts calculating the capital requirement for retail exposures according to the IRB approach. The internal assessment of minimum capital requirements for market risks is based on stress scenarios for property values and interest rate changes. The assessment of capital requirements for operative risks is based on regulatory requirements and results of internal risk assessment. Capital requirements for business risks are assessed on the basis of an internal model which takes account of changes in customer behaviour, the cost of funding, the market situation and the competitive situation. As of 2014, the internal capital requirement for structural interest risk in banking business is included in the capital requirement for market risk. Previously, the capital requirement was a part of business risks.

The Bank Group's internal capital requirement is based on a conservative assumption that the various risks correlate completely with each other, i.e. that all risks are realised in their entirety and concurrently.

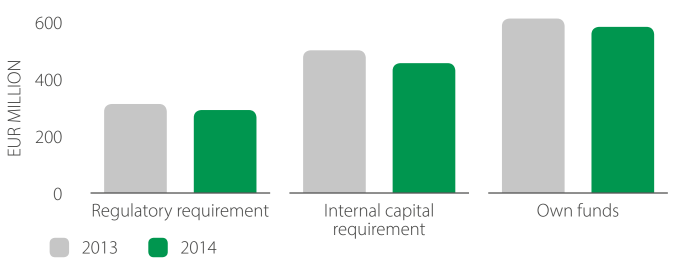
The internal capital requirement of life insurance business is based on the company's internal models for different areas of risk. The models were developed in 2014 as part of the company's preparations for the new Solvency II framework. The capital requirements are calculated for business, market, actuarial and operational risks. When calculating the total requirement, the correlation structure similar to the Solvency II framework is taken into account.

The capital requirements in banking and life insurance businesses are combined into an internal capital requirement for the Group. When calculating the group's adjusted solvency capital base, the internal capital requirements and the transferability of capital between companies are taken into account.

G2.6 Internal capital requirement by risk type



G2.7 Group's total capital compared to internal capital requirement



3.4 Preparations for new regulatory requirements

The capital requirements of banking business changed when the Basel III reform entered into force in the EU. Its implementation will continue during the next few years. The capital requirement of banking business will increase as the requirement for capital conservation buffer and the countercyclical capital buffer requirement are introduced to Finland in 2015. The requirement for capital conservation buffer will increase the minimum requirement by 2.5 percentage points. The countercyclical capital buffer requirement will vary between 0 and 2.5 percentage points mainly depending on the rate at which lending increases in relation to the GDP. The board of the Financial Supervisory Authority will decide the magnitude of the requirement for the countercyclical capital buffer on a quarterly basis. The first decision on the requirement will be taken during the first half of 2015. Both these requirements shall be covered by Core Tier 1 capital. Further buffer requirements for systemically important institutions will enter into force at the beginning of 2016. Aktia's capital adequacy is expected to clearly exceed all these buffer requirements.

The Basel III regulation includes also the leverage ratio requirement. On balance sheet date, Aktia Bank Group had a leverage ratio of approximately 4.9 per cent. According to the regulation proposal, the minimum level should be three per cent, and the requirement should enter into force in 2018.

The requirement of a Liquidity Coverage Ratio (LCR) included in the Basel III reform will enter into force in the EU on 1 October 2015. The respective EU legislation was enacted in 2014. EU will allow a larger variety of asset types to be included into liquid assets compared to the Basel proposal. The increased amount of covered bonds in liquid assets will reduce the costs related to the requirement. In addition, Aktia has adjusted its business model, which has reduced the LCR requirement.

The Basel Committee's proposal for Net Stable Funding Ratio (NSFR) was specified during 2014. The changes were positive from Aktia's point of view. NSFR can be introduced as a statutory minimum requirement during 2018.

In Finland, the act governing crisis management in credit institutions and investment firms entered into force at the beginning of 2015. The new legislation implemented the Bank Recovery and Resolution Directive which is one part of the EU's banking union plan. The act proscribes the procedures to be applied for solving situations in banks facing crisis situations. The act imposes for banks a minimum requirement for eligible liabilities that can be written down. The minimum level of eligible liabilities that can be written down in individual banks will be decided by a resolution authority that is currently in the process of being established. At the same time, the deposit insurance fund was reformed and a national resolution fund was established; it will be part of the European resolution mechanism. The banks will be paying a stability fee to the resolution fund in the coming years. In conjunction with the amendment of legislation, the banking tax valid in 2013–2014 was abolished.

Calculation of capital adequacy for the life insurance company will change in connection with the entry into force of the Solvency II framework at the beginning of 2016. Year 2015 will be a period of preparing for reporting in the whole EU. The assessment of capital requirements is extended to include in a better way e.g. actuarial risks, market risks related to technical provisions and investments, counterparty risks and operational risks. The life insurance company's preparations for implementation of Solvency II are proceeding according to plan and capital requirements according to the upcoming regulations are now part of the internal reporting process. The Insurance Companies Act has been changed from the start of 2014 so that

G2.8 The Group's maximum exposure by operation

EUR million	as at 31.12.2014 Banking business	as at 31.12.2014 Life insurance business	as at 31.12.2014 Total group	as at 31.12.2013 Banking business	as at 31.12.2013 Life insurance business	as at 31.12.2013 Total group
Cash and money market	**440**	**28**	**442**	**508**	**15**	**509**
Bonds	**2,356**	**460**	**2,816**	**2,212**	**493**	**2,694**
Public sector	497	149	646	307	167	475
Government guaranteed bonds	87	0	87	30	0	30
Banks	447	51	497	396	52	444
Covered bonds	1,324	198	1,522	1,477	207	1,677
Corporate	0	62	63	3	66	69
Shares and mutual funds	**18**	**84**	**103**	**24**	**93**	**117**
Fixed income funds	0	40	40	1	43	45
Shares and equity funds	18	12	30	22	0	22
Real estate funds	0	29	29	0	42	42
Private Equity	0	4	4	0	8	8
Hedge funds	0	0	0	0	0	0
Loans and claims	**6,425**	**0**	**6,425**	**6,812**	**0**	**6,812**
Public sector entities	2	0	2	4	0	4
Housing associations	252	0	252	242	0	242
Corporate	423	0	423	544	0	544
Households	5,703	0	5,703	5,980	0	5,980
Non-profit organisations	46	0	46	43	0	43
Tangible assets	**8**	**57**	**65**	**6**	**61**	**67**
Bank guarantees	**29**	**0**	**29**	**35**	**0**	**35**
Unused facilities and unused limits	**291**	**1**	**293**	**354**	**2**	**357**
Derivatives (credit equivalents)	**258**	**0**	**258**	**232**	**0**	**232**
Other assets	**37**	**3**	**40**	**44**	**4**	**47**
Total	**9,863**	**635**	**10,471**	**10,228**	**669**	**10,871**

some Solvency II regulations - primarily related to company management and ORSA - have been applied. The other regulations will be included in national legislation in spring 2015, but the final date of entry into force for Solvency II has been set for 1 January 2016, however so that transitional provisions will be applied to certain selected components of the calculation of capital requirements. The transitional period can be up to 16 years (e.g. for rules governing technical provisions).

4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's credit worthiness. Credit and counterparty risks are measured by assessing the probability of default and any losses incurred by such. The probability of default is measured using scoring or rating models, and the loss given default is measured by taking into account the realisation value of collateral and the anticipated recovery, with deductions for recovery costs.

Each year, the group's board of directors determines the credit policy, and revises both the credit risk strategy and delegation of decision-making. The regulation of counterparty risks is managed in a similar manner.

Table G2.8 shows the group's exposure by area of operations. The figures include accrued interest. Internal group receivables and liabilities are eliminated, and deductions for eligible collateral have not been made. Investments that provide cover for unit-linked provisions are not included.

Credit risks occur in banking operations, while counterparty risks occur in both banking and insurance operations.

The limit structure restricts credit and counterparty risks in both banking and insurance operations, individually and also at conglomerate level, through restrictions on the total exposure to individual counterparties.

4.1 Managing credit and counterparty risks, and reporting procedures

The line organisation assesses the credit risk in each individual transaction and bears the overall responsibility for credit risks in its own customer base. The group's risk control unit is responsible for ensuring that the models and methods used for measuring credit risk are comprehensive and reliable. The risk control unit is also responsible for performing independent risk analysis and reporting. The risk control unit oversees the preparation of loan agreements, and is responsible for assigning a loan agreement to the next decision-making level if the preparatory work is insufficient, or if the agreement falls outside the group's credit policy.

The exposure inherent in the loan book is reported to the group's board of directors and its risk committee every quarter, and to the executive credit committee and branch management every month. Every year, risk control carries out a comprehensive validation of all credit risk models, and the results are reported both to the board of directors and executive committee of the group. In addition, risk control continuously monitors that the models function normally, and these results are reported quarterly both to the board of directors and management of the group.

4.1.1 Credit risks in the banking business

Within banking operations, loans are provided to households – the majority of which are secured against real estate collateral. Housing finance is arranged directly from Aktia Bank's balance sheet. Other investment and consumption financing for households, including credit cards, is arranged directly from the bank's balance sheet.

Small businesses and entrepreneurs make up the main target group for Aktia's corporate business, and the long-term aim is to develop broad cross sales of bank and insurance solutions. Activities are adjusted locally, within Aktia's regions, to benefit from the best competence and customer relationships.

The financing of corporate instalment purchases, leasing and working capital is managed through a separate subsidiary, Aktia Corporate Finance.

The debtor's ability to repay the debt, good knowledge of the customer, complete understanding of the customer's business situation and dualistic decision-making process, limited risk-taking, diversification and risk-based pricing are the central elements of the group's credit policy, together with the drive for sustained profitability.

G2.9 Loan book by sector

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

4.1.2 Lending to households

The group's loan book decreased in 2014 by a total of EUR 386 million (5.7%), totalling EUR 6,416 (6,802) million at year-end. Households' share of the total loan book amounted to EUR 5,697 (5,973) million or 88.8% (87.8%) at year-end.

The housing loan book totalled EUR 5,229 (5,521) million, of which mortgages in Aktia Real Estate Mortgage Bank made up EUR 1,854 (2,740) million. In total, housing loans decreased by 5.3% (5.6%) over the year.

4.1.2.1 Credit rating

Loans are granted on the basis of an assessment of the customer's credit rating and the loan-to-value ratio achieved by the collateral provided. A risk-based pricing policy is also adopted. The debtor's ability to repay is an absolute requirement for a loan to be granted. To ensure that the customer has an adequate buffer in case of higher market interest rates, the ability to repay is calculated on the basis of an interest rate of 6% over a repayment period of 25 years, this for all of the customer's loans.

The customer credit rating is set and followed up on with the help of scoring models developed for households. All new loan applications are assessed using application scoring models. For the existing loan book, behavioural scoring models are applied, which also take into account changes in the customer's payment behaviour. The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral and the customer entity's loans. Higher loan-to-value ratios requires a sufficient credit rating, while at the same time decisions on such loans are escalated.

G2.10 Distribution of household scoring classes*

EUR million Creditworhiness	Scoring class	31.12.2014 5,697	31.12.2013 5,973
Excellent 0% < PD <= 0,2%	A1 A2 A3 A4	45.1%	43.6%
Good-satisfactory 0,2% < PD <= 1%	B1 B2 B3 B4	35.3 %	37.6%
Diminished-poor 1% < PD < 100%	C1 C2 C3 C4	15.5 %	15.9%
Defaulted, PD = 100%	D	0.6 %	0.5%

* PD (Probability of Default) indicates the probability of a credit default within 12 months. This estimate is a Through-the-Cycle (TTC) estimate, and reflects the average creditworthiness during an economic cycle.

4.1.2.2 Collateral and calculation of capital adequacy

The valuation and administration of collateral is very important for managing credit risk. Rules and authorisations concerning the valuation of collaterals and the updating of collateral values have been established. When calculating risk exposure, a secure value lower than the collateral's market value is adopted, in keeping with the principle of prudence. The extent to which this value is lower shall reflect the volatility in the security's market value, the security's liquidity and the expected time for recovery and fulfilment. Only residential real estate collateral, certain guarantees and financial securities are taken into account in the capital adequacy calculation. As of 31 March 2010, collateral valuations older than three years have been updated on a regular basis. These updates have been performed using an internally developed statistical model for valuing collateral. With each new credit decision, the collateral is revalued.

Loans to households are mainly granted against secure collateral, which means that any reduction in market values (residential real estate prices) does not directly increase exposure.

4.1.2.3 Loan-to-value ratio of collateral

The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral at the time of the latest credit decision against the loans outstanding on the collateral.

G2.11 Loan To Value (LTV) distribution* of mortgage loan book

Loan To Value (LTV) EUR million	31.12.2014 5,229	31.12.2013 5,521
0–50 %	82.3 %	81.5 %
50–60 %	8.4 %	8.7 %
60–70 %	4.9 %	5.1 %
70–80 %	2.5 %	2.7 %
80–90 %	1.1 %	1.1 %
90–100 %	0.3 %	0.4 %
>100 %	0.5 %	0.5 %
Total	**100 %**	**100 %**

* The table shows the distribution of exposures by LTV band. Example: A mortgage exposure of EUR 60,000 to finance a property worth EUR 100,000 (LTV 60%) is distributed EUR 50,000 to the "LTV 0-50%" bucket and EUR 10,000 to the "LTV 50-60%" bucket.

The majority of the bank's collateral stock is made up of dwellings. The trends in housing prices are thus important factors in the bank's risk profile. During 2014, developments in housing prices within Aktia's main business area have remained at a stable level.

4.1.2.4 Risk-based pricing

The models for risk-based pricing reflect capital requirements, risk and refinancing, as weighed against earnings from loans, other customer relationships and customer potential. Cross sales between insurance and banking are becoming increasingly important in assessing customer potential. The incentive system for the sales organisation is based on the extent to which the average risk-based minimum margin is exceeded for new loans.

4.1.3 Corporate lending

New lending to companies was aimed at small companies, and total corporate loans fell by 22.4 % from the beginning of the year, totalling EUR 420 (541) million.

Customers are assessed for corporate financing purposes on the basis of accounts analysis and credit ratings. Other analysed factors include cash flow, the competitive situation, the impact of existing investments, and other forecasts.

G2.12 Rating distribution of corporate loan book (Suomen Asiakastieto) *

Rating	31.12.2014	31.12.2013
EUR million	**420**	**541**
AAA	13%	12%
AA+	18%	17%
AA	16%	16%
A+	26%	30%
A	18%	14%
B	4%	4%
C	3%	4%
Defaulted	2%	2%
Total	**100%**	**100%**

* Intra-Group transactions are not included

Collateral is valued for corporate financing purposes in accordance with separate rules, also taking into account a valuation buffer specific to the collateral, to allow determination of a secure value. Particularly when valuing fixed assets relating to a business, the interaction between the value of the fixed assets and the company's business opportunities is taken into account.

4.1.4 Concentration risks in lending

As a locally operating financial institution, Aktia is exposed to certain concentration risks. Concentration risks against individual counterparties are regulated by limits and rules for maximum customer exposure. Within the framework of the credit policy and business plan, further thresholds have been imposed in order to limit concentration risks at segment and portfolio level.

Aktia's level of credit risk is sensitive to changes in both domestic employment and housing prices. In addition, Aktia has a strong market position in some areas, which creates a certain geographical concentration risk. As the volumes in these branches are small in relation to the overall portfolio and as Aktia does not operate in locations that are highly dependent on a small number of employers, these geographical concentration risks are deemed to be of minor importance for household lending.

In relation to Aktia's total corporate portfolio, the exposure in primarily construction and property financing constitutes a concentration risk. This is founded in the previous strategic decision to use specialist expertise to create a value chain that apart from project and property financing, also includes brokerage services, insurance and financing for end customers. This concentration is gradually being reduced.

G2.13 Branch distribution of corporate loan book

Branch	31.12.2014	31.12.2013
EUR million	**420**	**541**
Basic industries, fisheries and mining	3.2%	3.7%
Industry	8.6%	7.8%
Energy, water and waste disposal	2.9%	2.5%
Construction	7.0%	6.9%
Trade	15.6%	10.2%
Hotels and restaurants	3.4%	3.7%
Transport	7.3%	7.3%
Financing	7.2%	9.9%
Property	33.0%	33.7%
Research, consulting and other business service	6.9%	6.7%
Other services	6.2%	8.3%
- write-downs by group	-1.2%	-0.9%
Total	**100%**	**100%**

Claims on housing companies are not included in the table above

4.1.5 Problem loans

Problem loans are regularly monitored both at the branch network through delinquency lists and at portfolio level at the group's risk control. Internal policies and tools have been put in place in order to identify customers whose credit standing no longer corresponds to their level of debt at an early stage. Quickly reacting to such situations is in the interest of both the customer and the bank.

Loan forbearance and modification in the form of repayment deferral also takes place due to other circumstances than a persistent deterioration in the borrower's credit standing.

According to the group's accounting principles a receivable will be tested for individual write-down when there is objective evidence that the customer's credit standing has deteriorated since the receivable was originally booked into the balance sheet. Objective evidence includes the borrower having significant financial difficulties; breach of contract, such as late payments of interest or capital; the granting of concessions for financial or legal reasons which the lender would otherwise not have considered; the bankruptcy or other financial reconstruction of the borrower. An adjustment of the terms of the loan as a result of the borrower's deteriorated credit standing as above thus results in an individual write-down where the receivable exceeds the anticipated cash flow.

G2.14 Past due loans by length of payment delay (EUR million)

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

G2.15 Loans past due but not impaired

EUR million			31.12.2014
Days	Book value	% of the loan book	Fair value of collateral
3–30	101	1.56	99
31–89	38	0.58	35
90–	42	0.66	40

EUR million			31.12.2013
Days	Book value	% of the loan book	Fair value of collateral
3–30	114	1.66	113
31–89	30	0.44	30
90–	41	0.61	40

G2.16 Gross loans and write-downs

EUR million	31.12.2014	31.12.2013	31.12.2012
Gross loans	6,475.5	6,867.2	7,266.4
Individual write-downs	-50.3	-55.4	-50.3
Of which made to non-performing loans past due at least 90 days	-37.6	-40.5	-40.1
Of which made to other loans	-12.7	-15.0	-10.2
Write-downs by group	-9.2	-9.6	-14.5
Net loans, balance amount	**6,416.0**	**6,802.2**	**7,201.6**

5. Management of financing and liquidity risks

Financing and liquidity risk implies a risk that the group will not be able to meet its payment obligations, or could only do so at high cost, and is defined as the availability and cost of refinancing, as well as differences in maturity between assets and liabilities. Financing risk also occurs if funding is largely concentrated in individual counterparties, instruments or markets. Management of refinancing risks ensures that the group can meet its financial obligations.

The financing and liquidity risks are dealt with at the legal company level, and there are no explicit financing commitments between Aktia Bank plc the Aktia Life Insurance Ltd.

5.1 Financing and liquidity risks in banking operations

In the banking business, financing and liquidity risks are defined as the availability of refinancing and the differences in maturity between assets and liabilities. To ensure market-related refinancing, the banking business strives to maintain a diverse range of financing sources and an adequate diversification across different markets and investors.

The foundations of Aktia's financing comprise stable lending and deposit stocks from households developed via the network of branch offices, and the issue of covered bonds. Covered bonds issues were previously channelled through Aktia Real Estate Mortgage Bank plc, but in March 2013 Aktia Bank was granted a mortgage bank concession by Financial Supervisory Authority and in April 2014 Aktia Bank issued its second long-term covered bond for EUR 500 million. At year-end, Aktia Bank's cover pool eligible assets, mortgage loans, amounted to EUR 3,451 (2,756) million.

Financing will be supplemented by other well-diversified borrowing, such as bonds and certificates of deposit issued on the domestic market, deposits by Finnish institutional investors. Aktia Bank will also receive financing from the European Investment Bank within the framework of their programmes for financing small businesses and environmental projects.

Total deposits from the public, associations and credit institutions amounted to EUR 4,756 (4,893) million at year-end. The stock of covered bonds secured by residential real estate totalled EUR 2,658 (2,758) million, of which Aktia Bank's share amounted to EUR 1,000 (500) million. The issue of bonds under the domestic programme amounted to EUR 262 million and the outstanding certificates of deposit amounted to EUR 162 million.

Aktia is actively working to broaden its refinancing base and to start using new refinancing programmes. Over the financial period Aktia Bank has issued long-term senior bonds (Schuldscheindarlehen) amounting to EUR 20 million. Other long-term bonds (Aktia Bank's EMTN programme and Schuldscheindarlehen) amounted to EUR 724 (704) million. These loans are part of the preparations for the implementation of the new Basel III regulations for the banking industry.

Regarding Aktia Real Estate Mortgage Bank's senior financing, an agreement was entered into in 2011, which obliges all banks brokering the Mortgage Bank's loans to contribute pro rata to its brokered loan book to the Mortgage Bank's senior financing. According to the agreement, financing is adjusted on the basis of the outstanding loan book, and as Aktia Mortgage Bank's brokered loan book reduced, a total of EUR 44.5 million of the local banks' share of senior financing was repaid during 2014.

The diversified financing structure is complemented by a liquidity portfolio consisting of high quality and liquid interest-bearing securities. The portfolio serves as a liquidity buffer in the event of short-term fluctuations in liquidity or any disturbances occurring on the refinancing market. The portfolio can be sold or used as security for financing, either on the market via so-called repurchase agreements or through the central bank.

G2.17 Debt securities issued, secured and unsecured

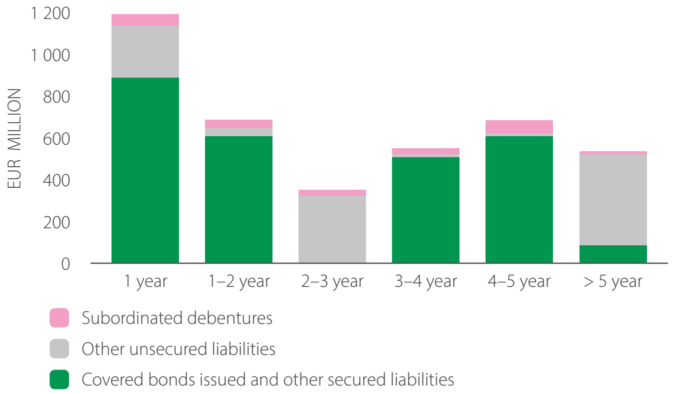
Secured Debts , collateralised

EUR million	Under 1 year	Over 1 year	Total
Issued debts	741	1,849	2,590
Other secured liabilities	11	33	44
Total	**752**	**1,882**	**2,634**

Unsecured Debts

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

G2.18 Maturity structure for the long-term funding



Further information on Aktia Bank's sources of financing is available from Aktia's website at www.aktia.com.

The aim is to continuously maintain a liquidity buffer that covers the outgoing cash flow for at least one year.

The structure of the liquidity portfolio is presented in more detail in Section 6.1.2. The financial assets in the liquidity portfolio that can be utilised, as outlined above, as a liquidity buffer including cash assets, had a total market value of EUR 2,600 million at year-end, corresponding to an outgoing cash flow for just over 34 months from the wholesale market.

Furthermore, liquidity risks are measured and monitored with the help of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR measures the short-term liquidity risk and the purpose is to ensure that Aktia Bank's liquidity buffer is large enough to meet a short-term cash out flows in a stress scenario. NFSR which is expected to be introduced in 2018 measures the matching of receivables and liabilities with a maturity of over one year in Aktia Bank's balance sheet and the purpose is to ensure that long-term lending is to a safe extent financed by long-term funding.

LCR will fluctuate over time, depending among other things on what the maturity structure of the bank's issued securities looks like. Table G2.19 presents the development of LCR and NSFR in 2014 for Aktia Bank Group.

The group's executive committee is responsible for managing financing and liquidity risks. The group's risk control unit, which continuously monitors liquidity risks and associated limits, reports on these to the board and the executive committee. The treasury unit is responsible for maintaining the bank's day-to-day liquidity, and constantly monitors how Aktia's wholesale assets and liabilities mature. Developments and pricing in the deposit stock are also followed closely. The treasury unit implements the adopted measures, to change the liquidity position.

5.2 Credit rating

To support financing from the capital markets, Aktia applies for credit ratings from internationally recognised credit rating institutions.

Standard & Poor confirmed on 22/10/2014 its view of Aktia Bank plc's credit rating. The rating for long-term borrowing is A- and for short-term A2, both with a negative outlook.

Moody's Investors Service confirmed on 03/11/2014 Aktia Bank plc's credit rating for long-term borrowing as A3, short-term as P-2 and financial strength as C-. The outlook is unchanged as negative. Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term covered bonds.

In May 2014, Moody's Investors Service raised the rating of Aktia Mortgage Bank's long-term covered bonds to Aa2 from the earlier Aa3.
Table G2.20 shows Aktia's credit ratings as of 31 December 2014. Details of the rating decisions made by credit rating institutions can be found on Aktia's website.

G2.20 Aktia´s credit ratings 31.12.2014

			Covered bonds issued by	
		Aktia Bank plc	Aktia Bank plc	Aktia Real Estate Mortgage Bank plc
Standard & Poor´s				
	Short	A-2 (neg. outlook)		
	Long	A- (neg. outlook)		
Moody´s Investor Service				
	Short	P-2 (neg. outlook)		
	Long	A3 (neg. outlook)	Aaa	Aa2

G2.19 LCR and NFSR

	31.12.2014	30.9.2014	30.6.2014	31.3.2014	31.12.2013
LCR %	186%	183%	183%	150%	179%
NFSR %	111%	116%	118%	112%	111%

The calculation of LCR is based on the published regulation by the European Commission in October 2014
The calculation of NSFR is based on the Basel Committee proposal

5.3 Liquidity risks in the life insurance business

Within the life insurance business, liquidity risk is defined as the availability of financing for paying out insurance claims from the various risk insurance lines, as well as savings and surrenders from savings policies, and surrenders and pensions from voluntary pension policies. Availability of liquidity is planned on a need basis, and on the basis of the liquidity needed for investment activities to manage the investment portfolio effectively and optimally. For the most part, liquidity can be satisfied through the inward flow of cash and a portfolio of investment certificates adjusted to the varying requirements. Any unforeseen significant need for liquidity is taken care of through realisations of investment assets.

6. Management of market, balance sheet and counterparty risks

6.1 Market and asset and liability risks in the banking business

After preparation in the executive committee and the board's risk committee, the board of directors sets out annually the strategy and limits for managing market risks related to the development of net interest income and volatility. The group's investment committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The bank's treasury unit carries out transactions in order to manage the structural interest rate risk based on the established strategy and limits.

6.1.1 Stuctrural interest rate risk

Structural interest rate risk arises as a result of an imbalance between reference rates and the re-pricing of assets and liabilities. As well as matching reference rates in lending and borrowing through business management, hedging interest rate derivative instruments and fixed-rate investments in the liquidity portfolio are also utilised, with the aim of maintaining net interest income at a stable level and protecting financial performance against sustained low interest rates.

The structural interest rate risk is simulated using a dynamic asset and liability risk management model. The model takes into account the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied. The analysis period is up to 5 years and shows that lower market interest rates would have a detrimental effect on the net interest rate development, while higher market interest rates would strengthen the net interest rate development in the long term.

G2.21 Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve with of 1 % point		Change in net interest income (EUR million)			
		31.12.2014		31.12.2013	
Period	Interest rate change	Down	Up	Down	Up
Changes during the next 12 months		-6.1	-0.4	-1.2	-2.1
Changes during 12-24 months		-9.7	+6.2	-4.3	+2.6

The limits imposed on the CEO by the Board of Directors for managing structural interest rate risk are based on maintaining a minimum net interest income over a 5 year period, given a scenario of sustained low interest rates. Other limits associated with managing structural interest rate risks are the capital limit for market value interest rate risks, counterparty limits, and limits for permitted instruments and maturity periods. Both the limit for sustainable net interest income and the limit for capital usage are derived from the group's ICAAP process and the targets for regulatory capital adequacy.

6.1.1.1 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 unwinding of interest rate derivatives produced a positive cash flow of EUR 92.1 million. Hedge accounting ceased following the unwinding of derivatives, and the valuation of deposits will be dissolved in 2014–2017 according to the original duration of the interest rate derivatives, which will have a positive effect on net interest income of approximately EUR 15.7 million per year. The remaining cash flow will provide a positive result effect of approximately EUR 12 million in 2018–2019.

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

6.1.2 Market value interest rate risk and credit spread risk

Market value interest rate risk consists of changes in the value of financial assets available for sale, due to interest rate fluctuations or changes in the credit spread. The size and maturity of the liquidity portfolio is restricted and the risk level is managed by a capital limit based on dynamic interest rate shocks (described in more detail in section 6.1.6). In keeping with the prevailing rules, the impact of the rate shock is taken into account only for financial assets available for sale.

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral. With regard to contracts traded on an active market, the market is constantly valuing the risk, making credit spread a component of the instrument's market price, and this credit spread is thus usually regarded as a part of the market risk.

Changes in market interest rates or credit spreads affect the market value of the interest-bearing securities. Interest rate fluctuations are reported in the fund at fair value after the deduction of deferred tax, while any significant or long-term impairment of market value compared to the acquisition price is shown in the income statement.

The net change in the fund at fair value relating to market value interest rate risk and credit spread risk posted during the period was positive and totalled EUR 4.7 million after the deduction of deferred tax. At the end of December 2014, the valuation difference in interest-bearing securities was EUR 40.5 (35.8) million.

6.1.2.1 Reclassification of financial assets

Aktia Bank decided to reclassify interest-bearing securities at the end of 2012 and at the middle of 2013 from the portfolio of financial assets available for sale to the portfolio of financial assets held until maturity in order to reduce the volatility of the group's equity and in order to manage the regulatory risks that materialise with Basel III.

Most of the reclassified securities have an AAA rating. No new reclassifications were done during the financial period. Securities held until maturity are recognised at amortised cost. No impairments were needed as of 31 December 2014. Table G2.22 shows the carrying amount of the reclassified financial assets.

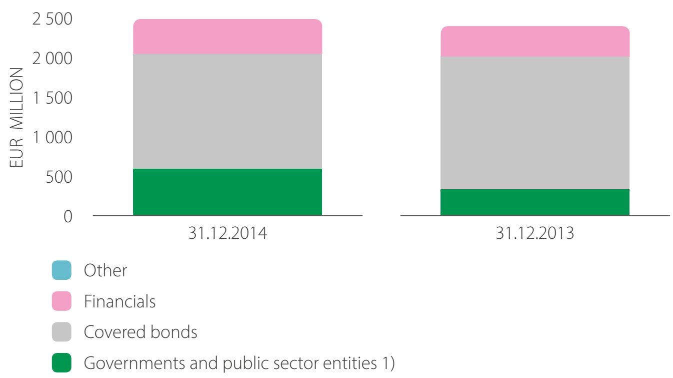
G2.22 Reclassification of financial assets

EUR million	2014	2013
Carrying amount	426.4	433.6
Fair value	434.8	432.4
Value change which would have been recognised in other comprehensive income if reclassification had not occurred	6.7	-1.2
Recognaised interest income after reclassification	8.2	7.1

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

The liquidity portfolio of the Bank Group, which consists of interest-bearing securities and is managed by the bank's treasury unit, stood at EUR 2,512 (2,424) million as of 31 December 2014. The figure includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the banking business.

G2.23 Liquidity portfolio by asset type



1) incl. state-guaranteed bonds and supranational counterparties

Counterparty risks arising from the liquidity portfolio and derivative contracts are managed through the requirement for high-level external ratings (minimum A3 rating from Moody's or equivalent). Counterparty risks in derivative instruments are managed through the requirement for a Credit Support Annex agreement. Individual investment decisions are made in accordance with an investment plan in place and are based on careful assessment of the counterparty. The group's board of directors establishes limits for counterparty risks every year. The investment portfolio is market valued and monitored on a daily basis.

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

No write-downs were made during the year.

G2.25 Geopolitical distribution of Bank Group's investments by instrument type

Aktia Banking operations	Government and govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Listed Equity		Total	
EUR million	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**
EU-countries	**356.6**	**176.3**	**1,209.6**	**1,445.0**	**435.8**	**382.8**	**-**	**3.4**	**0.0**	**1.6**	**2,002.1**	**2,009.1**
Finland	149.2	78.8	239.3	304.7	50.0	63.5	-	3.0	0.0	1.6	438.5	451.6
Sweden	-	-	87.4	110.8	95.5	75.4	-	0.4	-	-	182.9	186.6
Denmark	-	-	27.1	7.4	-	0.2	-	-	-	-	27.1	7.6
Germany	48.4	-	9.7	20.3	3.1	5.9	-	-	-	-	61.2	26.2
France	65.5	66.1	194.8	222.7	132.9	96.0	-	-	-	-	393.2	384.9
United Kingdom	-	-	320.5	368.1	25.0	29.1	-	-	-	-	345.5	397.2
Netherlands	25.0	-	208.4	212.4	129.3	112.7	-	-	-	-	362.7	325.1
Austria	26.3	11.4	95.1	151.2	-	-	-	-	-	-	121.4	162.7
Belgium	42.2	20.0	-	-	-	-	-	-	-	-	42.2	20.0
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	27.4	47.3	-	-	-	-	-	-	27.4	47.3
Portugal	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	**-**	**-**	**247.9**	**233.7**	**10.3**	**12.2**	**-**	**-**	**-**	**-**	**258.2**	**245.9**
North America	**-**	**-**	**11.8**	**11.9**	**-**	**-**	**-**	**-**	**-**	**-**	**11.8**	**11.9**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**239.6**	**160.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**239.6**	**160.5**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**	**-**	**-**	**0.3**	**0.3**
Total	**596.2**	**336.8**	**1,469.2**	**1,690.5**	**446.2**	**395.0**	**0.3**	**3.7**	**0.0**	**1.6**	**2,511.9**	**2,427.6**

G2.24 Rating distribution for banking business' liquidity portfolio and other direct fixed income assets

	31.12.2014	31.12.2013
EUR million	**2,512**	**2,424**
Aaa	50.9%	52.9%
Aa1–Aa3	29.7%	27.5%
A1–A3	13.5%	15.2%
Baa1–Baa3	0.6%	1.3%
Ba1–Ba3	0.0%	0.0%
B1–B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Domestic municipalities (unrated)	5.3%	3.0%
No rating	0.0%	0.1%
Total	**100.0%**	**100.0%**

6.1.3 Counterparty risks in the Bank Group's management of interest rate risks

Derivative hedges are used to ensure an adequate level of net interest income in a low interest rate scenario. In addition, interest rate derivatives are brokered to certain local banks.

To limit counterparty risks arising from derivative transactions, only counterparties with high quality external credit ratings (Moody's A3 or equivalent) are used.

To further reduce counterparty risks, individual collateral arrangements are used, in accordance with ISDA/CSA (Credit Support Annex) conditions. At year-end, Aktia had derivative exposures with 13 counterparties, with a positive market value totalling EUR 207.8 million, of which the derivatives brokered to local banks had a market value of EUR 83.9 million. The net exposure after credit risk mitigation totalled EUR 5.9 million. The derivative exposures are market valued on an ongoing basis. If no market value is available, an independent valuation by a third party is used.

6.1.4 Exchange rate risk

Exchange rate risk refers to a negative change in value of the bank group's currency positions caused by fluctuations in exchange rates, particularly against the Euro.

Within the banking business, currency dealings are based on customer requirements, which is why most activity involves Nordic currencies and the US dollar. The guiding principle in managing exchange rate risks is matching. The treasury unit is responsible for managing the bank's day-to-day currency position, subject to the limits set.

At year-end, total net currency exposure for the bank group amounted to EUR 0.7 million (EUR 0.4) million.

6.1.5 Equity and real estate risk

Equity risk refers to changes in value due to fluctuations in share prices. Real estate risk refers to risk associated with a fall in the market value of real estate assets.

No equity trading or investments in real estate are carried out by the banking business.

At the end of the period, real estate assets totalled EUR 0.1 million (EUR 0.1) million. The share investments necessary for operations or strategic share investments amounted to EUR 0.9 million (EUR 6.6) million. Saaristosäästöpankki's share investments and fund investments were divested in 2014. In addition, capital gains of EUR 2.4 million were received from Suomen Luotto-osuuskunta. During the year, a write-down of EUR 0.3 (0.0) million was made for an unlisted investment fund in conjunction with liquidation of the investment fund.

6.1.6 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. The table G2.26 summarises market value sensitivity for the bank group's assets available for sale in various market risk scenarios as of 31/12/2014 and 31/12/2013. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: Change applied to a risk-free interest rate curve derived from EURIBOR and Euro swap interest rates. The stress factors were determined using historical analysis and the stresses were chosen so that they represent the 99% quantile (the 990th highest of 1,000 cases) of the historical rate changes during a period of one year. The outcomes are revised every year. The following stress factors, for example, were used for 2014: 105.9% for 3 months' EURIBOR 105.9%, 70.1% for 2 years' swap rate, 45.6% for 5 years' swap rate, 27.6% for 10 years' swap rate and 20.6% for 50 years' swap rate.

For the Bank Group, only the effects of financial assets available for sale are taken into account because a risk of increasing interest rates on these assets has a negative effect on equity.

Downward interest rate risk: Change applied to a risk-free interest rate curve derived from EURIBOR and Euro swap interest rates. The stress factors were determined using historical analysis and the stresses were chosen so that they represent the 1% quantile (the 10th lowest of 1,000 cases) of the possible historical rate changes during a period of one year. The outcomes are revised every year. The following stress factors, for example, were used for 2014: -87.0% for 3 months' EURIBOR 105.9%, -71.8 % for 2 years' swap rate, -57.2 % for 5 years' swap rate, -43.8 % for 10 years' swap rate and -37.3 % for 50 years' swap rate.

Because of the low interest rates, particularly for the short-term rates, Table G2.26 also includes a separate stress scenario for illustrating the effect that a parallel shift of 1 percentage point of the interest rate curve would have on the Bank Group's financial assets available for sale.

Credit spread risk: Describes the risk that the spreads, i.e. the counterparty-specific risk premiums, will rise. The magnitude of the change is an annually revised figure which is based on the yield curves of interest instruments of a given rating and investment type. The stress factors were determined using historical analysis and the stresses were chosen for 2014 based on a quantile of 99% from which the interest component has been excluded. For 2014, the stress varies between 107 bp (basis point = 0.01%) (e.g. interest instruments with a AAA rating) and 312 bp (e.g. interest instruments with a BBB rating). From the end of 2012 the risk for government bonds has been measured via country-specific stress coefficients; e.g. Germany will have 42 bp, Finland 58 bp and Portugal 816 bp. The specific discounting curve for each individual investment is shifted by this value to obtain the stressed value of the investment.

Share and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -25% for listed shares, -45% for other shares and -20% for real estate.

Because the parameters used for the sensitivity analyses were changed in 2014, the outcome of 2013 has been recalculated using the same parameters so that the years would be comparable.

G2.26 Sensitivity analysis for market risks

	Assets available for sale			Total
		2014		2013
Banking Group	EUR million	%	EUR million	%
Market value 31.12.	1,999.0	100.0 %	1,921.2	100.0 %
IR risk up (99-quantile)	-3.9	-0.2 %	-13.7	-0.7 %
IR risk up (100 bp)	-27.6	-1.4 %	-29.9	-1.6 %
IR risk dowm (1-quantile)	3.2	0.2 %	15.8	0.8 %
Spreadrisk	-49.1	-2.5 %	-57.0	-3.0 %
Equity risk	0.0	0.0 %	-1.0	-0.1 %
Real estate risk	0.0	0.0 %	0.0	0.0 %

6.2 Market and asset and liability risks in the insurance business

After preparation by the executive committee, the board's risk committee and the life insurance company's board of directors, the group's board of directors sets out investments strategies and the strategy and limits for managing market risks in both the investment portfolio and interest-linked provisions. The group's investment and financing committee is responsible for the operational management of the group's investment assets within predetermined guidelines and limits. An investment manager has been appointed to be in charge of operational management. The group's risk control unit supervises risk exposure and limits.

In the life insurance business, the policyholder bears the investment risk of the investments that provide cover for unit-linked insurance policies. Other investments within the insurance companies for covering technical provisions are at the company's risk. There is thus a certain degree of risk-taking in the investment activities of the insurance companies.

The financial assets in the life insurance business are invested in securities with access to market prices in an active market, and are valued in accordance with publicly quoted prices. Any significant or long term impairment of market value compared to the acquisition price is shown in the income statement, while interest rate fluctuations are reported under the fund at fair value after the deduction of deferred tax.

Within the insurance business, the aim is to build up a portfolio of assets that provides cover for provisions in view of the capacity of the insurance operation to carry risk, the need for returns, and possibilities to convert the assets into cash. A reduction in the market value of assets and inadequate returns in relation to the requirements for provisions are the greatest risks associated with the investment activities. These risks are reduced and managed through portfolio diversification in terms of asset type, markets and individual counterparties. The weight of the interest-bearing investments is high, and alongside risk and yield, the matching of the cash flow between provisions and interest-linked investments is also taken into account through ALM planning. As a result of interest-bearing investments, market value interest rate risk occurs due to rate fluctuations or changes in the level of credit margins (i.e. spreads). These changes are booked in the fund at fair value under equity after deductions for deferred tax.

In the life insurance company, the net change in the fund at fair value relating to the market valuation differences in interest-bearing securities during the period totalled EUR 20.2 million after the deduction of deferred tax. At the end of December 2014, the valuation difference in interest-bearing securities was EUR 57.1 (36.9) million.

The part of the investment portfolios that cover technical provisions for interest-linked policies is valued on an ongoing basis at market value. Temporary price fluctuations are reported in the fund for fair value, as above, while significant or long-term value changes are reported in the income statement. During the reporting period, write-downs affecting profit attributable to shares and participations totalling EUR -3.4 (-1.3) million were posted for the life insurance company. For interest-bearing securities, no reversals affecting the result were noted during the reporting period.

6.2.1 Interest rate risk

Changes in market interest rates have many different effects on the financial position of an insurance company. The cash flow through the investment portfolio and market values are affected, as well as cash flow through provisions and the discounted present value.

Interest rate risk is the most significant risk connected with provisions in the life insurance company, and affects profitability as a result of demands on returns over guaranteed interest rates, whilst also affecting capital adequacy as a result of the market valuation of assets and liabilities and with the transition to Solvency II.

Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk refers to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities. At the product level, this risk is considerable, in particular in relation to interest-bearing savings and pension insurance. As of 31 December 2014, the average guaranteed interest on the life insurance company's provisions, excluding provisions for unit-linked insurance, was approximately 3.6 (3.6)%. The average guaranteed customer interest weighed against the stock's market value was 4.2 (4.3)%.

With regard to unit-linked insurance, insurance savings increase or decrease on the basis of the change in the value of the mutual funds to which the policyholder has chosen to link his saving. The life insurance company buys corresponding mutual funds to provide cover for the unit-linked part of provisions, and thus protects itself against that part of the change in the provisions which is attributed to changes in the value of those funds to which customers have linked their saving.

The transition to Solvency II renews the rules on how capital adequacy for the insurance companies is calculated, and places demands on the market valuing of technical provisions, which will have an unfavourable impact on the financial position of the life insurance company in the event of a low interest rate. This is largely due to a mismatch between the cash flow for provisions and the investment portfolio. This is due to the convention in the current Solvency rules of valuing provisions at book value, which fa-

G2.27 Geopolitical distribution of the Life insurance company's investments by instrument type

Aktia Life Insurance	Government and govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
EUR million	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**	**12/14**	**12/13**
EU-countries	**146.4**	**166.0**	**198.1**	**207.3**	**76.9**	**64.5**	**66.5**	**69.2**	**85.7**	**102.2**	**15.9**	**7.5**	**-**	**-**	**589.4**	**616.6**
Finland	35.4	34.3	6.3	15.4	44.7	32.8	53.0	45.7	85.7	102.2	15.4	6.7	-	-	240.4	237.2
Sweden	-	-	-	-	8.2	6.6	-	2.2	-	-	0.3	0.5	-	-	8.5	9.2
Denmark	-	-	19.6	18.3	-	-	2.5	2.4	-	-	-	-	-	-	22.1	20.8
Germany	17.4	23.4	-	-	-	2.1	3.9	7.0	-	-		-	-	-	21.3	32.6
France	45.5	62.7	88.1	81.6	6.3	6.2	3.1	3.0	-	-	-	-	-	-	143.0	153.5
United Kingdom	-	-	36.9	36.8	4.4	4.4	1.2	1.1	-	-	0.1	0.2	-	-	42.6	42.5
Netherlands	23.4	23.7	36.7	34.3	13.4	12.4	0.6	6.7	-	-	-	-	-	-	74.0	77.1
Austria	23.4	19.7	6.3	11.4	-	-	-	-	-	-	-	-	-	-	29.7	31.1
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	2.2	2.1	-	-	2.3	2.2	-	-	-	-	-	-	4.5	4.3
Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	2.1	7.3	-	-	-	-	-	-	-	-	-	-	2.1	7.3
Other countries	1.1	2.3	-	-	-	-	(0.1)	(1.2)	-	-	-	-	-	-	1.0	1.1
Europe excluding EU	**1.5**	**3.1**	**-**	**-**	**5.7**	**5.6**	**2.0**	**4.9**	**-**	**-**	**0.3**	**0.3**	**-**	**-**	**9.5**	**13.9**
North America	**-**	**-**	**-**	**-**	**-**	**-**	**2.6**	**3.9**	**-**	**-**	**0.0**	**0.0**	**-**	**-**	**2.6**	**3.9**
Other OECD-countries	**5.5**	**6.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.5**	**6.1**
Supranationals	**5.4**	**5.4**		**-**		**-**		**-**	**-**	**-**		**-**	**-**	**-**	**5.4**	**5.4**
Others	**17.4**	**14.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17.4**	**14.8**
Total	**176.2**	**195.4**	**198.1**	**207.3**	**82.6**	**70.0**	**71.1**	**77.9**	**85.7**	**102.2**	**16.1**	**7.8**	**-**	**-**	**629.8**	**660.6**

vours investment portfolios with short durations and low levels of required capital in relation to longer investments.

Immediate matching starting from a short-term portfolio would require a reallocation of a large part of the portfolio, which from a yield perspective would not be profitable at the current interest rates. In practice, re-allocation within the investment portfolio is made in a step-wise fashion, to reduce mismatches in the cash flow structure of the investment portfolio and provisions. However, during the first 16 years Solvency II will include transitional rules for technical provisions that will initially reduce the capital requirement, and this provides the companies with a longer timescale for making changes in the portfolio structure. The interest rates continued decreasing during 2014. The duration of the portfolio has decreased somewhat. At the end of 2014, the average duration of the portfolio was 4.6 (4.7) years, and for technical provisions approximately 11.2 (10.7) years.

6.2.2 Credit spread risk

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral. With regard to contracts with an active market (as for most investment instruments), the market is constantly valuing the risk, making credit spread a component of the instrument's market price, and is thus usually regarded as a part of the market risk.

Changes in market interest rates or credit spreads affect the market value of the interest-bearing securities. Interest rate fluctuations are reported in the fund at fair value after the deduction of deferred tax, while any significant or long-term impairment of market value compared to the acquisition price is shown in the income statement.

Direct interest rate investments dominated in the life insurance company's portfolio, and at the end of the year these investments including cash amounted to EUR 528 (EUR 551) million, corresponding to 84% (83%) of the investment portfolio. Counterparty risks arising in connection with the life insurance company's investments are managed by the requirement for high external ratings – at least A3 from Moody's for banks and governments, and 'Investment grade' (at least Baa3) for corporates. Additionally, maximum exposure limits have been established per counterparty and asset type.

At the end of the year, 36% (34%) of the interest rate investments were receivables from public sector entities (including investments in supranational counterparties), 14% (13%) were receivables from corporates, and 50% (53%) were receivables from banks and covered bonds.

6.2.3 Equity risk

Equity risk occurs if share prices and the market prices of comparable holdings fall. In the life insurance company, all stock market investments have been disposed of as planned. However, as before, unlisted shares and private equity funds are included in the company's portfolio. The total market value of such shares in the life insurance company's portfolio is EUR 15.9 (7.5) million. The life insurance company also has exposure to hedge funds, which partly involves equity risk and is subject to disposal. At year-end, this amounted to EUR 0.3 (0.3) million.

6.2.4 Real estate risk

Real estate risk arises when the prices on the real estate market or rent levels fall and thus the company receives lower returns on its real estate investments.

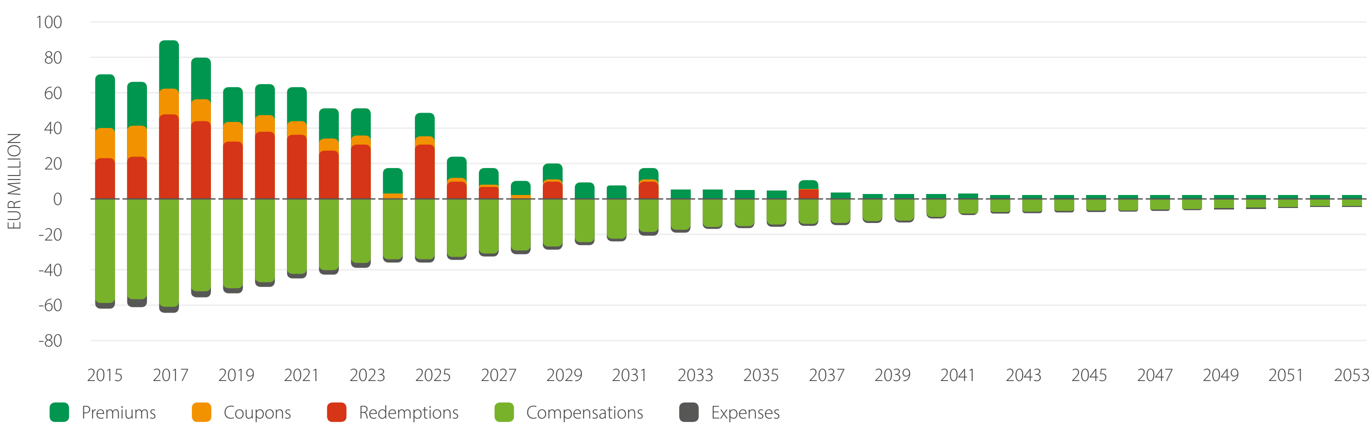
G2.28 Liabilities (Techical provisions) - Life Insurance business

EUR million	TP 31.12.2014	%	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	TP 31.12.2013
Group pension	**50.0**	**4.9 %**	**2.8**	**2.3**	**0.3**	**1.6**	**0.0**	**48.3**
3,5 %	49.6	4.8 %	2.8	2.2	0.3	1.6	0.0	47.9
2,5 %	0.2	0.0 %	0.0	0.1	0.0	0.0	0.0	0.2
1,0 %	0.2	0.0 %	0.0	0.1	0.0	0.0	0.0	0.2
Individual pension insurance	**302.8**	**29.5 %**	**7.2**	**29.4**	**1.0**	**12.5**	**0.0**	**311.9**
4,5 %	205.1	20.0 %	3.5	23.2	0.6	9.4	0.0	215.9
3,5 %	70.1	6.8 %	2.1	4.4	0.2	2.4	0.0	69.3
2,5 %	27.6	2.7 %	1.6	1.8	0.1	0.7	0.0	26.7
Savings insurance	**76.2**	**7.4 %**	**1.9**	**13.4**	**0.5**	**2.5**	**0.0**	**86.3**
4,5 %	17.2	1.7 %	0.9	4.8	0.2	0.8	0.0	20.4
3,5 %	22.5	2.2 %	0.7	1.4	0.2	0.8	0.0	22.8
2,5 %	36.5	3.6 %	0.3	7.1	0.1	0.9	0.0	43.1
Risk insurance	**33.3**	**3.2 %**	**20.6**	**13.8**	**7.0**	**1.1**	**0.1**	**36.8**
Unit linked insurance	**543.1**	**53.0 %**	**92.6**	**36.0**	**6.5**	**0.0**	**0.0**	**462.4**
Savings insurance	418.5	40.8 %	83.2	34.2	5.0	0.0	0.0	346.4
Individual pension insurance	116.2	11.3 %	7.7	1.7	1.4	0.0	0.0	108.5
Group pension	8.5	0.8 %	1.7	0.1	0.1	0.0	0.0	7.5
Reservation for increased life expectancy	**3.9**	**0.4 %**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4.2**
Reservation for lowered discount rate	**16.0**	**1.6 %**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**16.0**
	1,025.4	**100.0 %**	**125.1**	**94.8**	**15.2**	**17.7**	**0.1**	**965.9**

G2.29 Estimated cash flow distribution over time, interest-bearing contracts
31.12.2014

EUR million	Duration	2015–2016	2017–2018	2019–2023	2024–2028	2029–2035	2036–2045	2046–2055	2056–
Savings insurance	**9.6**	**19.6**	**14.9**	**25.3**	**12.5**	**10.8**	**9.6**	**3.9**	**4.0**
4,5%	3.7	8.8	7.0	2.0	1.2	0.5	0.3	0.1	0.0
3,5%	11.5	2.9	2.6	12.6	4.0	4.2	3.5	1.8	1.7
2,5%	11.2	7.9	5.3	10.7	7.3	6.1	5.8	2.1	2.3
Pensions	**12.1**	**48.4**	**53.2**	**113.4**	**100.3**	**99.2**	**77.2**	**39.8**	**14.5**
4,5%	8.3	41.9	41.5	82.1	62.5	40.1	10.8	1.8	0.5
3,5%	14.2	9.1	13.9	32.4	36.1	46.9	42.1	16.0	8.6
2,5%	21.7	-2.3	-0.8	-0.2	1.6	11.5	23.4	19.6	4.5
1,0%	16.7	-0.4	-1.5	-0.9	0.0	0.7	0.9	2.5	0.9
Other insurance	**9.5**	**4.8**	**-0.7**	**-4.1**	**-4.9**	**-5.7**	**-4.5**	**-1.9**	**-0.5**
Total	**11.2**	**72.7**	**67.5**	**134.5**	**107.9**	**104.3**	**82.3**	**41.8**	**18.0**

G2.30 Cash flow distribution of the Life Insurance Company (EUR million)



The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year-end, total real estate investments amounted to EUR 85.7 (102.2) million. Limits for individual real estate exposures and real estate risk have been established at group level, and separately for the life insurance company. The risk is managed through diversification of investment properties.

6.2.5 Exchange rate risk

Exchange rate risk occurs due to changes in exchange rates against one another, especially due to changes against the Euro, as the companies and the group report in Euros. Viewed overall, provisions comprise liabilities in Euros, which is why currency investments are not needed to cover them. Since share holdings have been disposed of, investments are largely Euro-based. Exchange rate risk is regulated by limits, both internal and as imposed by the authorities.

The life insurance company's exchange rate risk comes from holdings in fixed income funds that invest in emerging market government bonds issued in USD or local currencies. Some hedge fund holdings are also in USD or other currencies. Investments in emerging markets have been maintained during the year, while the hedge funds are being discontinued. At the end of the period, the life insurance company had underlying investments totalling EUR 23.7 (23.9) million, with open exchange rate risk.

6.2.6 Risk sensitivity

With regard to investments, the key risks involved are interest rate, counterparty (spread) and equity risk, and for provisions, the key risk is interest rate risk. The table G2.33 summarises market value sensitivity for the insurance company's assets available for sale in various market risk scenarios as of 31 December 2014 and 31 December 2013. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: Change applied to a risk-free interest rate curve derived from EURIBOR and Euro swap interest rates. The stress factors were determined using historical analysis and the stresses were chosen so that they represent the 99% quantile (the 990th highest of 1,000 cases) of the historical rate changes during a period of one year. The outcomes are revised every year. The following stress factors, for example, were used for 2014: 105.9 % for 3 months' EURIBOR 105.9%, 70.1 % for 2 years' swap rate, 45.6 % for 5 years' swap rate, 27.6 % for 10 years' swap rate and 20.6 % for 50 years' swap rate.

Interest rate risk is calculated for both investment portfolio and technical provisions.

Downward interest rate risk: Change applied to a risk-free interest rate curve derived from EURIBOR and Euro swap interest rates. The stress factors were determined using historical analysis and the stresses were chosen so that they represent the 1% quantile (the 10th lowest of 1,000 cases) of the historical rate change during a period of one year. The outcomes are revised every year. The following stress factors, for example, were used for 2014: -87.0% for 3 months' EURIBOR 105.9%, -71.8 % for 2 years' swap rate, -57.2 % for 5 years' swap rate, -43.8 % for 10 years' swap rate and -37.3 % for 50 years' swap rate.

G2.31 Allocation of holdings in the life insurance company's investment portfolio

EUR million	31.12.2014		31.12.2013	
Equities	**0.0**	**0.0%**	**0.0**	**0.0%**
Fixed-income	**500.1**	**79.4%**	**536.4**	**81.2%**
Government bonds	149.0	23.7%	167.3	25.3%
Financial sector bonds in total	248.9	39.5%	259.4	39.3%
Covered bonds	198.1	31.5%	207.3	31.4%
Senior bonds	44.9	7.1%	43.6	6.6%
Subsenior bonds	6.0	0.9%	8.5	1.3%
Other corporate in total	69.2	11.0%	73.1	11.1%
Senior bonds	68.6	10.9%	70.4	10.7%
Subsenior bonds	0.6	0.1%	2.7	0.4%
Asset Backed Securities	0.0	0.0%	0.0	0.0%
Inflation-linked bonds	0.0	0.0%	0.0	0.0%
Emerging markets bonds	32.9	5.2%	36.6	5.5%
High yield bonds	0.0	0.0%	0.0	0.0%
Structured products with equity risk	0.0	0.0%	0.0	0.0%
Other structured products	0.0	0.0%	0.0	0.0%
Derivatives	0.0	0.0%	0.0	0.0%
Interest rate swaps	0.0	0.0%	0.0	0.0%
Forward contracts on currencies	0.0	0.0%	0.0	0.0%
Alternative investments	**16.2**	**2.6%**	**7.8**	**1.2%**
Private Equity & Venture capital	15.9	2.5%	7.5	1.1%
Hedge funds	0.3	0.0%	0.3	0.0%
Real estate	**85.7**	**13.6%**	**102.2**	**15.5%**
Directly owned	57.1	9.1%	60.4	9.1%
Real estate funds	28.6	4.5%	41.8	6.3%
Money market	**0.0**	**0.0%**	**0.0**	**0.0%**
Cash at bank	**27.9**	**4.4%**	**14.1**	**2.1%**
	629.8	**1.0**	**660.6**	**1.0**

G2.32 Rating distribution for the life insurance business' direct fixed income investments (excluding investements in fixed-income funds, real estates, equities and alternative investments)

EUR million	31.12.2014 460	31.12.2013 493
Aaa	59.6%	55.4%
Aa1–Aa3	18.4%	19.2%
A1–A3	9.4%	13.9%
Baa1–Baa3	4.3%	4.7%
Ba1–Ba3	0.5%	0.9%
B1–B3	0.0%	0.4%
Caa1 or lower	0.0%	0.0%
Domestic municipalities (unrated)	0.0%	0.0%
No rating	7.8%	5.5%
Total	**100.0%**	**100.0%**

Interest rate risk is calculated for both investment portfolio and technical provisions.

Credit spread risk: Describes the risk that the spreads, i.e. the counterparty-specific risk premiums, will rise. The magnitude of the change is an annually revised figure which is based on the yield curves of interest instruments of a given rating and investment type. The stress factors were determined using historical analysis and the stresses were chosen for 2014 based on a quantile of 99% from which the interest component has been excluded. For 2014, the stress varies between 107 bp (basis point = 0.01%) (e.g. interest instruments with a AAA rating) and 312 bp (e.g. interest instruments with a BBB rating). From the end of 2012 the risk for government bonds will be measured via country-specific stress coefficients; e.g. Germany will have 42 bp, Finland 58 bp and Portugal 816 bp. The specific discounting curve for each individual investment is shifted by this value to obtain the stressed value of the investment.

Currency risk: Describes the risk of the values of different currencies changing against the euro. Each currency is tested separately for the shock that the increase or decrease of its value would cause, and the worst case scenario is chosen for each currency, after which the effects of all currencies are added together. The stress factors were determined using historical analysis and the stresses were chosen so that an upward shock represents a quantile of 99 % and a downwards shock a quantile of 1% of the possible outcomes during a period of one year. The outcomes are revised every year. The upward shock varies between 0.5% for DKK (tied to euro) and 35.6% for JPY as well as 36.0% for exotic currencies. The downward shock varies between -0.4% for DKK and -25.7% for JPY as well as -26.0% for exotic currencies.

Share and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -25% for listed shares, -45% for other shares and -20% for real estate.

Because the parameters used for the sensitivity analyses were changed in 2014, the outcome of 2013 has been recalculated using the same parameters so that the years would be comparable.

7. Managing insurance risks

Insurance risk refers to the risk that claims to be paid out to policyholders exceed the amount expected. The risk is divided into underwriting risk and provision risk. Underwriting risk is caused by losses due to e.g. incorrect pricing, risk concentrations, inadequate reinsurance or unexpectedly high frequency of claims. Provision risk is the risk caused by a situation where reserves in the technical provision are not adequate to cover the claims arising from claims incurred, or claims incurred but not reported covered by insurance contracts that have already been entered into.

7.1 Insurance risks in the life insurance company

The insurance stock of Aktia Life Insurance consists of voluntary life, savings and pension insurance policies. The sales of new policies has been directed towards savings insurance and risk insurance policies. Due to the legal rules concerning insurance contracts, the company is very limited in its ability to influence premiums and terms and conditions for old policies that have already come into effect. Premium adequacy is followed up annually. For new policies, the company is free to set the premium levels itself. This is done by the board, at the proposal of the head actuary. Reinsurance is used to limit compensation liabilities on the company's own account, so that its solvency capital is adequate and results do not fluctuate too much. In the group's capital and risk management process, and in the life insurance company's board, limits have been set for the risks that the company itself can bear without subscribing to reinsurance.

The principal risks associated with risk insurance are biometric risks connected to mortality, compensation for healthcare costs, long-term inability to work and daily compensation in the event of illness. The most important methods used to manage risk associated with risk insurance are risk selection, tariff classification, re-insuring of risks and the monitoring of compensation costs. With respect to health insurance, the insurance company can increase policy premiums for existing policies, within certain limits, to cover the increasing compensation paid out in the event of ill health.

G2.33 Sensitivity analysis for market risks EUR million	Portfolio		Technical provisions*		Total			
Life insurance company	**2014**	**2013**	**2014**	**2013**	**2014**	**%**	**2013**	**%**
Market value 31.12.	629.8	660.6	-529.7	-517.4	100.1	100.0%	111.4	100.0%
IR risk up	-7.4	-17.6	16.7	29.0	9.3	9.3%	11.4	10.2%
IR risk dowm	12.0	28.3	-34.3	-60.4	-22.3	-22.3%	-32.1	-28.8%
Spreadrisk	-29.2	-30.0	0.0	0.0	-29.2	-29.2%	-30.0	-26.9%
Currency risk	-8.1	-9.8	0.0	0.0	-8.1	-8.1%	-9.8	-8.8%
Equity risk	-8.9	-3.5	0.0	0.0	-8.9	-8.9%	-3.5	-3.1%
Real estate risk	-17.1	-20.5	0.0	0.0	-17.1	-17.1%	-20.5	-18.4%

* The market value of the Technical Provisions is a risk neutral value which is obtained by discounting simulated cashflows. Therefore it differs from the book value of the Technical Provisions.

Over the past year, the company continued to develop actuarial methods for estimating the future cash flows of insurance contracts. The methods are used to model the various factors affecting the timing and size of the cash flows. These factors consist of e.g. various biometric factors and maintenance costs. Customer behaviour and measures the company is expected to take in different situations are taken into account.

With the forthcoming Solvency II regulatory framework, insurance risks will more explicitly appear as part of the capital requirements. The solvency capital requirements of the new regulatory framework will primarily be based on stress tests, which measure how the market value of technical provisions change if there are changes compared to the assumptions made in the factors affecting cash flows. In the company's ALM model and its own risk and solvency assessments, the insurance risks have been estimated using such techniques.

8. Managing operational risks

Operational risks refer to risk of loss arising from unclear or incomplete instructions and internal processes, unreliable information, human error, deficient systems or external events.

The group’s instructions for managing operational risks have been established by the board of directors. According to the instructions, the essential functions in the Group, including delegated functions shall be regularly mapped out for risks. Operational risks are present in all of Aktia’s operations. Our risk management culture requires that the level of operational risk should be low, and this is achieved through keen insight into business activities, good internal control mechanisms, excellent and risk-aware leadership and competent staff.

Risk assessments are performed by the group’s risk control function according to standard assessment models, in the form of self-assessment or traditional risk assessment. Risk assessment results in an evaluation of identified risk areas. The appropriate decision-making bodies in the organisation determine how these risk areas should be managed. Identified risk areas are followed up on a regular basis and actions taken to reduce risk are evaluated. In addition to regular risk assessments, adequate instructions are prepared as a preventive measure in order to reduce operational risks in central and high risk areas. The instructions should cover (among other things) legal risks, personnel risks and principles for continuity planning.

Despite well-functioning internal controls, risk events or operational incidents do occur. All units must report incidents with financial implications but also close calls. The group's risk control unit analyses incident information systematically and develops action plans for mitigation measures at the process or group level. The risk control unit is also responsible for regular reporting to the board. Failures in processes, systems, know-how or internal control that caused the incident are dealt with systematically. A rapid and proactive management of any customer impact is also sought.

The responsibility for managing the operational risks is carried by the business areas and the line organisation. Risk management means continual development in the quality of the internal processes and internal control within the whole organisation.

Aktia's data security is secured both administratively and technically with the help of instructions regarding data security and the associated standing orders.

- The trouble-free work of the group and its customers is secured and Aktia's reliability as an actor in the financial market is maintained (e.g. towards customers, investors and public authorities).
- Aktia's IT and data security risks have been documented and analysed, and an approved plan is in place regarding the measures for managing the risks.
- The IT risk control and data security measures are business-specific, cost effective, compliant with the group's strategy and values, as well as compliant with legislation.
- The directives and standing orders are kept up to date and sufficient.

The Chief Information Security Officer (CISO) is responsible for IT risk control and data security in the group.

The management of each business area is responsible for ensuring that the processes and procedures are adapted to the goals established by the group’s executive management and that the instructions are sufficient. As part of an efficient internal control system, process descriptions are created for critical processes. Each manager is responsible for full compliance with the instructions within the area managed. The internal audit analyses the processes at regular intervals and evaluates the reliability of the units’ internal controls. The internal audit reports directly to the board of directors. In addition to the preventive work aimed at avoiding operational risks, efforts are also made within the group to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities, etc.

The group has special expert resources allocated to support the group’s compliance function. Particular emphasis is given to the regulations applying to customer protection, market conduct, supervision and licensing, anti-money laundering as well as counter financing of terrorism.

Before launching new products or introducing material changes to work processes, a process is applied for identifying the risks associated with the new product or the changed process. The purpose is to prevent the introduction of processes that have not been carefully thought through.

Note 2. Group's risk exposure

The Bank Group's capital adequacy **(EUR 1,000)**

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

	31.12.2014		30.9.2014		30.6.2014		31.3.2014	
Calculation of the Bank Group's capital base	**Group**	**The Bank Group**	**Group**	**The Bank Group**	**Group**	**The Bank Group**	**Group**	**The Bank Group**
Total assets	**10,706,688**	**9,597,209**	**10,955,189**	**9,864,588**	**10,910,371**	**9,835,456**	**10,855,706**	**9,819,724**
of which intangible assets	36,279	34,369	30,988	28,883	27,207	24,913	23,961	21,483
Total liabilities	**10,015,799**	**8,998,109**	**10,272,472**	**9,267,393**	**10,249,342**	**9,251,237**	**10,222,397**	**9,250,702**
of which subordinated liabilities	222,539	222,539	215,684	215,684	218,047	218,047	227,725	227,725
Share capital	163,000	163,000	163,000	163,000	163,000	163,000	163,000	163,000
Fund at fair value	104,093	40,641	105,685	46,252	97,786	44,093	88,222	43,891
Other restricted equity	317	317	317	317	317	317	317	317
Restricted equity	267,410	203,959	269,002	209,569	261,103	207,410	251,539	207,209
Unrestricted equity reserve and other funds	116,887	116,887	116,663	116,663	116,418	116,418	129,645	129,645
Retained earnings	187,153	119,855	188,069	120,955	188,243	121,129	174,781	107,666
Profit for the year	52,499	91,458	43,491	84,516	30,701	74,699	13,056	60,214
Unrestricted equity	356,539	328,200	348,223	322,134	335,362	312,246	317,482	297,525
Shareholders' share of equity	623,949	532,159	617,225	531,703	596,465	519,655	569,021	504,734
Non-controlling interest's share of equity	66,941	66,941	65,491	65,491	64,563	64,563	64,288	64,288
Equity	**690,890**	**599,100**	**682,716**	**597,195**	**661,029**	**584,219**	**633,309**	**569,021**
Total liabilities and equity	**10,706,688**	**9,597,209**	**10,955,189**	**9,864,588**	**10,910,371**	**9,835,456**	**10,855,706**	**9,819,724**
Off-balance sheet commitments	**321,739**	**320,403**	**407,932**	**406,544**	**398,253**	**396,563**	**402,965**	**400,740**
The Bank Group's equity		**599,100**		**597,195**		**584,219**		**569,021**
Provision for dividends to share-holders		-39,377		-27,864		-19,085		-8,079
Intangible assets		-34,369		-28,883		-24,913		-21,483
Share of non-controlling interest of equity		-6,672		-6,532		-5,891		-4,901
Debentures		103,854		96,502		96,254		89,832
Other		-715		-57		-1,165		-2,737
Total capital base (CET1 + AT1 + T2)		**621,820**		**630,361**		**629,419**		**621,652**

Own funds includes this year's profit based on the authorisation from the Financial Supervisory Authority granted 28 March 2014.

The Bank Group	**31.12.2014 Basel III**	**30.9.2014 Basel III**	**30.6.2014 Basel III**	**31.3.2014 Basel III**	**31.12.2013 Basel III**	**31.12.2013 Basel II**
Common Equity Tier 1 Capital before regulatory adjustments	550,663	560,023	556,179	552,541	498,995	
Common Equity Tier 1 Capital regulatory adjustments	-75,546	-74,612	-68,618	-65,181	-60,018	
Common Equity Tier 1 Capital total	**475,117**	**485,411**	**487,560**	**487,360**	**438,976**	
Additional TIER 1 capital before regulatory adjustments	1,023	1,190	1,313	1,500	1,631	
Additional TIER 1 capital regulatory adjustments	-	-	-	-	-	
Additional TIER 1 capital after regulatory adjustments	**1,023**	**1,190**	**1,313**	**1,500**	**1,631**	
TIER 1 capital total	**476,140**	**486,601**	**488,874**	**488,860**	**440,607**	**427,484**

The Bank Group	31.12.2014 Basel III	30.9.2014 Basel III	30.6.2014 Basel III	31.3.2014 Basel III	31.12.2013 Basel III	31.12.2013 Basel II
TIER 2 capital before regulatory adjustments	105,218	98,088	98,005	91,831	84,803	
TIER 2 capital regulatory adjustments	40,462	45,671	42,540	40,961	37,756	
TIER 2 capital total	**145,680**	**143,760**	**140,545**	**132,792**	**122,559**	**241,746**
Own funds total (TC = T1 + T2)	**621,820**	**630,361**	**629,419**	**621,652**	**563,166**	**669,230**
Risk weighted exposures total	**3,263,318**	**3,426,318**	**3,539,471**	**3,592,037**	**3,628,535**	**3,463,456**
of which Credit risk	2,900,132	3,054,842	3,170,185	3,224,352	3,260,850	3,095,771
of which Market risk	-	-	-	-	-	-
of which Operational risk	363,185	371,476	369,286	367,685	367,685	367,685
CET1 Capital ratio	14.6%	14.2%	13.8%	13.6%	12.1%	
T1 Capital ratio	14.6%	14.2%	13.8%	13.6%	12.1%	12.3%
Total capital ratio	19.1%	18.4%	17.8%	17.3%	15.5%	19.3%

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

Risk-weighted amount for operational risks	2012*	2013*	2014	12/2014	9/2014	6/2014	3/2014	12/2013
Gross income	198,254	196,351	186,491					
- average 3 years			193,699					
Capital requirement for operational risk				**29,055**	**29,718**	**29,543**	**29,415**	**29,415**
Risk-weighted amount				**363,185**	**371,476**	**369,286**	**367,685**	**367,685**

* Recalculated after transfer of the banking business of Vöyrin Säästöpankki to Aktia Bank plc and the merger with Saaristosäästöpankki Oy.
The capital requirement for operational risk is 15 % of average gross income during the last three years.
The risk-weighted amount is calculated by dividing the capital requirement by 8 %.

The finance and insurance conglomerate's capital adequacy	31.12.2014 Basel III	30.9.2014 Basel III	30.6.2014 Basel III	31.3.2014 Basel III	31.12.2013 Basel III	31.12.2013 Basel II
Summary						
The Group's equity	690,890	682,716	661,029	633,309	641,709	641,709
Sector-specific assets	103,854	96,502	96,254	89,832	82,629	223,493
Intangible assets and other reduction items	-167,622	-133,812	-115,497	-79,696	-86,668	-237,446
Conglomerate´s total capital base	**627,122**	**645,406**	**641,785**	**643,445**	**637,670**	**627,757**
Capital requirement for banking business	250,712	263,615	272,715	279,142	279,909	277,072
Capital requirement for insurance business	38,988	39,162	39,218	39,210	39,006	39,006
Minimum amount for capital base	**289,700**	**302,777**	**311,932**	**318,352**	**318,915**	**316,079**
Conglomerate´s capital adequacy	**337,422**	**342,629**	**329,853**	**325,093**	**318,755**	**311,678**
Capital adequacy ratio, %	216.5 %	213.2 %	205.7 %	202.1 %	199.9 %	198.6 %

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

The bank group's total exposures by exposure class before and after the effect of risk mitigation techniques
Balance sheet items and off-balance sheet items including derivatives by credit conversion factors

	Exposure class	Cont-ractual exposure	Impair-ment	Net exposure	Financial guarantees and other substitu-tions	Exposure after sub-stitution	Financial collaterals	Exposure after colla-terals	Risk-weighted amount	Capital require-ment
1	Central governments or central banks	513,269	-	513,269	388,089	901,358	-	901,358	-	-
2	Regional governments or local authorities	170,887	-	170,887	25,027	195,914	-	195,914	188	15
3	Public sector entitites	-	-	-	-	-	-	-	-	-
4	Multilateral developments banks	75,688	-	75,688	-	75,688	-	75,688	-	-
5	International organisations	159,854	-	159,854	-	159,854	-	159,854	-	-
6	Institutions	1,057,560	-	1,057,560	-22,555	1,035,004	-329,807	705,197	227,756	18,220
7	Corporates	225,074	-	225,074	-85,563	139,511	-44,257	95,254	84,268	6,741
8	Retail	664,501	-	664,501	-302,697	361,804	-30,496	331,308	144,555	11,564
9	Secured by mortgages on immovable property	5,811,946	-	5,811,946	-	5,811,946	-	5,811,946	2,030,286	162,423
10	Exposures in default	99,414	-47,869	51,545	-2,301	49,244	-267	48,977	51,805	4,144
11	Items associated with particularly high risk	3,527	-2,600	927	-	927		927	924	74
12	Covered bonds	1,198,385	-	1,198,385	-	1,198,385		1,198,385	122,578	9,806
13	Claims on institutions and corporate with a short-term credit assessment	-	-	-	-	-		-	-	-
14	Claims in the form of CIU	-	-	-	-	-		-	-	-
15	Equity Exposures	64,386	-	64,386	-	64,386		64,386	173,803	13,904
16	Other items	45,254	-9,210	36,044	-	36,044		36,044	19,844	1,588
		10,089,745	**-59,679**	**10,030,066**	**0**	**10,030,066**	**-404,827**	**9,625,239**	**2,856,007**	**228,481**

The exposures are reported as gross.

Exposures with eligible guarantees are flowed to other counterparty classes with lower capital requirement. Eligible guarantees are defined in the EU requirements on capital adequacy.

Guarantees given by Finnish government, municipalities, congregations, banks and other governments are accepted.

Corporate quarantees are accepted if the company's credit rating is sufficient and the guarantee complies with other requirements of the EU requirements on capital adequacy.

Financial collaterals are taken into account through comprehensive method as defined in the EU requirements on capital adequacy.

Financial collaterals include deposits, listed shares and other debt securities.

The bank group's average total exposures before the effect of credit risk mitigation techniques

	Exposure class	31.3.	30.6.	30.9.	31.12.	Average 2014
1	Central governments or central banks	500,998	463,597	494,794	513,269	493,165
2	Regional governments or local authorities	71,299	166,035	158,144	170,887	141,591
3	Public sector entitites	301	300	0	0	150
4	Multilateral developments banks	75,869	76,170	75,818	75,688	75,886
5	International organisations	131,546	158,742	159,848	159,854	152,497
6	Institutions	968,960	1,074,176	1,151,447	1,057,560	1,063,036
7	Corporates	252,377	274,982	273,228	225,074	256,415
8	Retail	694,878	726,813	687,675	664,501	693,467
9	Secured by mortgages on immovable property	5,970,224	5,885,395	5,845,280	5,811,946	5,878,211
10	Exposures in default	58,821	60,926	53,281	51,545	56,143
11	Items associated with particularly high risk	764	1,078	1,011	927	945
12	Covered bonds	1,324,685	1,251,961	1,236,173	1,198,385	1,252,801
13	Claims on institutions and corporate with a short-term credit assessment	-	-	-	-	-
14	Claims in the form of CIU	2,304	0	0	0	576
15	Equity Exposures	66,154	63,755	63,391	64,386	64,422
16	Other items	79,771	57,439	64,415	36,044	59,417
		10,198,948	**10,261,370**	**10,264,505**	**10,030,066**	**10,188,722**

The amounts include on- and off-balance sheet items and derivatives by credit conversion value.

The bank group's total exposures before the effect of credit risk mitigation techniques, broken down by maturity

	Exposure class	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
1	Central governments or central banks	1,263	2,188	57,157	49,198	403,463	513,269
2	Regional governments or local authorities	35,136	18,337	86,393	30,327	694	170,887
3	Public sector entitites	-	-	-	-	-	-
4	Multilateral developments banks	10,006	-	65,682	-	-	75,688
5	International organisations	-	-	144,722	15,132	-	159,854
6	Institutions	102,261	150,622	562,008	29,604	213,065	1,057,560
7	Corporates	77,337	18,615	96,898	22,240	9,983	225,074
8	Retail	26,602	9,585	71,472	51,793	505,049	664,501
9	Secured by mortgages on immovable property	97,897	65,102	431,206	924,239	4,293,502	5,811,946
10	Exposures in default	23,753	1,199	2,523	7,291	16,779	51,545
11	Items associated with particularly high risk	-	84	-	-	843	927
12	Covered bonds	17,419	99,950	1,081,015	-	-	1,198,385
13	Claims on institutions and corporate with a short-term credit assessment	-	-	-	-	-	-
14	Claims in the form of CIU	-	-	-	-	-	-
15	Equity Exposures	-	-	-	-	64,386	64,386
16	Other items	7,696	-	-	-	28,348	36,044
		399,371	**365,682**	**2,599,075**	**1,129,825**	**5,536,113**	**10,030,066**

The amounts include on- and off-balance sheet items and derivatives by credit conversion value.
The remaining liability for receivables is included in respective group according to maturity.

The bank group's total exposures before the effect of risk mitigation techniques, broken down by region

Exposure class		Finland	Other Nordic countries	Other European countries	Other	Total
1	Central governments or central banks	419,972	-	93,297	-	513,269
2	Regional governments or local authorities	141,181	-	29,706	-	170,887
3	Public sector entitites	-	-	-	-	-
4	Multilateral developments banks	-	-	75,688	-	75,688
5	International organisations	-	-	159,854	-	159,854
6	Institutions	359,624	118,305	567,865	11,765	1,057,560
7	Corporates	182,724	0	36,340	6,010	225,074
8	Retail	664,075	245	99	83	664,501
9	Secured by mortgages on immovable property	5,804,931	2,441	3,946	627	5,811,946
10	Exposures in default	51,537	1	0	7	51,545
11	Items associated with particularly high risk	705	-	222	-	927
12	Covered bonds	99,134	361,581	737,670	-	1,198,385
13	Claims on institutions and corporate with a short-term credit assessment	-	-	-	-	-
14	Claims in the form of CIU	-	-	-	-	-
15	Equity Exposures	64,315	-	71	-	64,386
16	Other items	36,044	-	-	-	36,044
		7,824,242	**482,574**	**1,704,759**	**18,492**	**10,030,066**
	Individually impaired loans	8,742				8,742
	Individual write-downs on loans and receivables	50,469				50,469
	Write-downs by group on loans and receivables	9,210				9,210

The amounts include on- and off-balance sheet items and derivatives by credit conversion value.
Individually impaired loans include loan capital and accrued interest less individual write-downs.

The bank group's main counterparties and branches by exposure class before the effect of risk mitigation techniques

Counterparty	Bransch	Corporate exposures	Retail exposures	Real estate collatera-lised	Past due items	Total
Corporate						
	Property	18,284	3,711	104,731	602	127,327
	Trade	32,938	13,658	36,939	1,198	84,734
	Financing	49,014	1,880	9,242	85	60,221
	Industry, energy	27,691	10,193	19,353	2,581	59,818
	Construction	22,964	11,184	22,686	1,041	57,875
	Research, consulting, services	1,617	12,566	21,589	1,252	37,025
	Transport	9,706	11,898	11,162	649	33,414
	Hotels and restaurants	816	3,279	11,539	655	16,289
	Agriculture, fisheries, mining	1,139	6,068	8,139	256	15,601
	Other	3,025	7,406	17,034	4,227	31,691
Total		**167,193**	**81,842**	**262,414**	**12,546**	**523,995**
Households		13,889	573,692	5,291,576	38,117	5,917,275
Housing corporations		27,205	8,967	228,217	879	265,269
Other non-profit corporations		16,786	-	29,739	3	46,529
Total		**225,074**	**664,501**	**5,811,946**	**51,545**	**6,753,067**

The Bank Group's loans which have been individually impaired

31.12.2014					Change during the period	
Sector	**Contract value**	**Individual impairments**	**Book value**	**Fair value of collateral**	**Change in impairments**	**Impairment losses on credits and other commitments**
Corporate	47,452	41,071	6,381	7,185	-872	6,890
Housing corporations	243	243	-	67	196	-
Public corporations	-	-	-	-	-	-
Non-profit corporations	-	-	-	-	-	-
Households	11,359	8,997	2,362	5,792	2,935	470
Total	**59,053**	**50,311**	**8,742**	**13,044**	**2,258**	**7,360**

Write-downs on corporate loans by branch			
Research, consulting and other services	19,456	18,717	740
Trade	2,420	2,379	42
Construction	3,054	2,849	205
Industry	8,295	6,862	1,433
Human health and other service activities for households	6,346	3,285	3,061
Other	7,880	6,980	900
Total	**47,452**	**41,071**	**6,381**

31.12.2013					Change during the period	
Sector	**Contract value**	**Individual impairments**	**Book value**	**Fair value of collateral**	**Change in impairments**	**Impairment losses on credits and other commitments**
Corporate	57,000	48,901	8,099	8,603	6,065	1,984
Housing corporations	47	47	-	67	-	451
Public corporations	-	-	-	-	-	-
Non-profit corporations	-	-	-	-	-	-
Households	8,945	6,465	2,480	5,045	1,905	403
Total	**65,991**	**55,412**	**10,579**	**13,715**	**7,970**	**2,838**

Write-downs on corporate loans by branch			
Research, consulting and other services	21,738	21,039	699
Trade	2,432	2,395	38
Construction	4,518	3,862	657
Industry	11,803	10,096	1,706
Human health and other service activities for households	9,100	5,067	4,033
Other	7,409	6,442	967
Total	**57,000**	**48,901**	**8,099**

G3 Group's segment reporting

(EUR 1,000)	Banking Business		Asset Management and Life Insurance		Miscellaneous		Eliminations		Total Group	
Income statement	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Net interest income	102,346	113,882	9	7	280	-1,504	145	258	102,779	112,643
Dividends	107	72	-	-	9	19	-	-	117	91
Net commission income	59,048	55,548	20,908	19,661	4,833	4,694	-9,923	-9,166	74,866	70,737
Net income from life-insurance	-	-	21,506	26,139	-	-	2,498	1,977	24,004	28,116
Net income from financial transactions	4,863	5,565	28	-61	2,436	2,806	-	-	7,327	8,310
Net income from investment properties	3	-1	-	-	63	505	-	-65	66	439
Other operating income	2,937	3,004	1,080	76	671	1,130	-1,548	-395	3,139	3,815
Total operating income	**169,304**	**178,070**	**43,530**	**45,822**	**8,293**	**7,650**	**-8,829**	**-7,392**	**212,298**	**224,150**
Staff costs	-35,945	-37,564	-9,825	-10,373	-22,792	-29,041	-957	-710	-69,518	-77,689
IT expenses	-13,812	-14,489	-1,781	-1,728	-10,731	-11,047	-	-	-26,324	-27,265
Depreciation of tangible and intangible assets	-1,761	-1,655	-1,064	-1,057	-4,519	-4,062	-	-	-7,344	-6,774
Other operating expenses	-64,701	-70,813	-8,910	-8,755	24,941	26,679	7,405	7,370	-41,265	-45,519
Total operating expenses	**-116,218**	**-124,522**	**-21,580**	**-21,913**	**-13,102**	**-17,472**	**6,448**	**6,660**	**-144,451**	**-157,247**
Write-downs on credits and other commitments	-1,729	-2,734	-	-	-	-	-	-	-1,729	-2,734
Share of profit from associated companies	-	-	-	-	-	-	2,195	1,216	2,195	1,216
Operating profit	**51,358**	**50,814**	**21,950**	**23,909**	**-4,809**	**-9,822**	**-186**	**484**	**68,314**	**65,385**

Balance sheet	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Cash and balances with central banks	395,904	413,206	0	1,122	-	-	-	-	395,905	414,328
Financial assets reported at fair value via income statement	-	102	-	-	-	-	-	-	-	102
Financial assets available for sale	1,841,714	1,688,235	538,037	578,048	751	2,881	-5,086	-12,658	2,375,417	2,256,506
Financial assets held until maturity	488,509	499,267	-	-	-	-	-	-	488,509	499,267
Loans and other receivables	6,453,706	6,891,173	42,835	26,696	6,136	6,776	-40,869	-27,296	6,461,808	6,897,349
Investments for unit-linked insurances	-	-	545,271	465,856	-	-	-	-	545,271	465,856
Other assets	283,531	256,142	75,980	82,584	202,919	199,114	-122,652	-137,442	439,778	400,398
Total assets	**9,463,364**	**9,748,125**	**1,202,124**	**1,154,306**	**209,807**	**208,770**	**-168,606**	**-177,396**	**10,706,688**	**10,933,806**
Deposits	4,797,967	4,920,890	-	-	-	-	-42,220	-27,909	4,755,748	4,892,982
Debt securities issued	3,539,597	3,670,599	-	-	-	-	-5,086	-12,658	3,534,511	3,657,941
Technical provisions	-	-	1,025,417	965,870	-	-	-	-	1,025,417	965,870
Other liabilities	530,872	679,604	31,892	29,506	138,950	70,965	-1,592	-4,771	700,123	775,304
Total liabilities	**8,868,437**	**9,271,094**	**1,057,310**	**995,376**	**138,950**	**70,965**	**-48,898**	**-45,338**	**10,015,799**	**10,292,097**

The change of consolidation programme lead to changes in bank internal allocations between segments. The principle for eliminations in the segments was also changed so that all eliminations attributable to one segment are eliminated in that segment. Comparative figures have been adjusted to comply with the new principle.

Notes to the consolidated income statement

(EUR 1,000)

G4 Net interest income

	2014	2013
Interest income		
Cash and balances with central banks	184	775
Financial assets reported at fair value via income statement	66	1
Financial assets available for sale	30,857	33,428
Caims on credit institutions	1,672	1,826
Claims on public and public sector entities	119,486	123,771
Finance lease contracts	530	729
Loans and other receivables	121,688	126,325
Financial assets held until maturity	9,715	8,045
Hedging instruments	70	-23
Other interest income	2,807	4,401
Total	**165,388**	**172,952**
Interest expenses		
Deposits, credit institutions	-7,569	-14,531
Deposits, other public entities	-29,852	-31,439
Deposits	-37,421	-45,970
Debt securities issued to the public	-83,721	-86,574
Subordinated liabilities	-6,594	-8,258
Securities issued and subordinated liabilities	-90,315	-94,832
Hedging derivative instruments	65,359	80,687
Other Interest expenses	-231	-194
Total	**-62,608**	**-60,309**
Net interest income	**102,779**	**112,643**
Deposits and lending	47,203	41,191
Hedging, interest rate risk management	35,034	43,952
Other	20,542	27,499
Net interest income	**102,779**	**112,643**

G5 Dividends

	2014	2013
Equity instruments available for sales	117	91
Total	**117**	**91**

Dividends in life insurance business are included in net income from investments, see note G7. Dividends from life insurance business are EUR 0.0 (0.0) million.

G6 Net commission income

	2014	2013
Commission income		
Lending	9,503	9,108
Borrowing	1,724	1,614
Card- and payment services	20,395	18,507
Mutual funds, asset management and securities brokerage	39,402	37,757
Brokerage of insurance	3,847	3,814
Guarantees and other off-balance sheet commitments	532	548
Real estate agency	5,925	6,874
Legal services	1,037	999
Other commission income	2,013	1,897
Total	**84,379**	**81,119**

Commission expenses	2014	2013
Money handling	-1,854	-731
Card- and payment services	-2,766	-2,678
Securities and investments	-4,222	-6,364
Other commission expenses	-672	-609
Total	**-9,514**	**-10,382**
Net commission income	**74,866**	**70,737**

G7 Net income from life-insurance

	2014	2013
Premiums written	125,054	140,036
Net income from investments	21,958	27,241
Insurance claims paid	-94,809	-81,072
Net change in technical provisions	-28,200	-58,090
Net income from life-insurance	**24,004**	**28,116**

Premiums written

Premiums written from insurance agreements		
Insurance agreements	55,631	64,883
Total gross premiums written before reinsurer's share	55,631	64,883
Reinsurer's share	-671	-729
Premiums written from investment agreements	70,094	75,882
Total premiums written	**125,054**	**140,036**

Distribution of premiums

	From insurance agreements		From investment agreements		Total	
	2014	2013	2014	2013	2014	2013
Premiums written from risk insurance and interest-related insurance						
Saving plans	1,891	2,310	-	-	1,891	2,310
Individual pension insurance	7,209	8,083	-	-	7,209	8,083
Group pension insurance	2,808	2,876	-	-	2,808	2,876
Risk insurance	21,264	20,989	-	-	21,264	20,989
Total	**33,172**	**34,258**	**-**	**-**	**33,172**	**34,258**
Premiums written from unit-linked agreements						
Saving plans	17,559	24,563	65,626	71,223	83,184	95,786
Individual pension insurance	3,212	3,544	4,469	4,659	7,681	8,203
Group pension insurance	1,689	1,788	-	-	1,689	1,788
Total	**22,461**	**29,896**	**70,094**	**75,882**	**92,555**	**105,778**

On-going and one-off premiums from direct insurance		
On-going premiums from insurance agreements	55,226	64,399
One-off premiums from insurance agreements	405	484
On-going premiums from investment agreement	25,063	12,753
One-off premiums from investment agreements	45,031	63,129
Total premiums written	**125,726**	**140,765**

Net income from investments	**2014**	**2013**
Net income from financial assets valued at fair value through income statement		
Derivative contracts		
Profit and losses	-	32
Total	**-**	**32**

Shares and participations	2014	2013
Profit and losses	-	1
Other income and expenses	-	-10
Total	**-**	**-9**

Net income from financial assets available for sale	2014	2013
Interest income	15,307	17,703
Capital gains and losses	-137	-882
Transferred to income statement from fund at fair value	4,699	3,899
Other income and expenses	-24	-10
Interest-bearing securities	19,846	20,710
Dividends	24	0
Capital gains and losses	3,240	2,833
Impairments	-3,385	-1,329
Transferred to income statement from fund at fair value	-1,471	213
Other income and expenses	817	1,399
Shares and participations	-774	3,117
Total	**19,072**	**23,826**

Net income from investment properties	2014	2013
Rental income	5,336	4,097
Direct expenses from investment properties, which generated rental income during during the accounting period	-2,449	-704
Total	**2,887**	**3,392**
Total for the Insurance business' net income from the investment business	**21,958**	**27,241**
Exchange rate differences included in net income from the investment business	10	26

Insurance claims paid

	From insurance agreements		From investment agreements		Total	
	2014	2013	2014	2013	2014	2013
Claims paid from risk insurance and interest-related insurance						
Saving plans						
Repayment of saving sums	-9,004	-8,172	-	-	-9,004	-8,172
Payments in the event of death	-2,157	-2,142	-	-	-2,157	-2,142
Repurchase	-2,207	-2,545	-	-	-2,207	-2,545
Total	**-13,368**	**-12,860**	**-**	**-**	**-13,368**	**-12,860**
Individual pension insurance						
Pensions	-24,642	-23,426	-	-	-24,642	-23,426
Payments in the event of death	-586	-495	-	-	-586	-495
Repurchase	-4,123	-637	-	-	-4,123	-637
Total	**-29,351**	**-24,558**	**-**	**-**	**-29,351**	**-24,558**
Group pension insurance						
Pensions	-2,323	-2,268	-	-	-2,323	-2,268
Repurchase	-2	-37	-	-	-2	-37
Other	-18	-69	-	-	-18	-69
Total	**-2,344**	**-2,374**	**-**	**-**	**-2,344**	**-2,374**
Risk insurance						
Individual insurance	-12,693	-11,924	-	-	-12,693	-11,924
Group life insurance for employers	-1,056	-966	-	-	-1,056	-966
Other group life insurance	-25	-20	-	-	-25	-20
Total	**-13,774**	**-12,910**	**-**	**-**	**-13,774**	**-12,910**
Total claims paid from risk insurance and interest-related insurance	**-58,837**	**-52,702**	**-**	**-**	**-58,837**	**-52,702**

	From insurance agreements		From investment agreements		Total	
	2014	2013	2014	2013	2014	2013
Claims paid from unit-linked agreements						
Saving plans						
Repayment of saving sums	-354	-1,723	-	-92	-354	-1,815
Payments in the event of death	-5,067	-6,324	-3,468	-1,035	-8,535	-7,358
Repurchase	-16,760	-14,331	-8,516	-3,616	-25,276	-17,946
Total	**-22,180**	**-22,378**	**-11,984**	**-4,742**	**-34,165**	**-27,120**
Individual pension insurance						
Pensions	-	-	-1,012	-788	-1,012	-788
Payments in the event of death	-100	-42	-154	-30	-253	-73
Repurchase	-173	-114	-227	-267	-400	-381
Total	**-273**	**-156**	**-1,392**	**-1,085**	**-1,665**	**-1,242**
Group pension insurance						
Payments in the event of death	-141	-9	-	-	-141	-9
Total	**-141**	**-9**	**-**	**-**	**-141**	**-9**
Total claims paid from unit-linked agreements	**-22,594**	**-22,543**	**-13,377**	**-5,827**	**-35,971**	**-28,370**
Total claims paid	**-81,432**	**-75,245**	**-13,377**	**-5,827**	**-94,809**	**-81,072**

Change in technical provisions, risk insurance and interest-related insurance	**2014**	**2013**
Changes in premium provisions, interest-related	1,885	3,163
Changes in claims provisions, interest-related	19,291	13,316
Change in technical provisions, risk insurance and interest-related insurance	**21,177**	**16,479**
Net change in technical provisions, unit-linked insurance		
Changes in claims provisions, unit-linked	-217	-484
Changes in premium provisions, unit-linked	-80,507	-102,832
Changes in value of unit-linked investments, net	31,347	28,746
Net change in technical provisions, unit-linked insurance	**-49,377**	**-74,569**
Total net change in technical provisions	**-28,200**	**-58,090**

G8 Net income from financial transactions

	2014	2013
Financial assets held for trading		
Capital gains and losses		
Interest-bearing securities	-1	2
Other items	-2	-6
Total	**-3**	**-4**
Valuation gains and losses		
Interest-bearing securities	-1	2
Total	**-1**	**2**
Total	**-4**	**-2**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	-232	-195
Total	**-232**	**-195**
Valuation gains and losses		
Derivative instruments	-307	-333
Total	**-307**	**-333**
Total	**-539**	**-528**
Financial assets available for sale		
Capital gains and losses		
Interest-bearing securities	1,128	-1,358
Shares and participations	545	6
Total	**1,673**	**-1,352**
Transferred to income statement from fund at fair value		
Interest-bearing securities	3,008	5,917
Shares and participations	2,257	2,800
Total	**5,265**	**8,717**
Impairments		
Shares and participations	-306	-
Total	**-306**	**-**
Total	**6,632**	**7,365**
Net income from currency trading	**1,081**	**1,366**
Net income from hedge accounting		
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-242	-38
Financial derivatives hedging issued bonds	53,018	-53,660
Changes in fair value of hedge instruments, net	52,776	-53,698
Repayable on demand liabilities	242	38
Bonds issued	-52,862	53,770
Changes in fair value of items hedged, net	-52,619	53,807
Total	**157**	**109**
Total hedge accounting	**157**	**109**
Net income from financial transactions	**7,327**	**8,310**

On disposal of financial instruments, the unrealised value change, included in the fund at fair value at the beginning of the year, is transferred from the fund at fair value to the income statement.

G9 Net income from investment properties

	2014	2013
Rental income	127	65
Capital gains	33	569
Other income	9	0
Capital loss	-	-30
Impairment and reversal of impairment	-29	-38
Direct expenses, which generated rental income during the accounting period	-74	-127
Total	**66**	**439**

Net income from investment properties in life insurance business are included in net income from investments, see note G7, and are EUR 2.9 (3.4) million.

G10 Other operating income

	2014	2013
Income from central bank services	1,227	1,272
Capital gains from sale of tangible and intangible assets	20	-96
Other operating income	1,892	2,639
Total	**3,139**	**3,815**

G11 Staff

	2014	2013
Salaries and fees	-55,867	-62,520
Share-based payments	-841	-1,652
Pension costs		
Defined contribution plans	-9,924	-10,007
Defined benefit plans	-652	-796
Other indirect emplyee costs	-2,234	-2,714
Indirect emplyee costs	-12,810	-13,517
Total	**-69,518**	**-77,689**
Number of emplyees 31 December		
Full-time	839	857
Part-time	101	121
Temporary	128	136
Total	**1,068**	**1,114**
Number of employees converted to full-time equivalents	932	967
Full-time equivalent average number of employees for the year	941	998

The managements salaries and remuneration are presented in note G46.

G12 Depreciation of tangible and intangible assets

	2014	2013
Depreciation on tangible assets	-2,380	-2,548
Depreciation on intangible assets	-4,964	-4,227
Total	**-7,344**	**-6,774**

G13 Other operating expenses

	2014	2013
Other staff expenses	-3,965	-4,591
Office expenses	-2,091	-3,480
Communication expenses	-3,244	-3,886
Marketing- and representation expenses	-4,917	-5,208
Purchased services	-5,829	-4,757
Rental expenses	-10,378	-13,291
Expenses for properties in own use	-1,643	-1,975
Insurance and security expenses (incl. bank tax)	-5,805	-5,241
Monitoring, control and membership fees	-1,182	-1,022
Other operating expenses	-2,210	-2,068
Total	**-41,265**	**-45,519**
Auditors' fees		
Statutory auditing	197	172
Services related to auditing	89	118
Tax counselling	66	14
Other services	125	163
Total	**477**	**466**

G14 Taxes

	2014	2013
Income taxes	-6,196	-4,726
Income taxes from previous years	-157	190
Change in deferred taxes	-6,929	-8,494
Total	**-13,282**	**-13,030**

More information on deferred taxes is presented in note G28. The tax on the Group's profit before tax deviates from the theoretical value that should arise when using the tax rate for the parent company as follows:

	2014	2013
Profit before tax	68 314	65 385
Tax calculated on a 20.0 (24,5)% tax rate	13 663	16 019
Effect from change af deferred tax from 24.5% to 20.0%	-	-3 101
Non-deductible expenses	302	1 222
Tax free income	-476	-96
Unused write-downs for tax purposes	14	26
Utilisation of previously unrecognised tax losses	-131	-753
Loss when deferred tax is not recorded	-	25
Tax on the share of the profit from associated companies	-439	-298
Income taxes from previous years	157	-190
Other	192	176
Total taxes	**13 282**	**13 030**
Deferred tax recognised in comprehensive income		
Deferred tax relating to financial assets available for sale	-7 074	11 863
Deferred tax relating to financial assets held until maturity	904	805
Deferred tax relating to cash flow hedging	1 083	4 019
Deferred tax relating to defined benefit plan pensions	-85	17
Total	**-5 171**	**16 704**

Taxes booked directly against the equity is attributable to the fund at fair value and is specified in note G38.

G15 Earnings per share

	2014	2013
Profit for the year attributable to shareholders in Aktia Bank plc	52,499	52,169
Average number of A shares	46,683,038	46,691,629
Average number of R shares	19,865,430	19,870,140
Average number of shares (excluding treasury shares)	66,548,468	66,561,769
Earnings per share (EPS), EUR (excluding treasury shares)	**0.79**	**0.78**
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	**0.79**	**0.78**
Total comprehensive income attributable to shareholders in Aktia Bank plc	75,610	17,180
Total earnings per share, EUR (excluding treasury shares)	**1.14**	**0.26**
Total earnings per share, EUR, after dilution (excluding treasury shares)	**1.14**	**0.26**

As both A and R series shares entitle holders to equal amounts of the company's profit, these are not shown separately.

Notes to the consolidated balance sheet

(EUR 1,000)

G16 Cash and balances with central banks

	2014	2013
Cash in hand	7,968	8,257
Cash and bank, insurance operation	-	1,122
Bank of Finland current account	387,937	404,949
Total	**395,905**	**414,328**

G17 Financial assets reported at fair value via income statement

	2014	2013
Interest-bearing securities reported at fair value via income statement	-	102
Total	**-**	**102**

G18 Financial assets available for sale

	2014	2013
Interest bearing securities, goverments and public sector entities	390,703	139,011
Interest bearing securities, credit institutions	1,450,825	1,542,859
Interest bearing securities, public associations	-	2,678
Interest bearing securities, other	-	-
Interest-bearing securities, Banking business	1,841,528	1,684,548
Interest bearing securities, goverments amd public sector entities	146,319	163,911
Interest bearing securities, credit institutions	240,794	243,529
Interest bearing securities, other	61,347	64,990
Interest-bearing securities, Life insurance	448,461	472,429
Total interest-bearing securities	2,289,989	2,156,977
Publicly quoted shares and holdings	-	2,263
Shares and holdings that are not publicly quoted	937	4,305
Shares and holdings, Banking business	937	6,568
Publicly quoted shares and holdings	39,786	44,017
Shares and holdings that are not publicly quoted	44,704	48,943
Shares and holdings, Life insurance	84,490	92,960
Total shares and holdings	85,428	99,528
Total	**2,375,417**	**2,256,506**

Impairments of financial assets available for sale stood at EUR 3.7 million (EUR 1.3 million) and are a result of significant or long-term negative value changes in shares and share funds and in interest-bearing securities where the issuer has noted an inability to pay. As at 31 December 2014, impairments were recorded against the value of investments in shares and participations as above totalling EUR 3.7 million (EUR 1.3 million), of which EUR 3.4 (1.3) million is attributable to the Life insurance company's investments. Impairments of interest-bearing securities amounted to EUR 0,0 million (EUR 0.0 million). The definition of significant or long-term negative value is described in note G1 Consolidated accounting principles in chapter Impairment of financial assets.

Impairment of financial assets	**2014**	**2013**
Shares and participations		
Banking business	306	-
Life insurance business	3,385	1,329
Total	**3,691**	**1,329**

Above mentioned impairments reported in income statement are included in notes G7 and G8.

G19 Financial assets held until maturity

	2014	**2013**
Interest-bearing securities, states	47,202	50,570
Interest-bearing securities, other public corporations	441,308	448,497
Interest-bearing securities, other	-	200
Total	**488,509**	**499,267**

G20 Derivative instruments

Derivative instruments, book value

	2014		**2013**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	131,466	13,773	89,447	21,353
Fair value hedging	131,466	13,773	89,447	21,353
Interest rate derivatives	-	-	177	-
Cash flow hedging	-	-	177	-
Interest rate derivatives	97,283	97,186	104,293	103,578
Currency derivatives	736	421	157	108
Shares derivatives	1,817	1,817	3,556	3,556
Other derivative instruments	99,836	99,423	108,005	107,242
Total	**231,302**	**113,196**	**197,629**	**128,595**

The nominal value of the underlying property and the fair value of the derivative instrument

31 December 2014

Hedging derivative instruments	**Nominal values / term remaining**				**Fair value**	
	Under 1 year	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest rate swaps	510,000	2,123,000	282,000	2,915,000	131,466	13,773
Total fair value hedging	**510,000**	**2,123,000**	**282,000**	**2,915,000**	**131,466**	**13,773**
Total interest rate derivatives	**510,000**	**2,123,000**	**282,000**	**2,915,000**	**131,466**	**13,773**
Total hedging derivative instruments	**510,000**	**2,123,000**	**282,000**	**2,915,000**	**131,466**	**13,773**
Other derivative instruments						
Interest rate swaps	352,000	1,064,580	222,400	1,638,980	82,190	82,091
Interest rate option agreements	235,200	480,000	60,000	775,200	15,093	15,095
Purchased	122,000	240,000	30,000	392,000	14,469	14,470
Written	113,200	240,000	30,000	383,200	624	625
Total interest rate derivatives	**587,200**	**1,544,580**	**282,400**	**2,414,180**	**97,283**	**97,186**

	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Forward rate agreements	37,800	-	-	37,800	736	421
Total forward rate agreements	**37,800**	**-**	**-**	**37,800**	**736**	**421**
Equity options	24,570	15,334	-	39,904	1,817	1,817
Purchased	12,285	7,667	-	19,952	1,564	252
Written	12,285	7,667	-	19,952	252	1,564
Total equity options	**24,570**	**15,334**	**-**	**39,904**	**1,817**	**1,817**
Options	1,922	-	-	1,922	-	-
Purchased	961	-	-	961	-	-
Written	961	-	-	961	-	-
Other derivative instruments	**1,922**	**-**	**-**	**1,922**	**-**	**-**
Total other derivative instruments	**651,492**	**1,559,914**	**282,400**	**2,493,806**	**99,836**	**99,423**
Total derivative instruments	**1,161,492**	**3,682,914**	**564,400**	**5,408,806**	**231,302**	**113,196**

31 December 2013

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest rate swaps	695,000	2,013,000	382,000	3,090,000	89,447	21,353
Total fair value hedging	**695,000**	**2,013,000**	**382,000**	**3,090,000**	**89,447**	**21,353**
Cash flow hedging						
Interest rate swaps	300,000	-	-	300,000	177	-
Total cash flow hedging	**300,000**	**-**	**-**	**300,000**	**177**	**-**
Total interest rate derivatives	**995,000**	**2,013,000**	**382,000**	**3,390,000**	**89,624**	**21,353**
Total hedging derivative instruments	**995,000**	**2,013,000**	**382,000**	**3,390,000**	**89,624**	**21,353**
Other derivative instruments						
Interest rate swaps	306,000	1,256,680	402,800	1,965,480	82,320	81,600
Interest rate option agreements	764,707	715,200	60,000	1,539,907	21,972	21,978
Purchased	334,707	353,200	30,000	717,907	2,206	2,211
Written	430,000	362,000	30,000	822,000	19,767	19,767
Total interest rate derivatives	**1,070,707**	**1,971,880**	**462,800**	**3,505,387**	**104,293**	**103,578**
Forward rate agreements	36,054	-	-	36,054	157	108
Total forward rate agreements	**36,054**	**-**	**-**	**36,054**	**157**	**108**
Equity options	15,208	40,088	-	55,296	3,556	3,556
Purchased	7,604	20,044	-	27,648	3,381	175
Written	7,604	20,044	-	27,648	175	3,381
Total equity options	**15,208**	**40,088**	**-**	**55,296**	**3,556**	**3,556**
Options	18,830	1,922	-	20,752	-	-
Purchased	9,415	961	-	10,376	-	-
Written	9,415	961	-	10,376	-	-
Other derivative instruments	**18,830**	**1,922**	**-**	**20,752**	**-**	**-**
Total other derivative instruments	**1,140,799**	**2,013,890**	**462,800**	**3,617,489**	**108,005**	**107,242**
Total derivative instruments	**2,135,799**	**4,026,890**	**844,800**	**7,007,489**	**197,629**	**128,595**

G21 Loans and other receivables

	2014	2013
Repayable on demand claims on credit institutions	18,862	15,335
Other than repayable on demand claims on credit institutions	26,921	79,784
Lending to Bank of Finland and other credit institutions	45,783	95,119
Transaction account credits, public and corporates	162,126	182,348
Loans	6,241,666	6,603,813
Receivables from finance lease contracts	11,815	15,632
Loans	6,415,607	6,801,793
Bank guarantee claims	418	437
Lending to the public and public sector entities	6,416,025	6,802,230
Total	**6,461,808**	**6,897,349**

A sector-by-sector analysis of receivables from the public and public sector entities as well as write-downs and reversed write-downs for these

	2014	2013
Households	5,697,038	5,973,446
Corporates	420,138	540,947
Housing associations	251,179	241,220
Public sector entities	2,049	3,561
Non-profit organisations	45,622	43,056
Total	**6,416,025**	**6,802,230**

Write-downs during the year

	2014	2013
Write-downs at the beginning of the year	65,170	65,049
Transferred from Saaristosäästöpankki Oy	-	165
Individual write-downs on credits	5,805	8,873
Individual write-downs on other commitments	15	197
Individual write-downs on interest receivables	44	25
Write-downs on credits outstanding by group	-394	-4,923
Reversal of write-downs on individual credits	-2,870	-1,263
Reversal of write-downs on other individual commitments	-690	-2
Reversal of write-downs on interest receivables	-11	-9
Reversal of impairment losses on credits	-169	-165
Total write-downs of the year	1,729	2,734
Realised credit losses for which individual write-downs were made earlier	-7,337	-2,833
Realised other commitments for which individual write-downs were made earlier	-51	-111
Reversal of impairment losses on credits	169	165
Write-downs at the end of the year	**59,679**	**65,170**
Impaired receivables at the beginning of the year, contract value	75,749	77,674
Transferred from Saaristosäästöpankki Oy	-	165
New impaired receivables during this year, contract value	6,624	6,575
Reversal of impaired receivables during this year	-13,952	-8,665
Impaired receivables at the end of the year, contract value	68,421	75,749

Information on the fair values is given in note G40 and description of collateral obtained is commented on in note G2, Risk management.

Breakdown of maturity on finance lease receivables	2014	2013
Under 1 year	4,819	5,413
1–5 years	7,477	11,143
Over 5 years	197	130
Gross investment	**12,493**	**16,686**
Unearned future finance income	-678	-1,054
Net investment	**11,815**	**15,632**

Present value of lease payment receivables	2014	2013
Under 1 year	4,482	4,898
1-5 years	7,138	10,606
Over 5 years	195	129
Total	**11,815**	**15,632**

G22 Investments for unit-linked insurances

	2014	2013
Publicly quoted shares and holdings	545,271	465,856
Total	**545,271**	**465,856**

G23 Investments in associated companies

	2014	2013
Acquisition cost at 1 January	17,516	18,293
Disposals / equity returns	-	-778
Acquisition cost at 31 December	17,516	17,516
Share of profits at 1 January	1,776	2,808
Share of profit from associated companies	2,195	1,216
Dividends obtained during the year	-338	-260
Accrued equity adjustments on decreases	-	-76
Share of direct entries of equity	2,422	-1,911
Share of profits at 31 December	6,056	1,776
Book value at 31 December	**23,571**	**19,292**

Associated companies

Percentage of shares and votes:	2014	2013
Folksam Non-Life Insurance Company Ltd, Helsinki	34%	34%
Samlink Ltd, Helsinki	23%	23%

Folksam Non-Life Insurance Company Ltd	2014	2013
Profit for the year	5,463	2,794
attributabel to non-controlling interest	1,857	950
attributabel to investee's shareholders	3,606	1,844
Total comprehensive income for the year	12,586	-2,828
attributabel to non-controlling interest	4,279	-962
attributabel to investee's shareholders	8,307	-1,867
Assets	226,156	203,845
Liabilities	156,829	147,105
Net assets	69,327	56,741
attributabel to non-controlling interest	23,571	19,292
attributabel to investee's shareholders	45,756	37,449
Book value in parent company at 1 January	17,516	17,516
Share of profits at 1 January	1,776	2,738
Group's interest in net assets at 1 January	19,292	20,253
Total comprehensive income for the year attributable to the group	4,279	-962
Dividends obtained during the year	-	-
Group's interest in net assets at 31 December	23,571	19,292
Samlink Ltd		
Book value of Samlink Ltd in parent company at 31 December	0	0
Total investments in associated companies	**23,571**	**19,292**

Profit for the year attributable to non-controlling interests:	2014	2013
Folksam Non-Life Insurance Company Ltd	1,857	950
Samlink Ltd	338	260
Bonum Bank Ltd (earlier ACH Finland Oy)	-	6
Total share of profits in associated companies	**2,195**	**1,216**

Aktia Bank pcl has obtained dividends from Samlink Ltd EUR 0.3 (0.3) million.

Reports for associated companies are prepared following the Group's accounting principles in accordance with IFRS. The aim of Aktia Bank plc's holdings in Folksam Non-Life Insurance Company Ltd is to enhance the Group's range of products and services. On 26 February 2015, Folksam General has announced that the company will use the option to buy 24 per cent of the shares. Thus Aktia Bank's ownership in Folksam Non-Life Insurance decreases to 10 per cent.

See note G46 for transactions with associated companies.

G24 Intangible assets

	2014	2013
Acquisition cost at 1 January	35,572	25,175
Increases	20,915	11,054
Decreases	-2,384	-658
Acquisition cost at 31 December	54,103	35,572
Accumulated depreciations and impairments at 1 January	-15,246	-11,019
Accumulated depreciation on decreases	2,384	-
Planned depreciation	-4,962	-4,227
Accumulated depreciations and impairments at 31 December	-17,825	-15,246
Book value at 31 December	**36,279**	**20,326**

G25 Investment properties

31 December 2014	**Land and water areas**	**Buildings**	**Shares and participations in real estate corporations**	**Total**
Acquisition cost at 1 January	8,122	42,836	9,685	60,644
Valuation at fair value	-	-1,680	-	-1,680
Divestments	-520	-1,380	-	-1,900
Acquisition cost at 31 December	7,602	39,776	9,685	57,063
Book value at 31 December	**7,602**	**39,776**	**9,685**	**57,063**

31 December 2013	**Land and water areas**	**Buildings**	**Shares and participations in real estate corporations**	**Total**
Acquisition cost at 1 January	4,120	14,080	10,054	28,254
Valuation at fair value	-	-	86	86
Acquisitions	78	-	-	78
Increases	3,924	28,756	-	32,680
Decreases	-	-	-455	-455
Acquisition cost at 31 December	8,122	42,836	9,685	60,644
Book value at 31 December	**8,122**	**42,836**	**9,685**	**60,644**

G26 Other tangible assets

31 December 2014	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	12,547	8,080	1,588	22,215
Increases	2,102	2,137	-	4,239
Decreases	-1,216	-1,010	-	-2,227
Acquisition cost at 31 December	13,433	9,207	1,588	24,227
Accumulated depreciations and impairments at 1 January	-9,742	-4,820	-1,249	-15,812
Accumulated depreciation on decreases	1,196	1,010	-	2,207
Planned depreciation	-1,427	-951	-4	-2,382
Accumulated depreciations and impairments at 31 December	-9,973	-4,761	-1,253	-15,987
Book value at 31 December	**3,460**	**4,446**	**335**	**8,240**

31 December 2013	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	11,614	6,389	1,583	19,586
Acquisitions	76	10	5	90
Increases	1,152	2,080	-	3,231
Decreases	-294	-398	-	-692
Acquisition cost at 31 December	12,547	8,080	1,588	22,215
Accumulated depreciations and impairments at 1 January	-8,405	-4,293	-1,232	-13,930
Accumulated depreciation on decreases	281	384	0	666
Planned depreciation	-1,619	-911	-17	-2,548
Accumulated depreciations and impairments at 31 December	-9,742	-4,820	-1,249	-15,812
Book value at 31 December	**2,805**	**3,260**	**339**	**6,403**

G27 Other assets

	2014	2013
Accrued and advance interests	42,997	50,559
Premiums paid for derivative instruments	925	3,344
Other accrued income and advance payments	13,309	12,323
Accrued income and advance payments	57,231	66,227
Cash items being collected	66	65
Other receivables	8,579	8,754
Other assets	8,646	8,819
Total	**65,877**	**75,046**

G28 Deferred taxes

	2014	2013
Deferred tax liabilities / receivables, net		
Net deferred tax liabilities / receivables at 1 January	34,187	42,044
Acquisitions / divestments	-51	406
Changes during the year booked via the income statement	6,926	8,442
Financial assets:		
Valuation at fair value direct to equity	7,869	-9,525
Transferred to the income statement	-1,699	-3,143
Cash flow hedging:		
Valuation at fair value direct to equity	-	-248
Transferred to the income statement	-1,083	-3,771
Defined-benefit pensions plans via comprehensive income	85	-17
Net deferred tax liabilities / receivables at 31 December	**46,233**	**34,187**

Deferred tax liabilities	2014	2013
Appropriations	32,367	28,912
Group-specific write-downs	-1,842	-1,921
Financial assets	24,651	19,777
Cash flow hedging	256	717
Investment properties valued at fair value	733	666
Activated development costs	896	380
Equalisation provision of the life insurance business	2,147	1,870
Total	**59,209**	**50,402**
Deferred tax receivables		
Financial assets	0	120
Cash flow hedging	11,868	15,081
Defined-benefit pension plans	483	495
Other	625	519
Total	**12,976**	**16,215**
Specification of changes during the year booked via the income statement		
Appropriations	-3,455	-4,748
Group-specific write-downs	-199	-1,206
Financial assets	546	-947
Cash flow hedging	-3,085	-4,179
Investment properties valued at fair value	-119	-376
Defined-benefit pension plans	72	59
Activated development costs	-516	-167
Equalisation provision of the life insurance business	-277	-238
Effect from change of deferred tax rate 31 December 2013	-	3,101
Other	106	259
Total	**-6,926**	**-8,442**
Investment properties valued at fair value	-3	-52
Change in deferred taxes from assets classified as held for sale	**-3**	**-52**
Total change in deferred taxes	**-6,929**	**-8,494**

G29 Assets and liabilities classified as held for sale

	2014	2013
Loans and other receivables	12	23
Investment properties	1,000	1,098
Other receivables	30	34
Deferred tax receivables	25	28
Assets classified as held for sale	**1,067**	**1,183**
Deposits	113	137
Other liabilities	20	25
Liabilities for assets classified as held for sale	**133**	**162**

G30 Deposits

	2014	2013
Repayable on demand liabilities to credit institutions	271,296	369,721
Other than repayable on demand deposits from credit institutions	505,264	725,784
Liabilities to credit institutions	776,560	1,095,505
Repayable on demand deposits	3,450,695	3,214,618
Other than repayable on demand deposits	528,493	582,859
Liabilities to the public and public sector entities	3,979,188	3,797,477
Total	**4,755,748**	**4,892,982**

G31 Debt securities issued

	2014		2013	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposits	161,336	161,500	314,059	314,600
Bonds	3,373,175	3,383,187	3,343,882	3,355,395
Total	**3,534,511**	**3,544,687**	**3,657,941**	**3,669,995**

31 December 2014	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Certificates of deposit with fixed interest rate	71,500	90,000	-	-	-	161,500
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	1,000,000	-	-	1,000,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	305,000	-	199,000	504,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	200,000	20,000	-	-	220,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	500,000	-	700,000	-	83,000	1,283,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variab-le interest rate	125,000	250,000	-	-	-	375,000
Others	-	-	-	-	-	1,187
Total	**696,500**	**540,000**	**2,025,000**	**-**	**282,000**	**3,544,687**

31 December 2013	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Certificates of deposit with fixed interest rate	158,100	156,500	-	-	-	314,600
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	500,000	-	-	500,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	305,000	-	179,000	484,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	-	220,000	-	-	220,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	600,000	1,100,000	100,000	83,000	1,883,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variab-le interest rate	-	-	375,000	-	-	375,000
Others	-	-	-	-	-	-106,605
Total	**158,100**	**756,500**	**2,500,000**	**100,000**	**262,000**	**3,669,995**

G32 Subordinated liabilities

	2014	2013
Debentures	222,539	232,199
Total	**222,539**	**232,199**
Nominal value	222,532	232,197
Amount counted to Tier 2 loans	103,854	223,493

The bank has a bond program that is updated and approved by the Board yearly. Currently, the program's size is EUR 500 million. In this program, other bonds (included in note G31) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

No individual debenture loan exceeds 10 % of all the subordinated liabilities.

G33 Other liabilities to credit institutions

	2014	2013
Other liabilities to credit institutions	99,767	123,524
Total	**99,767**	**123,524**

Other liabilities to deposit banks include liabilities of EUR 84 (99) million with both fixed and variable interest rate to the European Investment Bank.

G34 Other liabilities to the public and public sector entities

	2014	2013
Repayable on demand	72,225	90,425
Other	1,627	1,928
Total	**73,852**	**92,353**

G35 Technical provisions for life insurance business

	From insurance agreements		From investment agreements		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Technical provisions at 1 January	806,471	805,685	159,399	73,348	965,870	879,033
Income from insurance premiums	54,960	64,154	70,094	75,882	125,054	140,036
Insurance claims paid	-81,432	-75,245	-13,377	-5,827	-94,809	-81,072
Transfer of savings from / to unit-linked insurance	-11,279	-10,312	11,279	10,312	-	-
Compensated interest for savings	17,725	18,553	-	-	17,725	18,553
Customer compensation for savings	57	55	-	-	57	55
Interest reductions and provision for customer compensation	-	-	-	-	-	-
Total expense loading	-12,293	-12,362	-2,901	-2,105	-15,194	-14,467
Value increases and other items	12,653	15,942	14,060	7,789	26,713	23,731
Technical provisions at 31 December	**786,863**	**806,471**	**238,554**	**159,399**	**1,025,417**	**965,870**

Technical provisions by the various insurance branches	From insurance agreements		From investment agreements		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Saving plans	314,847	326,441	179,831	106,216	494,678	432,657
Individual pension insurance	377,498	384,611	58,724	53,183	436,221	437,794
Group pension insurance	61,195	58,573	-	-	61,195	58,573
Risk insurance	33,324	36,846	-	-	33,324	36,846
Total	**786,863**	**806,471**	**238,554**	**159,399**	**1,025,417**	**965,870**

Change in technical provisions	From insurance agreements		From investment agreements		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Technical provisions at 1 January	806,471	805,685	159,399	73,348	965,870	879,033
Year's change	-19,608	786	79,155	86,051	59,548	86,836
Technical provisions at 31 December	**786,863**	**806,471**	**238,554**	**159,399**	**1,025,417**	**965,870**
- of which technical provisions for risk insurance and interest-related insurance	481,427	502,970	847	482	482,275	503,451
- of which technical provisions for unit-linked insurance	305,436	303,501	237,707	158,917	543,143	462,419

Average calculation interest	**2014**	**2013**
Saving plans	3.1%	3.1%
Individual pension insurance	3.9%	3.9%
Group pension insurance	3.3%	3.3%
Risk insurance	3.2%	3.1%
Total	**3.6%**	**3.6%**

Methods used and assumptions made when determining technical insurance provisions of the life insurance business

Technical provisions is partly calculated so that future benefits are discounted at current value with deductions for future premiums, and partly so that premiums paid are credited with technical rate of interest and customer bonuses and rebates and debited with costs and risk premiums. In the calculations assumptions for the technical rate of interest, mortality and prevalence are used, as well as the loading mentioned in the actuarial assumptions of respective product. Further, extra provisions are made in pension insurance for interest costs and increased life expectancy. Provisions for outstanding claims include provisions for claims incurred and claims incurred but not reported. Specified customer bonuses are included in technical provisions.

For unit-linked insurances, the technical provisions is calculated on the basis of the market value for those funds which are associated with the insurance policy.

The insurance amount for risk insurance which exceed the company's excess are reinsured.

G36 Other liabilities

	2014	2013
Interest liabilities	46,993	57,766
Interets received in advance	119	156
Accrued interest expenses and interest income received in advance	47,111	57,921
Other accrued expenses and income received in advance	31,035	38,533
Accrued expenses and income received in advance	**78,146**	**96,455**
Cash items in the process of collection	37,031	41,855
Defined benefit plan pensions	2,414	2,476
Other liabilities	7,729	-4,288
Total other liabilities	**47,174**	**40,044**
Total	**125,320**	**136,499**

G37 Provisions

	2014	2013
Provisions 1 January	6,367	6,850
Provisions used	-2,818	-483
Provisions 31 December	**3,549**	**6,367**

Aktia Bank plc has decided to invest in a modern core banking system. The migration to the new core banking system is made in collaboration with the current IT operator Samlink Ltd. An agreement was made on the transitional period and services that Samlink will continue to provide. Following the agreement, Aktia is obliged to bear a part of the development and project costs during the transitional period. The adequacy of the provision is valued at each time of reporting. Should there be strong indications of delays in the system change, extra provisions may have to be made. Commissioning of the new core banking system is scheduled to the last quarter of 2015.

G38 Equity

	2014	2013
Share capital	163,000	163,000
Base fund	317	317
Fund at fair value	104,093	81,147
Restricted equity	**267,410**	**244,464**
Fund for share-based payments	1,858	1,608
Unrestricted equity reserve	115,030	128,434
Retained earnings 1 January	202,619	298,619
Dividend to shareholders	-27,963	-23,968
Other change in retained earnings	13,231	-124,268
Acquisition of treasury shares	-1,255	-263
Divestment of treasury shares	182	400
Defined pension plans, OCI	339	-68
Profit for the year	52,499	52,169
Unrestricted equity	**356,539**	**332,662**
Shareholders' share of equity	623,949	577,126
Non-controlling interest's share of equity	66,941	64,583
Equity	**690,890**	**641,709**

Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the period, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 divided into 46,706,723 A shares and 19,872,088 R shares, totalling 66,578,811 shares (2013; 66,578,811). The number of registered shareholders at the end of the financial period was 43,862. The number of A shares attributable to unidentified shareholders was 771,538. A shares have 1 vote, and R shares have 20 votes.

Treasury shares

At year-end, the number of treasury A shares was 137,406 (2013; 22,653) and the number of treasury R shares was 6,658 (2013; 11,658).

Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets available for sale and on financial derivatives that are held for cash flow hedging. Financial assets reported via the fund at fair value are transferred to the income statement on sale or on impairment of the assets.

Base fund

The base fund comprises a construction fund from one of the Group's subsidiaries.

Fund for share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there are renumeration programs with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in shareholder's equity under Fund for share-based payments.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue.

Retained earnings

Retained earning contains retained earnings from previous years, dividends to shareholders and profit for the year. Retained earnings also contains appropriations in the seperate financial statements of Group companies and the insurance companies' equalisation provisions that in the IFRS financial statements have been booked under retained earnings after deduction for deferred tax.

Specification of change in fund at fair value	**2014**	**2013**
Fund at fair value at 1 January	81,147	116,068
Profit / loss on valuation to fair value, shares and holdings	1,034	-2,546
Profit / loss on valuation to fair value, interest bearing securities	38,428	-18,691
Deferred taxes on profit / loss on valuation to fair value	-7,869	9,525
Transferred to the income statement, shares and participations, included in:		
Net income from financial transactions	-2,257	-2,800
Net income from life-insurance	1,471	-213
Deferred taxes	157	738
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-3,008	-5,917
Net income from life-insurance	-4,699	-3,899
Deferred taxes	1,541	2,405
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	-116	-238
Deferred taxes on profit / loss on valuation to fair value	-	248
Transferred to the income statement, cash flow hedging derivative contracts, included in:		
Net income from securities and currency trading	-5,416	-15,392
Deferred taxes	1,083	3,771
Share of Folksam Non-Life Insurance's fund at fair value	2,596	-1,911
Fund at fair value at 31 December	**104,093**	**81,147**

Share capital and unrestricted equity reserve

	Number of shares	**Share capital**	**Unrestricted equity reserve**
1 December 2013	66,987,758	93,874	72,654
Capital return to shareholders			-9,321
Changes as a result of the merger between Aktia plc and Aktia Bank plc 1 July 2013	-408,947	69,126	65,102
31 December 12.2013	66,578,811	163,000	128,434
Transfer from retained earnings to unrestricted equity reserve			-13,405
31 December 2014	**66,578,811**	**163,000**	**115,030**

Group's unrestricted equity	**2014**	**2013**
Group's non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	115,650	93,046
Share of accumulated appropriations that have been included in the profit for the year	13,819	22,604
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	**129,469**	**115,650**

Group's distributable earnings in unrestricted equity	2014	2013
Fund for share-based payments	1,858	1,608
Unrestricted equity reserve	115,030	128,434
Retained earnings 1 January	86,969	205,573
Dividend to shareholders	-27,963	-23,968
Other changes in retained earnings	12,496	-124,200
Profit for the year	38,680	29,565
Total	**227,070**	**217,012**

Group's total unrestricted equity		
Fund for share-based payments	1,858	1,608
Unrestricted equity reserve	115,030	128,434
Retained earnings 1 January	202,619	298,619
Dividend to shareholders	-27,963	-23,968
Other changes in retained earnings	12,496	-124,200
Profit for the year	52,499	52,169
Total	**356,539**	**332,662**

Dividend to shareholders

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 13 April 2015 that a dividend of EUR 0.48 per share, totalling EUR 31,888,678.56, be paid for the year based on the parent company's distributable retained earnings, including profit for the year, of EUR 181,792,586.76.

There have been no significant changes in the company's financial position after the end of the accounting period. The company's liquidity is good, and according to the Board of Directors the proposed distribution of dividend does not affect the solvency of the company.

Other notes

G39 Classification of financial instruments

Assets

31 December 2014	**Note**	**Valued at fair value via the income statement**	**Held for sale**	**Held to maturity**	**Derivatives used for hedging**	**Loans and other recei-vables**	**Non-financial assets**	**Total**
Cash and balances with central banks	G16					395,905		395,905
Interest-bearing securities	G17, G18, G19		2,289,989	488,509				2,778,498
Shares and participations	G17, G18		85,428					85,428
Derivative instruments	G20				231,302			231,302
Lending to Bank of Finland and other credit institutions	G21					45,783		45,783
Lending to the public and public sector entities	G21					6,416,025		6,416,025
Investments for unit-linked insurances	G22	545,271						545,271
Investments in associated companies	G23						23,571	23,571
Intangible assets	G24						36,279	36,279
Investment properties	G25						57,063	57,063
Other tangible assets	G26						8,240	8,240
Accrued income and advance payments	G27						57,231	57,231
Other assets	G27						8,646	8,646
Income tax receivables	G28						3,403	3,403
Deferred tax receivables	G28						12,976	12,976
Assets classified as held for sale	G29						1,067	1,067
Total		**545,271**	**2,375,417**	**488,509**	**231,302**	**6,857,713**	**208,476**	**10,706,688**
31 December 2013								
Cash and balances with central banks	G16					414,328		414,328
Financial assets reported at fair value via income statement	G17	102						102
Interest-bearing securities	G17, G18, G19		2,156,977	499,267				2,656,245
Shares and participations	G17, G18		99,528					99,528
Derivative instruments	G20				197,629			197,629
Lending to Bank of Finland and other credit institutions	G21					95,119		95,119
Lending to the public and public sector entities	G21					6,802,230		6,802,230
Investments for unit-linked insurances	G22	465,856						465,856
Investments in associated companies	G23						19,292	19,292
Intangible assets	G24						20,326	20,326
Investment properties	G25						60,644	60,644
Other tangible assets	G26						6,403	6,403
Accrued income and advance payments	G27						66,227	66,227
Other assets	G27						8,819	8,819
Income tax receivables	G28						3,661	3,661
Deferred tax receivables	G28						16,215	16,215
Assets classified as held for sale	G29						1,183	1,183
Total		**465,958**	**2,256,506**	**499,267**	**197,629**	**7,311,677**	**202,769**	**10,933,806**

Liabilities

31 December 2014		Derivatives used for hedging	Other finan-cial liabilities	Non-financial liabilities	Total
Liabilities to credit institutions	G30		776,560		776,560
Liabilities to the public and public sector entities	G30		3,979,188		3,979,188
Derivative instruments	G20	113,196			113,196
Debt securities issued	G31		3,534,511		3,534,511
Subordinated liabilities	G32		222,539		222,539
Other liabilities to credit institutions	G33		99,767		99,767
Other liabilities to the public and public sector entities	G34		73,852		73,852
Technical provisions for risk insurances and interest-related insurances	G35			482,275	482,275
Technical provisions for unit-linked insurances	G35			543,143	543,143
Accrued expenses and income received in advance	G36			78,146	78,146
Other liabilities	G36			47,174	47,174
Provisions	G37			3,549	3,549
Income tax liabilities	G28			2,559	2,559
Deferred tax liabilities	G28			59,209	59,209
Liabilities for assets classified as held for sale	G29			133	133
Total		**113,196**	**8,686,416**	**1,216,188**	**10,015,799**
31 December 2013					
Liabilities to credit institutions	G30		1,095,505		1,095,505
Liabilities to the public and public sector entities	G30		3,797,477		3,797,477
Derivative instruments	G20	128,595			128,595
Debt securities issued	G31		3,657,941		3,657,941
Subordinated liabilities	G32		232,199		232,199
Other liabilities to credit institutions	G33		123,524		123,524
Other liabilities to the public and public sector entities	G34		92,353		92,353
Technical provisions for risk insurances and interest-related insurances	G35			503,451	503,451
Technical provisions for unit-linked insurances	G35			462,419	462,419
Accrued expenses and income received in advance	G36			96,455	96,455
Other liabilities	G36			40,044	40,044
Provisions	G37			6,367	6,367
Income tax liabilities	G28			5,203	5,203
Deferred tax liabilities	G28			50,402	50,402
Liabilities for assets classified as held for sale	G29			162	162
Total		**128,595**	**8,998,999**	**1,164,502**	**10,292,097**

G40 Financial assets and liabilities

Fair value of financial assets and liabilities

Financial assets	**2014**		**2013**	
	Book value	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	395,905	395,905	414,328	414,328
Financial assets reported at fair value via the income statement	-	-	102	102
Financial assets available for sale	2,375,417	2,375,417	2,256,506	2,256,506
Financial assets held until maturity	488,509	505,257	499,267	498,742
Derivative instruments	231,302	231,302	197,629	197,629
Loans and other receivables	6,461,808	6,321,274	6,897,349	6,698,768
Total	**9,952,942**	**9,829,155**	**10,265,181**	**10,066,075**
Investments for unit-linked insurances	545,271	545,271	465,856	465,856

Financial liabilities	**2014**		**2013**	
	Book value	**Fair value**	**Book value**	**Fair value**
Deposits	4,755,748	4,704,788	4,892,982	4,825,089
Derivative instruments	113,196	113,196	128,595	128,595
Debt securities issued	3,534,511	3,504,130	3,657,941	3,707,742
Subordinated liabilities	222,539	225,467	232,199	237,230
Other liabilities to credit institutions	99,767	105,817	123,524	128,863
Other liabilities to the public and public sector entities	73,852	73,843	92,353	92,344
Total	**8,799,611**	**8,727,242**	**9,127,595**	**9,119,864**

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 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 flow 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 flow 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 margin 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 for the counterparty credit risk as well as for the 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. This category mainly includes unlisted equity instruments and funds, and other unlisted funds and securities where there currently are no fixed prices.

Financial instruments measured at fair value	31.12.2014				31.12.2013			
	Fair value classified into				Fair value classified into			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets valued via the income statement								
Interest-bearing securities	-	-	-	-	-	-	102	102
Shares and participations	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**102**	**102**
Financial assets available for sale								
Interest-bearing securities	1,975,602	194,930	119,457	2,289,989	1,920,624	189,060	47,293	2,156,977
Shares and participations	39,786	-	45,642	85,428	45,741	-	53,785	99,527
Total	**2,015,389**	**194,930**	**165,098**	**2,375,417**	**1,966,365**	**189,060**	**101,078**	**2,256,504**
Derivative instrument, net	315	117,791	-	118,107	49	68,985	-	69,034
Total	**315**	**117,791**	**-**	**118,107**	**49**	**68,985**	**-**	**69,034**
Investments for unit-linked insurances	545,271	-	-	545,271	465,856	-	-	465,856
Total	**2,560,975**	**312,721**	**165,098**	**3,038,794**	**2,432,269**	**258,046**	**101,180**	**2,791,496**

Transfers between levels 1 and 2

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

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

Changes within level 3

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

	Financial assets valued via the income statement			Financial assets available for sale			Total		
Reconciliation of the changes taken place for financial instruments which belong to level 3	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 January .2014	102	-	102	47,317	53,818	101,135	47,419	53,818	101,238
New purchases	-	-	-	75,000	-	75,000	75,000	-	75,000
Sales	-102	-	-102	-285	-2,668	-2,953	-387	-2,668	-3,055
Matured during the year	-	-	-	-1,050	-	-1,050	-1,050	-	-1,050
Realised value change in the income statement	-	-	-	-7	-3,693	-3,700	-7	-3,693	-3,700
Unrealised value change in the income statement	-	-	-	30	-	30	30	-	30
Value change recognised in the total comprehensive income	-	-	-	-	-1,815	-1,815	-	-1,815	-1,815
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-1,501	-	-1,501	-1,501	-	-1,501
Carrying amount 31 December 2014	**-**	**-**	**-**	**119,504**	**45,642**	**165,146**	**119,504**	**45,642**	**165,146**

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

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%, with exception for Suomen Luotto-osuuskunta, which is valued based on its lowest estimated value of the return of capital after the sale of its subsidiary Nets Oy (previously known as Luottokunta). These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.0 (1.9)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31.12.2014			31.12.2013		
	Effect at an assumed movement			Effect at an assumed movement		
	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets valued via the income statement						
Interest-bearing securities	-	-	-	102	3	-3
Shares and participations	-	-	-	-	-	-
Total	**-**	**-**	**-**	**102**	**3**	**-3**
Financial assets available for sale						
Interest-bearing securities	119,457	3,584	-3,584	47,293	1,419	-1,419
Shares and participations	45,642	9,088	-9,088	53,785	10,331	-10,331
Total	**165,098**	**12,672**	**-12,672**	**101,078**	**11,750**	**-11,750**
Total	**165,098**	**12,672**	**-12,672**	**101,180**	**11,753**	**-11,753**

Set off of financial assets and liabilities	Assets		Liabilities	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Financial assets and liabilities included in general agreements on set off or similar agreements				
Derivative instruments, gross amount	231,302	197,629	113,196	128,595
Set off amount	-	-	-	-
Value recorded in the balance sheet	**231,302**	**197,629**	**113,196**	**128,595**
Amount not set off but included in general agreements on set off or similar				
Derivative instruments	22,438	26,555	22,438	26,555
Collateral assets and liabilities	201,857	173,240	58,596	67,070
Total amount of sums not set off in the balance sheet	**224,295**	**199,795**	**81,034**	**93,625**
Net	**7,007**	**-2,166**	**32,162**	**34,970**

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

G41 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets

31 December 2014	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	G16	395,905	-	-	-	-	395,905
Financial assets available for sale	G18	115,164	236,325	1,638,049	198,128	187,751	2,375,417
Financial assets held until maturity	G19	-	-	426,387	62,122	-	488,509
Derivative instruments	G20	15,002	4,872	143,546	24,992	42,891	231,302
Loans and other receivables	G21	162,503	633,685	1,861,375	1,673,957	2,130,288	6,461,808
Total		**688,574**	**874,882**	**4,069,357**	**1,959,199**	**2,360,931**	**9,952,942**

31 December 2013	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	G16	414,328	-	-	-	-	414,328
Financial assets reported at fair value via income statement	G17	-	-	102	-	-	102
Financial assets available for sale	G18	48,475	189,967	1,613,382	218,611	186,070	2,256,506
Financial assets held until maturity	G19	200	-	419,993	79,074	-	499,267
Derivative instruments	G20	2,659	23,833	131,600	31,478	8,059	197,629
Loans and other receivables	G21	252,667	878,248	1,954,224	1,741,046	2,071,164	6,897,349
Total		**718,330**	**1,092,048**	**4,119,302**	**2,070,209**	**2,265,293**	**10,265,181**

Liabilities

31 December 2014	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G30	4,029,733	422,001	106,170	197,844	-	4,755,748
Derivative instruments	G20	3,477	4,866	80,016	24,836	-	113,196
Debt securities issued	G31	698,638	433,166	2,082,919	-	319,789	3,534,511
Subordinated liabilities	G32	17,926	35,285	156,177	13,151	-	222,539
Other liabilities to credit institutions	G33	-	16,000	48,698	35,069	-	99,767
Other liabilities to the public and public sector entities	G34	72,000	-	-	-	1,852	73,852
Total		**4,821,775**	**911,317**	**2,473,979**	**270,900**	**321,641**	**8,799,611**

31 December 2013	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G30	3,616,395	742,359	244,261	289,967	-	4,892,982
Derivative instruments	G20	4,055	9,635	82,412	29,313	3,180	128,595
Debt securities issued	G31	163,338	700,510	2,428,619	102,463	263,011	3,657,941
Subordinated liabilities	G32	22,460	44,903	152,760	12,076	-	232,199
Other liabilities to credit institutions	G33	-	19,979	57,959	45,586	-	123,524
Other liabilities to the public and public sector entities	G34	80,200	10,000	-	-	2,153	92,353
Total		**3,886,448**	**1,527,386**	**2,966,012**	**479,405**	**268,344**	**9,127,595**

G42 Collateral assets and liabilities

Collateral assets

		The value of security	
Collateral for own liabilities	**Type of security**	**2014**	**2013**
Liabilities to credit institutions	Bonds	67,383	83,351
Total		**67,383**	**83,351**

Liabilities to credit institutions include securities at the European Investment Bank, the nominal value of liabilities is EUR 44 (59) million.
Standardised GMRA (Global Master Repurchase Agreement) rules apply on the repurchase agreements.

Other collateral assets	Type of security	The value of security 2014	2013
Securities pledged at the central bank	Bonds	160,359	272,111
Collateral provided in connection with repurchasing agreements	Bonds	43,000	43,000
Collateral provided in connection with repurchasing agreements	Cash and balances with central banks	19,700	26,650
Total		**223,059**	**341,761**

On 31 December 2014, EUR 60 million was pledged at the central bank as extra collateral.

	2014	2013
Total collateral assets	**290,442**	**425,112**

Collateral held by the bank as security for liabilities that have been received by companies in the same Group		
As of 31 December 2014	-	-
As of 31 December 2013	-	-

For other liabilities

The bank has not provided collateral for other parties.

Collateral liabilities

	Type of security	The value of security 2014	2013
Collateral received in connection with contracts of pledge	Cash and balances with central banks	201,857	173,240
Collateral received in connection with repurchase agreements	Bonds	7,231	53,302
Total		**209,088**	**226,542**

G43 Off-balance sheet commitments

	2014	2013
Guarantees	26,778	31,832
Other commitments provided to a third party	2,140	2,946
Unused credit arrangements	291,485	354,262
Other irrevocable commitments	1,336	2,248
Total	**321,739**	**391,288**

Off-balance sheet commitments, exclude rental commitments.

31 December 2014	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Guarantees	5,977	7,023	9,518	4,061	200	26,778
Other commitments provided to a third party	276	88	1,469	308	-	2,140
Unused credit arrangements	93,015	34,445	4,446	5,140	154,438	291,485
Other irrevocable commitments	197	78	1,061	-	-	1,336
Total	**99,464**	**41,633**	**16,494**	**9,509**	**154,638**	**321,739**

31 December 2013	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Guarantees	7,722	7,372	8,809	5,960	1,970	31,832
Other commitments provided to a third party	531	125	551	259	1,480	2,946
Unused credit arrangements	100,545	148,316	1,391	-	104,009	354,262
Other irrevocable commitments	270	20	1,958	-	-	2,248
Total	**109,067**	**155,833**	**12,710**	**6,219**	**107,460**	**391,288**

G44 Rent commitments

	2014	2013
Less than 1 year	8,401	8,248
1-5 years	20,385	25,994
More than 5 years	381	388
Total	**29,168**	**34,630**

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Relevance principle has been adopted and only significant rent commitments are considered.

G45 Subsidiaries included in consolidated accounts

	2014 Percentage of shares	2014 Percentage of votes	2013 Percentage of shares	2013 Percentage of votes
Financing				
Aktia Real Estate Mortgage Bank plc, Helsinki	51%	70%	51%	70%
Aktia Corporate Finance Ltd, Helsinki	100%	100%	100%	100%
Skärgårdssparbanken Ab, Pargas *)	-	-	100%	100%
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	100%	100%	100%
Securities companies				
Aktia Asset Management Ltd, Helsinki **)	75%	75%	87%	87%
Aktia Invest Ltd, Helsinki **)	-	-	70%	70%
Real estate agency operations				
Aktia Kiinteistönvälitys Oy, Turku	100%	100%	100%	100%
Insurance companies				
Aktia Life Insurance Ltd, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Virkatie 10, Helsinki	-	-	100%	100%
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	100%	100%	100%	100%
Kiinteistö Oy Kantaatti, Turku	100%	100%	100%	100%
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50%	50%	50%	50%
Real estate operations				
Vasp-Invest Ltd, Helsinki	100%	100%	100%	100%
Kiinteistö Oy Pornaisten Säästökulma, Pornainen	100%	100%	100%	100%

Subsiadiaries that have material non-controlling interets	**Operating segment**	**2014 Non-controlling interests' share of shares**	**2014 votes**	**2013 Non-controlling interests' share of shares**	**2013 votes**
Aktia Real Estate Mortgage Bank plc	Banking Business	49%	30%	49%	30%
Aktia Asset Management Ltd **)	Asset Management & Life Insurance	25%	25%		

*) Skärgårdssparbanken Ab was merged with Aktia Bank plc on 1 July 2014
**) Aktia Invest Ltd was merged with Aktia Asset Management Ltd on 1 October 2014.

The non-controlling holdings of Aktia Asset Management of 25% at 31 December 2014 correspond to the non-controlling holdings at the previous year-end in Aktia Asset Management Ltd (13%) and Aktia Invest Ltd (30%). The current organisation of Aktia Asset Management Ltd entered into force as of January 2014. The shareholders' agreement of Aktia Asset Management Ltd is made as an incentive agreement, and the share of non-controlling holdings is recognised under Staff costs in the income statement and under Other liabilities in the balance sheet.

Non-controlling holdings in subsidiaries are subject to restrictions concerning transfer of the shares. Further, Aktia Bank plc has made a commitment to capitalise Aktia Real Estate Mortgage Bank plc.

Summarised financial information (before inter-company eliminations)	**Aktia Real Estate Mortgage Bank plc 2014**	**Aktia Real Estate Mortgage Bank plc 2013**	**Aktia Asset Management Ltd 2014**
Profit for the year	5,154	378	3827
attributabel to non-controlling interest	2,532	186	957
Total comprehensive income for the year	5,387	909	3827
attributabel to non-controlling interest	2,647	446	957
Assets	2,232,138	3,045,028	11,156
Liabilities	2,095,915	2,913,615	4,473
Net assets	136,224	131,413	6,683
attributabel to non-controlling interest	66,941	64,583	1,671

	Aktia Real Estate Mortgage Bank plc		Aktia Asset Management Ltd
	2014	2013	2014
Cash flow from operating activities	160,144	48,025	3,054
Cash flow from investing activities	-13	-	-1
Cash flow from financing activities	-9,576	-13,353	-505
Net change in cash and cash equivalents	150,555	34,672	2,548
Dividens paid to non-controlling interest	283	665	581

See note G46 for transactions with subsidiaries.

G46 Related-party transactions

Close relations include key persons in management positions and close family members and companies that are under the dominating influence of a key person in management position. The Aktia Group's key persons refer to Aktia Bank plc's Board of Supervisors and Board of Directors as well as MD and deputy MD and other members in the Group's executive management.

Key Management personnel compensation	**2014**	**2013**
Fixed compensation; salary, fees and benefits in kind *)	1,242	1,325
Variable compensation based on results **)		
Result-based salary	115	115
Share-based payment	792	509
Total	**2,148**	**1,949**

*) Including salaries and benefits in kind such as car and phone

**) Payments in accordance with the long-term incentive programme for executive management during the financial year

Compensation to Executive Management	**2014**			**2013**		
	Salary and fees	**Statutory pension costs**	**Cost for voluntary supplemen-tary pension (IFRS)**	**Salary and fees**	**Statutory pension costs**	**Cost for voluntary supplemen-tary pension (IFRS)**
Jussi Laitinen, Managing Director	701	58	132	538	58	128
Jarl Sved, Deputy Managing Director	330	40	190	282	37	122
Executive Management excl. Managing Director and Deputy Managing Director 1)	1,117	159	171	1,129	151	164
Total	**2,148**	**257**	**492**	**1,949**	**245**	**414**
Compensation to the Board of Directors and the Board of Supervisors						
Members of the Board of Directors 2)						
Dag Wallgren, Chairman	66	11	-	64	11	-
Nina Wilkman, Vice Chairman	46	8	-	43	7	-
Sten Eklundh	39	7	-	39	7	-
Hans Frantz	35	6	-	33	6	-
Kjell Hedman	34	6	-	32	5	-
Catharina von Stackelberg-Hammarén	31	5	-	28	5	-
Arja Talma (from 7 May 2013)	35	6	-	18	3	-
Jannica Fagerholm (1 January - 26 February 2013)	-	-	-	5	1	-
Nils Lampi (1 January - 12 March 2013)	-	-	-	10	2	-
Total	**284**	**49**	**-**	**274**	**46**	**-**
Members of the Board of Supervisors 3)						
Håkan Mattlin, Chair	27	5	-	33	6	-
Christina Gestrin, Deputy Chair	13	2	-	17	3	-
Patric Lerche, Deputy Chair	14	2	-	17	3	-
Jorma J. Pitkämäki, Deputy Chair	13	2	-	7	1	-
Jan-Erik Stenman, Deputy Chair	12	2	-	16	3	-
Henrik Sundbäck, Deputy Chair	14	2	-	17	3	-
Lorenz Uthardt, Deputy Chair (until 7 April 2014)	1	0	-	17	3	-
Bo-Gustav Wilson, Deputy Chair	14	2	-	17	3	-
Members	157	27	-	178	29	-
Total	**262**	**45**	**-**	**321**	**53**	**-**
Total compensation to Executive Management, the Board of Directors and the Board of Supervisors	**2,694**	**350**	**492**	**2,544**	**345**	**414**

1) The other members of the Executive Management are deputy MD Taru Narvanmaa, Director and CRO Juha Hammarén, Director Carl Pettersson, Director and CFO Fredrik Westerholm and Director Magnus Weurlander.

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 12 and 15 months. The Managing Director can retire at the age of 63 and the Deputy Managing Director can retire at the age of 60.

2) 25% (2013: 15%) of the Board of Directors' annual remuneration was paid in the form of Aktia A shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2014, the members of the Board of Supervisors acquired Aktia A shares corresponding 30 (25)% of their annual remuneration from the Stock Exchange at market price.

Shareholding

At the end of 2014, the Group's key personnel held a total of 246,781 series A shares and 28,566 series R shares in Aktia Bank plc. This represents 0.7% of the total number of shares and 0.2% of votes.

At the end of 2013, the Group's key personnel held a total of 207,215 series A shares and 28,566 series R shares in Aktia Bank plc. This represents 0.6% of the total number of shares and 0.2% of votes.

Related-party transactions 2014	Subsidiaries	Associated companies	Key personnel
Credits and guarantees	191,183	-	4,099
Deposits	125,998	4 ,368	6,102
Receivables	4,887	-	-
Liabilities	21,461	-	-
Services bought	-	14,062	310

Related-party transactions 2013	Subsidiaries	Associated companies	Key personnel
Credits and guarantees	369,050	-	3,936
Deposits	92,778	6,759	5,039
Receivables	12,056	-	-
Liabilities	32,239	-	-
Services bought	-	16,783	-

Income and expenses from other activities	2014	2013
Group contribution to Aktia Corporate Finance Ltd from Group's wholly-owned subsidiaries	-	1,780
Group contribution to Aktia Fastighetsförmedling Ab from Group's wholly-owned subsidiaries	1,100	1,300
Total	**1,100**	**3,080**

Lending to close relations is on the normal customer conditions, with the normal evaluation of the debtor risk and with the same security requirement and with the same requirement on return as applies to the bank's customers in general.

G47 Defined benefit pension plans

In addition to statutory pensions, Aktia has defined-benefit pension plans for members of the Executive Committee and some key persons in management as well as for employees who were members of Savings Banks' Pension Fund (Sparbankernas Pensionskassa) when the pensions fund was closed down 31 December 1993. The retirement age of members of the Execituve Committee and key persons in management is between 60 and 63. On reaching retirement age, they receive a pension of 60% of the pensionable salary.

Assets in the insurance plan show the insurance company's liability of the obligations, and they are determined using the same discount rate as for the obligation. The insurance plan in regulated by local laws and other legal rules. Thus the company's liability only includes the effect of changes on the discount rate and pay increases on net benefit liability. The insurance company carries the total risk of pension increases.

The assets comprise 100% qualifying insurance policies.

	2014	2013
Current service cost	-583	-480
Amendments	-	-260
Net interest	-69	-57
Expense recognised in income statement	**-652**	**-796**
Remeasurements in total comprehensive income	424	-86
Total comprehensive income before taxes	**-228**	**-882**
Present value of obligation 1 January	**8,922**	**8,757**
Current service cost	583	480
Amendments	-	260
Interest cost	278	271
Actuarial gains (-) / losses (+) from experience adjustments	-1,563	-225
Actuarial gains (-) / losses (+) from changes in financial assumption	2,183	-297
Actuarial gains (-) / losses (+) from changes in demographic assumptions	-	-
Settlements	-1,096	-
Benefits paid	-180	-325
Present value of obligation 31 December	**9,127**	**8,922**
Fair value of plan assets 1 January	**6,445**	**6,610**
Interest income	210	215
Return on plan assets excluding amount included in interest expense / income	1,044	-607
Settlements	-1,096	-
Benefits paid	-180	-325
Contributions by employer	290	554
Fair value of plan assets 31 December	**6,712**	**6,445**
Present value of obligation	9,127	8,922
Fair value of plan assets	-6,712	-6,445
Liability recognised in balance sheet 31 December	**2,414**	**2,476**
Liability recognised in balance sheet 1 January	**2,476**	**2,148**
Expense recognised in income statement	652	796
Contributions	-290	-554
Additional expense (+) to local GAAP	362	243
Remeasurements in total comprehensive income	-424	86
Liability recognised in balance sheet 31 December	**2,414**	**2,476**
Actuarial assumptions		
Discount rate, %	1.86%	3.12%
Rate of salary increase, %	3.00%	3.00%
Rate of benefit increase, %	0.00%	0.00%
Sensitivity analysis - net liability		
The following table show how the changes in assumptions used affect to the net liability (EUR)		
Discount rate 3.12%	2,414	2,476
Change in discount rate +0.50%	-240	-254
Change in discount rate -0.50%	276	275
Salary increase 3.00%	2,414	2,476
Change in salary increase +0.50%	232	283
Change in salary increase -0.50%	-223	-284

The duration is 18 years according to the weighted average of the obligation.

The Group is expected to pay approximately EUR 0.6 million contributions to the defined benefit plans during 2015.

G48 Share Based incentive scheme

Share Based Incentive scheme

The Managing Director, other members of the Executive Committee as well as certain key persons are included in a share-based incentive scheme. The incentive scheme has been prepared in accordance with regulations concerning remuneration schemes in the financial sector, and the reward will be paid partly as A shares in Aktia Bank plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person.

Key persons are obliged to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain their shares as long as they are employed in the Group. The maximum reward paid out through the share-based incentive schemes may amount to a maximum of 801,200 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

The share-based incentive schemes are based on earnings criteria and cover four earning periods: the calendar years 2011–2012, 2012–2013, 2013–2014 and 2014–2015. The earnings criteria are based on the development of the Aktia Group's cumulated adjusted equity (NAV) (50% weighting) and of the Group's total net provision and insurance income in the earning period (50% weighting).

The potential reward for each earning period will be paid out in four instalments after each earning period. The reward is paid in the form of shares and in cash. The Board of Directors has stipulated a maximum level of reward per key person. In general, the reward is not paid to a key person who is no longer employed by the Aktia Group at the time of payment of rewards.

The earning period 2011 - 2012	**2014**	**2013**	**2012**	**2011**
Basic information				
Max. number of shares	38,819	58,500	112,500	120,000
Sum in cash corresponding max. number of shares	38,819	58,500	112,500	120,000
Decision date	22.6.2011	22.6.2011	22.6.2011	22.6.2011
Earning period starts	1.1.2011	1.1.2011	1.1.2011	1.1.2011
Earning period ends	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Number of persons on the decision date	9	9	9	10
Rate of A share on the decision date, EUR	6.03	6.03	6.03	6.03
Rate of A share at the end of the accounting period, EUR	9.77	8.10	5.80	4.88

The earning period 2012 - 2013	**2014**	**2013**	**2012**	**2011**
Basic information				
Max. number of shares	57,000	130,000	137,500	-
Sum in cash corresponding max. number of shares	57,000	130,000	137,500	-
Decision date	8.5.2012	8.5.2012	8.5.2012	-
Earning period starts	1.1.2012	1.1.2012	1.1.2012	-
Earning period ends	31.12.2013	31.12.2013	31.12.2013	-
Number of persons on the decision date	11	11	12	-
Rate of A share on the decision date, EUR	5.25	5.25	5.25	-
Rate of A share at the end of the accounting period, EUR	9.77	8.10	5.80	-

The earning period 2013 - 2014	**2014**	**2013**	**2012**	**2011**
Basic information				
Max. number of shares	120,000	137,500	-	-
Sum in cash corresponding max. number of shares	120,000	137,500	-	-
Decision date	19.6.2013	19.6.2013	-	-
Earning period starts	1..1.2013	1.1.2013	-	-
Earning period ends	31.12.2014	31.12.2014	-	-
Number of persons on the decision date	13	14	-	-
Rate of A share on the decision date, EUR	6.88	6.88	-	-
Rate of A share at the end of the accounting period, EUR	9.77	8.10	-	-

The earning period 2014 - 2015	**2014**	**2013**	**2012**	**2011**
Basic information				
Max. number of shares	137,500	-	-	-
Sum in cash corresponding max. number of shares	137,500	-	-	-
Decision date	28.1.2014	-	-	-
Earning period starts	1.1.2014	-	-	-
Earning period ends	31.12.2015	-	-	-
Number of persons on the decision date	13	-	-	-
Rate of A share on the decision date, EUR	8.35	-	-	-
Rate of A share at the end of the accounting period, EUR	9.77	-	-	-

Share Ownership Scheme

In addition to the share-based incentive schemes key persons are enabled to also receive a conditional reward based on the acquisition of A shares when the incentive scheme is implemented. The conditional reward will be paid to key persons after the earning period, and will take the form of both cash and shares, provided that the key person is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of rewards.

Share ownership scheme 2011	**2014**	**2013**	**2012**	**2011**
Basic information				
Max. number of shares	54,600	62,600	46,600	33,200
Sum in cash corresponding max. number of shares	54,600	62,600	46,600	33,200
Decision date	28.2.2013/ 8.5.2012/ 22.6.2011	28.2.2013/ 8.5.2012/ 22.6.2011	8.5.2012/ 22.6.2011	22.6.2011
Earning period starts	30.4.2013/ 30.6.2012/ 31.8.2011	30.4.2013 / 30.6.2012 / 31.8.2011	30.6.2012/ 31.8.2011	31.8.2011
Earning period ends	30.4.2016	30.4.2016	30.4.2016	30.4.2016
Number of persons on the decision date	13	14	11	8
Rate of A share on the decision date, EUR	7.18/5.25/6.03	7.18/5.25/6.03	5.25/6.03	6.03
Rate of A share at the end of the accounting period, EUR	9.77	8.10	5.80	4.88
Share ownership scheme 2014				
Basic information				
Max. number of shares	69,000	-	-	-
Sum in cash corresponding max. number of shares	69,000	-	-	-
Decision date	28.1.2014	-	-	-
Earning period starts	1.1.2014	-	-	-
Earning period ends	31.12.2016	-	-	-
Number of persons on the decision date	22	-	-	-
Rate of A share on the decision date, EUR	8.35	-	-	-
Rate of A share at the end of the accounting period, EUR	9.77	-	-	-
Impact of share-based payments on the company's result and financial position				
Accounting period expenses from share-based payments, income statement	854	1,652	1,947	341
of which recorded as liability 31 December	2,936	2,331	1,171	156
of which recorded as fund for share-based payments 31 December	1,858	1,608	1,116	185

G49 The customer assets being managed

Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.

Customer assets being managed	**2014**	**2013**
Funds in discretionary asset management services	4,528,618	3,922,117
Funds within the framework of investment advising according to a separate agreement	4,737,030	3,932,319
Total	**9,265,648**	**7,854,435**

PS savings

The act governing long-term savings agreements entered into force 1 January 2010. As service provider, Aktia Bank plc offers this form of saving for private customers since 1 April 2010. The pension saving comprises a bank account, investments in mutual funds, bonds and shares.

Customer assets witin PS savings	**2014**	**2013**
PS Savings account	47	50
PS Deposit	62	52
Total	**109**	**102**

Customers' PS investments	2014	2013
Investments in mutual funds	3,842	2,745
Shares	142	109
Total	**3,983**	**2,854**

G50 Business acquired

Businesses acquired during the reporting period

On 23 December 2013 Aktia Bank plc and Vöyrin Säästöpankki Oy signed the final agreement on the merger of Vöyrin Säästöpankki and Aktia Bank. The transaction was implemented as conveyance of the banking business operations of Vöyrin Säästöpankki to Aktia Bank on 2 June 2014, on which Vöyrin Säästöpankki was transformed into a foundation (Vöyrin Säästöpankkisäätiö).

In this transaction, the unencumbered value of Vöyrin Säästöpankki's business operations is estimated to approximately EUR 12 million. The transaction had no significant effect on Aktia Bank's result and key figures.

Trasfer of banking business to Aktia Bank plc on 2 June 2014

Cash and balances with central banks	202
Lending to Bank of Finland and other credit institutions	33,556
Lending to the public and public sector entities	31,701
Financial assets available for sale	800
Shares and participations	0
Other tangible assets	6
Other assets	3,167
Accrued income and advance payments	175
Deferred tax receivables	0
Total assets	**69,606**
Liabilities to credit institutions	547
Liabilities to the public and public sector entities	56,446
Other liabilities	512
Accrued expenses and income received in advance	295
Total liabilities	**57,800**
Acquisition price	**11,805**

G51 Events after the end of the year

Aktia Bank plc has on 26 February 2015 divested further 24 per cent of its holdings in Folksam Non-Life Insurance Ltd to Folksam General. Following the divestment. Aktia Bank's ownership in Folksam Non-Life Insurance decreases to 10 per cent. The ownership of shares is transferred on 3 March 2015 when the transaction price EUR 14.1 million is paid for the shares. The estimated total effect of the transaction on the Bank Group's equity is negative, amounting to EUR -2.7 million, of which approximately EUR -0.4 milion will burden the operating profit for the first quarter of 2015.

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

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

Income statement – Aktia Bank plc

(EUR 1,000)	Note	2014	2013
Interest income		125,557	121,513
Interest expenses		-32,547	-14,333
Net interest income	P2	93,010	107,181
Income from equity instruments	P3	52,947	3,116
Commission income		66,498	54,654
Commission expenses		-8,158	-5,754
Net commission income	P4	58,340	48,900
Net income from securities and currency trading	P5	-605	-756
Net income from financial assets available for sale	P6	6,262	7,363
Net income from hedge accounting	P7	-465	84
Net income from investment properties	P8	2	647
Other operating income	P9	3,684	6,659
Staff costs	P10	-57,094	-54,927
Other administrative expenses	P11	-38,888	-47,253
Total administrative expenses		-95,982	-102,180
Depreciation of tangible and intangible assets	P12	-6,010	-3,917
Other operating expenses	P13	-20,871	-22,640
Write-downs on credits and other commitments	P14	-2,012	-2,777
Operating profit		**88,301**	**41,678**
Appropriations		-18,810	-19,500
Taxes	P15	-3,222	-8,009
Profit for the year		**66,269**	**14,169**

Balance sheet – Aktia Bank plc

(EUR 1,000)	Note	2014	2013
Assets			
Cash and balances with central banks		395,904	412,646
Bonds eligible for refinancing with central banks	P16, P19	2,325,385	2,305,759
Claims on credit institutions	P17	199,641	409,874
Receicables from the public and public sector entities	P18	4,467,299	3,868,892
Bonds from public sector entities		133,499	72,444
Total bonds	P19	133,499	72,444
Shares and participations	P20	142,872	151,534
Derivative instruments	P21	196,699	160,143
Intangible assets	P22	34,588	19,292
Investment properties and shares and participations in investment properties		78	-
Other tangible assets		3,730	2,989
Tangible assets	P23	3,808	2,989
Other assets	P24	6,917	7,927
Accrued income and advance payments	P25	95,219	111,956
Deferred tax receivables	P26	11,788	14,968
Total assets		**8,013,621**	**7,538,423**
Liabilities			
Liabilities to credit institutions	P27	881,020	1,040,595
Borrowing		4,037,353	3,779,202
Other liabilities		73,852	92,316
Liabilities to the public and public sector entities	P28	4,111,205	3,871,518
Debt securities issued to the public	P29	1,979,062	1,574,774
Derivatives and other liabilities held for trading	P21	136,545	156,731
Other liabilities	P30	37,490	56,139
Provisions	P31	3,549	6,367
Total other liabilities		41,039	62,506
Accrued expenses and income received in advance	P32	85,198	105,478
Subordinated liabilities	P33	222,539	225,759
Deferred tax liabilities	P34	10,134	10,144
Other liabilities		**7,466,742**	**7,047,505**
Accumulated appropriations		161,550	142,740
Equity			
Share capital		163,000	163,000
Fund at fair value		40,536	40,577
Restricted equity		203,536	203,577
Unrestricted equity reserve		115,030	128,434
Retained earnings		16,167	27,389
Dividend to shareholders		-27,963	-27,000
Transfer from retained earnings to unrestricted equity		13,405	-
Change in share-based payments		249	1,608
Acquisistion of treasury shares		-1,364	0
Profit for the year		66,269	14,169
Unrestricted equity		181,793	144,601
Total equity	P35	**385,329**	**348,178**
Total liabilities and equity		**8,013,621**	**7,538,423**

Off-balance-sheet commitments for the parent company – Aktia Bank plc

(EUR 1,000)	Note	2014	2013
Off-balance sheet commitments	P40		
Guarantees and pledges		26,798	31,688
Other		2,140	2,882
Commitments provided to a third party on behalf of the customers		28,938	34,570
Unused credit arrangements		944,137	701,041
Irrevocable commitments provided on behalf of customers		944,137	701,041
Total		**973,076**	**735,611**

Cash flow statement – Aktia Bank plc

(EUR 1,000)	2014	2013
Cash flow from operating activities		
Operating profit	88,301	41,678
Adjustment items not included in cash flow for the period	-13,349	-22,601
Paid income taxes	-515	-23,138
Increase (-) or decrease (+) in receivables from operating activities	**-373,292**	**-827,296**
Financial assets available for sale	-74,009	-519,483
Financial assets held until maturity, increase	-	-61,644
Financial assets held until maturity, decrease	-	10,114
Claims on credit institutions	203,761	334,210
Receicables from the public and public sector entities	-559,380	-591,268
Other assets	56,335	775
Increase (+) or decrease (-) in liabilities from operating activities	**328,422**	**747,573**
Liabilities to credit institutions	-158,802	-452,496
Liabilities to the public and public sector entities	181,809	69,387
Debt securities issued to the public	344,415	1,117,465
Other liabilities	-39,000	13,217
Total cash flow from operating activities	**29,567**	**-83,784**
Cash flow from investing activities		
Equity returns	-	375
Investments in group companies and associated companies	-11,805	-7,040
Proceeds from sale of group companies and associated companies	-	642
Investments in tangible and intangible assets	-21,992	-10,488
Proceeds from sale of tangible and intangible assets	2	1,373
Total cash flow from investing activities	**-33,795**	**-15,138**
Cash flow from financing activities		
Subordinated liabilities, increase	64,144	85,683
Subordinated liabilities, decrease	-67,359	-111,025
Acquisition of treasury shares	-1,364	-
Paid dividends	-27,963	-27,000
Total cash flow from financing activities	**-32,542**	**-52,342**
Change in cash and cash equivalents	**-36,770**	**-151,263**
Cash and cash equivalents at the beginning of the year	449,273	600,537
Cash and cash equivalents at the end of the year	412,505	449,273
Cash and equivalents transferred in connection with merger	1	-
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,967	7,697
Bank of Finland current account	387,937	404,949
Repayable on demand claims on credit insitutions	16,600	36,628
Total	**412,505**	**449,273**
Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	306	-
Write-downs on credits and other commitments	2,012	2,777
Change in fair values	1,824	1,911
Depreciation and impairment of intangible and tangible assets	6,010	3,917
Sales gains and losses from tangible and intangible assets	0	-764
Unwound cash flow hedging	-5,416	-15,392
Unwound fair value hedging	-15,903	-15,903
Change in provisions	-2,818	-483
Change in share-based payments	854	1,335
Other adjustments	-218	-
Total	**-13,349**	**-22,601**

Notes to the parent company's financial statements

P1 The parent company's accounting principles

The parent company Aktia Bank plc's financial statement is prepared in compliance with Finnish accounting standard (FAS), the statutes of the Finnish Accounting Act and the Credit Institutions Act, the ordinance issued by the Ministry of Finance on financial statements, consolidated financial statements and reports by the board of directors for credit institutions (150/2007) as well as Regulations and guidelines 1/2013, Accounting, financial statements and management report issued by the Financial Supervisory Authority.

Information about business segments in the parent company is not relevant. The Group's segment reporting is presented in note G3.

Foreign currency translation

Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency trading.

Revenue and expenses recognition

Interest and dividends

Interest income and expenses are periodised according to the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity. Interest income and interest expenses attributable to Financial assets held for trading are reported in the income statement as Net income from securities and currency trading.

When a financial asset is impaired due to a reduction in value, the original effective interest rate is used when calculating interest income.

Dividends paid on shares and participations are reported as income for the reporting period during which the right to receive payment is noted.

Commissions

Commission income and expenses are generally reported in accordance with the accruals convention.

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

Depreciation

Tangible and intangible assets are subject to linear planned depreciation, according to the financial lifetime of the assets. As a rule, the residual value of these tangible and intangible assets is assumed to be zero. There is no depreciation of land areas. The estimated financial lifetimes for each asset category are as follows:

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–7 years

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be used.

Financial assets and liabilities

Financial assets reported at fair value via the income statement include financial assets which are held for trading. This category includes debt certificates, shares and participations that are actively traded with and that have been acquired for the short term with the intent to earn revenue. They have continuously been entered at fair value with changes in value entered in the income statement. Structured bonds and investments with embedded derivatives are classified as financial assets held for trading, which means that changes in value are recognised directly in the income statement.

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category Financial assets available for sale. The unrealised value change is recognised in equity in the Fund at fair value with deductions for deferred tax until sold or impaired. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and included in Net income from financial assets available for sale.

Debt certificates to be held until maturity are reported in the category Financial assets held until maturity. These securities are entered at accrued acquisition cost. If there is objective evidence to suggest that full repayment will not be received on such a security at the end of the reporting period, the difference compared with the acquisition price is entered as an expense. The difference between the acquisition price and the nominal value has been periodised as interest income or loss of it. If securities classified as Financial assets held until maturity are sold prior to maturity, these securities are reclassified as Financial assets available for sale. The reason for the reclassification is that the intention or ability in relation to the investments (a significant amount) changes so that the conditions for the use of this category are no longer met. After any such reclassification, these securities are reported as Financial assets available for sale for at least two consecutive reporting periods.

Receivables from credit institutions and receivables from the public and public sector entities are reported in the category Loans and other receivables. These receivables are entered at accrued acquisition value.

Liabilities to credit institutions, liabilities to the public and public sector entities and debt securities to the public are reported in the category Financial liabilities. Financial liabilities are included in the balance sheet at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value. In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

Reclassification

Financial assets, excluding derivatives, held for sale may be reclassified to assets held until maturity if Aktia intends and has the opportunity to hold the financial assets for the foreseeable future or until maturity. At the time of reclassification, the assets to be reclassified shall comply with the definitions of the category to which they are reclassified. A prerequisite for reclassification to the category Financial assets held until maturity is that Aktia has changed the purpose of the holdings and has the opportunity to hold the financial assets until maturity.

Reclassification is made at fair value at the time of reclassification. As fair value will be the original acquisition cost or accrued acquisition cost.

Securities to be reclassified from financial assets available for sale to financial assets held until maturity shall be pledgeable with the central bank and have good creditworthiness. When reclassified the financial assets shall fulfil the minimum rating of Aa3/AA-.

Valuation of financial instruments at fair value

The fair value of listed shares and other financial instruments that are traded on an active market is based on the latest listed purchase price. Should the listed price of a financial instrument not represent actual market transactions occurring with regularity, or if listed prices cannot be obtained, the fair value is established with an appropriate valuation technique. The valuation techniques may vary from a simple analysis of discounted cash flows to complex option valuation models. The valuation models have been drawn up so that observable market prices and rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

Impairment of financial assets

The impairment of Financial assets available for sale is recognised through the income statement if the financial position of the company in which the investment has been made has deteriorated significantly. The criteria are as follows:

- the company has entered into bankruptcy or is de facto insolvent and unable to make payments
- the company has entered into a corporate reorganisation agreement, or has sought protection against its creditors, or is undergoing significant restructuring which affects creditors.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the market value and the acquisition value at the time of reporting. If no market value is available, or if there are specific reasons for assuming that the market value does not represent the fair value of the security, or if the Group holds a controlling stake in the company, a decision is made on reporting an impairment in accordance with a separate assessment made by the Board of Directors.

In addition to default, interest-bearing securities are reviewed individually to assess the need for write-downs if the price of the security has fallen by more than 50% and the instrument rating has fallen below investment grade (BB+, Ba1 or lower).

For shares and share fund investments, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. A significant drop has occurred if the difference between the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) and the acquisition value exceeds certain volatility-based limits. Volatility is quantified using betas which measure the riskiness of the shares in relation to the market (a comparison index). For share funds, this index is the same as the share fund's ascribed comparison index. For individual shares, the index is a combination of an industry index and a geographic exposure index. The weighting for these two indices is calculated separately for each share by applying the change in value for historic data and maximising the share-index correlation. The same method is used for the bank's Value-at-Risk calculation.

A long-term drop has occurred if the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) has been continuously below the acquisition value for 18 months.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the fair value at the time of reporting and the acquisition value.

Write-downs of loans and other receivables

Write-downs of loans and other receivables are entered individually and in groups. A write-down is entered individually if there is objective evidence that the customer's ability to pay has been weakened after the receivable was originally entered in the balance sheet. Objective evidence exists where the debtor is experiencing significant financial difficulties, a breach of contract such as delayed payment of interests or capital occurs, concessions are granted for financial or legal reasons which the lender had not otherwise considered, the debtor enters bankruptcy or other financial restructuring.

The value of the receivable has been weakened if the estimated incoming cash flow from the receivable, with regard to the fair value of the security, is less than the sum of the book value of the receivable and the unpaid interest on the receivable. The estimated incoming cash flow is discounted by the credit's original effective interest rate. If the credit has a variable interest rate, the interest rate in the agreement is used as discount rate at the time of review. The write-down is entered as the difference between the lower current value of the recoverable cash flow and the book value of the credit.

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in underlying credit portfolios. The write-down is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. The need for write-downs is assessed taking into account changes in credit quality and security values that are expected to occur within 12 months, whereas the size of the write-down is determined taking the whole lifetime of the portfolios into account.

As of 2014, the above mentioned principle is applied also in assessment write-downs by group related to larger corporate customers.

Accounting for the acquisition and disposal of financial assets

When acquiring or selling financial assets, these are entered in accordance with the trade date.

Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments.

Derivative instruments are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedging or cash flow hedging according to the following accounting principles.

Hedge accounting

All derivatives are valued at fair value. Aktia Bank has documented hedge accounting either as fair value hedging or cash flow hedging. Aktia applies the 'carve out' version as approved by the European Union for hedge accounting. The EU's 'carve out' for macro hedging enables combinations of groups of derivatives (or proportions thereof) to be used as hedging instrument which eliminates certain restrictions for hedging strategies for fair value in the hedging of borrowing and under-hedges. Aktia applies the EU's 'carve out' hedging to Balance items repayable on demand i.e. to portfolio hedging of demand deposit accounts and savings accounts. The aim is to neutralise the potential changes in fair value of assets and liabilities, and to stabilise the bank's net interest income.

Aktia Bank's policy for hedge accounting is that the hedging relationship between the hedging instrument and the hedged item, along with the risk management aim and the strategy, are documented when hedging. In order to apply hedge accounting, the hedge must be highly efficient. A hedge is deemed to be highly efficient if, at the time of hedging and throughout the entire hedging period, it can be expected that changes in the fair value of the hedge item will be significantly neutralised by changes in the fair value of the hedging instrument. The outcome should be within the range of 80-125%. When subsequently assessing the efficiency of the hedging, Aktia values the hedging instrument at fair value and compares the change in this value with the change in the fair value of the hedged item. The efficiency is measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 per cent match, the ineffective part is reported in the income statement as Net income from financial transactions.

If the hedging relationship fails to meet the above requirements, the hedge accounting ceases. The change in the unrealised value of the derivative is reported at fair value in the income statement as Net interest income with effect from the time when the hedging was latest deemed to be efficient.

Fair value hedging

Fair value hedging is applied for derivatives which are used in order to hedge changes in fair value for a reported asset or liability which is attributable to a specific risk. The risk of changes in fair value for assets and liabilities reported by Aktia Bank relates primarily to loans, securities and fixed-interest borrowing, giving rise to interest rate risk.

Changes in the fair value of derivatives are, like changes in the fair value of the hedged item, reported separately in the income statement as Net income from hedge accounting. If the hedging is efficient, both changes in fair value mostly cancel each other out, which means that the net result is virtually zero. In the balance sheet, the change in value of the hedged item is reported as adjusted value of the hedged balance sheet item. Interest rate swaps and forward rate agreements are used as hedging instruments.

Fair value hedging is no longer applied in the following situations:

- the hedging instrument expires, is sold, unwound or revoked
- the hedge no longer qualifies for hedge accounting
- hedging is discontinued

When hedging ceases, accumulated profit or loss adjusting the value of the item hedged, is periodised in the income statement. Periodisation is made over the hedged item's remaining period until maturity or over the unwound hedging instrument's original lifetime.

Cash flow hedging

Cash flow hedging is applied in order to hedge future interest streams, such as future interest payments on assets or liabilities with variable interest rate. The efficient element of the year's change in fair value this year is reported in equity in the Fund at fair value with deductions for deferred tax and the inefficient element in the income statement as Net income from hedge accounting. The accumulated change in fair value is transferred from Cash flow hedging in shareholders' equity to the income statement during the same period as the hedged cash flows have an impact on the income statement. Interest rate swaps, forward rate agreements and interest rate options are used as hedging instruments.

When interest rate options are used as hedging instruments, only their intrinsic value is included in hedge accounting. The change in time value for interest rate options is reported through the income statement.

Cash flow hedging ceases in the same situations as fair value hedging. When cash flow hedging ceases, but an inward cash flow is expected, accumulated profit or loss concerning the hedging instrument is reported as separate item in shareholders' equity. Accumulated profit or loss is then reported in the income statement under the same periods as previously hedged interest streams are reported in the income statement.

Other derivative instruments valued through the income statement (hedged back-to-back with third parties)

Other derivative instruments consist primarily of interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties. These interest-rate derivatives are valued at fair value, and the change in result is recognised in Net income from securities. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks. Individual security arrangements are made with third parties in accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

Financial derivatives valued at fair value through the income statement

Derivatives which are not classified as hedging instruments and which are not efficient as such are classified as derivatives valued at fair value through the income statement.

Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Derivatives are entered in the balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value, together with profits and losses realised, are reported in the income statement and are included in Net income from securities.

Repurchase agreements

Repurchase agreements relate to agreements where the parties have reached an agreement on selling securities and the subsequent repurchase of corresponding assets at a set price. For repurchase agreements, sold securities are still reported in the balance sheet, and the payment received is reported as a financial liability. Sold securities are also reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

Cash and balances with central banks

Cash and balances with central banks consist of cash, bank balances, a current account held with the Bank of Finland and short-term deposits with a duration of less than three months. Loans to credit institutions repayable on demand are included in Loans and other receivables. Cash and cash equivalents in the cash flow statement include cash and balances with central banks, and loans to credit institutions repayable on demand.

Tangible and intangible assets

Real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Company. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If only part of the premises is used by the Company, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their original acquisition value. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. Planned depreciation is based on the financial lifetime of the assets.

Provisions

A provision is reported where the bank has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the Group can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation.

Equity

Dividend payments to shareholders are reported in shareholders' equity when the annual general meeting decides on the pay-out.

Notes to the income statement – Aktia Bank plc

(EUR 1,000)

P2 Net interest income

	2014	2013
Interest income		
Claims on credit institutions	6,111	10,289
Receivables from the public and public sector entities	76,424	65,546
Bonds	41,394	44,281
Derivatives	70	-23
Other interest income	1,559	1,420
Total	**125,557**	**121,513**
Interest expenses		
Liabilities to credit institutions	-3,062	-9,793
Other liabilities to the public and public sector entities	-29,683	-31,374
Debt securities issued to the public	-29,312	-10,997
Derivatives and liabilities held for trading	40,447	47,563
Subordinated liabilities	-6,598	-8,881
Other interest expenses	-4,339	-851
Total	**-32,547**	**-14,333**
Net interest income	**93,010**	**107,181**

P3 Income from equity instruments

	2014	2013
Group companies	52,501	2,765
Associated companies	338	260
Equity instruments available for sales	108	91
Total	**52,947**	**3,116**

P4 Net commission income

	2014	2013
Commission income		
Lending	11,888	7,378
Borrowing	1,724	1,614
Card- and payment services	20,564	18,564
Mutual funds, asset management and securities brokerage	16,078	14,726
Brokerage of insurance	8,496	8,060
Guarantees and other off-balance sheet commitments	530	548
Other commission income	7,219	3,764
Total	**66,498**	**54,654**
Commission expenses		
Money handling	-1,852	-729
Card- and payment services	-2,614	-2,536
Securities and investments	-1,182	-1,787
Other commission expenses	-2,510	-701
Total	**-8,158**	**-5,754**
Net commission income	**58,340**	**48,900**

P5 Net income from securities and currency trading

	2014	2013
Interest-bearing securities		
Capital gains and losses	1	2
Total	**1**	**2**
Derivative instruments		
Capital gains and losses	-1,657	-2,179
Total	**-1,657**	**-2,179**
Other		
Capital gains and losses	-2	-6
Total	**-2**	**-6**
Total		
Capital gains and losses	-1,658	-2,183
Net income from securities trading	**-1,658**	**-2,183**
Net income from currency trading	1,053	1,427
Net income from securities and currency trading	**-605**	**-756**

P6 Net income from financial assets available for sale

	2014	2013
Interest-bearing securities		
Capital gains and losses	1,124	-1,358
Transferred to income statement from fund at fair value	3,008	5,917
Total	**4,132**	**4,559**
Shares and participations		
Capital gains and losses	2,436	2,804
Impairments	-306	-
Total	**2,130**	**2,804**
Total		
Capital gains and losses	3,560	1,446
Transferred to income statement from fund at fair value	3,008	5,917
Impairments	-306	-
Total	**6,262**	**7,363**

P7 Net income from hedge accounting

	2014	2013
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-4,360	-12,707
Financial derivatives hedging issued bonds	62,332	886
Changes in fair value of hedge instruments, net	57,972	-11,821
Repayable on demand liabilities	3,817	11,901
Bonds issued	-62,254	4
Changes in fair value of items hedged, net	-58,437	11,905
Total	**-465**	**84**
Total hedge accounting	**-465**	**84**

P8 Net income from investment properties

	2014	2013
Rental income	1	6
Capital gains	-	685
Other income	1	-
Other expenses	-	-44
Total	**2**	**647**

P9 Other operating income

	2014	2013
Income from central bank services	1,227	1,272
Internal Group compensations	327	2,937
Internal Group merger and sales gains	359	-
Other operating income	1,771	2,450
Total	**3,684**	**6,659**

P10 Staff

	2014	2013
Salaries and fees	-46,609	-45,568
Pension costs	-8,139	-7,221
Other indirect emplyee costs	-2,346	-2,138
Indirect emplyee costs	-10,485	-9,359
Total	**-57,094**	**-54,927**
Number of emplyees 31 December		
Full-time	672	665
Part-time	79	93
Temporary	113	116
Total	**864**	**874**

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are not any pension commitments that have a liability deficit.

P11 Other administrative expenses

	2014	2013
Other staff expenses	-3,166	-3,293
Office expenses	-1,848	-3,026
Communication expenses	-2,449	-2,737
IT-expenses	-23,888	-22,662
Marketing- and representation expenses	-3,743	-3,765
Group internal expenses	-748	-9,298
Other administrative expenses	-3,047	-2,471
Total	**-38,888**	**-47,253**

P12 Depreciation of tangible and intangible assets

	2014	2013
Depreciation on tangible assets	-1,374	-1,114
Depreciation on intangible assets	-4,636	-2,802
Total	**-6,010**	**-3,917**

P13 Other operating expenses

	2014	2013
Rental expenses	-8,901	-11,609
Expenses for properties in own use	-1,512	-1,842
Insurance and security expenses (incl. bank tax)	-5,720	-5,001
Monitoring, control and membership fees	-739	-566
Consulting fees	-2,051	-1,135
Group internal expenses	-64	-738
Other operating expenses	-1,883	-1,749
Total	**-20,871**	**-22,640**
Auditors' fees		
Statutory auditing	104	50
Services related to auditing	18	28
Tax counselling	19	4
Other services	105	101
Total	**246**	**183**

P14 Write-downs on credits and other commitments

	2014	2013
Receivables from the public and public sector entities		
Individual write-downs	-5,760	-8,821
Write-downs by group	394	4,923
Reversals of and recoveries of write-downs	3,381	1,134
Reversals of credit losses	9	3
Total	**-1,976**	**-2,761**
Interest receivables		
Individual write-downs	-46	-25
Reversals of and recoveries of write-downs	10	9
Total	**-36**	**-16**
Total write-downs on credits and other commitments	**-2,012**	**-2,777**

P15 Taxes

	2014	2013
Income taxes on the ordinary business	-7	-847
Income taxes from previous years	-34	102
Changes in deferred taxes	-3,181	-7,264
Total	**-3,222**	**-8,009**

Notes to the balance sheet – Aktia Bank plc

(EUR 1,000)

P16 Bonds eligible for refinancing with central banks

	2014	2013
Government bonds	72,488	67,980
Banks' certificates of deposit	69,941	-
Other	2,182,956	2,237,779
Total	**2,325,385**	**2,305,759**

P17 Claims on credit institutions

	2014	2013
Repayable on demand		
Finnish credit institutions	6,535	22,549
Foreign credit institutions	10,065	14,079
Total	**16,600**	**36,628**
Other than repayable on demand		
Finnish credit institutions	180,341	366,046
Foreign credit institutions	2,700	7,200
Total	**183,041**	**373,246**
Total claims on credit institutions	**199,641**	**409,874**

P18 Receicables from the public and public sector entities

	2014	2013
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	3,788,221	3,122,146
Corporate	417,801	538,044
Housing associations	213,626	163,571
Public sector entities	2,049	2,196
Non-profit organisations	45,603	42,934
Total	**4,467,299**	**3,868,892**

The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.

Write-downs during the year		
Write-downs at the beginning of the year	64,702	64,549
Receivables from the public and public sector entities		
Individual write-downs	6,243	8,821
Group write-downs	-394	-4,923
Individual write-downs that were reversed	-3,330	-1,134
Credit losses for which individual write-downs were made earlier	-7,701	-2,611
Write-downs at the end of the year	**59,521**	**64,702**

P19 Bonds by financial instrument

	Total 2014	Of which, the bonds that are eligible for refinancing with central banks	Total 2013	Of which, the bonds that are eligible for refinancing with central banks
Bonds that can be sold				
Publicly quoted	1,939,875	1,906,694	1,850,833	1,849,720
Other	30,499	30,499	32,004	29,444
Total	**1,970,375**	**1,937,194**	**1,882,836**	**1,879,164**
Bonds retained until maturity				
Publicly quoted	488,509	488,509	495,366	495,366
Total	**488,509**	**488,509**	**495,366**	**495,366**
Total bonds	**2,458,884**	**2,425,703**	**2,378,202**	**2,374,530**

P20 Shares and participations

	2014	2013
Shares and participations available for sale		
Credit institutions	168	168
Other	768	1,312
Total	**936**	**1,480**
Total shares and participations	**936**	**1,480**
Shares and participations in associated companies		
Other companies	17,516	17,516
Total	**17,516**	**17,516**
Shares and participations in group companies		
Credit institutions	70,399	78,482
Other companies	54,022	54,056
Total	**124,420**	**132,538**
Total shares and participations	**142,872**	**151,534**

The holdings in associated- and group companies have been valued at their acquisition cost.

P21 Derivative instruments

The nominal value of the underlying property and the fair value of the derivative instrument

31 December 2014

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest rate swaps	1,721,630	4,102,930	595,710	6,420,270	229,059	157,530
Interest rate option agreements	322,474	549,773	60,000	932,247	15,093	15,104
Purchased	209,274	309,773	30,000	549,047	14,469	14,479
Written	113,200	240,000	30,000	383,200	624	625
Total	**2,044,104**	**4,652,703**	**655,710**	**7,352,517**	**244,152**	**172,634**
Total interest rate derivatives	**2,044,104**	**4,652,703**	**655,710**	**7,352,517**	**244,152**	**172,634**

	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Forward rate agreements	37,800	-	-	37,800	736	421
Total forward rate agreements	**37,800**	**-**	**-**	**37,800**	**736**	**421**
Equity options	24,570	15,334	-	39,904	1,817	1,817
Purchased	12,285	7,667	-	19,952	1,564	252
Written	12,285	7,667	-	19,952	252	1,564
Total equity options	**24,570**	**15,334**	**-**	**39,904**	**1,817**	**1,817**
Options	1,922	-	-	1,922	-	-
Purchased	961	-	-	961	-	-
Written	961	-	-	961	-	-
Other derivative instruments	**1,922**	**-**	**-**	**1,922**	**-**	**-**
Total derivative instruments	**2,108,396**	**4,668,037**	**655,710**	**7,432,143**	**246,705**	**174,871**

31 December 2013

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest rate swaps	2,358,850	5,046,890	979,310	8,385,050	192,994	184,120
Interest rate option agreements	850,382	873,127	60,000	1,783,509	21,972	22,078
Purchased	420,382	511,127	30,000	961,509	2,206	2,310
Written	430,000	362,000	30,000	822,000	19,767	19,767
Total	**3,209,232**	**5,920,017**	**1,039,310**	**10,168,559**	**214,966**	**206,197**
Total interest rate derivatives	**3,209,232**	**5,920,017**	**1,039,310**	**10,168,559**	**214,966**	**206,197**
Forward rate agreements	36,054	-	-	36,054	157	108
Total forward rate agreements	**36,054**	**-**	**-**	**36,054**	**157**	**108**
Equity options	15,208	40,088	-	55,296	3,556	3,556
Purchased	7,604	20,044	-	27,648	3,381	175
Written	7,604	20,044	-	27,648	175	3,381
Total equity options	**15,208**	**40,088**	**-**	**55,296**	**3,556**	**3,556**
Options	18,830	1,922	-	20,752	-	-
Purchased	9,415	961	-	10,376	-	-
Written	9,415	961	-	10,376	-	-
Other derivative instruments	**18,830**	**1,922**	**-**	**20,752**	**-**	**-**
Total derivative instruments	**3,279,324**	**5,962,027**	**1,039,310**	**10,280,661**	**218,678**	**209,861**

P22 Intangible assets

31 December 2014	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	24,709	7,567	32,276
Acquisitions	-	10	10
Increases	17,788	2,137	19,925
Decreases	-56	-1,010	-1,066
Acquisition cost at 31 December	42,441	8,704	51,145
Accumulated depreciations and impairments at 1 January	-8,612	-4,373	-12,985
Acquisitions	-	-2	-2
Accumulated depreciation on decreases	56	1,010	1,066
Planned depreciation	-3,743	-893	-4,636
Accumulated depreciations and impairments at 31 December	-12,299	-4,257	-16,556
Book value at 31 December	**30,142**	**4,446**	**34,588**

31 December 2013	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	4,271	5,773	10,044
Transferred assets	13,539	113	13,652
Increases	7,557	2,080	9,636
Decreases	-658	-398	-1,056
Acquisition cost at 31 December	24,709	7,567	32,276
Accumulated depreciations and impairments at 1 January	-2,484	-3,868	-6,353
Transferred assets	-4,169	-45	-4,214
Accumulated depreciation on decreases	-	384	384
Planned depreciation	-1,959	-843	-2,802
Accumulated depreciations and impairments at 31 December	-8,612	-4,373	-12,985
Book value at 31 December	**16,097**	**3,195**	**19,292**

P23 Tangible assets

	2014	2013
Investment properties		
Shares and participations in real estate corporations		
Acquisition cost at 1 January	-	4
Acquisitions	78	-
Decreases	-	-4
Acquisition cost at 31 December	78	-
Book value at 31 December	**78**	**-**
Carrying amount at 31 December	**78**	**-**

Other tangible assets

31 December 2014	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	10,664	1,569	12,233
Acquisitions	58	5	141
Increases	2,072	-	2,072
Decreases	-1,167	-	-1,167
Acquisition cost at 31 December	11,627	1,574	13,279
Accumulated depreciations and impairments at 1 January	-7,996	-1,248	-9,244
Acquisitions	-19	-	-19
Accumulated depreciation on decreases	1,165	-	1,165
Planned depreciation	-1,370	-4	-1,374
Accumulated depreciations and impairments at 31 December	-8,220	-1,252	-9,471
Book value at 31 December	**3,408**	**322**	**3,808**

31 December 2013	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	6,670	1,569	8,243
Transferred assets	3,436	-	3,436
Increases	852	-	852
Decreases	-294	-	-298
Acquisition cost at 31 December	10,664	1,569	12,233
Accumulated depreciations and impairments at 1 January	-4,731	-1,231	-5,962
Transferred assets	-2,449	-	-2,449
Accumulated depreciation on decreases	281	0	281
Planned depreciation	-1,098	-17	-1,114
Accumulated depreciations and impairments at 31 December	-7,996	-1,248	-9,244
Book value at 31 December	**2,668**	**321**	**2,989**

P24 Other assets

	2014	2013
Cash items being collected	4	0
Other assets	6,913	7,927
Total	**6,917**	**7,927**

P25 Accrued income and advance payments

	2014	2013
Interests	84,006	97,649
Other	11,213	14,307
Total	**95,219**	**111,956**

P26 Deferred tax receivables

	2014	2013
Deferred tax receivables at 1 January	14,968	22,233
Change booked via the income statement during the period	-3,181	-7,264
Deferred tax receivables at 31 December	**11,788**	**14,968**

Deferred tax receivables relates to the unwound hedge interest-rate derivatives.

P27 Liabilities to credit institutions

	2014	2013
Repayable on demand liabilities to credit institutions	352,768	431,166
Other than repayable on demand deposits from credit institutions	528,252	609,429
Total	**881,020**	**1,040,595**

P28 Liabilities to the public and public sector entities

	2014	2013
Repayable on demand	3,508,860	3,198,739
Other than repayable on demand	528,493	580,463
Borrowing	4,037,353	3,779,202
Repayable on demand	72,225	90,425
Other than repayable on demand	1,627	1,891
Other liabilities	73,852	92,316
Total	**4,111,205**	**3,871,518**

P29 Debt securities issued to the public

	2014		2013	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposits	162,836	163,000	316,059	316,600
Bonds	1,816,227	1,763,113	1,258,715	1,265,552
Banks' certificates of deposit	**1,979,062**	**1,926,113**	**1,574,774**	**1,582,152**

P30 Other liabilities

	2014	2013
Cash items in the process of collection	35,265	40,234
Other	2,225	15,905
Total	**37,490**	**56,139**

P31 Provisions

	2014	2013
Provisions 1 January	6,367	6,850
Provisions used	-2,818	-483
Provisions 31 December	**3,549**	**6,367**

Aktia Bank plc has decided to invest in a modern core banking system. The migration to the new core banking system is made in collaboration with the current IT operator Samlink Ltd. An agreement was made on the transitional period and services that Samlink will continue to provide. Following the agreement, Aktia is obliged to bear a part of the development and project costs during the transitional period. The adequacy of the provision is valued at each time of reporting. Should there be strong indications of delays in the system change, extra provisions may have to be made. Commissioning of the new core banking system is scheduled to the last quarter of 2015.

P32 Accrued expenses and income received in advance

	2014	2013
Interests	58,924	72,767
Other	26,274	32,711
Total	**85,198**	**105,478**

P33 Subordinated liabilities

	2014	2013
Debentures	222,539	225,759
Total	**222,539**	**225,759**
Nominal value	222,532	225,747
Amount counted to Tier 2 loans	103,854	187,269

The bank operates a bond programme that is updated and approved each year by the Board of Directors. The size of the programme is currently EUR 500 million. Under the programme, both other bonds (included in note P29) and debenture loans are issued. Debentures are currently issued at fixed interest rates primarily with a maturity of 5 years.

No individual debenture loan exceeds 10 % of all the subordinated liabilities.

P34 Deferred tax liabilities

	2014	2013
Deferred tax liabilities at 1 January	10,144	18,761
Transferred deferred tax liability in connection with merger	51	7
Change during the year booked via the income statement		
Financial assets:		
- Fair value measurement	1,624	-3,403
- Transferred to income statement	-1,685	-5,221
Deferred tax liabilities at 31 December	**10,134**	**10,144**

Deferred tax liabilities relates to the fund at fair value.

P35 Equity

	At the beginning of the year	Increase/ Decrease	At the end of the year
Share capital	163,000	-	163,000
Fair value hedging	36,170	4,292	40,462
Cash flow hedging	4,407	-4,333	74
Fund at fair value	40,577	-41	40,536
Restricted equity	**203,577**	**-41**	**203,536**
Unrestricted equity reserve	128,434	-13,405	115,030
Retained earnings	16,167	-	16,167
Dividend to shareholders		-27,963	-27,963
Transfer from unrestricted equity reserve		13,405	13,405
Change in share-based payments		249	249
Acquisition of treasury shares		-1,364	-1,364
Profit for the year		66,269	66,269
Unrestricted equity	**144,601**	**37,192**	**181,793**
Equity	**348,178**	**37,151**	**385,329**

	2014	2013
Fund at fair value at 1 January	40,577	57,815
Changes in fair value during the year	8,119	-4,574
Deferred taxes on changes in fair value during the year	-1,583	3,408
Transferred to income statement during the year	-8,221	-21,288
Deferred taxes on transferred to income statement during the year	1,644	5,216
Fund at fair value at 31 December	**40,536**	**40,577**

Only changes in the fair value of financial assets available for sale are entered in the fund at fair value.

Distributable assets in unrestricted equity	2014	2013
Retained earnings	26,599	27,389
Dividend to shareholders	-27,963	-27,000
Profit for the year	66,269	14,169
Unrestricted equity reserve	115,030	128,434
Change in share-based payments	1,858	1,608
Total	**181,793**	**144,601**

Unrestricted equity consist only of distributable assets.

Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the period, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 divided into 46,706,723 A shares and 19,872,088 R shares, totalling 66,578,811 shares (2013; 66,578,811). The number of registered shareholders at the end of the financial period was 43,862. The number of A shares attributable to unindentified shareholders was 771,538. A shares have 1 vote, and R shares have 20 votes.

Treasury shares

At year-end, the number of treasury A shares was 137,406 (2013; 22,653) and the number of treasury R shares was 6,658 (2013; 11,658).

Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets available for sale and on financial derivatives that are held for cash flow hedging. Financial assets reported via the fund at fair value are transferred to the income statement on sale or on impairment of the assets.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue.

Retained earnings

Retained earnings contains of retained earnings from previous reporting periods and profit for the year.

P36 Fair value of financial assets and liabilities

Financial assets	**2014**		**2013**	
	Book value	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	395,904	395,904	412,646	412,646
Bonds	2,458,884	2,475,632	2,378,202	2,377,356
Claims on credit institutions	199,641	199,652	409,874	410,041
Receicables from the public and public sector entities	4,467,299	4,332,557	3,868,892	3,707,960
Shares and participations	936	936	1,480	1,480
Shares and participations in associated companies	17,516	17,516	17,516	17,516
Shares and participations in group companies	124,418	124,418	132,538	132,538
Derivative instruments	196,699	196,699	160,143	160,143
Total	**7,861,298**	**7,743,314**	**7,381,291**	**7,219,680**

Financial liabilities	**2014**		**2013**	
	Book value	**Fair value**	**Book value**	**Fair value**
Liabilities to credit institutions and central banks	881,020	887,081	1,040,595	1,046,074
Liabilities to the public and public sector entities	4,111,205	4,049,512	3,871,518	3,788,943
Debt securities issued to the public	1,979,062	1,956,393	1,574,774	1,599,965
Derivatives and other liabilities held for trading	136,545	136,545	156,731	156,731
Subordinated liabilities	222,539	225,467	225,759	230,755
Total	**7,330,371**	**7,254,998**	**6,869,377**	**6,822,468**

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 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 flow 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 flow 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 margin corresponding the seniority of the instrument is applied.

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

P37 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets

31 December 2014	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P16, P19	203,976	206,198	1,821,587	93,260	363	2,325,385
Claims on credit institutions	P17	81,026	2,496	-	-	116,119	199,641
Receicables from the public and public sector entities	P18	133,262	480,335	1,282,306	1,102,654	1,468,743	4,467,299
Bonds	P19	30,499	18,000	85,000	-	-	133,499
Total		**448,763**	**707,029**	**3,188,892**	**1,195,914**	**1,585,226**	**7,125,824**

31 December 2013	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P16, P19	12,803	257,977	1,916,095	118,884	-	2,305,759
Claims on credit institutions	P17	137,930	2,801	30,681	238,462	-	409,874
Receicables from the public and public sector entities	P18	230,277	375,673	1,114,834	922,382	1,225,726	3,868,892
Bonds	P19	29,444	-	43,000	-	-	72,444
Total		**410,453**	**636,451**	**3,104,610**	**1,279,728**	**1,225,726**	**6,656,968**

Liabilities

31 December 2014		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P27	757,754	39,500	48,698	35,069	-	881,020
Liabilities to the public and public sector entities	P28	3,603,083	398,645	107,850	1,627	-	4,111,205
Debt securities issued to the public	P29	72,943	321,135	1,328,110	57,874	199,000	1,979,062
Subordinated liabilities	P33	17,926	35,285	156,177	13,151	-	222,539
Total		**4,451,705**	**794,565**	**1,640,834**	**107,721**	**199,000**	**7,193,826**

31 December 2013		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P27	839,875	94,175	60,959	45,586	-	1,040,595
Liabilities to the public and public sector entities	P28	2,914,878	770,703	182,006	3,931	-	3,871,518
Debt securities issued to the public	P29	163,838	174,365	1,057,944	-	178,627	1,574,774
Subordinated liabilities	P33	22,460	44,903	147,608	10,788	-	225,759
Total		**3,941,051**	**1,084,146**	**1,448,517**	**60,306**	**178,627**	**6,712,646**

P38 Property items and liabilities in euros and in foreign currency

Assets

31 December 2014	Euros	Foreign currency	Total
Bonds	2,458,884	-	2,458,884
Claims on credit institutions	191,630	8,010	199,641
Receicables from the public and public sector entities	4,467,299	-	4,467,299
Shares and participations	142,872	-	142,872
Derivative instruments	196,699	-	196,699
Other assets	548,225	-	548,225
Total	**8,005,610**	**8,010**	**8,013,621**

31 December 2013	Euros	Foreign currency	Total
Bonds	2,378,202	-	2,378,202
Claims on credit institutions	403,476	6,398	409,874
Receicables from the public and public sector entities	3,868,892	-	3,868,892
Shares and participations	151,534	-	151,534
Derivative instruments	160,143	-	160,143
Other assets	569,778	-	569,778
Total	**7,532,025**	**6,398**	**7,538,423**

Liabilities

31 December 2014	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	881,020	0	881,020
Liabilities to the public and public sector entities	4,092,307	18,898	4,111,205
Debt securities issued to the public	1,979,062	-	1,979,062
Derivative instruments	136,545	-	136,545
Subordinated liabilities	222,539	-	222,539
Other liabilities	136,371	-	136,371
Total	**7,447,844**	**18,898**	**7,466,742**

31 December 2013	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	1,040,593	2	1,040,595
Liabilities to the public and public sector entities	3,849,261	22,256	3,871,518
Debt securities issued to the public	1,574,774	-	1,574,774
Derivative instruments	156,731	-	156,731
Subordinated liabilities	225,759	-	225,759
Other liabilities	178,128	-	178,128
Total	**7,025,247**	**22,258**	**7,047,505**

P39 Collateral assets and liabilities

Collateral assets

		The value of security	
Collateral for own liabilities	**Type of security**	**2014**	**2013**
Liabilities to credit institutions	Bonds	67 383	83 351
Collateral provided in connection with repurchasing agreements	Bonds	121 066	-
Total		**188 449**	**83 351**

Liabilities to credit institutions include securities at the European Investment Bank, the nominal value of liabilities is EUR 44 (59) million.
Standardised GMRA (Global Master Repurchase Agreement) rules apply on the repurchase agreements.

Other collateral assets	Type of security	The value of security 2014	2013
Securities pledged at the central bank	Bonds	160,359	272,111
Collateral provided in connection with repurchasing agreements	Bonds	43,000	43,000
Collateral provided in connection with repurchasing agreements	Cash and balances with central banks	19,700	26,650
Total		**223,059**	**341,761**

On 31 December 2014, EUR 60 million was pledged at the central bank as extra collateral.

	2014	2013
Total collateral assets	**411,508**	**425,112**

Collateral held by the bank as security for liabilities that have been received by companies in the same Group

	2014	2013
As of 31 December 2014	-	-
As of 31 December 2013	-	-

For other liabilities

The bank has not provided collateral for other parties.

Collateral liabilities

	Type of security	The value of security 2014	2013
Collateral received in connection with contracts of pledge	Cash and balances with central banks	201,857	173,240
Collateral received in connection with repurchase agreements	Bonds	7,231	53,302
Total		**209,088**	**226,542**

P40 Off-balance sheet commitments

	2014	2013
Guarantees	26,798	31,688
Other commitments provided to a third party	2,140	2,882
Unused credit arrangements	944,137	701,041
Total	**973,076**	**735,611**
- of which Group internal off-balance sheet commitments		
Guarantees	20	20
Unused credit arrangements	655,337	352,202

Off-balance sheet commitments, exclude rental commitments.

P41 Rent commitments

	2014	2013
Less than 1 year	7,827	7,404
1-5 years	18,954	22,746
More than 5 years	381	-
Total	**27,163**	**30,150**

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Relevance principle has been adopted and only significant rent commitments are considered.

P42 The customer assets being managed

The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.

Customer assets being managed	2014	2013
Funds in a customer funds account	1,467	661
Funds in discretionary asset management services	84,787	128,589
Funds within the framework of investment advising according to a separate agreement	1,654,275	1,534,949
Total	**1,740,530**	**1,664,200**

PS savings

The act governing long-term savings agreements entered into force 1 January 2010. As service provider, Aktia Bank plc offers this form of saving for private customers since 1 April 2010. The pension saving comprises a bank account, investments in mutual funds, bonds and shares.

Customer assets witin PS savings	**2014**	**2013**
PS Savings account	47	50
PS Deposit	62	52
Total	**109**	**102**
Customers' PS investments		
Investments in mutual funds	3,842	2,745
Shares	142	109
Total	**3,983**	**2,854**

P43 The parent company's capital adequacy

	2014	**2013**
	Basel III	**Basel III**
Total assets	**8,013,631**	**7,531,938**
of which intangible assets	30,142	19,292
Total liabilities	**7,628,292**	**7,183,760**
of which subordinated liabilities	222,539	-225,759
Share capital	163,000	163,000
Fund at fair value	40,536	40,577
Other restricted equity	-	-
Restricted equity	203,536	203,577
Unrestricted equity reserve and other funds	115,030	128,434
Retained earnings	494	1,998
Profit for the year	66,279	14,169
Unrestricted equity	181,803	144,601
Equity	**385,338**	**348,178**
Total liabilities and equity	**8,013,631**	**7,531,938**
Off-balance sheet commitments	**973,076**	**735,611**
Aktia Bank plc's equity	**385,338**	**348,178**
Provision for dividends to shareholders	-31,889	-27,963
Intangible assets	-34,588	-19,292
Share of non-controlling interest of equity	-	-
Debentures	103,854	82,629
Other	129,166	109,785
Total capital base (CET1 + AT1 + T2)	**551,881**	**493,337**
	Basel III	**Basel III**
Common Equity Tier 1 Capital before regulatory adjustments	484,053	434,407
Common Equity Tier 1 Capital regulatory adjustments	-76,488	-59,868
Common Equity Tier 1 Capital total	**407,565**	**374,538**
Additional TIER 1 capital before regulatory adjustments	-	-
Additional TIER 1 capital regulatory adjustments	-	-
Additional TIER 1 capital after regulatory adjustments	**-**	**-**
TIER 1 capital total	**407,565**	**374,538**

	2014	2013
TIER 2 capital before regulatory adjustments	103,854	82,629
TIER 2 capital regulatory adjustments	40,462	36,170
TIER 2 capital total	**144,316**	**118,798**
Own funds total (TC = T1 + T2)	**551,881**	**493,337**
Risk weighted exposures total	**2,724,233**	**2,682,086**
of which Credit risk	2,416,834	2,368,717
of which Market risk	-	-
of which Operational risk	307,399	313,369
CET1 Capital ratio	15.0%	14.0%
T1 Capital ratio	15.0%	14.0%
Total capital ratio	20.3%	18.4%

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

Risk-weighted amount for operational risks	**2012 ***	**2013***	**2014**	**12/2014**	**12/2013**
Gross income	167,142	168,627	156,069		
- average 3 years			163,946		
Capital requirement for operational risk				**24,592**	**25,070**
Risk-weighted amount				**307,399**	**313,369**

* Recalculated after the conveyance of the bank business operations of Vöyrin Säästöpankki to Aktia Bank plc.
The capital requirement for operational risk is 15 % of average gross income during the last three years.
The risk-weighted amount is calculated by dividing the capital requirement by 8 %.

P44 Holdings in other companies

Subsidiaries	**2014**		**2013**	
	Percentage of shares	**Book value**	**Percentage of shares**	**Book value**
Financing				
Aktia Real Estate Mortgage Bank plc, Helsinki	51%	61,895	51%	61,885
Aktia Corporate Finance Ltd, Helsinki	100%	8,503	100%	8,503
Skärgårdssparbanken Ab, Pargas *)	-	-	100%	8,093
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	2,507	100%	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki **)	75%	2,206	87%	1,503
Aktia Invest Ltd, Helsinki **)	-	-	70%	737
Real estate agency operations				
Aktia Kiinteistönvälitys Oy, Turku	100%	2,792	100%	2,792
Insurance companies				
Aktia Life Insurance Ltd, Turku	100%	46,191	100%	46,191
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	100%	8,103	100%	8,203
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	100%	6,803	100%	6,803
Keskinäinen Kiinteistö Oy Virkatie 10, Helsinki	-	-	100%	1,900
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%	13,000	100%	13,964
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	100%	8,500	100%	9,118
Kiinteistö Oy Kantaatti, Turku	100%	9,400	100%	9,400
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50%	9,495	50%	9,495
Real estate operations				
Vasp-Invest Ltd, Helsinki	100%	325	100%	325
Kiinteistö Oy Pornaisten Säästökulma, Pornainen		0	100%	0
Total		**179,721**		**191,420**

*) Skärgårdssparbanken Ab was merged with Aktia Bank plc on 1 July 2014.

**) Aktia Invest Ltd was merged with Aktia Asset Management Ltd on 1 October 2014.

Associated companies	2014		2013	
	Percentage of shares	Book value	Percentage of shares	Book value
Insurance companies				
Folksam Non-Life Insurance Company Ltd	34%	17,516	34%	17,516
Data processing				
Samlink Ltd, Helsinki	23%	0	23%	0
Total		**17,516**		**17,516**

Financing income obtained from and financing expenses paid to other group companies	2014	2013
Interest income	5,905	12,369
Dividends	52,839	30,026
Interest expenses	-4,268	-471
Net finance income	**54,476**	**41,923**

Receivables from and liabilities to companies in the group		
Loans to credit institutions	156,119	293,462
Lending to the public and public sector entities	35,084	53,284
Debt securities	138,846	213,513
Accrued income and advance payments	7,980	11,776
Total receivables	**338,029**	**572,036**
Liabilities to credit institutions	204,362	64,011
Liabilities to the public and public sector entities	45,626	29,117
Debt securities issued	5,086	5,492
Other liabilities	-	242
Accrued expenses and income received in advance	20,473	32,133
Total liabilities	**275,547**	**130,995**

P45 Shareholders

			Shareholders 31.12.2014				Shareholders 31.12.2013	
	A shares	R shares	Shares	Of shares, %	Votes	Of votes, %	Of shares, %	Of votes, %
The 20 largest shareholders:								
Stiftelsen Tre Smeder	1,971,925	4,310,216	6,282,141	9.4	88,176,245	19.9	10.3	19.9
Veritas Pension Insurance Company Ltd.	4,027,469	2,134,397	6,161,866	9.3	46,715,409	10.5	9.3	10.5
Svenska litteratursällskapet i Finland rf	4,464,154	789,229	5,253,383	7.9	20,248,734	4.6	4.4	4.0
Sampo plc	3,814,057	-	3,814,057	5.7	3,814,057	0.9	0.0	0.0
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.3	20,905,000	4.7	4.3	4.7
Stiftelsen för Åbo Akademi	1,595,640	751,000	2,346,640	3.5	16,615,640	3.7	3.5	3.7
Livränteanstalten Hereditas	-	2,046,106	2,046,106	3.1	40,922,120	9.2	10.1	10.4
Aktiastiftelsen i Borgå	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2	2.9	3.2
Aktiastiftelsen i Vasa	978,525	547,262	1,525,787	2.3	11,923,765	2.7	2.3	2.7
Aktiastiftelsen i Esbo-Grankulla	-	1,338,708	1,338,708	2.0	26,774,160	6.0	2.0	6.0
Sparbanksstiftelsen i Kyrkslätt	846,529	441,733	1,288,262	1.9	9,681,189	2.2	2.0	2.2
Sparbanksstiftelsen i Karis-Pojo	787,350	393,675	1,181,025	1.8	8,660,850	2.0	1.8	2.0
Föreningen Konstsamfundet r.f.	1,176,173	-	1,176,173	1.8	1,176,173	0.3	1.8	0.3
Varma Mutual Pension Insurance Company	1,175,000	-	1,175,000	1.8	1,175,000	0.3	4.0	0.6
Aktiastiftelsen i Vanda	28,541	1,138,588	1,167,129	1.8	22,800,301	5.1	1.8	5.1
Ab Kelonia Oy	549,417	308,662	858,079	1.3	6,722,657	1.5	1.3	1.5
Sparbanksstiftelsen i Ingå	452,669	345,569	798,238	1.2	7,364,049	1.7	1.3	1.6
Sparbanksstiftelsen i Sibbo	462,002	232,001	694,003	1.0	5,102,022	1.2	1.0	1.1
Sijoitusrahasto Nordea Suomi	620,000	-	620,000	0.9	620,000	0.1	0.8	0.1
Vörå Sparbanks Aktiastiftelse	585,460	10,500	595,960	0.9	795,460	0.2	0.1	0.1
Largest 20 owners	**26,743,281**	**16,389,171**	**43,132,452**	**64.8**	**354,526,701**	**79.8**	**64.8**	**79.7**
Other	19,963,442	3,482,917	23,446,359	35.2	89,621,782	20.2	35.2	20.3
Total	**46,706,723**	**19,872,088**	**66,578,811**	**100.0**	**444,148,483**	**100.0**	**100.0**	**100.0**

Shareholders by sector 2014:	Number of owners	%	Number of shares	%	Votes	%
Corporations	3,332	7.6	9,491,074	14.3	77,767,669	17.5
Financial institutes and insurance companies	58	0.1	7,963,913	12.0	18,446,559	4.2
Public sector entities	31	0.1	7,455,145	11.2	48,008,688	10.8
Non-profit institutions	689	1.6	32,788,896	49.2	286,801,549	64.6
Households	39,591	90.3	7,132,105	10.7	12,170,506	2.7
Foreign shareholders	161	0.4	160,740	0.2	181,974	0.0
Total	**43,862**	**100.0**	**64,991,873**	**97.6**	**443,376,945**	**99.8**
entered in nominee register	9		815,400	1.2		
Unidentified shareholders			771,538	1.2	771,538	0.2
Total by sector	**43,862**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Shareholders by sector 2013:	Number of owners	%	Number of shares	%	Votes	%
Corporations	3,536	7.7	14,380,611	21.6	83,024,780	18.7
Financial institutes and insurance companies	73	0.2	3,773,387	5.7	14,997,087	3.4
Public sector entities	32	0.1	8,975,070	13.5	49,528,613	11.2
Non-profit institutions	702	1.5	31,314,762	47.0	284,016,415	63.9
Households	41,470	90.2	6,603,760	9.9	11,624,016	2.6
Foreign shareholders	175	0.4	158,922	0.2	177,739	0.0
Total	**45,988**	**100.0**	**65,206,512**	**97.9**	**443,368,650**	**99.8**
entered in nominee register	7		592,466	0.9		
Unidentified shareholders			779,833	1.2	779,833	0.2
Total by sector	**45,988**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2014:

Number of shares	Number of owners	%	Number of shares	%	Votes	%
1–100	31,300	71.4	1,221,710	1.8	1,329,117	0.3
101–1 000	10,983	25.0	3,175,752	4.8	4,384,836	1.0
1 001–10 000	1,419	3.2	3,568,334	5.4	6,176,521	1.4
10 001–100 000	93	0.2	2,548,821	3.8	7,627,863	1.7
100 000–	67	0.2	55,292,656	83.0	423,858,608	95.4
Total	**43,862**	**100.0**	**65,807,273**	**98.8**	**443,376,945**	**99.8**
entered in nominee register	9					
Unidentified shareholders			771,538	1.2	771,538	0.2
Total by sector	**43,862**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2013:

Number of shares	Number of owners	%	Number of shares	%	Votes	%
1–100	33,766	73.4	1,302,007	2.0	1,404,968	0.3
101–1 000	10,803	23.5	2,984,163	4.5	4,124,923	0.9
1 001–10 000	1,245	2.7	3,144,665	4.7	5,729,919	1.3
10 001–100 000	111	0.2	3,285,116	4.9	12,285,720	2.8
100 000–	63	0.1	55,083,027	82.7	419,823,120	94.5
Total	**45,988**	**100.0**	**65,798,978**	**98.8**	**443,368,650**	**99.8**
entered in nominee register	7					
Unidentified shareholders			779,833	1.2	779,833	0.2
Total by sector	**45,988**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

P46 Close relations

Close relations include key persons in management positions and close family members and companies that are under the dominating influence of a key person in management position. The Aktia Group's key persons refer to Aktia Bank plc's Board of Supervisors and Board of Directors and the Group's executive management, MD and deputy MD.

Compensation to Executive Management	**2014**			**2013**		
	Salary and fees	**Statutory pension costs**	**Cost for voluntary supplementary pension**	**Salary and fees**	**Statutory pension costs**	**Cost for voluntary supplementary pension**
Jussi Laitinen, Managing Director	701	58	132	538	58	128
Jarl Sved, Deputy Managing Director	330	40	190	282	37	122
Executive Management excl. Managing Director and Deputy Managing Director 1)	1,117	159	171	1,129	151	164
Total	**2,148**	**257**	**492**	**1,949**	**245**	**414**
Compensation to the Board of Directors and the Board of Supervisors:						
Members of the Board of Directors 2)						
Dag Wallgren, Chairman	66	11	-	64	11	-
Nina Wilkman, Vice Chairman	46	8	-	43	7	-
Sten Eklundh	39	7	-	39	7	-
Hans Frantz	35	6	-	33	6	-
Kjell Hedman	34	6	-	32	5	-
Catharina von Stackelberg-Hammarén	31	5	-	28	5	-
Arja Talma (from 7 May 2013)	35	6	-	18	3	-
Jannica Fagerholm (1 January - 26 February 2013)	-	-	-	5	1	-
Nils Lampi (1 January - 12 March 2013)	-	-	-	10	2	-
Total	**284**	**49**	**-**	**274**	**46**	**-**
Members of the Board of Supervisors 3)						
Håkan Mattlin, Chair	27	5	-	33	6	-
Christina Gestrin, Deputy Chair	13	2	-	17	3	-
Patric Lerche, Deputy Chair	14	2	-	17	3	-
Jorma J. Pitkämäki, Deputy Chair	13	2	-	7	1	-
Jan-Erik Stenman, Deputy Chair	12	2	-	16	3	-
Henrik Sundbäck, Deputy Chair	14	2	-	17	3	-
Lorenz Uthardt, Deputy Chair	1	0	-	17	3	-
Bo-Gustav Wilson, Deputy Chair	14	2	-	17	3	-
Members	157	27	-	178	29	-
Total	**262**	**45**	**-**	**321**	**53**	**-**
Total compensation to Executive Management, the Board of Directors and the Board of Supervisors	**2,694**	**350**	**492**	**2,544**	**345**	**414**

1) The other members of the Executive Management are deputy MD Taru Narvanmaa, Director and CRO Juha Hammarén, Director Carl Pettersson, Director and CFO Fredrik Westerholm and Director Magnus Weurlander.

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 12 and 15 months. The Managing Director can retire at the age of 63 and the Deputy Managing Director can retire at the age of 60.

2) 25% (2013: 15%) of the Board of Directors' annual remuneration was paid in the form of Aktia A shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2014, the members of the Board of Supervisors acquired Aktia A shares corresponding 30 (25)% of their annual remuneration from the Stock Exchange at market price.

Shareholding

At the end of 2014, the Group's key personnel held a total of 246,781 series A shares and 28,566 series R shares in Aktia Bank plc. This represents 0.7 % of the total number of shares and 0.2 % of votes.

At the end of 2013, the Group's key personnel held a total of 207,215 series A shares and 28,566 series R shares in Aktia Bank plc. This represents 0.6 % of the total number of shares and 0.2 % of votes.

P47 Information about companies under supervision in the Group

Aktia Bank plc, domiciled in Helsinki, is the parent company of the Aktia Bank plc Group.

A copy of the consolidated financial statement is available from Aktia Bank plc, Mannerheimintie 14, 00100 Helsinki, Finland or from Aktia's website www.aktia.com.

The Board of Director's and the CEO's signing of the Report by the Board of Directors and the Financial Statements 2014

The Group's parent company is Aktia Bank plc, domiciled in Helsinki. A copy of the report by the Board of Directors and financial statement is available from Aktia Bank plc, Mannerheimintie 14, 00100 Helsinki, Finland or from Aktia's website www.aktia.com.

The parent company's distributable retained earnings and unrestricted equity reserve amount to EUR 181,792,586.76. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.48 per share, totalling EUR 31,888,678.56, excluding dividend for treasury shares, be paid. Dividend is paid from retained earnings. After dividend pay-out the distributable retained earnings are EUR 149,903,908.20.

Helsinki, 27 February 2015
Aktia Bank plc's Board of Directors

Dag Wallgren
Chair

Nina Wilkman
Vice Chair

Sten Eklundh

Hans Frantz

Kjell Hedman

Catharina
von Stackelberg-Hammarén

Arja Talma

Jussi Laitinen
Managing Director

Our auditor's report has been issued today
Helsinki, 27 February 2015

KPMG Oy Ab

Jari Härmälä
Authorised Public Accountant

This document is an English translation of the Swedish auditor's report. Only the Swedish version of the report is legally binding.

Auditor's report

To the Annual General Meeting of Aktia Bank p.l.c.

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Aktia Bank p.l.c. for the year ended 31 December 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, Finnish Credit Institutions Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 27 February 2015

KPMG OY AB

Jari Härmälä
Authorized Public Accountant in Finland

Statement by the Board of Supervisors

Approved at the meeting of the Board of Supervisors on 17 March 2015.

The Board of Supervisors has examined the financial statement, the consolidated accounts, the report by the Board of Directors, and the audit report for 2014 and recommends that the financial statement and the consolidated accounts be accepted at the General Meeting of Aktia Bank plc.

Members of Aktia Bank plc's Board of Directors

Håkan Mattlin Chair	Christina Gestrin Deputy Chair	Patrik Lerche Deputy Chair
Jorma J. Pitkämäki Deputy Chair	Jan-Erik Stenman Deputy Chair	Henrik Sundbäck Deputy Chair
Bo-Gustav Wilson Deputy Chair	Harriet Ahlnäs	Mikael Aspelin
Johan Aura	Anna Bertills	Roger Broo
Agneta Eriksson	Håkan Fagerström	Gun Kapténs
Peter Karlgren	Erik Karls	Bo Linde
Per Lindgård	Kristina Lyytikäinen	Stefan Mutanen
Clas Nyberg	Henrik Rehnberg	Gunvor Sarelin-Sjöblom
Peter Simberg	Bengt Sohlberg	Solveig Söderback
Sture Söderholm	Maj-Britt Vääriskoski	Lars Wallin
Mikael Westerback	Ann-Marie Åberg	

Corporate Governance Statement for Aktia Bank plc

This statement was approved by the Board of Directors of Aktia Bank plc on 27 February 2015. The statement is drawn up separately from the Report by the Board of Directors.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's articles of association, Aktia follows the corporate governance code for listed companies issued by the Finnish Securities Market Association ('Corporate Governance Code'). Aktia complies with the recommendations laid down in the Corporate Governance Code with the exception of recommendation 8 (election of members of the Board of Directors), recommendation 28 (setting up a nomination committee), 29 (election of and members of the nomination committee), 30 (duties of the nomination committee) and 40 (decision-making process for remuneration).

Deviations from the recommendations

By way of deviation from recommendations 8 and 40, Aktia's annual general meeting appoints a Board of Supervisors, whose tasks include appointing Aktia's Board of Directors, deciding on remuneration for board members and making decisions on issues which involve the significant restriction or expansion of operations. These decision-making arrangements have been adopted by Aktia shareholders in current articles of association. The arrangements are deemed to describe and ease implementation of the company's strategy on local operations.

Aktia's Board of Directors has not set up a nomination committee in itself, which means that Aktia is deviating from recommendations 28, 29 and 30 of the Corporate Governance Code. The reason for these deviations is that the members of the Board of Directors are appointed by the Board of Supervisors, the presiding officers of which prepare issues that relate to the composition, appointment and remuneration of the Board of Directors.

Corporate Governance Code publicly available on the Internet

The Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi.

Composition of and work undertaken by the Board of Directors

Aktia's Board of Directors 2014:

Name	Born	Education, title and main occupation:
Dag Wallgren, Chair	1961	M.Sc. (Econ.), Managing Director of The Society of Swedish Literature in Finland
Nina Wilkman, Deputy Chair	1958	LL.M., Attorney-at-Law, Partner, Borelius
Sten Eklundh	1960	M.Sc. (Econ.)
Hans Frantz	1948	Lic. Soc. Sc.
Kjell Hedman	1951	Business Economist, Managing Director of Landshypotek
Catharina Stackelberg-Hammarén	1970	M. Sc. (Econ.), Managing Director of Marketing Clinic Ab
Arja Talma	1962	M.Sc.(Econ.), eMBA, Director, Store sites and investments, Kesko Corporation

The composition of the Board of Directors is unchanged in 2015.

The Board of Directors deems all Board members of Aktia Bank plc to be independent in relation to Aktia and in their relationships with significant shareholders (shareholders who hold at least ten per cent of the total number of shares or votes) within the meaning of the Corporate Governance Code.

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws, the articles of association and the instructions issued by the Board of Supervisors. Apart from assignments given by the Board of Directors to its members in individual cases, board members do not have individual duties related to the governance of the company.

In keeping with the provisions of the articles of association, Aktia's Board of Directors encompasses a minimum of five and a maximum of twelve ordinary members, whose term of office is one calendar year. No person who turns 67 before the beginning of the term can be elected as a board member. Aktia's Board of Directors is appointed by the Board of Supervisors for one calendar year at a time. The Board of Supervisors also appoints the chair and vice chair of the Board of Directors. No members of the Board are appointed through special order of appointment.

Meetings of the Board of Directors are deemed quorate when more than half the members, including the chair or vice chair, are present. No member of the Board of Directors may be a member of the Board of Supervisors.

The rules of procedure adopted by the Board of Directors define, in greater detail, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings and reporting procedures.

The Board of Directors convened 13 times in 2014. In addition, the Board of Directors adopted separate decisions on 7 occasions concerning matters that fell under its authority.

Attendance of Board members in 2014:

Wallgren Dag, Chair	13/13
Sten Eklundh	13/13
Frantz Hans	11/13
Hedman Kjell	11/13
von Stackelberg-Hammarén Catharina	13/13
Talma Arja	13/13
Wilkman Nina, Vice Chair	12/13

Composition of and work undertaken by the Board of Directors' committees

The Board of Directors set up three committees from among its members to take decisions on certain predefined matters and to draw up issues to be resolved upon by the Board of Directors.

Within the framework established by the Board of Directors, the risk committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the Board of Directors to pass decision on. The committee convened 9 times in 2014.

Members of the risk committee and attendance in 2014:

Eklundh Sten, Chair	9/9
Hedman Kjell	8/9
Wallgren Dag	8/9

The composition of the risk committee is unchanged in 2015.

The audit committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee determines the principles for internal auditing, sets down the Group's internal audit schedule and annual plan, and adopts routines and procedures for the compliance function. The committee studies the reports issued by the external auditor, the internal audit unit and the compliance unit and assesses the sufficiency of the other internal reports. The audit committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. The committee convened 9 times in 2014.

Members of the audit committee and attendance in 2014:

Wilkman Nina, Chair	9/9
Frantz Hans	8/9
Talma Arja	9/9

The composition of the audit committee is unchanged in 2015.

The remuneration and corporate governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties outside the company, and on matters relating to the development of the Group's administration and control system. The committee convened 2 times in 2014.

Members of the remuneration and corporate governance committee and attendance in 2014:

Wallgren Dag, Chair	2/2
Frantz Hans	2/2
von Stackelberg-Hammarén Catharina	2/2
Wilkman Nina	2/2

The composition of the remuneration and corporate governance committee is unchanged in 2015.

Composition of and work undertaken by the Board of Supervisors

Name	Born	Education, title and main occupation
Håkan Mattlin, Chair	1948	Lic.Soc. Sc., Honorary Counsellor
Christina Gestrin, Deputy Chair	1967	M. Sc. (Agr. & For.), Member of Parliament
Patrik Lerche, Deputy Chair	1964	M.Sc. (Econ.), Managing Director
Jorma J. Pitkämäki, vice ordförande	1953	M. Sc. Econ.), Director General
Jan-Erik Stenman, Deputy Chair	1953	LL.M.,Managing Director
Henrik Sundbäck, vice ordförande	1947	M. Sc. (Agr. & For.), Consultant
Lorenz Uthardt, vice ordförande (member until 7 April 2014)	1944	Agrologist, Doc.Soc.Sc, Honorary Counsellor (member until 7 April 2014)
Bo-Gustav Wilson, vice ordförande	1947	M.Sc. (Econ.)
Harriet Ahlnäs	1955	M.Sc. (Eng.), Principal
Mikael Aspelin	1954	LL.M.
Johan Aura	1972	MA (Education), Chief Secretary
Anna Bertills	1979	M.Soc.Sc., Managing Director
Roger Broo	1945	M.Soc.Sc, Chamber Counsellor
Agneta Eriksson	1956	M.A., Director
Håkan Fagerström	1956	Forester, Managing Director
Gun Kapténs	1957	M.Soc.Sc., Municipal Manager
Peter Karlgren (member from 7 April 2014)	1969	Agrologist, Agricultural Entrepreneur (member as of 7 April 2014)
Erik Karls	1947	Farmer, Entrepreneur
Bo Linde	1946	B.Sc. (Econ.), Honorary Counsellor
Per Lindgård	1946	Teacher
Kristina Lyytikäinen	1946	B.A. (Soc. Sc.), Entrepreneur
Stefan Mutanen	1953	M.Soc.Sc, Managing Director, Honorary Counsellor
Clas Nyberg	1953	M.Sc. (Eng), Entrepreneur in agriculture and tourism
Henrik Rehnberg	1965	Engineer, Farmer
Gunvor Sarelin-Sjöblom	1949	M.A., Author, Artist
Peter Simberg	1954	Agrologist
Bengt Sohlberg	1950	Agrologist, Agricultural Entrepreneur
Solveig Söderback (member from 7 April 2014)	1955	M. Soc. Sc., Chief Secretary (member as of 7 April 2014)
Sture Söderholm	1949	Lic. Odont.
Maj-Britt Vääriskoski	1947	Financial Director
Lars Wallin	1953	Service Manager
Mikael Westerback	1948	Chamber Counsellor
Ann-Marie Åberg	1950	Physiotherapist

The Board of Supervisors is responsible for overseeing the administration of Aktia and comments on Aktia's accounts, the report by the Board of Directors and the audit report at Aktia's Annual General Meeting. The Board of Supervisors makes decisions on matters that involve the significant restriction or expansion of operations, determines the number of members on the Board of Directors, appoints and dismisses the chair of the Board of Directors, the deputy chair and other board members and determines the remuneration of the board members. It may issue instructions to the Board of Directors in matters that are of special importance or fundamentally vital.

The Board of Supervisors, which consists of at least seven and no more than 36 members, is appointed by Aktia's Annual General Meeting for a term of three years. No person who turns 67 before the beginning of the term of office can be elected as a member of the Board of Supervisors. All members of the Board of Supervisors are Finnish citizens.

Within the Board of Supervisors the presiding officers prepare the election of the Board of Directors. Up until 6 May 2014, the Board of Supervisors had a controlling committee tasked with closely monitoring the activities of the Board of Directors and executive management and with reporting its observations to the Board of Supervisors. The duties of the controlling committee were transferred to the presiding officers on 6 May 2014.

The rules of procedure adopted by the Board of Supervisors define, in greater detail, the general duties of the Board, of Supervisors meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at meetings of the Board of Supervisors and reporting procedures.

Proposals for decisions to be taken by Aktia Bank's Annual General Meeting concerning members of the Board of Supervisors as well as their remuneration are prepared by a nomination committee, comprising representatives of the three largest shareholders plus the Chairman of the Board of Supervisors as expert member.

The Board of Supervisors convened 4 times in 2014 and the average attendance of members was 93 %.

Composition of and work undertaken by the Board of Supervisors' presiding officers

At its first meeting following the annual general meeting, the Board of Supervisors appoints a number of presiding officers.

The presiding officers are tasked with drawing up matters to be dealt with by the Board of Supervisors, studying reports on decisions taken by the Board of Directors concerning overall strategy and studying reports concerning loans and guarantee commitments that have been extended to members of the Board of Directors. The presiding officers include the chair and deputy chairs of the Board of Supervisors. The presiding officers 2014 were Håkan Mattlin (chair), Christina Gestrin, Patrik Lerche, Jorma J. Pitkämäki (6 May-31 December 2014), Jan-Erik Stenman, Henrik Sundbäck, Lorenz Uthardt (1 January–7 April 2014) and Bo-Gustav Wilson. The presiding officers convened 4 minuted meetings in 2014 and attendance of the officers was 86%.

CEO and his duties

Aktia's CEO is Jussi Laitinen, born 1956, M.Sc. (Econ.).

The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors and the Board of Supervisors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The Executive Committee assists the CEO in day-to-day management.

The most important elements of the internal control and risk management system associated with the financial reporting process in the Aktia Group

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures with the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also been built into all key processes where information is recorded. Internal control is supported by observations from the Group's internal audit unit which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control. The internal audit unit reports directly to the Aktia Group's Board of Directors and its committees.

Control and evaluation of compliance managed by Aktia Group's Compliance unit. The unit supports financial reporting with information and comments on laws, regulation and other requirements concerning listed companies. The Compliance unit reports to the Executive Committee and Aktia Group's Board of Directors and its audit committee.

The Aktia Group's operational organisation for financial reporting comprises a finance unit at Group level which is in charge of both external and internal reporting. The organisation is responsible for Group consolidation, budgeting, internal follow-up of results, upholding accounting principles and internal reporting guidelines and instructions. For each business segment and/or key individual companies within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis. Group reporting is compiled centralised and supported by a common system for financial reporting, comprising both external and internal reporting and contributing to consistent management of financial reporting on different levels on an on-going basis.

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. The Aktia Group is represented in different groups and bodies on different organisation levels steering the service providers' development of systems and processes. Concerning the most important IT service provider at the moment, Samlink Ltd, the Group has a direct ownership interest and is represented in the company's Board of Directors. Further, Aktia Group has a representative in the Board of Directors of the wholly-owned subsidiary of Samlink Ltd providing and managing accountancy services for Aktia Group.

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Financial Manager, who is in charge of internal and external financial reporting, is not involved in making direct business decisions. His incentives are mainly neutral when it comes to factors driving the business. The Financial Manager reports to the Aktia Group's Chief Financial Officer, who is a member of the Executive Committee.

The Aktia Group's internal reporting and monthly financial statements are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are currently distributed to Aktia Group's Board of Directors and management, selected key personnel and the auditors.

The Group's financial development and performance is addressed each month by the Aktia Group's executive committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its audit committee in the form of interim reports and an annual report. The interim reports and the annual report are scrutinised by the Group's external auditors who report their observations to the audit committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its audit committee.

The Aktia Group's risk control unit, which is a part of the Group's internal process for risk management but independent of business operations, oversees and evaluates risk management in the Group and reports to the management and Board of Directors. The unit is responsible for measuring, analysing and monitoring risks in all areas of operation within the Group, and for evaluating the Group's total risk exposure. The purpose of the reports that the risk control unit provides to management regularly and to the Group's Board of Directors and its risk committee on a quarterly basis encompasses all the central risk exposure and balance sheet items that can have an essential impact on the outcome indicated in the Group's financial reporting.

The Board of Directors







31.12.2014

Dag Wallgren
b. 1961
Chairman of the Board, *chairman of the Board's Remuneration and Corporate Governance Committee and member of the Board's Risk Committee*
M.Sc. (Econ)
Managing Director, Swedish Literature Society in Finland
Member of the Board since 2003 (Chairman since 2010–)
Shares in Aktia: A shares 4,627, R shares 525

Nina Wilkman
b. 1958
Vice Chairman of the Board, *chairman of the Board's Audit Committee and member of the Board's Remuneration and Corporate Governance Committee*
LL.M.
Attorney, Partner, Attorneys at Law Borenius Ltd
Member of the Board since 2006 (Vice Chairman since 2010–)
Shares in Aktia: A shares 955

Catharina von Stackelberg-Hammarén
Member of the Board's Remuneration and Corporate Governance Committee
M.Sc. (Econ)
Managing Director, Marketing Clinic Oy
Member of the Board since 2012
Shares in Aktia: A shares 1,541

Hans Frantz
b. 1948
Member of the Board's Audit Committee as well as Remuneration and Corporate Governance Committee
Lic.Pol.
Principal Lecturer, Health Care and Social Services, University of Applied Sciences in Vaasa
Member of the Board since 2003
Shares in Aktia: A shares 2,141, R shares 262

Kjell Hedman
b. 1951
Member of the Risk Committee
Business Economist
Member of the Board since 2012
Shares in Aktia: A shares 2,541

Arja Talma
b. 1962
Member of the Board and member of the Audit Comittee
M.Sc. (Econ), eMBA
Senior vice president, store sites and investments, Kesko Corporation
Member of the Board since 2013
Shares in Aktia: A shares 683

Sten Eklundh
b. 1960
Chairman of the Risk Committee
M.Sc. (Econ)
Member of the Board since 201
Shares in Aktia: A shares 11,335

Executive Committee






31.12.2014

Jussi Laitinen
b. 1956
Managing Director
M.Sc. (Econ.)
At Aktia since 2008
Shares in Aktia: A shares 50,575

Taru Narvanmaa
b. 1963
Deputy Managing Director, Managing Director's alternate
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: A shares 42,948,
R shares 5,000

Juha Hammarén
b. 1960
CRO
LL.M., eMBA
At Aktia since 2014
Shares in Aktia: -

Carl Pettersson
b. 1979
development director
B.Sc. (Econ.), eMBA
At Aktia since 2008
Shares in Aktia: A shares 8,506

Fredrik Westerholm
b. 1972
Financial Director, CFO
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: A shares 4,000

Magnus Weurlander
b. 1964
Director
M.Sc. (Econ.)
At Aktia since 1990
Shares in Aktia: A shares 14,566

Calendar 2015

13 April 2015	Annual General Meeting at 4:00 p.m.
8 May 2015	Interim report 1–3/2015 at 8:00 a.m.
11 August 2015	Interim report 1–6/2015 at 8:00 a.m.
8 November 2015	Interim report 1–9/2015 at 8:00 a.m.

AGM 13 April 2015

Notice is hereby given to Aktia Bank plc shareholders of the Annual General Meeting, to be held at 4.00 pm on 13 April 2015 at Pörssitalo, address Fabianinkatu 14, Helsinki.

Right to participate and registration

Shareholders listed as such in the company's register of shareholders maintained by Euroclear Finland Ab as at 30 March 2015 have the right to participate in the Annual General Meeting. Shareholders whose shares a registered to their personal Finnish book-entry account are listed as shareholders in the company's register of shareholders. Shareholders who are entered in the company's register of shareholders and who wish to participate in the Annual General Meeting must register their intention to attend by 4.00 pm on 7 April 2015 at the latest.

Participants can register for the AGM:

a) through the company's website www.aktia.com
b) by telephone at +358 800 0 2474 (8.30 am-4.30 pm on weekdays)
d) in writing to Aktia Bank plc, Group Legal, P.O. Box 207, 00101 Helsinki.

For registration purposes, the shareholder is requested to give his/her name and personal identification code or business ID, address, telephone number as well as the name and personal identification code and of any representative. The personal details that shareholders give to Aktia Bank plc will only be used for purposes associated with the Annual General Meeting and preparing the relevant registrations.

Dividend

The Board of Directors proposes that a dividend of EUR 0.48 per share be paid for the financial year 2014. Shareholders entitled to dividend are those who are registered in the register of shareholders maintained by Euroclear Finland Ltd on the record date 15 April 2015. The Board of Directors proposes the dividend to be paid out on 22 April 2015.

Production: Aktia

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

Aktia

We see a person in every customer.