Aktia

AKTIA BANK PLC ACCOUNTS ANNOUNCEMENT JANUARY-DECEMBER 2013

COMMISSION INCOME INCREASED IN A DIFFICULT MARKET SITUATION

CEO JUSSI LAITINEN

"Aktia achieved a good result. Commission income increased throughout the year and counterbalanced the negative effects of the low interest rates. Aktia's revised lending policy has generated results, and the write-downs on credits decreased more than expected. Our Asset Management has received several excellent marks during the year and the efforts in capital market activity will continue in the course of the coming year. Action Plan 2015 advanced as intended, and we will carry on to adapt our cost structure to the continuing difficult market situation. The savings bank Saaristosäästöpankki is now part of Aktia and the merger of the savings bank Vöyrin Säästöpankki is underway. Aktia's refinancing, liquidity and capital adequacy ratio continue to be at a good level and meet the rapidly tightening regulations"

OCTOBER-DECEMBER 2013: OPERATING PROFIT EUR 11.1 (10.4) MILLION

- The Group's operating profit from continuing operations amounted to EUR 11.1 (10.4) million.
- Profit for the period from continuing operations amounted to EUR 11.9 (6.3) million.
- Earnings per share stood at EUR 0.18 (0.09).
- Net interest income totalled EUR 27.3 (29.3) million and net commission income increased to EUR 17.8 (16.0) million.
- Write-downs on credits and other commitments decreased by 39% to EUR 1.1 (1.7) million.

JANUARY-DECEMBER 2013: OPERATING PROFIT EUR 65.4 (56.0) MILLION

- The Group's operating profit from continuing operations amounted to EUR 65.4 (56.0) million.
- Profit for the period from continuing operations amounted to EUR 52.4 (40.3) million.
- Earnings per share stood at EUR 0.78 (0.74), of which earnings per share from continuing operations were EUR 0.78 (0.59).
- The Board of Directors proposes a dividend of 0.42 (0.36) euro per share.
- The capital adequacy ratio stood at 19.3 (31 December 2012: 20.2)% and the Tier 1 capital ratio at 12.3 (11.8)%.
- Equity per share stood at EUR 8.67 (31 December 2012: 8.91).
- Net interest income totalled EUR 112.6 (117.3) million and net commission income increased to EUR 70.7 (65.3) million.
- Write-downs on credits and other commitments decreased by 57% to EUR 2.7 (6.4) million.
- **OUTLOOK 2014 (new):** Despite the persistent low interest rate level, the Group's operating profit for 2014 is expected to reach approximately the 2013 level.

KEY FIGURES (EUR million)	10-12/2013	10-12/2012	Δ %	2013	2012	Δ %	7-9/2013	4-6/2013	1-3/2013
Net interest income	27.3	29.3	-7%	112.6	117.3	-4%	26.9	28.3	30.1
Net commission income	17.8	16.0	12%	70.7	65.3	8%	17.4	18.6	16.9
Total operating income	57.3	58.4	-2%	224.2	217.9	3%	53.6	55.7	57.5
Total operating expenses	-45.9	-46.0	0%	-157.2	-154.2	2%	-34.6	-39.2	-37.5
Operating profit before write downs on credits, continuing operations	12.2	12.1	1%	68.1	62.4	9%	19.8	15.5	20.6
Write-downs on credits and other commitments	-1.1	-1.7	-39%	-2.7	-6.4	-57%	-0.2	-0.4	-1.1
Operating profit from continuing operations	11.1	10.4	7%	65.4	56.0	17%	19.6	15.1	19.5
Cost-to-income ratio	0.87	0.89	-2%	0.72	0.74	-3%	0.66	0.70	0.67
Earnings per share (EPS), EUR	0.18	0.09	91%	0.78	0.74	6%	0.22	0.16	0.22
Equity per share (NAV)[1], EUR	8.67	8.91	-3%	8.67	8.91	-3%	8.52	8.34	9.02
Return on equity (ROE), %	7.5	3.9	92%	8.1	8.5	-5%	9.4	6.9	8.9
Capital adequacy ratio[1], %	19.3	20.2	-4%	19.3	20.2	-4%	19.1	20.3	20.0
Tier 1 capital ratio[1], %	12.3	11.8	5%	12.3	11.8	5%	12.2	12.1	11.7
Write-downs on credits / total credit stock, %	0.02	0.02	0%	0.04	0.09	-56%	0.00	0.01	0.02

1) At the end of the period

The Accounts Announcement January-December 2013 is a translation of the original Swedish version "Bokslutskommuniké 1.1-31.12.2013". In case of discrepancies, the Swedish version shall prevail.

Profit October-December 2013

The Group's operating profit from continuing operations amounted to EUR 11.1 (10.4) million.

Income

The Group's total income amounted to EUR 57.3 (58.4) million. Net interest income from the Bank's borrowing and lending amounted to EUR 11.2 (11.5) million and total net interest income amounted to EUR 27.3 (29.3) million. Both derivatives and fixed-rate instruments are utilised to manage interest rate risks. These hedging measures used by Aktia Bank to limit its interest rate risk brought net interest income of EUR 10.8 million, EUR 1.9 million more than the year before. Net interest income from other treasury activities was EUR 5.3 (8.9) million.

Net commission income increased by 12% to EUR 17.8 (16.0) million. Commission income totalled EUR 22.2 (20.2) million. Card and other payment service commissions increased by 15% to EUR 4.2 (3.6) million. Net income from life insurance improved to EUR 8.4 (8.3) million. Net income from life insurance includes premiums written, net income from investment activities, claims paid and changes in technical provisions.

Net income from financial transactions was EUR 2.5 (3.1) million of which net income from financial assets available for sale totalled EUR 1.8 (2.9) million. Net income from hedge accounting was EUR 0.6 (0.2) million. Other operating income was EUR 1.3 (1.5) million.

Expenses

The Group operating expenses totalled to EUR 45.9 (46.0) million. Of this, staff costs amounted to EUR 23.1 (20.0) million, including one-off costs amounting to EUR 3.4 as a result of staff reduction. IT expenses amounted to EUR 6.4 (12.6) million. As a result of the decision in 2012 to change Aktia's core banking system, a provision with cost effect of EUR 5.9 was raised in the corresponding period in 2012 to cover the winding up of the service agreement.

Other operating expenses amounted to EUR 14.7 (11.5) million, including one-off costs of EUR 2.4 million relating to future rental commitments for merger of branches in 2014.

Segment overview

Group operating profit from continuing operations by segment

(EUR million)	10-12/2013	10-12/2012	Δ %
Banking Business	9.8	6.8	44%
Asset Management & Life Insurance	7.1	6.4	12%
Miscellaneous	-6.5	-2.0	-219%
Eliminations	0.7	-0.8	-
Total	**11.1**	**10.4**	**7%**

Higher profit for the Banking Business segment is primarily due to higher income and lower write-downs on credits. One-off costs arising from the Action Plan 2015 are included in the segment Miscellaneous.

New Basel III regulations in 2014 and its effect on the capital adequacy for the banking business

The regulations pertaining to capital adequacy for the banking business will change as of 2014. The Base III reform will be implemented within the EU through the CRD IV package, which will be complemented by the Capital Requirements Regulation (CRR). The CRR will enter into force on 1 January 2014, with transitional regulations, and CRD IV will be implemented in national legislation in summer 2014. The criteria for liquidity coverage ratio (LCR) will enter into force on 1 January 2015.

The new regulations mean higher requirements on Tier 1 capital as well as a number of technical changes in calculations, which will have a negative impact on the Bank Group's Tier 1 capital base. For Aktia Bank, the most significant changes relate to deductions from the core Tier 1 capital base for holdings in insurance comanpies and for minority holders' paid-up equity capital. The unrealised value changes from investments (fund at fair value), which in 2013 were still included in Tier 2 capital, will during the transitional period 2014–2015 gradually affect the Tier 1 capital base. Moreover, the Bank Group's Tier 2 capital base will suffer from the negative effects of stricter maturity criteria on issued debenture capital.

Lesser negative effects arise from changes in the risk assessment of the 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 investments in certain types of instruments as well as instruments with lower ratings.

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

With regard to the changes in regulations which entered into force on 1 January, Aktia Group will, during the first quarter of 2014, review its principles for internal capital allocation between the parent company, Aktia Bank plc, and the Group's subsidiaries.

In 2014, the total effects of the changed regulations described above, the temporary exemption issued by the Financial Supervisory Authority for Aktia Life Insurance and the planned internal re-allocation of capital within the Group are estimated to amount to approximately -0.5 per cent of the core capital ratio and approximately -4 per cent of the capital adequacy ratio.

ACTIVITY IN January-December 2013

Business environment

General interest rate level remained low during the period, which has had a negative impact on Aktia's net interest income. The low interest rates have resulted in higher values for Aktia's fixed-rate investments.

According to Statistics Finland, inflation in Finland was 1.6 (2.4)% in December. On average, inflation stood at 1.5 (2.8)% in 2013.

The index of consumer confidence in the economy strengthened slightly in December compared to the previous year to reach 7.2 (3.5), but was well below the long-term average of 12.2. In November consumer confidence stood at 6.4 (1.0) and in October at 3.8 (-1.6) ***(Statistics Finland)***.

Real estate prices in Finland rose until December by 0.7% for the whole country, compared with the same period in 2012. In the Helsinki region, prices rose by 2.3%, but they fell by 0.5% in the rest of Finland.

Unemployment stood at 7.9% in December 2013, 1.0 percentage points more than a year ago ***(Statistics Finland).***

The Nasdaq OMX Helsinki 25 index rose by approx. 23% in 2013, whereas the Nordic banking sector rose by almost 40%. Aktia's 'A' shares rose by approx. 38% in the same period.

Key figures Y-o-y, %	**2015E***	**2014E***	**2013E**	**2012**
GDP growth				
World	3.8	3.6	3.0	3.1
Euro area	1.2	1.0	-0.4	-0.6
Finland	1.6	0.7	-1.2	-1.0
Consumer price index				
Euro area	1.5	1.0	1.5	2.5
Finland	1.4	1.4	1.5	2.8
Other key ratios				
Development of real value of housing in Finland[1]	0.0	0.0	0.0	-1.1
Unemployment in Finland[2]	8.2	8.4	8.2	7.7
OMX Helsinki 25	-	-	23.0	11 .0
Interest rates[1]				
ECB	0.75	0.25	0.25	0.75
10-y Interest Ger (=benchmark)	2.80	2.40	1.90	1.32
Euribor 12 months	1.75	0.75	0.56	0.54
Euribor 3 months	1.00	0.30	0.29	0.19

* Aktia's chief economist's prognosis (4 February 2014)
[1] at the end of the year
[2] annual average

Aktia Bank plc the new parent company for the Group

The former parent company of the Aktia Group, Aktia plc, merged with its wholly-owned subsidiary Aktia Bank plc on 1 July 2013. Following the merger, Aktia Bank plc has become the parent company of the Group. The merger is part of the Aktia Group's Action Plan 2015, which aims to simplify the structure of the Group and increase cost-effectiveness within administration, processes and common functions.

At the time of the merger, shareholders in Aktia plc received Aktia Bank plc's newly issued A and R shares in consideration. An A share in Aktia plc entitled the holder to a new A share in Aktia Bank plc and an R share in Aktia plc entitled the holder to a new R share in Aktia Bank plc. The consideration was paid by registering the newly-issued shares in Aktia Bank plc in the Finnish Trade Register and allocating them as book-entry securities in the book-entry system maintained by Euroclear Finland Oy. The shareholders' rights for the consideration shares took effect from 1 July 2013.

Effect of the merger on the Group's financial position

Because the merger took place within the Group and Aktia plc owned 100% of the shares in Aktia Bank plc, the merger had no direct effect on the results for the Aktia Group. Nor did the merger have any effect on the Aktia Group's balance-sheet total or total equity. The minor changes that took place within the Group's equity position as a result of the merger are presented on page 19 of the Accounts Announcement, under "Consolidated statement of changes in equity".

The new Group structure, with Aktia Bank plc as the parent company for the Group's insurance operations also, affected the Bank Group's capital adequacy as of 1 July 2013 by -0.9 percentage points and the Tier 1 ratio by -0.4 percentage points.

Comparative figures for the Accounts Announcement

The merger of the Group's former parent company brought no significant changes to the Aktia Group's financial position or operating activities. The comparative figures in this Accounts Announcement have been compiled so that the financial information for the present Group with Aktia Bank plc as its parent is compared with the same, completely equivalent financial information that was published in earlier periods when Aktia plc was the parent company for the Group.

Rating

On 2 July 2013, 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 20 August 2013, 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 remained negative.

On 25 April 2013, Aktia Bank ended its rating agreement with Fitch, and on the same day Fitch affirmed Aktia Bank plc's rating for creditworthiness (long-term borrowing BBB+, short-term borrowing F2) and upgraded the outlook to stable (negative).

	Long-term borrowing	Short-term borrowing	Outlook	Updated
Moody's Investors Service	A3	P-2	neg	20.8.2013
Standard & Poor's	A-	A-2	neg	2.7.2013

Action Plan 2015

In November 2012, Aktia's Board of Directors introduced Action Plan 2015 and updated the financial objectives for the period up until 2015. The update was motivated by the new business climate, characterised by extremely low interest rates and new regulations. Action Plan 2015 includes several individual measures and will be realised in phases through to 2015.

Aktia is renewing its core banking system, and the new system will be launched in 2015. As its platform, Aktia has selected the T24 core banking system by the international banking software provider Temenos, and the credit processing system from the Swedish company Emric AB.

The migration to the new platform will be carried out in cooperation with the current IT system provider, Samlink. Aktia and Samlink have signed an agreement covering the transitional phase and the services that will remain with Samlink.

With the new core banking system, Aktia is targeting yearly cost savings of up to EUR 5 million. The transition to a modern core banking platform will also result in more cost-effective processes. The total investment in the new core banking platform is estimated to be EUR 30 million.

Aktia completed codetermination negotiations which resulted in cutting staff by about 50 persons. After implementation in 2014, the measures are estimated to give yearly cost savings of EUR 5–6 million.

The merger of Aktia plc and Aktia Bank plc was completed on 1 July 2013.

With the new Basel III regulation, the role as a central financial institution would be a significant burden for Aktia, in terms of both profit and liquidity. Aktia will phase out these services, concluding them at the beginning of 2015. Consequently, Aktia Bank plc has divested its share (25.8%) of ACH Finland Ltd.

In March 2013, Aktia Bank was granted a mortgage bank concession and issued its first covered bonds to the sum of EUR 500 million in July 2013.

As part of the Action Plan 2015, the Group has made an organisational change and simplified its corporate structure. Since 1 January 2013 a new segment structure applies: Banking Business, Asset Management & Life Insurance and Miscellaneous.

Profit January - December 2013

Group operating profit from continuing operations improved by 17% on the same period the year before, to EUR 65.4 (56.0) million. Group profit from continuing operations amounted to EUR 52.4 (40.3) million.

Income

Group total income increased by 3% to EUR 224.2 (217.9) million.

Despite low market interest rates, net interest income was stable and stood at EUR 112.6 (117.3) million. Both derivatives and fixed-rate instruments are utilised to manage interest rate risks. The hedging measures used by Aktia Bank to limit its interest rate risk brought net interest income of EUR 44.0 (30.8) million.

Net commission income increased by 8% to EUR 70.7 (65.3) million. Commission income from mutual funds, asset management and securities brokerage increased by 14% to EUR 44.9 (39.3) million. Card and other payment service commissions was EUR 17.7 (16.9) million.

Net income from life insurance totalled EUR 28.1 (27.3) million. Insurance activities show an improvement. The improvement is related to increased premium volumes and improved profitability from insurance.

Net income from financial transactions was EUR 8.3 (2.9) million, including a EUR 2.8 (1.9) million dividend from Suomen Luotto-osuuskunta arising from the sale of its subsidiary. Net income from hedge accounting totalled EUR 0.1 (1.1) million.

Other operating income decreased by 19% to EUR 3.8 (4.7) million.

Expenses

Group operating expenses increased by 2% to EUR 157.2 (154.2) million. Of this, staff costs amounted to EUR 77.7 (75.4) million, including one-off costs amounting to EUR 3.4 million as a result of staff reduction.

IT expenses decreased by 13% to EUR 27.3 (31.4) million. As a result of the decision in 2012 to change Aktia's core banking system, a provision with a cost effect of EUR 5.9 million was raised in corresponding period in 2012 to cover the renegotiation of the service agreement.

Other operating expenses increased by 13% to EUR 45.5 (40.3) million, including one-off costs of EUR 2.4 million relating to future rental commitments for branch mergers in 2014. Expenses for carrying out the merger between Aktia plc and Aktia Bank plc amounted to EUR 0.4 million. A new cost incurred from 2013 is the bank tax levied on Finnish deposit banks, to be paid in 2013–2015. In 2013, the costs relating to the bank tax amounted to EUR 2.8 million.

Depreciation of tangible and intangible assets decreased by 5% to EUR 6.8 (7.2) million.

Write-downs on credits and other commitments

In 2013 write-downs on credits and other commitments decreased by 57% to EUR 2.7 (6.4) million.

Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of December stood at EUR 10,934 (11,240) million.

Liquidity

The Bank Group's (including Aktia Bank plc and all its subsidiaries except for Aktia Life Insurance and the associated company Folksam Non-Life Insurance) liquidity portfolio, which consists of interest-bearing securities, amounted to EUR 2,405 (1,852) million. The liquidity portfolio was financed with repurchase agreements to a value of EUR 0 (107) million. In addition to this, the Bank holds other interest-bearing securities to a value of EUR 20 (10) million.

At the end of December, the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow for 17 months from whosale funding.

Borrowing

Deposits from the public and public sector entities increased and stood at EUR 3,797 (3,631) million, corresponding to a market share of deposits of 3.7 (3.4)%.

The Aktia Group's outstanding bonds amounted to a total value of EUR 3,658 (3,879) million. Of these bonds EUR 2,305 (3,104) million were covered bonds issued by the Aktia Real Estate Mortgage Bank plc. The equivalent amount for Aktia Bank was EUR 498 (0) million.

During the period, Aktia Bank plc issued its first long-term covered bonds at a value of EUR 500 million. As security for the issue, loans in the value of EUR 1,066 million were reserved at the end of December, all with a loan-to-value ratio below 70% of the market value of the securities in accordance with the Mortgage Bank Act.

Outstanding Aktia Bank certificates of deposit amounted to EUR 314 million at the end of the period. During the period, Aktia Bank plc issued new subordinated loans with a total value of EUR 86 million. During the period, Aktia Bank also issued long-term covered bonds worth EUR 300 million as part of its EMTN programme as well as long-term collateralised bonds ('Schuldscheindarlehen') worth EUR 83 million. After the year end, in the middle of January 2014, Aktia Bank issued long-term collateralised bonds ('Schuldscheindarlehen') at a value of EUR 20 million.

Lending

Group total lending to the public amounted to EUR 6,802 (7,202) million at the end of December, a decrease of EUR 399 million.

Loans to private households (including mortgages brokered by savings banks and POP Banks) accounted for EUR 5,973 (6,222) million or 87.8% (86.4%) of the total loan stock.

The housing loan stock totalled EUR 5,521 (5,850) million, of which the share for households was EUR 5,191 (5,458) million. At the end of December, Aktia's market share in housing loans to households stood at 4.1 (4.3)%.

Corporate lending accounted for 8.0% (9.3%) of Aktia's credit stock. Total corporate lending amounted to EUR 541 (666) million.

Loans to housing associations totalled EUR 241 (270) million and made up 3.5% (3.8%) of Aktia's total credit stock.

Credit stock by sector

(EUR million)	31.12.2013	31.12.2012	Δ	Share,%
Households	5,973	6,222	-249	87.8%
Corporate	541	666	-126	8.0%
Housing associations	241	270	-29	3.5%
Non-profit organisations	43	39	4	0.6%
Public sector entities	4	4	0	0.1%
Total	**6,802**	**7,202**	**-399**	**100%**

Financial assets

Aktia's financial assets consist of the Bank Group's liquidity portfolio and other interest-bearing investments amounting to EUR 2,424 (1,862) million, the life insurance company's investment portfolio amounting to EUR 661 (693) million and the real estate and share holdings of the Banking Business amounting to EUR 7 (7) million.

Technical provisions

The life insurance company's technical provisions amounted to EUR 965 (878) million, of which EUR 462 (359) million were unit-linked. Interest-related technical provisions decreased to EUR 503 (520) million.

Equity

During the year, the Aktia Group's equity decreased by EUR 16 million to EUR 642 (657) million.

Commitments

Off-balance sheet commitments, consisting of liquidity commitments to local banks, other loan promises and bank guarantees, increased by EUR 48 million and amounted to EUR 391 (343) million.

Managed assets

The Group's total managed assets amounted to EUR 9,456 (8,832) million.

Customer assets comprise managed and brokered mutual funds and managed capital in the subsidiary companies in the Asset Management & Life

Insurance segment, as well as Aktia Bank's Private Banking unit. In the table below, the assets presented reflect net volumes, so that customer assets managed in multiple companies have been eliminated.

Group 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)	31.12.2013	31.12.2012	Δ %
Assets under management	6,341	5,877	8%
Group financial assets	3,114	2,955	5%
Total	**9,456**	**8,832**	**7%**

Capital adequacy and solvency

The Bank Group's (including Aktia Bank plc and all its subsidiaries except for Aktia Life Insurance and the associated company Folksam Non-Life Insurance), capital adequacy ratio stood at 19.3% (31 December 2012: 20.2%) and the Tier 1 capital ratio at 12.3 (11.8)%.

Aktia Bank plc's capital adequacy ratio stood at 23.1% compared to 28.1% at the end of 2012. The Tier 1 capital ratio was 14.7 (16.1)%. The former parent company of the Aktia Group, Aktia plc, merged with Aktia Bank plc on 1 July 2013. The merger affected the Group's capital adequacy ratio by approx. –1 percentage point. Capital adequacy was also affected by the repayment of a perpetual loan of EUR 45 million which was previously included in supplementary capital.

Capital adequacy	31.12.2013	31.12.2012
Bank Group		
Capital adequacy	19.3 %	20.2%
Tier 1 ratio	12.3 %	11.8%
Aktia Bank		
Capital adequacy	23.1 %	28.1%
Tier 1 ratio	14.7 %	16.1%
Aktia Real Estate Mortgage Bank		
Capital adequacy	14.2 %	11.3%
Tier 1 ratio	13.3 %	9.7%

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

The life insurance company's solvency margin amounted to EUR 99.0 (158.6) million, where the minimum requirement is EUR 34.3 (33.3) million. The solvency ratio was 17.5 (27.4)%.

The capital adequacy ratio for the conglomerate amounted to 198.6 (205.1)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

Segment overview

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

Group operating profit from continuing operations by segment

(EUR million)	1-12/2013	1-12/2012	Δ %
Banking Business	50.5	42.0	20%
Asset Management & Life Insurance	23.9	21.3	12%
Miscellaneous	-9.5	-7.1	-33%
Eliminations	0.5	-0.2	-
Total	**65.4**	**56.0**	**17%**

Banking Business

The segment Banking Business contributed EUR 50.5 (42.0) million to Group operating profit.

Operating income was EUR 178.2 (172.2) million, of which EUR 113.9 (118.1) million was net interest income. Net commission income increased compared to the year before, and amounted to EUR 55.5 (51.2) million. The increase in commission income derived mainly from brokerage of funds and life insurances, which have developed favourably. Commissions from lending and borrowing, as well as from card and other payment services, also improved compared to the year before. Commissions from the real estate agency business decreased by 10% from the previous year, standing at EUR 6.9 (7.7) million. Net income from financial assets available for sale amounted to EUR 4.6 (0.8) million.

Operating expenses increased slightly from the year before, and totalled EUR 125.0 (123.8) million. Staff costs decreased by 6%, from EUR 40.2 million to EUR 37.7 million. IT expenses amounted to EUR 14.5 (15.0) million. Other operating expenses increased to EUR 71.0 (66.6) million. The increase is mainly a result of the temporary bank tax, which burdens the result of banking operations by EUR 2.8 million.

The enhancement of credit card operations continued, and EVRY AS was selected as the primary card services platform. In December 2013, the Visa credit stock of EUR 52 million was transferred from Nets Ab to Aktia Bank. The transfer of the Visa credit stock and the enhancement of credit card operations are estimated to provide a joint positive income effect of more than EUR 2 million per year from 2014.

Sales activities are supported by the Aktia Dialogue concept, which maps out customers' needs for banking and insurance services. The number of Dialogues conducted increased by 4% during the period, to 56,200 (54,000). Aktia Private Banking, which offers comprehensive individual investment services and legal advice, increased its number of clients by approximately 15%. Over a period of 12 months, Private Banking's customer assets increased by approximately 27% and amounted to EUR 1,597 (1,257) million.

Total savings by households were approximately 7% higher than at the beginning of the year, amounting to EUR 4,060 (3,787) million, of which household deposits were EUR 2,968 (2,801) million and savings by households in mutual funds were EUR 1,092 (986) million.

Aktia's lending to private households, including the mortgages brokered by Aktia, amounted to EUR 4,362 (4,356) million. During the period, Aktia

Real Estate Mortgage Bank's total lending volume decreased by EUR 1,034 million and amounted to EUR 2,882 (3,917) million.

On 30 October 2013, Aktia Bank plc and Saaristosäästöpankki Oy signed a final merger agreement. Thereafter, Saaristosäästöpankki functions as a subsidiary of Aktia Bank. On 31 December 2013, Saaristosäästöpankki's deposits amounted to EUR 62.3 million and its credit stock to EUR 45.7 million. The merger of Saaristosäästöpankki into Aktia Bank is expected to be completed during the first half of 2014.

Asset Management & Life Insurance

The segment Asset Management & Life Insurance contributed EUR 23.9 (21.3) million to Group operating profit.

Operating income for the segment increased to EUR 45.8 (42.9) million. Net commission income from asset management improved and amounted to EUR 19.7 (17.1) million, and net income from life insurance strenghtend to EUR 26.1 (25.7) million. In technical accounts, there has been significant improvement as the changes in the reserves for technical provisions had a negative effect of EUR 9.3 million on the operating profit for the year. Net investment income was lower than in the previous year, as the reference period contains a higher proportion of sales profits and positive value changes from derivative agreements.

Premiums written increased by 27% year-on-year to EUR 140.0 (110.7) million. This increase is attributable to unit-linked insurance savings policies. The Aktia Profile investment service has been very well received by customers and represents 57% (44%) of premiums written.

Net income from life insurance investment activities amounted to EUR 25.3 (36.3) million. The decrease is attributable to lower sales profits in year-to-year comparison; the reference year also included a positive effect on the financial result from derivatives used by the life insurance business to limit its interest risk of EUR 4.0 million. Interest-rate derivatives were unwound at the end of 2012. The return on the company's investments based on market value was 1.0% (11.7%).

Operating costs increased by 1% to EUR 21.9 (21.6) million mainly as a result of increased business volumes. Staff costs amounted to EUR 10.4 (10.2) million, and the increase is attributable to one-off costs relating to staff reductions. The life insurance expense ratio improved and was 88.3% (90.8%).

The value of assets managed by Aktia Asset Management & Life Insurance totalled EUR 5,192 (4,978) million.

(EUR million)	**31.12.2013**	**31.12.2012**	**Δ %**
Aktia Fund Management	3,053	2,843	7%
Aktia Invest	2,452	2,467	-1%
Aktia Asset Management	4,843	4,561	6%
Aktia Life Insurance	451	379	19%
Eliminations	-5,608	-5,271	6%
Total	**5,192**	**4,978**	**4%**

Life insurance technical provisions totalled EUR 965 (878) million, of which allocations for unit-linked provisions was EUR 462 (359) million and interest-related provisions EUR 503 (520) million. Unit-linked provisions increased to 48% (41%) of total technical provisions. The average discount rate for the interest-linked technical provisions was 3.6%. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which is used for hedging future interest requirements.

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

Miscellaneous

Segment Miscellaneous contributed EUR -9.5 (-7.1) million to Group operating profit.

Segment 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.

In 2013, Aktia received a dividend of EUR 2.8 (1.9) million from Suomen Luotto-osuuskunta resulting from the sale of its holding in its subsidiary Nets Oy in 2012.

Codetermination negotiations in Aktia Bank were concluded at the beginning of November and, as a result, approximately 50 persons were laid off. Consequently, a cost reserve of EUR 3.4 million is regocnised under staff costs in the financial statement. In addition to the staff cuts and as part of Action Plan 2015, Aktia has decided to combine a number of neighbouring branch offices and, to this end, other costs include a cost reserve of EUR 2.4 million relating to future rental commitments.

The 2012 result was affected by provisions with a cost effect of EUR 5.9 million relating to the renegotiation of the service agreement in connection with the change of core banking system. In 2013, the provisions were dissolved for a total of EUR 0.5 million.

As part of the activities of Vasp-Invest Ltd, there were continued active efforts to sell off real estate assets. Operating profit from Vasp-Invest Ltd amounted to EUR 0.3 (0.6) million.

The Group's risk exposure

Definitions and general principles for asset and risk management can be found in Aktia plc's Annual Report for 2012 (www.aktia.fi) in note G2 on pages 38–65.

Lending related risks within banking business

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection decreased to EUR 45 (50) million, corresponding to 0.66% (0.69%) of the credit stock. The credit stock also includes off-balance sheet guarantee commitments.

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

Loans with payments 3–30 days overdue decreased to EUR 114 (133) million, equivalent to 1.66 (1.84)% of the credit stock. Loans with payments 31–89 days overdue decreased to EUR 34 (51) million, or 0.49% (0.71%) of the credit stock.

Non-performing loans by time overdue

(EUR million)

Days	31.12.2013	% of credit stock	31.12.2012	% of credit stock
3 - 30	114	1.66	133	1.84
of which households	106	1.55	117	1.62
31 - 89	34	0.49	51	0.71
of which households	28	0.42	42	0.58
90-[1]	45	0.66	50	0.69
of which households	31	0.46	33	0.46

[1] in Aktia Bank fair value of the asset covers in average 96% of debts

Write-downs on credits and other commitments

During the year total write-downs on credits and other commitments decreased by EUR 3.7 million compared to 2012, to stand at EUR 2.7 (6.4) million. Of these write-downs, EUR 1.8 (4.4) million were attributable to households, and EUR 0.9 (2.0) million to companies.

Total write-downs on credits amounted to 0.02% (0.06%) of total lending for the year. The share of write-downs on corporate loans in relation to corporate lending overall amounted to 0.1% (0.5%).

Distribution of risk across financial assets

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

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

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

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

Investments within the liquidity portfolio and the other interest-bearing investments increased from year-end by EUR 562 million, and amounted to EUR 2,424 (1,862) million.

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

	31.12.2013	31.3.2012
(EUR million)	**2,424**	**1,862**
Aaa	52.9%	64.5%
Aa1-Aa3	27.5%	19.1%
A1-A3	15.2%	8.9%
Baa1-Baa3	1.3%	3.7%
Ba1-Ba3	0.0%	1.5%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	3.0%	2.2%
No rating	0.1%	0.0%
Total	**100.0%**	**100.0%**

At the end of the period, all long-term covered bonds in the Bank Group's liquidity portfolio met eligibility requirements for refinancing at the central bank.

Investments without rating in the table originate from the acquired subsidiary Saaristosäästöpankki. These interest-bearing investments without a rating consist entirely of short-term domestic commercial papers and investments in Finnish banks, and as the issuer lacks a rating, they do not meet the eligibility requirements for refinancing at the central bank.

Banking group Geopolitical and instrument type distribution

Aktia Bank Group	Government and Govt. guaranteed		Covered Bonds		Financial institutions exkl. CB		Corporate bonds		Equity instruments		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Nordic EU-countries	**79**	**63**	**423**	**228**	**139**	**129**	**3**	**-**	**2**	**-**	**646**	**420**
Finland	79	59	305	117	64	43	3	-	2	-	452	218
Sweden	-	4	111	99	75	85	0	-	-	-	187	189
Denmark	-	-	7	13	0	-	-	-	-	-	8	13
Other EU-countries	**98**	**12**	**1,022**	**1,012**	**244**	**102**	**-**	**-**	**-**	**-**	**1,363**	**1,126**
Germany	-	-	20	31	6	12	-	-	-	-	26	43
France	66	-	223	270	96	5	-	-	-	-	385	275
United Kingdom	-	-	368	364	29	30	-	-	-	-	397	394
Netherlands	-	-	212	149	113	55	-	-	-	-	325	204
Austria	11	12	151	25	-	-	-	-	-	-	163	37
Belgium	20	-	-	-	-	-	-	-	-	-	20	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	16	-	-	-	-	-	-	-	16
Italy	-	-	47	47	-	-	-	-	-	-	47	47
Portugal	-	-	-	56	-	-	-	-	-	-	-	56
Spain	-	-	-	54	-	-	-	-	-	-	-	54
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	**-**	**-**	**234**	**238**	**12**	**20**	**-**	**-**	**-**	**-**	**246**	**258**
North America	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**12**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**161**	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**161**	**46**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**-**	**-**	**-**	**0**	**-**
Total	**337**	**120**	**1,690**	**1,490**	**395**	**251**	**4**	**-**	**2**	**-**	**2,428**	**1,862**

Group investments in GIIPS countries

The Group's investments in the so-called GIIPS countries remained unchanged during the fourth quarter, and as of 31 December 2013 totalled EUR 59 (189) million. The total unrealised result amounted to EUR 2.2 (-0.1) million. These items are reported under Equity and fund at fair value. No write-downs have been made for these holdings via the income statement. However, early disposals have been carried out during the period, which brought about a loss from the sale of EUR 1.4 million before tax. All exposures relating to GIIPS countries are measured on an on-going basis at current market value.

Other market risks within the banking business

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

At the end of the period, real estate holdings amounted to EUR 0.1 (0.5) million and investments in shares necessary for the business as well as the investments in shares acquired from Saaristosäästöpankki amounted to EUR 6.6 (6.7) million.

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 661 (693) million. During the period, the life insurance company's real estate allocation increased by approx. EUR 33 million. The properties acquired are located in the Helsinki region and have strong tenants with long rental agreements. The life insurance company's direct real estate investments amounted to EUR 60 (28) million.

The life insurance company's investments in GIIPS countries amounted to EUR 12 (17) million.

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

	31.12.2013	31.12.2012
(EUR million)	**493**	**563**
Aaa	55.4%	54.5%
Aa1-Aa3	19.2%	21.6%
A1-A3	13.9%	12.0%
Baa1-Baa3	4.7%	3.7%
Ba1-Ba3	0.9%	2.0%
B1-B3	0.4%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	0.0%	0.0%
No rating	5.5%	6.2%
Total	**100.0%**	**100.0%**

Life Insurance company's Geopolitical and instrument type distribution

Aktia Life Insurance	Government and Govt. guaranteed		Covered Bonds		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Equity instruments		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Nordic EU-countries	**34**	**56**	**34**	**35**	**39**	**44**	**50**	**56**	**102**	**69**	**7**	**7**	**-**	**-**	**267**	**267**
Finland	34	51	15	16	33	34	46	50	102	69	7	7	-	-	**237**	**226**
Sweden	-	5	-	-	7	10	2	4	-	-	1	1	-	-	**9**	**20**
Denmark	-	-	18	19	-	-	2	3	-	-	-	-	-	-	**21**	**21**
Other EU-countries	**132**	**148**	**174**	**185**	**25**	**24**	**19**	**28**	**-**	**-**	**0**	**1**	**-**	**-**	**349**	**386**
Germany	23	24	-	-	2	5	7	10	-	-	-	-	-	-	**33**	**40**
France	63	68	82	90	6	1	3	5	-	-	-	-	-	-	**154**	**163**
United Kingdom	-	-	37	41	4	5	1	2	-	-	0	1	-	-	**42**	**48**
Netherlands	24	25	34	30	12	13	7	10	-	-	-	-	-	-	**77**	**78**
Austria	20	21	11	12	-	-	-	-	-	-	-	-	-	-	**31**	**33**
Belgium	-	-	-	-	-	-	-	-	-	-	-	-		-	**-**	**-**
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Ireland	-	-	-	1	-	-	-	-	-	-	-	-	-	-	**-**	**1**
Italy	-	-	2	2	-	-	2	2	-	-	-	-	-	-	**4**	**4**
Portugal	-	2	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**2**
Spain	-	-	7	10	-	-	-	-	-	-	-	-	-	-	**7**	**10**
Other countries	2	8	-	-	-	-	(1)	(0)	-	-	-	-	-	-	**1**	**8**
Europe excluding EU	**3**	**0**	**-**	**-**	**6**	**4**	**5**	**2**	**-**	**-**	**0**	**0**	**-**	**-**	**14**	**7**
North America	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**6**	**-**	**-**	**0**	**0**	**-**	**-**	**4**	**6**
Other OECD-countries	**6**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**6**
Supranationals	**5**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**6**
Others	**15**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**15**
Total	**195**	**231**	**207**	**220**	**70**	**72**	**78**	**93**	**102**	**69**	**8**	**9**	**-**	**-**	**661**	**693**

Valuation of financial assets

Value changes reported via income statement

Write-downs on financial assets amounted to EUR -1.3 (-0.7) million at the end of the year, mainly related to permanent reductions in the value of real estate funds and smaller private equity holdings. These investments are related to the investment portfolio of the life insurance company.

Write-downs on financial assets

(EUR million)	1-12/2013	1-12/2012
Interest-bearing securities		
Banking Business	-	1,2
Life Insurance Business	-	-
Shares and participations		
Banking Business	-	-
Life Insurance Business	-1.3	-1.9
Total	**-1.3**	**-0.7**

Value changes reported via the fund at fair value

A value impairment that is not reported in the income statement, or an increase in the value 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 81.1 (116.1) million after deferred tax.

Cash flow hedging, which comprises of unwound derivative contracts that have been aquired for the purposes of hedging the banking business' net interest income, amounted to EUR 4.6 (16.2) million.

The fund at fair value

(EUR million)	31.12.2013	31.12.2012	Δ
Shares and participations			
Banking Business	1.9	3.6	-1.7
Life Insurance Business	2.0	4.0	-2.0
Direct interest-bearing securities			
Banking Business	35.8	42.0	-6.2
Life Insurance Business	36.9	48.4	-11.5
Share of associated company's fund at fair value	-0.1	1,8	-1.9
Cash flow hedging	4.6	16.2	-11.6
Fund at fair value, total	**81.1**	**116.1**	**-34.9**

Financial assets held until maturity

In December 2013, interest-bearing securities to the value of EUR 101 million were reclassified from financial assets available for sale to financial assets held until maturity. In December 2012, interest-bearing securities to the value of EUR 340 million were reclassified. The reclassified securities all have an AAA rating. During the period, the portfolio of assets held until maturity increased further, and as at 31 December 2013 it amounted to EUR 499 (350) million.

The portfolio includes fixed-rate investments with high rating, used by the bank to manage interest rate risk. The aim of the portfolio is to reduce volatility in Group equity and to address the regulatory risks arising from Basel III. Securities held until maturity are reported at their accrued acquisition value.

Unwinding of hedging interest-rate derivatives

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

The unwinding of the interest rate derivatives generated a positive cash flow effect of EUR 92.1 million. Hedge accounting ceased following the unwinding of derivatives, and assessment of deposits will be dissolved in 2013-2017 according to the original duration of the interest rate derivatives, which will have a positive effect within net interest income of approx. EUR 15.5 million per year. The remaining cash flow will provide a positive total result effect of approx. EUR 14 million during the years 2018-2019.

The bank is maintaining its policy of actively hedging net interest income where this is considered justified by the present interest rates.

Operational risks

No events regarded as operational risks causing significant financial losses occurred during 2013.

Events concerning close relations

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

No significant changes concerning close relations occurred.

Other events during the year

Aktia Bank and the savings bank Vöyrin Säästöpankki signed a definitive merger agreement on 23 December 2013. In this transaction, the unencumbered value of Vöyrin Säästöpankki's business operations is estimated to approximately EUR 11 million. The estimated affect of the transaction on Aktia Bank's result and key figures is neutral. The merger is expected to take place at the latest in the third quarter of 2014.

In accordance with the terms and conditions of the loan, and with authorisation from the Financial Supervisory Authority, Aktia Bank decided to repay Aktia's perpetual loan 1/2008. The loan capital EUR 45 million with accrued interest was repaid on 7 November 2013.

Aktia Bank plc and the owners of Saaristosäästöpankki Oy implemented the agreement on the merger between Saaristosäästöpankki and Aktia Bank on 30 October 2013.

Aktia Bank issued bonds targeted at both foreign and domestic institutional investor to a value of EUR 300 million. Investors showed substantial interest for the bond, and it was oversubscribed 1.5 times.

After Aktia plc merged with Aktia Bank plc, a shareholders' meeting was held on 12 September 2013, at which Aktia plc's final accounts were approved.

On 7 May 2013, Arja Talma was elected a member of the Board of Directors of Aktia Bank plc.

On 7 March 2013, Aktia Bank was granted a mortgage bank concession by the Financial Supervisory Authority, and made its first issue in June 2013. For more than 10 years, Aktia Bank successfully used covered bonds as a source of finance, through its subsidiary Aktia Real Estate Mortgage Bank. Aktia Real Estate Mortgage Bank is jointly owned with the savings banks and the POP Banks. The owners of Aktia Real Estate Mortgage Bank continue to manage new loans from their own balance sheets, and the activities of Aktia Real Estate Mortgage Bank will focus on the management and refinancing of the current credit stock.

All owners of Aktia Real Estate Mortgage Bank are also in future responsible for capitalisation and senior financing of the bank in accordance with the current shareholders' agreement. Aktia Bank provides its subsidiary Aktia Real Estate Mortgage Bank's liquidity limits, and aims to manage the mortgage bank activities in a way that secures the interests of financiers and investors in Aktia Real Estate Mortgage Bank.

The R share shareholder agreement was concluded at the beginning of April, with immediate effect.

On 12 March 2013, Nils Lampi resigned from his position as member of the Board of Directors of Aktia Bank plc.

On 26 February 2013, Jannica Fagerholm resigned from her position as member of the Board of Directors of Aktia Bank plc.

Events after the end of the period

Aktia Asset Management Ltd (official Swedish name Aktia Asset Management Ab until the new name Aktia Kapitalförvaltning Ab is registered), acquired all shares in Aktia Invest Ltd on 31 January 2014. Following the transaction, Aktia Bank plc's holding is 75% of Aktia Asset Management Ltd. Minority shareholders (25%) of the company are key persons In Aktia Asset Management and Aktia Invest.

Anders Ehrström was appointed Managing Director of Aktia Asset Management Ltd and Jetro Siekkinen was appointed Deputy Managing Director.

On 28 January 2014, the Board of Directors of Aktia Bank plc decided to launch two new share based incentive schemes for key personnel: Share based incentive scheme 2014–2017 and Share ownership scheme 2014.

At the moment, the target group of Share based incentive scheme 2014–2017 consists of 13 key persons, including the managing director and Executive Committee members. The total bonus paid out through the scheme can amount to a maximum of 400,000 class A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

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

In January 2014, Deputy Managing Director Stefan Björkman announced that he will resign from his position with Aktia to take up a position as managing director of Etera Mutual Pension Insurance Company. Björkman resigned 2 February 2014.

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

Personnel

At the end of the reporting period, the number of full-time employees was 967 (31 December 2012; 1 005).

The average number of full-time employees decreased by 46 and was 998 (31 December 2012: 1,044).

Personnel fund

Aktia Bank plc's Board of Directors has confirmed that the profit sharing provision to the personnel fund for 2013 will be based on 10% of the part of the group operating profit exceeding EUR 35 million. However, if the Group's operating profit is EUR 35.0-37.5 million, a sum of EUR 250,000 will be added to the personnel fund. The profit sharing provision cannot, however, exceed EUR 3 million.

With effect from 2012, Aktia's Executive Committee is no longer part of the personnel fund as a result of the new incentive scheme.

Incentive scheme for 2013

The Board of Directors of Aktia Bank plc decided in 2011 on a share based incentive scheme for key personnel in Aktia Group.

The bonus 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 the taxes and tax-related costs related to the payment of the bonus. The incentive scheme is divided into two parts.

The first part of the scheme is based on earnings criteria and covers three earnings periods: the calendar years 2011-2012, 2012-2013 and 2013-2014. The earnings criteria for the earning period 2012-2013 and 2013-2014 are based on the development of the Aktia Group's cumulated adjusted equity (NAV) (50% weighting), and of the Group's total net commission and insurance income (50% weighting). The earnings criteria for the earning period 2013-2014 were determined in June 2013.

The potential bonus for each earnings period will be paid out in four instalments after the earnings period, over a span of approximately three years. Shares paid out as a reward on the basis of earnings periods will be subject to a waiting period of (1) year, during which they may not be transferred, placed as security or used in any other way. The Board of Directors has stipulated a maximum level of bonus per key person. In general, a bonus is not paid out to a key person who, at the time of payment, no longer has a work or employment relationship with the Aktia Group.

The second part of the scheme enables key personnel to also receive a conditional bonus based on the acquisition of A-shares when the incentive scheme is implemented. The conditional bonus will be paid to key persons by the end of April 2016, 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 bonus have not been transferred at the time of payment of rewards.

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. These persons must retain their shares as long as they are employed by the Group.

The total bonus 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. The incentive scheme has been prepared in accordance with new regulations concerning bonus schemes in the financial sector.

The Aktia Group's report on the remuneration paid to the Executive Committee and other administrative bodies is published on the Aktia Bank plc website (www.aktia.fi).

Board of Directors and Executive Committee

Aktia Bank plc's Board of Directors for 1 January - 31 December 2013:
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 (as of 7 May 2013)
Jannica Fagerholm M.Sc. (Econ.) 1 January - 26 February 2013
Nils Lampi B.Sc (Econ.) 1 January- 12 March 2013

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

On 11 December 2013, the Board of Supervisors decided on an 10% increase of the annual remuneration for the Board of Directors for 2014:

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

Following a proposal, the Board of Supervisors decided that members of the Board of Directors be obliged to buy Aktia Bank A shares for 25% of their annual remuneration (2013: 15%). Members of the Board of Directors shall acquire the shares from the stock exchange at market price within two weeks of the publication of the financial statements for 2013.

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

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

Aktia's Executive Committee comprises Managing Director Jussi Laitinen, Deputy Managing Director and proxy Jarl Sved, Deputy Managing Director Stefan Björkman (until 2 February 2014), Deputy Managing Director Taru Narvanmaa, Director Fredrik Westerholm and Director Magnus Weurlander.

Proposals for the 2014 AGM

The Board of Directors proposes an increased dividend of EUR 0.42 (0.36) per share for the financial period 1 January – 31 December 2013.

The AGM decided 9.4.2013 on a return on capital of EUR 0.14 per share for the year 2012, which corresponded to the gains from the sale of Aktia Non-Life Insurance Company Ltd.

The proposed record date for the dividend will be 10 April 2014 and the dividend is proposed to be paid on 23 April 2014.

In Aktia Bank plc, the Nomination Committee will prepare proposals for decisions to be taken by the Annual General Meeting concerning individuals to become members of the Board of Supervisors, auditor/s as well as their remuneration. The Nomination Committee comprises representatives of the three largest shareholders on 1 November of the year before the Annual General Meeting, plus the chairman of the Board of Supervisors.

Aktia Bank plc's Nomination Committee will propose to the Annual General Meeting to be held on 7 April 2014 that members of the Supervisory Board Håkan Mattlin, Christina Gestrin, Patrik Lerche, Håkan Fagerström, Jorma J. Pitkämäki, Peter Simberg, Bengt Sohlberg and Mikael Westerback, whose terms of office are coming to an end at the Annual General Meeting 2014, be re-elected, and that Solveig Söderback, M.Sc. (Pol.), and agrologist Peter Karlgren be elected as new members. All candidates are proposed for a three-year term of office. Thus, the number of members of the Supervisory Board is proposed to be 32.

The Nomination Committee proposes that the annual remuneration of the members of the Board of Supervisors be raised by approximately 5% so that the rounded amounts would be as follows:

- chair, EUR 22,600
- vice chair, EUR 10,000
- member, EUR 4,400

The Nomination Committee proposes that the share of annual remuneration (gross amount) that the members of the Board of Supervisors are required to use for the acquisition of Aktia Bank A shares be increased to 30% (2012: 25 %).

Further, the Nomination Committee proposes a remuneration of EUR 500 per attended meeting, and also that compensation for costs for travel and lodging as well as a daily allowance be paid in accordance with national travel regulations.

The Nomination Committee proposes to the Annual General Meeting that the APA firm KPMG Oy Ab be elected as auditor, with Jari Härmälä, APA, as auditor-in-charge. It is proposed that remuneration to the auditor be paid against invoice.

Share capital and ownership

At the time of the merger, shareholders in Aktia plc received Aktia Bank plc's newly issued 'A' and 'R' shares in consideration. An 'A' share in Aktia plc entitled the holder to a new 'A' share in Aktia Bank plc and an 'R' share in Aktia plc entitled the holder to a new 'R' share in Aktia Bank plc. The total consideration amounted to 46,706,720 series 'A' shares and 19,872,088 series 'R' shares, or 66,578,808 shares in total. The consideration was paid by registering the newly-issued shares in Aktia Bank plc in the Finnish Trade Register and allocating them as book-entry securities in the book-entry system maintained by Euroclear Finland Oy. The shareholders' rights for the consideration shares took effect from 1 July 2013.

Before the merger, Aktia Bank plc had three own retained shares, all held by Aktia plc. On completion of the merger, these three series 'A' shares became Aktia Bank plc's own retained 'A' shares. This brings Aktia Bank plc's total number of 'A' shares to 46,706,723.

The share capital of Aktia Bank plc amounts to EUR 163 million, comprising a total of 46,706,723 'A' shares and 19,872,088 'R' shares, or 66,578,811 shares in all. The number of shareholders at the end of th year 2013 was 45,988. Foreign ownership of shares was 0.9%.

The number of unregistered shares was 779,833 or 1.2% of all shares. Inspection and registration of outstanding shares continue.

As a result of a divestment of Aktia A' shares on 21 August 2013, Stiftelsen Tre Smeder's share of the votes in Aktia Bank plc fell below the 20.00% threshold.

Shares

As a result of the merger of Aktia plc on 1 July 2013, all shares in Aktia plc were de-listed and all shares in Aktia Bank plc were listed on the NASDAQ OMX Helsinki exchange. The trading codes remained the same.

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

On 31 December 2013, the closing price for an A series share was EUR 8.10 and for an R series share EUR 8.17, indicating a market value of approx. EUR 540 million for Aktia Bank plc. The highest quotation for the 'A' share during the year was EUR 8.14 and the lowest EUR 5.82. The highest for the 'R' share was EUR 8.60 and the lowest EUR 6.76.

The average daily turnover of 'A' shares was EUR 173,703 or 24,808 shares. Average daily turnover for 'R' shares was EUR 9,810 or 1,262 shares.

Outlook and risks for 2014

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.

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

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

Risks

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

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

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

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

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

The financial crisis has resulted in many new initiatives for regulating banking and insurance businesses, which have brought uncertainty concerning future equity and liquidity requirements. The results of the new regulations are to be higher capital requirements, sharpened competition for deposits, higher demands on long-term financing, higher fixed costs and, eventually, higher credit 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 after taxes

Key figures

(EUR million)	2013	2012	Δ %	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Earnings per share (EPS), continuing operations, EUR	0.78	0.59	32%	0.18	0.22	0.16	0.22
Earnings per share (EPS), discontinued operations, EUR	-	0.15	-	-	-	-	-
Earnings per share (EPS), EUR	0.78	0.74	6%	0.18	0.22	0.16	0.22
Equity per share (NAV)[1], EUR	8.67	8.91	-3%	8.67	8.52	8.34	9.02
Return on equity (ROE), %	8.1	8.5	-5%	7.5	9.4	6.9	8.9
Total earnings per share, EUR	0.26	2.19	-88%	0.14	0.18	-0.18	0.11
Capital adequacy ratio (finance and insurance conglomerate)[1], %	198.6	205.1	-3%	198.6	197.9	202.9	203.5
Average number of shares[2], million	66.6	66.5	0%	66.6	66.6	66.6	66.5
Number of shares at the end of the period [1], million	66.5	66.5	0%	66.5	66.6	66.6	66.6
Personnel (FTEs), average number of employees from the beginning of the year[1]	998	1,044	-4%	998	1,007	1,010	1,013
Group financial assets[1] *)	3,114.4	2,955.0	5%	3,114.4	3,315.4	3,379.7	2,814.9
Banking business							
Cost-to-income ratio	0.72	0.74	-3%	0.87	0.66	0.70	0.67
Borrowing from the public[1]	3,797.5	3,631.5	5%	3,797.5	3,742.1	3,807.2	3,631.8
Lending to the public[1]	6,802.2	7,201.6	-6%	6,802.2	6,845.8	6,984.9	7,132.6
Capital adequacy ratio[1], %	19.3	20.2	-3%	19.3	19.1	20.3	20.0
Tier 1 capital ratio[1], %	12.3	11.8	5%	12.3	12.2	12.1	11.7
Risk-weighted commitments[1]	3,463.5	3,611.2	-4%	3,463.5	3,579.4	3,625.3	3,683.7
Asset Management and Life Insurance							
Assets under management[1] **)	6,341.3	5,877.4	8%	6.341,3	6,071.4	5,901.7	6,214.0
Premiums written before reinsurers' share	140.8	111.2	27%	33.0	24.2	37.4	46.1
Expense ratio[2], %	88.3	90.8	-3%	88.3	89.0	95.0	95.6
Solvency margin[1]	99.0	158.6	-38%	99.0	149.1	147.5	157.3
Solvency ratio[2], %	17.5	27.4	-36%	17.5	25.5	25.3	27.2
Investments at fair value[1]	1,084.2	1,020.7	6%	1,084.2	1,074.6	1,050.1	1,034.2
Technical provisions for interest-related insurances[1]	503.5	519.9	-3%	503.5	507.9	512.2	517.0
Technical provisions for unit-linked insurances[1]	461.9	358.5	29%	461.9	436.9	410.3	400.5

[1] At the end of the period
[2] Cumulative from the beginning of the year
*) Group financial assets = the Bank Group's liquidity portfolio and the life insurance company's investment portfolio
**) Assets under management = Assets under management and brokered mutual funds and assets managed by Aktia Fund Management Company, Aktia Invest, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance

Basis of calculation for key figures can be found in Aktia plc's Annual Report 2012 on page 18.

Consolidated income statement

(EUR million)	1-12/2013	1-12/2012	Δ%
Continuing operations			
Net interest income	112.6	117.3	-4%
Dividends	0.1	0.1	71%
Commission income	88.3	80.8	9%
Commission expenses	-17.6	-15.5	-13%
Net commission income	70.7	65.3	8%
Net income from life insurance	28.1	27.3	3%
Net income from financial transactions	8.3	2.9	183%
Net income from investment properties	0.4	0.3	30%
Other operating income	3.8	4.7	-19%
Total operating income	**224.2**	**217.9**	**3%**
Staff costs	-77.7	-75.4	3%
IT-expenses	-27.3	-31.4	-13%
Depreciation of tangible and intangible assets	-6.8	-7.2	-5%
Other operating expenses	-45.5	-40.3	13%
Total operating expenses	**-157.2**	**-154.2**	**2%**
Write-downs on other financial assets	-	-1.8	-
Write-downs on credits and other commitments	-2.7	-6.4	-57%
Share of profit from associated companies	1.2	0.5	143%
Operating profit from continuing operations	**65.4**	**56.0**	**17%**
Taxes from continuing operations	-13.0	-15.8	-17%
Profit for the reporting period from continuing operations	**52.4**	**40.3**	**30%**
Discontinued operations			
Profit for the reporting period from discontinued operations	-	9.8	-
Profit for the reporting period	**52.4**	**50.0**	**5%**
Attributable to:			
Shareholders in Aktia Bank plc	52.2	49.2	6%
Non-controlling interest	0.2	0.8	-78%
Total	**52.4**	**50.0**	**5%**
Earnings per share attributable to shareholders in Aktia Bank plc, EUR			
Earnings per share (EPS), continuing operations, EUR	0.78	0.59	32%
Earnings per share (EPS), discontinued operations, EUR	-	0.15	-
Earnings per share (EPS), EUR	**0.78**	**0.74**	**6%**
Earnings per share, EUR, after dilution			
Earnings per share (EPS), continuing operations, EUR	0.78	0,59	32%
Earnings per share (EPS), discontinued operations, EUR	-	0,15	-
Earnings per share (EPS), EUR	**0.78**	**0.74**	**6%**

Consolidated comprehensive income statement

(EUR million)	1-12/2013	1-12/2012	Δ%
Continuing operations			
Profit for the reporting period from continuing operations	52.4	40.3	30%
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale	-10.3	95.0	-
Change in valuation of fair value for financial assets held until maturity	-3.3	-0.2	-
Change in valuation of fair value for cash flow hedging	0.2	-3.3	-
Transferred to the income statement for financial assets available for sale	-9.7	16.1	-
Transferred to the income statement for cash flow hedging	-11.6	-5.8	-101%
Comprehensive income from items which can be transferred to the income statement	-34.7	101.8	-
Defined benefit plan pensions	-0.1	-0.6	88%
Comprehensive income from items which can not be transferred to the income statement	-0.1	-0.6	88%
Total comprehensive income for the reporting period from continuing operations	**17.6**	**141.5**	**-88%**
Discontinued operations			
Profit for the reporting period from discontinued operations	-	9.8	-
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale	-	1.8	-
Transferred to the income statement for financial assets available for sale	-	-6.3	-
Comprehensive income from items which can be transferred to the income statement	-	-4.5	-
Total comprehensive income for the reporting period from discontinued operations	**-**	**5.3**	**-**
Total comprehensive income for the reporting period	**17.6**	**146.8**	**-88%**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc	17.2	145.6	-88%
Non-controlling interest	0.4	1.2	-63%
Total	**17.6**	**146.8**	**-88%**
Total earnings per share attributable to shareholders in Aktia Bank plc, EUR			
Total earnings per share, continuing operations, EUR	0.26	2.11	-88%
Total earnings per share, discontinued operations, EUR	-	0.08	-
Total earnings per share, EUR	**0.26**	**2.19**	**-88%**
Total earnings per share, EUR, after dilution			
Total earnings per share, continuing operations, EUR	0.26	2.11	-88%
Total earnings per share, discontinued operations, EUR	-	0.08	-
Total earnings per share, EUR	**0.26**	**2.19**	**-88%**

Consolidated balance sheet

(EUR million)	31.12.2013	31.12.2012	Δ%
Assets			
Cash and balances with central banks	414.3	587.6	-29%
Financial assets reported at fair value via the income statement	0.1	0.1	100%
Interest-bearing securities	2,157.0	2,011.7	7%
Shares and participations	99.5	95.0	5%
Financial assets available for sale	2,256.5	2,106.7	7%
Financial assets held until maturity	499.3	350.0	43%
Derivative instruments	197.6	302.2	-35%
Lending to Bank of Finland and credit institutions	95.1	158.7	-40%
Lending to the public and public sector entities	6,802.2	7,201.6	-6%
Loans and other receivables	6,897.3	7,360.2	-6%
Investments for unit-linked provisions	465.9	360.9	29%
Investments in associated companies	19.3	21.1	-9%
Intangible assets	20.3	14.2	44%
Investment properties	60.4	28.3	114%
Other tangible assets	6.6	5.7	17%
Accrued income and advance payments	66.2	75.0	-12%
Other assets	8.8	3.3	169%
Total other assets	75.0	78.3	-4%
Income tax receivables	3.7	0.1	-
Deferred tax receivables	16.2	23.5	-31%
Tax receivables	19.9	23.6	-16%
Assets classified as held for sale	1.2	1.5	-21%
Total assets	**10,933.8**	**11,240.2**	**-3%**
Liabilities			
Liabilities to credit institutions	1,095.5	1,057.6	4%
Liabilities to the public and public sector entities	3,797.5	3,631.5	5%
Deposits	4,893.0	4,689.0	4%
Derivative instruments	128.6	186.4	-31%
Debt securities issued	3,657.9	3,878.9	-6%
Subordinated liabilities	232.2	268.2	-13%
Other liabilities to credit institutions	123.5	290.9	-58%
Other liabilities to the public and public sector entities	92.4	146.7	-37%
Other financial liabilities	4,106.0	4,584.7	-10%
Technical provisions for interest-related insurances	503.5	519.9	-3%
Technical provisions for unit-linked insurances	461.9	358.5	29%
Technical provisions	965.4	878.5	10%
Accrued expenses and income received in advance	96.5	93.1	4%
Other liabilities	40.5	55.2	-27%
Total other liabilities	137.0	148.3	-8%
Provisions	6.4	6.9	-7%
Income tax liabilities	5.2	23.3	-78%
Deferred tax liabilities	50.4	65.5	-23%
Tax liabilities	55.6	88.8	-37%
Liabilities for assets classified as held for sale	0.2	0.2	-21%
Total liabilities	**10,292.1**	**10,582.8**	**-3%**
Equity			
Restricted equity	244.5	220.2	11%
Unrestricted equity	332.7	372.4	-11%
Shareholders' share of equity	577.1	592.6	-3%
Non-controlling interest's share of equity	64.6	64.8	0%
Equity	**641.7**	**657.4**	**-2%**
Total liabilities and equity	**10,933.8**	**11,240.2**	**-3%**

Consolidated statement of changes in equity

(EUR million)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders share of equity	Non-controlling interests' share of equity	Total equity
Equity as at 1 January 2012	**93.9**	**10.3**	**19.1**	**0.2**	**72.7**	**269.9**	**466.0**	**57.7**	**523.8**
Divestment of treasury shares						0.0	0.0		0.0
Dividens to shareholders						-20.0	-20.0		-20.0
Profit for the reporting period						*49.2*	*49.2*	*0.8*	*50.0*
Financial assets available for sale			*106.4*				*106.4*	*0.2*	*106.6*
Financial assets held until maturity			*-0.2*				*-0.2*		*-0.2*
Cash flow hedging			*-9.3*				*-9.3*	*0.2*	*-9.1*
Defined benefit plan pensions						*-0.6*	*-0.6*		*-0.6*
Total comprehensive income for the reporting period			97.0			48.6	145.6	1.2	146.8
Other change in equity				0.9			0.9	5.9	6.8
Equity as at 31 December 2012	**93.9**	**10.3**	**116.1**	**1.1**	**72.7**	**298.6**	**592.6**	**64.8**	**657.4**
Equity as at 1 January 2013	**93.9**	**10.3**	**116.1**	**1.1**	**72.7**	**298.6**	**592.6**	**64.8**	**657.4**
Changes in the Group equity as a result of the merger of Aktia plc with Aktia Bank plc 1.7.2013	69.1	-10.0			65.1	-124.3	0.0		0.0
Treasury shares received in connection with acquisation						-0.3	-0.3		-0.3
Divestment of treasury shares						0.4	0.4		0.4
Dividens to shareholders						-24.0	-24.0		-24.0
Capital return to shareholders					-9.3		-9.3		-9.3
Profit for the reporting period						*52.2*	*52.2*	*0.2*	*52.4*
Financial assets available for sale			*-20.0*				*-20.0*	*0.0*	*-20.0*
Financial assets held until maturity			*-3.3*				*-3.3*		*-3.3*
Cash flow hedging			*-11.6*				*-11.6*	*0.2*	*-11.4*
Defined benefit plan pensions						*-0.1*	*-0.1*		*-0.1*
Total comprehensive income for the reporting period			-34.9			52.1	17.2	0.4	17.6
Other change in equity				0.5			0.5	-0.7	-0.2
Equity as at 31 December 2013	**163.0**	**0.3**	**81.1**	**1.6**	**128.4**	**202.6**	**577.1**	**64.6**	**641.7**
Specifikation of the Group's equity before and after merger 1 July 2013									
Equity as at 1 January 2013	**93.9**	**10.3**	**116.1**	**1.1**	**72.7**	**298.6**	**592.6**	**64.8**	**657.4**
Treasury shares received in connection with acquisation						-0.3	-0.3		-0.3
Divestment of treasury shares						0.4	0.4		0.4
Dividens to shareholders						-24.0	-24.0		-24.0
Capital return to shareholders					-9.3		-9.3		-9.3
Total comprehensive income for the period 1-6			-30.2			25.6	-4.7	0.8	-3.9
Other change in equity				0.1			0.1	-0.7	-0.6
Equity as at 30 June 2013	**93.9**	**10.3**	**85.8**	**1.2**	**63.3**	**300.3**	**554.8**	**64.9**	**619.7**
Changes in the Group equity as a result of the merger of Aktia plc with Aktia Bank plc 1.7.2013	69.1	-10.0			65.1	-124.3	0.0		0.0
Equity as at 1 July 2013	**163.0**	**0.3**	**85.8**	**1.2**	**128.4**	**176.1**	**554.8**	**64.9**	**619.7**
Total comprehensive income for the period 7-12			-4.7			26.5	21.9	-0.3	21.5
Other change in equity				0.4			0.4	0.0	0.4
Equity as at 31 December 2013	**163.0**	**0.3**	**81.1**	**1.6**	**128.4**	**202.6**	**577.1**	**64.6**	**641.7**

Consolidated cash flow statement

(EUR million)	1-12/2013	1-12/2012	Δ%
Cash flow from operating activities			
Operating profit *)	65.4	65.6	0%
Adjustment items not included in cash flow for the period	-20.4	0.5	-
Unwound cash flow hedging	-	17.5	-
Unwound fair value hedging	-	92.1	-
Paid income taxes	-26.3	9.1	-
Cash flow from operating activities before change in receivables and liabilities	**18.7**	**184.8**	**-90%**
Increase (-) or decrease (+) in receivables from operating activities	82.6	-117.6	-
Increase (+) or decrease (-) in liabilities from operating activities	-152.1	36.0	-
Total cash flow from operating activities	**-50.9**	**103.2**	**-**
Cash flow from investing activities			
Investments in group companies and associated companies	-6.3	0.0	-
Proceeds from sale of group companies and associated companies	0.6	34.8	-98%
Investment in investment properties	-32.5	-9.5	-242%
Investment in tangible and intangible assets	-14.5	-6.5	-124%
Disposal of investment properties	0.8	1.3	-36%
Disposal of tangible and intangible assets	1.0	0.3	270%
Total cash flow from investing activities	**-50.8**	**20.4**	**-**
Cash flow from financing activities			
Subordinated liabilities	-37.3	11.1	-
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	-0.7	5.9	-
Divestment of treasury shares	0.4	0.0	-
Paid dividends	-24.0	-20.0	-20%
Capital return	-9.3	-	-
Total cash flow from financing activities	**-70.9**	**-3.0**	**-**
Change in cash and cash equivalents	**-172.6**	**120.6**	**-**
Cash and cash equivalents at the beginning of the year	602.3	481.7	25%
Cash and cash equivalents at the end of the year	429.7	602.3	-29%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	8.3	8.0	4%
Insurance operation's cash and bank	1.1	1.7	-35%
Bank of Finland current account	404.9	577.9	-30%
Repayable on demand claims on credit insitutions	15.3	14.6	5%
Total	**429.7**	**602.3**	**-29%**
Adjustment items not included in cash flow consist of:			
Impairment of financial assets available for sale	1.3	0.7	91%
Write-downs on other financial assets	-	1.8	-
Write-downs on credits and other commitments	2.7	6.5	-58%
Change in fair values	0.4	-0.3	-
Depreciation and impairment of intangible and tangible assets	6.8	7.2	-7%
Result effect from associated companies	-1.0	-0.2	-406%
Sales gains and losses from intangible and tangible assets	-0.4	-11.1	96%
Unwound cash flow hedging	-15.4	-11.7	-32%
Unwound fair value hedging	-15.9	-1.3	-
Change in provisions	-0.5	6.9	-
Change in fair values of investment properties	0.0	-0.1	-
Change in share-based payments	1.7	1.9	-15%
Other adjustments	-0.1	-	-
Total	**-20.4**	**0.5**	**-**

*) Includes operating profit from both continuing and discontinued operations

Quarterly trends in the Group

(EUR million)	10-12/2013	7-9/2013	4-6/2013	1-3/2013	10-12/2012
Continuing operations					
Net interest income	27.3	26.9	28.3	30.1	29.3
Dividends	0.0	-	0.1	0.0	-
Net commission income	17.8	17.4	18.6	16.9	16.0
Net income from life insurance	8.4	6.5	5.6	7.6	8.3
Net income from financial transactions	2.5	1.8	1.9	2.2	3.1
Net income from investment properties	0.0	0.0	0.4	0.0	0.2
Other operating income	1.3	0.9	0.8	0.8	1.5
Total operating income	**57.3**	**53.6**	**55.7**	**57.5**	**58.4**
Staff costs	-23.1	-16.6	-18.8	-19.2	-20.0
IT-expenses	-6.4	-6.9	-8.1	-5.9	-12.6
Depreciation of tangible and intangible assets	-1.7	-1.7	-1.7	-1.7	-1.9
Other operating expenses	-14.7	-9.5	-10.6	-10.7	-11.5
Total operating expenses	**-45.9**	**-34.6**	**-39.2**	**-37.5**	**-46.0**
Write-downs on credits and other commitments	-1.1	-0.2	-0.4	-1.1	-1.7
Share of profit from associated companies	0.8	0.8	-1.0	0.6	-0.3
Operating profit from continuing operations	**11.1**	**19.6**	**15.1**	**19.5**	**10.4**
Taxes from continuing operations	0.8	-5.0	-4.1	-4.7	-4.1
Profit for the period from continuing operations	**11.9**	**14.7**	**11.0**	**14.8**	**6.3**
Discontinued operations					
Profit for the period from discontinued operations	-	-	-	-	-
Profit for the period	**11.9**	**14.7**	**11.0**	**14.8**	**6.3**
Attributable to:					
Shareholders in Aktia Bank plc	11.7	14.9	10.8	14.8	6.1
Non-controlling interest	0.2	-0.2	0.3	0.0	0.2
Total	**11.9**	**14.7**	**11.0**	**14.8**	**6.3**
Earnings per share attributable to shareholders in Aktia Bank plc, EUR					
Earnings per share (EPS), continuing operations, EUR	0.18	0.22	0.16	0.22	0.09
Earnings per share (EPS), discontinued operations, EUR	-	-	-	-	0.00
Earnings per share (EPS), EUR	**0.18**	**0.22**	**0.16**	**0.22**	**0.09**
Earnings per share, EUR, after dilution					
Earnings per share (EPS), continuing operations, EUR	0.18	0.22	0.16	0.22	0.09
Earnings per share (EPS), discontinued operations, EUR	-	-	-	-	0.00
Earnings per share (EPS), EUR	**0.18**	**0.22**	**0.16**	**0.22**	**0.09**

Quarterly trends of comprehensive income

(EUR million)	10-12/2013	7-9/2013	4-6/2013	1-3/2013	10-12/2012
Continuing operations					
Profit for the period from continuing operations	11.9	14.7	11.0	14.8	6.3
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	1.6	6.7	-16.9	-1.8	-0.3
Change in valuation of fair value for financial assets held until maturity	-0.9	-0.8	-0.8	-0.8	-0.2
Change in valuation of fair value for cash flow hedging	0.2	0.0	0.0	0.0	3.2
Transferred to the income statement for financial assets available for sale	-0.4	-5.7	-2.1	-1.5	10.9
Transferred to the income statement for cash flow hedging	-2.7	-3.0	-3.0	-2.9	-5.8
Defined benefit plan pensions	-0.1	-	-	-	-0.6
Total comprehensive income for the period from continuing operations	**9.6**	**11.9**	**-11.6**	**7.7**	**13.5**
Discontinued operations					
Profit for the period from discontinued operations	-	-	-	-	-
Total comprehensive income for the period from discontinued operations	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**9.6**	**11.9**	**-11.6**	**7.7**	**13.5**
Total comprehensive income attributable to:					
Shareholders in Aktia Bank plc	9.6	12.2	-12.1	7.4	13.5
Non-controlling interest	0.0	-0.3	0.5	0.3	0.0
Total	**9.6**	**11.9**	**-11.6**	**7.7**	**13.5**
Total earnings per share attributable to shareholders in Aktia Bank plc, EUR					
Total earnings per share, continuing operations, EUR	0.14	0.18	-0.18	0.11	0.20
Total earnings per share, discontinued operations, EUR	-	-	-	-	0.00
Total earnings per share, EUR	**0.14**	**0.18**	**-0.18**	**0.11**	**0.20**
Total earnings per share, EUR, after dilution					
Total earnings per share, continuing operations, EUR	0.14	0.18	-0.18	0.11	0.20
Total earnings per share, discontinued operations, EUR	-	-	-	-	0.00
Total earnings per share, EUR	**0.14**	**0.18**	**-0.18**	**0.11**	**0.20**

Notes to the Accounts Announcement

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

Basis for preparing the Accounts Announcement

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

The Accounts announcement for the period 1 January – 31 December 2013 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The Accounts announcement does not contain all the information and notes required for an annual report and should therefore be read together with the Aktia Group's annual report of 31 December 2012.

The Accounts announcement for the period 1 January – 31 December 2013 was approved by the Board of Directors on 12 February 2014.

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

Key accounting principles

In preparing the Accounts announcement the Group has followed the accounting principles applicable to the annual report of 31 December 2012.

As part of the Action Plan 2015 the Group has renewed its organisation, changed its business segments and simplified the group structure.

From 1 January 2013, the reported segments are Banking Business, Asset Management & Life insurance and Miscellaneous. The previous segments Asset Management and Life Insurance were combined into one segment, Asset Management & Life Insurance. Further, Private Banking and Institutional Banking were transferred from the previous segment Asset Management to the segment Banking Business. The segment Miscellaneous remained unchanged, but the new division of business segments had a marginal impact on eliminations. Comparative figures for the new segments were published in a Stock Exchange Release on 27 March 2013.

The legal merger of the Group's previous parent company Aktia plc with Aktia Bank plc on 1 July 2013 caused no significant changes in the Group's financial position or operations. The figures in the Accounts announcement are presented so that financial information concerning the current Group, with Aktia Bank plc as parent company, is compared with the same and completely comparable financial information that were published for previous periods with Aktia plc as parent company of the Group. Profit for the period and cash flow statement for the period are presented as a combination of events and business transactions for the period 1 January – 30 June 2013 with Aktia plc as parent company of the Group and with Aktia Bank plc as parent company of the Group for the period 1 July – 31 December 2013. The change of parent company for the Group on 1 July 2013 only had an impact on the Group's balance sheet items within equity. The impact is shown under 'Consolidated statement of changes in equity' on page 18 in in the Annual Accounts Annoucement. Following the merger Aktia plc and its subsidiaries are included in the Aktia Bank plc Group. The impact on the earlier Aktia Bank plc Group's balance sheet is shown in Note 9 in the Annual Accounts Annoucement.

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 2013:

IAS 1 requires that items that can be transferred to the income statement and items that cannot be transferred to the income statement to be reported separately in the comprehensive income. Aktia reports comprehensive income according to the amended IAS 1.

According to IAS 19 actuarial gains and losses shall be reported under comprehensive income as of 1 January 2013. The amendment has not had any significant impact on the Group's result or financial position as Aktia already reports changes in the period's actuarial gains and losses in the comprehensive income.

IFRS 7 specifies disclosure on netting regarding financial instruments and from corresponding agreements as of January 2013. In the period, the Group has not used the opportunity of to set off financial assets and liabilities included in set-off agreements. The amendment has not had any significant impact on the Group's disclosures.

IFRS 13 includes rules for definition of fair value and specifies the requirements on disclosure. IFRS 13 contains definitions of valuation at fair value when this is required according to other IFRS standards. The standard is mandatory as of 1 January 2013, and the Group has completed the Accounts announcement according to new requirements on disclosure as presented in Note 5.

Note 2. Group's segment reporting

Income statement (EUR million)	Banking Business 1-12/2013	 1-12/2012	Asset Management & Life Insurance 1-12/2013	 1-12/2012	Miscellaneous 1-12/2013	 1-12/2012	Eliminations 1-12/2013	 1-12/2012	Group total 1-12/2013	 1-12/2012
Net interest income	113.9	118.1	0.0	0.0	-1.5	-1.1	0.3	0.2	112.6	117.3
Net commission income	55.5	51.2	19.7	17.1	4.8	4.8	-9.2	-7.8	70.7	65.3
Net income from life insurance	-	-	26.1	25.7	-	-	2.0	1.6	28.1	27.3
Other income	8.8	2.8	0.0	0.1	5.9	9.3	-2.1	-4.2	12.7	8.0
Total operating income	**178.2**	**172.2**	**45.8**	**42.9**	**9.2**	**13.1**	**-9.0**	**-10.2**	**224.2**	**217.9**
Staff costs	-37.7	-40.2	-10.4	-10.2	-28.9	-24.5	-0.7	-0.5	-77.7	-75.4
IT-expenses	-14.5	-15.0	-1.7	-1.6	-11.0	-15.8	-	1.0	-27.3	-31.4
Depreciation of tangible and intangible assets	-1.7	-2.0	-1.1	-1.4	-4.0	-3.7	-	-	-6.8	-7.2
Other expenses	-71.0	-66.6	-8.8	-8.4	25.3	25.5	9.0	9.2	-45.5	-40.3
Total operating expenses	**-125.0**	**-123.8**	**-21.9**	**-21.6**	**-18.6**	**-18.6**	**8.3**	**9.7**	**-157.2**	**-154.2**
Write-downs on other financial assets	-	-	-	-	-	-1.6	-	-0.2	-	-1.8
Write-downs on credits and other commitments	-2.7	-6.4	-	-	-	-	-	-	-2.7	-6.4
Share of profit from associated companies	-	-	-	-	-	-	1.2	0.5	1.2	0.5
Operating profit from continuing operations	**50.5**	**42.0**	**23.9**	**21.3**	**-9.5**	**-7.1**	**0.5**	**-0.2**	**65.4**	**56.0**

Balance sheet (EUR million)	Banking Business 31.12.2013	 31.12.2012	Asset Management & Life Insurance 31.12.2013	 31.12.2012	Miscellaneous 31.12.2013	 31.12.2012	Eliminations 31.12.2013	 31.12.2012	Group total 31.12.2013	 31.12.2012
Cash and balances with central banks	413.2	585.9	15.5	15.5	-	-	-14.3	-13.7	414.3	587.6
Financial assets reported at fair value via the income statement	0.1	-	-	0.1	-	-	-	-	0.1	0.1
Financial assets available for sale	1,688.2	1,468.9	578.0	640.8	2.9	5.8	-12.7	-8.8	2,256.5	2,106.7
Financial assets held until maturity	499.3	350.0	-	-	-	-	-	-	499.3	350.0
Loans and other receivables	6,891.2	7,406.6	12.4	7.5	6.8	3.3	-13.0	-57.1	6,897.3	7,360.2
Investments for unit-linked provisions	-	-	465.9	360.9	-	-	-	-	465.9	360.9
Other assets	256.2	363.4	82.6	51.7	199.4	423.0	-137.8	-363.3	400.4	474.7
Total assets	**9,748.2**	**10,174.7**	**1,154.3**	**1,076.4**	**209.1**	**432.0**	**-177.7**	**-443.0**	**10,933.8**	**11,240.2**
Deposits	4,920.9	4,714.1	-	-	0.0	0.0	-27.9	-25.1	4,893.0	4,689.0
Debt securities issued	3,670.6	3,887.8	-	-	-	-	-12.7	-8.8	3,657.9	3,878.9
Technical provision for insurance business	-	-	965.4	878.5	-	-	-	-	965.4	878.5
Other liabilities	680.8	985.6	30.0	34.4	187.1	261.4	-122.1	-145.0	775.8	1,136.3
Total liabilities	**9,272.3**	**9,587.5**	**995.4**	**912.9**	**187.1**	**261.4**	**-162.7**	**-178.9**	**10,292.1**	**10,582.8**

Note 3. Derivatives and off-balance sheet commitments

Hedging derivative instruments (EUR million)

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

Hedging derivative instruments (EUR million)

31.12.2012	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,837.0	149.8	34.3
Total	**2,837.0**	**149.8**	**34.3**
Cash flow hedging			
Interest rate-related	75.0	0.1	-
Total	**75.0**	**0.1**	**-**
Derivative instruments valued via the income statement			
Interest rate-related *)	4,280.1	150.0	149.1
Currency-related	53.6	0.6	1.2
Equity-related **)	102.2	1.7	1.7
Other derivative instruments **)	20.8	0.1	0.1
Total	**4,456.6**	**152.4**	**152.0**
Total derivative instruments			
Interest rate-related	7,192.1	299.8	183.4
Currency-related	53.6	0.6	1.2
Equity-related	102.2	1.7	1.7
Other derivative instruments	20.8	0.1	0.1
Total	**7,368.6**	**302.2**	**186.4**

*) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 3,446.0 (4,210.0) million.
**) All equity-related and other derivative instruments relate to the hedging of structured debt products.

Off-balance sheet commitments

(EUR million)	31.12.2013	31.12.2012
Commitments provided to a third party on behalf of the customers		
Guarantees	31.8	34.6
Other commitments provided to a third party	2.9	3.4
Irrevocable commitments provided on behalf of customers		
Unused credit arrangements	354.3	302.5
Other commitments provided to a third party	2.2	2.7
Off-balance sheet commitments	**391.3**	**343.1**

Note 4. Group's risk exposure

Bank Group's* capital adequacy

(EUR,million)

Summary	12/2013	9/2013	6/2013	3/2013	12/2012
Tier 1 capital	427.5	437.5	436.9	432.0	426.4
Tier 2 capital	241.7	245.8	299.0	306.2	303.8
Capital base	**669.2**	**683.3**	**735.9**	**738.2**	**730.2**
Risk-weighted amount for credit and counterpart risks	3,095.8	3,202.2	3,263.0	3,321.4	3,248.9
Risk-weighted amount for market risks[1]	-	-	-	-	-
Risk-weighted amount for operational risks	367.7	377.2	362.3	362.3	362.3
Risk-weighted commitments	**3,463.5**	**3,579.4**	**3,625.3**	**3,683.7**	**3,611.2**
Capital adequacy ratio,,%	**19.3**	**19.1**	**20.3**	**20.0**	**20.2**
Tier 1 Capital,ratio,%	**12.3**	**12.2**	**12.1**	**11.7**	**11.8**
Minimum capital requirement	**277.1**	**286.3**	**290.0**	**294.7**	**288.9**
Capital buffer (difference between capital base and minimum requirement)	392.2	396.9	445.8	443.5	441.3

1) No capital requirement due to minor trading book and when total of net currency positions are less than 2% of capital base.

(EUR million)

Capital base	12/2013	9/2013	6/2013	3/2013	12/2012
Share capital	163.0	163.0	163.0	163.0	163.0
Funds	143.4	143.1	74.6	74.6	74.6
Non-controlling interest	64.6	64.6	64.9	65.1	64.8
Retained earnings	78.7	79.0	97.4	96.0	100.9
Profit for the period	43.8	37.6	21.9	11.7	23.4
./. provision for dividends to shareholders	-28.8	-18.7	-12.4	-6.2	-28.3
Capital loan	-	-	30.0	30.0	30.0
Total	464.6	468.6	439.3	434.2	428.4
./. intangible assets	-17.6	-12.0	-2.5	-2.2	-2.0
./. shares in insurance companies	-19.5	-19.2	-	-	-
Tier 1 capital	**427.5**	**437.5**	**436.9**	**432.0**	**426.4**
Fund at fair value	37.8	36.6	35.6	45.2	45.6
Upper Tier 2 loans	-	-	45.0	45.0	45.0
Lower Tier 2 loans	223.5	228.3	218.4	216.0	213.2
./. shares in insurance companies	-19.5	-19.2	-	-	-
Tier 2 capital	**241.7**	**245.8**	**299.0**	**306.2**	**303.8**
Total capital base	**669.2**	**683.3**	**735.9**	**738.2**	**730.2**

Bank Group's credit and counterparty risks

Total exposures 12/2013 (EUR million)

Risk-weight	Balance sheet assets	Off-balance sheet commitments	Total
0%	1,224.5	13.1	1,237.6
10%	1,341.6	-	1,341.6
20%	605.9	128.7	734.6
35%	5,482.9	41.3	5,524.2
50%	1.2	-	1.2
75%	535.8	176.2	712.0
100%	405.6	29.1	434.7
150%	14.1	0.6	14.7
Total	**9,611.6**	**389.0**	**10,000.6**
Derivatives *)	231.6	-	231.6
Total	**9,843.2**	**389.0**	**10,232.3**

*Banking Group includes Aktia Bank plc and all its subsidiaries except for Aktia Life Insurance and the associated company Folksam Non-Life Insurance

Risk-weighted exposures					(EUR million)
Risk-weight	**12/2013**	**9/2013**	**6/2013**	**3/2013**	**12/2012**
0%	-	-	-	-	-
10%	134.2	140.8	137.6	118.9	125.5
20%	126.6	144.2	153.0	167.2	120.3
35%	1,924.9	1,946.7	1,976.7	2,011.7	2,025.2
50%	0.6	0.4	0.4	0.0	0.1
75%	454.7	379.7	400.8	418.1	428.9
100%	420.7	552.0	555.4	565.8	502.5
150%	21.6	21.8	22.2	20.9	25.9
Total	**3,083.2**	**3,185.7**	**3,246.2**	**3,302.5**	**3,228.3**
Derivatives *)	12.6	16.5	16.8	19.0	20.6
Total	**3,095.8**	**3,202.2**	**3,263.0**	**3,321.4**	**3,248.9**

*) derivative agreements credit conversion factor

In its capital adequacy measurement to determine the exposure's risk weight, Aktia applies credit ratings by Moody's Investors Service or Standard & Poor's to receivables from central goverments and central banks, credit institutions, investment firms, corporates and covered bonds. The risk weight for bank exposures and bonds secured by real estate is determined by the credit rating of the country where the institution is located.

Bank Group's risk-weighted amount for operational risks

								(EUR million)
Year	**2013**	**2012**	**2011**	**12/2013**	**9/2013***	**6/2013**	**3/2013**	**12/2012**
Gross income	193.4	195.2	199.8					
- average 3 years	196.1							
Capital requirement for operational risk				**29.4**	**30.2**	**29.0**	**29.0**	**29.0**
Risk-weighted amount				**367.7**	**377.2**	**362.3**	**362.3**	**362.3**

* Recalculated after Aktia Bank plc's merger with Aktia plc.

The capital requirement for operational risk is 15 % of average gross income during the last three years.

The risk-weighted amount is calculated by dividing the capital requirement by 8 %.

The finance and insurance conglomerate's capital adequacy

					(EUR million)
Summary	**12/2013**	**9/2013**	**6/2013**	**3/2013**	**12/2012**
The Group's equity	641.7	632.1	620.0	665.4	657.4
Sector-specific assets	223.5	228.3	263.4	261.0	258.2
Intangible assets and other reduction items	-237.4	-217.9	-213.6	-244.9	-241.4
Conglomerate´s total capital base	**627.8**	**642.4**	**669.9**	**681.5**	**674.2**
Capital requirement for banking business	277.1	286.3	291.8	296.5	290.8
Capital requirement for insurance business	39.0	38.4	38.3	38.4	38.1
Minimum amount for capital base	**316.1**	**324.7**	**330.1**	**334.9**	**328.8**
Conglomerate´s capital adequacy	**311.7**	**317.8**	**339.8**	**346.6**	**345.4**
Capital adequacy ratio, %	**198.6 %**	**197.9 %**	**202.9 %**	**203.5 %**	**205.1 %**

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

Note 5. Financial assets and liabilities

Fair value of financial assets and liabilities

Financial assets (EUR million)	31.12.2013 Book value	31.12.2013 Fair value	31.12.2012 Book value	31.12.2012 Fair value
Cash and balances with central banks	414.3	414.3	587.6	587.6
Financial assets reported at fair value via the income statement	0.1	0.1	0.1	0.1
Financial assets available for sale	2,256.5	2,256.5	2,106.7	2,106.7
Financial assets held until maturity	499.3	498.7	350.0	349.7
Derivative instruments	197.6	197.6	302.2	302.2
Loans and other receivables	6,897.3	6,698.8	7,360.2	7,164.7
Total	**10,265.2**	**10,066.1**	**10,706.8**	**10,510.9**

Financial liabilities (EUR million)	31.12.2013 Book value	31.12.2013 Fair value	31.12.2012 Book value	31.12.2012 Fair value
Deposits	4,893.0	4,825.1	4,689.0	4,621.5
Derivative instruments	128.6	128.6	186.4	186.4
Debt securities issued	3,657.9	3,707.7	3,878.9	3,918.5
Subordinated liabilities	232.2	237.2	268.2	272.6
Other liabilities to credit institutions	123.5	128.9	290.9	290.8
Other liabilities to the public and public sector entities	92.4	92.3	146.7	146.8
Total	**9,127.6**	**9,119.9**	**9,460.1**	**9,436.5**

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

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

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

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

Measurement of financial assets at fair value

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

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

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

	31.12.2013 Fair value classified into				31.12.2012 Fair value classified into			
Financial instruments measured at fair value (EUR million)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued via the income statement								
Interest-bearing securities	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Shares and participations	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Total	**0.0**	**0.0**	**0.1**	**0.1**	**0.0**	**0.0**	**0.1**	**0.1**
Financial assets available for sale								
Interest-bearing securities	1,920.6	189.1	47.3	2,157.0	1,946.9	43.3	21.5	2,011.7
Shares and participations	45.7	0.0	53.8	99.5	39.2	0.0	55.8	95.0
Total	**1,966.4**	**189.1**	**101.1**	**2,256.5**	**1,986.1**	**43.3**	**77.2**	**2,106.7**
Derivative instrument, net	0.0	69.0	0.0	69.0	-0.6	116.5	0.0	115.9
Totalt	**0.0**	**69.0**	**0.0**	**69.0**	**-0.6**	**116.5**	**0.0**	**115.9**
Total	**1,966.4**	**258.0**	**101.2**	**2,325.6**	**1,985.5**	**159.8**	**77.3**	**2,222.6**

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the reporting period interest-bearing securities worth EUR 2,6 million were moved from level 2 to level 1 due to increased market activity. The increase in level 2 is purely due to an increase in business volumes, especially some specific senior bank bonds.

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

Changes within level 3

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

Reconciliation of the changes taken place for financial instruments which belong to level 3	Financial assets valued via the income statement			Financial assets available for sale			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1.1.2013	**0.0**	**0.1**	**0.1**	**21.5**	**55.8**	**77.2**	**21.5**	**55.8**	**77.3**
New purchases	0.1	0.0	**0.1**	26.0	0.9	**26.9**	26.1	0.9	**27.0**
Sales	0.0	0.0	**0.0**	0.0	-3.2	**-3.2**	0.0	-3.2	**-3.2**
Matured during the year	0.0	0.0	**0.0**	-0.2	0.0	**-0.2**	-0.2	0.0	**-0.2**
Realised value change in the income statement	0.0	0.0	**0.0**	0.0	-1.3	**-1.3**	0.0	-1.3	**-1.3**
Unrealised value change in the income statement	0.0	-0.1	**-0.1**	0.0	0.0	**0.0**	0.0	-0.1	**-0.1**
Value change recognised in the total comprehensive income	0.0	0.0	**0.0**	0.0	1.7	**1.7**	0.0	1.7	**1.7**
Transfer from level 1 and 2	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Transfer to level 1 and 2	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Carrying amount 31.12.2013	**0.1**	**0.0**	**0.1**	**47.3**	**53.8**	**101.1**	**47.4**	**53.8**	**101.2**

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 percentage points parallel shift of the interest rate in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%, with exception for Suomen Luotto-osuuskunta, which is valued based on its lowest estimated value of the return of capital after the sale of its subsidiary Nets Oy (previously known as Luottokunta). These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 1,9 (1.6)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31.12.2013 Effect at an assumed movement			31.12.2012 Effect at an assumed movement		
	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets valued via the income statement						
Interest-bearing securities	0.1	0.0	0.0	0.0	0.0	0.0
Shares and participations	0.0	0.0	0.0	0.1	0.0	0.0
Total	**0.1**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**
Financial assets available for sale						
Interest-bearing securities	47.3	1.4	-1.4	21.5	0.6	-0.6
Shares and participations	53.8	10.3	-10.3	55.8	10.2	-10.2
Total	**101.1**	**11.7**	**-11.7**	**77.2**	**10.8**	**-10.8**
Total	**101.2**	**11.8**	**-11.8**	**77.3**	**10.8**	**-10.8**

Set off of financial assets and liabilities

(EUR million)	Assets 31.12.2013	Assets 31.12.2012	Liabilities 31.12.2013	Liabilities 31.12.2012
Financial assets and liabilitties included in general agreements on set off or similar agreements				
Derivative instruments, gross amount	197.6	302.2	128.6	186.4
Set off amount	-	-	-	-
Value recorded in the balance sheet	**197.6**	**302.2**	**128.6**	**186.4**
Amount not set off but included in general agreements on set off or similar				
Derivative instruments	26.6	44.6	26.6	44.6
Collateral assets and liabilities	173.2	245.4	67.1	81.8
Total amount of sums not set off in the balance sheet	**199.8**	**289.9**	**93.6**	**126.3**
Net	**-2.2**	**12.3**	**35.0**	**60.0**

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

Note 6. Net interest income

(EUR million)	1-12/2013	1-12/2012	Δ %
Deposits and lending	41.2	55.1	-25%
Hedging, interest rate risk management	44.0	30.8	43%
Other	27.5	31.4	-12%
Net interest income	**112.6**	**117.3**	**-4%**

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

Note 7. Gross loans and write-downs

(EUR million)	31.12.2013	30.9.2013	30.6.2013	31.3.2013	31.12.2012
Gross loans	6,867.2	6,911.5	7,050.3	7,198.2	7,266.4
Individual write-downs	-55.4	-51.6	-51.0	-50.8	-50.3
Of which made to non-performing loans past due at least 90 days	-40.5	-40.7	-40.1	-41.4	-40.1
Of which made to other loans	-15.0	-10.9	-10.9	-9.4	-10.2
Write-downs by group	-9.6	-14.1	-14.5	-14.8	-14.5
Net loans, balance amount	**6,802.2**	**6,845.8**	**6,984.9**	**7,132.6**	**7,201.6**

Note 8. Net income from life insurance

(EUR million)	1-12/2013	1-12/2012	Δ %
Income from insurance premiums	140.0	110.7	27%
Net income from investments	27.2	37.9	-28%
Insurance claims paid	-81.0	-96.7	16%
Net change in technical provisions	-58.2	-24.6	-137%
Net income from life insurance	**28.1**	**27.3**	**3%**

Note 9. Balance sheet as at 1 July 2013 for Aktia Bank plc Group

The merger of Aktia plc with Aktia Bank plc was an absorption merger, in which the parent company Aktia plc merged with the subsidiary Aktia Bank plc. In connection with the implementation of the merger, assets and liabilities were transferred at their book value. Aktia Bank plc entered the assets and liabilities received in connection with the implementation of the merger at their book value. The merger involved booking of a merger difference in Aktia Bank plc. The merger difference was based on Aktia plc's equity. The book value of the treasury shares reduced the receiving company Aktia Bank plc's equity. The merger difference, based upon the book values of the participating companies at the time of the merger, amounted to EUR 53,876,632.16. The merger difference was booked according to accounting rules and was entered in the unrestricted equity reserve. The table below describes the effects of the merger on Aktia Bank plc Group balance sheet 1 July 2013.

(EUR million)	Aktia Bank plc Group before merger	Aktia plc and its subsidiaries	Merger adjustments	Ref.	Aktia Bank plc Group after merger
Cash and balances with central banks	447.8	14.9	-14.2	a)	448.5
Financial assests reported at fair value via the income statement	-	0.0	-		0.0
Financial assets available for sale	2,060.5	594.3	-7.3	a)	2,647.6
Financial assets held until maturity	355.7	-	-		355.7
Derivative instruments	210.5	0.0	0.0	a)	210.5
Loans and other receivables	7,141.0	4.3	-50.8	a)	7,094.5
Investments for unit-linked provisions	-	412.7	-		412.7
Investments in associated companies	0.0	17.5	0.8	b)	18.4
Investments in group companies	-	316.9	-316.9	b)	-
Intangible assets	2.5	12.5	-		15.0
Investment properties	0.2	50.8	-		51.0
Other tangible assets	4.2	1.1	-		5.3
Other assets	65.0	16.1	-6.2	a)	74.9
Tax receivables	22.2	1.6	-		23.8
Assets classified as held for sale	-	2.5	-1.2	a)	1.2
Total assets	**10,309.5**	**1,445.3**	**-395.7**		**11,359.2**
Deposits	4,878.4	-	-19.7	a)	4,858.7
Financial liabilities reported at fair value via the income statement	-	-	-		-
Derivative instruments	145.4	0.0	0.0	a)	145.4
Other financial liabilities	4,565.5	46.5	-83.8	a) b)	4,528.2
Technical provisions	-	922.5	-		922.5
Other liabilities	201.3	20.7	-6.2	a)	215.8
Provisions	6.9	-	-		6.9
Tax liabilities	45.0	16.5	-		61.5
Liabilities for assets classified as held for sale	-	0.2	-		0.2
Total liabilities	**9,842.4**	**1,006.4**	**-109.6**		**10,739.1**
Restricted equity	208.4	63.9	-23.1	b)	249.1
Unrestricted equity	193.9	375.0	-262.9	b)	306.0
Shareholders' share of equity	402.2	438.9	-286.0		555.1
Non-controlling interest's share of equity	64.9	-	-		64.9
Equity	467.2	438.9	-286.0		620.0
Total liabilities and equity	**10,309.5**	**1,445.3**	**-395.7**		**11,359.2**

a) Eliminations of intra-group items:	
Cash and balances with central banks	-14.2
Financial assets available for sale	-7.3
Derivative instruments	0.0
Loans and other receivables	-50.8
Other assets	-6.2
Assets classified as held for sale	-1.2
Assets	**-79.6**
Deposits	-19.7
Derivative instrument	0.0
Other financial liabilities	-53.8
Other liabilities	-6.2
Liabilities	**-79.6**
b) Intra-group equity eliminations	
Investments in associated companies	0.8
Investments in group companies	-316.9
Assets	**-316.0**
Other financial liabilities / Capital loan	-30.0
Merger difference	53.9
Restricted equity	-77.0
Unrestricted equity	-262.9
Equity	**-286.0**
Other financial liabilities and equity	**-316.0**

This report has not been subject to external auditing.

Helsinki 12 February 2014

AKTIA BANK PLC

The Board of Directors

7 April 2014	Annual General Meeting
6 May 2014	Interim report Jan-March 2014
5 August 2014	Interim report Jan-June 2014
4 November 2014	Interim report Jan-Sep 2014

Aktia

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

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