AKTIA BANK PLC

ANNUAL REPORT 2013

Aktia

Bank | Asset Management | Insurance | Real Estate Agency

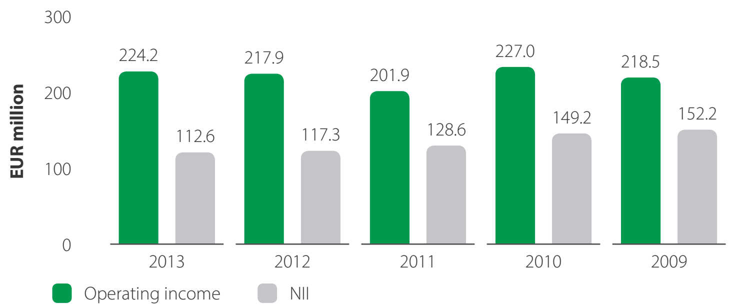
Aktia provides individual solutions in banking, asset management, insurance and real estate services. Aktia operates in the Helsinki region, in the coastal area and in growth centres of Finland.

The year 2013 in brief

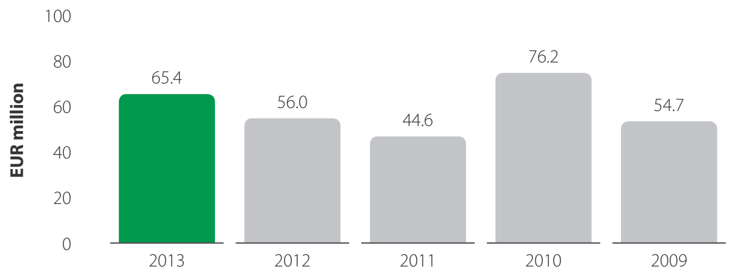
- **Operating profit from continuing operations was EUR 65.4 (56.0) million** and the profit for the year from continuing operations was EUR 52.4 (40.3) million. Earning per share stood at EUR 0.78 (0.74).
- **Write-downs on credits and other commitments decreased** to EUR 2.7 (6.4) million.
- **The Board of Directors propose a higher dividend of EUR 0.42 (0.36).**
- **Aktia Bank plc is the new parent company for the Group.** As part of the Action Plan 2015, Aktia plc was merged into Aktia Bank plc 1 July 2013 with the aim to reduce costs.
- **Aktia Bank intends to renew its core banking system** and the new system will be taken into use during 2015. The project is a major part of Action Plan 2015 which aims to make Aktia the Finnish champion in customer service, and to enhance its competitiveness.
- **Aktia Bank issued its first covered bonds to the sum of EUR 500 million in June 2013.** Aktia Bank was granted mortgage bank concession in March 2013.
- **Tier 1 capital ratio improved to 12.3 (11.8)% and capital adequacy was 19.3 (20.2)%** which exceeds stricter regulatory demands.

Aktia Bank plc Annual Report 2013 is a translation of the Swedish version "Aktia Bank Abp Årsredovisning 2013".

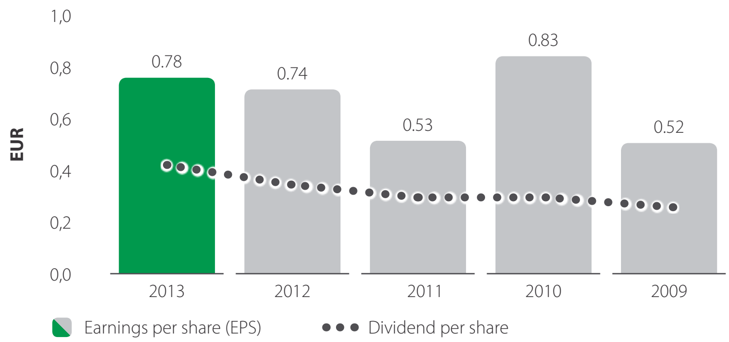
Operating income and Net Interest Income (NII)



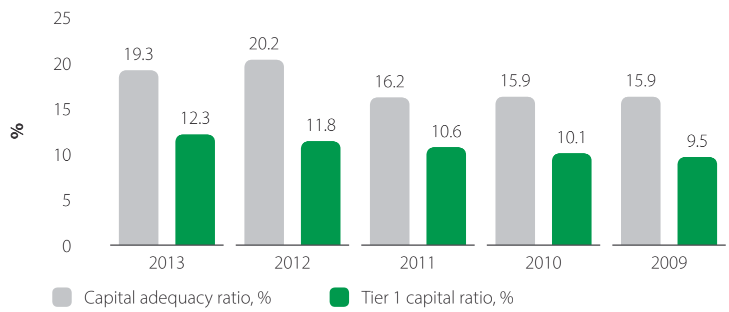
Operating profit from continuing operations



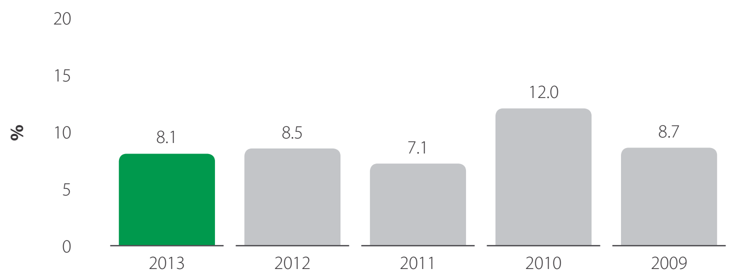
Earnings and dividend per share



Capital adequacy ratio



Return on equity, ROE



Contents

Aiming to become Finnish champion of customer services

Aktia achieved a good result in 2013. We succeeded to increase commission income and improve our result despite the difficult market situation and low interest rates. During the year, some difficult decisions were called for in respect to cost savings and restructuring of business operations.

Our hope for the future is strong and we make efforts to develop and adjust our customer services according to changed customer behaviour. The mainstay of Aktia's operations is that they are local, and we are proud to be able to expand the geographical area in which we operate both in the Turunmaa and Pohjanmaa regions through acquisitions of the savings banks Saaristosäästöpankki Oy and Vöyrin Säästöpankki.

Strong result

Aktia's operating profit amounted to approximately EUR 65 million. Commission income increased throughout the year, compensating the negative effects of low interest rates. Aktia's revised lending policy generated results, and write-downs on credits decreased more than expected. The level of Aktia's re-financing, liquidity and capital management is good, and they will comply with the swiftly tightening regulations. The new regulations put high demands on the banks and have long-term effects on the whole financial sector. Aktia continued its targeted efforts to adjust its cost structure to enable profitable growth in the Group. It's Aktia's aim to take good care of all stakeholders and service their needs and interests in the times of structural change.

Aktia aims at a dividend pay-out of 40–60% of profit for the year. The proposed dividend for 2013 is EUR 0.42 per share. A major part of the profit generated by Aktia is channelled back to the local communities through Aktia's owner foundations. Of the dividends paid to Aktia and savings banks foundations approximately 80% is channelled back to the local community in the form of various assistance and contributions. We are very grateful for the social commitment of our owner foundations.

2015 in focus

Implementation of the Action Plan 2015 continued. Aktia aims to become the Finnish champion of customer services in 2015, and we all work hard to achieve this goal. Surveys on customer satisfaction show that we are well on the way.

Our objective is to constantly improve our services by developing new tools for our customers, and to become more efficient by renewing and simplifying our processes. The service My Economy was launched in the online bank. My Economy gives the customers more control over their finances. In the year to come, we take our first steps to introduce the use of video in order to provide our customers with yet another opportunity to receive first-rate advice on banking outside regular office hours. This is to make banking easier for our customers in a rapidly changing world. We want to reduce the distance between our customers and the bank using new technology.

The biggest project within our Action Plan 2015 is the modernisation of our core banking system. The project investment amounts to approximately EUR 30 million, but will enable more efficient processes and significantly lower IT costs in the long term.

In 2014, both Saaristosäästöpankki and Vöyrin Säästöpankki will be integrated in Aktia. They are well-run banks with sound economy and long traditions. We hope that also their customers will feel very welcome at Aktia.

To conclude, I would like to extend my sincere thanks to each and every member of Aktia's staff for all the good work you have done for our customers, and to our owners for the support you have rendered in the building of a more modern and flexible Aktia. We have our common goal to become Finnish champion of customer services in view!

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

Helsinki , March 2014

Jussi Laitinen

Share capital and ownership

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

Dividend

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

For 2013, the Board of Directors proposes a dividend of EUR 0.42 (0.36) which corresponds to a dividend ratio of 54 (49)%. For 2012, a return of capital EUR 0.14 per share was paid out.

Exchange rate development

Aktia's stock exchange value as at 31 December 2013 was EUR 540 (423) million. As at 31 December 2013, the closing price for an A series share was EUR 8.10 and for a R series share EUR 8.17. The highest closing price for an A series shares was EUR 8.14 and the lowest EUR 5.82. The highest for the R series shares was EUR 8.60 and the lowest EUR 6.76.

From the beginning of the year to end of December, the total yield 2013 (given that the dividend and return of capital was re-invested) on Aktia A series shares was 51 % and 17 % on R series shares. The OMX Helsinki-25 index increased by 23% during the year.

Owner structure

At year-end, the number of registered shareholders was 45,988. Of the owners 21.6 (22.1)% were companies, 5.7 (6.8)% financial institutions and insurance companies, 13.5 (13.5)% public-sector entities, 47.0 (46.8)% non-profit organisations, and 9.9 (8.7)% households. Foreign owners were 0.9 (0.2)%.

The most part of them, i.e. 73.4 (76.0)%, owned less than 100 shares. The 0.1 % of all shareholders, holding 500 001 shares or more, owned a total of 68.0 (68.7)% of share capital and 83.4 (82.8)% of votes. The shareholders have holdings exceeding 10% of votes. Stiftelsen Tre Smeder, Life Annuity Institution Hereditas and Pension Insurance Company Veritas.

At the end of December 2013, the paid-up share capital of Aktia Bank plc as entered in the Finnish Trade Register was EUR 163 million, divided into 46,706,723 series A shares and 19,872,088 series R shares.

Shares

Aktia'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.

In 2013, the average daily turnover of A shares was EUR 173,703 (115,862), or 24,808 (21,950) shares. The average daily turnover of R shares during the same period was EUR 9,810 (39,496), or 1,262 (4,679) shares.

The 20 largest shareholders 31.12.2013:	**Number of A shares**	**Number of R shares**	**Number of Shares**	**Of shares %**	**Votes**	**Of votes %**
Stiftelsen Tre Smeder	2,571,925	4,280,216	6,852,141	10.29	88,176,245	19.85
Life Annuity Institution Hereditas	4,648,114	2,066,106	6,714,220	10.09	45,970,234	10.35
Veritas Pension Insurance Co	4,027,469	2,134,397	6,161,866	9.26	46,715,409	10.52
Svenska litteratursällskapet i Finland rf	2,139,832	789,229	2,929,061	4.40	17,924,412	4.04
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.29	20,905,000	4.71
Varma Mutual Pension Insurance Company	2,675,000	-	2,675,000	4.02	2,675,000	0.60
Stiftelsen för Åbo Akademi	1,595,640	751,000	2,346,640	3.53	16,615,640	3.74
Aktiafoundation in Porvoo	1,303,370	651,525	1,954,895	2.94	14,333,870	3.23
Aktiafoundation in Vaasa	978,525	547,262	1,525,787	2.29	11,923,765	2.69
Aktiafoundation in Espoo-Kauniainen	-	1,338,708	1,338,708	2.01	26,774,160	6.03
Savingsbank foundation in Kirkkonummi	876,529	438,264	1,314,793	1.98	9,641,809	2.17
Savingsbank foundation in Karjaa-Pohja	787,350	393,675	1,181,025	1.77	8,660,850	1.95
Föreningen Konstsamfundet rf	1,176,173	-	1,176,173	1.77	1,176,173	0.27
Aktiafoundation in Vantaa	28,541	1,138,588	1,167,129	1.75	22,800,301	5.13
Savingsbank foundation in Inkoo	526,236	336,818	863,054	1.30	7,262,596	1.64
Ab Kelonia Oy	549,417	308,662	858,079	1.29	6,722,657	1.51
Savingsbank foundation in Sipoo	462,002	232,001	694,003	1.04	5,102,022	1.15
Savingsbank foundation in Siuntio	317,057	237,188	554,245	0.83	5,060,817	1.14
Aktia Savingsbankfoundation in Maalahti	361,138	177,600	538,738	0.81	3,913,138	0.88
Mutual fund Nordea Fennia	529,000	-	529,000	0.80	529,000	0.12
Largest 20 owners	**27,458,318**	**16,771,239**	**44,229,557**	**66.43**	**362,883,098**	**81.70**
Other	19,248,405	3,100,849	22,349,254	33.57	81,265,385	18.30
Total	**46,706,723**	**19,872,088**	**66,578,811**	**100.00**	**444,148,483**	**100.00**

Aktia shares	2013	2012	2011	2010	2009
Earnings per share (EPS), EUR	0.78	0.74	0.53	0.83	0.52
Dividend per share, EUR*	0.42	0.36	0.30	0.30	0.24
Capital return per share*	-	0.14	-	-	-
Total dividend per share*	0.42	0.50	0.30	0.30	0.24
Payout ratio, %	53.8	48.6	56.6	36.0	46.5
Dividend growth, %	16.7	20.0	0.0	25.0	60.0
Yield (dividend/A share),%	5.2	8.6	6.1	4.0	3.1
Closing price 31.12 A share	8.10	5.80	4.88	7.60	7.85
Closing price 31.12 R share	8.17	7.51	8.50	8.50	9.06
Year high, A share	8.14	6.00	8.14	7.98	10.20
Year low, A share	5.82	4.34	4.34	6.50	7.78
Year high, R share	8.60	8.50	9.15	9.35	11.45
Year low, R share	6.76	6.75	6.93	7.89	9.13
Share price development, A share	39.7	16.0	-35.7	-2.2	-13.6
Share price development, R share	8.8	-11.8	-1.6	-8.6	-4.6
Equity per share (NAV), EUR	8.67	8.91	7.01	6.81	6.52
Closing 31.12 A share /NAV	0.93	0.65	0.70	1.12	1.20
Closing 31.12 R share /NAV	0.94	0.84	1.21	1.25	1.39
Average daily turnover on Helsinki Nasdaq OMX, A share	173,703	115,862	223,602	122,822	226,141
Average daily turnover on Helsinki Nasdaq OMX, R share	9,810	39,496	38,417	9,529	67,903
Average daily volume Nasdaq OMX, A share	24,808	21,950	36,772	16,889	27,005
Average daily volume Nasdaq OMX, R share	1,262	4,679	4,497	2,115	7,245
Turnover rate, A share, %	13.23	13.27	13.83	10.29	-
Turnover rate, R share, %	1.58	2.35	2.31	2.85	-
P/E ratio, A share	10.38	7.84	9.21	9.16	15.10
P/E ratio, R share	10.47	10.15	16.04	10.24	17.42
Market capitalisation, EUR million 31.12	540	423	399	527	550
No of shares as of 31.12, A share	46,706,723	46,936,908	46,936,908	46,936,908	46,936,908
No of shares as of 31.12, R share	19,872,088	20,050,850	20,050,850	20,050,850	20,050,850
No of shares in total (A and R)	**66,578,811**	**66,987,758**	**66,987,758**	**66,987,758**	**66,987,758**

* according to the Board of Directors' proposal

Shareholders by sector 2013:	Number of owners	%	Number of shares	%	Votes	%
Corporations	3,536	7.7	14,380,611	21.6	83,024,780	18.7
Financial institutes and insurance companies	73	0.2	3,773,387	5.7	14,997,087	3.4
Public sector entities	32	0.1	8,975,070	13.5	49,528,613	11.2
Non-profit institutions	702	1.5	31,314,762	47.0	284,016,415	63.9
Households	41,470	90.2	6,603,760	9.9	11,624,016	2.6
Foreign shareholders	175	0.4	158,922	0.2	177,739	0.0
Total	**45,988**	**100.0**	**65,206,512**	**97.9**	**443,368,650**	**99.8**
entered in nominee register	7		592,466	0.9		
Unidentified shareholders			779,833	1.2	779,833	0.2
Total by sector	**45,988**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2013: Number of shares	Number of owners	%	Number of shares	%	Votes	%
1-100	33,766	73.4	1,302,007	2.0	1,404,968	0.3
101-1,000	10,803	23.5	2,984,163	4.5	4,124,923	0.9
1,001 - 10,000	1,245	2.7	3,144,665	4.7	5,729,919	1.3
10,001 - 100,000	111	0.2	3,285,116	4.9	12,285,720	2.8
100,000 -	63	0.1	55,083,027	82.7	419,823,120	94.5
Total	**45,988**	**100.0**	**65,798,978**	**98.8**	**443,368,650**	**99.8**
entered in nominee register	7					
Unidentified shareholders			779,833	1.2	779,883	0.2
Total by sector	**45,988**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Report by the Board of Directors

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]	-	-	-	-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

Rating

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

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.

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

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).

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.

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 includes several individual measures and will be realised in phases.

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.

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 21 of the financial statement, 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 financial statement

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 Group's financial statement 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. Comparative figures for the parent company are based on Aktia Bank plc's figures for the comparison year.

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 0.5 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 result 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 million and its credit stock to EUR 46 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 previous 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 financial statement in note G2 on pages 35–59.

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 0.04% (0.09%) of total lending for the year. The share of write-downs on corporate loans in relation to corporate lending overall amounted to 0.2% (0.3%).

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 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.

The Group's risk positions

Overview

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

Credit and counterparty risks

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

As at 31 December 2013, loans to households accounted for 87.8 (86.4)% of the total credit stock of EUR 6,802 (7,202) million. Corporate lending continued to be moderate with focus on risk management.

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

Market risks

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

In the banking business, the structural interest rate risks and especially the risk of sustained low interest rates have been actively managed through the nature of the business arrangements, hedging derivatives and investments in the liquidity portfolio. The Bank Group's liquidity portfolio and other interest-bearing investments stood at EUR 2,428 (1,862) million at the year-end. Of the Bank Group's liquidity portfolio and other interest-bearing investments, 70 (80)% were investments in covered bonds, 16 (14)% were investments in banks, 14 (6)% were investments in state guaranteed bonds and investments in supranational counterparties, and 0 (0)% were investments in other corporates.

The migration towards Solvency II will increase the share of direct interest rate investments and the duration in the life insurance company's investment portfolio gradually. Of the investment portfolio which stood at EUR 661 (693) million, 81.2 (85.2)% constituted investments in interest-bearing securities, 15.5 (9.9)% constituted investments in real estate holdings, 0.0 (1.6)% constituted investments in money market instruments and 1.2 (1.2)% alternative investments.

Financing and liquidity risks

In the banking business, financing and liquidity risk is defined as the availability of refinancing and differences in maturity and in the insurance businesses as the availability of financing for paying out claims. The financing and liquidity risks are dealt with at the legal company level, and there are no financing commitments between the bank group and the insurance companies.

The Bank Group's liquidity situation was good at year-end, corresponding to outgoing cash-flow for 17 months without any new market borrowing.

Business and strategic risks

Business risk refers to risk for decreased income and increased costs due to reduced volumes, pricing pressure or competition. As part of business risk, risks in connection to larger purchases such as acquisition of businesses or companies and larger IT acquisitions. Strategic risk is closely related to business risk, and is defined as risk of loss due to misdirected business decisions or inability to react on changes in society, in regulations or in the branch. The strategic risk has an impact on the Group's profitability and is thus realised through business risk or other risks such as operational risks.

Operational risks

Operational risks refer to risk of loss arising from unclear or incomplete instructions, activities carried out against instructions, unreliable information, deficient systems or actions taken by staff members. If an operational risk is realised, this can result in direct or indirect financial losses or tarnish the corporate image to the extent that the bank's credibility in the marketplace suffers.

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

Underwriting risks

Underwriting risks occur where future claim payments become higher than expected. Taking into account the provision of reinsurance cover, the claim costs incurred by the insurance businesses have been relatively stable. The provision of reinsurance cover for different insurance portfolios reduces the volatility of financial results and eliminates risks that could affect the company's future business opportunities.

For a more detailed description of the Group's risk management and risk exposure, see note G2 in the consolidated financial statement.

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.

Events concerning close realtions are presented in note G47 to the financial statements. No significant changes concerning close relations occured during the year.

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 more than 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.

On 7 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.

Based on the Group's operating profit 2013, the profit sharing provision to the personnel fund will amount to EUR 3.0 (2.9) million.

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.com).

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. (Econ.)
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. (Econ.)
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

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 treasury shares, all held by Aktia plc. On completion of the merger, these three series A shares became Aktia Bank plc's A treasury 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 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

Board of Directors Proposal 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.

Five-year overview

(EUR 1,000)	2013	2012	2011	2010	2009
Turnover from continuing operations					
- banking business	266,158	331,185	341,492	354,211	341,765
- life insurance business	168,925	149,557	130,314	128,334	89,555
+ / - elimination items with an effect on the financial result	-10,076	-25,982	-29,079	-54,128	-12,000
Group	425,008	454,760	442,727	428,417	419,320
Income statement					
Net interest income	112,643	117,279	128,615	149,159	152,155
Net commission income	70,737	65,319	60,565	57,771	47,249
Net income from life insurance	28,116	27,304	22,732	16,477	13,991
Other operating income	12,654	8,013	-10,015	3,571	5,125
Total operating income	224,150	217,915	201,898	226,977	218,519
Total operating expenses	-157,247	-154,219	-146,735	-139,393	-132,638
Impairments and write downs, net	-2,734	-8,181	-10,487	-12,950	-31,504
Share of profit from associated companies	1,216	501	-70	1,594	319
Operating profit from continuing operations	**65,385**	**56,015**	**44,606**	**76,229**	**54,696**
Taxes from continuing operations	-13,030	-15,764	-10,465	-19,349	-15,077
Profit for the reporting period from continuing operations	**52,354**	**40,251**	**34,141**	**56,880**	**39,619**
Profit for the reporting period from discontinued operations	-	9,776	2,177	1,158	-5,622
Profit for the reporting period	**52,354**	**50,027**	**36,318**	**58,038**	**33,997**
Balance sheet					
Cash and balances with central banks	414,328	587,613	475,042	273,364	340,960
Financial assets reported at fair value via the income statement	102	51	1,905	20,870	22,453
Financial assets available for sale	2,256,506	2,106,661	2,619,146	3,383,652	3,432,962
Financial assets held until maturity	499,267	350,020	20,034	21,459	27,883
Derivative instruments	197,629	302,227	300,575	230,158	209,966
Loans and other receivables	6,897,349	7,360,225	7,152,124	6,637,551	6,141,562
Investments for unit-linked provisions	465,856	360,873	286,742	279,964	208,853
Other assets	202,769	172,520	200,494	172,135	171,200
Total assets	**10,933,806**	**11,240,190**	**11,056,063**	**11,019,153**	**10,555,839**
Deposits	4,892,982	4,689,040	4,757,179	4,356,327	4,753,586
Derivative instruments	128,595	186,362	155,998	149,493	132,165
Other financial liabilities	4,106,018	4,584,724	4,464,037	4,827,366	4,045,926
Technical provisions	965,396	878,474	941,491	989,841	924,437
Other liabilities	192,739	237,330	213,601	198,837	233,568
Provisions	6,367	6,850	-	-	-
Total liabilities	**10,292,097**	**10,582,781**	**10,532,306**	**10,521,863**	**10,089,682**
Equity	641,709	657,409	523,756	497,290	466,157
Total liabilities and equity	**10,933,806**	**11,240,190**	**11,056,063**	**11,019,153**	**10,555,839**

Key figures

(EUR 1,000)	2013	2012	2011	2010	2009
Return on equity (ROE), %	8.1	8.5	7.1	12.0	8.7
Return on assets (ROA), %	0.47	0.45	0.33	0.54	0.34
Equity ratio, %	5.8	5.9	4.7	4.6	4.6
Capital adequacy ratio, % (finance and insurance conglomerate)	198.6	205.1	163.5	156.5	155.6
Personnel (FTEs), average number of employees from the beginning of the financial year	998	1,044	1,192	1,183	1,213
Earnings per share (EPS), EUR	0.78	0.74	0.53	0.83	0.52
Equity per share (NAV), EUR	8.67	8.91	7.01	6.81	6.52
Dividend per share, EUR	0.42	0.36 *)	0.30	0.30	0.24
Payout ratio, %	53.6	48.7 *)	56.5	36.0	46.5
Total earnings per share, EUR	0.26	2.19	0.46	0.52	1.72
Average number of shares (excluding treasury shares)	66,561,769	66,521,777	66,503,954	66,477,825	66,446,406
Number of shares at the end of the period (excluding treasury shares)	66,544,500	66,522,280	66,520,322	66,492,404	66,451,470
Group financial assets	3,116,722	2,954,985	2,901,669	3,461,105	3,579,015
Banking Business (incl. Private Banking)					
Cost-to-income ratio	0.72	0.74	0.73	0.59	0.57
Borrowing from the public	3,797,477	3,631,479	3,645,238	3,396,579	3,029,230
Lending to the public	6,802,230	7,201,556	7,063,345	6,591,584	6,060,842
Capital adequacy ratio, %	19.3	20.2	16.2	15.9	15.9
Tier 1 capital ratio, %	12.3	11.8	10.6	10.1	9.5
Risk-weighted commitments	3,463,456	3,611,209	3,693,979	3,673,092	3,460,170
Asset management & Life Insurance					
Assets under management	6,341,319	5,877,367	5,034,487	5,942,390	
Premiums written before reinsurers' share	140,765	111,240	103,494	101,227	80,900
Expense ratio, %	88.3	90.8	91.7	93.6	100.7
Solvency margin	99,044	158,578	117,231	98,830	86,258
Solvency ratio, %	17.5	27.4	20.7	16.1	14.4
Investments at fair value	1,084,200	1,020,711	911,626	951,307	867,672
Technical provisions for interest-related insurances	503,451	519,930	533,365	587,720	595,021
Technical provisions for unit-linked insurances	461,945	358,544	284,836	282,448	210,098

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

Basis of calculation

Turnover, EUR

Banking business turnover + life insurance businesses turnover +/- elimination items with impact on result

Banking business turnover

Interest income + dividends + net commission income + net income from financial transactions + net income from investment properties + other operating income

Insurance businesses turnover

Premiums written before reinsurers' share + net income from investment business + other income

Earnings per share (EPS, EUR

Profit for the reporting period after taxes attributable to the shareholders of Aktia Bank plc

Average number of shares over the reporting period
(adjusted for new issue)

Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc

Number of shares at the end of the period

Return on equity (ROE), %

Profit for the reporting period x 100

Average equity

Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) x 100

Minimum requirement for the conglomerate's own assets (credit institution + insurance business)

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

Banking business cost/income ratio

Total operating expenses

Total operating income

Banking business risk-weighted commitments

Total assets in the balance sheet and off-balance sheet items, including derivates valued and risk-weighted in accordance with regulation 4.3 issued by the Finnish Financial Supervisory Authority.

The capital requirements for operational risks have been calculated in accordance with regulation 4.3i issued by the Finnish Financial Supervisory Authority.

Banking business capital adequacy ratio, %

Capital base (Tier 1 capital + Tier 2 capital) x 100

Risk-weighted commitments

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

Banking business Tier 1 capital ratio, %

Tier 1 capital x 100

Rsik-weighted commitments

Life insurance business expense ratio, %

(Operating costs + cost of claims paid) x 100

Total expense loadings

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

Life insurance business solvency ratio, %

Solvency capital x 100

Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance

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

Group financial assets

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

Assets under management

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

Aktia Bank plc – Consolidated financial statements

Consolidated income statement

(EUR 1,000)	Note	1–12/2013	1–12/2012
Continuing operations			
Interest income	G4	172,952	232,296
Interest expenses	G4	-60,309	-115,017
Net interest income		112,643	117,279
Dividends	G5	91	53
Commission income	G6	88,320	80,834
Commission expenses	G6	-17,583	-15,515
Net commission income		70,737	65,319
Net income from life insurance	G7	28,116	27,304
Net income from financial transactions	G8	8,310	2,940
Net income from investment properties	G9	439	338
Other operating income	G10	3,815	4,682
Total operating income		**224,150**	**217,915**
Staff costs	G11	-77,689	-75,352
IT-expenses		-27,265	-31,419
Depreciation of tangible and intangible assets	G12	-6,774	-7,158
Other operating expenses	G13	-45,519	-40,291
Total operating expenses		**-157,247**	**-154,219**
Write-downs on other financial assets	G14	-	-1,817
Write-downs on credits and other commitments	G23	-2,734	-6,365
Share of profit from associated companies		1,216	501
Operating profit from continuing operations		**65,385**	**56,015**
Taxes from continuing operations	G15	-13,030	-15,764
Profit for the reporting period from continuing operations		**52,354**	**40,251**
Discontinued operations			
Profit for the reporting period from discontinued operations	G16	-	9,776
Profit for the reporting period		**52,354**	**50,027**
Attributable to:			
Shareholders in Aktia Bank plc		52,169	49,189
Non-controlling interest		186	839
Total		**52,354**	**50,027**
Earnings per share attributable to shareholders in Aktia Bank plc, EUR			
Earnings per share (EPS), continuing operations, EUR	G17	0.78	0.59
Earnings per share (EPS), discontinued operations, EUR	G17	-	0.15
Earnings per share (EPS), EUR	G17	0.78	0.74
Earnings per share, EUR, after dilution			
Earnings per share (EPS), continuing operations, EUR	G17	0.78	0.59
Earnings per share (EPS), discontinued operations, EUR	G17	-	0.15
Earnings per share (EPS), EUR	G17	0.78	0.74

Consolidated statement of comprehensive income

(EUR 1,000)	Note	1–12/2013	1–12/2012
Continuing operations			
Profit for the reporting period from continuing operations		52,354	40,251
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		-10,320	95,030
Change in valuation of fair value for financial assets held until maturity		-3,279	-201
Change in valuation of fair value for cash flow hedging		246	-3,319
Transferred to the income statement for financial assets available for sale		-9,686	16,074
Transferred to the income statement for cash flow hedging		-11,621	-5,770
Comprehensive income from items which can be transferred to the income statement		-34,660	101,815
Defined benefit plan pensions		-68	-559
Comprehensive income from items which can not be transferred to the income statement		-68	-559
Total comprehensive income for the reporting period from continuing operations		**17,626**	**141,506**
Discontinued operations			
Profit for the reporting period from discontinued operations		-	9,776
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		-	1,821
Transferred to the income statement for financial assets available for sale		-	-6,300
Comprehensive income from items which can be transferred to the income statement		-	-4,479
Total comprehensive income for the reporting period from discontinued operations		**-**	**5,297**
Total comprehensive income for the reporting period		**17,626**	**146,804**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		17,180	145,600
Non-controlling interest		446	1,203
Total		**17,626**	**146,804**
Total earnings per share attributable to shareholders in Aktia Bank plc, EUR			
Total earnings per share, continuing operations, EUR	G17	0.26	2.11
Total earnings per share, discontinued operations, EUR	G17	-	0.08
Total earnings per share, EUR	G17	0.26	2.19
Total earnings per share, EUR, after dilution			
Total earnings per share, continuing operations, EUR	G17	0.26	2.11
Total earnings per share, discontinued operations, EUR	G17	-	0.08
Total earnings per share, EUR	G17	0.26	2.19

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2013	31.12.2012
Assets			
Cash and balances with central banks	G18	414,328	587,613
Financial assets reported at fair value via the income statement	G19	102	51
Interest-bearing securities	G20	2,156,977	2,011,654
Shares and participations	G20	99,528	95,007
Financial assets available for sale		2,256,506	2,106,661
Financial assets held until maturity	G21	499,267	350,020
Derivative instruments	G22	197,629	302,227
Lending to Bank of Finland and credit institutions	G23	95,119	158,669
Lending to the public and public sector entities	G23	6,802,230	7,201,556
Loans and other receivables		6,897,349	7,360,225
Investments for unit-linked provisions		465,856	360,873
Investments in associated companies	G24	19,292	21,101
Intangible assets	G25	20,326	14,156
Investment properties	G26	60,424	28,254
Other tangible assets	G27	6,623	5,656
Accrued income and advance payments	K28	66,227	75,016
Other assets	K28	8,819	3,273
Total other assets		75,046	78,289
Income tax receivables		3,661	112
Deferred tax receivables	G29	16,215	23,453
Tax receivables		19,876	23,565
Assets classified as held for sale	G30	1,183	1,498
Total assets		**10,933,806**	**11,240,190**
Liabilities			
Liabilities to credit institutions	G31	1,095,505	1,057,561
Liabilities to the public and public sector entities	G31	3,797,477	3,631,479
Deposits		4,892,982	4,689,040
Derivative instruments	G22	128,595	186,362
Debt securities issued	G32	3,657,941	3,878,919
Subordinated liabilities	G33	232,199	268,173
Other liabilities to credit institutions	G34	123,524	290,929
Other liabilities to the public and public sector entities	G35	92,353	146,704
Other financial liabilities		4,106,018	4,584,724
Technical provisions for interest-related insurances	G36	503,451	519,930
Technical provisions for unit-linked insurances	G36	461,945	358,544
Technical provisions		965,396	878,474
Accrued expenses and income received in advance	G37	96,455	93,053
Other liabilities	G37	40,517	55,236
Total other liabilities		136,972	148,289
Provisions	G38	6,367	6,850
Income tax liabilities		5,203	23,340
Deferred tax liabilities	G29	50,402	65,496
Tax liabilities		55,605	88,837
Liabilities for assets classified as held for sale	G30	162	204
Total liabilities		**10,292,097**	**10,582,781**
Equity			
Restricted equity	G39	244,464	220,219
Unrestricted equity	G39	332,662	372,389
Shareholders' share of equity		577,126	592,608
Non-controlling interest's share of equity		64,583	64,801
Equity		**641,709**	**657,409**
Total liabilities and equity		**10,933,806**	**11,240,190**

Consolidated off-balance-sheet commitments

(EUR 1,000)	**Note**	**31.12.2013**	**31.12.2012**
Off-balance sheet commitments	G44		
Guarantees		31,832	34,602
Other commitments provided to a third party		2,946	3,350
Commitments provided to a third party on behalf of the customers		34,778	37,952
Unused credit arrangements		354,262	302,474
Other commitments provided to a third party		2,248	2,719
Irrevocable commitments provided on behalf of customers		356,510	305,193
Total		**391,288**	**343,145**

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Non-controlling interest's share of equity	Total equity
Equity as at 1 January 2012	**93,874**	**10,277**	**19,097**	**185**	**72,654**	**269,935**	**466,022**	**57,735**	**523,756**
Divestment of treasury shares						11	11		11
Dividend to shareholders						-19,957	-19,957		-19,957
Profit for the reporting period						49,189	49,189	839	50,027
Financial assets available for sale			106,446				106,446	179	106,625
Financial assets held until maturity			-201				-201		-201
Cash flow hedging			-9,274				-9,274	186	-9,088
Defined benefit plan pensions						-559	-559		-559
Total comprehensive income for the reporting period			96,971			48,629	145,600	1,203	146,804
Other change in equity				931			931	5,863	6,794
Equity as at 31 December 2012	**93,874**	**10,277**	**116,068**	**1,116**	**72,654**	**298,619**	**592,608**	**64,801**	**657,409**
Equity as at 1 January 2013	**93,874**	**10,277**	**116,068**	**1,116**	**72,654**	**298,619**	**592,608**	**64,801**	**657,409**
Changes in the Group equity as a result of the merger of Aktia plc with Aktia Bank plc 1.7.2013	69,126	-9,960			65,102	-124,268	0		0
Treasury shares received in connection with acquisition						-263	-263		-263
Divestment of treasury shares						400	400		400
Dividend to shareholders						-23,968	-23,968		-23,968
Capital return to shareholders					-9,321		-9,321		-9,321
Profit for the reportingperiod						52,169	52,169	186	52,354
Financial assets available for sale			-20,031				-20,031	25	-20,006
Financial assets held until maturity			-3,279				-3,279		-3,279
Cash flow hedging			-11,610				-11,610	236	-11,374
Defined benefit plan pensions						-68	-68		-68
Total comprehensive income for the reporting period			-34,921			52,100	17,180	446	17,626
Other change in equity				492			492	-665	-173
Equity as at 31 December 2013	**163,000**	**317**	**81,147**	**1,608**	**128,434**	**202,619**	**577,126**	**64,583**	**641,709**
Specification of the Group's equity before and after merger 1 July 2013:									
Equity as at 1 January 2013	**93,874**	**10,277**	**116,068**	**1,116**	**72,654**	**298,619**	**592,608**	**64,801**	**657,409**
Treasury shares received in connection with acquisition						-263	-263		-263
Divestment of treasury shares						400	400		400
Dividend to shareholders						-23,968	-23,968		-23,968
Capital return to shareholders					-9,321		-9,321		-9,321
Total comprehensive income for the period 1-6			-30,242			25,559	-4,683	778	-3,904
Other change in equity				58			58	-664	-606
Equity as at 30 June 2013	**93,874**	**10,277**	**85,826**	**1,175**	**63,333**	**300,346**	**554,830**	**64,915**	**619,745**
Changes in the Group equity as a result of the merger of Aktia plc with Aktia Bank plc 1.7.2013	69,126	-9,960			65,102	-124,268	0		0
Equity as at 1 July 2013	**163,000**	**317**	**85,826**	**1,175**	**128,434**	**176,078**	**554,830**	**64,915**	**619,745**
Total comprehensive income for the period 7-12			-4,679			26,541	21,862	-332	21,530
Other change in equity				434			434	0	434
Equity as at 31 December 2013	**163,000**	**317**	**81,147**	**1,608**	**128,434**	**202,619**	**577,126**	**64,583**	**641,709**

Consolidated cash flow statement

(EUR 1,000)	1–12/2013	1–12/2012
Cash flow from operating activities		
Operating profit *)	65,385	65,603
Adjustment items not included in cash flow for the period	-20,443	479
Unwound cash flow hedging	-	17,511
Unwound fair value hedging	-	92,091
Paid income taxes	-26,290	9,097
Cash flow from operating activities before change in receivables and liabilities	**18,651**	**184,781**
Increase (-) or decrease (+) in receivables from operating activities	**82,563**	**-117,646**
Financial assets reported at fair value via the income statement	49	1,854
Financial assets available for sale	-286,812	146,665
Financial assets held until maturity, increase	-61,644	-
Financial assets held until maturity, decrease	10,114	9,928
Loans and other receivables	522,240	-206,458
Investments for unit-linked provisions	-104,983	-74,132
Other assets	3,599	4,497
Increase (+) or decrease (-) in liabilities from operating activities	**-152,128**	**36,020**
Deposits	151,904	-107,316
Debt securities issued	-153,877	-286,690
Other financial liabilities	-221,824	356,137
Provision for insurance contracts	86,922	75,741
Other liabilities	-15,254	-1,852
Total cash flow from operating activities	**-50,913**	**103,155**
Cash flow from investing activities		
Investments in group companies and associated companies	-6,335	-44
Proceeds from sale of group companies and associated companies	642	34,804
Investment in investment properties	-32,460	-9,495
Investment in tangible and intangible assets	-14,505	-6,465
Proceeds from sale of investment properties	830	1,293
Proceeds from sale of tangible and intangible assets	1,043	282
Total cash flow from investing activities	**-50,785**	**20,376**
Cash flow from financing activities		
Subordinated liabilities, increase	85,683	74,526
Subordinated liabilities, decrease	-123,025	-63,395
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	-665	5,863
Divestment of treasury shares	400	11
Paid dividends	-23,968	-19,957
Capital return	-9,321	-
Total cash flow from financing activities	**-70,897**	**-2,952**
Change in cash and cash equivalents	**-172,596**	**120,579**
Cash and cash equivalents at the beginning of the year	602,259	481,680
Cash and cash equivalents at the end of the year	429,663	602,259
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	8,257	7,960
Insurance operation's cash and bank	1,122	1,722
Bank of Finland current account	404,949	577,931
Repayable on demand claims on credit insitutions	15,335	14,645
Total	**429,663**	**602,259**

Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	1,323	692
Write-downs on other financial assets	-	1,817
Write-downs on credits and other commitments	2,734	6,533
Change in fair values	353	-251
Depreciation and impairment of intangible and tangible assets	6,774	7,249
Result effect from associated companies	-1,044	-206
Sales gains and losses from intangible and tangible assets	-443	-11,088
Unwound cash flow hedging	-15,392	-11,660
Unwound fair value hedging	-15,903	-1,346
Change in provisions	-483	6,850
Change in fair values of investment properties	38	-58
Change in share-based payments	1,652	1,947
Other adjustments	-53	-
Total	**-20,443**	**479**

*) Includes operating profit from both continuing and discontinued operations

Quarterly trends in the Group

(EUR 1,000)	10–12/2013	7–9/2013	4–6/2013	1–3/2013
Continuing operations				
Net interest income	27,270	26,948	28,345	30,080
Dividends	0	-	90	0
Net commission income	17,800	17,422	18,639	16,876
Net income from life insurance	8,434	6,535	5,569	7,577
Net income from financial transactions	2,464	1,762	1,878	2,206
Net income from investment properties	-16	24	397	34
Other operating income	1,329	936	793	757
Total operating income	**57,281**	**53,627**	**55,712**	**57,530**
Staff costs	-23,071	-16,584	-18,826	-19,207
IT-expenses	-6,395	-6,894	-8,080	-5,895
Depreciation of tangible and intangible assets	-1,724	-1,651	-1,704	-1,695
Other operating expenses	-14,715	-9,454	-10,608	-10,742
Total operating expenses	**-45,906**	**-34,584**	**-39,217**	**-37,540**
Write-downs on other financial assets	-	-	-	-
Write-downs on credits and other commitments	-1,051	-155	-420	-1,109
Share of profit from associated companies	803	757	-972	628
Operating profit from continuing operations	**11,127**	**19,646**	**15,102**	**19,510**
Taxes from continuing operations	751	-4,956	-4,076	-4,748
Profit for the period from continuing operations	**11,878**	**14,689**	**11,026**	**14,762**
Discontinued operations				
Profit for the reporting period from discontinued operations	-	-	-	-
Profit for the period	**11,878**	**14,689**	**11,026**	**14,762**
Attributable to:				
Shareholders in Aktia Bank plc	11,713	14,896	10,774	14,786
Non-controlling interest	165	-207	252	-24
Total	**11,878**	**14,689**	**11,026**	**14,762**
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
Earnings per share (EPS), discontinued operations, EUR	-	-	-	-
Earnings per share (EPS), EUR	0.18	0.22	0.16	0.22
Earnings per share, EUR, after dilution				
Earnings per share (EPS), continuing operations, EUR	0.18	0.22	0.16	0.22
Earnings per share (EPS), discontinued operations, EUR	-	-	-	-
Earnings per share (EPS), EUR	0.18	0.22	0.16	0.22

Quarterly trends of comprehensive income

(EUR 1,000)	10–12/2013	7–9/2013	4–6/2013	1–3/2013
Continuing operations				
Profit for the period from continuing operations	11,878	14,689	11,026	14,762
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	1,649	6,685	-16,865	-1,790
Change in valuation of fair value for financial assets held until maturity	-944	-820	-762	-754
Change in valuation of fair value for cash flow hedging	248	0	0	-1
Transferred to the income statement for financial assets available for sale	-437	-5,653	-2,070	-1,526
Transferred to the income statement for cash flow hedging	-2,687	-3,010	-2,978	-2,945
Defined benefit plan pensions	-68	-	-	-
Total comprehensive income for the period from continuing operations	**9,638**	**11,892**	**-11,649**	**7,745**
Total comprehensive income for the period from discontinued operations	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**9,638**	**11,892**	**-11,649**	**7,745**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank plc	9,625	12,238	-12,110	7,428
Non-controlling interest	13	-345	461	317
Total	**9,638**	**11,892**	**-11,649**	**7,745**
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
Total earnings per share, discontinued operations, EUR	-	-	-	-
Total earnings per share, EUR	0.14	0.18	-0.18	0.11
Total earnings per share, EUR, after dilution				
Total earnings per share, continuing operations, EUR	0.14	0.18	-0.18	0.11
Total earnings per share, discontinued operations, EUR	-	-	-	-
Total earnings per share, EUR	0.14	0.18	-0.18	0.11

G1 Consolidated accounting principles 2013

The report by the Board of Directors and the financial statements for financial the year 1 January – 31 December 2013 were approved by the Board of Directors on 27 February 2014 and are to be adopted by the Annual General Meeting on 7 April 2014. The report by the Board of Directors and financial statements are published on 14 March 2014.

Aktia plc merged with Aktia Bank plc on 1 July 2013. Following the merger, Aktia Bank plc, domiciled in Helsinki, is the parent company of the Group. A copy of the consolidated financial statement is available from Aktia Bank plc, Mannerheimintie 14, 00100 Helsinki, Finland or from Aktia's website www.aktia.com.

Basis for preparing financial statements

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

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

The legal merger between the previous parent company of the Group Aktia plc and Aktia Bank plc on 1 July 2013 caused no significant changes in the Group's financial position or operations. The figures in the financial statement are presented to that financial information concerning the current Group, with Aktia Bank plc as parent company, is compared with the same and completely comparable figures that were published for previous periods with Aktia plc as parent company of the Group. Profit and cash flow statement for the period are presented as a combination of events and business transactions in 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 – 30 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 under equity. The impact is shown under Change in the Group's equity in the financial statements. Following the merger Aktia plc and its subsidiaries are included in the Aktia Bank plc Group. The impact on the balance sheet of the previous Group Aktia Bank plc is reported in Note G52.

New or amended standards in 2013 that had no impact on the Group's result or financial position:

The following IFRSs and interpretations may affect the reporting of future transactions and business, but had no impact on the Group's result or financial position in 2013:

IAS 1 Presentation of Financial Statements (amended) 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. The standard is mandatory as of 1 July 2012, and Aktia reports comprehensive income according to the amended IAS 1.

According to IAS 19 Employee benefits (amended) actuarial gains and losses shall be reported under comprehensive income as of 1 January 2013. The amendment has not had any 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. The note concerning employee benefits was completed in accordance with new requirements on disclosure.

IFRS 7 Financial instruments: Disclosures (amended). The standard specifies disclosure on netting regarding financial instruments and from corresponding agreements. Comparison data are required, and the standard is mandatory as of 1 January 2013. The amendment has not had any significant impact on the Group's disclosures.

IFRS 13 Fair Value Measurement defines fair value and contains guidance for the definition of fair value measurement and specifies disclosure requirements. 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 notes have been drawn up in accordance with new disclosure requirements.

New and amended standards in 2014 or later that may have an impact on the Group's result and financial position:

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and separate financial statements, introducing a new way to define weather an investment object shall be included in the consolidated financial statements or not. The standard will become mandatory as of 1 January 2014 and will not have any significant impact on which companies are included in the consolidated accounts.

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

IFRS 12 Disclosure of Interests in Other Entities is a combined disclosure standard for subsidiaries, associated companies, joint arrangements and other unconsolidated structured entities. The standard will be mandatory as of 1 January 2014, and Aktia will evaluate possible new disclosure requirements.

IFRS 9 Financial Instruments (draft published in November 2009) is the first stage in the process to replace IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 introduces new requirements for recognition and measurement of financial assets and liabilities. Aktia's model for risk management and the characteristics of financial instruments in respect of future cash flows will have an impact on categories applied by Aktia. The standard is under development and is expected to be mandatory earliest as of 1 January 2017. Aktia follows development of the standard and will evaluate its full impact on financial reporting at a later stage.

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

Consolidation principles

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

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

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

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

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

Segment-based reporting

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

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

The Asset Management and Life Insurance segment encompasses the subsidiaries Aktia Invest Ltd, Aktia Fund Management Company Ltd, Aktia Asset Management Ltd, Aktia Life Insurance Ltd and its real estate subsidiaries Keskinäinen Kiinteistö Oy Pakkalantie 21, Keskinäinen Kiinteistö Oy Pakkalantie 19, Keskinäinen Kiinteistö Oy Virkantie 10, Keskinäinen Kiinteistö Oy Tikkurilantie 141, Keskinäinen Kiinteistö Oy Sähkötie 14-16, Kiinteistö Oy Kantaatti as well as the associated company Kiinteistö Oy Keinusaaren Toimistotalo 1 (holding 50%).

The Miscellaneous segment encompasses the Group administration and certain administrative functions for Aktia Bank plc as well as the subsidiary Vasp-Invest Ltd.

Allocation principles and Group eliminations

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

Aktia Bank plc is not allocating equity to the different segments. The Miscellaneous segment consists of any items in the income statement and balance sheet that are not allocated to the business segments.

Internal Group transactions between legal entities are eliminated and reported within each segment if the legal entities are in the same segment. Internal Group transactions between legal entities in different segments are included in the eliminations.

The shares of profits in associated companies, acquisition eliminations, the share of holdings where a non-controlling interest exists and other Group adjustments are included in eliminations.

Pricing between the segments is based on market prices.

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividends

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

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

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

Commissions

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

Insurance premiums

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

The life insurance business' unit-linked insurance contracts are reported in accordance with national accounting rules, based on the assessment of the insurance risk included in the agreement or based on the policyholder's entitlement to transfer the unit-linked savings to guaranteed interest with a discretionary element.

Claim costs

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

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

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are recognised in the income statement directly.

Depreciation

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

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

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

Employee remuneration

Pension plans

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

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

Share-based payments

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

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

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is also reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax receivable is reported where it is likely that future taxable income will arise against which the temporary difference can be utilised. As of 1 January 2014, the tax rate for corporations in Finland changed from 24.5% to 20.0%. Deferred tax receivables and liabilities per 31 December 2013 are calculated according to the new tax rate 20.0%. The change of 4.5% is reported either via deferred tax in the income statement or directly against equity in the fund at fair value.

Financial assets

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

Financial assets reported at fair value via the income statement

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

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

Financial assets available for sale

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

Financial assets held until maturity

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

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

Loans and other receivables

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

Reclassification

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

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

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

Financial liabilities

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

Valuation of financial instruments at fair value

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

A hierarchy of fair values of financial instruments established based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3) is presented in Note G41 Financial assets and liabilities.

Impairment of financial assets

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

- the company has entered into bankruptcy or is de facto insolvent and unable to make payments
- the company has entered into a corporate reorganisation agreement, or has sought protection against its creditors, or is undergoing significant restructuring which affects creditors.

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

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

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

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

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

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

Write-downs of loans and other receivables

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

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

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

For larger corporate customers, a write-down by group is carried out for individually valued receivables. Individually valued receivables include larger corporate commitments which are classified as unstable according to internal risk criteria due to factors relating to profitability, debt burden, ownership structure, management and financial administration, sector or financing structure.

Accounting for the acquisition and disposal of financial assets

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

Derivative instruments

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

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

Hedge accounting

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

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

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

Fair value hedging

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

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

Fair value hedging is no longer applied in the following situations:
- the hedging instrument expires, is sold, terminated or revoked
- the hedge no longer qualifies for hedge accounting
- hedging is discontinued.

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

Cash flow hedging

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

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

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

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

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

Financial derivatives valued at fair value through the income statement

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

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

Repurchase agreements

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

Cash and balances with central banks

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

Tangible and intangible assets

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

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

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

Assets classified as held for sale

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

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

Provisions

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

The Group as a lessor

Finance lease agreements

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

The Group as a lessee

Operating lease agreements

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

Insurance and investment agreements

Classification of insurance and investment agreements

Insurance agreements are reported in accordance with IFRS 4, and are classified either as insurance agreements or investment agreements. Insurance agreements are agreements whereby insurance risks are transferred from the policyholder to the insurer. If the risk transferred under the agreement has the characteristics of a financing risk and not a insurance risk, the agreement is classified as an investment agreement.

In the life insurance business, for investment agreements with the right to discretionary benefits (customer compensation) or which can be changed to such agreements, the opportunity in IFRS 4 to report these as insurance agreements is applied. Capitalisation agreements do not involve any insurance risk, so these are classified as investment agreements. In unit-linked insurance contracts, the policyholder chooses the investment objects connected with the agreement.

Reinsurance

Reinsurance agreements are agreements that meet the requirements for insurance agreements in accordance with IFRS 4. Reinsurance agreements are agreements under which the insurance business can receive remuneration from another insurance company if it is liable to pay remuneration itself as a result of insurance agreements entered into. Premiums paid to reinsurers or premiums received for reinsurance are reported as premiums written and costs attributable to compensation as insurance claims paid. Remuneration which will be received through reinsurance agreements is reported in the balance sheet as assets. Unpaid premiums to reinsurers are reported in the balance sheet as liabilities. Receivables and liabilities which relate to reinsurance agreements are valued consistently with receivables and liabilities attributable to reinsured insurance agreements.

Liabilities attributable to insurance and investment agreements

Liabilities arising from insurance agreements are dealt with in the first phase of the IFRS 4 standard in accordance with previous national accounting rules, with the exception of reporting the equalisation provision and those agreements which are classified as investment agreements. In the consolidated IFRS accounts, the insurance companies' equalisation provisions (FAS) have been transferred to shareholders' equity and deferred tax liability.

Within the life insurance business, liabilities arising from capitalisation agreements are not reported as technical appropriations (technical provision) but are included in other liabilities.

In the financial statements, the term technical provision is used synonymously with liabilities arising from insurance agreements and investment agreements. Within the life insurance business, the technical provision for insurance agreements with a discretionary element is called Technical provision for interest-linked insurances. The technical provision for unit-linked insurances consists of the technical provision for unit-linked insurance agreements.

Outstanding claims in technical provisions for the life insurance business include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and the estimated claims adjustment costs for these and provisions for claims which have not yet been reported to the Group (claims incurred but not reported). Claim liability includes both provisions for specific claims and provisions for statistical claims.

Loss assessment for the life insurance businesses

In life insurance business, an assessment is carried out when the accounts are closed of whether the provision included in the balance sheet is sufficient. If this assessment shows that the provision included is insufficient, the technical provision is increased.

The life insurance business' equity principle

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

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

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

Equity

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

Holdings where a non-controlling interest exists

Aktia Real Estate Mortgage Bank plc's non-controlling holdings are reported as part of the Group's shareholders' equity. The subsidiaries Aktia Asset Management Ltd and Aktia Invest Ltd have certain redemption clauses in their contracts which mean that their non-controlling holdings are reported as liabilities. The change in these liabilities is reported in the income statement as personnel costs.

Accounting principles requiring management's assessments

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

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

Estimates and valuation of fair value

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

Impairment of financial assets

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

Write-downs of loans and other receivables

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

Actuarial calculations

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

Share-based payments

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

G2 Group risk management

1. General

Risk refers to a calculated or unexpected event that has a negative impact on results (loss) or capital adequacy/solvency. The term embraces both the probability that an event will take place, as well as the impact the event would have.

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

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

Results from capital market operations are mainly affected by negative trends in the growth of business volumes, commission levels and cost efficiency. Opportunities for improving, customising and developing new products and processes help reduce the business risks associated with capital market operations.

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

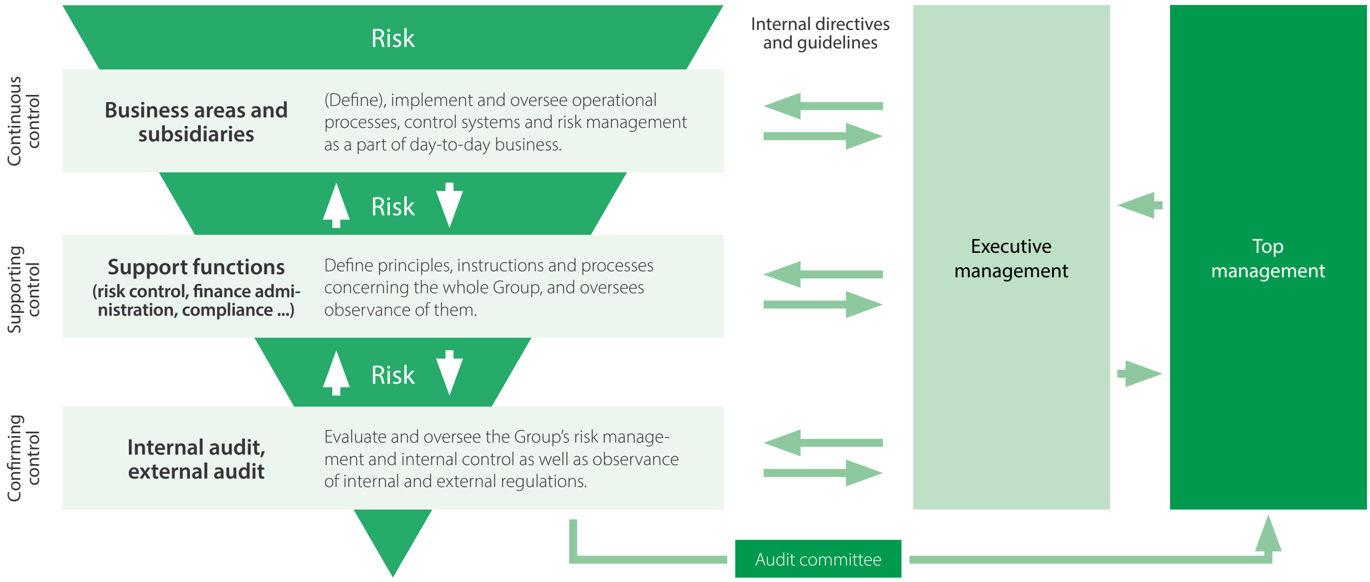
Aktia Bank plc is the parent company of Aktia Group. For regulatory reporting, capital adequacy calculations and internal assessment of risks and capital allocation, data is compiled concerning the "Bank Group", comprising Aktia Bank plc and its subsidiaries except operational business, profit or balance sheet items of insurance holdings (the subsidiary Aktia Life Insurance Ltd and the associated company Folksam Non-Life Insurance Company Ltd)

2. Risk management

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

The group's strategy governs all risk-taking activities, with the board of directors ultimately being responsible for the group's risk-taking. Every year, the group's board of directors stipulates the instructions and limits as given to the group's CEO, for managing the business. Risk exposure and limits are reported to the group's board at least once every quarter. Within the group's board, a committee has been appointed to prepare general risk-related matters for the board's consideration, and to make individual credit decisions in accordance with the principles and limits laid down by the board. The line organisation responsible for the business area bears the primary responsibility for risk management, including (among other things) assessment, follow-up, pricing and settlement of its own risk items. High competence and appropriate control and reporting mechanisms constitute central elements in the group's risk management system.

The group's risk control function is subordinate to the group's CEO and is independent of business operations. The function controls and monitors the business line's risk management and is responsible for maintaining appropriate limit structure, as well as models for e.g. measurement, analysis, stress testing, reporting and follow-up of risks. The function for compliance is in effect under the group CEO and independent of business activities, and its task is to ensure that group activities comply with the existing rules. The internal audit provides independent evaluation of the group's risk management system and monitoring functions, including the group's risk control and compliance function, and reports its findings to the board of directors.



The CEO is responsible for the operational organisation of the risk management processes, and the executive committee takes care of matters relating to internal capital allocation and further regulation of the risk mandate. The CEO has appointed special committees to follow up on and develop the risk management for credit and market risks. Within the set limits, the role of the committees is to make decisions pertaining to the group's risk management, to prepare matters for decisions by higher bodies, and to develop risk management processes. The committees are staffed by executive line managers, representatives from risk control and other experts. Risk control does not take part in decisions involving risk-taking.

3. Group capital management

3.1 Group capital management

Capital management balances shareholder demands on returns against the need for financial stability as imposed by the authorities, investors in debt instruments, business partners and ratings agencies. The aim of capital management is to comprehensively identify and assess the most important risks, and the capital demands that these risks imply. Capital management is ex ante, with a starting point in an annually recurring strategic planning.

3.2 Organisation and responsibility

The group's independent risk control unit is responsible for ensuring that the group's main risks are identified, measured and reported consistently, correctly and adequately. The unit is also responsible for calculating regulatory capital adequacy, and for preparing documentation for assessing internal capital requirements and capital adequacy targets. The capital base in relation to regulatory requirements and risk exposure is regularly followed up and reported on at company and conglomerate level.

The group executive committee is responsible for preparing the board's annual strategic process, and for the accompanying capital planning and allocation. The Board's risk committee monitors this work while decisions are made in the group board of directors. The group's internal audit conducts an annual evaluation of the capital management process in its entirety. The rules of procedure for the board of directors and its risk committee closely govern document preparation and decision-making within the capital management process.

3.3 Regulatory requirements for capital adequacy and solvency

When calculating the banking group's capital adequacy, the standardised approach is used for credit risks, while the basic indicator approach is used for operational risks. Capital requirements are not exposed to market risks because of the small trading book and small currency positions. The solvency of the life insurance company is calculated in accordance with the provisions set down in the Insurance Companies Act and the financial statement is prepared in accordance with Finnish accounting standards (FAS). The capital adequacy of the finance and insurance conglomerate is calculated using the consolidation approach, taking into account the capital requirements for Folksam Non-life Insurance Company Ltd which correspond to the Aktia group's holding in Folksam Non-life Insurance.

As part of the financial statements, Aktia publishes annually a full report on capital adequacy in accordance with the Basel II capital adequacy rules and the Financial Supervisory Authority's standards. The accuracy of data pertaining to capital adequacy is verified as part of the auditing process.

The capital adequacy of the bank group was 19.3% (2012; 20.2%) and the primary capital relationship 12.3% (2012; 11.8%). The former parent company of the Aktia group, Aktia plc, was merged with Aktia Bank plc 1.7.2013. This merger impacted the group capital adequacy by approximately -1 percentage point. Capital adequacy was also affected by the repayment of a perpetual loan of EUR 45 million which prior to repayment was included in Tier 2 capital. The bank group's capital adequacy remained at a good level, exceeding both internal capital adequacy targets and regulatory requirements.

Capital adequacy for the banking business is currently calculated using the standardised approach for credit risk. An IRBA 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 about 4 percentage points.

The capital adequacy of Aktia Bank plc, the parent company in the Aktia bank group, amounted to 23.1%, compared to 28.1% the previous year. The Tier 1 capital ratio was 14.7% (16.1%). The capital adequacy of Aktia Real Estate Mortgage Bank plc was 14.2%, compared to 11.3% the previous year. The Tier 1 capital ratio was 13.3% (9.7%). The capital adequacy of Saaristosäästöpankki Oy was 25.3% and the Tier 1 capital ratio was 24.6%.

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 of Aktia Asset Management Ltd, which provides asset management services, amounted to 19.1%, compared to 11.7% the previous year. The Tier 1 capital ratio was 19.1% (11.7%).

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%. The capital adequacy level remains strong and acts as a buffer against unforeseen losses, without restricting growth in the business.

3.4 Methods for internal risk-based capital assessment

The internal risk-based capital assessment uses as its starting point the Pillar 1 regulatory capital requirements. The upcoming and more risk-based Solvency II regulations have been applied to the insurance business. In addition to risk assessment according to Pillar 1, Pillar 2 risks are also allowed for in the internal capital assessment; in other words, those risks not taken into account in regulatory capital adequacy, or those not sufficiently taken into account.

The internal assessment thus encompasses all the main risks facing the group and represents an internal assessment of the capital requirements implied by operations. The internal governance and risk-based pricing for the customer are based on models for internal capital assessment.

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

The models used for internally assessing minimum capital required to cover credit risk are based on the standardised model for regulatory capital adequacy, with additional allowances for concentration risks.

The internal assessment of minimum capital requirements for market risks is based on stress scenarios for property values and interest rate changes.

Capital requirements for operational risks are assessed on the basis of the regulatory requirements, taking into account internal incident monitoring, while business risks are based on an internal model which takes account of changes in customer behaviour, the cost of lending, the market situation and the competitive situation.

The Pillar 2 assessment as a whole is based on a conservative assumption that the various market risks correlate completely to each other, i.e. that all risks are realised in their entirety and concurrently.

3.5 Ex ante capital planning

3.5.1 Profit generation as a starting point

The starting point for the strategic planning is that the additional capital requirements incurred as a result of growth and other investments are covered through profit generation.

3.5.2 Capital adequacy buffer

The goal in setting targets with regard to regulatory capital adequacy, i.e. setting a buffer to cover the minimum requirements, is to maintain capital adequacy at an adequate level, partly by taking into account planned growth and investments, but also taking into account poorer financial performance or the occurrence of a risk event. The capital adequacy targets also take account of targets for external ratings and consequences of any changes to regulatory requirements. The capital adequacy targets are long-term, but the actual buffer can vary over an economic cycle. Any deterioration in capital adequacy due to weak operational results is primarily managed through restructuring operations. The restructuring measures can include lower growth or fewer investments, discontinuation of capital-intensive positions, cost savings and changes to the group structure.

The capital adequacy target for the bank group, calculated using the standardised method for credit risks and the basic indicator method for operational risks, is 12% (total capital adequacy) and 10% (Tier 1 capital adequacy). During the transition to the IRBA calculation of capital adequacy for retail exposure, the Tier 1 capital adequacy target will be increased.

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

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

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

For the finance and insurance conglomerate, the target for capital adequacy is for it to exceed 150%.

3.5.3 Capital plan for crisis situations

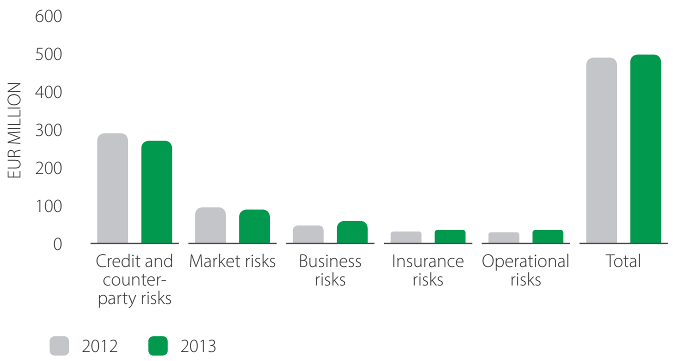
The capital plan describes the measures available to operational managers and the board in the event that capital adequacy is jeopardised. The board and its risk committee monitor changes in capital adequacy each quarter, and within the framework of the capital management process, also the effects of various stress tests. Thresholds have been set within the board and its risk committee, for determining when restructuring and/or capitalisation measures should be initiated.

3.6 Group risk and capital situation

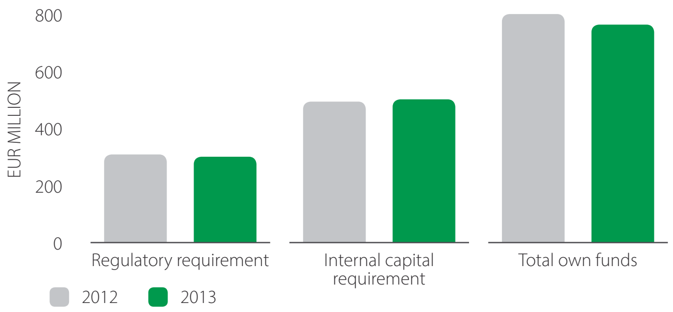
Credit risks constitute the greatest area of risk within the group. Such risks are due to exposure in lending, and counterparty risks associated with liquidity management. Market risks are also considerable, and are primarily due to interest rate risks in the bank's liquidity portfolio and interest rate risks in insurance operations, in which there is an inherent counterparty risk. Business risks are primarily found in the banking business and are associated with stress scenarios involving sustained low interest rates, falling net interest income and commission, as well as rising cost levels. The capital requirements for operational risks have been derived using the basic indicator method for regulatory capital requirements, and information from the internal capital assessment. An extra capital allocation for operational risks has been made due to the increased level of risk during the transformation process carried out for the Action Plan 2015.

The regulatory minimum capital requirement under the current rules amounted to approximately EUR 316 million, corresponding to approximately 41% of the total capital base of approximately EUR 767 million. The internal capital requirement, encompassing Pillar 1 and Pillar 2, amounted to approximately EUR 498 million, corresponding to approximately 65% of the capital base. The capital reserve for meeting the minimum regulatory requirements therefore amounted to EUR 451 million, and compared to the internal minimum requirement of EUR 269 million.

Internal capital requirement by risk type



Group's total capital compared to internal capital requirement



3.7 Preparations for new regulatory requirements

The capital adequacy rules for the banking business will change from and including 2014. The Basel II reform is being implemented in the EU through the CRD IV Directive and supplemented by a capital requirement regulation (CRR). The CRR comes into force at the start of 2014 with certain transitional provisions and CRD IV will be implemented as national legislation in the summer of 2014. The liquidity coverage ratio requirements (LCR) will come into force at the start of 2015.

The new rules require a higher Tier 1 capital and a number of technical calculation changes with a negative impact on the banking group's Core Tier 1 capital. The most significant changes for Aktia Bank are those related to deductions in the Core Tier 1 capital for holdings in insurance companies and the deduction of surplus capital issued to third parties (minority interest) which is not required to meet the minimum regulatory requirements. The unrealised value changes from investment activities (fund at fair value) that in 2013 were still included in Tier 2 capital will gradually impact the Core Tier 1 capital during the transitional period 2014-2015. In addition to this the Tier 2 capital of the banking group will be negatively impacted by stricter maturity requirements for issued debenture capital.

Changes in the risk weighting of the liquidity portfolio's investment instruments will cause minor negative effects which in part will be neutralised by stricter liquidity requirements in the future that will restrict investment in certain types of instrument and instruments with poor ratings.

On application to Financial Supervisory Authority, Aktia Bank has been granted an exemption (issued 22.1.2014) allowing it not to deduct from own funds investments in the wholly-owned subsidiary Aktia Life Insurance Ltd which is covered by supervision of financial and insurance conglomerates. This exemption only applies up to and including 31.12.2014 and assumes that the holding in Aktia Life Insurance Ltd is included in the banking group's risk-weighted exposure with a risk weighting of at least 280%.

Taking into consideration the rule changes that came into force at the beginning of the year, in the first quarter of 2014 the Aktia Group will review its principles for internal capital allocation between the parent company Aktia Bank plc and the group's various subsidiaries. The total impact of the rule changes described, Financial Supervisory Authority temporary exemption regarding the handling of Aktia Life Insurance Ltd and the planned internal group reallocation of capital is estimated in 2014 to be approximately -0.5 percentage points on the core capital ratio and approximately –4 percentage points on the capital adequacy ratio.

In August 2011, Aktia handed in its application to the Financial Supervisory Authority, to go over step-by-step and starting with so-called retail exposures, to an internal method for calculating the capital adequacy required by the authorities (Internal Rating Based Approach). Aktia estimates that this internal and more risk-sensitive calculation method should have a positive effect on the bank group's Tier 1 capital adequacy, of the order of 4 percentage points. Since 2007, Aktia has applied a model very similar to the models as used by Basel II for the internal calculation of capital adequacy, as a base for risk-based pricing of credit. This has been done partly in connection with the preparations for the switch to IRBA calculation of capital adequacy.

Calculation of capital adequacy for the life insurance company will also change, in connection with the entry into force of the Solvency II framework. The assessment of capital requirements is extended to include in a better way e.g. actuarial risks, market risks related to technical provisions and investments, counterparty risks and operational risks. The life insurance company's preparations for implementation of Solvency II are proceeding according to plan and capital requirements according to the upcoming regulations are now part of the internal reporting process. The Insurance Companies Act have been changed from the start of 2014 so that some Solvency II regulations - primarily related to company management and ORSA - have been applied. The start for Solvency II has been set for 2016,

The Group's maximum exposure by operation

	as at 31.12.2013			as at 31.12.2012		
	Banking business	Life insurance business	Total Group	Banking business	Life insurance business	Total Group
Cash and money market	**508**	**15**	**509**	**745**	**15**	**746**
Bonds	**2,212**	**493**	**2,694**	**1,850**	**563**	**2,405**
Public sector	307	167	475	114	205	319
Government guaranteed bonds	30	0	30	4	0	4
Banks	396	52	444	252	45	297
Covered bonds	1,477	207	1,677	1,468	220	1,680
Corporate	3	66	69	12	94	106
Shares and mutual funds	**24**	**93**	**117**	**29**	**88**	**117**
Interest rate funds	1	43	45	0	39	39
Shares and equity funds	22	0	22	28	0	28
Real estate funds	0	42	42	0	41	41
Private Equity	0	8	8	1	8	9
Hedge funds	0	0	0	0	1	1
Loans and claims	**6,812**	**0**	**6,812**	**7,214**	**0**	**7,214**
Public sector entities	4	0	4	4	0	4
Housing associations	242	0	242	271	0	271
Corporate	544	0	544	670	0	670
Households	5,980	0	5,980	6,230	0	6,230
Non-profit organisations	43	0	43	39	0	39
Tangible assets	**6**	**61**	**67**	**6**	**46**	**34**
Bank guarantees	**35**	**0**	**35**	**38**	**0**	**38**
Unused facilities and unused limits	**354**	**2**	**357**	**302**	**3**	**305**
Derivatives (credit equivalents)	**232**	**0**	**232**	**343**	**0**	**343**
Other assets	**44**	**4**	**47**	**47**	**5**	**47**
Total	**10,228**	**669**	**10,871**	**10,574**	**720**	**11,250**

but transitional provisions will be applied to certain selected components of the calculation of capital requirements. The transitional period can be up to 16 years (e.g. for the discount rate curve for technical provisions).

4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's credit worthiness. Credit and counterparty risks are measured by assessing the default risk and any losses incurred by such. The risk of default is measured using scoring or rating models, and the loss in the event of default is measured by taking into account the realisation value of collateral and the anticipated recovery, with deductions for recovery costs. Each year, the group's board of directors determines the credit policy, and revises both the credit risk strategy and delegation of decision-making. The regulation of counterparty risks is managed in a similar manner.

The table above shows the group's exposure per operating area. The figures include accrued interest. Internal group receivables and liabilities are eliminated, and deductions for eligible collateral have not been made. Investments that provide cover for unit-linked provisions are not included.

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

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

4.1 Managing credit and counterparty risks, and reporting procedures

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

The exposure inherent in the loan book is reported to the group's board of directors and its risk committee every quarter, and to the executive credit committee and branch management every month.

4.1.1 Credit risks in the banking business

Within banking operations, loans are provided to households – the majority of which are secured against real estate collateral. Housing finance is arranged directly from Aktia Bank's balance sheet but was previously arranged through Aktia Real Estate Mortgage Bank, the credits of which were previously also brokered by the POP Banks and savings banks. Other investment and consumption financing for households is arranged directly from the bank's balance sheet. In December 2013 the Visa loan book of EUR 52 million was transferred from Nets Ab to Aktia Bank.

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

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

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

Loan book by sector

EUR million	31.12.2013	31.12.2012	Change	Percentage
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**	**100.0**

4.1.2 Lending to households

The group's loan book decreased in 2013 by EUR 399 million (5.5%), totalling EUR 6,802 (7,202) million at year end. The household share of the total loan book amounted to EUR 5,973 (6,222) million or 87.8% (86.4%) at year end, and when combined with housing associations was 91.4% (90.2%).

The housing loan book totalled EUR 5,521 (5,850) million, of which mortgages granted by Aktia Real Estate Mortgage Bank plc made up EUR 2,740 (3,700) million. In total, housing loans decreased by 5.6% (4.3%) over the year.

4.1.2.1 Credit rating

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

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

77.8 (69.7)% of the receivables from households are accounted for by the four scoring classes that represent excellent to good credit ratings, while 7.3 (9.6)% of receivables have creditworthiness from diminished to poor. The stock of defaulted household loans remained at 0.5%.

Distribution of household scoring classes*

EUR million		31.12.2013	31.12.2012
Creditworthiness	**Scoring class**	**5,973**	**6,222**
"Excellent-good 0% < PD <= 0,2%"	A1 A2 A3 A4	77.8%	69.7%
"Good-satisfactory 0,2% < PD <= 1%"	B1 B2 B3 B4	13.1%	20.1%
"Diminished-poor 1% < PD < 100%"	C1 C2 C3 C4	7.3%	9.6%
Unclassified	-	1.2%	0.1%
Defaulted, PD = 100%	D	0.5%	0.5%

* PD (Probability of Default) indicates the probability of a credit default within 12 months. This estimate is a Point-in-Time (PIT) estimate, and reflects the credit worthiness given the prevailing economic climate.
* The increase in unclassified is temporary and is due to the transfer of the Visa loan book from Nets Ab to Aktia's own balance sheet in December 2013. The loan book will be rated in 2014.

4.1.2.2 Collateral and calculation of capital adequacy

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

Loans to households are mainly granted against secure collateral, which means that any reduction in market values (residential real estate prices) does not directly increase risk exposures. Of the total claims on households, approximately 5.0 (4.9)% are secured by central government or by deposit while approximately 87.8 (87.8)% are secured against real estate collateral under the Basel II regulations. Approximately 7.7 (7.3)% of claims are secured in other ways, which are not taken into account in the capital adequacy calculation (e.g. the proportion of the residential real estate's value exceeding 70)%.

4.1.2.3 Loan-to-value ratio of collateral

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

Average Loan To Value for the housing loan book amounted to 57.7 (59.5)%. Within the housing loan book, only 0.9 (1.0)% of the credit exceeded a loan-to-value ratio of 90%. Since the latter part of 2010, there has been increased focus on closer management of business involving higher lending in combination with weaker credit scores.

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

EUR million	31.12.2013	31.12.2012
Loan To Value (LTV)	**5,521**	**5,850**
0–50 %	81.5 %	80.3 %
50–60 %	8.7 %	9.0 %
60–70 %	5.1 %	5.5 %
70–80 %	2.7 %	2.8 %
80–90 %	1.1 %	1.3 %
90–100 %	0.4 %	0.5 %
>100 %	0.5 %	0.5 %
Total	**100 %**	**100 %**

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

The majority of the bank's collateral stock is made up of dwellings. The trends in housing prices are thus important factors in the bank's risk profile. During 2013, developments in housing prices within Aktia's main business area have remained at a stable level.

4.1.2.4 Risk-based pricing

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

4.1.3 Corporate lending

New lending to companies was aimed at small companies, and total corporate loans fell by 18.8% from the beginning of the year, totalling EUR 541 (666) million. The proportion of the total loan book accounted for by corporate loans continued to fall according to plan, to 8.0 (9.3)%.

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

Rating distribution (Suomen Asiakastieto) *

EUR million	31.12.2013	31.12.2012
Rating	**541**	**666**
AAA	12 %	5 %
AA+	17 %	21 %
AA	16 %	16 %
A+	30 %	33 %
A	14 %	15 %
B	4 %	4 %
C	4 %	4 %
Defaulted	2 %	2 %
Total	**100 %**	**100 %**

* Intra-Group transactions are not included

Over the year, the rating distribution for the loan book strengthened slightly. 45 (42)% of receivables from companies were accounted for by the three groups with the lowest risk of default, while 2 (2)% of receivables were non-performing or in recovery. The doubtful receivables have been concentrated and followed up in a separate portfolio.

Collateral is valued for corporate financing purposes in accordance with separate rules, also taking into account a valuation buffer specific to the collateral, to allow determination of a secure value. Particularly when valuing fixed assets relating to a business, the interaction between the value of the fixed assets and the company's business opportunities is taken into account. Commercial real estate and corporate collateral are not taken into account in the capital adequacy calculation.

14.3 (11.8)% of receivables from corporations were secured by central or local government guarantees or by deposit, while 33.3 (31.9)% were secured against residential real estate collateral. The remaining 52.4 (56.3)% are granted against collateral not taken into account in the capital adequacy calculation, including commercial real estate, various company-specific securities or against the company's operations and cash flow. Insufficient collateral imposes limits, according to the revised corporate strategy and the credit policy applied to businesses.

4.1.4 Concentration risks in lending

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

91.4% of the loan portfolio comprises loans to households and Finnish housing associations, and 87.8% of receivables from households are secured against residential real estate collateral. Approximately 33.3% of receivables from companies are secured against residential real estate collateral. Aktia's level of credit risk is sensitive to changes in both domestic employment and housing prices.

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

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

Branch distribution of corporate stock

Branch	31.12.2013 541	31.12.2012 666
Basic industries, fisheries and mining	3.7 %	3.6 %
Industry	7.8 %	7.1 %
Energy, water and waste disposal	2.5 %	2.5 %
Construction	6.9 %	6.5 %
Trade	10.2 %	9.7 %
Hotels and restaurants	3.7 %	4.5 %
Transport	7.3 %	7.6 %
Financing	9.9 %	9.2 %
Property	33.7 %	34.3 %
Research, consulting and other business service	6.7 %	8.3 %
Other services	8.3 %	8.1 %
- write-downs by group	-0.9 %	-1.4 %
Total	**100 %**	**100 %**

Claims on housing companies are not included in the table above

4.1.5 Past due payments

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 loan book. The loan book 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 loan book and 0.52 (0.53)% of the household loan book.

Loans with payments 3–30 days overdue decreased to EUR 114 (133) million, equivalent to 1.66% (1.84%) of the loan book. Loans with payments 31–89 days overdue decreased to EUR 34 (51) million, or 0.49% (0.71%) of the loan book. 96% of the receivables are fully secured, and any loss risks have been taken into account in the individual write-downs.

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

Days	31.12.2013	% of the loan book	31.12.2012	% of the loan book
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– *	45	0.66	50	0.69
of which households	31	0.46	33	0.46

* in Aktia Bank fair value of the collateral covers 96 % of debts

Loans with overdue payments which had not been written down totalled EUR 185 (231) million at the end of the year. Of these, non-performing loans at least 90 days overdue accounted for EUR 41 (46) million. The market value of the collateral for the receivables more than 90 days overdue amounted to approximately 96% of the remaining receivable.

Loans past due but not impaired

EUR million

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

Days	Book value	% of the loan book	Fair value of collateral 31.12.2012
3–30	133	1.84	133
31–89	51	0.71	51
90–	46	0.64	44

4.1.6 Loan forbearance and modifications due to the borrower's deteriorated credit standing

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

Loan forbearance and modification in the form of repayment deferral also takes place due to other circumstances than a persistent deterioration in the borrower's credit standing. Internal regulations and tools have been produced in order to identify customers whose credit standing no longer corresponds to their level of debt at an early stage. Quickly reacting to such situations is in the interest of both the customer and the bank. The proportion of loans with repayment deferral is regularly reviewed in internal risk monitoring.

4.1.7 Write-downs of loan and guarantee claims

Over the period total loan write-downs and other liabilities decreased by EUR 3.7 million compared to the same period the year before and amounted to 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 0.04 (0.09)% of total lending for the period. The corresponding impact on corporate loans amounted to 0.2 (0.3)% of the total corporate lending.

By the end of the period, group write-downs at the portfolio level totalled EUR 9.6 (14.5) million, of which EUR 6.4 (6.0) million related to households and smaller enterprises, and EUR 3.2 (8.5) million related to large individually valued corporate receivables.

Gross loans and write-downs

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

4.1.8 Lending to local banks

Financing is provided to banks based on individual credit ratings and decisions. Every year, the board of directors sets separate limits for the short- and long-term financing of local banks, which are based on the local bank's own funds, capital adequacy and provided collateral. Committed facilities for liquidity financing decreased by approx. EUR 15 million and amounted at year end to a total of EUR 123.6 (138.5) million, divided between 36 (47) individual savings banks and POP Banks while outstanding liquidity financing totalled EUR 0.0 (6.0) million. Secured financing totalled EUR 53 (86) million.

5. Management of financing and liquidity risks

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

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

5.1 Financing and liquidity risks in the banking business

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

The foundations of this financing comprise stable lending and deposit stocks from households developed via the network of branch offices, and the issue of covered bonds. Covered bonds issues were previously channelled through Aktia Real Estate Mortgage Bank plc, but in March 2013 Aktia Bank was granted a mortgage bank concession by Financial Supervisory Authority and in June 2013 Aktia Bank issued its first long-term collateralised bonds (covered bonds) for EUR 500 million. Future issues of covered bonds will take place directly through Aktia Bank plc.

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

Total deposits from the public, associations and credit institutions amounted to EUR 4,893 (4,689) million at year end. The stock of covered bonds secured by residential real estate totalled EUR 2,758 (3,008) million. The issue of bonds under the domestic programme amounted to EUR 294 million and the outstanding certificates of deposit amounted to EUR 314 million.

Aktia is actively working to broaden its refinancing base and to start using new refinancing programmes. Over the period Aktia Bank has issued long-term senior bonds (Schuldscheindarlehen) amounting to EUR 83 million. At the start of October Aktia Bank issued EUR 300 million long-term senior bonds within the framework of its EMTN programme. These loans are part of the preparations for the implementation of the new Basel III regulations for the banking industry.

In January, Aktia Bank issued long-term senior bonds ('Schuldscheindarlehen') for a total of EUR 20 million.

Regarding Aktia Real Estate Mortgage Bank's senior financing, an agreement was entered into in 2011, which obliges all banks brokering the Mortgage Bank's loans to contribute pro rata to its brokered loan book to the Mortgage Bank's senior financing. According to the agreement, financing will be made in instalments. During 2013 the local banks' share of the senior financing increased by EUR 34.9 million.

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

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

The structure of the liquidity portfolio is presented in more detail in Section 6.1.2. The financial assets in the liquidity portfolio that can be utilised as outlined above, as a liquidity buffer, totalled approximately EUR 1,995 million at year end, corresponding to an outgoing cash flow for just over 17 months, with no new market borrowing.

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

Credit rating

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

Standard & Poor confirmed on 2 July 2013 its view of Aktia Bank plc's credit rating. The rating for long-term borrowing is A- and for short-term A2, both with a negative outlook.

Moody's Investors Service confirmed on 26 February 2014 Aktia Bank plc's credit rating for long-term borrowing as A3, short-term as P-2 and financial strength as C-. The outlook is unchanged as negative. On 25 June 2013 Moody's gave the highest credit score, Aaa, for covered bonds issued by Aktia Bank.

On 25 April 2013 Aktia Bank concluded its rating agreement with Fitch which on the same day confirmed its view of Aktia Bank plc's credit rating (long-term borrowing BBB+, short-term borrowing F2) and uprated its outlook to stable (negative).

The table below shows Aktia's credit ratings as of 31 December 2013. Details about the rating decisions made by credit rating institutions can be found on Aktia's website.

Aktia´s credit ratings 31.12.2013

		Covered bonds issued by	
	Aktia Bank plc	**Aktia Bank plc**	**Aktia Real Estate Mortgage Bank plc**
Standard & Poor´s			
Short	A-2 (neg. outlook)		
Long	A- (neg. outlook)		
Moody´s Investor Service			
Short	P-2 (neg. outlook)		
Long	A3 (neg. outlook)	Aaa	Aa3

5.2 Liquidity risks in the life insurance business

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

6. Handling market, balance sheet and counterparty risks

6.1 Market and asset and liability risks in the banking business

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

6.1.1 Structural interest rate risk

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

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

The table below describes interest sensitivity at a 1% unit parallel shifts of the interest rate curve.

Interest sensitivity analysis with a parallel shift in the interest rate curve with of 1 % point		**Change in net interest income EUR million**			
		31.12.2013		**31.12.2012**	
Period	**Interest rate change**	**Down**	**Up**	**Down**	**Up**
Changes during the next 12 months		-1.2	-2.1	-3.9	+5.8
Changes during 12–24 months		-4.3	+2.6	-7.0	+3.5

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

6.1.1.1 Unwinding of hedging interest-rate derivatives

During 2012, the company unwound all its interest rate derivatives made for hedging purposes, i.e. interest rate options for which the cash flow hedging was applied and interest rate swaps which were used to hedge demand deposits and savings accounts (applying the EU 'carve-out' to hedge accounting). As a result of the unwinding, hedge accounting has ceased, and the resulting cash flow will be booked to net interest income during the original duration of the interest rate derivatives.

Unwinding interest-rate options in 2012 provided a positive cash flow of EUR 17.5 million. In addition to this in 2011 interest-rate options were unwound providing a cash flow of EUR 17.9 million. These cash flows were booked to net interest income during the original duration of the interest rate derivatives, of which EUR 15.4 million was booked in 2013. The remaining amount, EUR 5.5 million will be booked to net interest income in 2014.

All interest rate swaps were unwound in November 2012, this resulted in a positive cash flow of EUR 92.1 million. This cash flow will be booked to net interest income according to the original duration of the interest rate derivatives, which enables part of the net interest income to be secured for future years. Of this cash flow EUR 15.9 million was recognised as revenue in 2013. This cash flow will have a positive effect within net interest income during the years 2014-2017, of approximately EUR 15.7 million per year, and the remaining cash flow will provide a positive effect on the result, of approx. EUR 12 million during the years 2018–2019.

Given the historically low, both short-term and long-term, interest rates, the added-value from these positions was judged to be very limited compared to the negative effect they would have if interest rates rose. To preserve the positive effect, all remaining interest rate derivatives designed to hedge against the structural interest risk were sold in November 2012.

Despite this measure, with the present low interest rates, the bank is maintaining its policy of actively hedging net interest income where this is considered justified in the long term.

More information regarding derivative agreements is provided in note G 22.

6.1.2 Market value interest rate risk and credit spread risk

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

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

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

The net change in the fund at fair value relating to market value interest rate risk and credit spread risk posted during the period was negative and totalled EUR -6.2 million after the deduction of deferred tax. At the end of December 2013, the valuation difference in interest-bearing securities was EUR 35.8 (42.0) million.

The liquidity portfolio of the bank business, which comprises interest-bearing securities and is managed by the bank's treasury unit, stood at EUR 2,424 (1,862) million as of 31 December 2013, which includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the banking business.

6.1.2.1 Reclassification of financial assets

In December 2013 additional interest-bearing securities amounting to EUR 101 million were reclassified from financial assets available for sale to financial assets held until maturity. In December 2012 EUR 340 million were reclassified. All the reclassified securities have an AAA rating. Over the period, in addition to reclassifications, the portfolio of assets held until maturity was further increased and amounted to EUR 499 (350) million on 31 December 2013.

EUR million	2013	2012
Carrying amount	433.6	339.9
Fair value	432.4	339.8
Value change which would have been recognised in other comprehensive income if reclassification had not occurred	-1.2	-0.1
Recognaised interest income after reclassification	10.0	0.7

The portfolio includes fixed-rate investments with a high credit quality which the bank uses to manage its interest rate risk. The aim of the portfolio is to reduce volatility in the group's equity and to address the regulatory risks arising from Basel III. Securities held until maturity are reported at their accrued acquisition value. As of 31 December 2013, no write-downs had been necessary.

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

Of the Bank Group's liquidity portfolio and other interest-bearing securities, 70% (80%) constituted investments in covered bonds, 16% (14%) constituted investments in banks, 14% (6%) constituted investments in public sector entities including state-guaranteed bonds and supranational counterparties and approximately 0% (0%) were investments in corporates.

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

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

	31.12.2013	31.12.2012
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 %
Domestic municipalities (unrated)	3.0 %	2.2 %
No rating	0.1 %	0.0 %
Total	**100.0 %**	**100.0 %**

At the end of the period all bonds in the banking operation's liquidity portfolio met the eligibility requirements for refinancing at the central bank.

Investments in the table that have no rating originate from the acquired subsidiary Saaristosäästöpankki. These investments consist entirely of short-term domestic commercial paper and investments in domestic banks, and because the issuer has no rating they do not meet the criteria for refinancing at the central bank.

Geopolitical distribution of investments due to instrument type

Aktia Banking operations	Government and govt. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Listed Equity		Total	
(EUR million)	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**
Nordic EU-countries	**78.8**	**63.0**	**422.8**	**228.3**	**139.2**	**128.6**	**3.4**	**-**	**1.6**	**-**	**645.8**	**419.9**
Finland	78.8	58.7	304.7	116.5	63.5	43.3	3.0	-	1.6	-	451.6	218.5
Sweden	-	4.3	110.8	99.1	75.4	85.4	0.4	-	-	-	186.6	188.7
Denmark	-	-	7.4	12.8	0.2	-	-	-	-	-	7.6	12.8
Other EU-countries	**97.6**	**11.8**	**1,022.2**	**1,012.2**	**243.6**	**102.3**	**-**	**-**	**-**	**-**	**1,363.3**	**1,126.3**
Germany	-	-	20.3	31.4	5.9	11.5	-		-	-	26.2	42.9
France	66.1	-	222.7	270.1	96.0	5.3	-	-	-	-	384.9	275.4
United Kingdom	-	-	368.1	364.1	29.1	30.1	-	-	-	-	397.2	394.1
Netherlands	-	-	212.4	149.1	112.7	55.4	-	-	-	-	325.1	204.5
Austria	11.4	11.8	151.2	24.9	-	-	-	-	-	-	162.7	36.8
Belgium	20.0	-	-	-	-	-	-	-	-	-	20.0	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	15.5	-	-	-	-	-	-	-	15.5
Italy	-	-	47.3	46.6	-	-	-	-	-	-	47.3	46.6
Portugal	-	-	-	56.3	-	-	-	-	-	-	-	56.3
Spain	-	-	-	54.2	-	-	-	-	-	-	-	54.2
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	**-**	**-**	**233.7**	**237.6**	**12.2**	**20.3**	**-**	**-**	**-**	**-**	**245.9**	**258.0**
North America	**-**		**11.9**	**12.3**	**-**	**-**	**-**	**-**	**-**	**-**	**11.9**	**12.3**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**160.5**	**45.5**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**160.5**	**45.5**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**	**-**
Total	**336.8**	**120.3**	**1,690.5**	**1,490.5**	**395.0**	**251.2**	**3.7**	**-**	**1.6**	**-**	**2,427.6**	**1,862.0**

No write-downs were performed during the year (on 31 December 2012 a reversal of EUR 1.2 million was posted, which is attributable to earlier write-downs relating to Lehman Brothers). Investments in bonds issued by corporates were made only in the Euro zone.

6.1.3 Counterparty risks in the bank group's management of interest rate risks

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

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

To further reduce counterparty risks, individual collateral arrangements are used, in accordance with ISDA/CSA (Credit Support Annex) conditions. At year end, Aktia had derivative exposures with 11 counterparties, with a positive market value totalling EUR 169.0 million, of which the derivatives brokered to local banks had a market value of EUR 85.6 million. The net exposure after credit risk mitigation totalled EUR -4.2 million, i.e. the collateral provided exceeded the market value of the net exposure.
The derivative exposures are market valued on an ongoing basis. If no market value is available, an independent valuation by a third party is used.

6.1.4 Exchange rate risk

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

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

At year end, total net currency exposure for the bank group amounted to EUR 0.4 million (EUR 0.6) million.

6.1.5 Equity instrument and real estate risk

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

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

At the end of the period, real estate assets totalled EUR 0.1 million (EUR 0.5) million. The investments in shares that are necessary or strategic to the business and shares acquired from Saaristosäästöpankki totalled EUR 6.6 (6.7) million, of which EUR 2.1 million comprised a repayment of capital from Suomen Luotto-osuuskunta as a result of the sale of Nets Oy (previously Luottokunta).

6.1.6 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. The table below summarises market value sensitivity for the bank group's assets available for sale in various market risk scenarios as of 31 December 2013 and 31 December 2012. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, +3% is applied, at year 10 and thereafter, +1% is applied. Between month 1 and year 10, the extent of the change is interpolated parabolically between 3% and 1%. In accordance with the prevailing regulations, only the impact on financial assets is taken into account, as upward interest rate risk will constitute the market value interest rate risk.

Downward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, -2% is applied, at year 10 and thereafter, -1% is applied. Between month 1 and year 10, the extent of the change is interpolated parabolically to between -2% and -1%. As only the impact on financial assets is taken into account, a fall in the interest rate generally means that investments increase in value.

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The extent of the change is an annually revised percentage based on rating and investment type, and varies between 44 bp (basis points = 0.01%) (e.g. AAA government bonds) and 351 bp (e.g. all securities with a rating of BB+ or lower). From the end of 2012 the risk for government bonds will be measured via country-specific stress coefficients; e.g. Germany will have 26 bp, Finland 35 bp and Greece 704 bp. The specific discounting curve for each individual investment is shifted by this value to obtain the stressed value of the investment.

Share and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -50% for shares and -25% for real estate.

The impact on equity or income statement is given after tax.

Sensitivity analysis for market risks	**Assets available for sale**			
EUR million Banking group	**2013**	**%**	**2012**	**%**
Market value 31.12.	1,921.2	100.0 %	1,516.0	100.0 %
IR risk up	-68.6	-3.6 %	-44.5	-2.9 %
IR risk dowm	34.5	1.8 %	24.6	1.6 %
Spreadrisk	-28.0	-1.5 %	-19.8	-1.3 %
Equity risk	-0.8	0.0 %	0.0	0.0 %
Real estate risk	0.0	0.0 %	0.0	0.0 %

6.2 Market and asset and liability risks in the insurance business

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

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

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

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

In the life insurance company, the net change in the fund at fair value relating to the market valuation differences in interest-bearing securities during the period totalled EUR -11.5 million after the deduction of deferred tax. At the end of December 2013, the valuation difference in interest-bearing securities was EUR 36.9 (48.4) million.

The part of the investment portfolios that cover technical provisions for interest-linked policies is valued on an ongoing basis at market value. Temporary price fluctuations are reported in the fund at fair value, as above, while significant or long-term value changes are reported in the income statement. During the reporting period, write-downs affecting profit attributable to shares and participations totalling EUR -1.3 (-1.9) million were posted for the life insurance company. For interest-bearing securities, no reversals affecting the result were noted during the reporting period.

6.2.1 Interest rate risk

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

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

Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk refers to the difference between

Geopolitical distribution of investments due to instrument type

Aktia Life Insurance	Government and govt. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
(EUR million)	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**	**12/13**	**12/12**
Nordic EU-countries	**34.3**	**55.9**	**33.7**	**34.7**	**39.4**	**43.9**	**50.3**	**56.1**	**102.2**	**68.6**	**7.3**	**7.5**	**-**	**-**	**267.2**	**266.6**
Finland	34.3	50.6	15.4	15.8	32.8	34.1	45.7	49.7	102.2	68.6	6.7	6.8	-	-	237.2	225.6
Sweden	-	5.3	-	-	6.6	9.9	2.2	3.9	-	-	0.5	0.7	-	-	9.2	19.7
Denmark	-	-	18.3	18.8	-	-	2.4	2.6	-	-	-	-	-	-	20.8	21.4
Other EU-countries	**131.7**	**147.9**	**173.5**	**184.9**	**25.1**	**24.1**	**18.8**	**28.4**	**-**	**-**	**0.2**	**0.6**	**-**	**-**	**349.3**	**385.9**
Germany	23.4	24.4	-	-	2.1	5.4	7.0	9.8	-	-	-	-	-	-	32.6	39.6
France	62.7	67.9	81.6	89.5	6.2	1.2	3.0	4.5	-	-	-	-	-	-	153.5	163.1
United Kingdom	-	-	36.8	40.9	4.4	4.5	1.1	2.0	-	-	0.2	0.6	-	-	42.5	48.0
Netherlands	23.7	24.6	34.3	29.8	12.4	13.0	6.7	10.4	-	-	-	-	-	-	77.1	77.8
Austria	19.7	21.1	11.4	11.7	-	-	-	-	-	-	-	-	-	-	31.1	32.8
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	0.5	-	-	-	-	-	-	-	-	-	-	-	0.5
Italy	-	-	2.1	2.0	-	-	2.2	2.2	-	-	-	-	-	-	4.3	4.3
Portugal	-	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-	1.7
Spain	-	-	7.3	10.3	-	-	-	-	-	-	-	-	-	-	7.3	10.3
Other countries	2.3	8.2	-	-	-	-	(1.2)	(0.4)	-	-	-	-	-	-	1.1	7.9
Europe excluding EU	**3.1**	**0.3**	**-**	**-**	**5.6**	**4.3**	**4.9**	**2.3**	**-**	**-**	**0.3**	**0.5**	**-**	**-**	**13.9**	**7.4**
North America	**-**	**-**	**-**	**-**	**-**	**-**	**3.9**	**6.5**	**-**	**-**	**0.0**	**0.0**	**-**	**-**	**3.9**	**6.5**
Other OECD-countries	**6.1**	**5.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.1**	**5.9**
Supranationals	**5.4**	**6.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.4**	**6.1**
Others	**14.8**	**14.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14.8**	**14.6**
Total	**195.4**	**230.8**	**207.3**	**219.5**	**70.0**	**72.3**	**77.9**	**93.3**	**102.2**	**68.6**	**7.8**	**8.5**	**-**	**-**	**660.6**	**693.0**

the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities. At the product level, this risk is considerable, in particular in relation to interest-bearing savings and pension insurance. As of 31 December 2013, the average guaranteed interest on the life insurance company's provisions, excluding provisions for unit-linked insurance, was approximately 3.6 (3.6)%. The average guaranteed customer interest weighed against the stock's market value was 4.3 (4.2)%.

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

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

To be able to better manage the challenges arising as a result of going over to the new Solvency II rules, which means conforming to both the old and the new rules during the transition period, a tool for ALM planning has been developed in conjunction with the implementation of the company's Solvency II methodology. Plans are in place for the tool to be part of the company's ORSA (Own Risk and Solvency Assessment) within Solvency II, which facilitates future estimation of the company's levels of available capital and Solvency II capital requirements in various investment and market scenarios.

The transition towards a matching cash flow structure for the life insurance company involves a lot of work, as the provisions are to be distributed evenly in diminishing amounts over a period of approximately 50 to 60 years. Immediate matching starting from a short-term portfolio would

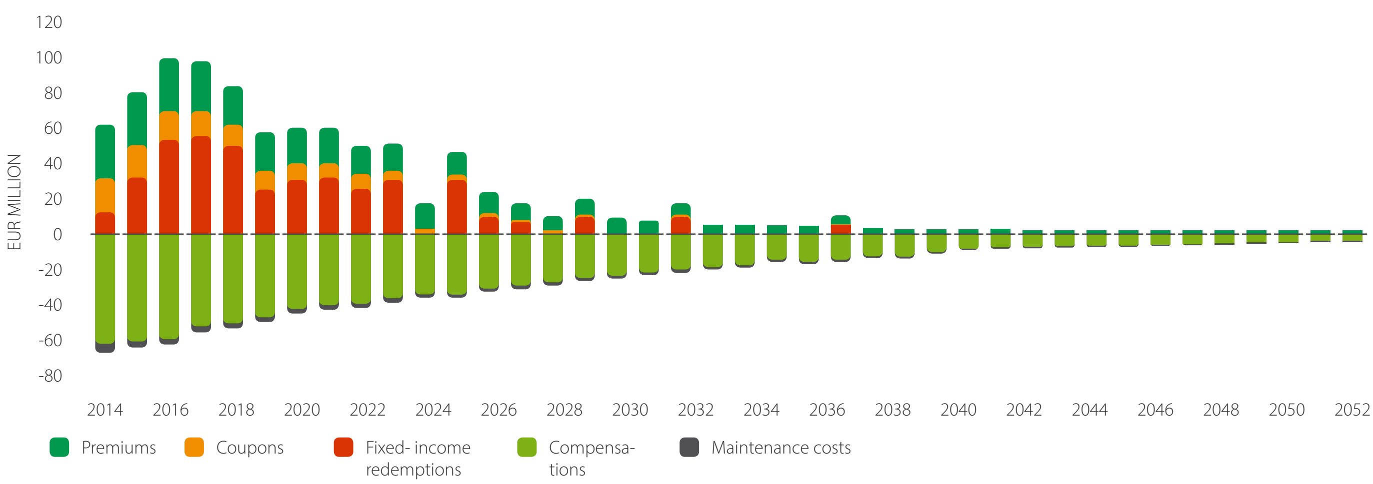
Liabilities (Technical provisions) - Life Insurance business

EUR million	TP 31.12.2013	%	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	TP 31.12.2012
Group pension	**48.3**	**5.0 %**	**2.9**	**2.4**	**0.3**	**1.7**	**0.0**	**47.5**
3.5 %	47.9	5.0 %	2.9	2.3	0.3	1.7	0.0	47.3
2.5 %	0.2	0.0 %	0.0	0.0	0.0	0.0	0.0	0.1
1.0 %	0.2	0.0 %	0.0	0.0	0.0	0.0	0.0	0.1
Individual pension insurance	**311.9**	**32.3 %**	**8.1**	**24.6**	**1.0**	**12.8**	**0.0**	**315.1**
4.5 %	215.9	22.4 %	3.9	19.1	0.7	9.8	0.0	221.9
3.5 %	69.3	7.2 %	2.4	4.1	0.2	2.4	0.0	68.3
2.5 %	26.7	2.8 %	1.8	1.4	0.2	0.6	0.0	25.0
Savings insurance	**86.3**	**8.9 %**	**2.3**	**12.9**	**0.5**	**2.8**	**0.0**	**98.9**
4.5 %	20.4	2.1 %	1.1	4.4	0.3	0.9	0.0	23.2
3.5 %	22.8	2.4 %	0.8	1.2	0.2	0.8	0.0	23.0
2.5 %	43.1	4.5 %	0.4	7.2	0.1	1.1	0.0	52.7
Risk insurance	**36.8**	**3.8 %**	**21.0**	**12.9**	**7.1**	**1.2**	**0.1**	**38.0**
Unit linked insurance	**461.9**	**47.9 %**	**105.8**	**28.3**	**5.5**	**0.0**	**0.0**	**358.5**
Savings insurance	345.9	35.8 %	95.8	27.0	4.0	0.0	0.0	261.0
Individual pension insurance	108.5	11.2 %	8.2	1.2	1.3	0.0	0.0	92.2
Group pension	7.5	0.8 %	1.8	0.0	0.1	0.0	0.0	5.3
Reservation for increased life expectancy	**4.2**	**0.4 %**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4.4**
Reservation for lowered discount rate	**16.0**	**1.7 %**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**16.0**
	965.4	**100.0 %**	**140.0**	**81.0**	**14.5**	**18.6**	**0.1**	**878.5**

Estimated cash flow distribution over time, interest-bearing contracts 31.12.2013

EUR million	Duration	2014–2015	2016–2017	2018–2022	2023–2027	2028–2034	2035–2044	2045–2054	2055–
Savings insurance	**8.7**	**21.9**	**17.1**	**31.1**	**13.8**	**12.5**	**10.8**	**5.3**	**4.9**
4.5%	4.1	8.3	8.1	5.0	1.3	0.7	0.3	0.1	0.0
3.5%	10.8	2.8	2.4	12.8	4.3	4.4	3.7	2.2	2.0
2.5%	9.7	10.8	6.6	13.3	8.1	7.4	6.8	3.1	2.8
Pensions	**11.6**	**45.2**	**52.4**	**113.7**	**104.8**	**110.1**	**87.2**	**45.9**	**17.0**
4.5%	8.4	42.1	42.1	84.8	67.6	49.5	13.7	2.1	0.6
3.5%	15.1	6.1	12.2	31.0	35.3	49.4	45.1	17.4	8.8
2.5%	24.1	-2.8	-0.9	-0.8	2.3	11.4	27.0	23.1	6.3
1.0%	-18.1	-0.3	-1.0	-1.3	-0.5	-0.1	1.5	3.3	1.3
Other insurance	**-3.3**	**4.7**	**-0.8**	**-4.7**	**-6.4**	**-6.9**	**-5.3**	**-2.4**	**-0.7**
Total	**10.7**	**71.7**	**68.7**	**140.1**	**112.2**	**115.8**	**92.7**	**48.8**	**21.2**

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



require a reallocation of a large part of the portfolio, which from a yield perspective would not be profitable at low interest rates. In practice reallocation within the investment portfolio is made in a step-wise fashion, to reduce mismatches in the cash flow structure of the investment portfolio and provisions. It became clear over the year that to begin with Solvency II will apply transitional provisions reducing capital requirement, this provides a longer timescale for making changes in the structure of the portfolio. The interest rate level in 2013 has continued to be low, and the focus for new investment has therefore remained on asset types with a greater potential yield such as real estate investments. The duration of the portfolio has decreased somewhat. At the end of 2013, the average duration of the portfolio was 4.7 (5.0) years, and for provisions approx. 10.7 (11.3) years.

6.2.2 Credit spread risk

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

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

Direct interest rate investments dominated in the life insurance company's portfolio, and at the end of the year these investments including cash amounted to EUR 551 (EUR 616) million, corresponding to 83% (89%) of the investment portfolio. Counterparty risks arising in connection with the life insurance company's investments are managed by the requirement for high external ratings – at least A3 from Moody's for banks and governments, and 'Investment grade' (at least Baa3) for corporates. Additionally, maximum exposure limits have been established per counterparty and asset type.

At the end of the year, 34% (36%) of the interest rate investments were receivables from public sector entities (including investments in supranational counterparties), 13% (17%) were receivables from corporates, and 53% (47%) were receivables from banks and covered bonds.

6.2.3 Equity instrument risk

Equity risk occurs if share prices and the market prices of comparable holdings fall. In the life insurance company, all stock market investments have been disposed of as planned. However, as before, unlisted shares and private equity funds are included in the company's portfolio. The total market value of such shares in the life insurance company's portfolio is EUR 7.5 (8.0) million. The life insurance company also has exposure to hedge funds, which partly involves equity risk and is subject to disposal. At year end, this amounted to EUR 0.3 (0.5) million.

6.2.4 Real estate risk

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

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and

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

EUR million	31.12.2013		31.12.2012	
Equities	**0,0**	**0,0 %**	**0,0**	**0,0 %**
Fixed-income	**536,4**	**81,2 %**	**590,6**	**85,2 %**
Government bonds	167,3	25,3 %	204,6	29,5 %
Financial sector bonds in total	259,4	39,3 %	264,2	38,1 %
Covered bonds	207,3	31,4 %	219,5	31,7 %
Senior bonds	43,6	6,6 %	36,2	5,2 %
Subsenior bonds	8,5	1,3 %	8,5	1,2 %
Other corporate in total	73,1	11,1 %	90,3	13,0 %
Senior bonds	70,4	10,7 %	85,0	12,3 %
Subsenior bonds	2,7	0,4 %	5,3	0,8 %
Asset Backed Securities	0,0	0,0 %	0,0	0,0 %
Inflation-linked bopnds	0,0	0,0 %	0,0	0,0 %
Emerging markets bonds	36,6	5,5 %	31,5	4,5 %
High yield bonds	0,0	0,0 %	0,0	0,0 %
Structured products with equity risk	0,0	0,0 %	0,0	0,0 %
Other structured products	0,0	0,0 %	0,0	0,0 %
Derivatives	0,0	0,0 %	0,1	0,0 %
Interest rate swaps	0,0	0,0 %	0,0	0,0 %
Forward contracts on currencies	0,0	0,0 %	0,1	0,0 %
Alternative investments	**7,8**	**1,2 %**	**8,5**	**1,2 %**
Private Equity & Venture capital	7,5	1,1 %	8,0	1,2 %
Hedge funds	0,3	0,0 %	0,5	0,1 %
Real estate	**102,2**	**15,5 %**	**68,6**	**9,9 %**
Directly owned	60,4	9,1 %	27,7	4,0 %
Real estate funds	41,8	6,3 %	40,9	5,9 %
Money market	**0,0**	**0,0 %**	**11,0**	**1,6 %**
Cash at bank	**14,1**	**2,1 %**	**14,3**	**2,1 %**
	660,6	**1,0**	**693,0**	**100,0 %**

Rating distribution for the life insurance business' direct fixed income investments
(exclusive of investements in mutual interest rate funds)

EUR million	31.12.2013 493	31.12.2012 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 %
Domestic municipalities (unrated)	0.0 %	0.0 %
No rating	5.5 %	6.2 %
Total	**100.0 %**	**100.0 %**

shares in real estate companies, or in direct real estate. At year end, total real estate investments amounted to EUR 102.2 (68.6) million. Limits for individual real estate exposures and real estate risk have been established at group level, and separately for the life insurance company. The risk is managed through diversification of investment properties.

6.2.5 Exchange rate risk

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

The life insurance company's exchange rate risk comes from holdings in interest funds that invest in emerging market government bonds issued in USD or local currencies. Some hedge fund holdings are also in USD or other currencies. Investments in emerging markets have been maintained during the year, while the hedge funds are being discontinued. At the end of the period, the life insurance company had underlying investments totalling EUR 23.9 (21.4) million, with open exchange rate risk.

6.2.6 Risk sensitivity

With regard to investments, the key risks involved are interest rate, counterparty (spread) and equity risk, and for provisions, the key risk is interest rate risk. The table below summarises market value sensitivity for the insurance company's assets available for sale in various market risk scenarios as of 31 December 2013 and 31 December 2012. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, +3% is applied, at year 10 and thereafter, +1% is applied. Between month 1 and year 10, the extent of the change is interpolated parabolically between 3% and 1%. Interest rate risk is calculated for both investment portfolio and technical provisions.

Downward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, -2% is applied, at year 10 and thereafter, -1% is applied. Between month 1 and year 10, the extent of the change is interpolated parabolically to between -2% and -1%. Interest rate risk is calculated for both investment portfolio and technical provisions.

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The extent of the change is an annually revised percentage based on rating and investment type, and varies between 44 bp (basis points = 0.01%) (e.g. AAA government bonds) and 351 bp (e.g. all securities with a rating of BB+ or lower). From the beginning of 2012 the risk for government bonds will be measured via country-specific stress coefficients; e.g. Germany will have 26 bp, Finland 35 bp and Greece 704 bp. The specific discounting curve for each individual investment is shifted by this value to obtain the stressed value of the investment. Share and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -50% for shares and -25% for real estate.

The impact on equity or income statement is given after tax.

7. Managing insurance risks

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

7.1 Insurance risks in the life insurance company

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

Sensitivity analysis for market risks	Portfolio		Technical provisions*		Total			
EUR million								
Life insurance company	2013	2012	2013	2012	2013	%	2012	%
Market value 31.12.	660.6	693.0	-517.4	-565.1	143.2	100.0 %	111.4	100.0 %
IR risk up	-37.6	-31.2	53.2	49.4	15.6	10.9 %	14.4	12.9 %
IR risk dowm	31.6	24.9	-59.1	-55.0	-27.4	-19.2 %	-25.7	-23.1 %
Spreadrisk	-19.7	-16.0	0.0	0.0	-19.7	-13.8 %	-16.9	-15.2 %
Equity risk	-3.9	-3.2	0.0	0.0	-3.9	-2.7 %	-4.4	-3.9 %
Real estate risk	-25.6	-12.9	0.0	0.0	-25.6	-17.8 %	-8.0	-7.2 %

* The market value of technical provisions is a risk neutral value received through discounting of simulated cash flows at market interest rate, and it does not correspond to the book value of technical provisions.

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

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

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

8. Managing operational risks

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

The group's policy on managing operational risks has been established by the board of directors. According to the policy, the essential functions in the Group, including delegated functions shall be regularly mapped out for risks.

Operational risks are present in all of Aktia's operations. The level of operational risk should be low, and this demands keen insight into business activities, good internal control mechanisms, excellent leadership and competent staff.

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

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

The responsibility for managing the operational risks is carried by the business areas and the line organisation. Risk management means continual development in the quality of the internal processes and internal control within the whole organisation. The management of each business area is responsible for ensuring that the processes and procedures are adapted to the goals established by the group's executive management and that the instructions are sufficient. As part of an efficient internal control system, process descriptions are created for critical processes.

Each manager is responsible for full compliance with the instructions within the area managed. The internal audit analyses the processes at regular intervals and evaluates the reliability of the units' internal controls. The internal audit reports directly to the board of directors.

In addition to the preventive work aimed at avoiding operational risks, efforts are also made within the group to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities, etc.

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

8.1 Legal risks

Legal risk refers to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions, liability to compensate customers and loss of goodwill due to non-compliance with laws or official regulations. The latter risk can also be called compliance risk. The group seeks to manage the risk of inadequate contract documentation by founding its contractual relationships within the day-to-day activities upon standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, branch offices and business units must consult the group's legal services unit. External experts are consulted as required.

The group has special expert resources allocated to support the group's compliance, and a new compliance function was established on 01 September 2013. Particular emphasis is given to the regulations applying to customer protection, market conduct, supervision and licensing and money laundering.

Appendix to G2, Consolidated capital adequacy and exposures

(EUR 1,000)

The Bank Group's capital adequacy

Summary	12/2013	9/2013	6/2013	3/2013	12/2012
Tier 1 capital	427,484	437,500	436,855	431,971	426,400
Tier 2 capital	241,746	245,776	299,001	306,201	303,807
Capital base	**669,230**	**683,276**	**735,856**	**738,172**	**730,207**
Risk-weighted amount for credit and counterpart risks	3,095,771	3,202,199	3,263,023	3,321,441	3,248,925
Risk-weighted amount for market risks 1)	-	-	-	-	-
Risk-weighted amount for operational risks	367,685	377,152	362,284	362,284	362,284
Risk-weighted commitments	**3,463,456**	**3,579,351**	**3,625,307**	**3,683,725**	**3,611,209**
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	**277,076**	**286,348**	**290,025**	**294,698**	**288,897**
Capital buffer (difference between capital base and minimum requirement)	392,153	396,928	445,832	443,474	441,310

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

The Bank Group's capital base

	12/2013	9/2013	6/2013	3/2013	12/2012
Share capital	163,000	163,000	163,000	163,000	163,000
Funds	143,376	143,100	74,558	74,558	74,558
Non-controlling interest	64,583	64,569	64,915	65,118	64,801
Retained earnings	78,690	79,015	97,367	96,014	100,924
Profit for the reporting period	43,799	37,623	21,945	11,730	23,443
./. provision for dividends to shareholders	-28,827	-18,668	-12,446	-6,229	-28,323
Capital loan	-	-	30,000	30,000	30,000
Total	464,621	468,639	439,338	434,191	428,402
./. intangible assets	-17,634	-11,959	-2,483	-2,220	-2,003
./. shares in insurance companies	-19,503	-19,181	-	-	-
Tier 1 capital	**427,484**	**437,500**	**436,855**	**431,971**	**426,400**
Fund at fair value	37,756	36,616	35,573	45,216	45,607
Upper Tier 2 loans	-	-	45,000	45,000	45,000
Lower Tier 2 loans	223,493	228,340	218,428	215,986	213,200
./. shares in insurance companies	-19,503	-19,181	-	-	-
Tier 2 capital	**241,746**	**245,776**	**299,001**	**306,201**	**303,807**
Total capital base	**669 230**	**683 276**	**735 856**	**738 172**	**730 207**

The Bank Group's risk-weighted exposures

Total exposures 12/2013				Risk-weighted exposures				
Risk-weight	**Balance sheet assets**	**Off-balance sheet commit-ments**	**Total**	**12/2013**	**9/2013**	**6/2013**	**3/2013**	**12/2012**
0 %	1,224,462	13,123	1,237,584	-	-	-	-	-
10 %	1,341,602	-	1,341,602	134,160	140,755	137,601	118,892	125,502
20 %	605,919	128,651	734,570	126,622	144,235	153,026	167,171	120,313
35 %	5,482,930	41,319	5,524,249	1,924,868	1,946,740	1,976,749	2,011,672	2,025,161
50 %	1,187	-	1,187	594	414	447	37	56
75 %	535,773	176,230	712,002	454,651	379,706	400,847	418,076	428,902
100 %	405,643	29,096	434,739	420,707	551,961	555,381	565,753	502,499
150 %	14,091	622	14,712	21,602	21,847	22,179	20,862	25,877
Total	**9,611,607**	**389,040**	**10,000,647**	**3,083,204**	**3,185,658**	**3,246,231**	**3,302,463**	**3,228,312**
Derivatives *)	231,605	-	231,605	12,567	16,541	16,792	18,977	20,614
Total	**9,843,212**	**389,040**	**10,232,252**	**3,095,771**	**3,202,199**	**3,263,023**	**3,321,441**	**3,248,925**

*) 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.

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

Year	2013	2012	2011	12/2013	9/2013 *	6/2013	3/2013	12/2012
Gross income	193,381	195,160	199,756					
- average 3 years	196,099							
Capital requirement for operational risk				**29,415**	**30,172**	**28,983**	**28,983**	**28,983**
Risk-weighted amount				**367,685**	**377,152**	**362,284**	**362,284**	**362,284**

* 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

Summary	12/2013	9/2013	6/2013	3/2013	12/2012
The Group's equity	641,709	632,058	620,008	665,358	657,409
Sector-specific assets	223,493	228,340	263,428	260,986	258,200
Intangible assets and other reduction items	-237,446	-217,949	-213,584	-244,890	-241,384
Conglomerate´s total capital base	**627,757**	**642,450**	**669,852**	**681,454**	**674,225**
Capital requirement for banking business	277,072	286,323	291,817	296,541	290,753
Capital requirement for insurance business	39,006	38,362	38,268	38,362	38,053
Minimum amount for capital base	**316,079**	**324,685**	**330,085**	**334,902**	**328,806**
Conglomerate´s capital adequacy	**311,678**	**317,765**	**339,767**	**346,552**	**345,419**
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.

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

	Exposure class	Contractual exposure	Impairment	Net exposure	Financial guaran-tees and other substitutions	Exposure after substitution	Financial collaterals	Exposure after collaterals	Risk-weighted amount	Capital requirement
1	States and central banks	527,392	-	527,392	309,663	837,056	-	837,056	-	-
2	Regional administrations and local authorities	80,461	-	80,461	26,255	106,716	-	106,716	-	-
3	Public corporations	1,573	-	1,573	-	1,573	-	1,573	253	20
4	International development banks	65,234	-	65,234	-	65,234	-	65,234	-	-
5	International organisations	96,236	-	96,236	-	96,236	-	96,236	-	-
6	Credit institutions	987,660	-	987,660	9,995	997,655	-221,767	775,888	135,105	10,808
7	Corporates	468,417	-6,944	461,473	-60,047	401,426	-40,728	360,698	346,223	27,698
8	Retail exposures	1,033,284	-5,054	1,028,230	-284,877	743,353	-31,306	712,047	454,684	36,375
9	Real estate collateralised	5,524,249	-	5,524,249	-	5,524,249	-	5,524,249	1,924,868	153,989
10	Past due items	87,881	-40,968	46,913	-989	45,924	-229	45,694	52,148	4,172
11	High-risk items	4,066	-2,600	1,466	-	1,466	-	1,466	1,734	139
12	Covered bonds	1,341,602	-	1,341,602	-	1,341,602	-	1,341,602	134,160	10,733
13	Securitised items	-	-	-	-	-	-	-	-	-
14	Short-term corporate receivables	-	-	-	-	-	-	-	-	-
15	Mutual fund investments	2,263	-	2,263	-	2,263	-	2,263	1,823	146
16	Other items	77,103	-9,604	67,499	-	67,499	-	67,499	44,772	3,582
		10,297,422	**-65,170**	**10,232,252**	**0**	**10,232,252**	**-294,031**	**9,938,221**	**3,095,771**	**247,662**

The exposures are reported as gross.

Real estate collateralised exposures have residential real estates and shares of Finnish housing associations pledged as collateral according to the standard 4.3c of the Finnish Financial Supervision Authority.

Exposures with eligible guarantees are flowed to other counterparty classes with lower capital requirement. Eligible guarantees are defined in Standard 4.3e of the Finnish Financial Supervision Authority.

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

Corporate guarantees are accepted if the company's credit rating is sufficient and the guarantee complies with other requirements of the standard.

Financial collaterals are taken into account through comprehensive method as defined in Standard 4.3e of the Finnish Financial Supervision Authority.

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

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

	Exposure class	31.3.	30.6.	30.9.	31.12.	Average 2013
1	States and central banks	342,240	531,796	452,589	527,392	463,504
2	Regional administrations and local authorities	36,773	80,394	95,539	80,461	73,292
3	Public corporations	1,651	1,472	1,447	1,573	1,536
4	International development banks	65,336	65,193	64,877	65,234	65,160
5	International organisations	45,378	94,599	95,273	96,236	-
6	Credit institutions	1,287,266	1,159,733	1,110,711	987,660	1,136,343
7	Corporates	696,638	688,942	599,081	461,473	611,533
8	Retail exposures	943,753	916,679	883,489	1,028,230	943,038
9	Real estate collateralised	5,780,556	5,679,197	5,592,752	5,524,249	5,644,188
10	Past due items	46,984	49,310	48,841	46,913	48,012
11	High-risk items	1,187	1,187	1,602	1,466	1,360
12	Covered bonds	1,188,920	1,376,009	1,407,548	1,341,602	1,328,520
13	Securitised items	-	-	-	-	-
14	Short-term corporate receivables	-	-	-	-	-
15	Mutual fund investments	-	-	-	2,263	-
16	Other items	32,862	31,570	61,182	67,499	48,278
		10,469,543	**10,676,080**	**10,414,930**	**10,232,252**	**10,364,764**

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

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

	Exposure class	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
1	States and central banks	424,546	1,030	34,428	67,081	308	527,392
2	Regional administrations and local authorities	33,849	1	44,782	426	1,403	80,461
3	Public corporations	-	52	309	43	1,169	1,573
4	International development banks	-	-	49,025	16,209	-	65,234
5	International organisations	-	-	81,120	15,116	-	96,236
6	Credit institutions	31,976	240,437	555,337	51,715	108,195	987,660
7	Corporates	95,946	33,858	152,052	75,675	103,942	461,473
8	Retail exposures	110,668	38,698	94,679	118,404	665,781	1,028,230
9	Real estate collateralised	75,363	66,055	303,311	647,483	4,432,037	5,524,249
10	Past due items	19,846	2,532	10,608	2,643	11,284	46,913
11	High-risk items	-	-	461	-	1,005	1,466
12	Covered bonds	20,748	80,370	1,217,791	22,693	-	1,341,602
13	Securitised items	-	-	-	-	-	-
14	Short-term corporate receivables	-	-	-	-	-	-
15	Mutual fund investments	-	-	-	-	2,263	2,263
16	Other items	34,775	-	247	-	32,477	67,499
		847,718	**463,034**	**2,544,151**	**1,017,486**	**5,359,863**	**10,232,252**

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

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

Exposure class		Finland	Other Nordic countries	Other European countries	Other	Total
1	States and central banks	430,464	-	96,929	-	527,392
2	Regional administrations and local authorities	80,461	-	-	-	80,461
3	Public corporations	1,573	-	-	-	1,573
4	International development banks	-	-	65,234	-	65,234
5	International organisations	-	-	96,236	-	96,236
6	Credit institutions	377,378	99,201	499,233	11,848	987,660
7	Corporates	460,555	200	717	-	461,473
8	Retail exposures	1,026,890	904	292	145	1,028,230
9	Real estate collateralised	5,518,054	1,711	4,019	466	5,524,249
10	Past due items	46,913	-	-	-	46,913
11	High-risk items	1,466	-	-	-	1,466
12	Covered bonds	91,450	340,508	909,644	-	1,341,602
13	Securitised items	-	-	-	-	-
14	Short-term corporate receivables	-	-	-	-	-
15	Mutual fund investments	2,263	-	-	-	2,263
16	Other items	67,428	-	71	-	67,499
		8,104,895	**442,524**	**1,672,374**	**12,459**	**10,232,252**
	Individually impaired loans and receivables	12,017				12,017
	Individual write-downs on loans and receivables	55,566				55,566
	Write-downs by group on loans and receivables	9,604				9,604

The amounts include on- and off-balance sheet items and derivatives by credit conversion value.
Individually impaired loans include loan capital and accrued interest less individual write-downs.
In capital adequacy measurement for credit risk under the standard method, past due exposures have interest or capital at least 90 days overdue.

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

Counterparty	Bransch	Corporate exposures	Retail exposures	Real estate collaterali-sed	Past due items	Total
Corporate						
	Property	108,271	40,342	27,264	2,785	178,663
	Trade	24,816	28,349	19,929	858	73,952
	Financing	47,774	2,842	8,977	1	59,593
	Industry, energy	48,451	16,804	5,222	579	71,056
	Construction	19,212	19,368	14,247	6,301	59,129
	Research, consulting, services	9,843	16,646	15,716	2,530	44,734
	Transport	30,390	7,161	7,343	513	45,406
	Hotels and restaurants	11,524	6,736	3,967	395	22,622
	Agriculture, fisheries, mining	17,444	3,172	3,716	33	24,366
	Other	19,275	11,519	17,361	936	49,092
Total		**337,000**	**152,940**	**123,741**	**14,931**	**628,613**
Households		31,085	847,215	5,230,556	31,890	6,140,747
Housing corporations		57,851	28,075	162,056	91	248,073
Other non-profit corporations		35,537	-	7,897	-	43,433
Total		**461,473**	**1,028,230**	**5,524,249**	**46,913**	**7,060,865**

The Bank Group's loans which have been individually impaired

31.12.2013

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

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

31.12.2012

Sector	Contract value	Individual impairments	Book value	Fair value of collateral	Change during the period: Change in impairments	Change during the period: Impairment losses on credits and other commit-ments
Corporates	55,840	44,819	11,020	11,374	3,665	3,707
Housing corporations	498	498	-	711	47	1
Public corporations	-	-	-	-	-	-
Non-profit corporations	-	-	-	-	-	2
Households	6,568	4,979	1,588	2,699	2,372	1,322
Total	**62,905**	**50,297**	**12,609**	**14,785**	**6,084**	**5,032**

Write-downs on corporate loans by branch			
Research, consulting and other services	22,816	20,380	2,436
Trade	2,724	2,509	215
Construction	4,747	4,146	601
Industry	12,285	10,232	2,053
Human health and other service activities for households	8,925	4,213	4,712
Other	4,343	3,340	1,003
Total	**55,840**	**44,819**	**11,020**

G3 Group's segment reporting

Income statement	Banking Business		Asset Management and Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**1–12/2013**	**1–12/2012**	**1–12/2013**	**1–12/2012**	**1–12/2013**	**1–12/2012**	**1–12/2013**	**1–12/2012**	**1–12/2013**	**1–12/2012**
Net interest income	113,882	118,097	7	34	-1,504	-1,100	258	248	112,643	117,279
Dividends	72	38	-	-	19	15	-	-	91	53
Net commission income	55,456	51,231	19,661	17,060	4,787	4,842	-9,166	-7,814	70,737	65,319
Net income from life insurance	-	-	26,139	25,673	-	-	1,977	1,630	28,116	27,304
Net income from financial transactions	5,557	-138	-61	-23	2,814	3,101	-	-	8,310	2,940
Net income from investment properties	-1	1	-	-	505	401	-65	-64	439	338
Other income	3,203	2,943	76	121	2,540	5,802	-2,004	-4,184	3,815	4,682
Total operating income	**178,168**	**172,171**	**45,822**	**42,867**	**9,161**	**13,061**	**-9,001**	**-10,184**	**224,150**	**217,915**
Staff costs	-37,721	-40,192	-10,373	-10,154	-28,885	-24,507	-710	-499	-77,689	-75,352
IT-expenses	-14,536	-14,970	-1,728	-1,619	-11,000	-15,831	-	1,000	-27,265	-31,419
Depreciation of tangible and intangible assets	-1,672	-1,985	-1,057	-1,446	-4,046	-3,727	-	-	-6,774	-7,158
Other expenses	-71,038	-66,624	-8,755	-8,391	25,295	25,505	8,979	9,220	-45,519	-40,291
Total operating expenses	**-124,966**	**-123,771**	**-21,913**	**-21,610**	**-18,636**	**-18,559**	**8,269**	**9,721**	**-157,247**	**-154,219**
Write-downs on other financial assets	-	-	-	-	-	-1,618	-	-199	-	-1,817
Write-downs on credits and other commitments	-2,734	-6,365	-	-	-	-	-	-	-2,734	-6,365
Share of profit from associated companies	-	-	-	-	-	-	1,216	501	1,216	501
Operating profit from continuing operations	**50,467**	**42,035**	**23,909**	**21,257**	**-9,475**	**-7,116**	**484**	**-162**	**65,385**	**56,015**

Balance sheet	Banking Business		Asset Management and Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Cash and balances with central banks	413,206	585,891	15,455	15,460	-	-	-14,333	-13,738	414,328	587,613
Financial assets reported at fair value via the income statement	102	-	-	51	-	-	-	-	102	51
Financial assets available for sale	1,688,235	1,468,900	578,048	640,827	2,881	5,774	-12,658	-8,840	2,256,506	2,106,661
Financial assets held until maturity	499,267	350,020	-	-	-	-	-	-	499,267	350,020
Loans and other receivables	6,891,173	7,406,565	12,363	7,477	6,776	3,274	-12,963	-57,090	6,897,349	7,360,225
Investments for unit-linked provisions	-	-	465,856	360,873	-	-	-	-	465,856	360,873
Other assets	256,177	363,366	82,584	51,733	199,403	422,982	-137,766	-363,334	400,398	474,747
Total assets	**9,748,161**	**10,174,742**	**1,154,306**	**1,076,421**	**209,059**	**432,030**	**-177,720**	**-443,003**	**10,933,806**	**11,240,190**
Deposits	4,920,883	4,714,123	-	-	7	25	-27,909	-25,108	4,892,982	4,689,040
Debt securities issued	3,670,599	3,887,759	-	-	-	-	-12,658	-8,840	3,657,941	3,878,919
Technical provision for insurance business	-	-	965,396	878,474	-	-	-	-	965,396	878,474
Other liabilities	680,850	985,600	29,980	34,389	187,078	261,359	-122,130	-145,000	775,778	1,136,348
Total liabilities	**9,272,333**	**9,587,482**	**995,376**	**912,863**	**187,085**	**261,384**	**-162,697**	**-178,949**	**10,292,097**	**10,582,781**

Notes to the consolidated income statement

(EUR 1,000)

G4 Interest income and expenses

	2013	2012
Interest income		
Interest income from cash and balances with central banks	775	1,237
Interest income from financial assets reported at fair value via the income statement	8,000	466
Interest income from financial assets available for sale	33,428	55,364
Interest income from claims on credit institutions	1,826	2,654
Interest income from claims on public and public sector entities	123,771	169,945
Interest income from finance lease contracts	729	897
Interest income from loans and other receivables	126,325	173,496
Interest income from financial assets held until maturity	46	296
Interest income from hedging instruments	-23	196
Other interest income	4,401	1,241
Total	**172,952**	**232,296**
Interest expenses		
Interest expenses from deposits, credit institutions	-14,531	-17,890
Interest expenses from deposits, other public entities	-31,439	-39,258
Interest expenses from deposits	-45,970	-57,149
Interest expenses for debt securities issued to the public	-86,574	-96,779
Interest expenses for subordinated liabilities	-8,258	-8,868
Interest expenses from securities issued and subordinated liabilities	-94,832	-105,647
Interest expenses for hedging instruments	80,687	47,818
Other interest expenses	-194	-40
Total	**-60,309**	**-115,017**
Net interest income	**112,643**	**117,279**
Deposits and lending	41,191	55,129
Hedging, interest rate risk management	43,952	30,780
Other	27,499	31,370
Net interest income	**112,643**	**117,279**

G5 Dividends

	2013	2012
Dividend income from shares available for sale	91	53
Total	**91**	**53**

Dividends in life insurance business are included in net income from investments, see note G7. Dividends from life insurance business are EUR 0.0 (0.1) million.

G6 Commission income and expenses

	2013	2012
Commission income		
Lending	9,867	9,207
Borrowing	1,614	230
Payment transactions	17,748	16,904
Asset management services	45,927	40,571
Brokerage of insurance	3,814	3,339
Guarantees and other off-balance sheet commitments	548	575
Real estate agency	6,905	7,655
Other commission income	1,897	2,353
Total	**88,320**	**80,834**

Commission expenses		
Commission expenses	-11,936	-10,269
Money handling	-731	-608
Joint use of ATMs	-1,084	-1,386
Other commission expenses	-3,832	-3,251
Total	**-17,583**	**-15,515**
Net commission income	**70,737**	**65,319**

G7 Net income from life-insurance

	2013	2012
Income from insurance premiums	140,036	110,665
Net income from investments	27,241	37,892
Insurance claims paid	-80,954	-96,668
Net change in technical provisions	-58,208	-24,585
Net income from life insurance	**28,116**	**27,304**
Premium income		
Premium income from insurance agreements		
Insurance agreements	140,765	111,240
Total gross income from premiums before reinsurer's share	**140,765**	**111,240**
Reinsurer's share	-729	-575
Total income from premiums	**140,036**	**110,665**
Premium income from insurance agreements with a discretionary element		
Saving plans	2,310	2,598
Individual pension insurance	8,083	9,469
Group pension insurance	2,876	3,461
Personal insurance	19,682	19,502
Group life insurance for employers	1,269	1,939
Other group life insurance	38	37
Risk insurance	20,989	21,478
Total	**34,258**	**37,006**
Premium income from unit-linked agreements		
Saving plans	95,786	63,286
Individual pension insurance	8,203	8,745
Group pension insurance	1,788	1,629
Total	**105,778**	**73,659**
Total income from premiums	**140,036**	**110,665**
On-going and one-off premiums from direct insurance		
On-going premiums	76,423	71,725
One-off premiums	63,613	38,940
Total income from premiums	**140,036**	**110,665**
Net income from investments		
Net income from financial assets valued at fair value through income statement		
Derivative contracts		
Profit and losses	32	3,986
Total	**32**	**3,986**
Interest-bearing securities		
Interest income	-	40
Total	**-**	**40**

Shares and participations		
Profit and losses	1	33
Other income and expenses	-10	-39
Total	**-9**	**-6**
Net income from financial assets available for sale		
Interest income	17,703	20,091
Capital gains and losses	-882	456
Transferred to income statement from fund at fair value	3,899	514
Other income and expenses	-10	-15
Interest-bearing securities	20,710	21,047
Dividends	0	100
Capital gains and losses	2,833	6,473
Impairments	-1,329	-1,908
Transferred to income statement from fund at fair value	213	5,153
Other income and expenses	1,399	1,179
Shares and participations	3,117	10,998
Total	**23,826**	**32,045**
Net income from investment properties		
Rental income	4,097	2,305
Direct expenses from investment properties, which generated rental income during the accounting period	-704	-478
Total	**3,392**	**1,826**
Total for the Insurance business' net income from the investment business	**27,241**	**37,892**
Exchange rate differences included in net income from the investment business	26	6
Insurance claims paid		
Claims paid from insurance agreements with discretionary element		
Saving plans		
Repayment of saving sums	-8,172	-9,861
Payments in the event of death	-2,142	-1,629
Repurchase	-2,545	-4,116
Total	**-12,860**	**-15,606**
Individual pension insurance		
Pensions	-23,426	-23,048
Payments in the event of death	-495	-470
Repurchase	-637	-14,143
Total	**-24,558**	**-37,661**
Group pension insurance		
Pensions	-2,268	-2,211
Repurchase	-37	-
Other	-69	-27
Total	**-2,374**	**-2,239**
Risk insurance		
Individual insurance	-11,924	-12,982
Group life insurance for employers	-966	-1,006
Other group life insurance	-20	-27
Total	**-12,910**	**-14,015**
Total claims paid from insurance agreements with discretionary element	**-52,702**	**-69,521**

Claims paid from unit-linked insurances		
Saving plans		
Repayment of saving sums	-1,815	-6,628
Payments in the event of death	-7,358	-5,813
Repurchase	-17,828	-13,577
Total	**-27,002**	**-26,018**
Individual pension insurance		
Pensions	-788	-630
Payments in the event of death	-73	-52
Repurchase	-381	-434
Total	**-1,242**	**-1,116**
Group pension insurance		
Payments in the event of death	-9	-14
Total	**-9**	**-14**
Total claims paid from unit-linked insurances	**-28,252**	**-27,147**
Total claims paid	**-80,954**	**-96,668**
Change in provisions, interest-linked policies		
Changes in premium provisions, interest-linked	3,163	-11,753
Changes in claims provisions, interest-linked	13,316	25,187
Change in provisions, interest-linked policies	**16,479**	**13,435**
Net change in provisions, unit-linked policies		
Changes in claims provisions, unit-linked	-484	641
Changes in premium provisions, unit-linked	-102,918	-74,349
Changes in value of unit-linked investments, net	28,714	35,688
Change in provisions, unit-linked policies	**-74,687**	**-38,020**
Total net change in technical provisions	**-58,208**	**-24,585**

G8 Net income from financial transactions

G8 Net income from financial transactions	2013	2012
Financial assets held for trading		
Capital gains and losses		
Interest-bearing securities	2	1
Other items	-6	-2
Total	**-4**	**-1**
Valuation gains and losses		
Interest-bearing securities	2	-
Total	**2**	**-**
Total	**-2**	**-1**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	-195	-201
Total	**-195**	**-201**
Valuation gains and losses		
Derivative instruments	-333	-3,038
Total	**-333**	**-3,038**
Total	**-528**	**-3,239**

Financial assets available for sale		
Capital gains and losses		
Interest-bearing securities	-1,358	19,377
Shares and participations	6	1,876
Total	**-1,352**	**21,253**
Transferred to income statement from fund at fair value		
Interest-bearing securities	5,917	-18,592
Shares and participations	2,800	-
Total	**8,717**	**-18,592**
Impairments		
Interest-bearing securities	-	1,213
Total	**-**	**1,213**
Total	**7,365**	**3,873**
Net income from currency trading	**1,366**	**1,205**
Net result from hedge accounting		
Ineffective share of cash flow hedging	-	40
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-53,660	-51,493
Financial derivatives hedging issued bonds	-	43,075
Changes in fair value of hedge instruments, net	-53,660	-8,418
Repayable on demand liabilities	53,769	51,568
Bonds issued	-	-42,087
Changes in fair value of items hedged, net	53,769	9,481
Total	109	1,063
Total hedge accounting	**109**	**1,102**
Net income from financial transactions	**8,310**	**2,940**

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

G9 Net income from investment properties

	2013	**2012**
Rental income	65	174
Capital gains	569	673
Reversal of impairment losses	-	281
Other income from investment properties	0	1
Capital losses	-30	-293
Depreciation	-	-1
Write-down	-38	-261
Direct expenses from investment properties, which generated rental income during the accounting period	-127	-235
Total	**439**	**338**

Net income from investment properties in life insurance business are included in net income from investments, see note G7, and are EUR 3.4 (1.8) million.

G10 Other operating income

	2013	**2012**
Capital gains from sale of tangible and intangible assets	-96	-184
Other income from the credit institututions own business	2,870	3,745
Other operating income	1,041	1,121
Total	**3,815**	**4,682**

G11 Staff

	2013	2012
Salaries and fees	-62,520	-60,013
Share-based payments	-1,652	-1,947
Pension costs		
Defined contribution plans	-10,007	-10,109
Defined benefit plans	-796	-417
Other indirect employee costs	-2,714	-2,866
Indirect employee costs	-13,517	-13,391
Total	**-77,689**	**-75,352**
Number of emplyees 31 December		
Full-time	857	899
Part-time	121	128
Temporary	136	150
Total	**1,114**	**1,177**
Number of employees converted to full-time equivalents	967	1,005
Full-time equivalent average number of employees for the reporting period	998	1,044

Perquisites for company management are presented in note G47 Close relations.

G12 Depreciation of tangible and intangible assets

	2013	2012
Depreciation of tangible assets	-1,636	-2,019
Depreciation of intangible assets	-5,138	-5,139
Total	**-6,774**	**-7,158**

G13 Other operating expenses

	2013	2012
Other staff expenses	-4,591	-4,294
Office expenses	-6,592	-5,236
Communication expenses	-3,886	-3,426
Representation and marketing expenses	-5,208	-5,525
Other administrative expenses	-495	-637
Rental expenses	-12,803	-11,474
Expenses for commercial properties	-1,975	-1,867
Insurance- and security expenses (incl. bank tax)	-5,241	-2,958
Monitoring, control and membership fees	-1,022	-1,051
Other operating expenses	-3,707	-3,823
Total	**-45,519**	**-40,291**
Auditors' fees		
Statutory auditing	172	179
Services related to auditing	118	74
Tax counselling	14	8
Other services	163	167
Total	**466**	**429**

G14 Write-downs on other financial assets

	2013	2012
Impairment of shares in Oy Samlink Ab	-	-1,817
Total	**-**	**-1,817**

G15 Taxes from continuing operations

	2013	2012
Income taxes on the ordinary business	-4,726	-33,917
Income taxes from previous financial years	190	203
Changes in deferred taxes	-8,494	17,950
Total	**-13,030**	**-15,764**

More information on deferred taxes is presented in note G29. The tax on the Group's profit before tax deviates from the theoretical value that should arise when using the tax rate for the parent company as follows:

	2013	2012
Profit before tax	65,385	56,015
Tax calculated on a 24,5% tax rate	16,019	13,724
Effect from change af deferred tax from 24.5% to 20.0%	-3,101	-
Non-deductible expenses	1,222	2,198
Tax free income	-96	-51
Unused write-downs for tax purposes	26	34
Utilisation of previously unrecognised tax losses	-753	-267
Loss when deferred tax is not recorded	25	329
Tax on the share of the profit from associated companies	-298	-123
Income taxes from previous financial years	-190	-203
Other	176	123
Total taxes	**13,030**	**15,764**

Taxes booked directly against the equity is attributable to the fund at fair value and is specified in note G39.

G16 Profit for the period from discontinued operations

	2013	2012
Discontinued operations		
Net income from non-life insurance	-	2,872
Capital gain	-	10,893
Total operating income	**-**	**13,765**
Staff costs	-	-1,848
IT-expenses	-	-284
Depreciation of tangible and intangible assets	-	-91
Other operating expenses	-	-1,785
Total operating expenses	**-**	**-4,008**
Write-downs on outstanding premium receivables (credit losses)	-	-168
Operating profit from discontinued operations	**-**	**9,589**
Taxes	-	188
Profit for the period from discontinued operations	**-**	**9,776**

On 29 February 2012 The Group's former parent company Aktia Plc sold 66% of Aktia Non-Life Insurance to Folksam Mutual Non-life Insurance and Veritas Pension Insurance Company Ltd. In connection with the sale, non-life insurance operations are regarded as discontinued operations. Profit and loss account and notes to the profit and loss account show continued and discontinued operations separately.

G17 Earnings per share

	2013	2012
Profit for the reporting period attributable to shareholders in Aktia Bank plc	52,169	49,189
Average number of A shares	46,691,629	46,649,689
Average number of R shares	19,870,140	19,872,088
Average number of shares (excluding treasury shares)	66,561,769	66,521,777
Earnings per share (EPS), EUR (excluding treasury shares)	**0.78**	**0.74**
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	**0.78**	**0.74**
Total comprehensive income attributable to shareholders in Aktia Bank plc	17,180	145,600
Total earnings per share, EUR (excluding treasury shares)	**0.26**	**2.19**
Total earnings per share, EUR, after dilution (excluding treasury shares)	**0.26**	**2.19**

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

Notes to the consolidated balance sheet and other consolidated notes

(EUR 1,000)

G18 Cash and balances with central banks

	2013	2012
Cash in hand	8,257	7,960
Cash and bank, insurance operation	1,122	1,722
Bank of Finland current account	404,949	577,931
Total	**414,328**	**587,613**

G19 Financial assets reported at fair value via the income statement

	2013	2012
Financial assets reported at fair value through income statement, banking business	102	-
Financial assets reported at fair value through income statement, insurance operation	-	51
Total	**102**	**51**

G20 Financial assets available for sale

	2013	2012
Interest bearing securities, central and local goverment	94,540	58,328
Interest bearing securities, credit institutions	1,575,993	1,397,950
Interest bearing securities, public associations	2,678	-
Interest bearing securities, other	11,337	11,733
Interest-bearing securities, Banking business	1,684,548	1,468,011
Interest bearing securities, central and local goverment	160,373	196,798
Interest bearing securities, credit institutions	247,067	254,964
Interest bearing securities, other	64,990	91,881
Interest-bearing securities, Life insurance	472,429	543,642
Total interest-bearing securities	2,156,977	2,011,654
Publicly quoted shares and holdings	2,263	-
Shares and holdings that are not publicly quoted	4,305	6,663
Shares and holdings, Banking business	6,568	6,663
Publicly quoted shares and holdings	44,017	39,221
Shares and holdings that are not publicly quoted	48,943	49,124
Shares and holdings, Life insurance	92,960	88,345
Total shares and holdings	99,528	95,007
Total financial assets available for sale	**2,256,506**	**2,106,661**

Impairments of financial assets available for sale stood at EUR 1.3 million (EUR 0.7 million) and are a result of significant or long-term negative value changes in shares and share funds and in interest-bearing securities where the issuer has noted an inability to pay. As at 31 December 2013, impairments were recorded against the value of investments in shares and participations as above totalling EUR 1.3 million (EUR 1.9 million), which is attributable to the Life insurance company's investments. Impairments of interest-bearing securities amounted to EUR 0,0 million (EUR 0.0 million), which is attributable to the life insurance company's investments. The definition of significant or long-term negative value is described in note G1 Consolidated accounting principles 2013 in chapter Impairment of financial assets.

Impairment of financial assets	**2013**	**2012**
Interest-bearing securities		
Banking business	-	-1,213
Shares and participations		
Life insurance business	1,329	1,905
Total	**1,329**	**692**

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

G21 Financial assets held until maturity

	2013	**2012**
Interest-bearing securities, states	50,570	-
Interest-bearing securities, other public corporations	448,497	339,911
Interest-bearing securities, other	200	10,109
Total	**499,267**	**350,020**

G22 Derivative instruments

Derivative instruments, book value

	2013		**2012**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	89,447	21,353	149,782	34,329
Fair value hedging	89,447	21,353	149,782	34,329
Interest rate derivatives	177	-	81	-
Cash flow hedging	177	-	81	-
Interest rate derivatives	104,293	103,578	149,971	149,053
Currency derivatives	157	108	627	1,215
Shares derivatives	3,556	3,556	1,701	1,701
Other derivatives	-	-	63	63
Other derivative instruments	108,005	107,242	152,363	152,033
Total	**197,629**	**128,595**	**302,227**	**186,362**

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

31 December 2013

Hedging derivative instruments

	Nominal values / term remaining				**Fair value**	
	Under 1 year	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest rate swaps	695,000	2,013,000	382,000	3,090,000	89,447	21,353
Total fair value hedging	**695,000**	**2,013,000**	**382,000**	**3,090,000**	**89,447**	**21,353**
Cash flow hedging						
Interest rate swaps	300,000	-	-	300,000	177	-
Total cash flow hedging	**300,000**	**-**	**-**	**300,000**	**177**	**-**

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

31 December 2012

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest rate swaps	548,000	1,965,000	324,000	2,837,000	149,782	34,329
Total fair value hedging	**548,000**	**1,965,000**	**324,000**	**2,837,000**	**149,782**	**34,329**
Cash flow hedging						
Interest rate swaps	75,000	-	-	75,000	81	-
Total cash flow hedging	**75,000**	**-**	**-**	**75,000**	**81**	**-**
Total interest rate derivatives	**623,000**	**1,965,000**	**324,000**	**2,912,000**	**149,864**	**34,329**
Total hedging derivative instruments	**623,000**	**1,965,000**	**324,000**	**2,912,000**	**149,864**	**34,329**
Other derivative instruments						
Interest rate swaps	664,000	1,312,780	663,200	2,639,980	117,404	116,480
Interest rate option agreements	100,000	1,400,114	140,000	1,640,114	32,567	32,573
Purchased	60,000	767,600	70,000	897,600	32,482	29,611
Written	40,000	632,514	70,000	742,514	85	2,962
Total interest rate derivatives	**764,000**	**2,712,894**	**803,200**	**4,280,094**	**149,971**	**149,053**
Forward rate agreements	53,588	-	-	53,588	627	1,215
Total forward rate agreements	**53,588**	**-**	**-**	**53,588**	**627**	**1,215**

Equity options	24,747	77,404	-	102,151	1,701	1,701
Purchased	12,373	38,702	-	51,075	1,621	80
Written	12,373	38,702	-	51,075	80	1,621
Total equity options	**24,747**	**77,404**	**-**	**102,151**	**1,701**	**1,701**
Options	-	20,752	-	20,752	63	63
Purchased	-	10,376	-	10,376	63	-
Written	-	10,376	-	10,376	-	63
Other derivative instruments	**-**	**20,752**	**-**	**20,752**	**63**	**63**
Total other derivative instruments	**842,335**	**2,811,050**	**803,200**	**4,456,585**	**152,363**	**152,033**
Total derivative instruments	**1,465,335**	**4,776,050**	**1,127,200**	**7,368,585**	**302,227**	**186,362**

G23 Loans and other receivables

	2013	**2012**
Repayable on demand claims on credit institutions	15,335	14,645
Other than repayable on demand claims on credit institutions	79,784	144,024
Lending to Bank of Finland and credit institutions	95,119	158,669
Transaction account credits, public and corporates	136,804	77,897
Loans	6,658,960	7,119,693
Receivables from finance lease contracts	15,632	18,027
Loans	6,811,397	7,215,617
Write-downs for loans outstanding by group	-9,604	-14,526
Bank guarantee claims	437	465
Lending to the public and public sector entities	6,802,230	7,201,556
Total	**6,897,349**	**7,360,225**
A sector-by-sector analysis of receivables from the public and public sector entities as well as write-downs and reversed write-downs for these		
Households	5,973,446	6,222,448
Corporates	540,947	666,462
Housing associations	241,220	270,098
Public sector entities	3,561	3,907
Non-profit organisations	43,056	38,641
Total	**6,802,230**	**7,201,556**
Write-downs during the reporting period		
Write-downs at the beginning of the financial year	65,049	63,566
Transferred from Saaristosäästöpankki Oy	165	-
Individual write-downs on credits	8,873	8,739
Individual write-downs on other commitments	197	180
Individual write-downs on interest receivables	25	40
Write-downs on credits outstanding by group	-4,923	477
Reversal of write-downs on individual credits	-1,263	-2,811
Reversal of write-downs on other individual commitments	-2	-24
Reversal of write-downs on interest receivables	-9	-23
Reversal of impairment losses on credits	-165	-213
Total write-downs of the reporting period	2,734	6,365
Realised credit losses for which individual write-downs were made earlier	-2,833	-4,925
Credit losses for other commitments for which agreed write-downs were already made	-111	-171
Reversal of impairment losses on credits	165	213
Write-downs at the end of the reporting period	**65,170**	**65,049**

Impaired receivables at the beginning of the year, contract value	77,674	79,780
Transferred from Saaristosäästöpankki Oy	165	-
New impaired receivables during this year, contract value	6,575	11,985
Reversal of impaired receivables during this year	-8,665	-14,091
Impaired receivables at the end of the year, contract value	75,749	77,674

Information on the fair values is given in note G41 and description of collateral obtained is commented on in note G2, Risk management.

Breakdown of maturity on finance lease receivables		
Under 1 year	5,413	5,864
1–5 years	11,143	11,278
Over 5 years	130	2,355
Gross investment	**16,686**	**19,496**
Unearned future finance income	-1,054	-1,469
Net investment	**15,632**	**18,027**

Present value of lease payment receivables		
Under 1 year	4,898	5,203
1–5 years	10,606	10,481
Over 5 years	129	2,343
Total	**15,632**	**18,027**

G24 Investments in associated companies

	2013	2012
Acquisition cost at 1 January	19,911	2,431
Investments	-	17,559
Disposals / equity returns	-778	-79
Acquisition cost at 31 December	19,133	19,911
Share of profits at 1 January	1,190	1,036
Share of profit from associated companies	1,216	501
Dividends obtained during the reporting period	-260	-319
Accrued equity adjustments on decreases	-76	-
Impairments	-	-1,817
Share of direct entries of equity	-1,911	1,789
Share of profits at 31 December	159	1,190
Book value at 31 December	**19,292**	**21,101**

Associated companies at 31 December 2013	**Assets**	**Liabilities**	**Operating profit**	**Profit for the reporting period**
Folksam Non-Life Insurance Company Ltd, Helsinki *)	203,845	147,105	1,649	2,795
Samlink Ltd, Helsinki	33,724	20,647	4,486	3,287
Total	**237,570**	**167,752**	**6,135**	**6,082**

Associated companies at 31 December 2012	**Assets**	**Liabilities**	**Operating profit**	**Profit for the reporting period**
Folksam Non-Life Insurance Company Ltd, Helsinki *)	204,104	144,535	3,701	2,790
Samlink Ltd, Helsinki	30,524	19,540	1,441	1,046
Bonum Bank Ltd, Espoo (earlier ACH Finland Oy)	3,370	77	119	118
Total	**237,998**	**164,152**	**5,261**	**3,953**

*) Company's profit is recalculated according to accounting principles in Aktia Group

G25 Intangible assets

	2013	2012
Acquisition cost at 1 January	31,383	32,005
Divestments	-	-4,840
Increases	11,054	4,634
Decreases	-658	-416
Acquisition cost at 31 December	41,780	31,383
Accumulated depreciations and impairments at 1 January	-17,227	-14,727
Divestments	-	1,335
Accumulated depreciation on decreases	-	399
Planned depreciation	-4,227	-4,234
Accumulated depreciations and impairments at 31 December	-21,454	-17,227
Book value at 31 December	**20,326**	**14,156**

G26 Investment properties

31 December 2013	**Land and water areas**	**Buildings**	**Shares and participations in real estate corporations**	**Total**
Acquisition cost at 1 January	4,120	14,080	10,054	28,254
Valuation at fair value	-	-	86	86
Acquisitions	78	-	-	78
Increases	3,924	28,537	-	32,460
Decreases	-	-	-455	-455
Acquisition cost at 31 December	8,122	42,617	9,685	60,424
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**8,122**	**42,617**	**9,685**	**60,424**

31 December 2012	**Land and water areas**	**Buildings**	**Shares and participations in real estate corporations**	**Total**
Acquisition cost at 1 January	4,150	20,112	7,416	31,678
Valuation at fair value	-	300	-157	143
Acquisitions	-	-	9,495	9,495
Divestments	-30	-6,332	-6,700	-13,062
Acquisition cost at 31 December	4,120	14,080	10,054	28,254
Accumulated depreciations and impairments at 1 January	-	-6,132	-964	-7,096
Divestments	-	6,132	964	7,096
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**4,120**	**14,080**	**10,054**	**28,254**

Investment properties are valued at fair value in the Group.

G27 Other tangible assets

Other tangible assets

31 December 2013	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	11,804	7,692	1,583	21,079
Acquisitions	76	10	5	90
Increases	1,371	2,080	-	3,451
Decreases	-294	-398	-	-692
Acquisition cost at 31 December	12,957	9,383	1,588	23,928
Accumulated depreciations and impairments at 1 January	-8,595	-5,596	-1,232	-15,423
Accumulated depreciation on decreases	281	384	0	666
Planned depreciation	-1,619	-911	-17	-2,548
Accumulated depreciations and impairments at 31 December	-9,933	-6,123	-1,249	-17,305
Book value at 31 December	**3,024**	**3,260**	**339**	**6,623**

31 December 2012	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	12,226	7,141	2,489	21,856
Divestments	-923	-	-288	-1,210
Increases	931	702	198	1,831
Decreases	-430	-151	-817	-1,398
Acquisition cost at 31 December	11,804	7,692	1,583	21,079
Accumulated depreciations and impairments at 1 January	-7,707	-4,640	-1,895	-14,242
Divestments	766	-	-	766
Accumulated depreciation on decreases	295	22	750	1,067
Planned depreciation	-1,949	-977	-88	-3,014
Accumulated depreciations and impairments at 31 December	-8,595	-5,596	-1,232	-15,423
Book value at 31 December	**3,209**	**2,096**	**350**	**5,656**

G28 Other assets

	2013	2012
Accrued income and advance payments, Banking business	53,952	60,943
Accrued income and advance payments, insurance operation	12,275	14,073
Accrued income and advance payments	66,227	75,016
Cash items being collected	0	169
Other assets	8,515	2,110
Receivables from the reinsurance business	149	944
Other receivables, insurance operation	156	50
Other assets	8,819	3,273
Total	**75,046**	**78,289**

G29 Deferred taxes

	2013	2012
Deferred tax liabilities / receivables, net		
Net deferred tax liabilities / receivables at 1 January	42,044	38,773
Acquisitions / divestments	406	-9,871
Changes during the reporting period year booked via the income statement from continuing operations	8,442	-18,018
Changes during the reporting period booked via the income statement from discontinuing operations	-	-1,712
Financial assets:		
- Valuation at fair value direct to equity	-9,525	32,832
-Transferred to the income statement	-3,143	3,172
Cash flow hedging:		
- Valuation at fair value direct to equity	-248	-1,077
-Transferred to the income statement	-3,771	-1,872
Defined-benefit pensions plans via comprehensive income	-17	-182
Net deferred tax liabilities / receivables at 31 December	34,187	42,044
Deferred tax liabilities		
Appropriations	28,912	30,212
Group-specific write-downs	-1,921	-3,559
Financial assets	19,777	31,541
Cash flow hedging	717	4,531
Investment properties valued at fair value	666	420
Activated development costs	380	299
Equalisation provision of the insurance businesses	1,870	2,053
Total	**50,402**	**65,496**
Deferred tax receivables		
Financial assets	120	15
Cash flow hedging	15,081	22,535
Defined-benefit pension plans	495	526
Other	519	376
Total	**16,215**	**23,453**
Specification of changes during the reporting period booked via the income statement		
Appropriations	-4,748	-5,163
Group-specific write-downs	-1,206	117
Financial assets	-947	1,406
Cash flow hedging	-4,179	21,801
Investment properties valued at fair value	-376	-246
Defined-benefit pension plans	59	-49
Activated development costs	-167	45
Equalisation provision of the insurance businesses	-238	-173
Effect from change of deferred tax rate 31 December 2013	3,101	-
Other	259	281
Total	**-8,442**	**18,018**
Investment properties valued at fair value	-52	-69
Change in deferred taxes from assets classified as held for sale	**-52**	**-69**
Change in deferred taxes from continuing operations	**-8,494**	**17,950**
Appropriations	-	442
Financial assets	-	0
Investment properties valued at fair value	-	1,317
Valuation at fair value of the non-life insurance technical provision	-	-98
Activated development costs	-	-1
Equalisation provision of the non-life insurance business	-	51
Change in deferred taxes from discontinued operations	**-**	**1,712**
Total	**-8,494**	**19,662**

G30 Assets and liabilities classified as held for sale

	2013	2012
Loans and other receivables	23	23
Investment properties	1,098	1,390
Other receivables	34	5
Deferred tax receivables	28	81
Assets classified as held for sale	**1,183**	**1,498**
Deposits / liabilities to credit institutions	137	137
Other liabilities	25	68
Liabilities for assets classified as held for sale	**162**	**204**

G31 Deposits

	2013	2012
Repayable on demand liabilities to credit institutions	369,721	322,966
Other than repayable on demand deposits from credit institutions	725,784	734,596
Liabilities to credit institutions	1,095,505	1,057,561
Repayable on demand deposits	3,214,618	2,735,349
Other than repayable on demand deposits	582,859	896,130
Liabilities to the public and public sector entities	3,797,477	3,631,479
Total	**4,892,982**	**4,689,040**

G32 Debt securities issued

	2013		2012	
	Book value	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposit	314,059	314,600	393,385	394,370
Bonds	3,343,882	3,355,395	3,485,534	3,492,136
Total	**3,657,941**	**3,669,995**	**3,878,919**	**3,886,506**

31.12.2013	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Certificates of deposit with fixed interest rate	158,100	156,500	-	-	-	314,600
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	500,000	-	-	500,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	305,000	-	179,000	484,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	-	220,000	-	-	220,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	600,000	1,100,000	100,000	83,000	1,883,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable interest rate	-	-	375,000	-	-	375,000
Others	-	-	-	-	-	-106,605
Total	**158,100**	**756,500**	**2,500,000**	**100,000**	**262,000**	**3,669,995**

31.12.2012	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Certificates of deposit with fixed interest rate	110,000	284,370	-	-	-	394,370
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	-	5,000	96,000	101,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	-	220,000	-	-	220,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	500,000	1,700,000	100,000	83,000	2,383,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable interest rate	-	250,000	375,000	-	-	625,000
Others	-	-	-	-	-	163,136
Total	**110,000**	**1,034,370**	**2,295,000**	**105,000**	**179,000**	**3,886,506**

Other bonds are included in the same program as the subordinated liabilities, see note G33.

G33 Subordinated liabilities

	2013	2012
Debenture loans	232,199	223,173
Loan without due date	-	45,000
Total	**232,199**	**268,173**
Nominal value	232,197	268,191
Upper Tier 2 loans	-	45,000
Lower Tier 2 loans	223,493	213,200

The bank has a bond program that is updated and approved by the Board yearly. Currently, the program's size is EUR 500 million. In this program, other bonds (included in note G32) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

There is one debenture loan amounting to EUR 27.6 million, exceeding 10% of all subordinated liabilities. The loan was issued 2 May 2013. The loan has a maturity of 5 years and early repayment can not be required. The loan has a fixed interest rate of 2.5%.

G34 Other liabilities to credit institutions

	2013	2012
Other liabilities to deposit banks	98,524	73,000
Other liabilities to credit institutions	25,000	217,929
Total	**123,524**	**290,929**

Other liabilities to deposit banks include liabilities of EUR 99 (73) million with both fixed and variable interest rate to the European Investment Bank.

Other liabilities to credit institutions refer to repurchase agreements and loans from the central bank as well as to two long-term loans totalling EUR 25 (30) million from the Nordic Investment Bank.

G35 Other liabilities to the public and public sector entities

	2013	2012
Other liabilities payable on demand	225	225
Other than repayable on demand liabilities	92,128	146,479
Total	**92,353**	**146,704**

G36 Technical provisions for life insurance business

	2013	2012
Insurance agreements		
Technical provisions for interest-related insurances		
Technical provisions at 1 January	519,930	533,365
Income from insurance premiums	34,258	37,006
Insurance claims paid	-52,702	-69,521
Transfer of savings from/to unit-linked insurance	-2,562	3,806
Compensated interest for savings	18,553	18,997
Customer compensation for savings	55	-
Interest reductions and provision for customer compensation	-	7,329
Burdens	-8,985	-9,064
Other items	-5,097	-1,988
Technical provisions at 31 December	**503,451**	**519,930**
Technical provisions for unit-linked insurances		
Technical provisions at 1 January	358,544	284,836
Income from insurance premiums	105,778	73,659
Insurance claims paid	-28,252	-27,147
Transfer of savings from/to interest-linked insurances	2,562	-3,806
Burdens	-5,479	-4,356
Value increases and other items	28,794	35,357
Technical provisions at 31 December	**461,945**	**358,544**

Changes in technical provisions by the various insurance branches

31 December 2013 Technical provisions for interest-related insurances	1 January 2013	Income from insurance premiums	Claims	Total expense loading	Guaranteed calculation interest	Customer compensation	Other	31 December 2013
Saving plans	98,862	2,310	-12,860	-539	2,846	-	-4,349	86,270
Individual pension insurance	332,605	8,083	-24,558	-1,036	12,797	-	1,393	329,283
Group pension insurance	50,441	2,876	-2,374	-274	1,670	1	-1,289	51,051
Risk insurance	38,023	20,989	-12,910	-7,137	1,241	53	-3,413	36,846
Total	**519,930**	**34,258**	**-52,702**	**-8,985**	**18,553**	**55**	**-7,659**	**503,451**

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

Technical provisions for unit-linked insurances	1 January 2013	Income from insurance premiums	Claims	Total expense loading	Other	31 December 2013
Saving plans	261,015	95,786	-27,002	-4,042	20,155	345,913
Individual pension insurance	92,229	8,203	-1,242	-1,304	10,625	108,511
Group pension insurance	5,299	1,788	-9	-133	576	7,521
Total	**358,544**	**105,778**	**-28,252**	**-5,479**	**31,356**	**461,945**

	1 January 2013	Year's change	31 December 2013
Technical provisions for interest-related insurances	519,930	-16,479	503,451
Technical provisions for unit-linked insurances	358,544	103,402	461,945
Total	**878,474**	**86,922**	**965,396**

31 December 2012 Technical provisions for interest-related insurances	1 January 2012	Income from insurance premiums	Claims	Total expense loading	Guaranteed calculation interest	Customer compensation	Other	31 December 2012
Saving plans	106,826	2,598	-15,606	-633	3,224	-	2,453	98,862
Individual pension insurance	340,598	9,469	-37,661	-1,193	12,832	-	8,560	332,605
Group pension insurance	46,686	3,462	-2,239	-326	1,610	-	1,247	50,441
Risk insurance	39,254	21,478	-14,015	-6,912	1,331	-	-3,113	38,023
Total	**533,365**	**37,007**	**-69,521**	**-9,064**	**18,997**	**-**	**9,146**	**519,930**

Average calculation interest	
Saving plans	3.0 %
Individual pension insurance	3.9 %
Group pension insurance	3.3 %
Risk insurance	3.1 %
Total	**3.6 %**

Technical provisions for unit-linked insurances	1 January 2012	Income from insurance premiums	Claims	Total expense loading	Other	31 December 2012
Saving plans	205,723	63,286	-26,018	-3,036	21,061	261,015
Individual pension insurance	75,750	8,745	-1,116	-1,207	10,057	92,229
Group pension insurance	3,364	1,629	-14	-112	433	5,299
Total	**284,836**	**73,659**	**-27,147**	**-4,356**	**31,551**	**358,544**

	1 January 2012	Year's change	31 December 2012
Technical provisions for interest-related insurances	533,365	-13,435	519,930
Technical provisions for unit-linked insurances	284,836	73,708	358,544
Total	**818,201**	**60,273**	**878,474**

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

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

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

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

G37 Other liabilities

	2013	2012
Interest liabilities on deposits	6,835	11,073
Other accrued interest expenses and interest income received in advance	50,974	49,973
Advance interest received	156	1,717
Accrued interest expenses and interest income received in advance	57,965	62,763
Other accrued expenses and income received in advance	38,490	30,291
Accrued expenses and income received in advance	**96,455**	**93,053**
Cash items in the process of collection	41,230	45,474
Defined benefit plan pensions	2,476	2,148
Other liabilities, banking business	-5,100	5,974
Other liabilities, insurance operation	1,911	1,639
Other liabilities	**40,517**	**55,236**
Total other liabilities	**136,972**	**148,289**

G38 Provisions

	2013	2012
Provisions 1 January	6,850	-
Increase in provisions	-	6,850
Provisions used	-483	-
Provisions 31 December	**6,367**	**6,850**

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

G39 Equity

	2013	2012
Share capital	163,000	93,874
Share premium account	-	1,893
Legal reserve	-	8,067
Fund at fair value	81,147	116,068
Base fund	317	317
Restricted equity	**244,464**	**220,219**
Fund for share based payments	1,608	1,116
Unrestricted equity reserve	128,434	72,654
Retained earnings 1 January	298,619	269,935
Defined benefit plan pensions in other comprehensive income	-68	-559
Dividend to shareholders	-23,968	-19,957
Treasury shares received in connection with acquisition	-263	-
Divestment of treasury shares	400	11
Other changes in retained earnings due to the merger	-124,268	-
Profit for the reporting period	52,169	49,189
Unrestricted equity	**332,662**	**372,389**
Shareholders' share of equity	577,126	592,608
Non-controlling interest's share of equity	64,583	64,801
Equity	**641,709**	**657,409**

Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the period, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 divided into 46,706,723 A shares and 19,872,088 R shares, totalling 66,578,811 shares (2012; 66,987,758). The number of registered shareholders at the end of the financial period was 45,988. The number of A shares attributable to unindentified shareholders was 779,833. A shares have 1 vote, and R shares have 20 votes.

Treasury shares

At year-end, the number of treasury A shares was 34,311. Before the merger of Aktia plc and Aktia Bank plc on 1 July 2013, the number of series A treasury shares was 286,716 and that of series R shares 178,762. Of them 56,528 series A shares were divested and the rest the treasury shares deregistered. After the merger, Aktia Bank plc held 3 series A treasury shares, and received further 34,308 A shares with the acquisition of Saaristosäästöpankki Oy.

Share premium account

The fund was started before the regulations that where in place 1 September 2006. Items entered in the share premium account make out the sum paid in addition to the counter value paid for shares in a new issue. The share premium account has not been increased since 1 September 2006.

Legal reserve

The reserve fund comprises components transferred from shareholders' equity in accordance with the Articles of Association or resolutions adopted at the Annual General Meeting. The reserve fund has not been increased since 1 September 2006.

Fund at fair value

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

Base fund

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

Fund for share-related payments

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

Unrestricted equity reserve

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

Retained earnings

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

Specification of change in fund at fair value	**2013**	**2012**
Fund at fair value at 1 January	116,068	19,097
Profit / loss on valuation to fair value, shares and holdings	-2,546	8,135
Profit / loss on valuation to fair value, interest bearing securities	-18,691	125,694
Deferred taxes on profit / loss on valuation to fair value	9,525	-32,832
Transferred to the income statement, shares and participations, included in:		
Net income from financial transactions	-2,800	-
Net income from life insurance	-213	-5,153
Net income from non-life insurance	-	21
Deferred taxes	738	1,257
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-5,917	18,592
Net income from life insurance	-3,899	-514
Deferred taxes	2,405	-4,429
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	-238	-4,581
Deferred taxes on profit / loss on valuation to fair value	248	1,077
Transferred to the income statement, cash flow hedging derivative contracts, included in:		
Net income from securities and currency trading	-15,392	-7,642
Deferred taxes	3,771	1,872
Divestment of Aktia Non-Life Insurance Ltd as of 29 February 2012	-	-6,315
Share of Folksam Non-Life Insurance's fund at fair value	-1,911	1,789
Fund at fair value at 31 December	**81,147**	**116,068**

Share capital and unrestricted equity reserve

	Number of shares	Share capital	Unrestricted equity reserve
1 January 2012	66,987,758	93,874	72,654
31 December 2012	66,987,758	93,874	72,654
- Capital return to shareholders	-	-	-9,321
- Changes as a result of the merger between Aktia plc and Aktia Bank plc 1 July 2013	-408,947	69,126	65,102
31 December 2013	**66,578,811**	**163,000**	**128,434**

Group's unrestricted equity	**2013**	**2012**
Non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	93,046	78,607
Share of accumulated appropriations that have been included in the profit for the financial year	22,604	14,439
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	**115,650**	**93,046**
Distributable earnings in unrestricted equity		
Fund for share-based payments	1,608	1,116
Unrestricted equity reserve	128,434	72,654
Retained earnings 1 January	205,573	191,328
Dividends to shareholders	-23,968	-19,957
Other changes in retained earnings	-124,200	-548
Profit for the period	29,565	34,750
Total	**217,012**	**279,343**
Fund for share-based payments	1,608	1,116
Unrestricted equity reserve	128,434	72,654
Retained earnings 1 January	298,619	269,935
Dividend to shareholders	-23,968	-19,957
Other changes in retained earnings	-124,200	-548
Profit for the reporting period	52,169	49,189
Total	**332,662**	**372,389**

Dividend to shareholders

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 7 April 2014 that a dividend of EUR 0.42 per share, totalling EUR 27,963,099.36, be paid for the reporting period based on the parent company's distributable retained earnings, including profit for the reporting period, of EUR 144,601,031.18.

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

G40 Classification of financial instruments

Assets

31 December 2013	Note	Valued at fair value via the income statement	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					414 328		414 328
Financial assets reported at fair value via the income statement	G19	102						102
Interest-bearing securities	G19, G20, G21		2,156,977	499,267				2,656,245
Shares and participations	G19, G20		99,528					99,528
Derivative instruments	G22				197,629			197,629
Lending to Bank of Finland and credit institutions	G23					95,119		95,119
Lending to the public and public sector entities	G23					6,802,230		6,802,230
Investments for unit-linked provisions		465,856						465,856
Investments in associated companies	G24						19,292	19,292
Intangible assets	G25						20,326	20,326
Investment properties	G26						60,424	60,424
Other tangible assets	G27						6,623	6,623
Accrued income and advance payments	K28						66,227	66,227
Other assets	K28						8,819	8,819
Income tax receivables							3,661	3,661
Deferred tax receivables	G29						16,215	16,215
Assets classified as held for sale	G30						1,183	1,183
Total		**465,958**	**2,256,506**	**499,267**	**197,629**	**7,311,677**	**202,769**	**10,933,806**

31 December 2012	Note	Valued at fair value via the income statement	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					587,613		587,613
Interest-bearing securities	G19, G20, G21		2,011,654	350,020				2,361,674
Shares and participations	G19, G20	51	95,007					95,058
Derivative instruments	G22				302,227			302,227
Lending to Bank of Finland and credit institutions	G23					158,669		158,669
Lending to the public and public sector entities	G23					7,201,556		7,201,556
Investments for unit-linked provisions		360,873						360,873
Investments in associated companies	G24						21,101	21,101
Intangible assets	G25						14,156	14,156
Investment properties	G26						28,254	28,254
Other tangible assets	G27						5,656	5,656
Accrued income and advance payments	K28						75,016	75,016
Other assets	K28						3,273	3,273
Income tax receivables							112	112
Deferred tax receivables	G29						23,453	23,453
Assets classified as held for sale	G30						1,498	1,498
Total		**360,924**	**2,106,661**	**350,020**	**302,227**	**7,947,838**	**172,520**	**11,240,190**

Liabilities

Valued at

31 December 2013		fair value via the income statement	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G31			1,095,505		1,095,505
Deposits from the public and public sector entities	G31			3,797,477		3,797,477
Derivative instruments	G22		128,595			128,595
Debt securities issued	G32			3,657,941		3,657,941
Subordinated liabilities	G33			232,199		232,199
Other liabilities to credit institutions	G34			123,524		123,524
Other liabilities to the public and public sector entities	G35			92,353		92,353
Technical provisions for interest-related insurances	G36				503,451	503,451
Technical provisions for unit-linked insurances	G36				461,945	461,945
Accrued expenses and income received in advance	G37				96,455	96,455
Other liabilities	G37				40,517	40,517
Provisions	G38				6,367	6,367
Income tax liabilities					5,203	5,203
Deferred tax liabilities	G29				50,402	50,402
Liabilities for assets classified as held for sale	G30				162	162
Total		**-**	**128,595**	**8,998,999**	**1,164,502**	**10,292,097**

31 December 2012		Valued at fair value via the income statement	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G31			1,057,561		1,057,561
Deposits from the public and public sector entities	G31			3,631,479		3,631,479
Derivative instruments	G22		186,362			186,362
Debt securities issued	G32			3,878,919		3,878,919
Subordinated liabilities	G33			268,173		268,173
Other liabilities to credit institutions	G34			290,929		290,929
Other liabilities to the public and public sector entities	G35			146,704		146,704
Technical provisions for interest-related insurances	G36				519,930	519,930
Technical provisions for unit-linked insurances	G36				358,544	358,544
Accrued expenses and income received in advance	G37				93,053	93,053
Other liabilities	G37				55,236	55,236
Provisions	G38				6,850	6,850
Income tax liabilities					23,340	23,340
Deferred tax liabilities	G29				65,496	65,496
Liabilities for assets classified as held for sale	G30				204	204
Total		**-**	**186,362**	**9,273,765**	**1,122,654**	**10,582,781**

G41 Financial assets and liabilities

Fair value of financial assets and liabilities

Financial assets	**2013**		**2012**	
	Book value	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	414,328	414,328	587,613	587,613
Financial assets reported at fair value via the income statement	102	102	51	51
Financial assets available for sale	2,256,506	2,256,506	2,106,661	2,106,661
Financial assets held until maturity	499,267	498,742	350,020	349,651
Derivative instruments	197,629	197,629	302,227	302,227
Loans and other receivables	6,897,349	6,698,768	7,360,225	7,164,684
Total	**10,265,181**	**10,066,075**	**10,706,797**	**10,510,887**

Financial liabilities	**2013**		**2012**	
	Book value	**Fair value**	**Book value**	**Fair value**
Deposits	4,892,982	4,825,089	4,689,040	4,621,472
Derivative instruments	128,595	128,595	186,362	186,362
Debt securities issued	3,657,941	3,707,742	3,878,919	3,918,487
Subordinated liabilities	232,199	237,230	268,173	272,604
Other liabilities to credit institutions	123,524	128,863	290,929	290,776
Other liabilities to the public and public sector entities	92,353	92,344	146,704	146,779
Total	**9,127,595**	**9,119,864**	**9,460,127**	**9,436,480**

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

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

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

Measurement of financial assets at fair value

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

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

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

	31.12.2013				31.12.2012			
	Fair value classified into				Fair value classified into			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued via the income statement								
Interest-bearing securities	0	0	102	102	0	0	0	0
Shares and participations	0	0	0	0	0	0	51	51
Total	**0**	**0**	**102**	**102**	**0**	**0**	**51**	**51**
Financial assets available for sale								
Interest-bearing securities	1,920,624	189,060	47,293	2,156,977	1,946,876	43,328	21,451	2,011,655
Shares and participations	45,741	0	53,785	99,527	39,221	0	55,785	95,006
Total	**1,966,365**	**189,060**	**101,078**	**2,256,504**	**1,986,096**	**43,328**	**77,237**	**2,106,660**
Derivative instrument, net	49	68,985	0	69,034	-600	116,500	0	115,900
Total	**49**	**68,985**	**0**	**69,034**	**-600**	**116,500**	**0**	**115,900**
Total	**1,966,414**	**258,046**	**101,180**	**2,325,640**	**1,985,496**	**159,828**	**77,288**	**2,222,611**

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		
	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Carrying amount 1.1.2013	0	510	510	21,450	55,784	77,234	21,450	56,294	77,744
New purchases	102	0	102	26,039	862	26,901	26,141	862	27,003
Sales	0	0	0	0	-3,219	-3,219	0	-3,219	-3,219
Matured during the year	0	0	0	-165	0	-165	-165	0	-165
Realised value change in the income statement	0	0	0	-7	-1,329	-1,336	-7	-1,329	-1,336
Unrealised value change in the income statement	0	-510	-510	0	0	0	0	-510	-510
Value change recognised in the total comprehensive income	0	0	0	0	1,720	1,720	0	1,720	1,720
Transfer from level 1 and 2	0	0	0	0	0	0	0	0	0
Transfer to level 1 and 2	0	0	0	0	0	0	0	0	0
Carrying amount 31.12.2013	**102**	**0**	**102**	**47,317**	**53,818**	**101,135**	**47,419**	**53,818**	**101,238**

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%, with exception for Suomen Luotto-osuuskunta, which is valued based on its lowest estimated value of the return of capital after the sale of its subsidiary Nets Oy (previously known as Luottokunta). These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 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	102	3	-3	0	0	0
Shares and participations	0	0	0	100	0	0
Total	**102**	**3**	**-3**	**100**	**0**	**0**
Financial assets available for sale						
Interest-bearing securities	47,293	1,419	-1,419	21,500	600	-600
Shares and participations	53,785	10,331	-10,331	55,800	10,200	-10,200
Total	**101,078**	**11,750**	**-11,750**	**77,200**	**10,800**	**-10,800**
Total	**101,180**	**11,753**	**-11,753**	**77,300**	**10,800**	**-10,800**

Set off of financial assets and liabilities

	Assets		Liabilitities	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Financial assets and liabilities included in general agreements on set off or similar agreements				
Derivative instruments, gross amount	197,629	302,227	128,595	186,362
Set off amount	-	-	-	-
Value recorded in the balance sheet	**197,629**	**302,227**	**128,595**	**186,362**
Amount not set off but included in general agreements on set off or similar				
Derivative instruments	26,555	44,569	26,555	44,569
Collateral assets and liabilities	173,240	245,350	67,070	81,780
Total amount of sums not set off in the balance sheet	**199,795**	**289,919**	**93,625**	**126,349**
Net	**-2,166**	**12,308**	**34,970**	**60,013**

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.

G42 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets	**Note**						
31 December 2013		**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Cash and balances with central banks	G18	414,328	-	-	-	-	414,328
Financial assets reported at fair value via the income statement	G19	-	-	102	-	-	102
Financial assets available for sale	G20	48,475	189,967	1,613,382	218,611	186,070	2,256,506
Financial assets held until maturity	G21	200	-	419,993	79,074	-	499,267
Derivative instruments	G22	2,659	23,833	131,600	31,478	8,059	197,629
Loans and other receivables	G23	252,667	878,248	1,954,224	1,741,046	2,071,164	6,897,349
Total		**718,330**	**1,092,048**	**4,119,302**	**2,070,209**	**2,265,293**	**10,265,181**
31 December 2012		**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Cash and balances with central banks	G18	587,613	-	-	-	-	587,613
Financial assets reported at fair value via the income statement	G19	-	-	-	-	51	51
Financial assets available for sale	G20	67,339	110,201	1,463,280	240,790	225,053	2,106,661
Financial assets held until maturity	G21	-	4,400	243,535	102,084	-	350,020
Derivative instruments	G22	4,738	13,609	203,275	54,071	26,534	302,227
Loans and other receivables	G23	271,919	922,149	2,015,963	1,807,978	2,342,217	7,360,225
Total		**931,609**	**1,050,358**	**3,926,053**	**2,204,923**	**2,593,855**	**10,706,797**

Liabilities

31 December 2013		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G31	3,616,395	742,359	244,261	289,967	-	4,892,982
Derivative instruments	G22	4,055	9,635	82,412	29,313	3,180	128,595
Debt securities issued	G32	163,338	700,510	2,428,619	102,463	263,011	3,657,941
Subordinated liabilities	G33	22,460	44,903	152,760	12,076	-	232,199
Other liabilities to credit institutions	G34	-	19,979	57,959	45,586	-	123,524
Other liabilities to the public and public sector entities	G35	80,200	10,000	-	-	2,153	92,353
Total		**3,886,448**	**1,527,386**	**2,966,012**	**479,405**	**268,344**	**9,127,595**

31 December 2012		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G31	3,819,263	548,015	114,286	-	207,477	4,689,040
Derivative instruments	G22	5,617	8,235	111,494	54,345	6,671	186,362
Debt securities issued	G32	114,537	1,034,304	2,422,951	110,484	196,643	3,878,919
Subordinated liabilities	G33	18,770	92,917	151,924	4,562	-	268,173
Other liabilities to credit institutions	G34	106,929	19,955	138,318	25,727	-	290,929
Other liabilities to the public and public sector entities	G35	58,500	85,600	-	-	2,604	146,704
Total		**4,123,616**	**1,789,026**	**2,938,973**	**195,119**	**413,394**	**9,460,127**

G43 Collateral assets and liabilities

Collateral assets

		The value of security	
Collateral for own liabilities	**Type of security**	**31.12.2013**	**31.12.2012**
Liabilities to credit institutions	Bonds	83,351	188,662
Collateral provided in connection with repurchasing agreements	Bonds	-	106,963
Total		**83,351**	**295,625**

Liabilities to credit institutions include securities at the Bank of Finland and the European Investment Bank, the nominal value of which is EUR 59 (154) million. Standardised GMRA (Global Master Repurchase Agreement) rules apply on the repurchase agreements.

		The value of security	
Other collateral assets	**Type of security**	**31.12.2013**	**31.12.2012**
Securities pledged at the central bank	Bonds	272,111	180,677
Collateral provided in connection with repurchasing agreements	Bonds	43,000	36,799
Collateral provided in connection with repurchasing agreements	Cash and balances with central banks	26,650	52,280
Total		**341,761**	**269,756**

On 31 December 2013, EUR 122 million was pledged at the central bank as extra collateral.

Total collateral assets	**425,112**	**565,381**

Collateral held by the bank as security for liabilities that have been received by companies in the same Group

As of 31 December 2013	-	-
As of 31 December 2012	-	-

For other liabilities

The bank has not provided collateral for other parties.

Collateral liabilities

		The value of security	
	Type of security	**31.12.2013**	**31.12.2012**
Collateral received in connection with contracts of pledge	Cash and balances with central banks	173,240	245,460
Collateral received in connection with repurchase agreements	Bonds	53,302	160,115
Total		**226,542**	**405,575**

G44 Off-balance sheet commitments

	2013	2012
Guarantees	31,832	34,602
Other commitments provided to a third party	2,946	3,350
Unused credit arrangements	354,262	302,474
Other irrevocable commitments	2,248	2,719
Total	**391,288**	**343,145**

Off-balance sheet commitments, exclude rental commitments.

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

31 December 2012	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Guarantees	6,390	8,239	9,974	7,563	2,436	34,602
Other commitments provided to a third party	695	190	841	234	1,391	3,350
Unused credit arrangements	119,729	175,345	2,805	-	4,595	302,474
Other irrevocable commitments	-	20	1,879	819	-	2,719
Total	**126,814**	**183,795**	**15,498**	**8,616**	**8,421**	**343,145**

G45 Rent commitments

	2013	2012
Less than 1 year	8,248	9,917
1–5 years	25,994	28,661
More than 5 years	388	5,650
Total	**34,630**	**44,228**

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

G46 Companies included in consolidated accounts (EUR 1,000)

Companies included in consolidated accounts, ownership over 50 %

	2013		2012	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Financing				
Aktia Real Estate Mortgage Bank plc, Helsinki	50.9	61,885	50.9	61,885
Aktia Corporate Finance Ltd, Helsinki	100.0	8,503	100.0	8,503
Aktia Invest Ltd, Helsinki	70.0	737	70.0	1,112
Skärgårdssparbanken Ab, Parainen	100.0	8,093	-	-
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	87.0	1,503	86.0	1,468
Real estate agency operations				
Aktia Fastighetsförmedling Ab, Turku	100.0	2,792	100.0	2,792
Insurance companies				
Aktia Life Insurance Ltd, Turku	100.0	46,191	100.0	46,191
Real estate operations				
Other real estate companies		0		0
Other				
Vasp-Invest Ab, Helsinki	100.0	325	100.0	325
Total		**132,538**		**124,784**

Business transactions with companies included in the Group	**2013**	**2012**
Credits and guarantees	369,050	700,761
Deposits	92,778	45,076
Receivables	12,056	21,934
Liabilities	32,239	38,759
Credits and guarantees 1 January	700,761	556,551
Increase / decrease	-331,711	144,210
Credits and guarantees 31 December	**369,050**	**700,761**
Deposits 1 January	45,076	29,140
Increase / decrease	47,702	15,936
Deposits 31 December	**92,778**	**45,076**
Receivables 1 January	21,934	23,165
Increase / decrease	-9,878	-1,231
Receivables 31 December	**12,056**	**21,934**
Liabilities 1 January	38,759	35,904
Increase / decrease	-6,520	2,855
Liabilities 31 December	**32,239**	**38,759**

Income and expenses from other activities	**2013**	**2012**
Group contribution for Aktia plc from Group's wholly-owned subsidiaries	-	1,800
Group contribution for Aktia Corporate Finance Ltd from Group's wholly-owned subsidiaries	1,780	-
Group contribution for Aktia Fastighetsförmedling Ab from Group's wholly-owned subsidiaries	1,300	1,500
Total	**3,080**	**3,300**

Shares in associated companies, ownership 20-50%

	2013		2012	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Insurance companies				
Folksam Non-Life Insurance Company Ltd	34.0	17,516	34.0	17,516
Data processing				
Samlink Ltd, Helsinki	22.6	0	22.6	0
Other				
Bonum Bank Ltd, Espoo (earlier ACH Finland Oy)	-	-	25.8	778
Total		**17,516**		**18,293**

Business transactions with associated companies	**2013**	**2012**
Credits and guarantees	-	-
Deposits	6,759	7,127
Services bought from associated companies	16,783	16,872
Services sold to associated companies	-	2,676
Credits and guarantees 1 January	-	-
Increase / decrease	-	-
Credits and guarantees 31 December	**-**	**-**
Deposits 1 January	7,127	5,206
Increase / decrease	-368	1,921
Deposits 31 December	**6,759**	**7,127**

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

G47 Close relations

(EUR 1,000)

The Group's key personnel

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

Key Management personnel compensation	**2013**	**2012**
Fixed compensation; salary, fees and benefits in kind 1)	1,325	1,288
Variable compensation based on results 2)		
Result-based salary	121	205
Share-based payment	509	-
Total	**1,956**	**1,493**

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

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

Salaries and fees	2013		2012	
	Salary and fees	Cost for voluntary supplemen-tary pension IFRS	Salary and fees	Cost for voluntary supplemen-tary pension IFRS
Managing Director and Deputy Managing Director				
Jussi Laitinen, Managing Director	538	109	361	89
Jarl Sved, Deputy Managing Director	282	91	216	85
Total	**820**	**200**	**577**	**175**
Salaries and fees				
Board Members:				
Dag Wallgren, Chairman	64		63	
Nina Wilkman, Vice Chairman	43		45	
Sten Eklundh	39		-	
Hans Frantz	33		34	
Kjell Hedman	32		31	
Catharina von Stackelberg-Hammarén	28		29	
Arja Talma (from 7 May 2013)	18		-	
Jannica Fagerholm (1 January - 26 February 2013)	5		32	
Nils Lampi (1 January - 12 March 2013)	10		31	
Kjell Sundström	-		35	
Total	**274**		**301**	
Members of the Board of Supervisors and their alternates				
- Chair	33		23	
- Deputy chair	103		85	
- Members	178		176	
Total	**314**		**285**	
Costs referring to pensionable salary have been paid for:				
- the Board of Directors		57		69
- the Board of Supervisors		49		77
Total		**105**		**146**

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 3 and 12 months. The Managing Director can retire at the age of 63 and the Deputy Managing Director can retire at the age of 60.

In 2013, the members of the Board of Directors have received 15% of their annual remuneration in the form of A shares. In 2013, The Board of Supervisors have received 25% of their annual remuneration in the form of A shares. The number of shares totalled 10,914, corresponding to EUR 73,026.

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

Business transactions with the Group's key personnel	2013	2012
Credits and guarantees to close relations	3,936	4,009
Deposits from close relations	5,039	5,410
Purchased services	-	81
Credits and guarantees to close relations 1 January	4,009	3,924
Increase / decrease	-73	85
Credits and guarantees to close relations 31 December	**3,936**	**4,009**
Deposits from close relations 1 January	5,410	6,809
Increase / decrease	-372	-1,399
Deposits from close relations 31 December	**5,039**	**5,410**

Defined benefit plan pensions

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

Assets in the insurance plan show the insurance company's liability of the obligations, and they are determined using the same discount rate as for the obligation. Thus the company's liability only includes the affect of changes in discount rate and life expectancy on benefit liability. The insurance company carries the total risk of pension increases.

The insurance companies' benefit-based pension schemes are included in the insurance companies' investment assets and the insurance companies carry the investment risk. Consequently, details on the distribution of assets or realised income in individual plans are not available.

	2013	2012
Current service cost	-480	-340
Amendments	-260	-
Net interest	-57	-77
Expense recognised in income statement	**-796**	**-417**
Remeasurements in total comprehensive income	-86	-741
Total comprehensive income before taxes	**-882**	**-1,158**
Present value of obligation 1 January	**8,757**	**6,676**
Current service cost	480	340
Amendments	260	-
Interest expenses	271	327
Experience adjustments	-225	-4
Actuary gains (-) / losses (+) from changes in financial assumption	-297	2,027
Actuary gains (-) / losses (+) from changes in demographic assumptions	-	-
Benefits paid	-325	-609
Present value of obligation 31 December	**8,922**	**8,757**
Fair value of plan assets 1 January	**6,610**	**5,070**
Interest income	215	250
Return on plan assets excluding amount included in interest expense / income	-607	1,282
Benefits paid	-325	-609
Contributions	554	616
Fair value of plan assets 31 December	**6,445**	**6,610**
Present value of obligation	8,922	8,757
Fair value of plan assets	-6,445	-6,610
Liability recognised in balance sheet 31 December	**2,476**	**2,148**
Liability recognised in balance sheet 1 January	**2,148**	**1,606**
Expense recognised in income statement	796	417
Contributions	-554	-616
Additional expense (+) to local GAAP	243	-199
Remeasurements in total comprehensive income	86	741
Liability recognised in balance sheet 31 December	**2,476**	**2,148**
Actuarial assumptions		
Discount rate, %	3.12%	3.10%
Rate of salary increase, %	3.00%	3.00%
Rate of benefit increase, %	0.00%	0.30%
Mortality	Compertz	Compertz
Sensitivity analysis - net liability		
The following table show how the changes in assumptions used affect to the net liability (EUR).		
Discount rate 3.12%	2,476	
Change in discount rate +0.50%	-254	
Change in discount rate -0.50%	275	
Salary increase 3.00%	2,476	
Change in salary increase +0.50%	283	
Change in salary increase -0.50%	-284	

Change in mortality basis so that life expectancy will increase by one year increases net liability EUR 57,828.

The Group is expected to pay approximately EUR 0.6 million contributions to the defined benefit plans during 2014.

G48 Share-based incentive scheme

Share-based payments

A share-based incentive scheme is introduced for the Managing Director, other members of the Executive Committee and certain key persons and it covers the yeas 2011 - 2015. The incentive scheme has been prepared in accordance with regulations concerning remuneration schemes in the financial sector. The reward will be paid partly as A shares in Aktia Bank plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person.

Key persons are obligated to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain the shares throughout their employment in the Group. The scheme is divided in two parts. The maximum reward paid on the basis of the scheme may amount to 401,200 A shares in Aktia Bank plc and a sum in cash corresponding the value of the shares during the years 2011-2015.

Share-based incentive scheme

The first part of the scheme is based on earnings criteria and includes three earning 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 during the period 1 January 2012 - 31 December 2013 (NAV) (50 % weighting) and the Group's total net provision and insurance income in the period 1 January 2012 - 31 December 2013 (50 % weighting).

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

The earning period 2011 - 2012	**2013**	**2012**	**2011**
Basic information			
Max. number of shares	58,500	112,500	120,000
Sum in cash corresponding max. number of shares	58,500	112,500	120,000
Decision date	22.6.2011	22.6.2011	22.6.2011
Earning period starts	1.1.2011	1.1.2011	1.1.2011
Earning period ends	31.12.2012	31.12.2012	31.12.2012
Earnings requirement			Employed by Aktia Group
Earnings criteria			Cumulated adjusted NAV, total net provision and insurance income
Payment in			Shares and cash
Number of persons on the decision date	9	9	10
Rate of A share on the decision date, EUR	6.03	6.03	6.03
Rate of A share at the end of the accounting period, EUR	8.10	5.80	4.88

The earning period 2012 - 2013	**2013**	**2012**	**2011**
Basic information			
Max. number of shares	130,000	137,500	-
Sum in cash corresponding max. number of shares	130,000	137,500	-
Decision date	8.5.2012	8.5.2012	-
Earning period starts	1.1.2012	1.1.2012	-
Earning period ends	31.12.2013	31.12.2013	-
Earnings requirement			Employed by Aktia Group
Earnings criteria			Cumulated adjusted NAV, total net provision and insurance income
Payment in			Shares and cash
Number of persons on the decision date	11	12	-
Rate of A share on the decision date, EUR	5.25	5.25	-
Rate of A share at the end of the accounting period, EUR	8.10	5.80	-

The earning period 2013 - 2014	2013	2012	2011
Basic information			
Max. number of shares	137,500	-	-
Sum in cash corresponding max. number of shares	137,500	-	-
Decision date	19.6.2013	-	-
Earning period starts	1.1.2013	-	-
Earning period ends	31.12.2014	-	-
Earnings requirement	Employed by Aktia Group		
Earnings criteria	Cumulated adjusted NAV, total net provision and insurance income		
Payment in	Shares and cash		
Number of persons on the decision date	14	-	-
Rate of A share on the decision date, EUR	6.88	-	-
Rate of A share at the end of the accounting period, EUR	8.10	-	-

MRS-programme

The second part of the scheme (MRS, matching Restricted Stock) enables key personnel to receive also a conditional reward on the basis of acquisation of A shares when the incentive scheme is implemented. This conditional reward is paid to key personnel by the end of April 2016 at the latest, and it consists of both shares and cash providing that the key person is employed by the Aktia Group, and that the shares required for payment of the conditional reward have not been transferred, at the time of payment of rewards.

Basic information	2013	2012	2011
Max. number of shares	62,600	46,600	33,200
Sum in cash corresponding max. number of shares	62,600	46,600	33,200
Decision date	28.2.2013 / 8.5.2012 / 22.6.2011	8.5.2012 / 22.6.2011	22.6.2011
Earning period starts	30.4.2013 / 30.6.2012 / 31.8.2011	30.6.2012 / 31.8.2011	31.8.2011
Earning period ends	30.4.2016	30.4.2016	30.4.2016
Earnings requirement	Employment, ownership of shares		
Earnings criteria	-	-	-
Payment in	Shares and cash		
Number of persons on the decision date	16	12	8
Rate of A share on the decision date	7.18 / 5.25 / 6.03	5.25 / 6.03	6.03
Rate of A share at the end of the accounting period	8.10	5.80	4.88

Impact of share-based payments on the company's result and financial position	2013	2012	2011
Accounting period expenses from share-based payments, income statement	1,652	1,947	341
of which recorded as liability 31 December	2,331	1,171	156
of which recorded as fund for share-related payments 31 December	1,608	1,116	185

G49 The customer assets being managed

Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.

Customer assets being managed	2013	2012
Funds in discretionary asset management services	3,922,117	3,601,307
Funds within the framework of investment advising according to a separate agreement	3,932,319	3,995,810
Total funds in asset management services	**7,854,435**	**7,597,117**

G50 PS savings

	2013	2012
The act governing long-term savings agreements entered into force 1 January 2010. As service provider, Aktia Bank plc offers this form of saving for private customers since 1 April 2010. The pension saving comprises a bank account, investments in mutual funds, bonds and shares.		
Customer assets witin PS savings		
PS Savings account	50	77
PS Deposit	52	64
Total	**102**	**141**
Customers' PS investments		
Investments in mutual funds	2,745	667
Shares	109	25
Total	**2,854**	**692**

G51 Business acquired

Businesses acquired during the reporting period

Aktia Bank and the savings bank Saaristosäästöpankki have signed a definitive merger agreement on 30 October 2013. The transaction was carried out so that the owners of Saaristosäästöpankki sold all shares in Saaristosäästöpankki to Aktia Bank. Henceforth, Saaristosäästöpankki will operate as a subsidiary to Aktia Bank, and the the two banks will merge as soon as possible. The merger is planned to take place during the first half of 2014.

The transaction price EUR 6.9 million was paid in cash. The total transaction price may rise to a maximum amount corresponding the net asset value of Saaristosäästöpankki, providing that targeted improvement of result is achieved in the following three years. The extra purchase price is estimated to EUR 1.1 million.

Loans and other receivable were adjusted based on assessments at fair value according to IFRS rules.

Net assets according to the acquisition balance sheet were higher than the total acquisition price, showing a difference of EUR 180,794.15 which was recognised in the income statement at the time of the acquisition.

The total operating income of Saaristosäästöpankki in 2013 amounted to EUR 1,731 thousand and the result after tax for the period was EUR 393 thousand.

		30 October 2013	
Assets	**Saaristo-säästöpankki Oy**	**Fair value adjustments**	**Saaristo-säästöpankki's acquisition balance sheet**
Cash and bank balances	669		669
Financial assets reported at fair value via the income statement	100		100
Interest-bearing securities	5,822		5,822
Shares and participations	3,371	-263	3,108
Financial assets available for sale	9,193	-263	8,929
Financial assets held until maturity	4,403		4,403
Derivative instruments	280		280
Lending to Bank of Finland and credit institutions	16,543		16,543
Lending to the public and public sector entities	45,465	-600	44,865
Loans and other receivables	62,009	-600	61,409
Properties	78		78
Other tangible assets	90		90
Other assets	1,041		1,041
Deferred tax receivables	6	147	153
Total assets	**77,868**	**-716**	**77,152**

Liabilities

Deposits	67,940		67,940
Other financial liabilities	69		69
Other liabilities	680		680
Income tax liabilities	68		68
Deferred tax liabilities	513		513
Total liabilities	**69,269**	**-**	**69,269**
Acquired treasury shares		**-263**	**-263**
Net assets according to IFRS			**8,147**
Transaction price			6,894
Extra purchase price			1,072
Acquisition price			**7,966**
Difference = Other operating income			**181**

G52 Statement of merger effects 1 July 2013 in Aktia Bank plc Group

The merger of Aktia Bank plc with Aktia 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.

	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	447,783	14,887	-14,195	a)	448,475
Financial assets reported at fair value via the income statement	-	19	-		19
Financial assets available for sale	2,060,478	594,341	-7,259	a)	2,647,560
Financial assets held until maturity	355,721	-	-		355,721
Derivative instruments	210,515	0	-9	a)	210,506
Loans and other receivables	7,140,980	4,256	-50,756	a)	7,094,480
Investments for unit-linked provisions	-	412,714	-		412,714
Investments in associated companies	0	17,516	844	b)	18,360
Investments in Group companies	-	316,866	-316,866	b)	-
Intangible assets	2,483	12,550	-		15,033
Investment properties	175	50,794	-		50,969
Other tangible assets	4,206	1,142	-		5,347
Other assets	64,951	16,125	-6,174	a)	74,902
Tax receivables	22,239	1,590	-		23,830
Assets classified as held for sale	-	2,483	-1,246	a)	1,237
Total assets	**10,309,530**	**1,445,283**	**-395,660**		**11,359,153**

Deposits	4,878,410	-	-19,696	a)	4,858,714
Financial liabilities reported at fair value via the income statement	-	-	-		-
Derivative instruments	145,376	9	-9	a)	145,376
Other financial liabilities	4,565,473	46,500	-83,759	a) b)	4,528,214
Technical provisions	-	922,464	-		922,464
Other liabilities	201,292	20,729	-6,174	a)	215,847
Provisions	6,850	-	-		6,850
Tax liabilities	44,974	16,546	-		61,520
Liabilities for assets classified as held for sale	-	160	-		160
Total liabilities	**9,842,375**	**1,006,407**	**-109,638**		**10,739,145**
Restricted equity	208,370	63,916	-23,143	b)	249,143
Unrestricted equity	193,870	374,959	-262,878	b)	305,951
Shareholders' share of equity	402,240	438,875	-286,022		555,094
Non-contorlling interest's share of equity	64,915	-	-		64,915
Equity	467,155	438,875	-286,022		620,008
Total liabilities and equity	**10,309,530**	**1,445,283**	**-395,660**		**11,359,153**

a) Eliminations of intra-group items:

Cash and balances with central banks	-14,195
Financial assets available for sale	-7,259
Derivative instruments	-9
Loans and other receivables	-50,756
Other assets	-6,174
Assets classified as held for sale	-1,246
Assets	**-79,638**
Deposits	-19,696
Derivative instrument	-9
Other financial liabilities	-53,759
Other liabilities	-6,174
Liabilities	**-79,638**

b) Intra-group equity eliminations

Investments in associated companies	844
Investments in group companies	-316,866
Assets	**-316,022**
Other financial liabilities / capital loan	-30,000
Merger difference	53,877
Restricted equity	-77,020
Unrestricted equity	-262,878
Equity	**-286,022**
Other financial liabilities and equity	**-316,022**

G53 Events after the end of the financial year

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.

On 7 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%.

Income statement – Aktia Bank plc

(EUR 1,000)	Note	2013	2012
Interest income	P2	121,513	151,131
Interest expenses	P2	-14,333	-41,715
Net interest income		107,181	109,415
Income from equity instruments	P3	3,116	1,381
Commission income	P4	54,654	46,803
Commission expenses	P4	-5,754	-4,729
Net commission income		48,900	42,074
Net income from securities and currency trading	P5	-756	-3,227
Net income from financial assets available for sale	P6	7,363	3,861
Net income from hedge accounting	P7	84	2,048
Net income from investment properties	P8	647	-24
Other operating income	P9	6,659	7,989
Staff costs	P10	-54,927	-46,429
Other administrative expenses	P11	-47,253	-56,130
Total administrative expenses		-102,180	-102,559
Depreciation and impairment of tangible and intangible assets	P12	-3,917	-2,639
Other operating expenses	P13	-22,640	-18,316
Write-downs on credits and other commitments	P14	-2,777	-5,336
Write-downs on other financial assets	P15	-	-1,618
Operating profit		**41,678**	**33,048**
Appropriations		-19,500	-21,000
Taxes	P16	-8,009	-4,654
Profit for the reporting period		**14,169**	**7,394**

Balance sheet – Aktia Bank plc

(EUR 1,000)	Note	2013	2012
Assets			
Cash and balances with central banks		412,646	585,891
Bonds eligible for refinancing with central banks	P17,P20	2,305,759	1,782,116
Claims on credit institutions	P18	409,874	722,101
Receicables from the public and public sector entities	P19	3,868,892	3,326,902
Bonds from public sector entities		72,444	41,780
Other bonds		-	10,109
Total bonds	P20	72,444	51,889
Shares and participations	P21	151,534	77,638
Derivative contracts	P22	160,143	274,645
Intangible assets	P23	19,292	3,691
Investment properties and shares and participations in investment properties		-	4
Other tangible assets		2,989	2,277
Tangible assets	P24	2,989	2,281
Other assets	P25	7,927	992
Accrued expenses and advance payments	P26	111,956	119,475
Deferred tax receivables	P27	14,968	22,233
Total assets		**7,538,423**	**6,969,854**
Liabilities			
Liabilities to credit institutions	P28	1,040,595	1,493,091
Borrowing		3,779,202	3,686,014
Other liabilities		92,316	146,704
Liabilities to the public and public sector entities	P29	3,871,518	3,832,718
Debt securities issued to the public	P30	1,574,774	470,644
Derivatives and other liabilities held for trading	P22	156,731	257,959
Other liabilities	P31	56,139	46,593
Provisions	P32	6,367	6,850
Total other liabilities		62,506	53,443
Accured expenses and income received in advance	P33	105,478	116,116
Subordinated liabilities	P34	225,759	281,121
Deferred tax liabilities	P35	10,144	18,761
Total liabilities		**7,047,505**	**6,523,852**
Accumulated appropriations		142,740	123,240
Equity			
Share capital		163,000	163,000
Fund at fair value		40,577	57,815
Restricted equity		203,577	220,815
Unrestricted equity reserve		128,434	74,558
Retained earnings		27,389	39,996
Dividends to shareholders		-27,000	-20,000
Share-based payments		1,608	-
Acquisistion of treasury shares		0	-
Profit for the reporting period		14,169	7,394
Unrestricted equity		144,601	101,947
Total equity	P36	**348,178**	**322,762**
Total liabilities and equity		**7,538,423**	**6,969,854**

Off-balance-sheet commitments for the parent company

(EUR 1,000)	Note	2013	2012
Off-balance-sheet commitments	P41		
Guarantees and pledges		31,688	34,622
Other		2,882	3,350
Commitments provided to a third party on behalf of the customer		34,570	37,972
Unused credit arrangements		701,041	376,042
Irrevocable commitments given in favour of a customer		701,041	376,042
Total off-balance-sheet commitments		**735,611**	**414,014**

Cash flow statement – Aktia Bank plc

(EUR 1,000)	2013	2012
Cash flow from operating activities		
Operating profit	41,678	33,048
Adjustment items not included in cash flow for the period	-22,601	-3,778
Unwound cash flow hedging	-	17,511
Unwound fair value hedging	-	92,091
Paid income taxes	-23,138	13,893
Increase (-) or decrease (+) in receivables from operating activities	**-827,296**	**-135,450**
Financial assets available for sale	-519,483	198,606
Financial assets held until maturity, increase	-61,644	9,928
Financial assets held until maturity, decrease	10,114	-
Claims on credit institutions	334,210	-250,501
Receicables from the public and public sector entities	-591,268	-109,985
Other assets	775	16,502
Increase (+) or decrease (-) in liabilities from operating activities	**747,573**	**96,259**
Liabilities to credit institutions	-452,496	108,142
Liabilities to the public and public sector entities	69,387	39,551
Debt securities issued to the public	1,117,465	-51,255
Other liabilities	13,217	-180
Total cash flow from operating activities	**-83,784**	**113,573**
Cash flow from investing activities		
Equity returns	375	106
Investments in group companies and associated companies	-7,040	-44
Proceeds from sale of group companies and associated companies	642	-
Investment in tangible and intangible assets	-10,488	-2,534
Disposal of tangible and intangible assets	1,373	248
Share issue of Aktia Bank plc to Aktia Real Estate Mortgage Bank plc	-	-9,229
Total cash flow from investing activities	**-15,138**	**-11,452**
Cash flow from financing activities		
Subordinated liabilities, increase	85,683	74,526
Subordinated liabilities, decrease	-111,025	-61,395
Paid dividends	-27,000	-20,000
Increase in unrestricted equity reserve	-	30,000
Total cash flow from financing activities	**-52,342**	**23,131**
Change in cash and cash equivalents	**-151,263**	**125,252**
Cash and cash equivalents at the beginning of the year	600,537	472,951
Cash and cash equivalents at the end of the year	449,273	600,537
Cash and equivalents transferred in connection with transfer of business operations	-	2,334
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,697	7,960
Bank of Finland current account	404,949	577,931
Repayable on demand claims on credit insitutions	36,628	14,645
Total	**449,273**	**600,537**
Adjustment items not included in cash flow consist of:		
Reversal impairment of bonds	-	-1,213
Write-downs on other financial assets	-	1,618
Write-downs on credits and other commitments	2,777	5,336
Change in fair values	1,911	-4,375
Depreciation and impairment of intangible and tangible assets	3,917	2,639
Sales gains and losses from intangible and tangible assets	-764	-
Change in provisions	-483	6,850
Change in share-based payments	1,335	-
Unwound cash flow hedging	-15,392	-11,660
Unwound fair value hedging	-15,903	-1,346
Other adjustments	-	-1,628
Total	**-22,601**	**-3,778**

Notes to the parent company

P1 The parent company's accounting principles

Aktia Bank plc's financial statement has been drawn up in compliance with the provisions of the Finnish Accounting Act and the Credit Institutions Act, the ordinance issued by the Ministry of Finance on financial statements and consolidated financial statements for credit institutions (150/2007) as well as Regulations and guidelines 1/2013 Accounting, financial statements and management report issued by the Financial Supervisory Authority. The financial statement for Aktia Bank plc has been prepared in accordance with Finnish accounting standards (FAS).

Information about business segments in the parent company is not relevant. The Group's segment reporting is presented in note G3.

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividends

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

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

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

Commissions

Commission income and commission expenses are generally reported in accordance with the accruals convention.

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are recognised in the income statement directly.

Depreciation

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

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

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax receivable is reported where it is likely that future taxable income will arise against which the temporary difference can be utilised. As of 1 January 2014, the tax rate for corporations in Finland changed from 24.5% to 24.0%. Deferred tax receivables and liabilities per 31 December 2013 are calculated according to the new tax rate 20.0%. The change of 4.5% is reported either via deferred tax in the income statement or directly against own equity in the fund at fair value.

Financial assets and liabilities

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

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category Financial assets available for sale. The unrealised value change is recognised in equity in the Fund at fair value with deductions for deferred tax until sold or impaired. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and included in Net income from financial assets available for sale.

Debt certificates to be held until maturity are reported in the category Financial assets held until maturity. These securities are entered at accrued acquisition cost. If there is objective evidence to suggest that full repayment will not be received on such a security at the end of the reporting period, the difference compared with the acquisition cost is entered as an expense. The difference between the acquisition cost and the nominal value has been allocated as interest income or loss of it. If securities classified as Financial assets held until maturity are sold prior to maturity, these securities are reclassified as Financial assets available for sale. The reason for this reclassification is that the intention or ability in relation to the investments (a significant amount) changes so that the conditions for the use of this category are no longer met. After any such reclassification, these securities are reported as Financial assets available for sale for at least two consecutive reporting periods.

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

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

Reclassification

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

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

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

Valuation of financial instruments at fair value

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

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

Impairment of financial assets

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

- the company has entered into bankruptcy or is de facto insolvent and unable to make payments
- the company has entered into a corporate reorganisation agreement, or has sought protection against its creditors, or is undergoing significant restructuring which affects creditors.

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

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

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

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

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

Write-downs of loans and other receivables

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

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

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

For larger corporate customers, a write-down by group is carried out for individually valued receivables. Individually valued receivables include larger corporate commitments which are classified as unstable according to internal risk criteria due to factors relating to profitability, debt burden, ownership structure, management and financial administration, sector or financing structure.

Accounting for the acquisition and disposal of financial assets

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

Derivative instruments

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

Derivative instruments are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedges or cash flow hedges according to the following accounting principles.

Hedge accounting

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

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

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

Fair value hedging

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

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

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

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

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

Cash flow hedging

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

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

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

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

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

Financial derivatives valued at fair value through the income statement

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

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

Repurchase agreements

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

Cash and balances with central banks

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

Tangible and intangible assets

Real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Company. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If only part of the premises is used by the Company, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their acquisition value. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments.

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

Provisions

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

Equity

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

Notes to the income statement – Aktia Bank plc

(EUR 1,000)

P2 Interest income and expenses

	2013	2012
Interest income		
Claims on credit institutions	10,289	12,635
Receivables from the public and public sector entities	65,546	80,484
Bonds	44,281	57,616
Derivatives	-23	196
Other interest income	1,420	199
Total	**121,513**	**151,131**
Interest costs		
Liabilities to credit institutions	-9,793	-13,698
Other liabilities to the public and public sector entities	-31,374	-39,350
Debt securities issued to the public	-10,997	-6,028
Derivatives and liabilities held for trading	47,563	27,523
Subordinated liabilities	-8,881	-10,125
Other interest expenses	-851	-37
Total	**-14,333**	**-41,715**
Net interest income	**107,181**	**109,415**

P3 Income from equity instruments

	2013	2012
Income from companies within the same Group	2,765	1,009
Income from associated companies	260	319
Income from financial assets available for sale	91	53
Total	**3,116**	**1,381**

P4 Commission income and expenses

	2013	2012
Commission income		
Lending	8,137	7,805
Borrowing	1,614	230
Payment transactions	17,805	16,463
Asset management services	14,726	13,244
Brokerage of insurance	8,060	6,419
Guarantees and other off-balance sheet commitments	548	575
Other commission income	3,764	2,068
Total	**54,654**	**46,803**
Commission expenses		
Commission expenses	-281	-71
Money handling	-729	-608
Joint use of ATMs	-1,082	-1,386
Other commission expenses	-3,662	-2,665
Total	**-5,754**	**-4,729**
Net commission income	**48,900**	**42,074**

P5 Net income from securities and currency trading

	2013	2012
Interest-bearing securities		
Capital gains and losses	2	1
Total	**2**	**1**
Derivative instruments		
Capital gains and losses	-2,179	-4,454
Total	**-2,179**	**-4,454**
Other		
Capital gains and losses	-6	-2
Total	**-6**	**-2**
Total		
Capital gains and losses	-2,183	-4,454
Net income from securities	**-2,183**	**-4,454**
Net income from currency trading	1,427	1,227
Net income from securities and currency trading	**-756**	**-3,227**

P6 Net income from financial assets available for sale

	2013	2012
Interest-bearing securities		
Capital gains and losses	-1,358	19,370
Transferred to income statement from fund at fair value	5,917	-18,592
Reversal of impairment losses	-	1,213
Total	**4,559**	**1,991**
Shares and participations		
Capital gains and losses	2,804	1,870
Total	**2,804**	**1,870**
Total		
Capital gains and losses	1,446	21,240
Transferred to income statement from fund at fair value	5,917	-18,592
Reversal of impairment losses	-	1,213
Total	**7,363**	**3,861**

P7 Net income from hedge accounting

	2013	2012
Ineffective share of cash flow hedging	-	40
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-12,707	-40,655
Financial derivatives hedging issued bonds	886	7,704
Changes in fair value of hedge instruments, net	-11,821	-32,951
Repayable on demand liabilities	11,901	42,810
Bonds issued	4	-7,851
Changes in fair value of items hedged, net	11,905	34,959
Total	**84**	**2,008**
Total hedge accounting	**84**	**2,048**

P8 Net income from investment properties

	2013	2012
Rental income	6	18
Sales gains	685	-
Other expenses for investment properties	-44	-42
Total	**647**	**-24**

P9 Other operating income

	2013	2012
Compensation from insurance companies	1	2
Income received for services as central financial institution	3,570	2,638
Internal Group compensations	451	791
Other operating income	2,638	4,558
Total	**6,659**	**7,989**

P10 Staff

	2013	2012
Salaries and fees	-45,568	-37,979
Pension costs	-7,221	-6,504
Other indirect employee costs	-2,138	-1,946
Indirect employee costs	-9,359	-8,450
Total	**-54,927**	**-46,429**
Number of employees 31 December		
Full-time	665	612
Part-time	93	96
Temporary	116	118
Total	**874**	**826**

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are not any pension commitments that have a liability deficit.

P11 Other administrative expenses

	2013	2012
Other staff expenses	-3,293	-2,379
Office expenses	-5,498	-3,860
Communication expenses	-2,737	-2,164
IT-expenses	-22,662	-25,860
Representation and marketing expenses	-3,765	-3,692
Other administrative expenses	-9,298	-18,175
Total	**-47,253**	**-56,130**

P12 Depreciation and impairment of tangible and intangible assets

	2013	2012
Depreciation of tangible assets	-1,114	-1,094
Depreciation of intangible assets	-2,802	-1,546
Total	**-3,917**	**-2,639**

P13 Other operating expenses

	2013	2012
Rental expenses	-11,609	-10,072
Expenses for commercial properties	-1,842	-1,705
Insurance- and security expenses (incl. bank tax)	-5,001	-2,502
Monitoring, control and membership fees	-566	-534
Other expenses	-3,622	-3,505
Total	**-22,640**	**-18,316**
Auditors' fees		
Statutory auditing	50	53
Services related to auditing	28	24
Tax counselling	4	-
Other services	101	78
Total	**183**	**156**

P14 Write-downs on credits and other commitments

	2013	2012
Receivables from the public and public sector entities		
Individual write-downs	-8,821	-6,761
Write-downs by group	4,923	-477
Reversals of and recoveries of write-downs	1,134	1,917
Reversals of credit losses	3	2
Total	**-2,761**	**-5,319**
Interest receivables		
Individual write-downs	-25	-40
Reversals of and recoveries of write-downs	9	23
Total	**-16**	**-17**
Total write-downs on credits and other commitments	**-2,777**	**-5,336**

P15 Impairment of other financial assets

	2013	2012
Impairment of shares in Oy Samlink Ab	-	-1,618
Total	**-**	**-1,618**

P16 Taxes

	2013	2012
Income taxes on the ordinary business	-847	-26,839
Income taxes from previous financial years	102	-48
Changes in deferred taxes	-7,264	22,233
Total	**-8,009**	**-4,654**

Notes to the balance sheet and other notes to the accounts – Aktia Bank plc

(EUR 1,000)

P17 Bonds that are eligible for refinancing with central banks

	2013	2012
Government bonds	67,980	16,549
Other	2,237,779	1,765,567
Total	**2,305,759**	**1,782,116**

P18 Receivables from credit institutions

	2013	2012
Repayable on demand		
Finnish credit institutions	22,549	924
Foreign credit institutions	14,079	13,722
Total	**36,628**	**14,645**
Other than repayable on demand		
Finnish credit institutions	366,046	699,676
Foreign credit institutions	7,200	7,780
Total	**373,246**	**707,456**
Total claims on credit institutions	**409,874**	**722,101**

P19 Receivables from the public and public sector entities

	2013	2012
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	3,122,146	2,389,653
Corporate	538,044	718,250
Housing associations	163,571	176,452
Public sector entities	2,196	3,907
Non-profit organisations	42,934	38,641
Total	**3,868,892**	**3,326,902**

The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.

	2013	2012
Write-downs during the financial year		
Write-downs at the beginning of the financial year	64,549	61,853
Transferred from Aktia Card Ltd	-	39
Receivables from the public and public sector entities		
Individual write-downs	8,821	6,761
Group write-downs	-4,923	477
Individual write-downs that were reversed	-1,134	-1,917
Credit losses for which individual write-downs were made earlier	-2,611	-2,664
Write-downs at the end of the financial year	**64,702**	**64,549**

P20 Bonds by financial instrument

	Total 2013	Of which, the bonds that are eligible for refinancing with central banks	Total 2012	Of which, the bonds that are eligible for refinancing with central banks
Bonds that can be sold				
Publicly quoted	1,850,833	1,849,720	1,459,268	1,459,268
Other	32,004	29,444	24,717	20,769
Total	**1,882,836**	**1,879,164**	**1,483,985**	**1,480,037**
Bonds retained until maturity				
Publicly quoted	495,366	495,366	350,020	339,911
Total	**495,366**	**495,366**	**350,020**	**339,911**
Total bonds	**2,378,202**	**2,374,530**	**1,834,004**	**1,819,948**

P21 Shares and participations

	2013	2012
Shares and participations available for sale		
Credit institutions	168	168
Other	1,312	1,217
Total	**1,480**	**1,385**
Total shares and participations	**1,480**	**1,385**
Shares and participations in associated companies		
Credit institutions	-	778
Other companies	17,516	0
Total	**17,516**	**778**
Shares and participations in group companies		
Credit institutions	78,482	70,388
Other companies	54,056	5,087
Total	**132,538**	**75,476**
Total shares and participations	**151,534**	**77,638**

The holdings in associated- and group companies have been valued at their acquisition cost.

P22 Derivative instruments

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

31 December 2013

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest rate swaps	2,358,850	5,046,890	979,310	8,385,050	192,994	184,120
Interest rate option agreements	850,382	873,127	60,000	1,783,509	21,972	22,078
Purchased	420,382	511,127	30,000	961,509	2,206	2,310
Written	430,000	362,000	30,000	822,000	19,767	19,767
Total	**3,209,232**	**5,920,017**	**1,039,310**	**10,168,559**	**214,966**	**206,197**
Total interest rate derivatives	**3,209,232**	**5,920,017**	**1,039,310**	**10,168,559**	**214,966**	**206,197**
Forward rate agreements	36,054	-	-	36,054	157	108
Total forward rate agreements	**36,054**	**-**	**-**	**36,054**	**157**	**108**
Equity options	15,208	40,088	-	55,296	3,556	3,556
Purchased	7,604	20,044	-	27,648	3,381	175
Written	7,604	20,044	-	27,648	175	3,381
Total equity options	**15,208**	**40,088**	**-**	**55,296**	**3,556**	**3,556**
Options	18,830	1,922	-	20,752	-	-
Purchased	9,415	961	-	10,376	-	-
Written	9,415	961	-	10,376	-	-
Other derivative instruments	**18,830**	**1,922**	**-**	**20,752**	**-**	**-**
Total derivative instruments	**3,279,324**	**5,962,027**	**1,039,310**	**10,280,661**	**218,678**	**209,861**

31 December 2012

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest forward rate agreements	75,000	-	-	75,000	31	-
Interest rate swaps	2,277,300	5,812,240	1,187,410	9,276,950	307,902	283,052
Interest rate option agreements	246,320	1,783,532	140,000	2,169,852	32,567	32,713
Purchased	206,320	1,151,018	70,000	1,427,338	32,482	29,751
Written	40,000	632,514	70,000	742,514	85	2,962
Total	**2,598,620**	**7,595,772**	**1,327,410**	**11,521,802**	**340,500**	**315,765**
Total interest rate derivatives	**2,598,620**	**7,595,772**	**1,327,410**	**11,521,802**	**340,500**	**315,765**
Forward rate agreements	55,600	-	-	55,600	627	1,294
Total forward rate agreements	**55,600**	**-**	**-**	**55,600**	**627**	**1,294**
Equity options	24,747	77,404	-	102,151	1,701	1,701
Purchased	12,373	38,702	-	51,075	1,621	80
Written	12,373	38,702	-	51,075	80	1,621
Total equity options	**24,747**	**77,404**	**-**	**102,151**	**1,701**	**1,701**
Options	-	20,752	-	20,752	63	63
Purchased	-	10,376	-	10,376	63	-
Written	-	10,376	-	10,376	-	63
Other derivative instruments	**-**	**20,752**	**-**	**20,752**	**63**	**63**
Total derivative instruments	**2,678,967**	**7,693,928**	**1,327,410**	**11,700,304**	**342,891**	**318,823**

Derivative instruments' fair values include accrued interest.

P23 Intangible assets

31 December 2013	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	4,271	5,773	10,04
Transferred assets	13,539	113	13,652
Increases	7,557	2,080	9,636
Decreases	-658	-398	-1,056
Acquisition cost at 31 December	24,709	7,567	32,276
Accumulated depreciations and impairments at 1 January	-2,484	-3,868	-6,353
Transferred assets	-4,169	-45	-4,214
Accumulated depreciation on decreases	-	384	384
Planned depreciation	-1,959	-843	-2,802
Accumulated depreciations and impairments at 31 December	-8,612	-4,373	-12,985
Book value at 31 December	**16,097**	**3,195**	**19,292**

31 December 2012	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	4,267	5,222	9,488
Transferred assets	405	-	405
Increases	980	702	1,682
Decreases	-1,381	-151	-1,531
Acquisition cost at 31 December	4,271	5,773	10,044
Accumulated depreciations and impairments at 1 January	-2,950	-2,992	-5,941
Transferred assets	-251	-	-251
Accumulated depreciation on decreases	1,364	22	1,386
Planned depreciation	-647	-898	-1,546
Accumulated depreciations and impairments at 31 December	-2,484	-3,868	-6,353
Book value at 31 December	**1,787**	**1,905**	**3,691**

P24 Tangible assets

	2013	2012
Investment properties		
Shares and participations in real estate corporations		
Acquisition cost at 1 January	4	4
Decreases	-4	-
Acquisition cost at 31 December	-	4
Book value at 31 December	**-**	**4**
Carrying amount at 31 December	**-**	**455**

Other tangible assets

31 December 2013	Machines and equipment	Other tangible assets	Tangible assets total
Acquisition cost at 1 January	6,670	1,569	8,243
Transferred assets	3,436	-	3,436
Increases	852	-	852
Decreases	-294	-	-298
Acquisition cost at 31 December	10,664	1,569	12,233
Accumulated depreciations and impairments at 1 January	-4,731	-1,231	-5,962
Transferred assets	-2,449	-	-2,449
Accumulated depreciation on decreases	281	0	281
Planned depreciation	-1,098	-17	-1,114
Accumulated depreciations and impairments at 31 December	-7,996	-1,248	-9,244
Book value at 31 December	**2,668**	**321**	**2,989**

31 December 2012	Machines and equipment	Other tangible assets	Tangible assets total
Acquisition cost at 1 January	6,332	2,319	8,655
Transferred assets	34	-	34
Increases	676	-	676
Decreases	-371	-750	-1,122
Acquisition cost at 31 December	6,670	1,569	8,243
Accumulated depreciations and impairments at 1 January	-3,982	-1,893	-5,876
Transferred assets	-12	-	-12
Accumulated depreciation on decreases	269	750	1,019
Planned depreciation	-1,006	-88	-1,094
Accumulated depreciations and impairments at 31 December	-4,731	-1,231	-5,962
Book value at 31 December	**1,939**	**338**	**2,281**

P25 Other assets

	2013	2012
Cash items being collected	0	169
Other assets	7,927	823
Total	**7,927**	**992**

P26 Accrued expenses and advance payments

	2013	2012
Interests	97,649	105,077
Other	14,307	14,398
Total	**111,956**	**119,475**

P27 Deferred tax receivables

	2013	2012
Deferred tax receivables at 1 January	22,233	11,251
Change booked via income statement during the period	-7,264	22,233
Financial assets:		
- Fair value measurement	-	-11,251
Deferred tax receivables at 31 December	**14,968**	**22,233**

Deferred tax receivables relates to the unwinding of hedging interest-rate derivatives.

P28 Liabilities to credit institutions

	2013	2012
Repayable on demand deposits from credit institutions	431,166	340,571
Other than repayable on demand deposits from credit institutions	609,429	1,152,520
Total	**1,040,595**	**1,493,091**

P29 Liabilities to the public and public sector entities

	2013	2012
Repayable on demand	3,198,739	2,789,884
Other than repayable on demand	580,463	896,130
Borrowing	3,779,202	3,686,014
Repayable on demand	225	225
Other than repayable on demand	92,091	146,479
Other liabilities	92,316	146,704
Total	**3,871,518**	**3,832,718**

P30 Debt securities issued to the public

	2013		2012	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	316,059	316,600	394,885	395,870
Bonds	1,258,715	1,265,552	75,759	76,917
Total	**1,574,774**	**1,582,152**	**470,644**	**472,787**

P31 Other liabilities

	2013	2012
Cash items in the process of collection	40,234	45,272
Other	15,905	1,321
Total	**56,139**	**46,593**

P32 Provisions

	2013	2012
Provisions 1 January	6,850	-
Increase in provisions	-	6,850
Provisions used	-483	-
Provisions 31 December	**6,367**	**6,850**

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

P33 Accrued expenses and income received in advance

	2013	2012
Interests	72,767	76,613
Other	32,711	39,503
Total	**105,478**	**116,116**

P34 Subordinated liabilities

	2013	2012
Capital loans	-	30,000
Debenture loans	225,759	206,121
Loan without due date	-	45,000
Total	**225,759**	**281,121**
Nominal value	225,747	281,089
Amount included in upper Tier 2 capital	-	45,000
Amount included in lower Tier 2 capital	187,269	178,651

The bank operates a bond programme that is updated and approved each year by the Board of Directors. The size of the programme is currently EUR 500 million. Under the programme, both other bonds (included in note P30) and debenture loans are issued. Debentures are currently issued at fixed interest rates primarily with a maturity of 5 years.

There is one debenture loan amounting to EUR 27.6 million, exceeding 10% of all subordinated liabilities. The loan was issued 2 May 2013. The loan has a maturity of 5 years and early repayment can not be required. The loan has a fixed interest rate of 2.5%.

P35 Deferred tax liabilities

	2013	2012
Deferred tax liabilities at 1 January	18,761	8,070
Transferred deferred tax liability from Aktia plc to Aktia Bank plc in connection with merger 1 July 2013	7	-
Financial assets:		
- Fair value measurement	-3,403	8,008
- Transferred to income statement	-5,221	2,683
Deferred tax liabilities at 31 December	**10,144**	**18,761**

Deferred tax liabilities relates to the fund at fair value.

P36 Equity

	At the beginning of the reporting period	Merger effect	Increase/ Decrease	At the end of the financial year
Share capital	163,000			163,000
Fair value hedging	*42,035*	*20*	*-5,886*	*36,170*
Cash flow hedging	*15,780*		*-11,373*	*4,407*
Fund at fair value	57,815	20	-17,259	40,577
Restricted equity	220,815	20	-17,259	203,577
Unrestricted equity reserve	74,558	53,877		128,434
Retained earnings	27,389			27,389
Dividends to shareholders			-27,000	-27,000
Share-based payments		1,175	434	1,608
Acquisition of treasury shares		0		0
Profit for the reporting period			14,169	14,169
Unrestricted equity	101,947	55,051	-12,397	144,601
Total equity	**322,762**	**55,072**	**-29,656**	**348,178**

	2013	2012
Fund at fair value at 1 January	57,815	-9,801
Changes in fair value during the period	-4,574	78,607
Deferred taxes on changes in fair value during the reporting period	3,408	-19,259
Transferred to income statement during the reporting period	-21,288	10,950
Deferred taxes on transferred to income statement during the reporting period	5,216	-2,683
Fund at fair value at 31 December	**40,577**	**57,815**

Only changes in the fair value of financial assets available for sale are entered in the fund at fair value.

Distributable assets in unrestricted equity	2013	2012
Retained earnings	27,389	39,996
Dividends to shareholders	-27,000	-20,000
Profit for the reporting period	14,169	7,394
Unrestricted equity reserve	128,434	74,558
Share-based payments	1,608	-
Total	**144,601**	**101,947**

Unrestricted equity consist only of distributable assets.

Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the period, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 divided into 46,706,723 A shares and 19,872,088 R shares, totalling 66,578,811 shares (2012; 3). The number of registered shareholders at the end of the financial period was 45,988. The number of A shares attributable to unindentified shareholders was 779,833. A shares have 1 vote, and R shares have 20 votes.

Treasury shares

At year-end, the number of treasury A shares was 34,311. Before the merger of Aktia plc and Aktia Bank plc on 1 July 2013, the number of series A treasury shares was 286,716 and that of series R shares 178,762. Of them 56,528 series A shares were divested and the rest the treasury shares deregistered. After the merger, Aktia Bank plc held 3 series A treasury shares, and received further 34,308 A shares with the acquisition of Saaristosäästöpankki Oy.

Fund at fair value

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

Unrestricted equity reserve

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

Retained earnings

Retained earnings contains of retained earnings from previous reporting periods and profit for the reporting period.

P37 Fair value of financial assets and liabilities

Assets	2013		2012	
	Book value	Fair value	Book value	Fair value
Cash and balances with central banks	412,646	412,646	585,891	585,891
Bonds	2,378,202	2,377,356	1,834,004	1,833,573
Claims on credit institutions	409,874	410,041	722,101	722,084
Receicables from the public and public sector entities	3,868,892	3,707,960	3,326,902	3,188,862
Shares and participations	1,480	1,480	1,385	1,385
Shares and participations in associated companies	17,516	17,516	778	778
Shares and participations in group companies	132,538	132,538	75,476	75,476
Derivative contracts	160,143	160,143	274,645	274,645
Total	**7,381,291**	**7,219,680**	**6,821,182**	**6,682,693**

Liabilities	2013		2012	
	Book value	Fair value	Book value	Fair value
Liabilities to credit institutions and central banks	1,040,595	1,046,074	1,493,091	1,524,346
Liabilities to the public and public sector entities	3,871,518	3,788,943	3,832,718	3,728,327
Debt securities issued to the public	1,574,774	1,599,965	470,644	473,889
Derivatives and other liabilities held for trading	156,731	156,731	257,959	257,959
Subordinated liabilities	225,759	230,755	281,121	291,059
Total	**6,869,377**	**6,822,468**	**6,335,531**	**6,275,580**

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

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

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

P38 Breakdown by maturity of assets and liabilities by balance sheet item

Assets

31 December 2013	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	12,803	257,977	1,916,095	118,884	-	2,305,759
Claims on credit institutions	137,930	2,801	30,681	238,462	-	409,874
Receicables from the public and public sector entities	230,277	375,673	1,114,834	922,382	1,225,726	3,868,892
Bonds	29,444	-	43,000	-	-	72,444
Total	**410,453**	**636,451**	**3,104,610**	**1,279,728**	**1,225,726**	**6,656,968**

31 December 2012	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	31,232	110,185	1,491,073	149,625	-	1,782,116
Claims on credit institutions	332,775	140,330	36,564	-	212,432	722,101
Receicables from the public and public sector entities	251,385	345,117	1,008,301	743,867	978,231	3,326,902
Bonds	21,482	8,124	22,283	-	-	51,889
Total	**636,875**	**603,756**	**2,558,221**	**893,492**	**1,190,663**	**5,883,007**

Liabilities

31 December 2013	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	839,875	94,175	60,959	45,586	-	1,040,595
Liabilities to the public and public sector entities	2,914,878	770,703	182,006	3,931	-	3,871,518
Debt securities issued to the public	163,838	174,365	1,057,944	-	178,627	1,574,774
Subordinated liabilities	22,460	44,903	147,608	10,788	-	225,759
Total	**3,941,051**	**1,084,146**	**1,448,517**	**60,306**	**178,627**	**6,712,646**

31 December 2012	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	882,819	100,105	372,110	31,289	106,768	1,493,091
Liabilities to the public and public sector entities	3,150,571	554,853	124,915	2,379	-	3,832,718
Debt securities issued to the public	116,037	288,408	66,199	-	-	470,644
Subordinated liabilities	18,770	92,270	140,081	-	30,000	281,121
Total	**4,168,196**	**1,035,636**	**703,304**	**33,668**	**136,768**	**6,077,573**

P39 Property items and liabilities in euros and in foreign currency

31 December 2013

Assets	Euros	Foreign currency	Total
Bonds	2,378,202	-	2,378,202
Claims on credit institutions	403,476	6,398	409,874
Receicables from the public and public sector entities	3,868,892	-	3,868,892
Shares and participations	151,534	-	151,534
Derivative contracts	160,143	-	160,143
Other assets	569,778	-	569,778
Total	**7,532,025**	**6,398**	**7,538,423**

31 December 2012

Assets	Euros	Foreign currency	Total
Bonds	1,834,004	-	1,834,004
Claims on credit institutions	710,966	11,135	722,101
Receicables from the public and public sector entities	3,326,902	-	3,326,902
Shares and participations	77,638	-	77,638
Derivative contracts	274,645	-	274,645
Other assets	734,563	-	734,563
Total	**6,958,719**	**11,135**	**6,969,854**

31 December 2013

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	1,040,593	2	1,040,595
Liabilities to the public and public sector entities	3,849,261	22,256	3,871,518
Debt securities issued to the public	1,574,774	-	1,574,774
Derivative contracts	156,731	-	156,731
Subordinated liabilities	225,759	-	225,759
Other liabilities	178,128	-	178,128
Total	**7,025,247**	**22,258**	**7,047,505**

31 December 2012

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	1,493,057	34	1,493,091
Liabilities to the public and public sector entities	3,808,720	23,998	3,832,718
Debt securities issued to the public	470,644	-	470,644
Derivative contracts	257,959	-	257,959
Subordinated liabilities	281,121	-	281,121
Other liabilities	188,321	-	188,321
Total	**6,499,820**	**24,032**	**6,523,852**

P40 Collateral assets and liabilities

Collateral assets

		The value of security	
Collateral for own liabilities	**Type of security**	**31 December 2013**	**31 December 2012**
Liabilities to credit institutions	Debt securities	83,351	188,662
Collateral provided in connection with repurchasing agreements	Debt securities	-	106,963
Total		**83,351**	**295,625**

Liabilities to credit institutions include securities at the Bank of Finland and the European Investment Bank, the nominal value of which is EUR 59 (154) million. Standardised GMRA (Global Master Repurchase Agreement) rules apply on the repurchase agreements.

		The value of security	
Other collateral assets	**Type of security**	**31 December 2013**	**31 December 2012**
Securities pledged at the central bank	Debt securities	272,111	180,677
Collateral provided in connection with repurchasing agreements	Debt securities	43,000	36,799
Collateral provided in connection with repurchasing agreements	Cash and balances with central banks	26,650	52,280
Total		**341,761**	**269,756**

On 31 December 2013, EUR 122 million was pledged at the central bank as extra collateral.

Total collateral assets	**425,112**	**565,381**

Collateral held by the bank as security for liabilities that have been received by companies in the same Group

As of 31 December 2013	-	-
As of 31 December 2012	-	-

For other liabilities

The bank has not provided collateral for other parties.

Collateral liabilities

	Type of security	The value of security 31 December 2013	31 December 2012
Collateral received in connection with contracts of pledge	Cash and balances with central banks	173,240	245,460
Collateral received in connection with repurchase agreements	Debt securities	53,302	160,115
Total		**226,542**	**405,575**

P41 Off-balance sheet commitments

	2013	2012
Guarantees	31,688	34,622
Other commitments provided to a third party	2,882	3,350
Unused credit arrangements	701,041	376,042
Total	**735,611**	**414,014**

P42 Rental commitments

	2013	2012
Less than 1 year	7,404	8,300
1-5 years	22,746	24,934
More than 5 years	-	4,270
Total	**30,150**	**37,503**

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

P43 The customer assets under management

The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.

	2013	2012
Customer assets being managed		
Funds in a customer funds account	661	149
Funds in discretionary asset management services	128,589	62,157
Funds within the framework of investment advising according to a separate agreement	1,534,949	1,271,069
Total funds in asset management services	**1,664,200**	**1,333,375**

P44 The parent company's capital adequacy

	2013	2012
Summary		
Tier 1 capital	355,035	357,302
Tier 2 capital	203,936	265,686
Capital base	**558,971**	**622,988**
Risk-weighted amount for credit and counterpart risks	2,105,474	1,899,357
Risk-weighted amount for market risks 1)	-	-
Risk-weighted amount for operative risks	313,369	317,360
Risk-weighted commitments	**2,418,844**	**2,216,717**
Capital adequacy ratio, %	**23.1**	**28.1**
Tier 1 Capital ratio, %	**14.7**	**16.1**
Minimum capital requirement	**193,507**	**177,337**
Capital buffer (difference between capital base and minimi requirement)	365,463	445,651

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

Capital base	2013	2012
Share capital	163,000	163,000
Other funds	128,434	74,558
Credit loss provisions (after tax)	114,192	93,046
Retained earnings	1,998	19,996
Profit for the reporting period	14,169	7,394
./. provision for dividend to shareholders	-27,963	-27,000
Capital loan	-	30,000
Total	393,830	360,993
./. intangible assets	-19,292	-3,691
./. shares in insurance companies	-19,503	-
Tier 1 capital	**355,035**	**357,302**
Fund at fair value	36,170	42,035
Other Tier 2 capital	-	45,000
Subordinated bonds	187,269	178,651
./. shares in insurance companies	-19,503	-
Tier 2 capital	**203,936**	**265,686**
Total capital base	**558,971**	**622,988**

Risk-weighted commitments, credit and counterparty risks

Total exposures 12/2013				Risk-weighted commitments	
Risk-weight	Balance sheet assets	Off-balance sheet commitments	Total 12/13	12/2013	12/2012
0%	1,669,829	364,015	2,033,844	-	-
10%	1,341,602	-	1,341,602	134,160	125,502
20%	582,266	128,651	710,917	121,892	115,087
35%	2,736,975	40,908	2,777,883	963,713	733,015
50%	784	-	784	392	56
75%	501,082	175,909	676,991	428,543	396,504
100%	417,487	25,506	442,993	430,827	492,749
150%	8,609	622	9,231	13,380	15,830
Total	**7,258,635**	**735,611**	**7,994,246**	**2,092,907**	**1,878,743**
Derivatives *)	-	-	235,826	12,567	20,614
Total	**7,258,635**	**735,611**	**8,230,073**	**2,105,474**	**1,899,357**

*) 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, firms 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.

Risk-weighted amount for operative risks

	2013	2012	2011	2010	2013	2012
Gross income	165,287	168,549	167,555	181,345		
- average 3 years	167,130	172,483				
Capital requirement for operative risk, 15 %					25,070	25,872
Risk-weighted amount					313,369	323,405

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 %.

P45 Holdings in other companies

Subsidiaries	2013		2012	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Financing				
Aktia Real Estate Mortgage Bank Plc, Helsinki	50.9	61,885	50.9	61,885
Aktia Corporate Finance Ltd, Helsinki	100.0	8,503	100.0	8,503
Aktia Invest Ldt, Helsinki	70.0	737	70.0	1,112
Skärgårdssparbanken Ab, Parainen	100.0	8,093	-	-
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	87.0	1,503	86.0	1,468
Real estate agency operations				
Aktia Fastighetsförmedling Ab, Turku	100.0	2,792	-	-
Insurance companies				
Aktia Life Insurance Ltd, Turku	100.0	46,191	-	-
Real estate operations				
Other real estate companies		0	-	-
Other				
Vasp-Invest Ab, Helsinki	100.0	325	-	-
Total		**132,538**		**75,476**

Associated companies	2013		2012	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Insurance companies				
Folksam Non-Life Insurance Company Ltd	34.0	17,516	-	-
Data processing				
Oy Samlink Ab, Helsinki	22.6	0	22.6	0
Others				
Bonum Bank Ltd, Espoo (earlier ACH Finland Oy)	-	-	25.8	778
Total		**17,516**		**778**

Financing income obtained from and financing expenses paid to other group companies

	2013	2012
Interest income	12,369	12,298
Dividends	30,026	1,328
Interest expenses	-471	-152
Net finance income	**41,923**	**13,474**

Receivables from and liabilities to companies in the group

	2013	2012
Loans to credit institutions	293,462	563,432
Loans to the public and public sector entities	53,284	74,911
Debt securities	213,513	26,001
Accrued income and expenses paid in advance	11,776	15,365
Total receivables	**572,036**	**679,709**
Liabilities to credit institutions	64,011	20,937
Liabilities to the public and public sector entities	29,117	7,512
Bonds issued	5,492	1,500
Other liabilities	242	2,273
Accrued expenses and income received in advance	32,133	29,168
Total liabilities	**130,995**	**61,389**

P46 Shareholders

	Shareholders 31.12.2013						Shareholders 31.12.2012	
	A shares	R shares	Shares	Of shares, %	Votes	Of votes, %	Of shares, %	Of votes, %
The 20 largest shareholders:								
Stiftelsen Tre Smeder	2,571,925	4,280,216	6,852,141	10.3	88,176,245	19.9	10.3	19.9
Livränteanstalten Hereditas	4,648,114	2,066,106	6,714,220	10.1	45,970,234	10.4	10.0	10.3
Pensionsförsäkringsaktiebolaget Veritas	4,027,469	2,134,397	6,161,866	9.3	46,715,409	10.5	9.2	10.4
Svenska litteratursällskapet i Finland rf	2,139,832	789,229	2,929,061	4.4	17,924,412	4.0	4.3	4.0
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.3	20,905,000	4.7	4.3	4.7
Ömsesidiga arbetspensionsförsäkringsbolaget Varma	2,675,000	-	2,675,000	4.0	2,675,000	0.6	4.0	0.6
Stiftelsen för Åbo Akademi	1,595,640	751,000	2,346,640	3.5	16,615,640	3.7	3.5	3.7
Aktiastiftelsen i Borgå	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2	2.9	3.2
Aktiastiftelsen i Vasa	978,525	547,262	1,525,787	2.3	11,923,765	2.7	2.3	2.7
Aktiastiftelsen i Esbo-Grankulla	-	1,338,708	1,338,708	2.0	26,774,160	6.0	2.5	5.9
Sparbanksstiftelsen i Kyrkslätt	876,529	438,264	1,314,793	2.0	9,641,809	2.2	2.0	2.2
Sparbanksstiftelsen i Karis-Pojo	787,350	393,675	1,181,025	1.8	8,660,850	2.0	1.8	1.9
Föreningen Konstsamfundet rf	1,176,173	-	1,176,173	1.8	1,176,173	0.3	1.8	0.3
Aktiastiftelsen i Vanda	28,541	1,138,588	1,167,129	1.8	22,800,301	5.1	2.2	5.1
Sparbanksstiftelsen i Ingå	526,236	336,818	863,054	1.3	7,262,596	1.6	1.4	1.6
Ab Kelonia Oy	549,417	308,662	858,079	1.3	6,722,657	1.5	1.3	1.5
Sparbanksstiftelsen i Sibbo	462,002	232,001	694,003	1.0	5,102,022	1.1	1.0	1.1
Sparbanksstiftelsen i Sjundeå-Säästö	317,057	237,188	554,245	0.8	5,060,817	1.1	0.9	1.1
Aktia Sparbanksstiftelsen i Malax	361,138	177,600	538,738	0.8	3,913,138	0.9	0.8	0.9
Sijoitusrahasto Nordea Fennia	529,000	-	529,000	0.8	529,000	0.1	-	-
Largest 20 owners	**27,458,318**	**16,771,239**	**44,229,557**	**66.4**	**362,883,098**	**81.7**	**66.4**	**80.9**
Other	19,248,405	3,100,849	22,349,254	33.6	81,265,385	18.3	33.6	19.1
Total	**46,706,723**	**19,872,088**	**66,578,811**	**100.0**	**444,148,483**	**100.0**	**100.0**	**100.0**

Shareholders by sector 2013:	**Number of owners**	**%**	**Number of shares**	**%**	**Votes**	**%**
Corporations	3,536	7.7	14,380,611	21.6	83,024,780	18.7
Financial institutes and insurance companies	73	0.2	3,773,387	5.7	14,997,087	3.4
Public sector entities	32	0.1	8,975,070	13.5	49,528,613	11.2
Non-profit institutions	702	1.5	31,314,762	47.0	284,016,415	63.9
Households	41,470	90.2	6,603,760	9.9	11,624,016	2.6
Foreign shareholders	175	0.4	158,922	0.2	177,739	0.0
Total	**45,988**	**100.0**	**65,206,512**	**97.9**	**443,368,650**	**99.8**
entered in nominee register	7		592,466	0.9		
Unidentified shareholders			779,833	1.2	779,833	0.2
Total by sector	**45,988**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Shareholders by sector 2012:	**Number of owners**	**%**	**Number of shares**	**%**	**Votes**	**%**
Corporations	3,698	7.7	14,822,731	22.1	83,443,665	18.6
Financial institutes and insurance companies	71	0.1	4,565,728	6.8	19,855,245	4.4
Public sector entities	33	0.1	9,067,408	13.5	49,620,951	11.1
Non-profit institutions	696	1.5	31,364,365	46.8	283,417,567	63.3
Households	43,241	90.2	5,853,288	8.7	10,672,277	2.4
Foreign shareholders	192	0.4	132,807	0.2	148,232	0.0
Total	**47,931**	**100.0**	**65,806,327**	**98.2**	**447,157,937**	**99.8**
entered in nominee register	8		385,460	0.6		
Unidentified shareholders			795,971	1.2	795,971	0.2
Total by sector	**47,931**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Breakdown of stock 2013: Number of shares	**Number of owners**	**%**	**Number of shares**	**%**	**Votes**	**%**
1-100	33,766	73.4	1,302,007	2.0	1,404,968	0.3
101-1 000	10,803	23.5	2,984,163	4.5	4,124,923	0.9
1 001 - 10 000	1,245	2.7	3,144,665	4.7	5,729,919	1.3
10 001 - 100 000	111	0.2	3,285,116	4.9	12,285,720	2.8
100 000 -	63	0.1	55,083,027	82.7	419,823,120	94.5
Total	**45,988**	**100.0**	**65,798,978**	**98.8**	**443,368,650**	**99.8**
entered in nominee register	7					
Unidentified shareholders			779,833	1.2	779,833	0.2
Total by sector	**45,988**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2012: Number of shares	**Number of owners**	**%**	**Number of shares**	**%**	**Votes**	**%**
1-100	36,410	76.0	1,384,786	2.1	1,468,975	0.3
101-1 000	10,330	21.6	2,685,845	4.0	3,675,441	0.8
1 001 - 10 000	1,023	2.1	2,639,029	3.9	5,252,384	1.2
10 001 - 100 000	103	0.2	3,065,018	4.6	13,538,350	3.0
100 000 -	65	0.1	56,417,109	84.2	423,222,787	94.5
Total	**47,931**	**100.0**	**66,191,787**	**98.8**	**447,157,937**	**99.8**
entered in nominee register	8					
Unidentified shareholders			795,971	1.2	795,971	0.2
Total by sector	**47,931**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

P47 Close relations

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

Salaries and fees	**2013**		**2012**	
	Salary and fees	**Cost for voluntary supplemen-tary pension**	**Salary and fees**	**Cost for voluntary supplemen-tary pension**
Managing Director and Deputy Managing Director				
Jussi Laitinen, Managing Director	538	128	361	117
Jarl Sved, Deputy Managing Director	282	122	216	106
Total	**820**	**250**	**577**	**223**
Salaries and fees				
Board Members:				
Dag Wallgren, Chairman	64		63	
Nina Wilkman, Vice Chairman	43		45	
Sten Eklundh	39		-	
Hans Frantz	33		34	
Kjell Hedman	32		31	
Catharina von Stackelberg-Hammarén	28		29	
Arja Talma (from 7 May 2013)	18		-	
Jannica Fagerholm (1 January - 26 February 2013)	5		32	
Nils Lampi (1 January - 12 March 2013)	10		31	
Kjell Sundström	-		35	
Total	**274**		**301**	
Members of the Board of Supervisors and their alternates				
- Chair	33		23	
- Deputy chair	103		85	
- Members	178		176	
Total	**314**		**285**	
Costs referring to pensionable salary have been paid for:				
- the Board of Directors		57		69
- the Board of Supervisors		49		77
Total		**105**		**146**

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 3 and 12 months. The Managing Director can retire at the age of 63 and the Deputy Managing Director can retire at the age of 60.

In 2013, the members of the Board of Directors have received 15% of their annual remuneration in the form of A shares. In 2013, The Board of Supervisors have received 25% of their annual remuneration in the form of A shares. The number of shares totalled 10,914, corresponding to EUR 73,026.

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

P48 Statement of merger effects 1 July 2013 in Aktia Bank plc

The merger of Aktia Bank plc with Aktia 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 balance sheet 1 July 2013.

	Aktia Bank plc before merger	Merger effect	Aktia Bank plc after merger
Cash and balances with central banks	447,783	-	447,783
Bonds eligible for refinancing with central banks	2,303,503	-	2,303,503
Claims on credit institutions	592,730	-	592,730
Receicables from the public and public sector entities	3,423,452	-46,500	3,376,952
Total bonds	173,252	-	173,252
Shares and participations	76,265	67,310	143,575
Derivative contracts	193,323	-	193,323
Intangible assets	3,969	9,438	13,407
Tangible assets	2,094	987	3,081
Other assets	2,020	4	2,025
Accrued expenses and advance payments	102,677	-3,004	99,673
Deferred tax receivables	20,301	-	20,301
Total assets	**7,341,369**	**28,235**	**7,369,604**
Liabilities to credit institutions	973,406	-	973,406
Liabilities to the public and public sector entities	3,904,148	-2,784	3,901,365
Debt securities issued to the public	1,322,543	-	1,322,543
Derivatives and other liabilities held for trading	192,157	-	192,157
Other liabilities	133,263	1,574	134,837
Provisions	6,850	-	6,850
Accured expenses and income received in advance	74,843	4,366	79,210
Subordinated liabilities	293,317	-30,000	263,317
Deferred tax liabilities	14,062	7	14,069
Total liabilities	**6,914,591**	**-26,837**	**6,887,754**
Accumulated appropriations	**133,640**	**-**	**133,640**
Share capital	163,000	-	163,000
Fund at fair value	43,335	20	43,355
Restricted equity	206,335	20	206,355
Unrestricted equity reserve	74,558	53,877	128,434
Retained earnings	27,389	-	27,389
Dividends to shareholders	-27,000	-	-27,000
Share-based payments	-	1,175	1,175
Acquisistion of treasury shares	-	0	0
Profit for the reporting period	11,856	-	11,856
Unrestricted equity	86,803	55,051	141,855
Total equity	**293,138**	**55,072**	**348,210**
Total liabilities and equity	**7,341,369**	**28,235**	**7,369,604**

P49 Information about companies under supervision in the Group

Aktia Bank plc, domiciled in Helsinki, is the parent company of the Aktia Bank plc Group.

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

The Board of Director's and the CEO's signing of the Report by the Board of Directors and the Financial Statements 2013

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

The parent company's distributable retained earnings amount to EUR 144,601,031.18. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.42 per share, totalling EUR 27,963,099.36, excluding dividend for treasury shares, be paid. Dividend is paid from retained earnings and from unrestricted equity reserve. After dividend payout the distributable retained earnings are EUR 116,637,931.82.

Helsinki, 27 February 2014
Aktia Bank plc's Board of Directors

Dag Wallgren
Chair

Nina Wilkman
Vice Chair

Sten Eklundh

Hans Frantz

Kjell Hedman

Catharina
von Stackelberg-Hammarén

Arja Talma

Jussi Laitinen
Managing Director

Our auditor's report has been issued today
Helsinki, 27 February 2014

KPMG Oy Ab

Jari Härmälä
Authorised Public Accountant

Auditor's report

This document is an English translation of the Swedish auditor's report. Only the Swedish version of the report is legally binding.

To the Annual General Meeting of Aktia Bank p.l.c.

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Aktia Bank p.l.c. for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, Finnish Credit Institutions Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 27 February 2014

KPMG OY AB

Jari Härmälä
Authorized Public Accountant in Finland

Statement by the Board of Supervisors

Approved at the meeting of the Board of Supervisors on 13 March 2014.

The Board of Supervisors has examined the financial statement, the consolidated accounts, the report by the Board of Directors, and the audit report for 2013 and recommends that the financial statement and the consolidated accounts be accepted at the General Meeting of Aktia Bank plc.

Members of Aktia Bank plc's Board of Directors

Håkan Mattlin Chair	Christina Gestrin Deputy Chair	Patrik Lerche Deputy Chair
Jan-Erik Stenman Deputy Chair	Henrik Sundbäck Deputy Chair	Lorenz Uthardt Deputy Chair
Bo-Gustav Wilson Deputy Chair	Harriet Ahlnäs	Mikael Aspelin
Johan Aura	Anna Bertills	Roger Broo
Agneta Eriksson	Håkan Fagerström	Sven-Erik Granholm
Gun Kapténs	Erik Karls	Bo Linde
Per Lindgård	Kristina Lyytikäinen	Stefan Mutanen
Clas Nyberg	Jorma J. Pitkämäki	Henrik Rehnberg
Gunvor Sarelin-Sjöblom	Peter Simberg	Bengt Sohlberg
Sture Söderholm	Maj-Britt Vääriskoski	Lars Wallin
Mikael Westerback	Ann-Marie Åberg	

Corporate Governance Statement for Aktia Bank plc

This statement was approved by the Board of Directors of Aktia Bank plc on 27 February 2014. The report is drawn up separately from the Report by the Board of Directors.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's articles of association, Aktia follows the corporate governance code for listed companies issued by the Finnish Securities Market Association ('Corporate Governance Code'). Aktia complies with the recommendations laid down in the Corporate Governance Code with the exception of recommendation 8 (election of members of the Board of Directors), recommendation 28 (setting up a nomination committee), 29 (election of and members of the nomination committee) and 40 (decision-making process for remuneration).

Deviations from the recommendations

By way of deviation from recommendations 8 and 40, Aktia's annual general meeting appoints a Board of Supervisors, whose tasks include appointing Aktia's Board of Directors and making decisions on issues which involve the significant restriction or expansion of operations. These decision-making arrangements have been adopted by Aktia shareholders in current articles of association. The arrangements are deemed to describe and ease implementation of the company's strategy on local operations.

Aktia's Board of Directors has not set up a nomination committee in itself, which means that Aktia is deviating from recommendations 28, 29 and 30 of the Corporate Governance Code. The reason for these deviations is that the members of the Board of Directors are appointed by the Board of Supervisors, the presiding officers of which prepare issues that relate to the composition, appointment and remuneration of the Board of Directors.

Corporate Governance Code publicly available on the Internet

The Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi.

Composition of and work undertaken by the Board of Directors

Aktia's Board of Directors 2013:

Name	Born	Education, title and main occupation:
Dag Wallgren, Chair	1961	M.Sc. (Econ.), Managing Director of The Society of Swedish Literature in Finland
Nina Wilkman, Deputy Chair	1958	LL.M., Attorney-at-Law, postgraduate student, doctoral program
Sten Eklundh	1960	M.Sc. (Econ.)
Jannica Fagerholm*	1961	M.Sc. (Econ.), Managing Director of Signe and Ane Gyllenberg Foundation
Hans Frantz,	1948	Senior Teacher, Lic. Soc. Sc.
Kjell Hedman	1951	Business Economist, Managing Director of Landshypotek
Nils Lampi**	1948	B.Sc. (Econ.), CEO of Wiklöf Holding Ab
Catharina Stackelberg-Hammarén	1970	M. Sc. (Econ.), Managing Director of Marketing Clinic Ab
Arja Talma***	1962	M.Sc.(Econ.), eMBA, Director, Store sites and investments, Kesko Corporation

1 January – 27 February 2013
1 January – 12 March 2013
7 May – 31 December 2013:

The composition of the Board of Directors is unchanged in 2014

The Board of Directors deems all Board members of Aktia Bank plc to be independent in relation to Aktia and in their relationships with significant shareholders (shareholders who hold at least ten per cent of the total number of shares or votes) within the meaning of the Corporate Governance Code.

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws, the articles of association and the instructions issued by the Board of Supervisors. Apart from assignments given by the Board of Directors to its members in individual cases, board members do not have individual duties related to the governance of the company.

In keeping with the provisions of the articles of association, Aktia's Board of Directors encompasses a minimum of five and a maximum of twelve ordinary members, whose term of office is one calendar year. No person who turns 67 before the beginning of the term can be elected as a board member. Aktia's Board of Directors is appointed by the Board of Supervisors for one calendar year at a time. The Board of Supervisors also appoints the chair and vice chair of the Board of Directors. No members of the Board are appointed through special order of appointment.

Meetings of the Board of Directors are deemed quorate when more than half the members, including the chair or vice chair, are present. No member of the Board of Directors may be a member of the Board of Supervisors.

The rules of procedure adopted by the Board of Directors define, in greater detail, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings and reporting procedures.

The Board of Directors convened 12 times in 2013. In addition, the Board of Directors adopted separate decisions on 7 occasions concerning matters that fell under its authority.

Attendance of Board members in 2013:

Wallgren Dag, Chair	12/12
Eklundh Sten	12/12
Fagerholm Jannica*	2
Frantz Hans	12/12
Hedman Kjell	11/12
Lampi Nils**	3
von Stackelberg-Hammarén Catharina	9/12
Talma Arja***	6
Wilkman Nina, Vice Chair	11/12

Composition of and work undertaken by the Board of Directors' committees

The Board of Directors set up three committees from among its members to take decisions on certain predefined matters and to draw up issues to be resolved upon by the Board of Directors.

Within the framework established by the Board of Directors, the risk committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the Board of Directors to pass decision on. The committee convened 12 times in 2013.

Members of the risk committee and attendance in 2013:

Eklundh Sten, Chair	12/12
Hedman Kjell	11/12
Wallgren Dag	12/12

The composition of the risk committee is unchanged in 2014.

The audit committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee determines the principles for internal auditing, sets down the Group's internal audit schedule and annual plan, and adopts routines and procedures for the compliance function. The committee studies the reports issued by the external auditor, the internal audit unit and the compliance unit and assesses the sufficiency of the other internal reports. The audit committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. The committee convened 9 times in 2013.

Members of the audit committee and attendance in 2013:

Wilkman Nina, Chair	9/9
Frantz Hans	8/9
Talma Arja	3***

The composition of the audit committee is unchanged in 2014.

The remuneration and corporate governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties outside the company, and on matters relating to the development of the Group's administration and control system. The committee convened 4 times in 2013.

Members of the remuneration and corporate governance committee and attendance in 2013:

Wallgren Dag, Chair	4/4
Frantz Hans	3/4
von Stackelberg-Hammarén Catharina	4/4
Wilkman Nina	4/4

The composition of the remuneration and corporate governance committee is unchanged in 2014.

Composition of and work undertaken by the Board of Supervisors

At the time of the merger between Aktia plc and Aktia Bank plc on 1 July 2013, the newly appointed Board of Supervisors for Aktia Bank plc, the composition of which mostly corresponds to that of Aktia plc's Board of Supervisors, entered into office. Number of meetings and attendance below is reported for the Board of Supervisors of Aktia plc 1 January – 30 June 2013 and for Aktia Bank plc 1 July – 31 December 2013.

Aktia Bank plc's Board of Supervisors as of 1 July 2013:

Name	Born	Education, title and main occupation
Håkan Mattlin, Chair	1948	Lic.Soc. Sc., Honorary Counsellor, Director General
Christina Gestrin, Deputy Chair	1967	M. Sc. (Agr. & For.), Member of Parliament
Patrik Lerche, Deputy Chair	1964	M.Sc. (Econ.), Managing Director
Jan-Erik Stenman, Deputy Chair	1953	LL.M., Managing Director
Henrik Sundbäck, Deputy Chair	1947	M. Sc. (Agr. & For.), Consultant
Lorenz Uthardt, Deputy Chair	1944	Agrologist, Doc.Soc.Sc., Honorary Counsellor
Bo-Gustav Wilson, Deputy Chair	1947	M.Sc. (Econ.)
Harriet Ahlnäs	1955	M.Sc. (Eng.), Principal
Mikael Aspelin	1954	LL.M.
Johan Aura	1972	MA (Education), Chief Secretary
Anna Bertills	1979	M.Soc.Sc., Managing Director
Roger Broo	1945	M.Soc.Sc, Chamber Counsellor
Agneta Eriksson	1956	M.A., Director
Håkan Fagerström	1956	Forester, Managing Director
Sven-Erik Granholm	1951	B.Sc. (Econ.)
Gun Kapténs	1957	M.Soc.Sc., Special Adviser
Erik Karls	1947	Farmer, Entrepreneur
Bo Linde	1946	B.Sc. (Econ.), Honorary Counsellor
Per Lindgård	1946	Teacher
Kristina Lyytikäinen	1946	B.A. (Soc. Sc.), Entrepreneur
Stefan Mutanen	1953	M.Soc.Sc, Managing Director, Honorary Counsellor
Clas Nyberg	1953	M.Sc. (Eng.), Entrepreneur in agriculture and tourism
Jorma J. Pitkämäki	1953	M.Sc. (Econ.), Director General
Henrik Rehnberg	1965	M.Sc. (Eng.), Farmer
Gunvor Sarelin-Sjöblom	1949	M.A., Author, Artist
Peter Simberg	1954	Agrologist
Bengt Sohlberg	1950	Agrologist, Agricultural Entrepreneur, Honorary Counsellor
Sture Söderholm	1949	Lic. Odont.
Maj-Britt Vääriskoski	1947	Financial Director
Lars Wallin	1953	Service Manager
Mikael Westerback	1948	Chamber Counsellor
Ann-Marie Åberg	1950	Physiotherapist

The Board of Supervisors is responsible for overseeing the administration of Aktia and comments on Aktia's accounts, the report by the Board of Directors and the audit report at Aktia's Annual General Meeting. The Board of Supervisors makes decisions on matters that involve the significant restriction or expansion of operations, determines the number of members on the Board of Directors appoints and dismisses the chair of the Board of Directors, the deputy chair and other board members and determines the remuneration of the board members. It may issue instructions to the Board of Directors in matters that are of special importance or fundamentally vital.

The Board of Supervisors, which consists of at least seven and no more than 36 members, is appointed by Aktia's Annual General Meeting for a term of three years. No person who turns 67 before the beginning of the term of office can be elected as a member of the Board of Supervisors. Within the Board of Supervisors, there are presiding officers and a controlling committee. The members of the Board of Supervisors are Finnish citizens.

The rules of procedure adopted by the Board of Supervisors define, in greater detail, the general duties of the Board, of Supervisors meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at meetings of the Board of Supervisors and reporting procedures.

The Board of Supervisors convened 4 times in 2013 and the average attendance of members was 92 %.

Composition of and work undertaken by the Board of Supervisors' presiding officers and controlling committee

At its first meeting following the annual general meeting, the Board of Supervisors appoints a number of presiding officers and a controlling committee.

The presiding officers are tasked with drawing up matters to be dealt with by the Board of Supervisors, studying reports on decisions taken by the Board of Directors concerning overall strategy and studying reports concerning loans and guarantee commitments that have been extended to members of the Board of Directors. The presiding officers include the chair and deputy chair of the Board of Supervisors. The presiding officers 2013 were Håkan Mattlin (chair), Christina Gestrin, Patrik Lerche, Jan-Erik Stenman, Henrik Sundbäck, Lorenz Uthardt and Bo-Gustav Wilson. The presiding officers convened 4 minuted meetings in 2013 and attendance of the officers was 96 %.

The controlling committee tasked with closely monitoring the activities of the Board of Directors and executive management and with reporting its observations to the Board of Supervisors. The observations of the external and internal auditors as well as the compliance functions are also reported to the controlling committee. Members of the Board of Supervisors' controlling committee 2013 were Håkan Mattlin (chair), Anna Bertills, Sven-Erik Granholm, Gun Kapténs, Erik Karls, Bengt Sohlberg, Lars Wallin and Mikael Westerback. The controlling committee convened once in 2013 and the attendance of committee members was 100 %.

CEO and his duties

Aktia's CEO is Jussi Laitinen, born 1956, M.Sc. (Econ.).

The Board of Directors appoints and dismisses the CEO. The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors and the Board of Supervisors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The Executive Committee assists the CEO in day-to-day management.

The most important elements of the internal control and risk management system associated with the financial reporting process in the Aktia Group

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures with the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also been built into all key processes where information is recorded. Internal control is supported by observations from the Group's internal audit unit which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control. The internal audit unit reports directly to the Aktia Group's Board of Directors and its committees.

The Aktia Group's operational organisation for financial reporting comprises a finance unit at Group level which is in charge of, among other things, Group consolidation, budgeting, upholding accounting principles and internal reporting guidelines and instructions. For each business segment and/or key individual companies within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis.

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. The Aktia Group is represented in different groups and bodies on different organisation levels steering the service providers' development of systems and processes. Concerning the most important service provider, the Group has a direct ownership interest and is represented in the company's Board of Directors.

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Chief Financial Officer, who is in charge of internal and external financial reporting, is not involved in making direct business decisions. His incentive is mainly neutral when it comes to factors driving the business.

The Aktia Group's internal reporting and monthly financial statements are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are currently distributed to Aktia Group's Board of Directors and management, selected key personnel and the auditors.

The Group's financial development and performance is addressed each month by the Aktia Group's executive committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its audit committee in the form of interim reports and an annual report. The interim reports and the annual report are scrutinised by the Group's external auditors who report their observations to the audit committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its audit committee.

The Aktia Group's risk control unit, which is a part of the Group's internal process for risk management but independent of business operations, oversees and evaluates risk management in the Group and reports to the management and Board of Directors. The unit is responsible for measuring, analysing and monitoring risks in all areas of operation within the Group, and for evaluating the Group's total risk exposure. The purpose of the reports that the risk control unit provides to management regularly and to the Group's Board of Directors and its risk committee on a quarterly basis encompasses all the central risk exposure and balance sheet items that can have an essential impact on the outcome indicated in the Group's financial reporting.

The Board of Directors







31 December 2013

Dag Wallgren
b. 1961
Chairman of the Board, *chairman of the Board's Remuneration and Corporate Governance Committee and member of the Board's Risk Committee*
M.Sc. (Econ)
Managing Director, Swedish Literature Society in Finland
Member of the Board since 2003 (Chairman since 2010–)
Shares in Aktia: A shares 3,087, R shares 525

Nina Wilkman
b. 1958
Vice Chairman of the Board, *chairman of the Board's Audit Committee and member of the Board's Remuneration and Corporate Governance Committee*
LL.M.
Postgraduate student, doctoral programme, University of Helsinki, Faculty of Law
Member of the Board since 2006 (Vice Chairman since 2010–)
Shares in Aktia: A shares 83,

Catharina von Stackelberg-Hammarén
b. 1970
Member of the Board's Remuneration and Corporate Governance Committee
M.Sc. (Econ)
Managing Director, Marketing Clinic Oy
Member of the Board since 2012
Shares in Aktia: A shares 858

Hans Frantz
b. 1948
Member of the Board's Audit Committee as well as Remuneration and Corporate Governance Committee
Lic.Pol.
Principal Lecturer, Health Care and Social Services, University of Applied Sciences in Vaasa
Member of the Board since 2003
Shares in Aktia: A shares 1 458, R shares 262

Kjell Hedman
b. 1951
Member of the Risk Committee
Business Economist
Managing Director, Landshypotek AB
Member of the Board since 2012
Shares in Aktia: A shares 858

Arja Talma
b. 1962
Member of the Board and member of the Audit Comittee
M.Sc. (Econ), eMBA
Senior vice president, store sites and investments, Kesko Corporation
Member of the Board since 2013
Shares in Aktia: A shares -

Sten Eklundh
b. 1960
Chairman of the Risk Committee
M.Sc. (Econ)
Member of the Board since 2013
Shares in Aktia: A shares 10,652

Executive Committee





31 December 2013

Jussi Laitinen
b. 1956
Managing Director
M.Sc. (Econ.)
At Aktia since 2008
Shares in Aktia: A shares 37,812

Jarl Sved
b. 1954
Deputy Managing Director, Managing Director's alternate, CRO, LL.M.
At Aktia since 1980
Shares in Aktia: A shares 54,403, R shares 19,658

Taru Narvanmaa
b. 1963
Deputy Managing Director
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: A shares 32,567, R shares 5,000

Fredrik Westerholm
b. 1972
Financial Director, CFO
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: 4,000

Magnus Weurlander
b. 1964
Director
M.Sc. (Econ.)
At Aktia since 1990
Shares in Aktia: A shares 9,100

Calendar 2014

7.4.2014	Annual General Meeting
6.5.2014	Interim report Jan-March 2014
5.8.2014	Interim report Jan-June 2014
4.11.2014	Interim report Jan-Sep 2014

Annual General Meeting 7 April 2014

The Annual General Meeting of Aktia Bank plc is held on 7 April 2014 at Pörssitalo, Fabianinkatu 14, Helsinki.

Right to participate and registering

Shareholders listed as such in the company's register of shareholders maintained by Euroclear Finland Ab as at 26 March 2014 have the right to participate in the Annual General Meeting. Shareholders whose shares are registered to their personal Finnish book-entry account are listed as shareholders in the company's register of shareholders. Shareholders who are entered in the company's register of shareholders and who wish to participate in the Annual General Meeting must register their intention to attend by 4.00 pm on 1 April 2014 at the latest. Participants can register for the AGM:

a) through the company's website www.aktia.com
b) by telephone at +358 800 0 2474 (8.30 am-4.30 pm on weekdays)
c) in writing to Aktia Bank plc, Group Legal, P.O. Box 207, 00101 Helsinki.

For registration purposes, the shareholder is requested to give his/her name and personal identification code or business ID, address, telephone number as well as the name and personal identification and of any representative. The personal details that shareholders give to Aktia Bank plc will only be used for purposes associated with the Annual General Meeting and preparing the relevant registrations.

Dividend

The Board of Directors proposes that a dividend of EUR 0.42 per share be paid for the financial year 2013. Shareholders entitled to dividend are those who are registered in the register of shareholders maintained by Euroclear Finland Ltd on the record date 10 April 2014. The Board of Directors proposes that the dividend be paid out on 23 April 2014.

Production: Aktia

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Aktia

We see a person in every customer.