Aktia

AKTIA BANK PLC INTERIM REPORT JANUARY-MARCH 2014

STRONG NET COMMISSION INCOME AND LOWER COSTS

CEO JUSSI LAITINEN

"Net commission income was strong, borrowing increased and the write-downs on credits remain on a low level. Continuing low interest rates resulted in a lower net interest income. Net interest income from traditional borrowing and lending was stable, whereas income from management of interest rate risks and hedging decreased as planned. The Action Plan 2015 proceeds well, and has already resulted in cost-cut of 4%. We continue our efforts to simplify the Group structure and increase cost-efficiency in the whole Group in 2014. Aktia's Asset Management has received several awards again this year. Our Asset Management was awarded first prize in an evaluation carried out by the fund information and analyst company Morningstar, and Aktia was named best fund manager for the second year in a row".

JANUARY-MARCH 2014: OPERATING PROFIT EUR 16.4 (19.5) MILLION

- The Group's operating profit amounted to EUR 16.4 (19.5) million and profit for the period amounted to EUR 13.1 (14.8) million.
- Net commission income increased by 11% to EUR 18.8 (16.9) million and borrowing increased by 2% to EUR 3,861 (3,797) million. However, net interest income (NII) decreased to EUR 25.4 (30.1) million.
- Earnings per share stood at EUR 0.20 (0.22).
- According to the Basel III capital requirement the capital adequacy ratio stood at 17.3 (31 December 2013 Basel II: 19.3)% and the Core Tier 1 capital ratio at 13.6 (12.1)%.
- Equity per share stood at EUR 8.55 (31 December 2013: 8.67) after dividend pay-out of EUR 0.42 in April.
- Write-downs on credits and other commitments decreased to EUR 0.4 (1.1) million.
- **OUTLOOK 2014 (unchanged):** Despite the persistent low interest rate level, the Group's operating profit for 2014 is expected to reach approximately the 2013 level.

KEY FIGURES (EUR million)	**1-3/2014**	**1-3/2013**	**Δ %**	**10-12/2013**	**Δ %**	**2013**	**7-9/2013**	**4-6/2013**
Net interest income	25.4	30.1	-15%	27.3	-7%	112.6	26.9	28.3
Net commission income	18.8	16.9	11%	17.8	6%	70.7	17.4	18.6
Total operating income	52.0	57.5	-10%	57.3	-9%	224.2	53.6	55.7
Total operating expenses	-36.1	-37.5	-4%	-45.9	-21%	-157.2	-34.6	-39.2
Operating profit before write downs on credits	16.9	20.6	-18%	12.2	38%	68.1	19.8	15.5
Write-downs on credits and other commitments	-0.4	-1.1	-63%	-1.1	-61%	-2.7	-0.2	-0.4
Operating profit	16.4	19.5	-16%	11.1	48%	65.4	19.6	15.1
Cost-to-income ratio	0.72	0.67	7%	0.87	-17%	0.72	0.66	0.70
Earnings per share (EPS), EUR	0.20	0.22	-12%	0.18	12%	0.78	0.22	0.16
Equity per share (NAV)[1], EUR	8.55	9.02	-5%	8.67	-1%	8.67	8.52	8.34
Return on equity (ROE), %	8.2	8.9	-8%	7.5	11%	8.1	9.4	6.9
Core Tier 1 capital ratio[1], % *	13.6	-	-	12.1	-	12.1	-	-
Capital adequacy ratio[1], % **	17.3	20.0	-	19.3	-	19.3	19.1	20.3
Tier 1 capital ratio[1], % **	13.6	11.7	-	12.3	-	12.3	12.2	12.1
Write-downs on credits / total credit stock, %	0.01	0.02	-50%	0.02	-50%	0.04	0.00	0.01

1) At the end of the period

* According to Basel III

**2014 according to Basel III, all other periods according to Basel II

The Interim report January-March 2013 is a translation of the original Swedish version "Delårsrapport 1.1-31.3.2014". In case of discrepancies, the Swedish version shall prevail.

ACTIVITY IN January-March 2014

Business environment

General interest rate level remained low during the beginning of the year, 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 slowed 1.1 (31.3.2013; 1.7)% in March compared to the previous year. In January and February 2014 it was 1.6 (1.7)% and 1.3 (1.6)% respectively.

The index of consumer confidence in the economy was at 8.5 (10.2) in March. The long-term average was 12.2 ***(Statistics Finland).***

Real estate prices in Finland rose until March 2014 by 0.2% for the whole country, compared with the same period in 2013. In the Helsinki region, prices were flat whereas they rose by 0.4% in the other parts of Finland. ***(Statistics Finland).***

Unemployment increased to 9.5% in March 2014, 0.5 percentage points higher than a year ago ***(Statistics Finland).***

The Nasdaq OMX Helsinki 25 index fell by 0.3% during January-March 2014, whereas the Nordic banking sector rose by approx. 10%. Aktia Bank's 'A' shares rose by approx. 16% in the same period.

Key figures Y-o-y	**2015E***	**2014E***	**2013**	**2012**
GDP growth, %				
World	3.8	3.6	3.0	3.1
Euro area	1.4	1.1	-0.4	-0.6
Finland	1.2	0.3	-1.4	-1.0
Consumer price index, %				
Euro area	1.4	0.9	1.4	2.5
Finland	1.5	1.4	1.5	2.8
Other key ratios, %				
Development of real value of housing in Finland[1]	0.0	-0.5	0.1	-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)	2.60	2.00	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 (22 April 2014)
[1]at the end of the year
[2]annual average

Rating

On 30 April 2014, Standard and Poor's confirmed its rating of Aktia Bank plc's creditworthiness. The rating for long-term borrowing is A- and for short-term borrowing A2, both with a negative outlook.

On 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 remains negative.

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

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

Profit January - March 2014

Group operating profit amounted to EUR 16.4 (19.5) million. Group profit amounted to EUR 13.1 (14.8) million.

Income

The Group's total earnings decreased, due to the lower net interest income, by 10% to EUR 52.0 (57.5) million.

As a consequence of the persistant low interest rate level net interest income decreased to EUR 25.4 (30.1) million. The net interest income from traditional borrowing and lending was stable whereas income from interest rate hedging and other hedging was lower. Both derivatives and fixed-rate instruments are utilised to manage interest rate risks. These measures generated EUR 9.4 (11.1) million to the NII.

Net commission income increased by 11% to EUR 18.8 (16.9) million. Commission income from mutual funds, asset management and securities brokerage rose by 3% to EUR 9.8 (9.4) million. Card and other payment service commissions were EUR 5.5 (4.1) million.

Net income from life insurance amounted to EUR 6.0 (7.6) million. This decline is mainly due to reduced sales profits included in net investments. The actuarially calculated result remained on the same level as in the reference period.

Net income from financial transactions was EUR 0.9 (2.2) million. The reference period in 2013 included higher profits from financial assets available for sale. Net income from hedge accounting was EUR -0.3 (-0.3) million. Other operating income was unchanged at EUR 0.8 (0.8) million.

Expenses

Following Action Plan 2015 measures, Group operating expenses decreased by 4% to EUR 36.1 (37.5) million. Of this, staff costs amounted to EUR 17.5 (19.2) million, a reduction of 9%.

IT-expenses increased by 12% to EUR 6.6 (5.9) million. This increase mainly stems from the core banking project.

Other operating expenses decreased by 5% to EUR 10.2 (10.7) million, mainly due to lower rental and branch office expenses. The bank tax amounted to EUR 0.8 (0.6) million of the other operating expenses.

The depreciation of tangible and intangible assets amounted to EUR 1.8 (1.7) million.

Write-downs on credits and other commitments

Write-downs on credits remained on a low level. During the first quarter write-downs on credits and other commitments decreased by 63% to EUR 0.4 (1.1) million.

Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of March stood at EUR 10,856 (10,934) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, amounted to EUR 2,605 (2,405) million. The liquidity portfolio was not financed with repurchase agreements. In addition to this, the Bank's subsidiaries hold other interest-bearing securities to a value of EUR 19 (20) million.

At the end of March, the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow for 21 months from whosale funding.

Borrowing

Deposits from the public and public sector entities increased and stood at EUR 3,861 (3,797) million, corresponding to a market share of deposits of 3.7 (3.7)%.

The Aktia Group's outstanding bonds amounted to a total value of EUR 3,522 (3,658) million. Of these bonds EUR 2,304 (2,305) million were covered bonds issued by the Aktia Real Estate Mortgage Bank plc. The equivalent amount for Aktia Bank was EUR 498 (498) million.

Certificates of deposit issued by Aktia Bank amounted to EUR 214 (314) million at the end of the period. During the period Aktia Bank issued new subordinated loans with a total value of EUR 18 million. At the end of the period, in mid-April 2014, Aktia Bank issued its second long-term covered bond with a value of EUR 500 million. As security for the issue, bonds with a value of EUR 1,250 million were reserved at the end of March. All bonds have an LTV less than 70% of the market value of the securities in compliance with the Mortgage Banking Act.

Secured Debts (collateralised)

(EUR million)	Under 1 year	Over 1 year	Total
Issued debts	957	1,562	2,519
Secured liabilities	15	44	59
Total	**971**	**1,606**	**2,577**

Unsecured Debts

(EUR million)	Under 1 year	Over 1 year	Total
Issued unsecured debts	231	772	1,003
Subordinated debts	63	165	228
Other unsecured liabilities	234	303	537
Total	**528**	**1,240**	**1,768**

Lending

Group total lending to the public amounted to EUR 6,693 (6,802) million at the end of March, a decrease of EUR 109 million.

Loans to private households (including mortgages brokered by savings banks and POP Banks) accounted for EUR 5,896 (5,973) million or 88.1% (87.8%) of the total loan stock.

The housing loan stock totalled EUR 5,446 (5,521) million, of which the share for households was EUR 5,126 (5,191) million. At the end of March, Aktia's market share in housing loans to households stood at 4.1 (4.1)%.

Corporate lending accounted for 7.1% (8.0%) of Aktia's credit stock. Total corporate lending amounted to EUR 473 (541) million.

Loans to housing associations totalled EUR 270 (241) million and made up 4.0% (3.5%) of Aktia's total credit stock.

Credit stock by sector

(EUR million)	31.3.2014	31.12.2013	Δ	Share,%
Households	5,896	5,973	-77	88.1%
Corporate	473	541	-68	7.1%
Housing associations	270	241	29	4.0%
Non-profit organisations	51	43	8	0.8%
Public sector entities	3	4	0	0.1%
Total	**6,693**	**6,802**	**-109**	**100%**

Financial assets

Aktia Group's financial assets consist of the Bank Group's liquidity portfolio and other interest-bearing investments amounting to EUR 2,624 (2,424) million, the life insurance company's investment portfolio amounting to EUR 619 (661) million and the real estate and share holdings of the Banking Business amounting to EUR 6 (7) million.

Technical provisions

The life insurance company's technical provisions amounted to EUR 976 (965) million, of which EUR 474 (462) million were unit-linked. Interest-related technical provisions decreased to EUR 502 (503) million.

Equity

During the period, the Aktia Group's equity decreased by EUR 8 million to EUR 633 (642) million. Under equity, the dividend pay-out of EUR 28 million, following a proposal by the Board of Directors to the AGM, has been taken into account.

Commitments

Off-balance sheet commitments, consisting of liquidity commitments to local banks, other loan promises and bank guarantees, increased by EUR 12 million and amounted to EUR 403 (391) million.

Managed assets

The Group's total managed assets amounted to EUR 9,648 (9,456) 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 financial assets comprise the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Managed assets

(EUR million)	31.3.2014	31.12.2013	Δ %
Assets under management	6,526	6,341	3%
Group financial assets	3,120	3,114	0%
Total	**9,645**	**9,456**	**2%**

Capital adequacy and solvency

The Bank Group's (including Aktia Bank plc and subsidiaries except Aktia Life Insurance and the associated company Folksam Non-Life Insurance) capital adequacy was 17.3 according to Basel III requirements* (31 December 2013; 19.3, Basel II)%, the Tier 1 capital ratio was 13.6 (31 December 2013; 12.3, Basel II)% and the Core Tier 1 capital ratio was 13.6%.

Capital adequacy	31.3.2014 Basel III*	31.12.2013 Basel III*	31.12.2013 Basel II
Bank Group			
CET1 Capital ratio	13.6	12.1	
T1 Capital ratio	13.6	12.1	12.3
Total capital ratio	17.3	15.5	19.3
Aktia Bank			
CET1 Capital ratio	15.2	14.0	
T1 Capital ratio	15.2	14.0	14.7
Total capital ratio	19.8	18.4	23.1
Aktia Real Estate Mortgage Bank			
CET1 Capital ratio	12.9	11.9	
T1 Capital ratio	12.9	11.9	13.3
Total capital ratio	12.9	11.9	14.2

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

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 exposures 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 107.2 (99.0) million, where the minimum requirement is EUR 34.5 (34.3) million. The solvency ratio was 18.8 (17.5)%.

The capital adequacy ratio for the conglomerate amounted to 202.1 (31 December 2013; 198.6, Basel II)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

New Basel III regulation in 2014 and its effects on the capital adequacy for the banking business

The Basel III reform is implemented in the EU through the capital requirement regulation (CRR), which entered into force 1 January 2014 with some transitional regulations as well as the CRD IV regulation which is proposed to be implemented through national legislation on 1 July 2014.

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

The Bank Group's Core Tier 1 capital is to some extent affected by changes in the risk weights of the investment in the liquidity portfolio, even if these effects will partly be neutralised by stricter liquidity requirements in the future which limits investments in some types of instruments as well as in instruments with lower ratings. The Bank Group applies the transitional regulation for the handling of minority holder's paid-up equity in Aktia Real Estate Mortgage Bank. This will gradually increase deductions up until 2018.

The Financial Supervisory Authority has granted Aktia Bank an exemption on 22 January 2014 that Aktia does not need to deduct from its capital base its investments in its wholly-owned subsidiary Aktia Life Insurance Ltd, which is covered by 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 exposures with a risk weighting of at least 280%.

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

Significant effects on capital adequacy with the implementation of new regulations

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

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

Segment overview

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

Group operating profit by segment

(EUR million)	1-3/2014	1-3/2013	Δ %
Banking Business	11.0	15.2	-28%
Asset Management & Life Insurance	5.0	6.2	-19%
Miscellaneous	-0.2	-2.4	91%
Eliminations	0.6	0.4	42%
Total	**16.4**	**19.5**	**-16%**

Banking Business

The segment Banking Business contributed EUR 11.0 (15.2) million to Group operating profit.

Operating income was EUR 41.8 (45.9) million, of which EUR 25.3 (30.2) million was net interest income. Compared to the previous year net commission income increased to EUR 14.8 (12.8) million. The increase in commission income was derived mainly from card commissions from the transfer of the stock of Visa credit from Nets Oy in December. Mutual fund commissions and commissions from securities repository services have also developed positively. Commissions from the real estate agency business decreased by 11% from the previous year to EUR 1.5 (1.6) million.

Net income from financial assets available for sale amounted to EUR 0.8 (2.3) million.

Operating expenses increased slightly from the year before, and totalled EUR 30.4 (29.5) million. Staff costs decreased by 8%, from EUR 9.7 million to EUR 8.9 million. IT-related expenses amounted to EUR 3.7 (3.6) million. Other operating expenses increased to EUR 17.3 (15.8) million. The bank tax reduced the earnings of the banking business by EUR 0.8 (0.6) million. Write-downs on credits and other commitments were lower than for the corresponding period the previous year, and amounted to EUR 0.4 (1.1) million.

Changes in customer behaviour and a reduced demand for loans has affected the earnings of the banking business. Telephone and online banking continue to grow as distribution channels for the bank's services and products. This structural change has allowed us to merge a number of offices with neighbouring branch offices, contributing to reduced costs. For example 25% of Aktia' sales of non-life insurance were made though the telephone and internet channels. This trend seems to be set to continue.

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

Aktia Private Banking, which offers comprehensive individual investment services and legal advice, increased its client base by approximately 13%. In the first three months of the year, Private Banking's customer assets increased by approximately 7% and amounted to EUR 1,706 (1,597) million.

Total savings by households were approximately 1% higher than at the beginning of the year, amounting to EUR 4,108 (4,060) million, of which household deposits were EUR 2,985 (2,968) million and savings by households in mutual funds were EUR 1,123 (1,092) million.

Aktia's lending to private households, including the mortgages brokered by Aktia, amounted to EUR 4,345 (4,362) million. During the period, Aktia Real Estate Mortgage Bank's total lending decreased by EUR 221 million and amounted to EUR 2,661 (2,882) million.

Saaristosäästöpankki has been a subsidiary of Aktia Bank since 30 October 2013. Intergation work continues and the merger of Saaristosäästöpankki and 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 5.0 (6.2) million to Group operating profit.

Operating income for the segment decreased to EUR 10.6 (11.9) million. Net commission income from asset management improved to EUR 5.1 (4.7) million. Net income from life insurance decreased and amounted to EUR 5.5 (7.2) million. The actuarially calculated result is the same as for the corresponding period the previous year. Net income from investments was lower than for the previous year, this is because the reference period contains a higher proportion of capital gains.

Premiums written decreased by 31% from the high level of the reference period to EUR 31.6 (46.0) million. This decrease is attributable to unit-linked insurance savings policies. The Aktia Profile investment service was responsible for 49% (62%) of premiums written.

Net income from life insurance investments was EUR 6.2 (7.7) million. This reduction was attributable to lower profits from capital gains in 2014 than in the reference period. The return on the company's investments based on market value was 1.9% (0.5%).

Operating expenses decreased by 3% to EUR 5.5 (5.7) million, mainly due to smaller business volumes and a lower cost structure following the staff reduction in the autumn of 2013. Staff costs decreased with the lower number of staff to EUR 2.5 (2.7) million. The expense ratio of the life insurance business improved and was 85.4% (95.6%).

The value of assets managed by Aktia Asset Management & Life Insurance totalled EUR 5,275 (5,192) million.

(EUR million)	31.3.2014	31.12.2013	Δ %
Aktia Fund Management	3,050	3,053	0%
Aktia Invest	2,627	2,452	7%
Aktia Asset Management	4,551	4,843	-6%
Aktia Life Insurance	476	451	6%
Eliminations	-5,430	-5,608	-3%
Total	**5,275**	**5,192**	**2%**

Life insurance technical provisions totalled EUR 976 (965) million, of which allocations for unit-linked provisions was EUR 474 (462) million and interest-related provisions EUR 502 (503) million. Unit-linked provisions increased to 49% (48%) 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 -0.2 (-2.4) million to Group operating profit.

Segment Miscellaneous includes some of the joint administrative functions within Aktia Bank and the subsidiary Vasp-Invest Ltd. Costs attributable to the administrative units are invoiced on an ongoing basis from the subsidiaries.

Operating income in the first quarter increased by EUR 0.5 million and amounted to EUR 2.5 (2.1) million.

Operating expenses after cost allocations to subsidiaries were EUR 2.8 (4.4) million. Following the staff cuts in the autumn of 2013 the staff costs have decreased by EUR 0.8 million to EUR 5.9 (6.7) million. The segment's IT-expenses increased by EUR 0.7 million to EUR 2.5 (1.8) million. Of the provision in the 2012 annual accounts due to the renegotiation of service agreements associated with the core banking system change, a total of EUR 0.7 million has been used. At the end of March the remaining share of the provision was EUR 5.7 (6.4) million.

The Group's risk exposures

Definitions and general principles for asset and risk management can be found in Aktia Bank plc's Annual Report for 2013 (www.aktia.com) in note G2 on pages 40–64.

Lending related risks within banking business

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection increased to EUR 46 (45) million, corresponding to 0.69% (0.66%) of the credit stock. The credit stock also includes off-balance sheet guarantee commitments.

Non-performing loans to households more than 90 days overdue corresponded to 0.51% (0.46%) of the entire credit stock and 0.58% (0.52%) of the household credit stock.

Loans with payments 3–30 days overdue decreased to EUR 106 (114) million, equivalent to 1.58% (1.66%) of the credit stock. Loans with payments 31–89 days overdue decreased to EUR 49 (34) million, or 0.73% (0.49%) of the credit stock.

Non-performing loans by time overdue

(EUR million)

Days	31.3.2014	% of credit stock	31.12.2013	% of credit stock
3 - 30	106	1.58	114	1.66
of which households	96	1.43	106	1.55
31 - 89	49	0.73	34	0.49
of which households	40	0.60	28	0.42
90-	46	0.69	45	0.66
of which households	34	0.51	31	0.46

Write-downs on credits and other commitments

During the period total write-downs on credits and other commitments decreased by EUR 0.7 million compared to 2013, to stand at EUR 0.4 (1.1) million. Of these write-downs, EUR 0.2 (0.0) million were attributable to households, and EUR 0.2 (1.1) million to companies.

Total write-downs on credits amounted to 0.01% (0.02%) of total lending for the year. The share of write-downs on corporate loans in relation to corporate lending overall amounted to 0.05% (0.2%).

Distribution of risk across financial assets

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

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

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

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

Investments within the liquidity portfolio and the other interest-bearing investments increased from year-end by EUR 200 million, and amounted to EUR 2,624 (2,424) million.

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

	31.3.2014	31.12.2013
(EUR million)	**2,624**	**2,424**
Aaa	50.8%	52.9%
Aa1-Aa3	30.6%	27.5%
A1-A3	14.8%	15.2%
Baa1-Baa3	1.1%	1.3%
Ba1-Ba3	0.0%	0.0%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	2.4%	3.0%
No rating	0.3%	0.1%
Total	**100.0%**	**100.0%**

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

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

Bank Group's geopolitical and instrument type distribution

	Government and Govt. guaranteed		Covered Bonds		Financial institutions exkl. CB		Corporate bonds		Equity instruments		Total	
	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013
Nordic EU-countries	**68**	**79**	**482**	**423**	**134**	**139**	**16**	**3**	**2**	**2**	**701**	**646**
Finland	68	79	375	305	59	64	16	3	2	2	520	452
Sweden	-	-	99	111	75	75	-	0	-	-	174	187
Denmark	-	-	7	7	0	0	-	-	-	-	8	8
Other EU-countries	**156**	**98**	**1,008**	**1,022**	**276**	**244**	**-**	**-**	**-**	**-**	**1,440**	**1,363**
Germany	18	-	10	20	3	6	-	-	-	-	31	26
France	60	66	222	223	111	96	-	-	-	-	393	385
United Kingdom	-	-	366	368	29	29	-	-	-	-	394	397
Netherlands	25	-	211	212	133	113	-	-	-	-	369	325
Austria	12	11	151	151	-	-	-	-	-	-	163	163
Belgium	42	20	-	-	-	-	-	-	-	-	42	20
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	48	47	-	-	-	-	-	-	48	47
Portugal	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	**-**	**-**	**243**	**234**	**12**	**12**	**-**	**-**	**-**	**-**	**255**	**246**
North America	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**12**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**218**	**161**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**218**	**161**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**0**	**-**	**-**	**0**	**0**
Total	**443**	**337**	**1,745**	**1,690**	**422**	**395**	**16**	**4**	**2**	**2**	**2,627**	**2,428**

Group investments in GIIPS countries

The Group's investments in the so-called GIIPS countries remained unchanged during the period, and as of 31 March 2014 totalled EUR 60 (59) million. The total unrealised result amounted to EUR 3.2 (2.2) million. These items are reported under Equity and fund at fair value. No write-downs have been made for these holdings via the income statement. All exposures relating to GIIPS countries are measured on an ongoing basis at current market values.

Other market risks within the banking business

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

At the end of the period, real estate holdings amounted to EUR 0.1 (0.1) million and investments in shares necessary for the business as well as the investments in shares acquired from Saaristosäästöpankki amounted to EUR 6.1 (6.6) million.

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 619 (661) million. Over the period the real estate allocation in the life insurance company has remained unchanged. The life insurance company's direct real estate investments amounted to EUR 61 (60) million. The properties acquired are located in the Helsinki region and have tenants with long rental agreements.

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

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

	31.3.2014	31.12.2013
(EUR million)	**461**	**493**
Aaa	57.7%	55.4%
Aa1-Aa3	17.2%	19.2%
A1-A3	13.7%	13.9%
Baa1-Baa3	3.4%	4.7%
Ba1-Ba3	0.5%	0.9%
B1-B3	0.0%	0.4%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	0.0%	0.0%
No rating	7.5%	5.5%
Total	**100.0%**	**100.0%**

Life Insurance company's geopolitical and instrument type distribution

	Government and Govt. guaranteed		Covered Bonds		Financial insti-tutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Equity instruments		Total	
	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013	3/2014	2013
Nordic EU-countries	**35**	**34**	**28**	**34**	**41**	**39**	**51**	**50**	**102**	**102**	**6**	**7**	**-**	**-**	**262**	**267**
Finland	35	34	9	15	33	33	49	46	102	102	5	7	-	-	232	237
Sweden	-	-	-	-	8	7	-	2	-	-	0	1	-	-	9	9
Denmark	-	-	19	18	-	-	2	2	-	-	-	-	-	-	21	21
Other EU-countries	**120**	**132**	**167**	**174**	**23**	**25**	**12**	**19**	**-**	**-**	**0**	**0**	**-**	**-**	**322**	**349**
Germany	23	23	-	-	-	2	4	7	-	-	-	-	-	-	27	33
France	52	63	81	82	6	6	3	3	-	-	-	-	-	-	142	154
United Kingdom	-	-	35	37	4	4	3	1	-	-	0	0	-	-	42	42
Netherlands	24	24	35	34	12	12	1	7	-	-	-	-	-	-	72	77
Austria	20	20	6	11	-	-	-	-	-	-	-	-	-	-	26	31
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	2	2	-	-	2	2	-	-	-	-	-	-	4	4
Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	7	7	-	-	-	-	-	-	-	-	-	-	7	7
Other countries	1	2	-	-	-	-	(0)	(1)	-	-	-	-	-	-	1	1
Europe excluding EU	**2**	**3**	**-**	**-**	**6**	**6**	**3**	**5**	**-**	**-**	**0**	**0**	**-**	**-**	**10**	**14**
North America	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**4**	**-**	**-**	**0**	**0**	**-**	**-**	**2**	**4**
Other OECD-countries	**4**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**6**
Supranationals	**4**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**5**
Others	**13**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**15**
Total	**178**	**195**	**195**	**207**	**70**	**70**	**68**	**78**	**102**	**102**	**6**	**8**	**-**	**-**	**619**	**661**

Valuation of financial assets

Value changes reported via income statement

Write-downs on financial assets amounted to EUR -0.6 (-0.7) million at the end of the period, 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)	1-3/2014	1-3/2013
Interest-bearing securities		
Banking Business	-	-
Life Insurance Business	-	-
Shares and participations		
Banking Business	-	-
Life Insurance Business	-0.6	-0.7
Total	**-0.6**	**-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 88.2 (81.1) 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 2.9 (4.6) million.

The fund at fair value

(EUR million)	31.3.2014	31.12.2013	Δ
Shares and participations			
Banking Business	2.1	1.7	0.3
Life Insurance Business	1.8	2.0	-0.3
Direct interest-bearing securities			
Banking Business	38.9	36.0	2.9
Life Insurance Business	42.1	36.9	5.2
Share of Non-Life insurance's fund at fair value	0.5	-0,1	0.6
Cash flow hedging	2.9	4.6	-1.7
Fund at fair value, total	**88.2**	**81.1**	**7.1**

Financial assets held until maturity

The portfolio of financial assets held until maturity mainly consist of reclassified interest-bearing securities. The reclassified securities all have an AAA rating. Over the period no new acquisitions were made to the portfolio which, on 31 March 2014, amounted to EUR 497 (499) million.

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

Unwinding of hedging interest-rate derivatives

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

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

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

Operational risks

No operational risk causing significant financial damage occurred during the first quarter of 2014.

Events concerning close relations

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

No significant changes concerning close relations occurred.

Action Plan 2015

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

- Aktia's core banking system will be renewed in consultation with the external IT suppliers Temenos and Emric. The new core banking platform will be taken into operation in 2015 and migration will take place in consultation with our existing IT supplier Samlink. Investment in the new core banking platform is estimated to be EUR 30 million. Annual cost savings are expected to be approximately EUR 5 million.
- The unifying of the Group's workstations into one network was completed according to plan in March 2014, and in the long-term is expected to generate annual cost savings of approximately EUR 2 million.
- In the autumn of 2013 staff numbers were reduced by just over 50 people, this is to result in an annual cost saving of EUR 5–6 million.
- Aktia has decided to phase out its services as central financial institution by the beginning of 2015.
- In March 2013, Aktia Bank was granted a mortgage bank concession and issued its first EUR 500 million covered bond in June 2013. The second, of EUR 500 million was issued in April 2014.
- Action Plan 2015 also aims to simplify the structure of the Group. In 2013 the Group's previous parent company, Aktia plc, was merged with Aktia Bank plc. Aktia's Asset Management was reorganised in the first quarter of 2014.
- In 2014 Action Plan 2015 will focus on areas related to: Core banking renewal, continued cost reductions, work on the IRBA application process and investigations into a structural solution for Aktia Real Estate Mortgage Bank plc.

Other events during the period

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

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

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

Events after the end of the period

No significant events after the end of the period to report.

Personnel

At the end of the first quarter, the number of full-time employees was 928 (31 December 2013; 967).

The average number of full time staff has decreased by 62 from year-end and was 936 (31 December 2013; 998).

Personnel fund

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

Incentive schemes for key personnel

Incentive scheme for 2014-2017

In 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. Both schemes aim to support the long-term strategy of the group; unify the objectives of the owners and key personnel; raise the value of the company; and tie the key personnel to the company and offering them competitive incentive schemes based on share ownership in Aktia.

The Share Based Incentive Scheme 2014-2017 is a continuation of Aktia's 2011 Share Based Incentive Scheme. The Share Bonus Scheme covers three earnings periods; the calendar years 2014-2015, 2015-2016 and 2016-2017. The bonus consists in part of A shares in the company and in part of cash to cover the taxes and tax-related fees that the bonus will cost the key personnel.

The earnings criteria for the earnings period 2014-2015 are based on the development of the Aktia Group's cumulative adjusted equity during the period 1 January 2014 to 31 December 2015 (NAV) (50% weighting), and of the Group's total net commission and insurance income in the period 1 January 2014 to 31 December 2015 (50% weighting).

Any bonus for each earnings period will be paid out in four instalments after the earnings period, over a period of approximately three years. In general a bonus is not paid out to a key person who, at the time of payment, no longer has an employment relationship with the Aktia Group. All shares obtained must be held for one year and then half of the shares until the person owns an amount of Aktia A shares with a value corresponding to their fixed annual salary.

Currently the target group of the 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 A shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

Share ownership scheme 2014

The Share Ownership Scheme 2014 makes it possible for key personnel in Aktia to obtain Aktia shares as compensation for the acquisition of A shares in Aktia Bank plc using their own funds. Remuneration will be paid to the key person after approximately three years and will be made up of both shares and cash on condition that the key person still has an employment contract. It is recommended that the Share Ownership Scheme's target group own a large proportion of the shares obtained through the scheme while they are employed by Aktia Bank plc, or until they own Aktia A shares with a value corresponding to their fixed annual salary.

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

Incentive scheme 2011

In 2011 Aktia Bank plc's board of directors decided on a new share-based incentive scheme for key personnel in the Aktia Group.

The bonus consisted in part of A shares in Aktia Bank plc and in part of cash to cover the taxes and tax-related fees that the bonus will cost the key personnel. The incentive scheme was 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 earnings period 2013-2014 are based on the development of the Aktia Group's cumulative adjusted equity (NAV) (50% weighting), and of the group's total net commission and insurance income (50% weighting). The earnings criteria for the earnings period 2013-2014 were determined in June 2013. The second part of the scheme gave key personnel the opportunity to receive Aktia shares as compensation for acquisition of Aktia Bank plc's A shares using their own funds. The earnings periods 2011–2012 and 2012–2013 had an outcome of 100%.

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

Board of Directors and Executive Committee

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

On 11 December 2013, the Board of Supervisors decided on 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 acquired the shares from the stock exchange at market price on 14th February 2014.

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 directorships.

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 renumeration (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. Deputy Managing Director Stefan Björkman resigned on 2 February 2014.

Decisions at the Annual General Meeting 2014

The Annual General Meeting of Aktia Bank plc adopted the consolidated financial statements of the parent company and the Group, and discharged the members of the Board of Supervisors, the members of the Board of Directors, the Managing Director and his deputy from liability.

In accordance with a proposal from the Board of Directors, the AGM decided to distribute a dividend of EUR 0.42 per share, totalling EUR 28.0 million for the accounting period 1 January – 31 December 2013. The record date for the dividend will be 10 April 2014 and the dividend will be paid out on 23 April 2014.

The Annual General Meeting established the number of members on the Board of Supervisors to be thirty two.

Members of the Board of Supervisors Håkan Mattlin, Christina Gestrin, Patrik Lerche, Håkan Fagerström, Jorma J. Pitkämäki, Peter Simberg, Bengt Sohlberg and Mikael Westerback, who were due to step down were re-elected to the Board of Supervisors. Agrologist Peter Karlgren and Solveig Söderback M.Soc.Sc. were elected as new members. All of the above were elected for a term of three years.

The annual remuneration for members of the Board of Supervisors was set at EUR 22,600 for the Chair, EUR 10,000 for the Vice Chair and EUR 4,400 for ordinary members. The remuneration per attended meeting was set at EUR 500. The members of the Board of Supervisors shall be obliged to use 30% of their annual remuneration for the acquisition of Aktia plc A shares directly from the Stock Exchange at market price within two weeks from the inaugural meeting of the Board of Supervisors on 6 May 2014.

The Annual General Meeting established the number of auditors as one. The APA firm KPMG Oy Ab was re-elected as auditor, with Jari Härmälä, APA, as auditor-in-charge. The auditors will be paid against invoices.

The AGM adopted the proposal of the Board of Directors regarding resolutions for share issue authorisation, authorisation to acquire the company's own shares for use in the company's share based incentive scheme and/or the remuneration of members of the company Board of Supervisors and authorisation to divest the company's own shares. The maximum number of shares to be issued is 6,658,000, corresponding to approximately 10% of all shares in the company. Of the total number of shares issued supported by the authorisation, no more than one third may be series R shares.

Share capital and ownership

The share capital of Aktia Bank plc amounts to EUR 163 million, comprising a total of 46,706,723 'A' shares and 19,872,088 'R' shares, or 66,578,811 shares in all. The number of shareholders at the end of March 2014 was 45,282. Foreign ownership of shares was 0.9%.

The number of unregistered shares was 774,306 or 1.2% of all shares. Inspection and registration of outstanding shares continue.

As per 31 March 2014, the Groups holdings of equity shares amounted to 3 A shares in the parent company Aktia Bank plc and 13,963 A shares and 6,658 R shares in the subsidiary Saaristosäästöpankki Oy. During the period, Saaristosäästöpankki has divested 8,687 A and 5,000 R shares.

Shares

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

On 31 March 2014, the closing price for an A series share was EUR 9.43 and for an R series share EUR 10.30, indicating a market value of approx. EUR 640 million for Aktia Bank plc. The highest quotation for the A share during the period January - March 2014 was EUR 9.52 and the lowest EUR 7.99. The highest for the R share was EUR 10.30 and the lowest EUR 8.20.

The average daily turnover of A shares during the period January - March 2014 was EUR 224,878 or 25,933 shares. Average daily turnover for R shares was EUR 13,727 or 1,568 shares.

Outlook and risks for 2014

Outlook (unchanged)

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

Aktia's financial objectives for 2015

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

Key figures

(EUR million)	1-3/2013	1-3/2013	Δ %	2013	10-12/2013	7-9/2013	4-6/2013
Earnings per share (EPS), EUR	0.20	0.22	-12%	0.78	0.18	0.22	0.16
Equity per share (NAV)[1], EUR	8.55	9.02	-5%	8.67	8.67	8.52	8.34
Return on equity (ROE), %	8.2	8.9	-8%	8.1	7.5	9.4	6.9
Total earnings per share, EUR	0.30	0.11	171%	0.26	0.14	0.18	-0.18
Capital adequacy ratio (finance and insurance conglomerate)[1], % **	202.1	203.5	-	198.6	198.6	197.9	202.9
Average number of shares[2], million	66.5	66.5	0%	66.6	66.6	66.6	66.6
Number of shares at the end of the period [1], million	66.6	66.6	0%	66.5	66.5	66.6	66.6
Personnel (FTEs), average number of employees from the beginning of the year[1]	936	1,013	-8%	998	998	1,007	1,010
Group financial assets[1]	3,119.9	2,814.9	11%	3,114.4	3,114.4	3,315.4	3,379.7
Banking business							
Cost-to-income ratio	0.72	0.67	7%	0.72	0.87	0.66	0.70
Borrowing from the public[1]	3,861.1	3,631.8	6%	3,797.5	3,797.5	3,742.1	3,807.2
Lending to the public[1]	6,693.0	7,132.6	-6%	6,802.2	6,802.2	6,845.8	6,984.9
Core Tier 1 capital ratio[1], % *	13.6	-	-	12.1	12.1	-	-
Capital adequacy ratio[1], % **	17.3	20.0	-	19.3	19.3	19.1	20.3
Tier 1 capital ratio[1], % **	13.6	11.7	-	12.3	12.3	12.2	12.1
Risk-weighted commitments[1] **	3,592.0	3,683.7	-	3,463.5	3,463.5	3,579.4	3,625.3
Asset Management and Life Insurance							
Assets under management[1]	6,525.6	6,214.0	5%	6,341.3	6,341.3	6,071.4	5,901.7
Premiums written before reinsurers' share	31.7	46.1	-31%	140.8	33.0	24.2	37.4
Expense ratio[2], %	85.4	95.6	-11%	88.3	88.3	89.0	95.0
Solvency margin[1]	107.2	157.3	-32%	99.0	99.0	149.1	147.5
Solvency ratio[2], %	18.8	27.2	-31%	17.5	17.5	25.5	25.3
Investments at fair value[1]	1,064.6	1 034,2	3%	1,091.8	1,091.8	1,074.6	1,050.1
Technical provisions for interest-related insurances[1]	502.0	517.0	-3%	503.5	503.5	507.9	512.2
Technical provisions for unit-linked insurances[1]	474.3	400.5	18%	461.9	461.9	436.9	410.3

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

** 2014 according to Basel III, all other periods according to Basel II

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

Basis of calculation for key figures can be found in Aktia Bank plc's Annual Report 2013 on page 19.

Consolidated income statement

(EUR million)	1-3/2014	1-3/2013	Δ%	2013
Net interest income	25.4	30.1	-15%	112.6
Dividends	0.1	0.0	-	0.1
Commission income	20.8	19.0	10%	81.1
Commission expenses	-2.1	-2.1	2%	-10.4
Net commission income	18.8	16.9	11%	70.7
Net income from life insurance	6.0	7.6	-21%	28.1
Net income from financial transactions	0.9	2.2	-60%	8.3
Net income from investment properties	0.0	0.0	-52%	0.4
Other operating income	0.8	0.8	4%	3.8
Total operating income	**52.0**	**57.5**	**-10%**	**224.2**
Staff costs	-17.5	-19.2	-9%	-77.7
IT-expenses	-6.6	-5.9	12%	-27.3
Depreciation of tangible and intangible assets	-1.8	-1.7	6%	-6.8
Other operating expenses	-10.2	-10.7	-5%	-45.5
Total operating expenses	**-36.1**	**-37.5**	**-4%**	**-157.2**
Write-downs on credits and other commitments	-0.4	-1.1	-63%	-2.7
Share of profit from associated companies	0.9	0.6	47%	1.2
Operating profit	**16.4**	**19.5**	**-16%**	**65.4**
Taxes	-3.3	-4.7	-30%	-13.0
Profit for the period	**13.1**	**14.8**	**-11%**	**52.4**
Attributable to:				
Shareholders in Aktia Bank plc	13.1	14.8	-12%	52.2
Non-controlling interest	0.1	0.0	-	0.2
Total	**13.1**	**14.8**	**-11%**	**52.4**
Earnings per share (EPS), EUR	0.20	0.22	-12%	0.78
Earnings per share (EPS), EUR, after dilution	0.20	0.22	-12%	0.78

Consolidated comprehensive income statement

(EUR million)	1-3/2014	1-3/2013	Δ%	2013
Profit for the period	13.1	14.8	-11%	52.4
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	10.8	-1.8	-	-10.3
Change in valuation of fair value for financial assets held until maturity	-0.9	-0.8	-18%	-3.3
Change in valuation of fair value for cash flow hedging	0.0	0.0	-	0.2
Transferred to the income statement for financial assets available for sale	-1.1	-1.5	28%	-9.7
Transferred to the income statement for cash flow hedging	-1.8	-2.9	39%	-11.6
Comprehensive income from items which can be transferred to the income statement	7.0	-7.0	-	-34.7
Defined benefit plan pensions	-	-	-	-0.1
Comprehensive income from items which can not be transferred to the income statement	-	-	-	-0.1
Total comprehensive income for the period	**20.1**	**7.7**	**160%**	**17.6**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank plc	20.1	7.4	171%	17.2
Non-controlling interest	0.0	0.3	-	0.4
Total	**20.1**	**7.7**	**160%**	**17.6**
Total earnings per share, EUR	0.30	0.11	171%	0.26
Total earnings per share, EUR, after dilution	0.30	0.11	171%	0.26

Consolidated balance sheet

(EUR million)	31.3.2014	31.12.2013	Δ%	31.3.2013
Assets				
Cash and balances with central banks	228.3	414.3	-45%	295.1
Financial assets reported at fair value via the income statement	0.1	0.1	-1%	0.0
Interest-bearing securities	2,264.9	2,157.0	5%	2,158.2
Shares and participations	86.4	99.5	-13%	98.8
Financial assets available for sale	2,351.3	2,256.5	4%	2,257.0
Financial assets held until maturity	497.4	499.3	0%	362.5
Derivative instruments	209.6	197.6	6%	270.8
Lending to Bank of Finland and credit institutions	188.0	95.1	98%	129.0
Lending to the public and public sector entities	6,693.0	6,802.2	-2%	7,132.6
Loans and other receivables	6,881.0	6,897.3	0%	7,261.6
Investments for unit-linked provisions	476.9	465.9	2%	401.1
Investments in associated companies	20.5	19.3	6%	21.2
Intangible assets	24.0	20.3	18%	14.5
Investment properties	61.1	60.4	1%	28.3
Other tangible assets	6.6	6.6	0%	5.4
Accrued income and advance payments	67.4	66.2	2%	70.8
Other assets	10.4	8.8	18%	124.9
Total other assets	77.8	75.0	4%	195.7
Income tax receivables	4.6	3.7	25%	0.9
Deferred tax receivables	15.4	16.2	-5%	22.3
Tax receivables	20.0	19.9	1%	23.1
Assets classified as held for sale	1.2	1.2	0%	1.4
Total assets	**10,855.7**	**10,933.8**	**-1%**	**11,137.7**
Liabilities				
Liabilities to credit institutions	998.5	1,095.5	-9%	983.5
Liabilities to the public and public sector entities	3,861.1	3,797.5	2%	3,631.8
Deposits	4,859.5	4,893.0	-1%	4,615.2
Derivative instruments	123.7	128.6	-4%	161.6
Debt securities issued	3,522.0	3,657.9	-4%	3,888.1
Subordinated liabilities	227.7	232.2	-2%	274.2
Other liabilities to credit institutions	123.5	123.5	0%	250.8
Other liabilities to the public and public sector entities	87.3	92.4	-5%	128.7
Other financial liabilities	3,960.6	4,106.0	-4%	4,541.8
Technical provisions for interest-related insurances	502.0	503.5	0%	517.0
Technical provisions for unit-linked insurances	474.3	461.9	3%	400.5
Technical provisions	976.4	965.4	1%	917.4
Accrued expenses and income received in advance	105.7	96.5	10%	100.5
Other liabilities	135.9	40.5	235%	39.8
Total other liabilities	241.6	137.0	76%	140.4
Provisions	5.7	6.4	-10%	6.9
Income tax liabilities	1.6	5.2	-69%	24.1
Deferred tax liabilities	53.1	50.4	5%	64.8
Tax liabilities	54.7	55.6	-2%	88.9
Liabilities for assets classified as held for sale	0.2	0.2	-1%	0.2
Total liabilities	**10,222.4**	**10,292.1**	**-1%**	**10,472.4**
Equity				
Restricted equity	251.5	244.5	3%	212.9
Unrestricted equity	317.5	332.7	-5%	387.4
Shareholders' share of equity	569.0	577.1	-1%	600.2
Non-controlling interest's share of equity	64.3	64.6	0%	65.1
Equity	**633.3**	**641.7**	**-1%**	**665.4**
Total liabilities and equity	**10,855.7**	**10,933.8**	**-1%**	**11,137.7**

Consolidated statement of changes in equity

(EUR million)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders share of equity	Non-controlling interests' share of equity	Total equity
Equity as at 1 January 2013	**93.9**	**10.3**	**116.1**	**1.1**	**72.7**	**298.6**	**592.6**	**64.8**	**657.4**
Divestment of treasury shares						0.4	0.4		0.4
Profit for the period						*14.8*	*14.8*	*0.0*	*14.8*
Financial assets available for sale			*-3.3*				*-3.3*	*0.0*	*-3.3*
Financial assets held until maturity			*-0.8*				*-0.8*		*-0.8*
Cash flow hedging			*-3.3*				*-3.3*	*0.3*	*-2.9*
Total comprehensive income for the period			-7.4			14.8	7.4	0.3	7.7
Other change in equity				-0.2			-0.2	0.0	-0.2
Equity as at 31 March 2013	**93.9**	**10.3**	**108.7**	**0.9**	**72.7**	**313.8**	**600.2**	**65.1**	**665.4**
Equity as at 1 January 2014	**163.0**	**0.3**	**81.1**	**1.6**	**128.4**	**202.6**	**577.1**	**64.6**	**641.7**
Divestment of treasury shares						0.1	0.1		0.1
Dividend to shareholders						-28.0	-28.0		-28.0
Profit for the period						*13.1*	*13.1*	*0.1*	*13.1*
Financial assets available for sale			*9.7*				*9.7*	*0.0*	*9.7*
Financial assets held until maturity			*-0.9*				*-0.9*		*-0.9*
Cash flow hedging			*-1.7*				*-1.7*	*-0.1*	*-1.8*
Total comprehensive income for the period			7.1			13.1	20.1	0.0	20.1
Other change in equity				-0.4			-0.4	-0.3	-0.7
Equity as at 31 March 2014	**163.0**	**0.3**	**88.2**	**1.2**	**128.4**	**187.8**	**569.0**	**64.3**	**633.3**

Consolidated cash flow statement

(EUR million)	1-3/2014	1-3/2013	Δ%	2013
Cash flow from operating activities				
Operating profit	16.4	19.5	-16%	65.4
Adjustment items not included in cash flow for the period	-4.8	-3.5	-38%	-20.4
Paid income taxes	-5.9	-2.1	-184%	-26.3
Cash flow from operating activities before change in receivables and liabilities	**5.8**	**13.9**	**-59%**	**18.7**
Increase (-) or decrease (+) in receivables from operating activities	-81.1	-240.6	66%	82.6
Increase (+) or decrease (-) in liabilities from operating activities	-98.0	-73.1	-34%	-152.1
Total cash flow from operating activities	**-173.4**	**-299.8**	**42%**	**-50.9**
Cash flow from investing activities				
Investments in group companies and associated companies	-	-	-	-6.3
Proceeds from sale of group companies and associated companies	-	-	-	0.6
Investment in investment properties	-0.7	-	-	-32.5
Investment in tangible and intangible assets	-6.0	-1.9	-210%	-14.5
Disposal of investment properties	-	0.1	-	0.8
Disposal of tangible and intangible assets	0.6	0.1	663%	1.0
Total cash flow from investing activities	**-6.1**	**-1.7**	**-252%**	**-50.8**
Cash flow from financing activities				
Subordinated liabilities	-4.5	6.0	-	-37.3
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	-0.3	-	-	-0.7
Divestment of treasury shares	0.1	0.4	-69%	0.4
Paid dividends	-	-	-	-24.0
Capital return	-	-	-	-9.3
Total cash flow from financing activities	**-4.6**	**6.4**	**-**	**-70.9**
Change in cash and cash equivalents	**-184.1**	**-295.1**	**38%**	**-172.6**
Cash and cash equivalents at the beginning of the year	429.7	602.3	-29%	602.3
Cash and cash equivalents at the end of the period	245.6	307.2	-20%	429.7
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	6.8	6.7	2%	8.3
Insurance operation's cash and bank	0.9	1.4	-35%	1.1
Bank of Finland current account	221.5	287.0	-23%	404.9
Repayable on demand claims on credit insitutions	16.4	12.1	36%	15.3
Total	**245.6**	**307.2**	**-20%**	**429.7**
Adjustment items not included in cash flow consist of:				
Impairment of financial assets available for sale	0.6	0.7	-14%	1.3
Write-downs on credits and other commitments	0.4	1.1	-63%	2.7
Change in fair values	0.6	1.4	-58%	0.4
Depreciation and impairment of intangible and tangible assets	1.8	1.7	6%	6.8
Result effect from associated companies	-0.6	-0.4	-61%	-1.0
Sales gains and losses from intangible and tangible assets	0.0	0.0	-	-0.4
Unwound cash flow hedging	-2.2	-3.9	43%	-15.4
Unwound fair value hedging	-3.9	-3.9	0%	-15.9
Change in provisions	-0.7	-	-	-0.5
Change in fair values of investment properties	-	-	-	0.0
Change in share-based payments	-0.7	-0.2	-362%	1.7
Other adjustments	-	-	-	-0.1
Total	**-4.8**	**-3.5**	**-38%**	**-20.4**

Quarterly trends in the Group

(EUR million)	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Net interest income	25.4	27.3	26.9	28.3	30.1
Dividends	0.1	0.0	-	0.1	0.0
Net commission income	18.8	17.8	17.4	18.6	16.9
Net income from life insurance	6.0	8.4	6.5	5.6	7.6
Net income from financial transactions	0.9	2.5	1.8	1.9	2.2
Net income from investment properties	0.0	0.0	0.0	0.4	0.0
Other operating income	0.8	1.3	0.9	0.8	0.8
Total operating income	**52.0**	**57.3**	**53.6**	**55.7**	**57.5**
Staff costs	-17.5	-23.1	-16.6	-18.8	-19.2
IT-expenses	-6.6	-6.4	-6.9	-8.1	-5.9
Depreciation of tangible and intangible assets	-1.8	-1.7	-1.7	-1.7	-1.7
Other operating expenses	-10.2	-14.7	-9.5	-10.6	-10.7
Total operating expenses	**-36.1**	**-45.9**	**-34.6**	**-39.2**	**-37.5**
Write-downs on credits and other commitments	-0.4	-1.1	-0.2	-0.4	-1.1
Share of profit from associated companies	0.9	0.8	0.8	-1.0	0.6
Operating profit	**16.4**	**11.1**	**19.6**	**15.1**	**19.5**
Taxes	-3.3	0.8	-5.0	-4.1	-4.7
Profit for the period	**13.1**	**11.9**	**14.7**	**11.0**	**14.8**
Attributable to:					
Shareholders in Aktia Bank plc	13.1	11.7	14.9	10.8	14.8
Non-controlling interest	0.1	0.2	-0.2	0.3	0.0
Total	**13.1**	**11.9**	**14.7**	**11.0**	**14.8**
Earnings per share (EPS), EUR	0.20	0.18	0.22	0.16	0.22
Earnings per share (EPS), EUR, after dilution	0.20	0.18	0.22	0.16	0.22

Quarterly trends of comprehensive income

(EUR million)	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Profit for the period	13.1	11.9	14.7	11.0	14.8
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	10.8	1.6	6.7	-16.9	-1.8
Change in valuation of fair value for financial assets held until maturity	-0.9	-0.9	-0.8	-0.8	-0.8
Change in valuation of fair value for cash flow hedging	0.0	0.2	0.0	0.0	0.0
Transferred to the income statement for financial assets available for sale	-1.1	-0.4	-5.7	-2.1	-1.5
Transferred to the income statement for cash flow hedging	-1.8	-2.7	-3.0	-3.0	-2.9
Defined benefit plan pensions	-	-0.1	-	-	-
Total comprehensive income for the period	**20.1**	**9.6**	**11.9**	**-11.6**	**7.7**
Total comprehensive income attributable to:					
Shareholders in Aktia Bank plc	20.1	9.6	12.2	-12.1	7.4
Non-controlling interest	0.0	0.0	-0.3	0.5	0.3
Total	**20.1**	**9.6**	**11.9**	**-11.6**	**7.7**
Total earnings per share, EUR	0.30	0.14	0.18	-0.18	0.11
Total earnings per share, EUR, after dilution	0.30	0.14	0.18	-0.18	0.11

Notes to the Interim Report

NOTE 1. Basis for preparing the Interim Report and important accounting principles

Basis for preparing the Interim Report

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

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

The Interim Report for the period 1 January – 31 March 2014 was approved by the Board of Directors on 6 May 2014.

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

Key accounting principles

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

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

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

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and separate financial statements, introducing a new way to define weather an investment object shall be included in the consolidated financial statements or not. The standard is mandatory as of 1 January 2014 and has not had any 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, and has not had any impact on the way that the Aktia Group consolidates joint arrangements. The standard is mandatory as of 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities is a combined disclosure standard for subsidiaries, associated companies, joint arrangements and other unconsolidated structured entities. The standard is mandatory as of 1 January 2014, and Aktia evaluates new requirements on disclosures for the annual report.

The standard 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 it is expected to be mandatory earliest as of 1 January 2017. Aktia follows up development of the new standard, evaluating its impact on financial reporting on an on-going basis.

Calculation of capital adequacy

In the interim report the term ***Basel III*** refers to EU Regulation No 575/2013 and supplementary regulation issued by European and National supervisory authorities.

Note 2. Group's segment reporting

Income statement	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Group total	
(EUR million)	**1-3/2014**	**1-3/2013**	**1-3/2014**	**1-3/2013**	**1-3/2014**	**1-3/2013**	**1-3/2014**	**1-3/2013**	**1-3/2014**	**1-3/2013**
Net interest income	25.3	30.2	0.0	0.0	0.1	-0.2	0.1	0.1	25.4	30.1
Net commission income	14.8	12.8	5.1	4.7	1.4	1.5	-2.5	-2.2	18.8	16.9
Net income from life insurance	-	-	5.5	7.2	-	-	0.5	0.4	6.0	7.6
Other income	1.7	2.8	0.0	0.0	1.1	0.7	-1.0	-0.6	1.8	3.0
Total operating income	**41.8**	**45.9**	**10.6**	**11.9**	**2.5**	**2.1**	**-2.9**	**-2.3**	**52.0**	**57.5**
Staff costs	-8.9	-9.7	-2.5	-2.7	-5.9	-6.7	-0.1	-0.2	-17.5	-19.2
IT-expenses	-3.7	-3.6	-0.4	-0.5	-2.5	-1.8	-	-	-6.6	-5.9
Depreciation of tangible and intangible assets	-0.5	-0.4	-0.3	-0.2	-1.1	-1.0	-	-	-1.8	-1.7
Other expenses	-17.3	-15.8	-2.3	-2.3	6.7	5.1	2.7	2.3	-10.2	-10.7
Total operating expenses	**-30.4**	**-29.5**	**-5.5**	**-5.7**	**-2.8**	**-4.4**	**2.6**	**2.1**	**-36.1**	**-37.5**
Write-downs on credits and other commitments	-0.4	-1.1	-	-	-	-	-	-	-0.4	-1.1
Share of profit from associated companies	-	-	-	-	-	-	0.9	0.6	0.9	0.6
Operating profit	**11.0**	**15.2**	**5.0**	**6.2**	**-0.2**	**-2.4**	**0.6**	**0.4**	**16.4**	**19.5**

Balance sheet	Banking Business		Asset Management & Life Insurance		Miscellaneous		Eliminations		Group total	
(EUR million)	**31.3.2014**	**31.12.2013**	**31.3.2014**	**31.12.2013**	**31.3.2014**	**31.12.2013**	**31.3.2014**	**31.3.2013**	**31.3.2014**	**31.12.2013**
Cash and balances with central banks	228.3	413.2	17.3	15.5	-	-	-17.3	-14.3	228.3	414.3
Financial assets reported at fair value via the income statement	0.1	0.1	-	-	-	-	-	-	0.1	0.1
Financial assets available for sale	1,821.3	1,688.2	533.3	578.0	3.2	2.9	-6.6	-12.7	2,351.3	2,256.5
Financial assets held until maturity	497.4	499.3	1.5	-	-	-	-1.5	-	497.4	499.3
Loans and other receivables	6,873.9	6,891.2	13.5	12.4	6.8	6.8	-13.1	-13.0	6,881.0	6,897.3
Investments for unit-linked provisions	-	-	476.9	465.9	-	-	-	-	476.9	465.9
Other assets	264.1	256.2	82.4	82.6	212.8	199.4	-138.5	-137.8	420.8	400.4
Total assets	**9,685.1**	**9,748.2**	**1,124.8**	**1,154.3**	**222.8**	**209.1**	**-176.9**	**-177.7**	**10,855.7**	**10,933.8**
Deposits	4,890.6	4,920.9	-	-	-	0.0	-31.0	-27.9	4,859.5	4,893.0
Debt securities issued	3,530.0	3,670.6	-	-	-	-	-8.0	-12.7	3,522.0	3,657.9
Technical provision for insurance business	-	-	976.4	965.4	-	-	-	-	976.4	965.4
Other liabilities	745.3	680.8	32.2	30.0	215.1	187.1	-128.1	-122.1	864.5	775.8
Total liabilities	**9,165.9**	**9,272.3**	**1,008.5**	**995.4**	**215.1**	**187.1**	**-167.2**	**-162.7**	**10,222.4**	**10,292.1**

Note 3. Derivatives and off-balance sheet commitments

Hedging derivative instruments (EUR million)

31.3.2014	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	3,072.5	102.3	17.5
Total	**3,072.5**	**102.3**	**17.5**
Cash flow hedging			
Interest rate-related	300.0	0.6	-
Total	**300.0**	**0.6**	**-**
Derivative instruments valued via the income statement			
Interest rate-related *)	3,259.1	103.5	102.8
Currency-related	36.6	0.1	0.3
Equity-related **)	54.5	3.1	3.1
Other derivative instruments **)	20.8	-	-
Total	**3,371.0**	**106.8**	**106.2**
Total derivative instruments			
Interest rate-related	6,631.6	206.3	120.3
Currency-related	36.6	0.1	0.3
Equity-related	54.5	3.1	3.1
Other derivative instruments	20.8	-	-
Total	**6,743.5**	**209.6**	**123.7**

Hedging derivative instruments (EUR million)

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

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

Off-balance sheet commitments

(EUR million)	31.3.2014	31.12.2013	31.3.2013
Commitments provided to a third party on behalf of the customers			
Guarantees	30.7	31.8	34.0
Other commitments provided to a third party	2.4	2.9	2.5
Irrevocable commitments provided on behalf of customers			
Unused credit arrangements	367.6	354.3	289.9
Other commitments provided to a third party	2.2	2.2	2.5
Off-balance sheet commitments	**403.0**	**391.3**	**328.9**

Note 4. Group's risk exposure

The Bank Group's Capital Adequacy

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

		(EUR million)
Calculation of the Bank Group's capital base	**31.3.2014 Group**	**31.3.2014 Bank Group**
Total assets	**10,855.7**	**9,819.7**
of which intangible assets	24.0	21.5
Total liabilities	**10,222.4**	**9,250.7**
of which subordinated liabilities	227.7	227.7
Share capital	163.0	163.0
Fund at fair value	88.2	43.9
Other restricted equity	0.3	0.3
Total restricted equity	251.5	207.2
Unrestricted equity reserve and other funds	129.6	129.6
Retained earnings	174.8	107.7
Profit for the reporting period	13.1	60.2
Unrestricted equity	317.5	297.5
Shareholders' share of equity	569.0	504.7
Non-controlling interest's share of equity	64.3	64.3
Equity	**633.3**	**569.0**
Total liabilities and equity	**10,855.7**	**9,819.7**
Off-balance sheet commitments	**403.0**	**400.7**
Equity in the Banking Group		569.0
Provision for dividends to shareholders		-8.1
Intangible assets		-21.5
Share of non-controlling interest of equity		-4.9
Debentures		89.8
Other		-2.7
Total capital base (CET1 + AT1 + T2)		**621.7**

The Bank Group

(EUR million)

	31.3.2014 Basel III	31.12.2013 Basel iII	31.12.2013 Basel II
Common Equity Tier 1 Capital before regulatory adjustments	552.5	499.0	
Common Equity Tier 1 Capital regulatory adjustments	-65.2	-60.0	
Common Equity Tier 1 Capital total	**487.4**	**439.0**	
Additional TIER 1 capital before regulatory adjustments	1.5	1.6	
Additional TIER 1 capital regulatory adjustments	-	-	
Additional TIER 1 capital after regulatory adjustments	**1.5**	**1.6**	
TIER 1 capital total	**488.9**	**440.6**	**427.5**
TIER 2 capital before regulatory adjustments	91.8	84.8	
TIER 2 capital regulatory adjustments	41.0	37.8	
TIER 2 capital total	**132.8**	**122.6**	**241.7**
OWN FUNDS TOTAL	**621.7**	**563.2**	**669.2**
Risk weighted exposures total	**3,592.0**	**3,628.5**	**3,463.5**
of which Credit risk	3,224.4	3,260.8	3,095.8
of which Market risk	-	-	-
of which Operational risk	367.7	367.7	367.7
CET1 Capital ratio	13.6%	12.1%	
T1 Capital ratio	13.6%	12.1%	12.3%
Total capital ratio	17.3%	15.5%	19.3%

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

Risk-weighted amount for operational risks

(EUR million)

Year	2011	2012	2013	3/2014	12/2013
Gross income	199.8	195.2	193.4		
- average 3 years			196.1		
Capital requirement for operational risk				**29.4**	**29.4**
Risk-weighted amount				**367.7**	**367.7**

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

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

The finance and insurance conglomerate's capital adequacy

(EUR million)

The finance and insurance conglomerate's capital adequacy	31.3.2014 Basel III	31.12.2013 Basel III	31.12.2013 Basel II
Summary			
The Group's equity	633.3	641.7	641.7
Sector-specific assets	89.8	82.6	223.5
Intangible assets and other reduction items	-79.7	-86.7	-237.4
Conglomerate´s total capital base	**643.4**	**637.7**	**627.8**
Capital requirement for banking business	279.1	279.9	277.1
Capital requirement for insurance business	39.2	39.0	39.0
Minimum amount for capital base	**318.4**	**318.9**	**316.1**
Conglomerate´s capital adequacy	**325.1**	**318.8**	**311.7**
Capital adequacy ratio, %	202.1%	199.9%	198.6%

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

Note 5. Financial assets and liabilities

Fair value of financial assets and liabilities

	31.3.2014		31.12.2013	
Financial assets (EUR million)	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	228.3	228.3	414.3	414.3
Financial assets reported at fair value via the income statement	0.1	0.1	0.1	0.1
Financial assets available for sale	2,351.3	2,351.3	2,256.5	2,256.5
Financial assets held until maturity	497.4	503.0	499.3	498.7
Derivative instruments	209.6	209.6	197.6	197.6
Loans and other receivables	6,881.0	6,708.2	6,897.3	6,698.8
Total	**10,167.7**	**10,000.5**	**10,265.2**	**10,066.1**

	31.3.2014		31.12.2013	
Financial liabilities (EUR million)	**Book value**	**Fair value**	**Book value**	**Fair value**
Deposits	4,859.5	4,795.6	4,893.0	4,825.1
Derivative instruments	123.7	123.7	128.6	128.6
Debt securities issued	3,522.0	3,579.6	3,657.9	3,707.7
Subordinated liabilities	227.7	232.6	232.2	237.2
Other liabilities to credit institutions	123.5	129.1	123.5	128.9
Other liabilities to the public and public sector entities	87.3	87.4	92.4	92.3
Total	**8,943.8**	**8,947.9**	**9,127.6**	**9,119.9**

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

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

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

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

Measurement of financial assets at fair value

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

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

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

	31.3.2014				31.12.2013			
	Fair value classified into				Fair value classified into			
Financial instruments measured at fair value (EUR million)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued via the income statement								
Interest-bearing securities	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.1
Shares and participations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.1**	**0.1**	**0.0**	**0.0**	**0.1**	**0.1**
Financial assets available for sale								
Interest-bearing securities	2,020.5	198.8	45.6	2,264.9	1,920.6	189.1	47.3	2,157.0
Shares and participations	35.2	0.0	51.3	86.5	45.7	0.0	53.8	99.5
Total	**2,055.6**	**198.8**	**96.9**	**2,351.3**	**1,966.4**	**189.1**	**101.1**	**2,256.5**
Derivative instrument, net	-0.2	86.1	0.0	85.9	0.0	69.0	0.0	69.0
Totalt	**-0.2**	**86.1**	**0.0**	**85.9**	**0.0**	**69.0**	**0.0**	**69.0**
Total	**2,055.5**	**284.9**	**97.0**	**2,437.3**	**1,966.4**	**258.0**	**101.2**	**2,325.6**

Transfers between levels 1 and 2

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

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

Changes within level 3

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

Reconciliation of the changes taken place for financial instruments which belong to level 3	Financial assets valued via the income statement			Financial assets available for sale			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1.1.2014	0.1	0.0	**0.1**	47.3	53.8	**101.1**	47.4	53.8	**101.2**
New purchases	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Sales	0.0	0.0	**0.0**	-0.2	-1.0	**-1.2**	-0.2	-1.0	**-1.2**
Matured during the year	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Realised value change in the income statement	0.0	0.0	**0.0**	0.0	-0.6	**-0.6**	0.0	-0.6	**-0.6**
Unrealised value change in the income statement	0.0	0.0	**0.0**	0.0	-1.4	**-1.4**	0.0	-1.4	**-1.4**
Value change recognised in the total comprehensive income	0.0	0.0	**0.0**	0.0	0.5	**0.5**	0.0	0.5	**0.5**
Transfer from level 1 and 2	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Transfer to level 1 and 2	0.0	0.0	**0.0**	-1.5	0.0	**-1.5**	-1.5	0.0	**-1.5**
Carrying amount 31.3.2014	**0.1**	**0.0**	**0.1**	**45.6**	**51.3**	**96.9**	**45.7**	**51.3**	**97.0**

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

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%, with exception for Suomen Luotto-osuuskunta, which is valued based on its lowest estimated value of the return of capital after the sale of its subsidiary Nets Oy (previously known as Luottokunta). These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 1,8 (1.9)% of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31.3.2014 Effect at an assumed movement			31.12.2013 Effect at an assumed movement		
	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets valued via the income statement						
Interest-bearing securities	0.1	0.0	0.0	0.1	0.0	0.0
Shares and participations	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.1**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**
Financial assets available for sale						
Interest-bearing securities	45.6	1.4	-1.4	47.3	1.4	-1.4
Shares and participations	51.3	9.7	-9.7	53.8	10.3	-10.3
Total	**96.9**	**11.1**	**-11.1**	**101.1**	**11.7**	**-11.7**
Total	**97.0**	**11.1**	**-11.1**	**101.2**	**11.8**	**-11.8**

Set off of financial assets and liabilities

	Assets		Liabilities	
(EUR million)	**31.3.2014**	**31.12.2013**	**31.3.2014**	**31.12.2013**
Financial assets and liabilities included in general agreements on set off or similar agreements				
Derivative instruments, gross amount	209.6	197.6	123.7	128.6
Set off amount	-	-	-	-
Value recorded in the balance sheet	**209.6**	**197.6**	**123.7**	**128.6**
Amount not set off but included in general agreements on set off or similar				
Derivative instruments	22.1	26.6	22.1	26.6
Collateral assets and liabilities	175.4	173.2	57.7	67.1
Total amount of sums not set off in the balance sheet	**197.6**	**199.8**	**79.9**	**93.6**
Net	**12.0**	**-2.2**	**43.8**	**35.0**

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

Note 6. Net interest income

(EUR million)	1-3/2014	1-3/2013	Δ %	2013
Deposits and lending	10.2	10.4	-2%	41.2
Hedging, interest rate risk management	9.4	11.1	-15%	44.0
Other	5.8	8.6	-32%	27.5
Net interest income	**25.4**	**30.1**	**-15%**	**112.6**

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

Note 7. Gross loans and write-downs

(EUR million)	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
Gross loans	6,757.1	6,867.2	6,911.5	7,050.3	7,198.2
Individual write-downs	-54.1	-55.4	-51.6	-51.0	-50.8
Of which made to non-performing loans past due at least 90 days	-40.1	-40.5	-40.7	-40.1	-41.4
Of which made to other loans	-14.1	-15.0	-10.9	-10.9	-9.4
Write-downs by group	-10.0	-9.6	-14.1	-14.5	-14.8
Net loans, balance amount	**6,693.0**	**6,802.2**	**6,845.8**	**6,984.9**	**7,132.6**

Note 8. Net income from life insurance

(EUR million)	1-3/2014	1-3/2013	Δ %	2013
Premiums written	31.6	46.0	-31%	140.0
Net income from investments	6.7	8.1	-18%	27.2
Insurance claims paid	-25.7	-22.1	-16%	-81.0
Net change in technical provisions	-6.6	-24.4	73%	-58.2
Net income from life insurance	**6.0**	**7.6**	**-21%**	**28.1**

Helsinki 6 May 2014

AKTIA BANK PLC

The Board of Directors

TRANSLATION

Report on review of the interim report of Aktia Bank p.l.c. as of and for the three months period ending March 31, 2014

To the Board of Directors of Aktia Bank p.l.c.

Introduction

We have reviewed the consolidated balance sheet as of 31 March 2014, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement of Aktia Bank p.l.c. for the three-month period then ended, as well as a summary of significant accounting policies and other explanatory notes to the financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".
A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report does not give a true and fair view of the consolidated financial position as at 31 March 2014 and the consolidated result of its operations and cash flows for the three-month period then ended, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki 6 May 2014

KPMG Oy Ab

Jari Härmälä
Authorized Public Accountant

Interim report 1-6/2014 5 August 2014

Interim report 1-9/2014 4 November 2014

Aktia

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

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