

Corporate Governance report for Aktia Plc

This report was approved by the Board of Directors of Aktia plc on 28 February 2012. The report is drawn up separately from the Report by the Board of Directors.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's articles of association, Aktia follows the corporate governance code for listed companies issued by the Finnish Securities Market Association ('Corporate Governance Code'). Aktia complies with the recommendations laid down in the Corporate Governance Code with the exception of recommendation 8 (election of members of the Board of Directors), recommendation 28 (setting up a nomination committee), 29 (election of and members of the nomination committee) and 40 (decision-making process for remuneration).

Deviations from the recommendations

By way of deviation from recommendations 8 and 40, Aktia's annual general meeting appoints a Board of Supervisors, whose tasks include appoint-

ing Aktia's Board of Directors and making decisions on issues which involve the significant restriction or expansion of operations. These decision-making arrangements have been adopted by Aktia shareholders in current articles of association. The arrangements are deemed to describe and ease implementation of the company's strategy on local operations.

Aktia's Board of Directors has not set up a nomination committee in itself, which means that Aktia is deviating from recommendations 28, 29 and 30 of the Corporate Governance Code. The reason for these deviations is that the members of the Board of Directors are appointed by the Board of Supervisors, the presiding officers of which prepare issues that relate to the composition, appointment and remuneration of the Board of Directors.

Corporate Governance Code publicly available on the Internet

The Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi.

Composition of and work undertaken by the Board of Directors

Aktia's Board of Directors 2011:

| Name | Born | Education, title and main occupation |
|----------------------------|------|---|
| Dag Wallgren, Chair | 1961 | M.Sc. (Econ.), Managing Director of The Society of Swedish Literature in Finland |
| Nina Wilkman, Deputy Chair | 1958 | LL.M., Attorney-at-Law, postgraduate student, doctoral program |
| Marcus H. Borgström | 1946 | M.Sc. (Agr.&For.), Honorary Counsellor, Agricultural Entrepreneur, Östersundom gård |
| Hans Frantz | 1948 | Lic.Soc.Sc., Principal Lecturer at University of Applied Sciences in Vaasa |
| Lars-Erik Kvist | 1945 | M.Sc. (Econ.) |
| Nils Lampi | 1948 | B.Sc. (Econ.), CEO of Wiklöf Holding Ab |
| Kjell Sundström | 1960 | M.Sc. (Econ.), Treasurer of Stiftelsen för Åbo Akademi |
| Marina Vahtola, | 1963 | M.Sc. (Econ.) |

Aktia's Board of Directors 2012:

| Name | Born | Education, title and main occupation |
|------------------------------------|------|--|
| Dag Wallgren, Chair | 1961 | M.Sc. (Econ.), Managing Director of The Society of Swedish Literature in Finland |
| Nina Wilkman, Deputy Chair | 1958 | LL.M., Attorney-at-Law, postgraduate student, doctoral program |
| Jannica Fagerholm | 1961 | M.Sc. (Econ.), Managing Director of Signe and Ane Gyllenberg Foundation |
| Hans Frantz | 1948 | Lic.Soc.Sc., Principal Lecturer at University of Applied Sciences in Vaasa |
| Kjell Hedman | 1951 | Business Economist, Managing Director of Landshypotek |
| Nils Lampi | 1948 | B.Sc. (Econ.), CEO of Wiklöf Holding Ab |
| Catharina von Stackelberg-Hammarén | 1970 | M. Sc. (Econ.), Managing Director of Marketing Clinic Ab |
| Kjell Sundström | 1960 | M.Sc. (Econ.), Treasurer of Stiftelsen för Åbo Akademi |

The Board of Directors deems the Board members Jannica Fagerholm, Hans Frantz, Kjell Hedman, Nils Lampi, Kjell Sundström, Dag Wallgren and Nina Wilkman to be independent in relation to Aktia within the meaning of the Corporate Governance Code. Catharina Stackelberg-Hammarén is Managing Director of Marketing Clinic Ab, and the company has in 2011 executed considerable tasks for Aktia Group. When mapping the dependent relationships with significant shareholders as envisaged by the Corporate Governance Code (shareholders who hold at least ten per cent of the total number of shares or votes), it has been noted that deputy chair Nina Wilkman sits on the Board of Directors of the Foundation Tre Smeder, Board member Jannica Fagerholm is member of the Board of the Life Annuity Institution Hereditas, and that Board member Kjell Sundström is the chairman of the Board of Directors of the Veritas Pension Insurance Company. Hans Frantz, Nils Lampi, Catharina Stackelberg-Hammarén and Dag Wallgren do not have any dependent relationships with significant shareholders.

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws, the articles of association and the instructions issued by the Board of Supervisors. Apart from assignments given by the Board of Directors to its members in individual cases, board members do not have individual duties related to the governance of the company.

In keeping with the provisions of the articles of association, Aktia's Board of Directors encompasses a minimum of five and a maximum of twelve ordinary members, whose term of office is one calendar year. No person who turns 67 before the beginning of the term can be elected as a board member. Aktia's Board of Directors is appointed by the Board of Supervisors for one calendar year at a time. The Board of Supervisors also appoints the chair and vice chair of the Board of Directors. No members of the Board are appointed through special order of appointment.

Meetings of the Board of Directors are deemed quorate when more than half the members, including the chair or vice chair, are present. No member of the Board of Directors may be a member of the Board of Supervisors.

The rules of procedure adopted by the Board of Directors define, in greater detail, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings and reporting procedures.

The Board of Directors convened 12 times in 2011. In addition, the Board of Directors adopted separate decisions on 5 occasions concerning matters that fell under its authority.

Attendance of Board members in 2011:

| | |
|--------------------------|-------|
| Wallgren Dag, Chair | 12/12 |
| Borgström Marcus | 11/12 |
| Frantz Hans | 12/12 |
| Kvist Lars-Erik | 10/12 |
| Lampi Nils | 12/12 |
| Sundström Kjell | 10/12 |
| Vahtola Marina | 12/12 |
| Wilkman Nina, Vice Chair | 12/12 |

Composition of and work undertaken by the Board of Directors' committees

The Board of Directors set up three committees from among its members to take decisions on certain predefined matters and to draw up issues to be resolved upon by the Board of Directors.

Within the framework established by the Board of Directors, the risk committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the

Board of Directors to pass decision on. The committee convened 9 times in 2011.

Members of the risk committee and attendance in 2011:

| | |
|------------------------|-----|
| Sundström Kjell, Chair | 7/9 |
| Borgström Marcus | 6/9 |
| Kvist Lars-Erik | 5/9 |
| Wallgren Dag | 9/9 |

Members of the risk committee and attendance in 2012:

Sundström Kjell, Chair
Hedman Kjell
Wallgren Dag

The audit committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee determines the principles for internal auditing, sets down the Group's internal audit schedule and annual plan, and adopts routines and procedures for the compliance function. The committee studies the reports issued by the external auditor, the internal audit unit and the compliance unit and assesses the sufficiency of the other internal reports. The audit committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. The committee convened 8 times in 2011.

Members of the audit committee and attendance in 2011:

| | |
|---------------------|-----|
| Wilkman Nina, Chair | 8/8 |
| Frantz Hans | 7/8 |
| Lampi Nils | 8/8 |

Members of the risk committee in 2012:

Wilkman Nina, Chair
Fagerholm Jannica
Frantz Hans
Lampi Nils

The remuneration and corporate governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties outside the company, and on matters relating to the development of the Group's administration and control system. The committee convened 3 times in 2011.

Members of the remuneration and corporate governance committee and attendance in 2011:

| | |
|---------------------|-----|
| Wallgren Dag, Chair | 3/3 |
| Borgström Marcus | 2/3 |
| Frantz Hans | 3/3 |
| Vahtola Marina | 3/3 |
| Wilkman Nina | 2/3 |

Members of the remuneration and corporate governance committee in 2012:

Wallgren Dag, Chair
Frantz Hans
Catharina von Stackelberg-Hammarén
Wilkman Nina

Composition of and work undertaken by the Board of Supervisors

Aktia's Board of Supervisors 2011:

| Name | Born | Education, title and main occupation |
|---------------------------------|------|--|
| Henry Wiklund, Chair | 1948 | M. Sc. (Econ.), Chamber Counsellor |
| Christina Gestrin, Deputy Chair | 1967 | M. Sc. (Agr. & For.), Member of Parliament |
| Patrik Lerche, Deputy Chair | 1964 | M.Sc. (Econ.), Managing Director, Life Annuity Institution Hereditas |
| Henrik Sundbäck, Deputy Chair | 1947 | M. Sc. (Agr. & For.), Consultant |
| Lorenz Uthardt, Deputy Chairman | 1944 | Agrologist, Doc.Soc.Sc, Honorary Counsellor |
| Bo-Gustav Wilson, Deputy Chair | 1947 | M.Sc. (Econ), Audit Manager |
| Harriet Ahlnäs | 1955 | M.Sc. (Eng), Principal, Yrkesinstitutet Practicum; Managing Director, Svenska Framtidsskolan i Helsingforsregionen |
| Anna Bertills | 1979 | M.Soc.Sc., Managing Director, Folkhälsan Utbildning Ab |
| Roger Broo | 1945 | M.Soc.Sc, Chamber Counsellor |
| Sten Eklundh | 1960 | M.Sc. (Econ.) |
| Agnetta Eriksson | 1956 | M.A., Director, Sydkustens landskapsförbund r.f. |
| Håkan Fagerström | 1956 | Forester, Managing Director, Svenska småbruk och egna hem Ab |
| Sven-Erik Granholm | 1951 | B. Sc. (Econ.), Managing Director, Kvevlax Sparbank |
| Christoffer Grönholm | 1949 | Doc.Soc.Sc., Chief Secretary, Svenska Folkskolans Vänner r.f. – passed away 27 April 2011 |
| Peter Heinström | 1944 | Honorary Consul |
| Gun Kapténs | 1957 | M.Soc.Sc., Municipal Manager, Luoto |
| Erik Karls | 1947 | Farmer, Managing Director |
| Kari Kyttälä | 1943 | LL.M. |
| Bo Linde | 1946 | M.Sc. (Econ), Honorary Counsellor, Ombudsman, Österbottens svenska producentförbund r.f. |
| Per Lindgård | 1946 | Teacher |
| Kristina Lyytikäinen | 1946 | B.A. (Soc. Sc.), Entrepreneur |
| Håkan Mattlin | 1948 | M.Soc.Sc., Honorary Counsellor, Director General, Ministry of Education |
| Clas Nyberg | 1953 | M.Sc. (Eng), Entrepreneur in agriculture and tourism, Nybergs Varpet |
| Jorma J. Pitkämäki | 1953 | M.Sc. (Econ), Director General |
| Henrik Rehnberg | 1965 | M.Sc. (Eng), Farmer |
| Gunvor Sarelin-Sjöblom | 1949 | M.A., Author, Artist |
| Peter Simberg | 1954 | Agrologist |
| Bengt Sohlberg | 1950 | Agrologist, Agricultural Entrepreneur |
| Jan-Erik Stenman | 1953 | LL.M., Managing Director, Veritas Pension Insurance |
| Sture Söderholm | 1949 | Lic. Odont. |
| Maj-Britt Vääriskoski | 1947 | Financial Director |
| Lars Wallin | 1953 | Service Manager, YIT Kiinteistötekniikka Oy, Pohjanmaa |
| Mikael Westerback | 1948 | Chamber Counsellor |
| Ann-Marie Åberg | 1950 | Physiotherapist |
| Marianne Österberg | 1960 | LL.M. |

The Board of Supervisors is responsible for overseeing the administration of Aktia and comments on Aktia's accounts, the report by the Board of Directors and the audit report at Aktia's Annual General Meeting. The Board of Supervisors makes decisions on matters that involve the significant restriction or expansion of operations, determines the number of members on the Board of Directors, appoints and dismisses the chair of the Board of Directors, the deputy chair and other board members and determines the remuneration of the board members. It may issue instructions to the Board of Directors in matters that are of special importance or fundamentally vital. The chairman of the Board of Supervisors has the right to attend Board of Directors' meetings and to speak at the meetings.

The Board of Supervisors, which consists of at least seven and no more than 36 members, is appointed by Aktia's Annual General Meeting for a term of three years. No person who turns 67 before the beginning of the term of office can be elected as a member of the Board of Supervisors. Within the Board of Supervisors, there are presiding officers and a controlling committee. The members of the Board of Supervisors are Finnish citizens.

The rules of procedure adopted by the Board of Supervisors define, in greater detail, the general duties of the Board, of Supervisors meeting procedures, meeting minutes, ordinary meeting business, preparation and

presentation of matters to be dealt with at meetings of the Board of Supervisors and reporting procedures.

The Board of Supervisors convened 4 times in 2011 and the average attendance of members was 85 %.

Composition of and work undertaken by the Board of Supervisors' presiding officers and controlling committee

At its first meeting following the annual general meeting, the Board of Supervisors appoints a number of presiding officers and a controlling committee.

The presiding officers are tasked with drawing up matters to be dealt with by the Board of Supervisors, studying reports on decisions taken by the Board of Directors concerning overall strategy and studying reports concerning loans and guarantee commitments that have been extended to members of the Board of Directors. The presiding officers include the chair and deputy chair of the Board of Supervisors. From 1 January to 31 December 2011, the presiding officers were Henry Wiklund (chair), Christina Gestrin, Patrick Lerche, Henrik Sundbäck, Lorenz Uthardt and Bo-Gustav Wilson. The presiding officers convened 4 minuted meetings in 2011 and attendance of the officers was 96 %.

The controlling committee tasked with closely monitoring the activities of the Board of Directors and executive management and with report-

ing its observations to the Board of Supervisors. The observations of the external and internal auditors are also reported to the controlling committee. In the period from 1 January to 9 May 2011, the members of the Board of Supervisors' controlling committee were Henry Wiklund (chair), Johan Bardy, Anna Bertills, Gun Kapténs, Erik Karls, Gunvor Sarelin-Sjöblom, Bengt Sohlberg and Lars Wallin. In the period from 9 May to 31 December 2011, the members of the Board of Supervisors' controlling committee were Henry Wiklund (chair), Anna Bertills, Sven-Erik Granholm, Gun Kapténs, Erik Karls, Bengt Sohlberg, Lars Wallin and Mikael Westerback. The controlling committee convened once in 2011 and the attendance of committee members was 75%.

CEO and his duties

Aktia's CEO is Jussi Laitinen, born 1956, M.Sc. (Econ.).

The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors and the Board of Supervisors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The CEO also chairs Aktia's executive committee.

The most important elements of the internal control and risk management system associated with the financial reporting process in Aktia Group

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures with the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also been built into all key processes where information is recorded. Internal control is supported by observations from the Group's internal audit unit which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control. The internal audit unit reports directly to the Aktia Group's Board of Directors and its committees.

The Aktia Group's operational organisation for financial reporting comprises a finance unit at Group level which is in charge of, among other things, Group consolidation, budgeting, upholding accounting principles and internal reporting guidelines and instructions. External and internal financial reporting has been separated into different units that both report to the Group's Chief Financial Officer. For each business segment and/or key individual companies within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis.

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. The Aktia Group is represented in different groups and bodies on different organisation levels steering the service providers' development of systems and processes. Concerning the most important service provider, the Group has a direct ownership interest and is represented in the company's Board of Directors.

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Chief Financial Officer, who is in charge of internal and external financial reporting,

is not involved in making direct business decisions. His incentive is mainly neutral when it comes to factors driving the business.

The Aktia Group's internal reporting and monthly financial statements are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are currently distributed to Aktia Group's Board of Directors and management, selected key personnel and the auditors.

The Group's financial development and performance is addressed each month by the Aktia Group's executive committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its audit committee in the form of interim reports and an annual report. The interim reports and the annual report are scrutinised by the Group's external auditors who report their observations to the audit committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its audit committee.

At Group level, a risk control unit has been established, which is independent from business operations and which is tasked with drawing up principles, instructions and limits for risk-taking, measuring and analysing risk exposure or validating the risk analysis undertaken by management, managing capital allocation and overseeing how risk management is implemented in the line organisation. The purpose of the reports that the risk control unit provides to management on a daily or monthly basis and provides to the Group's Board of Directors and its risk committee on a quarterly basis is to encompass all the central risk exposure and balance sheet items that can essentially affect the outcome indicated in the Group's financial reporting.