ANNUAL REPORT 2010

Aktia Bank Plc

Contents

Report by the Board of Directors

Activity during 2010

Aktia Bank plc is a subsidiary to the listed Aktia plc and operates as parent company in the Bank Group. Subsidiaries in the Bank Group are: Aktia Real Estate Mortgage Bank plc, Aktia Asset Management Oy Ab, Aktia Fund Management Company Ltd, Aktia Invest Ltd, Aktia Card & Finance Ltd and Aktia Corporate Finance Ltd.

The Financial Supervisory Authority approved Aktia Bank's sale of its holding in Aktia Life Insurance to Aktia plc. The transaction was completed on 28 February 2009. Aktia Life Insurance is reported as discountinued operation in the Bank Group.

Profit for 2010

Aktia Bank plc reported an operating profit from continuing operations improved by 31% to EUR 70.9 (54.2) million. The strengthening derives from a sustained high net interest income, increased net commission income but also from stronger profitability in asset management.

The net interest income remained strong at EUR 149.2 (152.4) million. Net commission income was up 26% to EUR 51.2 (40.7) million, and income from asset management and brokerage rose by 31% to EUR 17.6 (13.4) million.

The segment Banking Business contributed EUR 69.8 (54.6) million to the Bank Group's operating profit whereas the segment Asset Management contributed EUR 4.4 (0.9) million.

Income

The Bank Group's total income increased by 3% to EUR 202.3 (196.7) million, of which EUR 149.2 (152.4) million was net interest income. Despite the low interest rate level, the net interest income was retained at a high level. The derivatives and fixed rate instruments (excl. credit risk exposure) used by Aktia Bank to limit its interest rate risk improved net interest income by EUR 57.5 (33.6) million.

Net commission totalled EUR 51.2 (40.7) million. Commission income from brokering of mutual funds and insurance increased by 30% to EUR 24.7 (19.0) million. Card and payment services commission rose to EUR 14.4 (11.5) million.

Other operating income rose from last year by EUR 4.4 million to EUR 7.2 million.

Expenses

The Bank Group's total costs rose 7% to EUR 120.0 (111.8) million. Staff costs were EUR 50.5 (46.6) million. Other administration costs totalled EUR 45.7 (41.8) million, of which costs for IT were up by 19% to EUR 18.0 (15.2) million.

Total depreciation and write-downs on tangible and intangible assets amounted to EUR 4.6 (4.8) million.

Other operating costs totalled EUR 19.1 (18.6) million, of which the costs of renting premises accounted for the largest single part or EUR 9.0 (8.9) million.

Rating

Aktia Bank plc's credit rating from the international credit rating agency Moody's Investors Service was updated on 19 November 2010. Aktia Bank plc's credit quality for short-term borrowing remained at the best classification, P–1. The credit quality for long-term borrowing and financial strength were the same, A1 and C respectively. All ratings have a stable outlook.

See http://www.aktia.fi/aktia_bank/rating

The covered bonds issued by the subsidiary Aktia Real Estate Mortgage Bank plc have a Moody's credit rating of Aa1.

Capital adequacy

The Bank Group's capital adequacy ratio amounted to 15.9 (15,9)%. The Tier 1 capital ratio was 10.1 (9.5)%. The Bank Group's operating result and the liquidity portfolio's lower use of capital contributed to a stable capital adequacy.

Aktia Bank plc's capital adequacy ratio stood at 20.3 (19.9)% . The Tier 1 capital ratio was 12.8 (11.7)%.

Balance sheet and off-balance sheet commitments

The Bank Group's balance sheet total amounted to EUR 9,924 (9,539) million.

Borrowing from the public and public sector entities increased 12% to EUR 3,406 (3,036) million.

Outstanding bonds issued and certificates of deposit increased by 23% to EUR 3,393 (2,754) million.

The Bank Group's total lending to the public increased by 9% to EUR 6,654 (6,124) million during 2010. This increase in the balance sheet total is due to the growth in the Real Estate mortgage stock. Excluding the mortgages brokered by savings and local cooperative banks, which the local banks are committed to capitalise, the Bank Group's lending totalled EUR 5,055 (4,834) million.

Loans to private households accounted for EUR 5,479 (4,924) million, or 82.3 (80.4) % of total credit stock.

Interest-bearing financial assets available for sale amounted to EUR 2,591 (2,657) million. These assets mainly consist of the banking business' liquidity reserve.

The Bank Group's equity amounted to EUR 377 (384) million at the end of the period. The fund at fair value amounted to EUR 9 (35) million.

Off-balance sheet commitments totalled EUR 666 (568) million.

Valuation of financial assets

Value changes reported via income statement

No write-downs were made during 2010.

Write-downs on financial assets

EUR million	2010	2009
Interest-bearing securities	-	-0.4
Shares and participations	-	-
Total	**-**	**-0.4**

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 9.1 (34.7) million after deferred tax.

The cash flow hedging which comprises the market value for interest rate derivative contracts which have been acquired for the purposes of hedging the banking business' net interest income amounted to EUR 25.7 (21.4) million.

Specification of the fund at fair value

EUR million	2010	2009	Change
Shares and participations	0.0	0.0	0.0
Direct interest-bearing securities	-16.6	13.3	-29.9
Cash flow hedging	25.7	21.4	4.3
Fund at fair value, total	**9.1**	**34.7**	**-25.6**

Write-downs of loan and guarantee claims

In 2010, the total of write-downs on credit, guarantee and premium claims stood at EUR -12.9 (-31.1) million.

The write-downs on credit and guarantee claims based on individual examination were significantly lower than last year, amounting to EUR -12.7 (33.1) million. Private households accounted for EUR -1.0 (-1.6) million of these. Accumulated assets and reversals of previous write-downs amounted to EUR 0.9 (2.1) million.

Previous individual write-downs worth EUR 10.8 million were reversed. In the fourth quarter, a group write-down of EUR 12 million was made in accordance with revised accounting principles for individually valuated larger corporate arrangements. The impact of this on the result for the quarter is EUR -1.2 million.

Total write-downs on credit with impact on result amounted to 0.2 (0.5%) of total lending. Corresponding impact on result from corporate loans amounted to 1.5 (3.5)% of total corporate lending.

At year-end, write-downs by grouop on portfolio level amounted to a total of EUR 19.3 (7.4) million, of which EUR 7.3 (7.4) million related to households and small companies and EUR 12.0 (0.0) million to larger corporate arrangements.

Personnel

When converted into full-time employees, the number of staff employed by the Bank Group increased by 7 to 763 (756) people during 2010. The average number of full-time employees during the period under review was 740 (31 December 2009; 766).

Other events during the reporting period

Aktia Invest Ltd was incorporated in 2010 and approx. 30% of the company in now owned by staff. AktiaBank plc owns the remaining 70%.

Aktia Yritysrahoitus Oy (Corporate Finance) has become a fully owned subsidiary.

Events after the end of the reporting period

Key persons within the asset and liability management team of Aktia Bank's Treasury started a new partner-driven company, ALM Partners Ltd, specialised in consulting and reporting within asset and liability management. Aktia Bank, savings banks and local cooperative banks hold non-controlling interest and buy services from the company.

Outlook and risks in 2011

Outlook

In 2011, Aktia Bank's focus will be on strengthening customer relations, increasing sales per customer and cross-selling, developing Internet services, and managing costs, risks and capital in order to strengthen profitability. Aktia Bank is endeavouring to grow above the market, particularly in the sectors of retail customers and small companies.

The interest-rate derivatives that temporarily lifted the net interest income (NII) to an exceptional level are gradually maturing from 2011 onwards. The high NII level from 2009–2010 is therefore difficult to replicate in a low interest rate environment. The write-downs on credits are expected to remain at a low level. The full-year result for 2011 will probably be lower than in 2010.

Risks

Aktia Bank's financial results are 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. Changes in these factors can have an impact on demand for banking, insurance, asset management and real estate agency services.

Change in interest rate level, yield curves and credit margins are hard to predict and can affect Aktia Bank's interest rate margins and therefore profitability. Aktia Bank is pursuing effective management of interest rate risks.

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

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

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

The financial crisis has resulted in many new initiatives for regulating banking and insurance businesses, which has brought uncertainty concerning future capital requirements. A change in capital requirements could actualise both capitalisation needs and need for changes in Aktia Group's structure in the coming years. The results of new regulations are likely to be higher capital requirements, sharpened competition for deposits, higher demands on long-term financing and eventually higher credit margins.

Board of Directors' proposals for the 2010

The Board of Directors will proposes to the Annual General Meeting 2011 a total dividend of EUR 20.0 (12.9) million or EUR 6 666 6667 (4 300 000) per share for the period 1 January–31 December 2010.

Aktia Bank Plc

Board of Directors

Key figures

(EUR 1,000)	2010	2009	2008
Turnover, continuing operations			
- banking business	294,798	330,822	199,941
Income statement			
Net interest income	149,151	152,425	35,497
Net commission income	51,214	40,687	11,819
Other operating income	1,886	3,610	8,587
Total operating income	**202,250**	**196,722**	**55,903**
Total operating expenses	-119,982	-111,761	-31,404
Impairments and write downs, net	-12,950	-31,117	-134
Share of profit from associated companies	1,535	334	230
Operating profit from continuing operations	**70,854**	**54,178**	**24,596**
Taxes	-18,225	-14,740	-5,457
Profit for the reporting period from continuing operations	**52,628**	**39,437**	**19,139**
Profit for the period from discontinued operations	-	-1,788	-34,877
Profit for the reporing period	**52,628**	**37,649**	**-15,738**
Balance sheet			
Cash and balances with central banks	269,810	336,506	506,308
Financial assets reported at fair value via the income statement	-	3,599	19,492
Financial assets available for sale	2,597,377	2,662,360	3,019,930
Financial assets held until maturity	21,459	27,883	35,885
Derivative instruments	230,286	209,568	137,014
Loans and other receivables	6,699,664	6,204,377	5,532,181
Other assets	105,747	95,200	269,083
Total assets	**9,924,343**	**9,539,493**	**9,519,892**
Deposits	4,365,335	4,760,153	5,015,964
Financial liabilities reported at fair value via the income statement	-	-	4,586
Derivative instruments	151,331	131,650	84,725
Other financial liabilities	4,866,851	4,064,899	3,130,439
Other liabilities	163,981	199,104	984,003
Total liabilities	**9,547,497**	**9,155,807**	**9,219,717**
Equity	376,846	383,686	300,175
Total liabilities and equity	**9,924,343**	**9,539,493**	**9,519,892**

(EUR 1,000)	2010	2009	2008
Return on equity (ROE), %	13.8	11.0	-5.2
Return on assets (ROA), %	0.54	0.40	-0.17
Equity ratio, %	3.9	4.0	3.2
Personnel (FTEs), average number of employees from the beginning of the financial year	740	766	879
Balance sheet total	9,924,343	9,539,493	9,519,892
Earnings per share (EPS), continuing operations	16,693	13,269	6,165
Earnings per share (EPS), discontinued operations	-	-596	-11,626
Earnings per share (EPS), EUR	16,693	12,673	-5,461
Equity per share (NAV)	110,851	117,000	91,747
Total earnings per share (EPS), EUR	8,152	25,253	-15,435
Number of shares at the end of the period	3	3	3
Banking Business (incl. Private Banking)			
Cost-to-income ratio, continuing operations	0.59	0.57	0.65
Borrowing from the public	3,405,532	3,035,754	3,098,958
Lending to the public	6,653,696	6,123,656	5,431,640
Capital adequacy ratio, %	15.9	15.9	13.7
Tier 1 capital ratio, %	10.1	9.5	9.3
Risk-weighted commitments	3,673,092	3,460,170	3,313,174
Asset Management			
Mutual fund volume	4,264,027	3,786,167	2,489,752
Managed and brokered assets	6,978,228	5,995,571	4,539,312

Basis of calculation for key figures

Turnover, EUR

Banking business turnover

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

Earnings/share, EUR

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

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

Equity per share, EUR

Equity attributable to the shareholders of Aktia Bank plc

Number of shares at the en of the period.

Return on equity (ROE), %

Profit for the period (on annual basis) x 100

Average equity

Banking business cost/income ratio

Total operating expenses

Total operating income

Banking business risk-weighted commitments

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

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

Banking business capital adequacy ratio, %

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

Risk-weighted commitments

The capital base is calculated in accordance with regulation 4.3a issued by the Finnish Financial Supervisory Authority.

Banking business capital adequacy ratio, %

Tier 1 capital x 100

Risk-weighted commitments

Aktia Bank Plc – Consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR BANK GROUP

(EUR 1,000)	Note	2010	2009
Continuing operations			
Interest income	G4	241,699	286,526
Interest expenses	G4	-92,548	-134,101
Net interest income		149,151	152,425
Dividends	G5	335	115
Commission income	G6	69,457	56,067
Commission expenses	G6	-18,243	-15,380
Net commission income		51,214	40,687
Net income from financial transactions	G7	-5,585	600
Net income from investment properties	G8	-71	86
Other operating income	G9	7,207	2,808
Total operating income		**202,250**	**196,722**
Staff costs	G10	-50,516	-46,580
Other administrative expenses	G11	-45,747	-41,773
Depreciation of tangible and intangible assets	G12	-4,615	-4,832
Other operating expenses	G13	-19,105	-18,576
Total operating expenses		**-119,982**	**-111,761**
Impairment and reversal of impairment on tangible and intangible assets	G14	-	-35
Write-downs on credits and other commitments	G23	-12,950	-31,081
Share of profit from associated companies		1,535	334
Operating profit from continuing operations		**70,854**	**54,178**
Taxes	G15	-18,225	-14,740
Profit for the reporting period from continuing operations		**52,628**	**39,437**
Discontinued operations			
Profit for the period from discontinued operations	G16	-	-1,788
Profit for the reporing period		**52,628**	**37,649**
Attributable to:			
Shareholders in Aktia Bank Plc		50,080	38,019
Non-controllig interest		2,548	-370
Total		**52,628**	**37,649**
Earnings per share (EPS), EUR			
Continuing operations	G17	16,693,313.89	13,269,009.48
Discontinued operations	G17	-	-596,129.27
Total		**16,693,313.89**	**12,672,880.20**

There is no dilution effect to earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR BANK GROUP

(EUR 1,000)	Note	2010	2009
Continuing operations			
Profit for the reporting period		52,628	39,437
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		-33,791	37,749
Change in valuation of fair value for cash flow hedging		4,269	9,043
Transferred to the income statement for financial assets available for sale		3,801	2,429
Total comprehensive income for the reporting period for continuing operations		**26,907**	**88,659**
Discontinued operations			
Profit for the reporing period		-	-1,788
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		-	-11,304
Transferred to the income statement for financial assets available for sale		-	272
Total comprehensive income for the reporting period for discontinued operations		**-**	**-12,821**
Total comprehensive income for the reporting period		**26,907**	**75,838**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		24,455	75,759
Non-controllig interest		2,453	79
Total		**26,907**	**75,838**
Total earnings per share (EPS), EUR			
Continuing operations	G17	8,151,559.21	29,526,412.51
Discontinued operations	G17	-	-4,273,521.18
Total		**8,151,559.21**	**25,252,891.33**

There is no dilution effect to total earnings per share.

CONSOLIDATED BALANCE SHEET FOR BANK GROUP

(EUR 1,000)	Note	2010	2009
Assets			
Cash and balances with central banks	G18	269,810	336,506
Financial assets reported at fair value via the income statement	G19	-	3,599
Interest-bearing securities	G20	2,591,424	2,657,453
Shares and participations	G20	5,954	4,907
Financial assets available for sale		2,597,377	2,662,360
Financial assets held until maturity	G21	21,459	27,883
Derivative instruments	G22	230,286	209,568
Lending to credit institutions	G23	45,968	80,721
Lending to the public and public sector entities	G23	6,653,696	6,123,656
Loans and other receivables		6,699,664	6,204,377
Investments in associated companies	G24	3,476	2,842
Intangible assets	G25	5,415	7,024
Investment properties	G26	4	4
Other tangible assets	G27	3,689	4,638
Accrued income and advance payments	G28	79,571	71,916
Other assets	G28	2,326	4,902
Total other assets		81,897	76,817
Income tax receivables		22	402
Deferred tax receivables	G29	11,244	3,473
Tax receivables		11,266	3,875
Total assets		**9,924,343**	**9,539,493**
Liabilities			
Liabilities to credit institutions	G30	959,803	1,724,399
Liabilities to the public and public sector entities	G30	3,405,532	3,035,754
Deposits		4,365,335	4,760,153
Derivative instruments	G22	151,331	131,650
Debt securities issued	G31	3,393,499	2,754,499
Subordinated liabilities	G32	283,854	250,433
Other liabilities to credit institutions	G33	1,012,531	968,201
Other liabilities to the public and public sector entities	G34	176,967	91,766
Other financial liabilities		4,866,851	4,064,899
Accrued expenses and income received in advance	G35	88,002	66,498
Other liabilities	G35	34,802	81,342
Total other liabilities		122,803	147,840
Provisions	G36	551	218
Income tax liability		8,189	18,884
Deferred tax liabilities	G29	32,438	32,161
Tax liabilities		40,627	51,046
Total liabilities		**9,547,497**	**9,155,807**
Equity			
Restricted equity	G37	172,098	197,724
Unrestricted equity	G37	160,456	153,276
Shareholders' share of equity		332,554	351,000
Non-controlling interest's share of equity		44,291	32,687
Equity		**376,846**	**383,686**
Total liabilities and equity		**9,924,343**	**9,539,493**

CONSOLIDATED OFF-BALANCE-SHEET COMMITMENTS FOR BANK GROUP

(EUR 1,000)	Note	2010	2009
Off-balance sheet commitments	G42		
Guarantees		48,415	49,944
Other commitments provided to a third party		5,547	7,281
Commitments provided to a third party on behalf of the customers		53,962	57,225
Unused credit arrangements		611,822	510,854
Other commitments provided to a third party		-	-
Irrevocable commitments provided on behalf of customers		611,822	510,854
Total		**665,784**	**568,079**

CONSOLIDATED CASH FLOW STATEMENT FOR BANK GROUP

(EUR 1,000)	2010	2009
Cash flow from operating activities		
Operating profit *)	70,854	53,872
Adjustment items not included in cash flow for the period	21,398	17,274
Paid income taxes	-27,153	-7,853
Cash flow from operating activities before change in operating receivables and liabilities	**65,099**	**63,293**
Increase (-) or decrease (+) in receivables from operating activities	**-485,521**	**-935,976**
Financial assets reported at fair value via the income statement	3,599	573
Financial assets available for sale	31,347	-231,885
Loans and other receivables	-511,829	-699,597
Investments for unit-linked provisions	-	2,650
Other assets	-8,638	-7,716
Increase (+) or decrease (-) in liabilities from operating activities	**346,899**	**651,227**
Financial liabilities reported at fair value via the income statement	-	-4,586
Deposits	-394,777	-257,394
Debt securities issued	628,592	633,460
Other financial liabilities	135,596	295,068
Provision for insurance contracts	-	-2,680
Other liabilities	-22,512	-12,641
Total cash flow from operating activities	**-73,523**	**-221,457**
Cash flow from investing activities		
Financial assets held until maturity, decrease	6,428	8,000
Investments in group companies and associated companies	-50	-50
Proceeds from sale of group companies and associated companies	260	34,649
Investment in tangible and intangible assets	-2,232	-2,874
Disposal of tangible and intangible assets	467	302
Share issue of Aktia Real Estate Mortgage Bank Plc to the non-controlling interest	9,179	8,919
Total cash flow from investing activities	**14,053**	**48,946**
Cash flow from financing activities		
Subordinated liabilities, increase	94,857	79,756
Subordinated liabilities, decrease	-62,774	-73,366
Paid dividends	-42,900	-
Total cash flow from financing activities	**-10,817**	**6,390**
Change in cash and cash equivalents	**-70,288**	**-166,121**
Cash and cash equivalents at the beginning of the year	346,227	512,348
Cash and cash equivalents at the end of the year	275,939	346,227
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	9,605	9,959
Bank of Finland current account	260,205	326,547
Repayable on demand claims on credit institutions	6,129	9,721
Total	**275,939**	**346,227**
Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	-	388
Write-downs on credits and other commitments	12,950	31,081
Change in fair values	4,637	-19,315
Depreciation and impairment of intangible and tangible assets	4,615	4,941
Share of profit from associated companies	-843	-37
Sales gains and losses from intangible and tangible assets	-292	-100
Other adjustments	333	316
Total	**21,398**	**17,274**

*) Includes operating profit from both continuing and discontinued operations for year 2009

Discontinuing operations' share of cash flow in the Bank Group, net:		
Cash flow from operating activities	-	-2,517
Cash flow from investing activities	-	-34
Total	**-**	**-2,551**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR BANK GROUP

(EUR 1,000)	Share capital	Other restricted equity	Fund at fair value	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Non-controlling interest's share of equity	Total equity
Equity as at 1 January 2009	**163,000**	**12**	**-35,093**	**44,558**	**102,764**	**275,241**	**24,934**	**300,175**
Share issue						0		0
Dividens to shareholders						0		0
Profit for the reporing period					38,019	38,019	-370	37,649
Financial assets available for sale			28,697			28,697	449	29,146
Cash flow hedging			9,043			9,043		9,043
Total comprehensive income for the reporting period			37,740		38,019	75,759	79	75,838
Other change in equity		-12	32,077		-32,065	0	7,674	7,674
Equity as at 31 December 2009	**163,000**	**0**	**34,724**	**44,558**	**108,718**	**351,000**	**32,687**	**383,686**
Equity as at 1 January 2010	**163,000**	**0**	**34,724**	**44,558**	**108,718**	**351,000**	**32,687**	**383,686**
Share issue						0		0
Dividens to shareholders					-42,900	-42,900		-42,900
Profit for the reporing period					50,080	50,080	2,548	52,628
Financial assets available for sale			-30,000			-30,000	10	-29,990
Cash flow hedging			4,374			4,374	-105	4,269
Total comprehensive income for the reporting period			-25,625		50,080	24,455	2,453	26,907
Other change in equity						0	9,152	9,152
Equity as at 31 December 2010	**163,000**	**0**	**9,098**	**44,558**	**115,898**	**332,554**	**44,291**	**376,846**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G1 Overview of significant consolidated accounting principles 2010

The report by the Board of Directors and the financial statements for the year ended 31 December 2010 were approved by the Board of Directors on 28 February 2011 and are to be adopted by the Annual General Meeting on 29 March 2011. The annual report will be published on 8 March 2011.

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

Basis for preparing financial statements

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

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

In February 2009 Aktia Life Insurance Ltd was sold to Aktia plc. The life insurance business was a separate segment in the bank group, which is the reason that Aktia Life Insurance is reported as a discontinued operation in accordance with IFRS 5 as of 2009.

There were no new or revised IFRSs or interpretations from IFRIC that had any effect on the Group's result, financial position or explanatory notes in 2010.

New or amended standards in 2010 that had no impact on the Group's result or financial position

The following IFRSs and interpretations may affect the reporting of future transactions and business, but had no impact on the Group's result or financial position in 2010:

IFRS 3 Business Combinations (Revised) changes how acquisitions are reported in terms of transaction expenses, any contingent purchase consideration and successive acquisitions. The standard applies from 1 January 2010 and the Group will be applying this standard to any new acquisitions.

IAS 27 Consolidated and separate financial statements (Revised) stipulates that the effects of any transactions with holdings where a non-controlling interest exists must be reported in shareholders' equity as long as the controlling interest persists. Transactions with holdings where a non-controlling interest exists no longer prompt goodwill or profits and losses. From the date on which the parent company no longer holds a controlling interest, any remaining share is to be revalued at fair value and a profit or loss is to be reported in the income statement.

IFRIC 9 and IAS 39 (Amended) state that companies must assess whether an embedded derivative is to be separated from the host contract when the company reclassifies a hybrid financial asset from the fair value category through the income statement. This assessment is carried out on the basis of the circumstances that existed on the later of the date when the entity first became party to the contract and the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract. If such an assessment cannot be carried out, the hybrid instrument must remain valued at fair value through the income statement.

New and amended standards in 2011 that may have an impact on the Group's result and financial position

IFRS 9 Financial Instruments (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 recognising and measuring financial assets and will affect the way in which the Group reports financial assets. Financial assets will be divided into two categories: measured at fair value or measured at accrued acquisition value. The standard will become mandatory for the reporting period commencing 1 January 2013, but can be applied earlier. The standard has yet to be approved by the EU. The Group will nevertheless evaluate the full impact of IFRS 9 on its financial reporting. The standard will have an impact on the Group's interest-bearing securities in the category Financial assets available for sale. IFRS 9 only allows the reporting of fair-value profits or losses in comprehensive income if they are attributable to shareholdings that are not held for trading. Fair-value profit or losses attributable to interest-bearing securities in the category Financial assets available for sale will be reported directly in the income statement. For the current reporting period, the Group reported such losses in comprehensive income of EUR 29.8 million.

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

Consolidation principles

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

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

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

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

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

Segment-based reporting

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

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

The Asset Management segment encompasses Aktia Bank plc's private bank in Helsinki, other private banking operations and the subsidiaries Aktia Invest Ltd, Aktia Fund Management Ltd and Aktia Asset Management Oy Ab.

The Miscellaneous segment encompasses certain administrative functions for Aktia Bank plc.

Allocation principles and Group eliminations

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

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

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

The share of profits in associated companies, acquisition eliminations, non-controlling interest and other Group adjustments are included in eliminations.

Pricing between the segments is based on market prices.

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividends

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

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

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

Commissions

The basic principle for commission income and commission expenses is that they are reported in accordance with the accruals convention.

Other income and expenses

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

Depreciation

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

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

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

Employee remuneration

Pension plans

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

The Group also has voluntary defined-benefit plans. For defined-benefit plans, the Group still has obligations after payments have been made for the reporting period, and bears the actuarial risk and/or the investment risk. These plans have no significant impact on the Group's result or financial position.

Taxes

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

Financial assets

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

Financial assets reported at fair value via the income statement

Financial assets reported at fair value via the income statement include financial assets which are held for trading. This category includes debt certificates, shares and participations that are actively traded with and that have been acquired for the short term with the intent to earn revenue. They have been entered at fair value with changes in value being currently entered in the income statement.

Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are classified as Financial assets available for sale. The unrealised value change is recognised in the comprehensive income with deductions for deferred tax until sold or written down. When sold or written down, the accumulated unrealised profit or loss is transferred to the income statement and included in Net income from financial assets available for sale which is included in Net income from financial transactions.

Financial assets held until maturity

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

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

Loans and other receivables

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

Financial liabilities

Financial liabilities are included in the balance sheet at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value. In the cash flow statement, issued debts are deemed to belong to the bank's core operations, and are included in operating activities, while subordinated liabilities are deemed to belong to financing activities.

Definition of valuation at fair value

Fair value for listed shares and financial market instruments is the latest listed purchase price at the end of the accounting period. For those instruments for which there is no listed buying rate at the end of the accounting period, the latest listed purchase price is used. If the market for a financial instrument is inactive, the fair value is established through the use of valuation techniques used among market players for pricing instruments.

These valuation techniques incorporate factors taken into consideration by market players when setting prices, and are based on generally-accepted financial methods for pricing financial instruments.

Impairment of financial assets

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

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

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

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

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

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

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

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

Write-downs of loans and other receivables

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

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

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in underlying credit portfolios. The analysis is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. In the case of credits to households and small companies, a write-down by group is based on an assessment of anticipated losses across a 12-month time horizon.

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

Accounting for the acquisition and disposal of financial assets

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

Derivative instruments

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

The impact of derivative instruments on the income statement is reported in Net Income from Hedge Accounting, which is included in Net Income from Financial Transactions.

Hedge accounting

All derivatives are valued at fair value. In accordance with the IFRS rules, Aktia has documented hedge accounting either as fair value hedges or cash flow hedges. Aktia applies the 'carve out' version of hedge accounting as approved by the European Union, which also allows hedge accounting to be applied to Balance items repayable on demand and portfolio hedging of both assets and liabilities. The aim is to neutralise the potential changes in fair value of assets and to stabilise the Groups net interest income.

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

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

Fair value hedging

Fair value hedging is applied for derivatives which are used in order to hedge changes in fair value for a reported asset or liability which is attributable to a specific risk. The risk of changes in fair value for assets and liabilities reported by Aktia relates primarily to loans, securities and fixed-interest borrowing, giving rise to interest rate risk. Changes in the fair value of derivatives are, like changes in the fair value of the hedged item, reported separately in the income statement as Net income from financial transactions. If the hedging is efficient, both changes in fair value mostly cancel each other out, which means that the net result is virtually zero. Interest rate swaps and forward rate agreements are used as hedging instruments.

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

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

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

Cash flow hedging

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

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

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

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

Financial derivatives valued at fair value through the income statement

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

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

Repurchase agreements

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

Cash and balances with central banks

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

Tangible and intangible assets

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

Estimation of fair value for investment properties was carried out by external property valuators using the cash flow method or through an internal valuation based on the rental income that could be earned at market rates. If the probable assignment value of properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

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

Provisions

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

The Group as a lessor

Finance lease agreements

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

The Group as a lessee

Operating lease agreements

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

Equity

Costs which are directly attributable to the issue of new shares or to the acquisition of new operations are included in shareholders' equity as a deduction from the balance within the Unrestricted equity reserve.

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

Holdings where a non-controlling interest exists (previously Minority interest)

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

Accounting principles requiring management discretion

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

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

Estimates and valuation of fair value

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

Impairment of financial assets

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

Write-down of loans and receivables

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

G2 The Bank Group's risk management

1. In general

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

The Bank Group primarily focuses on banking and capital operations. Risks and risk management are thus a substantial feature of Aktia's operating environment and business activities. The main areas of risk encompass credit, interest rate, liquidity risks as well ass business and operational risks. The risk policy pursued by the Group is conservative in nature.

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

Results from capital market operations are mainly affected by negative trends in the growth of business volumes, commission levels and cost efficiency. Opportunities to improve, adjust and develop new products and processes reduce the business risks associated with capital market operations.

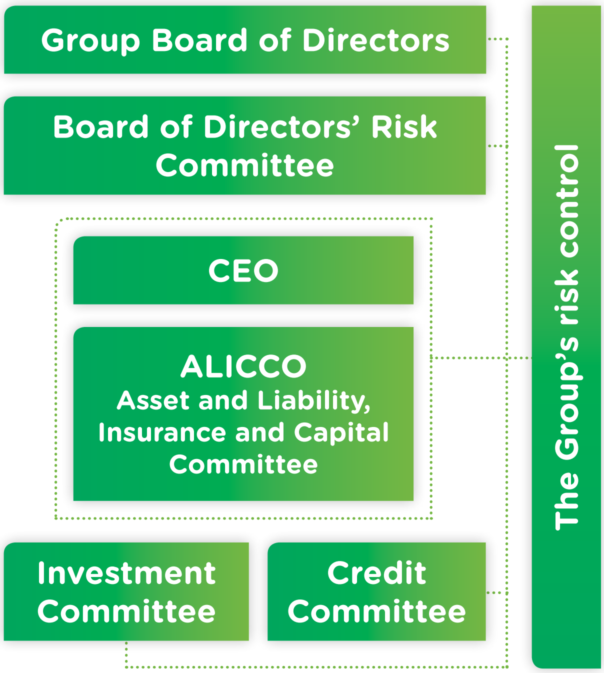
2. Risk management

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

The Group strategy governs all risk-taking and the Group's Board of Directors is ultimately responsible for risk-taking by the Group. Each year, the Group's Board lays down instructions and limits for administration of business operations to the Group CEO. Exposure and limits are reported to the Group's Board at least once each quarter. The Group's Board has appointed a committee to draw up general risk-related matters for the Board's consideration and to take individual decisions in accordance with the principles and limits laid down by the Board. Primarily, the business manager in the line organisation is responsible for each individual business transaction, i.e. monitoring of risk exposure, monitoring, pricing and discontinuation of risk positions. High competence and appropriate mechanisms for steering and reporting are central elements of the Group's risk management system.

The Group's risk control is independent of business operations and reports to the Group CEO. The unit controls and monitors risk management in business operations and is responsible for maintaining an appropriate limit structure and models for e.g. measuring, analysing, stress testing, reporting and monitoring risks. Independent of business operations and reporting to the Group CEO is also the Group Compliance unit tasked with ensuring compliance in all Group operations. Internal audit unit is responsible for independent evaluation of the Group's risk management systems and reports its findings to the Group's Board of Directors.

The Group CEO is responsible for the operational organisation of risk management processes. Separate committees have been set up by the Group CEO to monitor and develop the management of credit and market risks. The Group CEO has also set up a committee to deal with matters relating to capital management (ALICCO). The committees are tasked with making risk-management decisions, preparing matters for decision-making by higher bodies and developing wholesale risk management processes, all within set limits. Committees are staffed by executive line managers, risk control representatives and other experts. The risk control function does not take part in decision-making involving risk-taking.



3. Group capital management

3.1 Group capital management

Capital management balances shareholders' demand for returns with the need for financial stability imposed by the authorities, investors in debt instruments, business partners and ratings agencies. When it comes to capital management, the objective is to comprehensively identify and assess the main risks and the capital requirements these imply. Capital management is a forward-looking process, based on a 4–5 year strategic plan which recurs on an annual basis and is made on finance conglomerate level based on a permanent exemption order from the Finnish Financial Supervisory Authority.

3.2 Organisation and responsibility

The Group's independent risk control unit is responsible for ensuring that the Group's main risks are identified, measured and reported consistently and appropriately. The unit is also responsible for calculating regulatory capital adequacy and preparing documentation for assessing internal minimum requirements and capital adequacy targets. The capital situation in relation to regulatory requirements and risk exposure is regularly monitored and reported at company and conglomerate level.

The Group's finance unit is responsible for providing the basic data for the Group Board of Directors' annual strategic process and for accompanying capital planning and allocation. The executive committee for risk and capital management ALICCO and the Board of Directors' risk committee oversee the work, while the Group's Board of Directors is responsible for the decision-making. The Group's internal audit unit evaluates the capital management process in full on an annual basis. The rules of procedure for the Board of Directors and its risk committee govern document preparation and decision-making within the capital management process.

3.3 Regulatory requirements concerning capital adequacy

When calculating the capital adequacy of the Bank Group, the standardised approach is used for credit risks and the basic indicator approach is used for operational risks. Capital requirements are not exposed to market risks because of the small trading book and small currency positions.

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

The Bank Group's capital adequacy ratio was 15.9%, with Tier 1 capital ratio of 10.1%. At the end of 2009, capital adequacy was 15.9% and the Tier 1 capital ratio was 9.5%. The financial results for the year, the growth in the mortgage bank's loan stock, the change in the fund at fair value and higher capital requirements for operational risks were the main factors affecting capital adequacy.

The Bank Group's capital adequacy remained at a good level, exceeding both the capital adequacy targets set internally and the regulatory requirements.

The capital adequacy of Aktia Bank plc, the parent company in the Aktia bank group, amounted to 20.3% compared to 19.9% the previous year. Tier 1 capital adequacy was 12.8 (11.7)%.

The capital adequacy of Aktia Real Estate Mortgage Bank plc was 9.9% compared to 10.3% the previous year. Tier 1 capital adequacy was 7.7 (7.4)%.

3.4 Methods used for internal risk-based capital assessment

The internal risk-based capital assessment is founded on ex ante analysis of capital requirements, taking into account planned growth and investments. Capital assessment is founded on regulatory capital requirements according to Pillar 1. Pillar 2 risks are also allowed for in the internal capital assessment, in other words those risks that are not taken into account in regulatory capital adequacy or that have only been taken into account to an inadequate degree. The internal assessment thus encompasses all the main risks that the Group faces and represents an internal assessment of the capital requirements that operations imply. The internal capital allocation for risk-based governance and risk-based pricing for customers is founded on internal capital assessment models.

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

The models used for internally assessing minimum capital required to cover credit risk are based on the standard model for regulatory capital adequacy with additional allowances for concentration risks. Within the current strategic planning period, Aktia is seeking permission to apply an internal method for calculating capital requirements for credit risks. With regard to pricing for customers, a capital allocation model very similar to the internal models for credit risk used under Basel II has been applied since 2007.

The internal assessment of minimum capital requirements for market risks is based on stress scenarios for property values and interest rate changes. Capital requirements for operational risks are assessed on the basis of the regulatory requirements, taking into account internal incident monitoring.

3.5 Forward-looking capital planning

3.5.1 Profit generation as a starting point

The starting point for strategic planning is the fact that the additional capital requirements incurred due to growth and other investments should be covered through profit generation.

3.5.2 Capital adequacy buffer

The aim of setting targets with regard to regulatory capital adequacy, i.e. setting a buffer over and above the minimum requirements, is to maintain capital adequacy at an adequate level, while taking account of planned growth and investments but also of a worse economic situation. The capital adequacy targets also take account of targets for external ratings and any changes to regulatory requirements that are under preparation. The capital adequacy targets are long-term, but the actual buffer can vary over an economic cycle. Any deterioration in capital adequacy due to weak operational results is primarily managed through restructuring operations. The restructuring measures can include e.g. lower growth and investments, discontinuation of capital-intensive activities, cost savings and changes to the group structure.

For the banking operations, targets are set both for Tier 1 capital adequacy, taking into account risks that have an impact on results, and for total capital adequacy, taking into account valuation differences.

The capital adequacy target for the Bank Group, calculated using the standardised approach for credit risks and the basic indicator approach for operational risks, is 12% (total capital adequacy) and 10% (Tier 1 capital adequacy). The targets are derived from the assumption that capital adequacy, taking into account planned growth, should exceed 8% for the following 5 years even in a stress scenario with sustained low interest rates, lower commission income, a rising cost structure and much higher write-downs than expected.

The target for Aktia Bank is 12% for total capital adequacy and at least 10% for Tier 1 capital adequacy, while the targets for Aktia Real Estate Mortgage Bank are 10% for total capital adequacy and over 7% for Tier 1 capital adequacy. The banks that broker mortgage loans have committed themselves to capitalise the mortgage bank in relation to the volume brokered. The capital adequacy targets of both companies may be revised upwards depending on future rules yet to be introduced.

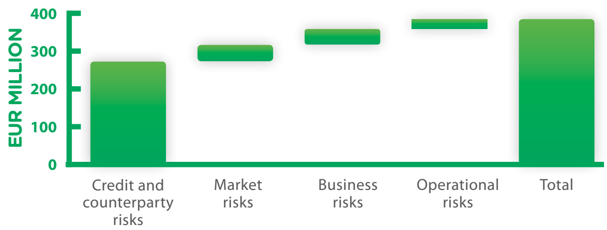
The regulatory capital adequacy requirements for other regulated companies in the Bank Group, i.e. Aktia Asset Management, should exceed the minimum requirements under the prevailing rules

3.5.3 Capitalisation plan for crisis situations

The capital plan sets out the possible measures to be taken by operational managers and the Board of Directors in the event that capital adequacy is jeopardised. The Board and its risk committee monitor changes in capital adequacy each quarter and the effects of various stress tests as part of the capital management process. Thresholds have been set within the Board and its risk committees for determining when restructuring and/or capitalisation measures are to be initiated.

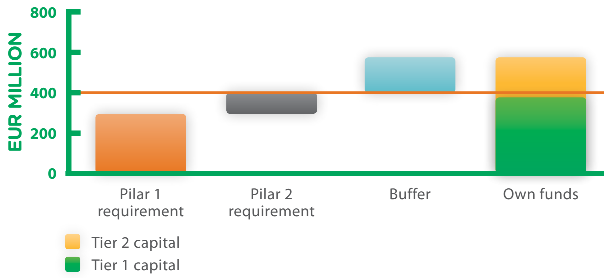
3.6 Risk and capital situation of the Group

Internal capital requirement by risk type



Credit risks constitute the greatest area of risk within the Group. Such risks are due to exposure in lending activities and counterparty risks associated with liquidity management. Business risks are associated with stress scenarios involving sustained low interest rates, falling net interest income and commission, and an increasing cost levels. The capital requirements for operational risks have been derived using the basic indicator approach for regulatory capital requirements and information from the internal risk assessment.

Group's total capital compared to internal capital requirement



The regulatory minimum capital requirement under prevailing rules amounted to approx. EUR 294 million, corresponding to approx. 50% of the total capital base of approximately EUR 586 million. The internal capital requirement, encompassing Pillar 1 and 2, amounted to approx. EUR 387 million, corresponding to 66 % of the capital base. The capital reserve over and above the minimum regulatory requirement therefore amounted to EUR 292 million and, compared to the internal minimum requirement, amounted to EUR 198 million.

4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil its obligations towards Aktia while counterparty risk is defined as the risk of losses or negative valuation differences due to the counterparty's creditworthiness having weakened. Credit and counterparty risks are measured by assessing the probability of default and losses in such an event. The probability of default is measured using scoring or rating models and the loss in the event of default is measured by taking into account the realisation value of collateral and anticipated recovery, with deductions for collection costs. Each year, the Group's Board of Directors lays down a strategy and detailed instructions, including limits, for credit and counterparty risks.

The table below shows the Group's exposure by operation. The exposures include accrued interest. Internal Group receivables and liabilities are eliminated and no deductions for acceptable collateral have been made. The limit structure restricts credit and counterparty risks.

The Group's maximum exposure

Bank Group	31.12.2010	31.12.2009
Cash and money market	**316**	**467**
Bonds	**2,657**	**2,685**
Public sector	144	154
Government guaranteed bonds	216	279
Banks	786	771
Covered bonds	1,480	1,427
Corporate	31	55
Shares and mutual funds	**9**	**5**
Interest rate funds	2	0
Shares and equity funds	6	3
Real estate funds	0	0
Private Equity	2	2
Hedge funds	0	0
Loans and claims	**6,667**	**6,136**
Public sector entities	7	10
Housing associations	290	290
Corporate	827	848
Households	5,488	4,932
Non-profit organisations	56	56
Tangible assets	**4**	**5**
Bank guarantees	**54**	**57**
Unused facilities and unused limits	**612**	**511**
Derivatives (credit equivalents)	**303**	**268**
Other assets	**41**	**54**
Total	**10,663**	**10,189**

The Bank Group's largest loan customer has a commitment equivalent to 7.7 % of the capital base.

4.1 Managing credit and counterparty risks and reporting procedures

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

The exposure inherent in the loan stock is reported to the Group's Board of Directors and its risk committee each quarter and to the executive credit committee and branch management each month.

4.1.1 Credit risks in banking

Within banking operations, loans are provided to households – the majority of which are secured against real estate collateral. Mortgage lending is primarily arranged through Aktia Real Estate Mortgage Bank. Local cooperative banks and savings banks also broker Aktia Real Estate Mortgage Bank loans. Other investment and consumption financing for households is arranged directly from the bank's balance sheet. Credit limits associated with customers' credit cards are organised from Luottokunta Plc's balance sheet. All branches offer financing solutions for their local corporate customers while financing arrangements that require specialist expertise are managed and handled centrally. The financing of corporate instalment purchases, leasing and working capital is managed through a separate subsidiary, Aktia Corporate Finance. In 2010, Aktia did not enter into any new risk capital financing arrangements and total risk capital financing amounted to EUR 2 (4) million at the year-end.

Credit stock by sector

EUR million	31.12.2010	31.12.2009	Change	Percentage
Corporate	823	845	-22	12.4
Housing associations	289	289	0	4.3
Public sector entities	7	10	-3	0.1
Non-profit organisations	56	55	1	0.8
Households	5,479	4,924	554	82.3
Total	**6,654**	**6,124**	**530**	**100.0**

The debtor's ability to repay the debt, good knowledge of the customer, complete understanding of the customer's business situation, limited risk-taking, diversification and risk-based pricing form the basis of the Group's credit policy, together with the drive for sustained profitability.

4.1.2 Lending to households

The Group's loan stock increased in 2010 by EUR 530 million (8.7%), totalling EUR 6,654 (6,124) million at the year-end. As planned, this increase mainly occurred within household financing and households' share of the total loan stock amounted to EUR 5,479 (4,924) million or 82.3 (80.4)% at the year-end, or 86.7 (85.1)% when combined with housing associations.

The housing loan stock totalled EUR 5,121 (4,598) million, of which mortgages granted by Aktia Real Estate Mortgage Bank plc made up EUR 3,050 (2,498) million. In all, housing loans increased by 11 (14)% over the year.

4.1.2.1 Credit ratings

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

The customer's credit rating is determined using an application scoring model developed specifically for household lending. For any new loan decisions taken, the determination of a credit rating using the scoring model is obligatory. The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral and the customer group's loans. Higher loan-to-value ratios require appropriate credit rating and such loan decisions are made in higher decision-making bodies.

45 (44)% of receivables from households fall into the three scoring classes that have the lowest probability of default, while the category with the highest probability of default accounts for 1 (2)% of total lending to households. These figures do not include non-performing loans.

Distribution of household scoring classes assigned at latest application assessment

Scoringklass	31.12.2010 EUR 5,479 million	12.31.2009 EUR 4,924 million
RK1	12%	12%
RK2	18%	17%
RK3	15%	15%
RK4	14%	14%
RK5	14%	14%
RK6	11%	12%
RK7	1%	2%
Missing	15%	15%
Total	**100%**	**100%**

4.1.2.2 Collateral and calculation of capital adequacy

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

Loans to households are mainly granted against secure collateral which means that any reduction in market values (real estate prices) does not directly increase exposure. Of the total claims on households, approximately 4 (4)% are secured by central government or by deposit while approximately 87 (86)% are secured against residential real estate collateral under Basel II regulations. Approximately 9 (10)% of claims are secured in a different way which is not taken into account in the capital adequacy calculation (e.g. the proportion of the residential real estate's value exceeding 70%).

4.1.2.3 Loan-to-value ratio of collateral

The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral and the customer entity's loans. The Weighted Average Loan To Value for the housing loan stock was 61,3 (62,2)% at year-end. Ot the total housing loan stock, only 1,3 (1,5)% of credits exceeded a loan to value of 90%. During the latter part of 2010, focus has increased on closer management of business involving higher lending in combination with weaker credit ratings.

4.1.2.4 Risk-based pricing

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

4.1.3 Corporate lending

New lending to companies remained moderate and corporate loans fell by 2.6 % from the beginning of the year, totalling EUR 823 (845) million. The proportion of the total credit stock accounted for by corporate loans fell as planned to 12.4 (13.8)%. During 2010, a new loan policy, business plan and organisation for Aktia's corporate financing targeted at smaller local companies were introduced.

Corporate financing within the branch network mainly focuses on small, local owner-operated companies. High levels of expertise are maintained through local corporate offices, local corporate specialists and with the support of the central specialist organisation. Customer and local knowledge is one of the key cornerstones in this business.

Central specialist expertise on financing issues is primarily maintained in the construction and real estate sector and in relation to the restructuring of family-owned businesses.

Services and expertise with respect to instalment purchases, leasing and financing working capital have been built up under Aktia Corporate Finance which operates in close collaboration with the branches. Financing decisions involving Aktia Corporate Finance are made by taking into account both project-specific risk and the Group's total exposure to the customer.

Customers are assessed for corporate financing purposes on the basis of accounts analysis and creditworthiness ratings. Cash flow, the competitive situation, the impact of previous investment and other forecasts are also analysed. During the year, the running in of the internal credit rating model Aktiarating continued.

Distribution of ratings 31.12.2010 (Suomen Asiakastieto)

Rating	31.12.2010 EUR 761 million	31.12.2009 EUR 782 million
AAA	11%	13%
AA+	18%	21%
AA	18%	15%
A+	26%	29%
A	20%	15%
B	2%	2%
C	3%	3%
Default	2%	2%
Total	**100%**	**100%**

*Intra-Group transactions are not included

Over the year, the rating distribution for the loan stock weakened slightly. 47 (49)% of claims on corporations are accounted for by the three groups which have the lowest probability of default, while 5 (5)% of claims involve the two lowest credit rating classes.

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

12.2 (13.8)% of claims on corporations are secured by central or local government guarantees or by deposit, while 26.5 (24.2)% are secured against real estate collateral. The remainder,61.3 (61.9)%, are granted against collateral which is not taken into account in the capital adequacy calculation such as commercial real estate, different company-specific securities or against the company's operations and cash flow. Inadequate securities restrict corporate lending in accordance with the company's revised strategy and credit policy.

4.1.4 Concentration risks in lending

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

86.7 % of the loan portfolio comprises loans to households and Finnish housing associations. 86.7% of claims on households are secured against residential real estate collateral. Approximately 26.5% of claims on companies are secured against residential real estate collateral. Aktia's level of credit risk is therefore sensitive to both changes in domestic employment and house prices.

In addition, Aktia has a strong market position in some areas which generates a certain geographical concentration risk. As the volumes in these branches are small in relation to the overall portfolio and as Aktia does not operate in areas which are highly dependent on a small number of employers, these geographical concentration risks have proved insignificant in household lending.

In relation to Aktia's total corporate portfolio, exposure primarily with respect to construction and property financing constitutes a concentration risk. This is founded in the strategic decision to create a value chain through specialist expertise which includes brokerage services, insurance and financing for end customers alongside project and property financing.

Branch distribution of corporate stock

Branch	31.12.2010 EUR 823 million	31.12.2009 EUR 844 million
Basic industries, fisheries and mining	3.1 %	3.1 %
Industry	7.3 %	9.3 %
Energy, water and waste disposal	2.0 %	2.1 %
Construction	7.3 %	6.3 %
Trade	10.5 %	12.2 %
Hotels and restaurants	4.1 %	3.3 %
Transport	7.3 %	5.2 %
Financing	17.0 %	15.8 %
Property	30.7 %	26.8 %
Research, consulting and other business service	8.1 %	11.7 %
Other services	4.7 %	4.7 %
- write-downs by group	-2.0 %	-0.5 %
Total	**100%**	**100%**

Claims on housing companies are not included in the table above

4.1.5 Past due payments

Despite continued unease on the financial markets, payment behaviour among households in particular has not been affected. Loans with payments 1–30 days past due fell during the year from 2.94% to 2.56% of the credit stock. Loans with payments 31–89 days past due increased from 0.75% to 0.83%, totalling EUR 56 million. Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection, totalled EUR 36 million, corresponding to 0.54 (0.55)% of the entire credit stock.

Past due loans by length of payment delay

Days	31.12.2010	% of the credit stock	31.12.2009	% of the credit stock
1–30	171	2.56	181	2.94
of which households	118	1.75	114	1.84
31–89	56	0.83	46	0.75
of which households	45	0.67	38	0.61
90–	36	0.54	34	0.55
of which households	20	0.30	18	0.29

Loans with past due payments which had not been written down totalled EUR 257 (258) million at the end of the year. Market value of the collateral securing the loans totalled EUR 233 (238) million.

Loans past due but not impaired

(EUR million)		31.12.2010	
Days	Book value	% of the credit stock	Fair value of collateral
1–30	171	2.56	156
31–89	55	0.82	49
90–	31	0.46	29

(EUR million)		31.12.2009	
Days	Book value	% of the credit stock	Fair value of collateral
1–30	181	2.94	166
31–89	46	0.75	44
90–	30	0.49	27

4.1.6 Write-downs of loan and guarantee claims

The financial uncertainty continued during the year and impacted credit risks primarily with regard to larger individual corporate commitments. Nevertheless, individual examination shows write-downs of loans and guarantee claims to be much lower than last year, totalling EUR -12.7 (-33.1) million. Private households accounted for EUR -1.0 (-1.6) million of these. Collection proceeds and reversals of previous write-downs came to EUR 0.9 (2.1) million.

Group write-downs at portfolio level for households and small companies amounted to EUR 7.3 (7.4 million). Previous individual write-downs worth EUR 10.8 million were reversed. In the fourth quarter, a group write-down of EUR 12 million was made in accordance with revised accounting principles for individually valuated larger corporate exposures.

Total write-downs on credit with impact on result amounted to 0.2 (0.5)% of total lending. Corresponding impact on result from corporate loans amounted to 1.5 (3.5)% of total corporate lending.

At year-end, group write-downs on portfolio level amounted to a total of EUR 19.3 (7.4) million, of which EUR 7.3 (7.4) million related to households and small companies and EUR 12.0 (0.0) million to larger corporate exposures.

4.1.7 Lending to local banks

Financing is provided to banks on the basis of individual credit ratings and case-by-case decisions. Each year, the Group's Board of Directors sets separate limits for the short- and long-term financing of local banks which are based on the local bank's own funds, capital adequacy and collateral provided. At the year-end, committed facilities for liquidity financing amounted to a total of EUR 341.9 (279.3) million, divided between 51 (51) individual savings and local cooperative banks while outstanding liquidity financing totalled EUR 3 (16) million. Secured financing totalled EUR 10 (47) million.

Within the limits set, other instruments with counterparty risk (particularly derivatives) can also be used. The counterparty risks associated with derivative contracts are reduced through mutual agreement on the provision of collateral. The requirement for collateral is determined on the basis of the local bank's own funds and limits the maximum net exposure.

4.2 Counterparty risks in the Bank Group's liquidity management

The banking business' liquidity portfolio, which comprises interest-bearing securities and is managed by the bank's Treasury unit, stood at EUR 2,556 (2,615) million as at 31 December 2010.

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

Of the financial assets available for sale, 59 (55)% were investments in covered bonds, 28 (29)% were investments in banks, 9 (10)% were investments in government guaranteed bonds and approximately 4 (6)% were investments in public sector entities and companies.

Of these financial assets, 1.5 (0.8)% did not meet the internal rating requirements. Securities that are not eligible for refinancing and are unrated, totalled EUR 15 million.

During the year, no write-downs were booked, while the same period last year saw write-downs of EUR -0.4 million.

Fixed income investment sectoral distribution - liquidity portfolio of the Bank

31.12	Public sector		Banking sector						Other business		Total	
			Covered bonds		Government Guarnteed		Non-covered					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Finland	67.7	66.7	105.5	72.3	0.0	0.0	209.0	96.3	8.0	0.0	390.2	235.3
EU countries with AAA rating*	50.8	10.6	885.8	1,055.0	151.2	187.8	337.3	460.7	5.0	18.9	1,430.1	1,733.0
Other EU countries	14.2	62.2	448.9	210.0	78.0	84.1	102.2	125.9	0.0	2.1	643.4	484.3
Other european coutries	0.0	0.0	62.4	84.0	0.0	0.0	40.6	59.8	0.0	0.0	102.9	143.8
North America	0.0	0.0	21.8	37.1	0.0	0.0	10.9	17.7	0.0	0.0	32.7	54.8
Other OECD -coutries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.9	0.0	0.0	0.0	9.9
Emerging markets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**100.7**	**139.5**	**1524.4**	**1,458.4**	**229.2**	**271.9**	**732.0**	**770.2**	**13.0**	**21.0**	**2,599.3**	**2,661.1**

*) Includes Spain on 31.12.2009

Rating distribution for interest rate investments in the bank's liquidity portfolio

	31.12.2010 EUR 2,599 million	31.12.2009 EUR 2,615 million
Aaa	53.0 %	55.1 %
Aa1–Aa3	32.3 %	29.6 %
A1–A3	10.8 %	11.6 %
Baa1–Baa3	0.8 %	0.6 %
Ba1–Ba3	0.7 %	0.2 %
B1–B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Domestic municipalities (unrated)	1.8 %	1.9 %
No rating	0.6 %	1.0 %
Total	**100.0 %**	**100.0 %**

Investments in corporate bonds were only made in the euro zone.

4.3 Counterparty risks in the Bank Group's management of interest rate risks by derivatives

Derivative hedges are used to guarantee an adequate net intererest income level also in a scenario with low interest rates. In addition, interest rate derivatives are brokered to certain local banks within the framework of the asset and liability management service that Aktia provides.

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

To further reduce the counterparty risks, individual collateralisations are used in accordance with ISDA/CSA (Credit Support Annex) conditions. At the year-end, Aktia had derivative exposures with 12 counterparties with a positive market value totalling EUR 172.2 million, of which the derivatives brokered to local banks had a market value of EUR 76.1 million. The net exposure after credit risk mitigation totalled EUR 22.8 million and a maximum of EUR 5 million for each counterparty, except for one individual counterparty where net exposure was EUR 10 million.

The derivative exposures are marked-to-market on an on-going basis. If no market value is available, an independent valuation by a third party is used.

4.4 Country risks

In the banking business, lending is only undertaken in Finland. For management of the Bank Group's liquidity, the Group's Board of Director has set up country limits for exposures both on group and company level.

70 (73)% of the Bank Groups interest-bearing securities were investments in instruments issued by counterparties domiciled in Finland or som other EU country with AAA rating. Due to downgradings the share of investments in other EUR countries was bigger than in 2009.

Fixed income investments geographical distribution – banking group level

EUR million	Summed ownings of banking group			
	31.12.2010	%	31.12.2009	%
Finland	395.2	14.8 %	240.2	8.8 %
EU AAA	1,467.9	54.8 %	1,762.9	64.6 %
Other EU	653.3	24.4 %	494.1	18.1 %
European non-EU	117.9	4.4 %	158.8	5.8 %
North America	32.7	1.2 %	54.8	2.0 %
Other OECD	0.0	0.0 %	9.9	0.4 %
Supranational	10.1	0.4 %	10.1	0.4 %
Total	**2,677.1**	**100.0 %**	**2,730.9**	**100.0 %**

5. Management of financing and liquidity risks

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

The financing and liquidity risks are dealt with at legal company level, and there are no financing commitments between the Bank Group and the insurance companies.

5.1 Financing and liquidity risks within banking operations

Within the banking business, financing and liquidity risks are defined as the availability of refinancing and the differences in maturity between assets and liabilities. The target is to maintain a liquidity buffer that covers outgoing cash flows for at least one year.

A stable borrowing and deposit stock from households, the mortgage bank's issues, deposits received under operations as a central financial institution and an adequate liquidity buffer constitute the cornerstones of the banking operation's liquidity management.

The bank's lending is refinanced both by deposits and investments from the general public, deposits made by the local banks and borrowing from the money and capital markets. To cover short-term financing requirements, the bank also has the option of issuing certificates of deposit on the domestic money markets. Total deposits from the public, associations and credit institutions stood at EUR 4,356 (4,754) million at year-end.

In managing the risks associated with refinancing, Aktia takes into account both its own lending activities and its obligations with respect to savings and local cooperative banks, for which Aktia serves as the central financial institution. This also constitutes an important source of financing for Aktia.

As for market-related refinancing, a diverse range of sources of financing and an adequate spread on various markets is to be maintained. Aktia Real Estate Mortgage Bank plc is a strategically important channel for competitive and long-term borrowing and a significant proportion of long-term refinancing is accounted for by covered bonds secured by residential real estate issued by Aktia Real Estate Mortgage Bank plc.

Within the EUR 5,000 million issuing programme, covered bonds secured by residential real estate have been issued for EUR 2,875 million. In addition, Aktia has a domestic bond programme amounting to EUR 500 million under which it has issued EUR 308.2 million. To cover short-term financing requirements, the bank can also issue certificates of deposit on the domestic money markets. Outstanding certificates of deposit totalled EUR 446 million at 31 December 2010.

Aktia is actively working to widen its refinancing base and to establish new refinancing programmes. During the period, Aktia Bank issued other long-term funding (Schuldscheindarlehen) totalling EUR 101 million by way of preparation for the new rules (Basel III) on bank activities.

A liquidity portfolio comprising high-quality securities has been built up to hedge against short-term fluctuations in liquidity by way of sale, repurchase agreements or central bank refinancing.

The structure of the liquidity portfolio is set out in more detail under point 4.2 on counterparty risks in the bank's investments. The financial assets in the liquidity portfolio that can be utilised, as mentioned above, as a liquidity buffer totalled approximately EUR 1,550 million at year-end, corresponding to outgoing cash flow for just over two years without any new market borrowing. The target is to maintain a liquidity buffer that covers outgoing cash flow for at least one year.

To secure access to borrowing from the capital market, a rating from an internationally recognised rating institute is used. The Aktia Group has used the international credit rating agency Moody's Investors Service as its rating agency since 1999. Aktia Bank plc's credit rating for short-term borrowing remained unchanged with the best Moody's classification of P-1 as at 6 January 2010. The credit ratings for long-term borrowing and financial strength are A1 and C respectively (both unchanged). All values have a stable outlook. Se www.aktia.fi > Briefly in English > Aktia Bank > Rating.

The covered bonds issued by subsidiary Aktia Real Estate Mortgage Bank plc have a Moody's credit rating of Aa1.

The executive committee for risk and capital management, ALICCO, is responsible for managing refinancing risks. The Group's risk control unit, which continuously monitors liquidity risks and associated limits, reports to ALICCO. The Treasury unit is responsible for maintaining the bank's day-to-day liquidity and constantly monitors how assets and liabilities mature on the capital market. Growth in the deposit stock and pricing is also followed closely. The Treasury unit implements measures adopted by ALICCO in order to change the liquidity position.

6. Management of market and asset and liability risks

Market risk refers to losses or lower future income due to price changes on the financial markets.

Structural interest rate risk arises in bank operations as a result of an imbalance between reference rates and the re-pricing of assets and liabilities, and affects net interest income. Business management, derivative hedges and fixed-rate investments in the liquidity portfolio are used to ensure a sustainable level of net interest income even in a scenario where market interest rates are low for an extended period. The bank does not actively trade market risks in its operations.

The financial assets in banking business are invested in securities with market prices on an active market, and they are valuated according to official quotation. Any significant or long-term impairment of market value compared to the acquisition price is shown in the income statement, while interest rate fluctuations are reported under the fund at fair value after the deduction of deferred tax.

With regard to investments, the key risks involved are interest rate and counterparty risk. The table below summarises market value sensitivity for Bank Group's assets available for sale in various market risk scenarios as at 31 December 2010 and 31 December 2009. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board of Directors's limits for capital usage. The risk components set out in the table are defined as follows:

interest rate risk up

Change applied to a risk-free interest rate curve based on Euribor or euro swap interest rates. At the 1-month point, +3 % is applied, at the 10-year point and thereafter +1 % is applied. Between 1 month and 10 years, the extent of the change is interpolated parabolically between 3 % and 1 %. For the bank, only the impact on financial assets is taken into account in accordance with the prevailing regulations as interest rate risk up will constitute the market value interest rate risk.

Interest rate risk down

Change applied to a risk-free interest rate curve based on Euribor or euro swap interest rates. At the 1-month point, -2 % is applied, at the 10-year point and thereafter -1 % is applied. Between 1 month and 10 years, the extent of the change is interpolated parabolically between -2 % and -1 %. In the bank's investment activities, a fall in the interest rate generally means that investments rise in value.

Spread risk

Describes the risk that spreads, in other words the counterparty-specific risk premiums, will rise. The percentage change is applied additively to an interest rate curve based on interest-linked investments that reflects the investment's risk profile. The extent of the change is based on rating and investment type, and varies between 0.2 % (AAA sovereign securities) and (4 % e.g. < BBB+ corporate securities with lower right of priority).

Equity and real estate risk

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

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

6.1 Methods for valuing financial assets

The majority of the Bank Group's financial assets are valued at fair value. Valuations are based either on prices from an active market or on valuation methods using observable market data. For a limited proportion of the assets, EUR 2.0 million at the year-end, valuations are based on unquoted prices or the company's own assessments. These assets are mainly holdings in funds invested in unlisted companies.

Sensitivity analysis for market risks

	Market value 31.12.		IR risk up		IR risk down		Spreadrisk		Equity / Real estate risk	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Liquidity portfolio of the bank	2,555.3	2,614.5	-81.2	-72.0	61.3	52.5	-41.7	-41.5	0.0	0.0
Cashflow hedge for the bank (derivatives)	45.6	42.4	-22.1	-20.3	26.6	29.4	0.0	0.0	0.0	0.0
Total	**2,600.9**	**2,656.9**	**-103.3**	**-92.3**	**88.0**	**81.9**	**-41.7**	**-41.5**	**0.0**	**0.0**

The fair value of financial instruments which are not traded on an active market is measured using valuation techniques. When selecting the valuation techniques used and establishing the underlying assumptions, the circumstances that prevail on the market at the time of reporting are taken into account.

6.1.1 Determination of fair value through quoted market prices or valuation techniques

Determination and hierarchy of fair values:

Level 1 consists of financial instruments valued using quoted prices listed on an active market. An active market is one where transactions with the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes liquid bank and corporate bonds and other securities as well as listed derivatives for which tradable price quotes exist.

Level 2 consists of financial assets which do not have directly quoted market prices available from an active market. The fair value are estimated using a valuation technique or valuation model based on assumptions that are supported by prices or rates from observable current market transactions in the same instrument type or based on available market data. Such market information may include for example listed interest rates or prices for closely related instruments. This category includes the majority of Aktia's OTC derivatives and other instruments, bonds and securities, where an active market supplies the input to the valuation technique or model.

Level 3 consists of financial instruments, which the fair value cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This category mainly includes unlisted securities, private equity instruments, hedge funds and other unlisted funds.

Valuation techniques	31.12.2010 Fair value classified into			
Financial assets, EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued through income statement				
Interest-bearing securities	0.0	0.0	0.0	0.0
Shares and participations	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets available for sale				
Interest-bearing securities	2,501.7	89.7	0.0	2,591.4
Shares and participations	4.0	0.0	2.0	6.0
Total	**2,505.7**	**89.7**	**2.0**	**2,597.4**
Financial assets held until maturity				
Interest-bearing securities	0.0	21.5	0.0	21.5
Shares and participations	0.0	0.0	0.0	0.0
Total	**0.0**	**21.5**	**0.0**	**21.5**
Derivative instruments, net	2.0	76.9	0.0	79.0
Total	**2.0**	**76.9**	**0.0**	**79.0**
Total financial assets	**2,507.8**	**188.1**	**2.0**	**2,697.8**

Valuation techniques	31.12.2009 Fair value classified into			
Financial assets, EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued through income statement				
Interest-bearing securities	3.6	0.0	0.0	3.6
Shares and participations	0.0	0.0	0.0	0.0
Total	**3.6**	**0.0**	**0.0**	**3.6**
Financial assets available for sale				
Interest-bearing securities	2,571.2	85.0	0.0	2,656.1
Shares and participations	2.6	0.0	2.4	5.0
Total	**2,573.7**	**85.0**	**2.4**	**2,661.1**
Financial assets held until maturity				
Interest-bearing securities	0.0	27.9	0.0	27.9
Shares and participations	0.0	0.0	0.0	0.0
Total	**0.0**	**27.9**	**0.0**	**27.9**
Derivative instruments, net	0.0	77.8	0.0	77.8
Total	**0.0**	**77.8**	**0.0**	**77.8**
Total financial assets	**2,577.3**	**190,6**	**2,4**	**2,770.4**

6.1.2 Movements in Level 3

The table below shows a reconciliation of the opening an closing carrying amounts of Level 3 financial instruments recognised at fair value.

Reconciliation of the changes taken place for financial instruments which belongs to level 3	Financial assets valued through income statement			Financial assets available for sale			Total		
EUR million	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Fair value 1.1.2010	0.0	0.0	0.0	0.0	2.4	2.4	0.0	2.4	2.4
New purchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales / Matured during the year	0.0	0.0	0.0	0.0	-0.4	-0.4	0.0	-0.4	-0.4
Realised value change in the income statement	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.1
Unrealised value change in the income statement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valued change recognised in the fund at fair value	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	0.0	-0.1
Transfer from level 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from level 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value 31.12.2010	**0.0**	**0.0**	**0.0**	**-0.0**	**2.0**	**2.0**	**-0.0**	**2.0**	**2.0**

6.1.3 Sensitivity analysis of financial instruments included in Level 3

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observables prices or rates.

The disclosure shows the potential impact from the relative uncertainty in fair value of financial instruments for which valuation is dependent on unobservable input parameters. The disclosure is neither predictive nor indicative of future movements in the fair value.

The table below shows the sensitivity of fair value in Level 3 instruments to changes in key assumptions, by class of instruments.

The value of interest-bearing securities has been tested by assuming a rise of one percentage point in interest rate level in all maturities, and for shares and participations the prices were assumed to go down by 20%. The above mentioned assumptions would have a result or valuation effect on equity, the fund at fair value, of 0.1 (0.1)% proportionate to the Group's equity.

6.2 Market and asset and liability risks in the banking business

After being prepared by ALICCO and the Board's risk committee, the Group's Board of Directors sets out a strategy and limits for managing market risks each year, related to the development of net interest income and volatility. The Group's Investment Committee is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. The Bank's Treasury unit carries out transactions in order to manage structural interest rate risk based on the strategy and limits set out.

Sensitivity analysis for financial instruments belonging to level 3	31.12.2010		31.12.2009	
EUR million	Fair value	The negative effect at an assumed movement	Fair value	The negative effect at an assumed movement
Financial assets available for sale				
Interest-bearing securities	0.0	0.0	0.0	0.0
Shares and participations	2.0	-0.4	2.4	-0.5
Total	**2.0**	**-0.4**	**2.4**	**-0.5**

6.2.1 Structural interest rate risk

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

In the asset and liability management process, the impact of different interest rate scenarios on net interest income is calculated, taking into account changes to the balance sheet structure and product behaviour, and the structural interest rate risk is measured with the help of various stress scenarios for periods of up to five years. For example, a parallel downward shift in the interest rate curve of one percentage point would increase the net interest income of the banking business for the next 12 months by +1.9 (+3.0)% while net interest income for the 12–24 month period would increase by +7.4 (+6.0)%. In contrast, a parallel upward shift in the interest rate curve of one percentage point would reduce the net interest income of the banking business for the next 12 months by -4.9 (-4.3))% while net interest income for the 12–24 month period would reduce by -8.1 (-5.3)%. In the following years, net interest income would develop favourably following re-pricing of lending.

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

Derivative agreements entered into to hedge against the bank's structural interest rate risk are described in more detail in note 25.

6.2.2 Market value interest rate risk

Market value interest rate risk refers to changes in the value of financial assets available for sale as a result of interest rate fluctuations or changes in credit, interest rate or spread risks. The size and maturity of the liquidity portfolio is restricted and the risk level is managed by a capital limit based on dynamic interest rate shocks (described in more detail in the introduction to section 6). In keeping with the prevailing rules, the impact of the rate shock is only taken into account for financial assets.

The net change in the fund at fair value relating to market value interest rate risk, credit risk and spread risk posted during the period was negative and totalled EUR -29.9 million after the deduction of deferred tax. At the end of December 2010, the valuation difference in interest-bearing securities was EUR -16.6 (13.3) million.

6.2.3 Exchange rate risk

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

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

At the year-end, total net currency exposure for the Bank Group amounted to EUR 1.3 (0.8) million.

6.2.4 Equity and real estate risk

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

No equity or real estate trading activities are carried out by the banking business or in the parent company.

At the end of the period, real estate assets totalled EUR 3.4 (3.4) million. The investments in shares which are necessary or strategic to the business totalled EUR 26.9 (30.6) million. At the end of the period, the fund at fair value related to the above strategic share investments amounted to EUR 0.2 (3.7) million after the deduction of deferred tax.

7. Managing operational risks

Operational risks refer to risk of loss arising from unclear or incomplete instructions, activities carried out against instructions, unreliable information, deficient systems or actions taken by staff members. The losses incurred due to these risks may be direct or indirect financial losses, or ones that tarnish the corporate image to the extent that the Group's credibility in the market place suffers.

The Group's policy on managing operational risks has been established by the Board of Directors. According to the policy, regular risk assessment shall be carried out in the central Group functions, including outsourced functions. The assessment concludes with a probability and consequence evaluation of individual risks, on the basis of which the competent decision-making body then decides on how handle the risks. In addition to regular risk assessments, adequate instructions shall be prepared as a preventive measure in order to reduce operational risks in the central and risky areas. The instructions should cover legal risks, personnel risks, principles for continuity planning, etc.

Incidents with important economic consequences, including narrow escapes, are registered and reported, and deficiencies in processes, systems, know-how or internal control causing the incident are systematically corrected. The aim is also a swift and proactive management of possible consequences for customers. The Group's risk control unit systematically analyses information about incidents and develops plans to reduce risks at process or Group level. Risk control is also responsible for regular reporting to the Board of Directors.

The responsibility for managing the operational risks is vested with the business areas and the line organisation. Risk management includes continual development in the quality of the internal processes and internal control within the whole organisation. The management of each business area is responsible for ensuring that the processes and procedures are adapted to the goals established by the Group's executive management and that the instructions are sufficient. Specific process descriptions are drawn up when necessary.

Each manager is responsible for full compliance with the instructions in respective operations. Internal audit analyses the processes at regular intervals and evaluates the reliability of the units' internal controls. Internal audit reports directly to the Board of Directors.

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

During the year, no significant losses due to operational risk have been recorded.

7.1 Legal risks

Legal risk refers to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions and loss of goodwill due to non-compliance with laws or official regulations. The Group seeks to manage the risk of inadequate contract documentation by founding its contractual relationships within the day-to-day activities upon standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, branch offices and business units must consult the Group's Legal Services unit. External experts are relied upon when necessary. The Group has special expert resources allocated to support the Group's compliance, especially in the provision of investment services.

Appendix to G2, Consolidated capital adequacy and exposures for banking business

The bank group's capital adequacy

Summary	12/2010	9/2010	6/2010	3/2010	12/2009
Tier 1 capital	371,523	371,715	359,762	337,534	328,997
Tier 2 capital	214,149	235,835	227,580	235,353	222,781
Capital base	**585,673**	**607,550**	**587,342**	**572,886**	**551,778**
Risk-weighted amount for credit and counterpart risks	3,324,444	3,270,332	3,242,594	3,214,461	3,147,457
Risk-weighted amount for market risks 1)	-	-	-	-	-
Risk-weighted amount for operational risks	348,647	312,713	312,713	312,713	312,713
Risk-weighted commitments	**3,673,092**	**3,583,045**	**3,555,307**	**3,527,174**	**3,460,170**
Capital adequacy ratio, %	**15.9**	**17.0**	**16.5**	**16.2**	**15.9**
Tier 1 Capital ratio, %	**10.1**	**10.4**	**10.1**	**9.6**	**9.5**
Minimum capital requirement	**293,847**	**286,644**	**284,425**	**282,174**	**276,814**
Capital buffer (difference between capital base and minimi requirement)	291,825	320,906	302,917	290,712	274,965

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

The bank group's capital base

	12/2010	9/2010	6/2010	3/2010	12/2009
Share capital	163,000	163,000	163,000	163,000	163,000
Funds	44,558	44,558	44,558	44,558	44,558
Non-controlling interest	44,291	43,395	42,589	32,679	32,687
Retained earnings	65,818	65,818	65,818	95,818	70,700
Profit for the period	50,080	41,459	27,186	11,582	38,019
./. provision for dividends to shareholders	-20,809	-11,100	-7,400	-3,700	-12,941
Capital loan	30,000	30,000	30,000	-	-
Total	376,938	377,131	365,751	343,938	336,021
./. intangible assets	-5,415	-5,416	-5,989	-6,404	-7,024
Tier 1 capital	**371,523**	**371,715**	**359,762**	**337,534**	**328,997**
Fund at fair value	-16,612	4,978	2,699	21,586	13,282
Upper Tier 2 loans	45,000	45,000	45,000	45,000	45,000
Lower Tier 2 loans	185,762	185,857	179,881	168,767	164,499
Tier 2 capital	**214,149**	**235,835**	**227,580**	**235,353**	**222,781**
Total capital base	**585,673**	**607,550**	**587,342**	**572,886**	**551,778**

The bank group's risk-weighted exposures

Total exposures 12/2010				Risk-weighted exposures, Basel 2				
Risk-weight	Balance assets	Off-balance sheet commit-ments	Total	12/2010	9/2010	6/2010	3/2010	12/2009
0 %	1,091,603	39,075	1,130,678	-	-	-	-	-
10 %	1,211,664	-	1,211,664	121,166	118,698	119,643	128,958	115,882
20 %	1,143,751	346,452	1,490,204	243,078	215,586	235,761	258,581	252,471
35 %	5,057,153	77,892	5,135,045	1,780,752	1,731,172	1,686,817	1,633,517	1,596,780
50 %	89	-	89	44	50	52	56	144
75 %	599,223	82,473	681,697	478,225	488,093	483,619	466,859	466,069
100 %	591,733	118,964	710,697	646,815	665,047	660,710	673,421	673,251
150 %	13,167	927	14,094	20,446	24,234	24,854	22,459	19,099
Total	**9,708,383**	**665,784**	**10,374,167**	**3,290,526**	**3,242,881**	**3,211,455**	**3,183,851**	**3,123,698**
Derivatives *)	303,176	-	303,176	33,918	27,450	31,139	30,610	23,759
Total	**10,011,559**	**665,784**	**10,677,343**	**3,324,444**	**3,270,332**	**3,242,594**	**3,214,461**	**3,147,457**

*) derivative agreements credit conversion factor

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

Risk-weighted amounts for operational risks

	2010	2009	2008	12/2010	9/2010	6/2010	3/2010	12/2009
Gross income	208,528	199,383	149,925					
- average 3 years	185,945							
Capital requirement for operational risk				27,892	25,017	25,017	25,017	25,017
Risk-weighted amount, Basel 2				**348,647**	**312,713**	**312,713**	**312,713**	**312,713**

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 %.

Operational risks per 31 December 2010 have been calculated according to the amended definition of gross income in the Finnish Financial Supervisory Authority's

Total exposure class before and after the effect of risk mitigation techniques

Balance sheet items and off-balance sheet items including derivatives by credit converison factors

	Exposure class	Contractual exposure	Impairment	Net liability	Financial guaran-tees and other substitutions	Exposure after substitution	Financial collaterals	Exposure after collaterals	Risk-weighted amount	Capital requirement
1	States and central banks	541,854	-	541,854	251,946	793,800	-	793,800	-	-
2	Regional administrations and local authorities	65,194	-	65,194	28,523	93,717	-	93,717	-	-
3	Public corporations	1,436	-	1,436	2,347	3,783	-	3,783	757	61
4	International development banks	42,110	-	42,110	-	42,110	-	42,110	-	-
5	International organisations	-	-	-	-	-	-	-	-	-
6	Credit institutions	1,777,750	-	1,777,750	8,551	1,786,301	-157,988	1,628,313	270,604	21,648
7	Corporates	902,673	-4,128	898,545	-64,777	833,768	-74,125	759,643	625,350	50,028
8	Retail exposures	944,269	-715	943,554	-225,247	718,307	-36,582	681,724	478,246	38,260
9	Real estate collateralised	5,135,045	-	5,135,045	-	5,135,045	-	5,135,045	1,780,752	142,460
10	Past due items	68,793	-30,849	37,945	-1,343	36,601	-469	36,133	41,816	3,345
11	High-risk items	4,870	-2,600	2,270	-	2,270	-	2,270	2,935	235
12	Covered bonds	1,211,648	-	1,211,648	-	1,211,648	-	1,211,648	121,165	9,693
13	Securitised items	1,566	-	1,566	-	1,566	-	1,566	313	25
14	Short-term enterprise receivables	-	-	-	-	-	-	-	-	-
15	Mutual fund investments	1,618	-	1,618	-	1,618	-	1,618	1,141	91
16	Other items	36,109	-19,300	16,809	-	16,809	-	16,809	1,366	109
		10,734,935	**-57,592**	**10,677,343**	**0**	**10,677,343**	**-269,164**	**10,408,179**	**3,324,444**	**265,956**

The exposures are reported as gross.

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

Guarantees and other off-balance commitments refer to acceptable risk-reducing measures (Finnish Financial Supervisory Authority standard 4.3e) where risk exposures through outflows (-) based on eligible collaterals and guarantees are transferred to exposure classes with lower risk weight and capital requirements (inflows +). Guarantees given by Finnish goverment, municipalities, congregations and banks are accpeted. Corporate guarantees are accepted if the company's credit rating is sufficient and the guarantee complies with other requirements of the standard.

Financial collaterals are taken into account through comprehensive method as defined in Standard 4.3e of the Finnish Financial Supervision Authority. Financial collaterals include deposits, listed shares and other debt securities.

Average total exposures before the effect of credit risk reduction techniques 2010

		Total exposures before the effect of risk mitigation techniques				
Exposure class		**31.3.**	**30.6.**	**30.9.**	**31.12.**	**Average 2010**
1	States and central banks	955,332	637,668	423,753	541,854	639,652
2	Regional administrations and local authorities	72,674	67,513	64,549	65,194	67,483
3	Public corporations	1,495	1,475	1,455	1,436	1,465
4	International development banks	10,083	22,954	33,189	42,110	27,084
5	International organisations	-	-	-	-	-
6	Credit institutions	1,825,492	1,736,572	1,656,839	1,777,944	1,749,212
7	Corporates	908,315	887,353	888,721	898,545	895,734
8	Retail exposures	906,691	942,483	958,116	943,359	937,662
9	Real estate collateralised	4,730,833	4,890,305	5,008,104	5,135,045	4,941,072
10	Past due items	37,409	44,316	46,869	37,945	41,635
11	High-risk items	2,889	2,598	2,611	2,270	2,592
12	Covered bonds	1,289,585	1,196,412	1,186,969	1,211,648	1,221,153
13	Securitised items	25,784	24,535	15,412	1,566	16,824
14	Short-term enterprise receivables	-	-	-	-	-
15	Mutual fund investments	0	2,099	1,617	1,618	1,333
16	Other items	27,085	36,297	39,120	16,809	29,828
		10,793,670	**10,492,580**	**10,327,325**	**10,677,343**	**10,572,729**

Balance sheet items that cover the amounts and off-balance sheet items including derivatives by credit countre value

Total exposures before the effect of credit risk mitigation techniques, broken down by maturity

Exposure class		**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
1	States and central banks	294,254	45,299	197,283	-	5,018	541,854
2	Regional administrations and local authorities	26,843	-	34,006	2,703	1,642	65,194
3	Public corporations	0	-	630	70	736	1,436
4	International development banks	-	-	10,097	32,013	-	42,110
5	International organisations	-	-	-	-	-	-
6	Credit institutions	133,376	561,767	884,807	135,998	61,997	1,777,944
7	Corporates	181,210	50,914	252,623	150,410	263,388	898,545
8	Retail exposures	79,636	51,522	117,163	139,614	555,424	943,359
9	Real estate collateralised	101,053	73,120	301,166	624,047	4,035,659	5,135,045
10	Past due items	16,218	250	12,246	1,786	7,445	37,945
11	High-risk items	33	-	1,611	-	626	2,270
12	Covered bonds	66,495	92,151	810,835	242,167	-	1,211,648
13	Securitised items	-	-	1,566	-	-	1,566
14	Short-term enterprise receivables	-	-	-	-	-	-
15	Mutual fund investments	1,618	-	-	-	-	1,618
16	Other items	6,914	-	-	-	9,894	16,809
		907,650	**875,022**	**2,624,033**	**1,328,809**	**4,941,829**	**10,677,343**

Balance sheet items that cover the amounts and off-balance sheet items including derivatives by credit countre value

The remaining liability for receivables is included in respective Group according to maturity.

Total liabilities before the effect of risk mitigation techniques, broken down by region

Exposure class		Finland	Other Nordic countries	European countries	Other	Total
1	States and central banks	508,854	8,073	24,926	-	541,854
2	Regional administrations and local authorities	65,194	-	-	-	65,194
3	Public corporations	1,436	-	-	-	1,436
4	International development banks	-	-	-	42,110	42,110
5	International organisations	-	-	-	-	-
6	Credit institutions	553,466	237,063	954,699	32,717	1,777,944
7	Corporates	892,469	-	6,076	-	898,545
8	Retail exposures	942,841	160	201	156	943,359
9	Real estate collateralised	5,129,144	1,020	4,294	587	5,135,045
10	Past due items	37,945	-	-	-	37,945
11	High-risk items	2,270	-	-	-	2,270
12	Covered bonds	60,690	202,731	948,227	-	1,211,648
13	Securitised items	1,566	-	-	-	1,566
14	Short-term enterprise receivables	-	-	-	-	-
15	Mutual fund investments	1,618	-	-	-	1,618
16	Other items	16,784	-	25	-	16,809
		8,214,277	**449,048**	**1,938,448**	**75,570**	**10,677,343**
	Individually impaired loans	13,033				13,033
	Individual write-downs on credits	38,292				38,292
	Write-downs by group	19,300				19,300

Balance sheet items that cover the amounts and off-balance sheet items including derivatives by credit countre value
Individually impaired loans include loan capital and accrued interest less individual write-downs. In capital adequacy measurement for credit risk under the standard method, past due exposures have interest or capital over 90 days overdue.

Liabilities with past due payments are entirely domestic.

Main counterparties and branches by liability class before the effect of risk mitigation techniques

		Exposure class				
Counter-party	Bransch	Corporate exposures	Retail exposures	Real estate collatera-lised	Past due exposures	Total
Corporates						
	Property	178,132	51,963	37,283	1,371	268,749
	Trade	83,122	44,569	23,325	3,297	154,313
	Financing	152,851	6,503	13,242	-	172,596
	Industry, energy	85,253	19,336	5,523	2,418	112,530
	Construction	61,312	22,516	18,185	4,480	106,493
	Research, consulting, services	30,951	28,807	16,595	1,328	77,681
	Transport	26,648	12,328	7,948	927	47,851
	Hotels and restaurants	22,726	6,482	5,255	1,709	36,172
	Agriculture, fisheries, mining	18,629	4,368	3,552	167	26,715
	Other	22,472	10,306	10,920	439	44,138
Total		**682,096**	**207,179**	**141,827**	**16,136**	**1,047,239**
Households		57,721	704,392	4,796,516	20,550	5,579,179
Housing corporations		111,806	31,788	184,385	1,256	329,236
Other non-profit corporations		46,922	-	12,317	3	59,241
Total		**898,545**	**943,359**	**5,135,045**	**37,945**	**7,014,894**

Loans individually impaired

31.12.2010					Change during the period	
Sector	Contract value	Individual impairment	Book value	Fair value of collateral	Change in impairment	Impairment losses on credits and other commit-ments
Corporates	46,321	35,251	11,070	10,730	184	3,228
Housing corporations	1	1	-	2	-	-
Public corporations	-	-	-	-	-	-
Non-profit corporations	2	2	-	-	-1	11
Households	3,578	2,783	795	952	673	659
Total	**49,902**	**38,037**	**11,865**	**11,684**	**856**	**3,898**
Write-downs on corporate loans by branch						
Research, consultingand other services	18,256	17,856	400			
Trade	7,240	5,255	1,985			
Construction	4,501	3,578	923			
Industry	5,149	4,110	1,039			
Property	1,498	968	531			
Other	9,676	3,484	6,192			

31.12.2009					Change during the period	
Sector	Contract value	Individual impairment	Book value	Fair value of collateral	Change in impairment	Impairment losses on credits and other commit-ments
Corporates	51,619	38,222	13,397	13,119	29,939	8,013
Housing corporations	137	137	-	2	-59	-
Public corporations	-	-	-	-	-	-
Non-profit corporations	14	14	-	10	14	-
Households	3,419	2,696	723	1,105	1,149	824
Total	**55,189**	**41,069**	**14,120**	**14,236**	**31,043**	**8,837**
Write-downs on corporate loans by branch						
Research, consultingand other services	16,198	14,502	1,696			
Trade	17,903	14,464	3,439			
Construction	4,023	3,260	763			
Industry	4,295	2,227	2,068			
Property	1,666	800	867			
Other	7,535	2,970	4,564			

G3 Segment report for Bank Group

Income statement 31.12.	Banking Business		Asset Management		Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Net interest income	145,561	146,872	3,606	2,582	-	-	-16	2,923	-	47	149,151	152,425
Dividends	2,399	104	-	10	-	-	-	1,326	-2,064	-1,326	335	115
Net commission income	33,995	25,726	17,196	13,151	-	-	62	2,176	-39	-366	51,214	40,687
Net income from financial transactions	-5,576	3,108	-9	-245	-	-	-	-3,518	-	1,255	-5,585	600
Net income from investment properties	9	26	-	-	-	-	-6	147	-74	-87	-71	86
Other operating income	4,366	2,659	341	114	-	-	4,814	2,248	-2,313	-2,212	7,207	2,808
Total operating income	**180,753**	**178,494**	**21,134**	**15,613**	**-**	**-**	**4,853**	**5,302**	**-4,490**	**-2,688**	**202,250**	**196,722**
Staff costs	-34,176	-32,077	-9,146	-8,071	-	-	-6,763	-6,374	-432	-58	-50,516	-46,580
Other administrative expenses	-52,159	-47,656	-5,913	-4,888	-	-	10,007	8,993	2,318	1,779	-45,747	-41,773
Negative goodwill recorded as income	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation of tangible and intangible assets	-2,228	-2,289	-510	-759	-	-	-1,877	-1,784	-	-	-4,615	-4,832
Other operating expenses	-9,428	-10,920	-1,151	-1,015	-	-	-9,090	-7,021	565	380	-19,105	-18,576
Total operating expenses	**-97,991**	**-92,942**	**-16,720**	**-14,733**	**-**	**-**	**-7,722**	**-6,187**	**2,451**	**2,101**	**-119,982**	**-111,761**
Impariment and reversing items of tangible and intangible assets	-	-	-	-	-	-	-	-	-	-35	-	-35
Write-downs on credits and other commitments	-12,950	-30,980	-	-	-	-	-	-101	-	-	-12,950	-31,081
Share of profit from associated companies	-	-	-	-	-	-	-	-	1,535	334	1,535	334
Operating profit from continuing operations	**69,813**	**54,572**	**4,414**	**880**	**-**	**-**	**-2,869**	**-985**	**-505**	**-289**	**70,854**	**54,178**
Operating profit from discontinuing operations	-	-	-	-	-	62	-	-	-	-367	-	-305
Operating profit	**69,813**	**54,572**	**4,414**	**880**	**-**	**62**	**-2,869**	**-985**	**-505**	**-656**	**70,854**	**53,872**
Contribution of insurance business to the Groups' operating profit					-	-305						

Balance sheet 31.12.	Banking Business		Asset Management		Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**
Cash and balances with central banks	269,721	336,397	90	110	-	-	-	-	-	-	269,810	336,506
Financial assets reported via the income statement	-	3,599	-	-	-	-	-	-	-	-	-	3,599
Financial assets available for sale	2,593,623	2,655,776	8,046	7,338	-	-	-	2,890	-4,292	-3,644	2,597,377	2,662,360
Loans and other receivables	6,652,056	6,173,694	53,765	34,402	-	-	-	-	-6,157	-3,719	6,699,664	6,204,377
Investments for unit-linked provisions	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	389,235	662,438	6,980	4,967	-	-	7,022	-293,608	-45,745	-41,145	357,492	332,652
Total assets	**9,904,635**	**9,831,903**	**68,880**	**46,816**	**-**	**-**	**7,022**	**-290,718**	**-56,194**	**-48,508**	**9,924,343**	**9,539,493**
Deposits	4,191,712	4,609,182	179,779	154,690	-	-	-	-	-6,157	-3,719	4,365,335	4,760,153
Debt securities issued	3,397,792	2,758,144	-	-	-	-	-	-	-4,292	-3,644	3,393,499	2,754,499
Other liabilities	1,843,501	1,506,853	9,274	6,698	-	-	9,015	194,415	-73,127	-66,811	1,788,663	1,641,154
Total liabilities	**9,433,005**	**8,874,178**	**189,053**	**161,388**	**-**	**-**	**9,015**	**194,415**	**-83,576**	**-74,175**	**9,547,497**	**9,155,807**

NOTES TO THE CONSOLIDATED INCOME STATEMENT FOR BANK GROUP

G4 Interest income and expenses

	2010	2009
Interest income		
Interest income from cash and balances with central banks	2,485	3,126
Interest income from financial assets reported at fair value via the income statement	94	405
Interest income from financial assets available for sale	83,698	92,052
Interest income from claims on credit institutions	934	732
Interest income from claims on public and public sector entities	150,390	189,003
Interest income from finance lease contracts	875	681
Interest income from loans and other receivables	152,199	190,417
Interest income from financial assets held until maturity	448	936
Interest income from hedging instruments	274	-1,414
Other interest income	2,501	1,005
Total	**241,699**	**286,526**
Interest expenses		
Interest expenses from deposits, credit institutions	-20,999	-33,902
Interest expenses from deposits, other public entities	-33,423	-45,169
Interest expenses from deposits	-54,421	-79,071
Interest expenses for debt securities issued to the public	-73,146	-73,629
Interest expenses for subordinated liabilities	-10,051	-9,138
Interest expenses from securities issued and subordinated liabilities	-83,198	-82,767
Interest expenses for hedging instruments	45,128	27,880
Other interest expenses	-56	-142
Total	**-92,548**	**-134,101**
Net interest income	**149,151**	**152,425**
Deposits and lending	54,762	61,261
Hedging, interest rate risk management	58,265	44,860
Other	36,124	46,304
Net interest income	**149,151**	**152,425**

G5 Dividends

	2010	2009
Dividend income from shares available for sale	335	115
Total	**335**	**115**

G6 Commission income and expenses

	2010	2009
Commission income		
Lending	8,379	8,308
Borrowing	168	131
Payment transactions	14,372	11,492
Asset management services	39,181	29,821
Brokerage of insurance	4,377	3,801
Guarantees and other off-balance sheet commitments	705	711
Other commission income	2,275	1,802
Total	**69,457**	**56,067**
Commission expenses		
Bank fees paid	-613	-626
Other commission expenses	-17,630	-14,754
Total	**-18,243**	**-15,380**
Net commission income	**51,214**	**40,687**

G7 Net income from financial transactions

	2010	2009
Financial assets held for trading		
Capital gains and losses		
Interest-bearing securities	69	169
Shares and participations	1	2
Total	**70**	**171**
Valuation gains and losses		
Interest-bearing securities	-	68
Total	**-**	**68**
Total	**70**	**239**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	1,080	-226
Total	**1,080**	**-226**
Valuation gains and losses		
Derivative instruments	-4,984	238
Total	**-4,984**	**238**
Total	**-3,904**	**13**
Financial assets available for sale		
Capital gains and losses		
Interest-bearing securities	2,140	1,123
Shares and participations	542	-2,451
Other items	-	-340
Total	**2,682**	**-1,667**
Transferred to income statement from fund at fair value		
Interest-bearing securities	-5,137	-496
Shares and participations	-	-350
Total	**-5,137**	**-846**
Write-downs		
Interest-bearing securities	-	-388
Total	0	-388
Total	**-2,455**	**-2,901**
Net income from currency trading	1,098	1,303
Net result from hedge accounting		
Ineffective share of cash flow hedging	-139	139
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-52	2,575
Financial derivatives hedging issued bonds	4,075	4,249
Changes in the actual value of the hedge instrument, net	4,023	6,824
Repayable on demand liabilities	66	-1,608
Bonds issued	-4,343	-3,408
Changes in the fair value of items that are hedged, net	-4,277	-5,016
Total	**-254**	**1,808**
Total ineffective share of cash flow hedging	**-393**	**1,947**
Net income from financial transactions	**-5,585**	**600**

G8 Net income from investment properties

	2010	2009
Rental income	0	133
Direct expenses from investment properties, which generated rental income during the accounting period	-71	-46
Net income from investment properties	**-71**	**86**

G9 Other operating income

	2010	2009
Profit from sale of tangible and intangible assets	292	100
Other income from the credit institution's own business	3,584	2,164
Other operating income	3,331	544
Total	**7,207**	**2,808**

G10 Staff costs

	2010	2009
Salaries and fees	-42,041	-38,295
Pension costs	-6,441	-6,408
Other indirect employee costs	-2,034	-1,877
Indirect employee costs	-8,474	-8,285
Total	**-50,516**	**-46,580**

Number of employees 31 December

	2010	2009
Full-time	715	707
Part-time	97	84
Temporary	140	108
Total	**952**	**899**
Number of employees converted to full-time equivalents	763	756
Full-time equivalent average number of employees for the reporting period	740	766

G11 Other administration expenses

	2010	2009
Other staff expenses	-2,914	-2,406
Office expenses	-3,290	-2,891
IT-expenses	-17,974	-15,163
Communication expenses	-2,730	-2,906
Representation and marketing expenses	-2,552	-2,843
Other administrative expenses	-16,288	-15,565
Total	**-45,747**	**-41,773**

G12 Depreciation of intangible and tangible assets

	2010	2009
Depreciation of tangible assets	-1,944	-1,895
Depreciation of intangible assets	-2,671	-2,937
Total	**-4,615**	**-4,832**

G13 Other operating expenses

	2010	2009
Rental expenses	-9,021	-8,909
Expenses for commercial properties	-1,694	-1,541
Insurance- and security expenses	-2,025	-2,377
Monitoring, control and membership fees	-752	-967
Other operating expenses	-5,614	-4,782
Total	**-19,105**	**-18,576**

G14 Impairment and reversal of impairment on intangible and tangible assets

	2010	2009
Impairment of tangible and intangible assets	-	-35
Total impairment losses	**-**	**-35**
Total	**-**	**-35**

G15 Taxes

	2010	2009
Income taxes on the ordinary business	-16,533	-27,764
Income taxes from previous financial years	-305	-276
Changes in deferred taxes	-1,388	13,300
Total	**-18,225**	**-14,740**

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

	2010	2009
Profit before tax	70,854	54,178
Tax calculated on a 26% tax rate	18,422	14,086
Non-deductible expenses	115	491
Tax free income	-158	-27
Unused write-downs for tax purposes	-148	-245
Utilisation of previously unrecognised tax losses	-79	-
Tax on the share of the profit from associated companies	-399	-87
Income taxes from previous financial years	305	276
Other	167	246
Income tax	**18,225**	**14,740**

Taxes booked directly against the equity is attributable to the fund at fair value and is specified in note G37.

G16 Profit for the period from discontinuing operations

	2010	2009
Discontinuing operations		
Interest expenses	-	103
Net interest income	-	103
Commission income	-	-428
Commission expenses	-	179
Net commission income	-	-248
Net income from life-insurance	-	1,639
Total operating income	**-**	**1,493**
Staff costs	-	-1,542
Other administrative expenses	-	-182
Depreciation of tangible and intangible assets	-	-74
Total operating expenses	**-**	**-1,798**
Operating profit from discontinuing operations	**-**	**-305**
Taxes	-	-1,483
Profit for the period from discontinuing operations	**-**	**-1,788**

Aktia Bank plc sold Aktia Life Insurance Ltd to Aktia plc for net asset value on 28 February 2009.
In connection with the sale, life insurance operations are regarded as discontinued operations. Profit and loss account and notes to the profit and loss account show continued and discontinued operations separately.

G17 Earnings per share

	2010	2009
Profit for the financial year attributable to shareholders in Aktia Bank plc	50,080	38,019
Average number of shares	3	3
Continuing operations, EUR	16,693,313.89	13,269,009.48
Discontinued operations, EUR	-	-596,129.27
Total	**16,693,313.89**	**12,672,880.20**

There is no dilution effect to earnings per share.

NOTES TO THE CONSOLIDATED BALANCE SHEET AND OTHER CONSOLIDATED NOTES FOR BANK GROUP

G18 Cash and balances with central banks

	2010	2009
Cash in hand	9,605	9,959
Bank of Finland current account	260,205	326,547
Total	**269,810**	**336,506**

G19 Financial assets reported at fair value via the income statement

	2010	2009
Financial assets held for trading, banking business	-	3,599
Total	**-**	**3,599**

G20 Financial assets available for sale

	2010	2009
Interest bearing securities, central and local goverment	100,368	137,244
Interest bearing securities, credit institutions	2,475,566	2,493,761
Interest bearing securities, other	15,490	26,448
Total interest-bearing securities	2,591,424	2,657,453
Publicly quoted shares and holdings	4,012	2,530
Shares and holdings that are not publicly quotes	1,942	2,377
Total shares and holdings	5,954	4,907
Total financial assets available for sale	**2,597,377**	**2,662,360**

Write-downs on financial assets available for sale stood at EUR,0.0 million (EUR 0.4 million) and are a result of significant or long-term negative value changes in shares and share funds and in interest-bearing securities where the issuer has noted an inability to pay.
Write-downs on interest-bearing securities amounted to EUR 0.0 million (EUR 0.4 million) during the period.
The definition of significant or long-term negative value is described in note G1 Overview of significant consolidated accounting principles 2010 in chapter Impairment of financial assets.

Impairment of financial assets from continuing operations	**2010**	**2009**
Interest-bearing securities	-	388
Total	**-**	**388**

Above mentioned write-downs reported in income statement are included in note G7.

G21 Financial assets held until maturity

	2010	2009
Interest-bearing securities, other	21,459	27,883
Total	**21,459**	**27,883**

G22 Derivative instruments

Derivative instruments, book value

	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Interest rate derivatives	74,072	40,568	56,826	21,530
Fair value hedging	74,072	40,568	56,826	21,530
Interest rate derivatives	45,471	302	41,757	783
Cash flow hedging	45,471	302	41,757	783
Interest rate derivatives	103,028	103,053	107,272	106,190
Currency derivatives	1,893	1,586	3,076	2,510
Shares derivatives	4,929	4,929	90	90
Other derivatives	893	893	547	547
Other derivative instruments	110,743	110,461	110,985	109,337
Total	**230,286**	**151,331**	**209,568**	**131,650**

From cash flow hedging, a cash flow of approx. EUR 12–15 million is expected 2011, approx. EUR 9–12 million 2012 and the rest in the years 2013–2016.

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

31 December 2010

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest forward rate agreements	400,000	400,000	-	800,000	3,134	-
Interest rate swaps	224,500	2,301,000	1,043,000	3,568,500	70,938	40,568
Total fair value hedging	**624,500**	**2,701,000**	**1,043,000**	**4,368,500**	**74,072**	**40,568**
Cash flow hedging						
Interest rate option agreements	-	960,000	-	960,000	45,471	302
Purchased	-	720,000	-	720,000	45,471	-
Written	-	240,000	-	240,000	-	302
Total cash flow hedging	**-**	**960,000**	**-**	**960,000**	**45,471**	**302**
Total interest rate derivatives	**624,500**	**3,661,000**	**1,043,000**	**5,328,500**	**119,543**	**40,870**
Total hedging derivative instruments	**624,500**	**3,661,000**	**1,043,000**	**5,328,500**	**119,543**	**40,870**
Other derivative instruments						
Interest rate swaps	374,000	1,888,000	1,084,230	3,346,230	57,985	58,474
Interest rate option agreements	1,267,000	2,522,528	480,000	4,269,528	45,043	44,579
Purchased	727,000	1,490,264	240,000	2,457,264	42,593	40,466
Written	540,000	1,032,264	240,000	1,812,264	2,450	4,113
Total interest rate derivatives	**1,641,000**	**4,410,528**	**1,564,230**	**7,615,758**	**103,028**	**103,053**
Forward rate agreements	175,612	-	-	175,612	1,893	1,586
Total forward rate agreements	**175,612**	**-**	**-**	**175,612**	**1,893**	**1,586**
Equity options	10,234	80,312	16,700	107,246	4,929	4,929
Purchased	5,117	40,156	8,350	53,623	3,195	1,734
Written	5,117	40,156	8,350	53,623	1,734	3,195
Total equity options	**10,234**	**80,312**	**16,700**	**107,246**	**4,929**	**4,929**

Options	-	4,307	-	4,307	893	893
Purchased	-	2,153	-	2,153	893	-
Written	-	2,153	-	2,153	-	893
Other derivative instruments	**-**	**4,307**	**-**	**4,307**	**893**	**893**
Total other derivative instruments	**1,826,846**	**4,495,147**	**1,580,930**	**7,902,923**	**110,743**	**110,461**
Total derivative instruments	**2,451,346**	**8,156,147**	**2,623,930**	**13,231,423**	**230,286**	**151,331**

31 December 2009

Hedging derivative instruments

	Nominal values / term remaining				**Fair value**	
	Under 1 year	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest forward rate agreements	200,000	200,000	-	400,000	43	68
Interest rate swaps	350,000	1,505,500	372,000	2,227,500	56,783	21,462
Total fair value hedging	**550,000**	**1,705,500**	**372,000**	**2,627,500**	**56,826**	**21,530**
Cash Flow hedging						
Interest rate option agreements	-	840,000	120,000	960,000	41,757	783
Purchased	-	660,000	60,000	720,000	41,757	-
Written	-	180,000	60,000	240,000	-	783
Total cash flow hedging	**-**	**840,000**	**120,000**	**960,000**	**41,757**	**783**
Total interest rate derivatives	**550,000**	**2,545,500**	**492,000**	**3,587,500**	**98,583**	**22,313**
Total hedging derivative instruments	**550,000**	**2,545,500**	**492,000**	**3,587,500**	**98,583**	**22,313**
Other derivative instruments						
Interest rate swaps	562,000	1,654,000	445,300	2,661,300	56,696	56,243
Interest rate option agreements	-	3,660,534	779,200	4,439,734	50,576	49,946
Purchased	-	2,127,767	379,600	2,507,367	47,215	45,420
Written	-	1,532,767	399,600	1,932,367	3,361	4,526
Total interest rate derivatives	**562,000**	**5,314,534**	**1,224,500**	**7,101,034**	**107,272**	**106,190**
Forward rate agreements	191,129	-	-	191,129	3,076	2,510
Total forward rate agreements	**191,129**	**-**	**-**	**191,129**	**3,076**	**2,510**
Equity options	20,500	92,244	-	112,744	90	90
Purchased	10,250	46,122	-	56,372	90	-
Written	10,250	46,122	-	56,372	-	90
Total equity options	**20,500**	**92,244**	**-**	**112,744**	**90**	**90**
Options	4,096	4,307	-	8,403	547	547
Purchased	2,048	2,153	-	4,201	547	-
Written	2,048	2,153	-	4,201	-	547
Other derivative instruments	**4,096**	**4,307**	**-**	**8,403**	**547**	**547**
Total other derivative instruments	**777,725**	**5,411,085**	**1,224,500**	**7,413,310**	**110,985**	**109,337**
Total derivative instruments	**1,327,725**	**7,956,585**	**1,716,500**	**11,000,810**	**209,568**	**131,650**

G23 Loans and other receivables

	2010	2009
Repayable on demand claims on credit institutions	6,129	9,721
Other claims on credit institutions that are not repayable on demand	39,839	71,000
Lending to credit institutions	45,968	80,721
Transaction account credits, general and corporate	98,566	89,838
Credit bonds	6,548,505	6,003,579
Receivables from finance lease contracts	21,050	16,776
Loans	6,668,121	6,110,194
Write-downs for loans outstanding by group	-19,300	-7,435
Syndicated loans and sale and repurchase agreements, domestic/foreign	4,500	20,438
Bank guarantee claims	376	458
Lending to the public and public sector entities	6,653,696	6,123,656
Total	**6,699,664**	**6,204,377**

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

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

Households	5,478,763	4,924,437
Companies	823,047	844,588
Housing associations	289,279	289,192
Public associations	6,703	10,050
Non-profit associations	55,904	55,389
Total	**6,653,696**	**6,123,656**

Write-downs during the reporting period

Write-downs at the beginning of the financial year	48,540	26,228
Write-downs at the end of the financial year	12,384	33,159
Individual write-downs on other commitments	62	21
Individual write-downs on interest receivables	245	54
Reversal of write-downs on credits outstanding by group	12,000	-
Reversal of group write-downs on credits for previous years	-135	-
Reversal of write-downs on individual credits for previous years	-11,573	-2,018
Reversal of write-downs on other individual commitments for previous years	-5	-22
Reversal of write-downs on interest receivables for previous years	-17	-16
Reversal of impairment losses on credits	-11	-98
Total write-downs of the reporting period	12,950	31,081
Realised credit losses for which agreed write-downs were already made	-3,203	-4,514
Credit losses for other commitments for which agreed write-downs were already made	-706	-4,353
Reversal of impairment losses on credits	11	98
Write-downs at the end of the financial year	**57,592**	**48,540**

Accrued receivables written down at the beginning of the year, gross	62,661	34,615
This year's receivables written down, gross	27,229	43,095
Reversal of this year's receivables written down, gross	-20,433	-15,048
Accrued receivables written down at the end of the year, gross	69,457	62,661

There are only write-downs on loans and other receivables.

Description of collateral obtained is commented on in note G2, Risk management and information on the fair values is given in note G39.

Breakdown of maturity on finance lease receivables

Under 1 year	5,445	3,551
1–5 years	15,694	12,741
Over 5 years	2,325	2,686
Gross investment	**23,465**	**18,978**
Unearned future finance income	-2,415	-2,202
Net investment in finance leases	**21,050**	**16,776**

Present value of future minimum lease payments receivables

Under 1 year	4,540	2,849
1–5 years	14,230	11,318
Over 5 years	2,281	2,610
Total	**21,050**	**16,776**

G24 Investments in associated companies

	2010	2009
Acquisition cost at 1 January	2,890	2,881
Share of profits at 1 January	-48	-85
Investments	50	50
Disposals	-260	-41
Share of profit from associated companies	1,535	334
Dividends obtained during the financial year	-692	-297
Book value at 31 December	**3,476**	**2,842**

Associated companies at 31 December 2010	Assets	Liabilities	Operating profit	Profit for the reporting period
Oy Samlink Ab, Helsinki	21,590	12,905	2,055	1,688
Unicus Ab, Helsinki	2,371	773	3,722	2,970
ACH Finland Abp, Espoo	3,006	29	146	108
Other associated companies	16,259	11,020	-3	178
Total	**43,225**	**24,726**	**5,920**	**4,944**

Associated companies at 31 December 2009	Assets	Liabilities	Operating profit	Profit for the reporting period
Oy Samlink Ab, Helsinki	19,742	11,425	3,042	1,704
Unicus Ab, Helsinki	218	148	-242	-243
ACH Finland Abp, Espoo	2,912	44	100	67
Other associated companies	16,133	11,072	-4	-45
Total	**39,005**	**22,688**	**2,897**	**1,483**

G25 Intangible assets

31 December 2010	Immaterial rights	Other long-term expenditures	Total
Acquisition cost at 1 January	8,958	6,670	15,628
Increases	872	351	1,223
Decreases	-3,011	-	-3,011
Acquisition cost at 31 December	6,819	7,021	13,840
Accumulated depreciations and impairments at 1 January	-4,894	-3,709	-8,604
Accumulated depreciation on decreases	2,849	-	2,849
Planned depreciation	-1,718	-953	-2,671
Accumulated depreciations and impairments at 31 December	-3,763	-4,662	-8,425
Book value at 31 December	**3,056**	**2,358**	**5,415**

31 December 2009	Immaterial rights	Other long-term expenditures	Total
Acquisition cost at 1 January	10,624	6,046	16,671
Divestments	-2,468	-	-2,468
Increases	801	645	1,446
Decreases	-	-21	-21
Acquisition cost at 31 December	8,958	6,670	15,628
Accumulated depreciations and impairments at 1 January	-3,884	-2,450	-6,334
Divestments	742	-	742
Accumulated depreciation on decreases	-	2	2
Planned depreciation	-1,753	-1,226	-2,978
Impairments	-	-35	-35
Accumulated depreciations and impairments at 31 December	-4,894	-3,709	-8,604
Book value at 31 December	**4,063**	**2,961**	**7,024**

G26 Investment properties

31 December 2010	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	-	-	4	4
Acquisition cost at 31 December	-	-	4	4
Book value at 31 December	**-**	**-**	**4**	**4**
Carrying amount at December, 31	**-**	**-**	**716**	**716**

31 December 2009	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	-	-328	4	-324
Decreases	-	328	-	328
Acquisition cost at 31 December	-	-	4	4
Accumulated depreciations and impairments at 1 January	-	328	-	328
Accumulated depreciation on decreases	-	-328	-	-328
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**-**	**-**	**4**	**4**
Carrying amount at December, 31	**-**	**-**	**650**	**650**

G27 Other tangible assets

Commercial properties

31 December 2009	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	-	-593	-	-593
Decreases	-	593	-	593
Acquisition cost at 31 December	-	-	-	-
Accumulated depreciations and impairments at 1 January	-	593	-	593
Accumulated depreciation on decreases	-	-593	-	-593
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**-**	**-**	**-**	**-**

Other material assets

31 December 2010	Machines and equipment	Insurance business. machinery and equipment	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	5,175	-	2,344	7,519
Increases	1,009	-	-	1,009
Decreases	-16	-	-	-16
Acquisition cost at 31 December	6,167	-	2,344	8,512
Accumulated depreciations and impairments at 1 January	-2,084	-	-797	-2,881
Accumulated depreciation on decreases	3	-	-	3
Planned depreciation	-1,346	-	-598	-1,944
Accumulated depreciations and impairments at 31 December	-3,427	-	-1,396	-4,822
Book value at 31 December	**2,741**	**-**	**948**	**3,689**

31 December 2009	Machines and equipment	Insurance business. machinery and equipment	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	3,868	887	2,460	6,623
Divestments	-	-908	-10	-918
Increases	1,407	21	-	1,428
Decreases	-100	-	-106	386
Acquisition cost at 31 December	5,175	-	2,344	7,519
Accumulated depreciations and impairments at 1 January	-842	-259	-168	-675
Divestments	-	291	-	291
Accumulated depreciation on decreases	10	-	14	-569
Planned depreciation	-1,252	-32	-644	-1,928
Accumulated depreciations and impairments at 31 December	-2,084	-	-797	-2,881
Book value at 31 December	**3,091**	**-**	**1,547**	**4,638**

G28 Other assets

	2010	2009
Accrued income and advance payments, banking business	79,571	71,916
Accrued income and advance payments	79,571	71,916
Cash items being collected	1,349	3,048
Other assets	976	1,854
Other assets	2,326	4,902
Total	**81,897**	**76,817**

G29 Deferred taxes

	2010	2009
Deferred tax liabilities/receivables, net		
Net deferred tax liabilities/receivables, net at 1 January	28,689	23,122
Acquisitions	-	3,830
Adjustment of deferred tax from preceding years	-	122
Changes during the financial year booked via the income statement, continuing operations	1,388	-13,300
Changes during the financial year booked via the income statement, discontinuing operations	-	1,497
Financial assets:		
- Valuation of fair value direct to equity	-11,836	9,291
- Transferred to the income statement	1,336	949
Cash flow hedging:		
- Valuation of fair value direct to equity	1,618	3,177
Net deferred tax liabilities/receivables,net at 31 December	21,194	28,689
Deferred tax liabilities		
Appropriations	23,982	21,902
Financial assets	-420	4,737
Cash flow hedging	8,876	4,950
Group-specific write-downs	-	572
Total	**32,438**	**32,161**
Deferred tax receivables		
Financial assets	6,122	618
Group-specific write-downs	5,018	2,505
Other	104	349
Total	**11,244**	**3,473**

Specification of changes during the financial year booked via the income statement

Appropriations	-2,080	11,700
Financial assets	-2,059	-371
Cash flow hedging	67	2,400
Group-specific write-downs	3,085	-
Negative result	-155	-466
Other	-245	37
Total	**-1,388**	**13,300**

G30 Deposits

	2010	2009
Repayable on demand deposits	286,145	400,850
Other than repayable on demand from credit institutions	673,658	1,323,549
Liabilities to credit institutions	959,803	1,724,399
Repayable on demand deposits	2,155,283	2,205,823
Other than repayable on demand deposits	1,250,249	829,931
Liabilities to the public and public sector entities	3,405,532	3,035,754
Total	**4,365,335**	**4,760,153**

G31 Debt securities issued

	2010		2009	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	446,052	447,040	295,360	296,180
Bonds	2,947,447	2,954,073	2,459,139	2,458,649
Total	**3,393,499**	**3,401,113**	**2,754,499**	**2,754,829**

31 December 2010	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Certificates of deposit with fixed interest	340,440	106,600	-	-	-	447,040
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed rate	-	-	2,000,000	-	-	2,000,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable rate	-	250,000	625,000	-	-	875,000
Others						79,073
Total	**340,440**	**356,600**	**2,625,000**	**0**	**0**	**3,401,113**

31 December 2009						
Certificates of deposit with fixed interest	139,730	156,450	-	-	-	296,180
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed rate	250,000	-	1,000,000	-	-	1,250,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable rate	-	250,000	625,000	250,000	-	1,125,000
Others						83,649
Total	**389,730**	**406,450**	**1,625,000**	**250,000**	**-**	**2,754,829**

Other bonds are included in the same program as the subordinated liabilities, see note G32.

G32 Subordinated liabilities

	2010	2009
Capital loans	30,000	-
Debenture loans	208,854	205,433
Loan without due date	45,000	45,000
Total	**283,854**	**250,433**
Nominal value	283,803	250,328
Amount included in upper Tier 2 capital	45,000	45,000
Amount included in lower Tier 2 capital	185,762	164,499

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

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

G33 Other liabilities to credit institutions

	2010	2009
Other liabilities to deposit banks	169,927	100,000
Other liabilities to credit institutions	842,604	868,201
Total	**1,012,531**	**968,201**

Other liabilities to deposit banks include liabilities of EUR 75 (25) million to the European Investment Bank with both fixed and floating interest rate and issued fixed interest rate Schuldscheindarlehen loans.

Other liabilities to credit institutions are attributable to repurchase agreements and to three different long-term loans amounting to a total of EUR 60 (60) million from the Nordic Investment Bank.

G34 Other liabilities to the public and public sector entities

	2010	2009
Other liabilities payable on demand	245	245
Liabilities other than those repayable on demand	176,721	91,520
Total	**176,967**	**91,766**

G35 Other liabilities

	2010	2009
Interest liabilities on deposits	13,047	6,982
Other accrued interest expenses and interest income received in advance	48,745	43,481
Advance interest received	2,841	1,481
Accrued interest expenses and interest income received in advance	64,633	51,944
Other accrued expenses and income received in advance	23,369	14,554
Accrued expenses and income received in advance	**88,002**	**66,498**
Cash items in the process of collection	31,181	76,278
Other liabilities, banking business	3,621	5,064
Other liabilities	**34,802**	**81,342**
Total other liabilities	**122,803**	**147,840**

G36 Provisions

	2010	2009
Provisions at 1 January	218	24
Reversal of unused provisions	-	-
Provisions entered through the income statement	443	323
Provisions used during the year	-110	-129
Provisions at 31 December	**551**	**218**

Above provisions refer to staff costs attributable to agreements made 2010 running untill 2011.

G37 Equity

	2010	2009
Share capital	163,000	163,000
Fund at fair value	9,098	34,724
Restricted equity	172,098	197,724
Unrestricted equity reserve	44,558	44,558
Retained earnings 1 January	108,718	102,764
Dividens to shareholders	-42,900	-
Other changes in retained earnings	-	-32,065
Profit for the reporting period	50,080	38,019
Unrestricted equity	160,456	153,276
Shareholders' share of equity	332,554	351,000
Non controlling interest's share of equity	44,291	32,687
Equity	376,846	383,686

Share capital and shares

At the end of the period share capital was EUR,163,000,000, divided into 3 shares, which are owned by Aktia Plc

Fund at fair value

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

Unrestricted equity reserve

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

Retained earnings

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

Specification of change in fund at fair value

Fund at fair value at 1 January	34,724	-35,093
Profit/loss on the evaluation of the fair value, shares and holdings	-112	-11,909
Profit/loss on the evaluation of the fair value, interest bearing securities	-45,419	47,197
Deferred taxes on profit/loss on the evaluation of the fair value	11,836	-9,291
Transferred to the income statement, shares and participations, included in:		
Net income from financial assets available for sale	0	3,169
Deferred taxes	0	-824
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial assets available for sale	5,137	481
Deferred taxes	-1,336	-125
Profit/loss on the evaluation of the fair value for cash flow hedging derivative contracts	5,887	12,220
Deferred taxes on profit/loss on the evaluation of the fair value	-1,618	-3,177
Transfer of the fund at fair value in conjunction with the sale of Aktia Life Insurance Ltd by Aktia Bank plc to Aktia plc	-	32,077
Fund at fair value at 31 December	**9,098**	**34,724**

The fund at fair value contains changes in fair value after tax on the financial assets available for sale and on financial derivatives that are held for cash flow hedging

Share capital and unrestricted equity reserve	Number of shares	Share capital	Unrestricted equity reserve
1 Januari 2009	3	163,000	44,558
31 December 2009	3	163,000	44,558
31 December 2010	**3**	**163,000**	**44,558**

Distributable assets	2010	2009
Non-distributable assets in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	62,338	95,638
Share of accumulated appropriations that have been included in the profit for the financial year	5,920	-33,300
Total	**68,258**	**62,338**
Distributable assets in unrestricted equity		
Retained earnings 1 January	46,381	7,127
Dividends to shareholders	-42,900	-
Other changes in retained earnings	-	-32,065
Profit for the period	44,160	71,319
Unrestricted equity reserve	44,558	44,558
Total	**92,198**	**90,938**
Total unrestricted equity		
Retained earnings 1 January	108,718	102,764
Dividends to shareholders	-42,900	-
Other changes in retained earnings	-	-32,065
Profit for the period	50,080	38,019
Unrestricted equity reserve	44,558	44,558
Total	**160,456**	**153,276**

Dividend to shareholders

The Board's proposal for dividend, to the Annual General Meeting 2011, is EUR 6.666.666,67 per share or EUR 20,000,000.00.
The dividend to shareholders is entered in 2011 against the equity, as a reduction in the retained earnings.

G38 Classification of financial instruments

Assets 31 December 2010	Note	Valued at fair value	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					269,810		269,810
Interest-bearing securities	G19, G20, G21	-	2,591,424	21,459				2,612,882
Shares and participations	G19, G20	-	5,954					5,954
Derivative instruments	G22				230,286			230,286
Lending to credit institutions	G23					45,968		45,968
Lending to the public and public sector entities	G23					6,653,696		6,653,696
Investments in associated companies	G24						3,476	3,476
Intangible assets	G25						5,415	5,415
Investment properties	G26						4	4
Other tangible assets	G27						3,689	3,689
Accrued income and advance payments	G28						79,571	79,571
Other assets	G28						2,326	2,326
Income tax receivables							22	22
Deferred tax receivables	G29						11,244	11,244
Total		**-**	**2,597,377**	**21,459**	**230,286**	**6,969,474**	**105,747**	**9,924,343**

31 December 2009		Valued at fair value	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					336,506		336,506
Interest-bearing securities	G19, G20, G21	3,599	2,657,453	27,883				2,688,934
Shares and participations	G19, G20	-	4,907					4,907
Derivative instruments	G22				209,568			209,568
Lending to credit institutions	G23					80,721		80,721
Lending to the public and public sector entities	G23					6,123,656		6,123,656
Investments in associated companies	G24						2,842	2,842
Intangible assets	G25						7,024	7,024
Investment properties	G26						4	4
Other tangible assets	G27						4,638	4,638
Accrued income and advance payments	G28						71,916	71,916
Other assets	G28						4,902	4,902
Income tax receivables							402	402
Deferred tax receivables	G29						3,473	3,473
Total		**3,599**	**2,662,360**	**27,883**	**209,568**	**6,540,883**	**95,200**	**9,539,493**

Liabilities

31 December 2010		Valued at fair value	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G30			959,803		959,803
Deposits from the public and public sector entities	G30			3,405,532		3,405,532
Derivative instruments	G22		151,331			151,331
Debt securities issued	G31			3,393,499		3,393,499
Subordinated liabilities	G32			283,854		283,854
Other liabilities to credit institutions	G33			1,012,531		1,012,531
Other liabilities to the public and public sector entities	G34			176,967		176,967
Accrued expenses and income received in advance	G35				88,002	88,002
Other liabilities	G35				34,802	34,802
Provisions	G36				551	551
Income tax liability					8,189	8,189
Deferred tax liabilities	G29				32,438	32,438
Total		**-**	**151,331**	**9,232,186**	**163,981**	**9,547,497**

31 December 2009		Valued at fair value	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G30			1,724,399		1,724,399
Deposits from the public and public sector entities	G30			3,035,754		3,035,754
Derivative instruments	G22		131,650			131,650
Debt securities issued	G31			2,754,499		2,754,499
Subordinated liabilities	G32			250,433		250,433
Other liabilities to credit institutions	G33			968,201		968,201
Other liabilities to the public and public sector entities	G34			91,766		91,766
Accrued expenses and income received in advance	G35				66,498	66,498
Other liabilities	G35				81,342	81,342
Provisions	G36				218	218
Income tax liability					18,884	18,884
Deferred tax liabilities	G29				32,161	32,161
Total		**-**	**131,650**	**8,825,052**	**199,104**	**9,155,807**

G39 Fair value of financial assets and liabilities

Financial assets	**2010**		**2009**	
	Book value	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	269,810	269,810	336,506	336,506
Financial assets reported at fair value via the income statement	-	-	3,599	3,599
Financial assets available for sale	2,597,377	2,597,377	2,662,360	2,662,360
Financial assets held until maturity	21,459	20,406	27,883	26,337
Derivative instruments	230,286	230,286	209,568	209,568
Loans and other receivables	6,699,664	6,703,922	6,204,377	6,178,539
Total	**9,818,596**	**9,821,801**	**9,444,293**	**9,416,909**

Financial liabilities	**2010**		**2009**	
	Book value	**Fair value**	**Book value**	**Fair value**
Deposits	4,365,335	4,357,988	4,760,153	4,752,370
Derivative instruments	151,331	151,331	131,650	131,650
Debt securities issued	3,393,499	3,403,347	2,754,499	2,759,058
Subordinated liabilities	283,854	286,439	250,433	250,607
Other liabilities to credit institutions	1,012,531	1,016,060	968,201	967,213
Other liabilities to the public and public sector entities	176,967	176,964	91,766	91,804
Total	**9,383,516**	**9,392,130**	**8,956,702**	**8,952,703**

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

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

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

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

G40 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets

31 December 2010	Note	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Cash and balances with central banks	G18	269,810	-	-	-	-	269,810
Financial assets available for sale	G20	209,429	413,424	1,630,050	338,520	5,954	2,597,377
Financial assets held until maturity	G21	-	714	12,897	7,848	-	21,459
Derivative instruments	G22	10,324	13,567	174,119	32,102	175	230,286
Loans and other receivables	G23	386,585	553,412	1,873,472	1,584,541	2,301,654	6,699,664
Total		**876,148**	**981,117**	**3,690,538**	**1,963,010**	**2,307,782**	**9,818,596**

31 December 2009		**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Cash and balances with central banks	G18	336,506	-	-	-	-	336,506
Financial assets reported at fair value via the income statement	G19	-	-	3,599	-	-	3,599
Financial assets available for sale	G20	99,183	589,066	1,653,551	315,662	4,898	2,662,360
Financial assets held until maturity	G21	5,000	-	12,895	9,988	-	27,883
Derivative instruments	G22	15,133	8,341	164,031	22,063	-	209,568
Loans and other receivables	G23	376,255	493,295	1,764,247	1,492,388	2,078,191	6,204,377
Total		**832,077**	**1,090,702**	**3,598,323**	**1,840,101**	**2,083,089**	**9,444,293**

Liabilities

31 December 2010		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G30	3,343,676	839,653	178,074	3,931	-	4,365,335
Derivative instruments	G22	4,689	10,531	89,496	41,141	5,474	151,331
Debt securities issued	G31	339,973	347,639	2,684,887	21,000	-	3,393,499
Subordinated liabilities	G32	17,189	45,122	180,383	11,160	30,000	283,854
Other liabilities to credit institutions	G33	414,524	383,080	73,362	43,653	97,912	1,012,531
Other liabilities to the public and public sector entities	G34	172,290	500	-	-	4,177	176,967
Total		**4,292,340**	**1,626,526**	**3,206,203**	**120,886**	**137,562**	**9,383,516**

31 December 2009		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G30	3,322,445	1,287,030	145,708	4,970	-	4,760,153
Derivative instruments	G22	6,250	5,361	91,292	28,747	-	131,650
Debt securities issued	G31	373,797	410,069	1,669,334	301,299	-	2,754,499
Subordinated liabilities	G32	16,154	44,642	170,637	19,000	-	250,433
Other liabilities to credit institutions	G33	715,503	147,698	49,000	36,000	20,000	968,201
Other liabilities to the public and public sector entities	G34	76,850	9,700	-	-	5,216	91,766
Total		**4,510,998**	**1,904,500**	**2,125,972**	**390,017**	**25,216**	**8,956,702**

G41 Collateral assets and liabilities

Collateral assets

For the bank 31 December 2010	Type of security	The nominal value of the liability	The value of the security
Liabilities to credit institutions	Bonds	287,700	271,040
Collateral provided in connection with repurchasing agreements	Bonds	782,604	782,604
Collateral provided in connection with contracts of pledge	Bonds	47,440	47,440
Collateral provided in connection with contracts of pledge	Cash and balances with central banks	21,339	21,339
Total		**1,139,083**	**1,122,423**

For the bank 31 December 2009			
Liabilities to credit institutions	Bonds	1,069,400	1,030,308
Collateral provided in connection with repurchasing agreements	Bonds	808,201	808,201
Collateral provided in connection with contracts of pledge	Bonds	47,000	47,000
Collateral provided in connection with contracts of pledge	Cash and balances with central banks	8,000	8,000
Total		**1,932,601**	**1,893,509**

Collateral held by the bank as security for liabilities that have been received by companies in the same Group			
As of 31 December 2010	-	-	-
As of 31 December 2009	-	-	-

For other liabilities

The bank has not provided collateral for other parties.

Liabilities to credit instututes include collateral with the Bank of Finland and the European Investment Bank. For repurchase agreements, the standardised GMRA (Global Master Repurchase Agreement) conditions apply.

Collateral liabilities

For the bank 31 December 2010	Type of security	The nominal value of the liability	The value of the security
Collateral received in connection with pledging agreements	Cash and balances with central banks	149,377	149,377
Securities received in conjunction with repurchase agreements	Bonds	10,000	10,000
Total		**159,377**	**159,377**

For the bank 31 December 2009			
Collateral received in connection with pledging agreements	Cash and balances with central banks	175,435	175,435
Securities received in conjunction with repurchase agreements	Bonds	47,000	47,000
Total		**222,435**	**222,435**

G42 Breakdown of off-balance sheet commitments

	2010	2009
Guarantees	48,415	49,944
Other commitments provided to a third party on behalf of a customer	5,547	7,281
Unused credit arrangements	611,822	510,854
Total	**665,784**	**568,079**

*) Off-balance sheet commitments, exclude rental commitments.

31 December 2010	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Guarantees	9,565	8,004	10,964	17,090	2,792	48,415
Other commitments provided to a third party on behalf of a customer	1,271	123	1,324	1,026	1,804	5,547
Unused credit arrangements	190,854	397,966	13,767	2,039	7,197	611,822
Total	**201,690**	**406,093**	**26,055**	**20,154**	**11,792**	**665,784**

31 December 2009	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Guarantees	13,521	7,175	11,563	17,505	181	49,944
Other commitments provided to a third party on behalf of a customer	212	7	3,439	1,929	1,694	7,281
Unused credit arrangements	149,060	325,276	29,050	2,062	5,405	510,854
Total	**162,793**	**332,458**	**44,052**	**21,496**	**7,279**	**568,079**

G43 Rent commitments

	2010	2009
Less than 1 year	7,935	7,625
1–5 years	26,112	26,078
More than 5 years	15,184	19,636
Total	**49,231**	**53,339**

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

G44 Companies included in the consolidated accounts

Companies included in consolidated accounts (ownership over 50 %)	2010		2009	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Financing				
Aktia Hypoteksbank Abp, Helsinki	49.9	39,134	52.3	33,291
Aktia Kort & Finans Ab, Helsinki	100.0	799	100.0	799
Aktia Företagsfinans Ab, Helsinki	100.0	798	80.0	240
Aktia Invest Ldt, Helsinki	70.0	1,138	-	-
Investment funds				
Aktia Fondbolag Ab, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ab, Helsinki	93.0	1,034	93.0	1,034
Total		**45,411**		**37,871**

Business transactions with companies included in the Group

	1.1.2010	Increse / Decrease	31.12.2010
Credits and guarantees	309,495	115,528	425,023
Deposits	18,457	-484	17,973
*) Subordinated liability	0	30,000	30,000

	1.1.2009	Increse / Decrease	31.12.2009
Credits and guarantees	382,997	-73,502	309,495
Deposits	20,780	-2,323	18,457

*) Capital loan from Aktia plc. The loan is a capital loan in accordance with section 45, paragraph 1, point 4 in the Act on Credit Institutions with the same right of priority as the borrowers shareholders' equity and lower right of priority as the borrowers other commitments such as bonds and subordinated debts. The loan may not be used to set off counter-claims.

The loan has no due date. As of 28 April 2015, the borrower is entitled to premature payment providing the Finnish Financial Supervisory Authority grants permission for premature repayment of the loan.

The loan has an interest rate of 12 months Euribor + 4,0 %. The interest is payable per annum providing the borrower has distributable assets according to approved balance sheet for the previous reporting period. The requirements in the Act on Credit Institutions shall be met also after payment, and there are no such circumstances in the near future that endanger the borrowers ability to meet the capital requirements in the Act on Credit Institutions.

Shares in associated companies (ownership 20–50%)	2010		2009	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Data processing				
Oy Samlink Ab, Helsinki	24.0	1,697	24.0	1,697
Private equity company				
Unicus Ab, Helsinki	37.5	250	37.5	250
Others				
ACH Finland Abp	24.5	734	24.5	734
Total		**2,681**		**2,681**

Business transactions with associated companies

	1.1.2010	Increse / Decrease	31.12.2010
Credits and guarantees	65	-65	0
Deposits	251	2,218	2,469
Services received from associated companies	12,196	2,528	14,724

	1.1.2009	Increse / Decrease	31.12.2009
Credits and guarantees	65	-	65
Deposits	1,110	-860	251
Services received from associated companies	13,405	-1,209	12,196

G45 The customer assets beeing managed

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

Customer assets being managed	**2010**	**2009**
Funds in discretionary asset management services	2,905,443	3,008,309
Funds within the framework of investment advising according to a separate agreement	4,072,785	2,987,262
Total funds in asset management services	**6,978,228**	**5,995,571**

G46 PS savings

The act governing long-term savings agreements and amendments in tax laws in accordance with the act entered into force 1 January 2010. As service provides, Aktia Bank plc offers this form of saving for private customers since 1 April 2010. The pension saving comprises a bank account, investments in mutual funds, bonds and shares.

Customer assets witin PS savings 31 December 2010	
PS Savings account	25
PS Deposit	17
Total	**42**

Customers' PS investments 31 December 2010	
Investments in mutual funds	285
Bonds	-
Shares	18
Total	**303**

G47 Events after the end of the financial year

Key persons within the asset and liability management team of Aktia Bank's Treasury started a new partnerdriven company, ALM Partners Ltd, specialised in consulting and reporting within asset and liability management. Aktia Bank, savings banks and local cooperative banks hold non-controlling interest and buy services from the company.

In February 2011, Aktia Bank plc divested its holding in the associated company Unicus Ab.

INCOME STATEMENT FOR THE PARENT COMPANY – AKTIA BANK PLC

(EUR 1,000)	Note	2010	2009
Interest income	P2	175,010	213,477
Interest expenses	P2	-35,761	-64,534
Net interest income		139,248	148,942
Income from Tier 1 capital instruments	P3	2,399	1,431
Commission income	P4	40,941	41,903
Commission expenses	P4	-7,062	-10,337
Net commission income		33,879	31,566
Net income from securities and currency trading	P5	1,177	1,541
Net income from financial assets available for sale	P6	-4,969	-3,767
Net income from investment properties	P7	3	173
Other operating income	P8	5,940	3,710
Staff costs	P9	-43,185	-40,765
Other administrative expenses	P10	-40,169	-37,572
Administrative expenses		-83,353	-78,337
Depreciation and impairment of tangible and intangible assets	P11	-3,990	-4,261
Other operating expenses	P12	-18,181	-29,718
Write-downs on credits and other commitments	P13	-9,832	-29,875
Operating profit		**62,320**	**41,406**
Appropriations		-8,000	45,000
Taxes		-16,208	-25,064
Profit for the reporting period		**38,112**	**61,341**

BALANCE SHEET FOR THE PARENT COMPANY – AKTIA BANK PLC

(EUR 1,000)	Note	2010	2009
Assets			
Cash and balances with central banks		269,810	336,506
Bonds eligible for refinancing with central banks	P15,P18	2,507,611	2,551,732
Claims on credit institutions	P16	367,968	300,721
Receicables from the public and public sector entities	P17	3,409,145	3,485,756
Bonds from public sector entities		46,814	69,336
Other bonds		29,454	32,878
Total bonds	P18	76,269	102,214
Shares and participations	P19	56,783	50,015
Derivative contracts	P20	96,375	96,530
Intangible assets	P21	3,693	6,132
Investment properties and shares and participations			
in investment properties	P22	4	4
Other tangible assets	P22	3,531	4,510
Tangible assets		3,535	4,513
Other assets	P23	1,467	4,151
Accrued expenses and advance payments	P24	145,044	138,499
Deferred tax receivables	P25	5,793	-
Total assets		**6,943,494**	**7,076,770**
Liabilities			
Liabilities to credit institutions	P26	1,987,538	2,701,633
Borrowing		3,404,369	3,033,567
Other liabilities		176,967	91,766
Liabilities to the public and public sector entities	P27	3,581,336	3,125,333
Debt securities issued to the public	P28	540,960	391,699
Derivatives and other liabilities held for trading	P20	111,166	102,570
Other liabilities	P29	32,370	78,997
Accrued expenses and income received in advance	P30	110,020	101,475
Subordinated liabilities	P31	265,450	231,364
Deferred tax liabilities	P32	-	2,330
Total liabilities		**6,628,841**	**6,735,400**
Accumulated appropriations		92,240	84,240
Equity			
Share capital	P33	163,000	163,000
Fund at fair value	P33	-16,489	13,441
Unrestricted equity reserve		44,558	44,558
Retained earnings 1 January		36,132	-25,210
Dividends to shareholders		-42,900	-
Profit for the reporting period attributable to shareholders in Aktia Bank plc		38,112	61,341
Total equity	**P33**	**222,413**	**257,130**
Total liabilities and equity		**6,943,494**	**7,076,770**

OFF-BALANCE-SHEET COMMITMENTS FOR THE PARENT COMPANY – AKTIA BANK PLC

(EUR 1,000)	Note	2010	2009
Off-balance-sheet commitments	P41		
Guarantees and pledges		48,415	49,944
Other		5,547	7,281
Commitments provided to a third party on behalf of the customer		53,962	57,225
Unused credit arrangements		669,757	539,977
Irrevocable commitments given in favour of a customer		669,757	539,977
Total		**723,719**	**597,202**

CASH FLOW STATEMENT FOR THE PARENT COMPANY – AKTIA BANK PLC

(EUR 1,000)	2010	2009
Cash flow from operating activities		
Operating profit	62,320	41,406
Adjustment items not included in cash flow for the period	15,933	51,453
Paid income taxes	-25,279	-6,404
Increase (-) or decrease (+) in receivables from operating activities	**22,836**	**-321,641**
Bonds	30,758	-265,228
Claims on credit institutions	-70,839	122,500
Receicables from the public and public sector entities	66,779	-161,227
Other assets	-3,861	-17,685
Increase (+) or decrease (-) in liabilities from operating activities	**-135,807**	**28,929**
Liabilities to credit institutions	-714,095	270,395
Liabilities to the public and public sector entities	456,003	-247,013
Debt securities issued to the public	149,261	-450
Other liabilities	-26,976	5,997
Total cash flow from operating activities	-59,996	-206,257
Cash flow from investing activities		
Financial assets held until maturity, increase	6,428	-
Financial assets held until maturity, decrease	-	8,000
Reclaim of minority shares in subsidiaries	-558	-1,460
Investments in group companies and associated companies	-1,138	-50
Proceeds from sale of group companies and associated companies	210	45,504
Investment in tangible and intangible assets	-1,797	-2,451
Disposal of tangible and intangible assets	1,225	186
Share issue of Aktia Plc to Aktia Real Estate Mortgage Bank Plc	-5,843	-8,210
Total cash flow from investing activities	**-1,475**	**41,518**
Cash flow from financing activities		
Subordinated liabilities, increase	94,857	70,756
Subordinated liabilities, decrease	-60,774	-68,430
Paid dividends	-42,900	-
Total cash flow from financing activities	**-8,817**	**2,326**
Change in cash and cash equivalents	-70,288	-162,413
Cash and cash equivalents at the beginning of the year	346,227	508,640
Cash and cash equivalents at the end of the year	275,939	346,227
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	9,605	9,959
Bank of Finland current account	260,205	326,547
Repayable on demand claims on credit institutions	6,129	9,721
Total	**275,939**	**346,227**
Adjustment items not included in cash flow for the period consist of:		
Impairment of bonds	-	388
Write-downs on credits and other commitments	9,832	29,875
Change in fair values	1,749	4,107
Depreciation and impairment of intangible and tangible assets	3,990	4,261
Sales loss from divestment of Aktia life insurance to Aktia Plc	-	12,823
Other adjustments	362	0
Total	**15,933**	**51,453**

P1 Parent company accounting principles

Aktia Bank plc's financial statement has been drawn up in compliance with the provisions of the Finnish Accounting Act and the Credit Institutions Act, the ordinance issued by the Ministry of Finance on financial statements and consolidated financial statements for credit institutions (150/2007) as well as Annual Report Standard 3.1 from the Financial Supervisory Authority. The financial statement for Aktia Bank plc has been prepared in accordance with Finnish accounting standards (FAS).

Foreign currency translation

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

Revenue and expenses recognition

Revenue and expenses are reported using the accruals convention.

Interest and dividends

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

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

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

Commissions

The basic principle for commission income and commission expenses is that they are reported in accordance with the accruals convention.

Other income and expenses

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

Depreciation

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

Buildings	40 years
Basic repairs to buildings not owned by the bank	5–10 years
Other tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–5 years

Taxes

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

Write-downs of loans and other receivables

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

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

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in the underlying credit portfolio. The analysis is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. In the case of credits to households and small companies, a write-down by group is based on an assessment of anticipated losses across a 12-month time horizon.

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

Financial assets

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

Financial assets valued at fair value via the income statement include financial assets held for trading. This category includes debt certificates, shares and participations that are actively traded in and that have been acquired for the short term with the intent to earn revenue. They have been entered at fair value with changes in value being currently entered in the income statement as Net income from securities.

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

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

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

Loans and other receivables include receivables from credit institutions and receivables from the public and public sector entities. These receivables are entered at accrued acquisition value.

Financial liabilities

Financial liabilities are included in the balance sheet at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value. In the cash flow statement, issued debts are deemed to belong to the bank's core operations, and are included in operating activities, while subordinated liabilities are deemed to belong to financing activities.

Derivative contracts

Income arising from interest-rate swaps, forward rate agreements or interest-rate option agreements that were made in order to secure financial receivables is entered as interest income. Expenses arising from interest-rate swaps, forward rate agreements or interest rate option agreements that were made in order to secure financial liabilities are entered as interest expenses.

Value changes in hedging derivative contracts have been dealt with in the income statement in the same way as value changes in balance sheet items ought to be hedged.

Income, expenses and value changes arising from contracts included in the consignment stock and made for purposes other than serving asset and liability hedging are entered in the financial statement as Net income from securities.

Income and expenses items arising from currency-related derivative contracts are entered in the income statement as Net income from currency trading, except for the difference between spot and forward rates that are entered in Interest income or Interest expenses.

Tangible and intangible assets

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

Estimation of fair value for investment properties was carried out by external property valuators using the cash flow method or through an internal valuation based on the rental income that could be earned at market rates. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

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

P2 Interest income and expenses

	2010	2009
Interest income		
Claims on credit institutions	8,655	13,727
Receivables from the public and public sector entities	81,865	110,794
Bonds	84,122	90,833
Derivatives	274	-1,414
Other interest income	94	-463
Total	**175,010**	**213,477**
Interest expenses		
Liabilities to credit institutions	-21,003	-34,229
Other liabilities to the public and public sector entities	-33,609	-45,372
Debt securities issued to the public	-6,457	-10,601
Derivatives and liabilities held for trading	34,965	34,209
Subordinated liabilities	-9,616	-8,506
Other interest expenses	-41	-36
Total	**-35,761**	**-64,534**
Net interest income	**139,248**	**148,942**

P3 Income from equity instruments

	2010	2009
Income from companies within the same Group	1,372	1,029
Income from associated companies	692	297
Income from financial assets available for sales	335	105
Total	**2,399**	**1,431**

P4 Commission income and expenses

	2010	2009
Commission income		
Lending	5,220	7,518
Borrowing	168	131
Payment transactions	10,541	9,240
Asset management services	15,533	18,900
Brokerage of insurance	4,376	3,792
Guarantees and other off-balance sheet commitments	705	711
Other commission income	4,398	1,613
Total	**40,941**	**41,903**
Commission expenses		
Bank fees paid	-613	-626
Other commission expenses	-6,448	-9,711
Total	**-7,062**	**-10,337**
Net commission income	**33,879**	**31,566**

P5 Net income from securities and currency trading

	2010	2009
Interest-bearing securities		
Capital gains and losses	69	236
Total	**69**	**236**
Other		
Capital gains and losses	1	2
Total	**1**	**2**
Total		
Capital gains and losses	70	238
Net income from securities	**70**	**238**
Net income from currency trading	1,107	1,303
Net income from securities and currency trading	**1,177**	**1,541**

P6 Net income from financial assets available for sale

	2010	2009
Interest-bearing securities		
Capital gains and losses	-2,608	512
Total	**-2,608**	**512**
Shares and participations		
Capital gains and losses	540	-154
Reversal of impairment losses	-	-3,713
Total	**540**	**-3,867**
Other		
Capital gains and losses	-3,981	-7
Write-downs	-	-388
Net income from brokered derivative contracts	1,080	-17
Total	**-2,901**	**-412**
Total		
Capital gains and losses	-6,049	351
Write-downs	-	-388
Reversal of impairment losses	-	-3,713
Net income from brokered derivative contracts	1,080	-17
Total	**-4,969**	**-3,767**

P7 Net income from investment properties

	2010	2009
Rental income	73	219
Other expenses for investment properties	-71	-46
Total	**3**	**173**

P8 Other operating income

	2010	2009
Rental income from commercial properties	-	74
Other operating income	5,940	3,636
Total	**5,940**	**3,710**

P9 Staff costs

	2010	2009
Salaries and fees	-34,223	-32,110
Transfer to the personnel fund	-1,773	-1,272
Pension costs	-5,358	-5,646
Other indirect employee costs	-1,829	-1,737
Indirect employee costs	-7,188	-7,383
Total	**-43,185**	**-40,765**

Number of employees 31 December		
Full-time	631	638
Part-time	91	73
Temporary	125	85
Total	**847**	**796**

P10 Other administrative expenses

	2010	2009
Other staff expenses	-2,515	-2,125
Office expenses	-2,064	-3,765
IT-expenses	-16,156	-13,755
Communication expenses	-2,337	-2,482
Representation and marketing expenses	-2,237	-2,583
Other administrative expenses	-14,860	-12,862
Total	**-40,169**	**-37,572**

P11 Depreciation and impairment of tangible and intangible assets

	2010	2009
Depreciation of tangible assets	-1,857	-1,820
Depreciation of intangible assets	-2,133	-2,441
Total	**-3,990**	**-4,261**

P12 Other operating expenses

	2010	2009
Rental expenses	-8,267	-8,447
Expenses for commercial properties	-1,566	-1,499
Insurance- and hedging costs	-2,020	-2,371
Monitoring, control and membership fees	-524	-631
Other expenses	-5,805	-16,770
Total	**-18,181**	**-29,718**

The reporting period 2009 includes a loss from divestment of Aktia Life Insurance Ltd to Aktia Plc.

P13 Write-downs on credits and other commitments

	2010	2009
Receivables from the public and public sector entities		
Individual write-downs	-11,454	-31,787
Write-downs by group	-9,665	-
Reversals of and recoveries of write-downs	11,497	1,899
Reversals of write-downs recorded	11	29
Total	**-9,611**	**-29,860**
Interest receivables		
Individual write-downs	-236	-27
Reversals of and recoveries of write-downs	15	11
Total	**-221**	**-15**
Total write-downs on credits and other commitments	**-9,832**	**-29,875**

P14 Income by business area

	2010	2009
Income by business area		
Real estate operations	3	173
Banking	184,736	193,760
Total	**184,739**	**193,933**
Operating profit by business area		
Real estate operations	3	173
Banking	62,318	41,233
Total	**62,320**	**41,406**
Personnel by business area		
Banking	847	796
Total	**847**	**796**

The bank only operates in Finland

P15 Bonds eligible for refinancing with central banks

	2010	2009
Government bonds	42,169	80,124
Banks' certificates of deposit	169,229	29,816
Other	2,296,213	2,441,792
Total	**2,507,611**	**2,551,732**

P16 Claims on credit institutions

	2010	2009
Repayable on demand		
Finnish credit institutions	507	155
Foreign credit institutions	5,621	9,565
Total	**6,129**	**9,721**
Other than repayable on demand		
Finnish credit institutions	346,500	291,000
Foreign credit institutions	15,339	-
Total	**361,839**	**291,000**
Total claims on credit institutions	**367,968**	**300,721**

P17 Receivables from the public and public sector entities

	2010	2009
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	2,322,742	2,338,942
Companies	831,427	856,488
Housing associations	192,369	224,887
Public associations	6,703	10,050
Non-profit associations	55,904	55,389
Total	**3,409,145**	**3,485,756**

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

	2010	2009
Write-downs during the financial year		
Write-downs at the beginning of the financial year	50,597	28,135
Receivables from the public and public sector entities		
Individual write-downs presented during the period	11,454	31,787
Group write-downs presented during the period	9,665	-
Individual write-downs that were reversed during the year	-11,497	-1,899
Credit losses during the period, for which individual write-downs were made earlier	-3,379	-7,426
Write-downs at the end of the financial year	**56,841**	**50,597**

P18 Bonds grouped by financial instrument

	Total 2010	Of which bonds eligible for refinancing with central banks	Total 2009	Of which bonds eligible for refinancing with central banks
Bonds held for trading				
Publicly quoted	-	-	3,598	3,598
Total	**-**	**-**	**3,598**	**3,598**
Bonds available for sale				
Publicly quoted	2,373,356	2,360,263	2,546,929	2,527,308
Other	189,065	181,070	75,536	46,263
Total	**2,562,421**	**2,541,333**	**2,622,465**	**2,573,571**
Bonds held until maturity				
Publicly quoted	21,459	-	27,883	-
Total	**21,459**	**-**	**27,883**	**-**
Total bonds	**2,583,880**	**2,541,333**	**2,653,946**	**2,577,169**

P19 Shares and participations

	2010	2009
Shares and participations available for sale		
Publicly quoted	2,394	2,522
Other	1,942	2,377
Total	**4,336**	**4,899**
Total shares and participations	**4,336**	**4,899**
of which credit institutions	168	2,690
Shares and participations in associated companies		
Credit institutions	734	734
Other companies	1,947	2,157
Total	**2,681**	**2,890**
Shares and participations in group companies		
Credit institutions	40,731	34,329
Other companies	9,035	7,896
Total	**49,766**	**42,226**
Total shares and participations	**56,783**	**50,015**

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

P20 Derivative instruments

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

31 December 2010

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest forward rate agreements	438,000	400,000	-	838,000	3,205	165
Interest rate swaps	615,400	5,250,560	1,112,310	6,978,270	103,418	95,578
Interest rate option agreements	33,430	418,452	-	451,882	-	1,711
Purchased	33,430	418,452	-	451,882	-	1,711
Written	-	-	-	-	-	-
Total	**1,086,830**	**6,069,012**	**1,112,310**	**8,268,152**	**106,623**	**97,454**
Cash flow hedging						
Interest rate option agreements	-	960,000	-	960,000	45,471	302
Purchased	-	720,000	-	720,000	45,471	-
Written	-	240,000	-	240,000	-	302
Total	**-**	**960,000**	**-**	**960,000**	**45,471**	**302**
Total interest rate derivatives	**1,086,830**	**7,029,012**	**1,112,310**	**9,228,152**	**152,094**	**97,756**
Total hedging derivative instruments	**1,086,830**	**7,029,012**	**1,112,310**	**9,228,152**	**152,094**	**97,756**
Other derivative instruments						
Interest rate swaps	374,000	1,888,000	1,084,230	3,346,230	57,985	58,474
Interest rate option agreements	1,267,000	2,522,528	480,000	4,269,528	45,043	44,579
Purchased	727,000	1,490,264	240,000	2,457,264	42,593	40,466
Written	540,000	1,032,264	240,000	1,812,264	2,450	4,113
Total interest rate derivatives	**1,641,000**	**4,410,528**	**1,564,230**	**7,615,758**	**103,028**	**103,053**
Forward rate agreements	175,612	-	-	175,612	1,893	1,586
Total forward rate agreements	**175,612**	**-**	**-**	**175,612**	**1,893**	**1,586**
Equity options	10,234	80,312	16,700	107,246	4,929	4,929
Purchased	5,117	40,156	8,350	53,623	3,195	1734
Written	5,117	40,156	8,350	53,623	1734	3,195
Total equity options	**10,234**	**80,312**	**16,700**	**107,246**	**4,929**	**4,929**
Options	-	4,307	-	4,307	893	893
Purchased	-	2,153	-	2,153	893	-
Written	-	2,153	-	2,153	-	893
Other derivative instruments	**-**	**4,307**	**-**	**4,307**	**893**	**893**
Total other derivative instruments	**1,826,846**	**4,495,147**	**1,580,930**	**7,902,923**	**110,743**	**110,461**
Total derivative instruments	**2,913,676**	**11,524,159**	**2,693,240**	**17,131,075**	**262,837**	**208,217**

31 December 2009

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest forward rate agreements	323,000	200,000	-	523,000	114	143
Interest rate swaps	867,600	3,503,900	680,300	5,051,800	93,238	54,295
Interest rate option agreements	45,318	284,803	-	330,121	0	1,056
Purchased	45,318	284,803	-	330,121	0	1,056
Total	**1,235,918**	**3,988,703**	**680,300**	**5,904,921**	**93,352**	**55,493**

Cash flow hedging						
Interest rate option agreements	-	840,000	120,000	960,000	41,757	783
Purchased	-	660,000	60,000	720,000	41,757	-
Written	-	180,000	60,000	240,000	-	783
Total	**-**	**840,000**	**120,000**	**960,000**	**41,757**	**783**
Total interest rate derivatives	**1,235,918**	**4,828,703**	**800,300**	**6,864,921**	**135,109**	**56,276**
Total hedging derivative instruments	**1,235,918**	**4,828,703**	**800,300**	**6,864,921**	**135,109**	**56,276**
Other derivative instruments						
Interest rate swaps	562,000	1,654,000	445,300	2,661,300	57,094	56,641
Interest rate option agreements	-	3,660,534	779,200	4,439,734	50,576	49,946
Purchased	-	2,127,767	379,600	2,507,367	47,215	45,420
Written	-	1,532,767	399,600	1,932,367	3,361	4,526
Total interest rate derivatives	**562,000**	**5,314,534**	**1,224,500**	**7,101,034**	**107,670**	**106,587**
Forward rate agreements	191,129	-	-	191,129	3,591	3,026
Total forward rate agreements	**191,129**	**-**	**-**	**191,129**	**3,591**	**3,026**
Equity options	20,500	92,244	-	112,744	90	90
Purchased	10,250	46,122	-	56,372	90	-
Written	10,250	46,122	-	56,372	-	90
Total equity options	**20,500**	**92,244**	**-**	**112,744**	**90**	**90**
Options	4,096	4,307	-	8,403	547	547
Purchased	2,048	2,153	-	4,201	547	-
Written	2,048	2,153	-	4,201	-	547
Other derivative instruments	**4,096**	**4,307**	**-**	**8,403**	**547**	**547**
Total other derivative instruments	**777,725**	**5,411,085**	**1,224,500**	**7,413,310**	**111,899**	**110,250**
Total derivative instruments	**2,013,643**	**10,239,788**	**2,024,800**	**14,278,230**	**247,008**	**166,526**

Derivative instruments' fair values include accrued interest.

P21 Intangible assets

31 December 2010	**Immaterial rights (IT expenses)**	**Other long-term expenditures**	**Total**
Acquisition cost at January, 1	4,991	4,109	9,100
Increases	818	69	887
Decreases	-1,883	-	-1,883
Acquisition cost at December, 31	3,927	4,178	8,105
Accumulated depreciations and impairments at Jan, 1	-1,797	-1,171	-2,968
Accumulated depreciation on decreases	689	-	689
Planned depreciation	-1,250	-883	-2,133
Accumulated depreciations and impairments at Dec, 31	-2,359	-2,053	-4,412
Book value at December, 31	**1,568**	**2,125**	**3,693**

31 December 2009	**Immaterial rights (IT expenses)**	**Other long-term expenditures**	**Total**
Acquisition cost at January, 1	4,520	3,521	8,041
Increases	471	610	1,081
Decreases	-	-21	-21
Acquisition cost at December, 31	4,991	4,109	9,100
Accumulated depreciations and impairments at Jan, 1	-308	-221	-529
Accumulated depreciation on decreases	-	2	2
Planned depreciation	-1,489	-952	-2,441
Accumulated depreciations and impairments at Dec, 31	-1,797	-1,171	-2,968
Book value at December, 31	**3,194**	**2,938**	**6,132**

P22 Tangible assets

Investment properties

31 December 2010	Land and water areas	Buildings	Shares and partici-pations in real estate corporations	Total
Acquisition cost at January, 1	-	-	4	4
Acquisition cost at December, 31	-	-	4	4
Book value at December, 31	**-**	**-**	**4**	**4**
Carrying amount at December, 31	**-**	**-**	**716**	**716**

31 December 2009	Land and water areas	Buildings	Shares and partici-pations in real estate corporations	Total
Acquisition cost at January, 1	-	-328	4	-324
Decreases	-	328	-	328
Acquisition cost at December, 31	-	-	4	4
Accumulated depreciations and impairments at Jan, 1	-	328	-	328
Accumulated depreciation on decreases	-	-328	-	-328
Accumulated depreciations and impairments at Dec, 31	-	-	-	-
Book value at December, 31	**-**	**-**	**4**	**4**
Carrying amount at December, 31	**-**	**-**	**650**	**650**

Commercial properties

31 December 2009	Land and water areas	Buildings	Shares and partici-pations in real estate corporations	Total
Acquisition cost at January, 1	-	-593	-	-593
Decreases	-	593	-	593
Acquisition cost at December, 31	-	-	-	-
Accumulated depreciations and impairments at Jan, 1	-	593	-	593
Accumulated depreciation on decreases	-	-593	-	-593
Accumulated depreciations and impairments at Dec, 31	-	-	-	-
Book value at December, 31	**-**	**-**	**-**	**-**

Other material assets

31 December 2010	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at January, 1	4,413	2,344	6,761
Increases	910	-	910
Decreases	-36	-	-36
Acquisition cost at December, 31	5,287	2,344	7,635
Accumulated depreciations and impairments at Jan, 1	-1,450	-797	-2,248
Accumulated depreciation on decreases	5	-	5
Planned depreciation	-1,259	-598	-1,857
Accumulated depreciations and impairments at Dec, 31	-2,704	-1,396	-4,100
Book value at December, 31	**2,583**	**948**	**3,535**

31 December 2009	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at January, 1	3,141	2,428	4,652
Increases	1,370	-	1,370
Decreases	-98	-84	739
Acquisition cost at December, 31	4,413	2,344	6,761
Accumulated depreciations and impairments at Jan, 1	-281	-161	478
Accumulated depreciation on decreases	8	7	-905
Planned depreciation	-1,177	-643	-1,820
Accumulated depreciations and impairments at Dec, 31	-1,450	-797	-2,248
Book value at December, 31	**2,963**	**1,547**	**4,513**

P23 Other assets

	2010	2009
Cash items being collected	1,349	3,048
Other assets	118	1,103
Total	**1,467**	**4,151**

P24 Accrued expenses and advance payments

	2010	2009
Interests	126,751	129,125
Other	18,293	9,375
Total	**145,044**	**138,499**

P25 Deferred tax receivables

	2010	2009
Deferred tax receivables at January, 1	-	9,341
Financial assets:		
- Fair value measurement	5,793	-9,341
Deferred tax receivables at December, 31	**5,793**	**-**

Deferred tax receivables originates from valuation of financial assets to fair value.

P26 Liabilities to credit institutions

	2010	2009
Repayable on demand deposits	295,284	409,883
Other than repayable on demand from credit institutions	1,692,253	2,291,750
Total	**1,987,538**	**2,701,633**

P27 Liabilities to the public and public sector entities

	2010	2009
Repayable on demand	2,154,120	2,203,636
Other than repayable on demand	1,250,249	829,931
Borrowing	3,404,369	3,033,567
Repayable on demand	245	245
Other than repayable on demand	176,721	91,520
Other liabilities	176,967	91,766
Total	**3,581,336**	**3,125,333**

P28 Debt securities issued to the public

	2010		2009	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	450,344	451,340	299,004	299,830
Bonds	90,616	92,320	92,695	94,416
Total	**540,960**	**543,660**	**391,699**	**394,246**

P29 Other liabilities

	2010	2009
Cash items in the process of collection	30,469	75,811
Provisions	386	24
Other	1,515	3,162
Total	**32,370**	**78,997**
Breakdown of items reported amongst provisions		
Provisions at 1 January	24	24
Reversal of unused provisions	-24	-
Provisions entered through the income statement	386	-
Provisions at 31 December	**386**	**24**

Above provisions refer to staff costs attributable to agreements made 2010 running untill 2011.

P30 Accrued expenses and income received in advance

	2010	2009
Interests	83,368	72,332
Other	26,652	29,143
Total	**110,020**	**101,475**

P31 Subordinated liabilities

	2010	2009
Capital loans	30,000	-
Debenture loans	190,450	186,364
Loan without due date	45,000	45,000
Total	**265,450**	**231,364**
Nominal value	265,397	231,270
Amount included in upper Tier 2 capital	45,000	45,000
Amount included in lower Tier 2 capital	156,733	143,497

The bank operates a bond programme that is updated and approved each year by the Board of Directors. The size of the programme is currently EUR 500 million. Under the programme, both other bonds (included in note P28) and debenture loans are issued. Debentures are currently issued at fixed interest rates primarily with a maturity of 5 years.

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

P32 Deferred tax liabilities

	2010	2009
Deferred tax liabilities at January, 1	2,330	-
Income statement charge	2,393	-2,393
Financial assets:		
- Fair value measurement	-4,722	4,722
Deferred tax liabilities at December, 31	**-**	**2,330**

P33 Specification of equity

	At the beginning of the financial year	Increase	Decrease	At the end of the financial year
Share capital	163,000	-	-	163,000
Fund at fair value	13,441	-	29,929	-16,489
Restricted equity	176,441	-	29,929	146,511
Unrestricted equity reserve	44,558	-	-	44,558
Retained earnings 1 January	36,132			36,132
Dividends to shareholders			42,900	-42,900
Profit for the reporting period attributable to shareholders in Aktia Bank plc		38,112	-	38,112
Unrestricted equity	80,689	38,112	42,900	75,902
Total equity	**257,130**	**38,112**	**72,829**	**222,413**

	2010	2009
Fund at fair value at January, 1	13,441	-26,585
Changes in fair value during the period	-45,582	49,910
Deferred taxes on changes in fair value during the period	10,516	-14,063
Moved to income statement during the period	5,137	4,179
Fund at fair value at December, 31	**-16,489**	**13,441**

Aktia plc owns all the 3 shares in Aktia Bank plc.

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

Distributable assets in unrestricted equity	2010	2009
Retained earnings 1 January	36,132	-25,210
Dividends to shareholders	-42,900	-
Profit for the reporting period attributable to shareholders in Aktia Bank plc	38,112	61,341
Unrestricted equity reserve	44,558	44,558
Total	**75,902**	**80,689**

Unrestricted equity consist only of distributable assets.

P34 Fair value of financial assets and liabilities

Financial assets	2010		2009	
	Book value	Fair value	Book value	Fair value
Cash and balances with central banks	269,810	269,810	336,506	336,506
Bonds	2,583,880	2,582,827	2,653,946	2,652,400
Claims on credit institutions	367,968	368,347	300,721	300,727
Receicables from the public and public sector entities	3,409,145	3,386,707	3,485,756	3,423,759
Shares and participations	4,336	4,336	4,899	4,899
Shares and participations in associated companies	2,681	2,681	2,890	2,890
Shares and participations in group companies	49,766	49,766	42,226	42,226
Derivative contracts	96,375	96,375	96,530	96,530
Total	**6,783,961**	**6,760,850**	**6,923,474**	**6,859,937**

Financial liabilities	2010		2009	

	Book value	Fair value	Book value	Fair value
Liabilities to credit institutions and central banks	1,987,538	1,984,391	2,701,633	2,697,638
Liabilities to the public and public sector entities	3,581,336	3,584,518	3,125,333	3,130,555
Debt securities issued to the public	540,960	539,316	391,699	387,476
Derivatives and other liabilities held for trading	111,166	111,166	102,570	102,570
Subordinated liabilities	265,450	268,209	231,364	231,909
Total	**6,486,451**	**6,487,600**	**6,552,598**	**6,550,147**

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

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

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

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

P35 Breakdown by maturity of assets and liabilities by balance sheet item

Assets

31 December 2010	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	153,136	405,471	1,607,934	341,070	-	2,507,611
Claims on credit institutions	267,468	98,000	2,500	-	-	367,968
Receicables from the public and public sector entities	356,040	337,987	1,025,535	730,651	958,933	3,409,145
Bonds	23,096	864	44,461	7,848	-	76,269
Total	**799,739**	**842,322**	**2,680,430**	**1,079,568**	**958,933**	**6,360,992**

31 December 2009	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	513,140	455,425	1,298,912	284,254	-	2,551,732
Claims on credit institutions	175,943	124,777	-	-	-	300,721
Receicables from the public and public sector entities	333,199	326,471	1,084,398	765,896	975,792	3,485,756
Bonds	24,445	47,760	20,021	9,988	-	102,214
Total	**1,046,727**	**954,433**	**2,403,332**	**1,060,138**	**975,792**	**6,440,422**

Liabilities

31 December 2010	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	1,261,015	484,480	61,050	34,992	146,000	1,987,538
Liabilities to the public and public sector entities	2,624,696	770,703	182,006	3,931	-	3,581,336
Debt securities issued to the public	343,272	115,660	61,029	21,000	-	540,960
Subordinated liabilities	17,189	44,470	173,791	-	30,000	265,450
Total	**4,246,172**	**1,415,313**	**477,876**	**59,923**	**176,000**	**6,375,285**

31 December 2009	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	1,663,888	932,745	49,000	36,000	20,000	2,701,633
Liabilities to the public and public sector entities	2,458,000	511,683	150,679	4,970	-	3,125,333
Debt securities issued to the public	146,454	171,355	21,090	52,800	-	391,699
Subordinated liabilities	16,154	44,642	170,568	-	-	231,364
Total	**4,284,496**	**1,660,425**	**391,337**	**93,770**	**20,000**	**6,450,029**

P36 Property items and liabilities in euros and in foreign currency

31 December 2010

Assets	Euros	Foreign currency	Total
Bonds	2,583,880	-	2,583,880
Claims on credit institutions	364,469	3,498	367,968
Receicables from the public and public sector entities	3,409,145	-	3,409,145
Shares and participations	56,783	-	56,783
Derivative contracts	96,375	-	96,375
Other assets	428,454	889	429,343
Total	**6,939,106**	**4,387**	**6,943,494**

31 December 2009

Assets	Euros	Foreign currency	Total
Bonds	2,653,946	-	2,653,946
Claims on credit institutions	297,093	3,628	300,721
Receicables from the public and public sector entities	3,485,756	-	3,485,756
Shares and participations	50,015	-	50,015
Derivative contracts	96,530	-	96,530
Other assets	489,057	745	489,803
Total	**7,072,397**	**4,373**	**7,076,770**

31 December 2010

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	1,986,648	890	1,987,538
Liabilities to the public and public sector entities	3,564,552	16,784	3,581,336
Debt securities issued to the public	540,960	-	540,960
Derivative contracts	111,166	-	111,166
Subordinated liabilities	265,450	-	265,450
Other liabilities	142,390	-	142,390
Total	**6,611,167**	**17,674**	**6,628,841**

31 December 2009

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	2,698,092	3,540	2,701,633
Liabilities to the public and public sector entities	3,108,364	16,968	3,125,333
Debt securities issued to the public	391,699	-	391,699
Derivative contracts	102,570	-	102,570
Subordinated liabilities	231,364	-	231,364
Other liabilities	182,802	-	182,802
Total	**6,714,891**	**20,509**	**6,735,400**

P37 Total assets and liabilities by business area

	2010	2009
Assets		
Real estate operations	4	4
Banking	6,943,490	7,076,766
Total	**6,943,494**	**7,076,770**
Liablilities		
Banking	6,628,841	6,735,400
Total	**6,628,841**	**6,735,400**

P38 Breakdown of subordinated claims

	2010	2009
Claims on credit institutions	6,596	7,931
Shares and participations in group companies and associated companies	4,355	4,355
Total	**10,951**	**12,286**

P39 Collateral liabilities

For the bank 31 December 2010	Type of security	The liability's nominal value	The value of the collateral
Liabilities to credit institutions	Debt securities	287,700	271,040
Collateral provided in connection with repurchasing agreements	Debt securities	782,604	782,604
Collateral provided in connection with contracts of pledge	Debt securities	47,440	47,440
Collateral provided in connection with contracts of pledge	Cash and balances with central banks	21,339	21,339
Total		**1,139,083**	**1,122,423**

For the bank 31 December 2009	Type of security	The liability's nominal value	The value of the collateral
Liabilities to credit institutions	Debt securities	1,069,400	1,030,308
Collateral provided in connection with repurchasing agreements	Debt securities	808,201	808,201
Collateral provided in connection with contracts of pledge	Debt securities	47,000	47,000
Collateral provided in connection with contracts of pledge	Cash and balances with central banks	8,000	8,000
Total		**1,932,601**	**1,893,509**

For others' liabilities

The bank has not provided collateral for other parties.

Obtained securities

For the bank 31 December 2010	Type of security	The liability's nominal value	The value of the collateral
Collateral received in connection with pledging agreements	Cash and balances with central banks	149,377	149,377
Collateral received in conjunction with repurchase agreements	Debt securities	10,000	10,000
Total		**159,377**	**159,377**

For the bank 31 December 2009	Type of security	The liability's nominal value	The value of the collateral
Collateral received in connection with pledging agreements	Cash and balances with central banks	175,435	175,435
Collateral received in conjunction with repurchase agreements	Debt securities	47,000	47,000
Total		**222,435**	**222,435**

P40 Pension commitments

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

P41 Breakdown of off-balance sheet commitments

	2010	2009
Guarantees	48,415	49,944
Other commitments provided to a third party on behalf of a customer	5,547	7,281
Unused credit arrangements	669,757	539,977
Total	**723,719**	**597,202**

P42 Rental commitments

	2010	2009
Less than 1 year	7,736	7,219
1–5 years	24,750	24,582
More than 5 years	13,692	17,770
Total	**46,178**	**49,571**

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

P43 Holdings in other companies

Subsidiaries

	2010 Percentage of all shares	2010 Book value	2009 Percentage of all shares	2009 Book value
Financing				
Aktia Hypoteksbank Abp, Helsinki	49.9	39,134	52.3	33,291
Aktia Kort & Finans Ab, Helsinki	100.0	799	100.0	799
Aktia Företagsfinans Ab, Helsinki	100.0	798	80.0	240
Aktia Invest Ldt, Helsinki	70.0	1,138	-	-
Investment funds				
Aktia Fondbolag Ab, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ab, Helsinki	93.0	1,034	93.0	1,034
Total		**45,411**		**37,871**

Associated companies

	2010 Percentage of all shares	2010 Book value	2009 Percentage of all shares	2009 Book value
Data processing				
Oy Samlink Ab, Helsinki	24.0	1,697	24.0	1,697
Private equity company				
Unicus Ab, Helsinki	37.5	250	37.5	250
Others				
ACH Finland Abp	24.5	734	24.5	734
Total		**2,681**		**2,681**

Financing income obtained from and financing expenses paid to other group companies	2010	2009
Interest income	7,283	14,375
Dividends	1,679	1,326
Interest expenses	-214	-1,331
Net finance income	**8,748**	**14,371**

Receivables from and liabilities to companies in the group	2010	2009
Loans to credit institutions	322,000	220,000
Loans to the public and public sector entities	98,668	85,140
Debt securities	50,906	38,443
Shares and holdings in associated companies	4,355	4,565
Accrued income and expenses paid in advance	17,734	20,788
Total receivables	**493,662**	**368,936**
Liabilities to credit institutions	9,139	9,033
Liabilities to the public and public sector entities	8,756	11,418
Bonds issued	4,292	-
Other liabilities	2,799	2,110
Accrued expenses and income received in advance	25,616	23,693
Total liabilities	**50,603**	**46,254**

P44 The customer assets being managed

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

	2010	2009
Customer assets being managed		
Funds in discretionary asset management services	8,873	1,380
Funds within the framework of investment advising according to a separate agreement	1,291,920	3,064,745
Total funds in asset management services	**1,300,793**	**3,066,125**

P45 The parent company's capital adequacy

According to Basel 2

Summary	12/2010	12/2009
Tier 1 capital	313,467	286,994
Tier 2 capital	185,245	201,938
Capital base	498,711	488,932
Risk-weighted amount for credit and counterpart risks	2,140,989	2,179,501
Risk-weighted amount for market risks 1)	-	-
Risk-weighted amount for operative risks	312,480	282,744
Risk-weighted commitments	**2,453,469**	**2,462,245**
Capital adequacy ratio, %	**20.3**	**19.9**
Tier 1 Capital ratio, %	**12.8**	**11.7**
Minimum capital requirement	**196,277**	**196,980**
Capital buffer (difference between capital base and minimi requirement)	302,434	291,953

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

Capital base	12/2010	12/2009
Share capital	163,000	163,000
Other funds	44,558	44,558
Credit loss provisions (after tax)	68,258	62,338
Retained earnings	-6,768	-25,210
Profit for the reporting period	38,112	61,341
Provision for dividends to shareholders	-20,000	-12,900
Capital loan	30,000	-
Total	317,159	293,127
Intangible assets	-3,693	-6,132
Tier 1 capital	**313,467**	**286,994**
Fund at fair value	-16,489	13,441
Other Tier 2 capital	45,000	45,000
Subordinated bonds	156,733	143,497
Tier 2 capital	185,245	201,938
Total capital base	498,711	488,932

Risk-weighted commitments, credit and counterparty risks

	Total exposures 12/2010			Risk-weighted commitments, Basel 2	
Risk-weight	Balance sheet assets	Off-balance sheet commitments	Combined 12/10	12/2010	12/2009
0%	1,431,440	122,305	1,553,746	-	-
10%	1,211,648	-	1,211,648	121,165	115,882
20%	1,054,548	346,436	1,400,984	225,236	236,898
35%	1,988,088	58,807	2,046,895	705,173	715,555
50%	-	-	-	-	144
75%	550,883	77,958	628,841	440,618	434,801
100%	543,438	117,287	660,724	597,681	637,006
150%	11,002	927	11,929	17,198	15,456
Total	**6,791,047**	**723,719**	**7,514,766**	**2,107,071**	**2,155,742**
Derivatives *)	308,281	-	308,281	33,918	23,759
Total	**7,099,328**	**723,719**	**7,823,047**	**2,140,989**	**2,179,501**

*) derivative agreements credit conversion factor

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

Risk-weighted amount for operative risks

	2010	2009	2008	12/2010	12/2009
Gross income	181,345	186,380	132,243		
- average 3 years	166,656				
Capital requirement for operative risk, 15 %				24,998	22,619
Risk-weighted amount, Basel 2				312,480	282,744

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 %.
Operational risks per 31 December 2010 have been calculated according to the amended definition of gross income in the Finnish Financial Supervisory Authority's

Information about Board of Directors’ Report and Financial Statement

The Group’s parent company is Aktia Bank plc, domiciled in Helsinki. Copies of the Board of Directors’ Report and Financial Statement are available from Aktia Bank plc, Mannerheimintie 14 A, 00100 Helsinki.

Helsinki 28 February 2011

Aktia Bank plc’s Board of Directors

Dag Wallgren
Chair

Nina Wilkman Vice Chair	Marcus H. Borgström	Hans Frantz
Lars-Erik Kvist	Nils Lampi	Kjell Sundström
Marina Vahtola	Jussi Laitinen Managing Director	

Auditor's Report

To the Annual General Meeting of Aktia Bank p.l.c.

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Aktia Bank p.l.c. for the financial year 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 7 March 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

Corporate Governance Report for Aktia Bank plc

This report was approved by Aktia Bank plc's Board of Directors on 16 February 2011. The report has been prepared separately from the report by the Board of Directors.

The most important elements of the internal control and risk management system associated with the financial reporting process in Aktia Bank 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 report directly to the Aktia Bank's Board of Directors and it's committees.

The Aktia Group's operational organisation for financial reporting is also responsible for the Aktia Bank Group's financial reporting, and 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.

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 cooperaton, 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 Group's, including Aktia Bank 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.

Aktia

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