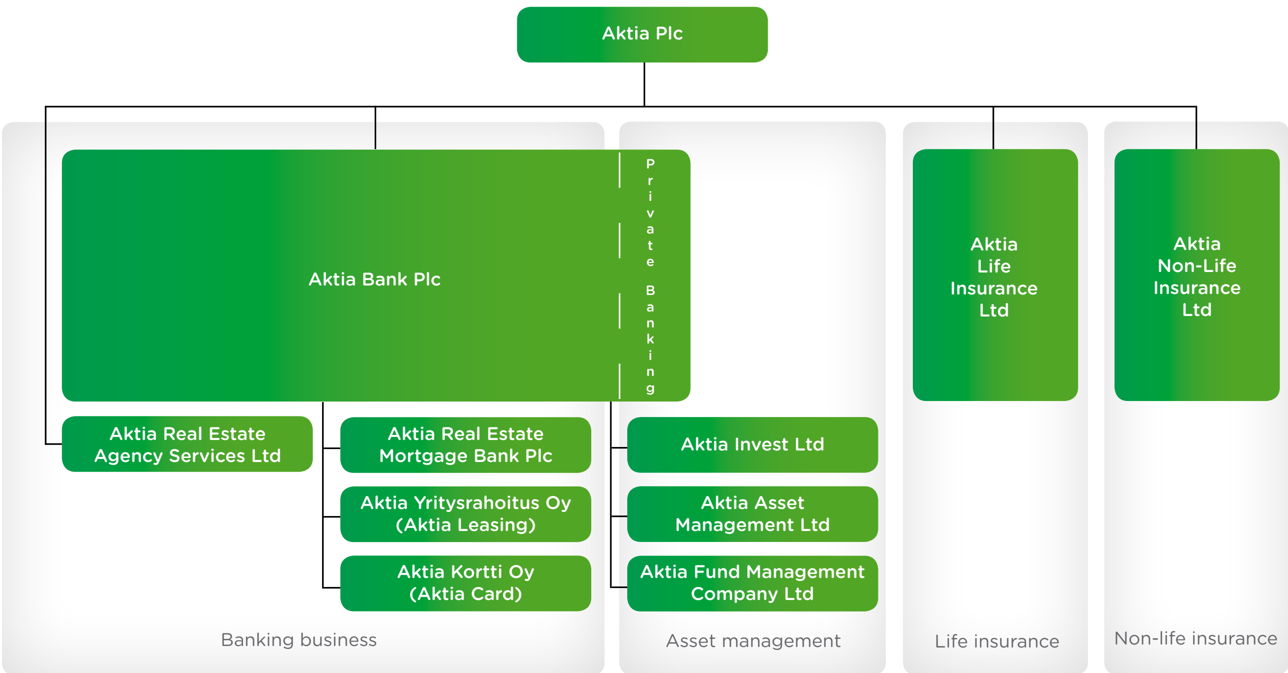
ANNUAL REPORT 2010

Aktia

We see a person in every customer.

Aktia in brief

Aktia is a Finnish-owned finance group. The Group offers a wide range of solutions covering banking, asset management, insurance and real estate agency services. Aktia's activities are concentrated in the coastal regions of Finland and the growth centres in the interior. Aktia's customer base of over 400,000 customers are served by nearly 1,400 employees at 72 branch offices and via the Internet and telephone. Aktia's shares are listed on Nasdaq OMX Helsinki Oy



Historical overview

1825-1925

1825
Helsinki Savings Bank (HSb) founded

1826
Business operations started

1921
Verdandi starts to sell life insurance

1925
Mutual Savings Associaton Svensk-Finland is founded

1985-1990

1987
HSb and other savings banks found Finland's first mutual fund management company, Sp Fund Management

1991-1995

1991
Aktia Savings Bank founded though merger of eight savings banks

1992
Aktia Fund Management Oy Ab, founded

1993
Aktia acquires Sp Fund Management

1995
Aktia's first large-scale share issue carried out

1996-2000

1996-1997
Aktia becomes central financial institution to local savings (1996) and cooperative banks (1997)

1997
Aktia Asset Management founded

Internet bank introduced

2001-2005

2001
Aktia decides to remain independent and merger with Pohjola rejected

Aktia Real Estate Mortgage Bank Plc founded

2005
Aktia's real estate agency operations and Aktia Card & Finance founded

2006-2010

2007
Aktia acquires Veritas Life Insurance

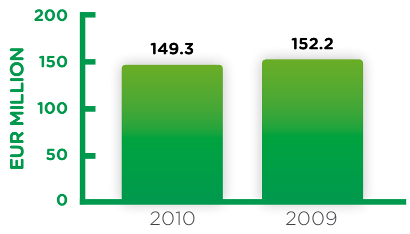
Aktia Corporate Finance founded

2008
Aktia acquires Kaupthing Finland's asset management operations

2009
Veritas Mutual Non-Life Insurance merges with Aktia

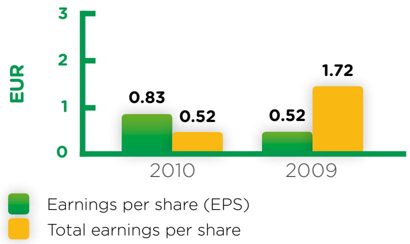
Aktia's shares listed

Financial summary



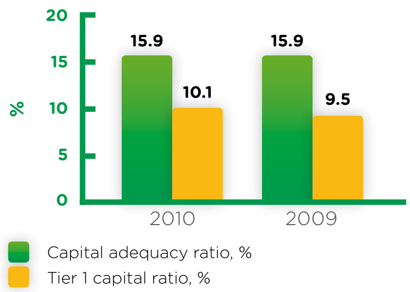
Net interest income, NII

The Group's operating profit improved by 66% to EUR 77.9 (47.0) million. The Group profit amounted to EUR 58.0 (34.0) million.



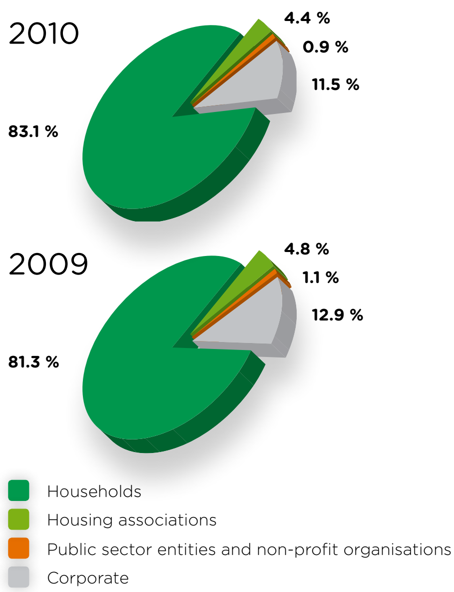
Earnings per share and total earnings per share

Earnings per share, excl the fund at fair value, rose to EUR 0.83 (0.52). Total earnings per share, incl the fund at fair value, decreased to EUR 0.52 (1.72).



Capital adequacy ratio

The Bank Group's capital adequacy ratio amounted to 15.9 (15.9) % and the Tier 1 capital ratio was 10.1 (9.5)%. The Bank Group includes Aktia Bank and Aktia Real Estate Mortgage Bank.



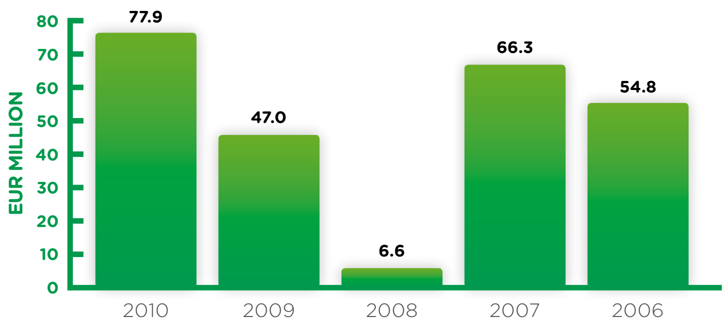
Credit stock by sector

Loan stock increased by 9 (12)% or by EUR 531 million, totalling EUR 6,592 (6,061) million at the end of December. This increase mainly occurred within household financing, and households' share of the total credit stock amounted to EUR 5,479 (4,924) million or 83.1 (81.3)% or when combined with housing associations 87.5 (86.01)%.

Of the loans to households, 86.7 (86.2) % are secured against adequate real estate collateral in accordance with Basel 2.

Operating profit

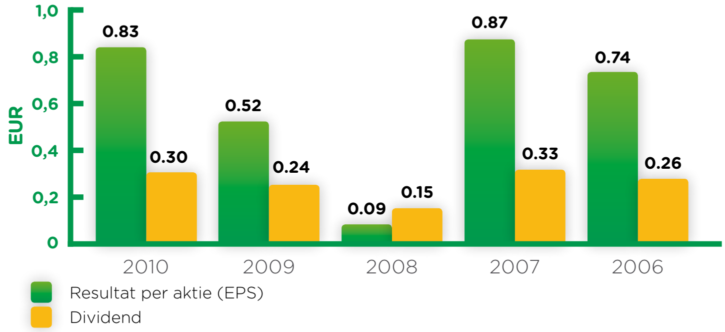
The Group's operating profit improved by 66% to EUR 77.9 (47.0) million. The Group profit amounted to EUR 58.0 (34.0) million.



Earnings and dividend per share

The Board of Directors will propose to the Annual General Meeting on 29 March 2011 a dividend of EUR 0.30 per share for the period 1 January–31 December 2010. This corresponds to a dividend ratio of 36% on the year's profit.

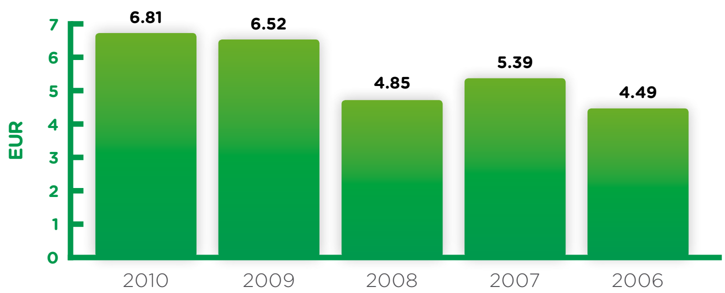
The proposed record date for the dividend will be 1 April 2011 and the dividend will be paid out on 8 April 2011.



Equity per share, NAV

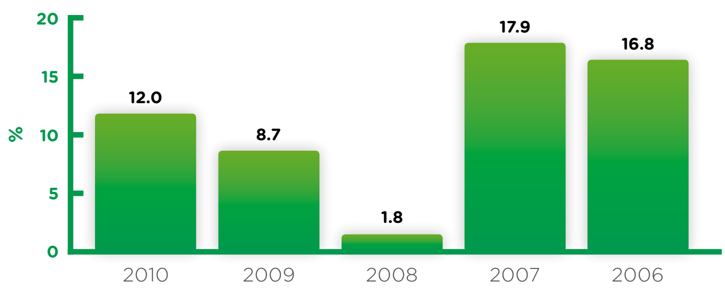
Aktia Group's equity amounted to EUR 497 (466) million at the end of 2010.

The Group's fund at fair value amounted to EUR 22 (43) million and showed a detoriation of EUR 21 million since the beginning of the year.



Return on equity, ROE

The Group return on equity increased to 12.8 (8.7)%.



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Important events

Higher profile in media

Our increased presence in the media and public awareness of Aktia increased demand on services. The number of the Group's private customers increased by approximately 4% and that of corporate customers by approximately 6%. Aktia's market share in housing loans increased to 4.3% and that for borrowing to 3.6%.

Rating unchanged

The international rating agency Moody's Investor Service kept Aktia Bank plc's credit rating for short-term borrowing unchanged at the best classification, P-1. The credit ratings for long-term borrowing and financial strength were A1 and C. All ratings have a stable outlook.

Covered bonds worth more than EUR 1,000 million issued

In 2010, Aktia Real Estate Mortgage Bank issued two covered bonds for a total value of over EUR 1,000 million. In March, a bond of EUR 500 million was issued with a floating interest rate and five-year maturity. A second bond was issued in October worth EUR 600 million with a fixed rate and a five-year maturity. Aktia Bank issued other long-term funding, so-called Schuldscheindarlehen, worth EUR 101 million.

Aktia's capital management received praise

Aktia's capital management recieved several awards. The mutual fund Aktia Capital was nominated the best mutual fund in the category Finnish equity by Morningstar. A survey carried out by Scandinavian Financial Research (SFR) in 2010 shows that Aktia's asset management services for institutional customers are top of the range in Finland.

Donations to universities

In 2010, Aktia donated EUR 300,000 to various universities.

Aktia donated EUR 80,000 to the Hanken School of Economics, Helsinki University and Åbo Akademi University respectively. Vaasa University received a contribution of EUR 25,000, Turku University EUR 15,000 and the universities of Oulu and Tampere both received EUR 10,000.

Profitable growth in 2010

Favourable development of Aktia's result

The operating profit of Aktia Group increased during 2010 to EUR 77.9 (47.0) million. The improvement derives mainly from a strong net interest income of EUR 149.3 (152.2) million, resulting from successful strategies to manage interest rate risks and an exceptionally steep decline of interest rates. The conservative investment strategy also contributed to the good result.

The Group's balance sheet total increased by 4.4% during the period, amounting to EUR 11,019 (10,556) million. This derives mainly from increases of the mortgage stock and the financial assets in the banking business.

Earnings per share were EUR 0.83 (0.52) and equity per share (NAV) amounted to EUR 6.81 (6.52).

Increase in deposit, housing loans and insurance

Aktia's effective advertising campaign increased the company's market share of deposits to 3.6 (3.3)%. Deposits are an important component of the bank's funding, contributing to stability of rating.

The market share of housing loans remained stable with a small increase to 4.3%. Aktia's total lending to households, including mortgages brokered by Aktia, increased by 7% to EUR 3,924 (3,658) million.

Premiums written within Aktia Life Insurance increased by 25%. Unit-linked insurance increased from EUR 210 milion to EUR 282 million.

Premiums written within Aktia Non-Life Insurance increased by approximately 1% to EUR 67.2 (66.3) million.

Lower write-downs

Write-downs on credit decreased to EUR -14.1 (-31.7) million. The write-downs on credit mainly derived from corporate loans. In accordance with Group strategy, the share of corporate lending of the total credit stock decreased further to 11.5 (12.9)%. Stricter credit control and the improved financial situation both contributed to a higher quality of the credit stock.

The investment market

The OMX Helsinki 25 index went up 29% since the beginning of the year. The positive trend in the investment market incresed customers' interest to invest also in mutual funds. Assets managed by Aktia amounted to EUR 6,978 (5,996) million.

High yield at low risk

Despite the fact that the investment portfolios of Aktia's insurance companies are no longer exposed to shares, the yield from them was good in 2010.

The return from the life insurance company's portfolio was 5.2 (5.6)% in 2010.

The portfolio of the non-life insurance company gave a return of 5.0 (1.5)% in 2010.

Our customers are our best asset

The Finnish economy recovered during 2010. Unemployment decreased quickly after the summer, but is still on a higher level than before the financial crisis in 2009. Finnish consumer confidence improved and the development on the housing market was positive. Finland has good chances to grow faster than the rest of the euro zone. However, the pace of growth will probably not be as swift as in the last decade.

Interest rates remained very low throughout 2010, undoubtedly contributing to a quick recovery, contrary to what was generally feared the year before.

The debt crisis in the so called PIIGS countries has caused widespread concern in Europe. We are still not sure how the euro zone will cope with increased fiscal deficits in an indebted public sector. As a whole, Europe is not more indebted than the USA or Japan; the challenge is the combination of a common monetary policy and a fragmented, country-specific fiscal policy. The challenge seems big, but a good thing is that the financial problems in the euro zone have now been identified and acknowledged, and there seems to be a willingness to act to solve these problems.

The debt crisis did not affect Aktia’s liquidity and refinancing efforts. Aktia Bank and Aktia Real Estate Mortgage Bank issued in total bonds worth EUR 3,382 million, thereby increasing refinancing by EUR 634 million from the year before. All issues were successful, and the two covered bonds issued by Aktia Real Estate Mortgage Bank with a total value of over EUR 1,000 million were oversubscribed.

Successful year

Aktia had a very good year. Interest rate hedging activities at the end of 2008 and at the beginning of 2009 contributed significantly to the positive development of our net interest income. Net commission income also increased strongly and profitability improved in all segments.

Thanks to measures taken in the non-life insurance company to enhance efficiency and increased sales to private customers, the non-life insurance business also made a positive result. In addition, the write-downs on the credit portfolio were clearly lower than last year, contributing to a record net result.

Continued growth

Aktia grew in 2010. The common Group strategy One Aktia, which is reflected in our service commitment “Aktia sees a person in every customer”, has been implemented well.

We have had more than 60,000 individual “Aktia Dialogues” with our customers during the last two years. These dialogues have generated more sales and given us both valuable information about and a deeper understanding of our customers. We have also raised our media profile significantly and have been able to increase our market share in nearly all of our strategic segments.

Our strong regional presence, customer-oriented solutions offering, good cross-selling potential and marketing efforts provide all the foundations for continued growth. Our financial stability, good liquidity and strong refinancing help us continue to grow.

Increased dividend

Aktia’s Board of Directors proposes an increase of the dividend to EUR 0.30 per share. 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 years to come, but Aktia strives to manage these structural challenges with its current capital base.

Best possible service

Our customers are our best asset. It’s important for us to offer our customers the best possible service and to offer suitable solutions for each customer. Several independent surveys show that Aktia staff are among the best when it comes to customer service in Finland. We are continuously investing in staff training and we want to ensure that our staff has the necessary skills in their work and that they are happy in their work. Without a skilled and motivated staff we would be unable to achieve our vision of being the best at helping our customers improve and safeguard their financial health and of being the customer’s number one choice in the areas we operate in.

Development in focus

In the following years, Aktia is also making other improvements to its customer service. The product offering is developed according to changed customer needs, and separate back offices will give branch office staff more time for customer service. A new concept and visual image will be implemented gradually at the branch offices. The first branch office developed according to this new Aktia Store concept will be opened this year in Espoo.

I would like to extend my sincere thanks once again to each and every member of our staff for all the good work you have done for our customers, and to our owners for the support you have rendered in the building of a new Aktia. And I would also like to thank our customers for placing their confidence in us – we are doing our very best to earn your continued confidence.

Helsinki , March 2011

Jussi Laitinen

One Aktia

Aktia offers comprehensive banking, asset management, insurance and real estate agency services to private and corporate customers and institutions.

Core values

Our core values form the basis of what we believe is right and where we believe our priorities should lie. These values also govern our actions.

RESPONSIBILITY – We adopt a responsible approach to our customers, shareholders and our local community by acting profitably, reliably and ethically.

CUSTOMER CLOSENESS – The staff at our local branches provide personal customer service in a respectful manner.

SECURITY – We provide our customers with security and ensure, by means of controlled risk-taking, that Aktia is a secure employer and partner.

INDIVIDUALITY – We respect each individual – customers and colleagues alike. A feeling of affinity with the company, expertise and job satisfaction are important cornerstones of One Aktia.

ACTIVE APPROACH – We have a current, active approach; we are dedicated.

Strategic choices

ONE AKTIA – Our aim is to develop a common approach to adressing the needs of our customers. We have chosen a centralised group management model and brought together all our subsidiaries under one brand to create synergy effects. Local decision-making continues to be our strength.

GEOGRAPHICAL SCOPE OF ACTIVITIES – We operate in Finland's bilingual coastal region and in selected cities.

ORGANIC GROWTH – Our aim is to generate growth through cross-selling and increasing sales to existing customers and through new sales, particularly in the larger cities of Helsinki, Oulu, Tampere and Turku.

COMPETITIVE ADVANTAGE THROUGH RELATIONSHIP-DRIVEN SALES – Aktia's competitive advantage lies in the dialogue between customers and staff, and in the availability of its services. Our ambition is to be the market leader in customer care in both of Finland's national languages. We aim for relationship-driven sales that are based on the customer's needs.

COOPERATION WITH OTHER PLAYERS – We cooperate extensively with savings and local cooperative banks in order to reduce costs. Veritas Pension Insurance is an important cooperation partner when it comes to solutions for our corporate customers. We also engage other cooperation partners to distribute the Group's products.

Strategic steps

The strategic work continued with involvement and commitment from the entire staff, and definition of objectives and measures at unit level.

In 2010, the most important strategic step was the continued integration of operations. The sale of the Group's corporate insurance products was concentrated to the non-life insurance company and certain administrative functions were reorganised to further develop customer service and improve cost efficiency.

The development of the Aktia Dialogue concept is a key element of our customer focus strategy. Over 41,000 customers have had their requirements comprehensively mapped by their contact person at Aktia.

Broadened expertise among staff and enhanced leadership-skills have been highlighted as important focus areas and considerable investments undertaken in training. Support functions have continued to be developed in order to harmonise operations and make them more efficient.

Efforts to improve Aktia's profile were successful. The spontaneous awareness of Aktia was clearly boosted. The integration of the various operations has generated synergy effects, including in terms of the strength of the brand. Communication with customers, shareholders and investors through one brand creates added value for both the interest groups and Aktia.

Increased customer closeness

In 2010, Aktia focused on customer care and harmonising the way we address our customers' needs. Aktia improved and developed its Internet bank and the new version will be much more user friendly when launched in 2011. Aktia's other Internet-based services are also continuously developed to enable best possible customer service.

Our aim is to serve our customers the utmost possible way in our branch offices, but also over the phone and online.

Focus on the customer relationship

Aktia offers a comprehensive range of financial products and services in its 72 branch offices. We offer complete solutions, listen to the customer and map out their needs.

The concept Aktia Dialogue is bases on our aim to take care of our customers. We map our customers' life situation, economic needs and values so that we can together find the products and services that meet the customers' requirements both now and in the longer term.

Local presence and personal service are two importan mainstays of our operations. For us, local presence means that decisions concerning the individual customer are made in the place where the customer is best known.

Development of Internet services

Use of the online bank is constantly increasing, among both private and corporate customers. Over 126,000 of our private and corporate customers manage their payments and daily banking using the Internet bank.

The increased use of electronic channels imposes higher demands on the functionality and availability of the web services.

Service commitment

Aktia sees a person in every customer. We want to offer the best possible customer service and build up our solutions so that they fit in with the customer's life situation. Our service commitment was drawn up in order to support this objective.

- All correspondence received via the online bank's message system and e-mail messages will be answered within one working day.
- All phone calls will be answered promptly and always by a real person.
- Customers get their own contact person if they so wish.
- We provide banking, asset management, insurance and real estate agency services that meet the customer's individual requirements.

Broad skills

To expand expertise in the Group, Aktia continued its leadership training programme in 2010, and the programme will be completed in 2011. The training programme is based on the Group's strategic objectives and values and its aim is to increase mutual understanding and cooperation among the different business units.

Constant development of expertise

Aktia's strategic objectives are to be achieved with the help of top-quality customer service and committed staff. We have chosen a centralised group management model in order to integrate subsidiaries under one brand, to create synergy effects and to develop a common approach to addressing our customers' needs.

Local decision-making continues to be our strength. This imposes considerable demands in terms of staff development within the Group and also on the managers of our local branch offices in their day-to-day work.

Over several years, Aktia has grown from a local savings bank into a listed corporate bank, a finance house offering everything from banking services and asset management to insurance and real estate agency services. Between 2005 and 2010, the number of staff increased from approximately 800 to over 1,400.

Ongoing and well planned training increases expertis within the Group and strengthens motivation and job satisfaction among employees. Internal inquiries show that Aktia staff are happy in their roles and feel motivated to take on new challenges within the Group. One aspect that indicates job satisfaction among employees is that absence due to sickness is extremely low in the Group. Aktia has always focused intensively on the wellbeing of its staff. Staff members are encouraged, among other things, to take part in different kinds of recreational activities through the active staff club and to take up exercise through a scheme for subsidising membership fees.

Cost-effectiveness and controlled risk taking

Common Group functions and risk management activities contributed to an established Group approach to risk and capital requirements, more efficient allocation of capital, persistently strong ratings and a reduction in the level of operating costs.

Centralisation of support functions

Implementation of a new business model based on centralised Group functions was compeleted in 2010. The starting point for the model is that the Group's common operations support local operations so that the branch offices can concentrate on customer care and sales.

To improve cost-effectiveness, a systematic review of all business areas was initiated. The aim is to exploit economies of scale by centralising functions and making processes more efficient.

Changes in Group Structure

Both the real estate agency services and Aktia Corporate Finance Ltd were reorganised as wholly-owned Aktia Group subsidiaries.

Aktia Invest was incorporated and personnel now holds 30% of the company. The remaining 70% is owned by Aktia Bank plc.

The asset and liability management was incorporated 1 January 2011 in order to improve handling of asset and liability management for savings and local cooperative banks outside Aktia Group. Personnel owns 85% of the new company and Aktia Bank plc, savings and local cooperative banks own a minority share of 15% together.

Successful hedging measures against interest rate risk in the bank

Aktia has, in accordance with its strategy for management of interest rate risks, focused on stable growth of net interest income by adopting measures to hedge against sustained low interest rates. The effect that changes in interest rate levels have on net interest income is firstly reduced by aiming for matching interest rate ties and maturity in liabilities andreceivables, secondly via derivatives and thirdly by utilising investments in the liquidity portfolio.

Diversified refinancing

The aim of Aktia is cost-effective refinancing or funding. Aktia's liquidity was supported by increased deposits from the public and issues made by Aktia Real Estate Mortgage Bank and Aktia Bank. Funding totalled EUR 9,184 (8,800) million in 2010.

Deposits are an important form of funding, and in 2010, total deposits from the public and associations amounted to EUR 3,397 (3,029) million. Lending from the central bank decreased.

Aktia Bank issued bonds worth EUR 3,382 (2,747) million. Outstanding bank certificates amounted to a value of EUR 446 million, and issued subordinated debts and index-linked loans had a total value of EUR 80 million. Aktia Bank also issued lång-term funding (Schuldscheindarlehen) with a maturity of 20 years worth EUR 101 million.

In 2010, Aktia Real Estate Mortgage Bank issued covered bonds for a total value of more than EUR 1,000 million. Covered bonds are an increasingly imporant part of funding; globally covered bonds worth close to USD 400,000 million are issued every year.

Focus on risk management in corporate finance

The aim was wo restrict the share of corporate lending of total lending to max. 15% and not to increase capital binding. These targets were met.

In 2010, corporate lending accounted for 11.5 (12.9)% of Aktia's total lending. Write-downs on credit were remarkably lower than the year before, amounting to EUR -14.1 (-31.7) million in 2010.

Low risk in insurance company investment portfolios

Investments in life insurance business were reallocated to instruments with lower volatility in 2009, but still generated a good yield in 2010. Also the structural interest rate risks in the non-life insurance business are managed through balancing of cash-flow in technical provisions and the investment portfolio.

The Board of Directors' risk committee

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

The risk committee has a risk policy and limit structure for the Group's key risk areas based on the Group's strategy and capital assets.

Objectives and result

Income

Net interest income was exceptionally high in 2009–2010 thanks to successful strategies on interest rate management in a special market situation. The situation is, however, of temporary nature, and a corresponding level of net interest income is difficult to replicate. Aktia strives to compensate this through increasing sales per customer and cross-selling.

In 2010, income improved by 7%.

Costs

Aktia Group strives to lower the current level of costs in the years 2011–2015.

In 2010, costs increased by 3%.

The most satisfied customers

Aktia strives to be the bank with the best possible customer service, and thus the bank with the most satisfied customers.

In a customer panel arranged 2010 by Marketing Clinic/ Research Insight Finland, Aktia Bank's total customer satisfaction was 93%. According to the survey, 50% of customers were very satisfied and 44% fairly satisfied.

The corresponding figures for the insurance companies were 41% very satisfied and 50% fairly satisfied. 24% of the real estate service agency's customers were very satisfied and 66% fairly satisfied. Customer satisfaction for Aktia Group was 84%.

Capital adequacy

The Tier 1 capital ratio for the Bank Group and Aktia Bank shall be at least 10% over an economic cycle.

In 2010, the Bank Group's Tier 1 capital relatio was 10.4% and that of Aktia Bank 13.1%.

Dividend

Aktia aims to provide a stable dividend, amounting to 30–50% of earnings per share.

For 2010, the Board of Directors proposes a dividend of EUR 0,30 (0,24) per share which corresponds to a dividend ratio of 36 (46)%.

Rating

Aktia's aim is to retain a stable rating. Aktia Bank's Moody's Investor Service rating for long-term borrowing has remained unchanged at the best class A1 since 2007 and was confirmed again on 19 November 2010.

Write-downs of credits

Write-downs of credits are a significant cost for a bank. Hence credit quality is not diverted from in order to increase market shares.

In 2010, write-downs on credit amounted to EUR -14.1 (-31.7) million, corresponding to 0.2 (0.5)% of total credit stock.

Report by the Board of Directors

Business environment

Short interest rates climbed gradually, but remained at a low level throughout 2010, whereas long interest rates went up especially towards the end of the year. The long interest rates and risk premiums climbed particularly after the escalating euro crises in December. This had a negative impact on Aktia's financial assets reported at fair value.

The general revival of the Finnish economy as well as the low level of interest rates resulted in clearly lower write-downs on credits compared to 2009. During 2010 the OMX Helsinki 25 index rose by 29.3%.

According to Statistics Finland, Finnish consumers confidence in the economy normalised in December from the exceptionally high levels in September–November (>20). In December 2010, consumer confidence was 13.5 compared to 14.4 the year before.

The acceleration of Finnish real estate prices slowed down towards the end of 2010, and were generally up by 5.4% and in the Helsinki region by 6.4%. (*Statistics Finland*).

In December inflation accelerated to 2.9 from an average level of 1.2% during the year. Unemployment increased to 8.4 (8.2)% (*Statistics Finland*).

Key figures	2010	2009
GDP growth		
World	4.8*	-1.3
EU	1.8*	-4.0
Finland	3.1*	-7.8
Consumer price index		
EU	2.2	0.3
Finland	2.2	0.1
Other key ratios		
Development of real value of housing in Finland	5.4	-0.3
OMX Helsinki 25	29.3	28.3
Interest rates		
ECB	1.00	1.00
10-y interest Ger (=benchmark)	2.95	3.40
Euribor 12 months	1.51	1.30
Euribor 3 months	1.01	0.70
Unemployment in Finland	8.4	8.2

* At the end of the year (Aktia's chief economist's prognosis)

Rating

The international rating agency Moody's Investor Service kept its credit opinion of Aktia Bank plc's credit rating unchanged in an update on 19 November 2010. Aktia Bank plc's credit quality remained at the best classification, P-1, for short-term borrowing. The credit rating for long-term borrowing is A1 and that for financial strength is C. 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.

Profit 2010

The Group's operating profit improved by 66% to EUR 77.9 (47.0) million. The Group profit amounted to EUR 58.0 (34.0) million.

Income

The Group's total income increased by 7% during 2010 to EUR 249.4 (233.1) million.

Net interest income amounted to EUR 149.3 (152.2) million. In the low interest rate environment the managing of interest rate risk made a significant positive contribution to the net interest income's persistence.

Both derivatives and fixed rate instruments are utilised by Aktia Bank to manage interest rate risks. The derivatives and fixed rate instruments used by Aktia Bank to limit its interest rate risk improved net interest income by EUR 57.5 (33.6) million.

Net commission income increased by 23% to EUR 57.0 (46.3) million. Commission income from mutual funds, asset management and brokering increased by 34% to EUR 37.6 (28.1) million. Card and payment services commissions rose to EUR 14.3 (11.5) million.

Net income from life insurance amounted to EUR 16.5 (14.0) million.

A lower number of claims, improved net income from investments and last year's cost reductions measures improved Aktia Non-Life Insurance's net income to EUR 22.6 (15.2) million. Net income from the insurance businesses includes insurance premiums written, net income from investments, insurance claims paid and the change in technical provisions.

The insurance companies made additional provisions worth EUR 3.7 million as a preparation for the forthcoming new mortality assumption with longer life expectancy. The new assumption will be developed by the insurance sector during spring 2011.

Other operating income was EUR 7.9 (3.6) million. This includes a sales gain of divestment of Aktia Bank plc's non-controlling holding in Esperi Care Oy. Aktia Bank Plc's associated company Unicus Oy handled the transaction and divested also its holding in Esperi Care. The transaction added a total of EUR 1.7 million to the operating profit.

Net income from financial transactions was EUR -5.6 (0.8) million. This consisted mainly of interest rate derivatives negative time value and of remaining realised losses from divesting liquid assets.

Expenses

The Group's operating expenses in 2010 rose by 3% to EUR 159.0 (154.2) million.

Higher provisions for the personnel fund and other result related payments increased staff costs by 5% to EUR 82.8 (79.2) million.

Other administration expenses increased by 12% to EUR 50.2 (44.8) million of which the most part of the increase consisted of costs for IT development and media visibility.

Aktia Group donated a total of EUR 300,000 to various universities.

Total depreciation and write-downs on tangible and intangible assets were up somewhat to EUR 7.2 (6.9) million.

Other operating expenses fell 20% to EUR 18.7 (23.4) million. Last year other operating expenses included advisory fees and other expenses in relation to the listing of Aktia plc.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased by 4% from year-end and amounted to EUR 11,019 (10,556) million. The increase in the balance sheet total is largely due to growth in both deposit and mortgage stocks.

Borrowing

Aktia's liquidity was partly supported by a larger deposit stock from the public and partly by Aktia Bank's and Aktia Real Estate Mortgage Bank's issues.

Total deposits from the public and public sector entities rose by 12% from year-end to EUR 3,397 (3,029) million. A more active marketing boosted Aktia's market share in deposits to 3.61 (3.33)%. Simultaneously lending from the central bank was reduced.

During 2010, Aktia Group issued in total bonds worth EUR 3,382 million, thereby increasing by EUR 634 million.

Aktia Real Estate Mortgage Bank plc issued covered bonds in March and November 2010 for a total value of EUR 1,000 million. The bonds were issued at a fixed rate with a five respectively three-year maturity.

Outstanding Aktia Bank certificates of deposit amounted to EUR 446 million at the end of the year. During 2010, Aktia Bank issued new subordinated debts and index-linked loans with a total value of EUR 80 million.

Aktia Bank also issued other long-term funding, (Schuldscheindarlehen) worth EUR 101 million as a part of preparations for new regulations concerning banks and insurance companies (Basel III) during the year.

Lending

The Group's total lending to the public amounted to EUR 6,592 (6,061) million, representing an increase of EUR 531 million. Excluding the mortgages brokered by savings and local cooperative banks that the local banks are committed to capitalise, the Group's lending increased by EUR 222 million (5%) from the beginning of the year.

Loans to private households (including mortgages brokered by local savings and cooperative banks) accounted for EUR 5,478 (4,924) million or 83.1 (83.1) % of the total loan stock. The housing loan stock increased from the beginning of the year by 11% and totalled EUR 5,121 (4,598) million. Aktia's market share in housing loans stood at 4.28 (4.23)% at the end of December.

Corporate lending accounted for 11.5 (12.9)% of Aktia's loan stock. Total corporate lending amounted to EUR 761 (782) million.

During 2010, loans granted to housing associations amounted to EUR 289 (289) million and stood for 4.4 (4.8)% of Aktia's total loan stock.

Interest-bearing financial assets available for sale were EUR 3,241 (3,277) million. Of interest-bearing financial assets, EUR 650 (620) million relates to the insurance companies' investment portfolios and EUR 2,591 (2,657) million mainly to the banking business' liquidity portfolio.

Technical provisions

Life insurance technical provisions amounted to EUR 870 (805) million, of which EUR 282 (210) million were unit-linked.

At the end of December, total technical provisions of non-life insurance stood at EUR 120 (119) million.

Equity and commitments

Aktia Group's equity amounted to EUR 497 (466) million at the end of 2010.

The Group's fund at fair value amounted to EUR 22 (43) million and showed a detoriation of EUR 21 million since the beginning of the year.

Off-balance sheet commitments increased by EUR 95 million from the beginning of the year and amounted to EUR 670 (575) million. This increase was largely due to unused credit facilities (loan promises and limits).

Segment overview

Aktia plc has five business segments; Banking Business, Asset Management, Life Insurance, Non-Life Insurance and Miscellaneous.

The segments' contribution to the Group's operating profit

(EUR million)	2010	2009	Change
Banking Business	69.7	55.4	26%
Asset Management	4.4	0.9	402%
Life Insurance	3.9	2.7	47%
Non-Life Insurance	1.7	-7.7	-
Miscellaneous	-1.6	-2.0	20%
Eliminations	-0.2	-2.3	93%
Total	**77.9**	**47.0**	**66%**

Banking business

The banking business' contribution to the Group's operating profit amounted to EUR 69.7 (55.4) million.

Operating income totalled EUR 188.5 (186.3) million. Net interest income was EUR 145.5 (146.9) million and net commission income increased by 24% totalling EUR 41.7 (33.7) million. Card and payment provisions increased by 25% which lifted net commission income. Net commission income from mutual funds and insurance increased 28%.

Operating expenses amounted to EUR 105.9 (99.9) million, of which staff costs accounted for EUR 38.4 (36.0) million.

The banking business' customer base increased by 11,919 private customers (+4%) during 2010. Sales activities are supported by the Aktia Dialogue concept whereby customers' needs are mapped out and Aktia's whole service portfolio is presented. During 2010, more than 41,000 Dialogues were carried out, which increased sales volume.

The number of Internet agreements was up 9% from the beginning of the year and amounted to approximately 127,000.

Total savings by households increased by 15% from the beginning of the year to EUR 3,578 (3,113) million. Of these, household deposits were EUR 2,701 (2,372) million and household savings in mutual funds stood at EUR 877 (741) million.

Aktia's lending to private households, including the mortgages brokered by Aktia Bank, increased by 7% from the year-end to EUR 3,924 (3,658) million. Mortgage loans brokered by Aktia's branch offices amounted to EUR 1,642 (1,346) million. In addition, the savings and local cooperative banks brokered mortgages amounting to EUR 1,599 (1,290) million.

The average lending margin for new housing loans was 0.90 (1.03) in December.

Corporate banking's net interest income was EUR 9.3 (8.3) million which is 12% higher year-on-year. Net commission income from corporate banking was up 11% to EUR 2.7 (2.4) million year-on-year.

The income of the real estate agency business was inline with the previous year's level, standing at EUR 7.7 (7.8) million.

Asset Management

The Asset management's contribution to the Group's operating profit amounted to EUR 4.4 (0.9) million.

Managed assets continued to develop favourably during 2010. Aktia provides a wide and competitive range of services in the capital market for both private individuals and institutions. The Asset Management segment carries on to focus on private banking operations and institutional investors.

Operating income, i.e. income after reversals to the Group's other units and business partners, was EUR 21.1 (15.6) million. Operating expenses increased by 13% to EUR 16.7 (14.7) million, of which staff costs made up EUR 9.1 (8.1) million.

A survey carried out by Scandinavian Financial Research (SFR) in 2010 showed that Aktia's asset management services for institutional customers were top of the range in Finland. The survey was carried out among about 90 institutional investors who found Aktia's services to be the best in Finland as a whole.

The volume of funds managed and brokered by Aktia, including the share of brokered funds, was EUR 4,264 (3,786) million. At the end of the year Aktia's market share of mutual funds stood at 7.0 (7.0)%. The total market is based on information from the Finnish Association of Mutual Funds.

The assets managed by Aktia Asset Management and Aktia Invest increased, partly thanks to an upswing in the market, and totalled EUR 6,978 (5,996) million. Assets managed by Aktia Invest amounted to EUR 2,440 (2,140) million. The customer assets of Private Banking totalled EUR 1,301 (926) million, increasing 14%.

Life Insurance

The life insurance's contribution to the Group's operating profit amounted to EUR 3.9 (2.7) million.

Premiums written during 2010 increased by 25% and were EUR 100.7 (80.5) million. The growth derives mainly from unit-linked savings and investment-linked insurance that have increased by 93%. Of the premium volume for savings and investment-linked insurance and pension insurance, unit-linked insurance accounted for 76 (62)%.

Claims paid amounted to EUR 79.2 (79.8) million. The loss ratio for risk insurance remained at a good level of 79 (79)%.

Operating costs totalled EUR 13.1 (13.3) million. The expense ratio stood at 93.6% compared to 100.7% for the year before. The improved cost efficiency derives from a reorganised distribution within the Aktia Group. A new production system for the management of savings and pension insurances was implemented during 2010.

The return on the company's investments based on market value was 5.2 (5.6)%. The derivatives used by the life insurance company to limit its interest rate and currency risk improved operating profit by EUR 2.1 (-0.6) million.

Technical provisions totalled EUR 870 (805) million, of which provisions for unit-linked insurance policies represented EUR 282 (210) million and interest-linked provisions EUR 588 (595) million. The interest-linked provisions include an additional EUR 2.5 million to adapt to a longer life-expectancy. The average required rate for interest-linked provisions was 3.6%. Customers with interest rate-linked insurance and who are entitled to additional benefits receive for 2010 a total yield of 2.5-4.5%, deriving from interest rate and a possible customer compensation.

The company's solvency ratio improved to 16.1% compared to 14.4% at year-end 2009.

Non-Life Insurance

The contribution of the non-life insurance business to the Group's operating profit was EUR 1.7 (-7.7) million.

Premiums written for Aktia Non-Life Insurance rose by approximately 1% on the corresponding period the previous year. This increase is mainly attributable to private customers. Premiums written before the reinsurers' share were EUR 67.2 (66.3) million. Premiums earned after the reinsurers' share and change in provisions for unearned premiums amounted to EUR 61.4 (60.6) million.

Claims incurred fell to EUR 42.2 (47.0) million. Cost of claims include an additional EUR 1.2 million in provisions to adapt for the new mortality assumptions with a longer life expectancy. The guarantee premium system for statutory non-life insurances, which was abolished through amended legislation 31 December 2010, generated additional income of EUR 0.5 million.

Operating costs decreased to EUR 20.0 (21.7) million.

The combined ratio in 2010 was 106.6% compared to 119.0% the previous year. The lower combined ratio is largely explained by lower frequency of loss and lower staff costs.

Net income from investments amounted to EUR 7.5 (3.8) million. The restructuring of the investment portfolio generated losses in 2009. The return on the company's investments based on market value was 5.0 (1.5)%.

Of the non-life insurance business' total technical provisions of EUR 112 (110) million, provisions for outstanding claims stood at EUR 91 (89) million. The company's risk carrying capacity was 76.8 (72.4)% .

Miscellaneous

In 2010 the operating profit of the Miscellaneous segment was EUR -1.6 (-2.0) million.

Common costs

In accordance with the "One Aktia" strategy the Group support functions have been unified and integrated. The largest expenses consist of marketing and IT costs. The integration process is continuing throughout 2011.

Common costs were in total EUR 38.8 (35.1) million and were distributed as follows: banking business EUR 31.5 (29.3) million, asset management EUR 3.7 (2.7) million, life insurance EUR 1.5 (1.4) million and non-life insurance EUR 2.2 (1.7) million.

Capital adequacy and solvency

The Bank Group's capital adequacy ratio amounted to 15.9 (15.9) % and the Tier 1 capital ratio was 10.1 (9.5)%. The Bank Group includes Aktia Bank and Aktia Real Estate Mortgage Bank.

Aktia Bank plc's capital adequacy ratio stood at 20.3% compared to 19.9% at the end of 2009. The Tier 1 capital ratio was 12.8 (11.7)%.

The life insurance company's solvency margin amounted to EUR 98.8 (86.3) million, where the minimum requirement is EUR 34.3 (34.0) million. The solvency ratio amounted to 16.1 (14.4)%.

The non-life insurance company's solvency margin amounted to EUR 18.9 (18.4) million, where the minimum requirement is EUR 13.5 (13.1) million. The solvency capital was EUR 46.6 (43.6) million and a risk carrying capacity of 76.8 (72.4)% was reported.

Capital adequacy ratio for the conglomerate amounted to 159.4 (157.4)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

Write-downs of loans, guarantee claims and outstanding premium receivables

In 2010, the total of write-downs on credit, guarantee and outstanding premium receivables stood at EUR -14.1 (-31.7) 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 -0.7 (-1.1) 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 write-down by group 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 credits with impact on result amounted to 0.2 (0.5%) of total lending. Corresponding impact on result from corporate loans amounted to 1.6 (3.8)% of total corporate lending.

At year-end, write-downs by group 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.

During the year, the non-life insurance company made write-downs on outstanding premium receivables totalling EUR -1.1 (-0.7) million.

Valuation of financial assets

Value changes reported via income statement

Write-downs on financial assets during 2010 with impact on profit was EUR -3.9 million, whereas these totalled EUR -24.0 million in 2009. The write-downs were mainly related to permanently diminished value in indirect real-estate assets within the life insurance company's investment portfolio.

Write-downs on financial assets

EUR million	2010	2009
Interest-bearing securities		
Banking Business	-	-0.4
Life Insurance Business	-0.1	-14.0
Non-Life Insurance Business	-	-
Shares and participations		
Banking Business	-	-
Life Insurance Business	-3.8	-9.6
Non-Life Insurance Business	-	-
Total	**-3.9**	**-24.0**

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 22.5 (43.3) million after deferred tax.

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			
Banking Business	0.2	3.7	-3.5
Life Insurance Business	2.6	0.2	2.3
Non-Life Insurance business	0.3	-0.2	0.5
Direct interest-bearing securities			
Banking Business	-16.6	13.3	-29.9
Life Insurance Business	10.7	5.6	5.0
Non-Life Insurance business	-0.4	-0.8	0.4
Cash flow hedging	25.7	21.4	4.3
Fund at fair value, total	**22.5**	**43.3**	**-20.8**

The Group's risk exposure

Overview

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

Definitions

- Risk – possibility of an adverse departure from an anticipated financial outcome with an impact on financial performance or capital adequacy/solvency
- Risk management – all activities involved in taking, reducing, analysing, controlling and monitoring risk
- Risk control – identifying, measuring, supervising, stress testing, analysing, reporting and monitoring of risks
- Credit and counterparty risk – risk of losses brought about by the debtor failing to fulfil its obligations towards Aktia or caused by the counterparty's creditworthiness having weakened
- Market risk – risk of losses or lower future income due to price changes on the financial market
- Financing and liquidity risk – risk that the Group cannot fulfil its payment obligations or that it can only do so at high cost
- Operational risks – risk of losses due to events in the operating environment or internal factors
- Insurance risks – risk of losses or higher claim costs in the life and non-life insurance businesses
- Business risk – risk of reduced income due to a reduction in volume, pressure on prices, competition or rising costs

Risk items

Credit and counterparty risks

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

As at 31 December 2010, loans to households accounted for 83.1 (81.3)% of the total credit stock of EUR 6,592 (6,061) million. Corporate lending continued to be moderate with a focus on risk management.

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

Market risks

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

In the banking business, the structural interest rate risks and especially the risk of sustained low interest rates have been actively managed through the nature of the business arrangements, derivative hedges and investments in the liquidity portfolio. The Bank Group's liquidity portfolio stood at EUR 2,556 (2,615) million at the year-end, while the investment assets held by the insurance companies to technical provisions totalled EUR 847 (835) million. Of the Bank Group's liquidity portfolio, 59 (55)% were investments in covered bonds, 28 (29)% were investments in banks, 9 (10)% were investments in state-guaranteed bonds and approximately 4 (6)% were investments in public sector entities and companies.

The migration towards Solvency II increases the share of direct interest rate investments and the duration in the life insurance company's investment portfolio gradually. Of the investment portfolio which stood at EUR 700 (693) million, 91 (88)% constituted investments in interest-bearing securities, 5.5 (5.5)% constituted investments in indirect real estate holdings, 1.0 (3.5)% constituted investments in money market instruments and 2.3 (3)% alternative investments.

The structural market risks in the non-life insurance business are managed through allocation of cash-flow in technical provisions and the investment portfolio. Of the investment portfolio including cash at banks which stood at EUR 147 (142) million, 79 (74)% constituted investments in interest-bearing securities, 18 (20)% constituted investments in direct and indirect real estate holdings and 2.5 (3)% constituted investments in money market instruments.

Financing and liquidity risks

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

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

Operational risks

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

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

Insurance risks

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

For a more detailed description of the Group's risk management and risk exposure, see note 2 in the consolidated financial statement.

Events concerning close relations

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

During the second quarter Aktia plc received an extraordinary dividend of EUR 30.0 million from Aktia Bank plc. The funds were reinvested to Aktia Bank plc through a capital loan.

No significant changes concerning close relations occurred.

Events during the reporting period

The three largest shareholders of Aktia plc have 20 December 2010 appointed the following persons as members of Aktia's nomination committee.

Stiftelsen Tre Smeder (earlier Savings Banks Foundation Helsinki) – Chamber Counsellor Håkan Mattlin

Life Annuity Institution Hereditas – Chamber Counsellor Mikael Westerback

Pension Insurance Company Veritas – LL.M. Jan-Erik Stenman

The chairman of Aktia's Board of Supervisors, Chamber Counsellor Henry Wiklund, is an expert member of the nomination committee.

Personnel

Converted into full-time employees, the number of people employed by the Group decreased by 21 to 1,186 (1,207). The average number of full-time employees during 2010 was 1,183 (1,213).

Personnel fund and management's incentive programme for 2010

Aktia Abp's Board of Directors has confirmed the following calculation method for the profit sharing provision to the personnel fund as of 2010. The profit sharing provision is based on 10% of the Group operating profit exceeding EUR 30 million. The profit sharing provision cannot exceed EUR 3 million. The CEO and other members of the Group's Executive Committee are also members of the Group's personnel fund.

A bonus system has been set up for the CEO and the other members of the Group's Executive Committee which is based on the Group's financial results and annually defined targets at company and individual level. The individual bonus to the Executive Committee members cannot exceed the equivalent of three months' salary each year.

For 2010, the Executive Committee is also included in a share-based incentive scheme that offers the members of the Executive Committee the opportunity to acquire a maximum of 55,833 shares. The outcome is dependent on separate targets of which the performance conditions have been decided on by the Board of Directors.

Aktia Group's renumeration statement has been published on Aktia plc's website. (http://www.aktia.fi/management_and_governance/remuneration)

Deposit Guarantee Fund and the Investors' Compensation Fund

The Deposit Guarantee Fund of the banks

Aktia Bank's deposit customers are protected through the statutory Deposit Guarantee Fund. Membership in the Deposit Guarantee Fund, which was established in 1998 and safeguards depositors' deposits, is obligatory for all banks. The deposit guarantee for depositors was amended on 31 December 2010 to EUR 100,000. Aktia Bank's total contribution to the fund in 2010 was EUR 1.7 (1.9) million.

For more information about the Deposit Guarantee Fund, see www.talletussuojarahasto.fi.

The Investors' Compensation Fund

The banks and brokerage firms are members of the Investors' Compensation Fund. The purpose of the fund is to safeguard the interest of small investors in the event that a bank or brokerage firm becomes insolvent. Individual investors may receive compensation up to EUR 20,000.

For more information about the Investors' Compensation Fund, see www.sijoittajienkorvausrahasto.fi.

Board of Directors and Executive Committee

At its meeting on 9 December 2010, Aktia's Board of Supervisors re-elected all members of the present Board of Directors.

Aktia's Board of Directors for the period 1 January–31 December 2011:

Chair Dag Wallgren, M.Sc. (Econ)

Vice Chair Nina Wilkman, LL.M.

Marcus H. Borgström, Honorary Counsellor (Agriculture)

Hans Frantz, Lic.Soc.Sc.

Lars-Erik Kvist, M.Sc. (Econ)

Nils Lampi, B.Sc. (Econ)

Kjell Sundström, M.Sc. (Econ)

Marina Vahtola, M.Sc. (Econ)

Aktia's Executive Committee comprises CEO Jussi Laitinen, Deputy Managing Director Jarl Sved, Deputy Managing Director Stefan Björkman, Deputy Managing Director Robert Sergelius, Director Barbro Karhulahti, Director Taru Narvanmaa, Director Anders Nordman, Director Gösta Råholm and Director Olav Uppgård and Marit Leinonen, as staff representative.

Changes in Group structure

The mergers of Aktia's real estate companies were completed during the year and Aktia's real estate agency business now operates as Aktia Fastighetsförmedling Ab.

Aktia Invest was incorporated. Personnel now holds 30% and Aktia Bank plc the remaining 70%.

Aktia Corporate Finance Ltd has become a fully owned subsidiary.

Share capital and ownership

At the end of December 2010, the paid-up share capital of Aktia plc as entered in the Finnish Trade Register was EUR 93,873,816, divided into 46,936,908 series A shares and 20,050,850 series R shares. The number of shareholders at the end of the year was 49,034.

Of the merger compensation related to the merger with Veritas Non-Life Insurance of 6,800,000 shares, a further 111,733 new series A shares were registered on book-entry accounts during 2010.

Largest 20 owners Ownership per 31 December 2010	A shares	R shares	Shares	Of shares %	Votes	Of votes %	Change in number of shares 2010
Stiftelsen Tre Smeder[1]*	7,276,028	3,873,938	11,149,966	16.64	84,754,788	18.92	-256,193
Life Annuity Institution Hereditas*	4,648,114	2,066,106	6,714,220	10.02	45,970,234	10.26	209,000
Pension Insurance Company Veritas	4,027,469	2,134,397	6,161,866	9.20	46,715,409	10.43	-270,000
Aktia Foundation in Espoo-Kauniainen*	2,146,585	1,193,458	3,340,043	4.99	26,15,745	5.81	-189,834
Oy Hammarén & Co Ab	1,890,000	950,000	2,840,000	4.24	20,890,000	4.66	5,000
Svenska litteratursällskapet i Finland rf*	1,681,786	789,229	2,471,015	3.69	17,466,366	3.90	
Åbo Academy Foundation*	1,495,640	751,000	2,246,640	3.35	16,515,640	3.69	
Aktia Foundation in Vantaa	1,168,900	927,209	2,096,109	3.13	19,713,080	4.40	-251,803
Aktia Foundation in Porvoo*	1,303,370	651,525	1,954,895	2.92	14,333,870	3.20	320
Aktia Foundation in Vaasa*	978,525	547,262	1,525,787	2.28	11,923,765	2.66	
Kirkkonummi Savings Bank Foundation*	876,529	438,264	1,314,793	1.96	9,641,809	2.15	
Karjaa-Pohja Savings Bank Foundation*	787,350	393,675	1,181,025	1.76	8,660,850	1.93	
Föreningen Konstsamfundet rf*	670,040	377,951	1,047,991	1.56	8,229,060	1.84	
Inkoo Savings Bank Foundation*	646,236	323,118	969,354	1.45	7,108,596	1.59	
Ab Kelonia Oy*	549,417	308,662	858,079	1.28	6,722,657	1.50	
Sipoo Savings Bank Foundation*	462,002	232,001	694,003	1.04	5,102,022	1.14	
Siuntio Savings Bank Foundation*	404,377	227,188	631,565	0.94	4,948,137	1.10	-50,000
Aktia Foundation in Malax*	347,138	177,600	524,738	0.78	3,899,138	0.87	8,638
Tenhola Savings Bank Foundation*	340,021	171,510	511,531	0.76	3,770,221	0.84	1,500
Aktia Foundation in Korsholm*	323,376	175,888	499,264	0.75	3,841,136	0.86	
20 largest owners in total	**32,022,903**	**16,709,981**	**48,732,884**	**72.75**	**366,222,523**	**81.75**	**-793,372**
Others	14,914,005	3,340,869	18,254,874	27.25	81,731,385	18.25	793,372
Total	**46,936,908**	**20,050,850**	**66,987,758**	**100.00**	**447,953,908**	**100.00**	

[1] Stiftelsen Tre Smeder is the former Helsinki Savings Bank foundation
*) Part in shareholders' agreement concerning the parties' mutual pre-emptive right to R shares. This agreement covers 85% of R shares and 25% of the total number of shares.

Shares

Aktia's trading codes are AKTAV for A series shares and AKTRV for R series shares. Each A series shares carrie one vote and R series shares 20. Otherwise, the shares carry the same rights.

As at 31 December 2010, the last day of trading, the closing price for an A series share was EUR 7.60 and for a R series share EUR 8.50, indicating a market value of EUR 527 million for Aktia. Since the beginning of 2010, the total yield on Aktia A series shares has been 0.2% and -3.4% on R shares. The OMX Nordic Banks and OMX Nordic Financials indices have performed 20.0% respectively 22.7% during the same period.

In 2010, the average daily turnover of A shares was EUR 122,822 or 16,889 shares. The average daily turnover of R shares was EUR 9,529 or 2,115 shares.

Share information	A share	R share
Votes /share	1	20
Market	NASDAQ OMX Helsinki	NASDAQ OMX Helsinki
Listed	29.9.2009	29.9.2009
ISIN	FI0009004733	FI0009015911
Code	AKTAV (OMX)	AKTRV (OMX)
List	OMXH Mid Caps	OMXH Mid Caps
Sector	Regional Banks	Regional Banks
Sector ID	40101015	40101015
Number of shares	46,936,908	20,050,850

	2010	2009
Earnings per share (EPS)	0.83	0.52
Dividend per share*	0.3	0.24
Payout ratio, %	36.0	46.5
Dividend growth, %	25	60.0
Yield (dividend/A-share), %	3.95	3.06
Closing price 31.12 Class A	7.6	7.85
Closing price 31.12 Class R	8.5	9.06
Year high, Class A	8	10.2
Year low, Class A	6.5	7.78
Year high, Class R	9.35	11.45
Year low, Class R	7.89	9.13
Share price development, Class A	-2.2	-13.6
Share price development, Class R	-8.6	-4.6
Oma pääoma per osake (NAV), euroa	6.81	6.52
Closing 31.12.2010 Class A /NAV	1.12	1.20
Closing 31.12.2010 Class R /NAV	1.25	1.39
Average daily turnover on Helsinki Nasdaq OMX, Class A	122,822	226,141
Average daily turnover on Helsinki Nasdaq OMX, Class R	9,529	67,903
Average daily volume Nasdaq OMX, Class A	16,889	27,005
Average daily volume Nasdaq OMX, Class R	2,115	7,245
Turnover rate, Class A %	10.29	
Turnover rate, Class R %	2.85	
P/E ratio Class A	9.16	15.10
P/E ratio, Class R	10.24	17.42
Market capitalisation, EUR million	527	550
No of shares as of 31.12, Class A	46,936,908	46,936,908
No of shares as of 31.12, Class R	20,050,850	20,050,850
No of shares in total (A and R)	66,987,758	66,987,758

*Board proposal to the AGM

Share price development 1 January–31 December 2010	Yield
Aktia A	0.2 %
Aktia R	-3.4%
OMX Nordic Banks	22.0%
OMX Nordic Financials	22.7%

Aktia has entered into a market-making or LP (Liquidity Providing) agreement with Handelsbanken in order to improve liquidity in A shares, which should encourage transactions by small shareholders.

Events after the end of the reporting period

At Aktia plc's Board meeting on 28 January, 2011, the Board of Directors decided on the composition of the Board's Audit Committee, Risk Committee, as well as the Remuneration and Corporate Governance Committee.

The Board elected Nina Wilkman as chair of the Audit Committee. Hans Frantz and Nils Lampi were elected as members.

To the Risk Committee, Kjell Sundström was elected chairman and Marcus H. Borgström, Lars-Erik Kvist and Dag Wallgren as members.

The Board elected Dag Wallgren chairman and Marcus H. Borgström, Hans Frantz, Marina Vahtola and Nina Wilkman as members of the Remuneration and Corporate Governance Committee.

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

Outlook and risks for 2011

Outlook

In 2011, Aktia'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 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 credit are expected to remain at a low level in 2011. The full-year result for 2011 will probably be lower than in 2010.

Risks

Aktia'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's interest rate margins and therefore profitability. Aktia is pursuing effective management of interest rate risks.

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

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

The market value of Aktia'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 to the 2010 AGM

The Board of Directors will propose to the Annual General Meeting on 29 March 2011 a dividend of EUR 0.30 per share for the period 1 January–31 December 2010. This corresponds to a dividend ratio of 36% on the year's profit. The proposed dividend amounts to a total of EUR 19.9 (16.1) million.

The proposed record date for the dividend will be 1 April 2011 and the dividend will be paid out on 8 April 2011.

Key figures and basis of calculation for key figures

Five-year overview

(EUR 1,000)	2010 (IFRS)	2009 (IFRS)	2008 (IFRS)	2007 (IFRS)	2006 (IFRS)
Turnover					
- banking business	354,211	341,765	448,863	328,261	233,639
- life insurance business	128,334	89,555	103,815	189,365	-
- non-life insurance business	74,677	70,117	-	-	-
+ / - elimination items with an effect on the financial result	-58,474	-14,903	-64,291	-55,388	-
Group	498,748	486,533	488,387	462,238	233,639
Income statement					
Net interest income	149,307	152,248	100,953	88,877	84,134
Net commission income	57,030	46,346	41,034	47,346	40,061
Net income from life insurance	16,477	13,991	-33,758	21,079	-
Net income from non-life insurance	22,634	15,158	-	-	-
Other operating income	3,954	5,404	19,004	7,345	12,271
Total operating income	249,402	233,147	127,233	164,647	136,466
Total operating expenses	-159,031	-154,159	-120,891	-98,329	-83,947
Impairments and write downs, net	-14,073	-32,313	34	-218	1,590
Share of profit from associated companies	1,594	319	230	195	711
Operating profit	**77,892**	**46,994**	**6,606**	**66,295**	**54,820**
Taxes	-19,854	-12,998	-812	-13,450	-13,403
Profit for the reporting period	**58,038**	**33,997**	**5,795**	**52,845**	**41,417**
Balance sheet					
Cash and balances with central banks	273,364	340,960	506,311	235,273	307,907
Financial assets reported at fair value via the income statement	20,870	22,453	19,492	-	7,777
Financial assets available for sale	3,383,652	3,432,962	3,037,328	2,478,719	1,242,385
Financial assets held until maturity	21,459	27,883	35,885	45,840	47,843
Derivative instruments	230,158	209,966	137,014	35,648	5,003
Loans and other receivables	6,637,551	6,141,562	5,526,194	4,757,011	3,797,018
Investments for unit-linked provisions	279,964	208,853	148,119	203,134	-
Other assets	172,135	171,200	129,730	197,187	83,735
Total assets	**11,019,153**	**10,555,839**	**9,540,073**	**7,952,813**	**5,491,668**
Deposits	4,356,327	4,753,586	5,015,277	3,729,991	3,340,385
Financial liabilities reported at fair value via the income statement	-	-	4,586	-	-
Derivative instruments	149,493	132,165	84,725	35,181	12,840
Other financial liabilities	4,827,366	4,045,926	3,130,482	2,740,892	1,728,973
Technical provisions	989,841	924,437	777,176	854,843	-
Other liabilities	198,837	233,568	211,051	252,897	159,590
Total liabilities	**10,521,863**	**10,089,682**	**9,223,298**	**7,613,804**	**5,241,788**
Equity	497,290	466,157	316,775	339,009	249,880
Total liabilities and equity	**11,019,153**	**10,555,839**	**9,540,073**	**7,952,813**	**5,491,668**

Key figures

(1,000 euro)	2010 (IFRS)	2009 (IFRS)	2008 (IFRS)	2007 (IFRS)	2006 (IFRS)
Return on equity (ROE), %	12.0	8.7	1.8	17.9	16.8
Return on assets (ROA), %	0.54	0.34	0.07	0.79	0.82
Equity ratio, %	4.6	4.6	3.6	5.0	5.0
Capital adequacy ratio, % (finance and insurance conglomerate)	159.4	157.4	135.2	138.6	-
Personnel (FTEs), average number of employees from the beginning of the financial year	1,183	1,213	1,009	940	873
Balance sheet total	11,019,153	10,555,839	9,540,073	7,952,813	5,491,668
Earnings per share (EPS), EUR	0.83	0.52	0.09	0.87	0.74
Equity per share (NAV), EUR	6.81	6.52	4.85	5.39	4.49
Dividend per share, EUR *)	0.30	0.24	0.15	0.33	0.26
Dividend per profit, % *)	36.0	46.5	194.3	38.6	36.0
Total earnings per share, EUR	0.52	1.72	-0.22	0.39	0.59
Average number of shares (excluding own shares)	66,477,825	66,446,406	60,167,835	59,812,898	55,506,842
Number of shares at the end of the period (excluding own shares)	66,492,404	66,451,470	60,175,268	60,152,786	55,348,900
Banking Business (incl. Private Banking)					
Cost-to-income ratio	0.59	0.57	0.65	0.67	0.62
Borrowing from the public	3,396,579	3,029,230	3,098,336	2,801,378	2,544,161
Lending to the public	6,591,584	6,060,842	5,425,654	4,573,746	3,763,175
Capital adequacy ratio, %	15.9	15.9	13.7	15.4	13.8
Tier 1 capital ratio, %	10.1	9.5	9.3	10.9	9.2
Risk-weighted commitments **)	3,673,092	3,460,170	3,313,174	2,875,192	2,654,800
Asset Management					
Mutual fund volume	4,264,027	3,786,167	2,489,752	2,012,919	1,419,800
Managed and brokered assets	6,978,228	5,995,571	4,539,312	3,720,760	2,008,335
Life Insurance					
Premiums written before reinsurers' share	101,227	80,900	91,350	100,025	-
Expense ratio, %	93.6	100.7	99.0	110.0	-
Solvency margin	98,830	86,258	50,359	121,710	-
Solvency ratio, %	16.1	14.4	8.5	18.1	-
Investments at fair value	951,307	867,672	804,559	965,555	-
Technical provisions for interest-related insurances	587,720	595,021	627,592	654,316	-
Technical provisions for unit-linked insurances	282,448	210,098	149,583	200,527	-
Non-Life Insurance					
Premiums written before reinsurers' share	67,195	66,302	-	-	-
Premiums earned	61,375	60,561	-	-	-
Expense ratio, %	26.5	27.9	-	-	-
Loss ratio, %	80.0	91.1	-	-	-
Combined ratio, %	106.6	119.0	-	-	-
Technical provisions before reinsurers' share	119,672	119,319	-	-	-
Solvency capital	46,572	43,578	-	-	-
Solvency ratio of technical provisions, %	43.6	41.8	-	-	-
Risk carrying capacity, %	76.8	72.4	-	-	-

*) According to proposal from Board of Directors

**) Risk-weighted commitments 2006 according to Basel 1, whereas risk-weighted commitments 2007–2010 according to Basel 2.

Basis of calculation for key figures 2010

Turnover, EUR

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

Banking business turnover

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

Insurance businesses turnover

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

Earnings/share, EUR

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

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

Equity per share, EUR

Equity attributable to the shareholders of Aktia plc

Number of shares at the end of the period.

Return on equity (ROE), %

Profit for the period x 100

Average equity

Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

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

Banking business cost/income ratio

Total operating expenses

Total operating income

Banking business risk-weighted commitments

Total assets in the balance sheet and off-balance sheet items, including 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

Life insurance business expense ratio, %

(Operating costs + cost of claims paid) x 100

Total expense loadings

Total expense loadings are items which, according to actuarial calculations, should cover the costs.

The operating costs do not include the re-insurers' commission.

Life insurance business solvency ratio, %

Solvency capital X 100

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

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

Non-life insurance combined ratio, %

Loss ratio (excl. discounting of pension provisions) + expense ratio

Loss ratio = Claims incurred and cost for claims handling x 100

Premiums earned

Expense ratio = Operating costs excl. cost for claims handling x 100

Premiums earned

Non-life insurance key figures for loss ratio and expense ratio are calculated based on costs according to function. Thus they can not be calculated directly from the Group's/segment's income statement.

Non-life insurance solvency ratio, %, of technical provisions

Solvency capital X 100

Technical provisions after reinsurers' share - equalisation provision

Non-life insurance solvency ratio, % (risk carrying capacity)

Solvency capital X 100

Premiums earned for from the latest 12 months

The insurance businesses' key figures for solvency are calculated based on regulations issued by the Finnish Financial Supervisory Authority.

Aktia Plc – Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	Note	2010	2009
Interest income	G5	240,326	285,576
Interest expenses	G5	-91,019	-133,328
Net interest income		149,307	152,248
Dividends	G6	1,105	607
Commission income	G7	73,792	60,669
Commission expenses	G7	-16,762	-14,322
Net commission income		57,030	46,346
Net income from life insurance	G8	16,477	13,991
Net income from non-life insurance	G9,G10	22,634	15,158
Net income from financial transactions	G11	-5,585	826
Net income from investment properties	G12	518	406
Other operating income	G13	7,916	3,565
Total operating income		**249,402**	**233,147**
Staff costs	G14	-82,842	-79,219
Other administrative expenses	G15	-50,247	-44,783
Negative goodwill recorded as income	G4	-	140
Depreciation of tangible and intangible assets	G16	-7,237	-6,884
Other operating expenses	G17	-18,705	-23,413
Total operating expenses		**-159,031**	**-154,159**
Impairment and reversal of impairment on tangible and intangible assets	G18	-	-563
Write-downs on credits, other commitments and outstanding premium receivables	G26	-14,073	-31,750
Share of profit from associated companies		1,594	319
Operating profit		**77,892**	**46,994**
Taxes	G19	-19,854	-12,998
Profit for the reporting period		**58,038**	**33,997**
Attributable to:			
Shareholders in Aktia plc		55,474	34,278
Non-controlling interest		2,564	-281
Total		**58,038**	**33,997**
Earnings per share (EPS), EUR	G20	0.83	0.52
Earnings per share (EPS), EUR, after dilution	G20	0.83	0.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note	2010	2009
Profit for the reporting period		58,038	33,997
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		-31,685	51,847
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		6,479	19,239
Total comprehensive income for the reporting period		**37,102**	**114,126**
Total comprehensive income attributable to:			
Shareholders in Aktia plc		34,634	113,958
Non-controlling interest		2,468	168
Total		**37,102**	**114,126**
Total earnings per share, EUR	G20	0.52	1.72
Total earnings per share, EUR, after dilution	G20	0.52	1.72

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	Note	2010	2009
Assets			
Cash and balances with central banks	G21	273,364	340,960
Financial assets reported at fair value via the income statement	G22	20,870	22,453
Interest-bearing securities	G23	3,240,985	3,277,331
Shares and participations	G23	142,667	155,631
Financial assets available for sale		3,383,652	3,432,962
Financial assets held until maturity	G24	21,459	27,883
Derivative instruments	G25	230,158	209,966
Lending to credit institutions	G26	45,968	80,721
Lending to the public and public sector entities	G26	6,591,584	6,060,842
Loans and other receivables		6,637,551	6,141,562
Investments for unit-linked provisions		279,964	208,853
Investments in associated companies	G27	5,222	4,529
Intangible assets	G28	13,318	12,427
Investment properties	G29	24,348	26,936
Other tangible assets	G30	6,747	8,080
Accrued income and advance payments	G31	87,058	80,251
Other assets	G31	21,274	31,371
Total other assets		108,331	111,623
Income tax receivables		22	808
Deferred tax receivables	G32	13,404	6,035
Tax receivables		13,425	6,843
Assets classified as held for sale	G33	744	761
Total assets		**11,019,153**	**10,555,839**
Liabilities			
Liabilities to credit institutions	G34	959,749	1,724,356
Liabilities to the public and public sector entities	G34	3,396,579	3,029,230
Deposits		4,356,327	4,753,586
Derivative instruments	G25	149,493	132,165
Debt securities issued	G35	3,381,914	2,747,926
Subordinated liabilities	G36	255,954	252,533
Other liabilities to credit institutions	G37	1,012,531	968,201
Other liabilities to the public and public sector entities	G38	176,967	77,266
Other financial liabilities		4,827,366	4,045,926
Technical provisions for interest-related insurances	G39	587,720	595,021
Technical provisions for unit-linked insurances	G39	282,448	210,098
Technical provisions for non-life insurances	G40,G41	119,672	119,319
Technical provisions		989,841	924,437
Accrued expenses and income received in advance	G42	93,191	71,944
Other liabilities	G42	44,045	91,475
Total other liabilities		137,235	163,419
Provisions	G43	681	807
Income tax liability		8,958	19,219
Deferred tax liabilities	G32	51,787	49,919
Tax liabilities		60,745	69,138
Liabilities for assets classified as held for sale	G33	175	204
Total liabilities		**10,521,863**	**10,089,682**
Equity			
Restricted equity	G44	127,385	147,626
Unrestricted equity	G44	325,613	285,818
Shareholders' share of equity		452,999	433,444
Non-controlling interest's share of equity		44,291	32,713
Equity		**497,290**	**466,157**
Total liabilities and equity		**11,019,153**	**10,555,839**

CONSOLIDATED OFF-BALANCE-SHEET COMMITMENTS

(EUR 1,000)	Note	2010	2009
Off-balance sheet commitments	G49		
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		607,614	506,598
Other commitments provided to a third party		8,810	11,654
Irrevocable commitments provided on behalf of customers		616,424	518,252
Total		**670,386**	**575,477**

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	2010	2009
Cash flow from operating activities		
Operating profit	77,892	46,994
Adjustment items not included in cash flow for the period	26,331	43,842
Paid income taxes	-27,636	-12,400
Cash flow from operating activities before change in operating receivables and liabilities	**76,588**	**78,436**
Increase (-) or decrease (+) in receivables from operating activities	**-565,196**	**-919,113**
Financial assets reported at fair value via the income statement	1,582	-2,960
Financial assets available for sale	18,253	-209,342
Loans and other receivables	-512,531	-642,769
Investments for unit-linked provisions	-71,110	-60,735
Other assets	-1,390	-3,307
Increase (+) or decrease (-) in liabilities from operating activities	**417,820**	**653,969**
Financial liabilities reported at fair value via the income statement	-	-4,586
Deposits	-397,217	-263,275
Debt securities issued	623,579	626,887
Other financial liabilities	150,096	280,568
Provision for insurance contracts	65,403	36,139
Other liabilities	-24,042	-21,764
Total cash flow from operating activities	**-70,789**	**-186,708**
Cash flow from investing activities		
Financial assets held until maturity, decrease	6,428	8,000
Investments in group companies and associated companies	-50	16,348
Proceeds from sale of group companies and associated companies	260	-10
Investment in tangible and intangible assets	-7,370	-6,669
Disposal of tangible and intangible assets	4,741	2,031
Share issue of Aktia Real Estate Mortgage Bank Plc to the non-controlling interest	9,179	8,919
Total cash flow from investing activities	**13,188**	**28,619**
Cash flow from financing activities		
Subordinated liabilities, increase	64,857	79,756
Subordinated liabilities, decrease	-62,774	-73,366
Increase in share capital	-	25
Own shares divested	278	-
Increase in unrestricted equity reserve	-	50
Paid dividends	-15,948	-10,046
Total cash flow from financing activities	**-13,588**	**-3,582**
Change in cash and cash equivalents	**-71,188**	**-161,671**
Cash and cash equivalents at the beginning of the year	350,680	512,351
Cash and cash equivalents at the end of the year	279,492	350,680
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	9,605	9,959
Insurance operation's cash and bank	3,553	4,453
Bank of Finland current account	260,205	326,547
Repayable on demand claims on credit institutions	6,129	9,721
Total	**279,492**	**350,680**
Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	3,886	23,975
Write-downs on credits, other commitments and outstanding premium receivables	14,073	31,750
Change in fair values	3,153	-19,198
Depreciation and impairment of intangible and tangible assets	8,090	7,746
Share of profit from associated companies	-903	-22
Sales gains and losses from intangible and tangible assets	-2,430	-457
Negative goodwill recorded as income	-	-140
Other adjustments	462	190
Total	**26,331**	**43,842**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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 1January 2009	**80,249**	**10,393**	**-36,365**	**45,404**	**192,138**	**291,818**	**24,957**	**316,775**
Share issue	13,625			27,250		40,875		40,875
Treasury shares received in connection with merger					-3,218	-3,218		-3,218
Dividens to shareholders					-10,046	-10,046		-10,046
Profit for the reporting period					34,278	34,278	-281	33,997
Financial assets available for sale			70,637			70,637	449	71,086
Cash flow hedging			9,043			9,043		9,043
Total comprehensive income for the reporting period			79,680		34,278	113,958	168	114,126
Other change in equity		44			12	57	7,588	7,645
Equity as at 31 December 2009	**93,874**	**10,437**	**43,315**	**72,654**	**213,164**	**433,444**	**32,713**	**466,157**
Equity as at 1January 2010	**93,874**	**10,437**	**43,315**	**72,654**	**213,164**	**433,444**	**32,713**	**466,157**
Share issue						0		0
Divestment of own shares					270	270		270
Dividens to shareholders					-15,948	-15,948		-15,948
Profit for the reporting period					55,474	55,474	2,564	58,038
Financial assets available for sale			-25,215			-25,215	10	-25,206
Cash flow hedging			4,374			4,374	-105	4,269
Total comprehensive income for the reporting period			-20,841		55,474	34,634	2,468	37,102
Other change in equity		600				600	9,110	9,710
Equity as at 31 December 2010	**93,874**	**11,037**	**22,474**	**72,654**	**252,960**	**452,999**	**44,291**	**497,290**

In connection with the acquisition of Veritas Mutual Non-Life Insurance on 1 January 2009 merger compensation of 6,800,000 A-shares was paid at a nominal value of EUR 2.00 per share and a subscription price of EUR 6.00 per share. Of this compensation EUR 13.6 million was attributable to share capital and EUR 27.2 million to the unrestricted equity reserve. The company has continued its operations in the Aktia Group under the name Aktia Non-Life Insurance Ltd.

QUARTERLY TRENDS IN THE GROUP

(EUR 1,000)	10–12/2010	7–9/2010	4–6/2010	1–3/2010	10–12/2009
Net interest income	34,871	36,970	38,585	38,881	39,840
Dividends	7	14	1,071	13	7
Net commission income	14,900	13,189	15,549	13,393	14,524
Net income from life insurance	6,828	2,504	2,615	4,530	3,179
Net income from non-life insurance	5,228	7,098	5,944	4,365	1,490
Net income from financial transactions	-1,575	-942	-1,231	-1,837	-952
Net income from investment properties	73	104	33	308	84
Other operating income	1,667	1,247	3,663	1,339	515
Total operating income	**61,998**	**60,183**	**66,228**	**60,992**	**58,689**
Staff costs	-22,937	-17,395	-21,812	-20,698	-21,753
Other administrative expenses	-14,338	-12,503	-12,000	-11,406	-12,940
Negative goodwill recorded as income	-	-	-	-	-
Depreciation of tangible and intangible assets	-1,847	-1,847	-1,782	-1,761	-1,625
Other operating expenses	-4,946	-4,415	-4,357	-4,987	-6,353
Total operating expenses	**-44,068**	**-36,159**	**-39,952**	**-38,853**	**-42,671**
Impairment and reversal of impairment on tangible and intangible assets	-	-	-	-	-342
Write-downs on credits, other commitments and outstanding premium receivables	-4,290	-1,357	-3,842	-4,583	-5,471
Share of profit from associated companies	-149	714	1,109	-79	-363
Operating profit	**13,491**	**23,381**	**23,543**	**17,478**	**9,843**
Taxes	-3,368	-5,463	-6,034	-4,988	-3,043
Profit for the reporting period	**10,122**	**17,918**	**17,509**	**12,489**	**6,800**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	10–12/2010	7–9/2010	4–6/2010	1–3/2010	10–12/2009
Profit for the period	10,122	17,918	17,509	12,489	6,800
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	-38,254	8,422	-18,966	17,113	-15,393
Change in valuation of fair value for cash flow hedging	-6,516	-1,282	2,879	9,188	-4,712
Transferred to the income statement for financial assets available for sale	3,094	2,629	219	537	14,719
Total comprehensive income for the period	**-31,554**	**27,687**	**1,642**	**39,327**	**1,414**

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

Basis for preparing financial statements

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

There were no new or revised IFRS or interpretations from IFRIC (International Finance Reporting Intrepretation Committee) 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 24.3 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 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, Life Insurance, Non-Life Insurance 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, Aktia Corporate Finance Ltd and Aktia Real Estate Agency 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 Life Insurance segment encompasses Aktia Life Insurance Ltd.

The Non-Life Insurance segment encompasses Aktia Non-Life Insurance Ltd.

The Miscellaneous segment encompasses administration of Aktia plc, certain administrative functions for Aktia Bank plc as well as the subsidiary Vasp-Invest Ab.

In the note on consolidated segment-based reporting, operating profit (profit before tax) is presented for each segment. The contribution to the Group's operating profit made by the insurance businesses is also presented. The contribution to the Group's operating profit includes the insurance businesses' acquisition eliminations due to realisations or value changes for the balance sheet items included at the time of acquisition.

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 plc and Aktia Bank plc are 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. The exchange rate differences that arise from the life and non-life insurance businesses are reported in Net income from investments, which is included in the net insurance income for the respective insurance business.

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. The cost of acquiring new insurance policies or renewing existing policies is dealt with within the insurance business as commission expenses, and is included in other administrative expenses.

Insurance premiums

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

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

Claim costs

Claims paid by the insurance businesses and the change in technical provision are reported in the income statement and are included in the net insurance income for the respective insurance business.

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

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are 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
Intangible assets (acquired customer base, life and non-life insurance businesses)	2 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. The Group's defined-benefit plans are internal group plans, and are included in the life insurance business' technical provision. These plans have no significant impact on the Group's result or financial position.

Share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there is a three-year incentive agreement with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in the Fund for share-based payments in the shareholders' equity. The change in shareholders' equity is entered in the income statement as Staff costs.

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. Structured bonds and investments with embedded derivatives are classified as financial assets held for trading, which means that changes in value are recognised directly in the income statement.

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

Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are 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 the banking business' share included in Net income from financial assets available for sale which is included in Net income from financial transactions. In the life and non-life insurance businesses, the above-mentioned gains and losses are reported as Net income from investments, which is included in the net insurance income for the respective insurance business.

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 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.

In the banking business, 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. The insurance businesses report the change in value of derivative instruments, together with gains and losses realised, in the income statement as Net Income from Investments, which is included in the net insurance income for the respective insurance business.

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.

Assets classified as held for sale

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

Provisions

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

The Group as a lessor

Finance lease agreements

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

The Group as a lessee

Operating lease agreements

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

Insurance and investment agreements

Classification of insurance and investment agreements

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

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

In the non-life insurance business, all insurance agreements, with the exception of public patient insurance where the company bears no technical risk, have been classified as insurance agreements. Premiums and claims for public patient insurance are reported in Other Operating Income and Expenses in the income statement.

Reinsurance

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

Liabilities attributable to insurance and investment agreements

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

Within the life insurance business, liabilities arising from capitalisation agreements are not reported as technical appropriations (technical provision) but are included in other liabilities. Correspondingly, the non-life insurance business' liabilities arising from public patient insurance are also included in Other liabilities.

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

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

Loss assessment for the insurance businesses

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

The life insurance business' equity principle

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

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

The Board of Directors of Aktia Life Insurance decides on customer compensation on an annual basis.

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, impairment of tangible and intangible assets, and assumptions made in actuarial calculations.

Estimates and valuation of fair value

Valuation of unquoted financial assets or other financial assets where access to market information is limited requires management discretion. The principles of valuation at fair value are described in 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.

Actuarial calculations

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

Share-based payments

The executive management has a three-year incentive agreement and the Group continuously evaluates its probable outcome. The principles are described above in section Employee remuneration and Share-based payments.

G2 The 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 Group primarily focuses on banking, capital market, life and non-life insurance operations and real estate agency services. 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 and liquidity risks in the banking business, interest rate and other market risks in the life insurance business and market and actuarial risks in the non-life insurance business. All operations are exposed to business and operational risks. The overall business risk is reduced through diversifying operations. The risk policy pursued by the Group is conservative in nature.

The results and capital adequacy of the banking business 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.

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

Non-life insurance operations are also based on bearing and managing the risk of loss events, and insurance risk means that future claims become larger than expected. Insurance risk occurs due to inadequate or incorrect pricing, risk concentrations, inadequate reinsurance and random fluctuations in the frequency and scale of accidents. Insurance risks are managed through careful risk assessment and pricing and the provision of reinsurance cover adjusted to the insurance portfolio in terms of both frequency and large individual risks. The volatility of the results and solvency of the non-life insurance business is also dependent on market risks in the investment portfolio to a certain extent.

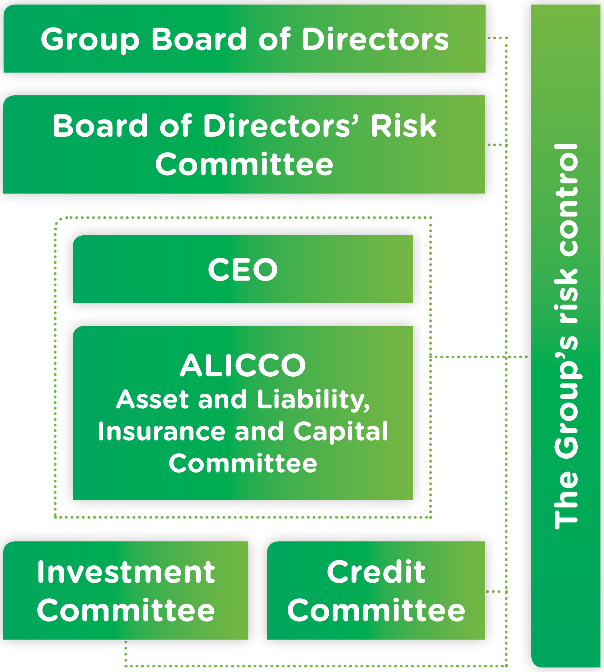
2. Risk management

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.

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 and solvency

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. The solvency of the life insurance and non-life insurance companies is calculated in accordance with the provisions set down in the Insurance Companies Act. The accounts for the insurance companies are prepared in accordance with national reporting rules (Finnish Accounting Standards). The capital adequacy of the finance and insurance conglomerate is calculated using the consolidation approach.

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)%.

The life insurance company's operating capital amounted to EUR 98.8 (86.3) million, where the minimum requirement is EUR 34.3 (34.0) million. The solvency ratio was 16.1 (14.4)%.

The non-life insurance company's operating capital amounted to EUR 18.9 (18.4) million, where the minimum requirement is EUR 13.5 (13.1) million. Solvency capital was EUR 46.6 (43.6) million and a risk carrying capacity of 76.8 (72.4)% was reported.

The capital adequacy of Aktia Asset Management Ltd, which provides asset management services, was 65.2% compared to 65.7% the previous year. The Tier 1 capital ratio was 64.7 (65.3)%.

Capital adequacy for the conglomerate amounted to 159.4 (157.4)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100 %. The capital adequacy level remains strong and acts as a buffer against unforeseen losses, without restricting growth in the business.

As a step towards implementing the new rules for calculating solvency (Solvency II) for insurance companies, the company's total risk exposure is weighed against the extended operating capital under 'proactive supervision'. The risk assessment takes into account the company's actuarial risks, the market risks associated with investments and provisions and the company's counterparty and operational risks. The calculations show that, as of the balance sheet date, the capital requirements have been met in accordance with the provisions on proactive supervision for insurance companies.

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. The capital assessment is based on Pillar 1 regulatory capital requirements. However, the upcoming Solvency II rules, which are more risk-based, have been applied to the insurance businesses despite the fact that these are only proposed to enter into force at the beginning of 2013. 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 used for risk-based governance and risk-based pricing for customers is founded on internal capital assessment models.

Unanticipated outcomes involving credit, market, operational, insurance 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. Insurance risks are based on the current interpretation of future regulatory requirements (Solvency II) while business risks are based on an internal model which takes account of changes in customer behaviour, the market situation and the competitive situation.

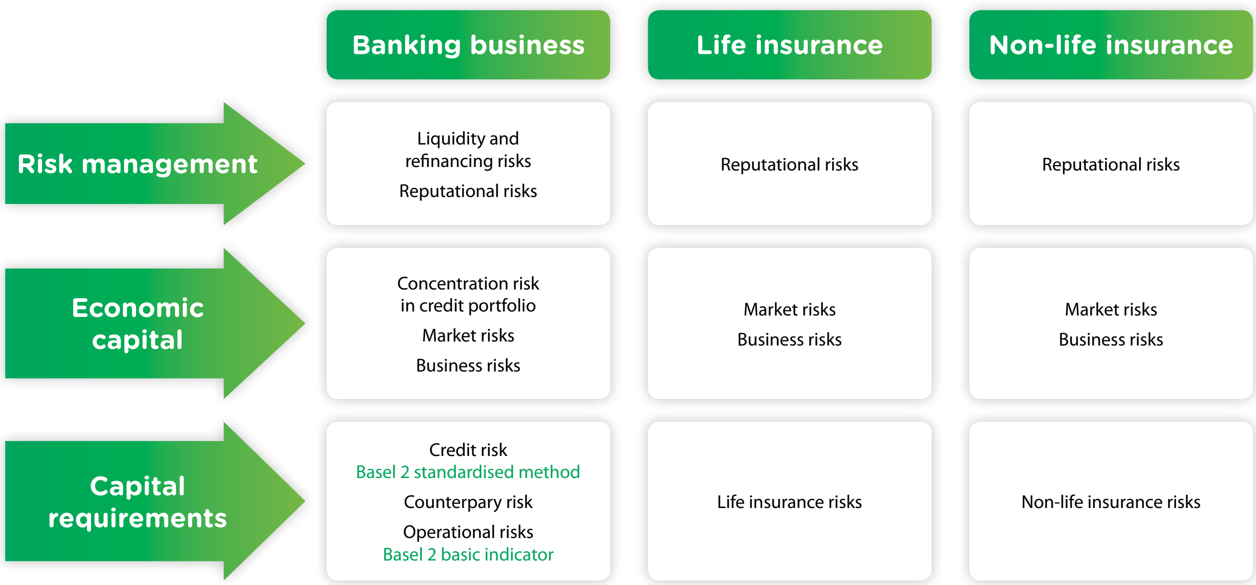
3.5 Forward-looking capital planning

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 level of 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 the other companies in the group i.e. Aktia Life Insurance, Aktia Non-Life Insurance and Aktia Asset Management should exceed the minimum requirements under the prevailing rules so that any capital buffer is maintained in the parent company.

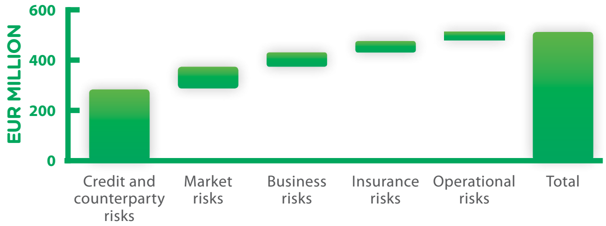
For the finance and insurance conglomerate, the target for capital adequacy is for it to exceed 120%.

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.

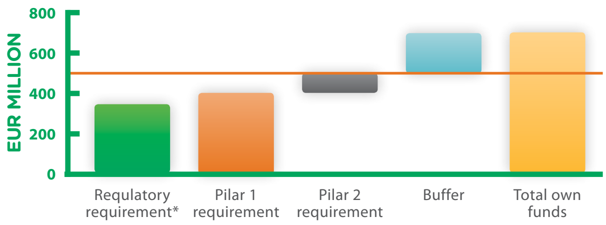
3.6 Risk and capital situation of the Group

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. Market risks are also considerable and these are primarily due to interest rate risks in the insurance operations, also including an implicit counterparty risk. Business risks are primarily seen in the banking business and 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 actuarial risks are reduced through reinsurance cover. 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



*) Regulatory requirements for insurance companies according to Solvency 1-rules

The regulatory minimum capital requirement under prevailing rules amounted to approx. EUR 344 million, corresponding to approx. 50% of the total capital base of approximately EUR 672 million. The internal capital requirement, encompassing Pillar 1 and 2, amounted to approx. EUR 502 million, corresponding to 75 % of the capital base. The capital reserve over and above the minimum regulatory requirement therefore amounted to EUR 328 million and, compared to the internal minimum requirement, amounted to just under EUR 170 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. Investments that provide cover for unit-linked provisions are not included.

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

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

The conglomerate's largest loan customer has a commitment equivalent to 8.2% 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

The Group's maximum exposure by operation as at 31.12.2010

	Banking business	Life insurance business	Non-Life Insurance	Total Group
Cash and money market	**316**	**7**	**3**	**319**
Bonds	**2,657**	**577**	**113**	**3,334**
Public sector	144	222	64	430
Government guaranteed bonds	216	20	0	237
Banks	786	56	14	856
Covered bonds	1,480	146	23	1,638
Corporate	31	132	11	174
Shares and mutual funds	**32**	**115**	**8**	**154**
Interest rate funds	2	60	3	65
Shares and equity funds	29	0	0	29
Real estate funds	0	39	3	42
Private Equity	2	9	1	12
Hedge funds	0	7	0	7
Loans and claims	**6,605**	**0**	**0**	**6,605**
Public sector entities	7	0	0	7
Housing associations	290	0	0	290
Corporate	764	0	0	764
Households	5,488	0	0	5,488
Non-profit organisations	56	0	0	56
Tangible assets	**9**	**0**	**10**	**31**
Bank guarantees	**54**	**0**	**0**	**54**
Unused facilities and unused limits	**608**	**8**	**1**	**616**
Derivatives (credit equivalents)	**303**	**3**	**0**	**302**
Other assets	**38**	**5**	**23**	**65**
Total	**10,621**	**714**	**158**	**11,482**

The Group's maximum exposure by operation as at 31.12.2009

	Banking business	Life insurance business	Non-Life Insurance	Total Group
Cash and money market	**467**	**18**	**6**	**470**
Bonds	**2,685**	**555**	**103**	**3,337**
Public sector	154	246	66	466
Government guaranteed bonds	279	22	0	300
Banks	771	84	16	869
Covered bonds	1,427	72	11	1,505
Corporate	55	132	10	197
Shares and mutual funds	**31**	**117**	**8**	**156**
Interest rate funds	0	58	3	61
Shares and equity funds	28	0	0	28
Real estate funds	0	38	3	41
Private Equity	2	9	2	14
Hedge funds	0	11	0	11
Loans and claims	**6,073**	**0**	**0**	**6,073**
Public sector entities	10	0	0	10
Housing associations	290	0	0	290
Corporate	785	0	0	785
Households	4,932	0	0	4,932
Non-profit organisations	56	0	0	56
Tangible assets	**10**	**0**	**11**	**35**
Bank guarantees	**57**	**0**	**0**	**57**
Unused facilities and unused limits	**507**	**11**	**1**	**518**
Derivatives (credit equivalents)	**268**	**1**	**0**	**268**
Other assets	**44**	**7**	**25**	**67**
Total	**10,143**	**709**	**155**	**10,981**

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	761	782	-21	11.5
Housing associations	289	289	0	4.4
Public sector entities	7	10	-3	0.1
Non-profit organisations	56	55	1	0.8
Households	5,479	4,924	554	83.1
Total	**6,592**	**6,061**	**531**	**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 531 million (8.8 %), totalling EUR 6,592 (6,061) 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 83.1 (81.3)% at the year-end, or 87.5 (86.0)% 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 11.4 (13.9)% 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

Scoring class	31.12.2010 EUR 5,479 million	31.12.2009 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. Of 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.

Loan To Value (LTV) distribution* of the housing loan stock

Loan To Value (LTV)	31.12.2010 EUR 5,121 million	31.12.2009 EUR 4,598 million
0–50 %	80.2 %	79.6 %
50–60 %	8.9 %	9.0 %
60–70 %	5.6 %	5.8 %
70–80 %	2.6 %	2.7 %
80–90 %	1.3 %	1.4 %
90–100 %	0.6 %	0.7 %
>100 %	0.7 %	0.8 %
Total	**100%**	**100%**

* The table shows the distribution of exposures by LTV band. Example: A mortgage exposure of EUR 60.000 with a LTV-ratio of 60% is distributed EUR 50.000 to the "LTV 0–50%" bucket and EUR 10.000 to the "LTV 50–60%" bucket.

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 2.7% from the beginning of the year, totalling EUR 761 (782) million. The proportion of the total credit stock accounted for by corporate loans fell as planned to 11.5 (12.9)%. 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. The coordination of banking and insurance services for corporate customers is continuing.

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%**

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.

12.8 (14.6)% of claims on corporations are secured by central or local government guarantees or by deposit, while 27.9 (25.6)% are secured against real estate collateral. The remainder, 59.4 (59.8)%, are granted against collateral which is not taken into account in the capital adequacy calculation (including 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.

87.5% 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 28% 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 761 million	31.12.2009 EUR 782 million
Basic industries, fisheries and mining	3.3 %	3.3 %
Industry	7.8 %	10.0 %
Energy, water and waste disposal	2.2 %	2.3 %
Construction	7.8 %	6.8 %
Trade	11.4 %	13.2 %
Hotels and restaurants	4.4 %	3.6 %
Transport	7.9 %	5.6 %
Financing	10.7 %	9.6 %
Property	32.9 %	28.5 %
Research, consulting and other business service	8.6 %	12.5 %
Other services	5.1 %	5.1 %
- write-downs by group	-2.1 %	-0.6 %
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 2.97% to 2.58% of the credit stock. Loans with payments 31–89 days past due increased from 0.76% to 0.84%, 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 0.55 (0.56)% 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	2.58	181	2.97
of which households	118	1.77	114	1.86
31–89	56	0.84	46	0.76
of which households	45	0.67	38	0.61
90–	36	0.55	34	0.56
of which households	20	0.30	18	0.30

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 237 (231) 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	2.58	156
31–89	55	0.83	49
90–	31	0.47	29

(EUR million)	31.12.2009		
Days	Book value	% of the credit stock	Fair value of collateral
1–30	181	2.97	166
31–89	46	0.75	44
90–	30	0.50	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). Previously booked 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 1.6 (3.8)% 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 bank 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 state-guaranteed bonds and approximately 4 (6)% were investments in public sector entities and companies.

Fixed income investment sectoral distribution - liquidity portfolio of the Bank

31.12	Public sector		Banking sector						Other business		Total	
			Covered bonds		Government Guaranteed		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

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.

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 ongoing basis. If no market value is available, an independent valuation by a third party is used.

4.4 Counterparty risk in the life insurance company's investments

The share of direct interest rate investments was still big as a result of the migration towards Solvency II and the hedging of interest rate risk in the operations. At the end of the year, direct interest rate investments amounted to EUR 577 (570) million, corresponding to 82 (82)% of the investment portfolio. Counterparty risks arising in connection with the life insurance company's investments are managed by the requirement for high level external ratings – at least rating class A3 from Moody's or equivalent rating agencies for banks and sovereigns and 'Investment grade' (at least Baa3) for corporates. In addition, maximum exposure limits have been established for each counterparty and asset type.

At the end of the year, 39 (47)% of the direct interest rate investments were claims on from public sector entities, 22 (23)% were corporate bonds and 39 (30)% were investments in banks and covered bonds.

During the year, EUR -0.1 million of write-downs were booked, while the same period last year saw write-downs of EUR -14.0 million.

1.0 (2.6)% of the direct interest rate investments did not meet Aktia's internal rating requirements at the end of the period.

Fixed income investment portfolio's sectoral distribution - Life Insurance business

31.12	Public sector		Banking sector: Covered bonds		Banking sector: Government guaranteed		Banking sector: Non-covered		Other business		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Finland	75.9	91.7	14.0	8.9	0.1	0.0	13.2	27.5	48.3	37.9	151.5	166.0
EU countries with AAA rating*	110.4	115.4	126.8	63.9	21.0	21.7	36.3	65.5	75.4	75.5	369.8	342.1
Other EU countries	47.1	54.7	15.6	5.5	0.0	0.0	1.1	7.4	9.8	12.8	73.5	80.3
Other european coutries	0.0	0.9	0.6	0.1	0.0	0.0	14.6	1.2	2.4	10.8	17.7	13.0
North America	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.2	3.7	6.8	5.7	9.1
Other OECD -coutries	3.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.2	4.8	1.5
Emerging markets	15.2	15.9	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.1	15.3	16.2
Total	**252.2**	**278.8**	**157.0**	**78.4**	**21.1**	**21.7**	**67.3**	**104.1**	**140.7**	**145.1**	**638.4**	**628.1**

*) Includes Spain on 31.12.2009

Rating distribution for Life insurance business

	31.12.2010 EUR 577 million	31.12.2009 EUR 570 million
Aaa	58.9 %	52.5 %
Aa1–Aa3	13.1 %	12.2 %
A1–A3	14.3 %	18.3 %
Baa1–Baa3	6.2 %	11.4 %
Ba1–Ba3	2.3 %	1.4 %
B1–B3	0.1 %	0.0 %
Caa1 or lower	0.2 %	0.3 %
Domestic municipalities (unrated)	0.0 %	0.0 %
No rating	4.9 %	3.9 %
Total	**100.0 %**	**100.0 %**

4.5 Counterparty risks in the non-life insurance business

At the end of the period, direct interest rate investments amounted to EUR 113 (104) million, corresponding to 77 (73)% of the investment portfolio. Counterparty risks arising in connection with the non-life insurance company's investments are managed by the requirement for high level external ratings – at least rating class A3 from Moody's or equivalent rating agencies for banks and sovereigns and 'Investment grade' (at least Baa3) for corporates. Further, limits concerning maximum exposure for each counterparty and asset category are applied.

At the end of the year, 57 (64)% of the direct interest rate investments were claims on public sector entities, 10 (10)% were corporate bonds and 33 (26)% were investments in banks and covered bonds. No investments were written down during the year.

0.0 (1.0)% of the direct interest rate investments did not meet Aktia's internal rating requirements at the end of the period.

Rating distribution for Non-Life insurance business

	31.12.2010 EUR 113 million	31.12.2009 EUR 104 million
Aaa	57.9 %	58.4 %
Aa1–Aa3	24.4 %	16.7 %
A1–A3	7.0 %	12.5 %
Baa1–Baa3	1.4 %	11.4 %
Ba1–Ba3	7.1 %	0.5 %
B1–B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Domestic municipalities (unrated)	0.0 %	0.0 %
No rating	2.2 %	0.4 %
Total	**100.0 %**	**100.0 %**

Fixed income investment portfolio's sectoral distribution - Non-life Insurance business

31.12	Public sector		Banking sector: Covered bonds		Banking sector: Government Guaranteed		Banking sector: Non-covered		Other business		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Finland	2.1	3.3	4.2	3.1	0.0	0.0	2.2	2.8	4.8	4.2	13.2	13.5
EU countries with AAA rating*	44.4	48.9	15.7	7.4	0.0	0.0	9.5	10.3	6.2	4.3	75.8	70.9
Other EU countries	17.6	14.5	2.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	19.9	14.6
Other european coutries	0.0	0.1	1.0	0.0	0.0	0.0	1.1	2.0	0.0	0.0	2.1	2.1
North America	0.5	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.5	1.0	2.0	2.0
Other OECD -coutries	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.1	3.0	1.1
Emerging markets	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4
Total	**67.2**	**68.7**	**23.2**	**10.5**	**0.0**	**0.0**	**13.8**	**16.2**	**12.0**	**10.6**	**116.2**	**106.5**

*) Includes Spain on 31.12.2009

4.6 Country risks

In the banking business, lending is only undertaken in Finland. For management of the Bank Group's liquidity and the insurance companies' investment assets, the Group's Board of Director has set up country limits for exposures both on group and company level. Rules for covering technical provisions are also applied for the insurance companies.

72 (76)% of the Groups interest-bearing securities were investments in instruments issued by counterparties domiciled in Finland or some 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 - group level

EUR million	Summed group ownings			
	31.12.2010	%	31.12.2009	%
Finland	550.2	16.3 %	413.5	12.1 %
EU AAA	1,854.0	55.1 %	2,163.4	63.5 %
Other EU	740.8	22.0 %	563.1	16.5 %
European non-EU	135.8	4.0 %	178.0	5.2 %
North America	38.7	1.2 %	61.0	1.8 %
Other OECD	1.6	0.0 %	12.1	0.4 %
Supranational	45.5	1.4 %	13.4	0.4 %
Total	**3,366.6**	**100.0 %**	**3,404.5**	**100.0 %**

5. Management of financing and liquidity risks

Financing and liquidity risks occur when the Group is not 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 caused by market disruption 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.

5.2 Liquidity risks in the life insurance business

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

5.3 Liquidity risks in the non-life insurance business

Within the non-life insurance business, liquidity risks are defined as the availability of financing for paying out claims and depend on the number of claims and their scale. Liquidity risks are managed through the inflow of cash as well as an adapted portfolio of bank deposits, certificates and government bonds.

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.

Correspondingly asset and liability management risks arise in the insurance operations if the cash inflows from the investment portfolio and the cash outflows of provisions are not synchronised. Market risk therefore represents a sensitivity to changes to interest rates and exchange rates depending on this mismatch.

In the life-insurance business, the policyholder bears the investment risk of the investments that provide cover for unit-linked insurance policies. Other investments undertaken by the insurance companies to cover technical provisions are at the company's risk. A certain degree of risk-taking therefore takes place in the insurance companies' investment activities.

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

With regard to investments, the key risks involved are interest rate, counterparty (spread) and equity risk, and with regard to provisions, interest rate risk and inflation risk

The table below summarises market value sensitivity for Aktia 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%. Within the insurance companies, interest rate risk is calculated separately for investments and provisions. 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 %. Within the insurance companies, interest rate risk is calculated as above both for investments and provisions. 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 subsenior 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. A downward shift in the interest rate level gives a positive change in the value of interest-bearing securities and a negative change in market value of provisions. Vice versa for an upward shift in the interest rate level.

6.1 Methods for valuing financial assets

The majority of Aktia 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 64.9 million or 1.85% of financial assets 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.

The fair value of financial instruments which are not traded on an active market is measured using valuation techniques. Careful considerations are taken into account when valuation techniques and assumptions that prevail on the market at the time of reporting are determined.

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 mod-

Sensitivity analysis for market risks

EUR million	Market value 31.12.		IR risk up		IR risk down		Spreadrisk		Equity / Real estate risk	
	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**
Investment portfolio of the Life Insurance company	700.0	692.6	-44.3	-42.2	39.6	37.7	-24.1	-24.8	-17.7	-19.9
Technical provisions of the Life Insurance company*	-574.5	-564.1	65.2	65.0	-76.4	-75.9	0.0	0.0	0.0	0.0
Total	**125.5**	**128.5**	**20.9**	**22.7**	**-36.8**	**-38.3**	**-24.1**	**-24.8**	**-17.7**	**-19.9**
Investment portfolio of the Non-Life company	146.9	142.4	-9.5	-8.7	9.8	8.9	-3.8	-3.1	-7.0	-8.0
Technical provisions of the Non-Life company*	-99.0	-92.3	10.7	10.4	-12.8	-12.2	0.0	0.0	0.0	0.0
Total	**47.9**	**50.1**	**1.3**	**1.7**	**-3.0**	**-3.3**	**-3.8**	**-3.1**	**-7.0**	**-8.0**
Group total	**2,774.3**	**2,835.6**	**-81.1**	**-67.9**	**48.1**	**40.4**	**-69.6**	**-69.4**	**-24.8**	**-27.9**

*) For the insurance companies the market value is a risk neutral value, which has been obtained by discounting cash flow simulation estimates using market interest rates. The book value of the technical provisions differs from this value.

els supported by observable market prices or rates. This category mainly includes unlisted securities, private equity instruments, hedge funds and other unlisted funds.

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.

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.

Valuation techniques	31.12.2010 Fair value classified into			
Financial assets, EURm	Level 1	Level 2	Level 3	Total
Financial assets valued through income statement				
Interest-bearing securities	0.0	14.3	0.0	14.3
Shares and participations	0.4	0.0	6.1	6.6
Total	**0.4**	**14.3**	**6.1**	**20.9**
Financial assets available for sale				
Interest-bearing securities	3,116.6	120.0	4.5	3,241.0
Shares and participations	88.4	0.0	54.3	142.7
Total	**3,204.9**	**120.0**	**58.8**	**3,383.7**
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	**1.9**	**78.7**	**0.0**	**80.7**
Total	**1.9**	**78.7**	**0.0**	**80.7**
Total financial assets	**3,207.3**	**234.6**	**64.9**	**3,506.7**

Valuation techniques	31.12.2009 Fair value classified into			
Financial assets, EURm	Level 1	Level 2	Level 3	Total
Financial assets valued through income statement				
Interest-bearing securities	3.6	18.9	0.0	22.5
Shares and participations	0.0	0.0	0.0	0.0
Total	**3.6**	**18.9**	**0.0**	**22.5**
Financial assets available for sale				
Interest-bearing securities	3,136.0	136.0	5.3	3,277.3
Shares and participations	101.2	0.0	54.4	155.6
Total	**3,237.2**	**136.0**	**59.8**	**3,433.0**
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	**3,240.8**	**260.5**	**59.8**	**3,561.1**

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	5.4	54.4	59.8	5.4	54.4	59.8
New purchases	0.0	6.1	6.1	1.5	0.0	1.5	1.5	6.1	7.6
Sales / Matured during the year	0.0	0.0	0.0	-2.4	-11.9	-14.3	-2.4	-11.9	-14.3
Realised value change in the income statement	0.0	0.0	0.0	0.1	-0.4	-0.3	0.1	-0.4	-0.3
Unrealised value change in the income statement	0.0	0.0	0.0	0.0	-0.6	-0.6	0.0	-0.6	-0.6
Valued change recognised in the fund at fair value	0.0	0.0	0.0	-0.1	1.1	1.0	-0.1	1.1	1.0
Transfer from level 1	0.0	0.0	0.0	0.0	11.7	11.7	0.0	11.7	11.7
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**	**6.1**	**6.1**	**4.5**	**54.3**	**58.8**	**4.5**	**60.4**	**64.9**

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 valued through income statement				
Interest-bearing securities	0.0	0.0	0.0	0.0
Shares and participations	6.1	-1.2	0.0	0.0
Total	**6.1**	**-1.2**	**0.0**	**0.0**
Financial assets available for sale				
Interest-bearing securities	4.5	-0.0	5.4	-0.1
Shares and participations	54.3	-10.9	54.4	-10.9
Total	**58.8**	**-10.9**	**59.8**	**-10.9**
Total financial assets	**64.9**	**-12.1**	**59.8**	**-10.9**

The table above 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 2.2 (2.1)% 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.

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 the 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 G 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.

6.3 Market and asset and liability management risks in the insurance business

After being prepared by ALICCO, the companies' Boards and the Board of Directors' risk committee, the Group's Board of Directors sets out a strategy and limits for managing market risks in both the investment portfolio and interest-linked provisions. The Group's Investment Committee is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. An investment manager has been appointed to be in charge of operational management. The Group's risk control unit supervises risk exposure and limits.

6.3.1 Market risks in investments

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

In the life insurance company, the net change in the fund at fair value relating to the market value of rate valuation differences in interest-bearing securities during the period totalled EUR 5.0 million after the deduction of deferred tax. At the end of December 2010, the valuation difference in interest-bearing securities was EUR 10.7 (5.6) million.

In the non-life insurance company, the equivalent net change posted during the period was EUR 0.4 million after deduction of deferred tax. At the end of 2010, the valuation difference in interest-bearing securities was EUR -0.4 (-0.8) million.

The part of the investment portfolios that cover technical provisions for interest-linked policies is valued on an ongoing basis at market value. Temporary price fluctuations are reported under the fund at fair value, while significant or long-term value changes are reported in the income statement. During the reporting period, write-downs affecting profit attributable to shares and participations totalling EUR -3.8 (-9.6) million were posted for the life insurance company. During the period no write-downs affecting profit were posted for the non-life insurance company that were attributable to shares and participations.

The risks of the investment portfolios, such as credit risks, interest rate risks, exchange rate risks, equity risks and real estate risks are measured using a VaR (Value at Risk) model, assuming maximum loss for 12 months and applying a probability level of 97.5%.

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

EUR million	31.12.2010		31.12.2009	
Equities	**0.0**	**0.0 %**	**0.0**	**0.0 %**
Fixed-income	**638.4**	**91.2 %**	**613.6**	**88.6 %**
Government bonds	250.8	35.8 %	282.7	40.8 %
Financial sector bonds in total	197.0	28.1 %	132.2	19.1 %
Covered bonds	149.4	21.3 %	72.3	10.4 %
Senior bonds	37.8	5.4 %	37.6	5.4 %
Subsenior bonds	9.9	1.4 %	22.3	3.2 %
Other corporate in total	149.1	21.3 %	141.0	20.4 %
Senior bonds	138.9	19.8 %	134.7	19.5 %
Subsenior bonds	10.2	1.5 %	6.3	0.9 %
Asset Backed Securities	5.1	0.7 %	13.5	1.9 %
Inflation-linked bonds	4.8	0.7 %	4.8	0.7 %
Emerging markets bonds	18.7	2.7 %	17.3	2.5 %
High yield bonds	3.5	0.5 %	9.6	1.4 %
Structured products with equity risk	3.9	0.6 %	6.9	1.0 %
Other structured products	3.7	0.5 %	5.7	0.8 %
Derivatives	1.7	0.2 %	-0.1	-0.0 %
Interest rate swaps	1.8	0.3 %	0.4	0.1 %
Forward contracts on currencies	-0.1	-0.0 %	-0.5	-0.1 %
Alternative investments	**16.2**	**2.3 %**	**20.9**	**3.0 %**
Private Equity & Venture capital	9.0	1.3 %	9.6	1.4 %
Hedge funds	7.2	1.0 %	11.3	1.6 %
Real estate	**38.6**	**5.5 %**	**38.0**	**5.5 %**
Directly owned	0.0	0.0 %	0.0	0.0 %
Real estate funds	38.6	5.5 %	38.0	5.5 %
Money market	**0.0**	**0.0 %**	**14.5**	**2.1 %**
Cash at bank	**6.9**	**1.0 %**	**5.6**	**0.8 %**
	700.0	**100.0 %**	**692.6**	**100.0 %**

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

EUR million	31.12.2010		31.12.2009	
Equities	**0.0**	**0.0 %**	**0.0**	**0.0 %**
Fixed-income	**116.2**	**79.1 %**	**105.9**	**74.4 %**
Government bonds	64.1	43.6 %	66.5	46.7 %
Financial sector bonds in total	30.2	20.5 %	15.9	11.1 %
Covered bonds	23.2	15.8 %	10.5	7.4 %
Senior bonds	7.0	4.7 %	5.3	3.7 %
Subsenior bonds	0.0	0.0 %	0.0	0.0 %
Other corporate in total	12.0	8.2 %	11.7	8.2 %
Senior bonds	12.0	8.2 %	11.7	8.2 %
Subsenior bonds	0.0	0.0 %	0.0	0.0 %
Asset Backed Securities	0.0	0.0 %	0.0	0.0 %
Inflation-linked bonds	0.0	0.0 %	0.0	0.0 %
Emerging markets bonds	3.2	2.2 %	2.8	2.0 %
High yield bonds	0.0	0.0 %	0.6	0.4 %
Structured products with equity risk	4.9	3.4 %	6.7	4.7 %
Other structured products	1.9	1.3 %	1.8	1.2 %
Alternative investments	**1.2**	**0.8 %**	**2.0**	**1.4 %**
Private Equity & Venture capital	1.2	0.8 %	2.0	1.4 %
Hedge funds	0.0	0.0 %	0.0	0.0 %
Real estate	**25.9**	**17.6 %**	**28.2**	**19.8 %**
Directly owned	22.7	15.5 %	25.2	17.7 %
Real estate funds	3.2	2.2 %	3.0	2.1 %
Money market	**0.0**	**0.0 %**	**0.7**	**0.5 %**
Cash at bank	**3.6**	**2.5 %**	**5.6**	**4.0 %**
	146.9	**100.0 %**	**142.3**	**100.0 %**

6.3.2 Interest rate risk

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

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

Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risks refer to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities. At product level, this risk is considerable, in particular in relation to interest-bearing savings and pensions insurance. At 31 December 2010, the average guaranteed interest on the life insurance company's provisions, excluding provisions for unit-linked insurance, was approximately 4.1 (3.9)%. The average technical rate of interest was 3.6 (3.6)%.

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

The transition to the Solvency II rules revises how the capital adequacy of the insurance companies will be calculated and provisions are required to be marked-to-market, which will have an unfavourable impact on the financial position of the life insurance company in the event of a low interest rate. This is largely due to a mismatch between the cash flow for provisions and the investment portfolio, which is due to the convention laid down in the current Solvency rules of valuing provisions at book value. Such a process promotes investment portfolios of short duration, which do not require capital to the same degree as longer investments.

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

As a step towards incorporating the new capital adequacy rules, certain protective measures have been taken at Group level to manage the interest rate risk in the life insurance company's provisions. The transition towards a matching cash flow structure for the life insurance company involves a lot of work as the cash flows of provisions are to be distributed evenly in diminishing amounts over a period of approx. 50 to 60 years. Immediate matching starting from a short-term portfolio would require a reallocation of a large proportion of the portfolio, which would not be profitable at low interest rates from a yield perspective. In practice, provisions in the life insurance company have been hedged against low interest levels through interest rate swaps with a maturity of 8 to 10 years. During 2009, a decision was taken to gradually match the investment portfolio's cash flow structure with that of provisions as far as possible over the next three years through reinvestments. This policy was also maintained in 2010. At the end of 2010, the average duration of the portfolio was 4.6 (4.2) years and that in provisions approx. 10.5 (12.0) years.

Liabilities (Techical provisions) – Life Insurance business

EUR million	TP 31.12.2010	%	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	TP 31.12.2009
Group pension	**52.4**	**6.0 %**	**4.4**	**2.5**	**0.4**	**1.7**	**0.0**	**48.7**
3,5 %	52.3	6.0 %	4.4	2.5	0.4	1.7	0.0	48.7
1,0 %	0.1	0.0 %	0.0	0.0	0.0	0.0	0.0	0.0
Individual pension insurance	**356.7**	**41.0 %**	**12.4**	**23.5**	**1.4**	**14.8**	**0.1**	**353.9**
4,5 %	262.8	30.2 %	6.0	19.0	0.9	11.9	0.0	264.9
3,5 %	72.4	8.3 %	3.5	3.7	0.3	2.4	0.0	70.2
2,5 %	21.5	2.5 %	2.9	0.8	0.2	0.5	0.1	18.8
Savings insurance	**121.4**	**13.9 %**	**3.4**	**20.1**	**0.8**	**4.1**	**0.0**	**134.8**
4,5 %	30.9	3.6 %	1.9	3.8	0.4	1.4	0.0	31.7
3,5 %	27.6	3.2 %	0.9	8.2	0.2	1.1	0.0	34.0
2,5 %	62.9	7.2 %	0.6	8.1	0.2	1.6	0.0	69.1
Risk insurance	**44.1**	**5.1 %**	**20.6**	**14.7**	**7.1**	**1.5**	**0.1**	**46.6**
Unit linked insurance	**282.8**	**32.5 %**	**59.8**	**18.4**	**3.4**	**0.0**	**0.0**	**210.1**
Savings insurance	195.1	22.4 %	48.7	17.9	2.2	0.0	0.0	145.5
Individual pension insurance	84.8	9.7 %	10.0	0.5	1.1	0.0	0.0	63.2
Group pension	2.9	0.3 %	1.1	0.0	0.1	0.0	0.0	1.4
Reservation for future bonuses	**2.5**	**0.3 %**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**	**2.7**
Reservation for increased life expectancy	**2.5**	**0.3 %**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Reservation for lowered discount rate	**7.9**	**0.9 %**	**0.0**	**0.0**	**0.0**	**-0.4**	**0.0**	**8.3**
	870.3	**100.0 %**	**100.6**	**79.2**	**13.1**	**21.7**	**0.0**	**805.1**

Estimated cash flow distribution over time, interest-bearing contracts

31.12.2010 EUR million	Duration	2011–2012	2013–2014	2015–2019	2020–2024	2025–2031	2032–2041	2042–
Savings insurance	**7.5**	**29.9**	**24.9**	**43.8**	**24.5**	**18.2**	**15.0**	**14.7**
4,5%	4.6	9.5	7.3	16.2	1.8	1.6	0.6	0.2
3,5%	9.7	5.0	2.4	9.5	9.9	5.5	4.7	5.3
2,5%	8.7	15.0	15.2	18.1	12.8	11.2	9.8	9.2
Pensions	**12.2**	**32.6**	**42.7**	**115.2**	**129.5**	**168.0**	**153.8**	**106.3**
4,5%	8.9	39.2	43.1	96.1	88.8	92.1	34.1	5.5
3,5%	14.2	-0.9	3.6	24.9	40.5	62.5	81.2	43.2
2,5%	22.9	-5.8	-4.0	-5.8	0.2	13.4	38.5	57.6
Other insurance	**7.4**	**7.4**	**2.6**	**3.5**	**0.7**	**0.3**	**1.8**	**1.2**
	10.5	**69.8**	**70.2**	**162.5**	**154.7**	**186.5**	**170.7**	**122.3**

Liabilities (Technical provisions) – Non-life Insurance business

EUR million	TP 31.12.2010	Duration	%	Premiums	Claims paid	Expense charges	TP 31.12.2009
Statutory accident insurance	37.9	11.3	35.6 %	12.9	-8.3	-2.7	36.2
Other accident insurance	2.6	1.3	2.4 %	3.3	-2.8	-1.0	2.6
Fire and other property damage	11.5	0.8	10.8 %	15.8	-13.9	-4.3	12.1
Motor vechicle responsability insurance	42.7	11.7	40.2 %	14.9	-10.5	-3.3	40.9
Land vechicle	7.7	0.6	7.2 %	13.5	-10.0	-2.7	7.5
Other direct insurace	9.1	2.6	8.6 %	6.0	-4.8	-2.3	9.1
Reinsurance liability	1.1	1.3	1.0 %	0.1	-0.6	-0.1	1.3
Total, gross	**112.5**	**1.3**	**105.8 %**	**66.5**	**-51.0**	**-16.3**	**109.7**
Of which known pensions	50.7	12.7	47.7 %				49.4
Reinsurer's share	-6.2		-5.8 %	-5.1	2.4	0.0	-8.8
Total, net (after reinsurance)	**106.3**		**100.0 %**	**61.4**	**-48.6**	**-16.3**	**100.9**

With regard to the non-life insurance company, the importance of interest rate risk in provisions is different as non-life insurance products do not involve conditions of guaranteed interest, and in terms of cash flow, provisions are therefore less sensitive to changes in the interest rate situation. Nevertheless, the interest rate levels do affect the market value of provisions through the discount rate. An ALM risk also arises in the non-life insurance business as a result of the differences between the cash flow structure of investments and provisions. In contrast to the evenly diminishing provisions structure for the life insurance business, provisions for non-life insurance are now more concentrated in two peaks, one 'short' (duration <2 years) that comes from risk insurance policies, and one 'long' (duration approx. 10 years) that comes from pension pay outs and statutory motor liability and accident insurance. A conventional short-term investment strategy therefore suits provisions for the non-life insurance business well, provided that the portfolio is supplemented with some approx. 10-year investments in order to match the long provisions. Within the non-life insurance business, such a strategy has been pursued and investments and provisions are generally well synchronised.

6.3.3 Equity risk

Equity risk occurs if the market prices of equity and comparable holdings fall. In the life insurance company, all stock market investments have been disposed of, as planned, from the position totalling EUR 0.3 million at the end of 2009. No listed shares have been included in the non-life insurance company's investment portfolio since 2009. However, unlisted shares and private equity funds are included in both companies' portfolios. The total market value of such shares in the life insurance company's portfolio is EUR 9.0 (9.4) million and EUR 1.2 (2.0) million in the non-life insurance company's portfolio. The life insurance company also has exposure to hedge funds, which partly involves equity risk and is subject to disposal. At the year-end, this amounted to EUR 7.2 (11.3) million.

Both companies also have structured interest-linked instruments in their portfolios, which partly incur equity risk. In the life insurance company, this exposure is EUR 3.9 (6.9) million and in the non-life insurance company this is EUR 4.9 (6.7) million.

6.3.4 Real estate risk

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

The life insurance company's real estate risk arises through investments in indirect real estate instruments such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At the year-end, total real estate investments stood at EUR 38.6 (38.0) million. The non-life insurance company primarily invests in direct holdings, which are rented out to various tenants under long-term rental agreements. Total real estate holdings for the non-life insurance company amounted to EUR 25.9 (28.2) million. Limits for individual real estate exposures have been established at Group level. The risk is managed through diversification of investment properties.

6.3.5 Exchange rate risk

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

The life insurance company's exchange rate risk comes from holdings in interest funds that invest in emerging markets government bonds which are issued in USD or local currencies. Some hedge fund holdings are also in USD. The dollar risk has been hedged through currency-related forward contracts. At the end of the period, the life insurance company had underlying investments totalling EUR 3.8 (3.2) million with net exchange rate risk. The non-life insurance company has holdings in interest funds that invest in growth market government bonds. In total, net exchange rate risk in the non-life insurance company is EUR 0.9 (0.0) million.

7. Insurance risks

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

7.1 Insurance risks in the life insurance company

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

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

During the year, the company continued development of actuarial methods future estimation of insurance contract cash flows. The methods comprise modelling the different factors that affect time and size of cash flows. Such factors are e.g. different biometric factors and management costs. Customer behaviour and actions that the company is expected to take are also taken into account.

With the future Solvency II rules, insurance risks will be a more explicit part of capital requirements. The requirements will mainly be based on stress tests in order to study changes in the market value of provisions if changes regarding assumptions made occur in factors that affect cash flows. Such techniques are used to estimate insurance risks in the company's ALM model.

7.2 Insurance risks in the non-life insurance company

Aktia Non-Life Insurance holds a concession for all lines of non-life insurance. The sale of direct insurance is concentrated in Finland's bilingual coastal region, and the customer base mainly comprises private households, farms, private entrepreneurs and small and medium-sized companies. The largest individual insurance classes are statutory accident insurance (workers' compensation) and motor liability insurance, which accounted for just over 76 (76)% of total provisions at the end of 2010. Within these insurance classes, the company's own liability is limited with regard to exceptionally large insured events by national equalisation pools that all insurance companies with comparable operations participate in. The company has its own reinsurance for motor liabilities. Within these classes, pricing is also partly regulated, as are terms and conditions and the policy for granting insurance cover, and the ability to provide company-specific solutions is therefore limited. For other insurance classes, the company is free to set premium levels. For most policies, premiums are determined using the applicable tariffs and various premium calculators, but for highly complex policies or those that cover larger risk entities separate assessment is always carried out. The basic tariffs are developed and maintained by the underwriting unit with the support of the underwriting control unit and the actuarial division.

The main aim of a non-life insurance policy is to transfer risks from the policyholder to the insurance company. The company undertakes to compensate the policyholder if an insured event occurs, and generally the premiums paid in for each insurance product will largely cover total damages. It is therefore extremely important in terms of profitability that the risks involved can be assessed correctly, the compensation costs can be estimated correctly and the product can be priced correctly. Statistically speaking, the events insured under direct risk policies are typically more difficult to estimate than life expectancy for example and underwriting risk in non-life insurance constitutes a significant risk compared to in the life insurance sector. In non-life insurance, the risks for the specific insured events (fire, theft, storm etc) are usually taken into account as part of the underwriting risk.

In the non-life insurance company, responsibility for pricing and estimating profitability falls to the underwriting unit, and the underwriting control unit which is responsible for

Loss ratio for the Non-life company

EUR million	2010 Premiums	2010 Claims paid *)	2010 Loss ratio	2009 Premiums	2009 Claims paid *)	2009 Loss ratio
Statutory accident insurance	12.9	-8.3	64.7 %	13.3	-9.5	71.4 %
Other accident insurance	3.3	-2.8	85.2 %	3.8	-2.2	57.1 %
Fire and other property damage	15.8	-13.9	88.1 %	14.5	-18.9	130.7 %
Motor vechicle responsability insurance	14.9	-11.0	74.1 %	14.2	-14.2	100.1 %
Land vechicle	13.5	-10.0	73.9 %	12.6	-9.9	78.6 %
Other direct insurace	6.0	-4.8	80.6 %	5.7	-7.3	128.1 %
Reinsurance liability	0.1	-0.6	447.0 %	1.2	-0.6	52.7 %
Total, gross	**66.5**	**-51.5**	**77.5 %**	**65.3**	**-62.7**	**95.9 %**
Reinsurer's share	-5.1	2.4	46.9 %	-4.8	7.5	156.8 %
Total, net (after reinsurance)	**61.4**	**-49.1**	**80.0 %**	**60.6**	**-55.2**	**91.1 %**

*) Claims paid includes loss adjustment expenses

risk assessment. The profitability of the insurance operations is monitored by means of monthly reporting and quarterly monitoring meetings. Here, the responsible staff from the underwriting unit and other units provide information to management and analyse circumstances where the actual profitability differs from the budget or plans set down.

Non-life insurance operations are exposed to random variations in the frequency of claims, due to the nature of the business. Reinsurance is thus particularly important in this sector. A reinsurance programme is set out each year within the Group's capital and risk management process and by the company's Board of Directors. The aim of this programme is to limit the company's compensation liabilities so that its solvency capital is sufficient and to reduce the volatility of the company's results. The remaining net liability is also adjusted to satisfy both internal and regulatory capital requirements. In order to monitor the frequency of claims, both internally and towards reinsurers, and the claims adjustment process overall, monthly claims meetings are held focusing on all loss events that are significant for the insurance business.

In 2010, Aktia Non-Life Insurance continued purging its customer base. Premium expectations and levels, especially concerning large customers, were reviewed. The gross loss ratio was reduced by almost 20 percentage points from 2009 to 77.5% in 2010, partly as a result of the work done, even if the gross loss ratio is strongly affected by contingency. The net change in loss ratio from 91.1% in 2009 to 80.8% in 2010 illustrates the role played by reinsurance to reduce the volatility of the company's results.

The upcoming Solvency II rules will impose new requirements on the risks that are to be distinguished and stressed as separate entities in terms of insurance risks. For non-life insurance, this is to be done at product level and the risks that are to be taken into account are underwriting risk and cancellation risk. The non-life insurance classes that are based on biometric parameters are also to be stressed separately for the same biometric risks as for life insurance. Traditionally, however, the mathematical method used for calculating the extent of provisions is different, as non-life insurance companies usually use deterministic methods instead of stochastic ones. The non-life insurance company's need for new extensive models is therefore less than the life insurance company's.

8. 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.

8.1 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

The Bank Group's capital adequacy (EUR 1,000)

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 counterparty 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 minimum requirement)	291,825	320,906	302,917	290,712	274,965

1) No capital requirement due to small 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 sheet 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.

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

Year	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 standard 4.3i entered into force in December 2010.

The finance and insurance conglomerate's capital adequacy

Summary	12/2010	9/2010	6/2010	3/2010	12/2009
Tier 1 capital for the group	450,076	439,920	422,749	396,683	400,687
Sector-specific items	229,424	265,037	248,320	261,535	233,187
Intangible assets and other specific reductions	-131,313	-129,735	-120,413	-118,934	-120,024
Other sector-specific not transferrable items	-	-39	-1,055	-	-
Conglomerate´s total capital base	**548,188**	**575,183**	**549,601**	**539,283**	**513,851**
Capital requirement for banking business	296,073	288,910	286,780	284,851	279,384
Capital requirement for insurance business	47,836	47,365	47,265	47,265	47,091
Minimum amount for capital base	**343,910**	**336,275**	**334,045**	**332,116**	**326,475**
Conglomerate´s capital adequacy	**204,278**	**238,908**	**215,556**	**207,168**	**187,376**
Capital adequacy ratio, %	**159.4 %**	**171.0 %**	**164.5 %**	**162.4 %**	**157.4 %**

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

The bank group's total exposures by exposure class before and after the effect of risk mitigation techniques

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

	Exposure class	Contractual exposure	Impairment	Net exposure	Financial guaran-tees and other substitutions	Exposure after substitution	Financial collaterals	Exposure after collaterals	Risk-weighted amount	Capital requirement
1	States and central banks	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 corporate 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.

The bank group's average total exposures before the effect of credit risk mitigation techniques 2010

	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 corporate 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**

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

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

	Exposure class	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
1	States and central banks	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 corporate 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**

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

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

	Exposure class	Finland	Other Nordic countries	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 corporate 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

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

Exposures with past due payments are entirely domestic.

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

		Exposure class				
Counterparty	**Bransch**	**Corporate exposures**	**Retail exposures**	**Real estate collateral-ised**	**Past due items**	**Total**
Corporate						
	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, consulting and 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**	**41,068**	**14,121**	**14,236**	**31,043**	**8,837**
Write-downs on corporate loans by branch						
Research, consulting and 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 Group's segment reporting

Income statement	Banking Business		Asset Management		Life Insurance		Non-Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Net interest income	145,546	146,869	3,606	2,582	-	-	-	-	-304	1,999	458	797	149,307	152,248
Dividends	2,399	104	-	10	-	-	-	-	790	1,846	-2,084	-1,354	1,105	607
Net commission income	41,742	33,665	17,196	13,151	-	-	-	-	6,749	8,403	-8,657	-8,873	57,030	46,346
Net income from life insurance	-	-	-	-	18,061	22,204	-	-	-	-	-1,584	-8,213	16,477	13,991
Net income from non-life insurance	-	-	-	-	-	-	24,228	14,314	-	-	-1,594	843	22,634	15,158
Net income from financial transactions	-5,576	3,108	-9	-245	-	-	-	-	-	-3,518	-	1,481	-5,585	826
Net income from investment properties	9	26	-	-	-	-	-	-	417	467	93	-87	518	406
Other operating income	4,369	2,562	341	114	-	-	854	352	6,057	2,973	-3,705	-2,436	7,916	3,565
Total operating income	**188,490**	**186,335**	**21,134**	**15,613**	**18,061**	**22,204**	**25,081**	**14,667**	**13,709**	**12,170**	**-17,074**	**-17,842**	**249,402**	**233,147**
Staff costs	-38,405	-35,994	-9,146	-8,071	-5,498	-5,457	-10,871	-13,666	-18,492	-15,973	-432	-58	-82,842	-79,219
Other administrative expenses	-55,096	-50,009	-5,913	-4,888	-7,158	-7,385	-7,830	-7,025	13,603	14,115	12,146	10,410	-50,247	-44,783
Negative goodwill recorded as income	-	-	-	-	-	-	-	-	-	-	-	140	-	140
Depreciation of tangible and intangible assets	-2,264	-2,328	-510	-759	-493	-425	-554	-587	-2,718	-2,085	-700	-700	-7,237	-6,884
Other operating expenses	-10,112	-11,599	-1,151	-1,015	-	-	-704	-461	-7,728	-10,147	990	-191	-18,705	-23,413
Total operating expenses	**-105,876**	**-99,930**	**-16,720**	**-14,733**	**-13,149**	**-13,267**	**-19,958**	**-21,739**	**-15,334**	**-14,089**	**12,005**	**9,600**	**-159,031**	**-154,159**
Impairment and reversing items of tangible and intangible assets	-	-	-	-	-	-	-	-	-	-	-	-563	-	-563
Write-downs on credits, other commitments and outstanding premium receivables	-12,950	-30,980	-	-	-	-	-1,123	-668	-	-101	-	-	-14,073	-31,750
Share of profit from associated companies	-	-	-	-	-	-	-	-	-	-	1,594	319	1,594	319
Operating profit	**69,664**	**55,425**	**4,414**	**880**	**4,912**	**8,936**	**4,001**	**-7,741**	**-1,625**	**-2,020**	**-3,475**	**-8,486**	**77,892**	**46,994**
Contribution of insurance businesses to the Groups' operating profit					3,934	2,668	1,663	-7,702						

Balance sheet	Banking Business		Asset Management		Life Insurance		Non-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**	**31.12.2010**	**31.12.2009**
Cash and balances with central banks	269,721	336,397	90	110	6,929	3,075	3,483	5,639	-	-	-6,859	-4,262	273,364	340,960
Financial assets reported at fair value via the income statement	-	3,599	-	-	14,110	10,450	6,760	8,405	-	-	-	-	20,870	22,453
Financial assets available for sale	2,593,625	2,655,803	8,046	7,338	664,639	664,861	112,258	101,097	22,368	29,985	-17,283	-26,123	3,383,652	3,432,962
Loans and other receivables	6,652,056	6,173,694	53,765	34,402	-	-	-	-	58	57	-68,327	-66,591	6,637,551	6,141,562
Investments for unit-linked provisions	-	-	-	-	279,964	208,853	-	-	-	-	-	-	279,964	208,853
Other assets	389,639	662,873	6,980	4,967	19,662	19,355	34,425	38,463	357,306	20,655	-384,261	-337,264	423,752	409,049
Total assets	**9,905,041**	**9,832,365**	**68,880**	**46,816**	**985,304**	**906,594**	**156,926**	**153,604**	**379,732**	**50,698**	**-476,730**	**-434,239**	**11,019,153**	**10,555,839**
Deposits	4,189,837	4,607,147	179,779	154,690	-	-	-	-	1,892	2,164	-15,180	-10,416	4,356,327	4,753,586
Debt securities issued	3,397,792	2,758,144	-	-	-	-	-	-	-	-	-15,878	-10,217	3,381,914	2,747,926
Technical provision for insurance business	-	-	-	-	870,168	805,119	112,487	109,739	-	-	7,185	9,580	989,841	924,437
Other liabilities	1,845,427	1,508,748	9,274	6,698	17,329	14,070	17,649	19,628	79,712	258,849	-175,610	-144,260	1,793,781	1,663,733
Total liabilities	**9,433,055**	**8,874,039**	**189,053**	**161,388**	**887,497**	**819,188**	**130,137**	**129,366**	**81,604**	**261,013**	**-199,482**	**-155,313**	**10,521,863**	**10,089,682**

G4 Businesses acquired

Aktia Plc has not acquired any new entities in 2010.

The merger with Veritas Non-Life Insurance was concluded on 1 January 2009, where after the non-life insurance business has been operated by Aktia Non-Life Insurance, a 100 %-owned subsidiary of Aktia plc. As merger compensation, Aktia plc issued 6,800,000 new shares. The non-life insurance business' acquisition balance sheet was presented in Note 4 in the financial statements 31.12.2009.

G5 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	935	733
Interest income from claims on public and public sector entities	150,354	188,950
Interest income from finance lease contracts	875	681
Interest income from loans and other receivables	152,164	190,364
Interest income from financial assets held until maturity	448	936
Interest income from hedging instruments	274	-1,414
Other interest income	1,163	108
Total	**240,326**	**285,576**
Interest expenses		
Interest expenses from deposits, credit institutions	-21,002	-33,903
Interest expenses from deposits, other public entities	-33,409	-45,094
Interest expenses from deposits	-54,411	-78,997
Interest expenses for debt securities issued to the public	-72,717	-73,032
Interest expenses for subordinated liabilities	-8,975	-9,138
Interest expenses from securities issued and subordinated liabilities	-81,692	-82,170
Interest expenses for hedging instruments	45,128	27,880
Other interest expenses	-43	-40
Total	**-91,019**	**-133,328**
Net interest income	**149,307**	**152,248**
Deposits- and lending	54,762	61,261
Hedging, interest rate risk management	58,265	44,860
Other	36,280	46,127
Net interest income	**149,307**	**152,248**

G6 Dividends

	2010	2009
Dividend income from shares available for sale	1,105	607
Total	**1,105**	**607**

Life- and Non-Life insurance business' dividends are included in net income from investments, see notes G8 and G9. Life insurance business' dividends are EUR million 0.0 (1.0) and Non-Life insurance dividends are EUR million 0.3 (0.2).

G7 Commission income and expenses

	2010	2009
Commission income		
Lending	8,379	8,308
Borrowing	168	131
Payment transactions	14,322	11,457
Asset management services	38,922	29,291
Brokerage of insurance	1,511	1,811
Guarantees and other off-balance sheet commitments	705	711
Real estate agency	7,987	8,061
Other commission income	1,799	899
Total	**73,792**	**60,669**

Commission expenses		
Bank fees paid	-613	-626
Other commission expenses	-16,149	-13,696
Total	**-16,762**	**-14,322**
Net commission income	**57,030**	**46,346**

G8 Net income from life-insurance

	2010	2009
Income from insurance premiums	100,710	80,510
Net income from investments	25,523	442
Insurance claims paid	-79,174	-79,752
Net change in technical provisions	-30,582	12,791
Net income from life insurance	**16,477**	**13,991**
Premium income		
Premium income from insurance agreements		
Insurance agreements	101,192	80,867
Reinsurance agreements	35	33
Total gross income from premiums before the assuming company's share	**101,227**	**80,900**
Assuming company's share	-517	-390
Total income from premiums	**100,710**	**80,510**
Premium income from insurance agreements with a discretionary element		
Saving plans	3,493	4,861
Individual pension insurance	12,366	14,664
Group pension insurance	4,407	3,733
Personal insurance	20,143	19,923
Group life insurance for employers	414	1,387
Other group life insurance	45	50
Risk insurance	20,602	21,359
Total	**40,868**	**44,618**
Premium income from unit-linked agreements		
Saving plans	48,726	25,227
Individual pension insurance	9,976	10,138
Group pension insurance	1,140	527
Total	**59,841**	**35,892**
Total income from premiums	**100,710**	**80,510**
On-going and one-off premiums from direct insurance		
On-going premiums	69,249	63,069
One-off premiums	31,461	17,441
Total income from premiums	**100,710**	**80,510**
Net income from investments		
Net income from financial assets valued at fair value through income statement		
Derivative contracts		
Profit and losses	2,069	-870
Total	**2,069**	**-870**
Interest-bearing securities		
Interest income	193	474
Profit and losses	-	781
Other income and expenses	-558	-
Total	**-365**	**1,255**

Net income from financial assets available for sale		
Interest income	21,636	20,722
Capital gains and losses	-1,257	-2,867
Impairments	-102	-14,030
Other income and expenses	-15	-62
Interest-bearing securities	20,261	3,764
Dividends	28	1,038
Capital gains and losses	5,504	2,474
Impairments	-3,784	-9,558
Other income and expenses	1,919	2,449
Shares and participations	3,667	-3,597
Total	**23,928**	**166**
Expenses from financial liabilities		
Subordinated liabilities	-109	-109
Total	**-109**	**-109**
Total for the Insurance business' net income from the investment business	**25,523**	**442**
Exchange rate differences included in net income from the investment business	-737	202

Insurance claims paid

Claims paid from insurance agreements with discretionary element

Saving plans		
Repayment of saving sums	-13,769	-16,396
Payments in the event of death	-2,715	-2,983
Repurchase	-3,606	-7,350
Total	**-20,090**	**-26,729**
Individual pension insurance		
Pensions	-22,341	-19,653
Payments in the event of death	-323	-842
Repurchase	-813	-1,119
Total	**-23,476**	**-21,614**
Group pension insurance		
Pensions	-2,459	-2,553
Repurchase	-15	-33
Other	-42	-92
Total	**-2,515**	**-2,678**
Risk insurance		
Individual insurance	-14,014	-12,727
Group life insurance for employers	-660	-883
Other group life insurance	-24	-18
Total	**-14,697**	**-13,628**
Total claims paid from insurance agreements with discretionary element	**-60,779**	**-64,649**

Claims paid from unit-linked insurances

Saving plans		
Repayment of saving sums	-2,200	-1,841
Payments in the event of death	-4,800	-4,376
Repurchase	-10,876	-8,516
Total	**-17,876**	**-14,733**

Individual pension insurance		
Pensions	-284	-155
Payments in the event of death	-13	-81
Repurchase	-212	-134
Total	**-510**	**-371**
Group pension insurance		
Payments in the event of death	-9	-
Total	**-9**	**-**
Total claims paid from unit-linked insurances	**-18,395**	**-15,104**
Total claims paid	**-79,174**	**-79,752**
Change in provisions, interest-linked policies		
Changes in premium provisions, interest-linked	-7,955	-4,220
Changes in claims provisions, interest-linked	15,256	36,792
Change in provisions, interest-linked policies	**7,301**	**32,572**
Net change in provisions, unit-linked policies		
Changes in claims provisions, unit-linked	-232	-920
Changes in premium provisions, unit-linked	-72,118	-59,594
Changes in value of unit-linked investments, net	34,468	40,734
Change in provisions, unit-linked policies	**-37,883**	**-19,781**
Total net change in technical provisions	**-30,582**	**12,791**

G9 Net income from non-life insurance

	2010	**2009**
Premium income earned	61,375	60,561
Net income from investments	3,493	1,563
Insurance claims paid	-41,930	-42,216
Change in provisions for outstanding claims	-304	-4,750
Net income from non-life insurance	**22,634**	**15,158**
Premium income, earned		
Insurance agreements		
Premium income written, direct insurance	67,058	65,101
Premium income written, reinsurance	137	1,201
Total income premiums written	**67,195**	**66,302**
Reinsurers' share	-5,234	-4,824
Total premiums written after reinsurer's share	**61,961**	**61,478**
Change in provision for unearned premiums	-677	-960
Reinsurers' share of unearned premiums	91	43
Net change in the provision for unearned premiums	**-586**	**-918**
Premium income earned	**61,375**	**60,561**
Net income from investments		
Net income from financial assets valued at fair value through income statement		
Interest-bearing securities		
Interest income	54	121
Capital gains and losses	7	152
Valuation gains and losses	353	1,281
Total	**413**	**1,555**

Net income from financial assets available for sale		
Interest-bearing securities		
Interest income	3,888	3,217
Capital gains and losses	602	-9
Other income and expenses	0	0
Total	**4,490**	**3,208**
Shares and participations		
Dividends and profit participation	307	233
Capital gains and losses	-562	-2,629
Other income and expenses	0	0
Total	-254	-2,395
Total	**4,236**	**813**
Net income from investment properties		
Rental income	1,930	1,969
Direct expenses from investment properties, which generated rental income during the accounting period	-378	-454
Direct expenses from investment properties, which did not generate rental income during the accounting period	-2	-11
Capital gains and losses	217	-305
Write-downs and impairments	-853	-654
Total	**914**	**545**
Net income from commercial properties		
Expenses from commercial properties	-	-37
Capital gains and losses	-234	-
Write-downs and impairments	-47	-7
Total	**-282**	**-44**
Other net income		
Unwinding of discount	-1,871	-1,377
Other income and expenses	83	71
Total	**-1,788**	**-1,306**
Net income from investments	**3,493**	**1,563**
Exchange rate differences included in net income from the investment business	-5	-9

Insurance claims paid

Insurance claims paid	-41,758	-44,620
Reinsurers' share	3,541	7,003
Claims paid in the form of annuities	-5,084	-4,684
Reinsurers' share	1,371	85
Total	**-41,930**	**-42,216**

Change in provisions for outstanding claims

For claims of a life annuity nature (known losses)	-1,360	-5,921
For other claim-specific reserves	-1,423	-1,937
For collective reserves (known and unknown losses)	-2,417	-932
For adjusting losses incurred	630	-432
Breakdown of discounting	1,871	1,377
Breakdown of fair value allocation on acquisition	2,395	3,095
Total	**-304**	**-4,750**
Claims paid total	**-42,234**	**-46,966**

G10 Non-life insurance result by insurance class

2010

	Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before reinsurers' profit participation **)	Reinsurers' share	Balance on technical account
Statutory workers' compensation	12,863	12,864	-8,323	-2,656	116	2 001
Other accident and health	2,715	3,266	-2,782	-979	121	-374
Fire and other damage to property	16,530	15,825	-13,943	-4,303	-3,061	-5483
Motor liability	15,094	14,900	-10,549	-3,302	282	1 331
Land vehicle	13,763	13,535	-10,003	-2,678	39	893
Others	6,093	5,991	-4,826	-2,320	-208	-1 363
Direct insurance total	**67,058**	**66,381**	**-50,426**	**-16,239**	**-2,711**	**-2 995**
Reinsurance assumed	137	137	-613	-70	-	-546
Total	**67,195**	**66,518**	**-51,039**	**-16,309**	**-2,711**	**-3 541**

*) Operating expenses by function of EUR -4.5 million, reserves of EUR -1.2 million for longer life-expectancy and EUR 0.5 million of other income and expenditure in the technical provision have been allocated to claims expenditure.

**) Includes EUR 1.1 million as write-downs of outstanding premium receivables (credit losses)

2009

	Premiums written before reinsureres' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before reinsurers' profit participation **)	Reinsurers' share	Balance on technical account
Statutory workers' compensation	13,347	13,349	-9,528	-2,173	-41	1,607
Other accident and health	3,943	3,842	-2,195	-1,032	-15	600
Fire and other damage to property	14,772	14,479	-18,919	-4,530	1,870	-7,099
Motor liability	14,486	14,178	-14,197	-3,530	708	-2,841
Land vehicle	12,761	12,560	-9,868	-2,860	-160	-328
Others	5,792	5,732	-7,343	-2,478	360	-3,728
Direct insurance total	**65,101**	**64,140**	**-62,049**	**-16,602**	**2,722**	**-11,789**
Reinsurance assumed	1,201	1,202	-634	-271	-	297
Total	**66,302**	**65,342**	**-62,682**	**-16,873**	**2,722**	**-11,492**

*) Operating expenses by function of EUR 5.1 million have been allocated to claims expenditure

**) Includes EUR 0.7 million as write-downs of outstanding premium receivables (credit losses)

G11 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
	-	**68**
Total	**70**	**239**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	1,080	-
Total	**1,080**	**-**
Valuation gains and losses		
Derivative instruments	-4,984	238
Total	**-4,984**	**238**
Total	**-3,904**	**238**

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	**-**	**-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 fair value of hedge instruments, net	4,023	6,824
Repayable on demand liabilities	66	-1,608
Bonds issued	-4,343	-3,408
Changes in fair value of items 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**	**826**

G12 Net income from investment properties

	2010	**2009**
Rental income	573	799
Capital gains	353	84
Reversal of impairment losses	50	-
Other income from investment properties	1	0
Capital losses	-10	-56
Depreciation	-3	-3
Direct expenses from investment properties, which generated rental income duringthe accounting period	-446	-419
Net income from investment properties	**518**	**406**

Non-Life insurance business' net income from investment properties are included in net income from investments, see note G9, and are EUR 0.9 (0.5) million.

G13 Other operating income

	2010	**2009**
Profit from sale of tangible and intangible assets	299	429
Other income from the credit institution's own business	3,828	2,348
Non-Life Insurances' provision for guarantee scheme	496	-
Other operating income	3,293	789
Total	**7,916**	**3,565**

G14 Staff costs

	2010	2009
Salaries and fees	-68,325	-65,347
Pension costs	-11,155	-10,864
Other indirect employee costs	-3,363	-3,008
Indirect employee costs	-14,517	-13,872
Total	**-82,842**	**-79,219**

Number of emplyees 31 December		
Full-time	1,111	1,150
Part-time	146	120
Temporary	166	139
Total	**1,423**	**1,409**

Number of employees converted to full-time equivalents	1,186	1,207
Full-time equivalent average number of employees for the reporting period	1,183	1,213

G15 Other administration expenses

	2010	2009
Other staff expenses	-6,723	-5,924
Office expenses	-5,364	-5,147
IT-expenses	-23,792	-20,469
Communication expenses	-4,401	-4,771
Representation and marketing expenses	-8,468	-6,599
Other administrative expenses	-1,498	-1,873
Total	**-50,247**	**-44,783**

G16 Depreciation of intangible and tangible assets

	2010	2009
Depreciation of tangible assets	-2,684	-2,515
Depreciation of intangible assets	-4,552	-4,369
Total	**-7,237**	**-6,884**

G17 Other operating expenses

	2010	2009
Rental expenses	-9,513	-9,402
Expenses for commercial properties	-1,798	-1,656
Insurance- and security expenses	-2,417	-2,453
Monitoring, control and membership fees	-1,346	-1,510
Other operating expenses *)	-3,631	-8,392
Total	**-18,705**	**-23,413**

*) Other operating expenses 2009 include costs for listing of Aktia plc as well as transfer tax from the sale of Aktia Life Insurance Ltd from Aktia Bank plc to Aktia plc.

Auditors' fees

During the financial period, the auditors have been remunerated for the following services.

Statutory auditing	393	230
Services related to auditing	38	228
Tax counselling	7	8
Other services	-	311
Total	**438**	**777**

G18 Impairment and reversal of impairment on intangible and tangible assets

	2010	2009
Impairment of tangible and intangible assets	-	-563
Total impairment losses	**-**	**-563**

Non-Life insurance business' impairment of investment properties are included in net income from investments, see note G9, and are EUR 0.5 (0.3) million.

G19 Taxes

	2010	2009
Income taxes on the ordinary business	-17,776	-30,259
Income taxes from previous financial years	-335	23
Changes in deferred taxes	-1,744	17,238
Total	**-19,854**	**-12,998**

More information on deferred taxes is presented in note G32. 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:

Profit before tax	77,892	46,994
Tax calculated on a 26% tax rate	20,252	12,218
Non-deductible expenses	248	544
Tax free income	-474	-240
Unused write-downs for tax purposes	-207	-245
Utilisation of previously unrecognised tax losses	-37	-
Tax on the share of the profit from associated undertakings	-414	-83
Income taxes from previous financial years	335	-23
Other	150	828
Income tax	**19,854**	**12,998**

Taxes booked directly against the equity is attributable to the fund at fair value and is specified in note G44.

G20 Earnings per share

	2010	2009
Profit for the financial year attributable to shareholders in Aktia plc	55,474	34,278
Average number of A shares	46,426,975	46,395,556
Average number of R shares	20,050,850	20,050,850
Average number of shares	66,477,825	66,446,406
Earnings per share (EPS), EUR (excluding own shares)	**0.83**	**0.52**
Earnings per share (EPS), EUR, after dilution (excluding own shares)	**0.83**	**0.52**

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

G21 Cash and balances with central banks

	2010	2009
Cash in hand	9,605	9,959
Insurance operations' cash and bank	3,553	4,453
Bank of Finland current account	260,205	326,547
Total	**273,364**	**340,960**

G22 Financial assets reported at fair value via the income statement

	2010	2009
Financial assets held for trading, banking business	-	3,599
Insurance operations' financial assets reported at fair value through income statement	20,870	18,854
Total	**20,870**	**22,453**

G23 Financial assets available for sale

	2010	2009
Interest bearing securities, central and local goverment	100,368	93,922
Interest bearing securities, credit institutions	2,475,566	2,535,771
Interest bearing securities, other	15,490	26,450
Interest-bearing securities, banking business	2,591,424	2,656,143
Interest bearing securities, central and local goverment	214,352	240,963
Interest bearing securities, credit institutions	204,830	147,416
Interest bearing securities, other	128,494	141,673
Interest-bearing securities, Life insurance	547,676	530,052
Interest bearing securities, central and local goverment	62,679	64,976
Interest bearing securities, credit institutions	28,030	13,668
Interest bearing securities, other	11,176	12,492
Interest-bearing securities, Non-life insurance	101,885	91,136
Total interest-bearing securities	3,240,985	3,277,331
Publicly quoted shares and holdings	24,938	28,226
Shares and holdings that are not publicly quotes	1,980	2,398
Shares and holdings, Banking business	26,918	30,624
Publicly quoted shares and holdings	60,250	69,801
Shares and holdings that are not publicly quotes	47,987	47,382
Shares and holdings, Life insurance business	108,237	117,183
Publicly quoted shares and holdings	3,177	2,816
Shares and holdings that are not publicly quotes	4,335	5,008
Shares and holdings, Non-life insurance business	7,512	7,824
Total shares and holdings	142,667	155,631
Total financial assets available for sale	**3,383,652**	**3,432,962**

Write-downs on financial assets available for sale stood at EUR 3.9 million (EUR 24.0 million) and are a result of significant or long-term negative value changes in shares and share funds and in interest-bearing securities where the issuer has noted an inability to pay.
As at 31 December 2010, write-downs were recorded against the value of investments in shares and participations as above totalling EUR 3.8 million (EUR 9.6 million), which is attributable to the life insurance company's investments. Write-downs on interest-bearing securities amounted to EUR 0.1 million (EUR 14.4 million), of which EUR 0.1 million (EUR 14.0 million) is attributable to the life insurance company's investments. 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	2010	2009
Interest-bearing securities		
Banking business	-	388
Life insurance business	102	14,030
Non-Life Insurance business	-	-
Shares and participations		
Banking business	-	-
Life insurance business	3,784	9,557
Non-Life Insurance business	-	-
Totalt	**3,886**	**23,975**

Above mentioned write-downs reported in income statement are included in notes G8, G9 and G11.

G24 Financial assets held until maturity

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

G25 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	101,215	107,670	106,189
Currency derivatives	1,765	1,586	3,076	3,026
Shares derivatives	4,929	4,929	90	90
Other derivatives	893	893	547	547
Other derivative instruments	110,615	108,623	111,383	109,852
Total	**230,158**	**149,493**	**209,966**	**132,165**

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 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 agrements	-	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	1,034,230	3,296,230	57,985	56,636
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**	**1,514,230**	**7,565,758**	**103,028**	**101,215**
Forward rate agreements	168,454	-	-	168,454	1,765	1,586
Total forward rate agreements	**168,454**	**-**	**-**	**168,454**	**1,765**	**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	**1,819,688**	**4,495,147**	**1,530,930**	**7,845,765**	**110,615**	**108,623**
Total derivative instruments	**2,444,188**	**8,156,147**	**2,573,930**	**13,174,265**	**230,158**	**149,493**

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	395,300	2,611,300	57,094	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**	**1,174,500**	**7,051,034**	**107,670**	**106,189**
Forward rate agreements	179,600	-	-	179,600	3,076	3,026
Total forward rate agreements	**179,600**	**-**	**-**	**179,600**	**3,076**	**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	546	547
Purchased	2,048	2,153	-	4,201	546	-
Written	2,048	2,153	-	4,201	-	547
Other derivative instruments	**4,096**	**4,307**	**-**	**8,403**	**546**	**547**
Total other derivative instruments	**766,196**	**5,411,085**	**1,174,500**	**7,351,781**	**111,383**	**109,852**
Total derivative instruments	**1,316,196**	**7,956,585**	**1,666,500**	**10,939,281**	**209,966**	**132,165**

G26 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	96,674	87,674
Credit bonds	6,488,284	5,942,929
Receivables from finance lease contracts	21,050	16,776
Loans	6,606,008	6,047,380
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	6,591,584	6,060,842
Total	**6,637,551**	**6,141,562**

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	760,935	781,773
Housing associations	289,279	289,192
Public associations	6,703	10,050
Non-profit associations	55,904	55,389
Total	**6,591,584**	**6,060,842**

Write-downs during the reporting period

Write-downs at the beginning of the financial year	48,540	26,228
Individual write-downs on credits	12,384	33,159
Individual write-downs on other commitments	62	21
Individual write-downs on interest receivables	245	54
Group write-downs on credits	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
Write-downs on outstanding premiums in non-life insurance (credit losses)	1,123	668
Total write-downs of the reporting period	14,073	31,750
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	-1,829	-5,022
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
Non-life insurances write-down, gross	1,123	668
This year's receivables written down, gross	27,229	43,095
This year's reversal of receivables written down, gross	-21,556	-15,716
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.

Information on the fair values is given in note G46 and description of collateral obtained is commented on in note G2, Risk management.

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**

G27 Investments in associated companies

	2010	**2009**
Acquisition cost at 1 January	4,557	4,548
Share of profits at 1 January	-28	-51
Investments	50	50
Disposals	-260	-41
Share of profit from associated companies	1,594	319
Dividends obtained during the financial year	-692	-297
Book value at 31 December	**5,222**	**4,529**

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**

G28 Intangible assets

31 December 2010	Immaterial rights	Other long-term expenditures	Total
Acquisition cost at 1 January	16,693	8,001	24,694
Increases	4,698	915	5,613
Decreases	-556	-	-556
Acquisition cost at 31 December	20,835	8,916	29,751
Accumulated depreciations and impairments at 1 January	-7,275	-4,992	-12,267
Accumulated depreciation on decreases	385	-	385
Planned depreciation	-3,576	-976	-4,552
Accumulated depreciations and impairments at 31 December	-10,465	-5,969	-16,434
Book value at 31 December	**10,370**	**2,948**	**13,318**

31 December 2009	Immaterial rights	Other long-term expenditures	Total
Acquisition cost at 1 January	11,330	7,021	18,352
Acquisitions	3,328	-	3,328
Increases	2,741	1,175	3,916
Decreases	-706	-195	-901
Acquisition cost at 31 December	16,693	8,001	24,694
Accumulated depreciations and impairments at 1 January	-4,590	-3,356	-7,946
Acquisitions	-271	-	-271
Accumulated depreciation on decreases	706	176	882
Planned depreciation	-3,120	-1,249	-4,369
Impairments	-	-563	-563
Accumulated depreciations and impairments at 31 December	-7,275	-4,992	-12,267
Book value at 31 December	**9,418**	**3,009**	**12,427**

G29 Investment properties

31 December 2010	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	5,482	17,535	10,008	33,025
Decreases	-1,254	-14	-538	-1,806
Acquisition cost at 31 December	4,228	17,522	9,470	31,219
Accumulated depreciations and impairments at 1 January	-30	-5,307	-752	-6,089
Accumulated depreciation on decreases	-	-	23	23
Planned depreciation	-	-365	-	-365
Impairments	-	-30	-460	-490
Reversal of impairments	-	-	50	50
Accumulated depreciations and impairments at 31 December	-30	-5,702	-1,139	-6,871
Book value at 31 December	**4,198**	**11,819**	**8,330**	**24,348**
Carrying amount at 31 December	**4,198**	**12,367**	**9,510**	**26,075**

31 December 2009	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	125	-250	8,062	7,938
Acquisitions	5,370	17,267	7,026	29,663
Increases	-	203	-	203
Decreases	-13	315	-5,080	-4,779
Acquisition cost at 31 December	5,482	17,535	10,008	33,025
Accumulated depreciations and impairments at 1 January	-30	287	-4,564	-4,307
Acquisitions	-	-4,917	-50	-4,967
Accumulated depreciation on decreases	-	-318	4,147	3,829
Planned depreciation	-	-359	-	-359
Impairments	-	-	-285	-285
Accumulated depreciations and impairments at 31 December	-30	-5,307	-752	-6,089
Book value at 31 December	**5,452**	**12,229**	**9,256**	**26,936**
Carrying amount at 31 December	**5,452**	**12,584**	**10,018**	**28,054**

G30 Other tangible assets

Commercial properties

31 December 2010	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	30	503	1,183	1,715
Decreases	-	-280	-	-280
Acquisition cost at 31 December	30	222	1,183	1,435
Accumulated depreciations and impairments at 1 January	-	-129	-465	-594
Accumulated depreciation on decreases	-	32	-	32
Planned depreciation	-	-5	-	-5
Impairments	-	-40	-2	-42
Accumulated depreciations and impairments at 31 December	-	-143	-467	-609
Book value at 31 December	**30**	**80**	**716**	**826**

31 December 2009	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	-	-579	2,463	1,883
Acquisitions	66	704	1,183	1,952
Decreases	-36	378	-2,463	-2,120
Acquisition cost at 31 December	30	503	1,183	1,715
Accumulated depreciations and impairments at 1 January	-	579	-2,463	-1,883
Acquisitions	-	-123	-455	-577
Accumulated depreciation on decreases	-	-579	2,463	1,883
Planned depreciation	-	-7	-	-7
Impairments	-	-	-10	-10
Accumulated depreciations and impairments at 31 December	-	-129	-465	-594
Book value at 31 December	**30**	**373**	**718**	**1,121**

Other material assets

31 December 2010	Machines and equipment	Insurance businesses' machinery and equipment	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	6,876	1,850	2,467	12,908
Increases	1,641	27	88	1,757
Decreases	-19	-30	-94	-423
Acquisition cost at 31 December	8,499	1,847	2,461	14,242
Accumulated depreciations and impairments at 1 January	-2,457	-977	-799	-4,827
Accumulated depreciation on decreases	3	30	-	64
Planned depreciation	-1,803	-284	-598	-2,690
Impairments	-	-	-	-42
Accumulated depreciations and impairments at 31 December	-4,257	-1,231	-1,397	-7,495
Book value at 31 December	**4,241**	**616**	**1,064**	**6,747**

31 December 2009	Machines and equipment	Insurance businesses' machinery and equipment	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	4,933	887	2,890	10,594
Acquisitions	-	1,065	187	3,204
Increases	2,802	30	-79	2,753
Decreases	-859	-133	-531	-3,643
Acquisition cost at 31 December	6,876	1,850	2,467	12,908
Accumulated depreciations and impairments at 1 January	-1,720	-259	-594	-4,456
Acquisitions	-	-459	-	-1,037
Accumulated depreciation on decreases	750	125	439	3,198
Planned depreciation	-1,487	-385	-644	-2,522
Impairments	-	-	-	-10
Accumulated depreciations and impairments at 31 December	-2,457	-977	-799	-4,827
Book value at 31 December	**4,419**	**872**	**1,668**	**8,080**

G31 Other assets

	2010	2009
Accrued income and advance payments, banking business	70,529	66,928
Accrued income and prepayments of interests, insurance operations	16,528	13,323
Accrued income and advance payments	87,058	80,251
Cash items being collected	1,349	3,048
Other assets	1,214	2,130
Receivables from direct insurance business	7,402	7,771
Receivables from the reinsurance business	8,172	10,492
Other receivables, insurance business	3,136	7,931
Other assets	21,274	31,371
Total	**108,331**	**111,623**

G32 Deferred taxes

	2010	2009
Deferred tax liabilities/receivables, net		
Net deferred tax liabilities/receivables, net at 1 January	43,884	22,373
Acquisitions	-	10,473
Adjustment of deferred tax from preceding years	-	122
Changes during the financial year booked via the income statement	1,744	-17,238
Financial assets:		
- Valuation of fair value direct to equity	-11,096	18,216
- Transferred to the income statement	2,277	6,760
Cash flow hedging:		
- Valuation of fair value direct to equity	1,618	3,177
Deferred tax related to divestment of own shares	-43	-
Net deferred tax liabilities/receivables,net at 31 December	38,384	43,884
Deferred tax liabilities		
Appropriations	24,473	22,413
Financial assets	7,244	11,419
Cash flow hedging	8,876	4,950
Group-specific write-downs	-	572
Valuation at fair value of the non-life insurance business' real estate	3,085	3,691
Valuation at fair value of the non-life insurance business' provisions	-1,868	-2,491
Equalisation provision of the insurance businesses	9,135	8,368
Other	842	997
Total	**51,787**	**49,919**
Deferred tax receivables		
Impairment of investment properties	113	126
Valuation at fair value of the non-life insurance business' real estate	1,091	1,280
Financial assets	6,490	984
Group-specific write-downs	5,018	2,505
Negative result	275	788
Other	416	352
Total	**13,404**	**6,035**
Specification of changes during the financial year booked via the income statement		
Appropriations	-2,060	11,717
Impairment of investment properties	-13	-
Valuation at fair value of the non-life insurance business' real estate	417	139
Valuation at fair value of the non-life insurance business' provisions	-623	-805
Financial assets	-1,359	2,055
Cash flow hedging	67	2,400
Group-specific write-downs	3,085	-
Negative result	-668	322
Equalisation provision of the insurance businesses	-767	1,421
Other	176	-12
Total	**-1,744**	**17,238**

G33 Assets and liabilities classified as held for sale

	2010	2009
Buildings	686	679
Other tangible assets	35	35
Receivables and cash and bank balances	23	48
Assets classified as held for sale	**744**	**761**
Liabilities to credit institutions	160	194
Other liabilities	15	10
Liabilities for assets classified as held for sale	**175**	**204**

G34 Deposits

	2010	2009
Repayable on demand deposits	286,091	400,807
Other than repayable on demand from credit institutions	673,658	1,323,549
Liabilities to credit institutions	959,749	1,724,356
Repayable on demand deposits	2,146,330	2,199,299
Other than repayable on demand deposits	1,250,249	829,931
Liabilities to the public and public sector entities	3,396,579	3,029,230
Total	**4,356,327**	**4,753,586**

G35 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	2,935,862	2,942,573	2,452,566	2,458,649
Total	**3,381,914**	**3,389,613**	**2,747,926**	**2,754,829**

31.12.2010	**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						67,573
Total	**340,440**	**356,600**	**2,625,000**	**-**	**-**	**3,389,613**

31.12.2009	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
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 G36.

G36 Subordinated liabilities

	2010	2009
Capital loans	2,100	2,100
Debenture loans	208,854	205,433
Loan without due date	45,000	45,000
Total	**255,954**	**252,533**
Nominal value	255,903	252,428
Upper Tier 2 loans	45,000	45,000
Lower Tier 2 loans	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 G35) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

Aktia Life Insurance Ltd took an aggregated capital loan in 2002 amounting to EUR 13,300,000. The capital loan has been reduced by EUR 9.1 million in 2005 and by EUR 2.1 million in 2007. The remaining sum of the capital loan amounts to EUR 2.1 million at the end of 2010. The lender of the capital loan is the Eschnerska Frilasarettet foundation. Notice has been given on the capital loan on 30 September 2006, and the due date is 30 September 2011.

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

G37 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.

G38 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	77,020
Total	**176,967**	**77,266**

G39 Technical provisions for life insurance business

	2010	2009
Insurance agreements		
Technical provisions for interest-related insurances		
Provision at 1 January	595,021	627,592
Income from premiums	40,868	44,618
Insurance claims paid	-60,779	-64,649
Transfer of savings from/to unit-linked insurance	383	-1,069
Compensated interest for savings	21,659	20,446
Customer compensation for savings	226	1,036
Interest reductions and provision for customer compensation	2,274	-20,372
Burdens	-9,689	-9,805
Other items	-2,244	-2,777
Provision at 31 December	**587,720**	**595,021**

Technical provisions for unit-linked insurances		
Provision at 1 January	210,098	149,583
Income from premiums	59,841	35,892
Insurance claims paid	-18,395	-15,104
Transfer of savings from/to interest-linked insurances	-383	1,069
Burdens	-3,405	-2,520
Value increases and other items	34,692	41,177
Provision at 31 December	**282,448**	**210,098**

Changes in provisions by the various insurance branches

31 December 2010

Technical provisions for interest-related insurances	**1 Januari 2010**	**Premium income**	**Claims**	**Total expense loading**	**Guaranteed calculation interest**	**Customer compensa-tion**	**Other**	**31 December 2010**
Saving plans	135,036	3,493	-20,090	-814	4,050	-	105	121,781
Individual pension insurance	364,213	12,366	-23,476	-1,429	14,376	-	1,419	367,468
Group pension insur-ance	49,221	4,407	-2,515	-379	1,724	-	1,902	54,360
Risk insurance	46,550	20,602	-14,697	-7,067	1,509	-	-2,787	44,111
Total	**595,021**	**40,868**	**-60,779**	**-9,689**	**21,659**	**-**	**640**	**587,720**

Average calculation interest	
Saving plans	3.2 %
Individual pension insurance	3.9 %
Group pension insurance	3.5 %
Risk insurance	3.3 %
Total	**3.6 %**

Technical provisions for unit-linked insurances	**1 January 2010**	**Premium income**	**Claims**	**Total expense loading**	**Other**	**31 December 2010**
Saving plans	145,529	48,725	-17,876	-2,183	20,585	194,780
Individual pension insurance	63,163	9,976	-510	-1,149	13,320	84,799
Group pension insur-ance	1,407	1,140	-9	-73	405	2,869
Total	**210,098**	**59,840**	**-18,395**	**-3,405**	**34,310**	**282,448**

	1 January 2010	**Years change**	**31 December 2010**
Provisions for interest-related insurances	595,021	-7,301	587,720
Technical provisions for unit-linked insurances	210,098	72,350	282,448
Total	**805,119**	**65,049**	**870,168**

31 December 2009

Technical provisions for interest-related insurances	**1 January 2009**	**Premium income**	**Claims**	**Total ex-pense loading**	**Guaranteed calculation interest**	**Customer compensa-tion**	**Other**	**31 December 2009**
Saving plans	153,512	4,861	-26,379	-955	4,440	-	-443	135,036
Individual pension insurance	380,101	14,664	-21,638	-1,666	12,585	-	-19,832	364,213
Group pension insur-ance	47,169	3,733	-2,678	-324	1,504	-	-184	49,221
Risk insurance	46,810	21,359	-13,954	-6,859	1,904	-	-2,710	46,550
Total	**627,592**	**44,618**	**-64,649**	**-9,805**	**20,434**	**-**	**-23,170**	**595,021**

Average calculation interest	
Saving plans	3.2 %
Individual pension insurance	3.0 %
Group pension insurance	3.5 %
Risk insurance	3.3 %
Total	**3.6 %**

Technical provisions for unit-linked insurances	1 January 2009	Premium income	Claims	Total expense loading	Other	31 December 2009
Saving plans	111,101	25,227	-14,733	-1,518	25,452	145,529
Individual pension insurance	38,052	10,138	-371	-968	16,311	63,163
Group pension insurance	430	527	-	-34	483	1,407
Total	**149,583**	**35,892**	**-15,104**	**-2,520**	**42,246**	**210,098**

	1 January 2009	Years change	31 December 2009
Provisions for interest-related insurances	627,592	-32,572	595,021
Technical provisions for unit-linked insurances	149,583	60,515	210,098
Total	**777,176**	**27,943**	**805,119**

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

Technical provisions are calculated partly by discounting future benefits at current value with deductions for future premiums and partly so that paid premiums are credited with computation interest rates and different compensations and debited with costs and risk premiums. When making these calculations, the assumptions for technical rate of interest, mortality and illness are used, along with factors mentioned in the calculation basis for the product in question. For certain products a more secure interest rate and mortality assumption is used in accordance with the basis established for the financial statements. Provisions for known and unknown damage are made in potential compensation claims. Established customer compensation is included in total in the technical provisions.

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

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

G40 Technical provisions for non-life insurance business

Gross	Gross	Reinsuring	Net
Provisions for unearned prmiums			
Liability / reinsurers' share 1 January 2010	20,715	-179	20,536
Increase / decrease	677	-91	586
Liability / reinsurers' share 31 December 2010	**21,392**	**-270**	**21,122**
Provisions for oustanding claims			
Provision for claim-specific reserves	55,709	-8,670	47,039
Collective provisions, incl. claims handling	33,315	-	33,315
Liability / reinsurers' share 1 January 2010	**89,024**	**-8,670**	**80,353**
Claims paid during the financial period	-46,842	4,912	-41,930
Claims incurred during the financial period	49,891	-248	49,643
Increase / decreace compared to earlier periods	-306	-2,165	-2,471
Other change of calculaution bases	1,200	-	1,200
Changes in liabilities / receivables	3,943	2,499	6,442
Unwinding of discount	-1,871	-	-1,871
Liability / reinsurers' share 31 December 2010	**91,095**	**-6,172**	**84,924**
Provision for claim-specific reserves	55,993	-6,172	49,821
Collective provisions, incl. claims handling	35,102	-	35,102
Liability / reinsurers' share 31 December 2010	**91,095**	**-6,172**	**84,924**
Valuation of provisions at fair value on acquisition 1 January 2010	9,580	-	9,580
Breakdown of fair value allocation on acquisition	-2,395	-	-2,395
Valuation of provisions at fair value on acquisition 31 December 2010	7,185	-	7,185
Total technical provisions for non-life insurance business 31 December 2010	**119,672**	**-6,442**	**113,231**

	Gross	Reinsuring	Net
Provisions for unearned prmiums			
Liability / reinsurers' share 1 January 2009	19,755	-136	19,619
Increase / decrease	960	-43	918
Liability / reinsurers' share 31 December 2009	**20,715**	**-179**	**20,536**

Provisions for oustanding claims			
Provision for claim-specific reserves	47,442	-8,261	39,180
Collective provisions, incl. claims handling	31,951	-	31,951
Liability / reinsurers' share 1 January 2009	**79,393**	**-8,261**	**71,131**
Claims paid during the financial period	-49,304	7,088	-42,216
Claims incurred during the financial period	57,613	-6,225	51,388
Increase / decreace compared to earlier periods	3,291	-1,272	2,020
Other change of calculaution bases	-592	-	-592
Changes in liabilities / receivables	11,008	-409	10,599
Unwinding of discount	-1,377	-	-1,377
Liability / reinsurers' share 31 December 2009	**89,024**	**-8,670**	**80,353**
Provision for claim-specific reserves	55,709	-8,670	47,039
Collective provisions, incl. claims handling	33,315	-	33,315
Liability / reinsurers' share 31 December 2009	**89,024**	**-8,670**	**80,353**
Valuation of provisions at fair value on acquisition 1 January 2009	12,675	-	12,675
Breakdown of fair value allocation on acquisition	-3,095	-	-3,095
Valuation of provisions at fair value on acquisition 31 December 2009	9,580	-	9,580
Total technical provisions for non-life insurance business 31 December 2009	**119,319**	**-8,849**	**110,469**

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

Appropriations (provisions) have been estimated so as to be sufficient, in all reasonable probability, to cover the obligations arising from insurance agreements.

In all insurance classes, premium liabilities are calculated on a pro rata basis for each insurance agreement coming into effect, in other words by calculating that part of the total premium for the period of the insurance that corresponds to the time between the reporting date and the end of the insurance period. For premiums which are not yet due for payment at the reporting date because the premium period falls after the reporting date, premium liabilities are reduced proportionately within the premium receivables.

Claim liability for all personal claims known at the reporting date involving compensation of a life annuity nature are calculated in casu using conventional life insurance methods (discounted current value of future cash flow from compensation), where the mortality model and the calculation coefficients are based on national statistics. The discounting rate that applied at the end of 2010 was 3.5%. For known personal claims involving non-recurring compensation, claim-specific reserves are likewise appropriated.

In all insurance classes, claim-specific reserves are appropriated if the estimated total compensation for a single insured event exceeds a minimum amount defined for different insurance classes. In such cases, claim liability is calculated as the estimated remaining compensation expenses at the reporting date.

In all significant direct insurance classes, collective provisions for other known and unknown claims (IBNR; Incurred But Not Reported) have been calculated on the basis of quarterly and annual settlement triangles for compensation expenses within the respective insurance class and also for each compensation type within certain classes. The statistical methods predominantly used are the chain ladder and the Bornhuetter-Ferguson method. The certainty increment added to the anticipated value of the models varies between 5–15% in different insurance classes. In other direct insurance classes, provisions for other known and unknown losses (IBNR) have been calculated in relation to and as a share of premium volume.

Provisions for upcoming claim adjustment costs have been calculated as an experience-based estimation in relation to the claim adjustment costs indicated in the annual accounts for the respective insurance class.

Calculations of the reinsurer's share of provisions are based on the formation of the respective underlying reinsurance contract.

G41 Development of claims in non-life insurance business

The compensation triangles below show the change in claim expenses for the different claim years. The table at the top shows how the estimation of the total gross claim costs for each claim year has changed year on year. The table at the bottom shows the proportion of this which is found in the balance sheet (net after reinsurers' share).

The change in compensation has been set out for four years. Corresponding information for previous years is not available as, prior to 2007, the company did not apply compensation triangles when calculating its provisions. In the compensation triangles, the capital values for compensation of a life annuity nature (primarily pensions) have been treated as if they were paid out in the amount of their capital value in conjunction with having been finalised.

Aktia Non-Life Insurance Ltd was not part of the Aktia Group before 1 January 2009.

Claims expenditure before reinsurance, expected claims expenditure, gross	**<2007**	**2008**	**2009**	**2010**	**Total**
At the end of the reporting year	91,180	50,347	57,613	49,891	
1 year later	90,890	50,354	53,459		
2 years later	93,189	50,323			
3 years later	93,874				
Current expectation of total claims expenditure, gross	93,874	50,323	53,459	49,891	
Paid total	75,630	43,976	40,189	28,920	
Provisions included in the balance sheet	**18,244**	**6,347**	**13,270**	**20,971**	**58,832**
Finalised claims of a life annuity nature	26,116	1,212	771	22	28,120
Other provisions					2,051
Provisions for claims handling expenses					2,092
Non-life provisions included in the balance sheet, gross					**91,095**

Claims expenditure after reinsurance, expected claims expenditure, net	**<2007**	**2008**	**2009**	**2010**	**Total**
At the end of the reporting year	84,102	46,685	51,388	49,643	
1 year later	81,727	45,513	45,487		
2 years later	83,933	45,401			
3 years later	84,820				
Current expectation of total claims expenditure, net	84,820	45,401	45,487	49,643	
Paid total	69,252	39,113	34,868	28,920	
Provisions included in the balance sheet	**15,568**	**6,288**	**10,618**	**20,723**	**53,198**
Finalised claims of a life annuity nature	26,116	1,212	771	22	28,120
Other provisions					1,513
Provisions for claims handling expenses					2,092
Non-life provisions included in the balance sheet, net					**84,924**

G42 Other liabilities

	2010	**2009**
Interest liabilities on deposits	13,047	6,982
Other accrued interest expenses and interest income received in advance	47,383	43,370
Advance interest received	2,841	1,481
Accrued interest expenses and interest income received in advance	63,271	51,833
Other accrued expenses and income received in advance	29,920	20,110
Accrued expenses and income received in advance	**93,191**	**71,944**
Cash items in the process of collection	31,596	76,780
Other liabilities, banking business	4,348	6,180
Other liabilities, insurance operations	8,101	8,515
Other liabilities	**44,045**	**91,475**
Total other liabilities	**137,235**	**163,419**

G43 Provisions

	2010	**2009**
Provisions at 1 January	807	936
Reversal of unused provisions	-315	-
Provisions entered through the income statement	573	323
Provisions used during the year	-384	-452
Provisions at 31 December	**681**	**807**

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

G44 Equity

	2010	2009
Share capital	93,874	93,874
Share premium account	1,893	1,893
Legal reserve	8,067	8,067
Fund at fair value	22,474	43,315
Base fund	317	317
Fund for share-related payments	760	160
Restricted equity	**127,385**	**147,626**
Unrestricted equity reserve	72,654	72,654
Retained earnings 1 January	213,164	192,138
Dividens to shareholders	-15,948	-10,046
Divestment of own shares	270	-
Acquisition of own shares in connection with merger	-	-3,218
Other changes in retained earnings	-	12
Profit for the reporting period	55,474	34,278
Unrestricted equity	**325,613**	**285,818**
Shareholders' share of equity	452,999	433,444
Non-controlling interest's share of equity	44,291	32,713
Equity	**497,290**	**466,157**

Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the period, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 93,873,816 divided into 46,936,908 A shares and 20,050,850 R shares, totalling 66,987,758 shares (2009; 66,987,758). The number of registered shareholders at the end of the financial period was 49,034. The number of A shares attributable to unindentified shareholders was 898,964. A shares have 1 vote, and R shares have 20 votes.

Own shares

At year-end, Aktia owned 495,354 own shares (31 December 2009; 536,288). The Annual General Meeting 25 March 2010 approved the proposal by the Board of Directors concerning authorisation to divest own shares. Aktia plc divested 40,934 own shares on 11 May 2010.

Share premium account

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

Legal reserve

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

Fund at fair value

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

Base fund

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

Fund for share-related payments

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

Unrestricted equity reserve

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

Retained earnings

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

Specification of change in fund at fair value

Fund at fair value at 1 January	43,315	-36,365
Profit/loss on the evaluation of the fair value, shares and holdings	-1,457	-355
Profit/loss on the evaluation of the fair value, interest bearing securities	-41,228	69,970
Deferred taxes on profit/loss on the evaluation of the fair value	11,096	-18,216
Transferred to the income statement, shares and participations, included in:		
Net income from financial assets available for sale	420	10,189
Deferred taxes	-109	-2,649
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial assets available for sale	8,335	15,810
Deferred taxes	-2,167	-4,111
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
Fund at fair value at 31 December	**22,474**	**43,315**

Share capital and unrestricted equity reserve

	Number of shares	Share capital	Unrestricted equity reserve
1 Januari 2009	60,175,268	80,249	45,404
New issue 1)	6,800,000	13,600	27,200
New issue 2)	12,490	25	50
31 December 2009	66,987,758	93,874	72,654
31 December 2010	66,987,758	93,874	72,654

1) Compensation for the merger Veritas Non-Life Insurance at EUR 6.00 per share.

2) Directed issue of new A shares to the bank's highest operational management was registered 29 May 2009 at a subscription price of EUR 6.00 per share.

Distributable earnings

Non-distributable earnings in unrestricted equity

Share of the accumulated appropriations that have been included in the retained earnings at 1 January	63,790	95,638
From non-life insurance operations	-56	1,502
Share of accumulated appropriations that have been included in the profit for the financial year	5,920	-33,350
Total	**69,654**	**63,790**

Distributable earnings in unrestricted equity

Retained earnings 1 January	149,374	96,500
Dividends to shareholders	-15,948	-10,046
Other changes in retained earnings	326	-4,707
Profit for the period	49,554	67,628
Unrestricted equity reserve	72,654	72,654
Total	**255,959**	**222,028**

Total unrestricted equity

Retained earnings 1 January	213,164	192,138
Dividends to shareholders	-15,948	-10,046
Other changes in retained earnings	270	-3,205
Profit for the period	55,474	34,278
Unrestricted equity reserve	72,654	72,654
Total	**325,613**	**285,818**

Dividend to shareholders

The Board's proposal for the dividend for the year 2011, to the Annual General Meeting, on 29 March 2011, is EUR 0.30 per share or EUR 19,947,721.20.
The dividend to shareholders is entered in 2011 against the equity, as a reduction in the retained earnings.

G45 Classification of financial instruments

Assets Note

31 December 2010		**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	G21					273,364		273,364
Interest-bearing securities	G22, G23, G24	14,320	3,240,985	21,459				3,276,764
Shares and participations	G22, G23	6,551	142,667					149,218
Derivative instruments	G25				230,158			230,158
Lending to credit institutions	G26					45,968		45,968
Lending to the public and public sector entities	G26					6,591,584		6,591,584
Investments for unit-linked provisions		279,964						279,964
Investments in associated companies	G27						5,222	5,222
Intangible assets	G28						13,318	13,318
Investment properties	G29						24,348	24,348
Other tangible assets	G30						6,747	6,747
Accrued income and advance payments	G31						87,058	87,058
Other assets	G31						21,274	21,274
Income tax receivables							22	22
Deferred tax receivables	G32						13,404	13,404
Assets classified as held for sale	G33						744	744
Total		**300,834**	**3,383,652**	**21,459**	**230,158**	**6,910,915**	**172,135**	**11,019,153**

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	G21					340,960		340,960
Interest-bearing securities	G22, G23, G24	22,453	3,277,331	27,883				3,327,667
Shares and participations	G22, G23	-	155,631					155,631
Derivative instruments	G25				209,966			209,966
Lending to credit institutions	G26					80,721		80,721
Lending to the public and public sector entities	G26					6,060,842		6,060,842
Investments for unit-linked provisions		208,853						208,853
Investments in associated companies	G27						4,529	4,529
Intangible assets	G28						12,427	12,427
Investment properties	G29						26,936	26,936
Other tangible assets	G30						8,080	8,080
Accrued income and advance payments	G31						80,251	80,251
Other assets	G31						31,371	31,371
Income tax receivables							808	808
Deferred tax receivables	G32						6,035	6,035
Assets classified as held for sale	G33						761	761
Total		**231,306**	**3,432,962**	**27,883**	**209,966**	**6,482,522**	**171,200**	**10,555,839**

Liabilities

31 December 2010		Valued at fair value	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G34			959,749		959,749
Deposits from the public and public sector entities	G34			3,396,579		3,396,579
Derivative instruments	G25		149,493			149,493
Debt securities issued	G35			3,381,914		3,381,914
Subordinated liabilities	G36			255,954		255,954
Other liabilities to credit institutions	G37			1,012,531		1,012,531
Other liabilities to the public and public sector entities	G38			176,967		176,967
Technical provisions for interest-related insurances	G39				587,720	587,720
Technical provisions for unit-linked insurances	G39				282,448	282,448
Technical provisions for non-life insurances	G40,G41				119,672	119,672
Accrued expenses and income received in advance	G42				93,191	93,191
Other liabilities	G42				44,045	44,045
Provisions	G43				681	681
Income tax liability					8,958	8,958
Deferred tax liabilities	G32				51,787	51,787
Liabilities for assets classified as held for sale	G33				175	175
Total		-	**149,493**	**9,183,693**	**1,188,677**	**10,521,863**

31 December 2009		Valued at fair value	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G34			1,724,356		1,724,356
Deposits from the public and public sector entities	G34			3,029,230		3,029,230
Derivative instruments	G25		132,165			132,165
Debt securities issued	G35			2,747,926		2,747,926
Subordinated liabilities	G36			252,533		252,533
Other liabilities to credit institutions	G37			968,201		968,201
Other liabilities to the public and public sector entities	G38			77,266		77,266
Technical provisions for interest-related insurances	G39				595,021	595,021
Technical provisions for unit-linked insurances	G39				210,098	210,098
Technical provisions for non-life insurances	G40,G41				119,319	119,319
Accrued expenses and income received in advance	G42				71,944	71,944
Other liabilities	G42				91,475	91,475
Provisions	G43				807	807
Income tax liability					19,219	19,219
Deferred tax liabilities	G32				49,919	49,919
Liabilities for assets classified as held for sale	G33				204	204
Total		-	**132,165**	**8,799,512**	**1,158,005**	**10,089,682**

G46 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	273,364	273,364	340,960	340,960
Financial assets reported at fair value via the income statement	20,870	20,870	22,453	22,453
Financial assets available for sale	3,383,652	3,383,652	3,432,962	3,432,962
Financial assets held until maturity	21,459	20,406	27,883	26,337
Derivative instruments	230,158	230,158	209,966	209,966
Loans and other receivables	6,637,551	6,641,809	6,141,562	6,115,725
Total	**10,567,055**	**10,570,260**	**10,175,786**	**10,148,402**

Financial liabilities	2010		2009	
	Book value	**Fair value**	**Book value**	**Fair value**
Deposits	4,356,327	4,348,981	4,753,586	4,745,803
Derivative instruments	149,493	149,493	132,165	132,165
Debt securities issued	3,381,914	3,391,539	2,747,926	2,752,485
Subordinated liabilities	255,954	255,985	252,533	252,707
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	176,694	77,266	77,304
Total	**9,333,186**	**9,338,753**	**8,931,677**	**8,927,677**

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

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

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

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

G47 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets	Note						
31 December 2010		**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Cash and balances with central banks	G21	273,364	-	-	-	-	273,364
Financial assets reported at fair value via the income statement	G22	-	8,878	4,607	834	6,551	20,870
Financial assets available for sale	G23	220,672	447,969	1,905,142	576,868	233,001	3,383,652
Financial assets held until maturity	G24	-	714	12,897	7,848	-	21,459
Derivative instruments	G25	10,196	13,567	174,119	32,102	175	230,158
Loans and other receivables	G26	384,694	552,062	1,814,602	1,584,541	2,301,654	6,637,551
Total		**888,926**	**1,023,190**	**3,911,366**	**2,202,192**	**2,541,381**	**10,567,055**

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	G21	340,960	-	-	-	-	340,960
Financial assets reported at fair value via the income statement	G22	-	2,964	15,356	4,133	-	22,453
Financial assets available for sale	G23	100,479	624,837	1,946,494	546,352	214,800	3,432,962
Financial assets held until maturity	G24	5,000	-	12,895	9,988	-	27,883
Derivative instruments	G25	15,133	8,341	164,031	22,461	-	209,966
Loans and other receivables	G26	374,232	493,295	1,707,748	1,492,388	2,073,900	6,141,562
Total		**835,804**	**1,129,437**	**3,846,524**	**2,075,322**	**2,288,699**	**10,175,786**

Liabilities

31 December 2010		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G34	3,334,669	839,653	178,074	3,931	-	4,356,327
Derivative instruments	G25	4,689	10,531	89,496	39,304	5,474	149,493
Debt securities issued	G35	339,973	347,639	2,673,302	21,000	-	3,381,914
Subordinated liabilities	G36	17,189	45,122	182,483	11,160	-	255,954
Other liabilities to credit institutions	G37	414,524	383,080	73,362	43,653	97,912	1,012,531
Other liabilities to the public and public sector entities	G38	172,290	500	-	-	4,177	176,967
Total		**4,283,333**	**1,626,526**	**3,196,717**	**119,048**	**107,562**	**9,333,186**

31 December 2009		Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G34	3,315,877	1,287,030	145,708	4,970	-	4,753,586
Derivative instruments	G25	6,765	5,361	91,292	28,747	-	132,165
Debt securities issued	G35	373,797	410,069	1,662,761	301,299	-	2,747,926
Subordinated liabilities	G36	16,154	44,642	172,737	19,000	-	252,533
Other liabilities to credit institutions	G37	715,503	147,698	49,000	36,000	20,000	968,201
Other liabilities to the public and public sector entities	G38	62,350	9,700	-	-	5,216	77,266
Total		**4,490,446**	**1,904,500**	**2,121,499**	**390,017**	**25,216**	**8,931,677**

G48 Collateral assets and liabilities

Collateral assets

For the bank	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	Type of security	The nominal value of the liability	The value of the security
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 contracts of pledge	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	Type of security	The nominal value of the liability	The value of the security
Collateral received in connection with contracts of pledge	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**

G49 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	607,614	506,598
Other irrevocable commitments	8,810	11,654
Total	**670,386**	**575,477**

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	186,646	397,966	13,767	2,039	7,197	607,614
Other irrevocable commitments	70	223	1,512	7,005	-	8,810
Total	**197,552**	**406,316**	**27,567**	**27,159**	**11,792**	**670,386**

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	146,469	325,276	29,050	2,062	3,740	506,598
Other irrevocable commitments	50	446	1,227	9,931	-	11,654
Total	**160,253**	**332,904**	**45,279**	**31,427**	**5,614**	**575,477**

G50 Rent commitments

	2010	2009
Less than 1 year	9,553	8,878
1–5 years	28,785	29,233
More than 5 years	16,331	21,151
Total	**54,669**	**59,263**

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.

G51 Companies included in consolidated accounts

Companies included in consolidated accounts, ownership over 50 %

	2010 Percentage of all shares	2010 Book value	2009 Percentage of all shares	2009 Book value
Financing				
Aktia Bank Abp, Helsinki	100.0	207,558	100.0	207,558
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 (earlier Robur Invest Ab), Helsinki	70.0	1,138	-	-
Hsb-Finans Ab (dormant), Helsinki	100.0	589	100.0	589
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
Real estate agency operations				
Aktia Fastighetsförmedling Ab, Turku	100.0	2,392	100.0	1,054
Aktia Fastighetsförmedling Helsingfors-Esbo Ab, Helsinki *)	-	-	100.0	172
Aktia Fastighetsförmedling ISKL Ab, Kirkkonummi *)	-	-	100.0	76
Aktia Fastighetsförmedling Jakobstad Ab, Pietarsaari *)	-	-	100.0	108
Aktia Fastighetsförmedling Sibbo Ab, Helsinki *)	-	-	100.0	97
Aktia Fastighetsförmedling Tammerfors Ab, Tampere *)	-	-	100.0	273
Aktia Fastighetsförmedling Uleåborg Ab, Oulu *)	-	-	100.0	320
Aktia Fastighetsförmedling Östra Nyland Ab, Porvoo *)	-	-	100.0	95
Magnus Nyman AFM Ab, Kemiö	-	-	51.0	155
Insurance companies				
Aktia Livförsäkring Ab, Turku	100.0	46,191	100.0	46,191
Aktia Skadeförsäkring Ab, Helsinki	100.0	49,248	100.0	49,248
Real estate operations				
Other real estate companies		131		239
Other				
Robur Invest Ab (dormant), Helsinki	-	-	100.0	8
Vasp-Invest Ab, Helsinki	100.0	325	100.0	325
Total		**351,844**		**344,380**

*) Real estate agency companies have merged with Aktia Fastighetsförmedling Ab during 2010.

Business transactions with companies included in the Group

	1.1.2010	Increse / Decrease	31.12.2010
Credits and guarantees	372,695	144,665	517,360
Deposits	26,209	556	26,765

	1.1.2009	Increse / Decrease	31.12.2009
Credits and guarantees	389,511	-16,816	372,695
Deposits	31,163	-4,954	26,209

Shares in associated companies, ownership 20–50%

	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
Other				
ACH Finland Abp	24.5	734	24.5	734
Investmentbolaget Torggatan 14 Ab, Maarianhamina	33.3	376	33.3	376
Järsö Invest Ab, Maarianhamina	33.3	376	33.3	376
Mike Alpha Ab, Maarianhamina	33.3	1	33.3	1
Mike Bravo Ab, Maarianhamina	33.3	1	33.3	1
Mike Charlie Ab, Maarianhamina	33.3	1	33.3	1
Mike Whiskey Ab, Maarianhamina	33.3	160	33.3	160
November Sierra Ab, Maarianhamina	33.3	1	33.3	1
Tenala Buccaneers Ab, Maarianhamina	33.3	376	33.3	376
Tenala Invest Ab, Maarianhamina	33.3	376	33.3	376
Total		**4,348**		**4,348**

Business transactions with associated companies

	1.1.2010	Increse / Decrease	31.12.2010
Credits and guarantees	10,970	-65	10,905
Deposits	302	2,344	2,646
Services received	12,196	2,528	14,724

	1.1.2009	Increse / Decrease	31.12.2009
Credits and guarantees	10,970	-	10,970
Deposits	1,403	-1,101	302
Services received	13,405	-1,209	12,196

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

G52 Close relations

The Group's key personnel

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

Key Management personnel compensation	2010	2009
Fixed compensation; basic salary and benefits in kind 1)	1,712	1,680
Variable compensation based on results 2)	774	166
- of which result-based salary	270	-
- of which share-based payment	503	166
Post-employment benefits 3)	-	-

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

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

3) Includes contributions of basic insurance coverage (ArPL) and voluntary pension plans reported during the financial year

Salaries and fees	2010	2009
Members of the Board of Supervisors and their alternates	266	225
Board Members:		
Dag Wallgren, Chairman (2010–), Vice Chairman of the Borad (–2009)	49	27
Kaj-Gustaf Bergh, Chairman of the Board (–2009)	1	42
Nina Wilkman, Vice Chairman (2010–)	32	22
Marcus H. Borgström	32	21
Hans Frantz	28	21
Lars-Olof Hammarén (–2009)	2	21
Lars-Erik Kvist	29	21
Nils Lampi	27	-
Kjell Sundström	29	21
Marina Vahtola	25	22
Managing Director and Deputy Managing Director		
Jussi Laitinen, Managing Director	489	304
Jarl Sved, Deputy Managing Director	270	198
Total	**1,279**	**945**

In addition to contributions of basic pension coverage, voluntary pension plans have been made for:		
- members of the Executive Committee	456	422
- the Board of Directors	43	42
- the Board of Supervisors	48	43
Total	**547**	**507**

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 12 and 18 months. The Managing Director can retire at the age of 63. There are members of the Executive Committee who are entitled to retirement at the age of 60.

At the end of 2010, the Group's key personnel held a total of 94,065 series A shares and 29,722 series R shares in Aktia plc.
This represents 0.2 % of the total number of shares and 0.2 % of votes.

Business transactions with the Group's key personnel	1.1.2010	Increase / decrease	31.12.2010
Credits and guarantees to close relations	7,240	-176	7,064
Deposits from close relations	8,908	-678	8,230
	1.1.2009	**Increase / decrease**	**31.12.2009**
Credits and guarantees to close relations	4,959	2,281	7,240
Deposits from close relations	6,956	1,952	8,908

G53 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**

G54 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**

G55 Events after the end of the financial year

At Aktia plc's Board meeting on 28 January 2011, the Board of Directors decided on the composition of the Board's Audit Committee, Risk Committee, as well as the Remuneration and Corporate Governance Committee.

The Board elected Nina Wilkman as chair of the Audit Committee. Hans Frantz and Nils Lampi were elected as members.

To the Risk Committee, Kjell Sundström was elected chairman and Marcus H. Borgström, Lars-Erik Kvist and Dag Wallgren as members.

The Board elected Dag Wallgren chairman and Marcus H. Borgström, Hans Frantz, Marina Vahtola and Nina Wilkman as members of the Remuneration and Corporate Governance Committee.

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, savings banks and local cooperative banks hold non-controlling interest and intend to 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 PLC

(EUR 1,000)	Note	2010	2009
Interest income	P2	1,091	28
Interest expenses	P2	-1,287	-805
Net interest income		-196	-777
Income from Tier 1 capital instruments	P3	43,641	485
Commission income	P4	21,499	19,301
Commission expenses	P4	-321	-239
Net commission income		21,177	19,062
Other operating income	P5	5,064	1,436
Staff costs	P6	-12,179	-9,583
Other administrative expenses	P7	-10,874	-7,672
Administrative expenses		-23,054	-17,255
Depreciation and impairment of tangible and intangible assets	P8	-841	-301
Other operating expenses	P9	-2,495	-3,838
Operating profit		**43,297**	**-1,188**
Appropriations		-	1
Taxes		-2	51
Profit for the reporting period		**43,295**	**-1,136**

BALANCE SHEET FOR THE PARENT COMPANY – AKTIA PLC

(EUR 1,000)	Note	2010	2009
Assets			
Claims on credit institutions	P11	4	13
Shares and participations	P12	358,436	333,177
Intangible assets	P13	3,722	944
Other tangible assets	P14	1,467	1,279
Tangible assets		1,467	1,279
Other assets	P15	19	0
Accrued expenses and advance payments	P16	5,953	5,427
Deferred tax receivables	P17	3	-
Total assets		**369,603**	**340,841**
Liabilities			
Liabilities to credit institutions	P18	58,252	58,523
Other liabilities	P19	1,119	1,286
Accured expenses and income received in advance	P20	13,092	7,436
Deferred tax liabilities	P21	-	1,201
Total liabilities		**72,463**	**68,447**
Equity			
Share capital	P22	93,874	93,874
Legal reserve		8,067	8,067
Share premium account		1,893	1,893
Other restricted equity		760	160
Fund at fair value	P22	-7	3,419
Unrestricted equity reserve		85,670	85,670
Retained earnings 1 January		79,311	91,560
Dividends to shareholders		-15,948	-10,046
Change in own shares		227	-1,067
Profit for the reporting period attributable to shareholders in Aktia plc		43,295	-1,136
Total equity	P22	**297,141**	**272,394**
Total liabilities and equity		**369,603**	**340,841**

Aktia plc has no off-balance-sheet commitments.

CASH FLOW STATEMENT FOR THE PARENT COMPANY – AKTIA PLC

(EUR 1,000)	2010	2009
Cash flow from operating activities		
Operating profit	43,297	-1,188
Adjustment items not included in cash flow for the period	1,114	-281
Paid income taxes	-2	-761
Increase (-) or decrease (+) in receivables from operating activities	**-561**	**-6,175**
Bonds	-4,631	-
Shares and participations	4,614	-2,404
Other assets	-544	-3,771
Increase (+) or decrease (-) in liabilities from operating activities	**5,625**	**63,752**
Liabilities to credit institutions	-271	57,133
Other liabilities	5,896	6,619
Total cash flow from operating activities	**49,473**	**55,347**
Cash flow from investing activities		
Investments in group companies	-30,196	-42,821
Reclaim of minority shares in subsidiaries	-	-450
Proceeds from sale of group companies and associated companies	191	-
Investment in tangible and intangible assets	-3,806	-2,422
Disposal of tangible and intangible assets	-	315
Total cash flow from investing activities	**-33,812**	**-45,378**
Cash flow from financing activities		
Increase in share capital	-	25
Own shares divested	278	-
Increase in unrestricted equity reserve	-	50
Paid dividends	-15,948	-10,046
Total cash flow from financing activities	**-15,670**	**-9,971**
Change in cash and cash equivalents	**-9**	**-3**
Cash and cash equivalents at the beginning of the year	13	16
Cash and cash equivalents at the end of the year	4	13
Cash and cash equivalents in the cash flow statement consist of the following items:		
Repayable on demand claims on credit institutions	4	13
Total	**4**	**13**
Adjustment items not included in cash flow consist of:		
Depreciation and impairment of intangible and tangible assets	841	301
Sales gains and losses from intangible and tangible assets	132	-315
Other adjustments	141	-266
Total	**1,114**	**-281**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS – AKTIA PLC

P1 The parent company's accounting principles

Aktia 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 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.

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.

Depreciation

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

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

Taxes

Taxes in the income statement consist of direct 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), claims on credit institutions, claims on the public and public sector entities, shares and participations are entered under financial assets. For these financial assets, Aktia applies the IFRS rules whereby financial assets are divided into four valuation categories, of which Aktia plc has financial assets in two valuation categories.

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 that can be sold.

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.

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.

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT – AKTIA PLC

P2 Interest income and expenses

	2010	2009
Interest income		
Other interest income	1,091	28
Total	**1,091**	**28**
Interest costs		
Liabilities to credit institutions	-1,251	-752
Other liabilities to the public and public sector entities	-36	-53
Total	**-1,287**	**-805**
Net interest income	**-196**	**-777**

P3 Income from equity instruments

	2010	2009
Income from companies within the same Group	42,920	28
Income from financial assets that can be sold	721	457
Total	**43,641**	**485**

P4 Commission income and expenses

	2010	2009
Commission income		
Asset management services	-	13
Other commission income	21,499	19,288
Total	**21,499**	**19,301**
Commission expenses		
Other commission expenses	-321	-239
Total	**-321**	**-239**
Net commission income	**21,177**	**19,062**

P5 Other operating income

	2010	2009
Capital gains from tangible and intangible assets	-	315
Other operating income	5,064	1,121
Total	**5,064**	**1,436**

P6 Staff costs

	2010	2009
Salaries and fees	-9,540	-7,752
Transfer to the personnel fund	-430	-303
Pension costs	-1,693	-1,284
Other indirect employee costs	-516	-243
Indirect employee costs	-2,209	-1,528
Total	**-12,179**	**-9,583**
Number of employees 31 December		
Full-time	103	105
Part-time	8	-
Temporary	8	11
Total	**119**	**116**

P7 Other administrative expenses

	2010	2009
Other staff expenses	-1,795	-1,613
Office expenses	-494	-461
IT-expenses	-3,744	-2,993
Communication expenses	-382	-390
Representation and marketing expenses	-4,460	-2,210
Other administrative expenses	-	-6
Total	**-10,874**	**-7,672**

P8 Depreciation and impairment of tangible and intangible assets

	2010	2009
Depreciation of tangible assets	-445	-219
Depreciation of intangible assets	-396	-82
Total	**-841**	**-301**

P9 Other operating expenses

	2010	2009
Rental expenses	-338	-298
Expenses for commercial properties	-74	-90
Insurance- and hedging costs	-294	-67
Monitoring, control and membership fees	-207	-162
Other expenses	-1,583	-3,222
Total	**-2,495**	**-3,838**

P10 Income by business area

	2010	2009
Income by business area		
Group administration	70,008	20,445
Total	**70,008**	**20,445**
Operating profit by business area		
Group administration	43,297	-1,188
Total	**43,297**	**-1,188**
Personnel by business area		
Group administration	119	116
Total	**119**	**116**

The company only carries out business operations in Finland.

P11 Claims on credit institutions

	2010	2009
Repayable on demand		
Finnish credit institutions	4	13
Total	**4**	**13**
Total claims on credit institutions	**4**	**13**

P12 Shares and participations

	2010	2009
Shares and participations that can be sold		
Publicly quoted	20,205	24,836
Other	37	19
Total	**20,241**	**24,855**
Total shares and participations	**20,241**	**24,855**
of which credit institutions	20,205	24,836
Shares and participations in associated companies		
Other companies	1,667	1,667
Total	**1,667**	**1,667**
Shares and participations in group companies		
Credit institutions	237,558	207,558
Other companies	98,970	99,097
Total	**336,528**	**306,655**
Total shares and participations	**358,436**	**333,177**

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

P13 Intangible assets

31 December 2010	**Immaterial rights (IT expenses)**	**Other long-term expenditures**	**Total**
Acquisition cost at 1 January	1,027	-	1,027
Transferred assets	3,061	-	3,061
Increases	-	113	113
Acquisition cost at 31 December	4,088	113	4,200
Accumulated depreciations and impairments at 1 January	-82	-	-82
Planned depreciation	-396	-	-396
Accumulated depreciations and impairments at 31December	-478	-	-478
Book value at 31 December	**3,610**	**113**	**3,722**

31 December 2009	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	706	174	880
Increases	1,027	-	1,027
Decreases	-706	-174	-880
Acquisition cost at 31 December	1,027	-	1,027
Accumulated depreciations and impairments at 1 January	-706	-174	-880
Accumulated depreciation on decreases	706	174	880
Planned depreciation	-82	-	-82
Accumulated depreciations and impairments at 31 December	-82	-	-82
Book value at 31 December	**944**	**-**	**944**

P14 Tangible assets

Investment properties

31 December 2009	Land and water areas	Buildings	Shares and partici-pations in real estate corporations	Total
Acquisition cost at 1January	-	10	4,110	4,119
Decreases	-	-10	-4,110	-4,119
Acquisition cost at 31 December	-	-	-	-
Accumulated depreciations and impairments at 1 January	-	-10	-4,110	-4,119
Accumulated depreciation on decreases	-	10	4,110	4,119
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**-**	**-**	**-**	**-**
Carrying amount at 31 December	**-**	**-**	**-**	**-**

Commercial properties

31 December 2009	Land and water areas	Buildings	Shares and partici-pations in real estate corporations	Total
Acquisition cost at 1 January	-	13	2,463	2,476
Decreases	-	-13	-2,463	-2,476
Acquisition cost at 31 December	-	-	-	-
Accumulated depreciations and impairments at 1 January	-	-13	-2,463	-2,476
Accumulated depreciation on decreases	-	13	2,463	2,476
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**-**	**-**	**-**	**-**

Other material assets

31 December 2010	Machines and inventory	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	1,500	-	1,500
Increases	632	-	632
Acquisition cost at 31 December	2,132	-	2,132
Accumulated depreciations and impairments at 1 January	-221	-	-221
Planned depreciation	-445	-	-445
Accumulated depreciations and impairments at 31 December	-666	-	-666
Book value at 31 December	**1,467**	**-**	**1,467**

31 December 2009	Machines and inventory	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	845	425	7,865
Increases	1,395	-	1,395
Decreases	-740	-425	-7,760
Acquisition cost at 31 December	1,500	-	1,500
Accumulated depreciations and impairments at 1 January	-742	-425	-7,762
Accumulated depreciation on decreases	740	425	7,760
Planned depreciation	-219	-	-219
Accumulated depreciations and impairments at 31 December	-221	-	-221
Book value at 31 December	**1,279**	**-**	**1,279**

P15 Other assets

	2010	2009
Other assets	19	0
Total	**19**	**0**

P16 Accrued expenses and advance payments

	2010	2009
Interests	1,076	-
Other	4,877	5,427
Total	**5,953**	**5,427**

P17 Deferred tax receivables

	2010	2009
Deferred tax receivables at 1 January	-	449
Income statement charge	-	-449
Financial assets:		
- Fair value measurement	3	-
Deferred tax receivables at 31 December	**3**	**-**

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

P18 Liabilities to credit institutions

	2010	2009
Repayable on demand deposits	1,752	2,023
Other than repayable on demand from credit institutions	56,500	56,500
Total	**58,252**	**58,523**

P19 Other liabilities

	2010	2009
Cash items in the process of collection	364	313
Provisions	130	589
Other	625	384
Total	**1,119**	**1,286**
Breakdown of items reported amongst provisions		
Provisions at 1 January	589	912
Reversal of unused provisions	-315	-
Provisions entered through the income statement	130	-
Provisions used during the year	-274	-323
Provisions at 31 December	**130**	**589**

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

P20 Accrued expenses and income received in advance

	2010	2009
Interests	156	131
Other	12,936	7,305
Total	**13,092**	**7,436**

P21 Deferred tax liabilities

	2010	2009
Deferred tax liabilities at 1 January	1,201	-
Income statement charge	0	-449
Financial assets:		
- Fair value measurement	-1,201	1,650
- Transfer to net profit	-	-
Deferred tax liabilities at 31 December	**-**	**1,201**

P22 Specification of equity

	At the beginning of the financial year	Increase	Decrease	At the end of the financial year
Share capital	93,874	-	-	93,874
Share premium account	1,893	-	-	1,893
Legal reserve	8,067	-	-	8,067
Other restricted equity	160	600	-	760
Fund at fair value	3,419	-	3,427	-7
Restricted equity	107,413	600	3,427	104,587
Unrestricted equity reserve	85,670	-	-	85,670
Retained earnings 1 January	79,311			79,311
Dividends to shareholders			15,948	-15,948
Change in own shares		227	-	227
Profit for the reporting period attributable to shareholders in Aktia plc		43,295	-	43,295
Unrestricted equity	164,981	43,522	15,948	192,554
Total equity	**272,394**	**44,122**	**19,375**	**297,141**

	2010	2009
Fund at fair value at January, 1	3,419	-1,277
Changes in fair value during the period	-4,631	6,346
Deferred taxes on changes in fair value during the period	1,204	-1,650
Fund at fair value at December, 31	**-7**	**3,419**

Only changes in the fair value of financial assets that can be sold are entered in the fund at fair value.

Distributable assets in unrestricted equity	**2010**	**2009**
Retained earnings 1 January	79,311	91,560
Dividends to shareholders	-15,948	-10,046
Profit for the reporting period attributable to shareholders in Aktia plc	43,295	-1,136
Unrestricted equity reserve	85,670	85,670
Total	**192,327**	**166,048**

Unrestricted equity consist only of distributable assets.

Share capital and shares

The shares are divided into A and R series shares. The shares have no nominal value. The book counter-value of the share is EUR 1.40 (not exact value). At the end of the period, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 93,873,816 divided into 46,936,908 A shares and 20,050,850 R shares, totalling 66,987,758 shares (2009; 66,987,758). The number of registered shareholders at the end of the financial period was 49,034. The number of A shares attributable to unindentified shareholders was 898,964. A shares have 1 vote, and R shares have 20 votes.

Own shares

At year-end, Aktia owned 495,354 own shares (31 December 2009; 536,288). The Annual General Meeting 25 March 2010 approved the proposal by the Board of Directors concerning authorisation to divest own shares. Aktia plc divested 40,934 own shares on 11 May 2010.

Share premium account

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

Legal reserve

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

Fund for share-related payments

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

Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets available for sale.
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.

P23 Fair value of financial assets and liabilities

Assets	**2010**		**2009**	
	Book value	**Fair value**	**Book value**	**Fair value**
Claims on credit institutions	4	4	13	13
Shares and participations	20,241	20,241	24,855	24,855
Shares and participations in associated companies	1,667	1,667	1,667	1,667
Shares and participations in group companies	336,528	336,528	306,655	306,655
Total	**358,440**	**358,440**	**333,190**	**333,190**

Liabilities	**2010**		**2009**	
	Book value	**Fair value**	**Book value**	**Fair value**
Liabilities to credit institutions and central banks	58,252	58,252	58,523	58,523
Total	**58,252**	**58,252**	**58,523**	**58,523**

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

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

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

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

P24 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
Claims on credit institutions	4	-	-	-	-	4
Long-term receivable from a Group company	-	-	-	-	30,000	30,000
Total	**4**	**-**	**-**	**-**	**30,000**	**30,004**

31 December 2009	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Claims on credit institutions	13	-	-	-	-	13
Total	**13**	**-**	**-**	**-**	**-**	**13**

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	1,752	-	56,500	-	-	58,252
Total	**1,752**	**-**	**56,500**	**-**	**-**	**58,252**

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	2,023	-	56,500	-	-	58,523
Total	**2,023**	**-**	**56,500**	**-**	**-**	**58,523**

P25 Property items and liabilities in euros and in foreign currency

31 December 2010

Assets	Euros	Foreign currency	Total
Claims on credit institutions	4	-	4
Shares and participations	358,436	-	358,436
Other assets	11,163	-	11,163
Total	**369,603**	**-**	**369,603**

31 December 2009

Assets	Euros	Foreign currency	Total
Claims on credit institutions	13	-	13
Shares and participations	333,177	-	333,177
Other assets	7,651	-	7,651
Total	**340,841**	**-**	**340,841**

31 December 2010

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	58,252	-	58,252
Other liabilities	14,211	-	14,211
Total	**72,463**	**-**	**72,463**

31 December 2009

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	58,523	-	58,523
Other liabilities	9,924	-	9,924
Total	**68,447**	**-**	**68,447**

P26 Total assets and liabilities by business area

	2010	2009
Assets		
Group administration	369,603	340,841
Total	**369,603**	**340,841**
Liablilities		
Group administration	72,463	68,447
Total	**72,463**	**68,447**

P27 Breakdown of subordinated claims

	2010	2009
Shares and participations in group companies and associated companies	225	385
Total	**225**	**385**

P28 Shareholders

							Shareholders 31.12.2010		Shareholders 31.12.2009
Shareholders 31 December 2010				**Of shares, %**		**Of votes, %**	**Of shares, %**	**Of votes, %**
	A shares	**R shares**	**Shares**		**Votes**			
The 20 largest shareholders:								
Stiftelsen Tre Smeder	7,276,028	3,873,938	11,149,966	16.6	84,754,788	18.9	17.0	18.7
Livränteanstalten Hereditas	4,648,114	2,066,106	6,714,220	10.0	45,970,234	10.3	9.7	10.3
Pensionsförsäkringsaktiebolaget Veritas	4,027,469	2,134,397	6,161,866	9.2	46,715,409	10.4	9.6	10.5
Aktiastiftelsen i Esbo-Grankulla	2,146,585	1,193,458	3,340,043	5.0	26,015,745	5.8	5.3	5.8
Oy Hammarén & Co Ab	1,890,000	950,000	2,840,000	4.2	20,890,000	4.7	4.2	4.6
Svenska litteratursällskapet i Finland rf	1,681,786	789,229	2,471,015	3.7	17,466,366	3.9	3.7	3.9
Stiftelsen för Åbo Akademi	1,495,640	751,000	2,246,640	3.4	16,515,640	3.7	3.4	3.7
Aktiastiftelsen i Vanda	1,168,900	927,209	2,096,109	3.1	19,713,080	4.4	3.5	4.1
Aktiastiftelsen i Borgå	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2	2.9	3.2
Aktiastiftelsen i Vasa	978,525	547,262	1,525,787	2.3	11,923,765	2.7	2.3	2.7
Sparbanksstiftelsen i Kyrkslätt	876,529	438,264	1,314,793	2.0	9,641,809	2.2	2.0	2.2
Sparbanksstiftelsen i Karis-Pojo	787,350	393,675	1,181,025	1.8	8,660,850	1.9	1.8	1.9
Föreningen Konstsamfundet rf	670,040	377,951	1,047,991	1.6	8,229,060	1.8	1.6	1.8
Sparbanksstiftelsen i Ingå	646,236	323,118	969,354	1.5	7,108,596	1.6	1.5	1.6
Ab Kelonia Oy	549,417	308,662	858,079	1.3	6,722,657	1.5	1.3	1.5
Sparbanksstiftelsen i Sibbo	462,002	232,001	694,003	1.0	5,102,022	1.1	1.0	1.1
Sparbanksstiftelsen i Sjundeå	404,377	227,188	631,565	0.9	4,948,137	1.1	1.0	1.1
Aktiastiftelsen i Malax	347,138	177,600	524,738	0.8	3,899,138	0.9	0.8	0.9
Sparbanksstiftelsen i Tenala	340,021	171,510	511,531	0.8	3,770,221	0.8	0.8	0.8
Aktiastiftelsen i Korsholm	323,376	175,888	499,264	0.8	3,841,136	0.9	0.8	0.9
Largest 20 owners	**32,022,903**	**16,709,981**	**48,732,884**	**72.7**	**366,222,523**	**81.8**	**73.9**	**81.2**
Other	14,914,005	3,340,869	18,254,874	27.3	81,731,385	18.3	26.1	18.8
Total	**46,936,908**	**20,050,850**	**66,987,758**	**100.0**	**447,953,908**	**100.0**	**100.0**	**100.0**

Shareholders by sector 2010 :	Number of owners	%	Number of shares	%	Votes	%
Corporations	3,968	8.1	14,217,711	21.2	83,772,531	18.7
Financial institutes and insurance companies	74	0.2	3,166,737	4.7	22,483,712	5.0
Public sector entities	32	0.1	6,381,626	9.5	46,935,169	10.5
Non-profit institutions	737	1.5	37,395,710	55.8	283,475,882	63.3
Households	44,027	89.8	4,729,787	7.1	10,374,497	2.3
Foreign shareholders	196	0.4	8,625	0.0	13,153	0.0
Total	**49,034**	**100.0**	**65,900,196**	**98.4**	**447,054,944**	**99.8**
entered in nominee register	5		188,598	0.3		
Unidentified shareholders			898,964	1.3	898,964	0.2
Total	**49,034**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Shareholders by sector 2009 :	Number of owners	%	Number of shares	%	Votes	%
Corporations	4,172	8.4	13,706,001	20.5	84,112,116	18.8
Financial institutes and insurance companies	61	0.1	3,212,725	4.8	24,453,009	5.5
Public sector entities	36	0.1	6,651,737	9.9	47,205,280	10.5
Non-profit institutions	754	1.5	38,387,397	57.3	281,370,474	62.8
Households	44,488	89.5	4,001,965	6.0	9,790,714	2.2
Foreign shareholders	201	0.4	8,768	0.0	11,618	0.0
Total	**49,712**	**100.0**	**65,968,593**	**98.5**	**446,943,211**	**99.8**
entered in nominee register	2		8,468	0.0		
Unidentified shareholders			1,010,697	1.5	1,010,697	0.2
Total	**49,712**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Breakdown of stock 2010: Number of shares	Number of owners	%	Number of shares	%	Votes	%
1–100	38,088	77.7	1,439,646	2.1	1,537,819	0.3
101–1,000	9,964	20.3	2,427,592	3.6	3,474,549	0.8
1,001–10,000	833	1.7	2,033,401	3.0	4,972,207	1.1
10,001–100,000	95	0.2	2,786,732	4.2	12,966,400	2.9
100,000–	54	0.1	57,401,423	85.7	424,103,969	94.7
Total	**49,034**	**100.0**	**66,088,794**	**98.7**	**447,054,944**	**99.8**
entered in nominee register	5					
Unidentified shareholders			898,964	1.3	898,964	0.2
Total	**49,034**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Breakdown of stock 2009: Number of shares	Number of owners	%	Number of shares	%	Votes	%
1–100	39,229	78.9	1,474,785	2.2	1,573,433	0.4
101–1,000	9,668	19.4	2,220,906	3.3	3,294,577	0.7
1,001–10,000	683	1.4	1,638,422	2.5	4,776,291	1.1
10,001–100,000	79	0.2	2,458,549	3.7	14,171,802	3.2
100,000–	53	0.1	58,184,399	86.9	423,127,108	94.5
Total	**49,712**	**100.0**	**65,977,061**	**98.5**	**446,943,211**	**99.8**
entered in nominee register	2					
Unidentified shareholders			1,010,697	1.5	1,010,697	0.2
Total	**49,712**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

P29 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.

P30 Holdings in other companies

Subsidiaries

	2010 Percentage of all shares	2010 Book value	2009 Percentage of all shares	2009 Book value
Finansieringsverksamhet				
Aktia Bank Abp, Helsinki	100.0	207,558	100.0	207,558
Hsb-Finans Ab (dormant), Helsinki	100.0	589	100.0	589
Real estate agency operations				
Aktia Fastighetsförmedling Ab, Turku	100.0	2,392	100.0	1,054
Aktia Fastighetsförmedling Helsingfors-Esbo Ab, Helsinki *)	-	-	100.0	172
Aktia Fastighetsförmedling ISKL Ab, Kirkkonummi *)	-	-	100.0	76
Aktia Fastighetsförmedling Jakobstad Ab, Pietarsaari *)	-	-	100.0	108
Aktia Fastighetsförmedling Sibbo Ab, Helsinki *)	-	-	100.0	97
Aktia Fastighetsförmedling Tammerfors Ab, Tampere *)	-	-	100.0	273
Aktia Fastighetsförmedling Uleåborg Ab, Oulu *)	-	-	100.0	320
Aktia Fastighetsförmedling Östra Nyland Ab, Porvoo *)	-	-	100.0	95
Magnus Nyman AFM Ab, Kemiö	-	-	51.0	155
Insurance companies				
Aktia Livförsäkring Ab, Turku	100.0	46,191	100.0	46,191
Aktia Skadeförsäkring Ab, Helsinki	100.0	49,248	100.0	49,248
Other				
Robur Invest Ab (dormant), Helsinki	-	-	100.0	8
Vasp-Invest Ab, Helsinki	100.0	325	100.0	325
Total		**306,303**		**306,269**

*) Real estate agency companies have merged with Aktia Fastighetsförmedling Ab during 2010.

Associated companies

	2010 Percentage of all shares	2010 Book value	2009 Percentage of all shares	2009 Book value
Other				
Investmentbolaget Torggatan 14 Oy, Maarianhamina	33.3	376	33.3	376
Järsö Invest Ab, Maarianhamina	33.3	376	33.3	376
Mike Alpha Ab, Maarianhamina	33.3	1	33.3	1
Mike Bravo Ab, Maarianhamina	33.3	1	33.3	1
Mike Charlie Ab, Maarianhamina	33.3	1	33.3	1
Mike Whiskey Ab, Maarianhamina	33.3	160	33.3	160
November Sierra Ab, Maarianhamina	33.3	1	33.3	1
Tenala Buccaneers Ab, Maarianhamina	33.3	376	33.3	376
Tenala Invest Ab, Maarianhamina	33.3	376	33.3	376
Total		**1,667**		**1,667**

Financing income obtained from and financing expenses paid to other group companies	**2010**	**2009**
Interest income	1,091	28
Dividends	42,920	28
Interest expenses	-1,287	-804
Net finance income	**42,725**	**-748**

Receivables from and liabilities to companies in the group	2010	2009
Loans to credit institutions	4	13
Shares and holdings in associated companies	30,225	385
Accrued income and expenses paid in advance	5,051	4,348
Total receivables	**35,280**	**4,746**
Liabilities to credit institutions	58,252	58,523
Accrued expenses and income received in advance	9,414	5,563
Total liabilities	**67,666**	**64,086**

P31 Close relations

The Group's key personal in management positions refers to Aktia plc's Board of Supervisors and Board of Directors and the Group's Management (MD and deputy MD). Close relations include key persons in management positions according to the above and close family members and companies that are under the dominating influence (over 20 % of teh shares) of a key person in a management position.

Salaries and fees	2010	2009
Members of the Board of Supervisors and their alternates	266	225
Board Members:		
Dag Wallgren, Chairman (2010–), Vice Chairman of the Board (–2009)	49	27
Kaj-Gustaf Bergh, Chairman of the Board (–2009)	1	42
Nina Wilkman, Vice Chairman (2010–)	32	22
Marcus H. Borgström	32	21
Hans Frantz	28	21
Lars-Olof Hammarén (–2009)	2	21
Lars-Erik Kvist	29	21
Nils Lampi	27	-
Kjell Sundström	29	21
Marina Vahtola	25	22
Managing Director and Deputy Managing Director		
Jussi Laitinen, Managing Director	489	304
Jarl Sved, Deputy Managing Director	270	198
Total	**1,279**	**945**

The notice of dismissal for the Managing Director is from the employer's side 18 months, and for the other members of the executive committee the notice of dismissal varies between 12 and 18 months. The Managing Director can retire at the age of 63. There are members of the Executive Committee who are entitled to retirement at the age of 60.

At the end of 2010, the Group's key personnel held a total of 94,065 series A shares and 29,722 series R shares in Aktia plc.
This represents 0.2 % of the total number of shares and 0.2 % of votes.

Information about Board of Directors' Report and Financial Statement

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

Helsinki 28 February 2011

Aktia 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 p.l.c.

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Aktia 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

Statement by the Board of Supervisors

Approved at the meeting of the Board of Supervisors on 7 March 2011.

The Board of Supervisors has examined the financial statement, the consolidated accounts, the report by the Board of Directors, and the audit report for 2009 and recommends that the financial statement and the consolidated accounts be accepted.

Members of Aktia plc's Board of Supervisors

Henry Wiklund Chair	Christina Gestrin Deputy Chair	Patrik Lerche Deputy Chair
Henrik Sundbäck Deputy Chair	Lorenz Uthardt Deputy Chair	Bo-Gustav Wilson Deputy Chair
Harriet Ahlnäs	Johan Bardy	Anna Bertills
Roger Broo	Sten Eklundh	Agneta Eriksson
Håkan Fagerström	Christoffer Grönholm	Peter Heinström
Gun Kapténs	Erik Karls	Kai Kyttälä
Bo Linde	Per Lindgård	Kristina Lyytikäinen
Håkan Mattlin	Clas Nyberg	Jorma J. Pitkämäki
Henrik Rehnberg	Gunvor Sarelin-Sjöblom	Peter Simberg
Bengt Sohlberg	Jan-Erik Stenman	Sture Söderholm
Lars Wallin	Maj-Britt Vääriskoski	Ann-Marie Åberg
	Marianne Österberg	

Corporate governance report for Aktia Plc

This report was approved by the Board of Directors of Aktia plc on 28 February 2011. The report was drawn up separately from the Report by the Board of Directors.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's articles of association, Aktia follows the corporate governance code for listed companies issued by the Finnish Securities Market Association ('Corporate Governance Code'). Aktia complies with the recommendations laid down in the Corporate Governance Code with the exception of recommendation 8 (election of members of the Board of Directors), recommendation 28 (setting up a nomination committee), 29 (election of and members of the nomination committee), 30 (duties of the nomination committee) and 40 (decision-making process for remuneration).

Deviations from the recommendations

By way of deviation from recommendations 8 and 40, Aktia's annual general meeting appoints a Board of Supervisors, whose tasks include appointing Aktia's Board of Directors and making decisions on issues which involve the significant restriction or expansion of operations. These decision-making arrangements have been adopted by Aktia shareholders in current articles of association. The arrangements are deemed to describe and ease implementation of the company's strategy on local operations.

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

Corporate Governance Code publicly available on the Internet

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

Composition of and work undertaken by the Board of Directors

Aktia's Board of Directors 2010:

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

The composition of the Board of Directors is the above also in 2011.

The Board of Directors deems all members of the Board to be independent in relation to Aktia within the meaning of the Corporate Governance Code. When mapping the dependent relationships with significant shareholders as envisaged by the Corporate Governance Code (shareholders who hold at least ten per cent of the total number of shares or votes), it has been noted that deputy chair Nina Wilkman sits on the Board of Directors of the Foundation Tre Smeder and that Board member Kjell Sundström is the chairman of the Board of Directors of the Veritas Pension Insurance Company. Marcus H. Borgström, Hans Frantz, Lars-Erik Kvist, Nils Lampi, Marina Vahtola and Dag Wallgren do not have any dependent relationships with significant shareholders.

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

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

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

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

The Board of Directors convened 13 times in 2010. In addition, the Board of Directors adopted separate decisions on 5 occasions concerning matters that fell under its authority.

Attendance of Board members in 2010:

Name	Attendance
Wallgren Dag, Chair	13/13
Borgström Marcus	13/13
Frantz Hans	12/13
Kvist Lars-Erik	10/13
Lampi Nils	13/13
Sundström Kjell	13/13
Vahtola Marina	13/13
Wilkman Nina viceordf.	11/13

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

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

Within the framework established by the Board of Directors, the risk committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the Board of Directors to pass decision on. The committee convened 10 times in 2010.

Members of the risk committee and attendance in 2010:

Name	Attendance
Sundström Kjell, Chair.	10/10
Borgström Marcus	10/10
Kvist Lars-Erik	10/10
(Wallgren Dag, ordf.	1/10 - only attended the first meeting after which Sundström replaced Wallgren as chair of the risk committee)

The audit committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee determines the principles for internal auditing, sets down the Group's internal audit schedule and adopts routines and procedures for compliance with statutory requirements. The committee studies the reports issued by the external auditor, the internal audit unit and the compliance unit and assesses the sufficiency of the other internal reports. The audit committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. The committee convened 8 times in 2010.

Members of the audit committee and attendance in 2010:

Name	Attendance
Wilkman Nina, Chair	8/8
Frantz Hans	7/8
Lampi Nils	8/8

The remuneration and corporate governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties outside the company, and on matters relating to the development of the Group's administration and control system. The committee convened 3 times in 2010.

Members of the remuneration and corporate governance committee and attendance in 2010:

Name	Attendance
Wallgren Dag, puh.joht.	3/3
Borgström Marcus	3/3
Frantz Hans	1/3
Vahtola Marina	3/3
Wilkman Nina	2/3

Composition of and work undertaken by the Board of Supervisors

Aktia's Board of Supervisors 2010:

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

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

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

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

The Board of Supervisors convened 4 times in 2010 and the average attendance of members was 82 %.

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

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

The presiding officers are tasked with drawing up matters to be dealt with by the Board of Supervisors, studying reports on decisions taken by the Board of Directors concerning overall strategy and studying reports concerning loans and guarantee commitments that have been extended to members of the Board of Directors. The presiding officers include the chair and deputy chair of the Board of Supervisors. From 1 January 2010 to 20 April 2010, the presiding officers were Henry Wiklund (chair), Johan Bardy, Christina Gestrin, Henrik Sundbäck, Lorenz Uthardt and Bo-Gustav Wilson. In the period from 20 April 2010 to 31 December 2010, the presiding officers were Henry Wiklund (chair), Christina Gestrin, Patrik Lerche, Henrik Sundbäck, Lorenz Uthardt and Bo-Gustav Wilson. The presiding officers convened 2 minuted meetings in 2010 and attendance of the officers was 100%.

The controlling committee tasked with closely monitoring the activities of the Board of Directors and executive management and with reporting its observations to the Board of Supervisors. The observations of the external and internal auditors are also reported to the controlling committee. In the period from 1 January 2010 to 20 April 2010, the members of the controlling committee were Henry Wiklund (chair), Anna Bertills, Agneta Eriksson, Håkan Fagerström, Gun Kapténs, Erik Karls, Jan-Erik Stenman, Sture Söderholm and Lars Wallin. In the period from 20 April 2010 to 31 December 2010, the members of the Board of Supervisors' controlling committee were Henry Wiklund (chair), Johan Bardy, Anna Bertills, Gun Kapténs, Erik Karls, Gunvor Sarelin-Sjöblom, Bengt Sohlberg and Lars Wallin. The controlling committee convened once in 2010 and the attendance of committee members was 75%.

CEO and his duties

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

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

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

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

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

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

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

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Chief Financial Officer, who is in charge of internal and external financial reporting, is not involved in making direct business decisions. His incentive is mainly neutral when it comes to factors driving the business.

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

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

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

The Board of Directors

DAG WALLGREN

NINA WILKMAN

MARCUS H. BORGSTRÖM

HANS FRANTZ

DAG WALLGREN

b. 1961

Chairman of the Board and Chairman of the Remuneration and Corporate Governance Committee
M.Sc. (Econ)
Managing Director, The Society of Swedish Literature in Finland
Member of the Board since 2003 (Chairman since 2010)

Shares in Aktia:
1,144 A shares
525 R shares

Most important positions of trust:

- Söderströms & Co Förlagsaktiebolag, deputy chair of the Board
- Ab Kelonia Placering Oy, Chairman of the Board
- Ab Kelonia Oy, member of the Board

NINA WILKMAN

b. 1958

Vice Chair of the Board, Chair of the Audit Committee and member of the Board's Remuneration and Corporate Governance Committee
LL.M.
Postgraduate student, doctoral programme, University of Helsinki, Faculty of Law, Helsinki University, Faculty of Law.
Member of the Board since 2006 (Vice Chair since 2010)

Most important positions of trust:

- Stiftelsen Tre Smeder, member of the Board

MARCUS H. BORGSTRÖM

b. 1946

Member of the Board's Risk Committee as well as Remuneration and Corporate Governance Committee
M.Sc. (Agr. & For.), Honorary Counsellor
Member of the Board since 2009

Shares in Aktia:
211 A shares

Most important positions of trust:

- Svenska småbruk och egna hem Ab, Chairman of the Board
- Finnvacum Oy Ab, member of the Board
- Andelslaget Varuboden, Chairman of the Board of Supervisors
- SOK, member of the Board of Supervisors

HANS FRANTZ

b. 1948

Member of the Board's Audit Committee as well as Remuneration and Corporate Governance Committee
Lic.Soc.Sc.
Principal Lecturer, Health Care and Social Services, University of Applied Sciences in Vaasa
Member of the Board since 2003

Shares in Aktia:
600 A shares
262 R shares

Most important positions of trust:

- Member of the City Council and City Board of Vaasa
- Vaasa Hospital District , Council Member
- Association of Finnish Local and Regional Authorities, Council Member
- University of Applied Sciences in Vaasa, member of the Board
- Foundation Vaasan opiskelija-asuntosäätiö, member of the Board
- Aktia Foundation Vaasa, Chairman of the Advisory Board
- Fadderortsstiftelsen i Österbotten, Chairman of the Board

NILS LAMPI

MARINA VAHTOLA

LARS-ERIK KVIST

KJELL SUNDSTRÖM

LARS-ERIK KVIST

b. 1945

Member of the Board's Risk Committee
M.Sc. (Econ)
Member of the Board since 1998

Shares in Aktia:
2,100 A shares
1,050 R shares

Most important positions of trust:

- Tjustbygdens Sparbank, member of the Board
- Föreningssparbankens Pensionsstiftelse I, member of the Board

NILS LAMPI

b. 1948

member of the Board's Audit Committee
B.Sc. (Econ)
CEO, Wiklöf Holding Ab
Member of the Board since 2010

Most important positions of trust:

- Best Hall Oy, Chairman of the Board Ab
- Ab ME Group Oy, Chairman of the Board
- Mathias Eriksson / Mariehamns Parti Ab, Chairman of the Board
- SHT Ab, Chairman of the Board
- Arkipelag Ab, Chairman of the Board
- Ab ME Group Oy, Chairman of the Board
Ålandsdelegationen, member

KJELL SUNDSTRÖM

b. 1960

Member of the Board and Chairman of the Risk Committee
M.Sc. (Econ)
Treasurer, Stiftelsen för Åbo Akademi
Member of the Board since 2008

Shares in Aktia:
130 A shares

Most important positions of trust:

- Förlagsaktiebolaget Sydvästkusten, Chairman of the Board
- Veritas Pension Insurance Company Ltd, Chairman of the Board
- Ab Kelonia Oy, Chariman of the Board

MARINA VAHTOLA

b. 1963

Member of the Board's Remuneration and Corporate Governance Committee
M.Sc. (Econ)
Managing Director, Oral Hammaslääkärit Plc
Member of the Board since 2007

Most important positions of trust:

- Lääkäripalveluyritykset ry, member of the board

Shareholdings per 31 December 2010

The Board members´ most important positions of trust are listed above. A complete list of communities and companies where the members of the Board exercise control or have authority is included in the company´s Insider Register.

Managing Director and Executive Committee

JUSSI LAITINEN

JARL SVED

ROBERT SERGELIUS

STEFAN BJÖRKMAN

BARBRO KARHULAHTI

JUSSI LAITINEN

b. 1956

Managing Director
M.Sc. (Econ)
At Aktia since 2008
Shares in Aktia: 14,152 A shares

Most important positions of trust:

- Finnish Cancer Foundation and Finnish Foundation for Cancer Research, member of the Board
- Federation of Finnish Financial Services, member of the Board
- Ab Kelonia Oy, member of Supervisory Board
- Sigrid Jusélius Stiftelse, auxiliary in the Finance Committee
- Sitra, the Finnish Innovation Fund, member of Asset Management
- Finnish Cultural Association, member
- Helsinki region Chamber of Commerce, delegation member
- Lastentautien tutkimussäätiö, associate auditor

JARL SVED

b. 1954

Deputy Managing Director, Managing Director's alternate
LL.M.
At Aktia since 1980
Shares in Aktia: 47,365 A shares
19, 658 R shares

STEFAN BJÖRKMAN

b. 1963

Deputy Managing Director, CFO
M.Sc. (Eng)
At Aktia since 2006
Shares in Aktia: 5,662 A shares

Most important positions of trust:

- ALM partners, member of the Board
- Oy Samlink Ab, member of the Board
- Cor Group Oy, Chairman of the Board

ROBERT SERGELIUS

b. 1960

Deputy Managing Director
M.Sc. (Eng)
At Aktia since 2003
Shares in Aktia: 22,940 A shares
2,068 R shares

BARBRO KARHULAHTI

b. 1960

Director
LL.M.
At Aktia since 2008

TARU NARVANMAA

GÖSTA RÅHOLM

MARIT LEINONEN

ANDERS NORDMAN

OLAV UPPGÅRD

TARU NARVANMAA

b. 1963

Managing Director of Aktia Life Insurance
M.Sc. (Econ)
At Aktia since 2007
Shares in Aktia: 23,029 A shares
5,000 R shares

Most important positions of trust:

- Retro Life Assurance Company Ltd, member of the Board
- Suomen Yliopistokiinteistöt Oy, member of the Board
- Stiftelsen Eschnerska Frilasarettet r.s., member of the Executive Board

ANDERS NORDMAN

b. 1955

Managing Director of Aktia Non-Life Insurance
M.Sc. (Econ)
At Aktia since 2009
Shares in Aktia: 4,541 A shares

Most important positions of trust:

- Veritas Pension Insurance Company Ltd, member of the Board
- Federation of Finnish Financial Services, member of Non-Life Insurance Executive Committee
- WWF Finland, member of the Board of Trustees

GÖSTA RÅHOLM

b. 1955

Director
At Aktia since 1988
Shares in Aktia: 3,862 A shares
5,709 R shares

Most important positions of trust:

- Fastighetsaktiebolaget Svenska Gården i Åbo, Chairman of the Board
- Svenska Klubben i Åbo rf., member of the Board

OLAV UPPGÅRD

b. 1955

Director
M.Sc. (Econ)
At Aktia since 2003
Shares in Aktia: 21,082 A shares
8,691 R shares

MARIT LEINONEN

b. 1958

Staff Representative
At Aktia since 1994
Shares in Aktia: 366 A shares
157 R shares

A complete list of communities and companies where the members of the Executive Committee exercise control of have authority is included in the company's Insider Register.

For information regarding the Executive Committee´s remuneration as well as Managing Director´s employment see www.aktia.fi.

The members´ areas of responsibility are presented as per 31 December 2010.

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Aktia

Contact

Aktia Plc
PB 207
Mannerheimintie 14
00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Managing Director
Jussi Laitinen

Deputy Managing Director, CFO
Stefan Björkman

Investor Relations
Investor Relations Manager Anna Gabrán
Tel. +358 9 10 247 6501

Corporate Communications
Head of communications Malin Pettersson
Tel. +358 9 10 247 6396

Internet: www.aktia.fi
Contact: aktia@aktia.fi
E-mail logic: firstname.lastname@aktia.fi

Business ID: 0108664-3
BIC/S.W.I.F.T: HELSFIHH

Changes in adress

We ask all shareholders to inform changes in adress to the branch office where they have their book-entry account.

Aktia's financial publications

29 March 2011 – Annual General Meeting at 4.00 pm

9 May 2011 – Interim report January–March 2011

3 August 2011 – Interim report January–June 2011

8 November 2011 – Interim report January–September 2011

Aktia plc:s financial publications will be published in Finnish, Swedish and English.The publications can be ordered or downloaded at Aktia's official website www.aktia.fi > briefly in English > publications, by e-mail viestinta@aktia.fi or by phone +358 10 247 5000.

Annual General Meeting

Notice is hereby given to Aktia plc shareholders of the Annual General Meeting, to be held at 4.00 pm on 29 March 2011 at Scandic Continental, Mannerheimintie 46, Helsinki. Persons who have registered their intention to attend will be welcomed from 3.00 pm onwards and voting sheets will be distributed.

Right to participate and registration

Shareholders listed as such in the company's register of shareholders maintained by Euroclear Finland Ab as at 17 March 2011 have the right to participate in the Annual General Meeting. Shareholders whose shares a registered to their personal Finnish book-entry account are listed as shareholders in the company's register of shareholders. Shareholders who are entered in the company's register of shareholders and who wish to participate in the Annual General Meeting must register their intention to attend by 4.00 pm on 24 March 2011 at the latest. Participants can register for the AGM:

a) through the company's website www.aktia.fi

b) by telephone at +358 800 0 2474 (8.00 am–8.00 pm on weekdays)

c) by fax on +358 10 247 6568 or

d) in writing to Aktia plc, Group Legal, PO Box 207, 00101 Helsinki.

Advance voting

Shareholders, who have a Finnish book-entry account, may vote in advance on certain items of the agenda of the Annual General Meeting through the Aktia's website www.aktia.fi. Shareholders may vote in advance from 28 February 2011 to 4 pm on 24 March 2011. The Finnish book-entry account number of the shareholder is needed for voting in advance.

A shareholder voting in advance may not use his/her right under the Finnish Limited Liability Companies Act to ask questions or request a vote and his/her possibility to vote on an item regarding which the decision proposals may have changed after the beginning of the advance voting period may be restricted unless he/she will attend the meeting in person or by way of representation. The conditions and other instructions relating to the electronic advance voting may are on Aktia's website www.aktia.fi.