Aktia

AKTIA PLC'S ACCOUNTS ANNOUNCEMENT JANUARY - DECEMBER 2011

CUSTOMER IN FOCUS, MORE COMPETITIVE WITH FOLKSAM

CEO JUSSI LAITINEN:

"Aktia's result was satisfactory and the capital adequacy improved despite the fact that the financial crisis in Europe led to both lower growth and lower interest rates. Through cooperation with Folksam we will be able to offer our customers an improved and more competitive range of non-life insurance products. And our new onlinebank will improve our customer services further. The continuing low interest rate level makes improvement of profitability more challenging. Thus, cost cutting has a high priority during 2012.

JANUARY-DECEMBER: OPERATING PROFIT EUR 47.0 (77.9) MILLION

- Group operating profit fell to EUR 47.0 (77.9) million, and profit for the period to EUR 36.5 (58.0) million.
- Earnings per share stood at EUR 0.53 (0.83).
- The Board of Directors proposes an unchanged dividend of EUR 0.30 (0.30) per share, which corresponds to a pay-out ratio of 57%.
- The bank's customer base increased by 10,300 new private customers.
- Higher margins improved net interest income from the bank's deposits and lending by 15% to EUR 63.0 (54.8) million but the total net interest income weakened due to the maturing interest rate hedges to EUR 128.8 (149.3) million.
- Net income from life insurance increased by 38% to EUR 22.7 (16.5) million, and net commission income by 4% to EUR 59.5 (57.0) million.
- The capital adequacy ratio increased to 16.2 (15.9)% and the Tier 1 capital ratio to 10.6 (10.1)%.
- Write-downs on credits and outstanding premiums decreased by 20% to EUR 11.3 (14.1) million.
- Aktia Bank plc's credit rating of A1/C/P-1 was placed under review for possible downgrading by Moody's Investors Service.
- In 2012, Aktia is selling 51% of Aktia Non-Life Insurance to Folksam and 15% to Veritas Pension Insurance.
- OUTLOOK: The operating result for 2012 is expected to be lower than in 2011 (outlook in detail on p.16).

OCTOBER-DECEMBER: OPERATING PROFIT EUR 6.6 (13.5) MILLION

- Group operating profit fell to EUR 6.6 (13.5) million, and profit for the period to EUR 7.9 (10.1) million.
- Earnings per share stood at EUR 0.12 (0.14).
- Operating income was EUR 55.3 (62.0) million and operating expenses EUR 44.3 (44.1) million.
- Write-downs on credits and outstanding premiums stood at EUR 4.3 (4.3) million.

KEY FIGURES (EUR million)	2011	2010	Δ %	10-12/2011	10-12/2010	Δ %	7-9/2011	4-6/2011	1-3/2011
Net interest income	128.8	149.3	-14%	28.6	35.9	-20%	31.9	33.6	34.7
Total operating income	224.8	249.4	-10%	55.3	62.0	-11%	49.3	57.7	62.6
Total operating expenses	-166.5	-159.0	5%	-44.3	-44.1	1%	-38.6	-43.4	-40.1
Operating profit before write-downs on credits	58.3	92.0	-37%	10.9	17.8	-39%	10.7	14.2	22.4
Write-downs on credits and outstanding premium receivables	-11.3	-14.1	-20%	-4.3	-4.3	1%	-1.2	-2.1	-3.6
Operating profit	47.0	77.9	-40%	6.6	13.5	-51%	9.5	12.1	18.8
Cost-to-income ratio	0.73	0.59	24 %	0.78	0.68	15%	0.79	0.74	0.63
Earnings per share (EPS), EUR	0.53	0.83	-36%	0.12	0.14	-16%	0.09	0.13	0.20
Equity per share (NAV)[1], EUR	7.01	6.81	3%	7.01	6.81	3%	6.90	6.43	6.14
Return on equity (ROE), %	7.2	12.0	-41%	6.1	7.9	-23%	4.4	7.6	11.9
Capital adequacy ratio[1], %	16.2	15.9	2%	16.2	15.9	2%	16.6	16.6	16.0
Tier 1 capital ratio[1], %	10.6	10.1	5%	10.6	10.1	5%	10.8	10.8	10.3
Write-downs on credits/total credit stock, %	0.15	0.20	-25%	0.06	0.06	0%	0.02	0.03	0.05

1) At the end of the period

"Accounts Announcement 2011" is a translation of the original report in Swedish ("*Bokslutskommuniké 1.1-31.12.2011*"). In case of discrepancies, the Swedish version prevails.

PROFIT
October - December 2011

Group operating profit in the fourth quarter weakened to EUR 6.6 (13.5) million mainly due to a lower net interest income than in the corresponding period last year.

INCOME

During October - December total income fell by 11% to EUR 55.3 (62.0) million. Net interest income from the bank's deposits and lending improved by 15% to EUR 15.9 (13.8) million whereas the NII from the maturing interest rate hedges was EUR 7.0 (12.6) million. In total NII weakened by 20% to EUR 28.6 (35.9) million.

Net income from life insurance improved to EUR 3.9 (2.1) million. Net income from non-life insurance also improved to EUR 6.0 (5.2) million. Net commission income improved to EUR 16.3 (14.9) million.

EXPENSES

Expenses were practically unchanged at EUR 44.3 (44.1) million, despite the one-off cost of EUR 1.8 million from codetermination negotiations in the autumn.

In line with Aktia's strategy, investment in customer-friendly Internet services and other IT continued, increasing IT costs by 21% to EUR 7.4 (6.1) million. This increase could be attributed to higher development costs in Samlink, among other things.

Other operating expenses fell slightly to EUR 12.7 (13.2) million.

SEGMENT OVERVIEW

The segments' contribution to the Group's operating profit

(mn euro)	10-12/2011	10-12/2010	Δ %
Banking Business	4.5	12.8	-65%
Asset Management	1.2	1.2	0%
Life Insurance	1.2	-1.3	-
Non-Life Insurance	-0.1	-0.2	64%
Miscellaneous	-0.3	1.5	-
Eliminations	0.1	-0.5	-
Total	**6.6**	**13.5**	**-51%**

Operating profit for the Banking Business decreased because of lower net interest income, falling by 65% to EUR 4.5 (12.8) million. Write-downs on credits and other commitments were EUR 4.1 (3.9) million.

The profitability of the Asset Management segment was unchanged. Operating profit amounted to EUR 1.2 (1.2) million. The market share for mutual funds stood at 6.6 (7.0)%.

The contribution of the Life Insurance segment to Group operating profit improved to EUR 1.2 (-1.3) million.

The contribution of the non-life insurance segment to the Group's operating profit was negative, at EUR -0.1 (-0.2) million.

ACTIVITY
January - December 2011

BUSINESS ENVIRONMENT

Interest rates rose sharply at the beginning of the year, then eased slightly in the summer before falling further in December. General interest rate levels are still exceptionally low, which has a negative impact on Aktia's net interest income.

According to Statistics Finland, inflation stood at 2.9% in December. The average inflation rate for 2011 was 3.4%

The global uncertainty has continued and especially the worries concerning southern Europe and the euro have had a negative impact on the value of Aktia's financial assets. On the other hand, low interest rates have resulted in higher values for Aktia's fixed-rate investments.

According to Statistics Finland, consumer confidence in the economy weakened further. The indicator fell in December to 0.4 (13.5) from 1.5 (20.8) in November and 1.3 (20.5) in October. The long-term average was 13.0.

Real estate prices in Finland fell between November and December by 1.3% over the whole country and 2.6% in the Helsinki region. Compared to the corresponding period 2010, the price level in the whole country was still 0.4% higher, or 0.7% higher in the Helsinki region. Household debt rose much faster than incomes in recent years. In 2010, the debt-equity ratio of Finnish households, i.e. debt in relation to disposable income, stood at 156%, against 108% in 2002. (*Statistics Finland*)

Unemployment decreased somewhat during the period to reach 7.4% in December 2011, 0.5 percentage points less than a year ago. (*Statistics Finland*)

Despite the somewhat worsened economic climate in Finland the write-downs on loans were lower than the year before. The write-downs relate mainly to corporate loans.

The Nasdaq OMX Helsinki 25 index went down by 31.4% in 2011.

Key figures Change from the previous year, %	2012E	2011E	2010
GDP growth			
World	3.0*	4.0*	5.0
Euro area	-0.5*	1.6*	1.8
Finland	-0.3*	2.8*	3.6
Consumer price index			
Euro area	2.2*	2.7*	1.6
Finland	2.6*	3.0*	1.1
Other key ratios			
Development of real value of housing in Finland	-1.0*	0.4	7.4
OMX Helsinki 25	-	-31.4	29.3
Interest rates[1]			
ECB	0.75*	1.00	1.00
10-y interest Ger (=benchmark)	2.60*	2.38	2.96
Euribor 12 months	1.50*	1.95	1.51
Euribor 3 months	1.00*	1.36	1.01
Unemployment in Finland[2]	8.0*	7.4	8.3

*Aktia's chief economist's prognosis
[1]At the end of the year
[2]Annual average

RATING

The international rating agency Moody's Investor Service has Aktia Bank plc's credit rating under review since 25 November 2011. Aktia's credit rating for short-term borrowing is P-1. The credit rating for long-term borrowing is A1 and that for financial strength is C.

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

PROFIT 2011

Group operating profit fell by 40% to EUR 47.0 (77.9) million. Group profit amounted to EUR 36.5 (58.0) million.

INCOME

The Group's total income fell by 10% to EUR 224.8 (249.4) million.

Higher margins improved net interest income from the bank's deposits and lending by 15% to EUR 63.0 (54.8) million but the total net interest income weakened due to the maturing interest rate hedges to EUR 128.8 (149.3) million.

Both derivatives and fixed-rate instruments are utilised to manage interest rate risks. The hedging measures used by Aktia Bank to limit its interest rate risk improved net interest income by EUR 34.8 (58.3) million, EUR 23.5 million less than in 2010.

Net commission income was up 4% to EUR 59.5 (57.0) million. Commission income increased by 2% to EUR 74.9 (73.8) million, with commission income from mutual funds in particular increasing to EUR 22.1 (20.8) million. Card and payment services commissions rose to EUR 16.1 (14.3) million.

Net income from life insurance amounted to EUR 22.7 (16.5) million, an improvement of 38%.

Net income from non-life insurance rose by 7% to EUR 24.3 (22.6) million.

Net income from the insurance businesses includes insurance premiums written, net income from investments, insurance claims paid and the change in technical provisions.

Net income from financial transactions was EUR -14.8 (-5.6) million.

In the autumn, Aktia plc sold the direct and indirect holdings in Bank of Åland plc. These transactions reduced profits by EUR 6.3 million before tax. Aktia has measured the holding in Bank of Åland plc at market values on an ongoing basis via the fund at fair value, so these transactions had no impact on Group equity.

In the spring, Aktia sold some of its holdings of Greek bonds. This affected earnings and hit net income from financial transactions and net income from life and non-life insurance for the year to the tune of EUR 5.1 million in total.

Net income from hedge accounting was EUR -0.8 (-0.4) million.

Other operating income was EUR 3.9 (7.9) million.

EXPENSES

Group operating expenses rose by 5% to EUR 166.5 (159.0) million. Of this, staff costs amounted to EUR 84.1 (82.8) million, of which one-off costs attributable to codetermination negotiations amounted to EUR 1.8 million.

Continued investment in customer-friendly Internet services and other IT increased IT expenses by 17% to EUR 27.8 (23.8) million. IT costs also rose because of high development costs within Samlink. Other operating expenses increased by 6% to EUR 48.1 (45.2) million. The increase is partly attributable to higher costs for security and supervision, including a higher fee to the Deposit Guarantee Fund, and partly to costs for a raised media profile and sales activities.

Total depreciation and write-downs on tangible and intangible assets fell to EUR 6.5 (7.2) million.

WRITE-DOWNS ON CREDITS, OTHER COMMITMENTS AND OUTSTANDING PREMIUM RECEIVABLES

Write-downs on credits and outstanding premiums decreased by 20% in 2001, to EUR 11.3 (14.1) million.

BALANCE SHEET AND OFF-BALANCE SHEET COMMITMENTS

Business operations grew according to plan during the year, but because of lower refinancing in the liquidity portfolio, the Group's balance sheet total only rose marginally by 0.3% to EUR 11,056 (11,019) million.

LIQUIDITY

At the end of December, the Bank Group's liquidity was good, representing nearly two years' estimated outgoing cash flow excluding new market lending.

The Bank Group's liquidity portfolio, which consists of interest-bearing securities, amounted to EUR 1,947 (2,599) million.

The liquidity portfolio is financed with repurchase agreements to a value of EUR 68 (783) million. The gross value and repurchase financing of the portfolio fell, as planned, during the period.

The forthcoming regulation will impose new requirements on liquidity and increase the need for 'senior financing'. To limit the effects of this, a number of actions were taken during the period:

Aktia Real Estate Mortgage Bank entered into an agreement with the local banks obliging all banks that market the Mortgage Bank's loans to contribute pro rata to the Mortgage Bank's senior financing. Senior financing is contributed in instalments, the first of them paid in November 2011.

In collaboration with the local banks, the guidelines for liquidity credit limits have been revised so the limits more clearly reflect their purpose.

Aktia's new corporate customer strategy helped to achieve a better balance between borrowing and lending to corporate customers.

BORROWING

Deposits from the public and public sector entities increased by 7% to EUR 3,645 (3,397) million. Aktia's market share of deposits was 3.46 (3.61)%.

Aktia Group issued bonds worth EUR 3,800 (3,382) million in total, an increase of EUR 418 million. Of these bonds EUR 3,346 (2,898) million were covered bonds issued by the Aktia Real Estate Mortgage Bank plc. In June, Aktia Real Estate Mortgage Bank plc issued a covered bond with a nominal value of EUR 600 million, a fixed interest rate and a five-year maturity. In November, Aktia Real Estate Mortgage Bank plc issued long-term collateralised bonds ('Schuldscheindarlehen') for a total of EUR 61 million.

In October, Aktia Bank issued EUR 20 million in long-term bonds under the bank's EMTN programme, as part of the preparations for further regulation of the banking industry (Basel III).

Outstanding Aktia Bank plc certificates of deposit amounted to EUR 429 million at the end of the period. During the period, Aktia Bank plc issued new subordinated debts and index-linked loans with a total value of EUR 79 million.

LENDING

Group total lending to the public amounted to EUR 7,063 (6,592) million at the end of 2011, an increase of EUR 472 million. Excluding the mortgages brokered by savings banks and POP Banks that the local banks are committed to capitalise, Group lending increased by EUR 156 million (3%) on the beginning of the year.

Loans to private households (including mortgages brokered by local savings banks and POP Banks) accounted for EUR 5,966 (5,479) million or 84.5 (83.1)% of the total loan stock. The housing loan stock increased from the beginning of the year by 9% and totalled EUR 5,607 (5,121) million. Aktia's market share in housing loans to households stood at 4.22 (4.28)% at the end of December.

Corporate lending accounted for 10.7 (11.5)% of Aktia's credit stock. Total corporate lending amounted to EUR 758 (761) million.

Loans granted to housing associations amounted to EUR 289 (289) million and made up 4.1 (4.4)% of Aktia's total credit stock.

Credit stock by sector

(EUR million)	31.12.2011	31.12.2010	Δ	Share. %
Households	5,966	5,479	487	84.5
Corporate	758	761	-3	10.7
Housing associations	289	289	-1	4.1
Non-profit organisations	45	56	-11	0.6
Public sector entities	6	7	-1	0.1
Total	**7,063**	**6,592**	**472**	**100.0**

FINANCIAL ASSETS

Aktia's financial assets consist of the Bank Group's liquidity portfolio and other interest-bearing investments amounting to EUR 1,968 (2,677) million. The life insurance company's investment portfolio amounted to EUR 661 (700) million, the non-life insurance company's investment portfolio amounted to EUR 161 (147) million and the real estate and share holdings of the parent company amounted to EUR 3 (30) million.

TECHNICAL PROVISIONS

Life insurance technical provisions amounted to EUR 818 (870) million, of which EUR 285 (282) million were unit-linked.

Non-life insurance technical provisions amounted to EUR 123 (120) million.

EQUITY

The Aktia Group's equity increased by EUR 26 million to EUR 524 (497) million at the end of December.

COMMITMENTS

Off-balance sheet commitments decreased by EUR 204 million during the year and amounted to EUR 466 (670) million.

The change is mainly due to reduced liquidity credit limits to local banks, which amounted to EUR 180 (339) million.

CAPITAL ADEQUACY AND SOLVENCY

The Bank Group's capital adequacy ratio amounted to 16.2 (15.9)% and the Tier 1 capital ratio was 10.6 (10.1)%. The Bank Group includes Aktia Bank plc and Aktia Real Estate Mortgage Bank plc.

Aktia aims to use the capital released in the sale of 66% of the non-life insurance company to strengthen the Tier 1 capital ratio of Aktia Bank.

Aktia Bank plc's capital adequacy ratio stood at 22.3% compared to 20.3% at the end of 2010. The Tier 1 capital ratio was 14.6 (12.8)%.

The life insurance company's solvency margin amounted to EUR 117.3 (98.8) million, where the minimum requirement is EUR 32.3 (34.3) million. The solvency ratio was 20.7 (16.1)%.

The non-life insurance company's solvency margin amounted to EUR 24.5 (18.9) million, where the minimum requirement is EUR 13.8 (13.5) million. The solvency capital was EUR 53.2 (46.6) million and a risk carrying capacity of 83.2 (76.8)% was reported. To strengthen the non-life insurance company's solvency, the parent company Aktia plc paid EUR 2.0 million to the fund at fair value of Aktia Non-life Insurance in April.

The capital adequacy ratio for the conglomerate amounted to 163.5 (156.5)%. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

Capital adequacy

	31.12.2011	31.12.2010
Bank Group		
Capital adequacy	16.2%	15.9%
Tier 1 ratio	10.6%	10.1%
Aktia Bank		
Capital adequacy	22.3%	20.3%
Tier 1 ratio	14.6%	12.8%
Aktia Real Estate Mortgage Bank		
Capital adequacy	10.2%	9.9%
Tier 1 ratio	8.5%	7.7%

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)	2011	2010	Δ %
Banking Business	35.6	69.7	-49%
Asset Management	5.6	4.4	28%
Life Insurance	10.3	3.9	161%
Non-Life Insurance	2.2	1.7	32%
Miscellaneous	-5.1	-1.6	-217%
Eliminations	-1.5	-0.2	-862%
Total	**47.0**	**77.9**	**-40%**

BANKING BUSINESS

The banking business' contribution to the Group's operating profit amounted to EUR 35.6 (69.7) million.

Operating income totalled EUR 166.1 (188.5) million. Net interest income decreased to EUR 123.9 (145.6) million, while net commission income was up 8% to EUR 45.2 (41.7) million. The improvement in net commission income is primarily due to mutual fund and insurance commission.

Operating expenses amounted to EUR 120.1 (105.9) million, of which staff costs accounted for EUR 41.9 (38.4) million, IT-related costs for EUR 13.7 (12.1) million and other operating costs EUR 62.2 (53.1) million.

Operating expenses also rose because of IT-intensive investments, higher charges to the Deposit Guarantee Fund and preparation for the implementation of internal rating (the 'IRBA' method) and forthcoming regulatory changes. Operating profits include the share of the banking business in the one-off costs attributable to the codetermination negotiations concluded in the fourth quarter of 2011.

The banking business increased its customer base in 2011 by just over 10,300 new private customers. Sales activities are supported by the Aktia Dialogue concept whereby customers' needs for banking and insurance services are mapped out. The number of dialogues conducted rose by 22% to just under 50,000 (41,000).

The number of online banking contracts increased by 6% during the year to just over 135,000 (126,000).

Total savings by households were 1% lower than in 2010, amounting to EUR 3,536 (3,578) million, of which household deposits were EUR 2,758 (2,701) million and savings by households in mutual funds were EUR 778 (877) million.

Aktia's lending to private households, including the mortgages brokered by Aktia, increased by 5% in the year, to EUR 4,100 million (EUR 3,924 million). Mortgage loans brokered by Aktia amounted to EUR 1,975 (1,642) million. In addition, the savings banks and POP Banks brokered mortgages amounting to EUR 1,915 (1 599) million.

Aktia's new corporate customer strategy helped to achieve a better balance between borrowing and lending to corporate customers.

Income from the real estate agency business was on a par with the previous year, standing at EUR 7.7 (7.7) million.

ASSET MANAGEMENT

Asset Management contributed EUR 5.6 (4.4) million to Group operating profit.

Operating income after reversals to the Group's other units and business partners was EUR 21.6 (21.1) million. Operating expenses decreased by 5% to EUR 15.9 (16.7) million, of which staff costs made up EUR 8.0 (9.1) million.

Aktia asset management services has secured a place among the best in the institutional customer survey conducted by Scandinavian Financial Research (SFR). This year, Aktia was in second place overall for asset management services, as rated by the 100 or so largest institutional investors in Finland. Aktia took top place in a number of categories, including management performance, the ability to take a market view, customer reporting and clear administrative processes.

In an evaluation of larger mutual fund companies in Finland Aktia received the second highest mark. The evaluation was carried out by the independent analyst company Morningstar. In December 2011, the average number of stars received by the bank's 25 evaluated mutual funds was 4.0, when the maximum is 5 Morningstar stars. 17 of Aktia's 25 funds have 4 or more stars.

During the period, Aktia expanded its range of mutual funds on both the fixed income and mutual fund market. Over the last few years, the demand for fixed income funds investing in growth markets has risen significantly, and Aktia manages three such funds with a total value of some EUR 578 million.

The volume of mutual funds managed and brokered by Aktia was EUR 3,613 (4,264) million. At the end of the period, Aktia's market share of the fund market, including brokered funds, stood at 6.6 (7.0)% (Federation of Finnish Financial Services).

The value of assets managed by Aktia Asset Management and Aktia Invest totalled EUR 6,624 (6,978) million, of which assets managed by Aktia Invest amounted to EUR 1,961 (2,440) million. Private Banking customer assets totalled EUR 1,278 (1,384) million.

LIFE INSURANCE

The Life Insurance contribution to the Group's operating profit amounted to EUR 10.3 (3.9) million.

Premiums written increased by 2% year-on-year to EUR 103.0 (100.7) million. The growth derives mainly from unit-linked savings and investment-linked insurance sold via the bank network. Of the premium volume for savings and investment-linked insurance and pension insurance, unit-linked insurance accounted for 79 (76)%.

Insurance claims and benefits totalled EUR 92.6 million (EUR 79.2 million). Payments primarily rose as a result of increased policy surrenders. The loss ratio for risk insurance improved to 76 (79)%.

Operating costs amounted to EUR 13.2 (13.1) million. Despite higher IT-related costs and the costs of migrating to financial solvency costs remained at the same level as last year. Cost-efficiency improved as a consequence of higher expense loadings. The expense ratio stood at 91.7 (93.6)% at the end of 2011.

Net income from investment activities amounted to EUR 26.8 (27.1) million. The return on the company's investments based on market value was 5.9 (5.2)%. The derivatives used by the life insurance company to limit its interest rate and currency risk improved operating profit by EUR 3.9 (2.1) million.

Technical provisions totalled EUR 818 (870) million, of which provisions for unit-linked insurance policies represented EUR 285 (282) million and interest-linked provisions EUR 533 (588) million. The co-insurance agreement between Aktia Life Insurance and the insurance company Liv-Alandia was terminated by mutual consent and the whole co-insurance stock of EUR 36 million was transferred to Liv-Alandia as of 31 December 2011.

The average discount rate for the interest-linked technical provisions was 3.6%. Customers with interest-linked policies who are entitled to additional benefits will receive for 2011 a total return of between 2.5% and 4.5% comprising the technical rate of interest and any customer payment.

The company's solvency ratio improved to 20.7 (16.1)%.

NON-LIFE INSURANCE

The non-life insurance contribution to Group operating profit was EUR 2.2 (1.7) million.

Premiums written for Aktia Non-Life Insurance rose by 4% on the corresponding period the previous year. This growth comes from both private and corporate customers. Premiums written before the reinsurers' share was EUR 69.8 (67.2) million. Premiums written after the reinsurers' share and change in provisions for premium liabilities amounted to EUR 64.3 (61.4) million.

Claims incurred amounted to EUR 45.7 (44.6) million, including an EUR 0.8 million increase in technical provisions for new assumptions of longer life expectancy when calculating technical provisions.

Operating expenses rose to EUR 21.8 (20.0) million, largely due to higher staff costs, increased IT and postage costs, and higher industry-related management costs.

The combined ratio fell to 105.4% in 2011 compared to 106.6% for the year before. This was mainly down to positive trends in frequency of loss.

Net income from investments amounted to EUR 3.3 (7.5) million, impacted by a loss of EUR -0.8 million on the disposal of Greek government-backed interest-bearing securities in the second quarter. The corresponding period last year included major profits from the sale of real estate and government bonds. The return on the company's investments based on market value was 8.9 (5.0)%.

Of the non-life insurance business' total technical provisions of EUR 119 (112) million, provisions for outstanding claims stood at EUR 96 (91) million.

The company's risk carrying capacity was 83.2 (76.8)%.

MISCELLANEOUS

Operating result for the Miscellaneous segment was EUR -5.1 (-1.6) million.

In September, Aktia plc, Aktia Bank plc and HSb-Finance Ltd sold their direct and indirect holdings in Bank of Åland plc. These transactions reduced profits by EUR 6.3 million before tax. Aktia has measured the holding in Bank of Åland plc at market values on an ongoing basis via the fund at fair value, so these transactions had no impact on Group equity.

As part of Vasp-Invest Oy's activities, active efforts are being made to sell off real estate assets. This significantly reduced net income from investment properties.

COMMON COSTS

In accordance with the "One Aktia", strategy the Group support functions have been unified and integrated. The largest common cost items consist of marketing, IT and staff costs. The integration process is continuing throughout 2012.

Common costs totalled EUR 45.7 (38.8) million and were distributed as follows: banking business EUR 37.6 (31.5) million, asset management EUR 3.9 (3.7) million, life insurance EUR 1.8 (1.5) million and non-life insurance EUR 2.4 (2.2) million.

THE GROUP'S RISK POSITIONS

Definitions and general principles for asset and risk management can be read in Aktia plc's annual report 2010 in note G2 on pages 44-67.

LENDING RELATED RISKS WITHIN BANKING BUSINESS

Loans with payments 1–30 days overdue decreased in 2011 to EUR 160 (171) million, equivalent to 2.25 (2.58)% of the credit stock. Loans with payments 31–89 days overdue also decreased to EUR 53 (56) million, or 0.75 (0.84)% of the credit stock.

On the other hand, non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection, increased, totalling EUR 60 (36) million, corresponding to 0.84 (0.55)% of the credit stock. Of the increase of EUR 24 million, 16 million are attributable to household loans and 8 million to corporate loans.

The increase in household loans is partly accounted for by some individual investment and construction financing programmes. Similarly, the increase in corporate loans is down to individual items under reconstruction or awaiting collection. Loss risks from these items are covered within either individual or group write-downs. In the last quarter, a special financing unit was formed to focus on handling high-risk customer relationships.

The increase in non-performing loans attributable to normal household lending came to EUR 10 million, mainly made up of loans granted before more restrictive rules were introduced for things like high financing of the market value of the securities. 92% of the receivables are fully secured, and any loss risks have been taken into account in the individual write-downs.

Non-performing loans to households more than 90 days overdue corresponded to 0.51 (0.30)% of the entire credit stock. The credit stock also includes off-balance sheet guarantee commitments.

Undischarged debts by time overdue

EUR million Days	31.12.2011	% of credit stock	31.12.2010	% of credit stock
1 - 30	160	2.25	171	2.58
of which households	115	1.62	118	1.77
31 - 89	53	0.75	56	0.84
of which households	46	0.64	45	0.67
90-[1]	60	0.84	36	0.55
of which households	36	0.51	20	0.30

[1] In Aktia Bank the market value of collateral is in average 92% of the value of the credit.

WRITE-DOWNS OF CREDITS, OTHER COMMITMENTS AND OUTSTANDING PREMIUM RECEIVABLES

Write-downs on credits and guarantee and premium claims decreased by EUR 2.8 million from the previous year to EUR 11.3 (14.1) million. Of these write-downs, EUR 1.4 (0.7) million could be attributed to households and EUR 9.1 (12.3) to companies. Write-downs for the non-life insurance company's outstanding premiums were EUR 0.8 (1.1) million.

At the end of the period, group write-downs at the portfolio level totalled EUR 14.0 (19.3) million, of which EUR 7.3 (7.3) million related to households and smaller enterprises and EUR 6.7 (12.0) million to larger individually examined corporate arrangements.

Total write-downs on credits amounted to 0.1 (0.2%) of total lending for the period. Corresponding impact on result from corporate loans amounted to 1.2 (1.6)% of total corporate lending.

DISTRIBUTION OF RISK ACROSS FINANCIAL ASSETS

All financial assets are valued at market prices via the income statement or the fund at fair value. The Bank Group maintains a liquidity portfolio as a buffer for situations where borrowing from the capital markets is not possible under normal conditions for some reason. Fixed-rate investments within the liquidity portfolio are also used to reduce the structural interest rate risks. Within the insurance business, the investment portfolios covering total technical provisions are measured on an ongoing basis at market value.

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

THE BANK GROUP'S LIQUIDITY PORTFOLIO AND OTHER INTEREST-BEARING INVESTMENTS

Investments within the liquidity portfolio and the Bank Group's other interest-bearing investments fell from the year-end by EUR 709 million, largely due to lower repurchase refinancing and amounted to EUR 1,968 (2,677) million. During the period, investments in EU countries with a credit rating below AAA fell by EUR 211 million to amount to EUR 442 (653) million.

Allocation of holdings in the Bank Group's investment portfolio and other interest-bearing investments

Aktia Bank Group	Government and gov. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
EU AAA	145	238	916	991	309	589	-	13	-	-	-	-	-	-	1,370	1,831
Finland	*61*	*68*	*111*	*106*	*37*	*209*	-	*8*	-	-	-	-	-		*210*	*390*
Other AAA-countries	*84*	*170*	*805*	*886*	*272*	*380*	-	*5*	-	-	-	-	-	-	*1,161*	*1,441*
EU < AAA	51	92	352	449	39	110	-	3	-	-	-	-	-	-	442	653
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	-	*14*	*2*	*3*	-	-	-	-	-	-	-	-	-	-	*2*	*17*
Ireland	-	-	*27*	*26*	-	*17*	-	-	-	-	-	-	-	-	*27*	*43*
Italy	-	-	*60*	*73*	-	*21*	-	-	-	-	-	-	-	-	*60*	*94*
Portugal	*22*	*29*	*76*	*118*	*9*	*26*	-	*2*	-	-	-	-	-	-	*107*	*173*
Spain	*29*	*50*	*187*	*229*	*30*	*46*	-	*1*	-	-	-	-	-	-	*246*	*326*
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	-	-	50	62	30	56	-	-	-	-	-	-	-	-	80	118
North America	-	-	33	33	-	-	-	-	-	-	-	-	-	-	33	33
Other OECD-countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supra-nationals	-	-	-	-	43	42	-	-	-	-	-	-	-	-	43	42
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**197**	**330**	**1,350**	**1,535**	**421**	**796**	**-**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**1,968**	**2,677**

Rating distribution for banking business

	31.12.2011	31.12.2010
(EUR million)	1,968	2,677
Aaa	55.6%	53.0%
Aa1 - Aa3	21.9%	32.3%
A1 - A3	11.9%	10.8%
Baa1 - Baa3	6.3%	0.8%
Ba1 - Ba3	1.9%	0.7%
B1 - B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	2.1%	1.8%
No rating	0.3%	0.6%
Total	**100.0%**	**100.0%**

The Group maintains its own instrument-specific requirements based on the type of instrument and its credit rating. Of the financial assets, 10.7 (3.0)% did not meet the internal instrument-specific requirements. Secured bonds made up 8.3 (1.9)% of these. The change is mainly due to investments in secured bonds in Portugal and Spain, whose credit ratings were downgraded during the year. Rated securities not eligible for refinancing with the central bank totalled EUR 0.3 (0.0)% and unrated securities not eligible for refinancing amounted to EUR 0.3 (0.6)%.

INVESTMENT PORTFOLIO OF THE LIFE INSURANCE COMPANY

Allocation in the life insurance company's investment portfolio has remained relatively constant since the 2010-2011 year-end. The market value amounted to EUR 661 (700) million, but the reduction is mainly an effect of transferring a co-insurance stock of 36 million to Liv-Alandia, as an equivalent amount value from the investment portfolio was transferred to cover the liability (31.12.2011). The proportion of covered bonds has continued to rise, while the duration of the portfolio has lengthened. Investments in real estate and growth market government bonds increased during the year. During the period, investments in EU countries with a credit rating below AAA fell by EUR 27 million to EUR 31 (67) million.

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

Aktia Life Insurance	Government and gov. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
EU AAA	204	212	184	136	65	64	86	124	42	39	8	10	-	-	589	584
Finland	*49*	*75*	*21*	*13*	*29*	*17*	*44*	*45*	*42*	*39*	*7*	*9*	-	-	*192*	*198*
Other AAA-countries	*155*	*136*	*164*	*123*	*36*	*47*	*42*	*79*	-	-	*1*	*2*	-	-	*397*	*386*
EU < AAA	10	44	13	14	0	-	8	9	-	-	-	-	-	-	31	67
Belgium	-	*16*	-	-	*0*	-	-	-	-	-	-	-	-	-	*0*	*16*
Greece	-	*12*	-	-	-	-		-	-	-	-	-	-	-	-	*12*
Ireland	-	-	*0*	*1*	*0*	-	*2*	*2*	-	-	-	-	-	-	*2*	*2*
Italy	-	-	*2*	*2*	-	-	*5*	*5*	-	-	-	-	-	-	*7*	*7*
Portugal	*2*	*4*	-	-	-	-	-	-	-	-	-	-	-	-	*2*	*4*
Spain	-	*6*	*11*	*11*	-	-	*1*	*2*	-	-	-	-	-	-	*13*	*20*
Other countries	*7*	*5*	-	-	-	-	-	-	-	-	-	-	-	-	*7*	*5*
Europe excluding EU	-	-	0	-	7	11	0	5	-	-	1	1	-	-	8	16
North America	0	-	-	-	(0)	-	5	5	-	-	1	5	-	-	6	10
Other OECD-countries	-	-	-	-	-	-	-	1	-	-		-	-	-	-	1
Supranationals	-	-	-	-	5	3	-	-	-	-		-	-	-	5	3
Others	23	19	-	-	-	-	0	-	-	-	-	-	-	-	24	19
Total	**237**	**274**	**198**	**149**	**76**	**78**	**99**	**143**	**42**	**39**	**10**	**16**	**-**	**-**	**661**	**700**

Rating distribution for direct interest investment in the life insurance business

	31.12.2011	31.12.2010
(EUR million)	546	577
Aaa	70.5%	58.9%
Aa1-Aa3	8.7%	13.1%
A1-A3	11.5%	14.3%
Baa1-Baa3	4.1%	6.2%
Ba1-Ba3	0.8%	2.3%
B1-B3	0.0%	0.1%
Caa1 or lower	0.0%	0.2%
Finnish municipalities (no rating)	0.0%	0.0%
No rating	4.4%	4.9%
Total	**100.0%**	**100.0%**

Of the direct interest rate investments 2.3 (1.5)% did not meet the internal instrument-specific requirements.

INVESTMENT PORTFOLIO OF THE NON-LIFE INSURANCE COMPANY

During the period, the investment portfolio of the non-life insurance company increased by EUR 14 million, amounting to EUR 161 (147) million. The share of secured bonds in the investment allocation increased. During the period, investments in EU countries with a credit rating below AAA fell by EUR 11 million to EUR 9 (20) million.

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

Aktia Non-life Insurance	Government and gov. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
EU AAA	50	47	37	20	20	15	10	11	27	26	1	1	-	-	143	120
Finland	*2*	*2*	*9*	*4*	*14*	*6*	*6*	*5*	*27*	*26*	*1*	*1*	-	-	*59*	*44*
Other AAA-countries	*47*	*44*	*28*	*16*	*6*	*10*	*4*	*6*	-	-	-	-	-	-	*85*	*76*
EU < AAA	7	18	2	2	-	-	-	-	-	-	-	-	-	-	9	20
Belgium	*2*	*2*	-	-	-	-	-	-	-	-	-	-	-	-	*2*	*2*
Greece	-	*8*	-	-	-	-	-	-	-	-	-	-	-	-	-	*8*
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Italy	-	*3*	*1*	*1*	-	-	-	-	-	-	-		-	-	*1*	*4*
Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	*4*	*4*	*1*	*1*	-	-	-	-	-	-	-	-	-	-	*6*	*6*
Other countries	*0*	-	-	-	-	-	-	-	-	-	-	-	-	-	*0*	-
Europe excluding EU	-	-	3	1	1	1	-	-	-	-	-	-	-	-	4	2
North America	-	-	-	-	(0)	-	1	2	-	-	-	-	-	-	0	2
Other OECD-countries	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1
Supranationals	-	-	-	-	0	-	-	-	-	-	-	-	-	-	0	-
Others	4	3	-	-	-	-	-	-	-	-	-	-	-	-	4	3
Total	**61**	**67**	**41**	**23**	**21**	**16**	**10**	**13**	**27**	**26**	**1**	**1**	**-**	**-**	**161**	**147**

Rating distribution for direct interest rate investments in the non-life insurance business

	31.12.2011	31.12.2010
(EUR million)	116	113
Aaa	72.9%	57.9%
Aa1-Aa3	13.8%	24.4%
A1-A3	9.5%	7.0%
Baa1-Baa3	1.4%	1.4%
Ba1-Ba3	0.0%	7.1%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	0.0%	0.0%
No rating	2.4%	2.2%
Total	**100.0%**	**100.0%**

All the non-life insurance company's investments met the internal instrument-specific requirements, as they did the year before.

GROUP INVESTMENTS IN EU COUNTRIES WITH A CREDIT RATING BELOW AAA

AGroup investments in EU countries with a credit rating below AAA came to EUR 482 (740) million at the end of 2011, and the total unrealised profit was EUR -35.3 (-26.6) million. These items are reported under 'Equity and fund at fair value'. No write-downs have been posted for these holdings via the income statement. On the other hand, early disposals were carried out, which brought about a loss from the sale of EUR 8.2 million before tax in the period. All investments in EU countries, including those with a credit rating below AAA, are measured on an ongoing basis at current market value.

OTHER MARKET RISKS IN THE BANKING BUSINESS AND PARENT COMPANY

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

At the end of the year, real estate holdings amounted to EUR 0.7 (3.4) million and investments in shares necessary for the business amounted to EUR 1.8 (26.9) million.

VALUATION OF FINANCIAL ASSETS

VALUE CHANGES REPORTED VIA INCOME STATEMENT

The effect of write-downs on financial assets for the period amounted to EUR -4.3 (-3.9) million, mainly related to permanent reductions in the value of smaller private equity investments. These investments are mainly related to the investment portfolio of the life insurance company.

Write-downs on financial assets

EUR million	2011	2010
Interest-bearing securities		
Banking Business	-	-
Life Insurance Business	0.6	-0.1
Non-Life Insurance Business	-	-
Shares and participations		
Banking Business	-	-
Life Insurance Business	-4.6	-3.8
Non-Life Insurance Business	-0.3	-
Total	**-4.3**	**-3.9**

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 19.1 (22.5) million after deferred tax.

Cash flow hedging, which comprises the market value for interest rate derivative contracts that have been acquired for the purposes of hedging the banking business' net interest income, amounted to EUR 25.5 (25.7) million.

Specification of the fund at fair value

EUR million	31.12.2011	31.12.2010	Δ
Shares and participations			
Banking Business	0.0	0.2	-0.2
Life Insurance Business	6.1	2.6	3.5
Non-life Insurance Business	0.8	0.3	0.5
Direct interest-bearing securities			
Banking Business	-34.9	-16.6	-18.3
Life Insurance Business	17.9	10.7	7.2
Non-life Insurance Business	3.7	-0.4	4.1
Cash flow hedging	25.5	25.7	-0.2
Fund at fair value, total	**19.1**	**22.5**	**-3.4**

OPERATIONAL RISKS

No events regarded as operational risks causing significant financial losses occurred during 2011.

EVENTS CONCERNING CLOSE RELATIONS

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

No significant changes concerning close relations occurred.

OTHER EVENTS DURING THE YEAR

Key persons within the asset and liability management team of Aktia Bank's Treasury started a new partner-driven company, ALM Partners Ltd. Aktia Bank, savings banks and the POP Banks hold a non-controlling interest and have agreed to buy services from the company.

Aktia Bank, MTV Oy and Finnish real estate agencies have founded Jokakoti Oy, an Internet marketplace for houses and apartments. Aktia Bank owns 16.7% of the shares in Jokakoti Oy. The operations started 1.4.2011.

A member of the Board of Supervisors, Dr. Christoffer Grönholm, D.Soc. Sc., Chief Secretary, passed away during the year. His term on the Board would have ended in 2012.

A member of the Executive Committee, Taru Narvanmaa, M.Sc.(Econ.), has been appointed Deputy Managing Director of Aktia plc. Magnus Weurlander, M.Sc. (Econ.), has been appointed to the Executive Committee of Aktia plc with responsibility for risk management and banking products and processes.

Aktia Life Insurance and Pohjantähti Mutual Insurance Company signed a cooperation agreement under which Pohjantähti offers its customers Aktia Life Insurance products.

Aktia Bank plc submitted its application for internal rating to the Financial Supervisory Authority (the IRBA = Internal Risk Based Approach). Upon approval of the application, the internal rating is expected to increase the Tier 1 capital ratio by 3-5%.

Aktia revised its organisation structure to meet the general challenges coming from the financial markets. In order to achieve the Group's growth and profitability targets for coming years, Aktia is further increasing the customer focus in its business model.

Katja Kerke, M.Sc.(Econ.), was appointed Managing Director of Aktia Life Insurance.

EVENTS AFTER THE END OF THE YEAR

Aktia's new online bank was launched on 25 January 2012.

On 27 January 2012, Aktia plc signed an agreement to sell 51% of Aktia Non-Life Insurance to Folksam and 15% to Veritas Pension Insurance. Aktia's remaining holding is 34%. Further, Folksam received the option to buy additionally 24% of the non-life insurance company within three years.

Aktia will receive approx. EUR 31 million in cash for 66% of the shares in the non-life insurance company, and will earn one-off income of around EUR 5 million. The transaction is planned to complete in the first quarter of 2012. The deal reduces Aktia plc's balance-sheet total by EUR 160 million and operating expenses by around EUR 20 million for the full year, and reduces the volatility in Aktia's profit figures.

31 January 2012, Aktia Card Ltd sold its business operations to its parent company Aktia Bank plc, which will continue to run the card business unchanged.

PERSONNEL

The average number of full-time employees in 2011 was 1,192 (2010: 1,183).

The outcome of the codetermination negotiations in the Aktia Group was a headcount reduction of 25 persons. This entailed a one-off cost of EUR 1.8 million.

PERSONNEL FUND

Aktia plc's Board of Directors has confirmed that the profit sharing provision to the personnel fund will be based on 10% of the Group operating profit exceeding EUR 35 million. The profit sharing provision cannot exceed EUR 3 million. The Managing Director and other members of the Group's Executive Committee are also members of the Group's personnel fund until the end of 2011.

INCENTIVE PROGRAMME FOR 2011

The Board of Directors of Aktia plc has decided on a new share-based incentive scheme for key personnel in Aktia Group, including the Managing Director and Executive Committee members.

The reward will be paid partly as 'A' shares in Aktia plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person. The incentive scheme is divided in two parts.

The first part of the scheme is based on earnings criteria and includes three earnings periods: the calendar years 2011-2012, 2012-2013 and 2013-2014. The earnings criteria for the earning period 2011-2012 are based on the development of the Aktia Group's cumulated adjusted equity during the period 1 January 2011-31 December 2012 (NAV) (50% weighting) and of the Group's total net commission and insurance income in the period 1 January 2011-31 December 2012 (50% weighting).

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

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

Key persons are obliged to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain the shares throughout their employment in the Group.

The maximum reward paid on the basis of the scheme may amount to 401,200 'A' shares in Aktia plc and a sum in cash corresponding the value of the shares. The new incentive scheme has been prepared in accordance with new regulations concerning remuneration schemes in the financial sector.

The Aktia Group's report on the remuneration paid to the Executive Committee and other administrative bodies is published on the Aktia plc website (www.aktia.fi).

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

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 Board of Directors for the period 1 January - 31 December 2012:
Chair Dag Wallgren, M.Sc. (Econ.)
Vice Chair Nina Wilkman, LL.M.
Jannica Fagerholm, M.Sc. (Econ.)
Hans Frantz, Lic.Soc.Sc.
Kjell Hedman, M.Sc. (Econ.)
Nils Lampi, B.Sc. (Econ)
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)
Kjell Sundström, M.Sc. (Econ)

On 8 December 2011, the Board of Supervisors decided the renumeration for the Board of Directors for 2012 to:

•annual renumeration, Chair: EUR 48,200
•annual renumeration, Vice-Chair: EUR 26,900
•annual renumeration, Member: EUR 21,300

On 8 December 2011, the Board of Supervisors decided that 10% of the annual remuneration (gross amount) shall be paid to the members of the Board of Directors in the form of Aktia plc A shares. The shares shall be acquired for the board members from the Stock Exchange at market price the day Aktia plc's Accounts Announcement for the period 1 January – 31 December 2011 is published, or within two weeks thereafter at the latest.

Aktia's Executive Committee comprises Managing Director Jussi Laitinen, Deputy Managing Director Jarl Sved, Deputy Managing Director Stefan Björkman, Deputy Managing Director Taru Narvanmaa, Deputy Managing Director Robert Sergelius and Director Magnus Weurlander.

CHANGES IN GROUP STRUCTURE

Aktia Bank's holding in Aktia Asset Management has diminished from 93% to 86% during the year. This has no significant impact on the Group result or financial position.

Aktia Bank plc's holding in Samlink has reduced from 23.97 % to 22.56%, following an issue targeted to Itella Corporation.

BOARD OF DIRECTOR'S PROPOSALS FOR THE 2012 AGM

The Board of Directors will propose to the AGM on 16 April 2012 a dividend of EUR 0.30 (0.30) per share for the period 1 January – 31 December 2011, which corresponds to a dividend ratio of 57% on the year's profit. The proposed dividend amounts to a total of EUR 20.0 (19.9) million.

The proposed record date for the dividend will be 19 April 2012 and the dividend will be paid out on 26 April 2012.

The report by the Board of Directors, financial statements, corporate governance report and annual report will be published on 26 March 2012.

The nomination committee proposes that the renumeration for the members of the Board of Supervisors should be unchanged from last year. The proposed renumeration are:

•annual renumeration, Chair: EUR 21,500
•annual renumeration, Vice-Chair: EUR 9,500
•annual renumeration, Member: EUR 4,200
The renumeration per meeting was proposed to be increased from EUR 450 to EUR 500.

It is also proposed that travel expenses and cost for lodging for members of the Board of Supervisors would be compensated and a daily allowance paid according to current laws. The Nomination Committee proposes that 20% of the annual remuneration (gross amount) be paid to the members in the form of Aktia plc A shares.

The nomination committee proposes to the annual general meeting that KPMG Oy Ab should be re-appointed as auditors. Fees to the auditors will be paid against invoices.

In accordance with a decision of the annual general meeting, the nomination committee draws up proposals for members of the company's Board of Supervisors, auditor(s) and their fees, to be decided by the annual general meeting. The nomination committee comprises representatives of the three largest shareholders as of 1 November of the calendar year before the meeting plus the Chairman of the Board of Supervisors.

The members of the nomination committee are Chancellery Counsellor Håkan Mattlin from Stiftelsen Tre Smeder, Chamber Councillor Mikael Westerback from Life Annuity Institution Hereditas and Chief Executive Officer Jan-Erik Stenman, from Veritas Pension Insurance Company in addition to Chamber Councellor Henry Wiklund, Chairman of the Board of Supervisors.

SHARE CAPITAL AND OWNERSHIP

At At the end of December 2011, 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 total number of shares is 66,987,758. The number of registered shareholders at the end of December was 48,978.

Of the merger compensation related to the merger with Veritas Non-Life Insurance of 6,800,000 shares, a further 91,738 new series A shares were registered on book-entry accounts during the year. The inspection and registration of outstanding shares continues. The number of unregistered shares was 807,226 or 0.2 % of all shares.

Aktia's holding of treasury shares amounted to 467,436 shares, corresponding to 0.7% of all shares.

SHARES

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

As at 31 December 2011, the closing price for an 'A' share was EUR 4.88 (7.60) and for an 'R' share EUR 8.54 (8.50), indicating a market value of approx. EUR 399 million for Aktia plc. The highest quotation for the 'A' share in the period shares was EUR 8.14 and the lowest EUR 4.34. The highest for the 'R' share was EUR 9.15 and the lowest EUR 6.93.

The average daily turnover of 'A' shares was EUR 236,325, or 39,143 shares. The average turnover of 'R' shares per trading day during the same period was EUR 38,417, or 4,497 shares.

OUTLOOK AND RISKS FOR 2012

OUTLOOK

Aktia is endeavouring to grow above the market in the sectors focusing on retail customers and small companies.

In 2012, Aktia's focus is on increasing growth by strengthening customer relations, increasing sales per customer and cross-selling and developing Internet services.

In order to strenghten profitability also costs will be cut, risks and capital will be managed.

The interest rate derivatives that temporarily lifted the net interest income (NII) to an exceptional level have matured. The high NII level from 2009-2011 is therefore not possible to repeat in a low interest rate environment. Write-downs are expected to decrease in 2012. The operating result for 2012 is expected to be lower than in 2011.

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 a requirement for higher returns among investors, among other things.

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 affect both capitalisation needs and the 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.

KEY FIGURES

EUR million	2011	2010	Δ	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Earnings per share (EPS), EUR	0.53	0.83	-36%	0.12	0.09	0.13	0.20
Equity per share (NAV), EUR[1]	7.01	6.81	3%	7.01	6.90	6.43	6.14
Return on equity, (ROE) %	7.2	12.0	-41%	6.1	4.4	7.6	11.9
Total earnings per share, EUR	0.46	0.52	-12%	0.06	0.48	0.30	-0.37
Capital adequacy ratio, % (finance and insurance conglomerate)[1]	163.5	156.5	4%	163.5	162.6	156.5	152.6
Average number of shares, million[2]	66.5	66.5	0%	66.5	66.5	66.5	66.5
Number of shares at the end of the period[1], million	66.5	66.5	0%	66.5	66.5	66.5	66.5
Personnel (FTEs), average number of employees from the beginning of the financial year[1]	1,192	1,183	1%	1,192	1,190	1,191	1,194
Banking Business (incl. Private Banking)							
Cost-to-income ratio	0.73	0.59	24%	0.78	0.79	0.74	0.63
Borrowing from the public[1]	3,645.2	3,396.6	7%	3,645.2	3,576.2	3,492.1	3,415.2
Lending to the public[1]	7,063.3	6,591.6	7%	7,063.3	6,938.4	6,805.2	6,660.2
Capital adequacy ratio, % [1]	16.2	15.9	2%	16.2	16.6	16.6	16.0
Tier 1 capital ratio, % [1]	10.6	10.1	5%	10.6	10.8	10.8	10.3
Risk-weighted commitments [1]	3,694.0	3,673.1	1%	3,694.0	3,643.1	3,648.6	3,656.5
Asset Management							
Mutual fund volume[1]	3,613.4	4,264.0	-15%	3,613.4	3,379.2	4,147.7	4,125.4
Managed and brokered assets[1]	6,624.1	6,978.2	-5%	6,624.1	6,204.6	7,048.7	6,921.6
Life Insurance							
Premiums written before reinsurers' share	103.5	101.2	2%	25.5	19.3	23.9	34.8
Expense ratio, %[2]	91.7	93.6	-2%	91.7	95.5	98.4	97.5
Solvency margin[1]	117.3	98.8	19%	117.3	116.4	96.9	85.9
Solvency ratio, %[2]	20.7	16.1	29%	20.7	19.2	15.9	14.1
Investments at fair value[1]	911.6	951.3	-4%	911.6	934.1	950.0	944.5
Technical provisions for interest-related insurances[1]	533.4	587.7	-9%	533.4	575.5	581.1	586.8
Technical provisions for unit-linked insurances[1]	284.8	282.4	1%	284.8	269.6	298.5	297.4
Non-Life Insurance							
Premiums written before reinsurers' share	69.8	67.2	4%	11.2	12.4	15.0	31.2
Premiums earned	64.3	61.4	5%	15.9	16.3	15.6	16.5
Expense ratio, % [2]	26.9	26.5	1%	26.9	25.9	25.9	23.7
Loss ratio, % [2]	78.5	80.0	-2%	78.5	77.8	82.6	87.9
Combined ratio, % [2]	105.4	106.6	-1%	105.4	103.7	108.5	111.6
Technical provisions before reinsurers' share[1]	123.3	119.7	3%	123.3	127.4	133.1	135.3
Solvency capital[1]	53.2	46.6	14%	53.2	55.5	46.9	42.2
Solvency ratio of technical provisions, %[1]	46.9	43.6	7%	46.9	48.0	38.7	34.6
Risk carrying capacity, %[1]	83.2	76.8	8%	83.2	88.3	75.7	67.9

1) At the end of the period.

2) Cumulative from the beginning of the financial year.

BASIS OF CALCULATION FOR KEY FIGURES CAN BE FOUND IN AKTIA PLC:S ANNUAL REPORT. PAGE 26

CONSOLIDATED INCOME STATEMENT

(EUR million)	2011	2010	Δ %
Net interest income	128.8	149.3	-14%
Dividends	0.2	1.1	-84%
Commission income	74.9	73.8	2%
Commission expenses	-15.5	-16.8	8%
Net commission income	59.5	57.0	4%
Net income from life-insurance	22.7	16.5	38%
Net income from non-life insurance	24.3	22.6	7%
Net income from financial transactions	-14.8	-5.6	-165%
Net income from investment properties	0.3	0.5	-49%
Other operating income	3.9	7.9	-50%
Total operating income	**224.8**	**249.4**	**-10%**
Staff costs	-84.1	-82.8	2%
IT-expenses	-27.8	-23.8	17%
Depreciation of tangible and intangible assets	-6.5	-7.2	-11%
Other operating expenses	-48.1	-45.2	6%
Total operating expenses	**-166.5**	**-159.0**	**5%**
Write-downs on credits, other commitments and outstanding premium receivables	-11.3	-14.1	-20%
Share of profit from associated companies	-0.1	1.6	-
Operating profit	**47.0**	**77.9**	**-40%**
Taxes	-10.5	-19.9	-47%
Profit for the reporting period	**36.5**	**58.0**	**-37%**
Attributable to:			
Shareholders in Aktia plc	35.5	55.5	-36%
Non-controlling interest	1.0	2.6	-62%
Total	**36.5**	**58.0**	**-37%**
Earnings per share (EPS), EUR	0.53	0.83	-36%
Earnings per share (EPS), EUR, after dilution	0.53	0.83	-36%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	2011	2010	Δ %
Profit for the reporting period	36.5	58.0	-37%
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale	-0.9	-31.7	97%
Change in valuation of fair value for cash flow hedging	-0.2	4.3	-
Transferred to the income statement for financial assets available for sale	-2.8	6.5	-
Defined benefit plan pensions	-1.3	-	-
Share-based payments	-0.2	-	-
Total comprehensive income for the reporting period	**31.0**	**37.1**	**-16%**
Total comprehensive income attributable to:			
Shareholders in Aktia plc	30.6	34.6	-12%
Non-controlling interest	0.4	2.5	-83%
Total	**31.0**	**37.1**	**-16%**
Total earnings per share, EUR	0.46	0.52	-12%
Total earnings per share, EUR, after dilution	0.46	0.52	-12%

CONSOLIDATED BALANCE SHEET

(EUR million)	31.12.2011	31.12.2010	Δ
Assets			
Cash and balances with central banks	475.0	273.4	74%
Financial assets reported at fair value via the income statement	1.9	20.9	-91%
Interest-bearing securities	2,509.7	3,241.0	-23%
Shares and participations	109.4	142.7	-23%
Financial assets available for sale	2,619.1	3,383.7	-23%
Financial assets held until maturity	20.0	21.5	-7%
Derivative instruments	300.6	230.2	31%
Lending to credit institutions	88.8	46.0	93%
Lending to the public and public sector entities	7,063.3	6,591.6	7%
Loans and other receivables	7,152.1	6,637.6	8%
Investments for unit-linked provisions	286.7	280.0	2%
Investments in associated companies	3.5	5.2	-34%
Intangible assets	17.3	10.8	59%
Investment properties	24.6	24.3	1%
Other tangible assets	7.6	9.2	-17%
Accrued income and advance payments	83.5	87.1	-4%
Other assets	26.6	21.3	25%
Total other assets	110.1	108.3	2%
Income tax receivables	22.3	0.0	-
Deferred tax receivables	13.0	13.4	-3%
Tax receivables	35.3	13.4	163%
Assets classified as held for sale	2.2	0.7	195%
Total assets	**11,056.1**	**11,019.2**	**0%**
Liabilities			
Liabilities to credit institutions	1,111.9	959.7	16%
Liabilities to the public and public sector entities	3,645.2	3,396.6	7%
Deposits	4,757.2	4,356.3	9%
Derivative instruments	156.0	149.5	4%
Debt securities issued	3,800.1	3,381.9	12%
Subordinated liabilities	258.7	256.0	1%
Other liabilities to credit institutions	353.5	1,012.5	-65%
Other liabilities to the public and public sector entities	51.7	177.0	-71%
Other financial liabilities	4,464.0	4,827.4	-8%
Technical provisions for interest-related insurances	533.4	587.7	-9%
Technical provisions for unit-linked insurances	284.8	282.4	1%
Technical provisions for non-life insurances	123.3	119.7	3%
Technical provisions	941.5	989.8	-5%
Accrued expenses and income received in advance	106.9	93.9	14%
Other liabilities	52.1	44.0	18%
Total other liabilities	159.0	137.9	15%
Income tax liabilities	2.6	9.0	-70%
Deferred tax liabilities	51.8	51.8	0%
Tax liabilities	54.4	60.7	-10%
Liabilities for assets classified as held for sale	0.2	0.2	9%
Total liabilities	**10,532.3**	**10,521.9**	**0%**
Equity			
Restricted equity	123.2	126.6	-3%
Unrestricted equity	342.8	326.4	5%
Shareholders' share of equity	466.0	453.0	3%
Non-controlling interest's share of equity	57.7	44.3	30%
Equity	**523.8**	**497.3**	**5%**
Total liabilities and equity	**11,056.1**	**11,019.2**	**0%**

CONSOLIDATED CASH FLOW STATEMENT

(EUR million)	2011	2010	Δ %
Cash flow from operating activities			
Operating profit	47.0	77.9	-40%
Adjustment items not included in cash flow for the period	26.4	26.3	0%
Unwinded cash flow hedging	17.6	-	-
Paid income taxes	-37.2	-27.6	-34%
Cash flow from operating activities before change in operating receivables and liabilities	**53.8**	**76.6**	**-30%**
Increase (-) or decrease (+) in receivables from operating activities	254.2	-565.2	-
Increase (+) or decrease (-) in liabilities from operating activities	-92.7	417.8	-
Total cash flow from operating activities	**215.4**	**-70.8**	**-**
Cash flow from investing activities			
Financial assets held until maturity	1.4	6.4	-78%
Investments in group companies and associated companies	-0.4	-0.1	-677%
Proceeds from sale of group companies and associated companies	0.4	0.3	37%
Investment in tangible and intangible assets	-12.7	-7.4	-73%
Disposal of tangible and intangible assets	3.0	4.7	-37%
Share issue of Aktia Real Estate Mortgage Bank Plc to the non-controlling interest	13.5	9.2	47%
Total cash flow from investing activities	**5.1**	**13.2**	**-61%**
Cash flow from financing activities			
Subordinated liabilities	1.5	2.1	-29%
Own shares divested	0.2	0.3	-41%
Paid dividends	-19.9	-15.9	-25%
Total cash flow from financing activities	**-18.3**	**-13.6**	**-35%**
Change in cash and cash equivalents	**202.2**	**-71.2**	**-**
Cash and cash equivalents at the beginning of the year	279.5	350.7	-20%
Cash and cash equivalents at the end of the year	481.7	279.5	72%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	9.5	9.6	-1%
Insurance operation's cash and bank	8.7	3.6	146%
Bank of Finland current account	456.8	260.2	76%
Repayable on demand claims on credit institutions	6.6	6.1	8%
Total	**481.7**	**279.5**	**72%**
Adjustment items not included in cash flow consist of:			
Impairment of financial assets available for sale	4.3	3.9	10%
Write-downs on credits, other commitments and outstanding premium receivables	11.3	14.1	-20%
Change in fair values	4.4	3.2	41%
Depreciation and impairment of intangible and tangible assets	6.9	8.1	-14%
Share of profit from associated companies	0.4	-0.9	-
Sales gains and losses from intangible and tangible assets	2.5	-2.4	-
Unwinded cash flow hedging	-2.5	-	-
Other adjustments	-0.8	0.5	-
Total	**26.4**	**26.3**	**0%**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR million)	Share capital	Other restricted equity	Fund at fair value	Fund for share-related payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Non-controlling interest's share of equity	Total equity
Equity as at 1January 2010	**93.9**	**10.3**	**43.3**	**0.2**	**72.7**	**213.2**	**433.4**	**32.7**	**466.2**
Share issue							0.0		0.0
Divestment of own shares						0.3	0.3		0.3
Dividends to shareholders						-15.9	-15.9		-15.9
Profit for the reporting period						*55.5*	*55.5*	*2.6*	*58.0*
Financial assets available for sale			*-25.2*				*-25.2*	*0.0*	*-25.2*
Cash flow hedging			*4.4*				*4.4*	*-0.1*	*4.3*
Total comprehensive income for the reporting period			-20.8			55.5	34.6	2.5	37.1
Other change in equity				0.6			0.6	9.1	9.7
Equity as at 31 December 2010	**93.9**	**10.3**	**22.5**	**0.8**	**72.7**	**253.0**	**453.0**	**44.3**	**497.3**
Equity as at 1January 2011	**93.9**	**10.3**	**22.5**	**0.8**	**72.7**	**253.0**	**453.0**	**44.3**	**497.3**
Share issue							0.0		0.0
Divestment of own shares				-0.8		0.2	-0.5		-0.5
Dividens to shareholders						-19.9	-19.9		-19.9
Profit for the reporting period						*35.5*	*35.5*	*1.0*	*36.5*
Financial assets available for sale			*-3.7*				*-3.7*	*0.0*	*-3.8*
Cash flow hedging			*0.3*				*0.3*	*-0.5*	*-0.2*
Defined benefit plan pensions						*-1.3*	*-1.3*		*-1.3*
Share-based payments						*-0.2*	*-0.2*		*-0.2*
Total comprehensive income for the reporting period			-3.4			34.0	30.6	0.4	31.0
Other change in equity				0.2		2.7	2.9	13.0	15.9
Equity as at 31 December 2011	**93.9**	**10.3**	**19.1**	**0.2**	**72.7**	**269.9**	**466.0**	**57.7**	**523.8**

QUARTERLY TRENDS IN THE GROUP

(EUR million)	10-12/2011	7-9/2011	4-6/2011	1-3/2011	10-12/2010
Net interest income	28.6	31.9	33.6	34.7	35.9
Dividends	0.1	0.0	0.0	0.0	0.0
Net commission income	16.3	13.0	15.5	14.7	14.9
Net income from life insurance	3.9	7.1	5.6	6.2	2.1
Net income from non-life insurance	6.0	8.1	5.5	4.6	5.2
Net income from financial transactions	-0.6	-11.9	-3.3	1.0	2.2
Net income from investment properties	-0.2	0.2	0.1	0.2	0.1
Other operating income	1.2	0.8	0.7	1.2	1.7
Total operating income	**55.3**	**49.3**	**57.7**	**62.6**	**62.0**
Staff costs	-22.6	-18.6	-22.2	-20.8	-22.9
IT-expenses	-7.4	-7.5	-7.0	-6.0	-6.1
Depreciation of tangible and intangible assets	-1.7	-1.6	-1.6	-1.6	-1.8
Other operating expenses	-12.7	-11.0	-12.6	-11.8	-13.2
Total operating expenses	**-44.3**	**-38.6**	**-43.4**	**-40.1**	**-44.1**
Write-downs on credits, other commitments and outstanding premium receivables	-4.3	-1.2	-2.1	-3.6	-4.3
Share of profit from associated companies	-0.1	0.1	-0.1	0.0	-0.1
Operating profit	**6.6**	**9.5**	**12.1**	**18.8**	**13.5**
Taxes	1.4	-4.0	-3.2	-4.6	-3.4
Profit for the period	**7.9**	**5.5**	**8.9**	**14.2**	**10.1**
Attributable to:					
Shareholders in Aktia plc	7.8	5.7	8.5	13.4	9.5
Non-controlling interest	0.1	-0.2	0.4	0.7	0.6
Total	**7.9**	**5.5**	**8.9**	**14.2**	**10.1**
Earnings per share (EPS), EUR	0.12	0.09	0.13	0.20	0.14
Earnings per share (EPS), EUR, after dilution	0.12	0.09	0.13	0.20	0.14

QUARTERLY TRENDS OF COMPREHENSIVE INCOME

(EUR million)	10-12/2011	7-9/2011	4-6/2011	1-3/2011	10-12/2010
Profit for the period	7.9	5.5	8.9	14.2	10.1
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	-2.1	18.1	8.5	-25.4	-38.3
Change in valuation of fair value for cash flow hedging	-0.3	8.8	2.0	-10.7	-6.5
Transferred to the income statement for financial assets available for sale	-0.5	-1.1	0.5	-1.8	3.1
Defined benefit plan pensions	-1.3	-	-	-	-
Share-based payments	-0.2	-	-	-	-
Total comprehensive income for the period	**3.4**	**31.4**	**20.0**	**-23.7**	**-31.6**
Total comprehensive income attributable to:					
Shareholders in Aktia plc	3.9	31.7	19.1	-24.1	-32.4
Non-controlling interest	-0.5	-0.3	0.9	0.4	0.9
Total	**3.4**	**31.4**	**20.0**	**-23.7**	**-31.6**
Total earnings per share, EUR	0.06	0.48	0.29	-0.36	-0.49
Total earnings per share, EUR, after dilution	0.06	0.48	0.29	-0.36	-0.49

NOTES TO THE INTERIM REPORT

NOTE 1 BASIS FOR PREPARING ANNUAL ACCOUNTS AND IMPORTANT ACCOUNTING PRINCIPLES

BASIS FOR PREPARING THE ANNUAL ACCOUNTS

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

The annual accounts announcement for the period 1 January – 31 December 2011 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The accounts announcement does not contain all the information and notes required for an annual report and should therefore be read together with the Group's annual report of 31 December 2010.

The annual accounts announcement for the period 1 January – 31 December 2011 was approved by the Board of Directors on 15 February 2012.

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

IMPORTANT ACCOUNTING PRINCIPLES

In preparing the accounts announcement the Group has, with the exception for following additions, followed the accounting principles applicable to the annual report 31 December 2010.

IAS 40 Investment properties
As of 31 December 2011 the Group's investment properties are reported in the balance sheet at fair value (earlier valued at original acquisition value). The valuation is based on statements from independent valuers. Future changes in the value of investment properties will influence operating profit. The change of valuation principle for investment properties increased the Group's equity by EUR 2.7 million after tax.

IFRS 5 Assets classified as held for sale
As of 31 December 2011 the real estate assets of the Group's subsidiary Vasp-Invest Ab are classified as assets held for sale. The new classification has no influence on the Group's equity.

No new or revised IFRSs or interpretations from IFRIC have had an impact on the Group:s future results, financial position or explanatory notes for the period 1 January-31 December 2011.

NOTE 2 GROUP SEGMENT REPORT

Income statement	Banking Business		Asset Management		Life Insurance		Non-Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR million)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	123.9	145.5	4.3	3.6	-	-	-	-	0.1	-0.3	0.5	0.5	128.8	149.3
Net commission income	45.2	41.7	16.6	17.2	-	-	-	-	7.7	6.7	-10.1	-8.7	59.5	57.0
Net income from life-insurance	-	-	-	-	23.4	18.1	-	-	-	-	-0.7	-1.6	22.7	16.5
Net income from non-life insurance	-	-	-	-	-	-	22.0	24.2	-	-	2.3	-1.6	24.3	22.6
Other income	-3.0	1.2	0.7	0.3	-	-	0.4	0.9	-3.3	7.3	-5.2	-5.7	-10.4	4.0
Total operating income	**166.1**	**188.5**	**21.6**	**21.1**	**23.4**	**18.1**	**22.4**	**25.1**	**4.5**	**13.7**	**-13.2**	**-17.1**	**224.8**	**249.4**
Staff costs	-41.9	-38.4	-8.0	-9.1	-5.1	-5.5	-11.1	-10.9	-17.6	-18.5	-0.4	-0.4	-84.1	-82.8
IT-expenses	-13.7	-12.1	-0.9	-0.9	-1.1	-1.0	-1.5	-1.3	-10.7	-8.8	-	0.3	-27.8	-23.8
Depreciation of tangible and intangible assets	-2.3	-2.3	-0.5	-0.5	-0.7	-0.5	-0.5	-0.6	-2.5	-2.7	-	-0.7	-6.5	-7.2
Other expenses	-62.2	-53.1	-6.5	-6.2	-6.3	-6.2	-8.6	-7.2	21.2	14.7	14.4	12.9	-48.1	-45.2
Total operating expenses	**-120.1**	**-105.9**	**-15.9**	**-16.7**	**-13.2**	**-13.1**	**-21.8**	**-20.0**	**-9.6**	**-15.3**	**14.1**	**12.0**	**-166.5**	**-159.0**
Write-downs on credits, other commitments and outstanding premium receivables	-10.5	-12.9	-	-	-	-	-0.8	-1.1	-	-	-	-	-11.3	-14.1
Share of profit from associated companies	-	-	-	-	-	-	-	-	-	-	-0.1	1.6	-0.1	1.6
Operating profit	**35.6**	**69.7**	**5.6**	**4.4**	**10.3**	**4.9**	**-0.1**	**4.0**	**-5.1**	**-1.6**	**0.8**	**-3.5**	**47.0**	**77.9**
Contribution of insurance businesses to the Groups' operating profit					10.3	3.9	2.2	1.7						

Balance sheet	Banking Business		Asset Management		Life Insurance		Non-Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR million)	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Cash and balances with central banks	466.2	269.7	0.1	0.1	12.9	6.9	11.2	3.5	-	-	-15.3	-6.9	475.0	273.4
Financial assets reported at fair value via the income statement	-	-	-	-	1.9	14.1	-	6.8	-	-	-	-	1.9	20.9
Financial assets available for sale	1,876.1	2,593.6	1.4	8.0	630.2	664.6	124.1	112.3	0.0	22.4	-12.7	-17.3	2,619.1	3,383.7
Loans and other receivables	7,139.9	6,652.1	74.7	53.8	-	-	-	-	0.1	0.1	-62.7	-68.3	7,152.1	6,637.6
Investments for unit-linked provisions	-	-	-	-	286.7	280.0	-	-	-	-	-	-	286.7	280.0
Other assets	499.1	389.6	7.3	7.0	22.5	19.7	48.9	34.4	365.9	357.3	-422.7	-384.3	521.1	423.8
Total assets	**9,981.3**	**9,905.0**	**83.6**	**68.9**	**954.3**	**985.3**	**184.2**	**156.9**	**366.1**	**379.7**	**-513.4**	**-476.7**	**11,056.1**	**11,019.2**
Deposits	4,596.3	4,189.8	185.8	179.8	-	-	-	-	1.6	1.9	-26.5	-15.2	4,757.2	4,356.3
Debt securities issued	3,812.8	3,397.8	-	-	-	-	-	-	-	-	-12.7	-15.9	3,800.1	3,381.9
Technical provision for insurance business	-	-	-	-	818.2	870.2	118.5	112.5	-	-	4.8	7.2	941.5	989.8
Other liabilities	1,087.2	1,845.4	14.0	9.3	19.5	17.3	21.0	17.6	70.8	79.7	-179.0	-175.6	1,033.5	1,793.8
Total liabilities	**9,496.4**	**9,433.1**	**199.8**	**189.1**	**837.7**	**887.5**	**139.5**	**130.1**	**72.4**	**81.6**	**-213.5**	**-199.5**	**10,532.3**	**10,521.9**

NOTE 3 DERIVATIVES AND OFF-BALANCE SHEET COMMITMENTS

Hedging derivative instruments (EUR million) 31.12.2011	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	4,085.0	157.2	35.5
Total	**4,085.0**	**157.2**	**35.5**
Cash flow hedging			
Interest rate-related	655.0	21.1	0.0
Total	**655.0**	**21.1**	**0.0**
Derivative instruments valued via the income statement			
Interest rate-related *)	6,322.1	118.2	116.9
Currency-related	81.1	1.8	1.3
Equity-related **)	107.2	1.3	1.3
Other derivative instruments **)	22.7	1.1	1.1
Total	**6,533.1**	**122.3**	**120.5**
Total derivative instruments			
Interest rate-related	11,062.1	296.4	152.3
Currency-related	81.1	1.8	1.3
Equity-related	107.2	1.3	1.3
Other derivative instruments	22.7	1.1	1.1
Total	**11,273.1**	**300.6**	**156.0**

Hedging derivative instruments (EUR million) 31.12.2010	Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	4,368.5	74.1	40.6
Total	**4,368.5**	**74.1**	**40.6**
Cash flow hedging			
Interest rate-related	960.0	45.5	0.3
Total	**960.0**	**45.5**	**0.3**
Derivative instruments valued via the income statement			
Interest rate-related *)	7,565.8	103.0	101.2
Currency-related	168.4	1.8	1.6
Equity-related **)	107.2	4.9	4.9
Other derivative instruments **)	4.3	0.9	0.9
Total	**7,845.7**	**110.6**	**108.6**
Total derivative instruments			
Interest rate-related	12,894.3	222.6	142.1
Currency-related	168.4	1.8	1.6
Equity-related	107.2	4.9	4.9
Other derivative instruments	4.3	0.9	0.9
Total	**13,174.2**	**230.2**	**149.5**

*) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 5,986.0 (7,219.0) million.

**) All equity-related and other derivative instruments relate to the hedging of structured debt products.

Off-balance sheet commitments

(EUR million)	31.12.2011	31.12.2010
Commitments provided to a third party on behalf of the customers		
Guarantees	42.2	48.4
Other commitments provided to a third party	3.3	5.5
Irrevocable commitments provided on behalf of customers		
Unused credit arrangements	415.3	607.6
Other commitments provided to a third party	5.2	8.8
Off-balance sheet commitments	**466.1**	**670.4**

NOTE 4 THE GROUP'S RISK EXPOSURE

The Bank Group's capital adequacy

					(EUR million)
Summary	12/2011	9/2011	6/2011	3/2011	12/2010
Tier 1 capital	392.6	393.4	393.1	378.3	371.5
Tier 2 capital	206.4	210.3	213.4	205.5	214.1
Capital base	**599.1**	**603.7**	**606.5**	**583.8**	**585.7**
Risk-weighted amount for credit and counterparty risks	3,321.6	3,294.4	3,300.0	3,307.8	3,324.4
Risk-weighted amount for market risks[1]	-	-	-	-	-
Risk-weighted amount for operational risks	372.3	348.6	348.6	348.6	348.6
Risk-weighted commitments	**3,694.0**	**3,643.1**	**3,648.6**	**3,656.5**	**3,673.1**
Capital adequacy ratio, %	**16.2**	**16.6**	**16.6**	**16.0**	**15.9**
Tier 1 Capital ratio, %	**10.6**	**10.8**	**10.8**	**10.3**	**10.1**
Minimum capital requirement	**295.5**	**291.4**	**291.9**	**292.5**	**293.8**
Capital buffer (difference between capital base and minimum requirement)	303.5	312.3	314.6	291.3	291.8

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

					(EUR million)
	12/2011	9/2011	6/2011	3/2011	12/2010
Share capital	163.0	163.0	163.0	163.0	163.0
Funds	44.6	44.6	44.6	44.6	44.6
Non-controlling interest	57.7	58.2	58.6	45.4	44.3
Retained earnings	96.2	95.9	95.9	95.4	65.8
Profit for the period	24.7	22.4	16.9	10.5	50.1
./. Provision for dividends to shareholders	-21.3	-15.8	-10.5	-5.3	-20.8
Capital loan	30.0	30.0	30.0	30.0	30.0
Total	394.9	398.3	398.4	383.6	376.9
./. Intangible assets	-2.3	-4.9	-5.3	-5.2	-5.4
Tier 1 capital	**392.6**	**393.4**	**393.1**	**378.3**	**371.5**
Fund at fair value	-34.9	-31.5	-28.1	-28.7	-16.6
Upper Tier 2 loans	45.0	45.0	45.0	45.0	45.0
Lower Tier 2 loans	196.3	196.7	196.5	189.2	185.8
Tier 2 capital	**206.4**	**210.3**	**213.4**	**205.5**	**214.1**
Total capital base	**599.1**	**603.7**	**606.5**	**583.8**	**585.7**

The Bank Group's risk-weighted exposures, credit and counterparty risks

Total exposure 12/2011			(EUR million)
Risk-weight	Balance assets	Off-balance sheet commitments	Total
0%	1,252.0	29.0	1,281.0
10%	1,050.5	-	1,050.5
20%	693.5	186.7	880.2
35%	5,529.1	67.7	5,596.8
50%	0.7	-	0.7
75%	573.6	93.0	666.7
100%	563.3	88.3	651.6
150%	26.3	0.8	27.1
Total	**9,689.1**	**465.4**	**10,154.6**
Derivatives *)	370.9	-	370.9
Total	**10,060.0**	**465.4**	**10,525.4**

Risk-weighted exposures					(EUR million)
Risk-weight	12/2011	9/2011	6/2011	3/2011	12/2010
0%	-	-	-	-	-
10%	105.1	103.8	103.2	110.4	121.2
20%	146.6	158.9	191.6	227.7	243.1
35%	1,943.7	1,898.3	1,857.3	1,811.6	1,780.8
50%	0.3	0.4	0.4	-	0.0
75%	450.9	458.0	465.7	470.3	478.2
100%	601.8	616.6	624.7	637.0	646.8
150%	40.1	30.1	31.3	21.2	20.4
Total	**3,288.4**	**3,266.0**	**3,274.3**	**3,278.2**	**3,290.5**
Derivatives *)	33.2	28.4	25.7	29.6	33.9
Total	**3,321.6**	**3,294.4**	**3,300.0**	**3,307.8**	**3,324.4**

*) 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 governments and central banks, credit institutions, investment firms, corporations 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	2011	2010	2009	12/2011	9/2011	6/2011	3/2011	12/2010
Gross income	187.8	208.5	199.4					
- average 3 years	198.6							
Capital requirement for operational risk				29.8	27.9	27.9	27.9	27.9
Risk-weighted amount, Basel 2				372.3	348.6	348.6	348.6	348.6

The capital requirement for operational risk is 15 % of average gross income during the last three years.
The risk-weighted amount is calculated by dividing the capital requirement by 8 %.

The finance and insurance conglomerate's capital adequacy

Summary	12/2011	9/2011	6/2011	3/2011	12/2010
Tier 1 capital for the group	479.6	470.7	467.1	445.7	450.4
Sector-specific items	234.9	237.4	222.1	205.5	229.6
Intangible assets and other specific reductions	-154.8	-155.8	-153.7	-127.7	-141.4
Conglomerate's total capital base	**559.7**	**552.3**	**535.5**	**523.5**	**538.7**
Capital requirement for banking business	296.2	292.3	294.4	295.0	296.3
Capital requirement for insurance business	46.2	47.3	47.9	48.1	47.8
Minimum amount for capital base	342.4	**339.6**	**342.2**	**343.0**	**344.2**
Conglomerate's capital adequacy	**217.3**	**212.7**	**193.3**	**180.5**	**194.5**
Capital adequacy ratio, %	**163.5%**	**162.6%**	**156.5%**	**152.6%**	**156.5%**

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 Supervisory Authority.

The quarterly data has been retroactively adjusted and deviates therefore from information published in the Annual Report 2010. The conglomerate's scope of application and the handling of the non-controlling interest have been amended in accordance with the Finnish Financial Supervisory Authority's interpretation.

NOTE 5 NET INTEREST INCOME

(EUR million)	2011	2010	Δ %
Deposits and lending	63.0	54.8	15%
Hedging, interest rate risk management	34.8	58.3	-40%
Other	30.9	36.3	-15%
Net Interest Income	128.8	149.3	-14%

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

NOTE 6 NET INCOME FROM INSURANCE BUSINESS

(EUR million)	2011	2010	Δ %
Income from insurance premiums	103.0	100.7	2%
Net income from investments	26.1	25.5	2%
Insurance claims paid	-92.6	-79.2	-17%
Net change in technical provisions	-13.8	-30.6	55%
Net income from life insurance	22.7	16.5	38%
Premium income earned	64.3	61.4	5%
Net income from investments	3.2	3.5	-8%
Insurance claims paid	-42.9	-41.9	-2%
Change in provisions for outstanding claims	-0.4	-0.3	-23%
Net income from non-life insurance	24.3	22.6	7%

This report has not been subject to external auditing.

Helsinki 15 February 2012

AKTIA PLC
Board of Directors

ANNUAL GENERAL MEETING
16 APRIL 2012 AT 3 P.M.

INTERIM REPORT 1-3/2012
10 MAY 2012

INTERIM REPORT 1-6/2012
6 AUGUST 2012

INTERIM REPORT 1-9/2012
8 NOVEMBER 2012

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