Aktia

We see a person in every customer.

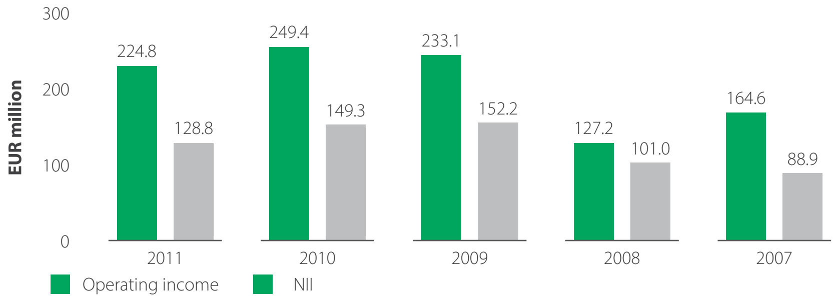
YEAR 2011

Aktia provides individual solutions in banking, asset management, insurance and real estate services. Aktia operates in the Helsinki region, in the coastal area and in growth centres of Finland.

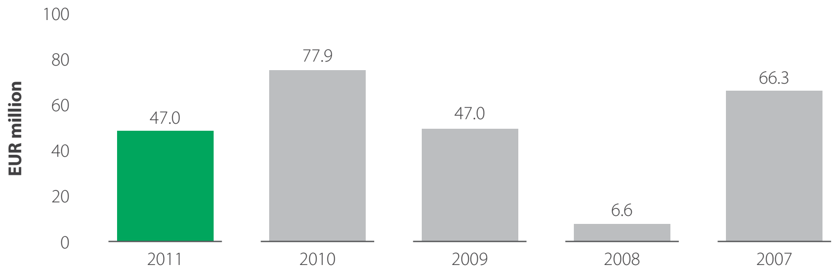
2011 in brief

- **Operating profit was EUR 47.0 (77.9) million** and net profit was EUR 36.5 (58.0) million. Earnings per share was EUR 0.53 (0.83).
- **Write-downs of credits and outstanding premium receivables was down** by 20% to EUR 11.3 (14.1) million.
- **The Board proposes an unchanged dividend of EUR 0.30 per share.** The dividendpolicy was changed to 40–60% of Group result after tax. Previously 30–50%.
- **Organisational structure was revised** to support Group growth and profitability targets by increasing focus on customers.
- **Aktia sells 66% of Aktia non-life Insurance** to Folksam and Veritas. Aktia continues to sell non-life insurance policies but Folksam takes over the production.
- **Aktia submitted an IRBA application** for internal rating to the Financial Supervisory Authority and expects approval during 2012 which should increase Tier 1 by 3–5%.
- **Tier 1 improved to 10.6 (10.1)% and capital adequacy to 16.6 (15.9)%,** both exceeding regulators' stricter capital requirements.

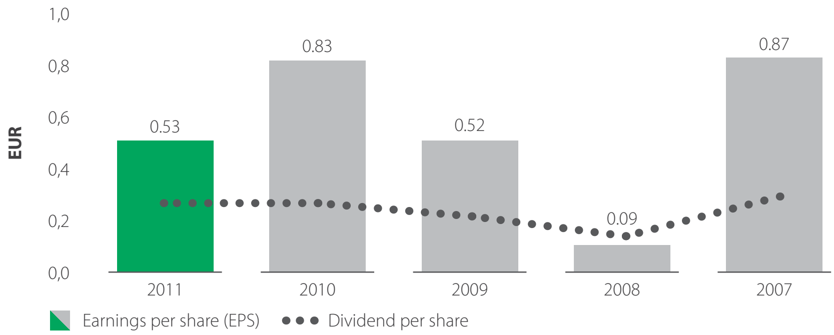
Operating income and Net Interest Income (NII)



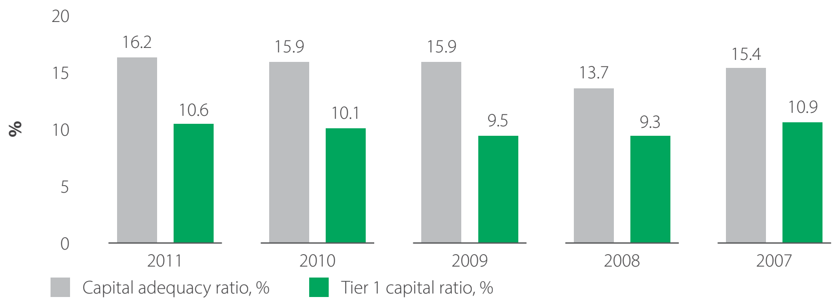
Operating profit



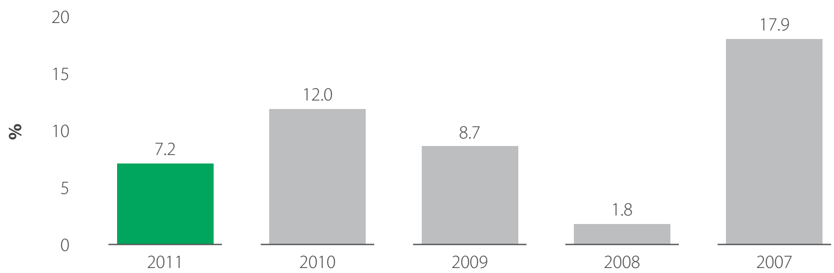
Earnings and dividend per share



Capital adequacy ratio



Return on equity, ROE



Contents

One Aktia in a changing world	2
Objectives and result 2011	5
Aktia at your service	6
Aktia Store	7
Aktia in co-operation with Moomin	7
Aktia Premium	7
Aktia Asset Management	8
Aktia Private Banking	9
Aktia – part of the local community	10
Share capital and ownership	14
Report by the Board of Directors	16
Aktia Plc – Consolidated financial statements	27
Information about Board of Director's Report and Financial Statement	123
Auditor's report	124
Statement by the Board of Supervisors	125
Corporate Governance report for Aktia Plc	126
The Board of Directors	130
Executive Committee	131
Calendar 2012	132

One Aktia in a changing world

Good profit despite market turbulence

Despite a volatile financial year, Aktia's results were relatively good. Owing to low interest rates, our operations suffered and will continue to do so; however, the reduction in net interest income was partially balanced by increased commission income, improved net income for life insurance, and improved net income from non-life insurance. Our balance sheet is strong and our liquidity is good.

The debt crisis did not affect Aktia's liquidity or refinancing activities. In June, Aktia Real Estate Mortgage Bank issued a covered bond valued at EUR 500 million. The emission enjoyed a positive reception and was oversubscribed. Aktia's conservative credit policy resulted in lower write-downs of credits than for the previous year. With the current strategy, the pace of write-downs should continue to decrease. During the year, Aktia continued to invest in IT and marketing activities. These initiatives have been necessary to maintain and develop our position as a provider of banking, investment and insurance services, and these activities will continue.

Persistently low interest rates have made banking more difficult and have put pressure on our profitability. The focus for the next few years is to increase sales via our branch offices and through telephone and online services, and to cut costs.

A volatile financial market

The financial crisis that began in 2008 continued to affect economic development during 2011. After a positive start for the year, the atmosphere in Europe transformed to reflect fear, pessimism and panic. The debt situation in southern Europe was the subject of daily conversation and media coverage, and the market situation resembled that following the collapse of Lehman Brothers. In December 2011, the European Central Bank was forced to calm markets by offering European banks and financial institutions longer-term refinancing at a 1 percent rate, with a 36-month maturity. After similar measures on the part of the ECB in February 2012, the situation has stabilised. This has provided market participants with more time to address structural problems. Aktia did not participate in the above-named liquidity initiatives organised by the European Central Bank in December 2011 and February 2012.

The turbulence on the financial scene negatively affected economic growth. It even appears that at the close of 2011 and the beginning of 2012, growth in Europe has been negative. Recovery should have begun by now, but growth is forecasted to remain at very low levels for an extended period of time. The Finnish economy has been surprisingly resistant to market chaos, and unemployment in Finland decreased by more than 1 percentage point. The Finnish people were clearly concerned about their own financial situation as record lows in consumer confidence were noted during the autumn.
The stock market suffered an particularly poor year and share prices dropped in many countries. Interest rates also dropped, which resulted in good profits for many who invested in fixed income funds.

Aktia's choices

After experiencing several decades of strong growth, the banking industry now faces a number of difficulties in the coming years. The continuing financial crisis has led to new and extensive regulation, as well as increased capital requirements set by regulatory authorities. In the short term, this will result in decreased profitability. Record lows in interest rates are already exerting pressure on Aktia's profitability and the profitability of the financial industry in general. For this reason, Aktia has focused in recent years on developing its inherent strengths, while also freeing up capital and reducing expenditures in areas where few long-term opportunities exist for good profit.

Our most important customer segments include private individuals of all ages and income categories, small businesses and corporations, and institutions focusing specifically on investment and savings. These customers value competent, personal service conducted in their own language, efficient Internet and telephone banking services, quick responses to financing and insurance requests, and extensive knowledge about opportunities in the investment market. Aktia's strength lies in its dialogue with customers and in providing solutions that meet customers' needs. We want to expand through both organic growth and acquisition, with a focus on our customers. Nevertheless, we want to grow profitably, and ensure that our shareholders can continue to enjoy stable dividends.

Since 2003 Aktia has conducted discussions with the Bank of Åland regarding opportunities for strategic collaboration. Discussions with the Bank of Åland's owners continued in 2011, but despite common efforts, we have not succeeded in finding satisfactory ways of co-operation. Based on this, Aktia divested its ownership in the Bank of Åland in September.

Our greatest challenge for the future is to maintain competitiveness in production of our wide range of services and products. Therefore, we will continue to seek out strategic partners, with the aim of reducing the expenses associated with this activity.

Aktia's capital adequacy good

Success in today's financial world requires sufficient capital adequacy. The global financial crisis has brought about more stringent policies in the industry and supervisory authorities have increased requirements for capital adequacy and equity ratio.

Despite a weakened operating profit in comparison with the previous year, Aktia Bank's capital adequacy and Tier 1 ratio experienced improvement. During the summer of 2011, Aktia also submitted an IRBA application for internal rating to the Financial Supervisory Authority. IRBA is a method for determining credit risk capital requirements for approval by regulatory authorities. All of Aktia's competitors listed on the stock exchange use this method. We expect our IRBA application to be approved at the end of 2012. Upon approval of our application, our Tier 1 ratio will increase by 3–5 percentage points. Aktia will then be one of Scandinavia's best banking groups in terms of capitalisation.

Aktia Bank is one of the few banks whose credit rating has remained unchanged since spring 2007 and throughout the financial crisis. Nevertheless, since many other banks' credit ratings have already been downgraded, Aktia Bank plc's credit rating was downgraded at the end of February 2012 to A3 from A1 (long-term borrowing and deposit rating), to P2 from P1 (short-term borrowing and deposit rating) and to C- from C (financial strength). The outlook on all ratings is stable. The downgrade is a return to Aktia's rating levels of 2006, and means that our long-term refinancing of debt will become somewhat more expensive.

Broader and improved non-life insurance offering

At the beginning of the year, in order to maintain our long-term competitive price position in insurance products, Aktia sold majority ownership of its Non-Life Insurance to Folksam in Sweden, and a percentage as well to Veritas Pension Insurance. The collaboration with Folksam will allow Aktia Non-Life Insurance to offer a much broader and more competitive portfolio of non-life insurance products. Aktia will continue to market and sell Aktia non-life insurance products to its customers, but production and product development with be managed by Folksam. We are very pleased with this development.

Satisfied customers

We continue to receive very positive feedback in customer surveys, and have one of the top customer satisfaction ratings in the country. We are continuously investing in staff training and want to ensure that Aktia staff are specialists in their field 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 finances and of being the customer's number one choice in the areas in which we operate.

Top-ranked Asset management

Aktia asset management services has secured a place among the best in an institutional customer survey conducted by Scandinavian Financial Research (SFR). 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.

New Internet bank and office concept

Aktia's updated Internet bank was launched in the beginning of 2012 and was positively received by customers. The new online bank was a substantial step forward in providing customer-friendly services and Aktia will continue development of its Internet bank throughout the year. The bank offices' operations model and visual appearance will also be improved, beginning with the opening of the new Aktia store in Espoo. The Aktia store concept represents a considerable improvement in the service we can offer our customers. During the year, the Kolme Seppää, Loviisa and Järvenpää offices will be updated to the new concept. In the next few years, Aktia will engage in additional activities to improve customer service. The product offering will be developed to meet the changing needs of individuals, and personnel can now spend less time with back office tasks and more time providing customer service. I would like to extend my sincere thanks once again to each and every member of staff for all the good work you have done for our customers, and to Aktia's shareholders for their support in the creation of a new Aktia. And I would like to thank our customers for placing their confidence in us – we are doing our very best to earn your continued confidence in the future.

"The customer's needs is always our starting point"

Jussi Laitinen

Helsinki, March 2012
Jussi Laitinen

Mission

We develop and sell customer-oriented banking and insurance services and create added value for our customers, shareholders and the local community.

Core values

- Responsibility
- Customer closeness
- Security
- Individuality
- Active approach

Vision

We excel in helping our customers improve and safeguard their finances and are the customer's number one choice in the areas we operate in.

Aktia

We see a person in every customer.

Competitive advantage

Aktia's competitive advantage is the dialogue between customer and staff in Swedish and Finnish as well as the best access to services.

Strategic choices

- Profitable growth
- Increased customer closeness
- Broad skills
- Cost-effectiveness and controlled risk taking

Means

- One Aktia. Centralised Group control model under one brand.
- Cross-selling. Relationsship-driven increase of sales through Aktia Dialogue
- Development of personnel to guarantee best possible customer service
- Cost-effectiveness and correct allocation of capital

Objectives and means

One Aktia. Centralised operations, one brand	Cross-selling Closer customer relationships through Aktia Dialogue	Education of staff	Cost efficiency and optimising of equity

Objectives and result 2011

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

The most satisfied customers

In a customer panel arranged 2011 by Marketing Clinic/Research Insight Finland, Aktia Bank's total customer satisfaction was 93 (93)%. According to the survey, 48 (50)% of customers were very satisfied and 45 (44)% fairly satisfied.

Income

Net interest income was exceptionally high in 2009–2010 thanks to successful strategies on interest rate management in a special market situation. These earnings are, however, of temporary nature, and and is not possible to repeat. Aktia strives to compensate this through increasing cross-selling and sales per customer. The objective is to increase income by at least EUR 35 million in the years 2012–2013.

In 2011, income decreased by 10% to EUR 224.8 (249.4) million.

Expenses

Aktia Group strives to lower the current level of costs by 15% in the years 2012–2013.

In 2011, expenses increased by 5% to EUR 166.5 (159.0) million, mainly due to investment in new web services.

Capital adequacy

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

In 2011, the Bank Group's Tier 1 capital ratio was 10.6% and that of Aktia Bank 16.2%. The approval of Aktia's application for internal rating (IRBA) is expected at the end of 2012, increasing the Tier 1 capital ratio by 3–5 %.

Dividend

Aktia aims to provide a stable dividend, amounting to 40–60% of profit per share after tax.

The Board of Directors proposes a dividend of EUR 0.30 (0.30) per share which corresponds to a dividend ratio of 57 (36)%.

Rating

Aktia's aim is to retain a stable rating.

Aktia Bank's Moody's Investor Service rating is A3 for long-term borrowing, P-2 for short-term borrowing and C- for financial strength. All with stabel outlook.

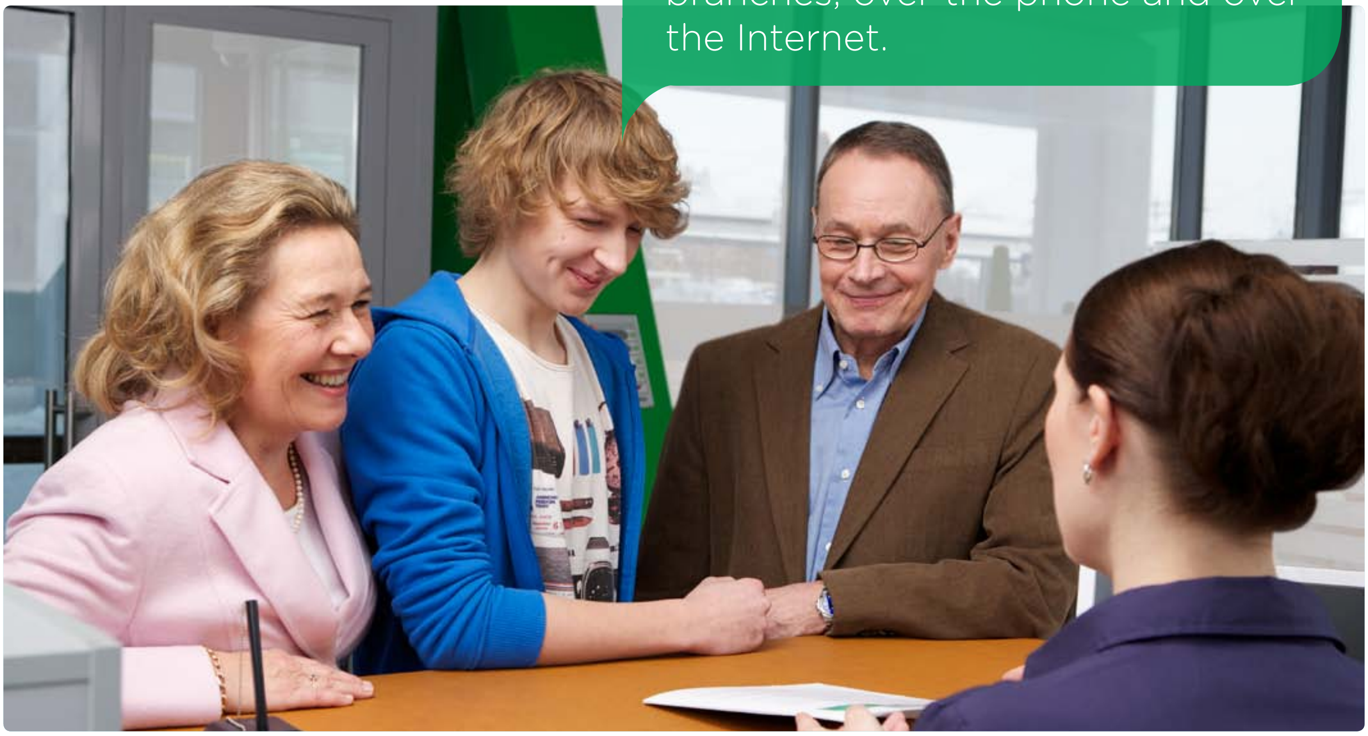
Write-downs of credits

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 2011, write-downs of credits amounted to EUR -11.3 (-14.1) million, corresponding to 0.2 (0.2)% of the total credit stock.

Aktia at your service

We want to service our customers in the best possible way at the branches, over the phone and over the Internet.



In 2011, Aktia focused on customer care and consistence in the way to meet the customers. Aktia's online bank was improved and developed and the new version is now much more user friendly. Aktia's other Internet-based services are also continuously developed to improve customer service.

Focus on the customer relationship

Aktia offers a comprehensive range of financial products and services in its 70 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 out each customer's individual situation, financial needs and values together in order to find the products that best suit each customer now and on longer term.

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

Development of web services

Use of the online bank is constantly increasing, among both private and corporate customers. Just over 135,000 of our private and corporate customers manage their payments and daily banking using the online 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 has been 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.

Aktia Store

Aktia has redefined the traditional concept of branch offices and opened a new Aktia Store branch in Espoo. This concept creates a new framework for improving our customers' economic and financial activities and management. Aktia's partner in planning the Aktia Store concept is dSign Vertti Kivi & Co.

Aktia Store: more than just an office

Our goal is to increase the dialogue between the customer and the bank, in a pleasant and inviting environment. We want to make banking, insurance and real estate services easily accessible for customers, and make it easier for both existing and new customers to visit our offices.

Aktia Store is part of our service concept that is designed to help our customers manage their financial and insurance matters easily, when it suits them, and through the service channel they prefer.

Customers are welcomed into the office and can choose how they wish to handle their financial tasks. Traditional cash desks, open areas for smaller errands, and sound-proofed meeting rooms for more complex discussions are available. The open areas are designed like a lounge with a WLAN network. Customers can surf the web with their own laptops. Clients can also read e-mail or make payment transactions at our Internet points.

The new Aktia Store concept has been well-received by customers and staff. Aktia Store is already influencing our customer service and how we work on a daily basis with our clients. The positive effects can be seen in our active approach and in our improved results.

More Aktia Store offices

The Aktia Store in Espoo opened in May 2011. Soon we will open similar Aktia Stores in Loviisa, Kolme Seppää in Helsinki, and Järvenpää.

Aktia in co-operation with Moomin

In 2011 Aktia Bank plc began a collaboration with Moomin Characters Oy Ltd. Aktia has the right to use the Moomin characters in product development and marketing activities. The collaboration is a natural one, since Aktia's core values correspond to Moomin core values. The long-term goal of this partnership is to create added value for both parties.
Since the 1980s Aktia Bank has distributed Moomin piggy banks, and now Aktia Bank will offer more Moomin services. During 2011 Aktia will hold various Moomin events at bank offices, and offer Visa cards with Moomin motifs and a Moomin advent calendar. In the near future, Aktia will expand its offering to include Moomin-related banking and insurance products. The Moomin family will also join Aktia and Benny Törnroos for a summer tour in southern Finland. Don't miss the Moomins at Aktia!

Aktia Premium

Our Premium Service (to be launched on 2 April 2012) is designed for customers who want to increase their net worth and who appreciate personal service that is available when they need it.

Aktia offers Premium customers individually assigned experts who can guarantee fast and flexible management of banking, insurance and real estate matters.

Our Premium Service offers the following benefits:

- An individually assigned, certified expert with competence and completed exams in investment management
- Individual financial plans and an invitation to an annual review of the client's financial situation
- Fast management of cash matters through our Premium customer service (tel. +358 10 247 365)
- Visa Gold Card
- Premium Security service in Aktia's Internet bank that provides notification of any significant changes in a customer's holdings
- Quarterly Premium newsletter via e-mail.

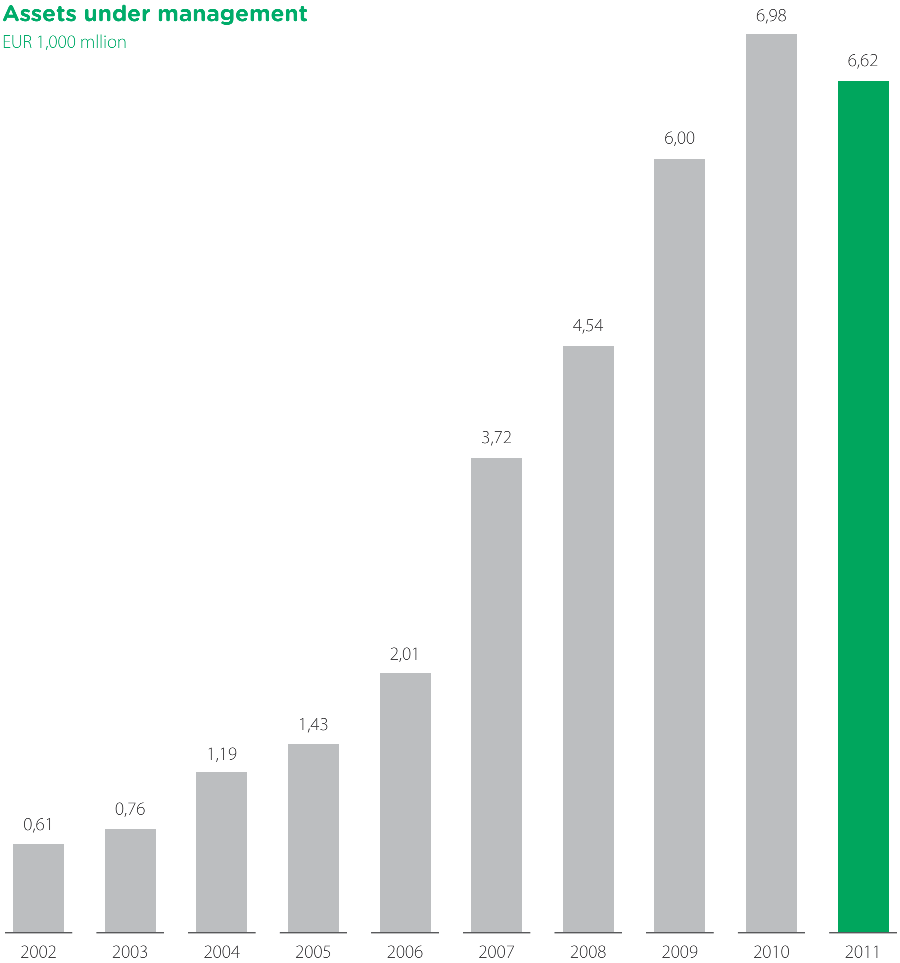
Customers are entitled to receive Aktia Premium Service when they have the following:

1. An Aktia account for regular income, such as salary or pension
2. At least one insurance policy or PS account in Aktia
3. A monthly savings plan amounting to at least EUR 400 or at least EUR 30 000 in mutual funds or insurance investments

Aktia Asset Management

Aktia has established a position as one of the leading asset management companies in Finland. According to Scandinavian Financial Researchs (SFR) Aktia was again rated as one of the top asset managers. The evaluation was conducted among the 100 largest institutional investors in Finland and Aktia was runner-up in 2011.

Assets under management
EUR 1,000 mllion



During the last five years, Aktia Asset Management has built an international asset management expertise focused on the fixed income assets in emerging markets in order to meet the increasing demand from its customers.

This is demonstrated by a rapid growth of assets managed, which is based on the portfolio management team's special expertise, a clear investment strategy and long-term customer relationships. Aktia has increased its resources on emerging nations' fixed income and currency markets considerably more rapidly than its competitors, and offers a comprehensive product solution package covering all fixed income and currency asset classes in the emerging markets. The emerging markets' fixed income fund range currently include Aktia Emerging Market Bond+, Aktia Emerging Market Local Currency Bond+ and Aktia Emerging Market Local Currency T-Bill+ as well as solutions offered to institutional customers.

Aktia is currently a clear domestic market leader on the emerging market fixed income in Finland and it manages assets of almost EUR 1,000 million.

SFR SCANDINAVIAN FINANCIAL RESEARCH LTD.
Best Asset Managers Finland 2011
Institutional Investors Gold Award

Aktia is specialised on Institutional Asset management

Aktia is specialised in individually customised asset management that takes into account the diverse investment needs of institutional customers. The services include discretionary and consultative asset management services, various consultancy and analysis services and fund selection based on open architecture. If the customer so wishes, a capital guarantee can be linked with a certain investment theme, for example.

Aktia possesses good prerequisites for handling various facets of investment activities itself. On the basis of the diverse needs of its customers, Aktia supplements its own service range with services provided by external asset managers.

Our asset management services can be implemented both as direct and mutual fund investments in equity, fixed income, currency and commodity markets. Concerning mutual funds, our customers will have the funds carefully selected from our extensive cooperation partner network. There are several tens of thousands of mutual funds offered by our cooperation partner network, from which we have selected mutual funds by several dozen fund management companies to meet the needs of our customers.

Aktia has established a position as one of the leading asset management companies in Finland.

Aktia Private Banking

When you feel that ordinary banking services are not enough, we welcome you at Aktia Private Banking

Welcome to Aktia Private Banking

Helsinki:
Mannerheimintie 14 A, 7th floor
Tel.: +358 (0)10 247 6800

Vaasa:
Vaasanpuistikko 16, 4th floor
Tel.: +358 (0)10 247 5180

Turku:
Kauppiaskatu 11 C
Tel.: +358 (0)10 247 5828

Private banker-team in Helsinki. From left: Fanny Henriksson, Anita Stjernberg, Christian Strömberg, Marko Morelius, Hanna Gabriel-Robez, Berndt Lindroos, Tina Ropponen, Bianca Renlund, Magnus Boman. Jerker Hedman, Robert Malm and Sofia Rehn are absent from the picture.

As of 31 December 2011, Aktia Private Banking had more than 1,000 customers with assets under management of approximately EUR 1,3 billion. Private Banking offers these customers all-inclusive financial solutions that meet the most stringent requirements for quality and service. Our Private Banking operations involve 35 employees who work with everything from wealth management to financial, legal and insurance matters. Private Banking also includes an Institutional Services department, which offers various financial administration services for foundations and associations. Many of our Private Banking customers are also active in real estate markets, and these customers appreciate Aktia's real estate services.

The customer is in focus

Private Banking customers often have large, complex financial needs. This is why it is particularly important that personal advisement is provided by experienced experts. Customers like that we maintain active contact with them. Private Banking offers both discretionary and consultative asset management, or a combination of these. Active co-operation with other professional asset management units within Aktia combined with selected international mutual fund companies gives us a cutting edge advantage in investment advisement to our clients.

Aktia Private Banking offices are centrally located in Helsinki, Turku and Vaasa. These offices also offer ordinary banking services, including cash and credit card services. During autumn 2011 we launched the Aktia Private Banking Visa card, with flexible services designed to make everyday activities, leisure time and travel easier and more secure.

Our customer relationships usually extend beyond generations. This is the essence of our Private Banking operations. We are proud to have this trust.

Marco Granskog
Manager, Private Banking

Aktia – part of the local community

Aktia's ethical principles are based on the idea that businesses which operate in a responsible manner, in accordance with established norms, are more profitable in the long term than companies that do not adhere to these norms.

The old savings bank traditions are nurtured by Aktia in its current social commitment. Aktia has its roots in the Helsinki Savings Bank, which opened its doors in 1826. Even at that time, the bank's basic premise was to take care of the local community, and through the years the bank has always been a important and active player in social development.

The mainstay of our operations is that they are local and that different types of regional activities are supported. Our branch offices are close to our customers – in the cities, and in the countryside. Through its activities, Aktia's aim is to provide banking and insurance services also in sparsely populated areas.

Social responsibility

Corporate social responsibility is defined as how the Company's daily activities influence society, from economic, environmental, and social perspectives. This report describes Aktia's goals and vision, and what measures the company has taken to promote sustainable development.

Aktia's report on social responsibility is based on the activities of the entire group. Aktia endeavours to apply the international Global Reporting Initiative (GRI) model, but at present, these GRI recommendations are followed only for certain applicable areas.

Aktia reports on social responsibility once a year in the financial statements. The report covers major events during 2011, and their effects on both the company and society.

Aktia's principles for governing corporate social responsibility

Aktia's mission and values stress social responsibility and form the basis of what we believe is right and where we believe our priorities should lie. These values also govern our actions. Aktia operates a responsible business by offering both financial and insurance services that are profitable, reliable and effective. Aktia's core values emphasise responsibility and security. We adopt a responsible approach to our customers, shareholders and our local community by acting profitably, reliably and ethically. Active and close customer contact increases customers' confidence in Aktia, and creates an atmosphere of security. Aktia sees a person in every customer. Our focus is on the individual, and we take responsibility for the world in which we live and operate. 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

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 every individual, both customer and colleague. Togetherness, cvompetence and job satisfaction are important cornerstones of One Aktia.

Active approach

We are modern and active, and we are committed.

Interaction of stakeholder groups

When our social responsibility and actions are reviewed, there are considerably more stakeholder groups involved, each with different expectations. A responsible company must master the balance between the different expectations that these target groups may have. The following five groups comprise Aktia's main stakeholders.

Customers	Aktia offers its approx. 350,000 customers attractive, reliable and integrated solutions in the areas of banking, insurance, asset management and real estate agency services. The product offering is under continuous development. Through the Aktia Dialogue concept, which is based on interaction and in-depth discussion between Aktia and customers, Aktia can find the products that best suit each customer's individual situation.
Owners and investors	Aktia maintains close contact with its about 50,000 shareholders and with representatives of the capital market. Investors and analysts are provided with plenty of information on Aktia's financial development and activities through stock exchange releases and the website. The company also arranges regular informational meetings.
Personnel	Aktia has approximately 1,400 staff, all of whom are actively involved in planning and developing Aktia's business. Aktia focuses on strong leadership and aims to maintain the skills and productivity of our staff through ongoing training, attractive remuneration and promoting increased well-being in the organisation.
Society	Aktia is an important part of society as an employer at local level. When necessary, we also contribute by providing expertise and advice in different contexts. Financial support is distributed to local cultural, youth and sports activities by 27 Aktia and savings bank foundations in Aktia's operational area.
Media	We provide continuous, transparent, diverse and accurate information about our business, both in accordance with the rules imposed by the stock exchange and other regulatory reporting requirements, and on a voluntary basis.

Ethical investments

Aktia's ethical principles are based on the idea that businesses which operate in a responsible manner, in accordance with established norms, are more profitable in the long term than companies that do not adhere to these norms. Our capital investments are based on ethical investment principles. These ethically sustainable principles are applied to investment funds and discretionary asset management offered by Aktia Fund Management Company Ltd and Aktia Asset Management Ltd, and to those investment services provided to institutional investors by Aktia Invest Ltd. Aktia offers customers ethically sound products, such as the Aktia Folkhälsan investment fund, which donates part of their revenue to charitable activities, and investment funds provided by Aktia's partners, such as Swedbank Robur Ethica Environment Sweden and Swedbank Robur Ethica Environment Global, which apply specific ethical principles in their own investments. In addition, Aktia offers its institutional investors ethical investment funds through numerous cooperative partners. Aktia's funds are managed in accordance with the ethical principles of Aktia Fund Management Company Ltd. These principles were adopted in 1 October 2006. The only exceptions are two interest funds investing in growth markets, since it cannot always be judged whether the countries in these markets also follow ethical principles, and special investment funds, where we perform a general evaluation of the reputation of funds included in our offer. Certain forms of operations, though legal, can be subject to negative effects and events such as claims for damages and unfavourable publicity, which can increase risks that are difficult to predict or quantify when investment funds make decisions. Therefore, Aktia's investment strategy is to avoid investments in such companies. When funds invest in companies, Aktia does not perform specific analyses of the companies' environmental or ethical policies. Instead, the guiding principle is to avoid investments in certain industries. This principle generally applies to the main business activities of these companies, but secondary activities can also affect the decision. Industries not present in the funds' investment base include gambling, tobacco and weapons. Aktia pays close attention to how companies manage social and ethical issues. No direct investments are made in companies known not to meet Aktia's standards (for example, companies using child labour or poor environmental controls). Institutional investors have the possibility to invest according to their own specific ethical criteria. For each customer's investment portfolio, we select instruments that comply with the principles agreed with the customer in terms of ethical and responsible investment. In this way, Aktia's customers can avoid investment in companies demonstrating unethical behaviour, or give priority to companies who lead by example in environmental or ethical action. Aktia follows accepted international conventions and norms, such as the UN Universal Declaration of

	2011	2010
Net interest income	128.8	149.3
Net commission income	59.5	57.0
Premiums written and value changes in unit-linked insurance, life insurance business	95.5	78.8
Premiums written, non-life insurance business	69.1	66.6
Reinsurers' share of claims paid	2.1	4.9
Net income from investment properties	13.3	22.3
Other income	5.5	12.3
Total income	**373.8**	**391.3**
Claims paid to customers	143.7	134.5
Reinsurers' share	5.3	5.8
Customers – write-downs of credit, net	11.3	14.1
Salaries to personnel	67.9	68.3
Other operating expenses	83.7	76.2
Society	26.7	34.4
Continued development of Aktia Group	14.2	35.5
Dividends to shareholders *)	20.0	19.9
Dividends to owners with non-controlling interest of subsidiaries	1.0	2.6
Distribution of income	**373.8**	**391.3**

*) For the most part, dividends are paid to philantropic foundations

Human Rights and similar UN conventions, ILO conventions, OECD Guidelines for Multinational Enterprises and the Rio Declaration on Environment and Development. In 2010, Aktia Bank Plc also became a signatory to the United Nations Principles for Responsible Investment (UNPRI). By becoming a signatory to the UNPRI, Aktia is committing itself to focus on the environment, society and good asset management methods to an ever greater extent. The UNPRI principles are primarily seen as a tool for developing Aktia Bank plc's asset management activities both in those units that manage investment funds and discretionary customer assets and in those areas where the bank's own investments are managed. The UNPRIs also mean that Aktia can assist in achieving more responsible activities in those companies in which Aktia holds shares. Aktia is also a member of FINSIF – Finland's Sustainable Investment Forum r.y.

Financial responsibility

Aktia stresses responsibility in all operations. Profitable operations result in stable dividends for the shareholders and thereby also continuous distribution of contributions to society.

Stable dividend

Aktia aims to provide a stable dividend to shareholders. According to the new policy, total annual dividends paid will be 40-60 % of the Group's annual net profit after tax. When the distribution of dividends is set out, targets for capital adequacy ratio, results of internal capital assessment and the Group's ambitions for growth are taken into consideration. The new policy will for the first time be applied to the dividend for 2011. The Board of Directors proposes a dividend of EUR 0.30 to be distributed to the shareholders.

CASE: GRANT TO SMPS PORVOON MERIPELASTAJAT – BORGÅ SJÖRÄDDARE RY

The sea rescue Porvoon Meripelastajat received a grant of EUR 10,000 från Aktia and savings banks foundations in October 2011. The grant was given at the foundations' annual seminar, and the donation was made by the foundations Aktiastiftelsen i Esbo-Grankulla, Stiftelsen Tre Smeder, Aktiastiftelsen i Vanda and Aktiastiftelsen i Borgå.

The grant was given in order to promote the voluntary sea rescue carried out by Porvoon Meripelastajat – Borgå Sjöräddare. They rescue boats and people in distress at sea. All activities are carried out on a voluntary basis without compensation. Porvoon Meripelastajat – Borgå Sjöräddare cooperates with the authorities and the coast guard.

Owners' support to society

In 2011, Aktia paid a total of EUR 5,127,579 in dividends to Aktia and savings bank foundations. Of this sum, approximately 80% was channelled back into society in the form of various assistance and contributions. Almost all Aktia and savings bank foundations contributed to local activities. The contributions vary based on the size of the foundations, but the number of recipients remains stable. Recipients work in areas such as child and youth activities, cultural activities, education etc. The foundations' contributions are essential to maintaining and developing these activities.

Revenue distribution

The revenue distribution shows the sources of Aktia's income and how it's divided between different stakeholder groups. This also illustrates Aktia Group's role in society.

Environmental responsibility

Aktia Group provides services, and because of this our effects on the environment are different from those of industrial and manufacturing companies. We work to achieve sustainable development and reduce any negative effects of our operations and processes on the environment.

The environment in day-to-day work

Aktia endeavours to reduce paper consumption by sending electronic mail instead of conventional letters wherever possible. Customers and other stakeholders can receive account statements, customer brochures, insurance forms, interim reports, annual reports etc. by e-mail or through the Internet. We are also trying to reduce our carbon footprint by adopting coordinated mail drops. Directives, policies, handbooks and personnel information are published on the company's intranet. The majority of documentation and information is only accessible in electronic form.

Business trips

Aktia is trying to reduce its impact on the environment in relation to business trips. For business trips Aktia applies a travel policy and encourages the use of public transport instead of private cars. Personnel are also encouraged to make use of tele- and video conferencing facilities and web-based training to avoid unnecessary travel. Aktia provides leased cars to those entitled to a company car. In accordance with the leasing policy Aktia replaces the cars every three years. In this way, Aktia keeps only new cars that have the latest technology and low CO2 emissions.

Environmental considerations in business activities

Aktia takes into account environmental considerations when granting credit, and strives to reduce the effects on the environment in its investment, insurance and corporate finance operations. We keep in mind any impact on the environment when developing solutions and services for our customers. Customers are encouraged to manage their day-to-day banking activities electronically, and Aktia works continuously to create more opportunities for electronic management of other tasks and activities. In 2011, Aktia has developed a new onlinebank, offering customers both new and familiar functions for easy handling of bank and insurance matters.

CASE: HÅLL SKÄRGÅRDEN REN R.F.

Aktia plc has been a main sponsor of the organisaton Håll skärgården ren r.f. (Keep the Archipelago Tidy).

The association Keep the Archipelago Tidy is a national environmental organisation working for a cleaner and more tidy seaside. The association operates both in coastal areas and the inland sea district.

Social responsibility

In each region in which Aktia operates, the company plays an important role in the local community, as an employer and provider of financial services. The Group cooperates with authorities, industry organisations, scientific societies, schools and institutions of higher learning.

Socially responsible products

Aktia's product range includes one fund developed to support social services in Finland: Aktia Folkhälsan. 0.5 per cent of the management fees for Aktia Folkhälsan is channelled to Folkhälsan activities. Investment funds with notable social responsibility are also Swedbank Robur Ethica Environment Sweden and Swedbank Robur Ethica Environment Global. These funds are hallmarked by consideration of environment issues. Interest funds with strong ethical principles include Aktia Inflation Bond+, Aktia Government Bond+, Aktia Likvida+ and Aktia Corporate Bond+. The product offering also includes Aktia's Environmental Loans, granted to renovation and renewal projects leading to environmentally minded improvements. The projects aim to reduce emissions or energy consumption. Environmental loans are also granted to projects involving the transition from non-renewable to renewable natural resources for energy and heat production. For these environmental loans, Aktia cooperates with the Nordic Investment Bank, which allows for more advantageous pricing of the loans.

Support to society

Aktia's aim in sponsoring is to boost public awareness of Aktia and to improve its corporate image. The choice of sponsoring objects and partners is based on our values and social responsibility. Through the years, Aktia has sponsored both youth sports and cultural activities in society. Aktia has been a traditional sponsor of the Relay Carnival youth sports event. Aktia also awards scholarships to promising young athletes each year. For example the tennis player Henri Kontinen received support from Aktia also in 2011. Aktia is part-owner of Women's Bank, a community and a fund for supporting women's sustainable entrepreneurship and livelihood in developing countries.

Responsibility to personnel

At the end of 2011, Aktia employed 1,427 persons, of whom 1,195 were full-time, 137 were part-time, and 184 were fixed-term employees. Other personnel amounted to 12 persons, and 71 persons were on long-term leave. Of the entire Aktia Group workforce, 33.2% were men and 66.8% women. Aktia encourages its personnel to maintain their physical and mental well-being by subsidising sports activities and cultural events. Aktia also has a very active personnel club, which plays an essential role in this area.

Recruitment

At the end of 2011, the number of personnel was almost the same as in 2010. The number of employees had increased by four. The average age was 41.5 years. Twenty two persons entered retirement during the year and their average age was 63.3. The average term of service for employees was 11 years. Aktia conducted codetermination negotiations in 2011, resulting in a reduction of personnel of approximately 25 persons.

Professional development

The aim of professional development is to support the company's business activities. The starting point for Aktia's activities is to create value for customers and profitability for the Group. Having a committed, expert staff is absolutely essential if we are to develop business activities in line with Aktia's strategy. Professional development is one of the cornerstones of Aktia's human resources policy. Training aims to support employees in their daily work, make working processes easier and motivate employees to produce good results. To guarantee full service in the customer's mother tongue, employees are encouraged to study the languages spoken in Finland.

Leadership programme

Owing to the demands for increasingly effective management, Aktia has focused in recent years on providing special support for middle management, with an emphasis on well-being at work. In 2009, an extensive leadership programme was introduced, with the first step of identifying needs together with the staff. The basic concept behind the management training is to implement a common leadership model that represents Aktia's values and goals today. The leadership programme was completed in 2011 when all managers had attended the course.

Remuneration

Aktia's salary and remuneration system is being developed to support diverse expertise, collaboration and work development.

Salaries

In 2011, Aktia paid a total of EUR 84.1 million in salaries, including social and pension contributions.

Personnel fund

The continued efforts of employees are necessary for Aktia to achieve its goals. To motivate its staff, Aktia transfers part of its profits to the Personnel fund each year. The operating profit for 2010 enabled payment of maximum profit-sharing provision of EUR 3.0 million to Aktia Group's Personnel fund in 2011. The payment of profit-sharing provision was based on a decision taken by Aktia plc's Board of Directors in 2010 that the profit sharing provision to the personnel fund will be based on 10% of the Group operating profit exceeding EUR 30 million.

Well-being at work

Aktia's aim is that all employees can live a good and balanced life and enjoy both work and leisure time at good health.

Activities to promote well-being at work have proceeded as planned, focusing on the needs of company management in changing circumstances. Support was given to Aktia's business operations in reorganisation processes and personnel changes. Approximately 40 meetings to inform about and discuss the survey of well-being at work were held, and courses for managers concerning HR and leadership to promote well-being at work are included in Aktia's training programme. New items on the programme are the course "Coaching managers delegate responsibility" and a 2 h training in the process of change to provide support in codetermination negotiations. Our training and other supportive measures concerning well-being at work aim to strengthen the managers supportive roles' in the changes made and to spur them in their leadership in well-being at work with a productive, motivated personnel with good health as target. Based on our survey of well-being at work and

Share capital and ownership

Aktia's A and R shares are listed on the Nasdaq OMX Helsinki exchange.

Dividend

Aktia aims to provide a stable dividend to the owner. For 2011, the Board of Directors proposes a dividend of EUR 0.30 (0.30) per share which corresponds to a dividend ratio of 57 (36)%. The proposal in full is found on page 22.

Exchange rate development

Aktia's stock exchange value as at 31 December 2011 was EUR 399 (527) million. As at 31 December 2011, the closing price for an A series share was EUR 4.88 and for a R series share EUR 8.50. The highest closing price for an A series shares was EUR 8.14 and the lowest EUR 4.34. The highest for the R series shares was EUR 9.15 and the lowest EUR 6.93.

From the beginning of the year to end of December, the total yield on Aktia A series shares was -32% and -1% on R series shares. The OMX Nordic Banks and OMX Helsinki-25 indices have performed 17% respectively -31% during the same period.

Owner structure

at year-end, the number of registered shareholders was 48,978. Of the owners 21.5 (21.2)% were companies, 7.1 (4.7)% financial institutions and insurance companies, 13.9 (9.5)% public-sector entities, 48.0 (55.8)% non-profit organisations, and 7.9 (7.1)% households. Foreign owners were 0.4 (0.3)%.

The most part of them, i.e. 77.0%, owned less than 100 shares. The 0.5% of all shareholders, holding 500 001 shares or more, owned a total of 72% of share capital and 82% of votes. Three shareholders have holdings exceeding 10% of votes. Stiftelsen Tre Smeder, Life Annuity Institution Hereditas and Pension Insurance Company Veritas.

Share capital

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.

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.

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.

In 2011, the average daily turnover of A shares was EUR 236,325, or 39,143 shares. The average daily turnover of R shares during the same period was EUR 38,417, or 4,497 shares.

Largest owners	Class A	Class R	No of shares	Shares %	No of votes	Votes %	Change during 2011
Stiftelsen Tre Smeder	3,009,837	3,997,265	7,007,102	10.46	82,955,137	18.52	-4,142,864
Life Annuity Institution Hereditas	4,648,114	2,066,106	6,714,220	10.02	45,970,234	10.26	0
Veritas Pension Insurance Company	4,027,469	2,134,397	6,161,866	9.20	46,715,409	10.43	0
Oy Hammaren & Co Ab	1,905,000	950,000	2,855,000	4.26	20,905,000	4.67	15,000
Varma Mutual Pension Insurance Company	2,675,000		2,675,000	3.99	2,675,000	0.60	2,675,000
Svenska Litteratursällskapet i Finland r.f.	1,681,786	789,229	2,471,015	3.69	17,466,366	3.90	0
Aktiastiftelsen i Esbo-Grankulla	1,146,585	1,243,358	2,389,943	3.57	26,013,745	5.81	-950,100
Stiftelsen för Åbo Akademi	1,495,640	751,000	2,246,640	3.35	16,515,640	3.69	0
Aktiastiftelsen i Borgå	1,303,370	651,525	1,954,895	2.92	14,333,870	3.20	0
Aktiastiftelsen i Vanda	900,000	1,045,402	1,945,402	2.90	21,808,040	4.87	-150,707
Aktiastiftelsen i Vasa	978,525	547,262	1,525,787	2.28	11,923,765	2.66	0
Sparbanksstiftelsen i Kyrkslätt	876,529	438,264	1,314,793	1.96	9,641,809	2.15	0
Sparbanksstiftelsen i Karis-Pojo	787,350	393,675	1,181,025	1.76	8,660,850	1.93	0
Föreningen Konstsamfundet Rf	670,040	370,951	1,040,991	1.55	8,089,060	1.81	-7,000
Alfred Berg Finland Mutual funds	1,534,505		1,534,505	2.29	1,534,505	0.34	997,850
Sparbanksstiftelsen i Ingå	646,236	324,318	970,554	1.45	7,132,596	1.59	1,200
Ab Kelonia Oy	549,417	308,662	858,079	1.28	6,722,657	1.50	0
Sparbanksstiftelsen i Sibbo	462,002	232,001	694,003	1.04	5,102,022	1.14	0
Sparbanksstiftelsen i Sjundeå	379,377	227,188	606,565	0.91	4,923,137	1.10	-25,000
Palkkiyhtymä Oy	600,000		600,000	0.90	600,000	0.13	600,000
20 largest	**30,276,782**	**16,470,603**	**88,685,265**	**69.8**	**714,568,179**	**80.3**	**-6,246,092**
Other	16,660,126	3,580,247	-21,697,507	30.2	-266,614,271	19.7	6,246,092
Total	**46,936,908**	**20,050,850**	**66,987,758**	**100.00**	**447,953,908**	**100.00**	

Aktia shares	2011	2010	2009
Earnings per share (EPS)	0.53	0.83	0.52
Dividend per share*	0.30	0.30	0.24
Payout ratio, %	56.6	36.0	46.5
Dividend growth, %	0.0	25	60
Yield (dividend/A-share), %	6.1	3.95	3.06
Closing price 31.12 Class A	4.9	7.6	7.9
Closing price 31.12 Class R	8.5	8.5	9.1
Year high, Class A	8.1	8	10
Year low, Class A	4.3	6.5	7.78
Year high, Class R	9.2	9.35	11.45
Year low, Class R	6.9	7.89	9.13
Share price development, Class A	-35.7	-2.2	-13.6
Share price development, Class R	-1.6	-8.6	-4.6
Equity per share (NAV), EUR	7.01	6.81	6.52
Closing 31.12.2011 Class A /NAV	0.70	1.12	1.20
Closing 31.12.2011 Class R /NAV	1.22	1.25	1.39
Average daily turnover on Helsinki Nasdaq OMX, Class A	223,602	122,822	226,141
Average daily turnover on Helsinki Nasdaq OMX, Class R	38,417	9,529	67,903
Average daily volume Nasdaq OMX, Class A	36,772	16,889	27,005
Average daily volume Nasdaq OMX, Class R	4,497	2,115	7,245
Turnover rate, Class A %	13.83	10.29	
Turnover rate, Class R %	2.31	2.85	
P/E ratio Class A	9.21	9.16	15.10
P/E ratio, Class R	16.11	10.24	17.42
Market capitalisation, EUR million	400	527	550
No of shares as of 31.12, Class A	46,936,908	46,936,908	46,936,908
No of shares as of 31.12, Class R	20,050,850	20,050,850	20,050,850
No of shares in total (A and R)	**66,987,758**	**66,987,758**	**66,987,758**

*Board's proposal to AGM 2012

Shareholders per sector 2011:	No of owners	%	No of shares	%	No of votes	%
Corporate	3,810	7.8	14,409,433	21.5	83,946,393	18.7
Financial institutes and Insurance companies	75	0.2	4,767,359	7.1	20,124,999	4.5
Public sector entities	37	0.1	9,320,854	13.9	49,874,397	11.1
Non-profit institutions	719	1.5	32,131,486	48.0	282,774,888	63.1
Households	44,145	90.1	5,286,631	7.9	10,405,953	2.3
Foreign shareholders	192	0.4	17,418	0.0	20,052	0.0
Total	**48,978**	**100.0**	**65,933,181**	**98.4**	**447,146,682**	**99.8**
entered in nominee register	6		247,351	0.4		
Unidentified shareholders			807,226	1.2	807,226	0.2
Total	**48,978**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Breakdown of stocks 2011:

No of shares	No of owners	%	No of shares	%	No of votes	%
1–100	37,710	77.0	1,431,825	2.1	1,517,743	0.3
101–1,000	10,213	20.9	2,562,696	3.8	3,562,571	0.8
1,001–10,000	900	1.8	2,274,192	3.4	5,069,605	1.1
10,001–100,000	94	0.2	3,141,284	4.7	14,396,865	3.2
100,000–	61	0.1	56,770,535	84.7	422,599,898	94.3
Total	**48,978**	**100.0**	**66,180,532**	**98.8**	**447,146,682**	**99.8**
entered in nominee register	6					
Unidentified shareholders			807,226	1.2	807,226	0.2
Total	**48,978**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Report by the Board of Directors

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**	**2011**	**2010**
GDP growth			
World	3.0*	2.8	5.0
Euro area	-0.5*	1.5	1.8
Finland	-0.3*	2.9	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 for short-term borrowing is P-2. The credit rating for long-term borrowing is A3 and that for financial strength is C-. All ratings have a stable outlook.

The covered bonds issued by subsidiary Aktia Real Estate Mortgage Bank plc have a Moody's credit rating of Aa1 (under review since 25 November 2011).

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, guarantee claims and outstanding premium receivables

Write-downs on credits, guarantee claims 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%

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

Write-downs on credits, guarantee claims and outstanding premiums 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.

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**

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

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.

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 2011, loans to households accounted for 84.5 (83.1)% of the total credit stock of EUR 7,063 (6,592) million. Corporate lending continued to be was 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 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, hedging derivatives and investments in the liquidity portfolio. The Bank Group's liquidity portfolio and other interest-bearing investments stood at EUR 1,968 (2,556) million at the year-end, while the investment assets held by the insurance companies to technical provisions totalled EUR 822 (847) million. Of the Bank Group's liquidity portfolio and other interest-bearing investments, 69 (57)% were investments in covered bonds, 21 (30)% were investments in banks, 6 (9)% were investments in state-guaranteed bonds and approximately 4 (4)% 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 661 (700) million, 90.3 (91.2)% constituted investments in interest-bearing securities, 6.4 (5.5)% constituted investments in indirect real estate holdings, 1.8 (1.0)% constituted investments in money market instruments and 1.5 (2.3)% 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 161 (147) million, 75.7 (79.1)% constituted investments in interest-bearing securities, 16.9 (17.6)% constituted investments in indirect real estate holdings, 6.9 (2.5)% constituted investments in money market instruments and 0.5 (0.8)% alternative investments.

Financing and liquidity risks

In the banking business, financing and liquidity risk is 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 G2 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 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 April 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 (31 December 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 were 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, Business Economist
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 confirmed the remuneration for the Board of Directors for 2012 to:

- annual remuneration, Chair: EUR 48,200
- annual remuneration, Vice-Chair: EUR 26,900
- annual remuneration, 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.

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 1.2 % 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.

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.

Five-year overview

(EUR 1,000)	2011 (IFRS)	2010 (IFRS)	2009 (IFRS)	2008 (IFRS)	2007 (IFRS)
Turnover					
- banking business	341,492	354,211	341,765	448,863	328,261
- life insurance business	130,314	128,334	89,555	103,815	189,365
- non-life insurance business	73,554	74,677	70,117	-	-
+ / - elimination items with an effect on the financial result	-31,156	-58,474	-14,903	-64,291	-55,388
Group	514,205	498,748	486,533	488,387	462,238
Income statement					
Net interest income	128,832	149,307	152,248	100,953	88,877
Net commission income	59,459	57,030	46,346	41,034	47,346
Net income from life insurance	22,732	16,477	13,991	-33,758	21,079
Net income from non-life insurance	24,254	22,634	15,158	-	-
Other operating income	-10,429	3,954	5,404	19,004	7,345
Total operating income	224,848	249,402	233,147	127,233	164,647
Total operating expenses	-166,527	-159,031	-154,159	-120,891	-98,329
Impairments and write downs, net	-11,258	-14,073	-32,313	34	-218
Share of profit from associated companies	-70	1,594	319	230	195
Operating profit	**46,993**	**77,892**	**46,994**	**6,606**	**66,295**
Taxes	-10,490	-19,854	-12,998	-812	-13,450
Profit for the reporting period	**36,503**	**58,038**	**33,997**	**5,795**	**52,845**
Balance sheet					
Cash and balances with central banks	475,042	273,364	340,960	506,311	235,273
Financial assets reported at fair value via the income statement	1,905	20,870	22,453	19,492	-
Financial assets available for sale	2,619,146	3,383,652	3,432,962	3,037,328	2,478,719
Financial assets held until maturity	20,034	21,459	27,883	35,885	45,840
Derivative instruments	300,575	230,158	209,966	137,014	35,648
Loans and other receivables	7,152,124	6,637,551	6,141,562	5,526,194	4,757,011
Investments for unit-linked provisions	286,742	279,964	208,853	148,119	203,134
Other assets	200,494	172,135	171,200	129,730	197,187
Total assets	**11,056,063**	**11,019,153**	**10,555,839**	**9,540,073**	**7,952,813**
Deposits	4,757,179	4,356,327	4,753,586	5,015,277	3,729,991
Financial liabilities reported at fair value via the income statement	-	-	-	4,586	-
Derivative instruments	155,998	149,493	132,165	84,725	35,181
Other financial liabilities	4,464,037	4,827,366	4,045,926	3,130,482	2,740,892
Technical provisions	941,491	989,841	924,437	777,176	854,843
Other liabilities	213,601	198,837	233,568	211,051	252,897
Total liabilities	**10,532,306**	**10,521,863**	**10,089,682**	**9,223,298**	**7,613,804**
Equity	523,756	497,290	466,157	316,775	339,009
Total liabilities and equity	**11,056,063**	**11,019,153**	**10,555,839**	**9,540,073**	**7,952,813**

Key figures

(EUR 1,000)	2011 (IFRS)	2010 (IFRS)	2009 (IFRS)	2008 (IFRS)	2007 (IFRS)
Return on equity (ROE), %	7.2	12.0	8.7	1.8	17.9
Return on assets (ROA), %	0.33	0.54	0.34	0.07	0.79
Equity ratio, %	4.75	4.6	4.6	3.6	5.0
Capital adequacy ratio, % (finance and insurance conglomerate)	163.5	156.5	155.6	133.9	143.8
Personnel (FTEs), average number of employees from the beginning of the financial year	1,192	1,183	1,213	1,009	940
Earnings per share (EPS), EUR	0.53	0.83	0.52	0.09	0.87
Equity per share (NAV), EUR	7.01	6.81	6.52	4.85	5.39
Dividend per share, EUR *)	0.30	0.30	0.24	0.15	0.33
Dividend per profit, % *)	56.2	36.0	46.5	194.3	38.6
Total earnings per share, EUR	0.46	0.52	1.72	-0.22	0.39
Average number of shares (excluding own shares)	66,503,954	66,477,825	66,446,406	60,167,835	59,812,898
Number of shares at the end of the period (excluding own shares)	66,520,322	66,492,404	66,451,470	60,175,268	60,152,786
Banking Business (incl. Private Banking)					
Cost-to-income ratio	0.73	0.59	0.57	0.65	0.67
Borrowing from the public	3,645,238	3,396,579	3,029,230	3,098,336	2,801,378
Lending to the public	7,063,345	6,591,584	6,060,842	5,425,654	4,573,746
Capital adequacy ratio, %	16.2	15.9	15.9	13.7	15.4
Tier 1 capital ratio, %	10.6	10.1	9.5	9.3	10.9
Risk-weighted commitments	3,693,979	3,673,092	3,460,170	3,313,174	2,875,192
Asset Management					
Mutual fund volume	3,613,403	4,264,027	3,786,167	2,489,752	2,012,919
Managed and brokered assets	6,624,051	6,978,228	5,995,571	4,539,312	3,720,760
Life Insurance					
Premiums written before reinsurers' share	103,494	101,227	80,900	91,350	100,025
Expense ratio, %	91.7	93.6	100.7	99.0	110.0
Solvency margin	117,290	98,830	86,258	50,359	121,710
Solvency ratio, %	20.7	16.1	14.4	8.5	18.1
Investments at fair value	911,626	951,307	867,672	804,559	965,555
Technical provisions for interest-related insurances	533,365	587,720	595,021	627,592	654,316
Technical provisions for unit-linked insurances	284,836	282,448	210,098	149,583	200,527
Non-Life Insurance					
Premiums written before reinsurers' share	69,793	67,195	66,302	-	-
Premiums earned	64,315	61,375	60,561	-	-
Expense ratio, %	26.9	26.5	27.9	-	-
Loss ratio, %	78.5	80.0	91.1	-	-
Combined ratio, %	105.4	106.6	119.0	-	-
Technical provisions before reinsurers' share	123,290	119,672	119,319	-	-
Solvency capital	53,211	46,572	43,578	-	-
Solvency ratio of technical provisions, %	46.9	43.6	41.8	-	-
Risk carrying capacity, %	83.2	76.8	72.4	-	-

*) According to proposal from Board of Directors

Aktia Plc – Consolidated financial statements

Consolidated income statement **28**

Consolidated statement of comprehensive income **28**

Consolidated balance sheet **29**

Consolidated off-balance-sheet commitments **30**

Consolidated statement of changes in equity **31**

Consolidated cash flow statement **32**

Quarterly trends in the Group **33**

Quarterly trends of comprehensive income **33**

G1	Consolidated accounting principles 2011	34
G2	The Group's risk management	42
G3	Group's segment reporting	68

Notes to the consolidated income statement **69**

G4	Interest income and expenses	69
G5	Dividends	69
G6	Commission income and expenses	69
G7	Net income from life-insurance	70
G8	Net income from non-life insurance	72
G9	Non-life insurance result by insurance class	74
G10	Net income from financial transactions	75
G11	Net income from investment properties	76
G12	Other operating income	76
G13	Staff	76
G14	Depreciation of intangible and tangible assets	76
G15	Other operating expenses	77
G16	Taxes	77
G17	Earnings per share	78

Notes to the consolidated balance sheet and other consolidated notes **78**

G18	Cash and balances with central banks	78
G19	Financial assets reported at fair value via the income statement	78
G20	Financial assets available for sale	78
G21	Financial assets held until maturity	79
G22	Derivative instruments	79
G23	Loans and other receivables	81
G24	Investments in associated companies	82
G25	Intangible assets	83
G26	Investment properties	83
G27	Other tangible assets	84
G28	Other assets	85
G29	Deferred taxes	86
G30	Assets and liabilities classified as held for sale	87
G31	Deposits	87
G32	Debt securities issued	87
G33	Subordinated liabilities	88
G34	Other liabilities to credit institutions	88
G35	Other liabilities to the public and public sector entities	88
G36	Technical provisions for life insurance business	89
G37	Technical provisions for non-life insurance business	90
G38	Development of claims in non-life insurance business	92
G39	Other liabilities	93
G40	Equity	93
G41	Classification of financial instruments	95
G42	Fair value of financial assets and liabilities	97
G43	Breakdown by maturity of financial assets and liabilities by balance sheet item	98
G44	Collateral assets and liabilities	99
G45	Breakdown of off-balance sheet commitments	100
G46	Rent commitments	100
G47	Companies included in consolidated accounts	101
G48	Close relations	102
G49	Share-based incentive scheme	104
G50	The customer assets beeing managed	106
G51	PS savings	106
G52	Events after the end of the financial year	106

Income statement for the parent company – Aktia Plc **107**

Balance sheet for the parent company – Aktia Plc **108**

Cash flow statement for the parent company – Aktia Plc **109**

P1	The parent company's accounting principles	110

Notes to the parent company's income statement – Aktia Plc **111**

P2	Interest income and expenses	111
P3	Income from equity instruments	111
P4	Commission income and expenses	111
P5	Net income from financial assets available for sale	111
P6	Other operating income	111
P7	Staff	111
P8	Other administrative expenses	112
P9	Depreciation and impairment of tangible and intangible assets	112
P10	Other operating expenses	112
P11	Income by business area	112

Notes to the parent company's balance sheet and other notes to the parent company's accounts – Aktia Plc **113**

P12	Claims on credit institutions	113
P13	Shares and participations	113
P14	Intangible assets	113
P15	Tangible assets	114
P16	Other assets	114
P17	Accrued expenses and advance payments	114
P18	Deferred tax receivables	114
P19	Liabilities to credit institutions	115
P20	Other liabilities	115
P21	Accrued expenses and income received in advance	115
P22	Deferred tax liabilities	115
P23	Equity	115
P24	Fair value of financial assets and liabilities	116
P25	Breakdown by maturity of assets and liabilities by balance sheet item	117
P26	Property items and liabilities in euros and in foreign currency	118
P27	Total assets and liabilities by business area	118
P28	Breakdown of subordinated claims	118
P29	Shareholders	119
P30	Holdings in other companies	121
P31	Close relations	122

Consolidated income statement

(EUR 1,000)	Note	2011	2010
Interest income	G4	262,563	240,326
Interest expenses	G4	-133,731	-91,019
Net interest income		128,832	149,307
Dividends	G5	173	1,105
Commission income	G6	74,929	73,792
Commission expenses	G6	-15,470	-16,762
Net commission income		59,459	57,030
Net income from life insurance	G7	22,732	16,477
Net income from non-life insurance	G8,G9	24,254	22,634
Net income from financial transactions	G10	-14,815	-5,585
Net income from investment properties	G11	266	518
Other operating income	G12	3,946	7,916
Total operating income		**224,848**	**249,402**
Staff costs	G13	-84,149	-82,842
IT-expenses		-27,841	-23,792
Depreciation of tangible and intangible assets	G14	-6,453	-7,237
Other operating expenses	G15	-48,084	-45,160
Total operating expenses		**-166,527**	**-159,031**
Write-downs on credits, other commitments and outstanding premium receivables	G23	-11,258	-14,073
Share of profit from associated companies		-70	1,594
Operating profit		**46,993**	**77,892**
Taxes	G16	-10,490	-19,854
Profit for the reporting period		**36,503**	**58,038**
Attributable to:			
Shareholders in Aktia plc		35,520	55,474
Non-controlling interest		983	2,564
Total		**36,503**	**58,038**
Earnings per share (EPS), EUR	G17	0.53	0.83
Earnings per share (EPS), EUR, after dilution	G17	0.53	0.83

Consolidated statement of comprehensive income

(EUR 1,000)	Note	2011	2010
Profit for the reporting period		36,503	58,038
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		-923	-31,685
Change in valuation of fair value for cash flow hedging		-198	4,269
Transferred to the income statement for financial assets available for sale		-2,828	6,479
Defined benefit plan pensions		-1,344	-
Share-based payments		-185	-
Total comprehensive income for the reporting period		**31,025**	**37,102**
Total comprehensive income attributable to:			
Shareholders in Aktia plc		30,613	34,634
Non-controlling interest		412	2,468
Total		**31,025**	**37,102**
Total earnings per share, EUR	G17	0.46	0.52
Total earnings per share, EUR, after dilution	G17	0.46	0.52

Consolidated balance sheet

(EUR 1,000)	Note	2011	2010
Assets			
Cash and balances with central banks	G18	475,042	273,364
Financial assets reported at fair value via the income statement	G19	1,905	20,870
Interest-bearing securities	G20	2,509,701	3,240,985
Shares and participations	G20	109,445	142,667
Financial assets available for sale		2,619,146	3,383,652
Financial assets held until maturity	G21	20,034	21,459
Derivative instruments	G22	300,575	230,158
Lending to credit institutions	G23	88,779	45,968
Lending to the public and public sector entities	G23	7,063,345	6,591,584
Loans and other receivables		7,152,124	6,637,551
Investments for unit-linked provisions		286,742	279,964
Investments in associated companies	G24	3,467	5,222
Intangible assets	G25	17,278	10,847
Investment properties	G26	24,582	24,348
Other tangible assets	G27	7,615	9,218
Accrued income and advance payments	G28	83,529	87,058
Other assets	G28	26,574	21,274
Total other assets		110,102	108,331
Income tax receivables		22,253	22
Deferred tax receivables	G29	13,002	13,404
Tax receivables		35,255	13,425
Assets classified as held for sale	G30	2,195	744
Total assets		**11,056,063**	**11,019,153**
Liabilities			
Liabilities to credit institutions	G31	1,111,941	959,749
Liabilities to the public and public sector entities	G31	3,645,238	3,396,579
Deposits		4,757,179	4,356,327
Derivative instruments	G22	155,998	149,493
Debt securities issued	G32	3,800,126	3,381,914
Subordinated liabilities	G33	258,705	255,954
Other liabilities to credit institutions	G34	353,535	1,012,531
Other liabilities to the public and public sector entities	G35	51,671	176,967
Other financial liabilities		4,464,037	4,827,366
Technical provisions for interest-related insurances	G36	533,365	587,720
Technical provisions for unit-linked insurances	G36	284,836	282,448
Technical provisions for non-life insurances	G37,G38	123,290	119,672
Technical provisions		941,491	989,841
Accrued expenses and income received in advance	G39	106,873	93,872
Other liabilities	G39	52,112	44,045
Total other liabilities		158,986	137,916
Income tax liabilities		2,650	8,958
Deferred tax liabilities	G29	51,775	51,787
Tax liabilities		54,424	60,745
Liabilities for assets classified as held for sale	G30	191	175
Total liabilities		**10,532,306**	**10,521,863**
Equity			
Restricted equity	G40	123,248	126,625
Unrestricted equity	G40	342,774	326,373
Shareholders' share of equity		466,022	452,999
Non-controlling interest's share of equity		57,735	44,291
Equity		**523,756**	**497,290**
Total liabilities and equity		**11,056,063**	**11,019,153**

Consolidated off-balance-sheet commitments

(EUR 1,000)	Note	2011	2010
Off-balance sheet commitments	G45		
Guarantees		42,229	48,415
Other commitments provided to a third party		3,348	5,547
Commitments provided to a third party on behalf of the customers		45,576	53,962
Unused credit arrangements		415,299	607,614
Other commitments provided to a third party		5,238	8,810
Irrevocable commitments provided on behalf of customers		420,537	616,424
Total		**466,113**	**670,386**

Consolidated statement of changes in equity

(EUR 1,000)	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 1 January 2010	**93,874**	**10,277**	**43,315**	**160**	**72,654**	**213,164**	**433,444**	**32,713**	**466,157**
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**	**10,277**	**22,474**	**760**	**72,654**	**252,960**	**452,999**	**44,291**	**497,290**
Equity as at 1 January 2011	**93,874**	**10,277**	**22,474**	**760**	**72,654**	**252,960**	**452,999**	**44,291**	**497,290**
Divestment of own shares				-760		242	-518		-518
Dividens to shareholders						-19,948	-19,948		-19,948
Profit for the reporting period						35,520	35,520	983	36,503
Financial assets available for sale			-3,718				-3,718	-33	-3,751
Cash flow hedging			340				340	-538	-198
Defined benefit plan pensions						-1,344	-1,344		-1,344
Share-based payments						-185	-185		-185
Total comprehensive income for the reporting period			-3,378			33,991	30,613	412	31,025
Other change in equity				185		2,691	2,876	13,032	15,908
Equity as at 31 December 2011	**93,874**	**10,277**	**19,097**	**185**	**72,654**	**269,935**	**466,022**	**57,735**	**523,756**

Consolidated cash flow statement

(EUR 1,000)	2011	2010
Cash flow from operating activities		
Operating profit	46,993	77,892
Adjustment items not included in cash flow for the period	26,383	26,331
Unwinded cash flow hedging	17,597	-
Paid income taxes	-37,168	-27,636
Cash flow from operating activities before change in operating receivables and liabilities	**53,804**	**76,588**
Increase (-) or decrease (+) in receivables from operating activities	**254,221**	**-565,196**
Financial assets reported at fair value via the income statement	18,965	1,582
Financial assets available for sale	762,360	18,253
Loans and other receivables	-524,550	-512,531
Investments for unit-linked provisions	-6,778	-71,110
Other assets	4,224	-1,390
Increase (+) or decrease (-) in liabilities from operating activities	**-92,673**	**417,820**
Deposits	359,203	-397,217
Debt securities issued	375,919	623,579
Other financial liabilities	-793,631	150,096
Provision for insurance contracts	-48,350	65,403
Other liabilities	14,187	-24,042
Total cash flow from operating activities	**215,353**	**-70,789**
Cash flow from investing activities		
Financial assets held until maturity, decrease	1,428	6,428
Investments in group companies and associated companies	-389	-50
Proceeds from sale of group companies and associated companies	355	260
Investment in tangible and intangible assets	-12,734	-7,370
Disposal of tangible and intangible assets	2,976	4,741
Share issue of Aktia Real Estate Mortgage Bank Plc to the non-controlling interest	13,507	9,179
Total cash flow from investing activities	**5,143**	**13,188**
Cash flow from financing activities		
Subordinated liabilities, increase	67,219	64,857
Subordinated liabilities, decrease	-65,742	-62,774
Own shares divested	163	278
Paid dividends	-19,948	-15,948
Total cash flow from financing activities	**-18,308**	**-13,588**
Change in cash and cash equivalents	**202,188**	**-71,188**
Cash and cash equivalents at the beginning of the year	279,492	350,680
Cash and cash equivalents at the end of the year	481,680	279,492
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	9,542	9,605
Insurance operation's cash and bank	8,724	3,553
Bank of Finland current account	456,775	260,205
Repayable on demand claims on credit insitutions	6,638	6,129
Total	**481,680**	**279,492**
Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	4,260	3,886
Write-downs on credits, other commitments and outstanding premium receivables	11,258	14,073
Change in fair values	4,448	3,153
Depreciation and impairment of intangible and tangible assets	6,926	8,090
Share of profit from associated companies	376	-903
Sales gains and losses from intangible and tangible assets	2,492	-2,430
Unwinded cash flow hedging	-2,547	-
Other adjustments	-831	462
Total	**26,383**	**26,331**

Quarterly trends in the Group

(EUR 1,000)	10–12/2011	7–9/2011	4–6/2011	1–3/2011
Net interest income	28,630	31,932	33,601	34,669
Dividends	84	6	49	34
Net commission income	16,280	13,000	15,518	14,661
Net income from life insurance	3,893	7,078	5,552	6,208
Net income from non-life insurance	5,989	8,142	5,495	4,628
Net income from financial transactions	-577	-11,907	-3,310	980
Net income from investment properties	-205	220	75	177
Other operating income	1,203	800	698	1,245
Total operating income	**55,297**	**49,271**	**57,678**	**62,602**
Staff costs	-22,565	-18,592	-22,211	-20,781
IT-expenses	-7,362	-7,455	-7,028	-5,996
Depreciation of tangible and intangible assets	-1,684	-1,580	-1,571	-1,618
Other operating expenses	-12,738	-11,004	-12,588	-11,755
Total operating expenses	**-44,349**	**-38,630**	**-43,398**	**-40,149**
Write-downs on credits, other commitments and outstanding premium receivables	-4,325	-1,212	-2,132	-3,590
Share of profit from associated companies	-52	98	-70	-46
Operating profit	**6,570**	**9,527**	**12,078**	**18,818**
Taxes	1,357	-4,009	-3,190	-4,648
Profit for the period	**7,927**	**5,519**	**8,888**	**14,170**
Attributable to:				
Shareholders in Aktia plc	7,847	5,737	8,513	13,423
Non-controlling interest	80	-219	375	747
Total	**7,927**	**5,519**	**8,888**	**14,170**
Earnings per share (EPS), EUR	0.12	0.09	0.13	0.20
Earnings per share (EPS), EUR, after dilution	0.12	0.09	0.13	0.20

Quarterly trends of comprehensive income

(EUR 1,000)	10–12/2011	7–9/2011	4–6/2011	1–3/2011
Profit for the period	7,927	5,519	8,888	14,170
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	-2,140	18,112	8,540	-25,435
Change in valuation of fair value for cash flow hedging	-321	8,791	1,997	-10,665
Transferred to the income statement for financial assets available for sale	-518	-1,055	548	-1,803
Defined benefit plan pensions	-1,344	-	-	-
Share-based payments	-185	-	-	-
Total comprehensive income for the period	**3,419**	**31,366**	**19,973**	**-23,734**
Total comprehensive income attributable to:				
Shareholders in Aktia plc	3,933	31,716	19,757	-24,793
Non-controlling interest	-514	-350	217	1,059
Total	**3,419**	**31,366**	**19,973**	**-23,734**
Total earnings per share, EUR	0.06	0.48	0.30	-0.37
Total earnings per share, EUR, after dilution	0.06	0.48	0.30	-0.37

G1 Consolidated accounting principles 2011

The report by the Board of Directors and the financial statements for the financial year 1 January - 31 December 2011 were approved by the Board of Directors on 28 February 2012 and are to be adopted by the Annual General Meeting on 16 April 2012. The report by the Board of Directors and financial statements are published on 26 March 2012.

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

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

Amended interpretations of IFRS standards 2011

IAS 19 Employee benefits

The calculation and valuation of the Group's defined-benefit pension plans was defined more precisely, and accumulated liability for defined-benefit pension plans was recorded as liabilities in the financial statements 2011. Accumulated liability for defined-benefit pension plans 1 January 2011 as well as actuarial profits or losses are reported in the Group's comprehensive income 2011.

IAS 40 Investment properties

In the financial statements 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 is not significant.

IFRS 5 Assets classified as held for sale

As of 31 December 2011 the real estate assets of the Group's subsidiary Vasp-Invest Ltd are classified as assets held for sale. The reclassification had no impact on the Group's result or financial position.

New or amended standards in 2011 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 2011:

IFRS 7 Financial Instruments: Disclosures (amended) makes it easier for those who read financial reports to evaluate risks attributable to transactions of financial assets and the effect of these risks on Aktia's financial position. The standard is mandatory as of the calendar year commencing 1 July 2011, and Aktia reports completed disclosures according to the revised IFRS 7 in the financial statements for 1 January – 31 December 2011. Comparative figures for the supplementary disclosures are not required.

IAS 24 Related Party Disclosures (amended) clarifies and revises the definition of a related party. The standard is mandatory for the calendar year commencing 1 January 2011 and had no effect on Aktia's definition of close relations.

New or amended standards in 2011 that had an impact on the Group's result or financial position:

IAS 19 Employee benefits (amended) eliminates the use of the 'corridor method'. Current service costs and interest expenses are reported in the Group's income statement whereas income and expenses arising from actuarial gains and losses are reported under comprehensive income. Calculation and evaluation of Aktia's defined-benefit pension plans have been specified in the financial statements for 1 January – 31 December 2011 and will be reported as defined-benefit pension plans i accordance with the amended IAS 19. Aktia applies the amended IAS 19 early, as it is not mandatory until as of 1 January 2013.

New and amended standards in 2012 or later that may have an impact on the Group's result and financial position:

IAS 1 Presentation of Financial Statements (amended) requires that items that can be transferred to the income statement and items that cannot be transferred to the income statement to be reported separately under comprehensive income. The standard will become mandatory as of 1 July 2012, and Aktia will report comprehensive income according to amended IAS 1 in the Interim report for 1 January – 31 March 2012.

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 2015, but can be applied earlier. The standard has yet to be approved by the EU. The Group will 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 -9.2 million.

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and separate financial statements, introducing a new way to define weather an investment object shall be included in the consolidated financial statements or not. The standard will become mandatory as of 1 January 2013 and will not have significant impact on which companies are included in the consolidated accounts.

IFRS 11 Joint Arrangements replaces IAS 31 Interests in joint ventures. Aktia Group has no joint arrangements that have an impact on the Group's result or financial position. The standard will become mandatory as of 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities is a combined disclosure standard for subsidiaries, associated companies, joint arrangements and other unconsolidated structured entities. The standard will become mandatory as of 1 January 2013, and Aktia will evaluate possible new disclosure requirements.

IFRS 13 Fair Value Measurement defines fair value and contains guidance for the definition of fair value measurement and specifies disclosure requirements. IFRS 13 contains definitions of valuation at fair value when this is required according to other IFRS standards.

The Group does not expect other new or revised IFRSs or interpretations from IFRIC (International Financial Reporting Interpretations Committee) 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 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 operations 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 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 Company Ltd and Aktia Asset Management Ltd.

The Life Insurance segment encompasses Aktia Life Insurance Ltd.

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

The Miscellaneous segment encompasses the Group administration of Aktia plc, certain administrative functions for Aktia Bank plc as well as the subsidiaries Vasp-Invest Ltd and HSb-Finance Ltd.

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 shares of profits in associated companies, acquisition eliminations, the share of holdings where a non-controlling interest exists 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 impaired 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

Commission income and commission expenses are generally 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, 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)	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 pension plans either as defined-contribution pension plans or defined-benefit pension 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. In 2011, the Group's defined-benefit plans have been calculated and specified, and they are reported in accordance with IAS 19 Employee benefits in the financial statements 1 January – 31 December 2011. Liabilities for defined-benefit pension plans were recorded in the financial statements.

Share-based payments

The Group has an incentive agreement in two parts with key personnel in management positions. The Group continuously evaluates the likely outcome of this incentive agreement. The benefits earned within the incentive agreement are valued at fair value on the decision date and costs are entered linearly during the earning-period. Payment is made either as transfer of equity instruments or in cash.

For the part of the incentive agreement where payment is made as transfer of equity instruments, a periodised change is booked in shareholders' equity under Fund for share-based payments. Possible changes in the fair value of equity instruments are reported in comprehensive income. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liability are reported as Personnel 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. As of 1 January 2012, the tax rate is changed from 26% to 24.5%. Income tax is calculated at a tax rate of 26% in the financial statements 2011, but deferred tax is calculated at 24.5%. The retroactive effect of the difference of 1.5% is reported under change in deferred tax for the year.

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 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 continuously been entered at fair value with changes in value 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 under the item 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 impaired. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and the banking business' share is included in Net income from financial assets available for sale and falls under 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.

Valuation of financial instruments at fair value

The fair value of listed shares and other financial instruments that are traded on an active market is based on the latest listed purchase price. Should the listed price of a financial instrument not represent actual market transactions occurring with regularity, or if listed prices cannot be obtained, the fair value is established with an appropriate valuation technique. The valuation techniques may vary from a simple analysis of discounted cash flows to complex option valuation models. The valuation models have been drawn up so that observable market prices and rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

A hierarchy of fair values of financial instruments established based on quoted market prices available from an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques based on unobservable market data (level 3) is presented in Note G2 The Group's risk management.

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 fair 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, and 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, and 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 IAS 39 as approved by the European Union for hedge accounting. The EU's 'carve out' for macro hedging enables combinations of a groups of derivatives (or proportions thereof) to be used as hedging instruments for borrowing. This 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 year's 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 'cash flow hedging in 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.

When interest rate options are used as hedging instruments, only their intrinsic value is included in hedge accounting. 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.

Commercial properties are reported at original acquisition value, whereas investment properties are reported at fair value in the financial statements. The valuation at fair value is based on statements from independent valuers. Future changes in the value of investment properties will influence operating profit.

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.

As of 31 December 2011, the real estate assets of Vasp-Invest Ltd are classified as assets held for sale. Assets held for sale are valued at fair value with deductions for sales costs.

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 provision for insurance agreements with a discretionary element is called Technical provision for interest-linked insurances. The technical provision for unit-linked insurances consists of the technical provision for unit-linked insurance agreements. The non-life insurance business' technical provision is entered as Technical provision 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

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 Ltd 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 is 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 the section Valuation of financial instruments 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 the section Impairment of financial assets.

Write-downs of loans and other receivables

Group write-downs are divided in companies and households. The Group continuously evaluates objective causes for value changes in receivables and decides according to certain criteria if a write-down or a reversal of write-down shall be booked. The principles are described above in the section Write-downs of loans and other 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 notes and methods used and assumptions made when determining technical provisions in the respective insurance business.

Share-based payments

The Group has an incentive agreement in two parts with key personnel in management positions, and the probable outcome of the incentive agreement is continuously evaluated. The principles are described above in the section Employee remuneration and Share-based payments.

1. General **43**

2. Risk management **43**

3. Group capital management **44**

3.1 Group capital management **44**

3.2 Organisation and responsibility **44**

3.3 Regulatory requirements for capital adequacy and solvency **44**

3.4 Methods for internal risk-based capital assessment **44**

3.5 Ex ante capital planning **45**
3.5.1 Profit generation as a starting point 45
3.5.2 Capital adequacy buffer 45
3.5.3 Capital plan for crisis situations 45

3.6 Group risk and capital situation **45**

3.7 Preparations for new regulatory requirements **45**

4. Credit and counterparty risks **46**

4.1 Managing credit and counterparty risks and reporting procedures **46**
4.1.1 Credit risks in the banking business 46
4.1.2 Lending to households 47
4.1.2.1 Credit rating 47
4.1.2.2 Collateral and calculation of capital adequacy 47
4.1.2.3 Loan-to-value ratio of collateral 47
4.1.2.4 Risk-based pricing 48
4.1.3 Corporate lending 48
4.1.4 Concentration risks in lending 48
4.1.5 Past due payments 49
4.1.6 Write-downs of loan and guarantee claims 49
4.1.7 Lending to local banks 49

5. Management of financing and liquidity risks **50**

5.1 Financing and liquidity risks in banking operations **50**

5.2 Liquidity risks in the life insurance business **50**

5.3 Liquidity risks in the non-life insurance business **50**

6. Handling market, balance sheet and counterparty risks **50**

6.1 Methods for valuing financial assets **50**
6.1.1 Determination of fair value through publicly listed prices or valuation techniques 51
6.1.2 Changes within level 3 52
6.1.3 Sensitivity analysis in level 3 for financial instruments 52

6.2 Market and asset and liability risks in the banking business **53**
6.2.1 Structural interest rate risk 53
6.2.2 Market value interest rate risk and credit spread risk 53
6.2.3 Counterparty risks in the bank group's management of interest rate risks 54
6.2.4 Exchange rate risk 54
6.2.5 Equity and real estate risk 54
6.2.6 Risk sensitivity 54

6.3 Market and asset and liability risks in the insurance business **55**
6.3.1 Interest rate risk 55
6.3.2 Credit spread risk 58
6.3.3 Equity risk 60
6.3.4 Real estate risk 60
6.3.5 Exchange rate risk 60
6.3.7 Risk sensitivity 60

7. Managing insurance risks **61**

7.1 Insurance risks in the life insurance company **61**

7.2 Insurance risks in the non-life insurance company **61**

8. Managing operational risks **62**

8.1 Legal risks **62**

1. General

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

The group focuses primarily on banking, capital market, life and non-life insurance operations, and real estate agency services. Risks and risk management are thus a substantial part of Aktia's operating environment and business activities. The main areas of risk are credit, interest and liquidity risks in the banking sector, interest and other market risks in the life insurance business, and market and actuarial risks in the non-life insurance business. All of these operations are exposed to business and operational risks. The overall business risk is reduced by diversifying operations. The group's risk policy is conservative in nature.

The results and capital adequacy of the banking business are affected primarily by business volumes, deposit and lending margins, the balance sheet structure, the general interest rate level, write-downs and cost efficiency. Fluctuating results in 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 for improving, customizing and developing new products and processes help reduce the business risks associated with capital market operations.

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

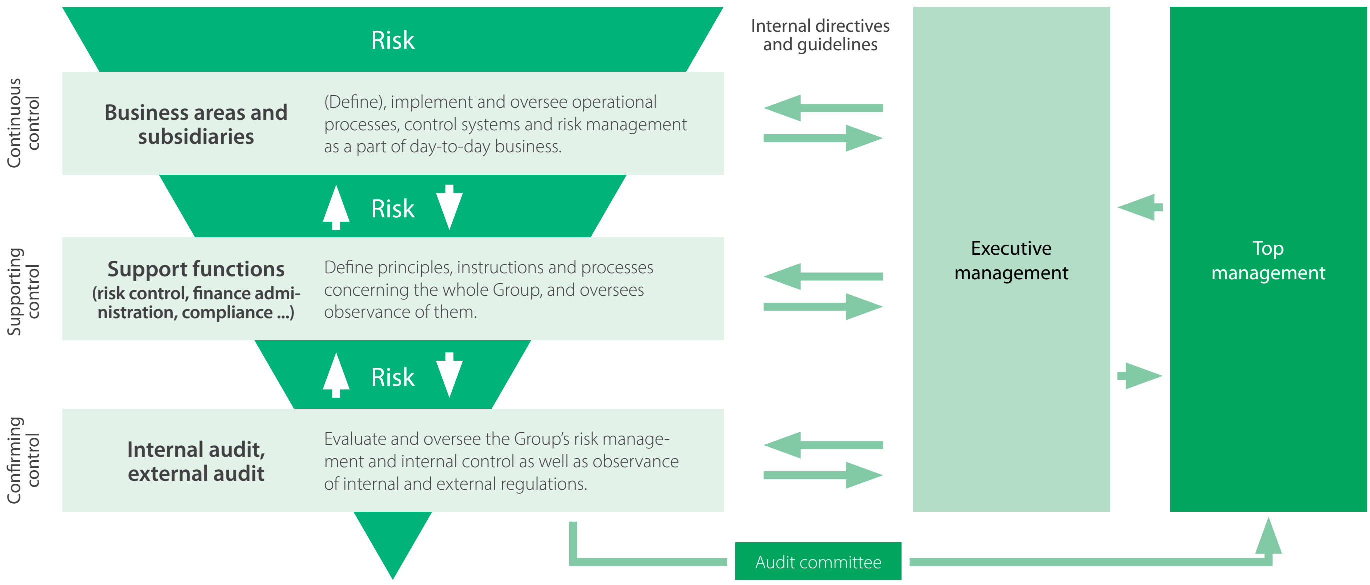
Non-life insurance operations are also based on bearing and managing the risk of loss events, and insurance risk means that future claims will be larger than expected. Insurance risk occurs because of inadequate or erroneous pricing, risk concentrations, inadequate reinsurance and random fluctuations in claim frequency and scale. Insurance risks are managed through careful risk assessment and pricing, as well as the provision of reinsurance cover adapted to the insurance portfolio in terms of both frequency and large individual risks. Volatility in the solvency and results from the non-life insurance business is, to a certain extent, also dependent on market risks in the investment portfolio.

2. Risk management

In providing financial solutions to its customers, Aktia is exposed to various risks that need to be managed. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The term risk management refers to all activities involved in the taking, reducing, analysing, controlling and monitoring of risks.

The group's strategy governs all risk-taking activities, with the board of directors ultimately being responsible for the group's risk-taking. Every year, the group's board of directors stipulates the instructions and limits as given to the group's CEO, for managing the business. Risk exposure and limits are reported to the group's board at least once every quarter. Within the group's board, a committee has been appointed to prepare general risk-related matters for the board's consideration, and to make individual decisions in accordance with the principles and limits laid down by the board. The line organisation responsible for the business area bears the primary responsibility for each individual deal, including (among other things) assessment, follow-up, pricing and settlement of its own risk items. High competence and appropriate control and reporting mechanisms constitute central elements in the group's risk management system.

The group's risk control function is subordinate to the group's CEO and is independent of business operations. The function controls and monitors the business line's risk management and is responsible for maintaining appropriate limit structure, as well as models for e.g. measurement, analysis, stress testing, reporting and follow-up of risks. The function for compliance is in effect under the group CEO and independent of business activities, and its task is to ensure that group activities comply with the existing rules. The internal audit provides independent evaluation of the group's risk management system, and reports its findings to the board of directors.



The CEO is responsible for the operative organisation of the risk management processes, and the executive committee takes care of matters relating to internal capital allocation and further regulation of the risk mandate. The CEO has appointed special committees to follow up on and develop the risk management for credit and market risks. Within the set limits, the role of the committees is to make decisions pertaining to the group's risk management, to prepare matters for decisions by higher bodies, and to develop risk management processes. The committees are staffed by executive line managers, representatives from risk control and other experts. Risk control does not take part in decisions involving risk-taking.

3. Group capital management

3.1 Group capital management

Capital management balances shareholder demands on returns against the need for financial stability as imposed by the authorities, investors in debt instruments, business partners and ratings agencies. The aim of the capital management is to comprehensively identify and assess the most important risks, and the capital demands these risks imply. Capital management is ex ante, with a starting point in an annually recurring strategic planning.

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, correctly and adequately. The unit is also responsible for calculating regulatory capital adequacy, and for preparing documentation for assessing internal minimum requirements and capital adequacy targets. The capital base in relation to regulatory requirements and risk exposure are regularly followed up and reported on at company and conglomerate level.

The group's finance unit is responsible for preparing board's annual strategic process, and for the accompanying capital planning and allocation. The executive committee and the board's risk committee oversee the work, whilst the decision-making takes place in the group's board of directors. The group's internal audit conducts an annual evaluation of the capital management process in its entirety. The rules of procedure for the board of directors and its risk committee closely govern document preparation and decision-making within the capital management process.

3.3 Regulatory requirements for capital adequacy and solvency

When calculating the banking group's capital adequacy, the standardised approach is used for credit risks, while 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. Accounts 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 annually a full report on capital adequacy in accordance with the Basel II capital adequacy rules and the 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 amounted to 16.2%, with Tier 1 equity of 10.6%. By year end 2010, capital adequacy was 15.9% and the Tier 1 capital ratio was 10.1%. The financial results for the year, the growth in the mortgage bank's loan stock, the change in the fund for 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 internal capital adequacy targets and regulatory requirements. The bank group's Tier 1 ratio also exceeds the minimum level of 9%, as set by the European Banking Authority (EBA) in the spring of 2011.

The capital adequacy of Aktia Bank plc, the parent company in the Aktia bank group, amounted to 22.3%, compared to 20.3% the previous year. Tier 1 capital adequacy was 14.6 (12.8)%. The capital adequacy of Aktia Real Estate Mortgage Bank plc was 10.2%, compared to 9.9% the previous year. Tier 1 capital adequacy was 8.5 (7.7)%.

The life insurance company's solvency margin amounted to EUR 117.2 (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 the risk carrying capacity 83.2 (76.8)%. To strengthen the non-life insurance company's solvency, in April parent company Aktia plc paid EUR 2.0 million to the fund for unrestricted equity, in Aktia Non-Life Insurance Ltd .

The capital adequacy of Aktia Asset Management Ltd, which provides asset management services, amounted to 14.2%, compared to 65.2% the previous year. The Tier 1 capital ratio was 14.2 (64.7)%. The change is attributed to decreased own funds, after extra payment of dividends.

The capital adequacy ratio for the conglomerate amounted to 163.5 (156.5)%. The statutory minimum stipulated by 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.

3.4 Methods for internal risk-based capital assessment

The internal risk-based capital assessment uses as its starting point the Pillar 1 regulatory capital requirements. The upcoming and more risk-based Solvency II regulations have been applied to the insurance businesses. Pillar 2 risks are also allowed for in the internal capital assessment; in other words, those risks not taken into account in regulatory capital adequacy, or those not sufficiently taken into account.

The internal assessment thus encompasses all the main risks facing the group and represents an internal assessment of the capital requirements implied by operations. The internal governance and risk-based pricing for the customer are based on models for internal capital assessment.

Unexpected outcomes for 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 standardised model for regulatory capital adequacy, with additional allowances for concentration risks.

The internal assessment of minimum capital requirements for market risks is based on stress scenarios for property values and interest rate changes. For market risks, the assessment is made under Pillar 2 according to the conservative assumption that the various market risks correlate completely with each other, i.e. that all risks are realised in their entirety and concurrently.

Capital requirements for operational risks are assessed on the basis of the regulatory requirements, taking into account internal incident monitoring, while business risks use an internal model that takes into account changes in customer behaviour, as well as the current situation regarding the market and the competition.

3.5 Ex ante capital planning

3.5.1 Profit generation as a starting point

The starting point for the strategic planning is that the additional capital requirements incurred as a result of growth and other investments should be covered through profit generation.

3.5.2 Capital adequacy buffer

The goal in setting targets with regard to regulatory capital adequacy, i.e. setting a buffer over to cover the minimum requirements, is to maintain capital adequacy at an adequate level, partly by taking into account planned growth and investments, but also in the event of poorer financial performance. The capital adequacy targets also take account of targets for external ratings and any changes to regulatory requirements currently 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 lower growth and fewer investments, discontinuation of capital-intensive positions, cost savings and changes to the group structure.

For the banking operations, targets are set for both 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 method for credit risks and the basic indicator method for operational risks, is 12% (total capital adequacy) and 10% (Tier 1 capital adequacy). The target for Aktia Bank is 12% for total capital adequacy and minimum 10% for Tier 1 capital adequacy, while the targets for Aktia Real Estate Mortgage Bank are 10% for total capital adequacy, and more than 8% for Tier 1 capital adequacy. The banks that broker mortgage loans have committed themselves to capitalising the mortgage bank in relation to the brokered volume, and Aktia Real Estate Mortgage Bank's aims for Tier 1 capital adequacy to be raised successively, so that by 2013 the Tier 1 capital adequacy will be at least 10%.

The capital adequacy required by the authorities for the other regulated companies in the group, i.e., Aktia Life Insurance, Aktia Non-Life Insurance and Aktia Asset Management should exceed the minimum requirements under the current 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%.

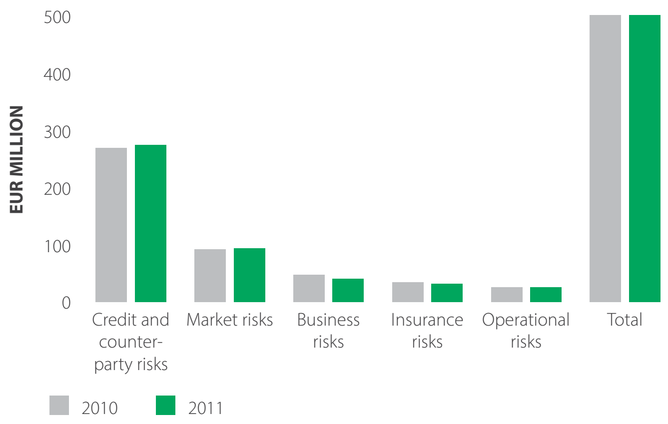
3.5.3 Capital plan for crisis situations

The capital plan describes the measures available to operational managers and the board in the event that capital adequacy is jeopardised. The board and its risk committee monitor changes in capital adequacy each quarter, and within the framework of the capital management process, also the effects of various stress tests. Thresholds have been set within the board and its risk committee, for determining when restructuring and/or capitalisation measures should be initiated.

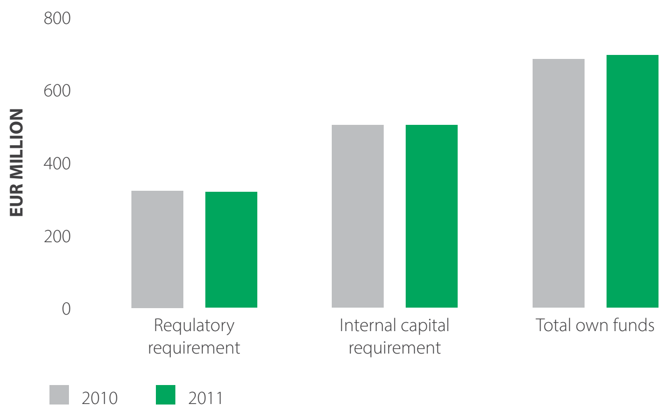
3.6 Group risk and capital situation

Credit risks constitute the greatest area of risk within the group. Such risks are due to exposure in lending, and counterparty risks associated with liquidity management. Market risks are also considerable, and are primarily due to interest rate risks in insurance operations, in which there is an inherent counterparty risk. Business risks are primarily found in the banking business and are associated with stress scenarios involving sustained low interest rates, falling net interest income and commission, as well as rising 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 method for regulatory capital requirements, and information from the internal capital assessment.

Internal capital requirement by risk type



Group's total capital compared to internal capital requirement



The regulatory minimum capital requirement under the current rules amounted to approx. EUR 342 million, corresponding to approx. 50% of the total capital base of just over EUR 683 million. The internal capital requirement, encompassing Pillar 1 and Pillar 2, amounted to approx. EUR 501 million, corresponding to 73% of the capital base. The capital reserve for meeting the minimum regulatory requirement therefore amounted to EUR 341 million, and compared to the internal minimum requirement, amounted to EUR 182 million.

After the end of the financial period, Aktia has agreed to sell its majority share in Aktia Non-Life Insurance Ab, thus freeing capital and reducing the capital requirements for insurance risks, investment risks, and business and operating risks within the group. Aktia intends to use the freed capital to further strengthen the bank group's capital base.

3.7 Preparations for new regulatory requirements

2012 sees the step-by-step implementation of a comprehensive new set of regulations, under the name of Basel III. The new set of regulations means a general tightening up of the requirements for capital adequacy as well as liquidity. The planned changes to the regulatory requirements have been carefully followed up on, and the effects have been analysed regularly. Consequence analysis reveals that the group's current capital base is so strong that the new austerity measures will not call for additional capitalisation. The bank group's liquidity buffer also matches in size the upcoming requirements, even though the proposed set of regulations will require some reallocations in the liquidity portfolio.

In August 2011, Aktia handed in its application to the Financial Supervisory Authority, to step-by-step and starting with private household exposures, go over to an internal method for calculating the capital adequacy required by the authorities (Internal Rating Based Approach). Aktia estimates that this internal and more risk-sensitive calculation method should have a positive effect on the bank group's Tier 1 capital adequacy, to the order of 3–5 percentage points. Since 2007, Aktia has been applying a model very similar to the models as used by Basel II for the internal calculation of capital adequacy, as a base for risk-based pricing of credit. This has been done partly in connection with the preparations for the switch to IRBA calculation of capital adequacy.

Calculation of capital adequacy for the insurance companies will also change, in connection with the coming into effect of the Solvency II set of regulations. The assessment of capital requirements is extended to include in a better way e.g. actuarial risks, market risks related to technical provisions and investments, counterparty risks and operational risks. In the insurance companies, preparations for the switch to Solvency II are coordinated centrally within the group, and the effects of the new regulations are evaluated regularly.

4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's credit worthiness. Credit and counterparty risks are measured by assessing the default risk and any losses incurred by such. The risk 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 the anticipated recovery, with deductions for recovery costs. Every year, the group's board of directors establishes the strategy and detailed instructions, including limits, for credit and counterparty risks.

The table below shows the group's exposure per operating area. The figures include accrued interest. Internal group receivables and liabilities are eliminated, and deductions for acceptable collateral have not 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 also at conglomerate level, through restrictions on the total exposure to individual counterparties.

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 performing 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 if 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 every quarter, and to the executive credit committee and branch management every month.

4.1.1 Credit risks in the banking business

Within banking operations, loans are provided to households, the majority of which are secured against real estate collateral. Property financing is

EUR million				**31.12.2011**				**31.12.2010**
The Group's maximum exposure by operation	**Banking business**	**Life insurance business**	**Non-Life Insurance**	**Total Group**	**Banking business**	**Life insurance business**	**Non-Life Insurance**	**Total Group**
Cash and money market	**555**	**13**	**11**	**564**	**316**	**7**	**3**	**319**
Bonds	**1,928**	**546**	**117**	**2,579**	**2,657**	**577**	**113**	**3,334**
Public sector	115	200	56	371	144	222	64	430
Government guaranteed bonds	125	9	0	134	216	20	0	237
Banks	378	47	9	434	786	56	14	856
Covered bonds	1,291	197	41	1,518	1,480	146	23	1,638
Corporate	20	92	10	122	31	132	11	174
Shares and mutual funds	**5**	**99**	**9**	**114**	**32**	**115**	**8**	**154**
Interest rate funds	0	47	5	52	2	60	3	65
Shares and equity funds	4	0	0	5	29	0	0	29
Real estate funds	0	42	3	45	0	39	3	42
Private Equity	1	8	1	10	2	9	1	12
Hedge funds	0	1	0	1	0	7	0	7
Loans and claims	**7,081**	**0**	**0**	**7,082**	**6,605**	**0**	**0**	**6,605**
Public sector entities	6	0	0	6	7	0	0	7
Housing associations	290	0	0	290	290	0	0	290
Corporate	763	0	0	763	764	0	0	764
Households	5,977	0	0	5,977	5,488	0	0	5,488
Non-profit organisations	46	0	0	46	56	0	0	56
Tangible assets	**8**	**0**	**24**	**32**	**9**	**0**	**10**	**31**
Bank guarantees	**46**	**0**	**0**	**46**	**54**	**0**	**0**	**54**
Unused facilities and unused limits	**415**	**4**	**1**	**421**	**608**	**8**	**1**	**616**
Derivatives (credit equivalents)	**371**	**5**	**0**	**370**	**303**	**3**	**0**	**302**
Other assets	**68**	**3**	**19**	**82**	**38**	**5**	**23**	**65**
Total	**10,477**	**670**	**182**	**11,288**	**10,621**	**714**	**158**	**11,482**

arranged primarily through Aktia Real Estate Mortgage Bank. POP Banks and savings banks also broker Aktia Real Estate Mortgage Bank loans. Other investment and consumption financing for households is arranged directly from the bank's balance sheet. Credit limits associated with customers' credit cards are organised from Luottokunta's balance sheet.

Small businesses and entrepreneurs make up the main target group for Aktia's corporate business, and the long-term aim is to develop broad cross sales of bank and insurance solutions. Activities are adjusted locally, within Aktia's regions, to benefit from the best competence and customer relationships.

The financing of corporate instalment purchases, leasing and working capital is managed through a separate subsidiary, Aktia Corporate Finance. In 2011, Aktia did not enter into any new risk capital financing arrangements and total risk capital financing amounted to EUR 2 million (EUR 2) million at year end.

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 enduring profitability.

Credit stock by sector

EUR million	31.12.2011	31.12.2010	Change	%
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**

4.1.2 Lending to households

The group's loan stock increased in 2011 by EUR 472 million (7.2)%, totalling EUR 7,063 (6,592) million at year end. This increase occurred to plan, mainly within the area of household financing, and the household share of the total loan stock amounted to EUR 5,966 (5,479) million or 84.5 (83.1)% at year end, or 88.6 (87.5)% when combined with housing associations.

The housing loan stock totalled EUR 5,607 (5,121) million, of which mortgages granted by Aktia Real Estate Mortgage Bank plc made up EUR 3,652 (3,050) million. In total, housing loans increased by 9.5 (11.4)% during the year.

4.1.2.1 Credit rating

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 an absolute requirement for a loan to be granted. To ensure that the customer has an adequate buffer in case of higher market interest rates, the ability to repay is calculated on the basis of an interest rate of 6% over a repayment period of 25 years, this for all of the customer's loans.

The customer credit rating is set and followed up on with the help of scoring models developed for households. For any new loan decision, the determination of a credit rating using the scoring model is obligatory. For the existing credit stock, behavioural scoring models are applied, which also take into account changes in the customer's payment behaviour. The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral and the customer entity's loans. Higher loan-to-value ratios imply a sufficient credit rating, while at the same time decisions on such loans are escalated.

62.7 (64.6)% of the receivables from households are accounted for by the four scoring classes that represent excellent to good credit rating, while 10.9 (10.4)% of receivables have passable to weak credit worthiness. The stock for defaulted household loans rose from 0.4% to 0.6%.

Distribution of household scoring classes*

Creditworthiness EUR million	Scoring class	31.12.2011 5,966	31.12.2010 5,479
"Excellent-good 0% < PD <= 0,2%"	A1	6.5%	7.5%
	A2	14.9%	20.7%
	A3	34.5%	31.3%
	A4	6.9%	5.1%
"Good-satisfactory 0,2% < PD <= 1%"	B1	10.9%	10.7%
	B2	6.5%	5.9%
	B3	4.4%	3.8%
	B4	3.8%	4.0%
"Diminished-poor 1% < PD < 100%"	C1	6.5%	6.0%
	C2	2.1%	2.0%
	C3	0.9%	0.9%
	C4	1.3%	1.4%
Unclassified	-	0.1%	0.2%
Defaulted, PD = 100%	D	0.6%	0.4%

* PD (Probability of Default) specifies the likelihood that the loan will be defaulted on within 12 months. The estimate is made Point-in-Time (PIT), and reflects the credit worthiness under the prevailing economic climate.

4.1.2.2 Collateral and calculation of capital adequacy

The valuation and administration of 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 lower than the collateral's market value is adopted, 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 older than three years have been updated on a regular basis. These 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 (residential real estate prices) does not directly increase exposure. Of the total claims on households, approximately 5 (4)% are secured by central government or by deposit, while approximately 88 (87)% are secured against residential real estate collateral under Basel II regulations. Approximately 8 (9)% of claims are secured in other ways, which are 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 at the time of the latest credit decision against the loans outstanding on the collateral. At year end, the Weighted Average Loan To Value for the housing loan stock amounted to 61.4 (62.2)%. Within the housing loan stock, only 1.1 (1.4)% of the credit exceeded a loan-to-value ratio of 90%. During the latter part of 2010, there has been increased focus on closer management of business involving higher lending in combination with weaker credit ratings.

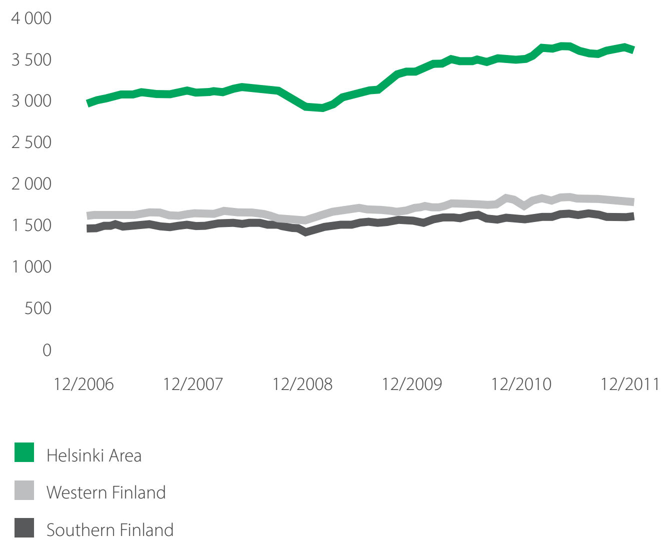
Loan To Value (LTV) distribution* of the housing loan stock

Loan To Value (LTV) EUR million	31.12.2011 5,195	31.12.2010 4,729
0–50 %	79.4 %	78.8 %
50–60 %	9.3 %	9.3 %
60–70 %	5.9 %	5.9 %
70–80 %	3.0 %	3.0 %
80–90 %	1.4 %	1.6 %
90–100 %	0.6 %	0.7 %
>100 %	0.5 %	0.7 %
Total	**100%**	**100%**

* The table shows credit share per loan-to-value interval. Example: A housing loan of 60,000 EUR for financing a dwelling costing 100,000 EUR (LTV 60)% would be split into 50,000 EUR at "LTV 0–50%" and 10,000 EUR at "LTV 50-60%".

The majority of the bank's collateral mass is comprised of dwellings. The trends in housing prices are thus important factors in the bank's risk profile. During 2011, developments in housing prices within Aktia's main business area have remained at a stable level.

Average house prices, EUR/m²



4.1.2.4 Risk-based pricing

The models for risk-based pricing reflect capital requirements, risk and refinancing, as weighed against earnings from loans, other customer relationships and customer potential. Cross sales between insurance and banking are becoming increasingly important in assessing customer potential. The branch incentive system 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 was aimed at small companies, and corporate loans fell by 0.4% from the beginning of the year, totalling EUR 758 million (EUR 761) million. The proportion of the total credit stock accounted for by corporate loans fell to 10.7 (11.5)%. In the second half of 2011, the corporate business was reorganised according to new business strategy.

Customers are assessed for corporate financing purposes on the basis of accounts analysis and credit ratings. Other analysed factors are cash flow, the competitive situation, the impact of existing investments, and other forecasts. During the year, implementation of the internal credit rating model, Aktia-rating, continued.

Distribution of ratings (Suomen Asiakastieto)

Rating EUR million	31.12.2011 758	31.12.2010 761
AAA	9%	11%
AA+	23%	18%
AA	16%	17%
A+	24%	26%
A	20%	21%
B	2%	3%
C	3%	3%
Defaulted	3%	2%
Total	**100%**	**100%**

Over the year, the loan stock's rating distribution improved slightly. 48 (46)% of receivables from companies were accounted for by the three groups with the lowest risk of default, while 6 (5)% of receivables were from the two lowest credit rating classes.

Collateral is valued for corporate financing purposes in accordance with separate rules, also taking into account a valuation buffer specific to the collateral, to allow determination of a 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.

12.6 (12.8)% of receivables from corporations were secured by central or local government guarantees or by deposit, while 29.1 (27.9)% were secured against residential real estate collateral. The remaining 58.3 (59.4)%, are granted against collateral not taken into account in the capital adequacy calculation, including commercial real estate, various company-specific securities or against the company's operations and cash flow. Insufficient collateral imposes limits, according to the revised corporate strategy and the credit policy applied to businesses.

4.1.4 Concentration risks in lending

A locally operating financial institution such as Aktia is exposed to certain concentration risks. Concentration risks against individual counterparts are regulated 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.

88.6% of the loan portfolio comprises loans to households and Finnish housing associations, and 87.5% of receivables from households are secured against residential real estate collateral. Approximately 29% of receivables from companies are secured against residential real estate collateral. Aktia's level of credit risk is sensitive to changes in both domestic employment and housing prices.

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

In relation to Aktia's total corporate portfolio, the exposure in primarily construction and property financing constitutes a concentration risk. This is founded in the strategic decision to use specialist expertise to create a value chain that apart from project and property financing, also includes brokerage services, insurance and financing for end customers. This concentration is gradually being reduced.

Branch distribution of corporate stock

Branch EUR million	31.12.2011 758	31.12.2010 761
Basic industries, fisheries and mining	3.9 %	3.3 %
Industry	7.1 %	7.8 %
Energy, water and waste disposal	2.4 %	2.2 %
Construction	7.3 %	7.8 %
Trade	12.7 %	11.4 %
Hotels and restaurants	4.1 %	4.4 %
Transport	8.4 %	7.9 %
Financing	7.7 %	10.7 %
Property	32.8 %	32.9 %
Research, consulting and other business service	8.3 %	8.6 %
Other services	6.8 %	5.1 %
- write-downs by group	-1.5 %	-2.1 %
Total	**100%**	**100%**

Claims on housing associations are not included in the table above

4.1.5 Past due payments

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 receivables from bankrupt companies and loans for recovery, increased to a total of EUR 60 (36) million, corresponding to 0.84 (0.55)% of the credit stock. Of the increase of EUR 24 million, 16 million is attributable to household loans and 8 million to corporate loans. The increase in household loans is partly accounted for by a number of individual investment and construction financing programmes. Similarly, the increase in corporate loans is attributable to individual items under reconstruction or in the process of collection. Loss risks from these items are covered in the individual or group write-downs. In the last quarter, a special financing unit was formed to focus on handling relationships with high-risk customers.

The increase in non-performing loans attributable to normal household lending amounted to EUR 10 million, and consists mainly of loans granted before the introduction of more restrictive rules for e.g. high borrowing against the market value of collateral. 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.

Past due loans by length of payment delay, EUR million

Days	31.12.2011	% of the credit stock	31.12.2010	% of the 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–*	60	0.84	36	0.55
of which households	36	0.51	20	0.30

* in Aktia Bank fair value of the collateral covers 92 % of debts

Loans with overdue payments which had not been impaired amounted to EUR 263 (257) million at the end of the year. Of these, non-performing loans at least 90 days overdue accounted for EUR 51 (31) million. The market value of the collateral for these receivables amounted to approx. 90% of the remaining receivable.

Loans past due but not impaired

EUR million

Days	Book value	% of the credit stock	Fair value of collateral
31.12.2011			
1–30	159	2.23	145
31–89	53	0.74	50
90–	51	0.72	45

Days	Book value	% of the credit stock	Fair value of collateral
31.12.2010			
1–30	171	2.58	156
31–89	55	0.83	49
90–	31	0.47	29

4.1.6 Write-downs of loan and guarantee claims

The total write-downs on loans, guarantee and premium receivables 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 were attributable to households, and EUR 9.1 (12.3) million to companies. Write-downs for the non-life insurance company's outstanding premiums were EUR 0.8 (1.1) million.

By the end of the period, group write-downs at the portfolio level totalled EUR 14.0 (9.3) million, of which EUR 7.3 (7.3) million related to households and smaller enterprises, and EUR 6.7 (12.0) million related to large individually valued corporate claims.

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

Gross loans and write-downs

EUR million	31.12.2011	31.12.2010
Gross loans	7,127	6,649
Individual write-downs	-49	-38
Of which made to non-performing loans past due at least 90 days	-39	-31
Of which made to other loans	-10	-7
Write-downs by group	-14	-19
Net loans, balance amount	7,063	6,592

4.1.7 Lending to local banks

Financing is provided to banks based on individual credit ratings and decisions. Every year, the 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 provided collateral. At year-end, the committed facilities for liquidity financing amounted to EUR 181.3 million (EUR 341.9) million, divided between 51 (51) individual savings banksand POP Banks, while outstanding liquidity financing totalled EUR 1.3 million (EUR 3) million. Secured financing totalled EUR 58 million (EUR 10) million.

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

5. Management of financing and liquidity risks

Financing and liquidity risk implies a risk that the group will not be able to meet its payment obligations, or could only do so at high cost, and is defined as the availability and cost of refinancing, as well as 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 the legal company level, and there are no financing commitments between the bank group and the insurance companies.

5.1 Financing and liquidity risks in banking operations

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

A stable borrowing and deposit stock from households, the mortgage bank's issues, the deposits received from the activity as a central financial institution, as well as 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 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 amounted to EUR 4,757 (4,356) 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 banksand POP Banks, for which Aktia acts as the central financial institution. This also constitutes an important source of financing for Aktia.

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

Within the issuing programme of EUR 5 billion, covered bonds secured by real estate have been issued for EUR 3,286 million. In November, within this program, Aktia Real Estate Mortgage Bank issued long-term bonds with security (so-called Schuldscheindarlehen) totalling EUR 61 million. In addition, Aktia has a domestic bond programme amounting to EUR 500 million, under which it has issued EUR 319 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 429 million on 31 December 2011.

Aktia is actively working to broaden its refinancing base and to start using new refinancing programmes. 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).

A liquidity portfolio comprising high-quality securities has been constructed to hedge against short-term fluctuations in liquidity by using realisation, by using repurchase agreements, or through central bank refinancing.

The structure of the liquidity portfolio is set out in more detail under chapter 6.2. The financial assets in the liquidity portfolio that can be utilised as outlined above, as a liquidity buffer, totalled approximately EUR 1,540 million at year-end, corresponding to an outgoing cash flow for just over two years, with no new market borrowing.

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

Regarding Aktia Real Estate Mortgage Bank's senior financing, an agreement was entered into with the local banks, which obliges all banks brokering the Mortgage Bank's loans to contribute pro rata to the Mortgage Bank's senior financing. The senior financing is paid in instalments, the first of them being paid in November 2011.

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

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

To secure access to borrowing from the capital market, a rating from an internationally recognised rating institute is used. Aktia Group has used the international credit rating agency Moody's Investors Service since 1999. The international rating agency Moody's Investors Service has had 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 C for financial strength.

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

The group's executive committee is responsible for managing financing and liquidity risks. The group's risk control unit, which continuously monitors liquidity risks and associated limits, reports on these to the board and the executive committee. 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. Developments and pricing in the deposit stock are also followed closely. The treasury unit implements the adopted measures, 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 various risk insurance lines, as well as savings and surrenders from savings policies, and surrenders and pensions from voluntary pension policies. Availability of liquidity is planned on a need basis, 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 inward flow 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 inward flow of cash, as well as an adjusted portfolio of bank deposits, certificates and government bonds.

6. Handling market, balance sheet and counterparty risks

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.

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

For a limited proportion of the assets – EUR 60.6 million or 2.2% of financial assets at year end – valuations are based on unquoted prices or the company's own assessments. These assets are mainly holdings in funds investing in unlisted companies.

6.1.1 Determination of fair value through publicly listed prices or valuation techniques

The fair value valuation is classified in different valuation categories:

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

Level 2 consists of financial instruments that do not have directly accessible listed prices from an effective market. The fair value has been determined by using valuation techniques, which are based on assumptions supported by observable market prices. Such market information may include listed interest rates, for example, or prices for closely related instruments. This category includes the majority of OTC derivative instruments, as well as many other instruments that are not traded on an active market.

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

Valuation techniques				**31.12.2011**
				Fair value classified into
Financial assets, EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued through income statement				
Interest-bearing securities	0.0	1.2	0.0	1.2
Shares and participations	0.0	0.0	0.7	0.7
Total	**0.0**	**1.2**	**0.7**	**1.9**
Financial assets available for sale				
Interest-bearing securities	2,414.2	92.4	3.1	2,509.7
Shares and participations	52.7	0.0	56.7	109.4
Total	**2,466.9**	**92.4**	**59.9**	**2,619.1**
Financial assets held until maturity				
Interest-bearing securities	0.0	20.0	0.0	20.0
Shares and participations	0.0	0.0	0.0	0.0
Total	**0.0**	**20.0**	**0.0**	**20.0**
Derivative instruments, net	0.5	144.1	0.0	144.6
Total	**0.5**	**144.1**	**0.0**	**144.6**
Total financial assets	**3,207.3**	**257.6**	**60.6**	**2,785.7**

Valuation techniques				**31.12.2010**
				Fair value classified into
Financial assets, EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued through income statement				
Interest-bearing securities	0.0	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**

6.1.2 Changes within level 3

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

Reconciliation of the changes taken place for financial instruments which belongs to level 3	Financial assets valued through income statement			Financial assets available for sale			Total		
EUR million	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**
Fair value 1.1.2011	0.0	6.1	6.1	4.5	54.3	58.8	4.5	60.4	64.9
New purchases	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.2	0.2
Sales	0.0	-1.8	-1.8		-1.2	-2.2		-3.0	-4.0
Matured during the year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Realised value change in the income statement	0.0	0.0	0.0	-0.0	0.1	0.1	-0.0	0.1	0.1
Unrealised value change in the income statement	0.0	-3.6	-3.6	0.0	-0.3	-0.3	0.0	-3.9	-3.9
Valued change recognised in the fund at fair value	0.0	0.0	0.0	-0.3	3.6	3.3	-0.3	3.6	3.3
Transfer from level 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from level 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value 31.12.2011	**0.0**	**0.7**	**0.7**	**3.1**	**56.7**	**59.9**	**3.1**	**57.5**	**60.6**

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 partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**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	0.0	0.0	0.0	-2.4	-11.9	-14.3	-2.4	-11.9	-14.3
Matured during the year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Realised value change in the income statement	0.0	0.0	0.0	0.1	-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**

6.1.3 Sensitivity analysis in level 3 for financial instruments

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

This information demonstrates the effect that the relative uncertainty can have on the fair value of financial instruments, the valuation of which is dependent on unobservable parameters. The information should not be interpreted as predictive or as an indication of future changes in fair value.

The following table shows the sensitivity of fair value in Level 3 instruments in the event of market changes.

Sensitivity analysis for financial instruments belonging to level 3

	31.12.2011		31.12.2010	
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	0.7	-0.1	6.1	-1.2
Total	**0.7**	**-0.1**	**6.1**	**-1.2**
Financial assets available for sale				
Interest-bearing securities	3.1	-0.1	4.5	-0.1
Shares and participations	56.7	-11.3	54.3	-10.9
Total	**59.9**	**-11.4**	**58.8**	**-11.0**
Total financial assets		**-11.6**	**64.9**	**-12.2**

Interest-bearing securities have been tested by assuming an upward parallel of 3 percentage points of the interest rate in all maturities, at the same time as the market prices for shares and participations are assumed to drop by 20%. These assumptions would mean a result or valuation effect via the fund for fair value corresponding to 2.1 (2.2)% of the group's own funds.

6.2 Market and asset and liability risks in the banking business

After preparation in the executive committee and the board's risk committee, the board of directors sets out annually the strategy and limits for managing market risks 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 the given guidelines and limits. The bank's treasury unit carries out transactions in order to manage the structural interest rate risk based on the established strategy and limits.

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 interest rate derivative instruments 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.

The structural interest rate risk is simulated using a dynamic asset and liability risk management model. The model takes into account the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied. The analysis period is up to 5 years and shows that lower market interest rates would have a detrimental effect on the net interest rate development, while higher market interest rates would strengthen the net interest rate development. 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 EUR -6.9 million (EUR +6.7) million, while net interest income for the 12–24 month period would drop EUR -9.7 million (EUR +6.5) million. A parallel upward shift in the interest rate curve of one percentage point would however increase the net interest income of the banking business for the next 12 months by EUR +9.5 million (EUR -10.1) million, while net interest income for the 12–24 month period would increase by EUR +8.1 million (EUR -7.2) million.

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 risks are the capital limit for market value interest rate risks, counterparty limits, and limits for permitted instruments and maturity periods. Both the limit for sustainable net interest income and the limit for capital usage are derived from the group's ICAAP process and the targets for regulatory capital adequacy.

Derivative agreements entered into for hedging against the bank's structural interest rate risk are described in more detail in note K 23.

6.2.2 Market value interest rate risk and credit spread risk

Market value interest rate risk consists of changes in the value of financial assets available for sale, due to interest rate fluctuations or changes in the credit spread. 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 6.2.6). In keeping with the prevailing rules, the impact of the rate shock is taken into account only for financial assets.

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral. With regard to contracts traded on an active market, the market is constantly valuing the risk, making credit spread a component of the instrument's market price, and this credit spread is thus usually regarded as a part of the market risk.

Changes in market interest rates or credit spreads affect the market value of the interest-bearing securities. Interest rate fluctuations are reported in the fund for fair value after the deduction of deferred tax, while any significant or long-term impairment of market value compared to the acquisition price is shown in the income statement.

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 -18.3 million after the deduction of deferred tax. At the end of December 2011, the valuation difference in interest-bearing securities was EUR -34.9 million (EUR -16.6) million.

The liquidity portfolio of the bank business, which comprises interest bearing securities and is managed by the bank's treasury unit, stood at EUR 1,968 million (EUR 2,677) million as of 31 December 2011, which includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the banking business.

Aktia Banking Group	Government and Govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10
EU AAA	**145.2**	**237.6**	**915.7**	**991.3**	**309.4**	**589.1**	**-**	**13.0**	**-**	**-**	**-**	**-**	**-**	**-**	**1,370.4**	**1,831.0**
Finland	61.3	67.7	110.9	105.5	37.4	209.0	-	8.0	-	-	-	-	-		**209.7**	**390.2**
Other AAA-countries	83.9	169.9	804.7	885.8	272.0	380.1	-	5.0	-	-	-	-	-	-	**1,160.7**	**1,440.8**
EU < AAA	**51.4**	**92.3**	**351.9**	**448.9**	**36.8**	**109.5**	**1.9**	**2.7**	**-**	**-**	**-**	**-**	**-**	**-**	**442.0**	**653.4**
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Greece	-	14.2	2.3	3.1	-	-	-	-	-	-	-	-	-	-	**2.3**	**17.3**
Ireland	-	-	27.2	26.3	-	16.7	-	-	-	-	-	-	-	-	**27.2**	**43.0**
Italy	-	-	59.6	72.8	-	21.1	-	-	-	-	-	-	-	-	**59.6**	**93.9**
Portugal	22.1	28.6	76.2	117.5	8.2	25.6	0.8	1.6	-	-	-	-	-	-	**107.3**	**173.3**
Spain	29.3	49.5	186.6	229.2	28.6	46.1	1.1	1.1	-	-	-	-	-	-	**245.6**	**325.9**
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Europe excluding EU	**-**	**-**	**50.1**	**62.4**	**30.1**	**55.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**80.2**	**118.0**
North America	**-**	**-**	**32.7**	**32.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32.7**	**32.7**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**-**	**-**	**-**	**-**	**42.7**	**42.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42.7**	**42.1**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**196.7**	**329.9**	**1,350.3**	**1,535.3**	**419.1**	**796.3**	**1.9**	**15.7**	**-**	**-**	**-**	**-**	**-**	**-**	**1,968.0**	**2,677.2**

Of the financial assets available for sale, 69 (57)% were investments in covered bonds, 21 (30)% were investments in banks, 10 (12)% were investments in state guaranteed bonds, and 0 (1)% were investments in other corporates.

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 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 every year. The investment portfolio is market valued and monitored on a daily basis.

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

EUR million	31.12.2011 1,968	31.12.2010 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 %
Domestic municipalities (unrated)	2.1 %	1.8 %
No rating	0.3 %	0.6 %
Total	**100.0 %**	**100.0 %**

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 0.3 (0.0)% and unrated securities not eligible for refinancing amounted to 0.3 (0.6)%.

No write-downs were performed during the year. (31/12/2010: EUR 0.0).

Investments in bonds issued by corporates were made only in the Euro zone.

6.2.3 Counterparty risks in the bank group's management of interest rate risks

Derivative hedges are used to ensure an adequate level of net interest income in a low interest rate scenario. In addition, interest rate derivatives are brokered to certain local banks.

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

To further reduce counterparty risks, individual collateral arrangements are used, in accordance with ISDA/CSA (Credit Support Annex) conditions. At year end, Aktia had derivative exposures with 13 counterparties, with a positive market value totalling EUR 255.2 million, of which the derivatives brokered to local banks had a market value of EUR 95.7 million. The net exposure after credit risk mitigation totalled EUR 25.5 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 market valued on an ongoing basis. If no market value is available, an independent valuation by a third party is used.

6.2.4 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. The guiding principle in managing exchange rate risks is matching. The treasury unit is responsible for managing the bank's day-to-day currency position, subject to the limits set.

At year end, total net currency exposure for the bank group amounted to EUR 3.4 million (EUR 1.3) million.

6.2.5 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 trading or investments in real estate are carried out by the banking business or in the parent company.

At the end of the period, real estate assets totalled EUR 0.7 million (EUR 3.4) million. The investments in shares that are necessary or strategic to the business totalled EUR 1.8 million (EUR 26.9) million. During the period, the share holdings in the Bank of Åland Plc were disposed of.

6.2.6 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. The table below summarises market value sensitivity for the bank group's assets available for sale in various market risk scenarios as of 31 December 2011 and 31 December 2010. The shocks applied are based on historical interest rate volatility and reflect both high and low interest rate scenarios. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, +3% is applied, at year 10 and thereafter, +1% is applied. Between month 1 and year 10, the extent of the change is interpolated parabolically between 3% and 1%. In accordance with the prevailing regulations, only the impact on financial assets is taken into account, as increased interest rate risk will constitute the market value interest rate risk.

Downward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, -2% is applied, at year 10 and thereafter, -1% is applied. Between month 1 and year 10, the extent of the change is interpolated parabolically between -2% and -1%. As only the impact on financial assets is taken into account, a fall in the interest rate generally means that investments increase in value.

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The extent of the change is an annually revised percentage based on rating and investment type, and varies between 0.2% (AAA treasury securities) and 4% (e.g. < BBB+ corporate securities with sub-senior right of priority). The specific discounting curve for each individual investment is sifted by this value to obtain the value of the investment in shock.

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

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

Sensitivity analysis for market risks	Liquidity portfolio		Cashflow hedge (derivatives)		Total			
Banking group, EUR million	**2011**	**2010**	**2011**	**2010**	**2011**	**%**	**2010**	**%**
Market value 31.12.	1,968.0	2,677.2	18.4	45.6	1,986.4	100.0 %	2,722.8	100.0 %
IR risk up	-60.5	-85.1	-8.9	-22.1	-69.4	-3.5 %	-107.2	-3.9 %
IR risk dowm	48.0	64.2	11.6	26.6	59.6	3.0 %	90.8	3.3 %
Spreadrisk	-31.6	-43.7	0.0	0.0	-31.6	-1.6 %	-43.7	-1.6 %
Equity risk	0.0	0.0	0.0	0.0	0.0	0.0 %	0.0	0.0 %
Real estate risk	0.0	0.0	0.0	0.0	0.0	0.0 %	0.0	0.0 %

6.3 Market and asset and liability risks in the insurance business

After preparation by the company boards and the board's risk committee, the group's board of directors sets out the 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.

In the life insurance business, the policyholder bears the investment risk of the investments that provide cover for unit-linked insurance policies. Other investments within the insurance companies for covering technical provisions are at the company's risk. There is thus a certain degree of risk-taking in the investment activities of the insurance companies.

The financial 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 publicly 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.

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 valuation differences in interest-bearing securities during the period totalled EUR 7.2 million after the deduction of deferred tax. At the end of December 2011, the valuation difference in interest-bearing securities was EUR 17.9 million (EUR 10.7) million.

In the non-life insurance company, the net change in the fund for fair value during the period totalled EUR 4.1 million after the deduction of deferred tax. At the end of 2011, the valuation difference in interest-bearing securities was EUR 3.7 million (EUR -0.4) 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 in the fund for fair value, as above, 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 -4.6 million (EUR -3.8) million were posted for the life insurance company. For interest-bearing securities, reverses affecting profit and totalling EUR 0.6 million were posted in the reporting period. During the reporting period, write-downs affecting profit attributable to shares and participations totalling EUR EUR -0.3 million (EUR 0.0) were posted for the non-life insurance company.

6.3.1 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 on returns over guaranteed interest rates, whilst also affecting 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 risk refers 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 pension insurance. As of 31 December 2011, the average guaranteed interest on the life insurance company's provisions, excluding provisions for unit-linked insurance, was approximately 3.6 (3.6)%. The average guaranteed customer interest weighed against the stock's market value was 4.2 (4.1)%.

With regard to unit-linked insurance, insurance savings increase or decrease on the basis of the change in the value of the mutual funds to which the policyholder has chosen to link his saving. 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 to which customers have linked their saving.

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

Aktia Life insurance	Government and Govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10
EU AAA	**203.7**	**211.7**	**184.0**	**135.5**	**64.7**	**63.7**	**86.1**	**124.1**	**42.0**	**38.6**	**8.2**	**10.3**	**-**	**-**	**588.7**	**583.9**
Finland	49.0	75.3	20.5	12.7	29.1	17.0	44.1	45.4	42.0	38.6	6.8	8.6	-	-	**191.5**	**197.6**
Other AAA-countries	154.7	136.4	163.5	122.8	35.6	46.7	42.0	78.7	-	-	1.4	1.7	-	-	**397.2**	**386.3**
EU < AAA	**9.5**	**43.8**	**13.4**	**13.9**	**0.3**	**-**	**7.8**	**9.1**	**-**	**-**	**-**	**-**	**-**	**-**	**31.0**	**66.8**
Belgium	-	16.1	-	-	0.1	-	-	-	-	-	-	-	-	-	**0.1**	**16.1**
Greece	-	12.3	-	-	-	-		-	-	-	-	-	-	-	**-**	**12.3**
Ireland	-	-	0.4	0.5	0.2	-	1.7	1.9	-	-	-	-	-	-	**2.3**	**2.4**
Italy	-	-	1.8	2.0	-	-	4.8	5.0	-	-	-	-	-	-	**6.6**	**7.0**
Portugal	2.4	4.0	-	-	-	-	-	-	-	-	-	-	-	-	**2.4**	**4.0**
Spain	-	6.1	11.2	11.4	-	-	1.3	2.2	-	-	-	-	-	-	**12.5**	**19.7**
Other countries	7.1	5.3	-	-	-	-	-	-	-	-	-	-	-	-	**7.1**	**5.3**
Europe excluding EU	**-**	**-**	**0.1**	**-**	**6.8**	**11.2**	**0.1**	**4.5**	**-**	**-**	**0.5**	**0.6**	**-**	**-**	**7.5**	**16.3**
North America	**0.4**	**-**	**-**	**-**	**(0.4)**	**-**	**4.7**	**4.5**	**-**	**-**	**1.0**	**5.3**	**-**	**-**	**5.7**	**9.8**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.0**	**-**	**-**		**-**	**-**	**-**	**-**	**1.0**
Supranationals	**-**	**-**	**-**	**-**	**4.7**	**3.4**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**4.7**	**3.4**
Others	**23.1**	**18.7**	**-**	**-**	**-**	**-**	**0.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23.5**	**18.7**
Total	**236.7**	**274.2**	**197.5**	**149.4**	**76.1**	**78.3**	**99.1**	**143.2**	**42.0**	**38.6**	**9.7**	**16.2**	**-**	**-**	**661.1**	**699.9**

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

Aktia Non-life insurance	Government and Govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10	12/11	12/10
EU AAA	**49.6**	**46.5**	**36.6**	**20.0**	**19.6**	**15.3**	**9.5**	**11.0**	**27.2**	**25.9**	**0.8**	**1.2**	**-**	**-**	**143.3**	**119.9**
Finland	2.2	2.1	8.5	4.2	13.8	5.8	6.0	4.8	27.2	25.9	0.8	1.2	-	-	**58.5**	**44.0**
Other AAA-countries	47.4	44.4	28.1	15.8	5.8	9.5	3.5	6.2	-	-	-	-	-	-	**84.8**	**75.9**
EU < AAA	**6.9**	**17.5**	**2.1**	**2.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.0**	**19.7**
Belgium	2.1	2.1	-	-	-	-	-	-	-	-	-	-	-	-	**2.1**	**2.1**
Greece	-	8.0	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**8.0**
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Italy	-	3.0	0.9	1.0	-	-	-	-	-	-	-		-	-	**0.9**	**4.0**
Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Spain	4.4	4.4	1.2	1.2	-	-	-	-	-	-	-	-	-	-	**5.6**	**5.6**
Other countries	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.4**	**-**
Europe excluding EU	**-**	**-**	**2.7**	**1.0**	**1.1**	**1.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.8**	**2.1**
North America	**-**	**-**	**-**	**-**	**(0.1)**	**-**	**0.5**	**1.5**	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**	**1.5**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.5**
Supranationals	**-**	**-**	**-**	**-**	**0.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**-**
Others	**4.4**	**3.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.4**	**3.2**
Total	**60.9**	**67.2**	**41.4**	**23.2**	**20.9**	**16.4**	**10.0**	**13.0**	**27.2**	**25.9**	**0.8**	**1.2**	**-**	**-**	**161.2**	**146.9**

Liabilities (Techical provisions) – Life Insurance business

EUR million	TP 31.12.2011	%	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	TP 31.12.2010
Group pension	**44.8**	**5.5 %**	**3.5**	**2.6**	**0.3**	**1.8**	**0.0**	**52.4**
3,5 %	44.6	5.5 %	3.4	2.6	0.3	1.8	0.0	52.3
2,5 %	0.1	0.0 %	0.1	0.0	0.0	0.0	0.0	0.1
1,0 %	0.1	0.0 %	0.0	0.0	0.0	0.0	0.0	0.0
Individual pension insurance	**330.9**	**40.4 %**	**11.0**	**33.7**	**1.3**	**14.4**	**0.2**	**356.7**
4,5 %	237.1	29.0 %	5.3	29.0	0.8	11.4	0.0	262.8
3,5 %	71.2	8.7 %	3.1	3.8	0.3	2.5	0.0	72.4
2,5 %	22.7	2.8 %	2.6	1.0	0.2	0.6	0.2	21.5
Savings insurance	**106.1**	**13.0 %**	**3.0**	**17.9**	**0.7**	**3.6**	**0.0**	**121.4**
4,5 %	27.0	3.3 %	1.7	5.6	0.4	1.3	0.0	30.9
3,5 %	24.5	3.0 %	0.8	4.1	0.2	0.9	0.0	27.6
2,5 %	54.5	6.7 %	0.5	8.3	0.2	1.4	0.0	62.9
Risk insurance	**39.3**	**4.8 %**	**21.5**	**14.9**	**7.1**	**1.5**	**0.2**	**44.1**
Unit linked insurance	**285.5**	**34.9 %**	**64.1**	**23.4**	**3.9**	**0.0**	**0.0**	**282.8**
Savings insurance	206.4	25.2 %	53.3	22.5	2.6	0.0	0.0	195.1
Individual pension insurance	75.7	9.3 %	9.5	0.9	1.2	0.0	0.0	84.8
Group pension	3.4	0.4 %	1.3	0.0	0.1	0.0	0.0	2.9
Reservation for future bonuses	**2.2**	**0.3 %**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.3**	**2.5**
Reservation for increased life expectancy	**2.5**	**0.3 %**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.5**
Reservation for lowered discount rate	**7.0**	**0.9 %**	**0.0**	**0.0**	**0.0**	**-0.9**	**0.0**	**7.9**
	818.2	**100.0 %**	**103.0**	**92.6**	**13.4**	**20.5**	**0.0**	**870.3**

The transition to Solvency II renews the rules on how capital adequacy for the insurance companies is calculated, and places demands on the market valuing of technical provisions, 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. This is due to the convention in the current Solvency rules of valuing provisions at book value, which benefits investment portfolios with short durations and low levels of required capital in relation to longer investments.

To be able to better manage the challenges arising as a result of going over to the new Solvency II rules, which means conforming to both the old and the new rules during the transition period, a tool for ALM planning has been 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 in 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 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 part of the portfolio, which from a yield perspective would not be profitable at low interest rates. 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. Re-allocation within the investment portfolio has been made with the aim of progressively reducing mismatches in the investment portfolio and the cash flow structure of provisions better. This policy has been maintained in 2011 even more cautiously because of the low interest rates. At the end of 2011, the average duration of the portfolio was 5.3 (4.6) years, and for provisions approx. 10.6 (10.5) years.At the turn of the year, a co-insurance stock of EUR 36 million was transferred to Liv-Alandia based on a previously arranged agreement, which represents a decrease of Aktia Life Insurance's investment portfolio accordingly.

Estimated cash flow distribution over time, interest-bearing contracts 31.12.2011

EUR million	Duration	2012–2013	2014–2015	2016–2020	2021–2025	2026–2032	2033–2042	2043–
Savings insurance	**7.8**	**26.5**	**22.2**	**39.2**	**18.6**	**15.6**	**11.9**	**12.8**
4,5%	3.9	8.7	8.0	12.2	1.4	1.2	0.3	0.1
3,5%	9.5	3.4	2.8	11.5	6.6	4.9	4.2	4.5
2,5%	9.0	14.4	11.4	15.5	10.6	9.5	7.3	8.2
1,0%	12.4	34.6	44.5	107.1	112.0	143.1	117.4	84.8
Pensions	**8.3**	**39.0**	**41.6**	**87.7**	**77.6**	**75.1**	**26.2**	**4.2**
4,5%	12.4	1.1	6.2	25.9	36.2	57.3	60.2	31.9
3,5%	18.0	-5.3	-3.0	-5.3	-0.2	9.7	30.3	45.5
2,5%	17.3	-0.1	-0.2	-1.2	-1.5	1.1	0.7	3.3
Other insurance	**7.7**	**5.3**	**0.0**	**-1.7**	**-4.2**	**-4.2**	**-2.0**	**0.0**
	10.6	**66.5**	**66.7**	**144.6**	**126.5**	**154.5**	**127.3**	**97.7**

Liabilities (Technical provisions) - Non-life Insurance business

EUR million	TP 31.12.2011	Duration	%	Premiums	Claims paid	Expense charges	TP 31.12.2010
Statutory accident insurance	38.8	11.5	34.7 %	13.2	-6.4	-2.4	37.9
Other accident insurance	3.1	2.0	2.7 %	2.8	-3.3	-1.1	2.6
Fire and other property damage	13.3	0.7	11.9 %	17.2	-14.0	-4.7	11.5
Motor vechicle responsability insurance	44.8	11.5	40.1 %	15.2	-11.3	-3.6	42.7
Land vechicle	8.2	0.5	7.3 %	14.0	-11.7	-2.9	7.7
Other direct insurace	9.7	1.4	8.7 %	6.6	-6.2	-2.5	9.1
Reinsurance liability	0.6	1.3	0.5 %	0.1	-0.1	-0.1	1.1
Total, gross	**118.5**	**8.9**	**106.0 %**	**69.0**	**-53.1**	**-17.3**	**112.5**
Of which known pensions	54.0	14.6	48.3 %				50.7
Reinsurer's share	-6.7		-6.0 %	-4.7	2.6	0.0	-6.2
Total, net (after reinsurance)	**111.8**		**100.0 %**	**64.3**	**-50.5**	**-17.3**	**106.3**

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) from pensions being paid out, and payments made in statutory motor and accident insurance polices. 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 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.

6.3.2 Credit spread risk

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral. With regard to contracts with an active market (as for most investment instruments), the market is constantly valuing the risk, making credit spread a component of the instrument's market price, and is thus usually regarded as a part of the market risk.

Changes in market interest rates or credit spreads affect the market value of the interest-bearing securities. Interest rate fluctuations are reported in the fund for fair value after the deduction of deferred tax, while any significant or long-term impairment of market value compared to the acquisition price is shown in the income statement.

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

EUR million	31.12.2011		31.12.2010	
Equities	**0.0**	**0.0 %**	**0.0**	**0.0 %**
Fixed-income	**597.2**	**90.3 %**	**638.4**	**91.2 %**
Government bonds	205.9	31.1 %	250.8	35.8 %
Financial sector bonds in total	247.0	37.4 %	197.0	28.1 %
Covered bonds	197.3	29.8 %	149.4	21.3 %
Senior bonds	40.0	6.1 %	37.8	5.4 %
Subsenior bonds	9.7	1.5 %	9.9	1.4 %
Other corporate in total	105.6	16.0 %	149.1	21.3 %
Senior bonds	100.7	15.2 %	138.9	19.8 %
Subsenior bonds	4.8	0.7 %	10.2	1.5 %
Asset Backed Securities	0.0	0.0 %	5.1	0.7 %
Inflation-linked bopnds	5.0	0.8 %	4.8	0.7 %
Emerging markets bonds	28.1	4.2 %	18.7	2.7 %
High yield bonds	0.0	0.0 %	3.5	0.5 %
Structured products with equity risk	1.2	0.2 %	3.9	0.6 %
Other structured products	0.0	0.0 %	3.7	0.5 %
Derivatives	4.5	0.7 %	1.7	0.2 %
Interest rate swaps	4.6	0.7 %	1.8	0.3 %
Forward contracts on currencies	-0.2	-0.0 %	-0.1	-0.0 %
Alternative investments	**9.8**	**1.5 %**	**16.2**	**2.3 %**
Private Equity & Venture capital	8.5	1.3 %	9.0	1.3 %
Hedge funds	1.3	0.2 %	7.2	1.0 %
Real estate	**42.0**	**6.3 %**	**38.6**	**5.5 %**
Directly owned	0.0	0.0 %	0.0	0.0 %
Real estate funds	42.0	6.3 %	38.6	5.5 %
Money market	**0.0**	**0.0 %**	**0.0**	**0.0 %**
Cash at bank	**12.1**	**1.8 %**	**6.9**	**1.0 %**
	661.1	100.0 %	700.0	100.0 %

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

EUR million	31.12.2011		31.12.2010	
Equities	**0.0**	**0.0 %**	**0.0**	**0.0 %**
Fixed-income	**122.1**	**75.7 %**	**116.2**	**79.1 %**
Government bonds	56.2	34.8 %	64.1	43.6 %
Financial sector bonds in total	50.5	31.3 %	30.2	20.5 %
Covered bonds	41.5	25.7 %	23.2	15.8 %
Senior bonds	9.0	5.6 %	7.0	4.7 %
Subsenior bonds	0.0	0.0 %	0.0	0.0 %
Other corporate in total	10.0	6.2 %	12.0	8.2 %
Senior bonds	10.0	6.2 %	12.0	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 bopnds	0.0	0.0 %	0.0	0.0 %
Emerging markets bonds	5.4	3.3 %	3.2	2.2 %
High yield bonds	0.0	0.0 %	0.0	0.0 %
Structured products with equity risk	0.0	0.0 %	4.9	3.4 %
Other structured products	0.0	0.0 %	1.9	1.3 %
Alternative investments	**0.8**	**0.5 %**	**1.2**	**0.8 %**
Private Equity & Venture capital	0.8	0.5 %	1.2	0.8 %
Hedge funds	0.0	0.0 %	0.0	0.0 %
Real estate	**27.2**	**16.9 %**	**25.9**	**17.6 %**
Directly owned	23.9	14.8 %	22.7	15.5 %
Real estate funds	3.3	2.0 %	3.2	2.2 %
Money market	**0.0**	**0.0 %**	**0.0**	**0.0 %**
Cash at bank	**11.2**	**6.9 %**	**3.6**	**2.5 %**
	161.2	100.0 %	146.9	100.0 %

At the end of the period, direct interest rate investments amounted to EUR 609 million (EUR 645) million, corresponding to 92 (92)% of the investment portfolio. Counterparty risks arising in connection with the life insurance company's investments are managed by the requirement for high external ratings – at least class A3 from Moody's for banks and governments, and 'Investment grade' (at least Baa3) for corporates. Additionally, maximum exposure limits have been established per counterparty and asset type.

At the end of the year, 39 (43)% of the interest rate investments were receivables from public sector entities, 16 (22)% were receivables from corporates, and 45 (35)% were receivables from banks and covered bonds.

Rating distribution for life insurance business

EUR million	31.12.2011 546	31.12.2010 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 %
Domestic municipalities (unrated)	0.0 %	0.0 %
No rating	4.4 %	4.9 %
Total	**100.0 %**	**100.0 %**

Rating distribution for Non-Life insurance business

EUR million	31.12.2011 116	31.12.2010 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 %
Domestic municipalities (unrated)	0.0 %	0.0 %
No rating	2.4 %	2.2 %
Total	**100.0 %**	**100.0 %**

Of the direct interest rate investments, 2.3 (1.0)% did not meet Aktia's internal rating requirements at the end of the period. For interest funds, which account for 8% of the interest portfolio, internal rating requirements are not considered.

At the end of the period, interest rate investments amounted to EUR 133 million (EUR 120) million, corresponding to 83 (82)% of the investment portfolio. The limiting of counterparty risks in the non-life insurance company's investment activities follows the same principles as those for the the life insurance company.

At the end of the year, 46 (56)% of the interest rate investments were receivables from public sector entities, 7 (11)% were receivables from corporates, and 47 (33)% were receivables from banks and covered bonds.

All interest rate investments met Aktia's internal rating requirements by the end of the period. 4% of the interest rate investments are in interest funds.

6.3.3 Equity risk

Equity risk occurs if share prices and the market prices of comparable holdings fall. In the life insurance company, all stock market investments have been disposed of as planned. The investments of the non-life insurance company have not included listed shares since 2009. However, as earlier, unlisted shares and private equity funds are included in the portfolios for both companies. The total market value of such shares in the life insurance company's portfolio is EUR 8.5 million (EUR 9.0) million, and EUR 0.8 million (EUR 1.2) 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 year end, this amounted to EUR 1.3 million (EUR 7.2) million.

The life insurance company also has structured interest-linked instruments in its portfolios, which entail some degree of share risk. This position was at year end EUR 1.2 million (EUR 3.9) 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 year end, total real estate investments amounted to EUR 42.0 million (EUR 38.6) 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 27.2 million (EUR 25.9) 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. Since share holdings have been disposed of, investments are largely euro-based. Exchange rate risk is regulated by limits, both internal and as imposed by the authorities.

The life insurance company's exchange rate risk comes from holdings in interest funds that invest in emerging market government bonds issued in USD or local currencies. Some hedge fund holdings are also in USD. Investments in growth markets have increased during the year, while the hedge funds are being discontinued. The dollar risk has been partly hedged through currency-related forward contracts. At the end of the period, the life insurance company had underlying investments totalling EUR 11.1 million (EUR 3.8) million, with open exchange rate risk. The non-life insurance company has holdings in interest funds that invest in emerging market government bonds. In total, net exchange rate risk in the non-life insurance company is EUR 2.5 million (EUR 0.7) million.

6.3.7 Risk sensitivity

With regard to investments, the key risks involved are interest rate, counterparty (spread) and equity risk, and for provisions, the key risk is interest rate risk. The table below summarises market value sensitivity for the bank group's assets available for sale in various market risk scenarios as of 31 December 2011 and 31 December 2010. The shocks applied are based on historical interest rate volatility and reflect both high and low interest rate scenarios. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, +3% is applied, at year 10 and thereafter, +1% is applied. Between Month 1 and Year 10, the extent of the change is interpolated parabolically between 3% and 1%. Interest rate risk is calculated for both investment portfolio and technical provisions.

Downward interest rate risk: Change applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. At month 1, -2% is applied, at year 10 and thereafter, -1% is applied. Between month 1 and year 10, the extent of the change is interpolated parabolically between -2% and -1%. Interest rate risk is calculated for both investment portfolio and technical provisions.

Spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The extent of the change is an annually revised percentage based on rating and investment type, and varies between 0.2% (AAA treasury securities) and 4% (e.g. < BBB+ corporate securities with weaker right of priority). The specific discounting curve for each individual investment is shifted by this value to obtain the value of the investment when in shock.

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

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

Sensitivity analysis for market risks	**Portfolio**		**Technical provisions***		**Total**			
Life company	**2011**	**2010**	**2011**	**2010**	**2010**	**%**	**2010**	**%**
Market value 31.12.	661.1	700.0	-549.7	-574.5	111.4	100.0 %	125.5	100.0 %
IR risk up	-47.1	-44.3	66.1	65.2	19.0	17.1 %	20.9	16.7 %
IR risk dowm	44.3	39.6	-78.5	-76.4	-34.2	-30.7 %	-36.8	-29.3 %
Spreadrisk	-22.3	-24.1	0.0	0.0	-22.3	-20.1 %	-24.1	-19.2 %
Equity risk	-5.8	-8.1	0.0	0.0	-5.8	-5.2 %	-8.1	-6.5 %
Real estate risk	-10.6	-9.6	0.0	0.0	-10.6	-9.5 %	-9.6	-7.6 %

Sensitivity analysis for market risks	**Portfolio**		**Technical provisions***		**Total**			
P&C company	**2011**	**2010**	**2011**	**2010**	**2010**	**%**	**2010**	**%**
Market value 31.12.	161.2	146.9	-111.8	-99.0	49.4	100.0 %	47.9	100.0 %
IR risk up	-11.3	-9.5	11.2	10.7	-0.1	-0.2 %	1.2	2.5 %
IR risk dowm	11.7	9.8	-13.0	-12.8	-1.3	-2.6 %	-3.0	-6.3 %
Spreadrisk	-4.8	-3.8	0.0	0.0	-4.8	-9.7 %	-3.8	-7.9 %
Equity risk	-0.4	-0.6	0.0	0.0	-0.4	-0.8 %	-0.6	-1.3 %
Real estate risk	-6.8	-6.5	0.0	0.0	-6.8	-13.8 %	-6.5	-13.6 %

*) 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.

7. Managing insurance risks

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 damages 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. Premium adequacy is followed up annually. 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 on 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, re-insuring 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.

Over the past year, the company continued to develop actuarial methods for estimating the future cash flows of insurance contracts. The methods are used to model the various factors affecting the timing and size of the cash flows. These factors consist of e.g. various biometric factors and maintenance costs. Customer behaviour and measures the company is expected to take in different situations are taken into account.

With the forthcoming Solvency II regulatory framework, insurance risks will more explicitly appear as part of the capital requirements. The requirements will primarily be based on stress tests, which examine how the market value of technical provisions change if there are changes compared to the assumptions made in the factors affecting cash flows. In the company's ALM model, the insurance risks have been estimated using such techniques.

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 to 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 and motor liability insurance, which accounted for approx. 76 (75)% of total provisions at the end of 2011. 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 also 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, so 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 core business for a non-life insurance company is to transfer risks from the policyholder to the insurance company. The company undertakes to compensate the policyholder if an insured event occurs. In general, 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 e.g. changes in life expectancy. Underwriting risk in non-life insurance is a significant risk compared to the equivalent for life insurance. 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.

Loss ratio for the Non-life company

	2011			2010		
EUR million	**Premiums**	**Claims paid *)**	**Loss ratio**	**Premiums**	**Claims paid *)**	**Loss ratio**
Statutory accident insurance	13.2	-6.4	48.8 %	12.9	-8.3	64.7 %
Other accident insurance	2.8	-3.3	117.5 %	3.3	-2.8	85.2 %
Fire and other property damage	17.2	-14.0	81.6 %	15.8	-13.9	88.1 %
Motor vechicle responsability insurance	15.2	-11.3	74.3 %	14.9	-11.0	74.1 %
Land vechicle	14.0	-11.7	83.9 %	13.5	-10.0	73.9 %
Other direct insurace	6.6	-6.2	93.7 %	6.0	-4.8	80.6 %
Reinsurance liability	0.1	-0.1	102.6 %	0.1	-0.6	447.0 %
Total, gross	**69.0**	**-53.1**	**76.9 %**	**66.5**	**-51.5**	**77.5 %**
Reinsurer's share	-4.7	2.6	54.5 %	-5.1	2.4	46.9 %
Total, net (after reinsurance)	**64.3**	**-50.5**	**78.5 %**	**61.4**	**-49.1**	**80.0 %**

*) Claims paid includes loss adjustment expenses

In the non-life insurance company, responsibility for pricing and estimating profitability falls to the underwriting unit, and to the underwriting control unit, which is responsible for risk assessment. The profitability of the insurance operations is monitored by means of monthly reporting and quarterly follow-up 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.

Due to the nature of the business, non-life insurance operations are exposed to random variations in the frequency of claims, meaning that reinsurance is 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 will also be adjusted to satisfy both internal and regulatory capital requirements. In order to monitor the frequency of claims, both internally and towards re-insurers, and the claims adjustment process overall, monthly claims meetings are held, where the focus is on all claim events significant for the insurance business.

During 2011, Aktia Non-Life Insurance has continued to work on its customer base. Policy conditions, excesses and premium levels for different customer segments have been reviewed. The gross claims rate decreased from 77.5% in 2010 to 76.9% in 2011 (net claims ratio from 80.0% to 78.5)%.

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 conducted in the central group functions, including outsourced functions. The risk assessment concludes with a probability and consequence evaluation, after which the competent decision-making body then decides on how the risks shall be handled. 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 high risk areas. The instructions should cover legal risks, personnel risks, principles for continuity planning, etc.

Incidents with considerable economic consequences, including close calls, are registered and reported, and failures in e.g. processes, systems, know-how or internal checks that caused the incident are dealt with systematically. A rapid and proactive management of any customer impact is also sought. The group's risk control unit analyses incident information systematically and develops action plans for mitigation measures at the process or group level. The risk control unit is also responsible for regular reporting to the board.

The responsibility for managing the operational risks is carried by the business areas and the line organisation. Risk management means 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. Process descriptions are drawn up as required.

Each manager is responsible for full compliance with the instructions within the area managed. The internal audit analyses the processes at regular intervals and evaluates the reliability of the units' internal controls. The 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.

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 consulted as required. 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

(EUR 1,000)

The Bank Group's capital adequacy

Summary	12/2011	9/2011	6/2011	3/2011	12/2010
Tier 1 capital	392,625	393,449	393,089	378,350	371,523
Tier 2 capital	206,441	210,261	213,443	205,462	214,149
Capital base	**599,066**	**603,710**	**606,532**	**583,812**	**585,673**
Risk-weighted amount for credit and counterpart risks	3,321,647	3,294,405	3,299,995	3,307,822	3,324,444
Risk-weighted amount for market risks 1)	-	-	-	-	-
Risk-weighted amount for operational risks	372,332	348,647	348,647	348,647	348,647
Risk-weighted exposures	**3,693,979**	**3,643,052**	**3,648,643**	**3,656,469**	**3,673,092**
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	**295,518**	**291,444**	**291,891**	**292,517**	**293,847**
Capital buffer (difference between capital base and minimum requirement)	303,548	312,266	314,641	291,294	291,825

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

The Bank Group's capital base

	12/2011	9/2011	6/2011	3/2011	12/2010
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	57,735	58,249	58,599	45,354	44,291
Retained earnings	96,183	95,898	95,898	95,420	65,818
Profit for the reporting period	24,718	22,410	16,860	10,529	50,080
./. provision for dividends to shareholders	-21,285	-15,778	-10,520	-5,273	-20,809
Capital loan	30,000	30,000	30,000	30,000	30,000
Total	394,908	398,338	398,395	383,588	376,938
./. intangible assets	-2,283	-4,889	-5,306	-5,238	-5,415
Tier 1 capital	**392,625**	**393,449**	**393,089**	**378,350**	**371,523**
Fund at fair value	-34,871	-31,464	-28,101	-28,713	-16,612
Upper Tier 2 loans	45,000	45,000	45,000	45,000	45,000
Lower Tier 2 loans	196,312	196,725	196,544	189,175	185,762
Tier 2 capital	**206,441**	**210,261**	**213,443**	**205,462**	**214,149**
Total capital base	**599,066**	**603,710**	**606,532**	**583,812**	**585,673**

The Bank Group's risk-weighted exposures

Total exposures 12/2011				Risk-weighted exposures				
Risk-weight	**Balance sheet assets**	**Off-balance sheet commitments**	**Total**	**12/2011**	**9/2011**	**6/2011**	**3/2011**	**12/2010**
0 %	1,252,016	28,959	1,280,975	-	-	-	-	-
10 %	1,050,520	0	1,050,520	105,052	103,798	103,241	110,395	121,166
20 %	693,523	186,658	880,181	146,579	158,909	191,578	227,692	243,078
35 %	5,529,080	67,691	5,596,771	1,943,650	1,898,251	1,857,274	1,811,582	1,780,752
50 %	674	0	674	337	389	402	-	44
75 %	573,646	93,045	666,690	450,881	458,022	465,691	470,332	478,225
100 %	563,334	88,268	651,602	601,809	616,560	624,719	636,979	646,815
150 %	26,348	798	27,146	40,121	30,115	31,350	21,243	20,446
Total	**9,689,142**	**465,418**	**10,154,560**	**3,288,429**	**3,266,045**	**3,274,256**	**3,278,224**	**3,290,526**
Derivatives *)	370,883		370,883	33,218	28,360	25,740	29,598	33,918
Total	**10,060,025**	**465,418**	**10,525,443**	**3,321,647**	**3,294,405**	**3,299,995**	**3,307,822**	**3,324,444**

*) 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, corporates 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	187,820	208,528	199,383					
- average 3 years	198,577							
Capital requirement for operational risk				29,787	27,892	27,892	27,892	27,892
Risk-weighted amount				372,332	348,647	348,647	348,647	348,647

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	479,581	470,709	467,098	445,747	450,415
Sector-specific items	234,896	237,372	222,104	205,488	229,625
Intangible assets and other reductions	-154,787	-155,812	-153,680	-127,709	-141,374
Conglomerate´s total capital base	**559,690**	**552,270**	**535,522**	**523,526**	**538,666**
Capital requirement for banking business	296,224	292,250	294,361	294,966	296,320
Capital requirement for insurance business	46,154	47,337	47,854	48,070	47,836
Minimum amount for capital base	**342,378**	**339,587**	**342,215**	**343,036**	**344,156**
Conglomerate´s capital adequacy	**217,311**	**212,683**	**193,307**	**180,490**	**194,510**
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 Supervision Authority.

The year 2010 data has been adjusted retroactively and deviates therefore from earlier published information. The conglomerate's scope of application and the handling of the non-controlling interest have been amended according to the Finnish Financial Supervisory Authority's interpretation.

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 guarantees and other substitutions	Exposure after substitution	Financial collaterals	Exposure after collaterals	Risk-weighted amount	Capital requirement
1	States and central banks	646,798	-	646,798	290,146	936,944	-	936,944	-	-
2	Regional administrations and local authorities	54,150	-	54,150	30,415	84,565	-	84,565	-	-
3	Public corporations	1,473	-	1,473	2,348	3,821	-	3,821	764	61
4	International development banks	42,677	-	42,677	-	42,677	-	42,677	-	-
5	International organisations	-	-	-	-	-	-	-	-	-
6	Credit institutions	1,281,073	-	1,281,073	9,266	1,290,339	-272,540	1,017,799	174,022	13,922
7	Corporates	801,645	-3,771	797,874	-66,720	731,154	-50,541	680,614	567,387	45,391
8	Retail exposures	969,772	-3,427	966,345	-263,645	702,700	-35,997	666,703	450,890	36,071
9	Real estate collateralised	5,596,771	-	5,596,771	-	5,596,771	-	5,596,771	1,943,650	155,492
10	Past due items	101,938	-39,719	62,219	-1,809	60,410	-3,563	56,847	69,242	5,539
11	High-risk items	4,691	-2,600	2,091	-	2,091	-	2,091	2,669	214
12	Covered bonds	1,050,520	-	1,050,520	-	1,050,520	-	1,050,520	105,052	8,404
13	Securitised items	848	-	848	-	848	-	848	170	14
14	Short-term corporate receivables	-	-	-	-	0	-	-	-	-
15	Mutual fund investments	-	-	-	-	0	-	-	-	-
16	Other items	36,652	-14,049	22,603	-	22,603	-	22,603	7,801	624
		10,589,010	**-63,566**	**10,525,443**	**0**	**10,525,443**	**-362,640**	**10,162,803**	**3,321,647**	**265,732**

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.

Exposures with eligible guarantees are flowed to other counterparty classes with lower capital requirement. Eligible guarantees are defined in Standard 4.3e of the Finnish Financial Supervision Authority.
Guarantees given by Finnish government, municipalities, congregations, banks and other governments are accepted.
Corporate quarantees 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

	Exposure class	Total exposures before the effect of risk mitigation techniques 31.3.	30.6.	30.9.	31.12.	Average 2011
1	States and central banks	509,361	579,097	510,323	646,798	561,395
2	Regional administrations and local authorities	50,627	51,620	48,881	54,150	51,320
3	Public corporations	1,374	1,357	1,352	1,473	1,389
4	International development banks	41,304	41,958	43,337	42,677	42,319
5	International organisations	-	-	-	-	-
6	Credit institutions	1,609,991	1,359,208	1,364,663	1,281,073	1,403,734
7	Corporates	839,513	824,016	820,568	797,874	820,493
8	Retail exposures	947,597	943,856	940,602	966,345	949,600
9	Real estate collateralised	5,234,977	5,377,545	5,490,912	5,596,771	5,425,051
10	Past due items	41,509	61,028	58,512	62,219	55,817
11	High-risk items	2,256	2,091	2,062	2,091	2,125
12	Covered bonds	1,103,951	1,032,414	1,037,980	1,050,520	1,056,216
13	Securitised items	1,492	1,277	1,043	848	1,165
14	Short-term corporate receivables	-	-	-	-	-
15	Mutual fund investments	-	-	-	-	-
16	Other items	27,061	87,096	37,202	22,603	43,490
		10,411,013	**10,362,562**	**10,357,437**	**10,525,443**	**10,414,114**

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	570,165	6,742	69,891	-	-	646,798
2	Regional administrations and local authorities	14,872	31,029	4,995	2,534	720	54,150
3	Public corporations	-	141	570	77	686	1,473
4	International development banks	-	-	22,751	19,926	-	42,677
5	International organisations						-
6	Credit institutions	76,178	347,273	563,534	186,867	107,221	1,281,073
7	Corporates	130,874	89,333	234,402	84,658	258,607	797,874
8	Retail exposures	95,942	48,697	121,249	136,656	563,800	966,345
9	Real estate collateralised	94,224	76,468	329,708	661,387	4,434,984	5,596,771
10	Past due items	26,229	2,012	18,875	1,501	13,601	62,219
11	High-risk items	591	-	877	-	623	2,091
12	Covered bonds	30,268	120,367	741,720	158,166	-	1,050,520
13	Securitised items	-	848	-	-	-	848
14	Short-term corporate receivables						-
15	Mutual fund investments						-
16	Other items	11,307	-	1,324	-	9,972	22,603
		1,050,650	**722,910**	**2,109,897**	**1,251,773**	**5,390,214**	**10,525,443**

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	511,461	14,590	120,747	-	646,798
2	Regional administrations and local authorities	54,150	-	-	-	54,150
3	Public corporations	1,473	-	-	-	1,473
4	International development banks	-	-	-	42,677	42,677
5	International organisations	-	-	-	-	-
6	Credit institutions	479,473	91,545	688,014	22,041	1,281,073
7	Corporates	796,774	1,100	-	-	797,874
8	Retail exposures	965,761	262	165	157	966,345
9	Real estate collateralised	5,591,333	1,093	3,931	413	5,596,771
10	Past due items	57,319	-	4,900	-	62,219
11	High-risk items	2,091	-	-	-	2,091
12	Covered bonds	50,150	187,689	801,999	10,683	1,050,520
13	Securitised items	848	-	-	-	848
14	Short-term corporate receivables	-	-	-	-	-
15	Mutual fund investments	-	-	-	-	-
16	Other items	22,578	-	25	-	22,603
		8,533,412	**296,280**	**1,619,780**	**75,971**	**10,525,443**
	Individually impaired loans	17,455				17,455
	Individual write-downs on credits	49,767				49,767
	Write-downs by group	14,049				14,049

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 at least 90 days overdue.

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 collatera-lised**	**Past due items**	**Total**
Corporate						
	Property	164,188	51,673	43,575	881	260,317
	Trade	56,408	40,324	22,298	1,663	120,693
	Financing	117,399	3,854	11,320	2,481	135,054
	Industry, energy	68,449	20,875	5,093	2,355	96,772
	Construction	51,956	20,249	17,288	2,964	92,457
	Research, consulting, services	26,024	27,452	16,740	4,463	74,679
	Transport	43,246	11,539	7,925	5,115	67,824
	Hotels and restaurants	20,868	6,724	6,268	2,495	36,355
	Agriculture, fisheries, mining	20,729	4,825	3,782	1,267	30,603
	Other	27,664	15,338	18,467	1,012	62,481
Total		**596,930**	**202,853**	**152,758**	**24,695**	**977,235**
Households		46,163	734,567	5,250,261	36,873	6,067,864
Housing associations		108,815	28,925	185,395	651	323,786
Other non-profit corporations		45,966	0	8,358	0	54,324
Total		**797,874**	**966,345**	**5,596,771**	**62,219**	**7,423,209**

The Bank Group's individually impaired loans

31.12.2011

Sector	Contract value	Individual impairment	Book value	Fair value of collateral	Change during the period: Change in impairment	Change during the period: Impairment losses on credits and other commit-ments
Corporates	60,020	44,861	15,158	11,717	13,639	4,027
Housing associations	1,103	452	651	1,575	451	0
Public corporations	0	0	0	0	0	0
Non-profit corporations	2	2	0	0	2	2
Households	4,317	3,913	405	900	1,392	261
Total	**65,442**	**49,228**	**16,214**	**14,193**	**15,483**	**4,291**

Write-downs on corporate loans by branch			
Research, consulting and other services	20,472	19,671	800
Trade	3,526	3,149	376
Construction	4,125	3,386	739
Industry	12,101	9,766	2,335
Human health and other service activities for households	9,287	4,274	5,013
Other	10,510	4,615	5,895
Total	**60,020**	**44,861**	**15,158**

31.12.2010

Sector	Contract value	Individual impairment	Book value	Fair value of collateral	Change during the period: Change in impairment	Change during the period: Impairment losses on credits and other commit-ments
Corporates	46,321	35,251	11,070	10,730	184	3,228
Housing associations	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
Total	**46,321**	**35,251**	**11,070**

G3 Group's segment reporting

Income statement	Banking Business		Asset Management		Life Insurance		Non-Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Net interest income	123 918	145 546	4 305	3 606	-	-	-	-	106	-304	503	458	128 832	149 307
Dividends	2 222	2 399	-	-	-	-	-	-	0	790	-2 049	-2 084	173	1 105
Net commission income	45 244	41 742	16 572	17 196	-	-	-	-	7 693	6 749	-10 050	-8 657	59 459	57 030
Net income from life insurance	-	-	-	-	23 432	18 061	-	-	-	-	-700	-1 584	22 732	16 477
Net income from non-life insurance	-	-	-	-	-	-	21 986	24 228	-	-	2 268	-1 594	24 254	22 634
Net income from financial transactions	-9 351	-5 576	75	-9	-	-	-	-	-6 901	-	1 362	-	-14 815	-5 585
Net income from investment properties	14	9	-	-	-	-	-	-	130	417	121	93	266	518
Other operating income	4 082	4 369	614	341	-	-	429	854	3 465	6 057	-4 644	-3 705	3 946	7 916
Total operating income	**166 130**	**188 490**	**21 566**	**21 134**	**23 432**	**18 061**	**22 415**	**25 081**	**4 494**	**13 709**	**-13 189**	**-17 074**	**224 848**	**249 402**
Staff costs	-41 915	-38 405	-8 049	-9 146	-5 104	-5 498	-11 130	-10 871	-17 557	-18 492	-393	-432	-84 149	-82 842
IT-expenses	-13 689	-12 146	-857	-855	-1 086	-962	-1 461	-1 319	-10 748	-8 787	-	277	-27 841	-23 792
Depreciation of tangible and intangible assets	-2 260	-2 264	-473	-510	-661	-493	-539	-554	-2 519	-2 718	-	-700	-6 453	-7 237
Other operating expenses	-62 223	-53 061	-6 541	-6 210	-6 316	-6 196	-8 638	-7 215	21 184	14 662	14 450	12 860	-48 084	-45 160
Total operating expenses	**-120 087**	**-105 876**	**-15 920**	**-16 720**	**-13 168**	**-13 149**	**-21 768**	**-19 958**	**-9 641**	**-15 334**	**14 057**	**12 005**	**-166 527**	**-159 031**
Write-downs on credits, other commitments and outstanding premium receivables	-10 487	-12 950	-	-	-	-	-771	-1 123	-	-	-	-	-11 258	-14 073
Share of profit from associated companies	-	-	-	-	-	-	-	-	-	-	-70	1 594	-70	1 594
Operating profit	**35 556**	**69 664**	**5 646**	**4 414**	**10 265**	**4 912**	**-125**	**4 001**	**-5 147**	**-1 625**	**798**	**-3 475**	**46 993**	**77 892**
Contribution of insurance businesses to the Groups' operating profit					10 265	3 934	2 202	1 663						

Balance sheet	Banking Business		Asset Management		Life Insurance		Non-Life Insurance		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Cash and balances with central banks	466 203	269 721	114	90	12 909	6 929	11 159	3 483	-	-	-15 344	-6 859	475 042	273 364
Financial assets reported at fair value via the income statement	-	-	-	-	1 905	14 110	-	6 760	-	-	-	-	1 905	20 870
Financial assets available for sale	1 876 079	2 593 625	1 401	8 046	630 233	664 639	124 102	112 258	37	22 368	-12 705	-17 283	2 619 146	3 383 652
Loans and other receivables	7 139 916	6 652 056	74 720	53 765	-	-	-	-	144	58	-62 656	-68 327	7 152 124	6 637 551
Investments for unit-linked provisions	-	-	-	-	286 742	279 964	-	-	-	-	-	-	286 742	279 964
Other assets	499 149	389 639	7 315	6 980	22 521	19 662	48 926	34 425	365 920	357 306	-422 727	-384 261	521 104	423 752
Total assets	**9 981 347**	**9 905 041**	**83 550**	**68 880**	**954 311**	**985 304**	**184 187**	**156 926**	**366 101**	**379 732**	**-513 433**	**-476 730**	**11 056 063**	**11 019 153**
Deposits	4 596 333	4 189 837	185 805	179 779	-	-	-	-	1 558	1 892	-26 516	-15 180	4 757 179	4 356 327
Debt securities issued	3 812 831	3 397 792	-	-	-	-	-	-	-	-	-12 705	-15 878	3 800 126	3 381 914
Technical provision for insurance business	-	-	-	-	818 201	870 168	118 500	112 487	-	-	4 790	7 185	941 491	989 841
Other liabilities	1 087 208	1 845 427	14 044	9 274	19 529	17 329	20 975	17 649	70 799	79 712	-179 047	-175 610	1 033 510	1 793 781
Total liabilities	**9 496 372**	**9 433 055**	**199 849**	**189 053**	**837 730**	**887 497**	**139 476**	**130 137**	**72 357**	**81 604**	**-213 477**	**-199 482**	**10 532 306**	**10 521 863**

Notes to the consolidated income statement

(EUR 1,000)

G4 Interest income and expenses

	2011	2010
Interest income		
Interest income from cash and balances with central banks	3,290	2,485
Interest income from financial assets reported at fair value via the income statement	-	94
Interest income from financial assets available for sale	69,550	83,698
Interest income from claims on credit institutions	996	935
Interest income from claims on public and public sector entities	184,141	150,354
Interest income from finance lease contracts	996	875
Interest income from loans and other receivables	186,132	152,164
Interest income from financial assets held until maturity	470	448
Interest income from hedging instruments	1,977	274
Other interest income	1,143	1,163
Total	**262,563**	**240,326**
Interest expenses		
Interest expenses from deposits, credit institutions	-21,721	-21,002
Interest expenses from deposits, other public entities	-41,531	-33,409
Interest expenses from deposits	-63,252	-54,411
Interest expenses for debt securities issued to the public	-97,635	-72,717
Interest expenses for subordinated liabilities	-9,259	-8,975
Interest expenses from securities issued and subordinated liabilities	-106,894	-81,692
Interest expenses for hedging instruments	36,487	45,128
Other interest expenses	-72	-43
Total	**-133,731**	**-91,019**
Net interest income	**128,832**	**149,307**
Deposits and lending	63,049	54,762
Hedging, interest rate risk management	34,850	58,265
Other	30,933	36,280
Net interest income	**128,832**	**149,307**

G5 Dividends

	2011	2010
Dividend income from shares available for sale	173	1,105
Total	**173**	**1,105**

Life- and Non-Life insurance business' dividends are included in net income from investments, see notes G7 and G8. Life insurance business' dividends are EUR million 0.0 (0.0) and Non-Life insurance dividends are EUR million 0.1 (0.3).

G6 Commission income and expenses

	2011	2010
Commission income		
Lending	7,166	8,379
Borrowing	167	168
Payment transactions	16,066	14,322
Asset management services	38,906	38,922
Brokerage of insurance	1,915	1,511
Guarantees and other off-balance sheet commitments	652	705
Real estate agency	7,952	7,987
Other commission income	2,106	1,799
Total	**74,929**	**73,792**

Commission expenses		
Commission expenses	-10,955	-11,794
Money handling	-603	-613
Joint use of ATMs	-1,391	-1,387
Other commission expenses	-2,521	-2,968
Total	**-15,470**	**-16,762**
Net commission income	**59,459**	**57,030**

G7 Net income from life-insurance

	2011	2010
Income from insurance premiums	103,014	100,710
Net income from investments	26,120	25,523
Insurance claims paid	-92,605	-79,174
Net change in technical provisions	-13,797	-30,582
Net income from life insurance	**22,732**	**16,477**
Premium income		
Premium income from insurance agreements		
Insurance agreements	103,453	101,192
Reinsurance agreements	41	35
Total gross income from premiums before the assuming company's share	**103,494**	**101,227**
Assuming company's share	-480	-517
Total income from premiums	**103,014**	**100,710**
Premium income from insurance agreements with a discretionary element		
Saving plans	2,993	3,493
Individual pension insurance	11,005	12,366
Group pension insurance	3,452	4,407
Personal insurance	20,346	20,143
Group life insurance for employers	1,081	414
Other group life insurance	42	45
Risk insurance	21,469	20,602
Total	**38,919**	**40,868**
Premium income from unit-linked agreements		
Saving plans	53,307	48,726
Individual pension insurance	9,515	9,976
Group pension insurance	1,273	1,140
Total	**64,095**	**59,841**
Total income from premiums	**103,014**	**100,710**
On-going and one-off premiums from direct insurance		
On-going premiums	69,051	69,249
One-off premiums	33,963	31,461
Total income from premiums	**103,014**	**100,710**
Net income from investments		
Net income from financial assets valued at fair value through income statement		
Derivative contracts		
Profit and losses	3,942	2,069
Total	**3,942**	**2,069**

Interest-bearing securities		
Interest income	105	193
Profit and losses	-196	-
Other income and expenses	246	-6
Total	**155**	**187**
Shares and participations		
Profit and losses	-27	-
Other income and expenses	-3,711	-552
Total	**-3,738**	**-552**
Net income from financial assets available for sale		
Interest income	22,026	21,636
Capital gains and losses	-1,310	1,417
Impairments	630	-102
Transferred to income statement from fund at fair value	2,159	-2,674
Other income and expenses	-35	-15
Interest-bearing securities	23,469	20,261
Dividends	29	28
Capital gains and losses	2,877	6,223
Impairments	-4,594	-3,784
Transferred to income statement from fund at fair value	2,364	-718
Other income and expenses	1,699	1,919
Shares and participations	2,374	3,667
Total	**25,843**	**23,928**
Expenses from financial liabilities		
Subordinated liabilities	-82	-109
Total	**-82**	**-109**
Total for the Insurance business' net income from the investment business	**26,120**	**25,523**
Exchange rate differences included in net income from the investment business	71	-737
<u>**Insurance claims paid**</u>		
Claims paid from insurance agreements with discretionary element		
Saving plans		
Repayment of saving sums	-11,393	-13,769
Payments in the event of death	-1,776	-2,715
Repurchase	-4,758	-3,606
Total	**-17,927**	**-20,090**
Individual pension insurance		
Pensions	-23,210	-22,341
Payments in the event of death	-525	-323
Repurchase	-9,980	-813
Total	**-33,715**	**-23,476**
Group pension insurance		
Pensions	-2,565	-2,459
Repurchase	-9	-15
Other	-70	-42
Total	**-2,644**	**-2,515**
Risk insurance		
Individual insurance	-14,069	-14,014
Group life insurance for employers	-827	-660
Other group life insurance	-29	-24
Total	**-14,925**	**-14,697**
Total claims paid from insurance agreements with discretionary element	**-69,211**	**-60,779**

Claims paid from unit-linked insurances		
Saving plans		
Repayment of saving sums	-2,613	-2,200
Payments in the event of death	-4,858	-4,800
Repurchase	-15,058	-10,876
Total	**-22,529**	**-17,876**
Individual pension insurance		
Pensions	-467	-284
Payments in the event of death	-50	-13
Repurchase	-337	-212
Total	**-855**	**-510**
Group pension insurance		
Payments in the event of death	-10	-9
Total	**-10**	**-9**
Total claims paid from unit-linked insurances	**-23,393**	**-18,395**
Total claims paid	**-92,605**	**-79,174**
Change in provisions, interest-linked policies		
Changes in premium provisions, interest-linked	-6,033	-7,955
Changes in claims provisions, interest-linked	28,353	15,256
Change in provisions, interest-linked policies	**22,320**	**7,301**
Net change in provisions, unit-linked policies		
Changes in claims provisions, unit-linked	234	-232
Changes in premium provisions, unit-linked	-6,663	-72,118
Changes in value of unit-linked investments, net	-29,688	34,468
Change in provisions, unit-linked policies	**-36,117**	**-37,883**
Total net change in technical provisions	**-13,797**	**-30,582**

G8 Net income from non-life insurance

	2011	2010
Premium income earned	64,315	61,375
Net income from investments	3,205	3,493
Insurance claims paid	-42,892	-41,930
Change in provisions for outstanding claims	-375	-304
Net income from non-life insurance	**24,254**	**22,634**
Premium income, earned		
Insurance agreements		
Premium income written, direct insurance	69,647	67,058
Premium income written, reinsurance	146	137
Total income premiums written	**69,793**	**67,195**
Reinsurers' share	-4,787	-5,234
Total premiums written after reinsurer's share	**65,006**	**61,961**
Change in provision for unearned premiums	-753	-677
Reinsurers' share of unearned premiums	63	91
Net change in the provision for unearned premiums	**-690**	**-586**
Premium income earned	**64,315**	**61,375**

Net income from investments		
Net income from financial assets valued at fair value through income statement		
Interest-bearing securities		
Interest income	48	54
Capital gains and losses	307	7
Valuation gains and losses	-	353
Total	**355**	**413**
Net income from financial assets available for sale		
Interest income	4,210	3,888
Capital gains and losses	-358	1,127
Transferred to income statement from fund at fair value	-134	-524
Other income and expenses	0	0
Interest-bearing securities	3,717	4,490
Dividends and profit participation	141	307
Capital gains and losses	87	-860
Transferred to income statement from fund at fair value	-355	298
Other income and expenses	-	0
Shares and participations	-127	-254
Total	**3,590**	**4,236**
Net income from investment properties		
Rental income	1,936	1,930
Direct expenses from investment properties, which generated rental income during the accounting period	-359	-378
Direct expenses from investment properties, which did not generate rental income during the accounting period	-	-2
Capital gains and losses	14	217
Depreciations and impairments	-479	-853
Total	**1,112**	**914**
Net income from commercial properties		
Capital gains and losses	-	-234
Depreciations and impairments	-	-47
Total	**-**	**-282**
Other net income		
Unwinding of discount	-1,974	-1,871
Other income and expenses	122	83
Total	**-1,852**	**-1,788**
Net income from investments	**3,205**	**3,493**
Exchange rate differences included in net income from the investment business	-3	-5

Insurance claims paid		
Insurance claims paid	-39,786	-41,758
Reinsurers' share	1,196	3,541
Claims paid in the form of annuties	-5,166	-5,084
Reinsurers' share	864	1,371
Total	**-42,892**	**-41,930**
Change in provisions for outstanding claims		
For claims of a life annuity nature (known losses)	-2,476	-1,360
For other claim-specific reserves	-1,365	-1,423
For collective reserves (known and unknown losses)	-722	-2,417
For adjusting losses incurred	-180	630
Breakdown of discounting	1,974	1,871
Breakdown of fair value allocation on acquisition	2,395	2,395
Total	**-375**	**-304**
Claims paid total	**-43,266**	**-42,234**

G9 Non-life insurance result by insurance class

2011

	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	13,162	13,159	-6,419	-2,441	-25	4,273
Other accident and health	2,897	2,787	-3,273	-1,073	-72	-1,632
Fire and other damage to property	17,514	17,181	-14,028	-4,685	-2,703	-4,235
Motorvehicle liability	15,220	15,167	-11,275	-3,555	343	679
Land vehicle	14,034	13,971	-11,722	-2,909	-39	-699
Others	6,822	6,629	-6,210	-2,513	366	-1,727
Direct insurance total	**69,647**	**68,894**	**-52,928**	**-17,176**	**-2,130**	**-3,340**
Reinsurance assumed	146	145	-149	-137	-	-141
Total	**69,793**	**69,040**	**-53,077**	**-17,313**	**-2,130**	**-3,481**

*) Operating expenses by function of EUR -4.8 million have been allocated to claims expenditure

**) Includes EUR 0.8 million as write-downs of outstanding premium receivables (credit losses)

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	-5,483
Motorvehicle 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 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	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 vehicle 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)

G10 Net income from financial transactions	2011	2010
Financial assets held for trading		
Capital gains and losses		
Interest-bearing securities	4	69
Other items	-2	1
Total	**2**	**70**
Total	**2**	**70**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	32	1,080
Total	**32**	**1,080**
Valuation gains and losses		
Derivative instruments	-6,449	-4,985
Total	**-6,449**	**-4,985**
Total	**-6,418**	**-3,905**
Financial assets available for sale		
Capital gains and losses		
Interest-bearing securities	-1,236	2,141
Shares and participations	-6,496	541
Total	**-7,732**	**2,682**
Transferred to income statement from fund at fair value		
Interest-bearing securities	-526	-5,137
Shares and participations	238	0
Total	**-288**	**-5,137**
Impairments		
Other items	-800	-
Total	**-800**	**-**
Total	**-8,820**	**-2,455**
Net income from currency trading	**1,176**	**1,098**
Net result from hedge accounting		
Ineffective share of cash flow hedging	-40	-139
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	41,640	-52
Financial derivatives hedging issued bonds	52,063	4,075
Changes in fair value of hedge instruments, net	93,703	4,023
Repayable on demand liabilities	-41,649	66
Bonds issued	-52,769	-4,343
Changes in fair value of items hedged, net	-94,418	-4,277
Total	**-715**	**-254**
Total cash flow hedging	**-755**	**-392**
Net income from financial transactions	**-14,815**	**-5,585**

On disposal of financial instruments, the unrealised value change, included in the fund at fair value at the beginning of the year, is transferred from the fund at fair value to the income statement.

G11 Net income from investment properties

	2011	2010
Rental income	481	573
Capital gains	436	353
Reversal of impairment losses	7	50
Other income from investment properties	1	1
Capital losses	-316	-10
Depreciation	-2	-3
Direct expenses from investment properties, which generated rental income during the accounting period	-342	-446
Total	**266**	**518**

Non-Life insurance business' net income from investment properties are included in net income from investments, see note G8, and are EUR 1.1 (0.9) million.

G12 Other operating income

	2011	2010
Capital gains from sale of tangible and intangible assets	-495	299
Other income from the credit institutution's own business	3,309	3,828
Non-Life Insurances' provision for guarantee scheme	-	496
Other operating income	1,133	3,293
Total	**3,946**	**7,916**

Other operating income include an one-off item of EUR 2.5 million from terminating the Aktia Bonus programme 2010.

G13 Staff

	2011	2010
Salaries and fees	-67,784	-68,325
Share-based payments	-156	-
Pension costs		
Defined contribution plans	-12,469	-11,155
Defined benefit plans	-424	-
Other indirect employee costs	-3,316	-3,363
Indirect employee costs	-16,209	-14,517
Total	**-84,149**	**-82,842**
Number of emplyees 31 December		
Full-time	1,105	1,111
Part-time	137	146
Temporary	184	166
Total	**1,426**	**1,423**
Number of employees converted to full-time equivalents	1,196	1,186
Full-time equivalent average number of employees for the reporting period	1,192	1,183

Perquisites for company management are presented in Note G48 Close relations.

G14 Depreciation of intangible and tangible assets

	2011	2010
Depreciation of tangible assets	-2,878	-2,684
Depreciation of intangible assets	-3,575	-4,552
Total	**-6,453**	**-7,237**

G15 Other operating expenses

	2011	2010
Other staff expenses	-6,421	-6,723
Office expenses	-5,300	-5,364
Communication expenses	-4,518	-4,401
Representation and marketing expenses	-7,522	-8,468
Other administrative expenses	-1,098	-1,498
Rental expenses	-11,249	-9,513
Expenses for commercial properties	-2,066	-1,798
Insurance- and security expenses	-3,003	-2,417
Monitoring, control and membership fees	-1,499	-1,346
Capital losses from commercial properties and other tangible assets	-137	-
Other operating expenses	-5,271	-3,631
Total	**-48,084**	**-45,160**

Auditors' fees

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

	2011	2010
Statutory auditing	356	393
Services related to auditing	112	38
Other services	277	7
Total	**745**	**438**

At the Annual General Meeting KPMG Oy Ab was elected as new auditor. Renumeration mentioned above also includes renumeration to earlier APA firms. Most of the costs related to other services was applicable to Aktia's application to the Finnish Financial Supervisory Authority concerning implementation of the internal method (IRBA) for calculation capital requirements.

G16 Taxes

	2011	2010
Income taxes on the ordinary business	-8,976	-17,776
Income taxes from previous financial years	297	-335
Changes in deferred taxes	-1,811	-1,744
Total	**-10,490**	**-19,854**

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

	2011	2010
Profit before tax	46,993	77,892
Tax calculated on a 26% tax rate	12,218	20,252
Effect from change af deferred tax from 26% to 24.5%	-1,941	-
Non-deductible expenses	520	248
Tax free income	-93	-474
Unused write-downs for tax purposes	-38	-207
Utilisation of previously unrecognised tax losses	-607	-37
Loss when deferred tax is not recorded	605	163
Tax on the share of the profit from associated companies	18	-414
Income taxes from previous financial years	-297	335
Other	106	-12
Income tax	**10,490**	**19,854**

Taxes booked directly against the equity is attributable to the fund at fair value and is specified in note G40.

G17 Earnings per share

	2011	2010
Profit for the financial year attributable to shareholders in Aktia plc	35.520	55.474
Average number of A shares	46.453.104	46.426.975
Average number of R shares	20.050.850	20.050.850
Average number of shares (excluding own shares)	66.503.954	66.477.825
Earnings per share (EPS), EUR (excluding own shares)	**0.53**	**0.83**
Earnings per share (EPS), EUR, after dilution (excluding own shares)	**0.53**	**0.83**
Total comprehensive income attributable to shareholders in Aktia plc	30.613	34.634
Total earnings per share, EUR (excluding own shares)	**0.46**	**0.52**
Total earnings per share, EUR, after dilution (excluding own shares)	**0.46**	**0.52**

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

Notes to the consolidated balance sheet and other consolidated notes

(EUR 1,000)

G18 Cash and balances with central banks

	2011	2010
Cash in hand	9,542	9,605
Cash and bank, insurance operations	8,724	3,553
Bank of Finland current account	456,775	260,205
Total	**475,042**	**273,364**

G19 Financial assets reported at fair value via the income statement

	2011	2010
Financial assets reported at fair value through income statement, insurance operations	1,905	20,870
Total	**1,905**	**20,870**

G20 Financial assets available for sale

	2011	2010
Interest bearing securities, central and local goverment	71,050	100,368
Interest bearing securities, credit institutions	1,801,334	2,475,566
Interest bearing securities, other	1,999	15,490
Interest-bearing securities, Banking business	1,874,384	2,591,424
Interest bearing securities, central and local goverment	192,247	214,352
Interest bearing securities, credit institutions	245,525	204,830
Interest bearing securities, other	87,087	128,494
Interest-bearing securities, Life insurance	524,859	547,676
Interest bearing securities, central and local goverment	55,033	62,679
Interest bearing securities, credit institutions	45,270	28,030
Interest bearing securities, other	10,156	11,176
Interest-bearing securities, Non-life insurance	110,458	101,885
Total interest-bearing securities	2,509,701	3,240,985
Publicly quoted shares and holdings	-	24,938
Shares and holdings that are not publicly quotes	1,832	1,980
Shares and holdings, Banking business	1,832	26,918
Publicly quoted shares and holdings	47,336	60,250
Shares and holdings that are not publicly quotes	50,784	47,987
Shares and holdings, Life insurance business	98,120	108,237
Publicly quoted shares and holdings	5,383	3,177
Shares and holdings that are not publicly quotes	4,110	4,335
Shares and holdings, Non-life insurance business	9,493	7,512
Total shares and holdings	109,445	142,667
Total financial assets available for sale	**2,619,146**	**3,383,652**

Impairments on financial assets available for sale stood at EUR 4.3 million (EUR 3.9 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 2011, impairments were recorded against the value of investments in shares and participations as above totalling EUR 4.9 million (EUR 3.8 million), which is attributable to the life insurance company's investments. Impairments on interest-bearing securities amounted to EUR -0.6 million (EUR 0.1 million), which is attributable to the life insurance company's investments.
The definition of significant or long-term negative value is described in note G1.
Consolidated accounting principles 2011 in chapter Impairment of financial assets.

Impairment of financial assets	**2011**	**2010**
Interest-bearing securities		
Life insurance business	-630	102
Shares and participations		
Life insurance business	4,594	3,784
Non-Life Insurance business	296	-
Total	**4,260**	**3,886**

Above mentioned impairments reported in income statement are included in notes G7 and G8.

G21 Financial assets held until maturity

	2011	**2010**
Interest-bearing securities, other	20,034	21,459
Total	**20,034**	**21,459**

G22 Derivative instruments

Derivative instruments, book value

	2011 Assets	**2011 Liabilities**	**2010 Assets**	**2010 Liabilities**
Interest rate derivatives	157,189	35,460	74,072	40,568
Fair value hedging	157,189	35,460	74,072	40,568
Interest rate derivatives	21,056	4	45,471	302
Cash flow hedging	21,056	4	45,471	302
Interest rate derivatives	118,158	116,869	103,028	101,215
Currency derivatives	1,790	1,283	1,765	1,586
Shares derivatives	1,312	1,312	4,929	4,929
Other derivatives	1,070	1,070	893	893
Other derivative instruments	122,330	120,534	110,615	108,623
Total	**300,575**	**155,998**	**230,158**	**149,493**

From cash flow hedging, a cash flow of approx. EUR 6-7 million is expected 2012, approx. EUR 7-8 million 2013 and the rest in the years years 2014–2016.

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

31 December 2011

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 rate swaps	517,000	2,556,000	1,012,000	4,085,000	157,189	35,460
Total fair value hedging	**517,000**	**2,556,000**	**1,012,000**	**4,085,000**	**157,189**	**35,460**
Cash flow hedging						
Interest rate option agreements	-	655,000	-	655,000	21,056	4
Purchased	-	415,000	-	415,000	21,056	-
Written	-	240,000	-	240,000	-	4
Total cash flow hedging	**-**	**655,000**	**-**	**655,000**	**21,056**	**4**
Total interest rate derivatives	**517,000**	**3,211,000**	**1,012,000**	**4,740,000**	**178,245**	**35,464**
Total hedging derivative instruments	**517,000**	**3,211,000**	**1,012,000**	**4,740,000**	**178,245**	**35,464**
Other derivative instruments						
Interest rate swaps	598,000	1,751,300	914,480	3,263,780	85,879	84,565
Interest rate option agreements	628,000	1,890,321	540,000	3,058,321	32,279	32,304
Purchased	308,000	1,177,600	270,000	1,755,600	31,534	28,861
Written	320,000	712,721	270,000	1,302,721	745	3,443
Total interest rate derivatives	**1,226,000**	**3,641,621**	**1,454,480**	**6,322,101**	**118,158**	**116,869**
Forward rate agreements	81,116	-	-	81,116	1,790	1,283
Total forward rate agreements	**81,116**	**-**	**-**	**81,116**	**1,790**	**1,283**
Equity options	1,908	105,253	-	107,161	1,312	1,312
Purchased	954	52,626	-	53,580	1,312	-
Written	954	52,626	-	53,580	-	1,312
Total equity options	**1,908**	**105,253**	**-**	**107,161**	**1,312**	**1,312**
Options	3,870	18,830	-	22,700	1,070	1,070
Purchased	1,935	9,415	-	11,350	1,070	-
Written	1,935	9,415	-	11,350	-	1,070
Other derivative instruments	**3,870**	**18,830**	**-**	**22,700**	**1,070**	**1,070**
Total other derivative instruments	**1,312,894**	**3,765,704**	**1,454,480**	**6,533,078**	**122,330**	**120,534**
Total derivative instruments	**1,829,894**	**6,976,704**	**2,466,480**	**11,273,078**	**300,575**	**155,998**

31 December 2010

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest forward rate agreements	400,000	400,000	-	800,000	3,134	-
Interest rate swaps	224,500	2,301,000	1,043,000	3,568,500	70,938	40,568
Total fair value hedging	**624,500**	**2,701,000**	**1,043,000**	**4,368,500**	**74,072**	**40,568**

Cash Flow hedging						
Interest rate option agreements	-	960,000	-	960,000	45,471	302
Purchased	-	720,000	-	720,000	45,471	-
Written	-	240,000	-	240,000	-	302
Total cash flow hedging	**-**	**960,000**	**-**	**960,000**	**45,471**	**302**
Total interest rate derivatives	**624,500**	**3,661,000**	**1,043,000**	**5,328,500**	**119,543**	**40,870**
Total hedging derivative instruments	**624,500**	**3,661,000**	**1,043,000**	**5,328,500**	**119,543**	**40,870**
Other derivative instruments						
Interest rate swaps	374,000	1,888,000	1,034,230	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**

G23 Loans and other receivables

	2011	**2010**
Repayable on demand claims on credit institutions	6,638	6,129
Other than repayable on demand claims on credit institutions	82,141	39,839
Lending to credit institutions	88,779	45,968
Transaction account credits, general and corporate	85,350	96,674
Loans	6,966,739	6,488,284
Receivables from finance lease contracts	20,195	21,050
Loans	7,072,284	6,606,008
Write-downs for loans outstanding by group	-14,049	-19,300
Syndicated loans and sale and repurchase agreements, domestic/foreign	4,500	4,500
Bank guarantee claims	450	376
Repayable on demand claims on the public and public sector entities	7,063,185	6,591,584
Other than repayable on demand claims on the public and public sector entities	160	-
Lending to the public and public sector entities	7,063,345	6,591,584
Total	**7,152,124**	**6,637,551**
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	5,965,576	5,478,763
Corporate	757,849	760,935
Housing associations	288,742	289,279
Public sector entities	6,003	6,703
Non-profit organisations	45,176	55,904
Total	**7,063,345**	**6,591,584**

Write-downs during the reporting period		
Write-downs at the beginning of the financial year	57,592	48,540
Individual write-downs on credits	17,337	12,384
Individual write-downs on other commitments	1,165	62
Individual write-downs on interest receivables	146	245
Write-downs on credits outstanding by group	-5,251	11,865
Reversal of write-downs on individual credits	-2,769	-11,573
Reversal of write-downs on other individual commitments	-1	-5
Reversal of write-downs on interest receivables	-94	-17
Reversal of impairment losses on credits	-46	-11
Write-downs on outstanding premiums in non-life insurance (credit losses)	771	1,123
Total write-downs of the reporting period	11,258	14,073
Realised credit losses for which individual write-downs were made earlier	-4,281	-3,203
Credit losses for other commitments for which agreed write-downs were already made	-1,049	-1,829
Reversal of impairment losses on credits	46	11
Write-downs at the end of the financial year	**63,566**	**57,592**

Accrued receivables written down at the beginning of the year, gross	69,457	62,661
Non-life insurances write-down, gross	771	1,123
This year's receivables written down, gross	26,428	27,229
Reversal of this year's receivables written down, gross	-16,877	-21,556
Accrued receivables written down at the end of the year, gross	79,780	69,457

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

Information on the fair values is given in note G42 and description of collateral obtained is commented on in note G2, Risk management.

Breakdown of maturity on finance lease receivables		
Under 1 year	5,695	5,445
1–5 years	14,622	15,694
Over 5 years	2,146	2,325
Gross investment	**22,463**	**23,465**
Unearned future finance income	-2,268	-2,415
Net investment in finance leases	**20,195**	**21,050**

Present value of future minimum lease payments receivables		
Under 1 year	4,798	4,540
1–5 years	13,259	14,230
Over 5 years	2,138	2,281
Total	**20,195**	**21,050**

G24 Investments in associated companies

	2011	**2010**
Acquisition cost at 1 January	4,348	4,557
Investments	16	50
Disposals	-1,933	-260
Acquisition cost at 31 December	2,431	4,348
Share of profits at 1 January	874	-28
Share of profit from associated companies	-70	1,594
Dividends obtained during the financial year	-306	-692
Impairments	538	-
Share of profits at 31 December	1,036	874
Book value at 31 December	**3,467**	**5,222**

Associated companies at 31 December 2011	Assets	Liabilities	Operating profit	Profit for the reporting period
Oy Samlink Ab, Helsinki	26,303	14,364	-357	-486
ACH Finland Abp, Espoo	3,267	92	219	198
Total	**29,569**	**14,456**	**-138**	**-289**

Unicus Ltd and other associated companies were sold in 2011.

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**

G25 Intangible assets

	2011	2010
Acquisition cost at 1 January	23,654	19,060
Increases	9,338	5,150
Decreases	-988	-556
Acquisition cost at 31 December	32,005	23,654
Accumulated depreciations and impairments at 1 January	-12,808	-9,594
Accumulated depreciation on decreases	762	385
Planned depreciation	-2,681	-3,599
Accumulated depreciations and impairments at 31 December	-14,727	-12,808
Book value at 31 December	**17,278**	**10,847**

G26 Investment properties

31 December 2011	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	4,228	17,522	9,470	31,219
Valuation at fair value (change in opening balance)	-	2,288	1,237	3,525
Increases	-	135	-	135
Decreases	-5	-39	-2,767	-2,811
Transfer between categories	-73	207	-523	-389
Acquisition cost at 31 December	4,150	20,112	7,416	31,678
Accumulated depreciations and impairments at 1 January	-30	-5,702	-1,139	-6,871
Accumulated depreciation on decreases	-	39	210	248
Planned depreciation	-	-321	-	-321
Impairments	7	-16	-143	-153
Transfer between categorys	23	-132	109	0
Accumulated depreciations and impairments at 31 December	-	-6,132	-964	-7,096
Book value at 31 December	**4,150**	**13,980**	**6,452**	**24,582**
Carrying amount at 31 December	**4,150**	**13,980**	**6,452**	**24,582**

31 December 2010	Land and water areas	Buildings	Shares and participa-tions 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**

G27 Other tangible assets

Commercial properties

31 December 2011	Land and water areas	Buildings	Shares and participa-tions in real estate corporations	Total
Acquisition cost at 1 January	30	222	1,183	1,435
Transfer between categorys	-30	-222	-1,183	-1,435
Acquisition cost at 31 December	-	-	-	-
Accumulated depreciations and impairments at 1 January	-	-143	-467	-609
Transfer between categorys	-	143	467	609
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**-**	**-**	**-**	**-**

31 December 2010	Land and water areas	Buildings	Shares and participa-tions 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**

Other tangible assets

31 December 2011	Machines and equipment	Insurance businesses' Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	10,345	6,097	2,461	20,339
Increases	2,037	1,096	128	3,261
Decreases	-156	-52	-100	-308
Transfer between categorys	-	-	-	-1,435
Acquisition cost at 31 December	12,226	7,141	2,489	21,856
Accumulated depreciations and impairments at 1 January	-5,488	-3,626	-1,397	-11,121
Accumulated depreciation on decreases	42	-	-	42
Planned depreciation	-2,260	-1,014	-498	-3,772
Transfer between categorys	-	-	-	609
Accumulated depreciations and impairments at 31 December	-7,707	-4,640	-1,895	-14,242
Book value at 31 December	**4,520**	**2,500**	**595**	**7,615**

31 December 2010	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	8,726	5,634	2,467	18,542
Increases	1,668	463	88	2,220
Decreases	-49	-	-94	-423
Acquisition cost at 31 December	10,345	6,097	2,461	20,339
Accumulated depreciations and impairments at 1 January	-3,435	-2,673	-799	-7,500
Accumulated depreciation on decreases	33	-	-	64
Planned depreciation	-2,086	-953	-598	-3,643
Impairments	-	-	-	-42
Accumulated depreciations and impairments at 31 December	-5,488	-3,626	-1,397	-11,121
Book value at 31 December	**4,857**	**2,471**	**1,064**	**9,218**

G28 Other assets

	2011	2010
Accrued income and advance payments, banking business	66,783	70,529
Accrued income and advance payments, insurance operations	16,746	16,528
Accrued income and advance payments	83,529	87,058
Cash items being collected	142	1,349
Other assets	7,589	1,214
Receivables from direct insurance business	7,568	7,402
Receivables from the reinsurance business	8,098	8,172
Other receivables, insurance operations	3,176	3,136
Other assets	26,574	21,274
Total	**110,102**	**108,331**

G29 Deferred taxes

	2011	2010
Deferred tax liabilities/receivables, net		
Net deferred tax liabilities/receivables, net at 1 January	38,384	43,884
A deferred tax receivables in Vasp-Invest Ab is transferred to Assets classified as held for sale	149	-
Changes during the financial year booked via the income statement	1,811	1,744
Financial assets:		
- Valuation of fair value direct to equity	-41	-11,096
- Transferred to the income statement	-974	2,277
Cash flow hedging:		
- Valuation of fair value direct to equity	-926	1,618
Defined-benefit pensions plans via comprehensive income	-436	-
Real estate is valued at fair value via retained earning	864	-
Divestment of own shares via retained earnings	-57	-43
Net deferred tax liabilities/receivables,net at 31 December	38,773	38,384
Deferred tax liabilities		
Appropriations	25,508	24,473
Group-specific write-downs	-3,442	-
Financial assets	11,347	7,244
Cash flow hedging	7,163	8,876
Investment properties valued at fair value	1,851	3,085
Valuation at fair value of the non-life insurance technical provisions	-	-1,868
Activated development costs	432	326
Equalisation provision of the insurance businesses	8,916	9,135
Other	-	516
Total	**51,775**	**51,787**
Deferred tax receivables		
Impairment of investment properties	-	113
Investment properties valued at fair value	-	1,091
Financial assets	11,382	6,490
Cash flow hedging	417	-
Group-specific write-downs	-	5,018
Defined-benefit pensions-plans	394	-
Valuation at fair value of the non-life insurance technical provisions	1,174	-
Negative result	-	275
Other	-363	416
Total	**13,002**	**13,404**
Specification of changes during the financial year booked via the income statement		
Appropriations	-2,447	-2,060
Group-specific write-downs	-1,287	3,085
Financial assets	335	-1,359
Cash flow hedging	601	67
Investment properties valued at fair value	880	417
Impairment of investment properties	-	-13
Valuation at fair value of the non-life insurance technical provisions	-587	-623
Defined-benefit pensions-plans	-43	-
Activated development costs	-125	-159
Equalisation provision of the insurance businesses	-308	-767
Negative result	-275	-668
Effect from change of deferred tax rate in 2011	1,742	-
Other	-297	335
Total	**-1,811**	**-1,744**

G30 Assets and liabilities classified as held for sale

	2011	2010
Loans and other receivables	9	-
Investment properties	1,909	721
Other receivables	54	23
Income tax receivables	74	-
Deferred tax receivables	149	-
Assets classified as held for sale	**2,195**	**744**
Deposits / Liabilities to credit institutions	148	160
Other liabilities	43	15
Liabilities for assets classified as held for sale	**191**	**175**

G31 Deposits

	2011	2010
Repayable on demand liabilities to credit institutions	324,005	286,091
Other than repayable on demand liabilities to credit institutions	787,936	673,658
Liabilities to credit institutions	1,111,941	959,749
Repayable on demand deposits	2,337,896	2,146,330
Other than repayable on demand deposits	1,307,342	1,250,249
Liabilities to the public and public sector entities	3,645,238	3,396,579
Total	**4,757,179**	**4,356,327**

G32 Debt securities issued

	2011		2010	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	429,239	431,250	446,052	447,040
Bonds	3,370,887	3,382,093	2,935,862	2,942,573
Total	**3,800,126**	**3,813,343**	**3,381,914**	**3,389,613**

31.12.2011	under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Certificates of deposit with fixed interest	216,650	214,600	-	-	-	431,250
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed rate	-	400,000	2,200,000	-	61,000	2,661,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable rate	-	125,000	500,000	-	-	625,000
Others	-	-	-	-	-	96,093
Total	**216,650**	**739,600**	**2,700,000**	**-**	**61,000**	**3,813,343**

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**

Other bonds are included in the same program as the subordinated liabilities, see note G33.

G33 Subordinated liabilities

	2011	2010
Capital loans	-	2,100
Debenture loans	213,705	208,854
Loan without due date	45,000	45,000
Total	**258,705**	**255,954**
Nominal value	258,728	255,903
Upper Tier 2 loans	45,000	45,000
Lower Tier 2 loans	196,312	185,762

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 G32) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

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

G34 Other liabilities to credit institutions

	2011	2010
Other liabilities to deposit banks	199,211	169,927
Other liabilities to credit institutions	154,324	842,604
Total	**353,535**	**1,012,531**

Other liabilities to deposit banks include liabilities of EUR 75 (75) 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 45 (60) million from the Nordic Investment Bank.

G35 Other liabilities to the public and public sector entities

	2011	2010
Other liabilities payable on demand	225	245
Other than repayable on demand liabilities	51,447	176,721
Total	**51,671**	**176,967**

G36 Technical provisions for life insurance business

	2011	2010
Insurance agreements		
Technical provisions for interest-related insurances		
Provision at 1 January	587,720	595,021
Income from premiums	38,919	40,868
Insurance claims paid	-69,211	-60,779
Transfer of savings from/to unit-linked insurance	271	383
Compensated interest for savings	20,503	21,659
Customer compensation for savings	327	226
Interest reductions and provision for customer compensation	-215	2,274
Burdens	-9,484	-9,689
Other items	-35,465	-2,244
Provision at 31 December	**533,365**	**587,720**
Technical provisions for unit-linked insurances		
Provision at 1 January	282,448	210,098
Income from premiums	64,095	59,841
Insurance claims paid	-23,393	-18,395
Transfer of savings from/to interest-linked insurances	-271	-383
Burdens	-3,883	-3,405
Value increases and other items	-34,160	34,692
Provision at 31 December	**284,836**	**282,448**

Changes in provisions by the various insurance branches

31 December 2011

Technical provisions for interest-related insurances	1 January 2011	Premium income	Claims	Total expense loading	Guaranteed calculation interest	Customer compensation	Other	31 December 2011
Saving plans	121,781	2,993	-17,927	-730	3,622	-	-2,913	106,826
Individual pension insurance	367,468	11,005	-33,715	-1,324	13,551	-	-16,386	340,598
Group pension insurance	54,360	3,452	-2,644	-313	1,823	-	-9,991	46,686
Risk insurance	44,111	21,469	-14,925	-7,116	1,508	-	-5,792	39,254
Total	**587,720**	**38,919**	**-69,211**	**-9,484**	**20,503**	**-**	**-35,082**	**533,365**

Other items include the transfer of insurance stock amounting to EUR 32.0 million to the insurance company Liv-Alandia.

Average calculation interest	
Saving plans	3,2 %
Individual pension insurance	3,9 %
Group pension insurance	3,2 %
Risk insurance	3,2 %
Total	**3,6 %**

Technical provisions for unit-linked insurances	1 January 2011	Premium income	Claims	Total expense loading	Other	31 December 2011
Saving plans	194,780	53,307	-22,529	-2,569	-17,267	205,723
Individual pension insurance	84,799	9,515	-855	-1,224	-16,486	75,750
Group pension insurance	2,869	1,273	-10	-91	-678	3,364
Total	**282,448**	**64,095**	**-23,393**	**-3,883**	**-34,431**	**284,836**

Other items include the transfer of insurance stock amounting to EUR 4.0 million to the insurance company Liv-Alandia.

	1 January 2011	Years change	31 December 2011
Technical provisions for interest-related insurances	587,720	-54,355	533,365
Technical provisions for unit-linked insurances	282,448	2,387	284,836
Total	**870,168**	**-51,967**	**818,201**

31 December 2010

Technical provisions for interest-related insurances	1 January 2010	Premium income	Claims	Total expense loading	Guaranteed calculation interest	Customer compensation	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 insurance	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 insurance	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 2011
Technical 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**

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.

G37 Technical provisions for non-life insurance business

Gross	Gross	Reinsuring	Net
Provisions for unearned premiums			
Liability / reinsurers' share 1 January 2011	21,392	-270	21,122
Increase / decrease	753	-63	690
Liability / reinsurers' share 31 December 2011	**22,146**	**-333**	**21,813**

Provisions for oustanding claims			
Provision for claim-specific reserves	55,993	-6,172	49,821
Collective provisions, incl. claims handling	35,102	-	35,102
Liability / reinsurers' share 1 January 2011	**91,095**	**-6,172**	**84,924**
Claims paid during the financial period	-44,952	2,060	-42,892
Claims incurred during the financial period	48,224	-94	48,130
Increase / decreace compared to earlier periods	3,069	-2,458	611
Other change of calculaution bases	892	-24	868
Changes in liabilities / receivables	7,233	-516	6,718
Unwinding of discount	-1,974	-	-1,974
Liability / reinsurers' share 31 December 2011	**96,355**	**-6,687**	**89,667**
Provision for claim-specific reserves	60,350	-6,687	53,663
Collective provisions, incl. claims handling	36,005	-	36,005
Liability / reinsurers' share 31 December 2011	**96,355**	**-6,687**	**89,667**
Valuation of provisions at fair value on acquisition 1 January 2011	7,185	-	7,185
Breakdown of fair value allocation on acquisition	-2,395	-	-2,395
Valuation of provisions at fair value on acquisition 31 December 2011	4,790	-	4,790
Total technical provisions for non-life insurance business 31 December 2011	**123,290**	**-7,020**	**116,270**

Gross	**Gross**	**Reinsuring**	**Net**
Provisions for unearned premiums			
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
Liabilities attributable to assets / asset items	-	-	-
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**

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 2011 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.

G38 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 five 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**	**2011**	**Total**
At the end of the reporting year	91,180	50,347	57,613	49,891	48,224	
1 year later	90,890	50,354	53,459	49,576		
2 years later	93,189	50,323	52,849			
3 years later	93,874	50,393				
4 years later	96,707					
Current expectation of total claims expenditure, gross	96,707	50,393	52,849	49,576	48,224	
Paid total	78,754	44,650	41,403	43,665	26,342	
Provisions included in the balance sheet	**17,954**	**5,743**	**11,447**	**5,911**	**21,882**	**62,936**
Finalised claims of a life annuity nature	27,337	1,232	771	1,314	544	31,198
Other provisions						-52
Provisions for claims handling expenses						2,272
Non-life provisions included in the balance sheet, gross						**96,355**

Claims expenditure after reinsurance, expected claims expenditure, net	**<2007**	**2008**	**2009**	**2010**	**2011**	**Total**
At the end of the reporting year	84,102	46,685	51,388	49,643	48,130	
1 year later	81,727	45,513	45,487	48,684		
2 years later	83,933	45,401	44,732			
3 years later	84,820	44,728				
4 years later	86,876					
Current expectation of total claims expenditure, net	86,876	44,728	44,732	48,684	48,130	
Paid total	71,506	39,611	35,955	42,832	26,267	
Provisions included in the balance sheet	**15,371**	**5,117**	**8,776**	**5,852**	**21,863**	**56,980**
Finalised claims of a life annuity nature	27,337	1,232	771	1,314	544	31,198
Other provisions						-783
Provisions for claims handling expenses						2,272
Non-life provisions included in the balance sheet, net						**89,667**

G39 Other liabilities

	2011	2010
Interest liabilities on deposits	15,084	13,047
Other accrued interest expenses and interest income received in advance	56,582	47,383
Advance interest received	1,248	2,841
Accrued interest expenses and interest income received in advance	72,915	63,271
Other accrued expenses and income received in advance	33,958	30,601
Accrued expenses and income received in advance	**106,873**	**93,872**
Cash items in the process of collection	39,318	31,596
Defined benefit plans	1,606	-
Other liabilities, banking business	2,709	4,348
Other liabilities, insurance operations	8,479	8,101
Other liabilities	**52,112**	**44,045**
Total other liabilities	**158,986**	**137,916**

The presentation of other accrued expenses and income received in advance for 2010 is changed to correspond with the presentation 2011.

G40 Equity

	2011	2010
Share capital	93,874	93,874
Share premium account	1,893	1,893
Legal reserve	8,067	8,067
Fund at fair value	19,097	22,474
Base fund	317	317
Restricted equity	**123,248**	**126,625**
Fund for share-related payments	185	760
Unrestricted equity reserve	72,654	72,654
Retained earnings 1 January	252,960	213,164
Share-based payments in other comprihensive income	-185	-
Defined benefit plan pensions in other comprehensive income	-1,344	-
Dividens to shareholders	-19,948	-15,948
Divestment of own shares	271	270
Transfer of the valuation of investment properties to fair value	2,661	-0
Profit for the reporting period	35,520	55,474
Unrestricted equity	**342,774**	**326,373**
Shareholders' share of equity	466,022	452,999
Non-controlling interest's share of equity	57,735	44,291
Equity	**523,756**	**497,290**

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 (2010; 66,987,758). The number of registered shareholders at the end of the financial period was 48,978. The number of A shares attributable to unindentified shareholders was 807,226. A shares have 1 vote, and R shares have 20 votes.

Own shares

At year-end, Aktia owned 467,436 own shares (31 December 2010; 495,354). The Annual General Meeting 29 March 2011 approved the proposal by the Board of Directors concerning authorisation to divest own shares. Aktia plc divested 27,918 (2010; 40,934) during 2011.

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 impairment 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 are two renumeration programs 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	22,474	43,315
Profit/loss on the evaluation of the fair value, shares and holdings	7,241	-1,457
Profit/loss on the evaluation of the fair value, interest bearing securities	-7,690	-41,228
Deferred taxes on profit/loss on the evaluation of the fair value	41	11,096
Transferred to the income statement, shares and participations, included in:		
Net income from financial transactions	-238	0
Net income from life insurance	-2,364	718
Net income from non-life insurance	355	-298
Deferred taxes	584	-109
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	526	5,137
Net income from life insurance	-2,159	2,674
Net income from non-life insurance	134	524
Deferred taxes	390	-2,167
Profit/loss on the evaluation of the fair value for cash flow hedging derivative contracts	-1,124	5,887
Deferred taxes on profit/loss on the evaluation of the fair value	926	-1,618
Fund at fair value at 31 December	**19,097**	**22,474**

Share capital and unrestricted equity reserve	**Number of shares**	**Share capital**	**Unrestricted equity reserve**
1 January 2010	66,987,758	93,874	72,654
31 December 2010	66,987,758	93,874	72,654
31 December 2011	66,987,758	93,874	72,654

Group's unrestricted equity		
Non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	69,654	63,790
Share of accumulated appropriations that have been included in the profit for the financial year	8,953	5,864
Total	**78,607**	**69,654**
Distributable earnings in unrestricted equity		
Fund for share-related payments	185	760
Unrestricted equity reserve	72,654	72,654
Retained earnings 1 January	183,306	149,374
Dividends to shareholders	-19,948	-15,948
Other changes in retained earnings	1,404	270
Profit for the period	26,566	49,610
Total	**264,167**	**256,719**
Fund for share-related payments	185	760
Unrestricted equity reserve	72,654	72,654
Retained earnings 1 January	252,960	213,164
Dividens to shareholders	-19,948	-15,948
Other changes in retained earnings	1,404	270
Profit for the reporting period	35,520	55,474
Total	**342,774**	**326,373**

Dividend to shareholders

The Board of Directors proposes to the AGM of Aktia plc on 16 April 2012 that a dividend of EUR 0.30 per share, totalling EUR 19,956,096.60, excluding dividend on holdings of own shares, be paid to the shareholders based on the parent company Aktia plc's distributable assets (see note P23). In 2012, the dividend to shareholders is booked as reduction of retained earnings under equity.

There have been no significant changes in the company's financial position after the end of the accounting period. The company's liquidity is good, and according to the Board of Directors the proposed distribution of dividends does not affect the solvency of the company.

G41 Classification of financial instruments

Assets

31 December 2011	Note	Valued at fair value	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					475,042		475,042
Interest-bearing securities	G19, G20, G21	1,169	2,509,701	20,034				2,530,904
Shares and participations	G19, G20	737	109,445					110,182
Derivative instruments	G22				300,575			300,575
Lending to credit institutions	G23					88,779		88,779
Lending to the public and public sector entities	G23					7,063,345		7,063,345
Investments for unit-linked provisions		286,742						286,742
Investments in associated companies	G24						3,467	3,467
Intangible assets	G25						17,278	17,278
Investment properties	G26						24,582	24,582
Other tangible assets	G27						7,615	7,615
Accrued income and advance payments	G28						83,529	83,529
Other assets	G28						26,574	26,574
Income tax receivables							22,253	22,253
Deferred tax receivables	G29						13,002	13,002
Assets classified as held for sale	G30						2,195	2,195
Total		**288,647**	**2,619,146**	**20,034**	**300,575**	**7,627,166**	**200,494**	**11,056,063**

31 December 201	Note	Valued at fair value	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					273,364		273,364
Interest-bearing securities	G19, G20, G21	14,320	3,240,985	21,459				3,276,764
Shares and participations	G19, G20	6,551	142,667					149,218
Derivative instruments	G22				230,158			230,158
Lending to credit institutions	G23					45,968		45,968
Lending to the public and public sector entities	G23					6,591,584		6,591,584
Investments for unit-linked provisions		279,964						279,964
Investments in associated companies	G24						5,222	5,222
Intangible assets	G25						10,847	10,847
Investment properties	G26						24,348	24,348
Other tangible assets	G27						9,218	9,218
Accrued income and advance payments	G28						87,058	87,058
Other assets	G28						21,274	21,274
Income tax receivables							22	22
Deferred tax receivables	G29						13,404	13,404
Assets classified as held for sale	G30						744	744
Total		**300 834**	**3 383 652**	**21 459**	**230 158**	**6 910 915**	**172 135**	**11 019 153**

Liabilities

31 December 2011		Valued at fair value	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G31			1,111,941		1,111,941
Deposits from the public and public sector entities	G31			3,645,238		3,645,238
Derivative instruments	G22		155,998			155,998
Debt securities issued	G32			3,800,126		3,800,126
Subordinated liabilities	G33			258,705		258,705
Other liabilities to credit institutions	G34			353,535		353,535
Other liabilities to the public and public sector entities	G35			51,671		51,671
Technical provisions for interest-related insurances	G36				533,365	533,365
Technical provisions for unit-linked insurances	G36				284,836	284,836
Technical provisions for non-life insurances	G37,G38				123,290	123,290
Accrued expenses and income received in advance	G39				106,873	106,873
Other liabilities	G39				52,112	52,112
Income tax liabilities					2,650	2,650
Deferred tax liabilities	G29				51,775	51,775
Liabilities for assets classified as held for sale	G30				191	191
Total		**-**	**155,998**	**9,221,216**	**1,155,092**	**10,532,306**

31 December 2010		Valued at fair value	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G31			959,749		959,749
Deposits from the public and public sector entities	G31			3,396,579		3,396,579
Derivative instruments	G22		149,493			149,493
Debt securities issued	G32			3,381,914		3,381,914
Subordinated liabilities	G33			255,954		255,954
Other liabilities to credit institutions	G34			1,012,531		1,012,531
Other liabilities to the public and public sector entities	G35			176,967		176,967
Technical provisions for interest-related insurances	G36				587,720	587,720
Technical provisions for unit-linked insurances	G36				282,448	282,448
Technical provisions for non-life insurances	G37,G38				119,672	119,672
Accrued expenses and income received in advance	G39				93,872	93,872
Other liabilities	G39				44,045	44,045
Income tax liabilities					8,958	8,958
Deferred tax liabilities	G29				51,787	51,787
Liabilities for assets classified as held for sale	G30				175	175
Total		**-**	**149,493**	**9,183,693**	**1,188,677**	**10,521,863**

G42 Fair value of financial assets and liabilities

Financial assets	**2011**		**2010**	
	Book value	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	475,042	475,042	273,364	273,364
Financial assets reported at fair value via the income statement	1,905	1,905	20,870	20,870
Financial assets available for sale	2,619,146	2,619,146	3,383,652	3,383,652
Financial assets held until maturity	20,034	19,045	21,459	20,406
Derivative instruments	300,575	300,575	230,158	230,158
Loans and other receivables	7,152,124	7,085,758	6,637,551	6,641,809
Total	**10,568,827**	**10,501,472**	**10,567,055**	**10,570,260**

Financial liabilities	**2011**		**2010**	
	Book value	**Fair value**	**Book value**	**Fair value**
Deposits	4,757,179	4,718,328	4,356,327	4,348,981
Derivative instruments	155,998	155,998	149,493	149,493
Debt securities issued	3,800,126	3,803,063	3,381,914	3,391,539
Subordinated liabilities	258,705	256,718	255,954	255,985
Other liabilities to credit institutions	353,535	355,441	1,012,531	1,016,060
Other liabilities to the public and public sector entities	51,671	51,715	176,967	176,694
Total	**9,377,215**	**9,341,264**	**9,333,186**	**9,338,753**

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.

G43 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets

31 December 2011	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	G18	475,042	-	-	-	-	475,042
Financial assets reported at fair value via the income statement	G19	1,169	-	-	-	737	1,905
Financial assets available for sale	G20	149,414	318,385	1,416,046	439,588	295,713	2,619,146
Financial assets held until maturity	G21	713	9,212	10,109	-	-	20,034
Derivative instruments	G22	5,423	16,905	176,025	93,645	8,577	300,575
Loans and other receivables	G23	608,552	590,558	1,869,333	1,549,315	2,534,366	7,152,124
Total		**1,240,313**	**935,060**	**3,471,513**	**2,082,548**	**2,839,393**	**10,568,827**

31 December 2010	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	G18	273,364	-	-	-	-	273,364
Financial assets reported at fair value via the income statement	G19	-	8,878	4,607	834	6,551	20,870
Financial assets available for sale	G20	220,672	447,969	1,905,142	576,868	233,001	3,383,652
Financial assets held until maturity	G21	-	714	12,897	7,848	-	21,459
Derivative instruments	G22	10,196	13,567	174,119	32,102	175	230,158
Loans and other receivables	G23	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**

Liabilities

31 December 2011	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G31	3,627,135	860,127	171,784	3,027	95,107	4,757,179
Derivative instruments	G22	4,788	9,549	85,486	51,310	4,865	155,998
Debt securities issued	G32	341,314	583,877	2,813,935	-	61,000	3,800,126
Subordinated liabilities	G33	18,113	46,959	185,806	7,827	-	258,705
Other liabilities to credit institutions	G34	68,324	15,000	129,761	38,476	101,973	353,535
Other liabilities to the public and public sector entities	G35	9,420	39,000	-	-	3,251	51,671
Total		**4,069,094**	**1,554,511**	**3,386,772**	**100,640**	**266,197**	**9,377,215**

31 December 2010	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G31	3,334,669	839,653	178,074	3,931	-	4,356,327
Derivative instruments	G22	4,689	10,531	89,496	39,304	5,474	149,493
Debt securities issued	G32	339,973	347,639	2,673,302	21,000	-	3,381,914
Subordinated liabilities	G33	17,189	45,122	182,483	11,160	-	255,954
Other liabilities to credit institutions	G34	414,524	383,080	73,362	43,653	97,912	1,012,531
Other liabilities to the public and public sector entities	G35	172,290	500	-	-	4,177	176,967
Total		**4,283,333**	**1,626,526**	**3,196,717**	**119,048**	**107,562**	**9,333,186**

G44 Collateral assets and liabilities

Collateral assets

For the bank 31 December 2011	Type of security	The nominal value of the liability	The value of the security
Liabilities to credit institutions	Bonds	313,450	299,027
Collateral provided in connection with repurchasing agreements	Bonds	68,324	69,284
Collateral provided in connection with contracts of pledge	Bonds	44,800	45,498
Collateral provided in connection with contracts of pledge	Cash and balances with central banks	14,515	14,515
Total		**441,089**	**428,324**

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

Collateral held by the bank as security for liabilities that have been received by companies in the same Group

As of 31 December 2011	-	-	-
As of 31 December 2010	-	-	-

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 2011	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	230,498	230,498
Securities received in conjunction with repurchase agreements	Bonds	58,326	58,326
Total		**288,824**	**288,824**

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**

G45 Breakdown of off-balance sheet commitments

	2011	2010
Guarantees	42,229	48,415
Other commitments provided to a third party on behalf of a customer	3,348	5,547
Unused credit arrangements	415,299	607,614
Other irrevocable commitments	5,238	8,810
Total	**466,113**	**670,386**

Off-balance sheet commitments, exclude rental commitments.

31 December 2011	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Guarantees	6,921	10,526	10,056	11,868	2,857	42,229
Other commitments provided to a third party on behalf of a customer	654	81	828	543	1,243	3,348
Unused credit arrangements	164,320	245,938	2,689	59	2,293	415,299
Other irrevocable commitments	257	540	2,104	2,337	-	5,238
Total	**172,152**	**257,085**	**15,676**	**14,807**	**6,393**	**466,113**

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**

G46 Rent commitments

	2011	2010
Less than 1 year	9,397	9,553
1–5 years	33,457	28,785
More than 5 years	5,341	16,331
Total	**48,194**	**54,669**

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.

G47 Companies included in consolidated accounts (EUR 1,000)

Companies included in consolidated accounts, ownership over 50 %

	2011 Percentage of all shares	2011 Book value	2010 Percentage of all shares	2010 Book value
Financing				
Aktia Bank Plc, Helsinki	100.0	207,558	100.0	207,558
Aktia Real Estate Mortgage Bank Plc, Helsinki	49.9	52,656	49.9	39,134
Aktia Card Ltd, Helsinki	100.0	799	100.0	799
Aktia Leasing Ltd, Helsinki	100.0	8,503	100.0	798
Aktia Invest Ltd, Helsinki	70.0	1,138	70.0	1,138
Hsb-Finans Ab (dormant), Helsinki	100.0	589	100.0	589
Investment funds				
Aktia Fund Management Ltd, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	86.0	1,468	93.0	1,034
Real estate agency operations				
Aktia Fastighetsförmedling Ab, Turku	100.0	2,792	100.0	2,392
Insurance companies				
Aktia Life Insurance Ltd, Turku	100.0	46,191	100.0	46,191
Aktia Non-life Insurance Ltd, Helsinki	100.0	51,248	100.0	49,248
Real estate operations				
Other real estate companies		4		131
Other				
Vasp-Invest Ab, Helsinki	100.0	325	100.0	325
Total		**375,779**		**351,844**

Business transactions with companies included in the Group	**2011**	**2010**
Credits and guarantees	556,551	517,360
Deposits	32,158	26,765
Receivables	23,165	22,995
Liabilities	35,904	38,878

	1.1.2011	**Increse / Decrease**	**31.12.2011**
Credits and guarantees	517,360	39,191	556,551
Deposits	26,765	5,393	32,158

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

	2011	**2010**
Income and expenses from other activities	4,080	-
- group contribution for Aktia plc from Group's wholly-owned subsidiaries		

Shares in associated companies, ownership 20-50%

	2011 Percentage of all shares	2011 Book value	2010 Percentage of all shares	2010 Book value
Data processing				
Oy Samlink Ab, Helsinki	22.6	1,697	24.0	1,697
Private equity company				
Unicus Ab, Helsinki	-	-	37.5	250
Other				
ACH Finland Abp	24.5	734	24.5	734
Investmentbolaget Torggatan 14 Ab, Maarianhamina	-	-	33.3	376
Järsö Invest Ab, Maarianhamina	-	-	33.3	376
Mike Alpha Ab, Maarianhamina	-	-	33.3	1
Mike Bravo Ab, Maarianhamina	-	-	33.3	1
Mike Charlie Ab, Maarianhamina	-	-	33.3	1
Mike Whiskey Ab, Maarianhamina	-	-	33.3	160
November Sierra Ab, Maarianhamina	-	-	33.3	1
Tenala Buccaneers Ab, Maarianhamina	-	-	33.3	376
Tenala Invest Ab, Maarianhamina	-	-	33.3	376
Total		**2,431**		**4,348**

Business transactions with associated companies	**2011**	**2010**
Credits and guarantees	-	10,905
Deposits	450	2,646
Services bought from associated companies	15,328	14,724

	1.1.2011	**Increse / Decrease**	**31.12.2011**
Credits and guarantees	10,905	-10,905	-
Deposits	2,646	-2,196	450

	1.1.2010	**Increse / Decrease**	**31.12.2010**
Credits and guarantees	10,970	-65	10,905
Deposits	302	2,344	2,646

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.

G48 Close relations (EUR 1,000)

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	**2011**	**2010**
Fixed compensation; basic salary and benefits in kind 1)	1,208	1,712
Variable compensation based on results 2)	464	774
- of which result-based salary	255	270
- of which share-based payment	208	503

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

Salaries and fees	**2011**	**2010**
Members of the Board of Supervisors and their alternates	253	266
Board Members:		
Dag Wallgren, Chairman	56	49
Nina Wilkman, Vice Chairman	37	32
Marcus H. Borgström	28	32
Hans Frantz	30	28
Lars-Erik Kvist	26	29
Nils Lampi	29	27
Kjell Sundström	30	29
Marina Vahtola	26	25
Managing Director and Deputy Managing Director		
Jussi Laitinen, Managing Director	439	489
Jarl Sved, Deputy Managing Director	258	270
Total	**1,212**	**1,276**
In addition to contributions of basic pension coverage, voluntary pension plans have been made for:		
- members of the Executive Committee	310	456
- the Board of Directors	56	43
- the Board of Supervisors	61	48
Total	**427**	**547**

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 2011, the Group's key personnel held a total of 185,101 series A shares and 37,196 series R shares in Aktia plc. This represents 0.6 % of the total number of shares and 0.2 % of votes.

Business transactions with the Group's key personnel	**2011**	**2010**
Credits and guarantees to close relations	3,924	7,064
Deposits from close relations	6,809	8,230

Business transactions with the Group's key personnel	**1.1.2011**	**Increase / decrease**	**31.12.2011**
Credits and guarantees to close relations	7,064	-3,140	3,924
Deposits from close relations	8,230	-1,421	6,809
	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

Defined benefit plans

In addition to statutory pensions, Aktia has defined-benefit pension plans for members of the Executive Committee and some key persons in management as well as for employees who were members of Savings Banks' Pension Fund (Sparbankernas Pensionskassa) when the pensions fund was closed down 31 December 1993. The retirement age of members of the Excituve Committee and key persons in management is either 60 or 63. On reaching retirement age, they receive a pension of 60% of the pensionable salary.

	2011	2010
Current service cost	-336	-
Interest expenses	-297	-
Expected return on plan assets	209	-
Expense recognised in income statement	**-424**	**-**
Actuary gains (-) / losses (+)	-1,781	-
Total comprehensive income before taxes	**-2,205**	**-**
Present value of obligation 1 January	**-**	**-**
Current service cost	336	-
Interest expenses	297	-
Actuary gains (-) / losses (+)	6,043	-
Present value of obligation 31 December	**6,676**	**-**
Fair value of plan assets 1 January	**-**	**-**
Expected return on plan assets	209	-
Actuary gains (+) / losses (-)	4,262	-
Contributions	599	-
Fair value of plan assets 31 December	**5,070**	**-**

The insurance companies' benefit-based pension schemes are included in the insurance companies' investment assets and the insurance companies carry the investment risk. Consequently, details on the distribution of assets or realised income in individual plans are not available.

Present value of obligation	6,676	-
Fair value of plan assets	-5,070	-
Liability recognised in balance sheet	**1,606**	**-**
All the Group's obligations are funded		
Liability recognised in balance sheet 1 January	-	-
Additional expense (+) to local GAAP	-174	-
Recognised acturial gains (-) / losses (+) during the period in OCI	1,781	-
Liability recognised in balance sheet 31 December	**1,606**	**-**

The Group has no experience adjustments.

The Group is expected to pay approximately EUR 0.6 million contributions to the defined benefit plans during 2012.

Actuarial assumptions		
Discount rate, %	4.66%	4.68%
Expected rate of return on plan assets	4.66%	4.68%
Rate of salary increase	3.00%	3.00%
Rate of benefit increase	0.30%	0.30%
Rate of inflation, %	2.0%	2.00%
Mortality	Compertz	Compertz
Average remaining service years	8–10	9–11

G49 Share-based incentive scheme

Share-based payments

A new share-based incentive scheme is introduced for the Managing Director, other members of the Executive Committee and certain key persons on 2011 and it covers the yeas 2011- 2015. The new incentive scheme has been prepared in accordance with new regulations concerning remuneration schemes in the financial sector. 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.

Key persons are obligated 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 scheme is divided in two parts. 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 during the years 2011-2015.

Share-based incentive scheme

The first part of the scheme is based on earnings criteria and includes three earning 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 the Group's total net provision 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.

Basic information	**2011**
Max. number of shares	120,000
Sum in cash corresponding max. number of shares	120,000
Decision date	22 June 2011
Earning period starts	1 January 2011
Earning period ends	31 December 2012
Earnings requirement	Employed by Aktia Group
Earnings criteria	Cumulated adjusted NAV, total net provision and insurance income
Payment in	Shares and cash
Number of persons on the decision date	10
Rate of A share on the decision date	6.03
Rate of A share at the end of the accounting period	4.88

Decisions on content and extent of and criteria for the earning periods 2012–2013 and 2013–2014 have not yet been made by the Board of Directors.

MRS-programme

The second part of the scheme (MRS, matching Restricted Stock) enables key personnel to receive also a conditional reward on the basis of acquisation of A shares in Aktia plc when the incentive scheme is implemented. This conditional reward is paid 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.

Basic information	**2011**
Maximum number of shares	33,200
Sum in cash corresponding maximum number of shares	33,200
Decision date	22 June 2011
Earning period starts	31 August 2011
Earning period ends	30 April 2016
Earnings requirement	Employment, ownership of shares
Earnings criteria	-
Payment in	Shares and cash
Number of persons on the decision date	8
Rate of A share on the decision date	6.03
Rate of A share at the end of the accounting period	4.88

Impact of share-based payments on the company's result and financial position	**2011**
Accounting period expenses from share-based payments, income statement	156
Accounting period expenses from share-based payments, other comprehensive income	185
Total expenses	341
of which recorded as liability 31 December	156
of which recorded as fund for share-related payments 31 December	185

G50 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.

	2011	2010
Customer assets being managed		
Funds in discretionary asset management services	2,943,263	2,905,443
Funds within the framework of investment advising according to a separate agreement	3,680,788	4,072,785
Total funds in asset management services	**6,624,051**	**6,978,228**

G51 PS savings

The act governing long-term savings agreements 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.

	2011	2010
Customer assets witin PS savings		
PS Savings account	61	25
PS Deposit	43	17
Total	**104**	**42**
Customers' PS investments		
Investments in mutual funds	563	285
Shares	23	18
Total	**586**	**303**

G52 Events after the end of the financial 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 tree 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 figure.

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.

On 15 February 2012, Aktia's Board of Directors decided on a new dividend policy. According to the new policy, total annual dividends paid will be 40-60% of the Group's annual net profit after tax. When the distribution of dividends is set out, targets for capital adequacy ratio, results of internal capital assessment and the Group's ambitions for growth are taken into consideration. The new policy will for the first time be applied to the dividend for 2011.

Income statement for the parent company – Aktia Plc

(EUR 1,000)	Note	2011	2010
Interest income	P2	1,773	1,091
Interest expenses	P2	-1,573	-1,287
Net interest income		201	-196
Income from Tier 1 capital instruments	P3	20,000	43,641
Commission income	P4	24,603	21,499
Commission expenses	P4	-331	-321
Net commission income		24,273	21,177
Net income from financial assets available for sale	P5	-6,516	-
Net income from investment properties		-0	-
Other operating income	P6	4,045	5,064
Staff costs	P7	-11,138	-12,179
Other administrative expenses	P8	-11,194	-10,874
Administrative expenses		-22,333	-23,054
Depreciation and impairment of tangible and intangible assets	P9	-1,243	-841
Other operating expenses	P10	-2,312	-2,495
Operating profit		**16,116**	**43,297**
Taxes		-89	-2
Income and expenses from other activities		4,080	-
Profit for the reporting period		**20,107**	**43,295**

Balance sheet for the parent company – Aktia Plc

(EUR 1,000)	Note	2011	2010
Assets			
Claims on credit institutions	P12	2	4
Shares and participations	P13	338,964	358,436
Intangible assets	P14	8,324	3,722
Other tangible assets	P15	1,643	1,467
Tangible assets		1,643	1,467
Other assets	P16	4,101	19
Accrued expenses and advance payments	P17	5,615	5,953
Deferred tax receivables	P18	-	3
Total assets		**358,649**	**369,603**
Liabilities			
Liabilities to credit institutions	P19	53,058	58,252
Other liabilities	P20	1,367	1,119
Accured expenses and income received in advance	P21	7,277	13,092
Total liabilities		**61,702**	**72,463**
Equity			
Share capital	P23	93,874	93,874
Legal reserve		8,067	8,067
Share premium account		1,893	1,893
Other restricted equity		-	760
Fund at fair value	P23	-	-7
Unrestricted equity reserve		85,670	85,670
Retained earnings 1 January		106,884	79,311
Dividends to shareholders		-19,948	-15,948
Share-based payments		185	-
Change in own shares		214	227
Profit for the reporting period attributable to shareholders in Aktia plc		20,107	43,295
Total equity	**P23**	**296,947**	**297,141**
Total liabilities and equity		**358,649**	**369,603**

Aktia plc has no off-balance-sheet commitments.

Cash flow statement for the parent company – Aktia Plc

(EUR 1,000)	2011	2010
Cash flow from operating activities		
Operating profit	16,116	43,297
Adjustment items not included in cash flow for the period	2,619	1,114
Paid income taxes	0	-2
Increase (-) or decrease (+) in receivables from operating activities	**20,551**	**-561**
Bonds	-	-4,631
Shares and participations	20,215	4,614
Other assets	336	-544
Increase (+) or decrease (-) in liabilities from operating activities	**-10,798**	**5,625**
Liabilities to credit institutions	-5,194	-271
Other liabilities	-5,604	5,896
Total cash flow from operating activities	**28,488**	**49,473**
Cash flow from investing activities		
Investments in group companies and associated companies	-2,789	-30,196
Proceeds from sale of group companies and associated companies	105	191
Investment in tangible and intangible assets	-6,021	-3,806
Total cash flow from investing activities	**-8,705**	**-33,812**
Cash flow from financing activities		
Own shares divested	163	278
Paid dividends	-19,948	-15,948
Total cash flow from financing activities	**-19,785**	**-15,670**
Change in cash and cash equivalents	**-2**	**-9**
Cash and cash equivalents at the beginning of the year	4	13
Cash and cash equivalents at the end of the year	2	4
Cash and cash equivalents in the cash flow statement consist of the following items:		
Repayable on demand claims on credit insitutions	2	4
Total	**2**	**4**
Adjustment items not included in cash flow consist of:		
Depreciation and impairment of intangible and tangible assets	1,243	841
Sales gains and losses from intangible and tangible assets	1,951	132
Other adjustments	-575	141
Total	**2,619**	**1,114**

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).

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

Commission income and commission expenses are generally 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. The estimated financial lifetimes for each asset category are as follows:

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

For 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. Receivables from credit institutions and shares and participations are reported as financial assets.

Financial assets available for sale include 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 until sold or written down. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and included in Net income from financial assets available for sale.

Receivables from credit institutions are reported at accrued acquisition value.

Financial liabilities

Financial liabilities that are included in the balance sheet comprise liabilities to credit institutions and are reported at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value.

Tangible and intangible assets

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

(EUR 1,000)

P2 Interest income and expenses

	2011	2010
Interest income		
Other interest income	1,773	1,091
Total	**1,773**	**1,091**
Interest costs		
Liabilities to credit institutions	-1,534	-1,251
Other liabilities to the public and public sector entities	-39	-36
Total	**-1,573**	**-1,287**
Net interest income	**201**	**-196**

P3 Income from equity instruments

	2011	2010
Income from companies within the same Group	20,000	42,920
Income from financial assets available for sale	0	721
Total	**20,000**	**43,641**

P4 Commission income and expenses

	2011	2010
Commission income		
Other commission income	24,603	21,499
Total	**24,603**	**21,499**
Commission expenses		
Other commission expenses	-331	-321
Total	**-331**	**-321**
Net commission income	**24,273**	**21,177**

P5 Net income from financial assets available for sale

	2011	2010
Shares and participations		
Capital gains and losses	-6,506	-
Transferred to income statement from fund at fair value	-10	-
Total	-6,516	-

P6 Other operating income

	2011	2010
Internal Group compensations	4,045	5,064
Total	**4,045**	**5,064**

P7 Staff

	2011	2010
Salaries and fees	-8,503	-9,540
Transfer to the personnel fund	-221	-430
Pension costs	-2,050	-1,693
Other indirect employee costs	-364	-516
Indirect employee costs	-2,414	-2,209
Total	**-11,138**	**-12,179**

Number of employees 31 December		
Full-time	98	103
Part-time	4	8
Temporary	10	8
Total	**112**	**119**

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.

P8 Other administrative expenses

	2011	2010
Other staff expenses	-1,473	-1,795
Office expenses	-431	-494
IT-expenses	-5,403	-3,744
Communication expenses	-296	-382
Representation and marketing expenses	-3,591	-4,460
Total	**-11,194**	**-10,874**

P9 Depreciation and impairment of tangible and intangible assets

	2011	2010
Depreciation of tangible assets	-668	-445
Depreciation of intangible assets	-575	-396
Total	**-1,243**	**-841**

P10 Other operating expenses

	2011	2010
Rental expenses	-397	-338
Expenses for commercial properties	-78	-74
Insurance- and security expenses	-359	-294
Monitoring, control and membership fees	-223	-207
Other expenses	-1,256	-1,583
Total	**-2,312**	**-2,495**

P11 Income by business area

	2011	2010
Income by business area		
Group administration	42,334	70,008
Total	**42,334**	**70,008**
Operating profit by business area		
Group administration	16,116	43,297
Total	**16,116**	**43,297**
Personnel by business area		
Group administration	112	119
Total	**112**	**119**

The company only carries out business operations in Finland.

Notes to the parent company's balance sheet and other notes to the parent company's accounts – Aktia Plc

(EUR 1,000)

P12 Claims on credit institutions

	2011	2010
Repayable on demand		
Finnish credit institutions	2	4
Total	**2**	**4**
Total claims on credit institutions	**2**	**4**

P13 Shares and participations

	2011	2010
Shares and participations available for sale		
Publicly quoted	-	20,205
Other	37	37
Total	**37**	**20,241**
Total shares and participations	**37**	**20,241**
of which credit institutions	-	20,205
Shares and participations in associated companies		
Other companies	-	1,667
Total	**-**	**1,667**
Shares and participations in group companies		
Credit institutions	237,558	237,558
Other companies	101,370	98,970
Total	**338,928**	**336,528**
Total shares and participations	**338,964**	**358,436**

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

P14 Intangible assets

31 December 2011	**Immaterial rights (IT expenses)**	**Other long-term expenditures**	**Total**
Acquisition cost at 1 January	4,088	113	4,200
Increases	5,177	-	5,177
Acquisition cost at 31 December	9,265	113	9,378
Accumulated depreciations and impairments at 1 January	-478	-	-478
Planned depreciation	-564	-11	-575
Accumulated depreciations and impairments at 31December	-1,042	-11	-1,053
Book value at 31 December	**8,223**	**101**	**8,324**

	Immaterial	**Other**	

31 December 2010	rights (IT expenses)	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 31 December	-478	-	-478
Book value at 31 December	**3 610**	**113**	**3,722**

P15 Tangible assets

Other tangible assets

31 December 2011	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	2 132	-	2,132
Increases	844	-	844
Acquisition cost at 31 December	2 976	-	2,976
Accumulated depreciations and impairments at 1 January	-666	-	-666
Planned depreciation	-668	-	-668
Accumulated depreciations and impairments at 31 December	-1 334	-	-1,334
Book value at 31 December	**1 643**	**-**	**1,643**

31 December 2010	Machines and equipment	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**

P16 Other assets

	2011	2010
Cash items being collected	2	-
Other assets	4,099	19
Total	**4,101**	**19**

P17 Accrued expenses and advance payments

	2011	2010
Interests	1,259	1,076
Other	4,355	4,877
Total	**5,615**	**5,953**

P18 Deferred tax receivables

	2011	2010
Deferred tax receivables at 1 January	3	-
Financial assets:		
- Fair value measurement	-3	3
Deferred tax receivables at 31 December	**-**	**3**

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

P19 Liabilities to credit institutions

	2011	2010
Repayable on demand deposits	1,558	1,752
Other than repayable on demand deposits	51,500	56,500
Total	**53,058**	**58,252**

P20 Other liabilities

	2011	2010
Cash items in the process of collection	501	364
Other	867	755
Total	**1,367**	**1,119**

P21 Accrued expenses and income received in advance

	2011	2010
Interests	166	156
Other	7,112	12,936
Total	**7,277**	**13,092**

P22 Deferred tax liabilities

	2011	2010
Deferred tax liabilities at 1 January	-	1,201
Financial assets:		
- Fair value measurement	-	-1,201
Deferred tax liabilities at 31 December	**-**	**-**

P23 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	760	-	760	-
Fund at fair value	-7	7	-	-
Restricted equity	104,587	7	760	103,834
Unrestricted equity reserve	85,670	-	-	85,670
Retained earnings 1 January	106,884			106,884
Dividends to shareholders			19,948	-19,948
Share-based payments		185		185
Change in own shares		214	-	214
Profit for the reporting period attributable to shareholders in Aktia plc		20,107	-	20,107
Unrestricted equity	192,554	20,506	19,948	193,113
Total equity	**297,141**	**20,514**	**20,708**	**296,947**

	2011	2010
Fund at fair value at January, 1	-7	3,419
Changes in fair value during the period	-	-4,631
Deferred taxes on changes in fair value during the period	-3	1,204
Transferred to income statement during the period	10	-
Fund at fair value at December, 31	**-**	**-7**

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	**2011**	**2010**

Retained earnings 1 January	106,884	79,311
Dividends to shareholders	-19,948	-15,948
Profit for the reporting period attributable to shareholders in Aktia plc	20,107	43,295
Unrestricted equity reserve	85,670	85,670
Total	**192,714**	**192,327**

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 (2010; 66,987,758). The number of registered shareholders at the end of the financial period was 48,978. The number of A shares attributable to unindentified shareholders was 807,226. A shares have 1 vote, and R shares have 20 votes.

Own shares

At year-end, Aktia owned 467,436 own shares (31 December 2010; 495,354). The Annual General Meeting 29 March 2011 approved the proposal by the Board of Directors concerning authorisation to divest own shares. Aktia plc has divested in 2011 27,918 (2010; 40,934) own shares.

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 are two renumeration programs 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 impairment 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 and profit for the reporting period.

The merger of Veritas Mutual Non-Life Insurance with Aktia plc was implemented on 1 January 2009 in accordance with the merger plan approved by the respective AGMs of the two companies. At the same time, 6,800,000 new A shares in Aktia plc were registered which were distributed as compensation for the merger to members of Veritas Mutual Non-Life Insurance. In conjunction with the merger, Aktia plc received 536,288 treasury shares, which is equivalent to 0.8% of all shares. Aktia Plc has 11 May 2010 sold 40 934 own shares and Aktia Plc has by 31 December 2010 495 354 own shares. Aktia Plc has 3 August 2011 sold 27 918 own shares and Aktia Plc has by 31 December 2011 467 436 own shares.

P24 Fair value of financial assets and liabilities

Assets	**2011**		**2010**	
	Book value	**Fair value**	**Book value**	**Fair value**
Claims on credit institutions	2	2	4	4
Shares and participations	37	37	20,241	20,241
Shares and participations in associated companies	-	-	1,667	1,667
Shares and participations in group companies	338,928	338,928	336,528	336,528
Total	**338,967**	**338,967**	**358,440**	**358,440**

Liabilities	2011		2010	
	Book value	Fair value	Book value	Fair value
Liabilities to credit institutions and central banks	53,058	53,058	58,252	58,252
Total	**53,058**	**53,058**	**58,252**	**58,252**

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.

P25 Breakdown by maturity of assets and liabilities by balance sheet item

Assets

31 December 2011	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Claims on credit institutions	2	-	-	-	-	2
Long-term receivable from a Group company	-	-	-	-	30,000	30,000
Total	**2**	**-**	**-**	**-**	**30,000**	**30,002**

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**

Liabilities

31 December 2011	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	1,558	-	51,500	-	-	53,058
Total	**1,558**	**-**	**51,500**	**-**	**-**	**53,058**

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**

P26 Property items and liabilities in euros and in foreign currency

31 December 2011

Assets	Euros	Foreign currency	Total
Claims on credit institutions	2	-	2
Shares and participations	338,964	-	338,964
Other assets	19,682	-	19,682
Total	**358,649**	**-**	**358,649**

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 2011

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	53,058	-	53,058
Other liabilities	8,644	-	8,644
Total	**61,702**	**-**	**61,702**

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**

P27 Total assets and liabilities by business area

	2011	2010
Assets		
Group administration	358,649	369,603
Total	**358,649**	**369,603**
Liablilities		
Group administration	61,702	72,463
Total	**61,702**	**72,463**

P28 Breakdown of subordinated claims

	2011	2010
Shares and participations in group companies and associated companies	-	225
Total	**-**	**225**

P29 Shareholders

Shareholders 31 December 2011	A shares	R shares	Shares	Of shares, %	Votes	Of votes, %	Shareholders 31.12.2010	Of shares, %
						Shareholders 31.12.2011		
The 20 largest shareholders:								
Stiftelsen Tre Smeder	3,009,837	3,997,265	7,007,102	10.5	82,955,137	18.5	16.6	18.9
Life Annuity Hereditas	4,648,114	2,066,106	6,714,220	10.0	45,970,234	10.3	10.0	10.3
Veritas Pension Insurance Company	4,027,469	2,134,397	6,161,866	9.2	46,715,409	10.4	9.2	10.4
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.3	20,905,000	4.7	4.2	4.7
Mutual Pension Insurance Company Varma	2,675,000	-	2,675,000	4.0	2,675,000	0.6	-	-
Svenska litteratursällskapet i Finland rf	1,681,786	789,229	2,471,015	3.7	17,466,366	3.9	3.7	3.9
Aktiastiftelsen i Esbo-Grankulla	1,146,585	1,243,358	2,389,943	3.6	26,013,745	5.8	5.0	5.8
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 Borgå	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2	2.9	3.2
Aktiastiftelsen i Vanda	900,000	1,045,402	1,945,402	2.9	21,808,040	4.9	3.1	4.4
Alfred Berg Finland Mutual Funds	1,534,505	-	1,534,505	2.3	1,534,505	0.3	0.4	0.5
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	370,951	1,040,991	1.6	8,089,060	1.8	1.6	1.8
Sparbanksstiftelsen i Ingå	646,236	324,318	970,554	1.4	7,132,596	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	379,377	227,188	606,565	0.9	4,923,137	1.1	0.9	1.1
Palkkiyhtymä Oy	600,000	-	600,000	0.9	600,000	0.1	-	-
Largest 20 owners	**30,276,782**	**16,470,603**	**46,747,385**	**69.8**	**359,688,842**	**80.3**	**70.8**	**79.7**
Other	16,660,126	3,580,247	20,240,373	30.2	88,265,066	19.7	29.2	20.3
Total	**46,936,908**	**20,050,850**	**66,987,758**	**100.0**	**447,953,908**	**100.0**	**100.0**	**100.0**

Shareholders by sector 2011 :	Number of owners	%	Number of shares	%	Votes	%
Corporations	3,810	7.8	14,409,433	21.5	83,946,393	18.7
Financial institutes and insurance companies	75	0.2	4,767,359	7.1	20,124,999	4.5
Public sector entities	37	0.1	9,320,854	13.9	49,874,397	11.1
Non-profit institutions	719	1.5	32,131,486	48.0	282,774,888	63.1
Households	44,145	90.1	5,286,631	7.9	10,405,953	2.3
Foreign shareholders	192	0.4	17,418	0.0	20,052	0.0
Total	**48,978**	**100.0**	**65,933,181**	**98.4**	**447,146,682**	**99.8**
entered in nominee register	6		247,351	0.4		
Unidentified shareholders			807,226	1.2	807,226	0.2
Total by sector	**48,978**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**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 by sector	**49,034**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Breakdown of stock 2011: Number of shares	Number of owners	%	Number of shares	%	Votes	%
1–100	37,710	77.0	1,431,825	2.1	1,517,743	0.3
101–1 000	10,213	20.9	2,562,696	3.8	3,562,571	0.8
1 001–10 000	900	1.8	2,274,192	3.4	5,069,605	1.1
10 001–100 000	94	0.2	3,141,284	4.7	14,396,865	3.2
100 000–	61	0.1	56,770,535	84.7	422,599,898	94.3
Total	**48,978**	**100.0**	**66,180,532**	**98.8**	**447,146,682**	**99.8**
entered in nominee register	6					
Unidentified shareholders			807,226	1.2	807,226	0.2
Total by sector	**48,978**	**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 by sector	**49,034**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

P30 Holdings in other companies

Subsidiaries

	2011 Percentage of all shares	2011 Book value	2010 Percentage of all shares	2010 Book value
Financing				
Aktia Bank Plc, 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	2,792	100.0	2,392
Insurance companies				
Aktia Life Insurance Ltd, Turku	100.0	46,191	100.0	46,191
Aktia Non-life Insurance Ltd, Helsinki	100.0	51,248	100.0	49,248
Other				
Vasp-Invest Ab, Helsinki	100.0	325	100.0	325
Total		**308,703**		**306,303**

Associated companies

	2011 Percentage of all shares	2011 Book value	2010 Percentage of all shares	2010 Book value
Other				
Investmentbolaget Torggatan 14 Oy, Maarianhamina	-	-	33.3	376
Järsö Invest Ab, Maarianhamina	-	-	33.3	376
Mike Alpha Ab, Maarianhamina	-	-	33.3	1
Mike Bravo Ab, Maarianhamina	-	-	33.3	1
Mike Charlie Ab, Maarianhamina	-	-	33.3	1
Mike Whiskey Ab, Maarianhamina	-	-	33.3	160
November Sierra Ab, Maarianhamina	-	-	33.3	1
Tenala Buccaneers Ab, Maarianhamina	-	-	33.3	376
Tenala Invest Ab, Maarianhamina	-	-	33.3	376
Total		**-**		**1,667**

Financing income obtained from and financing expenses paid to other group companies	**2011**	**2010**
Interest income	1,773	1,091
Dividends	20,000	42,920
Interest expenses	-1,573	-1,287
Net finance income	**20,201**	**42,725**
-group contribution for Aktia Plc from Group's wholly-owned subsidaries	4,080	-

Receivables from and liabilities to companies in the group	**2011**	**2010**
Loans to credit institutions	2	4
Shares and holdings in associated companies	30,225	30,225
Other assets	4,080	-
Accrued income and expenses paid in advance	3,813	5,051
Total receivables	**38,120**	**35,280**
Liabilities to credit institutions	53,058	58,252
Accrued expenses and income received in advance	4,758	9,414
Total liabilities	**57,816**	**67,666**

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	**2011**	**2010**
Members of the Board of Supervisors and their alternates	253	266
Board Members:		
Dag Wallgren, Chairman	56	49
Nina Wilkman, Vice Chairman	37	32
Marcus H. Borgström	28	32
Hans Frantz	30	28
Lars-Erik Kvist	26	29
Nils Lampi	29	27
Kjell Sundström	30	29
Marina Vahtola	26	25
Managing Director and Deputy Managing Director		
Jussi Laitinen, Managing Director	439	489
Jarl Sved, Deputy Managing Director	258	270
Total	**1,212**	**1,276**

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 2011, the Group's key personnel held a total of 185,101 series A shares and 37,196 series R shares in Aktia plc.
This represents 0.6 % of the total number of shares and 0.2 % of votes.

Information about Board of Director's 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 2012
Aktia plc's Board of Directors

Dag Wallgren
Chair

Nina Wilkman
Vice Chair

Jannica Fagerholm

Hans Frantz

Kjell Hedman

Nils Lampi

Catharina Stackelberg-Hammarén

Kjell Sundström

Jussi Laitinen
Managing Director

Our auditor's report has been issued today
Helsinki, 7 March 2012

KPMG Oy Ab

Jari Härmälä
Authorized Public Accountant in Finland

Auditor's report

This document is an English translation of the Swedish auditor's report. Only the Swedish version of the report is legally binding. 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 year ended 31 December, 2011. 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 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.

In Helsinki on 7 March 2012
KPMG OY AB

Jari Härmälä
Authorized Public Accountant

Statement by the Board of Supervisors

Approved at the meeting of the Board of Supervisors on 14 March 2012.

The Board of Supervisors has examined the financial statement, the consolidated accounts, the report by the Board of Directors, and the audit report for 20111 and recommends that the financial statement and the consolidated accounts be accepted.

Members of Aktia Plc's Board of Supervisors

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

Corporate Governance report for Aktia Plc

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

Recommendations concerning corporate governance

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

Deviations from the recommendations

By way of deviation from recommendations 8 and 40, Aktia's annual general meeting appoints a Board of Supervisors, whose tasks include 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.www.cgfinland.fi.

Composition of and work undertaken by the Board of Directors

Aktia's Board of Directors 2011:

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

Aktia's Board of Directors 2012:

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

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

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

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

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

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

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

Attendance of Board members in 2011:

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

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

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

Within the framework established by the Board of Directors, the risk committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the Board of Directors to pass decision on. The committee convened 9 times in 2011.

Members of the risk committee and attendance in 2011:

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

Members of the risk committee and attendance in 2012:

Sundström Kjell, Chair
Hedman Kjell
Wallgren Dag

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

Members of the audit committee and attendance in 2011:

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

Members of the risk committee in 2012:

Wilkman Nina, Chair
Fagerholm Jannica
Frantz Hans
Lampi Nils

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

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

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

Members of the remuneration and corporate governance committee in 2012:

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

Composition of and work undertaken by the Board of Supervisors

Aktia's Board of Supervisors 2011:

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

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

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

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

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

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

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

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

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

CEO and his duties

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

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

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

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

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

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

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

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

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

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

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

The Board of Directors








From left to right

Dag Wallgren
b. 1961
Chairman of the Board, *chairman of the Remuneration and Corporate Governance Committee and member of the Board's Risk Committee*
M.Sc. (Econ)
Managing Director, Swedish Literature Society in Finland
Member of the Board since 2003 (Chairman since 2010–)
Shares in Aktia: A shares 1975, R shares 525

Kjell Hedman
b. 1951
Member of the Risk Committee
Business Economist
Managing Director, Landshypotek
Member of the Board since 2012
Shares in Aktia: A shares 367

Nina Wilkman
b. 1958
Vice Chairman of the Board, *chairman 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
Member of the Board since 2006 (Vice Chariman since 2010–)
Shares in Aktia: A shares 963, R shares 100

Nils Lampi
b. 1948
Member of the Audit Committee
B.Sc. (Econ)
CEO, Wiklöf Holding Ab
Member of the Board since 2010
Shares in Aktia: A shares 367

Jannica Fagerholm
b. 1961
Member of the Audit Committee
M.Sc. (Econ)
Managing Director, Signe och Ane Gyllenbergs stiftelse
Member of the Board since 2012
Shares in Aktia: A shares 367

Catharina von Stackelberg-Hammarén
b. 1970
Member of the Remuneration and Corporate Governance Committee
M.Sc. (Econ)
Managing Director, Marketing Clinic
Member of the Board since 2012
Shares in Aktia: A shares 367

Hans Frantz
b. 1948
Member of the Board's Audit Committee as well as Remuneration and Corporate Governance Committee
Lic.Pol.
Principal Lecturer, Health Care and Social Services, University of Applied Sciences in Vaasa
Member of the Board since 2003
Shares in Aktia: A shares 967, R shares 262

Kjell Sundström
b. 1960
Chairman of the Risk Committee
M.Sc. (Econ)
Treasurer
Member of the Board since 2008
Shares in Aktia: A shares 497

March 2012

Executive Committee

From left to right

Stefan Björkman
b. 1963
Deputy Managing Director, CFO
M.Sc. (Eng)
At Aktia since 2006

In charge of: Group Finance, IR, Treasury, Aktia Real Estate Mortgage Bank, Life and Non-life insurance, IT

Shares in Aktia: A shares 12,154

Magnus Weurlander
b. 1964
Director
M.Sc. (Econ.)
At Aktia since 1990

In charge of: Risk control, Banking products and processes

Shares in Aktia: A shares 2,600

Jussi Laitinen
b. 1956
Managing Director
M.Sc. (Econ.)
At Aktia since 2008

Shares in Aktia: A shares 23,812

Taru Narvanmaa
b. 1963
Deputy Managing Director
M.Sc. (Econ.)
At Aktia since 2007

In charge of: Sales and marketing

Shares in Aktia: A shares 25,567, R shares 5,000

Jarl Sved
b. 1954
Deputy Managing Director, Managing Director's alternate
LL.M.
At Aktia since 1980

In charge of: HR, Communications, Group services

Shares in Aktia: A shares 49,903, R shares 19,658

Robert Sergelius
b. 1960
Deputy Managing Director
M.Sc. (Eng)
At Aktia since 2003

In charge of: Private and Institutional Banking, Aktia Fund management, Asset Management, Aktia Invest

Shares in Aktia: A shares 25,478, R shares 2,068

March 2012

Calendar 2012

16 April 2012	Annual General Meeting at 3 p.m.
10 May 2012	Interim report January–March 2012
6 August 2012	Interim report January–June 2012
8 November 2012	Interim report January–September 2012

Annual General Meeting

Notice is hereby given to Aktia plc shareholders of the Annual General Meeting, to be held at 3.00 pm on 16 April 2012 at Scandic Marina Congress Center, address Katajanokanlaituri 6, Helsinki. Persons who have registered their intention to attend will be welcomed from 2.00 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 Ltd as at 2 April 2012 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 11 April 2012 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, P.O. 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 14 March 2012 to 4 pm on 11 April 2012. 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.

Production: Aktia
Design: Zeeland
Lay-out: ADD – graphical bureau
Photo: Rami Salle

Aktia

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

Website: www.aktia.fi
Contact : aktia@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 0108664-3
BIC/S.W.I.F.T: HELSFIHH