AKTIA BANK PLC

ANNUAL REPORT 2012

Aktia

Bank | Asset Management | Insurance | Real Estate Agency

Contents

Aktia Bank plc Annual Report 2012 is a translation of the Swedish version "Aktia Bank Abp Årsredovisning 2012".

Report by the Board of Directors

Profit for 2012

Operating profit for the year amounted to EUR 38.8 (37.4) million. Net interest income totalled EUR 116.5 (128.2) million. Net commission income increased by 10% to EUR 59.6 (54.0) million.

The Banking Business segment contributed EUR 39.6 (36.4) million to the Bank Group's operating profit, while the Asset Management segment contributed EUR 9.4 (5.6) million.

The segment's operating profit

(EUR million)	1-12/2012	1-12/2011	Δ %
Banking Business	39.6	36.4	9%
Asset Management	9.4	5.6	67%
Miscellaneous	-8.5	-1.6	-438%
Eliminations	-1.7	-3.0	45%
Total	**38.8**	**37.4**	**4%**

Income

The Bank Group's total income amounted to EUR 183.4 (177.6) million of which EUR 116.5 (128.2) million was net interest income.

The hedging measures used by Aktia Bank to limit its interest rate risk improved net interest income by EUR 30.8 (34.8) million.

The Bank Group's net commission income increased by 10% to EUR 59.6 (54.0) million. Commission income from brokerage of mutual funds and insurance increased by 8% to EUR 30.2 (27.9) million. Commission income from card and payment services amounted to EUR 16.9 (16.1) million.

In December 2012, Aktia received an extra dividend of EUR 1.9 million from Suomen Luotto-osuuskunta for its shares in that company resulting from the sale of its holding in Nets Oy (formerly Luottokunta Oy).

Other operating income increased slightly to EUR 4.7 (4.6) million compared to last year.

Expenses

The Bank Group's total expenses rose 5% to EUR 136.0 (129.7) million, of which staff costs made up EUR 52.7 (52.9) million.

IT-expenses amounted to EUR 26.4 (19.9) million. Aktia has decided to modernise its IT setup, which involves a complete change of core banking system. The total costs of the system change are estimated at around EUR 25 million. As a result of the decision, a provision with a cost effect of EUR 5.9 million was recognised in the segment Miscellaneous in the fourth quarter to cover the winding up of the existing service agreement.

Depreciation of tangible and intangible assets amounted to EUR 3.4 (4.0) million.

Other operating expenses amounted to EUR 53.5 (53.0) million.

In the third quarter of 2012 Aktia revalued its holding in Samlink Ltd to EUR 0.0 (1.8) million.

Rating

Moody's Investors Service affirmed 12 February 2013 Aktia Bank plc's credit ratings for long-term borrowing A3, short-term borrowing P-2 and the financial strength C-. The outlook for all ratings was revised to negative (stable).

On 12 December 2012, Standard and Poor's published its view of Aktia bank's creditworthiness. The rating for long-term borrowing is A- and for short-term borrowing A2, both with a negative outlook.

Since 5 October 2012, the covered bonds issued by the subsidiary Aktia Real Estate Mortgage Bank plc have had a Moody's credit rating of Aa3 (Aa1).

Since 9 May 2012, Fitch has had Aktia Bank plc's credit rating for long-term borrowing at BBB+ and for short-term borrowing at F2, both with a negative outlook.

	Long-term borrowing	Short-term borrowing	Outlook	Updated
Moody's Investor Service	A3	P-2	neg	12.2.2013
Standard & Poor's	A-	A-2	neg	12.12.2012
Fitch	BBB+	F2	neg	9.5.2012

Capital adequacy

The Bank Group's capital adequacy ratio stood at 20.2 (16.2)% and the Tier 1 capital ratio was 11.8 (10.6)%.

The Bank Group's Tier 1 capital increased by EUR 30 million in 2012 after capital was released by Aktia plc's sale of 66% of the non-life insurance company.

Capital adequacy	31.12.2012	31.12.2011
Banking Group		
Capital adequacy	20,2%	16,2%
Tier 1 ratio	11,8%	10,6%
Aktia Bank		
Capital adequacy	28,1%	22,3%
Tier 1 ratio	16,1%	14,6%
Aktia Real Estate Mortgage Bank		
Capital adequacy	11,3%	10,2%
Tier 1 ratio	9,7%	8,5%

Balance sheet and off-balance sheet commitments

The Bank Group's balance sheet total amounted to EUR 10,216 (9,993) million.

Borrowing from the public and public sector entities totalled EUR 3,651 (3,662) million.

Maturing bonds and certificates of deposit decreased by 6.9% to EUR 3,548 (3,812) million. Of these bonds EUR 3,104 (3,346) million were covered bonds issued by Aktia Real Estate Mortgage Bank plc. During the year, Aktia Real Estate Mortgage Bank plc has issued long-term covered bonds, private placements, amounting to EUR 247 million, of which EUR 22 million were long-term collateralised bonds ('Schuldscheindarlehen'). In November, Aktia Bank also issued long-term covered bonds worth EUR 200 million as part of the bank's EMTN (Euro Medium Term Note) programme.

The Bank Group's total lending to the public increased by 2% to EUR 7,248 (7,117) million. Excluding mortgages brokered by savings banks and POP Banks, which the local banks are committed to capitalise, the Bank Group's lending totalled EUR 5,336 (5,202) million.

At the end of December, loans to private households accounted for EUR 6,222 (5,966), or 85.9 (83.8)% of the total credit stock.

Loans granted to housing associations amounted to EUR 270 (289) million and made up 3.7 (4.1)% of Aktia's total credit stock.

Corporate lending accounted for 9.8 (11.4)% of the Bank Group's credit stock. Total corporate lending amounted to EUR 713 (812) million.

Credit stock by sector

(EUR million)	31.12.2012	31.12.2011	Δ	Share, %
Households	6,222	5,966	257	85,9%
Corporate	713	812	-99	9,8%
Housing associations	270	289	-19	3,7%
Non-profit organisations	39	45	-7	0,5%
Public sector entities	4	6	-2	0,1%
Total	**7,248**	**7,117**	**131**	**100,0%**

The Bank's liquidity portfolio, which consists of interest-bearing securities, amounted to EUR 1,852 (1,947) million. These assets mainly consist of the banking business' liquidity reserve.

The Bank Group's equity totalled EUR 489 (377) million at the end of the year. The fund at fair value amounted to EUR 62 (-9) million.

Off-balance sheet commitments totalled EUR 346 (465) million.

The Bank Group's risk exposure

Definitions and general principles for asset and risk management can be found in Aktia Bank plc's annual report 2012 in note G2 on pages 25–45.

The banking business includes Retail Banking including financing company operations, Treasury and Asset Management.

Lending-related risks within Banking Business

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection decreased to EUR 50 (60) million, corresponding to 0.68 (0.84)% of the credit stock.

Non-performing loans to households more than 90 days overdue corresponded to 0.53 (0.61)% of the household credit stock and 0.45 (0.51)% of the entire credit stock. The credit stock also includes off-balance sheet guarantee commitments.

Loans with payments 3–30 days overdue increased during January to December to EUR 133 (121) million, equivalent to 1.83 (1.69)% of the credit stock. Loans with payments 31–89 days overdue decreased to EUR 51 (53) million, or 0.71 (0.75)% of the credit stock.

Non-performing loans by time overdue in days

(EUR million) Days	31.12.2012	% of stock	31.12.2011	% of stock
3-30	133	1.83	121	1.69
of which households	117	1.61	102	1.42
31-89	51	0.71	53	0.75
of which households	42	0.58	46	0.64
90- *	50	0.68	60	0.84
of which households	33	0.45	36	0.51

* in Aktia Bank, fair value of collateral covers 96% of debts

Write-downs on credits and other commitments

Total write-downs on credits and other commitments decreased by 39% in 2012, to EUR 6.4 (10.5) million. Of these write-downs, EUR 4.4 (1.4) million were attributable to households, and EUR 2.0 (9.1) million to companies.

Total write-downs on credits for the year amounted to 0.09 (0.15)% of total lending. The corresponding impact from corporate loans amounted to 0.3 (1.1)% of total corporate lending.

Valuation of Financial assets

Value changes reported via income statement

Write-downs on financial assets amounted to EUR -0.7 (-4.3) million at the end of the year, mainly related to permanent reductions in the value of real estate funds and smaller private equity holdings. Aktia Bank posted a reversal of EUR 1.2 million, which is attributable to earlier write-downs relating to Lehman Brothers.

Write-downs of financial assets

(EUR million)	1–12/2012	1–12/2011
Interest-bearing securities		
Banking Business	1.2	-
Shares and participations		
Banking Business	-	-
Total	**1.2**	**-**

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 Bank Group into consideration, the fund at fair value amounted to EUR 61.8 (-9.4) million after deferred tax.

Cash flow hedging, which comprises the unwound interest rate derivative contracts that have been acquired for the purposes of hedging the banking business' net interest income, amounted to EUR 16.2 (25.5) million.

Specification of the fund at fair value

(EUR million)	31.12.2012	31.12.2011	Δ
Shares and participations			
Banking Business	3.6	-	3.6
Direct interest-bearing securities			
Banking Business	42.0	-34.9	76.9
Cash flow hedging	16.2	25.5	-9.3
Fund at fair value, total	**61.8**	**-9.4**	**71.2**

Financial Assets held until maturity

In December 2012, interest-bearing securities to the value of EUR 340 million were reclassified from financial assets available for sale to financial assets held until maturity. The reclassified securities all have an AAA rating.

The aim of the reclassification is to reduce volatility in the fund at fair value and to address the regulatory risks arising from Basel III. Securities held until maturity are reported at their accrued acquisition value.

Financial assets held until maturity

(EUR million)	31.12.2012	31.12.2011	Δ
Direct interest-bearing securities			
Banking Business			
Reclassified assets	340	0	340
Others	10	20	-10
Financial assets held until maturity, total	**350**	**20**	**330**

Unwinding of hedging interest-rate derivatives

In November 2012, the company unwound of all its interest rate derivatives for hedging on-demand accounts and savings deposits (applying the EU 'carve-out' for hedge accounting). For these interest-rate derivatives, the effective part of the market value has been compensated by a corresponding adjustment item under the balance-sheet item deposits.

Given the historically low interest rates on both short and long-term investments, the added-value from these items is judged to be very limited compared to the negative effect they would have if interest rates rose. To preserve the positive effect, these items were sold in November.

The unwinding of the interest rate derivatives produced a positive cash flow effect of EUR 92.1 million. This cash flow will be allocated to net interest income according to the original term of the interest rate derivatives at a value of approx. EUR 15.5 million per year in 2013-2017, with the remaining cash flow allocated in 2018-2019.

Despite this measure, with the present interest rates, the bank is maintaining its policy of actively hedging net interest income where this is considered justified in the long term.

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. The main areas of risk encompass credit, interest rate, liquidity risks as well ass business and operational risks.

Credit and counterparty risks

Credit and counterparty risk 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 consists of 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 2012, loans to households accounted for 85.9 (83.8)% of the total credit stock of EUR 7 248 (7,117) million. Corporate lending continued to be moderate with a focus on risk management.

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

Market risks

No trading activities are carried out by the Aktia Bank 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 1,862 (1,968) million at the year-end. Of the Bank Group's liquidity portfolio and other interest-bearing investments, 80 (69)% were investments in covered bonds, 16 (21)% were investments in banks, 4 (10)% were investments in state guaranteed bonds, and 0 (0)% were investments in other corporates.

Financing and liquidity risks

In the banking business, financing and liquidity risks are defined as the availability of refinancing and the differences in maturity. 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.

The Bank Group's liquidity situation was good at year-end, corresponding to outgjoing cash-flow for 18 months 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.

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 Bank 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. Aktia Group's key persons refer to the members of the Board of Supervisors and the Board of Directors of Aktia plc, the Board of Directors of Aktia Bank plc, the Managing Director and Deputy Managing Director.

No significant changes concerning close relations occurred.

Personnel

The average number of full-time employees in the Bank Group during 2012 was 753 (31.12.2011; 774). The number of full-time employees decreased by 14 to 755 (31.12.2011; 769).

Changes in Group structure

On 31 January 2012, Aktia Card Ltd sold its business operations to its parent company Aktia Bank plc, which continues to run the card business. Aktia Card Ltd was liquidated on 10 December 2012.

The Board of Directors

Aktia plc's Board of Directors comprises eight members.

Aktia Bank's Board of Directors for the period 1 January–31 December 2012 is:

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.)

Aktia Bank's Board of Directors for the period 1 January – 31 December 2013 is:

Chair Dag Wallgren, M.Sc. (Econ.)
Vice chair Nina Wilkman, LL.M.
Jannica Fagerholm, M.Sc. (Econ.) (1January – 27 February 2013)
Sten Eklundh, M.Sc. (Econ.)
Hans Frantz, Lic.Soc.Sc.
Kjell Hedman, Business Economist
Nils Lampi, B.Sc. (Econ.)
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)

Aktia Bank applies for mortgage bank concession

Aktia Bank's Board of Directors decided to apply for a concession to act as a mortgage bank. The revised law governing mortgage banks allows deposit banks such as Aktia Bank to issue covered bonds directly from their own balance sheet and the new law allows for a more cost-efficient credit process. On 10 December 2012 Aktia Bank applied to the Financial Supervisory Authority for a mortgage bank concession.

Due to the changed rules, it is more advantageous for Aktia Bank to issue covered bonds directly, rather than to continue using the present structure with a separate mortgage bank, the subsidiary Aktia Real Estate Mortgage Bank plc. For more than 10 years, Aktia Bank has successfully used covered bonds as a source of finance, through its subsidiary Aktia Real Estate Mortgage Bank. Aktia Real Estate Mortgage Bank is jointly owned with the savings banks and the POP Banks.

For now, the owners of Aktia Real Estate Mortgage Bank will grant new loans from their respective balance sheets, and the activities of Aktia Real Estate Mortgage Bank will focus on the management and refinancing of the current credit stock.

All owners of Aktia Real Estate Mortgage Bank are also in the future responsible for capitalisation and senior financing of the bank in accordance with the current shareholders' agreement. Aktia Bank offers its subsidiary Aktia Real Estate Mortgage Bank's liquidity limits, and aims to manage the mortgage bank activities in a way that secures the interests of financiers and investors in Aktia Real Estate Mortgage Bank.

Action plan 2015

On 8 November 2012, Aktia's Board of Directors decided to introduce a plan of action and updated the financial objectives for the period up until 2015. The update is motivated by the new business climate, which is characterised by extremely low interest rates and new regulations. The plan of action includes several individual measures and will be realised in steps up until 2015.

The aim is to improve competitiveness and to become the Finnish champion of customer services in selected customer segments. Aktia will continue to strive for efficient and customer-friendly service, and to provide financial solutions for households, business owners, small companies and institutions. The development of Internet services and the new Net bank, launched in 2012, continues. Aktia's network of offices is being developed and modernised step-by-step, and we continue to train our already skilled personnel, focusing on proactive customer dialogue.

The work on improving the Group's cost structure is being given the highest priority. Simplifying the Aktia Group structure will lead to greater cost efficiency in administration, processes and shared functions. In 2013 a merger of the holding company Aktia plc with Aktia Bank plc is planned, with the concurrent introduction of the new parent company Aktia Bank plc onto the stock exchange.

The plan of action also means that cooperation with the local banks will be re-negotiated, to adapt to the new regulations and business climate.

Other events during the year

On 1 November 2012, Aktia Bank signed an agreement on outsourcing of services for foundations and organisations to the accounting firm Tärnan Ab as of 31 December 2012. The firm is co-owned by Stiftelsen Tre Smeder, Aktiastiftelsen i Esbo-Grankulla, Aktiasäätiö Porvoo , Aktiasäätiö Vantaa and Aktia Bank. Aktia Bank's holding is 19.2%.

On 8 October 2012 Aktia Bank concluded the co-determination negotiations. The reorganisation impacted the fourth quarter's result by around EUR 0.6 million.

On 1 November 2012, Aktia Bank lowered its prime interest rate by 0.25 percentage points to 1.25%.

On 31 July 2012, Aktia Bank lowered its prime interest rate by 0.25 percentage points to 1.50%.

Events after the reporting period

Aktia invests in a modern core banking system. For Aktia, the costs of the investment, including migration from the old system, corresponds to IT expenses for one year, i.e. EUR 25 million. A modern core banking system enables more efficient processes and considerably lower operating expenses. The new system is expected to be in use in 2015.

To continue as central credit institution with the new Basel III regulation would, in the long run, be a significant burden both in the respect of profit and liquidity. Aktia will phase out the services so that they are terminated at the beginning of 2015.

The Board of Director of Aktia plc and Aktia Bank plc has on 14 February 2013 approved and signed a merger plan. The Board of Directors proposes to the Annual General Meeting a merger of Aktia plc with Aktia Bank plc.

Jannica Fagerholm has informed that she resigns from her position as member of the Board of Directors of Aktia Bank plc on 27 February 2013.

Outlook and risks for the year 2013

Outlook

Aktia Bank is striving to grow slightly more than the market in the sectors focusing on private customers and small companies.

Aktia' Banks plan 2015 of action includes several individual measures and will be realised in steps with the aim of reaching the financial objectives for 2015.

Aktia Bank's aim is to improve competitiveness and to become the Finnish champion of customer services in selected customer segments. Aktia Bank will continue to strive for efficient and customer-friendly service, and to provide financial solutions for households, business owners, small companies and institutions.

Write-downs on credits are expected to be at the same level as in 2012. **Despite the probably persistent low interest rate level and one-off costs from implementing the 2015 plan of action, the Group's operating profit for 2013 is expected to reach approximately the 2012 level.**

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. The demand for banking, insurance, asset management and real estate agency services can be changed by these factors.

Changes in interest rates, yield curves and credit margins are hard to predict and can affect Aktia Bank's interest margins and thus profitability. Aktia Bank is pursuing proactive management of interest rate risks.

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

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

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

The financial crisis has resulted in many new initiatives for regulating banking and insurance businesses, which have brought uncertainty concerning future equity and liquidity requirements. The results of the new regulations are likely to be higher capital requirements, sharpened competition for deposits, higher demands on long-term financing, higher fixed costs and, eventually, higher credit margins.

Aktia's financial objectives for 2015

- Increase the cross-selling index by 20%
- Increase commission income by 5% p.a.
- Cut expenses by 5% p.a.
- Tier 1 capital ratio at least 13% over an economic cycle (upon approval of internal rating)
- Dividend pay-out 40–60% of profit for the year

Proposals to 2013 AGM

The Board of Directors' propose to the AGM that the company pays out a dividend of EUR 9,000,000 per share, totalling EUR 27.0 million for the financial period 1 January – 31 December 2012.

Five-year overview

(EUR 1,000)	2012	2011	2010	2009	2008
Turnover, continuing operations					
- banking business	300,367	313,601	294,798	330,822	199,941
Income statement					
Net interest income	116,475	128,205	149,151	152,425	35,497
Net commission income	59,573	53,969	51,214	40,687	11,819
Other operating income	7,353	-4,580	1,886	3,610	8,587
Total operating income	183,401	177,593	202,250	196,722	55,903
Total operating expenses	-135,988	-129,695	-119,982	-111,761	-31,404
Impairments and write downs, net	-8,181	-10,487	-12,950	-31,117	-134
Share of profit from associated companies	-448	-34	1,535	334	230
Operating profit	**38,784**	**37,378**	**70,854**	**54,178**	**24,596**
Income and expenses from other activities	-3,100	-3,900	-	-	-
Taxes	-11,402	-7,777	-18,225	-14,740	-5,457
Profit for the reporting period for continuing operations	**24,282**	**25,701**	**52,628**	**39,437**	**19,139**
Profit for the reporting period from discontinued operations	-	-	-	-1,788	-34,877
Profit for the reporing period	**24,282**	**25,701**	**52,628**	**37,649**	**-15,738**
Balance sheet					
Cash and balances with central banks	585,891	466,313	269,810	336,506	506,308
Financial assets reported at fair value via the income statement	-	-	-	3,599	19,492
Financial assets available for sale	1,474,158	1,876,178	2,597,377	2,662,360	3,019,930
Financial assets held until maturity	350,020	20,034	21,459	27,883	35,885
Derivative instruments	302,227	300,727	230,286	209,568	137,014
Loans and other receivables	7,406,725	7,205,830	6,699,664	6,204,377	5,532,181
Other assets	96,744	124,068	105,747	95,200	269,083
Total assets	**10,215,766**	**9,993,150**	**9,924,343**	**9,539,493**	**9,519,892**
Deposits	4,709,000	4,774,288	4,365,335	4,760,153	5,015,964
Financial liabilities reported at fair value via the income statement	-	-	-	-	4,586
Derivative instruments	186,441	160,622	151,331	131,650	84,725
Other financial liabilities	4,622,065	4,505,442	4,866,851	4,064,899	3,130,439
Other liabilities	202,840	175,963	163,981	199,104	984,003
Provisions	6,850	-	-	-	-
Total liabilities	**9,727,194**	**9,616,315**	**9,547,497**	**9,155,807**	**9,219,717**
Equity	488,571	376,835	376,846	383,686	300,175
Total liabilities and equity	**10,215,766**	**9,993,150**	**9,924,343**	**9,539,493**	**9,519,892**

Key figures

(EUR 1,000)	2012	2011	2010	2009	2008
Return on equity (ROE), %	5.6	6.8	13.8	11.0	-5.2
Return on assets (ROA), %	0.24	0.26	0.54	0.40	-0.17
Equity ratio, %	4.8	3.8	3.9	4.0	3.2
Personnel (FTEs), average number of employees from the beginning of the financial year	753	774	740	766	879
Balance sheet total	10,215,766	9,993,150	9,924,343	9,539,493	9,519,892
Earnings per share (EPS), continuing operations	7,814	8,239	16,693	13,269	6,165
Earnings per share (EPS), discontinued operations	-	-	-	-596	-11,626
Earnings per share (EPS), EUR	7,814	8,239	16,693	12,673	-5,461
Equity per share (NAV)	141,257	106,367	110,851	117,000	91,747
Total earnings per share, EUR	31,557	2,003	8,152	25,253	-15,435
Number of shares at the end of the period	3	3	3	3	3
Banking Business (incl. Private Banking)					
Cost-to-income ratio, continuing operations	0.74	0.73	0.59	0.57	0.65
Borrowing from the public	3,651,438	3,662,205	3,405,532	3,035,754	3,098,958
Lending to the public	7,248,056	7,117,051	6,653,696	6,123,656	5,431,640
Capital adequacy ratio, %	20.2	16.2	15.9	15.9	13.7
Tier 1 capital ratio, %	11.8	10.6	10.1	9.5	9.3
Risk-weighted commitments	3,611,209	3,693,979	3,673,092	3,460,170	3,313,174
Asset Management					
Mutual fund volume	4,496,599	3,613,403	4,264,027	3,786,167	2,489,752
Managed and brokered assets	7,597,117	6,624,051	6,978,228	5,995,571	4,539,312

Basis of calculation

Banking business turnover, EUR

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

Earnings per share (EPS), EUR

$$\frac{\text{Profit for the reporting period after taxes attributable to the shareholders of Aktia Bank plc}}{\text{Average number of shares over the reporting period}}$$

Equity per share (NAV), EUR

$$\frac{\text{Equity attributable to the shareholders of Aktia Bank plc}}{\text{Number of shares at the end of the period}}$$

Return on equity (ROE), %

$$\frac{\text{Profit for the reporting period x 100}}{\text{Average equity}}$$

Banking business cost/income ratio

$$\frac{\text{Total operating expenses}}{\text{Total operating income}}$$

Banking business risk-weigted commitments

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

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

Banking business capital adequacy ratio, %

$$\frac{\text{Capital base (Tier 1 capital + Tier 2 capital) x 100}}{\text{Risk-weighted commitments}}$$

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

Banking business Tier 1 capital ratio, %

$$\frac{\text{Tier 1 capital x 100}}{\text{Risk-weighted commitments}}$$

Aktia Bank plc – Consolidated financial statements

Consolidated income statement for Bank Group

(EUR 1,000)	Note	1–12/2012	1–12/2011
Interest income	G4	233,442	264,213
Interest expenses	G4	-116,966	-136,008
Net interest income		116,475	128,205
Dividends	G5	53	173
Commission income	G6	76,669	71,433
Commission expenses	G6	-17,096	-17,464
Net commission income		59,573	53,969
Net income from financial transactions	G7	2,934	-9,276
Net income from investment properties	G8	-349	-50
Other operating income	G9	4,716	4,573
Total operating income		**183,401**	**177,593**
Staff costs	G10	-52,748	-52,905
IT-expenses		-26,408	-19,853
Depreciation of tangible and intangible assets	G11	-3,364	-3,965
Other operating expenses	G12	-53,468	-52,972
Total operating expenses		**-135,988**	**-129,695**
Write-downs on other financial assets	G13	-1,817	-
Write-downs on credits and other commitments	G20	-6,365	-10,487
Share of profit from associated companies		-448	-34
Operating profit		**38,784**	**37,378**
Income and expenses from other activities	G40	-3,100	-3,900
Taxes	G14	-11,402	-7,777
Profit for the reporting period		**24,282**	**25,701**
Attributable to:			
Shareholders in Aktia Bank plc		23,443	24,718
Non-controlling interest		839	983
Total		**24,282**	**25,701**
Earnings per share (EPS), EUR	G15	7,814,312.31	8,239,314.30

There is no dilution effect to earnings per share.

Consolidated statement of comprehensive income for Bank Group

(EUR 1,000)	Note	1–12/2012	1–12/2011
Profit for the reporting period		24,282	25,701
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		66,620	-19,246
Change in valuation of fair value for cash flow hedging		-3,319	-198
Transferred to the income statement for financial assets available for sale		14,037	415
Transferred to the income statement for cash flow hedging		-5,770	-
Comprehensive income from items which can be transferred to the income statement		71,569	-19,028
Defined benefit plan pensions		23	-253
Comprehensive income from items which can not be transferred to the income statement		23	-253
Total comprehensive income for the reporting period		**95,873**	**6,420**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		94,670	6,008
Non-controlling interest		1,203	412
Total		**95,873**	**6,420**
Total earnings per share, EUR	G15	31,556,571.18	2,002,733.92

There is no dilution effect to total earnings per share.

Consolidated balance sheet for Bank Group

(EUR 1,000)	Note	31.12.2012	31.12.2011
Assets			
Cash and balances with central banks	G16	585,891	466,313
Interest-bearing securities	G17	1,468,011	1,874,384
Shares and participations	G17	6,147	1,794
Financial assets available for sale		1,474,158	1,876,178
Financial assets held until maturity	G18	350,020	20,034
Derivative instruments	G19	302,227	300,727
Lending to Bank of Finland and credit institutions	G20	158,669	88,779
Lending to the public and public sector entities	G20	7,248,056	7,117,051
Loans and other receivables		7,406,725	7,205,830
Investments in associated companies	G21	848	3,467
Intangible assets	G22	2,003	2,283
Investment properties	G23	455	716
Other tangible assets	G24	4,353	5,287
Accrued income and advance payments	G25	64,181	70,550
Other assets	G25	2,122	7,605
Total other assets		66,303	78,155
Income tax receivables		112	22,253
Deferred tax receivables	G26	22,671	11,905
Tax receivables		22,783	34,159
Total assets		**10,215,766**	**9,993,150**
Liabilities			
Liabilities to credit institutions	G27	1,057,561	1,112,083
Liabilities to the public and public sector entities	G27	3,651,438	3,662,205
Deposits		4,709,000	4,774,288
Derivative instruments	G19	186,441	160,622
Debt securities issued	G28	3,547,613	3,811,531
Subordinated liabilities	G29	298,173	288,705
Other liabilities to credit institutions	G30	629,575	353,535
Other liabilities to the public and public sector entities	G31	146,704	51,671
Other financial liabilities		4,622,065	4,505,442
Accrued expenses and income received in advance	G32	88,619	102,590
Other liabilities	G32	48,482	44,419
Total other liabilities		137,101	147,009
Provisions	G33	6,850	-
Income tax liabilities		19,654	9
Deferred tax liabilities	G26	46,084	28,944
Tax liabilities		65,738	28,954
Total liabilities		**9,727,194**	**9,616,315**
Equity			
Restricted equity	G34	224,846	153,641
Unrestricted equity	G34	198,924	165,459
Shareholders' share of equity		423,770	319,100
Non-controlling interest's share of equity		64,801	57,735
Equity		**488,571**	**376,835**
Total liabilities and equity		**10,215,766**	**9,993,150**

Consolidated off-balance-sheet commitments for Bank Group

(EUR 1,000)	Note	31.12.2012	31.12.2011
Off-balance sheet commitments	G39		
Guarantees		34,602	42,229
Other commitments provided to a third party		3,350	3,348
Commitments provided to a third party on behalf of the customers		37,952	45,576
Unused credit arrangements		307,574	419,841
Irrevocable commitments provided on behalf of customers		307,574	419,841
Total		**345,526**	**465,418**

Consolidated statement of changes in equity for Bank Group

(EUR 1,000)	Share capital	Fund at fair value	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Non-controlling interest's share of equity	Total equity
Equity as at 1 January 2011	**163,000**	**9,098**	**44,558**	**115,898**	**332,554**	**44,291**	**376,846**
Dividens to shareholders				-20,000	-20,000		-20,000
Profit for the reporting period				24,718	24,718	983	25,701
Financial assets available for sale		-18,797			-18,797	-33	-18,830
Cash flow hedging		340			340	-538	-198
Defined benefit plan pensions				-253	-253		-253
Total comprehensive income for the reporting period		-18,457		24,465	6,008	412	6,420
Other change in equity				538	538	13,032	13,569
Equity as at 31 December 2011	**163,000**	**-9,359**	**44,558**	**120,901**	**319,100**	**57,735**	**376,835**
Equity as at 1 January 2012	**163,000**	**-9,359**	**44,558**	**120,901**	**319,100**	**57,735**	**376,835**
Dividens to shareholders				-20,000	-20,000		-20,000
Profit for the reporting period				23,443	23,443	839	24,282
Financial assets available for sale		80,478			80,478	179	80,657
Cash flow hedging		-9,274			-9,274	186	-9,088
Defined benefit plan pensions				23	23		23
Total comprehensive income for the reporting period		71,204		23,466	94,670	1,203	95,873
Issue			30,000		30,000	5,863	35,863
Equity as at 31 December 2012	**163,000**	**61,846**	**74,558**	**124,367**	**423,770**	**64,801**	**488,571**

Consolidated cash flow statement for Bank Group

(EUR 1,000)	1–12/2012	1–12/2011
Cash flow from operating activities		
Operating profit	38,784	37,378
Adjustment items not included in cash flow for the period	825	20,087
Unwinded cash flow hedging	17,511	17,597
Unwinded fair value hedging	92,091	-
Paid income taxes	13,526	-36,023
Cash flow from operating activities before change in receivables and liabilities	**162,736**	**39,039**
Increase (-) or decrease (+) in receivables from operating activities	**-15,394**	**198,128**
Financial assets available for sale	170,762	703,763
Loans and other receivables	-199,252	-516,143
Other assets	13,096	10,508
Increase (+) or decrease (-) in liabilities from operating activities	**-54,301**	**-36,271**
Deposits	-104,466	367,304
Debt securities issued	-290,755	375,738
Other financial liabilities	356,137	-793,631
Other liabilities	-15,218	14,318
Total cash flow from operating activities	**93,041**	**200,896**
Cash flow from investing activities		
Financial assets held until maturity, decrease	9,928	1,428
Proceeds from sale of group companies and associated companies	-44	250
Investment in tangible and intangible assets	-2,397	-2,850
Disposal of tangible and intangible assets	64	204
Total cash flow from investing activities	**7,551**	**-967**
Cash flow from financing activities		
Subordinated liabilities, increase	74,526	67,219
Subordinated liabilities, decrease	-63,395	-63,642
Increase in unrestricted equity reserve	30,000	-
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	5,863	13,507
Paid dividends	-20,000	-20,000
Total cash flow from financing activities	**26,994**	**-2,917**
Change in cash and cash equivalents	**127,586**	**197,012**
Cash and cash equivalents at the beginning of the year	472,951	275,939
Cash and cash equivalents at the end of the year	600,537	472,951
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,960	9,537
Bank of Finland current account	577,931	456,775
Repayable on demand receivables from credit institutions	14,645	6,638
Total	**600,537**	**472,951**
Adjustment items not included in cash flow consist of:		
Impairment reversal of financial assets available for sale	-1,213	-
Write-downs on other financial assets	1,817	-
Write-downs on credits and other commitments	6,365	10,487
Change in fair values	-4,644	7,210
Depreciation and impairment of intangible and tangible assets	3,364	3,965
Share of profit from associated companies	847	340
Sales gains and losses from intangible and tangible assets	184	632
Unwinded cash flow hedging	-11,660	-2,547
Unwinded fair value hedging	-1,346	-
Change in provisions	6,850	-
Change in fair values of investment properties	261	-
Total	**825**	**20,087**

Change in Quarterly trends in Aktia Banking Group

(EUR 1,000)	10–12/2012	7–9/2012	4–6/2012	1–3/2012	10–12/2011
Net interest income	29,072	28,437	29,500	29,466	30,211
Dividends	-	1	22	30	84
Net commission income	14,675	14,946	15,555	14,397	13,332
Net income from financial transactions	3,108	-691	230	287	-577
Net income from investment properties	-286	-21	-24	-18	-20
Other operating income	1,129	720	1,324	1,543	1,298
Total operating income	**47,697**	**43,391**	**46,607**	**45,706**	**44,328**
Staff costs	-14,154	-11,936	-13,500	-13,157	-14,325
IT-expenses	-11,268	-4,919	-5,331	-4,890	-5,085
Depreciation of tangible and intangible assets	-983	-733	-809	-839	-921
Other operating expenses	-15,997	-12,416	-12,666	-12,390	-14,070
Total operating expenses	**-42,401**	**-30,004**	**-32,306**	**-31,277**	**-34,401**
Write-downs on other financial assets	-	-1,817	-	-	-
Write-downs on credits and other commitments	-1,727	-1,791	-956	-1,891	-4,147
Share of profit from associated companies	6	9	-359	-104	-52
Operating profit	**3,575**	**9,788**	**12,986**	**12,434**	**5,728**
Income and expenses from other activities	-3,100	-	-	-	-3,900
Taxes	-2,165	-2,728	-3,142	-3,367	560
Profit for the period	**-1,690**	**7,060**	**9,844**	**9,068**	**2,388**

Consolidated statement of comprehensive income for Bank Group in quartely trends

(EUR 1,000)	10–12/2012	7–9/2012	4–6/2012	1–3/2012	10–12/2011
Profit for the period	-1,690	7,060	9,844	9,068	2,388
Other comprehensive income after taxes:					
Change in valuation of fair value for financial assets available for sale	-5,716	33,184	1,110	38,042	-4,417
Change in valuation of fair value for cash flow hedging	3,156	-2,191	-1,313	-2,970	-321
Transferred to the income statement for financial assets available for sale	14,037	-	-	-	415
Transferred to the income statement for cash flow hedging	-5,770	-	-	-	-
Defined benefit plan pensions	23	-	-	-	-253
Total comprehensive income for the period	**4,040**	**38,053**	**9,641**	**44,140**	**-2,188**

G1 Consolidated accounting principles for the Bank Group 2012

The report by the Board of Directors and the financial statements for the financial year 1 January – 31 December 2012 were approved by the Board of Directors on 28 February 2013 and are to be adopted by the Annual General Meeting on 9 April 2013. The report by the Board of Directors and financial statements are published on 8 March 2013.

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

Basis for preparing financial statements

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

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

New or amended standards in 2012 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 2012:

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 concerning Aktia's financial position. The standard is mandatory as of 1 July 2011, and Aktia reports completed disclosures according to the amended IFRS 7.

IAS 12 Income taxes (amended) has an impact on investment properties reported at fair value under IAS 40 Investment properties. The amendment has an impact on the definition of and accounting principles for deferred taxes. Deferred tax is recognised according to the evaluated effect of the tax at the time of sale. The standard is mandatory as of 1 January 2012. The amendment has no impact on the Group result or 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 in the comprehensive income. The standard is mandatory as of 1 July 2012, and Aktia reports comprehensive income according to the amended IAS 1.

New and amended standards in 2013 or later that may have an impact on the Group's result and financial position

According to IAS 19 Employee benefits (amended) actuarial gains and losses shall be reported under comprehensive income as of 1 January 2013. The amendment will not have any significant direct impact on the Group's result or financial position as Aktia already reports changes in the period's actuarial gains and losses in the comprehensive income.

IFRS 7 Financial instruments: Disclosures (amended). The standard specifies disclosure on netting regarding financial instruments and from corresponding agreements. Comparison data are required, and the standard is mandatory as of 1 January 2013. The amendment is not expected to have any significant impact on the Group's disclosures.

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 standard is mandatory as of 1 January 2013, and Aktia will evaluate possible new disclosure requirements.

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 2014 and will not have any significant impact on which companies are included in the consolidated accounts.

IFRS 11 Joint Arrangements replaces IAS 31 Interest in joint ventures. The standard only permits the equity method to be used in consolidation in the future, and is not expected to have an impact on the way that the Bank Group consolidates joint arrangements. The standard will become mandatory as of 1 January 2014.

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 be mandatory as of 1 January 2014, and Aktia will evaluate possible new disclosure requirements.

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 recognition and measurement of financial assets and liabilities. Financial assets and liabilities will be divided into two categories: measured at fair value or measured at accrued acquisition value. Aktia's model for risk management and the characteristics of financial instruments in respect of future cash flows will have an impact on categories applied by Aktia. The standard is under development, but it is expected to be mandatory as of 1 January 2015. At this stage, Aktia cannot evaluate the full impact of IFRS 9 on its financial reporting.

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 disclosures.

Consolidation principles

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

The consolidated accounts encompass those subsidiaries in which the parent company directly or indirectly owns over 50% of the votes, or otherwise has authority (over 50% of the shares with voting rights). The acquisition method has been applied to acquisition eliminations. The acquisition method involves the assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. Intangible assets not included in the acquired company's balance sheet, such as trademarks, patents or customer relations, are identified and assessed on acquisition. Following assessment at fair value, either goodwill or negative goodwill may arise. 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 and Miscellaneous.

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

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

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

Allocation principles and Group eliminations

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

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

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

The 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.

Revenue and expenses recognition

Interest and dividends

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

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

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

Commissions

Commission income and commission expenses are generally reported in accordance with the accruals convention.

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are recognised in the income statement 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

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. The Group's defined-benefit plans are reported in accordance with IAS 19R Employee benefits. Liabilities for defined-benefit pension plans were recorded as liabilities in the financial statements.

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. 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 receivable 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. 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.

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 fair 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.

Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category 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 included under the item Net income from financial assets available for sale and falls under Net income from financial transactions.

Financial assets held until maturity

Debt certificates to be held until maturity are reported in the category 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 reporting period, the difference compared with the acquisition cost is entered as an expense. The difference between the acquisition cost 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.

Reclassification

Financial assets, excluding derivatives, available for sale may be reclassified to assets held until maturity if Aktia intends and has the opportunity to hold the financial assets for the foreseeable future or until maturity. At the time of reclassification, the assets to be reclassified shall comply with the definitions of the category to which they are reclassified. A prerequisite for reclassification to the category Financial assets held until maturity is that Aktia has changed the purpose of the holdings and has the opportunity to hold the financial assets until maturity.

Reclassification is made at fair value at the time of reclassification. The fair value will be the original acquisition cost or accrued acquisition cost.

Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities and debt securities to the public are reported in the category Financial liabilities. Financial liabilities are included in the balance sheet at their acquisition cost on entering into the agreement, and subsequently at their accrued acquisition cost. In the cash flow statement, issued debts are deemed to belong to the bank's 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 on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable 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.

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, a breach of contract such as delayed payment of interests or capital occurs, 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 of the 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. The valuation of write-downs takes into account the whole lifetimes of the portfolios, whereas changes in credit quality and security values are expected to occur within 12 months from the time of assessment.

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.

Derivative instruments are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedges or cash flow hedges according to the following accounting principles.

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 group of derivatives (or proportions thereof) to be used as hedging instruments which eliminates certain restrictions for hedging strategies for fair value in the hedging of borrowing and under-hedges. Aktia applies the EU's 'carve out' hedging to Balance items repayable on demand i.e. to portfolio hedging of on demand deposit accounts and savings accounts. The aim is to neutralise the potential changes in fair value of assets and liabilities, 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. In the balance sheet, the change in value of the hedged item is reported as adjusted value of the hedged balance sheet item. 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 remaining period until maturity or over the terminated hedging instrument's original lifetime.

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 this year 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. 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 thereafter re-valued 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. The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments. Changes in the fair values of investment properties are reported in the income statement.

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

Provisions

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

The Group as a lessor

Finance lease agreements

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

The Group as a lessee

Operating lease agreements

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

Equity

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

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

Holdings where a non-controlling interest exists

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 and impairment of tangible and intangible assets.

Estimates and valuation of fair value

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

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.

G2 The banking group's risk management

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 bank group is mainly involved in banking and capital market activities. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk include credit, interest rates and liquidity, as well as business and operating 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.

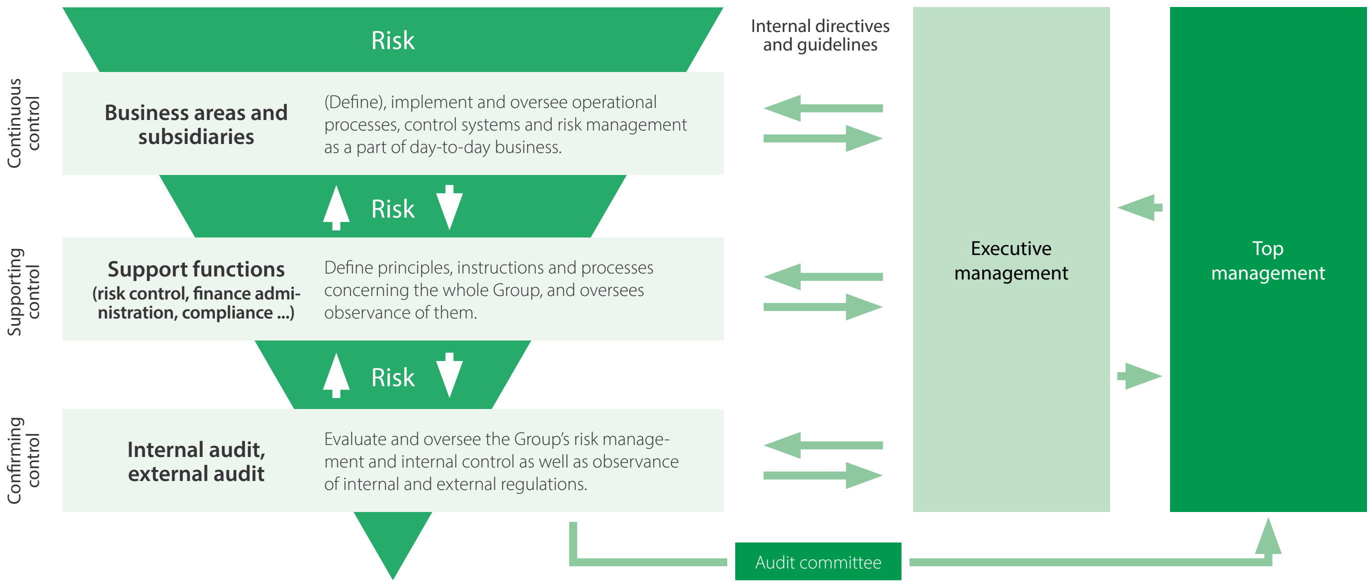
Results from capital market operations are mainly affected by negative trends in the development of business volumes, commission levels and cost efficiency. Opportunities for improving, customising and developing new products and processes help reduce the business risks associated with capital market operations.

2. Risk management

In providing financial solutions to its customers, Aktia is exposed to various risks 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.

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 20.2 (2011: 16.2)%, with Tier 1 capital ratio of 11.8 (2011: 10.6)%. The Bank Group's capital base was strengthened not only by the profit for the period and the positive development in the fund at fair value, but also by a capital increase of EUR 30 million after capital was freed up by the disposal of 66% of shares in Aktia Non-Life Insurance Company Ltd.

Capital adequacy for the banking business is currently calculated using the standard model for credit risk. An IRBA application for the Group's retail exposures was submitted in August 2011 and is currently being processed by the Financial Supervisory Authority. Application of the IRBA method would raise the Tier 1 capital ratio by about 4 percentage points.

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 28.1%, compared to 22.3% the previous year. Tier 1 capital adequacy was 16.1% (14.6%). The capital adequacy of Aktia Real Estate Mortgage Bank plc was 11.3%, compared to 10.2% the previous year. Tier 1 capital adequacy was 9.7% (8.5%).

The capital adequacy of Aktia Asset Management Ltd, which provides asset management services, amounted to 11.7%, compared to 14.2% the previous year. The Tier 1 capital ratio was 11.7% (14.2%).

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. 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 to 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 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. 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). In connection with the implementation of IRBA calculation of capital adequacy for retail exposures, the Tier 1 capital adequacy target will be increased to 13%.

The target for Aktia Bank is 12% for total capital adequacy and minimum 10% for Tier 1 capital adequacy. In connection with the implementation of IRBA calculation of capital adequacy for retail exposures, the Tier 1 capital adequacy target will be increased to 13%.

For Aktia Real Estate Mortgage Bank the goal is to reach successively a Tier 1 capital adequacy of 10% during 2013. The banks that have previously brokered mortgage loans have committed themselves to capitalise the mortgage bank in relation to the volume brokered. Restructuring of the mortgage bank operations may require a revision of the capital adequacy targets.

The capital adequacy required by the authorities for the other regulated companies in the group, i.e. Aktia Asset Management should exceed the minimum requirements under the current rules.

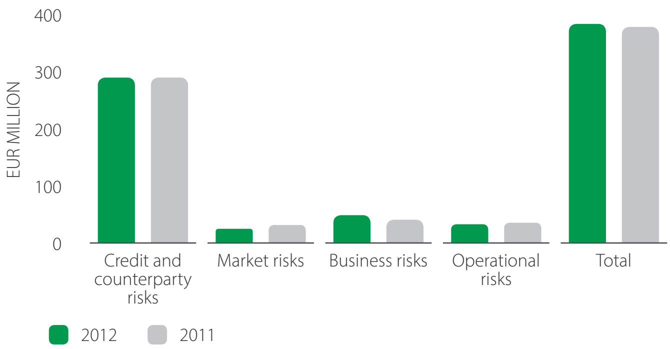
3.5.3 Capital plan for crisis situations

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.

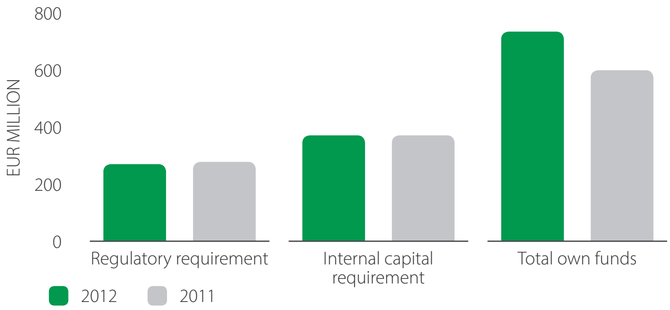
3.6 Group risk and capital situation

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. 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 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 289 million, corresponding to approx. 40% of the total capital base of approx. EUR 730 million. The internal capital requirement, encompassing Pillar 1 and Pillar 2, amounted to approx. EUR 381 million, corresponding to 52% of the capital base. The capital reserve for meeting the minimum regulatory requirement thus amounted to EUR 441 million, and compared to the internal minimum requirement, amounted to EUR 349 million.

3.7 Preparations for new regulatory requirements

During 2013 the first parts of the new Basel III regulations are expected to come into effect. 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. Impact 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. As a result of the new, more stringent liquidity regulations, Aktia has decided to discontinue its role as a central credit institution.

In August 2011, Aktia handed in its application to the Financial Supervisory Authority, to go over step-by-step and starting with so-called retail exposures, 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, on the order of 4 percentage points. Since 2007, Aktia has applied 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.

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 banking 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. The limit structure limits the credit and counterparty risks.

The Group's maximum exposure
EUR million

Bank Group	31.12.2012	31.12.2011
Cash and money market	**745**	**555**
Bonds	**1,850**	**1,928**
Public sector	114	115
Government guaranteed bonds	4	125
Banks	252	378
Covered bonds	1,468	1,291
Corporate	12	20
Shares and mutual funds	**7**	**5**
Interest rate funds	0	0
Shares and equity funds	6	4
Real estate funds	0	0
Private Equity	1	1
Hedge funds	0	0
Loans and claims	**7,260**	**7,135**
Public sector entities	4	6
Housing associations	271	290
Corporate	717	816
Households	6,230	5,977
Non-profit organisations	39	46
Tangible assets	**5**	**6**
Bank guarantees	**38**	**46**
Unused facilities and unused limits	**308**	**420**
Derivatives (credit equivalents)	**343**	**371**
Other assets	**42**	**60**
Total	**10,598**	**10,525**

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 to households are primaly provided against real estate collateral below loan-to-value 70%. Mortgage financing has been arranged primarily through Aktia Real Estate Mortgage Bank. POP Banks and savings banks have also brokered 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 Nets Ltd's (formerly Luottokunta) 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 banking 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 Ltd. In 2012, Aktia did not enter into any new risk capital financing arrangements and total risk capital financing amounted to EUR 2 (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	31.12.2012	31.12.2011	Change	Percentage
Households	6,222	5,966	257	85.9%
Corporate	713	812	-99	9.8%
Housing associations	270	289	-19	3.7%
Non-profit organisations	39	45	-7	0.5%
Public sector entities	4	6	-2	0.1%
Total	**7,248**	**7,117**	**131**	**100.0**

4.1.2 Lending to households

The group's loan stock increased in 2012 by EUR 131 million (2.0%), totalling EUR 7,248 (7,117) million at year end. This increase occurred according to plan within the area of household financing and the household share of the total loan stock amounted to EUR 6,222 (5,966) million or 85.9% (83.8%) at year end, and when combined with housing associations was 89.6% (87.9%).

The housing loan stock totalled EUR 5,850 (5,607) million, of which mortgages granted by Aktia Real Estate Mortgage Bank plc made up EUR 3,700 (3,652) million. In total, housing loans increased by 4.3 (9.5)% 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. All new loans are assessed using an application srorecard. 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 require a good credit rating, while at the same time decisions on such loans are escalated.

69.7 (62.8)% of the receivables from households are accounted for by the four scoring classes that represent excellent to good credit ratings, while 9.6 (10.8)% of receivables have creditworthiness from diminished to poor. The stock for defaulted household loans fell from 0.6% to 0.5%.

EUR million		31.12.2012	31.12.2011
Creditworthiness	**Scoring class**	**6,222**	**5,966**
"Excellent-good 0% < PD <= 0,2%"	A1	9.8%	6.5%
	A2	20.3%	14.9%
	A3	35.9%	34.5%
	A4	3.7%	6.9%
"Good-satisfactory 0,2% < PD <= 1%"	B1	8.6%	10.9%
	B2	4.8%	6.5%
	B3	3.1%	4.4%
	B4	3.6%	3.8%
"Diminished-poor 1% < PD < 100%"	C1	5.2%	6.5%
	C2	2.0%	2.1%
	C3	1.0%	0.9%
	C4	1.4%	1.3%
Unclassified	-	0.1%	0.1%
Defaulted, PD = 100%	D	0.5%	0.6%

* PD (Probability of Default) expresses the probability that a loan will default within the next 12 months. The estimates are Point-in-Time (PIT), ie. they refrect the creditworthiness during the current credit cycle.

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 conservative 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 with the loan-to-value below 70% , which means that any reduction in market values (real estate prices) does not directly increase risk exposure. Of the total claims on households, approximately 4.9 (4.6)% are secured by central government or by deposit while approximately 87.8 (87.5)% are secured against real estate collateral under the Basel II regulations. Approximately 7.3 (7.9)% 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

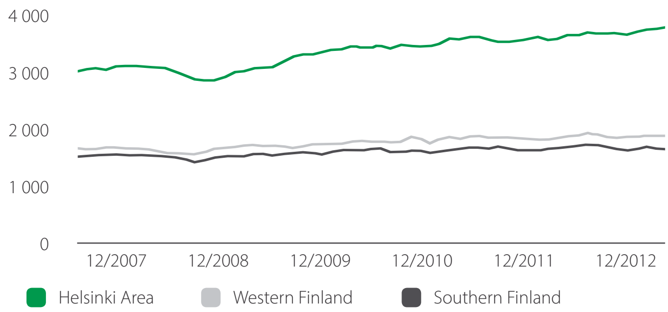
The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral at the time of the latest credit decision against the loans outstanding on the collateral. At year end, the Weighted Average Loan To Value for the housing loan stock amounted to 60.7 (61.4)%. Within the housing loan stock, only 1.0 (1.3)% of the credit exceeded a loan-to-value ratio of 90%. Since the latter part of 2010, there has been increased focus on closer management of business involving higher lending in combination with weaker credit ratings.

EUR million	31.12.2012	31.12.2011
Loan To Value (LTV)	**5,850**	**5,607**
0-50 %	80.3%	79.7%
50-60 %	9.0%	9.0%
60-70 %	5.5%	5.7%
70-80 %	2.8%	2.9%
80-90 %	1.3%	1.4%
90-100 %	0.5%	0.6%
>100 %	0.5%	0.7%
Total	**100%**	**100%**

* The table shows the distribution of exposures by LTV band. Example: A mortgage exposure of EUR 60,000 to finance a property worth EUR 100,000 (LTV 60%) is distributed EUR 50,000 to the "LTV 0-50%" bucket and EUR 10,000 to the "LTV 50-60%" bucket.

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 2012, 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 12.1% from the beginning of the year, totalling EUR 713 (812) million. The proportion of the total credit stock accounted for by corporate loans fell as planned to 9.8 (11.4)%.

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.

Rating distribution (Suomen Asiakastieto) *

Rating	31.12.2012	31.12.2011
EUR million	**666**	**758**
AAA	5%	9%
AA+	21%	23%
AA	16%	16%
A+	33%	24%
A	15%	20%
B	4%	2%
C	4%	3%
Defaulted	2%	3%
Total	**100%**	**100%**

* intra-group transactions are not included

Over the year, the rating distribution for the loan stock weakened slightly, despite the fact that the share of defaults on corporate loans decreased. 42 (48)% of receivables from companies were accounted for by the three groups with the lowest risk of default, while 2 (3)% of receivables were non-performing or in recovery. The doubtful receivables have been concentrated in a separate special financing unit.

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.

11.3 (12.0)% of receivables from corporations were secured by central or local government guarantees or by deposit, while 30.5 (27.7)% were secured against residential real estate collateral. The remaining 58.2 (60.3)% 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 counterparties 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.

89.6% of the loan portfolio comprises loans to households and Finnish housing associations, and 87.8% of receivables from households are secured against residential real estate collateral. Approximately 30.5% 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 previous 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	31.12.2012	31.12.2011
EUR million	**713**	**812**
Basic industries, fisheries and mining	3.4%	3.6%
Industry	6.6%	6.6%
Energy, water and waste disposal	2.3%	2.2%
Construction	6.1%	6.9%
Trade	9.1%	11.8%
Hotels and restaurants	4.2%	3.8%
Transport	7.1%	7.9%
Financing	15.1%	13.7%
Property	32.1%	30.7%
Research, consulting and other business service	7.8%	7.8%
Other services	7.6%	6.3%
- write-downs by group	-1.3%	-1.4%
Total	**100%**	**100%**

Claims on housing companies are not included in the table above

4.1.5 Past due payments

Loans with payments 3–30 days overdue increased during 2012 to EUR 133 (121) million, equivalent to 1.83 (1.69)% of the credit stock. Loans with payments 31–89 days overdue decreased slightly to EUR 51 (53) million, or 0.71 (0.75)% of the credit stock.

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection decreased to EUR 50 (60) million, corresponding to 0.68 (0.84)% of the credit stock.

Non-performing loans to households more than 90 days overdue corresponded to 0.45 (0.51)% of the entire credit stock and 0.53 (0.61)% of the household credit stock. The credit stock also includes off-balance sheet guarantee commitments.

96% of the receivables more than 90 days overdue are fully secured, and any loss risks have been taken into account in the individual write-downs.

Past due loans by length of payment delay

EUR million Days	31.12.2012	% of the credit stock	31.12.2011	% of the credit stock
3-30	133	1.83	121	1.69
of which households	117	1.61	102	1.42
31-89	51	0.71	53	0.75
of which households	42	0.58	46	0.64
90- *	50	0.68	60	0.84
of which households	33	0.45	36	0.51

* in Aktia Bank fair value of the collateral covers 96 % of debts

Loans with overdue payments which had not been written down totalled EUR 231 (225) million at the end of the year. Of these, non-performing loans at least 90 days overdue accounted for EUR 46 (51) million. The market value of the collateral for the receivables more than 90 days overdue amounted to approx. 96% of the remaining receivable.

Loans past due but not impaired
EUR million

			31.12.2012
Days	**Book value**	**% of the credit stock**	**Fair value of collateral**
3–30	133	1.83	133
31–89	51	0.71	51
90–	46	0.63	44

			31.12.2011
Days	**Book value**	**% of the credit stock**	**Fair value of collateral**
3–30	121	1.69	120
31–89	53	0.74	52
90–	51	0.72	47

4.1.6 Loan forbearance and modifications in a case of borrower's deteriorated credit standing

In accordance with group's accounting principles, a specific write-down is made 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 when the debtor experiences significant financial difficulties, breach of contract such as delayed payments of interest or capital, concessions are granted for financial or legal reasons which the lender had not otherwise considered, or the debtor enters bankruptcy or other financial restructuring. Thus forbearance results in an individual write-down if the receivable exceeds the expected cash flows from the collateral's liquidation process.

Modifications of contractual terms, i.e. temporary payment holidays, can also be granted due to other circumstances than financial difficulties of the borrower. Internal policies and monitoring tools have been set up to early identify customers with distressed ability to service their loans. Prompt addressing of such circumstances is for the benefit of both the customer and the bank. Internal risk monitoring follows regularly the proportion of loans with payment holidays. During the latter half of the period, the ratio showed a declining trend.

4.1.7 Write-downs of loan and guarantee claims

The year's total write-downs on credits and other commitments were EUR 6.4 (10.5) million, which is a drop of 39% compared with the same period in 2011. Of these write-downs, EUR 4.4 (1.4) million were attributable to households, and EUR 2.0 (9.1) million to companies.

Total write-downs on credits amounted to 0.09 (0.15)% of total lending for the period. The corresponding impact on corporate loans amounted to 0.3 (1.1)% of the total corporate lending.

By the end of the period, group write-downs at the portfolio level totalled EUR 14.5 (14.0) million, of which EUR 6.0 (7.3) million related to households and smaller enterprises, and EUR 8.5 (6.7) million related to large individually valued corporate claims.

Gross loans and write-downs

EUR million	31.12.2012	31.12.2011
Gross loans	**7,313**	**7,180**
Individual write-downs	-50	-49
Of which made to non-performing loans past due at least 90 days	-40	-39
Of which made to other loans	-10	-10
Write-downs by group	-14	-14
Net loans, balance amount	**7,248**	**7,117**

4.1.8 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. Committed facilities for liquidity financing decreased by approx. EUR 43 million and amounted at the year-end to a total of EUR 138.5 (181.3) million, divided between 47 (51) individual savings and POP Banks while outstanding liquidity financing totalled EUR 6.0 (1.3) million. Secured financing totalled EUR 86 (58) 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 company.

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. To ensure market-related refinancing, the banking business strives to maintain a diverse range of financing sources and an adequate spread across different markets and investors.

The foundations of this financing comprise stable lending and deposit stocks from households developed via the network of branch offices, and the issue of covered bonds. Up to this point, the issue of covered bonds has been channelled through Aktia Real Estate Mortgage Bank plc, but this will now be done directly by Aktia Bank plc. Aktia Bank's board of directors has decided to apply for concession as a mortgage bank, which is explained in more detail in "Aktia applies for concession as a mortgage bank" in the board's annual report.

The financing will be complemented with other well-diversified borrowing, such as bonds and certificates of deposit issued on the domestic market, deposits by Finnish institutional investors and deposits received by local banks within the framework of operations as a central credit institution. Aktia Bank will also receive financing from European Investmentbank and Nordic Investmentbank within the framework for their programmes for financing small business and environmental projects.

Total deposits from the public, associations and credit institutions amounted to EUR 4,689 (4,757) million at year end. The stock of covered bonds secured by residential real estate totalled EUR 3,008 (3,286) million. The issue of bonds under the domestic programme amounted to EUR 329 million and the outstanding certificates of deposit amounted to EUR 393 million.

Aktia is actively working to broaden its refinancing base and to start using new refinancing programmes. In November, Aktia Bank made its first public issue of long-term senior bond as part of the bank's EMTN programme. The loan of EUR 200 million is part of the preparations for implementation of the new Basel III regulations for the banking industry. Approx. 42% of these were sold to non-Finnish investors.

In January, Aktia Real Estate Mortgage Bank plc issued long-term collateralised bonds ('Schuldscheindarlehen') for a total of EUR 22 million.

Regarding Aktia Real Estate Mortgage Bank's senior financing, an agreement was entered into in 2011, which obliges all banks brokering the Mortgage Bank's loans to contribute pro rata to the Mortgage Bank's senior financing. According to the agreement, financing will be made in instalments. During 2012 the local banks' share of the senior financing increased by EUR 115.6 million.

The diversified financing structure is complemented by a liquidity portfolio consisting of high quality and liquid interest-bearing securities. The portfolio serves as a liquidity buffer in the event of short-term fluctuations in liquidity or any disturbances occurring on the refinancing market. The portfolio can be sold or used as security for financing, either on the market via so-called repurchase agreements or through the central bank.

The aim is to maintain a continuous liquidity buffer that covers the outgoing cash flow for at least one year.

The structure of the liquidity portfolio is presented in more detail in Section 6.2.2. The financial assets in the liquidity portfolio that can be utilised as outlined above, as a liquidity buffer, totalled approximately EUR 1,410 million at year end, corresponding to an outgoing cash flow for just over 18 months, with no new market borrowing.

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 wholesale assets and liabilities mature. Developments and pricing in the deposit stock are also followed closely. The treasury unit implements the adopted measures, to change the liquidity position.

Credit rating

To support financing from the wholesale market, Aktia applies for credit rating assessments from internationally recognised credit rating institutions.

During the financial year, Aktia received new credit ratings from Fitch (9 May 2012) and Standard & Poor's (12 December 2012). Aktia also has previous ratings from Moody's. Moody's updated its rating for Aktia Bank plc on 7 March 2012 and its rating for covered bonds issued by Aktia Real Estate Mortgage Bank plc on 5 October 2012.

The table below shows Aktia's credit ratings as of 31 December 2012. Details about the decisions made by credit rating institutions can be found on Aktia's website.

Aktia's ratings 31.12.2012

	Aktia Bank plc	Covered bonds issued by Aktia Real Estate Mortgage Bank plc
Standard & Poor´s		
Short	A-2 (neg. outlook)	
Long	A- (neg. outlook)	
Moody´s Investor Service		
Short	P-2	
Long	A3	Aa3
Fitch		
Short	F2 (neg. outlook)	
Long	BBB+ (neg. outlook)	

6. Management of market, balance sheet and counterparty risks

6.1 Methods for valuing financial assets

The majority of Aktia Group's financial assets are valued at true value. Valuations are based either on prices from an active market or on valuation methods using observable market data.

For a limited proportion of the assets – EUR 24.8 million 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.

Valuation techniques				31.12.2012
EUR million	Fair value classified into			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued through income statement				
Interest-bearing securities	0.0	0.0	0.0	0.0
Shares and participations	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets available for sale				
Interest-bearing securities	1,415.5	33.9	18.7	1,468.0
Shares and participations	0.0	0.0	6.1	6.1
Total	**1,415.5**	**33.9**	**24.8**	**1,474.2**
Financial assets held until maturity				
Interest-bearing securities	339.9	10.1	0.0	350.0
Shares and participations	0.0	0.0	0.0	0.0
Total	**339.9**	**10.1**	**0.0**	**350.0**
Derivative instruments, net	**-0.7**	**116.5**	**0.0**	**115.8**
Total	**-0.7**	**116.5**	**0.0**	**115.8**
Total financial assets		**160.4**	**24.8**	**1,940.0**

Valuation techniques				31.12.2011
EUR million	Fair value classified into			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued through income statement				
Interest-bearing securities	0.0	0.0	0.0	0.0
Shares and participations	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets available for sale				
Interest-bearing securities	1,795.7	78.7	0.0	1,874.4
Shares and participations	0.0	0.0	1.8	1.8
Total	**1,795.7**	**78.7**	**1.8**	**1,876.2**
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	**0.7**	**139.4**	**0.0**	**140.1**
Total	**0.7**	**139.4**	**0.0**	**140.1**
Total financial assets		**238.1**	**1.8**	**2,036.3**

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, for 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 mainly includes unlisted equity instruments and funds, and other unlisted funds and securities for which there currently are no fixed prices.

6.1.2 Changes within level 3

The table "Reconciliation of changes for the financial instruments included in level 3" shows a reconciliation from period to period, at level 3 for financial assets reported at true value.

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.

Interest-bearing securities have been tested by assuming an upward parallel shift of 3 percentage points of the interest rate in all maturities. At the same time the market prices for shares and participations are assumed to drop by 20%, with exception for Suomen Luotto-osuuskunta, which is valued based on its lowest estimated value of the return of capital after the sale of its subsidiary Nets Oy (previously known as Luottokunta).These assumptions would mean a result or valuation effect via the fund for fair value corresponding to 0.1 (0.1)% 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

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 1.1.2012	0.0	0.0	0.0	0.0	1.8	1.8	0.0	1.8	1.8
New purchases	0.0	0.0	0.0	18.7	4.9	23.6	18.7	4.9	23.6
Sales	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0	-0.2	-0.2
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	-0.4	-0.4	0.0	-0.4	-0.4
Unrealised value change in the income statement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valued change recognised in the fund at fair value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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 31.12.2012	**0.0**	**0.0**	**0.0**	**18.7**	**6.1**	**24.8**	**18.7**	**6.1**	**24.8**

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	0.0	0.0	0.0	2.0	2.0	0.0	2.0	2.0
New purchases	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.2	0.2
Sales	0.0	0.0	0.0	0.0	-0.4	-0.4	0.0	-0.4	-0.4
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	0.0	0.0	0.0	0.0	0.0
Unrealised value change in the income statement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valued change recognised in the fund at fair value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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**	**0.0**	**0.0**	**0.0**	**1.8**	**1.8**	**0.0**	**1.8**	**1.8**

Sensitivity analysis for financial instruments belonging to level 3	31.12.2012		31.12.2011	
EUR million	Fair value	The negative effect at an assumed movement	Fair value	The negative effect at an assumed movement
Financial assets available for sale				
Interest-bearing securities	18.7	-0.6	0.0	0.0
Shares and participations	6.1	-0.2	1.8	-0.4
Total	**24.8**	**-0.8**	**1.8**	**-0.4**

Interest sensitivity analysis with a parallel shift in the interest rate curve with of 1 % point

		Change in net interest income (EUR million)			
		31.12.2012		31.12.2011	
Period	Interest rate change	Down	Up	Down	Up
Changes during the next 12 months		-3.9	+5.8	-6.9	+9.5
Changes during 12–24 months		-7.0	+3.5	-9.7	+8.1

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.

The table below describes interest sensitivity at 1% unit parallel shifts of the interest rate curve.

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.

6.2.1.1 Unwinding of hedging interest-rate derivatives

During February and November 2012, the company unwound all its interest rate derivatives made for hedging purposes, i.e. interest rate options for which the cash flow hedging was applied and interest rate swaps which were used to hedge demand deposits and savings accounts (applying the EU 'carve-out' to hedge accounting). As a result of the unwinding, hedge accounting has ceased, and the resulting cash flow will be booked to net interest income during the original duration of the interest rate derivatives.

The unwinding of interest rate options resulted in a positive cash flow of EUR +17.5 million, and this cash flow will be booked to net interest income during the original duration of the interest rate derivatives. During 2012 EUR +4 million was booked to net interest income from this amount. The remaining amount will be booked to net interest income during 2013-2014.

All interest swaps were unwound during November 2012, resulting in a positive cash flow of EUR +92.1 million. This cash flow will be booked to net interest income according to the original duration of the interest rate derivatives, which enables "locking" part of the net interest income for future years. This cash flow will have a positive effect within net interest income during the years 2013-2017, of approx. EUR 15.5 million per year, and the remaining cash flow will provide a positive effect on the result, of approx. EUR 14 million during the years 2018-2019.

Given the historically low, both short-term and long-term, interest rates, the added-value from these positions was judged to be very limited compared to the negative effect they would have if interest rates rose. To preserve the positive effect, all remaining interest rate derivatives designed to hedge against the structural interest risk were sold in November.

Despite this measure, with the present interest rates, the bank is maintaining its policy of actively hedging net interest income where this is considered justified in the long term.

More information regarding derivative agreements is provided in note K 19.

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 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.

The net change in the fund at fair value relating to market value interest rate risk and credit spread risk posted during the period was positive and totalled EUR 76.9 million after the deduction of deferred tax. At the end of December 2012, the valuation difference in interest-bearing securities was EUR 42.0 (-34.9) million.

The liquidity portfolio of the banking business, which comprises interest-bearing securities and is managed by the bank's treasury unit, stood at EUR 1,862 (1,968) million as of 31 December 2012, which includes Aktia Bank's

Aktia Banking Group	Government and Govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
EUR million	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**
EU AAA	**63.0**	**145.2**	**797.8**	**693.7**	**225.6**	**264.1**	**11.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,098.3**	**1,103.1**
Finland	58.7	61.3	116.5	110.9	43.3	37.4	-	-	-	-	-	-	-	-	218.5	209.7
Other AAA-countries	4.3	83.9	681.3	582.7	182.4	226.7	11.8	-	-	-	-	-	-	-	879.8	893.4
EU < AAA	**-**	**51.4**	**442.7**	**573.9**	**5.3**	**82.1**	**-**	**1.9**	**-**	**-**	**-**	**-**	**-**	**-**	**448.0**	**709.3**
France *)	-	-	270.1	222.0	5.3	45.3	-	-	-	-	-	-	-	-	275.4	267.3
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	-	2.3	-	-	-	-	-	-	-	-	-	-	-	2.3
Ireland	-	-	15.5	27.2	-	-	-	-	-	-	-	-	-	-	15.5	27.2
Italy	-	-	46.6	59.6	-	-	-	-	-	-	-	-	-	-	46.6	59.6
Portugal	-	22.1	56.3	76.2	-	8.2	-	0.8	-	-	-	-	-	-	56.3	107.3
Spain	-	29.3	54.2	186.6	-	28.6	-	1.1	-	-	-	-	-	-	54.2	245.6
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	**-**	**-**	**237.6**	**50.1**	**20.3**	**30.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**258.0**	**80.2**
North America	**-**	**-**	**12.3**	**32.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12.3**	**32.7**
Other OECD-countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supranationals	**-**	**-**	**-**	**-**	**45.5**	**42.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45.5**	**42.7**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**63.0**	**196.7**	**1,490.4**	**1,350.3**	**296.7**	**419.1**	**11.8**	**1.9**	**-**	**-**	**-**	**-**	**-**	**-**	**1,862.0**	**1,968.0**

*) France has dropped below AAA-rating during 2012

liquidity portfolio as well as other interest-bearing securities in the banking business.

6.2.2.1 Reclassification of financial assets

In December 2012, Aktia reclassified certain interest-bearing securities from financial assets available for sale to financial assets held until maturity. The reclassified securities all have an AAA rating and consist primarily of covered bonds. The reclassified securities are all eligible for refinancing in the central bank.

EUR million	2012	2011
Carrying amount	339.9	0.0
Fair value	339.8	0.0
Value change which would have been recognised in other comprehensive income if reclassification had not occurred	-0.1	0.0
Recognised interest income after reclassification	0.5	0.0

6.2.2.2 The Bank Group's liquidity portfolio and other interest-bearing investments

Of the Bank Group's liquidity portfolio and other interest-bearing securities, 80 (69)% constituted investments in covered bonds, 16 (21)% constituted investments in banks, 4 (10)% constituted investments in state-guaranteed bonds and approximately 0 (0)% were investments in public sector entities and 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 banking business

	31.12.2012	31.12.2011
EUR million	**1 862**	**1 968**
Aaa	64.5%	55.6%
Aa1–Aa3	19.1%	21.9%
A1–A3	8.9%	11.9%
Baa1–Baa3	3.7%	6.3%
Ba1–Ba3	1.5%	1.9%
B1–B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Domestic municipalities (unrated)	2.2%	2.1%
No rating	0.0%	0.3%
Totalt	**100.0%**	**100.0%**

As of 31 December 2012 the Bank Group's entire liquidity portfolio met the eligibility requirements for refinancing at the central bank. At the 2011-2012 year-end, 0.6% of the securities did not meet these requirements.

No write-downs were performed during the year (31 December 2011: EUR 0.0). Aktia Bank posted a reversal of EUR 1.2 million, which is attributable to earlier write-downs relating to Lehman Brothers. 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 12 counterparties, with a positive market value totalling EUR 255.8 million, of which the derivatives brokered to local banks had a market value of EUR 125.5 million. The net exposure after credit risk mitigation totalled EUR 11.1 million and a maximum of EUR 5 million for each counterparty, except for one individual counterparty where net exposure was EUR 9.5 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 0.6 (3.4) 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 0.5 (0.7) million. The investments in shares that are necessary or strategic to the business totalled EUR 6.7 (1.8) million, of which EUR 4.9 million comprised a return of capital from Suomen Luotto-osuuskunta as a result of the sale of Nets Oy (previously Luottokunta).

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 2012 and 31 December 2011. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the board'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 44 bp (basis point = 0.01%) (e.g. AAA government bonds) and 351 bp (e.g. all securities with a rating of BB+ or lower). From the end of 2012 the risk for government bonds will be measured via country-specific stress coefficients; e.g. Germany will have 26 bp, Finland 35 bp and Greece 704 bp. The specific discounting curve for each individual investment is shifted by this value to obtain the value of the investment when in shock.

Sensitivity analysis for market risks	Assets available for sale		Cashflow hedge (derivatives)		Total			
EUR million	**2012**	**2011**	**2012**	**2011**		**2012**		**2011**
Banking group						**%**		**%**
Market value 31.12.	1 516.0	1 968.0	0.0	18.4	1 516.0	100.0%	1 986.4	100.0%
IR risk up	-44.5	-46.1	0.0	-6.7	-44.5	-2.9%	-52.4	-2.6%
IR risk dowm	24.6	36.2	0.0	8.8	24.6	1.6%	45.0	2.3%
Spreadrisk	-19.8	-23.9	0.0	0.0	-19.8	-1.3%	-23.9	-1.2%
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%

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.

7. Managing operational risks

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

The group's policy on managing operational risks has been established by the board of directors. According to the policy, regular risk assessment shall be 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.

7.1 Legal risks

Legal risk refers to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions and loss of goodwill due to non-compliance with laws or official regulations. The group seeks to manage the risk of inadequate contract documentation by founding its contractual relationships within the day-to-day activities upon standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, branch offices and business units must consult the group's legal services unit. External experts are 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 for banking business (EUR 1,000)

The bank group's capital adequacy

Summary	12/2012	9/2012	6/2012	3/2012	12/2011
Tier 1 capital	426,400	440,424	437,870	427,126	392,625
Tier 2 capital	303,807	302,096	267,999	254,483	206,441
Capital base	**730,207**	**742,521**	**705,870**	**681,609**	**599,066**
Risk-weighted amount for credit and counterpart risks	3,248,925	3,355,594	3,369,626	3,394,999	3,321,647
Risk-weighted amount for market risks 1)	-	-	-	-	-
Risk-weighted amount for operational risks	362,284	372,332	372,332	372,332	372,332
Risk-weighted commitments	**3,611,209**	**3,727,926**	**3,741,958**	**3,767,331**	**3,693,979**
Capital adequacy ratio, %	**20,2**	**19,9**	**18,9**	**18,1**	**16,2**
Tier 1 Capital ratio, %	**11,8**	**11,8**	**11,7**	**11,3**	**10,6**
Minimum capital requirement	**288,897**	**298,234**	**299,357**	**301,387**	**295,518**
Capital buffer (difference between capital base and minimum requirement)	441,310	444,287	406,513	380,223	303,548

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

	12/2012	9/2012	6/2012	3/2012	12/2011
Share capital	163,000	163,000	163,000	163,000	163,000
Funds	74,558	74,558	74,558	74,532	44,558
Non-controlling interest	64,801	64,821	63,969	58,272	57,735
Retained earnings	100,924	100,901	100,901	100,044	96,183
Profit for the period	23,443	25,328	18,421	8,792	24,718
./. provision for dividends to shareholders	-28,323	-15,851	-10,588	-5,316	-21,285
Capital loan	30,000	30,000	30,000	30,000	30,000
Total	428,402	442,757	440,260	429,324	394,908
./. intangible assets	-2,003	-2,333	-2,390	-2,197	-2,283
Tier 1 capital	**426,400**	**440,424**	**437,870**	**427,126**	**392,625**
Fund at fair value	45,607	36,884	4,400	2,909	-34,871
Upper Tier 2 loans	45,000	45,000	45,000	45,000	45,000
Lower Tier 2 loans	213,200	220,212	218,599	206,574	196,312
Tier 2 capital	**303,807**	**302,096**	**267,999**	**254,483**	**206,441**
Total capital base	**730,207**	**742,521**	**705,870**	**681,609**	**599,066**

The bank group's risk-weighted exposures

Total exposures 12/2012				Risk-weighted exposures				
Risk-weight	**Balance assets**	**Off-balance sheet commit-ments**	**Total**	**12/2012**	**9/2012**	**6/2012**	**3/2012**	**12/2011**
0 %	1,271,191	20,778	1,291,969	-	-	-	-	-
10 %	1,255,020	-	1,255,020	125,502	133,582	120,782	125,633	105,052
20 %	572,150	138,444	710,594	120,313	145,577	155,537	163,917	146,579
35 %	5,764,620	53,073	5,817,693	2,025,161	2,023,373	2,008,104	1,990,392	1,943,650
50 %	112	-	112	56	252	286	313	337
75 %	546,282	91,724	638,006	428,902	437,877	439,929	437,225	450,881
100 %	483,117	40,708	523,825	502,499	567,773	590,003	614,457	601,809
150 %	16,852	799	17,651	25,877	20,343	28,517	35,332	40,121
Total	**9,909,345**	**345,526**	**10,254,871**	**3,228,312**	**3,328,776**	**3,343,157**	**3,367,269**	**3,288,429**
Derivatives *)	343,475	-	343,475	20,614	26,818	26,469	27,730	33,218
Total	**10,252,819**	**345,526**	**10,598,345**	**3,248,925**	**3,355,594**	**3,369,626**	**3,394,999**	**3,321,647**

*) 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

	2012	2011	2010	12/2012	9/2012	6/2012	3/2012	12/2011
Gross income	183,307	187,820	208,528					
- average 3 years	193,218							
Capital requirement for operational risk				**28,983**	**29,787**	**29,787**	**29,787**	**29,787**
Risk-weighted amount				**362,284**	**372,332**	**372,332**	**372,332**	**372,332**

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 %.

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 converison factors

	Exposure class	Contractual exposure	Impairment	Net liability	Financial guaran-tees and other substitutions	Exposure after substitution	Financial collaterals	Exposure after collaterals	Risk-weighted amount	Capital requirement
1	States and central banks	633,729	-	633,729	315,425	949,154	-	949,154	-	-
2	Regional administrations and local authorities	50,028	-	50,028	27,869	77,897	-	77,897	-	-
3	Public corporations	1,698	-	1,698	-	1,698	-	1,698	312	25
4	International development banks	45,457	-	45,457	-	45,457	-	45,457	-	-
5	International organisations	-	-	-	-	-	-	-	-	-
6	Credit institutions	1,112,312	-	1,112,312	9,504	1,121,815	-329,349	792,466	136,946	10,956
7	Corporates	642,654	-4,914	637,740	-59,866	577,874	-35,109	542,765	465,244	37,220
8	Retail exposures	964,068	-1,941	962,127	-291,842	670,285	-32,263	638,022	428,914	34,313
9	Real estate collateralised	5,817,693	-	5,817,693	-	5,817,693	-	5,817,693	2,025,161	162,013
10	Past due items	92,528	-40,721	51,807	-1,089	50,718	-3,553	47,165	55,130	4,410
11	High-risk items	4,373	-2,964	1,409	-	1,409	-	1,409	1,647	132
12	Covered bonds	1,255,020	-	1,255,020	-	1,255,020	-	1,255,020	125,502	10,040
13	Securitised items	-	-	-	-	-	-	-	-	-
14	Short-term enterprise receivables	-	-	-	-	-	-	-	-	-
15	Mutual fund investments	-	-	-	-	-	-	-	-	-
16	Other items	43,851	-14,526	29,325	-	29,325	-	29,325	10,069	805
		10,663,410	**-65,065**	**10,598,345**	**0**	**10,598,345**	**-400,274**	**10,198,072**	**3,248,925**	**259,914**

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.

Average total exposures before the effect of credit risk mitigation techniques

	Exposure class	31.3.	30.6.	30.9.	31.12.	Average 2012
1	States and central banks	275,951	502,976	265,342	633,729	419,500
2	Regional administrations and local authorities	65,198	52,389	93,760	50,028	65,344
3	Public corporations	1,455	1,438	1,417	1,698	1,502
4	International development banks	43,543	44,037	44,855	45,457	44,473
5	International organisations	-	-	-	-	-
6	Credit institutions	1,402,758	1,396,706	1,375,251	1,112,312	1,321,757
7	Corporates	773,554	743,669	707,831	637,740	715,699
8	Retail exposures	961,385	974,857	976,615	962,127	968,746
9	Real estate collateralised	5,735,117	5,779,639	5,821,175	5,817,693	5,788,406
10	Past due items	69,226	63,417	55,061	51,807	59,878
11	High-risk items	1,850	1,800	1,409	1,409	1,617
12	Covered bonds	1,256,329	1,207,820	1,335,820	1,255,020	1,263,747
13	Securitised items	-	-	-	-	-
14	Short-term corporate receivables	-	-	-	-	-
15	Mutual fund investments	-	-	-	-	-
16	Other items	36,318	30,771	39,746	29,325	34,040
		10,622,683	**10,799,520**	**10,718,281**	**10,598,345**	**10,684,707**

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

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

	Exposure class	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
1	States and central banks	600,767	15,784	17,178	-	-	633,729
2	Regional administrations and local authorities	25,118	3,302	18,870	1,238	1,499	50,028
3	Public corporations	20	300	45	895	439	1,698
4	International development banks	-	-	23,475	21,981	-	45,457
5	International organisations	-	-	-	-	-	-
6	Credit institutions	79,648	196,563	565,018	79,264	191,818	1,112,312
7	Corporates	139,343	34,007	227,910	89,931	146,548	637,740
8	Retail exposures	92,606	46,840	111,938	133,431	577,312	962,127
9	Real estate collateralised	80,815	82,626	324,979	664,596	4,664,677	5,817,693
10	Past due items	21,138	3,644	12,857	3,790	10,379	51,807
11	High-risk items	-	-	786	-	623	1,409
12	Covered bonds	18,654	48,765	1,070,400	117,202	-	1,255,020
13	Securitised items	-	-	-	-	-	-
14	Short-term corporate receivables	-	-	-	-	-	-
15	Mutual fund investments	-	-	-	-	-	-
16	Other items	23,032	-	41	-	6,252	29,325
		1,081,141	**431,832**	**2,373,497**	**1,112,328**	**5,599,548**	**10,598,345**

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.

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

Exposure class		Finland	Other Nordic countries	European countries	Other	Total
1	States and central banks	617,725	4,178	11,827	-	633,729
2	Regional administrations and local authorities	50,028	-	-	-	50,028
3	Public corporations	1,698	-	-	-	1,698
4	International development banks	-	-	45,457	-	45,457
5	International organisations	-	-	-	-	-
6	Credit institutions	462,349	115,341	522,339	12,283	1,112,312
7	Corporates	637,440	300	-	-	637,740
8	Retail exposures	961,492	272	205	158	962,127
9	Real estate collateralised	5,811,621	1,200	4,054	819	5,817,693
10	Past due items	51,807	-	-	-	51,807
11	High-risk items	1,409	-	-	-	1,409
12	Covered bonds	94,126	316,097	844,796	-	1,255,020
13	Securitised items	-	-	-	-	-
14	Short-term corporate receivables	-	-	-	-	-
15	Mutual fund investments	-	-	-	-	-
16	Other items	29,254	-	71	-	29,325
		8,718,949	**437,388**	**1,428,749**	**13,260**	**10,598,345**
	Individually impaired loans	13,832				13,832
	Individual write-downs on credits	50,539				50,539
	Write-downs by group	14,526				14,526

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

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

Counterparty	Bransch	Corporate exposures	Retail exposures	Real estate collateralised	Past due exposures	Total
Corporates						
	Property	141,763	47,618	42,076	3,647	235,105
	Trade	30,717	34,293	20,929	987	86,926
	Financing	107,667	3,837	9,449	-	120,952
	Industry, energy	58,435	18,739	5,679	1,211	84,064
	Construction	21,131	21,046	15,244	7,545	64,966
	Research, consulting, services	23,317	22,972	17,688	2,248	66,226
	Transport	36,964	9,680	7,288	506	54,439
	Hotels and restaurants	19,335	6,067	6,614	404	32,420
	Agriculture, fisheries, mining	18,612	3,463	4,501	186	26,763
	Other	25,076	16,391	18,884	1,728	62,078
Total		**483,018**	**184,105**	**148,352**	**18,462**	**833,938**
Households		46,536	751,886	5,482,155	33,212	6,313,788
Housing corporations		76,739	26,136	179,089	134	282,099
Other non-profit corporations		31,447	-	8,097	-	39,544
Total		**637,740**	**962,127**	**5,817,693**	**51,807**	**7,469,368**

Loans individually impaired

31.12.2012 **Change during the period**

Sector	Contract value	Individual impairment	Book value	Fair value of collateral	Change in impairment	Impairment losses on credits and other commitments
Corporates	55,840	44,819	11,020	11,374	3,665	3,707
Housing corporations	498	498	-	711	47	1
Public corporations	-	-	-	-	-	-
Non-profit corporations	-	-	-	-	-	2
Households	6,568	4,979	1,588	2,699	2,372	1,322
Total	**62,905**	**50,297**	**12,609**	**14,785**	**6,084**	**5,032**

Write-downs on corporate loans by branch			
Research, consultingand other services	22,816	20,380	2,436
Trade	2,724	2,509	215
Construction	4,747	4,146	601
Industry	12,285	10,232	2,053
Human health and other service activities for households	8,925	4,213	4,712
Other	4,343	3,340	1,003
Totalt	**55,840**	**44,819**	**11,020**

31.12.2011 **Change during the period**

Sector	Contract value	Individual impairment	Book value	Fair value of collateral	Change in impairment	Impairment losses on credits and other commitments
Corporates	60,020	44,861	15,158	11,717	13,639	4,027
Housing corporations	1,103	452	651	1,575	451	-
Public corporations	-	-	-	-	-	-
Non-profit corporations	2	2	-	-	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, consultingand 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
Totalt	**60,020**	**44,861**	**15,158**

G3 Segment report for Bank Group

Income statement 31.12.	Banking Business		Asset Management		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**
Net interest income	112,775	123,918	5,357	4,305	-1,657	-18	-	-	116,475	128,205
Dividends	38	2,222	-	-	15	-	-	-2,049	53	173
Net commission income	38,129	37,509	20,711	16,572	737	-85	-4	-28	59,573	53,969
Net income from financial transactions	-144	-9,351	-17	75	3,095	0	-	-	2,934	-9,276
Net income from investment properties	1	14	-	-	-286	-3	-64	-61	-349	-50
Other income	2,892	4,335	370	614	4,986	2,383	-3,532	-2,759	4,716	4,573
Total operating income	**153,690**	**158,647**	**26,422**	**21,566**	**6,889**	**2,277**	**-3,600**	**-4,897**	**183,401**	**177,593**
Staff costs	-32,779	-37,302	-7,974	-8,049	-11,496	-7,161	-499	-393	-52,748	-52,905
IT-expenses	-13,542	-13,650	-2,083	-857	-11,783	-5,346	1,000	-	-26,408	-19,853
Depreciation of tangible and intangible assets	-1,950	-2,232	-651	-473	-762	-1,260	-	-	-3,364	-3,965
Other expenses	-59,478	-58,623	-6,300	-6,541	10,238	9,905	2,071	2,286	-53,468	-52,972
Total operating expenses	**-107,749**	**-111,807**	**-17,008**	**-15,920**	**-13,803**	**-3,861**	**2,572**	**1,893**	**-135,988**	**-129,695**
Write-downs on other financial assets	-	-	-	-	-1,618	-	-199	-	-1,817	-
Write-downs on credits and other commitments	-6,365	-10,487	-	-	-	-	-	-	-6,365	-10,487
Share of profit from associated companies	-	-	-	-	-	-	-448	-34	-448	-34
Operating profit	**39,576**	**36,354**	**9,413**	**5,646**	**-8,531**	**-1,585**	**-1,675**	**-3,038**	**38,784**	**37,378**

Balance sheet 31.12.	Banking Business		Asset Management		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Cash and balances with central banks	585,800	466,198	91	114	-	-	-	-	585,891	466,313
Financial assets available for sale	1,468,898	1,876,077	1,500	1,401	5,260	-	-1,500	-1,300	1,474,158	1,876,178
Financial assets held until maturity	350,020	20,034	-	-	-	-	-	-	350,020	20,034
Loans and other receivables	7,338,710	7,139,916	153,497	74,720	160	-	-85,641	-8,806	7,406,725	7,205,830
Other assets	362,474	565,041	6,572	7,315	107,438	7,869	-77,512	-155,431	398,971	424,794
Total assets	**10,105,902**	**10,067,267**	**161,659**	**83,550**	**112,858**	**7,869**	**-164,654**	**-165,537**	**10,215,766**	**9,993,150**
Deposits	4,261,381	4,597,289	532,542	185,805	25	-	-84,949	-8,806	4,709,000	4,774,288
Debt securities issued	3,549,113	3,812,831	-	-	-	-	-1,500	-1,300	3,547,613	3,811,531
Other liabilities to credit institutions	629,575	353,535	-	-	-	-	-	-	629,575	353,535
Other liabilities	691,978	818,596	9,613	14,044	237,694	12,705	-98,279	-168,384	841,006	676,961
Total liabilities	**9,132,048**	**9,582,251**	**542,155**	**199,849**	**237,720**	**12,705**	**-184,728**	**-178,490**	**9,727,194**	**9,616,315**

Notes to the consolidated income statement for Bank Group

(EUR 1,000)

G4 Interest income and expenses

	2012	2011
Interest income		
Interest income from cash and balances with central banks	1,237	3,290
Interest income from financial assets reported at fair value via the income statement	466	-
Interest income from financial assets available for sale	55,364	69,550
Interest income from claims on credit institutions	2,653	996
Interest income from claims on public and public sector entities	169,962	184,179
Interest income from finance lease contracts	897	996
Interest income from loans and other receivables	173,513	186,171
Interest income from financial assets held until maturity	296	470
Interest income from hedging instruments	196	1,977
Other interest income	2,370	2,755
Total	**233,442**	**264,213**
Interest expenses		
Interest expenses from deposits, credit institutions	-17,890	-21,721
Interest expenses from deposits, other public entities	-39,258	-41,531
Interest expenses from deposits	-57,149	-63,252
Interest expenses for debt securities issued to the public	-97,023	-98,023
Interest expenses for subordinated liabilities	-10,571	-11,032
Interest expenses from securities issued and subordinated liabilities	-107,595	-109,056
Interest expenses for hedging instruments	47,818	36,487
Other interest expenses	-41	-187
Total	**-116,966**	**-136,008**
Net interest income	**116,475**	**128,205**
Deposits and lending	55,129	63,049
Hedging, interest rate risk management	30,780	34,850
Other	30,565	30,307
Net interest income	**116,475**	**128,205**

G5 Dividends

	2012	2011
Dividend income from shares available for sale	53	173
Total	**53**	**173**

G6 Commission income and expenses

	2012	2011
Commission income		
Lending	9,207	7,166
Borrowing	230	167
Payment transactions	16,940	16,124
Asset management services	40,942	39,097
Brokerage of insurance	6,420	6,096
Guarantees and other off-balance sheet commitments	575	652
Other commission income	2,355	2,130
Total	**76,669**	**71,433**
Commission expenses		
Commission expenses	-12,081	-12,443
Money handling	-608	-603
Joint use of ATMs	-1,386	-1,391
Other commission expenses	-3,022	-3,027
Total	**-17,096**	**-17,464**
Net commission income	**59,573**	**53,969**

G7 Net income from financial transactions

	2012	2011
Financial assets held for trading		
Capital gains and losses		
Interest-bearing securities	1	4
Other items	-2	-2
Total	**-1**	**2**
Total	**-1**	**2**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	-201	32
Total	**-201**	**32**
Valuation gains and losses		
Derivative instruments	-3,038	-6,449
Total	**-3,038**	**-6,449**
Total	**-3,239**	**-6,418**
Financial assets available for sale		
Capital gains and losses		
Interest-bearing securities	19,377	-1,236
Shares and participations	1,870	-696
Total	**21,247**	**-1,931**
Transferred to income statement from fund at fair value		
Interest-bearing securities	-18,592	-526
Shares and participations	-	-24
Total	**-18,592**	**-550**
Write-downs		
Interest-bearing securities	1,213	-
Other items	-	-800
Total	**1,213**	**-800**
Total	**3,867**	**-3,282**
Net income from currency trading	1,205	1,176
Net result from hedge accounting		
Ineffective share of cash flow hedging	40	-40
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-51,493	41,640
Financial derivatives hedging issued bonds	43,075	52,063
Changes in the actual value of the hedge instrument, net	-8,418	93,703
Repayable on demand liabilities	51,568	-41,649
Bonds issued	-42,087	-52,769
Changes in the fair value of items that are hedged, net	9,481	-94,418
Total	**1,063**	**-715**
Total hedge accounting	**1,102**	**-755**
Net income from financial transactions	**2,934**	**-9,276**

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.

G8 Net income from investment properties

	2012	2011
Rental income	-46	-18
Write-downs	-261	-
Direct expenses from investment properties, which generated rental income during the accounting period	-42	-33
Total	**-349**	**-50**

G9 Other operating income

	2012	2011
Profit from sale of tangible and intangible assets	-184	-495
Other income from the credit institutution's own business	3,065	3,279
Other operating income	1,835	1,789
Total	**4,716**	**4,573**

G10 Staff

	2012	2011
Salaries and fees	-43,318	-43,093
Pension costs		
Defined contribution plan pensions	-7,271	-7,697
Defined benefit plan pensions	-65	-70
Other indirect employee costs	-2,094	-2,044
Indirect employee costs	-9,430	-9,812
Total	**-52,748**	**-52,905**
Number of employees 31 December		
Full-time	675	714
Part-time	96	98
Temporary	127	141
Total	**898**	**953**
Number of employees converted to full-time equivalents	755	769
Full-time equivalent average number of employees for the reporting period	753	774

G11 Depreciation of tangible and intangible assets

	2012	2011
Depreciation of tangible assets	-1,130	-1,840
Depreciation of intangible assets	-2,234	-2,126
Total	**-3,364**	**-3,965**

G12 Other operating expenses

	2012	2011
Other staff expenses	-2,668	-3,099
Office expenses	-4,510	-4,371
Communication expenses	-2,469	-2,705
Representation and marketing expenses	-3,837	-2,245
Other administrative expenses	-20,896	-18,796
Rental expenses	-10,687	-9,702
Expenses for commercial properties	-1,758	-1,784
Insurance- and security expenses	-2,504	-2,534
Monitoring, control and membership fees	-841	-845
Capital losses from commercial properties and other tangible assets	-	-137
Other operating expenses	-3,299	-6,755
Total	**-53,468**	**-52,972**

G13 Write-downs on other financial assets

	2012	2011
Impairment of shares in Samlink Ltd	-1,817	-
Total	**-1,817**	**-**

G14 Taxes

	2012	2011
Income taxes on the ordinary business	-28,212	-5,606
Income taxes from previous financial years	-48	-7
Changes in deferred taxes	16,858	-2,164
Total	**-11,402**	**-7,777**

More information on deferred taxes is presented in note G26. 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:

	2012	2011
Profit before tax	35,684	33,478
Tax calculated on a 24.5% tax rate (2011; 26%)	8,743	8,704
Effect from change of deferred tax from 26% to 24.5%	-	-1,240
Non-deductible expenses	2,112	1
Tax free income	-27	-91
Unused write-downs for tax purposes	-33	-62
Loss when deferred tax is not recorded	329	343
Tax on the share of the profit from associated companies	110	9
Income taxes from previous financial years	48	7
Other	123	107
Total taxes	**11,402**	**7,777**

Taxes booked directly against the equity is attributable to the fund at fair value and is specified in note G34.

G15 Earnings per share

	2012	2011
Profit for the financial year attributable to shareholders in Aktia Bank plc	23,443	24,718
Average number of shares	3	3
Earnings per share (EPS), EUR	7,814,312.31	8,239,314.30
Total comprehensive income attributable to shareholders in Aktia Bank plc	94,670	6,008
Total earnings per share, EUR	31,556,571.18	2,002,733.92

There is no dilution effect to earnings per share.

Notes to the consolidated balance sheet and other consolidated notes for Bank Group

(EUR 1,000)

G16 Cash and balances with central banks

	2012	2011
Cash in hand	7,960	9,537
Bank of Finland current account	577,931	456,775
Total	**585,891**	**466,313**

G17 Financial assets available for sale

	2012	2011
Interest bearing securities, central and local goverment	58,328	71,050
Interest bearing securities, credit institutions	1,397,950	1,801,334
Interest bearing securities, other	11,733	1,999
Total interest-bearing securities	1,468,011	1,874,384
Shares and holdings that are not publicly quotes	6,147	1,794
Total shares and holdings	6,147	1,794
Total financial assets available for sale	**1,474,158**	**1,876,178**

The Bank Group had no need for impairments of financial assets available for sale. The definition of significant or long-term negative value is described in note G1 Consolidated accounting principles for the Bank Group 2012 in chapter Impairment of financial assets.

G18 Financial assets held until maturity

	2012	2011
Interest-bearing securities, other public corporations	339,911	-
Interest-bearing securities, other	10,109	20,034
Total	**350,020**	**20,034**

G19 Derivative instruments

Derivative instruments, book value

	2012		2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	149,782	34,329	157,190	35,460
Fair value hedging	149,782	34,329	157,190	35,460
Interest rate derivatives	81	-	21,056	4
Cash flow hedging	81	-	21,056	4
Interest rate derivatives	149,971	149,053	118,148	121,483
Currency derivatives	627	1,294	1,951	1,293
Shares derivatives	1,701	1,701	1,312	1,312
Other derivatives	63	63	1,070	1,070
Other derivative instruments	152,363	152,111	122,481	125,158
Total	**302,227**	**186,441**	**300,727**	**160,622**

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

31 December 2012

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	548,000	1,965,000	324,000	2,837,000	149,782	34,329
Total fair value hedging	**548,000**	**1,965,000**	**324,000**	**2,837,000**	**149,782**	**34,329**
Cash flow hedging						
Interest rate swaps	75,000	-	-	75,000	81	-
Total cash flow hedging	**75,000**	**-**	**-**	**75,000**	**81**	**-**
Total interest rate derivatives	**623,000**	**1,965,000**	**324,000**	**2,912,000**	**149,864**	**34,329**
Total hedging derivative instruments	**623,000**	**1,965,000**	**324,000**	**2,912,000**	**149,864**	**34,329**
Other derivative instruments						
Interest rate swaps	664,000	1,312,780	663,200	2,639,980	117,404	116,480
Interest rate option agreements	100,000	1,400,114	140,000	1,640,114	32,567	32,573
Purchased	60,000	767,600	70,000	897,600	32,482	29,611
Written	40,000	632,514	70,000	742,514	85	2,962
Total interest rate derivatives	**764,000**	**2,712,894**	**803,200**	**4,280,094**	**149,971**	**149,053**
Forward rate agreements	55,600	-	-	55,600	627	1,294
Total forward rate agreements	**55,600**	**-**	**-**	**55,600**	**627**	**1,294**
Equity options	24,747	77,404	-	102,151	1,701	1,701
Purchased	12,373	38,702	-	51,075	1,621	80
Written	12,373	38,702	-	51,075	80	1,621
Total equity options	**24,747**	**77,404**	**-**	**102,151**	**1,701**	**1,701**
Options	-	20,752	-	20,752	63	63
Purchased	-	10,376	-	10,376	63	-
Written	-	10,376	-	10,376	-	63
Other derivative instruments	**-**	**20,752**	**-**	**20,752**	**63**	**63**
Total other derivative instruments	**844,347**	**2,811,050**	**803,200**	**4,458,597**	**152,363**	**152,111**
Total derivative instruments	**1,467,347**	**4,776,050**	**1,127,200**	**7,370,597**	**302,227**	**186,441**

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	157,190	35,460
Total fair value hedging	**517,000**	**2,556,000**	**1,012,000**	**4,085,000**	**157,190**	**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**	**178,246**	**35,464**
Total hedging derivative instruments	**517,000**	**3,211,000**	**1,012,000**	**4,740,000**	**178,246**	**35,464**

Other derivative instruments						
Interest rate swaps	598,000	1,751,300	964,480	3,313,780	85,869	89,179
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**	**1,504,480**	**6,372,101**	**118,148**	**121,483**
Forward rate agreements	85,582	-	-	85,582	1,951	1,293
Total forward rate agreements	**85,582**	**-**	**-**	**85,582**	**1,951**	**1,293**
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	**1,317,360**	**3,765,704**	**1,504,480**	**6,587,544**	**122,481**	**125,158**
Total derivative instruments	**1,834,360**	**6,976,704**	**2,516,480**	**11,327,544**	**300,727**	**160,622**

G20 Loans and other receivables

	2012	2011
Repayable on demand receivables from credit institutions	14,645	6,638
Other than repayable on demand receivables from credit institutions	144,024	82,141
Lending to Bank of Finland and credit institutions	158,669	88,779
Transaction account credits, general and corporate	77,897	86,908
Loans	7,166,193	7,019,047
Receivables from finance lease contracts	18,027	20,195
Loans	7,262,117	7,126,150
Write-downs for loans outstanding by group	-14,526	-14,049
Syndicated loans and sale and repurchase agreements, domestic/foreign	-	4,500
Bank guarantee claims	465	450
Lending to the public and public sector entities	7,248,056	7,117,051
Total	**7,406,725**	**7,205,830**

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

A sector-by-sector analysis of receivables from the public and public sector entities as well as write-downs and reversed write-downs for these		
Households	6,222,448	5,965,576
Corporate	712,962	811,555
Housing associations	270,098	288,742
Public sector entities	3,907	6,003
Non-profit organisations	38,641	45,176
Total	**7,248,056**	**7,117,051**

Write-downs during the reporting period		
Write-downs at the beginning of the financial year	63,566	57,592
Individual write-downs on credits	8,739	17,337
Individual write-downs on other commitments	180	1,165
Individual write-downs on interest receivables	40	146
Write-downs on credits outstanding by group	477	-5,251
Reversal of write-downs on individual credits	-2,811	-2,769
Reversal of write-downs on other individual commitments	-24	-1
Reversal of write-downs on interest receivables	-23	-94
Reversal of impairment losses on credits	-213	-46
Total write-downs of the reporting period	6,365	10,487
Realised credit losses for which individual write-downs were made earlier	-4,925	-4,281
Credit losses for other commitments for which write-downs were made earlier	-171	-277
Reversal of impairment losses on credits	213	46
Write-downs at the end of the financial year	**65,049**	**63,566**
Impaired receivables at the beginning of the year, contract value	79,780	69,457
New impaired receivables during this year, contract value	11,985	26,429
Reversal of impaired receivables during this year	-14,091	-16,106
Impaired receivables at the end of the year, contract value	77,674	79,780

Description of collateral obtained is commented on in note G2, Risk management and information on the fair values is given in note G36.

Breakdown of maturity on finance lease receivables		
Under 1 year	5,864	5,695
1–5 years	11,278	14,622
Over 5 years	2,355	2,146
Gross investment	**19,496**	**22,463**
Unearned future finance income	-1,469	-2,268
Net investment in finance leases	**18,027**	**20,195**
Present value of future minimum lease payments receivables		
Under 1 year	5,203	4,798
1–5 years	10,481	13,259
Over 5 years	2,343	2,138
Total	**18,027**	**20,195**

G21 Investments in associated companies

	2012	**2011**
Acquisition cost at 1 January	2,431	2,681
Investments	44	-
Disposals/Equity returns	-79	-250
Acquisition cost at 31 December	2,395	2,431
Share of profits at 1 January	1,036	795
Share of profit from associated companies	-448	-34
Dividends obtained during the financial year	-319	-306
Impairments	-1,817	-
Share of direct entries of equity	-	581
Share of profits at 31 December	-1,548	1,036
Book value at 31 December	**848**	**3,467**

Associated companies at 31 December 2012	Assets	Liabilities	Operating profit	Profit for the period
Samlink Ltd, Helsinki	30,524	19,540	1,441	1,046
ACH Finland Ltd, Espoo	3,370	77	119	118
Total	**33,894**	**19,617**	**1,560**	**1,164**

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

G22 Intangible assets

	2012	2011
Acquisition cost at 1 January	7,445	7,856
Increases	1,015	576
Decreases	-244	-986
Acquisition cost at 31 December	8,216	7,445
Accumulated depreciations and impairments at 1 January	-5,162	-4,799
Accumulated depreciation on decreases	227	760
Planned depreciation	-1,279	-1,123
Accumulated depreciations and impairments at 31 December	-6,213	-5,162
Book value at 31 December	**2,003**	**2,283**

G23 Investment properties

	2012	2011
Shares and participations in real estate corporations		
Acquisition cost at 1 January	716	4
Valuation at fair value	-	712
Acquisition cost at 31 December	716	716
Impairments	-261	-
Accumulated depreciations and impairments at 31 December	-261	-
Book value at 31 December	**455**	**716**

Investment properties are valued at fair value in the Group.

G24 Other tangible assets

Other tangible assets

31 December 2012	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	7,189	7,028	2,319	16,537
Increases	680	702	-	1,382
Decreases	-371	-151	-750	-1,272
Acquisition cost at 31 December	7,498	7,579	1,569	16,647
Accumulated depreciations and impairments at 1 January	-4,727	-4,629	-1,893	-11,250
Accumulated depreciation on decreases	269	22	750	1,041
Planned depreciation	-1,042	-955	-88	-2,085
Accumulated depreciations and impairments at 31 December	-5,501	-5,562	-1,231	-12,294
Book value at 31 December	**1,997**	**2,017**	**338**	**4,353**

31 December 2011	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	6,167	5,984	2,344	14,496
Increases	1,178	1,096	-	2,274
Decreases	-156	-52	-25	-233
Acquisition cost at 31 December	7,189	7,028	2,319	16,537
Accumulated depreciations and impairments at 1 January	-3,427	-3,626	-1,396	-8,448
Accumulated depreciation on decreases	42	-	-	42
Planned depreciation	-1,342	-1,003	-498	-2,843
Accumulated depreciations and impairments at 31 December	-4,727	-4,629	-1,893	-11,250
Book value at 31 December	**2,462**	**2,399**	**426**	**5,287**

G25 Other assets

	2012	**2011**
Accrued income and advance payments	64,181	70,550
Accrued income and advance payments	64,181	70,550
Cash items being collected	169	141
Other assets	1,953	7,464
Other assets	2,122	7,605
Total	**66,303**	**78,155**

G26 Deferred taxes

	2012	**2011**
Deferred tax liabilities/receivables, net		
Net deferred tax liabilities/receivables, net at 1 January	17,039	21,194
Changes during the financial year booked via the income statement	-16,858	2,164
Financial assets:		
- Valuation at fair value directly to equity	21,618	-5,620
- Transferred to the income statement	4,555	135
Cash flow hedging:		
- Valuation at fair value directly to equity	-1,077	-926
- Transferred to the income statement	-1,872	-
Defined-benefit pensions plans via comprehensive income	7	-82
Investment properties valued at fair value via retained earning	-	175
Deferred tax liabilities/receivables,net at 31 December	23,413	17,039
Deferred tax liabilities		
Appropriations	30,194	25,049
Group-specific write-downs	-3,559	-3,442
Financial assets	14,807	0
Cash flow hedging	4,531	7,163
Investment properties valued at fair value	111	175
Total	**46,084**	**28,944**
Deferred tax receivables		
Financial assets	15	11,382
Cash flow hedging	22,535	417
Defined-benefit pension plans	32	50
Other	90	58
Total	**22,671**	**11,905**

Specification of changes during the financial year booked via the income statement		
Appropriations	-5,145	-2,450
Group-specific write-downs	117	-1,287
Cash flow hedging	21,801	601
Investment properties valued at fair value	64	-
Defined-benefit pension plans	-11	-32
Effect from change of deferred tax rate in 2011	-	1,044
Other	32	-41
Total	**16,858**	**-2,164**

G27 Deposits

	2012	**2011**
Repayable on demand liabilities to credit institutions	322,966	324,148
Other than repayable on demand liabilities to credit institutions	734,596	787,936
Liabilities to credit institutions	1,057,561	1,112,083
Repayable on demand deposits	2,755,308	2,354,863
Other than repayable on demand deposits	896,130	1,307,342
Liabilities to the public and public sector entities	3,651,438	3,662,205
Total	**4,709,000**	**4,774,288**

G28 Debt securities issued

	2012		**2011**	
	Book value	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposit	393,385	394,370	429,239	431,250
Bonds	3,154,228	3,159,926	3,382,292	3,393,093
Total	**3,547,613**	**3,554,296**	**3,811,531**	**3,824,343**

31 December 2012	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Certificates of deposit with fixed interest	110,000	284,370	-	-	-	394,370
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed rate	-	500,000	1,700,000	100,000	83,000	2,383,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable rate	-	250,000	375,000	-	-	625,000
Others	-	-	-	-	-	151,926
Total	**110,000**	**1,034,370**	**2,075,000**	**100,000**	**83,000**	**3,554,296**

31 December 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	-	-	-	-	-	107,093
Total	**216,650**	**739,600**	**2,700,000**	**-**	**61,000**	**3,824,343**

Other bonds are included in the same program as the subordinated liabilities, see note G29.

G29 Subordinated liabilities

	2012	2011
Capital loans	30,000	30,000
Debenture loans	223,173	213,705
Loan without due date	45,000	45,000
Total	**298,173**	**288,705**
Nominal value	298,191	288,728
Amount included in upper Tier 2 capital	45,000	45,000
Amount included in lower Tier 2 capital	213,200	196,312

The bank has a bond 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 G28) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

There is one debenture loan amounting to EUR 25.2 million, exceeding 10 % of all subordinated liabilities. The loan was issued 7 May 2012 and has a maturity of 5 years.

G30 Other liabilities to credit institutions

	2012	2011
Other liabilities to deposit banks	411,646	199,211
Other liabilities to credit institutions	217,929	154,324
Total	**629,575**	**353,535**

Other liabilities to deposit banks include liabilities of EUR 73 (75) million with both fixed and variable interest rate to the European Investment Bank, EMTN (Euro Medium Term Note Programme) loans amounting to EUR 220 (20) million issued by Aktia Bank as well as so-called Schuldscheindarlehen loans with fixed interest rate.

Other liabilities to credit institutions refer to repurchase agreements and loans from the central bank as well as to two long-term loans totalling EUR 30 (45) million from the Nordic Investment Bank.

G31 Other liabilities to the public and public sector entities

	2012	2011
Repayable on demand other liabilities	225	225
Other than repayable on demand other liabilities	146,479	51,447
Total	**146,704**	**51,671**

G32 Other liabilities

	2012	2011
Interest liabilities on deposits	11,073	15,084
Other accrued interest expenses and interest income received in advance	51,235	58,101
Advance interest received	1,717	1,248
Accrued interest expenses and interest income received in advance	64,025	74,434
Other accrued expenses and income received in advance	24,594	28,157
Accrued expenses and income received in advance	**88,619**	**102,590**
Cash items in the process of collection	44,839	38,747
Defined benefit plans	130	202
Other liabilities	3,514	5,470
Other liabilities	**48,482**	**44,419**
Total other liabilities	**137,101**	**147,009**

G33 Provisions

	2012	2011
Provisions 1 January	-	-
Increase in provisions	6,850	-
Provisions 31 December	**6,850**	**-**

Aktia Bank plc has decided to invest in a modern core banking system. The change of core banking system results in termination of the present IT service agreement with Samlink Ltd. The service agreement has a period of notice of 24 months. Following the agreement, Aktia is obliged to bear a part of essential development and project costs during the period of notice, even though the company will not be able to profit from the added financial value of the investments in the future. The adequacy of the provision is valued at each time of reporting. Should there be strong indications delays in the system change and termination of the service agreement, extra provisions may have to be made.

G34 Equity

	2012	2011
Share capital	163,000	163,000
Fund at fair value	61,846	-9,359
Restricted equity	224,846	153,641
Unrestricted equity reserve	74,558	44,558
Retained earnings 1 January	120,901	115,898
Dividends to shareholders	-20,000	-20,000
Other changes in retained earnings	-	538
Defined benefit plan pensions, OCI	23	-253
Profit for the reporting period	23,443	24,718
Unrestricted equity	198,924	165,459
Shareholders' share of equity	423,770	319,100
Non-controlling interest's share of equity	64,801	57,735
Equity	488,571	376,835

Share capital and shares

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

Fund at fair value

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

Unrestricted equity reserve

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

Retained earnings

Retained earning contains retained earnings from previous reporting periods, dividends to shareholders and profit for the reporting period. Retained earnings also contains appropriations in the seperate financial statements of Group companies 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	2012	2011
Fund at fair value at 1 January	-9,359	9,098
Profit/loss on the evaluation of the fair value, shares and holdings	4,762	7
Profit/loss on the evaluation of the fair value, interest bearing securities	83,298	-24,301
Deferred taxes on profit/loss on the evaluation of the fair value	-21,618	5,620
Transferred to the income statement, shares and participations, included in:		
Net income from financial assets available for sale	-	24
Deferred taxes	-	-6
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial assets available for sale	18,592	526
Deferred taxes	-4,555	-129
Profit/loss on the evaluation of the fair value for cash flow hedging derivative contracts	-4,581	-1,124
Deferred taxes on profit/loss on the evaluation of the fair value	1,077	926
Transferred to the income statement, cash flow hedging derivative contracts, included in:		
Net income from securities and currency trading	-7,642	-
Deferred taxes	1,872	-
Fund at fair value at 31 December	**61,846**	**-9,359**

Share capital and unrestricted equity reserve	Number of shares	Share capital	Unrestricted equity reserve
1 Januari 2011	3	163,000	44,558
31 December 2011	3	163,000	44,558
31 December 2012	**3**	**163,000**	**44,558**

Bank Group's unrestricted equity	2012	2011
Non-distributable assets in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	77,191	68,258
Share of accumulated appropriations that have been included in the profit for the financial year	15,855	8,934
Total	**93,046**	**77,191**
Distributable assets in unrestricted equity		
Retained earnings 1 January	43,710	47,641
Dividends to shareholders	-20,000	-20,000
Other changes in retained earnings	23	285
Profit for the reporting period	7,588	15,784
Unrestricted equity reserve	74,558	44,558
Total	**105,878**	**88,268**
Total unrestricted equity		
Unrestricted equity reserve	74,558	44,558
Retained earnings 1 January	120,901	115,898
Dividends to shareholders	-20,000	-20,000
Other changes in retained earnings	23	285
Profit for the reporting period	23,443	24,718
Total	**198,924**	**165,459**

Dividends to shareholders

The Board of Directors proposes to the AGM 2013 that a dividend of EUR 9.000.000,00 per share, totalling EUR 27,000,000.00, be paid to the shareholders based on the parent company Aktia Bank plc's distributable assets (see note P34). In 2013, 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.

G35 Classification of financial instruments

Assets

31 December 2012	**Note**	**Held for sale**	**Held to maturity**	**Derivatives used for hedging**	**Loans and receivables**	**Non-financial assets**	**Total**
Cash and balances with central banks	G16				585,891		585,891
Interest-bearing securities	G17, G18	1,468,011	350,020				1,818,031
Shares and participations	G17	6,147					6,147
Derivative instruments	G19			302,227			302,227
Lending to Bank of Finland and credit institutions	G20				158,669		158,669
Lending to the public and public sector entities	G20				7,248,056		7,248,056
Investments in associated companies	G21					848	848
Intangible assets	G22					2,003	2,003
Investment properties	G23					455	455
Other tangible assets	G24					4,353	4,353
Accrued income and advance payments	G25					64,181	64,181
Other assets	G25					2,122	2,122
Income tax receivables						112	112
Deferred tax receivables	G26					22,671	22,671
Total		**1,474,158**	**350,020**	**302,227**	**7,992,616**	**96,744**	**10,215,766**

31 December 2011		**Held for sale**	**Held to maturity**	**Derivatives used for hedging**	**Loans and receivables**	**Non-financial assets**	**Total**
Cash and balances with central banks	G16				466,313		466,313
Interest-bearing securities	G17, G18	1,874,384	20,034				1,894,418
Shares and participations	G17	1,794					1,794
Derivative instruments	G19			300,727			300,727
Lending to Bank of Finland and credit institutions	G20				88,779		88,779
Lending to the public and public sector entities	G20				7,117,051		7,117,051
Investments in associated companies	G21					3,467	3,467
Intangible assets	G22					2,283	2,283
Investment properties	G23					716	716
Other tangible assets	G24					5,287	5,287
Accrued income and advance payments	G25					70,550	70,550
Other assets	G25					7,605	7,605
Income tax receivables						22,253	22,253
Deferred tax receivables	G26					11,905	11,905
Total		**1,876,178**	**20,034**	**300,727**	**7,672,143**	**124,068**	**9,993,150**

Liabilities

31 December 2012		**Derivatives used for hedging**	**Other financial liabilities**	**Non-financial liabilities**	**Total**
Deposits from credit institutions	G27		1,057,561		1,057,561
Deposits from the public and public sector entities	G27		3,651,438		3,651,438
Derivative instruments	G19	186,441			186,441
Debt securities issued	G28		3,547,613		3,547,613
Subordinated liabilities	G29		298,173		298,173
Other liabilities to credit institutions	G30		629,575		629,575
Other liabilities to the public and public sector entities	G31		146,704		146,704
Accrued expenses and income received in advance	G32			88,619	88,619
Other liabilities	G32			48,482	48,482
Provisions	G33			6,850	6,850
Income tax liabilities				19,654	19,654
Deferred tax liabilities	G26			46,084	46,084
Total		**186,441**	**9,331,064**	**209,690**	**9,727,194**

31 December 2011		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G27		1,112,083		1,112,083
Deposits from the public and public sector entities	G27		3,662,205		3,662,205
Derivative instruments	G19	160,622			160,622
Debt securities issued	G28		3,811,531		3,811,531
Subordinated liabilities	G29		288,705		288,705
Other liabilities to credit institutions	G30		353,535		353,535
Other liabilities to the public and public sector entities	G31		51,671		51,671
Accrued expenses and income received in advance	G32			102,590	102,590
Other liabilities	G32			44,419	44,419
Income tax liabilities				9	9
Deferred tax liabilities	G26			28,944	28,944
Total		**160,622**	**9,279,730**	**175,963**	**9,616,315**

G36 Fair value of financial assets and liabilities

Financial assets	2012		2011	
	Book value	Fair value	Book value	Fair value
Cash and balances with central banks	585,891	585,891	466,313	466,313
Financial assets available for sale	1,474,158	1,474,158	1,876,178	1,876,178
Financial assets held until maturity	350,020	349,651	20,034	19,045
Derivative instruments	302,227	302,227	300,727	300,727
Loans and other receivables	7,406,725	7,212,210	7,205,830	7,142,357
Total	**10,119,021**	**9,924,138**	**9,869,082**	**9,804,620**

Financial liabilities	2012		2011	
	Book value	Fair value	Book value	Fair value
Deposits	4,709,000	4,641,431	4,774,288	4,735,437
Derivative instruments	186,441	186,441	160,622	160,622
Debt securities issued	3,547,613	3,575,026	3,811,531	3,814,468
Subordinated liabilities	298,173	308,245	288,705	289,747
Other liabilities to credit institutions	629,575	642,355	353,535	358,335
Other liabilities to the public and public sector entities	146,704	146,779	51,671	51,715
Total	**9,517,505**	**9,500,277**	**9,440,352**	**9,410,323**

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.

G37 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets

31 December 2012	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	G16	585,891	-	-	-	-	585,891
Financial assets available for sale	G17	52,001	108,442	1,261,065	46,503	6,147	1,474,158
Financial assets held until maturity	G18	-	4,400	243,535	102,084	-	350,020
Derivative instruments	G19	4,738	13,609	203,275	54,071	26,534	302,227
Loans and other receivables	G20	271,919	922,149	2,062,463	1,807,978	2,342,217	7,406,725
Total		**914,549**	**1,048,600**	**3,770,338**	**2,010,637**	**2,374,898**	**10,119,021**

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	G16	466,313	-	-	-	-	466,313
Financial assets available for sale	G17	145,345	304,273	1,191,946	232,821	1,794	1,876,178
Financial assets held until maturity	G18	713	9,212	10,109	-	-	20,034
Derivative instruments	G19	5,585	16,905	176,015	93,645	8,577	300,727
Loans and other receivables	G20	610,110	590,558	1,921,481	1,549,315	2,534,366	7,205,830
Total		**1,228,065**	**920,948**	**3,299,551**	**1,875,781**	**2,544,738**	**9,869,082**

Liabilities

31 December 2012	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G27	3,839,222	548,015	114,286	-	207,477	4,709,000
Derivative instruments	G19	5,696	8,235	111,494	54,345	6,671	186,441
Debt securities issued	G28	114,537	1,034,304	2,210,850	104,922	83,000	3,547,613
Subordinated liabilities	G29	18,770	92,917	151,924	4,562	30,000	298,173
Other liabilities to credit institutions	G30	106,929	19,955	357,760	31,289	113,643	629,575
Other liabilities to the public and public sector entities	G31	58,500	85,600	-	-	2,604	146,704
Total		**4,143,654**	**1,789,026**	**2,946,313**	**195,119**	**443,394**	**9,517,505**

31 December 2011	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G27	3,644,243	860,127	171,784	3,027	95,107	4,774,288
Derivative instruments	G19	4,798	9,549	85,477	55,933	4,865	160,622
Debt securities issued	G28	341,314	583,877	2,825,341	-	61,000	3,811,531
Subordinated liabilities	G29	18,113	46,959	185,806	7,827	30,000	288,705
Other liabilities to credit institutions	G30	68,324	15,000	129,761	38,476	101,973	353,535
Other liabilities to the public and public sector entities	G31	9,420	39,000	-	-	3,251	51,671
Total		**4,086,213**	**1,554,511**	**3,398,168**	**105,263**	**296,197**	**9,440,352**

G38 Collateral assets and liabilities

Collateral assets

For the bank 31 December 2012	Type of security	The nominal value of the liability	The value of the security
Liabilities to credit institutions	Bonds	360,720	369,339
Collateral provided in connection with repurchasing agreements	Bonds	106,929	106,963
Collateral provided in connection with contracts of pledge	Bonds	36,000	36,799
Collateral provided in connection with contracts of pledge	Cash and balances with central banks	52,280	52,280
Total		**555,929**	**565,381**

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**

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

As of 31 December 2012	-	-	-
As of 31 December 2011	-	-	-

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 2012	Type of security	The nominal value of the liability	The value of the security
Collateral received in connection with pledging agreements	Cash and balances with central banks	245,460	245,460
Securities received in conjunction with repurchase agreements	Bonds	161,763	160,115
Total		**407,223**	**405,575**

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 pledging agreements	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**

G39 Off-balance sheet commitments

	2012	2011
Guarantees	34,602	42,229
Other commitments provided to a third party on behalf of a customer	3,350	3,348
Unused credit arrangements	307,574	419,841
Total	**345,526**	**465,418**

Off-balance sheet commitments, exclude rental commitments.

31 December 2012	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Guarantees	6,390	8,239	9,974	7,563	2,436	34,602
Other commitments provided to a third party on behalf of a customer	695	190	841	234	1,391	3,350
Unused credit arrangements	124,829	175,345	2,805	-	4,595	307,574
Total	**131,914**	**183,775**	**13,619**	**7,797**	**8,421**	**345,526**

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	168,863	245,938	2,689	59	2,293	419,841
Total	**176,438**	**256,545**	**13,572**	**12,470**	**6,393**	**465,418**

G40 Rent commitments

	2012	2011
Less than 1 year	8,835	8,101
1–5 years	26,515	31,876
More than 5 years	5,240	4,551
Total	**40,590**	**44,527**

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.

G41 Companies included in the consolidated accounts

(EUR 1.000)

Companies included in consolidated accounts (ownership over 50 %)	2012		2011	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Financing				
Aktia Real Estate Mortgage Bank Plc, Helsinki	50.9	61,885	49.9	52,656
Aktia Kort Ab (liquidated 2012), Helsinki	-	-	100.0	799
Aktia Corporate Finance Ltd, Helsinki	100.0	8,503	100.0	8,503
Aktia Invest Ltd, Helsinki	70.0	1,112	70.0	1,138
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	86.0	1,468	86.0	1,468
Total		**75,476**		**67,072**

Business transactions with companies included in the Bank Group	2012	2011
Credits and guarantees	624,035	472,620
Deposits	25,117	16,782
Receivables	20,410	20,559
Liabilities	34,096	31,144
Subordinated liability 1)	30,000	30,000
Credits and guarantees 1 January	472,620	425,023
Increase / decrease	151,415	47,597
Credits and guarantees 31 December	**624,035**	**472,620**
Deposits 1 January	16,782	17,973
Increase / decrease	8,335	-1,191
Deposits 31 December	**25,117**	**16,782**
Subordinated liability 1 January	30,000	30,000
Increase / decrease	-	-
Subordinated liability 31 December	**30,000**	**30,000**
Income and expenses from other activities		
Group contribution for Aktia plc from Group's wholly-owned subsidiaries	-1,600	-3,900
Group contribution for Aktia Fastighetsförmedling Ab from Group's wholly-owned subsidiaries	-1,500	-
Total	**-3,100**	**-3,900**

1) Capital loan from Aktia plc. The loan is a capital loan in accordance with section 45, paragraph 1, point 4 in the Act on Credit Institutions with the same right of priority as the borrowers shareholders' equity and lower right of priority as the borrowers other commitments such as bonds and subordinated debts. The loan may not be used to set off counter-claims. The loan has no due date. As of 28 April 2015, the borrower is entitled to premature payment providing the Finnish Financial Supervisory Authority grants permission for premature repayment of the loan. The loan has an interest rate of 12 months Euribor + 4,0 %. The interest is payable per annum providing the borrower has distributable assets according to approved balance sheet for the previous reporting period.

Shares in associated companies (ownership 20-50%)	2012		2011	
	Percentage of all shares	Book value	Percentage of all shares	Book value
Data processing				
Samlink Ltd, Helsinki	22.6	0	22.6	1,697
Others				
ACH Finland Ltd	25.8	778	24.5	734
Total		**778**		**2,431**

Business transactions with associated companies	2012	2011
Deposits	1,188	450
Services bought from associated companies	16,872	16,458
Deposits 1 January	450	2,469
Increase / decrease	738	-2,019
Deposits 31 December	**1,188**	**450**

The positions of the Board of Directors, the Managing Director and the Executive Committee of Aktia Bank plc are held by the same persons holding the corresponding positions in Aktia plc. Aktia Bank plc does not pay separate remuneration to them. Information on transactions with Group's key persons is included in the financial satements of Aktia plc.

G42 Defined benefit plans

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

	2012	2011
Current service cost	-57	-55
Interest expenses	-158	-148
Expected return on plan assets	150	133
Expense recognised in income statement	**-65**	**-70**
Actuary gains (+) / losses (-)	30	-335
Total comprehensive income before taxes	**-35**	**-405**

Cumulative acturial losses amount to EUR 305,000.

	2012	2011
Present value of obligation 1 January	3,331	-
Current service cost	57	55
Interest expenses	158	148
Actuary gains (-) and losses (+)	766	3,127
Benefits paid	-525	-
Present value of obligation 31 December	**3,787**	**3,331**
Fair value of plan assets 1 January	3,129	-
Expected return on plan assets	150	133
Actuary gains (+) / losses (-)	796	2,792
Benefits paid	-525	-
Contributions	108	203
Fair value of plan assets 31 December	**3,658**	**3,129**

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.

	2012	2011
Present value of obligation	3,787	3,331
Fair value of plan assets	-3,658	-3,129
Liability recognised in balance sheet	**130**	**202**

All the Group's obligations are funded

	2012	2011
Liability recognised in balance sheet 1 January	202	-
Additional expense (+) to local GAAP	-43	-132
Recognised acturial gains (-) / losses (+) during the period in OCI	-30	335
Liability recognised in balance sheet 31 December	**130**	**202**

The Group has in 2012 made experience-based adjustments concerning obligations of EUR -14,000 and assets amounting of EUR -1.262,000, totalling EUR -1.276,000.

The Group is expected to pay approximately EUR 0.1 million contributions to the defined benefit plans during 2013.

Actuarial assumptions	2012	2011
Discount rate, %	3.10%	4.66%
Expected rate of return on plan assets	3.10%	4.66%
Rate of salary increase	3.00%	3.00%
Rate of benefit increase	0.30%	0.30%
Rate of inflation, %	2.00%	2.00%
Mortality	Compertz	Compertz
Average remaining service years	9	8

G43 The customer assets beeing managed

	2012	2011

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

	2012	2011
Customer assets being managed		
Funds in discretionary asset management services	3,601,307	2,943,263
Funds within the framework of investment advising according to a separate agreement	3,995,810	3,680,788
Total funds in asset management services	**7,597,117**	**6,624,051**

G44 PS savings

	2012	2011

Aktia Bank plc offers long-term savings agreements for privare customers. The saving comprises bank accounts, investments in mutual funds, bonds and shares.

	2012	2011
Customer assets witin PS savings		
PS Savings account	77	61
PS Deposit	64	43
Total	**141**	**104**
Customers' PS investments		
Investments in mutual funds	667	563
Shares	25	23
Total	**692**	**586**

G45 Events after the end of the financial year

Aktia invests in a modern core banking system. For Aktia, the costs of the investment, including migration from the old system, corresponds to IT expenses for one year, i.e. EUR 25 million. A modern core banking system enables more efficient processes and considerably lower operating IT expenses. The new system is expected to be in use in 2015.

To continue as central credit institution with the new Basel III regulation would, in the long run, be a significant burden both in the respect of profit and liquidity. Aktia will phase out the services so that they are terminated at the beginning of 2015.

The Board of Directors of Aktia plc and Aktia Bank plc has on 14 February 2013 approved and signed a merger plan. The Board of Directors proposes to the Annual General Meeting a merger of Aktia plc with Aktia Bank plc.

Jannica Fagerholm has informed that she resigns from her position as member of the Board of Directors of Aktia Bank plc on 27 February 2013.

Income statement for the parent company – Aktia Bank plc

(EUR 1,000)	Note	2012	2011
Interest income	P2	151,131	177,092
Interest expenses	P2	-41,715	-58,154
Net interest income		109,415	118,939
Income from equity instruments	P3	1,381	10,527
Commission income	P4	46,803	39,539
Commission expenses	P4	-4,729	-4,222
Net commission income		42,074	35,317
Net income from securities and currency trading	P5	-3,227	-1,582
Net income from financial assets available for sale	P6	3,861	-3,348
Net result from hedge accounting	P7	2,048	-921
Net income from investment properties	P8	-24	11
Other operating income	P9	7,989	6,394
Staff costs	P10	-46,429	-45,847
IT-expenses		-25,860	-17,733
Other administrative expenses	P11	-30,270	-26,643
Total administrative expenses		-102,559	-90,223
Depreciation and impairment of tangible and intangible assets	P12	-2,639	-3,305
Other operating expenses	P13	-18,316	-19,691
Write-downs on credits and other commitments	P14	-5,336	-9,227
Write-downs on other financial assets	P15	-1,618	-
Operating profit		**33,048**	**42,890**
Appropriations		-21,000	-10,000
Taxes		-4,654	-4,238
Profit for the reporting period		**7,394**	**28,652**

Balance sheet for the parent company – Aktia Bank plc

(EUR 1,000)	Note	2012	2011
Assets			
Cash and balances with central banks		585,891	466,313
Bonds that are eligible for refinancing with central banks	P17,P20	1,782,116	1,877,826
Receivables from credit institutions	P18	722,101	463,593
Receicables from the public and public sector entities	P19	3,326,902	3,222,253
Bonds from public sector entities		41,780	40,847
Other bonds		10,109	20,034
Total bonds	P20	51,889	60,882
Shares and participations	P21	77,638	71,297
Derivative instruments	P22	274,645	262,113
Intangible assets	P23	3,691	3,547
Investment properties and shares and participations in investment properties	P24	4	4
Other tangible assets	P24	2,277	2,776
Tangible assets		2,281	2,780
Other assets	P25	992	6,748
Accrued expenses and advance payments	P26	119,475	151,492
Deferred tax receivables	P27	22,233	11,251
Total assets		**6,969,854**	**6,600,093**
Liabilities			
Liabilities to credit institutions	P28	1,493,091	1,376,887
Deposits		3,686,014	3,693,560
Other liabilities		146,704	51,671
Liabilities to the public and public sector entities	P29	3,832,718	3,745,231
Debt securities issued to the public	P30	470,644	521,898
Derivatives and other liabilities held for trading	P22	257,959	196,550
Other liabilities	P31	46,593	37,574
Provisions	P32	6,850	-
Accrued expenses and income received in advance	P33	116,116	102,853
Subordinated liabilities	P34	281,121	271,036
Deferred tax liabilities	P35	18,761	8,070
Total liabilities		**6,523,852**	**6,260,101**
Accumulated appropriations		123,240	102,240
Equity			
Share capital	P36	163,000	163,000
Fund at fair value	P36	57,815	-9,801
Unrestricted equity reserve		74,558	44,558
Retained earnings 1 January		39,996	31,344
Dividends to shareholders		-20,000	-20,000
Profit for the reporting period		7,394	28,652
Total equity	**P36**	**322,762**	**237,752**
Total liabilities and equity		**6,969,854**	**6,600,093**

Off-balance-sheet commitments for the parent company – Aktia Bank Plc

(EUR 1,000)	Note	2012	2011
Off-balance-sheet commitments	P43		
Guarantees and pledges		34,622	42,229
Other		3,350	3,348
Commitments provided to a third party on behalf of the customer		37,972	45,576
Unused credit arrangements		376,042	492,441
Irrevocable commitments given in favour of a customer		376,042	492,441
Total		**414,014**	**538,018**

Cash flow statement for the parent company – Aktia Bank plc

(EUR 1,000)	2012	2011
Cash flow from operating activities		
Operating profit	33,048	42,890
Adjustment items not included in cash flow for the period	-3,778	13,653
Unwinded cash flow hedging	17,511	17,597
Unwinded fair value hedging	92,091	-
Paid income taxes	13,893	-32,972
Increase (-) or decrease (+) in receivables from operating activities	**-145,378**	**721,174**
Bonds	198,606	628,992
Receivables from credit institutions	-250,501	-95,116
Receicables from the public and public sector entities	-109,985	177,666
Other assets	16,502	9,632
Increase (+) or decrease (-) in liabilities from operating activities	**96,259**	**-532,915**
Liabilities to credit institutions	108,142	-613,926
Liabilities to the public and public sector entities	39,551	94,652
Debt securities issued to the public	-51,255	-19,062
Other liabilities	-180	5,420
Total cash flow from operating activities	**103,645**	**229,426**
Cash flow from investing activities		
Financial assets held until maturity, increase	9,928	1,428
Equity returns	106	-
Investments in group companies and associated companies	-44	-3,831
Proceeds from sale of group companies and associated companies	-	338
Investment in tangible and intangible assets	-2,534	-2,673
Disposal of tangible and intangible assets	248	269
Share issue of Aktia Plc to Aktia Real Estate Mortgage Bank plc	-9,229	-13,522
Total cash flow from investing activities	**-1,524**	**-17,991**
Cash flow from financing activities		
Subordinated liabilities, increase	74,526	67,219
Subordinated liabilities, decrease	-61,395	-61,642
Paid dividends	-20,000	-20,000
Increase in unrestricted equity reserve	30,000	-
Total cash flow from financing activities	**23,131**	**-14,423**
Change in cash and cash equivalents	**125,252**	**197,012**
Cash and cash equivalents at the beginning of the year	472,951	275,939
Cash and cash equivalents at the end of the year	600,537	472,951
Cash and equivalents transferred in connection with transfer of business operations	2,334	-
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,960	9,537
Bank of Finland current account	577,931	456,775
Repayable on demand receivables from credit institutions	14,645	6,638
Total	**600,537**	**472,951**

Adjustment items not included in cash flow for the period consist of:		
Reversal impairment of bonds	-1,213	-
Write-downs on other financial assets	1,618	-
Write-downs on credits and other commitments	5,336	9,227
Change in fair values	-4,375	3,709
Depreciation and impairment of intangible and tangible assets	2,639	3,305
Capital gains and losses	-	-41
Change in provisions	6,850	-
Unwinded cash flow hedging	-11,660	-2,547
Unwinded fair value hedging	-1,346	-
Other adjustments	-1,628	-
Total	**-3,778**	**13,653**

P1 The parent company's accounting principles

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

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividends

Interest income and expenses are allocated according to 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 interest expenses attributable to Financial assets held for trading are reported in the income statement as Net income from securities and currency trading.

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

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

Commissions

Commission income and commission expenses are generally reported in accordance with the accruals convention.

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are recognised in the income statement 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

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. 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 receivable 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. 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.

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 fair 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.

Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category Financial assets available for sale. The unrealised value change is recognised in equity in the Fund at fair value 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 included in Net income from financial assets available for sale.

Financial assets held until maturity

Debt certificates to be held until maturity are reported in the category 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 reporting period, the difference compared with the acquisition cost is entered as an expense. The difference between the acquisition cost 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.

Reclassification

Financial assets, excluding derivatives, available for sale may be reclassified to assets held until maturity if Aktia intends and has the opportunity to hold the financial assets for the foreseeable future or until maturity. At the time of reclassification, the assets to be reclassified shall comply with the definitions of the category to which they are reclassified. A prerequisite for reclassification to the category Financial assets held until maturity is that Aktia has changed the purpose of the holdings and has the opportunity to hold the financial assets until maturity.

Reclassification is made at fair value at the time of reclassification. The fair value will be the original acquisition cost or accrued acquisition cost.

Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities and debt securities to the public are reported in the category Financial liabilities. Financial liabilities are included in the balance sheet at their acquisition cost on entering into the agreement, and subsequently at their accrued acquisition cost. In the cash flow statement, issued debts are deemed to belong to the bank's 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.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2) and valuation techniques not using observable market data (level 3).

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 Company 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 Company's Value-at-Risk calculation.

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, a breach of contract such as delayed payment of interests or capital occurs, 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 of the 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. The valuation of write-downs takes into account the whole lifetimes of the portfolios, whereas changes in credit quality and security values are expected to occur within 12 months from the time of assessment.

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.

Derivative instruments are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedges or cash flow hedges according to the following accounting principles.

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 group of derivatives (or proportions thereof) to be used as hedging instruments which eliminates certain restrictions for hedging strategies for fair value in the hedging of borrowing and under-hedges. Aktia applies the EU's 'carve out' hedging to Balance items repayable on demand i.e. to portfolio hedging of on demand deposit accounts and savings accounts. The aim is to neutralise the potential changes in fair value of assets and liabilities, and to stabilise the Company's 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. In the balance sheet, the change in value of the hedged item is reported as adjusted value of the hedged balance sheet item. 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 remaining period until maturity or over the terminated hedging instrument's original lifetime.

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 this year 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. 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 thereafter re-valued 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

Real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Company. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If only part of the premises is used by the Company, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their acquisition value. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments.

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

Provisions

A provision is reported where the Company 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 Company 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.

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.

Notes to the parent company's income statement – Aktia Bank plc

(EUR 1,000)

P2 Interest income and expenses

	2012	2011
Interest income		
Receivables from credit institutions	12,635	11,215
Receivables from the public and public sector entities	80,484	92,840
Bonds	57,616	71,068
Derivatives	196	1,977
Other interest income	199	-8
Total	**151,131**	**177,092**
Interest expenses		
Liabilities to credit institutions	-13,698	-21,666
Liabilities to the public and public sector entities	-39,350	-41,806
Debt securities issued to the public	-6,028	-8,712
Derivatives and liabilities held for trading	27,523	24,635
Subordinated liabilities	-10,125	-10,537
Other interest expenses	-37	-68
Total	**-41,715**	**-58,154**
Net interest income	**109,415**	**118,939**

P3 Income from equity instruments

	2012	2011
Income from companies within the same Group	1,009	10,047
Income from associated companies	319	306
Income from shares available for sale	53	173
Total	**1,381**	**10,527**

P4 Commission income and expenses

	2012	2011
Commission income		
Lending	7,805	6,105
Borrowing	230	167
Payment transactions	16,463	11,838
Asset management services	13,244	12,844
Brokerage of insurance	6,419	6,095
Guarantees and other off-balance sheet commitments	575	652
Other commission income	2,068	1,837
Total	**46,803**	**39,539**
Commission expenses		
Commission expenses	-71	-238
Money handling	-608	-603
Joint use of ATMs	-1,386	-1,391
Other commission expenses	-2,665	-1,988
Total	**-4,729**	**-4,222**
Net commission income	**42,074**	**35,317**

P5 Net income from securities and currency trading

	2012	2011
Interest-bearing securities		
Capital gains and losses	1	4
Total	**1**	**4**
Derivative instruments		
Capital gains and losses	-4,454	-2,750
Total	**-4,454**	**-2,750**
Other		
Capital gains and losses	-2	-2
Total	**-2**	**-2**
Total		
Capital gains and losses	-4,454	-2,748
Net income from securities	**-4,454**	**-2,748**
Net income from currency trading	1,227	1,166
Net income from securities and currency trading	**-3,227**	**-1,582**

P6 Net income from financial assets available for sale

	2012	2011
Interest-bearing securities		
Capital gains and losses	778	-1,201
Transferred to income statement from fund at fair value	-	-561
Reversal of impairment losses	1,213	-
Total	**1,991**	**-1,762**
Shares and participations		
Capital gains and losses	1,870	-741
Transferred to income statement from fund at fair value	-	-45
Total	**1,870**	**-786**
Other		
Impairments	-	-800
Total	**-**	**-800**
Total		
Capital gains and losses	2,648	-1,942
Transferred to income statement from fund at fair value	-	-606
Impairments	-	-800
Reversal of impairment losses	1,213	-
Total	**3,861**	**-3,348**

P7 Net result from hedge accounting

	2012	2011
Ineffective share of cash flow hedging	40	-40
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-40,655	68,836
Financial derivatives hedging issued bonds	7,704	-23,473
Changes in the actual value of the hedge instrument, net	-32,951	45,363
Repayable on demand liabilities	42,810	-69,242
Bonds issued	-7,851	22,998
Changes in the fair value of items that are hedged, net	34,959	-46,244
Total	**2,008**	**-881**
Total cash flow hedging	**2,048**	**-921**

P8 Net income from investment properties

	2012	2011
Rental income	18	44
Other expenses for investment properties	-42	-33
Total	**-24**	**11**

P9 Other operating income

	2012	2011
Compensation from insurance companies	2	263
Income received for services as central financial institution	2,638	2,606
Internal Group compensations	791	935
Other operating income	4,558	2,590
Total	**7,989**	**6,394**

P10 Staff

	2012	2011
Salaries and fees	-36,036	-36,186
Transfer to the personnel fund	-1,944	-857
Pension costs	-6,504	-6,908
Other indirect employee costs	-1,946	-1,896
Indirect employee costs	-8,450	-8,805
Total	**-46,429**	**-45,847**
Number of employees 31 December		
Full-time	612	641
Part-time	96	92
Temporary	118	123
Total	**826**	**856**

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.

P11 Other administrative expenses

	2012	2011
Other staff expenses	-2,379	-2,704
Office expenses	-3,860	-2,892
Communication expenses	-2,164	-2,261
Representation and marketing expenses	-3,692	-2,036
Other administrative expenses	-18,175	-16,750
Total	**-30,270**	**-26,643**

P12 Depreciation and impairment of tangible and intangible assets

	2012	2011
Depreciation of tangible assets	-1,094	-1,776
Depreciation of intangible assets	-1,546	-1,529
Total	**-2,639**	**-3,305**

P13 Other operating expenses

	2012	2011
Rental expenses	-10,072	-8,877
Expenses for commercial properties	-1,705	-1,727
Insurance- and security expenses	-2,502	-2,533
Monitoring, control and membership fees	-534	-549
Other expenses	-3,505	-6,006
Total	**-18,316**	**-19,691**

P14 Write-downs on credits and other commitments

	2012	2011
Receivables from the public and public sector entities		
Individual write-downs	-6,761	-16,554
Write-downs by group	-477	5,251
Reversals of and recoveries of write-downs	1,917	2,122
Reversals of credit losses	2	10
Total	**-5,319**	**-9,172**
Interest receivables		
Individual write-downs	-40	-138
Reversals of and recoveries of write-downs	23	82
Total	**-17**	**-55**
Total write-downs on credits and other commitments	**-5,336**	**-9,227**

P15 Write-downs on other financial assets

	2012	2011
Impairment of shares in Samlink Ltd	-1,618	-
Total	**-1,618**	**-**

P16 Income by business area

	2012	2011
Income by business area		
Real estate operations	-24	11
Banking	167,773	168,977
Total	**167,748**	**168,989**
Operating profit by business area		
Real estate operations	-24	11
Banking	33,072	42,878
Total	**33,048**	**42,890**
Personnel by business area		
Banking	826	856
Total	**826**	**856**

The bank 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 Bank plc

(EUR 1,000)

P17 Bonds that are eligible for refinancing with central banks

	2012	2011
Government bonds	16,549	19,967
Other	1,765,567	1,857,859
Total	**1,782,116**	**1,877,826**

P18 Claims on credit institutions

	2012	2011
Repayable on demand		
Finnish credit institutions	924	1,303
Foreign credit institutions	13,722	5,335
Total	**14,645**	**6,638**
Other than repayable on demand		
Finnish credit institutions	699,676	447,440
Foreign credit institutions	7,780	9,515
Total	**707,456**	**456,955**
Total claims on credit institutions	**722,101**	**463,593**

P19 Receivables from the public and public sector entities

	2012	2011
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	2,389,653	2,176,051
Corporate	718,250	812,715
Housing associations	176,452	182,309
Public sector entities	3,907	6,003
Non-profit organisations	38,641	45,176
Total	**3,326,902**	**3,222,253**

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

	2012	2011
Write-downs during the financial year		
Write-downs at the beginning of the financial year	61,853	56,841
Transferred from Aktia Card Ltd	39	-
Receivables from the public and public sector entities		
Individual write-downs	6,761	16,554
Group write-downs	477	-5,251
Individual write-downs that were reversed	-1,917	-2,122
Credit losses for which individual write-downs were made earlier	-2,664	-4,170
Write-downs at the end of the financial year	**64,549**	**61,853**

P20 Bonds by financial instrument

	Total 2012	Of which, the bonds that are eligible for refinan-cing with central banks	Total 2011	Of which, the bonds that are eligible for refinan-cing with central banks
Bonds available for sale				
Publicly quoted	1,459,268	1,459,268	1,906,044	1,892,985
Other	24,717	20,769	12,629	7,297
Total	**1,483,985**	**1,480,037**	**1,918,673**	**1,900,282**
Bonds held until maturity				
Publicly quoted	350,020	339,911	20,034	-
Total	**350,020**	**339,911**	**20,034**	**-**
Total bonds	**1,834,004**	**1,819,948**	**1,938,707**	**1,900,282**

P21 Shares and participations

	2012	2011
Shares and participations available for sale		
Credit institutions	168	168
Other	1,217	1,626
Total	**1,385**	**1,794**
Total shares and participations	**1,385**	**1,794**
Shares and participations in associated companies		
Credit institutions	778	734
Other companies	0	1,697
Total	**778**	**2,431**
Shares and participations in group companies		
Credit institutions	70,388	61,958
Other companies	5,087	5,113
Total	**75,476**	**67,072**
Total shares and participations	**77,638**	**71,297**

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

P22 Derivative instruments

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

31 December 2012

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest forward rate agreements	75,000	-	-	75,000	31	-
Interest rate swaps	2,277,300	5,812,240	1,187,410	9,276,950	307,902	283,052
Interest rate option agreements	246,320	1,783,532	140,000	2,169,852	32,567	32,713
Purchased	206,320	1,151,018	70,000	1,427,338	32,482	29,751
Written	40,000	632,514	70,000	742,514	85	2,962
Total	**2,598,620**	**7,595,772**	**1,327,410**	**11,521,802**	**340,500**	**315,765**
Total interest rate derivatives	**2,598,620**	**7,595,772**	**1,327,410**	**11,521,802**	**340,500**	**315,765**
Forward rate agreements	55,600	-	-	55,600	627	1,294
Total forward rate agreements	**55,600**	**-**	**-**	**55,600**	**627**	**1,294**
Equity options	24,747	77,404	-	102,151	1,701	1,701
Purchased	12,373	38,702	-	51,075	1,621	80
Written	12,373	38,702	-	51,075	80	1,621
Total equity options	**24,747**	**77,404**	**-**	**102,151**	**1,701**	**1,701**
Options	-	20,752	-	20,752	63	63
Purchased	-	10,376	-	10,376	63	-
Written	-	10,376	-	10,376	-	63
Other derivative instruments	**-**	**20,752**	**-**	**20,752**	**63**	**63**
Total derivative instruments	**2,678,967**	**7,693,928**	**1,327,410**	**11,700,304**	**342,891**	**318,823**

31 December 2011

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest forward rate agreements	79,000	-	-	79,000	76	95
Interest rate swaps	1,946,100	7,451,910	2,076,290	11,474,300	282,897	227,065
Interest rate option agreements	751,063	2,979,825	540,000	4,270,887	53,335	33,067
Purchased	431,063	2,027,104	270,000	2,728,167	52,590	29,620
Written	320,000	952,721	270,000	1,542,721	745	3,447
Total	**2,776,163**	**10,431,735**	**2,616,290**	**15,824,187**	**336,308**	**260,227**
Total interest rate derivatives	**2,776,163**	**10,431,735**	**2,616,290**	**15,824,187**	**336,308**	**260,227**
Forward rate agreements	85,582	-	-	85,582	1,951	1,293
Total forward rate agreements	**85,582**	**-**	**-**	**85,582**	**1,951**	**1,293**
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 derivative instruments	**2,867,523**	**10,555,818**	**2,616,290**	**16,039,630**	**340,641**	**263,902**

Derivative instruments' fair values include accrued interest.

P23 Intangible assets

31 December 2012	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at January, 1	4,267	5,222	9,488
Transferred assets	405	-	405
Increases	980	702	1,682
Decreases	-1,381	-151	-1,531
Acquisition cost at December, 31	4,271	5,773	10,044
Accumulated depreciations and impairments at Jan, 1	-2,950	-2,992	-5,941
Transferred assets	-251	-	-251
Accumulated depreciation on decreases	1,364	22	1,386
Planned depreciation	-647	-898	-1,546
Accumulated depreciations and impairments at Dec, 31	-2,484	-3,868	-6,353
Book value at December, 31	**1,787**	**1,905**	**3,691**

31 December 2011	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at January, 1	3,927	4,178	8,105
Increases	439	1,096	1,534
Decreases	-98	-52	-151
Acquisition cost at December, 31	4,267	5,222	9,488
Accumulated depreciations and impairments at Jan, 1	-2,359	-2,053	-4,412
Planned depreciation	-591	-939	-1,529
Accumulated depreciations and impairments at Dec, 31	-2,950	-2,992	-5,941
Book value at December, 31	**1,317**	**2,230**	**3,547**

P24 Tangible assets

	2012	2011
Investment properties		
Shares and participations in real estate corporations		
Acquisition cost at January, 1	4	4
Acquisition cost at December, 31	4	4
Book value at December, 31	**4**	**4**
Carrying amount at December, 31	**455**	**716**

Other tangible assets

31 December 2012	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at January, 1	6,332	2,319	8,655
Transferred assets	34	-	34
Increases	676	-	676
Decreases	-371	-750	-1,122
Acquisition cost at December, 31	6,670	1,569	8,243
Accumulated depreciations and impairments at Jan, 1	-3,982	-1,893	-5,876
Transferred assets	-12	-	-12
Accumulated depreciation on decreases	269	750	1,019
Planned depreciation	-1,006	-88	-1,094
Accumulated depreciations and impairments at Dec, 31	-4,731	-1,231	-5,962
Book value at December, 31	**1,939**	**338**	**2,281**

31 December 2011	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at January, 1	5,287	2,344	7,635
Increases	1,139	-	1,139
Decreases	-93	-25	-118
Acquisition cost at December, 31	6,332	2,319	8,655
Accumulated depreciations and impairments at Jan, 1	-2,704	-1,396	-4,100
Planned depreciation	-1,278	-498	-1,776
Accumulated depreciations and impairments at Dec, 31	-3,982	-1,893	-5,876
Book value at December, 31	**2,350**	**426**	**2,780**

P25 Other assets

	2012	2011
Cash items being collected	169	141
Other assets	823	6,607
Total	**992**	**6,748**

P26 Accrued expenses and advance payments

	2012	2011
Interests	105,077	114,336
Other	14,398	37,156
Total	**119,475**	**151,492**

P27 Deferred tax receivables

	2012	2011
Deferred tax receivables at January, 1	11,251	5,793
Income statement charge	22,233	-
Financial assets:		
- Fair value measurement	-11,251	5,457
Deferred tax receivables at December, 31	**22,233**	**11,251**

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

P28 Liabilities to credit institutions

	2012	2011
Repayable on demand deposits	340,571	327,249
Other than repayable on demand liabilities to credit institutions	1,152,520	1,049,638
Total	**1,493,091**	**1,376,887**

P29 Liabilities to the public and public sector entities

	2012	2011
Repayable on demand	2,789,884	2,386,218
Other than repayable on demand	896,130	1,307,342
Borrowing	3,686,014	3,693,560
Repayable on demand	225	225
Other than repayable on demand	146,479	51,447
Other liabilities	146,704	51,671
Total	**3,832,718**	**3,745,231**

P30 Debt securities issued to the public

	2012		2011	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	394,885	395,870	430,539	432,550
Bonds	75,759	76,917	91,360	93,046
Total	**470,644**	**472,787**	**521,898**	**525,596**

P31 Other liabilities

	2012	2011
Cash items in the process of collection	45,272	37,301
Other	1,321	273
Total	**46,593**	**37,574**

P32 Provisions

	2012	2011
Provisions 1 January	-	-
Increase in provisions	6,850	-
Provisions 31 December	**6,850**	**-**

Aktia Bank plc has decided to invest in a modern core banking system. The change of core banking system results in termination of the present IT service agreement with Samlink Ltd. The service agreement has a period of notice of 24 months. Following the agreement, Aktia is obliged to bear a part of essential development and project costs during the period of notice, even though the company will not be able to profit from the added financial value of the investments in the future. The adequacy of the provision is valued at each time of reporting. Should there be strong indications delays in the system change and termination of the service agreement, extra provisions may have to be made.

P33 Accrued expenses and income received in advance

	2012	2011
Interests	76,613	81,179
Other	39,503	21,674
Total	**116,116**	**102,853**

P34 Subordinated liabilities

	2012	2011
Capital loans	30,000	30,000
Debenture loans	206,121	196,036
Loan without due date	45,000	45,000
Total	**281,121**	**271,036**
Nominal value	281,089	270,974
Amount included in upper Tier 2 capital	45,000	45,000
Amount included in lower Tier 2 capital	178,651	165,621

The bank operates a bond programme that is updated and approved each year by the Board of Directors. The size of the programme is currently EUR 500 million. Under the programme, both other bonds (included in note P30) and debenture loans are issued. Debentures are currently issued at fixed interest rates primarily with a maturity of 5 years.

There is one debenture loan amounting to EUR 25.2 million, exceeding 10 % of all subordinated liabilities. The loan was issued 7 May 2012 and has a maturity of 5 years.

P35 Deferred tax liabilities

	2012	2011
Deferred tax liabilities at January, 1	8,070	-
Financial assets:		
- Fair value measurement	10,691	8,070
Deferred tax liabilities at December, 31	**18,761**	**8,070**

P36 Equity

	At the beginning of the financial year	Increase	Decrease	At the end of the financial year
Share capital	163,000	-	-	163,000
Fund at fair value	-9,801	76,706	9,090	57,815
Restricted equity	153,199	76,706	9,090	220,815
Unrestricted equity reserve	44,558	30,000	-	74,558
Retained earnings 1 January	39,996			39,996
Dividends to shareholders			20,000	-20,000
Profit for the reporting period		7,394	-	7,394
Unrestricted equity	84,553	37,394	20,000	101,947
Total equity	**237,752**	**114,100**	**29,090**	**322,762**

	2012	2011
Fund at fair value at January, 1	-9,801	-16,489
Changes in fair value during the reporting period	78,607	8,695
Deferred taxes on changes in fair value during the reporting period	-21,942	-2,613
Transferred to income statement during the reporting period	10,950	606
Fund at fair value at December, 31	**57,815**	**-9,801**

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

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

Distributable assets in unrestricted equity	2012	2011
Retained earnings 1 January	39,996	31,344
Dividends to shareholders	-20,000	-20,000
Profit for the reporting period	7,394	28,652
Unrestricted equity reserve	74,558	44,558
Total	**101,947**	**84,553**

Unrestricted equity consist only of distributable assets.

P37 Fair value of financial assets and liabilities

Financial assets	2012		2011	
	Book value	Fair value	Book value	Fair value
Cash and balances with central banks	585,891	585,891	466,313	466,313
Bonds	1,834,004	1,833,573	1,938,707	1,937,718
Receivables from credit institutions	722,101	722,084	463,593	462,032
Receicables from the public and public sector entities	3,326,902	3,188,862	3,222,253	3,138,823
Shares and participations	1,385	1,385	1,794	1,794
Shares and participations in associated companies	778	778	2,431	2,431
Shares and participations in group companies	75,476	75,476	67,072	67,072
Derivative instruments	274,645	274,645	262,113	262,113
Total	**6,821,182**	**6,682,693**	**6,424,275**	**6,338,295**

Financial liabilities	2012		2011	
	Book value	Fair value	Book value	Fair value
Liabilities to credit institutions and central banks	1,493,091	1,524,346	1,376,887	1,384,632
Liabilities to the public and public sector entities	3,832,718	3,728,327	3,745,231	3,685,704
Debt securities issued to the public	470,644	473,889	521,898	522,756
Derivatives and other liabilities held for trading	257,959	257,959	196,550	196,550
Subordinated liabilities	281,121	291,059	271,036	272,341
Total	**6,335,531**	**6,275,580**	**6,111,603**	**6,061,983**

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.

P38 Breakdown by maturity of assets and liabilities by balance sheet item

Assets

31 December 2012	Under 3 months	3–12 moths	1–5 years	5–10 years	Over 10 years	Total
Bonds that are eligible for refinancing with central banks	31,232	110,185	1,491,073	149,625	-	1,782,116
Receivables from credit institutions	332,775	140,330	36,564	-	212,432	722,101
Receicables from the public and public sector entities	251,385	345,117	1,008,301	743,867	978,231	3,326,902
Bonds	21,482	8,124	22,283	-	-	51,889
Total	**636,875**	**603,756**	**2,558,221**	**893,492**	**1,190,663**	**5,883,007**

31 December 2011	Under 3 months	3–12 moths	1–5 years	5–10 years	Over 10 years	Total
Bonds that are eligible for refinancing with central banks	137,948	306,801	1,198,684	234,394	-	1,877,826
Receivables from credit institutions	254,874	76,238	39,667	92,814	-	463,593
Receicables from the public and public sector entities	384,195	324,164	959,213	658,948	895,732	3,222,253
Bonds	8,011	39,710	13,161	-	-	60,882
Total	**785,027**	**746,912**	**2,210,726**	**986,156**	**895,732**	**5,624,554**

Liabilities

31 December 2012	Under 3 months	3–12 moths	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	882,819	100,105	372,110	31,289	106,768	1,493,091
Liabilities to the public and public sector entities	3,150,571	554,853	124,915	2,379	-	3,832,718
Debt securities issued to the public	116,037	288,408	66,199	-	-	470,644
Subordinated liabilities	18,770	92,270	140,081	-	30,000	281,121
Total	**4,168,196**	**1,035,636**	**703,304**	**33,668**	**136,768**	**6,077,573**

31 December 2011	Under 3 months	3–12 moths	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	974,727	110,900	150,811	38,476	101,973	1,376,887
Liabilities to the public and public sector entities	2,709,775	858,727	173,703	3,027	-	3,745,231
Debt securities issued to the public	217,620	215,720	88,559	-	-	521,898
Subordinated liabilities	18,113	46,314	176,609	-	30,000	271,036
Total	**3,920,234**	**1,231,661**	**589,682**	**41,503**	**131,973**	**5,915,053**

P39 Property items and liabilities in euros and in foreign currency

31 December 2012

Assets	Euros	Foreign currency	Total
Bonds	1,834,004	-	1,834,004
Receivables from credit institutions	710,966	11,135	722,101
Receicables from the public and public sector entities	3,326,902	-	3,326,902
Shares and participations	77,638	-	77,638
Derivative instruments	274,645	-	274,645
Other assets	734,563	-	734,563
Total	**6,958,719**	**11,135**	**6,969,854**

31 December 2011

Assets	Euros	Foreign currency	Total
Bonds	1,938,707	-	1,938,707
Receivables from credit institutions	460,280	3,314	463,593
Receicables from the public and public sector entities	3,222,253	-	3,222,253
Shares and participations	71,297	-	71,297
Derivative instruments	262,113	-	262,113
Other assets	641,424	705	642,130
Total	**6,596,074**	**4,019**	**6,600,093**

31 December 2012

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	1,493,057	34	1,493,091
Liabilities to the public and public sector entities	3,808,720	23,998	3,832,718
Debt securities issued to the public	470,644	-	470,644
Derivative instruments	257,959	-	257,959
Subordinated liabilities	281,121	-	281,121
Other liabilities	188,321	-	188,321
Total	**6,499,820**	**24,032**	**6,523,852**

31 December 2011

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	1,376,715	173	1,376,887
Liabilities to the public and public sector entities	3,724,806	20,426	3,745,231
Debt securities issued to the public	521,898	-	521,898
Derivative instruments	196,550	-	196,550
Subordinated liabilities	271,036	-	271,036
Other liabilities	148,497	-	148,497
Total	**6,239,502**	**20,598**	**6,260,101**

P40 Total assets and liabilities by business area

	2012	2011
Assets		
Real estate operations	4	4
Banking	6,969,850	6,600,089
Total	**6,969,854**	**6,600,093**
Liablilities		
Real estate operations	-	-
Banking	6,523,852	6,260,101
Total	**6,523,852**	**6,260,101**

P41 Collateral liabilities

For the bank 31 December 2012	Type of security	The liability's nominal value	The value of the collateral
Liabilities to credit institutions	Debt securities	360,720	369,339
Collateral provided in connection with repurchasing agreements	Debt securities	106,929	106,963
Collateral provided in connection with contracts of pledge	Debt securities	36,000	36,799
Collateral provided in connection with contracts of pledge	Cash and balances with central banks	52,280	52,280
Total		**555,929**	**565,381**

For the bank 31 December 2011	Type of security	The liability's nominal value	The value of the collateral
Liabilities to credit institutions	Debt securities	313,450	299,027
Collateral provided in connection with repurchasing agreements	Debt securities	68,324	69,284
Collateral provided in connection with contracts of pledge	Debt securities	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 others' liabilities

The bank has not provided collateral for other parties.

Obtained securities

For the bank 31 December 2012	Type of security	The liability's nominal value	The value of the collateral
Collateral received in connection with pledging agreements	Cash and balances with central banks	245,460	245,460
Collateral received in conjunction with repurchase agreements	Debt securities	161,763	160,115
Total		**407,223**	**405,575**

For the bank 31 December 2011	Type of security	The liability's nominal value	The value of the collateral
Collateral received in connection with pledging agreements	Cash and balances with central banks	230,498	230,498
Collateral received in conjunction with repurchase agreements	Debt securities	58,326	58,326
Total		**288,824**	**288,824**

P42 Off-balance sheet commitments

	2012	2011
Guarantees	34,622	42,229
Other commitments provided to a third party on behalf of a customer	3,350	3,348
Unused credit arrangements	376,042	492,441
Total	**414,014**	**538,018**

P43 Rental commitments

	2012	2011
Less than 1 year	8,300	7,727
1-5 years	24,934	30,010
More than 5 years	4,270	3,804
Total	**37,503**	**41,542**

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.

P44 Holdings in other companies

Subsidiaries

	2012		2011	
	Percentage of all shares	**Book value**	**Percentage of all shares**	**Book value**
Financing				
Aktia Real Estate Mortgage Bank Plc, Helsinki	50.9	61,885	49.9	52,656
Aktia Kort Ab (likviderat 2012), Helsinki	-	-	100.0	799
Aktia Corporate Finance Ltd, Helsinki	100.0	8,503	100.0	8,503
Aktia Invest Ltd, Helsinki	70.0	1,112	70.0	1,138
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	86.0	1,468	86.0	1,468
Total		**75,476**		**67,072**

Associated companies

	2012		2011	
	Percentage of all shares	**Book value**	**Percentage of all shares**	**Book value**
Data processing				
Samlink Ltd, Helsinki	22.6	0	22.6	1,697
Others				
ACH Finland Ltd	25.8	778	24.5	734
Total		**778**		**2,431**

Financing income obtained from and financing expenses paid to other group companies	**2012**	**2011**
Interest income	12,298	10,698
Dividends	1,328	10,354
Interest expenses	-152	-400
Net finance income	**13,474**	**20,652**

Receivables from and liabilities to companies in the group	**2012**	**2011**
Loans to credit institutions	563,432	374,814
Loans to the public and public sector entities	74,911	97,806
Debt securities	26,001	64,951
Other assets	-	19,916
Accrued income and expenses paid in advance	15,365	-
Total receivables	**679,709**	**557,488**
Liabilities to credit institutions	20,937	3,102
Liabilities to the public and public sector entities	7,512	13,680
Bonds issued	1,500	1,300
Other liabilities	2,273	2,812
Accrued expenses and income received in advance	29,168	28,405
Total liabilities	**61,389**	**49,298**

P45 The customer assets being managed

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

	2012	2011
Customer assets being managed		
Funds in a customer funds account	149	1,059
Funds in discretionary asset management services	62,157	62,176
Funds within the framework of investment advising according to a separate agreement	1,271,069	1,115,372
Total funds in asset management services	**1,333,375**	**1,178,607**

P46 The parent company's capital adequacy

Summary	**12/2012**	**12/2011**
Tier 1 capital	357,302	331,241
Tier 2 capital	265,686	175,950
Capital base	**622,988**	**507,191**
Risk-weighted amount for credit and counterpart risks	1,899,357	1,944,568
Risk-weighted amount for market risks 1)	-	-
Risk-weighted amount for operative risks	317,360	330,715
Risk-weighted commitments	**2,216,717**	**2,275,283**
Capital adequacy ratio, %	**28.1**	**22.3**
Tier 1 Capital ratio, %	**16.1**	**14.6**
Minimum capital requirement	**177,337**	**182,023**
Capital buffer (difference between capital base and minimi requirement)	445,651	325,168

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

Capital base	**12/2012**	**12/2011**
Share capital	163,000	163,000
Other funds	74,558	44,558
Credit loss provisions (after tax)	93,046	77,191
Retained earnings	19,996	11,344
Profit for the reporting period	7,394	28,652
Provision for dividends to shareholders	-27,000	-19,956
Capital loan	30,000	30,000
Total	360,993	334,788
Intangible assets	-3,691	-3,547
Tier 1 capital	**357,302**	**331,241**
Fund at fair value	42,035	-34,671
Other Tier 2 capital	45,000	45,000
Subordinated bonds	178,651	165,621
Tier 2 capital	**265,686**	**175,950**
Total capital base	**622,988**	**507,191**

Risk-weighted commitments, credit and counterparty risks

Risk-weight	Total exposures 12/2012 Balance sheet assets	Off-balance sheet commitments	Total 12/12	Risk-weighted commitments 12/2012	12/2011
0%	1,764,390	92,175	1,856,564	-	-
10%	1,255,019	-	1,255,019	125,502	105,052
20%	546,019	138,444	684,463	115,087	139,376
35%	2,073,303	51,985	2,125,288	733,015	656,837
50%	112	-	112	56	337
75%	503,089	91,715	594,803	396,504	411,198
100%	474,263	38,897	513,159	492,749	569,292
150%	10,154	799	10,953	15,830	29,259
Total	**6,626,349**	**414,014**	**7,040,363**	**1,878,743**	**1,911,350**
Derivatives *)	-	-	349,265	20,614	33,218
Total	**6,626,349**	**414,014**	**7,389,628**	**1,899,357**	**1,944,568**

*) 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, firms and covered bonds. The risk weight for bank exposures and bonds secured by real estate is determined by the credit rating of the country where the institution is located.

Risk-weighted amount for operative risks

	2012	2011	2010	12/2012	12/2011
Gross income	165,012	161,419	181,345		
- average 3 years	169,259				
Capital requirement for operative risk, 15 %				25,389	26,457
Risk-weighted amount				317,360	330,715

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 Board of Director's and the CEO's signing of the Report by the Board of Directors and the Financial Statements 2012

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

The parent company's distributable retained earnings including profit are EUR 27,389,264.27. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 9,000,000.00 per share, totalling EUR 27,000,00.00, be paid. After dividend pay-out the distributable retained earnings are EUR 389,264.27.

Helsinki 28 February 2013
Aktia Bank plc's Board of Directors

Dag Wallgren
Chair

Nina Wilkman
Vice Chair

Sten Eklundh

Hans Frantz

Kjell Hedman

Nils Lampi

Catharina
von Stackelberg-Hammarén

Jussi Laitinen
Managing Director

Our auditor's report has been issued today.
Helsinki 28 February 2013

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.

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

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Aktia Bank p.l.c. for the year ended 31 December, 2012. 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, Finnish Credit Institutions Act or the articles of association of the company.

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

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

Opinion on the consolidated financial statements

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

Opinion on the company's financial statements and the report of the Board of Directors

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

Helsinki 28 February 2013

KPMG OY AB

Jari Härmälä
Authorized Public Accountant in Finland

Corporate Governance Report for Aktia Bank plc

This report was approved by the Board of Directors of Aktia Bank plc on 28 February 2013. The report is drawn up separately from the Report by the Board of Directors.

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

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Aktia

We see a person in every customer.