# Aktia Bank Plc
# (subsidiary to the listed Aktia plc)

## Profit for 1–12/2012

Aktia Bank plc is a subsidiary to the listed Aktia plc and operates as parent company in the Bank Group.

Subsidiaries in the Bank Group are: Aktia Real Estate Mortgage Bank plc, Aktia Asset Management Ltd, Aktia Fund Management Company Ltd, Aktia Invest Ltd and Aktia Corporate Finance Ltd.

The Bank Group's operating profit for 2012 was EUR 38.8 (37.4) million. Profit for the year was EUR 24.3 (25.7) million. Earnings per share stood at EUR 7.8 (8.2) million.

The Banking Business' operating profit improved to EUR 39.6 (36.4) million. Asset Management improved its profitability and reached an operating profit of EUR 9.4 (5.6) million.

## Key figures

| (EUR million) | 10-12/2012 | 10-12/2011 | Δ % | 2012 | 2011 | Δ % | 7-9/2012 | 4-6/2012 | 1-3/2012 |
|---|---|---|---|---|---|---|---|---|---|
| Earnings per share (EPS) | -0.6 | 0.8 | - | 7.8 | 8.2 | -5% | 2.3 | 3.2 | 2.9 |
| Equity per share (NAV) [1] | 141.3 | 106.4 | 33% | 141.3 | 106.4 | 33% | 139.9 | 127.5 | 130.9 |
| Return on equity (ROE), % | -1.4 | 2.5 | - | 5.6 | 6.8 | -18% | 6.1 | 8.8 | 8.8 |
| Total earnings per share | 1.4 | -0.6 | - | 31.6 | 2.0 | - | 12.4 | 3.3 | 14.5 |
| Number of shares at the end of the period [1]) | 3 | 3 | 0% | 3 | 3 | 0% | 3 | 3 | 3 |
| Cost-to-income ratio | 0.89 | 0.78 | 14% | 0.74 | 0.73 | 1% | 0.69 | 0.69 | 0.68 |
| Capital adequacy ratio, % [1] | 20.2 | 16.2 | 25% | 20.2 | 16.2 | 25% | 19.9 | 18.9 | 18.1 |
| Tier 1 capital ratio, % [1] | 11.8 | 10.6 | 11% | 11.8 | 10.6 | 11% | 11.8 | 11.7 | 11.3 |

[1] At the end of the period

*"Accounts Announcement 1 January - 31 December 2012" is a translation of the original report in Swedish ("Aktia Bank Bokslutskommuniké 1.1-31.12.2012"). In case of discrepancies, the Swedish version prevails.*

# Profit for Oct – Dec 2012

Operating profit for the period amounted to EUR 3.6 (5.7) million.

Operating income for the quarter totalled EUR 47.7 (44.3) million, of which net interest income amounted to EUR 29.1 (30.2) million. Net commission income increased to EUR 14.7 (13.3) million.

Operating expenses amounted to EUR 42.4 (34.4) million. Staff costs were held at the same level as the previous year while IT costs increased to EUR 11.3 (5.1) million. This increase is due to a provision for winding up the service agreement with the current IT provider.

The Banking Business segment contributed EUR 6.0 (4.9) million to the Bank Group's operating profit, while the Asset Management segment contributed EUR 2.2 (1.2) million.

**The segments' operating profit**

| (EUR million) | 10-12/2012 | 10-12/2011 | Δ % |
|---|---|---|---|
| Banking Business | 6.0 | 4.9 | 23 % |
| Asset Management | 2.2 | 1.2 | 81 % |
| Miscellaneous | -4.1 | -0.3 | - |
| Eliminations | -0.6 | -0.1 | -380 % |
| **Total** | **3.6** | **5.7** | **-38 %** |

# Profit for Jan – Dec 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 segments' 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 costs 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 of EUR 5.9 million was raised 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 Oy 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 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 in note G2 on pages 20–38.

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

## Lending-related risks within banking

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.

The number of loans with overdue payments decreased. Loans with payments 3–30 days overdue decreased 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 also decreased to EUR 51 (53) million, or 0.71 (0.75)% of the credit stock.

**Non-performing loans**

| (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 amounted to 0.09 (0.15)% of total lending for the year. The corresponding impact from corporate loans amounted to 0.3 (1.1)% of total corporate lending.

## Distribution of risk across financial assets

The Bank Group's liquidity portfolio acts as a buffer against short-term fluctuations in liquidity. Fixed-rate investments within the liquidity portfolio are also used to reduce the structural interest rate risks. The liquidity portfolio is financed with repurchase agreements to a value of EUR 107 (68) million.

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

Investments within the liquidity portfolio and the Bank Group's other interest-bearing investments decreased from the year-end by EUR 106 million, and amounted to EUR 1,862 (1,968) million.

During the year, investments in GIIPS countries decreased by EUR 269 million to EUR 173 (442) million.

## Counterparty risks

### Counterparty risks within Group Treasury's liquidity management operations

The Bank Group's liquidity portfolio, which consists of interest-bearing securities, amounted to EUR 1,862 (1,968) million.

**Rating distribution for banking business' liquidity portfolio and other interest-bearing investments**

| (EUR million) | 31.12.2012 | 31.12.2011 |
|---|---|---|
| | **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 % |
| Finnish municipalities (unrated) | 2.2 % | 2.1 % |
| No rating | 0.0 % | 0.3 % |
| **Total** | **100.0 %** | **100.0 %** |

As at 31 December 2012, all securities in the Bank Group's liquidity portfolio met eligibility requirements for refinancing at Central Bank, whereas assets not eligible for refinancing amounted to 0.6% at the turn of the year 2011-2012.

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

| Aktia Bank Group | Government and Govt. guaranteed | | Covered Bonds (CB) | | Financial institutions exkl. CB | | Corporate bonds | | Real estate | | Alternative investments | | Listed Equity | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **EU AAA** | **63** | **145** | **798** | **694** | **226** | **264** | **12** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,098** | **1,103** |
| Finland | 59 | 61 | 117 | 111 | 43 | 37 | - | - | - | - | - | - | - | - | **218** | **210** |
| Other AAA-countries | 4 | 84 | 681 | 583 | 182 | 227 | 12 | - | - | - | - | - | - | - | **880** | **893** |
| **EU < AAA** | **-** | **51** | **443** | **574** | **5** | **82** | **-** | **2** | **-** | **-** | **-** | **-** | **-** | **-** | **448** | **709** |
| France * | - | - | 270 | 222 | 5 | 45 | - | - | - | - | - | - | - | - | **275** | **267** |
| Belgium | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| Greece | - | - | - | 2 | - | - | - | - | - | - | - | - | - | - | **-** | **2** |
| Ireland | - | - | 16 | 27 | - | - | - | - | - | - | - | - | - | - | **16** | **27** |
| Italy | - | - | 47 | 60 | - | - | - | - | - | - | - | - | - | - | **47** | **60** |
| Portugal | - | 22 | 56 | 76 | - | 8 | - | 1 | - | - | - | - | - | - | **56** | **107** |
| Spain | - | 29 | 54 | 187 | - | 29 | - | 1 | - | - | - | - | - | - | **54** | **246** |
| Other countries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| **Europe excluding EU** | **-** | **-** | **238** | **50** | **20** | **30** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **258** | **80** |
| **North America** | **-** | **-** | **12** | **33** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **12** | **33** |
| **Other OECD-countries** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Supranationals** | **-** | **-** | **-** | **-** | **45** | **43** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **45** | **43** |
| **Others** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **63** | **197** | **1,490** | **1,350** | **297** | **419** | **12** | **2** | **-** | **-** | **-** | **-** | **-** | **-** | **1,862** | **1,968** |

* France fell below AAA during 2012

# Valuation of Financial Assets

## Value changes reported via income statement

Write-downs on financial assets amounted to EUR -0.7 (-.43) 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**

| (mn euro) | 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 unwinded 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 millon) | 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** |

## Disposal of hedging interest-rate derivatives

In November 2012, the company disposed 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 reported as an 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 disposal 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.

# Operational risks

No events regarded as operational risks causing significant financial losses occurred during 2012.

## 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.)
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.)

## 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.

## 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 businesses 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 system 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 system for general banking enables more efficient processes and considerably lower operating expenses. The new system is expected to be in use in 2015.

The role as central credit institution following new regulation, Basel III, would be a significant burden for Aktia, both in the respect of profit and liquidity. Therefore, Aktia will phase out the services provided to be terminated at the beginning of 2015.

## Outlook and risks for the coming 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 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's interest margins and thus profitability. Aktia is pursuing proactive management of interest rate risks.

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

The availability of liquidity on the money markets is important for Aktia's refinancing activities. Like other banks, Aktia relies on deposits from households 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 requirements among investors for higher returns.

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 after taxes

# Consolidated income statement for Bank Group

| (EUR million) | 1-12/2012 | 1-12/2011 | Δ % |
|---|---|---|---|
| Net interest income | 116.5 | 128.2 | -9 % |
| Dividends | 0.1 | 0.2 | -69 % |
| Commission income | 76.7 | 71.4 | 7 % |
| Commission expenses | -17.1 | -17.5 | 2 % |
| Net commission income | 59.6 | 54.0 | 10 % |
| Net income from financial transactions | 2.9 | -9.3 | - |
| Net income from investment properties | -0.3 | -0.1 | -597 % |
| Other operating income | 4.7 | 4.6 | 3 % |
| **Total operating income** | **183.4** | **177.6** | **3 %** |
| | | | |
| Staff costs | -52.7 | -52.9 | 0 % |
| IT-expenses | -26.4 | -19.9 | 33 % |
| Depreciation of tangible and intangible assets | -3.4 | -4.0 | -15 % |
| Other operating expenses | -53.5 | -53.0 | 1 % |
| **Total operating expenses** | **-136.0** | **-129.7** | **5 %** |
| | | | |
| Write-downs on other financial assets | -1.8 | - | - |
| Write-downs on credits and other commitments | -6.4 | -10.5 | -39 % |
| Share of profit from associated companies | -0.4 | 0.0 | - |
| **Operating profit** | **38.8** | **37.4** | **4 %** |
| Income and expenses from other activities | -3.1 | -3.9 | -21 % |
| Taxes | -11.4 | -7.8 | 47 % |
| **Profit for the reporting period** | **24.3** | **25.7** | **-6 %** |
| | | | |
| **Attributable to:** | | | |
| Shareholders in Aktia Bank plc | 23.4 | 24.7 | -5 % |
| Non-controlling interest | 0.8 | 1.0 | -15 % |
| **Total** | **24.3** | **25.7** | **-6 %** |
| | | | |
| Earnings per share (EPS), EUR | 7,814,312.31 | 8,239,314.30 | -5 % |

There is no dilution effect to earnings per share.

# Consolidated statement of comprehensive income for Bank Group

| (EUR million) | 1-12/2012 | 1-12/2011 | Δ % |
|---|---|---|---|
| Profit for the reporting period | 24.3 | 25.7 | -6 % |
| **Other comprehensive income after taxes:** | | | |
| Change in valuation of fair value for financial assets available for sale | 66.6 | -19.2 | - |
| Change in valuation of fair value for cash flow hedging | -3.3 | -0.2 | - |
| Transferred to the income statement for financial assets available for sale | 14.0 | 0.4 | - |
| Transferred to the income statement for cash flow hedging | -5.8 | - | - |
| Comprehensive income from items which can be transferred to the income statement | 71.6 | -19.0 | - |
| Defined benefit plan pensions | 0.0 | -0.3 | - |
| Comprehensive income from items which can not be transferred to the income statement | 0.0 | -0.3 | - |
| **Total comprehensive income for the reporting period** | **95.9** | **6.4** | **-** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Shareholders in Aktia Bank plc | 94.7 | 6.0 | - |
| Non-controlling interest | 1.2 | 0.4 | 192 % |
| **Total** | **95.9** | **6.4** | **-** |
| | | | |
| Total earnings per share, EUR | 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 million) | 31.12.2012 | 31.12.2011 | Δ% |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 585.9 | 466.3 | 26 % |
| Interest-bearing securities | 1,468.0 | 1,874.4 | -22 % |
| Shares and participations | 6.1 | 1.8 | 243 % |
| Financial assets available for sale | 1,474.2 | 1,876.2 | -21 % |
| Financial assets held until maturity | 350.0 | 20.0 | - |
| Derivative instruments | 302.2 | 300.7 | 0 % |
| Lending to Bank of Finland and credit institutions | 158.7 | 88.8 | 79 % |
| Lending to the public and public sector entities | 7,248.1 | 7,117.1 | 2 % |
| Loans and other receivables | 7,406.7 | 7,205.8 | 3 % |
| Investments in associated companies | 0.8 | 3.5 | -76 % |
| Intangible assets | 2.0 | 2.3 | -12 % |
| Investment properties | 0.5 | 0.7 | -36 % |
| Other tangible assets | 4.4 | 5.3 | -18 % |
| Accrued income and advance payments | 64.2 | 70.6 | -9 % |
| Other assets | 2.1 | 7.6 | -72 % |
| Total other assets | 66.3 | 78.2 | -15 % |
| Income tax receivables | 0.1 | 22.3 | -99 % |
| Deferred tax receivables | 22.7 | 11.9 | 90 % |
| Tax receivables | 22.8 | 34.2 | -33 % |
| **Total assets** | **10,215.8** | **9,993.1** | **2 %** |
| | | | |
| **Liabilities** | | | |
| Liabilities to credit institutions | 1,057.6 | 1,112.1 | -5 % |
| Liabilities to the public and public sector entities | 3,651.4 | 3,662.2 | 0 % |
| Deposits | 4,709.0 | 4,774.3 | -1 % |
| Derivative instruments | 186.4 | 160.6 | 16 % |
| Debt securities issued | 3,547.6 | 3,811.5 | -7 % |
| Subordinated liabilities | 298.2 | 288.7 | 3 % |
| Other liabilities to credit institutions | 629.6 | 353.5 | 78 % |
| Other liabilities to the public and public sector entities | 146.7 | 51.7 | 184 % |
| Other financial liabilities | 4,622.1 | 4,505.4 | 3 % |
| Accrued expenses and income received in advance | 88.6 | 102.6 | -14 % |
| Other liabilities | 48.5 | 44.4 | 9 % |
| Total other liabilities | 137.1 | 147.0 | -7 % |
| Provisions | 6.9 | - | - |
| Income tax liabilities | 19.7 | 0.0 | - |
| Deferred tax liabilities | 46.1 | 28.9 | 59 % |
| Tax liabilities | 65.7 | 29.0 | 127 % |
| **Total liabilities** | **9,727.2** | **9,616.3** | **1 %** |
| | | | |
| **Equity** | | | |
| Restricted equity | 224.8 | 153.6 | 46 % |
| Unrestricted equity | 198.9 | 165.5 | 20 % |
| Shareholders' share of equity | 423.8 | 319.1 | 33 % |
| Non-controlling interest's share of equity | 64.8 | 57.7 | 12 % |
| **Equity** | **488.6** | **376.8** | **30 %** |
| **Total liabilities and equity** | **10,215.8** | **9,993.1** | **2 %** |

# Consolidated statement of changes in equity for Bank Group

| (EUR million) | 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** | **163.0** | **9.1** | **44.6** | **115.9** | **332.6** | **44.3** | **376.8** |
| Dividens to shareholders | | | | -20.0 | -20.0 | | -20.0 |
| *Profit for the reporting period* | | | | *24.7* | *24.7* | *1.0* | *25.7* |
| *Financial assets available for sale* | | *-18.8* | | | *-18.8* | *0.0* | *-18.8* |
| *Cash flow hedging* | | *0.3* | | | *0.3* | *-0.5* | *-0.2* |
| *Defined benefit plan pensions* | | | | *-0,3* | *-0.3* | | *-0.3* |
| Total comprehensive income for the reporting period | | -18.5 | | 24.5 | 6.0 | 0.4 | 6.4 |
| Other change in equity | | | | 0.5 | 0.5 | 13.0 | 13.6 |
| **Equity as at 31 December 2011** | **163.0** | **-9.4** | **44.6** | **120.9** | **319.1** | **57.7** | **376.8** |

| (EUR million) | 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 1January 2012** | **163.0** | **-9.4** | **44.6** | **120.9** | **319.1** | **57.7** | **376.8** |
| Dividens to shareholders | | | | -20.0 | -20.0 | | -20.0 |
| *Profit for the reporting period* | | | | *23.4* | *23.4* | *0.8* | *24.3* |
| *Financial assets available for sale* | | *80.5* | | | *78.8* | *0.2* | *79.0* |
| *Cash flow hedging* | | *-9.3* | | | *-7.6* | *0.2* | *-7.4* |
| *Defined benefit plan pensions* | | | | *0.0* | *0.0* | | *0.0* |
| Total comprehensive income for the reporting period | | 71.2 | | 23.5 | 94.7 | 1.2 | 95.9 |
| Issue | | | 30.0 | | 30.0 | 5.9 | 35.9 |
| **Equity as at 31 December 2012** | **163.0** | **61.8** | **74.6** | **124.4** | **423.8** | **64.8** | **488.6** |

# Consolidated cash flow statement for Bank Group

| (EUR million) | 1-12/2012 | 1-12/2011 | Δ% |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating profit | 38.8 | 37.4 | 4% |
| Adjustment items not included in cash flow for the period | 0.8 | 20.1 | -96% |
| Unwinded cash flow hedging | 17.5 | 17.6 | 0% |
| Unwinded fair value hedging | 92.1 | - | - |
| Paid income taxes | 13.5 | -36.0 | - |
| **Cash flow from operating activities before change in receivables and liabilities** | **162.7** | **39.0** | **317%** |
| Increase (-) or decrease (+) in receivables from operating activities | -15.4 | 198.1 | - |
| Increase (+) or decrease (-) in liabilities from operating activities | -54.3 | -36.3 | -50% |
| **Total cash flow from operating activities** | **93.0** | **200.9** | **-54%** |
| **Cash flow from investing activities** | | | |
| Financial assets held until maturity | 9.9 | 1.4 | 595% |
| Proceeds from sale of group companies and associated companies | 0.0 | 0.3 | - |
| Investment in tangible and intangible assets | -2.4 | -2.8 | 16% |
| Disposal of tangible and intangible assets | 0.1 | 0.2 | -69% |
| **Total cash flow from investing activities** | **7.6** | **-1.0** | **-** |
| **Cash flow from financing activities** | | | |
| Subordinated liabilities | 11.1 | 3.6 | 211% |
| Increase in unrestricted equity reserve | 30.0 | - | - |
| Share issue / dividend of Aktia Real Estate Mortgage Bank Plc to the non-controlling interest | 5.9 | 13.5 | -57% |
| Paid dividends | -20.0 | -20.0 | 0% |
| **Total cash flow from financing activities** | **27.0** | **-2.9** | **-** |
| **Change in cash and cash equivalents** | **127.6** | **197.0** | **-35%** |
| Cash and cash equivalents at the beginning of the year | 473.0 | 275.9 | 71% |
| Cash and cash equivalents at the end of the year | 600.5 | 473.0 | 27% |
| **Cash and cash equivalents in the cash flow statement consist of the following items:** | | | |
| Cash in hand | 8.0 | 9.5 | -17% |
| Bank of Finland current account | 577.9 | 456.8 | 27% |
| Repayable on demand claims on credit institutions | 14.6 | 6.6 | 121% |
| **Total** | **600.5** | **473.0** | **27%** |
| **Adjustment items not included in cash flow consist of:** | | | |
| Impairment reversal of financial assets available for sale | -1.2 | - | - |
| Write-downs on oterh financial assets | 1.8 | - | - |
| Write-downs on credits and other commitments | 6.4 | 10.5 | -39% |
| Change in fair values | -4.6 | 7.2 | - |
| Depreciation and impairment of intangible and tangible assets | 3.4 | 4.0 | -15% |
| Share of profit from associated companies | 0.8 | 0.3 | 149% |
| Sales gains and losses from intangible and tangible assets | 0.2 | 0.6 | -71% |
| Unwinded cash flow hedging | -11.7 | -2.5 | -358% |
| Unwinded fair value hedging | -1.3 | - | - |
| Change in provisions | 6.9 | - | - |
| Change in fair values of investment properties | 0.3 | - | - |
| **Total** | **0.8** | **20.1** | **-96%** |

## Key figures

| (EUR million) | 1-12/2012 | 1-12/2011 | Δ % | 10-12/ 2012 | 7-9/2012 | 4-6/2012 | 1-3/2012 |
|---|---|---|---|---|---|---|---|
| Earnings per share (EPS) | 7.8 | 8.2 | -5% | -0.6 | 2.3 | 3.2 | 2.9 |
| Equity per share (NAV) [1)] | 141.3 | 106.4 | 33% | 141.3 | 139.9 | 127.5 | 130.9 |
| Return on equity (ROE), % | 5.6 | 6.8 | -18% | -1.4 | 6.1 | 8.8 | 8.8 |
| Total earnings per share | 31.6 | 2.0 | - | 1.4 | 12.4 | 3.3 | 14.5 |
| Number of shares at the end of the period [1)] | 3 | 3 | 0% | 3 | 3 | 3 | 3 |
| Personnel (FTEs), average number of employees from the beginning of the financial year [1)] | 753 | 774 | -3% | 753 | 753 | 764 | 771 |
| **Banking Business (incl. Private Banking)** | | | | | | | |
| Cost-to-income ratio | 0.74 | 0.73 | 1% | 0.89 | 0.69 | 0.69 | 0.68 |
| Borrowing from the public [1)] | 3,651.4 | 3,662.2 | 0% | 3,651.4 | 3,666.1 | 3,732.5 | 3,700.8 |
| Lending to the public [1)] | 7,248.1 | 7,117.1 | 2% | 7,248.1 | 7,301.0 | 7,269.5 | 7,239.5 |
| Capital adequacy ratio, % [1)] | 20.2 | 16.2 | 25% | 20.2 | 19.9 | 18.9 | 18.1 |
| Tier 1 capital ratio, % [1)] | 11.8 | 10.6 | 11% | 11.8 | 11.8 | 11.7 | 11.3 |
| Risk-weighted commitments [1)] | 3,611.2 | 3,694.0 | -2% | 3,611.2 | 3,727.9 | 3,742.0 | 3,767.3 |
| **Asset Management** | | | | | | | |
| Mutual fund volume [1)] | 4,496.6 | 3,613.4 | 24% | 4,496.6 | 4,246.7 | 4,107.4 | 4,140.0 |
| Managed and brokered assets [1)] | 7,597.1 | 6,624.1 | 15% | 7,597.1 | 7,413.3 | 7,233.9 | 7,174.6 |

1) At the end of the period

Formulas for key figures are presented in Aktia Bank plc's annual report 2011 on page 6

# Quarterly trends in Aktia Bank Group

| (EUR million) | 10-12/2012 | 7-9/2012 | 4-6/2012 | 1-3/2012 | 10-12/2011 |
|---|---|---|---|---|---|
| Net interest income | 29.1 | 28.4 | 29.5 | 29.5 | 30.2 |
| Dividends | - | 0.0 | 0.0 | 0.0 | 0.1 |
| Net commission income | 14.7 | 14.9 | 15.6 | 14.4 | 13.3 |
| Net income from financial transactions | 3.1 | -0.7 | 0.2 | 0.3 | -0.6 |
| Net income from investment properties | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating income | 1.1 | 0.7 | 1.3 | 1.5 | 1.3 |
| **Total operating income** | **47.7** | **43.4** | **46.6** | **45.7** | **44.3** |
| Staff costs | -14.2 | -11.9 | -13.5 | -13.2 | -14.3 |
| IT-expenses | -11.3 | -4.9 | -5.3 | -4.9 | -5.1 |
| Depreciation of tangible and intangible assets | -1.0 | -0.7 | -0.8 | -0.8 | -0.9 |
| Other operating expenses | -16.0 | -12.4 | -12.7 | -12.4 | -14.1 |
| **Total operating expenses** | **-42.4** | **-30.0** | **-32.3** | **-31.3** | **-34.4** |
| Write-downs on other financial assets | - | -1.8 | - | - | - |
| Write-downs on credits and other commitments | -1.7 | -1.8 | -1.0 | -1.9 | -4.1 |
| Share of profit from associated companies | 0.0 | 0.0 | -0.4 | -0.1 | -0.1 |
| **Operating profit** | **3.6** | **9.8** | **13.0** | **12.4** | **5.7** |
| Income and expenses from other activities | -3.1 | - | - | - | -3.9 |
| Taxes | -2.2 | -2.7 | -3.1 | -3.4 | 0.6 |
| **Profit for the period** | **-1.7** | **7.1** | **9.8** | **9.1** | **2.4** |

# Quarterly trends of comprehensive income in Bank Group

| (EUR million) | 10-12/2012 | 7-9/2012 | 4-6/2012 | 1-3/2012 | 10-12/2011 |
|---|---|---|---|---|---|
| Profit for the period | -1.7 | 7.1 | 9.8 | 9.1 | 2.4 |
| **Other comprehensive income after taxes:** | | | | | |
| Change in valuation of fair value for financial assets available for sale | -5.7 | 33.2 | 1.1 | 38.0 | -4.4 |
| Change in valuation of fair value for cash flow hedging | 3.2 | -2.2 | -1.3 | -3.0 | -0.3 |
| Transferred to the income statement for financial assets available for sale | 14.0 | - | - | - | 0.4 |
| Transferred to the income statement for cash flow hedging | -5.8 | - | - | - | - |
| Defined benefit plan pensions | 0.0 | - | - | - | -0.3 |
| **Total comprehensive income for the period** | **4.0** | **38.1** | **9.6** | **44.1** | **-2.2** |

# NOTES TO THE ACCOUNTS ANNOUNCEMENT

## Note 1 Basis for preparing the Accounts Announcement and important accounting principles

### Basis for preparing the Accounts Annoucement

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.

The accounts announcement for the period 1 January – 31 December 2012 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The Accounts Announcement does not contain all the information and notes required for an annual report and should therefore be read together with the Group's annual report of 31 December 2011.

The Accounts Annoucement for the period 1 January – 31 December 2012 was approved by the Board of Directors on 14 February 2013.

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

### Key accounting principles

In preparing the Accounts Annoucement the Group has followed the accounting principles applicable to the annual report of 31 December 2011.

There were no new or revised IFRSs or interpretations from IFRIC (Internation Financial Reporting Interpretations Committee) that had any effect on the Group's result, financial position or explanatory notes for the period 1 January – 31 December 2012.

# Note 2. Segment report for Bank Group

| Income statement | Banking Business | | Asset Management | | Miscellaneous | | Eliminations | | Total Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| **(EUR million)** | **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 | 112.8 | 123.9 | 5.4 | 4.3 | -1.7 | 0.0 | - | - | 116.5 | 128.2 |
| Dividends | 0.0 | 2.2 | - | - | 0.0 | - | - | -2.0 | 0.1 | 0.2 |
| Net commission income | 38.1 | 37.5 | 20.7 | 16.6 | 0.7 | -0.1 | 0.0 | 0.0 | 59.6 | 54.0 |
| Net income from financial transactions | -0.1 | -9.4 | 0.0 | 0.1 | 3.1 | 0.0 | - | - | 2.9 | -9.3 |
| Net income from investment properties | 0.0 | 0.0 | - | - | -0.3 | 0.0 | -0.1 | -0.1 | -0.3 | -0.1 |
| Other income | 2.9 | 4.3 | 0.4 | 0.6 | 5.0 | 2.4 | -3.5 | -2.8 | 4.7 | 4.6 |
| **Total operating income** | **153.7** | **158.6** | **26.4** | **21.6** | **6.9** | **2.3** | **-3.6** | **-4.9** | **183.4** | **177.6** |
| Staff costs | -32.8 | -37.3 | -8.0 | -8.0 | -11.5 | -7.2 | -0.5 | -0.4 | -52.7 | -52.9 |
| IT-expenses | -13.5 | -13.7 | -2.1 | -0.9 | -11.8 | -5.3 | 1.0 | - | -26.4 | -19.9 |
| Depreciation of tangible and intangible assets | -2.0 | -2.2 | -0.7 | -0.5 | -0.8 | -1.3 | - | - | -3.4 | -4.0 |
| Other expenses | -59.5 | -58.6 | -6.3 | -6.5 | 10.2 | 9.9 | 2.1 | 2.3 | -53.5 | -53.0 |
| **Total operating expenses** | **-107.7** | **-111.8** | **-17.0** | **-15.9** | **-13.8** | **-3.9** | **2.6** | **1.9** | **-136.0** | **-129.7** |
| Write-downs on other financial assets | - | - | - | - | -1.6 | - | -0.2 | - | -1.8 | - |
| Write-downs on credits and other commitments | -6.4 | -10.5 | - | - | - | - | - | - | -6.4 | -10.5 |
| Share of profit from associated companies | - | - | - | - | - | - | -0.4 | 0.0 | -0.4 | 0.0 |
| **Operating profit** | **39.6** | **36.4** | **9.4** | **5.6** | **-8.5** | **-1.6** | **-1.7** | **-3.0** | **38.8** | **37.4** |

| Balance sheet | Banking Business | | Asset Management | | Miscellaneous | | Eliminations | | Total Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| **(EUR million)** | **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 | 585.8 | 466.2 | 0.1 | 0.1 | - | - | - | - | 585.9 | 466.3 |
| Financial assets available for sale | 1,468.9 | 1,876.1 | 1.5 | 1.4 | 5.3 | - | -1.5 | -1.3 | 1,474.2 | 1,876.2 |
| Financial assets held until maturity | 350.0 | 20.0 | - | - | - | - | - | - | 350.0 | 20.0 |
| Loans and other receivables | 7,338.7 | 7,139.9 | 153.5 | 74.7 | 0.2 | - | -85.6 | -8.8 | 7,406.7 | 7,205.8 |
| Other assets | 362.5 | 565.0 | 6.6 | 7.3 | 107.4 | 7.9 | -77.5 | -155.4 | 399.0 | 424.8 |
| **Total assets** | **10,105.9** | **10,067.3** | **161.7** | **83.6** | **112.9** | **7.9** | **-164.7** | **-165.5** | **10,215.8** | **9,993.1** |
| Deposits | 4 261,4 | 4 597,3 | 532,5 | 185,8 | 0,0 | - | -84,9 | -8,8 | 4 709,0 | 4 774,3 |
| Debt securities issued | 3 549,1 | 3 812,8 | - | - | - | - | -1,5 | -1,3 | 3 547,6 | 3 811,5 |
| Other liabilities to credit institutions | 629,6 | 353,5 | - | - | - | - | - | - | 629,6 | 353,5 |
| Other liabilities | 692,0 | 818,6 | 9,6 | 14,0 | 237,7 | 12,7 | -98,3 | -168,4 | 841,0 | 677,0 |
| **Total liabilities** | **9 132,0** | **9 582,3** | **542,2** | **199,8** | **237,7** | **12,7** | **-184,7** | **-178,5** | **9 727,2** | **9 616,3** |

# Note 3. Derivatives and off-balance sheet commitments

**Derivative instruments at 31 December 2012 (EUR million)**

| Hedging derivative instruments | Total nominal amount | Assets, fair value | Liabilities, fair value |
|---|---|---|---|
| **Fair value hedging** | | | |
| Interest rate-related | 2,837.0 | 149.8 | 34.3 |
| **Total** | **2,837.0** | **149.8** | **34.3** |
| **Cash flow hedging** | | | |
| Interest rate-related | 75.0 | 0.1 | 0.0 |
| **Total** | **75.0** | **0.1** | **0.0** |
| **Derivative instruments valued via the income statement** | | | |
| Interest rate-related *) | 4,280.1 | 150.0 | 149.1 |
| Currency-related | 55.6 | 0.6 | 1.3 |
| Equity-related **) | 102.2 | 1.7 | 1.7 |
| Other derivative instruments **) | 20.8 | 0.1 | 0.1 |
| **Total** | **4,458.6** | **152.4** | **152.1** |
| **Total derivative instruments** | | | |
| Interest rate-related | 7,192.1 | 299.8 | 183.4 |
| Currency-related | 55.6 | 0.6 | 1.3 |
| Equity-related | 102.2 | 1.7 | 1.7 |
| Other derivative instruments | 20.8 | 0.1 | 0.1 |
| **Total** | **7,370.6** | **302.2** | **186.4** |

**Derivative instruments at 30 December 2011 (EUR million)**

| Hedging derivative instruments | Total nominal amount | Assets, fair value | Liabilities, fair value |
|---|---|---|---|
| **Fair value hedging** | | | |
| Interest rate-related | 4,085.0 | 157.2 | 35.5 |
| **Total** | **4,085.0** | **157.2** | **35.5** |
| **Cash flow hedging** | | | |
| Interest rate-related | 655.0 | 21.1 | 0.0 |
| **Total** | **655.0** | **21.1** | **0.0** |
| **Derivative instruments valued via the income statement** | | | |
| Interest rate-related *) | 6,372.1 | 118.2 | 121.5 |
| Currency-related | 85.6 | 2.0 | 1.3 |
| Equity-related **) | 107.2 | 1.3 | 1.3 |
| Other derivative instruments **) | 22.7 | 1.1 | 1.1 |
| **Total** | **6,587.5** | **122.5** | **125.2** |
| **Total derivative instruments** | | | |
| Interest rate-related | 11,112.1 | 296.4 | 157.0 |
| Currency-related | 85.6 | 2.0 | 1.3 |
| Equity-related | 107.2 | 1.3 | 1.3 |
| Other derivative instruments | 22.7 | 1.1 | 1.1 |
| **Total** | **11,327.5** | **300.7** | **160.6** |

*) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 4,210.0 (5,986.0) million.

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

**Off-balance sheet commitments**

| (EUR million) | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Commitments provided to a third party on behalf of the customers** | | |
| Guarantees | 34.6 | 42.2 |
| Other commitments provided to a third party | 3.4 | 3.3 |
| **Irrevocable commitments provided on behalf of customers** | | |
| Unused credit arrangements | 307.6 | 419.8 |
| **Off-balance sheet commitments** | **345.5** | **465.4** |

## Note 4. Risk exposures for Bank Group

**Consolidated capital adequacy for Bank Group**

| Summary (EUR million) | 12/2012 | 9/2012 | 6/2012 | 3/2012 | 12/2011 |
|---|---|---|---|---|---|
| Tier 1 capital | 426.4 | 440.4 | 437.9 | 427.1 | 392.6 |
| Tier 2 capital | 303.8 | 302.1 | 268.0 | 254.5 | 206.4 |
| **Capital base** | **730.2** | **742.5** | **705.9** | **681.6** | **599.1** |
| Risk-weighted amount for credit and counterpart risks | 3,248.9 | 3,355.6 | 3,369.6 | 3,395.0 | 3,321.6 |
| Risk-weighted amount for market risks [1)] | - | - | - | - | - |
| Risk-weighted amount for operational risks | 362.3 | 372.3 | 372.3 | 372.3 | 372.3 |
| **Risk-weighted commitments** | **3,611.2** | **3,727.9** | **3,742.0** | **3,767.3** | **3,694.0** |
| **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** | **288.9** | **298.2** | **299.4** | **301.4** | **295.5** |
| Capital buffer (difference between capital base and minimum requirement) | 441.3 | 444.3 | 406.5 | 380.2 | 303.5 |

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

| (EUR million) | 12/2012 | 9/2012 | 6/2012 | 3/2012 | 12/2011 |
|---|---|---|---|---|---|
| Share capital | 163.0 | 163.0 | 163.0 | 163.0 | 163.0 |
| Funds | 74.6 | 74.6 | 74.6 | 74.5 | 44.6 |
| Non-controlling interest | 64.8 | 64.8 | 64.0 | 58.3 | 57.7 |
| Retained earnings | 100.9 | 100.9 | 100.9 | 100.0 | 96.2 |
| Profit for the period | 23.4 | 25.3 | 18.4 | 8.8 | 24.7 |
| ./. provision for dividends to shareholders | -28.3 | -15.9 | -10.6 | -5.3 | -21.3 |
| Capital loan | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Total | 428.4 | 442.8 | 440.3 | 429.3 | 394.9 |
| ./. intangible assets | -2.0 | -2.3 | -2.4 | -2.2 | -2.3 |
| **Tier 1 capital** | **426.4** | **440.4** | **437.9** | **427.1** | **392.6** |
| Fund at fair value | 45.6 | 36.9 | 4.4 | 2.9 | -34.9 |
| Upper Tier 2 loans | 45.0 | 45.0 | 45.0 | 45.0 | 45.0 |
| Lower Tier 2 loans | 213.2 | 220.2 | 218.6 | 206.6 | 196.3 |
| **Tier 2 capital** | **303.8** | **302.1** | **268.0** | **254.5** | **206.4** |
| **Total capital base** | **730.2** | **742.5** | **705.9** | **681.6** | **599.1** |

**Risk-weighted commitments, credit and counterparty risks**

**Total exposures 12/2012** (EUR million)

| Risk-weight | Balance assets | Off-balance sheet commitments | Total |
|---|---|---|---|
| 0% | 1,271.2 | 20.8 | 1 292.0 |
| 10% | 1,255.0 | - | 1 255.0 |
| 20% | 572.2 | 138.4 | 710.6 |
| 35% | 5,764.6 | 53.1 | 5 817.7 |
| 50% | 0.1 | - | 0.1 |
| 75% | 546.3 | 91.7 | 638.0 |
| 100% | 483.1 | 40.7 | 523.8 |
| 150% | 16.9 | 0.8 | 17.7 |
| **Total** | **9,909.3** | **345.5** | **10 254.9** |
| Derivatives *) | 343.5 | - | 343.5 |
| **Total** | **10,252.8** | **345.5** | **10 598.3** |

*) derivative agreements credit conversion factor

**Risk-weighted exposures** (EUR million)

| Risk-weight | 12/2012 | 9/2012 | 6/2012 | 3/2012 | 12/2011 |
|---|---|---|---|---|---|
| 0% | - | - | - | - | - |
| 10% | 125.5 | 133.6 | 120.8 | 125.6 | 105.1 |
| 20% | 120.3 | 145.6 | 155.5 | 163.9 | 146.6 |
| 35% | 2,025.2 | 2,023.4 | 2,008.1 | 1,990.4 | 1,943.7 |
| 50% | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 |
| 75% | 428.9 | 437.9 | 439.9 | 437.2 | 450.9 |
| 100% | 502.5 | 567.8 | 590.0 | 614.5 | 601.8 |
| 150% | 25.9 | 20.3 | 28.5 | 35.3 | 40.1 |
| **Total** | **3,228.3** | **3,328.8** | **3,343.2** | **3,367.3** | **3,288.4** |
| Derivatives *) | 20.6 | 26.8 | 26.5 | 27.7 | 33.2 |
| **Total** | **3,248.9** | **3,355.6** | **3,369.6** | **3,395.0** | **3,321.6** |

*) derivative agreements credit conversion factor

In capital adequacy measurement to determine the exposure's risk weight, Aktia applies credit rating by Moody's Investors Service or Standard & Poor's to receivables from central governments 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.

**Risk-weighted amounts for operational risks**

| | 2012 | 2011 | 2010 | 12/2012 | 9/2012 | 6/2012 | 3/2012 | 12/2011 |
|---|---|---|---|---|---|---|---|---|
| Gross income | 183.3 | 187.8 | 208.5 | | | | | |
| - average 3 years | 193.2 | | | | | | | |
| Capital requirement for operational risk | | | | 29.0 | 29.8 | 29.8 | 29.8 | 29.8 |
| Risk-weighted amount | | | | 362.3 | 372.3 | 372.3 | 372.3 | 372.3 |

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 %.

## Not 5 Net interest income

| (EUR million) | 1-12/2012 | 1-12/2011 | Δ% |
|---|---|---|---|
| Deposits and lending | 55.1 | 63.0 | -13% |
| Hedging, interest rate risk management | 30.8 | 34.8 | -12% |
| Other | 30.6 | 30.3 | 1% |
| **Net interest income** | **116.5** | **128.2** | **-9%** |

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

## Not 6 Credit stock before and after write-downs

| (EUR million) | 31.12.2012 | 30.9.2012 | 30.6.2012 | 31.3.2012 |
|---|---|---|---|---|
| **Credit stock before write-downs** | 7,312.9 | 7,364.7 | 7,334.0 | 7,303.2 |
| Individual write-downs | -50.3 | -47.8 | -50.2 | -49.5 |
| Of which made to non-performing loans | -40.1 | -39.4 | -42.0 | -42.7 |
| Of which made to other loans | -10.2 | -8.4 | -8.2 | -6.9 |
| Write-downs by group | -14.5 | -15.9 | -14.2 | -14.1 |
| **Credit stock, balance amount** | **7,248.1** | **7,301.0** | **7,269.5** | **7,239.5** |

This report has not been subject to external auditing.

Helsinki 14 February 2013

AKTIA BANK PLC

Board of Directors

Aktia

**Contact**
Aktia Bank Plc
P.O.Box 207
Mannerheimintie 14, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

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