



# ANNUAL REPORT 2010

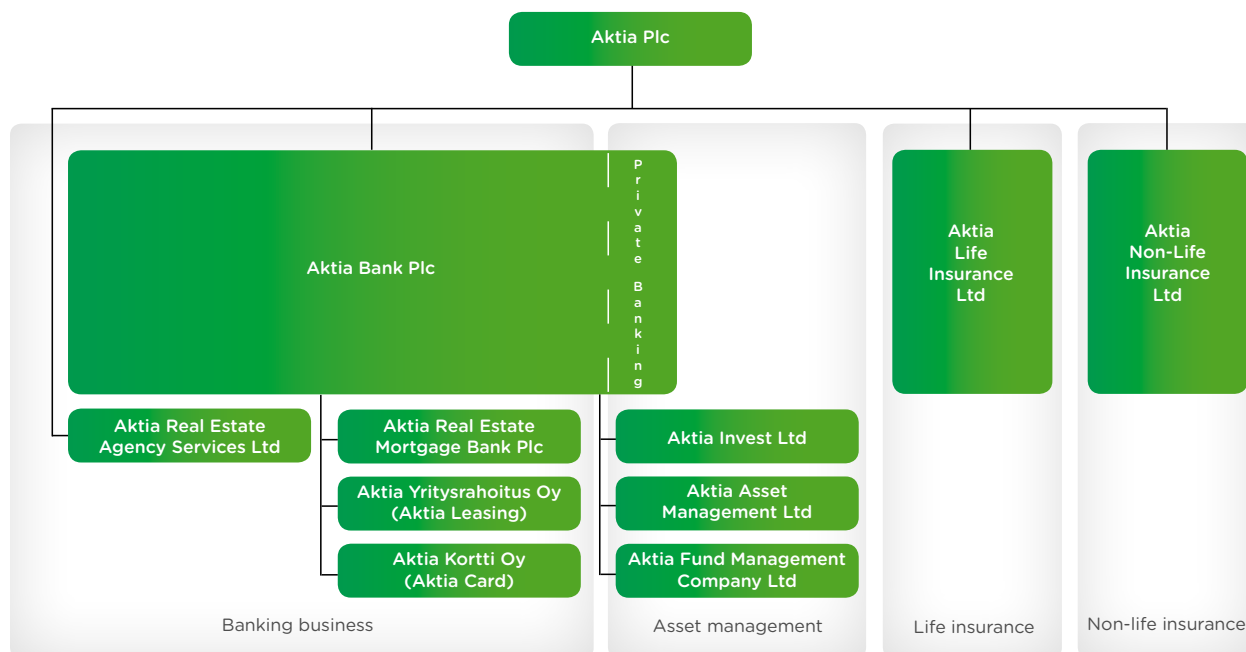
**Aktia**

We see a person in every customer.

# Aktia in brief

Aktia is a Finnish-owned finance group. The Group offers a wide range of solutions covering banking, asset management, insurance and real estate agency services. Aktia's activities are concentrated in the coastal regions of Finland

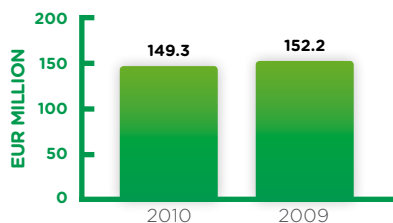
and the growth centres in the interior. Aktia's customer base of over 400,000 customers are served by nearly 1,400 employees at 72 branch offices and via the Internet and telephone. Aktia's shares are listed on Nasdaq OMX Helsinki Oy



# Historical overview

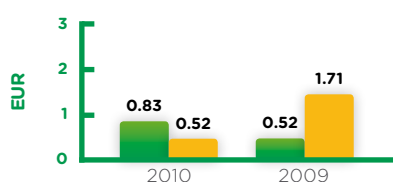
| 1825-1925   | 1985-1990   | 1991-1995   | 1996-2000  | 2001-2005  | 2006-2010   |
|---|---|---|--|--|---|
| <p><b>1825</b><br/>Helsinki Savings Bank (HSb) founded</p> <p><b>1826</b><br/>Business operations started</p> <p><b>1921</b><br/>Verdandi starts to sell life insurance</p> <p><b>1925</b><br/>Mutual Savings Association Svensk-Finland is founded</p> | <p><b>1987</b><br/>HSb and other savings banks found Finland's first mutual fund management company, Sp Fund Management</p> | <p><b>1991</b><br/>Aktia Savings Bank founded through merger of eight savings banks</p> <p><b>1992</b><br/>Aktia Fund Management Oy Ab, founded</p> <p><b>1993</b><br/>Aktia acquires Sp Fund Management</p> <p><b>1995</b><br/>Aktia's first large-scale share issue carried out</p> | <p><b>1996-1997</b><br/>Aktia becomes central financial institution to local savings (1996) and cooperative banks (1997)</p> <p><b>1997</b><br/>Aktia Asset Management founded</p> <p>Internet bank introduced</p> | <p><b>2001</b><br/>Aktia decides to remain independent and merger with Pohjola rejected</p> <p>Aktia Real Estate Mortgage Bank Plc founded</p> <p><b>2005</b><br/>Aktia's real estate agency operations and Aktia Card &amp; Finance founded</p> | <p><b>2007</b><br/>Aktia acquires Veritas Life Insurance</p> <p>Aktia Corporate Finance founded</p> <p><b>2008</b><br/>Aktia acquires Kaupthing Finland's asset management operations</p> <p><b>2009</b><br/>Veritas Mutual Non-Life Insurance merges with Aktia</p> <p>Aktia's shares listed</p> |

# Financial summary



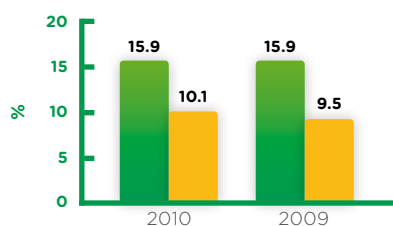
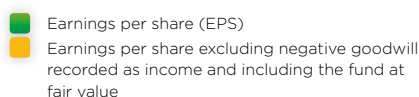
## Net interest income, NII

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



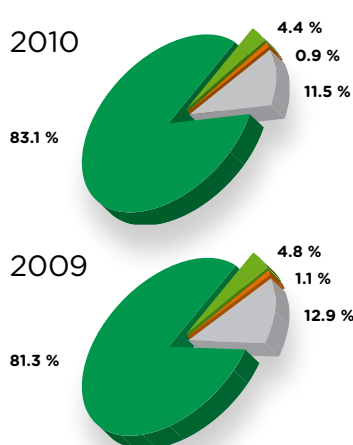
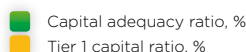
## Earnings per share (EPS) excl. and incl. of the fund at fair value

Earnings per share, excl the fund at fair value, rose to EUR 0.83 (0.52). Total earnings per share, incl the fund at fair value, decreased to EUR 0.52 (1.71).



## Capital adequacy ratio

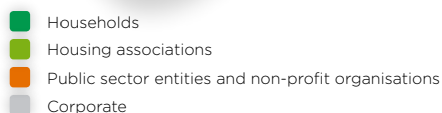
The Bank Group's capital adequacy ratio amounted to 15.9 (15.9) % and the Tier 1 capital ratio was 10.1 (9.5)%. The Bank Group includes Aktia Bank and Aktia Real Estate Mortgage Bank.



## Credit stock by sector

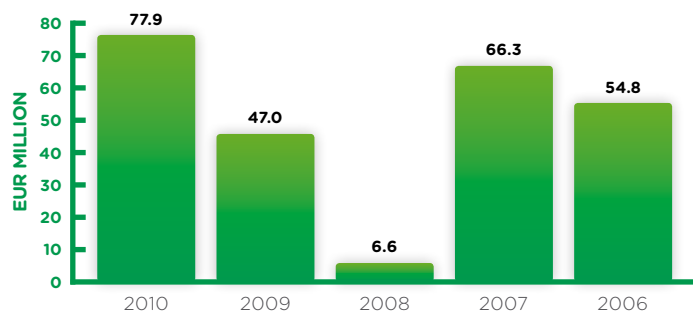
Loan stock increased by 9 (12)% or by EUR 531 million, totaling EUR 6,592 (6,061) million at the end of December. This increase mainly occurred within household financing, and households' share of the total credit stock amounted to EUR 5,479 (4,924) million or 83.1 (81.3)% or when combined with housing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

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



## Operating profit

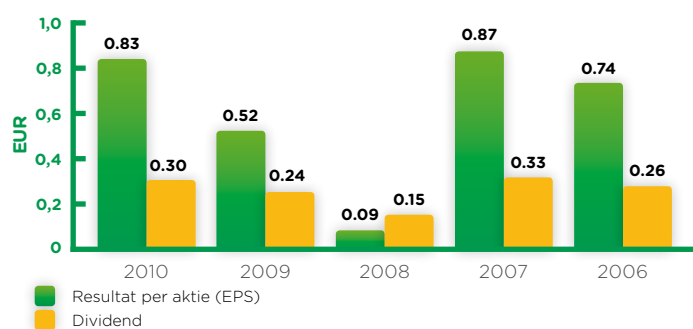
The Group's operating profit improved by 66% to EUR 77.9 (47.0) million. The Group profit amounted to EUR 58.0 (34.0) million.



## Earnings and dividend per share

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

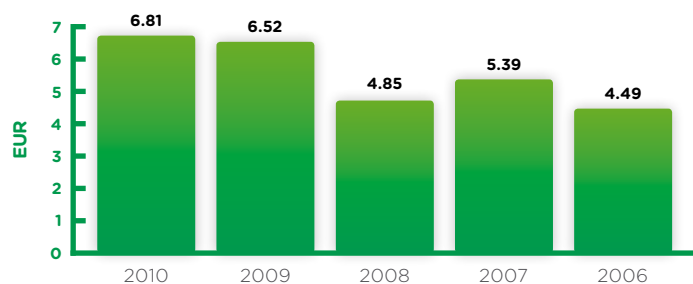
The proposed record date for the dividend will be 1 April 2011 and the dividend will be paid out on 8 April 2011.



## Equity per share, NAV

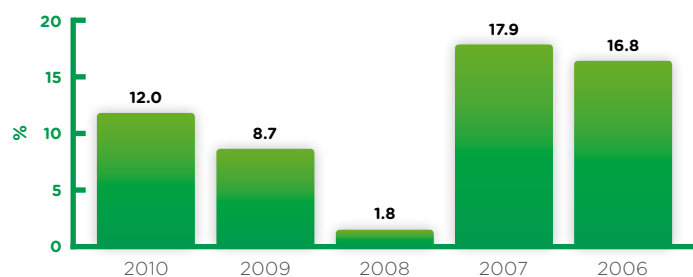
Aktia Group's equity amounted to EUR 497 (466) million at the end of 2010.

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



## Return on equity, ROE

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



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## Important events

### Higher profile in media

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

### Rating unchanged

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

### Covered bonds worth more than EUR 1,000 million issued

In 2010, Aktia Real Estate Mortgage Bank issued two covered bonds for a total value of over EUR 1,000 million. In March, a bond of EUR 500 million was issued with a floating interest rate and five-year maturity. A second

bond was issued in October worth EUR 600 million with a fixed rate and a five-year maturity. Aktia Bank issued other long-term funding, so-called Schuldscheindarlehen, worth EUR 101 million.

### Aktia's capital management received praise

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

### Donations to universities

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

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

# Profitable growth in 2010

## Favourable development of Aktia's result

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

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

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

## Increase in deposit, housing loans and insurance

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

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

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

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

## Lower write-downs

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

## The investment market

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

## High yield at low risk

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

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

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

## Our customers are our best asset

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

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

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

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

### Successful year

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

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

### Continued growth

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

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

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

### Increased dividend

Aktia's Board of Directors proposes an increase of the dividend to EUR 0.30 per share. The financial crisis has resulted in many new initiatives for regulating banking and insurance businesses, which has brought uncertainty concerning future capital requirements. A change in capital requirements could actualise both capitalisation needs and need for changes in Aktia Group's structure in the years to come, but Aktia strives to manage these structural challenges with its current capital base.

### Best possible service

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

## Development in focus

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

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

Helsinki , March 2011

**Jussi Laitinen**



# One Aktia

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



## Core values

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

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

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

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

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

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



## Strategic choices

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

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

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

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

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

## Strategic steps

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

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

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

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

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



## Increased customer closeness

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

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

### Focus on the customer relationship

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

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

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

### Development of Internet services

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

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

### Service commitment

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

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



## Broad skills

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

### Constant development of expertise

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

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

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

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



## Cost-effectiveness and controlled risk taking

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

### Centralisation of support functions

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

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

### Changes in Group Structure

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

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

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

## Successful hedging measures against interest rate risk in the bank

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

## Diversified refinancing

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

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

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

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

## Focus on risk management in corporate finance

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

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

## Low risk in insurance company investment portfolios

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

## The Board of Directors' risk committee

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

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



## Objectives and result

### Income

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

In 2010, income improved by 7%.

### Costs

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

In 2010, costs increased by 3%.

### The most satisfied customers

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

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

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

### Capital adequacy

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

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

### Dividend

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

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

### Rating

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

### Write-downs of credits

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

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

## Business environment

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

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

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

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

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

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

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

## Rating

The international rating agency Moody's Investor Service kept its credit opinion of Aktia Bank plc's credit rating unchanged in an update on 19 November 2010. Aktia Bank plc's credit quality remained at the best classification, P-1, for short-term borrowing. The credit rating for long-term borrowing is A1 and that for financial strength is C. All ratings have a stable outlook. See [http://www.aktia.fi/aktia\\_bank/rating](http://www.aktia.fi/aktia_bank/rating).

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

## Profit 2010

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

## Income

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

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

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

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

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

A lower number of claims, improved net income from investments and last year's cost reductions measures improved Aktia Non-Life Insurance's net income to EUR 22.6 (15.2) million. Net income from the insurance busi-

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

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

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

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

## Expenses

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

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

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

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

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

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

## Balance sheet and off-balance sheet commitments

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

## Borrowing

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

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

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

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

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

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

## Lending

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

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

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

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

Interest-bearing financial assets available for sale were EUR 3,241 (3,277) million. Of interest-bearing financial assets,

EUR 650 (620) million relates to the insurance companies' investment portfolios and EUR 2,591 (2,657) million mainly to the banking business' liquidity portfolio.

## Technical provisions

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

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

## Equity and commitments

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

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

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

## Segment overview

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

### The segments' contribution to the Group's operating profit

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

## Banking business

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

Operating income totalled EUR 188.5 (186.3) million. Net interest income was EUR 145.5 (146.9) million and net commission income increased by 24% totalling EUR 41.7 (33.7) million. Card and payment provisions increased by

25% which lifted net commission income. Net commission income from mutual funds and insurance increased 28%.

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

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

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

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

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

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

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

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

## Asset Management

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

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

Operating income, i.e. income after reversals to the Group's other units and business partners, was EUR 21.1 (15.6)

million. Operating expenses increased by 13% to EUR 16.7 (14.7) million, of which staff costs made up EUR 9.1 (8.1) million.

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

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

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

## Life Insurance

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

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

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

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

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

Technical provisions totalled EUR 870 (805) million, of which provisions for unit-linked insurance policies represented EUR 282 (210) million and interest-linked provisions EUR 588 (595) million. The interest-linked provisions include an additional EUR 2.5 million to adapt to a longer life-expectancy. The average required rate for interest-linked

provisions was 3.6%. Customers with interest rate-linked insurance and who are entitled to additional benefits receive for 2010 a total yield of 2.5-4.5%, deriving from interest rate and a possible customer compensation.

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

## Non-Life Insurance

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

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

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

Operating costs decreased to EUR 20.0 (21.7) million.

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

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

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

## Miscellaneous

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

## Common costs

In accordance with the "One Aktia" strategy the Group support functions have been unified and integrated. The

largest expenses consist of marketing and IT costs. The integration process is continuing throughout 2011.

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

## Capital adequacy and solvency

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

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

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

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

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

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

In 2010, the total of write-downs on credit, guarantee and outstanding premium receivables stood at EUR -14.1 (-31.7) million.

The write-downs on credit and guarantee claims based on individual examination were significantly lower than last year, amounting to EUR -12.7 (-33.1) million. Private households accounted for EUR -0.7 (-1.1) million of these. Accumulated assets and reversals of previous write-downs amounted to EUR 0.9 (2.1) million.

Previous individual write-downs worth EUR 10.8 million were reversed. In the fourth quarter, a write-down by group of EUR 12 million was made in accordance with revised accounting principles for individually valued larger corpo-

rate arrangements. The impact of this on the result for the quarter is EUR -1.2 million.

Total write-downs on credits with impact on result amounted to 0.2 (0.5%) of total lending. Corresponding impact on result from corporate loans amounted to 1.6 (3.8)% of total corporate lending.

At year-end, write-downs by group on portfolio level amounted to a total of EUR 19.3 (7.4) million, of which EUR 7.3 (7.4) million related to households and small companies and EUR 12.0 (0.0) million to larger corporate arrangements.

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

## Valuation of financial assets

### Value changes reported via income statement

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

### Write-downs on financial assets

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

### Value changes reported via the fund at fair value

A value impairment that is not reported in the income statement or an increase in the value of financial assets that has not been realised is reported via the fund at fair value. Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 22.5 (43.3) million after deferred tax.

Cash flow hedging which comprises the market value for interest rate derivative contracts which have been acquired

for the purposes of hedging the banking business' net interest income amounted to EUR 25.7 (21.4) million.

### Specification of the fund at fair value

| EUR million                        | 2010        | 2009        | Change       |
|------------------------------------|-------------|-------------|--------------|
| Shares and participations          |             |             |              |
| Banking Business                   | 0.2         | 3.7         | -3.5         |
| Life Insurance Business            | 2.6         | 0.2         | 2.3          |
| Non-Life Insurance business        | 0.3         | -0.2        | 0.5          |
| Direct interest-bearing securities |             |             |              |
| Banking Business                   | -16.6       | 13.3        | -29.9        |
| Life Insurance Business            | 10.7        | 5.6         | 5.0          |
| Non-Life Insurance business        | -0.4        | -0.8        | 0.4          |
| Cash flow hedging                  | 25.7        | 21.4        | 4.3          |
| <b>Fund at fair value, total</b>   | <b>22.5</b> | <b>43.3</b> | <b>-20.8</b> |

## The Group's risk exposure

### Overview

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

### Definitions

- Risk – possibility of an adverse departure from an anticipated financial outcome with an impact on financial performance or capital adequacy/solvency
- Risk management – all activities involved in taking, reducing, analysing, controlling and monitoring risk
- Risk control – identifying, measuring, supervising, stress testing, analysing, reporting and monitoring of risks
- Credit and counterparty risk – risk of losses brought about by the debtor failing to fulfil its obligations towards Aktia or caused by the counterparty's creditworthiness having weakened
- Market risk – risk of losses or lower future income due to price changes on the financial market

- Financing and liquidity risk – risk that the Group cannot fulfil its payment obligations or that it can only do so at high cost
- Operational risks – risk of losses due to events in the operating environment or internal factors
- Insurance risks – risk of losses or higher claim costs in the life and non-life insurance businesses
- Business risk – risk of reduced income due to a reduction in volume, pressure on prices, competition or rising costs

### Risk items

#### Credit and counterparty risks

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

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

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

#### Market risks

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

In the banking business, the structural interest rate risks and especially the risk of sustained low interest rates have been actively managed through the nature of the business arrangements, derivative hedges and investments in the liquidity portfolio. The Bank Group's liquidity portfolio stood at EUR 2,556 (2,615) million at the year-end, while

the investment assets held by the insurance companies to technical provisions totalled EUR 847 (835) million. Of the Bank Group's liquidity portfolio, 59 (55)% were investments in covered bonds, 28 (29)% were investments in banks, 9 (10)% were investments in state-guaranteed bonds and approximately 4 (6)% were investments in public sector entities and companies.

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

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

### Financing and liquidity risks

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

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

### Operational risks

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

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

### Insurance risks

Underwriting risks occur where future claim payments become higher than expected. Taking into account the pro-

vision of reinsurance cover, the claim costs incurred by the insurance businesses have been relatively stable. The provision of reinsurance cover for different insurance portfolios reduces the volatility of financial results and eliminates risks that could affect the company's future business opportunities.

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

## Events concerning close relations

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

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

No significant changes concerning close relations occurred.

## Events during the reporting period

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

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

Life Annuity Institution Hereditas - Chamber Counsellor Mikael Westerback

Pension Insurance Company Veritas - LLM. Jan-Erik Stenman

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

## Personnel

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

## Personnel fund and management's incentive programme for 2010

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

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

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

Aktia Group's remuneration statement has been published on Aktia plc's website. ([http://www.aktia.fi/management\\_and\\_governance/remuneration](http://www.aktia.fi/management_and_governance/remuneration))

## Deposit Guarantee Fund and the Investors' Compensation Fund

### The Deposit Guarantee Fund of the banks

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

For more information about the Deposit Guarantee Fund, see [www.talletussuojarahasto.fi](http://www.talletussuojarahasto.fi).

### The Investors' Compensation Fund

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

For more information about the Investors' Compensation Fund, see [www.sijoittajienkorvusrahassto.fi](http://www.sijoittajienkorvusrahassto.fi).

## Board of Directors and Executive Committee

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

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

Chair Dag Wallgren, M.Sc. (Econ)

Vice Chair Nina Wilkman, LL.M.

Marcus H. Borgström, Honorary Counsellor (Agriculture)

Hans Frantz, Lic.Soc.Sc.

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

Nils Lampi, B.Sc. (Econ)

Kjell Sundström, M.Sc. (Econ)

Marina Vahtola, M.Sc. (Econ)

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

## Changes in Group structure

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

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

Aktia Corporate Finance Ltd has become a fully owned subsidiary.

## Share capital and ownership

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

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

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

<sup>1</sup> Stiftelsen Tre Smeder is the former Helsinki Savings Bank foundation

\*) Part in shareholders' agreement concerning the parties' mutual pre-emptive right to R shares. This agreement covers 85% of R shares and 25% of the total number of shares.

## SHARES

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

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

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

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

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

\*Board proposal to the AGM

#### Share price development 1 Jan - 31 December 2010

|                       | Yield |
|-----------------------|-------|
| Aktia A               | 0.2%  |
| Aktia R               | -3.4% |
| OMX Nordic Banks      | 22.0% |
| OMX Nordic Financials | 22.7% |

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

## Events after the end of the reporting period

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

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

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

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

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

## Outlook and risks for 2011

### Outlook

In 2011, Aktia's focus will be on strengthening customer relations, increasing sales per customer and cross-selling, developing Internet services, and managing costs, risks and capital in order to strengthen profitability. Aktia is endeavouring to grow above the market, particularly in the sectors of retail customers and small companies.

The interest-rate derivatives that temporarily lifted the net interest income (NII) to an exceptional level are gradually maturing from 2011 onwards. The high NII level from 2009-2010 is therefore difficult to replicate in a low interest rate

environment. The write-downs on credit are expected to remain at a low level in 2011. The full-year result for 2011 will probably be lower than in 2010.

### Risks

Aktia's financial results are affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates and the competitive situation. Changes in these factors can have an impact on demand for banking, insurance, asset management and real estate agency services.

Change in interest rate level, yield curves and credit margins are hard to predict and can affect Aktia's interest rate margins and therefore profitability. Aktia is pursuing effective management of interest rate risks.

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

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

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

The financial crisis has resulted in many new initiatives for regulating banking and insurance businesses, which has brought uncertainty concerning future capital requirements. A change in capital requirements could actualise both capitalisation needs and need for changes in Aktia Group's structure in the coming years. The results of new regulations are likely to be higher capital requirements, sharpened competition for deposits, higher demands on long-term financing and eventually higher credit margins.

## Board of Directors' proposals to the 2010 AGM

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

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

## Key figures and basis of calculation for key figures

## Five-year overview

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

## Key figures

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

\*) According to proposal from Board of Directors

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

## Basis of calculation for key figures 2010

### Turnover, EUR

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

#### Banking business turnover

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

#### Insurance businesses turnover

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

### Earnings/share, EUR

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

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

### Equity per share, EUR

Equity attributable to the shareholders of Aktia plc  
Number of shares at the end of the period.

### Return on equity (ROE), %

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

Average equity

### Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

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

### Banking business cost/income ratio

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

Total operating income

### Banking business risk-weighted commitments

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

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

### Banking business capital adequacy ratio, %

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

Risk-weighted commitments

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

### Banking business capital adequacy ratio, %

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

Risk-weighted commitments

### Life insurance business expense ratio, %

$\frac{(\text{Operating costs} + \text{cost of claims paid}) \times 100}{\text{Total expense loadings}}$

Total expense loadings

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

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

### Life insurance business solvency ratio, %

$\frac{\text{Solvency capital} \times 100}{\text{Technical provisions} - \text{equalisation provision} - 75\% \text{ of provisions for unit-linked insurance}}$

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

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

### Non-life insurance combined ratio, %

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

$\text{Loss ratio} = \frac{\text{Claims incurred and cost for claims handling} \times 100}{\text{Premiums earned}}$

$\text{Expense ratio} = \frac{\text{Operating costs excl. cost for claims handling} \times 100}{\text{Premiums earned}}$

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

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

$\frac{\text{Solvency capital} \times 100}{\text{Technical provisions after reinsurers' share} - \text{equalisation provision}}$

Technical provisions after reinsurers' share - equalisation provision

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

$\frac{\text{Solvency capital} \times 100}{\text{Premiums earned for from the latest 12 months}}$

Premiums earned for from the latest 12 months

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



## CONSOLIDATED INCOME STATEMENT

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (EUR 1,000)   |      |               |                |
|---|------|---------------|----------------|
|   | Note | 2010          | 2009           |
| Profit for the reporting period   |      | 58,038        | 33,997         |
| <b>Other comprehensive income after taxes:</b>                              |      |               |                |
| Change in valuation of fair value for financial assets available for sale   |      | -31,685       | 51,847         |
| Change in valuation of fair value for cash flow hedging                     |      | 4,269         | 9,043          |
| Transferred to the income statement for financial assets available for sale |      | 6,479         | 19,239         |
| <b>Total comprehensive income for the reporting period</b>                  |      | <b>37,102</b> | <b>114,126</b> |
| <b>Total comprehensive income attributable to:</b>                          |      |               |                |
| Shareholders in Aktia plc   |      | 34,634        | 113,958        |
| Non-controlling interest  |      | 2,468         | 168            |
| <b>Total</b>  |      | <b>37,102</b> | <b>114,126</b> |
| Total earnings per share, EUR   | G20  | 0.52          | 1.72           |
| Total earnings per share, EUR, after dilution                               | G20  | 0.52          | 1.72           |

## CONSOLIDATED BALANCE SHEET

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

## CONSOLIDATED OFF-BALANCE-SHEET COMMITMENTS

| (EUR 1,000)  |      |                |                |
|--|------|----------------|----------------|
|  | Note | 2010           | 2009           |
| <b>Off-balance sheet commitments</b>                             | G49  |                |                |
| Guarantees   |      | 48,415         | 49,944         |
| Other commitments provided to a third party                      |      | 5,547          | 7,281          |
| Commitments provided to a third party on behalf of the customers |      | 53,962         | 57,225         |
| Unused credit arrangements                                       |      | 607,614        | 506,598        |
| Other commitments provided to a third party                      |      | 8,810          | 11,654         |
| Irrevocable commitments provided on behalf of customers          |      | 616,424        | 518,252        |
| <b>Total</b>   |      | <b>670,386</b> | <b>575,477</b> |

## CONSOLIDATED CASH FLOW STATEMENT

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

## QUARTERLY TRENDS IN THE GROUP

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### G1 Overview of significant consolidated accounting principles 2010

The report by the Board of Directors and the financial statements for the year ended 31 December 2010 were approved by the Board of Directors on 28 February 2011 and are to be adopted by the Annual General Meeting on 29 March 2011. The annual report will be published on 8 March 2011.

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

#### Basis for preparing financial statements

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

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

There were no new or revised IFRS or interpretations from IFRIC (International Finance Reporting Interpretation Committee) that had any effect on the Group's result, financial position or explanatory notes in 2010.

New or amended standards in 2010 that had no impact on the Group's result or financial position

The following IFRSs and interpretations may affect the reporting of future transactions and business, but had no impact on the Group's result or financial position in 2010:

IFRS 3 Business Combinations (Revised) changes how acquisitions are reported in terms of transaction expenses, any contingent purchase consideration and successive acquisitions. The standard applies from 1 January 2010 and the Group will be applying this standard to any new acquisitions.

IAS 27 Consolidated and separate financial statements (Revised) stipulates that the effects of any transactions with holdings where a non-controlling interest exists must be reported in shareholders' equity as long as the controlling interest persists. Transactions with holdings where a non-controlling interest exists no longer prompt goodwill or profits and losses. From the date on which the parent company no longer holds a controlling interest, any remaining share is to be revalued at fair value and a profit or loss is to be reported in the income statement.

IFRIC 9 and IAS 39 (Amended) state that companies must assess whether an embedded derivative is to be separated from the host contract when the company reclassifies a hybrid financial asset from the fair value category through the income statement. This assessment is carried out on the basis of the circumstances that existed on the later of the date when the entity first became party to the contract and the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract. If such an assessment cannot be carried out, the hybrid instrument must remain valued at fair value through the income statement.

New and amended standards in 2011 that may have an impact on the Group's result and financial position

IFRS 9 Financial Instruments (published in November 2009) is the first stage in the process to replace IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 introduces new requirements for recognising and measuring financial assets and will affect the way in which the Group reports financial assets. Financial assets will be divided into two categories: measured at fair value or measured at accrued acquisition value. The standard will become mandatory for the reporting period commencing 1 January 2013, but can be applied earlier. The standard has yet to be approved by the EU. The Group will nevertheless evaluate the full impact of IFRS 9 on its financial reporting. The standard will have an impact on the Group's interest-bearing securities in the category Financial assets available for sale. IFRS 9 only allows the reporting of fair-value profits or losses in comprehensive income if they are attributable to shareholdings that are not held for trading. Fair-value profit or losses attributable to interest-bearing securities in the category Financial assets available for sale will be reported directly in the income statement. For the current reporting period, the Group reported such losses in comprehensive income of EUR 24.3 million.

The Group does not expect other new or revised IFRSs or interpretations from IFRIC to have an impact on the Group's future results, financial position or explanatory notes.

## Consolidation principles

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

The consolidated accounts encompass those subsidiaries in which the parent company directly or indirectly owns over 50% of the votes, or otherwise has authority (over 50% of the shares with voting rights). The acquisition method has been applied to acquisition eliminations. The acquisition method involves the assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. Intangible assets not included in the acquired company's balance sheet, such as trade marks, patents or customer relations, are identified and assessed on acquisition. Following assessment at fair value, either goodwill or negative goodwill arises. If goodwill arises, this is examined at least once for each financial statement. If negative goodwill arises, this is charged to income in its entirety at the time of acquisition. Acquisition costs are not included in the acquisition calculation, but entered as cost when they occur and the services are received.

The consolidated accounts cover those associated companies in which the parent company directly or indirectly owns 20-50% of the votes or otherwise has considerable influence. When consolidating associated companies, the equity method has been applied. The equity method means that the Group's share of the associated company's equity and results increases or reduces the value of the shares reported on the date the accounts are closed.

All internal business transactions, receivables, liabilities, dividends and profits are eliminated within the consolidated accounts.

Holdings where a non-controlling interest exists (previously known as Minority interest) are shown separately in consolidated shareholders' equity. The share of holdings where a non-controlling interest exists which cannot be reported as shareholders' equity is reported as other liabilities. In acquisitions possible non-controlling holdings in the acquired company are identified at the time of acquisition. The holdings are reported as shareholders equity or as other liabilities depending on the contents of possible agreements with the owners of non-controlling interest.

## Segment-based reporting

Segment reporting corresponds internal reporting to the highest executive body. The highest executive body is the function responsible for appropriation of resources and evaluation of the business segments' results. In the Group this function is identified as the Executive Committee, taking strategic decisions. Each of the segments has a head with responsibility for business operations and results. The reported segments are Banking Business, Asset Management, Life Insurance, Non-Life Insurance and Miscellaneous.

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

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

The Life Insurance segment encompasses Aktia Life Insurance Ltd.

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

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

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

## Allocation principles and Group eliminations

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

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

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

The share of profits in associated companies, acquisition eliminations, non-controlling interest and other Group adjustments are included in eliminations.

Pricing between the segments is based on market prices.

### Foreign currency translation

Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency trading. The exchange rate differences that arise from the life and non-life insurance businesses are reported in Net income from investments, which is included in the net insurance income for the respective insurance business.

### Revenue and expenses recognition

#### Interest and dividends

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

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

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

### Commissions

The basic principle for commission income and commission expenses is that they are reported in accordance with the accruals convention. The cost of acquiring new insurance policies or renewing existing policies is dealt with within the insurance business as commission expenses, and is included in other administrative expenses.

### Insurance premiums

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

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

### Claim costs

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

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

### Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

## Depreciation

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

|  |            |
|--|------------|
| Buildings  | 40 years   |
| Basic repairs to buildings   | 5–10 years |
| Other tangible assets  | 3–5 years  |
| Intangible assets (IT acquisitions)  | 3–5 years  |
| Intangible assets (acquired customer base, life and non-life insurance businesses) | 2 years    |

If fixed assets are classified according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, depreciation ceases.

## Employee remuneration

### Pension plans

The Group reports all pension plans as defined-contribution plans. For defined-contribution pension plans, the Group makes fixed payments to external pension insurance companies. After this, the Group has no legal or actual obligation to make further payments if the pension insurance companies do not have sufficient assets to pay the employees' pensions for current or preceding periods. According to the Employees' Pensions Act, basic insurance coverage is the most important defined-contribution pension plan. Independent pension insurance companies are responsible for this form of pension protection within the Group companies. The pension insurance premiums for those arrangements which are classified as defined-contribution plans have been allocated to correspond to performance pay in the financial statements.

The Group also has voluntary defined-benefit plans. For defined-benefit plans, the Group still has obligations after payments have been made for the reporting period, and bears the actuarial risk and/or the investment risk. The Group's defined-benefit plans are internal group plans, and are included in the life insurance business' technical provision. These plans have no significant impact on the Group's result or financial position.

### Share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration

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

## Taxes

Taxes in the income statement consist of direct taxes for the year and previous years and deferred taxes. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is also reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be utilised.

## Financial assets

Debt certificates (debt securities), receivables from credit institutions, receivables from the public and public sector entities as well as shares and participations are entered as financial assets. For these financial assets, Aktia applies the IFRS rules whereby financial assets are divided into four valuation categories.

### Financial assets reported at fair value via the income statement

Financial assets reported at fair value via the income statement include financial assets which are held for trading. This category includes debt certificates, shares and participations that are actively traded with and that have been acquired for the short term with the intent to earn revenue. They have been entered at fair value with changes in value being currently entered in the income statement. Structured bonds and investments with embedded derivatives are classified as financial assets held for trading, which means that changes in value are recognised directly in the income statement.

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

## Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are classified as Financial assets available for sale. The unrealised value change is recognised in the comprehensive income with deductions for deferred tax until sold or written down. When sold or written down, the accumulated unrealised profit or loss is transferred to the income statement and the banking business' share included in Net income from financial assets available for sale which is included in Net income from financial transactions. In the life and non-life insurance businesses, the above-mentioned gains and losses are reported as Net income from investments, which is included in the net insurance income for the respective insurance business.

## Financial assets held until maturity

Debt certificates to be held until maturity are reported as Financial assets held until maturity. These securities are entered at accrued acquisition cost. If there is objective evidence to suggest that full repayment will not be received on such a security at the end of the accounting period, the difference compared with the acquisition price is entered as an expense. The difference between the acquisition price and the nominal value has been allocated as interest income or loss of it.

If securities classified as Financial assets held until maturity are sold prior to maturity, these securities are reclassified as Financial assets available for sale. The reason for this reclassification is that the intention or ability in relation to the investments (a significant amount) changes so that the conditions for the use of this category are no longer met. After any such reclassification, these securities are reported as Financial assets available for sale for at least two consecutive reporting periods.

## Loans and other receivables

Receivables from credit institutions and receivables from the public and public sector entities are reported in the category Loans and other receivables. These receivables are entered at accrued acquisition value.

## Financial liabilities

Financial liabilities are included in the balance sheet at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value. In the cash flow statement, issued debts are deemed to belong to the

bank's core operations, and are included in operating activities, while subordinated liabilities are deemed to belong to financing activities.

## Definition of valuation at fair value

Fair value for listed shares and financial market instruments is the latest listed purchase price at the end of the accounting period. For those instruments for which there is no listed buying rate at the end of the accounting period, the latest listed purchase price is used. If the market for a financial instrument is inactive, the fair value is established through the use of valuation techniques used among market players for pricing instruments.

These valuation techniques incorporate factors taken into consideration by market players when setting prices, and are based on generally-accepted financial methods for pricing financial instruments.

## Impairment of financial assets

The impairment of Financial assets available for sale is recognised through the income statement if the financial position of the company in which the investment has been made has deteriorated significantly. The criteria are as follows:

- the company has entered into bankruptcy or is de facto insolvent and unable to make payments
- the company has entered into a corporate reorganisation agreement, or has sought protection against its creditors, or is undergoing significant restructuring which affects creditors.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the market value and the acquisition value at the time of reporting. If no market value is available, or if there are specific reasons for assuming that the market value does not represent the fair value of the security, or if the Group holds a controlling stake in the company, a decision is made on reporting an impairment in accordance with a separate assessment made by the Board of Directors.

In addition to default, interest-bearing securities are reviewed individually to assess the need for write-downs if the price of the security has fallen by more than 50% and the instrument rating has fallen below investment grade (BB+, Ba1 or lower).

For shares and share fund investments, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. A significant drop has

occurred if the difference between the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) and the acquisition value exceeds certain volatility-based limits. Volatility is quantified using betas which measure the riskiness of the shares in relation to the market (a comparison index). For share funds, this index is the same as the share fund's ascribed comparison index. For individual shares, the index is a combination of an industry index and a geographic exposure index. The weighting for these two indices is calculated separately for each share by applying the change in value for historic data and maximising the share-index correlation. The same method is used for the Group's Value-at-Risk calculation.

For investments in real estate funds, an impairment is also recognised if there has been a significant or long-term drop in the value of the investment. When determining the extent of the impairment, real estate risks, liquidity risks, financing risks and interest rate risks are taken into account.

A long-term drop has occurred if the average rate for ten banking days around the time of valuation (five banking days before and five banking days after) has been continuously below the acquisition value for 18 months.

If any of the above criteria are met, an impairment is recognised through the income statement. The impairment reported is the difference between the market value at the time of reporting and the acquisition value.

### Write-downs of loans and other receivables

Write-downs of loans and other receivables are entered individually and in groups. A write-down is entered individually if there is objective evidence that the customer's ability to pay has been weakened after the receivable was originally entered in the balance sheet. Objective evidence exists where the debtor is experiencing significant financial difficulties, concessions are granted for financial or legal reasons which the lender had not otherwise considered, or the debtor enters bankruptcy or other financial restructuring.

The value of the receivable has been weakened if the estimated incoming cash flow from the receivable, with regard to the fair value of the security, is less than the sum of the book value of the receivable and the unpaid interest on the receivable. The estimated incoming cash flow is discounted by the credit's original effective interest rate. If the credit has a variable rate of interest, the agreed rate of interest at the time of review is used as the discount rate. The write-down is entered as the difference between the lower current value of the recoverable cash flow and the book value of the credit.

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in underlying credit portfolios. The analysis is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. In the case of credits to households and small companies, a write-down by group is based on an assessment of anticipated losses across a 12-month time horizon.

For larger corporate customers, a write-down by group is carried out for individually valued receivables. Individually valued receivables include larger corporate commitments which are classified as unstable according to internal risk criteria due to factors relating to profitability, debt burden, ownership structure, management and financial administration, sector or financing structure.

### Accounting for the acquisition and disposal of financial assets

When acquiring or selling financial assets, these are entered in accordance with the trade date.

### Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments.

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

### Hedge accounting

All derivatives are valued at fair value. In accordance with the IFRS rules, Aktia has documented hedge accounting either as fair value hedges or cash flow hedges. Aktia applies the 'carve out' version of hedge accounting as approved by the European Union, which also allows hedge accounting to be applied to Balance items repayable on demand and portfolio hedging of both assets and liabilities. The aim is to neutralise the potential changes in fair value of assets and to stabilise the Groups net interest income.

Aktia's policy for hedge accounting is that the hedging relationship between the hedging instrument and the hedged item, along with the risk management aim and the strategy, are documented when hedging. In order to apply hedge accounting, the hedge must be highly efficient. A hedge is deemed to be highly efficient if, at the time of hedging and throughout the entire hedging period, it can be expected that changes in the fair value of the hedge item will be significantly neutralised by changes in the fair value of the hedging instrument. The outcome should be within the range of 80-125%. When subsequently assessing the efficiency of the hedging, Aktia values the hedging instrument at fair value and compares the change in this value with the change in the fair value of the hedged item. The efficiency is measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 per cent match, the ineffective part is reported in the income statement as Net income from financial transactions.

If the hedging relationship fails to meet the above requirements, the hedge accounting ceases. The change in the unrealised value of the derivative is reported at fair value in the income statement as net interest income with effect from the time when the hedging was latest deemed to be efficient.

### Fair value hedging

Fair value hedging is applied for derivatives which are used in order to hedge changes in fair value for a reported asset or liability which is attributable to a specific risk. The risk of changes in fair value for assets and liabilities reported by Aktia relates primarily to loans, securities and fixed-interest borrowing, giving rise to interest rate risk. Changes in the fair value of derivatives are, like changes in the fair value of the hedged item, reported separately in the income statement as Net income from financial transactions. If the hedging is efficient, both changes in fair value mostly cancel each other out, which means that the net result is virtually zero. Interest rate swaps and forward rate agreements are used as hedging instruments.

Fair value hedging is no longer applied in the following situations:

- the hedging instrument expires, is sold, terminated or revoked
- the hedge no longer qualifies for hedge accounting
- hedging is discontinued.

When hedging ceases, accumulated profit or loss, adjusting the value of the item hedged in the income statement, is allocated. Allocation is made over the hedged item's period until maturity.

### Cash flow hedging

Cash flow hedging is applied in order to hedge future interest streams, such as future interest payments on assets or liabilities with variable interest rate. The efficient element of the change in fair value is reported in comprehensive income and the inefficient element in the income statement as Net income from financial transactions. The accumulated change in fair value is transferred from shareholders' equity to the income statement during the same period as the hedged cash flows have an impact on the income statement. Interest rate swaps, forward rate agreements and interest rate options are used as hedging instruments. The change in time value for interest rate options is reported through the income statement.

Cash flow hedging ceases in the same situations as fair value hedging. When cash flow hedging ceases, but an inward cash flow is expected, accumulated profit or loss concerning the hedging instrument is reported as separate item in shareholders' equity. Accumulated profit or loss is then reported in the income statement under the same periods as previously hedged interest streams are reported in the income statement.

### Other derivative instruments valued through the income statement (hedged back-to-back with third parties)

Other derivative instruments consist primarily of interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties. These interest-rate derivatives are valued at fair value, and the change in result is recognised in Net income from financial transactions. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks, and individual security arrangements are made with third parties in accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

### Financial derivatives valued at fair value through the income statement

Derivatives which are not classified as hedging instruments and which are not efficient as such are classified as derivatives valued at fair value through the income statement.

Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Derivatives are entered in the balance sheet as assets when the fair value is positive, and as liabilities when the fair value is negative. Changes in fair value, together with profits and

losses realised, are reported in the income statement and are included in Net Income from Financial Transactions.

### Repurchase agreements

Repurchase agreements relate to agreements where the parties have reached an agreement on selling securities and the subsequent repurchase of corresponding assets at a set price. For repurchase agreements, sold securities are still reported in the balance sheet, and the payment received is reported as a financial liability. Sold securities are also reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

### Cash and balances with central banks

Cash and balances with central banks consist of cash, bank balances, a current account held with the Bank of Finland and short-term deposits with a duration of less than three months. Loans to credit institutions repayable on demand are included in Loans and other receivables. Cash and cash equivalents in the cash flow statement include cash and balances with central banks, and loans to credit institutions repayable on demand.

### Tangible and intangible assets

The Group's real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Group. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If part of the premises is used by the Group, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their acquisition value.

Estimation of fair value for investment properties was carried out by external property valuers using the cash flow method or through an internal valuation based on the rental income that could be earned at market rates. If the probable assignment value of properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

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

### Assets classified as held for sale

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

### Provisions

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

### The Group as a lessor

#### Finance lease agreements

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

### The Group as a lessee

#### Operating lease agreements

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

## Insurance and investment agreements

### Classification of insurance and investment agreements

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

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

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

### Reinsurance

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

### Liabilities attributable to insurance and investment agreements

Liabilities arising from insurance agreements are dealt with in the first phase of the IFRS 4 standard in accordance with

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

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

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

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

### Loss assessment for the insurance businesses

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

### The life insurance business' equity principle

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

The life insurance business strives to ensure that the sum of the technical rate of interest and the annually set customer compensation on the interest-linked pension insurance savings is higher than the return on the Finnish state ten-year bond, and on the interest-linked saving and investment

insurance savings is at the same level as the Finnish state five-year bond. The solvency of the life insurance company should also be kept at a level which allows customer compensation payments and profits to be paid to the shareholders.

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

## Equity

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

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

## Holdings where a non-controlling interest exists (previously Minority interest)

Aktia Real Estate Mortgage Bank plc's non-controlling holdings are reported as part of the Group's shareholders' equity. The subsidiaries Aktia Asset Management Oy Ab and Aktia Invest Ltd have certain redemption clauses in their contracts which means that their non-controlling holdings are reported as liabilities. The change in these liabilities are reported in the income statement as personnel costs.

## Accounting principles requiring management discretion

When preparing reports in accordance with the IFRSs certain estimations and assessments are required by management which have an impact on the income, expenses, contingent assets and contingent liabilities presented in the report.

The Group's central assumption relates to the future and key uncertainty factors in connection with balance date estimations, and depends on factors such as fair value estimations, the impairment of financial assets, the write-down of loans and other receivables, impairment of tangible and intangible assets, and assumptions made in actuarial calculations.

## Estimates and valuation of fair value

Valuation of unquoted financial assets or other financial assets where access to market information is limited requires

management discretion. The principles of valuation at fair value are described in section Definition of valuation at fair value. The fair value of financial assets held until maturity is also sensitive to both changes in interest rate levels and the liquidity and risk premiums of the instrument.

## Impairment of financial assets

The Group performs an impairment test for every balance sheet date to see whether there is objective evidence of a need to make impairments on financial assets, except for financial assets that are valued at fair value through the income statement. The principles are described above in section Impairment of financial assets.

## Write-down of loans and receivables

Group write-downs are divided in companies and private customers. The Group continuously evaluates objective causes for value changes in receivables and decides according to certain criteria if a write-downs or a reversal of write-down shall be booked. The principles are described above in section Write-downs of loans and receivables.

## Actuarial calculations

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

## Share-based payments

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

## G2 The Group's risk management

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## 1. In general

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

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

The results and capital adequacy of the banking business are primarily affected by business volumes, deposit and lending margins, the balance sheet structure, general interest rate levels, write-downs and cost efficiency. Fluctuations in results from banking operations may occur as a result of sudden credit or operational risk outcomes. Business risks in the form of changes in volume and interest margins change slowly and are managed through diversification and adjustment measures.

Results from capital market operations are mainly affected by negative trends in the growth of business volumes, commission levels and cost efficiency. Opportunities to improve, adjust and develop new products and processes reduce the business risks associated with capital market operations.

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

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

the non-life insurance business is also dependent on market risks in the investment portfolio to a certain extent.

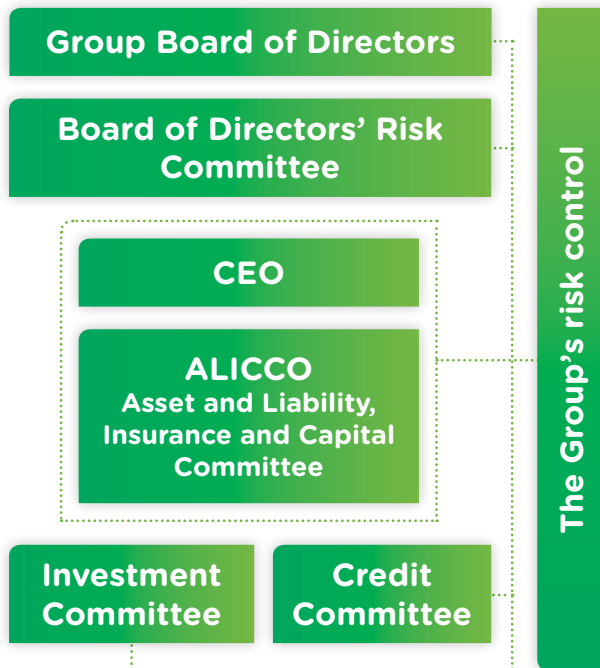
## 2. Risk management

In providing financial solutions to its customers, Aktia is exposed to various risks. Risks and risk management are thus a substantial feature of Aktia's operating environment and business activities. The term risk management refers to all activities involved in taking, reducing, analysing, controlling and monitoring risk.

The Group strategy governs all risk-taking and the Group's Board of Directors is ultimately responsible for risk-taking by the Group. Each year, the Group's Board lays down instructions and limits for administration of business operations to the Group CEO. Exposure and limits are reported to the Group's Board at least once each quarter. The Group's Board has appointed a committee to draw up general risk-related matters for the Board's consideration and to take individual decisions in accordance with the principles and limits laid down by the Board. Primarily, the business manager in the line organisation is responsible for each individual business transaction, i.e. monitoring of risk exposure, monitoring, pricing and discontinuation of risk positions. High competence and appropriate mechanisms for steering and reporting are central elements of the Group's risk management system.

The Group's risk control is independent of business operations and reports to the Group CEO. The unit controls and monitors risk management in business operations and is responsible for maintaining an appropriate limit structure and models for e.g. measuring, analysing, stress testing, reporting and monitoring risks. Independent of business operations and reporting to the Group CEO is also the Group Compliance unit tasked with ensuring compliance in all Group operations. Internal audit unit is responsible for independent evaluation of the Group's risk management systems and reports its findings to the Group's Board of Directors.

The Group CEO is responsible for the operational organisation of risk management processes. Separate committees have been set up by the Group CEO to monitor and develop the management of credit and market risks. The Group CEO has also set up a committee to deal with matters relating to capital management (ALICCO). The committees are tasked with making risk-management decisions, preparing matters for decision-making by higher bodies and developing wholesale risk management processes, all within set limits. Committees are staffed by executive line managers, risk control representatives and other experts. The risk control function does not take part in decision-making involving risk-taking.



### 3. Group capital management

#### 3.1 Group capital management

Capital management balances shareholders' demand for returns with the need for financial stability imposed by the authorities, investors in debt instruments, business partners and ratings agencies. When it comes to capital management, the objective is to comprehensively identify and assess the main risks and the capital requirements these imply. Capital management is a forward-looking process, based on a 4-5 year strategic plan which recurs on an annual basis.

#### 3.2 Organisation and responsibility

The Group's independent risk control unit is responsible for ensuring that the Group's main risks are identified, measured and reported consistently and appropriately. The unit is also responsible for calculating regulatory capital adequacy and preparing documentation for assessing internal minimum requirements and capital adequacy targets. The capital situation in relation to regulatory requirements and risk exposure is regularly monitored and reported at company and conglomerate level.

The Group's finance unit is responsible for providing the basic data for the Group Board of Directors' annual strategic process and for accompanying capital planning and allocation. The executive committee for risk and capital management ALICCO and the Board of Directors' risk committee oversee the work, while the Group's Board of Directors is responsible for the decision-making. The Group's internal audit unit evaluates the capital management process in full on an annual basis. The rules of procedure for the Board of

Directors and its risk committee govern document preparation and decision-making within the capital management process.

#### 3.3 Regulatory requirements concerning capital adequacy and solvency

When calculating the capital adequacy of the Bank Group, the standardised approach is used for credit risks and the basic indicator approach is used for operational risks. Capital requirements are not exposed to market risks because of the small trading book and small currency positions. The solvency of the life insurance and non-life insurance companies is calculated in accordance with the provisions set down in the Insurance Companies Act. The accounts for the insurance companies are prepared in accordance with national reporting rules (Finnish Accounting Standards). The capital adequacy of the finance and insurance conglomerate is calculated using the consolidation approach.

As part of the financial statements, Aktia publishes a full report each year on capital adequacy in accordance with Basel II rules and the Finnish Financial Supervisory Authority's standards. The accuracy of data pertaining to capital adequacy is verified as part of the auditing process.

The Bank Group's capital adequacy ratio was 15.9%, with Tier 1 capital ratio of 10.1%. At the end of 2009, capital adequacy was 15.9% and the Tier 1 capital ratio was 9.5%. The financial results for the year, the growth in the mortgage bank's loan stock, the change in the fund at fair value and higher capital requirements for operational risks were the main factors affecting capital adequacy.

The Bank Group's capital adequacy remained at a good level, exceeding both the capital adequacy targets set internally and the regulatory requirements.

The capital adequacy of Aktia Bank plc, the parent company in the Aktia bank group, amounted to 20.3% compared to 19.9% the previous year. Tier 1 capital adequacy was 12.8 (11.7)%. The capital adequacy of Aktia Real Estate Mortgage Bank plc was 9.9% compared to 10.3% the previous year. Tier 1 capital adequacy was 7.7 (7.4)%.

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

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

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

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

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

### 3.4 Methods used for internal risk-based capital assessment

The internal risk-based capital assessment is founded on ex ante analysis of capital requirements, taking into account planned growth and investments. The capital assessment is based on Pillar 1 regulatory capital requirements. However, the upcoming Solvency II rules, which are more risk-based, have been applied to the insurance businesses despite the fact that these are only proposed to enter into force at the beginning of 2013. Pillar 2 risks are also allowed for in the internal capital assessment, in other words those risks that are not taken into account in regulatory capital adequacy or that have only been taken into account to an inadequate degree. The internal assessment thus encompasses all the main risks that the Group faces and represents an internal assessment of the capital requirements that operations imply. The internal capital allocation used for risk-based governance and risk-based pricing for customers is founded on internal capital assessment models.

Unanticipated outcomes involving credit, market, operational, insurance and business risks are managed through capital reserves, while a well-functioning risk management strategy is crucial in terms of liquidity and refinancing risks.

The models used for internally assessing minimum capital required to cover credit risk are based on the standard model for regulatory capital adequacy with additional allowances for concentration risks. Within the current strategic planning period, Aktia is seeking permission to apply an internal method for calculating capital requirements for credit risks. With regard to pricing for customers, a capital allocation model very similar to the internal models for credit risk used under Basel II has been applied since 2007.

The internal assessment of minimum capital requirements for market risks is based on stress scenarios for property values and interest rate changes. Capital requirements for operational risks are assessed on the basis of the regulatory requirements, taking into account internal incident monitoring. Insurance risks are based on the current interpretation of future regulatory requirements (Solvency II) while business risks are based on an internal model which takes account of changes in customer behaviour, the market situation and the competitive situation.

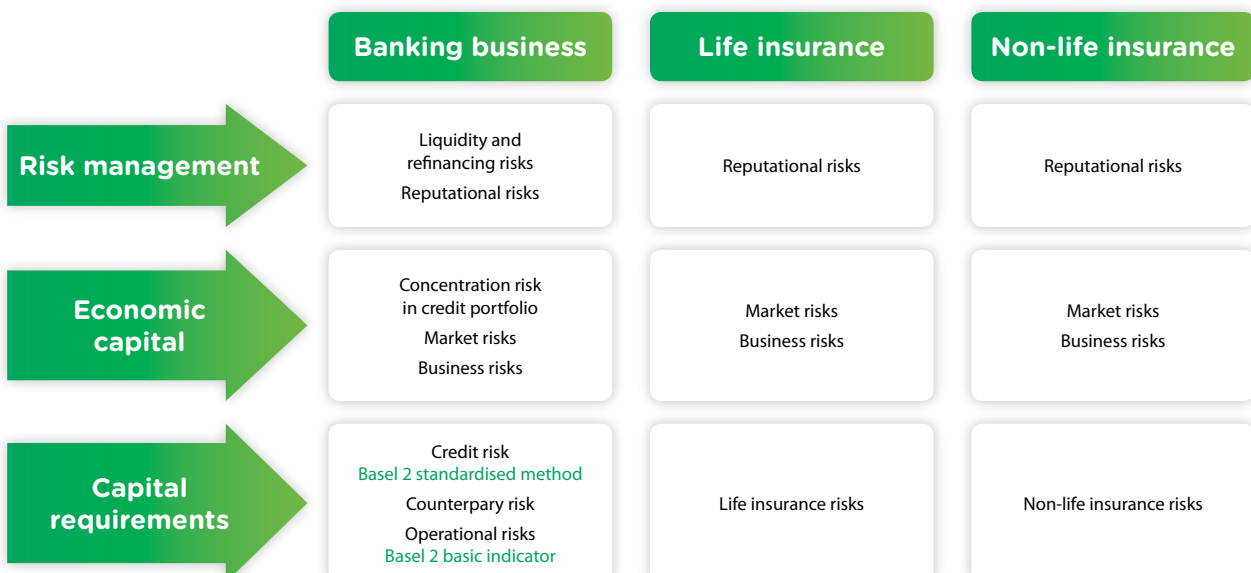
### 3.5 Forward-looking capital planning

#### 3.5.1 Profit generation as a starting point

The starting point for strategic planning is the fact that the additional capital requirements incurred due to growth and other investments should be covered through profit generation.

#### 3.5.2 Capital adequacy buffer

The aim of setting targets with regard to regulatory capital adequacy, i.e. setting a buffer over and above the minimum requirements, is to maintain capital adequacy at an



adequate level, while taking account of planned growth and investments but also of a worse economic situation. The level of capital adequacy targets also take account of targets for external ratings and any changes to regulatory requirements that are under preparation. The capital adequacy targets are long-term, but the actual buffer can vary over an economic cycle. Any deterioration in capital adequacy due to weak operational results is primarily managed through restructuring operations. The restructuring measures can include e.g. lower growth and investments, discontinuation of capital-intensive activities, cost savings and changes to the group structure.

For the banking operations, targets are set both for Tier 1 capital adequacy, taking into account risks that have an impact on results, and for total capital adequacy, taking into account valuation differences.

The capital adequacy target for the Bank Group, calculated using the standardised approach for credit risks and the basic indicator approach for operational risks, is 12% (total capital adequacy) and 10% (Tier 1 capital adequacy). The targets are derived from the assumption that capital adequacy, taking into account planned growth, should exceed 8% for the following 5 years even in a stress scenario with sustained low interest rates, lower commission income, a rising cost structure and much higher write-downs than expected.

The target for Aktia Bank is 12% for total capital adequacy and at least 10% for Tier 1 capital adequacy, while the targets for Aktia Real Estate Mortgage Bank are 10% for total capital adequacy and over 7% for Tier 1 capital adequacy. The banks that broker mortgage loans have committed themselves to capitalise the mortgage bank in relation to the volume brokered. The capital adequacy targets of both companies may be revised upwards depending on future rules yet to be introduced.

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

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

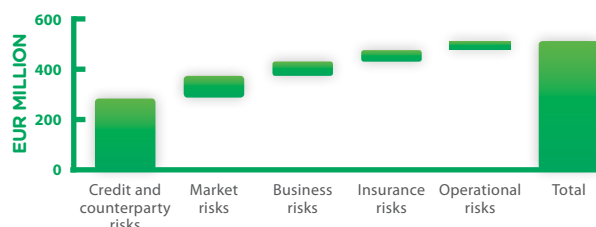
### 3.5.3 Capitalisation plan for crisis situations

The capital plan sets out the possible measures to be taken by operational managers and the Board of Directors in the event that capital adequacy is jeopardised. The Board and its risk committee monitor changes in capital adequacy each quarter and the effects of various stress tests as part of the capital management process. Thresholds have been set

within the Board and its risk committees for determining when restructuring and/or capitalisation measures are to be initiated.

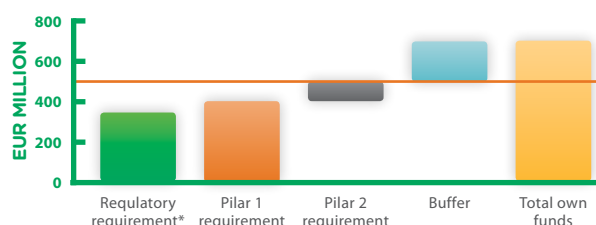
## 3.6 Risk and capital situation of the Group

Internal capital requirement by risk type



Credit risks constitute the greatest area of risk within the Group. Such risks are due to exposure in lending activities and counterparty risks associated with liquidity management. Market risks are also considerable and these are primarily due to interest rate risks in the insurance operations, also including an implicit counterparty risk. Business risks are primarily seen in the banking business and are associated with stress scenarios involving sustained low interest rates, falling net interest income and commission, and an increasing cost levels. The capital requirements for actuarial risks are reduced through reinsurance cover. The capital requirements for operational risks have been derived using the basic indicator approach for regulatory capital requirements and information from the internal risk assessment.

Group's total capital compared to internal capital requirement



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

The regulatory minimum capital requirement under prevailing rules amounted to approx. EUR 344 million, corresponding to approx. 50% of the total capital base of approximately EUR 672 million. The internal capital requirement, encompassing Pillar 1 and 2, amounted to approx. EUR 502 million, corresponding to 75 % of the capital base. The capital reserve over and above the minimum regulatory requirement therefore amounted to EUR 328 million and, compared to the internal minimum requirement, amounted to just under EUR 170 million.

#### 4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil its obligations towards Aktia while counterparty risk is defined as the risk of losses or negative valuation differences due to the counterparty's creditworthiness having weakened. Credit and counterparty risks are measured by assessing the probability of default and losses in such an event. The probability of default is measured using scoring or rating models and the loss in the event of default is measured by taking into account the realisation value of collateral and anticipated recovery, with deductions for collection costs. Each year, the Group's Board of Directors lays down a strategy and detailed instructions, including limits, for credit and counterparty risks.

The table below shows the Group's exposure by operation. The exposures include accrued interest. Internal Group receivables and liabilities are eliminated and no deductions for acceptable collateral have been made. Investments that provide cover for unit-linked provisions are not included.

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

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

The conglomerate's largest loan customer has a commitment equivalent to 8.2% of the capital base.

##### 4.1 Managing credit and counterparty risks and reporting procedures

The line organisation assesses the credit risk in each individual transaction and bears the overall responsibility for credit risks in its own customer base. The Group's risk control unit is responsible for ensuring that the models and methods used for measuring credit risk are comprehensive and reliable. The risk control unit is also responsible for carrying out independent risk analysis and reporting. The risk control unit oversees the preparation of loan agreements and is responsible for assigning a loan agreement to the next decision-making level if the preparatory work is insufficient or the agreement falls outside the Group's credit policy.

The exposure inherent in the loan stock is reported to the Group's Board of Directors and its risk committee each quarter and to the executive credit committee and branch management each month.

##### 4.1.1 Credit risks in banking

Within banking operations, loans are provided to households – the majority of which are secured against real estate collateral. Mortgage lending is primarily arranged through Aktia Real Estate Mortgage Bank. Local cooperative banks

The Group's maximum exposure by operation as at 31.12.2010

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

## The Group's maximum exposure by operation as at 31.12.2009

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

and savings banks also broker Aktia Real Estate Mortgage Bank loans. Other investment and consumption financing for households is arranged directly from the bank's balance sheet. Credit limits associated with customers' credit cards are organised from Luottokunta Plc's balance sheet. All branches offer financing solutions for their local corporate customers while financing arrangements that require specialist expertise are managed and handled centrally. The financing of corporate instalment purchases, leasing and working capital is managed through a separate subsidiary, Aktia Corporate Finance. In 2010, Aktia did not enter into any new risk capital financing arrangements and total risk capital financing amounted to EUR 2 (4) million at the year-end.

## Credit stock by sector

| EUR million              | 31.12.2010   | 31.12.2009   | Change     | Percentage   |
|--------------------------|--------------|--------------|------------|--------------|
| Corporate                | 761          | 782          | -21        | 11.5         |
| Housing associations     | 289          | 289          | 0          | 4.4          |
| Public sector entities   | 7            | 10           | -3         | 0.1          |
| Non-profit organisations | 56           | 55           | 1          | 0.8          |
| Households               | 5,479        | 4,924        | 554        | 83.1         |
| <b>Total</b>             | <b>6,592</b> | <b>6,061</b> | <b>531</b> | <b>100.0</b> |

The debtor's ability to repay the debt, good knowledge of the customer, complete understanding of the customer's business situation, limited risk-taking, diversification and risk-based pricing form the basis of the Group's credit policy, together with the drive for sustained profitability.

## 4.1.2 Lending to households

The Group's loan stock increased in 2010 by EUR 531 million (8.8 %), totalling EUR 6,592 (6,061) million at the year-end. As planned, this increase mainly occurred within household financing and households' share of the total loan stock amounted to EUR 5,479 (4,924) million or 83.1 (81.3)% at the year-end, or 87.5 (86.0)% when combined with housing associations.

The housing loan stock totalled EUR 5,121 (4,598) million, of which mortgages granted by Aktia Real Estate Mortgage Bank plc made up EUR 3,050 (2,498) million. In all, housing loans increased by 11.4 (13.9)% over the year.

## 4.1.2.1 Credit ratings

Loans are granted on the basis of an assessment of the customer's credit rating and the loan-to-value ratio achieved by the collateral provided. A risk-based pricing policy is also adopted. The debtor's ability to repay is a requirement for a loan to be granted. To ensure that the customer has an adequate buffer in case of higher market interest rates, ability

to repay is calculated on the basis of an interest rate of 6% over a repayment period of 25 years for all of the customer's loans.

The customer's credit rating is determined using an application scoring model developed specifically for household lending. For any new loan decisions taken, the determination of a credit rating using the scoring model is obligatory. The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral and the customer group's loans. Higher loan-to-value ratios require appropriate credit rating and such loan decisions are made in higher decision-making bodies.

45 (44)% of receivables from households fall into the three scoring classes that have the lowest probability of default, while the category with the highest probability of default accounts for 1 (2)% of total lending to households. These figures do not include non-performing loans.

#### Distribution of household scoring classes assigned at latest application assessment

| Scoring class | 31.12.2010        | 31.12.2009        |
|---------------|-------------------|-------------------|
|               | EUR 5,479 million | EUR 4,924 million |
| RK1           | 12%               | 12%               |
| RK2           | 18%               | 17%               |
| RK3           | 15%               | 15%               |
| RK4           | 14%               | 14%               |
| RK5           | 14%               | 14%               |
| RK6           | 11%               | 12%               |
| RK7           | 1%                | 2%                |
| Missing       | 15%               | 15%               |
| <b>Total</b>  | <b>100%</b>       | <b>100%</b>       |

#### 4.1.2.2 Collateral and calculation of capital adequacy

Valuing and administering collateral is very important for managing credit risk. Rules and authorisations concerning the valuation of collaterals and the updating of collateral values have been established. When calculating risk exposure, a secure value which is lower than the collateral's market value is taken into account, in keeping with the principle of prudence. The extent to which this value is lower shall reflect the volatility in the security's market value and liquidity. Only residential real estate collateral, certain guarantees and financial securities are taken into account in the capital adequacy calculation. As of 31 March 2010, collateral valuations that are more than three years old have been updated on a regular basis. Such updates have been performed using an internally developed statistical model for valuing collateral.

Loans to households are mainly granted against secure collateral which means that any reduction in market values (real estate prices) does not directly increase exposure. Of the total claims on households, approximately 4 (4)% are secured by central government or by deposit while

approximately 87 (86)% are secured against residential real estate collateral under Basel II regulations. Approximately 9 (10)% of claims are secured in a different way which is not taken into account in the capital adequacy calculation (e.g. the proportion of the residential real estate's value exceeding 70%).

#### 4.1.2.3 Loan-to-value ratio of collateral

The loan-to-value ratio is defined as the relationship between the market value of the pledged collateral and the customer entity's loans. The Weighted Average Loan To Value for the housing loan stock was 61.3 (62.2)% at year-end. Of the total housing loan stock, only 1.3 (1.5)% of credits exceeded a loan to value of 90%. During the latter part of 2010, focus has increased on closer management of business involving higher lending in combination with weaker credit ratings.

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

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

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

#### 4.1.2.4 Risk-based pricing

The models for risk-based pricing reflect capital requirements, risk and refinancing weighed against earnings from loans, other customer circumstances and customer potential. Cross-selling between insurance and banking is becoming increasingly important in assessing customer potential. The incentive system in the branches is based on the extent to which the average risk-based minimum margin is exceeded for new loans.

#### 4.1.3 Corporate lending

New lending to companies remained moderate and corporate loans fell by 2.7% from the beginning of the year, totalling EUR 761 (782) million. The proportion of the total credit stock accounted for by corporate loans fell as planned to 11.5 (12.9)%. During 2010, a new loan policy, business plan and organisation for Aktia's corporate financing targeted at smaller local companies were introduced.

Corporate financing within the branch network mainly focuses on small, local owner-operated companies. High levels of expertise are maintained through local corporate

offices, local corporate specialists and with the support of the central specialist organisation. Customer and local knowledge is one of the key cornerstones in this business.

Central specialist expertise on financing issues is primarily maintained in the construction and real estate sector and in relation to the restructuring of family-owned businesses.

Services and expertise with respect to instalment purchases, leasing and financing working capital have been built up under Aktia Corporate Finance which operates in close collaboration with the branches. Financing decisions involving Aktia Corporate Finance are made by taking into account both project-specific risk and the Group's total exposure to the customer. The coordination of banking and insurance services for corporate customers is continuing.

Customers are assessed for corporate financing purposes on the basis of accounts analysis and creditworthiness ratings. Cash flow, the competitive situation, the impact of previous investment and other forecasts are also analysed. During the year, the running in of the internal credit rating model Aktiarating continued.

#### Distribution of ratings 31.12.2010 (Suomen Asiakastiето)

| Rating       | 31.12.2010      | 31.12.2009      |
|--------------|-----------------|-----------------|
|              | EUR 761 million | EUR 782 million |
| AAA          | 11%             | 13%             |
| AA+          | 18%             | 21%             |
| AA           | 18%             | 15%             |
| A+           | 26%             | 29%             |
| A            | 20%             | 15%             |
| B            | 2%              | 2%              |
| C            | 3%              | 3%              |
| Default      | 2%              | 2%              |
| <b>Total</b> | <b>100%</b>     | <b>100%</b>     |

Over the year, the rating distribution for the loan stock weakened slightly. 47 (49)% of claims on corporations are accounted for by the three groups which have the lowest probability of default, while 5 (5)% of claims involve the two lowest credit rating classes.

Collateral is valued for corporate financing purposes in accordance with separate rules and also taking into account a haircut specific to the collateral for determining the secure value. Particularly when valuing fixed assets relating to a business, the interaction between the value of the fixed assets and the company's business opportunities is taken into account. Commercial real estate and corporate collateral are not taken into account in the capital adequacy calculation.

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

operations and cash flow. Inadequate securities restrict corporate lending in accordance with the company's revised strategy and credit policy.

#### 4.1.4 Concentration risks in lending

A locally operating financial institution such as Aktia is exposed to certain concentration risks. Concentration risks towards individual counterparties are managed by limits and rules for maximum customer exposure. Within the framework of the credit policy and business plan, further thresholds have been imposed in order to limit concentration risks at segment and portfolio level.

87.5% of the loan portfolio comprises loans to households and Finnish housing associations. 86.7% of claims on households are secured against residential real estate collateral. Approximately 28% of claims on companies are secured against residential real estate collateral. Aktia's level of credit risk is therefore sensitive to both changes in domestic employment and house prices.

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

In relation to Aktia's total corporate portfolio, exposure primarily with respect to construction and property financing constitutes a concentration risk. This is founded in the strategic decision to create a value chain through specialist expertise which includes brokerage services, insurance and financing for end customers alongside project and property financing.

#### Branch distribution of corporate stock

| Branch  | 31.12.2010      | 31.12.2009      |
|---|-----------------|-----------------|
|   | EUR 761 million | EUR 782 million |
| Basic industries, fisheries and mining          | 3.3 %           | 3.3 %           |
| Industry  | 7.8 %           | 10.0 %          |
| Energy, water and waste disposal                | 2.2 %           | 2.3 %           |
| Construction                                    | 7.8 %           | 6.8 %           |
| Trade   | 11.4 %          | 13.2 %          |
| Hotels and restaurants                          | 4.4 %           | 3.6 %           |
| Transport                                       | 7.9 %           | 5.6 %           |
| Financing                                       | 10.7 %          | 9.6 %           |
| Property  | 32.9 %          | 28.5 %          |
| Research, consulting and other business service | 8.6 %           | 12.5 %          |
| Other services                                  | 5.1 %           | 5.1 %           |
| - write-downs by group                          | -2.1 %          | -0.6 %          |
| <b>Total</b>                                    | <b>100%</b>     | <b>100%</b>     |

Claims on housing companies are not included in the table above

#### 4.1.5 Past due payments

Despite continued unease on the financial markets, payment behaviour among households in particular has not been affected. Loans with payments 1–30 days past due fell during the year from 2.97% to 2.58% of the credit stock.

Loans with payments 31–89 days past due increased from 0.76% to 0.84%, totalling EUR 56 million. Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection, totalled EUR 36 million, corresponding to 0.55 (0.56)% of the entire credit stock.

#### Past due loans by length of payment delay

| Days                | 31.12.2010 | % of the credit stock | 31.12.2009 | % of the credit stock |
|---------------------|------------|-----------------------|------------|-----------------------|
| 1-30                | 171        | 2.58                  | 181        | 2.97                  |
| of which households | 118        | 1.77                  | 114        | 1.86                  |
| 31-89               | 56         | 0.84                  | 46         | 0.76                  |
| of which households | 45         | 0.67                  | 38         | 0.61                  |
| 90-                 | 36         | 0.55                  | 34         | 0.56                  |
| of which households | 20         | 0.30                  | 18         | 0.30                  |

Loans with past due payments which had not been written down totalled EUR 257 (258) million at the end of the year. Market value of the collateral securing the loans totalled EUR 237 (231) million.

#### Loans past due but not impaired

| (EUR million) |            | 31.12.2010            |                          |
|---------------|------------|-----------------------|--------------------------|
| Days          | Book value | % of the credit stock | Fair value of collateral |
| 1-30          | 171        | 2.58                  | 156                      |
| 31-89         | 55         | 0.83                  | 49                       |
| 90-           | 31         | 0.47                  | 29                       |

| (EUR million) |            | 31.12.2009            |                          |
|---------------|------------|-----------------------|--------------------------|
| Days          | Book value | % of the credit stock | Fair value of collateral |
| 1-30          | 181        | 2.97                  | 166                      |
| 31-89         | 46         | 0.75                  | 44                       |
| 90-           | 30         | 0.50                  | 27                       |

#### 4.1.6 Write-downs of loan and guarantee claims

The financial uncertainty continued during the year and impacted credit risks primarily with regard to larger individual corporate commitments. Nevertheless, individual examination shows write-downs of loans and guarantee claims to be much lower than last year, totalling EUR -12.7 (-33.1) million. Private households accounted for EUR -1.0 (-1.6) million of these. Collection proceeds and reversals of previous write-downs came to EUR 0.9 (2.1) million.

Group write-downs at portfolio level for households and small companies amounted to EUR 7.3 (7.4) million. Previously booked individual write-downs worth EUR 10.8 million were reversed. In the fourth quarter, a group write-down of EUR 12 million was made in accordance with revised accounting principles for individually valued larger corporate exposures.

Total write-downs on credit with impact on result amounted to 0.2 (0.5%) of total lending. Corresponding impact on result from corporate loans amounted to 1.6 (3.8)% of total corporate lending.

At year-end, group write-downs on portfolio level amounted to a total of EUR 19.3 (7.4) million, of which EUR 7.3 (7.4) million related to households and small companies and EUR 12.0 (0.0) million to larger corporate exposures.

#### 4.1.7 Lending to local banks

Financing is provided to banks on the basis of individual credit ratings and case-by-case decisions. Each year, the Group's Board of Directors sets separate limits for the short- and long-term financing of local banks which are based on the local bank's own funds, capital adequacy and collateral provided. At the year-end, committed facilities for liquidity financing amounted to a total of EUR 341.9 (279.3) million, divided between 51 (51) individual savings and local cooperative banks while outstanding liquidity financing totalled EUR 3 (16) million. Secured financing totalled EUR 10 (47) million.

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

#### 4.2 Counterparty risks in the Bank Group's liquidity management

The bank business' liquidity portfolio, which comprises interest-bearing securities and is managed by the bank's Treasury unit, stood at EUR 2,556 (2,615) million as at 31 December 2010.

Counterparty risks arising from the liquidity portfolio and derivative contracts are managed through the requirement for high-level external ratings (minimum A3 rating from Moody's or equivalent). Counterparty risks in derivative instruments are also managed through the requirement for a CSA agreement. Individual investment decisions are made in accordance with an investment plan in place and are based on careful assessment of the counterparty. The Group's Board of Directors establishes limits for counterparty risks each year. The investment portfolio is market-valued and monitored on a daily basis.

Of the financial assets available for sale, 59 (55)% were investments in covered bonds, 28 (29)% were investments in banks, 9 (10)% were investments in state-guaranteed bonds and approximately 4 (6)% were investments in public sector entities and companies.

Of these financial assets, 1.5 (0.8)% did not meet the inter-

## Fixed income investment sectoral distribution - liquidity portfolio of the Bank

| 31.12                         | Public sector |              |               |                | Banking sector        |              |              |              | Other business |             | Total          |                |
|-------------------------------|---------------|--------------|---------------|----------------|-----------------------|--------------|--------------|--------------|----------------|-------------|----------------|----------------|
|                               |               |              | Covered bonds |                | Government Guaranteed |              | Non-covered  |              |                |             |                |                |
|                               | 2010          | 2009         | 2010          | 2009           | 2010                  | 2009         | 2010         | 2009         | 2010           | 2009        | 2010           | 2009           |
| Finland                       | 67.7          | 66.7         | 105.5         | 72.3           | 0.0                   | 0.0          | 209.0        | 96.3         | 8.0            | 0.0         | 390.2          | 235.3          |
| EU countries with AAA rating* | 50.8          | 10.6         | 885.8         | 1,055.0        | 151.2                 | 187.8        | 337.3        | 460.7        | 5.0            | 18.9        | 1,430.1        | 1,733.0        |
| Other EU countries            | 14.2          | 62.2         | 448.9         | 210.0          | 78.0                  | 84.1         | 102.2        | 125.9        | 0.0            | 2.1         | 643.4          | 484.3          |
| Other european countries      | 0.0           | 0.0          | 62.4          | 84.0           | 0.0                   | 0.0          | 40.6         | 59.8         | 0.0            | 0.0         | 102.9          | 143.8          |
| North America                 | 0.0           | 0.0          | 21.8          | 37.1           | 0.0                   | 0.0          | 10.9         | 17.7         | 0.0            | 0.0         | 32.7           | 54.8           |
| Other OECD -countries         | 0.0           | 0.0          | 0.0           | 0.0            | 0.0                   | 0.0          | 0.0          | 9.9          | 0.0            | 0.0         | 0.0            | 9.9            |
| Emerging markets              | 0.0           | 0.0          | 0.0           | 0.0            | 0.0                   | 0.0          | 0.0          | 0.0          | 0.0            | 0.0         | 0.0            | 0.0            |
| <b>Total</b>                  | <b>100.7</b>  | <b>139.5</b> | <b>1524.4</b> | <b>1,458.4</b> | <b>229.2</b>          | <b>271.9</b> | <b>732.0</b> | <b>770.2</b> | <b>13.0</b>    | <b>21.0</b> | <b>2,599.3</b> | <b>2,661.1</b> |

\*) Includes Spain on 31.12.2009

nal rating requirements. Securities that are not eligible for refinancing and are unrated, totalled EUR 15 million.

During the year, no write-downs were booked, while the same period last year saw write-downs of EUR -0.4 million.

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

|                                   | 31.12.2010<br>EUR 2,599 million | 31.12.2009<br>EUR 2,615 million |
|-----------------------------------|---------------------------------|---------------------------------|
| Aaa                               | 53.0 %                          | 55.1 %                          |
| Aa1–Aa3                           | 32.3 %                          | 29.6 %                          |
| A1–A3                             | 10.8 %                          | 11.6 %                          |
| Baa1–Baa3                         | 0.8 %                           | 0.6 %                           |
| Ba1–Ba3                           | 0.7 %                           | 0.2 %                           |
| B1–B3                             | 0.0 %                           | 0.0 %                           |
| Caa1 or lower                     | 0.0 %                           | 0.0 %                           |
| Domestic municipalities (unrated) | 1.8 %                           | 1.9 %                           |
| No rating                         | 0.6 %                           | 1.0 %                           |
| <b>Total</b>                      | <b>100.0 %</b>                  | <b>100.0 %</b>                  |

Investments in corporate bonds were only made in the euro zone.

#### 4.3 Counterparty risks in the Bank Group's management of interest rate risks by derivatives

Derivative hedges are used to guarantee an adequate net interest income level also in a scenario with low interest rates. In addition, interest rate derivatives are brokered to certain local banks within the framework of the asset and liability management service that Aktia provides.

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

To further reduce the counterparty risks, individual collateralisations are used in accordance with ISDA/CSA (Credit Support Annex) conditions. At the year-end, Aktia had derivative exposures with 12 counterparties with a positive

market value totalling EUR 172.2 million, of which the derivatives brokered to local banks had a market value of EUR 76.1 million. The net exposure after credit risk mitigation totalled EUR 22.8 million and a maximum of EUR 5 million for each counterparty, except for one individual counterparty where net exposure was EUR 10 million.

The derivative exposures are marked-to-market on an ongoing basis. If no market value is available, an independent valuation by a third party is used.

#### 4.4 Counterparty risk in the life insurance company's investments

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

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

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

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

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

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

\*) Includes Spain on 31.12.2009

## Rating distribution for Life insurance business

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

## 4.5 Counterparty risks in the non-life insurance business

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

concerning maximum exposure for each counterparty and asset category are applied.

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

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

## Rating distribution for Non-Life insurance business

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

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

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

\*) Includes Spain on 31.12.2009

## 4.6 Country risks

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

72 (76)% of the Groups interest-bearing securities were investments in instruments issued by counterparties domiciled in Finland or some other EU country with AAA rating. Due to downgradings the share of investments in other EUR countries was bigger than in 2009.

### Fixed income investments geographical distribution - group level

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

## 5. Management of financing and liquidity risks

Financing and liquidity risks occur when the Group is not able to meet its payment obligations or could only do so at high cost and is defined as the availability and cost of refinancing and differences in maturity between assets and liabilities. Financing risk also occurs if funding is largely concentrated in individual counterparties, instruments or markets. Management of refinancing risks ensures that the Group can honour its financial obligations.

The financing and liquidity risks are dealt with at legal company level, and there are no financing commitments between the Bank Group and the insurance companies.

### 5.1 Financing and liquidity risks within banking operations

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

A stable borrowing and deposit stock from households, the mortgage bank's issues, deposits received under operations as a central financial institution and an adequate liquidity buffer constitute the cornerstones of the banking operation's liquidity management.

The bank's lending is refinanced both by deposits and investments from the general public, deposits made by

the local banks and borrowing from the money and capital markets. To cover short-term financing requirements, the bank also has the option of issuing certificates of deposit on the domestic money markets. Total deposits from the public, associations and credit institutions stood at EUR 4,356 (4,754) million at year-end.

In managing the risks associated with refinancing, Aktia takes into account both its own lending activities and its obligations with respect to savings and local cooperative banks, for which Aktia serves as the central financial institution. This also constitutes an important source of financing for Aktia.

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

Within the EUR 5,000 million issuing programme, covered bonds secured by residential real estate have been issued for EUR 2,875 million. In addition, Aktia has a domestic bond programme amounting to EUR 500 million under which it has issued EUR 308.2 million. To cover short-term financing requirements, the bank can also issue certificates of deposit on the domestic money markets. Outstanding certificates of deposit totalled EUR 446 million at 31 December 2010.

Aktia is actively working to widen its refinancing base and to establish new refinancing programmes. During the period, Aktia Bank issued other long-term funding (Schuldscheindarlehen) totalling EUR 101 million by way of preparation for the new rules (Basel III) on bank activities.

A liquidity portfolio comprising high-quality securities has been built up to hedge against short-term fluctuations in liquidity caused by market disruption by way of sale, repurchase agreements or central bank refinancing.

The structure of the liquidity portfolio is set out in more detail under point 4.2 on counterparty risks in the bank's investments. The financial assets in the liquidity portfolio that can be utilised, as mentioned above, as a liquidity buffer totalled approximately EUR 1,550 million at year-end, corresponding to outgoing cash flow for just over two years without any new market borrowing. The target is to maintain a liquidity buffer that covers outgoing cash flow for at least one year.

To secure access to borrowing from the capital market, a rating from an internationally recognised rating institute is used. The Aktia Group has used the international credit rating agency Moody's Investors Service as its rating agency

since 1999. Aktia Bank plc's credit rating for short-term borrowing remained unchanged with the best Moody's classification of P-1 as at 6 January 2010. The credit ratings for long-term borrowing and financial strength are A1 and C respectively (both unchanged). All values have a stable outlook. See [www.aktia.fi](http://www.aktia.fi) > Briefly in English > Aktia Bank > Rating.

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

The executive committee for risk and capital management, ALICCO, is responsible for managing refinancing risks. The Group's risk control unit, which continuously monitors liquidity risks and associated limits, reports to ALICCO. The Treasury unit is responsible for maintaining the bank's day-to-day liquidity and constantly monitors how assets and liabilities mature on the capital market. Growth in the deposit stock and pricing is also followed closely. The Treasury unit implements measures adopted by ALICCO in order to change the liquidity position.

### 5.2 Liquidity risks in the life insurance business

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

### 5.3 Liquidity risks in the non-life insurance business

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

## 6. Management of market and asset and liability risks

Market risk refers to losses or lower future income due to price changes on the financial markets.

Structural interest rate risk arises in bank operations as a result of an imbalance between reference rates and the re-pricing of assets and liabilities, and affects net interest income. Business management, derivative hedges and fixed-rate investments in the liquidity portfolio are used to ensure a sustainable level of net interest income even in a scenario where market interest rates are low for an

extended period. The bank does not actively trade market risks in its operations.

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

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

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

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

The table below summarises market value sensitivity for Aktia Group's assets available for sale in various market risk scenarios as at 31 December 2010 and 31 December 2009. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board of Directors's limits for capital usage. The risk components set out in the table are defined as follows:

#### Interest rate risk up

Change applied to a risk-free interest rate curve based on Euribor or euro swap interest rates. At the 1-month point, +3% is applied, at the 10-year point and thereafter +1% is applied. Between 1 month and 10 years, the extent of the change is interpolated parabolically between 3% and 1%. Within the insurance companies, interest rate risk is calculated separately for investments and provisions. For the bank, only the impact on financial assets is taken into account in accordance with the prevailing regulations as interest rate risk up will constitute the market value interest rate risk.

#### Interest rate risk down

Change applied to a risk-free interest rate curve based on Euribor or euro swap interest rates. At the 1-month point -2% is applied, at the 10-year point and thereafter -1% is

applied. Between 1 month and 10 years, the extent of the change is interpolated parabolically between -2 % and -1 %. Within the insurance companies, interest rate risk is calculated as above both for investments and provisions. In the bank's investment activities, a fall in the interest rate generally means that investments rise in value.

### Spread risk

Describes the risk that spreads, in other words the counterparty-specific risk premiums, will rise. The percentage change is applied additively to an interest rate curve based on interest-linked investments that reflects the investment's risk profile. The extent of the change is based on rating and investment type, and varies between 0.2% (AAA sovereign securities) and 4 % (e.g. < BBB+ corporate securities with subsenior right of priority).

### Equity and real estate risk

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

The impact on equity or income statement is given after tax. A downward shift in the interest rate level gives a positive change in the value of interest-bearing securities and a negative change in market value of provisions. Vice versa for an upward shift in the interest rate level.

## 6.1 Methods for valuing financial assets

The majority of Aktia Group's financial assets are valued at fair value. Valuations are based either on prices from an active market or on valuation methods using observable market data. For a limited proportion of the assets, EUR 64.9 million or 1.85% of financial assets at the year-end, valuations are based on unquoted prices or the company's

own assessments. These assets are mainly holdings in funds invested in unlisted companies.

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

### 6.1.1 Determination of fair value through quoted market prices or valuation techniques

Determination and hierarchy of fair values:

**Level 1** consists of financial instruments valued using quoted prices listed on an active market. An active market is one where transactions with the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes liquid bank and corporate bonds and other securities as well as listed derivatives for which tradable price quotes exist.

**Level 2** consists of financial assets which do not have directly quoted market prices available from an active market. The fair value are estimated using a valuation technique or valuation model based on assumptions that are supported by prices or rates from observable current market transactions in the same instrument type or based on available market data. Such market information may include for example listed interest rates or prices for closely related instruments. This category includes the majority of Aktia's OTC derivatives and other instruments, bonds and securities, where an active market supplies the input to the valuation technique or model.

**Level 3** consists of financial instruments, which the fair value cannot be obtained directly from quoted market prices or indirectly using valuation techniques or mod-

## Sensitivity analysis for market risks

| EUR million   | Market value 31.12. |                | IR risk up    |              | IR risk down |              | Spreadrisk   |              | Equity / Real estate risk |              |
|---|---------------------|----------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------------------|--------------|
|   | 2010                | 2009           | 2010          | 2009         | 2010         | 2009         | 2010         | 2009         | 2010                      | 2009         |
| Liquidity portfolio of the bank                     | 2,555.3             | 2,614.5        | -81.2         | -72.0        | 61.3         | 52.5         | -41.7        | -41.5        | 0.0                       | 0.0          |
| Cashflow hedge for the bank (derivatives)           | 45.6                | 42.4           | -22.1         | -20.3        | 26.6         | 29.4         | 0.0          | 0.0          | 0.0                       | 0.0          |
| <b>Total</b>  | <b>2,600.9</b>      | <b>2,656.9</b> | <b>-103.3</b> | <b>-92.3</b> | <b>88.0</b>  | <b>81.9</b>  | <b>-41.7</b> | <b>-41.5</b> | <b>0.0</b>                | <b>0.0</b>   |
| Investment portfolio of the Life Insurance company  | 700.0               | 692.6          | -44.3         | -42.2        | 39.6         | 37.7         | -24.1        | -24.8        | -17.7                     | -19.9        |
| Technical provisions of the Life Insurance company* | -574.5              | -564.1         | 65.2          | 65.0         | -76.4        | -75.9        | 0.0          | 0.0          | 0.0                       | 0.0          |
| <b>Total</b>  | <b>125.5</b>        | <b>128.5</b>   | <b>20.9</b>   | <b>22.7</b>  | <b>-36.8</b> | <b>-38.3</b> | <b>-24.1</b> | <b>-24.8</b> | <b>-17.7</b>              | <b>-19.9</b> |
| Investment portfolio of the Non-Life company        | 146.9               | 142.4          | -9.5          | -8.7         | 9.8          | 8.9          | -3.8         | -3.1         | -7.0                      | -8.0         |
| Technical provisions of the Non-Life company*       | -99.0               | -92.3          | 10.7          | 10.4         | -12.8        | -12.2        | 0.0          | 0.0          | 0.0                       | 0.0          |
| <b>Total</b>  | <b>47.9</b>         | <b>50.1</b>    | <b>1.3</b>    | <b>1.7</b>   | <b>-3.0</b>  | <b>-3.3</b>  | <b>-3.8</b>  | <b>-3.1</b>  | <b>-7.0</b>               | <b>-8.0</b>  |
| <b>Group total</b>                                  | <b>2,774.3</b>      | <b>2,835.6</b> | <b>-81.1</b>  | <b>-67.9</b> | <b>48.1</b>  | <b>40.4</b>  | <b>-69.6</b> | <b>-69.4</b> | <b>-24.8</b>              | <b>-27.9</b> |

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

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

### 6.1.2 Movements in Level 3

The table below shows a reconciliation of the opening and closing carrying amounts of Level 3 financial instruments recognised at fair value.

### 6.1.3 Sensitivity analysis of financial instruments included in Level 3

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates.

The disclosure shows the potential impact from the relative uncertainty in fair value of financial instruments for which valuation is dependent on unobservable input parameters. The disclosure is neither predictive nor indicative of future movements in the fair value.

| Valuation techniques                                    | 31.12.2010                 |              |             |                |
|---|----------------------------|--------------|-------------|----------------|
|   | Fair value classified into |              |             |                |
| Financial assets, EURm                                  | Level 1                    | Level 2      | Level 3     | Total          |
| <b>Financial assets valued through income statement</b> |                            |              |             |                |
| Interest-bearing securities                             | 0.0                        | 14.3         | 0.0         | 14.3           |
| Shares and participations                               | 0.4                        | 0.0          | 6.1         | 6.6            |
| <b>Total</b>  | <b>0.4</b>                 | <b>14.3</b>  | <b>6.1</b>  | <b>20.9</b>    |
| <b>Financial assets available for sale</b>              |                            |              |             |                |
| Interest-bearing securities                             | 3,116.6                    | 120.0        | 4.5         | 3,241.0        |
| Shares and participations                               | 88.4                       | 0.0          | 54.3        | 142.7          |
| <b>Total</b>  | <b>3,204.9</b>             | <b>120.0</b> | <b>58.8</b> | <b>3,383.7</b> |
| <b>Financial assets held until maturity</b>             |                            |              |             |                |
| Interest-bearing securities                             | 0.0                        | 21.5         | 0.0         | 21.5           |
| Shares and participations                               | 0.0                        | 0.0          | 0.0         | 0.0            |
| <b>Total</b>  | <b>0.0</b>                 | <b>21.5</b>  | <b>0.0</b>  | <b>21.5</b>    |
| <b>Derivative instruments, net</b>                      | <b>1.9</b>                 | <b>78.7</b>  | <b>0.0</b>  | <b>80.7</b>    |
| <b>Total</b>  | <b>1.9</b>                 | <b>78.7</b>  | <b>0.0</b>  | <b>80.7</b>    |
| <b>Total financial assets</b>                           | <b>3,207.3</b>             | <b>234.6</b> | <b>64.9</b> | <b>3,506.7</b> |

| Valuation techniques                                    | 31.12.2009                 |              |             |                |
|---|----------------------------|--------------|-------------|----------------|
|   | Fair value classified into |              |             |                |
| Financial assets, EURm                                  | Level 1                    | Level 2      | Level 3     | Total          |
| <b>Financial assets valued through income statement</b> |                            |              |             |                |
| Interest-bearing securities                             | 3.6                        | 18.9         | 0.0         | 22.5           |
| Shares and participations                               | 0.0                        | 0.0          | 0.0         | 0.0            |
| <b>Total</b>  | <b>3.6</b>                 | <b>18.9</b>  | <b>0.0</b>  | <b>22.5</b>    |
| <b>Financial assets available for sale</b>              |                            |              |             |                |
| Interest-bearing securities                             | 3,136.0                    | 136.0        | 5.3         | 3,277.3        |
| Shares and participations                               | 101.2                      | 0.0          | 54.4        | 155.6          |
| <b>Total</b>  | <b>3,237.2</b>             | <b>136.0</b> | <b>59.8</b> | <b>3,433.0</b> |
| <b>Financial assets held until maturity</b>             |                            |              |             |                |
| Interest-bearing securities                             | 0.0                        | 27.9         | 0.0         | 27.9           |
| Shares and participations                               | 0.0                        | 0.0          | 0.0         | 0.0            |
| <b>Total</b>  | <b>0.0</b>                 | <b>27.9</b>  | <b>0.0</b>  | <b>27.9</b>    |
| <b>Derivative instruments, net</b>                      | <b>0.0</b>                 | <b>77.8</b>  | <b>0.0</b>  | <b>77.8</b>    |
| <b>Total</b>  | <b>0.0</b>                 | <b>77.8</b>  | <b>0.0</b>  | <b>77.8</b>    |
| <b>Total financial assets</b>                           | <b>3,240.8</b>             | <b>260.5</b> | <b>59.8</b> | <b>3,561.1</b> |

| 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                       |                           |             |
|--|--|---------------------------|------------|-------------------------------------|---------------------------|-------------|-----------------------------|---------------------------|-------------|
|  | Interest-bearing securities                      | Shares and participations | Total      | Interest-bearing securities         | Shares and participations | Total       | Interest-bearing securities | Shares and participations | Total       |
| EUR million  |  |                           |            |                                     |                           |             |                             |                           |             |
| Fair value 1.1.2010  | 0.0  | 0.0                       | 0.0        | 5.4                                 | 54.4                      | 59.8        | 5.4                         | 54.4                      | 59.8        |
| New purchases  | 0.0  | 6.1                       | 6.1        | 1.5                                 | 0.0                       | 1.5         | 1.5                         | 6.1                       | 7.6         |
| Sales / Matured during the year  | 0.0  | 0.0                       | 0.0        | -2.4                                | -11.9                     | -14.3       | -2.4                        | -11.9                     | -14.3       |
| Realised value change in the income statement  | 0.0  | 0.0                       | 0.0        | 0.1                                 | -0.4                      | -0.3        | 0.1                         | -0.4                      | -0.3        |
| Unrealised value change in the income statement  | 0.0  | 0.0                       | 0.0        | 0.0                                 | -0.6                      | -0.6        | 0.0                         | -0.6                      | -0.6        |
| Valued change recognised in the fund at fair value   | 0.0  | 0.0                       | 0.0        | -0.1                                | 1.1                       | 1.0         | -0.1                        | 1.1                       | 1.0         |
| Transfer from level 1  | 0.0  | 0.0                       | 0.0        | 0.0                                 | 11.7                      | 11.7        | 0.0                         | 11.7                      | 11.7        |
| Transfer from level 2  | 0.0  | 0.0                       | 0.0        | 0.0                                 | 0.0                       | 0.0         | 0.0                         | 0.0                       | 0.0         |
| <b>Fair value 31.12.2010</b>   | <b>0.0</b>                                       | <b>6.1</b>                | <b>6.1</b> | <b>4.5</b>                          | <b>54.3</b>               | <b>58.8</b> | <b>4.5</b>                  | <b>60.4</b>               | <b>64.9</b> |

| Sensitivity analysis for financial instruments belonging to level 3 |             | 31.12.2010   |  | 31.12.2009   |  |
|---|-------------|--------------|--|--------------|--|
|   |             | Fair value   | The negative effect at an assumed movement | Fair value   | The negative effect at an assumed movement |
| Financial assets valued through income statement                    |             |              |  |              |  |
| Interest-bearing securities   | 0.0         | 0.0          | 0.0  | 0.0          | 0.0  |
| Shares and participations   | 6.1         | -1.2         | 0.0  | 0.0          | 0.0  |
| <b>Total</b>  | <b>6.1</b>  | <b>-1.2</b>  | <b>0.0</b>                                 | <b>0.0</b>   | <b>0.0</b>                                 |
| Financial assets available for sale                                 |             |              |  |              |  |
| Interest-bearing securities   | 4.5         | -0.0         | 5.4  | -0.1         | -0.1                                       |
| Shares and participations   | 54.3        | -10.9        | 54.4                                       | -10.9        | -10.9                                      |
| <b>Total</b>  | <b>58.8</b> | <b>-10.9</b> | <b>59.8</b>                                | <b>-10.9</b> | <b>-10.9</b>                               |
| <b>Total financial assets</b>                                       | <b>64.9</b> | <b>-12.1</b> | <b>59.8</b>                                | <b>-10.9</b> | <b>-10.9</b>                               |

The table above shows the sensitivity of fair value in Level 3 instruments to changes in key assumptions, by class of instruments.

The value of interest-bearing securities has been tested by assuming a rise of one percentage point in interest rate level in all maturities, and for shares and participations the prices were assumed to go down by 20%. The above mentioned assumptions would have a result or valuation effect on equity, the fund at fair value, of 2.2 (2.1)% proportionate to the Group's equity.

## 6.2 Market and asset and liability risks in the banking business

After being prepared by ALICCO and the Board's risk committee, the Group's Board of Directors sets out a strategy and limits for managing market risks each year, related to the development of net interest income and volatility. The Group's Investment Committee is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. The Bank's Treasury unit carries out transactions in order to manage structural interest rate risk based on the strategy and limits set out.

### 6.2.1 Structural interest rate risk

Structural interest rate risk arises as a result of an imbalance between reference rates and the re-pricing of assets and liabilities. As well as matching reference rates in lending and borrowing through business management, hedging with interest rate derivatives and fixed-rate investments in the liquidity portfolio are also utilised with the aim of maintaining net interest income at a stable level and protecting financial performance against sustained low interest rates.

In the asset and liability management process, the impact of different interest rate scenarios on net interest income is calculated, taking into account changes to the balance sheet structure and product behaviour, and the structural interest rate risk is measured with the help of various stress sce-

narios for periods of up to five years. For example, a parallel downward shift in the interest rate curve of one percentage point would increase the net interest income of the banking business for the next 12 months by +1.9 (+3.0)% while net interest income for the 12–24 month period would increase by +7.4 (+6.0)%. In contrast, a parallel upward shift in the interest rate curve of one percentage point would reduce the net interest income of the banking business for the next 12 months by -4.9 (-4.3)% while net interest income for the 12–24 month period would reduce by -8.1 (-5.3)%. In the following years, net interest income would develop favourably following the re-pricing of lending.

The limits imposed on the CEO by the Board of Directors for managing structural interest rate risk are based on maintaining a minimum net interest income over a 5 year period, given a scenario of sustained low interest rates. Other limits associated with managing structural interest rate risk are the capital limit for market value interest rate risk, counterparty limits and limits for accepted instruments and maturity periods. Both the limit for stable net interest income and the limit for capital usage are derived from the Group's ICAAP process and from the targets for regulatory capital adequacy.

Derivative agreements entered into to hedge against the bank's structural interest rate risk are described in more detail in G 25.

### 6.2.2 Market value interest rate risk

Market value interest rate risk refers to changes in the value of financial assets available for sale as a result of interest rate fluctuations or changes in credit, interest rate or spread risks. The size and maturity of the liquidity portfolio is restricted and the risk level is managed by a capital limit based on dynamic interest rate shocks (described in more detail in the introduction to section 6). In keeping with the prevailing rules, the impact of the rate shock is only taken into account for financial assets.

The net change in the fund at fair value relating to market value interest rate risk, credit risk and spread risk posted during the period was negative and totalled EUR -29.9 million after the deduction of deferred tax. At the end of December 2010, the valuation difference in interest-bearing securities was EUR -16.6 (13.3) million.

### 6.2.3 Exchange rate risk

Exchange rate risk refers to a negative change in value of the Bank Group's currency positions caused by fluctuations in exchange rates, particularly against the euro.

Within the banking business, currency dealings are based on customer requirements, which is why most of this activity involves Nordic currencies and the US dollar. Exchange rate risks are primarily managed by means of matching. The Treasury unit is responsible for managing the bank's day-to-day currency position subject to the limits set.

At the year-end, total net currency exposure for the Bank Group amounted to EUR 1.3 (0.8) million.

### 6.2.4 Equity and real estate risk

Equity risk refers to changes in value due to fluctuations in share prices. Real estate risk refers to risk associated with a fall in the market value of real estate assets.

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

At the end of the period, real estate assets totalled EUR 3.4 (3.4) million. The investments in shares which are necessary or strategic to the business totalled EUR 26.9 (30.6) million. At the end of the period, the fund at fair value related to the above strategic share investments amounted to EUR 0.2 (3.7) million after the deduction of deferred tax.

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

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

### 6.3.1 Market risks in investments

Within the insurance business, the aim is to build up a portfolio of assets that provides cover for provisions in view of the capacity of the insurance operation to carry risk, the need for returns and possibilities to convert the assets into cash. A reduction in the market value of assets and

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

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

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

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

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

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

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

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

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

#### 6.3.2 Interest rate risk

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

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

Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risks refer to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities. At product level, this risk is considerable, in particular in relation to interest-bearing savings

and pensions insurance. At 31 December 2010, the average guaranteed interest on the life insurance company's provisions, excluding provisions for unit-linked insurance, was approximately 4.1 (3.9)%. The average technical rate of interest was 3.6 (3.6)%.

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

The transition to the Solvency II rules revises how the capital adequacy of the insurance companies will be calculated and provisions are required to be marked-to-market, which will have an unfavourable impact on the financial position of the life insurance company in the event of a low interest rate. This is largely due to a mismatch between the cash flow for provisions and the investment portfolio, which is

due to the convention laid down in the current Solvency rules of valuing provisions at book value. Such a process promotes investment portfolios of short duration, which do not require capital to the same degree as longer investments.

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

As a step towards incorporating the new capital adequacy rules, certain protective measures have been taken at

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

#### Liabilities (Technical provisions) - Life Insurance business

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

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

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

## Liabilities (Technical provisions) - Non-life Insurance business

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

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

### 6.3.3 Equity risk

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

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

million and in the non-life insurance company this is EUR 4.9 (6.7) million.

### 6.3.4 Real estate risk

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

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

### 6.3.5 Exchange rate risk

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

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

rate risk in the non-life insurance company is EUR 0.9 (0.0) million.

## 7. Insurance risks

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

### 7.1 Insurance risks in the life insurance company

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

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

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

With the future Solvency II rules, insurance risks will be a more explicit part of capital requirements. The requirements will mainly be based on stress tests in order to study changes in the market value of provisions if changes re-

garding assumptions made occur in factors that affect cash flows. Such techniques are used to estimate insurance risks in the company's ALM model.

### 7.2 Insurance risks in the non-life insurance company

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

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

In the non-life insurance company, responsibility for pricing and estimating profitability falls to the underwriting unit, and the underwriting control unit which is responsible for risk assessment. The profitability of the insurance operations is monitored by means of monthly reporting and quarterly monitoring meetings. Here, the responsible staff from the underwriting unit and other units provide infor-

## Loss ratio for the Non-life company

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

\*) Claims paid includes loss adjustment expenses

mation to management and analyse circumstances where the actual profitability differs from the budget or plans set down.

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

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

The upcoming Solvency II rules will impose new requirements on the risks that are to be distinguished and stressed as separate entities in terms of insurance risks. For non-life insurance, this is to be done at product level and the risks that are to be taken into account are underwriting risk and cancellation risk. The non-life insurance classes that are based on biometric parameters are also to be stressed separately for the same biometric risks as for life insurance.

Traditionally, however, the mathematical method used for calculating the extent of provisions is different, as non-life insurance companies usually use deterministic methods instead of stochastic ones. The non-life insurance company's need for new extensive models is therefore less than the life insurance company's.

## 8. Managing operational risks

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

The Group's policy on managing operational risks has been established by the Board of Directors. According to the policy, regular risk assessment shall be carried out in the central Group functions, including outsourced functions. The assessment concludes with a probability and consequence evaluation of individual risks, on the basis of which the competent decision-making body then decides on how to handle the risks. In addition to regular risk assessments, adequate instructions shall be prepared as a preventive measure in order to reduce operational risks in the central and risky areas. The instructions should cover legal risks, personnel risks, principles for continuity planning, etc.

Incidents with important economic consequences, including narrow escapes, are registered and reported, and deficiencies in processes, systems, know-how or internal control causing the incident are systematically corrected. The aim is also a swift and proactive management of possible consequences for customers. The Group's risk control unit systematically analyses information about incidents and develops plans to reduce risks at process or Group

level. Risk control is also responsible for regular reporting to the Board of Directors.

The responsibility for managing the operational risks is vested with the business areas and the line organisation. Risk management includes continual development in the quality of the internal processes and internal control within the whole organisation. The management of each business area is responsible for ensuring that the processes and procedures are adapted to the goals established by the Group's executive management and that the instructions are sufficient. Specific process descriptions are drawn up when necessary.

Each manager is responsible for full compliance with the instructions in respective operations. Internal audit analyses the processes at regular intervals and evaluates the reliability of the units' internal controls. Internal audit reports directly to the Board of Directors.

In addition to the preventive work aimed at avoiding operational risks, efforts are also made within the Group to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities, etc.

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

## 8.1 Legal risks

Legal risk refers to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions and loss of goodwill due to non-compliance with laws or official regulations. The Group seeks to manage the risk of inadequate contract documentation by founding its contractual relationships within the day-to-day activities upon standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, branch offices and business units must consult the Group's Legal Services unit. External experts are relied upon when necessary. The Group has special expert resources allocated to support the Group's compliance, especially in the provision of investment services.

## Appendix to G2, Consolidated capital adequacy and exposures

## The Bank Group's capital adequacy

(EUR 1,000)

| Summary  | 12/2010          | 9/2010           | 6/2010           | 3/2010           | 12/2009          |
|--|------------------|------------------|------------------|------------------|------------------|
| Tier 1 capital   | 371,523          | 371,715          | 359,762          | 337,534          | 328,997          |
| Tier 2 capital   | 214,149          | 235,835          | 227,580          | 235,353          | 222,781          |
| <b>Capital base</b>  | <b>585,673</b>   | <b>607,550</b>   | <b>587,342</b>   | <b>572,886</b>   | <b>551,778</b>   |
| Risk-weighted amount for credit and counterparty risks                   | 3,324,444        | 3,270,332        | 3,242,594        | 3,214,461        | 3,147,457        |
| Risk-weighted amount for market risks 1)                                 | -                | -                | -                | -                | -                |
| Risk-weighted amount for operational risks                               | 348,647          | 312,713          | 312,713          | 312,713          | 312,713          |
| <b>Risk-weighted commitments</b>   | <b>3,673,092</b> | <b>3,583,045</b> | <b>3,555,307</b> | <b>3,527,174</b> | <b>3,460,170</b> |
| <b>Capital adequacy ratio, %</b>   | <b>15.9</b>      | <b>17.0</b>      | <b>16.5</b>      | <b>16.2</b>      | <b>15.9</b>      |
| <b>Tier 1 Capital ratio, %</b>   | <b>10.1</b>      | <b>10.4</b>      | <b>10.1</b>      | <b>9.6</b>       | <b>9.5</b>       |
| <b>Minimum capital requirement</b>                                       | <b>293,847</b>   | <b>286,644</b>   | <b>284,425</b>   | <b>282,174</b>   | <b>276,814</b>   |
| Capital buffer (difference between capital base and minimum requirement) | 291,825          | 320,906          | 302,917          | 290,712          | 274,965          |

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

## The Bank Group's capital base

|   | 12/2010        | 9/2010         | 6/2010         | 3/2010         | 12/2009        |
|---|----------------|----------------|----------------|----------------|----------------|
| Share capital                               | 163,000        | 163,000        | 163,000        | 163,000        | 163,000        |
| Funds                                       | 44,558         | 44,558         | 44,558         | 44,558         | 44,558         |
| Non-controlling interest                    | 44,291         | 43,395         | 42,589         | 32,679         | 32,687         |
| Retained earnings                           | 65,818         | 65,818         | 65,818         | 95,818         | 70,700         |
| Profit for the period                       | 50,080         | 41,459         | 27,186         | 11,582         | 38,019         |
| ./. provision for dividends to shareholders | -20,809        | -11,100        | -7,400         | -3,700         | -12,941        |
| Capital loan                                | 30,000         | 30,000         | 30,000         | -              | -              |
| Total                                       | 376,938        | 377,131        | 365,751        | 343,938        | 336,021        |
| ./. intangible assets                       | -5,415         | -5,416         | -5,989         | -6,404         | -7,024         |
| <b>Tier 1 capital</b>                       | <b>371,523</b> | <b>371,715</b> | <b>359,762</b> | <b>337,534</b> | <b>328,997</b> |
| Fund at fair value                          | -16,612        | 4,978          | 2,699          | 21,586         | 13,282         |
| Upper Tier 2 loans                          | 45,000         | 45,000         | 45,000         | 45,000         | 45,000         |
| Lower Tier 2 loans                          | 185,762        | 185,857        | 179,881        | 168,767        | 164,499        |
| <b>Tier 2 capital</b>                       | <b>214,149</b> | <b>235,835</b> | <b>227,580</b> | <b>235,353</b> | <b>222,781</b> |
| <b>Total capital base</b>                   | <b>585,673</b> | <b>607,550</b> | <b>587,342</b> | <b>572,886</b> | <b>551,778</b> |

## The Bank Group's risk-weighted exposures

| Total exposures 12/2010 |                      |                               |                   | Risk-weighted exposures, Basel 2 |                  |                  |                  |                  |
|-------------------------|----------------------|-------------------------------|-------------------|----------------------------------|------------------|------------------|------------------|------------------|
| Risk-weight             | Balance sheet assets | Off-balance sheet commitments | Total             | 12/2010                          | 9/2010           | 6/2010           | 3/2010           | 12/2009          |
| 0 %                     | 1,091,603            | 39,075                        | 1,130,678         | -                                | -                | -                | -                | -                |
| 10 %                    | 1,211,664            | -                             | 1,211,664         | 121,166                          | 118,698          | 119,643          | 128,958          | 115,882          |
| 20 %                    | 1,143,751            | 346,452                       | 1,490,204         | 243,078                          | 215,586          | 235,761          | 258,581          | 252,471          |
| 35 %                    | 5,057,153            | 77,892                        | 5,135,045         | 1,780,752                        | 1,731,172        | 1,686,817        | 1,633,517        | 1,596,780        |
| 50 %                    | 89                   | -                             | 89                | 44                               | 50               | 52               | 56               | 144              |
| 75 %                    | 599,223              | 82,473                        | 681,697           | 478,225                          | 488,093          | 483,619          | 466,859          | 466,069          |
| 100 %                   | 591,733              | 118,964                       | 710,697           | 646,815                          | 665,047          | 660,710          | 673,421          | 673,251          |
| 150 %                   | 13,167               | 927                           | 14,094            | 20,446                           | 24,234           | 24,854           | 22,459           | 19,099           |
| <b>Total</b>            | <b>9,708,383</b>     | <b>665,784</b>                | <b>10,374,167</b> | <b>3,290,526</b>                 | <b>3,242,881</b> | <b>3,211,455</b> | <b>3,183,851</b> | <b>3,123,698</b> |
| Derivatives *)          | 303,176              | -                             | 303,176           | 33,918                           | 27,450           | 31,139           | 30,610           | 23,759           |
| <b>Total</b>            | <b>10,011,559</b>    | <b>665,784</b>                | <b>10,677,343</b> | <b>3,324,444</b>                 | <b>3,270,332</b> | <b>3,242,594</b> | <b>3,214,461</b> | <b>3,147,457</b> |

\*) derivative agreements credit conversion factor

In its capital adequacy measurement to determine the exposure's risk weight, Aktia applies credit ratings by Moody's Investors Service or Standard & Poor's to receivables from central governments and central banks, credit institutions, investment firms and covered bonds. The risk weight for bank exposures and bonds secured by real estate is determined by the credit rating of the country where the institution is located.

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

| Year                                     | 2010    | 2009    | 2008    | 12/2010 | 9/2010  | 6/2010  | 3/2010  | 12/2009 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross income                             | 208,528 | 199,383 | 149,925 |         |         |         |         |         |
| - average 3 years                        | 185,945 |         |         |         |         |         |         |         |
| Capital requirement for operational risk |         |         |         | 27,892  | 25,017  | 25,017  | 25,017  | 25,017  |
| Risk-weighted amount, Basel 2            |         |         |         | 348,647 | 312,713 | 312,713 | 312,713 | 312,713 |

The capital requirement for operational risk is 15 % of average gross income during the last three years.

The risk-weighted amount is calculated by dividing the capital requirement by 8 %.

Operational risks per 31 December 2010 have been calculated according to the amended definition of gross income in the Finnish Financial Supervisory Authority's standard 4.3i entered into force in December 2010.

**The finance and insurance conglomerate's capital adequacy**

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

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

**The bank group's total exposures by exposure class before and after the effect of risk mitigation techniques  
Balance sheet items and off-balance sheet items including derivatives by credit conversion factors**

| Exposure class                                   | Contractual exposure | Impairment     | Net exposure      | Financial guarantees and other substitutions | Exposure after substitution | Financial collaterals | Exposure after collaterals | Risk-weighted amount | Capital requirement |
|--|----------------------|----------------|-------------------|--|-----------------------------|-----------------------|----------------------------|----------------------|---------------------|
| 1 States and central banks                       | 541,854              | -              | 541,854           | 251,946                                      | 793,800                     | -                     | 793,800                    | -                    | -                   |
| 2 Regional administrations and local authorities | 65,194               | -              | 65,194            | 28,523                                       | 93,717                      | -                     | 93,717                     | -                    | -                   |
| 3 Public corporations                            | 1,436                | -              | 1,436             | 2,347  | 3,783                       | -                     | 3,783                      | 757                  | 61                  |
| 4 International development banks                | 42,110               | -              | 42,110            | -  | 42,110                      | -                     | 42,110                     | -                    | -                   |
| 5 International organisations                    | -                    | -              | -                 | -  | -                           | -                     | -                          | -                    | -                   |
| 6 Credit institutions                            | 1,777,750            | -              | 1,777,750         | 8,551  | 1,786,301                   | -157,988              | 1,628,313                  | 270,604              | 21,648              |
| 7 Corporates                                     | 902,673              | -4,128         | 898,545           | -64,777                                      | 833,768                     | -74,125               | 759,643                    | 625,350              | 50,028              |
| 8 Retail exposures                               | 944,269              | -715           | 943,554           | -225,247                                     | 718,307                     | -36,582               | 681,724                    | 478,246              | 38,260              |
| 9 Real estate collateralised                     | 5,135,045            | -              | 5,135,045         | -  | 5,135,045                   | -                     | 5,135,045                  | 1,780,752            | 142,460             |
| 10 Past due items                                | 68,793               | -30,849        | 37,945            | -1,343                                       | 36,601                      | -469                  | 36,133                     | 41,816               | 3,345               |
| 11 High-risk items                               | 4,870                | -2,600         | 2,270             | -  | 2,270                       | -                     | 2,270                      | 2,935                | 235                 |
| 12 Covered bonds                                 | 1,211,648            | -              | 1,211,648         | -  | 1,211,648                   | -                     | 1,211,648                  | 121,165              | 9,693               |
| 13 Securitised items                             | 1,566                | -              | 1,566             | -  | 1,566                       | -                     | 1,566                      | 313                  | 25                  |
| 14 Short-term corporate receivables              | -                    | -              | -                 | -  | -                           | -                     | -                          | -                    | -                   |
| 15 Mutual fund investments                       | 1,618                | -              | 1,618             | -  | 1,618                       | -                     | 1,618                      | 1,141                | 91                  |
| 16 Other items                                   | 36,109               | -19,300        | 16,809            | -  | 16,809                      | -                     | 16,809                     | 1,366                | 109                 |
|  | <b>10,734,935</b>    | <b>-57,592</b> | <b>10,677,343</b> | <b>0</b>                                     | <b>10,677,343</b>           | <b>-269,164</b>       | <b>10,408,179</b>          | <b>3,324,444</b>     | <b>265,956</b>      |

The exposures are reported as gross.

Real estate collateralised exposures have residential real estates and shares of Finnish housing associations pledged as collateral according to the standard 4.3c of the Finnish Financial Supervision Authority.

Guarantees and other off-balance commitments refer to acceptable risk-reducing measures (Finnish Financial Supervisory Authority standard 4.3e) where risk exposures through outflows (-) based on eligible collaterals and guarantees are transferred to exposure classes with lower risk weight and capital requirements (inflows +). Guarantees given by Finnish government, municipalities, congregations and banks are accepted. Corporate guarantees are accepted if the company's credit rating is sufficient and the guarantee complies with other requirements of the standard.

Financial collaterals are taken into account through comprehensive method as defined in Standard 4.3e of the Finnish Financial Supervision Authority. Financial collaterals include deposits, listed shares and other debt securities.

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

| Exposure class                                   | 31.3.             | 30.6.             | 30.9.             | 31.12.            | Average           |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|  |                   |                   |                   |                   | <b>2010</b>       |
| 1 States and central banks                       | 955,332           | 637,668           | 423,753           | 541,854           | 639,652           |
| 2 Regional administrations and local authorities | 72,674            | 67,513            | 64,549            | 65,194            | 67,483            |
| 3 Public corporations                            | 1,495             | 1,475             | 1,455             | 1,436             | 1,465             |
| 4 International development banks                | 10,083            | 22,954            | 33,189            | 42,110            | 27,084            |
| 5 International organisations                    | -                 | -                 | -                 | -                 | -                 |
| 6 Credit institutions                            | 1,825,492         | 1,736,572         | 1,656,839         | 1,777,944         | 1,749,212         |
| 7 Corporates                                     | 908,315           | 887,353           | 888,721           | 898,545           | 895,734           |
| 8 Retail exposures                               | 906,691           | 942,483           | 958,116           | 943,359           | 937,662           |
| 9 Real estate collateralised                     | 4,730,833         | 4,890,305         | 5,008,104         | 5,135,045         | 4,941,072         |
| 10 Past due items                                | 37,409            | 44,316            | 46,869            | 37,945            | 41,635            |
| 11 High-risk items                               | 2,889             | 2,598             | 2,611             | 2,270             | 2,592             |
| 12 Covered bonds                                 | 1,289,585         | 1,196,412         | 1,186,969         | 1,211,648         | 1,221,153         |
| 13 Securitised items                             | 25,784            | 24,535            | 15,412            | 1,566             | 16,824            |
| 14 Short-term corporate receivables              | -                 | -                 | -                 | -                 | -                 |
| 15 Mutual fund investments                       | 0                 | 2,099             | 1,617             | 1,618             | 1,333             |
| 16 Other items                                   | 27,085            | 36,297            | 39,120            | 16,809            | 29,828            |
|  | <b>10,793,670</b> | <b>10,492,580</b> | <b>10,327,325</b> | <b>10,677,343</b> | <b>10,572,729</b> |

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

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

| Exposure class                                   | Under<br>3 months | 3-12<br>months | 1-5 years        | 5-10 years       | Over<br>10 years | Total             |
|--|-------------------|----------------|------------------|------------------|------------------|-------------------|
| 1 States and central banks                       | 294,254           | 45,299         | 197,283          | -                | 5,018            | 541,854           |
| 2 Regional administrations and local authorities | 26,843            | -              | 34,006           | 2,703            | 1,642            | 65,194            |
| 3 Public corporations                            | 0                 | -              | 630              | 70               | 736              | 1,436             |
| 4 International development banks                | -                 | -              | 10,097           | 32,013           | -                | 42,110            |
| 5 International organisations                    | -                 | -              | -                | -                | -                | -                 |
| 6 Credit institutions                            | 133,376           | 561,767        | 884,807          | 135,998          | 61,997           | 1,777,944         |
| 7 Corporates                                     | 181,210           | 50,914         | 252,623          | 150,410          | 263,388          | 898,545           |
| 8 Retail exposures                               | 79,636            | 51,522         | 117,163          | 139,614          | 555,424          | 943,359           |
| 9 Real estate collateralised                     | 101,053           | 73,120         | 301,166          | 624,047          | 4,035,659        | 5,135,045         |
| 10 Past due items                                | 16,218            | 250            | 12,246           | 1,786            | 7,445            | 37,945            |
| 11 High-risk items                               | 33                | -              | 1,611            | -                | 626              | 2,270             |
| 12 Covered bonds                                 | 66,495            | 92,151         | 810,835          | 242,167          | -                | 1,211,648         |
| 13 Securitised items                             | -                 | -              | 1,566            | -                | -                | 1,566             |
| 14 Short-term corporate receivables              | -                 | -              | -                | -                | -                | -                 |
| 15 Mutual fund investments                       | 1,618             | -              | -                | -                | -                | 1,618             |
| 16 Other items                                   | 6,914             | -              | -                | -                | 9,894            | 16,809            |
|  | <b>907,650</b>    | <b>875,022</b> | <b>2,624,033</b> | <b>1,328,809</b> | <b>4,941,829</b> | <b>10,677,343</b> |

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

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

| Exposure class                                   | Finland          | Other Nordic countries | European countries | Other         | Total             |
|--|------------------|------------------------|--------------------|---------------|-------------------|
| 1 States and central banks                       | 508,854          | 8,073                  | 24,926             | -             | 541,854           |
| 2 Regional administrations and local authorities | 65,194           | -                      | -                  | -             | 65,194            |
| 3 Public corporations                            | 1,436            | -                      | -                  | -             | 1,436             |
| 4 International development banks                | -                | -                      | -                  | 42,110        | 42,110            |
| 5 International organisations                    | -                | -                      | -                  | -             | -                 |
| 6 Credit institutions                            | 553,466          | 237,063                | 954,699            | 32,717        | 1,777,944         |
| 7 Corporates                                     | 892,469          | -                      | 6,076              | -             | 898,545           |
| 8 Retail exposures                               | 942,841          | 160                    | 201                | 156           | 943,359           |
| 9 Real estate collateralised                     | 5,129,144        | 1,020                  | 4,294              | 587           | 5,135,045         |
| 10 Past due items                                | 37,945           | -                      | -                  | -             | 37,945            |
| 11 High-risk items                               | 2,270            | -                      | -                  | -             | 2,270             |
| 12 Covered bonds                                 | 60,690           | 202,731                | 948,227            | -             | 1,211,648         |
| 13 Securitised items                             | 1,566            | -                      | -                  | -             | 1,566             |
| 14 Short-term corporate receivables              | -                | -                      | -                  | -             | -                 |
| 15 Mutual fund investments                       | 1,618            | -                      | -                  | -             | 1,618             |
| 16 Other items                                   | 16,784           | -                      | 25                 | -             | 16,809            |
|  | <b>8,214,277</b> | <b>449,048</b>         | <b>1,938,448</b>   | <b>75,570</b> | <b>10,677,343</b> |
| Individually impaired loans                      | 13,033           |                        |                    |               | 13,033            |
| Individual write-downs on credits                | 38,292           |                        |                    |               | 38,292            |
| Write-downs by group                             | 19,300           |                        |                    |               | 19,300            |

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

Individually impaired loans include loan capital and accrued interest less individual write-downs. In capital adequacy measurement for credit risk under the standard method, past due exposures have interest or capital over 90 days overdue.

Exposures with past due payments are entirely domestic.

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

| Counterparty                  | Branch                         | Exposure class      |                  |                            |                | Total            |
|-------------------------------|--------------------------------|---------------------|------------------|----------------------------|----------------|------------------|
|                               |                                | Corporate exposures | Retail exposures | Real estate collateralised | Past due items |                  |
| Corporate                     | Property                       | 178,132             | 51,963           | 37,283                     | 1,371          | 268,749          |
|                               | Trade                          | 83,122              | 44,569           | 23,325                     | 3,297          | 154,313          |
|                               | Financing                      | 152,851             | 6,503            | 13,242                     | -              | 172,596          |
|                               | Industry, energy               | 85,253              | 19,336           | 5,523                      | 2,418          | 112,530          |
|                               | Construction                   | 61,312              | 22,516           | 18,185                     | 4,480          | 106,493          |
|                               | Research, consulting, services | 30,951              | 28,807           | 16,595                     | 1,328          | 77,681           |
|                               | Transport                      | 26,648              | 12,328           | 7,948                      | 927            | 47,851           |
|                               | Hotels and restaurants         | 22,726              | 6,482            | 5,255                      | 1,709          | 36,172           |
|                               | Agriculture, fisheries, mining | 18,629              | 4,368            | 3,552                      | 167            | 26,715           |
|                               | Other                          | 22,472              | 10,306           | 10,920                     | 439            | 44,138           |
| <b>Total</b>                  |                                | <b>682,096</b>      | <b>207,179</b>   | <b>141,827</b>             | <b>16,136</b>  | <b>1,047,239</b> |
| Households                    |                                | 57,721              | 704,392          | 4,796,516                  | 20,550         | 5,579,179        |
| Housing corporations          |                                | 111,806             | 31,788           | 184,385                    | 1,256          | 329,236          |
| Other non-profit corporations |                                | 46,922              | -                | 12,317                     | 3              | 59,241           |
| <b>Total</b>                  |                                | <b>898,545</b>      | <b>943,359</b>   | <b>5,135,045</b>           | <b>37,945</b>  | <b>7,014,894</b> |

## Loans individually impaired

| 31.12.2010              |                |                       |               |                          | Change during the period |  |
|-------------------------|----------------|-----------------------|---------------|--------------------------|--------------------------|--|
| Sector                  | Contract value | Individual impairment | Book value    | Fair value of collateral | Change in impairment     | Impairment losses on credits and other commitments |
| Corporates              | 46,321         | 35,251                | 11,070        | 10,730                   | 184                      | 3,228  |
| Housing corporations    | 1              | 1                     | -             | 2                        | -                        | -  |
| Public corporations     | -              | -                     | -             | -                        | -                        | -  |
| Non-profit corporations | 2              | 2                     | -             | -                        | -1                       | 11   |
| Households              | 3,578          | 2,783                 | 795           | 952                      | 673                      | 659  |
| <b>Total</b>            | <b>49,902</b>  | <b>38,037</b>         | <b>11,865</b> | <b>11,684</b>            | <b>856</b>               | <b>3,898</b>                                       |

**Write-downs on corporate loans by branch**

|   |        |        |       |
|---|--------|--------|-------|
| Research, consulting and other services | 18,256 | 17,856 | 400   |
| Trade                                   | 7,240  | 5,255  | 1,985 |
| Construction                            | 4,501  | 3,578  | 923   |
| Industry                                | 5,149  | 4,110  | 1,039 |
| Property                                | 1,498  | 968    | 531   |
| Other                                   | 9,676  | 3,484  | 6,192 |

| 31.12.2009              |                |                       |               |                          | Change during the period |  |
|-------------------------|----------------|-----------------------|---------------|--------------------------|--------------------------|--|
| Sector                  | Contract value | Individual impairment | Book value    | Fair value of collateral | Change in impairment     | Impairment losses on credits and other commitments |
| Corporates              | 51,619         | 38,222                | 13,397        | 13,119                   | 29,939                   | 8,013  |
| Housing corporations    | 137            | 137                   | -             | 2                        | -59                      | -  |
| Public corporations     | -              | -                     | -             | -                        | -                        | -  |
| Non-profit corporations | 14             | 14                    | -             | 10                       | 14                       | -  |
| Households              | 3,419          | 2,696                 | 723           | 1,105                    | 1,149                    | 824  |
| <b>Total</b>            | <b>55,189</b>  | <b>41,068</b>         | <b>14,121</b> | <b>14,236</b>            | <b>31,043</b>            | <b>8,837</b>                                       |

**Write-downs on corporate loans by branch**

|   |        |        |       |
|---|--------|--------|-------|
| Research, consulting and other services | 16,198 | 14,502 | 1,696 |
| Trade                                   | 17,903 | 14,464 | 3,439 |
| Construction                            | 4,023  | 3,260  | 763   |
| Industry                                | 4,295  | 2,227  | 2,068 |
| Property                                | 1,666  | 800    | 867   |
| Other                                   | 7,535  | 2,970  | 4,564 |

## G3 Group's segment reporting

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

| Balance sheet<br>(EUR 1,000)                                     | Banking Business |                  | Asset Management |                | Life Insurance |                | Non-Life Insurance |                | Miscellaneous  |                | Eliminations    |                 | Total Group       |                   |
|--|------------------|------------------|------------------|----------------|----------------|----------------|--------------------|----------------|----------------|----------------|-----------------|-----------------|-------------------|-------------------|
|  | 31.12.2010       | 31.12.2009       | 31.12.2010       | 31.12.2009     | 31.12.2010     | 31.12.2009     | 31.12.2010         | 31.12.2009     | 31.12.2010     | 31.12.2009     | 31.12.2010      | 31.12.2009      | 31.12.2010        | 31.12.2009        |
| Cash and balances with central banks                             | 269,721          | 336,397          | 90               | 110            | 6,929          | 3,075          | 3,483              | 5,639          | -              | -              | -6,859          | -4,262          | 273,364           | 340,960           |
| Financial assets reported at fair value via the income statement | -                | 3,599            | -                | -              | 14,110         | 10,450         | 6,760              | 8,405          | -              | -              | -               | -               | 20,870            | 22,453            |
| Financial assets available for sale                              | 2,593,625        | 2,655,803        | 8,046            | 7,338          | 664,639        | 664,861        | 112,258            | 101,097        | 22,368         | 29,985         | -17,283         | -26,123         | 3,383,652         | 3,432,962         |
| Loans and other receivables                                      | 6,652,056        | 6,173,694        | 53,765           | 34,402         | -              | -              | -                  | -              | 58             | 57             | -68,327         | -66,591         | 6,637,551         | 6,141,562         |
| Investments for unit-linked provisions                           | -                | -                | -                | -              | 279,964        | 208,853        | -                  | -              | -              | -              | -               | -               | 279,964           | 208,853           |
| Other assets   | 389,639          | 662,873          | 6,980            | 4,967          | 19,662         | 19,355         | 34,425             | 38,463         | 357,306        | 20,655         | -384,261        | -337,264        | 423,752           | 409,049           |
| <b>Total assets</b>  | <b>9,905,041</b> | <b>9,832,365</b> | <b>68,880</b>    | <b>46,816</b>  | <b>985,304</b> | <b>906,594</b> | <b>156,926</b>     | <b>153,604</b> | <b>379,732</b> | <b>50,698</b>  | <b>-476,730</b> | <b>-434,239</b> | <b>11,019,153</b> | <b>10,555,839</b> |
| Deposits   | 4,189,837        | 4,607,147        | 179,779          | 154,690        | -              | -              | -                  | -              | 1,892          | 2,164          | -15,180         | -10,416         | 4,356,327         | 4,753,586         |
| Debt securities issued   | 3,397,792        | 2,758,144        | -                | -              | -              | -              | -                  | -              | -              | -              | -15,878         | -10,217         | 3,381,914         | 2,747,926         |
| Technical provision for insurance business                       | -                | -                | -                | -              | 870,168        | 805,119        | 112,487            | 109,739        | -              | -              | 7,185           | 9,580           | 989,841           | 924,437           |
| Other liabilities  | 1,845,427        | 1,508,748        | 9,274            | 6,698          | 17,329         | 14,070         | 17,649             | 19,628         | 79,712         | 258,849        | -175,610        | -144,260        | 1,793,781         | 1,663,733         |
| <b>Total liabilities</b>   | <b>9,433,055</b> | <b>8,874,039</b> | <b>189,053</b>   | <b>161,388</b> | <b>887,497</b> | <b>819,188</b> | <b>130,137</b>     | <b>129,366</b> | <b>81,604</b>  | <b>261,013</b> | <b>-199,482</b> | <b>-155,313</b> | <b>10,521,863</b> | <b>10,089,682</b> |

Aktia Plc has not acquired any new entities in 2010.

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

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

**G5 Interest income and expenses**

|   | 2010           | 2009            |
|---|----------------|-----------------|
| <b>Interest income</b>  |                |                 |
| Interest income from cash and balances with central banks                             | 2,485          | 3,126           |
| Interest income from financial assets reported at fair value via the income statement | 94             | 405             |
| Interest income from financial assets available for sale                              | 83,698         | 92,052          |
| Interest income from claims on credit institutions                                    | 935            | 733             |
| Interest income from claims on public and public sector entities                      | 150,354        | 188,950         |
| Interest income from finance lease contracts  | 875            | 681             |
| Interest income from loans and other receivables                                      | 152,164        | 190,364         |
| Interest income from financial assets held until maturity                             | 448            | 936             |
| Interest income from hedging instruments  | 274            | -1,414          |
| Other interest income   | 1,163          | 108             |
| <b>Total</b>  | <b>240,326</b> | <b>285,576</b>  |
| <b>Interest expenses</b>  |                |                 |
| Interest expenses from deposits, credit institutions                                  | -21,002        | -33,903         |
| Interest expenses from deposits, other public entities                                | -33,409        | -45,094         |
| Interest expenses from deposits   | -54,411        | -78,997         |
| Interest expenses for debt securities issued to the public                            | -72,717        | -73,032         |
| Interest expenses for subordinated liabilities  | -8,975         | -9,138          |
| Interest expenses from securities issued and subordinated liabilities                 | -81,692        | -82,170         |
| Interest expenses for hedging instruments   | 45,128         | 27,880          |
| Other interest expenses   | -43            | -40             |
| <b>Total</b>  | <b>-91,019</b> | <b>-133,328</b> |
| <b>Net interest income</b>  | <b>149,307</b> | <b>152,248</b>  |
| Deposits- and lending   | 54,762         | 61,261          |
| Hedging, interest rate risk management  | 58,265         | 44,860          |
| Other   | 36,280         | 46,127          |
| <b>Net interest income</b>  | <b>149,307</b> | <b>152,248</b>  |

**G6 Dividends**

|  | 2010         | 2009       |
|--|--------------|------------|
| Dividend income from shares available for sale | 1,105        | 607        |
| <b>Total</b>                                   | <b>1,105</b> | <b>607</b> |

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

**G7 Commission income and expenses**

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

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

## G8 Net income from life-insurance

|                                       |               |               |
|---------------------------------------|---------------|---------------|
|                                       | <b>2010</b>   | <b>2009</b>   |
| Income from insurance premiums        | 100,710       | 80,510        |
| Net income from investments           | 25,523        | 442           |
| Insurance claims paid                 | -79,174       | -79,752       |
| Net change in technical provisions    | -30,582       | 12,791        |
| <b>Net income from life insurance</b> | <b>16,477</b> | <b>13,991</b> |

### Premium income

#### Premium income from insurance agreements

|   |                |               |
|---|----------------|---------------|
| Insurance agreements  | 101,192        | 80,867        |
| Reinsurance agreements  | 35             | 33            |
| <b>Total gross income from premiums before the assuming company's share</b> | <b>101,227</b> | <b>80,900</b> |
| Assuming company's share  | -517           | -390          |
| <b>Total income from premiums</b>   | <b>100,710</b> | <b>80,510</b> |

#### Premium income from insurance agreements with a discretionary element

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Saving plans                       | 3,493         | 4,861         |
| Individual pension insurance       | 12,366        | 14,664        |
| Group pension insurance            | 4,407         | 3,733         |
| Personal insurance                 | 20,143        | 19,923        |
| Group life insurance for employers | 414           | 1,387         |
| Other group life insurance         | 45            | 50            |
| Risk insurance                     | 20,602        | 21,359        |
| <b>Total</b>                       | <b>40,868</b> | <b>44,618</b> |

#### Premium income from unit-linked agreements

|                              |               |               |
|------------------------------|---------------|---------------|
| Saving plans                 | 48,726        | 25,227        |
| Individual pension insurance | 9,976         | 10,138        |
| Group pension insurance      | 1,140         | 527           |
| <b>Total</b>                 | <b>59,841</b> | <b>35,892</b> |

#### Total income from premiums

**100,710**      **80,510**

#### On-going and one-off premiums from direct insurance

|                                   |                |               |
|-----------------------------------|----------------|---------------|
| On-going premiums                 | 69,249         | 63,069        |
| One-off premiums                  | 31,461         | 17,441        |
| <b>Total income from premiums</b> | <b>100,710</b> | <b>80,510</b> |

### Net income from investments

#### Net income from financial assets valued at fair value through income statement

##### Derivative contracts

|                   |              |             |
|-------------------|--------------|-------------|
| Profit and losses | 2,069        | -870        |
| <b>Total</b>      | <b>2,069</b> | <b>-870</b> |

##### Interest-bearing securities

|                           |             |              |
|---------------------------|-------------|--------------|
| Interest income           | 193         | 474          |
| Profit and losses         | -           | 781          |
| Other income and expenses | -558        | -            |
| <b>Total</b>              | <b>-365</b> | <b>1,255</b> |

|  |                |                |
|--|----------------|----------------|
| <b>Net income from financial assets available for sale</b>                       |                |                |
| Interest income  | 21,636         | 20,722         |
| Capital gains and losses   | -1,257         | -2,867         |
| Impairments  | -102           | -14,030        |
| Other income and expenses  | -15            | -62            |
| Interest-bearing securities  | 20,261         | 3,764          |
| Dividends  | 28             | 1,038          |
| Capital gains and losses   | 5,504          | 2,474          |
| Impairments  | -3,784         | -9,558         |
| Other income and expenses  | 1,919          | 2,449          |
| Shares and participations  | 3,667          | -3,597         |
| <b>Total</b>   | <b>23,928</b>  | <b>166</b>     |
| <b>Expenses from financial liabilities</b>                                       |                |                |
| Subordinated liabilities   | -109           | -109           |
| <b>Total</b>   | <b>-109</b>    | <b>-109</b>    |
| <b>Total for the Insurance business' net income from the investment business</b> | <b>25,523</b>  | <b>442</b>     |
| Exchange rate differences included in net income from the investment business    | -737           | 202            |
| <b>Insurance claims paid</b>   |                |                |
| <b>Claims paid from insurance agreements with discretionary element</b>          |                |                |
| <b>Saving plans</b>  |                |                |
| Repayment of saving sums   | -13,769        | -16,396        |
| Payments in the event of death   | -2,715         | -2,983         |
| Repurchase   | -3,606         | -7,350         |
| <b>Total</b>   | <b>-20,090</b> | <b>-26,729</b> |
| <b>Individual pension insurance</b>  |                |                |
| Pensions   | -22,341        | -19,653        |
| Payments in the event of death   | -323           | -842           |
| Repurchase   | -813           | -1,119         |
| <b>Total</b>   | <b>-23,476</b> | <b>-21,614</b> |
| <b>Group pension insurance</b>   |                |                |
| Pensions   | -2,459         | -2,553         |
| Repurchase   | -15            | -33            |
| Other  | -42            | -92            |
| <b>Total</b>   | <b>-2,515</b>  | <b>-2,678</b>  |
| <b>Risk insurance</b>  |                |                |
| Individual insurance   | -14,014        | -12,727        |
| Group life insurance for employers   | -660           | -883           |
| Other group life insurance   | -24            | -18            |
| <b>Total</b>   | <b>-14,697</b> | <b>-13,628</b> |
| <b>Total claims paid from insurance agreements with discretionary element</b>    | <b>-60,779</b> | <b>-64,649</b> |
| <b>Claims paid from unit-linked insurances</b>                                   |                |                |
| <b>Saving plans</b>  |                |                |
| Repayment of saving sums   | -2,200         | -1,841         |
| Payments in the event of death   | -4,800         | -4,376         |
| Repurchase   | -10,876        | -8,516         |
| <b>Total</b>   | <b>-17,876</b> | <b>-14,733</b> |

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

## G9 Net income from non-life insurance

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

**Net income from financial assets available for sale**

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Interest-bearing securities        |              |              |
| Interest income                    | 3,888        | 3,217        |
| Capital gains and losses           | 602          | -9           |
| Other income and expenses          | 0            | 0            |
| <b>Total</b>                       | <b>4,490</b> | <b>3,208</b> |
| Shares and participations          |              |              |
| Dividends and profit participation | 307          | 233          |
| Capital gains and losses           | -562         | -2,629       |
| Other income and expenses          | 0            | 0            |
| Total                              | -254         | -2,395       |
| <b>Total</b>                       | <b>4,236</b> | <b>813</b>   |

**Net income from investment properties**

|   |            |            |
|---|------------|------------|
| Rental income   | 1,930      | 1,969      |
| Direct expenses from investment properties, which generated rental income during the accounting period        | -378       | -454       |
| Direct expenses from investment properties, which did not generate rental income during the accounting period | -2         | -11        |
| Capital gains and losses  | 217        | -305       |
| Write-downs and impairments   | -853       | -654       |
| <b>Total</b>  | <b>914</b> | <b>545</b> |

**Net income from commercial properties**

|                                     |             |            |
|-------------------------------------|-------------|------------|
| Expenses from commercial properties | -           | -37        |
| Capital gains and losses            | -234        | -          |
| Write-downs and impairments         | -47         | -7         |
| <b>Total</b>                        | <b>-282</b> | <b>-44</b> |

**Other net income**

|                           |               |               |
|---------------------------|---------------|---------------|
| Unwinding of discount     | -1,871        | -1,377        |
| Other income and expenses | 83            | 71            |
| <b>Total</b>              | <b>-1,788</b> | <b>-1,306</b> |

**Net income from investments**

|   |              |              |
|---|--------------|--------------|
| Exchange rate differences included in net income from the investment business | -5           | -9           |
| <b>Total</b>  | <b>3,493</b> | <b>1,563</b> |

**Insurance claims paid**

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

**Change in provisions for outstanding claims**

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

## G10 Non-life insurance result by insurance class

2010

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

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

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

2009

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

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

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

## G11 Net income from financial transactions

2010

2009

### Financial assets held for trading

|                             |           |            |
|-----------------------------|-----------|------------|
| Capital gains and losses    |           |            |
| Interest-bearing securities | 69        | 169        |
| Shares and participations   | 1         | 2          |
| <b>Total</b>                | <b>70</b> | <b>171</b> |
| Valuation gains and losses  |           |            |
| Interest-bearing securities | -         | 68         |
| Total                       | -         | 68         |
| <b>Total</b>                | <b>70</b> | <b>239</b> |

### Financial assets and liabilities reported at fair value via the income statement

|                            |               |            |
|----------------------------|---------------|------------|
| Capital gains and losses   |               |            |
| Derivative instruments     | 1,080         | -          |
| <b>Total</b>               | <b>1,080</b>  | <b>-</b>   |
| Valuation gains and losses |               |            |
| Derivative instruments     | -4,984        | 238        |
| <b>Total</b>               | <b>-4,984</b> | <b>238</b> |
| <b>Total</b>               | <b>-3,904</b> | <b>238</b> |

**Financial assets available for sale**

|   |               |               |
|---|---------------|---------------|
| Capital gains and losses                                      |               |               |
| Interest-bearing securities                                   | 2,140         | 1,123         |
| Shares and participations                                     | 542           | -2,451        |
| Other items   | -             | -340          |
| <b>Total</b>  | <b>2,682</b>  | <b>-1,667</b> |
| Transferred to income statement from fund at fair value       |               |               |
| Interest-bearing securities                                   | -5,137        | -496          |
| Shares and participations                                     | -             | -350          |
| <b>Total</b>  | <b>-5,137</b> | <b>-846</b>   |
| Write-downs   |               |               |
| Interest-bearing securities                                   | -             | -388          |
| <b>Total</b>  | <b>-</b>      | <b>-388</b>   |
| <b>Total</b>  | <b>-2,455</b> | <b>-2,901</b> |
| Net income from currency trading                              | 1,098         | 1,303         |
| <b>Net result from hedge accounting</b>                       |               |               |
| Ineffective share of cash flow hedging                        | -139          | 139           |
| <b>Fair value hedging</b>                                     |               |               |
| Financial derivatives hedging repayable on demand liabilities | -52           | 2,575         |
| Financial derivatives hedging issued bonds                    | 4,075         | 4,249         |
| Changes in fair value of hedge instruments, net               | 4,023         | 6,824         |
| Repayable on demand liabilities                               | 66            | -1,608        |
| Bonds issued  | -4,343        | -3,408        |
| Changes in fair value of items hedged, net                    | -4,277        | -5,016        |
| <b>Total</b>  | <b>-254</b>   | <b>1,808</b>  |
| <b>Total ineffective share of cash flow hedging</b>           | <b>-393</b>   | <b>1,947</b>  |
| <b>Net income from financial transactions</b>                 | <b>-5,585</b> | <b>826</b>    |

**G12 Net income from investment properties**

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

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

**G13 Other operating income**

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

## G14 Staff costs

|   | 2010           | 2009           |
|---|----------------|----------------|
| Salaries and fees   | -68,325        | -65,347        |
| Pension costs   | -11,155        | -10,864        |
| Other indirect employee costs   | -3,363         | -3,008         |
| Indirect employee costs   | -14,517        | -13,872        |
| <b>Total</b>  | <b>-82,842</b> | <b>-79,219</b> |
| <b>Number of employees 31 December</b>                                    |                |                |
| Full-time   | 1,111          | 1,150          |
| Part-time   | 146            | 120            |
| Temporary   | 166            | 139            |
| <b>Total</b>  | <b>1,423</b>   | <b>1,409</b>   |
| Number of employees converted to full-time equivalents                    | 1,186          | 1,207          |
| Full-time equivalent average number of employees for the reporting period | 1,183          | 1,213          |

## G15 Other administration expenses

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

## G16 Depreciation of intangible and tangible assets

|                                   | 2010          | 2009          |
|-----------------------------------|---------------|---------------|
| Depreciation of tangible assets   | -2,684        | -2,515        |
| Depreciation of intangible assets | -4,552        | -4,369        |
| <b>Total</b>                      | <b>-7,237</b> | <b>-6,884</b> |

## G17 Other operating expenses

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

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

### Auditors' fees

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

|                              |            |            |
|------------------------------|------------|------------|
| Statutory auditing           | 393        | 230        |
| Services related to auditing | 38         | 228        |
| Tax counselling              | 7          | 8          |
| Other services               | -          | 311        |
| <b>Total</b>                 | <b>438</b> | <b>777</b> |

## G18 Impairment and reversal of impairment on intangible and tangible assets

|  | 2010 | 2009        |
|--|------|-------------|
| Impairment of tangible and intangible assets | -    | -563        |
| <b>Total impairment losses</b>               | -    | <b>-563</b> |

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

## G19 Taxes

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

More information on deferred taxes is presented in note G32. The tax on the Group's profit before tax deviates from the theoretical value that should arise when using the tax rate for the parent company as follows:

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

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

## G20 Earnings per share

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

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET AND OTHER CONSOLIDATED NOTES

### G21 Cash and balances with central banks

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

### G22 Financial assets reported at fair value via the income statement

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

### G23 Financial assets available for sale

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

Write-downs on financial assets available for sale stood at EUR 3.9 million (EUR 24.0 million) and are a result of significant or long-term negative value changes in shares and share funds and in interest-bearing securities where the issuer has noted an inability to pay. As at 31 December 2010, write-downs were recorded against the value of investments in shares and participations as above totalling EUR 3.8 million (EUR 9.6 million), which is attributable to the life insurance company's investments. Write-downs on interest-bearing securities amounted to EUR 0.1 million (EUR 14.4 million), of which EUR 0.1 million (EUR 14.0 million) is attributable to the life insurance company's investments. The definition of significant or long-term negative value is described in note G1 Overview of significant consolidated accounting principles 2010 in chapter Impairment of financial assets.

| <b>Impairment of financial assets</b> | <b>2010</b>  | <b>2009</b>   |
|---------------------------------------|--------------|---------------|
| Interest-bearing securities           |              |               |
| Banking business                      | -            | 388           |
| Life insurance business               | 102          | 14,030        |
| Non-Life Insurance business           | -            | -             |
| Shares and participations             |              |               |
| Banking business                      | -            | -             |
| Life insurance business               | 3,784        | 9,557         |
| Non-Life Insurance business           | -            | -             |
| <b>Total</b>                          | <b>3,886</b> | <b>23,975</b> |

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

## G24 Financial assets held until maturity

|                                    | <b>2010</b>   | <b>2009</b>   |
|------------------------------------|---------------|---------------|
| Interest-bearing securities, other | 21,459        | 27,883        |
| <b>Total</b>                       | <b>21,459</b> | <b>27,883</b> |

## G25 Derivative instruments

### Derivative instruments, book value

|                              | <b>2010</b>    | <b>2010</b>        | <b>2009</b>    | <b>2009</b>        |
|------------------------------|----------------|--------------------|----------------|--------------------|
|                              | <b>Assets</b>  | <b>Liabilities</b> | <b>Assets</b>  | <b>Liabilities</b> |
| Interest rate derivatives    | 74,072         | 40,568             | 56,826         | 21,530             |
| Fair value hedging           | 74,072         | 40,568             | 56,826         | 21,530             |
| Interest rate derivatives    | 45,471         | 302                | 41,757         | 783                |
| Cash flow hedging            | 45,471         | 302                | 41,757         | 783                |
| Interest rate derivatives    | 103,028        | 101,215            | 107,670        | 106,189            |
| Currency derivatives         | 1,765          | 1,586              | 3,076          | 3,026              |
| Shares derivatives           | 4,929          | 4,929              | 90             | 90                 |
| Other derivatives            | 893            | 893                | 547            | 547                |
| Other derivative instruments | 110,615        | 108,623            | 111,383        | 109,852            |
| <b>Total</b>                 | <b>230,158</b> | <b>149,493</b>     | <b>209,966</b> | <b>132,165</b>     |

From cash flow hedging, a cash flow of approx. EUR 12-15 million is expected 2011, approx. EUR 9-12 million 2012 and the rest in the years 2013-2016.

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

31 December 2010

#### Hedging derivative instruments

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

**Cash flow hedging**

|   |                |                  |                  |                  |                |               |
|---|----------------|------------------|------------------|------------------|----------------|---------------|
| Interest rate option agreements             | -              | 960,000          | -                | 960,000          | 45,471         | 302           |
| Purchased                                   | -              | 720,000          | -                | 720,000          | 45,471         | -             |
| Written                                     | -              | 240,000          | -                | 240,000          | -              | 302           |
| <b>Total cash flow hedging</b>              | -              | <b>960,000</b>   | -                | <b>960,000</b>   | <b>45,471</b>  | <b>302</b>    |
| <b>Total interest rate derivatives</b>      | <b>624,500</b> | <b>3,661,000</b> | <b>1,043,000</b> | <b>5,328,500</b> | <b>119,543</b> | <b>40,870</b> |
| <b>Total hedging derivative instruments</b> | <b>624,500</b> | <b>3,661,000</b> | <b>1,043,000</b> | <b>5,328,500</b> | <b>119,543</b> | <b>40,870</b> |

**Other derivative instruments**

|   |                  |                  |                  |                   |                |                |
|---|------------------|------------------|------------------|-------------------|----------------|----------------|
| Interest rate swaps                       | 374,000          | 1,888,000        | 1,034,230        | 3,296,230         | 57,985         | 56,636         |
| Interest rate option agreements           | 1,267,000        | 2,522,528        | 480,000          | 4,269,528         | 45,043         | 44,579         |
| Purchased                                 | 727,000          | 1,490,264        | 240,000          | 2,457,264         | 42,593         | 40,466         |
| Written                                   | 540,000          | 1,032,264        | 240,000          | 1,812,264         | 2,450          | 4,113          |
| <b>Total interest rate derivatives</b>    | <b>1,641,000</b> | <b>4,410,528</b> | <b>1,514,230</b> | <b>7,565,758</b>  | <b>103,028</b> | <b>101,215</b> |
| Forward rate agreements                   | 168,454          | -                | -                | 168,454           | 1,765          | 1,586          |
| <b>Total forward rate agreements</b>      | <b>168,454</b>   | -                | -                | <b>168,454</b>    | <b>1,765</b>   | <b>1,586</b>   |
| Equity options                            | 10,234           | 80,312           | 16,700           | 107,246           | 4,929          | 4,929          |
| Purchased                                 | 5,117            | 40,156           | 8,350            | 53,623            | 3,195          | 1,734          |
| Written                                   | 5,117            | 40,156           | 8,350            | 53,623            | 1,734          | 3,195          |
| <b>Total equity options</b>               | <b>10,234</b>    | <b>80,312</b>    | <b>16,700</b>    | <b>107,246</b>    | <b>4,929</b>   | <b>4,929</b>   |
| Options                                   | -                | 4,307            | -                | 4,307             | 893            | 893            |
| Purchased                                 | -                | 2,153            | -                | 2,153             | 893            | -              |
| Written                                   | -                | 2,153            | -                | 2,153             | -              | 893            |
| <b>Other derivative instruments</b>       | -                | <b>4,307</b>     | -                | <b>4,307</b>      | <b>893</b>     | <b>893</b>     |
| <b>Total other derivative instruments</b> | <b>1,819,688</b> | <b>4,495,147</b> | <b>1,530,930</b> | <b>7,845,765</b>  | <b>110,615</b> | <b>108,623</b> |
| <b>Total derivative instruments</b>       | <b>2,444,188</b> | <b>8,156,147</b> | <b>2,573,930</b> | <b>13,174,265</b> | <b>230,158</b> | <b>149,493</b> |

**31 December 2009****Hedging derivative instruments**

|  | Nominal values/term remaining |                  |                | Total            | Assets        | Fair value<br>Liabilities |
|--|-------------------------------|------------------|----------------|------------------|---------------|---------------------------|
|  | Under 1 year                  | 1-5 years        | Over 5 years   |                  |               |                           |
| <b>Fair value hedging</b>              |                               |                  |                |                  |               |                           |
| Interest forward rate agreements       | 200,000                       | 200,000          | -              | 400,000          | 43            | 68                        |
| Interest rate swaps                    | 350,000                       | 1,505,500        | 372,000        | 2,227,500        | 56,783        | 21,462                    |
| <b>Total fair value hedging</b>        | <b>550,000</b>                | <b>1,705,500</b> | <b>372,000</b> | <b>2,627,500</b> | <b>56,826</b> | <b>21,530</b>             |
| <b>Cash Flow hedging</b>               |                               |                  |                |                  |               |                           |
| Interest rate option agreements        | -                             | 840,000          | 120,000        | 960,000          | 41,757        | 783                       |
| Purchased                              | -                             | 660,000          | 60,000         | 720,000          | 41,757        | -                         |
| Written                                | -                             | 180,000          | 60,000         | 240,000          | -             | 783                       |
| <b>Total cash flow hedging</b>         | -                             | <b>840,000</b>   | <b>120,000</b> | <b>960,000</b>   | <b>41,757</b> | <b>783</b>                |
| <b>Total interest rate derivatives</b> | <b>550,000</b>                | <b>2,545,500</b> | <b>492,000</b> | <b>3,587,500</b> | <b>98,583</b> | <b>22,313</b>             |

|   |                  |                  |                  |                   |                |                |
|---|------------------|------------------|------------------|-------------------|----------------|----------------|
| <b>Total hedging derivative instruments</b> | <b>550,000</b>   | <b>2,545,500</b> | <b>492,000</b>   | <b>3,587,500</b>  | <b>98,583</b>  | <b>22,313</b>  |
| <b>Other derivative instruments</b>         |                  |                  |                  |                   |                |                |
| Interest rate swaps                         | 562,000          | 1,654,000        | 395,300          | 2,611,300         | 57,094         | 56,243         |
| Interest rate option agreements             | -                | 3,660,534        | 779,200          | 4,439,734         | 50,576         | 49,946         |
| Purchased                                   | -                | 2,127,767        | 379,600          | 2,507,367         | 47,215         | 45,420         |
| Written                                     | -                | 1,532,767        | 399,600          | 1,932,367         | 3,361          | 4,526          |
| <b>Total interest rate derivatives</b>      | <b>562,000</b>   | <b>5,314,534</b> | <b>1,174,500</b> | <b>7,051,034</b>  | <b>107,670</b> | <b>106,189</b> |
| Forward rate agreements                     | 179,600          | -                | -                | 179,600           | 3,076          | 3,026          |
| <b>Total forward rate agreements</b>        | <b>179,600</b>   | <b>-</b>         | <b>-</b>         | <b>179,600</b>    | <b>3,076</b>   | <b>3,026</b>   |
| Equity options                              | 20,500           | 92,244           | -                | 112,744           | 90             | 90             |
| Purchased                                   | 10,250           | 46,122           | -                | 56,372            | 90             | -              |
| Written                                     | 10,250           | 46,122           | -                | 56,372            | -              | 90             |
| <b>Total equity options</b>                 | <b>20,500</b>    | <b>92,244</b>    | <b>-</b>         | <b>112,744</b>    | <b>90</b>      | <b>90</b>      |
| Options                                     | 4,096            | 4,307            | -                | 8,403             | 546            | 547            |
| Purchased                                   | 2,048            | 2,153            | -                | 4,201             | 546            | -              |
| Written                                     | 2,048            | 2,153            | -                | 4,201             | -              | 547            |
| <b>Other derivative instruments</b>         | <b>4,096</b>     | <b>4,307</b>     | <b>-</b>         | <b>8,403</b>      | <b>546</b>     | <b>547</b>     |
| <b>Total other derivative instruments</b>   | <b>766,196</b>   | <b>5,411,085</b> | <b>1,174,500</b> | <b>7,351,781</b>  | <b>111,383</b> | <b>109,852</b> |
| <b>Total derivative instruments</b>         | <b>1,316,196</b> | <b>7,956,585</b> | <b>1,666,500</b> | <b>10,939,281</b> | <b>209,966</b> | <b>132,165</b> |

## G26 Loans and other receivables

|   | <b>2010</b>      | <b>2009</b>      |
|---|------------------|------------------|
| Repayable on demand claims on credit institutions                     | 6,129            | 9,721            |
| Other claims on credit institutions that are not repayable on demand  | 39,839           | 71,000           |
| <b>Lending to credit institutions</b>                                 | <b>45,968</b>    | <b>80,721</b>    |
| Transaction account credits, general and corporate                    | 96,674           | 87,674           |
| Credit bonds  | 6,488,284        | 5,942,929        |
| Receivables from finance lease contracts                              | 21,050           | 16,776           |
| <b>Loans</b>  | <b>6,606,008</b> | <b>6,047,380</b> |
| Write-downs for loans outstanding by group                            | -19,300          | -7,435           |
| Syndicated loans and sale and repurchase agreements, domestic/foreign | 4,500            | 20,438           |
| Bank guarantee claims   | 376              | 458              |
| Lending to the public and public sector entities                      | 6,591,584        | 6,060,842        |
| <b>Total</b>  | <b>6,637,551</b> | <b>6,141,562</b> |

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

### A sector-by-sector analysis of receivables from the public and public sector entities as well as write-downs and reversed write-downs for these

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Households              | 5,478,763        | 4,924,437        |
| Companies               | 760,935          | 781,773          |
| Housing associations    | 289,279          | 289,192          |
| Public associations     | 6,703            | 10,050           |
| Non-profit associations | 55,904           | 55,389           |
| <b>Total</b>            | <b>6,591,584</b> | <b>6,060,842</b> |

**Write-downs during the reporting period**

|  |               |               |
|--|---------------|---------------|
| Write-downs at the beginning of the financial year                                 | 48,540        | 26,228        |
| Individual write-downs on credits  | 12,384        | 33,159        |
| Individual write-downs on other commitments  | 62            | 21            |
| Individual write-downs on interest receivables                                     | 245           | 54            |
| Group write-downs on credits   | 12,000        | -             |
| Reversal of group write-downs on credits for previous years                        | -135          | -             |
| Reversal of write-downs on individual credits for previous years                   | -11,573       | -2,018        |
| Reversal of write-downs on other individual commitments for previous years         | -5            | -22           |
| Reversal of write-downs on interest receivables for previous years                 | -17           | -16           |
| Reversal of impairment losses on credits   | -11           | -98           |
| Write-downs on outstanding premiums in non-life insurance (credit losses)          | 1,123         | 668           |
| <b>Total write-downs of the reporting period</b>                                   | <b>14,073</b> | <b>31,750</b> |
| Realised credit losses for which agreed write-downs were already made              | -3,203        | -4,514        |
| Credit losses for other commitments for which agreed write-downs were already made | -1,829        | -5,022        |
| Reversal of impairment losses on credits   | 11            | 98            |
| <b>Write-downs at the end of the financial year</b>                                | <b>57,592</b> | <b>48,540</b> |
| Accrued receivables written down at the beginning of the year, gross               | 62,661        | 34,615        |
| Non-life insurances write-down, gross  | 1,123         | 668           |
| This year's receivables written down, gross  | 27,229        | 43,095        |
| This year's reversal of receivables written down, gross                            | -21,556       | -15,716       |
| Accrued receivables written down at the end of the year, gross                     | 69,457        | 62,661        |

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

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

**Breakdown of maturity on finance lease receivables**

|   |               |               |
|---|---------------|---------------|
| Under 1 year                            | 5,445         | 3,551         |
| 1-5 years                               | 15,694        | 12,741        |
| Over 5 years                            | 2,325         | 2,686         |
| <b>Gross investment</b>                 | <b>23,465</b> | <b>18,978</b> |
| Unearned future finance income          | -2,415        | -2,202        |
| <b>Net investment in finance leases</b> | <b>21,050</b> | <b>16,776</b> |

**Present value of future minimum lease payments receivables**

|              |               |               |
|--------------|---------------|---------------|
| Under 1 year | 4,540         | 2,849         |
| 1-5 years    | 14,230        | 11,318        |
| Over 5 years | 2,281         | 2,610         |
| <b>Total</b> | <b>21,050</b> | <b>16,776</b> |

**G27 Investments in associated companies**

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

|   |               |                    |                         |  |
|---|---------------|--------------------|-------------------------|--|
|   |               |                    | <b>Operating profit</b> | <b>Profit for the reporting period</b> |
| <b>Associated companies at 31 December 2010</b> | <b>Assets</b> | <b>Liabilities</b> |                         |  |
| Oy Samlink Ab, Helsinki                         | 21,590        | 12,905             | 2,055                   | 1,688                                  |
| Unicus Ab, Helsinki                             | 2,371         | 773                | 3,722                   | 2,970                                  |
| ACH Finland Abp, Espoo                          | 3,006         | 29                 | 146                     | 108                                    |
| Other associated companies                      | 16,259        | 11,020             | -3                      | 178                                    |
| <b>Total</b>                                    | <b>43,225</b> | <b>24,726</b>      | <b>5,920</b>            | <b>4,944</b>                           |

| Associated companies at 31 December 2009 | Assets        | Liabilities   | Operating profit | Profit for the reporting period |
|--|---------------|---------------|------------------|---------------------------------|
| Oy Samlink Ab, Helsinki                  | 19,742        | 11,425        | 3,042            | 1,704                           |
| Unicus Ab, Helsinki                      | 218           | 148           | -242             | -243                            |
| ACH Finland Abp, Espoo                   | 2,912         | 44            | 100              | 67                              |
| Other associated companies               | 16,133        | 11,072        | -4               | -45                             |
| <b>Total</b>                             | <b>39,005</b> | <b>22,688</b> | <b>2,897</b>     | <b>1,483</b>                    |

## G28 Intangible assets

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

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

## G29 Investment properties

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

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

## G30 Other tangible assets

### Commercial properties

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

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

## Other material assets

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

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

## G31 Other assets

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

## G32 Deferred taxes

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

### G33 Assets and liabilities classified as held for sale

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

### G34 Deposits

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

### G35 Debt securities issued

|                         | 2010             |                  | 2009             |                  |
|-------------------------|------------------|------------------|------------------|------------------|
|                         | Book value       | Nominal value    | Book value       | Nominal value    |
| Certificates of deposit | 446,052          | 447,040          | 295,360          | 296,180          |
| Bonds                   | 2,935,862        | 2,942,573        | 2,452,566        | 2,458,649        |
| <b>Total</b>            | <b>3,381,914</b> | <b>3,389,613</b> | <b>2,747,926</b> | <b>2,754,829</b> |

| 31.12.2010   | Under 3 months | 3-12 months    | 1-5 years        | 5-10 years | Over 10 years | Total            |
|--|----------------|----------------|------------------|------------|---------------|------------------|
| Certificates of deposit with fixed interest  | 340,440        | 106,600        | -                | -          | -             | 447,040          |
| Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed rate    | -              | -              | 2,000,000        | -          | -             | 2,000,000        |
| Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable rate | -              | 250,000        | 625,000          | -          | -             | 875,000          |
| Others   | -              | -              | -                | -          | -             | 67,573           |
| <b>Total</b>   | <b>340,440</b> | <b>356,600</b> | <b>2,625,000</b> | <b>-</b>   | <b>-</b>      | <b>3,389,613</b> |

| 31.12.2009   | Under 3 months | 3-12 months    | 1-5 years        | 5-10 years     | Over 10 years | Total            |
|--|----------------|----------------|------------------|----------------|---------------|------------------|
| Certificates of deposit with fixed interest  | 139,730        | 156,450        | -                | -              | -             | 296,180          |
| Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed rate    | 250,000        | -              | 1,000,000        | -              | -             | 1,250,000        |
| Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable rate | -              | 250,000        | 625,000          | 250,000        | -             | 1,125,000        |
| Others   | -              | -              | -                | -              | -             | 83,649           |
| <b>Total</b>   | <b>389,730</b> | <b>406,450</b> | <b>1,625,000</b> | <b>250,000</b> | <b>-</b>      | <b>2,754,829</b> |

Other bonds are included in the same program as the subordinated liabilities, see note G36.

## G36 Subordinated liabilities

|                       | 2010           | 2009           |
|-----------------------|----------------|----------------|
| Capital loans         | 2,100          | 2,100          |
| Debenture loans       | 208,854        | 205,433        |
| Loan without due date | 45,000         | 45,000         |
| <b>Total</b>          | <b>255,954</b> | <b>252,533</b> |
| Nominal value         | 255,903        | 252,428        |
| Upper Tier 2 loans    | 45,000         | 45,000         |
| Lower Tier 2 loans    | 185,762        | 164,499        |

The bank has a bonds program that is updated and approved by the Board yearly. Currently, the program's size is EUR 500 million. In this program, other bonds (included in note G35) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

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

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

## G37 Other liabilities to credit institutions

|  | 2010             | 2009           |
|--|------------------|----------------|
| Other liabilities to deposit banks       | 169,927          | 100,000        |
| Other liabilities to credit institutions | 842,604          | 868,201        |
| <b>Total</b>                             | <b>1,012,531</b> | <b>968,201</b> |

Other liabilities to deposit banks include liabilities of EUR 75 (25) million to the European Investment Bank with both fixed and floating interest rate and issued fixed interest rate Schuldscheindarlehen loans.

Other liabilities to credit institutions are attributable to repurchase agreements and to three different long-term loans amounting to a total of EUR 60 (60) million from the Nordic Investment Bank.

## G38 Other liabilities to the public and public sector entities

|  | 2010           | 2009          |
|--|----------------|---------------|
| Other liabilities payable on demand              | 245            | 245           |
| Liabilities other than those repayable on demand | 176,721        | 77,020        |
| <b>Total</b>                                     | <b>176,967</b> | <b>77,266</b> |

## G39 Technical provisions for life insurance business

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

**Technical provisions for unit-linked insurances**

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

**Changes in provisions by the various insurance branches****31 December 2010**

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

**Average calculation interest**

|                              |              |
|------------------------------|--------------|
| Saving plans                 | 3.2 %        |
| Individual pension insurance | 3.9 %        |
| Group pension insurance      | 3.5 %        |
| Risk insurance               | 3.3 %        |
| <b>Total</b>                 | <b>3.6 %</b> |

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

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

**31 December 2009**

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

**Average calculation interest**

|                              |              |
|------------------------------|--------------|
| Saving plans                 | 3.2 %        |
| Individual pension insurance | 3.0 %        |
| Group pension insurance      | 3.5 %        |
| Risk insurance               | 3.3 %        |
| <b>Total</b>                 | <b>3.6 %</b> |

|  | 1 January<br>2009 | Premium<br>income | Claims         | Total ex-<br>pense<br>loading | Other           | 31<br>December<br>2009 |
|--|-------------------|-------------------|----------------|-------------------------------|-----------------|------------------------|
| <b>Technical provisions for unit-linked insurances</b> |                   |                   |                |                               |                 |                        |
| Saving plans   | 111,101           | 25,227            | -14,733        | -1,518                        | 25,452          | 145,529                |
| Individual pension insurance                           | 38,052            | 10,138            | -371           | -968                          | 16,311          | 63,163                 |
| Group pension insurance                                | 430               | 527               | -              | -34                           | 483             | 1,407                  |
| <b>Total</b>   | <b>149,583</b>    | <b>35,892</b>     | <b>-15,104</b> | <b>-2,520</b>                 | <b>42,246</b>   | <b>210,098</b>         |
|  |                   |                   |                | 1 January<br>2009             | Years<br>change | 31 Decem-<br>ber 2009  |
| Provisions for interest-related insurances             |                   |                   |                | 627,592                       | -32,572         | 595,021                |
| Technical provisions for unit-linked insurances        |                   |                   |                | 149,583                       | 60,515          | 210,098                |
| <b>Total</b>   |                   |                   |                | <b>777,176</b>                | <b>27,943</b>   | <b>805,119</b>         |

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

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

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

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

## G40 Technical provisions for non-life insurance business

| Gross  | Gross          | Reinsuring        | Net            |
|--|----------------|-------------------|----------------|
| <b>Provisions for unearned premiums</b>  |                |                   |                |
| Liability / reinsurers' share 1 January 2010                                       | 20,715         | -179              | 20,536         |
| Increase / decrease  | 677            | -91               | 586            |
| <b>Liability / reinsurers' share 31 December 2010</b>                              | <b>21,392</b>  | <b>-270</b>       | <b>21,122</b>  |
| <b>Provisions for outstanding claims</b>   |                |                   |                |
| Provision for claim-specific reserves  | 55,709         | -8,670            | 47,039         |
| Collective provisions, incl. claims handling                                       | 33,315         | -                 | 33,315         |
| <b>Liability / reinsurers' share 1 January 2010</b>                                | <b>89,024</b>  | <b>-8,670</b>     | <b>80,353</b>  |
| Claims paid during the financial period  | -46,842        | 4,912             | -41,930        |
| Claims incurred during the financial period  | 49,891         | -248              | 49,643         |
| Increase / decrease compared to earlier periods                                    | -306           | -2,165            | -2,471         |
| Other change of calculation bases  | 1,200          | -                 | 1,200          |
| Changes in liabilities / receivables   | 3,943          | 2,499             | 6,442          |
| Unwinding of discount  | -1,871         | -                 | -1,871         |
| <b>Liability / reinsurers' share 31 December 2010</b>                              | <b>91,095</b>  | <b>-6,172</b>     | <b>84,924</b>  |
| Provision for claim-specific reserves  | 55,993         | -6,172            | 49,821         |
| Collective provisions, incl. claims handling                                       | 35,102         | -                 | 35,102         |
| <b>Liability / reinsurers' share 31 December 2010</b>                              | <b>91,095</b>  | <b>-6,172</b>     | <b>84,924</b>  |
| Valuation of provisions at fair value on acquisition 1 January 2010                | 9,580          | -                 | 9,580          |
| Breakdown of fair value allocation on acquisition                                  | -2,395         | -                 | -2,395         |
| Valuation of provisions at fair value on acquisition 31 December 2010              | 7,185          | -                 | 7,185          |
| <b>Total technical provisions for non-life insurance business 31 December 2010</b> | <b>119,672</b> | <b>-6,442</b>     | <b>113,231</b> |
|  | <b>Gross</b>   | <b>Reinsuring</b> | <b>Net</b>     |
| <b>Provisions for unearned premiums</b>  |                |                   |                |
| Liability / reinsurers' share 1 January 2009                                       | 19,755         | -136              | 19,619         |
| Increase / decrease  | 960            | -43               | 918            |
| <b>Liability / reinsurers' share 31 December 2009</b>                              | <b>20,715</b>  | <b>-179</b>       | <b>20,536</b>  |

**Provisions for outstanding claims**

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

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

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

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

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

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

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

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

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

**G41 Development of claims in non-life insurance business**

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

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

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

| <b>Claims expenditure before reinsurance, expected claims expenditure, gross</b> | <b>&lt;2007</b> | <b>2008</b>  | <b>2009</b>   | <b>2010</b>   | <b>Total</b>  |
|--|-----------------|--------------|---------------|---------------|---------------|
| At the end of the reporting year   | 91,180          | 50,347       | 57,613        | 49,891        |               |
| 1 year later   | 90,890          | 50,354       | 53,459        |               |               |
| 2 years later  | 93,189          | 50,323       |               |               |               |
| 3 years later  | 93,874          |              |               |               |               |
| Current expectation of total claims expenditure, gross                           | 93,874          | 50,323       | 53,459        | 49,891        |               |
| Paid total   | 75,630          | 43,976       | 40,189        | 28,920        |               |
| <b>Provisions included in the balance sheet</b>                                  | <b>18,244</b>   | <b>6,347</b> | <b>13,270</b> | <b>20,971</b> | <b>58,832</b> |
| Finalised claims of a life annuity nature  | 26,116          | 1,212        | 771           | 22            | 28,120        |
| Other provisions   |                 |              |               |               | 2,051         |
| Provisions for claims handling expenses  |                 |              |               |               | 2,092         |
| <b>Non-life provisions included in the balance sheet, gross</b>                  |                 |              |               |               | <b>91,095</b> |
| <b>Claims expenditure after reinsurance, expected claims expenditure, net</b>    | <b>&lt;2007</b> | <b>2008</b>  | <b>2009</b>   | <b>2010</b>   | <b>Total</b>  |
| At the end of the reporting year   | 84,102          | 46,685       | 51,388        | 49,643        |               |
| 1 year later   | 81,727          | 45,513       | 45,487        |               |               |
| 2 years later  | 83,933          | 45,401       |               |               |               |
| 3 years later  | 84,820          |              |               |               |               |
| Current expectation of total claims expenditure, net                             | 84,820          | 45,401       | 45,487        | 49,643        |               |
| Paid total   | 69,252          | 39,113       | 34,868        | 28,920        |               |
| <b>Provisions included in the balance sheet</b>                                  | <b>15,568</b>   | <b>6,288</b> | <b>10,618</b> | <b>20,723</b> | <b>53,198</b> |
| Finalised claims of a life annuity nature  | 26,116          | 1,212        | 771           | 22            | 28,120        |
| Other provisions   |                 |              |               |               | 1,513         |
| Provisions for claims handling expenses  |                 |              |               |               | 2,092         |
| <b>Non-life provisions included in the balance sheet, net</b>                    |                 |              |               |               | <b>84,924</b> |

## G42 Other liabilities

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

## G43 Provisions

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

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

## G44 Equity

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

### Share capital and shares

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

### Own shares

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

### Share premium account

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

### Legal reserve

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

### Fund at fair value

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

### Base fund

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

### Fund for share-related payments

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

### Unrestricted equity reserve

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

### Retained earnings

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

**Specification of change in fund at fair value**

|  |               |               |
|--|---------------|---------------|
| Fund at fair value at 1 January  | 43,315        | -36,365       |
| Profit/loss on the evaluation of the fair value, shares and holdings                       | -1,457        | -355          |
| Profit/loss on the evaluation of the fair value, interest bearing securities               | -41,228       | 69,970        |
| Deferred taxes on profit/loss on the evaluation of the fair value                          | 11,096        | -18,216       |
| Transferred to the income statement, shares and participations, included in:               |               |               |
| Net income from financial assets available for sale  | 420           | 10,189        |
| Deferred taxes   | -109          | -2,649        |
| Transferred to the income statement, interest-bearing securities, included in:             |               |               |
| Net income from financial assets available for sale  | 8,335         | 15,810        |
| Deferred taxes   | -2,167        | -4,111        |
| Profit/loss on the evaluation of the fair value for cash flow hedging derivative contracts | 5,887         | 12,220        |
| Deferred taxes on profit/loss on the evaluation of the fair value                          | -1,618        | -3,177        |
| <b>Fund at fair value at 31 December</b>   | <b>22,474</b> | <b>43,315</b> |

**Share capital and unrestricted equity reserve**

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

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

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

**Distributable earnings****Non-distributable earnings in unrestricted equity**

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

**Distributable earnings in unrestricted equity**

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

**Total unrestricted equity**

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

**Dividend to shareholders**

The Board's proposal for the dividend for the year 2011, to the Annual General Meeting, on 29 March 2011, is EUR 0.30 per share or EUR 19,947,721.20.

The dividend to shareholders is entered in 2011 against the equity, as a reduction in the retained earnings.

## G45 Classification of financial instruments

| Assets   | Note          |                      |                  |                  |                              |                       |                      | Total             |
|--|---------------|----------------------|------------------|------------------|------------------------------|-----------------------|----------------------|-------------------|
|  |               | Valued at fair value | Held for sale    | Held to maturity | Derivatives used for hedging | Loans and receivables | Non-financial assets |                   |
| <b>31 December 2010</b>                          |               |                      |                  |                  |                              |                       |                      |                   |
| Cash and balances with central banks             | G21           |                      |                  |                  |                              | 273,364               |                      | 273,364           |
| Interest-bearing securities                      | G22, G23, G24 | 14,320               | 3,240,985        | 21,459           |                              |                       |                      | 3,276,764         |
| Shares and participations                        | G22, G23      | 6,551                | 142,667          |                  |                              |                       |                      | 149,218           |
| Derivative instruments                           | G25           |                      |                  |                  | 230,158                      |                       |                      | 230,158           |
| Lending to credit institutions                   | G26           |                      |                  |                  |                              | 45,968                |                      | 45,968            |
| Lending to the public and public sector entities | G26           |                      |                  |                  |                              | 6,591,584             |                      | 6,591,584         |
| Investments for unit-linked provisions           |               | 279,964              |                  |                  |                              |                       |                      | 279,964           |
| Investments in associated companies              | G27           |                      |                  |                  |                              |                       | 5,222                | 5,222             |
| Intangible assets                                | G28           |                      |                  |                  |                              |                       | 13,318               | 13,318            |
| Investment properties                            | G29           |                      |                  |                  |                              |                       | 24,348               | 24,348            |
| Other tangible assets                            | G30           |                      |                  |                  |                              |                       | 6,747                | 6,747             |
| Accrued income and advance payments              | G31           |                      |                  |                  |                              |                       | 87,058               | 87,058            |
| Other assets                                     | G31           |                      |                  |                  |                              |                       | 21,274               | 21,274            |
| Income tax receivables                           |               |                      |                  |                  |                              |                       | 22                   | 22                |
| Deferred tax receivables                         | G32           |                      |                  |                  |                              |                       | 13,404               | 13,404            |
| Assets classified as held for sale               | G33           |                      |                  |                  |                              |                       | 744                  | 744               |
| <b>Total</b>                                     |               | <b>300,834</b>       | <b>3,383,652</b> | <b>21,459</b>    | <b>230,158</b>               | <b>6,910,915</b>      | <b>172,135</b>       | <b>11,019,153</b> |
| <b>31 December 2009</b>                          |               |                      |                  |                  |                              |                       |                      |                   |
| Cash and balances with central banks             | G21           |                      |                  |                  |                              | 340,960               |                      | 340,960           |
| Interest-bearing securities                      | G22, G23, G24 | 22,453               | 3,277,331        | 27,883           |                              |                       |                      | 3,327,667         |
| Shares and participations                        | G22, G23      | -                    | 155,631          |                  |                              |                       |                      | 155,631           |
| Derivative instruments                           | G25           |                      |                  |                  | 209,966                      |                       |                      | 209,966           |
| Lending to credit institutions                   | G26           |                      |                  |                  |                              | 80,721                |                      | 80,721            |
| Lending to the public and public sector entities | G26           |                      |                  |                  |                              | 6,060,842             |                      | 6,060,842         |
| Investments for unit-linked provisions           |               | 208,853              |                  |                  |                              |                       |                      | 208,853           |
| Investments in associated companies              | G27           |                      |                  |                  |                              |                       | 4,529                | 4,529             |
| Intangible assets                                | G28           |                      |                  |                  |                              |                       | 12,427               | 12,427            |
| Investment properties                            | G29           |                      |                  |                  |                              |                       | 26,936               | 26,936            |
| Other tangible assets                            | G30           |                      |                  |                  |                              |                       | 8,080                | 8,080             |
| Accrued income and advance payments              | G31           |                      |                  |                  |                              |                       | 80,251               | 80,251            |
| Other assets                                     | G31           |                      |                  |                  |                              |                       | 31,371               | 31,371            |
| Income tax receivables                           |               |                      |                  |                  |                              |                       | 808                  | 808               |
| Deferred tax receivables                         | G32           |                      |                  |                  |                              |                       | 6,035                | 6,035             |
| Assets classified as held for sale               | G33           |                      |                  |                  |                              |                       | 761                  | 761               |
| <b>Total</b>                                     |               | <b>231,306</b>       | <b>3,432,962</b> | <b>27,883</b>    | <b>209,966</b>               | <b>6,482,522</b>      | <b>171,200</b>       | <b>10,555,839</b> |

## Liabilities

|  |         | Valued at<br>fair value | Deri-<br>vatives<br>used for<br>hedging | Other<br>financial<br>liabilities | Non-<br>financial<br>liabilities | Total             |
|--|---------|-------------------------|---|-----------------------------------|----------------------------------|-------------------|
| <b>31 December 2010</b>                                    |         |                         |   |                                   |                                  |                   |
| Deposits from credit institutions                          | G34     |                         |   | 959,749                           |                                  | 959,749           |
| Deposits from the public and public sector entities        | G34     |                         |   | 3,396,579                         |                                  | 3,396,579         |
| Derivative instruments                                     | G25     |                         | 149,493                                 |                                   |                                  | 149,493           |
| Debt securities issued                                     | G35     |                         |   | 3,381,914                         |                                  | 3,381,914         |
| Subordinated liabilities                                   | G36     |                         |   | 255,954                           |                                  | 255,954           |
| Other liabilities to credit institutions                   | G37     |                         |   | 1,012,531                         |                                  | 1,012,531         |
| Other liabilities to the public and public sector entities | G38     |                         |   | 176,967                           |                                  | 176,967           |
| Technical provisions for interest-related insurances       | G39     |                         |   |                                   | 587,720                          | 587,720           |
| Technical provisions for unit-linked insurances            | G39     |                         |   |                                   | 282,448                          | 282,448           |
| Technical provisions for non-life insurances               | G40,G41 |                         |   |                                   | 119,672                          | 119,672           |
| Accrued expenses and income received in advance            | G42     |                         |   |                                   | 93,191                           | 93,191            |
| Other liabilities  | G42     |                         |   |                                   | 44,045                           | 44,045            |
| Provisions   | G43     |                         |   |                                   | 681                              | 681               |
| Income tax liability                                       |         |                         |   |                                   | 8,958                            | 8,958             |
| Deferred tax liabilities                                   | G32     |                         |   |                                   | 51,787                           | 51,787            |
| Liabilities for assets classified as held for sale         | G33     |                         |   |                                   | 175                              | 175               |
| <b>Total</b>   |         | -                       | <b>149,493</b>                          | <b>9,183,693</b>                  | <b>1,188,677</b>                 | <b>10,521,863</b> |
| <b>31 December 2009</b>                                    |         |                         |   |                                   |                                  |                   |
| Deposits from credit institutions                          | G34     |                         |   | 1,724,356                         |                                  | 1,724,356         |
| Deposits from the public and public sector entities        | G34     |                         |   | 3,029,230                         |                                  | 3,029,230         |
| Derivative instruments                                     | G25     |                         | 132,165                                 |                                   |                                  | 132,165           |
| Debt securities issued                                     | G35     |                         |   | 2,747,926                         |                                  | 2,747,926         |
| Subordinated liabilities                                   | G36     |                         |   | 252,533                           |                                  | 252,533           |
| Other liabilities to credit institutions                   | G37     |                         |   | 968,201                           |                                  | 968,201           |
| Other liabilities to the public and public sector entities | G38     |                         |   | 77,266                            |                                  | 77,266            |
| Technical provisions for interest-related insurances       | G39     |                         |   |                                   | 595,021                          | 595,021           |
| Technical provisions for unit-linked insurances            | G39     |                         |   |                                   | 210,098                          | 210,098           |
| Technical provisions for non-life insurances               | G40,G41 |                         |   |                                   | 119,319                          | 119,319           |
| Accrued expenses and income received in advance            | G42     |                         |   |                                   | 71,944                           | 71,944            |
| Other liabilities  | G42     |                         |   |                                   | 91,475                           | 91,475            |
| Provisions   | G43     |                         |   |                                   | 807                              | 807               |
| Income tax liability                                       |         |                         |   |                                   | 19,219                           | 19,219            |
| Deferred tax liabilities                                   | G32     |                         |   |                                   | 49,919                           | 49,919            |
| Liabilities for assets classified as held for sale         | G33     |                         |   |                                   | 204                              | 204               |
| <b>Total</b>   |         | -                       | <b>132,165</b>                          | <b>8,799,512</b>                  | <b>1,158,005</b>                 | <b>10,089,682</b> |

## G46 Fair value of financial assets and liabilities

| Financial assets   | 2010              |                   | 2009              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Book value        | Fair value        | Book value        | Fair value        |
| Cash and balances with central banks                             | 273,364           | 273,364           | 340,960           | 340,960           |
| Financial assets reported at fair value via the income statement | 20,870            | 20,870            | 22,453            | 22,453            |
| Financial assets available for sale                              | 3,383,652         | 3,383,652         | 3,432,962         | 3,432,962         |
| Financial assets held until maturity                             | 21,459            | 20,406            | 27,883            | 26,337            |
| Derivative instruments   | 230,158           | 230,158           | 209,966           | 209,966           |
| Loans and other receivables                                      | 6,637,551         | 6,641,809         | 6,141,562         | 6,115,725         |
| <b>Total</b>   | <b>10,567,055</b> | <b>10,570,260</b> | <b>10,175,786</b> | <b>10,148,402</b> |

| Financial liabilities                                      | 2010             |                  | 2009             |                  |
|--|------------------|------------------|------------------|------------------|
|  | Book value       | Fair value       | Book value       | Fair value       |
| Deposits   | 4,356,327        | 4,348,981        | 4,753,586        | 4,745,803        |
| Derivative instruments                                     | 149,493          | 149,493          | 132,165          | 132,165          |
| Debt securities issued                                     | 3,381,914        | 3,391,539        | 2,747,926        | 2,752,485        |
| Subordinated liabilities                                   | 255,954          | 255,985          | 252,533          | 252,707          |
| Other liabilities to credit institutions                   | 1,012,531        | 1,016,060        | 968,201          | 967,213          |
| Other liabilities to the public and public sector entities | 176,967          | 176,694          | 77,266           | 77,304           |
| <b>Total</b>   | <b>9,333,186</b> | <b>9,338,753</b> | <b>8,931,677</b> | <b>8,927,677</b> |

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 determining fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

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

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

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

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

| <b>31 December 2009</b>  |     | <b>Under 3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>5-10 years</b> | <b>Over 10 years</b> | <b>Total</b>      |
|--|-----|-----------------------|--------------------|------------------|-------------------|----------------------|-------------------|
| Cash and balances with central banks                             | G21 | 340,960               | -                  | -                | -                 | -                    | 340,960           |
| Financial assets reported at fair value via the income statement | G22 | -                     | 2,964              | 15,356           | 4,133             | -                    | 22,453            |
| Financial assets available for sale                              | G23 | 100,479               | 624,837            | 1,946,494        | 546,352           | 214,800              | 3,432,962         |
| Financial assets held until maturity                             | G24 | 5,000                 | -                  | 12,895           | 9,988             | -                    | 27,883            |
| Derivative instruments   | G25 | 15,133                | 8,341              | 164,031          | 22,461            | -                    | 209,966           |
| Loans and other receivables                                      | G26 | 374,232               | 493,295            | 1,707,748        | 1,492,388         | 2,073,900            | 6,141,562         |
| <b>Total</b>   |     | <b>835,804</b>        | <b>1,129,437</b>   | <b>3,846,524</b> | <b>2,075,322</b>  | <b>2,288,699</b>     | <b>10,175,786</b> |

**Liabilities**

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

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

**G48 Collateral assets and liabilities****Collateral assets**

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

| <b>For the bank 31 December 2009</b>                           | <b>Type of security</b>              | <b>The nominal value of the liability</b> | <b>The value of the security</b> |
|--|--------------------------------------|---|----------------------------------|
| Liabilities to credit institutions                             | Bonds                                | 1,069,400                                 | 1,030,308                        |
| Collateral provided in connection with repurchasing agreements | Bonds                                | 808,201                                   | 808,201                          |
| Collateral provided in connection with contracts of pledge     | Bonds                                | 47,000                                    | 47,000                           |
| Collateral provided in connection with contracts of pledge     | Cash and balances with central banks | 8,000                                     | 8,000                            |
| <b>Total</b>   |                                      | <b>1,932,601</b>                          | <b>1,893,509</b>                 |

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

|                        |   |   |   |
|------------------------|---|---|---|
| As of 31 December 2010 | - | - | - |
| As of 31 December 2009 | - | - | - |

**For other liabilities**

The bank has not provided collateral for other parties.

Liabilities to credit institutes 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**

| <b>For the bank 31 December 2010</b>                          | <b>Type of security</b>              | <b>The nominal value of the liability</b> | <b>The value of the security</b> |
|---|--------------------------------------|---|----------------------------------|
| Collateral received in connection with contracts of pledge    | Cash and balances-with central banks | 149,377                                   | 149,377                          |
| Securities received in conjunction with repurchase agreements | Bonds                                | 10,000                                    | 10,000                           |
| <b>Total</b>  |                                      | <b>159,377</b>                            | <b>159,377</b>                   |

| <b>For the bank 31 December 2009</b>                          | <b>Type of security</b>              | <b>The nominal value of the liability</b> | <b>The value of the security</b> |
|---|--------------------------------------|---|----------------------------------|
| Collateral received in connection with contracts of pledge    | Cash and balances with central banks | 175,435                                   | 175,435                          |
| Securities received in conjunction with repurchase agreements | Bonds                                | 47,000                                    | 47,000                           |
| <b>Total</b>  |                                      | <b>222,435</b>                            | <b>222,435</b>                   |

## G49 Breakdown of off-balance sheet commitments

|   | <b>2010</b>    | <b>2009</b>    |
|---|----------------|----------------|
| Guarantees  | 48,415         | 49,944         |
| Other commitments provided to a third party on behalf of a customer | 5,547          | 7,281          |
| Unused credit arrangements  | 607,614        | 506,598        |
| Other irrevocable commitments                                       | 8,810          | 11,654         |
| <b>Total</b>  | <b>670,386</b> | <b>575,477</b> |

Off-balance sheet commitments, exclude rental commitments.

| <b>31 December 2010</b>   | <b>Under 3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>5-10 years</b> | <b>Over 10 years</b> | <b>Total</b>   |
|---|-----------------------|--------------------|------------------|-------------------|----------------------|----------------|
| Guarantees  | 9,565                 | 8,004              | 10,964           | 17,090            | 2,792                | 48,415         |
| Other commitments provided to a third party on behalf of a customer | 1,271                 | 123                | 1,324            | 1,026             | 1,804                | 5,547          |
| Unused credit arrangements  | 186,646               | 397,966            | 13,767           | 2,039             | 7,197                | 607,614        |
| Other irrevocable commitments                                       | 70                    | 223                | 1,512            | 7,005             | -                    | 8,810          |
| <b>Total</b>  | <b>197,552</b>        | <b>406,316</b>     | <b>27,567</b>    | <b>27,159</b>     | <b>11,792</b>        | <b>670,386</b> |

| <b>31 December 2009</b>   | <b>Under 3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>5-10 years</b> | <b>Over 10 years</b> | <b>Total</b>   |
|---|-----------------------|--------------------|------------------|-------------------|----------------------|----------------|
| Guarantees  | 13,521                | 7,175              | 11,563           | 17,505            | 181                  | 49,944         |
| Other commitments provided to a third party on behalf of a customer | 212                   | 7                  | 3,439            | 1,929             | 1,694                | 7,281          |
| Unused credit arrangements  | 146,469               | 325,276            | 29,050           | 2,062             | 3,740                | 506,598        |
| Other irrevocable commitments                                       | 50                    | 446                | 1,227            | 9,931             | -                    | 11,654         |
| <b>Total</b>  | <b>160,253</b>        | <b>332,904</b>     | <b>45,279</b>    | <b>31,427</b>     | <b>5,614</b>         | <b>575,477</b> |

## G50 Rent commitments

|                   | 2010          | 2009          |
|-------------------|---------------|---------------|
| Less than 1 year  | 9,553         | 8,878         |
| 1-5 years         | 28,785        | 29,233        |
| More than 5 years | 16,331        | 21,151        |
| <b>Total</b>      | <b>54,669</b> | <b>59,263</b> |

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index.

Relevance principle has been adopted and only significant rent commitments are considered.

## G51 Companies included in consolidated accounts

### Companies included in consolidated accounts, ownership over 50 %

|   | 2010<br>Percentage of<br>all shares | 2010<br>Book value | 2009<br>Percentage of<br>all shares | 2009<br>Book value |
|---|-------------------------------------|--------------------|-------------------------------------|--------------------|
| <b>Financing</b>  |                                     |                    |                                     |                    |
| Aktia Bank Abp, Helsinki                                    | 100.0                               | 207,558            | 100.0                               | 207,558            |
| Aktia Hypoteksbank Abp, Helsinki                            | 49.9                                | 39,134             | 52.3                                | 33,291             |
| Aktia Kort & Finans Ab, Helsinki                            | 100.0                               | 799                | 100.0                               | 799                |
| Aktia Företagsfinans Ab, Helsinki                           | 100.0                               | 798                | 80.0                                | 240                |
| Aktia Invest Ltd (earlier Robur Invest Ab), Helsinki        | 70.0                                | 1,138              | -                                   | -                  |
| Hsb-Finans Ab (dormant), Helsinki                           | 100.0                               | 589                | 100.0                               | 589                |
| <b>Investment funds</b>                                     |                                     |                    |                                     |                    |
| Aktia Fondbolag Ab, Helsinki                                | 100.0                               | 2,507              | 100.0                               | 2,507              |
| <b>Securities companies</b>                                 |                                     |                    |                                     |                    |
| Aktia Asset Management Ab, Helsinki                         | 93.0                                | 1,034              | 93.0                                | 1,034              |
| <b>Real estate agency operations</b>                        |                                     |                    |                                     |                    |
| Aktia Fastighetsförmedling Ab, Turku                        | 100.0                               | 2,392              | 100.0                               | 1,054              |
| Aktia Fastighetsförmedling Helsingfors-Esbo Ab, Helsinki *) | -                                   | -                  | 100.0                               | 172                |
| Aktia Fastighetsförmedling ISKL Ab, Kirkkonummi *)          | -                                   | -                  | 100.0                               | 76                 |
| Aktia Fastighetsförmedling Jakobstad Ab, Pietarsaari *)     | -                                   | -                  | 100.0                               | 108                |
| Aktia Fastighetsförmedling Sibbo Ab, Helsinki *)            | -                                   | -                  | 100.0                               | 97                 |
| Aktia Fastighetsförmedling Tammerfors Ab, Tampere *)        | -                                   | -                  | 100.0                               | 273                |
| Aktia Fastighetsförmedling Uleåborg Ab, Oulu *)             | -                                   | -                  | 100.0                               | 320                |
| Aktia Fastighetsförmedling Östra Nyland Ab, Porvoo *)       | -                                   | -                  | 100.0                               | 95                 |
| Magnus Nyman AFM Ab, Kemiö                                  | -                                   | -                  | 51.0                                | 155                |
| <b>Insurance companies</b>                                  |                                     |                    |                                     |                    |
| Aktia Livförsäkring Ab, Turku                               | 100.0                               | 46,191             | 100.0                               | 46,191             |
| Aktia Skadeförsäkring Ab, Helsinki                          | 100.0                               | 49,248             | 100.0                               | 49,248             |
| <b>Real estate operations</b>                               |                                     |                    |                                     |                    |
| Other real estate companies                                 |                                     | 131                |                                     | 239                |
| <b>Other</b>  |                                     |                    |                                     |                    |
| Robur Invest Ab (dormant), Helsinki                         | -                                   | -                  | 100.0                               | 8                  |
| Vasp-Invest Ab, Helsinki                                    | 100.0                               | 325                | 100.0                               | 325                |
| <b>Total</b>  |                                     | <b>351,844</b>     |                                     | <b>344,380</b>     |

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

### Business transactions with companies included in the Group

|                        | 1.1.2010        | Increase /<br>Decrease         | 31.12.2010        |
|------------------------|-----------------|--------------------------------|-------------------|
| Credits and guarantees | 372,695         | 144,665                        | 517,360           |
| Deposits               | 26,209          | 556                            | 26,765            |
|                        | <b>1.1.2009</b> | <b>Increase /<br/>Decrease</b> | <b>31.12.2009</b> |
| Credits and guarantees | 389,511         | -16,816                        | 372,695           |
| Deposits               | 31,163          | -4,954                         | 26,209            |

**Shares in associated companies, ownership 20-50%**

|  | 2010<br>Percentage of<br>all shares | 2010<br>Book value | 2009<br>Percentage of<br>all shares | 2009<br>Book value |
|--|-------------------------------------|--------------------|-------------------------------------|--------------------|
| Data processing                                  |                                     |                    |                                     |                    |
| Oy Samlink Ab, Helsinki                          | 24.0                                | 1,697              | 24.0                                | 1,697              |
| Private equity company                           |                                     |                    |                                     |                    |
| Unicus Ab, Helsinki                              | 37.5                                | 250                | 37.5                                | 250                |
| Other  |                                     |                    |                                     |                    |
| ACH Finland Abp                                  | 24.5                                | 734                | 24.5                                | 734                |
| Investmentbolaget Torggatan 14 Ab, Maarianhamina | 33.3                                | 376                | 33.3                                | 376                |
| Järsö Invest Ab, Maarianhamina                   | 33.3                                | 376                | 33.3                                | 376                |
| Mike Alpha Ab, Maarianhamina                     | 33.3                                | 1                  | 33.3                                | 1                  |
| Mike Bravo Ab, Maarianhamina                     | 33.3                                | 1                  | 33.3                                | 1                  |
| Mike Charlie Ab, Maarianhamina                   | 33.3                                | 1                  | 33.3                                | 1                  |
| Mike Whiskey Ab, Maarianhamina                   | 33.3                                | 160                | 33.3                                | 160                |
| November Sierra Ab, Maarianhamina                | 33.3                                | 1                  | 33.3                                | 1                  |
| Tenala Buccaneers Ab, Maarianhamina              | 33.3                                | 376                | 33.3                                | 376                |
| Tenala Invest Ab, Maarianhamina                  | 33.3                                | 376                | 33.3                                | 376                |
| <b>Total</b>                                     |                                     | <b>4,348</b>       |                                     | <b>4,348</b>       |

**Business transactions with associated companies**

|                        | 1.1.2010        | Increase /<br>Decrease         | 31.12.2010        |
|------------------------|-----------------|--------------------------------|-------------------|
| Credits and guarantees | 10,970          | -65                            | 10,905            |
| Deposits               | 302             | 2,344                          | 2,646             |
| Services received      | 12,196          | 2,528                          | 14,724            |
|                        | <b>1.1.2009</b> | <b>Increase /<br/>Decrease</b> | <b>31.12.2009</b> |
| Credits and guarantees | 10,970          | -                              | 10,970            |
| Deposits               | 1,403           | -1,101                         | 302               |
| Services received      | 13,405          | -1,209                         | 12,196            |

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

**G52 Close relations****The Group's key personnel**

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

**Key Management personnel compensation**

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

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

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

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

| <b>Salaries and fees</b>  | <b>2010</b>  | <b>2009</b> |
|---|--------------|-------------|
| Members of the Board of Supervisors and their alternates  | 266          | 225         |
| Board Members:  |              |             |
| Dag Wallgren, Chairman (2010-), Vice Chairman of the Board (-2009)                                  | 49           | 27          |
| Kaj-Gustaf Bergh, Chairman of the Board (-2009)   | 1            | 42          |
| Nina Wilkman, Vice Chairman (2010-)   | 32           | 22          |
| Marcus H. Borgström   | 32           | 21          |
| Hans Frantz   | 28           | 21          |
| Lars-Olof Hammarén (-2009)  | 2            | 21          |
| Lars-Erik Kvist   | 29           | 21          |
| Nils Lampi  | 27           | -           |
| Kjell Sundström   | 29           | 21          |
| Marina Vahtola  | 25           | 22          |
| Managing Director and Deputy Managing Director  |              |             |
| Jussi Laitinen, Managing Director   | 489          | 304         |
| Jarl Sved, Deputy Managing Director   | 270          | 198         |
| <b>Total</b>  | <b>1,279</b> | <b>945</b>  |
| In addition to contributions of basic pension coverage, voluntary pension plans have been made for: |              |             |
| - members of the Executive Committee  | 456          | 422         |
| - the Board of Directors  | 43           | 42          |
| - the Board of Supervisors  | 48           | 43          |
| <b>Total</b>  | <b>547</b>   | <b>507</b>  |

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

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

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

## G53 The customer assets being managed

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

| <b>Customer assets being managed</b>  | <b>2010</b>      | <b>2009</b>      |
|---|------------------|------------------|
| Funds in discretionary asset management services                                    | 2,905,443        | 3,008,309        |
| Funds within the framework of investment advising according to a separate agreement | 4,072,785        | 2,987,262        |
| <b>Total funds in asset management services</b>                                     | <b>6,978,228</b> | <b>5,995,571</b> |

## G54 PS savings

The act governing long-term savings agreements and amendments in tax laws in accordance with the act entered into force 1 January 2010. As service provides, Aktia Bank plc offers this form of saving for private customers since 1 April 2010. The pension saving comprises a bank account, investments in mutual funds, bonds and shares.

### Customer assets within PS savings 31 December 2010

|                    |           |
|--------------------|-----------|
| PS Savings account | 25        |
| PS Deposit         | 17        |
| <b>Total</b>       | <b>42</b> |

### Customers' PS investments 31 December 2010

|                             |            |
|-----------------------------|------------|
| Investments in mutual funds | 285        |
| Bonds                       | -          |
| Shares                      | 18         |
| <b>Total</b>                | <b>303</b> |

## G55 Events after the end of the financial year

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

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

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

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

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

In February 2011, Aktia Bank plc divested its holding in the associated company Unicus Ab.

## INCOME STATEMENT FOR THE PARENT COMPANY – AKTIA PLC

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

## BALANCE SHEET FOR THE PARENT COMPANY - AKTIA PLC

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

Aktia plc has no off-balance-sheet commitments.

## CASH FLOW STATEMENT FOR THE PARENT COMPANY – AKTIA PLC

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

## NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS - AKTIA PLC

### P1 The parent company's accounting principles

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

#### Foreign currency translation

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

#### Revenue and expenses recognition

Revenue and expenses are reported using the accruals convention.

#### Interest and dividends

Interest income and expenses are allocated over the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity.

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

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

#### Commissions

The basic principle for commission income and commission expenses is that they are reported in accordance with the accruals convention.

#### Depreciation

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

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

#### Taxes

Taxes in the income statement consist of direct taxes for the year and previous years and deferred taxes. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is also reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be utilised.

#### Financial assets

Debt certificates (debt securities), claims on credit institutions, claims on the public and public sector entities, shares and participations are entered under financial assets. For these financial assets, Aktia applies the IFRS rules whereby financial assets are divided into four valuation categories, of which Aktia plc has financial assets in two valuation categories.

Financial assets available for sale include debt securities, shares and participations that have neither been held for active trading nor held until maturity. The unrealised value change is recognised in equity in the Fund at fair value with deductions for deferred tax until sold or written down. When sold or written down, the accumulated unrealised profit or loss is transferred to the income statement and included in Net income from financial assets that can be sold.

Loans and other receivables include receivables from credit institutions and receivables from the public and public sector entities. These receivables are entered at accrued acquisition value.

### **Financial liabilities**

Financial liabilities are included in the balance sheet at their acquisition value on entering into the agreement, and subsequently at their accrued acquisition value.

### **Tangible and intangible assets**

Real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Company. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If only part of the premises is used by the Company, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their acquisition value.

Estimation of fair value for investment properties was carried out by external property valuers using the cash flow method or through an internal valuation based on the rental income that could be earned at market rates. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

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

## NOTES TO THE PARENT COMPANY'S INCOME STATEMENT - AKTIA PLC

**P2 Interest income and expenses**

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

**P3 Income from equity instruments**

|   | 2010          | 2009       |
|---|---------------|------------|
| Income from companies within the same Group   | 42,920        | 28         |
| Income from financial assets that can be sold | 721           | 457        |
| <b>Total</b>                                  | <b>43,641</b> | <b>485</b> |

**P4 Commission income and expenses**

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

**P5 Other operating income**

|   | 2010         | 2009         |
|---|--------------|--------------|
| Capital gains from tangible and intangible assets | -            | 315          |
| Other operating income                            | 5,064        | 1,121        |
| <b>Total</b>                                      | <b>5,064</b> | <b>1,436</b> |

**P6 Staff costs**

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

## P7 Other administrative expenses

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

## P8 Depreciation and impairment of tangible and intangible assets

|                                   | 2010        | 2009        |
|-----------------------------------|-------------|-------------|
| Depreciation of tangible assets   | -445        | -219        |
| Depreciation of intangible assets | -396        | -82         |
| <b>Total</b>                      | <b>-841</b> | <b>-301</b> |

## P9 Other operating expenses

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

## P10 Income by business area

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

The company only carries out business operations in Finland.

## NOTES TO THE PARENT COMPANY'S BALANCE SHEET AND OTHER NOTES TO THE PARENT COMPANY'S ACCOUNTS - AKTIA PLC

### P11 Claims on credit institutions

|  | 2010     | 2009      |
|--|----------|-----------|
| <b>Repayable on demand</b>                 |          |           |
| Finnish credit institutions                | 4        | 13        |
| <b>Total</b>                               | <b>4</b> | <b>13</b> |
| <b>Total claims on credit institutions</b> | <b>4</b> | <b>13</b> |

### P12 Shares and participations

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

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

### P13 Intangible assets

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

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

## P14 Tangible assets

### Investment properties

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

### Commercial properties

|  | Land and water areas | Buildings | Shares and participations in real estate corporations | Total    |
|--|----------------------|-----------|---|----------|
| <b>31 December 2009</b>                                  |                      |           |   |          |
| Acquisition cost at 1 January                            | -                    | 13        | 2,463   | 2,476    |
| Decreases  | -                    | -13       | -2,463  | -2,476   |
| Acquisition cost at 31 December                          | -                    | -         | -   | -        |
| Accumulated depreciations and impairments at 1 January   | -                    | -13       | -2,463  | -2,476   |
| Accumulated depreciation on decreases                    | -                    | 13        | 2,463   | 2,476    |
| Accumulated depreciations and impairments at 31 December | -                    | -         | -   | -        |
| <b>Book value at 31 December</b>                         | <b>-</b>             | <b>-</b>  | <b>-</b>  | <b>-</b> |

### Other material assets

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

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

## P15 Other assets

|              | 2010      | 2009     |
|--------------|-----------|----------|
| Other assets | 19        | 0        |
| <b>Total</b> | <b>19</b> | <b>0</b> |

## P16 Accrued expenses and advance payments

|              | 2010         | 2009         |
|--------------|--------------|--------------|
| Interests    | 1,076        | -            |
| Other        | 4,877        | 5,427        |
| <b>Total</b> | <b>5,953</b> | <b>5,427</b> |

## P17 Deferred tax receivables

|  | 2010     | 2009     |
|--|----------|----------|
| Deferred tax receivables at 1 January          | -        | 449      |
| Income statement charge                        | -        | -449     |
| Financial assets:                              |          |          |
| - Fair value measurement                       | 3        | -        |
| <b>Deferred tax receivables at 31 December</b> | <b>3</b> | <b>-</b> |

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

## P18 Liabilities to credit institutions

|   | 2010          | 2009          |
|---|---------------|---------------|
| Repayable on demand deposits                            | 1,752         | 2,023         |
| Other than repayable on demand from credit institutions | 56,500        | 56,500        |
| <b>Total</b>  | <b>58,252</b> | <b>58,523</b> |

## P19 Other liabilities

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

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

## P20 Accrued expenses and income received in advance

|              | 2010          | 2009         |
|--------------|---------------|--------------|
| Interests    | 156           | 131          |
| Other        | 12,936        | 7,305        |
| <b>Total</b> | <b>13,092</b> | <b>7,436</b> |

## P21 Deferred tax liabilities

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

## P22 Specification of equity

|   | At the beginning of the financial year | Increase      | Decrease      | At the end of the financial year |
|---|--|---------------|---------------|----------------------------------|
| Share capital   | 93,874                                 | -             | -             | 93,874                           |
| Share premium account   | 1,893                                  | -             | -             | 1,893                            |
| Legal reserve   | 8,067                                  | -             | -             | 8,067                            |
| Other restricted equity   | 160                                    | 600           | -             | 760                              |
| Fund at fair value  | 3,419                                  | -             | 3,427         | -7                               |
| Restricted equity   | 107,413                                | 600           | 3,427         | 104,587                          |
| Unrestricted equity reserve   | 85,670                                 | -             | -             | 85,670                           |
| Retained earnings 1 January   | 79,311                                 |               |               | 79,311                           |
| Dividends to shareholders   |  |               | 15,948        | -15,948                          |
| Change in own shares  |  | 227           | -             | 227                              |
| Profit for the reporting period attributable to shareholders in Aktia plc |  | 43,295        | -             | 43,295                           |
| Unrestricted equity   | 164,981                                | 43,522        | 15,948        | 192,554                          |
| <b>Total equity</b>   | <b>272,394</b>                         | <b>44,122</b> | <b>19,375</b> | <b>297,141</b>                   |
|   |  |               | <b>2010</b>   | <b>2009</b>                      |
| Fund at fair value at January, 1  |  |               | 3,419         | -1,277                           |
| Changes in fair value during the period                                   |  |               | -4,631        | 6,346                            |
| Deferred taxes on changes in fair value during the period                 |  |               | 1,204         | -1,650                           |
| <b>Fund at fair value at December, 31</b>                                 |  |               | <b>-7</b>     | <b>3,419</b>                     |

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

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

Unrestricted equity consist only of distributable assets.

### Share capital and shares

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

### Own shares

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

### Share premium account

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

### Legal reserve

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

### Fund for share-related payments

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

### Fund at fair value

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

### Unrestricted equity reserve

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

### Retained earnings

Retained earnings contains retained earnings from previous reporting periods, dividends to shareholders and profit for the reporting period.

## P23 Fair value of financial assets and liabilities

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

| Liabilities  | 2010          |               | 2009          |               |
|--|---------------|---------------|---------------|---------------|
|  | Book value    | Fair value    | Book value    | Fair value    |
| Liabilities to credit institutions and central banks | 58,252        | 58,252        | 58,523        | 58,523        |
| <b>Total</b>   | <b>58,252</b> | <b>58,252</b> | <b>58,523</b> | <b>58,523</b> |

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 determining fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

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

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

## P24 Breakdown by maturity of assets and liabilities by balance sheet item

### Assets

| 31 December 2010                          | Under 3 months | 3-12 months | 1-5 years | 5-10 years | Over 10 years | Total         |
|---|----------------|-------------|-----------|------------|---------------|---------------|
| Claims on credit institutions             | 4              | -           | -         | -          | -             | 4             |
| Long-term receivable from a Group company | -              | -           | -         | -          | 30,000        | 30,000        |
| <b>Total</b>                              | <b>4</b>       | <b>-</b>    | <b>-</b>  | <b>-</b>   | <b>30,000</b> | <b>30,004</b> |

| 31 December 2009              | Under 3 months | 3-12 months | 1-5 years | 5-10 years | Over 10 years | Total     |
|-------------------------------|----------------|-------------|-----------|------------|---------------|-----------|
| Claims on credit institutions | 13             | -           | -         | -          | -             | 13        |
| <b>Total</b>                  | <b>13</b>      | <b>-</b>    | <b>-</b>  | <b>-</b>   | <b>-</b>      | <b>13</b> |

### Liabilities

| 31 December 2010                                     | Under 3 months | 3-12 months | 1-5 years     | 5-10 years | Over 10 years | Total         |
|--|----------------|-------------|---------------|------------|---------------|---------------|
| Liabilities to credit institutions and central banks | 1,752          | -           | 56,500        | -          | -             | 58,252        |
| <b>Total</b>   | <b>1,752</b>   | <b>-</b>    | <b>56,500</b> | <b>-</b>   | <b>-</b>      | <b>58,252</b> |

| 31 December 2009                                     | Under 3 months | 3-12 months | 1-5 years     | 5-10 years | Over 10 years | Total         |
|--|----------------|-------------|---------------|------------|---------------|---------------|
| Liabilities to credit institutions and central banks | 2,023          | -           | 56,500        | -          | -             | 58,523        |
| <b>Total</b>   | <b>2,023</b>   | <b>-</b>    | <b>56,500</b> | <b>-</b>   | <b>-</b>      | <b>58,523</b> |

## P25 Property items and liabilities in euros and in foreign currency

### 31 December 2010

| Assets                        | Euros          | Foreign currency | Total          |
|-------------------------------|----------------|------------------|----------------|
| Claims on credit institutions | 4              | -                | 4              |
| Shares and participations     | 358,436        | -                | 358,436        |
| Other assets                  | 11,163         | -                | 11,163         |
| <b>Total</b>                  | <b>369,603</b> | <b>-</b>         | <b>369,603</b> |

### 31 December 2009

| Assets                        | Euros          | Foreign currency | Total          |
|-------------------------------|----------------|------------------|----------------|
| Claims on credit institutions | 13             | -                | 13             |
| Shares and participations     | 333,177        | -                | 333,177        |
| Other assets                  | 7,651          | -                | 7,651          |
| <b>Total</b>                  | <b>340,841</b> | <b>-</b>         | <b>340,841</b> |

### 31 December 2010

| Liabilities  | Euros         | Foreign currency | Total         |
|--|---------------|------------------|---------------|
| Liabilities to credit institutions and central banks | 58,252        | -                | 58,252        |
| Other liabilities                                    | 14,211        | -                | 14,211        |
| <b>Total</b>   | <b>72,463</b> | <b>-</b>         | <b>72,463</b> |

### 31 December 2009

| Liabilities  | Euros         | Foreign currency | Total         |
|--|---------------|------------------|---------------|
| Liabilities to credit institutions and central banks | 58,523        | -                | 58,523        |
| Other liabilities                                    | 9,924         | -                | 9,924         |
| <b>Total</b>   | <b>68,447</b> | <b>-</b>         | <b>68,447</b> |

## P26 Total assets and liabilities by business area

|                      | 2010           | 2009           |
|----------------------|----------------|----------------|
| <b>Assets</b>        |                |                |
| Group administration | 369,603        | 340,841        |
| <b>Total</b>         | <b>369,603</b> | <b>340,841</b> |
| <b>Liabilities</b>   |                |                |
| Group administration | 72,463         | 68,447         |
| <b>Total</b>         | <b>72,463</b>  | <b>68,447</b>  |

## P27 Breakdown of subordinated claims

|   | 2010       | 2009       |
|---|------------|------------|
| Shares and participations in group companies and associated companies | 225        | 385        |
| <b>Total</b>  | <b>225</b> | <b>385</b> |

## P28 Shareholders

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

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

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

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

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

## P29 Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are not any pension commitments that have a liability deficit.

## P30 Holdings in other companies

### Subsidiaries

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

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

### Associated companies

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

### Financing income obtained from and financing expenses paid to other group companies

|                           | 2010          | 2009        |
|---------------------------|---------------|-------------|
| Interest income           | 1,091         | 28          |
| Dividends                 | 42,920        | 28          |
| Interest expenses         | -1,287        | -804        |
| <b>Net finance income</b> | <b>42,725</b> | <b>-748</b> |

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

## P31 Close relations

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

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

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

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

# Information about Board of Directors' Report and Financial Statement

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

Helsinki 28 February 2011

Aktia plc's Board of Directors

Dag Wallgren  
Chair

Nina Wilkman  
Vice Chair

Marcus H. Borgström

Hans Frantz

Lars-Erik Kvist

Nils Lampi

Kjell Sundström

Marina Vahtola

Jussi Laitinen  
Managing Director

# Auditor's report

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

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Aktia p.l.c. for the financial year 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated

the Limited Liability Companies Act or the articles of association of the company.

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

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

## Opinion on the Consolidated Financial Statements

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

## Opinion on the Company's Financial Statements and the Report of the Board of Directors

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

Helsinki, 7 March 2011

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Jan Holmberg  
Authorised Public Accountant

# Statement by the Board of Supervisors

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

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

## Members of Aktia plc's Board of Supervisors

|   |  |
|---|--|
| Henry Wiklund, Chair (in office until 2012) | M.Sc. (Econ.), Chamber Counsellor                      |
| Christina Gestrin, Deputy Chair (2011)      | M.Sc. (Agr. & For.), Member of Parliament              |
| Patrik Lerche, Deputy Chair (2011)          | M.Sc. (Econ.), Managing Director                       |
| Henrik Sundbäck, Deputy Chair (2011)        | M.Sc. (Agr. & For.), Consultant                        |
| Lorenz Uthardt, Deputy Chair (2011)         | Agrologist, D. Soc.Sc., Honorary Counsellor            |
| Bo-Gustav Wilson, Deputy Chair (2013)       | M.Sc. (Econ.), Audit Manager                           |
| Harriet Ahlnäs (2012)                       | M.Sc. (Eng.), Principal                                |
| Johan Bardy, (2011)                         | LL.M., Attorney-at-Law                                 |
| Anna Bertills (2012)                        | M.Soc.Sc., Political Adviser                           |
| Roger Broo (2012)                           | M.Soc.Sc., Chamber Counsellor, Administrative Director |
| Agneta Eriksson (2013)                      | M.A., Director   |
| Håkan Fagerström (2012)                     | Forester, Managing Director                            |
| Christoffer Grönholm (2011)                 | D. Soc.Sc., Chief Secretary                            |
| Peter Heinström (2013)                      | Honorary Consul  |
| Gun Kapténs (2012)                          | M.Soc.Sc., Municipal Manager                           |
| Erik Karls (2013)                           | Farmer   |
| Kari Kyttälä (2011)                         | LL.M.  |
| Bo Linde (2012)                             | B.Sc. (Econ.), Honorary Counsellor, Ombudsman          |
| Per Lindgård (2011)                         | Teacher  |
| Kristina Lyytikäinen (2011)                 | B.A. (Soc.Sc.), private Entrepreneur                   |
| Håkan Mattlin (2011)                        | Lic.Soc.Sc., Chamber Counsellor, Director General      |
| Clas Nyberg (2013)                          | M.Sc. (Eng.)   |
| Jorma J Pitkämäki (2011)                    | M.Sc. (Econ.), director of Development                 |
| Henrik Rehnberg (2011)                      | Engineer, Farmer                                       |
| Gunvor Sarelin-Sjöblom (2013)               | M.A., Lecturer   |
| Peter Simberg (2011)                        | Agrologist   |
| Bengt Sohlberg (2011)                       | Agrologist, Agricultural Entrepreneur                  |
| Jan-Erik Stenman (2013)                     | LL.M., Managing Director                               |
| Carl Eric Ståhlberg (2011)                  | M.Sc. (Econ.), Chairman of the Board                   |
| Sture Söderholm (2011)                      | Lic. Odont.  |
| Maj-Britt Vääriskoski (2013)                | Financial Director                                     |
| Lars Wallin (2013)                          | Office Manager   |
| Ann-Marie Åberg (2013)                      | Physiotherapist  |
| Marianne Österberg (2011)                   | LL.M.  |

# Corporate governance report for Aktia Plc

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

## Recommendations concerning corporate governance

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

## Deviations from the recommendations

By way of deviation from recommendations 8 and 40, Aktia's annual general meeting appoints a Board of Su-

pervisors, whose tasks include appointing Aktia's Board of Directors and making decisions on issues which involve the significant restriction or expansion of operations. These decision-making arrangements have been adopted by Aktia shareholders in current articles of association. The arrangements are deemed to describe and ease implementation of the company's strategy on local operations.

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

## Corporate Governance Code publicly available on the Internet

The Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

## Composition of and work undertaken by the Board of Directors

Aktia's Board of Directors 2010:

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

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

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

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

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

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

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

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

#### Attendance of Board members in 2010:

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

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

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

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

#### Members of the risk committee and attendance in 2010:

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

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

#### Members of the audit committee and attendance in 2010:

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

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

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

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

## Composition of and work undertaken by the Board of Supervisors

Aktia's Board of Supervisors 2010:

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

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

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

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

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

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

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

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

2010, the presiding officers were Henry Wiklund (chair), Christina Gestrin, Patrik Lerche, Henrik Sundbäck, Lorenz Uthardt and Bo-Gustav Wilson. The presiding officers convened 2 minuted meetings in 2010 and attendance of the officers was 100%.

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

## CEO and his duties

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

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

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

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

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have

also been built into all key processes where information is recorded. Internal control is supported by observations from the Group's internal audit unit which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control. The internal audit unit reports directly to the Aktia Group's Board of Directors and its committees.

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

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

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

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

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

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

# The Board of Directors



**DAG WALLGREN**



**NINA WILKMAN**



**MARCUS H. BORGSTRÖM**



**HANS FRANTZ**

## **DAG WALLGREN**

b. 1961

**Chairman of the Board and Chairman of the Remuneration and Corporate Governance Committee**

M.Sc. (Econ)

Managing Director, The Society of Swedish Literature in Finland

Member of the Board since 2003 (Chairman since 2010)

Shares in Aktia:

1,144 A shares

525 R shares

Most important positions of trust:

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

## **NINA WILKMAN**

b. 1958

**Vice Chair of the Board, Chair of the Audit Committee and member of the Board's Remuneration and Corporate Governance Committee**

LL.M.

Postgraduate student, doctoral programme, University of Helsinki, Faculty of Law, Helsinki University, Faculty of Law. Member of the Board since 2006 (Vice Chair since 2010)

Most important positions of trust:

- Stiftelsen Tre Smeder, member of the Board

## **MARCUS H. BORGSTRÖM**

b. 1946

**Member of the Board's Risk Committee as well as Remuneration and Corporate Governance Committee**

M.Sc. (Agr. & For.), Honorary Counsellor  
Member of the Board since 2009

Shares in Aktia:

211 A shares

Most important positions of trust:

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

## **HANS FRANTZ**

b. 1948

**Member of the Board's Audit Committee as well as Remuneration and Corporate Governance Committee**

Lic.Soc.Sc.

Principal Lecturer, Health Care and Social Services, University of Applied Sciences in Vaasa

Member of the Board since 2003

Shares in Aktia:

600 A shares

262 R shares

Most important positions of trust:

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

**LARS-ERIK KVIST****NILS LAMPI****KJELL SUNDSTRÖM****MARINA VAHTOLA****LARS-ERIK KVIST**

b. 1945

**Member of the Board's Risk Committee**

M.Sc. (Econ)

Member of the Board since 1998

Shares in Aktia:

2,100 A shares

1,050 R shares

Most important positions of trust:

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

**NILS LAMPI**

b. 1948

**member of the Board's Audit Committee**

B.Sc. (Econ)

CEO, Wiklöf Holding Ab

Member of the Board since 2010

Most important positions of trust:

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

**KJELL SUNDSTRÖM**

b. 1960

**Member of the Board and Chairman of the Risk Committee**

M.Sc. (Econ)

Treasurer, Stiftelsen för Åbo Akademi

Member of the Board since 2008

Shares in Aktia:

130 A shares

Most important positions of trust:

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

**MARINA VAHTOLA**

b. 1963

**Member of the Board's Remuneration and Corporate Governance Committee**

M.Sc. (Econ)

Managing Director, Oral Hammaslääkärit Plc

Member of the Board since 2007

Most important positions of trust:

- Lääkäripalveluyritykset ry, member of the board

**Shareholdings per 31 December 2010**

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

# Managing Director and Executive Committee



**JUSSI LAITINEN**



**JARL SVED**



**ROBERT SERGELIUS**



**STEFAN BJÖRKMAN**



**BARBRO KARHULAHTI**

## **JUSSI LAITINEN**

b. 1956

### **Managing Director**

M.Sc. (Econ)

At Aktia since 2008

Shares in Aktia: 14,152 A shares

Most important positions of trust:

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

## **JARL SVED**

b. 1954

### **Deputy Managing Director, Managing Director's alternate**

LL.M.

At Aktia since 1980

Shares in Aktia: 47,365 A shares

19, 658 R shares

## **STEFAN BJÖRKMAN**

b. 1963

### **Deputy Managing Director, CFO**

M.Sc. (Eng)

At Aktia since 2006

Shares in Aktia: 5,662 A shares

Most important positions of trust:

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

## **ROBERT SERGELIUS**

b. 1960

### **Deputy Managing Director**

M.Sc. (Eng)

At Aktia since 2003

Shares in Aktia: 22,940 A shares

2,068 R shares

## **BARBRO KARHULAHTI**

b. 1960

### **Director**

LL.M.

At Aktia since 2008



**TARU NARVANMAA**



**GÖSTA RÅHOLM**



**MARIT LEINONEN**



**ANDERS NORDMAN**



**OLAV UPPGÅRD**

**TARU NARVANMAA**

b. 1963

**Managing Director of Aktia Life Insurance**

M.Sc. (Econ)

At Aktia since 2007

Shares in Aktia: 23,029 A shares  
5,000 R shares

Most important positions of trust:

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

**ANDERS NORDMAN**

b. 1955

**Managing Director of Aktia Non-Life Insurance**

M.Sc. (Econ)

At Aktia since 2009

Shares in Aktia: 4,541 A shares

Most important positions of trust:

- Veritas Pension Insurance Company Ltd, member of the Board

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

**GÖSTA RÅHOLM**

b. 1955

**Director**

At Aktia since 1988

Shares in Aktia: 3,862 A shares  
5,709 R shares

Most important positions of trust:

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

**OLAV UPPGÅRD**

b. 1955

**Director**

M.Sc. (Econ)

At Aktia since 2003

Shares in Aktia: 21,082 A shares  
8,691 R shares

**MARIT LEINONEN**

b. 1958

**Staff Representative**

At Aktia since 1994

Shares in Aktia: 366 A shares  
157 R shares

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

For information regarding the Executive Committee's remuneration as well as Managing Director's employment see [www.aktia.fi](http://www.aktia.fi).

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



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BIC/S.W.I.F.T: HELSFIHH

## Changes in adress

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

## Aktia's financial publications

29 March 2011 – Annual General Meeting at 4.00 pm

9 May 2011 – Interim report January–March 2011

3 August 2011 – Interim report January–June 2011

8 November 2011 – Interim report January–September 2011

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

## Annual General Meeting

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

## Right to participate and registration

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

- a) through the company's website [www.aktia.fi](http://www.aktia.fi)
- b) by telephone at +358 800 0 2474 (8.00 am–8.00 pm on weekdays)
- c) by fax on +358 10 247 6568 or
- d) in writing to Aktia plc, Group Legal, PO Box 207, 00101 Helsinki.

## Advance voting

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

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