

Corporate Governance Report for Aktia Bank plc

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

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

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

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

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

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers.

The Aktia Group is represented in different groups and bodies on different organisation levels steering the service providers' development of systems and processes. Concerning the most important service provider, the Group has a direct ownership interest and is represented in the company's Board of Directors.

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

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

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

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