AKTIA PLC

ANNUAL REPORT 2012

Aktia

Bank | Asset Management | Insurance | Real Estate Agency

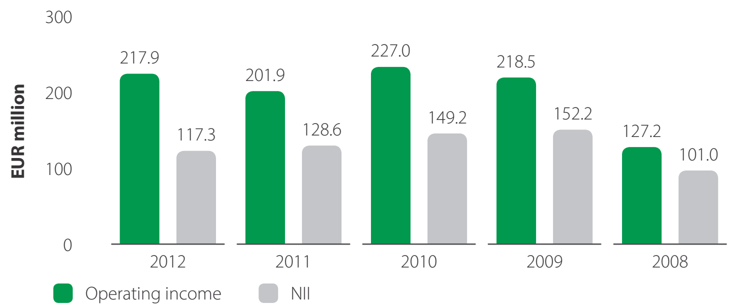
Aktia provides individual solutions in banking, asset management, insurance and real estate services. Aktia operates in the Helsinki region, in the coastal area and in growth centres of Finland.

The year 2012 in brief

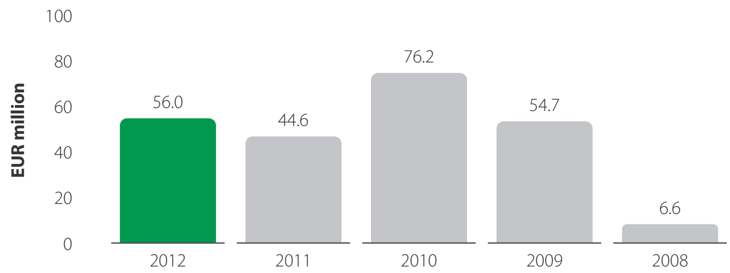
- **Operating profit from continuing operations was EUR 56.0 (44.6) million** and the profit for the year from continuing operations was EUR 40.3 (34.1) million. Earning per share stood at EUR 0.74 (0.53).
- **Write-downs on credits and other commitments decreased to EUR 6.4 (10.5) million.**
- **The Board of Directors propose a higher dividend of EUR 0.36 (0.30).** In addition, a return of capital of EUR 0.14 is proposed which corresponds to the realised sales gain from divesting Aktia Non-life Insurance Company Ltd.
- **Aktia aims to end services as central credit institution and build up a new core banking system.** This is part of the Action programme 2015 that aims at reducing the cost structure. A merger between Aktia plc and Aktia Bank plc is prepared.
- **Aktia sold 66% of Aktia Non-life Insurance** to Folksam and Veritas.
- **Tier 1 capital ratio improved to 11.8 (10.6)% and capital adequacy to 20.2 (16.2)%** which is beyond stricter regulatory demands.

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

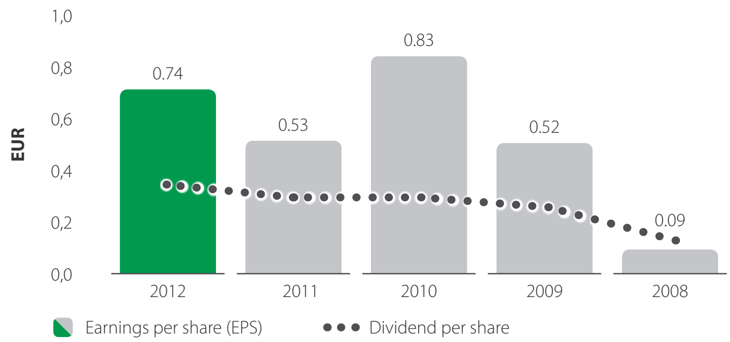
Operating income and Net Interest Income (NII)



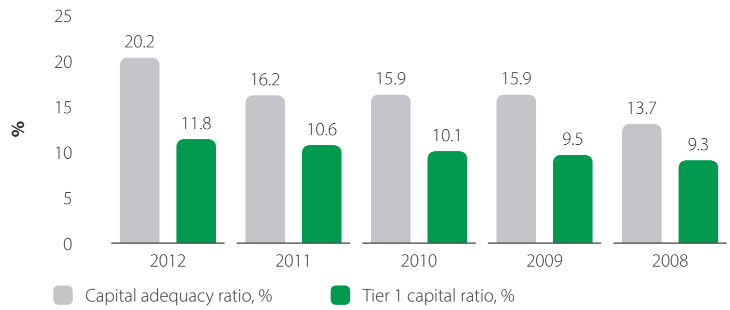
Operating profit from continuing operations



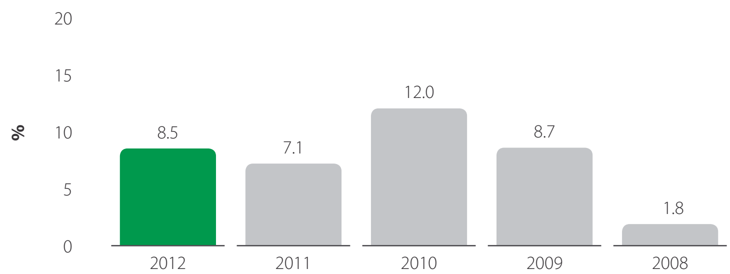
Earnings and dividend per share



Capital adequacy ratio



Return on equity, ROE




Kiinteistönvälitys
FASTIGHETSFÖRMEDLING
Vakuutukset
FÖRSÄKRINGAR
Yrityspalvelut 3krs
FÖRETAGSTJÄNSTER 3 VÅN

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Aktia is modernised

We have all reason to be pleased with the result Aktia made in 2012. Aktia increased commission income and improved its result despite the persistent low interest rate level. This was enabled through renewal of our sales organisation, but is also a result of increased cost-consciousness in the Group.

Several major development projects completed

Aktia completed six major development projects in 2012, all within the time frame set.

- Our new online bank is a success and it has proved to be very user friendly. The online bank for entrepreneurs will be launched in 2013.
- The Branch offices new tool, "The Salesman's desktop", intended to facilitate customer service was taken into use in the autumn.
- We continue to re-organise our sales organisations in order to be closer to our customers, and changes can already be seen in our sales figures.
- Our new intranet was completed and improves internal communication.
- The project to modernise our branch offices continues, Aktia has now four Aktia Store branch offices and aims to have ten by the end of 2013.
- Centralisation of back office functions to three units has significantly decresaed the work load at our branches.

Ambitious objectives

In the autumn, Aktia released information about its new objectives and launched the Action Plan 2015 The prolonged situation with low interest rates puts stress on Aktia's profitability, as do the new regulatory requirements. Thus, Aktia must increase its effectiveness. Profitability is to be improved through cost-cuts, modernisation of the IT structure, a simplyfied company structure and through increased sales targets. Profitability is the key to improved credit rating for Aktia. A better credit rating guarantees competitive re-financing and enables profitable growth.

New core banking system

Our largest project in the years to come is the modernisation of our core banking system. The investment costs, including migration from the old system, correspond to IT expenses for one year, i.e. EUR 20 to 25 million. It's a big investment, but a modern core banking system enables more efficient processes and significantly lower IT expenses in the long run. Our aim is that the new system is up and running in 2015.

Merger of Aktia plc with Aktia Bank plc is planned

As part of Aktia's Action plan 2015, a merger of the listed holding company Aktia plc with Aktia Bank plc will take place on 1 July 2013. The merger simplifies company structure and is estimated to result in annual savings of one million euro. The merger is subject to approval by the Annual General Meeting.

Aktia Bank was granted mortgage bank concession

The amended Act on Mortgage Credit Banks allows deposit banks to issue covered bonds directly from their own balance sheet. The Financial Supervisory Authority granted in March 2013 Aktia Bank a mortgage bank concession which enables a considerably more cost-effective credit process.

Strong capital adequacy

Aktia Bank's capital adequacy was strengthened further during the year to 20.2%, and the Tier 1 capital ratio to 11.8%. Thus capital adequacy exceeds all regulatory requirements and also the stricter requirements concerning a Tier 1 capital ratio of 9% proposed by the EIB.

The Financial Supervisory Authority is still processing Aktia's application for internal rating (IRBA) which was filed in August 2011. Following approval of IRBA Aktia can apply a lower risk weight on housing loans than the present 35%, i.e. harmonise it with that of our competitors. Application of the IRBA method would raise Aktia's capital adequacy by about 4 percentage points to approximately 15%, and Aktia would then be one of the best capitalised banks in the Nordic countries.

At the end of the year, Standard&Poors published its first view on Aktia Bank's creditworthiness. Moody's and Fitch have already given their ratings for Aktia.

Finnish Champion in customer service

Once again, Aktia received good marks in customer satisfaction surveys, and we are considered to be among the best in customer service. In a survey carried out by EPSI rating, 85% of Aktia's customers were satisfied with our services. 37% of them were very satisfied. This is a good result, but we continue training to ensure that our staff are experts in their respective fields. Without a skilled and motivated staff we would be unable to achieve our vision of being Finnish Champion in customer service.

Asset management shared first place

Aktia's asset management received several awards during the year. Asset management shared first place in a survey made among the 90 largest institutional investors. Aktia received highest marks for revenues, clear investment philosophy, reporting and administration. This was the third year in a row for Aktia to be placed among the three best asset managers. In the autumn the magazine Arvopaperi chose Aktia as the third best asset manager in Finland and as the best of the largest asset managers. In independent evaluations of mutual funds carried out by Morningstar, Aktia has already been in second place several times. Further, IPE (Investment&Pensions Europe) included Aktia among the 120 best asset managers in Europe in 2012.

Thanks

I would like to extend my sincere thanks once again to each and every member of Aktia's 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, modern 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 in the future.

Helsinki, March 2013
Jussi Laitinen

Share capital and ownership

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

Dividend

Aktia aims to provide a stable dividend to the owners, amounting to 40–60% of profit for the year.

For 2012, the Board of Directors proposes a dividend of EUR 0.36 (0.30) which corresponds to a dividend ratio of 49 (57)%. Further, a return of capital of EUR 0.14 per share is proposed.

Stock price development

Aktia's market value as at 31 December 2012 was EUR 420 (399) million. As at 31 December 2012, the closing price for an A series share was EUR 5.80 and for a R series share EUR 7.51. The highest closing price for an A series shares was EUR 6.00 and the lowest EUR 4.34. The highest for the R series shares was EUR 8.50 and the lowest EUR 6.75.

From the beginning of the year to end of December, the total yield (given that the dividend was re-invested) on Aktia A series shares was 25.6% and -8.5% on R series shares. The yield on the OMX Helsinki-25 index was 11%.

Owner structure

At year-end, the number of registered shareholders was 47,931. Of the owners 22.1 (21.5)% were companies, 6.8 (7.1)% financial institutions and insurance companies, 13.5 (13.9)% public-sector entities, 46.8 (48.0)% non-profit organisations, and 8.7 (7.9)% households. Foreign owners were 0.2 (0.2)%.

The most part of them, i.e. 76.0 %, owned less than 100 shares. The 0.1 % of all shareholders, holding 500 001 shares or more, owned a total of 68.7 % of share capital and 82.8 % of votes. The shareholders have holdings exceeding 10% of votes. Stiftelsen Tre Smeder, Life Annuity Institution Hereditas and Pension Insurance Company Veritas.

At the end of December 2012, the paid-up share capital of Aktia PLC as entered in the Finnish Trade Register was EUR 93,873,816, divided into 46,936,908 series A shares and 20,050,850 series R shares. Of the merger compensation related to the merger with Veritas Non-Life Insurance of 6,800,000 shares, a further 11,255 new series A shares were registered on book-entry accounts during the year.

Shares

Aktia's trading codes are AKTAV for 'A' shares and AKTRV for 'R' shares. Each 'A' share carries one vote and each 'R' share carries 20. Otherwise, the shares confer the same rights.

In 2012, the average daily turnover of A shares was EUR 115,862, or 21,950 shares. The average daily turnover of R shares during the same period was EUR 39,496, or 4,679 shares.

The 20 largest shareholders:	**Number of A shares**	**Number of R shares**	**Number of Shares**	**Of shares %**	**Votes**	**Of votes %**
Stiftelsen Tre Smeder	2,571,925	4,318,216	6,890,141	10.3	88,936,245	19.9
Livränteanstalten Hereditas	4,648,114	2,066,106	6,714,220	10.0	45,970,234	10.3
Veritas Pension Insurance Company Ltd	4,027,469	2,134,397	6,161,866	9.2	46,715,409	10.4
Svenska litteratursällskapet i Finland rf	2,081,802	789,229	2,871,031	4.3	17,866,382	4.0
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.3	20,905,000	4.7
Varma Mutual Pension Insurance Company	2,675,000	-	2,675,000	4.0	2,675,000	0.6
Stiftelsen för Åbo Akademi	1,595,640	751,000	2,346,640	3.5	16,615,640	3.7
Aktiastiftelsen i Borgå	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2
Aktiastiftelsen i Esbo-Grankulla	351,779	1,300,708	1,652,487	2.5	26,365,939	5.9
Aktiastiftelsen i Vasa	978,525	547,262	1,525,787	2.3	11,923,765	2.7
Aktiastiftelsen i Vanda	353,871	1,123,452	1,477,323	2.2	22,822,911	5.1
Sparbanksstiftelsen i Kyrkslätt	876,529	438,264	1,314,793	2.0	9,641,809	2.2
Sparbanksstiftelsen i Karis-Pojo	787,350	393,675	1,181,025	1.8	8,660,850	1.9
Föreningen Konstsamfundet rf	1,176,173	-	1,176,173	1.8	1,176,173	0.3
Sparbanksstiftelsen i Ingå	623,561	329,318	952,879	1.4	7,209,921	1.6
Alfred Berg Finland mutual funds	921,125	-	921,125	1.4	921,125	0.2
Ab Kelonia Oy	549,417	308,662	858,079	1.3	6,722,657	1.5
Sparbanksstiftelsen i Sibbo	462,002	232,001	694,003	1.0	5,102,022	1.1
Sparbanksstiftelsen i Sjundeå-Säästö	374,377	232,188	606,565	0.9	5,018,137	1.1
Aktia Sparbanksstiftelsen i Malax	361,138	177,600	538,738	0.8	3,913,138	0.9
Largest 20 owners	**28,624,167**	**16,743,603**	**45,367,770**	**67.7**	**363,496,227**	**81.1**
Other	18,312,741	3,307,247	21,619,988	32.3	84,457,681	18.9
Total	**46,936,908**	**20,050,850**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Aktia shares	**2012**	**2011**	**2010**	**2009**
Earnings per share (EPS), EUR	0.74	0.53	0.83	0.52
Dividend per share, EUR*	0.36	0.30	0.30	0.24
Capital return per share*	0.14	-	-	-
Total dividend per share*	0.50	0.30	0.30	0.24
Payout ratio, %	48.65	56.60	36.00	46.50
Dividend growth, %	20.00	0.00	25.00	60.00
Yield (dividend/A share),%	8.62	6.10	3.95	3.06
Closing price 31.12 A share	5.80	4.88	7.60	7.85
Closing price 31.12 R share	7.51	8.50	8.50	9.06
Year high, A share	6.00	8.14	7.98	10.20
Year low, A share	4.34	4.34	6.50	7.78
Year high, R share	8.50	9.15	9.35	11.45
Year low, R share	6.75	6.93	7.89	9.13
Share price development, A share	16.00	-35.7	-2.19	-13.55
Share price development, R share	-11.76	-1.62	-8.60	-4.63
Equity per share (NAV), EUR	8.91	7.01	6.81	6.52
Closing 31.12 A share /NAV	0.65	0.70	1.12	1.20
Closing 31.12 R share /NAV	0.84	1.21	1.25	1.39
Average daily turnover on Helsinki Nasdaq OMX, A share	115,862	223,602	122,822	226,141
Average daily turnover on Helsinki Nasdaq OMX, R share	39,496	38,417	9,529	67,903
Average daily volume Nasdaq OMX, A share	21,950	36,772	16,889	27,005
Average daily volume Nasdaq OMX, R share	4,679	4,497	2,115	7,245
Turnover rate, A share, %	13.27	13.83	10.29	-
Turnover rate, R share %	2.35	2.31	2.85	-
P/E ratio, A share	7.84	9.21	9.16	15.10
P/E ratio, R share	10.15	16.04	10.24	17.42
Market capitalisation, EUR million	423	400	527	550
No of shares as of 31.12, A share	46,936,908	46,936,908	46,936,908	46,936,908
No of shares as of 31.12, R share	20,050,850	20,050,850	20,050,850	20,050,850
No of shares in total (A and R)	**66,987,758**	**66,987,758**	**66,987,758**	**66,987,758**

* according to the Board of Directors proposal

Shareholders by sector 2012:	**Number of owners**	**%**	**Number of shares**	**%**	**Votes**	**%**
Corporations	3,698	7.7	14,822,731	22.1	83,443,665	18.6
Financial institutes and insurance companies	71	0.1	4,565,728	6.8	19,855,245	4.4
Public sector entities	33	0.1	9,067,408	13.5	49,620,951	11.1
Non-profit institutions	696	1.5	31,364,365	46.8	283,417,567	63.3
Households	43,241	90.2	5,853,288	8.7	10,672,277	2.4
Foreign shareholders	192	0.4	132,807	0.2	148,232	0.0
Total	**47,931**	**100.0**	**65,806,327**	**98.2**	**447,157,937**	**99.8**
entered in nominee register	8		385,460	0.6		
Unidentified shareholders			795,971	1.2	795,971	0.2
Total by sector	**47,931**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Breakdown of stock 2012: Number of shares	**Number of owners**	**%**	**Number of shares**	**%**	**Votes**	**%**
1-100	36,410	76.0	1,384,786	2.1	1,468,975	0.3
101-1 000	10,330	21.6	2,685,845	4.0	3,675,441	0.8
1 001 - 10 000	1,023	2.1	2,639,029	3.9	5,252,384	1.2
10 001 - 100 000	103	0.2	3,065,018	4.6	13,538,350	3.0
100 000 -	65	0.1	56,417,109	84.2	423,222,787	94.5
Total	**47,931**	**100.0**	**66,191,787**	**98.8**	**447,157,937**	**99.8**
entered in nominee register	8					
Unidentified shareholders			795,971	1.2	795,971	0.2
Total by sector	**47,931**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

Report by the Board of Directors 2012

Business environment

Interest rates fell from the beginning of the year and general interest rate level remained at an exceptionally low level throughout the year, which had a negative effect on Aktia's net interest income.

Low interest rates have resulted in higher values for Aktia's fixed-rate investments.

According to Statistics Finland, inflation in Finland eased slightly in the fourth quarter, and at the end of December 2012 it was running at 2.4%. Inflation in January 2012 was at 3.2%. This slight fall in inflation was primarily due to a weaker increase in energy prices.

The index of consumer confidence in the economy strengthened slightly in December to reach 3.5 (0.4). In October it stood at -1.6 (1.3) and in November at 1.0 (1.5). The long-term average was 12.6. (Statistics Finland)

Real estate prices in Finland rose during the fourth quarter by 3.7% for the whole country, and by 5.2% in the Helsinki region, compared with the same period in 2011. Outside the Helsinki region, prices rose by 2.4%. Household debt has risen much faster than incomes in recent years. The debt-equity ratio of Finnish households, i.e. debt in relation to disposable income, stood at 118.8 % at the end of 2012, compared to 65.1% at the beginning of the 2000s. (Statistics Finland) However, the low interest rates over the last few years allow a considerably higher level of debt than before without overloading the ability of households to pay.

Unemployment in December 2012 was at 6.9%, which was 0.5 percentage points lower than a year before. (Statistics Finland)

The Nasdaq OMX Helsinki 25 index rose by 11% in 2012.

Key figures Y-o-y, %	2014E*	2013E*	2012
GDP growth, %			
World	3.9	3.4	3.2
Euro area	1.0	-0.1	-0.4
Finland	1.8	0.3	-0.1
Consumer price index, %			
Euro area	1.9	1.9	2.5
Finland	2.1	2.6	2.9
Other key ratios, %			
Development of real value of housing in Finland[1]	0.0	0.0	3.7
Unemployment in Finland[2]	7.7	8.2	6.9
OMX Helsinki 25	-	-	11 .0
Interest rates[1], %			
ECB	1.50	0.75	0.75
10-y Interets GER (=benchmark)	2.50	2.00	1.52
Euribor 12 months	1.90	1.20	0.54
Euribor 3 months	1.60	0.50	0.19

* Aktias chief economist's prognosis
[1] at the end of the year
[2] annual average

Rating

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

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

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

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

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

Profit January–December 2012

Group operating profit from continuing operations improved by 26% from the year before, to EUR 56.0 (44.6) million. Group profit from continuing operations amounted to EUR 40.3 (34.1) million.

Following the disposal of 66% of Aktia Non-Life Insurance on 29 February 2012, Aktia's holding amounted to 34%. Aktia Non-Life Insurance is reported under discontinued operations up to the date of disposal. This deal reduced Aktia plc's balance sheet total by approx. EUR 160 million. Profit from discontinued operations amounted to EUR 9.8 (2.2) million. The Financial Supervisory Authority has accepted Folksam General and Veritas Pension Insurance Company Ltd as new owners of the non-life insurance company.

Continuing operations cover the following segments: Banking Business, Asset Management, Life Insurance and Miscellaneous.

Income

The Group's total income increased by 8 % to EUR 217.9 (201.9) million.

Total net interest income fell to EUR 117.3 (128.6) million due to maturing interest rate hedges and lower market interest rates.

Both derivatives and fixed-rate instruments are utilised to manage interest rate risks. These hedging measures, which are used by Aktia Bank to limit its interest rate risk, earned net interest income of EUR 30.8 (34.8) million, EUR 4 million less than the previous year.

Net commission income increased by 8 % to EUR 65.3 (60.6) million. Commission income increased by 6% to EUR 80.8 (76.0) million. Card and other payment service commissions rose by 5 % to EUR 16.9 (16.1) million.

Net income from life insurance rose to EUR 27.3 (22.7) million, thanks to better technical profitability and improved net income from investments.

Net income from financial transactions was EUR 2.9 (-14.8) million. The result for 2011 was burdened by the divestment of Aktia's direct and indirect holdings in the Bank of Åland as well as by the sale of southern European bonds.

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

Net income from investment properties amounted to EUR 0.3 (0.3) million.

Net income from hedge accounting was EUR 1.1 (-0.8) million.

Other operating income was EUR 4.7 (4.4) million.

Expenses

Group operating expenses increased by 5% to EUR 154.2 (146.7) million. Of this, staff costs amounted to EUR 75.4 (73.2) million. This increase is mainly attributable to increased contributions to the personnel fund and greater results-related remunerations, totalling EUR 7.8 (3.9) million.

IT-expenses increased by 19% to EUR 31.4 (26.4) million. Aktia has decided to modernise its IT setup, which involves a complete change of core banking system. The total costs of the system change are estimated at around EUR 25 million. As a result of the decision, provisions with a cost effect of EUR 5.9 million were recognised in the fourth quarter to cover the winding up of the existing service agreement.

Other operating expenses decreased by 2% to EUR 40.3 (41.2) million.

Depreciation of tangible and intangible assets increased by 21% to EUR 7.2 (5.9) million. Depreciation has increased on the previous year with the launch of Aktia's new online bank, which was started in January. Development of the online bank continues and new functions will be incorporated as they appear.

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

Write-downs on credits and other commitments

Write-downs on credits and other commitments decreased by 39% in 2012, to EUR 6.4 (10.5) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total at the end of December amounted to EUR 11,240 (11,056) million.

Liquidity

The Bank Group's liquidity portfolio, which consists of interest-bearing securities, amounted to EUR 1,852 (1,947) million. The liquidity portfolio was financed with repurchase agreements to a value of EUR 107 (68) million. In addition to this, the Bank holds other interest-bearing securities for a value of EUR 10 (21) million.

At the end of December, the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow for 18 months.

Borrowing

Deposits from the public and public sector entities increased to EUR 3,631 (3,645) million. Aktia's market share of deposits was 3.4 (3.5)%.

The Aktia Group's outstanding bonds amounted to a total value of EUR 3,540 (3,800) million. Of these bonds EUR 3,104 (3,346) million were covered bonds issued by the Aktia Real Estate Mortgage Bank plc.

During the year, Aktia Real Estate Mortgage Bank plc has issued long-term covered bonds amounting to EUR 247 million, of which EUR 22 million were long-term collateralised bonds ('Schuldscheindarlehen'). In November, Aktia Bank also issued long-term covered bonds worth EUR 200 million as part of the bank's EMTN (Euro Medium Term Note) programme. Outstanding Aktia Bank plc certificates of deposit amounted to EUR 393 million at the end of the year. During the year, Aktia Bank plc issued new subordinated debts and index-linked loans with a total value of EUR 79 million.

Lending

Group total lending to the public amounted to EUR 7,202 (7,063) million at the end of December, an increase of EUR 138 million. Excluding the mortgages brokered by savings banks and POP Banks that the local banks are committed to capitalise, Group lending increased by EUR 141 million (3%) from the beginning of the year.

Loans to private households (including mortgages brokered by local savings banks and POP Banks) accounted for EUR 6,222 (5,966) million or 86.4 (84.5)% of the total loan stock. From September 2012 onwards, the Real Estate Mortgage Bank will not be approving any more loans.

The housing loan stock increased from the beginning of the year by 4% to total EUR 5,850 (5,607) million. Aktia's market share in housing loans to households stood at 4.3 (4.2)% at the end of December.

Corporate lending accounted for 9.3 (10.7)% of Aktia's credit stock. Total corporate lending amounted to EUR 666 (758) million.

Loans granted to housing associations amounted to EUR 270 (289) million and made up 3.8 (4.1)% of Aktia's total credit stock.

Credit stock by sector

EUR million	31.12.2012	31.12.2011	Δ	Andel, %
Households	6,222	5,966	257	86.4%
Corporate	666	758	-91	9.3%
Housing associations	270	289	-19	3.8%
Non-profit organisations	39	45	-7	0.5%
Public sector entities	4	6	-2	0.1%
Total	**7,202**	**7,063**	**138**	**100.0%**

Financial assets

Aktia's financial assets consist of the Bank Group's liquidity portfolio and other interest-bearing investments amounting to EUR 1,862 (1,968) million, the life insurance company's investment portfolio amounting to EUR 693 (661) million and the real estate and share holdings of the parent company amounting to EUR 7 (3) million.

Technical provisions

The life insurance company's technical provisions amounted to EUR 878 (818) million, of which EUR 359 (285) million were unit-linked. Interest-related technical provisions decreased to EUR 520 (533) million.

Equity

The Aktia Group's equity increased by EUR 134 million from the year-end to EUR 657 (524) million as at 31 December 2012.

Commitments

Off-balance sheet commitments, which primarily consist of liquidity commitments to local banks, other loan promises and bank guarantees, decreased by EUR 123 million during 2012 and amounted to EUR 343 (466) million.

Capital adequacy and solvency

The Banking Group's capital adequacy ratio stood at 20.2 (16.2)% and the Tier 1 capital ratio was 11.8 (10.6)%. The Bank Group includes Aktia Bank plc and Aktia Real Estate Mortgage Bank plc.

Aktia Bank plc's capital adequacy ratio stood at 28.1 % compared to 22.3 % at the end of 2011. The Tier 1 capital ratio was 16.1 (14.6)%.

The Bank Group's capital base was strengthened not only by the result for the year and the positive development in the fund at fair value, but also by a capital increase of EUR 30 million after capital was freed up by the disposal of 66% of shares in Aktia Non-Life Insurance Company Ltd.

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

The life insurance company's solvency margin amounted to EUR 158.6 (117.2) million, where the minimum requirement is EUR 33.3 (32.3) million. The solvency ratio was 27.4 (20.7)%.

The capital adequacy ratio for the conglomerate amounted to 205.1 (163.5) %. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100%.

Capital adequacy	31.12.2012	31.12.2011
Banking Group		
Capital adequacy	20.2%	16.2%
Tier 1 ratio	11.8%	10.6%
Aktia Bank		
Capital adequacy	28.1%	22.3%
Tier 1 ratio	16.1%	14.6%
Aktia Real Estate Mortgage Bank		
Capital adequacy	11.3%	10.2%
Tier 1 ratio	9.7%	8.5%

Segment overview

Aktia plc's operations are divided into four segments: Banking Business, Asset Management, Life Insurance and Miscellaneous.

Group operating profit from continuing operations by segment

EUR million	1–12/2012	1–12/2011	Δ %
Banking Business	39.2	35.6	10%
Asset Management	9.4	5.6	67%
Lfe Insurance	14.7	10.3	43%
Miscellaneous	-7.1	-5.3	-33%
Eliminations	-0.2	-1.5	89%
Total	**56.0**	**44.6**	**26%**

Banking Business

The Banking Business' contribution to Group operating profit amounted to EUR 39.2 (35.6) million.

Operating income totalled EUR 160.9 (166.1) million, of which net interest income decreased to EUR 112.8 (123.9) million. Net commission income was EUR 45.5 (45.2) million and net income from financial assets available for sale was EUR 0.8 (-3.3) million. Commission income from lending developed favourably and income from asset management and life and pension insurance is at a good level. Income from the real estate agency business was down 3 % on the previous year, standing at EUR 7.4 (7.7) million.

Operating expenses were down compared to 2011, totalling EUR 115.3 (120.1) million. Of this total, staff costs amounted to EUR 37.0 (41.9) million and IT-related costs EUR 13.6 (13.7) million. Other operating expenses amounted to EUR 62.8 (62.2) million, of which marketing costs decreased by 20% to EUR 2.2 million. Despite reduced marketing costs, Aktia's recognition among consumes rose from 27% to 32% in 2012.

Sales activities are being supported by the new marketing campaign 'Stress test your finances' and the 'Aktia Dialogue' customer concept. The campaign is based on obtaining an even deeper understanding of our customers' financial situation. As part of the campaign, approximately 38,000 persons have used the online tool to work out how much they will earn during their lifetime. In 2012, almost 54,000 Dialogues were conducted in the branches.

The number of new customers in the banking business was around 13,200 and the number of online banking contracts rose by 7% to just over 145,000.

Total savings by households were approximately 7% higher than the previous year, amounting to EUR 3,787 (3,536) million, of which household deposits were EUR 2,801 (2,758) million and savings by households in mutual funds were EUR 986 (778) million.

Aktia's lending to private households, including the mortgages brokered by Aktia, increased to EUR 4,356 (4,100) million.

Asset Management

Asset Management contributed EUR 9.4 (5.6) million to Group operating profit.

Operating income after reversals to the Group's other units and business partners was EUR 26.4 (21.6) million.

Operating expenses increased by 7 % to EUR 17.0 (15.9) million, of which staff costs amounted to EUR 8.0 (8.0) million.

Aktia has established its position as one of the leading asset managers in Finland. In a survey conducted by Scandinavian Financial Research (SFR) among institutional customers in 2012, Aktia was again placed among the top asset managers. The survey was carried out among the 100 largest institutional investors in Finland and Aktia shared the first place this year.

In a comparative analysis of larger mutual fund companies in Finland Aktia received the second highest mark. The evaluation was carried out by the independent analyst company Morningstar. In December 2012, the average number of stars received by the bank's 24 evaluated mutual funds was 3.96, where the maximum is 5 Morningstar stars. 19 of Aktia's 24 funds have at least 4 stars.

Over the last few years, the demand for fixed income funds investing in growth markets has risen significantly, and Aktia manages three such funds with a total value of some EUR 714 (578) million. The volume of mutual funds managed and brokered by Aktia was EUR 4,497 (3,613) million. Aktia's market share of the fund market, including brokered funds, stood at 6.8 (6.6)%.

The value of assets managed by Aktia Asset Management and Aktia Invest totalled a record EUR 7,597 (6,624) million, of which assets managed by Aktia Invest amounted to EUR 2,467 (1,961) million. Aktia Private Banking customer assets totalled EUR 1,510 (1,278) million, an increase of 18%.

Life Insurance

The life insurance contribution to Group's operating profit amounted to EUR 14.7 (10.3) million.

Premiums written increased by 7% on the previous year to EUR 110.7 (103.0) million, the life insurance business' best result ever. The strategic line whereby all sales are directed via the bank distribution towards unit-linked savings and investment insurance, as well as risk insurance, has been a success and resulted in increased volumes. Of the premium volume for savings, investment and pension insurance, unit-linked insurance accounted for 83 (79)%. Premiums written in unit-linked savings and investment insurance increased by 19% compared to the previous year and the fund allocation service Aktia Profil in particular was very well received by customers. The increased focus on mortgage and life insurance has been a success and is visible as an increase of 10% in premium volume for mortgage insurance.

Insurance claims and benefits totalled EUR 96.7 (92.6) million. The loss ratio for risk insurance was maintained at a good level, 75 (76)%.

Operating expenses remained at the same level as the year before, at EUR 13.2 (13.2) million, of which staff costs accounted for EUR 5.3 (5.1) million. Cost-effectiveness within the life insurance business has remained at a good level. The expense ratio improved to 90.8 (91.7)%.

Net income from investment activities amounted to EUR 38.5 (26.8) million. The increase is attributable to increased profits from sales in 2012. The return on the life insurance business' investments based on market value was 11.7 (5.9)%. The derivatives used in the life business to limit its interest rate and currency risk improved operating profit by EUR 4.0 (3.9) million. Interest-rate derivatives were unwound at the end of the year.

Technical provisions totalled EUR 878 (818) million, of which provisions for unit-linked provisions stood at EUR 359 (285) million and interest-related provisions EUR 520 (533) million. Unit-linked provisions increased to 41 (35)% of total provisions.

Interest-related provisions were reinforced with the establishment of an interest reserve of EUR 16.0 million, which reduced the interest requirement for insurance with guaranteed interest of 4.5% to 3.5% from 2019 onwards. The average duration of the investment portfolio was 6 years at the end of 2012 and the realised coupon rate for the portfolio for the next six years exceeds the average interest requirement on provisions of 3.6% over the year. Previous reserves for customer bonuses and rebates have been dissolved, as the life insurance business is not expected to pay any additional amounts with the continuing low interest rates.

In calculating the interest-related provisions for 2012, certain assumptions were made as to an expected longer average lifetime, which increased technical provisions by EUR 2.0 million. The changes in the interest rate, customer bonuses and rebates and lifetime reserves for technical provisions had a negative effect of EUR 9.3 million on operating profit for the year. The average discount rate for the interest-linked technical provisions was 3.6%. Customers with interest-linked policies who are entitled to additional benefits will receive for 2012 a total return of between 2.0% and 4.5% comprising the technical rate of interest and any customer bonuses and rebates.

The company's solvency ratio improved to 27.4% compared to 20.7 % the previous year.

Miscellaneous

Operating profit for the Miscellaneous segment was EUR -7.1 (-5.3) million.

This year's result is affected by provisions with a cost effect of EUR 5.9 million recognised to cover the winding up of the service agreement in connection with the change of core banking system. The result 2011 is charged with the loss of EUR 6.3 million before tax incurred when the Aktia Group sold its direct and indirect holdings in Bank of Åland plc.

In the third quarter of 2012 Aktia revalued its holding in Samlink Ltd to EUR 0.0 (1.8) million. The revaluation is based on an assessment of the agreements regulating ownership and the range of services in the light of Aktia's own future IT needs.

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

As part of Vasp-Invest Ltd's activities, there were continued active efforts during the year to sell off real estate assets.

Common expenses

The sale of the non-life insurance company enables some rationalisation of support and staff functions. The largest common cost items are marketing, IT and staff costs.

Common expenses amounted to EUR 47.1 (43.3) million and were distributed as follows: banking business EUR 41.0 (37.6) million, asset management EUR 3.8 (3.9) million and life insurance EUR 2.3 (1.8) million.

The Group's risk exposure

Definitions and general principles for asset and risk management can be found in Aktia plc's Annual Report 2012 (www.aktia.fi) in note G2 on pages 36-63.

Lending-related risks within Banking Business

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection decreased to EUR 50 (60) million, corresponding to 0.69 (0.84)% of the credit stock.

Non-performing loans to households more than 90 days overdue corresponded to 0.46 (0.51)% of the entire credit stock and 0.53 (0.61)% of the household credit stock. The credit stock also includes off-balance sheet guarantee commitments.

Loans with payments 3–30 days overdue increased during 2012 to EUR 133 (121) million, equivalent to 1.84 (1.71)% of the credit stock. Loans with payments 31–89 days overdue decreased slightly to EUR 51 (53) million, or 0.71 (0.75)% of the credit stock.

Non-performing loans by time overdue in days

(EUR million)

Days	31.12.2012	% of the stock	31.12.2011	% of the stock
3 - 30	133	1.84	121	1.71
of which households	117	1.62	102	1.43
31 - 89	51	0.71	53	0.75
of which households	42	0.58	46	0.64
90-*)	50	0.69	60	0.84
of which households	33	0.46	36	0.51

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

Write-downs on credits and other commitments

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

Total write-downs on credits amounted to 0.09 (0.15)% of total lending for the year. The corresponding impact on corporate loans amounted to 0.3 (1.2)% of the total corporate lending.

Valuation of financial assets

Value changes reported via income statement

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

Write-downs on financial assets

(EUR million)	1-12/2012	1-12/2011
Interets-bearing securities		
Banking Business	1.2	-
Life Insurance Business	-	0.6
Non-life Insurance Business	-	-
Shares and participations		
Banking Business	-	-
Life Insurance Business	-1.9	-4.6
Non-life Insurance Business	-	-0.3
Total	**-0.7**	**-4.3**

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 116.1 (19.1) million after deferred tax.

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

The fund at fair value

(EUR million)	31.12.2012	31.12.2011	Δ
Shares and participations			
Banking Business	3.6	-	3.6
Life Insurance Business	4.0	6.1	-2.1
Non-life Insurance Business	-	0.8	-0.8
Direct interest-bearing securities			
Banking Business	42.0	-34.9	76.9
Life Insurance Business	48.4	17.9	30.5
Non-life Insurance Business	-	3.7	-3.7
Share of associated company's fund at fair value	1.8	-	1.8
Cash Flow hedging	16.2	25.5	-9.3
Fund at fair value, total	**116.1**	**19.1**	**97.0**

Financial assets held until maturity

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

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

Financial assets held until maturity

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

Unwinding of hedging interest-rate derivatives

In November 2012, the company unwound all its interest rate derivatives for hedging purposes, i.e. to hedge interest rate risk in on-demand deposits and savings accounts (applying the EU 'carve-out' to hedge accounting). When using fair value in hedge accounting, the effective part of the derivatives' market value was compensated by a corresponding assessed value under the balance-sheet item deposits.

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

The unwinding of interest rate derivatives produced a positive cash flow effect of EUR 92.1 million. Hedge accounting ceased following the unwinding of derivatives, and assessment of deposits will be dissolved in 2013–2017 according to the original duration of the interest rate derivatives, which will have a positive effect within net interest income of approx. EUR 15.5 million per year. The remaining cash flow will provide a positive result effect of approx. EUR 14 million during the years 2018–2019.

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

The Group's risk positions

Overview

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

Credit and counterparty risks

Credit risks occur in the banking business, while counterparty risks occur in both banking and insurance businesses. 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 consists of loans to households, and large individual risk concentrations are avoided. Lending to households is generally secured against collateral. Customers' ability to pay is stressed against a higher calculatory interest rate than the actual rate, and in the assessment of collateral a reasonable price reduction is taken into account.

As at 31 December 2012, loans to households accounted for 86.4 (84.5)% of the total credit stock of EUR 7,202 (7,063) million. Corporate lending continued to be moderate with a focus on risk management.

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

Market risks

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

In the banking business, the structural interest rate risks and especially the risk of sustained low interest rates have been actively managed through the nature of the business arrangements, hedging derivatives and investments in the liquidity portfolio. The Bank Group's liquidity portfolio and other interest-bearing investments stood at EUR 1,862 (1,968) million at the year-end, while the investment assets held by the insurance companies to technical provisions totalled EUR 822 (822) million. Of the Bank Group's liquidity portfolio and other interest-bearing investments, 80 (69)% were investments in covered bonds, 16 (21)% were investments in banks, 4 (10)% were investments in state guaranteed bonds, and 0 (0)% were investments in other corporates.

The migration towards Solvency II will increase 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 693 (661) million, 85.2 (90.3)% constituted investments in interest-bearing securities, 9.9 (6.3)% constituted investments in real estate holdings, 3.7 (1.8)% constituted investments in money market instruments and 1.2 (1.5)% alternative investments.

Financing and liquidity risks

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

The Bank Group's liquidity situation was good at year-end, corresponding to outgoing cash-flow for 18 months without any new market borrowing.

Operational risks

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

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

Insurance risks

Underwriting risks occur where future claim payments become higher than expected. Taking into account the provision of reinsurance cover, the claim costs incurred by the insurance businesses have been relatively stable. The provision of reinsurance cover for different insurance portfolios reduces the volatility of financial results and eliminates risks that could affect the company's future business opportunities.

For a more detailed description of the Group's risk management and risk exposure, see note G2 in the consolidated financial statement.

Events concerning close relations

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

More information on close relations is found on page 95 in note G47.

Aktia Bank applies for mortgage bank concession

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

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

For now, the owners of Aktia Real Estate Mortgage Bank will grant new loans from their respective balance sheets, and the activities of Aktia Real Estate Mortgage Bank will focus on the management and refinancing of the current credit stock. All owners of Aktia Real Estate Mortgage Bank are also in the future responsible for capitalisation and senior financing of the bank in accordance with the current shareholders' agreement. Aktia Bank offers its subsidiary Aktia Real Estate Mortgage Bank's liquidity limits, and aims to manage the mortgage bank activities in a way that secures the interests of financiers and investors of Aktia Real Estate Mortgage Bank.

Action plan 2015

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

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

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

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

Other events during the year

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

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

Aktia improved the outlook for continuing operations for the whole year of 2012 on 15 October 2012.

On 8 October Aktia Bank concluded co-determination negotiations that commenced 18 September 2012. The reorganisation had a negative impact on the fourth quarter's result by around EUR 0.9 million.

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

Events after the reporting period

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

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

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

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

Personnel

The average number of full-time employees fell during the year by 149 and was 1,044 (31 December 2011: 1,192). The number of full-time employees fell from the year before by 191 to 1,005 at year-end (31 December 2011: 1,196). This reduction includes full-time employees from Aktia Non-Life Insurance Company Ltd. As of 1 March 2012, the non-life insurance company is no longer a part of the Group.

Personnel fund

Aktia plc's Board of Directors has confirmed that the profit sharing provision to the personnel fund for 2013 will be based on 10% of the part of the group operating profit exceeding EUR 35 million. The profit sharing provision cannot, however, exceed EUR 3 million.

With effect from 2012, Aktia's Executive Committee is no longer part of the personnel fund as a result of the new incentive scheme.

The outcome of the profit-sharing provision 2012 is projected at EUR 2.9 million (2011: 1.2).

Incentive scheme for 2012

The Board of Directors of Aktia plc decided in 2011 on a new share-based incentive scheme for key personnel in Aktia Group.

The reward consists partly of A-shares in Aktia plc and partly of cash. The proportion to be paid in cash is intended for the taxes and tax-related costs related to the reward for the key personnel. The incentive scheme is divided into two parts.

The first part of the scheme is based on earnings criteria and covers three earnings periods: the calendar years 2011-2012, 2012-2013 and 2013-2014. The earnings criteria for the earning period 2011-2012 are based on the development of the Aktia Group's cumulated adjusted equity during the period 1 January 2011 to 31 December 2012 (NAV) (50% weighting), and of the Group's total net commission and insurance income in the period 1 January 2011 to 31 December 2012 (50% weighting).

The earnings criteria for the earnings period 2012–2013 remain unchanged.

The potential reward for each earnings period will be paid out in four instalments after the earnings period, over a span of approximately three years. The Board of Directors has stipulated a maximum level of reward per key person. In general, a reward is not paid out to a key person who, at the time of payment, no longer has a work or employment relationship with the Aktia Group.

The second part of the scheme enables key personnel to also receive a conditional reward based on the acquisition of A-shares in Aktia plc when the incentive scheme is implemented. The conditional reward will be paid to key persons by the end of April 2016, and will take the form of both shares and cash provided that the key person is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of the reward.

Key persons are obliged to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They shall hold the shares throughout their employment in the Group.

The maximum reward paid on the basis of the scheme may amount to 401,200 A shares in Aktia plc and a sum in cash corresponding the value of the shares. The incentive scheme has been prepared in accordance with new regulations concerning reward schemes in the financial sector.

The Aktia Group's report on the remuneration paid to the Executive Committee and other administrative bodies is published on the Aktia plc website (www.aktia.fi).

Board of Directors and the Executive Committee

Aktia plc's Board of Directors for the period 1 January–31 December 2012:
Chair Dag Wallgren, M.Sc. (Econ.)
Vice chair Nina Wilkman, LL.M.
Jannica Fagerholm, M.Sc. (Econ.)
Hans Frantz, Lic.Soc.Sc.
Kjell Hedman, Business Economist
Nils Lampi, B.Sc. (Econ.)
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)
Kjell Sundström, M.Sc. (Econ.)

Aktia plc's Board of Directors for the period 1 January–31 December 2013:
Chair Dag Wallgren, M.Sc. (Econ.)
Vice chair Nina Wilkman, LL.M.
Sten Eklundh, M.Sc. (Econ.)
Jannica Fagerholm, M.Sc. (Econ.), 1 January–27 February 2013
Hans Frantz, Lic.Soc.Sc.
Kjell Hedman, Business Economist
Nils Lampi, B.Sc. (Econ.)
Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)

On 11 December 2012, the Board of Supervisors decided on the annual remuneration for the Board of Directors for 2013:

- Annual remuneration , Chair, EUR 48,200
- Annual remuneration, vice chair, EUR 26,900
- Annual remuneration, member, EUR 21,300

The remuneration of the Board of Directors is unchanged but the proportion paid in shares has been increased to 15 (10)%. The shares are aquired at market price two weeks after the publication of the Accounts Announcement for 2012.

Aktia's Executive Committee comprises Managing Director Jussi Laitinen, Deputy Managing Director and proxy Jarl Sved, Deputy Managing Director Stefan Björkman, Deputy Managing Director Taru Narvanmaa, Director Fredrik Westerholm and Director Magnus Weurlander.

Changes in Group structure

On 29 February 2012 Aktia sold 66% of Aktia Non-Life Insurance Ltd to Folksam General and Veritas Pension Insurance. Aktia now owns 34% of Aktia Non-Life Insurance Ltd.

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

Through a merger on 31 August 2012, HSb-Finance Ltd has been incorporated into the parent company Aktia plc and thus dissolved.

Proposals for the 2013 AGM

Aktia plc's Nomination committee proposes to the Annual General Meeting of Aktia plc, held on 9 April 2013, that members of the Supervisory Board Agneta Eriksson, Erik Karls, Clas Nyberg, Gunvor Sarelin-Sjöblom, Jan-Erik Stenman, Maj-Britt Vääriskoski, Lars Wallin, Bo-Gustav Wilson and Ann-Marie Åberg, who are all due to step down at the Annual General Meeting 2013, to be re-elected, and that Mikael Aspelin, LL.M., and Stefan Mutanen, M.Sc.(Pol.), be elected as new members. All candidates are proposed a 3 years term of office. Thus, the number of members of the Supervisory Board is proposed to be 33.

The Nomination Committee proposes the annual remuneration for members of the Supervisory Board to remain unchanged from the previous year. Proposals for annual remuneration:

- Chair, EUR 21,500
- Vice Chair EUR 9,500
- Member EUR 4,200.

The Nomination Committee proposes that the share of annual remuneration (gross amount) that is required to be used for the acquisition of Aktia plc A shares to be increased to 25% (2012: 20 %).

Further, the Nomination Committee proposes a remuneration of EUR 500 per meeting to be paid to the members, and also that compensation for costs for travel and lodging and a daily allowance be paid in accordance with government travel rules.

The nomination committee proposes to the Annual General Meeting that the APA firm KPMG Oy Ab be elected as auditor, with Jari Härmälä, APA, as auditor-in-charge. Remuneration to the auditor is proposed to be paid as invoiced.

Following the decision taken by Aktia plc's Annual General Meeting, the Nomination Committee prepares proposals for decisions to be taken by the Annual General Meeting concerning individuals to become members of the Board of Supervisors, auditor/s as well as the remuneration of these. The Nomination Committee comprises representatives of the three largest shareholders on 1 November the year before the Annual General Meeting plus the chairman of the Board of Supervisors.

Share capital and ownership

At the end of December 2012, the paid-up share capital of Aktia plc as entered in the Finnish Trade Register was EUR 93,873,816, divided into 46,936,908 series A shares and 20,050,850 series R shares. The total number of shares is 66,987,758. The number of registered shareholders at the end of December was 47,931. 0.6% of the shares were in foreign ownership.

Of the merger compensation related to the merger with Veritas Non-Life Insurance of 6,800,000 shares, a further 1,758 new series A shares were registered on book-entry accounts in the fourth quarter of the year. Inspection and registration of outstanding shares continues. The number of unregistered shares was 795,971 or 1.2 % of all shares. Aktia's holding of treasury shares amounted to 465,478 shares, corresponding to 0.7% of all shares. Aktia plc sold 1,958 series A treasury shares to finance the company's 2011 incentive scheme.

Shares

Aktia's trading codes are AKTAV for A shares and AKTRV for R shares. Each A share carries one vote and each R share carries 20. Otherwise, the shares confer the same rights.

As at 31 Dcember 2012, the closing price for an A share was EUR 5.80 and for an R share EUR 7.51, indicating a market value of approx. EUR 423 million for Aktia plc. The highest quotation for the A share in the year was EUR 6.00 and the lowest EUR 4.34. The highest for the R share was EUR 8.50 and the lowest EUR 6.75.

The average daily turnover increased, particularly for A shares. The average daily turnover of A shares was EUR 115,862, or 21,950 shares. The average turnover of R shares, during the 54 days those were traded, was EUR 39,496, or 4,679 shares.

Outlook and risks for 2013

Outlook

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

Aktia's plan 2015 of action includes several individual measures and will be realised in steps with the aim of reaching the financial objectives for 2015. Aktia's aim is to improve competitiveness and to become the Finnish champion of customer services in selected customer segments. Aktia will continue to strive for efficient and customer-friendly service, and to provide financial solutions for households, business owners, small companies and institutions.

Write-downs on credits are expected to be at the same level as in 2012.

Despite the probably persistent low interest rate level and one-off costs from implementing the 2015 plan of action, the Group's operating profit from continuing operations for 2013 is expected to reach approximately the 2012 level.

Risks

Aktia's financial results are affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates, and the competitive situation. 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, of which the most important are the general economic situation, the interest rate level, the level of unemployment and development of 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, among other things, as a result of a requirement for higher returns among investors.

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

Aktia's financial objectives for 2015

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

Board of Directors' Proposals for the 2013 AGM

The Board of Directors proposes a dividend of EUR 0.36 per share, totalling EUR 23,948,020.80, excluding dividend for treasury shares. Further, the Board of Directors proposes a return of capital of EUR 0.14 per share, totalling EUR 9,313,119.20, excluding dividend for treasury shares. The return of capital corresponds the gains from the sale of the majority holdings in Aktia Non-Life Insurance Company Ltd.

The proposed record date for the dividend is 12 April 2013, and the dividend as well as return of capital is proposed to be paid out 19 April 2013.

Five-year overview

(EUR 1,000)	2012	2011	2010	2009	2008
Turnover from continuing operations					
- banking business	331,185	341,492	354,211	341,765	448,863
- life insurance business	149,557	130,314	128,334	89,555	103,815
+ / - elimination items with an effect on the financial result	-25,982	-29,079	-54,128	-12,000	-64,291
Group	454,760	442,727	428,417	419,320	488,387
Income statement					
Net interest income	117,279	128,615	149,159	152,155	100,953
Net commission income	65,319	60,565	57,771	47,249	41,034
Net income from life insurance	27,304	22,732	16,477	13,991	-33,758
Other operating income	8,013	-10,015	3,571	5,125	19,004
Total operating income	217,915	201,898	226,977	218,519	127,233
Total operating expenses	-154,219	-146,735	-139,393	-132,638	-120,891
Impairments and write downs, net	-8,181	-10,487	-12,950	-31,504	34
Share of profit from associated companies	501	-70	1,594	319	230
Operating profit from continuing operations	**56,015**	**44,606**	**76,229**	**54,696**	**6,606**
Taxes from continuing operations	-15,764	-10,465	-19,349	-15,077	-812
Profit for the reporting period from continuing operations	**40,251**	**34,141**	**56,880**	**39,619**	**5,795**
Profit for the reporting period from discontinued operations	9,776	2,177	1,158	-5,622	4,983
Profit for the reporting period	**50,027**	**36,318**	**58,038**	**33,997**	**10,777**
Balance sheet					
Cash and balances with central banks	587,613	475,042	273,364	340,960	506,311
Financial assets reported at fair value via the income statement	51	1,905	20,870	22,453	19,492
Financial assets available for sale	2,106,661	2,619,146	3,383,652	3,432,962	3,037,328
Financial assets held until maturity	350,020	20,034	21,459	27,883	35,885
Derivative instruments	302,227	300,575	230,158	209,966	137,014
Loans and other receivables	7,360,225	7,152,124	6,637,551	6,141,562	5,526,194
Investments for unit-linked provisions	360,873	286,742	279,964	208,853	148,119
Other assets	172,520	200,494	172,135	171,200	129,730
Total assets	**11,240,190**	**11,056,063**	**11,019,153**	**10,555,839**	**9,540,073**
Deposits	4,689,040	4,757,179	4,356,327	4,753,586	5,015,277
Financial liabilities reported at fair value via the income statement	-	-	-	-	4,586
Derivative instruments	186,362	155,998	149,493	132,165	84,725
Other financial liabilities	4,584,724	4,464,037	4,827,366	4,045,926	3,130,482
Technical provisions	878,474	941,491	989,841	924,437	777,176
Other liabilities	237,330	213,601	198,837	233,568	211,051
Provisions	6,850	-	-	-	-
Total liabilities	**10,582,781**	**10,532,306**	**10,521,863**	**10,089,682**	**9,223,298**
Equity	657,409	523,756	497,290	466,157	316,775
Total liabilities and equity	**11,240,190**	**11,056,063**	**11,019,153**	**10,555,839**	**9,540,073**

Key figures

(EUR 1,000)	2012	2011	2010	2009	2008
Return on equity (ROE), %	8.5	7.1	12.0	8.7	1.8
Return on assets (ROA), %	0.45	0.33	0.54	0.34	0.07
Equity ratio, %	5.9	4.7	4.6	4.6	3.6
Capital adequacy ratio, % (finance and insurance conglomerate)	205.1	163.5	156.5	155.6	133.9
Personnel (FTEs), average number of employees from the beginning of the financial year	1,044	1,192	1,183	1,213	1,009
Earnings per share (EPS), EUR	0.74	0.53	0.83	0.52	0.09
Equity per share (NAV), EUR	8.91	7.01	6.81	6.52	4.85
Dividend per share, EUR *)	0.36	0.30	0.30	0.24	0.15
Payout ratio, % *)	48.7	56.5	36.0	46.5	194.3
Total earnings per share, discontinued operations, EUR	2.19	0.46	0.52	1.72	-0.22
Average number of shares (excluding own shares)	66,521,777	66,503,954	66,477,825	66,446,406	60,167,835
Number of shares at the end of the period (excluding own shares)	66,522,280	66,520,322	66,492,404	66,451,470	60,175,268
Banking Business (incl. Private Banking)					
Cost-to-income ratio	0.74	0.73	0.59	0.57	0.65
Borrowing from the public	3,631,479	3,645,238	3,396,579	3,029,230	3,098,336
Lending to the public	7,201,556	7,063,345	6,591,584	6,060,842	5,425,654
Capital adequacy ratio, %	20.2	16.2	15.9	15.9	13.7
Tier 1 capital ratio, %	11.8	10.6	10.1	9.5	9.3
Risk-weighted commitments	3,611,209	3,693,979	3,673,092	3,460,170	3,313,174
Asset Management					
Mutual fund volume	4,496,599	3,613,403	4,264,027	3,786,167	2,489,752
Managed and brokered assets	7,597,117	6,624,051	6,978,228	5,995,571	4,539,312
Life Insurance					
Premiums written before reinsurers' share	111,240	103,494	101,227	80,900	91,350
Expense ratio, %	90.8	91.7	93.6	100.7	99.0
Solvency margin	158,578	117,231	98,830	86,258	50,359
Solvency ratio, %	27.4	20.7	16.1	14.4	8.5
Investments at fair value	1,020,711	911,626	951,307	867,672	804,559
Technical provisions for interest-related insurances	519,930	533,365	587,720	595,021	627,592
Technical provisions for unit-linked insurances	358,544	284,836	282,448	210,098	149,583

*) According to proposal from Board of Directors, in addition to dividend, a return of capital of EUR 0.14 per share will be paid.

Basis of calculation

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 per share (EPS), 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 (NAV), EUR

Equity attributable to the shareholders of Aktia plc

Number of shares at the end of the period

Return on equity (ROE), %

Profit for the reporting period x 100

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

Total operating expenses

Total operating income

Banking business risk-weighted commitments

Total assets in the balance sheet and off-balance sheet items, including derivates 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, %

Capital base (Tier 1 capital + Tier 2 capital) x 100

Risk-weighted commitments

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

Banking business Tier 1 capital ratio, %

Tier 1 capital x 100

Rsik-weighted commitments

Life insurance business expense ratio, %

(Operating costs + cost of claims paid) x 100

Total expense loadings

Total expense loadings are items which, according to acturial calculations, should cover the costs.
The operating costs do not include the re-insurers' commissions.

Life insurance business solvency ratio, %

Solvency capital x 100

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

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

Aktia plc – Consolidated financial statements

Consolidated income statement

(EUR 1,000)	Note	1–12/2012	1–12/2011
Continuing operations			
Interest income	G4	232,296	262,563
Interest expenses	G4	-115,017	-133,948
Net interest income		117,279	128,615
Dividends	G5	53	173
Commission income	G6	80,834	76,035
Commission expenses	G6	-15,515	-15,470
Net commission income		65,319	60,565
Net income from life insurance	G7	27,304	22,732
Net income from financial transactions	G8	2,940	-14,815
Net income from investment properties	G9	338	266
Other operating income	G10	4,682	4,361
Total operating income		**217,915**	**201,898**
Staff costs	G11	-75,352	-73,203
IT-expenses		-31,419	-26,380
Depreciation of tangible and intangible assets	G12	-7,158	-5,914
Other operating expenses	G13	-40,291	-41,238
Total operating expenses		**-154,219**	**-146,735**
Write-downs on other financial assets	G14	-1,817	-
Write-downs on credits and other commitments	G23	-6,365	-10,487
Share of profit from associated companies		501	-70
Operating profit from continuing operations		**56,015**	**44,606**
Taxes from continuing operations	G15	-15,764	-10,465
Profit for the reporting period from continuing operations		**40,251**	**34,141**
Discontinued operations			
Profit for the reporting period from discontinued operations	G16	9,776	2,177
Profit for the reporting period		**50,027**	**36,318**
Attributable to:			
Shareholders in Aktia plc		49,189	35,335
Non-controlling interest		839	983
Total		**50,027**	**36,318**
Earnings per share attributable to shareholders in Aktia plc, EUR			
Earnings per share (EPS), continuing operations, EUR	G17	0.59	0.50
Earnings per share (EPS), discontinued operations, EUR	G17	0.15	0.03
Earnings per share (EPS), EUR	G17	0.74	0.53
Earnings per share, EUR, after dilution			
Earnings per share (EPS), continuing operations, EUR	G17	0.59	0.50
Earnings per share (EPS), discontinued operations, EUR	G17	0.15	0.03
Earnings per share (EPS), EUR	G17	0.74	0.53

Consolidated statement of comprehensive income

(EUR 1,000)	Note	1–12/2012	1–12/2011
Continuing operations			
Profit for the reporting period from continuing operations		40,251	34,141
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		94,829	-5,095
Change in valuation of fair value for cash flow hedging		-3,319	-198
Transferred to the income statement for financial assets available for sale		16,074	-3,197
Transferred to the income statement for cash flow hedging		-5,770	-
Comprehensive income from items which can be transferred to the income statement		101,815	-8,489
Defined benefit plan pensions		-559	-1,344
Comprehensive income from items which can not be transferred to the income statement		-559	-1,344
Total comprehensive income for the reporting period from continuing operations		**141,506**	**24,307**
Discontinued operations			
Profit for the reporting period from discontinued operations		9,776	2,177
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets available for sale		1,821	4,172
Transferred to the income statement for financial assets available for sale		-6,300	369
Comprehensive income from items which can be transferred to the income statement		-4,479	4,540
Total comprehensive income for the reporting period from discontinued operations		**5,297**	**6,717**
Total comprehensive income for the reporting period		**146,804**	**31,025**
Total comprehensive income attributable to:			
Shareholders in Aktia plc		145,600	30,613
Non-controlling interest		1,203	412
Total		**146,804**	**31,025**
Total earnings per share attributable to shareholders in Aktia plc, EUR			
Total earnings per share, continuing operations, EUR	G17	2.11	0.36
Total earnings per share, discontinued operations, EUR	G17	0.08	0.10
Total earnings per share, EUR	G17	2.19	0.46
Total earnings per share, EUR, after dilution			
Total earnings per share, continuing operations, EUR	G17	2.11	0.36
Total earnings per share, discontinued operations, EUR	G17	0.08	0.10
Total earnings per share, EUR	G17	2.19	0.46

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2012	31.12.2011
Assets			
Cash and balances with central banks	G18	587,613	475,042
Financial assets reported at fair value via the income statement	G19	51	1,905
Interest-bearing securities	G20	2,011,654	2,509,701
Shares and participations	G20	95,007	109,445
Financial assets available for sale		2,106,661	2,619,146
Financial assets held until maturity	G21	350,020	20,034
Derivative instruments	G22	302,227	300,575
Lending to Bank of Finland and credit institutions	G23	158,669	88,779
Lending to the public and public sector entities	G23	7,201,556	7,063,345
Loans and other receivables		7,360,225	7,152,124
Investments for unit-linked provisions		360,873	286,742
Investments in associated companies	G24	21,101	3,467
Intangible assets	G25	14,156	17,278
Investment properties	G26	28,254	24,582
Other tangible assets	G27	5,656	7,615
Accrued income and advance payments	K28	75,016	83,529
Other assets	K28	3,273	26,574
Total other assets		78,289	110,102
Income tax receivables		112	22,253
Deferred tax receivables	G29	23,453	13,002
Tax receivables		23,565	35,255
Assets classified as held for sale	G30	1,498	2,195
Total assets		**11,240,190**	**11,056,063**
Liabilities			
Liabilities to credit institutions	G31	1,057,561	1,111,941
Liabilities to the public and public sector entities	G31	3,631,479	3,645,238
Deposits		4,689,040	4,757,179
Derivative instruments	G22	186,362	155,998
Debt securities issued	G32	3,540,273	3,800,126
Subordinated liabilities	G33	268,173	258,705
Other liabilities to credit institutions	G34	629,575	353,535
Other liabilities to the public and public sector entities	G35	146,704	51,671
Other financial liabilities		4,584,724	4,464,037
Technical provisions for interest-related insurances	G36	519,930	533,365
Technical provisions for unit-linked insurances	G36	358,544	284,836
Technical provisions for non-life insurances		-	123,290
Technical provisions		878,474	941,491
Accrued expenses and income received in advance	G37	93,053	106,873
Other liabilities	G37	55,236	52,112
Total other liabilities		148,289	158,986
Provisions	G38	6,850	-
Income tax liabilities		23,340	2,650
Deferred tax liabilities	G29	65,496	51,775
Tax liabilities		88,837	54,424
Liabilities for assets classified as held for sale	G30	204	191
Total liabilities		**10,582,781**	**10,532,306**

Equity			
Restricted equity	G39	220,219	123,248
Unrestricted equity	G39	372,389	342,774
Shareholders' share of equity		592,608	466,022
Non-controlling interest's share of equity		64,801	57,735
Equity		**657,409**	**523,756**
Total liabilities and equity		**11,240,190**	**11,056,063**

Consolidated off-balance-sheet commitments

(EUR 1,000)	Note	31.12.2012	31.12.2011
Off-balance sheet commitments	G44		
Guarantees		34,602	42,229
Other commitments provided to a third party		3,350	3,348
Commitments provided to a third party on behalf of the customers		37,952	45,576
Unused credit arrangements		302,474	415,299
Other commitments provided to a third party		2,719	5,238
Irrevocable commitments provided on behalf of customers		305,193	420,537
Total		**343,145**	**466,113**

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Non-controlling interest's share of equity	Total equity
Equity as at 1 January 2011	**93,874**	**10,277**	**22,474**	**760**	**72,654**	**252,960**	**452,999**	**44,291**	**497,290**
Divestment of own shares				-760		242	-518		-518
Dividens to shareholders						-19,948	-19,948		-19,948
Profit for the reporting period						35,335	35,335	983	36,318
Financial assets available for sale			-3,718				-3,718	-33	-3,751
Cash flow hedging			340				340	-538	-198
Defined benefit plan pensions						-1,344	-1,344		-1,344
Total comprehensive income for the reporting period			-3,378			33,991	30,613	412	31,025
Other change in equity				185		2,691	2,876	13,032	15,908
Equity as at 31 December 2011	**93,874**	**10,277**	**19,097**	**185**	**72,654**	**269,935**	**466,022**	**57,735**	**523,756**
Equity as at 1 January 2012	**93,874**	**10,277**	**19,097**	**185**	**72,654**	**269,935**	**466,022**	**57,735**	**523,756**
Divestment of own shares						11	11		11
Dividens to shareholders						-19,957	-19,957		-19,957
Profit for the reporting period						49,189	49,189	839	50,027
Financial assets available for sale			106,245				106,245	179	106,424
Cash flow hedging			-9,274				-9,274	186	-9,088
Defined benefit plan pensions						-559	-559		-559
Total comprehensive income for the reporting period			96,971			48,629	145,600	1,203	146,804
Other change in equity				931			931	5,863	6,794
Equity as at 31 December 2012	**93,874**	**10,277**	**116,068**	**1,116**	**72,654**	**298,619**	**592,608**	**64,801**	**657,409**

Consolidated cash flow statement

(EUR 1,000)	1–12/2012	1–12/2011
Cash flow from operating activities		
Operating profit *)	65,603	46,808
Adjustment items not included in cash flow for the period	479	27,555
Unwinded cash flow hedging	17,511	17,597
Unwinded fair value hedging	92,091	-
Paid income taxes	9,097	-37,168
Cash flow from operating activities before change in receivables and liabilities	**184,781**	**54,791**
Increase (-) or decrease (+) in receivables from operating activities	**-127,574**	**254,221**
Financial assets reported at fair value via the income statement	1,854	18,965
Financial assets available for sale	146,665	762,360
Loans and other receivables	-206,458	-524,550
Investments for unit-linked provisions	-74,132	-6,778
Other assets	4,497	4,224
Increase (+) or decrease (-) in liabilities from operating activities	**36,020**	**-93,660**
Deposits	-107,316	359,203
Debt securities issued	-286,690	375,919
Other financial liabilities	356,137	-793,631
Technical provisions	75,741	-48,350
Other liabilities	-1,852	13,200
Total cash flow from operating activities	**93,227**	**215,353**
Cash flow from investing activities		
Financial assets held until maturity, decrease	9,928	1,428
Investments in group companies and associated companies	-44	-389
Proceeds from sale of group companies and associated companies	34,804	355
Investment in investment properties	-9,495	-
Investment in tangible and intangible assets	-6,465	-12,734
Disposal of tangible and intangible assets	1,575	2,976
Total cash flow from investing activities	**30,304**	**-8,364**
Cash flow from financing activities		
Subordinated liabilities, increase	74,526	67,219
Subordinated liabilities, decrease	-63,395	-65,742
Share issue/dividend of Aktia Real Estate Mortgage Bank plc to the non-controlling interest	5,863	13,507
Divestment of own shares	11	163
Paid dividends	-19,957	-19,948
Total cash flow from financing activities	**-2,952**	**-4,801**
Change in cash and cash equivalents	**120,579**	**202,188**
Cash and cash equivalents at the beginning of the year	481,680	279,492
Cash and cash equivalents at the end of the year	602,259	481,680
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	7,960	9,542
Insurance operation's cash and bank	1,722	8,724
Bank of Finland current account	577,931	456,775
Repayable on demand claims on credit insitutions	14,645	6,638
Total	**602,259**	**481,680**

*) Includes operating profit from both continuing and discontinued operations

Adjustment items not included in cash flow consist of:		
Impairment of financial assets available for sale	692	4,260
Write-downs on other financial assets	1,817	-
Write-downs on credits and other commitments	6,533	11,258
Change in fair values	-251	4,448
Depreciation and impairment of intangible and tangible assets	7,249	6,926
Share of profit from associated companies	-206	376
Sales gains and losses from intangible and tangible assets	-11,088	2,492
Unwinded cash flow hedging	-11,660	-2,547
Unwinded fair value hedging	-1,346	-
Change in provisions	6,850	-
Change in fair values of investment properties	-58	-
Change in share-based payments	1,947	341
Total	**479**	**27,555**

Quarterly trends in the Group

(EUR 1,000)	10–12/2012	7–9/2012	4–6/2012	1–3/2012
Continuing operations				
Net interest income	29,328	28,652	29,669	29,630
Dividends	-	1	22	30
Net commission income	15,959	16,414	17,278	15,668
Net income from life insurance	8,326	5,479	7,300	6,199
Net income from financial transactions	3,114	-691	230	287
Net income from investment properties	185	30	112	12
Other operating income	1,508	593	1,179	1,402
Total operating income	**58,420**	**50,478**	**55,790**	**53,227**
Staff costs	-20,017	-17,663	-19,079	-18,593
IT-expenses	-12,572	-5,977	-6,478	-6,393
Depreciation of tangible and intangible assets	-1,936	-1,712	-1,729	-1,781
Other operating expenses	-11,474	-8,688	-10,186	-9,944
Total operating expenses	**-45,998**	**-34,039**	**-37,472**	**-36,710**
Write-downs on other financial assets	-	-1,817	-	-
Write-downs on credits and other commitments	-1,727	-1,791	-956	-1,891
Share of profit from associated companies	-305	599	510	-303
Operating profit from continuing operations	**10,390**	**13,430**	**17,872**	**14,324**
Taxes from continuing operations	-4,077	-3,524	-4,072	-4,090
Profit for the period from continuing operations	**6,312**	**9,906**	**13,800**	**10,233**
Discontinued operations				
Profit for the reporting period from discontinued operations	-	5	439	9,332
Profit for the period	**6,312**	**9,911**	**14,239**	**19,565**
Attributable to:				
Shareholders in Aktia plc	6,117	9,758	14,024	19,289
Non-controlling interest	195	153	215	276
Total	**6,312**	**9,911**	**14,239**	**19,565**
Earnings per share attributable to shareholders in Aktia plc, EUR				
Earnings per share (EPS), continuing operations, EUR	0.09	0.15	0.20	0.15
Earnings per share (EPS), discontinued operations, EUR	0.00	0.00	0.01	0.14
Earnings per share (EPS), EUR	0.09	0.15	0.21	0.29
Earnings per share, EUR, after dilution				
Earnings per share (EPS), continuing operations, EUR	0.09	0.15	0.20	0.15
Earnings per share (EPS), discontinued operations, EUR	0.00	0.00	0.01	0.14
Earnings per share (EPS), EUR	0.09	0.15	0.21	0.29

Quarterly trends of comprehensive income

(EUR 1,000)	10–12/2012	7–9/2012	4–6/2012	1–3/2012
Continuing operations				
Profit for the period from continuing operations	6,312	9,906	13,800	10,233
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	-549	47,834	5,598	41,946
Change in valuation of fair value for cash flow hedging	3,156	-2,191	-1,313	-2,970
Transferred to the income statement for financial assets available for sale	10,891	-60	-64	5,307
Transferred to the income statement for cash flow hedging	-5,770	-	-	-
Defined benefit plan pensions	-559	-	-	-
Total comprehensive income for the period from continuing operations	**13,481**	**55,490**	**18,021**	**54,515**
Discontinued operations				
Profit for the period from discontinued operations	-	5	439	9,332
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets available for sale	-	-	-	1,821
Transferred to the income statement for financial assets available for sale	-	-	-	-6,300
Total comprehensive income for the period from discontinued operations	**-**	**5**	**439**	**4,853**
Total comprehensive income for the period	**13,481**	**55,495**	**18,460**	**59,368**
Total comprehensive income attributable to:				
Shareholders in Aktia plc	13,502	54,642	18,626	58,831
Non-controlling interest	-21	853	-166	538
Total	**13,481**	**55,495**	**18,460**	**59,368**
Total earnings per share attributable to shareholders in Aktia plc, EUR				
Total earnings per share, continuing operations, EUR	0.20	0.82	0.27	0.81
Total earnings per share, discontinued operations, EUR	0.00	0.00	0.01	0.07
Total earnings per share, EUR	0.20	0.82	0.28	0.88
Total earnings per share, EUR, after dilution				
Total earnings per share, continuing operations, EUR	0.20	0.82	0.27	0.81
Total earnings per share, discontinued operations, EUR	0.00	0.00	0.01	0.07
Total earnings per share, EUR	0.20	0.82	0.28	0.88

Notes to the Consolidated financial statements

G1 Consolidated accounting principles 2012

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

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

Basis for preparing financial statements

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

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

On 29 February 2012, Aktia plc sold 51% of the shares of Aktia Non-Life Insurance to Folksam General and 15% of the shares to Veritas Pension Insurance. As of 1 March 2012 Aktia Non-Life Insurance Company Ltd is an associated company of Aktia plc that holds 34% of the shares. In the Group's income statement, income and expenses as well as taxes of the non-life insurance business are reported under profit for the period from discontinued operations both for 2012 and the comparison year 2011. The Group's income statement has been reconstructed to correspond reporting of discontinued operations in 2012. Balance items of the non-life insurace business are included in the Group's balance sheet for the comparison year 2011.

New or amended standards in 2012 that had no impact on the Group's result or financial position:
The following IFRSs and interpretations may affect the reporting of future transactions and business, but had no impact on the Group's result or financial position in 2012:

IFRS 7 Financial instruments: Disclosures (amended) makes it easier for those who read financial reports to evaluate risks attributable to transactions of financial assets and the effect of these risks concerning Aktia's financial position. The standard is mandatory as of 1 July 2011, and Aktia reports completed disclosures according to the amended IFRS 7.

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

IAS 1 Presentation of Financial Statements (amended) requires that items that can be transferred to the income statement and items that cannot be transferred to the income statement to be reported separately in the comprehensive income. The standard is mandatory as of 1 July 2012, and Aktia reports comprehensive income according to the amended IAS 1.

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

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

IFRS 13 Fair Value Measurement defines fair value and contains guidance for the definition of fair value measurement and specifies disclosure requirements. IFRS 13 contains definitions of valuation at fair value when this is required according to other IFRS standards. The standard is mandatory as of 1 January 2013, and Aktia will evaluate possible new disclosure requirements.

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and separate financial statements, introducing a new way to define weather an investment object shall be included in the consolidated financial statements or not. The standard will become mandatory as of 1 January 2014 and will not have any significant impact on which companies are included in the consolidated accounts.

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

IFRS 12 Disclosure of Interests in Other Entities is a combined disclosure standard for subsidiaries, associated companies, joint arrangements and other unconsolidated structured entities. The standard will be mandatory as of 1 January 2014, and Aktia will evaluate possible new disclosure requirements.

IFRS 9 Financial Instruments (published in November 2009) is the first stage in the process to replace IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 introduces new requirements for recognition and measurement of financial assets and liabilities. Financial assets and liabilities will be divided into two categories: measured at fair value or measured at accrued acquisition value. Aktia's model for risk management and the characteristics of financial instruments in respect of future cash flows will have an impact on categories applied by Aktia. The standard is under development, but it is expected to be mandatory as of 1 January 2015. At this stage, Aktia cannot evaluate the full impact of IFRS 9 on its financial reporting.

The Group does not expect other new or revised IFRSs or interpretations from IFRIC (International Financial Reporting Interpretations Committee) to have an impact on the Group's future results, financial position or disclosures.

Consolidation principles

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

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

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

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

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

Segment-based reporting

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

The profit of Aktia Non-Life Insurance Company Ltd is reported under profit for the reporting period from discontinued operations both for 2012 and the comparison year 2011. The Group's segment reporting reports profit from continuing operations. Therefore, the segment Non-Life insurance is not included as a segment of its own.

The Banking Business segment includes Aktia Bank plc's branch office operations, corporate banking, card operations and treasury as well as the subsidiaries Aktia Real Estate Mortgage Bank plc, 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, institutional banking and the subsidiaries Aktia Invest Ltd, Aktia Fund Management Company Ltd and Aktia Asset Management Ltd.

The Life insurance segment encompasses Aktia Life Insurance Ltd and its real estate subsidiaries Kiinteistö Oy Pakkalantie 21, Kiinteistö Oy Virkantie 10, Kiinteistö Oy Pakkalantie 19 as well as the associated company Kiinteistö Oy Keinusaaren Toiminstotalo 1 (holdings 50%).

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

Allocation principles and Group eliminations

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

Aktia plc and Aktia Bank plc are not allocating equity to the different segments. The Miscellaneous segment consists of any items in the income statement and balance sheet that are not allocated to the business segments.
Internal Group transactions between legal entities are eliminated and reported within each segment if the legal entities are in the same segment. Internal Group transactions between legal entities in different segments are included in the eliminations.

The shares of profits in associated companies, acquisition eliminations, the share of holdings where a non-controlling interest exists and other Group adjustments are included in eliminations.

Pricing between the segments is based on market prices.

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividends

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

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

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

Commissions

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

Life insurance premiums received are reported as premiums written in the income statement and are included in the net income from life insurance. 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 insurance contracts 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 unit-linked savings to guaranteed interest with a discretionary element.

Claim costs

Claims paid by the life insurance business and the change in technical provision are reported in the income statement and are included in the net income from life insurance.

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 recognised in the income statement directly.

Depreciation

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

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–5 years

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

Employee remuneration

Pension plans

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

The Group also has voluntary defined-benefit plans. For defined-benefit plans, the Group still has obligations after payments have been made for the reporting period, and bears the actuarial risk and/or the investment risk. The Group's defined-benefit plans are reported in accordance with IAS 19R Employee benefits. Liabilities for defined-benefit pension plans were recorded as liabilities in the financial statements.

Share-based payments

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

For the part of the incentive agreement where payment is made as transfer of equity instruments, a periodised change is booked in shareholders' equity under Fund for share-based payments. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liabilities are reported as Personnel costs.

Taxes

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

Financial assets

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

Financial assets reported at fair value via the income statement

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

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

Financial assets available for sale

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

Financial assets held until maturity

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

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

Loans and other receivables

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

Reclassification

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

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

Financial liabilities

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

Valuation of financial instruments at fair value

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

A hierarchy of fair values of financial instruments established based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3) is presented in Note G2 The Group's risk management.

Impairment of financial assets

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

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

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

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

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

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

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

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

Write-downs of loans and other receivables

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

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

A write-down by group is carried out where there is objective evidence for there being uncertainty in connection with repayment of the receivables in underlying credit portfolios. The analysis is based on a historic analysis of the probability of bankruptcy and loss in the event of bankruptcy in view of macroeconomic and microeconomic events and an experience-based assessment. The valuation of write-downs takes into account the whole lifetimes of the portfolios, whereas changes in credit quality and security values are expected to occur within 12 months from the time of assessment.

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

Accounting for the acquisition and disposal of financial assets

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

Derivative instruments

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

Derivative instruments in the banking business are reported in the income statement according to the classification of the derivatives. When hedge accounting is applied for derivative instruments, the value change is entered as fair value hedges or cash flow hedges according to the following accounting principles. The life insurance business reports the change in value of derivative instruments, together with gains and losses realised, in the income statement as Net income from investments, and it is included in the net income from life insurance.

Hedge accounting

All derivatives are valued at fair value. In accordance with the IFRS rules, Aktia has documented hedge accounting either as fair value hedges or cash flow hedges. Aktia applies the 'carve out' version of IAS 39 as approved by the European Union for hedge accounting. The EU's 'carve out' for macro hedging enables combinations of a group of derivatives (or proportions thereof) to be used as hedging instruments which eliminates certain restrictions for hedging strategies for fair value in the hedging of borrowing and under-hedges. Aktia applies the EU's 'carve out' hedging to Balance items repayable on demand i.e. to portfolio hedging of on demand deposit accounts and savings accounts. The aim is to neutralise the potential changes in fair value of assets and liabilities, and to stabilise the Groups net interest income.

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

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

Fair value hedging

Fair value hedging is applied for derivatives which are used in order to hedge changes in fair value for a reported asset or liability which is attributable to a specific risk. The risk of changes in fair value for assets and liabilities reported by Aktia relates primarily to loans, securities and fixed-interest borrowing, giving rise to interest rate risk.

Changes in the fair value of derivatives are, like changes in the fair value of the hedged item, reported separately in the income statement as Net income from financial transactions. If the hedging is efficient, both changes in fair value mostly cancel each other out, which means that the net result is virtually zero. In the balance sheet, the change in value of the hedged item is reported as adjusted value of the hedged balance sheet item. Interest rate swaps and forward rate agreements are used as hedging instruments.

Fair value hedging is no longer applied in the following situations:
- the hedging instrument expires, is sold, terminated or revoked
- the hedge no longer qualifies for hedge accounting
- hedging is discontinued.

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

Cash flow hedging

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

When interest rate options are used as hedging instruments, only their intrinsic value is included in hedge accounting. The change in time value for interest rate options is reported through the income statement.

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

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

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

Financial derivatives valued at fair value through the income statement

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

Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are thereafter re-valued at fair value. Derivatives are entered in the balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value, together with profits and losses realised, are reported in the income statement and are included in Net income from financial transactions.

Repurchase agreements

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

Cash and balances with central banks

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

Tangible and intangible assets

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

Commercial properties are reported at original acquisition value, whereas investment properties are reported at fair value. The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments. Changes in the fair values of investment properties are reported in the income statement.

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

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.

Assets in Vasp-Invest are classified as assets held for sale. Assets held for sale are valued at fair value with deductions for sales costs.

Provisions

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

The Group as a lessor

Finance lease agreements

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

The Group as a lessee

Operating lease agreements

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

Insurance and investment agreements

Classification of insurance and investment agreements

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

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

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.

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

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

Loss assessment for the life insurance businesses

In life insurance business, an assessment is carried out when the accounts are closed of whether the 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 Ltd decides on customer bonuses and rebates on an annual basis.

Equity

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

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

Holdings where a non-controlling interest exists

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

Accounting principles requiring management discretion

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

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

Estimates and valuation of fair value

Valuation of unquoted financial assets or other financial assets where access to market information is limited requires management discretion. The principles of valuation at fair value are described in the section Valuation of financial instruments at fair value. The fair value of financial assets held until maturity is also sensitive to both changes in interest rate levels and the liquidity and risk premiums of the instrument.

Impairment of financial assets

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

Write-downs of loans and other receivables

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

Actuarial calculations

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

Share-based payments

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

G2 The Group's risk management

1. General

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

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

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

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

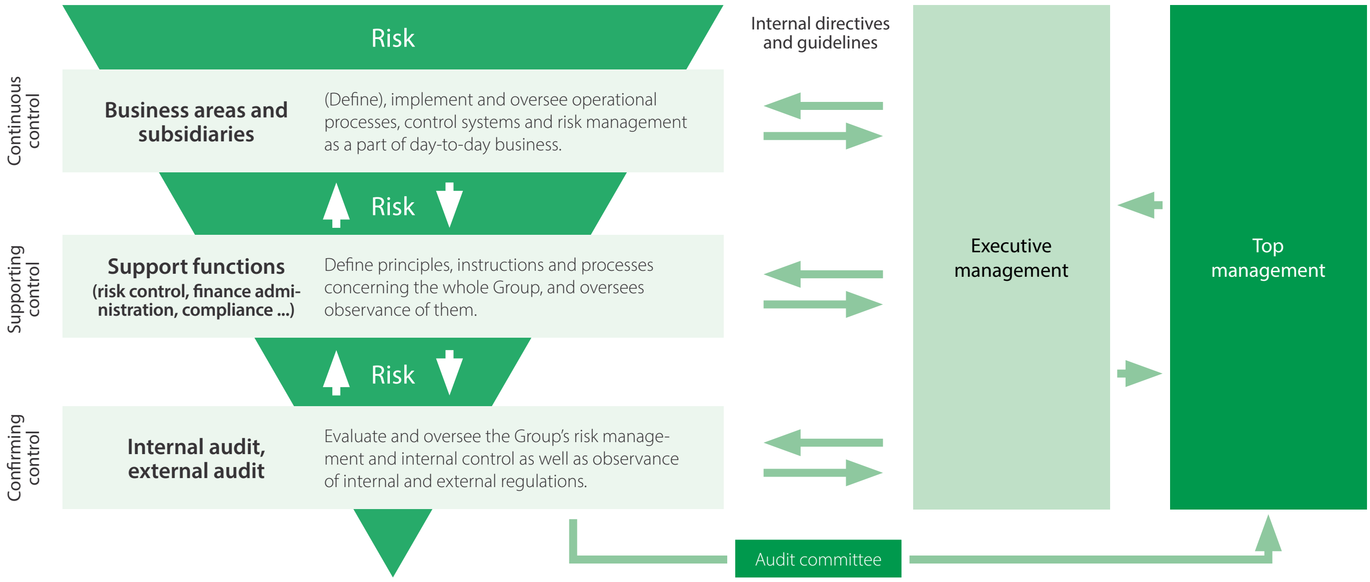
Life insurance operations are based on bearing and managing the risk of loss events, as well as the financial risks involved in assets and liabilities. Volatility in the solvency and results from the life insurance operations can be attributed primarily to market risks in investment operations and the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

2. Risk management

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

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

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



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

3. Group capital management

3.1 Group capital management

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

3.2 Organisation and responsibility

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

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

3.3 Regulatory requirements for capital adequacy and solvency

When calculating the banking group's capital adequacy, the standardised approach is used for credit risks, while the basic indicator approach is used for operational risks. Capital requirements are not exposed to market risks because of the small trading book and small currency positions. The solvency of the life insurance company is calculated in accordance with the provisions set down in the Insurance Companies Act. The capital adequacy of the finance and insurance conglomerate is calculated using the consolidation approach, taking into account the capital requirements for Aktia Non-life Insurance Company Ltd which correspond to the Aktia group's holding in Aktia Non-life Insurance.

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

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

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

The bank group's capital adequacy remained at a good level, exceeding both internal capital adequacy targets and regulatory requirements. The bank group's Tier 1 ratio also exceeds the minimum level of 9%, as set by the European Banking Authority (EBA) in the spring of 2011.

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

The life insurance company's solvency margin amounted to EUR 158.6 (117.2) million, where the minimum requirement is EUR 33.3 (32.3) million. The solvency ratio was 27.4 (20.7)%.

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

The capital adequacy ratio for the conglomerate amounted to 205.1 (163.5)%. 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.

3.4 Methods for internal risk-based capital assessment

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

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

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

The models used for internally assessing minimum capital required to cover credit risk are based on the standardised model for regulatory capital adequacy, with additional allowances for concentration risks.

The internal assessment of minimum capital requirements for market risks is based on stress scenarios for property values and interest rate changes.

Capital requirements for operational risks are assessed on the basis of the regulatory requirements, taking into account internal incident monitoring, while business risks are based on an internal model which takes account of changes in customer behaviour, the cost of lending, the market situation and the competitive situation.

The Pillar 2 assessment as a whole is based on a conservative assumption that the various market risks correlate completely to each other, i.e. that all risks are realised in their entirety and concurrently.

3.5 Ex ante capital planning

3.5.1 Profit generation as a starting point

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

3.5.2 Capital adequacy buffer

The goal in setting targets with regard to regulatory capital adequacy, i.e. setting a buffer to cover the minimum requirements, is to maintain capital adequacy at an adequate level, partly by taking into account planned growth and investments, but also taking into account poorer financial performance or the occurrence of a risk event. The capital adequacy targets also take account of targets for external ratings and consequences of any changes to regulatory requirements. The capital adequacy targets are long-term, but the actual buffer can vary over an economic cycle. Any deterioration in capital adequacy due to weak operational results is primarily managed through restructuring operations. The restructuring measures can include lower growth or fewer investments, discontinuation of capital-intensive positions, 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 method for credit risks and the basic indicator method for operational risks, is 12% (total capital adequacy) and 10% (Tier 1 capital adequacy). In connection with the implementation of IRBA calculation of capital adequacy for retail exposures, the Tier 1 capital adequacy target will be increased to 13%.

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

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

The solvency capital target for Aktia Life Insurance under the current Solvency I rules is 3.5 times the minimum requirement (previous target was minimum requirement). The life insurance company's internal capital adequacy targets are connected to the Solvency II framework.

The capital adequacy required by the authorities for the other regulated companies in the group, e.g. Aktia Asset Management, should exceed the minimum requirements under the current rules, so that any capital buffer is maintained in the parent company.

For the finance and insurance conglomerate, the target for capital adequacy is for it to exceed 150%.

3.5.3 Capital plan for crisis situations

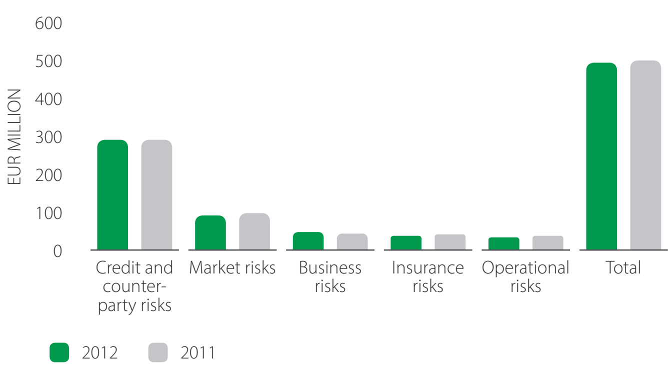
The capital plan describes the measures available to operational managers and the board in the event that capital adequacy is jeopardised. The board and its risk committee monitor changes in capital adequacy each quarter, and within the framework of the capital management process, also the effects of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

3.6 Group risk and capital situation

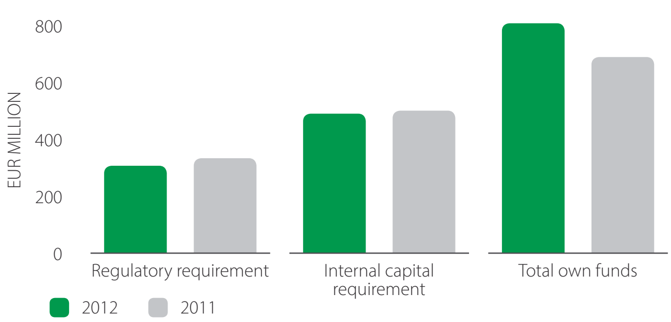
Credit risks constitute the greatest area of risk within the group. Such risks are due to exposure in lending, and counterparty risks associated with liquidity management. Market risks are also considerable, and are primarily due to interest rate risks in the bank's liquidity portfolio and interest rate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

The regulatory minimum capital requirement under the current rules amounted to approx. EUR 329 million, corresponding to approx. 40% of the total capital base of approx. EUR 815 million. The internal capital requirement, encompassing Pillar 1 and Pillar 2, amounted to approx. EUR 495 million, corresponding to 60% of the capital base. The capital reserve for meeting the minimum regulatory requirements therefore amounted to EUR 486 million, and compared to the internal minimum requirement of EUR 320 million.

Internal capital requirement by risk type



Group's total capital compared to internal capital requirement



3.7 Preparations for new regulatory requirements

During 2013 the first parts of the new Basel III regulations are expected to come into effect. The new set of regulations means a general tightening up of the requirements for capital adequacy as well as liquidity. The planned changes to the regulatory requirements have been carefully followed up on, and the effects have been analysed regularly. Impact analyses reveal that the group's current capital base is so strong that the new austerity measures will not call for additional capitalisation. The bank group's liquidity buffer also matches in size the upcoming requirements, even though the proposed set of regulations will require some reallocations in the liquidity portfolio. As a result of the new, more stringent liquidity regulations, Aktia has decided to discontinue its role as a central credit institution.

In August 2011, Aktia handed in its application to the Financial Supervisory Authority, to go over step-by-step and starting with so-called retail exposures, to an internal method for calculating the capital adequacy required by the authorities (Internal Rating Based Approach). Aktia estimates that this internal and more risk-sensitive calculation method should have a positive effect on the bank group's Tier 1 capital adequacy, of the order of 4 percentage points. Since 2007, Aktia has applied a model very similar to the models as used by Basel II for the internal calculation of capital adequacy, as a base for risk-based pricing of credit. This has been done partly in connection with the preparations for the switch to IRBA calculation of capital adequacy.

Calculation of capital adequacy for the life insurance company will also change, in connection with the entry into force of the Solvency II framework. The assessment of capital requirements is extended to include in a better way e.g. actuarial risks, market risks related to technical provisions and investments, counterparty risks and operational risks. The life insurance company's preparations for implementation of Solvency II are proceeding according to plan and capital requirements according to the upcoming regulations are now part of the internal reporting process.

4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's credit worthiness. Credit and counterparty risks are measured by assessing the default risk and any losses incurred by such. The risk of default is measured using scoring or rating models, and the loss in the event of default is measured by taking into account the realisation value of collateral and the anticipated recovery, with deductions for recovery costs. Each year, the group's board of directors determines the credit policy, and revises both the credit risk strategy and delegation of decision-making. The regulation of counterparty risks is managed in a similar manner.

The table below shows the group's exposure per operating area. The figures include accrued interest. Internal group receivables and liabilities are eliminated, and deductions for acceptable collateral have not been made. Investments that provide cover for unit-linked provisions are not included.

The Group's maximum exposure by operation

				31.12.2012				31.12.2011
EUR million	Banking business	Life insurance business	Non-Life Insurance	Total Group	Banking business	Life insurance business	Non-Life Insurance	Total Group
Cash and money market	**745**	**15**	**0**	**746**	**555**	**13**	**11**	**564**
Bonds	**1,850**	**563**	**0**	**2,405**	**1 928**	**546**	**117**	**2 579**
Public sector	114	205	0	319	115	200	56	371
Government guaranteed bonds	4	0	0	4	125	9	0	134
Banks	252	45	0	297	378	47	9	434
Covered bonds	1,468	220	0	1,680	1 291	197	41	1 518
Corporate	12	94	0	106	20	92	10	122
Shares and mutual funds	**29**	**88**	**0**	**117**	**5**	**99**	**9**	**114**
Interest rate funds	0	39	0	39	0	47	5	52
Shares and equity funds	28	0	0	28	4	0	0	5
Real estate funds	0	41	0	41	0	42	3	45
Private Equity	1	8	0	9	1	8	1	10
Hedge funds	0	1	0	1	0	1	0	1
Loans and claims	**7,214**	**0**	**0**	**7,214**	**7 081**	**0**	**0**	**7 082**
Public sector entities	4	0	0	4	6	0	0	6
Housing associations	271	0	0	271	290	0	0	290
Corporate	670	0	0	670	763	0	0	763
Households	6,230	0	0	6,230	5 977	0	0	5 977
Non-profit organisations	39	0	0	39	46	0	0	46
Tangible assets	**6**	**46**	**0**	**34**	**8**	**0**	**24**	**32**
Bank guarantees	**38**	**0**	**0**	**38**	**46**	**0**	**0**	**46**
Unused facilities and unused limits	**302**	**3**	**0**	**305**	**415**	**4**	**1**	**421**
Derivatives (credit equivalents)	**343**	**0**	**0**	**343**	**371**	**5**	**0**	**370**
Other assets	**47**	**5**	**0**	**47**	**68**	**3**	**19**	**82**
Total	**10,574**	**720**	**0**	**11,250**	**10 477**	**670**	**182**	**11 288**

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

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

4.1 Managing credit and counterparty risks, and reporting procedures

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

The exposure inherent in the loan stock is reported to the group's board of directors and its risk committee every quarter, and to the executive credit committee and branch management every month.

4.1.1 Credit risks in the banking business

Within banking operations, loans to households are primarily provided against real estate collateral below loan-to-value 70%. Mortgage financing has been arranged primarily through Aktia Real Estate Mortgage Bank. POP Banks and savings banks have also brokered Aktia Real Estate Mortgage Bank loans. Other investment and consumption financing for households is arranged directly from the bank's balance sheet. Credit limits associated with customers' credit cards are organised from Nets Ltd' s (previously Luottokunta) balance sheet.

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

The financing of corporate instalment purchases, leasing and working capital is managed through a separate subsidiary, Aktia Corporate Finance. In 2012, Aktia did not enter into any new risk capital financing arrangements and total risk capital financing amounted to EUR 2 (2) million at year end. The debtor's ability to repay the debt, good knowledge of the customer, complete understanding of the customer's business situation and dualistic decision making process, limited risk-taking, diversification and risk-based pricing are the central elements of the Group's credit policy, together with the drive for sustained profitability.

Credit stock by sector

EUR million	31.12.2012	31.12.2011	Change	Percentage
Households	6,222	5,966	257	86.4%
Corporate	666	758	-91	9.3%
Housing associations	270	289	-19	3.8%
Non-profit organisations	39	45	-7	0.5%
Public sector entities	4	6	-2	0.1%
Total	**7,202**	**7,063**	**138**	**100.0**

4.1.2 Lending to households

The group's loan stock increased in 2012 by EUR 138 million (2.0%), totalling EUR 7,202 (7,063) million at year end. This increase occurred according to plan within the area of household financing and the household share of the total loan stock amounted to EUR 6,222 (5,966) million or 86.4% (84.5%) at year end, and when combined with housing associations was 90.2% (88.6%).

The housing loan stock totalled EUR 5,850 (5,607) million, of which mortgages granted by Aktia Real Estate Mortgage Bank plc made up EUR 3,700 (3,652) million. In total, housing loans increased by 4.3 (9.5)% during the year.

4.1.2.1 Credit rating

Loans are granted on the basis of an assessment of the customer's credit rating and the loan-to-value ratio achieved by the collateral provided. A risk-based pricing policy is also adopted. The debtor's ability to repay is an absolute requirement for a loan to be granted. To ensure that the customer has an adequate buffer in case of higher market interest rates, the ability to repay is calculated on the basis of an interest rate of 6% over a repayment period of 25 years, this for all of the customer's loans.

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

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

Distribution of household scoring classes*

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

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

4.1.2.2 Collateral and calculation of capital adequacy

The valuation and administration of collateral is very important for managing credit risk. Rules and authorisations concerning the valuation of collaterals and the updating of collateral values have been established. When calculating risk exposure, a conservative value lower than the collateral's market value is adopted, in keeping with the principle of prudence. The extent to which this value is lower shall reflect the volatility in the security's market value, the security's liquidity and the expected time for recovery and fulfilment. Only residential real estate collateral, certain guarantees and financial securities are taken into account in the capital adequacy calculation. As of 31 March 2010, collateral valuations older than three years have been updated on a regular basis. These updates have been performed using an internally developed statistical model for valuing collateral. With each new credit decision, the collateral is revalued.

Loans to households are mainly granted with the loan-to-value below 70%, which means that any reduction in market values (residential real estate prices) does not directly increase risk exposure. Of the total claims on households, approximately 4.9 (4.6)% are secured by central government or by deposit while approximately 87.8 (87.5)% are secured against real estate collateral under the Basel II regulations. Approximately 7.3 (7.9)% of claims are secured in other ways, which are not taken into account in the capital adequacy calculation (e.g. the proportion of the residential real estate's value exceeding 70%.

4.1.2.3 Loan-to-value ratio of collateral

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

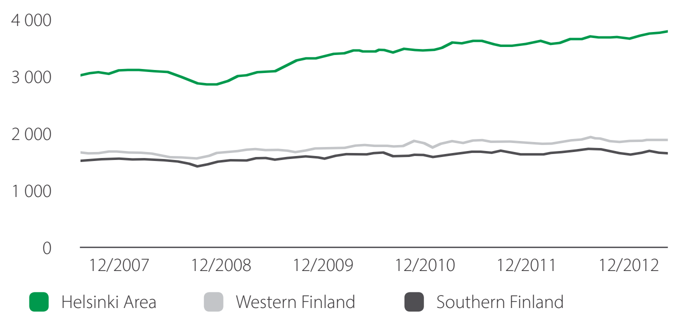
Loan To Value (LTV) distribution* of mortgage loan stock

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

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

The majority of the bank's collateral stock is made up of dwellings. The trends in housing prices are thus important factors in the bank's risk profile. During 2012, developments in housing prices within Aktia's main business area have remained at a stable level.

Average house prices, EUR/m²



4.1.2.4 Risk-based pricing

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

4.1.3 Corporate lending

New lending to companies was aimed at small companies, and corporate loans fell by 12.1% from the beginning of the year, totalling EUR 666 (758) million. The proportion of the total credit stock accounted for by corporate loans continued to fall according to plan, to 9.3 (10.7)%.

Customers are assessed for corporate financing purposes on the basis of accounts analysis and credit ratings. Other analysed factors are cash flow, the competitive situation, the impact of existing investments, and other forecasts.

Rating distribution (Suomen Asiakastieto) *

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

* Intra-Group transactions are not included

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

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

11.8 (12.6)% of receivables from corporations were secured by central or local government guarantees or by deposit, while 31.9 (29.1)% were secured against residential real estate collateral. The remaining 56.3 (58.3)% are granted against collateral not taken into account in the capital adequacy calculation, including commercial real estate, various company-specific securities or against the company's operations and cash flow. Insufficient collateral imposes limits, according to the revised corporate strategy and the credit policy applied to businesses.

4.1.4 Concentration risks in lending

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

90.2% of the loan portfolio comprises loans to households and Finnish housing associations, and 87.8% of receivables from households are secured against residential real estate collateral. Approximately 31.9% of receivables from companies are secured against residential real estate collateral. Aktia's level of credit risk is sensitive to changes in both domestic employment and housing prices.

In addition, Aktia has a strong market position in some areas, which creates a certain geographical concentration risk. 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 been experienced as insignificant in household lending.

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

Branch distribution of corporate stock

Branch EUR million	31.12.2012 666	31.12.2011 758
Basic industries, fisheries and mining	3.6%	3.9%
Industry	7.1%	7.1%
Energy, water and waste disposal	2.5%	2.4%
Construction	6.5%	7.3%
Trade	9.7%	12.7%
Hotels and restaurants	4.5%	4.1%
Transport	7.6%	8.4%
Financing	9.2%	7.7%
Property	34.3%	32.8%
Research, consulting and other business service	8.3%	8.3%
Other services	8.1%	6.8%
- write-downs by group	-1.4%	-1.5%
Total	**100%**	**100%**

Claims on housing companies are not included in the table above

4.1.5 Past due payments

Loans with payments 3–30 days overdue increased during 2012 to EUR 133 (121) million, equivalent to 1.84 (1.71)% of the credit stock. Loans with payments 31–89 days overdue decreased slightly to EUR 51 (53) million, or 0.71 (0.75)% of the credit stock.

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection decreased to EUR 50 (60) million, corresponding to 0.69 (0.84)% of the credit stock.

Non-performing loans to households more than 90 days overdue corresponded to 0.46 (0.51)% of the entire credit stock and 0.53 (0.61)% of the household credit stock. The credit stock also includes off-balance sheet guarantee commitments.

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

Past due loans by length of payment delay

EUR million Days	31.12.2012	% of the credit stock	31.12.2011	% of the credit stock
3-30	133	1.84	121	1.71
of which households	117	1.62	102	1.43
31-89	51	0.71	53	0.75
of which households	42	0.58	46	0.64
90- *	50	0.69	60	0.84
of which households	33	0.46	36	0.51

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

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

Loans past due but not impaired

EUR million

Days	Book value	% of the credit stock	31.12.2012 Fair value of collateral
3–30	133	1.84	133
31–89	51	0.71	51
90–	46	0.64	44

Days	Book value	% of the credit stock	31.12.2011 Fair value of collateral
3–30	121	1.71	120
31–89	53	0.74	52
90–	51	0.72	47

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

In accordance with group's accounting principles, a specific write-down is made if there is objective evidence that the customer's ability to pay has been weakened after the receivable was originally entered in the balance sheet. Objective evidence exists when the debtor experiences significant financial difficulties, breach of contract such as delayed payments of interest or capital, concessions are granted for financial or legal reasons which the lender had not otherwise considered, or the debtor enters bankruptcy or other financial restructuring. Thus forbearance results in an individual write-down if the receivable exceeds the expected cash flows from the collateral's liquidation process.

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

4.1.7 Write-downs of loan and guarantee claims

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

Total write-downs on credits amounted to 0.09 (0.15)% of total lending for the period. The corresponding impact on corporate loans amounted to 0.3 (1.2)% of the total corporate lending.

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

Gross loans and write-downs

EUR million	31.12.2012	31.12.2011
Gross loans	**7,266**	**7,127**
Individual write-downs	-50	-49
Of which made to non-performing loans past due at least 90 days	-40	-39
Of which made to other loans	-10	-10
Write-downs by group	-15	-14
Net loans, balance amount	**7,202**	**7,063**

4.1.8 Lending to local banks

Financing is provided to banks based on individual credit ratings and decisions. Every year, the board of directors sets separate limits for the short- and long-term financing of local banks, which are based on the local bank's own funds, capital adequacy and provided collateral. Committed facilities for liquidity financing decreased by approx. EUR 43 million and amounted at the year-end to a total of EUR 138.5 (181.3) million, divided between 47 (51) individual savings and POP Banks while outstanding liquidity financing totalled EUR 6.0 (1.3) million. Secured financing totalled EUR 86 (58) million.

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

5. Management of financing and liquidity risks

Financing and liquidity risk implies a risk that the group will not be able to meet its payment obligations, or could only do so at high cost, and is defined as the availability and cost of refinancing, as well as differences in maturity between assets and liabilities. Financing risk also occurs if funding is largely concentrated in individual counterparties, instruments or markets. Managing the refinancing risks ensures that the group can fulfill its financial obligations.

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

5.1 Financing and liquidity risks in banking operations

In the banking business, financing and liquidity risks are defined as the availability of refinancing and the differences in maturity between assets and liabilities. To ensure market-related refinancing, the banking business strives to maintain a diverse range of financing sources and an adequate spread across different markets and investors.

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

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

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

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

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

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

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

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

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

The group's executive committee is responsible for managing financing and liquidity risks. The group's risk control unit, which continuously monitors liquidity risks and associated limits, reports on these to the board and the executive committee. The treasury unit is responsible for maintaining the bank's day-to-day liquidity, and constantly monitors how wholesale assets and liabilities mature. Developments and pricing in the deposit stock are also followed closely. The treasury unit executes the adopted measures, to change the liquidity position.

Credit rating

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

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

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

Aktia's ratings 31.12.2012

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

5.2 Liquidity risks in the life insurance business

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

6. Handling market, balance sheet and counterparty risks

6.1 Methods for valuing financial assets

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

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

For a limited proportion of the assets – EUR 77.3 (60.6) million or 3.0 (2.2)% of financial assets at year end – valuations are based on unquoted prices or the company's own assessments. These assets are mainly holdings in funds investing in unlisted companies.

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

The fair value valuation is classified in different valuation categories:

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

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

Level 3 consists of financial instruments, which the fair value cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices on rates. This category mainly includes unlisted equity instruments and funds, and other unlisted funds and securities for which there currently are no committed prices.

No major transfers have occurred between levels 1 and 2.

Valuation techniques				31.12.2012
	Fair value classified into			
Financial assets, EUR million	Level 1	Level 2	Level 3	Total
Financial assets valued through income statement				
Interest-bearing securities	0.0	0.0	0.0	0.0
Shares and participations	0.0	0.0	0.1	0.1
Total	**0.0**	**0.0**	**0.1**	**0.1**
Financial assets available for sale				
Interest-bearing securities	1,946.9	43.3	21.5	2,011.7
Shares and participations	39.2	0.0	55.8	95.0
Total	**1,986.1**	**43.3**	**77.2**	**2,106.7**
Financial assets held until maturity				
Interest-bearing securities	339.9	10.1	0.0	350.0
Shares and participations	0.0	0.0	0.0	0.0
Total	**339.9**	**10.1**	**0.0**	**350.0**
Derivative instruments, net	**-0.6**	**116.5**	**0.0**	**115.9**
Total	**-0.6**	**116.5**	**0.0**	**115.9**
Total financial assets		**169.9**	**77.3**	**2,572.6**

Valuation techniques				31.12.2011
	Fair value classified into			
Financial assets, EUR million	Level 1	Level 2	Level 3	Total
Financial assets valued through income statement				
Interest-bearing securities	0.0	1.2	0.0	1.2
Shares and participations	0.0	0.0	0.7	0.7
Total	**0.0**	**1.2**	**0.7**	**1.9**
Financial assets available for sale				
Interest-bearing securities	2,414.2	92.4	3.1	2,509.7
Shares and participations	52.7	0.0	56.7	109.4
Total	**2,466.9**	**92.4**	**59.9**	**2,619.1**
Financial assets held until maturity				
Interest-bearing securities	0.0	20.0	0.0	20.0
Shares and participations	0.0	0.0	0.0	0.0
Total	**0.0**	**20.0**	**0.0**	**20.0**
Derivative instruments, net	**0.5**	**144.1**	**0.0**	**144.6**
Total	**0.5**	**144.1**	**0.0**	**144.6**
Total financial assets	**2,467.4**	**257.6**	**60.6**	**2,785.7**

6.1.2 Changes within level 3

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

6.1.3 Sensitivity analysis in level 3 for financial instruments

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

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

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

Interest-bearing securities have been tested by assuming an upward parallel shift of 3 percentage points of the interest rate in all maturities. At the same time the market prices for shares and participations are assumed to drop by 20%, with exception for Suomen Luotto-osuuskunta, which is valued based on its lowest estimated value of the return of capital after the sale of its subsidiary Nets Oy (previously known as Luottokunta).These assumptions would mean a result or valuation effect via the fund for fair value corresponding to 1.6 (2.1)% of the group's own funds.

6.2 Market and asset and liability risks in the banking business

After preparation in the executive committee and the board's risk committee, the board of directors sets out annually the strategy and limits for managing market risks related to the development of net interest income and volatility. The group's investment committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The bank's treasury unit carries out transactions in order to manage the structural interest rate risk based on the established strategy and limits.

6.2.1 Structural interest rate risk

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

The structural interest rate risk is simulated using a dynamic asset and liability risk management model. The model takes into account the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied. The analysis period is up to 5 years and shows that lower market interest rates would have a adverse effect on the net interest rate development, while higher market interest rates would strengthen the net interest rate development.

Reconciliation of the changes taken place for financial instruments which belongs to level 3	Financial assets valued through income statement			Financial assets available for sale			Total		
EUR million	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Fair value 1.1.2012	0.0	0.7	0.7	3.1	56.7	59.9	3.1	57.5	60.6
New purchases	0.0	0.0	0.0	18.7	5.4	24.1	18.7	5.4	24.1
Sales	0.0	-0.9	-0.9	-0.4	-7.0	-7.4	-0.4	-7.9	-8.3
Matured during the year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Realised value change in the income statement	0.0	0.2	0.2	-0.0	-2.2	-2.2	-0.0	-2.0	-2.0
Unrealised value change in the income statement	0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	-0.0	-0.0
Valued change recognised in the fund at fair value	0.0	0.0	0.0	0.0	2.9	2.9	0.0	2.9	2.9
Transfer from level 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from level 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value 31.12.2012	**0.0**	**0.1**	**0.1**	**21.5**	**55.8**	**77.2**	**21.5**	**55.8**	**77.3**

Reconciliation of the changes taken place for financial instruments which belongs to level 3	Financial assets valued through income statement			Financial assets available for sale			Total		
EUR million	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Fair value 1.1.2011	0.0	6.1	6.1	4.5	54.3	58.8	4.5	60.4	64.9
New purchases	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.2	0.2
Sales	0.0	-1.8	-1.8	-1.0	-1.2	-2.2	-1.0	-3.0	-4.0
Matured during the year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Realised value change in the income statement	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1
Unrealised value change in the income statement	0.0	-3.6	-3.6	0.0	-0.3	-0.3	0.0	-3.9	-3.9
Valued change recognised in the fund at fair value	0.0	0.0	0.0	-0.3	3.6	3.3	-0.3	3.6	3.3
Transfer from level 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from level 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value 31.12.2011	**0.0**	**0.7**	**0.7**	**3.1**	**56.7**	**59.9**	**3.1**	**57.5**	**60.6**

Sensitivity analysis for financial instruments belonging to level 3	31.12.2012		31.12.2011	
EUR million	Fair value	The negative effect at an assumed movement	Fair value	The negative effect at an assumed movement
Financial assets valued through income statement				
Interest-bearing securities	0.0	0.0	0.0	0.0
Shares and participations	0.1	-0.0	0.7	-0.1
Total	**0.1**	**-0.0**	**0.7**	**-0.1**
Financial assets available for sale				
Interest-bearing securities	21.5	-0.6	3.1	-0.1
Shares and participations	55.8	-10.2	56.7	-11.3
Total	**77.2**	**-10.8**	**59.9**	**-11.4**
Total financial assets	**77,3**	**-10.8**	**60.6**	**-11.6**

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

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

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

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

6.2.1.1 Unwinding of hedging interest-rate derivatives

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

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

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

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

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

More information regarding derivative agreements is provided in note G 21.

6.2.2 Market value interest rate risk and credit spread risk

Market value interest rate risk consists of changes in the value of financial assets available for sale, due to interest rate fluctuations or changes in the credit spread. The size and maturity of the liquidity portfolio is restricted and the risk level is managed by a capital limit based on dynamic interest rate shocks (described in more detail in 6.2.6). In keeping with the prevailing rules, the impact of the rate shock is taken into account only for financial assets.

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

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

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

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

6.2.2.1 Reclassification of financial assets

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

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

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

*) France has dropped below AAA-rating during 2012

The aim of the reclassification is to reduce volatility in the fund at fair value and to address the regulatory risks arising from Basel III. Securities held until maturity are reported at their accrued acquisition value, with deductions for write-downs. As of 31 December 2012, no write-downs had been necessary.

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

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

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

Rating distribution for banking business

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

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

No write-downs were performed during the year (31 December 2011: EUR 0.0 million). However, Aktia Bank posted a reversal of EUR 1.2 million, which is attributable to earlier write-downs relating to Lehman Brothers. Investments in bonds issued by corporates were made only in the Euro zone.

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

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

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

To further reduce counterparty risks, individual collateral arrangements are used, in accordance with ISDA/CSA (Credit Support Annex) conditions. At year end, Aktia had derivative exposures with 12 counterparties, with a positive market value totalling EUR 255.8 million, of which the derivatives brokered to local banks had a market value of EUR 125.5 million. The net exposure after credit risk mitigation totalled EUR 11.1 million and a maximum of EUR 5 million for each counterparty, except for one individual counterparty where net exposure was EUR 9.5 million.

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

6.2.4 Exchange rate risk

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

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

At year end, total net currency exposure for the bank group amounted to EUR 0.6 million (EUR 3.4) million.

6.2.5 Equity and real estate risk

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

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

At the end of the period, real estate assets totalled EUR 0.5 million (EUR 0.7) million. The investments in shares that are necessary or strategic to the business totalled EUR 6.7 (1.8) million, of which EUR 4.9 million comprised a return of capital from Suomen Luotto-osuuskunta as a result of the sale of Nets Oy (previously Luottokunta).

6.2.6 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. The table below summarises market value sensitivity for the bank group's assets available for sale in various market risk scenarios as of 31 December 2012 and 31 December 2011. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

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

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

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The extent of the change is an annually revised percentage based on rating and investment type, and varies between 44 bp (basis points = 0.01%) (e.g. AAA government bonds) and 351 bp (e.g. all securities with a rating of BB+ or lower). From the end of 2012, the risk for government bonds will be measured via separate country-specific stress coefficients; e.g. Germany will have 26 bp, Finland 35 bp and Greece 704 bp. The specific discounting curve for each individual investment is shifted by this value to obtain the stressed value of the investment.

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

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

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

6.3 Market and asset and liability risks in the insurance business

After preparation by the executive committee, the company boards and the board's risk committee, the group's board of directors sets out the strategy and limits for managing market risks in both the investment portfolio and interest-linked provisions. The group's investment committee is responsible for the operational management of internal group investment assets within predetermined guidelines and limits. An investment manager has been appointed to be in charge of operational management. The group's risk control unit supervises risk exposure and limits.

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

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

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

In the life insurance company, the net change in the fund at fair value relating to the market valuation differences in interest-bearing securities during the period totalled EUR 30.5 million after the deduction of deferred tax. At the end of December 2012, the valuation difference in interest-bearing securities was EUR 48.4 (17.9) million.

The part of the investment portfolios that cover technical provisions for interest-linked policies is valued on an ongoing basis at market value. Temporary price fluctuations are reported in the fund for fair value, as above, while significant or long-term value changes are reported in the income statement. During the reporting period, write-downs affecting profit attributable to shares and participations totalling EUR -1.9 (-4.6) million were posted for the life insurance company. For interest-bearing securities, no reversals affecting the result were noted during the reporting period.

Aktia Life Insurance	Government and Govt. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
EURm	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**	**12/12**	**12/11**
EU AAA	**126.0**	**144.9**	**117.1**	**111.0**	**55.8**	**63.7**	**88.9**	**79.9**	**68.6**	**42.0**	**8.0**	**8.2**	**-**	**-**	**464.4**	**449.7**
Finland	50.6	49.0	15.8	20.5	23.1	29.1	60.7	44.1	68.6	42.0	6.8	6.8	-	-	225.6	191.5
Other AAA-countries	75.4	95.9	101.3	90.5	32.8	34.6	28.2	35.8	-	-	1.2	1.4	-	-	238.8	258.2
EU < AAA	**77.8**	**68.3**	**102.4**	**86.4**	**1.2**	**1.3**	**6.7**	**14.0**	**-**	**-**	**-**	**-**	**-**	**-**	**188.1**	**170.0**
France *)	67.9	58.8	89.5	73.0	1.2	1.0	4.5	6.2	-	-	-	-	-	-	163.1	139.0
Belgium	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	0.1
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	0.5	0.4	-	0.2	-	1.7	-	-	-	-	-	-	0.5	2.3
Italy	-	-	2.0	1.8	-	-	2.2	4.8	-	-	-	-	-	-	4.3	6.6
Portugal	1.7	2.4	-	-	-	-	-	-	-	-	-	-	-	-	1.7	2.4
Spain	-	-	10.3	11.2	-	-	-	1.3	-	-	-	-	-	-	10.3	12.5
Other countries	8.2	7.1	-	-	-	-	-	-	-	-	-	-	-	-	8.2	7.1
Europe excluding EU	**0.3**	**-**	**-**	**0.1**	**4.3**	**6.8**	**2.3**	**0.1**	**-**	**-**	**0.5**	**0.5**	**-**	**-**	**7.4**	**7.5**
North America	**-**	**0.4**	**-**	**-**	**-**	**-0.4**	**6.5**	**4.7**	**-**	**-**	**0.0**	**1.0**	**-**	**-**	**6.5**	**5.7**
Other OECD-countries	**5.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.9**	**-**
Supranationals	**-**	**-**	**-**	**-**	**6.1**	**4.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.1**	**4.7**
Others	**14.6**	**23.1**	**-**	**-**	**-**	**-**	**-**	**0.4**	**-**	**-**	**-**	**-**	**-**	**-**	**14.6**	**23.5**
Total	**224.7**	**236.7**	**219.5**	**197.5**	**67.4**	**76.1**	**104.3**	**99.1**	**68.6**	**42.0**	**8.5**	**9.7**	**-**	**-**	**693.0**	**661.1**

*) France has dropped below AAA-rating during 2012

6.3.1 Interest rate risk

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

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

Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk refers to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities. At the product level, this risk is considerable, in particular in relation to interest-bearing savings and pension insurance. As of 31 December 2012, the average guaranteed interest on the life insurance company's provisions, excluding provisions for unit-linked insurance, was approximately 3.6 (3.6)%. The average guaranteed customer interest weighed against the stock's market value was 4.2 (4.2)%.

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

The transition to Solvency II renews the rules on how capital adequacy for the insurance companies is calculated, and places demands on the market valuing of technical provisions, which will have an unfavourable impact on the financial position of the life insurance company in the event of a low interest rates. This is largely due to a mismatch between the cash flows for provisions and the investment portfolio. This is due to the convention in the current Solvency rules of valuing provisions at book value, which favours investment portfolios with short durations and low levels of required capital in relation to longer investments.

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

The transition towards a matching cash flow structure for the life insurance company involves a lot of work, as the provisions are to be distributed evenly in diminishing amounts over a period of approx. 50 to 60 years.

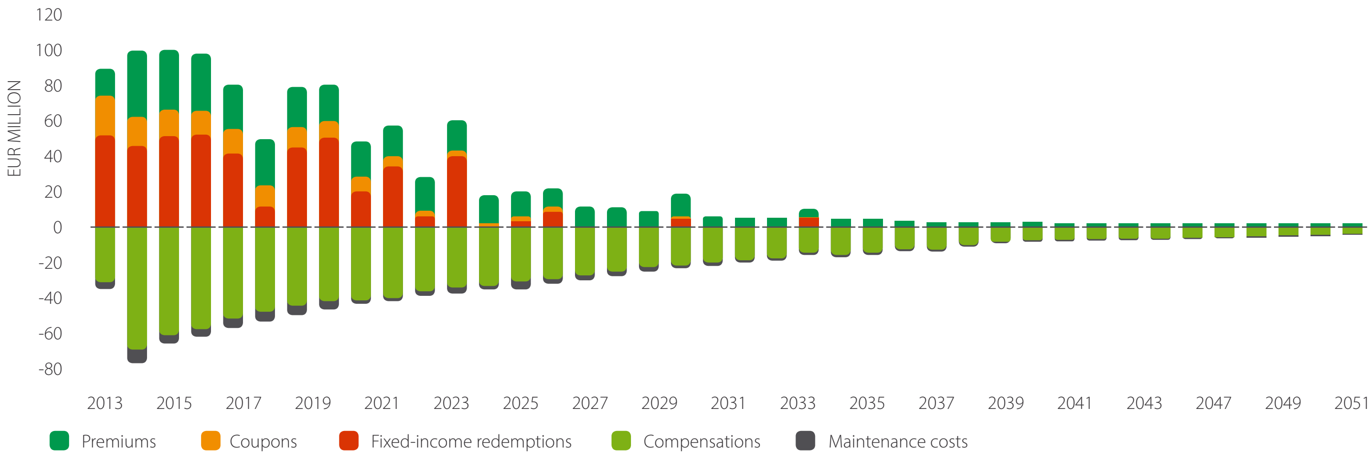
Liabilities (Techical provisions) - Life Insurance business

EUR million	TP 31.12.2012	%	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	TP 31.12.2011
Group pension	**47.5**	**5.4**	**3.5**	**2.2**	**0.3**	**1.6**	**0.0**	**44.8**
3,5 %	47.3	5.4%	3.4	2.2	0.3	1.6	0.0	44.6
2,5 %	0.1	0.0%	0.0	0.0	0.0	0.0	0.0	0.1
1,0 %	0.1	0.0%	0.0	0.0	0.0	0.0	0.0	0.1
Individual pension insurance	**315.1**	**35.9%**	**9.5**	**37.7**	**1.2**	**13.2**	**0.0**	**330.9**
4,5 %	221.9	25.3%	4.5	28.5	0.7	10.2	0.0	237.1
3,5 %	68.3	7.8%	2.7	8.2	0.3	2.4	0.0	71.2
2,5 %	25.0	2.8%	2.2	1.0	0.2	0.6	0.0	22.7
Savings insurance	**98.9**	**11.3%**	**2.6**	**15.6**	**0.6**	**3.2**	**0.0**	**106.1**
4,5 %	23.2	2.6%	1.4	6.0	0.3	1.1	0.0	27.0
3,5 %	23.0	2.6%	0.8	2.7	0.2	0.8	0.0	24.5
2,5 %	52.7	6.0%	0.4	6.9	0.1	1.3	0.0	54.5
Risk insurance	**38.0**	**4.3%**	**21.5**	**14.0**	**6.9**	**1.3**	**0.1**	**39.3**
Unit linked insurance	**358.5**	**40.8%**	**73.7**	**27.1**	**4.4**	**0.0**	**0.0**	**285.5**
Savings insurance	261.0	29.7%	63.3	26.0	3.0	0.0	0.0	206.4
Individual pension insurance	92.2	10.5%	8.7	1.1	1.2	0.0	0.0	75.7
Group pension	5.3	0.6%	1.6	0.0	0.1	0.0	0.0	3.4
Reservation for future bonuses	**0.0**	**0.0%**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.2**
Reservation for increased life expectancy	**4.4**	**0.5%**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.5**
Reservation for lowered discount rate	**16.0**	**1.8%**	**0.0**	**0.0**	**0.0**	**-0.4**	**0.0**	**7.0**
	878.5	**100.0%**	**110.7**	**96.7**	**13.4**	**19.0**	**0.1**	**818.2**

Estimated cash flow distribution over time, interest-bearing contracts 31.12.2012

EUR million	Duration	2013–2014	2015–2016	2017–2021	2022–2026	2027–2033	2034–2043	2044–2053	2054–
Savings insurance	**8.5**	**26.2**	**18.8**	**34.8**	**15.6**	**13.6**	**11.4**	**5.3**	**5.3**
4.5%	4.2	8.0	8.3	8.2	1.5	0.9	0.3	0.1	0.0
3.5%	11.1	2.7	2.8	12.7	4.5	4.6	3.8	2.0	2.1
2.5%	9.2	15.4	7.7	13.9	9.5	8.2	7.3	3.2	3.2
Pensions	**11.6**	**38.7**	**48.6**	**106.3**	**105.8**	**125.3**	**104.0**	**57.6**	**22.8**
4.5%	8.7	40.4	41.7	85.2	70.5	59.4	17.8	2.5	0.8
3.5%	14.6	3.4	9.4	27.8	35.5	54.2	54.0	20.6	10.5
2.5%	22.4	-5.0	-2.2	-4.4	0.6	11.2	30.9	31.3	9.8
1.0%	18.0	-0.2	-0.2	-2.2	-0.8	0.4	1.4	3.1	1.8
Other insurance	**8.8**	**7.4**	**-0.7**	**-3.0**	**-5.2**	**-5.2**	**-3.2**	**-0.4**	**0.1**
	11.3	**72.3**	**66.7**	**138.1**	**116.2**	**133.7**	**112.2**	**62.5**	**28.1**

Cash flow distribution of the Life Insurance company (EUR million)



Immediate matching starting from a short-term portfolio would require a reallocation of a large part of the portfolio, which from a yield perspective would not be profitable at low interest rates. In practice re-allocation within the investment portfolio is made in a step-wise fashion, to reduce mismatches in the cash flow structure of the investment portfolio and provisions. However, during 2012, new investment has focused on real estate purchases, which has shifted the emphasis from long-term interest-bearing securities and thus has decreased the duration of the portfolio. At the end of 2012, the average duration of the portfolio was 5.0 (5.3) years, and for provisions approx. 11.3 (10.6) years.

6.3.2 Credit spread risk

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

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

Direct interest rate investments dominated in the life insurance company's portfolio, and at the end of the year these investments including cash amounted to EUR 616 (EUR 609) million, corresponding to 89 (92)% of the investment portfolio. Counterparty risks arising in connection with the life insurance company's investments are managed by the requirement for high external ratings – at least A3 from Moody's for banks and governments, and 'Investment grade' (at least Baa3) for corporates. Additionally, maximum exposure limits have been established per counterparty and asset type.

At the end of the year, 36 (39)% of the interest rate investments were receivables from public sector entities, 17 (16)% were receivables from corporates, and 47 (45)% were receivables from banks and covered bonds.

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

EUR million	31.12.2012		31.12.2011	
Equities	**0.0**	**0.0%**	**0.0**	**0.0%**
Fixed-income	**590.6**	**85.2%**	**597.2**	**90.3%**
Government bonds	204.6	29.5%	205.9	31.1%
Financial sector bonds in total	264.2	38.1%	247.0	37.4%
Covered bonds	219.5	31.7%	197.3	29.8%
Senior bonds	36.2	5.2%	40.0	6.1%
Subsenior bonds	8.5	1.2%	9.7	1.5%
Other corporate in total	90.3	13.0%	105.6	16.0%
Senior bonds	85.0	12.3%	100.7	15.2%
Subsenior bonds	5.3	0.8%	4.8	0.7%
Asset Backed Securities	0.0	0.0%	0.0	0.0%
Inflation-linked bopnds	0.0	0.0%	5.0	0.8%
Emerging markets bonds	31.5	4.5%	28.1	4.2%
High yield bonds	0.0	0.0%	0.0	0.0%
Structured products with equity risk	0.0	0.0%	1.2	0.2%
Other structured products	0.0	0.0%	0.0	0.0%
Derivatives	0.1	0.0%	4.5	0.7%
Interest rate swaps	0.0	0.0%	4.6	0.7%
Forward contracts on currencies	0.1	0.0%	-0.2	0.0%
Alternative investments	**8.5**	**1.2%**	**9.8**	**1.5%**
Private Equity & Venture capital	8.0	1.2%	8.5	1.3%
Hedge funds	0.5	0.1%	1.3	0.2%
Real estate	**68.6**	**9.9%**	**42.0**	**6.3%**
Directly owned	27.7	4.0%	0.0	0.0%
Real estate funds	40.9	5.9%	42.0	6.3%
Money market	**11.0**	**1.6%**	**0.0**	**0.0%**
Cash at bank	**14.3**	**2.1%**	**12.1**	**1.8%**
	693.0	**100.0%**	**661.1**	**100.0%**

Rating distribution for life insurance business

	31.12.2012	31.12.2011
EUR million	**563**	**546**
Aaa	54.5%	70.5%
Aa1-Aa3	21.6%	8.7%
A1-A3	12.0%	11.5%
Baa1-Baa3	3.7%	4.1%
Ba1-Ba3	2.0%	0.8%
B1-B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Domestic municipalities (unrated)	0.0%	0.0%
No rating	6.2%	4.4%
Totalt	**100.0%**	**100.0%**

6.3.3 Equity risk

Equity risk occurs if share prices and the market prices of comparable holdings fall. In the life insurance company, all stock market investments have been disposed of as planned. However, as before, unlisted shares and private equity funds are included in the company's portfolio. The total market value of such shares in the life insurance company's portfolio is EUR 8.0 (8.5) million. The life insurance company also has exposure to hedge funds, which partly involves equity risk and is subject to disposal. At year end, this amounted to EUR 0.5 (1.3) 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 the company receives lower returns on its real estate investments.

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year end, total real estate investments amounted to EUR 68.6 (42.0) million. Limits for individual real estate exposures and real estate risk have been established at group level, and separately for the life insurance company. The risk is managed through diversification of investment properties.

6.3.5 Exchange rate risk

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

The life insurance company's exchange rate risk comes from holdings in interest funds that invest in emerging market government bonds issued in USD or local currencies. Some hedge fund holdings are also in USD or other currencies. Investments in emerging markets have been maintained during the year, while the hedge funds are being discontinued. The dollar risk has been partly hedged through currency-related forward contracts. At the end of the period, the life insurance company had underlying investments totalling EUR 21.4 (11.1) million, with open exchange rate risk.

6.3.6 Risk sensitivity

With regard to investments, the key risks involved are interest rate, counterparty (spread) and equity risk, and for provisions, the key risk is interest rate risk. The table below summarises market value sensitivity for the insurance company's assets available for sale in various market risk scenarios as of 31 December 2012 and 31 December 2011. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the board's limits on capital usage. The risk components set out in the table are defined as follows:

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

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

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The extent of the change is an annually revised percentage based on rating and investment type, and varies between 44

Sensitivity analysis for market risks	Portfolio		Technical provisions*		Total			
EUR million	**2012**	**2011**	**2012**	**2011**		**2012**		**2011**
Life insurance company						**%**		**%**
Market value 31.12.	693.0	661.1	-565.1	-549.7	127.9	100.0%	111.4	100.0%
IR risk up	-31.2	-35.6	49.4	49.9	18.2	14.2%	14.4	12.9%
IR risk dowm	24.9	33.5	-55.0	-59.3	-30.2	-23.6%	-25.7	-23.1%
Spreadrisk	-16.0	-16.9	0.0	0.0	-16.0	-12.5%	-16.9	-15.2%
Equity risk	-3.2	-4.4	0.0	0.0	-3.2	-2.5%	-4.4	-3.9%
Real estate risk	-12.9	-8.0	0.0	0.0	-12.9	-10.1%	-8.0	-7.2%

*) For the insurance company 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.

bp (basis points = 0.01%) (e.g. AAA government bonds) and 351 bp (e.g. all securities with a rating of BB+ or lower). From the beginning of 2012 the risk for government bonds will be measured via country-specific stress coefficients; e.g. Germany will have 26 bp, Finland 35 bp and Greece 704 bp. The specific discounting curve for each individual investment is shifted by this value to obtain the value of the investment when in shock.

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

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

7. Managing insurance risks

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

7.1 Insurance risks in the life insurance company

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

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

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

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

8. Managing operational risks

Operational risks refer to risk of loss arising from unclear or incomplete instructions and internal processes, unreliable information, human error, deficient systems or external events.

The group's policy on managing operational risks has been established by the board of directors. According to the policy, the essential functions in the Group, including delegated functions shall be regularly mapped out for risks.

Operational risks are present in all of Aktia's operations. The level of operational risk should be low, and this demands keen insight into business activities, good internal control mechanisms, excellent leadership and competent staff.

Risk assessment is performed by the group's risk control function according to standard assessment models, in the form of self-assessment or traditional risk assessment. Risk assessment results in an evaluation of identified risk areas. The appropriate decision-making bodies in the organisation determine how these risk areas should be handled. Identified risk areas are followed up on a regular basis and actions taken to reduce risk are evaluated. In addition to regular risk assessments, adequate instructions are prepared as a preventive measure in order to reduce operational risks in central and high risk areas. The instructions should cover (among other things) legal risks, personnel risks and principles for continuity planning.

Despite well-functioning internal controls, risk events or operational incidents do occur. All units must report incidents with economic consequences, including close calls. The group's risk control unit analyses incident information systematically and develops action plans for mitigation measures at the process or group level. The risk control unit is also responsible for regular reporting to the board. Failures in processes, systems, know-how or internal checks that caused the incident are dealt with systematically. A rapid and proactive management of any customer impact is also sought.

The responsibility for managing the operational risks is carried by the business areas and the line organisation. Risk management means continual development in the quality of the internal processes and internal control within the whole organisation. The management of each business area is responsible for ensuring that the processes and procedures are adapted to the goals established by the group's executive management and that the instructions are sufficient. As part of an efficient internal control system, process descriptions are created for critical processes.

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

The internal audit reports directly to the board of directors.

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

8.1 Legal risks

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

Appendix to G2, Consolidated capital adequacy and exposures

(EUR 1,000)

The Bank Group's capital adequacy

Summary	12/2012	9/2012	6/2012	3/2012	12/2011
Tier 1 capital	426,400	440,424	437,870	427,126	392,625
Tier 2 capital	303,807	302,096	267,999	254,483	206,441
Capital base	**730,207**	**742,521**	**705,870**	**681,609**	**599,066**
Risk-weighted amount for credit and counterpart risks	3,248,925	3,355,594	3,369,626	3,394,999	3,321,647
Risk-weighted amount for market risks 1)	-	-	-	-	-
Risk-weighted amount for operational risks	362,284	372,332	372,332	372,332	372,332
Risk-weighted commitments	**3,611,209**	**3,727,926**	**3,741,958**	**3,767,331**	**3,693,979**
Capital adequacy ratio, %	**20.2**	**19.9**	**18.9**	**18.1**	**16.2**
Tier 1 Capital ratio, %	**11.8**	**11.8**	**11.7**	**11.3**	**10.6**
Minimum capital requirement	**288,897**	**298,234**	**299,357**	**301,387**	**295,518**
Capital buffer (difference between capital base and minimum requirement)	441,310	444,287	406,513	380,223	303,548

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

The Bank Group's capital base

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

The Bank Group's risk-weighted exposures

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

*) derivative agreements credit conversion factor

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

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

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

The capital requirement for operational risk is 15 % of average gross income during the last three years.
The risk-weighted amount is calculated by dividing the capital requirement by 8 %.

The finance and insurance conglomerate's capital adequacy

Summary	12/2012	9/2012	6/2012	3/2012	12/2011
Tier 1 capital for the group	536,206	532,736	521,437	500,752	479,581
Sector-specific items	358,029	354,298	305,610	287,670	234,896
Intangible assets and other reductions	-220,010	-200,441	-180,850	-156,111	-154,787
Conglomerate´s total capital base	**674,225**	**686,594**	**646,197**	**632,311**	**559,690**
Capital requirement for banking business	290,753	300,050	301,630	304,048	296,224
Capital requirement for insurance business	38,053	37,492	37,492	37,864	46,154
Minimum amount for capital base	**328,806**	**337,542**	**339,122**	**341,912**	**342,378**
Conglomerate´s capital adequacy	**345,419**	**349,052**	**307,075**	**290,399**	**217,311**
Capital adequacy ratio, %	**205.1 %**	**203.4 %**	**190.5 %**	**184.9 %**	**163.5 %**

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

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

The exposures are reported as gross.

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

Exposures with eligible guarantees are flowed to other counterparty classes with lower capital requirement. Eligible guarantees are defined in Standard 4.3e of the Finnish Financial Supervision Authority.

Guarantees given by Finnish government, municipalities, congregations, banks and other governments are accepted.

Corporate quarantees are accepted if the company's credit rating is sufficient and the guarantee complies with other requirements of the standard.

Financial collaterals are taken into account through comprehensive method as defined in Standard 4.3e of the Finnish Financial Supervision Authority.

Financial collaterals include deposits, listed shares and other debt securities.

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

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

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

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

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

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

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

The amounts include on- and off-balance sheet items and derivatives by credit conversion value.
Individually impaired loans include loan capital and accrued interest less individual write-downs.
In capital adequacy measurement for credit risk under the standard method, past due exposures have interest or capital at least 90 days overdue.

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

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

The Bank group's loans individually impaired

31.12.2012

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

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

31.12.2011

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

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

G3 Group's segment reporting

Income statement	Banking Business		Asset Management		Life Insurance		Non-Life Insurance *		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**	**1–12/2012**	**1–12/2011**
Net interest income	112,774	123,918	5,357	4,305	-	-	-	-	-1,100	106	248	287	117,279	128,615
Dividends	38	2,222	-	-	-	-	-	-	15	0	-	-2,049	53	173
Net commission income	45,518	45,244	20,711	16,572	-	-	-	-	4,842	5,280	-5,752	-6,531	65,319	60,565
Net income from life insurance	-	-	-	-	27,891	23,432	-	-	-	-	-588	-700	27,304	22,732
Net income from financial transactions	-144	-9,351	-17	75	-	-	-	-	3,101	-6,901	-	1,362	2,940	-14,815
Net income from investment properties	1	14	-	-	-	-	-	-	401	130	-64	121	338	266
Other income	2,694	4,082	370	614	-	-	-	-	5,802	3,465	-4,184	-3,800	4,682	4,361
Total operating income	**160,880**	**166,130**	**26,422**	**21,566**	**27,891**	**23,432**	**-**	**-**	**13,061**	**2,081**	**-10,339**	**-11,311**	**217,915**	**201,898**
Staff costs	-37,029	-41,915	-7,974	-8,049	-5,344	-5,104	-	-	-24,507	-17,742	-499	-393	-75,352	-73,203
IT-expenses	-13,576	-13,689	-2,083	-857	-929	-1,086	-	-	-15,831	-10,748	1,000	-	-31,419	-26,380
Depreciation of tangible and intangible assets	-1,962	-2,260	-651	-473	-817	-661	-	-	-3,727	-2,519	-	-	-7,158	-5,914
Other expenses	-62,782	-62,223	-6,300	-6,541	-6,089	-6,316	-	-	25,505	23,597	9,375	10,245	-40,291	-41,238
Total operating expenses	**-115,349**	**-120,087**	**-17,008**	**-15,920**	**-13,179**	**-13,168**	**-**	**-**	**-18,559**	**-7,413**	**9,876**	**9,852**	**-154,219**	**-146,735**
Write-downs on other financial assets	-	-	-	-	-	-	-	-	-1,618	-	-199	-	-1,817	-
Write-downs on credits and other commitments	-6,365	-10,487	-	-	-	-	-	-	-	-	-	-	-6,365	-10,487
Share of profit from associated companies	-	-	-	-	-	-	-	-	-	-	501	-70	501	-70
Operating profit from continuing operations	**39,166**	**35,556**	**9,413**	**5,646**	**14,712**	**10,265**	**-**	**-**	**-7,116**	**-5,332**	**-162**	**-1,529**	**56,015**	**44,606**

Balance sheet	Banking Business		Asset Management		Life Insurance		Non-Life Insurance *		Miscellaneous		Eliminations		Total Group	
(EUR 1,000)	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Cash and balances with central banks	585,800	466,203	91	114	15,460	12,909	-	11,159	-	-	-13,738	-15,344	587,613	475,042
Financial assets reported at fair value via the income statement	-	-	-	-	51	1,905	-	-	-	-	-	-	51	1,905
Financial assets available for sale	1,468,900	1,876,079	1,500	1,401	639,327	630,233	-	124,102	5,774	37	-8,840	-12,705	2,106,661	2,619,146
Financial assets held until maturity	350,020	20,034	-	-	-	-	-	-	-	-	-	-	350,020	20,034
Loans and other receivables	7,338,710	7,139,916	153,497	74,720	-	-	-	-	3,274	144	-135,255	-62,656	7,360,225	7,152,124
Investments for unit-linked provisions	-	-	-	-	360,873	286,742	-	-	-	-	-	-	360,873	286,742
Other assets	362,875	565,358	6,572	7,315	46,448	22,521	-	48,926	422,982	365,920	-364,131	-508,971	474,747	501,069
Total assets	**10,106,305**	**10,067,591**	**161,659**	**83,550**	**1,062,159**	**954,311**	**-**	**184,187**	**432,030**	**366,101**	**-521,964**	**-599,677**	**11,240,190**	**11,056,063**
Deposits	4,259,053	4,596,333	532,542	185,805	-	-	-	-	25	1,558	-102,580	-26,516	4,689,040	4,757,179
Debt securities issued	3,549,113	3,812,831	-	-	-	-	-	-	-	-	-8,840	-12,705	3,540,273	3,800,126
Technical provision for insurance business	-	-	-	-	878,474	818,201	-	118,500	-	-	-	4,790	878,474	941,491
Other liabilities	1,323,235	1,173,452	9,613	14,044	27,276	19,529	-	20,975	261,359	70,799	-146,490	-265,291	1,474,994	1,033,510
Total liabilities	**9,131,402**	**9,582,616**	**542,155**	**199,849**	**905,750**	**837,730**	**-**	**139,476**	**261,384**	**72,357**	**-257,910**	**-299,721**	**10,582,781**	**10,532,306**

*) The Group's segment reporting has been changed and does not include the previous segment Aktia Non-life Insurance. Balance sheet items of Aktia Non-life Insurance are included in the balance sheet for the comparing period 2011.

Notes to the consolidated income statement

(EUR 1,000)

G4 Interest income and expenses

	2012	2011
Interest income		
Interest income from cash and balances with central banks	1,237	3,290
Interest income from financial assets reported at fair value via the income statement	466	-
Interest income from financial assets available for sale	55,364	69,550
Interest income from claims on credit institutions	2,654	996
Interest income from claims on public and public sector entities	169,945	184,141
Interest income from finance lease contracts	897	996
Interest income from loans and other receivables	173,496	186,132
Interest income from financial assets held until maturity	296	470
Interest income from hedging instruments	196	1,977
Other interest income	1,241	1,143
Total	**232,296**	**262,563**
Interest expenses		
Interest expenses from deposits, credit institutions	-17,890	-21,721
Interest expenses from deposits, other public entities	-39,258	-41,531
Interest expenses from deposits	-57,149	-63,252
Interest expenses for debt securities issued to the public	-96,779	-97,780
Interest expenses for subordinated liabilities	-8,868	-9,259
Interest expenses from securities issued and subordinated liabilities	-105,647	-107,039
Interest expenses for hedging instruments	47,818	36,487
Other interest expenses	-40	-143
Total	**-115,017**	**-133,948**
Net interest income	**117,279**	**128,615**
Deposits and lending	55,129	63,049
Hedging, interest rate risk management	30,780	34,850
Other	31,370	30,717
Net interest income	**117,279**	**128,615**

G5 Dividends

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

Dividends in life insurance business are included in net income from investments, see note G7. Dividends from life insurance business are EUR million 0.1 (0.0).

G6 Commission income and expenses

	2012	2011
Commission income		
Lending	9,207	7,166
Borrowing	230	167
Payment transactions	16,904	16,089
Asset management services	40,571	38,958
Brokerage of insurance	3,339	2,946
Guarantees and other off-balance sheet commitments	575	652
Real estate agency	7,655	7,952
Other commission income	2,353	2,106
Total	**80,834**	**76,035**
Commission expenses		
Commission expenses	-10,269	-10,955
Money handling	-608	-603
Joint use of ATMs	-1,386	-1,391
Other commission expenses	-3,251	-2,521
Total	**-15,515**	**-15,470**
Net commission income	**65,319**	**60,565**

G7 Net income from life-insurance

	2012	2011
Income from insurance premiums	110,665	103,014
Net income from investments	37,892	26,120
Insurance claims paid	-96,668	-92,605
Net change in technical provisions	-24,585	-13,797
Net income from life insurance	**27,304**	**22,732**
Premium income		
Premium income from insurance agreements		
Insurance agreements	111,240	103,453
Reinsurance agreements	-	41
Total gross income from premiums before the assuming company's share	**111,240**	**103,494**
Assuming company's share	-575	-480
Total income from premiums	**110,665**	**103,014**
Premium income from insurance agreements with a discretionary element		
Saving plans	2,598	2,993
Individual pension insurance	9,469	11,005
Group pension insurance	3,461	3,452
Personal insurance	19,502	20,346
Group life insurance for employers	1,939	1,081
Other group life insurance	37	42
Risk insurance	21,478	21,469
Total	**37,006**	**38,919**
Premium income from unit-linked agreements		
Saving plans	63,286	53,307
Individual pension insurance	8,745	9,515
Group pension insurance	1,629	1,273
Total	**73,659**	**64,095**
Total income from premiums	**110,665**	**103,014**

On-going and one-off premiums from direct insurance		
On-going premiums	71,725	69,051
One-off premiums	38,940	33,963
Total income from premiums	**110,665**	**103,014**
Net income from investments		
Net income from financial assets valued at fair value through income statement		
Derivative contracts		
Profit and losses	3,986	3,942
Total	**3,986**	**3,942**
Interest-bearing securities		
Interest income	40	105
Profit and losses	-	-196
Other income and expenses	-	246
Total	**40**	**155**
Shares and participations		
Profit and losses	33	-27
Other income and expenses	-39	-3,711
Total	**-6**	**-3,738**
Net income from financial assets available for sale		
Interest income	20,091	22,026
Capital gains and losses	456	-1,310
Impairments	-	630
Transferred to income statement from fund at fair value	514	2,159
Other income and expenses	-15	-35
Interest-bearing securities	21,047	23,469
Dividends	100	29
Capital gains and losses	6,473	2,877
Impairments	-1,908	-4,594
Transferred to income statement from fund at fair value	5,153	2,364
Other income and expenses	1,179	1,699
Shares and participations	10,998	2,374
Total	**32,045**	**25,843**
Net income from investment properties		
Rental income	2,305	-
Direct expenses from investment properties, which generated rental income during the accounting period	-478	-
Total	**1,826**	**-**
Expenses from financial liabilities		
Subordinated liabilities	-	-82
Total	**-**	**-82**
Total for the Insurance business' net income from the investment business	**37,892**	**26,120**
Exchange rate differences included in net income from the investment business	6	71

Insurance claims paid		
Claims paid from insurance agreements with discretionary element		
Saving plans		
Repayment of saving sums	-9,861	-11,393
Payments in the event of death	-1,629	-1,776
Repurchase	-4,116	-4,758
Total	**-15,606**	**-17,927**
Individual pension insurance		
Pensions	-23,048	-23,210
Payments in the event of death	-470	-525
Repurchase	-14,143	-9,980
Total	**-37,661**	**-33,715**
Group pension insurance		
Pensions	-2,211	-2,565
Repurchase	-	-9
Other	-27	-70
Total	**-2,239**	**-2,644**
Risk insurance		
Individual insurance	-12,982	-14,069
Group life insurance for employers	-1,006	-827
Other group life insurance	-27	-29
Total	**-14,015**	**-14,925**
Total claims paid from insurance agreements with discretionary element	**-69,521**	**-69,211**
Claims paid from unit-linked insurances		
Saving plans		
Repayment of saving sums	-6,628	-2,613
Payments in the event of death	-5,813	-4,858
Repurchase	-13,577	-15,058
Total	**-26,018**	**-22,529**
Individual pension insurance		
Pensions	-630	-467
Payments in the event of death	-52	-50
Repurchase	-434	-337
Total	**-1,116**	**-855**
Group pension insurance		
Payments in the event of death	-14	-10
Total	**-14**	**-10**
Total claims paid from unit-linked insurances	**-27,147**	**-23,393**
Total claims paid	**-96,668**	**-92,605**
Change in provisions, interest-linked policies		
Changes in premium provisions, interest-linked	-11,753	-6,033
Changes in claims provisions, interest-linked	25,187	28,353
Change in provisions, interest-linked policies	**13,435**	**22,320**
Net change in provisions, unit-linked policies		
Changes in claims provisions, unit-linked	641	234
Changes in premium provisions, unit-linked	-74,349	-6,663
Changes in value of unit-linked investments, net	35,688	-29,688
Change in provisions, unit-linked policies	**-38,020**	**-36,117**
Total net change in technical provisions	**-24,585**	**-13,797**

G8 Net income from financial transactions

	2012	2011
Financial assets held for trading		
Capital gains and losses		
Interest-bearing securities	1	4
Other items	-2	-2
Total	**-1**	**2**
Total	**-1**	**2**
Financial assets and liabilities reported at fair value via the income statement		
Capital gains and losses		
Derivative instruments	-201	32
Total	**-201**	**32**
Valuation gains and losses		
Derivative instruments	-3,038	-6,449
Total	**-3,038**	**-6,449**
Total	**-3,239**	**-6,418**
Financial assets available for sale		
Capital gains and losses		
Interest-bearing securities	19,377	-1,236
Shares and participations	1,876	-6,496
Total	**21,253**	**-7,732**
Transferred to income statement from fund at fair value		
Interest-bearing securities	-18,592	-526
Shares and participations	-	238
Total	**-18,592**	**-288**
Impairments		
Interest-bearing securities	1,213	-
Other items	-	-800
Total	**1,213**	**-800**
Total	**3,873**	**-8,820**
Net income from currency trading	**1,205**	**1,176**
Net result from hedge accounting		
Ineffective share of cash flow hedging	40	-40
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-51,493	41,640
Financial derivatives hedging issued bonds	43,075	52,063
Changes in fair value of hedge instruments, net	-8,418	93,703
Repayable on demand liabilities	51,568	-41,649
Bonds issued	-42,087	-52,769
Changes in fair value of items hedged, net	9,481	-94,418
Total	1,063	-715
Total hedge accounting	**1,102**	**-755**
Net income from financial transactions	**2,940**	**-14,815**

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

G9 Net income from investment properties

	2012	2011
Rental income	174	481
Capital gains	673	436
Reversal of impairment losses	281	7
Other income from investment properties	1	1
Capital losses	-293	-316
Depreciation	-1	-2
Write-down	-261	-
Direct expenses from investment properties, which generated rental income during the accounting period	-235	-342
Total	**338**	**266**

Net income from investment properties in life insurance business are included in net income from investments, see note G7, and are EUR 1.8 (-) million.

G10 Other operating income

	2012	2011
Capital gains from sale of tangible and intangible assets	-184	-495
Other income from the credit institututión's own business	3,745	3,309
Other operating income	1,121	1,547
Total	**4,682**	**4,361**

G11 Staff

	2012	2011
Salaries and fees	-60,013	-58,757
Share-based payments	-1,947	-341
Pension costs		
Defined contribution plans	-10,109	-10,845
Defined benefit plans	-417	-424
Other indirect employee costs	-2,866	-2,836
Indirect employee costs	-13,391	-14,106
Total	**-75,352**	**-73,203**
Number of emplyees 31 December		
Full-time	899	1,105
Part-time	128	137
Temporary	150	184
Total	**1,177**	**1,426**
Number of employees converted to full-time equivalents	1,005	1,196
Full-time equivalent average number of employees for the reporting period	1,044	1,192

Perquisites for company management are presented in note G47 Close relations.

G12 Depreciation of intangible and tangible assets

	2012	2011
Depreciation of tangible assets	-2,019	-2,643
Depreciation of intangible assets	-5,139	-3,271
Total	**-7,158**	**-5,914**

G13 Other operating expenses

	2012	2011
Other staff expenses	-4,294	-5,187
Office expenses	-5,236	-5,173
Communication expenses	-3,426	-3,605
Representation and marketing expenses	-5,525	-7,310
Other administrative expenses	-637	-880
Rental expenses	-11,474	-10,506
Expenses for commercial properties	-1,867	-1,882
Insurance- and security expenses	-2,958	-3,003
Monitoring, control and membership fees	-1,051	-1,116
Capital losses from commercial properties and other tangible assets	-	-137
Other operating expenses	-3,823	-2,439
Total	**-40,291**	**-41,238**

Auditors' fees

Remuneration for 2011 includes remuneration to the present auditor as well as to earlier APA firms. Most of the costs related to other services 2011 were applicable to Aktia's application to the Finnish Financial Supervisory Authority concerning implementation of the internal method (IRBA) for calculating capital requirements.

Statutory auditing	179	356
Services related to auditing	74	112
Tax counselling	8	-
Other services	167	276
Total	**429**	**744**

G14 Write-downs on other financial assets

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

G15 Taxes from continuing operations

	2012	2011
Income taxes on the ordinary business	-33,917	-8,975
Income taxes from previous financial years	203	289
Changes in deferred taxes	18,018	-1,779
Changes in deferred taxes from assets classified as held for sale	-69	-
Total	**-15,764**	**-10,465**

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

Profit before tax	56,015	44,606
Tax calculated on a 24,5% tax rate (2011; 26%)	13,724	11,598
Effect from change af deferred tax from 26% to 24.5%	-	-1,437
Non-deductible expenses	2,198	552
Tax free income	-51	-93
Unused write-downs for tax purposes	34	-38
Utilisation of previously unrecognised tax losses	-267	-574
Loss when deferred tax is not recorded	329	621
Tax on the share of the profit from associated companies	-123	18
Income taxes from previous financial years	-203	-289
Other	123	106
Total taxes	**15,764**	**10,465**

Taxes booked directly against the equity is attributable to the fund at fair value and is specified in note G39.

G16 Profit for the period from discontinued operations

	2012	2011
Discontinued operations		
Net income from non-life insurance	2,872	24,336
Capital gain	10,893	-
Total operating income	**13,765**	**24,336**
Staff costs	-1,848	-11,130
IT-expenses	-284	-1,461
Depreciation of tangible and intangible assets	-91	-539
Other operating expenses	-1,785	-8,233
Total operating expenses	**-4,008**	**-21,363**
Write-downs on outstanding premium receivables (credit losses)	-168	-771
Operating profit from discontinued operations	**9,589**	**2,202**
Taxes	188	-25
Profit for the period from discontinued operations	**9,776**	**2,177**

On 29 February 2012 Aktia Plc sold 66% of Aktia Non-Life Insurance to Folksam Mutual Non-life Insurance and Veritas Pension Insurance Company Ltd. In connection with the sale, non-life insurance operations are regarded as discontinued operations. Profit and loss account and notes to the profit and loss account show continued and discontinued operations separately.

G17 Earnings per share

	2012	2011
Profit for the reporting period attributable to shareholders in Aktia plc	49,189	35,335
Average number of A shares	46,649,689	46,631,866
Average number of R shares	19,872,088	19,872,088
Average number of shares (excluding own shares)	66,521,777	66,503,954
Earnings per share (EPS), EUR (excluding own shares)	**0.74**	**0.53**
Earnings per share (EPS), EUR, after dilution (excluding own shares)	**0.74**	**0.53**
Total comprehensive income attributable to shareholders in Aktia plc	145,600	30,613
Total earnings per share, EUR (excluding own shares)	**2.19**	**0.46**
Total earnings per share, EUR, after dilution (excluding own shares)	**2.19**	**0.46**

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

Notes to the consolidated balance sheet and other consolidated notes

(EUR 1,000)

G18 Cash and balances with central banks

	2012	2011
Cash in hand	7,960	9,542
Cash and bank, insurance operations	1,722	8,724
Bank of Finland current account	577,931	456,775
Total	**587,613**	**475,042**

G19 Financial assets reported at fair value via the income statement

	2012	2011
Financial assets reported at fair value through income statement, insurance operations	51	1,905
Total	**51**	**1,905**

G20 Financial assets available for sale

	2012	2011
Interest bearing securities, central and local goverment	58,328	71,050
Interest bearing securities, credit institutions	1,397,950	1,801,334
Interest bearing securities, other	11,733	1,999
Interest-bearing securities, banking business	1,468,011	1,874,384
Interest bearing securities, central and local goverment	196,798	192,247
Interest bearing securities, credit institutions	254,964	245,525
Interest bearing securities, other	91,881	87,087
Interest-bearing securities, Life insurance	543,642	524,859
Interest bearing securities, central and local goverment	-	55,033
Interest bearing securities, credit institutions	-	45,270
Interest bearing securities, other	-	10,156
Interest-bearing securities, Non-life insurance	-	110,458
Total interest-bearing securities	2,011,654	2,509,701
Shares and holdings that are not publicly quoted	6,663	1,832
Shares and holdings, Banking business	6,663	1,832
Publicly quoted shares and holdings	39,221	47,336
Shares and holdings that are not publicly quoted	49,124	50,784
Shares and holdings, Life insurance business	88,345	98,120
Publicly quoted shares and holdings	-	5,383
Shares and holdings that are not publicly quoted	-	4,110
Shares and holdings, Non-life insurance business	-	9,493
Total shares and holdings	95,007	109,445
Total financial assets available for sale	**2,106,661**	**2,619,146**

Impairments of financial assets available for sale stood at EUR 0.7 million (EUR 4.3 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 2012, impairments were recorded against the value of investments in shares and participations as above totalling EUR 1.9 million (EUR 4.9 million), which is attributable to the insurance companies investments. No impairments of interest-bearing securities was made during the year, impairments for 2011 was EUR -0.6 million, which is attributable to the life insurance company's investments. The definition of significant or long-term negative value is described in note G1 Consolidated accounting principles 2012 in chapter Impairment of financial assets.

Impairment of financial assets	2012	2011
Interest-bearing securities		
Life insurance business	-	-630
Shares and participations		
Banking business	-1,213	-
Life insurance business	1,905	4,594
Non-Life Insurance business	-	296
Total	**692**	**4,260**

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

G21 Financial assets held until maturity

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

G22 Derivative instruments

Derivative instruments, book value

	2012 Assets	2012 Liabilities	2011 Assets	2011 Liabilities
Interest rate derivatives	149,782	34,329	157,189	35,460
Fair value hedging	149,782	34,329	157,189	35,460
Interest rate derivatives	81	-	21,056	4
Cash flow hedging	81	-	21,056	4
Interest rate derivatives	149,971	149,053	118,158	116,869
Currency derivatives	627	1,215	1,790	1,283
Shares derivatives	1,701	1,701	1,312	1,312
Other derivatives	63	63	1,070	1,070
Other derivative instruments	152,363	152,033	122,330	120,534
Total	**302,227**	**186,362**	**300,575**	**155,998**

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

31 December 2012

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest rate swaps	548,000	1,965,000	324,000	2,837,000	149,782	34,329
Total fair value hedging	**548,000**	**1,965,000**	**324,000**	**2,837,000**	**149,782**	**34,329**
Cash flow hedging						
Interest rate swaps	75,000	-	-	75,000	81	-
Total cash flow hedging	**75,000**	**-**	**-**	**75,000**	**81**	**-**
Total interest rate derivatives	**623,000**	**1,965,000**	**324,000**	**2,912,000**	**149,864**	**34,329**
Total hedging derivative instruments	**623,000**	**1,965,000**	**324,000**	**2,912,000**	**149,864**	**34,329**
Other derivative instruments						
Interest rate swaps	664,000	1,312,780	663,200	2,639,980	117,404	116,480
Interest rate option agreements	100,000	1,400,114	140,000	1,640,114	32,567	32,573
Purchased	60,000	767,600	70,000	897,600	32,482	29,611
Written	40,000	632,514	70,000	742,514	85	2,962
Total interest rate derivatives	**764,000**	**2,712,894**	**803,200**	**4,280,094**	**149,971**	**149,053**
Forward rate agreements	53,588	-	-	53,588	627	1,215
Total forward rate agreements	**53,588**	**-**	**-**	**53,588**	**627**	**1,215**

Equity options	24,747	77,404	-	102,151	1,701	1,701
Purchased	12,373	38,702	-	51,075	1,621	80
Written	12,373	38,702	-	51,075	80	1,621
Total equity options	**24,747**	**77,404**	**-**	**102,151**	**1,701**	**1,701**
Options	-	20,752	-	20,752	63	63
Purchased	-	10,376	-	10,376	63	-
Written	-	10,376	-	10,376	-	63
Other derivative instruments	**-**	**20,752**	**-**	**20,752**	**63**	**63**
Total other derivative instruments	**842,335**	**2,811,050**	**803,200**	**4,456,585**	**152,363**	**152,033**
Total derivative instruments	**1,465,335**	**4,776,050**	**1,127,200**	**7,368,585**	**302,227**	**186,362**

31 December 2011

Hedging derivative instruments

	Nominal values / term remaining				Fair value	
	Under 1 year	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest rate swaps	517,000	2,556,000	1,012,000	4,085,000	157,189	35,460
Total fair value hedging	**517,000**	**2,556,000**	**1,012,000**	**4,085,000**	**157,189**	**35,460**
Cash flow hedging						
Interest rate option agreements	-	655,000	-	655,000	21,056	4
Purchased	-	415,000	-	415,000	21,056	-
Written	-	240,000	-	240,000	-	4
Total cash flow hedging	**-**	**655,000**	**-**	**655,000**	**21,056**	**4**
Total interest rate derivatives	**517,000**	**3,211,000**	**1,012,000**	**4,740,000**	**178,245**	**35,464**
Total hedging derivative instruments	**517,000**	**3,211,000**	**1,012,000**	**4,740,000**	**178,245**	**35,464**
Other derivative instruments						
Interest rate swaps	598,000	1,751,300	914,480	3,263,780	85,879	84,565
Interest rate option agreements	628,000	1,890,321	540,000	3,058,321	32,279	32,304
Purchased	308,000	1,177,600	270,000	1,755,600	31,534	28,861
Written	320,000	712,721	270,000	1,302,721	745	3,443
Total interest rate derivatives	**1,226,000**	**3,641,621**	**1,454,480**	**6,322,101**	**118,158**	**116,869**
Forward rate agreements	81,116	-	-	81,116	1,790	1,283
Total forward rate agreements	**81,116**	**-**	**-**	**81,116**	**1,790**	**1,283**
Equity options	1,908	105,253		107,161	1,312	1,312
Purchased	954	52,626	-	53,580	1,312	-
Written	954	52,626	-	53,580	-	1,312
Total equity options	**1,908**	**105,253**	**-**	**107,161**	**1,312**	**1,312**
Options	3,870	18,830	-	22,700	1,070	1,070
Purchased	1,935	9,415	-	11,350	1,070	-
Written	1,935	9,415	-	11,350	-	1,070
Other derivative instruments	**3,870**	**18,830**	**-**	**22,700**	**1,070**	**1,070**
Total other derivative instruments	**1,312,894**	**3,765,704**	**1,454,480**	**6,533,078**	**122,330**	**120,534**
Total derivative instruments	**1,829,894**	**6,976,704**	**2,466,480**	**11,273,078**	**300,575**	**155,998**

G23 Loans and other receivables

	2012	2011
Repayable on demand claims on credit institutions	14,645	6,638
Other than repayable on demand claims on credit institutions	144,024	82,141
Lending to Bank of Finland and credit institutions	158,669	88,779
Transaction account credits, general and corporate	77,897	85,350
Loans	7,119,693	6,966,899
Receivables from finance lease contracts	18,027	20,195
Loans	7,215,617	7,072,444
Write-downs for loans outstanding by group	-14,526	-14,049
Syndicated loans and sale and repurchase agreements, domestic/foreign	-	4,500
Bank guarantee claims	465	450
Lending to the public and public sector entities	7,201,556	7,063,345
Total	**7,360,225**	**7,152,124**

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

	2012	2011
Households	6,222,448	5,965,576
Corporate	666,462	757,849
Housing associations	270,098	288,742
Public sector entities	3,907	6,003
Non-profit organisations	38,641	45,176
Total	**7,201,556**	**7,063,345**

Write-downs during the reporting period

	2012	2011
Write-downs at the beginning of the financial year	63,566	57,592
Individual write-downs on credits	8,739	17,337
Individual write-downs on other commitments	180	1,165
Individual write-downs on interest receivables	40	146
Write-downs on credits outstanding by group	477	-5,251
Reversal of write-downs on individual credits	-2,811	-2,769
Reversal of write-downs on other individual commitments	-24	-1
Reversal of write-downs on interest receivables	-23	-94
Reversal of impairment losses on credits	-213	-46
Total write-downs of the reporting period	6,365	10,487
Realised credit losses for which individual write-downs were made earlier	-4,925	-4,281
Credit losses for other commitments for which agreed write-downs were already made	-171	-277
Reversal of impairment losses on credits	213	46
Write-downs at the end of the reporting period	**65,049**	**63,566**
Impaired receivables at the beginning of the year, contract value	79,780	69,457
New impaired receivables during this year, contract value	11,985	26,429
Reversal of impaired receivables during this year	-14,091	-16,106
Impaired receivables at the end of the year, contract value	77,674	79,780

Information on the fair values is given in note G41 and description of collateral obtained is commented on in note G2, Risk management.

Breakdown of maturity on finance lease receivables

	2012	2011
Under 1 year	5,864	5,695
1–5 years	11,278	14,622
Over 5 years	2,355	2,146
Gross investment	**19,496**	**22,463**
Unearned future finance income	-1,469	-2,268
Net investment in finance leases	**18,027**	**20,195**

Present value of future minimum lease payments receivables

	2012	2011
Under 1 year	5,203	4,798
1–5 years	10,481	13,259
Over 5 years	2,343	2,138
Total	**18,027**	**20,195**

G24 Investments in associated companies

	2012	2011
Acquisition cost at 1 January	2,431	4,348
Investments	17,559	16
Disposals/Equity returns	-79	-1,933
Acquisition cost at 31 December	19,911	2,431
Share of profits at 1 January	1,036	874
Share of profit from associated companies	501	-70
Dividends obtained during the reporting period	-319	-306
Impairments	-1,817	-
Share of direct entries of equity	1,789	538
Share of profits at 31 December	1,190	1,036
Book value at 31 December	**21,101**	**3,467**

Associated companies at 31 December 2012	**Assets**	**Liabilities**	**Operating profit**	**Profit for the reporting period**
Aktia Non-Life Insurance Ltd, Helsinki *)	204,104	144,535	3,701	2,790
Samlink Ltd, Helsinki	30,524	19,540	1,441	1,046
ACH Finland Ltd, Espoo	3,370	77	119	118
Total	**237,998**	**164,152**	**5,261**	**3,953**

***)** Company's result is recalculated according to accounting principles in Aktia Group.

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

G25 Intangible assets

	2012	2011
Acquisition cost at 1 January	32,005	23,654
Divestments	-4,840	-
Increases	4,634	9,338
Decreases	-416	-988
Acquisition cost at 31 December	31,383	32,005
Accumulated depreciations and impairments at 1 January	-14,727	-12,808
Divestments	1,335	-
Accumulated depreciation on decreases	399	762
Planned depreciation	-4,234	-2,681
Accumulated depreciations and impairments at 31 December	-17,227	-14,727
Book value at 31 December	**14,156**	**17,278**

G26 Investment properties

31 December 2012	Land and water areas	Buildings	Shares and participa-tions in real estate corporations	Total
Acquisition cost at 1 January	4,150	20,112	7,416	31,678
Valuation at fair value (change in opening balance)	-	300	-157	143
Acquisitions	-	-	9,495	9,495
Divestments	-30	-6,332	-6,700	-13,062
Acquisition cost at 31 December	4,120	14,080	10,054	28,254
Accumulated depreciations and impairments at 1 January	-	-6,132	-964	-7,096
Divestments	-	6,132	964	7,096
Accumulated depreciations and impairments at 31 December	-	-	-	-
Book value at 31 December	**4,120**	**14,080**	**10,054**	**28,254**

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

Investment properties are valued at fair value in the Group.

G27 Other tangible assets

Commercial properties

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

Other tangible assets

31 December 2012	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	12,226	7,141	2,489	21,856
Divestments	-923	-	-288	-1,210
Increases	931	702	198	1,831
Decreases	-430	-151	-817	-1,398
Acquisition cost at 31 December	11,804	7,692	1,583	21,079
Accumulated depreciations and impairments at 1 January	-7,707	-4,640	-1,895	-14,242
Divestments	766	-	-	766
Accumulated depreciation on decreases	295	22	750	1,067
Planned depreciation	-1,949	-977	-88	-3,014
Accumulated depreciations and impairments at 31 December	-8,595	-5,596	-1,232	-15,423
Book value at 31 December	**3,209**	**2,096**	**350**	**5,656**

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

G28 Other assets

	2012	2011
Accrued income and advance payments, banking business	60,943	66,783
Accrued income and advance payments, insurance operations	14,073	16,746
Accrued income and advance payments	75,016	83,529
Cash items being collected	169	142
Other assets	2,110	7,589
Receivables from direct insurance business	-	7,568
Receivables from the reinsurance business	944	8,098
Other receivables, insurance operations	50	3,176
Other assets	3,273	26,574
Total	**78,289**	**110,102**

G29 Deferred taxes

	2012	2011
Deferred tax liabilities/receivables, net		
Net deferred tax liabilities/receivables, net at 1 January	38,773	38,384
Divestments	-9,871	-
A deferred tax receivables in Vasp-Invest Ab is transferred to Assets classified as held for sale	-	149
Changes during the reporting period booked via the income statement from continuing operations	-18,018	1,779
Changes during the reporting period booked via the income statement from discontinuing operations	-1,712	32
Financial assets:		
- Valuation of fair value direct to equity	32,832	-41
-Transferred to the income statement	3,172	-974
Cash flow hedging:		
- Valuation of fair value direct to equity	-1,077	-926
-Transferred to the income statement	-1,872	-
Defined-benefit pensions plans via comprehensive income	-182	-436
Real estate valued at fair value via retained earning	-	864
Divestment of own shares via retained earnings	-	-57
Net deferred tax liabilities/receivables,net at 31 December	42,044	38,773
Deferred tax liabilities		
Appropriations	30,212	25,508
Group-specific write-downs	-3,559	-3,442
Financial assets	31,541	11,347
Cash flow hedging	4,531	7,163
Investment properties valued at fair value	420	1,851
Activated development costs	299	432
Equalisation provision of the insurance businesses	2,053	8,916
Total	**65,496**	**51,775**
Deferred tax receivables		
Financial assets	15	11,382
Cash flow hedging	22,535	417
Defined-benefit pension plans	526	394
Valuation at fair value of the non-life insurance technical provision	-	1,174
Other	376	-363
Total	**23,453**	**13,002**
Specification of changes during the reporting period booked via the income statement		
Appropriations	-5,163	-2,450
Group-specific write-downs	117	-1,287
Financial assets	1,406	303
Cash flow hedging	21,801	601
Investment properties valued at fair value	-246	36
Defined-benefit pension plans	-49	-43
Activated development costs	45	-131
Equalisation provision of the insurance businesses	-173	-62
Effect from change of deferred tax rate in 2011	-	1,256
Other	281	-3
Change in deferred taxes from continuing operations	**18,018**	**-1,779**
Appropriations	442	3
Financial assets	0	32
Investment properties valued at fair value	1,317	843
Valuation at fair value of the non-life insurance technical provision	-98	-587
Activated development costs	-1	6
Equalisation provision of the non-life insurance business	51	-246
Negative result	-	-275
Effect from change of deferred tax rate in 2011	-	486
Other	-	-294
Change in deferred taxes from discontinued operations	**1,712**	**-32**
Total	**19,731**	**-1,811**

G30 Assets and liabilities classified as held for sale

	2012	2011
Loans and other receivables	23	9
Investment properties	1,390	1,909
Other receivables	5	54
Income tax receivables	-	74
Deferred tax receivables	81	149
Assets classified as held for sale	**1,498**	**2,195**
Deposits / Liabilities to credit institutions	137	148
Other liabilities	68	43
Liabilities for assets classified as held for sale	**204**	**191**

G31 Deposits

	2012	2011
Repayable on demand liabilities to credit institutions	322,966	324,005
Other than repayable on demand deposits from credit institutions	734,596	787,936
Liabilities to credit institutions	1,057,561	1,111,941
Repayable on demand deposits	2,735,349	2,337,896
Other than repayable on demand deposits	896,130	1,307,342
Liabilities to the public and public sector entities	3,631,479	3,645,238
Total	**4,689,040**	**4,757,179**

G32 Debt securities issued

	2012		2011	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	393,385	394,370	429,239	431,250
Bonds	3,146,888	3,152,926	3,370,887	3,382,093
Total	**3,540,273**	**3,547,296**	**3,800,126**	**3,813,343**

31.12.2012	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Certificates of deposit with fixed interest	110,000	284,370	-	-	-	394,370
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, fixed rate	-	500,000	1,700,000	100,000	83,000	2,383,000
Aktia Mortgage Bank's EMTCN (Euro Medium Term Covered Note) program, variable rate	-	250,000	375,000	-	-	625,000
Others	-	-	-	-	-	144,926
Total	**110,000**	**1,034,370**	**2,075,000**	**100,000**	**83,000**	**3,547,296**

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

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

G33 Subordinated liabilities

	2012	2011
Debenture loans	223,173	213,705
Loan without due date	45,000	45,000
Total	**268,173**	**258,705**
Nominal value	268,191	258,728
Upper Tier 2 loans	45,000	45,000
Lower Tier 2 loans	213,200	196,312

The bank has a bond program that is updated and approved by the Board yearly. Currently, the program's size is EUR 500 million. In this program, other bonds (included in note G32) and debenture loans are both issued. The debentures are issued on going at a fixed interest rate with 5 years maturity.

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

G34 Other liabilities to credit institutions

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

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

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

G35 Other liabilities to the public and public sector entities

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

G36 Technical provisions for life insurance business

	2012	2011
Insurance agreements		
Technical provisions for interest-related insurances		
Provision at 1 January	533,365	587,720
Income from premiums	37,006	38,919
Insurance claims paid	-69,521	-69,211
Transfer of savings from/to unit-linked insurance	3,806	271
Compensated interest for savings	18,997	20,503
Customer compensation for savings	-	327
Interest reductions and provision for customer compensation	7,329	-215
Burdens	-9,064	-9,484
Other items	-1,988	-35,465
Provision at 31 December	**519,930**	**533,365**
Technical provisions for unit-linked insurances		
Provision at 1 January	284,836	282,448
Income from premiums	73,659	64,095
Insurance claims paid	-27,147	-23,393
Transfer of savings from/to interest-linked insurances	-3,806	-271
Burdens	-4,356	-3,883
Value increases and other items	35,357	-34,160
Provision at 31 December	**358,544**	**284,836**

Changes in provisions by the various insurance branches

31 December 2012

Technical provisions for interest-related insurances	**1 January 2012**	**Premium income**	**Claims**	**Total expense loading**	**Guaranteed calculation interest**	**Customer compensa-tion**	**Other**	**31 December 2012**
Saving plans	106,826	2,598	-15,606	-633	3,224	-	2,453	98,862
Individual pension insurance	340,598	9,469	-37,661	-1,193	12,832	-	8,560	332,605
Group pension insurance	46,686	3,462	-2,239	-326	1,610	-	1,247	50,441
Risk insurance	39,254	21,478	-14,015	-6,912	1,331	-	-3,113	38,023
Total	**533,365**	**37,007**	**-69,521**	**-9,064**	**18,997**	**-**	**9,146**	**519,930**
Average calculation interest								
Saving plans								3.0 %
Individual pension insurance								3.9 %
Group pension insurance								3.3 %
Risk insurance								3.1 %
Total								**3.6 %**

Technical provisions for unit-linked insurances	**1 January 2012**	**Premium income**	**Claims**	**Total expense loading**	**Other**	**31 December 2012**
Saving plans	205,723	63,286	-26,018	-3,036	21,061	261,015
Individual pension insurance	75,750	8,745	-1,116	-1,207	10,057	92,229
Group pension insurance	3,364	1,629	-14	-112	433	5,299
Total	**284,836**	**73,659**	**-27,147**	**-4,356**	**31,551**	**358,544**

	1 January 2012	Year's change	31 December 2012
Technical provisions for interest-related insurances	533,365	-13,435	519,930
Technical provisions for unit-linked insurances	284,836	73,708	358,544
Total	**818,201**	**60,273**	**878,474**

31 December 2011

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

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

Average calculation interest	
Saving plans	3.2 %
Individual pension insurance	3.9 %
Group pension insurance	3.2 %
Risk insurance	3.2 %
Total	**3.6 %**

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

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

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

Methods used and assumptions made when determining provisions of the life insurance business

Technical provision is partly calculated so that future benefits are discounted at current value with deductions for future premiums, and partly so that premiums paid are credited with technical rate of interest and customer bonuses and rebates and debited with costs and risk premiums. In the calculations assumptions for the technical rate of interest, mortality and prevalence are used, as well as the loading mentioned in the actuarial assumptions of respective product. Further, extra provisions are made in pension insurance for interest costs and increased life expectancy. Provisions for outstanding claims include provisions for claims incurred and claims incurred but not reported. Specified customer bonuses and rebates are included in technical provisions.

For unit-linked policies, the technical provision is calculated on the basis of the market value for those funds which are associated with the insurance policy.

The insurance amount for risk insurance which exceed the company's excess are reinsured.

G37 Other liabilities

	2012	2011
Interest liabilities on deposits	11,073	15,084
Other accrued interest expenses and interest income received in advance	49,973	56,582
Advance interest received	1,717	1,248
Accrued interest expenses and interest income received in advance	62,763	72,915
Other accrued expenses and income received in advance	30,291	33,958
Accrued expenses and income received in advance	**93,053**	**106,873**
Cash items in the process of collection	45,474	39,318
Defined benefit plans	2,148	1,606
Other liabilities, banking business	5,974	2,709
Other liabilities, insurance operations	1,639	8,479
Other liabilities	**55,236**	**52,112**
Total other liabilities	**148,289**	**158,986**

G38 Provisions

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

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

G39 Equity

	2012	2011
Share capital	93,874	93,874
Share premium account	1,893	1,893
Legal reserve	8,067	8,067
Fund at fair value	116,068	19,097
Base fund	317	317
Restricted equity	**220,219**	**123,248**
Fund for share-related payments	1,116	185
Unrestricted equity reserve	72,654	72,654
Retained earnings 1 January	269,935	252,960
Defined benefit plan pensions in other comprehensive income	-559	-1,344
Dividens to shareholders	-19,957	-19,948
Divestment of own shares	11	271
Transfer of the valuation of investment properties to fair value	-	2,661
Profit for the reporting period	49,189	35,335
Unrestricted equity	**372,389**	**342,774**
Shareholders' share of equity	592,608	466,022
Non-controlling interest's share of equity	64,801	57,735
Equity	**657,409**	**523,756**

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 (2011; 66,987,758). The number of registered shareholders at the end of the financial period was 47,931. The number of A shares attributable to unindentified shareholders was 795,971. A shares have 1 vote, and R shares have 20 votes.

Own shares

At year-end, Aktia owned 465,478 own shares (31 December 2011; 467,436). The Annual General Meeting 16 April 2012 approved the proposal by the Board of Directors concerning authorisation to divest own shares. Aktia plc has divested in 2012 1,958 (2011; 27,918) own shares.

Share premium account

The fund was started before the regulations that where in place 1 September 2006. Items entered in the share premium account make out the sum paid in addition to the counter value paid for shares in a new issue. The share premium account has not been increased since 1 September 2006.

Legal reserve

The reserve fund comprises components transferred from shareholders' equity in accordance with the Articles of Association or resolutions adopted at the Annual General Meeting. The reserve fund has not been increased since 1 September 2006.

Fund at fair value

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

Base fund

The base fund comprises a construction fund from one of the Group's subsidiaries.

Fund for share-related payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there are two renumeration programs with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in shareholder's equity (Fund for share-based payments).

Unrestricted equity reserve

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

Retained earnings

Retained earning contains retained earnings from previous reporting periods, dividends to shareholders and profit for the reporting period. Retained earnings also contains appropriations in the seperate financial statements of Group companies 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	19,097	22,474
Profit/loss on the evaluation of the fair value, shares and holdings	8,135	7,241
Profit/loss on the evaluation of the fair value, interest bearing securities	125,694	-7,690
Deferred taxes on profit/loss on the evaluation of the fair value	-32,832	41
Transferred to the income statement, shares and participations, included in:		
Net income from financial transactions	-	-238
Net income from life insurance	-5,153	-2,364
Net income from non-life insurance	21	355
Deferred taxes	1,257	584
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	18,592	526
Net income from life insurance	-514	-2,159
Net income from non-life insurance	-	134
Deferred taxes	-4,429	390
Profit/loss on the evaluation of the fair value for cash flow hedging derivative contracts	-4,581	-1,124
Deferred taxes on profit/loss on the evaluation of the fair value	1,077	926
Transferred to the income statement, cash flow hedging derivative contracts, included in:		
Net income from securities and currency trading	-7,642	-
Deferred taxes	1,872	-
Divestment of Aktia Non-Life Insurance Ltd as of 29 February 2012	-6,315	-
Share of Aktia Non-Life Insurance's fund at fair value 1 March - 31 December 2012	1,789	-
Fund at fair value at 31 December	**116,068**	**19,097**

Share capital and unrestricted equity reserve

	Number of shares	Share capital	Unrestricted equity reserve
1 January 2011	66,987,758	93,874	72,654
31 December 2011	66,987,758	93,874	72,654
31 December 2012	66,987,758	93,874	72,654

Group's unrestricted equity		
Non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	78,607	69,654
Share of accumulated appropriations that have been included in the profit for the financial year	14,439	8,953
Total	**93,046**	**78,607**
Distributable earnings in unrestricted equity		
Fund for share-related payments	1,116	185
Unrestricted equity reserve	72,654	72,654
Retained earnings 1 January	191,328	183,306
Dividends to shareholders	-19,957	-19,948
Other changes in retained earnings	-548	1,589
Profit for the period	34,750	26,382
Total	**279,343**	**264,167**
Fund for share-related payments	1,116	185
Unrestricted equity reserve	72,654	72,654
Retained earnings 1 January	269,935	252,960
Dividens to shareholders	-19,957	-19,948
Other changes in retained earnings	-548	1,589
Profit for the reporting period	49,189	35,335
Total	**372,389**	**342,774**

Dividend to shareholders

The Board of Directors proposes to the Annual General Meeting of Aktia plc held on 9 April 2013 that a dividend of EUR 0.36 per share, totalling EUR 23,948,020.80 excluding dividend for treasury shares, be paid for the reporting period based on the parent company's distributable retained earnings, including profit of EUR 103,574,519.93 for the reporting period. Further, the Board of Directors proposes that a return of capital of EUR 0.14 per share, totalling EUR 9,313,119.20 excluding dividend for treasury shares, be paid from the unrestricted equity reserve of EUR 85,669,891.69.

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

G40 Classification of financial instruments

Assets

31 December 2012	Note	Valued at fair value via the income statement	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					587,613		587,613
Interest-bearing securities	G19, G20, G21		2,011,654	350,020				2,361,674
Shares and participations	G19, G20	51	95,007					95,058
Derivative instruments	G22				302,227			302,227
Lending to Bank of Finland and credit institutions	G23					158,669		158,669
Lending to the public and public sector entities	G23					7,201,556		7,201,556
Investments for unit-linked provisions		360,873						360,873
Investments in associated companies	G24						21,101	21,101
Intangible assets	G25						14,156	14,156
Investment properties	G26						28,254	28,254
Other tangible assets	G27						5,656	5,656
Accrued income and advance payments	K28						75,016	75,016
Other assets	K28						3,273	3,273
Income tax receivables							112	112
Deferred tax receivables	G29						23,453	23,453
Assets classified as held for sale	G30						1,498	1,498
Total		**360,924**	**2,106,661**	**350,020**	**302,227**	**7,947,838**	**172,520**	**11,240,190**

31 December 2011		Valued at fair value via the income statement	Held for sale	Held to maturity	Derivatives used for hedging	Loans and receivables	Non-financial assets	Total
Cash and balances with central banks	G18					475,042		475,042
Interest-bearing securities	G19, G20, G21	1,169	2,509,701	20,034				2,530,904
Shares and participations	G19, G20	737	109,445					110,182
Derivative instruments	G22				300,575			300,575
Lending to Bank of Finland and credit institutions	G23					88,779		88,779
Lending to the public and public sector entities	G23					7,063,345		7,063,345
Investments for unit-linked provisions		286,742						286,742
Investments in associated companies	G24						3,467	3,467
Intangible assets	G25						17,278	17,278
Investment properties	G26						24,582	24,582
Other tangible assets	G27						7,615	7,615
Accrued income and advance payments	K28						83,529	83,529
Other assets	K28						26,574	26,574
Income tax receivables							22,253	22,253
Deferred tax receivables	G29						13,002	13,002
Assets classified as held for sale	G30						2,195	2,195
Total		**288,647**	**2,619,146**	**20,034**	**300,575**	**7,627,166**	**200,494**	**11,056,063**

Liabilities

31 December 2012		Valued at fair value	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits from credit institutions	G31			1,057,561		1,057,561
Deposits from the public and public sector entities	G31			3,631,479		3,631,479
Derivative instruments	G22		186,362			186,362
Debt securities issued	G32			3,540,273		3,540,273
Subordinated liabilities	G33			268,173		268,173
Other liabilities to credit institutions	G34			629,575		629,575
Other liabilities to the public and public sector entities	G35			146,704		146,704
Technical provisions for interest-related insurances	G36				519,930	519,930
Technical provisions for unit-linked insurances	G36				358,544	358,544
Accrued expenses and income received in advance	G37				93,053	93,053
Other liabilities	G37				55,236	55,236
Provisions	G38				6,850	6,850
Income tax liabilities					23,340	23,340
Deferred tax liabilities	G29				65,496	65,496
Liabilities for assets classified as held for sale	G30				204	204
Total		**-**	**186,362**	**9,273,765**	**1,122,654**	**10,582,781**

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

G41 Fair value of financial assets and liabilities

Financial assets	2012		2011	
	Book value	Fair value	Book value	Fair value
Cash and balances with central banks	587,613	587,613	475,042	475,042
Financial assets reported at fair value via the income statement	51	51	1,905	1,905
Financial assets available for sale	2,106,661	2,106,661	2,619,146	2,619,146
Financial assets held until maturity	350,020	349,651	20,034	19,045
Derivative instruments	302,227	302,227	300,575	300,575
Loans and other receivables	7,360,225	7,164,684	7,152,124	7,085,758
Total	**10,706,797**	**10,510,887**	**10,568,827**	**10,501,472**

Financial liabilities	2012		2011	
	Book value	Fair value	Book value	Fair value
Deposits	4,689,040	4,621,472	4,757,179	4,718,328
Derivative instruments	186,362	186,362	155,998	155,998
Debt securities issued	3,540,273	3,567,686	3,800,126	3,803,063
Subordinated liabilities	268,173	272,604	258,705	256,718
Other liabilities to credit institutions	629,575	641,577	353,535	355,441
Other liabilities to the public and public sector entities	146,704	146,779	51,671	51,715
Total	**9,460,127**	**9,436,480**	**9,377,215**	**9,341,264**

In the table, the fair value and the book value of the financial assets and liabilities, are presented by balance sheet item. The fair values are determined both for agreements with fixed and variable interest rates. The fair values are calculated without accrued interest and without the effect of possible hedging derivatives attributable to the balance sheet item.

Fair values on investment assets are determined by market prices quoted on the active market. If quoted market prices are not available, the value of the balance sheet items is mainly determined by discounting future cash flow using market interest rates on the day the accounts were closed. In addition to the credit risk profile of current stock, costs for re-financing are considered in the discount rate when determing fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash flow at market interest rates on the day the accounts were closed. The fair value of issued debts is mainly determined based on quotes on the market. In the discount rate for unquoted issued debts and subordinated liabilities, a marginal corresponding the seniority of the instrument is applied.

Derivatives are valued at fair value corresponding to quotes on the market.

G42 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets

31 December 2012	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	G18	587,613	-	-	-	-	587,613
Financial assets reported at fair value via the income statement	G19	-	-	-	-	51	51
Financial assets available for sale	G20	67,339	110,201	1,463,280	240,790	225,053	2,106,661
Financial assets held until maturity	G21	-	4,400	243,535	102,084	-	350,020
Derivative instruments	G22	4,738	13,609	203,275	54,071	26,534	302,227
Loans and other receivables	G23	271,919	922,149	2,015,963	1,807,978	2,342,217	7,360,225
Total		**931,609**	**1,050,358**	**3,926,053**	**2,204,923**	**2,593,855**	**10,706,797**

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

Liabilities

31 December 2012	Note	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Deposits	G31	3,819,263	548,015	114,286	-	207,477	4,689,040
Derivative instruments	G22	5,617	8,235	111,494	54,345	6,671	186,362
Debt securities issued	G32	114,537	1,034,304	2,203,510	104,922	83,000	3,540,273
Subordinated liabilities	G33	18,770	92,917	151,924	4,562	-	268,173
Other liabilities to credit institutions	G34	106,929	19,955	357,760	31,289	113,643	629,575
Other liabilities to the public and public sector entities	G35	58,500	85,600	-	-	2,604	146,704
Total		**4,123,616**	**1,789,026**	**2,938,973**	**195,119**	**413,394**	**9,460,127**

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

G43 Collateral assets and liabilities

Collateral assets

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

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

Collateral held by the bank as security for liabilities that have been received by companies in the same Group			
As of 31 December 2012	-	-	-
As of 31 December 2011	-	-	-

For other liabilities

The bank has not provided collateral for other parties.

Liabilities to credit instututes include collateral with the Bank of Finland and the European Investment Bank. For repurchase agreements, the standardised GMRA (Global Master Repurchase Agreement) conditions apply.

Collateral liabilities

For the bank 31 December 2012	Type of security	The nominal value of the liability	The value of the security
Collateral received in connection with contracts of pledge	Cash and balances with central banks	245,460	245,460
Securities received in conjunction with repurchase agreements	Bonds	161,763	160,115
Total		**407,223**	**405,575**

For the bank 31 December 2011	Type of security	The nominal value of the liability	The value of the security
Collateral received in connection with contracts of pledge	Cash and balances with central banks	230,498	230,498
Securities received in conjunction with repurchase agreements	Bonds	58,326	58,326
Total		**288,824**	**288,824**

G44 Off-balance sheet commitments

	2012	2011
Guarantees	34,602	42,229
Other commitments provided to a third party on behalf of a customer	3,350	3,348
Unused credit arrangements	302,474	415,299
Other irrevocable commitments	2,719	5,238
Total	**343,145**	**466,113**

Off-balance sheet commitments, exclude rental commitments.

31 December 2012	**Under 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Guarantees	6,390	8,239	9,974	7,563	2,436	34,602
Other commitments provided to a third party on behalf of a customer	695	190	841	234	1,391	3,350
Unused credit arrangements	119,729	175,345	2,805	-	4,595	302,474
Other irrevocable commitments	-	20	1,879	819	-	2,719
Total	**126,814**	**183,795**	**15,498**	**8,616**	**8,421**	**343,145**

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

G45 Rent commitments

	2012	2011
Less than 1 year	9,917	9,397
1–5 years	28,661	33,457
More than 5 years	5,650	5,341
Total	**44,228**	**48,194**

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.

G46 Companies included in consolidated accounts (EUR 1,000)

Companies included in consolidated accounts, ownership over 50 %

	2012		2011	
	Percentage of all shares	**Book value**	**Percentage of all shares**	**Book value**
Financing				
Aktia Bank plc, Helsinki	100.0	237,558	100.0	207,558
Aktia Real Estate Mortgage Bank plc, Helsinki	50.9	61,885	49.9	52,656
Aktia Kort Ab (liquidated 2012), Helsinki	-	-	100.0	799
Aktia Corporate Finance Ltd, Helsinki	100.0	8,503	100.0	8,503
Aktia Invest Ltd, Helsinki	70.0	1,112	70.0	1,138
Hsb-Finans Ab (merged to Aktia plc in 2012), Helsinki	-	-	100.0	589
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100.0	2,507	100.0	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	86.0	1,468	86.0	1,468
Real estate agency operations				
Aktia Fastighetsförmedling Ab, Turku	100.0	2,792	100.0	2,792
Insurance companies				
Aktia Life Insurance Ltd, Turku	100.0	46,191	100.0	46,191
Aktia Non-Life Insurance Ltd, Helsinki	-	-	100.0	51,248
Real estate operations				
Other real estate companies		0		4
Other				
Vasp-Invest Ab, Helsinki	100.0	325	100.0	325
Total		**362,342**		**375,779**

Business transactions with companies included in the Group	**2012**	**2011**
Credits and guarantees	700,761	556,551
Deposits	45,076	29,140
Receivables	21,934	23,165
Liabilities	38,759	35,904
Credits and guarantees 1 January	556,551	517,360
Increase / decrease	144,210	39,191
Credits and guarantees 31 December	**700,761**	**556,551**
Deposits 1 January	29,140	26,765
Increase / decrease	15,936	2,375
Deposits 31 December	**45,076**	**29,140**
Receivables 1 January	23,165	22,995
Increase / decrease	-1,231	170
Receivables 31 December	**21,934**	**23,165**
Liabilities 1 January	35,904	38,878
Increase / decrease	2,855	-2,974
Liabilities 31 December	**38,759**	**35,904**

Income and expenses from other activities	**2012**	**2011**
Group contribution for Aktia plc from Group's wholly-owned subsidiaries	1,800	4,080
Group contribution for Aktia Fastighetsförmedling Ab from Group's wholly-owned subsidiaries	1500	-
Total	**3,300**	**4,080**

Shares in associated companies, ownership 20-50%

	2012		2011	
	Percentage of all shares	**Book value**	**Percentage of all shares**	**Book value**
Data processing				
Samlink Ltd, Helsinki	22.6	0	22.6	1,697
Insurance companies				
Aktia Non-Life Insurance Ltd, Helsinki	34.0	17,516	-	-
Other				
ACH Finland Ltd	25.8	778	24.5	734
Total		**18,293**		**2,431**

Business transactions with associated companies	**2012**	**2011**
Credits and guarantees	-	-
Deposits	7,127	5,206
Services bought from associated companies	16,872	16,458
Services sold to associated companies	2,676	4,296
Credits and guarantees 1 January	-	10,905
Increase / decrease	-	-10,905
Credits and guarantees 31 December	**-**	**-**
Deposits 1 January	5,206	2,646
Increase / decrease	1,921	2,560
Deposits 31 December	**7,127**	**5,206**

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.

G47 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	**2012**	**2011**
Fixed compensation; basic salary and benefits in kind 1)	1,288	1,208
Variable compensation based on results 2)	205	464
- of which result-based salary	205	255
- of which share-based payment	-	208

1) Including salaries and benefits in kind such as car and phone

2) Payments in accordance with the long-term incentive programme for executive management during the financial year

Salaries and fees	2012	2011
Members of the Board of Supervisors and their alternates	285	253
Board Members:		
Dag Wallgren, Chairman	63	56
Nina Wilkman, Vice Chairman	45	37
Jannica Fagerholm	32	-
Hans Frantz	34	30
Kjell Hedman	31	-
Nils Lampi	31	29
Catharina von Stackelberg-Hammarén	29	-
Kjell Sundström	35	30
Marcus H. Borgström	1	28
Lars-Erik Kvist	1	26
Marina Vahtola	1	26
Managing Director and Deputy Managing Director		
Jussi Laitinen, Managing Director	360	439
Jarl Sved, Deputy Managing Director	216	258
Total	**1,161**	**1,212**
In addition to contributions of basic pension coverage, voluntary pension plans have been made for:		
- members of the Executive Committee	364	310
- the Board of Directors	61	56
- the Board of Supervisors	77	61
Total	**502**	**427**

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.

In 2012, the members of the Board of Directors have received 10% of their annual remuneration in the form of A shares. In 2012, The Board of Supervisors have received 20% of their annual remuneration in the form of A shares. The number of shares totalled 10,698, corresponding to EUR 57,719.

At the end of 2012, the Group's key personnel held a total of 194,506 series A shares and 32,909 series R shares in Aktia plc. This represents 0.3 % of the total number of shares and 0.2 % of votes.

Business transactions with the Group's key personnel	2012	2011
Credits and guarantees to close relations	4,009	3,924
Deposits from close relations	5,410	6,809
Purchased services	81	144
Credits and guarantees to close relations 1 January	3,924	7,064
Increase / decrease	85	-3,140
Credits and guarantees to close relations 31 December	**4,009**	**3,924**
Deposits from close relations 1 January	6,809	8,230
Increase / decrease	-1,399	-1,421
Deposits from close relations 31 December	**5,410**	**6,809**

Defined benefit plans

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

	2012	**2011**
Current service cost	-340	-336
Interest expenses	-327	-297
Expected return on plan assets	250	209
Expense recognised in income statement	**-417**	**-424**
Actuary gains (+) / losses (-)	-741	-1,781
Total comprehensive income before taxes	**-1,158**	**-2,205**

Cumulative acturial losses amount to EUR 2.521,000.

Present value of obligation 1 January	**6,676**	**-**
Current service cost	340	336
Interest expenses	327	297
Actuary gains (-) / losses (+)	2,023	6,043
Benefits paid	-609	-
Present value of obligation 31 December	**8,757**	**6,676**
Fair value of plan assets 1 January	**5,070**	**-**
Expected return on plan assets	250	209
Actuary gains (+) / losses (-)	1,282	4,262
Benefits paid	-609	-
Contributions	616	599
Fair value of plan assets 31 December	**6,610**	**5,070**

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

Present value of obligation	8,757	6,676
Fair value of plan assets	-6,610	-5,070
Liability recognised in balance sheet	**2,148**	**1,606**

All the Group's obligations are funded.

Liability recognised in balance sheet 1 January	1,606	-
Additional expense (+) to local GAAP	-199	-174
Recognised acturial gains (-) / losses (+) during the period in OCI	741	1,781
Liability recognised in balance sheet 31 December	**2,148**	**1,606**

The Group has in 2012 made experience-based adjustments concerning obligations of EUR -4,000 and assets amounting of EUR -1.282,000, totalling EUR -1.286,000.

The Group is expected to pay approximately EUR 0.6 million contributions to the defined benefit plans during 2013.

Actuarial assumptions		
Discount rate, %	3.10%	4.66%
Expected rate of return on plan assets, %	3.10%	4.66%
Rate of salary increase, %	3.00%	3.00%
Rate of benefit increase, %	0.30%	0.30%
Rate of inflation, %	2.00%	2.0%
Mortality	Compertz	Compertz
Average remaining service years	9	8 - 10

G48 Share-based incentive scheme

Share-based payments

A share-based incentive scheme is introduced for the Managing Director, other members of the Executive Committee and certain key persons and it covers the yeas 2011–2015. The incentive scheme has been prepared in accordance with regulations concerning remuneration schemes in the financial sector. The reward will be paid partly as 'A' shares in Aktia plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person.

Key persons are obligated to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain the shares throughout their employment in the Group. The scheme is divided in two parts. The maximum reward paid on the basis of the scheme may amount to 401,200 'A' shares in Aktia plc and a sum in cash corresponding the value of the shares during the years 2011-2015.

Share-based incentive scheme

The first part of the scheme is based on earnings criteria and includes three earning periods; the calendar years 2011–2012, 2012–2013 and 2013– 2014. The earnings criteria for the earning period 2011–2012 are based on the development of the Aktia Group's cumulated adjusted equity during the period 1 January 2011–31 December 2012 (NAV) (50 % weighting) and the Group's total net provision and insurance income in the period 1 January 2011–31 December 2012 (50 % weighting). The earnings criteria for the earning period 2012–2013 is unchanged.

The potential reward for each earning period will be paid in four instalments over a time of approximately three years after each earning period. The Board of Directors has stipulated a maximum level for the reward per key person. In general, the reward is not paid to a key person who is no longer employed by the Aktia Group at the time of payment of rewards.

The earning period 2011–2012	**2012**	**2011**
Basic information		
Max. number of shares	112,500	120,000
Sum in cash corresponding max. number of shares	112,500	120,000
Decision date	22.6.2011	22.6.2011
Earning period starts	1.1.2011	1.1.2011
Earning period ends	31.12.2012	31.12.2012
Earnings requirement		Employed by Aktia Group
Earnings criteria		Cumulated adjusted NAV, total net provision and insurance income
Payment in		Shares and cash
Number of persons on the decision date	9	10
Rate of A share on the decision date, EUR	6.03	6.03
Rate of A share at the end of the accounting period, EUR	5.80	4.88

The earning period 2012–2013	**2012**	**2011**
Basic information		
Max. number of shares	137,500	-
Sum in cash corresponding max. number of shares	137,500	-
Decision date	8.5.2012	-
Earning period starts	1.1.2012	-
Earning period ends	31.12.2013	-
Earnings requirement		Employed by Aktia Group
Earnings criteria		Cumulated adjusted NAV, total net provision and insurance income
Payment in		Shares and cash
Number of persons on the decision date	12	-
Rate of A share on the decision date, EUR	5.25	-
Rate of A share at the end of the accounting period, EUR	5.80	-

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

MRS-programme

The second part of the scheme (MRS, matching Restricted Stock) enables key personnel to receive also a conditional reward on the basis of acquisation of A shares in Aktia plc when the incentive scheme is implemented. This conditional reward is paid to key personnel by the end of April 2016 at the latest, and it consists of both shares and cash providing that the key person is employed by the Aktia Group, and that the shares required for payment of the conditional reward have not been transferred, at the time of payment of rewards.

Basic information	**2012**	**2011**
Max. number of shares	46,600	33,200
Sum in cash corresponding max. number of shares	46,600	33,200
Decision date	8.5.2012 / 22.6.2011	22.6.2011
Earning period starts	30.6.2012 / 31.8.2011	31.8.2011
Earning period ends	30.4.2016	30.4.2016
Earnings requirement	Employment, ownership of shares	
Payment in	Shares and cash	
Number of persons on the decision date	12	8
Rate of A share on the decision date	5.25 / 6.03	6.03
Rate of A share at the end of the accounting period	5.80	4.88

Impact of share-based payments on the company's result and financial position	**2012**	**2011**
Accounting period expenses from share-based payments, income statement	1,947	341
of which recorded as liability 31 December	1,171	156
of which recorded as fund for share-related payments 31 December	1,116	185

G49 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 Ltd offers institutions discretionary asset management services.

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

G50 PS savings

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

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

G51 Events after the end of the financial year

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

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

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

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

Income statement for the parent company – Aktia plc

(EUR 1,000)	Note	2012	2011
Interest income	P2	1,704	1,773
Interest expenses	P2	-1,135	-1,573
Net interest income		568	201
Income from equity instruments	P3	20,000	20,000
Commission income	P4	22,993	24,603
Commission expenses	P4	-284	-331
Net commission income		22,709	24,273
Net income from financial assets available for sale	P5	6	-6,516
Net income from investment properties		-	0
Other operating income	P6	1,906	4,045
Staff costs	P7	-13,166	-11,138
Other administrative expenses	P8	-6,092	-11,194
Administrative expenses		-19,258	-22,333
Depreciation and impairment of tangible and intangible assets	P9	-2,772	-1,243
Other operating expenses	P10	-7,665	-2,312
Operating profit		**15,495**	**16,116**
Taxes		-1,206	-89
Income and expenses from other activities	P30	1,800	4,080
Profit for the period		**16,088**	**20,107**

Balance sheet for the parent company – Aktia plc

(EUR 1,000)	Note	2012	2011
Assets			
Claims on credit institutions	P12	3,114	2
Shares and participations	P13	335,121	338,964
Intangible assets	P14	8,896	8,324
Other tangible assets	P15	1,077	1,643
Tangible assets		1,077	1,643
Other assets	P16	15	4,101
Accrued expenses and advance payments	P17	3,221	5,615
Deferred tax receivables	P18	-	-
Total assets		**351,444**	**358,649**
Liabilities			
Liabilities to credit institutions	P19	46,500	53,058
Other liabilities	P20	1,573	1,367
Accured expenses and income received in advance	P21	9,326	7,277
Deferred tax liabilities	P22	6	-
Total liabilities		**57,405**	**61,702**
Equity			
Share capital	P23	93,874	93,874
Legal reserve		8,067	8,067
Share premium account		1,893	1,893
Fund at fair value	P23	18	-
Unrestricted equity reserve		85,670	85,670
Retained earnings 1 January		107,443	106,884
Dividends to shareholders		-19,957	-19,948
Share-based payments		931	185
Change in own shares		11	214
Profit for the reporting period attributable to shareholders in Aktia plc		16,088	20,107
Total equity	**P23**	**294,038**	**296,947**
Total liabilities and equity		**351,444**	**358,649**

Aktia plc has no off-balance-sheet commitments.

Cash flow statement for the parent company – Aktia plc

(EUR 1,000)	2012	2011
Cash flow from operating activities		
Operating profit	15,495	16,116
Adjustment items not included in cash flow for the period	10,095	3,535
Paid group transfers	1,800	-
Paid income taxes	-89	0
Increase (-) or decrease (+) in receivables from operating activities	**6,165**	**20,551**
Shares and participations	-454	20,215
Other assets	6,620	336
Increase (+) or decrease (-) in liabilities from operating activities	**-6,435**	**-11,714**
Liabilities to credit institutions	-6,558	-5,194
Other liabilities	122	-6,520
Total cash flow from operating activities	**27,031**	**28,488**
Cash flow from investing activities		
Investments in group companies and associated companies / capital loans	-36,000	-2,789
Proceeds from sale of group companies and associated companies	34,804	105
Investment in tangible and intangible assets	-2,811	-6,021
Disposal of tangible and intangible assets	33	-
Total cash flow from investing activities	**-3,974**	**-8,705**
Cash flow from financing activities		
Divestment of own shares	11	163
Paid dividends	-19,957	-19,948
Total cash flow from financing activities	**-19,946**	**-19,785**
Change in cash and cash equivalents	**3,112**	**-2**
Cash and cash equivalents at the beginning of the year	2	4
Cash and cash equivalents at the end of the year	3,114	2
Cash and cash equivalents in the cash flow statement consist of the following items:		
Repayable on demand claims on credit insitutions	3,114	2
Total	**3,114**	**2**
Adjustment items not included in cash flow consist of:		
Depreciation and impairment of intangible and tangible assets	2,772	1,243
Sales gains and losses from intangible and tangible assets	5,377	1,951
Change in share-based payments	1,947	341
Total	**10,095**	**3,535**

Notes to the parent company

P1 The parent company's accounting principles

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

Revenue and expenses recognition

Interest and dividends

Interest income and expenses are allocated according to the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity.

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

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

Commissions

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

Depreciation

Tangible and intangible assets are subject to linear planned depreciation, according to the financial lifetime of the assets. As a rule, the residual value of these tangible and intangible assets is assumed to be zero. The estimated financial lifetimes for each asset category are as follows:

Tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–5 years

Taxes

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

Financial assets

For financial assets, Aktia applies the IFRS rules whereby financial assets are divided into four valuation categories, of which Aktia plc has financial assets in two valuation categories. Receivables from credit institutions and shares and participations are reported as financial assets.

Financial assets available for sale

Debt securities, shares and participations that have neither been held for active trading nor retained until maturity are reported in the category Financial assets available for sale. The unrealised value change is recognised in equity in the Fund at fair value with deductions for deferred tax until sold or impaired. When sold or impaired, the accumulated unrealised profit or loss is transferred to the income statement and included in Net income from financial assets available for sale.

Loans and other receivables

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

Financial liabilities

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

Tangible and intangible assets

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

Equity

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

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

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

(EUR 1,000)

P2 Interest income and expenses

	2012	2011
Interest income		
Other interest income	1,704	1,773
Total	**1,704**	**1,773**
Interest costs		
Liabilities to credit institutions	-1,118	-1,534
Other liabilities to the public and public sector entities	-18	-39
Total	**-1,135**	**-1,573**
Net interest income	**568**	**201**

P3 Income from equity instruments

	2012	2011
Income from companies within the same Group	20,000	20,000
Income from financial assets available for sale	0	0
Total	**20,000**	**20,000**

P4 Commission income and expenses

	2012	2011
Commission income		
Other commission income	22,993	24,603
Total	**22,993**	**24,603**
Commission expenses		
Other commission expenses	-284	-331
Total	**-284**	**-331**
Net commission income	**22,709**	**24,273**

P5 Net income from financial assets available for sale

	2012	2011
Shares and participations		
Capital gains and losses	6	-6,506
Transferred to income statement from fund at fair value	-	-10
Total	**6**	**-6,516**

P6 Other operating income

	2012	2011
Internal Group compensations	1,906	4,045
Total	**1,906**	**4,045**

P7 Staff

	2012	2011
Salaries and fees	-8,878	-8,384
Share-based payments	-1,947	-341
Pension costs	-1,897	-2,050
Other indirect employee costs	-443	-364
Indirect employee costs	-2,341	-2,414
Total	**-13,166**	**-11,138**

Number of employees 31 December		
Full-time	85	98
Part-time	8	4
Temporary	9	10
Total	**102**	**112**

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are not any pension commitments that have a liability deficit.

P8 Other administrative expenses

	2012	**2011**
Other staff expenses	-954	-1,473
Office expenses	-404	-431
IT-expenses	-4,048	-5,403
Communication expenses	-315	-296
Representation and marketing expenses	-370	-3,591
Total	**-6,092**	**-11,194**

P9 Depreciation and impairment of tangible and intangible assets

	2012	**2011**
Depreciation of tangible assets	-763	-668
Depreciation of intangible assets	-2,008	-575
Total	**-2,772**	**-1,243**

P10 Other operating expenses

	2012	**2011**
Rental expenses	-377	-397
Expenses for commercial properties	-87	-78
Insurance- and security expenses	-354	-359
Monitoring, control and membership fees	-161	-223
Other expenses	-6,686	-1,256
Total	**-7,665**	**-2,312**

P11 Income by business area

	2012	**2011**
Income by business area		
Group administration	45,473	42,334
Total	**45,473**	**42,334**
Operating profit by business area		
Group administration	15,495	16,116
Total	**15,495**	**16,116**
Personnel by business area		
Group administration	102	112
Total	**102**	**112**

The company only carries out business operations in Finland.

(EUR 1,000)

P12 Claims on credit institutions

	2012	2011
Repayable on demand		
Finnish credit institutions	3,114	2
Total	**3,114**	**2**
Total claims on credit institutions	**3,114**	**2**

P13 Shares and participations

	2012	2011
Shares and participations available for sale		
Credit institutions	-	-
Other	514	37
Total	**514**	**37**
Total shares and participations	**514**	**37**
Shares and participations in associated companies		
Other companies	17,516	-
Total	**17,516**	**-**
Shares and participations in group companies		
Credit institutions	237,558	237,558
Other companies	79,533	101,370
Total	**317,091**	**338,928**
Total shares and participations	**335,121**	**338,964**

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

P14 Intangible assets

31 December 2012	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	9,265	113	9,378
Increases	2,581	-	2,581
Acquisition cost at 31 December	11,846	113	11,958
Accumulated depreciations and impairments at 1 January	-1,042	-11	-1,053
Planned depreciation	-1,986	-23	-2,008
Accumulated depreciations and impairments at 31 December	-3,028	-34	-3,062
Book value at 31 December	**8,817**	**79**	**8,896**

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

P15 Tangible assets

	2012	2011
Other tangible assets		
Machines and equipment		
Acquisition cost at 1 January	2,976	2,132
Increases	231	844
Decreases	-59	-
Acquisition cost at 31 December	3,148	2,976
Accumulated depreciations and impairments at 1 January	-1,334	-666
Accumulated depreciation on decreases	26	-
Planned depreciation	-763	-668
Accumulated depreciations and impairments at 31 December	-2,071	-1,334
Book value at 31 December	**1,077**	**1,643**

P16 Other assets

	2012	2011
Cash items being collected	-	2
Other assets	15	4,099
Total	**15**	**4,101**

P17 Accrued expenses and advance payments

	2012	2011
Interests	1,097	1,259
Other	2,124	4,355
Total	**3,221**	**5,615**

P18 Deferred tax receivables

	2012	2011
Deferred tax receivables at 1 January	-	3
Financial assets:		
- Fair value measurement	-	-3
Deferred tax receivables at 31 December	**-**	**-**

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

P19 Liabilities to credit institutions

	2012	2011
Repayable on demand deposits	-	1,558
Other than repayable on demand deposits from credit institutions	46,500	51,500
Total	**46,500**	**53,058**

P20 Other liabilities

	2012	2011
Cash items in the process of collection	451	501
Other	1,123	867
Total	**1,573**	**1,367**

P21 Accrued expenses and income received in advance

	2012	2011
Interests	83	166
Other	9,243	7,112
Total	**9,326**	**7,277**

P22 Deferred tax liabilities

	2012	2011
Deferred tax liabilities at 1 January	-	-
Financial assets:		
- Fair value measurement	6	-
Deferred tax liabilities at 31 December	**6**	**-**

P23 Equity

	At the beginning of the reporting period	**Increase**	**Decrease**	**At the end of the reporting period**
Share capital	93,874	-	-	93,874
Share premium account	1,893	-	-	1,893
Legal reserve	8,067	-	-	8,067
Fund at fair value	-	18	-	18
Restricted equity	103,834	18	-	103,852
Unrestricted equity reserve	85,670	-	-	85,670
Retained earnings 1 January	107,443			107,443
Dividends to shareholders		-	19,957	-19,957
Share-based payments		931	-	931
Change in own shares		11	-	11
Profit for the reporting period attributable to shareholders in Aktia plc		16,088	-	16,088
Unrestricted equity	193,113	17,031	19,957	190,187
Total equity	**296,947**	**17,048**	**19,957**	**294,038**

	2012	2011
Fund at fair value at January, 1	-	-7
Changes in fair value during the period	23	-
Deferred taxes on changes in fair value during the reporting period	-6	-3
Transferred to income statement during the reporting period	-	10
Fund at fair value at December, 31	**18**	**-**

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

Distributable assets in unrestricted equity	**2012**	**2011**
Retained earnings 1 January	107,443	106,884
Dividends to shareholders	-19,957	-19,948
Profit for the reporting period attributable to shareholders in Aktia plc	16,088	20,107
Unrestricted equity reserve	85,670	85,670
Other changes in retained earnings	942	399
Total	**190,187**	**193,113**

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 (2011; 66,987,758). The number of registered shareholders at the end of the financial period was 47,931. The number of A shares attributable to unindentified shareholders was 795,971. A shares have 1 vote, and R shares have 20 votes.

Own shares

At year-end, Aktia owned 465,478 own shares (31 December 2011; 467,436). The Annual General Meeting 16 April 2012 approved the proposal by the Board of Directors concerning authorisation to divest own shares. Aktia plc has divested in 2012 1,958 (2011; 27,918) own shares.

Share premium account

The fund was started before the regulations that where in place 1 September 2006. Items entered in the share premium account make out the sum paid in addition to the counter value paid for shares in a new issue. The share premium account has not been increased since 1 September 2006.

Legal reserve

The reserve fund comprises components transferred from shareholders' equity in accordance with the Articles of Association or resolutions adopted at the Annual General Meeting. The reserve fund has not been increased since 1 September 2006.

Fund for share-related payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there are two renumeration programs with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in shareholder's equity (Fund for share-based payments).

Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets available for sale. Financial assets reported via the fund at fair value are transferred to the income statement on sale or impairment of the assets.

Unrestricted equity reserve

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

Retained earnings

Retained earnings contains of retained earnings from previous reporting periods and profit for the reporting period.

P24 Fair value of financial assets and liabilities

Assets	**2012**		**2011**	
	Book value	**Fair value**	**Book value**	**Fair value**
Claims on credit institutions	3,114	3,114	2	2
Shares and participations	514	514	37	37
Shares and participations in associated companies	17,516	17,516	-	-
Shares and participations in group companies	317,091	317,091	338,928	338,928
Total	**338,235**	**338,235**	**338,967**	**338,967**

Liabilities	**2012**		**2011**	
	Book value	**Fair value**	**Book value**	**Fair value**
Liabilities to credit institutions and central banks	46,500	46,500	53,058	53,058
Total	**46,500**	**46,500**	**53,058**	**53,058**

In the table, the fair value and the book value of the financial assets and liabilities, are presented by balance sheet item. The fair values are determined both for agreements with fixed and variable interest rates. The fair values are calculated without accrued interest and without the effect of possible hedging derivatives attributable to the balance sheet item.

Fair values on investment assets are determined by market prices quoted on the active market. If quoted market prices are not available, the value of the balance sheet items is mainly determined by discounting future cash flow using market interest rates on the day the accounts were closed. In addition to the credit risk profile of current stock, costs for re-financing are considered in the discount rate when determing fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash flow at market interest rates on the day the accounts were closed. The fair value of issued debts is mainly determined based on quotes on the market. In the discount rate for unquoted issued debts and subordinated liabilities, a marginal corresponding the seniority of the instrument is applied.

Derivatives are valued at fair value corresponding to quotes on the market.

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

Assets

31 December 2012	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Claims on credit institutions	3,114	-	-	-	-	3,114
Long-term receivable from a Group company	-	-	-	-	30,000	30,000
Total	**3,114**	**-**	**-**	**-**	**30,000**	**33,114**

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

Liabilities

31 December 2012	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	-	-	46,500	-	-	46,500
Total	**-**	**-**	**46,500**	**-**	**-**	**46,500**

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

P26 Property items and liabilities in euros and in foreign currency

31 December 2012

Assets	Euros	Foreign currency	Total
Claims on credit institutions	3,114	-	3,114
Shares and participations	335,121	-	335,121
Other assets	13,209	-	13,209
Total	**351,444**	**-**	**351,444**

31 December 2012

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

31 December 2012

Liabilities	Euros	Foreign currency	Total
Liabilities to credit institutions and central banks	46,500	-	46,500
Other liabilities	10,905	-	10,905
Total	**57,405**	**-**	**57,405**

31 December 2011

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

P27 Total assets and liabilities by business area

	2012	2011
Assets		
Group administration	351,444	358,649
Total	**351,444**	**358,649**
Liablilities		
Group administration	57,405	61,702
Total	**57,405**	**61,702**

P28 Shareholders

	Shareholders 31.12.2012						Shareholders 31.12.2011	
	A shares	R shares	Shares	Of shares %	Votes	Of votes %	Of shares %	Of votes %
The 20 largest shareholders:								
Stiftelsen Tre Smeder	2,571,925	4,318,216	6,890,141	10.3	88,936,245	19.9	10.5	18.5
Livränteanstalten Hereditas	4,648,114	2,066,106	6,714,220	10.0	45,970,234	10.3	10.0	10.3
Pensionsförsäkringsaktiebolaget Veritas	4,027,469	2,134,397	6,161,866	9.2	46,715,409	10.4	9.2	10.4
Svenska litteratursällskapet i Finland rf	2,081,802	789,229	2,871,031	4.3	17,866,382	4.0	3.7	3.9
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.3	20,905,000	4.7	4.3	4.7
Ömsesidiga arbetspensionsförsäk-ringsbolaget Varma	2,675,000	-	2,675,000	4.0	2,675,000	0.6	4.0	0.6
Stiftelsen för Åbo Akademi	1,595,640	751,000	2,346,640	3.5	16,615,640	3.7	3.4	3.7
Aktiastiftelsen i Borgå	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2	2.9	3.2
Aktiastiftelsen i Esbo-Grankulla	351,779	1,300,708	1,652,487	2.5	26,365,939	5.9	3.6	5.8
Aktiastiftelsen i Vasa	978,525	547,262	1,525,787	2.3	11,923,765	2.7	2.3	2.7
Aktiastiftelsen i Vanda	353,871	1,123,452	1,477,323	2.2	22,822,911	5.1	2.9	4.9
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	1,176,173	-	1,176,173	1.8	1,176,173	0.3	1.6	1.8
Sparbanksstiftelsen i Ingå	623,561	329,318	952,879	1.4	7,209,921	1.6	1.4	1.6
Alfred Berg sijoitusrahastot	921,125	-	921,125	1.4	921,125	0.2	2.3	0.3
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-Säästö	374,377	232,188	606,565	0.9	5,018,137	1.1	0.9	1.1
Aktia Sparbanksstiftelsen i Malax	361,138	177,600	538,738	0.8	3,913,138	0.9	0.8	0.9
Largest 20 owners	**28,624,167**	**16,743,603**	**45,367,770**	**67.7**	**363,496,227**	**81.1**	**69.7**	**81.0**
Other	18,312,741	3,307,247	21,619,988	32.3	84,457,681	18.9	30.3	19.0
Total	**46,936,908**	**20,050,850**	**66,987,758**	**100.0**	**447,953,908**	**100.0**	**100.0**	**100.0**

Shareholders by sector 2012:	Number of owners	%	Number of shares	%	Votes	%
Corporations	3,698	7.7	14,822,731	22.1	83,443,665	18.6
Financial institutes and insurance companies	71	0.1	4,565,728	6.8	19,855,245	4.4
Public sector entities	33	0.1	9,067,408	13.5	49,620,951	11.1
Non-profit institutions	696	1.5	31,364,365	46.8	283,417,567	63.3
Households	43,241	90.2	5,853,288	8.7	10,672,277	2.4
Foreign shareholders	192	0.4	132,807	0.2	148,232	0.0
Total	**47,931**	**100.0**	**65,806,327**	**98.2**	**447,157,937**	**99.8**
entered in nominee register	8		385,460	0.6		
Unidentified shareholders			795,971	1.2	795,971	0.2
Total by sector	**47,931**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

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

Breakdown of stock 2012: Number of shares	Number of owners	%	Number of shares	%	Votes	%
1-100	36,410	76.0	1,384,786	2.1	1,468,975	0.3
101-1 000	10,330	21.6	2,685,845	4.0	3,675,441	0.8
1 001 - 10 000	1,023	2.1	2,639,029	3.9	5,252,384	1.2
10 001 - 100 000	103	0.2	3,065,018	4.6	13,538,350	3.0
100 000 -	65	0.1	56,417,109	84.2	423,222,787	94.5
Total	**47,931**	**100.0**	**66,191,787**	**98.8**	**447,157,937**	**99.8**
entered in nominee register	8					
Unidentified shareholders			795,971	1.2	795,971	0.2
Total by sector	**47,931**	**100.0**	**66,987,758**	**100.0**	**447,953,908**	**100.0**

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

P29 Holdings in other companies

Subsidiaries

	2012		2011	
	Percentage of all shares	**Book value**	**Percentage of all shares**	**Book value**
Financing				
Aktia Bank plc, Helsinki	100.0	237,558	100.0	207,558
Hsb-Finans Ab (merged to Aktia plc in 2012), Helsinki	-	-	100.0	589
Real estate agency operations				
Aktia Fastighetsförmedling Ab, Turku	100.0	2,792	100.0	2,792
Insurance companies				
Aktia Life Insurance Ltd, Turku	100.0	46,191	100.0	46,191
Aktia Non-Life Insurance Ltd, Helsinki	-	-	100.0	51,248
Other				
Vasp-Invest Ab, Helsinki	100.0	325	100.0	325
Total		**286,866**		**308,703**

Financing income obtained from and financing expenses paid to other group companies	**2012**	**2011**
Interest income	1,704	1,773
Dividends	20,000	20,000
Interest expenses	-1,135	-1,573
Net finance income	**20,568**	**20,201**
Group contribution for Aktia plc from Group's wholly-owned subsidiaries	1,800	4,080

Receivables from and liabilities to companies in the group	**2012**	**2011**
Loans to credit institutions	3,114	2
Shares and holdings in group and associated companies	30,225	30,225
Other assets	-	4,080
Accrued income and expenses paid in advance	1,493	3,813
Total receivables	**34,832**	**38,120**
Liabilities to credit institutions	46,500	53,058
Accrued expenses and income received in advance	4,663	4,758
Total liabilities	**51,163**	**57,816**

P30 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.

Salaries and fees	**2012**	**2011**
Members of the Board of Supervisors and their alternates	285	253
Board Members:		
Dag Wallgren, Chairman	63	56
Nina Wilkman, Vice Chairman	45	37
Jannica Fagerholm	32	-
Hans Frantz	34	30
Kjell Hedman	31	-
Nils Lampi	31	29
Catharina von Stackelberg-Hammarén	29	-
Kjell Sundström	35	30
Marcus H. Borgström	1	28
Lars-Erik Kvist	1	26
Marina Vahtola	1	26
Managing Director and Deputy Managing Director		
Jussi Laitinen, Managing Director	360	439
Jarl Sved, Deputy Managing Director	216	258
Total	**1,161**	**1,212**

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.

In 2012, the members of the Board of Directors have received 10% of their annual remuneration in the form of A shares. In 2012, The Board of Supervisors have received 20% of their annual remuneration in the form of A shares. The number of shares totalled 10,698, corresponding to EUR 57,719.

At the end of 2012, the Group's key personnel held a total of 194,506 series A shares and 32,909 series R shares in Aktia plc. This represents 0.3 % of the total number of shares and 0.2 % of votes.

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

The Group's parent company is Aktia 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.

The parent company's distributable retained earnings including profit are EUR 103,574,519.93 and the unrestricted equity reserve is EUR 85,669,891.69. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.36 per share, totalling EUR 23,948,020.80, excluding dividend for treasury shares, be paid. After dividend payout the distributable retained earnings are EUR 79,626,449.13.
- A dividend of EUR 0.14 per share, totalling EUR 9,113,119.20, excluding dividend for treasury shares, be paid. After dividend-payout the parent company's unrestricted equity reserve amounts to EUR 76,356,772.49.

Helsinki 28 February 2013
Aktia plc's Board of Directors

Dag Wallgren
Chair

Nina Wilkman
Vice Chair

Sten Eklundh

Hans Frantz

Kjell Hedman

Nils Lampi

Catharina
von Stackelberg-Hammarén

Jussi Laitinen
Managing Director

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

KPMG Oy Ab

Jari Härmälä
Authorized Public Accountant in Finland

Auditor's report

This document is an English translation of the Swedish auditor's report. Only the Swedish version of the report is legally binding.

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

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Aktia p.l.c. for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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

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

Opinion on the consolidated financial statements

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

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

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

Helsinki 28 February 2013
KPMG OY AB

Jari Härmälä
Authorized Public Accountant

Statement by the Board of Supervisors

Will be published on 15 March

Corporate Governance Report for Aktia plc

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

Recommendations concerning corporate governance

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

Deviations from the recommendations

By way of deviation from recommendations 8 and 40, Aktia's annual general meeting appoints a Board of Supervisors, whose tasks include appointing Aktia's Board of Directors and making decisions on issues which involve the significant restriction or expansion of operations. These decision-making arrangements have been adopted by Aktia shareholders in current articles of association. The arrangements are deemed to describe and ease implementation of the company's strategy on local operations.

Aktia's Board of Directors has not set up a nomination committee in itself, which means that Aktia is deviating from recommendations 28, 29 and 30 of the Corporate Governance Code. The reason for these deviations is that the members of the Board of Directors are appointed by the Board of Supervisors, the presiding officers of which prepare issues that relate to the composition, appointment and remuneration of the Board of Directors.

Corporate Governance Code publicly available on the Internet

The Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi.www.cgfinland.fi.

The Board of Directors deems the Board members Sten Eklundh, Jannica Fagerholm, Hans Frantz, Kjell Hedman, Nils Lampi, Dag Wallgren and Nina Wilkman to be independent in relation to Aktia within the meaning of the

Composition of and work undertaken by the Board of Directors

Aktia's Board of Directors 2012:

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

Aktia's Board of Directors 2013:

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
Sten Eklundh	1960	M.Sc. (Econ.)
Jannica Fagerholm *	1961	M.Sc. (Econ.), Managing Dirctor of Signe and Ane Gyllenberg Foundation
Hans Frantz	1948	Lic.Soc.Sc., Principal Lecturer at University of Applied Sciences in Vaasa
Kjell Hedman	1951	Business Economist, Managing Director of Landshypotek
Nils Lampi	1948	B.Sc. (Econ.), CEO of Wiklöf Holding Ab
Catharina von Stackelberg-Hammarén	1970	M.Sc. (Econ.), Managing Director of Marketing Clinic Ab

* 1 January–27 February 2013

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 Jannica Fagerholm is chairman of the Board of Directors of the Life Annuity Institution Hereditas. Sten Eklundh, Hans Frantz, Nils Lampi, Catharina von Stackelberg-Hammarén and Dag Wallgren do not have any dependent relationships with significant shareholders.

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

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

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

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

The Board of Directors convened 12 times in 2012. In addition, the Board of Directors adopted separate decisions on 9 occasions concerning matters that fell under its authority.

Attendance of Board members in 2012:

Wallgren Dag, Chair	12/12
Fagerholm Jannica	12/12
Frantz Hans	11/12
Hedman Kjell	12/12
Lampi Nils	10/12
von Stackelberg-Hammarén Catharina	12/12
Sundström Kjell	11/12
Wilkman Nina, Vice Chair	11/12

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

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

Within the framework established by the Board of Directors, the risk committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the Board of Directors to pass decision on. The committee convened 8 times in 2012.

Members of the risk committee and attendance in 2012:

Sundström Kjell, Chair	8/8
Hedman Kjell	7/8
Wallgren Dag	8/8

Members of the risk committee and attendance in 2013:
Eklundh Sten Chair
Hedman Kjell
Wallgren Dag

The audit committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee determines the principles for internal auditing, sets down the Group's internal audit schedule and annual plan, and adopts routines and procedures for the compliance function. The committee studies the reports issued by the external auditor, the internal audit unit and the compliance unit and assesses the sufficiency of the other internal reports. The audit committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. The committee convened 9 times in 2012.

Members of the audit committee and attendance in 2012:

Wilkman Nina, Chair	9/9
Fagerholm Jannica	9/9
Frantz Hans	9/9
Lampi Nils	8/9

Members of the risk committee in 2013:
Wilkman Nina, Chair
Fagerholm Jannica (1 January - 27 February 2013)
Frantz Hans
Lampi Nils

The remuneration and corporate governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties outside the company, and on matters relating to the development of the Group's administration and control system. The committee convened 4 times in 2012.

Members of the remuneration and corporate governance committee and attendance in 2012:

Wallgren Dag, Chair	4/4
Frantz Hans	4/4
von Stackelberg-Hammarén Catharina	4/4
Wilkman Nina	3/4

Members of the remuneration and corporate governance committee in 2013:
Wallgren Dag, Chair
Frantz Hans
von Stackelberg-Hammarén Catharina
Wilkman Nina

Composition of and work undertaken by the Board of Supervisors

Aktia's Board of Supervisors 2012:

Name	Born	Education, title and main occupation
Håkan Mattlin, Chair	1948	Lic.Soc. Sc., Honorary Counsellor, Director General
Christina Gestrin, Deputy Chair	1967	M. Sc. (Agr. & For.), Member of Parliament
Patrik Lerche, Deputy chair	1964	M.Sc. (Econ.), Managing Director
Jan-Erik Stenman, Deputy Chair	1953	LL.M., Managing Director
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
Johan Aura	1972	MA (Education), Chief Secretary
Anna Bertills	1979	M.Soc.Sc., Managing Director
Roger Broo	1945	M.Soc.Sc, Chamber Counsellor
Sten Eklundh	1960	M.Sc. (Econ.)
Agneta Eriksson	1956	M.A., Director
Håkan Fagerström	1956	Forester, Managing Director
Sven-Erik Granholm	1951	B.Sc. (Econ.)
Peter Heinström	1944	Honorary Consul
Gun Kapténs	1957	M.Soc.Sc. Special Adviser
Erik Karls	1947	Farmer, Managing Director
Bo Linde	1946	B.Sc. (Econ.), Honorary Counsellor
Per Lindgård	1946	Teacher
Kristina Lyytikäinen	1946	B.A. (Soc. Sc.), Entrepreneur
Clas Nyberg	1953	M.Sc. (Eng), Entrepreneur in agriculture and tourism
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
Sture Söderholm	1949	Lic. Odont.
Maj-Britt Vääriskoski	1947	Financial Director
Lars Wallin	1953	Service Manager
Mikael Westerback	1948	Chamber Counsellor
Ann-Marie Åberg	1950	Physiotherapist
Marianne Österberg	1960	LL.M.

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

The 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 5 times in 2012 and the average attendance of members was 86 %.

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

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

The presiding officers are tasked with drawing up matters to be dealt with by the Board of Supervisors, studying reports on decisions taken by the Board of Directors concerning overall strategy and studying reports concerning loans and guarantee commitments that have been extended to members of the Board of Directors. The presiding officers include the chair and deputy chair of the Board of Supervisors. From 1 January to 16 April 2012, the presiding officers were Henry Wiklund (chair), Christina Gestrin, Patrick Lerche, Henrik Sundbäck, Lorenz Uthardt and Bo-Gustav Wilson. From 10 May to 31 December 2012, the presiding officers were Håkan Mattlin (chair), Christina Gestrin, Patrik Lerche, Jan-Erik Stenman, Henrik Sundbäck, Lorenz Uthardt and Bo-Gustav Wilson. The presiding officers held 4 minuted meetings in 2012 and attendance of the officers was 93 %.

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 as well as the compliance functions are also reported to the controlling committee. In the period from 1 January to 16 April 2012, the members of the Board of Supervisors' controlling committee were Henry Wiklund (chair), Anna Bertills, Gun Kapténs, Erik Karls, Bengt Sohlberg, Lars Wallin och Mikael Westerback. In the period from 10 May to 31 December 2012, the members of the Board of Supervisors' controlling committee were Håkan Mattlin (chair), Anna Bertills, Sven-Erik Granholm, Gun Kapténs, Erik Karls, Bengt Sohlberg, Lars Wallin and Mikael Westerback. The controlling committee convened once in 2012 and the attendance of committee members was 89 %.

CEO and his duties

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

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

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

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

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

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

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

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

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

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

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

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The Board of Directors







From left to right

March 2013

Dag Wallgren
b. 1961
Chairman of the Board, *chairman of the Remuneration and Corporate Governance Committee and member of the Board's Risk Committee*
M.Sc. (Econ)
Managing Director, Swedish Literature Society in Finland
Member of the Board since 2003 (Chairman since 2010–)
Shares in Aktia: A shares 1 975, R shares 525

Nina Wilkman
b. 1958
Vice Chairman of the Board, *chairman of the Audit Committee and member of the Board's Remuneration and Corporate Governance Committee*
LL.M.
Postgraduate student, doctoral programme, University of Helsinki, Faculty of Law
Member of the Board since 2006 (Vice Chariman since 2010–)
Shares in Aktia: A shares 963, R shares 100

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

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

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

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

Sten Eklundh
b. 1960
Chairman of the Risk Committee
M.Sc. (Econ)
Member of the Board since 2013
Shares in Aktia: A shares 10,161

Executive Committee






From left to right

March 2013

Jussi Laitinen
b. 1956
Managing Director
M.Sc. (Econ.)
At Aktia since 2008
Shares in Aktia: A shares 23,812

Jarl Sved
b. 1954
Deputy Managing Director, Managing Director's alternate, CRO
LL.M.
At Aktia since 1980
Shares in Aktia: A shares 49,903, R shares 19,658

Stefan Björkman
b. 1963
Deputy Managing Director
M.Sc. (Eng)
At Aktia since 2006
Shares in Aktia: A shares 12,154

Taru Narvanmaa
b. 1963
Deputy Managing Director
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: A shares 25,567, R shares 5,000

Fredrik Westerholm
b. 1972
Financial Director, CFO
M.Sc. (Econ.)
At Aktia since 2007
Shares in Aktia: -

Magnus Weurlander
b. 1964
Director
M.Sc. (Econ.)
At Aktia since 1990
Shares in Aktia: A shares 4,600

Calendar 2013

9 April 2013	Annual General Meeting
7 May 2013	Interim report Jan-March 2013
6 August 2013	Interim report Jan-June 2013
7 November 2013	Interim report Jan-Sep 2013

Annual General Meeting 9 April 2013

Notice is hereby given to Aktia plc shareholders of the Annual General Meeting, to be held at 4.00 pm on 9 April 2013 at the Old Student House, address Mannerheimintie 3, 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 26 March 2013 have the right to participate in the Annual General Meeting. Shareholders whose shares a registered to their personal Finnish book-entry account are listed as shareholders in the company's register of shareholders. Shareholders who are entered in the company's register of shareholders and who wish to participate in the Annual General Meeting must register their intention to attend by 4.00 pm on 3 April 2013 at the latest.

Participants can register for the AGM:
a) through the company's website www.aktia.fi
b) by telephone at +358 800 0 2474 (8.00 am-8.00 pm on weekdays)
c) by fax on +358 10 247 6568 or
d) in writing to Aktia plc, Group Legal, P.O. Box 207, 00101 Helsinki.

For registration purposes, the shareholder is requested to give his/her name and personal identification code or business ID as well as the name and personal identification code and of any representative. The personal details that shareholders give to Aktia plc will only be used for purposes associated with the Annual General Meeting and preparing the relevant registrations.

Production: Aktia
Photo: Anton Sucksdorff, Rami Salle

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Business ID: 0108664-3
BIC/S.W.I.F.T: HELSFIHH

Aktia
We see a person in every customer.