Q4

Financial Statement Release January–December 2019

Aktia

A year of stable growth – strong comparable operating profit in the last quarter

The quarter in brief

- Comparable operating profit increased by EUR 9.0 million to EUR 19.2 million.
- Assets under management (AuM) amounted to EUR 9.9 billion, which was on the same level as at the end of the third quarter.
- Strong lending and high customer activity continued.
- Value changes in real estate and fund investments contributed to the positive financial performance in the life insurance business.
- Comparable operating expenses decreased by EUR 3.1 million to EUR 35.2 million.

The year in brief

- Comparable operating profit increased by EUR 2.8 million to EUR 68.2 million.
- A successful year for asset management: assets under management in funds sold internationally increased by 68%.
- Cost development according to plan – costs on the same level as last year.
- Dividend proposal EUR 0.63 (0.61) per share.

Outlook 2020

Despite the uncertainty of the economic development, the comparable operating profit in 2020 is expected to be somewhat higher than in 2019 (see p. 20).

(EUR million)	4Q2019	4Q2018	Δ %	2019	2018	Δ %	3Q2019	3Q/2Q	2Q2019	1Q2019
Net interest income	19.3	20.7	-6%	77.6	85.9	-10%	19.6	-1%	19.2	19.4
Net commission income	25.1	22.6	11%	96.4	95.6	1%	24.6	2%	24.0	22.7
Net income from life insurance	8.3	5.1	62%	30.0	21.4	40%	6.8	21%	6.6	8.3
Total operating income	55.2	47.7	16%	221.4	210.1	5%	52.9	4%	60.6	52.7
Operating expenses	-35.3	-39.4	-11%	-143.9	-143.0	1%	-37.5	-6%	-35.0	-36.1
Impairment of credits and other commitments	-0.8	-0.1	464%	-4.5	-0.8	431%	-1.2	-38%	-1.4	-1.1
Operating profit	**19.1**	**8.0**	**138%**	**74.8**	**67.6**	**11%**	**14.3**	**34%**	**24.2**	**17.2**
Comparable operating income[1]	55.2	48.7	13%	211.4	206.1	3%	52.9	4%	50.6	52.7
Comparable operating expenses[1]	-35.2	-38.3	-8%	-140.4	-141.2	-1%	-34.2	3%	-34.9	-36.1
Comparable operating profit[1]	**19.2**	**10.2**	**88%**	**68.2**	**65.4**	**4%**	**17.6**	**9%**	**14.3**	**17.2**
Cost-to-income ratio	0.64	0.83	-23%	0.65	0.68	-4%	0.71	-10%	0.58	0.69
Comparable cost-to-income ratio[1]	0.64	0.79	-19%	0.66	0.69	-4%	0.65	-2%	0.69	0.69
Earnings per share (EPS), EUR	0.23	0.09	156%	0.90	0.81	10%	0.16	44%	0.30	0.21
Comparable earnings per share (EPS), EUR[1]	0.23	0.12	92%	0.79	0.77	3%	0.20	15%	0.16	0.21
Return on equity (ROE), %	10.5	4.4	140%	10.3	9.4	9%	7.4	41%	13.7	9.4
Comparable return on equity (ROE), %[1]	10.5	5.6	89%	9.1	9.0	2%	9.2	14%	7.2	9.4
Common Equity Tier 1 capital ratio (CET1), %[2]	14.7	17.5	-16 %	14.7	17.5	-16 %	15.6	-6 %	16.5	16.9
Dividend per share (proposal from the Board of Directors), EUR				0.63	0.61	3%				

1) Alternative performance measures excluding items affecting comparability, see page 21
2) At the end of the period

Financial Statement Release January–December 2019 is a translation of the orginal Swedish version "Bokslutskommuniké 1.1-31.12.2019". In case of discrepancies, the Swedish version shall prevail.

CEO's comments

2019 was an important step in the development and renewal of our business. According to the strategy update in September, Aktia is now even more determined in seeking growth in asset management and among new private and corporate customers in growing cities in Finland as well as in increasing operational efficiency further.

Aktia's financial performance for the whole year was stable and the Group's comparable operating profit increased by 4%. However, the underlying financial performance was significantly better and without the effect of the interest rate hedges unwound in 2012, the increase was 17%. In addition, several structural changes affected the comparability.

The year was a considerable success for Aktia especially within asset management. Assets under management in fixed income funds sold to international customers increased by 68% during the year, which shows that Aktia's asset management is already a success story. Total customer assets under management increased by 18%, of which the growth as a result of net subscriptions was 10%.

Aktia's Board of Directors proposes that a dividend of EUR 0.63 (0.61) per share be paid for 2019, which is 70% of the profit for the year. The proposal is in line with the improved results and it strengthens Aktia's equity, thus creating conditions for growth.

A strong fourth quarter

The extremely strong fourth quarter was an excellent closing of the year for Aktia. The comparable operating profit for the fourth quarter increased by EUR 9.0 million to EUR 19.2 million, an increase of as much as 88% from last year. The strong increase is mainly explained by the good development in the asset management, but also by the excellent latter part of the year in the life insurance business as well as the moderate cost level.

Net commission income increased in the last quarter by 11% from last year. The increase was mainly due to the growth in customer assets under management (AuM), although the market drop at the end of 2018 lowered the comparative figures. Net income from life insurance also experienced a considerable increase of 62% from last year. Value changes in real estate and fund investments as well as a better product mix, together with a decreasing interest-linked stock, contributed to the good earnings performance. Net interest income for the fourth quarter decreased by 6%, while net interest income from borrowing and lending increased by 2%. Comparable operating expenses decreased by 8%, mainly as a result of the increasing operational efficiency.

The strategy work progressing

The implementation of Aktia's updated strategy started in earnest in the last quarter of the year and the work has got off to a good start.

Two arrangements performed at the end of the year supported the company's strategic renewal. An even stronger focus on life insurance took shape in the acquisition of Försäkringsaktiebolaget Liv-Alandia's life insurance portfolio. We have already handled most of Alandia's 11,000 life insurance policies for nearly sixty years. The acquisition of the portfolio is thus a logical next step for us. The transition still requires the acceptance of the Finnish Financial Supervisory Authority. We also informed of a simplification of Aktia Group's ownership structure when Aktia Bank made an agreement to buy the whole minority share of 24% from Aktia Asset Management. The aim of the arrangement is to support the development of asset management to become one of the leading asset managers in Finland.

It feels good to be able to end Aktia's year 2019 with such a good result. However, we have already started thinking ahead. The determined work for the development of Aktia continues, and we are actively investigating even possibilities for inorganic growth. We are well positioned for the ongoing year due to both a competitive asset management and a stable banking business. At the same time, we will continue our work to ensure a moderate cost level.

Helsinki 14 February 2020

Mikko Ayub
CEO

Profit and balance

Profit October–December 2019

The Group's operating profit increased to EUR 19.1 (8.0) million and the Group's profit to EUR 15.9 (6.4) million. The comparable operating profit was EUR 19.2 (10.2) million. The implementation of IFRS 16 affected the operating profit of the fourth quarter with EUR -0.1 million. The effects of the implementation of the standard are described more in detail in note 1.

Items affecting comparability

(EUR million)	Oct-Dec 2019	Oct-Dec 2018
Profit from divestment of shares in Folksam Non-Life Insurance	-	0.0
Value change of equity holding in Bohemian Wrappsody	-	-1.0
Costs for restructuring	-0.1	-1.1
Total	**-0.1**	**-2.2**

Income

The Group's operating income increased to EUR 55.2 (47.7) million. Comparable operating income increased by 13% to EUR 55.2 (48.7) million.

Net interest income decreased by 6% to EUR 19.3 (20.7) million. Net interest income from borrowing and lending increased by 2% to EUR 18.5 (18.2) million, whereas interest income from hedging measures through interest rate derivatives decreased to EUR 0.7 (2.0) million. Continued low market interest rates and thereby lower yield from the bank's liquidity portfolio decreased the Group's net interest income by EUR 0.3 million.

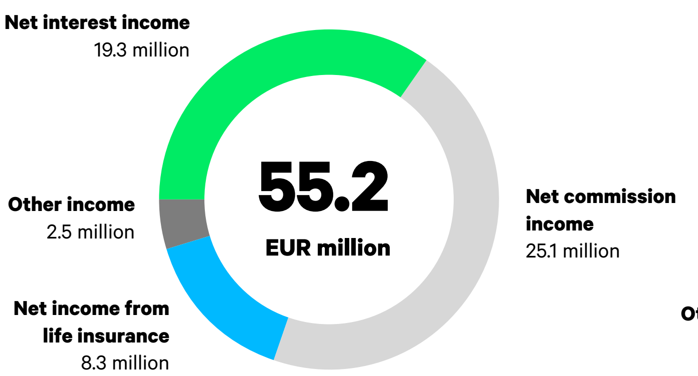
Net commission income increased by 11% to EUR 25.1 (22.6) million. Commission income from funds, asset management and securities brokerage increased by 18% to EUR 17.3 (14.6) million. Card and other payment service commissions amounted to EUR 6.3 (6.3) million. Commission income from borrowing and lending was EUR 3.2 (3.3) million.

Net income from life insurance increased by 62% to EUR 8.3 (5.1) million. The improvement is related to unrealised value changes in the investment portfolio of EUR 2.8 (-1.4) million. During the quarter a new interest reserve of EUR 10.0 million was recognised and sales gains from the investment portfolio of EUR 9.4 (1.0) million were realised.

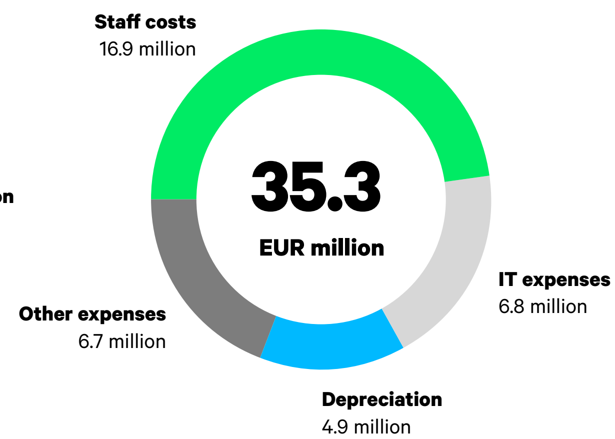
Net income from financial transactions increased to EUR 1.6 (-1.2) million. The fourth quarter of last year include a value change of the shareholding in Bohemian Wrappsody of EUR -1.0 million. Net income from derivative instruments increased by EUR 0.8 million from the corresponding quarter last year.

Other operating income amounted to EUR 0.9 (0.5) million.

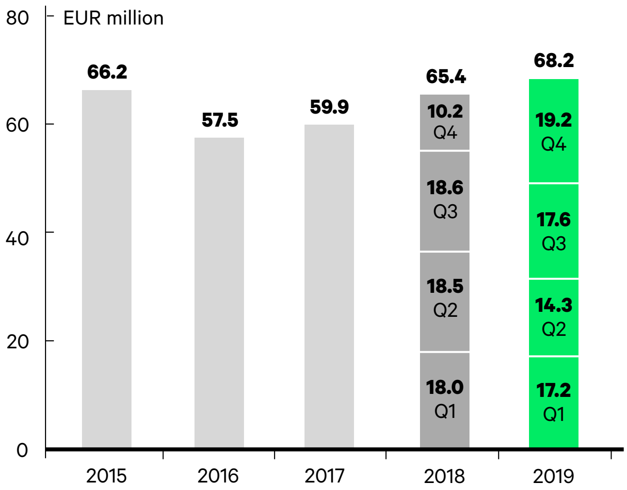
Operating income 4Q 2019



Operating expenses 4Q 2019



Comparable operating profit 2015–2019, EUR million



Expenses

Operating expenses decreased to EUR 35.3 (39.4) million, including EUR 0.1 (1.1) million in restructuring costs. Comparable operating expenses decreased by 8% to EUR 35.2 (38.3) million.

Staff costs amounted to EUR 16.9 (18.1) million, including EUR 0.1 (1.1) million in restructuring costs. Comparable staff costs were somewhat lower than in the fourth quarter last year and amounted to EUR 16.8 (17.0) million.

IT expenses decreased to EUR 6.8 (7.6) million.

The depreciation of tangible and intangible assets was EUR 4.9 (3.0) million. The increase of EUR 1.9 million is mainly related to depreciations of real estate leases and cars according to IFRS 16.

Other operating expenses decreased to EUR 6.7 (10.7) million. EUR 1.8 million of the decrease of EUR 4.0 million is related to the implementation of IFRS 16 and EUR 0.8 million to lower purchased services. In addition, the fourth quarter last year includes an accrued cost for the stability fee of EUR 0.6 million.

Impairment on credits and other commitments amounted to EUR -0.8 (-0.1) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR 0.1 (-0.7) million.

Profit 2019

The Group's operating profit increased to EUR 74.8 (67.6) million and the Group's profit to EUR 61.8 (56.0) million. The comparable operating profit increased to EUR 68.2 (65.4) million. The implementation of IFRS 16 affected the operating profit with EUR -0.5 million.

Items affecting comparability

(EUR million)	2019	2018
Additional income from divestment of Visa Europe to Visa Inc	0.5	-
Profit from divestment of shares in Samlink Ltd	9.6	-
Profit from divestment of shares in Folksam Non-Life Insurance	-	4.0
Value change of equity holding in Bohemian Wrappsody	-	-1.0
Profit from divestment of Aktia Real Estate Agency Ltd	-	1.1
Costs for restructuring	-3.5	-1.8
Total	**6.5**	**2.2**

Income

The Group's operating income increased to EUR 221.4 (210.1) million. Comparable operating income increased by 3% to EUR 211.4 (206.1) million.

Net interest income decreased by 10% to EUR 77.6 (85.9) million. Net interest income from borrowing and lending increased by 5% to EUR 73.4 (70.1) million. Interest income from hedging measures through interest rate derivatives decreased by EUR 7.4 million to EUR 4.0 (11.4) million. The remaining active interest rate derivatives for hedging purposes, i.e. to hedge on demand deposit accounts and savings deposits, were unwound in August 2019. The unwound interest rate derivatives resulted in a positive cash flow of EUR 7.5 million, which is accrued in the net interest income according to the interest rate derivatives' original maturity 2019–2023. Interest income from the bank's liquidity portfolio decreased to EUR 6.1 (8.3) million and interest income from Aktia's TLTRO financing programme to EUR 1.6 (3.5) million.

Net commission income was EUR 96.4 (95.6) million. Taking into account the reference period's income from the divested real estate agency and the terminated co-operation with Folksam, as well as the changes in accounting principles for recognition of insurance brokerage commissions, net commission income increased by 6% to EUR 96.4 (90.6) million. Commission income from funds, asset management and securities brokerage increased by 7% to EUR 63.9 (59.6) million. Card and other payment service commissions increased by 5% to EUR 25.6 (24.4) million. Commission income from borrowing and lending decreased by 4% to EUR 13.2 (13.8) million.

Net income from life insurance increased by 40% to EUR 30.0 (21.4) million, which is related to unrealised value changes in the investment portfolio of EUR 6.3 (-4.6) million. An interest reserve of EUR 10.0 million was recognised in November, which was compensated by realised sales gains from the investment portfolio. The actuarially calculated result excluding the interest reserve was somewhat higher than last year.

Net income from financial transactions was EUR 5.6 (4.9) million, which includes an additional income of EUR 0.5 million from the divestment of Visa Europe to Visa Inc. The reference period includes a profit from the divestment of the shareholding in Folksam Non-Life Insurance of EUR 4.0 million, and a value change in the shareholding in Bohemian Wrappsody of EUR -1.0 million. Comparable net income from financial transactions increased to EUR 5.2 (1.9) million. The increase is related to net income from derivative instruments (EUR 0.9 million), net income from currency operations (EUR 0.7 million), a value change in shares and participations (EUR 0.6 million), net income from hedge accounting (EUR 0.6 million) and to a change in model-based credit losses (ECL) of the bank's interest-bearing securities (EUR 0.4 million).

Other operating income amounted to EUR 11.4 (2.3) million and include a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd. The reference period includes a profit from the divestment of Aktia Real Estate Agency Ltd of EUR 1.1 million.

Expenses

Operating expenses amounted to EUR 143.9 (143.0) million, including EUR 3.5 (1.8) million in restructuring costs. Comparable operating expenses decreased to EUR 140.4 (141.2) million.

Staff costs increased to EUR 69.0 (66.7) million, including EUR 2.2 (1.8) million in restructuring costs. Comparable staff costs increased by 3% to EUR 66.8 (64.9) million. The increase is mainly related to costs for the personnel's AktiaUna incentive programme. The running staff costs were approximately on the same level as last year.

IT expenses increased to EUR 26.2 (25.6) million. The increased expenses are mainly related to higher investments during the first half of 2019 compared to 2018. During the second half of the year the expenses were lower than last year.

The depreciation of tangible and intangible assets increased to EUR 19.5 (12.4) million and includes depreciation of real estate leases and cars according to IFRS 16 of EUR 6.8 (-) million. IFRS 16 depreciations were recognised as rental expenses for the comparative period.

Other operating expenses decreased to EUR 29.2 (38.3) million, including costs for restructuring of EUR 1.3 (0.0) million. Comparable other operating expenses decreased to EUR 27.9 (38.3) million. Rental expenses of EUR 7.3 million are from 1 January 2019 reported as depreciations and interest expenses according to IFRS 16. Other expenses that have decreased from last year are mainly related to purchased services, postal costs and manufacturing costs for cards.

Impairment on credits and other commitments increased to EUR -4.5 (-0.8) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.7 (0.3) million.

Share of profit from associated companies includes mainly a dividend of EUR 1.7 (1.3) million from Samlink Ltd.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 9,697 (9,267) million. Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees increased to EUR 641 (518) million.

Borrowing

Borrowing from the public and public-sector entities amounted to EUR 4,060 (3,963) million. Aktia's market share of deposits was 3.2 (3.3) % at the end of December.

The value of bonds issued by Aktia Bank totalled EUR 2,526 (2,460) million. Of these, EUR 1,613 (1,666) million were Covered Bonds issued by Aktia Bank.

In February Aktia Bank issued a new long-term Covered Bond to a value of EUR 500 million and a maturity of 7 years. The issue was carried out to very favourable terms and it was oversubscribed more than twofold. As security for the Covered Bond issue, bonds with a value of EUR 2,032 (2,264) million were reserved.

Aktia Bank issued a Tier 2 loan of EUR 70 million on the capital market in September. Through the issue outstanding debentures originally sold to private customers were replaced. The Tier 2 loan is because of its structure more efficient for the capital adequacy calculation than the earlier debenture loans.

During the year, Aktia Bank also issued new long-term unsecured bonds to a value of EUR 120 million as part of its EMTN programme.

Lending

The Group's lending to the public and public-sector entities increased by EUR 322 million to EUR 6,429 (6,107) million. Loans to households accounted for EUR 4,886 (4,756) million, or 76.0 (77.9) % of the loan book.

The housing loan book totalled EUR 4,877 (4,698) million, of which the share for households was EUR 4,026 (3,958) million. Aktia's new lending to households increased to EUR 1,057 (951) million. At the end of December, Aktia's market share in housing loans to households was 4.0 (4.1) %.

Corporate lending accounted for 12.0 (11.6) % of the Aktia Group's loan book. Total corporate lending increased to EUR 771 (708) million. Loans to housing companies increased to EUR 738 (604) million, making up 11.5 (9.9) % of Aktia's total loan book. The increase is partly related to Aktia's purchase of loans to housing companies of EUR 55 million from the Mortgage Society of Finland at the end of 2019.

Loan book by sector

(EUR million)	31 Dec 2019	31 Dec 2018	Δ	Share. %
Households	4,886	4,756	130	76.0%
Corporates	771	708	63	12.0%
Housing companies	738	604	135	11.5%
Non-profit organisations	31	35	-5	0.5%
Public sector entities	4	4	-1	0.1%
Total	**6,429**	**6,107**	**322**	**100.0%**

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Banking Group amounting to EUR 1,326 (1,368) million, the life insurance company's investment portfolio amounting to EUR 546 (551) million and the equity holdings of the Bank Group amounting to EUR 5 (4) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,260 (1,156) million, of which EUR 869 (757) million were unit-linked. Interest-related technical provisions decreased to EUR 390 (399) million.

Equity

Aktia Group's equity amounted to EUR 610 (590) million. The fund at fair value decreased by EUR 3 million to EUR 15 (18) million and the profit for the year amounted to EUR 62 million. Dividend amounting to EUR 42 million was paid to the shareholders in April.

Assets under Management

The Group's total assets under management amounted to EUR 11,963 (10,466) million.

Customer assets under management comprise managed and brokered mutual funds as well as managed capital in the subsidiaries Aktia Asset Management Ltd and Aktia Fund Management Company Ltd. Assets under management presented in the table below reflect net volumes, so that customer assets under management in multiple companies have been eliminated.

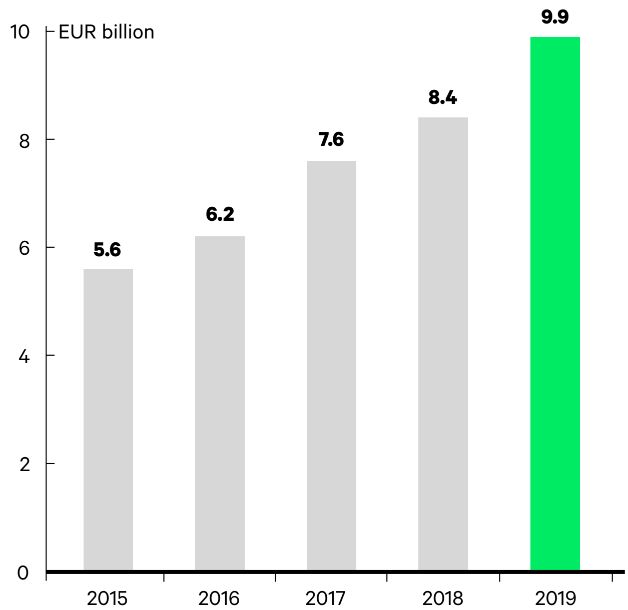
Group financial assets include the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	31 Dec 2019	31 Dec 2018	Δ %
Customer assets under management*	9,853	8,353	18%
Group financial assets	2,110	2,113	0%
Total	**11, 963**	**10,466**	**14%**

* Excluding Fund in funds (comparative periods recalculated)

Customer assets under management (AuM) excluding custody assets 2015–2019, EUR billion



Segment overview

Aktia Bank's operations are divided into three reporting business segments: Banking Business, Asset Management and Group Functions.

Banking Business

The segment comprises private and corporate customers of the banking business. Aktia's private customers are provided a wide range of financing, insurance, savings as well as investment products and services through various channels. Aktia's corporate business provides services to companies and organisations, from micro sized companies and associations to listed companies, as well as to institutional customers with other banking services than asset management.

Private customers

During the fourth quarter of the year Aktia continued to renew its brand, which has been received well by both customers and other stakeholders. The renewed brand supports Aktia's updated strategy with the purpose of attracting especially new and existing private and corporate customers in growing cities in Finland.

On the basis of the updated strategy a change in the private customers' service model was also realised in order to increasingly meet the customers' needs for digital banking services. Availability regardless of place and possibilities for flexible meetings as well as more extensive services both by phone and electronically create opportunities for new customer relations and helps to maintain and to further develop Aktia's customer satisfaction. The merger of branch offices and a reduction in office premises was realised during the last quarter of the year, and the first flexible Meeting Point of the new service model was carried out in the form of a new pop-up office in Otaniemi in Espoo.

During the end of the year support for using Aktia's digital services has been provided free of charge to different customer groups in several regions. The support has been offered in 12 branch offices and the work will continue also during 2020.

The interest in asset management products and different investment alternatives is growing. The asset management portfolios of Private Banking performed well during 2019. The return from the return-oriented portfolio was 26 (comparison index 23) %, from the balanced portfolio 19 (comparison index 18) % and from the moderate portfolio 11 (comparison index 11) %. The special investment fund Aktia Business Premises, launched in September 2018, has created interest among customers and the fund's assets under management at the end of 2019 amounted to EUR 43 million.

Corporate customers

During the last quarter a new unit was founded in order to strengthen the service model for smaller corporate and organisational customers. The unit is responsible for active customer contacts where the customer's individual needs are taken into account. The unit officially started its operations at the end of 2019.

The economic cycle continued better than expected. Both investment appetite and building volumes of corporates continued on a good level during the fourth quarter. Despite the fact that the economic cycle is showing some signs of slowing down, the companies' performance ability continued, which kept the risk level of the corporate loan book stable. The margin level was retained despite the price competition.

Segment results

(EUR million)	2019	2018	Δ %
Operating income	131.4	131.1	0%
Operating expenses	-107.6	-106.2	1%
Operating profit	19.3	24.1	-20%
Comparable operating profit	22.7	25.7	-12%

The operating income for the period amounted to EUR 131.4 (131.1) million, which was somewhat higher than last year. Net interest income increased by 2% to EUR 67.4 million. The increase is mainly related to the growth in the corporate customers' loan book. The total loan book increased by 5% to EUR 6,429 (6,100) million. The loan book of private customers amounted to EUR 4,924 (4,792) million and the corporate customers' loan book to EUR 1,505 (1,307) million.

Net commission income decreased by 1% to EUR 63.6 million. The change is mainly attributable to lower income from brokered insurance and the terminated co-operation with Folksam Non-Life Insurance in 2018.

Comparable operating expenses for the period were somewhat lower than the year before and amounted to EUR 104.3 (104.6) million.

Impairment on credits and other commitments remained low. The change in the allowance for model-based credit losses (ECL) increased by EUR 1.6 million, which partly explains the total impairments increasing to EUR -4.5 (-0.8) million.

Asset Management

The segment includes asset management and life insurance business and provides asset management to institutional investors, as well as a wide range of investment and life insurance products to be distributed in Aktia's and external partners' sales channels.

Assets under management

(EUR million)	31 Dec 2019	31 Dec 2018	Δ %
Customer assets under management*	9,853	8,353	18%
of which institutional assets	6,821	5,652	21%

* Excluding Fund in funds (comparative periods recalculated)

Customer assets under management were still at a high level and amounted at the end of the year to their highest level ever.

The activities for a more extensive range of products continued during the fourth quarter. As a part of the strategic investment in asset management growth, Aktia launched in October a new European High Yield Bond fund with direct investments in European high yield corporate loans. The fund was received well among investors and had at the year-end a capital of EUR 165 million. The sales of Aktia's real estate fund and wealth management solutions within Private Banking were very favourable during the year.

Aktia is at the beginning of 2020 starting the sale of structured products as well as aiming at launching new private debt solutions to institutional customers.

Aktia's asset management was rewarded during the fourth quarter with the Gold Award among institutional investors in the annual SFR survey. Aktia's ability to present its market view was reviewed especially high and is judged to be the best on the market.

Aktia's focus on international sales through the Universal-Investment (UI) fund company in Luxembourg continues. At the end of the fourth quarter the Aktia UI fund capital was on the same level as at the end of the third quarter. Net subscriptions for the year amounted to about EUR 700 million.

The equity fund Aktia Nordic Micro Cap turned three in December. The fund, investing in small Nordic companies, has since its launch had an annual return of more than 16% and the return for 2019 was 41%. The fund capital in Aktia's funds investing in the Nordic countries amount to approximately EUR 350 million in total.

Life insurance

Life insurance operations presented a strong result for the fourth quarter. The decreasing interest-linked stock in combination with a better product mix of risk insurances contributed to strengthening the results. Rising market rates and favourable new sales of investment-linked insurances led to the unit-linked technical provisions reaching a new record level of EUR 869 (757) million at the end of the year.

As a part of the realisation of Aktia's strategy an agreement was reached in December concerning Aktia Life Insurance's acquisition of Försäkringsaktiebolaget Liv-Alandias life insurance portfolio. In the arrangement, which still requires approval from the Finnish Financial Supervisory Authority, 11,000 life insurance policies are transferred to Aktia Life Insurance Ltd. The transfer is planned to take place during the first quarter of 2020.

Segment results

(EUR million)	2019	2018	Δ %
Operating income	67.5	54.0	25%
Operating expenses	-28.9	-27.4	6%
Operating profit	38.6	26.7	45%
Comparable operating profit	38.6	26.7	45%

The operating income for the period increased by 25% to EUR 67.5 million, which is explained by strong sales, a favourable development on the investment market and positive value changes in the life insurance operations of EUR 6.3 (-4.6) million. Net commission income increased by 13% to EUR 41.7 million and net income from life insurance by 53% to EUR 25.5 million. The sale of investment-linked savings insurances among Private Banking customers was still strong and the stock increased by 59% during the year. Operating expenses for the segment increased by 6% to EUR 28.9 million, which mainly relates to the increase in staff costs.

Customer assets under management increased by EUR 1.5 billion and amounted to EUR 9.8 (8.3) billion. Aktia Emerging Market funds, which mainly consist of fixed income funds, accounted for about EUR 3.5 billion of customer assets. At the end of the fourth quarter a long-term fund co-operation with a larger distribution partner was terminated, which led to customer assets decreasing by approximately EUR 0.2 billion. Net sales of the year amounted to EUR 0.8 billion and the market value change to EUR 0.9 billion. The main part of the net sales was to institutional customers.

Group Functions

The Group Functions comprise the Group's central functions. The entities oversee the Group's financing and liquidity management and assist the other business segments with sales, IT and product support, and development. Group Functions are also responsible for monitoring and controlling risk and financial follow-up.

Segment results

(EUR million)	2019	2018	Δ %
Operating income	29.9	28.2	6%
Operating expenses	-14.8	-14.3	4%
Operating profit	15.0	13.9	8%
Comparable operating profit	5.2	11.2	-54%

The segment's reported operating income include a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd, and an additional income of EUR 0.5 million relating to the divestment of Visa Europe to Visa Inc. Last year includes a profit from the divestment of shares in Folksam Non-Life Insurance of EUR 4.0 million, and a value change in the shareholding in Bohemian Wrappsody of EUR -1.0 million. The comparable operating income for the period amounted to EUR 19.8 (25.3) million.

Net interest income for the segment decreased following lower interest income from hedging interest rate derivatives and lower yields from the bank's liquidity portfolio. Interest income from hedging measures through interest rate derivatives decreased to EUR 4.0 (11.4) million and interest income from the bank's liquidity portfolio to EUR 6.1 (8.3) million.

Since March 2015, Aktia participates in the European Central Bank's refinancing operations (TLTRO), which has enabled Aktia to offer financing with favourable and competitive terms. Interest income from Aktia's TLTRO financing amounted to EUR 1.6 (3.5) million. The European Central Bank determined the cost for Aktia's TLTRO financing in June 2018 when also the cumulative interest income was recognised.

Lower financing expenses from new long-term financing is partially compensating for decreasing income from unwound interest rate hedges and the liquidity portfolio. Despite the challenging interest rate situation, a positive interest yield has been retained when reinvesting in the liquidity portfolio.

The operating expenses of the segment were somewhat higher than last year.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
Income statement	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net interest income	67.4	66.3	0.0	0.0	10.1	19.6	-	0.0	77.6	85.9
Net commission income	63.6	64.4	41.7	37.1	2.7	2.8	-11.7	-8.6	96.4	95.6
Net income from life insurance	-	-	25.5	16.7	-	-	4.5	4.7	30.0	21.4
Other operating income	0.3	0.4	0.3	0.3	17.0	5.8	-0.2	0.8	17.5	7.3
Total operating income	**131.4**	**131.1**	**67.5**	**54.0**	**29.9**	**28.2**	**-7.3**	**-3.2**	**221.4**	**210.1**
Staff costs	-19.3	-20.2	-14.3	-13.3	-35.4	-31.1	-	-2.0	-69.0	-66.7
Other operating expenses[1]	-88.4	-85.9	-14.6	-14.0	20.6	16.8	7.4	6.8	-74.9	-76.4
Total operating expenses	**-107.6**	**-106.2**	**-28.9**	**-27.4**	**-14.8**	**-14.3**	**7.4**	**4.8**	**-143.9**	**-143.0**
Impairment of credits and other commitments	-4.5	-0.8	-	-	0.0	-	-	-	-4.5	-0.8
Share of profit from associated companies	-	-	-	-	-	-	1.7	1.3	1.7	1.3
Operating profit	**19.3**	**24.1**	**38.6**	**26.7**	**15.0**	**13.9**	**1.8**	**3.0**	**74.8**	**67.6**
Comparable operating profit	**22.7**	**25.7**	**38.6**	**26.7**	**5.2**	**11.2**	**1.8**	**1.9**	**68.2**	**65.4**

Balance sheet	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Financial assets measured at fair value	0.1	0.1	1,268.9	1,122.8	1,025.5	1,120.7	-15.0	-	2,279.4	2,243.6
Cash and balances with central banks	1.8	4.4	0.0	0.0	313.5	284.8	-	-	315.4	289.2
Interest-bearing securities measured at amortised cost	-	-	47.9	69.0	288.6	239.0	-	-	336.5	308.0
Loans and other receivables	6,428.9	6,099.9	60.8	77.7	15.3	28.1	-58.5	-75.8	6,446.5	6,129.8
Other assets	22.3	11.8	65.1	5.0	293.7	342.5	-61.7	-63.1	319.3	296.2
Total assets	**6,453.1**	**6,116.2**	**1,442.6**	**1,274.5**	**1,936.5**	**2,015.0**	**-135.2**	**-138.9**	**9,697.1**	**9,266.8**
Deposits	4,185.6	4,071.0	-	-	530.4	569.8	-58.5	-75.6	4,657.5	4,565.1
Debt securities issued	-	0.6	-	-	2,637.3	2,459.7	-14.6	-	2,622.7	2,460.3
Technical provisions	-	-	1,259.8	1,155.7	-	-	-	-	1,259.8	1,155.7
Other liabilities	13.4	3.6	32.3	29.8	511.7	465.5	-10.3	-3.2	547.2	495.7
Total liabilities	**4,199.0**	**4,075.2**	**1,292.1**	**1,185.5**	**3,679.4**	**3,495.0**	**-83.4**	**-78.9**	**9,087.1**	**8,676.9**

1) The net expenses for central functions are allocated from the Group Functions to the business segments Banking Business and Asset Management. This cost allocation is included in the segments' other operating expenses.

The quarterly figures for the segments are presented later in the report.

Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 14.7 (17.5) %. After deductions, Common Equity Tier 1 capital increased by EUR 3.9 million during the period, which improved the CET1 capital ratio by 0.1 percentage points. Risk-weighted assets increased by EUR 437.7 million, which reduced the CET1 capital ratio by 2.9 percentage points. The increase in risk-weighted assets is mainly attributable to the implementation of the IRB approach to certain corporate exposures (Foundation Internal Ratings Based Approach F-IRB) during the third quarter and the growth in corporate lending.

The Bank Group applies internal risk classification (IRB) to the calculation of capital requirement for retail, equity and certain corporate exposures. For other exposures the standardised approach is used.

Capital adequacy, %	31 Dec 2019	31 Dec 2018
Bank Group		
CET1 capital ratio	14.7	17.5
Total capital ratio	18.6	20.5

The total capital requirement for the banking business consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The table below describes the different components for Aktia's capital requirements.

The board of Financial Supervisory Authority has decided to set system risk buffer requirements for Finnish credit institutions. According to the Financial Supervisory Authority, the buffer requirement aims to strengthen the credit institutions' structural system risk tolerance. The requirement varies between the credit institutions and a 1% system risk buffer has been set for Aktia Bank Plc. The system risk buffer is to be met with CET1 capital and it entered into force on 1 July 2019. Taking all buffer requirements into account, the minimum total capital ratio level for the Bank Group was 13.30% and 11.30% for Tier 1 capital ratio at the end of the period.

Leverage ratio	31 Dec 2019	31 Dec 2018
Tier 1 capital	388.1	384.2
Total exposures	8,474.5	8,111.1
Leverage ratio, %	**4.6**	**4.7**

The Finnish Financial Supervisory Authority has on 13 December 2019 determined a new Pillar 2 requirement of 1.25% for Aktia. The new requirement is valid as of 30 June 2020 and replaces the current requirement of 1.75%.

The Financial Stability Board has during the third quarter updated the minimum requirement in accordance with the bank resolution act for own funds and eligible liabilities that can be written down (MREL requirement) for Aktia Bank Plc. The requirement is twice the minimum capital requirement, including the total buffer requirement at the end of 2017. The updated MREL requirement amounts to 23.37% of total risk-weighted assets (RWA), however at least 8% of the balance sheet total.

MREL-requirement (EUR million)	31 Dec 2019	31 Dec 2018
MREL requirement	670.9	645.5
Own funds and eligible liabilities		
CET1	388.1	384.2
AT1 instruments	0.0	0.0
Tier 2 instruments	160.4	148.3
Other liabilities	247.9	660.6
Total	**796.4**	**1,193.1**

The life insurance company follows the Solvency II directive, in which the calculation for technical provisions are measured at market value. According to Solvency II, the company calculates its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and identifies its available solvency capital within Solvency II. Aktia Life Insurance applies the standard formula for SCR, with consideration of the transitional measure for technical provisions in accordance with the permission granted by the Financial Supervisory Authority.

Solvency II	With transitional rules		Whitout transitional rules	
(EUR million)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
MCR	24.2	22.7	25.9	24.7
SCR	86.6	76.4	98.3	89.0
Eligible capital	166.3	175.5	120.2	125.8
Solvency ratio, %	192.1	229.8	122.2	141.5

Total capital requirement

31 Dec 2019	Pillar 1 requirement	Pillar 2 requirement	Buffer requirements: Capital Conservation	Buffer requirements: Counter-cyclical	Buffer requirements: O-SII	Buffer requirements: Systemic risk	Total
CET1 capital	4.50	1.75	2.50	0.05	0.00	1.00	9.80
AT1 capital	1.50	0.00					1.50
Tier 2 capital	2.00	0.00					2.00
Total	**8.00**						**13.30**

The Group's risk exposures

The Group focuses primarily on banking, asset management and life insurance operations. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, as well as interest rate and other market risks and actuarial risks in the life insurance business. All of these operations are exposed to business and operational risks.

Definitions and general principles for asset and risk management can be found in Aktia Bank Plc's Annual Report for 2018 (www.aktia.com), in note G2 on pages 83–95, or in Aktia Bank Plc's Capital and Risk Management Report on the Group's website www.aktia.com.

Banking and asset management business

Credit risks

Aktia's loan book constitutes for the major part of loans to households and private persons with residential or real estate securities. The loan ratio measured in loan-to-value (LTV) is on an adequate level and a low risk level provides a good quality of credits in Aktia's loan book. At the year-end 2019 the LTV level amounted on average to 45% for the entire loan book.

Loans past due by time overdue and ECL stages

(EUR million)	31 Dec 2019			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 30	45.9	23.0	0.5	69.4
of which households	36.3	21.6	0.4	58.3
> 30 ≤ 90	0.0	26.0	1.4	27.4
of which households	0.0	23.3	1.1	24.4
> 90	0.0	0.0	44.4	44.4
of which households	0.0	0.0	38.0	38.0

(EUR million)	31 Dec 2018			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 30	39.3	14.9	0.1	54.2
of which households	36.5	13.5	0.1	50.1
> 30 ≤ 90	0.0	33.8	0.5	34.2
of which households	0.0	28.3	0.2	28.5
> 90	0.0	0.0	40.4	40.4
of which households	0.0	0.0	33.3	33.3

Credit exposures (incl. off-balance sheet commitments) per probability of default (PD)

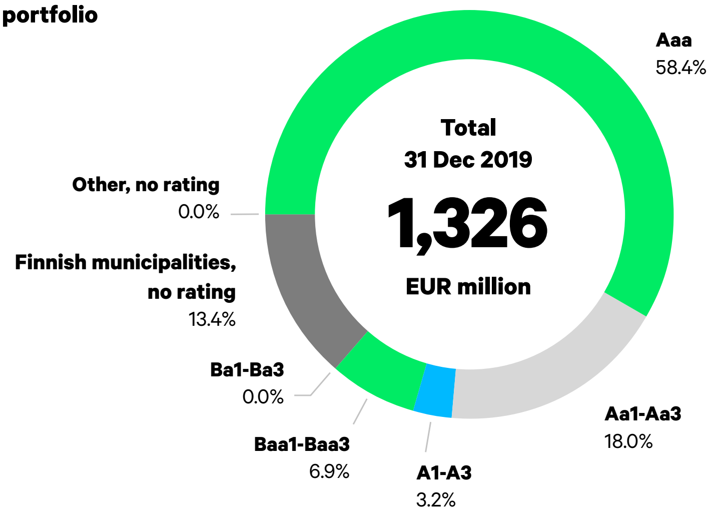
(EUR million)	31 Dec 2019	31 Dec 2018
Corporate		
PD grades A	199.5	152.3
PD grades B	707.7	563.5
PD grades C	552.1	417.5
Default	20.7	26.7
	1,480.0	1,159.2
Loss allowance (ECL)	-15.1	-24.1
Carrying amount	1,464.9	1.135.1
Households		
PD grades A	3,448.6	3,482.4
PD grades B	837.8	974.8
PD grades C	781.1	617.5
Default	51.6	45.7
	5,119.1	5,120.4
Loss allowance (ECL)	-13.6	-14.9
Carrying amount	5,105.5	5.105.5
Other		
PD grades A	26.4	28.5
PD grades B	330.6	222.4
PD grades C	159.2	145.8
Default	0.9	0.9
	517.1	397.5
Loss allowance (ECL)	-0.5	-0.2
Carrying amount	516.7	397.3

Market risks

Market risks are formed as a result of price changes and risk factors on the financial market. Market risks include interest rate risk, currency risk, as well as equity and real estate risk.

The interest rate risk constitutes the largest market risk. A structural interest rate risk arises as a result of differences in periods for which interest rates are tied and at repricing of interest-bearing assets and liabilities. In the banking business, structural interest rate risks are managed actively through different trading arrangements, either through hedging derivatives or investments in the liquidity portfolio or a combination of both, depending on the prevailing market conditions.

Rating distribution for the Bank Group's liquidity portfolio



The bank measures the interest rate risk through sensitivity analyses of the net interest income, and through the present value on interest-bearing assets and liabilities where the interest rate curve is stressed using different interest rate scenarios for a dynamic or parallel change in interest rates.

The table Structural interest rate risk shows the interest rate sensitivity of the net interest income with a parallel shift in the interest rate curve of 1 percentage point.

Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve of 1% percentage point (EUR million)	Change in net interest income			
	31 Dec 2019		31 Dec 2018	
	Down	Up	Down	Up
Changes during the next 12 months	0.1	5.1	0.0	8.1
Changes during 12-24 months	0.8	19.0	0.6	22.8

The banking business conducts no equity trading or investments in real estate property for yield purposes.

Equity investments pertaining to business operations amounted to EUR 5 (4) million. The Bank Group had no real estate holdings at the end of the period.

The Bank Group's total currency exposure amounted to EUR 4.8 (3.6) million at the end of the period.

Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,104 (965) million at the end of the period.

All bonds met the criteria for refinancing at the central bank.

Liquidity reserve, market value (EUR million)	31 Dec 2019	31 Dec 2018
Cash and balances with central banks	271	247
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	195	205
Securities issued or guaranteed by municipalities or the public sector	208	236
Covered Bonds	430	241
Securities issued by credit institutions	0	37
Securities issued by corporates (commercial papers)	0	0
Total	**1,104**	**965**

The liquidity risk is, among other things, followed up by the Liquidity Coverage Ratio (LCR). LCR measures the short-term liquidity risk and is aimed to ensure that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is sufficient to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. The LCR amounted to 118 (134) %.

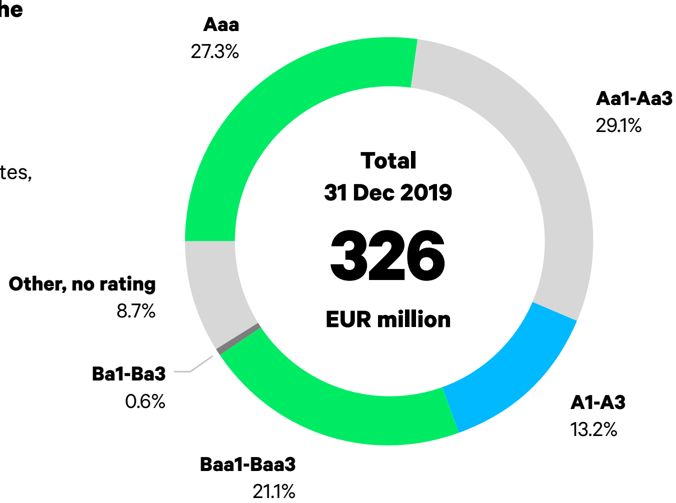
The liquidity risk is also followed up through the Net Stable Funding Ratio NSFR, which measures the long-term structural liquidity risk. The NSFR amounted to 118 (119) %.

Liquidity coverage ratio (LCR)*	31 Dec 2019	31 Dec 2018
LCR %	118%	134%

* LCR is calculated according to the resolution published by the EU Commission in October 2014. The authority's minimum requirement for LCR is 100%.

Rating distribution for the life insurance business' direct interest-bearing investments

(excluding investments in interets-rate funds, real estates, equities and alternative investments)



Life Insurance Business

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 546 (551) million. The life insurance company's direct real estate investments amounted to EUR 42 (39) million. The properties are located in the Helsinki region and in other growth areas in Southern Finland, and they mostly have long tenancies.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	31 Dec 2019		31 Dec 2018	
Fixed income investments	**387.7**	**71.0%**	**428.8**	**77.7%**
Government bonds	112.8	20.7%	84.3	15.3%
Financial bonds	114.6	21.0%	188.6	34.2%
Other corporate bonds	80.4	14.7%	61.3	11.1%
Emerging Markets (mtl. funds)	50.1	9.2%	46.9	8.5%
High yield (mtl. funds)	19.5	3.6%	19.5	3.5%
Trade finance (mtl. funds)	10.3	1.9%	28.2	5.1%
Alternative investments	**6.8**	**1.2%**	**4.5**	**0.8%**
Private Equity etc.	6.8	1.2%	4.5	0.8%
Real estates	**68.7**	**12.6%**	**67.2**	**12.2%**
Directly owned	42.5	7.8%	38.6	7.0%
Real estate funds	26.2	4.8%	28.5	5.2%
Money Market	**48.0**	**8.8%**	**0.0**	**0.0 %**
Cash and bank	**34.9**	**6.4%**	**51.1**	**9.3%**
Total	**546.1**	**100.0%**	**551.5**	**100.0%**

Life insurance company's market risk

Technical provisions include an interest reserve of EUR 26.0 (16.0) million, which can be used to cover the future interest rate requirement. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 2.3% for the coming 10 years. The discount rate is subsequently 3.1%. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. Interest rate risk is the most significant risk in conjunction with technical provisions in the life insurance company. It affects profitability through the spread between rate of return and guaranteed customer rate and capital adequacy as a result of the market valuation of assets and liabilities. Interest rate risk of the company's interest-bearing balance sheet items in the investment portfolio and in the interest-linked and unit-linked technical provisions is calculated through an interest rate stress test (decrease in interest rate) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-term technical provisions and amounted to EUR -42 (-47) million.

Main events

Aktia Asset Management to become a wholly-owned subsidiary of Aktia Bank

Aktia Bank Plc and Evergreen Holding Ltd, the minority shareholder in Aktia Asset Management Ltd, have reached an agreement whereas Aktia Bank Plc will acquire the whole minority share of 24% in Aktia Asset Management. As a result, Aktia Asset Management will become a wholly-owned subsidiary of Aktia Bank during the first quarter of 2020. The aim of the simplified ownership structure is to support the management and development of asset management in line with Aktia's updated strategy.

Aktia acquires Alandia's life insurance portfolio

Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia have agreed on the transfer of Alandia's life insurance portfolio to Aktia. The transfer is planned to take place during the first quarter of 2020. Aktia is currently already handling most of Liv-Alandia's insurance portfolio.

A lower Pillar 2 requirement

The Finnish Financial Supervisory Authority has on 13 December 2019 imposed a discretionary additional capital requirement (Pillar 2) under chapter 11, section 6, subsection 2, paragraph 1 subparagraph a) of the Act on Credit institutions (610/2014) for Aktia Bank Plc Group. The Pillar 2 requirement amounts to 1.25% and must be fulfilled with Common Equity Tier 1 capital as defined in EU's Capital Requirements Regulation (575/2013). The requirement is valid until further notice as of 30 June 2020 but not longer than until 30 June 2023. Aktia's current Pillar 2 requirement is 1.75%.

Changes in Executive Committee

Niina Bergring, M.Sc. (Econ.) appointed Director for business area Asset Management as of 1 January 2020 and she is a member of Aktia's Executive Committee.

In order to speed up the strategy implementation and to further increase operational efficiency, the following changes were made in the Executive Committee members' areas of responsibility:

Executive Vice President Juha Hammarén focuses on driving the Group's strategic transactions, further develop the bank's credit portfolio and balance sheet as well as continue as Chairman of the Board of Aktia Life Insurance. Hammarén also continues as a member of the Executive Committee and as Deputy CEO.

HR Director and member of the Executive Committee Anu Tuomolin appointed Chief Operating Officer (COO) responsible for HR, Business Risk Management, Production Center as well as Data and Analytics.

The changes in the Executive Committee's areas of responsibility entered into force on 1 November 2019.

Strategy and long-term financial targets

Aktia updated its strategy and its long-term financial targets at the Capital Markets Day on 10 September 2019. According to the strategy update, extending to 2023, Aktia is seeking an even stronger growth in asset management and new customers in the growing cities in Finland, and continues to further intensify its operations. The aim of the strategy is to support Aktia's growth targets and to lead the company towards the new vision of being "The good bank. And a great asset manager".

Service model renewal and co-operation negotiations

Aktia's co-operation negotiations initiated on 19 September 2019 have been concluded on 31 October 2019. After the conclusion of the negotiations the company has decided on changes leading to a reduction of 92 jobs and approximately 50 employees has been offered a new job. Aktia is seeking growth in growing cities and will merge 18 of its branch offices with other branch offices. Aktia is now strongly renewing its operation and service model and is creating a bank of the future.

Aktia involved in the first electronic housing transaction in Finland

On 18 June 2019, Aktia participated in the first electronic housing transaction in Finland where each stage of the transaction process, from the signing of the deeds of sale to the transfer tax, were conducted electronically. Aktia has participated in the development of digital housing transactions from the beginning and together with other Finnish banks been part of the joint venture that owns DIAS, the digital system for housing transactions. DIAS is a platform enabling digital housing transactions through a system between real estate agencies, property developers and banks. The platform is based on blockchain technology.

The launch of a new Investment Assistant solution

Aktia launched in summer 2019 a new digital Investment Assistant solution in order to create an easily accessible tool for digital savings and investments. With the help of the Investment Assistant Aktia's customers can define their own savings target and choose the most suitable tools for reaching the target. From the customer's point of view the Investment Assistant renews and digitalises many key banking services and makes it more flexible. The Investment Assistant has been developed in active co-operation with Aktia's customers.

Aktia divested its holdings in Samlink Ltd

On 23 January 2019, Aktia entered into an agreement to divest its holdings (22.56%) in Samlink Ltd to Cognizant Technology Solutions Finland Ltd. The divestment was finalised on 1 April 2019. In 2013 Aktia took the strategic decision to renew its core banking system and to waive from Samlink's system environment. The transaction generated a EUR 9.6 million sales gain in the second quarter, which affects the Group's reported operating profit for 2019. However, the transaction does not have an effect on the Group's comparable operating profit.

Renewal of business segments

Aktia's operations are now divided into the following three business segments: Banking Business, Asset Management and Group Functions. Aktia is reporting according to the new business segments as of 1 January 2019. The new segment Banking Business comprises the previous segment Personal & Corporate Banking as well as Aktia's private banking business and the banking business of institutional customers, which previously were included in the Wealth Management segment. The new segment Asset Management comprises the previous Wealth Management segment, excluding the private banking business and the banking business of institutional customers, which from now on are included in the new Banking Business segment. Central functions, including the Group's treasury operations, is still included in the Group Functions segment.

Other information

	Long-term borrowing	Short-term borrowing	Outlook	Covered Bonds
Moody's Investors Service	A1	P-1	stable	Aaa
Standard & Poor's	A-	A-2	stable	-

Events after the end of the reporting period

Aktia reached corporate rating B in CDP's international corporate responsibility ranking, which is over the average in the European financial sector. This is a significant improvement compared to last year's rating D-. CDP (former Carbon Disclosure Project) is a global non-profit organisation that collects and spreads company-specific information among other things on climate change mitigation and greenhouse gas emissions. Receiving the rating B means that Aktia takes the risks and possibilities relating to climate change even better into account and takes actively measures regarding climate matters.

Aktia Bank Plc has in a directed share issue on 13 February 2020 issued 744,696 new shares as a part of the acquisition of the minority share of 24% in Aktia Asset Management Ltd. The shares have been issued according to the share issue authorisation from the Annual General Meeting on 11 April 2019. The new shares will be registered into the Trade Register on 14 February 2020 and will start trading on Nasdaq Helsinki Ltd as of 17 February 2020. After the issue, the number of shares in Aktia is 69,917,133.

Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia have agreed on the transfer of Alandia's life insurance portfolio to Aktia. The transfer is planned to take place during the first quarter of 2020.

Rating

On 18 December 2018, Standard & Poor's confirmed its rating of Aktia Bank Plc's creditworthiness. The rating is A- for long-term borrowing and A2 for short-term borrowing, both with a stable outlook.

On 13 September 2019, Moody's Investors Service confirmed the long- and short-term deposit ratings of Aktia Bank. The Senior Unsecured rating was A1/P-1.

Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term Covered Bonds. The outlook is stable.

Events concerning related parties

Related parties include shareholders with significant influence and key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling influence. The Aktia Group's key persons are the members of the Board of Directors, the CEO, the Deputy CEO and other members of the Executive Committee.

Further information on events concerning related parties is described in notes G44 and P44 in the Financial statements 2018.

Staff

The number of full-time employees at the end of December amounted to 776 (779). The average number of full-time employees amounted to 787 (803).

Incentive scheme

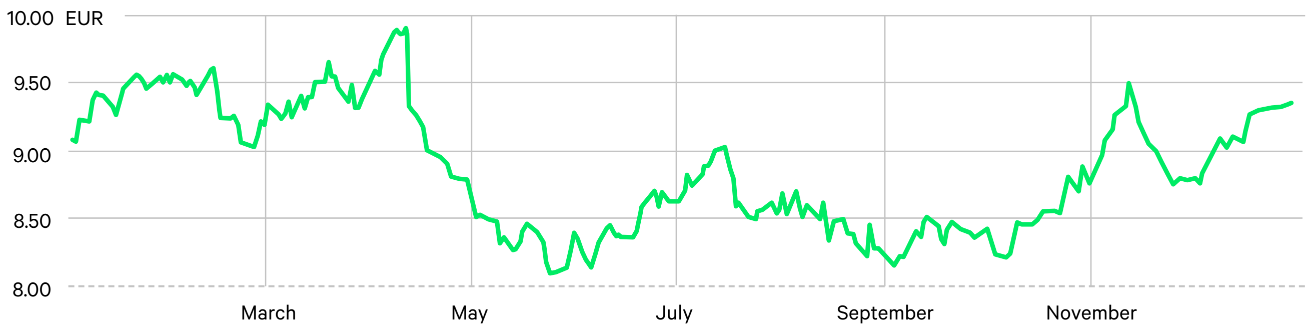
As of 2018, Aktia Bank Plc has launched a new long-term share savings plan for Aktia Group's employees in order to support the implementation of Aktia's strategy.

The share savings plan AktiaUna is offered to approximately 800 Aktia employees, who will be offered an opportunity to save 2–4% of their salaries (the members of the Group's Executive Committee up to 7%) and regularly acquire the company's shares at a 10% reduced price. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years.

Within the scope of the above mentioned AktiaUna savings plan, approximately 60 key employees, including the CEO and the members of the Group's Executive Committee, have been offered a possibility to participate in a performance-based share savings plan. The performance criteria are the Aktia Group's comparable operating profit and net commission income for the performance period.

For more information on the incentive scheme see www.aktia.com > Corporate Governance > Remuneration.

Development of Aktia's share 2 January–30 December 2019



Decisions of Aktia Bank Plc's Annual General Meeting 2019

The Annual General Meeting of Aktia Bank Plc on 11 April 2019 adopted the consolidated financial statements of the parent company and the Group, and discharged the members of the Board of Directors, the CEO and Deputy CEO from liability.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided to distribute a dividend of EUR 0.61 per share totalling approximately EUR 42 million for the financial period 1 January–31 December 2018.

The following Board members were re-elected: Christina Dahlblom, Stefan Damlin, Maria Jerhamre Engström, Johannes Schulman, Lasse Svens and Arja Talma. New Board members are Tarja Wist, LL.M., Attorney-at-Law, and Johan Hammarén, M.Sc. (Econ.), LL.M. All Board members were elected for the term running until the end of the next Annual General Meeting. The Board of Directors, which convened after the General Meeting, elected Lasse Svens as chair.

The Annual General Meeting determined that the number of auditors shall be one, and re-elected KPMG Oy Ab as auditor.

The Annual General Meeting adopted the proposals by the Board of Directors concerning the authorisation to issue a maximum of 6,896,000 shares, the authorisation to acquire treasury shares to be used in the company's share-based incentive scheme and/or as remuneration to members of executive bodies in the company as well as the authorisation to divest treasury shares.

All proposals mentioned above are included in the Summons to the AGM published on the website www.aktia.com under About Aktia > Corporate Governance > Annual General Meeting > Annual General Meeting 2019.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 163 million. At the end of December 2019, the number of Aktia shares was 69,172,437. The total number of registered holders amounted to 35,718 (31 December 2018: 37,475). 9.3% of the shares were in foreign ownership. The number of unregistered shares was 765,483 at 31 December 2019, corresponding to 1.1% of the total number of shares. On 31 December 2019, the Group held 29,321 (31 December 2018; 111,430) Aktia shares. Aktia Bank Plc's market value on 30 December 2019, the last trading day of the period, was EUR 646 million. Aktia's stock exchange value on 30 December 2019 was EUR 9.34. The highest price for the Aktia share was EUR 9.90 and the lowest EUR 8.08.

The average daily turnover of the Aktia share during January–December 2019 was EUR 299,690 or 33,848 shares.

Financial targets up until 2023

The financial targets stipulated by the Board of Directors in September 2019 are:

- comparable operating profit of EUR 100 million (2019; EUR 68.2 million),
- return on equity (ROE) above 11% (2019; 10.3%),
- comparable cost-to-income ratio under 0.60 (2019; 0.66) and
- Common Equity Tier 1 capital ratio (CET 1) 1.5–3 percentage points over the regulatory requirement (2019; 3.4 percentage points over the minimum capital requirement 11.3%).

Corporate responsibility

Corporate responsibility is a part of our strategy and supports our value creation for the customers. Our most important focus areas of corporate responsibility are to decrease the amount of customer letters, restrain emissions, maintain customer satisfaction, develop leadership and enhance the employees' well-being.

The carbon footprint of Aktia's own equity funds was on average 51% (30 June 2019; 50%) less than on the reference markets. Our goal in the long term is to have a smaller carbon footprint than that on the reference market. Personal and Premium Banking customers' satisfaction was good and amounted to 66 (30 June 2019; 66) when our goal is to exceed 50. Customer satisfaction describes how we succeed in our customer service.

Aktia has taken concrete measures to implement corporate responsibility during the last six months. In order to guide our operations, Aktia chose FN's goals for sustainable development as introduced last spring. The UN's 10 selected themes for sustainable development for Aktia are: 1 (no poverty), 3 (good health and well-being), 4 (quality education), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 10 (reduced inequality), 11 (sustainable cities and communities), 12 (responsible consumption and production), 13 (climate action), and 17 (partnerships for the goals).

Other significant measures consisted of creating a climate policy and a climate risk analysis, an instruction on green purchasing, an ethical code of conduct for suppliers as well as a responsibility risk analysis. We continued to build the WWF Green Office environmental system in our head office and started to develop new working methods.

Risks and outlook

Risks

Aktia's result is affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates as well as the competitive situation. The demand for banking, insurance and wealth management services can be changed by these factors.

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

Any future impairment of credits in Aktia's loan book 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 the development of house prices.

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

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

Increased regulation of banking and insurance operations has led to more stringent capital and liquidity requirements for the bank. The new regulations have also resulted in increased competition for deposits, higher demands on long-term financing and higher fixed costs.

Outlook 2020

The growth in the loan book and customer assets under management is expected to continue during 2020. The continued low interest rate environment will, however, continue to put pressure on the total net interest income in 2020.

The uncertainty regarding the future economic development brings still uncertainty to the prognosis, which may have a considerable effect especially on the income from wealth management and investment activities in the net commission income and net income from life insurance.

Despite the uncertainty of the economic development, the comparable operating profit in 2020 is expected to be somewhat higher than in 2019.

Tables and notes to the interim report

Key figures

(EUR million)	2019	2018	Δ %	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018
Earnings per share (EPS), EUR	0.90	0.81	10%	0.23	0.16	0.30	0.21	0.09
Total earnings per share, EUR	0.85	0.67	28%	0.06	0.17	0.38	0.25	0.08
Equity per share (NAV), EUR *1	8.82	8.56	3%	8.82	8.76	8.58	8.81	8.56
Average number of shares (excl. treasury shares), million2	69.0	68.8	0%	69.0	69.0	69.0	69.0	68.8
Number of shares at the end of the period (excl. treasury shares), million1	69.1	68.9	0%	69.1	69.1	69.1	69.0	68.9
Return on equity (ROE), %*	10.3	9.4	9%	10.5	7.4	13.7	9.4	4.4
Return on assets (ROA), %*	0.65	0.60	8%	0.66	0.47	0.85	0.59	0.28
Cost-to-income ratio*	0.65	0.68	-4%	0.64	0.71	0.58	0.69	0.83
Common Equity Tier 1 capital ratio. CET1 (Bank Group), %1	14.7	17.5	-16%	14.7	15.6	16.5	16.9	17.5
Tier 1 capital ratio (Bank Group), %1	14.7	17.5	-16%	14.7	15.6	16.5	16.9	17.5
Capital adequacy ratio (Bank Group), %1	18.6	20.5	-9%	18.6	20.0	18.6	19.4	20.5
Risk-weighted assets (Bank Group)1	2,636.9	2,199.2	20%	2,636.9	2,495.4	2,383.5	2,305.2	2,199.2
Capital adequacy ratio (finance and insurance conglomerate), %1	131.6	166.1	-21%	131.6	129.4	148.6	154.7	166.1
Equity ratio, %*1	6.4	6.3	3%	6.4	6.4	6.3	6.3	6.3
Group financial assets*1	2,109.7	2,112.9	0%	2,109.7	2,208.9	2,188.2	2,675.9	2,112.9
Customer assets under management*1,3	9,853.1	8,353.4	18%	9,853.1	9,849.4	9,326.5	8,786.3	8,353.4
Borrowing from the public1	4,059.8	3,962.5	2%	4,059.8	4,116.3	4,139.9	3,999.4	3,962.5
Lending to the public1	6,429.1	6,106.7	5%	6,429.1	6,273.5	6,246.4	6,156.7	6,106.7
Premiums written before reinsurers' share*	118.6	105.6	12%	39.5	28.5	26.0	24.6	19.3
Expense ratio, % (life insurance company)*2	73.9	77.0	-4%	73.9	75.5	76.6	78.2	77.0
Solvency ratio (life insurance company), %	192.1	229.8	-16%	192.1	166.3	188.5	200.5	229.8
Eligible capital (life insurance company)	166.3	175.5	-5%	166.3	153.1	160.9	166.1	175.5
Investments at fair value (life insurance company)*1	1,345.0	1,230.5	9%	1,345.0	1,331.7	1,321.7	1,302.9	1,230.5
Technical provisions for risk insurances and interest-related insurances1	390.4	398.9	-2%	390.4	381.9	387.8	396.9	398.9
Technical provisions for unit-linked insurances1	869.4	756.8	15%	869.4	844.7	832.1	812.8	756.8
Group's personnel (FTEs), average number of employees	787	803	-2%	773	804	794	778	780
Group's personnel (FTEs), at the end of the period1	776	779	0%	776	767	828	774	779
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio*	0.66	0.69	-4%	0.64	0.65	0.69	0.69	0.79
Comparable earnings per share (EPS), EUR*	0.79	0.77	3%	0.23	0.20	0.16	0.21	0.12
Comparable return on equity (ROE), %*	9.1	9.0	2%	10.5	9.2	7.2	9.4	5.6

* Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information. As from the second quarter of 2017, Aktia presents a number of new APMs, from which items affecting comparability are excluded. Items affecting comparability are not associated with day-to-day business, and such items are income and expenses attributable to restructuring, divestment of operations as well as impairment of assets departing from day-to-day business. The items affecting comparability are shown in the table under the Group's income statement and comprehensive income.
1) At the end of the period
2) Cumulative from the beginning of the year
3) Excluding Fund in funds (comparative periods recalculated)

Formulas for key figures are presented in Aktia Bank Plc's annual report 2018, page 71.

Consolidated income statement

(EUR million)	Note	2019	2018	Δ %
Net interest income	3	77.6	85.9	-10%
Dividends		0.5	0.1	306%
Commission income		107.7	107.9	0%
Commission expenses		-11.3	-12.3	8%
Net commission income		96.4	95.6	1%
Net income from life insurance	4	30.0	21.4	40%
Net income from financial transactions	5	5.6	4.9	16%
Other operating income		11.4	2.3	396%
Total operating income		**221.4**	**210.1**	**5%**
Staff costs		-69.0	-66.7	3%
IT expenses		-26.2	-25.6	2%
Depreciation of tangible and intangible assets		-19.5	-12.4	57%
Other operating expenses		-29.2	-38.3	-24%
Total operating expenses		**-143.9**	**-143.0**	**1%**
Impairment of credits and other commitments	7	-4.5	-0.8	431%
Share of profit from associated companies		1.7	1.3	26%
Operating profit		**74.8**	**67.6**	**11%**
Taxes		-12.9	-11.6	12%
Profit for the year		**61.8**	**56.0**	**10%**
Attributable to:				
Shareholders in Aktia Bank Plc		61.8	56.0	10%
Total		**61.8**	**56.0**	**10%**
Earnings per share (EPS), EUR		0.90	0.81	10%
Earnings per share (EPS), EUR, after dilution		0.90	0.81	10%
Operating profit excluding items affecting comparability:				
Operating profit		74.8	67.6	11%
Operating income:				
Additional income from divestment of Visa Europe to Visa Inc		-0.5	-	-
Profit from divestment of shares in Folksam Non-Life Insurance		-	-4.0	-
Value change of equity holding in Bohemian Wrappsody		-	1.0	-
Profit from divestment of shares in Samlink Ltd		-9.6	-	-
Profit from divestment of Aktia Real Estate Agency Ltd		-	-1.1	-
Operating expenses:				
Costs for restructuring		3.5	1.8	93%
Comparable operating profit		**68.2**	**65.4**	**4%**

Consolidated statement of comprehensive income

(EUR million)	2019	2018	Δ %
Profit for the year	61.8	56.0	10%
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets	2.8	-8.9	-
Change in valuation of fair value for cash flow hedging	-	0.1	-
Transferred to the income statement for financial assets	-5.3	-1.1	-371%
Comprehensive income from items which can be transferred to the income statement	-2.6	-10.0	74%
Defined benefit plan pensions	-0.3	0.0	-
Comprehensive income from items which can not be transferred to the income statement	-0.3	0.0	-
Total comprehensive income for the year	**59.0**	**46.0**	**28%**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank Plc	59.0	46.0	28%
Total	**59.0**	**46.0**	**28%**
Total earnings per share, EUR	0.85	0.67	28%
Total earnings per share, EUR, after dilution	0.85	0.67	28%
Total comprehensive income excluding items affecting comparability:			
Total comprehensive income	59.0	46.0	28%
Operating income:			
Additional income from divestment of Visa Europe to Visa Inc	-0.4	-	-
Profit from divestment of shares in Folksam Non-Life Insurance	-	-4.0	-
Value change of equity holding in Bohemian Wrappsody	-	0.8	-
Profit from divestment of shares in Samlink Ltd	-9.6	-	-
Profit from divestment of Aktia Real Estate Agency Ltd	-	-1.1	-
Operating expenses:			
Costs for restructuring	2.8	1.5	93%
Comparable total comprehensive income	**51.8**	**43.3**	**20%**

Items affecting consolidated income statement and comprehensive income

(EUR million)	2019	2018	Δ %
Net income from financial transactions	0.5	2.9	-84%
Other operating income	9.6	1.1	798%
Total operating income	**10.1**	**4.0**	**151%**
Staff costs	-2.2	-1.8	23%
Other operating expenses	-1.3	0.0	-
Total operating expenses	**-3.5**	**-1.8**	**93%**
Operating profit	**6.5**	**2.2**	**199%**
Taxes	0.6	0.6	7%
Total comprehensive income for the year	**7.2**	**2.8**	**159%**

Consolidated balance sheet

(EUR million)	Note	31 Dec 2019	31 Dec 2018	Δ %
Assets				
Interest-bearing securities		19.4	8.7	122%
Shares and participations		148.1	136.2	9%
Investments for unit-linked investments		871.6	757.8	15%
Financial assets measured at fair value through income statement	8	1,039.1	902.7	15%
Interest-bearing securities		1,240.3	1,340.9	-8%
Financial assets measured at fair value through other comprehensive income	8	1,240.3	1,340.9	-8%
Interest-bearing securities	7,8	336.5	308.0	9%
Lending to Bank of Finland and credit institutions	7,8	17.3	23.1	-25%
Lending to the public and public sector entities	7,8	6,429.1	6,106.7	5%
Cash and balances with central banks	8	315.4	289.2	9%
Financial assets valued at amortised cost		7,098.3	6,727.0	6%
Derivative instruments	6,8	68.1	70.0	-3%
Investments in associated companies and joint ventures		0.1	0.1	14%
Intangible assets		62.8	66.7	-6%
Right-of-use assets		11.8	-	-
Investment properties		42.2	39.1	8%
Other tangible assets		2.1	3.2	-34%
Tangible and intangible assets		118.9	109.0	9%
Other assets		128.9	114.9	12%
Tax receivables		3.3	2.4	39%
Total assets		**9,697.1**	**9,266.8**	**5%**
Liabilities				
Liabilities to central banks		400.0	400.0	0%
Liabilities to credit institutions		197.6	202.6	-2%
Liabilities to the public and public sector entities		4,059.8	3,962.5	2%
Deposits	8	4,657.5	4,565.1	2%
Derivative instruments	6,8	9.8	17.1	-43%
Debt securities issued		2,622.7	2,460.3	7%
Subordinated liabilities		215.4	207.8	4%
Other liabilities to credit institutions		35.1	45.6	-23%
Other liabilities to the public and public sector entities		150.0	100.0	50%
Other financial liabilities	8	3,023.1	2,813.7	7%
Technical provisions for risk insurances and interest-related insurances		390.4	398.9	-2%
Technical provisions for unit-linked insurances		869.4	756.8	15%
Technical provisions		1,259.8	1,155.7	9%
Other liabilities		81.1	70.8	14%
Provisions		1.0	0.8	32%
Income tax liabilities		4.3	3.3	29%
Deferred tax liabilities		50.5	50.3	0%
Tax liabilities		54.8	53.6	2%
Total liabilities		**9,087.1**	**8,676.9**	**5%**
Equity				
Restricted equity		178.1	180.7	-1%
Unrestricted equity		431.9	409.3	6%
Total equity		**610.0**	**589.9**	**3%**
Total liabilities and equity		**9,697.1**	**9,266.8**	**5%**

Consolidated off-balance-sheet commitments

(EUR million)	31 Dec 2019	31 Dec 2018	Δ %
Guarantees	28.3	31.2	-9%
Other commitments provided to a third party	5.5	3.6	53%
Commitments provided to a third party on behalf of the customers	33.7	34.7	-3%
Unused credit arrangements	592.4	456.1	30%
Other commitments provided to a third party	14.4	27.2	-47%
Irrevocable commitments provided on behalf of customers	606.9	483.3	26%
Total	**640.6**	**518.0**	**24 %**

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for sharebased payments	Unrestricted equity reserve	Retained earnings	Total equity
Equity as at 1 January 2018	**163.0**	**51.5**	**1.5**	**108.4**	**273.6**	**598.0**
Restated for adoption of IFRS 9		-23.9			5.9	-18.0
Share issue				0.6		0.6
Divestment of treasury shares				0.0	1.2	1.2
Dividend to shareholders					-37.8	-37.8
Profit for the period					56.0	56.0
Financial assets		-10.1				-10.1
Cash flow hedging		0.1				0.1
Defined benefit plan pensions					0.0	0.0
Total comprehensive income for the period		-10.0			56.0	46.0
Change in share-based payments (IFRS 2)			-0.1			-0.1
Equity as at 31 December 2018	**163.0**	**17.7**	**1.4**	**108.9**	**298.9**	**589.9**
Equity as at 1 January 2019	**163,0**	**17,7**	**1,4**	**108,9**	**298,9**	**589,9**
Share issue				1,3		1,3
Divestment of treasury shares				0,0	0,8	0,7
Dividend to shareholders					-42,1	-42,1
Profit for the period					61,8	61,8
Financial assets		-2,6				-2,6
Defined benefit plan pensions					-0,3	-0,3
Total comprehensive income for the period		-2,6			61,5	59,0
Change in share-based payments (IFRS 2)			1,2			1,2
Equity as at 31 December 2019	**163,0**	**15,1**	**2,6**	**110,2**	**319,1**	**610,0**

Consolidated cash flow statement

(EUR million)	2019	2018	Δ %
Cash flow from operating activities			
Operating profit	74.8	67.6	11%
Adjustment items not included in cash flow	6.8	12.1	-44%
Unwound fair value hedging	7,5	-	-
Paid income taxes	-11.9	-6.2	-92%
Cash flow from operating activities before change in receivables and liabilities	**77.1**	**73.4**	**5%**
Increase (-) or decrease (+) in receivables from operating activities	-405.1	184.6	-
Increase (+) or decrease (-) in liabilities from operating activities	381.1	-216.8	-
Total cash flow from operating activities	**53.1**	**41.3**	**29%**
Cash flow from investing activities			
Investments in group companies and joint ventures	-	-0.2	-
Proceeds from sale of group companies and associated companies	9.6	1.0	894%
Investment in investment properties	-7.9	-5.0	-56%
Proceeds from sale of investment properties	10.8	21.1	-49%
Investment in tangible and intangible assets	-7.8	-6.3	-23%
Proceeds from sale of tangible and intangible assets	0.0	0.0	-
Total cash flow from investing activities	**4.8**	**10.6**	**-55%**
Cash flow from financing activities			
Subordinated liabilities	7.5	-27.4	-
Dividend/share issue to the non-controlling interest	-2.3	-1.7	-35%
Divestment of treasury shares	0.7	1.2	-38%
Paid dividends	-42.1	-37.8	-11%
Total cash flow from financing activities	**-36.1**	**-65.7**	**45%**
Change in cash and cash equivalents	**21.7**	**-13.9**	**-**
Cash and cash equivalents at the beginning of the year	264.4	278.3	-5%
Cash and cash equivalents at the end of the year	286.1	264.4	8%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	1.8	4.4	-58%
Bank of Finland current account	269.4	242.2	11%
Repayable on demand claims on credit insitutions	14.8	17.7	-16%
Total	**286.1**	**264.4**	**8%**
Adjustment items not included in cash flow consist of:			
Impairment of interest-bearing securities	-0.3	0.3	-
Unrealised value change of financial assets measured at fair value through the income statement	-4.4	4.9	-
Write-downs on credits and other commitments	4.5	0.8	431%
Change in fair values	-0.5	4.8	-
Depreciation and impairment of tangible and intangible assets	12.7	13.4	-5%
Sales gains and losses from tangible and intangible assets	-0.9	-2.3	62%
Unwound fair value hedging	-3.1	-10.3	70%
Change in fair values of investment properties	-5.2	-0.5	-927%
Change in share-based payments	0.7	-0.9	-
Other adjustments	3.3	1.9	72%
Total	**6.8**	**12.1**	**-44%**

Quarterly trends in the Group

(EUR million) Income statement	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019	2018
Net interest income	19.3	19.6	19.2	19.4	20.7	77.6	85.9
Dividends	0.0	0.3	0.2	0.0	0.0	0.5	0.1
Net commission income	25.1	24.6	24.0	22.7	22.6	96.4	95.6
Net income from life insurance	8.3	6.8	6.6	8.3	5.1	30.0	21.4
Net income from financial transactions	1.6	1.2	0.8	2.0	-1.2	5.6	4.9
Other operating income	0.9	0.4	9.8	0.3	0.5	11.4	2.3
Total operating income	**55.2**	**52.9**	**60.6**	**52.7**	**47.7**	**221.4**	**210.1**
Staff costs	-16.9	-18.6	-17.1	-16.4	-18.1	-69.0	-66.7
IT expenses	-6.8	-6.4	-6.2	-6.8	-7.6	-26.2	-25.6
Depreciation of tangible and intangible assets	-4.9	-4.8	-4.9	-4.9	-3.0	-19.5	-12.4
Other operating expenses	-6.7	-7.7	-6.8	-8.0	-10.7	-29.2	-38.3
Total operating expenses	**-35.3**	**-37.5**	**-35.0**	**-36.1**	**-39.4**	**-143.9**	**-143.0**
Impairment of credits and other commitments	-0.8	-1.2	-1.4	-1.1	-0.1	-4.5	-0.8
Share of profit from associated companies	0.0	0.0	-	1.7	-0.1	1.7	1.3
Operating profit	**19.1**	**14.3**	**24.2**	**17.2**	**8.0**	**74.8**	**67.6**
Taxes	-3.2	-3.1	-3.6	-3.0	-1.6	-12.9	-11.6
Profit for the period	**15.9**	**11.2**	**20.6**	**14.1**	**6.4**	**61.8**	**56.0**
Attributable to:							
Shareholders in Aktia Bank Plc	15.9	11.2	20.6	14.1	6.4	61.8	56.0
Total	**15.9**	**11.2**	**20.6**	**14.1**	**6.4**	**61.8**	**56.0**
Earnings per share (EPS), EUR	0.23	0.16	0.30	0.21	0.09	0.90	0.81
Earnings per share (EPS), EUR, after dilution	0.23	0.16	0.30	0.21	0.09	0.90	0.81

Operating profit excluding items affecting comparability:	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019	2018
Operating profit	19.1	14.3	24.2	17.2	8.0	74.8	67.6
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-	-0.5	-	-	-0.5	-
Profit from divestment of shares in Folksam Non-Life Insurance	-	-	-	-	0.0	-	-4.0
Value change of equity holding in Bohemian Wrappsody	-	-	-	-	1.0	-	1.0
Profit from divestment of shares in Samlink Ltd			-9.6	-	-	-9.6	-
Profit from divestment of Aktia Real Estate Agency Ltd	-	-	-	-	-	-	-1.1
Operating expenses:							
Costs for restructuring	0.1	3.3	0.1	-	1.1	3.5	1.8
Comparable operating profit	**19.2**	**17.6**	**14.3**	**17.2**	**10.2**	**68.2**	**65.4**

(EUR million)

Comprehensive income	**4Q2019**	**3Q2019**	**2Q2019**	**1Q2019**	**4Q2018**	**2019**	**2018**
Profit for the period	15.9	11.2	20.6	14.1	6.4	61.8	56.0
Other comprehensive income after taxes:							
Change in fair value for financial assets	-7.0	0.8	5.5	3.6	-0.3	2.8	-8.9
Change in fair value for cash flow hedging	-	-	-	-	0.0	-	0.1
Transferred to the income statement for financial assets	-4.6	-0.3	0.0	-0.4	-0.6	-5.3	-1.1
Comprehensive income from items which can be transferred to the income statement	-11.7	0.5	5.5	3.1	-0.9	-2.6	-10.0
Defined benefit plan pensions	-0.3	-	-	-	0.0	-0.3	0.0
Comprehensive income from items which can not be transferred to the income statement	-0.3	-	-	-	0.0	-0.3	0.0
Total comprehensive income for the period	**3.9**	**11.6**	**26.1**	**17.3**	**5.6**	**59.0**	**46.0**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank Plc	3.9	11.6	26.1	17.3	5.6	59.0	46.0
Total	**3.9**	**11.6**	**26.1**	**17.3**	**5.6**	**59.0**	**46.0**
Total earnings per share, EUR	0.06	0.17	0.38	0.25	0.08	0.85	0.67
Total earnings per share, EUR, after dilution	0.06	0.17	0.38	0.25	0.08	0.85	0.67

Total comprehensive income excluding items affecting comparability:	**4Q2019**	**3Q2019**	**2Q2019**	**1Q2019**	**4Q2018**	**2019**	**2018**
Operating profit	3.9	11.6	26.1	17.3	5.6	59.0	46.0
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-	-0.4	-	-	-0.4	-
Profit from divestment of shares in Folksam Non-Life Insurance	-	-	-	-	0.0	-	-4.0
Value change of equity holding in Bohemian Wrappsody	-	-	-	-	0.8	-	0.8
Profit from divestment of shares in Samlink Ltd			-9.6	-	-	-9.6	-
Profit from divestment of Aktia Real Estate Agency Ltd	-	-	-	-	-	-	-1.1
Operating expenses:							
Costs for restructuring	0.1	2.7	0.1	-	0.9	2.8	1.5
Comparable total comprehensive income	**4.0**	**14.3**	**16.2**	**17.3**	**7.3**	**51.8**	**43.3**

Quarterly trends in the Segments

Banking Business	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019	2018
Net interest income	16.6	17.4	16.8	16.6	17.1	67.4	66.3
Net commission income	15.9	16.0	16.3	15.4	15.6	63.6	64.4
Other operating income	0.1	0.1	0.1	0.1	0.1	0.3	0.4
Total operating income	**32.6**	**33.5**	**33.2**	**32.0**	**32.8**	**131.4**	**131.1**
Staff costs	-4.5	-6.2	-4.6	-4.0	-5.9	-19.3	-20.2
Other operating expenses[1]	-20.9	-22.5	-21.5	-23.5	-24.7	-88.4	-85.9
Total operating expenses	**-25.4**	**-28.7**	**-26.0**	**-27.5**	**-30.6**	**-107.6**	**-106.2**
Impairment of credits and other commitments	-0.7	-1.3	-1.4	-1.1	-0.1	-4.5	-0.8
Operating profit	**6.6**	**3.5**	**5.8**	**3.4**	**2.0**	**19.3**	**24.1**
Comparable operating profit	**6.6**	**6.8**	**5.9**	**3.4**	**3.1**	**22.7**	**25.7**

Asset Management	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019	2018
Net interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net commission income	11.4	10.8	10.0	9.5	9.4	41.7	37.1
Net income from life insurance	7.2	5.7	5.5	7.1	3.9	25.5	16.7
Other operating income	0.2	0.1	0.1	0.1	0.1	0.3	0.3
Total operating income	**18.7**	**16.5**	**15.6**	**16.6**	**13.4**	**67.5**	**54.0**
Staff costs	-3.8	-3.6	-3.5	-3.4	-3.5	-14.3	-13.3
Other operating expenses[1]	-3.8	-3.5	-3.8	-3.6	-3.7	-14.6	-14.0
Total operating expenses	**-7.5**	**-7.1**	**-7.3**	**-7.0**	**-7.2**	**-28.9**	**-27.4**
Operating profit	**11.2**	**9.5**	**8.3**	**9.6**	**6.2**	**38.6**	**26.7**
Comparable operating profit	**11.2**	**9.5**	**8.3**	**9.6**	**6.2**	**38.6**	**26.7**

Group Functions	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019	2018
Net interest income	2.7	2.2	2.4	2.9	3.6	10.1	19.6
Net commission income	0.6	0.7	0.5	0.8	0.6	2.7	2.8
Other operating income	2.3	1.8	10.8	2.2	-0.8	17.0	5.8
Total operating income	**5.6**	**4.7**	**13.7**	**5.9**	**3.4**	**29.9**	**28.2**
Staff costs	-8.7	-8.8	-9.0	-9.0	-8.7	-35.4	-31.1
Other operating expenses[1]	4.4	5.2	5.4	5.5	5.2	20.6	16.8
Total operating expenses	**-4.2**	**-3.6**	**-3.6**	**-3.5**	**-3.4**	**-14.8**	**-14.3**
Impairment of credits and other commitments	0.0	0.0	-	-	-	0.0	-
Operating profit	**1.3**	**1.2**	**10.1**	**2.4**	**-0.1**	**15.0**	**13.9**
Comparable operating profit	**1.4**	**1.3**	**0.1**	**2.4**	**1.0**	**5.2**	**11.2**

1) The net expenses for central functions are allocated from the Group Functions to the business segments Banking Business and Asset Management. This cost allocation is included in the segments' other expenses.

Note 1. Basis for preparing the Financial Statement Release and important accounting principles

Basis for preparing the Financial Statement Release

Aktia Bank Plc's consolidated financial statement is prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The Financial Statement Release for the period 1 January–31 December 2019 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The Financial Statement Release does not contain all the information and notes required for financial statements and should therefore be read together with the Aktia Group's annual report of 31 December 2018. Figures in the tables are presented in millions of euros rounded to one decimal. Therefore, the total of individual amounts may differ from the presented total.

The Financial Statement Release for the period 1 January–31 December 2019 was approved by the Board of Directors on 14 February 2020.

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

Key accounting principles

In preparing the Financial Statement Release the Group has followed the accounting principles applicable to the annual report of 31 December 2018.

As of 1 January 2019, Aktia is reporting according to the following three business segments: Banking Business, Asset Management and Group Functions. Aktia announced in a stock exchange release on 23 November 2018 of an organisational change where the areas of responsibility of the Executive Committee were renewed to more efficiently implement the strategy reform from 2017. Aktia is thus renewing also its business segments. The new segment Banking Business comprises the previous segment Personal & Corporate Banking as well as Aktia's private banking business and the banking business of institutional customers, which previously were included in the Wealth Management segment. The new segment Asset Management comprises the previous segment Wealth Management, excluding the private banking business and the banking business of institutional customers, which from now on are included in the new Banking Business segment. The central functions, including the group's treasury operations, is still included in the Group Functions segment. Operations that are not reported in the business segments mentioned above are reported in Other business.

The following new and amended IFRSs has taken effect as of 1 January 2019:

On 13 January 2016 IASB published **IFRS 16** Leases to supersede IAS 17. IFRS 16 has eliminated the earlier distinction between operating and finance leases for lessees, and has introduced a new model instead, where assets and liabilities for all leases are reported in the balance sheet. For leases where the lease term is 12 months or less, or where the value of the underlying asset is low, exemptions may be applied. For the right-of-use asset, depreciation and interest expenses related to the lease liability are reported separately. The requirements concerning lessor accounting remain substantially unchanged from IAS 17, and the earlier distinction between operating and finance leases is retained. The Aktia Group as lessor only has finance lease contracts.

The new standard has mainly changed the accounting of rented properties and leased cars for Aktia Group. An assessment of the likely rental period has been used to establish the leasing period and the discount rate has been established according to the market return requirements. The right-of-use asset and the lease liability have at the transition to IFRS 16 increased the balance sheet total by EUR 15.5 million. At the transition to IFRS 16, the Group has applied the so-called modified retroactive method, which means that the right-of-use asset at the transition to IFRS 16 is the same as the lease liability. At the transition to IFRS 16 the weighted average marginal interest rate for borrowing was 7.0%. The Aktia Group has at the transition not reported the right-of-use assets and lease liabilities for contracts where the lease period is shorter than 12 months or for assets of low value. In connection with the transition an assessment of a possible extension and/or termination of the lease contracts was also made. Other initial information has been excluded from the valuation of the right-of-use assets at the transition to IFRS 16. Changes in accounting principles for lease contracts have not any significant impact on the Group's result or financial position. The standard was approved by the EU in October 2017. The Aktia Group implemented IFRS 16 when the standard became mandatory as of 1 January 2019.

Effects from the implementation of IFRS 16

(EUR million)	31 Dec 2018	Adjustment for transition to IFRS 16	1 Jan 2019	31 Dec 2019
Right-of-use asset, real estates	-	14.8	14.8	11.6
Right-of-use asset, cars	-	0.8	0.8	0.3
Deferred tax receivables	-	-	-	0.0
Assets	**-**	**15.5**	**15.5**	**11.8**
Lease liability, real estates	-	14.8	14.8	12.0
Lease liability, cars	-	0.8	0.8	0.3
Equity	-	-	-	-0.4
Liabilities and equity	**-**	**15.5**	**15.5**	**11.8**

	Jan-Dec 2019
Interest expenses	-1.0
Depreciations	-6.8
Other operating expenses	-0.1
Other operating income	0.2
Rental expenses	7.3
Operating profit	**-0.4**
Change in deferred tax receivables	0.0
Profit for the period	**-0.4**

1) Of total rental expenses of EUR 9.3 million, EUR 7.3 million relates to Right-Of-Use assets under IFRS 16 and EUR 2.0 million are presented as rental expenses in the income statement. Rental expenses in the income statement relates to lease contracts where the lease period is shorter than 12 months (EUR 0.9 million) and for assets with low value (EUR 0.8 million).

The following new and amended IFRSs will affect the reporting of future transactions and events:

The reporting of insurance contracts is regulated in IFRS 4 and will in the future be replaced by the new standard IFRS 17. IFRS 17 means new starting points for accounting and measurement of insurance contracts as well as for rules on how insurance contracts are presented in the notes. The aim of the new standard is to increase transparency, give a more accurate picture of the results of insurance contracts and to reduce the differences in accounting between different insurance contracts. The insurance standard IFRS 17 was published on 18 May 2017. In June 2019 propositions on changes in the standard were published and according to these the adjusted standard will be implemented as of 1 January 2022. The standard is expected to be approved by the EU during 2021 and the compulsory implementation within EU will be 1 January 2022 at the earliest. The Aktia Group aims at implementing IFRS 17 when the standard becomes compulsory within EU.

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

Note 2. Group's risk exposure

The Bank Group's capital adequacy

Banking Group includes Aktia Bank Plc and all its subsidiaries except for Aktia Life Insurance Ltd, and forms a consolidated group in accordance with the capital adequacy regulations.

(EUR million)	**31 Dec 2019**		**31 Dec 2018**	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**9,697.1**	**8,385.8**	**9,266.1**	**8,069.2**
of which intangible assets	62.8	62.4	66.7	66.3
Total liabilities	**9,087.1**	**7,864.8**	**8,676.1**	**7,558.5**
of which subordinated liabilities	215.4	215.4	207.8	207.8
Share capital	163.0	163.0	163.0	163.0
Fund at fair value	15.1	7.7	17.7	4.0
Restricted equity	178.1	170.7	180.7	167.0
Unrestricted equity reserve and other funds	112.8	112.7	110.4	110.3
Retained earnings	257.3	191.7	242.9	184.5
Profit for the year	61.8	45.7	56.0	48.9
Unrestricted equity	431.9	350.2	409.3	343.7
Shareholders' share of equity	610.0	520.9	589.9	510.7
Equity	**610.0**	**520.9**	**589.9**	**510.7**
Total liabilities and equity	**9,697.1**	**8,385.8**	**9,266.1**	**8,069.2**
Off-balance sheet commitments	**640.6**	**626.2**	**518.8**	**491.6**
The Bank Group's equity		**520.9**		**510.7**
Provision for dividends to shareholders		-		-42.0
Intangible assets		-62.4		-66.3
Debentures		102.6		67.5
Additional expected losses according to IRB		-20.5		-11.9
Deduction for significant holdings in financial sector entities		-6.7		-7.1
Other incl. unpaid dividend		0.8		0.8
Total capital base (CET1 + AT1 + T2)		**534.8**		**451.7**

(EUR million) The Bank Group's capital adequacy	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Common Equity Tier 1 Capital before regulatory adjustments	477.1	480.4	479.0	472.9	469.7
Common Equity Tier 1 Capital regulatory adjustments	-89.0	-90.5	-85.7	-84.3	-85.5
Total Common Equity Tier 1 Capital (CET1)	**388.1**	**390.0**	**393.4**	**388.6**	**384.2**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**388.1**	**390.0**	**393.4**	**388.6**	**384.2**
Tier 2 capital before regulatory adjustments	102.6	110.1	49.2	58.0	67.5
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**102.6**	**110.1**	**49.2**	**58.0**	**67.5**
Total own funds (TC = T1 + T2)	**490.7**	**500.0**	**442.5**	**446.6**	**451.7**
Risk weighted assets	**2,636.9**	**2,495.4**	**2,383.5**	**2,305.2**	**2,199.2**
of which credit risk, the standardised model	558.7	468.6	1,046.2	1,000.8	898.3
of which credit risk, the IRB model	1,567.4	1,496.9	791.4	713.4	721.4
of which 15% risk-weight floor for residential mortgages	149.5	176.3	192.2	237.3	225.9
of which market risk	-	-	-	-	-
of which operational risk	361.3	353.6	353.6	353.6	353.6
Own funds requirement (8%)	211.0	199.6	190.7	184.4	175.9
Own funds buffer	279.8	300.4	251.9	262.2	275.8
CET1 Capital ratio	14.7%	15.6%	16.5%	16.9%	17.5%
T1 Capital ratio	14.7%	15.6%	16.5%	16.9%	17.5%
Total capital ratio	18.6%	20.0%	18.6%	19.4%	20.5%
Own funds floor (CRR article 500)					
Own funds	490.7	500.0	442.5	446.6	451.7
Own funds floor[1]	203.6	208.1	214.2	209.0	201.9
Own funds buffer	287.2	291.9	228.4	237.6	249.9

1) 80% of the capital requirement based on standardised approach (8%).

Calculation of capital adequacy is made using ratings from Moody's Investors Services to define risk weight of exposures.

Bank Group's risk-weighted amount for operational risks

(EUR million) Risk-weighted amount for operational risks	2017	2018	2019	12/2019	9/2019	6/2019	3/2019	12/2018
Gross income	188.9	193.6	195.6					
- average 3 years			192.7					
Capital requirement for operational risk				**28.9**	**28.3**	**28.3**	**28.3**	**28.3**
Risk-weighted amount				**361.3**	**353.6**	**353.6**	**353.6**	**353.6**

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

(EUR million)	31 December 2019				
The Bank Group's total risk exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Corporates - SME	334.2	300.6	82%	247.5	19.8
Corporates - Other	751.2	697.4	70%	491.2	39.3
Retail - Secured by immovable property non-SME	4,645.6	4,637.3	12%	567.1	45.4
Retail - Secured by immovable property SME	161.5	160.0	50%	80.5	6.4
Retail - Other non-SME	153.8	149.9	30%	44.7	3.6
Retail - Other SME	30.5	28.7	66%	19.0	1.5
Risk-weight floor for residential mortgages, 15%	-	-	15%	149.5	12.0
Equity exposures	44.6	44.6	264%	117.5	9.4
Total exposures, IRB approach	**6,121.3**	**6,018.6**	**29%**	**1,716.9**	**137.4**
Credit risk, standardised approach					
States and central banks	463.7	505.4	0%	0.8	0.1
Regional goverments and local authorities	265.4	284.2	0%	0.4	0.0
Multilateral development banks	-	-	-	-	-
International organisations	35.3	35.3	0%	-	-
Credit institutions	319.9	187.3	28%	53.0	4.2
Corporates	163.5	90.9	98%	89.1	7.1
Retail exposures	253.1	111.9	72%	80.2	6.4
Secured by immovable property	587.8	556.9	35%	196.6	15.7
Past due items	0.6	0.5	143%	0.7	0.1
Covered Bonds	750.5	750.5	10%	75.1	6.0
Other items	82.1	82.1	59%	48.1	3.8
Total exposures, standardised approach	**2,921.7**	**2,604.9**	**21%**	**544.0**	**43.5**
Total risk exposures	**9,043.1**	**8,623.5**	**26%**	**2,260.9**	**180.9**

(EUR million)	31 December 2018				
The Bank Group's total risk exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,535.3	4,528.3	10%	465.3	37.2
Retail - Secured by immovable property SME	177.8	176.8	46%	81.3	6.5
Retail - Other non-SME	139.2	134.8	33%	44.1	3.5
Retail - Other SME	24.8	23.2	83%	19.4	1.5
Risk-weight floor for residential mortgages, 15%	-	-	15%	225.9	18.1
Equity exposures	42.8	42.8	260%	111.2	8.9
Total exposures, IRB approach	**4,919.8**	**4,905.9**	**19%**	**947.2**	**75.8**
Credit risk, standardised approach					
States and central banks	391.8	456.1	0%	0.8	0.1
Regional goverments and local authorities	281.0	301.5	0%	0.7	0.1
Multilateral development banks	15.2	15.2	0%	-	-
International organisations	66.7	66.7	0%	-	-
Credit institutions	428.0	240.0	27%	65.7	5.3
Corporates	468.1	309.6	92%	283.7	22.7
Retail exposures	298.7	142.9	72%	102.3	8.2
Secured by immovable property	961.2	917.4	35%	323.1	25.9
Past due items	28.7	6.7	112%	7.5	0.6
Covered Bonds	714.9	714.9	10%	71.5	5.7
Other items	63.5	63.5	46%	29.4	2.4
Total exposures, standardised approach	**3,717.8**	**3,234.5**	**27%**	**884.9**	**70.8**
Total risk exposures	**8,637.6**	**8,140.4**	**23%**	**1,832.1**	**146.6**

The finance and insurance conglomerates capital adequacy

(EUR million)	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Summary					
The Group's equity	610.0	604.9	592.9	607.6	589.9
Sector-specific assets	107.4	115.1	54.4	63.5	73.3
Intangible assets and other reduction items	-159.1	-188.5	-103.3	-123.3	-107.3
Conglomerate´s total capital base	**558.3**	**531.5**	**544.0**	**547.8**	**556.0**
Capital requirement for banking business	337.6	318.6	280.7	271.3	258.5
Capital requirement for insurance business[1]	86.6	92.1	85.4	82.8	76.4
Minimum amount for capital base	**424.2**	**410.7**	**366.1**	**354.1**	**334.8**
Conglomerate´s capital adequacy	**134.1**	**120.8**	**177.9**	**193.7**	**221.2**
Capital adequacy ratio, %	131.6%	129.4%	148.6%	154.7%	166.1%

1) From 1 January 2016 Solvency II requirement (SCR)

The finance and insurance 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.

Note 3. Net interest income

(EUR million)	2019	2018	Δ %
Borrowing and lending	73.4	70.1	5%
Liquidity portfolio	6.1	8.3	-27%
Hedging measures through interest rate derivatives	4.0	11.4	-65%
Other, incl. funding from wholesale market	-5.9	-4.0	-49%
Total	**77.6**	**85.9**	**-10%**

Borrowing and lending include the Covered Bonds issued by mortgage bank operations and the interest rate hedging that was made in connection with the issues. Other consists mainly of senior financing, its interest rate hedging and risk debentures.

Note 4. Net income from life insurance

(EUR million)	2019	2018	Δ %
Premiums written	117.9	104.9	12%
Net income from investments	32.1	13.9	131%
of which change in ECL impairment	0.1	0.0	38%
of which unrealised value changes for shares and participations	3.1	-4.6	-
of which unrealised value changes for investment properties	3.3	-	-
Insurance claims paid	-136.9	-110.4	-24%
Net change in technical provisions	16.9	12.9	31%
Total	**30.0**	**21.4**	**40%**

Note 5. Net income from financial transactions

(EUR million)	2019	2018	Δ %
Net income from financial assets measured at fair value through the income statement	-0.1	-1.0	87%
Net income from securities and currency operations	5.1	6.2	-18%
of which unrealised value changes for shares and participations	1.4	3.7	-63%
Net income from financial assets measured at fair value through other comprehensive income	0.5	0.1	958%
of which change in ECL impairment	0.3	-0.2	-
Net income from interest-bearing securities measured at amortised cost	-0.1	0.0	-90%
of which change in ECL impairment	-0.1	0.0	-90%
Net income from hedge accounting	0.2	-0.4	-
Total	**5.6**	**4.9**	**16%**

Note 6. Derivative instruments

	31 Dec 2019		
Hedging derivative instruments (EUR million)	**Total nominal amount**	**Assets, fair value**	**Liabilities, fair value**
Fair value hedging			
Interest rate-related	1,872.0	58.8	0.0
Total	**1,872.0**	**58.8**	**0.0**
Derivative instruments valued through the income statement			
Interest rate-related[1]	220.4	9.3	9.8
Currency-related	11.1	0.0	0.1
Total	**231.5**	**9.3**	**9.8**
Total derivative instruments			
Interest rate-related	2,092.4	68.1	9.8
Currency-related	11.1	0.0	0.1
Total	**2,103.5**	**68.1**	**9.8**

	31 Dec 2018		
Hedging derivative instruments (EUR million)	**Total nominal amount**	**Assets, fair value**	**Liabilities, fair value**
Fair value hedging			
Interest rate-related	2,102.0	54.2	0.7
Total	**2,102.0**	**54.2**	**0.7**
Derivative instruments valued through the income statement			
Interest rate-related[1]	380.8	15.8	16.4
Currency-related	3.0	0.0	0.0
Total	**383.8**	**15.8**	**16.4**
Total derivative instruments			
Interest rate-related	2,482.8	70.0	17.1
Currency-related	3.0	0.0	0.0
Total	**2,485.8**	**70.0**	**17.1**

1) Interest-linked derivative instruments include interest rate hedging provided for local banks, which after back-to-back hedging with third parties amounted to EUR 220.0 (380.0) million.

Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2019				
Interest-bearing securities	1,576.8	-	-	1,576.8
Lending	6,254.8	140.6	51.1	6,446.5
Off-balance sheet commitments	637.2	2.9	0.4	640.6
Total	**8,468.9**	**143.5**	**51.5**	**8,663.9**
Book value of financial assets 31 December 2018				
Interest-bearing securities	1,648.9	-	-	1,648.9
Lending	5,948.9	134.9	46.1	6,129.8
Off-balance sheet commitments	510.0	7.5	0.5	518.0
Total	**8,107.8**	**142.4**	**46.6**	**8,296.8**

Credits and other commitments

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and the other commitments 1 January 2019 according to IFRS 9	2.6	3.7	33.1	39.4
Transferred from stage 1 to stage 2	-1.8	1.8	-	-
Transferred from stage 1 to stage 3	-0.7	-	0.7	-
Transferred from stage 2 to stage 1	0.4	-0.4	-	-
Transferred from stage 2 to stage 3	-	-0.9	0.9	-
Transferred from stage 3 to stage 1	0.0	-	0.0	-
Transferred from stage 3 to stage 2	-	0.1	-0.1	-
Reversal of impairment	-	-	-0.1	-0.1
Changes due to updated calculation method	0.7	-1.1	-	-0.4
Other changes[1]	2.5	0.5	1.9	4.9
Impairment January-December 2019 in the income statement	1.2	0.0	3.3	4.5
Realised losses for which write-downs were made in previous years	-	-	-14.7	-14.7
Reversal of impairment	-	-	0.1	0.1
Impairment of credits and the other commitments 31 December 2019 according to IFRS 9	**3.8**	**3.6**	**21.8**	**29.2**
of which ECL provisions in the balance sheet	0.9	0.1	0.0	1.0

1) Includes an increase of EUR 0.4 million from technical updates in the ECL calculations

Interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2019 according to IFRS 9	1.1	-	-	1.1
Other changes	-0.3	-	-	-0.3
Impairment January-December 2019 in the income statement	-0.3	-	-	-0.3
Impairment of interest-bearing securities 31 December 2019 according to IFRS 9	**0.8**	**-**	**-**	**0.8**

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	31 December 2019		31 December 2018	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through the income statement	1,039.1	1,039.1	902.7	902.7
Financial assets measured at fair value through other comprehensive income	1,240.3	1,240.3	1,340.9	1,340.9
Interest-bearing securities measured at amortised cost	336.5	368.0	308.0	336.6
Loans and other receivables	6,446.5	6,476.3	6,129.8	6,137.1
Cash and balances with central banks	315.4	315.4	289.2	289.2
Derivative instruments	68.1	68.1	70.0	70.0
Total	**9,445.9**	**9,507.2**	**9,040.6**	**9,076.5**
Financial liabilities				
Deposits	4,657.5	4,654.5	4,565.1	4,561.1
Derivative instruments	9.8	9.8	17.1	17.1
Debt securities issued	2,622.7	2,645.7	2,460.3	2,457.2
Subordinated liabilities	215.4	217.0	207.8	209.8
Other liabilities to credit institutions	35.1	35.4	45.6	46.3
Other liabilities to the public and public sector entities	150.0	150.1	100.0	100.1
Total	**7,690.4**	**7,712.6**	**7,396.0**	**7,391.7**

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

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

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash flows 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 margin corresponding the seniority of the instrument is applied.

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

Measurement of financial assets at fair value

Level 1 consists of financial instruments that are valued using prices listed on an active market. In an active market 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 instruments 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. In addition, the Bank makes an independent valuation adjustment to the market value of the outstanding OTC derivatives for the total credit risk component for the counterparty credit risk as well as for the own credit risk.

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

	31 Dec 2019				31 Dec 2018			
(EUR million)	**Fair value classified into**				**Fair value classified into**			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through the income statement								
Investments for unit-linked investments	871.6	-	-	871.6	756.8	-	-	756.8
Interest-bearing securities	19.2	-	0.2	19.4	8.6	-	0.2	8.7
Shares and participations	112.6	-	35.5	148.1	101.1	-	35.0	136.2
Total	**1,003.4**	**-**	**35.7**	**1,039.1**	**866.5**	**-**	**35.2**	**901.7**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,069.4	54.9	116.0	1,240.3	1.124.8	55.1	161.1	1.340.9
Shares and participations	-	-	-	-	-	-	-	-
Total	**1,069.4**	**54.9**	**116.0**	**1,240.3**	**1,124.8**	**55.1**	**161.1**	**1,340.9**
Derivative instruments, net	-0.1	58.4	-	58.3	0.0	52.9	-	52.9
Total	**-0.1**	**58.4**	**-**	**58.3**	**0.0**	**52.9**	**-**	**52.9**
Total	**2,072.8**	**113.3**	**151.7**	**2,337.7**	**1,991.2**	**108.0**	**196.3**	**2,295.5**

Transfers between level 1 and level 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period no transfers between level 1 and level 2 have occurred.

Aktia Group's Risk control has the responsibility for classifying financial instrument into levels 1, 2 and 3. The valuation process, which is made on an ongoing basis, is the same for financial instruments in all levels. The process determines to which level in the fair value hierarchy a financial instrument will be classified. In cases where internal assumptions have a material impact on fair value, the financial instrument is reported in level 3. The process also includes an evaluation based on the quality of the valuation data, if a class of financial instrument is to be transferred between levels.

Changes within level 3

The following table present the change from year-end regarding level 3 Financial assets reported at fair value.

Reconciliation of changes for financial instruments belonging to level 3	**Financial assets measured at fair value via the income statement**			**Financial assets measured at fair value through other comprehensive income**			**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**
Carrying amount 1 January 2019	0.2	35.0	35.2	161.1	-	161.1	161.3	35.0	196.3
New purchases	-	8.9	8.9	43.0	-	43.0	43.0	8.9	51.9
Sales	-	-10.2	-10.2	-22.5	-	-22.5	-22.5	-10.2	-32.7
Matured during the year	-	-	-	-56.5	-	-56.5	-56.5	-	-56.5
Realised value change in the income statement	-	-	-	-	-	-	-	-	-
Unrealised value change in the income statement	0.0	1.8	1.8	-	-	-	-	1.8	1.8
Value change recognised in total comprehensive income	-	-	-	0.0	-	0.0	0.0	-	0.0
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-9.1	-	-9.1	-	-	-
Carrying amount 31 December 2019	**0.2**	**35.5**	**35.7**	**116.0**	**-**	**116.0**	**125.3**	**35.5**	**160.8**

Sensitivity analysis for level 3 Financial instruments

The value of financial instruments reported at fair value in level 3 includes instruments, that have been measured partly or in total, using techniques based on assumptions not supported by observable market prices.

This information shows 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 seen as predictions or as 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 a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%. These assumptions would mean a result or valuation effect via the income statement or via other comprehensive income corresponding to 1.9 (2.1) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31 December 2019			31 December 2018		
	Effect at an assumed movement			Effect at an assumed movement		
(EUR million)	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets measured at fair value through the income statement						
Investments for unit-linked investments	-	-	-	-	-	-
Interest-bearing securities	0.2	0.0	0.0	0.2	0.0	0.0
Shares and participations	35.5	7.1	-7.1	35.0	7.0	-7.0
Total	**35.7**	**7.1**	**-7.1**	**35.2**	**7.0**	**-7.0**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	116.0	3.5	-3.5	161.1	4.8	-4.8
Shares and participations	-	-	-	-	-	-
Total	**116.0**	**3.5**	**-3.5**	**161.1**	**4.8**	**-4.8**
Total	**151.7**	**10.6**	**-10.6**	**196.3**	**11.8**	**-11.8**

Set off of financial assets and liabilities

(EUR million)	31 December 2019		31 December 2018	
Assets	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	68.1	-	70.0	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**68.1**	**-**	**70.0**	**-**
Amount not set off but included in general agreements on set off or similar	0.0	-	0.4	-
Collateral assets	69.5	-	64.0	-
Amount not set off in the balance sheet	**69.5**	**-**	**64.4**	**-**
Net amount	**-1.3**	**-**	**5.6**	**-**

Liabilities	Derivatives	Repurchase agreements	Derivatives	Repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	9.8	52.8	17.1	98.8
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**9.8**	**52.8**	**17.1**	**98.8**
Amount not set off but included in general agreements on set off or similar	0.0	52.7	0.4	-
Collateral liabilities	2.5	-	5.4	99.0
Amount not set off in the balance sheet	**2.5**	**52.7**	**5.8**	**99.0**
Net amount	**7.3**	**0.1**	**11.4**	**-0.2**

The table shows financial assets and liabilities that are not set off in the balance sheet, but have potential rights associated with enforceable master set-off arrangements or similar arrangements, such as ISDA Master Agreements, together with related collateral. The net amount shows the exposure in normal business as well as in the event of default or insolvency.

Note 9. Specification of Aktia Group's funding structure

(EUR million)	31 Dec 2019	31 Dec 2018
Deposits from the public and public sector entities	4,059.8	3,962.5
Short-term liabilities, unsecured debts		
Banks	75.3	39.7
Certificates of deposits issued and money market deposits	247.0	100.0
Total	**322.3**	**139.7**
Short-term liabilities, secured debts (collateralised)		
Banks - received cash in accordance with collateral agreements	69.5	64.0
Repurchase agreements - banks	52.8	98.8
Total	**122.3**	**162.9**
Total short-term liabilities	**444.6**	**302.6**
Long-term liabilities, unsecured debts		
Issued debts, senior financing	913.1	793.9
Other credit institutions	22.1	27.6
Subordinated debts	215.4	207.8
Total	**1,150.6**	**1,029.3**
Long-term liabilities, secured debts (collateralised)		
Central bank and other credit institutions	413.0	418.0
Issued Covered Bonds	1,612.6	1,666.4
Total	**2,025.6**	**2,084.4**
Total long-term liabilities	**3,176.2**	**3,113.7**
Interest-bearing liabilities in the banking business	**7,680.6**	**7,378.8**
Technical provisions in the life insurance business	1,259.8	1,155.7
Total other non interest-bearing liabilities	146.8	141.5
Total liabilities	**9,087.1**	**8,676.0**

Short-term liabilities = liabilities which original maturity is under 1 year

Long-term liabilities = liabilities which original maturity is over 1 year

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	31 Dec 2019	31 Dec 2018
Collateral for own liabilities		
Securities	473.1	529.1
Outstanding loans constituting security for Covered Bonds	2,031.8	2,264.0
Total	**2,504.9**	**2,793.1**
Other collateral assets		
Pledged securities[1]	16.8	121.7
Cash included in pledging agreements and repurchase agreements	2.5	5.4
Total	**19.3**	**127.1**
Total collateral assets	**2,524.2**	**2,920.2**
Collateral above refers to the following liabilities		
Liabilities to credit institutions[2]	465.8	516.8
Issued Covered Bonds[3]	1,612.6	1,666.4
Derivatives	2.5	5.4
Total	**2,080.9**	**2,188.7**

1) Refers to securities pledged for the intra day limit. As at 31 December 2019, a surplus of pledged securities amounted to EUR 5 (5) million.
2) Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
3) Own repurchases deducted.

Collateral liabilities (EUR million)	31 Dec 2019	31 Dec 2018
Cash included in pledging agreements[1]	69.5	64.0
Total	**69.5**	**64.0**

1) Refers to derivative agreements where collaterals were received from the counterparty in accordance with ISDA/CSA agreements.

This report has not been subject to external auditing.

Helsinki 14 February 2020

Aktia Bank Plc
The Board of Directors

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Webcast from the results event

A live webcast from the results event will take place on 14 February 2020 at 10 a.m. CEO Mikko Ayub and CFO Outi Henriksson will present the results. The event is held in Finnish and Swedish and can be seen live at **https://aktia.videosync.fi/2019-q4-results**. A recording of the webcast will be available at www.aktia.com after the event.

Financial calendar

AGM 2020	16 April 2020
Interim report January–March 2020	5 May 2020
Half-year report January–June 2020	4 August 2020
Interim report January–September 2020	3 November 2020

Aktia