

The Aktia Bank Group Pillar III Report as of Dec 31, 2021

Aktia

amounts in millions of euros, unless stated otherwise

Contents

Regulatory framework and general requirements for disclosures	4		
Regulatory framework	4		
Aktia Board of Directors' declaration approved by the management body on the adequacy of the risk management arrangements 31.12.2021	5		
Senior management's attestation	6		
1 Key metrics	7		
1.1 Key metrics (Article 447 (a-g) and Article 438 (b) CRR)	8		
Table 1.1.1 Key metrics (EU KM1)	8		
Table 1.1.2 Key metrics - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities (EU KM2)	9		
2 Own funds and capital buffers	10		
2.1 Own Funds composition, prudential filters and deduction items (Article 437 (a,d-f) CRR)	11		
Table 2.1.1 Composition of regulatory own funds (EU CC1)	11		
2.2 Main features of capital instruments (Article 437 (b-c) CRR)	13		
Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA)	13		
2.3 Overview of capital requirements (Article 438 (a,d,f,g) CRR)	33		
Table 2.3.1 Overview of total risk exposure amounts (EU OV1)	33		
Table 2.3.2 Insurance participations (EU INS1)	33		
Table 2.3.3 Financial conglomerates information on own funds and capital adequacy ratio (EU INS2)	34		
Table 2.3.4 ICAAP information (EU OVC)	34		
2.4 Capital buffers (Article 440 CRR)	36		
Table 2.4.1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1)	36		
Table 2.4.2 Amount of institution-specific countercyclical capital buffer (EU CCyB2)	36		
2.5 Disclosure of own funds and eligible liabilities (Article 437a CRR and Article 451(3)(b) BRRD)	37		
Table 2.5.1 Composition - MREL and, where applicable, the G-SII Requirement for own funds and eligible liabilities (EU TLAC1)	37		
2.6 Leverage ratio (Article 451 CRR)	38		
Table 2.6.1 LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1)	38		
Table 2.6.2 LRCom: Leverage ratio common disclosure (EU LR2)	39		
Table 2.6.3 LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU LR3)	40		
Table 2.6.4 Disclosure on qualitative items (EU LRA)	40		
3 Credit risk and credit risk mitigations	41		
3.1 General information on credit risk (Article 435 (a,d,f) and Article 442 (a-c,e-g) CRR)	42		
Table 3.1.1 General qualitative information about credit risk (EU CRA)	42		
Table 3.1.2 Additional disclosure related to the credit quality of assets (EU CRB)	43		
Table 3.1.3 Performing and non-performing exposures and related provisions (EU CR1)	44		
Table 3.1.4 Maturity of exposures (EU CR1-A)	45		
Table 3.1.5 Quality of non-performing exposures by geography (EU CQ4)	45		
Table 3.1.6 Credit quality of loans and advances by industry (EU CQ5)	46		
3.2 Credit quality of performing and non-performing exposures by past due days (Article 442 (c-d) CRR)	47		
Table 3.2.1 Credit quality of performing and non-performing exposures by past due days (EU CQ3)	47		
3.3 Credit quality of forborne exposures (Article 442 (c) CRR)	48		
Table 3.3.1 Credit quality of forborne exposures (EU CQ1)	48		
Table 3.3.2 Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3)	49		
3.4 General information on credit risk mitigation (Article 453 (a-f) CRR)	49		
Table 3.4.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)	49		
Table 3.4.2 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (EU CR3)	50		
3.5 Credit risk exposure and credit risk mitigation in the standardised approach (Article 444 CRR and Article 453 (f-g) CRR) and in the internal-rating-based approach (Article 438 (h), 452 (h),(g) (i-iv) and 453 (g,i) CRR)	51		
Table 3.5.1 Scope of the use of IRB and SA approaches (EU CR6-A)	51		
Table 3.5.2 Qualitative disclosure requirements related to standardised model (EU CRD)	52		

Table 3.5.3 Standardised approach – Credit risk exposure and CRM effects (EU CR4) _____	53
Table 3.5.4 Standardised approach (EU CR5) _____	54
Table 3.5.5 Qualitative disclosure requirements related to IRB approach (EU CRE) _____	55
Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6) _____	56
Table 3.5.7 IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques (EU CR7) _____	62
Table 3.5.8 IRB approach – Disclosure of the extent of the use of CRM techniques (EU CR7-A) _____	63
Table 3.5.9 RWEA flow statements of credit risk exposures under the IRB approach (EU CR8) _____	65
Table 3.5.10 IRB approach – Back-testing of PD per exposure class (fixed PD scale) (EU CR9) _____	66
3.6 Specialized lending and equity exposures in the banking book (Article 438 (e) CRR) _____	72
Table 3.6.1 Specialised lending and equity exposures under the simple risk weighted approach (EU CR10) _____	72
3.7 Counterparty credit risk (CCR) (Article 439, Article 444 e) and Article 452 (g) CRR) _____	73
Table 3.7.1 Qualitative disclosure related to CCR (EU CCRA) _____	73
Table 3.7.2 Analysis of CCR exposure by approach (EU CCR1) _____	74
Table 3.7.3 Transactions subject to own funds requirements for CVA risk (EU CCR2) _____	74
Table 3.7.4 Standardised approach – CCR exposures by regulatory exposure class and risk weights (EU CCR3) _____	75
Table 3.7.5 IRB approach – CCR exposures by exposure class and PD scale (EU CCR4) _____	76
Table 3.7.6 Composition of collateral for CCR exposures (EU CCR5) _____	77
4 Market risk _____	78
4.1 Article 445 CRR - Market Risk Standardized Approach _____	79

Table 4.1.1 Qualitative disclosure requirements related to market risk (EU MRA) _____	79
5 Operational risk _____	80
5.1 Disclosure of operational risk management (Article 446 (a) CRR) _____	81
Table 5.1.1 Qualitative information on operational risk (EU ORA) _____	81
Table 5.1.2 Operational risk own funds requirements and risk-weighted exposure amounts (EU OR1) _____	83
6 Interest rate risk in banking book (IRRBB) _____	84
6.1 Exposure to interest rate risk in the banking book (Article 448 CRR) _____	85
Table 6.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBBA) _____	85
Table 6.1.2 Interest rate risks of non-trading book activities (EU IRRBB1) _____	86
7 Funding & liquidity risk _____	87
7.1 Disclosure of liquidity requirements (Article 451a CRR) _____	88
Table 7.1.1 Liquidity risk management (EU LIQA) _____	88
Table 7.1.2 Quantitative information of LCR (EU LIQ1) _____	89
Table 7.1.3 Qualitative information on LCR (EU LIQB) _____	90
Table 7.1.4 Net Stable Funding Ratio (EU LIQ2) _____	91
7.2 Disclosure of encumbered and unencumbered assets (Article 443 CRR) _____	93
Table 7.2.1 Encumbered and unencumbered assets (EU AE1) _____	93
Table 7.2.2 Collateral received and own debt securities issued (EU AE2) _____	94
Table 7.2.3 Sources of encumbrance (EU AE3) _____	95
Table 7.2.4 Accompanying narrative information (EU AE4) _____	95
8 Remuneration _____	96
8.1 Disclosure of remuneration policy (Article 450 CRR) _____	97
Table 8.1.1 Remuneration policy (EU REMA) _____	97
Table 8.1.2 Remuneration awarded for the financial year (EU REM1) _____	100

Table 8.1.3 Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM2) _____	101
Table 8.1.4 Deferred remuneration (EU REM3) _____	102
Table 8.1.5 Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM5) _____	104
9 Other disclosures _____	105
9.1 Disclosure of risk management objectives and policies (Article 435 CRR) _____	106
Table 9.1.1 Institution risk management approach (EU OVA) _____	106
Table 9.1.2 Disclosure on governance arrangements (EU OVB) _____	112
9.2 Disclosure of the scope of application (Article 436 and Article 437 (a) CRR) _____	115
Table 9.2.1 Reconciliation of regulatory own funds to the balance sheet according to IFRS (EU CC2) _____	115
Table 9.2.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (EU LI1) _____	117
Table 9.2.3 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2) _____	119
Table 9.2.4 Outline of the differences in the scopes of consolidation (entity by entity) (EU LI3) _____	120
Table 9.2.5 Explanations of differences between accounting and regulatory exposure amounts (EU LIA) _____	121
Table 9.2.6 Other qualitative information on the scope of application (EU LIB) _____	121
10 Information not disclosed due to non-materiality or not applicable to the Aktia Bank Group _____	122
Information not disclosed due to non-materiality or not applicable to the Aktia Bank Group _____	123

Regulatory framework and general requirements for disclosures

Regulatory framework

This Pillar III Report 2021 discloses information on the capital adequacy of the Aktia Bank Group, as specified in Part 8 of EU Capital Requirements Regulation (575/2013), later amended by CRR II regulation (2019/879) in compliance with the commission implementing regulations, delegated regulations and guidelines issued by European Banking Authority (EBA) for publishing disclosures. In 2020, EBA published final implementing technical standard on public disclosures based on the mandate included in Article 434a of CRR II to specify uniform disclosure formats and associated instructions. These new disclosure requirements apply from 28 June 2021 onwards and this Report has been prepared in accordance with updated regulation. This report provides the full set of Pillar 3 disclosures of the Aktia Bank applicable for this reporting period and does not contain references to the Annual Report as of December 31, 2021. However, additional information can be found in the Annual and Sustainability Report as of December 31, 2021, as well as last year's comparison figures in the Aktia Bank Groups Annual Report 2020 and Aktia's Capital and Risk Management Report 2020.

Regulation (EU) 2019/876 and Directive (EU) 2019/878 introduced amendments to the CRR/CRD with various changes to the regulatory framework that became

applicable for the June 30, 2021 reporting. A new standardized approach for counterparty credit risk (SA-CCR) is introduced that replaces the mark-to-market method to determine the exposure value for derivatives that are not in scope of the internal model method. In addition a new framework to determine the risk weight for banking book investments in collective investment undertakings is introduced as well as the use of SME supporting factor is extended. A further core element of the CRR/CRD framework is the development and maintenance of a high quality capital base which should primarily consist of Common Equity Tier 1 (CET 1) capital. Regulation (EU) 2019/876 has introduced a minimum regulatory leverage ratio of 3 % determined as the ratio of Tier 1 capital and the regulatory leverage exposure. Regulation (EU) 2019/876 has also introduced a minimum Net Stable Funding Ratio (NSFR) of 100 % that requires banks to maintain a stable funding profile in relation to their on and off balance sheet exposures. The NSFR is calculated as the ratio of available stable funding (ASF) divided by required stable funding (RSF).

This Report is presented in euros (EUR) rounded to the nearest millions of euros to one decimal place. Due to rounding, numbers presented throughout this Report

may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

The appropriateness of the Pillar III disclosed information is approved by the Senior management of the Aktia Bank Group. If there is information considered to be proprietary or confidential, the information is not published, but disclosed in more general manner. Also, information or templates identified as not applicable to the Aktia Bank has not been included in the Report. For more information, See Section 10

For new disclosures adopted in this Pillar III Report as of December 31, 2021 this is the first implementation most of the CRR2 related EBA templates, Aktia does not provide comparative information for prior periods in most of the templates. Only for principally unchanged disclosures comparative information for a prior period are provided.

Aktia Board of Directors' declaration approved by the management body on the adequacy of the risk management arrangements 31.12.2021

By approving this report, the Board of Directors approves the formal statement of key risks in Table EU OVA point (c), and formally declares the adequacy of risk management arrangements given Aktia's risk profile. The Board of Directors has approved the Group principles for publication of disclosures according to Part Eight of the CRR, Article 435(1).

The figures in this report are based on economic information that is presented and audited in the 2021 Annual Report. This report is not externally audited; however, control mechanisms, internal control processes and policies provide certainty to stakeholders about its accuracy and relevance. All figures in this report are as of year-end 2021 unless otherwise stated.

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

The results of asset management operations are mainly affected by trends in business volumes, commission levels and cost-effectiveness. Opportunities for improving, customising and developing new products and processes help reduce business risks. Negative trends in the valuation of assets under management may also affect customers'

decisions on whether to invest in funds and other investment products.

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

Risks in sustainability of operations, and risks in environmental, social and governance issues affect all Aktia's operations.

Senior management's attestation

The senior management confirms in accordance with CRR article 431(3) that the Aktia Bank Group has made the Pillar III disclosures required under Part Eight of Regulation (EU) No 2019/879 (CRR2) in accordance with the formal policies and internal processes, systems and controls. The key elements of the Aktia Bank Group's formal policies to comply with the disclosure requirements are included in the Pillar III report.

In Helsinki 7 March 2022

The senior management of the Aktia Bank Group

Tommi Orpana

Chief Risk Officer at Aktia

1 Key metrics

1.1 Key metrics (Article 447 (a-g) and Article 438 (b) CRR)

Table 1.1.1 Key metrics (EU KM1)

EUR million		a	c	e
		31 Dec 2021	30 Jun 2021	31 Dec 2020
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	329.1	311.6	424.3
2	Tier 1 capital	389.1	371.6	424.3
3	Total capital	459.7	445.9	504.3
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	2,940.6	2,885.7	3,030.0
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	11.19%	10.80%	14.00%
6	Tier 1 ratio (%)	13.23%	12.88%	14.00%
7	Total capital ratio (%)	15.63%	15.45%	16.64%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.25%	1.25%	1.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.70%	0.70%	1.25%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.94%	0.94%	1.25%
EU 7d	Total SREP own funds requirements (%)	9.25%	9.25%	9.25%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.01%	0.01%	0.01%
11	Combined buffer requirement (%)	2.51%	2.51%	2.51%
EU 11a	Overall capital requirements (%)	11.76%	11.76%	11.76%
12	CET1 available after meeting the total SREP own funds requirements	176.1	161.4	266.6
	Leverage ratio			
13	Total exposure measure	10,083.3	9,751.2	9,211.3

The table continues

		a	c	e
		31 Dec 2021	30 Jun 2021	31 Dec 2020
14	Leverage ratio (%)	3.86%	3.81%	4.61%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,469.1	1,377.3	1,273.9
EU 16a	Cash outflows - Total weighted value	1,153.0	941.2	984.4
EU 16b	Cash inflows - Total weighted value	102.3	87.3	63.7
16	Total net cash outflows (adjusted value)	1,050.7	853.9	920.7
17	Liquidity coverage ratio (%)	139.82%	161.29%	138.36%
	Net Stable Funding Ratio			
18	Total available stable funding	7,526.0	7,695.5	
19	Total required stable funding	6,356.1	6,356.1	
20	NSFR ratio (%)	118.41%	125.77%	

The rows EU 8a, EU 9a, 10, EU 10a, EU 14a, EU 14b and EU 14d of the KM1 template are not disclosed as these rows do not contain data. Data for previous periods 30 Sep 2021 (column b) and 31 Mar 2021 (column d) are not disclosed when Aktia discloses the information in this template on a semi-annual basis.

During the financial year 2021 Aktia Bank Group's (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) total own funds decreased by EUR 44.6 million, of which CET1 decreased by EUR 95.2 million and T2 decreased by

EUR 9.4 million. The CET1 decrease was mainly driven by the Taaleri-transaction, which contributed to furthering Aktia's ongoing strategy. Due to the Taaleri-transaction, the level of CET1 capital decreased EUR 121.6 m. During 2021 this effect was mitigated with several measures resulting in a situation where the Common Equity Tier 1 capital ratio (CET1) 11.19% was at Dec 31, 2021 and was 2.81% lower than at the end of the previous year (14.00%).

Furthermore, in comparison to Q4 2020 risk-weighted assets decreased by EUR 89,5 million, mainly stemming from credit

risk (EUR -151.1 million), while operational risk increased (EUR 61.5 million) at the same time. LCR increased slightly (by 1.46%) due to an increase of HQLA partially offset by total net cash outflows.

The minimum leverage ratio (LR) and the net stable funding requirement (NSFR) became binding requirements with the application of the EU Capital Requirement Regulation (CRR2) started on 28 June 2021.

Table 1.1.2 Key metrics - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities (EU KM2)

31 Dec 2021 EUR million		Minimum requirement for own funds and eligible liabilities (MREL)
		a
		T
Own funds and eligible liabilities, ratios and components		
1	Own funds and eligible liabilities	1,363.5
EU-1a	Of which own funds and subordinated liabilities	459.7
2	Total risk exposure amount of the resolution group (TREA)	2,938.8
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	46.40%
EU-3a	Of which own funds and subordinated liabilities	15.64%
4	Total exposure measure of the resolution group	10,083
5	Own funds and eligible liabilities as percentage of the total exposure measure	13.52%
EU-5a	Of which own funds or subordinated liabilities	4.56%
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)	
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	20.28%
EU-9	MREL requirement expressed as percentage of the total exposure measure	5.91%

The form does not provide rows EU-8 and EU-10 nor columns b-f (G-SII Requirement for own funds and eligible liabilities (TLAC)), as the requirements do not apply to Aktia.

Total eligible liabilities of Aktia Bank equals EUR 1,363.5 million. The minimum required eligible liabilities for Aktia Bank equals EUR 595.9 million and is based on the leverage exposure measure.

2 Own funds and capital buffers

2.1 Own Funds composition, prudential filters and deduction items (Article 437 (a,d-f) CRR)

Table 2.1.1 Composition of regulatory own funds (EU CC1)

31 Dec 2021
EUR million

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	169.7	
	of which: Instrument type 1	169.7	CC2-1
2	Retained earnings	206.9	CC2-2
3	Accumulated other comprehensive income (and other reserves)	134.1	CC2-3
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	9.5	CC2-4
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	520.2	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1.0	
8	Intangible assets (net of related tax liability) (negative amount)	-152.8	CC2-5
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-0.2	CC2-6
12	Negative amounts resulting from the calculation of expected loss amounts	-24.4	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-0.6	CC2-7
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-12.1	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-191.1	
29	Common Equity Tier 1 (CET1) capital	329.1	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	60.0	CC2-8
31	of which: classified as equity under applicable accounting standards	60.0	CC2-8
36	Additional Tier 1 (AT1) capital before regulatory adjustments	60.0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
44	Additional Tier 1 (AT1) capital	60.0	
45	Tier 1 capital (T1 = CET1 + AT1)	389.1	

The table continues

31 Dec 2021
EUR million

	(a)	(b)
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments		
46 Capital instruments and the related share premium accounts	70.6	CC2-9
51 Tier 2 (T2) capital before regulatory adjustments	70.6	
Tier 2 (T2) capital: regulatory adjustments		
58 Tier 2 (T2) capital	70.6	
59 Total capital (TC = T1 + T2)	459.7	
60 Total risk exposure amount	2,940.6	
Capital ratios and requirements including buffers		
61 Common Equity Tier 1	11.19%	
62 Tier 1	13.23%	
63 Total capital	15.63%	
64 Institution CET1 overall capital requirements	7.71%	
65 of which: capital conservation buffer requirement	2.50%	
66 of which: countercyclical capital buffer requirement	0.01%	
EU-67b of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.70%	
68 Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	5.99%	
Amounts below the thresholds for deduction (before risk weighting)		
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	34.1	

The form does not provide rows EU-3a, 4-5, 9-10, 13-15, 17-18, 20, EU-20a-20d, 21-25, EU-25a-25b, 26-27, 27a, 32-33, EU-33a-33b, 34-35, 37-42, 42a, 43, 47, EU-47a-47b, 48-50, 52-54, 54a, 55-56, EU-56a-56b, 57, 67, EU-67a, 69-72 and 74-85, as there is no reporting.

Table EU CC1 presents a summary of Aktia Bank Group's own funds and capital ratios on 31 December 2021. The

total amount of the Bank Group's own funds amounted to EUR 459.7 million decreasing by EUR 44.6 million during year 2021. CET1 capital amounted to EUR 329.1 million decreasing by EUR 95.2 million. CET1 capital decreased due to the increase in intangible assets and goodwill that was allocated when acquiring Taaleri's wealth management operations. To strengthen its Tier 1 capital, Aktia Bank

issued a EUR 60 million AT1 loan (Additional Tier 1 capital) during the second quarter of the year.

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 11.2 (14.0) %. The total capital ratio for Aktia Bank Group was 15.6 (16.6)%.

2.2 Main features of capital instruments (Article 437 (b-c) CRR)

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 1

		only own funds (but not eligible liabilities) requirements	both own funds and eligible liabilities requirements			
1	Issuer	Aktia Bank Plc	Aktia Bank Plc	Aktia Bank Plc	Aktia Bank Plc	Aktia Bank Plc
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	FI4000058870	FI40000507371	FI4000224183	FI4000243142	XS2053056615
2a	Public or private placement	Public	Public	Public	Public	Public
3	Governing law(s) of the instrument	Finnish Law	Finnish Law	Finnish Law	Finnish Law	English Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A	N/A	N/A
	Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	170	60	0	1	70
9	Nominal amount of instrument: original amount of currency of issuance (in million)	N/A	60	13	12	70
9	Nominal amount of instrument: original amount - currency of issuance	N/A	EUR	EUR	EUR	EUR
9	Nominal amount of instrument: conversion of original amount in Euro (€ mln)	N/A	60	13	12	70
EU-9a	Issue price	N/A	100	100	100	99
EU-9b	Redemption price	N/A	100	100	100	100
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability amortised cost	Liability amortised cost	Liability amortised cost
11	Original date of issuance	N/A	26.5.2021	11.11.2016	27.2.2017	18.9.2019
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated
13	Original maturity date	No Maturity	No Maturity	25.2.2022	26.4.2022	18.9.2029
14	Issuer call subject to prior supervisory approval	No	Yes	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	26.5.2026, 100 % of Nominal amount. In addition Tax/Regulatory call	N/A	N/A	18.9.2024, redemption at 100, plus accrued interest
16	Subsequent call dates, if applicable	N/A	Annually	N/A	N/A	Annually
	Coupons / dividends					
17	Fixed or floating dividend/coupon	N/A	Fixed coupon	Fixed coupon	Fixed coupon	Fixed coupon
18	Coupon rate and any related index	N/A	3.875% per annum until 26 May 2026. Thereafter fixed every five years EUR 5Y Mid-Swap Rate + 4,088%	2,00 %	2,00 %	1.375% per annum until 18 September 2024. Thereafter fixed 5Y EUR Mid-Swap Rate + 1,90%

The table continues

		only own funds (but not eligible liabilities) requirements	both own funds and eligible liabilities requirements			
19	Existence of a dividend stopper	N/A	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	No	No	No
22	Noncumulative or cumulative	N/A	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	N/A	Non convertible	Non convertible	Non convertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	Yes	N/A	N/A	N/A
<p>If at any time the CET1 ratio has fallen below 5.125%, in the case of the Issuer or the Issuer Consolidated Situation, as calculated in accordance with the Applicable Banking Regulations and in each case as determined by the Issuer and/or the Competent Authority (or any agent appointed for such purpose by the Competent Authority).</p>						
31	If write-down, write-down trigger(s)	N/A		N/A	N/A	N/A
32	If write-down, full or partial	N/A	Fully or partially	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	Temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	Discretionary write-up.	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 1	Rank 2	Rank 3	Rank 3	Rank 3
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier2	Preferred to common equity Tier 1	Preferred to AT1	Preferred to AT1	Preferred to AT1
36	Non-compliant transitioned features	No	No	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 2

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 3

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 4

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 5

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 6

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 7

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 8

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 9

[illegible]

The table continues

		only eligible liabilities (but not own funds) requirements					
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A

Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA) / 10

		only eligible liabilities (but not own funds) requirements	
1	Issuer	Aktia Bank Plc	Aktia Bank Plc
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
2a	Public or private placement	Private	Private
3	Governing law(s) of the instrument	Germany Law	Germany Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	N/A	N/A
5	Post-transitional CRR rules	N/A	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Senior Preferred	Senior Preferred
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	N/A	N/A
9	Nominal amount of instrument: original amount of currency of issuance (in million)	20	33
9	Nominal amount of instrument: original amount - currency of issuance	EUR	EUR
9	Nominal amount of instrument: conversion of original amount in Euro (€ mln)	20	33
EU-9a	Issue price	100	100
EU-9b	Redemption price	100	100
10	Accounting classification	Liability amortised cost	Liability amortised cost
11	Original date of issuance	16.12.2014	20.9.2013
12	Perpetual or dated	Dated	Dated
13	Original maturity date	16.12.2034	20.9.2038
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	16.12.2024, redemption at 100, plus accrued interest	20.9.2023, redemption at 100, plus accrued interest
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed coupon	Fixed coupon
18	Coupon rate and any related index	3,80 %	4,05 %
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative

The table continues

		only eligible liabilities (but not own funds) requirements	
23	Convertible or non-convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 7	Rank 7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A

The rows 4, 8, EU 8a, 9-14, 16-19, EU 19a, 20-22, EU 22a, EU 23b-23c and 24-28 of the EU OV1 template are not disclosed as these rows do not contain data.

2.3 Overview of capital requirements (Article 438 (a,d,f,g) CRR)

Table 2.3.1 Overview of total risk exposure amounts (EU OV1)

EUR million		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31 Dec 2021	31 Dec 2020	31 Dec 2021
1	Credit risk (excluding CCR)	2,487.7	2,639.6	199.0
2	Of which the standardised approach	528.4	632.8	42.3
3	Of which the Foundation IRB (F-IRB) approach	901.9	922.0	72.2
EU 4a	Of which: equities under the simple riskweighted approach	19.8	18.9	1.6
5	Of which the Advanced IRB (A-IRB) approach	802.1	800.6	64.2
6	Counterparty credit risk - CCR	31.8	30.9	2.5
7	Of which the standardised approach	12.2	11.5	1.0
EU 8b	Of which credit valuation adjustment - CVA	19.6	19.4	1.6
15	Settlement risk	0.2	0.0	0.0
20	Position, foreign exchange and commodities risks (Market risk)	0.0	0.0	0.0
21	Of which the standardised approach	0.0	0.0	0.0
EU 22a	Large exposures	0.0	0.0	0.0
23	Operational risk	420.9	359.5	33.7
EU 23a	Of which basic indicator approach	420.9	359.5	33.7
29	Total	2,940.6	3,030.0	235.2

The form does not provide rows 4, 8, EU 8a, 16-19, EU 19a, 22 and EU 22a, as there is no reporting

The risk exposure amount (REA) totalled EUR 2,940.6 million, or 3% smaller than on 31 December 2020. In January, the FIN-FSA set a parameter factor for retail exposures, based on the new definition of default,

which increased the risk-weighted assets of retail exposures (in AIRB and FIRB models) by 5%. The revised Capital Requirements Directive and Regulation (CRR2) came into force in June, which decreased the overall RWA by EUR 150.1 million, mainly due to the facts that certain parts of corporate exposures were classified as SME exposures.

Table 2.3.2 Insurance participations (EU INS1)

EUR million 31 Dec 2021		a	b
		Exposure value	Risk-weighted exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	34.1	85.3

The overall book value of Aktia's holdings on subsidiaries (Aktia Life Insurance Company) is EUR 46.2 million. The part of the ownership not exceeding 10% of CET1 (before deduction on expected loss and financial sector entities where the institution has a significant investment) is EUR 34.1 million. For this amount Aktia Bank applies 250% risk weight according to CRR Article 48. The part exceeding the 10% CET1 limit is directly deducted from CET1.

Table 2.3.3 Financial conglomerates information on own funds and capital adequacy ratio (EU INS2)

EUR million 31 Dec 2021		a
		31 Dec 2021
1	Supplementary own fund requirements of the financial conglomerate (amount)	444.7
2	Capital adequacy ratio of the financial conglomerate (%)	145.02%

Aktia Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 220.2 million. Banking capital requirement remained unchanged at 7.7%, calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 145% (127%). As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Table 2.3.4 ICAAP information (EU OVC)

(a) Article 438(a) CRR

Approach to assessing the adequacy of the internal capital

The annual Internal Capital Adequacy Assessment Process (ICAAP) process is part of the Board's strategy work.

On the basis of strategic lines, estimates are made of the development of business volumes (the consolidated balance sheet) and the revenue and expense structure (the consolidated income statement). The forward looking scenario analysis forms the basis for the Group's capital

adequacy forecasts and stress scenarios. The Group's internal capital requirements are also set as part of the ICAAP process.

The ICAAP documentation is updated on the basis of the strategy work on an annual basis, and more often if needed. Methodologies and risk models for the internal assessment of capital requirements are also updated. The ICAAP documentation and conclusions are approved by the Board. At the same time as ICAAP, Life Insurance Company's Own Risk and Solvency Assessment (ORSA) process process is also established. External reporting of the conclusions takes place as part of the Group's Pillar III Reporting.

The internal assessment of capital requirements for the Group is an important element of capital management. The internal capital requirement reflects the Group's capital adequacy more comprehensively than the regulatory capital requirements (Pillar 1), because it also takes into account risks not included in them. The internal capital requirement encompasses all the Group's material risks.

The Bank Group's internal capital requirement is based on the "Pillar 1 plus Pillar 2" method. Pillar 1 sets the minimum regulatory capital requirements for credit risks and operational risks. In Pillar 2, the capital requirement is

supplemented by internal capital requirements for other risks, as well as areas that are covered insufficiently under Pillar 1.

The Pillar 1 requirements for credit risks are based on a combination of the standard approach and Aktia's IRB models. Pillar 2 adds the capital requirement for concentration risk, because Pillar 1 methods are based on the assumption that credit portfolios are perfectly diversified across counterparties, regions and industries. Aktia uses an internal model to measure single name concentrations in corporate and liquidity portfolios, as well as industry sector and geographical concentrations, in the banking book.

Aktia has no trading book, which means there is no Pillar 1 requirement for market risk. The market risk in the banking book is captured by the Pillar 2 requirements. The Pillar 2 models measure the spread, equity, foreign exchange (FX) and real estate risks in the Fair Value Through Profit&Loss and Fair Value Through Other Comprehensive Income portfolios. Market risk also includes the interest rate risk in the banking book. The model for structural interest risk in the banking book also includes the Bank Group's liquidity portfolio. The aggregation of market risk requirements assumes a correlation structure between various components of market risk.

Business risk in banking is measured with a scenario model that takes into account changes in customer behaviour and pricing, the cost of funding and the competitive situation which affects net interest income. The model also incorporates adverse scenarios in non-interest income and operating costs. The model does not capture the effects of credit and market risks on P&L. The liquidity risk is partly covered in the model as increasing funding costs. The Bank

Group's total internal capital requirement is the sum of different Pillar 1 and Pillar 2 requirements, i.e. no inter-risk diversification is assumed. The internal capital requirement for Aktia Life Insurance is part of its ORSA process. The capital requirements are based on internal risk models that cover business, market, underwriting and operational risks. The model takes into account both intra and inter-risk correlations.

Declining real estate prices combined with increasing default rates therefore have a material impact on loan losses. The development of short-term interest rates affects the level of interest income for the mainly Euribor-linked loan book. However, long-term rates have an impact on the values of the fixed-income portfolios in Aktia Bank and Life Insurance. In the Solvency II regime, the interest rates also affect the present value of the interest-linked technical provisions.

Other market risk factors include credit spreads, equity and commercial real estate prices. Movements in credit spreads have an impact on both the value of the fixed-income portfolios and Aktia's own funding prices. In Aktia Life Insurance, movements in FX rates also have a material impact.

Other key stress factors are related to the development of business volumes on and off the balance sheet, and their pricing. Increasing operating costs also affect the Group's overall profitability. The calculation process starts from the Group's rolling financial forecasts, which include baseline assumptions of business volumes and profitability. The stress scenarios cover a rolling three-year period. The severity of the scenarios can be adjusted to meet different stress-testing requirements. Various P&L items

are recalculated in the scenario based on the selected risk factors.

The stressed net interest income (NII) is based on assumptions of the business volumes and margins of both interest-bearing assets and liabilities in the scenario. The selected interest rate scenario affects the repricing of the balance sheet. The interest income estimate is adjusted to incorporate the loss rates of the selected credit risk scenario. The asset and liability management (ALM) model that calculates the NII estimate provides the dynamic balance sheet estimates, which are also used as the basis for credit risk riskweighted exposure amount (REA) estimates.

The loan book's loan loss estimates are based on the International Financial Reporting Standards 9 model-based credit losses (IFRS 9 ECL models). Credit risk scenarios are based on a two-factor model in which one factor drives the point-in-time estimates of PD and cure rates, and the other the collateral values behind the loss given default (LGD) estimates. The ECL estimates can be supplemented by additional defaults in the corporate portfolio. Risk weight (RW) estimates for internal risk classification (IRB) portfolios are based on the Through The Cycle PD (TTC PD) and downturn LGD models, and collateral value stressed

RWs for the other portfolios under the SA. Combined with the balance sheet estimate, an REA estimate is obtained.

In addition to NII, the market risk factors mainly affect the unrealised profits and losses measured at fair value. The market risk factors are the main drivers of solvency stress in Aktia Life Insurance. The life insurance company has a special ALM tool to measure the dynamic impact of the scenarios on its solvency ratios.

Based on the selected scenario, a stressed balance sheet, P&L and risk metric estimates are calculated. Combined with the scenario assumptions on capital policy (i.e. dividend pay-out and new issues of various capital instruments), capital ratios for Aktia Bank and Life Insurance, and the financial conglomerate are derived. The results are then compared with the target, and the alarm zones are set by the Board of Directors.

The stress scenario methodology is also used to calculate the regulatory stress test exercises on an ad-hoc basis. The stress factors are adjusted in accordance with the given scenarios. The tool can also be used to conduct reverse stress tests. In particular, this method is used to design the stress scenarios that are required to test the recovery and resolution options.

The results of the Bank Group and Aktia Life Insurance are aggregated to a Group requirement. The results are then compared with the capital position of the Group. The Group's own funds are based on the adjusted value of equity and subordinated debt. The equity is adjusted by including the changes in fair value of investments measured at amortised cost in Aktia Life Insurance and deducting the dividend proposal, intangible assets and EL shortfall. Also deducted are other life insurance-related items that are not considered to be eligible capital in the Solvency II regulation.

The Group's own funds include the mark-to-market effect of technical provisions. Capital instruments that are not freely transferable to cover losses within the Group are deducted from the Group's own funds to the extent that they exceed internal capital requirements. Risk limits have been set based on internal capital requirements. The limit establishes the maximum amount of capital that can be utilised for a specific risk type. The limit framework also incorporates the targets for capital adequacy.

2.4 Capital buffers (Article 440 CRR)

Table 2.4.1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1)

EUR million
31 Dec 2021

31 Dec 2021		a	b	f	g	j	k	l	m
		General credit exposures		Total exposure value	Own fund requirements		Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach		Relevant credit risk exposures - Credit risk	Total			
010	Breakdown by country:								
	Finland	1,185.5	6,878.3	8,063.8	180.1	180.1	2,251.6	91.66%	0.00%
	Norway	197.2	2.3	199.5	1.8	1.8	22.3	0.91%	1.00%
	Sweden	144.5	11.7	156.2	1.4	1.4	17.0	0.69%	0.00%
	Hong Kong	0.0	0.6	0.6	0.0	0.0	0.0	0.00%	1.00%
	Czech Republic	7.0	0.0	7.0	0.1	0.1	1.4	0.06%	0.50%
	Iceland	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.00%
	Singapore	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.00%
	United Kingdom	1.3	4.0	5.3	0.1	0.1	1.0	0.04%	0.00%
	Slovakia	34.8	0.0	34.8	0.3	0.3	3.5	0.14%	1.00%
	Lithuania	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.00%
	Denmark	3.0	2.1	5.1	0.0	0.0	0.6	0.02%	0.00%
	France	120.0	1.7	121.7	1.0	1.0	12.3	0.50%	0.00%
	Ireland	0.0	0.1	0.1	0.0	0.0	0.0	0.00%	0.00%
	Bulgaria	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.50%
	Luxembourg	0.0	0.2	0.2	0.0	0.0	0.0	0.00%	0.50%
	Other countries	410.8	156.8	567.6	11.7	11.7	146.8	5.97%	0.00%
020	Total	2,104.1	7,057.8	9,161.9	196.5	196.5	2,456.6	0.01%	

Table 2.4.2 Amount of institution-specific countercyclical capital buffer (EU CCyB2)

EUR million
31 Dec 2021

a		
1	Total risk exposure amount	2,940.6
2	Institution specific countercyclical capital buffer rate	0.01%
3	Institution specific countercyclical capital buffer requirement	0.3

The template EU CCyB1 does not provide columns c-e and h-i (Trading book exposures and Securitisation exposures in non-trading book), as those exposures are not relevant for the calculation of the Aktia's countercyclical buffer.

2.5 Disclosure of own funds and eligible liabilities (Article 437a CRR and Article 45i(3)(b) BRRD)

Table 2.5.1 Composition - MREL and, where applicable, the G-SII Requirement for own funds and eligible liabilities (EU TLAC1)

EUR million 31 Dec 2021		a	
		Minimum requirement for own funds and eligible liabilities (MREL)	
Own funds and eligible liabilities and adjustments			
1	Common Equity Tier 1 capital (CET1)	329.1	The rows 3-5, 7-8, 12, EU 12a-12c, EU-17a, 19-21, 27-31, EU-31a and EU-32 of the EU TLAC1 template are not disclosed as these rows do not contain data. The template does not provide columns b-c (G-SII Requirement for own funds and eligible liabilities (TLAC)), as the requirements do not apply to Aktia.
2	Additional Tier 1 capital (AT1)	60.0	
6	Tier 2 capital (T2)	70.6	
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	459.7	
Own funds and eligible liabilities: Non-regulatory capital elements			
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	798.4	Total eligible liabilities of Aktia Bank equals EUR 1363.5 million. The minimum required eligible liabilities for Aktia Bank equals EUR 595.9 million and is based on leverage exposure measure. TLAC exceeds MREL by EUR 767.6 million.
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	105.4	
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	903.7	
15	Empty set in the EU		
16	Empty set in the EU		
17	Eligible liabilities items before adjustments	903.7	
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements			
18	Own funds and eligible liabilities items before adjustments	1363.5	
22	Own funds and eligible liabilities after adjustments	1363.5	
EU-22a	Of which own funds and subordinated	459.7	
Risk-weighted exposure amount and leverage exposure measure of the resolution group			
23	Total risk exposure amount	2,938.8	
24	Total exposure measure	10,083.3	
Ratio of own funds and eligible liabilities			
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	46.40%	
EU-25a	Of which own funds and subordinated	15.64%	
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	13.52%	
EU-26a	Of which own funds and subordinated	4.56%	

2.6 Leverage ratio (Article 451 CRR)

Table 2.6.1 LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1)

EUR million 31 Dec 2021		a
		Applicable amount
1	Total assets as per published financial statements	9,994.0
8	Adjustments for derivative financial instruments	8.1
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	268.1
12	Other adjustments	-186.8
13	Total exposure measure	10,083.3

The rows 2-7, 9, 11, EU-11a and EU-11b of the EU LR1 template are not disclosed as these rows do not contain data.

Table EU LR1 delivers a reconciliation of accounting assets as per IFRS to the leverage ratio exposure.

Table 2.6.2 LRCom: Leverage ratio common disclosure (EU LR2)

EUR million		CRR leverage ratio exposures	
		a	b
		31 Dec 2021	30 Sep 2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	9,970.3	9,747.6
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-11.6	-9.3
6	(Asset amounts deducted in determining Tier 1 capital)	-191.1	-199.4
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	9,767.6	9,538.9
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	22.4	22.9
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	25.2	31.7
13	Total derivatives exposures	47.6	54.5
Securities financing transaction (SFT) exposures			
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	713.8	767.0
20	(Adjustments for conversion to credit equivalent amounts)	-445.7	-462.9
22	Off-balance sheet exposures	268.1	304.1
Excluded exposures			
Capital and total exposure measure			
23	Tier 1 capital	389.1	368.5
24	Leverage ratio total Total exposure measure	10,083.3	9,897.6
Leverage ratio			
25	Leverage ratio	3.86%	3.72%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	3.86%	3.72%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	3.86%	3.72%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
Disclosure of mean values			
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,083.3	9,897.6
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,079.3	9,897.6
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3.86%	3.72%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3.86%	3.72%

The rows 2, 4-5, EU-8a, EU-9a-9b, 10, EU-10a-10b, 11-12, 14-16, EU-16a, 17, EU-17a, 18, 21, EU-22a-22k and 28-29 of the EU LR2 template are not disclosed as these rows do not contain data.

At the time of the comparison, Table EU LR2 shows a comparable calculation of LR as of September 30, 2021, which was published in the Aktia Bank Plc interim report 1 January-30 September 2021.

Table EU LR2 shows the leverage ratio as of 31 December 2021 and the breakdown of the exposure by main categories. After CRR II entering into force at the end of the second quarter, a 3% binding minimum requirement for the leverage ratio was introduced. Compared to the year end 2020 the leverage ratio for Aktia Bank Group decreased from 4.6% to 3.8% due to changes in both the numerator and the denominator. The amount of Tier 1 capital decreased during the same time by 8% and the total exposure measure increased by 9% due to growth in lending and central bank deposits.

Table 2.6.3 LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU LR3)

31 Dec 2021 EUR million		a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	9,970.3
EU-3	Banking book exposures, of which:	9,970.3
EU-4	Covered bonds	814.8
EU-5	Exposures treated as sovereigns	1,169.7
EU-7	Institutions	151.3
EU-8	Secured by mortgages of immovable properties	5,659.9
EU-9	Retail exposures	328.8
EU-10	Corporates	1,403.8
EU-11	Exposures in default	96.5
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	345.4

The rows EU-2 and EU-6 of the EU LR3 template are not disclosed as these rows do not contain data.

Table EU LR 3 shows the breakdown of on-balance sheet exposures by exposure class. 57% of the total exposure amount arises from loans secured by mortgages of immovable properties.

Table 2.6.4 Disclosure on qualitative items (EU LRA)

(a) Description of the processes used to manage the risk of excessive leverage

For the Leverage ratio, a management target of 3.5% has been set, exceeding the minimum regulatory requirement by 0.5%.

(b) Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Leverage ratio decreased during the period by 0.7%. The main part of the reduction was due to Tier1 capital, that decreased by EUR 35 m, mainly due to an increase of intangible assets and goodwill by the Taaleri acquisition. The exposure amount increased by the growth in lending volumes for both retail and corporate sectors.

3 Credit risk and credit risk mitigations

3.1 General information on credit risk (Article 435 (a,d,f) and Article 442 (a-c,e-g) CRR)

Table 3.1.1 General qualitative information about credit risk (EU CRA)

(a) In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile.

The general description of the concise risk statement approved by the management body is presented in the table EU OVA.

The bank group's business areas are banking, asset management and life insurance, with most of the credit risk stemming from the banking area. The renewed 2025 strategy, with increased priority in wealth management, will have a diversifying effect on the bank credit risk profile in the future, with a minor effect on the credit risk profile until today.

Implementation of the new definition of default (DoD) has affected the default rate (DR) and probability of default (PD) in the bank. DoD is also implemented on a customer level compared to exposure level before, which leads to higher DR levels. Also, other updates on DoD, such as contamination, have led to higher levels of default.

The institution's credit risk profile, stemming mostly from the banking area, is driven primarily by loans to households and private persons with residential or real estate securities. Corporate exposure volumes have increased in the last years, consisting mostly of lending against commercial or residential real estate.

The current credit risk profile of the institution has been built on the basis of the bank's previous strategies and business model, focusing on lending to households with real estate securities. The increase in corporate lending during the last years is diversifying the credit risk portfolio of the bank. During the coming years, it is expected that increased focus on wealth management will have an effect on credit risks mainly through the collateral used and increased lending for private investments.

(b) When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

The strategies and processes to manage credit risk are applied according to the three lines of defence, and are based on the group risk management policy.

The group risk management policies, including credit risk management policy, are based on governing laws and regulations, and functions as a base for setting up credit risk limits. Credit risks development is limited by key risk indicators (KRIs), which are analysed and proposed by the credit risk control function, based on the credit portfolio and the strategy of the bank, and decided by the Board of Directors. The KRI's are updated yearly. In addition to KRIs, the credit risk control unit is responsible for overseeing the development of risks on the portfolio level by constant monitoring of risks.

The line organisation assesses the credit risk in each transaction and bears the overall responsibility for credit risks in its own customer base. The Group's Risk Control unit is responsible for ensuring that the models and methods used for measuring credit risk are comprehensive and reliable. The Risk Control unit is also responsible for performing independent risk analysis and reporting.

Credit risks are reported to the Group's Board of Directors and its' risk committee every quarter. Position- and aggregate-level credit risk reporting is available daily to the business personnel involved in the credit process and the Executive Committee. Every year, Risk Control conducts a comprehensive validation of all credit risk models, and the results are reported to both the Board of Directors and members of the Executive Committee in the ALCO. Risk Control also continuously monitors models to ensure they are functioning normally, and these monitoring results are reported quarterly to both the Board of Directors and the management of the Group.

The credit risk control function is a part of the second line of defence, whose tasks are described in more detail in EU OVB. In line with the responsibility of the 2nd line of defence, the Group's credit risk control assesses the Group's overall credit risk position in relation to the strategy and risk appetite, is responsible for preparing the risk management framework and proposing the KRI's for the Group's risk appetite concerning credit risk.

(c) When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function.

Credit risk management function in the first line of defence is independent from the units responsible for originating or renewing exposures, with a separate reporting line to senior management. The credit risk control function in the second line of defence is independent from the first line of defence. An independent internal audit in the third line of defence performs audits on the first two lines of defence

The Credit Risk Control function answers to the group CRO, and is thereby not affected by the business units it controls. The organisational structure is simple, consisting of one team responsible over credit risk control of the bank, functioning as the credit risk control unit according to governing regulation. Modelling and validation tasks are separated within the unit and, separate between the staff according to the proportionality principle. The head of the unit is a member of the Risk Control Function executive team.

(d) When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions.

Status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR is described in point (c) above.

Table 3.1.2 Additional disclosure related to the credit quality of assets (EU CRB)

(a) The scope and definitions of ‘past-due’ and ‘impaired’ exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR.

According to the Group’s accounting principles, on each reporting date, an assessment of whether a significant increase in the credit risk of a receivable has occurred is performed. The assessment is primarily based on the change in the probability of default since initial recognition, and on whether the borrower has a delinquent loan payment (30 days) or is subject to forbearance measures.

A loan is considered in default if a significant loan payment is delinquent by 90 days or more. A loan is also considered in default if a significant loan payment is delinquent by less than 90 days, and the borrower is subject to bankruptcy or debt restructuring, or the borrower’s ability to settle his or her loan obligations to their fullest extent is considered unlikely. The definition of impaired and of past due and default for accounting and regulatory purposes is aligned in the bank.

(b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

Past due (more than 90 days) are considered to be impaired with some exceptions from e.g., fraud or technical defaults.

(c) Description of methods used for determining general and specific credit risk adjustments.

Credit risk adjustments are made done either according to the IFRS 9 ECL model, or a manual decisions made by the debt collection department in the bank based on counterparty analysis.

For non-defaulted loans whose credit risk has not increased significantly (ECL Stage 1), the expected credit losses for a 12-month period are calculated. For non-defaulted loans whose credit risk has increased significantly (ECL Stage 2), as well as for defaulted loans (ECL Stage 3), the expected credit losses for the remaining lifetime of the loan are calculated.

(d) The institution’s own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

Aktia’s definitions of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR is in line with the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

Table 3.1.3 Performing and non-performing exposures and related provisions (EU CR1)

31 Dec 2021
EUR million

		a	b	c	d	f	g	h	i	j	l	n	o
		Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 3		
005	Cash balances at central banks and other demand deposits	780.6	780.6	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0
010	Loans and advances	7,406.1	7,098.0	308.0	127.3	118.7	-6.5	-2.8	-3.66	-24.92	-24.60	6,668.94	81.81
020	Central banks	8.6	8.6	0	0	0	0	0	0	0	0	0	0
030	General governments	2.7	2.7	0	0	0	0	0	0	0.0	0.0	2.7	0
040	Credit institutions	0	0	0	0	0	0	0	0	0.0	0	0	0
050	Other financial corporations	385.8	385.8	0.0	0.1	0.1	-0.2	-0.2	0.0	0.0	0.0	349.2	0.0
060	Non-financial corporations	1,747.5	1,706.8	40.7	23.6	23.4	-3.9	-2.5	-1.4	-9.8	-9.8	1,478.6	7.7
070	Of which: SMEs	867.0	847.5	19.5	16.2	15.9	-1.9	-1.1	-0.8	-7.8	-7.8	814.1	7.3
080	Households	5,261.4	4,994.1	267.3	103.6	95.3	-2.4	-0.2	-2.3	-15.1	-14.8	4,838.5	74.1
090	Debt Securities	1,297.0	1,297.0	0.0	0.0	0.0	1,297.0	0.0	1,297.0	0.0	0.0	0.0	0.0
110	General governments	373.0	373.0	0.0	0.0	0.0	373.0	0.0	373.0	0.0	0.0	0.0	0.0
120	Credit institutions	924.0	924.0	0.0	0.0	0.0	924.0	0.0	924.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	0.1	0	0	0	0	0	0	0	0	0	0	0
150	Off-balance sheet exposures	713.8	698.8	13.8	0.0	1.2	0.8	0.7	0.1	0.2	0.2	0	0
170	General governments	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0
180	Credit institutions	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0
190	Other financial corporations	57.0	57.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0	0
200	Non-financial corporations	386.0	372.9	12.8	0.0	0.2	0.7	0.0	0.6	0.0	0.0	0	0
210	Households	262.8	260.9	1.0	0.0	0.9	0.1	0.0	0.0	0.2	0.2	0	0
220	Total	10,197.6	9,874.4	321.8	127.3	119.9	1,291.2	-2.1	1,293.4	-24.7	-24.4	6,668.9	81.8

Template EU CR1 does not provide rows 100, 130 and 160, nor columns e, k and m, as there is no reporting.

Table 3.1.4 Maturity of exposures (EU CR1-A)

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	823.4	231.7	1,158.0	6,100.9	0.0	8,314.0
2	Debt securities	0.0	257.1	804.8	235.2	0.0	1,297.0
3	Total	823.4	488.7	1,962.8	6,336.1	0.0	9,611.0

Table 3.1.5 Quality of non-performing exposures by geography (EU CQ4)

31 Dec 2021
EUR million

EUR million		a	b	c	d	e	f	g
		Gross carrying/Nominal amount					Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment	Accumulated impairment		
				of which: defaulted				
010	On balance sheet exposures	8,830.4	127.3	118.7	8,830.3	-31.6		0
020	Finland	7,750.0	127.0	118.4	7,749.9	-31.6		0
030	Norway	199.1	0.0	0.0	199.1	0.0		0
040	France	171.7	0.0	0.0	171.7	0.0		0
050	Sweden	153.5	0.0	0.0	153.5	0.0		0
060	Canada	109.8	0.0	0.0	109.8	0.0		0
070	Other countries	446.2	0.2	0.2	446.2	0.0		0
080	Off balance sheet exposures	713.8	0.0	0.0			1.0	
090	Finland	710.1	0.0	0.0			1.0	
100	HongKong	1.0	0.0	0.0			0.0	
110	Germany	0.8	0.0	0.0			0.0	
120	Sweden	0.4	0.0	0.0			0.0	
130	Italy	0.2	0.0	0.0			0.0	
140	Other countries	1.3	0.0	0.0			0.0	
150	Total	9,544.2	127.3	118.7	8,830.3	-31.6	1.0	0

Column g of the EU CQ4 template is not disclosed as this column does not contain data.

Non-performing exposures arises from Finland. The exposures reported in other countries consists mostly of exposures to customers moved/are living abroad with a loan against a collateral in Finland.

Table 3.1.6 Credit quality of loans and advances by industry (EU CQ5)

31 Dec 2021
EUR million

		a	b	c	d	e
			Gross carrying amount			
			of which: non-performing		of which: loans and advances subject to impairment	Accumulated impairment
				of which: defaulted		
010	Agriculture, forestry and fishing	11.7	1.6	1.6	11.7	-1.0
020	Mining and quarrying	14.5	0.0	0.0	14.5	-0.1
030	Manufacturing	61.7	2.2	2.2	61.7	-1.2
040	Electricity, gas, steam and air conditioning supply	81.3	0.0	0.0	81.3	-0.1
050	Water supply	4.9	0.0	0.0	4.9	-0.1
060	Construction	49.3	1.7	1.7	49.3	-1.8
070	Wholesale and retail trade	48.3	1.0	0.8	48.3	-0.9
080	Transport and storage	31.1	0.5	0.4	31.1	-0.5
090	Accommodation and food service activities	11.8	0.6	0.6	11.8	-0.3
100	Information and communication	4.1	0.1	0.1	4.1	-0.1
110	Real estate activities	168.1	0.5	0.5	168.1	-0.7
120	Financial and insurance activities	1,197.6	8.9	7.8	1,197.6	-2.1
130	Professional, scientific and technical activities	33.0	3.1	3.0	33.0	-2.2
140	Administrative and support service activities	21.4	0.6	0.6	21.4	-0.2
160	Education	2.3	0.2	0.2	2.3	-0.2
170	Human health services and social work activities	10.0	0.6	0.6	10.0	-0.4
180	Arts, entertainment and recreation	16.3	2.0	2.0	16.3	-2.0
190	Other services	3.7	0.1	0.1	3.7	0.0
200	Total	1,771.1	23.6	22.1	1,771.1	-13.7

Template EU CQ5 does not provide the row 150 nor the column f, as there is no reporting.

3.2 Credit quality of performing and non-performing exposures by past due days (Article 442 (c-d) CRR)

Table 3.2.1 Credit quality of performing and non-performing exposures by past due days (EU CQ3)

31 Dec 2021 EUR million		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	780.6	780.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
010	Loans and advances	7,406.1	7,389.3	16.8	127.3	72.8	14.5	8.6	5.2	12.9	3.7	9.6	118.7
020	Central banks	8.6	8.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	2.7	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
040	Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	385.8	385.8	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
060	Non-financial corporations	1,747.5	1,742.4	5.1	23.6	13.2	1.4	0.6	1.0	3.5	0.8	3.3	23.4
070	Of which SMEs	867.0	866.3	0.7	16.2	5.8	1.4	0.6	1.0	3.5	0.8	3.3	15.9
080	Households	5,261.4	5,249.7	11.7	103.6	59.5	13.0	8.0	4.3	9.4	3.0	6.4	95.3
090	Debt Securities	1,297.0	1,297.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	General governments	373.0	373.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	924.0	924.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	Off-balance sheet exposures	713.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
170	General governments	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
180	Credit institutions	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
190	Other financial corporations	57.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
200	Non-financial corporations	386.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
210	Households	262.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
220	Total	10,197.6	9,467.0	16.8	127.3	72.8	14.5	8.6	5.2	12.9	3.7	9.6	118.7

The rows 100, 130 and 160 of the EU CQ3 template are not disclosed as these rows do not contain data.

Adequate collaterals is also important for the bank to minimise the risks in case of default. Exposures with days past due have an increased PD, and exposures over 90 days past due are considered defaulted.

The loan portfolio in Aktia is concentrated in low Probability of Default (PD) levels for both retail and corporate portfolio.

3.3 Credit quality of forborne exposures (Article 442 (c) CRR)

Table 3.3.1 Credit quality of forborne exposures (EU CQ1)

31 Dec 2021
EUR million

EUR million		a	b	c	d	e	f	g	h	
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures		
		Performing forborne	Non-performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0	
010	Loans and advances	266.3	62.0	62.0	62.0		-9.4	142.2	46.7	
060	Non-financial corporations	30.5	10.3	10.3	10.3		-3.8	8.6	4.6	
070	Households	235.8	51.7	51.7	51.7		-5.7	133.6	42.1	
100	Total	266.3	62.0	62.0	62.0	0.0	-9.4	142.2	46.7	

Template EU CQ1 does not provide rows 020-050 and 080-090, nor a column e, as there is no reporting.

The major part of forborne exposures are performing forborne exposures. The collateral situation is seen as adequate. Most of the forborne exposures are due to amortisation holidays granted in the beginning of the COVID-19 pandemic in Finland in the summer of 2020, which was recorded as forborne exposures. The amount of forborne exposures is expected to decrease during 2022 after the probation period of two years.

Table 3.3.2 Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3)

31 Dec 2021
EUR million

		a	b	c
		Gross carrying amount		Maximum amount of the guarantee that can be considered
			of which: forborne	Public guarantees received
1	Newly originated loans and advances subject to public guarantee schemes	39.0	1.3	19.1
2	of which: Households	0.2		
3	of which: Collateralised by residential immovable property	0.0		
4	of which: Non-financial corporations	38.8		18.9
5	of which: Small and Medium-sized Enterprises	35.3		
6	of which: Collateralised by commercial immovable property	0.4		

Template 3 does not provide a column d, as there is no reporting.

3.4 General information on credit risk mitigation (Article 453 (a-f) CRR)

Table 3.4.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)

(a) Article 453 (a) CRR

A description of the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting;

The accounting policies of the Aktia Bank Group do not include the netting of balance sheet items or off-balance sheet items.

To limit and reduce counterparty risks, individual collateral arrangements are used, in accordance with credit support annex (ISDA/CSA) conditions. The ISDA/CSA agreement allows the use of close-out netting agreements, in which all

positive and negative market values under an agreement can be netted at the counterparty level. The Group has netting and collateral agreements in place with all counterparties that are credit institutions. The collateral used is mainly cash, but government securities can also be used. At year-end, all received and placed collateral was in cash. Aktia has no rating-based triggers in CSA agreements, and a credit rating downgrade would therefore not trigger a requirement for additional collateral.

(b) Article 453 (b) CRR

The core features of policies and processes for eligible collateral evaluation and management

The valuation and administration of collateral is important for managing credit risk. Rules and authorisations

concerning the valuation of collateral and the updating of collateral values have been established. In keeping with the principle of prudence, collateral values are calculated by subtracting a haircut from the market value. The extent to which this prudent collateral value is lower indicates the volatility in the collateral's market value, liquidity, and the expected recovery time and fulfilment. Under the SA, real estate collateral, certain guarantees and financial securities are considered in the capital adequacy calculation. Under the IRB approach, credit risk mitigants affect the capital adequacy calculation through the LGD estimate.

For corporate financing purposes, collateral is valued in accordance with separate rules, also considering a valuation buffer specific to the collateral, to allow the determination of a prudent value. Especially when valuing the fixed assets relating

to a business, the interaction between the value of the fixed assets and the company's business opportunities is considered.

(c) Article 453 (c) CRR

A description of the main types of collateral taken by the institution to mitigate credit risk

Loans to households are mainly granted against real estate collateral, which means that no reduction in market values less than the haircut directly results in a collateral shortfall. Commercial or residential real estate collateral is used for a major part of the corporate portfolio.

(d) Article 453 (d) CRR

For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures.

Finnish government, credit guarantee insurers and corporates are the largest guarantors within Aktia's loan book. The Finnish government has ratings AA+/Aa1/AA+ from the largest credit rating agencies.

Aktia had no outstanding credit default swaps at year-end.

(e) Article 453 (e) CRR

Information about market or credit risk concentrations within the credit mitigation taken

Most of the Bank's collateral stock is made up of residential real estate. Trends in housing prices are therefore important factors in the Bank's risk profile. During 2021, developments in housing prices within Aktia's main business areas remained at a stable level.

The largest single guarantor is Finnish government (housing and student loans) with EUR 235m of guarantees in nominal value.

Table 3.4.2 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (EU CR3)

31 Dec 2021
EUR million

		Unsecured carrying amount	Secured carrying amount		
				Of which secured by collateral	Of which secured by financial guarantees
		a	b	c	d
1	Loans and advances	1,563.3	6,750.7	6,467.7	283.0
2	Debt securities	1,297.0	0.0	0.0	0.0
3	Total	2,860.3	6,750.7	6,467.7	283.0
4	Of which non-performing exposures	45.5	81.8	79.3	2.5

Template EU CR3 does not provide a row EU-5 nor a column e, as there is no reporting.

Collaterals used in the bank consist mainly of residential real estate, commercial real estate and financial collaterals. Financial guarantees are mostly used as an addition to immovable collateral.

The types of collaterals and guarantees are more diversified in corporate lending, with different kinds of collaterals or guarantees by the company, company owners or funded credit protection used in addition to commercial real estate.

3.5 Credit risk exposure and credit risk mitigation in the standardised approach (Article 444 CRR and Article 453 (f-g) CRR) and in the internal-rating-based approach (Article 438 (h), 452 (h),(g) (i-iv) and 453 (g,j) CRR)

Table 3.5.1 Scope of the use of IRB and SA approaches (EU CR6-A)

31 Dec 2021 EUR million	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
	a	b	c	d	e
1 Central governments or central banks	0.0	1,174.7	100.00%	0.00%	0.00%
1,1 Of which Regional governments or local authorities		212.6	100.00%	0.00%	0.00%
1,2 Of which Public sector entities		0.0	100.00%	0.00%	0.00%
2 Institutions	0.0	1,005.2	100.00%	0.00%	0.00%
3 Corporates	1,674.6	2,311.1	36.43%	0.00%	63.56%
3,1 Of which Corporates - Specialised lending, excluding slotting approach		0.0	0.00%	0.00%	100.00%
3,2 Of which Corporates - Specialised lending under slotting approach		0.0	0.00%	0.00%	100.00%
4 Retail	5,373.3	5,438.0	0.42%	1.89%	97.69%
4,1 of which Retail – Secured by real estate SMEs		158.7	1.55%	0.00%	98.45%
4,2 of which Retail – Secured by real estate non-SMEs		4,896.2	0.00%	0.00%	100.00%
4,3 of which Retail – Qualifying revolving		0.0	0.00%	0.00%	100.00%
4,4 of which Retail – Other SMEs		62.9	32.67%	0.00%	67.33%
4,5 of which Retail – Other non-SMEs		320.1	0.00%	32.14%	67.86%
5 Equity	0.0	51.6	0.00%	0.00%	100.00%
6 Other non-credit obligation assets	0.0	293.8	100.00%	0.00%	0.00%
7 Total	7,047.9	10,274.4	32.50%	1.00%	66.50%

Aktia has received permission from the FIN-FSA to use IRB models for Corporate and Retail exposures.

Table 3.5.2 Qualitative disclosure requirements related to standardised model (EU CRD)

(a) Article 444 (a) CRR
Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period

Aktia uses external long-term issue and issuer ratings from Moody’s Investors Service to calculate the risk weight according to the SA. The mapping of ratings follows the ECAI mapping published by the EBA. No changes in the use of ECAI ratings have been done during the disclosure period.

(b) Article 444 (b) CRR
The exposure classes for which each ECAI or ECA is used
Table EU CR5 shows the risk weights for exposures in the standardised approach. The external ratings are used for sovereign-type exposure classes (exposure classes (a)–(e) according to Article 112 of the CRR), as well as for institution and covered bond exposure classes. The counterparties with external ratings are mainly derivative counterparties or part of the liquidity portfolio.

(c) Article 444 (c) CRR
A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book;
Aktia uses external long-term issue and issuer ratings from Moody’s Investors Service to calculate the risk weight according to the SA. The external ratings are used for sovereign-type exposure classes (exposure classes (a)–(e) according to Article 112 of the CRR), as well as for institutions and covered bond exposure classes. The counterparties with external ratings are mainly derivative counterparties or part of the liquidity portfolio. The mapping of ratings follows the ECAI mapping published by the EBA.

(d) Article 444 (d) CRR
The association of the external rating of each nominated ECAI or ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA).
Not applicable for Aktia

Table 3.5.3 Standardised approach – Credit risk exposure and CRM effects (EU CR4)

31 Dec 2021
EUR million

Exposure classes		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures a	Off-balance-sheet exposures b	On-balance-sheet exposures c	Off-balance-sheet exposures d	RWEA e	RWEA density (%) f
1	Central governments or central banks	941.9	0.1	1,006.8	0.2	0.0	0.00%
2	Regional government or local authorities	207.7	19.6	207.7	4.9	0.3	0.13%
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.00%
4	Multilateral development banks	0.0	0.0	22.6	0.0	0.0	0.00%
5	International organisations	20.1	0.0	20.1	0.0	0.0	0.00%
6	Institutions	151.3	6.2	151.3	3.1	30.9	20.00%
7	Corporates	79.9	18.8	18.3	1.9	16.5	81.32%
8	Retail	108.7	159.0	107.8	3.0	78.8	71.11%
9	Secured by mortgages on immovable property	747.6	39.0	747.6	19.6	231.8	30.22%
10	Exposures in default	4.1	0.6	4.0	0.4	4.7	108.14%
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.00%
12	Covered bonds	814.8	0.0	814.8	0.0	86.3	10.59%
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.00%
14	Collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.00%
15	Equity	0.0	0.0	0.0	0.0	0.0	0.00%
16	Other items	131.5	0.0	131.5	0.0	79.2	60.25%
17	TOTAL	3,207.7	243.3	3,232.6	33.1	528.4	16.18%

The exposures in the standardised approach represent 31% of the Bank Group's credit risk exposure.

Central governments or central banks are the largest counterparty class in the standardised approach, with a risk weight of 0%. The exposure class 'Secured by mortgages on immovable property' consists mainly of loans to housing

companies (low default portfolio), with immovable property as collateral with risk weights accordingly. Exposures post CCF and CRM can be higher than exposures before CCF and CRM due to substitution effect.

Table 3.5.4 Standardised approach (EU CR5)

31 Dec 2021
EUR million

		Risk weight								Total	Of which unrated
		0 %	10 %	20 %	35 %	50 %	75 %	100 %	150 %		
		a	d	e	f	g	i	j	k	p	q
1	Central governments or central banks	1,007.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,007.0	0.0
2	Regional government or local authorities	211.2	0.0	1.4	0.0	0.0	0.0	0.0	0.0	212.6	0.0
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Multilateral development banks	22.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.6	0.0
5	International organisations	20.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.1	0.0
6	Institutions	0.0	0.0	154.4	0.0	0.0	0.0	0.0	0.0	154.4	0.1
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	20.3	0.0	20.3	20.3
8	Retail	0.0	0.0	0.0	0.0	0.0	110.8	0.0	0.0	110.8	110.8
9	Secured by mortgages on immovable property	0.0	0.0	0.0	705.8	61.4	0.0	0.0	0.0	767.2	767.2
10	Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	3.7	0.7	4.4	4.4
11	Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Covered bonds	0.0	767.0	47.8	0.0	0.0	0.0	0.0	0.0	814.8	159.3
13	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Unit or shares in collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16	Other items	0.9	0.0	64.2	0.0	0.0	0.0	66.4	0.0	131.5	131.5
17	TOTAL	1,261.9	767.0	267.8	705.8	61.4	110.8	90.3	0.7	3,265.7	1,406.2

Template EU CR5 does not provide columns b, c, h, and l-o, as there is no reporting.

Table 3.5.5 Qualitative disclosure requirements related to IRB approach (EU CRE)

Institutions shall disclose the information referred to of points (a) to (f) of Article 452 of Regulation (EU) 575/20131 (“CRR”) by following the instructions provided below in this Annex to complete table EU CRE which is presented in Annex XXI to this Implementing Regulation.

(a) Article 452 (a) CRR

The competent authority’s permission of the approach or approved transition

The Financial Supervisory Authority in Finland has granted Aktia permission to apply the internal ratings-based (IRB) approach to retail, equity and certain corporate exposures. The Foundation IRB approach is used for corporate exposures. The IRB approach represents 69% of the Bank Group’s credit risk exposure. The remaining credit exposures are calculated using the standardised approach (SA). For counterparty credit risk in the OTC derivatives, the mark-to-market method is applied to calculate the exposure value. The capital requirement for the credit valuation adjustment risk is calculated using the standardised method. The basic indicator approach was used for operational risks.

(b) CRR 452(c) The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:

- (i) the relationship between the risk management function and the internal audit function;
- (ii) the rating system review;
- (iii) procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;

(iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models

The control mechanisms in the bank consist of monitoring and validation of the models. Quarterly monitoring is performed by the credit risk control unit with results reported to the ALCO and the management unit.

Validation is done within the credit risk control unit, with the responsibility for validation separated. Taking into the consideration Aktia’s scale of operations and according to the proportionality principle, Aktia does not have a separated validation function, but has separate staff responsible for validation. Validation is performed yearly, with results reported to ALCO and the Board of Directors.

Internal Audit performs independent reviews on the credit risk control unit on a yearly basis.

(c) Article 452 (d) CRR

The role of the functions involved in the development, approval and subsequent changes of the credit risk models

The Credit Risk Control Unit (CRCU) is responsible for development, changing the models and the approval process of changes/new models with FIN-FSA. CRCU is an independent unit from the functions responsible for the origination of loans, with responsibilities according to CRR article 190.2.

(d) Article 452 (e) CRR

The scope and main content of the reporting related to credit risk models

Internal reporting of credit risk models is done by all lines of defence. Supervisory reporting is done according to regulation or specific requests.

The first line of defence reports the current and historical level of risk in the bank according to the IRB-models, to the sales organisation and senior management.

The second line of the defence risk report includes more detailed data on the PD-, LGD- and EL-levels. Monitoring results are reported quarterly to senior management and the management unit. Validation reports are reported yearly, including a presentation to senior management and the management unit.

The third line of defence reports their findings concerning the credit risk models and the status concerning them .

(e) Article 452 (f) CRR

A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:

- (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;
- (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;
- (iii) where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables.

Aktia uses IRB -models for retail and corporate exposures. For corporate exposures, one counterparty PD -models

is used. For retail exposures, the bank has 7 models in use depending on the counterparty (household or small business), the counterparty history available (application or behavioural models) and the product used.

For retail models, the main differences are related to how data is used. Internal data are used for the counterparties with behavioural history in the bank, and application data are used for the counterparties without behavioural data. The PD’s in different models have been developed by multivariate regression analysis using application and transaction data. Expert judgement is used in combination with qualitative analysis for low default portfolios.

The main driver of differences between PD and DR in the last years has been the implementation of a new default definition. By implementing a new definition of default Aktia moved from an exposure level default to a customer level default.

On the corporate side, one rating model combining a quantitative and qualitative approach is used using the same data of the counterparties.

Aktia uses internal LGD-estimates for their retail portfolio, consisting of one model covering the portfolio. The model uses information on e.g. collateral used and internal expenses, calculated by regression to estimate the correct LGD. For DT LGD the Finnish depression in 1990 is used as a downturn period and also used for modelling purposes. The time lapse between default and closure in modelling is 5 years. For low default portfolios, which are outside the retail exposures, FIRB or standardised approach is used.

Validation of LGD and PD is performed by separate staff than the ones responsible over the models. Validation consists of quantitative and qualitative tests, with most of the focus in the last year performance of the model.

Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)

	PD scale	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
A-IRB	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail - Secured by immovable property SME													
	0.00 to <0.15	0.5	0.1	100%	0.6	0.11%	51	22.75%		0.0	4.79%	0.0	0.0
	0.00 to <0.10	0.0	0.1	100%	0.1	0.07%	19	25.03%		0.0	3.76%	0.0	0.0
	0.10 to <0.15	0.4	0.1	100%	0.5	0.12%	32	22.37%		0.0	4.96%	0.0	0.0
	0.15 to <0.25	0.4	0.2	100%	0.7	0.19%	55	21.48%		0.0	6.73%	0.0	0.0
	0.25 to <0.50	2.1	1.0	100%	3.1	0.40%	146	24.52%		0.4	13.19%	0.0	0.0
	0.50 to <0.75	7.9	1.8	100%	9.7	0.64%	241	27.39%		2.0	20.55%	0.0	0.0
	0.75 to <2.50	66.5	9.7	100%	76.2	1.42%	1,080	26.22%		25.0	32.78%	0.3	0.0
	0.75 to <1.75	48.4	6.9	100%	55.4	1.18%	804	26.41%		16.4	29.54%	0.2	0.0
	1.75 to <2.5	18.1	2.7	100%	20.8	2.08%	276	25.71%		8.6	41.40%	0.1	0.0
	2.50 to <10.00	35.4	2.6	100%	37.9	4.50%	458	25.10%		23.3	61.43%	0.4	-0.1
	2.5 to <5	23.9	1.7	100%	25.6	3.42%	305	25.28%		13.9	54.42%	0.2	0.0
	5 to <10	11.5	0.9	100%	12.4	6.74%	153	24.74%		9.4	75.93%	0.2	0.0
	10.00 to <100.00	6.6	0.7	100%	7.3	21.88%	105	23.88%		7.3	101.27%	0.4	-0.1
	10 to <20	4.2	0.3	100%	4.5	13.99%	64	23.23%		4.3	94.93%	0.1	0.0
	20 to <30	1.1	0.0	100%	1.1	24.84%	21	22.54%		1.2	105.16%	0.1	0.0
	30.00 to <100.00	1.3	0.3	100%	1.6	41.64%	20	26.64%		1.9	116.12%	0.2	-0.1
	100.00 (Default)	3.9	0.1	100%	4.0	100.00%	63	31.23%		7.3	179.70%	0.8	-0.6
Subtotal (exposure class)		123.3	16.1	100%	139.5	6.09%	2,199	25.94%		65.3	46.85%	1.9	-0.8

	PD scale	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
A-IRB	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail - Secured by immovable property non-SME													
	0.00 to <0.15	2,773.2	39.8	100%	2,813.0	0.08%	17339	16.80%		96.1	3.42%	0.4	0.0
	0.00 to <0.10	2,210.5	31.1	100%	2,241.6	0.07%	9281	16.65%		68.4	3.05%	0.3	0.0
	0.10 to <0.15	562.7	8.7	100%	571.4	0.11%	8058	17.40%		27.8	4.86%	0.1	0.0
	0.15 to <0.25	673.1	6.1	100%	679.2	0.18%	8191	17.93%		47.7	7.02%	0.2	0.0
	0.25 to <0.50	506.9	6.5	100%	513.4	0.33%	5996	17.54%		54.8	10.68%	0.3	0.0
	0.50 to <0.75	202.6	5.2	100%	207.8	0.55%	2224	18.00%		33.2	15.97%	0.2	0.0
	0.75 to <2.50	399.2	16.9	100%	416.1	1.39%	5,401	17.91%		120.8	29.03%	1.0	-0.1
	0.75 to <1.75	294.3	13.3	100%	307.7	1.12%	4179	17.67%		77.2	25.08%	0.6	-0.1
	1.75 to <2.5	104.9	3.6	100%	108.4	2.16%	1222	18.58%		43.7	40.26%	0.4	0.0
	2.50 to <10.00	167.0	2.4	100%	169.4	4.98%	1905	18.49%		105.3	62.18%	1.6	-0.2
	2.5 to <5	100.2	1.8	100%	102.0	3.48%	1184	18.66%		54.2	53.17%	0.7	-0.1
	5 to <10	66.9	0.6	100%	67.4	7.25%	721	18.25%		51.1	75.81%	0.9	-0.1
	10.00 to <100.00	73.5	0.0	100%	73.5	35.03%	1155	18.72%		71.5	97.19%	4.8	-1.7
	10 to <20	28.4	0.0	100%	28.4	15.01%	400	18.46%		28.9	101.66%	0.8	-0.2
	20 to <30	11.3	0.0	100%	11.3	24.08%	156	19.81%		13.7	121.08%	0.5	-0.2
	30.00 to <100.00	33.8	0.0	100%	33.8	55.54%	599	18.58%		28.9	85.45%	3.5	-1.4
	100.00 (Default)	79.9	0.2	100%	80.1	100.00%	838	19.41%		104.1	129.96%	8.6	-4.4
	Subtotal (exposure class)	4,875.4	77.2	100%	4,952.6	2.55%	43,049	17.30%		633.6	12.79%	17.1	-6.5

	PD scale	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
A-IRB	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail - Other SME													
	0.00 to <0.15	0.1	0.2	100%	0.2	0.12%	19	55.15%		0.0	12.12%	0.0	0.0
	0.00 to <0.10	0.0	0.0	100%	0.0	0.07%	5	86.70%		0.0	13.26%	0.0	0.0
	0.10 to <0.15	0.1	0.1	100%	0.2	0.13%	14	49.72%		0.0	11.93%	0.0	0.0
	0.15 to <0.25	0.0	0.2	100%	0.2	0.21%	11	65.27%		0.1	21.74%	0.0	0.0
	0.25 to <0.50	0.3	0.3	100%	0.6	0.36%	26	56.36%		0.2	27.01%	0.0	0.0
	0.50 to <0.75	0.9	5.4	100%	6.3	0.53%	113	78.93%		2.9	46.76%	0.0	0.0
	0.75 to <2.50	9.9	16.7	100%	26.6	1.43%	426	68.54%		16.9	63.42%	0.3	0.0
	0.75 to <1.75	7.6	12.3	100%	19.8	1.24%	301	68.27%		12.0	60.58%	0.2	0.0
	1.75 to <2.5	2.3	4.4	100%	6.7	1.98%	125	69.34%		4.8	71.76%	0.1	0.0
	2.50 to <10.00	6.5	2.2	100%	8.7	4.78%	180	51.29%		5.3	60.43%	0.2	0.0
	2.5 to <5	4.1	1.8	100%	5.9	3.88%	124	56.44%		3.9	65.43%	0.1	0.0
	5 to <10	2.4	0.4	100%	2.8	6.69%	56	40.46%		1.4	49.93%	0.1	0.0
	10.00 to <100.00	1.2	2.5	100%	3.7	22.09%	90	71.59%		4.9	132.66%	0.6	0.0
	10 to <20	0.5	0.3	100%	0.8	12.74%	29	57.17%		0.7	83.64%	0.1	0.0
	20 to <30	0.5	2.1	100%	2.6	23.89%	51	77.36%		4.0	149.29%	0.5	0.0
	30.00 to <100.00	0.1	0.1	100%	0.2	37.87%	10	55.47%		0.2	117.97%	0.0	0.0
	100.00 (Default)	2.5	0.1	100%	2.6	100.00%	131	75.89%		5.0	192.51%	2.0	-1.9
Subtotal (exposure class)		21.4	276	100%	49.0	8.57%	996	67.20%		35.2	71.93%	3.1	-1.9

	PD scale	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
A-IRB	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail - Other non-SME													
	0.00 to <0.15	27.3	3.5	100%	30.8	0.09%	1546	52.22%		3.8	12.24%	0.0	0.0
	0.00 to <0.10	17.0	1.4	100%	18.3	0.07%	1057	56.33%		2.0	10.96%	0.0	0.0
	0.10 to <0.15	10.4	2.2	100%	12.5	0.13%	489	46.21%		1.8	14.13%	0.0	0.0
	0.15 to <0.25	11.2	3.5	100%	14.7	0.20%	499	62.01%		3.9	26.37%	0.0	0.0
	0.25 to <0.50	7.8	1.3	100%	9.1	0.37%	447	59.31%		3.4	37.41%	0.0	0.0
	0.50 to <0.75	33.4	1.0	100%	34.4	0.62%	2718	15.47%		4.5	13.02%	0.0	0.0
	0.75 to <2.50	96.8	7.5	100%	104.3	1.37%	6,624	17.73%		22.4	21.46%	0.3	0.0
	0.75 to <1.75	73.1	2.5	100%	75.6	1.12%	4048	16.16%		13.8	18.20%	0.1	0.0
	1.75 to <2.5	23.7	4.9	100%	28.7	2.02%	2576	21.86%		8.6	30.07%	0.1	0.0
	2.50 to <10.00	17.4	1.9	100%	19.3	4.69%	1394	34.66%		10.3	53.46%	0.3	0.0
	2.5 to <5	11.2	1.2	100%	12.4	3.58%	772	38.69%		7.2	58.25%	0.2	0.0
	5 to <10	6.2	0.7	100%	6.9	6.68%	622	27.41%		3.1	44.85%	0.1	0.0
	10.00 to <100.00	7.2	0.0	100%	7.3	27.19%	4660	31.43%		5.0	68.28%	0.6	-0.2
	10 to <20	4.1	0.0	100%	4.2	14.28%	446	31.79%		2.7	65.53%	0.2	0.0
	20 to <30	1.0	0.0	100%	1.0	24.13%	114	35.56%		0.9	87.87%	0.1	0.0
	30.00 to <100.00	2.1	0.0	100%	2.1	53.90%	4100	28.79%		1.4	64.52%	0.4	-0.1
	100.00 (Default)	12.4	0.0	100%	12.4	100.00%	742	75.05%		14.7	118.83%	9.8	-9.1
	Subtotal (exposure class)	213.6	18.7	100%	232.3	7.31%	18,630	31.30%		67.9	29.24%	11.1	-9.3
	Total (all exposures classes)	5,233.6	139.7	100%	5,373.3		46,244			802.1		33.3	-18.5

	PD scale	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
F-IRB	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporates - SME													
	0.00 to <0.15	0.0	2.0	75%	1.5	0.10%	1	45.00%	2.5	0.3	22.00%	0.0	0.0
	0.00 to <0.10	0.0	0.0	0%	0.0	0.00%	0	0.00%	2.5	0.0	0.00%	0.0	0.0
	0.10 to <0.15	0.0	2.0	75%	1.5	0.10%	1	45.00%	2.5	0.3	22.00%	0.0	0.0
	0.15 to <0.25	8.8	4.3	75%	12.1	0.15%	6	36.44%	2.5	2.4	19.75%	0.0	0.0
	0.25 to <0.50	311.1	20.5	75%	326.5	0.30%	18	36.66%	2.5	104.1	31.89%	0.4	-0.1
	0.50 to <0.75	114.0	29.0	74%	135.4	0.70%	30	36.05%	2.5	61.6	45.46%	0.3	-0.1
	0.75 to <2.50	117.3	34.6	75%	143.4	1.51%	80	39.27%	2.5	90.9	63.37%	0.9	-0.2
	0.75 to <1.75	113.6	34.0	75%	139.2	1.50%	52	39.34%	2.5	88.4	63.51%	0.8	-0.2
	1.75 to <2.5	3.7	0.7	85%	4.3	2.00%	28	36.69%	2.5	2.5	59.06%	0.0	0.0
	2.50 to <10.00	190.9	53.1	78%	232.2	4.21%	186	38.55%	2.5	183.0	78.83%	3.8	-1.1
	2.5 to <5	109.7	37.3	77%	138.3	3.00%	95	38.71%	2.5	99.9	72.24%	1.6	-0.5
	5 to <10	81.2	15.8	80%	93.9	6.00%	91	38.31%	2.5	83.1	88.54%	2.2	-0.6
	10.00 to <100.00	56.5	9.0	83%	64.0	17.06%	70	37.28%	2.5	76.4	119.40%	4.1	-2.0
	10 to <20	40.0	4.9	79%	43.9	12.00%	43	36.90%	2.5	49.3	112.12%	1.9	-0.8
	20 to <30	13.9	3.1	88%	16.6	24.00%	17	38.02%	2.5	22.5	135.88%	1.5	-0.8
	30.00 to <100.00	2.6	1.0	87%	3.5	48.00%	10	38.46%	2.5	4.6	132.71%	0.6	-0.3
	100.00 (Default)	15.0	0.0	75%	15.0	100.00%	15	42.34%	2.5	0.0	0.00%	6.1	-5.5
	Subtotal (exposure class)	813.8	152.6	76%	930.1	4.22%	406	37.59%	2.5	518.7	55.77%	15.5	-9.0

	PD scale	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
F-IRB	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporates - Other													
	0.00 to <0.15	29.4	0.0	0%	29.4	0.10%	3	40.63%	2.5	8.3	28.38%	0.0	0.0
	0.00 to <0.10	0.0	0.0	0%	0.0	0.00%	0	0.00%	2.5	0.0	0.00%	0.0	0.0
	0.10 to <0.15	29.4	0.0	0%	29.4	0.10%	3	40.63%	2.5	8.3	28.38%	0.0	0.0
	0.15 to <0.25	0.0	0.0	0%	0.0	0.00%	0	0.00%	2.5	0.0	0.00%	0.0	0.0
	0.25 to <0.50	262.7	43.6	75%	295.4	0.30%	11	36.85%	2.5	139.4	47.20%	0.3	-0.1
	0.50 to <0.75	54.3	52.7	76%	94.6	0.70%	13	31.37%	2.5	56.3	59.49%	0.2	0.0
	0.75 to <2.50	101.3	60.4	75%	146.7	1.51%	51	32.27%	2.5	118.0	80.42%	0.7	-0.1
	0.75 to <1.75	101.0	57.5	75%	144.3	1.50%	35	32.07%	2.5	115.1	79.77%	0.7	-0.1
	1.75 to <2.5	0.3	2.8	75%	2.4	2.00%	16	43.83%	2.5	2.9	118.57%	0.0	0.0
	2.50 to <10.00	31.7	20.9	76%	47.5	3.95%	24	35.36%	2.5	54.9	115.68%	0.7	-0.1
	2.5 to <5	23.4	12.1	75%	32.5	3.00%	12	34.42%	2.5	33.8	104.12%	0.3	0.0
	5 to <10	8.3	8.8	77%	15.0	6.00%	12	37.40%	2.5	21.1	140.61%	0.3	-0.1
	10.00 to <100.00	2.9	0.4	75%	3.1	12.72%	5	40.59%	2.5	6.3	199.59%	0.2	-0.1
	10 to <20	2.9	0.1	75%	2.9	12.00%	3	40.31%	2.5	5.8	195.74%	0.1	-0.1
	20 to <30	0.0	0.3	75%	0.2	24.00%	1	45.00%	2.5	0.5	260.20%	0.0	0.0
	30.00 to <100.00	0.0	0.0	0%	0.0	0.00%	1	0.00%	2.5	0.0	0.00%	0.0	0.0
	100.00 (Default)	1.7	0.0	0%	1.7	100.00%	3	45.00%	2.5	0.0	0.00%	0.8	-1.6
	Subtotal (exposure class)	483.9	177.9	75%	618.4	1.26%	110	35.03%	2.5	383.2	61.97%	2.8	-2.1
	Total (all exposures classes)	1,297.7	330.5		1,548.5					901.9		18.4	-11.1

Obligor-level PD is used

Table 3.5.7 IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques (EU CR7)

31 Dec 2021 EUR million		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		a	b
1	Exposures under F-IRB	901.9	901.9
2	Central governments and central banks	0.0	0.0
3	Institutions	0.0	0.0
4	Corporates	901.9	901.9
4,1	of which Corporates - SMEs	518.7	518.7
4,2	of which Corporates - Specialised lending	0.0	0.0
5	Exposures under A-IRB	802.1	802.1
6	Central governments and central banks	0.0	0.0
7	Institutions	0.0	0.0
8	Corporates	0.0	0.0
8,1	of which Corporates - SMEs	0.0	0.0
8,2	of which Corporates - Specialised lending	0.0	0.0
9	Retail	802.1	802.1
9,1	of which Retail – SMEs - Secured by immovable property collateral	65.3	65.3
9,2	of which Retail – non-SMEs - Secured by immovable property collateral	633.6	633.6
9,3	of which Retail – Qualifying revolving	0.0	0.0
9,4	of which Retail – SMEs - Other	35.2	35.2
9,5	of which Retail – Non-SMEs- Other	67.9	67.9
10	TOTAL (including F-IRB exposures and A-IRB exposures)	1,704.0	1,704.0

Table 3.5.8 IRB approach – Disclosure of the extent of the use of CRM techniques (EU CR7-A)

31 Dec 2021
EUR million

A-IRB		Total exposures	Credit risk Mitigation techniques						Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)					Unfunded credit Protection (UFCP)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Guarantees (%)		
		a	b	c	d	g	i	k	m	n
1	Central governments and central banks	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
2	Institutions	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
3	Corporates	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
3,1	Of which Corporates – SMEs	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
3,2	Of which Corporates – Specialised lending	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
3,3	Of which Corporates – Other	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
4	Retail	5,373.3	2.56%	193.40%	193.40%	1.47%	1.47%	4.55%	802.1	802.1
4,1	Of which Retail – Immovable property SMEs	139.5	1.79%	447.44%	447.44%	0.35%	0.35%	2.17%	65.3	65.3
4,2	Of which Retail – Immovable property non-SMEs	4,952.6	1.20%	197.23%	197.23%	1.53%	0.00%	1.97%	633.6	633.6
4,3	Of which Retail – Qualifying revolving	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
4,4	Of which Retail – Other SMEs	49.0	16.32%	0.00%	0.00%	0.45%	0.00%	16.52%	35.2	35.2
4,5	Of which Retail – Other non-SMEs	232.3	29.12%	0.00%	0.00%	1.03%	0.00%	58.46%	67.9	67.9
5	Total	5,373.3	2.56%	193.40%	193.40%	1.47%	1.47%	4.55%	802.1	802.1

31 Dec 2021
EUR million

F-IRB		Total exposures	Credit risk Mitigation techniques						Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)					Unfunded credit Protection (UFCP)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Guarantees (%)		
a	b	c	d	g	i	k	m	n		
1	Central governments and central banks	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
2	Institutions	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
3	Corporates	1,548.5	4.19%	68.81%	68.81%	0.00%	0.00%	3.00%	964.5	901.9
3,1	Of which Corporates – SMEs	930.1	1.44%	69.16%	69.16%	0.00%	0.00%	4.38%	570.8	518.7
3,2	Of which Corporates – Specialised lending	0.0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0	0.0
3,3	Of which Corporates – Other	618.4	8.33%	68.29%	68.29%	0.00%	0.00%	0.94%	393.7	383.2
4	Total	1,548.5	4.19%	68.81%	68.81%	0.00%	0.00%	3.00%	964.5	901.9

Template EU CR7-A does not provide columns e-f, h, j and l, as there is no reporting.

The importance of adequate collaterals is shown as over-collateralisation by immovable property in the A-IRB retail exposure class.

**Table 3.5.9 RWEA flow statements of credit risk exposures under the IRB approach
(EU CR8)**

31 Dec 2021 EUR million		Risk weighted exposure amount
		a
1	Risk weighted exposure amount as at the end of the previous reporting period	1,954.0
2	Asset size (+/-)	49.7
3	Asset quality (+/-)	-24.2
4	Model updates (+/-)	0.0
5	Methodology and policy (+/-)	0.0
6	Acquisitions and disposals (+/-)	0.0
7	Foreign exchange movements (+/-)	0.0
8	Other (+/-)	-20.2
9	Risk weighted exposure amount as at the end of the reporting period	1,959.3

Table 3.5.10 IRB approach – Back-testing of PD per exposure class (fixed PD scale) (EU CR9)

31 Dec 2021
EUR million

A-IRB

Retail - Secured by immovable property SME a	PD scale b	Number of obligors at the end of the year		Observed average default rate (%) e	Exposures weighted average PD (%) f	Average PD (%) g	Average historical annual default rate (%) h
		c	of which: number of obligors which defaulted during the year d				
	0.00 to <0.15	55	0	0.00%	0.11%	0.11%	0.00%
	0.00 to <0.10	25	0	0.00%	0.07%	0.08%	0.00%
	0.10 to <0.15	30	0	0.00%	0.12%	0.12%	0.00%
	0.15 to <0.25	57	0	0.00%	0.19%	0.20%	0.00%
	0.25 to <0.50	148	0	0.00%	0.40%	0.39%	0.00%
	0.50 to <0.75	324	0	0.00%	0.64%	0.62%	0.00%
	0.75 to <2.50	1,728	1	0.06%	1.42%	1.40%	0.20%
	0.75 to <1.75	1,295	1	0.08%	1.18%	1.17%	0.20%
	1.75 to <2.5	433	0	0.00%	2.08%	2.09%	0.20%
	2.50 to <10.00	933	12	1.29%	4.50%	4.62%	1.23%
	2.5 to <5	631	2	0.32%	3.42%	3.56%	0.78%
	5 to <10	302	10	3.31%	6.74%	6.83%	2.14%
	10.00 to <100.00	287	55	19.16%	21.88%	25.15%	11.68%
	10 to <20	163	15	9.20%	13.99%	13.93%	4.76%
	20 to <30	32	7	21.88%	24.84%	24.10%	12.80%
	30.00 to <100.00	92	33	35.87%	41.64%	45.39%	25.05%
	100.00 (Default)	88	85	96.59%	100.00%	100.00%	95.51%

31 Dec 2021
EUR million

A-IRB

Retail - Secured by immovable property non-SME a	PD scale b	Number of obligors at the end of the year		Observed average default rate (%) e	Exposures weighted average PD (%) f	Average PD (%) g	Average historical annual default rate (%) h
		c	of which: number of obligors which defaulted during the year d				
	0.00 to <0.15	38,019	57	0.15%	0.08%	0.08%	0.04%
	0.00 to <0.10	28,070	24	0.09%	0.07%	0.07%	0.03%
	0.10 to <0.15	9,949	33	0.33%	0.11%	0.12%	0.09%
	0.15 to <0.25	10,527	91	0.86%	0.18%	0.18%	0.22%
	0.25 to <0.50	8,036	97	1.21%	0.33%	0.35%	0.40%
	0.50 to <0.75	2,980	38	1.28%	0.55%	0.56%	0.36%
	0.75 to <2.50	7,826	220	2.81%	1.39%	1.39%	0.98%
	0.75 to <1.75	5,979	156	2.61%	1.12%	1.16%	0.87%
	1.75 to <2.5	1,847	64	3.47%	2.16%	2.15%	1.31%
	2.50 to <10.00	3,239	278	8.58%	4.98%	4.97%	2.73%
	2.5 to <5	1,975	95	4.81%	3.48%	3.46%	1.60%
	5 to <10	1,264	183	14.48%	7.25%	7.33%	4.50%
	10.00 to <100.00	1,922	695	36.16%	35.03%	34.93%	18.04%
	10 to <20	714	176	24.65%	15.01%	14.76%	8.43%
	20 to <30	331	90	27.19%	24.08%	24.45%	11.98%
	30.00 to <100.00	877	429	48.92%	55.54%	55.30%	31.71%
	100.00 (Default)	782	766	97.95%	100.00%	100.00%	96.68%

31 Dec 2021
EUR million

A-IRB

Retail - Other SME a	PD scale b	Number of obligors at the end of the year		Observed average default rate (%) e	Exposures weighted average PD (%) f	Average PD (%) g	Average historical annual default rate (%) h
		c	of which: number of obligors which defaulted during the year d				
	0.00 to <0.15	16	0	0.00%	0.12%	0.10%	0.00%
	0.00 to <0.10	10	0	0.00%	0.07%	0.08%	0.00%
	0.10 to <0.15	6	0	0.00%	0.13%	0.13%	0.00%
	0.15 to <0.25	17	0	0.00%	0.21%	0.21%	0.00%
	0.25 to <0.50	26	0	0.00%	0.36%	0.35%	0.00%
	0.50 to <0.75	43	0	0.00%	0.53%	0.60%	0.00%
	0.75 to <2.50	316	0	0.00%	1.43%	1.49%	0.54%
	0.75 to <1.75	218	0	0.00%	1.24%	1.23%	0.17%
	1.75 to <2.5	98	0	0.00%	1.98%	2.06%	1.24%
	2.50 to <10.00	243	8	3.29%	4.78%	4.87%	3.29%
	2.5 to <5	154	6	3.90%	3.88%	3.69%	2.47%
	5 to <10	89	2	2.25%	6.69%	6.91%	4.54%
	10.00 to <100.00	96	20	20.83%	22.09%	21.08%	20.22%
	10 to <20	69	5	7.25%	12.74%	14.35%	11.51%
	20 to <30	8	3	37.50%	23.89%	25.18%	23.75%
	30.00 to <100.00	19	12	63.16%	37.87%	43.81%	47.73%
	100.00 (Default)	91	86	94.51%	100.00%	100.00%	96.17%

31 Dec 2021
EUR million

A-IRB

Retail - Other non-SME a	PD scale b	Number of obligors at the end of the year		Observed average default rate (%) e	Exposures weighted average PD (%) f	Average PD (%) g	Average historical annual default rate (%) h
		c	of which: number of obligors which defaulted during the year d				
	0.00 to <0.15	1,199	1	0.08%	0.09%	0.08%	0.07%
	0.00 to <0.10	835	0	0.00%	0.07%	0.06%	0.03%
	0.10 to <0.15	364	1	0.28%	0.13%	0.13%	0.25%
	0.15 to <0.25	350	4	1.14%	0.20%	0.20%	0.31%
	0.25 to <0.50	331	7	2.12%	0.37%	0.38%	0.58%
	0.50 to <0.75	2,600	2	0.08%	0.62%	0.62%	0.07%
	0.75 to <2.50	8,762	76	0.87%	1.37%	1.38%	0.46%
	0.75 to <1.75	6,219	33	0.53%	1.12%	1.13%	0.30%
	1.75 to <2.5	2,543	43	1.69%	2.02%	2.01%	0.81%
	2.50 to <10.00	1,446	50	3.46%	4.69%	4.99%	2.14%
	2.5 to <5	725	19	2.62%	3.58%	3.43%	1.33%
	5 to <10	721	31	4.30%	6.68%	6.55%	3.13%
	10.00 to <100.00	945	206	21.80%	27.19%	29.15%	11.93%
	10 to <20	475	47	9.90%	14.28%	14.22%	4.46%
	20 to <30	137	24	17.52%	24.13%	25.49%	8.43%
	30.00 to <100.00	333	135	40.54%	53.90%	51.95%	26.32%
	100.00 (Default)	337	316	93.77%	100.00%	100.00%	96.94%

31 Dec 2021
EUR million

F-IRB

Corporates - SME a	PD scale b	Number of obligors at the end of the year		Observed average default rate (%) e	Exposures weighted average PD (%) f	Average PD (%) g	Average historical annual default rate (%) h
		c	of which: number of obligors which defaulted during the year d				
	0.00 to <0.15	2	0	0.00%	0.10%	0.10%	0.00%
	0.00 to <0.10	0	0	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	2	0	0.00%	0.10%	0.10%	0.00%
	0.15 to <0.25	10	0	0.00%	0.15%	0.15%	0.00%
	0.25 to <0.50	27	0	0.00%	0.30%	0.30%	0.00%
	0.50 to <0.75	38	0	0.00%	0.70%	0.70%	1.47%
	0.75 to <2.50	154	0	0.00%	1.51%	1.62%	1.29%
	0.75 to <1.75	116	0	0.00%	1.50%	1.50%	1.49%
	1.75 to <2.5	38	0	0.00%	2.00%	2.00%	0.00%
	2.50 to <10.00	792	0	0.00%	4.21%	4.50%	0.00%
	2.5 to <5	395	0	0.00%	3.00%	3.00%	0.00%
	5 to <10	397	0	0.00%	6.00%	6.00%	0.00%
	10.00 to <100.00	280	26	9.29%	17.06%	19.16%	7.38%
	10 to <20	165	9	5.46%	12.00%	12.00%	2.73%
	20 to <30	89	12	13.48%	24.00%	24.00%	9.01%
	30.00 to <100.00	26	5	19.23%	48.00%	48.00%	25.33%
	100.00 (Default)	24	24	100.00%	100.00%	100.00%	100.00%

31 Dec 2021
EUR million

F-IRB

Corporates - Other a	PD scale b	Number of obligors at the end of the year		Observed average default rate (%) e	Exposures weighted average PD (%) f	Average PD (%) g	Average historical annual default rate (%) h
		c	of which: number of obligors which defaulted during the year d				
	0.00 to <0.15	5	0	0.00%	0.10%	0.10%	0.00%
	0.00 to <0.10	0	0	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	5	0	0.00%	0.10%	0.10%	0.00%
	0.15 to <0.25	1	0	0.00%	0.00%	0.15%	0.00%
	0.25 to <0.50	24	0	0.00%	0.30%	0.30%	0.00%
	0.50 to <0.75	382	1	0.26%	0.70%	0.70%	0.13%
	0.75 to <2.50	62	1	1.61%	1.51%	1.69%	0.81%
	0.75 to <1.75	38	0	0.00%	1.50%	1.50%	0.00%
	1.75 to <2.5	24	1	4.17%	2.00%	2.00%	2.08%
	2.50 to <10.00	57	0	0.00%	3.95%	4.32%	0.00%
	2.5 to <5	32	0	0.00%	3.00%	3.00%	0.00%
	5 to <10	25	0	0.00%	6.00%	6.00%	0.00%
	10.00 to <100.00	17	0	0.00%	12.72%	13.41%	0.00%
	10 to <20	15	0	0.00%	12.00%	12.00%	0.00%
	20 to <30	2	0	0.00%	24.00%	24.00%	0.00%
	30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	100.00 (Default)	9	9	100.00%	100.00%	100.00%	100.00%

The PDs for IRB exposure classes are mostly conservative. Exposure class 'Retail - secure by immovable property' and 'Retail – other non-SME' have PDs that are above observed average default rate because the effect of the new definition of default and change in calculation of default on the

counterparty level instead of exposure level have not been calibrated into the PD models. Aktia has implemented a supervisory risk weight add-on because of the discrepancy.

3.6 Specialized lending and equity exposures in the banking book (Article 438 (e) CRR)

Table 3.6.1 Specialised lending and equity exposures under the simple risk weighted approach (EU CR10)

31 Dec 2021
EUR million
Template EU CR10.5

Categories	Equity exposures under the simple risk-weighted approach					
	On-balancesheet exposure	Off-balancesheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
	a	b	c	d	e	f
Private equity exposures	0.0	0.0	190%	0.0	0.1	0.0
Exchange-traded equity exposures	0.0	0.0	290%	0.0	0.0	0.0
Other equity exposures	5.3	0.0	370%	5.3	19.7	0.1
Total	5.4	0.0		5.4	19.8	0.1

The Aktia Bank Group does not have specialized lending exposures and does not treat them under the slotting approach. Consequently, Aktia does not disclose templates EU CR10.1 Specialised lending: Project finance, EU CR10.2 Specialised lending : Income-producing real estate and high volatility commercial real estate, EU CR10.3 Specialised lending : Object finance and EU CR10.4 Specialised lending : Commodities finance.

3.7 Counterparty credit risk (CCR) (Article 439, Article 444 e) and Article 452 (g) CRR)

Table 3.7.1 Qualitative disclosure related to CCR (EU CCRA)

(a) Article 439 (a) CRR

Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties

Aktia uses the SA-CCR method for calculating the counterparty credit risk arising from derivatives contracts.

(b) Article 439 (b) CRR

Description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves

Counterparty risk arises from the derivative operations. Counterparty risk in derivative contracts is the risk of a counterparty not fulfilling its contractual obligations to Aktia when a contract has a positive market value. Counterparty exposures are measured and followed-up daily.

(c) Article 439 (c) CRR

Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CRR

Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. There are two types of wrong-way risk. Specific wrong-way risk is caused by the specific characteristics of the counterparty or the transaction: for example, if the counterparty posts its own bonds – or bonds

of closely linked entities – as collateral. General wrong-way risk arises where the credit quality of the counterparty may for non-specific reasons be held to be correlated with a macroeconomic factor which also affects the value of derivatives transactions. According to its own analysis, Aktia does not have any exposures containing general or specific wrong-way risk.

(d) Article 431 (3) and (4) CRR

Any other risk management objectives and relevant policies related to CCR

Not any other risk management objectives or related policies.

(e) Article 439 (d) CRR

The amount of collateral the institution would have to provide if its credit rating was downgraded

Aktia has no rating-based triggers in CSA agreements, and a credit rating downgrade would therefore not trigger a requirement for additional collateral.

Table 3.7.2 Analysis of CCR exposure by approach (EU CCR1)

31 Dec 2021 EUR million		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	0.0	0.0		1.4	0.0	0.0	0.0	0.0
EU2	EU - Simplified SA-CCR (for derivatives)	0.0	0.0		1.4	0.0	0.0	0.0	0.0
1	SA-CCR (for derivatives)	16.0	16.9		1.4	81.8	46.1	46.1	12.2
6	Total					81.8	46.1	46.1	12.2

Aktia uses the standardised approach (SA-CCR) when calculating the counterparty credit risk amounts. Internal Model Method (IMM) is not used, thus rows 2, 2a-2c and 3-5 are not disclosed in the template EU CCR1.

Table 3.7.3 Transactions subject to own funds requirements for CVA risk (EU CCR2)

31 Dec 2021 EUR million		a	b
31 Dec 2021 EUR million		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0.0	0.0
2	(i) VaR component (including the 3× multiplier)		0.0
3	(ii) stressed VaR component (including the 3× multiplier)		0.0
4	Transactions subject to the Standardised method	46.1	19.6
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0.0	0.0
5	Total transactions subject to own funds requirements for CVA risk	46.1	19.6

The CVA risk capital charge is calculated using a standardised approach.

Table 3.7.4 Standardised approach – CCR exposures by regulatory exposure class and risk weights (EU CCR3)

31 Dec 2021
EUR million

Exposure classes		Risk weight											Total exposure value
		a	b	c	d	e	f	g	h	i	j	k	
		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Others	
1	Central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Regional government or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	International organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Institutions	0.0	0.0	0.0	0.0	36.1	10.0	0.0	0.0	0.0	0.0	0.0	46.1
7	Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Total exposure value	0.0	0.0	0.0	0.0	36.1	10.0	0.0	0.0	0.0	0.0	0.0	46.1

Table 3.7.5 IRB approach – CCR exposures by exposure class and PD scale (EU CCR4)

31 Dec 2021
EUR million

		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Corporates (F-IRB)								
1	0.00 to <0.15	0.0	0.00%	0	0.00%	0.0	0.0	0.00%
2	0.15 to <0.25	0.0	0.00%	0	0.00%	0.0	0.0	0.00%
3	0.25 to <0.50	0.0	0.30%	1	45.00%	2.5	0.0	82.58%
4	0.50 to <0.75	0.0	0.00%	0	0.00%	0.0	0.0	0.00%
5	0.75 to <2.50	0.0	0.00%	0	0.00%	0.0	0.0	0.00%
6	2.50 to <10.00	0.0	0.00%	0	0.00%	0.0	0.0	0.00%
7	10.00 to <100.00	0.0	0.00%	0	0.00%	0.0	0.0	0.00%
8	100.00 (Default)	0.0	0.00%	0	0.00%	0	0.0	0.00%
x	Sub-total (Corporates)	0.0	0.00%	1	45.00%	2.5	0.0	82.58%
y	Total (all CCR relevant exposure classes)	0.0	0.00%	1	45.00%	2.5	0.0	82.58%

Table 3.7.6 Composition of collateral for CCR exposures (EU CCR5)

31 Dec 2021 EUR million		a	b	c	d	e	f	g	h
Collateral type		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	0.0	34.3	0.0	11.6	0.0	0.0	0.0	0.0
2	Cash – other currencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	Domestic sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Other sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Government agency debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Equity securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Other collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The composition of collateral is referred fully to OTC derivative transactions.

4 Market risk

4.1 Article 445 CRR - Market Risk Standardized Approach

Table 4.1.1 Qualitative disclosure requirements related to market risk (EU MRA)

(a) Points (a) and (d) of Article 435 (1) CRR

A description of the institution's strategies and processes to manage market risk, including:

- An explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution's market risks
- A description of their policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges

The Aktia Group's risk appetite and the limit system restrict the size of the exposure to market risks. The main market risk for the Group arises from the interest rate risk. Measurement methods, limits and strategy are prepared in the Executive Committee and the Board's Risk Committee, and are thereafter established by the Board of Directors. The Group's Asset and Liability Management Committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The Bank's ALM unit drives the market risk and the Bank's Treasury unit conducts transactions to manage the market risk based on the established strategy and limits.

Aktia does not conduct trading activities.

(b) Point (b) of Article 435 (1) CRR

A description of the structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above, and that describes the relationships and the communication mechanisms between the different parties involved in market risk management.

The Group's Risk Control unit, which continuously monitors market risks and their associated limits, is responsible for reporting on market risk factors to the Board and the Executive Committee.

(c) Point (c) of Article 435 (1) CRR

Scope and nature of risk reporting and measurement systems

Risk reporting to the management covers all markets risks (interest rate, foreign exchange rate and equity risks) in a pre-defined format at least quarterly. Identification and measuring of the risk takes place with suitable IT systems taking into account the measuring methods stated in the Group's risk policy for market risk management. No trading activities are conducted by the Aktia Group.

5 Operational risk

5.1 Disclosure of operational risk management (Article 446 (a) CRR)

Table 5.1.1 Qualitative information on operational risk (EU ORA)

(a) Points (a), (b), (c) and (d) of Article 435(1) CRR

Disclosure of the risk management objectives and policies

1. Definition of operational risk

Aktia considers operational risks to include risks of losses arising from unclear or incomplete internal processes or instructions, deficient or unreliable systems, and inadequate or unreliable information, as well as operational risks caused by personnel – including through human error – or external events. Compliance and legal risks are also considered to be part of operational risks, as well as model risks related to calculation models and information security risks. Strategic risks are not part of operational risks.

The realisation of an operational risk could result in direct or indirect economic losses for Aktia, but it could also threaten the reputation of the Group.

2. Management of operational risks

Aktia uses a risk-based approach to managing operational risks. The framework for the management of operational risks in the Group is adopted annually by the Board of Directors. Where applicable, the framework follows the ISO 31000 standard. The CEO adopts other relevant internal rules related to managing operational risks.

The Board of Directors confirms the risk appetite for different operational risk categories annually. Aktia

identifies risk appetite for operational risk separately for the following risk categories: information security; compliance risks; and other operational risks including process, personnel, IT & systems, external misuse and legal risks.

The responsibility for managing operational risks lies with the risk owners, i.e. the Executive Committee- level management of the different business areas and their respective organisations. Risk owners are accountable for the continuous development of the quality of processes and their embedded internal controls and identifying and mitigating risks.

The management of each business area is responsible for ensuring that processes and procedures are adapted to Aktia's strategy and the goals established by the Group's executive management, and that the internal instructions are sufficient.

The Operational Risk Control team (part of the Risk Control organisation in the second line of defence) is responsible for providing the operational risk framework, and analysing and reporting the Group's operational risks, as well as providing support for the risk owners in their risk management work.

Aktia has various methods, processes and procedures to manage operational risks:

- regular risk assessments
- reporting of incidents
- contingency and business continuity planning, including disaster recovery planning

- the new product approval process (NPAP)
- adequate internal rules
- regular employee training and education

Information security management and governance

The CEO annually approves a revised version of the information security policy owned by Operational Risk Control. The policy is based on ISO 27001, as well as all relevant regulatory requirements.

The Group has a chief information security officer (CISO) that is in the first line of defence but has a direct reporting line to the Group's CEO enabling the required independence. The CISO is responsible for implementing the IT security framework within Aktia Group. The CISO has a responsibility to implement the information security policy through information security guidelines. The CISO also supports the business in information security related issues as well as has the responsibility to maintain high level of security awareness in the Group. A training program for information security awareness exists for all personnel.

A process for information security incident management is in place, governed by the Operational Risk Control team. Information security risk assessment is part of the general risk assessment process.

Information security assessments for systems and IT infrastructure as well as for third parties are conducted regularly by the CISO organisation. The CISO organisation co-operates actively with the Operational Risk Control team to assess and manage the current group-level information

security risks and further develop and improve Aktia Group's information security framework.

3. Risk appetite

The risk appetite for **compliance risks** is mainly low. Compliance risks are part of normal operations in the financial industry. Aktia strives to mitigate compliance risks as far as possible in accordance with its risk appetite without hindering sound business operations and without having a negative impact on Aktia's vision.

Aktia does not accept breaches of compliance with legislation, government regulations, industry/self-regulation, codes, internal rules, directives, policies based on external binding requirements and the Group's management and employees' customs/standards that affect Aktia as a company operating on the financial market. Aktia does not accept any unethical procedures.

Considering the nature, scope and complexity of the business and its risk appetite when implementing external regulation in its processes and procedures, Aktia can use simpler forms of governance, provided, however, that the simpler forms of governance do not have a negative impact on Aktia's vision. In the case of authority recommendations, Aktia can apply the "comply or explain" principle, provided that it does not have a negative impact on additional capital requirements and that the other ways in which Aktia takes the recommendation into account in its operations is documented. The risk appetite for compliance risks is normal in this respect.

The risk appetite for **information security** is in general normal. Retaining the services in the critical systems and taking care of information security is still important for Aktia's operations and there is no desire to compromise on their level of risk. If necessary, Aktia's operations initiate corrective measures to restore the risk level within the risk appetite.

The risk appetite for **legal risks** is low. Aktia must provide its customers with financial services that meet the requirements of the regulation and take into account the customer's interests. Aktia's customer agreements must meet the requirements of the regulation, and they must be handled objectively, taking into account the customer's interests. Within the framework of regulatory requirements, considerations can be made to keep the business flexible in the constantly changing financial sector.

For all other **operational risk areas**, the risk appetite is normal. In Aktia's view, this means that Aktia's **operational processes** and controls, as well as the systems, must support the maintenance of critical day-to-day operations and the achievement of Aktia's long-term strategic goals. The critical processes and systems must function efficiently and without interruption.

Concerning **IT-related risks** other than information security, the risk appetite is normal. It is important for Aktia's operations to maintain the services in the critical systems. There is no desire to compromise on the risk level of these services or security.

Aktia accepts short-term risk taking related to processes if it enables better functionality and efficiency in the long term. However, Aktia must respond quickly to any

disruptions in the critical processes or systems, and strive quickly to normalise the situation.

With regard to **external abuse**, Aktia has zero tolerance for any misuse of Aktia's services or products for criminal purposes. Aktia strives to intervene in all activities related to abuse using available methods, e.g. with monitoring, control measures and reporting. Aktia co-operates with the authorities and other actors in the private sector to counteract the financing of terrorism, fraud, circumvention of sanctions and money laundering.

Aktia must have **a leadership** that supports operational efficiency and enables Aktia to achieve its strategic goals. Aktia's **employees** must have the skills required to provide the services offered by Aktia.

4. Methods, processes and procedures to manage operational risks

a. Risk assessments and risk management

According to the operational risk framework, the critical functions of the Group, including outsourced functions, are to be risk assessed at least annually by the risk owners and their organisation. Risk assessments are performed with the aid of a standard risk management tool and group-wide risk library, which can be complemented by function-specific risks. Identified risks are evaluated for their probability and potential impact, given an individual risk's risk level. The risk owner or the appropriate decision-making bodies in the organisation determine how these risks or risk areas are to be treated, and what mitigating actions should be taken within the risk appetite and risk tolerance of each risk area.

The identified risks and implementation of the identified risk-mitigating actions are to be followed-up by the risk owner regularly, and the required actions are to be taken.

The Operational Risk Control facilitates an annual Group-level risk assessment with management. Based on this assessment and the function-level assessments, a Group-level summary for management and the Board of Directors is produced.

b. Incident management

Despite well-functioning internal controls, risk events (incidents) do occur. All functions and branches are required to report both incidents with financial implications and "close calls". The Operational Risk Control team within Risk Control analyses incident information and reports issues to the risk owner for action, including the required root cause analysis and risk mitigation measures. If the incident has a data protection impact, the Group data protection officer (DPO) is always consulted immediately. The DPO defines the necessary actions and supports the incident-solving process. For incidents related to information security, the Group-level CISO -office is responsible for instructing and controlling the incident-solving process.

c. Internal rules

Adequate internal rules for functions, processes and employees are in place as a preventive measure to reduce operational risks in central and high-risk areas. Among other things, the rules cover internal controls, legal risks, employee risks, principles for continuity and contingency planning, measures to prevent money laundering and the financing of terrorism, and the implementation of financial sanctions, as well as information security policies and guidelines.

As part of an efficient internal control system, process documents are created for critical processes. Each manager

is responsible for compliance with the instructions within their managed area.

d. New products and processes approval (NPAP)

Before launching new products, services, or processes or systems affecting customers, or when introducing material changes to previously existing products, services, or processes or systems affecting customers, a new product approval process is applied to identify the associated risks. The aim of this process is to ensure that the introduction of products, services, or processes or systems has been carefully considered from the compliance and risk management perspective. Ultimately, the decision to introduce a product, service, or process or system rests with the risk owner.

e. Contingency and continuity planning

Each critical function has an annually updated business continuity plan, including disaster recovery plans for related critical systems. A Group-level annually updated contingency plan, including a crisis communication plan and crisis management team (CMT) work order, is also in place. The Group-level CMT has fixed assembly, which can be supplemented if necessary.

The responsibility for continuity planning lies with the risk owner. The Operational Risk Control organisation is responsible for updating the Group-level contingency plan.

f. Insurance

In addition to the preventive work aimed at avoiding or mitigating operational risks, the Group has adequate insurance coverage for damage that can occur as a result of the realisation of such risks.

5. Measurement of operational risks

The risk level is measured through key risk indicators (KRIs), which the Board of Directors approves annually. These indicators reflect the risk appetite, risk tolerance and risk capacity of each risk category with regard to both capital requirements and qualitative requirements. The summary

of the realisation of KRIs is reported quarterly by the Risk Control function to management and the Board of Directors.

(b) Article 446 CRR
Disclosure of the approaches for the assessment of minimum own funds requirements

The capital requirement for operational risks is 15% of average gross revenue for the past three years. The risk-

weighted amount for operational risks has been calculated by dividing the capital requirement by 8%.

Table 5.1.2 Operational risk own funds requirements and risk-weighted exposure amounts (EU OR1)

		a	b	c	d	e
Banking activities		Relevant indicator			Own funds requirements	Risk exposure amount
		2019	2020	2021		
1	Banking activities subject to basic indicator approach (BIA)	219.0	213.8	240.5	33.7	420.9
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	Subject to TSA:					
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

6 Interest rate risk in banking book (IRRBB)

6.1 Exposure to interest rate risk in the banking book (Article 448 CRR)

Table 6.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBBA)

(a) Article 448.1 (e), first paragraph

A description of how the institution defines IRRBB for purposes of risk control and measurement.

The interest rate risk in the banking book is the current or prospected risk to earnings or capital arising from adverse movements in interest rates. A structural interest rate risk arises from mismatches between interest-fixing periods and the repricing of assets and liabilities. The interest rate risk is measured by the six standardised interest rate shock scenarios set out in EBA's guideline plus some own internally determined interest rate shock scenarios. All negative interest rate shock scenarios are floored according to the EBA guideline.

(b) Article 448.1 (f)

A description of the institution's overall IRRBB management and mitigation strategies.

Measurement methods, limits and strategy are prepared in the Executive Committee and the Board's Risk Committee, and are thereafter established by the Board of Directors. The Group's Asset and Liability Management Committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The Bank's ALM unit drives the interest rate risk in the banking book and the Bank's Treasury unit conducts transactions to manage the structural interest rate risk based on the established strategy and limits. In addition to matching interest-fixing periods in lending and borrowing

through business management, derivative instruments and fixed-rate investments in the liquidity portfolio are utilised, with the aim of maintaining net interest income at a stable level.

(c) Article 448.1 (e) (i) and (v); Article 448.2

The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB.

Changes in net interest income (NII) are simulated using a dynamic asset and liability risk management model. The model takes into account the balance sheet's effects on the structure, starting with planned growth and simulated customer behaviour. Change of the NII measures the impact of changing interest rates on net interest income of the banking book with a time horizon of both one year and two years. Stress tests regarding the economic value of equity (EVE) take into account changes in economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independent of accounting classification. The model assumes a run-of balance sheet and includes behavioural modelling for non-maturing deposits and prepayments. The interest rate risk, both the EVE and NII, in the Bank is calculated on a monthly basis.

(d) Article 448.1 (e) (iii) Article 448.2

A description of the interest rate shock and stress scenarios that the institution uses to estimate changes

in the economic value and in net interest income (if applicable).

Not applicable for Aktia

(e) Article 448.1 (e) (ii) Article 448.2

A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable).

Not applicable for Aktia

(f) Article 448.1 (e) (iv) Article 448.2

A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment (if applicable).

Not applicable for Aktia

(g) Article 448.1 (c) Article 448.2

A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable).

Not applicable for Aktia

(h) Article 448.1 (d)

Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures

The Bank Group's interest rate risk increased during the year mainly due to updated balance sheet assumptions as well as to the increased total balance sheet.

(i) Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)

Not any other relevant comments.

(1) (2) Article 448.1 (g)

Disclosure of the average and longest repricing maturity assigned to non-maturity deposits

The average maturity for non-maturity retail deposits regarding current accounts is approx. 4.6 years and for non-maturity retail deposits regarding savings accounts, approx. 2.9 years. The longest repricing maturity for both is 10 years.

Table 6.1.2 Interest rate risks of non-trading book activities (EU IRRBB1)

EUR million		a	c
		Changes of the economic value of equity	Changes of the net interest income
Supervisory shock scenarios		Current period	Current period
1	Parallel up	27.7	5.1
2	Parallel down	52.8	9.7
3	Steepener	-22.2	
4	Flattener	62.0	
5	Short rates up	37.3	
6	Short rates down	19.7	

Data for previous periods (columns b and d) are not disclosed when data are disclosed for the first time.

Change of the Net Interest Income (NII) measures the impact of changing interest rates on net interest income (before tax) of the banking book. The reported figures reflect the outcome of a parallel shock of +/- 200bps based on a dynamic balance sheet assumption with a time horizon of one year.

7 Funding & liquidity risk

7.1 Disclosure of liquidity requirements (Article 451a CRR)

Table 7.1.1 Liquidity risk management (EU LIQA)

(a) Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding,

Good diversification between different types of funding sources in various markets and forms of funding instruments is a key component of the funding strategy. Aktia's objective is to achieve a well-diversified financing profile and a competitive price for financing to ensure the competitiveness of its core business. The most important sources of funding are deposits from households and small and medium-sized enterprises, as well as covered bonds. The funding is supplemented with other long-term financing (Senior Preferred and Senior Non-Preferred notes and Private Placement loan agreements) as well as with short-term financing from the capital market and the central bank.

(b) Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).

Funding and liquidity risk management is governed by policies and limits established by the Board. The Group's Asset and Liability Management Committee is responsible for managing financing and liquidity risks. The Group's Risk Control unit, which continuously monitors liquidity risks and their associated limits, reports on these to the Board and the Executive Committee. The Treasury unit is responsible for maintaining the Bank's day-to-day liquidity, and constantly monitors how Aktia's wholesale assets and liabilities mature. Developments and pricing in the deposit stock are also

followed closely. The treasury unit implements the adopted measures to change the liquidity position.

(c) A description of the degree of centralisation of liquidity management and interaction between the group's units

On an operational level, liquidity management is centralised in treasury. The treasury is responsible for monitoring Group's intraday and daily liquidity management.

(d) Scope and nature of liquidity risk reporting and measurement systems.

Risk reporting to the management covers all liquidity risks and is performed in a pre-defined format at least quarterly. Identification and measuring of the risk takes place with suitable IT systems taking into account the measuring methods stated in the Group's riskpolicy for liquidity risk management.

(e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

Liquidity risk is monitored and managed daily. Internal systems support liquidity risk measurement, monitoring and reporting. The maintenance of adequate liquidity reserves in both the short and long term with regard to payment obligations and regulatory requirements is a key way of ensuring liquidity adequacy.

(f) An outline of the bank's contingency funding plans.

The Bank Group has a contingency plan for managing liquidity crises. The contingency plan contains a clear division of responsibility and instructions for how the Bank should improve a possible liquidity deficit. The plan indicates

appropriate measures to handle various types of crisis situations. Risk Control monitor ensures that a financing continuity plan exists, is sufficient in scope, includes adequate measures and is regularly updated. The Bank Group's recovery plan also includes indicators tied to the liquidity situation.

(g) An explanation of how stress testing is used.

Aktia conducts regular stress testing to ensure that liquidity is sufficient even during unfavourable market conditions. In these tests, the Bank constructs unlikely, but still possible, adverse scenarios that would trigger a range of risk drivers. In the ILAAP, various stress scenarios are used, e.g. withdrawals of deposits, no access to long-term funding in the capital market, etc., The stress scenarios in ILAAP focus on the impact on the regulatory requirements (Liquidity Coverage Ratio, Net Stable Funding Ratio) and the bank's net liquidity position.

(h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

According to the latest Liquidity Adequacy Statement, the Board of Directors assures that Aktia's liquidity situation is sufficient on the basis of the quality of the liquid assets and the scope of the liquidity portfolio in relation to internal objectives and regulatory requirements (ILAAP).

(i) A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business

strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.

These ratios may include:

- Concentration limits on collateral pools and sources of funding (both products and counterparties)
- Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank
- Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity
- Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps

Liquidity risk is measured on both short- and long-term bases. To ensure funding in situations in which Aktia is in urgent need of cash, and normal funding sources do not suffice, Aktia holds a liquidity buffer. The Board of Directors sets the minimum level for the liquidity buffer. The liquidity buffer consists of highly liquid assets that can easily be sold or used as collateral in funding operations and the size of the buffer is sufficient to cover a short-term liquidity crisis as well as a longer term wholesale market disruption.

Table 71.2 Quantitative information of LCR (EU LIQ1)

EUR million									
Scope of consolidation: (consolidated)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	Q4 (31. Dec 2021)	Q3 (30 Sep 2021)	Q2 (30. Jun 2021)	Q1 (31. Mar 2021)	Q4 (31. Dec 2021)	Q3 (30 Sep 2021)	Q2 (30. Jun 2021)	Q1 (31. Mar 2021)
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1,335.8	1,307.0	1,355.7	1,364.6
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	3,829.2	3,812.3	3,764.8	3,706.5	281.1	279.1	276.3	273
3	Stable deposits	2,364.7	2,342.9	2,318.5	2,287.3	118.2	117.1	115.9	114.4
4	Less stable deposits	1,426.4	1,418.6	1,404.6	1,390.3	162.9	161.9	160.4	158.7
5	Unsecured wholesale funding	845.5	823.1	875.5	933.4	598	580	629.3	685.1
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	797.5	789.8	824.4	859.2	550	546.7	578.1	610.9
8	Unsecured debt	48.0	33.3	51.1	74.2	48	33.3	51.1	74.2
9	Secured wholesale funding					0.5	0.7	0.7	0.7
10	Additional requirements	623.8	613.7	590.9	567.4	103.6	97.2	90.6	94.4
11	Outflows related to derivative exposures and other collateral requirements	18.7	19.0	19.1	19.0	17.2	19	19.1	19
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	605.0	594.7	571.9	548.4	84.9	78.1	71.5	75.4
14	Other contractual funding obligations	13.8	13.7	16.0	16.6	2.6	3.0	5.9	6.7
15	Other contingent funding obligations	419.8	447.1	479.6	480.1	29.4	31.3	33.4	34.0
16	TOTAL CASH OUTFLOWS					1,015	991.2	1,036	1,094
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	76.5	68.9	68.3	64.9	61.7	55.1	55.1	50.2
19	Other cash inflows	31.1	22.3	28.7	56.3	30.5	22.1	27.8	55.7
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)									
EU-19a						0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	107.5	91.2	97.0	121.2	92.2	77.1	83.0	105.9
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	107.5	91.2	97.0	121.2	92.2	77.1	83.0	105.9
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					1,335.8	1,307.0	1,355.7	1,364.6
22	TOTAL NET CASH OUTFLOWS					923.0	914.1	953.2	988.0
23	LIQUIDITY COVERAGE RATIO					145.26%	143.60%	143.30%	138.84%

Template EU LIQ1 does not provide rows 6, 12, 17, EU-19a-19b and EU-20a-EU-20b, as there is no reporting.

Table 7.1.3 Qualitative information on LCR (EU LIQB)

(a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

Aktia Group's LCR ratio increased during Q4/2021 from 125% (Q3/2021) to 140%. The increase was driven by a higher liquidity buffer.

(b) Explanations on the changes in the LCR over time

LCR fluctuates over time, partly depending on the maturity structure of the bank's issued bonds

(c) Explanations on the actual concentration of funding sources

Aktia Bank is a retail bank with diversified funding. The most important sources of funding are deposits from households and small and medium-sized enterprises, as well as covered bonds. Sufficient unsecured long-term wholesale funding also ensures the fulfilment of the regulatory requirements (MREL, NSFR) and rating targets. Short-term wholesale funding is used to primarily react to changes in the liquidity position.

(d) High-level description of the composition of the institution's liquidity buffer.

The major part of holdings in Aktia's liquidity reserve are cash at the central bank and covered bonds of very high quality. Residual assets of size in the reserve are government bonds and securities issued by municipalities.

(e) Derivative exposures and potential collateral calls

Derivatives are used only for hedging purposes. For assessing potential additional outflows from derivatives and other collateral requirements, the historical look-back approach (HLBA) is used.

(f) Currency mismatch in the LCR

The Aktia Group business is conducted in euros, so there is no currency difference.

(g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

There are no material items in Aktia's LCR that are not captured in the disclosure template.

Table 7.1.4 Net Stable Funding Ratio (EU LIQ2)

EUR million		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	376.4	0	0	72	449
2	Own funds	376.4	0.0	0.0	72.4	448.8
3	Other capital instruments					
4	Retail deposits		3,822.0	1.1	0.0	3,560.0
5	Stable deposits		2,382.6	0.4	0.0	2,263.9
6	Less stable deposits		1,439.5	0.6	0.0	1,296.1
7	Wholesale funding:		1,507.4	660.4	2,869.3	3,518.2
8	Operational deposits		0.0	0.0	0.0	0.0
9	Other wholesale funding		1,507.4	660.4	2,869.3	3,518.2
10	Interdependent liabilities		0.0	0.0	0.0	0.0
11	Other liabilities:		0.0	155.5	0.0	77.7
12	NSFR derivative liabilities					
13	All other liabilities and capital instruments not included in the above categories		0.0	155.5	0.0	77.7
14	Total available stable funding (ASF)					7,604.7
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					455.8
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		92.4	98.7	2,470.4	2,262.2
16	Deposits held at other financial institutions for operational purposes		0.0	0.0	0.0	0.0
17	Performing loans and securities:		206.9	201.3	4,256.5	3,249.1
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0.0	0.0	0.0	0.0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		62.3	27.6	302.3	322.4
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		85.5	104.8	1,953.2	2,888.6
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		34.4	34.7	1,184.6	2,037.7
22	Performing residential mortgages, of which:		59.2	68.9	1,962.7	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		50.3	61.8	1,811.0	-

The table continues

EUR million		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		0.0	0.0	38.1	38.1
25	Interdependent assets		-	-	-	-
26	Other assets:		48.8	57.4	210.6	246.3
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		6.6			6.6
30	NSFR derivative liabilities before deduction of variation margin posted		8.9			0.4
31	All other assets not included in the above categories		33.3	57.4	210.6	239.3
32	Off-balance sheet items		726.6			36.3
33	Total RSF					6,249.8
34	Net Stable Funding Ratio (%)					121.68%

7.2 Disclosure of encumbered and unencumbered assets (Article 443 CRR)

Table 7.2.1 Encumbered and unencumbered assets (EU AE1)

31 Dec 2021
EUR million

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	010	030	040	050	060	080	090	100
010 Assets of the reporting institution	2,844.6	431.6			6,777.8	1,501.5		
030 Equity instruments	0.0	0.0	0.0	0.0	5.2	0.0	0.0	0.0
040 Debt securities	423.6	423.4	425.9	425.5	848.9	848.9	856.9	856.9
050 of which: covered bonds	310.9	310.9	312.6	312.6	457.1	457.1	457.5	457.5
060 of which: securitisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
070 of which: issued by general governments	3.4	3.4	3.4	3.4	341.3	341.3	350.0	350.0
080 of which: issued by financial corporations	420.2	420.0	422.5	422.1	470.9	470.9	471.2	471.2
090 of which: issued by non-financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120 Other assets	2,421.2	8.3			5,971.0	724.3		

Table 7.2.2 Collateral received and own debt securities issued (EU AE2)

31 Dec 2021
EUR million

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		010	of which notionally eligible EHQLA and HQLA	040	of which EHQLA and HQLA
			030		060
130	Collateral received by the reporting institution	0.0	0.0	43.9	43.9
230	Other collateral received	0.0	0.0	43.9	43.9
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	2,844.6	431.6		

Template EU AE2 does not provide rows 140-220 and 240-241, as there is no reporting.

Table 7.2.3 Sources of encumbrance (EU AE3)

31 Dec 2021
EUR million

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	010	030
010 Carrying amount of selected financial liabilities	2 250,5	2 844,6

Table 7.2.4 Accompanying narrative
information (EU AE4)

(a) General narrative information on asset encumbrance

Most of the encumbered assets consist of Aktia Bank’s cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. Aktia maintains a certain level of over-collateralisation (in addition to the level required by the supervisory authority) in the cover pool to ensure it can withstand a significant price fall in the real estate market. Other sources of asset encumbrance arise from long-term financing operations (TLRO III) from the Central Bank, repo financing and derivatives.

(b) Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution’s business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.

Aktia Bank limits its asset encumbrance level by limiting the size of the Covered Bonds issuance related to the size of the banks Total Assets, available eligible collateral and total funding volume. . Also, the bank monitors the encumbrance of the liquid assets portfolio making sure that there is always enough assets and cash to cover the LCR -requirement and other forecasted liquidity requirements. Internal buffers on top of regulative limits ensure the availability of liquid assets in case of unexpected needs.

8 Remuneration

8.1 Disclosure of remuneration policy (Article 450 CRR)

Table 8.1.1 Remuneration policy (EU REMA)

(a) Institutions shall describe the main elements of their remuneration policies and how they implement these policies. In particular, the following elements, where relevant, shall be described:

Information relating to the bodies that oversee remuneration. Disclosures shall include:

- Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.
- External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework.
- A description of the scope of the institution's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.
- A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile.

Aktia Bank Plc's Board of Directors approves all the incentive schemes applied within the bank. The incentive schemes applied within Aktia Bank Plc are prepared by Aktia Bank Plc's Corporate Governance Committee. Members of the Corporate Governance Committee for the entire duration of the 2021 financial period were:

- Svens Lasse, chairman
- Dahlbom Christina, chairman until 13.4.2021
- Hammarén Johan
- Vättö Timo from 13.4.2021
- Järvinen Kari until 13.4.2021

In the 2021 financial period, the Corporate Governance Committee convened 10 times.

External consultants are merely used in designing new incentive schemes. In addition, share based programmes are administrated by external service providers.

The Aktia Bank Plc remuneration policy covers the whole company including all its subsidiaries.

For employees in the group who are deemed to have a material impact on the risk profile of Aktia or Aktia Fondbolag or on the investment funds being managed, special provisions concerning variable remuneration apply. The following belong to this category of persons (**identified staff**):

1. persons belonging to the bank's management,
1. persons who perform managerial duties within the bank's internal control functions or within a business area essential to the bank.

What is written above about the bank also applies to other companies within the group. In addition to these categories of persons, employees whose professional practice has a significant impact on the bank's risk profile are also deemed to be identified staff.

For employees in the investment-fund business who are deemed to exercise a significant influence on Aktia Fondbolag's risk profile or regarding the investment fund being managed, special provisions apply concerning variable remuneration. These special provisions are to be applied in place of the group's general provisions, except for employees with the positions stated above on the part of the bank.

This category of persons includes:

1. persons belonging to the trust company's management
2. persons who are involved in tasks requiring risk-taking or who exercise a significant influence on the risk profile of the trust company or the investment funds being managed
3. persons who manage internal control functions
4. persons for whom the total remuneration does not differ materially from the total remuneration for someone referred to in Items 1 and 2.

(b) Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:

- **An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.**
- **Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.**
- **Whether the management body or the remuneration committee where established reviewed the institution's**

remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.

- **Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.**
- **Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.**

Aktia's remuneration principles shall:

- support Aktia's opportunities to attract, recruit, develop and retain committed, skilled and result-oriented employees, and shall support versatile ability, collaboration and leadership
- support recompense for excellent performance and steer towards the development of work based on the group's strategy, goals, values and long-term interests.
- support good and efficient risk management in accordance with the group's risk appetite, so that excessive risk-taking is not rewarded, and counteract conflicts of interest within the group (applicable to customers and funds).
- support equivalent recompense, so that individuals' remuneration is defined in accordance with data, goals and performance, regardless of gender, race, ethnic origin, political opinion, sexual orientation, age or any other independent factor.
- support responsible recompense through ethical approaches, e.g. investing in fairness and transparency.

The remuneration policy is determined by the group board based on preparation by the board's Compensation and Corporate Governance Committee (**KCG Committee**) in accordance with the board's rules of procedure. The board's risk committee assists the KCG Committee in this preparation. For the subsidiaries, the instructions are determined by the relevant board after the group board has adopted the instructions.

The incentive plans include the malus and clawback clauses. This means that a person's variable payment may be lowered up to 100% if there are, e.g., any risk outcomes, negligence or other losses realised and caused by the person before the payment. After the payment, it is possible to use the clawback possibility. In case of deferred payments, it is also possible not to pay the future deferred payments if any risks have been realised.

Staff in internal control functions are remunerated independently of the businesses they oversee. The criteria used for control functions evaluation and remuneration cannot be related to financial targets (e.g. result, sales, etc.). The criteria used must have qualitative emphasis. The board of directors always decides the remuneration of the managers responsible for control functions.

A guaranteed variable bonus can only be paid during the first year of employment and only once for a certain individual. Change to another company in Aktia group does not allow the person to have a new guaranteed bonus. If a guaranteed variable bonus is paid it does not need to be deferred.

(c) Description of the ways in which current and future risks are taken into account in the remuneration

processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.

The incentive plans are approved by the Board of Directors yearly. Before the final decision the control functions give their statement on how the plans comply with regulation. In addition, the risk effects of the possible future payments are evaluated.

Before the actual payments from various incentive schemes, the control functions also give their statement regarding their effect, e.g., on solvency.

(d) The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.

Aktia Bank Plc's Annual General Meeting has approved that the variable component of remuneration can reach 200% of the fixed component of remuneration but it can not exceed it. For identified persons, if variable remuneration exceeds 80% of a person's fixed remuneration, 60% of the variable component has to be deferred (if less, 40% has to be deferred).

(e) Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:

- **An overview of main performance criteria and metrics for institution, business lines and individuals.**
- **An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.**
- **Information on the criteria used to determine the balance between different types of instruments**

awarded including shares, equivalent ownership interest, options and other instruments.

- **Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.**

The main performance criteria used in Aktia, especially in longterm, sharebased incentives are Aktia Group's operating profit and net commission value. In addition, the criteria in the business area specific programmes usually are operating profit and some other strategic performance criteria. The strategic KPI's have usually a strong role in short term remuneration. In addition, various qualitative criteria are used.

The objective of the various longterm remuneration programmes is to support the company's strategy by motivating the employees to achieve financial and strategic targets set for key employees' own business areas as well as to align the interests and commitment of the employees and management to work toward good value development and increased shareholder value in the longterm.

Individual variable remuneration in long term incentives is based on institution wide criteria like operating profit and net commission income. However, the shortterm incentives include individual performance criteria. The share of individual performance criteria depends on the roles and can range from 25% to 100%.

The longterm incentives are all sharebased and no other instruments are used. The shortterm instruments are paid in

cash. However, in case of deferrals half of the payment has to be in shares.

The incentive plans have target levels as well as minimum and maximum levels. If the minimum levels are not reached, bonuses will not be paid

(f) Description of the ways in which the institution seeks to adjust remuneration to take account of longterm performance. Disclosures shall include:

- **An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.**
- **Information of the institution's criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).**
- **Where applicable, shareholding requirements that may be imposed on identified staff.**

Variable remuneration is separately regulated within the financial industry, with the aim of suppressing risk-taking on the part of identified staff, i.e. employees deemed to have a material impact on the group's risk profile. Payment of variable remuneration shall thus comply with the applicable rules on deferral periods, waiting times and partial payment in the form of financial instruments, with the group being entitled and obliged to recover earned variable remuneration in whole or in part on certain grounds.

Aktia applies the principle of proportionality so that the allocation of variable remuneration to identified staff above EUR 50 000 per year, or more than one third of the total annual remuneration, shall comply with the rules on partial payment in the form of financial instruments, deferred

payment, waiting time and risk adjustment. Any payment of variable remuneration to identified staff whose total variable remuneration exceeds the above level of remuneration presupposes that the group's Risk Control Function deems that there is no obstacle to payment, taking into account the group's capital base and its liquidity and financing situation, as well as how the employee has performed their duties, taking into account mandatory regulations, the group's strategy, regulations and good practice.

In accordance with the rules on variable remuneration within the financial industry, at the end of each earnings period, short and long variable remuneration shall be combined for an assessment of the proportion that can be paid immediately or that is to be deferred for payment over a period of four (4) years. A large proportion (60%) of the recompense is deferred if all the identified person's variable remuneration represents a particularly large proportion (>80%) of the employee's total amount of fixed remuneration. However, at any given time Aktia takes into account the applicable rules and official regulations regarding variable remuneration.

Information on Aktia's criteria for ex-post adjustments has been provided in point 2 above.

(g) The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:

- **Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non-cash-instruments, options and other instruments.**

Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non-cash-instruments, options and other instruments, has been given in points 2 and 3 above.

(h) Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.

Not applicable for Aktia

(i) Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.

- **For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.**

Not applicable for Aktia

(j) Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.

Not applicable for Aktia

Table 8.1.2 Remuneration awarded for the financial year (EU REM1)

31 Dec 2021
EUR million

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1		Number of identified staff	10	7	5	55
2		Total fixed remuneration	0.1	1.7	0.5	5.3
3		Of which: cash-based	0.1	1.6	0.5	5.2
4		(Not applicable in the EU)	0.0	0.0	0.0	0.0
EU-4a	Fixed	Of which: shares or equivalent ownership interests	0.0	0.0	0.0	0.0
5	remuneration	Of which: share-linked instruments or equivalent non-cash instruments	0.0	0.0	0.0	0.0
EU-5x		Of which: other instruments	0.0	0.0	0.0	0.0
6		(Not applicable in the EU)	0.0	0.0	0.0	0.0
7		Of which: other forms	0.0	0.0	0.0	0.1
8		(Not applicable in the EU)	0.0	0.0	0.0	0.0
9		Number of identified staff	0.0	0.0	0.0	0.0
10		Total variable remuneration	0.4	0.8	0.1	1.5
11		Of which: cash-based	0.0	0.3	0.1	0.8
12		Of which: deferred	0.0	0.0	0.0	0.0
EU-13a		Of which: shares or equivalent ownership interests	0.0	0.0	0.0	0.0
EU-14a	Variable	Of which: deferred	0.0	0.0	0.0	0.0
EU-13b	remuneration	Of which: share-linked instruments or equivalent non-cash instruments	0.4	0.6	0.0	0.6
EU-14b		Of which: deferred	0.0	0.1	0.1	0.1
EU-14x		Of which: other instruments	0.0	0.0	0.0	0.0
EU-14y		Of which: deferred	0.0	0.0	0.0	0.0
15		Of which: other forms	0.0	0.0	0.0	0.0
16		Of which: deferred	0.0	0.0	0.0	0.0
17	Total remuneration (2 + 10)		0.5	2.5	0.6	6.7

Table 8.1.3 Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM2)

31 Dec 2021 EUR million		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of identified staff	0.0	0.0	0.0	0.0
2	Guaranteed variable remuneration awards -Total amount	0.0	0.0	0.0	0.0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0.0	0.0	0.0	0.0
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of identified staff	0.0	0.0	0.0	0.0
7	Severance payments awarded during the financial year - Total amount	0.0	0.2	0.1	0.2
8	Of which paid during the financial year	0.0	0.2	0.1	0.2
9	Of which deferred	0.0	0.0	0.0	0.0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0.0	0.0	0.0	0.0
11	Of which highest payment that has been awarded to a single person	0.0	0.2	0.1	0.1

Table 8.1.4 Deferred remuneration (EU REM3)[illegible]

The table continues

[illegible]

Table 8.1.5 Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM5)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff	10	7	17	2	7	23	2	2	24	77
2	Of which: members of the MB	10	7	17	0	0	0	0	0	0	17
3	Of which: other senior management	0	0	0	1	0	2	0	2	0	5
4	Of which: other identified staff	0	0	0	1	7	21	2	0	24	55
5	Total remuneration of identified staff	0.5	2.5	3.0	0.3	0.9	2.7	0.3	0.3	2.9	10.3
6	Of which: variable remuneration	0.4	0.8	1.2	0.0	0.2	0.7	0.1	0.0	0.6	2.7
7	Of which: fixed remuneration	0.1	1.7	1.8	0.2	0.7	2.1	0.2	0.2	2.3	7.6

9 Other disclosures

9.1 Disclosure of risk management objectives and policies (Article 435 CRR)

Table 9.1.1 Institution risk management approach (EU OVA)

(a) Point (f) of Article 435(1) CRR

Disclosure of concise risk statement approved by the management body

Aktia's business model and risks are diversified, with the main risk being credit risk.

Aktia Group

Aktia Group is a Finnish asset manager, bank and life insurer that has been creating wealth and well-being from one generation to the next for 200 years. We are the best partner for people, companies and organisations that value inner wisdom and responsible wealth creation. Our vision is to be the leading wealth manager bank, and our mission is to build wealth for our customers and society. By focusing on its strategic priorities, Aktia provides private individuals, corporate customers and institutions with customer-oriented banking and financing solutions, through different channels. The individual needs of each customer are the starting point of everything we do. We serve our customers in digital channels everywhere and face-to-face in our offices in the Helsinki, Turku, Tampere, Vaasa and Oulu regions. Our award-winning asset management business sells investment funds internationally. We employ approximately 900 people around Finland. Total assets of Aktia is 11.6 billion, and a Common Equity Tier 1 (CET1) capital ratio of 11.2%. Assets under management are EUR 15.5 billion.

Risk Appetite and Risk Capacity

Aktia's risk appetite is defined as the aggregate level and types of risk Aktia is willing to assume, being within its risk capacity and in line with its business model, in order to achieve its strategic objectives. Aktia carries out ongoing monitoring and reporting of its risk exposures against set risk limits to ensure that risk-taking activities remain within the risk appetite. Aktia assesses its risk capacity on at least an annual basis, defining it as the maximum level of risk the Group is deemed capable of assuming given its capital (own funds), risk management and control capabilities, and regulatory constraints. Aktia Bank's capital ratios at the end of 2021 were as follows: Common Equity Tier 1 (CET1) capital ratio of 11.2%, Tier 1 capital ratio of 13.2% and own funds ratio of 15.6%.

Key risks in Aktia Bank's operations

Aktia has developed a risk strategy to support strategic priorities while ensuring a strong risk and control culture across the Group. Risks are spread across industries and customer types. The Group's material risks derive from business activities which include asset management, banking, and insurance.

Aktia Bank is an active lender to households and businesses, primarily SMEs and housing companies. This activity gives rise to credit risk, which is Aktia Bank's primary financial risk, accounting for approximately 86% of its total risk exposure amount (REA). The credit risk appetite is defined in terms of credit risk concentration (limits for specific client groups), long-term credit quality (expected loss), and non-performing loan ratio, in line with regulatory definitions and

limits applicable to specific sub-portfolios and financing structures. Internal ratings-based corporate and retail exposures currently represent approximately 31% and 27% respectively of Aktia's total REA, with other credit risk items falling under the Standardised Approach. Credit portfolio quality has altogether remained stable. Housing markets in Finland have continued to function well and the situation in the corporate portfolio has remained steady throughout 2021 and the COVID-19 pandemic. Loan losses during 2021 amounted to approximately EUR 4.5 m. The REA attributable to credit risk was EUR 2,487.7 m at the end of the fourth quarter of 2021.

Operational risk is present across all Aktia's activities. The Board has set risk appetite for three operational risk categories: compliance risks, information security risks and other operational risks. Capital held for operational risk represents 14% of the Bank's total REA. During 2021, total losses due to operational risk amounted to approximately EUR 1.1 m, while the REA attributable to operational risk was EUR 421mn at the end of the fourth quarter of 2021.

The one primary risk which is not mitigated with capital and hence not measured in REA terms is liquidity risk, which is nevertheless a material risk for Aktia. Aktia adheres to a liquidity risk appetite according to which it must have sufficient liquidity to be able to meet its cash flow obligations at all times, including on an intraday basis, across market cycles and during periods of stress. Liquidity risk limits and triggers are set to ensure that the liquidity risk profile remains within the liquidity risk appetite. Aktia has set minimum levels for the Liquidity Coverage Ratio

(LCR) and the Net Stable Funding Ratio (NSFR) which reflect its risk appetite (minimum 110% each). The year-end figures were for LCR 140%, and for NSFR 119%.

Material transactions

A number of external transactions were made in 2021. The largest of these was the acquisition of Taaleri Group's wealth management operations, which contributed to furthering Aktia's ongoing strategy. Due to the Taaleri-transaction the level of CET1 capital decreased EUR 121.6 m. During 2021 this effect was mitigated with several measures resulting in a final the Common Equity Tier 1 capital ratio (CET1) of 11.2% as of 31.12.2021, which was somewhat higher than in the previous quarter (10.4%).

Board of Directors' approval of the risk statement

Aktia's Board of Directors has approved this risk statement describing Aktia Bank's overall risk profile associated with the business strategy.

(b) Point (b) of Article 435(1) CRR**Information on the risk governance structure for each type of risk**

The Group is managed in the manner of an industrial group, which means that the parts of the Group complement each other, work in synergy and promote competitive advantages as a group. In the subsidiaries, the Boards of Directors and CEOs are responsible for adherence to the strategies, guidelines and policies set at the Group level.

The Board of Directors of Aktia Bank Plc oversees the efficient management of the Aktia Group and follows prudent business principles in accordance with the provisions of applicable laws and the Articles of Association. The Board of Directors approves the Bank's business strategy, strategic objectives, risk strategy, and systems for management and governance, as well as their monitoring and oversight. The Board of Directors also appoints Aktia's CEO.

The Group's strategy governs all risk taking, and Board of Directors has responsibility for the Group's risk management, and the resources it requires. The Board of Directors annually approves the Group's risk management framework, including strategies, goals and limits for managing the operations. The risk appetite is approved and translated into key risk indicators (KRIs), guidelines and limits for business units.

The Board of Directors regularly monitors the Group's compliance with the risk policy and its risk positions. The utilisation of limits and KRIs are reported to the Board of Directors at least quarterly.

The Board of Directors approves and monitors the Group's internal capital assessment, including stress tests, to measure the adequacy of capital, taking into account the Group's risk positions.

The Risk Committee prepares credits, and risktaking and risk management issues. In addition, the committee considers the central risk-related processes for capital and liquidity, the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment (ILAAP), and draws up risk-related matters for the Board of Directors' decision. The committee prepares decisions on the annual plan, and on procedures for the Risk Control and Compliance function to be adopted by the Board, and reviews the reports submitted by Risk Control and Compliance. In 2021, the committee held 9 meetings.

The CEO is appointed by the Board of Directors. The CEO is responsible for the day-to-day management of the Aktia Group in accordance with instructions issued by the Board of Directors.

The Executive Committee members manage their respective business areas or support functions. Certain matters related to lending and the handling of the Group's asset and liability management, financing, liquidity and market risks, as well as administration, are dealt with by committees consisting of Executive Committee members and others appointed by the CEO. Among other things, the CEO is responsible for organising the risk management processes, including matters relating to internal capital assessment and further delegation of risk mandates.

The CEO appoints a committee for asset and liability management (ALM). The Asset and Liability Committee

(ALCO) meets approximately once a month in meetings dedicated to ALM-, capital- and risk-related matters. The role of these meetings is to handle and prepare issues for decisions by the Board of Directors and make decisions, based on a mandate delegated by the Board of Directors, regarding internal credit, and market risk models and parameters used in scenario analysis. The ALCO comprises 3 members of the Executive Committee. The Chief Risk Officer (CRO) is also a member of the ALCO.

The primary responsibility for internal control lies with the first line of defence: business units responsible for the day-to-day running of business operating processes and their control, as well as risk management measures. Risk management is the key element of internal control. In the second line of defence, the control functions consist of the Group's Risk Control unit, the Compliance function and the independent Actuarial function in Aktia Life Insurance Ltd, which are independent of the business units. In addition, three of the subsidiaries, Aktia Life Insurance, Aktia Fund Management Company and Aktia Asset Management Company Ltd, have persons or other mechanisms within the group responsible for the control function. These persons report to the Board of Directors of each of the subsidiaries. In addition, these persons have a dual reporting line to the Chief Risk Officer and coordinate their activities in co-operation with the Group's Risk Control and Compliance unit. The Group's Internal Audit function represents the third line of defence, and the function is responsible for the independent audit of the first and second lines of defence.

The Group's Risk Control function reports to the Board of Directors. Risk Control monitors risk management in the business units and is responsible for securing the appropriate calculations, analysis and monitoring of risks in

all areas of the Group's operations, including subsidiaries. Risk Control assesses the Group's overall risk position in relation to the strategy and risk appetite decided by the Board of Directors. Risk Control is responsible for preparing the Group's risk management framework, which is approved annually by the Board of Directors. The Group's internal capital assessment and liquidity planning process is coordinated by Risk Control, and it evaluates the impacts of various stress tests and scenarios on the capital adequacy and liquidity position, as well as on the result of the financial conglomerate and Group companies. Risk Control is also responsible for coordinating and updating the Group's recovery plan in accordance with the Bank Recovery and Resolution Directive and national legislation, and for monitoring the indicators in the plan.

Regarding the fund and asset management subsidiaries, the independent risk control function is responsible for monitoring and reporting risk limits related to mutual funds and asset management activities. In addition, asset management's middle office function monitors the daily risk limits all of Aktia's asset management customers. Risk limits are reported to the Boards of Directors of the two subsidiaries, Aktia Fund Management Company Ltd and Aktia Asset Management Ltd (until 31.12.2021). The Group's Risk Control, in cooperation with the Actuary Function of the Aktia Life Insurance subsidiary, is also responsible for monitoring and reporting risks and limits related to insurance activities to the Board of Directors of Aktia Life Insurance.

Administratively, the Group's Risk Control function is subordinate to the CEO.

The Group's Compliance function reports independently to the Board of Directors in addition to reporting on compliance risks, significant observations and changes in applicable regulation to the management and the organisation. The role of the Compliance function is to control and evaluate the management of risks related to inadequate compliance. The Compliance function is responsible for ensuring that the rules are adhered to within the Group's activities through its advisory and control tasks, and therefore for supporting the business activities in ensuring that applicable rules are known and duly implemented. The Group's Data Protection Officer (DPO) is also part of the Compliance function.

(c) Point (e) of Article 435(1) CRR**Declaration approved by the management body on the adequacy of the risk management arrangements.**

By approving this report, the Board of Directors approves the formal statement of key risks in this point (c), and formally declares the adequacy of risk management arrangements given Aktia's risk profile. The Board of Directors has approved the Group principles for publication of disclosures according to Part Eight of the CRR, Article 435(1).

The figures in this report are based on economic information that is presented and audited in the 2021 Annual Report. This report is not externally audited; however, control mechanisms, internal control processes and policies provide certainty to stakeholders related to its accuracy and relevance. All figures in this report are as of year-end 2021 unless otherwise stated.

The results and capital adequacy of the banking business are affected primarily by business volumes, deposit and

lending margins, the balance sheet structure, the general interest rate level, write-downs and cost-effectiveness. Fluctuating results in banking operations may occur as a result of sudden credit or operational risk outcomes. Business risks in the form of changes in volumes and interest margins change slowly, and they are managed through diversification and adjustment measures.

The results of asset management operations are mainly affected by trends in business volumes, commission levels and cost-effectiveness. Opportunities for improving, customising and developing new products and processes help reduce business risks. Negative trends in the valuation of assets under management may also affect customers' decisions on whether to invest in funds and other investment products.

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

Risks in sustainability of operations, and risks in environmental, social and governance issues affect all of Aktia's operations.

Risk definitions and risk profile

Risk	Definition	Risk profile
General	Risk refers to a calculated or unexpected event that has a negative impact on results (loss) or capital adequacy/solvency. The term covers both the probability of an event taking place, as well as the impact of the event taking place.	Aktia focuses primarily on asset management, banking, life insurance operations and real estate agency services. Risks and risk management are thus a substantial part of Aktia's operating environment and business activities. The main areas of risk are credit, interest and liquidity risks in the banking sector and interest and other market risks and insurance risks in the life insurance business. All of the Group's operations are exposed to business and operational risks.
Credit risk	Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's creditworthiness.	Aktia's lending is dominated by private individuals, households and small-sized companies. Lending to customers is mainly mortgage lending where security is predominantly real estate. Strong loan-to-value ratios and a low risk level contribute to the high credit quality of Aktia's credit portfolio. The bank is exposed to counterparty risk through derivative contracts, which is mitigated by collateral arrangements according to agreements with each counterparty. Counterparties are selected through an evaluation process focusing on their ratings and they are mainly systemically important financial institutions.
Market risk	Market risks arise from price and volatility changes in the financial markets. Market risks for Aktia Bank are divided into interest rate, foreign exchange rate and equity risks. The market risks considered for the life insurance company are interest rate, spread, currency (FX), equity, real estate and concentration risks.	Aktia's market risk is mainly structural interest rate risk in its balance sheet, while exchange rate risk is low as lending and funding is mainly euro-denominated. No trading activities are carried out by the Group. Aktia is also exposed to market risk in its investment activities in the bank and in Aktia Life Insurance. The Bank Group aims for low market risks and low volatility in its earnings.
Funding and liquidity risk	Funding and liquidity risk imply a risk that the Group will not be able to meet its payment obligations, or could only do so at high cost, and is defined as the availability and cost of refinancing, as well as differences in maturity between assets and liabilities. Funding risk also occurs if funding is largely concentrated in individual counterparties, instruments or markets.	To ensure market-related refinancing, the bank strives to maintain a diverse range of financing sources and an adequate diversification across different markets and investors. Aktia maintains a liquidity buffer for which a target is set annually by the Board of Directors. The liquidity buffer consists almost entirely of securities which are eligible as pledges to the central bank. Aktia's appetite for liquidity risk is low.
Operational risk	Operational risks are considered to include risks of losses arising from unclear or incomplete internal processes or instructions, deficient or unreliable systems, and inadequate or unreliable information, as well as those caused by personnel – including through human error – or external events. Compliance/ legal risks are also considered to be part of operational risks as well as model risks related to calculation models and information security risks. Strategic risks are not part of operational risks.	The Board of Directors confirms the risk appetite for different operational risk categories annually. Aktia identifies risk appetite for operational risks separately for following risk categories: information security, compliance / legal risks and other operational risks. The risk appetite for compliance risks is low. The risk appetite for legal risks is low. The risk appetite for information security is low. For all other operational risk areas, the risk appetite is normal.
Other	Other risks include business risk, strategic risk and reputational risk. Business risk refers to risk of decreased income and increased costs due to decreasing volumes, price pressures or competition. Strategic risk is closely related to business risk and is defined as risk of losses due to mistaken business decisions or failure to react to the changes in society, regulatory system or the banking sector, while reputational risk is a decline in confidence towards the group due to negative publicity. Risks in sustainability of operations, and risks in environmental, social and governance issues affect all operations of Aktia.	Business and strategic risk are predominantly risks that, when realised, have an impact on the group's performance and profitability. Reputational risk is similar but can in addition have an impact on the group's liquidity. Business risk is reduced by diversification in operations, as well as strategic risk. Some strategic risks can also be realised as operational risk incidents and they are managed by the same measures as mentioned above. Corporate responsibility is a crucial aspect of Aktia's operations in the short term and the long term. Aktia's strategy identifies corporate responsibility as one of the pillars of its operations. Aktia aims to be a solvent, reliable and environmentally responsible partner for economic well-being and the most attractive workplace in the business.

(d) Point (c) of Article 435(1) CRR**Disclosure on the scope and nature of risk disclosure and/or measurement systems.**

The Group focuses primarily on banking, asset management and life insurance operations. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, interest rate and other market risks and actuarial risks in the life insurance business. All these operations are exposed to business and operational risks.

Business units and the line organisations have the primary responsibility for internal control as they are in charge of the governance of the day-to-day business activities, operational processes, financial reporting and controls in these processes as well as for risk management measures. Risk management is a central part of the internal control process.

- Credit risks are reported to the Group's Board of Directors and its risk committee every quarter. Position- and aggregate-level credit risk reporting is available daily to the business personnel involved in the credit process and the Executive Committee. Every year, Risk Control conducts a comprehensive validation of all credit risk models, and the results are reported to both the Board of Directors and members of the Executive Committee in the ALCO. The internal models comprise models for probability of default (PD) and loss given default (LGD). In addition to the capital adequacy calculation these models are used for monitoring credit risk, internal risk reporting, and for estimating expected credit loss. Internal ratings are used for corporate exposures, while internal credit scoring is used for retail exposures. More detailed descriptions of the models used can be found in the credit risk section in the table EU CRA.

- As a locally operating financial institution, Aktia is exposed to certain concentration risks. Concentration risks are governed by the Group's credit risk policy, which imposes rules and restrictions for the individual counterparty level and portfolio level.
- Aktia Bank's counterparty credit risk arises from holdings of financial instruments as part of daily liquidity management. The instruments mainly comprise bonds that the Bank holds in its liquidity portfolio and largely consist of covered bonds and sovereign bonds, as well as domestic municipal bonds. Risk tolerance for counterparty risk is generally low. Exposures to counterparties, asset classes and countries are approved and limited by the Board, and existing limits are reviewed and decided each year. Limits are set for exposure values and tenors. Counterparty risk also arises from derivative operations. Counterparty risk in derivative contracts is the risk of a counterparty not fulfilling its contractual obligations to Aktia when a contract has a positive market value. Counterparty exposures are measured and followed-up daily.
- The Aktia Group's risk appetite and the limit system restricts the size of the exposure to market risks. The main market risk for the Group arises from the interest rate risk. Measurement methods, limits and strategy are prepared in the Executive Committee and the Board's Risk Committee, and are thereafter established by the Board of Directors. The Group's Asset and Liability Management Committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The Bank's Treasury unit conducts transactions to manage the structural interest rate risk based on the established strategy and limits. The Group's Risk Control unit, which continuously monitors market risks and their associated

limits, is responsible for reporting on these risk factors to the Board and the Executive Committee. Interest rate risk bears upon net interest income risk and present value risk (financial value) when the market rates are changing. Both interest rate risk indicators are measured according to EBA's rules and are monitored monthly. Structural net interest income risk (profit risk) arises as a result of an imbalance between reference rates and the re-pricing of assets and liabilities. As well as matching reference rates in lending and borrowing through business management, hedging with interest rate derivatives, and fixed rate investments in the liquidity portfolio are also utilised, with the aim of maintaining net interest income at a stable level. The structural net interest income risk is simulated using a dynamic asset and liability risk management model. The model considers the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied. The structural present value risk (change in financial value) is measured as the sensitivity of the calculated present value for all existing interest-bearing items. When calculating the present value risk, avista lending has been modelled according to a behaviour model.

- The foreign exchange (FX) risk is the risk of a negative change in the value of the Bank Group's FX positions caused by fluctuations in exchange rates, especially against the euro. In the Bank Group, currency dealings are based on customer requirements, which is why most of this activity involves Nordic currencies and the US dollar. The guiding principle for the management of exchange rate risks is matching. The Treasury unit is responsible for managing the bank's day-to-day currency position, subject to the limits set.

- The funding and liquidity risks are managed at legal company level, and there are no explicit financing commitments between Aktia Bank Plc and Aktia Life Insurance Ltd. The liquidity risk is measured on both short- and long-term bases. To ensure funding in situations in which Aktia is in urgent need of cash, and normal funding sources do not suffice, Aktia holds a liquidity reserve, for which the Board of Directors sets the minimum level. The liquidity reserve consists of highly liquid assets that can easily be sold or used as collateral in funding operations. Liquidity risks are measured and monitored with the help of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). More detailed descriptions of the models used can be found in the liquidity risk section in the table EU LIQA.
- Operational risks are present in all of Aktia's operations. Under the decision of the Board of Directors, the level of operational risks must in general be normal in relation to Aktia's activities and in relation to its competitors. A normal risk level is predicated on compliance with regulations, instructions and applicable laws. As part of the Group's risk management framework, the Board of Directors has also adopted an instruction for the management and reporting of operational risks, which covers information security and data protection. The risk level of operational risks is measured through key risk indicators (KRIs), which the Board of Directors approves annually. More detailed descriptions of the models used can be found in the operative risk section in the table EU ORA.

(e) Point (c) of Article 435(1) CRR**Disclose information on the main features of risk disclosure and measurement systems.**

The Group's Risk Control unit is responsible for ensuring that the models and methods used for measuring risk are comprehensive and reliable.

The central numbers, assumptions and calculation methodologies are validated and checked annually according to the duality principle within the Risk Control and risk management units. The most significant parts of the calculation methodology for all risk areas are also examined internally within the risk control unit.

All credit risk models used for IRB purposes are validated annually, and central model performance metrics are reported quarterly to both the Board of Directors and the Group's management. Validation is performed by the Risk Control unit, and it includes both quantitative and qualitative assessments of model performance and parameters. Most quantitative tests performed during annual validation are performed and analysed quarterly by the Risk Control unit. Key monitoring metrics are reported to the Board of Directors and the Group's management.

(f) Point (a) of Article 435(1) CRR**Strategies and processes to manage risks for each separate category of risk.**

Aktia conducts regular stress testing and scenario analysis to analyse their capital position and identify risks. The process is conducted for key portfolios at different levels. Stress tests are conducted to measure the risk in certain positions, or at company and Group-level to capture the enterprise level of risk.

More detailed qualitative information on stress tests, such as the portfolios subject to stress testing, the scenarios adopted and the methodologies used, can be found in the descriptions of each risk area.

- The Group's capital planning is based on a business plan which covers near-future changes in volumes and risk levels. Based on the plans, forecasts of changes in capital adequacy requirements for the Group and the various companies are prepared. In addition to the baseline scenarios, stress tests are performed, which are used to assess how weaker economic environments would affect capital adequacy. The stress scenarios in capital management and internal capital focus on the key risk factors of the Group. More detailed information is described in the table EU OVC. Most of the loan book is secured by residential or commercial real estate. Credit risk is described in the table EU CRA. Various components of market risk are subject to stress testing in market risk management: interest rate risk, credit spread risk and equity risk. Interest rate risk: The size and maturity of the liquidity portfolio is restricted, and the risk level is managed with a capital limit based on dynamic interest rate shocks. In the sensitivity analysis, interest rate risk is stressed through absolute change factors calculated from the Euribor–euro swaps curve for each rate maturity. The factors are determined from historical data and recalibrated annually. Credit spread risk: In the sensitivity analysis, credit spread risk is stressed through absolute change factors calculated from a set of collective yield curves from the market. Each security is mapped to the most appropriate curve in the set, using factors such as type of investment and rating. The factors are determined from historical data and recalibrated annually. The (upward) stress represents the 99.5th

percentile of the absolute changes of the yield curve level from which the risk-free component has been subtracted.

Equity risk: In the sensitivity analysis, equity risk is calculated simply as a percentage decrease in the market value. The factor is chosen by expert judgement, but it is based on historical data.

- Aktia conducts regular stress testing to ensure that liquidity is sufficient even during unfavourable market conditions. In these tests, the Bank constructs unlikely but still possible adverse scenarios that would trigger a range of risk drivers. In the Internal liquidity adequacy assessment process (ILAAP), various stress scenarios are used, e.g. withdrawals of deposits, no access to long-term funding in the capital market, etc. The stress scenarios in the ILAAP focus on the impact on the regulatory requirements (Liquidity Coverage Ratio, Net Stable Funding Ratio) and the Bank's net liquidity position.

(g) Points (a) and (d) of Article 435(1) CRR**Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.**

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, interest rate and other market risks and actuarial risks in the life insurance business. All these operations are exposed to business and operational risks. More detailed information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants in accordance with points (a) and (d) of Article 435(1) CRR for main risks are covered in each

risk sections' tables: EU LRA, EI LIQA, EU CRA, EU CRC, EU CCRA, EU MRA, EU ORA and EU IRRBBA.

- The debtor's ability to repay the debt, good knowledge of the customer, a complete understanding of the customer's business situation, limited risk-taking and risk-based pricing are central elements of the Group's credit policy, along with the drive for sustained profitability. The valuation and administration of collateral is important for managing credit risk. More detailed information is described in the table EU CRE. To limit and reduce counterparty risks, individual collateral arrangements are used, in accordance with ISDA/CSA (credit support annex) conditions. More detailed information is described in the table EU CCRA.
- The main market risk in the Aktia Group is the interest rate risk in the banking book, and the risk is primarily of a structural nature. The interest rate risk in the banking book is the current or prospected risk to earnings or capital arising from adverse movements in interest rates. A structural interest rate risk arises from mismatches between interest-fixing periods and the repricing of assets and liabilities. In addition to matching interest-fixing periods in lending and borrowing through business management, derivative instruments and fixed-rate investments in the liquidity portfolio are utilised, with the aim of maintaining net interest income at a stable level. More detailed information is described in the table EU MRA.
- Good diversification between different types of funding sources in various markets and forms of funding instruments is a key component of the funding strategy. The diversified funding structure is complemented by a liquidity portfolio comprising highly liquid assets. The portfolio acts as a liquidity buffer against short-term

liquidity fluctuations and possible market disruptions in the refinancing market, and it can be realised or used as collateral for financing if necessary, either in the market through “repurchase agreements” or by the Central Bank. One of the most important criteria for selecting assets for the liquidity portfolio is that the security be accepted as collateral by the Central Bank. The concentration risk in the liquidity portfolio is managed by limits that are prepared by the Group’s Asset and Liability Management Committee, and thereafter established by the Board of Directors. Limits are set for, e.g., country, counterparty, issuer and instrument types. Funding and liquidity risk management is governed by policies and limits established by the Board. Developments and pricing in the deposit stock are also followed closely. The treasury unit implements the adopted measures to change the liquidity position. The Bank Group’s liquidity needs are assessed annually in the internal liquidity adequacy assessment process (ILAAP). The Bank Group has a contingency plan for managing liquidity crises. Another important part of Aktia’s liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. A prerequisite for being able to pledge additional collateral is for the Bank to have collateral at its disposal from the outset. The Bank therefore retains substantial volumes of unencumbered assets that could be used as collateral in the issue of covered bonds and highly liquid securities with high credit ratings. More detailed information on the strategies and processes to manage, hedge and mitigate liquidity risks is described in the tables EU LIQA and EU LIQB.

- All these operations are exposed to business and operational risks. More detailed information on the strategies and processes to manage, hedge and mitigate operative risks is described in the table EU ORA.

Table 9.1.2 Disclosure on governance arrangements (EU OVB)

(a) Point (a) of Article 435(2) CRR

The number of directorships held by members of the management body.

In accordance with the provisions of the Articles of Association, Aktia’s Board of Directors encompasses a minimum of five and a maximum of 12 ordinary members.

In order to ensure that members of the Board of Directors have enough time for the position, each Board member’s main position, number of boards the person is on and other positions are monitored before the person is nominated and later on a regular basis.

(b) Point (b) of Article 435(2) CRR

Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise.

Aktia.com: Board and committees:

The Annual General meeting decides on the number of Board members, elects Board members and decides on the fees to be paid to the Board members based on the proposal submitted

by the shareholders’ Nomination Board. The members of the Board of Directors are appointed for a period reaching

from the General Meeting to the next General Meeting. Appointments are prepared by a Shareholders’ Nomination Board comprising representatives of the five largest shareholders

The Board of Directors shall be composed in a way that takes the company’s business operations, development stage and other circumstances into consideration; diversity and broad range are key with respect to the members’ fields of expertise, experience and background in general as well as their regional distribution and language background, and an equal distribution according to sex shall be pursued. The Board of Directors shall be experienced in banking business and risk management related to it. The expertise and experience of the Board of Directors is evaluated collectively. The preparation of nominations to the Board of Directors is based on an overall evaluation of the Board of Director’s profile of expertise. The suitability and trustworthiness of members of the Board of Directors is evaluated before they are nominated and later on a regular basis. The objective is, at all times, to ensure the competence and diversity of the Board of Directors required by a sound corporate culture, to preserve shareholder value through effective monitoring of business operations, and to increase shareholder value with insight and strategic thinking.

List of members of the Board

Lasse Svens
Chairman of the Board, member of the Board’s Risk Committee and the Board’s Remuneration and Corporate Governance Committee
M.Sc. (Econ.)
CEO, Åbo Akademi University Foundation sr

Timo Vättö
Deputy Chairman of the Board and member of the Board’s Remuneration and Corporate Governance Committee
M.Sc. (Econ.)
Managing Partner, Cundo Management AG, Switzerland

Johan Hammarén
Member of the Board and member of the Board’s Remuneration and Corporate Governance Committee
M.Sc. (Econ.), Master of Laws
CEO, Oy Hammarén & Co Ab

Maria Jerhamre Engström
Member of the Board and Chairman of the Board’s Risk Committee
eMBA
Management Consultant focusing on IT and IT transformation

Harri Lauslahti
Member of the Board and member of the Board’s Risk Committee
M.Sc. (Econ.)
Managing Partner, Kohtas Co. Finland Oy

Olli-Petteri Lehtinen
Member of the Board, member of the Board’s Audit Committee and member of the Board’s Risk Committee
M.Sc. (Econ.)
Board professional

Johannes Schulman
Member of the Board and member of the Board’s Audit Committee

M.Sc. (Econ.)
Senior advisor, Miltton Markets

Arja Talma
Member of the Board and Chairman of the Board's Audit Committee
M.Sc. (Econ.), eMBA
Board professional

Christina Dahlblom
Member of the Board and Chairman of the Board's Remuneration and Corporate Governance Committee until the Annual General Meeting 13.4.2021
Ph.D. (Econ.)
Entrepreneur, Flo Co

Kari A. J. Järvinen
Member of the Board and member of the Board's Remuneration and Corporate Governance Committee until the Annual General Meeting 13.4.2021
M.Sc. Eng., MBA
Board professional

(c) Point (c) of Article 435(2) CRR

Information on the diversity policy with regard of the members of the management body.

The Shareholders' Nomination Board shall take into consideration these principles when preparing

proposals for composition of the Board of Directors to the General Meeting.

The preparations of elections of board members at Aktia are made with the objective of an appropriate composition of the Board of Directors, taking the know-how and experience

of the members into consideration. The objective is to ensure the competence and diversity of the Board of Directors required by a sound corporate culture, to preserve shareholder value through effective monitoring of business operations, and to increase shareholder value with insight and strategic thinking. Factors taken into consideration in the diversity of the Board of Directors are competence, experience and education, as well as number of board members, gender, age, independence, language and regional representation. The relations between these factors in the composition of the Board of Directors vary at different times, taking the company's business operations, development stage and other circumstances into consideration, and it is one of the cornerstones in the preparations for election of board members.

The board has approved principles of diversity with the aim of ensuring that the board as a whole has the requisite expertise and diversity for a healthy board culture, preservation of ownership through effective monitoring of operations and increased ownership value through insight and strategic thinking. The principles are available on the company's website. In accordance with Aktia's gender principles, gender equality within the board must be sought after. Up to and including 13.04.2021 33% of board members were women, and as of 13.04.2021 the proportion was 25%. Although the target was not met, the shareholders' nomination committee is striving to re-establish gender equality on the board.

(d) Point (d) of Article 435(2) CRR

Information whether or not the institution has set up a separate risk committee and the frequency of the meetings.

Aktia set up a separate risk committee and the frequency of meeting during the year 2021 was 9 meetings.

(e) Point (e) Article 435(2) CRR

Description on the information flow on risk to the management body.

The Group's Risk Control function reports to the Board of Directors. Risk Control monitors risk management in the business units and is responsible for securing appropriate calculations, analysis and monitoring of risks in all areas of the Group's operations, including subsidiaries. Risk Control assesses the Group's overall risk position in relation to the strategy and risk appetite decided by the Board of Directors. Risk Control is responsible for preparing the Group's risk management framework, which is approved annually by the Board of Directors. Risk Control participates in the Group's internal capital assessment and liquidity planning process and it evaluates the impacts of various stress tests and scenarios on the capital adequacy and liquidity position, as well as on the result of the financial conglomerate and Group companies. Risk Control is also responsible for coordinating and updating the Group's recovery plan in accordance with the Bank Recovery and Resolution Directive and national legislation, and for monitoring the indicators in the plan.

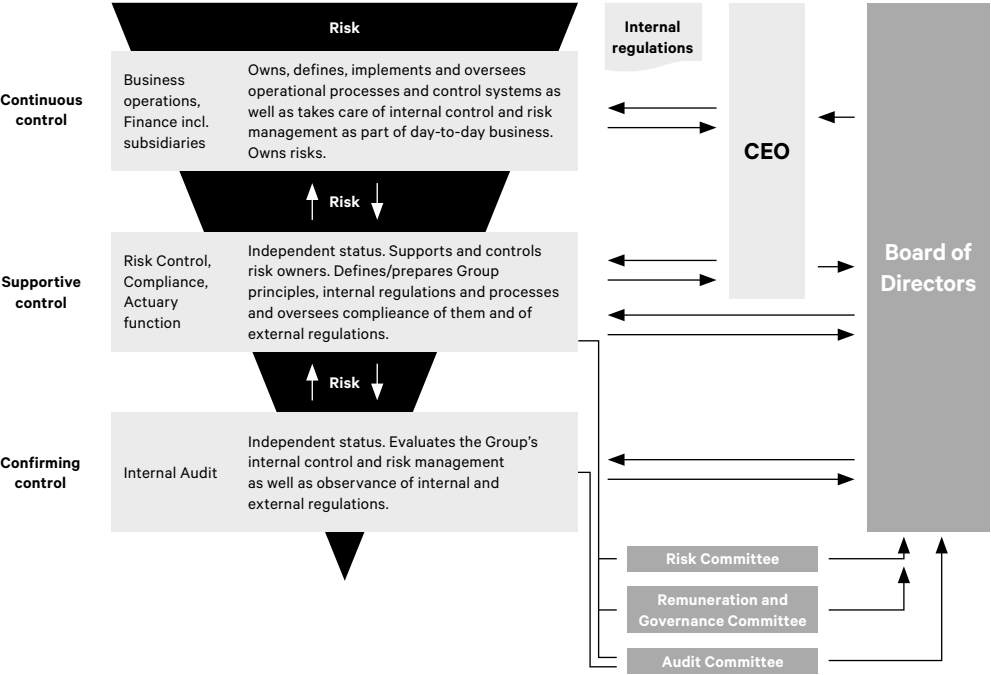
Regarding the fund and asset management subsidiaries, the independent risk control function is responsible for monitoring and reporting risk limits related to mutual funds. In addition, asset management's middle office function monitors the daily risk limits of all of Aktia's asset management customers. Risk limits are reported to the

Boards of Directors of the two subsidiaries, Aktia Fund Management Company Ltd and Aktia Asset Management Ltd (until 31.12.2021). The Group's Risk Control, in co-operation with the Actuary Function of the Aktia Life Insurance subsidiary, is also responsible for monitoring and reporting risks and limits related to insurance activities to the Board of Directors of Aktia Life Insurance.

Administratively, the Group's Risk Control function is subordinate to the CEO.

The Group's Compliance function reports independently to the Board of Directors in addition to reporting to the management and the organisation on compliance risks, significant observations and changes in applicable regulation. The role of the Compliance function is to control and evaluate the management of risks related to inadequate compliance. The Compliance function is responsible for ensuring that the rules are adhered to within the Group's activities through its advisory and control tasks, and therefore for supporting the business activities in ensuring that applicable rules are known and duly implemented. The Group's Data Protection Officer (DPO) is also part of the Compliance function.

Aktia Group internal control and risk management



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

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

9.2 Disclosure of the scope of application (Article 436 and Article 437 (a) CRR)

Table 9.2.1 Reconciliation of regulatory own funds to the balance sheet according to IFRS (EU CC2)

31 Dec 2021
EUR million

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	
		As at period end	As at period end	Reference
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Financial assets measured at fair value through income statement	1,451.8	5.3	
2	Financial assets measured at fair value through other comprehensive income	1,107.0	944.3	
3	Financial assets measured at amortised cost	8,671.0	8,628.6	
4	Derivative instruments	39.6	39.5	
5	Investments in associated companies and joint ventures	0.2	0.2	
6	Investments in companies included in Aktia Group	0.0	46.2	
7	Tangible and intangible assets	249.8	202.6	
8	of which Intangible assets and goodwill	174.0	172.8	CC2-5
9	Total other assets	131.7	125.0	
10	Tax receivables	2.3	2.3	
11	Total assets	11,653.3	9,994.0	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Deposits	5,425.8	5,467.6	
2	Derivative instruments	20.5	19.6	
3	Other financial liabilities	3,730.4	3,714.8	
4	of which Subordinated liabilities	150.0	94.5	CC2-9
5	Technical provisions	1,568.2	0.0	
6	Total other liabilities	104.2	99.3	
7	Provisions	1.0	1.0	
8	Tax liabilities	64.8	59.4	
9	Total liabilities	10,914.9	9,361.7	

The table continues

31 Dec 2021
EUR million

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	
		As at period end	As at period end	Reference
Equity				
1	Restricted equity	175.9	173.9	
2	Share capital	169.7	169.7	CC2-1
3	Fund at fair value	6.2	4.2	CC2-3
4	of which Cash flow hedges	0.2	0.2	CC2-6
5	Unrestricted equity	503.0	398.8	
6	Retained earnings	360.5	255.9	
7	of which Previous years retained earnings	293.9	206.9	CC2-2
8	of which Actuarial gains and losses	-0.1	-0.1	CC2-3
9	of which Profit for the financial year	67.4	49.8	CC2-4
10	of which Direct holdings by an institution of own CET1 instruments (negative amount)	-0.6	-0.6	CC2-7
11	Other reserves	142.5	142.4	CCP-3
12	of which Fund for share-based payments	3.9	3.8	
13	of which Unrestricted equity reserve	138.6	138.6	
14	Total shareholders' equity	678.9	572.7	
15	Additional Tier 1 capital	60.0	60.0	CC2-8
16	AT1 issue costs	-0.5	-0.5	
17	Total equity	738.4	632.2	
18	Total liabilities and equity	11,653.3	9,994.0	

Table 9.2.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (EU LI1)

31 Dec 2021
EUR million

		a	b	c	d	g
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Carrying values of items Subject to the CCR framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements						
1	Cash and balances with central banks	732.8	732.8	732.8	0.0	0.0
2	Financial assets available for sale	1,107.0	944.3	944.3	0.0	0.0
3	Financial assets held until maturity	386.5	349.0	349.0	0.0	0.0
4	Derivative instruments	39.6	39.5	0.0	39.5	0.0
5	Loans and other receivables	7,551.7	7,546.7	7,546.7	0.0	0.0
6	Investments for unit-linked insurances	1,451.8	5.3	5.3	0.0	0.0
7	Investments in associated companies	0.2	0.2	0.2	0.0	0.0
8	Investments in group companies	0.0	46.2	34.1	0.0	12.1
9	Intangible assets	174.0	172.8	10.5	0.0	162.3
10	Investment properties	45.5	0.0	0.0	0.0	0.0
11	Other tangible assets	30.4	29.8	29.8	0.0	0.0
12	Total other assets	131.7	125.0	125.0	0.0	0.0
13	Tax receivables	2.3	2.3	2.3	0.0	0.0
14	Total assets	11,653.3	9,994.0	9,780.0	39.5	174.4

The table continues

31 Dec 2021
EUR million

		a	b	c	d		e
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Carrying values of items		Not subject to own funds requirements or subject to deduction from own funds
					Subject to the CCR framework		
Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Deposits	5,425.8	5,467.6	0.0	0.0		0.0
2	Derivative instruments	20.5	19.6	0.0	0.0		0.0
3	Other financial liabilities	3,730.4	3,714.8	0.0	0.0		0.0
4	Technical provisions	1,568.2	0.0	0.0	0.0		0.0
5	Total other liabilities	104.2	99.3	0.0	0.0		0.0
6	Provisions	1.0	1.0	0.0	0.0		0.0
7	Tax liabilities	64.8	59.4	0.0	0.0		0.0
8	Total liabilities	10,914.9	9,361.7	0.0	0.0		0.0

EU LI1 does not provide columns e and f, as there is no reporting.

Table LI1 provides a breakdown of the published Financial Statements into the various risk frameworks. Aktia Life Insurance Ltd is included in the consolidated financial statement according to IFRS but is not under the scope of regulatory consolidation. Entities in the different scopes of consolidation are listed in Table EU LI3.

Aktia has implemented the preferential treatment of prudently valued software assets in the Bank's own funds. The amount of EUR 10.5 million, including intangible assets, is not deducted from own funds but is risk-weighted by 100% under the credit risk framework.

The deduction of EUR 12.1 million on row 8 relates to holdings in Aktia Life Insurance Ltd. The amount above the 10% threshold is deducted from CET1 capital, and the remaining part is risk-weighted at 250% under the credit risk framework.

Table 9.2.3 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2)

31 Dec 2021
EUR million

		a	b	d
			Items subject to	
		Total	Credit risk framework	CCR framework
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	9,819.6	9,780.0	39.5
3	Total net amount under the scope of prudential consolidation	9,819.6	9,780.0	39.5
4	Off-balance-sheet amounts	713.8	713.8	0.0
6	Differences due to different netting rules, other than those already included in row 2	52.6	0.0	52.6
7	Differences due to consideration of provisions	28.9	28.9	0.0
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-21.4	-21.4	0.0
9	Differences due to credit conversion factors	-290.2	-290.2	0.0
11	Other differences	15.9	15.9	0.0
12	Exposure amounts considered for regulatory purposes	10,319.1	10,227.0	92.1

EU LI2 does not provide rows 2, 5 and 10, nor columns c and e, as there is no reporting.

Other differences on row 11 include negative account balances which are not deducted from the exposure amount.

Table EU LI2 provides information regarding the main sources of differences between the accounting carrying values and regulatory exposures. The main differences result from the application of the credit conversion factor on the off-balance-sheet items (row 9), derivatives EAD calculations (row 6), use of financial collateral as a CRM technique (row 8) and provisions in the calculation of EAD under IRB methods (row 7).

The items that are subject to deductions from own funds are not risk weighted and are thus excluded from Table EU LI2.

Table 9.2.4 Outline of the differences in the scopes of consolidation (entity by entity) (EU L13)

31 Dec 2021

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation				Deducted	Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted		
Aktia Bank Plc	Purchase method	X					Credit institution
Aktia Wealth Management Ltd	Purchase method	X					Asset management
Aktia Fund Management Company Ltd	Purchase method	X					Investment funds
AV Fund Management Ltd	Purchase method	X					Investment funds
Aktia Wealth Planning Ltd	Purchase method	X					Tax services and investment insurance
Aktia Housing GP Ltd	Purchase method	X					Investment funds
Evervest Ltd	Purchase method	X					Asset management
AV Partner Ltd	Purchase method	X					Holding company
Aktia Life Insurance Ltd	Purchase method					X ¹	Insurance entity
Keskinäinen Kiinteistö Oy Tikkurilantie 141	Purchase method				X		Real estate
Keskinäinen Kiinteistö Oy Areenakatu 4	Purchase method				X		Real estate
Asunto Oy Helsingin Tuulensuoja	Equity method				X		Real estate
Kiinteistö Oy Skanssinkatu	Equity method				X		Real estate
Kiinteistö Oy Lempäälän Rajamäentie	Equity method				X		Real estate
Kiinteistö Oy Helsingin Gigaherts	Equity method				X		Real estate

1) Holdings partially deducted from own funds.

Table 9.2.5 Explanations of differences between accounting and regulatory exposure amounts (EU LIA)

(a) Article 436(b) CRR

Differences between columns (a) and (b) in template EU LI1

Aktia Life Insurance Ltd is not under the scope of regulatory consolidation, but is included in the consolidated financial statement according to IFRS. Entities in the different scopes of consolidation are listed in table EU LI3.

(b) Article 436(d) CRR

Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template EU LI2

Table EU LI2 provides information regarding the main sources of differences between the accounting carrying values and regulatory exposures. The main differences result from the amount of off-balance-sheet items, derivatives, CRM techniques (financial collateral) and provisions in the calculation of EAD under IRB methods.

Other differences on row 11 include negative account balances which are not deducted from the exposure amount.

The items that are subject to deductions from own funds are not risk weighted and are thus excluded from table EU LI2.

Table 9.2.6 Other qualitative information on the scope of application (EU LIB)

(a) Article 436(f) CRR

Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group

There are no current or foreseen material, practical or legal impediments to the prompt transfer of the Group's own excess funds, or the repayment of liabilities between Aktia Bank Plc and its subsidiaries. Aktia Bank Plc and all its subsidiaries are incorporated in Finland: there is therefore no need for cross-border transfers within the Group.

(b) Article 436(g) CRR

Subsidiaries not included in the consolidation with own funds less than required

Not applicable, each legal entity must fulfil its individual capital requirements and have sufficient liquidity to operate.

(c) Article 436(h) CRR

Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR

Not applicable, the provisions laid down in Articles 7 and 9 are not in use.

(d) Article 436(g) CRR

Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation

Not applicable, each legal entity must fulfil its individual capital requirements and have sufficient liquidity to operate.

**10 Information not disclosed due to non-materiality
or not applicable to the Aktia Bank Group**

Information not disclosed due to non-materiality or not applicable to the Aktia Bank Group

Aktia does not publish the tables listed below because Aktia has no reporting obligation to supplement its operations or the reporting obligation does not apply to Aktia.

Template	Article reference
EU LIB - Other qualitative information on the scope of application	Article 436 points (g) and (h)
EU iLAC - Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	Article 437a
EU TLAC2: Creditor ranking - Entity that is not a resolution entity	
EU TLAC3: creditor ranking - resolution entity	
EU CR10 – Specialised lending and equity exposures under the simple riskweighted approach	Article 438 point e
EU MR1 - Market risk under the standardised approach	Article 445
EU MR2-A - Market risk under the internal Model Approach (IMA)	Article 455
EU MR2-B - RWA flow statements of market risk exposures under the IMA	Article 438 point (h)
EU MR3 - IMA values for trading portfolios	Article 455
EU MR4 - Comparison of VaR estimates with gains/losses	Article 455
EU CCR6 – Credit derivatives exposures	Article 439 point (j)
EU CCR8 – Exposures to CCPs	Article 439 point (j)
EU CQ7: Collateral obtained by taking possession and execution processes	Article 442 point (c)
EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	
EU-SECA - Qualitative disclosure requirements related to securitisation exposures	
EU-SEC1 - Securitisation exposures in the non-trading book	Article 449

The table continues

Template	Article reference
EU-SEC2 - Securitisation exposures in the trading book	
EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	
EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	
EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	
EU REM4 - Remuneration of 1 million EUR or more per year	Article 450 points 1. (j) (i)
EU CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Article 452 (h)
EU MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models	Article 455

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Aktia