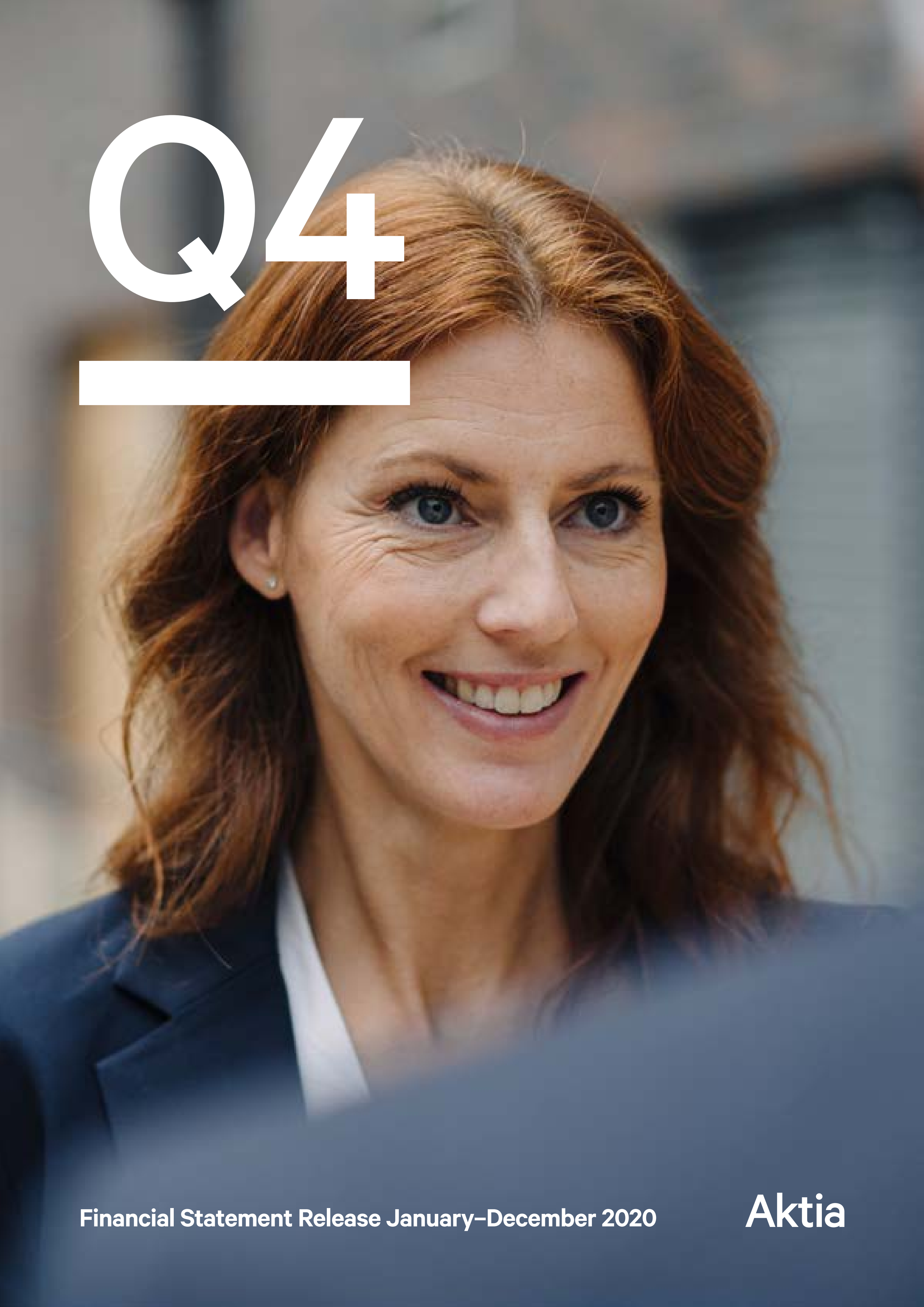


Q4

Financial Statement Release January–December 2020

Aktia

The exceptional covid year 2020: the financial performance recovered quickly after a challenging spring

The quarter in short

- Stable financial performance continued: the comparable operating profit for the quarter was EUR 19.8 (19.2) million
- Assets under management (AuM) were at an all-time high and amounted to EUR 10.4 billion
- The good development of net interest income continued, Aktia's market share in housing loans increased
- Customers' interest in life insurances increased – the number of sold life insurances increased with almost 40% from the previous year
- Growth investments increased staff costs from the previous year

The year in short

- Negative value changes in the life insurance company's investment portfolio following the market drop during the first quarter were the main reason for the decrease of the comparable operating profit for 2020 to EUR 55.1 (68.2) million
- The financial performance recovered quickly during the second quarter
- Continued strong strategic focus on asset management
- The use of digital banking services increased considerably

Outlook 2021

- The comparable operating profit for 2021 is expected to be clearly higher than during 2020 provided that the circumstances on the market and in society are stable (see page 23).

Dividend proposal

- Considering the recommendations issued by the authorities', the Board proposes that Aktia Bank Plc's Annual General Meeting authorises the Board to later decide on the payment of a maximum dividend of EUR 0.43 per share for the financial year 2020. The payment is carried out at one or more occasions, however, at the earliest on 1 October 2021.

(EUR million)	4Q2020	4Q2019	Δ %	2020	2019	Δ %	3Q2020	Δ %	2Q2020	1Q2020
Net interest income	20.8	19.3	8%	80.7	77.6	4%	20.0	4%	20.1	19.7
Net commission income	25.4	25.8	-2%	97.6	99.1	-1%	24.2	5%	22.9	25.2
Net income from life insurance	10.2	8.3	24%	19.9	30.0	-34%	4.7	116%	10.1	-5.2
Total operating income	57.0	55.2	3%	201.1	221.4	-9%	49.4	15%	54.8	39.9
Operating expenses	-36.4	-35.3	3%	-142.2	-143.9	-1%	-33.8	8%	-36.3	-35.6
Impairment of credits and other commitments	-0.8	-0.8	10%	-4.0	-4.5	-9%	-0.1	-	-1.8	-1.4
Operating profit	**19.7**	**19.1**	**3%**	**54.8**	**74.8**	**-27%**	**16.0**	**24%**	**16.3**	**2.8**
Comparable operating income[1]	57.0	55.2	3%	201.1	211.4	-5%	49.4	15%	54.8	39.9
Comparable operating expenses[1]	-36.3	-35.2	3%	-141.9	-140.4	1%	-33.8	7%	-36.1	-35.6
Comparable operating profit[1]	**19.8**	**19.2**	**3%**	**55.1**	**68.2**	**-19%**	**16.0**	**24%**	**16.5**	**2.8**
Cost-to-income ratio	0.64	0.64	0%	0.71	0.65	9%	0.68	-6%	0.66	0.89
Comparable cost-to-income ratio[1]	0.64	0.64	0%	0.71	0.66	8%	0.68	-6%	0.66	0.89
Earnings per share (EPS), EUR	0.22	0.23	-4%	0.61	0.90	-32%	0.18	22%	0.19	0.03
Comparable earnings per share (EPS), EUR[1]	0.22	0.23	-4%	0.61	0.79	-23%	0.18	22%	0.19	0.03
Return on equity (ROE), %	9.2	10.5	-12%	6.7	10.3	-35%	7.8	18%	8.4	1.4
Comparable return on equity (ROE), %[1]	9.3	10.5	-12%	6.7	9.1	-26%	7.8	18%	8.5	1.4
Common Equity Tier 1 capital ratio (CET1), %[2]	14.0	14.7	-5%	14.0	14.7	-5%	15.6	-10%	15.7	15.9
Dividend per share (proposal from Board Directors), EUR				0.43	0.53	-19 %				

1) Alternative performance measures excluding items affecting comparability, see page 24
2) At the end of the period

Financial Statement Release January–December 2020 is a translation of the orginal Swedish version "Bokslutskommuniké 1.1-31.12.2020". In case of discrepancies, the Swedish version shall prevail.

CEO's comments

The very exceptional year 2020 will remain in history. The global pandemic has given the entire world something to think about and its effect on the economy and society will be analysed for a long time going forward.

Despite the unfavourable starting point in the beginning of the year, the worst nightmares for the economy did not materialise. At the beginning of the year the market got a real roller-coaster ride, but the year that passed was finally a relief in terms of how the economy in Finland as well as in the world made it through a year that was not only affected by the coronavirus but also by other things such as the US presidential election and the upcoming Brexit.

However, the beginning of the year was challenging for Aktia. Following the steep market drop, the negative value changes in the life insurance company's investment portfolio during the first quarter were the main reason for the decrease of the comparable operating profit for 2020 to EUR 55.1 (68.2) million.

The financial performance for the end of the year, however, shows that also the recovery supported by the good market development was quick. I am particularly pleased with the development of our customer related business that was excellent during the entire year, despite the uncertainty caused by the coronavirus. Net interest income for the entire year increased by 4 per cent from the previous year and commission income remained unchanged.

Net interest income continued to develop well

Aktia's comparable operating profit during the final quarter of the year was EUR 19.8 (19.2) million and somewhat better than for the previous year mainly owing to the good development of income.

The operating income continued to develop well: net interest income during the final quarter increased by 8 per cent from last year and amounted to EUR 20.8 million, which I think is a good performance in an environment with low interest rates and margins. Our determined work to develop our sales organisation as well as our customer satisfaction started bearing fruit and Aktia's market share in housing loans and other credits that have been granted to households increased during the second half of the year. Aktia's loan book has increased during the year both organically as well as with the help of the loan book that we purchased from the Real Estate Mortgage Bank (in total EUR 115 million during 2019–2020).

Despite the market downswing in the beginning of the year, the commission income for the final quarter, EUR 25.4 million, remained at the same level as during the previous year. Owing to both net subscriptions and changes on the market, Aktia's assets under management increased to an all-time high at the end of the year and amounted to EUR 10.4 billion. The decreased use of cards among customers was still reflected in lower card payment fees at the end of the year.

Net income from life insurance was also strong during the final quarter and amounted to EUR 10.2 million, which is 24 per cent better than last year. The value changes in real estate and fund investments and the increased interest in life insurances influenced the good performance. The number of sold life insurances was almost 40 per cent higher year-on-year. In addition to the ongoing coronavirus pandemic affecting people's awareness of safeguarding their economies, the more sales-oriented strategy in Aktia Life Insurance has also brought results.

The comparable expenses were EUR 36.3 (35.2) million and increased by approximately 3 per cent from the previous year. Growth investments increased staff costs from last year.

Focus on digital services during the covid period

The strong development of digital banking services has long played a central role in Aktia. The exceptional year, however, increased the demand for digital services to a whole new level – even amongst them who previously have been hesitant about using these services. Concurrently, the demand for cash has further decreased. Customer meetings were mainly held remotely, and positive customer and employee experiences show that the new operating models probably will be used more extensively than before the corona pandemic.

The coronavirus also affected the economy in several households and companies. During spring Aktia supported its private customers by offering an instalment-free period free of charge and received during the year a total of approximately 15,000 applications. Instalment-free periods were granted more than usual also to companies.

We have previously announced that we as a conservative lender have not identified significant individual risky lines of business or risk concentrations in our loan book, which to a larger extent would be affected by the difficult situation. This is still the case.

The Board of Directors of Aktia Bank Abp decided on 11 January 2021 according to the authorisation given by the Annual General Meeting in 2020 on paying out a dividend of EUR 0.53 per share. The Board of Directors has considered the Financial Supervisory Authority's updated recommendation on credit institutions' distribution of profits from 18 December 2020 and decided after careful consideration to decrease the amount of the dividend to the lower limit of its dividend policy, which is 60 per cent of the profit for the reporting period. The Financial Supervisory Authority's recommendation in this exceptional situation is understandable but Aktia is a bank with a solid capital adequacy ratio and has been a reliable distributor of dividend for a long time.

It is important that Aktia will be an interesting investment object also in the future. Aktia also has an important and responsible duty in society: our mission, i.e. our fundamental objective, is to create wealth together. Over 90 per cent of Aktia's shareholders are Finnish and thus we support the Finnish economy and society with the dividends.

Helsinki 18 February 2021

Mikko Ayub
CEO

Profit and balance

Profit October–December 2020

The comparable operating profit increased to EUR 19.8 (19.2) million. The Group's reported operating profit increased to EUR 19.7 (19.1) million while the profit for the period decreased to EUR 15.1 (15.9) million.

Unrealised value changes in the life insurance company's investment portfolio recovered somewhat under the fourth quarter. Net interest income still shows a steady growth from last year. Assets under management (AuM) recovered strongly during the fourth quarter and was EUR 594 million higher than at year-end last year.

Items affecting comparability

(EUR million)	Oct-Dec 2020	Oct-Dec 2019
Costs for restructuring	-0.1	-0.1
Total	**-0.1**	**-0.1**

Income

The Group's operating income increased to EUR 57.0 (55.2) million, mainly due to positive unrealised value changes in the life insurance company's investment portfolio and a strong net interest income.

Net interest income was EUR 20.8 (19.3) million. Net interest income from borrowing and lending increased by 11% to EUR 20.6 (18.5) million and interest expenses for other financing increased to EUR -1.8 (-1.3) million.

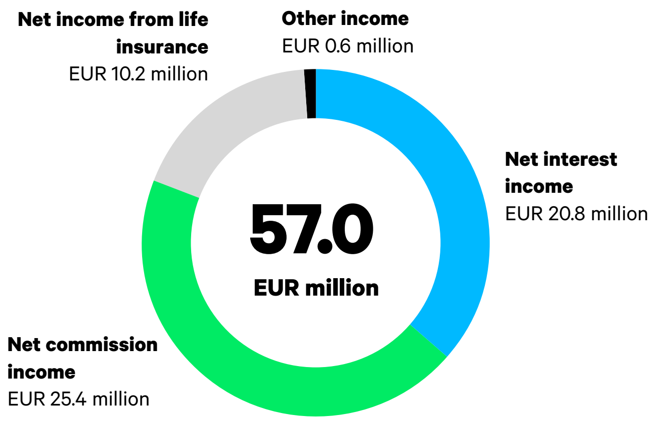
Net commission income decreased by 2% to EUR 25.4 (25.8) million. Commission income from funds, asset management and securities brokerage was 2% lower than last year and amounted to EUR 16.9 (17.3) million. Commission income from cards, payment services and borrowing decreased by 11% to EUR 6.5 (7.3) million while commission income from lending increased by 9% to EUR 2.4 (2.2) million.

Net income from life insurance increased to EUR 10.2 (8.3) million, which is mainly related to unrealised value changes in the life insurance company's investment portfolio of EUR 4.1 (3.0) million. The actuarially calculated result improved by EUR 8.9 million, which mainly pertains to lower interest reservations compared to the previous year. Sales gains from the investment portfolio decreased to EUR 2.4 (9.4) million.

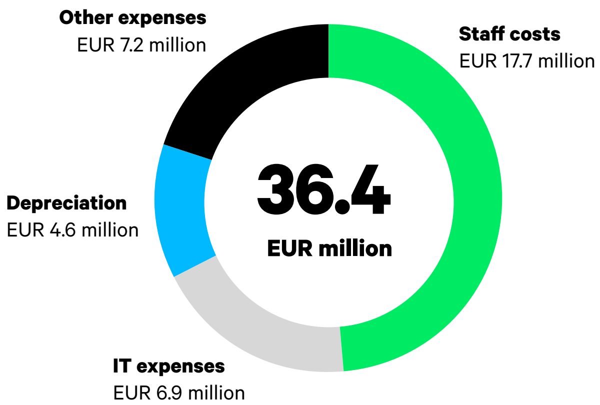
Net income from financial transactions decreased to EUR 0.1 (0.9) million. The decrease pertains mainly to lower net income from derivatives and value changes in the shareholding in Visa Inc.

Other operating income decreased to EUR 0.4 (0.9) million.

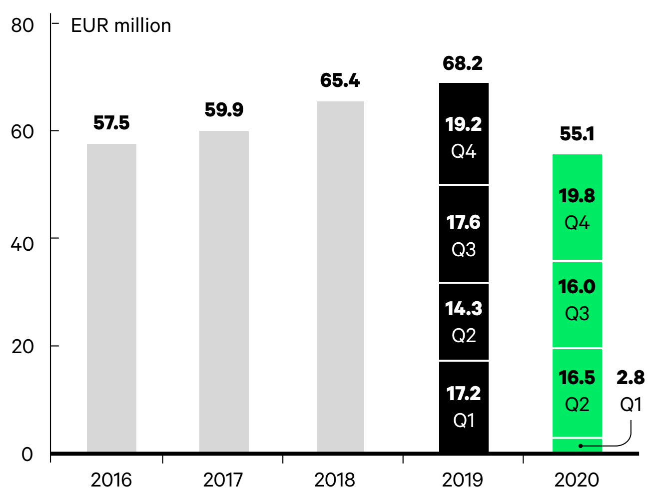
Operating income 4Q2020



Operating expenses 4Q2020



Comparable operating profit 2016–2020, EUR million



Expenses

Operating expenses increased to EUR 36.4 (35.3) million. The quarter includes restructuring costs of EUR 0.1 (0.1) million, which has led to a 3% increase in the comparable operating expenses from EUR 36.3 (35.2) million.

Staff costs increased to EUR 17.7 (16.9) million, including EUR 0.1 (0.1) million in restructuring costs. Comparable staff costs increased by 4% to EUR 17.6 (16.8) million.

IT-related expenses were EUR 6.9 (6.8) million.

Depreciations of tangible and intangible assets decreased to EUR 4.6 (4.9) million and relate to decreased depreciations of right-of-use assets.

Other operating expenses increased by 8% to EUR 7.2 (6.7) million. The increase pertains mainly to higher commission expenses in the life insurance company and higher surveillance fees.

Impairments on credits and other commitments amounted to EUR -0.8 (-0.8) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.2 (0.3) million.

Profit 2020

The Group's operating profit decreased to EUR 54.8 (74.8) million and the Group's profit to EUR 42.6 (61.8) million. Comparable operating profit decreased to EUR 55.1 (68.2) million.

The decreased comparable operating profit is mostly attributable to the outbreak of the coronavirus crisis in March. The individually largest negative impact on the income statement pertains to unrealised value changes in the life insurance company's investment portfolio which decreased by EUR 11.2 million year-on year. Net commission income is slightly lower than last year, whereas net interest income shows stable growth.

Items affecting comparability

(EUR million)	Jan-Dec 2020	Jan-Dec 2019
Additional income from divestment of Visa Europe to Visa Inc	-	0.5
Profit from divestment of shares in Samlink Ltd	-	9.6
Costs for restructuring	-0.3	-3.5
Total	**-0.3**	**6.5**

Income

The Group's operating income decreased to EUR 201.1 (221.4) million, which includes items affecting comparability for the reference period of EUR 10.1 million. The Group's comparable operating income decreased by 5% to EUR 201.1 (211.4) million, which mainly due to the corona crisis pertains to unrealised value changes in the life insurance company's investment portfolio.

Net interest income increased to EUR 80.7 (77.6) million. Net interest income from borrowing and lending increased by 7% to EUR 78.3 (73.4) million, whereas interest income from hedging measures through interest rate derivatives decreased to EUR 2.2 (4.0) million.

Net commission income from lending decreased to EUR 97.6 (99.1) million. Commission income from mutual funds, asset management and securities brokerage increased to EUR 64.3 (63.9) million. However, commission income from cards, payment services and borrowing decreased by 8% to EUR 26.6 (29.2) million and commission income from lending decreased to EUR 9.1 (9.7) million.

Net income from life insurance decreased to EUR 19.9 (30.0) million. The EUR -4.3 (6.9) million decrease mainly relates to unrealised value changes in the life insurance company's investment portfolio. However, the actuarially calculated result improved by EUR 14.2 million, which mainly pertains to lower interest reservations than last year, the takeover of Liv-Alandia's insurance portfolio, lower paid interest on the interest-linked technical provisions and a better risk result than for the previous year. Sales gains from the investment portfolio decreased to EUR 4.5 (10.3) million.

The net result from financial transactions was EUR 0.6 (2.9) million. The reference period includes an additional income of EUR 0.5 million from the sale of Visa Europe to Visa Inc. and the comparable net income from financial transactions has decreased to EUR 0.6 (2.4) million. The value change in the Visa Inc. shares and the net result from hedge accounting have decreased, whereas net income from derivatives has increased from last year.

Other operating income was EUR 1.9 (11.4) million and dividends EUR 0.4 (0.5) million. The reference period includes a EUR 9.6 million profit from the divestment of the shares in Oy Samlink Ab and the other comparable operating income was EUR 1.9 (1.8) million.

Expenses

Operating expenses amounted to EUR 142.2 (143.9) million, including EUR 0.3 (3.5) million in restructuring costs. Comparable operating expenses increased to EUR 141.9 (140.4) million.

Staff costs amounted to EUR 69.1 (69.0) million, including EUR 0.3 (2.2) million in restructuring costs. Comparable staff costs increased by 3% to EUR 68.8 (66.8) million and relate to higher running staff costs.

IT-related expenses were EUR 26.0 (26.2) million. The expenses for IT licenses have increased while the expenses for IT consultants have decreased since last year.

The depreciation of tangible and intangible assets decreased to EUR 18.3 (19.5) million. The depreciation mainly relates to decreased depreciations of right-of-use assets.

Other operating expenses decreased to EUR 28.8 (29.2) million. However, the other comparable operating expenses increased by 3% to EUR 28.8 (27.9) million since the reference period includes EUR 1.3 million restructuring costs. The increase pertains to the cost for the stability fee, which has increased by EUR 0,8 million from last year.

Impairments on credits and other commitments amounted to EUR -4.0 (-4.5) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.7 (-1.1) million. The increase in model-based credit losses (ECL) during the year mainly relates to higher provisions with regards to healthy credits in stage 1 and stage 2 as more information of the consequences of the pandemic have become available for the calculations, when it comes to for example observed customer behaviour and risk assessments, as well as updated macroeconomic assumptions.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 10,573 (9,697) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees increased to EUR 699 (641) million.

Borrowing

Borrowing from the public and public-sector entities increased to EUR 4,466 (4,060) million. Aktia's market share of deposits was 3.1% (3.2%) at the end of December

The value of bonds issued by Aktia Bank totalled EUR 2,720 (2,526) million. After an issued retained covered bond was set off, EUR 1,622 (1,613) million consisted of Covered Bonds issued by Aktia Bank.

During the fourth quarter, Aktia Bank issued new long-term unsecured bonds to the value of EUR 166 million within the scope of the bank's EMTN programme. During the period January–December, new long-term unsecured bonds to the total value of EUR 856 million have been issued, partially to replace the unsecured bonds that have been repaid during the period and partially to replace the unsecured bonds that will be repaid during the fourth quarter. In addition, Aktia Bank has issued a retained Covered Bond of EUR 300 million with a maturity of 4 years. The aim of the issue was an exchange of collateral in the central bank.

Lending

Group lending to the public and public-sector entities increased by EUR 571 million to EUR 7,000 (6,429) million. Loans to households accounted for EUR 5,083 (4,886) million, or 72.6% (76.0%) of the total loan book.

The housing loan book totalled EUR 5,185 (4,877) million, of which the share for households was EUR 4,178 (4,026) million. Aktia's new lending was EUR 1,199 (1,179) million. At the end of December, Aktia's market share in housing loans to households was 4.1% (4.0%).

Corporate lending accounted for 14.0% (12.0%) of the Aktia Group's loan book. Total corporate lending increased to EUR 979 (771) million. Loans to housing companies increased to EUR 908 (738) million, making up 13.0% (11.5%) of Aktia's total loan book.

Loan book by sector

(EUR million)	31 Dec 2020	31 Dec 2019	Δ	Share, %
Households	5,083	4,886	197	72.6%
Corporates	979	771	208	14.0%
Housing companies	908	738	170	13.0%
Non-profit organisations	27	31	-4	0.4%
Public sector entities	3	4	-1	0.0%
Total	**7,000**	**6,429**	**571**	**100.0%**

Financial assets

The Aktia Group's financial assets consist of the Bank Group's liquidity portfolio amounting to EUR 1,446 (1,326) million, the life insurance company's investment portfolio of EUR 602 (546) million, and the Bank Group's equity holdings of EUR 5 (5) million. In connection with the acquisition of Liv-Alandia's life insurance portfolio, Aktia made a subscription for a subordinated loan to Liv-Alandia, the market value of which was EUR 79 million at the end of the period.

Technical provisions

The life insurance company's technical provisions increased to EUR 1,411 (1,260) million, of which EUR 98 million is attributable to the acquisition of the life insurance portfolio from Liv-Alandia. Unit-linked technical provisions increased to EUR 970 (869) million and include EUR 14 million from the acquisition of Liv-Alandia's life insurance portfolio. Interest-related technical provisions increased to EUR 441 (390) million and include EUR 84 million from the acquisition of Liv-Alandia's life insurance portfolio.

Equity

The Aktia Group's equity amounted to EUR 667 (610) million. The fund at fair value increased to EUR 21 (15) million and the profit for the period to EUR 43 million.

During the first quarter, Aktia Bank Plc has in a directed share issue issued 744,696 new shares as part of the acquisition of the 24% minority share in Aktia Asset Management Ltd. The issue was carried out through an exchange of shares and it did not affect the Group's total equity as Aktia Asset Management Ltd also prior to the acquisition had been included in the Aktia Bank Plc Group.

Assets under Management

The Group's total assets under management were EUR 12,712 (11,948) million.

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

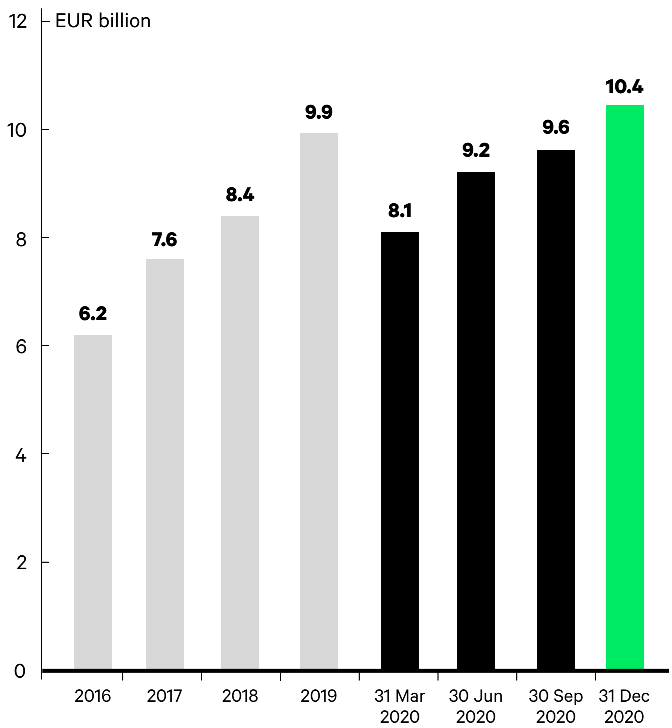
Group financial assets include the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	30 Dec 2020	31 Dec 2019	Δ %
Customer assets under management*	10,447	9,853	6%
Group financial assets	2,265	2,095	8%
Total	**12,712**	**11,948**	**6%**

* Excluding Fund in funds

Customer assets under management (AuM) excluding custody assets 2016–2020, EUR billion



Segment overview

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

Banking Business

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

Private customers

The virtual customer work continued during the final quarter of the year and the demand for and adaptation to digital services among customers continued to increase. The Aktia House on Arkadiankatu 4–6 in Helsinki, was finished during the third quarter and has been available to customers since then. Customers have welcomed the Saturday and Sunday opening hours of the customer service. The new customer areas have been received with appreciation. The development of the service model continues and the work with Aktia Studio and Aktia Service Point in Helsinki continues.

The interest in housing transactions was still active during the quarter. The demand for mortgage loans was stable throughout the year and the digital mortgage loan process with a very fast indicative offer contributed to an increased number of transactions. The restrictions for leisure travel affected the private customers' consumption behaviour mainly through a decreased use of credit cards.

Aktia's customers continue to show an increased interest in their own economy. Throughout the entire year the efforts made by the customer service have been appreciated in all customer segments. Especially Private Banking had strong customer satisfaction figures (NPS) for the final quarter of the year. The good development of return in our investment funds together with our discretionary mandates in Private Banking have combined with our increased visibility in media led to an increased interest in Aktia's services.

Corporate customers

Despite the coronavirus pandemic, the demand for corporate loans continued to increase partially owing to the European Investment Fund EIF's guarantee scheme. However, companies' investment appetite varied significantly between lines of business. The coronavirus has not significantly affected Aktia's corporate customers' will to make changes in their payment plans or to apply for financing for working capital.

The financing for RS objects continued to increase during the quarter. The main focus for the objects is on selected strategic growth areas. The activity among SMEs was still high during the quarter and because of this, there has from time to time been a backlog in the customer service. Aktia's corporate bank received an excellent score from its corporate customers in the customer satisfaction survey (NPS).

Results for Banking Business segment

(EUR million)	2020	2019	Δ %
Operating income	136.2	134.4	1%
Operating expenses	-101.8	-104.2	-2%
Operating profit	30.4	25.7	18%
Comparable operating profit	30.5	29.1	5%

Operating income for the period increased to EUR 136.2 (134.4) million.

Net interest income was 6% higher than in the previous year and was EUR 71.6 (67.4) million. The increase is mainly related to the growth in corporate customers' loan book, and the decrease in the interest rate of savings deposits (on 1 April 2020) decreased the interest expenses of the private customer segment. Customer margins for private customers were still pressed, which caused margin levels to decrease from last year. The customer margins for corporate customers, however, increased somewhat from last year. The total loan book increased by 9% to EUR 6,999 (6,429) million, of which private customers' loan book increased to EUR 5,109 (4,924) million and corporate customers' loan book to EUR 1,889 (1,505) million. The increased loan book partially pertains to Aktia's purchase of credits totalling EUR 60 million from the Mortgage Society of Finland during the first half of the year as well as the campaign for instalment-free periods following the corona crisis. In the fourth quarter, the balance sheet growth was good, the banking business's loan book increased by EUR 220 million during the quarter.

Private and corporate customers' depositions were 10% higher than last year and amounted to EUR 4,511 (4,112) million. The increase is mainly due to corporate customers' depositions.

Net commission income was 5% lower than last year and amounted to EUR 63.6 (66.6) million. The decrease mainly pertains to lower commission income from cards, lending and insurance brokerage. The coronavirus pandemic has led to changes in the use of cards within e.g. travelling and cash payments, which has led to decreased volumes and hence decreased commission income from card operations. The renewal of the product selection and the distribution channels decreased commission income from insurance brokerage. Assets under management at the end of the period were 13% higher than last year. Customers' confidence in the investment market recovered during the first half of the year, commission income from investment activities increased after the decrease in the first quarter.

Other operating income amounted to EUR 1.0 (0.3) million, including one-off recognised items of EUR 0.6 million.

Comparable operating expenses for the period increased to EUR 101.7 (100.8) million. The increase is mainly attributable to the stability fee, which was EUR 0.8 million higher than last year and the IT expenses were higher than last year. The change in the service model in the end of 2019 has on the other hand decreased the operating expenses. The reported operating expenses for the reference period include expenses for restructuring amounting to EUR 3.3 million.

Impairments on credits and other commitments decreased to EUR -4.0 (-4.5) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.7 (-1.1) million, whereas other impairments on credits decreased to EUR -2.3 (-3.4) million.

Asset Management

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

Customer assets under management

(EUR million)	31 Dec 2020	31 Dec 2019	Δ %
Customer assets under management*	10,447	9,853	6%
of which institutional assets	7,071	6,821	4%

* Excluding fund in funds

Asset management

Assets under management increased strongly during the quarter due to positive net subscriptions, EUR 425 million during the quarter, and the increased market prices for risk investments amounted to EUR 10.4 billion at year-end, which is an all-time high for Aktia. We started a distribution cooperation with Nordnet in December and the number of subscriptions via Nordnet, particularly in the equity funds, has been pleasing. The virtual customer service continued to run smoothly in terms of meetings as well as events. At year-end, Aktia also published its first "Market overview" publication.

Aktia's strong competence within equity management was paid attention to in media when the return on the Aktia Nordic Small and Micro Cap funds were on top among the Nordic equity funds. The newspaper Dagens Industri called Aktia's asset managers Jan Brännback and Janne Lähdesmäki "the best in the Nordic countries". The funds' Morningstar ratings are still excellent, and the average rating increased in December to 4.16, which is the highest number of all fund managers in Finland. Most of the funds received the rating 4–5.

Aktia's fund strategies have brought our customers very good return in the longer term and our active portfolio management was very successful even during the turbulent year. The return on the asset management portfolios also outperformed their benchmark indexes. Aktia was still concentrating on international growth and actively met with customers and issuers remotely. The international net subscriptions were positive and the interest in Aktia's competence within fixed-income fund management was reflected in a very active dialogue with potential new investors. The fund capital for the UI-Aktia funds was EUR 1.98 million at the end of the quarter.

Life insurance

The sales of personal coverage were still strong during the final quarter of the year. The prevailing pandemic has partially contributed to an increase in people's awareness of and need to safeguard their economies, which is also reflected in an increased demand for personal coverage. The recovery of the investment markets was in its turn reflected in recovered new sales of investment-linked products and we can establish that our investment-linked assets under management at year-end were on a higher level than in the beginning of the year.

The selection to corporate customers expanded during the quarter amongst others with a group life insurance and with a slightly renewed group pension insurance. Both are well suited for e.g. long-term incentives and committing the employees in the customer enterprises. As a new distribution partner, Suomen Yrittäjäturva started its business at the end of November.

The updated strategy for the life insurance business that has been prepared during the beginning of the year could be implemented as of the final quarter of the year and as a part of this work we composed our customer and service promise together with all our employees – during the virtual employee day as well as during remote group-work. This work is the foundation for the activity plan for the strategy period. The main objective for the action plan is to create prerequisites for an effective increase of the life insurance business.

To secure our competitiveness, we will continue to develop our product selection also going forward. Customer reporting, digital services and the selection of investment products are included in the development scheme for 2021. In addition to this, we are heavily investing in growth and new customer acquisition both through Aktia Bank and our other distribution channels.

Results for Asset Management segment

(EUR million)	2020	2019	Δ %
Operating income	56.4	65.6	-14%
Operating expenses	-32.4	-32.0	1%
Operating profit	24.0	33.6	-29%
Comparable operating profit	24.1	33.6	-28%

The operating income for the period decreased by 14% to EUR 56.4 million, which is mainly explained by significant negative unrealised value changes from the life insurance business' private equity and fixed-income funds for EUR -2.2 (2.4) million as well as from EUR -3.8 (3.9) million property valuations. The period has been affected by heavy volatility on the investment market. During the first quarter of 2020, the market values decreased and during the second quarter the market both increased and stabilised. In the third quarter, the market values remained at the same level as in the second quarter. The final quarter of the year ended with increasing market values.

Net commission income increased by 1% to EUR 40.3 million while net income from life insurance decreased by 38% to EUR 15.8 million due to the decline in the investment portfolio. The sales of investment-linked savings insurances amongst Private Banking customers were still strong and formed the largest customer group measured in EUR. Operating expenses for the segment increased by 1% to EUR 32.4 million, which mainly relates to the increase in sales commission expenses for life insurance.

Assets under management increased by EUR 594 million from the year-end and amounted to EUR 10,447 (9,853) million. Net subscriptions for the period amounted to EUR 331 million, and the market value change to EUR 263 million.

Group Functions

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

Results for Group Functions segment

(EUR million)	2020	2019	Δ %
Operating income	17.4	30.4	-43%
Operating expenses	-16.8	-16.8	0%
Operating profit	0.5	13.6	-96%
Comparable operating profit	0.6	3.7	-83%

The comparable operating income of the segment decreased to EUR 17.4 (20.4) million and the reported operating income to EUR 17.4 (30.4) million. Last year includes a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd, and an additional income of EUR 0.5 million relating to the sale of Visa Inc. 2016.

The segment's net interest income decreased by EUR 1.0 million to EUR 9.1 million. Interest income from hedging measures via interest rate derivatives decreased by EUR 1.8 million. Lower negative interest on assets in the Bank of Finland has partially compensated for the decreased income from the unwound interest rate hedges. Interest income from the bank's liquidity portfolio was at the same level as last year and positive interest yield has been retained when reinvesting in the liquidity portfolio despite the challenging interest rate situation.

Since March 2015, Aktia participates in the European Central Bank's refinancing operations (TLTRO), which has enabled Aktia to offer the market favourable and competitive loans. Interest expenses from Aktia's TLTRO financing decreased slightly to EUR 1.0 (1.6) million.

The segment's comparable operating expenses were at the same level as last year.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
Income statement	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net interest income	71.6	67.4	0.0	0.0	9.1	10.1	0.0	-	80.7	77.6
Net commission income	63.6	66.6	40.3	39.8	6.4	6.0	-12.7	-13.3	97.6	99.1
Net income from life insurance	-	-	15.8	25.5	-	-	4.0	4.5	19.9	30.0
Other operating income	1.0	0.3	0.2	0.3	1.9	14.3	-0.2	-0.2	2.9	14.7
Total operating income	**136.2**	**134.4**	**56.4**	**65.6**	**17.4**	**30.4**	**-8.9**	**-9.0**	**201.1**	**221.4**
Staff costs	-20.5	-22.0	-13.9	-14.3	-34.7	-32.7	-	-	-69.1	-69.0
Other operating expenses[1]	-81.3	-82.1	-18.5	-17.7	17.9	15.8	8.9	9.1	-73.1	-74.9
Total operating expenses	**-101.8**	**-104.2**	**-32.4**	**-32.0**	**-16.8**	**-16.8**	**8.9**	**9.1**	**-142.2**	**-143.9**
Impairment of credits and other commitments	-4.0	-4.5	-	-	0.0	0.0	-	-	-4.0	-4.5
Share of profit from associated companies	-	-	-	-	-	-	-0.1	1.7	-0.1	1.7
Operating profit	**30.4**	**25.7**	**24.0**	**33.6**	**0.5**	**13.6**	**-0.1**	**1.8**	**54.8**	**74.8**
Comparable operating profit	**30.5**	**29.1**	**24.1**	**33.6**	**0.6**	**3.7**	**-0.1**	**1.8**	**55.1**	**68.2**

Balance sheet	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Financial assets measured at fair value	-	0.1	1,447.1	1,268.9	1,053.7	1,025.5	-10.0	-15.0	2,490.7	2,279.4
Cash and balances with central banks	1.3	1.8	0.0	0.0	297.3	313.5	-	-	298.6	315.4
Interest-bearing securities measured at amortised cost	-	-	37.8	47.9	376.0	288.6	-	-	413.8	336.5
Loans and other receivables	6,998.7	6,428.9	54.6	60.8	24.9	15.3	-49.6	-58.5	7,028.7	6,446.5
Other assets	72.6	22.4	58.3	65.1	277.7	293.6	-67.6	-61.7	341.0	319.3
Total assets	**7,072.6**	**6,453.2**	**1,597.8**	**1,442.6**	**2,029.6**	**1,936.4**	**-127.2**	**-135.2**	**10,572.8**	**9,697.1**
Deposits	4,582.3	4,185.6	-	-	631.7	530.4	-49.6	-58.5	5,164.4	4,657.5
Debt securities issued	-	-	-	-	2,855.6	2,637.3	-9.8	-14.6	2,845.8	2,622.7
Technical provisions	-	-	1,410.8	1,259.8	-	-	-	-	1,410.8	1,259.8
Other liabilities	64.0	13.5	27.9	32.3	402.5	511.7	-9.5	-10.3	484.9	547.2
Total liabilities	**4,646.2**	**4,199.1**	**1,438.8**	**1,292.1**	**3,889.8**	**3,679.4**	**-68.8**	**-83.4**	**9,905.9**	**9,087.1**

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

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

Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 14.0 (14.7) %. After deductions, Common Equity Tier 1 capital increased by EUR 36,2 million during the period, which affected the CET1 capital ratio by 1.2 percentage points. The maximum 2020 dividend, EUR 0.43 per share, has been deducted from the CET1 capital in accordance with the Board's proposal to Annual General Meeting. Risk-weighted assets increased by EUR 393.1 million, which reduced the CET1 capital ratio by 1.9 percentage points. The increase in risk-weighted assets is mainly pertained to an increase in corporate exposures.

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

Capital adequacy, %	**31 Dec 2020**	**31 Dec 2019**
Bank Group		
CET1 capital ratio	14.0	14.7
Total capital ratio	16.6	18.6

The total capital requirement for banks consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The table below describes the different components for Aktia's capital requirements. Taking all buffer requirements into account, the minimum total capital ratio level for the Bank Group was 11.76%, and 9.76% for Tier 1 ratio at the end of the period. The Finnish Financial Supervisory Authority has on 13 December 2019 determined a new Pillar 2 requirement of 1.25 (previously 1.75) % for Aktia. The new requirement entered into force on 30 June 2020.

The authorities have lowered capital requirements in Europe in order to ease the negative effects of the coronavirus pandemic. In Finland the Financial Supervisory Authority has decided on removing the system risk buffer requirement for Finnish credit institutions as of 6 April 2020, which lowered Aktia's capital requirement by 1.0 percentage point.

The Financial Supervisory Authority informed on 30 September 2020 that the period of validity for the 15% risk-weight floor for residential mortgage loans will not be extended and the risk-weight floor will be discontinued on 1 January 2021. The Financial Supervisory Authority has approved Aktia's application to change the definition of default which relates to IRB models. The new models will be taken in use in the beginning of 2021.

Leverage ratio	**31 Dec 2020**	**31 Dec 2019**
Tier 1 capital	424.3	388.1
Total exposures	9,211.3	8,474.5
Leverage ratio, %	**4.6**	**4.6**

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

Total capital requirement

			Buffer requirements				
31 Dec 2020	**Pillar 1 requirement**	**Pillar 2 requirement**	**Capital Conservation**	**Counter-cyclical**	**O-SII**	**Systemic risk**	**Total**
CET1 capital	4.50	1.25	2.50	0.01	0.00	0.00	8.26
AT1 capital	1.50	0.00					1.50
Tier 2 capital	2.00	0.00					2.00
Total	**8.00**						**11.76**

MREL-requirement (EUR million)	31 Dec 2020	31 Dec 2019
MREL requirement	727.3	670,9
Own funds and eligible liabilities		
CET1	424.3	388,1
AT1 instruments	0.0	0,0
Tier 2 instruments	95.6	160,4
Other liabilities	1,082.4	247,9
Total	**1,602.3**	**796,4**

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

Solvency II	With transitional rules		Whitout transitional rules	
(EUR million)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
MCR	28.2	24.2	29.5	25.9
SCR	109.0	86.6	119.4	98.3
Eligible capital	159.1	166.3	116.2	120.2
Solvency ratio, %	145.9	192.1	97.4	122.2

The Group's risk exposures

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

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

Definitions and general principles for asset and risk management can be found in note 2 on p. 117–132 in Aktia Bank Plc's Annual and Sustainability Report for 2019 and in Aktia Bank Plc's Capital and Risk Management Report on the Group's website www.aktia.com.

Banking and asset management business

Credit risks

Aktia's loan book constitutes for the major part of loans to households and private persons with residential or real estate securities. The loan ratio measured in loan-to-value (LTV) is on an adequate level and a low risk level provides a good quality of credits in Aktia's loan book. At the year-end 2020 the LTV level amounted on average to 44% for the entire loan book.

Loans past due by time overdue and ECL stages

(EUR million) Days	31 Dec 2020 Stage 1	Stage 2	Stage 3	Total
≤ 30	25.6	24.6	0.7	50.9
of which households	19.0	23.0	0.6	42.6
> 30 ≤ 90	0.0	22.0	0.9	22.9
of which households	0.0	21.3	0.4	21.7
> 90	0.0	0.0	40.8	40.8
of which households	0.0	0.0	34.5	34.5

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

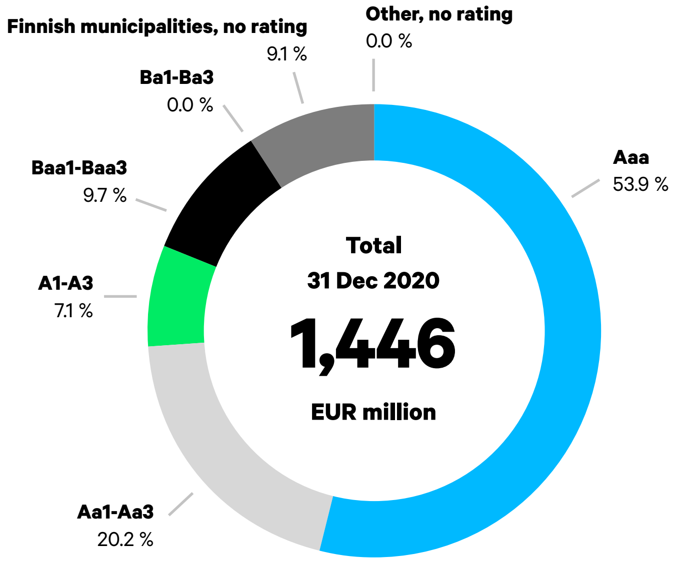
(EUR million)	31 Dec 2020	31 Dec 2019
Corporate		
PD grades A	209.7	199.5
PD grades B	866.5	707.7
PD grades C	797.0	552.1
Default	27.4	20.7
	1,900.6	1,480.0
Loss allowance (ECL)	-15.0	-15.1
Carrying amount	1,885.6	1,464.9
Households		
PD grades A	3,319.7	3,448.6
PD grades B	1,130.4	837.8
PD grades C	908.5	781.1
Default	41.7	51.6
	5,400.4	5,119.1
Loss allowance (ECL)	-15.5	-13.6
Carrying amount	5,384.9	5,105.5
Other		
PD grades A	29.9	26.4
PD grades B	348.0	330.6
PD grades C	79.1	159.2
Default	0.6	0.9
	457.6	517.1
Loss allowance (ECL)	-0.5	-0.5
Carrying amount	457.1	516.7

Market risks

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

The interest rate risk is the largest market risk. A structural interest rate risk occurs as a result of differences interest determination periods and repricing of interest-bearing assets and liabilities. In the banking business, structural interest rate risks are actively managed through various trading arrangements considering the current market situation, either through hedging derivatives or investments in the liquidity portfolio or a combination of both, depending on the prevailing market conditions.

Rating distribution for the Bank Group's liquidity portfolio



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

The Group's interest rate risk further increased somewhat during the fourth quarter due to the dropping market rates but is still on a low level.

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

Equity investments pertaining to business operations amounted to EUR 5.0 (5.0) million. The Bank Group had no real estate holdings at the end of the period.

The Bank Group's total currency exposure is marginal and amounted to EUR 3.9 (4.8) million at the end of the period.

Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,368 (1,104) million at the end of the period.

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

Liquidity reserve, market value (EUR million)	31 Dec 2020	31 Dec 2019
Cash and balances with central banks	250	271
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	226	195
Securities issued or guaranteed by municipalities or the public sector	132	208
Covered Bonds	755	430
Securities issued by credit institutions	6	0
Securities issued by corporates (commercial papers)	0	0
Total	**1,368**	**1,104**
of which LCR-qualified	*1,362*	*1,104*

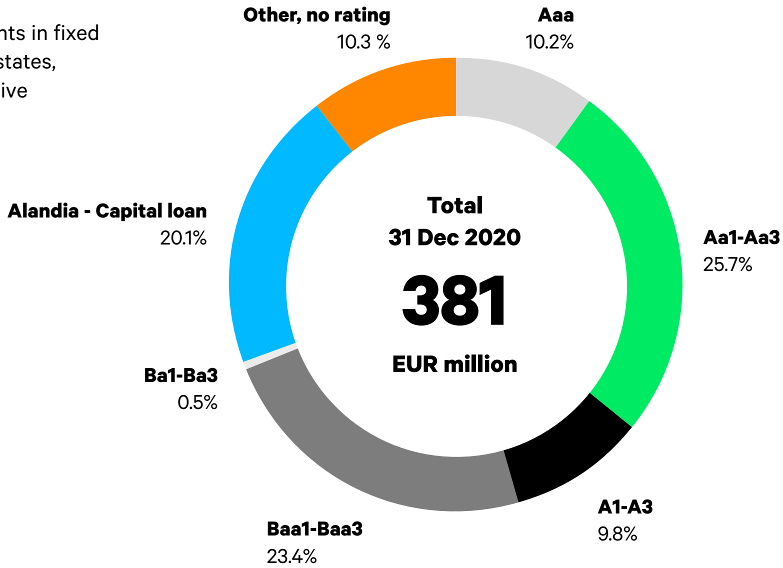
The liquidity risk is, among other things, followed up by the Liquidity Coverage Ratio (LCR). LCR measures the short-term liquidity risk and is aimed to ensure that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is enough to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued bonds. The LCR amounted to 138% (118%)..

Liquidity coverage ratio (LCR)*	31 Dec 2020	31 Dec 2019
LCR %	138%	118%

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

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

(excluding investments in fixed income funds, real estates, equities and alternative investments)



Life Insurance Business

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 602 (546) million. The life insurance company's direct real estate investments amounted to EUR 40 (42) million. The properties are in the Helsinki region and in other growth areas in Southern Finland and they mostly have long tenancies.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	31 Dec 2020		31 Dec 2019	
Fixed income investments	**437.0**	**72.6%**	**387.7**	**71.0%**
Government bonds	119.2	19.8%	112.8	20.7%
Financial bonds	62.7	10.4%	114.6	21.0%
Other corporate bonds [1]	184.6	30.6%	80.4	14.7%
Emerging Markets (mtl. funds)	43.2	7.2%	50.1	9.2%
High yield (mtl. funds)	24.0	4.0%	19.5	3.6%
Trade finance (mtl. funds)	3.4	0.6%	10.3	1.9%
Alternative investments	**11.8**	**2.0%**	**6.8**	**1.2%**
Private Equity etc.	11.8	2.0%	6.8	1.2%
Real estates	**77.5**	**12.9%**	**68.7**	**12.6%**
Directly owned	40.4	6.7%	42.5	7.8%
Real estate funds	37.1	6.2%	26.2	4.8%
Money Market	**50.2**	**8.3%**	**48.0**	**8.8%**
Cash and bank	**25.8**	**4.3%**	**34.9**	**6.4%**
Total	**602.2**	**100.0%**	**546.1**	**100.0%**

[1] Includes capital loan to Alandia in connection with the acquisition of their life insurance portfolio

Life insurance company's market risk

Technical provisions include an interest reserve of EUR 28.1 (26.0) million, which can be used to cover the future interest rate requirements. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 2.2% for 2021–2025, 2.3% for 2026–2029. The discount rate is subsequently approximately 3%. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. Interest rate risk is the most significant risk in conjunction with technical provisions in the life insurance company. It affects profitability through the spread between rate of return and guaranteed customer rate and capital adequacy as a result of the market valuation of assets and liabilities. Interest rate risk of the company's interest-bearing balance sheet items in the investment portfolio and in the interest-linked and unit-linked technical provisions is calculated through an interest rate stress test (decrease in interest rate) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-termed technical provisions and amounted to EUR -44 (-43) million.

Main events

Aktia's funds at the top of the independent Morningstar's ratings

Aktia's funds were at the top when comparing the Morningstar ratings for the funds of different fund management companies in Finland. The average rating for Aktia's funds was 4.20 stars in August 2020, whereas the next best had an average of 3.77. The fund unit type of each fund that has received the most stars has been considered in the comparison based on Morningstar's ratings.

Aktia's funds available to private investors through Nordnet

Aktia signed a fund distribution contract with Nordnet. Nordnet's customers can now invest in ten funds managed by Aktia.

Aktia founded Suomen Yrittäjäturva – a new company specialised in personal insurance

Aktia extends its distribution network for insurances and founded Suomen Yrittäjäturva – a company that specialises in entrepreneurs and their insurances as well as the distribution of the insurances. The new company is owned by Aktia, Veritas and private owners. The new actor offers mainly private insurances for entrepreneurs as well as statutory and voluntary pension insurances.

Change in Aktia's number of shares

Aktia Bank Plc invalidated 7 October 2020, supported by a decision taken by the company's Board of Directors, 717,196 shares. The invalidated shares were shares that the owner-customers of Veritas Mutual Non-Life Insurance Company received, on the basis of paid insurance premiums, as merger consideration in connection with the merger of Veritas Mutual Non-Life Insurance Company to Aktia Plc on 1 January 2009. The Annual General Meeting decided on 16 April 2020 that the right to unregistered consideration shares were to be forfeited.

Aktia extends its selection of alternative investment products and bought Askel Partners' business

Aktia Fund Management Company Ltd bought the fund business operations of Askel Partners Oy, a provider of fund services. With the purchase Aktia extends its selection of alternative investment products according to its strategy and establishes a Finnish infrastructure fund.

Aktia's acquisition of Alandia's life insurance portfolio completed

Aktia Bank Plc and Alandia Försäkring Abp informed 19 December 2019 that Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia have agreed on the transfer of Alandia's life insurance portfolio to Aktia. Financial Supervisory Authority accepted the transfer, and the acquisition was completed 31 May 2020.

Changes in Aktia's Executive Committee

Anssi Huhta was appointed EVP, Corporate customers and member of the Executive Committee at Aktia as of November 2020. Huhta reports to the CEO Mikko Ayub.

Irma Gillberg-Hjelt, Executive Vice President, Corporate Customers, resigned from her duties at Aktia 15 April 2020.

Aktia Asset Management was rewarded in the Refinitiv Lipper Fund Awards 2020

The fund Aktia Corporate Bond+ was rewarded by the Lipper Fund Awards 2020 as the best fund in euro in the series "Bond EUR Global Corporates" in the category "Best Fund Over Past 10 years". The fund award is granted based on the best return development.

Aktia was chosen for the sixth time as the best fixed income fund house in Finland

Aktia won the category of Fixed Income Fund House in Morningstar's Finland Awards 2020, which was published on 11 March 2020. It was already the sixth time that Aktia was awarded as the best asset manager in Finland and the eighth consecutive year Aktia was among the three best fixed income fund houses.

Aktia improved significantly its rating in CDP’s corporate responsibility ranking

Aktia reached on 23 January 2020 corporate rating B in CDP’s international corporate responsibility ranking, which is over the average in the European financial sector. This is a significant improvement compared to last year’s rating D-. CDP (former Carbon Disclosure Project) is a global non-profit organisation that collects and spreads company-specific information among other things on climate change mitigation and greenhouse gas emissions. Receiving the rating B means that Aktia takes the risks and possibilities relating to climate change even better into account and takes actively measures regarding climate matters.

Google Pay available to Aktia’s customers

Aktia expanded its service range of mobile payments and made Google Pay available to its customers on 18 February 2020. Aktia’s customers can use their Android smart devices for payments by starting to use Google Pay.

Other information

Events after the end of the period

A change in Aktia's Executive Committee

Juha Volotinen, Aktia's Chief Information Officer, gave notice of his resignation from the company. He will leave his duties during March 2021. Aktia immediately started a process for recruiting a successor.

Aktia Bank Plc's Board of Directors decided on the payment of dividend

The Board of Directors of Aktia Bank Abp decided based on the authorisation given by the Annual General Meeting in 2020 on paying out a dividend of EUR 0.53 per share for the accounting period 1 January–31 December 2019. The payable dividend amounts to EUR 36.8 million. The matching date was 13 January 2021 and the payment date 20 January 2021.

Aktia acknowledged the recommendation on distribution of credit institutions' profits updated by the Finnish Financial Supervisory Authority (FSA) on 18 December 2020 and decided after careful consideration to pay its shareholders dividend in accordance with the lower end of its dividend policy. Aktia's objective is according to its dividend policy to pay out a dividend of 60–80 per cent of the profit for the reporting period.

Rating

On 19 May 2020, Standard & Poor's (S&P) changed its view on the outlook for Aktia Bank Plc:s creditworthiness. Along with six other Finnish banks, the outlook was changed from stable to negative. The credit rating for long-term funding is A- and for short-term funding the credit rating is A2.

On 14 September 2020, Moody's Investors Services confirmed Aktia Bank's long-term and short-term credit ratings. The rating for senior preferred bonds was A1 and P-1 for short-term debt instruments. Moody's Investors Service's rating for Aktia Bank's long-term covered bonds is Aaa. The outlook is stable. Moody's Investors Service changed the outlook on the entire Finnish bank sector from stable to negative on 16 April 2020, but the decision does not affect bank-specific ratings at this point.

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

Events concerning related parties

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

Further information on events concerning related parties is described in notes G43 and P43 in the Financial statements 2019.

Staff

The number of full-time employees at the end of December amounted to 830 (31 December 2019; 776). The average number of full-time employees amounted to 806 (1 January-31 December 2019; 787).

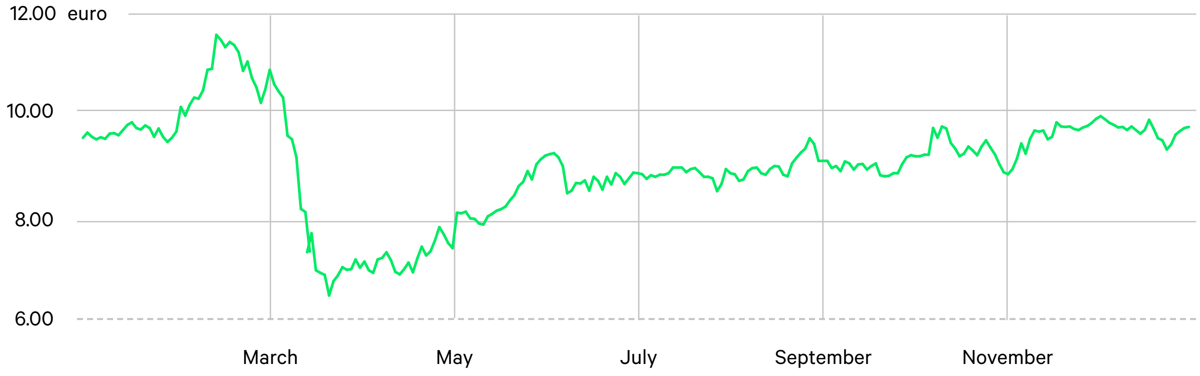
Incentive scheme

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

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

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

Development of Aktia's share 2 January–31 December 2020



Matching shares for the first AktiaUna share savings programme, including the performance-based part of the programme, for 2018–2019 have been regulated during the second quarter 2020.

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

Decisions of Aktia Bank Plc's Annual General Meeting 2020

The Annual General Meeting of Aktia Bank Plc on 16 April 2020 has adopted the financial statements of the parent company and the consolidated financial statements and discharged the previous members of the Board of Directors, the Managing Director and his deputy from liability.

In accordance with the proposal by the Board of Directors, the Annual General Meeting decided, taking into account the recommendations issued by the authorities', to authorise the Board to at a later date decide on the payment of a maximum dividend of EUR 0.63 per share for the accounting period 1 January – 31 December 2019 with a payment at one or more occasions, however, at the earliest on 1 October 2020. The authorisation is in force until the Annual General Meeting 2021. The Board was authorised to decide on the record date and the date of payment of a possible dividend. Aktia will notify of the decisions separately.

The Annual General Meeting confirmed the number of board members as nine. Christina Dahlblom, Johan Hammarén, Maria Jerhamre Engström, Johannes Schulman, Lasse Svens and Arja Talma were re-elected as Board members. As new members of the Board of Directors were elected Kari A.J. Järvinen, M.Sc.Eng., Harri Lauslahti, M.Sc.Econ., and Olli-Petteri Lehtinen, M.Sc.Econ. All board members were elected for a term of office continuing up until the end of the next Annual General Meeting.

The Annual General Meeting determined that the number of auditors shall be one, and re-elected APA firm KPMG Oy Ab as auditor. Remuneration to the auditor shall be paid against the auditor's reasonable invoice.

The Annual General Meeting adopted the proposal of the Board of Directors regarding the right to a share incorporated in the book-entry system and the rights that the share carries have been forfeited for the shares in Aktia Bank Plc's collective account. The shares now object for forfeiture are shares the owner-customers of Veritas Mutual Non-Life Insurance Company received, on the basis of paid insurance premiums, as merger consideration in connection with the merger of Veritas Mutual Non-Life Insurance Company to Aktia Plc on 1 January 2009 and those shares still in the company's collective account and for which a request for registration to the book-entry account has not been put forward before the Annual General Meeting's decision on the matter on 16 April 2020.

All proposals mentioned above are included in the Summons to the Annual General Meeting published on the website www.aktia.com under Investors > Corporate Governance > Annual General Meeting > Annual General Meeting 2020.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 169.7 million. At the end of December 2020, the number of Aktia shares was 69,574,173. The total number of registered holders amounted to 36,918 (31 December 2019; 35,718). 7.75% of the shares were in foreign ownership. The number of unregistered shares was 47,920 on 31 December 2020, corresponding to 0.07% of the total number of shares. On 31 December 2020, the Group held 113,372 Aktia shares (31 December 2019; 29,321). Aktia Bank Plc's market value on 30 December 2020, the last trading day of the period, was approximately EUR 681 million. The closing price for the Aktia share on 30 December 2020 was EUR 9.79. The highest price for the Aktia share during the period was EUR 11.56 and the lowest EUR 6.51.

The average daily turnover of the Aktia share during January–December 2020 was EUR 1,066,797 or 124,006 shares.

(EUR million)	Number of shares	Share capital	Unrestric-ted equity reserve
1 Jan 2019	**69,027,794**	**163.0**	**108.9**
Share issue 16 May 2019	66,959	-	0.6
Share issue 14 Nov 2019	77,684	-	0.7
Other changes	-	-	-
31 Dec 2019	**69,172,437**	**163.0**	**110.2**
Share issue 14 Feb 2020	744,696	6.7	-
Share issue 4 May 2020	220,000	-	1.7
Share issue 27 May 2020	84,355	-	0.6
Invalidation of shares 7 Oct 2020	-717,196	-	
Share issue 16 Nov 2020	69,881	-	0.7
Other changes	-	-	-0.4
31 Dec 2020	**69,574,173**	**169.7**	**112.7**

Financial targets up until 2023

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

- comparable operating profit of EUR 100 million (2020; EUR 55.1 million),
- return on equity (ROE) above 11% (2020; 6.7%),
- comparable cost-to-income ratio under 0.60 (2020; 0.71) and
- Common Equity Tier 1 capital ratio (CET 1) 1.5–3 percentage points over the regulatory requirement (2020; 4.2 percentage points over the minimum capital requirement 9.8%).

Corporate responsibility

Corporate responsibility is a part of our strategy and supports the value creation for our stakeholders. The objective for our corporate responsibility programme is to be a solid, dependable, and environmentally reliable partner for economic well-being and the most attractive workplace in the business. During the year we updated our materiality analysis, clarified our objectives and measures for our corporate responsibility programme for 2020–2023 as well as the selected UN themes for sustainable development. Our aim is to continue integrating the responsibility into our business and to further develop our corporate responsibility reporting.

The carbon footprint for our own equity funds was on average 68% less than for the reference markets. Our long-term objective is to have a smaller carbon footprint than that for the reference market. The investment strategy favours less capital-intensive companies that typically also have favourable emissions profiles.

Private and premium customers' satisfaction with customer meetings, which describes the success of our customer service, increased and was at a good level considering that our target is to go over 50. Our corporate responsibility and ESG activity was also successful. We received the result A+ for responsible investment in two categories within the UN PRI reporting. The rating for our CDP reporting considering climate issues, remained a strong and at B level, which is better than the average for the European financial sector. In December, our eco-efficient headquarters received the WWF Green Office certificate.

Indicator (goal)	2020	2019	Δ
The carbon footprint of our equity funds* compared to the reference market (in the long run smaller on average than that of the reference market)	68	51	17
NPS (Net Promoter Score), measu-ring customers' satisfaction, private and premium customers (at least 50)	68	66	2

* Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America, Global and Aktia Equity Portfolio.

Risks and outlook

Risks (changed)

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

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

Any future impairment of credits in Aktia's credit portfolio could be due to many factors, of which the most important are the general economic situation, the interest rate level, the level of unemployment and the development of house prices.

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

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

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

The outbreak of the coronavirus pandemic during the first quarter of the year and the measures taken for limiting its development is influencing both the real economy and the financial market.

The development of the commission income is dependent also on the volume and the value development of assets under management, which in turn has increased the risks pertaining to the Group's income and profitability as a result of market fluctuations.

The decline in real economy and the economic challenges for both private and corporate customers, cautiousness in investments, deteriorating liquidity or preparations in case of a deterioration, as well as challenges in production, purchases, distribution and demand for services and products, increase the risk for financial difficulties for loan customers and therefore also the risk for future impairments of the credit portfolio.

Challenges in the real economy and the rise in unemployment increase the risk relating to the security value for real estate that are used as security for loans, which in turn increases the risk for possible impairments of the credit portfolio. During spring 2020, the increase in Aktia's credit risk was mainly reflected in an increased number of applications for an instalment-free period that were received following the campaign for instalment-free periods for loans, and in an increase in the flexibility of loan management. During the latter half of 2020 there were no indications that customers' need for continued instalment-free periods would have increased from normal circumstances.

The negative effects and adequacy of the measures taken to mitigate those effects are being monitored and assessed continously.

Outlook 2021

The comparable operating profit for 2021 is expected to be clearly higher than during 2020 provided that the circumstances on the market and in society are stable.

- The increase in net interest income is expected to continue owing to a volume increase and reasonable financing expenses. The margins on housing loans are expected to continue at a low level.
- The increase in commission income from fund and asset management is expected to continue provided that the market circumstances continue stable.
- Net income from life insurance is still very much dependent on changes in market values.
- The expenses are expected to be somewhat higher than during 2020, considering planned development projects.
- Provisions for possible credit losses are expected to continue at a moderate level at the same time as Aktia's liquidity and capital adequacy remain solid.

Tables and notes to the financial statement release

Key figures

(EUR million)	2020	2019	Δ %	4Q2020	3Q2020	2Q2020	1Q2020	4Q2019
Earnings per share (EPS), EUR	0.61	0.90	-32%	0.22	0.18	0.19	0.03	0.23
Total earnings per share, EUR	0.70	0.85	-19%	0.24	0.23	0.30	-0.07	0.06
Equity per share (NAV), EUR *[1]	9.60	8.82	9%	9.60	9.21	8.97	8.68	8.82
Average number of shares (excl. treasury shares), million[2]	69.8	69.0	1%	69.8	69.7	69.7	69.5	69.0
Number of shares at the end of the period (excl. treasury shares), million[1]	69.5	69.1	0%	69.5	70.1	70.1	69.9	69.1
Return on equity (ROE), %*	6.7	10.3	-35%	9.2	7.8	8.4	1.4	10.5
Return on assets (ROA), %*	0.42	0.65	-35%	0.57	0.48	0.52	0.08	0.66
Cost-to-income ratio*	0.71	0.65	9%	0.64	0.68	0.66	0.89	0.64
Common Equity Tier 1 capital ratio. CET1 (Bank Group), %[1]	14.0	14.7	-5%	14.0	15.6	15.7	15.9	14.7
Tier 1 capital ratio (Bank Group), %[1]	14.0	14.7	-5%	14.0	15.6	15.7	15.9	14.7
Capital adequacy ratio (Bank Group), %[1]	16.6	18.6	-11%	16.6	18.5	18.9	19.4	18.6
Risk-weighted assets (Bank Group)[1]	3,030.0	2,636.9	15%	3,030.0	2,900.7	2,844.8	2,746.0	2,636.9
Capital adequacy ratio (finance and insurance conglomerate), %[1]	126.6	131.6	-4%	126.6	136.9	135.7	136.2	131.6
Equity ratio, %*[1]	6.6	6.4	2%	6.6	6.4	6.3	6.2	6.4
Group financial assets*[1]	2,265.5	2,094.7	8%	2,265.5	2,625.9	2,435.5	2,234.9	2,094.7
Customer assets under management*[1,3]	10,446.9	9,853.1	6%	10,446.9	9,623.5	9,233.3	8,135.9	9,853.1
Borrowing from the public[1]	4,465.8	4,059.8	10%	4,465.8	4,497.1	4,499.9	4,260.1	4,059.8
Lending to the public[1]	6,999.8	6,429.1	9%	6,999.8	6,779.9	6,693.8	6,589.6	6,429.1
Premiums written before reinsurers' share*	106.2	118.6	-10%	35.3	17.8	17.3	35.8	39.5
Expense ratio, % (life insurance company)*[2]	73.9	73.9	0%	73.9	87.7	89.3	88.3	73.9
Solvency ratio (life insurance company), %	145.9	192.1	-24%	145.9	146.8	137.4	171.7	192.1
Eligible capital (life insurance company)	159.1	166.3	-4%	159.1	154.0	148.2	146.3	166.3
Investments at fair value (life insurance company)*[1]	1,515.2	1,345.0	13%	1,515.2	1,421.7	1,390.1	1,186.9	1,345.0
Technical provisions for risk insurances and interest-related insurances[1]	441.0	390.4	13%	441.0	450.7	459.3	383.8	390.4
Technical provisions for unit-linked insurances[1]	969.8	869.4	12%	969.8	889.0	856.4	753.4	869.4
Group's personnel (FTEs), average number of employees	806	787	2%	826	833	797	771	773
Group's personnel (FTEs), at the end of the period[1]	830	776	7%	830	821	834	767	776
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio*	0.71	0.66	8%	0.64	0.68	0.66	0.89	0.64
Comparable earnings per share (EPS), EUR*	0.61	0.79	-23%	0.22	0.18	0.19	0.03	0.23
Comparable return on equity (ROE), %*	6.7	9.1	-26%	9.3	7.8	8.5	1.4	10.5

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

1) At the end of the period
2) Cumulative from the beginning of the year
3) Excluding fund in funds (comparative periods recalculated)

Formulas for the key figures are available in Aktia Bank Plc's Annual and Sustainability Report 2019 on page 104.

Consolidated income statement

(EUR million)	Note	2020	2019	Δ %
Net interest income	3	80.7	77.6	4%
Dividends		0.4	0.5	-14%
Commission income		106.9	110.4	-3%
Commission expenses		-9.3	-11.3	18%
Net commission income		97.6	99.1	-1%
Net income from life insurance	4	19.9	30.0	-34%
Net income from financial transactions	5	0.6	2.9	-78%
Other operating income		1.9	11.4	-83%
Total operating income		**201.1**	**221.4**	**-9%**
Staff costs		-69.1	-69.0	0%
IT expenses		-26.0	-26.2	-1%
Depreciation of tangible and intangible assets		-18.3	-19.5	-6%
Other operating expenses		-28.8	-29.2	-1%
Total operating expenses		**-142.2**	**-143.9**	**-1%**
Impairment of credits and other commitments	7	-4.0	-4.5	-9%
Share of profit from associated companies		-0.1	1.7	-
Operating profit		**54.8**	**74.8**	**-27%**
Taxes		-12.2	-12.9	-6%
Profit for the reporting period		**42.6**	**61.8**	**-31%**
Attributable to:				
Shareholders in Aktia Bank Plc		42.6	61.8	-31%
Total		**42.6**	**61.8**	**-31%**
Earnings per share (EPS), EUR		0.61	0.90	-32%
Earnings per share (EPS) after dilution, EUR		0.61	0.90	-32%
Operating profit excluding items affecting comparability:				
Operating profit		54.8	74.8	-27%
Operating income:				
Additional income from divestment of Visa Europe to Visa Inc		-	-0.5	-
Profit from divestment of shares in Samlink Ltd		-	-9.6	-
Operating expenses:				
Costs for restructuring		0.3	3.5	-92%
Comparable operating profit		**55.1**	**68.2**	**-19%**

Consolidated statement of comprehensive income

(EUR million)	2020	2019	Δ %
Profit for the reporting period	42.6	61.8	-31%
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets	8.4	2.8	204%
Change in valuation of fair value for cash flow hedging	0.3	-	-
Transferred to the income statement for financial assets	-2.6	-5.3	52%
Comprehensive income from items which can be transferred to the income statement	6.2	-2.6	-
Defined benefit plan pensions	-0.2	-0.3	29%
Comprehensive income from items which can not be transferred to the income statement	-0.2	-0.3	29%
Total comprehensive income for the reporting period	**48.6**	**59.0**	**-18%**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank Plc	48.6	59.0	-18%
Total	**48.6**	**59.0**	**-18%**
Total earnings per share. EUR	0.70	0.85	-19%
Total earnings per share after dilution. EUR	0.70	0.85	-19%
Total comprehensive income excluding items affecting comparability:			
Total comprehensive income	48.6	59.0	-18%
Operating income:			
Additional income from divestment of Visa Europe to Visa Inc	-	-0.4	-
Profit from divestment of shares in Samlink Ltd	-	-9.6	-
Operating expenses:			
Costs for restructuring	0.2	2.8	-92%
Comparable total comprehensive income	**48.8**	**51.8**	**-6%**

Items affecting consolidated income statement and comprehensive income

(EUR million)	2020	2019	Δ %
Net income from financial transactions	-	0.5	-
Other operating income	-	9.6	-
Total operating income	**-**	**10.1**	**-**
Staff costs	-0,3	-2.2	-87%
Other operating expenses	-	-1.3	-
Total operating expenses	**-0,3**	**-3.5**	**-92%**
Operating profit	**-0,3**	**6.5**	**-**
Taxes	0,1	0.6	-90%
Total comprehensive income for the year	**-0,2**	**7.2**	**-**

Consolidated balance sheet

(EUR million)	Note	31 Dec 2020	31 Dec 2019	Δ %
Assets				
Interest-bearing securities		102.7	19.4	430%
Shares and participations		159.9	148.1	8%
Investments for unit-linked investments		969.9	871.6	11%
Financial assets measured at fair value through income statement	8	1,232.5	1,039.1	19%
Interest-bearing securities		1,258.2	1,240.3	1%
Financial assets measured at fair value through other comprehensive income	8	1,258.2	1,240.3	1%
Interest-bearing securities	7,8	413.8	336.5	23%
Lending to Bank of Finland and credit institutions	7,8	28.9	17.3	67%
Lending to the public and public sector entities	7,8	6,999.8	6,429.1	9%
Cash and balances with central banks	8	298.6	315.4	-5%
Financial assets measured at amortised cost		7,741.1	7,098.3	9%
Derivative instruments	6,8	76.1	68.1	12%
Investments in associated companies and joint ventures		0.1	0.1	27%
Intangible assets		57.9	62.8	-8%
Right-of-use assets		22.6	11.8	91%
Investment properties		39.8	42.2	-5%
Other tangible assets		5.3	2.1	153%
Tangible and intangible assets		125.7	118.9	6%
Other assets		136.1	128.9	6%
Income tax receivables		0.5	0.4	26%
Deferred tax receivables		2.5	2.9	-14%
Tax receivables		3.0	3.3	-9%
Total assets		**10,572.8**	**9,697.1**	**9%**
Liabilities				
Liabilities to central banks		550.0	400.0	38%
Liabilities to credit institutions		148.6	197.6	-25%
Liabilities to the public and public sector entities		4,465.8	4,059.8	10%
Deposits	8	5,164.4	4,657.5	11%
Derivative instruments	6,8	12.2	9.8	24%
Debt securities issued		2,845.8	2,622.7	9%
Subordinated liabilities		158.2	215.4	-27%
Other liabilities to credit institutions		24.6	35.1	-30%
Other liabilities to the public and public sector entities		150.0	150.0	0%
Other financial liabilities	8	3,178.5	3,023.1	5%
Technical provisions for risk insurances and interest-related insurances		441.0	390.4	13%
Technical provisions for unit-linked insurances		969.8	869.4	12%
Technical provisions		1,410.8	1,259.8	12%
Other liabilities		82.9	81.1	2%
Provisions		1.3	1.0	29%
Income tax liabilities		4.0	4.3	-6%
Deferred tax liabilities		51.7	50.5	2%
Tax liabilities		55.8	54.8	2%
Total liabilities		**9,905.9**	**9,087.1**	**9%**
Equity				
Restricted equity		191.0	178.1	7%
Unrestricted equity		475.8	431.9	10%
Total equity		**666.8**	**610.0**	**9%**
Total liabilities and equity		**10,572.8**	**9,697.1**	**9%**

Consolidated off-balance-sheet commitments

(EUR million)	31 Dec 2020	31 Dec 2019	Δ %
Guarantees	22.2	28.3	-21%
Other commitments provided to a third party	8.2	5.5	50%
Commitments provided to a third party on behalf of the customers	30.4	33.7	-10%
Unused credit arrangements	660.0	592.4	11%
Other commitments provided to a third party	8.6	14.4	-41%
Irrevocable commitments provided on behalf of customers	668.5	606.9	10%
Total	**698.9**	**640.6**	**9%**

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Total equity
Equity as at 1 January 2019	**163.0**	**17.7**	**1.4**	**108.9**	**298.9**	**589.9**
Share issue				1.3		1.3
Divestment of treasury shares				0.0	0.8	0.7
Dividend to shareholders					-42.1	-42.1
Profit for the year					61.8	61.8
Financial assets		-2.6				-2.6
Defined benefit plan pensions					-0.3	-0.3
Total comprehensive income for the year		-2.6			61.5	59.0
Change in share-based payments (IFRS 2)			1.2			1.2
Equity as at 31 December 2019	**163.0**	**15.1**	**2.6**	**110.2**	**319.1**	**610.0**
Equity as at 1 January 2020	**163.0**	**15.1**	**2.6**	**110.2**	**319.1**	**610.0**
Share issue	6.7			2.9	-2.5	7.2
Acquisition of treasury shares					-1.7	-1.7
Divestment of treasury shares				0.2	1.3	1.5
Profit for the period					42.6	42.6
Financial assets		5.8				5.8
Cash flow hedging		0.3				0.3
Defined benefit plan pensions					-0.2	-0.2
Total comprehensive income for the period		6.2			42.4	48.6
Change in share-based payments (IFRS 2)			0.3		1.5	1.8
Repayment of dividend debt for invalidated shares					3.6	3.6
Equity as at 31 December 2020	**169.7**	**21.3**	**3.0**	**112.7**	**360.2**	**666.8**

Consolidated cash flow statement

(EUR million)	2020	2019	Δ %
Cash flow from operating activities			
Operating profit	54.8	74.8	-27%
Adjustment items not included in cash flow	12.5	6.8	84%
Unwound fair value hedging	-	7.5	-
Paid income taxes	-12.4	-11.9	-4%
Cash flow from operating activities before change in receivables and liabilities	**54.9**	**77.1**	**-29%**
Increase (-) or decrease (+) in receivables from operating activities	-774.4	-405.1	-91%
Increase (+) or decrease (-) in liabilities from operating activities	775.1	381.1	103%
Total cash flow from operating activities	**55.6**	**53.1**	**5%**
Cash flow from investing activities			
Proceeds from sale of group companies and associated companies	-	9.6	-
Investment in investment properties	-1.5	-7.9	81%
Proceeds from sale of investment properties	-	10.8	-
Investment in tangible and intangible assets	-11.0	-7.8	-41%
Proceeds from sale of tangible and intangible assets	0.0	0.0	-66%
Share issue and capital loan to associated companies	-0.1	-	-
Acquisition of Liv-Alandia's life insurance portfolio	7.0	-	-
Total cash flow from investing activities	**-5.6**	**4.8**	**-**
Cash flow from financing activities			
Subordinated liabilities	-57.3	7.5	-
Dividend/share issue to the non-controlling interest	-3.0	-2.3	-30%
Divestment of treasury shares	0.9	0.7	23%
Paid dividends	-	-42.1	-
Total cash flow from financing activities	**-59.4**	**-36.1**	**-64%**
Change in cash and cash equivalents	**-9.5**	**21.7**	**-**
Cash and cash equivalents at the beginning of the year	286.1	264.4	8%
Cash and cash equivalents at the end of the year	276.6	286.1	-3%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	1.3	1.8	-29%
Bank of Finland current account	248.3	269.4	-8%
Repayable on demand claims on credit insitutions	27.0	14.8	82%
Total	**276.6**	**286.1**	**-3%**
Adjustment items not included in cash flow consist of:			
Impairment of interest-bearing securities	0.1	-0.3	-
Unrealised value change of financial assets measured at fair value through income statement	1.6	-4.4	-
Impairment of credits and other commitments	4.0	4.5	-9%
Change in fair value	-9.7	-0.5	-
Depreciation and impairment of tangible and intangible assets	12.6	12.7	-1%
Sales gains and losses from tangible and intangible assets	-	-0.9	-
Unwound fair value hedging	-2.1	-3.1	33%
Change in fair values of investment properties	3.8	-5.2	-
Change in share-based payments	0.1	0.7	-87%
Other adjustments	2.0	3.3	-40%
Total	**12.5**	**6.8**	**84%**

Quarterly trends in the Group

(EUR million)

Income statement	**4Q2020**	**3Q2020**	**2Q2020**	**1Q2020**	**4Q2019**	**2020**	**2019**
Net interest income	20.8	20.0	20.1	19.7	19.3	80.7	77.6
Dividends	0.1	0.0	0.1	0.2	0.0	0.4	0.5
Net commission income	25.4	24.2	22.9	25.2	25.8	97.6	99.1
Net income from life insurance	10.2	4.7	10.1	-5.2	8.3	19.9	30.0
Net income from financial transactions	0.1	0.2	1.3	-1.0	0.9	0.6	2.9
Other operating income	0.4	0.3	0.2	1.0	0.9	1.9	11.4
Total operating income	**57.0**	**49.4**	**54.8**	**39.9**	**55.2**	**201.1**	**221.4**
Staff costs	-17.7	-16.4	-18.4	-16.6	-16.9	-69.1	-69.0
IT expenses	-6.9	-7.1	-6.4	-5.6	-6.8	-26.0	-26.2
Depreciation of tangible and intangible assets	-4.6	-4.3	-4.8	-4.6	-4.9	-18.3	-19.5
Other operating expenses	-7.2	-6.0	-6.7	-8.9	-6.7	-28.8	-29.2
Total operating expenses	**-36.4**	**-33.8**	**-36.3**	**-35.6**	**-35.3**	**-142.2**	**-143.9**
Impairment of credits and other commitments	-	-0.1	-1.8	-1.4	-0.8	-	-4.5
Impairment of other receivables	-0.8	0.4	-0.4	-	-	-4.0	-
Share of profit from associated companies	-0.1	0.0	0.0	-0.1	0.0	-0.1	1.7
Operating profit	**19.7**	**16.0**	**16.3**	**2.8**	**19.1**	**54.8**	**74.8**
Taxes	-4.6	-3.5	-3.3	-0.7	-3.2	-12.2	-12.9
Profit for the period	**15.1**	**12.4**	**13.0**	**2.1**	**15.9**	**42.6**	**61.8**
Attributable to:							
Shareholders in Aktia Bank Plc	15.1	12.4	13.0	2.1	15.9	42.6	61.8
Total	**15.1**	**12.4**	**13.0**	**2.1**	**15.9**	**42.6**	**61.8**
Attributable to:							
Shareholders in Aktia Bank plc	15.1	12.4	13.0	2.1	15.9	42.6	61.8
Total	**15.1**	**12.4**	**13.0**	**2.1**	**15.9**	**42.6**	**61.8**
Earnings per share (EPS), EUR	0,22	0,18	0,19	0,03	0,23	0,61	0,90
Earnings per share (EPS) after dilution, EUR	0,22	0,18	0,19	0,03	0,23	0,61	0,90

Operating profit excluding items affecting comparability:	**4Q2020**	**3Q2020**	**1Q2020**	**1Q2020**	**4Q2019**	**2020**	**2019**
Operating profit	19.7	16.0	16.3	2.8	19.1	54.8	74.8
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-	-	-0.5
Profit from divestment of shares in Samlink Ltd	-	-	-	-	-	-	-9.6
Operating expenses:							
Costs for restructuring	0.1	-	0.2	-	0.1	0.3	3.5
Comparable operating profit	**19.8**	**16.0**	**16.5**	**2.8**	**19.2**	**55.1**	**68.2**

(EUR million)

Comprehensive income	**4Q2020**	**3Q2020**	**2Q2020**	**1Q2020**	**4Q2019**	**2020**	**2019**
Profit for the period	15.1	12.4	13.0	2.1	15.9	42.6	61.8
Other comprehensive income after taxes:							
Change in fair value for financial assets	1.5	4.0	8.7	-5.7	-7.0	8.4	2.8
Change in fair value for cash flow hedging	0.2	0.1	0.0	-	-	0.3	-
Transferred to the income statement for financial assets	-0.1	-0.5	-0.7	-1.3	-4.6	-2.6	-5.3
Comprehensive income from items which can be transferred to the income statement	1.5	3.6	8.0	-7.0	-11.7	6.2	-2.6
Defined benefit plan pensions	-0.2	-	-	-	-0.3	-0.2	-0.3
Comprehensive income from items which can not be transferred to the income statement	-0.2	-	-	-	-0.3	-0.2	-0.3
Total comprehensive income for the period	**16.4**	**16.1**	**21.0**	**-4.9**	**3.9**	**48.6**	**59.0**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank Plc	16.4	16.1	21.0	-4.9	3.9	48.6	59.0
Total	**16.4**	**16.1**	**21.0**	**-4.9**	**3.9**	**48.6**	**59.0**
Total earnings per share, EUR	0.24	0.23	0.30	-0.07	0.06	0.70	0.85
Total earnings per share after dilution, EUR	0.24	0.23	0.30	-0.07	0.06	0.70	0.85

Total comprehensive income excluding items affecting comparability:	**4Q2020**	**3Q2020**	**2Q2020**	**1Q2020**	**4Q2019**	**2020**	**2019**
Operating profit	16.4	16.1	21.0	-4.9	3.9	48.6	59.0
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-	-	-0.4
Profit from divestment of shares in Samlink Ltd	-	-	-	-	-	-	-9.6
Operating expenses:							
Costs for restructuring	0.1	-	0.2	-	0.1	0.2	2.8
Comparable total comprehensive income	**16.5**	**16.1**	**21.2**	**-4.9**	**4.0**	**48.8**	**51.8**

Quarterly trends in the Segments

Banking Business	**4Q2020**	**3Q2020**	**2Q2020**	**1Q2020**	**4Q2019**	**2020**	**2019**
Net interest income	18.5	18.2	17.9	16.9	16.6	71.6	67.4
Net commission income	16.2	15.7	15.1	16.6	16.7	63.6	66.6
Other operating income	0.1	0.2	0.1	0.7	0.1	1.0	0.3
Total operating income	**34.9**	**34.0**	**33.1**	**34.3**	**33.4**	**136.2**	**134.4**
Staff costs	-5.4	-5.1	-5.3	-4.6	-5.1	-20.5	-22.0
Other operating expenses[1]	-20.7	-19.5	-20.3	-20.9	-19.5	-81.3	-82.1
Total operating expenses	**-26.1**	**-24.5**	**-25.6**	**-25.6**	**-24.6**	**-101.8**	**-104.2**
Impairment of credits and other commitments	-0.8	-0.1	-1.8	-1.4	-0.7	-4.0	-4.5
Impairment of other receivables		0.4	-0.4	-	-	-	-
Operating profit	**8.0**	**9.8**	**5.3**	**7.3**	**8.1**	**30.4**	**25.7**
Comparable operating profit	**8.0**	**9.8**	**5.4**	**7.3**	**8.1**	**30.5**	**29.1**

Asset Management	**4Q2020**	**3Q2020**	**2Q2020**	**1Q2020**	**4Q2019**	**2020**	**2019**
Net interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net commission income	10.7	10.1	9.4	10.2	10.9	40.3	39.8
Net income from life insurance	9.2	3.7	9.2	-6.3	7.2	15.8	25.5
Other operating income	0.1	0.0	0.0	0.1	0.2	0.2	0.3
Total operating income	**19.9**	**13.9**	**18.7**	**3.9**	**18.3**	**56.4**	**65.6**
Staff costs	-3.6	-3.0	-3.6	-3.6	-3.8	-13.9	-14.3
Other operating expenses[1]	-4.8	-4.7	-4.6	-4.5	-4.5	-18.5	-17.7
Total operating expenses	**-8.4**	**-7.7**	**-8.2**	**-8.1**	**-8.3**	**-32.4**	**-32.0**
Operating profit	**11.5**	**6.2**	**10.5**	**-4.2**	**10.0**	**24.0**	**33.6**
Comparable operating profit	**11.6**	**6.2**	**10.5**	**-4.2**	**10.0**	**24.1**	**33.6**

Group Functions	**4Q2020**	**3Q2020**	**2Q2020**	**1Q2020**	**4Q2019**	**2020**	**2019**
Net interest income	2.3	1.9	2.2	2.7	2.7	9.1	10.1
Net commission income	1.7	1.5	1.5	1.7	1.5	6.4	6.0
Other operating income	0.5	0.3	1.6	-0.5	1.5	1.9	14.3
Total operating income	**4.5**	**3.7**	**5.3**	**4.0**	**5.7**	**17.4**	**30.4**
Staff costs	-8.6	-8.4	-9.5	-8.3	-8.0	-34.7	-32.7
Other operating expenses[1]	4.5	4.6	4.8	4.1	3.4	17.9	15.8
Total operating expenses	**-4.2**	**-3.8**	**-4.7**	**-4.2**	**-4.7**	**-16.8**	**-16.8**
Impairment of credits and other commitments	-	-	-	0.0	0.0	0.0	0.0
Operating profit	**0.3**	**-0.1**	**0.6**	**-0.3**	**1.0**	**0.5**	**13.6**
Comparable operating profit	**0.3**	**-0.1**	**0.7**	**-0.3**	**1.1**	**0.6**	**3.7**

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

Note 1. Basis for preparing the financial statement release and important accounting principles

Basis for preparing the financial statement

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

The financial statement release for the period 1 January–31 December 2020 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The half-year report does not contain all the information and notes required for financial statements and should therefore be read together with the Aktia Group's annual report of 31 December 2019. Figures in the tables are presented in millions of euros rounded to one decimal. Therefore, the total of individual amounts may differ from the presented total.

The financial statement release for the period 1 January–31 December 2020 was approved by the Board of Directors on 18 February 2021.

Key accounting principles

In preparing the financial statement release the Group has followed the accounting principles applicable to the annual report of 31 December 2019.

Accounting principles requiring management discretion

The calculation of ECL (Expected Credit Loss) includes essential assessments due to the current uncertainty and the low visibility regarding the effects of the coronavirus crisis. To support the Group's ECL calculations an expert panel has been established in order to observe relevant future macroeconomic factors. Macroeconomic factors considered include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios over future macroeconomic prerequisites have been updated per quarter and include essential assessments e.g. in order to observe the coronavirus crisis' impact on future expected credit losses. The assessment includes several considerations, the Group has among other things taken into account the authorities' extensive stimulus packages. In the calculation of the ECL it has also been taken into account that the instalment-free periods due to the corona crisis do not automatically lead to an increased need for provisions, the assessment is carried out individually in conjunction with the handling of the applications. The assessments have been made on the basis of the information available at the date of reporting. Due to the current uncertainty and the limited availability on trustworthy data the assessments for the future include significant uncertainty, which could have a considerable effect on the ECL estimate. The macroeconomic development and the assessments of credit quality are revised continuously on a quarterly basis.

Aktia has updated the internal principles for allocation of internal Group expenses and fund commissions as of 1 January 2020. In addition, currency income from incoming and outgoing payments have been transferred from net results from financial transactions to net commission income. Aktia's comparable numbers that are updated according to the new principles for each quarter 2019 have been published in a stock exchange release on 28 April 2020. The change affects the net commission income, other operating income, total operating income, other operating expenses, total operating expenses, operating profit and comparable operating profit in the Banking, Asset Management and Group Functions segments.

No new or adjusted IFRS standards have been implemented this year.

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

The reporting of insurance contracts is regulated in IFRS 4 and will in the future be replaced by the new standard IFRS 17. IFRS 17 means new starting points for reporting and measurement of insurance contracts as well as rules on how insurance contracts are presented in the notes. The aim of the new standard is to increase transparency, give a more accurate picture of the results of the insurance contracts and to reduce the differences in accounting between different insurance contracts. This year, IASB has approved a change package for IFRS 17 which will postpone the introduction of the standard to 2023. The standard is expected to be approved by the EU during 2021 and will be compulsory in the EU on 1 January 2023. The Aktia Group aims at implementing IFRS 17 when the standard becomes compulsory within EU.

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

Note 2. Group's risk exposure

The Bank Group's capital adequacy

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

(EUR million)	**31 Dec 2020**		**31 Dec 2019**	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**10,572.8**	**9,091.4**	**9,697.1**	**8,385.8**
of which intangible assets	57.9	57.1	62.8	62.4
Total liabilities	**9,905.9**	**8,516.9**	**9,087.1**	**7,864.8**
of which subordinated liabilities	158.2	158.2	215.4	215.4
Share capital	169.7	169.7	163.0	163.0
Fund at fair value	21.3	15.5	15.1	7.7
Restricted equity	191.0	185.3	178.1	170.7
Unrestricted equity reserve and other funds	115.7	115.6	112.8	112.7
Retained earnings	317.6	235.9	257.3	191.7
Profit for the period	42.6	37.8	61.8	45.7
Unrestricted equity	475.8	389.3	431.9	350.2
Shareholders' share of equity	666.8	574.5	610.0	520.9
Equity	**666.8**	**574.5**	**610.0**	**520.9**
Total liabilities and equity	**10,572.8**	**9,091.4**	**9,697.1**	**8,385.8**
Off-balance sheet commitments	**698.9**	**690.4**	**640.6**	**626.2**

The Bank Group's equity	**574.5**	**520.9**
Provision for dividends to shareholders	-29.9	-44.0
Profit for the period, for which no application was filed with the Financial Supervisory Authority	-	-
Intangible assets	-57.1	-62.4
Debentures	80.1	102.6
Additional expected losses according to IRB	-23.6	-20.5
Deduction for significant holdings in financial sector entities	-3.4	-6.7
Other incl. unpaid dividend	-36.4	0.8
Total capital base (CET1 + AT1 + T2)	**504.3**	**490.7**

The calculation of own funds doesn't include the treatment of article 468 of EU regulation 2020/873 (so called CRR quick fix). The article introduces a temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic.

(EUR million) The Bank Group's capital adequacy	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Common Equity Tier 1 Capital before regulatory adjustments	508.4	532.4	528.8	520.5	477.1
Common Equity Tier 1 Capital regulatory adjustments	-84.2	-79.6	-81.8	-83.6	-89.0
Total Common Equity Tier 1 Capital (CET1)	**424.3**	**452.8**	**447.0**	**437.0**	**388.1**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**424.3**	**452.8**	**447.0**	**437.0**	**388.1**
Tier 2 capital before regulatory adjustments	80.1	84,6	90.1	96.1	102.6
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**80.1**	**84,6**	**90.1**	**96.1**	**102.6**
Total own funds (TC = T1 + T2)	**504.3**	**537,5**	**537.1**	**533.1**	**490.7**
Risk weighted assets	**3,030.0**	**2,900.7**	**2,844.8**	**2,746.0**	**2,636.9**
of which credit risk, the standardised model	663.8	658.9	651.0	591.1	558.7
of which credit risk, the IRB model	1,909.8	1,781.4	1,727.0	1,631.1	1,567.4
of which 15% risk-weight floor for residential mortgages	96.9	99.0	105.5	162.4	149.5
of which market risk	-	-	-	-	-
of which operational risk	359.5	361.3	361.3	361.3	361.3
Own funds requirement (8%)	242.4	232.1	227.6	219.7	211.0
Own funds buffer	261.9	305.4	309.5	313.4	279.8
CET1 Capital ratio	14.0%	15.6%	15.7%	15.9%	14.7%
T1 Capital ratio	14.0%	15.6%	15.7%	15.9%	14.7%
Total capital ratio	16.6%	18.5%	18.9%	19.4%	18.6%
Own funds floor (CRR article 500)					
Own funds	504.3	537.5	537.1	533.1	490.7
Own funds floor[1]	229.0	221.4	220.0	214.6	203.6
Own funds buffer	275.3	316.0	317,1	318,5	287,2

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

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

Bank Group's risk-weighted amount for operational risks

(EUR million) Risk-weighted amount for operational risks	2018	2019	2020	Dec 2020	Sep 2020	Jun 2020	Mar 2020	Dec 2019
Gross income	193.6	195.6	185.9					
- average 3 years			191.7					
Capital requirement for operational risk				**28.8**	**28.9**	**28.9**	**28.9**	**28.9**
Risk-weighted amount				**359.5**	**361.3**	**361.3**	**361.3**	**361.3**

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

(EUR million)	31 December 2020				
The Bank Group's total risk exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital requirement 8%**
Exposure class					
Credit risk, IRB approach					
Corporates - SME	520.5	473.7	79%	376.3	30.1
Corporates - Other	893.6	837.5	72%	607.1	48.6
Retail - Secured by immovable property non-SME	4,810.6	4,800.7	14%	656.8	52.5
Retail - Secured by immovable property SME	151.3	149.7	49%	73.1	5.9
Retail - Other non-SME	178.5	174.8	30%	51.9	4.2
Retail - Other SME	33.0	31.2	60%	18.7	1.5
Risk-weight floor for residential mortgages, 15%	-	-	15%	96.9	7.8
Equity exposures	47.9	47.9	263%	125.8	10.1
Total exposures, IRB approach	**6,635.5**	**6,515.6**	**31%**	**2 006.7**	**160.5**
Credit risk, standardised approach					
States and central banks	482.7	530.0	0%	-	-
Regional goverments and local authorities	186.5	207.7	0%	0.8	0.1
Multilateral development banks	-	-	-	-	-
International organisations	20.1	20.1	0%	-	-
Credit institutions	407.8	319.8	31%	100.5	8.0
Corporates	202.4	105.9	96%	101.9	8.1
Retail exposures	240.0	95.6	72%	69.3	5.5
Secured by immovable property	690.1	652.0	34%	224.4	18.0
Past due items	0.6	0.5	141%	0.7	0.1
Covered Bonds	800.9	800.9	10%	82.2	6.6
Other items	120.4	120.4	54%	64.7	5.2
Total exposures, standardised approach	**3,151.4**	**2,853.0**	**23%**	**644.4**	**51.6**
Total risk exposures	**9,786.9**	**9,368.5**	**28%**	**2 651.1**	**212.1**

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

The finance and insurance conglomerates capital adequacy

(EUR million)	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Summary					
The Group's equity	666.8	645.7	629.0	606.7	610.0
Sector-specific assets	83.9	88.7	94.4	100.7	107.4
Intangible assets and other reduction items	-177.7	-142.7	-141.4	-115.1	-159.1
Conglomerate´s total capital base	**573.1**	**591.7**	**582.0**	**592.2**	**558.3**
Capital requirement for banking business	343.7	327.5	321.2	349.5	337.6
Capital requirement for insurance business[1]	109.0	104.9	107.9	85.2	86.6
Minimum amount for capital base	**452.7**	**432.3**	**429.1**	**434.8**	**424.2**
Conglomerate´s capital adequacy	**120.4**	**159.4**	**153.0**	**157.5**	**134.1**
Capital adequacy ratio, %	126.6%	136.9%	135.7%	136.2%	131.6%

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

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

Note 3. Net interest income

(EUR million)	2020	2019	Δ %
Borrowing and lending	78.3	73.4	7%
Liquidity portfolio	6.2	6.1	1%
Hedging measures through interest rate derivatives	2.2	4.0	-44%
Other, incl. funding from wholesale market	-6.0	-5.9	-2%
Total	**80.7**	**77.6**	**4%**

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

Note 4. Net income from life insurance

(EUR million)	2020	2019	Δ %
Premiums written	105.3	117.9	-11%
Net income from investments	7.8	32.1	-76%
of which change in ECL impairment	0.0	0.1	-
of which unrealised value changes for shares and participations	-0,5	3.1	-
of which unrealised value changes for investment properties	-3.8	3.9	-
Insurance claims paid	-119.3	-136.9	13%
Net change in technical provisions	26.0	16.9	54%
Total	**19.9**	**30.0**	**-34%**

Note 5. Net income from financial transactions

(EUR million)	2020	2019	Δ %
Net income from financial assets measured at fair value through income statement	0.2	-0.1	-
Net income from securities and currency operations	0.5	2.4	-81%
of which unrealised value changes in shares and participations	0.2	1.4	-86%
Net income from financial assets measured at fair value through other comprehensive income	0.3	0.5	-40%
of which change in ECL impairment	0.0	0.3	-90%
Net income from interest-bearing securities measured at amortised cost	0.0	-0.1	-
of which change in ECL impairment	0.0	-0.1	-
Net income from hedge accounting	-0.4	0.2	-
Total	**0.6**	**2.9**	**-78%**

Note 6. Derivative instruments

	31 December 2020		
Hedging derivative instruments (EUR million)	**Total nominal amount**	**Assets, fair value**	**Liabilities, fair value**
Fair value hedging			
Interest rate-related	2,570.4	63.3	6.8
Total	**2,570.4**	**63.3**	**6.8**
Cash Flow hedging			
Interest rate-related	240.2	7.4	-
Total	**240.2**	**7.4**	**-**
Derivative instruments valued through the income statement			
Interest rate-related[1]	120.0	5.2	5.5
Currency-related	8.2	0.1	0.0
Total	**128.2**	**5.4**	**5.5**
Total derivative instruments			
Interest rate-related	2,930.6	76.0	12.2
Currency-related	8.2	0.1	0.0
Total	**2,938.9**	**76.1**	**12.2**

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

1) Interest-linked derivative instruments include interest rate hedging provided for local banks, which after back-to-back hedging with third parties amounted to EUR 120.0 (220.0) million.

Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2020				
Interest-bearing securities	1,672.0	-	-	1,672.0
Lending	6,646.2	334.8	47.7	7,028.7
Off-balance sheet commitments	695.8	2.5	0.6	698.9
Total	**9,014.0**	**337.3**	**48.3**	**9,399.6**
Book value of financial assets 31 December 2019				
Interest-bearing securities	1,576.8	-	-	1,576.8
Lending	6,254.8	140.6	51.1	6,446.5
Off-balance sheet commitments	637.2	2.9	0.4	640.6
Total	**8,468.9**	**143.5**	**51.5**	**8,663.9**

Credits and other commitments

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and the other commitments 1 January 2020 according to IFRS 9	3.8	3.6	21.8	29.2
Transferred from stage 1 to stage 2	-0.3	2.8	-	2.5
Transferred from stage 1 to stage 3	0.0	-	0.7	0.6
Transferred from stage 2 to stage 1	0.1	-0.6	-	-0.5
Transferred from stage 2 to stage 3	-	-0.5	0.8	0.3
Transferred from stage 3 to stage 1	0.0	-	-0.1	-0.1
Transferred from stage 3 to stage 2	-	0.2	-0.2	0.0
Reversal of impairment	-	-	-0.1	-0.1
Other changes	0.7	-0.3	0.9	1.3
Impairment January-December 2020 in the income statement	0.5	1.7	1.9	4.0
Realised losses for which write-downs were made in previous years	-	-	-2.5	-2.5
Reversal of impairment	-	-	0.1	0.1
Impairment of credits and the other commitments 31 December 2020 according to IFRS 9	**4.3**	**5.3**	**21.3**	**30.9**
of which ECL provisions in the balance sheet	0.9	0.1	0.3	1.3

Interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2020 according to IFRS 9	0.8	-	-	0.8
Transferred from stage 1 to stage 3	-	-	0.2	0.2
Other changes	0.0	-	-	0.0
Impairment January-December 2020 in the income statement	0.0	-	0.2	0.1
Impairment of interest-bearing securities 31 December 2020 according to IFRS 9	**0.8**	**-**	**0.2**	**0.9**

The model-based allowances regarding healthy credits in stage 1 and stage 2 increased during the second quarter compared to the calculations during the first quarter when the model-based ECL calculations were changed to better consider the impact of the corona crisis. The macroeconomic assumptions were also updated during the second quarter. During the third quarter there was no new information that would have required changing the macroeconomic assumptions.

Since no significant individual risk sectors or risk concentrations have been identified, which to a greater extent would be affected by the corona crisis, no need for an adjustment of the calculated model-based ECL estimates through e.g. a group-specific assessment of experts or an adjustment of the credit risk models has been identified. Possible needs for adjustment are assessed continuously. The process for an impairment assessment for stage 3 agreements has not been changed due to the corona crisis. The process complies with the normal routines based mainly on an individual assessment.

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	31 December 2020		31 December 2019	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through income statement	1,232.5	1,232.5	1,039.1	1,039.1
Financial assets measured at fair value through other comprehensive income	1,258.2	1,258.2	1,240.3	1,240.3
Interest-bearing securities measured at amortised cost	413.8	448.3	336.5	368.0
Loans and other receivables	7,028.7	7,127.8	6,446.5	6,476.3
Cash and balances with central banks	298.6	298.6	315.4	315.4
Derivative instruments	76.1	76.1	68.1	68.1
Total	**10,307.8**	**10,441.5**	**9,445.9**	**9,507.2**
Financial liabilities				
Deposits	5,164.4	5,164.5	4,657.5	4,654.5
Derivative instruments	12.2	12.2	9.8	9.8
Debt securities issued	2,845.8	2,882.1	2,622.7	2,645.7
Subordinated liabilities	158.2	156.2	215.4	217.0
Other liabilities to credit institutions	24.6	24.7	35.1	35.4
Other liabilities to the public and public sector entities	150.0	150.5	150.0	150.1
Liabilities for right-of-use assets	24.6	24.6	12.3	12.3
Total	**8,379.8**	**8,414.8**	**7,702.7**	**7,724.9**

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

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

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

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

Measurement of financial assets at fair value

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

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

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

	31 December 2020				31 December 2019			
(EUR million)	**Market value classified into**				**Market value classified into**			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	969.9	-	-	969.9	871.6	-	-	871.6
Interest-bearing securities	24.2	78.5	-	102.7	19.2	-	0.2	19.4
Shares and participations	113.0	-	46.9	159.9	112.6	-	35.5	148.1
Total	**1,107.0**	**78.5**	**46.9**	**1,232.5**	**1,003.4**	**-**	**35.7**	**1,039.1**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,128.6	54.4	75.2	1,258.2	1,069.4	54.9	116.0	1,240.3
Shares and participations	-	-	-	-	-	-	-	-
Total	**1,128.6**	**54.4**	**75.2**	**1,258.2**	**1,069.4**	**54.9**	**116.0**	**1,240.3**
Derivative instruments, net	0.1	63.7	-	63.8	-0.1	58.4	-	58.3
Total	**0.1**	**63.7**	**-**	**63.8**	**-0.1**	**58.4**	**-**	**58.3**
Total	**2,235.7**	**196.7**	**122.1**	**2,554.5**	**2,072.8**	**113.3**	**151.7**	**2,337.7**

Transfers between level 1 and level 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period no transfers between level 1 and level 2 have occurred. The increase in level 2 is due to an increase in business volumes in Aktia Life Insurance.

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

Changes within level 3

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

Reconciliation of changes for financial instruments belonging to level 3	Financial assets measured at fair value through income statement			Financial assets measured at fair value through other comprehensive income			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1 January 2020	0.2	35.5	35.7	116.0	-	116.0	116.2	35.5	151.7
New purchases	-	12.4	12.4	-	-	-	-	12.4	12.4
Sales	-	-2.5	-2.5	-	-	-	-	-2.5	-2.5
Matured during the period	-	-	-	-41.0	-	-41.0	-41.0	-	-41.0
Realised value change in the income statement	-0.2	-	-0.2	-	-	-	-0.2	-	-0.2
Unrealised value change in the income statement	-	1.5	1.5	-	-	-	-	1.5	1.5
Value change recognised in total comprehensive income	-	-	-	0.2	-	0.2	0.2	-	0.2
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 31 December 2020	**-**	**46.9**	**46.9**	**75.2**	**-**	**75.2**	**75.2**	**46.9**	**122.1**

Sensitivity analysis for level 3 financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%. These assumptions would mean a result or valuation effect via the income statement or via other comprehensive income corresponding to 2.0 (1.9) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31 December 2020			31 December 2019		
	Effect at an assumed movement			Effect at an assumed movement		
(EUR million)	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets measured at fair value through income statement						
Investments for unit-linked investments	-	-	-	-	-	-
Interest-bearing securities	-	-	-	0.2	0.0	0.0
Shares and participations	46.9	9.4	-9.4	35.5	7.1	-7.1
Total	**46.9**	**9.4**	**-9.4**	**35.7**	**7.1**	**-7.1**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	75.2	2.3	-2.3	116.0	3.5	-3.5
Shares and participations	-	-	-	-	-	-
Total	**75.2**	**2.3**	**-2.3**	**116.0**	**3.5**	**-3.5**
Total	**122.1**	**11.6**	**-11.6**	**151.7**	**10.6**	**-10.6**

Set off of financial assets and liabilities

(EUR million)	31 December 2020		31 December 2019	
Assets	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial assets included in general agreements on set off or similar agreements	76.1	-	68.1	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**76.1**	**-**	**68.1**	**-**
Amount not set off but included in general agreements on set off or similar	6.5	-	0.0	-
Collateral assets	64.6	-	69.5	-
Amount not set off in the balance sheet	**71.1**	**-**	**69.5**	**-**
Net amount	**4.9**	**-**	**-1.3**	**-**

Liabilities	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	12.2	11.4	9.8	52.8
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**12.2**	**11.4**	**9.8**	**52.8**
Amount not set off but included in general agreements on set off or similar	6.5	-	0.0	52.7
Collateral liabilities	1.9	11.3	2.5	-
Amount not set off in the balance sheet	**8.4**	**11.3**	**2.5**	**52.7**
Net amount	**3.9**	**0.0**	**7.3**	**0.1**

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

Note 9. Specification of Aktia Group's funding structure

(EUR million)	31 Dec 2020	31 Dec 2019
Deposits from the public and public sector entities	4,465.8	4,059.8
Short-term liabilities, unsecured debts		
Banks	72.7	75.3
Certificates of deposits issued and money market deposits	276.0	247.0
Total	**348.6**	**322.3**
Short-term liabilities, secured debts (collateralised)		
Banks - received cash in accordance with collateral agreements	64.6	69.5
Repurchase agreements - banks	11.4	52.8
Total	**76.0**	**122.3**
Total short-term liabilities	**424.6**	**444.6**
Long-term liabilities, unsecured debts		
Issued debts, senior financing	1,098.3	913.1
Other credit institutions	16.6	22.1
Subordinated debts	158.2	215.4
Total	**1,273.0**	**1,150.6**
Long-term liabilities, secured debts (collateralised)		
Central bank and other credit institutions	558.0	413.0
Issued Covered Bonds	1,621.5	1,612.6
Total	**2,179.5**	**2,025.6**
Total long-term liabilities	**3,452.5**	**3,176.2**
Interest-bearing liabilities in the banking business	**8,342.9**	**7,680.6**
Technical provisions in the life insurance business	1,410.8	1,259.8
Total other non interest-bearing liabilities	152.2	146.8
Total liabilities	**9,905.9**	**9,087.1**

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

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

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	31 Dec 2020	31 Dec 2019
Collateral for own liabilities		
Securities	333.2	473.1
Outstanding loans constituting security for Covered Bonds	2,475.5	2,031.8
Total	**2,808.7**	**2,504.9**
Other collateral assets		
Pledged securities[1]	1.4	16.8
Cash included in pledging agreements and repurchase agreements	1.9	2.5
Total	**3.3**	**19.3**
Total collateral assets	**2,812.0**	**2,524.2**
Collaterals above refers to the following liabilities		
Liabilities to credit institutions[2]	569.3	465.8
Issued Covered Bonds[3]	1,621.5	1,612.6
Derivatives	1.9	2.5
Total	**2,192.8**	**2,080.9**

1) Refers to securities pledged for the intra day limit. As at 31 December 2020, a surplus of pledged securities amounted to EUR 6 (5) million.
2) Refers to liabilities to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
3) Own repurchases deducted.

Collateral liabilities (EUR million)	31 Dec 2020	31 Dec 2019
Cash included in pledging agreements[1]	64.6	69.5
Total	**64.6**	**69.5**

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

This report has not been subject to external auditing.

Helsinki 18 February 2021

Aktia Bank Plc
The Board of Directors

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Webcast from the results event

A live webcast from the results event will take place on 18 February 2021 at 10.30 a.m. CEO Mikko Ayub and CFO Outi Henriksson will present the results. The event is held in English and can be seen live at **https://aktia.videosync.fi/2020-q4-results**. A recording of the webcast will be available at www.aktia.com after the event.

Financial calendar

AGM 2021	13 April 2021
Interim report January–March 2021	5 May 2021
Half-year report January–June 2021	5 August 2021
Interim report January–September 2021	4 November 2021

Aktia