

Financial Review 2021

Aktia

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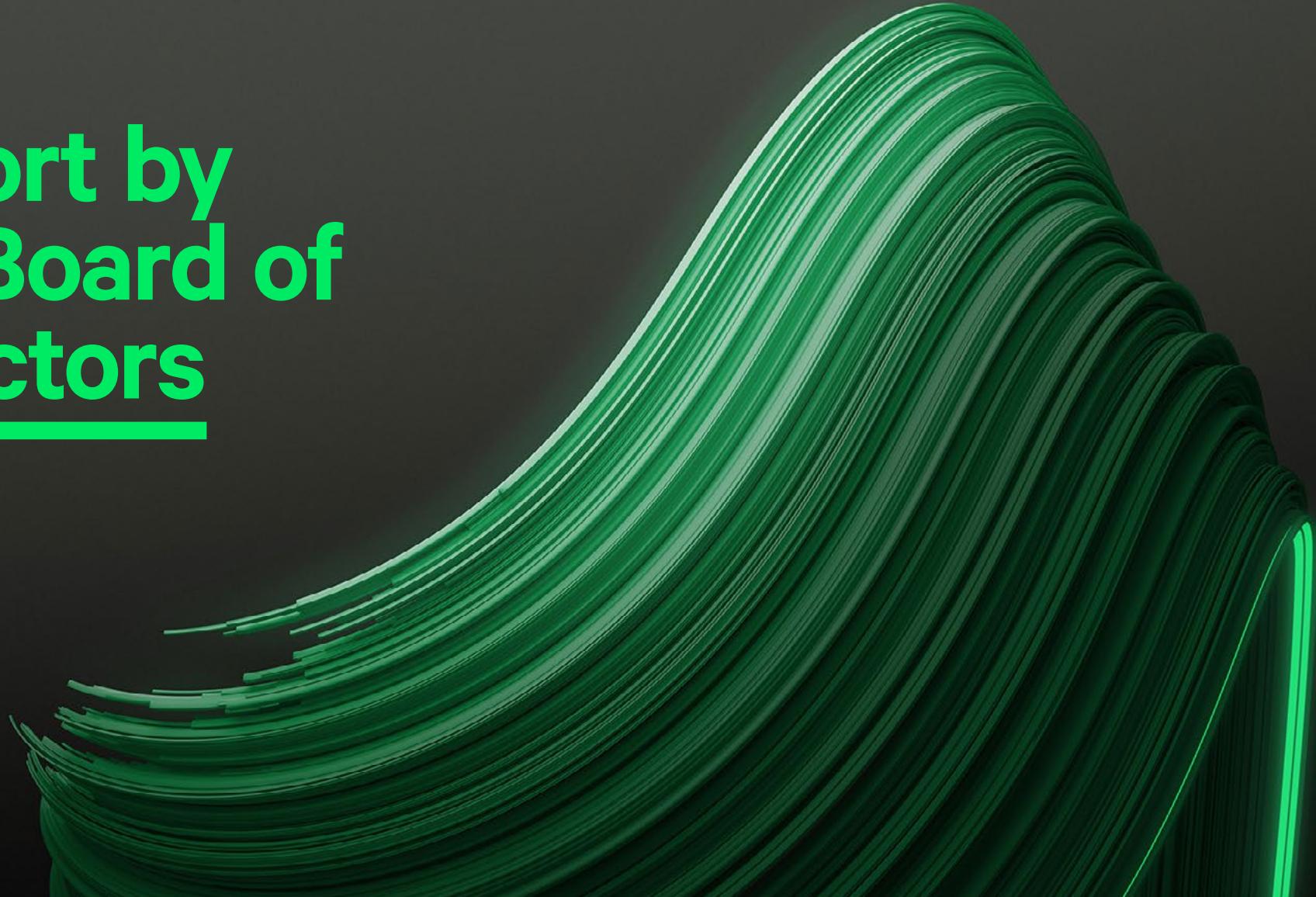
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Report by the Board of Directors

Aktia



Report by the Board of Directors

Profit 2021

The Group's comparable operating profit increased by 59% to EUR 87.4 (55.1) million. The reported operating profit increased to EUR 84.6 (54.8) million and the profit for the period to EUR 67.4 (42.6) million. The improved result pertains to a clear improvement in the net income from life insurance and a positive development both in net interest income as well as in net commission income as well as to the acquisition of Taaleri's wealth management operations.

Items affecting comparability

(EUR million)	2021	2020
Additional income from divestment of Visa Europe to Visa Inc	0.5	-
Costs for restructuring	-3.3	-0.3
Operating profit	-2.8	-0.3

Income

The Group's operating income increased to EUR 263.8 (201.1) million and the Group's comparable operating income to EUR 263.2 (201.1) million.

Net interest income increased by 19% to EUR 96.2 (80.7) million. Net interest income from borrowing

and lending increased by 10% to EUR 86.3 (78.3) million. Interest expenses for other financing amounted to EUR 3.1 (-6.0) million and include a EUR 8.6 (1.0) million negative interest expense for the TLTRO III financing.

Net commission income increased by 27% to EUR 124.0 (97.6) million. Commission income from funds, asset management and securities brokerage increased by 43% to EUR 91.7 (64.3) million. The increase is mainly attributable to the acquisition of Taaleri's wealth management operations. Commission income from cards, payment services and borrowing was at the same level as last year and amounted to EUR 26.7 (26.6) million while commission income from lending increased by 8% to EUR 9.8 (9.1) million.

Net income from life insurance increased to EUR 37.7 (19.9) million. Net investments increased to EUR 21.3 (7.8) million and include unrealised value changes and impairments in the life insurance company's investment portfolio of EUR 10.9 (-7.4) million and sales gains of EUR 0.8 (4.5) million. The actuarially calculated result increased to EUR 16.4 (12.1) million owing to good sales of risk- and investment-linked insurances, higher market values of the unit linked

book and from the acquisition of Liv-Alandia's insurance book at the end of May 2020.

Net income from financial transactions increased to EUR 4.7 (0.6) million and comparable net income from financial transactions to EUR 4.1 (0.6) million. The increase mainly relates to sales gains in the liquidity portfolio amounting to EUR 3.2 (0.5) million. Other operating income and dividends decreased to EUR 1.2 (2.3) million. The reference period includes one-off recognised items of EUR 0.7 million.

Expenses

Operating expenses increased to EUR 174.4 (142.2) million. Comparable operating expenses increased by 21% to EUR 171.1 (141.9) million. The increase is mainly attributable to expenses in Taaleri's wealth management operations, transaction and integration expenses for the acquisition as well as to higher staff costs.

Staff costs increased to EUR 83.7 (69.1) million. The comparable staff costs increased by 19% to EUR 82.1 (68.8) million, which is attributable to Taaleri wealth management operations' staff costs, increased costs

for variable compensation (STI and LTI) as well as somewhat higher running staff costs.

IT expenses increased by 18% to EUR 30.7 (26.0) million. The deviation compared to last year is mainly attributable to Taaleri's wealth management operations IT expenses and higher costs for licenses.

Depreciation of tangible and intangible assets increased to EUR 21.5 (18.3) million. The increase pertains to depreciations related to the acquisition of Taaleri's wealth management operations, while Aktia's other depreciations have decreased.

Other operating expenses increased to EUR 38.5 (28.8) million. Comparable other operating expenses increased by 28% to EUR 36.9 (28.8) million. The increase mainly pertains to running costs relating to Taaleri's wealth management operations, one-off expenses relating to the acquisition of Taaleri's wealth management operations as well as the stability fee that increased with EUR 1.4 million to EUR 4.1 (2.8) million.

Impairment of credits and other commitments amounted to EUR -4.5 (-4.0) million, of which the

change in the allowance for model-based credit losses (ECL) amounted to EUR -1.7 (-1.7) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 11,653 (10,573) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees increased to EUR 738 (699) million.

Borrowing

Borrowing from the public and public-sector entities increased to EUR 4,503 (4,466) million. Aktia's market share of deposits was 3.0 (3.1) % at the end of December.

The value of long-term bonds issued by Aktia Bank totalled EUR 2,917 (2,720) million. After an issued retained covered bond was set off, EUR 1,534 (1,622) million consisted of Covered Bonds issued by Aktia Bank.

During the fourth quarter, Aktia Bank issued new long-term unsecured bonds to a value of EUR 90 million within the scope of the bank's EMTN programme. New issued long-term unsecured bonds during the period totalled EUR 305 million. In addition, Aktia Bank has issued an additional retained Covered Bond of EUR 150 million with a maturity of 3.3 years. The issue has been pledged with the central bank at the same time as the bank

participated in the TLTRO III refinancing operations with an additional EUR 150 million withdrawal.

Lending

Group lending to the public and public-sector entities increased by 7% to EUR 7,486 (7,000) million. Loans to households accounted for EUR 5,292 (5,083) million, or 70.7 (72.6) % of the total loan book.

The housing loan book totalled EUR 5,389 (5,185) million, of which the share for households was EUR 4,326 (4,178) million. Aktia's new lending amounted to EUR 1,280 (1,199) million. At the end of December, Aktia's market share in housing loans to households was 4.0 (4.1) %.

Total lending to corporates increased to EUR 1,143 (979) million, which constituted 15.3 (14.0) % of Aktia Group's total loan book. Loans to housing companies increased to EUR 996 (908) million, which constituted 13.3 (13.0) % of Aktia's total loan book.

Loan book by sector

(EUR million)	31 Dec 2021	31 Dec 2020	Δ	Share, %
Households	5,292	5,083	209	70.7%
Corporates	1,143	979	164	15.3%
Housing companies	996	908	88	13.3%
Non-profit organisations	52	27	25	0.7%
Public sector entities	3	3	0	0.0%
Total	7,486	7,000	487	100.0%

Financial assets

The Aktia Group's financial assets consist of the Bank Group's liquidity portfolio (net after the issued retained covered bond was set-off) amounting to EUR 1,306 (1,446) million, the life insurance company's investment portfolio of EUR 642 (602) million, and the Bank Group's equity holdings of EUR 5 (5) million.

Technical provisions

The life insurance company's technical provisions increased to EUR 1,568 (1,411) million. Unit-linked technical provisions increased to EUR 1,154 (970) million while interest-related technical provisions decreased to EUR 414 (441) million.

Equity

Aktia Group's equity amounted to EUR 738 (667) million. The fund at fair value decreased to EUR 6 (21) million and the profit for the period amounted to EUR 67 million. The dividend for 2019 amounting to EUR 37 million was paid to the shareholders in January and the dividend for 2020 amounting to EUR 31 million was paid in October.

A EUR 10 million directed share issue was completed in conjunction with the acquisition of Taaleri's wealth management operations. In May, a EUR 60 million unsecured bond with fixed rate that can be counted as Additional Tier 1 capital was issued. At the end of September, shares were issued to employees to a

total value of EUR 14 million. The issue did not have any considerable effect on Aktia's CET1 capital ratio.

Assets under Management

The Group's total assets under management amounted to EUR 17,997 (12,712) million.

Assets under management comprise managed and brokered mutual funds as well as managed capital. Assets under management presented in the table reflect net volumes, so that assets under management included in multiple companies or funds have been eliminated.

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

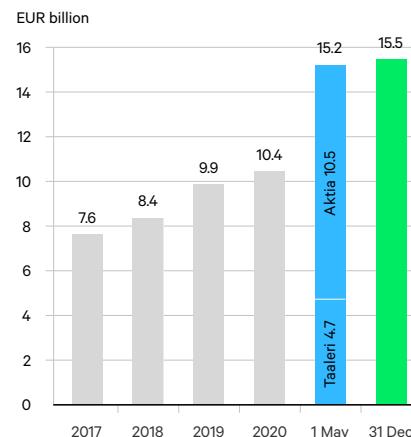
Assets under management

(EUR million)	31 Dec 2021	31 Dec 2020	Δ%
Customer assets under management*	15,451	10,447	48%
Group financial assets	2,546	2,265	12%
Total	17,997	12,712	42%

* Excluding fund in funds

Customer assets under management (AuM) excluding custody assets

2017–2021, EUR billion



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

Sales to private customers related to investment activities increased compared to the third quarter. Sales of financing products decreased slightly compared to previous quarters, mainly due to a calmer housing market situation. Aktia's wealth plan was introduced to additional customer groups. The wealth plan is the main way to offer customers a wide range of asset management, life insurance and banking products in a customer-friendly and informative way.

The volume of new sales of mortgage loans decreased slightly from the previous quarter and the risk level of the loan book was stable and healthy. The sales of hedging continued at a good level. The financing offering was specifically targeted at the new private customers who were transferred to Aktia in connection with the acquisition of Taaleri's wealth management business. In addition, the consumer financing offering was extended.

Customers' interest in structured investment products remained high. Despite the uncertainty on the equity market, the investment sales remained at a good level during the quarter.

Customer satisfaction was also at an excellent level based on measurements in the final quarter and improved further particularly in the target customer segments. The customer work was carried out almost entirely according to the hybrid model, where the proportion of physical meetings is relatively small.

Corporate customers

The growth in corporate customer business continued to be very strong also in the last quarter of the year. In sales, particular attention was paid to target customers and finance company products. The efforts made to develop the customer service offered to corporate customers and to organise the work were clearly visible and the situation in terms of customer service offered to corporate customers was good throughout.

The market situation remained favourable for our corporate customer business. The increase in housing company financing we had strived toward was also achieved. Aktia's investment in the sales and development of leasing products was reflected in a favourable development of the loan book and the market share on the SME sector.

Results for Banking Business segment

(EUR million)	2021	2020	Δ%
Operating income	133.5	126.5	6%
Operating expenses	-98.3	-93.9	5%
Operating profit	30.7	28.5	8%
Comparable operating profit	32.0	28.6	12%

The operating income increased to EUR 133.5 (126.5) million.

The net interest income was 5% higher than last year and was EUR 73.4 (69.7) million. The increase is mainly related to the growth in the corporate customers' loan book. The customer margins for corporate customers increased from the corresponding period last year. The customer margins for private customers remained at the same level throughout the second half of the year. The growth in the loan book continued in the fourth quarter, increasing by 7% during the year to EUR 7,313 (6,829) million. The private customers' loan book increased to EUR 5,135 (4,939) million and the corporate customers' loan book to EUR 2,178 (1,889) million.

The net commission income was 7% higher than last year and amounted to EUR 59.8 (55.8) million. The commission income from investment activities increased by 22% to EUR 16.5 million owing to good sales and a very positive market change, especially in terms of equity funds. The strong balance

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 household and corporate customers of the banking business not including Private Banking. 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

growth resulted in commission income from lending increasing by 9% to EUR 9.7 million.

Other operating income decreased to EUR 0.3 (1.0) million, which is explained by the fact that the reference period includes one-off recognised items of EUR 0.7 million.

The comparable operating expenses for the period increased to EUR 97.0 (93.8) million. The increase is mainly attributable to higher staff costs, the stability fee for the year as well as higher group governance expenses.

Impairments on credits and other commitments increased to EUR -4.5 (-4.0) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.7 (-1.7) million, whereas other impairments on credits increased to EUR -2.9 (-2.3) million. The new definition of default that entered into force on 1 January 2021 increased the model-based impairments and has also affected the individual impairments.

Asset Management

The segment includes asset management and life insurance business as well as Private Banking 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 2021	31 Dec 2020	Δ%
Customer assets under management*	15,451	10,447	48%
of which institutional assets	7,916	7,071	12%

* Excluding fund in funds

Asset management

The planned mergers of equity and fixed income funds were completed before the merger of the fund management companies at the year-end. 2021 ended with reaching the top of Morningstar's fund comparison, with Aktia's average grade for the funds managed by asset management being 4.09. The comparison once again concerned the 14 largest Finnish fund management companies calculated based on the number of funds managed by the companies.

At the end of the year, there was strong focus on customer satisfaction. The customer satisfaction of former Taaleri wealth management customers was further improved and the satisfaction of Aktia Private Banking's customers remained high. According to the SFR survey, the satisfaction of institutional customers decreased by approximately one tenth from 3.8 to 3.7. Based on the customer response, the decrease was mainly due to the allocation of resources within

portfolio management, which was rectified at the end of the year.

Through excellent cooperation between the different segments of the wealth manager bank, we managed to create a comprehensive service package for many customers in the last quarter of the year. The packages included comprehensive asset management services, financial services and life insurance services. The distribution cooperation regarding Taaleri's private equity funds has started well and at the end of the year, Aktia and Taaleri launched a mutual private equity fund called Asunnot VIII. In addition, the work on the implementation of the renewed strategy for international fund sales started and during the quarter, some new partnerships were initiated for the distribution of Aktia's funds to France and Germany.

Life insurance

The development of the life insurance business continued during the last quarter of the year. The objective for the life insurance company is to grow organically during the strategy period both through Aktia's distribution channels and through external distribution partners. The sales and distribution cooperation continued to be strong: The cooperation with Finlands Företagarskydd was further strengthened at the beginning of December when the company strengthened its organisation by over 20 representatives.

At the end of the year, significant development work was carried out in connection with the processes for granting insurances, which will in the future shorten the processing times. In December, the first product launch visible to the customer after the integration with Taaleri took place when the Impact investment basket became part of the investment insurance product selection. The work with developing processes and expanding the selection of investment objects continues.

In November, Aktia Life Insurance Ltd issued its first ever inaugural Tier 2 transaction of EUR 56 million. The transaction strengthens the solvency of Aktia Life Insurance Ltd and supports the development of the long-term business.

The demand for personal insurances continued to increase compared to the previous year. The sales of investment-linked insurances also continued well in the final quarter. In the course of the year, we achieved good results in terms of premium income both in the risk insurance business and in the investment-linked business. Good new sales combined with positive developments on the investment market contributed to an all-time high level of assets under management at the year-end.

Results for Asset Management segment

(EUR million)	2021	2020	Δ%
Operating income	106.9	66.1	62%
Operating expenses	-66.2	-39.5	67%
Operating profit	40.7	26.5	53%
Comparable operating profit	42.7	26.6	60%

The operating income increased by EUR 40.8 million to EUR 106.9 (66.1) million. This increase is partly explained by the fact that the current year includes the wealth management business acquired from Taaleri which is part of the segment as of 1 May 2021. The life insurance business income also increased strongly compared to last year owing to an improvement in both net investment income and the actuarially calculated result. Unrealised value changes in the life insurance business's investment portfolio were EUR 10.9 (-4.3) million. Last year's negative unrealised value changes resulted from the negative impact that the coronavirus pandemic had on the market.

At the end of 2021, the sentiment on the investment market was very positive and the global equity market returned more than 30% in euro currency. On the fixed income market, the year was, however, negative due to the increase in rates. Of the key fixed income markets, only High Yield corporate bonds had positive return.

The consensus forecast for global economic growth in 2022 is 4.4%. According to the prognosis, the growth

will decline compared to last year, but with this growth the level would be almost two percentage points higher than before the coronavirus pandemic. The short-term outlook continues to be overshadowed by coronavirus and its omicron variant that is spreading explosively.

Monetary policy in the US is becoming significantly tighter. Following its meeting in December, the ECB also announced that it in March 2022 would end its bond purchase programme implemented during the pandemic. The monetary policy will thus continue to be less stimulating also in the euro area.

Net commission income increased by 50% to EUR 70.9 (47.3) million. The increase is attributable to an increase in managed capital, mainly from the acquisition of Taaleri's wealth management business, but also from organic growth. Net income from life insurance doubled to EUR 33.6 (16.7) million, mainly owing to good return in the investment portfolio. The premiums written from life insurance business increased by 44% from the previous year and the sales of investment-linked savings insurances were strong. Net interest income of the segment decreased to EUR 1.6 (1.8) million.

Comparable operating expenses of the segment increased by EUR 24.8 million to EUR 64.2 (39.4) million. The cost increase is attributable to an increase in running expenses from the acquisition of Taaleri's wealth management business that is included in the

segment as of 1 May 2021. The cost structure was also affected by integration costs from the transaction. Additionally, the costs are affected by the increased sales commission expenses in life insurance, one-off expense items in asset management and higher group governance expenses. Staff costs constitute 38 (41) % of the total expenses of the segment.

The assets under management increased by EUR 5,004 million to EUR 15,451 (10,447) million. Net subscriptions for the period amounted to EUR -831 million, and the market value change to EUR 1,112 million. The Taaleri acquisition at the beginning of May brought with it acquired customer assets amounting to EUR 4,723 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. The Group functions are also responsible for monitoring and controlling risk and financial follow-up and control.

Results for Group Functions segment

(EUR million)	2021	2020	Δ%
Operating income	31.6	17.4	82%
Operating expenses	-18.2	-17.6	4%
Operating profit	13.4	-0.2	-
Comparable operating profit	13.0	-0.1	-

The comparable operating income for the segment increased to EUR 31.1 (17.4) million.

The net interest income for the segment increased by EUR 12.2 million to EUR 21.3 million mainly owing to a negative interest cost from the TLTRO III financing and lower interest costs from other financing. Interest income from hedging measures via interest rate derivatives and interest income from the banks' liquidity portfolio were somewhat lower than last year.

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.

Comparable net income from financial transactions increased to EUR 3.9 (0.7) million. The increase mainly pertains to sales gains from interest-bearing securities.

The segment's own comparable operating expenses increased by 7% from last year mainly due to higher staff costs and transfer tax for the acquisition of Taaleri's wealth management business.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
Income statement	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income	73.4	69.7	1.6	1.8	21.3	9.1	0.0	0.0	96.2	80.7
Net commission income	59.8	55.8	70.9	47.3	5.3	6.4	-12.0	-11.8	124.0	97.6
Net income from life insurance	-	-	33.6	16.7	-	-	4.1	3.2	37.7	19.9
Other operating income	0.3	1.0	0.8	0.2	5.1	1.9	-0.3	-0.2	5.9	2.9
Total operating income	133.5	126.5	106.9	66.1	31.6	17.4	-8.3	-8.8	263.8	201.1
Staff costs	-19.9	-18.1	-25.0	-16.2	-38.9	-34.7	-	-	-83.7	-69.1
Other operating expenses ¹	-78.5	-75.8	-41.2	-23.3	20.6	17.1	8.3	8.9	-90.7	-73.1
Total operating expenses	-98.3	-93.9	-66.2	-39.5	-18.2	-17.6	8.3	8.9	-174.4	-142.2
Impairment of credits and other commitments	-4.5	-4.0	-	-	0.0	0.0	-	-	-4.5	-4.0
Share of profit from associated companies	-	-	-	-	-	-	-0.3	-0.1	-0.3	-0.1
Operating profit	30.7	28.5	40.7	26.5	13.4	-0.2	-0.2	-0.1	84.6	54.8
Comparable operating profit	32.0	28.6	42.7	26.6	13.0	-0.1	-0.2	-0.1	87.4	55.1

Balance sheet	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial assets measured at fair value	-	-	1,649.3	1,447.1	949.5	1,053.7	-40.0	-10.0	2,558.8	2,490.7
Cash and balances with central banks	289.0	1.3	0.0	0.0	443.8	297.3	-	-	732.8	298.6
Interest-bearing securities measured at amortised cost	-	-	37.4	37.8	349.0	376.0	-	-	386.5	413.8
Loans and other receivables	7,327.3	6,828.7	252.6	224.6	291	24.9	-57.3	-49.6	7,551.7	7,028.7
Other assets	58.6	72.0	193.0	58.8	349.9	277.7	-177.9	-67.6	423.6	341.0
Total assets	7,674.9	6,902.1	2,132.3	1,768.3	2,121.3	2,029.6	-275.2	-127.2	11,653.3	10,572.8
Deposits	4,064.3	4,015.8	580.7	566.5	838.1	631.7	-57.3	-49.6	5,425.8	5,164.4
Debt securities issued	-	-	-	-	3,100.3	2,855.6	-40.0	-9.8	3,060.3	2,845.8
Technical provisions	-	-	1,568.2	1,410.8	-	-	-	-	1,568.2	1,410.8
Other liabilities	-4.0	63.9	100.4	28.0	769.3	402.5	-5.1	-9.5	860.6	484.9
Total liabilities	4,060.3	4,079.7	2,249.3	2,005.3	4,707.7	3,889.8	-102.4	-68.8	10,914.9	9,905.9

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, Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 11.2 (14.0) %. CET1 capital decreased during the period by EUR 121.3 million due to the increase in intangible assets and goodwill that was allocated when acquiring Taaleri's wealth management operations. During the first quarter, Aktia implemented the new definition of default for IRB models, which led to an increase in model based expected losses. The Board of Directors proposes that the dividends paid for 2021 represents 60% of the profit for the reporting period.

To strengthen its Tier 1 capital, Aktia Bank issued a EUR 60 million AT1 loan (Additional Tier 1 capital) during the second quarter of the year.

In November, Aktia Life Insurance issued a EUR 56 million Tier 2 bond to the capital market, increasing the company's solvency to 225% (146%).

The 15% risk-weight floor for mortgage loans ceased in the beginning of 2021, which decreased the risk-weighted assets. Concurrently, the new definition of default and lending growth led to an increase in the risk-weighted assets. Aktia also implemented the new Capital Requirements Regulation (CCR II) at the end of the second quarter. In total, the risk-weighted assets decreased by EUR 89.5 million during the period.

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

Capital adequacy, %	31 Dec 2021	31 Dec 2020
Bank Group		
CET1 capital ratio	11.2	14.0
Total capital ratio	15.6	16.6

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 of Aktia's capital

requirements. During the second quarter, the new Act on Credit Institutions entered into force, under which the Pillar 2 requirement can be partially covered by the AT1 capital and Tier 2 capital. Taking all capital requirements into account, the minimum total capital ratio for the Bank Group was 11.76%, and 9.45% for Tier 1 capital ratio at the end of the period.

After CRR II entering into force at the end of the second quarter, a 3% binding minimum requirement for the leverage ratio was introduced.

Leverage ratio	31 Dec 2021	31 Dec 2020
Tier 1 capital	389.1	424.3
Total exposures	10,083.3	9,211.3
Leverage ratio, %		
	3.9	4.6

On 28 April 2021, Financial Stability Authority has renewed the MREL requirement for Aktia. The new requirement is 19.86% of the total risk-weighted items (TREA) or 5.91% of the leverage ratio exposures (LRE). The MREL requirement does not include a so-called subordination requirement. The requirement entered into force on 1 January 2022 and replaced the previous MREL decision.

MREL requirement (EUR million)	31 Dec 2021	31 Dec 2020
MREL requirement	595.9	727.3
Own funds and eligible liabilities		
CET1	329.1	424.3
AT 1-instruments	60.0	-
Tier 2-instruments	70.6	95.6
Other liabilities	903.7	1,082.4
Total	1,363.5	1,602.3

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

Total capital requirement

Buffer requirements 31 December 2021 (%)	Pillar 1 minimum requirement	Pillar 2 requirement	Capital Conservation	Counter- cyclical	O-SII	Systemic risk	Total capital requirement
CET1 capital	4.50	0.70	2.50	0.01	0.00	0.00	7.71
AT1 capital	1.50	0.23					1.73
Tier 2 capital	2.00	0.31					2.31
Total	8.00	1.25	2.50	0.01	0.00	0.00	11.76

Solvency II	With transitional rules	Without transitional rules		
(EUR million)	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
MCR	27.5	28.2	29.7	29.5
SCR	108.9	109.0	118.7	119.4
Eligible capital	244.7	159.1	206.8	116.2
Solvency ratio, %	224.7	145.9	174.3	97.4

with the permission granted by the Financial Supervisory Authority.

The Group's risk exposures

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

Definitions and general principles for asset and risk management can be found in note G2 and in Aktia Bank Plc's Pillar III Report (former 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 at an adequate level and a low risk level provides a good quality of credits in Aktia's loan book. At the end of the fourth quarter 2021, the LTV level amounted on average to 42% for the entire loan book.

Gross loans past due by time overdue and ECL stages¹

(EUR million)	31 December 2021				
	Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	22.2	18.8	5.5	46.5	
of which households	20.8	17.5	4.9	43.1	
> 30 ≤ 90	0.0	22.0	10.8	32.8	
of which households	0.0	17.2	9.9	27.0	
> 90	0.0	0.0	52.0	52.0	
of which households	0.0	0.0	41.3	41.3	

The bank is reporting gross exposures to loans past due as of Q3/2021 compared to the previously reported net exposures.

(mn euro) 31 December 2020

Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	25.6	24.6	0.8	51.1
of which households	19.0	23.1	0.7	42.8
> 30 ≤ 90	0.0	22.0	1.2	23.2
of which households	0.0	21.4	0.6	22.0
> 90	0.0	0.0	57.7	57.7
of which households	0.0	0.0	44.3	44.3

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

(EUR million)	31 Dec 2021	31 Dec 2020
Corporate		
PD grades A	244.4	209.7
PD grades B	942.2	866.5
PD grades C	923.7	797.0
Default	23.6	27.4
	2,133.9	1,900.6
Loss allowance (ECL)	-14.4	-15.0
Carrying amount	2,119.5	1,885.6
Households		
PD grades A	3,395.6	3,319.7
PD grades B	1,211.6	1,130.4
PD grades C	805.6	908.5
Default	95.7	41.7
	5,508.5	5,400.3
Loss allowance (ECL)	-17.4	-15.5
Carrying amount	5,491.1	5,384.8
Other		
PD grades A	28.6	29.9
PD grades B	436.7	348.0
PD grades C	83.7	79.1
Default	0.6	0.6
	549.6	457.6
Loss allowance (ECL)	-0.6	-0.5
Carrying amount	549.0	457.1

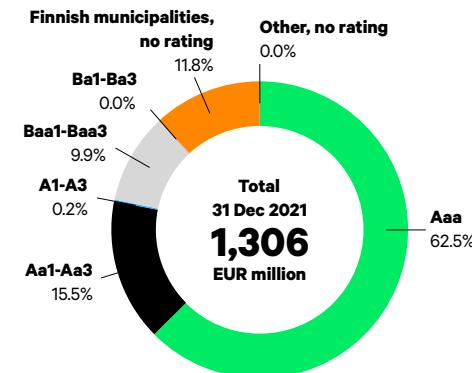
The PD grades are divided according to PD-TTC, where grade A has a PD of less than 0.2%, grade B has a PD of less than 1%, grade C has a PD of less than 100% and grade Default has a PD-TTC of 100%. In Q3/2021, Aktia adjusted the default reporting. Since the introduction of the new definition of default early in the year, the default reporting has been EUR 16 million too high in Q1/2021 and EUR 17 million too high in Q2/2021

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 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 present value on interest-bearing assets and liabilities where the interest rate curve is stressed by using different interest rate shock scenarios according to EBA's guidelines as well as with the bank's own internally defined interest rate shock scenarios. The bank group's interest rate risk increased somewhat during the fourth quarter mainly due to updated balance sheet assumptions as well as the increased balance sheet total.

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 5.2 (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 4.8 (3.9) 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

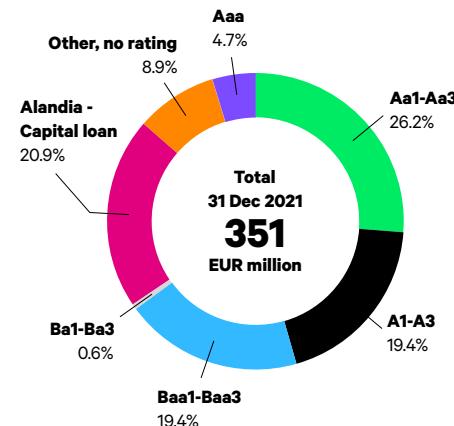
banks, had a market value of EUR 1,571 (1,368) million at the end of the period.

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

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 140 (138) %.

	31 Dec 2021	31 Dec 2020
Cash and balances with central banks	681	250
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	222	226
Securities issued or guaranteed by municipalities or the public sector	155	132
Covered Bonds	514	755
Securities issued by credit institutions	-	6
Securities issued by corporates (commercial papers)	-	-
Total	1,571	1,368
of which LCR-qualified	1,571	1,362

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 642 (602) million. The life insurance company's direct real

estate investments amounted to EUR 47 (40) million.

The properties are in the Helsinki region and in other growth areas in Southern Finland and they mostly have long tenancies.

Life insurance company's market risk

Technical provisions include an interest reserve of EUR 25 (28) 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 2022, 2.3% for 2023–2031 and 2.9% after that. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. The interest rate risk is the most significant market risk in conjunction with the technical provisions in the life insurance company as the other market risks have a marginal significance. However, the risk has been significantly reduced due to the partial protection of the interest rate risk by derivatives in 2021. Interest rate risk of the company's interest-bearing balance sheet items in the investment portfolio and in the interest-linked and unit-linked technical provisions is calculated through an interest rate stress test (decrease in interest rate) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-term technical provisions and amounted to EUR -25 (-44) million.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	31 Dec 2021		31 Dec 2020	
Equities	8.0	1.3%	-	-
Europe	4.9	0.8%	-	-
USA	3.2	0.5%	-	-
Fixed income investments	384.9	60.0%	437.0	72.6%
Government bonds	116.9	18.2%	119.2	19.8%
Financial bonds	37.3	5.8%	62.7	10.4%
Other corporate bonds ¹	157.5	24.5%	184.6	30.6%
Emerging Markets (mtl. funds)	45.6	7.1%	43.2	7.2%
High yield (mtl. funds)	24.4	3.8%	24.0	4.0%
Trade Finance (mtl. funds)	3.0	0.5%	3.4	0.6%
Mixed funds	0.5	0.1%	-	-
Alternative investments	24.8	3.9%	11.8	2.0%
Private Equity etc.	18.9	2.9%	11.8	2.0%
Infrastructure funds	5.9	0.9%	-	-
Real estates	88.1	13.7%	77.5	12.9%
Directly owned	47.2	7.3%	40.4	6.7%
Real estate funds	41.0	6.4%	37.1	6.2%
Money Market	90.3	14.1%	50.2	8.3%
Derivatives	-0.9	-0.1%	-	-
Cash and bank	46.7	7.3%	25.8	4.3%
Total	642.0	100.0%	602.2	100.0%

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

Main events

Aktia became partner in Alexander Corporate Finance

Aktia Bank Plc and Alexander Corporate Finance Oy ("ACF") announced on 30 November 2021 an arrangement, which will result in Aktia owning 20% of ACF's shares. With the arrangement, the new name of Alexander Corporate Finance will be Aktia Alexander Corporate Finance Oy. The completion of the arrangement took place on 2 February 2022 after receiving the approval from the Finnish Financial Supervisory Authority.

Aktia and Finnair to launch a new Finnair Visa credit card

Aktia and Finnair have agreed on co-operation and will introduce a new Finnair Visa credit card into the market in spring 2022. With the co-operation, Aktia offers to all its customers first-class means of payment, and one of the most popular credit cards in the world will be made available to Finnair Plus members and at the same time, they will earn Finnair Plus points by making purchases with the card.

Aktia Life Insurance issued its first inaugural Tier 2 transaction of EUR 56 million

Aktia Life Insurance Ltd issued its first inaugural Solvency eligible Tier 2 transaction of EUR 56 million on Friday 19 November 2021. The purpose of the

transaction was to further support the capital structure and solvency ratio of Aktia Life Insurance.

Strategy and long-term financial targets

Aktia updated its strategy and its long-term financial targets (see page 19) before the Capital Markets Day, which was held on 8 September 2021. The new strategy update, which extends to 2025, supports Aktia's growth objectives and guides the company towards the new vision of being "the leading wealth manager bank". The growth strategy is built particularly on close cooperation between Aktia's three business areas (Asset Management, Banking and Life Insurance). A strong focus on wealth management is a key part of all of the company's business activities.

Aktia's employee share issue was oversubscribed

On 31 August 2021, the Board of Directors of Aktia decided on the employee share issue. A maximum total of 1,000,000 new shares in the company was offered for subscription to the personnel of the Aktia Group companies. The subscription period ended on 22 September 2021.

The employee share issue was oversubscribed, and the Board decided to increase the number of the new shares offered according to terms and conditions of the share issue. The Board approved all subscriptions in connection to the employee share issue, i.e. a total of 1,371,500 new shares. A total of 336 company

employees subscribed shares in the share issue. The subscription price for the share was EUR 10.14 per share, based on the trade volume weighted average price of the company's share on Nasdaq Helsinki Ltd during 1–31 July 2021 and at a 10 per cent price reduction.

New climate strategy

Aktia has prepared a climate strategy for the Group, which applies to wealth management, investments, lending and the Group's own activities. Aktia systematically invests in the development of its climate-related work through its climate strategy. The goal is among other things carbon neutrality in the investment portfolios by 2050.

Aktia acquired the wealth management operations of Taaleri and companies initiated co-operation supporting the strategy of both parties

Aktia Bank Plc's acquisition of Taaleri's wealth management operations was completed on 30 April 2021 in accordance with the sale agreement signed on 10 March 2021. The acquisition included 100% of Taaleri Wealth Management Ltd and its wholly owned subsidiaries Taaleri Fund Management Ltd, Taaleri Tax Services Ltd, Evervest Ltd and Taaleri Asunnot GP Ltd. As a part of the transaction, the parties agreed on initiating co-operation that supports the strategy of both parties, through which Aktia became the distributor of Taaleri's alternative investment products in Finland.

Asset management is in the core of Aktia's strategy and acquiring Taaleri Plc's wealth management operations supports Aktia's objective to be the best asset manager in Finland. Together, Aktia and the operations that are being transferred from Taaleri, form one of the leading asset management organisations in Finland that combines excellent services, customer orientation, strong investment knowledge, comprehensive portfolio management and digital capabilities. With the transaction, Aktia will offer its customers first-class asset management products, price-winning Private Banking competence and comprehensive banking and life insurance services.

The transaction is expected to deliver significant synergy gains, which consist mainly of revenue synergies, reorganisation of functions and scale benefits including IT and other infrastructure. The synergy gains at an annual level are estimated to amount to EUR 8 million and they are expected to be realised in full during 2023.

The purchase price amounted to EUR 123.7 million, of which EUR 10.0 million were paid as 974,563 Aktia shares. With the acquisition, intangible assets amounting to EUR 43.1 million for customer relations, partnership agreements and non-compete agreements as well as EUR 80.4 million for goodwill were allocated.

Changes in Aktia's Executive Committee and responsibilities

Changes in Aktia's Executive Committee and responsibilities

Aktia simplified the Group's organisational structure and clarified the responsibilities and management of the different business areas.

Perttu Purhonen, was appointed EVP, Asset Management as of 3 May 2021.

Anssi Huhta, EVP, Corporate Customers and member of the Executive Committee, took over the responsibility of the entire Banking Business as of 5 May 2021.

Sari Leppänen was appointed EVP, Chief Information Officer (CIO) and member of the Executive Committee as of 9 August 2021.

Carola Nilsson, Director for the business area Private Customers, left her duties in the Group's Executive Committee as of 5 May 2021.

Anu Tuomolin, Chief Operating Officer (COO) and HR, left her duties in Aktia as of 5 May 2021.

Aktia issued EUR 60 million Additional Tier 1 bond

On 19 May 2021, Aktia Bank Plc issued EUR 60 million unsecured bond with fixed rate that can be counted as Additional Tier 1 capital in the capital adequacy. The bond bear a fixed interest at the initial rate of 3.875 per cent per annum.

Cooperation negotiations at Aktia were completed

Aktia's cooperation negotiations that were initiated on 18 February 2021 were completed on 20 April 2021. After completing the negotiations, the company decided on making changes that resulted in Aktia reducing 75 jobs instead of the initially estimated 100 jobs. With the negotiations, approximately 50 persons were given a possibility to obtain new duties within the company.

Aktia the best fund house in Morningstar's comparison

Aktia won first place in all three Fund House categories in Morningstar's Finland Awards 2021 competition. In terms of fund houses, the five-year risk-adjusted return in three areas is assessed: equities, fixed income and best overall. This year, Aktia was the winner in all three areas.

Decision on the payment of dividend

Dividend 2020

On 5 October 2021, the Board of Directors of Aktia Bank Plc decided to pay out a dividend of EUR 0.43 per share for the accounting period of 1 January–31 December 2020 in accordance with the authorisation given by the Annual General Meeting of 2021. The payable dividend amounts to EUR 30.9 million.

Dividend 2019

On 12 January 2021, The Board of Directors of Aktia Bank Plc 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 Board of Directors of 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 according to its dividend policy is a dividend pay-out of 60–80% for the financial period after taxes.

Other information

Events after the end of the period

Aktia issued a EUR 500 million covered bond

On Tuesday 18 January 2022, Aktia Bank Plc issued a new EUR 500 million covered bond, due in October 2028. The bond was priced at a negative margin compared to swap rates (MS -1). This was the first Finnish covered bond in 2022.

Aktia simplified its group structure with mergers of subsidiaries

As planned and informed on 18 August 2021, Aktia Bank Plc executed the merger of its wholly owned subsidiary Aktia Wealth Management Ltd with Aktia Bank Plc on 1 January 2022. At the same time, Aktia merged its two subsidiaries, where Aktia Fund Management Company Ltd merged with AV Fund Management Ltd. As from 1 January 2022, the name of the Fund Management Company is Aktia Fund Management Company Ltd. Both mergers are a part of simplifying asset management operations, where an essential part is the simplification of the group structure.

Shareholders' Nomination Board's proposal for the composition of Aktia Bank's Board of Directors

The Shareholders' Nomination Board of Aktia Bank Plc has decided to present the following proposition to the Annual General Meeting 2022 of Aktia Bank:

The Shareholders' Nomination Board proposes that Sari Pohjonen is elected as new Board member, based on her consent. Arja Talma, member of Aktia's Board of Directors since 2013, has informed that she will not be available for re-election.

Rating

On 22 January 2021, Standard & Poor's (S&P) adjusted its outlook for the creditworthiness of Aktia Bank Plc to stable. The rating is A- for long-term borrowing and A2 for short term borrowing. The rating has been affirmed on 16 December 2021 related to the S&P revised rating methodology update.

On 9 September 2021, Moody's Investors Service confirmed the long-term and short-term senior funding credit ratings of Aktia Bank and changed the outlook of the ratings to negative. The rating for senior preferred bonds is A1 and for short-term debt instruments P-1. Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term Covered Bonds.

On 17 May 2021, Moody's Investors Service awarded Aktia Bank the rating Baa3 (hyb) for the Additional Tier 1 capital issued by Aktia Bank.

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

Events concerning related parties

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

Further information on events concerning related parties is described in notes G43 and P43.

Staff

The number of full-time employees at the end of December amounted to 854 (31 December 2020; 830). The average number of full-time employees amounted to 862 (1 January–31 December 2020; 806).

The incentive scheme

In 2018, Aktia Bank Plc launched a long-term share savings plan for Aktia Group's employees in order to support the implementation of Aktia's strategy. The current 12-month saving period, AktiaUna 2021–2022, was launched in spring 2021 and continues until spring 2022. Decisions about possible new plans are made yearly.

The incentive scheme in its entirety includes two parts. The share savings plan AktiaUna is aimed at the whole personnel, about 950 persons, and the performance-based share savings plan is aimed at

about 60 key persons. The plan gives every employee the possibility to become a shareholder in Aktia on favourable terms. Within the plan, part of the salary (2–4%, 7% for members of the Executive Committee) is deducted and invested in Aktia's shares at a reduced price (-10%). Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years.

The performance criteria for the above-mentioned performance-based plan, which concerns approximately 60 key persons (including the CEO and members of the Executive Committee), are Aktia Group's comparable operating profit and net commission income during a period of two years. The potential incentive based on the performance period will be defined according to the terms of the plan, according to which the Board's comprehensive assessment of the employee's, the business unit's and the Group's total results and development is considered.

On 5 August 2021, the Board of Directors of Aktia Bank Plc decided on a new long-term share-based incentive scheme, the Restricted Share Plan. The total number of Aktia shares paid as incentive within the scope of the incentive scheme is 280,000.

For more information on the incentive scheme see [> Investors > Corporate Governance > Remuneration.](http://www.aktia.com)

Development of Aktia's share 4 January–30 December 2021



Decisions of Aktia Bank Plc's Annual General Meeting 2021

The Annual General Meeting of Aktia Bank Plc on 13 April 2021 adopted the financial statements of the parent company and the consolidated financial statements and discharged the members of the Board of Directors, the CEO 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 0.43 euro per share for the accounting period 1 January – 31 December 2020 with a payment at one or more occasions. The Board was authorised to

decide on the record date and the date of payment of a possible dividend.

On 5 October 2021, the Board of Directors of Aktia Bank Plc has decided to pay out a dividend of EUR 0.43 per share for the accounting period of 1 January–31 December 2020 in accordance with the authorisation given by the Annual General Meeting of 2021.

The Annual General Meeting confirmed the number of board members as eight. Johan Hammarén, Maria Jerhamre Engström, Harri Lauslahti, Olli-Petteri Lehtinen, Johannes Schulman, Lasse Svens and Arja Talma were re-elected as Board members. Timo Vättö was elected as a new member of the Board of Directors. The Board of Directors, which convened after the General Meeting, elected Lasse Svens as chair and Timo Vättö as vice chair.

In accordance with the proposal by the Board of Directors the Annual General Meeting decided to approve the remuneration report for the governing bodies of Aktia Bank Plc and confirmed the remuneration for the Board members.

The Annual General Meeting determined that the number of auditors shall be one, and confirmed the remuneration to the auditor, and re-elected APA firm KPMG Oy Ab as auditor with Marcus Tötterman, M.Sc. (Econ.), APA, as auditor-in-charge.

The Annual General Meeting adopted the proposal of the Board of Directors regarding resolution for

share issue authorisation for up to 6,967,000 shares or securities entitling to shares, authorisation to acquire up to 500,000 company's own shares for use in the company's share based scheme and/or the remuneration of members of the company's Board of Directors and authorisation to divest up to 500,000 company's own shares.

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 47,920 shares now object for forfeiture are shares issued as a buffer in connection with the merger of Veritas Mutual Non-Life Insurance Company to Aktia Plc on 1 January 2009.

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 2021**.

Shareholders' Nomination Board's proposal for the Annual General Meeting 2022

The Shareholders' Nomination Board of Aktia Bank Plc has decided to present the following proposition to the Annual General Meeting 2022 of Aktia Bank:

The number of the members of the Board of Directors is proposed to be unchanged and set to eight.

The Shareholders' Nomination Board proposes that of the present members of the Board of Directors, Johan Hammarén, Maria Jerhamre Engström, Harri Lauslahti, Olli-Petteri Lehtinen, Johannes Schulman, Lasse Svens and Timo Vättö, based on their consent, be re-elected for a term continuing up until the end of the next Annual General Meeting. For more information on the Board members proposed to be re-elected, please see the company's website at www.aktia.com.

The Shareholders' Nomination Board also proposes that Sari Pohjonen is elected as new Board member for the same term, based on her consent.

All the proposed persons are independent in relation to the company according to the definition of the Corporate Governance Code. Only Timo Vättö is not independent of a significant shareholder since he is a member of the Board of Rettig Group Oy Ab, which is the largest owner of RG Partners Oy – the largest shareholder (10.11%) of Aktia Bank.

All the proposed persons have informed that they intend, if they are elected, to re-elect Lasse Svens amongst them as Chairman of the Board of Directors and to re-elect Timo Vättö as Deputy Chairman.

Arja Talma, member of Aktia's Board of Directors since 2013, has informed that she will not be available for re-election.

Regarding the selection procedure for the members of the Board of Directors, the Shareholders'

Nomination Board recommends that shareholders take a position on the proposal as a whole at the General Meeting. This recommendation is based on the fact that at Aktia the Shareholders' Nomination Board is separate from the Board of Directors and, in addition to ensuring that individual nominees for membership of the Board of Directors possess the required competences, it is also responsible for making sure that the proposed Board of Directors as a whole also has the best possible expertise and experience for the company and that the composition of the Board of Directors also meets other requirements set for credit institutions as well as the requirements of the Finnish Corporate Governance Code for listed companies.

The Nomination Board proposes that the remuneration for the Board of Directors for the term be unchanged from the current term and determined as follows:

- Chairman, EUR 64,300 (2021: EUR 64,300)
- Deputy Chairman, EUR 43,000 (2021: EUR 43,000)
- member, EUR 35,000 (2021: EUR 35,000)

Annual remunerations for the Chairmen of each Committee as well as meeting remunerations are proposed to be unchanged, meaning that it is proposed that the Chairman of each Committee will further receive an annual remuneration of EUR 8,000. The proposed meeting remuneration for Board and Committee meetings is EUR 500 per attended meeting per each person. Compensation

for travel and accommodation expenses as well as a daily allowance is paid in line with the Finnish Tax Administration's guidelines and the travel instructions of the company.

The Nomination Board proposes that approximately 40% of the annual remuneration (gross amount) shall be paid to the members in the form of Aktia shares. The company will on account of the Board members acquire Aktia shares on the market to the price that is formed through public trading or it will transfer the company's own shares to the Board members and the rest of the annual remuneration payable is paid in cash. The shares are acquired or transferred during a two-week time period from the day following the company's interim report for 1 January 2022–31 March 2022 is disclosed or as soon as possible in accordance with applicable legislation. The company will be responsible for all expenses and the possible transfer tax for acquiring or transferring the shares.

The proposals of the Nomination Board will be included in the summons of the Annual General Meeting.

Chairman of the Shareholders' Nomination Board of Aktia Bank is Kaj-Gustaf Bergh (appointed by the Pension Insurance Company Veritas and the companies controlled by Erkki Etola), members are Matts Rosenberg (appointed by the RG Partners Oy), Gisela Knuts (appointed by the Åbo Akademi University Foundation) and Stefan Björkman (appointed by Hammarén & Co Oy Ab), and Lasse

Svens, Chairman of the Board of Directors of Aktia Bank acts as an expert.

Board of Directors' Proposals for the Annual General Meeting 2022

The Board of Directors proposes that a dividend of EUR 0.56 (0.43) per share shall be paid for the period 1 January – 31 December 2021. The proposed record date for the dividend is proposed to be 8 April 2022, and the dividend will be paid on 19 April 2022.

The Board of Directors proposes, based on the recommendation of the Board of Directors' Audit Committee, that KPMG Oy Ab, a firm of authorised public accountants, shall be elected as auditor, with Marcus Tötterman, M.Sc. (Econ.), APA, as auditor-in-charge for a term of office beginning when the Annual General Meeting 2022 is closed and continuing until the Annual General Meeting 2023 has concluded. Remuneration and compensation for travel expenses to the auditor are proposed to be paid against reasonable invoices.

Publication of information

Aktia's Disclosure Policy covers Aktia Bank Plc and all subsidiaries.

The Disclosure Policy describes key principles for Aktia's communication with the capital market, mass media and other stakeholder groups. The Disclosure Policy is published on Aktia's website, www.aktia.com. The reports and communications published by Aktia Bank Plc are also available on the website. Aktia Bank

Plc meets its disclosure obligations in the form of publications. The main publications are:

- The annual report, financial statement release, half-year report and interim reports, including the notes, contain financial information on the results and activities of the Aktia Group.
- Aktia's remuneration report gives a report on the remunerations paid out to the company's organs in line with the code for Listed Companies issued by the Finnish Securities Market Associations (the Finnish Corporate Governance Code 2020).
- The Corporate Governance Report contains information on the administration and administrative structure of the Aktia Group. The report follows the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association (the Finnish Corporate Governance Code 2020).
- Aktia reports on corporate responsibility as a part of Aktia's annual report on 16 March 2022 at the latest. The publication contains information on how Aktia has implemented corporate social responsibility issues in its day-to-day activities and processes. The report provides a general picture of those material aspects which Aktia's stakeholders consider important for Aktia's activities. The report follows the guidelines of the Global Reporting Initiative (GRI).
- Aktia will publish a report on non-financial information in connection with the Report by the Board of Directors which is published as part of Aktia's annual report no later than 16 March 2022.
- The Pillar III Report provides information about the Group's risk position and various types of risk

as well as capital adequacy. The report covers the requirements set forth in the Capital Requirements Regulation (CRR), Chapter 8.

- Aktia Life Insurance publishes a Solvency and Financial Condition Report, which provides information on the company's financial position and solvency. The report will be published no later than 7 April 2022.

Aktia's website, www.aktia.com, contains also information e.g. on the Group's management, administration and remuneration systems. The Aktia Group's financial calendar with publication dates is also published on the website. Information complying with the Article 8 of the capital requirements regulation (CRR) is provided in a separate Pillar III Report.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 170 million. At the end of December 2021, the number of Aktia shares was 72,144,081. The total number of registered holders amounted to 39,461 (31 December 2020; 36,918). 12.02% of the shares were in foreign ownership. There were no unregistered shares at the end of December. On 31 December 2021, the Group held 326,541 (31 December 2020; 113,372) Aktia shares. Aktia Bank Plc's market value on 30 December 2021, the last trading day of the period, was approximately EUR 886 million. The closing price for the Aktia share on 30 December 2021 was EUR 12.28. The highest price for the Aktia share during the period was EUR 13.40 and the lowest EUR 8.94.

The average daily turnover of the Aktia share during January–December 2021 was EUR 979,062 or 90,922 shares.

	Number of shares	Share capital	Unrestricted equity reserve
(EUR million)			
1 Jan 2020	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
Share issue 9 Feb 2021	100,000	-	1.0
Share issue 6 May 2021	974,563	-	9.6
Share issue 20 May 2021	66,770	-	0.7
Share issue 30 Sep 2021	1,371,500	-	13.9
Share issue 18 Nov 2021	57,075	-	0.6
Other changes	-	-	0.1
31 Dec 2021	72,144,081	169.7	138.6

Financial targets up until 2025

The financial targets stipulated by the Board of Directors in September 2021 are:

- a comparable operating profit of above EUR 120 million,
- a comparable return on equity (ROE) of above 12 per cent,
- a comparable cost-to-income ratio of under 0.60 and
- a Common Equity Tier 1 capital ratio (CET1) above 1.5 percentage points over the regulatory requirements.

Sustainability

Sustainability is an essential part of Aktia's strategy and supports the value creation for our stakeholders. Sustainability at Aktia consists of both corporate responsibility and ESG integration in the business operations. In 2021, the objective for our corporate responsibility programme is to be a solvent, reliable, and environmentally responsible partner for economic well-being and the most attractive workplace in the business. Year 2021, the management structure for Aktia's sustainability work was simplified by merging the functions of corporate responsibility and ESG development to a new team in the bank.

During autumn, Aktia established a group wide climate strategy with established goals regarding investment activities, lending and Aktia's own operations. Aktia joined the global Net-Zero Asset Managers initiative to support the implementation of the climate strategy. Aktia also established principles for responsible lending and took part in

a green syndicate loan. Proofing Aktia's long-term work with ESG integration in the investment activities for the government loans in the emerging markets, Aktia was invited to the advisory committee for the ASCOR Project*, aimed at developing a global tool for assessing climate risks and opportunities in investments in government loans for the entire industry.

The second half of the year was also characterized by preparing for the coming EU regulation for sustainable finance, including for example EU taxonomy and the reporting requirements for Aktia.

The indicators that Aktia monitors every six months remained at a good level. The carbon footprint of Aktia's own equity funds was on average clearly smaller than in the reference markets. Aktia's long term goal is to have a smaller carbon footprint than the reference market. Aktia's investment strategy favours less capital-intensive companies that have favourable emissions profiles. Private and premium customers' satisfaction with customer meetings remained at a good level. This describes the success of our customer service, which has a goal to exceed a score of 50 (NPS).

Indicator (target)	2021	2020	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)	-67%** (-68%***)	-68%**	+2%
NPS (Net Promoter Score), measuring customers' satisfaction, private and premium customers (at least 50)	72	68	+4

* ASCOR = Assessing Climate Related Opportunities and Risks, a joint project founded by leading ESG organizations (including PRI) and two UK pension funds.

** The figures include Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America and Global.

*** In 2021 the figures also include Aktia's comparable funds and the funds Micro Rhein, Rhein Value, Micro Markka, Europa Dividend which were transferred to Aktia from Taaleri through the acquisition.

Risks and outlook

Risks

Aktia's result is affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates, as well as the competitive situation. The demand for banking, insurance, and asset 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 development of the commission income is dependent on the volume and value development of assets under management, which as a result of market fluctuations has increased the risks pertaining to the Group's income and profitability.

The coronavirus pandemic that broke out during 2020 and the measures taken for limiting its development has influenced both the real economy and the financial market. The negative impact of the coronavirus pandemic as well as the sufficiency

of the measures taken to decrease the impact are monitored and assessed continuously.

According to the latest data, the recovery from the consequences of the coronavirus pandemic will continue and this will also be reflected in the statistical indicators concerning Finland's economic development. The quality of Aktia's loan book and new lending has been stable despite the growth in lending. This applies to the lending volume of both companies and private customers.

The acquisition of Taaleri's wealth management operations was carried out on 30 April 2021. The transaction is being handled actively through thorough integration coordination. Future risks concern the implementation of the integration in accordance with the set targets, including the synergy and cross-selling targets. Aktia simplified its group structure by merging two fund management companies as well as Aktia Wealth Management Ltd and Aktia Bank Plc on 1 January 2022.

Aktia's operational risks have been in line with the risk appetite during 2021. The trend of an increasing number of fraud affecting the entire financial sector, in particular related to digital services, has been significant in 2021. The financial sector has worked actively with various authorities to, among other things, inform bank customers about fraud threats. During 2021, Aktia's customers were also victims of phishing. Aktia has successfully developed its

services in the fight against phishing and by the end of the year, the loss of customer assets has decreased significantly.

The coronavirus pandemic has not significantly affected the operational risks of Aktia. Aktia started returning to a normal hybrid working model in October, but at the beginning of December, after the worsening of the coronavirus situation in Finland, Aktia was forced to expand remote work again.

The expansion of the asset management operations in connection with the acquisition of Taaleri has led to a decrease in Aktia's regulatory capital situation in relation to the risk-weighted positions at the beginning of the year. The banking group's own funds were reinforced by CET1 and AT1 capital issuances in connection with the transaction and by the life insurance company's Tier 2 issue at the end of 2021, which increased the solvency and conglomerate capital. This has decreased the risk of the regulatory capital situation limiting the utilisation of the market potential for growth in terms of risk positions in the future.

Outlook 2022

- The comparable operating profit for 2022 is expected to be somewhat higher than in 2021 provided that the market development and circumstances in society remain stable.
- Net interest income growth is expected to remain strong, especially in the corporate customer

segment, due to active pricing and expected volume growth. Financing expenses are expected to remain at a moderate level.

- The growth in commission income is expected to continue. Growth is supported by the completion of the integration of Taaleri's wealth management business.
- The development of net income from life insurance is dependent on changes in market values. We expect the actuarially calculated result to increase in 2022.
- The expenses are expected to be approximately at the same level as in 2021.
- Potential credit loss provisions are expected to remain at a moderate level while the liquidity and capital adequacy of Aktia remain stable.

Quarterly trends in the Group

(EUR 1,000)	4Q2021	3Q2021	2Q2021	1Q2021	4Q2020	1-12/2021	1-12/2020
Net interest income	24,097	23,142	27,670	21,339	20,820	96,249	80,677
Dividends	11	9	323	9	50	353	398
Commission income	36,902	36,764	34,785	27,572	27,600	136,023	106,936
Commission expenses	-3,217	-3,232	-3,057	-2,524	-2,208	-12,031	-9,295
Net commission income	33,684	33,532	31,727	25,048	25,392	123,992	97,641
Net income from life insurance	7,558	9,705	10,507	9,886	10,229	37,657	19,876
Net income from financial transactions	37	449	2,888	1,309	126	4,684	635
Other operating income	132	213	203	301	400	849	1,889
Total operating income	65,520	67,051	73,320	57,892	57,017	263,784	201,117
Staff costs	-22,190	-21,909	-22,001	-17,622	-17,671	-83,723	-69,068
IT expenses	-9,129	-7,492	-7,637	-6,396	-6,935	-30,655	-26,002
Depreciation of tangible and intangible assets	-6,049	-5,728	-5,283	-4,444	-4,589	-21,504	-18,276
Other operating expenses	-7,875	-6,461	-13,906	-10,281	-7,217	-38,523	-28,813
Total operating expenses	-45,243	-41,590	-48,827	-38,743	-36,412	-174,404	-142,159
Impairment of credits and other commitments	126	-996	-1,402	-2,222	-827	-4,494	-4,046
Share of profit from associated companies	-95	-84	-51	-35	-54	-265	-118
Operating profit	20,308	24,382	23,039	16,892	19,724	84,621	54,793
Taxes	-4,044	-4,967	-5,363	-2,891	-4,616	-17,265	-12,172
Profit for the period	16,264	19,414	17,677	14,001	15,109	67,356	42,621
Attributable to:							
Shareholders in Aktia Bank plc	16,264	19,414	17,137	14,001	15,109	66,816	42,621
Holders of other Tier 1 capital	-	-	540	-	-	540	-
Total	16,264	19,414	17,677	14,001	15,109	67,356	42,621
Earnings per share (EPS), EUR	0.23	0.28	0.24	0.20	0.22	0.95	0.61
Earnings per share (EPS), EUR, after dilution	0.23	0.28	0.24	0.20	0.22	0.95	0.61
Operating profit excluding items affecting comparability:							
Operating profit	20,308	24,382	23,039	16,892	19,724	84,621	54,793
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-540	-	-	-	-540	-
Operating expenses:							
Costs for restructuring	354	-	2,957	-	93	3,311	294
Comparable operating profit	20,662	23,842	25,996	16,892	19,818	87,392	55,087

Quarterly trends of comprehensive income

(EUR 1,000)	4Q2021	3Q2021	2Q2021	1Q2021	4Q2020	1-12/2021	1-12/2020
Profit for the period	16,264	19,414	17,677	14,001	15,109	67,356	42,621
Other comprehensive income after taxes:							
Change in fair value for financial assets	-4,052	-494	-2,270	-4,600	1,451	-11,417	8,405
Change in fair value for cash flow hedging	-55	-47	5	-22	194	-119	340
Transferred to the income statement for financial assets	-177	-708	-1,796	-848	-104	-3,530	-2,573
Comprehensive income from items which can be transferred to the income statement	-4,284	-1,249	-4,061	-5,471	1,541	-15,066	6,172
Defined benefit plan pensions	-131	-	-	-	-217	-131	-217
Comprehensive income from items which can not be transferred to the income statement	-131	-	-	-	-217	-131	-217
Total comprehensive income for the period	11,849	18,165	13,615	8,530	16,432	52,159	48,576
Total comprehensive income attributable to:							
Shareholders in Aktia Bank plc	11,849	18,165	13,075	8,530	16,432	51,619	48,576
Holders of other Tier 1 capital	-	-	540	-	-	540	-
Total	11,849	18,165	13,615	8,530	16,432	52,159	48,576
Total earnings per share, EUR	0.16	0.26	0.19	0.12	0.24	0.73	0.70
Total earnings per share, EUR, after dilution	0.16	0.26	0.19	0.12	0.24	0.73	0.70
Total comprehensive income excluding items affecting comparability:							
Total comprehensive income	11,849	18,165	13,615	8,530	16,432	52,159	48,576
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-432	-	-	-	-432	-
Operating expenses:							
Costs for restructuring	283	-	2,365	-	75	2,649	235
Comparable total comprehensive income	12,132	17,733	15,981	8,530	16,506	54,376	48,811

Items affecting consolidated income statement and comprehensive income

(EUR 1,000)	4Q2021	3Q2021	2Q2021	1Q2021	4Q2020	1-12/2021	1-12/2020
Net income from financial transactions	-	540	-	-	-	540	-
Total operating income	-	540	-	-	-	540	-
Staff costs	-347	-	-1,297	-	-93	-1,644	-294
Other operating expenses	-6	-	-1,660	-	-	-1,666	-
Total operating expenses	-354	-	-2,957	-	-93	-3,311	-294
Operating profit	-354	540	-2,957	-	-93	-2,771	-294
Taxes	71	-108	591	-	19	554	59
Profit for the reporting period	-283	432	-2,365	-	-75	-2,217	-235
Total comprehensive income for the year	-283	432	-2,365	-	-75	-2,217	-235

Quarterly trends in the Segments

(EUR 1,000)	4Q2021	3Q2021	2Q2021	1Q2021	4Q2020	1-12/2021	1-12/2020
Banking Business							
Net interest income	18,920	18,192	18,735	17,566	18,086	73,412	69,730
Net commission income	15,354	15,086	15,135	14,215	14,149	59,790	55,753
Other operating income	24	33	55	205	87	317	984
Total operating income	34,298	33,310	33,925	31,986	32,322	133,519	126,466
Staff costs	-4,880	-4,681	-5,709	-4,587	-4,859	-19,858	-18,147
Other operating expenses ¹	-19,690	-18,125	-20,524	-20,128	-19,209	-78,468	-75,773
Total operating expenses	-24,570	-22,806	-26,234	-24,715	-24,068	-98,325	-93,920
Impairment of credits and other commitments	126	-1,016	-1,402	-2,222	-827	-4,515	-4,017
Operating profit	9,853	9,489	6,289	5,048	7,427	30,679	28,529
Comparable operating profit	9,952	9,489	7,489	5,048	7,427	31,977	28,639
Asset Management							
Net interest income	381	393	383	417	454	1,574	1,847
Net commission income	19,985	20,152	18,457	12,355	12,520	70,949	47,317
Net income from life insurance	6,509	8,659	9,510	8,927	9,420	33,604	16,688
Other operating income	84	346	256	72	58	758	227
Total operating income	26,959	29,550	28,606	21,770	22,452	106,885	66,079
Staff costs	-7,072	-7,273	-6,206	-4,451	-4,185	-25,001	-16,199
Other operating expenses ¹	-11,443	-9,697	-12,432	-7,577	-5,841	-41,150	-23,333
Total operating expenses	-18,515	-16,970	-18,638	-12,028	-10,026	-66,152	-39,533
Operating profit	8,444	12,580	9,968	9,742	12,426	40,733	26,546
Comparable operating profit	8,622	12,580	11,712	9,742	12,519	42,656	26,650

The table continues

(EUR 1,000)	4Q2021	3Q2021	2Q2021	1Q2021	4Q2020	1-12/2021	1-12/2020
Group Functions							
Net interest income	4,796	4,558	8,549	3,358	2,282	21,261	9,102
Net commission income	1,299	1,426	1,174	1,393	1,693	5,292	6,379
Other operating income	54	427	3,194	1,415	492	5,090	1,924
Total operating income	6,149	6,411	12,917	6,166	4,467	31,643	17,405
Staff costs	-10,238	-9,956	-10,086	-8,584	-8,627	-38,863	-34,722
Other operating expenses ¹	6,195	5,921	3,980	4,531	4,062	20,627	17,125
Total operating expenses	-4,043	-4,035	-6,106	-4,053	-4,565	-18,237	-17,597
Impairment of credits and other commitments	-	21	-	-	-	21	-29
Operating profit	2,106	2,397	6,810	2,114	-98	13,427	-221
Comparable operating profit	2,183	1,857	6,822	2,114	-98	12,976	-141

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

5 year overview

(EUR 1,000)	2021	2020	2019	2018	2017
Income statement					
Net interest income	96,249	80,677	77,568	85,903	89,620
Net commission income	123,992	97,641	99,120	95,602	91,429
Net income from life insurance	37,657	19,876	29,978	21,362	26,597
Net income from financial transactions	4,684	635	2,878	4,850	841
Other operating income	1,202	2,287	11,870	2,414	1,798
Total operating income	263,784	201,117	221,415	210,131	210,284
Staff costs	-83,723	-69,068	-68,993	-66,683	-79,057
IT expenses	-30,655	-26,002	-26,193	-25,638	-30,451
Depreciation of tangible and intangible assets	-21,504	-18,276	-19,481	-12,381	-9,465
Other operating expenses	-38,523	-28,813	-29,233	-38,346	-41,681
Total operating expenses	-174,404	-142,159	-143,901	-143,048	-160,654
Impairment of tangible and intangible assets	-	-	-	-	-534
Expected credit losses and impairment of credits and other commitments	-4,494	-4,046	-4,452	-839	-574
Share of profit from associated companies	-265	-118	1,694	1,344	597
Operating profit	84,621	54,793	74,756	67,588	49,118
Taxes	-17,265	-12,172	-12,931	-11,583	-9,778
Profit for the period	67,356	42,621	61,825	56,005	39,340
Attributable to:					
Shareholders in Aktia Bank plc	66,816	42,621	61,825	56,005	39,340
Holders of Additional Tier 1 capital	540	-	-	-	-
Total	67,356	42,621	61,825	56,005	39,340
Comprehensive income					
Profit for the period	67,356	42,621	61,825	56,005	39,340
Comprehensive income from items which can be transferred to the income statement	-15,066	6,172	-2,558	-9,991	-15,750
Comprehensive income from items which can not be transferred to the income statement	-131	-217	-307	13	2,093
Total comprehensive income for the year	52,159	48,576	58,959	46,027	25,683
Comprehensive income attributable to:					
Shareholders in Aktia Bank plc	51,619	48,576	58,959	46,027	25,683
Holders of Additional Tier 1 capital	540	-	-	-	-
Total	52,159	48,576	58,959	46,027	25,683

The table continues

(EUR 1,000)	2021	2020	2019	2018	2017
Balance sheet					
Financial assets measured at fair value through income statement	1,451,815	1,232,497	1,039,093	902,650	802,575
Financial assets measured at fair value through other comprehensive income	1,106,966	1,258,224	1,240,331	1,340,928	1,925,358
Interest-bearing securities measured at amortised cost	386,464	413,759	336,495	307,982	367,800
Loans and other receivables	7,551,691	7,028,686	6,446,455	6,129,827	5,888,674
Cash and balances with central banks	732,829	298,615	315,383	289,191	282,477
Derivative instruments	39,553	76,068	68,134	69,990	84,046
Other assets	384,023	264,920	251,208	226,257	199,071
Total assets	11,653,341	10,572,768	9,697,098	9,266,826	9,550,000
Deposits	5,425,806	5,164,416	4,657,453	4,565,120	4,812,963
Derivative instruments	20,484	12,247	9,847	17,126	33,559
Other financial liabilities	3,730,391	3,178,507	3,023,129	2,813,737	2,745,994
Technical provisions	1,568,214	1,410,818	1,259,771	1,155,704	1,217,328
Provisions	987	1,284	999	757	-
Other liabilities	169,062	138,667	135,904	124,443	142,135
Total liabilities	10,914,945	9,905,939	9,087,102	8,676,887	8,951,979
Equity	738,397	666,830	609,996	589,939	598,022
Total liabilities and equity	11,653,341	10,572,768	9,697,098	9,266,826	9,550,000

The year 2017 is determined in accordance with IAS 39.

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2021	2020	2019	2018	2017
Earnings per share (EPS), EUR	0.95	0.61	0.90	0.81	0.57
Total earnings per share, EUR	0.73	0.70	0.85	0.67	0.37
Dividend per share, EUR	0.56 *	0.43	0.53 **	0.61	0.57
Payout ratio, %	70.1	70.1	59.3	75.1	96.1
Equity per share (NAV), EUR ¹	9.45	9.60	8.82	8.56	8.70
Average number of shares (excluding treasury shares)	70,460,062	69,787,931	69,037,320	68,817,331	68,867,809
Number of shares at the end of the period (excluding treasury shares)	71,817,540	69,460,801	69,143,116	68,916,364	68,718,564
Return on equity (ROE), % ¹	10.0	6.7	10.3	9.4	6.5
Return on assets (ROA), % ¹	0.61	0.42	0.65	0.60	0.41
Cost-to-income ratio ¹	0.66	0.71	0.65	0.68	0.76
Common Equity Tier 1 capital ratio (Bank Group), %	11.2	14.0	14.7	17.5	18.0
Tier 1 capital ratio (Bank Group), %	13.2	14.0	14.7	17.5	18.0
Capital adequacy ratio (Bank Group), %	15.6	16.6	18.6	20.5	23.4
Risk-weighted commitments (Bank Group)	2,940,550	3,030,010	2,636,934	2,199,213	2,080,185
Capital adequacy ratio, % (finance and insurance conglomerate)	145.0	126.6	131.6	166.1	164.5
Equity ratio, % ¹	6.6	6.6	6.4	6.3	6.3
Group financial assets ¹	2,546,099	2,265,470	2,094,688	2,112,924	2,601,921
Assets under management ¹	15,450,954	10,446,947	9,853,097	8,353,372	7,627,881
Borrowing from the public	4,503,297	4,465,767	4,059,841	3,962,540	4,118,544
Lending to the public	7,486,371	6,999,814	6,429,143	6,106,717	5,838,764

The table continues

(EUR 1,000 if nothing else is stated)	2021	2020	2019	2018	2017
Premiums written before reinsurers' share ¹	152,696	106,161	118,606	105,634	125,935
Expense ratio, % (life insurance company) ¹	98.9	73.9	73.9	77.0	78.9
Solvency ratio (life insurance company), %	224.7	145.9	192.1	229.8	199.2
Own funds (life insurance company)	244,690	159,070	166,290	175,510	169,490
Investments at fair value (life insurance company) ¹	1,693,406	1,515,218	1,344,989	1,230,542	1,342,758
Technical provisions for risk insurances and interest-related insurances	414,454	441,005	390,364	398,930	414,978
Technical provisions for unit-linked insurances	1,153,760	969,814	869,407	756,774	802,349
Group's personnel (FTEs), average number of employees	862	806	787	803	903
Group's personnel (FTEs), at the end of the period	854	830	776	779	804
Alternative performance measures excluding items affecting comparability:					
Comparable cost-to-income ratio ²	0.65	0.71	0.66	0.69	0.71
Comparable earnings per share (EPS), EUR ²	0.98	0.61	0.79	0.77	0.70
Comparable return on equity (ROE), % ²	10.3	6.7	9.1	8.9	7.9

*) Dividend proposal of EUR 0.56 per share

**) Dividend for 2019 was paid in January 2021

1) 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 (SI). 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.

2) 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 a table under the Group's income statement and comprehensive income.

Basis of calculation

Earnings per share (EPS), EUR

Profit for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Total earnings per share, EUR

Comprehensive income for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc / Number of shares at the end of the year

Return on equity (ROE), %

Profit for the year / Average equity excl. additional Tier 1 capital holders x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

Common Equity Tier 1 capital ratio (Bank Group), %

Common Equity Tier 1 capital / Risk-weighted commitments x 100

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

Capital base (Tier 1 capital + Tier 2 capital) / Risk-weighted commitments x 100

The capital base is calculated in accordance with the EU requirements on capital adequacy.

Risk-weighted commitments (Bank Group)

Total assets in the balance sheet and off-balance sheet items, including derivatives measured and risk-weighted in accordance with the EU requirements on capital adequacy.

The capital requirements for operational risks have been calculated and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) / Minimum requirement for the conglomerate's own funds (credit institution + insurance business) x 100

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates and its related decree.

Equity ratio, %

Equity incl. non-controlling interest's share of equity / Average balance total x 100

Group financial assets

The Bank Group's liquidity portfolio and the life insurance company's investment portfolio

Assets under management

Assets under management and brokered mutual funds and assets managed by Aktia Fund Management Company, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance.

Expense ratio, % (life insurance company)

(Operating costs + cost of claims paid) / Total expense loadings x 100

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

Solvency ratio, % (according to Solvency II, life insurance company)

Solvency II capital / Solvency capital requirement (SCR) x 100

Own funds (Solvency II capital, life insurance company)

The difference between assets and liabilities measured at fair value according to the law implemented from 2016

Solvency ratio, % (according to Solvency I, life insurance company)

Solvency capital / (Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance) x 100

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

Solvency margin (according to Solvency I, life insurance company)

The difference between assets and liabilities measured at fair value according to the law valid before 2016

Non-financial report 2021

Business model

Aktia Group's business model is based on offering private, corporate, organizational and institutional customers customer-oriented banking and financial services based on close advice via various channels.

Aktia has three business areas: Banking, Asset Management and Life Insurance. The Group's geographical business area includes the metropolitan area, Finnish coastal area and inland growth centres. Aktia is a Finnish company that operates and pays taxes in Finland.

The new updated strategy, which extends until 2025, supports the company's growth goals and leads the company towards a new vision of being "The leading wealth manager bank". Our growth strategy is based on close cooperation between Aktia's three business areas. A strong focus on asset management is central to all business operations in the company.

Corporate responsibility

Aktia established a corporate responsibility program for the Group in 2018. In 2021 we continued to work according to the program and specify the targets

for the years 2021-2023. In the Group's corporate responsibility work we focus on four themes:

- Solvent and reliable actor
- Partner for economic well-being
- Environmental responsibility
- The most attractive workplace in the business

The Group's corporate responsibility programme and its targets and measures and their updates are approved by Aktia's Executive Committee and Board of Directors. The main themes for our corporate responsibility programme have been prepared together with Aktia's employees, customers and other stakeholders based on the materiality analysis. Aktia has defined the five most important indicator categories for monitoring responsibility, and they are presented in the following table. The indicators are explored in closer details in our Annual Review 2021.

The following indicators have internal impacts in addition to external impacts to Aktia: NPS (Net Promoter Score), which measures customer satisfaction, the carbon footprint of Aktia's own equity funds, eNPS (Employee Net Promoter Score), which measures employees' willingness to

recommend the employer and lastly, the carbon dioxide emissions from electricity consumption of Aktia's leased business premises. The compulsory compliance trainings for the employees, the

Leadership Index and authority sanctions primarily only have internal impacts for Aktia. The internal and external impacts are described more in detail in our Annual Review 2021.

Indicator (target)	2021	2020	2019	2018	Change from the previous year
NPS (Net Promoter Score), measuring customers' satisfaction, private and premium customers (at least 50)	72	68	66	-	+4
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)	-67%* (-68%**)	-68%	-47%	-48%	+1 percentage point
Employees, who have completed the compulsory compliance training % (100%)	93.5%	97%	96%	yli 90%	-3.5%
Authority sanctions (no authority sanctions)	0	1	0	0	Target was met
eNPS, measuring the employees' willingness to recommend their employer (Employee Net Promoter Score; at least 0)	-5	10	1	-7	-15
Leadership index (at least 75)	79	82	78	78	-3
The carbon dioxide emissions from electricity consumption in Aktia's leased business premises, tonnes CO2e (10% reduction in carbon dioxide emissions from the level in 2018 until the end of 2023)	148.2***	322.7	525.1	560.8	-54%****

* The figures include Aktia's comparable funds Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America and Global.

**In 2021 the figures also include Aktia's comparable funds and the funds Micro Rhein, Rhein Value, Micro Markka, Europa Dividend which were transferred to Aktia from Taaleri through the acquisition.

*** -74% from the baseline year 2018

**** The reduction is mainly caused by increased remote work due to the COVID-19 pandemic.

Central rules, principles and instructions that guide Aktia's responsibility work are:

- Laws and decrees as well as good banking and insurance practices
- The code of conduct for employees and suppliers and the anti-bribery policy
- The corporate responsibility programme, the climate policy, climate strategy and WWF's Green Office principles
- Principles for Responsible Investment and Corporate Governance
- Employee policies, the occupational health and well-being programme
- The Board of Directors' instructions on the principles of disclosure and our Disclosure policy
- Principles for responsible lending
- Diversity policy
- The Code of Conduct for Suppliers
- The Aktia Group's guidelines for green procurement

Central policies and principles that guide Aktia's corporate responsibility are described in more detail on the Group's sustainability website at www.aktia.com.

A solvent and reliable player

The first main theme of our corporate responsibility programme is to be a solid and reliable player. Our objectives are growth and profitability. These are measured by the development of the operating profit and solvency in accordance with the financial objectives for the strategy period. The comparable

operating profit in accordance with these objectives was EUR 87,4 million in 2021. In terms of solvency, the Common Equity Tier 1 capital ratio (CET 1) was 11,2%, when the objective is more than 1.5 percentage points above the minimum requirement (7,7%). At the same time, our goal is also to operate in accordance with high ethical standards.

Aktia organises versatile compliance training for its employees in its electronic training portal, for example in information security, physical security, data protection, code of conduct, anti money laundering and deleting personal data. One of the indicators for monitoring is that all our employees complete the compulsory compliance training. By the end of 2021, 93,5% of our employees had completed the training. The number was somewhat lower than last year. Aktia's indicator is also that no sanctions are imposed on the company. In 2021, no sanctions were imposed on the company.

Partner for economic well-being

The second main theme of our corporate responsibility programme is that we are a partner for the economic well-being of our customers. We want to respond to the needs of our customers and follow up on customer satisfaction by measuring the Net Promoter Score (NPS) performance and in terms of premium and private customer meetings, report this on a biannual basis.

One of the objectives of our corporate responsibility programme is to invest responsibly when providing wealth management services to our customers.

We also consider the UN Sustainable Development Goals (SDGs) as part of the value base on which the investment activities are based. At the end of 2020 our corporate responsibility group prioritised the following four themes from the UN Sustainable Development Goals (SDGs) for our business: 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 13 (climate action) and 17 (partnerships for the goals).

Particularly as a wealth manager, Aktia has a significant opportunity to have a responsible impact through its investment decisions. We believe that responsible companies will win over their competitors in the long term. Curbing climate change is part of our ESG policy for responsible investment. We also encourage our external wealth managers to commit themselves to curbing climate change and to support the development towards a less carbon-dependent society in their investment decisions. Our impact work is not limited to companies, but also includes state institutions and decision-makers. One of the indicators of corporate responsibility is also that the carbon footprint of our own equity funds is on average lower than that of the reference market in the long term. At the end of 2021, the carbon footprint of our own equity funds was 68% lower than that of the reference markets. By signing the UN Principles for Responsible Investment (PRI), Aktia has committed to considering environmental, social and good governance criteria in all its wealth management. Responsible investment is an important part of the development of Aktia's wealth management activities as well as the activities of the entities

responsible for investment funds and discretionary wealth management and the entities responsible for the bank's own investments. The PRI also means that Aktia can assist in achieving more responsible activities in those companies in which Aktia holds shares.

We also want to practise responsible lending. We only conclude credit agreements that are sound and ethically defensible. Granting credit is always based on the customer's adequate ability to pay. Before granting the credit, a thorough risk assessment is carried out to assess the customer's ability to pay and to ensure that the customer can meet their obligations. We are not involved in arrangements to circumvent legislation or regulation or in arrangements that may cause reputational risk. The identity of the customer or their representative is verified and information about the customer is collected. The customer relationship is followed up on and the data is saved as part of the customer due diligence process, credit risk analysis and avoidance of money laundering and terrorism. Our key tools for responsible granting of credit are the new sales of credit according to the customer's ability to pay, as well as the loan ceiling and active follow-up of credits. As part of granting credit, the Group's climate policy is considered. In autumn 2021, we also set principles for responsible lending. However, these principles will only be put into practice as of 1 January 2022. In 2021, we have also analysed the taxonomy capability of our credit portfolio.

Shares and amounts in euros for green, social and other responsible bonds in Aktia's wealth management's funds are presented in the following table.

These green, social and other responsible bonds form an important part of the portfolio management in this wealth class and an important feature of our product solutions.

The share of sustainable bonds in Aktia's funds, %	Green bonds	Social bonds	Sustainability bonds	Sustainability linked bonds
Corporate Bond+	25.14%	0.93%	1.36%	1.13%
Short Corporate Interest Rate+	8.39%	0.00%	1.08%	0.00%
European High Yield Bond+	6.73%	0.00%	0.00%	4.29%
Nordic High Yield	17.92%	0.00%	1.16%	2.36%
Impact	32.61%	1.85%	0.00%	0.00%
Secura	6.06%	0.27%	0.63%	0.00%
Solida	10.15%	0.63%	0.90%	0.00%
Emerging Market Bond+	3.27%	1.93%	3.79%	0.00%
EM Local Curr. Frontier Bond+	0.00%	0.00%	1.10%	0.00%

The share of sustainable bonds in Aktia's funds, mn €.	Green bonds	Social bonds	Sustainability bonds	Sustainability linked bonds
Corporate Bond+	90.0	3.3	4.9	4.1
Short Corporate Interest Rate+	50.1	0.0	6.5	0.0
European High Yield Bond+	14.9	0.0	0.0	9.5
Nordic High Yield	12.3	0.0	0.8	1.6
Impact	10.2	0.6	0.0	0.0
Secura	21.4	1.0	2.2	0.0
Solida	51.0	3.2	4.5	0.0
Emerging Market Bond+	9.2	5.4	10.7	0.0
EM Local Curr. Frontier Bond+	0.0	0.0	9.0	0.0

Investments in green bonds accounted for 4.1% and EUR 53.3 million of Aktia's liquidity portfolio. In 2021, Aktia Bank did not provide green bonds but only participated in green syndicate bonds.

Environmental responsibility and climate change

The third main theme for Aktia's responsibility programme is to be an environmentally responsible actor. The target is to decrease Aktia's own environmental footprint. The indicator for our environmental responsibility is that the carbon dioxide emissions from the total electricity consumption in the business premises that Aktia has leased is 10 per cent smaller than in 2018. In 2021, these emissions decreased by 74 per cent from the base year, and we exceeded our target. This was due to the reducing the number of locations and moving our head office to a more energy efficient property in 2020 and remote work due to the COVID-19 pandemic. We also pay attention to our Scope 3 emissions and strive to find ways to reduce our emissions in all categories.

In 2021, Aktia also established a group-wide climate strategy whose goal is to achieve a carbon neutral investment portfolio by 2050 as the operating environment allows, grant a certain amount of green or sustainable loans with targets for 2030 and 2050 and to achieve net carbon neutrality in energy consumption in Aktia's own locations by 2030 and in other significant sources of emissions by 2050. The climate strategy with carbon dioxide emissions (Scopes 1, 2 and 3) for year 2021 are described in more detail in our Annual Review 2021.

Aktia's head office is WWF Green Office certified. Our intention is to later expand the Green Office practices also to other Aktia offices. In addition, Aktia participated in the Energy Saving Week when the personnel received tips on saving energy and water consumption.

The most attractive workplace in the business

The fourth main theme of our corporate responsibility programme is to be the most attractive workplace in the business. We want our employees to feel that Aktia is a good workplace and that they are valued. Aktia offers equal opportunities for all employees to succeed and to develop as professionals. Due to a low hierarchy employees have the opportunity to influence and develop Aktia. Social responsibility indicators in Aktia include the Employee Net Promoter Score (eNPS i.e., the willingness to recommend Aktia as an employer). For eNPS, our target is higher than 0. The result was -5 in the last survey and decreased by 15 points from the previous year.

Our values — courageously, skilfully and together — that we have established together with our employees, govern all our activities. Aktia's headquarters moved at the end of 2020 to new premises that support our values, new ways of working and efficiency. The relocation of Aktia's headquarters to new business premises was a significant physical step towards a renewed Aktia

in 2020. New ways of working have improved health at work and decreased sickness absences. With the COVID-19 pandemic, themes that marked the social responsibility throughout the year were ensuring the health of employees and customers, remote leadership and the development of a common culture that supports new ways of working. Securing health is described in greater detail in the chapter on promoting well-being and health.

Good leadership

With the Leadership Index, we measure our management capacity, and our target is at least 75. The result for 2021 exceeded our target and was 79. Good leadership is a key factor in achieving our goal of being the most attractive workplace in the business. All employees have the right to enjoy good leadership. Aktia is investing in regular management training based on Aktia's strategy and values and the ability for change management. In 2021, we invested in communicating our updated strategy to all our employees. We arranged various events on Teams where managers and all employees could ask about our strategy. All teams were also provided with material to go through the strategy in workshops. Managers' mutual interaction about important issues has also developed through the managers' info and the internal discussion channel for managers. The AktiaWay Leader training entity for all new managers has continued digitally and modularly. Management training offers a new perspective and ideas for management work.

Promoting well-being and health

Due to the COVID-19 pandemic, the past year was exceptional for both our employees and our customer interface.

Aktia has, in cooperation with occupational health care and the crisis group, followed the current national health instructions and shared information and recommendations to its employees during coronavirus information events and on the intranet. We have strived to ensure safe ways of working, including recommendations on remote working, meetings, hand hygiene, wearing face masks, digital solutions and work shift arrangements. Hand disinfectant and face masks have also been available at our premises. Aktia has set the health Index as its indicator to monitor the promotion of well-being and health.

The health index describes the percentage of Aktia employees that have not been ill during the year. In 2021, the health index was 62%.

In 2021, Aktia continued its cooperation with Mehiläinen and the AktiaWellbeing concept continued. The concept is an advanced way of organising occupational health care. The activities within the concept changed and became digital due to the COVID-19 pandemic. The concept includes, in addition to basic health services, versatile services and coaching which employees can use to improve

their own occupational health. Examples of these include coaching on nutrition, exercise and recovery, as well as individual digicoaching. We have also regularly arranged mutual Aktia Take a Break sessions to support remote working. Due to high demand, the Wellbeing offering will be expanded in the future. 90% of the Aktia employees have used the digital well-being services. With the AktiaWellbeing programme, employees have also benefited from many tools that support occupational health. In Aktia, for example, a work ability radar has been used, which allows for early intervention in terms of possible health risks. The occupational health Firstbeat analysis where the participant receives a comprehensive picture of their occupational health and recovery. In addition, an important part of the well-being concept is the early support for working capacity that helps to improve the occupational health of Aktia employees and prolong their working careers. In addition, workplace surveys were carried out and well-being surveys were targeted at different age groups.

Equality and diversity

In Aktia we respect diversity, equality and equal opportunity. Aktia's diversity policy covers both the employees and the Board of Directors. Diversity is an essential part of the organisation's ability to function. We believe that the diversity of our employees creates competitive advantages both in the business and when competing for the best possible employees. Aktia's diversity policy is based on Aktia's values, the Code of Conduct and anti-discrimination work.

Diversity is part of good governance and Aktia's success. We are aiming at promoting diversity and equality in our employee policy. The equal treatment of employees starts from recruitment: we strive to ensure diversity of our employees through our recruitment processes. We are committed to ensuring equal opportunities for all employees and to ensuring equal treatment in recruitment situations. We monitor the gender structure amongst our employees and in 2021, 44% of the employees at Aktia were men and 56% women. In 2020, 58% were women and 42% men. In 2021, 71% of the Executive Committee were men and 29% women. In addition, 75% of the members of the Board of Directors were men and 25% were women.

Our daily working environment also supports cultural diversity. All employees have equal opportunities to advance in their career. Aktia is also a multilingual workplace. In 2021, Aktia invested in the multilingualism of employee documents. Aktia's principle is to equally support multilingualism, minorities or groups that are in a vulnerable position in the work community. For example, Aktia organises language courses for its employees and provides comprehensive well-being services for all employees. Aktia's aim is to provide its employees with training and programmes to support career development.

Respecting human rights

Aktia has an ethical code of conduct for its suppliers, and we require that the suppliers respect human rights, employee rights, and work safety. Aktia's suppliers need to consider the human rights-related aspects and effects of their operations and commit themselves to ensuring that no child labour is used in its operations or its subcontractors' operations. The supplier must also make sure that employing people that are over the minimum age but under 18 years old does not jeopardise their education, health, safety, or psychological development.

The main international conventions and standards, such as the UN Universal Declaration of Human Rights and corresponding UN conventions, the UN Sustainable Development Goals (SDGs), the ILO conventions and the OECD Guidelines for Multinational Enterprises create the value base for responsible investment, and for Aktia's other operations. We've had our own principles for responsible investment since 2006. By signing the UN Principles for Responsible Investment, PRI, Aktia has committed to being an active owner and to include ESG aspects in our corporate governance and to report on our ESG activities in a transparent manner.

Aktia has chosen to work together with ISS ESG, a forerunner in norm-based shareholder influence, to identify violations of norms in the investment funds' investment objects and to conduct advocacy dialogues with the companies via the pooled

engagement service. In investment activities in the emerging markets, a number of ESG factors are integrated into Aktia's country election model that assesses how well human rights are realized. More detailed ESG reporting in asset management including for example compliance with norms in our investment funds is published biannually in our Overview of responsible investment.

Preventing corruption and bribes

Aktia seeks to continuously identify and define key risks, including money laundering and financing of terrorism. Money laundering legislation imposes stringent requirements regarding customer control, such as identifying politically exposed persons (PEP) and risks. Aktia strives for responsibility and high business ethics in all its activities, as well as to operate in order to maintain customer confidence and confidence in the financial market. Aktia has zero tolerance for bribery, corruption and other inappropriate influence, regardless of its form. Aktia strives to prevent corruption and the risk of bribery on a continuous basis by informing the management and employees on how to deal with receiving or giving gifts and other benefits, including participation in events.

To support employees, Aktia has compiled the main rules to be followed by the employees in their work in Aktia's Code of Conduct. All employees of Aktia are required to comply with the Code of Conduct and receive regular training on it. The Group's Code of Conduct covers, for example, the prevention of

corruption and bribery, handling one's own matters or matters of a person who is considered as an insider in Aktia, sideline jobs and positions of trust, as well as rules on the protection of Aktia's trade secrets. The Code of Conduct also calls on the Group's employees to report breaches of the Code of Conduct and any unethical business methods or suspicion thereof (so-called whistleblowing). In 2021, there has been one report in the whistleblowing channel on the operation in the corporate customer business. Aktia Bank Plc has deemed that in its operations, the risk of corruption and bribes is low.

Task Force on Climate-Related Financial Disclosures (TCFD)

In this section we have gathered information about the activities in Aktia Bank and its wealth management services by using the TCFD reporting framework. TCFD is an international reporting framework, the intention of which is to improve the reporting concerning the economic effects of the climate change. During the year 2021 Aktia also became a public supporter of the TCFD reporting recommendations.

Governance

Sustainability, consisting of both corporate responsibility and ESG integration in all business areas, is managed in a structured way at Aktia. Sustainability is an integrated part of all Aktia's operations. Sustainability matters are also on the agendas of Aktia's Executive Committee and Board of Directors. On board level it is the Audit Committee

that oversees ESG development and the corporate responsibility programme. Depending on the issue, some matters are also approved by the Boards of Directors of the relevant subsidiaries within the group. The director for sustainability is responsible for sustainability development at Aktia together with a team of corporate responsibility and ESG professionals. The director for sustainability reports to the Executive Vice President for the business area Asset Management. However, the scope of the team's responsibility covers all group activities. The management of corporate responsibility is described in closer detail in our Annual Review.

During 2021, Aktia's asset management has continued to actively develop its responsible investment approach. Asset management has an ESG committee with representatives from all asset classes. The committee develops responsible investment activities in Aktia's asset management, monitors trends and regulatory projects that affect our operations, plans customer events, assesses different service providers, handles violations of norms, and prioritises engagement discussions with companies.

Aktia's own responsible investment policy guides Aktia's asset management's investment decisions. In 2021 we updated the responsible investment policy to cover both asset management's investment activities as well as Aktia's own investments. Aktia Group has a climate policy and instructions on green procurement that apply to all functions.

The Group holds discussions relating to the climate and environment with its suppliers in the scope of the instructions.

Our climate policy is built around the following five strategic goals:

1. We are committed to continuously developing our knowledge of climate change matters that have to do with providing advice on our products and services.
2. We are committed to improving transparency and commitment to our customers so that they can make informed decisions while considering climate change aspects.
3. We are committed to developing responsible products, promoting climate-friendly measures and to setting goals in our activities.
4. We are committed to considering and assessing climate aspects in our selected research and analysis processes. We want to understand the risks and opportunities in different lines of business and companies regarding for example the financial effects of climate change.
5. We are committed to using our rights as a long-term shareholder through Proxy Voting on behalf of the assets managed by Aktia's asset management. We participate in Annual General Meetings and cooperate with companies to influence their climate change-related governance practices.

Strategy

During 2021 Aktia published a new climate strategy. While the more detailed implementation plan or roadmap is still in the making the main targets of the strategy are:

- **Asset Management and own investments:**

Main goal is to reach carbon neutrality in investment portfolios by 2050 as the operating environment allows. We will set more detailed interim targets during 2022. Aktia also joined the Net Zero Asset Managers Initiative to support the work towards the net zero target. The net zero target covers both client assets as well as Aktia's own investments.

- **Lending:**

The goal is to reduce the carbon emission and carbon exposure by creating climate supporting criteria to a selected business sector +50% of volume in euros by 2050 and +25% to a selected business sector and mortgages by 2030. To further support Aktia's sustainability efforts Aktia is applying for membership in the UN Principles for Responsible Banking initiative.

- **Aktia's own operations:**

The goal is to be carbon neutral with energy consumption by 2030 and with paper consumption, business travel and IT equipment by 2050 or earlier if possible.

Climate work is a part of the daily activities in Aktia's asset management. Aktia's asset management has committed to the UN Principles for Responsible Investment and has thus committed to considering e.g., environmental criteria in its wealth management. As a wealth manager, Aktia has a possibility to affect the environment through its investment decisions. Aktia's equity investment strategy favours less capital-intensive companies with good emissions profiles.

Climate change is an ESG megatrend that affects companies' profitability and outlook e.g., through changing legislation, taxation and changing consumer behaviour. Companies can also have various external impacts that can be either positive or negative. In our investment activities, we always seek to understand all financially relevant factors affecting companies. As a part of our transparent operations, we quarterly report the external impacts of our investment funds by using the Finnish start-up company Upright Project's modelling.

To support climate change mitigation efforts globally, Aktia has signed the international Climate Action 100+ investor initiative, which is aimed at influencing companies with some of the largest GHG emissions. Aktia has also signed the CDP's (formerly Carbon Disclosure Project) climate change, water and forest initiative and Aktia also annually reports information about climate change in the CDP portal. Aktia has also participated in the CDP non-disclosure campaign

and the CDP led Science Based Targets campaign. The larger part of Aktia's stewardship efforts are related to companies. However, engagement is not limited to companies as we engage on climate issues also increasingly with external managers, government institutions and policy makers.

Risk management

Risks and risk management are a part of Aktia's business environment and operations. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, interest rate and other market risks as well as actuarial risks in the life insurance business. All these operations are exposed to business and operational risks.

The above-mentioned risks and their management are described more in detail in the risk section of the Board of Directors' report and once published in Aktia's annually updated Capital and Risk Management Report on the Group's website.

The Group's Board of Directors has the primary responsibility for the Group's risk management. The Board of Directors manages risk appetite by confirming risk strategies for the most important areas of risk and business units and the allocation of capital and by giving general instructions on organising the Group's risk management, internal control and capital management process. Since 2020, Aktia's Executive Committee and Board of Directors have reviewed the Group's sustainability risks on their

agendas once a year. The Audit Committee of the board acts as the governing body that monitors the Group's ESG work.

In addition to these general principles, Aktia Bank's risk management is based on the principle of three lines of defence. The first line of defence consists of the line organisation. The second line of defence consists of the independent Compliance and Risk Control functions, the primary task of which is to develop, maintain and supervise the general principles and the framework for risk management and to oversee on an ongoing basis the development of material risks in Aktia. The third line of defence consists of internal audit, a unit that is separate and independent from other functions, the task of which is to assure whether the internal control and risk management are organised appropriately.

Aktia Group is also following the European Central Bank's (ECB) guide on climate and environmental risks as well as the European Banking Authority's (EBA) discussion paper on ESG risks. ESG risks are part of Aktia's risk management policy and Aktia aims at developing its strategic and risk management processes to consider climate change in a more comprehensive way.

Aktia assesses climate risks annually in the short, medium and long term, which means that we look at the risks on an annual basis, on current strategy period, until the year 2030 and until the year 2050.

The purpose of identifying and assessing the risks is to make it possible to control and mitigate climate risks in the business environment. Climate risks may influence the investment chain and direct functions or materialise through customers or the supply chain for example through financial effects or the effects of market development or through Aktia's reputation and reliability.

When lending, we consider Aktia Group's climate strategy and climate policy, according to which we strive to understand the risks and possibilities incorporated in companies' business operations and industries where climate change is relevant. Aktia's responsible lending approach is described further in our Annual Review.

The portfolio managers at Aktia's asset management assess the ESG risks and possibilities regularly through their ESG tools. As support for our portfolio management, we use our own as well as an external ESG analysis that we have purchased. We use e.g., Morningstar/Sustainalytics and ISS ESG's detailed ESG ratings and analyses on companies as well as ISS ESG's climate risk analysis. As a part of the climate risk analysis, we regularly carry out a scenario analysis for our funds and other investment portfolios according to the different global warming scenarios. We assess how well our investment portfolio is in line with the global warming scenario of less than two degrees on a timeline that reaches to 2050. With the tool we also assess carbon footprint (scope 1, 2 and

3), carbon intensity, transition risks, physical risks as well as climate Value at Risk for funds and other client portfolios as well as for Aktia's own investments.

Climate-related risks identified by Aktia Group are for example:

Regulatory risks: Regulatory risks are related for example to national and EU's climate and energy policy and regulation and to possible changes in these, such as an increase in the carbon dioxide price. These risks are managed by developing practices to meet the newest regulation and by preparing for changes, such as a possible increase in the price of energy.

Technology risks: Technology risks for climate change are related e.g., with the supply chain and Aktia's funds that invest in technology. These risks are managed by carefully analysing the investment objects.

Legal risks: Aktia complies meticulously with environmental and climate legislation, and no legal measures relating to this have been taken against Aktia.

Market risks: Market risks are related to the change in consumers' preference towards more sustainable products and services with smaller carbon

footprint. Aktia manages these risks by developing responsible services.

Reputational risks: Reputational risks are related for example to analysts' and rating institutes' aims to include ESG factors in the rating process, in which case the possibly lower rating could cause a reputational risk. This risk is actively managed by working to maintain and improve ratings and by developing the business in accordance with ESG trends. Another reputational risk would be if a service would be shown not to be as green or sustainable as communicated by Aktia. Aktia manages this risk by applying thorough screening and analysis of the services and products provided and by following and complying with external regulation relating to ESG, sustainable finance and product governance.

Short-term physical risks: Short-term physical risks are for example an increase in extreme weather events, such as storms, floods or downpours, that may cause property damage. These risks are managed by ensuring adequate insurance cover and predictive property maintenance and by carefully considering the location of property investments when making the purchase decision. Also, through an initiation of updating the principles for responsible lending we can manage the risks relating to mortgage loans. In 2021 Aktia also conducted a flood risk analysis which inspected the amounts of properties as guarantees for loans in high flood risk areas to support our responsible lending.

Long-term physical risks: Long-term physical risks are for example the consequences of permanent, long-term changes in the weather conditions, such as higher insurance premiums and increased sick absences on older business premises due to warm summer periods. These risks are managed by ensuring adequate ventilation in the offices and by ensuring with the help of property management that the properties are sufficiently prepared for long-term changes in the weather conditions. Also, the location of property investments is carefully considered when buying.

Of the above-mentioned risks, regulatory, market and technology risks have been evaluated as the biggest risks for Aktia. The significance of environmental risks has been evaluated to be low.

Climate-related opportunities identified by Aktia are for example:

Resource efficiency: By saving natural resources and decreasing carbon dioxide emissions it is also possible to cut costs. Reducing paper, electricity and water consumption, as well as reducing travelling, reduces emissions as well as costs. Aktia utilises these opportunities by training the employees, by favouring more energy efficient premises, by taking measures to improve ecological efficiency and by organising more video and Teams conferences.

Using renewable energy: Aktia can reduce its carbon dioxide emissions and in the long term cut costs by favouring energy that is produced with renewable sources of energy. Aktia buys green electricity for the offices where it has its own electricity contract.

Business opportunities: Aktia may achieve growth through new business opportunities, as customers' preferences shift towards responsible products and services. Through investment, financial products and green bonds Aktia can have an influence on climate change mitigation and promoting adaptation.

Aktia has identified climate change as a megatrend that already has an impact on Aktia's strategy, and financial planning in the future. There are both risks and opportunities arising from climate change mitigation and adaptation for Aktia. Aktia actively develops the products and services to have more sustainable options both in asset management and in lending. In 2021 through the acquisition of Taaleri's wealth management operations, Aktia received a new Impact Fund that is also available for retail clients and started developing its green and sustainable lending activities. In its wealth management activities Aktia is focusing on managing funds that are eligible for the Article 8 classification according to the EU SFDR regulation. Aktia is also looking into the possibilities to launch new Article 9 funds under the SFDR. In addition to these Aktia is also focusing on climate change adaptation and mitigation activities in its own operations for example through having targets to reduce energy consumption and to procure green

electricity as well as paying attention to sustainability in supply chain and screening the supply chain and by implementing Aktia's Supplier Code of Conduct.

Indicators

Aktia reports the carbon footprint and carbon intensity of our own direct equity funds and corporate bond funds twice a year. We regularly publish a report on responsible investments on Aktia's website. At the end of the year, the weighted average carbon intensity of Aktia's funds was 88,2 tonnes CO2e per million euros of earnings. The objective for our corporate responsibility programme is that the carbon footprint of our own funds in the long term is smaller on average than that of the reference market. In December 2021, the carbon footprint for our funds

was on average 68 per cent lower than that of its reference market. Aktia's carbon footprint fund by fund is explored in further detail in our Annual Review.

Aktia's own emissions from energy consumption, thus Scope 2 (location based) emissions in 2021 were 468,3 tonnes CO2e. Aktia's complete Scope 1, 2 and 3 emissions are reported in Aktia's Annual Review.

The exposure to EU taxonomy eligible economic activity on a group level is reported separately under its own topic in this report. In the future we will also include new indicators to describe how the implementation of the group wide climate strategy is developing.

Taxonomy reporting

	Share of exposures to economic activities not included in the taxonomy	Share of exposures to economic activities included in the taxonomy	Exposures to sovereigns, central banks and supranational issuers and derivatives	Exposures to corporates that are not required to disclose non-financial information
Aktia Bank Plc's investments	96.06%	3.94%	16.96%	3.18%
Aktia Life Insurance Ltd's investments	73.62%	26.38%	18.00%	*
Aktia Bank Plc's credits	62.44%	37.56%		0.25% ***
Aktia Group in total **	68.13%	31.87%	3.72%	0.66%

* Lack of access to reliable data

** Exposures concerning credits on demand between financial intermediaries amounted to 0.35%

*** Share of exposures towards companies that are not required to disclose non-financial information (that are covered by the taxonomy) of Aktia Bank plc's total credits. 100% of loans to companies covered by the taxonomy are to companies that are not obliged to publish non-financial information.

Qualitative information**Background information in support of the quantitative indicators**

Aktia does not use the NACE industry standard as a basis for the classification of customers. Aktia uses Statistics Finland's Standard Industrial Classification 2008. In order to estimate the corporate credits included in the taxonomy and the credits that are not included in the taxonomy, we have linked together the NACE codes with the corresponding codes of Statistics Finland. Aktia's credit portfolio that is under review in this report includes mortgage loans, building renovation loans, housing associations' loans, motor vehicle loans and corporate loans. Unsecured consumer credits are excluded from the assets included in the taxonomy as the information on the field of application is not collected and it is not possible to determine whether the field of application is included in the taxonomy.

Aktia Group's investments include investments made by Aktia Bank Plc within the scope of the management of the liquidity portfolio, derivative investments and shares in other companies, as well as investments of Aktia Life Insurance Ltd in shares, fixed income instruments, alternative investments, properties, money market instruments and derivatives. The analysis of the activities included in the taxonomy in terms of equity and fixed income investments has been carried out by a third party (Upright Project) and is not based on figures reported by the companies themselves. All property

investments have been estimated to be included in the taxonomy. Alternative investments have been left out of the assessment in the absence of reliable data.

Description of the compliance with Regulation (EU)**2020/852 in Aktia's business strategy**

In lending, we have identified the technical reviewing criteria of the taxonomy for the first two climate objectives (i) climate change mitigation and (ii) climate change adaptation as part of the criteria to be considered when forming our own sustainable finance criteria and products.

Asset management considers whether the investment objects are included in the taxonomy as part of the qualitative analysis. The taxonomy is also strongly linked to the development of funds that have a sustainable investment objective in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR article 9 funds). Aktia has already reported the taxonomy coverage of the funds since 2021 in order to provide the most diverse and transparent picture of the features of the investment portfolios.

Taxonomy aspects are also closely linked to Aktia's climate strategy on both the development of loan products and in wealth management.

Supplementary information

Of all economic activities, for the time being only a limited part of economic activities is included in the taxonomy. The reporting obligation is still limited to companies with an obligation to provide information under the Non-Financial Reporting Directive, which in Finland includes listed companies, credit institutions and insurance companies with more than 500 employees. The majority of Aktia's corporate customers are SMEs that are not subject to the reporting obligation. Thus, the importance of the taxonomy for Aktia is currently considered to be rather low in terms of corporate finance. However, the demand for sustainable finance and investment objects is constantly increasing and thus the importance of the taxonomy is expected to increase in the future when the taxonomy will cover more sectors and the reporting obligation is extended to more companies.

Financial Statement

Aktia

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Aktia Bank Plc – consolidated financial statement

Consolidated income statement

(EUR 1,000)	Note	2021	2020
Interest income		93,254	83,068
Interest expenses		2,996	-2,391
Net interest income	G4	96,249	80,677
Dividends	G5	353	398
Commission income		136,023	106,936
Commission expenses		-12,031	-9,295
Net commission income	G6	123,992	97,641
Net income from life insurance	G7	37,657	19,876
Net income from financial transactions	G8	4,684	635
Other operating income	G9	849	1,889
Total operating income		263,784	201,117
Staff costs	G10	-83,723	-69,068
IT expenses		-30,655	-26,002
Depreciation of tangible and intangible assets	G11	-21,504	-18,276
Other operating expenses	G12	-38,523	-28,813
Total operating expenses		-174,404	-142,159
Impairment of credits and other commitments	G20	-4,494	-4,046
Share of profit from associated companies		-265	-118
Operating profit		84,621	54,793
Taxes	G13	-17,265	-12,172
Profit for the reporting period		67,356	42,621
Attributable to:			
Shareholders in Aktia Bank plc		66,816	42,621
Holders of Additional Tier 1 capital		540	-
Total		67,356	42,621
Earnings per share (EPS), EUR	G14	0.95	0.61
Earnings per share (EPS), EUR, after dilution	G14	0.95	0.61

Consolidated statement of comprehensive income

(EUR 1,000)	Note	2021	2020
Profit for the reporting period		67,356	42,621
Other comprehensive income after taxes:			
Change in fair value for financial assets		-11,417	8,405
Change in fair value for cash flow hedging		-119	340
Transferred to the income statement for financial assets		-3,530	-2,573
Comprehensive income from items which can be transferred to the income statement		-15,066	6,172
Defined benefit plan pensions		-131	-217
Comprehensive income from items which can not be transferred to the income statement		-131	-217
Total comprehensive income for the year		52,159	48,576
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		51,619	48,576
Holders of Additional Tier 1 capital		540	-
Total		52,159	48,576
Total earnings per share, EUR	G14	0.73	0.70
Total earnings per share, EUR, after dilution	G14	0.73	0.70

Consolidated balance sheet

(EUR 1,000)	Note	31 Dec 2021	31 Dec 2020
Assets			
Interest-bearing securities		94,622	102,717
Shares and participations		203,173	159,904
Investments for unit-linked investments		1,154,020	969,876
Financial assets measured at fair value through income statement	G16	1,451,815	1,232,497
Interest-bearing securities		1,106,966	1,258,224
Financial assets measured at fair value through other comprehensive income	G17	1,106,966	1,258,224
Interest-bearing securities	G18	386,464	413,759
Lending to Bank of Finland and credit institutions	G19	65,320	28,872
Lending to the public and public sector entities	G19	7,486,371	6,999,814
Cash and balances with central banks	G21	732,829	298,615
Financial assets measured at amortised cost		8,670,984	7,741,060
Derivative instruments	G22	39,553	76,068
Investments in associated companies and joint ventures	G23	164	129
Intangible assets and goodwill	G24	173,978	57,932
Right-of-use assets	G25	22,313	22,601
Investment properties	G26	45,472	39,847
Other tangible assets	G27	8,061	5,336
Tangible and intangible assets		249,824	125,717
Accrued income and advance payments		43,706	34,429
Other assets		88,002	101,676
Total other assets	G28	131,708	136,105
Income tax receivables		186	519
Deferred tax receivables	G29	2,141	2,450
Tax receivables		2,327	2,969
Total assets		11,653,341	10,572,768

The table continues

(EUR 1,000)	Note	31 Dec 2021	31 Dec 2020
Liabilities			
Liabilities to central banks			800,000
Liabilities to credit institutions			122,509
Liabilities to the public and public sector entities			4,503,297
Deposits	G30	5,425,806	5,164,416
Derivative instruments	G22	20,484	12,247
Debt securities issued	G31	3,060,323	2,845,801
Subordinated liabilities	G32	150,033	158,154
Other liabilities to credit institutions	G33	14,034	24,552
Other liabilities to the public and public sector entities	G34	506,000	150,000
Other financial liabilities		3,730,391	3,178,507
Technical provisions for risk insurances and interest-related insurances		414,454	441,005
Technical provisions for unit-linked insurances		1,153,760	969,814
Technical provisions	G35	1,568,214	1,410,818
Accrued expenses and income received in advance		57,300	42,409
Other liabilities		46,930	40,501
Total other liabilities	G36	104,230	82,910
Provisions	G20	987	1,284
Income tax liabilities		6,686	4,041
Deferred tax liabilities	G29	58,146	51,717
Tax liabilities		64,832	55,757
Total liabilities		10,914,945	9,905,939
Equity			
Restricted equity		175,933	190,999
Unrestricted equity		503,004	475,831
Shareholders' share of equity		678,937	666,830
Holders of Additional Tier 1 capital		59,460	-
Equity	G37	738,397	666,830
Total liabilities and equity		11,653,341	10,572,768

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Additional Tier 1 capital holders	Total equity
Equity as at 1 January 2020	163,000	15,094	2,606	110,184	319,111	609,996	-	609,996
Share issue	6,732			2,919	-6,089	3,561		3,561
Acquisition of treasury shares					-1,657	-1,657		-1,657
Divestment of treasury shares				-400	1,318	917		917
Profit for the year					42,621	42,621		42,621
Financial assets		5,832				5,832		5,832
Cash flow hedging		340				340		340
Defined benefit plan pensions					-217	-217		-217
Total comprehensive income for the year		6,172			42,404	48,576		48,576
Change in share-based payments (IFRS 2)			346		1,487	1,833		1,833
Repayment of dividend debt for invalidated shares					3,603	3,603		3,603
Equity as at 31 December 2020	169,732	21,267	2,952	112,703	360,176	666,830	-	666,830
Equity as at 1 January 2021	169,732	21,267	2,952	112,703	360,176	666,830	-	666,830
Share issue				25,836		25,836		25,836
Acquisition of treasury shares					-973	-973		-973
Divestment of treasury shares				58	981	1,039		1,039
Dividend to shareholders					-67,670	-67,670		-67,670
Profit for the year					67,356	67,356		67,356
Financial assets		-14,946				-14,946		-14,946
Cash flow hedging		-119				-119		-119
Defined benefit plan pensions					-131	-131		-131
Total comprehensive income for the year		-15,066			67,225	52,159		52,159
Additional Tier 1 (AT1) capital issue						-	60,000	60,000
Issue cost						-	-540	-540
Change in share-based payments (IFRS 2)			967		749	1,716		1,716
Equity as at 31 December 2021	169,732	6,201	3,919	138,597	360,488	678,937	59,460	738,397

Consolidated cash flow statement

(EUR 1,000)	2021	2020
Cash flow from operating activities		
Operating profit	84,621	54,793
Adjustment items not included in cash flow	14,154	12,546
Paid income taxes	-12,765	-12,409
Cash flow from operating activities before change in receivables and liabilities	86,010	54,930
Increase (-) or decrease (+) in receivables from operating activities	-542,746	-774,444
Financial assets measured at fair value through the income statement	-33,559	-18,476
Financial assets measured at fair value through other comprehensive income	132,897	-10,607
Interest-bearing securities measured at amortised cost, increase	-40,000	-102,012
Interest-bearing securities measured at amortised cost, decrease	67,500	25,000
Loans and other receivables	-503,706	-578,693
Investments for unit-linked insurances	-184,144	-83,684
Other assets	18,266	-5,972
Increase (+) or decrease (-) in liabilities from operating activities	1,032,966	775,069
Deposits	263,432	509,030
Debt securities issued	255,823	227,059
Other financial liabilities	345,483	-10,517
Technical provisions	163,728	50,971
Other liabilities	4,501	-1,474
Total cash flow from operating activities	576,230	55,555
Cash flow from investing activities		
Acquisition of Taaleri Wealth Management Plc	-113,680	-
Investment in investment properties	-3,827	-1,500
Proceeds from sale of investment properties	906	-
Investment in tangible and intangible assets	-9,658	-10,955
Proceeds from sale of tangible and intangible assets	147	2
Share issue and capital loan to associated companies	-300	-143
Acquisition of Liv-Alandia's life insurance portfolio	-	6,995
Total cash flow from investing activities	-126,413	-5,601

The table continues

(EUR 1,000)	2021	2020
Cash flow from financing activities		
Subordinated liabilities, increase	56,000	-
Subordinated liabilities, decrease	-63,759	-57,296
Share issue	13,907	-
Additional Tier 1 (AT1) capital issue	59,460	-
Dividend/share issue to the non-controlling interest	-	-3,044
Divestment of treasury shares	1,039	917
Paid dividends	-67,670	-
Total cash flow from financing activities	-1,023	-59,423
Change in cash and cash equivalents	448,795	-9,469
Cash and cash equivalents at the beginning of the year	276,606	286,075
Cash and cash equivalents at the end of the year	734,910	276,606
Cash and cash equivalents from the acquired Taaleri Varainhoito Group	9,509	-
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	909	1,302
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	680,321	248,333
Repayable on demand claims on credit institutions	53,680	26,972
Total	734,910	276,606
Adjustment items not included in cash flow consist of:		
Impairment of interest-bearing securities	-400	107
Unrealised change in value for financial assets measured at fair value through income statement	-7,946	1,641
Write-downs on credits and other commitments	4,494	4,046
Change in fair values	4,596	-9,680
Depreciation and impairment of tangible and intangible assets	16,626	12,609
Sales gains and losses from tangible and intangible assets	-316	-
Unwound fair value hedging	-2,041	-2,067
Change in fair values of investment properties	-2,388	3,815
Change in share-based payments	804	90
Other adjustments	725	1,984
Total	14,154	12,546

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2021	2020
Earnings per share (EPS), EUR	0.95	0.61
Total earnings per share, EUR	0.73	0.70
Dividend per share, EUR	0.56 *	0.43
Payout ratio, %	70.1	70.1
Equity per share (NAV), EUR ¹	9.45	9.60
Average number of shares (excluding treasury shares)	70,460,062	69,787,931
Number of shares at the end of the period (excluding treasury shares)	71,817,540	69,460,801
Return on equity (ROE), % ¹	10.0	6.7
Return on assets (ROA), % ¹	0.61	0.42
Cost-to-income ratio ¹	0.66	0.71
Common Equity Tier 1 capital ratio (Bank Group), %	11.2	14.0
Tier 1 capital ratio (Bank Group), %	13.2	14.0
Capital adequacy ratio (Bank Group), %	15.6	16.6
Risk-weighted commitments (Bank Group)	2,940,550	3,030,010
Capital adequacy ratio, % (finance and insurance conglomerate)	145.0	126.6
Equity ratio, % ¹	6.6	6.6
Group financial assets ¹	2,546,099	2,265,470
Assets under management ¹	15,450,954	10,446,947
Borrowing from the public	4,503,297	4,465,767
Lending to the public	7,486,371	6,999,814
Premiums written before reinsurers' share ¹	152,696	106,161
Expense ratio, % (life insurance company) ¹	98.9	73.9
Solvency ratio (life insurance company), %	224.7	145.9
Own funds (life insurance company)	244,690	159,070
Investments at fair value (life insurance company) ¹	1,693,406	1,515,218
Technical provisions for risk insurances and interest-related insurances	414,454	441,005
Technical provisions for unit-linked insurances	1,153,760	969,814

The table continues

(1 000 euro om intet annat anges)	2021	2020
Group's personnel (FTEs), average number of employees	862	806
Group's personnel (FTEs), at the end of the period	854	830
Alternative performance measures excluding items affecting comparability:		
Comparable cost-to-income ratio ²	0.65	0.71
Comparable earnings per share (EPS), EUR ²	0.98	0.61
Comparable return on equity (ROE), % ²	10.3	6.7

*) Dividend proposal of EUR 0.56 per share

1) 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.

2) 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 a table under the Group's income statement and comprehensive income.

Basis of calculation

Earnings per share (EPS), EUR

Profit for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Total earnings per share, EUR

Comprehensive income for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc / Number of shares at the end of the year

Return on equity (ROE), %

Profit for the year / Average equity excl. additional Tier 1 capital holders x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

Common Equity Tier 1 capital ratio (Bank Group), %

Common Equity Tier 1 capital / Risk-weighted commitments x 100

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

Capital base (Tier 1 capital + Tier 2 capital) / Risk-weighted commitments x 100

The capital base is calculated in accordance with the EU requirements on capital adequacy.

Risk-weighted commitments (Bank Group)

Total assets in the balance sheet and off-balance sheet items, including derivatives valued and risk-weighted in accordance with the EU requirements on capital adequacy.

The capital requirements for operational risks have been calculated and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) / Minimum requirement for the conglomerate's own funds (credit institution + insurance business) x 100

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates and its related degree.

Equity ratio, %

Equity incl. non-controlling interest's share of equity / Average balance total x 100

Group financial assets

The Bank Group's liquidity portfolio and the life insurance company's investment portfolio

Assets under management

Assets under management and brokered mutual funds and assets managed by Aktia Fund Management Company, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance.

Expense ratio, % (life insurance company)

(Operating costs + cost of claims paid) / Total expense loadings x 100

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

Solvency ratio, % (according to Solvency II, life insurance company)

Solvency II capital / Solvency capital requirement (SCR) x 100

Own funds (Solvency II capital, life insurance company)

The difference between assets and liabilities valued at fair value according to the law implemented from 2016

Solvency ratio, % (according to Solvency I, life insurance company)

Solvency capital / (Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance) x 100

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

Solvency margin (according to Solvency I, life insurance company)

The difference between assets and liabilities valued at fair value according to the law valid before 2016

G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 16 February 2022 and are to be adopted by the Annual General Meeting on 6 April 2022. The report by the Board of Directors and financial statements are published on 16 March 2022 at the latest.

The Group's parent company is Aktia Bank plc, domiciled in Helsinki. Aktia Bank plc's financial statements and interim reports are available on Aktia's website www.aktia.com.

Basis for preparing financial statements

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

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

In the financial statement, the term Basel III refers to EU requirements on capital adequacy 575/2013 and additional regulations issued by European and national supervisory authorities.

Aktia adheres to the European Securities and Market Agency (ESMA) guidelines regarding alternative key figures (Alternative Performance Measures, APM). The alternative key figures facilitate the comparison of periods and provide additional useful information on the financial reports' users. Aktia is presenting a number of alternative key figures from which the Group's items affecting comparability are excluded. Items affecting comparability are not linked to ongoing operations and refer to revenues and costs relating to the restructuring and disposal of businesses and the impairment of assets deviating from ongoing activities.

The following new or revised IFRS standards and interpretations have been made by IFRIC:

In April 2021, the IFRS Interpretation Committee (IFRIC) adopted a final agenda decision on the treatment of development expenses related to purchased cloud services (IAS 38 intangible assets). The agenda includes clarifications of the type of development expenses that can be activated as an intangible asset. According to the new interpretation, the expenses for developing systems that a company does not own or manage, such as cloud services, must not be activated. In the fourth quarter of 2021, an analysis of development expenses activated at an earlier time has been carried out. The conclusion was that no retroactive recalculation of expenses activated at earlier periods of time needs to be carried out. The Group's instructions regarding the activation of development expenses in connection with the acquirement of cloud services have been specified.

No new or amended 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 accounting and measurement of insurance contracts as well as for rules on how insurance contracts are presented in the notes. The aim of the new standard is to increase transparency, give a more accurate picture of the results of insurance contracts and to reduce the differences in accounting between different insurance contracts. The new standard introduces uniform valuation principles based on three measurement approaches: the building block approach, the premium allocation approach, and the variable fee approach. IFRS 17 prescribes the building block approach for the valuation of insurance contracts, whereby the insurance commitment is measured based on expected present values of future cash flows, with consideration given to risk and a profit margin. The two other valuation approaches can be applied under certain conditions. The choice of valuation approach depends on the terms of the contract (long-term, short-term or profit-yielding). A project for the implementation of IFRS 17 is ongoing and currently the financial impact of the new standard is being evaluated. Last year, IASB has adopted an amended package to IFRS 17 which will postpone the implementation of the standard to 2023. The standard was adopted by the EU on 23 November 2021 and will be mandatory in the EU on 1 January 2023. The Aktia Group aims at implementing IFRS 17 when the standard becomes mandatory within the 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 result, financial position or explanatory notes.

Consolidation principles

For each transaction, the group assesses whether it is a business combination or an assets acquisition. It is a business combination if the company obtains dominant influence in a business. A business consists of activities and assets and of processes that can produce goods or services to customers in order to provide return in the ordinary business. Transactions, where the fair value of the acquired assets in all significance is an asset or a group of similar assets, are recognised through a simplified assessment as an asset acquisition. The choice to use the simplified assessment is applied on a transaction-by-transaction basis.

The consolidated financial statement encompasses the parent company, Aktia Bank plc, and all the subsidiaries in which the parent company has a controlling interest. The Group is deemed to have a controlling interest if it has control over the investment object, is exposed to or is entitled to variable gains from the investment and has the opportunity to use its controlling interest to influence its gain from the investment. When deeming controlling interest both potential shares with voting right and actual control are considered. Subsidiaries are consolidated from the time of acquisition until the controlling interest no longer exists.

The consolidated accounts cover those subsidiaries in which the parent company directly or indirectly owns more than 50% of voting rights or otherwise has considerable influence. The acquisition method has been applied to acquisition eliminations. The acquisition method involves the identifiable assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. In business combinations in which the consideration transferred, any holdings without controlling influence and fair value

of previously owned share (in the case of successive acquisitions) exceeds the fair value of the assets and liabilities acquired, the difference is recognised as goodwill. Transaction costs, except costs attributable to issue of equity instruments or debt instruments, arising in connection with an acquisition are recognised directly in the income statement. The consideration transferred on acquisition does not include payments related to the settlement of previous business relationships. This type of settlement is recognised on the income statement. Contingent consideration is recognised at fair value on the acquisition date. Where contingent consideration is classified as equity instruments, no revaluation and the settlement is made within equity. For other contingent consideration, they are revalued at each reporting date and the change is recognised in profit or loss for the period.

Consolidated financial statements include associates over which the Group has a significant, but not controlling, influence over the operational and financial governance. Significant influence is usually obtained through holdings in which the Group holds between 20 and 50% of the voting rights. When consolidating associated companies, the equity method has been applied. The equity method means that the Group's share of the associated company's equity and result increase or reduce the value of the shares reported on the date the accounts are closed. The Group's share of associated companies' other comprehensive income is reported on a separate row under the Group's other comprehensive income.

All internal business transactions, receivables, liabilities, dividends, profits and losses are eliminated within the consolidated accounts. Unrealised gains arising from transactions with associates and joint ventures are

eliminated according to the Group's holdings in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss.

Non-controlling holdings are based on their proportional share of net assets and reported separately under consolidated shareholders' equity. The share of holdings where a non-controlling interest exists which cannot be reported as shareholders' equity is reported as other liabilities. In acquisitions possible non-controlling holdings in the acquired company are identified at the time of acquisition. In the case of step-by-step acquisitions, goodwill is determined on the date on which controlling influence arises. Previous holdings are measured at fair value and the value change is recognised in the result of the period. Remaining holdings are valued at fair value and the value change is recognised in the result for the period when divestments result in the cessation of controlling influence.

Segment-based reporting

Segment reporting corresponds internal reporting to the highest executive body. The highest executive body is the function responsible for appropriation of resources and evaluation of the business segments' results. The Group's Executive Committee, appointed by the Board of Directors, has been identified as the company's highest executive decision maker.

The costs of centralised functions are allocated to the segments in accordance with resource use, defined projects and according to different allocation rules. Aktia Bank plc is not allocating equity to the different segments.

Group internal transactions are eliminated within each segment if the entities are in the same segment. Group internal transactions between entities in different segments are included in the eliminations.

Pricing between the segments is based on market prices.

The Banking Business segment includes the Banking Business' private and corporate customers (excluding Private Banking customers) in Aktia Bank Plc.

The Asset Management segment encompasses asset management and life insurance business, which include the Aktia Bank Plc's asset management business, Private Banking business and capital market support function as well as the subsidiaries Aktia Fund Management Company Ltd, Aktia Wealth Management Ltd, AV Fund Management Company Ltd, Aktia Wealth Planning Ltd, Aktia Housing GP Oy, Evervest Ltd, AV Partner Oy and Aktia Life Insurance Ltd with its real estate subsidiaries Keskinäinen Kiinteistö Oy Tikkurilantie 141 and Keskinäinen Kiinteistö Oy Areenakatu 4, as well as the associated companies Kiinteistö Oy Skanssinkatu (holdings 49.95 %), Kiinteistö Oy Lempäälän Rajamäentie (holdings 49.95 %), Kiinteistö Oy Helsingin Gigahertsi (holdings 33.33%) and Asunto Oy Helsingin Tuulensuoja (holdings 50 %).

The segment Group functions includes the Group's treasury operations as well as other centralised functions of Aktia Bank Plc.

Foreign currency translation

The functional currency of the parent company is Euro, and it is also the currency used in the parent company's and the Group's reporting. Functional currency is the currency used

in the economic environment where the company operates. Transactions in foreign currency are converted into the functional currency using the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency using the exchange rate on the balance date. Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency operations. The exchange rate differences that arise from the life insurance business are reported in Net income from investments, which is included in the Net income from life-insurance.

Revenue and expenses recognition

Interest and dividend

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

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

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

Commissions

Commission income and expenses are reported using the accruals convention. The cost of acquiring new insurance policies or renewing existing policies is dealt with within the insurance business as commission expenses and is included in other operating expenses.

Insurance premiums

Life insurance premiums received are reported as premiums written in the income statement and are included in the Net income from life-insurance. Premiums are reported as premiums written depending on the line of insurance in accordance with the payment principle. For the duration of the insurance contract, insurance premiums are reported as income on a pro rata basis. For the share of premiums written attributed to the time after the balance sheet date, a provision for unearned premiums (premium liabilities) is adopted in the balance sheet as part of the technical provision.

The life insurance business' insurance policies are classified either as insurance or investment agreements, based on the assessment of the insurance risk included in the agreements. Risk insurance and interest-linked insurance policies are classified as insurance agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. For investment agreements with the right to discretionary benefits (customer compensation), the opportunity in IFRS 4 to report these as insurance agreements is applied.

Claim costs

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

A provision is made in the company's technical provision (claim provision) for losses incurred that remain unpaid at the time the accounts are closed. The provision also includes claims adjustment costs for not yet reported losses.

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

Depreciation

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

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets	3–12 years

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

Employee remuneration**Pension plans**

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

The Group also has voluntary defined-benefit plans. For defined-benefit plans, the Group still has obligations after payments have been made for the reporting period and bears the actuarial risk and/or the investment risk. The Group's defined-benefit plans are reported in accordance with IAS 19 Employee benefits. Calculations are made by a qualified actuary, using the so called "Projected Unit Credit" method. A liability for defined-benefit pension plans was recognised in the financial statements. Revaluation effects from the pension liability are reported in other comprehensive income.

Share-based payments

The Group has an incentive agreement with key personnel in management positions and a share savings program for the whole staff. The Group continuously evaluates the

likely outcome of this incentive agreement. The benefits earned within the incentive agreement are valued at fair value on the decision date and costs are entered linearly during the earning-period. Payment is made either as transfer of equity instruments or in cash. For the part of the incentive agreement where payment is made as transfer of equity instruments, an accrued change is recognised in shareholders' equity under Fund for share-based payments. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liabilities are reported as Staff costs.

Taxes

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

Financial assets and liabilities

Aktia is applying IFRS 9 where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

Classification of financial assets

The Group classifies financial assets in the following categories:

- Reported at amortised cost (AC)
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through the income statement (FVTPL)

The category **Financial assets reported at amortised cost** includes:

- interest-bearing securities
- loans and other receivables
- cash and balances with central banks

Financial assets are reported at amortised cost if the asset is managed according to a business model where the instrument is expected to be held until maturity in order to obtain contractual cash flows. The contractual cash flows consist only of the payment of capital and interest on the outstanding capital (SPPI). The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at amortised cost. Impairments are based on a three-stage model for expected credit losses (ECL) and are described under the heading Impairment of financial assets. Interest income, impairments as well as sales gains and losses are recorded in the income statement.

The category **Financial assets measured at fair value through other comprehensive income** includes:

- shares and participations
- interest-bearing securities

Financial assets are measured at fair value through other comprehensive income if:

- the asset is an interest-bearing security (debt instrument) managed according to a business model where the securities are held both in order to obtain contractual cash flows (SPPI requirement concerning payment of capital and interest on the outstanding capital) and which may be sold if necessary
- the asset is shares and participations (equity instrument) which is not held for trading purposes and is chosen to be classified in this category at the first recognition

The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at fair value through other comprehensive income.

Impairment of debt instruments (interest-bearing securities) is based on a three-stage model for expected credit losses (ECL) and are described in more detail under the heading Impairment of financial assets. Interest income, dividends and impairments are reported in the income statement and the return of capital is reported in other comprehensive income. The counter item to impairments relating to the three-stage model for expected credit losses is recognised in the fund at fair value (other comprehensive income) and thus does not affect the fair value of the asset in the balance sheet. In connection with the sale of debt securities (debt instruments), the cumulative unrealised profit or loss is transferred from the fund at fair value to the income statement.

For **shares and participations** in this category, no ECL is calculated, and value changes are recognised on an ongoing

basis in other comprehensive income after deferred tax. For an investment in an equity instrument that is not held for trading, the Group may make an irrevocable choice on initial recognition to recognise subsequent changes in fair value in other comprehensive income. The choice is made separately for each individual investment. The choice to recognise an equity instrument in this category leads to future sales gains and losses also being recognised in other comprehensive income. Only dividend from these instruments is recognised in the income statement.

The category **Financial assets measured at fair value through the income statement** includes:

- derivative instruments
- life insurance investments providing cover for unit-linked agreements
- shares and participations
- interest-bearing securities
- loans and other receivables (included in this category if the SPPI-requirement is not fulfilled)

Financial assets are measured at fair value through the income statement if the asset is a derivative, the asset is held for trading purposes or is a debt instrument that does not meet the requirement for contractual cash flows. Shares and participations are included in this category if held for trading purposes or if the possibility to be classified in the category Financial assets measured at fair value through other comprehensive income at first recognition is not used. Financial assets held for trading purposes are assets acquired for a short time with the intent to earn revenue and where the intention is to actively trade in these instruments. On entering into agreements, the instruments in this category are reported at fair value and then at fair

value through the income statement. Transaction costs are recorded in the income statement when they occur. Interest income, dividends, changes in fair value and sales gains and losses are reported on an ongoing basis in the income statement.

Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities, derivative instruments and debt securities to the public are reported in the category Financial liabilities. Derivative instruments are included in the balance sheet at fair value while other financial liabilities are included at their acquisition value on entering into the agreement, and subsequently with the effective interest method at their amortised cost. When hedge accounting is applied, the amortised cost of the liabilities is adjusted with the fair value of the hedged risk. If the financial liabilities are related to commitments to acquire equity instruments, the liabilities are reported at fair value through the income statement. In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

Reclassification

In connection to acquiring a financial asset, the asset is classified according to one of the three categories of recognition. Latter reclassification of a financial asset can only be done if the business model, according to which the assets are managed, is changed. Latter reclassification can also be done if an instrument no longer meets the criteria needed for entering a certain business model. Financial liabilities are not reclassified.

Reclassification of a financial asset according to the above-mentioned requirements is to be applied going forward from the reclassification day. Previously reported profits and losses (including profits and losses from impairments) are not recalculated retroactively.

Reclassification between different valuation categories are reported as follows:

- From amortised cost to fair value through the income statement: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in the income statement.
- From fair value through the income statement to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. An expected credit loss is reported on the reclassification day according to the rules of the new valuation category and an effective interest rate for the instrument is stipulated.
- From amortised cost to fair value through other comprehensive income: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in other comprehensive income. The expected credit loss does not change due to reclassification.
- From fair value through other comprehensive income to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. The cumulative profits and losses which previously were recognised in other comprehensive income is moved from equity and adjusts the book value of the asset. This means that the asset is reported as if it always had been reported at amortised cost. The expected credit loss does not change due to reclassification.

- From fair value through the income statement to fair value through other comprehensive income: The asset is still measured at fair value. From the reclassification day the changes in fair value are recognised through other comprehensive income and an expected credit loss is on the reclassification day to be reported according to the rules of the new valuation category.
- From fair value through other comprehensive income to fair value through the income statement: The asset is still measured at fair value. As of the reclassification day cumulative profits and losses are re-entered, as previously reported in other comprehensive income, from equity to income statement. The effect of the reclassification can be seen in the income statement and in other comprehensive income but the total comprehensive income of the reclassification is zero.

Repurchase agreements

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

Cash and balances with central banks

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

deposit in Bank of Finland and loans to credit institutions repayable on demand.

Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments. Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Changes in fair value, together with realised profits and losses, are reported in the income statement and are included in Net income from financial transactions.

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

Hedge accounting

In accordance with the Aktia Group's hedge accounting policy, hedge accounting is defined either as fair value hedging or cash flow hedging. Documentation and establishment of the hedging relationship between the hedging instrument, the hedged item, the risk management aim and the strategy, occur when hedging is entered. When a high negative correlation exists between the hedging

instrument's change in value and the change in value of the hedged item or cash flow, the hedging is considered to be effective. The effectiveness of the hedging relationship is continually assessed and evaluated through prospective efficiency testing and measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 % match, the ineffective part is reported in the income statement. Aktia applies IFRS 9 hedge accounting for all hedge relationships except for portfolio hedging of interest rate risk for which the Group has chosen to use the possibility to continue to apply the rules set out in IAS 39.

Valuation of financial instruments at fair value

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

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

Impairment of financial assets

The Group applies a three-stage model to calculate the expected credit losses (ECL) for the following financial assets that are not measured at fair value through the income statement:

- debt instruments (interest-bearing securities and loans and other receivables) measured at amortised cost
- debt instruments (interest-bearing securities) measured at fair value through other comprehensive income
- loan promises
- financial guarantee contracts

Expected credit loss (ECL) is not calculated for equity instruments.

Financial assets are transferred between the following three stages based on the change in the credit risk from the date of first recognition:

- Stage 1 12 months' ECL
 - Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 2 ECL for the remaining duration of non-defaulted exposures
 - The expected credit losses for the instrument's remaining duration are calculated for non-defaulted exposures where the credit risk has increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 3 ECL for the remaining duration of defaulted exposures

- Stage 3 includes exposures for which one or more events that have a significant negative impact on the future estimated cash flows has occurred. For defaulted assets in stage 3, expected credit losses for the instruments remaining duration are recognised on an ongoing basis, whereas the effective interest rate is calculated on the impaired book value.

At each reporting date, an evaluation is made as to whether a **significant increase in the credit risk** has occurred, by comparing the probability of default at the reporting date with the situation on the date of recognition. The evaluation considers all relevant and available information which can be accessed without excessive cost or effort. This includes qualitative and quantitative and financial information that describes the future. An exposure migrates through the various ECL stages when the credit quality decreases. In a similar way, the exposure migrates back from the ECL for the entire duration to ECL 12 months if the credit quality improves and a previous assessment of a substantial increase in credit risk is revised. Exposures whose credit quality has not substantially deteriorated since the date of recognition are considered as low credit risk. For such exposures, a 12 months ECL is calculated. When an asset is no longer recoverable, a credit loss is recognised against the impairment allowance in the balance sheet. A credit loss is recognised when all recovery actions have been completed and the final loss has been established. Any future payments are recognised in the income statement as a reversal of the credit loss.

The **expected credit losses (ECL)** are calculated as an objective probability-weighted estimate of future losses.

The calculation includes:

- Non-impaired or defaulted financial assets at the time of reporting. ECL is calculated as the present value of all estimated defaults over the financial asset's calculated term of maturity or during the following 12 months. The estimated defaults are the difference between the asset's contractual cash flows and the cash flows the Group expects to receive.
- impaired or defaulted financial assets at the time of reporting. ECL is calculated as the difference between the amortised cost and the present value of the financial asset's estimated future cash flows discounted with the effective interest rate.
- loan promises granted but not used. ECL is calculated as the difference between the contractual cash flows in case a credit is used and the cash flow the Group expects to receive.
- financial guarantee contracts. ECL is calculated as the difference between the expected payments and the amount the Group expects to recover.

Calculation of the expected credit losses (ECL): The Group has internally developed models for the evaluation of the creditworthiness. The models are used in the assessment of the probability of default when providing loans and other financial exposures to counterparties and customers. The Group has in advance defined probabilities for counterparty risks regarding the Group's all private and corporate loans and other receivables. For **credits and other receivables**, ECL is calculated on the basis of the exposure's risk parameters PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure At Default). These parameter estimates are derived from the same models used in the IRB solvency calculation, but are based on a

so-called "Point-in-Time" calibration reflecting the prevailing or anticipated economic situation at the accounting horizon. For credits in Stage 1, ECL is equal to the product of the PD, LGD and EAD, i.e. 12-month ECL. For credits in Stage 2 and 3, ECL is calculated as the sum of 12-month ECL over the lifetime of the claim, adjusted for the probability that the exposure defaults during a previous period. Lifetime ECL also takes into account the contractual amortisation plan that is reflected in both the EAD and LGD estimate. Lifetime ECL for **interest-bearing securities** is calculated on the basis of the interest certificate's contractual calendar. Lifetime ECL is calculated as LGD multiplied by the sum of all expected and discounted cash flows times the probability of a credit event (PD). PD is calculated separately for each security by allocating an appropriate risk curve and by taking into account the liquidity and tax effects. 12-month ECL is then calculated by scaling down the lifetime ECL with a securities-specific proportionality constant which comprises the credit risk quota during the certificate's lifetime and the credit risk in the coming year.

Significant increase of credit risk

When determining whether a significant increase in credit risk has occurred since the date of recognition, the Group uses both quantitative and qualitative information and analysis. The information and analysis are based on the historical data and expert assessment of the credit risk and also include financial information that describes the future.

For **credits and other receivables** an increase in credit risk is considered to have occurred:

- based on an absolute and relative change in PD for the remaining maturity

- at the latest when a payment is over 30 days delayed or when a customer is covered by mitigating circumstances.

In the case of mitigating measures, credits are considered to have an increased credit risk over a period of two years from the date of when the measures have been initiated. These criteria define an absolute baseline for when an increase in credit risk has occurred when there are indications of other qualitative factors that have not been visible in regular quantitative analyses. In such cases the Group can use expert evaluations and relevant historical information

Defaulted credits and receivables are transferred to stage 3.

For the reversal of credit and receivables to non-defaulted, the bank has implemented a three-month probationary period, where default factors can no longer be applicable and the customer's payment behaviour is a sign of a decreased risk. For defaulted credits with mitigating measures, the probation period is one year before they can be reverted to non-defaulted.

For **interest-bearing securities**, the increase in credit risk is evaluated according to two different criteria. The first criterion for an increase in credit risk is a significant drop in external credit rating. The second criterion is that the value development for the interest-bearing security keeps within its volatility range. Volatility is calculated according to the price development throughout the instrument's lifetime. In addition to the above-mentioned criteria, expert evaluation is used if necessary. The expert evaluation is carried out taking the Groups internal rating into consideration.

Assessment of impairment needs (definition of default)

In the model for calculating expected credit losses (ECL) the Group has defined default as described in the Group's credit regulations and processes when assessing the need for impairment. Default means the counterparty's inability or probable inability according to agreed terms handle all its obligations towards the bank.

A counterparty is considered defaulted if at least one of the following criteria is met:

- A significant loan repayment is delayed 90 days or more
- A significant loan repayment is delayed less than 90 days but at least one of the following criteria are met:
 - the bank has applied for or the counterparty has been declared bankrupt
 - the counterparty is in debt reconstruction
 - according to the bank's assessment it is unlikely that the customer fully can pay its loan obligations to the bank without the bank having to take action, e.g. liquidising possible collateral

For defaulted credits and other receivables, accrued interest is no longer recognised.

Interest-bearing securities are considered defaulted if the financial position of the company, where the investment is made, meets one of the following criteria:

- The company has been declared bankrupt or is de facto insolvent and unable to make payments
- The company has entered into an agreement about business debt restructuring or has applied for protection

against its creditors or is undergoing significant restructuring which affects creditors

- The company has missed a payment according to contractual cash flow and has not been corrected within 30 days

In addition to default, interest-bearing securities are checked individually for assessing the need for impairments if the security's rate has dropped under 50%.

Information describing the future

The Group has established a panel of experts which takes account of various relevant future macro-economic factors to define an objective assumption supporting the ECL calculations. The expert panel consists of the management of the risk and economy function as well as the Group's Chief Economist, amongst others. Relevant regional and sector-specific adjustments are made to capture deviations from general macro-economic scenarios. The adjustments reflect the best assumption on future macro-economic conditions which are not incorporated in the ECL calculations. Macro-economic factors taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios for future macro-economic conditions are revised regularly.

For **credits and other receivables (credit portfolio)** the risk parameters are adjusted according to assumptions in the relevant macro scenario in calculation of lifetime ECL. The PD estimate is adjusted based on a macro economic model that takes e.g. developments of unemployment into account. If unemployment is expected to increase, the PD estimate of household credits will increase. The LGD estimate takes the assumed development of house and real estate prices into

account. If the market value of the securities decreases in the scenario, this has a positive effect on the LGD estimate, given that the amortisation speed does not exceed the decrease in the market value of the securities.

The ECL calculation for **interest-bearing securities (liquidity and investment portfolio)** uses directly observable market prices and therefore needs no stochastic or constructed estimates. When the models use market information as much as possible, the market's expectation of the future development is implicitly represented in the model.

Tangible and intangible assets

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

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

In connection with acquisitions and business combinations, the acquired company's net assets are measured at fair

value. The difference between the consideration transferred and the fair value of the acquired company's net assets is recognised as goodwill or negative goodwill. Goodwill is recognised in the balance sheet under intangible assets, while negative goodwill is recognised in the income statement directly. Depreciation is not made for goodwill. Impairment losses for goodwill are tested once a year and when there is an indication of impairment losses. The test is performed by estimating the future cash flows of the smallest cash-generating unit, discounting those cash flows and comparing the recoverable amount (present value of future net cash flows) with the carrying amount of the unit including goodwill. If the carrying amount is greater than the recoverable amount, it results in an impairment of goodwill. The parameters used in the calculation are described in the note about intangible assets.

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

The Group as a lessor

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

fixed interest rate for the receivable reported for each reporting period.

The Group as a lessee

The Group reports a right-of-use asset and a lease liability at the starting date of the lease. The right-of-use asset is initially measured at acquisition value, which includes the initial value of the lease liability added with possible lease expenses paid at or after the starting date, and other initial direct costs. The right-of-use asset is depreciated linearly during the leasing period. If Aktia aims at using an option for purchasing the underlying asset, the asset is depreciated linearly during the right-of-use period.

The lease liability is initially measured at present value of the remaining lease expenses for the leasing period assessed. The leasing period consists of the period that cannot be cancelled with the addition of further periods, if it at the initial stage is estimated with reasonable certainty that an option for lengthening of the agreement will be utilised. Lease expenses are discounted according to the lease agreement's implicit interest rate. If the agreement's implicit interest rate cannot be determined, the marginal interest rate for borrowing is used for the discounting of lease expenses. The lease liability includes the present value of fixed lease expenses, variable index-bound lease expenses, possible residual value guarantees expected to be paid, redemption price for a call option which Aktia is reasonably sure to use, and penalties for lease agreements Aktia deems will be cancelled prematurely. The lease liability is calculated according to the assessment of the remaining leasing period, and according to the rent valid at the end of each reporting period. The value of the lease liability increases with the interest expenses for each period and decreases with the leasing payments.

Leases with a leasing period of 12 months or less and leases for low-value assets are not reported as right-of-use assets and lease liability in the balance sheet. Lease expenses for these leases are reported during the leasing period as rental expenses in the income statement.

Assets classified as held for sale

A fixed asset, or a disposal Group, is reported in Assets classified as held for sale if the asset is available for immediate sale in accordance with conditions that are normal and customary when selling such assets. It must also be extremely likely that a sale will take place. In order for a sale to be extremely likely, a decision must have been taken by the Board of Directors on a plan for selling the asset, and active work must have been started to find a buyer and accomplish the plan. Assets held for sale are valued at fair value with deductions for sales costs. Discontinued operations are part of the company's operations, representing an independent business, a significant operation within a geographic area or a subsidiary acquired solely for the purpose to be sold again. Classification as discontinued operation is made at the time of divestment or at an earlier time when the business operations meet the criteria for assets held for sale.

Provisions

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

if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation. Expected credit losses on off-balance-sheet commitments are reported as provisions.

Insurance and investment agreements

Classification of insurance and investment agreements

Insurance agreements are classified either as insurance agreements or investment agreements. Insurance agreements are agreements whereby sufficient insurance risks are transferred from the policyholder to the insurer. Investment agreements are agreements with policyholders that do not cause sufficient insurance risk to be classified as insurance agreements.

For investment agreements with the right to discretionary benefits (customer compensation) or which can be changed to such agreements, the opportunity in IFRS 4 to report these as insurance agreements is applied. Unit-linked agreements are classified either as insurance agreements or investment agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. Capitalisation agreements are agreements without insurance risk, so these are classified as investment agreements.

Agreements are classified as follows:

Insurance agreements

- Agreements with sufficient insurance risk
- Agreements containing a discretionary part or the possibility of one
- Unit-linked agreements with sufficient insurance risk

Investment agreements

- Unit-linked agreements without sufficient insurance risk
- Capitalisation agreements

Reinsurance

The term reinsurance agreements refer to insurance agreements under which the insurance business can receive remuneration from another insurance company if it is liable to pay remuneration itself as a result of insurance agreements entered into. Premiums paid to reinsurers are reported as premiums written and costs attributable to compensation as insurance claims paid. Remuneration which will be received through reinsurance agreements is reported in the balance sheet as assets. Unpaid premiums to reinsurers are reported in the balance sheet as liabilities.

Liabilities attributable to insurance and investment agreements

Liabilities attributable to insurance and investment agreements are reported as technical provisions, comprising premium liabilities and outstanding claims. Calculation of the technical provision is based on assumptions of for example mortality, costs and loss ratios. The technical provision for insurance contracts with guaranteed interest acquired from insurance company Liv-Alandia is measured at fair value. For other guaranteed interest rate insurance contracts, a calculation interest rate between 1.0 and 4.5% corrected by the valuation difference for the derivative contracts entered to hedge the interest rate volatility of the technical provision is used.

Outstanding claims include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and the estimated claims adjustment costs for these and provisions for claims which have not yet been

reported to the Group (claims incurred but not reported). Risk insurance outstanding claims include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and provisions for claims which have not yet been reported to the Group (claims incurred but not reported).

Savings insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred). Pension insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred) and an estimate of future pension payments including costs.

Assessment of technical provisions

When the accounts are closed, an assessment is made on whether the technical provisions included in the balance sheet are sufficient or not. If this assessment shows that they are insufficient, the technical provisions are increased.

The life insurance business' equity principle

In accordance with chapter 13, § 3 of the Insurance Companies Act, the equity principle should be followed when it comes to insurance for policies which, according to the insurance agreement, bring entitlement to additional benefits.

The life insurance business strives to ensure that the sum of the technical interest rate and the annually set customer compensation on the interest-linked pension insurance savings is higher than the return on the Finnish state ten-year bond, and on the interest-linked saving and investment insurance savings is at the same level as the Finnish state five-year bond. The solvency of the life insurance company should also be kept at a level which allows

customer compensation payments and profits to be paid to the shareholders.

The Board of Directors of Aktia Life Insurance Ltd decides on customer bonuses and rebates on an annual basis.

Equity

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

The terms of AT1 instrument (Additional Tier 1 capital) include no agreed maturity and the payment of interest can be cancelled by the issuer. The capital and the interest for the AT1 instrument are reported as equity according to IAS 32.16. The accumulated interest is paid as a contingent liability. The capital can be counted as AT1 capital (Additional Tier 1) in the capital adequacy.

Holdings with non-controlling interest

Non-controlling holdings include the minority's share and is reported in equity. For subsidiaries having certain redemption clauses in their contracts, the non-controlling holdings are reported as liability to the owners. The liability to non-controlling holdings is valued at fair value on the reporting date.

Accounting principles requiring management discretion

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

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

The calculation of ECL (Expected Credit Loss) includes essential assessments due to the current insecurity 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 taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios over future macroeconomic conditions have been updated quarterly and include essential assessments in order to e.g. 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 continuously revised quarterly. As of 1 January

2021, Aktia has introduced the new Definition of Default in accordance with EBA's guidelines in CRR 178.

Estimates and valuation of fair value

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

Impairment of financial assets

Management's assessment is required when estimating the amount and timing of future cash flows when evaluating impairment of financial assets. When estimating these cash flows, an assessment is made of the debtor's ability to pay and the net realisable value of any securities. The estimates are based on assumptions regarding various factors that can affect the ECL calculation. The actual result may vary in relation to these assumptions, which affects future changes in provisions for impairment. The principles are described above in the section Impairment of financial assets.

Leases

Some leases include extension options and termination options. An assessment of whether it is reasonably certain that an extension option will be exercised is made at the inception of the lease. The Group reconsiders the leasing period on the occurrence of a significant event or significant circumstances within the control of the Group that affect whether it is reasonably certain that the Group will exercise, or not exercise, an option in the original agreement.

Actuarial calculations

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

Share-based payments

The Group has an incentive agreement with key personnel in management positions and a share savings program for the whole staff, and the probable outcome of the incentive agreement is continuously evaluated. The principles are described above in the Section Employee remuneration and Share-based payments.

G2 The Group's risk management, 31 December 2021

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

Aktia Bank Plc is the parent company of Aktia Group. For the preparation of regulatory reports, capital adequacy calculations, and internal risk and capital allocation assessments, the company compiles data for the Bank Group, which includes Aktia Bank Plc and all subsidiaries excluding insurance holdings (the subsidiary company Aktia Life Insurance Ltd).

A description of internal control, risks and risk management in the Aktia Group, including the disclosure requirements in CRR Chapter 8 (Pillar III), is provided in the Group's Pillar III Report, which is published separately from and at the same time as the annual report.

1. General

1.1 Internal control and risk management

In providing financial solutions and services to its customers, Aktia is exposed to various risks. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The term risk management refers to all activities related to risk taking, risk reduction, analysis, measurement, control and monitoring.

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

The independent control functions consist of the Group's Risk Control function, Compliance function as well as the independent Actuarial function in Aktia Life Insurance Ltd. The role of the Risk Control function is to monitor and evaluate risk management within the Group and to report risks to the management and the Board of Directors. Risk Control is responsible for ensuring that all risks are identified, evaluated, measured, monitored, managed, mitigated and reported by and to all operating areas, and that an assessment is carried out of the Group's overall risk position. The role of the Compliance function is to control and evaluate the management of risks related to an

inadequate compliance, and to report to the management and the Board of Directors on significant observations and changes in applicable rules. The Compliance function is responsible for ensuring that the rules are adhered to within the Group's activities through its advisory and supervisory tasks and consequently supporting the business activities in ensuring that applicable rules are known and duly implemented. The Group's Data Protection Officer (DPO) forms also a part of the Compliance function.

The Group's Internal Audit function carries out an independent assessment and evaluation of the adequacy and quality of the Group's internal control, risk management and control functions. External parties, such as auditors, also evaluate the internal control and its adequacy.

1.2 Group capital management

The purpose of the Group's capital management activities is to assess the Group's capitalisation in relation to the risks in business operations. Capital management should support the Group's business strategies and ensure that the Group has access to capital also during periods of weak economic activity. The objective is to find a balance between the shareholders' required rate of return and financial stability requirements of regulators, debt investors, counterparties in the Group's business activities and rating agencies. In its capital management activities, the Group strives to identify material risks and assess their extent and the capital requirements that they give rise to.

The Executive Committee is responsible for preparing the Board's annual strategic process, and for the accompanying capital planning and allocation. The Board's Risk Committee is involved in the work and prepares proposals which are then decided on by the Group's Board of Directors. The Group's internal audit conducts an annual evaluation of the capital management process. The rules of procedure for the Board of Directors and its Risk Committee specify the drafting and decision-making process in the capital management process. The Group's Risk Control function is in charge of compiling data and performing calculations for assessing the internal capital requirement and capital adequacy objectives.

The Group's capital planning is based on a business plan which covers changes in volumes and risk levels in the near future. Based on the plans, forecasts of changes in capital adequacy requirements for the Group and the various companies are prepared. In addition to the baseline scenarios, stress tests are performed, which are used to

assess how weaker economic environments would affect capital adequacy.

According to the renewed strategy, the target for the Bank Group's Core Tier 1 ratio (CET1) is 1.5 percentage points above the regulatory requirement and for the total capital adequacy 2.0 percentage points. The minimum target for the Bank Group's leverage ratio is 3.5%. For the finance and insurance conglomerate, the target for capital adequacy is for it to exceed 115%.

Information on the Group's capital adequacy is presented in the Report by the Board of Directors.

1.3 Management of operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, inadequate or unreliable systems, insufficient or unreliable information, deficient quantitative models, other failures in internal control or risk management, staff or from external factors. Operational risks also include legal and compliance risks but excludes strategic risks. The damage arising from the occurrence of an operational risk can take the form of direct or indirect financial loss for Aktia, but can also, independently thereof, pose a threat to Aktia's reputation.

Operational risks are present in all of Aktia's operations. Under a resolution of the Board of Directors, the level of operational risks must in general be normal in proportion to Aktia's operations and in relation to its competitors. A normal risk level presupposes that binding regulations, instructions and applicable legislation is followed.

The level of risk for information security must be normal in principle but low in terms of critical processes and services,

like the information security in computer systems, services, processes and service providers classified as critical. This means that the information security level for all critical systems must be maintained high to ensure operations important for Aktia's business, i.e., manual and automatic data processing and an uninterrupted functioning of the computer network, to prevent unauthorised use of data and data systems, to prevent intentional or unintentional destruction of data or corrupt data, and to minimise damages from a possible disturbance. In addition, the level of compliance risks must be low, but normal for the type of risk with regard to the implementation of regulatory recommendations and simpler forms of governance (principle of proportionality). All this requires a deep insight into the company's own activities, adequate, well-functioning and effective internal control and risk management, good leadership, sound processes and competent staff.

As part of the Group's risk management framework, the Board of Directors has also adopted an instruction for the management and reporting of operational risks, which covers information security and data protection.

In addition to preventing operational risks from being realised, Aktia also strives to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities. Aktia and its management are not, however, allowed to take out insurance against administrative fines or penalty payments when such a practice is not considered to be consistent with good insurance practice.

2. Banking business and asset management**2.1 Credit and counterparty risks**

Credit risk is defined as the risk of losses brought about by the debtor failing to fulfil obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's creditworthiness. Credit and counterparty risks are measured by assessing expected credit losses. Expected credit losses are assessed with the help of Expected Credit Loss models (ECL) in accordance with IFRS9. ECL models are static models for measuring the probability of default (PD) and loss given fault (LGD) in future macroeconomic scenarios.

The Bank Group applies internal risk classification in compliance with the advanced method (Advanced IRB) in the calculation of capital adequacy requirements for credit risk for private and household customers, and companies with small exposures. A total of 67% of the Bank Group's exposures are calculated according to the IRB approach at the end of the period. The internal models comprise models for probability of default (PD) and loss given fault (LGD). In addition to the capital adequacy calculation these models are used for monitoring credit risk, internal risk reporting, and for estimating expected credit loss.

Each year, the Group's Board of Directors determines the credit policy, and revises both the credit risk strategy and delegation of decision-making. The regulation of counterparty risks is managed in a similar manner. The Group's Board of Directors determines also the main principles for internal credit risk models after preparation in the Board's Risk Committee as well as in the Group's Asset and Liability Committee (ALCO). ALCO is responsible for the

operative decisions pertaining to internal credit risk models and the development of these.

Table G2.1 presents the Group's exposure per operating area. The figures include accrued interest. Internal Group receivables and liabilities are eliminated, and deductions for acceptable collateral have not been made. Investments for unit-linked provisions are not included.

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

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

G2.1 The Group's maximum exposures by operation

	31 Dec 2021			31 Dec 2020		
	Banking business	Life insurance business	Total group	Banking business	Life insurance business	Total group
Cash and money market	793.2	46.8	798.1	323.3	25.8	327.5
Bonds	1,296.8	315.1	1,611.9	1,428.7	364.3	1,782.9
Public sector	352.9	104.9	457.8	344.5	96.2	440.6
Government guaranteed bonds	20.0	5.8	25.9	0.0	6.1	6.1
Banks	0.0	43.2	43.2	174.0	41.0	204.9
Covered bonds	923.9	13.8	937.7	910.2	36.8	947.0
Corporate	0.0	147.4	147.4	0.0	184.2	184.2
Shares and mutual funds	5.2	251.5	256.6	5.1	154.9	160.0
Fixed income funds	0.0	123.8	123.8	0.0	106.1	106.1
Shares and equity funds	5.2	14.8	19.9	5.1	0.0	5.1
Real estate funds	0.0	88.1	88.1	0.0	37.1	37.1
Private Equity	0.0	18.0	18.0	0.0	11.8	11.8
Hedge funds	0.0	6.8	6.8	0.0	0.0	0.0
Loans and claims	7,493.1	0.0	7,493.1	7,006.1	0.0	7,006.1
Public sector entities	2.6	0.0	2.6	2.8	0.0	2.8
Housing associations	997.9	0.0	997.9	909.3	0.0	909.3
Corporate	1,144.9	0.0	1,144.9	980.9	0.0	980.9
Households	5,295.1	0.0	5,295.1	5,085.9	0.0	5,085.9
Non-profit organisations	52.5	0.0	52.5	27.1	0.0	27.1
Tangible assets	25.3	0.6	25.9	27.3	40.5	67.8
Bank guarantees	25.3	0.0	27.9	33.8	0.0	33.8
Unused facilities and unused limits	685.9	14.4	700.3	592.3	14.4	606.8
Derivatives (credit equivalents)	81.8	0.0	81.8	98.0	0.0	98.0
Other assets	127.8	12.0	136.7	122.6	5.0	124.6
Total	10,537.1	640.4	11,132.5	9,637.2	604.9	10,207.5

2.2 Problem loans

Problem loans are followed up regularly through delinquency lists at credit level and at loan book level in the Group's risk control unit. Internal rules and tools have been created to identify at an early stage those customers whose ability to pay no longer fulfils the conditions of the debt. Acting quickly in these situations is in the interest of both the customer and the bank.

According to the Group's accounting principles, an evaluation is made at each reporting date as to whether a substantial increase in the credit risk has occurred. The evaluation is based on the change in the probability of default (PD) since the first accounting, and whether the customer has a past due loan payment (30 days), an increased PD both relatively and absolutely or if there are mitigating circumstances. Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly (ECL Stage 1). The expected credit losses for the credit's remaining maturity are calculated for non-defaulted exposures where the credit risk has increased significantly (ECL Stage 2) and for defaulted credits (ECL Stage 3). A credit is considered defaulted if at least one of the following criteria is met: Late payment of a loan (90 days or more of a significant amount), accrued interest on the credit obligation is no longer recognised as income, the counterparty has been declared bankrupt or in debt restructuring, or it is considered unlikely that the customer will pay its loan obligations in full.

G2.2 Loans past due by time overdue and ECL stages

(EUR million)

31 Dec 2021

Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	22.2	18.8	5.5	46.5
of which households	20.8	17.5	4.9	43.1
> 30 ≤ 90	0	22	10.8	32.8
of which households	0	17.2	9.9	27
> 90	0	0	52	52
of which households	0	0	41.3	41.3

(EUR million)

31 Dec 2020

Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	25.6	24.6	0.8	51.1
of which households	19.0	23.1	0.7	42.8
> 30 ≤ 90	0.0	22.0	1.2	23.2
of which households	0.0	21.4	0.6	22
> 90	0.0	0.0	57.7	57.7
of which households	0.0	0.0	44.3	44.3

G2.3 Credit exposures (incl. off-balance sheet items) per probability of default (PD)

(EUR million)	31 Dec 2021				31 Dec 2020			
	12 month ECL	Lifetime ECL	Lifetime ECL	Total	12 month ECL	Lifetime ECL	Lifetime ECL	Total
		not credit- impaired	credit-impaired			not credit- impaired	credit-impaired	
Corporate								
PD grades A	244.2	0.3	0.0	244.5	209.7	0.0	0.0	209.7
PD grades B	922.6	19.6	0.0	942.2	866.5	0.0	0.0	866.5
PD grades C	891.5	32.2	0.0	923.8	759.7	37.2	0.0	797.0
Default	0.0	0.0	23.6	23.6	0.0	0.0	27.4	27.4
	2,058.3	52.2	23.6	2,134.1	1,836.0	37.2	27.4	1,900.6
Loss allowance (ECL)	-3.0	-1.4	-10.0	-14.4	-3.1	-1.8	-10.0	-15.0
Carrying amount	2,055.3	50.8	13.6	2,119.7	1,832.8	35.4	17.4	1,885.6
Households								
PD grades A	3,318.8	76.6	0.0	3,395.5	3,240.8	79.0	0.0	3,319.8
PD grades B	1,135.8	75.8	0.0	1,211.6	1,055.8	74.6	0.0	1,130.4
PD grades C	693.1	112.6	0.0	805.7	757.9	150.7	0.0	908.5
Default	0.0	0.0	95.7	95.7	0.0	0.0	41.7	41.7
	5,147.8	265.0	95.7	5,508.5	5,054.5	304.2	41.7	5,400.4
Loss allowance (ECL)	-0.7	-2.3	-14.5	-17.4	-0.9	-3.5	-11.1	-15.5
Carrying amount	5,147.1	262.8	81.2	5,491.1	5,053.6	300.7	30.6	5,384.9
Other								
PD grades A	28.5	0.2	0.0	28.7	29.7	0.2	0.0	29.9
PD grades B	436.6	0.1	0.0	436.7	348.0	0.0	0.0	348.0
PD grades C	83.0	0.7	0.0	83.7	78.2	1.0	0.0	79.1
Default	0.0	0.0	0.6	0.6	0.0	0.0	0.6	0.6
	548.0	1.0	0.6	549.7	455.8	1.2	0.6	457.6
Loss allowance (ECL)	-0.3	0.0	-0.3	-0.6	-0.2	0.0	-0.2	-0.5
Carrying amount	547.8	1.0	0.3	549.1	455.6	1.2	0.4	457.1

G2.4 Credit exposures (incl. off-balance sheet items) per loss given default (LGD)

(EUR million)	31 Dec 2021			31 Dec 2020			Total	
	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Corporate								
LGD class 1 (low)	0.0	0.0	0.7	0.7	0.0	0.0	0.5	0.5
LGD class 2	58.6	0.6	6.2	65.4	45.8	0.3	1.3	47.4
LGD class 3	1,531.6	47.0	4.2	1,582.8	1,356.2	31.9	1.9	1,390.0
LGD class 4	185.0	4.4	0.8	190.1	152.6	4.2	0.9	157.6
LGD class 5 (high)	283.2	0.3	11.7	295.2	281.4	0.9	22.7	305.1
	2,058.3	52.2	23.6	2,134.1	1,836.0	37.2	27.4	1,900.6
Loss allowance (ECL)	-3.0	-1.4	-10.0	-14.4	-3.1	-1.8	-10.0	-15.0
Carrying amount	2,055.3	50.8	13.6	2,119.6	1,832.8	35.4	17.3	1,885.6
Households								
LGD class 1 (low)	125.8	2.8	5.2	133.7	115.6	2.8	7.4	125.7
LGD class 2	2,355.1	93.2	22.6	2,470.9	2,227.8	102.2	9.7	2,339.8
LGD class 3	2,372.5	160.4	45.1	2,577.9	2,427.6	190.3	11.5	2,629.5
LGD class 4	24.1	2.1	7.6	33.8	25.0	2.5	7.0	34.5
LGD class 5 (high)	270.3	6.5	15.3	292.1	258.5	6.4	6.1	271.0
	5,147.8	265.0	95.7	5,508.5	5,054.5	304.2	41.7	5,400.4
Loss allowance (ECL)	-0.7	-2.3	-14.5	-17.4	-0.9	-3.5	-11.1	-15.5
Carrying amount	5,147.1	262.8	81.2	5,491.1	5,053.6	300.7	30.7	5,384.9
Other								
LGD class 1 (low)	5.2	0.3	0.0	5.5	5.2	0.3	0.0	5.5
LGD class 2	98.7	0.3	0.1	99.0	77.3	0.4	0.0	77.7
LGD class 3	423.4	0.4	0.1	423.9	326.0	0.4	0.0	326.5
LGD class 4	2.3	0.0	0.1	2.4	22.8	0.0	0.0	22.8
LGD class 5 (high)	18.4	0.1	0.3	18.8	24.5	0.1	0.5	25.1
	548.0	1.0	0.6	549.7	455.8	1.2	0.6	457.6
Loss allowance (ECL)	-0.3	0.0	-0.3	-0.6	-0.2	0.0	-0.2	-0.5
Carrying amount	547.8	1.0	0.3	549.1	455.6	1.2	0.4	457.1

Class 1 Risk free, e.g. state guarantee
 Class 2 Low risk, e.g. shares in housing co-operatives
 Class 3 Medium risk, e.g. other real estate security
 Class 4 Increased risk, other guarantees
 Class 5 High risk, no collateral

2.3 Management of funding and liquidity risks

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

The funding and liquidity risks are managed at legal company level, and there are no explicit financing commitments between Aktia Bank Plc and Aktia Life Insurance Ltd.

2.3.1 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 in the aforesaid manner can be used as a liquidity reserve, including cash, had a market value of EUR 1,571 (1,368) million at year-end.

G2.5 Liquidity reserve, market value

(EUR million)	31 Dec 2021	31 Dec 2020
Cash and holdings in central banks	681	250
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	222	226
Securities issued or guaranteed by municipalities or Public sector entities	155	132
Covered bonds	514	755
Securities issued by credit institution	0	6
Securities issued by financial corporates (commercial papers)	0	0
Total	1,571	1,368
of which LCR-qualified	1,571	1,362

The liquidity risk is monitored based on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). 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. NSFR measures the matching of assets and liabilities with maturities of more than one year for in Aktia Bank's balance sheet and is designed to ensure that long-term lending is financed by long-term borrowing to an adequate degree.

LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. Table G2.6 presents outcomes in 2021 for the LCR and NSFR risk measures for the Aktia Bank Group.

G2.6 LCR and NSFR

	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
LCR %	140%	125%	161%	139%	138%
NSFR %	118%	121%	126%	124%	126%

2.4 Management of market, balance sheet and counterparty risks

2.4.1 Market and asset and liability risks in the Bank Group

Each year, following preparatory work in the Group's Asset and Liability Committee (ALCO) and the Board's Risk Committee, the Group's Board of Directors adopts a strategy and defines limits for managing market risks related to the development of net interest income and volatility, and for the operational management of the Group's internal investment assets within the defined framework and limits. The bank's Treasury unit carries out transactions to manage the structural interest rate risk based on the established strategy and limits.

2.4.1.1 Interest rate risk

Interest rate risk bears upon net interest income risk and present value risk (economic value) when the market rates are changing. Both interest rate risk indicators are measured according to EBA's guidelines and are monitored monthly.

Structural net interest income risk (earnings risk) arises as a result of an imbalance between reference rates and

the re-pricing of assets and liabilities. As well as matching reference rates in lending and borrowing through business management, hedging with interest rate derivatives, and fixed rate investments in the liquidity portfolio are also utilised, with the aim of maintaining net interest income at a stable level.

The structural net interest income risk is simulated using a dynamic asset and liability risk management model. The model considers the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied.

The structural present value risk (change in financial value) is measured as the sensitivity of the calculated present value for all existing interest-bearing items. When calculating the present value risk, avista lending has been modelled according to a behaviour model. Table G2.7 shows the outcome of a parallel shift of the interest rate curve for both the net interest income risk and the present value risk.

G2.7 Structural interest rate risk

Parallel shift in the interest rate curve (EUR million)	31 Dec 2021 Basis points	
	-100	+100
Net interest income risk		
Changes during the next 12 months	10.2	-2.0
Changes during 13-24 months	16.0	16.6
Net Present Value risk (Change in Economic Value)	52.8	-8.7

2.4.1.2 The Bank Group's liquidity portfolio and other interest-bearing securities

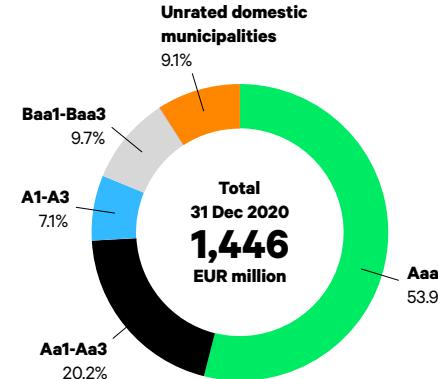
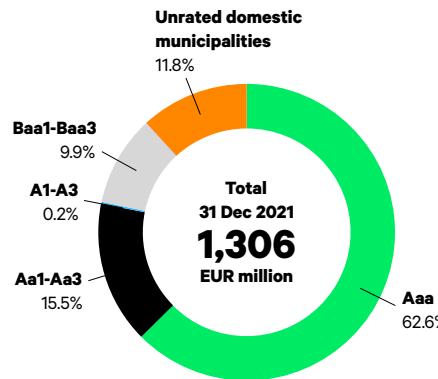
The liquidity portfolio of the Bank Group, which comprises of interest-bearing securities and is managed by the bank's Treasury unit, was EUR 1,306 (1,446) million on 31 December 2021 and includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the Bank Group.

All bonds in the liquidity portfolio met the criteria for refinancing at the central bank at the end of the period.

The counterparty risks that arise in connection with liquidity management and the conclusion of derivatives contracts are managed by demanding a sufficiently high external rating. Counterparty risks in derivative instruments are managed through the daily requirement for exchanging collateral (ISDA Credit Support Annex agreement). Individual investment decisions are made in accordance with an investment plan in place and are based on careful assessment of the counterparty. The Group's Board of Directors establishes limits for counterparty risks every year. The investment portfolio is market valued and monitored on a daily basis.

No impairment losses were recognised during the year.

**K2.8 Rating distribution for banking business'
liquidity portfolio and other direct fixed
income assets**



2.4.13 Exchange rate risk

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

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

At year-end, total net currency exposure for the Bank Group amounted to EUR 4.8 (3.9) million.

2.4.14 Equity risk

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

The Bank Group conducts no equity trading for trading purposes.

Equity investments pertaining to business operations amounted at year-end to EUR 5.2 (5.0) million.

2.4.15 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. Table G2.8 summarises market value sensitivity for the Bank Group's financial assets

available for sale in various market risk scenarios as at 31 December 2020 and 31 December 2020. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: The change is applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined based on a historical analysis and the changes have been selected to represent a 99.5 percentile (the 995th highest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually and a minimum shock of 1% is applied. Due to the low interest rate environment the fixed additive shock is lower than 1% for all maturities, which means that the minimum shock of 1% has de facto been used throughout the interest rate curve.

Downward interest rate risk: The change is applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined based on a historical analysis and the changes have been selected to represent a 0.5 percentile (the 5th lowest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually and a minimum shock of -0.5% is applied.

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The size of the change is an annually revised figure that is based on yield curves for interest rate instruments with a given rating and investment type. The stress factors have been determined using historical analysis based on a 99.5 percentile from

which the interest rate component has been excluded. The factors are revised annually. For sovereign curves the credit rating of the corresponding country is also used as a factor in the model.

Exchange rate risk: Describes the risk of changes in different currencies against the euro. Each currency is tested separately for an upward shock and a downward shock, and the worse outcome for each currency is selected and the effects for all currencies are then summed up. The stress factors have been determined based on a historical analysis and the changes have been selected so that upward shock represents a 99.5 percentile and the downward shock a 0.5 percentile for possible outcomes over a one-year period. The factors are revised annually.

Equity and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock for equities is -53% and is determined by a historical analysis of an equity index basket so that the downward shock represents a 0.5% percentile for the possible outcomes of the change in the level of the index over one year. Based on expert opinions, -60% is used for unlisted equities and -25% for properties.

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

G2.9 Sensitivity analysis for market risks

Bank Group	2021		2020	
	EUR million	%	EUR million	%
Market value 31 December	949.5	100.0%	1,056.1	100.0%
Upward interest rate risk (normal method)	-24.3	-2.6%	-28.9	-2.7%
Downward interest rate risk (even 100 bps)	-24.3	-2.6%	-28.9	-2.7%
Downward interest rate risk (normal method)	19.9	2.1%	24.3	2.3%
Spread risk	-12.2	-1.3%	-41.1	-3.9%
Equity risk	-3.1	-0.3%	-3.0	-0.3%
Real estate risk	0.0	0.0%	0.0	0.0%

3 Life insurance operations

3.1 Market and asset and liability risks (ALM) in the insurance business

After preparation by the Group's Asset and Liability Committee ALCO, the life insurance company's Board of Directors and the Board's Risk Committee, the Group's Board of Directors sets out the investment strategy and plans as well as limits for managing market risks in both the investment portfolio and interest-linked technical provisions. ALCO is responsible for the operational management of internal Group investment assets

within predetermined guidelines and limits. The wealth management of the parent company Aktia Bank has a mandate for the fixed income and equity investments of Aktia Life Insurance Ltd and a named portfolio manager is responsible for the operational management. The Board of Directors is responsible for the strategic and property investments. The Group's Risk Control function supervises risk exposures and limits. As of 2019, the ALM unit of the Group is also involved particularly in the management of the interest rate risk and the overall planning of the portfolio. As of 2021, an investment manager for the life company's portfolio has been appointed within the same entity.

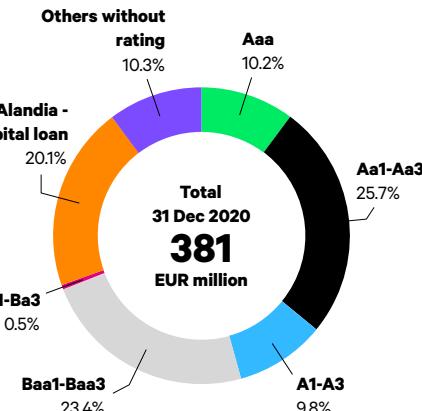
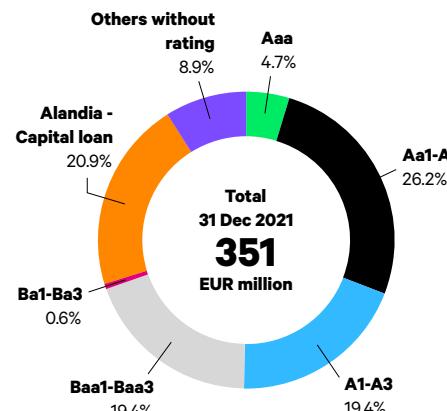
In the life assurance business, the policyholder bears the investment risk of the investment policies themselves. Other investments within the insurance company for covering technical provisions are at the company's risk. There is thus a certain degree of risk-taking in the investment activities of the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

From a risk sensitivity perspective, the key market risks are interest rate, counterparty (spread) and real estate risk. For technical provisions for the interest-bearing portfolios, other risks than interest rate risk are insignificant. For the unit-linked portfolios the most significant risk is equity risk. The equalising effect between the portfolios and technical provisions is significantly greater than for the interest-bearing portfolios, as most of the risk is borne by the customer.

Interest rate risk is the most significant risk connected with provisions in the life insurance company and affects profitability as a result of demands for returns over guaranteed interest rates and capital adequacy as a result of the market valuation of assets and liabilities. Solvency is

K2.10 Rating distribution for the life insurance business' direct fixed income investments

(Excluding investments in fixed-income funds, real estates, equities and alternative investments



sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk refers to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities. Technical provisions include an interest reserve of EUR 25.0 (28.1) 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 2022, 2.3% for 2023–2031 and 2.9% after that. Aktia Life Insurance

makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary.

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral, and is the fourth largest market risk after interest rate risks, equity risk and real estate risks at year-end 2021. The risk has been decreased both due to reallocations in the portfolio and since the stress parameter for the large holdings of Alandia's subordinated loans at the year-end was decreased for alignment with the Solvency II calculation. On the asset side, essentially the same instruments (fixed income instruments)

are exposed to interest rate and credit spread risk, but as the interest-bearing technical provisions are not exposed to credit spread risk, this risk is one-sided, unlike interest rate risk. This also makes it effectively impossible to hedge without the use of credit derivatives. Since the company still does not hold any treasury shares, a higher credit risk is the natural price to pay for the desired return. The fixed income portfolio's share of the risk in the company's own portfolio (assets not related to unit-linked insurance) remains dominant, and at year-end fixed income investments excluding cash funds amounted to EUR 475 (487) million, corresponding to 80% (81%) of the investment portfolio.

For several years, the equity risk in the fixed income portfolio has related exclusively to investments in Private Equity funds and similar asset classes. In 2021 these investments have continued to increase, and now amount to EUR 24.8 (6.9) million. The company has also reopened its holdings in wider range investment in the course of the year. All of these are in fund format and constitute on 31 December 2021 a position of EUR 8.0 (0.0) million. In the unit-linked portfolio, equity risk is a significant risk. This is because equity and balanced funds account for such a large investment volume among the customers' investments that, although the company's share of the risk in the unit-linked portfolios is small in percentage terms, the amount is still

significant. The market value of the unit-linked investments at year-end was EUR 1,155.3 (966.5) million, of which EUR 661.7 (538.7) million was exposed to equity risk.

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year-end, total real estate investments amounted to EUR 88.1 (77.5) million. Real estate risk increases due to the real estate holdings including refinancing and it is the second most significant risk. In the unit-linked portfolios it is insignificant.

The foreign exchange risk of the life insurance company relates to holdings in funds that invest in fixed income securities or equities, where the underlying investments are issued in other currencies. For the interest-bearing portfolio, all these funds are fixed income funds, but for the investment-linked portfolios also equities are included. At the end of the period, the company had underlying investments totalling EUR 52.5 (45.4) million, with open exchange rate risk in the interest-bearing portfolios.

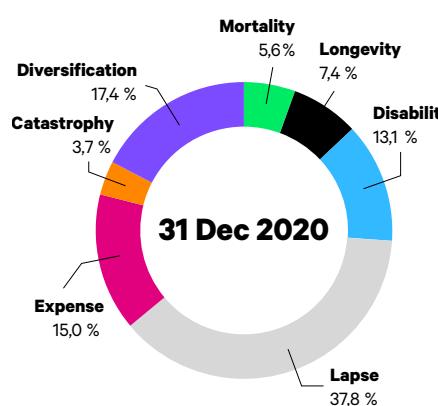
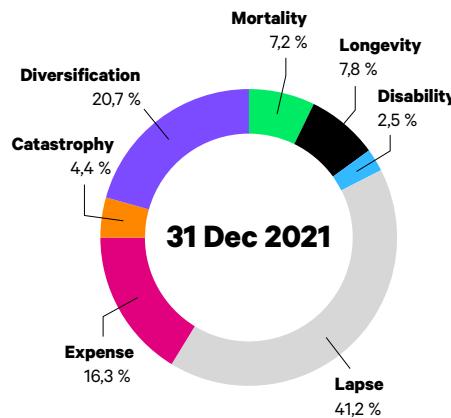
G2.11 Sensitivity analysis for market risks

Life insurance company	Portfolio		Technical provisions*		Total		%**	EUR million	%**
	2021	2020	2021	2020	2021	2020			
Interest linked									
Market value 31.12.	539.7	576.5	-436.9	-486.2	102.8	64.3%	90.3	65.9%	
IR risk up	-28.6	-26.8	40.8	46.0	12.2	7.6%	19.2	14.0%	
IR risk down	41.6	39.9	-65.5	-81.9	-23.9	-15.0%	-42.0	-30.7%	
Spreadrisk	-22.3	-25.3	0.1	0.1	-22.2	-13.9%	-25.2	-18.4%	
Currency risk	-9.8	-8.4	0.6	0.7	-9.2	-5.8%	-7.7	-5.6%	
Equity risk	-15.6	-3.8	1.5	1.7	-14.1	-8.9%	-2.1	-1.5%	
Real estate risk	-33.1	-31.4	0.0	0.0	-33.1	-20.7%	-31.4	-22.9%	
Unit- and index linked									
Market value 31.12.	1,155.3	966.5	-1,098.3	-919.8	57.0	35.7%	46.7	34.1%	
IR risk up	-15.4	-19.0	15.6	19.2	0.2	0.1%	0.2	0.1%	
IR risk down	16.4	23.0	-17.8	-24.8	-1.4	-0.9%	-1.8	-1.3%	
Spreadrisk	-21.4	-16.5	20.2	15.5	-1.2	-0.8%	-1.0	-0.7%	
Currency risk	-127.6	-109.1	120.5	102.8	-7.1	-4.4%	-6.3	-4.6%	
Equity risk	-353.1	-273.3	333.4	257.2	-19.7	-12.3%	-16.1	-11.8%	
Real estate risk	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%	
Total									
Market value 31.12.	1,695.0	1,543.0	-1,535.2	-1,406.0	159.8	100.0%	137.0	100.0%	
IR risk up	-44.0	-45.8	56.4	65.2	12.4	7.8%	19.4	14.2%	
IR risk down	58.0	62.9	-83.3	-106.7	-25.3	-15.8%	-43.8	-32.0%	
Spreadrisk	-43.7	-41.8	20.3	15.6	-23.4	-14.6%	-26.2	-19.1%	
Currency risk	-137.4	-117.5	121.1	103.5	-16.3	-10.2%	-14.0	-10.2%	
Equity risk	-368.7	-277.1	334.9	258.9	-33.8	-21.2%	-18.2	-13.3%	
Real estate risk	-33.1	-31.4	0.0	0.0	-33.1	-20.7%	-31.4	-22.9%	

* The market value of the Technical Provisions is a risk neutral value which is obtained by discounting simulated cashflows. Therefore it differs from the book value of the Technical Provisions.

** The percentage is the portion of the total market value (159.8 for 2021)

K2.12 Distribution of underwriting risks according to Solvency II categories



The same parameters are used to calculate risk sensitivity as in the risk sensitivity calculation for the bank. These parameters are described in Chapter 2.4.1.5. For the life insurance company, stress is also considered for technical provisions.

3.2 Management of insurance risks

Insurance risk refers in general to the risk that claims to be paid out to policyholders exceed the amount expected. The risk is divided into underwriting risk and provision risk. Underwriting risk is caused by losses due to, for example, incorrect pricing, risk concentrations, inadequate reinsurance or unexpectedly high frequency of claims.

Provision risk is the risk caused by a situation where

reserves in the technical provision are not adequate to cover the claims arising from known or unknown damages covered by insurance contracts that have already been entered into.

The product offering of the life insurance company includes life and health insurance, voluntary pension insurances, savings and investment insurances and capitalisation agreements. Due to the legal rules concerning insurance contracts, the company is very limited in its ability to influence premiums and terms and conditions for old policies that have already come into effect. Premium adequacy is followed up annually. For new policies, the company is free to set the premium levels itself. This is done by the Board, at the proposal of the Head Actuary.

Reinsurance is used to limit compensation liabilities for the company's own account so that its solvency capital is adequate, and results do not fluctuate too much. As part of the Group's capital and risk management process, limits are derived which the Board of Directors of the life insurance company defines for the risks that the company itself can bear without taking out reinsurance.

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

In the solvency calculation, the life insurance company applies the standard formula of the regulatory framework for the calculation of the Solvency Capital Requirement and its sub risks. A large part of the actuarial risks in accordance with that calculation relates to life insurance obligations, as they are often long-term by their nature. At the year-end, the total solvency actuarial risks of the life insurance obligations amounted to EUR 67.4 (65.1) million, with the mass cancellation risk being the most significant single actuarial sub risk. At the year-end, the corresponding actuarial risks for sickness obligations amounted to EUR 3.4 (21.9) million, the decrease being mainly attributable to the fact that the risk has now been recalculated in a different way.

G2.13 Group's capital adequacy and risk exposures**The Bank Group's capital adequacy**

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

(EUR 1,000)	31 Dec 2021		30 Sep 2021		30 Jun 2021		31 Mar 2021		31 Dec 2020	
	Group	Bank Group								
Calculation of the Bank Group's capital base										
Total assets	11,653,341	9,993,910	11,373,678	9,793,753	11,235,891	9,661,966	10,674,165	9,154,611	10,572,768	9,091,396
of which intangible assets	173,978	172,785	177,018	175,888	180,154	179,020	56,542	55,653	57,932	57,061
Total liabilities	10,914,945	9,361,704	10,617,692	9,142,278	10,513,086	9,038,975	10,035,714	8,611,096	9,905,939	8,516,867
of which subordinated liabilities	150,033	94,463	105,846	105,846	119,402	119,402	127,295	127,295	158,154	158,154
Share capital	169,732	169,732	169,732	169,732	169,732	169,732	169,732	169,732	169,732	169,732
Fund at fair value	6,201	4,181	10,485	7,636	11,735	8,813	15,796	12,357	21,267	15,519
Restricted equity	175,933	173,913	180,217	177,368	181,467	178,545	185,528	182,089	190,999	185,251
Unrestricted equity reserve and other funds	142,516	142,413	141,232	141,146	126,409	126,338	115,280	115,246	115,655	115,565
Retained earnings	352,592	266,128	383,445	296,981	383,252	296,788	323,642	237,178	317,555	235,914
Profit for the year	67,356	49,752	51,092	35,979	31,678	21,320	14,001	9,003	42,621	37,798
Unrestricted equity	562,464	458,293	575,769	474,107	541,338	444,447	452,922	361,427	475,831	389,277
Shareholders' share of equity	678,937	572,746	696,526	592,015	663,345	563,532	638,450	543,516	666,830	574,528
Holders of other Tier 1 capital	59,460	59,460	59,460	59,460	59,460	59,460	-	-	-	-
Equity	738,397	632,206	755,986	651,475	722,805	622,992	638,450	543,516	666,830	574,528
Total liabilities and equity	11,653,341	9,993,910	11,373,678	9,793,753	11,235,891	9,661,966	10,674,165	9,154,611	10,572,768	9,091,396
Off-balance sheet commitments	737,613	712,834	792,080	765,477	720,792	707,767	694,978	686,408	698,935	690,365
The Bank Group's equity	632,206		651,475		622,992		543,516		574,528	
Provision for dividends to shareholders ¹	-40,218		-40,874		-		-		-29,868	
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-		-		-21,320		-9,003		-	
Intangible assets	-162,322		-167,878		-170,053		-55,653		-57,061	
Debentures	70,631		72,134		74,330		76,902		80,057	
Additional expected losses according to IRB	-24,421		-25,568		-25,357		-27,685		-23,550	
Deduction for significant holdings in financial sector entities	-12,075		-13,945		-13,667		-4,003		-3,422	
Other incl. unpaid dividend	-4,080		-34,692		-21,021		-29,292		-36,362	
Total capital base (CET1 + AT1 + T2)	459,720		440,654		445,904		494,783		504,321	

¹ Based on the CRR regulation

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.

The table continues

(EUR 1,000)	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
The Bank Group's capital adequacy					
Common Equity Tier 1 Capital before regulatory adjustments	520,178	507,926	512,406	505,247	508,435
Common Equity Tier 1 Capital regulatory adjustments	-191,088	-199,408	-200,832	-87,366	-84,170
Total Common Equity Tier 1 Capital (CET1)	329,090	308,518	311,573	417,881	424,265
Additional Tier 1 capital before regulatory adjustments	60,000	60,000	60,000	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	60,000	60,000	60,000	-	-
Total Tier 1 capital (T1 = CET1 + AT1)	389,090	368,518	371,573	417,881	424,265
Tier 2 capital before regulatory adjustments	70,631	72,134	74,330	76,902	80,057
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	70,631	72,134	74,330	76,902	80,057
Total own funds (TC = T1 + T2)	459,720	440,653	445,903	494,783	504,321

(EUR 1,000)	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Risk weighted exposures total	2,940,550	2,969,170	2,885,705	3,035,832	3,030,010
of which credit risk, the standardised model	560,431	606,421	589,075	654,669	663,817
of which credit risk, the IRB model	1,959,266	1,953,980	1,887,860	2,021,713	1,909,806
of which 15% risk-weight floor for residential mortgages	-	-	-	-	96,937
of which market risk	-	-	-	-	-
of which operational risk	420,853	408,770	408,770	359,450	359,450
Own funds requirement (8 %)	235,244	237,534	230,856	242,867	242,401
Own funds buffer	224,476	203,119	215,047	251,916	261,921
CET1 Capital ratio	11.2%	10.4%	10.8%	13.8%	14.0%
T1 Capital ratio	13.2%	12.4%	12.9%	13.8%	14.0%
Total capital ratio	15.6%	14.8%	15.5%	16.3%	16.6%
Own funds floor (CRR article 500)					
Own funds	459,720	440,653	445,903	494,783	504,321
Own funds floor ¹	235,289	244,497	236,712	232,282	229,005
Own funds buffer	224,431	196,156	209,191	262,501	275,316

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.

(EUR 1,000)	2019	2020	2021	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Risk-weighted amount for operational risks								
Gross income	219,038	213,818	240,509					
- average 3 years			224,455					
Capital requirement for operational risk								
Risk-weighted amount			33,668	32,702	32,702	28,756	28,756	
			420,853	408,770	408,770	359,450	359,450	

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 1,000)	31 Dec 2021					31 Dec 2020					
	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %	(EUR 1,000)	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %
The Bank Group's total risk exposures						The Bank Group's total risk exposures					
Exposure class							Exposure class				
Credit risk, IRB approach							Credit risk, IRB approach				
Corporates - SME	1,007,055	921,134	63%	579,499	46,360	Corporates - SME	520,545	473,697	79%	376,288	30,103
Corporates - Other	667,587	616,260	70%	432,478	34,598	Corporates - Other	893,583	837,484	72%	607,125	48,570
Retail - Secured by immovable property non-SME	4,952,553	4,946,076	13%	665,259	53,221	Retail - Secured by immovable property non-SME	4,810,621	4,800,732	14%	656,849	52,548
Retail - Secured by immovable property SME	139,457	138,665	49%	68,607	5,489	Retail - Secured by immovable property SME	151,300	149,750	49%	73,149	5,852
Retail - Other non-SME	232,302	223,010	32%	71,326	5,706	Retail - Other non-SME	178,493	174,785	30%	51,903	4,152
Retail - Other SME	48,989	47,045	79%	37,000	2,960	Retail - Other SME	33,041	31,231	60%	18,675	1,494
Risk-weight floor for residential mortgages, 15%	-	-	-	-	-	Risk-weight floor for residential mortgages, 15%	-	-	15%	96,937	7,755
Equity exposures	39,486	39,486	266%	105,096	8,408	Equity exposures	47,892	47,892	263%	125,817	10,065
Total exposures, IRB approach	7,087,429	6,931,676	28%	1,959,266	156,741	Total exposures, IRB approach	6,635,475	6,515,571	31%	2,006,743	160,539
Credit risk, standardised approach						Credit risk, standardised approach					
States and central banks	942,067	1,007,018	0%	-	-	States and central banks	482,671	529,999	0%	-	-
Regional governments and local authorities	227,242	212,611	0%	274	22	Regional governments and local authorities	186,465	207,739	0%	771	62
Multilateral development banks	-	22,608	0%	-	-	Multilateral development banks	-	-	-	-	-
International organisations	20,103	20,103	0%	-	-	International organisations	20,100	20,100	0%	-	-
Credit institutions	203,620	200,454	21%	43,090	3,447	Credit institutions	407,794	319,799	31%	100,474	8,038
Corporates	99,957	20,254	81%	16,470	1,318	Corporates	202,412	105,890	96%	101,870	8,150
Retail exposures	268,189	110,775	71%	78,774	6,302	Retail exposures	240,045	95,611	72%	69,302	5,544
Secured by immovable property	786,616	767,194	30%	231,808	18,545	Secured by immovable property	690,073	652,049	34%	224,393	17,951
Past due items	5,716	4,389	108%	4,747	380	Past due items	594	495	141%	697	56
Covered bonds	814,836	814,836	11%	86,263	6,901	Covered bonds	800,879	800,879	10%	82,236	6,579
Other items	131,513	131,513	60%	79,231	6,339	Other items	120,413	120,413	54%	64,657	5,173
Total exposures, standardised approach	3,499,859	3,311,755	16%	540,657	43,253	Total exposures, standardised approach	3,151,446	2,852,973	23%	644,399	51,552
Total risk exposures	10,587,288	10,243,431	24%	2,499,923	199,994	Total risk exposures	9,786,920	9,368,544	28%	2,651,142	212,091

(EUR 1,000)	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
The Bank Group's leverage Ratio					
Tier 1 capital	389,090	368,518	371,574	417,881	424,265
Total exposure	10,083,327	9,897,574	9,751,162	9,282,869	9,211,343
Leverage Ratio, %	3.86	3.72	3.81	4.50	4.61

(EUR 1,000)	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
The financial conglomerate's capital adequacy					
Summary					
The Group's equity	738,397	755,986	722,805	638,450	666,830
Sector-specific assets	126,631	75,254	77,690	80,502	83,897
Intangible assets and other reduction items	-220,125	-262,127	-262,102	-141,103	-177,656
Conglomerate's total capital base	644,903	569,113	538,392	577,849	573,070
Capital requirement for banking business	335,829	339,699	329,788	344,583	343,695
Capital requirement for insurance business	108,879	112,337	113,144	110,742	108,991
Minimum amount for capital base	444,707	452,036	442,932	455,325	452,687
Conglomerate's capital adequacy	200,195	117,078	95,460	122,524	120,384
Capital adequacy ratio, %	145.0%	125.9%	121.6%	126.9%	126.6%

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.

G3 Group's segment reporting

(EUR 1,000)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Income statement										
Net interest income	73,412	69,730	1,574	1,847	21,261	9,102	2	-2	96,249	80,677
Net commission income	59,790	55,753	70,949	47,317	5,292	6,379	-12,040	-11,808	123,992	97,641
Net income from life insurance	-	-	33,604	16,688	-	-	4,053	3,188	37,657	19,876
Other operating income	317	984	758	227	5,090	1,924	-279	-212	5,886	2,922
Total operating income	133,519	126,466	106,885	66,079	31,643	17,405	-8,263	-8,834	263,784	201,117
Staff costs	-19,858	-18,147	-25,001	-16,199	-38,863	-34,722	-	-	-83,723	-69,068
Other operating expenses ¹	-78,468	-75,773	-41,150	-23,333	20,627	17,125	8,310	8,890	-90,681	-73,091
Total operating expenses	-98,325	-93,920	-66,152	-39,533	-18,237	-17,597	8,310	8,890	-174,404	-142,159
Expected credit losses and impairment of credits and other commitments	-4,515	-4,017	-	-	21	-29	-	-	-4,494	-4,046
Share of profit from associated companies	-	-	-	-	-	-	-265	-118	-265	-118
Operating profit	30,679	28,529	40,733	26,546	13,427	-221	-218	-62	84,621	54,793
Comparable operating profit	31,977	28,639	42,656	26,650	12,976	-141	-218	-62	87,392	55,087

(EUR 1,000)	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Balance sheet										
Financial assets measured at fair value	-	-	1,649,253	1,447,053	949,528	1,053,667	-40,000	-9,998	2,558,781	2,490,721
Cash and balances with central banks	289,042	1,302	0	0	443,787	297,313	-	-	732,829	298,615
Interest-bearing securities measured at amortised cost	-	-	37,448	37,763	349,016	375,996	-	-	386,464	413,759
Loans and other receivables	7,327,306	6,828,746	252,596	224,602	29,094	24,888	-57,305	-49,551	7,551,691	7,028,686
Other assets	58,590	72,030	192,996	58,840	349,908	277,735	-177,918	-67,618	423,576	340,987
Total assets	7,674,937	6,902,078	2,132,294	1,768,259	2,121,333	2,029,598	-275,224	-127,167	11,653,341	10,572,768
Deposits	4,064,332	4,015,811	580,706	566,463	838,074	631,693	-57,305	-49,551	5,425,806	5,164,416
Debt securities issued	-	-	-	-	3,100,315	2,855,615	-39,992	-9,814	3,060,323	2,845,801
Technical provisions	-	-	1,568,214	1,410,818	-	-	-	-	1,568,214	1,410,818
Other liabilities	-4,049	63,865	100,389	28,008	769,343	402,481	-5,083	-9,451	860,600	484,904
Total liabilities	4,060,283	4,079,675	2,249,309	2,005,290	4,707,732	3,889,789	-102,380	-68,816	10,914,945	9,905,939

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

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

G4 Net interest income

(EUR 1,000)	2021	2020
Interest income		
Financial assets valued at fair value through income statement	-274	201
Financial assets valued at fair value through OCI	2,055	3,126
Receivables from credit institutions and central bank	9,001	1,307
Receivables from public and public sector entities	78,487	75,057
Finance lease contracts	450	450
Loans and other receivables which are valued at amortised cost	87,938	76,814
Interest-bearing securities which are valued at amortised cost	3,038	3,047
Other external interest income	496	-120
Financial assets which are valued at amortised cost	91,472	79,741
Total	93,254	83,068
of which interest income from financial assets reported at stage 3	348	262
Interest expenses		
Deposits, credit institutions	-612	-242
Deposits, other than public sector entities	-389	-687
Deposits	-1,001	-929
Debt securities issued to the public	-15,590	-17,949
Subordinated liabilities	-1,980	-3,546
Debt securities issued and subordinated liabilities	-17,570	-21,495
Hedging derivative instruments	23,334	21,147
Interest expenses for right-of-use assets	-1,383	-1,117
Other interest expenses, external	-383	4
Total	2,996	-2,391
Net interest income	96,249	80,677
Borrowing and lending	86,310	78,273
Liquidity portfolio	5,093	6,174
Hedging measures through interest rate derivatives	1,778	2,243
Other, incl. funding from wholesale market	3,068	-6,013
Total	96,249	80,677

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.

G5 Dividends

(EUR 1,000)	2021	2020
Equity instruments measured at fair value through income statement	353	398
Total	353	398

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

G6 Net commission income

(EUR 1,000)	2021	2020
Commission income		
Mutual funds, asset management and securities brokerage	91,705	64,284
Card- and payment services	22,861	23,197
Borrowing	3,802	3,451
Lending	9,805	9,056
Currency and foreign operations	4,285	4,010
Brokerage of insurance	1,876	1,297
Legal services	877	752
Guarantees and other off-balance sheet commitments	552	608
Other commission income	261	281
Total	136,023	106,936
Commission expenses		
Money handling	-1,496	-1,422
Card- and payment services	-3,899	-3,244
Securities and investments	-5,799	-4,438
Other commission expenses	-837	-192
Total	-12,031	-9,295
Net commission income	123,992	97,641

G7 Net income from life insurance

(EUR 1,000)	2021	2020
Premiums written	151,897	105,332
Net income from investments	21,299	7,821
Insurance claims paid	-98,044	-119,274
Net change in technical provisions	-37,495	25,996
Net income from life insurance	37,657	19,876
PREMIUMS WRITTEN		
Premiums written from insurance agreements		
Insurance agreements	34,787	30,743
Total gross premiums written before reinsurer's share	34,787	30,743
Reinsurer's share	-799	-829
Premiums written from investment agreements	117,909	75,419
Total premiums written	151,897	105,332

(EUR 1,000)	From insurance agreements		From investment agreements		Total	
	2021	2020	2021	2020	2021	2020
Distribution of premiums						
Premiums written from risk insurance and interest-related insurance						
Saving plans	399	491	-	-	399	491
Individual pension insurance	2,310	2,539	-	-	2,310	2,539
Group pension insurance	2,518	2,409	-	-	2,518	2,409
Risk insurance	23,993	21,559	-	-	23,993	21,559
Total	29,220	26,998	-	-	29,220	26,998
Premiums written from unit-linked agreements						
Saving plans	391	308	114,792	72,181	115,182	72,489
Individual pension insurance	1,747	1,667	3,118	3,238	4,865	4,905
Group pension insurance	3,429	1,769	-	-	3,429	1,769
Total	5,566	3,745	117,909	75,419	123,476	79,163
On-going and one-off premiums from direct insurance						
On-going premiums from insurance agreements					34,787	30,743
On-going premiums from investment agreements					57,639	30,749
One-off premiums from investment agreements					60,270	44,670
Total premiums written					152,696	106,161

Net income from investments

(EUR 1,000)	2021	2020
Net income from financial assets measured at fair value through income statement		
Profit and losses	-7	-
Unrealised value changes	-8	-
Derivative contracts	-16	-
Interest income	1,806	1,879
Capital gains and losses	13	23
Unrealised value changes	-194	34
Other income and expenses	-159	-154
Interest-bearing securities	1,466	1,782
Capital gains and losses	440	-2
Unrealised value changes	7,936	-498
Impairments	-	-3,150
Other income and expenses	1,676	1,681
Shares and participations	10,052	-1,969
Total	11,502	-187
Net income from financial assets measured at fair value through other comprehensive income		
Interest income	2,267	4,116
Capital gains and losses	-266	-1,101
Transferred to income statement from fund at fair value	725	3,186
Other income and expenses	0	-17
Interest-bearing securities	2,725	6,185
Total	2,725	6,185
Net income from financial assets measured at amortised cost		
Interest income	1,434	1,624
Capital gains and losses	-	2,345
Interest-bearing securities	1,434	3,969

The table continues

(EUR 1,000)	2021	2020
Net income from investment properties		
Rental income	4,861	4,246
Valued at fair value	3,119	-3,819
Capital gains and losses	316	-
Direct expenses from investment properties, which generated rental income during the accounting period	-2,614	-2,529
Total	5,681	-2,102
Interest expenses for right-of-use assets	-44	-43
Total for the Insurance business' net income from the investment business	21,299	7,821
Exchange rate differences included in net income from the investment business	-	-

Insurance claims paid

(EUR 1,000)	From insurance agreements		From investment agreements		Total	
	2021	2020	2021	2020	2021	2020
Claims paid from risk insurance and interest-related insurance						
Saving plans						
Repayment of saving sums	-4,471	-6,066	-	-	-4,471	-6,066
Payments in the event of death	-314	-888	-	-	-314	-888
Repurchase	-1,753	-1,384	-	-	-1,753	-1,384
Total	-6,538	-8,338	-	-	-6,538	-8,338
Individual pension insurance						
Pensions	-26,514	-26,996	-	-	-26,514	-26,996
Payments in the event of death	-296	-435	-	-	-296	-435
Repurchase	-225	-4,305	-	-	-225	-4,305
Total	-27,035	-31,735	-	-	-27,035	-31,735
Group pension insurance						
Pensions	-5,191	-4,380	-	-	-5,191	-4,380
Repurchase	-195	-180	-	-	-195	-180
Other	-122	-75	-	-	-122	-75
Total	-5,508	-4,636	-	-	-5,508	-4,636
Risk insurance						
Individual insurance	-10,247	-10,032	-	-	-10,247	-10,032
Group life insurance for employers	-487	-712	-	-	-487	-712
Total	-10,734	-10,744	-	-	-10,734	-10,744
Total claims paid from risk insurance and interest-related insurance	-49,816	-55,453	-	-	-49,816	-55,453

The table continues

(EUR 1,000)	From insurance agreements		From investment agreements		Total	
	2021	2020	2021	2020	2021	2020
Claims paid from unit-linked agreements						
Saving plans						
Repayment of saving sums	-221	-274	-24	-654	-245	-928
Payments in the event of death	-34	-109	-14,974	-14,344	-15,008	-14,453
Repurchase	-953	-648	-27,664	-41,252	-28,618	-41,899
Total	-1,209	-1,031	-42,662	-56,249	-43,871	-57,280
Individual pension insurance						
Pensions	-	-	-	-2,855	-2,539	-2,855
Payments in the event of death	-184	-35	-67	-151	-251	-186
Repurchase	-125	-3,244	-781	-374	-906	-3,618
Total	-310	-3,279	-3,703	-3,064	-4,012	-6,343
Group pension insurance						
Repurchase	-345	-198	-	-	-	-345
Total	-345	-198	-	-	-	-345
Total claims paid from unit-linked agreements	-1,863	-4,508	-46,365	-59,313	-48,228	-63,821
Total claims paid	-51,679	-59,961	-46,365	-59,313	-98,044	-119,274

(EUR 1,000)	2021	2020
Changes in premium provisions, interest-related	-3,981	-12,515
Changes in claims provisions, interest-related	24,199	-19,595
Change in technical provisions, risk insurance and interest-related insurance, excl. portfolio transfer	20,218	-32,110
Interest-linked liability in connection with the portfolio transfer from Liv-Alandia	-	23,004
Interest-bearing premium liability in connection with the portfolio transfer from Liv-Alandia	-	44,022
Change in technical provisions, risk insurance and interest-related insurance	20,218	34,916
Changes in claims provisions, unit-linked	-1,601	-1,426
Changes in premium provisions, unit-linked	-182,345	-98,981
Changes in value of unit-linked insurances, net	126,234	76,967
Net change in technical provisions, unit-linked insurance, excl. portfolio transfer	-57,713	-23,440
Unit-linked premium liability in connection with the portfolio transfer from Liv-Alandia	-	14,520
Net change in technical provisions, unit-linked insurance	-57,713	-8,920
Total net change in technical provisions	-37,495	25,996

G8 Net income from financial transactions

(EUR 1,000)	2021	2020
Net income from derivative instruments measured at fair value through income statement		
Capital gains and losses from equity instruments	0	181
Capital gains and losses from derivative instruments	-9	-22
Total	-9	160
Valuation gains and losses from equity instruments	213	194
Valuation gains and losses from derivative instruments	209	270
Total	423	464
Total	413	624

The table continues

(EUR 1,000)	2021	2020
Net income from currency operations	593	75
Net income from derivative instruments valued at fair value through other comprehensive income		
Capital gains and losses from interest-bearing securities	-247	296
Capital gains and losses from equity instruments	540	-
Total	293	296
Valuation gains and losses from interest-bearing securities	252	30
Total	252	30
Transferred to income statement from fund at fair value	3,435	-
Total	3,435	-
Total	3,981	326
Net income from interest-bearing securities reported at amortised cost		
Capital gains and losses from interest-bearing securities	-1	-
Total	-1	-
Valuation gains and losses from interest-bearing securities	73	34
Total	73	34
Total	72	34
Fair value hedging		
Financial derivatives hedging issued bonds	-45,498	3,031
Changes in fair value of hedge instruments, net	-45,498	3,031
Bonds issued	45,123	-3,454
Changes in fair value of items hedged, net	45,123	-3,454
Total	-375	-423
Ineffective share of cash flow hedging	-	-
Net income from hedge accounting	-375	-423
Net income from financial transactions	4,684	635

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

G9 Other operating income

(EUR 1,000)	2021	2020
Income from other banking business	35	58
Capital gains from sale of tangible and intangible assets	30	77
Merger profits	-	10
Other operating income	784	1,745
Total	849	1,889

G10 Staff

(EUR 1,000)	2021	2020
Salaries and remunerations	-67,637	-56,424
Share-based payments	-2,609	-2,027
Pension costs		
Defined contribution plans	-11,341	-8,885
Defined benefit plans	-104	-109
Other indirect employee costs	-2,031	-1,623
Indirect employee costs	-13,477	-10,616
Total	-83,723	-69,068

Number of employees 31 December

Full-time	845	812
Part-time	112	114
Total	957	926
of which temporary	87	108
Number of employees converted to full-time equivalents	854	830
Full-time equivalent average number of employees for the year	862	806

The managements salaries and remuneration are presented in note G43.

G11 Depreciation and impairment of tangible and intangible assets

(EUR 1,000)	2021	2020
Depreciation of right-of-use assets	-4,878	-5,667
Depreciation of other tangible assets	-1,460	-1,204
Depreciation of intangible assets	-15,166	-11,405
Total	-21,504	-18,276

G12 Other operating expenses

(EUR 1,000)	2021	2020
Other staff expenses	-2,353	-2,749
Office expenses	-992	-1,556
Communication expenses	-2,849	-2,908
Marketing- and representation expenses	-3,298	-3,071
Purchased services	-8,651	-6,344
Rental expenses ¹	-3,361	-1,466
Expenses for properties in own use	-802	-992
Insurance and security expenses	-5,452	-3,945
Monitoring, control and membership fees	-1,587	-1,580
Other operating expenses	-9,179	-4,200
Total	-38,523	-28,813

¹) Rental expenses refer to leasing agreements with a maximum term of 12 months of EUR 0.5 (0.8) million or low value assets of EUR 1.0 (1.0) million. In connection with the acquisition of Taaleri Wealth Management a reservation for rental expense of EUR 1.7 million was made. Other leasing agreements are reported from 1 January 2019 accordance with IFRS 16.

Auditors' fees

Statutory auditing	-457	-433
Services related to auditing	-33	-18
Tax counselling	-31	-2
Other services	-50	-21
Total	-572	-475

The Financial Stability Board has determined the stability fees as:

Deposit guarantee contribution	-3,280	-2,590
amount of which paid from the old Deposit Guarantee Fund	-3,280	-2,590
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	11	15
Contribution to the Single Resolution Fund	-4,148	-2,781
amount of which transferred from previously paid bank tax	-	-
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	-	-

G13 Taxes

(EUR 1,000)	2021	2020
Income taxes	-15,392	-12,101
Taxes from previous years	51	61
Change in deferred taxes	-1,924	-132
Total	-17,265	-12,172
More information on deferred taxes is presented in note G29. The tax on the Group's profit before tax deviates from the theoretical value that should arise when using the tax rate for the parent company as follows:		
Profit before tax	84,621	54,793
Tax calculated on a 20.0% tax rate	-16,924	-10,959
Non-deductible expenses	-543	-128
Tax free income	27	123
Unused write-downs for tax purposes	153	234
Associated companies and investment properties	146	-486
Taxes from previous years	51	61
Repayment of dividend debt for invalidated shares	-	-721
Other	-174	-297
Total taxes	-17,265	-12,172
Average effective tax rate	20%	22%
Deferred tax recognised in comprehensive income		
Deferred tax relating to financial assets	3,737	-1,458
Deferred tax relating to cash flow hedging	30	-85
Deferred tax relating to defined benefit plan pensions	33	54
Total	3,799	-1,489

G14 Earnings per share

(EUR 1,000)	2021	2020
Profit for the year attributable to shareholders in Aktia Bank plc	66,816	42,621
Average number of shares	70,460,062	69,787,931
Earnings per share (EPS), EUR (excluding treasury shares)	0.95	0.61
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	0.95	0.61
Total comprehensive income attributable to shareholders in Aktia Bank plc	51,619	48,576
Total earnings per share, EUR (excluding treasury shares)	0.73	0.70
Total earnings per share, EUR, after dilution (excluding treasury shares)	0.73	0.70

G15 Classification of and liabilities

(EUR 1,000)	Note	Amortised cost	Fair value through the income statement	Fair value through other comprehensive income	Non-financial assets	Total
Assets 31 December 2021						
Interest-bearing securities	G16		94,622			94,622
Shares and participations	G16		203,173			203,173
Investments for unit-linked investments	G16		1,154,020			1,154,020
Interest-bearing securities	G17			1,106,966		1,106,966
Interest-bearing securities	G18	386,464				386,464
Lending to Bank of Finland and credit institutions	G19	65,320				65,320
Lending to the public and public sector entities	G19	7,486,371				7,486,371
Cash and balances with central banks	G21	732,829				732,829
Derivative instruments	G22		39,553			39,553
Total financial instruments		8,670,984	1,491,368	1,106,966	-	11,269,318
Investments in associated companies and joint ventures	G23			164	164	
Intangible assets	G24			173,978	173,978	
Right-of-use assets	G25			22,313	22,313	
Investment properties	G26			45,472	45,472	
Other tangible assets	G27			8,061	8,061	
Accrued income and advance payments	G28			43,706	43,706	
Other assets	G28			88,002	88,002	
Income tax receivables				186	186	
Deferred tax receivables	G29			2,141	2,141	
Total		8,670,984	1,491,368	1,106,966	384,023	11,653,341

The table continues

(EUR 1,000)	Note	Amortised cost	Fair value through the income statement	Fair value through other comprehensive income	Non-financial assets	Total
Assets 31 December 2020						
Interest-bearing securities	G16		102,717			102,717
Shares and participations	G16		159,904			159,904
Investments for unit-linked investments	G16		969,876			969,876
Interest-bearing securities	G17			1,258,224		1,258,224
Interest-bearing securities	G18	413,759				413,759
Lending to Bank of Finland and credit institutions	G19	28,872				28,872
Lending to the public and public sector entities	G19	6,999,814				6,999,814
Cash and balances with central banks	G21	298,615				298,615
Derivative instruments	G22		76,068			76,068
Total financial instruments		7,741,060	1,308,565	1,258,224	-	10,307,849
Investments in associated companies and joint ventures	G23				129	129
Intangible assets	G24				57,932	57,932
Right-of-use assets	G25				22,601	22,601
Investment properties	G26				39,847	39,847
Other tangible assets	G27				5,336	5,336
Accrued income and advance payments	G28				34,429	34,429
Other assets	G28				101,676	101,676
Income tax receivables					519	519
Deferred tax receivables	G29				2,450	2,450
Total		7,741,060	1,308,565	1,258,224	264,920	10,572,768

The table continues

(EUR 1,000)	Note	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities 31 December 2021					
Liabilities to credit institutions	G30		922,509	922,509	
Liabilities to the public and public sector entities	G30		4,503,297	4,503,297	
Derivative instruments	G22	20,484		20,484	
Debt securities issued	G31		3,060,323	3,060,323	
Subordinated liabilities	G32		150,033	150,033	
Other liabilities to credit institutions	G33		14,034	14,034	
Other liabilities to the public and public sector entities	G34		506,000	506,000	
Technical provisions for risk insurances and interest-related insurances	G35		414,454	414,454	
Technical provisions for unit-linked insurances	G35		1,153,760	1,153,760	
Accrued expenses and income received in advance	G36		57,300	57,300	
Liabilities for right-of-use assets	G36	24,536		24,536	
Other liabilities	G36		22,394	22,394	
Provisions	G20		987	987	
Income tax liabilities			6,686	6,686	
Deferred tax liabilities	G29		58,146	58,146	
Total		20,484	9,181,721	1,712,740	10,914,945

(EUR 1,000)	Note	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities 31 December 2020					
Liabilities to credit institutions	G30			698,649	698,649
Liabilities to the public and public sector entities	G30			4,465,767	4,465,767
Derivative instruments	G22	12,247			12,247
Debt securities issued	G31			2,845,801	2,845,801
Subordinated liabilities	G32			158,154	158,154
Other liabilities to credit institutions	G33			24,552	24,552
Other liabilities to the public and public sector entities	G34			150,000	150,000
Technical provisions for risk insurances and interest-related insurances	G35				441,005
Technical provisions for unit-linked insurances	G35				969,814
Accrued expenses and income received in advance	G36				42,409
Liabilities for right-of-use assets	G36			24,587	24,587
Other liabilities	G36				15,914
Provisions	G20			1,284	1,284
Income tax liabilities					4,041
Deferred tax liabilities	G29				51,717
Total		12,247	8,368,793	1,524,899	9,905,939

G16 Financial assets measured at fair value through income statement

(EUR 1,000)	2021	2020
Interest bearing securities, other	87	-
Interest-bearing securities, Banking business	87	-
Interest bearing securities, credit institutions	11,040	12,211
Interest bearing securities, other	83,495	90,506
Interest-bearing securities, Life insurance	94,536	102,717
Total interest-bearing securities	94,622	102,717
Publicly quoted shares and holdings	4,435	4,152
Shares and holdings that are not publicly quoted	770	842
Shares and holdings, Banking business	5,205	4,994
Publicly quoted shares and holdings	140,355	112,977
Shares and holdings that are not publicly quoted	57,613	41,933
Shares and holdings, Life insurance	197,968	154,910
Total shares and participations	203,173	159,904
Investments for unit-linked investments		
Publicly quoted shares and holdings	1,154,020	969,876
Total interest-bearing securities	1,154,020	969,876
Total financial assets measured at fair value through income statement	1,451,815	1,232,497

G17 Financial assets measured at fair value through other comprehensive income

(EUR 1,000)	2021	2020
Interest bearing securities, governments and public sector entities	177,741	169,616
Interest bearing securities, credit institutions	766,582	879,057
Interest-bearing securities, Banking business	944,324	1,048,673
Interest bearing securities, governments and public sector entities	66,073	65,020
Interest bearing securities, credit institutions	25,328	56,070
Interest bearing securities, other	71,241	88,462
Interest-bearing securities, Life insurance	162,642	209,552
Total interest-bearing securities	1,106,966	1,258,224
Total financial assets measured at fair value through other comprehensive income	1,106,966	1,258,224

G18 Interest-bearing securities measured at amortised cost

(EUR 1,000)	2021		2020	
	Carrying amount	of which ECL	Carrying amount	of which ECL
Interest-bearing securities, states	129,463	-24	129,104	-51
Interest-bearing securities, other public corporations	44,001	-17	44,000	-
Interest-bearing securities, credit institutions	175,552	-24	202,892	-87
Interest-bearing securities, Banking business	349,016	-65	375,996	-138
Interest-bearing securities, states	37,448	-5	37,763	-11
Interest-bearing securities, Life insurance	37,448	-5	37,763	-11
Total interest-bearing securities measured at amortised cost	386,464	-70	413,759	-149

G19 Loans and other receivables

(EUR 1,000)	2021		2020	
	Carrying amount	of which ECL	Carrying amount	of which ECL
Payable on demand claims on credit institutions	53,680	-	26,972	-
Other than payable on demand claims on credit institutions	11,640	-	1,900	-
Lending to Bank of Finland and credit institutions	65,320	-	28,872	-
Current account credits, public and corporates	187,288	-2,122	165,633	-1,171
Loans	7,265,019	-27,465	6,812,795	-26,474
Syndicated loans and repurchase agreements	20	-	70	-
Change in fair value of loans	-853	-	928	-
Receivables from finance lease contracts	34,802	-189	20,294	-94
Loans	7,486,276	-29,775	6,999,720	-27,739
Bank guarantee claims	95	-297	95	-574
Lending to the public and public sector entities	7,486,371	-30,072	6,999,814	-28,313
Total	7,551,691	-30,072	7,028,686	-28,313
(EUR 1,000)	2021	2020		
Breakdown of maturity on finance lease receivables				
Under 1 year	20,746	15,312		
1-5 years	15,454	5,813		
Over 5 years	20	-5		
Gross investment	36,220	21,121		
Unearned future finance income	-1,418	-827		
Net investment	34,802	20,294		
Present value of lease payment receivables				
Under 1 year	19,934	14,712		
1-5 years	14,849	5,586		
Over 5 years	19	-4		
Total	34,802	20,294		

G20 Financial assets and impairment by stage

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2021				
Interest-bearing securities	1,493,430	-	-	1,493,430
Lending	7,157,627	300,445	93,618	7,551,691
Off-balance sheet commitments	721,436	14,277	1,899	737,613
Total	9,372,493	314,723	95,517	9,782,733
Book value of financial assets 31 December 2020				
Interest-bearing securities	1,671,983	-	-	1,671,983
Lending	6,646,188	334,761	47,737	7,028,686
Off-balance sheet commitments	695,795	2,533	607	698,935
Total	9,013,965	337,295	48,344	9,399,605
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2021	4,257	5,334	21,312	30,903
Transferred from stage 1 to stage 2	-136	1,279	-	1,144
Transferred from stage 1 to stage 3	-150	-	2,392	2,243
Transferred from stage 2 to stage 1	46	-433	-	-387
Transferred from stage 2 to stage 3	-	-1,411	2,530	1,119
Transferred from stage 3 to stage 1	7	-	-47	-40
Transferred from stage 3 to stage 2	-	22	-70	-48
Increases due to origination and acquisition	1,111	19	197	1,328
Decrease due to recognition	-476	-540	-1,068	-2,084
Decrease in allowance account due to write-offs	-	-	-3,073	-3,073
Other changes	-748	-556	2,609	1,305
Impairment of credits and the other commitments 31 December 2021				
of which provisions	741	59	187	987

The table continues

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	648	2,281	14,461	17,389
Corporates	2,628	1,413	9,755	13,796
Housing associations	608	20	247	875
Public sector entities	1	-	-	1
Non-profit organisations	26	1	321	348
Total	3,911	3,714	24,784	32,409
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2021	793	-	306	1,099
Impairment January-December 2021 in the income statement	-358	-	-	-358
Other changes	-42	-	-	-42
Impairment of interest-bearing securities 30 December 2021	393	-	306	699
Impairment of interest-bearing securities by sector				
Corporates	317	-	306	623
Public sector entities	76	-	-	76
Total	393	-	306	699

The model-based reservations regarding healthy credits in stage 1 and stage 2 were at the same level as on 31 December 2020. The reservation with regards to non-performing loans in stage 3 increased because the definition of insolvency has changed during 2021.

G22 Derivative instruments

Derivative instruments, book value

(EUR 1,000)	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	31,140	17,393	63,338	6,764
Fair value hedging	31,140	17,393	63,338	6,764
Interest rate derivatives	5,350	-	7,372	-
Cash flow hedging	5,350	-	7,372	-
Interest rate derivatives	3,062	3,076	5,244	5,454
Currency derivatives	1	15	113	28
Other derivative instruments	3,063	3,091	5,357	5,482
Total	39,553	20,484	76,068	12,247

G21 Cash and balances with central banks

(EUR 1,000)	2021	2020
Cash in hand	909	1,302
Bank of Finland current account	731,920	297,313
Total	732,829	298,615

The nominal value of the underlying property and the fair value of the derivative instrument**31 Dec 2021**

Hedging derivative instruments (EUR 1,000)	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest rate swaps	525,000	1,588,625	470,555	2,584,180	28,965	11,465
Interest rate option agreements	-	439,125	280,000	719,125	2,175	5,928
Purchased		239,125	130,000	369,125	2,175	-
Written	-	200,000	150,000	350,000	-	5,928
Total fair value hedging	525,000	2,027,750	750,555	3,303,305	31,140	17,393
Cash flow hedging						
Interest rate swaps	47,881	192,334	-	240,215	5,350	-
Total cash flow hedging	47,881	192,334	-	240,215	5,350	-
Total interest rate derivatives	572,881	2,220,084	750,555	3,543,520	36,490	17,393
Total hedging derivative instruments	572,881	2,220,084	750,555	3,543,520	36,490	17,393
Other derivative instruments						
Interest rate swaps	10,000	60,000	-	70,000	3,062	3,076
Total interest rate derivatives	10,000	60,000	-	70,000	3,062	3,076
Forward rate agreements	1,900	-	-	1,900	1	15
Total forward rate agreements	1,900	-	-	1,900	1	15
Total other derivative instruments	11,900	60,000	-	71,900	3,063	3,091
Total derivative instruments	584,781	2,280,084	750,555	3,615,420	39,553	20,484

31 Dec 2020

Hedging derivative instruments (EUR 1,000)	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest rate swaps	-	1,444,625	875,770	2,320,395	63,338	560
Interest rate option agreements	-	100,000	150,000	250,000	-	6,205
Written	-	100,000	150,000	250,000	-	6,205
Total fair value hedging	-	1,544,625	1,025,770	2,570,395	63,338	6,764
Cash flow hedging						
Interest rate swaps	-	240,215	-	240,215	7,372	-
Total cash flow hedging	-	240,215	-	240,215	7,372	-
Total interest rate derivatives	-	1,784,840	1,025,770	2,810,610	70,711	6,764
Total hedging derivative instruments	-	1,784,840	1,025,770	2,810,610	70,711	6,764
Other derivative instruments						
Interest rate swaps	50,000	70,000	-	120,000	5,244	5,454
Total interest rate derivatives	50,000	70,000	-	120,000	5,244	5,454
Forward rate agreements	8,247	-	-	8,247	113	28
Total forward rate agreements	8,247	-	-	8,247	113	28
Total other derivative instruments	58,247	70,000	-	128,247	5,357	5,482
Total derivative instruments	58,247	1,854,840	1,025,770	2,938,857	76,068	12,247

G23 Investments in associated companies and joint ventures

(EUR 1,000)	2021	2020
Book value at 1 January	323	178
Increases	300	145
Book value at 31 December	623	323
Share of profits at 1 January	-194	-76
Share of profit from associated companies	-265	-118
Share of profits at 31 December	-459	-194
Book value at 31 December	164	129
Associated companies:		
Figure Financial Management Ltd		
Percentage of shares and votes	25%	25%
Book value in parent company at 31 December	178	178
Total share of profits in Figure Financial Management Ltd	14	-9
Finlands Företagarskydd Ab		
Percentage of shares and votes	45%	45%
Book value in parent company at 31 December	445	145
Total share of profits in Finlands Företagarskydd Ab	-279	-109

Reports for associated companies are prepared following the Group's accounting principles in accordance with IFRS.

See note G43 for transactions with associated companies.

G24 Intangible assets

(EUR 1,000)	Goodwill	Other intangible assets in connection with the Taaleri acquisitionn	Capitalised development expenses	Other intangible assets	Total
2021					
Acquisition cost at 1 January	-	-	15,710	105,321	121,031
Acquisitions	80,395	43,074	-	7,848	131,316
Increases	-	-	1,328	4,191	5,520
Decreases	-	-	-965	-181	-1,146
Acquisition cost at 31 December	80,395	43,074	16,073	117,179	256,721
Accumulated depreciations and impairments at 1 January	-	-	-5,735	-57,364	-63,099
Acquisitions	-	-	-	-5,479	-5,479
Accumulated depreciation on decreases	-	-	965	35	1,001
Planned depreciation	-	-2,933	-1,818	-10,415	-15,166
Accumulated depreciations and impairments at 31 December	-	-2,933	-6,588	-73,222	-82,743
Book value at 31 December	80,395	40,141	9,485	43,957	173,978
2021					
Acquisition cost at 1 January	-	-	14,513	99,993	114,506
Increases	-	-	1,197	5,327	6,524
Acquisition cost at 31 December	-	-	15,710	105,321	121,031
Accumulated depreciations and impairments at 1 January	-	-	-4,256	-47,438	-51,694
Planned depreciation	-	-	-1,479	-9,926	-11,405
Accumulated depreciations and impairments at 31 December	-	-	-5,735	-57,364	-63,099
Book value at 31 December	-	-	9,975	47,957	57,932

All goodwill relates to the Asset Management segment. The goodwill impairment test did not lead to impairments of goodwill in 2021. The impairment test is based on an assessment of the recoverable amount of the cash-generating unit (CGU). The parameters used are based on the management's assessment. The net growth of cash flows is estimated at 3% per annum over the following five years. The net growth after five years is estimated at 2% per annum in line with the inflation target of the European Central Bank (ECB). The discount rate (WACC) is 10.74%. The recoverable amount exceeds its reported amount by EUR 217 million and therefore does not lead to an impairment of goodwill.

Sensitivity analysis:

The calculation of the recoverable amount contains two significant variables; growth rate and discount rate, which in turn could result in a theoretical goodwill impairment loss. The management considers that the sensitivity analysis shows that the emergence of such factors, which would in practice change the said variables in such a way that the reported amount would exceed the recoverable amount, do not exist.

G25 Right-of-use assets

(EUR 1,000)	2021	2020
Acquisition cost at 1 January	28,798	17,890
Increases	7,749	17,199
Decreases	-5,415	-6,291
Acquisition cost at 31 December	31,131	28,798
Accumulated depreciations and impairments at 1 January	-6,197	-6,064
Accumulated depreciation on decreases	2,257	5,534
Planned depreciation	-4,878	-5,667
Accumulated depreciations and impairments at 31 December	-8,818	-6,197
Book value at 31 December	22,313	22,601
of which properties	21,815	22,229
of which cars	498	371

G26 Investment properties

(EUR 1,000)	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
2021				
Acquisition cost at 1 January	2,053	14,847	24,030	40,930
Valuation at fair value	-	1,600	1,519	3,119
Acquisitions	-	-	-731	-731
Increases	-	-	3,237	3,237
Acquisition cost at 31 December	2,053	16,447	28,055	46,555
Accumulated depreciations and impairments at 1 January	-	-	-1,083	-1,083
Accumulated depreciations and impairments at 31 December	-	-	-1,083	-1,083
Book value at 31 December	2,053	16,447	26,972	45,472
2020				
Acquisition cost at 1 January	2,053	16,347	24,845	43,245
Valuation at fair value	-	-1,500	-2,315	-3,815
Increases	-	-	1,500	1,500
Acquisition cost at 31 December	2,053	14,847	24,030	40,930
Accumulated depreciations and impairments at 1 January	-	-	-1,083	-1,083
Accumulated depreciations and impairments at 31 December	-	-	-1,083	-1,083
Book value at 31 December	2,053	14,847	22,947	39,847

G27 Other tangible assets

(EUR 1,000)	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
2021				
Acquisition cost at 1 January	17,485	8,831	528	26,845
Acquisitions	1,647	-	0	1,647
Increases	2,029	2,110	-	4,139
Decreases	-141	-282	-232	-654
Acquisition cost at 31 December	21,020	10,659	296	31,976
Accumulated depreciations and impairments at 1 January	-14,418	-6,860	-230	-21,508
Divestments	-1,599	-	-	-1,599
Accumulated depreciation on decreases	141	282	230	653
Planned depreciation	-1,006	-454	-	-1,460
Accumulated depreciations and impairments at 31 December	-16,883	-7,032	-	-23,915
Book value at 31 December	4,138	3,627	296	8,061
2020				
Acquisition cost at 1 January	15,905	9,443	530	25,878
Increases	2,939	1,492	-	4,431
Decreases	-1,358	-2,104	-2	-3,464
Acquisition cost at 31 December	17,485	8,831	528	26,845
Accumulated depreciations and impairments at 1 January	-15,111	-8,425	-230	-23,766
Accumulated depreciation on decreases	1,358	2,104	-	3,462
Planned depreciation	-666	-538	-	-1,204
Accumulated depreciations and impairments at 31 December	-14,418	-6,860	-230	-21,508
Book value at 31 December	3,067	1,971	298	5,336

G28 Total other assets

(EUR 1,000)	2021	2020
Accrued and advance interests	21,387	13,897
Other accrued income and advance payments	22,319	20,532
Accrued income and advance payments	43,706	34,429
Cash items being collected	2,176	480
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	43,853	41,534
Other receivables	-8,026	9,661
Other assets	88,002	101,676
Total	131,708	136,105

G29 Deferred tax receivables and liabilities

(EUR 1,000)	2021	2020
Deferred tax liabilities, net		
Net deferred tax liabilities / receivables at 1 January	49,266	47,646
Acquisitions / divestments	8,615	-
Changes during the year booked via the income statement	1,924	132
Financial assets:		
Valuation at fair value direct to equity	-2,854	2,101
Transferred to the income statement	-882	-643
Cash flow hedging:		
Valuation at fair value direct to equity	-30	85
Defined-benefit pensions plans via comprehensive income	-33	-54
Net deferred tax liabilities at 31 December	56,006	49,266

The table continues

(EUR 1,000)	2021	2020
Deferred tax liabilities		
Appropriations	43,000	43,000
Expected credit losses	-1,577	-1,642
Financial assets	4,807	6,646
Cash flow hedging	38	68
Investment properties valued at fair value	1,002	794
Activated development costs	1,847	1,885
Equalisation provision of the life insurance business	720	960
Intangible assets from the acquisition of Taaleri's wealth management operations	8,028	960
Other	281	5
Total	58,146	51,717
Deferred tax receivables		
Expected credit losses	891	560
Financial assets	839	1,249
Defined-benefit pension plans	210	198
Other	201	444
Total	2,141	2,450
Specification of changes during the year booked via the income statement		
Appropriations	-	7
Change of expected credit losses	266	337
Financial assets	-2,307	-651
Investment properties valued at fair value	-208	232
Defined-benefit pension plans	-20	-17
Activated development costs	38	-8
Equalisation provision of the life insurance business	240	240
Right-of-use assets	2	2
Intangible assets from the acquisition of Taaleri's wealth management operations	587	-
Other	-521	-274
Total	-1,924	-132

G30 Deposits

(EUR 1,000)	2021	2020
Repayable on demand deposits	88,199	72,655
TLTRO loan from ECB (other than repayable on demand deposits)	800,000	550,000
Other than repayable on demand deposits	34,310	75,994
Liabilities to credit institutions	922,509	698,649
Repayable on demand deposits	4,425,931	4,308,556
Other than repayable on demand deposits	77,366	157,211
Liabilities to the public and public sector entities	4,503,297	4,465,767
Total	5,425,806	5,164,416

G31 Debt securities issued

(EUR 1,000)	2021		2020									
	Book value	Nominal value	Book value	Nominal value								
Certificates of deposits	143,083	143,000	125,981	126,000								
Bonds	2,917,240	2,905,395	2,719,820	2,714,607								
Total	3,060,323	3,048,395	2,845,801	2,840,607								
(EUR 1,000)	2021		2020									
	Under 1 year	Over 1 year	Total	Under 1 year								
Secured Debts (collateralised)												
Issued covered bonds	500,972	1,032,492	1,533,465	176								
Total	500,972	1,032,492	1,533,465	176								
Unsecured Debts												
Issued unsecured debts, senior financing	375,104	1,008,672	1,383,776	-								
Total	375,104	1,008,672	1,383,776	-								
(EUR 1,000)	Under 3 months		3-12 months		1-5 years		5-10 years		Over 10 years		Total	
31 Dec 2021												
Certificates of deposit with fixed interest rate	61,000		82,000		-		-		-		143,000	
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	500,000		-		1,000,000		22,000		1,522,000			
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-		25,000		279,625		209,555		248,000		762,180	
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	150,000		198,881		272,334		-		-		621,215	
Total	711,000		305,881		1,551,959		209,555		270,000		3,048,395	
31 Dec 2020												
Certificates of deposit with fixed interest rate	58,000		68,000		-		-		-		126,000	
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-		-		1,000,000		500,000		83,000		1,583,000	
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-		-		189,625		89,770		228,000		507,395	
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-		-		571,215		-		-		571,215	
Other	-		-		-		-		-		52,996	
Total	58,000		68,000		1,760,840		589,770		311,000		2,840,607	

G32 Subordinated liabilities

(EUR 1,000)	2021	2020
Debentures	150,033	158,154
Total	150,033	158,154
Nominal value	150,983	158,742
Amount counted to Tier 2 capital	70,631	80,057

Subordinated loans issued by Aktia Bank Plc

A EUR 13.275 million subordinated loan with a maturity of 5.3 years is due on 25 February 2022. The loan has a fixed rate of 2.0% per annum.

A EUR 11.708 million subordinated loan with a maturity of 5.2 years is due on 26 April 2022. The loan has a fixed rate of 2.0% per annum.

A EUR 70 million 10-year non-call 5 subordinated loan that can be redeemed on 18 September 2024, is due on 18

September 2029. The loan runs at a fixed rate of 1.375% per annum until 18 September 2024, after which the interest rate changes to a fixed 5-year mid swap of +1.90%.

Subordinated loans issued by Aktia Life Insurance Ltd

A EUR 56 million 10-year non-call 5 subordinated loan that can be redeemed on 26 November 2026, is due on 26 November 2031. The loan runs at a fixed rate of 3.0% per annum until 26 November 2026, after which the interest rate changes to a variable 5-year mid swap rate of +3.138%.

G34 Other liabilities to the public and public sector entities

(EUR 1,000)	2021	2020
Other liabilities	506,000	150,000
Total	506,000	150,000

G33 Other liabilities to credit institutions

(EUR 1,000)	2021	2020
Other liabilities to credit institutions, secured debts	3,000	8,000
Other liabilities to credit institutions, unsecured debts	11,034	16,552
Total	14,034	24,552

Other liabilities to credit institutions include liabilities of EUR 14 (25) million with fixed interest rate to the European Investment Bank.

G35 Technical provisions

(1 000 euro)	From insurance agreements		From investment agreements		Total	
	2021		2020		2021	2020
	2021	2020	2020	2021	2020	2020
Technical provisions at 1 January	539,551	460,890	871,267	798,881	1,410,818	1,259,771
Income from insurance premiums	33,987	29,913	117,909	75,419	151,897	105,332
Insurance claims paid	-51,679	-59,961	-46,365	-59,313	-98,044	-119,274
Transfer of savings from / to unit-linked insurance	-1,888	-687	1,888	687	-	-
Compensated interest for savings	8,750	9,406	-	-	8,750	9,406
Customer compensation for savings	169	28	-	-	169	28
Interest reductions and provision for customer compensation	1,540	1,200	-	-	1,540	1,200
Total expense loading	-9,530	-8,791	-8,931	-7,760	-18,461	-16,551
Value increases and other items	2,185	107,553	109,361	63,354	111,546	170,907
Technical provisions at 31 December	523,085	539,551	1,045,130	871,267	1,568,214	1,410,818
Technical provisions by the various insurance branches						
Saving plans	58,197	63,336	917,385	759,617	975,582	822,954
Individual pension insurance	335,679	345,238	127,744	111,650	463,424	456,887
Group pension insurance	106,825	105,797	-	-	106,825	105,797
Risk insurance	22,383	25,180	-	-	22,383	25,180
Total	523,085	539,551	1,045,130	871,267	1,568,214	1,410,818
Change in technical provisions						
Technical provisions at 1 January	539,551	460,890	871,267	798,881	1,410,818	1,259,771
Year's change	-16,466	78,661	173,862	72,386	157,396	151,047
Technical provisions at 31 December	523,085	539,551	1,045,130	871,267	1,568,214	1,410,818
of which technical provisions for risk insurance and interest-related insurance	406,903	437,507	7,551	3,498	414,454	441,005
of which technical provisions for unit-linked insurance	116,182	102,044	1,037,578	867,770	1,153,760	969,814

(EUR 1,000)	2021	2020
Average calculation interest		
Saving plans	2.4%	2.6%
Individual pension insurance	3.5%	3.5%
Group pension insurance	3.3%	3.3%
Risk insurance	2.6%	2.8%
Total	3.3%	3.3%
Methods used and assumptions made when determining technical insurance provisions of the life insurance business		
Technical provisions is partly calculated so that future benefits are discounted at current value with deductions for future premiums, and partly so that premiums paid are credited with technical rate of interest and customer bonuses and rebates and debited with costs and risk premiums. In the calculations assumptions for the technical rate of interest, mortality and prevalence are used, as well as the loading mentioned in the actuarial assumptions of respective product. Further, extra provisions are made in pension insurance for interest costs and increased life expectancy. Provisions for outstanding claims include	provisions for claims incurred and claims incurred but not reported. Specified customer bonuses are included in technical provisions.	For unit-linked insurances, the technical provisions is calculated on the basis of the market value for those funds which are associated with the insurance policy.
		The insurance amount for risk insurance which exceed the company's excess are reinsured.

G36 Total other liabilities

(EUR 1,000)	2021	2020
Interest liabilities	13,294	13,294
Interest received in advance	1,219	969
Accrued interest expenses and interest income received in advance	14,513	14,264
Other accrued expenses and income received in advance	42,788	28,146
Accrued expenses and income received in advance	57,300	42,409
Cash items in the process of collection	5,640	10,934
Liabilities for right-of-use assets, properties	24,027	24,027
Liabilities for right-of-use assets, cars	560	560
Defined benefit plan pensions	1,051	989
Other liabilities	40,239	28,578
Total other liabilities	46,930	40,501
Total	104,230	82,910

G37 Equity

(EUR 1,000)	2021	2020
Share capital	169,732	169,732
Fund at fair value	6,201	21,267
Restricted equity	175,933	190,999
Fund for share-based payments	3,919	2,952
Unrestricted equity reserve	138,597	112,703
Retained earnings 1 January	360,176	319,111
Dividend to shareholders	-67,670	-
Other change in retained earnings	749	-1,000
Acquisition of treasury shares	-973	-1,657
Divestment of treasury shares	981	1,318
Defined pension plans, OCI	-131	-217
Profit for the year	67,356	42,621
Unrestricted equity	503,004	475,831
Shareholders' share of equity	678,937	666,830
Holders of Additional Tier 1 capital	59,460	-
Equity	738,397	666,830

Share capital and shares

Aktia Bank Plc has only one share class. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 169,731,963.93 million divided into 72,144,081 (69,574,173) Aktia shares. The number of registered shareholders at the end of the year was 39,461 (36,918). The number of Aktia shares attributable to unidentified shareholders was 0 (47,920).

Treasury shares

At year-end, the number of Aktia treasury shares was 326,541 (113,372). Aktia Bank Plc has during the year issued 100,000 treasury shares and has received 228,341 shares in return from the acquisition of the minority in Aktia Asset

Fund at fair value

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

Fund for share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees in accordance with different kind of long-term share-based incentive schemes. Within the Group, there are savings scheme for the entire personnel as well as incentive scheme for personnel in managerial positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive

agreement, booking a periodised increase in the Fund for share-based payments in the shareholder's equity.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in a new issue. On 13 April 2021, the Annual General Meeting authorised the Board of Directors to issue a maximum of 6,967,000 shares and, at the time of the closing of the accounts, the remaining number of the Annual General Meeting's authorisation is 4,397,092 shares.

Retained earnings

Retained earning contains retained earnings from previous years, dividends to shareholders and profit for the year.

(EUR 1,000)	2021	2020
Specification of change in fund at fair value		
Fund at fair value at 1 January	21,267	15,094
Profit / loss on valuation to fair value, interest bearing securities	-14,271	10,507
Deferred taxes on profit / loss on valuation to fair value	2,854	-2,101
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-3,687	-30
Net income from life insurance	-725	-3,186
Deferred taxes	882	643
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	-149	425
Deferred taxes on profit / loss on valuation to fair value	30	-85
Fund at fair value at 31 December	6,201	21,267

Share capital and unrestricted equity reserve

(EUR 1,000)	Number of shares	Share capital	Unrestricted equity reserve
1 January 2020	69,172,437	163,000	110,184
Share issue 14 February 2020	744,696	6,732	
Share issue 4 May 2020	220,000		1,657
Share issue 5 May 2020	84,355		607
Invalidation of shares 7 October 2020	-717,196		
Share issue 16 November	69,881		655
Other changes			-400
31 December 2020	69,574,173	169,732	112,703
Share issue 9 February 2021	100,000		973
Share issue 6 May 2021	974,563		9,650
Share issue 20 May 2021	66,770		687
Share issue 30 September 2021	1,371,500		13,907
Share issue 18 November 2021	57,075		619
Other changes			58
31 December 2021	72,144,081	169,732	138,597

Group's unrestricted equity

(EUR 1,000)	2021	2020
Share of Group's unrestricted equity, which is non-distributable		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	172,000	172,029
Share of activated development expenses that have been included in the retained earnings at 1 January	7,459	7,507
Total non-distributable earnings in the retained earnings 1 January	179,459	179,536
Share of accumulated appropriations that have been included in the profit for the year	-	-29
Share of activated development expenses that have been included in the profit for the year	-71	-47
Total non-distributable earnings that have been included in the profit for the year	-71	-77
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	172,000	172,000
Share of activated development expenses that have been included in the retained earnings 31 December	7,388	7,459
Total non-distributable earnings in the retained earnings 31 December	179,388	179,459

Dividend to shareholders

Dividend for 2019 of EUR 0.53 per share was paid in January 2021 and dividend for 2020 of EUR 0.43 per share was paid in October 2021.

parent company's distributable retained earnings of EUR 71,211,682,46.

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 6 April 2022 that a dividend of EUR 0.56 per share, estimated totalling EUR 40,217,822.40 to be paid for the year based on the

There have been no significant changes in the company's financial position after the end of the accounting period.

The company's liquidity is good, and according to the Board of Directors the proposed distribution of dividend does not affect the solvency of the company.

G38 Financial assets and liabilities**Fair value of financial assets and liabilities**

(EUR 1,000)	2021		2020	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at fair value through income statement	1,451,815	1,451,815	1,232,497	1,232,497
Financial assets measured at fair value through other comprehensive income	1,106,966	1,106,966	1,258,224	1,258,224
Interest-bearing securities measured at amortised cost	386,464	408,762	413,759	448,315
Loans and other receivables	7,551,691	7,558,625	7,028,686	7,127,768
Cash and balances with central banks	732,829	732,829	298,615	298,615
Derivative instruments	39,553	39,553	76,068	76,068
Total	11,269,318	11,298,550	10,307,849	10,441,486
Financial liabilities				
Deposits	5,425,806	5,416,924	5,164,416	5,164,533
Derivative instruments	20,484	20,484	12,247	12,247
Debt securities issued	3,060,323	3,095,504	2,845,801	2,882,055
Subordinated liabilities	150,033	150,430	158,154	156,201
Other liabilities to credit institutions	14,034	14,098	24,552	24,708
Other liabilities to the public and public sector entities	506,000	506,603	150,000	150,464
Liabilities for right-of-use assets	24,536	24,536	24,587	24,587
Total	9,201,217	9,228,579	8,379,756	8,414,794

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.

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.

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

Financial instruments measured at fair value

(EUR 1,000)	31 Dec 2021				31 Dec 2020			
	Fair value classified into				Fair value classified into			
	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	1,154,020	-	-	1,154,020	969,876	-	-	969,876
Interest-bearing securities	21,887	72,649	87	94,622	24,187	78,530	-	102,717
Shares and participations	140,355	-	62,818	203,173	112,977	-	46,927	159,904
Total	1,316,262	72,649	62,905	1,451,815	1,107,041	78,530	46,927	1,232,497
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	967,194	64,658	75,114	1,106,966	1,128,584	54,432	75,208	1,258,224
Total	967,194	64,658	75,114	1,106,966	1,128,584	54,432	75,208	1,258,224
Derivative instrument, net	-13	19,083	-	19,069	86	63,735	-	63,821
Total	-13	19,083	-	19,069	86	63,735	-	63,821
Total	2,283,442	156,390	138,019	2,577,850	2,235,710	196,697	122,135	2,554,542

Transfers between levels 1 and 2

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

Aktia Group's Risk control has the responsibility for classifying financial instrument into levels 1, 2 and 3. The valuation process, which is made on an ongoing basis, is the same for financial instruments in all levels. The process determines to which measurement category 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.

(EUR 1,000)	Financial assets valued at fair value via the income statement			Financial assets measured at fair value through other comprehensive income			Total		
	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Reconciliation of the changes taken place for financial instruments which belong to level 3									
Carrying amount 1 January 2021	-	46,928	46,928	75,208	-	75,208	75,208	46,928	122,136
New purchases	87	12,991	13,078	-	-	-	87	12,991	13,078
Sales	-	-289	-289	-	-	-	-	-289	-289
Unrealised value change in the income statement	-	3,190	3,190	-	-	-	-	3,190	3,190
Value change recognised in total comprehensive income	-	-	-	-94	-	-94	-94	-	-94
Carrying amount 31 December 2021	87	62,820	62,907	75,114	-	75,114	75,201	62,820	138,021

Sensitivity analysis for level 3 Financial instruments

The value of financial instruments reported at fair value in level 3 includes instruments, that have been valued 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 percentage 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 through the income statement or through other comprehensive income corresponding to 2.3 (2.0) % of the finance and insurance conglomerate's own funds.

(EUR 1,000)	Sensitivity analysis for financial instruments belonging to level 3			31 Dec 2021		31 Dec 2020	
	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative	
Financial assets measured at fair value through income statement							
Interest-bearing securities	87	3	-3	-	-	-	-
Shares and participations	62,818	12,564	-12,564	46,927	9,385	-9,385	-
Total	62,905	12,566	-12,566	46,927	9,385	-9,385	-
Financial assets measured at fair value through other comprehensive income							
Interest-bearing securities	75,114	2,253	-2,253	75,208	2,256	-2,256	-
Total	75,114	2,253	-2,253	75,208	2,256	-2,256	-
Total	138,019	14,820	-14,820	122,135	11,642	-11,642	-

Set off of financial assets and liabilities

(EUR 1,000)	31 Dec 2021		31 Dec 2020	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Assets				
Financial assets included in general agreements on set off or similar agreements	39,553	-	76,068	-
Carrying amount in the balance sheet	39,553	-	76,068	-
Amount not set off but included in general agreements on set off or similar	5,148	-	6,488	-
Collateral assets	34,310	-	64,640	-
Total amount of sums not set off in the balance sheet	39,458	-	71,128	-
Net amount	95	-	4,940	-
Liabilities				
Financial liabilities included in general agreements on set off or similar agreements	20,484	-	12,247	11,354
Carrying amount in the balance sheet	20,484	-	12,247	11,354
Amount not set off but included in general agreements on set off or similar	5,148	-	6,488	-
Collateral liabilities	12,030	-	1,900	11,349
Total amount of sums not set off in the balance sheet	17,178	-	8,388	11,349
Net amount	3,306	-	3,859	5

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.

G39 Breakdown by maturity of financial assets and liabilities by balance sheet item

(EUR 1,000)	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets 31 December 2021							
Investments for unit-linked investments measured at fair value through income statement	G16	-	-	-	-	-	1,154,020 1,154,020
Equity instruments measured at fair value through income statement	G16	-	-	-	-	-	203,173 203,173
Interest-bearing securities measured at fair value through income statement	G16	-	1,008	27,660	16,601	49,355	94,622
Interest-bearing securities measured at fair value through other comprehensive income	G17	111,061	168,324	678,786	116,230	32,565	1,106,966
Interest-bearing securities measured at amortised cost	G18	-	-	210,243	160,099	16,122	386,464
Loans and other receivables	G19	522,613	902,748	3,390,918	1,680,120	1,055,292	7,551,691
Cash and balances with central banks	G21	732,829	-	-	-	-	732,829
Derivative instruments	G22	3,340	963	25,407	1,348	8,494	39,553
Total		1,369,845	1,073,042	4,333,013	1,974,397	2,519,021	11,269,318
Liabilities 31 December 2021							
Deposits	G30, G34	4,608,800	439,520	883,455	31	-	5,931,806
Derivative instruments	G22	597	-	7,533	3,508	8,846	20,484
Debt securities issued	G31	712,008	307,151	1,566,009	208,963	266,193	3,060,323
Subordinated liabilities	G32	13,275	11,708	-	125,050	-	150,033
Other liabilities to credit institutions	G33	1,379	7,138	5,517	-	-	14,034
Right-of-use liabilities for rent agreements	G36	1,228	3,685	16,016	3,657	-	24,587
Total		5,337,288	769,201	2,478,531	341,209	275,039	9,201,268
Assets 31 December 2020							
Investments for unit-linked investments measured at fair value through income statement	G16	-	-	-	-	-	969,876 969,876
Equity instruments measured at fair value through income statement	G16	-	-	-	-	-	159,904 159,904
Interest-bearing securities measured at fair value through income statement	G16	-	5,557	19,749	23,478	53,933	102,717
Interest-bearing securities measured at fair value through other comprehensive income	G17	97,137	78,119	825,513	227,216	30,240	1,258,224
Interest-bearing securities measured at amortised cost	G18	-	-	232,154	165,381	16,224	413,759
Loans and other receivables	G19	395,983	981,579	3,124,505	1,581,377	945,243	7,028,686
Cash and balances with central banks	G21	298,615	-	-	-	-	298,615
Derivative instruments	G22	493	612	35,407	22,702	16,853	76,068
Total		792,228	1,065,867	4,237,327	2,020,154	2,192,273	10,307,849
Liabilities 31 December 2020							
Deposits	G30, G34	4,522,006	157,706	634,666	37	-	5,314,416
Derivative instruments	G22	664	589	6,310	4,361	323	12,247
Debt securities issued	G31	58,043	68,114	1,787,400	608,297	323,947	2,845,801
Subordinated liabilities	G32	30,876	32,883	24,983	69,412	-	158,154
Other liabilities to credit institutions	G33	1,379	9,138	14,034	-	-	24,552
Right-of-use liabilities for rent agreements	G36	-1,258	3,455	19,228	3,161	-	24,587
Total		4,611,711	271,884	2,486,622	685,269	324,270	8,379,756

G40 Collateral assets and liabilities

(EUR 1,000)	2021	2020
Collateral assets		
Collateral for own liabilities		
Securities	425,776	333,232
Outstanding loans constituting security for covered bonds	2,774,175	2,475,488
Total	3,199,951	2,808,720
Other collateral assets		
Pledged securities ¹	1,363	1,381
Cash included in pledging agreements and repurchase agreements	12,030	1,900
Total	13,393	3,281
Total collateral assets	3,213,344	2,812,001
Collateral above refers to the following liabilities		
Liabilities to credit institutions ²	803,000	569,349
Issued covered bonds ³	1,533,465	1,621,513
Derivatives	12,030	1,900
Total	2,348,495	2,192,762

1) Refers to securities pledged for the intra day limit. As at 31 December 2021, a surplus of pledged securities amounted to EUR 11,7 (6,2) million.

2) Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.

3) Own repurchases deducted.

(EUR 1,000)	2021	2020
Collateral liabilities		
Cash included in pledging agreements ¹	34,310	64,640
Total	34,310	64,640

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

G41 Off-balance sheet commitments

(EUR 1,000)	2021	2020
Guarantees	20,746	22,227
Other commitments provided to a third party	6,782	8,187
Unused credit arrangements	685,307	659,951
Other irrevocable commitments	24,778	8,570
Total	737,613	698,935

Off-balance sheet commitments, exclude rental commitments.

(EUR 1,000)	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31 Dec 2021						
Guarantees	4,894	2,542	1,889	5,125	6,294	20,746
Other commitments provided to a third party	1,515	2,618	2,500	0	150	6,782
Unused credit arrangements	182,306	175,166	65,886	3	261,946	685,307
Other irrevocable commitments	165	0	20,577	986	3,050	24,778
Total	188,880	180,326	90,852	6,115	271,440	737,613
31 Dec 2020						
Guarantees	10,506	2,425	6,998	39	2,259	22,227
Other commitments provided to a third party	3,381	1,876	2,780	-	150	8,187
Unused credit arrangements	199,969	47,764	253,353	15	158,850	659,951
Other irrevocable commitments	-	1,461	165	6,944	-	8,570
Total	213,856	53,527	263,296	6,997	161,259	698,935

G42 Subsidiaries and associated companies included in consolidated accounts

	2021		2020		Subsidiaries that have material non-controlling interests	Segment	2021		2020									
	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes			Non-controlling interests' share of	shares	Non-controlling interests' share of	shares								
Subsidiaries					Askel Infra GP Oy	Group functions	-	-	20%	20%								
Investment funds																		
Aktia Fund Management Company Ltd, Helsinki	100%	100%	100%	100%	See note P43 for transactions with subsidiaries.													
AV Fund Management Company Ltd, Helsinki	100%	100%	-	-														
Securities companies																		
Aktia Asset Management Ltd, Helsinki	-	-	100%	100%														
Aktia Wealth Management Ltd, Helsinki	100%	100%	-	-														
Insurance companies																		
Aktia Life Insurance Ltd, Turku	100%	100%	100%	100%														
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%	100%	100%	100%														
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100%	100%	100%	100%														
Asunto Oy Helsingin Tuulensuoja, Helsinki	50%	50%	50%	50%														
Kiinteistö Oy Skanssinkatu, Turku	50%	50%	50%	50%														
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%	50%	50%	50%														
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	-	-	33%	33%														
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33%	33%	33%	33%														
Other operations																		
Askel Infra GP Oy, Helsinki	-	-	80%	80%														
Aktia Wealth Planning Ltd, Helsinki	100%	100%	-	-														
Aktia Housing GP Oy, Helsinki	100%	100%	-	-														
Evervest Ltd, Helsinki	100%	100%	-	-														
AV Partner Oy, Helsinki	100%	100%	-	-														
Suomen Yrittäjäturva Oy, Helsinki	45%	45%	45%	45%														
Figure Financial Management Ltd, Espoo	25%	25%	25%	25%														

The Group companies' holdings in the investment funds managed by Aktia EUR 15,451 (10,447) million have been taken into account when consolidating.

G43 Related-party transactions

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 the Board of Directors of Aktia Bank plc, the Managing Director, the Managing Director's alternate and other members of the Executive Committee.

Management personnel compensation

(EUR 1,000)	Salary, remunerations and other fringe benefits *	Result-based salary **	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
2021						
Mikko Ayub, Managing Director	353	39	124	517	30	52
Juha Hammarén, Deputy Managing Director	301	57	96	454	29	40
Executive Committee excl. Managing Director and Deputy Managing Director ¹	1,091	190	279	1,560	100	121
Total	1,745	287	500	2,531	160	213
2020						
Mikko Ayub, Managing Director	328	65	93	486	90	52
Juha Hammarén, Deputy Managing Director	278	55	175	508	77	44
Executive Committee excl. Managing Director and Deputy Managing Director ¹	1,731	232	431	2,395	425	246
Total	2,337	352	700	3,389	592	342

*) Including salaries and other fringe benefits such as car and phone (fixed compensation)

**) Payments in accordance with the long-term incentive programme for executive management during the financial year (variable compensation)

Compensation to Members of the Board of Directors²

(EUR 1,000)	Annual remuneration and remuneraration per meeting	2021		2020	
		Statutory pension costs	Cost for voluntary supplementary pension (IFRS)	Annual remuneration and remuneraration per meeting	Statutory pension costs
Lasse Svens, Chairman	96	24	-	84	19
Timo Vättö, Vice Chair	51	8	-	-	-
Christina Dahlblom	12	12	-	46	11
Johan Hammarén	55	20	-	42	10
Maria Jerhamre Engström	62	19	-	48	11
Kari A. J. Järvinen	13	13	-	35	8
Harri Lauslahti	52	17	-	35	8
Olli-Petteri Lehtinen	54	19	-	35	8
Johannes Schulman	50	15	-	40	9
Arja Talma	60	17	-	50	12
Total	503	162	-	414	95
Total management personnel compensation	2,531	160	213	3,389	592
Total compensation to Members of the Board of Directors	503	162	-	414	95
Total compensation to Management personnel and the Board of Directors	3,034	322	213	3,803	687
					342

1) The other members of the Executive Committee are CFO Outi Henriksson, Director Anssi Huhta, CIO Sari Leppänen, Director Perttu Purhonen and Director Max Sundström.

2) 40% (40%) of the Board of Directors' annual remuneration was paid in the form of Aktia shares.

The period of notice of the CEO's and the Deputy CEO's employment contract is six (6) months. If notice is given by Aktia Bank they shall receive, in addition to the salary for the period of notice, a sum of money (severance pay) corresponding to their monetary salary for nine (9) months respectively. However, this is not the case if notice is given on grounds which would have entitled to a cancellation of the contract. The corresponding condition for the other members of the Executive Committee is 3 + 9 months.

Shareholding

At the end of 2021, the Group's related-parties held a total of 240,292 (186,069) Aktia shares in Aktia Bank plc, which represents 0.3 (0.3) % of the total number of shares.

Related-party transactions

(EUR 1,000)	2021		2020	
	Associated companies	Other related-party	Associated companies	Other related-party
Credits and guarantees	0	3,026	36	2,408
Deposits	143	848	-	1,644
Services bought	389	-	588	-

Lending to close relations is on the normal customer conditions, with the normal evaluation of the debtor risk and with the same security requirement and with the same requirement on return as applies to the bank's customers in general.

G44 Defined benefit pension plans

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

Assets in the insurance plan show the insurance company's liability of the obligation, and they are calculated by using

the same discount rate as for the obligation. The insurance plan is regulated by local laws and other legal rules. Thus the company's liability only includes the effect of changes on the discount rate and salary increases on the net liability. The insurance company carries the total risk of pension increases.

The assets comprise 100% qualifying insurance policies.

During 2021, 12 (2020; 9) members have left the programme.

The table continues

(EUR 1,000)	2021	2020
Present value of obligation	2,831	3,104
Fair value of plan assets	-1,780	-2,115
Liability recognised in balance sheet 31 December	1,051	989
Liability recognised in balance sheet 1 January	989	804
Expenses recognised in income statement	104	109
Contributions by employer	-207	-195
Additional expense (+) to local GAAP	-102	-87
Remeasurements in comprehensive income	164	272
Liability recognised in balance sheet 31 December	1,051	989

Actuarial assumptions

Discount rate, %	1.00%	0.40%
Rate of salary increase, %	3.00%	2.30%
Rate of benefit increase, %	0.00%	0.00%

Sensitivity analysis

The following table show how the changes in assumptions used affect the defined benefit obligation (EUR)

Discount rate 1.00% (0.40%)	2,831	3,104
Change in discount rate +0.50%	-266	-296
Change in discount rate -0.50%	303	339
Salary increase 3.0% (2.3%)	2,831	3,104
Change in salary increase +0.50%	82	102
Change in salary increase -0.50%	-80	-98

The duration is 21 (20) years according to the weighted average of the obligation.

The Group is expected to pay approximately EUR 0.2 million contributions to the defined benefit plans during 2021.

(EUR 1,000)	2021	2020
Present value of obligation 1 January	3,104	3,225
Current service cost	101	104
Interest expenses	11	18
Actuarial gains (-) / losses (+) from experience adjustments	337	187
Actuarial gains (-) / losses (+) from changes in financial assumptions	-242	147
Benefits paid	-479	-578
Present value of obligation 31 December	2,831	3,104
Fair value of plan assets 1 January	2,115	2,421
Interest income	7	14
Return on plan assets excluding amount included in interest expenses / income	-70	62
Benefits paid	-479	-578
Contributions by employer	207	195
Fair value of plan assets 31 December	1,780	2,115

G45 Share-based incentive scheme

AktiaUNA

The share savings plan will be offered to approximately 950 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. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2018–2019 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2019–2020 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 190,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2020–2021 to the participants amounts to a maximum total of EUR 950,000 upon the launch of the plan, corresponding to the value of 100,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings

period 2021–2022 to the participants amounts to a maximum total of EUR 2,270,000 upon the launch of the plan, corresponding to the value of 240,000 Aktia shares.

The estimated total savings for the second half of the savings period 2021–2022 (October 2021–March 2022) amounts up to a maximum total of approximately EUR 688,000. The final number of matching shares to be paid under savings period 2021–2022 depends on the number of participants and shares acquired in the plan by the employees.

In 2021 a total of 95,861 shares were transferred to participants under AktiaUna 2019–2020. In addition, a cash portion was paid corresponding to a value of 44,503 shares.

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. This part of the programme replaces the previous Executive Committee's share-based incentive scheme. The performance criteria of the performance period 2018–2019 and 2019–2020 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019

amounts up to a maximum total of EUR 2,600,000 upon the launch of the plan, corresponding to the value of 280,000 Aktia shares. The value of the reward for the performance period 2019–2020 amounts up to a maximum total of EUR 2,100,000 upon the launch of the plan, corresponding to the value of 214,000 Aktia shares. The value of the reward for the performance period 2020–2021 amounts up to a maximum total of EUR 1,500,000 upon the launch of the plan, corresponding to the value of 158,000 Aktia shares. The value of the reward for the performance period 2021–2022 amounts up to a maximum total of EUR 2,236,000 upon the launch of the plan, corresponding to the value of 246,000 Aktia shares.

The estimated value of the reward payable of the basis of the second half of the AktiaUna savings period 2021–2022 (October 2021–March 2022) amounts up to a maximum total of EUR 993,000, including also the proportion to be paid in cash. The final cost of the plan depends on the number of shares that the key employees acquire in the AktiaUna Share Plan, as well as on the achievement of the targets of the performance criteria of the performance period. The performance criteria of the performance period 2021–2022 (January 2021–December 2022) are the Aktia Group's comparable operating profit and net commission income during the performance period.

In 2020 based on criteria attainment a total of 21,557 shares were transferred to participants under PSP 2019–2020. In addition, a cash portion was paid corresponding to a value of 14,388 shares. A total of 29,982 Aktia shares (gross) are subject to deferral based on EBA Guidelines, and will be delivered in equal instalments during the following three years.

The vesting schedule for PSP was modified during 2020, and the potential rewards from the plan will be paid to the key employees in 2021 (PSP 2019–2020) and 2022 (PSP 2020–2021). The reward can be partially deferred based on EBA Guidelines. The deferred part of the reward will be paid during the following three years in equal instalments. In case of deferral, each instalment is subject to a 12-month retention period, during which the shares may not be transferred.

The Board of Directors will annually resolve on the launch of a new Aktia employee share savings plan and performance-based plan.

	AktiaUna 2021-2022	PSP 2021-2022	AktiaUna 2020-2021	PSP 2020-2021	AktiaUna 2019-2020	PSP 2019-2020	Total
Estimated maximum gross shares upon the launch of the plan, pcs	240,000	246,000	100,000	158,000	190,000	214,000	1,148,000
Initial allocation date	1 Apr 2021	1 Apr 2021	1 Apr 2020	1 Apr 2020	1 Apr 2019	1 Apr 2019	
Performance period begin		1 Jan 2021		1 Jan 2020		1 Jan 2019	
Performance period end		31 Dec 2021		31 Dec 2021		31 Dec 2020	
Vesting date	31 May 2023	31 May 2023	31 May 2022	31 May 2022	31 May 2021	31 May 2021	
Vesting conditions							
Maximum contractual life, years	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Remaining contractual life, years	1.4	1.4	0.4	0.4	-	-	
Number of persons at the end of the reporting year	562	44	454	42	430	40	
Payment method	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity	

Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment

Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment

Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment

Changed during the reporting period (EUR 1,000)	AktiaUna 2021-2022*	PSP 2021-2022	AktiaUna 2020-2021*	PSP 2020-2021	AktiaUna 2019-2020	PSP 2019-2020	Total
1 January 2021							
Outstanding at the beginning of the reporting period, pcs	-	-	68,534	110,024	145,978	246,620	571,156
Changes during the reporting period							
Granted during the reporting period	57,075	71,036	66,770	105,856	-	-	300,737
Forfeited during the reporting period	3,684	-	20,618	36,604	5,614	19,136	85,656
Excercised during the reporting period	-	-	-	-	140,364	35,965	176,329
Expired during the reporting period	-	-	-	-	-	161,537	161,537
31 December 2021							
Outstanding at the end of the reporting period	53,391	71,036	114,686	179,276	-	29,982	448,371

* Figures based on shares acquired with savings from April 2021 to September 2021. The savings period 2021-2022 continues until March 2022.

Valuation parameters	AktiaUna 2021-2022		AktiaUna 2020-2021	
	2022	PSP 2021-2022	2020-2021	PSP 2020-2021
Share price at share purchase date, EUR	12.54	12.54	10.36	10.36
Share price at reporting period end, EUR	12.28	12.28	12.28	12.28
Maturity, years	1.60	1.60	1.10	1.10
Expected dividends, EUR	0.54	0.54	0.43	0.43
Fair value of one share, EUR	12	12	9.93	9.93

Impact of share-based payments on the company's result and financial position	2021	2020
Accounting period expenses from share-based payments in the income statement	2,188	2,092
of which shareholder-controlled	2,188	2,092
Liabilities arising from share-based payments at the end of the reporting period	-	-
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the reporting period	3,221	2,907

Previous Share-based reward schemes and ownership schemes**Share-based reward scheme**

Other members of the Executive Committee as well as certain key persons are included in a share-based incentive scheme (share-based reward scheme). The incentive scheme has been prepared in accordance with regulations concerning remuneration schemes in the financial sector, and the reward will be paid partly as Aktia shares in Aktia Bank plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person.

Key persons are obliged to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain their shares as long as they are employed in the Group.

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

The table continues

(EUR 1,000)	2021	2020	2019	2018	2017
The earning period 2016 - 2017					
Basic information					
Max. number of shares	-	590	1,170	2,347	84,000
Sum in cash corresponding max. number of shares	-	590	1,170	2,347	84,000
Decision date	-	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015
Earning period starts	-	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016
Earning period ends	-	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017
Number of persons on the decision date	-	7	7	7	7
Rate of Aktia share on the decision date, EUR	-	10.07	10.07	10.07	10.07
Rate of Aktia share at the end of the accounting period, EUR	-	9.79	9.23	8.92	9.11
The earning period 2017 - 2018					
Basic information					
Max. number of shares	-	9,178	18,354	27,531	120,000
Sum in cash corresponding max. number of shares	-	9,178	18,354	27,531	120,000
Decision date	-	15 Feb 2017	15 Feb 2017	15 Feb 2017	15 Feb 2017
Earning period starts	-	1 Oct 2017	1 Oct 2017	1 Oct 2017	1 Oct 2017
Earning period ends	-	31 Mar 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018
Number of persons on the decision date	-	10	10	10	10
Rate of Aktia share on the decision date, EUR	-	9.66	9.66	9.66	9.66
Rate of Aktia share at the end of the accounting period, EUR	-	9.79	9.23	8.92	9.11

EUR 1,000)

2021 2020 2019 2018 2017

The earning period 2014 - 2015					
Basic information					
Max. number of shares	-	-	9,928	19,862	
Sum in cash corresponding max. number of shares	-	-	9,928	19,862	
Decision date	-	-	28 Jan 2014	28 Jan 2014	
Earning period starts	-	-	1 Jan 2014	1 Jan 2014	
Earning period ends	-	-	31 Dec 2015	31 Dec 2015	
Number of persons on the decision date	-	-	4	5	
Rate of Aktia share on the decision date, EUR	-	-	8.35	8.35	
Rate of Aktia share at the end of the accounting period, EUR	-	-	8.92	9.11	

The earning period 2015 - 2016

Basic information					
Max. number of shares	-	-	2,639	5,413	7,511
Sum in cash corresponding max. number of shares	-	-	2,639	5,413	7,511
Decision date	-	-	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	-	-	1 Jan 2015	1 Jan 2015	1 Jan 2015
Earning period ends	-	-	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	-	-	4	7	7
Rate of Aktia share on the decision date, EUR	-	-	9.46	9.46	9.46
Rate of Aktia share at the end of the accounting period, EUR	-	-	9.23	8.92	9.11

Share ownership scheme

In addition to the share-based incentive schemes some key persons are enabled to also receive a conditional reward based on the acquisition of Aktia shares when the incentive scheme is implemented. The conditional reward will be paid to key persons after the earning period, and will take the form of both cash and shares, provided that the key person

is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of rewards. The total reward paid out through the Share Ownership Scheme (MRS) may amount to a maximum of 3,200 Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

The table continues

(EUR 1,000)	2021	2020	2019	2018	2017
Share ownership scheme 2014					
Basic information					
Max. number of shares	-	-	2,400	5,600	8,400
Sum in cash corresponding max. number of shares	-	-	2,400	5,600	8,400
Decision date	-	-	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	-	-	1 Jan 2014	1 Jan 2014	1 Jan 2014
Earning period ends	-	-	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	-	-	2	3	3
Rate of Aktia share on the decision date, EUR	-	-	8.35	8.35	8.35
Rate of Aktia share at the end of the accounting period, EUR	-	-	9.23	8.92	9.11
Share ownership scheme 2015					
Basic information					
Max. number of shares	-	2,800	5,600	8,400	39,000
Sum in cash corresponding max. number of shares	-	2,800	5,600	8,400	39,000
Decision date	-	18 Dec 2014	18 Dec 2014	18 Dec 2014	18 Dec 2014
Earning period starts	-	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015
Earning period ends	-	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017
Number of persons on the decision date	-	6	6	6	13
Rate of Aktia share on the decision date, EUR	-	9.46	9.46	9.46	9.46
Rate of Aktia share at the end of the accounting period, EUR	-	9.79	9.23	8.92	9.11

(EUR 1,000)	2021	2020	2019	2018	2017
Share ownership scheme 2016					
Basic information					
Max. number of shares	-	800	1,200	21,000	21,000
Sum in cash corresponding max. number of shares	-	800	1,200	21,000	21,000
Decision date	-	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015
Earning period starts	-	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016
Earning period ends	-	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018
Number of persons on the decision date	-	1	1	7	7
Rate of Aktia share on the decision date, EUR	-	10.07	10.07	10.07	10.07
Rate of Aktia share at the end of the accounting period, EUR	-	9.79	9.23	8.92	9.11
Share ownership scheme 2017					
Basic information					
Max. number of shares	-	-	9,998	19,998	40,000
Sum in cash corresponding max. number of shares	-	-	9,998	19,998	40,000
Decision date	-	24 Aug 2017	24 Aug 2017	24 Aug 2017	24 Aug 2017
Earning period starts	-	1 Jan 2017	1 Jan 2017	1 Jan 2017	1 Jan 2017
Earning period ends	-	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018
Number of persons on the decision date	-	2	3	4	4
Rate of Aktia share on the decision date, EUR	-	-	9.27	9.27	9.27
Rate of Aktia share at the end of the accounting period, EUR	-	-	9.23	8.92	9.11
Impact of share-based payments on the company's result and financial position					
Accounting period expenses from share-based payments in the income statement					
	8	-4	-195	1,104	1,102
of which recorded as liability 31 December					
	5	103	332	1,280	1,650
of which recorded as fund for share-based payments 31 December					
	4	94	310	807	1,499

G46 The customer assets being managed

(EUR 1,000)	2021	2020
Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.		
Customer assets being managed		
Funds in a customer funds account	8,300	1,019
Funds in discretionary asset management services	16,081,455	9,253,221
Funds within the framework of investment advising according to a separate agreement	3,828,272	6,352,294
Total	19,918,027	15,606,534

G47 Acquired businesses**Acquired businesses during the financial period**

The acquisition of Taaleri Plc's wealth management operations ("Taaleri") was completed on 30 April 2021 in accordance with the sales deed that was signed on 10 March 2021. The acquisition included 100% of Taaleri Wealth Management Ltd (name changed to Aktia Wealth Management Ltd) and its wholly owned subsidiaries Taaleri Fund Management Ltd (name changed to AV Fund Management Ltd), Taaleri Tax Services Ltd (name changed to Aktia Wealth Planning Ltd), Evervest Ltd and Taaleri Asunnot GP Oy (name changed to Aktia Housing GP Ltd).

Asset Management is at the core of Aktia's strategy and the acquisition of Taaleri Plc's wealth management operations supports Aktia's objective to be the best asset manager in Finland. Together, Aktia and the functions that are being transferred from Taaleri, compose one of the leading asset management organisations in Finland in which excellent services, customer orientation, strong investment expertise, comprehensive portfolio management and digital expertise are combined. With the transaction, Aktia offers its

customer high-quality asset management products, award-winning Private Banking expertise as well as comprehensive banking and life insurance services.

The acquisition is expected to bring considerable synergy gains that mainly consist of revenue synergies, re-organisation of functions as well as economies of scale within among other things IT and other infrastructure. The synergy gains are expected to amount to approximately EUR 8 million at an annual level and they are expected to be realised in full during 2023.

Transaction and integration costs for the acquisition have up until 31 December 2021 totalled EUR 6.9 million, of which EUR 5.7 million pertains to 2021. The acquired operations contribute to the net commission income for the period of approximately EUR 20 million. The integration of the business has commenced immediately at the time of acquisition, with which the impact of the acquired business's can not be distinguished.

	30 April 2021	Adjustment for fair value	Taaleri's acquisition balance
Acquisition calculation (EUR 1,000)			
Financial assets measured at fair value through income statement	1	-	1
Daily accounts, credit institutions	9,509	-	9,509
Intangible assets	2,368	43,073	45,442
Tangible assets	140	-	140
Tax receivables	157	-	157
Other assets	5,186	-	5,186
Total assets	17,362	43,073	60,436
Tax liabilities	559	8,615	9,174
Other liabilities	7,976	0	7,976
Total liabilities	8,536	8,615	17,151
Net assets according to IFRS	8,826	34,459	43,285
Acquisition value			123,680
of which have been paid in cash			113,680
of which has been paid with a directed issue of 974,563 shares at EUR 10.261			10,000
Difference = Goodwill			80,395
The acquisition balance includes allocated intangible assets according to the following:			
Customer relationships with a depreciation period of 10 years			26,916
Cooperation agreement with a depreciation period of 12 years			13,064
Competition agreement with a depreciation period of 5 years			3,093
Total allocated intangible assets			43,073
Intangible assets that have been acquired through a combination of businesses are identified and reported			separately from goodwill if they meet the definition of an intangible asset and the fair value can be calculated in a

reliable way. The acquisition value for this type of intangible assets is the fair value at the time of the acquisition.

The surplus that constitutes of the difference between the paid purchase-sum and the fair value of the Group's share of identifiable acquired net assets are reported as goodwill. If the purchase-sum is lower than the fair value of the company's acquired net assets, the difference is reported directly on the income statement. A deferred tax of EUR 8.6 million is reported in the acquisition balance for the allocated intangible assets that amounted to EUR 43.1 million.

Goodwill is measured, after the first initial recognition, at acquisition value after deductions for possible accumulated impairments. Impairments relating to goodwill are not reversed even though the reason behind the impairment would have ceased to exist. To be able to perform an impairment test, goodwill that has been acquired in conjunction with a combination of businesses is allocated to groups of cash flow generating entities that are expected to be favoured by the synergies in the acquisition. An impairment test for goodwill and intangible assets is performed yearly and if there is any indication of value impairment, an impairment is reported in the income statement. In Taaleri, goodwill amounted to EUR 4.2 million and further allocated goodwill for the acquisition amounted to EUR 76.2 million at the time of the acquisition.

G48 Events after the end of the year

On 18 January 2022, Aktia Babk Plc issued a new EUR 500 million covered bond, due in October 2028. The bond was priced at a negative margin compared to swap rates (MS -1). This was the first Finnish covered bond in 2022.

As planned and informed on 18 August 2021, Aktia Bank Plc executed the merger of its wholly owned subsidiary Aktia Wealth Management Ltd with Aktia Bank Plc on 1 January 2022. At the same time, Aktia merged its two subsidiaries, where Aktia Fund Management Company Ltd merged with AV Fund Management Ltd. As from 1 January 2022, the name of the Fund Management Company is Aktia Fund Management Company Ltd. Both mergers are a part of simplifying asset management operations, where an essential part is the simplification of the group structure.

The Shareholders' Nomination Board of Aktia Bank Plc has decided to present the following proposition to the Annual General Meeting 2022 of Aktia Bank: The Shareholders' Nomination Board proposes that Sari Pohjonen is elected as new Board member, based on her consent. Arja Talma, member of Aktia's Board of Directors since 2013, has informed that she will not be available for re-election.

Aktia Bank Plc – parent company's financial statement

Income statement - Aktia Bank plc

(EUR 1,000)	Note	2021	2020
Interest income		92,801	82,618
Net income from leasing operations		579	597
Interest expenses		922	-2,568
Net interest income	P2	94,303	80,647
Income from equity instruments	P3	353	15,560
Commission income		106,016	75,620
Commission expenses		-6,552	-5,770
Net commission income	P4	99,464	69,849
Net income from securities and currency operations	P5	530	436
Net income from financial assets measured at fair value through profit or loss at fair value	P6	3,727	296
Net income from hedge accounting	P7	-375	-423
Other operating income	P8	8,361	2,445
Staff costs	P9	-70,806	-57,811
Other administrative expenses	P10	-37,767	-36,148
Total administrative expenses		-108,573	-93,959
Depreciation of tangible and intangible assets	P11	-16,881	-17,704
Other operating expenses	P12	-20,271	-13,075
Expected credit losses from financial assets reported at amortised cost		-4,494	-4,046
Expected credit losses and impairment from other financial assets		325	64
Operating profit		56,469	40,091
Taxes	P13	-10,128	-5,241
Profit for the reporting period		46,341	34,850

Balance sheet - Aktia Bank plc

(EUR 1,000)	Note	2021	2020
Assets			
Cash and balances with central banks		732,829	298,614
Bonds eligible for refinancing with central banks	P14	1,293,340	1,424,668
Claims on credit institutions	P15	44,027	23,751
Receivables from the public and public sector entities	P16	7,451,569	6,979,521
Leasing assets	P18	34,796	20,267
Shares and participations	P19	178,205	63,280
Derivative instruments	P20	39,181	76,043
Intangible assets	P21	45,999	51,656
Right-of-use assets		21,663	21,966
Other tangible assets		4,426	3,346
Tangible assets	P22	26,089	25,312
Other assets	P23	82,781	101,085
Accrued income and advance payments	P24	38,935	28,789
Deferred tax receivables	P25	3,259	3,338
Total assets		9,971,009	9,096,326
Liabilities			
Liabilities to credit institutions	P26	936,544	723,201
Borrowing		4,560,603	4,515,318
Other liabilities		506,000	150,000
Liabilities to the public and public sector entities	P27	5,066,603	4,665,318
Debt securities issued to the public	P28	3,100,315	2,855,615
Derivatives and other liabilities held for trading	P20	19,214	11,985
Other liabilities	P29	42,093	34,369
Provisions	P17	987	1,284
Accrued expenses and income received in advance	P30	50,732	37,475
Subordinated liabilities	P31	154,463	158,154
Deferred tax liabilities	P32	1,338	4,108
Total liabilities		9,372,288	8,491,508
Accumulated appropriations		215,000	215,000

The table continues

(EUR 1,000)	Note	2021	2020
Equity			
Share capital		169,732	169,732
Fund at fair value		4,181	15,519
Restricted equity		173,913	185,251
Unrestricted equity reserve		138,597	112,703
Retained earnings		91,864	53,406
Dividend to shareholders		-67,670	-
Change in share-based payments		668	3,947
Acquisition of treasury shares		8	-339
Profit for the year		46,341	34,850
Unrestricted equity		209,808	204,567
Total equity	P33	383,721	389,818
Total liabilities and equity		9,971,009	9,096,326

Aktia Bank plc - off-balance-sheet commitments for the parent company

(EUR 1,000)	Note	2021	2020
Off-balance sheet commitments			
Guarantees and pledges	P38	20,746	22,227
Other		6,782	8,187
Commitments provided to a third party on behalf of the customers		27,528	30,414
Unused credit arrangements		685,307	659,951
Irrevocable commitments provided on behalf of customers		685,307	659,951
Total		712,834	690,365

Cash flow statement - Aktia Bank plc

(EUR 1,000)	2021	2020
Cash flow from operating activities		
Operating profit	56,469	40,091
Adjustment items not included in cash flow for the period	16,988	11,058
Paid income taxes	-9,379	-5,599
Increase (-) or decrease (+) in receivables from operating activities	-354,912	-691,893
Debt securities measured at fair value through other comprehensive income	90,577	-18,777
Debt securities measured at amortised cost, increase	-40,000	-102,012
Debt securities measured at amortised cost, decrease	67,500	15,000
Claims on Bank of Finland and credit institutions	-12,359	-4,260
Receivables from the public and public sector entities	-476,839	-572,626
Shares and participations measured at fair value through income statement	-633	193
Other assets	16,842	-9,410
Increase (+) or decrease (-) in liabilities from operating activities	916,394	707,840
Liabilities to credit institutions	213,343	90,520
Liabilities to the public and public sector entities	343,326	399,033
Debt securities issued to the public	345,825	222,058
Other liabilities	13,900	-3,770
Total cash flow from operating activities	625,560	61,497
Cash flow from investing activities		
Investments in group companies, associated companies and joint ventures	-113,680	-
Capital increase in associated companies	-300	-143
Investments in tangible and intangible assets	-27,921	-16,533
Proceeds from sale of tangible and intangible assets	147	2
Total cash flow from investing activities	-141,754	-16,673

The table continues

(EUR 1,000)	2021	2020
Cash flow from financing activities		
Subordinated liabilities, decrease	-63,759	-57,296
Share issue	13,907	-
Additional Tier 1 (AT1) capital issue	59,460	-
Divestment of treasury shares	1,039	917
Paid dividends	-67,670	-
Total cash flow from financing activities	-57,023	-56,379
Change in cash and cash equivalents	426,783	-11,555
Cash and cash equivalents at the beginning of the year	271,485	283,040
Cash and cash equivalents at the end of the year	713,617	271,485
Cash and equivalents transferred in connection with merger	15,349	-
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	909	1,302
Bank of Finland current account	680,321	248,333
Repayable on demand claims on credit institutions	32,387	21,851
Total	713,617	271,485
Adjustment items not included in cash flow consist of:		
Impairment (ECL) of interest-bearing securities	-325	-64
Impairment (ECL) of credits and other commitments	4,494	4,046
Unrealised changes in value of shares and participations	-213	-194
Change in fair values	3,936	-9,410
Depreciation and impairment of intangible and tangible assets	17,822	17,786
Unwound fair value hedging	-2,041	-2,067
Change in share-based payments	570	115
Merger profit	-7,485	-675
Other adjustments	230	1,520
Total	16,988	11,058

P1 The parent company's accounting principles

The parent company Aktia Bank Plc's financial statement is prepared in compliance with Finnish accounting standard (FAS), the statutes of the Finnish Accounting Act and the Credit Institutions Act, the ordinance issued by the Ministry of Finance on financial statements, consolidated financial statements and reports by the board of directors for credit institutions as well as Regulations and guidelines 2/2016, Accounting, financial statements and report by the board of directors issued by the Financial Supervisory Authority.

Information about business segments in the parent company is not relevant. The Group's segment reporting is presented in note G3.

Aktia Bank Plc, domiciled in Helsinki, is the parent company of the Aktia Bank Plc Group. Aktia Bank Plc's financial statements, financial statement release and interim reports are available on Aktia's website www.aktia.com.

Foreign currency translation

The functional currency of the parent company is Euro, and it is also the currency used in the parent company's and the Group's reporting. Functional currency is the currency used in the economic environment where the company operates. Transactions in foreign currency are converted into the functional currency using the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency using the exchange rate on the balance date. Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency operations.

Revenue and expenses recognition

Interest and dividend

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

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

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

Commissions

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

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

Depreciation

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

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets	3–12 years

Share-based payments

The Group has an incentive agreement with key personnel in management positions and a share savings program for the whole staff. The Group continuously evaluates the likely outcome of this incentive agreement. The benefits earned within the incentive agreement are valued at fair value on the decision date and costs are entered linearly during the earning-period. Payment is made either as transfer of equity instruments or in cash. For the part of the incentive agreement where payment is made as transfer of equity instruments, an accrued change is recognised in shareholders' equity under Fund for share-based payments. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liabilities are reported as Staff costs.

Taxes

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

Financial assets and liabilities

Aktia applies IFRS 9 according to the regulations and guidelines 2/2016 issued by the Financial Supervisory Authority, where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

Classification of financial assets

The Group classifies financial assets in the following categories:

- Reported at amortised cost (AC)
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through the income statement (FVTPL)

The category **Financial assets reported at amortised cost** includes:

- interest-bearing securities
- loans and other receivables
- cash and balances with central banks

Financial assets are reported at amortised cost if the asset is managed according to a business model where the instrument is expected to be held until maturity in order to obtain contractual cash flows. The contractual cash flows consist only of the payment of capital and interest on the outstanding capital (SPP). The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at amortised cost. Impairments are based on a

three-stage model for expected credit losses (ECL) and are described under the heading Impairment of financial assets. Interest income, impairments as well as sales gains and losses are recorded in the income statement.

The category Financial assets measured at fair value through other comprehensive income includes:

- shares and participations
- interest-bearing securities

Financial assets are measured at fair value through other comprehensive income if:

- the asset is an interest-bearing security (debt instrument) managed according to a business model where the securities are held both in order to obtain contractual cash flows (SPPI requirement concerning payment of capital and interest on the outstanding capital) and which may be sold if necessary
- the asset is shares and participations (equity instrument) which is not held for trading purposes and is chosen to be classified in this category at the first recognition

The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at fair value through other comprehensive income.

Impairment of debt instruments (interest-bearing securities) is based on a three-stage model for expected credit losses (ECL) and are described in more detail under the heading Impairment of financial assets. Interest income, dividends and impairments are reported in the income statement and the return of capital is reported in other

comprehensive income. The counter item to impairments relating to the three-stage model for expected credit losses is recognised in the fund at fair value (other comprehensive income) and thus does not affect the fair value of the asset in the balance sheet. In connection with the sale of debt securities (debt instruments), the cumulative unrealised profit or loss is transferred from the fund at fair value to the income statement.

For **shares and participations** in this category, no ECL is calculated, and value changes are recognised on an ongoing basis in other comprehensive income after deferred tax. For an investment in an equity instrument that is not held for trading, the Group may make an irrevocable choice on initial recognition to recognise subsequent changes in fair value in other comprehensive income. The choice is made separately for each individual investment. The choice to recognise an equity instrument in this category leads to future sales gains and losses also being recognised in other comprehensive income. Only dividend from these instruments is recognised in the income statement.

The category Financial assets measured at fair value through the income statement includes:

- derivative instruments
- life insurance investments providing cover for unit-linked agreements
- shares and participations
- interest-bearing securities
- loans and other receivables (included in this category if the SPPI-requirement is not fulfilled)

Financial assets are measured at fair value through the income statement if the asset is a derivative, the asset

is held for trading purposes or is a debt instrument that does not meet the requirement for contractual cash flows. Shares and participations are included in this category if held for trading purposes or if the possibility to be classified in the category Financial assets measured at fair value through other comprehensive income at first recognition is not used. Financial assets held for trading purposes are assets acquired for a short time with the intent to earn revenue and where the intention is to actively trade in these instruments. On entering into agreements, the instruments in this category are reported at fair value and then at fair value through the income statement. Transaction costs are recorded in the income statement when they occur. Interest income, dividends, changes in fair value and sales gains and losses are reported on an ongoing basis in the income statement.

Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities, derivative instruments and debt securities to the public are reported in the category Financial liabilities. Derivative instruments are included in the balance sheet at fair value while other financial liabilities are included at their acquisition value on entering into the agreement, and subsequently with the effective interest method at their amortised cost. When hedge accounting is applied, the amortised cost of the liabilities is adjusted with the fair value of the hedged risk. If the financial liabilities are related to commitments to acquire equity instruments, the liabilities are reported at fair value through the income statement.

In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

Reclassification

In connection to acquiring a financial asset, the asset is classified according to one of the three categories of recognition. Latter reclassification of a financial asset can only be done if the business model, according to which the assets are managed, is changed. Latter reclassification can also be done if an instrument no longer meets the criteria needed for entering a certain business model. Financial liabilities are not reclassified.

Reclassification of a financial asset according to the above-mentioned requirements is to be applied going forward from the reclassification day. Previously reported profits and losses (including profits and losses from impairments) are not recalculated retroactively.

Reclassification between different valuation categories are reported as follows:

- From amortised cost to fair value through the income statement: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in the income statement.
- From fair value through the income statement to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. An expected credit loss is reported on the reclassification day according to the rules of the new valuation category and an effective interest rate for the instrument is stipulated.
- From amortised cost to fair value through other comprehensive income: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in other

comprehensive income. The expected credit loss does not change due to reclassification.

- From fair value through other comprehensive income to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. The cumulative profits and losses which previously were recognised in other comprehensive income is moved from equity and adjusts the book value of the asset. This means that the asset is reported as if it always had been reported at amortised cost. The expected credit loss does not change due to reclassification.
- From fair value through the income statement to fair value through other comprehensive income: The asset is still measured at fair value. From the reclassification day the changes in fair value are recognised through other comprehensive income and an expected credit loss is on the reclassification day to be reported according to the rules of the new valuation category.
- From fair value through other comprehensive income to fair value through the income statement: The asset is still measured at fair value. As of the reclassification day cumulative profits and losses are re-entered, as previously reported in other comprehensive income, from equity to income statement. The effect of the reclassification can be seen in the income statement and in other comprehensive income but the total comprehensive income of the reclassification is zero.

Repurchase agreements

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

reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

Cash and balances with central banks

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

Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments. Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Changes in fair value, together with realised profits and losses, are reported in the income statement and are included in Net income from securities.

Interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties, are valued at fair value, and the change in fair value is recognised in Net income from financial transactions. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks. Individual security arrangements are made with third parties in

accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

Hedge accounting

In accordance with the Aktia Group's hedge accounting policy, hedge accounting is defined either as fair value hedging or cash flow hedging. Documentation and establishment of the hedging relationship between the hedging instrument, the hedged item, the risk management aim and the strategy, occur when hedging is entered. When a high negative correlation exists between the hedging instrument's change in value and the change in value of the hedged item or cash flow, the hedging is considered to be effective. The effectiveness of the hedging relationship is continually assessed and evaluated through prospective efficiency testing and measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 % match, the ineffective part is reported in the income statement. Aktia applies IFRS 9 hedge accounting for all hedge relationships except for portfolio hedging of interest rate risk for which the Group has chosen to use the possibility to continue to apply the rules set out in IAS 39.

Valuation of financial instruments at fair value

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

rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

Impairment of financial assets

The Group applies a three-stage model to calculate the expected credit losses (ECL) for the following financial assets that are not measured at fair value through the income statement:

- debt instruments (interest-bearing securities and loans and other receivables) measured at amortised cost
- debt instruments (interest-bearing securities) measured at fair value through other comprehensive income
- loan promises
- financial guarantee contracts

Expected credit loss (ECL) is not calculated for equity instruments.

Financial assets are transferred between the following three stages based on the change in the credit risk from the date of first recognition:

- Stage 1 12 months' ECL
 - Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 2 ECL for the remaining duration of non-defaulted exposures
 - The expected credit losses for the instrument's remaining duration are calculated for non-defaulted exposures where the credit risk has increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 3 ECL for the remaining duration of defaulted exposures
 - Stage 3 includes exposures for which one or more events that have a significant negative impact on the future estimated cash flows has occurred. For defaulted assets in stage 3, expected credit losses for the instruments remaining duration are recognised on an ongoing basis, whereas the effective interest rate is calculated on the impaired book value.

At each reporting date, an evaluation is made as to whether a **significant increase in the credit risk** has occurred, by comparing the probability of default at the reporting date with the situation on the date of recognition. The evaluation considers all relevant and available information which can be accessed without excessive cost or effort. This includes qualitative and quantitative and financial information that describes the future. An exposure migrates through the various ECL stages when the credit quality decreases. In a similar way, the exposure migrates back from the ECL for

the entire duration to ECL 12 months if the credit quality improves and a previous assessment of a substantial increase in credit risk is revised. Exposures whose credit quality has not substantially deteriorated since the date of recognition are considered as low credit risk. For such exposures, a 12 months ECL is calculated. When an asset is no longer recoverable, a credit loss is recognised against the impairment allowance in the balance sheet. A credit loss is recognised when all recovery actions have been completed and the final loss has been established. Any future payments are recognised in the income statement as a reversal of the credit loss.

The **expected credit losses (ECL)** are calculated as an objective probability-weighted estimate of future losses. The calculation includes:

- Non-impaired or defaulted financial assets at the time of reporting. ECL is calculated as the present value of all estimated defaults over the financial asset's calculated term of maturity or during the following 12 months. The estimated defaults are the difference between the asset's contractual cash flows and the cash flows the Group expects to receive.
- Impaired or defaulted financial assets at the time of reporting. ECL is calculated as the difference between the amortised cost and the present value of the financial asset's estimated future cash flows discounted with the effective interest rate.
- Loan promises granted but not used. ECL is calculated as the difference between the contractual cash flows in case a credit is used and the cash flow the Group expects to receive.
- Financial guarantee contracts. ECL is calculated as the difference between the expected payments and the amount the Group expects to recover.

Calculation of the expected credit losses (ECL): The group has internally developed models for the evaluation of the creditworthiness. The models are used in the assessment of the probability of default when providing loans and other financial exposures to counterparties and customers. The Group has in advance defined probabilities for counterparty risks regarding the Group's all private and corporate loans and other receivables. For **credits and other receivables**, ECL is calculated on the basis of the exposure's risk parameters PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure At Default). These parameter estimates are derived from the same models used in the IRB solvency calculation, but are based on a so-called "Point-in-Time" calibration reflecting the prevailing or anticipated economic situation at the accounting horizon. For credits in Stage 1, ECL is equal to the product of the PD, LGD and EAD, i.e. 12-month ECL. For credits in Stage 2 and 3, ECL is calculated as the sum of 12-month ECL over the lifetime of the claim, adjusted for the probability that the exposure defaults during a previous period. Lifetime ECL also takes into account the contractual amortisation plan that is reflected in both the EAD and LGD estimate. Lifetime ECL for **interest-bearing securities** is calculated on the basis of the interest certificate's contractual calendar. Lifetime ECL is calculated as LGD multiplied by the sum of all expected and discounted cash flows times the probability of a credit event (PD). PD is calculated separately for each security by allocating an appropriate risk curve and by taking into account the liquidity and tax effects. 12-month ECL is then calculated by scaling down the lifetime ECL with a securities-specific proportionality constant which comprises the credit risk quota during the certificate's lifetime and the credit risk in the coming year.

Significant increase of credit risk

When determining whether a significant increase in credit risk has occurred since the date of recognition, the Group uses both quantitative and qualitative information and analysis. The information and analysis are based on the historical data and expert assessment of the credit risk and also include financial information that describes the future.

For **credits and other receivables** an increase in credit risk is considered to have occurred:

- based on an absolute and relative change in PD for the remaining maturity
- at the latest when a payment is over 30 days delayed or when a customer is covered by mitigating circumstances. In the case of mitigating measures, credits are considered to have an increased credit risk over a period of two years from the date of when the measures have been initiated. These criteria define an absolute baseline for when an increase in credit risk has occurred when there are indications of other qualitative factors that have not been visible in regular quantitative analyses. In such cases the Group can use expert evaluations and relevant historical information

Defaulted credits and receivables are transferred to stage 3.

For the reversal of credit and receivables to non-defaulted, the bank has implemented a three-month probationary period, where default factors can no longer be applicable and the customer's payment behaviour is a sign of a decreased risk. For defaulted credits with mitigating measures, the probation period is one year before they can be reverted to non-defaulted.

For **interest-bearing securities**, the increase in credit risk is evaluated according to two different criteria. The first criterion for an increase in credit risk is a significant drop in external credit rating. The second criterion is that the value development for the interest-bearing security keeps within its volatility range. Volatility is calculated according to the price development throughout the instrument's lifetime. In addition to the above-mentioned criteria, expert evaluation is used if necessary. The expert evaluation is carried out taking the Group's internal rating into consideration.

Assessment of impairment needs (definition of default)

In the model for calculating expected credit losses (ECL) the Group has defined default as described in the Group's credit regulations and processes when assessing the need for impairment. Default means the counterparty's inability or probable inability according to agreed terms to handle all its obligations towards the bank.

A counterparty is considered defaulted if at least one of the following criteria is met:

- A significant loan repayment is delayed 90 days or more
- A significant loan repayment is delayed less than 90 days but at least one of the following criteria are met:
 - the bank has applied for or the counterparty has been declared bankrupt
 - the counterparty is in debt reconstruction
 - according to the bank's assessment it is unlikely that the customer fully can pay its loan obligations to the bank without the bank having to take action, e.g. liquidising possible collateral

For defaulted credits and other receivables, accrued interest is no longer recognised.

Interest-bearing securities are considered defaulted if the financial position of the company, where the investment is made, meets one of the following criteria:

- The company has been declared bankrupt or is de facto insolvent and unable to make payments
- The company has entered into an agreement about business debt restructuring or has applied for protection against its creditors or is undergoing significant restructuring which affects creditors
- The company has missed a payment according to contractual cash flow and has not been corrected within 30 days

In addition to default, interest-bearing securities are checked individually for assessing the need for impairments if the security's rate has dropped under 50%.

Information describing the future

The Group has established a panel of experts which takes account of various relevant future macro-economic factors to define an objective assumption supporting the ECL calculations. The expert panel consists of the management of the risk and economy function as well as the Group's Chief Economist, amongst others. Relevant regional and sector-specific adjustments are made to capture deviations from general macro-economic scenarios. The adjustments reflect the best assumption on future macro-economic conditions which are not incorporated in the ECL calculations. Macro-economic factors taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The

methodologies and scenarios for future macro-economic conditions are revised regularly.

For **credits and other receivables (credit portfolio)** the risk parameters are adjusted according to assumptions in the relevant macro scenario in calculation of lifetime ECL. The PD estimate is adjusted based on a macro economic model that takes e.g. developments of unemployment into account. If unemployment is expected to increase, the PD estimate of household credits will increase. The LGD estimate takes the assumed development of house and real estate prices into account. If the market value of the securities decreases in the scenario, this has a positive effect on the LGD estimate, given that the amortisation speed does not exceed the decrease in the market value of the securities.

The ECL calculation for **interest-bearing securities (liquidity and investment portfolio)** uses directly observable market prices and therefore needs no stochastic or constructed estimates. When the models use market information as much as possible, the market's expectation of the future development is implicitly represented in the model.

Tangible and intangible assets

Assets acquired through finance lease agreements are reported as of 1 January 2019 according to chapter 5, § 5 b of the Finnish Accounting Act and the statement 1988/2018 (27 June 2018) of the Accounting Board, which means that IFRS 16 is applied in the reporting of these assets in the parent company's financial statements.

Leases with a leasing period of 12 months or less and leases for low-value assets are not reported as right-of-use assets and lease liability in the balance sheet. Lease expenses for

these leases are reported during the leasing period as rental expenses in the income statement.

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

The bank as a lessor

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

The bank as a lessee

The Group reports a right-of-use asset and a lease liability at the starting date of the lease. The right-of-use asset is initially measured at acquisition value, which includes the initial value of the lease liability added with possible lease expenses paid at or after the starting date, and other initial direct costs. The right-of-use asset is depreciated linearly during the leasing period. If Aktia aims at using an option for purchasing the underlying asset, the asset is depreciated linearly during the right-of-use period.

The lease liability is initially measured at present value of the remaining lease expenses for the leasing period assessed. The leasing period consists of the period that cannot be cancelled with the addition of further periods, if it at the initial stage is estimated with reasonable certainty that an option for a lengthening of the agreement will be utilised. Lease expenses are discounted according to the lease agreement's implicit interest rate. If the agreement's implicit interest rate cannot be determined, the marginal interest rate for borrowing is used for the discounting of lease expenses. The lease liability includes the present value of fixed lease expenses, variable index-bound lease expenses, possible residual value guarantees expected to be paid, redemption price for a call option which Aktia is reasonably sure to use, and penalties for lease agreements Aktia deems will be cancelled prematurely. The lease liability is calculated according to the assessment of the remaining leasing period, and according to the rent valid at the end of each reporting period. The value of the lease liability increases with the interest expenses for each period and decreases with the leasing payments.

Leases with a leasing period of 12 months or less and leases for low-value assets are not reported as right-of-use assets and lease liability in the balance sheet. Lease expenses for these leases are reported during the leasing period as rental expenses in the income statement.

Provisions

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

Equity

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

P2 Net interest income

(EUR 1,000)	2021	2020
Interest income		
Claims on credit institutions	9,001	1,307
Receivables from the public and public sector entities	78,487	75,057
Bonds	5,093	6,174
Derivatives	-274	201
Other interest income	494	-120
Total	92,801	82,618
of which interest income from financial assets reported at stage 3	348	262
Net income from leasing operations		
Rental income	5,927	5,821
Depreciation according to plan	-5,486	-5,409
Sales gains	30	77
Commission income	108	109
Total	579	597
Interest expenses		
Liabilities to credit institutions	-928	-166
Liabilities to the public and public sector entities	-389	-687
Debt securities issued to the public	-17,394	-18,207
Derivatives and liabilities held for trading	23,334	21,147
Subordinated liabilities	-1,980	-3,546
Interest expenses for right-of-use assets	-1,381	-1,114
Other interest expenses	-339	5
Total	922	-2,568
Net interest income	94,303	80,647

P3 Income from equity instruments

(EUR 1,000)	2021	2020
Group companies	-	15,162
Equity instruments measured at fair value through income statement	353	398
Total	353	15,560

P4 Net commission income

(EUR 1,000)	2021	2020
Commission income		
Card- and payment services	22,953	23,287
Mutual funds, asset management and securities brokerage	49,789	19,891
Brokerage of insurance	8,291	7,665
Lending	9,805	9,056
Borrowing	3,802	3,451
Currency operations	3,301	3,114
Guarantees and other off-balance sheet commitments	552	608
Other commission income	7,524	8,547
Total	106,016	75,620
Commission expenses		
Card- and payment services	-3,530	-3,134
Securities and investments	-1,504	-1,191
Money handling	-1,496	-1,422
Other commission expenses	-22	-23
Total	-6,552	-5,770
Net commission income	99,464	69,849

P5 Net income from securities and currency operations

(EUR 1,000)	2021	2020
Shares and participations		
Capital gains and losses	0	181
Valuation gains and losses	213	194
Total	213	376
Derivative instruments		
Capital gains and losses	-9	-22
Total	-9	-22
Total		
Capital gains and losses	-9	160
Valuation gains and losses	213	194
Net income from securities	204	354
Net income from currency operations	326	82
Net income from securities and currency operations	530	436

P6 Net income from financial assets measured at fair value through fund at fair value

(EUR 1,000)	2021	2020
Interest-bearing securities		
Capital gains and losses	292	296
Transferred to income statement from fund at fair value	3,435	-
Total	3,727	296

P7 Net income from hedge accounting

(EUR 1,000)	2021	2020
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging issued bonds	-45,498	3,031
Changes in fair value of hedge instrument, net	-45,498	3,031
Bonds issued	45,123	-3,454
Changes in fair value of items hedged, net	45,123	-3,454
Total	-375	-423
Total hedge accounting	-375	-423

P8 Other operating income

(EUR 1,000)	2021	2020
Income from other banking business	35	58
Group internal compensations	271	-
Merger and other sales gains	7,485	684
Other operating income	569	1,703
Total	8,361	2,445

P9 Staff

(EUR 1,000)	2021	2020
Salaries and remunerations	-59,257	-48,658
Pension costs	-9,736	-7,738
Other indirect employee costs	-1,813	-1,415
Indirect employee costs	-11,549	-9,153
Total	-70,806	-57,811
Number of employees 31 December		
Full-time	687	706
Part-time	93	97
Total	780	803
of which temporary	74	98

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are no pension commitments with a liability deficit.

P10 Other administrative expenses

(EUR 1,000)	2021	2020
IT expenses	-26,744	-23,613
Other staff expenses	-2,044	-2,498
Office expenses	-925	-1,453
Communication expenses	-2,356	-2,512
Marketing- and representation expenses	-2,673	-3,010
Other administrative expenses	-3,026	-3,061
Total	-37,767	-36,148

P11 Depreciation of tangible and intangible assets

(EUR 1,000)	2021	2020
Depreciation of right-of-use assets	-4,545	-5,327
Depreciation of other tangible assets	-927	-648
Depreciation of intangible assets	-11,409	-11,729
Total	-16,881	-17,704

P12 Other operating expenses

	2021	2020
Rental expenses ¹	-1,754	-1,041
Expenses for properties in own use	-679	-942
Insurance and security expenses	-5,443	-3,942
Monitoring, control and membership fees	-1,131	-1,126
Consulting fees	-4,938	-3,006
Group services	-129	-284
Phishing costs	-739	-
Transfer tax on the acquisition of Taaleri's wealth management operations	-1,979	-
Other operating expenses	-3,479	-2,734
Total	-20,271	-13,075

1) Rental expenses refer to leasing agreements with a maximum term of 12 months of EUR 0.4 (0.3 million) or low value assets of EUR 1.0 (1.0 million). Other leasing agreements are reported from 1 January 2019 according to IFRS 16.

Auditors' fees

Statutory auditing	-457	-292
Services related to auditing	-33	-12
Tax counselling	-31	-2
Other services	-50	-16
Total	-572	-322

The Financial Stability Board has determined the stability fees as:

Deposit guarantee contribution	-3,280	-2,590
amount of which paid from the old Deposit Guarantee Fund	-3,280	-2,590
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	11	15
Contribution to the Single Resolution Fund	-4,148	-2,781
amount of which transferred from previously paid bank tax	-	-
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	-	-

P13 Taxes

	2021	2020
Income taxes on the ordinary business	-10,002	-5,117
Taxes from previous years	18	67
Changes in deferred taxes	-144	-191
Total	-10,128	-5,241

P14 Bonds according to financial instruments

(EUR 1,000)	2021		2020	
	Total	of which ECL	Total	of which ECL
Government bonds	177,531	-24	180,892	-51
Other	1,115,809	-41	1,243,776	-87
Total	1,293,340	-65	1,424,668	-138
of which eligible for refinancing with central banks	1,293,340		1,424,668	

Skuldebrev enligt finansiella instrument

	Publicly quoted	Other	Total	of which ECL
31 Dec 2021				
Bonds measured at fair value through other comprehensive income	889,764	54,560	944,324	-
Bonds valued at amortised cost	349,016	-	349,016	-65
Total	1,238,780	54,560	1,293,340	-65
31 Dec 2020				
Bonds measured at fair value through other comprehensive income	1,027,156	21,516	1,048,673	-
Bonds valued at amortised cost	375,996	-	375,996	-138
Total	1,403,152	21,516	1,424,668	-138

P15 Claims on credit institutions

(EUR 1,000)	Repayable on demand	Other than repayable on demand	Total	of which ECL
31 Dec 2021				
Finnish credit institutions	14,234	3,300	17,534	-
Foreign credit institutions	18,153	8,340	26,493	-
Total	32,387	11,640	44,027	-

31 Dec 2020

Finnish credit institutions	-	1,890	1,890	-
Foreign credit institutions	21,851	10	21,861	-
Total	21,851	1,900	23,751	-

P16 Receivables from the public and public sector entities

(EUR 1,000)	2021	2020
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	5,291,943	5,082,584
Corporates	1,108,983	959,182
Housing associations	996,445	908,061
Public sector entities	1,931	2,606
Non-profit organisations	52,266	27,087
Total	7,451,569	6,979,521

The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.

P17 Financial assets and impairment by stage

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2021				
Interest-bearing securities	1,293,340	-	-	1,293,340
Lending	7,101,532	300,445	93,618	7,495,596
Off-balance sheet commitments	696,658	14,277	1,899	712,834
Total	9,091,530	314,723	95,517	9,501,770
Book value of financial assets 31 December 2020				
Interest-bearing securities	1,424,668	-	-	1,424,668
Lending	6,620,773	334,761	47,737	7,003,272
Off-balance sheet commitments	687,224	2,533	607	690,365
Total	8,732,666	337,295	48,344	9,118,305
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2021	4,257	5,334	21,312	30,903
Transferred from stage 1 to stage 2	-136	1,279	-	1,144
Transferred from stage 1 to stage 3	-150	-	2,392	2,243
Transferred from stage 2 to stage 1	46	-433	-	-387
Transferred from stage 2 to stage 3	-	-1,411	2,530	1,119
Transferred from stage 3 to stage 1	7	-	-47	-40
Transferred from stage 3 to stage 2	-	22	-70	-48
Increases due to origination and acquisition	1,111	19	197	1,328
Decrease due to recognition	-476	-540	-1,068	-2,084
Decrease in allowance account due to write-offs	-	-	-3,073	-3,073
Other changes	-748	-556	2,609	1,305
Impairment of credits and the other commitments 31 December 2021	3,911	3,714	24,784	32,409
of which provisions	741	59	187	987

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	648	2,281	14,461	17,389
Corporates	2,628	1,413	9,755	13,796
Housing associations	608	20	247	875
Public sector entities	1	-	-	1
Non-profit organisations	26	1	321	348
Total	3,911	3,714	24,784	32,409
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2021	793	-	306	1,099
Impairment January–December 2021 in the income statement	-358	-	-	-358
Other changes	-42	-	-	-42
Impairment of interest-bearing securities 30 December 2021	393	-	306	699
Impairment of interest-bearing securities by sector				
Corporates	317	-	306	623
Public sector entities	76	-	-	76
Total	393	-	306	699

P18 Leasing assets

(EUR 1,000)	2021	2020
Book value at 1 January 2021	20,267	18,469
Increases	20,015	7,207
Planned depreciation	-5,486	-5,409
Book value at 31 December 2021	34,796	20,267

P19 Shares and participations

(EUR 1,000)	Publicly quoted	Credit institutions	Other	Total
31 Dec 2021				
Equity instruments measured at fair value through income statement	-	4,435	769	5,204
Shares and participations in associated companies	-	-	623	623
Shares and participations in group companies	-	-	172,378	172,378
Total	-	4,435	173,770	178,205

31 Dec 2020

Equity instruments measured at fair value through income statement	-	4,152	842	4,994
Shares and participations in associated companies	-	-	323	323
Shares and participations in group companies	-	-	57,963	57,963
Total	-	4,152	59,128	63,280

The holdings in associated and group companies have been valued at their acquisition cost.

P20 Derivative instruments

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

31 Dec 2021

Hedging derivative instruments		Nominal values / term remaining			Fair value		
(EUR 1,000)		Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives							
Interest rate swaps		525,000	1,499,625	364,555	2,389,180	28,960	10,590
Interest rate options		-	439,125	280,000	719,125	2,175	5,928
Purchased		-	239,125	130,000	369,125	2,175	-
Written		-	200,000	150,000	350,000	-	5,928
Total		525,000	1,938,750	644,555	3,108,305	31,134	16,518
Cash flow hedging							
Interest rate swaps		47,881	192,334	-	240,215	5,350	-
Total		47,881	192,334	-	240,215	5,350	-
Total interest rate derivatives		572,881	2,131,084	644,555	3,348,520	36,484	16,518
Total hedging derivative instruments		572,881	2,131,084	644,555	3,348,520	36,484	16,518
Other derivative instruments							
Interest rate swaps		10,000	60,000	-	70,000	2,696	2,682
Total		10,000	60,000	-	70,000	2,696	2,682
Forward rate agreements		1,900	-	-	1,900	1	15
Total forward rate agreements		1,900	-	-	1,900	1	15
Total other derivative instruments		11,900	60,000	-	71,900	2,697	2,696
Total derivative instruments		584,781	2,191,084	644,555	3,420,420	39,181	19,214

31 Dec 2020

Hedging derivative instruments		Nominal values / term remaining			Fair value		
(EUR 1,000)		Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives							
Interest rate swaps		-	1,444,625	875,770	2,320,395	63,338	560
Interest rate options		-	100,000	150,000	250,000	-	6,205
Written		-	100,000	150,000	250,000	-	6,205
Total		-	1,544,625	1,025,770	2,570,395	63,338	6,764
Cash flow hedging							
Interest rate swaps		-	240,215	-	240,215	7,372	-
Total		-	240,215	-	240,215	7,372	-
Total interest rate derivatives		-	1,784,840	1,025,770	2,810,610	70,711	6,764
Total hedging derivative instruments		-	1,784,840	1,025,770	2,810,610	70,711	6,764
Other derivative instruments							
Interest rate swaps		50,000	70,000	-	120,000	5,219	5,192
Total		50,000	70,000	-	120,000	5,219	5,192
Forward rate agreements		8,247	-	-	8,247	113	28
Total forward rate agreements		8,247	-	-	8,247	113	28
Total other derivative instruments		58,247	70,000	-	128,247	5,332	5,220
Total derivative instruments		58,247	1,854,840	1,025,770	2,938,857	76,043	11,985

P21 Intangible assets

(EUR 1,000)	Immortal rights (IT expenses)	Capitalised development expenses	Other long-term expenditures	Total
2021				
Acquisition cost at 1 January	98,863	6,504	8,549	113,917
Increases	3,787	-	2,110	5,897
Decreases	-145	-	-	-145
Acquisition cost at 31 December	102,505	6,504	10,659	119,669
Accumulated depreciations and impairments at 1 January	-51,676	-4,007	-6,578	-62,261
Planned depreciation	-9,658	-1,297	-454	-11,409
Accumulated depreciations and impairments at 31 December	-61,334	-5,304	-7,032	-73,671
Book value at 31 December	41,171	1,200	3,627	45,999
2020				
Acquisition cost at 1 January	93,968	6,504	9,161	109,634
Increases	4,895	-	1,492	6,387
Decreases	-	-	-2,104	-2,104
Acquisition cost at 31 December	98,863	6,504	8,549	113,917
Accumulated depreciations and impairments at 1 January	-41,853	-2,639	-8,143	-52,636
Accumulated depreciation on decreases	-	-	2,104	2,104
Planned depreciation	-9,823	-1,368	-538	-11,729
Accumulated depreciations and impairments at 31 December	-51,676	-4,007	-6,578	-62,261
Book value at 31 December	47,188	2,497	1,971	51,656

P22 Tangible assets

(EUR 1,000)	Right-of-use assets	Machines and equipment	Other tangible assets	Total tangible assets
2021				
Acquisition cost at 1 January	27,543	16,330	520	44,392
Increases	7,400	2,008	-	9,408
Decreases	-5,410	-	-232	-5,642
Acquisition cost at 31 December	29,532	18,338	288	48,159
Accumulated depreciations and impairments at 1 January	-5,577	-13,273	-230	-19,080
Accumulated depreciation on decreases	2,252	-	230	2,482
Planned depreciation	-4,545	-927	-	-5,472
Accumulated depreciations and impairments at 31 December	-7,870	-14,200	-	-22,070
Book value at 31 December	21,663	4,138	288	26,089
of which properties	21,221			
of which cars	441			
2020				
Acquisition cost at 1 January	16,921	14,748	522	32,191
Increases	16,843	2,939	-	19,781
Decreases	-6,221	-1,357	-2	-7,580
Acquisition cost at 31 December	27,543	16,330	520	44,392
Accumulated depreciations and impairments at 1 January	-5,734	-13,983	-230	-19,947
Accumulated depreciation on decreases	5,484	1,357	-	6,841
Planned depreciation	-5,327	-648	-	-5,974
Accumulated depreciations and impairments at 31 December	-5,577	-13,273	-230	-19,080
Book value at 31 December	21,966	3,057	290	25,312
of which properties	21,630			
of which cars	336			

P23 Other assets

(EUR 1,000)	2021	2020
Cash items being collected	2,176	480
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	43,853	41,534
Bank account for the corporate leasing	-14,084	5,119
Other assets	837	3,952
Total	82,781	101,085

P24 Accrued income and advance payments

(EUR 1,000)	2021	2020
Interest receivables from ECB (TLTRO loan)	8,642	-
Other interest receivables	9,468	9,660
Other	20,825	19,129
Total	38,935	28,789

P25 Deferred tax receivables

(EUR 1,000)	2021	2020
Deferred tax receivables at 1 January	3,338	3,517
Change during the year booked via the income statement	-79	-178
Deferred tax receivables at 31 December	3,259	3,338

Deferred tax receivables relates to the unwound hedge interest-rate derivatives and to ECL for credit and other commitments.

P26 Liabilities to credit institutions

(EUR 1,000)	2021	2020
Repayable on demand liabilities to credit institutions	88,199	72,655
TLTRO loan from ECB (other than repayable on demand deposits)	800,000	550,000
Other than repayable on demand deposits from credit institutions	48,344	100,546
Total	936,544	723,201

P27 Liabilities to the public and public sector entities

(EUR 1,000)	Repayable on demand	Other than repayable on demand	Total
31 Dec 2021			
Borrowing	4,483,236	77,366	4,560,603
Other liabilities	-	506,000	506,000
Total	4,483,236	583,366	5,066,603
31 Dec 2020			
Borrowing	4,358,107	157,211	4,515,318
Other liabilities	-	150,000	150,000
Total	4,358,107	307,211	4,665,318

P28 Debt securities issued to the public

(EUR 1,000)	2021		2020	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposits	183,083	183,000	135,979	136,000
Bonds	2,917,232	2,905,395	2,719,636	2,714,423
Total	3,100,315	3,088,395	2,855,615	2,850,423

P29 Other liabilities

(EUR 1,000)	2021	2020
Cash items in the process of collection	4,037	9,294
Liabilities for right-of-use assets, properties	23,404	23,575
Liabilities for right-of-use assets, cars	441	344
Liabilities from transactions with a future valuation day	10,004	-
Other liabilities	4,207	1,157
Total	42,093	34,369

P30 Accrued expenses and income received in advance

(EUR 1,000)	2021	2020
Interest liabilities	14,529	13,294
Other	36,202	24,181
Total	50,732	37,475

P31 Subordinated liabilities

(EUR 1,000)	2021	2020
Subordinated debentures	94,463	158,154
Additional Tier 1 capital loan	60,000	-
Total	154,463	158,154
Nominal value	94,983	158,742
Amount counted to Tier 2 capital	70,631	80,057

Subordinated loans

A EUR 13.275 million subordinated loan with a maturity of 5.3 years is due on 25 February 2022. The loan has a fixed rate of 2.0% per annum.

A EUR 11.708 million subordinated loan with a maturity of 5.2 years is due on 26 April 2022. The loan has a fixed rate of 2.0% per annum.

A EUR 70 million 10-year non-call 5 subordinated loan that can be redeemed on 18 September 2024, is due on 18 September 2029. The loan runs at a fixed rate of 1.375% per annum until 18 September 2024, after which the interest rate changes to a fixed 5-year mid swap of +1.90%.

Additional Tier 1 capital loan

The EUR 60 million Additional Tier 1 capital loan is a perpetual loan that can be redeemed for the first time on 26 May 2026. The loan runs at a fixed rate of 3.875% p.a. until 26 May 2026, after which the interest rate changes to a fixed 5-year mid swap of 4.088%.

P32 Deferred tax liabilities

(EUR 1,000)	2021	2020
Deferred tax liabilities at 1 January	4,108	2,151
Change during the year booked via the income statement	65	13
Financial assets:		
Fair value measurement	-2,097	1,950
Transferred to income statement	-737	-6
Deferred tax liabilities at 31 December	1,338	4,108

Deferred tax liabilities relates to the financial assets measured at fair value. In the Group, a deferred tax liability of EUR 43 million occurs from the accumulated appropriations that include credit losses pursuant to Section 46 of the Act on the Taxation of Business Profits and Income from Professional Activity.

P33 Equity

(EUR 1,000)	At the beginning of the year	Increase/Decrease	At the end of the year
Share capital	169,732	-	169,732
Measured at fair value	15,179	-11,219	3,960
Cash flow hedging	340	-119	221
Fund at fair value	15,519	-11,339	4,181
Restricted equity	185,251	-11,339	173,913
Unrestricted equity reserve	112,703	25,894	138,597
Retained earnings 1 January	91,864		91,864
Dividend to shareholders		-67,670	-67,670
Change in share-based payments		668	668
Acquisition / divestment of treasury shares		8	8
Profit for the year		46,341	46,341
Unrestricted equity	204,567	5,241	209,808
Equity	389,818	-6,097	383,721

(EUR 1,000)	2021	2020
Fund at fair value at 1 January	15,519	7,744
Changes in fair value during the year	-10,486	9,749
Deferred taxes on changes in fair value during the year	2,097	-1,950
Transferred to income statement during the year	-3,687	-30
Deferred taxes on transferred to income statement during the year	737	6
Fund at fair value at 31 December	4,181	15,519

Fair value for financial assets measured at fair value through other comprehensive income are recognised in the fund at fair value.

Distributable assets in unrestricted equity

Retained earnings	89,145	54,287
Dividend to shareholders	-67,670	-
Profit for the year	46,341	34,850
Unrestricted equity reserve	138,597	112,703
Share-based payments	3,395	2,728
Total	209,808	204,567

Unrestricted equity only consist of distributable assets. No staff costs for development projects have been activated.

Share capital and shares

Aktia Bank Plc has only one share class. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 169,731,963.93 million divided into 72,144,081 (69,574,173) Aktia shares. The number of registered shareholders at the end of the year was 39,461 (36,918). The number of Aktia shares attributable to unidentified shareholders was 0 (47,920).

Treasury shares

At year-end, the number of Aktia treasury shares was 326,541 (113,372). Aktia Bank Plc has during the year issued 100,000 treasury shares and has received 228,341 shares in return from the acquisition of the minority in Aktia Asset Management Ltd (conditional acquisition) and has also during the year converted 47,920 unregistered shares to treasury shares. During the year 163,092 treasury shares held by the company was used for payment of deferred instalments for the share-based incentive scheme and the share ownership scheme. On 13 April 2021, the Annual General Meeting authorised the Board of Directors to acquire a maximum of 500,000 treasury shares and to divest a maximum of 500,000 treasury shares. At the

date the accounts closed the acquisition of a maximum of 500,000 treasury shares and the divestment of a maximum of 336,908 treasury shares remain of the Annual General Meeting's authorisation.

Fund at fair value

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

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in a new issue. On 13 April 2021, the Annual General Meeting authorised the Board of Directors to issue a maximum of 6,967,000 shares and, at the time of the closing of the accounts, the remaining number of the Annual General Meeting's authorisation is 4,397,092 shares.

Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

P34 Fair value of financial assets and liabilities

(1 000 euro)	2021		2020	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and balances with central banks	732,829	732,829	298,614	298,614
Bonds	1,293,340	1,302,163	1,424,668	1,442,325
Claims on credit institutions	44,027	44,027	23,751	23,751
Receivables from the public and public sector entities	7,451,569	7,458,549	6,979,521	7,078,379
Shares and participations	5,204	5,204	4,994	4,994
Shares and participations in associated companies	623	623	323	323
Shares and participations in group companies	172,378	172,378	57,963	57,963
Derivative instruments	39,181	39,181	76,043	76,043
Total	9,739,150	9,754,954	8,865,878	8,982,392
Financial liabilities				
Liabilities to credit institutions and central banks	936,544	925,799	723,201	723,323
Liabilities to the public and public sector entities	5,066,603	5,069,132	4,665,318	4,665,932
Debt securities issued to the public	3,100,315	3,135,495	2,855,615	2,891,869
Derivatives and other liabilities held for trading	19,214	19,214	11,985	11,985
Subordinated liabilities	154,463	155,602	158,154	156,201
Liabilities for right-of-use assets	23,845	23,845	23,919	23,919
Total	9,300,983	9,329,088	8,438,191	8,473,229

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 flow at market interest rates on the day the accounts were closed. The fair value of issued debts is mainly determined based on quotes on the market. In the discount rate for unquoted issued debts and subordinated liabilities, a margin corresponding the seniority of the instrument is applied.

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

P35 Breakdown by maturity of financial assets and liabilities by balance sheet item

(EUR 1,000)	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets 31 December 2021							
Bonds eligible for refinancing with central banks	P14	103,058	153,903	801,932	234,446	-	1,293,340
Claims on credit institutions	P15	44,027	-	-	-	-	44,027
Receivables from the public and public sector entities	P16	445,788	879,547	3,390,918	1,680,025	1,055,292	7,451,569
Total		592,873	1,033,450	4,192,850	1,914,471	1,055,292	8,788,935
Liabilities 31 December 2021							
Liabilities to credit institutions and central banks	P26	123,889	7,138	805,517	-	-	936,544
Liabilities to the public and public sector entities	P27	4,543,596	439,520	83,455	31	-	5,066,603
Debt securities issued to the public	P28	712,000	347,151	1,566,009	208,963	266,193	3,100,315
Subordinated liabilities	P31	13,275	11,708	-	69,480	60,000	154,463
Right-of-use liabilities for rent agreements	P29	1,142	3,425	15,620	3,659	-	23,845
Total		5,393,902	808,941	2,470,601	282,132	326,193	9,281,769
Assets 31 December 2020							
Bonds eligible for refinancing with central banks	P14	70,570	55,442	961,398	337,259	-	1,424,668
Claims on credit institutions	P15	23,751	-	-	-	-	23,751
Receivables from the public and public sector entities	P16	362,194	971,784	3,118,919	1,581,381	945,243	6,979,521
Total		456,514	1,027,226	4,080,317	1,918,640	945,243	8,427,940
Liabilities 31 December 2020							
Liabilities to credit institutions and central banks	P26	150,028	9,138	564,034	-	-	723,201
Liabilities to the public and public sector entities	P27	4,422,909	157,706	84,666	37	-	4,665,318
Debt securities issued to the public	P28	57,997	77,982	1,787,392	608,297	323,947	2,855,615
Subordinated liabilities	P31	30,876	32,883	24,983	69,412	-	158,154
Right-of-use liabilities for rent agreements	P29	-1,333	3,220	18,871	3,161	-	23,919
Total		4,660,477	280,928	2,479,947	680,908	323,947	8,426,207

P36 Property items and liabilities in euros and in foreign currency

(EUR 1,000)	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2021					
Bonds	1,293,340	-	1,293,340	-	-
Claims on credit institutions	26,577	17,450	44,027	-	-
Receicables from the public and public sector entities	7,451,569	-	7,451,569	-	-
Leasing assets	34,796	-	34,796	-	-
Shares and participations	178,205	-	178,205	-	-
Derivative instruments	39,181	-	39,181	-	-
Other assets	929,891	-	929,891	5,083	-
Total	9,953,559	17,450	9,971,009	5,083	-
Liabilities 31 December 2021					
Liabilities to credit institutions and central banks	936,422	121	936,544	-	-
Liabilities to the public and public sector entities	5,048,754	17,848	5,066,603	57,305	-
Debt securities issued to the public	3,100,315	-	3,100,315	40,000	-
Derivative instruments	19,214	-	19,214	-	-
Subordinated liabilities	154,463	-	154,463	-	-
Provisions	987	-	987	-	-
Other liabilities	94,163	-	94,163	-	-
Total	9,354,319	17,970	9,372,288	97,305	-

The table continues

(EUR 1,000)	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2020					
Bonds	1,424,668	-	1,424,668	-	-
Claims on credit institutions	5,859	17,892	23,751	-	-
Receicables from the public and public sector entities	6,979,521	-	6,979,521	-	-
Leasing assets	20,267	-	20,267	-	-
Shares and participations	63,280	-	63,280	-	-
Derivative instruments	76,043	-	76,043	-	-
Other assets	508,796	-	508,796	9,481	-
Total	9,078,435	17,892	9,096,326	9,481	-
Liabilities 31 December 2020					
Liabilities to credit institutions and central banks	723,087	114	723,201	-	-
Liabilities to the public and public sector entities	4,648,136	17,182	4,665,318	49,551	-
Debt securities issued to the public	2,855,615	-	2,855,615	9,998	-
Derivative instruments	11,985	-	11,985	-	-
Subordinated liabilities	158,154	-	158,154	-	-
Provisions	1,284	-	1,284	-	-
Other liabilities	75,952	-	75,952	137	-
Total	8,474,213	17,295	8,491,508	59,686	-

P37 Collateral assets and liabilities

(EUR 1,000)	2021	2020
Collateral assets		
Collateral for own liabilities		
Securities	425,776	333,232
Outstanding loans constituting security for covered bonds	2,774,175	2,475,488
Total	3,199,951	2,808,720
Other collateral assets		
Pledged securities ¹	1,363	1,381
Cash included in pledging agreements and repurchase agreements	11,640	1,900
Total	13,003	3,281
Total collateral assets	3,212,954	2,812,001
Collateral above refers to the following liabilities		
Liabilities to credit institutions ²	803,000	569,349
Issued covered bonds ³	1,533,465	1,621,513
Derivatives	11,640	1,900
Total	2,348,105	2,192,762

1) Refers to securities pledged for the intra day limit. As at 31 December 2021, a surplus of pledged securities amounted to EUR 11,7 (6,2) million.

2) Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.

3) Own repurchases deducted.

(EUR 1,000)	2021	2020
Collateral liabilities		
Cash included in pledging agreements ¹	34,310	64,640
Total	34,310	64,640

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

P38 Off-balance sheet commitments

(EUR 1,000)	2021	2020
Guarantees	20,746	22,227
Other commitments provided to a third party	6,782	8,187
Unused credit arrangements	685,307	659,951
Total	712,834	690,365

Of which Group internal off-balance sheet commitments:
Unused credit arrangements

Off-balance sheet commitments exclude rental commitments.

P39 Customer assets being managed

(EUR 1,000)	2021	2020
The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.		
Customer assets being managed		
Funds in a customer funds account	5,650	162
Funds in discretionary asset management services	9,590,314	211,237
Funds within the framework of investment advising according to separate agreement	2,473,989	2,218,727
Total	12,069,953	2,430,125

P40 The parent company's capital adequacy

(EUR 1,000)	2021	2020
Calculation of the parent company's capital base		
Total assets	9,971,009	9,096,326
of which intangible assets	45,999	51,656
Total liabilities	9,587,288	8,706,508
of which subordinated liabilities	154,463	158,154
Share capital	169,732	169,732
Fund at fair value	4,181	15,519
Restricted equity	173,913	185,251
Unrestricted equity reserve and other funds	138,597	112,703
Retained earnings	24,871	57,014
Profit for the year	46,341	34,850
Unrestricted equity	209,808	204,567
Equity	383,721	389,818
Total liabilities and equity	9,971,009	9,096,326
Off-balance sheet commitments	712,834	690,365
Aktia Bank plc's equity	383,721	389,818
Provision for dividends to shareholders	-40,218	-29,868
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-	-
Intangible assets	-37,154	-51,656
Debentures	70,631	80,057
Additional expected losses according to IRB	-27,461	-23,838
Deduction for significant holdings in financial sector entities	-2,461	-4,368
AT1 instruments	60,000	-
Other	158,406	133,774
Total capital base (CET1 + AT1 + T2)	565,464	493,919

The table continues

(EUR 1,000)	2021	2020
The parent company's capital adequacy		
Common Equity Tier 1 Capital before regulatory adjustments	503,693	495,725
Common Equity Tier 1 Capital regulatory adjustments	-68,860	-81,862
Common Equity Tier 1 Capital total (CET1)	434,833	413,862
Additional TIER 1 capital before regulatory adjustments	60,000	-
Additional TIER 1 capital regulatory adjustments	-	-
Additional TIER 1 (AT1) capital after regulatory adjustments	60,000	-
TIER 1 capital (T1 = CET1 + AT1)	494,833	413,862
TIER 2 capital before regulatory adjustments	70,631	80,057
TIER 2 capital regulatory adjustments	-	-
TIER 2 capital (T2)	70,631	80,057
Own funds total (TC = T1 + T2)	565,464	493,919
Risk weighted exposures total		
of which credit risk, the standardised model	548,503	662,580
of which credit risk, the IRB model	2,451,885	1,951,718
of which 15 % risk-weight floor for residential mortgages	-	96,937
of which market risk	-	-
of which operational risk	357,850	313,056
CET1 Capital ratio	12.9%	13.7%
T1 Capital ratio	14.7%	13.7%
Total capital ratio	16.8%	16.3%
Calculation of capital adequacy is made using ratings from Moody's Investors Services to define risk weight of exposures.		

P41 Holdings in other companies

	2019	2020	2021	2021	2020
Risk-weighted amount for operational risks					
Gross income	186,548	177,725	208,287		
- average 3 years			190,853		
Capital requirement for operational risk			28,628	25,044	
Risk-weighted amount			357,850	313,056	

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

		2021		2020
	(EUR 1,000)	Percentage of shares	Book value	Percentage of shares
Subsidiaries				
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	2,507	100%	2,507
AV Fund Management Company Ltd, Helsinki	100%	-	-	-
Securities companies				
Aktia Asset Management Ltd, Helsinki	-	-	-	100%
Aktia Wealth Management Ltd, Helsinki	100%	123,680	-	-
Insurance companies				
Aktia Life Insurance Ltd, Turku	100%	46,191	100%	46,191
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%	-	100%	-
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100%	-	100%	-
Other operations				
Askel Infra GP Oy, Helsinki	-	-	80%	-
Aktia Wealth Planning Ltd, Helsinki	100%	-	-	-
Aktia Housing GP Oy, Helsinki	100%	-	-	-
Evervest Ltd, Helsinki	100%	-	-	-
AV Partner Oy, Helsinki	100%	-	-	-
Total		172,378		57,963
Associated companies and joint ventures				
Other				
Figure Financial Management Ltd, Espoo	25%	178	25%	178
Finlands Företagarskydd Ab, Helsinki	45%	445	45%	145
Asunto Oy Helsingin Tuulensuoja, Helsinki	50%	-	50%	-
Kiinteistö Oy Skanssinkatu, Turku	50%	-	50%	-
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%	-	50%	-
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	-	-	33%	-
Kiinteistö Oy Helsingin Gigaherti, Helsinki	33%	-	33%	-
Total		623		323

P42 Shareholders

	Shareholders 31 December 2021		Shareholders 31 December 2020	
	Shares	Of shares, %	Shares	Of shares, %
The 20 largest shareholders:				
Rg Partners Oy	7,293,115	10.1	7,078,115	10.2
Veritas Pension Insurance Company Ltd.	6,040,391	8.4	6,040,391	8.7
Skandinaviska Enskilda Banken AB (publ) Helsinki Branch ²	5,843,643	8.1	2,281,308	3.3
Companies controlled by Erkki Etola ¹	5,555,000	7.7	5,300,000	7.6
Åbo Akademi University Foundation	2,993,569	4.2	2,522,173	3.6
Oy Hammaren & Co AB	2,500,000	3.5	2,964,511	4.3
Stiftelsen Tre Smeder	1,713,545	2.4	1,713,545	2.5
Mandatum Life Insurance Company Limited	1,603,739	2.2	1,639,521	2.4
Aktiastiftelsen i Borgå	1,547,404	2.1	1,547,404	2.2
Aktiastiftelsen i Vasa	1,471,457	2.0	1,541,457	2.2
Citibank Europe Plc ²	1,264,848	1.8	6,849	0.0
Varma Mutual Pension Insurance Company	1,175,000	1.6	1,175,000	1.7
Sparbanksstiftelsen i Karis-Pojo	1,056,399	1.5	1,108,266	1.6
Taaleri Oyj	974,563	1.4	-	-
Ilmarinen Mutual Pension Insurance Company	897,401	1.2	279,285	0.4
Nordea Life Assurance Finland Ltd.	882,655	1.2	909,378	1.3
Sparbanksstiftelsen i Hangö	642,000	0.9	613,900	0.9
Vörå Sparbanks Aktiastiftelse	627,220	0.9	627,220	0.9
Aktia Sparbanksstiftelsen i Malax	550,050	0.8	560,050	0.8
Aktiastiftelsen i Korsholm	508,729	0.7	522,729	0.8
Largest 20 owners	45,140,728	62.6	38,431,102	55.2
Other	27,003,353	37.4	31,143,071	44.8
Total	72,144,081	100.0	69,574,173	100.0

¹ companies controlled by Erkki Etola; Oy Etra Invest Ab, Tiiviste-Group Oy, Etola Oy

² entered in nominee register

	Number of owners	%	Number of shares	%
Shareholders by sector 2021:				
Non-financial corporations and housing corporations	2,049	5.2	15,835,982	22.0
Financial and insurance institutions	51	0.1	8,465,184	11.7
Public sector organisations	28	0.1	8,202,622	11.4
Households	36,736	93.1	15,538,496	21.5
Non-profit organisations	442	1.1	16,749,345	23.2
Nominee registered and non-Finnish shareholders	155	0.4	7,352,452	10.2
Total	39,461	100.0	72,144,081	100.0
Unidentified shareholders	-	-	-	-
Total by sector	39,461	100.0	72,144,081	100.0
Shareholders by sector 2020:				
Non-financial corporations and housing corporations	2,039	5.5	17,406,175	25.0
Financial and insurance institutions	55	0.1	7,245,300	10.4
Public sector organisations	32	0.1	7,654,948	11.0
Households	34,185	92.6	12,756,346	18.3
Non-profit organisations	473	1.3	19,148,241	27.5
Nominee registered and non-Finnish shareholders	134	0.4	5,315,243	7.6
Total	36,918	100.0	69,526,253	99.9
Unidentified shareholders	-	-	47,920	0.1
Total by sector	36,918	100.0	69,574,173	100.0

	Number of owners	%	Number of shares	%
Breakdown of stock 2021:				
Number of shares				
1-100	21,152	53.6	898,968	1.2
101-1 000	14,967	37.9	5,206,077	7.2
1 001 - 10 000	3,073	7.8	8,085,233	11.2
10 001 - 100 000	212	0.5	4,990,798	6.9
100 000 -	57	0.1	52,963,005	73.4
Total	39,461	100.0	72,144,081	100.0
Unidentified shareholders			-	-
Total by sector	39,461	100.0	72,144,081	100.0
Breakdown of stock 2020:				
Number of shares				
1-100	20,303	55.0	851,088	1.2
101-1 000	13,664	37.0	4,743,809	6.8
1 001 - 10 000	2,711	7.3	7,015,093	10.1
10 001 - 100 000	178	0.5	4,875,760	7.0
100 000 -	62	0.2	52,040,503	74.8
Total	36,918	100.0	69,526,253	99.9
Unidentified shareholders			47,920	0.1
Total by sector	36,918	100.0	69,574,173	100.0

P43 Related-party information

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 the Board of Directors of Aktia Bank plc, the Managing Director, the Managing Director's alternate and other members of the Executive Committee.

Management personnel compensation

(EUR 1,000)	2021			2020		
	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension
Mikko Ayub, Managing Director	517	30	52	486	90	52
Juha Hammarén, Deputy Managing Director	454	29	40	508	77	44
Executive Committee excl. Managing Director and Deputy Managing Director ¹	1,560	100	121	2,395	425	246
Total	2,531	160	213	3,389	592	342
Compensation to Members of the Board of Directors²						
Lasse Svens, Chairman	96	24	-	84	19	-
Timo Vättö, Vice Chair	51	8	-	-	-	-
Christina Dahlblom	12	12	-	46	11	-
Johan Hammarén	55	20	-	42	10	-
Maria Jerhamre Engström	62	19	-	48	11	-
Kari A. J. Järvinen	13	13	-	35	8	-
Harri Lauslahti	52	17	-	35	8	-
Olli-Petteri Lehtinen	54	19	-	35	8	-
Johannes Schulman	50	15	-	40	9	-
Arja Talma	60	17	-	50	12	-
Total	503	162	-	414	95	-
Total compensation to Management personnel and the Board of Directors	3,034	322	213	3,803	687	342

¹ The other members of the Executive Committee are CFO Outi Henriksson, Director Anssi Huhta, CIO Sari Leppänen, Director Perttu Purhonen and Director Max Sundström.

² 40% (40%) of the Board of Directors' annual remuneration was paid in the form of Aktia shares.

The period of notice of the CEO's and the Deputy CEO's employment contract is six (6) months. If notice is given by Aktia Bank they shall receive, in addition to the salary for the period of notice, a sum of money (severance pay) corresponding to their monetary salary for nine (9) months respectively. However, this is not the case if notice is given on grounds which would have entitled to a cancellation of the contract. The corresponding condition for the other members of the Executive Committee is 3 + 9 months.

Shareholding

At the end of 2021, the Group's related-parties held a total of 240,292 (186,069) Aktia shares in Aktia Bank plc, which represents 0.3 (0.3) % of the total number of shares.

(EUR 1,000)	2021	2020
Related-party transactions with subsidiaries		
Deposits	57,305	49,551
Receivables	5,083	9,481
Liabilities	-	137
Services bought	-	260
Services sold	5,255	6,697
Financing income obtained from and financing expenses paid to other group companies		
Dividends	-	15,162
Net finance income	-	15,162

The Board of Directors' and the CEO's signing of the Report by the Board of Directors and the Financial statements 2021

Helsinki, 16 February 2022

Aktia Bank's Board of Directors

Lasse Svens
Chair

Timo Vättö
Vice chair

Johan Hammarén

Maria Jerhamre Engström

Harri Lauslahti

Olli-Petteri Lehtinen

Johannes Schulman

Arja Talma

Mikko Ayub
Managing Director

The Group's parent company is Aktia Bank Plc domiciled in Helsinki. A copy of the report by the Board of Directors and financial statement is available from Aktia Bank Plc, Arkadiankatu 4–6, 00100 Helsinki and from Aktia's website www.aktia.com.

The parent company's distributable retained earnings including profit for the year are EUR 71,211,682.46 and the unrestricted equity reserve is EUR 138,596,567.61.

The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.56 per shares proposed for the reporting period. The dividend is expected to amount to a total EUR 40,217,822.40 excluding dividend for treasury shares, be paid. Dividend is paid from retained earnings. After dividend pay-out the distributable retained earnings in the parent company are EUR 30,993,860.06.

Our auditor's report has been issued today
Helsinki, 16 February 2022

KPMG Oy Ab
Marcus Tötterman
CGR

Auditor's Report to the Annual General Meeting of Aktia Bank plc

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report, in the Swedish language, is legally binding.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aktia Bank plc (business identity code 2181702-8) for the year ended 31 December 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and

financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To our best knowledge and understanding, the non-audit services that we have provided to the

parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic

decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT	Insurance Liabilities (Accounting Principles and Notes G2, G7, G35)
<p>Valuation of lending to the public and public sector entities (Accounting Principles and Notes G1, G2, G19, G20, P16, P17)</p> <p>• Lending to the public and public sector entities aggregated 7,5 billion euros comprising approximately 64 per cent of the Group's total assets. Interest income accruing on loans and other receivables forms a material part of the Group's income statement.</p> <p>• <i>IFRS 9 Financial Instruments</i> standard is applied in the calculation of expected credit losses. Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk.</p> <p>• Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, lending to the public and public sector entities are addressed as a key audit matter.</p> <p>• We have assessed principles and controls for lending regarding the approval, recognition and</p>	<p>monitoring of loans and receivables. In addition, we have assessed the risk monitoring and impairment recognition principles applied.</p> <ul style="list-style-type: none">• We assessed the methods and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process for expected credit losses. Our audit procedures included an analysis of the most significant individual impairments recognized during the financial period.• We considered the impacts of the COVID-19 pandemic on the credit risk position and the accounting for expected credit losses.• Our IFRS and financial instruments specialists were involved in the audit.• Furthermore, we considered the appropriateness of the notes provided by the Aktia Bank plc in respect of loans and other receivables and credit losses.	<p>• Insurance liabilities in the balance sheet of Aktia Bank plc totalled 1,6 billion euros and is a material item in the Group's balance sheet.</p> <p>• Determining insurance liability is subject to management judgement. In addition, different calculation methodologies can be used. Due to the significant carrying value of insurance liabilities involved, and the complexity associated with actuarial models used, insurance liabilities are addressed as a key audit matter.</p> <p>• We have assessed and tested the implemented process controls over the insurance liabilities calculation process.</p> <p>Net commission income from mutual funds, asset management and investment brokerage (Accounting Principles and Notes G6 and P4)</p> <p>• The assets managed by the Aktia Bank plc entitles to fee and commission income on the grounds of the agreements entered into with customers and the cooperation parties. Commission income, in aggregate 91,7 million euros, forms a material part of the Group's result income statement.</p> <p>• The accounting of commission income from mutual funds and asset management comprises manual phases and the determination of the commission amount and revenue recognition may involve management judgement.</p> <p>• Due to the significance of the income amount and the judgement involved, commission income is considered a key audit matter.</p>

Corporate structure and business combination; (Accounting Principles and Notes G47)

- In the acquisition completed on 30 April 2021 Aktia Bank acquired the wealth management operations of Taaleri. The acquisition comprised all shares in and operations of Taaleri Wealth Management Ltd and its fully owned four subsidiaries offering fund management- and other related wealth management services.
- Aktia has consolidated the acquired business since 1 May 2021. In connection with the acquisition, intangible assets amounting to 43,1 million were allocated to customer relationships, cooperation agreement and non-competition agreement and 80,4 million euro to goodwill.
- Due to the one-off significance of the acquisition and management judgement involved in valuation of acquired intangible assets, the business combination is addressed as a key audit matter.
- We observed the operations transferred in the acquisition and considered the related terms and conditions.

- As part of the evaluation of the valuation of assets and liabilities acquired, we examined the facts underlying the assumptions, the market-based accounting parameters applied, and the contractual data used in the calculations as well as the basis for goodwill.
- We assessed the consolidation of the acquired operations and the accounting principles applied in the acquisition calculation by reference to the requirements set under IFRS 3 Business Combinations.
- Furthermore, we inspected the procedures applied in the impairment testing of goodwill, formed due to the purchase price allocation, and assessed if the parameters used in the calculations are market-conform.
- KPMG:s valuation specialists have been involved in assessing the applied valuation principles.
- Furthermore, we also considered the appropriateness of the notes provided by Aktia in respect of the business combination.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so

would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

KPMG OY AB was appointed as auditor by the Annual General Meeting in 2011, and our appointment represents a total period of uninterrupted engagement of 11 years.

Other Information

The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the

Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 16 February 2022

KPMG OY AB

Marcus Tötterman

Authorised Public Accountant, KHT

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Aktia