

# Q3



Interim report January–September 2020

**Aktia**

# The stable financial performance continued, negative value changes in the Life Insurance Company's investment portfolio affected the operating profit

## In brief

- Stable growth of the loan book and low financing expenses contributed to the good development of net interest income
- Unchanged credit loss provisions – the loan book shows no significant risk concentrations
- Commission income continues to recover, however, lower consumption in households decreased card payments
- The negative value changes in real estate investments affected net income from life insurance negatively
- Customers' interest in investment advice increased noticeably, Asset Management's product selection was expanded further

## Outlook 2020 (updated)

Aktia informed on 18 March 2020 that the significant worsening of the macroeconomic outlook and the grown volatility on the market as a result of the coronavirus outbreak are expected to have a negative impact on Aktia's operating profit in 2020.

Although the comparable operating profit for the whole year is expected to decrease due to the weak result during the first quarter, the underlying business performance is expected to develop steadily during the last quarter of the year, provided market and social conditions are stable:

- Continued growth in net interest income is expected to continue. The recovery in commission income from especially fund and asset management is dependent on changes in market values.
- Net income from life insurance is still very much dependent on changes in market values.
- Provisions for possible credit losses are expected to continue on a moderate level during the last quarter of the year at the same time as Aktia's liquidity and capital adequacy are strong.

## Dividend (updated)

- Aktia's capital adequacy and liquidity enable a dividend pay-out for 2019 based on the Annual General Meeting's authorisation for the Board of Directors (a maximum of EUR 0.63 per share). The Board of Directors aims in January 2021 to decide on a EUR 0.63 dividend pay-out per share for 2019, provided that (new) regulatory policies do not hinder this. Aktia will inform about the Board of Directors' decision, record date and pay-out date for the dividend separately.

(EUR million)	3Q2020	3Q2019	Δ %	Jan-Sep 2020	Jan-Sep 2019	Δ %	2Q2020	Δ %	1Q2020	2019
Net interest income	20.0	19.6	2%	59.9	58.2	3 %	20.1	0%	19.7	77.6
Net commission income	24.2	25.3	-5%	72.2	73.3	-1 %	22.9	6%	25.2	99.1
Net income from life insurance	4.7	6.8	-31%	9.6	21.7	-56 %	10.1	-53%	-5.2	30.0
Total operating income	49.4	52.9	-7%	144.1	166.2	-13 %	54.8	-10%	39.9	221.4
Operating expenses	-33.8	-37.5	-10%	-105.7	-108.6	-3 %	-36.3	-7%	-35.6	-143.9
Impairment of credits and other commitments	-0.1	-1.2	-96%	-3.2	-3.7	-13 %	-1.8	-97%	-1.4	-4.5
<b>Operating profit</b>	<b>16.0</b>	<b>14.3</b>	<b>12%</b>	<b>35.1</b>	<b>55.6</b>	<b>-37 %</b>	<b>16.3</b>	<b>-2%</b>	<b>2.8</b>	<b>74.8</b>
Comparable operating income <sup>1</sup>	49.4	52.9	-7%	144.1	156.2	-8 %	54.8	-10%	39.9	211.4
Comparable operating expenses <sup>1</sup>	-33.8	-34.2	-1%	-105.5	-105.2	0 %	-36.1	-6%	-35.6	-140.4
<b>Comparable operating profit<sup>1</sup></b>	<b>16.0</b>	<b>17.6</b>	<b>-9%</b>	<b>35.3</b>	<b>49.0</b>	<b>-28 %</b>	<b>16.5</b>	<b>-3%</b>	<b>2.8</b>	<b>68.2</b>
Cost-to-income ratio	0.68	0.71	-4%	0.73	0.65	12 %	0.66	3%	0.89	0.65
Comparable cost-to-income ratio <sup>1</sup>	0.68	0.65	5%	0.73	0.67	9 %	0.66	3%	0.89	0.66
Earnings per share (EPS), EUR	0.18	0.16	13%	0.39	0.67	-41 %	0.19	-5%	0.03	0.90
Comparable earnings per share (EPS), EUR <sup>1</sup>	0.18	0.20	-10%	0.40	0.56	-29 %	0.19	-5%	0.03	0.79
Return on equity (ROE), %	7.8	7.4	5%	5.8	10.2	-43 %	8.4	-7%	1.4	10.3
Comparable return on equity (ROE), % <sup>1</sup>	7.8	9.2	-15%	5.9	8.6	-32 %	8.5	-8%	1.4	9.1
Common Equity Tier 1 capital ratio (CET1), % <sup>2</sup>	15.6	15.6	0%	15.6	15.6	0%	15.7	-1%	15.9	14.7
Common Equity Tier 1 capital ratio (CET1), % <sup>2</sup> taking into account the maximum dividend payment for 2019	14.0	15.6	-10%	14.0	15.6	-10%	15.7	-11%	15.9	14.7

<sup>1</sup>) Alternative performance measures excluding items affecting comparability, see page 22 <sup>2</sup>) At the end of the period

Interim report January–September 2020 is a translation of the original Swedish version "Delårsrapport 1.1-30.9.2020". In case of discrepancies, the Swedish version shall prevail.

# CEO's comments

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Aktia's year continued in a stable way during the third quarter despite the circumstances. Our customer related business continued to develop in a profitable way despite the increased uncertainty caused by the coronavirus, which was strongly reflected in the society.

Net interest income for the quarter was EUR 20.0 million, which is even slightly better than during the reference period.

I am particularly happy with how net interest income developed during the reporting period even though the market is still challenging due to low interest rates and extremely pressed margins. Relatively low financing expenses and stable growth of the loan book contributed to the good development of net interest income during the quarter. As a conservative lender we have still neither observed any significant single risky lines of business nor risk concentrations that would give us a reason to worry. We have also not made any significant changes to the model-based credit loss provisions that we reported previously.

Net commission income was EUR 24.2 million, which was somewhat lower than last year. The decreased consumption and travelling in households have still decreased card payments significantly, which was the main reason for the slightly lower net commission income. Net subscriptions increased and the market value changes for the quarter were positive – as a whole, the assets under management were still somewhat lower than for the previous year due to the strong market drop during spring.

However, the result for the third quarter was mainly affected by the lower net income from life insurance which was EUR 4.7 million and thus clearly lower than for the previous year. The negative value changes in the life insurance company's investment portfolio in relation to the deteriorated general economic situation along with the uncertainty in the real estate business were the most significant factors affecting the result for the third quarter.

The comparable operating profit for the quarter was EUR 16.0 (17.6) million and was hence lower than for the reference period. However, in my opinion we have done well. After the market drop in the beginning of the year, we have quickly been able to return to making growth and Aktia's underlying profit is now developing in the right direction. The expenses for the quarter were EUR 33.8 million, which is line with the previous year. However, even though we are going in the right direction in terms of making our business more effective, there is still plenty of work left.

Aktia's capital adequacy and liquidity enable a dividend pay-out for 2019 based on the Annual General Meeting's authorisation for the Board of Directors (a maximum of EUR 0.63 per share). The Board of Directors aims in January 2021 to decide on a EUR 0.63 dividend pay-out per share for 2019, provided that (new) regulatory policies do not hinder this. Aktia will inform about the Board of Directors' decision, record date and pay-out date for the dividend separately.

## Asset Management further expands its product selection

The customers' interest in investment advice services has clearly increased during the COVID-19 period. This has been gratifying to note, since investing should be a significant part of each Finn's personal financial management. The increased interest combined with a very exceptional situation has further increased the number of users of our digital services.

The number of customer calls increased rapidly during summer, which led to longer queuing times in the telephone service. To take care of the situation, we strengthened the resources for the telephone service and expanded the service hours to comprise Saturdays and Sundays. Additionally, we introduced the new chatbot service. It is very important for us to serve our customers as agilely as possible and going forward we will continue to pay special attention to this.

The expansion of the Asset Management's offering is an essential part of Aktia's strategy. We increased the product range for private customers with a new structured product and bought Askel Partners Oy's fund business. The transaction brings Aktia prerequisites to launch a new infrastructure fund during the coming winter. It is also worth mentioning that our active portfolio management has showed its strength during these turbulent times. Aktia's funds are in a league of their own when comparing the average Morningstar ratings received by funds in different fund management companies in Finland. You can be successful in such independent ratings only if you have reached very good results in the long term. An impressive example of this is Aktia's Micro Cap equity fund that had an annual return of 78.5 per cent in the midst of the pandemic.

Aktia's headquarters in Helsinki moved to new premises on Arkadiankatu during the end of the quarter. The move is historic since the earlier building on Mannerheimintie was built in 1963 for Aktia's precursor, Helsingin Säästöpankki, and the banking business continued there for 57 years without interruption. Even though Aktia's head office had long been a familiar sight next to the Three Smiths statue in Helsinki, the new and modern spaces offer Aktia-employees an inspiring work environment that supports flexibility and better cooperation.

Helsinki 3 November 2020

**Mikko Ayub**  
CEO

# Profit and balance

## Profit July–September 2020

Comparable operating profit decreased to EUR 16.0 (17.6) million. However, the Group's reported operating profit increased to EUR 16.0 (14.3) million and the profit for the period to EUR 12.4 (11.2) million.

The decreased comparable operating profit for the third quarter mainly relates to negative unrealised value changes in the life insurance company's investment portfolio as well as a lower net commission income than for last year. Net interest income still shows a steady growth from last year. Assets under management (AuM) were still slightly lower than last year due to the strong market drop in March.

### Items affecting comparability

(EUR million)	Jul-Sep 2020	Jul-Sep 2019
Costs for restructuring	-	-3.3
<b>Total</b>	<b>-</b>	<b>-3.3</b>

## Income

The Group's operating income decreased to EUR 49.4 (52.9) million mainly due to the life insurance company's negative unrealised value changes and a lower net commission income compared to the third quarter last year.

Net interest income was EUR 20.0 (19.6) million. Net interest income from borrowing and lending increased by 4% to EUR 19.5 (18.7) million, whereas interest income from hedging measures through interest rate derivatives decreased to EUR 0.6 (0.8) million.

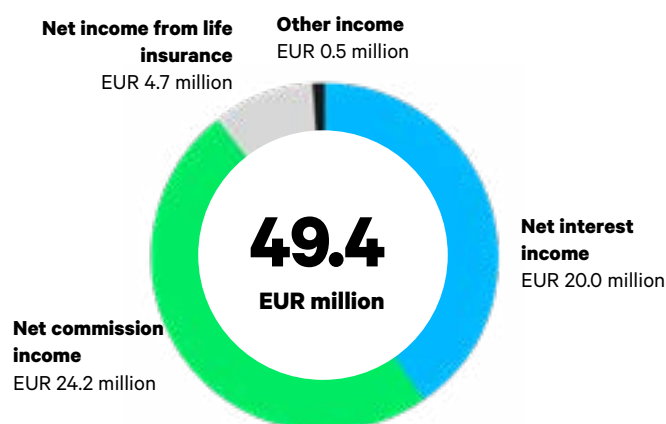
Net commission income decreased by 5% to EUR 24.2 (25.3) million. Commission income from funds, asset management and securities brokerage was 3% lower than last year and amounted to EUR 15.9 (16.4) million. Commission income from cards, payment services and borrowing decreased by 12% to EUR 6.5 (7.5) million and commission income from lending decreased by 5% to EUR 2.3 (2.4) million.

Net income from life insurance decreased to EUR 4.7 (6.8) million, which is mainly related to unrealised value changes in the life insurance company's investment portfolio of EUR -1.6 (1.3) million. However, the actuarially calculated result improved by EUR 1.8 million from last year mainly as a result of the planned dissolution of the interest reserve from 2012 and a good risk result.

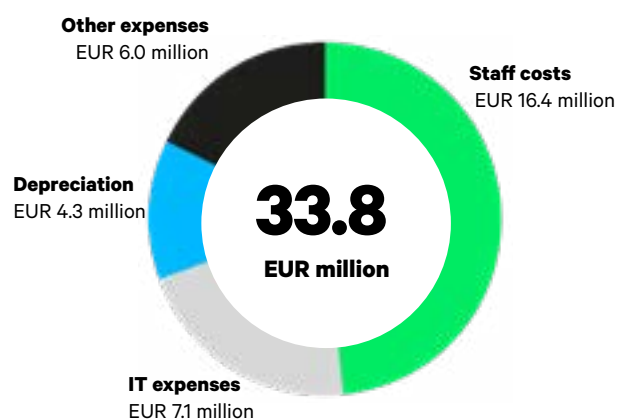
Net income from financial transactions decreased to EUR 0.2 (0.5) million. The decrease mainly relates to a lower net result from hedge accounting compared to the third quarter during last year.

Other operating income decreased to EUR 0.3 (0.4) million and dividends to EUR 0.0 (0.3) million.

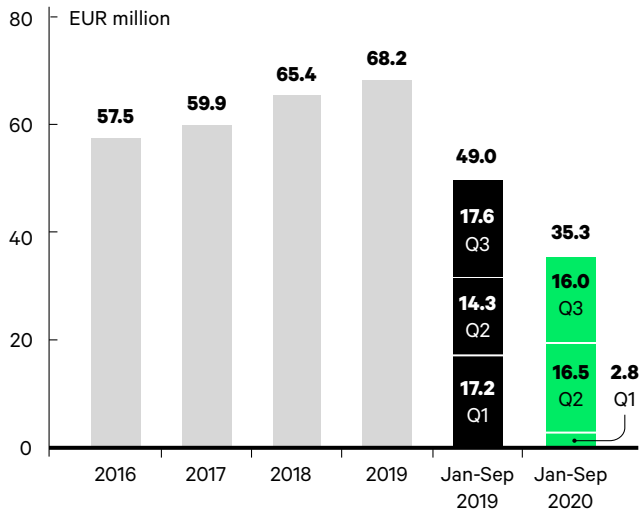
## Operating income 3Q2020



## Operating expenses 3Q2020



## Comparable operating profit 2016–3Q2020, EUR million



## Expenses

The operating expenses decreased to EUR 33.8 (37.5) million. The reference period includes restructuring expenses of EUR 3.3 million, which has led to a 1% decrease in the comparable operating expenses from EUR 33.8 (34.2) million.

Staff costs decreased to EUR 16.4 (18.6) million, and the reference period includes expenses for restructuring amounting to EUR 2.0 (-) million. Comparable staff expenses were at the same level as last year and amounted to EUR 16.4 (16.6) million.

IT expenses increased by 11% to EUR 7.1 (6.4) million. The increase relates to higher expenses for licenses and IT consultants.

Depreciations of tangible and intangible assets decreased to EUR 4.3 (4.8) million and relate to decreased depreciations of right-of-use assets.

Other operating expenses were lower than last year and amounted to EUR 6.0 (7.7) million. Last year includes restructuring expenses of EUR 1.3 million, which has led to other comparable operating expenses decreasing by 6% to EUR 6.0 (6.4) million.

Impairments on credits and other commitments amounted to EUR -0.1 (-1.2) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR 0.6 (-0.5) million.

Reversed impairments on other receivables amounted to EUR 0.4 (-) million.

## Profit January–June 2020

The Group's operating profit decreased to EUR 35.1 (55.6) million and the Group's profit to EUR 27.5 (45.9) million. Comparable operating profit decreased to EUR 35.3 (49.0) million.

The decreased comparable operating profit is attributable to the outbreak of the coronavirus crisis in March. The individually largest negative impact on the income statement pertains to unrealised value changes in the life insurance company's investment portfolio of EUR -8.3 (3.9) million. Net commission income is slightly lower than last year, whereas net interest income shows stable growth.

## Items affecting comparability

(EUR million)	Jan-Sep 2020	Jan-Sep 2019
Additional income from divestment of Visa Europe to Visa Inc	-	0.5
Profit from divestment of shares in Samlink Ltd	-	9.6
Costs for restructuring	0.2	-3.4
<b>Total</b>	<b>0.2</b>	<b>6.6</b>

## Income

The Group's operating income decreased to EUR 144.1 (166.2) million, which includes items affecting comparability for the reference period of EUR 10.1 million. The Group's comparable operating income decreased to EUR 144.1 (156.2) million, which mainly due to the corona crisis pertains to unrealised value changes in the life insurance company's investment portfolio.

Net interest income increased to EUR 59.9 (58.2) million. Net interest income from borrowing and lending increased by 5 % to EUR 57.7 (54.8) million, whereas interest income from hedging measures through interest rate derivatives decreased to EUR 1.7 (3.3) million. Continued low market interest rates have reduced financing expenses compared to last year.

Net commission income was EUR 72.2 (73.3) million. Commission income from funds, asset management and securities brokerage increased by 2% to EUR 47.4 (46.7) million. However, commission income from cards, payment services and borrowing decreased by 8% to EUR 20.2 (21.9) million and commission income from lending decreased by 11% to EUR 6.6 (7.5) million.

Net income from life insurance decreased to EUR 9.6 (21.7) million. The EUR -8.3 (3.9) million decrease mainly relates to unrealised value changes in the life insurance company's investment portfolio. However, the actuarially calculated result improved by EUR 5.3 million from last year mainly as a result of the planned dissolution of the interest reserve from 2012 as well as a good risk result.

The net result from financial transactions was EUR 0.5 (2.0) million. The reference period includes a EUR 0.5 million additional income from the sale of Visa Europe to Visa Inc. and the comparable net result from financial transactions has decreased to EUR 0.5 (1.5) million. The net result from hedge accounting and the value changes for the Visa Inc. shares have decreased, whereas net income from derivatives has increased from last year.

Other operating income was EUR 1.5 (10.5) million and dividends EUR 0.3 (0.5) million. The reference period includes a EUR 9.6 million profit from the divestment of the shares in Oy Samlink Ab and the other comparable operating income thus increased to EUR 1.5 (0.9) million.

## Expenses

Operating expenses amounted to EUR 105.7 (108.6) million, including EUR 0.2 (3.4) million in restructuring expenses. Comparable operating expenses were on the same level as last year and amounted to EUR 105.5 (105.2) million.

Staff expenses decreased to EUR 51.4 (52.1) million, including EUR 0.2 (2.1) million in restructuring expenses. Comparable staff expenses increased by 3% to EUR 51.2 (49.9) million and relate to higher running staff expenses.

IT expenses were EUR 19.1 (19.4) million. The expenses for IT licenses have increased while the expenses for IT consultants have decreased since last year.

The depreciation of tangible and intangible assets decreased to EUR 13.7 (14.6) million. The depreciation mainly relates to decreased depreciations of right-of-use assets.

Other operating expenses decreased to EUR 21.6 (22.5) million. However, the other comparable operating expenses increased by 2% to EUR 21.6 (21.2) million since the reference period includes EUR 1.3 million restructuring expenses. The expense for the stability fee has increased by EUR 0.8 million from last year while the other comparable operating expenses have decreased.

Impairments on credits and other commitments amounted to EUR -3.2 (-3.7) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.6 (-1.4) million. The increase since the turn of the year mainly relates to higher provisions with regards to healthy credits in

stage 1 and stage 2 as more information of the consequences of the pandemic have become available for the calculations, when it comes to for example observed customer behaviour and risk assessments, as well as updated macroeconomic assumptions.

## Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 10,589 (9,697) million. Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees increased to EUR 695 (641) million.

## Borrowing

Borrowing from the public and public-sector entities increased to EUR 4,497 (4,060) million. Aktia's market share of deposits was 3.1 (3.2) % at the end of September.

The value of bonds issued by Aktia Bank totalled EUR 2,912 (2,526) million. After the set off of an issued retained Covered Bond, EUR 1,620 (1,613) million were Covered Bonds issued by Aktia Bank.

During the third quarter, Aktia Bank issued new long-term unsecured bonds to the value of EUR 281 million within the scope of the bank's EMTN programme. During the period, new long-term unsecured bonds to the total value of EUR 689 million have been issued, partially to replace the unsecured bonds that have been repaid during the period and partially to replace the unsecured bonds that will be repaid during the fourth quarter. In addition, Aktia Bank has issued a retained Covered Bond of EUR 300 million with a maturity of 4 years. The aim of the issue was an exchange of collateral in the central bank.

## Lending

The Group's lending to the public and public-sector entities increased by EUR 351 million to EUR 6,780 (6,429) million. Loans to households accounted for EUR 4,996 (4,886) million, or 73.7 (76.0) % of the loan book.

The housing loan book totalled EUR 5,064 (4,877) million, of which the share for households was EUR 4,104 (4,026) million. Aktia's new lending amounted to EUR 1,275 (1,162) million. At the end of September, Aktia's market share in housing loans to households was 4.0 (4.0) %.

Corporate lending accounted for 13.2 (12.0) % of the Aktia Group's loan book. Total corporate lending increased to EUR 897 (771) million. Loans to housing companies increased to EUR 856 (738) million, making up 12.6 (11.5) % of Aktia's total loan book.

### Loan book by sector

(EUR million)	30 Sep 2020	31 Dec 2019	Δ	Share, %
Households	4,996	4,886	110	73.7%
Corporates	897	771	126	13.2%
Housing companies	856	738	118	12.6%
Non-profit organisations	27	31	-3	0.4%
Public sector entities	3	4	-1	0.0%
<b>Total</b>	<b>6,780</b>	<b>6,429</b>	<b>351</b>	<b>100.0%</b>

### Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Bank Group amounting to EUR 1,436 (1,326) million, the life insurance company's investment portfolio of EUR 606 (546) million, and the equity holdings of the Bank Group amounting to EUR 5 (5) million. In connection with the acquisition of Liv-Alandia's life insurance portfolio Aktia subscribed for a subordinated loan to Liv-Alandia, the market value of which amounted to EUR 79 million at the end of September.

### Technical provisions

The life insurance company's technical provisions increased to EUR 1,340 (1,260) million, of which EUR 98 million is attributable to the acquisition of the life insurance portfolio from Liv-Alandia. Unit-linked technical provisions increased to EUR 889 (869) million and includes EUR 15 million from the acquisition of Liv-Alandia's life insurance portfolio. Interest-related technical provisions increased to EUR 451 (390) million and includes EUR 77 million from the acquisition of Liv-Alandia's life insurance portfolio.

### Equity

Aktia Group's equity amounted to EUR 646 (610) million. The fund at fair value amounted to EUR 20 (15) million and the profit for the period to EUR 28 million.

During the first quarter Aktia Bank Plc has in a directed share issue issued 744,696 new shares as part of the acquisition

of the minority share of 24% in Aktia Asset Management Ltd. The issue was realised through an exchange of shares and it did not affect the Group's total equity as Aktia Asset Management Ltd also prior to the acquisition had been included in the Aktia Bank Plc Group.

### Assets under Management

The Group's total assets under management amounted to EUR 12,249 (11,948) million.

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

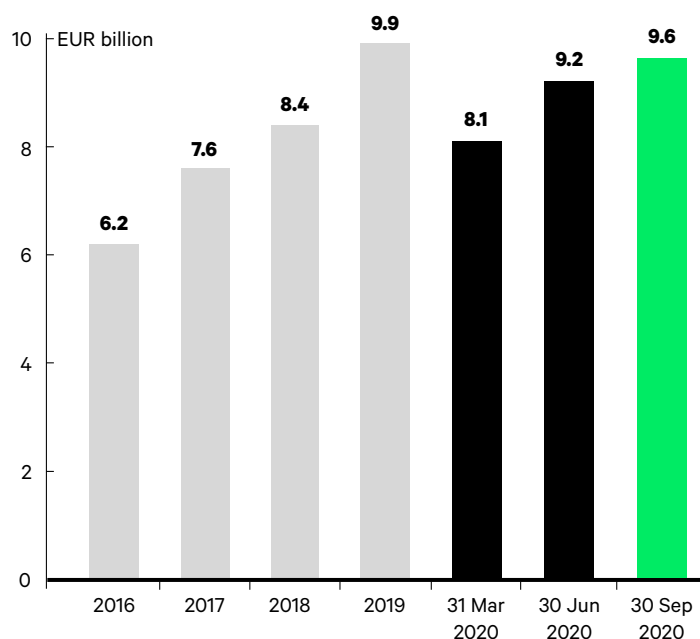
Group financial assets include the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

### Assets under management

(EUR million)	30 Sep 2020	31 Dec 2019	Δ %
Customer assets under management*	9,623	9,853	-2%
Group financial assets	2,626	2,095	25%
<b>Total</b>	<b>12,249</b>	<b>11,948</b>	<b>3%</b>

\* Excluding Fund in funds

### Customer assets under management (AuM) excluding custody assets 2016–2Q2020, EUR billion



# Segment overview

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

## Banking Business

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

### Private customers

Customer service was still affected by the coronavirus pandemic during the third quarter when remote meetings became increasingly common. Aktia's digital solutions were well received by the customers and the interest in advice increased, which contributed to more customer activity in all digital channels. Decreased possibilities for physical meetings have to some degree delayed the forming of new customer relationships.

Development of the digital service selection continued in order to meet the customers' needs. The customers have been increasingly interested in the telephone service, which has led to a periodically overloaded customer service. To decrease the overload, the telephone service hours have been extended to comprise also Saturdays and Sundays. A chatbot service was implemented in order to further serve our customers and decrease the waiting times, which at times were long. Private Banking introduced a newsletter and launched a portfolio application for their customers. The objective was to facilitate the daily monitoring of the customers' own management portfolios.

The investment selection was strengthened by structured products during the quarter. An indicative loan offer was introduced to our private customers, and the aim was to speed up making decisions about housing transactions at the same time as the interest for digital housing transactions continued to increase.

In September, the renewed customer spaces in the new Aktia House on Arkadiankatu became available and most of our private customers in the Helsinki region are now served at the new address.

## Corporate customers

Corporate customers' demand for credits has increased after the stagnation following the outbreak of the coronavirus pandemic. The tendency to invest has increased again and the demand for financing has returned to more normal levels, although there are differences between lines of business.

Corporate customers have showed interest in The European Investment Fund's EIF guarantee programme that Aktia obtained in the spring. The programme has enabled our customers to start corporate and investment projects, which has led to several new corporate customers for Aktia.

The activity amongst new potential corporate customers was higher during the third quarter than during spring and summer. During the quarter, customer meetings were carried out both remotely and as traditional physical meetings. Traditional meetings have proved to be more successful when it comes to new customer acquisition. The second wave of COVID-19 has so far not affected corporate customers' need for changes in their payment plans nor increased the need for working capital financing.

The financing of RS objects is still on a good level and the emphasis is on the selected strategic growth areas for the strategy period. A certain division can be discerned in payment activities; the business operations and volumes have increased in some lines of business while they have decreased in others. We are monitoring the development and supporting our customers. During the quarter, the activity amongst smaller companies has increased and the customer service became overloaded, which caused delays in some customer services.

## Segment results

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %
Operating income	101.3	100.9	0%
Operating expenses	-75.7	-79.6	-5%
Operating profit	22.4	17.6	27%
Comparable operating profit	22.5	20.9	8%

Operating income for the period was slightly higher than last year and totalled EUR 101.3 (100.9) million.

Net interest income increased by 4% to EUR 53.0 (50.8) million, which mainly relates to the corporate customers' loan book. The decreased interest rate on savings deposits (1 April 2020) decreased the interest expenses for the private customer segment. Customer margins for both private and

corporate customers were still pressed, which caused margin levels to drop from the corresponding period during the previous year. The total loan book increased by 5 % to EUR 6,779 (6,429) million, of which private customers' loan book increased by EUR 101 million and corporate customers' loan book by EUR 249 million. The increased loan book partially pertains to Aktia's purchase of credits totalling EUR 60 million from the Mortgage Society of Finland.

The level of corporate customers' deposits was higher than at the turn of the year and totalled EUR 1,283 (971) million.

Net commission income decreased by 5% to EUR 47.4 (49.9) million, mainly due to lower commission income from cards, lending and insurance brokerage. The coronavirus pandemic has led to changed consumption behaviour regarding travelling, for instance, which has led to decreased card volumes and hence decreased commission income from card operations. The renewal of the product selection and the distribution channels temporarily decreased commission income from insurance brokerage. Assets under management were at the end of the quarter slightly higher than at the turn of the year.

Other operating income amounted to EUR 0.9 (0.2) million, including one-off recognised items of EUR 0.6 million.

Despite the stability fee for the year being EUR 0.8 million higher than for the previous year, the comparable operating expenses for the period decreased to EUR 75.6 (76.2) million. The decrease is mainly attributable to the change in the service model at the end of 2019. The operating expenses for the reference period include expenses for restructuring amounting to EUR 3.3 million.

Impairments on credits and other commitments decreased to EUR -3.2 (-3.7) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.6 (-1.4) million, whereas other impairments on credits decreased to EUR -1.6 (-2.3) million.

## Asset Management

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

### Customer assets under management

(EUR million)	30 Sep 2020	31 Dec 2019	Δ %
Customer assets under management*	9,623	9,853	-2%
of which institutional assets	6,534	6,821	-4%

\* Excluding fund in funds

## Asset management

The customer assets under management increased during the quarter due to the recovered market prices for risk investments. Net subscriptions were positive; EUR 166 million during the quarter. Aktia's fund Aktia Micro Cap, which had returned better than expected, has led to technical redemptions carried out by a part of the fund owners. In September, Morningstar's ratings of the funds increased to exceptionally high levels and the average Morningstar rating was 4.21 (on a scale from 1–5) which is still the highest of all Finnish fund management companies. Most of Aktia's funds received the highest rating, which is 5. Aktia's fund strategies have brought our customers very good return in the long term and our active portfolio management has been very successful even during this turbulent year.

As a part of the strategic investment in the growth of asset management, Aktia launched its third structured product for the private customer segment. Sales of the structured product at the turn of September and October were successful. In September, Aktia acquired Askel Partner's fund business. Therefore, Aktia has the prerequisite to launch a new infrastructure fund during the coming winter.

Aktia's investment in international growth continued through a wider selection of distribution channels. Due to the coronavirus pandemic, the contact between customers and issuers has been maintained virtually. During the quarter, UI entered into a new distribution agreement for UI-Aktia funds in France. The fund capital for the UI-Aktia funds was EUR 1.8 million at the end of the quarter.

## Life insurance

The management of the life insurance company was strengthened as Riikka Luukko was appointed as the new CEO. Luukko took up her new position on 1 September 2020. Life insurance business has continued to develop through increased cooperation within the Group for example in the form of increased cross-selling. The implementation of our renewed business plan has begun and at the end of the year we will start distribution cooperation with Finland's Företagarskydd. The demand within the Personal coverage group has increased in all distribution channels and after the spring and even for sales of insurance products, the activity has recovered. Aktia Life Insurance launched a new capitalisation agreement for their customers and a new group life insurance will be launched before the end of the year. The acquisition and transfer of Liv-Alandia's customer base continues according to plan.

The most important development projects in line with the renewed business plan relate to growth and new customer acquisition, expansion of the product selection, development of the customer experience, streamlining the business operations and renewal of the insurance system. During

the following years we will renew the software for handling insurances so that we can secure a customer experience that also going forward is as flexible and high-class as possible.

## Segment results

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %
Operating income	36.5	47.4	-23%
Operating expenses	-24.0	-23.7	1%
Operating profit	12.5	23.7	-47%
Comparable operating profit	12.5	23.7	-47%

The operating income for the period decreased by 23% to EUR 36.5 million, which is mainly explained by significant negative unrealised value changes from the life insurance business' private equity and fixed-income funds for EUR -4.5 million as well as from EUR -3.8 million property valuations. The period has been affected by heavy volatility on the investment market. The first quarter of 2020 finished with a strong market value drop but during the second quarter, the market both recovered and stabilised. During the third quarter, the market values remained at the same level as during the second quarter.

Net commission income increased by 3% to EUR 29.7 million and net income from life insurance decreased heavily to EUR 6.6 million due to the decline in the investment portfolio. The premium income from life insurance business decreased by 10% from the corresponding period last year. The sales of investment-linked savings insurances among Private Banking customers were still strong and increased by 11% compared to the corresponding period last year. Operating expenses for the segment increased by 1% to EUR 24.0 million, which mainly relates to the increase in IT expenses.

Assets under management decreased by EUR 230 million from the year-end and amounted to EUR 9,623 (9,853) million. Net subscriptions for the period amounted to EUR -95 million, and the market value change to EUR -135 million. Most of the negative net subscriptions were related to institutional customers.

## Group Functions

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

## Segment results

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %
Operating income	12.9	24.7	-48%
Operating expenses	-12.7	-12.2	4%
Operating profit	0.2	12.6	-98%
Comparable operating profit	0.3	2.6	-88%

The comparable operating income of the segment decreased to EUR 12.9 (14.6) million and the reported operating income to EUR 12.9 (24.7) million. Last year includes a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd, and an additional income of EUR 0.5 million relating to the sale of Visa Inc. 2016.

The segment's net interest income decreased by EUR 0.6 million to EUR 6.8 million. Interest income from hedging measures via interest rate derivatives decreased by EUR 1.6 million. Lower negative interest on assets in the Bank of Finland has partially compensated for the decreased income from the unwound interest rate hedges. Interest income from the bank's liquidity portfolio was at the same level as last year and positive interest yield has been retained when reinvesting in the liquidity portfolio despite the challenging interest rate situation.

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

The segment's comparable operating expenses increased by 4% from last year mainly due to higher running staff expenses.

## Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
<b>Income statement</b>										
Net interest income	53.0	50.8	0.0	0.0	6.8	7.4	0.0	-	59.9	58.2
Net commission income	47.4	49.9	29.7	28.9	4.7	4.5	-9.5	-10.0	72.2	73.3
Net income from life insurance	-	-	6.6	18.3	-	-	3.0	3.4	9.6	21.7
Other operating income	0.9	0.2	0.2	0.2	1.4	12.8	-0.2	-0.1	2.3	13.0
<b>Total operating income</b>	<b>101.3</b>	<b>100.9</b>	<b>36.5</b>	<b>47.4</b>	<b>12.9</b>	<b>24.7</b>	<b>-6.6</b>	<b>-6.8</b>	<b>144.1</b>	<b>166.2</b>
Staff costs	-15.0	-16.9	-10.3	-10.5	-26.1	-24.7	-	-	-51.4	-52.1
Other operating expenses <sup>1</sup>	-60.7	-62.7	-13.8	-13.2	13.4	12.5	6.7	6.8	-54.4	-56.6
<b>Total operating expenses</b>	<b>-75.7</b>	<b>-79.6</b>	<b>-24.0</b>	<b>-23.7</b>	<b>-12.7</b>	<b>-12.2</b>	<b>6.7</b>	<b>6.8</b>	<b>-105.7</b>	<b>-108.6</b>
Impairment of credits and other commitments	-3.2	-3.7	-	-	0.0	0.0	-	-	-3.2	-3.7
Share of profit from associated companies	-	-	-	-	-	-	-0.1	1.7	-0.1	1.7
<b>Operating profit</b>	<b>22.4</b>	<b>17.6</b>	<b>12.5</b>	<b>23.7</b>	<b>0.2</b>	<b>12.6</b>	<b>0.0</b>	<b>1.8</b>	<b>35.1</b>	<b>55.6</b>
<b>Comparable operating profit</b>	<b>22.5</b>	<b>20.9</b>	<b>12.5</b>	<b>23.7</b>	<b>0.3</b>	<b>2.6</b>	<b>0.0</b>	<b>1.8</b>	<b>35.3</b>	<b>49.0</b>
	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>
<b>Balance sheet</b>										
Financial assets measured at fair value	-	0.1	1,343.4	1,268.9	1,078.5	1,025.5	-10.0	-15.0	2,411.9	2,279.4
Cash and balances with central banks	1.5	1.8	0.0	0.0	672.1	313.5	-	-	673.6	315.4
Interest-bearing securities measured at amortised cost	-	-	47.7	47.9	343.5	288.6	-	-	391.2	336.5
Loans and other receivables	6,778.8	6,428.9	64.0	60.8	25.5	15.3	-59.7	-58.5	6,808.6	6,446.5
Other assets	22.2	22.4	61.5	65.1	286.7	293.6	-67.1	-61.7	303.2	319.3
<b>Total assets</b>	<b>6,802.5</b>	<b>6,453.2</b>	<b>1,516.6</b>	<b>1,442.6</b>	<b>2,406.3</b>	<b>1,936.4</b>	<b>-136.8</b>	<b>-135.2</b>	<b>10,588.5</b>	<b>9,697.1</b>
Deposits	4,626.1	4,185.6	-	-	629.4	530.4	-59.7	-58.5	5,195.8	4,657.5
Debt securities issued	-	-	-	-	2,957.8	2,637.3	-9.8	-14.6	2,948.1	2,622.7
Technical provisions	-	-	1,339.7	1,259.8	-	-	-	-	1,339.7	1,259.8
Other liabilities	14.7	13.5	23.0	32.3	430.5	511.7	-9.0	-10.3	459.2	547.2
<b>Total liabilities</b>	<b>4,640.8</b>	<b>4,199.1</b>	<b>1,362.6</b>	<b>1,292.1</b>	<b>4,017.8</b>	<b>3,679.4</b>	<b>-78.4</b>	<b>-83.4</b>	<b>9,942.8</b>	<b>9,087.1</b>

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

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

# Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 15.6 (14.7) %. After deductions, Common Equity Tier 1 capital increased by EUR 64.9 million during the period, which affected the CET1 capital ratio by 2.2 percentage points. The increase in the CET1 capital is pertained to the decision on postponing the decision on dividend payment for the financial year 2019 to a later date. Risk-weighted assets increased by EUR 263.8 million, which reduced the CET1 capital ratio by 1.3 percentage points. The increase in risk-weighted assets is mainly pertained to an increase in corporate exposures.

Based on recommendation from the authorities, Aktia's Annual General Meeting 2020 authorised the Board to decide on the payment of a maximum dividend of 0.63 euro per share for the financial period 2019. The authorisation is in force until the Annual General Meeting 2021. Considering the maximum pay-out for 2019, Aktia's Common Equity Tier 1 capital ratio would at the end of the period have been 14.0%.

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

Capital adequacy, %	30 Sep 2020	31 Dec 2019
<b>Bank Group</b>		
CET1 capital ratio	15.6	14.7
Total capital ratio	18.5	18.6

## Total capital requirement

30 Sep 2020	Pillar 1 requirement		Pillar 2 requirement		Capital Conservation	Buffer requirements			Total
	Capital Conservation	Counter-cyclical	O-SII	Systemic risk					
CET1 capital	4.50	1.25	2.50	0.01	0.00	0.00	0.00	8.26	
AT1 capital	1.50	0.00						1.50	
Tier 2 capital	2.00	0.00						2.00	
<b>Total</b>	<b>8.00</b>							<b>11.76</b>	

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

The authorities have lowered capital requirements in Europe in order to ease the negative effects of the coronavirus pandemic. In Finland the Financial Supervisory Authority has decided on abolishing the requirement on system risk buffer for Finnish credit institutions as of 6 April 2020, which lowered Aktia's capital requirement by 1 percentage point.

The Financial Supervisory Authority informed on 30 September 2020 that the period of validity for the 15% risk-weight floor for residential mortgage loans will not be extended and the risk-weight floor will be discontinued on 1 January 2021.

Leverage ratio	30 Sep 2020	31 Dec 2019
Tier 1 capital	453.0	388.1
Total exposures	9,323.6	8,474.5
<b>Leverage ratio, %</b>	<b>4.9</b>	<b>4.6</b>

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

<b>MREL-requirement (EUR million)</b>	<b>30 Sep 2019</b>	<b>31 Dec 2019</b>
MREL requirement	736.2	670,9
<b>Own funds and eligible liabilities</b>		
CET1	453.0	388,1
AT1 instruments	0.0	0,0
Tier 2 instruments	106.9	160,4
Other liabilities	915.5	247,9
<b>Total</b>	<b>1,475.4</b>	<b>796,4</b>

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

<b>Solvency II</b>	<b>With</b>		<b>Whitout</b>	
	<b>transitional rules</b>		<b>transitional rules</b>	
<b>(EUR million)</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>
MCR	28.1	24.2	29.5	25.9
SCR	104.9	86.6	114.9	98.3
Eligible capital	154.0	166.3	110.8	120.2
Solvency ratio, %	146.8	192.1	96.4	122.2

# The Group's risk exposures

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

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

## Banking and asset management business

### Credit risks

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

### Loans past due by time overdue and ECL stages

(EUR million) Days	30 Sep 2020			Total
	Stage 1	Stage 2	Stage 3	
≤ 30	23.5	25.8	0.5	49.8
of which households	20.8	25.2	0.4	46.4
> 30 ≤ 90	0.0	15.4	0.5	15.9
of which households	0.0	13.9	0.4	14.3
> 90	0.0	0.0	43.0	43.0
of which households	0.0	0.0	36.5	36.5

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

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

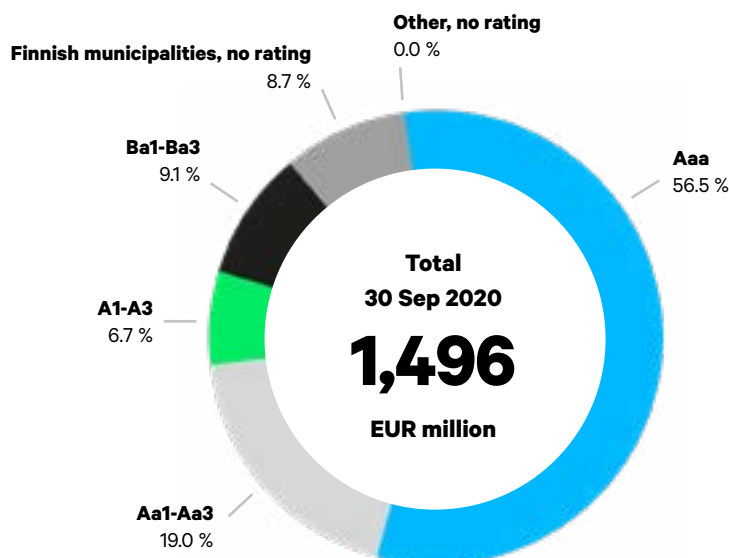
(EUR million)	30 Sep 2020	31 Dec 2019
<b>Corporate</b>		
PD grades A	274.1	199.5
PD grades B	775.7	707.7
PD grades C	676.1	552.1
Default	31.4	20.7
	1,757.3	1,480.0
Loss allowance (ECL)	-15.5	-15.1
Carrying amount	1,741.8	1,464.9
<b>Households</b>		
PD grades A	3,174.5	3,448.6
PD grades B	1,086.0	837.8
PD grades C	837.3	781.1
Default	66.2	51.6
	5,164.0	5,119.1
Loss allowance (ECL)	-14.4	-13.6
Carrying amount	5,149.6	5,105.5
<b>Other</b>		
PD grades A	28.2	26.4
PD grades B	352.5	330.6
PD grades C	50.9	159.2
Default	0.7	0.9
	432.3	517.1
Loss allowance (ECL)	-0.4	-0.5
Carrying amount	431.9	516.7

### Market risks

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

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

## Rating distribution for the Bank Group's liquidity portfolio



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

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

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

Equity investments pertaining to business operations amounted to EUR 4.9 (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 4.0 (4.8) million at the end of the period.

### Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,747 (1,104) million at the end of the period.

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

Liquidity reserve, market value (EUR million)	30 Sep 2020	31 Dec 2019
Cash and balances with central banks	625	271
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	224	195
Securities issued or guaranteed by municipalities or the public sector	125	208
Covered Bonds	772	430
Securities issued by credit institutions	0	0
Securities issued by corporates (commercial papers)	0	0
<b>Total</b>	<b>1,747</b>	<b>1,104</b>

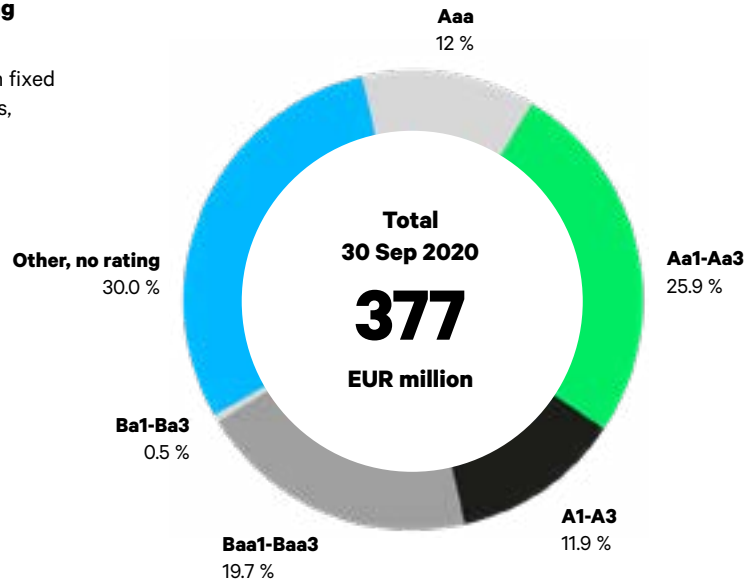
The liquidity risk is, among other things, followed up by the Liquidity Coverage Ratio (LCR). LCR measures the short-term liquidity risk and is aimed to ensure that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is enough to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. The LCR amounted to 124 (118) %.

Liquidity coverage ratio (LCR)*	30 Sep 2020	31 Dec 2019
LCR %	124%	118%

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

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

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



## Life Insurance Business

### Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 606 (546) million. The life insurance company's direct real estate investments amounted to EUR 40 (42) million. The properties are located in the Helsinki region and in other growth areas in Southern Finland, and they mostly have long tenancies.

#### Aktia Life Insurance, allocation of investment portfolio

(EUR million)	30 Sep 2020		31 Dec 2019	
<b>Fixed income investments</b>	<b>434.0</b>	<b>71.6%</b>	<b>387.7</b>	<b>71.0%</b>
Government bonds	119.4	19.7%	112.8	20.7%
Financial bonds	69.9	11.5%	114.6	21.0%
Other corporate bonds <sup>1</sup>	175.3	28.9%	80.4	14.7%
Emerging Markets (mtl. funds)	43.0	7.1%	50.1	9.2%
High yield (mtl. funds)	23.0	3.8%	19.5	3.6%
Trade finance (mtl. funds)	3.4	0.6%	10.3	1.9%
<b>Alternative investments</b>	<b>10.9</b>	<b>1.8%</b>	<b>6.8</b>	<b>1.2%</b>
Private Equity etc.	10.9	1.8%	6.8	1.2%
<b>Real estates</b>	<b>73.2</b>	<b>12.1%</b>	<b>68.7</b>	<b>12.6%</b>
Directly owned	40.4	6.7%	42.5	7.8%
Real estate funds	32.8	5.4%	26.2	4.8%
<b>Money Market</b>	<b>47.0</b>	<b>7.8%</b>	<b>48.0</b>	<b>8.8%</b>
<b>Cash and bank</b>	<b>40.9</b>	<b>6.8%</b>	<b>34.9</b>	<b>6.4%</b>
<b>Total</b>	<b>606.1</b>	<b>100.0%</b>	<b>546.1</b>	<b>100.0%</b>

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

### Life insurance company's market risk

Technical provisions include an interest reserve of EUR 28.0 (16.0) million, which can be used to cover the future interest rate requirement. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 2.3% for the coming 10 years. The discount rate is subsequently 3.1%. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. Interest rate risk is the most significant risk in conjunction with technical provisions in the life insurance company. It affects profitability through the spread between rate of return and guaranteed customer rate and capital adequacy as a result of the market valuation of assets and liabilities. Interest rate risk of the company's interest-bearing balance sheet items in the investment portfolio and in the interest-linked and unit-linked technical provisions is calculated through an interest rate stress test (decrease in interest rate) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-term technical provisions and amounted to EUR -43 (-42) million.

# Main events

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

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

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

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

## **Aktia Asset Management to merge with Aktia Bank**

Aktia Bank Plc initiated merger procedures aiming at merging the wholly owned subsidiary Aktia Asset Management Ltd with Aktia Bank Plc. The merger forms part of the Group's strategic goal of increasing efficiency in the operations and simplifying the Group structure. The merger is planned to enter into force as per 1 January 2021. After the merger asset management will become an operating area of its own within Aktia Bank.

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

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

## **Changes in Aktia's Executive Committee**

Irma Gillberg-Hjelt, Executive Vice President, Corporate Customers, resigned from her duties at Aktia 15 April 2020. Carola Nilsson, Executive Vice President, Private Customers, has been appointed acting director for the business area Corporate Customers until a new person in charge is appointed.

Anssi Huhta has been appointed EVP, Corporate customers and member of the Executive Committee at Aktia as of 1 January 2021 at the latest. Huhta reports to the CEO Mikko Ayub.

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

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

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

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

## **Aktia improved significantly its rating in CDP's corporate responsibility ranking**

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

## **Google Pay available to Aktia's customers**

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

# Other information

## Events after the end of the period

On 7 October 2020, Aktia Bank Plc has with the support of the Board's decision invalidated 717,196 Aktia shares. Aktia Bank Plc has after the above-mentioned invalidation a total of 69,504,292 shares. In connection with the invalidation, the related dividends payable were dissolved, which is estimated to increase the Group's shareholders' equity by approximately EUR 3 million during the last quarter of the year.

The shares that have now been invalidated were shares that the owner-customers of Veritas Mutual Non-Life Insurance Company received on the basis of paid insurance premiums, as merger consideration in connection with the merger of Veritas Mutual Non-Life Insurance Company to Aktia Plc on 1 January 2009. On 16 April 2020, the Annual General Meeting decided on forfeiture of the right to unregistered consideration shares.

## Supplement to the notification of change of ownership in accordance with Chapter 9, Section/paragraph 10 of the Securities Market Act

RG Partners Oy has completed its Flagging announcement from 1 March 2020, according to which RG Partners Oy and The Society of Swedish Literature in Finland have signed an agreement in which The Society of Swedish Literature in Finland sells its 5,803,154 shares in Aktia Bank Plc to RG Partners Oy. The acquisition was subject to ECB approving RG Partners Oy's acquisition of more than 10% of the shares and to the Financial Supervisory Authority granting other certain permissions for the acquisition. The Flagging announcement was completed with information that RG Partners Oy on 23 October has received all necessary regulatory approvals for executing the acquisition. The acquisition of shares will be executed approximately on 6 November 2020. After the transaction has been executed, RG Partners Oy will own 7,078,115 shares, which is 10.18% of the shares and votes in Aktia Bank Plc.

## Supplement to the notification of change of ownership in accordance with Chapter 9, Section/paragraph 10 of the Securities Market Act

Aktia Bank Plc received the notification from The Society of Swedish Literature in Finland (SLS) according to which SLS's share of Aktia Bank Plc's shares and votes will approximately on 6 November 2020 decrease to below the 5% flagging limit. After the transaction, SLS will own 0% of the shares and votes in Aktia Bank Plc.

On 1 March 2020, SLS has signed an agreement according to which SLS sells 5,803,154 shares in Aktia Bank Plc to RG Partners Oy. The acquisition of the shares was subject to ECB approving RG Partners Oy's acquisition of more than 10% of the shares and to the Financial Supervisory Authority granting other certain permissions for the acquisition. After the terms of the transaction have been met on 23 October 2020, SLS will divest the shares that are the subject of the transaction approximately on 6 November 2020.

## Rating

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

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

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

## Events concerning related parties

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

## Development of Aktia's share 2 January–30 September 2020



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

## Staff

The number of full-time employees at the end of September amounted to 821 (31 December 2019; 776). The average number of full-time employees amounted to 800 (1 January–30 September 2019; 790).

## Incentive scheme

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

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

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

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

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

## Decisions of Aktia Bank Plc's Annual General Meeting 2020

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

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

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

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

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

All proposals mentioned above are included in the Summons to the Annual General Meeting published on the website [www.aktia.com](http://www.aktia.com) under About Aktia > Corporate Governance > Annual General Meeting > Annual General Meeting 2020.

## Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 169.7 million. At the end of September 2020, the number of Aktia shares was 70,221,488. The total number of registered holders amounted to 36,576 (30 September 2019; 36,140). 8.18% of the shares were in foreign ownership. The number of unregistered shares was 765,116 on 30 September 2020, corresponding to 1.1% of the total number of shares. On 30 September 2020, the Group held 113,372 Aktia shares (30 September 2019; 29,321). Aktia Bank Plc's market value on 30 September 2020, the last trading day of the period, was approximately EUR 649 million. The closing price for the Aktia share on 30 September 2020 was EUR 9.24. The highest price for the Aktia share during the period was EUR 11.64 and the lowest EUR 6.51.

The average daily turnover of the Aktia share during January–September 2020 was EUR 512,269 or 107,731 shares.

(EUR million)	Number of shares	Share capital	Unrestricted equity reserve
<b>1 Jan 2019</b>	<b>69,027,794</b>	<b>163.0</b>	<b>108.9</b>
Share issue 16 May 2019	66,959	-	0.6
Share issue 14 Nov 2019	77,684	-	0.7
Other changes	-	-	-
<b>31 Dec 2019</b>	<b>69,172,437</b>	<b>163.0</b>	<b>110.2</b>
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
Other changes	-	-	0.2
<b>30 Sep 2020</b>	<b>70,221,488</b>	<b>169.7</b>	<b>112.6</b>

## Financial targets up until 2023

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

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

## Risks and outlook

### Risks (unchanged)

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

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

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

The availability of liquidity on the 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 competition for deposits, higher demands on long-term financing and higher fixed costs.

The outbreak of the coronavirus pandemic during the first quarter of the year and the measures taken for limiting its development have influenced both the real economy and the financial market. The rapid movements on the equity market and the initial rapid downfall have increased the risk relating to the value of the Group's investment assets.

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

The uncertainty on the financial market relating to the impact of the pandemic as well as its duration, have increased the risk for refinancing and liquidity.

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

Challenges in the real economy and the rise in unemployment increase the risk relating to the security value for real estate that are used as security for loans, which in turn increases the risk for possible impairments of the credit portfolio. During the period the increase in Aktia's credit risk was mainly reflected in the increase in the number of applications for an instalment-free period that have been received as a result of the campaign for instalment-free periods for loans, and through an increase in the flexibility of loan management at the end of the first quarter.

The impact of the coronavirus pandemic and the effects of the measures taken to prevent it are being monitored and assessed continuously so that the long-term effects of the pandemic on Aktia's risks can be confirmed at a later stage.

## Outlook 2020 (updated)

Aktia informed on 18 March 2020 that the significant worsening of the macroeconomic outlook and the grown volatility on the market as a result of the coronavirus outbreak are expected to have a negative impact on Aktia's operating profit in 2020.

Although the comparable operating profit for the whole year is expected to decrease due to the weak result during the first quarter, the underlying business performance is expected to develop steadily during the last quarter of the year, provided market and social conditions are stable:

- Continued growth in net interest income is expected to continue. The recovery in commission income from especially fund and asset management is dependent on changes in market values.
- Net income from life insurance is still very much dependent on changes in market values.
- Provisions for possible credit losses are expected to continue on a moderate level during the last quarter of the year at the same time as Aktia's liquidity and capital adequacy are strong.

# Tables and notes to the interim report

## Key figures

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %	3Q2020	2Q2020	1Q2020	4Q2019	3Q2019
Earnings per share (EPS), EUR	0.39	0.67	-41%	0.18	0.19	0.03	0.23	0.16
Total earnings per share, EUR	0.46	0.80	-42%	0.23	0.30	-0.07	0.06	0.17
Equity per share (NAV), EUR *1	9.21	8.76	5%	9.21	8.97	8.68	8.82	8.76
Average number of shares (excl. treasury shares), million <sup>2</sup>	69.7	69.0	1%	69.7	69.7	69.5	69.0	69.0
Number of shares at the end of the period (excl. treasury shares), million <sup>1</sup>	70.1	69.1	2%	70.1	70.1	69.9	69.1	69.1
Return on equity (ROE), %*	5.8	10.2	-43%	7.8	8.4	1.4	10.5	7.4
Return on assets (ROA), %*	0.36	0.65	-45%	0.48	0.52	0.08	0.66	0.47
Cost-to-income ratio*	0.73	0.65	12%	0.68	0.66	0.89	0.64	0.71
Common Equity Tier 1 capital ratio. CET1 (Bank Group), % <sup>1</sup>	15.6	15.6	0 %	15.6	15.7	15.9	14.7	15.6
Tier 1 capital ratio (Bank Group), % <sup>1</sup>	15.6	15.6	0 %	15.6	15.7	15.9	14.7	15.6
Capital adequacy ratio (Bank Group), % <sup>1</sup>	18.5	20.0	-8 %	18.5	18.9	19.4	18.6	20.0
Risk-weighted assets (Bank Group) <sup>1</sup>	2,900.7	2,495.4	16 %	2,900.7	2,844.8	2,746.0	2,636.9	2,495.4
Capital adequacy ratio (finance and insurance conglomerate), % <sup>1</sup>	136.9	129.4	6 %	136.9	135.7	136.2	131.6	129.4
Equity ratio, %* <sup>1</sup>	6.4	6.4	-1%	6.4	6.3	6.2	6.4	6.4
Group financial assets* <sup>1</sup>	2,625.9	2,208.9	19%	2,625.9	2,435.5	2,234.9	2,094.7	2,208.9
Customer assets under management* <sup>1,3</sup>	9,623.5	9,849.4	-2%	9,623.5	9,233.3	8,135.9	9,853.1	9,849.4
Borrowing from the public <sup>1</sup>	4,497.1	4,116.3	9%	4,497.1	4,499.9	4,260.1	4,059.8	4,116.3
Lending to the public <sup>1</sup>	6,779.9	6,273.5	8%	6,779.9	6,693.8	6,589.6	6,429.1	6,273.5
Premiums written before reinsurers' share*	70.8	79.1	-10%	17.8	17.3	35.8	39.5	28.5
Expense ratio, % (life insurance company)* <sup>2</sup>	87.7	75.5	16%	87.7	89.3	88.3	73.9	75.5
Solvency ratio (life insurance company), %	146.8	166.3	-12%	146.8	137.4	171.7	192.1	166.3
Eligible capital (life insurance company)	154.0	153.1	1%	154.0	148.2	146.3	166.3	153.1
Investments at fair value (life insurance company)* <sup>1</sup>	1,421.7	1,331.7	7%	1,421.7	1,390.1	1,186.9	1,345.0	1,331.7
Technical provisions for risk insurances and interest-related insurances <sup>1</sup>	450.7	381.9	18%	450.7	459.3	383.8	390.4	381.9
Technical provisions for unit-linked insurances <sup>1</sup>	889.0	844.7	5%	889.0	856.4	753.4	869.4	844.7
Group's personnel (FTEs), average number of employees	800	790	1%	833	797	771	773	804
Group's personnel (FTEs), at the end of the period <sup>1</sup>	821	767	7%	821	834	767	776	767
<b>Alternative performance measures excluding items affecting comparability:</b>								
Comparable cost-to-income ratio*	0.73	0.67	9%	0.68	0.66	0.89	0.64	0.65
Comparable earnings per share (EPS), EUR*	0.40	0.56	-29%	0.18	0.19	0.03	0.23	0.20
Comparable return on equity (ROE), %*	5.9	8.6	-32%	7.8	8.5	1.4	10.5	9.2

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

1) At the end of the period

2) Cumulative from the beginning of the year

3) Excluding fund in funds (comparative periods recalculated)

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

## Consolidated income statement

(EUR million)	Note	Jan-Sep 2020	Jan-Sep 2019	Δ %	2019
Net interest income	3	59.9	58.2	3%	77.6
Dividends		0.3	0.5	-24%	0.5
Commission income		79.3	81.7	-3%	110.4
Commission expenses		-7.1	-8.4	16%	-11.3
Net commission income		72.2	73.3	-1%	99.1
Net income from life insurance	4	9.6	21.7	-56%	30.0
Net income from financial transactions	5	0.5	2.0	-75%	2.9
Other operating income		1.5	10.5	-86%	11.4
<b>Total operating income</b>		<b>144.1</b>	<b>166.2</b>	<b>-13%</b>	<b>221.4</b>
Staff costs		-51.4	-52.1	-1%	-69.0
IT expenses		-19.1	-19.4	-2%	-26.2
Depreciation of tangible and intangible assets		-13.7	-14.6	-6%	-19.5
Other operating expenses		-21.6	-22.5	-4%	-29.2
<b>Total operating expenses</b>		<b>-105.7</b>	<b>-108.6</b>	<b>-3%</b>	<b>-143.9</b>
Impairment of credits and other commitments	7	-3.2	-3.7	-13%	-4.5
Share of profit from associated companies		-0.1	1.7	-	1.7
<b>Operating profit</b>		<b>35.1</b>	<b>55.6</b>	<b>-37%</b>	<b>74.8</b>
Taxes		-7.6	-9.7	-22%	-12.9
<b>Profit for the period</b>		<b>27.5</b>	<b>45.9</b>	<b>-40%</b>	<b>61.8</b>
<b>Attributable to:</b>					
Shareholders in Aktia Bank Plc		27.5	45.9	-40%	61.8
<b>Total</b>		<b>27.5</b>	<b>45.9</b>	<b>-40%</b>	<b>61.8</b>
Earnings per share (EPS), EUR		0.39	0.67	-41%	0.90
Earnings per share (EPS) after dilution, EUR		0.39	0.67	-41%	0.90
<b>Operating profit excluding items affecting comparability:</b>					
Operating profit		35.1	55.6	-37%	74.8
Operating income:					
Additional income from divestment of Visa Europe to Visa Inc		-	-0.5	-	-0.5
Profit from divestment of shares in Samlink Ltd		-	-9.6	-	-9.6
Operating expenses:					
Costs for restructuring		0.2	3.4	-94%	3.5
<b>Comparable operating profit</b>		<b>35.3</b>	<b>49.0</b>	<b>-28%</b>	<b>68.2</b>

## Consolidated statement of comprehensive income

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %	2019
Profit for the period	27.5	45.9	-40%	61.8
<b>Other comprehensive income after taxes:</b>				
Change in valuation of fair value for financial assets	7.0	9.8	-29%	2.8
Change in valuation of fair value for cash flow hedging	0.1	-	-	-
Transferred to the income statement for financial assets	-2.5	-0.7	-255%	-5.3
Comprehensive income from items which can be transferred to the income statement	4.6	9.1	-49%	-2.6
Defined benefit plan pensions	-	-	-	-0.3
Comprehensive income from items which can not be transferred to the income statement	-	-	-	-0.3
<b>Total comprehensive income for the period</b>	<b>32.1</b>	<b>55.0</b>	<b>-42%</b>	<b>59.0</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders in Aktia Bank Plc	32.1	55.0	-42%	59.0
<b>Total</b>	<b>32.1</b>	<b>55.0</b>	<b>-42%</b>	<b>59.0</b>
Total earnings per share, EUR	0.46	0.80	-42%	0.85
Total earnings per share after dilution, EUR	0.46	0.80	-42%	0.85
<b>Total comprehensive income excluding items affecting comparability:</b>				
Total comprehensive income	32.1	55.0	-42%	59.0
Operating income:				
Additional income from divestment of Visa Europe to Visa Inc	-	-0.4	-	-0.4
Profit from divestment of shares in Samlink Ltd	-	-9.6	-	-9.6
Operating expenses:				
Costs for restructuring	0.2	2.7	-94%	2.8
<b>Comparable total comprehensive income</b>	<b>32.3</b>	<b>47.8</b>	<b>-32%</b>	<b>51.8</b>

## Items affecting consolidated income statement and comprehensive income

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %	2019
Net income from financial transactions	-	0.5	-	0.5
Other operating income	-	9.6	-	9.6
<b>Total operating income</b>	<b>-</b>	<b>10.1</b>	<b>-</b>	<b>10.1</b>
Staff costs	-0.2	-2.1	-91%	-2.2
Other operating expenses	-	-1.3	-	-1.3
<b>Total operating expenses</b>	<b>-0.2</b>	<b>-3.4</b>	<b>-94%</b>	<b>-3.5</b>
<b>Operating profit</b>	<b>-0.2</b>	<b>6.6</b>	<b>-</b>	<b>6.5</b>
Taxes	0.0	0.6	-93%	0.6
<b>Total comprehensive income for the year</b>	<b>-0.2</b>	<b>7.2</b>	<b>-</b>	<b>7.2</b>

## Consolidated balance sheet

(EUR million)	Note	30 Sep 2020	31 Dec 2019	Δ %	30 Sep 2019
<b>Assets</b>					
Interest-bearing securities		102.7	19.4	430%	17.4
Shares and participations		153.0	148.1	3%	137.2
Investments for unit-linked investments		889.4	871.6	2%	845.6
Financial assets measured at fair value through income statement	8	1,145.0	1,039.1	10%	1,000.3
Interest-bearing securities		1,266.9	1,240.3	2%	1,343.1
Financial assets measured at fair value through other comprehensive income	8	1,266.9	1,240.3	2%	1,343.1
Interest-bearing securities	7,8	391.2	336.5	16%	347.2
Lending to Bank of Finland and credit institutions	7,8	28.7	17.3	66%	23.7
Lending to the public and public sector entities	7,8	6,779.9	6,429.1	5%	6,273.5
Cash and balances with central banks	8	673.6	315.4	114%	322.5
Financial assets measured at amortised cost		7,873.4	7,098.3	11%	6,966.9
Derivative instruments	6,8	72.1	68.1	6%	93.6
Investments in associated companies and joint ventures		0.2	0.1	79%	0.1
Intangible assets		58.0	62.8	-8%	64.0
Right-of-use assets		22.6	11.8	91%	12.5
Investment properties		39.9	42.2	-5%	34.2
Other tangible assets		4.4	2.1	107%	2.4
Tangible and intangible assets		124.9	118.9	5%	113.0
Other assets		100.8	128.9	-22%	93.0
Income tax receivables		2.7	0.4	560%	0.9
Deferred tax receivables		2.5	2.9	-11%	3.1
Tax receivables		5.3	3.3	60%	3.9
<b>Total assets</b>		<b>10,588.5</b>	<b>9,697.1</b>	<b>9%</b>	<b>9,614.0</b>
<b>Liabilities</b>					
Liabilities to central banks		550.0	400.0	38%	400.0
Liabilities to credit institutions		148.8	197.6	-25%	155.5
Liabilities to the public and public sector entities		4,497.1	4,059.8	11%	4,116.3
Deposits	8	5,195.8	4,657.5	12%	4,671.9
Derivative instruments	6,8	19.3	9.8	96%	12.5
Debt securities issued		2,948.1	2,622.7	12%	2,549.2
Subordinated liabilities		169.5	215.4	-21%	228.2
Other liabilities to credit institutions		30.9	35.1	-12%	41.4
Other liabilities to the public and public sector entities		100.0	150.0	-33%	100.0
Other financial liabilities	8	3,248.5	3,023.1	7%	2,918.9
Technical provisions for risk insurances and interest-related insurances		450.7	390.4	15%	381.9
Technical provisions for unit-linked insurances		889.0	869.4	2%	844.7
Technical provisions		1,339.7	1,259.8	6%	1,226.6
Other liabilities		83.9	81.1	3%	120.6
Provisions		1.4	1.0	39%	0.8
Income tax liabilities		0.6	4.3	-87%	0.7
Deferred tax liabilities		53.7	50.5	6%	57.2
Tax liabilities		54.3	54.8	-1%	57.9
<b>Total liabilities</b>		<b>9,942.8</b>	<b>9,087.1</b>	<b>9%</b>	<b>9,009.1</b>
<b>Equity</b>					
Restricted equity		189.5	178.1	6%	189.8
Unrestricted equity		456.3	431.9	6%	415.2
<b>Total equity</b>		<b>645.7</b>	<b>610.0</b>	<b>6%</b>	<b>604.9</b>
<b>Total liabilities and equity</b>		<b>10,588.5</b>	<b>9,697.1</b>	<b>9%</b>	<b>9,614.0</b>

## Consolidated off-balance-sheet commitments

(EUR million)	30 Sep 2020	31 Dec 2019	Δ %	30 Sep 2019
Guarantees	26.1	28.3	-8%	29.6
Other commitments provided to a third party	6.0	5.5	10%	5.3
Commitments provided to a third party on behalf of the customers	32.1	33.7	-5%	34.9
Unused credit arrangements	654.1	592.4	10%	486.3
Other commitments provided to a third party	9.3	14.4	-36%	21.2
Irrevocable commitments provided on behalf of customers	663.4	606.9	9%	507.5
<b>Total</b>	<b>695.5</b>	<b>640.6</b>	<b>9%</b>	<b>542.4</b>

## Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Total equity
<b>Equity as at 1 January 2019</b>	<b>163.0</b>	<b>17.7</b>	<b>1.4</b>	<b>108.9</b>	<b>298.9</b>	<b>589.9</b>
Share issue				1.3		1.3
Divestment of treasury shares				0.0	0.8	0.7
Dividend to shareholders					-42.1	-42.1
Profit for the year					61.8	61.8
Financial assets		-2.6				-2.6
Defined benefit plan pensions					-0.3	-0.3
Total comprehensive income for the year		-2.6			61.5	59.0
Change in share-based payments (IFRS 2)			1.2			1.2
<b>Equity as at 31 December 2019</b>	<b>163.0</b>	<b>15.1</b>	<b>2.6</b>	<b>110.2</b>	<b>319.1</b>	<b>610.0</b>

<b>Equity as at 1 January 2020</b>	<b>163.0</b>	<b>15.1</b>	<b>2.6</b>	<b>110.2</b>	<b>319.1</b>	<b>610.0</b>
Share issue	6.7			2.3	-5.7	3.3
Acquisition of treasury shares					-1.7	-1.7
Divestment of treasury shares				0.2	1.3	1.5
Profit for the period					27.5	27.5
Financial assets		4.5				4.5
Cash flow hedging		0.1				0.1
Total comprehensive income for the period		4.6			27.5	32.1
Change in share-based payments (IFRS 2)			-0.2		0.8	0.5
<b>Equity as at 30 September 2020</b>	<b>169.7</b>	<b>19.7</b>	<b>2.4</b>	<b>112.6</b>	<b>341.3</b>	<b>645.7</b>

<b>Equity as at 1 January 2019</b>	<b>163.0</b>	<b>17.7</b>	<b>1.4</b>	<b>108.9</b>	<b>298.9</b>	<b>589.9</b>
Share issue				0.6		0.6
Divestment of treasury shares				0.0	0.8	0.7
Dividend to shareholders					-42.1	-42.1
Profit for the period					45.9	45.9
Financial assets		9.1				9.1
Total comprehensive income for the period		9.1			45.9	55.0
Change in share-based payments (IFRS 2)			0.7			0.7
<b>Equity as at 30 September 2019</b>	<b>163.0</b>	<b>26.8</b>	<b>2.1</b>	<b>109.5</b>	<b>303.5</b>	<b>604.9</b>

## Consolidated cash flow statement

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %	2019
<b>Cash flow from operating activities</b>				
Operating profit	35.1	55.6	-37%	74.8
Adjustment items not included in cash flow	32.9	6.4	413%	6.8
Unwound fair value hedging	-	7.5	-	7.5
Paid income taxes	-11.2	-9.2	-21%	-11.9
<b>Cash flow from operating activities before change in receivables and liabilities</b>	<b>56.8</b>	<b>60.2</b>	<b>-6%</b>	<b>77.1</b>
Increase (-) or decrease (+) in receivables from operating activities	-428.7	-274.5	-56%	-405.1
Increase (+) or decrease (-) in liabilities from operating activities	781.1	263.3	197%	381.1
<b>Total cash flow from operating activities</b>	<b>409.1</b>	<b>49.0</b>	<b>735%</b>	<b>53.1</b>
<b>Cash flow from investing activities</b>				
Proceeds from sale of group companies and associated companies	-	9.6	-	9.6
Investment in investment properties	-1.5	-3.9	62%	-7.9
Proceeds from sale of investment properties	-	10.8	-	10.8
Investment in tangible and intangible assets	-6.8	-6.0	-14%	-7.8
Proceeds from sale of tangible and intangible assets	-	-	-	0.0
Share issue and capital loan to associated companies	-0.1	-	-	-
Acquisition of Liv-Alandia's life insurance portfolio	7.0	-	-	-
<b>Total cash flow from investing activities</b>	<b>-1.5</b>	<b>10.5</b>	<b>-</b>	<b>4.8</b>
<b>Cash flow from financing activities</b>				
Subordinated liabilities	-46.0	18.3	-	7.5
Dividend/share issue to the non-controlling interest	-3.0	-2.3	-30%	-2.3
Divestment of treasury shares	1.5	0.7	97%	0.7
Paid dividends	-	-42.1	-	-42.1
<b>Total cash flow from financing activities</b>	<b>-47.5</b>	<b>-25.3</b>	<b>-88%</b>	<b>-36.1</b>
<b>Change in cash and cash equivalents</b>	<b>360.1</b>	<b>34.2</b>	<b>954%</b>	<b>21.7</b>
Cash and cash equivalents at the beginning of the year	286.1	264.4	8%	264.4
Cash and cash equivalents at the end of the period	646.2	298.5	116%	286.1
<b>Cash and cash equivalents in the cash flow statement consist of the following items:</b>				
Cash in hand	1.5	1.7	-7%	1.8
Bank of Finland current account	623.9	276.7	126%	269.4
Repayable on demand claims on credit institutions	20.7	20.2	2%	14.8
<b>Total</b>	<b>646.2</b>	<b>298.5</b>	<b>116%</b>	<b>286.1</b>
<b>Adjustment items not included in cash flow consist of:</b>				
Impairment of interest-bearing securities	-0.1	-0.5	77%	-0.3
Unrealised value change of financial assets measured at fair value through income statement	5.5	-4.4	-	-4.4
Impairment of credits and other commitments	3.2	3.7	-13%	4.5
Change in fair value	12.1	-0.2	-	-0.5
Depreciation and impairment of tangible and intangible assets	9.4	9.5	-1%	12.7
Sales gains and losses from tangible and intangible assets	-	-0.9	-	-0.9
Unwound fair value hedging	-1.6	-2.4	35%	-3.1
Change in fair values of investment properties	3.8	-1.1	-	-5.2
Change in share-based payments	-0.5	0.2	-	0.7
Other adjustments	1.0	2.5	-60%	3.3
<b>Total</b>	<b>32.9</b>	<b>6.4</b>	<b>413%</b>	<b>6.8</b>

## Quarterly trends in the Group

(EUR million)

Income statement	3Q2020	2Q2020	1Q2020	4Q2019	3Q2019	Jan-Sep 2020	Jan-Sep 2019
Net interest income	20.0	20.1	19.7	19.3	19.6	59.9	58.2
Dividends	0.0	0.1	0.2	0.0	0.3	0.3	0.5
Net commission income	24.2	22.9	25.2	25.8	25.3	72.2	73.3
Net income from life insurance	4.7	10.1	-5.2	8.3	6.8	9.6	21.7
Net income from financial transactions	0.2	1.3	-1.0	0.9	0.5	0.5	2.0
Other operating income	0.3	0.2	1.0	0.9	0.4	1.5	10.5
<b>Total operating income</b>	<b>49.4</b>	<b>54.8</b>	<b>39.9</b>	<b>55.2</b>	<b>52.9</b>	<b>144.1</b>	<b>166.2</b>
Staff costs	-16.4	-18.4	-16.6	-16.9	-18.6	-51.4	-52.1
IT expenses	-7.1	-6.4	-5.6	-6.8	-6.4	-19.1	-19.4
Depreciation of tangible and intangible assets	-4.3	-4.8	-4.6	-4.9	-4.8	-13.7	-14.6
Other operating expenses	-6.0	-6.7	-8.9	-6.7	-7.7	-21.6	-22.5
<b>Total operating expenses</b>	<b>-33.8</b>	<b>-36.3</b>	<b>-35.6</b>	<b>-35.3</b>	<b>-37.5</b>	<b>-105.7</b>	<b>-108.6</b>
Impairment of credits and other commitments	-0.1	-1.8	-1.4	-0.8	-1.2	-3.2	-3.7
Impairment of other receivables	0.4	-0.4	-	-	-	-	-
Share of profit from associated companies	0.0	0.0	-0.1	0.0	0.0	-0.1	1.7
<b>Operating profit</b>	<b>16.0</b>	<b>16.3</b>	<b>2.8</b>	<b>19.1</b>	<b>14.3</b>	<b>35.1</b>	<b>55.6</b>
Taxes	-3.5	-3.3	-0.7	-3.2	-3.1	-7.6	-9.7
<b>Profit for the period</b>	<b>12.4</b>	<b>13.0</b>	<b>2.1</b>	<b>15.9</b>	<b>11.2</b>	<b>27.5</b>	<b>45.9</b>
<b>Attributable to:</b>							
Shareholders in Aktia Bank Plc	12.4	13.0	2.1	15.9	11.2	27.5	45.9
<b>Total</b>	<b>12.4</b>	<b>13.0</b>	<b>2.1</b>	<b>15.9</b>	<b>11.2</b>	<b>27.5</b>	<b>45.9</b>
Earnings per share (EPS), EUR	0.18	0.19	0.03	0.23	0.16	0.39	0.67
Earnings per share (EPS) after dilution, EUR	0.18	0.19	0.03	0.23	0.16	0.39	0.67
<b>Operating profit excluding items affecting comparability:</b>	<b>3Q2020</b>	<b>2Q2020</b>	<b>1Q2020</b>	<b>4Q2019</b>	<b>3Q2019</b>	<b>Jan-Sep 2020</b>	<b>Jan-Sep 019</b>
Operating profit	16.0	16.3	2.8	19.1	14.3	35.1	55.6
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-	-	-0.5
Profit from divestment of shares in Samlink Ltd	-	-	-	-	-	-	-9.6
Operating expenses:							
Costs for restructuring	-	0.2	-	0.1	3.3	0.2	3.4
<b>Comparable operating profit</b>	<b>16.0</b>	<b>16.5</b>	<b>2.8</b>	<b>19.2</b>	<b>17.6</b>	<b>35.3</b>	<b>49.0</b>

(EUR million)

<b>Comprehensive income</b>	<b>3Q2020</b>	<b>2Q2020</b>	<b>1Q2020</b>	<b>4Q2019</b>	<b>3Q2019</b>	<b>Jan-Sep 2020</b>	<b>Jan-Sep 2019</b>
Profit for the period	12.4	13.0	2.1	15.9	11.2	27.5	45.9
<b>Other comprehensive income after taxes:</b>							
Change in fair value for financial assets	4.0	8.7	-5.7	-7.0	0.8	7.0	9.8
Change in fair value for cash flow hedging	0.1	0.0	-	-	-	0.1	-
Transferred to the income statement for financial assets	-0.5	-0.7	-1.3	-4.6	-0.3	-2.5	-0.7
Comprehensive income from items which can be transferred to the income statement	3.6	8.0	-7.0	-11.7	0.5	4.6	9.1
Defined benefit plan pensions	-	-	-	-0.3	-	-	-
Comprehensive income from items which can not be transferred to the income statement	-	-	-	-0.3	-	-	-
<b>Total comprehensive income for the period</b>	<b>16.1</b>	<b>21.0</b>	<b>-4.9</b>	<b>3.9</b>	<b>11.6</b>	<b>32.1</b>	<b>55.0</b>
<b>Total comprehensive income attributable to:</b>							
Shareholders in Aktia Bank Plc	16.1	21.0	-4.9	3.9	11.6	32.1	55.0
<b>Total</b>	<b>16.1</b>	<b>21.0</b>	<b>-4.9</b>	<b>3.9</b>	<b>11.6</b>	<b>32.1</b>	<b>55.0</b>
Total earnings per share, EUR	0.23	0.30	-0.07	0.06	0.17	0.46	0.80
Total earnings per share after dilution, EUR	0.23	0.30	-0.07	0.06	0.17	0.46	0.80

<b>Total comprehensive income excluding items affecting comparability:</b>	<b>3Q2020</b>	<b>2Q2020</b>	<b>1Q2020</b>	<b>4Q2019</b>	<b>3Q2019</b>	<b>Jan-Sep 2020</b>	<b>Jan-Sep 2019</b>
Operating profit	16.1	21.0	-4.9	3.9	11.6	32.1	55.0
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-	-	-0.4
Profit from divestment of shares in Samlink Ltd	-	-	-	-	-	-	-9.6
Operating expenses:							
Costs for restructuring	-	0.2	-	0.1	2.7	0.2	2.7
<b>Comparable total comprehensive income</b>	<b>16.1</b>	<b>21.2</b>	<b>-4.9</b>	<b>4.0</b>	<b>14.3</b>	<b>32.3</b>	<b>47.8</b>

## Quarterly trends in the Segments

	3Q2020	2Q2020	1Q2020	4Q2019	3Q2019	Jan-Sep 2020	Jan-Sep 2019
<b>Banking Business</b>							
Net interest income	18.2	17.9	16.9	16.6	17.4	53.0	50.8
Net commission income	15.7	15.1	16.6	16.7	16.8	47.4	49.9
Other operating income	0.2	0.1	0.7	0.1	0.1	0.9	0.2
<b>Total operating income</b>	<b>34.0</b>	<b>33.1</b>	<b>34.3</b>	<b>33.4</b>	<b>34.3</b>	<b>101.3</b>	<b>100.9</b>
Staff costs	-5.1	-5.3	-4.6	-5.1	-7.0	-15.0	-16.9
Other operating expenses <sup>1</sup>	-19.5	-20.3	-20.9	-19.5	-20.9	-60.7	-62.7
<b>Total operating expenses</b>	<b>-24.5</b>	<b>-25.6</b>	<b>-25.6</b>	<b>-24.6</b>	<b>-27.8</b>	<b>-75.7</b>	<b>-79.6</b>
Impairment of credits and other commitments	-0.1	-1.8	-1.4	-0.7	-1.3	-3.2	-3.7
Impairment of other receivables	0.4	-0.4	-	-	-	-	-
<b>Operating profit</b>	<b>9.8</b>	<b>5.3</b>	<b>7.3</b>	<b>8.1</b>	<b>5.2</b>	<b>22.4</b>	<b>17.6</b>
<b>Comparable operating profit</b>	<b>9.8</b>	<b>5.4</b>	<b>7.3</b>	<b>8.1</b>	<b>8.4</b>	<b>22.5</b>	<b>20.9</b>
<b>Asset Management</b>							
Net interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net commission income	10.1	9.4	10.2	10.9	10.3	29.7	28.9
Net income from life insurance	3.7	9.2	-6.3	7.2	5.7	6.6	18.3
Other operating income	0.0	0.0	0.1	0.2	0.1	0.2	0.2
<b>Total operating income</b>	<b>13.9</b>	<b>18.7</b>	<b>3.9</b>	<b>18.3</b>	<b>16.1</b>	<b>36.5</b>	<b>47.4</b>
Staff costs	-3.0	-3.6	-3.6	-3.8	-3.6	-10.3	-10.5
Other operating expenses <sup>1</sup>	-4.7	-4.6	-4.5	-4.5	-4.3	-13.8	-13.2
<b>Total operating expenses</b>	<b>-7.7</b>	<b>-8.2</b>	<b>-8.1</b>	<b>-8.3</b>	<b>-7.9</b>	<b>-24.0</b>	<b>-23.7</b>
<b>Operating profit</b>	<b>6.2</b>	<b>10.5</b>	<b>-4.2</b>	<b>10.0</b>	<b>8.2</b>	<b>12.5</b>	<b>23.7</b>
<b>Comparable operating profit</b>	<b>6.2</b>	<b>10.5</b>	<b>-4.2</b>	<b>10.0</b>	<b>8.2</b>	<b>12.5</b>	<b>23.7</b>
<b>Group Functions</b>							
Net interest income	1.9	2.2	2.7	2.7	2.2	6.8	7.4
Net commission income	1.5	1.5	1.7	1.5	1.6	4.7	4.5
Other operating income	0.3	1.6	-0.5	1.5	1.1	1.4	12.8
<b>Total operating income</b>	<b>3.7</b>	<b>5.3</b>	<b>4.0</b>	<b>5.7</b>	<b>4.8</b>	<b>12.9</b>	<b>24.7</b>
Staff costs	-8.4	-9.5	-8.3	-8.0	-8.1	-26.1	-24.7
Other operating expenses <sup>1</sup>	4.6	4.8	4.1	3.4	4.1	13.4	12.5
<b>Total operating expenses</b>	<b>-3.8</b>	<b>-4.7</b>	<b>-4.2</b>	<b>-4.7</b>	<b>-4.0</b>	<b>-12.7</b>	<b>-12.2</b>
Impairment of credits and other commitments	-	-	0.0	0.0	0.0	0.0	0.0
<b>Operating profit</b>	<b>-0.1</b>	<b>0.6</b>	<b>-0.3</b>	<b>1.0</b>	<b>0.9</b>	<b>0.2</b>	<b>12.6</b>
<b>Comparable operating profit</b>	<b>-0.1</b>	<b>0.7</b>	<b>-0.3</b>	<b>1.1</b>	<b>1.0</b>	<b>0.3</b>	<b>2.6</b>

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

## Note 1. Basis for preparing the interim report and important accounting principles

### Basis for preparing the interim report

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

The interim report for the period 1 January–30 September 2020 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The half-year report does not contain all the information and notes required for financial statements and should therefore be read together with the Aktia Group's annual report of 31 December 2019. Figures in the tables are presented in millions of euros rounded to one decimal. Therefore, the total of individual amounts may differ from the presented total.

The interim report for the period 1 January–30 September 2020 was approved by the Board of Directors on 3 November 2020.

Aktia Bank Plc's financial statements and interim reports are available on the Group's website [www.aktia.com](http://www.aktia.com).

### Key accounting principles

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

#### Accounting principles requiring management discretion

The calculation of ECL (Expected Credit Loss) includes essential assessments due to the current uncertainty and the low visibility regarding the effects of the coronavirus crisis. To support the Group's ECL calculations an expert panel has been established in order to observe relevant future macroeconomic factors. Macro-economic factors taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios over future macroeconomic prerequisites have been updated per quarter and include essential assessments e.g. in order to observe the coronavirus crisis' impact on future expected credit losses. The assessment includes several considerations, the Group has among other things taken into account the authorities' extensive stimulus packages. In the calculation of the ECL it has also been taken into account that the instalment-free periods due to the corona crisis do not automatically lead to an increased need for provisions, the assessment is carried out individually in conjunction with the handling of

the applications. The assessments have been made on the basis of the information available at the date of reporting. Due to the current uncertainty and the limited availability on trustworthy data the assessments for the future include significant uncertainty, which could have a considerable effect on the ECL estimate. The macroeconomic development and the assessments of credit quality are revised continuously during coming quarters.

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

No new or adjusted IFRS standards have been taken into use this year.

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

The reporting of insurance contracts is regulated in IFRS 4 and will in the future be replaced by the new standard IFRS 17. IFRS 17 means new starting points for reporting and measurement of insurance contracts as well as rules on how insurance contracts are presented in the notes. The aim of the new standard is to increase transparency, give a more accurate picture of the results of the insurance contracts and to reduce the differences in accounting between different insurance contracts. The insurance standard IFRS 17 was published on 18 May 2017. In June 2019 propositions on changes in the standard were published and according to these the adjusted standard will be implemented as of 1 January 2022. The standard is expected to be approved by the EU during 2021 and the compulsory implementation within EU will thus be 1 January 2023. The Aktia Group aims at implementing IFRS 17 when the standard becomes compulsory within EU.

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

## Note 2. Group's risk exposure

### The Bank Group's capital adequacy

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

(EUR million)	30 Sep 2020		31 Dec 2019		30 Sep 2019	
	Group	Bank Group	Group	Bank Group	Group	Bank Group
<b>Calculation of the Bank Group's capital base</b>						
<b>Total assets</b>	<b>10,588.5</b>	<b>9,202.5</b>	<b>9,697.1</b>	<b>8,385.8</b>	<b>9,614.0</b>	<b>8,316.9</b>
of which intangible assets	58.0	57.2	62.8	62.4	64.0	63.7
<b>Total liabilities</b>	<b>9,942.8</b>	<b>8,642.6</b>	<b>9,087.1</b>	<b>7,864.8</b>	<b>9,009.1</b>	<b>7,801.6</b>
of which subordinated liabilities	169.5	169.5	215.4	215.4	228.2	228.2
Share capital	169.7	169.7	163.0	163.0	163.0	163.0
Fund at fair value	19.7	15.0	15.1	7.7	26.8	13.5
Restricted equity	189.5	184.8	178.1	170.7	189.8	176.5
Unrestricted equity reserve and other funds	115.0	114.9	112.8	112.7	111.7	111.6
Retained earnings	313.8	232.2	257.3	191.7	257.6	192.0
Profit for the period	27.5	28.1	61.8	45.7	45.9	35.1
Unrestricted equity	456.3	375.1	431.9	350.2	415.2	338.7
Shareholders' share of equity	645.7	559.9	610.0	520.9	604.9	515.3
<b>Equity</b>	<b>645.7</b>	<b>559.9</b>	<b>610.0</b>	<b>520.9</b>	<b>604.9</b>	<b>515.3</b>
<b>Total liabilities and equity</b>	<b>10,588.5</b>	<b>9,202.5</b>	<b>9,697.1</b>	<b>8,385.8</b>	<b>9,614.0</b>	<b>8,316.9</b>
<b>Off-balance sheet commitments</b>	<b>695.5</b>	<b>686.2</b>	<b>640.6</b>	<b>626.2</b>	<b>543.1</b>	<b>521.9</b>
<b>The Bank Group's equity</b>		<b>559.9</b>		<b>520.9</b>		<b>515.3</b>
Provision for dividends to shareholders		-		-44.0		-
Profit for the period, for which no application was filed with the Financial Supervisory Authority		-28.1		-		-35.1
Intangible assets		-57.2		-62.4		-63.7
Debentures		84.6		102.6		110.1
Additional expected losses according to IRB		-21.6		-20.5		-20.6
Deduction for significant holdings in financial sector entities		-0.8		-6.7		-6.5
Other incl. unpaid dividend		0.8		0.8		0.7
<b>Total capital base (CET1 + AT1 + T2)</b>		<b>537.6</b>		<b>490.7</b>		<b>500.0</b>

The calculation of own funds as of June 30th 2020 doesn't include the treatment of article 468 of EU regulation 2020/873 (so called CRR quick fix). The article introduces a temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic.

(EUR million)

	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019
<b>The Bank Group's capital adequacy</b>					
Common Equity Tier 1 Capital before regulatory adjustments	532.4	528.8	520.5	477.1	480.4
Common Equity Tier 1 Capital regulatory adjustments	-79.4	-81.8	-83.6	-89.0	-90.5
<b>Total Common Equity Tier 1 Capital (CET1)</b>	<b>453.0</b>	<b>447.0</b>	<b>437.0</b>	<b>388.1</b>	<b>390.0</b>
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
<b>Additional Tier 1 capital after regulatory adjustments (AT1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tier 1 capital (T1 = CET1 + AT1)</b>	<b>453.0</b>	<b>447.0</b>	<b>437.0</b>	<b>388.1</b>	<b>390.0</b>
Tier 2 capital before regulatory adjustments	84.6	90.1	96.1	102.6	110.1
Tier 2 capital regulatory adjustments	-	-	-	-	-
<b>Total Tier 2 capital (T2)</b>	<b>84.6</b>	<b>90.1</b>	<b>96.1</b>	<b>102.6</b>	<b>110.1</b>
<b>Total own funds (TC = T1 + T2)</b>	<b>537.6</b>	<b>537.1</b>	<b>533.1</b>	<b>490.7</b>	<b>500.0</b>
<b>Risk weighted assets</b>	<b>2,900.7</b>	<b>2,844.8</b>	<b>2,746.0</b>	<b>2,636.9</b>	<b>2,495.4</b>
of which credit risk, the standardised model	658.9	651.0	591.1	558.7	468.6
of which credit risk, the IRB model	1,781.4	1,727.0	1,631.1	1,567.4	1,496.9
of which 15% risk-weight floor for residential mortgages	99.0	105.5	162.4	149.5	176.3
of which market risk	-	-	-	-	-
of which operational risk	361.3	361.3	361.3	361.3	353.6
Own funds requirement (8%)	232.1	227.6	219.7	211.0	199.6
Own funds buffer	305.6	309.5	313.4	279.8	300.4
CET1 Capital ratio	15.6%	15.7%	15.9%	14.7%	15.6%
T1 Capital ratio	15.6%	15.7%	15.9%	14.7%	15.6%
Total capital ratio	18.5%	18.9%	19.4%	18.6%	20.0%
<b>Own funds floor (CRR article 500)</b>					
Own funds	537.6	537.1	533.1	490.7	500.0
Own funds floor <sup>1</sup>	221.4	220.0	214.6	203.6	208.1
Own funds buffer	316.2	317.1	318.5	287.2	291.9

<sup>1</sup>) 80% of the capital requirement based on standardised approach (8%).

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

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

(EUR million)

	2017	2018	2019	Sep 2020	Jun 2020	Mar 2020	Dec 2019	Sep 2019
<b>Risk-weighted amount for operational risks</b>								
Gross income	188.9	193.6	195.6					
- average 3 years			192.7					
<b>Capital requirement for operational risk</b>				<b>28.9</b>	<b>28.9</b>	<b>28.9</b>	<b>28.9</b>	<b>28.3</b>
<b>Risk-weighted amount</b>				<b>361.3</b>	<b>361.3</b>	<b>361.3</b>	<b>361.3</b>	<b>353.6</b>

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

(EUR million)

30 September 2020

	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
<b>The Bank Group's total risk exposures</b>					
<b>Exposure class</b>					
<b>Credit risk, IRB approach</b>					
Corporates - SME	580.8	524.7	79%	413.9	33.1
Corporates - Other	691.3	645.2	67%	432.8	34.6
Retail - Secured by immovable property non-SME	4,728.7	4,719.3	14%	643.0	51.4
Retail - Secured by immovable property SME	157.4	155.9	50%	78.2	6.3
Retail - Other non-SME	188.9	185.1	34%	62.9	5.0
Retail - Other SME	33.1	31.4	59%	18.4	1.5
Risk-weight floor for residential mortgages, 15%	-	-	15%	99.0	7.9
Equity exposures	50.5	50.5	262%	132.2	10.6
<b>Total exposures, IRB approach</b>	<b>6,430.6</b>	<b>6,312.2</b>	<b>30%</b>	<b>1,880.4</b>	<b>150.4</b>
<b>Credit risk, standardised approach</b>					
States and central banks	858.0	904.1	0%	-	-
Regional governments and local authorities	129.5	147.3	0%	0.1	0.0
Multilateral development banks	-	-	-	-	-
International organisations	20.1	20.1	0%	-	-
Credit institutions	364.8	287.7	31%	89.2	7.1
Corporates	177.9	105.8	96%	101.8	8.1
Retail exposures	238.3	94.7	72%	68.5	5.5
Secured by immovable property	701.9	661.6	35%	228.3	18.3
Past due items	0.7	0.6	146%	0.9	0.1
Covered Bonds	832.6	832.6	10%	85.4	6.8
Other items	130.2	130.2	51%	67.0	5.4
<b>Total exposures, standardised approach</b>	<b>3,453.9</b>	<b>3,184.5</b>	<b>20%</b>	<b>641.2</b>	<b>51.3</b>
<b>Total risk exposures</b>	<b>9,884.5</b>	<b>9,496.7</b>	<b>27%</b>	<b>2,521.6</b>	<b>201.7</b>

(EUR million)

31 December 2019

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

## The finance and insurance conglomerates capital adequacy

(EUR million)	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019
<b>Summary</b>					
The Group's equity	645.7	629.0	606.7	610.0	604.9
Sector-specific assets	88.7	94.4	100.7	107.4	115.1
Intangible assets and other reduction items	-142.7	-141.4	-115.1	-159.1	-188.5
<b>Conglomerate's total capital base</b>	<b>591.7</b>	<b>582.0</b>	<b>592.2</b>	<b>558.3</b>	<b>531.5</b>
Capital requirement for banking business	327.5	321.2	349.5	337.6	318.6
Capital requirement for insurance business <sup>1</sup>	104.9	107.9	85.2	86.6	92.1
<b>Minimum amount for capital base</b>	<b>432.3</b>	<b>429.1</b>	<b>434.8</b>	<b>424.2</b>	<b>410.7</b>
<b>Conglomerate's capital adequacy</b>	<b>159.4</b>	<b>153.0</b>	<b>157.5</b>	<b>134.1</b>	<b>120.8</b>
Capital adequacy ratio, %	136.9%	135.7%	136.2%	131.6%	129.4%

<sup>1</sup>) From 1 January 2016 Solvency II requirement (SCR)

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

## Note 3. Net interest income

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %	2019
Borrowing and lending	57.7	54.8	5%	73.4
Liquidity portfolio	4.7	4.7	0%	6.1
Hedging measures through interest rate derivatives	1.7	3.3	-49%	4.0
Other, incl. funding from wholesale market	-4.2	-4.5	7%	-5.9
<b>Total</b>	<b>59.9</b>	<b>58.2</b>	<b>3%</b>	<b>77.6</b>

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

## Note 4. Net income from life insurance

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %	2019
Premiums written	70.2	78.5	-11%	117.9
Net income from investments	-0.6	16.7	-	32.1
of which change in ECL impairment	-0.1	0.1	-	0.1
of which unrealised value changes for shares and participations	-4.6	3.5	-	3.1
of which unrealised value changes for investment properties	-3.8	0.4	-	3.9
Insurance claims paid	-90.3	-89.2	-1%	-136.9
Net change in technical provisions	30.4	15.7	93%	16.9
<b>Total</b>	<b>9.6</b>	<b>21.7</b>	<b>-56%</b>	<b>30.0</b>

## Note 5. Net income from financial transactions

(EUR million)	Jan-Sep 2020	Jan-Sep 2019	Δ %	2019
Net income from financial assets measured at fair value through income statement	0.4	-0.5	-	-0.1
Net income from securities and currency operations	0.1	1.7	-96%	2.4
of which unrealised value changes in shares and participations	0.0	0.9	-97%	1.4
Net income from financial assets measured at fair value through other comprehensive income	0.4	0.7	-41%	0.5
of which change in ECL impairment	0.1	0.4	-77%	0.3
Net income from interest-bearing securities measured at amortised cost	0.1	0.0	-	-0.1
of which change in ECL impairment	0.1	0.0	-	-0.1
Net income from hedge accounting	-0.4	0.2	-	0.2
<b>Total</b>	<b>0.5</b>	<b>2.0</b>	<b>-75%</b>	<b>2.9</b>

## Note 6. Derivative instruments

Hedging derivative instruments (EUR million)	30 September 2020		
	Total nominal amount	Assets, fair value	Liabilities, fair value
<b>Fair value hedging</b>			
Interest rate-related	2,467.0	65.2	5.8
<b>Total</b>	<b>2,467.0</b>	<b>65.2</b>	<b>5.8</b>
<b>Cash Flow hedging</b>			
Interest rate-related	249.2	-	6.6
<b>Total</b>	<b>249.2</b>	<b>-</b>	<b>6.6</b>
<b>Derivative instruments valued through the income statement</b>			
Interest rate-related <sup>1</sup>	210.0	6.9	6.9
Currency-related	1.8	0.0	0.0
<b>Total</b>	<b>211.8</b>	<b>6.9</b>	<b>6.9</b>
<b>Total derivative instruments</b>			
Interest rate-related	2,926.2	72.1	19.3
Currency-related	1.8	0.0	0.0
<b>Total</b>	<b>2,928.0</b>	<b>72.1</b>	<b>19.3</b>

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

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

## Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
<b>Book value of financial assets 30 September 2020</b>				
Interest-bearing securities	1,658.1	-	-	1,658.1
Lending	6,426.0	333.7	48.9	6,808.6
Off-balance sheet commitments	692.8	2.2	0.5	695.5
<b>Total</b>	<b>8,776.8</b>	<b>336.0</b>	<b>49.4</b>	<b>9,162.2</b>
<b>Book value of financial assets 31 December 2019</b>				
Interest-bearing securities	1,576.8	-	-	1,576.8
Lending	6,254.8	140.6	51.1	6,446.5
Off-balance sheet commitments	637.2	2.9	0.4	640.6
<b>Total</b>	<b>8,468.9</b>	<b>143.5</b>	<b>51.5</b>	<b>8,663.9</b>

### Credits and other commitments

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and the other commitments 1 January 2020 according to IFRS 9	3.8	3.6	21.8	29.2
Transferred from stage 1 to stage 2	-0.2	2.5	-	2.2
Transferred from stage 1 to stage 3	0.0	-	0.3	0.3
Transferred from stage 2 to stage 1	0.1	-0.6	-	-0.5
Transferred from stage 2 to stage 3	-	-0.5	0.9	0.4
Transferred from stage 3 to stage 1	0.0	-	-0.1	-0.1
Transferred from stage 3 to stage 2	-	0.3	-0.2	0.1
Reversal of impairment	-	-	-0.1	-0.1
Other changes	0.5	-0.1	0.6	1.0
Impairment January-September 2020 in the income statement	0.4	1.5	1.3	3.2
Realised losses for which write-downs were made in previous years	-	-	-1.3	-1.3
Reversal of impairment	-	-	0.1	0.1
<b>Impairment of credits and the other commitments 30 September 2020 according to IFRS 9</b>	<b>4.1</b>	<b>5.2</b>	<b>21.9</b>	<b>31.2</b>
of which ECL provisions in the balance sheet	1.0	0.1	0.3	1.4

### Interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2020 according to IFRS 9	0.8	-	-	0.8
Other changes	-0.1	-	-	-0.1
Impairment January-September 2020 in the income statement	-0.1	-	-	-0.1
<b>Impairment of interest-bearing securities 30 September 2020 according to IFRS 9</b>	<b>0.7</b>	<b>-</b>	<b>-</b>	<b>0.7</b>

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

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

## Note 8. Financial assets and liabilities

### Fair value of financial assets and liabilities

(EUR million)	30 September 2020		31 December 2019	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Financial assets measured at fair value through income statement	1,145.0	1,145.0	1,039.1	1,039.1
Financial assets measured at fair value through other comprehensive income	1,266.9	1,266.9	1,240.3	1,240.3
Interest-bearing securities measured at amortised cost	391.2	427.0	336.5	368.0
Loans and other receivables	6,808.6	6,883.1	6,446.5	6,476.3
Cash and balances with central banks	673.6	673.6	315.4	315.4
Derivative instruments	72.1	72.1	68.1	68.1
<b>Total</b>	<b>10,357.4</b>	<b>10,467.7</b>	<b>9,445.9</b>	<b>9,507.2</b>
<b>Financial liabilities</b>				
Deposits	5,195.8	5,203.8	4,657.5	4,654.5
Derivative instruments	19.3	19.3	9.8	9.8
Debt securities issued	2,948.1	2,976.5	2,622.7	2,645.7
Subordinated liabilities	169.5	166.5	215.4	217.0
Other liabilities to credit institutions	30.9	31.1	35.1	35.4
Other liabilities to the public and public sector entities	100.0	100.3	150.0	150.1
Liabilities for right-of-use assets	24.0	24.0	12.3	12.3
<b>Total</b>	<b>8,487.6</b>	<b>8,521.5</b>	<b>7,702.7</b>	<b>7,724.9</b>

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

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

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

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

## Measurement of financial assets at fair value

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

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

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

(EUR million)	30 September 2020				31 December 2019			
	Market value classified into				Market value classified into			
Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value through income statement</b>								
Investments for unit-linked investments	889.4	-	-	889.4	871.6	-	-	871.6
Interest-bearing securities	23.9	78.6	0.2	102.7	19.2	-	0.2	19.4
Shares and participations	110.3	-	42.7	153.0	112.6	-	35.5	148.1
<b>Total</b>	<b>1,023.6</b>	<b>78.6</b>	<b>42.8</b>	<b>1,145.0</b>	<b>1,003.4</b>	<b>-</b>	<b>35.7</b>	<b>1,039.1</b>
<b>Financial assets measured at fair value through other comprehensive income</b>								
Interest-bearing securities	1,147.3	44.4	75.2	1,266.9	1,069.4	54.9	116.0	1,240.3
Shares and participations	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,147.3</b>	<b>44.4</b>	<b>75.2</b>	<b>1,266.9</b>	<b>1,069.4</b>	<b>54.9</b>	<b>116.0</b>	<b>1,240.3</b>
Derivative instruments, net	0.0	52.8	-	52.8	-0.1	58.4	-	58.3
<b>Total</b>	<b>0.0</b>	<b>52.8</b>	<b>-</b>	<b>52.8</b>	<b>-0.1</b>	<b>58.4</b>	<b>-</b>	<b>58.3</b>
<b>Total</b>	<b>2,170.9</b>	<b>175.8</b>	<b>118.0</b>	<b>2,464.7</b>	<b>2,072.8</b>	<b>113.3</b>	<b>151.7</b>	<b>2,337.7</b>

### Transfers between level 1 and level 2

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

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

### Changes within level 3

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

Reconciliation of changes for financial instruments belonging to level 3  (EUR million)	Financial assets measured at fair value through 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
Carrying amount 1 January 2020	0.2	35.5	35.7	116.0	-	116.0	116.2	35.5	151.7
New purchases	-	9.8	9.8	-	-	-	-	9.8	9.8
Sales	-	-2.2	-2.2	-	-	-	-	-2.2	-2.2
Matured during the period	-	-	-	-41.0	-	-41.0	-41.0	-	-41.0
Realised value change in the income statement	-	-	-	-	-	-	-	-	-
Unrealised value change in the income statement	-	-0.4	-0.4	-	-	-	-	-0.4	-0.4
Value change recognised in total comprehensive income	-	-	-	0.2	-	0.2	0.2	-	0.2
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
<b>Carrying amount 30 September 2020</b>	<b>0.2</b>	<b>42.7</b>	<b>42.8</b>	<b>75.2</b>	<b>-</b>	<b>75.2</b>	<b>75.3</b>	<b>42.7</b>	<b>118.0</b>

### Sensitivity analysis for level 3 financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 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 via the income statement or via other comprehensive income corresponding to 1.8 (1.9) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3 (EUR million)	30 September 2020			31 December 2019		
	Effect at an assumed movement Carrying amount	Positive	Negative	Effect at an assumed movement Carrying amount	Positive	Negative
<b>Financial assets measured at fair value through income statement</b>						
Investments for unit-linked investments	-	-	-	-	-	-
Interest-bearing securities	0.2	0.0	0.0	0.2	0.0	0.0
Shares and participations	42.7	8.5	-8.5	35.5	7.1	-7.1
<b>Total</b>	<b>42.8</b>	<b>8.5</b>	<b>-8.5</b>	<b>35.7</b>	<b>7.1</b>	<b>-7.1</b>
<b>Financial assets measured at fair value through other comprehensive income</b>						
Interest-bearing securities	75.2	2.3	-2.3	116.0	3.5	-3.5
Shares and participations	-	-	-	-	-	-
<b>Total</b>	<b>75.2</b>	<b>2.3</b>	<b>-2.3</b>	<b>116.0</b>	<b>3.5</b>	<b>-3.5</b>
<b>Total</b>	<b>118.0</b>	<b>10.8</b>	<b>-10.8</b>	<b>151.7</b>	<b>10.6</b>	<b>-10.6</b>

### Set off of financial assets and liabilities

(EUR million)	30 September 2020		31 December 2019	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
<b>Assets</b>				
Financial assets included in general agreements on set off or similar agreements	72.1	-	68.1	-
Set off amount	-	-	-	-
<b>Carrying amount in the balance sheet</b>	<b>72.1</b>	<b>-</b>	<b>68.1</b>	<b>-</b>
Amount not set off but included in general agreements on set off or similar	5.9	-	0.0	-
Collateral assets	65.4	-	69.5	-
<b>Amount not set off in the balance sheet</b>	<b>71.3</b>	<b>-</b>	<b>69.5</b>	<b>-</b>
<b>Net amount</b>	<b>0.8</b>	<b>-</b>	<b>-1.3</b>	<b>-</b>
<b>Liabilities</b>				
Financial liabilities included in general agreements on set off or similar agreements	19.3	-	9.8	52.8
Set off amount	-	-	-	-
<b>Carrying amount in the balance sheet</b>	<b>19.3</b>	<b>-</b>	<b>9.8</b>	<b>52.8</b>
Amount not set off but included in general agreements on set off or similar	5.9	-	0.0	52.7
Collateral liabilities	8.0	-	2.5	-
<b>Amount not set off in the balance sheet</b>	<b>13.9</b>	<b>-</b>	<b>2.5</b>	<b>52.7</b>
<b>Net amount</b>	<b>5.3</b>	<b>-</b>	<b>7.3</b>	<b>0.1</b>

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

## Note 9. Specification of Aktia Group's funding structure

(EUR million)	30 Sep 2020	31 Dec 2019	30 Sep 2019
Deposits from the public and public sector entities	4,497.1	4,059.8	4,116.3
<b>Short-term liabilities, unsecured debts</b>			
Banks	83.4	75.3	62.2
Certificates of deposits issued and money market deposits	136.0	247.0	100.0
<b>Total</b>	<b>219.4</b>	<b>322.3</b>	<b>162.2</b>
<b>Short-term liabilities, secured debts (collateralised)</b>			
Banks - received cash in accordance with collateral agreements	65.4	69.5	93.3
Repurchase agreements - banks	-	52.8	-
<b>Total</b>	<b>65.4</b>	<b>122.3</b>	<b>93.3</b>
<b>Total short-term liabilities</b>	<b>284.8</b>	<b>444.6</b>	<b>255.5</b>
<b>Long-term liabilities, unsecured debts</b>			
Issued debts, senior financing	1,289.3	913.1	917.4
Other credit institutions	17.9	22.1	23.4
Subordinated debts	169.5	215.4	228.2
<b>Total</b>	<b>1,476.7</b>	<b>1,150.6</b>	<b>1,169.1</b>
<b>Long-term liabilities, secured debts (collateralised)</b>			
Central bank and other credit institutions	563.0	413.0	418.0
Issued Covered Bonds	1,622.7	1,612.6	1,631.9
<b>Total</b>	<b>2,185.7</b>	<b>2,025.6</b>	<b>2,049.9</b>
<b>Total long-term liabilities</b>	<b>3,662.4</b>	<b>3,176.2</b>	<b>3,218.9</b>
<b>Interest-bearing liabilities in the banking business</b>	<b>8,444.3</b>	<b>7,680.6</b>	<b>7,590.8</b>
Technical provisions in the life insurance business	1,339.7	1,259.8	1,226.6
Total other non interest-bearing liabilities	158.9	146.8	191.8
<b>Total liabilities</b>	<b>9,942.9</b>	<b>9,087.1</b>	<b>9,009.1</b>

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

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

## Note 10. Collateral assets and liabilities

<b>Collateral assets (EUR million)</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>	<b>30 Sep 2019</b>
<b>Collateral for own liabilities</b>			
Securities	313.8	473.1	420.6
Outstanding loans constituting security for Covered Bonds	2,336.1	2,031.8	2,185.9
<b>Total</b>	<b>2,649.9</b>	<b>2,504.9</b>	<b>2,606.5</b>
<b>Other collateral assets</b>			
Pledged securities <sup>1</sup>	1.3	16.8	113.8
Cash included in pledging agreements and repurchase agreements	8.0	2.5	3.5
<b>Total</b>	<b>9.3</b>	<b>19.3</b>	<b>117.3</b>
<b>Total collateral assets</b>	<b>2,659.2</b>	<b>2,524.2</b>	<b>2,723.8</b>
<b>Collaterals above refers to the following liabilities</b>			
Liabilities to credit institutions <sup>2</sup>	563.0	465.8	418.0
Issued Covered Bonds <sup>3</sup>	1,622.5	1,612.6	1,631.9
Derivatives	8.0	2.5	3.5
<b>Total</b>	<b>2,193.5</b>	<b>2,080.9</b>	<b>2,053.4</b>

1) Refers to securities pledged for the intra day limit. As at 30 September 2020, a surplus of pledged securities amounted to EUR 6 (5) million.

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

3) Own repurchases deducted.

<b>Collateral liabilities (EUR million)</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>	<b>30 Sep 2019</b>
Cash included in pledging agreements <sup>1</sup>	65.4	69.5	93.3
<b>Total</b>	<b>65.4</b>	<b>69.5</b>	<b>93.3</b>

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

Helsinki 3 November 2020

Aktia Bank Plc  
The Board of Directors

# Report on review of the interim report of Aktia Bank plc as of and for the nine months period ending 30 September 2020

## To the Board of Directors of Aktia Bank plc

### Introduction

We have reviewed the balance sheet as of September 30, 2020 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of Aktia Bank plc Group for the nine-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

### Scope of review

We conducted our review in accordance with the Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the

Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki, 3 November 2020

KPMG OY AB  
Marcus Tötterman  
Authorised Public Accountant, KHT



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Business ID: 2181702-8  
BIC/S.W.I.F.T: HELSFIHH

## Webcast from the results event

A live webcast from the results event will take place on 3 November 2020 at 10 a.m. CEO Mikko Ayub and CFO Outi Henriksson will present the results. The event is held in English and can be seen live at <https://aktia.videosync.fi/2020-q3-results>. A recording of the webcast will be available at [www.aktia.com](http://www.aktia.com) after the event.

## Financial calendar

Accounts announcement 2020.....18 February 2021  
AGM 2021.....13 April 2021  
Interim report January–March 2021.....5 May 2021  
Half-year report January–June 2021.....5 August 2021  
Interim report January–September 2021.....4 November 2021

The Aktia logo consists of the word "Aktia" in a bold, green, sans-serif font.