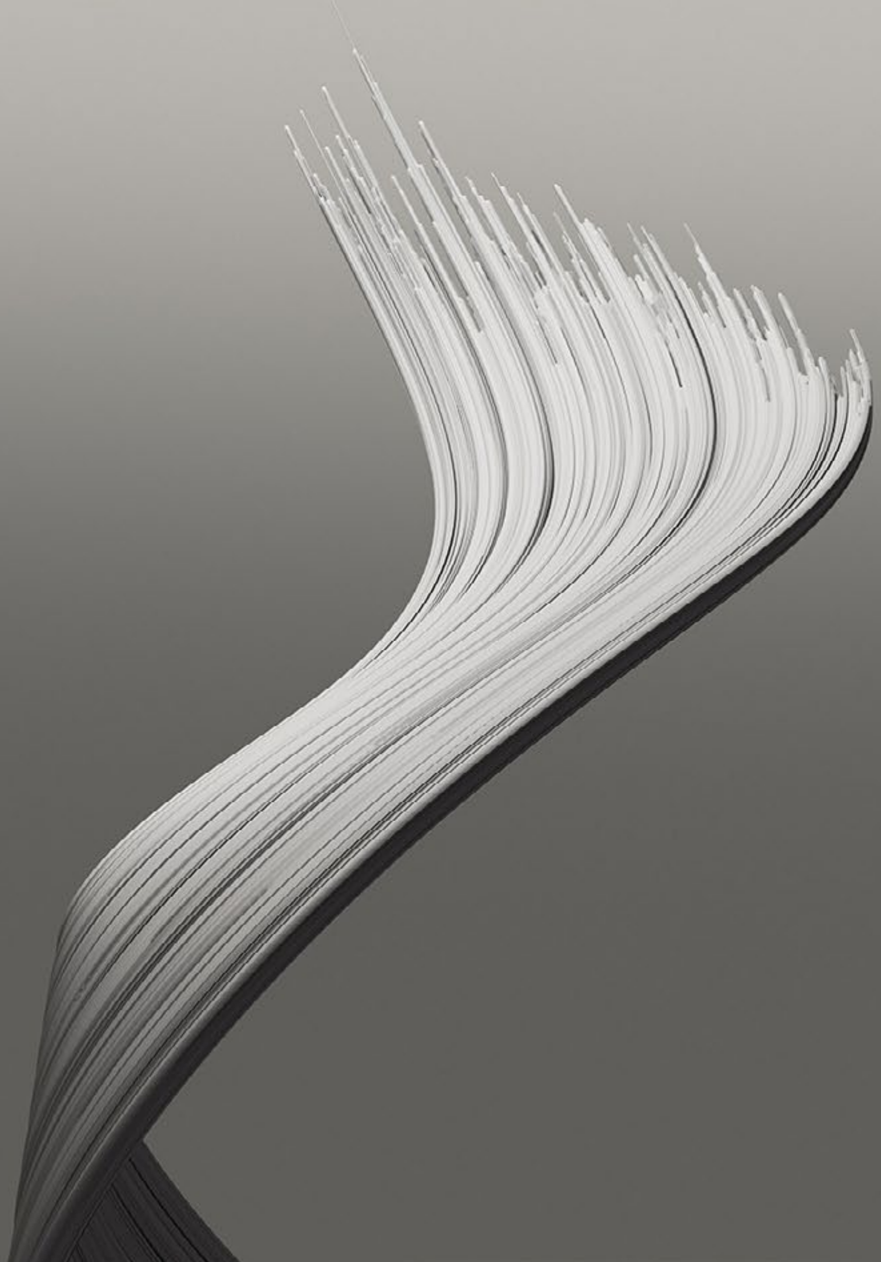
Financial review 2022



Aktia

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Profit 2022

The Group's operating profit decreased to EUR 64.0 (84.6) million and the profit for the period to EUR 51.6 (67.4) million. The comparable operating profit decreased to EUR 65.2 (87.4) million. The weaker result is mainly attributable to the market decline and thus negative unrealised value changes in the life insurance company's investment portfolio, and a lower net commission income due to lower market values of assets under management. An increase in operating expenses has also had a negative impact on the result.

Items affecting comparability

(EUR million)	2022	2021
Additional income from divest-ment of Visa Europe to Visa Inc	0.2	0.5
Costs for restructuring	-1.4	-3.3
Operating profit	**-1.2**	**-2.8**

Income

The Group's operating income decreased to EUR 254.3 (263.8) million. Comparable operating income decreased by 3% to EUR 254.1 (263.2) million. The decrease mainly pertains to net income from life insurance and to net income from financial transactions.

Net interest income increased by 3% to EUR 99.2 (96.2) million. Net interest income from borrowing and lending increased by 19% to EUR 103.1 (86.3) million. The improvement is mainly attributable to a larger loan book and a higher interest rate level. Interest income from the liquidity portfolio was only EUR 1.5 million higher than in the comparison year due to the fixed rate of the liquidity portfolio at the beginning of the year. On the other hand, interest income from hedging measures via interest rate derivatives decreased by EUR 1.8 million. Negative interest expense for the TLTRO III financing decreased to EUR 1.3 (8.6) million and interest expenses for other financing increased to EUR -10.6 (-4.2) million.

Dividends increased to EUR 1.4 (0.4) million.

Net commission income decreased by 2% to EUR 122.0 (124.0) million. Commission income from funds, asset management and securities brokerage decreased by 4% to EUR 87.8 (91.7) million. The expansion of the asset management segment has increased income, while the decline on the market has had a negative impact on income. In addition, the current period does not include any performance-based commissions, while the reference period included commissions of EUR 3.7 million. Commission income from cards, payment services and borrowing increased by 9% to EUR 29.2 (26.7) million, while lending commissions decreased by 7% to EUR 9.1 (9.8) million.

Net income from life insurance decreased by 19% to EUR 30.5 (37.7) million. The decrease is due to the net income from investments, which decreased to EUR 7.0 (21.3) million, including value changes and impairments in the life insurance company's investment portfolio of EUR -11.1 (10.9) million and capital gains of EUR 9.8 (0.8) million. The actuarially calculated result increased to EUR 23.6 (16.4) million. The improvement is mainly attributable to an adjustment of the interest reserve i December. A slightly higher loss ratio and a lower investment-linked insurance book has partly been compensated by lower interest expenses than last year.

Net income from financial transactions decreased to EUR 0.6 (4.7) million and comparable net income from financial transactions to EUR 0.5 (4.1) million. The decrease is mainly attributable to the reallocation of capital in the liquidity portfolio last year. Capital gains from the liquidity portfolio decreased to EUR 0.4 (3.2) million and the change in model-based ECL impairments decreased to EUR -0.7 (0.3) million. The period includes an additional income of EUR 0.2 (0.5) million from the sale of Visa Europe to Visa Inc., which is not included in the comparable result.

Other operating income decreased to EUR 0.5 (0.8) million. Last year includes one-off recognised items of EUR 0.4 million.

Expenses

Operating expenses increased to EUR 180.3 (174.4) million. Comparable operating expenses increased by 5% to EUR 179.0 (171.1) million and the increase is attributable to all cost items.

Staff costs were on the same level as last year and amounted to EUR 83.6 (83.7) million. The comparable staff costs increased by 1% to EUR 82.9 (82.1) million. The average number of employees (expressed as full-time equivalents) increased to 911 (862). The single main explanation for the higher running costs for staff is the expansion of the asset management business.

IT expenses increased by 9% to EUR 33.4 (30.7) million. The increase is mainly related to a broader IT structure than before, with regard to both volumes used and the number of applications. The transfer of staff from Aktia to Duetto in November 2022 also contributed to the higher IT expenses.

Depreciation of tangible and intangible assets increased to EUR 23.6 (21.5) million. The increase mainly pertains to depreciations related to the acquisition of Taaleri's wealth management operations.

Other operating expenses increased to EUR 39.7 (38.5) million. Comparable other operating expenses increased by 6% to EUR 39.1 (36.9) million. Expenses for the stability fee increased by 23% to EUR 5.1 (4.1) million. The life insurance business' cooperation with Suomen Yrittäjäturva increased the sales commissions paid compared with last year, but the cooperation contributed to higher sales during the year and will result in higher earnings in coming years. Both the current year and the previous year include one-off project costs.

Impairment of credits and other commitments amounted to EUR -10.2 (-4.5) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -8.0 (-1.7) million. The update of the ECL model increased ECL impairments by approximately EUR 4 million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 12,393 (11,653) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees decreased to EUR 645 (738) million.

Borrowing

Borrowing from the public and public-sector entities increased to EUR 5,214 (4,503) million. Aktia's market share of deposits was 3.1 (3.0) % at the end of December.

The value of long-term bonds issued by Aktia Bank totalled EUR 2,947 (2,917) million. After an issued retained covered bond was set off, EUR 1,354 (1,534) million consisted of Covered Bonds issued by Aktia Bank.

In January, Aktia Bank issued a new covered bond to a value of EUR 500 million and with a maturity of approximately 6.8 years, replacing a corresponding bond that was due in March. The issue was carried out to very favourable terms and it was oversubscribed more than twofold. During the fourth quarter, Aktia issued the first senior non-preferred notes to a value of EUR 71 million. During the year, Aktia Bank has issued new long-term unsecured bonds to a total value of EUR 680 million as part of its EMTN programme, of which EUR 291 million was issued during the fourth quarter.

Lending

Group lending to the public and public-sector entities increased by 4% to EUR 7,792 (7,486) million. Loans to households accounted for EUR 5,312 (5,292) million, or 68.2 (70.7) % of the total loan book.

The housing loan book totalled EUR 5,434 (5,389) million, of which the share for households was EUR 4,289 (4,326) million. Aktia's new lending amounted to EUR 995 (1,281) million. At the end of December, Aktia's market share in housing loans to households was 3.9 (4.0) %.

Corporate lending accounted for 16.7 (15.3) % of Aktia Group's loan book. Total corporate lending increased by 14% to EUR 1,301 (1,143) million. Loans to housing companies increased by 12% to EUR 1,120 (996) million, which was 14.4 (13.3) % of Aktia's total loan book.

Loan book by sector

(EUR million)	31 Dec 2022	31 Dec 2021	Δ	Share, %
Households	5,312	5,292	20	68.2%
Corporates	1,301	1,143	158	16.7%
Housing companies	1,120	996	124	14.4%
Non-profit organisations	52	52	0	0.7%
Public sector entities	6	3	3	0.1%
Total	**7,792**	**7,486**	**306**	**100.0%**

Financial assets

The Aktia Group's financial assets consist of the Bank Group's liquidity portfolio (net after the issued retained covered bond was set-off) amounting to EUR 1,307 (1,306) million, the life insurance company's investment portfolio of EUR 488 (642) million, and the Bank Group's equity holdings of EUR 8 (5) million.

Technical provisions

Because of the market drop during the first quarter, the life insurance company's technical provisions decreased to EUR 1,351 (1,568) million. The unit-linked technical provisions decreased to EUR 1,002 (1,154) million and the interest-related technical provisions decreased to EUR 350 (414) million.

Equity

Aktia Group's equity amounted to EUR 698 (738) million, of which Holders of Additional Tier 1 capital amounted to EUR 59 (59) million. The fund at fair value decreased to EUR -50 (6) million and the profit for the period amounted to EUR 52 million. A dividend amounting to EUR 40 million was paid to the shareholders in April.

Fund at fair value

(EUR million)	31 Dec 2022	31 Dec 2021	Δ
Interest-bearing securities, Aktia Bank	-35.8	4.0	-39.8
Interest-bearing securities, Aktia Life Insurance	-14.0	2.0	-16.0
Cash flow hedging	-0.1	0.2	-0.3
Total	**-49.9**	**6.2**	**-56.1**

Assets under Management

The Group's total assets under management amounted to EUR 16,475 (18,340) million.

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

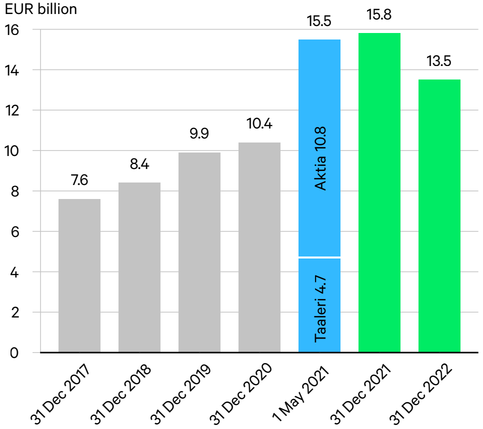
Group financial assets include the Bank Group's liquidity portfolio managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	31 Dec 2022	31 Dec 2021	Δ%
Customer assets under management*	13,539	15,794	-14%
Group financial assets	2,936	2,546	15%
Total	**16,475**	**18,340**	**-10%**

* Excluding fund in funds

Customer assets under management (AuM) excluding custody assets 2017–2022



Segment overview

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

Banking Business

The segment comprises household and corporate customers of the banking business not including Private Banking. Aktia's private customers are provided a wide range of financing, insurance, savings as well as investment products and services through various channels. Aktia's corporate business provides services to companies and organisations, from micro sized companies and associations to listed companies, as well as to institutional customers with other banking services than asset management.

Private customers

The rise in interest rates and inflation as well as the uncertain economic environment had a strong impact on the behaviour of private customers in the fourth quarter. Private customers' weakened confidence in the economic outlook was reflected particularly in a decrease in the demand for mortgages. The financing of investment properties also decreased significantly. As a result, the entire private customer loan book decreased by 0.8% in the last quarter. However, the average margin for the entire loan book continued to rise. In a difficult market environment, Aktia supports its customers by helping them to act on a long-term basis and prepare for economic uncertainty through Aktia Wealth Plan.

In consumer financing, the popularity of both the Finnair Visa Credit card and Aktia's consumer loans continued to increase. Especially the extensive marketing campaign for the Finnair Visa Credit card carried out in December increased the number of cards issued.

There was still an atmosphere of caution among investors and depositors. However, the special offers on deposits at the end of the year and the capital protected equity-linked bond issued in December successfully aroused interest.

In December, Aktia launched the Aktia ID identification application. Aktia ID provides a smoother and more secure customer experience when using Aktia's digital services as well as services requiring strong authentication. The Aktia ID application has been received very positively and it has been widely taken into use by Aktia's customers.

Corporate customers

The growth in lending in the corporate customer business remained strong in the last quarter, even though the impact of rising costs and interest rates, accelerating inflation and the general uncertain economic situation was reflected in a decrease in companies' willingness to grow and invest, as well as in general caution. The significant slowdown on the housing market also manifested as a decreasing demand for financing for new-build housing projects (RS financing). Growth was noted in all financial products, and particularly in the leasing and hire purchase financing of SMEs. The development of cooperation with sellers and accounts receivable financing also proceeded as planned.

The quality of the corporate customer loan book remained good despite the decline in the economic environment. The corporate loan book margins for new lending increased and the average margin continued to rise, being clearly higher at the end of the year than at the same time a year ago.

During the last quarter, Aktia offered its corporate customers a positive interest rate on investment deposits, which aroused interest among the customers.

A customer satisfaction survey carried out in the quarter showed that our corporate customers are particularly satisfied with their contact person as well as the solutions offered by Aktia and the added value they provide.

Results for Banking Business segment

(EUR million)	Q4/2022	Q4/2021	Δ%
Operating income	37.3	34.3	9%
Operating expenses	-26.9	-24.6	9%
Operating profit	3.3	9.9	-67%
Comparable operating profit	4.1	10.0	-59%

Operating income increased by 9% in relation to the corresponding quarter last year and amounted to EUR 37.3 (34.3) million. The net interest income increased by 20% to EUR 22.8 (18.9) million. The customer margins for the entire loan book have continued to rise throughout the period. Strong growth in the corporate customer loan book contributed to the increase in net interest income. The rising reference rates have also had a positive effect on the interest income from lending, as internal interest expenses have increased.

The loan book increased by 4% to EUR 7,620 (7,313) million from last year. The corporate customer loan book increased to EUR 2,489 (2,178) million and the private customer loan book amounted to EUR 5,131 (5,135) million.

Borrowing from the public and public-sector entities increased by 12% from last year and amounted to EUR 4,442 (3,977) million.

The net commission income decreased by 6% compared to the corresponding quarter last year and amounted to EUR 14.4 (15.3) million. The net commission income from cards, payment services and borrowing increased by 10% to EUR 6.3 (5.7) million. However, the net commission income from investment activities decreased by 14% to EUR 3.7 (4.3) million. Customer assets under management decreased by 18% to EUR 1,632 million during the period.

Comparable operating expenses for the fourth quarter increased by 7% to EUR 26.1 (24.5) million. The increase in costs is mainly attributable to IT costs. Increased sales have also led to slightly higher operating expenses.

Impairment of credits and other commitments increased from the corresponding quarter last year, and amounted to EUR -7.1 (0.1) million. The change in the allowance for model-based credit losses (ECL) increased to EUR -6.3 (0.3) million. The main reasons for the increase are attributable to the update of the bank's IRBA model for household customers and the calibration of the ECL model. Individual impairments also increased to EUR -0.8 (-0.2) million.

Asset Management

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

Customer assets under management

(EUR million)	31 Dec 2022	31 Dec 2021	Δ%
Customer assets under management*	13,539	15,794	-14%
of which institutional assets	7,506	8,848	-15%

* Excluding fund in funds

Asset management

The equity market developed positively during the fourth quarter. However, this was not sufficient to influence the overall market development, and the development of all main equity indices were negative in 2022. The most common fixed income investments also developed negatively throughout the year.

Despite the best new sales of the year, net subscriptions in asset management decreased in the fourth quarter and amounted to EUR -62 million. The negative amount of net subscriptions in the fourth quarter was due to a few larger redemptions. Net subscriptions of domestic Private Banking and Institution customers increased by EUR 190 million throughout the year.

The Article 9 Aktia Sustainable Corporate Bond fund, launched in the autumn, reached a size of over EUR 100 million in December, which creates a good basis for international sales in 2023. The funds Bioindustry I, Wind Power Fund IV and Housing Fund VIII, which were launched in cooperation with Taaleri, also reached their target with subscriptions amounting to EUR 112 million during the year. In particular, the values of capital funds investing in solar and wind energy developed positively. International sales also picked up towards the end of the year, and international net subscriptions amounted to EUR 55 million in December.

In the last quarter, Aktia launched the Aktia Avara investment insurance developed through group-wide cooperation. Aktia Avara is a competitive investment and insurance product family that offers a flexible and tax-efficient way of investing in the long term.

The integration within asset management following the acquisition of Taaleri Wealth Management progressed as planned during the quarter.
The integration will continue in 2023 in order to harmonise the applications and back-end systems of both bankers and customers.

Life insurance
The life insurance business continued to develop positively during the last quarter of the year. The new sales of risk life insurance policies remained strong and the net subscriptions of investment–linked insurances continued to increase. The Aktia Avara investment insurance and capitalisation agreements enable the use of a wide range of investment products in asset management. The first agreements were sold at the end of the quarter.

The actuarially calculated result was good and was influenced by the positive development in new sales of risk insurances, the risk result, and an extra dissolution of interest reserves at the end of the year. As a result of the changed interest rate environment, Aktia reassessed the adequacy of the interest reserves and dissolved some of the interest reserves made earlier, which had a positive impact on profit. Interest expenses for the interest-linked stock continued to decrease.

The value of the investment portfolio that covers the technical provisions decreased during the quarter, and the result from investment activities decreased to EUR -1.4 (3.3) million. Compared to the corresponding quarter the result was weakened especially by the increase in interest rates which led to lower unrealised value changes in the investment portfolio. The capital adequacy of the life insurance business remained at a good level. The capital adequacy was 243% with transitional provisions and 181% without transitional provisions.

Results for Asset Management segment

(EUR million)	Q4/2022	Q4/2021	Δ%
Operating income	29.7	27.0	10%
Operating expenses	-17.4	-18.5	-6%
Operating profit	12.3	8.4	46%
Comparable operating profit	12.8	8.6	49%

The operating income for the quarter increased by EUR 2.7 million and amounted to EUR 29.7 million due to a lower net commission income in asset management and a higher actuarially calculated result in Aktia Life Insurance resulting in a higher net income from life insurance. The net commission income in the fourth quarter decreased compared to last year while the net income from life insurance increased. The main reason for the increase in the net income from life insurance is the extra dissolution of the interest reserve by EUR 6.3 million. The net investment income was affected by unrealised value changes of EUR 0.8 (3.1) million. Life insurance premiums written decreased by 21%, or EUR 8.1 million, compared with the corresponding quarter last year. Demand for risk insurance remained high, while investment-linked insurances have been negatively affected by the turbulent investment market and sales were below last year's level. The actuarially calculated result excluding the extra dissolution/extra reserve of the interest reserve decreased to EUR 4.3 (4.7) million. The decrease is due to insurance claims paid out and a lower expense loading due to the turbulence on the investment market.

The net commission income in the asset management business was EUR 4.0 million lower than in the corresponding quarter last year and amounted to EUR 15.9 million. The net commission income development was negatively affected by lower assets under management compared with the fourth quarter last year. Assets under management were approximately EUR 2 billion (13%) lower than in the corresponding quarter last year and the decrease is due to lower market values. In addition, the performance-based commissions decreased to EUR 0,0 (0,7) million. Due to lower customer activity, transaction-related commissions also decreased by EUR 1.3 million from the corresponding quarter last year.

The assets under management decreased by EUR 2,255 million from year-end and amounted to EUR 13,539 (15,794) million at the end of the year. The net subscriptions for the year amounted to EUR -69 million, and the market value change to EUR -2,186 million. The net subscriptions for the fourth quarter amounted to EUR -62 million, and the market value change to EUR +3 million.

The comparable operating expenses of the segment in the quarter decreased by EUR 1.5 million to EUR 16.8 million. The quarter included expense items affecting comparability of EUR 0.5 (0.2) million.
All direct operating expenses of the segment were lower than in the fourth quarter of last year, while the allocated group expenses increased. Staff costs constituted 33 (38)% of the total expenses of the segment in the fourth quarter.

Group Functions

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

Results for Group Functions segment

(EUR million)	Q4/2022	Q4/2021	Δ%
Operating income	2.6	6.2	-57%
Operating expenses	-4.8	-4.1	18%
Operating profit	-2.1	2.1	-201%
Comparable operating profit	-2.1	2.2	-195%

Comparable operating income for the segment decreased to EUR 2.6 (6.2) million in the fourth quarter. Net interest income decreased to EUR -0.3 (4.8) million. The change is mainly attributable to the interest expense from TLTRO III financing of EUR -2.7 million, which was a negative interest expense of EUR 1.7 million during the corresponding quarter last year, and to higher financing expenses. At the segment level, the higher financing expenses are partly offset by higher internal interest income.

Since March 2015, Aktia Bank participates in the European Central Bank's refinancing operations (TLTRO), which has enabled Aktia to offer the market favourable and competitive loans.

Net income from financial transactions increased to EUR 1.3 (0.0) million. The change is mainly attributable to a positive change in ECL impairments during the fourth quarter. The total comparable operating expenses of the segment increased by EUR 4.5 million in relation to the comparabe quarter last year, mainly due to the higher IT and project costs. Most of the segment's variable costs are allocate to other segments.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
Income statement	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Net interest income	86.3	73.5	3.4	1.6	9.5	21.2	0.1	0.0	99.2	96.2
Net commission income	58.3	59.8	69.4	70.9	5.9	5.3	-11.7	-12.0	122.0	124.0
Net income from life insurance	-	-	27.3	33.6	-	-	3.2	4.1	30.5	37.7
Other operating income	0.2	0.3	0.4	0.8	2.2	5.1	-0.2	-0.3	2.6	5.9
Total operating income	**144.8**	**133.5**	**100.5**	**106.9**	**17.6**	**31.6**	**-8.6**	**-8.3**	**254.3**	**263.8**
Staff costs	-15.1	-17.2	-24.6	-25.0	-43.9	-41.6	-	-	-83.6	-83.7
Other operating expenses [1]	-86.1	-81.2	-43.9	-41.2	24.6	23.4	8.6	8.3	-96.7	-90.7
Total operating expenses	**-101.2**	**-98.4**	**-68.4**	**-66.2**	**-19.3**	**-18.2**	**8.6**	**8.3**	**-180.3**	**-174.4**
Impairment of tangible and intangible assets	0.0	-	-	-	-	-	-	-	0.0	-
Impairment of credits and other commitments	-10.2	-4.5	-	-	-	0.0	-	-	-10.2	-4.5
Share of profit from associated companies	-	-	-	-	-	-	0.2	-0.3	0.2	-0.3
Operating profit	**33.3**	**30.7**	**32.1**	**40.7**	**-1.6**	**13.4**	**0.2**	**-0.2**	**64.0**	**84.6**
Comparable operating profit	**34.1**	**32.0**	**32.6**	**42.7**	**-1.7**	**13.0**	**0.2**	**-0.2**	**65.2**	**87.4**

Balance sheet	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Financial assets measured at fair value	-	-	1,409.6	1,649.3	854.2	949.5	-14.8	-40.0	2,248.9	2,558.8
Cash and balances with central banks	101.7	289.0	0.0	0.0	64.1	443.8	-	-	165.8	732.8
Interest-bearing securities measured at amortised cost	-	-	36.8	37.4	492.6	349.0	-	-	529.4	386.5
Loans and other receivables	7,620.1	7,327.3	234.3	252.6	1,155.7	29.1	-25.2	-57.3	8,984.9	7,551.7
Other assets	87.5	57.0	140.5	193.0	298.6	351.5	-62.4	-177.9	464.2	423.6
Total assets	**7,809.3**	**7,673.3**	**1,821.2**	**2,132.3**	**2,865.2**	**2,122.9**	**-102.4**	**-275.2**	**12,393.3**	**11,653.3**
Deposits	4,471.4	4,064.3	820.3	580.7	779.1	838.1	-25.2	-57.3	6,045.7	5,425.8
Debt securities issued	-	-	-	-	3,066.6	3,100.3	-14.8	-40.0	3,051.7	3,060.3
Technical provisions	-	-	1,351.4	1,568.2	-	-	-	-	1,351.4	1,568.2
Other liabilities	140.5	-5.1	119.2	100.4	1,003.0	770.4	-16.0	-5.1	1,246.7	860.6
Total liabilities	**4,611.9**	**4,059.2**	**2,291.0**	**2,249.3**	**4,848.7**	**4,708.8**	**-56.0**	**-102.4**	**11,695.5**	**10,914.9**

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

Capital adequacy and solvency

At the end of the period, Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 10.8 (11.2) %. Aktia Life Insurance's own funds were positively influenced by both increasing interest rates and capital gains from the real estate investment. As a result of strong solvency, Aktia Life Insurance paid a dividend of EUR 20 million in March 2022 and a further dividend of EUR 15 million to Aktia Bank in June 2022, strengthening the bank's CET1 capital. The increasing interest rates during the year have led to a decrease in the fair value reserve, which in turn has weakened the bank's CET1 capital by around EUR 40 million. As Aktia's interest rate risk related to the investments in the liquidity portfolio, which are reported at fair value through comprehensive income, was mostly hedged, the fair value reserve increased by EUR 1.0 million in the fourth quarter despite sharply rising interest rates. The risk-weighted assets increased by EUR 190 million from year-end.

The Bank Group applies internal risk classification (IRBA) for the calculation of capital requirement for retail, equity and certain corporate exposures. During the fouth quarter, Aktia received permission from the Financial Supervisory Authority to implement new internal models for household exposures. For other exposures the standardised approach is used. The implementation did not significantly affect the risk-weighted exposures, while the expected credit losses (ECL) increased. The IRBA model change affected the Bank Group's CET1 ratio by approximately 0.2 percentage points.

Capital adequacy, %	31 Dec 2022	31 Dec 2021
Bank Group		
CET1 capital ratio	10.8	11.2
Total capital ratio	14.9	15.6

The total capital requirement for banks consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The table below describes the different components of Aktia's capital requirements. Taking all capital requirements into account, the minimum total capital ratio for the Bank Group was 11.78%, and 9.47% for Tier 1 capital ratio at the end of the year.

Leverage ratio	31 Dec 2022	31 Dec 2021
Tier 1 capital	396.9	389.1
Total exposures	10,985.2	10,083.3
Leverage ratio, %	**3.6%**	**3.9%**

For Aktia, the ratio of own funds and eligible liabilities to the total risk exposure amount (TREA) was 332.25 % and to the leverage ratio exposure (LRE) 318.19 %, as compared to the current MREL requirements of 19.86 % of the TREA and 5.91 % of the LRE. The current requirement entered into force on 1 January 2022. Aktia's requirement was covered by own funds and unsecured senior bonds. The MREL requirement does not include a so-called subordination requirement.

MREL requirement (EUR million)	31 Dec 2022	31 Dec 2021
Total Risk Exposure Amount (TREA)	3,130.6	2,938.8
of which MREL requirement	621.7	583.7
Leverage Ratio Exposure (LRE)	10,985.2	10,083.3
of which MREL requirement	649.2	595.9
MREL requirement	**649.2**	**595.9**
Own funds and eligible liabilities		
CET1	339.2	329.1
AT 1-instruments	57.7	60.0
Tier 2-instruments	69.5	70.6
Other liabilities	1,599.3	903.7
Total	**2,065.7**	**1,363.5**

Aktia's buffer for the MREL was EUR 1,416.5 million. The MREL requirement for Aktia was based on the leverage ratio exposure.

The Financial Stability Authority updated the MREL requirement for Aktia on 6 April 2022. From 1 January 2024, the MREL requirement will increase to 19.95 % of

Total capital requirement

			Buffer requirements				
31 Dec 2022 (%)	**Pillar 1 minimum requirement**	**Pillar 2 requirement**	**Capital Conservation**	**Counter-cyclical**	**O-SII**	**Systemic risk**	**Total capital requirement**
CET1 capital	4.50	0.70	2.50	0.03	0.00	0.00	7.73
AT1 capital	1.50	0.23					1.73
Tier 2 capital	2.00	0.31					2.31
Total	**8.00**	**1.25**	**2.50**	**0.03**	**0.00**	**0.00**	**11.78**

Solvency II	With transitional rules		Whitout transitional rules	
(EUR million)	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
MCR	21.8	27.5	23.1	29.7
SCR	75.2	108.9	84.2	118.7
Eligible capital	183.2	244.7	152.2	206.8
Solvency ratio, %	**243.5**	**224.7**	**180.8**	**174.3**

the total risk exposure amount or 7.7 % of the leverage ratio exposures

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 Group's risk exposures

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

Definitions and general principles for asset and risk management can be found in note G2 on page 59–74 in Aktia Bank Plc's Financial Review 2021 and in Aktia Bank Plc's Pillar III Report 2022, published on the Group's website www.aktia.com.

Banking and asset management business

Credit risks

Aktia's loan book constitutes for the major part of loans to households and private persons with residential or realestate securities. The loan ratio measured in loan-to-value (LTV) is at an adequate level and a low risk level provides a good quality of credits in Aktia's loan book. At the end of the fourth quarter of 2022, the LTV level amounted to, on average, 42% for the entire loan book.

The Financial Supervisory Authority has authorised Aktia to implement updated IRBA models for retail exposures, which were implemented during the fouth quarter 2022. The updated models did not significantly affect the risk-weighted exposures, but the expected credit losses (ECL) increased. The model update did not have a significant impact on the bank's capital adequacy, but improves the bank's risk rating capacity.

The current economic situation with higher inflation and loan servicing costs is expected to have a negative impact on customers' repayment capacity. The bank has continued the follow-up and reporting of identified sectors, for example agriculture, transport and construction, that may have an increased risk due to the current economic situation.

The number of defaulted credit exposures has increased during the year. The increase mainly consists of counterparties that have been marked as unlikely-to-pay within retail exposures. Exposures with delays of more than 90 days are within historical development, despite the increase in the table below.

Gross loans past due by time overdue and ECL stages

(EUR million)	31 Dec 2022			
Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	34.0	22.9	6.4	63.4
of which households	24.4	22.5	6.3	53.2
> 30 ≤ 90				
of which households	0.0	24.5	16.1	40.7
> 90	0.0	20.1	11.6	31.7
of which households				
> 90	0.0	0.0	55.7	55.7
varav hushåll	0.0	0.0	45.3	45.3

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

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

(EUR million)	31 Dec 2022	31 Dec 2021
Corporate		
PD grades A	2,264.32	1,880.4
PD grades B	62.4	59.9
PD grades C	12.7	170.1
Default	28.3	23.6
Book value of ECL provisions	2,367.7	2,133.9
Loss allowance (ECL)	-14.4	-14.4
Carrying amount	**2,353.3**	**2,119.5**
Households		
PD grades A	4,342.5	3,506.4
PD grades B	839.1	1,204.5
PD grades C	247.9	701.9
Default	112.4	95.7
Book value of ECL provisions	5,541.9	5,508.5
Loss allowance (ECL)	-23.7	-17.4
Carrying amount	**5,518.2**	**5,491.1**
Other		
PD grades A	535.5	520.1
PD grades B	18.8	11.5
PD grades C	1.6	17.3
Default	1.4	0.6
Book value of ECL provisions	557.3	549.6
Loss allowance (ECL)	-0.7	-0.6
Carrying amount	**556.6**	**549.0**

Reporting of PD classes A, B and C has been updated in Q4 2022 reporting to correspond to the PD classes according to the bank's internal method, where Default has a PD of 100%.

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.

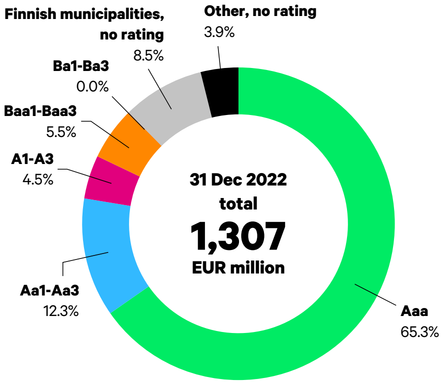
The bank measures the interest rate risk through sensitivity analyses of the net interest income and through the current value on interest-bearing assets and liabilities where the interest rate curve is stressed by using different interest rate shock scenarios according to EBA's guidelines as well as with the bank's own internally defined interest rate shock scenarios. The bank group's interest rate risk, present value risk (financial value), increased during the year due to the increasing market interest rates. In the fourth quarter, both the bank's and the life insurance's interest rate risk has been actively reduced by interest-rate swaps.

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 8 (5) 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 5 (5) million at the end of the period.

Rating distribution for the Bank Group's liquidity portfolio 31 Dec 2022 total



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 2,256 (1,571) million at the end of the year.

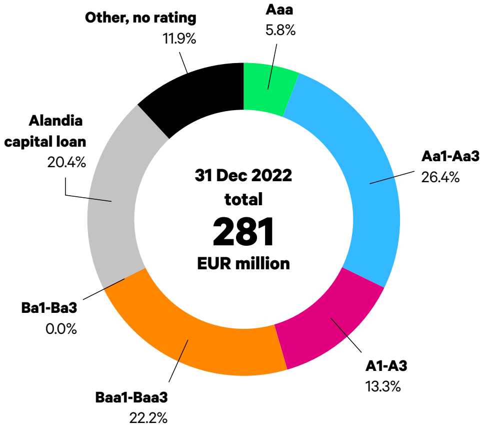
All bonds met the criteria for refinancing at the central bank.

The liquidity risk is, among other things, followed up by the Liquidity Coverage Ratio (LCR). LCR measures the short-term liquidity risk and is aimed to ensure that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is enough to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued bonds. The LCR amounted to 183 (140) %.

Liquidity coverage ratio (LCR)	31 Dec 2022	31 Dec 2021
LCR %	183%	140%

Liquidity reserve, market value(EUR million)	31 Dec 2022	31 Dec 2021
Cash and balances with central banks	1,172	681
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	196	222
Securities issued or guaranteed by municipalities or the public sector	111	155
Covered Bonds	777	514
Securities issued by credit institutions	-	-
Securities issued by corporates (commercial papers)	-	-
Total	**2,256**	**1,571**
of which LCR-qualified	2,256	1,571

Rating distribution for the life insurance business's direct interest-bearing investments 31 Dec 2022 total (excluding investments in fixed income funds, real estates, equities and alternative investments)



Aktia Life Insurance, allocation of investment portfolio

(EUR million)	31 Dec 2022		31 Dec 2021	
Equities	**12.8**	**2.6%**	**8.0**	**1.3%**
Europe	8.6	1.8%	4.9	0.8%
USA	4.2	0.9%	3.2	0.5%
Fixed income investments	**327.7**	**67.1%**	**384.9**	**60.0%**
Government bonds	90.9	18.6%	116.9	18.2%
Financial bonds	31.7	6.5%	37.3	5.8%
Other corporate bonds [1]	143.7	29.4%	157.5	24.5,%
Emerging Markets (mtl. funds)	37.2	7.6%	45.6	7.1%
High yield (mtl. funds)	21.5	4.4%	24.4	3.8%
Other funds	2.7	0.6%	3.6	0.6%
Alternative investments	**28.7**	**5.9%**	**24.8**	**3.9%**
Private Equity etc.	21.5	4.4%	18.9	2.9%
Infrastructure funds	7.2	1.5%	5.9	0.9%
Real estates	**72.7**	**14.9%**	**88.1**	**13.7%**
Directly owned	48.7	10.0%	47.2	7.3%
Real estate funds	24.0	4.9%	41.0	6.4%
Money Market	**55.3**	**11.3%**	**90.3**	**14.1%**
Derivatives	**-23.9**	**-4.9%**	**-0.9**	**-0.1%**
Cash and bank	**14.7**	**3.0%**	**46.7**	**7.3%**
Total	**488.0**	**100.0%**	**642.0**	**100.0%**

1) Includes capital loan to Alandia

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 485 (642) million. The life insurance company's direct real estate investments amounted to EUR 46 (47) million. The properties are in the Helsinki region and in other growth areas in Southern Finland and they mostly have long tenancies.

Life insurance company's market risk

Technical provisions include an interest reserve of EUR 14 (25) million, which can be used to cover the future interest rate requirements. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 3.1% for 2023, 2.9% for 2024, 2.7% for 2025–2027 and maximum 2.5% after that. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. The interest rate risk remains the largest market risk associated with the life insurance company's insurance debt, other market risks have a marginal impact. Rising market rates also tend to increase interest rate risk, and the extensive hedging measures put in place against falling rates in the form of swaps further increase the interest rate risk. 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 amounted to EUR -3 (-25) million on 31 December 2022.

Main events

S&P Global Ratings affirmed Aktia Bank Plc's ratings and outlook as stable
S&P Global Ratings affirmed on 8 November 2022 its A-/A-2 long- and short-term issuer credit ratings on Aktia Bank Plc. The outlook was affirmed as stable.

Aktia Bank and Aktia Life Insurance initiated change negotiations
Aktia Bank Plc and Aktia Life Insurance Ltd initiated change negotiations under the Co-operation Act to reorganise their operations. The negotiations ended 30 November 2022 and resulted in a reduction of 65 jobs. In connection with the change negotiations 34 new jobs was created, which people who were made redundant could apply.

Aktia and CGI entered strategic cooperation
Aktia Bank Plc and IT service provider CGI Finland Ltd signed an agreement on strategic cooperation and has together founded the joint venture company AktiaDuetto. AktiaDuetto will provide a significant part of the maintenance and development services for Aktia's banking business IT systems in the future. The cooperation supports Aktia's strategic objectives to develop its banking business and services and to be the leading wealth manager bank in Finland. With the partnership, some 50 Aktia IT service specialists transferred to the joint venture company in November 2022. At the same time, a significant part of the capacity and data centre services of Aktia's banking business transferred to CGI. With the strategic cooperation, Aktia estimates that it will also achieve cost savings of several million euros during the contract period of at least five years. Part of the cost savings will be used to develop digital services.

Aktia launched the dark green corporate bond fund, which is rare in a Finnish context
Aktia launched the new UI-Aktia Sustainable Corporate Bond fund on 1 September 2022. It is classified as a so-called dark green fund in accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation. The fund invests only in green, social, and responsible bonds as well as sustainability-linked bonds (SLB), and each investment object is also required to have a positive net impact, considering, for example, the impact on society and the environment.

Moody's downgraded Aktia's ratings and upgraded outlook to stable
The credit rating agency Moody's Investors Service downgraded on 26 September 2022 Aktia Bank Plc's long-term deposit and senior unsecured debt ratings to A2 from A1 and changed the outlook to stable from negative. Furthermore, the rating agency downgraded the Baseline Credit Assessment (BCA) and adjusted BCA to baa1, from a3. All short-term ratings and assessment were affirmed at P-1.

Changes in the Executive Committee
Sini Kivekäs, Master of Laws with court training, was appointed Aktia's new Executive Vice President, Human Resources (EVP, HR). In connection with the appointment, the EVP, HR also become a member of Aktia's Executive Committee. Kivekäs has a long and versatile work history in different positions at Nordea: she has previously worked as HR Director of Nordea Finland, among other things, as well as Head of Country Senior Executive Office at Nordea Finland. Kivekäs started in the new position on 1 December 2022.

Max Sundström, Aktia's Chief Transformation Officer and member of the Executive Committee, left his duties at Aktia on 31 December 2022.

Aktia Life Insurance sold its ownership in a real estate investment company, capital gain of EUR 11 million
Aktia Life Insurance Ltd, a subsidiary of Aktia Bank Plc, sold its ownership in a real estate investment company during the second quarter, resulting in a capital gain of EUR 11 million.

Aktia signed the UN Principles for Responsible Banking and joined the world's largest banking community
Aktia became an official Signatory of the UN Principles for Responsible Banking – a single framework for a sustainable banking industry developed through a partnership between over 270 banks worldwide and the United Nations Environment Programme Finance Initiative (UNEP FI).

Aktia's funds won recognition in the Refinitiv Lipper Fund Awards 2022
Aktia Asset Management was rewarded in the Refinitiv Lipper Fund Awards 2022 both for its equity funds investing in Nordic companies and for its bond fund investing in euro-denominated corporate bonds. The awards are granted based on risk-adjusted returns over three-, five-, and ten-year periods.

Aktia once again Finland's best fund house in Morningstar's comparison
In the Morningstar Awards 2022 comparison, published on 28 February 2022, Aktia was selected as Finland's best fund house for fixed-income funds as well as for the overall selection. Morningstar is an independent party carrying out fund comparisons and selecting the best fund houses annually based on the five-year risk-adjusted return.

Aktia became partner in Alexander Corporate Finance
On 2 February 2022, Aktia Bank Plc acquired 20% of Alexander Corporate Finance Oy after receiving approval from the Finnish Financial Supervisory Authority. With the acquisition, the name of the company was changed to Aktia Alexander Corporate Finance Oy.

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

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

Other information

Rating
Standard & Poor's (S&P) outlook for the creditworthiness of Aktia Bank Plc has been stable since the update on 22 January 2021. The rating is A- for long-term borrowing and A2 for short-term borrowing. The rating was affirmed on 8 November 2022 in S&P's "RatingsDirect" report.

The credit rating agency Moody's Investors Service has on 26 September 2022 decided to downgrade Aktia Bank Plc's long-term deposit and senior unsecured debt ratings to A2 from A1 and changed the outlook to stable from negative. Furthermore, the rating agency downgraded the Baseline Credit Assessment (BCA) and adjusted BCA to baa1, from a3. All short-term ratings and assessment were affirmed at P-1.

According to Moody's, the downgrade reflects a multiyear trend of declining capital metrics, mainly due to lending growth, high dividend payout ratios as well as the goodwill arised by the acquisition of Taaleri Asset Management during the second quarter of 2021.

	Long-term borrowing	Short-term borrowing	Outlook	Covered Bonds
Moody's Investors Service	A2	P-1	stable	Aaa
Standard & Poor's	A-	A-2	stable	-

Events concerning related parties
Related parties include subsidiaries and associated companies, 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.

Staff
The number of full-time employees at the end of December amounted to 891 (31 December 2021; 854). The average number of full-time employees amounted to 911 (1 January–31 December 2021; 862).

The incentive scheme
In 2018, Aktia Bank Plc launched a long-term share savings plan for Aktia Group's employees in order to support the implementation of Aktia's strategy. The incentive scheme in its entirety includes two parts. The share savings plan AktiaUna is aimed at the whole personnel, about 950 persons, and the performance-based share savings plan AktiaUna PSP is aimed at certain key persons.

The share savings plan AktiaUna gives every employee the possibility to become a shareholder in Aktia on favourable terms. Within the plan, part of the salary is deducted and invested in Aktia's shares at a reduced price (-10%). The participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years. The Board of Directors decides annually on the establishment of a new savings period in the plan as well as the performance criteria.

The performance criteria for the performance-based share savings plan AktiaUna PSP consist of Aktia Group's comparable operating profit and the net commission income over a period of two years. The possible reward from the performance period is determined on the basis of the programme's conditions.

In the first quarter of 2022, matching shares for the 2020–2021 share savings plan AktiaUna, including AktiaUna PSP, were paid out.

In the first quarter, Aktia Bank Plc's Board of Directors decided to set up a new savings period for AktiaUna 2022–2023 and AktiaUna PSP 2022–2023 as well as a new performance-based incentive scheme for the period 2022–2023 for key persons in the company's business areas. The new scheme (Business Area LTI) is intended to support the company's strategy and encourage key persons to achieve the financial and strategic objectives of their own business areas. The new scheme has a one-year performance period, the calendar year 2022. The performance period is followed by a restriction period of approximately 14 months. The reward for the Business Area LTI scheme is based on the operating profit and strategic criteria of the business areas. Participation in the scheme requires participation in the share savings plan AktiaUna.

AktiaUna PSP 2022–2023 concerns around 30 key persons (including the CEO and members of the Executive Committee) and the new Business Area LTI scheme concerns around 50 key persons. The same persons cannot belong to both AktiaUna PSP and the Business Area LTI scheme.

More information on the incentive schemes is presented at www.aktia.com > Investors > Corporate Governance > Remuneration.

Decisions of Aktia Bank Plc's Annual General Meeting 2022

The Annual General Meeting of Aktia Bank Plc on 6 April 2022 adopted the financial statements of the parent company and the consolidated financial statements and discharged the members of the Board of Directors, the CEO and his deputy from liability.

In accordance with the proposal by the Board of Directors, the Annual General Meeting decided on the payment of a dividend of 0.56 euro per share for the accounting period 1 January – 31 December 2021.

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

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

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

The Annual General Meeting adopted the proposal of the Board of Directors regarding resolution for share issue authorisation for up to 7,221,000 shares or securities entitling to shares, authorisation to acquire up to 500,000 company's own shares for use in the company's share based scheme and/or the remuneration of members of the company's Board of Directors and authorisation to divest up to 500,000 company's own shares.

All proposals mentioned above are included in the Summons to the Annual General Meeting published on the website www.aktia.com under Investors > Corporate governance > Annual General Meeting > Annual General Meeting 2022.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 170 million. At the end of March 2022, the number of Aktia shares was 72,385,072. The total number of registered holders amounted to 40,147 (31 December 2021; 39,461). 10.00% of the shares were in foreign ownership. There were no unregistered shares at the end of December. On 31 December 2022, the Group held 228,122 (31 December 2021; 326,541) Aktia shares. Aktia Bank Plc's market value on 31 December 2022, the last trading day of the period, was approximately EUR 740 million. The closing price for the Aktia share on 31 December 2022 was EUR 10.22. The highest price for the Aktia share during the period was EUR 12.88 and the lowest EUR 8.62.

The average daily turnover of the Aktia share during January–December 2022 was EUR 523,742 or 51,225 shares.

(EUR million)	Number of shares	Share capital	Unrestricted equity reserve
1 Jan 2021	**69,574,173**	**169.7**	**112.7**
Share issue 9 Feb 2021	100,000	-	1.0
Share issue 6 May 2021	974,563	-	9.6
Share issue 20 May 2021	66,770	-	0.7
Share issue 30 Sep 2021	1,371,500	-	13.9
Share issue 18 Nov 2021	57,075	-	0.6
Other changes	-	-	0.1
31 Dec 2021	**72,144,081**	**169.7**	**138.6**
Share issue 14 Feb 2022	75,000	-	0.9
Share issue 24 May 2022	74,631	-	0.7
Share issue 17 Nov2022	91,360	-	0.8
Other changes	-	-	0.5
31 Dec 2022	**72,385,072**	**169.7**	**141.5**

Sustainability

Sustainability is an integral part of Aktia's strategy and supports value creation for its stakeholders. To Aktia, sustainability means both corporate responsibility and the integration of sustainability into business operations. The renewed version of Aktia's sustainability programme was adopted in 2022 and the targets of the programme are set for 2025. On a higher level, the objectives of our renewed sustainability programme are to enable sustainable prosperity, provide meaningful work for skilled employees, ensure reliable and transparent operations, and work towards carbon neutrality.

In 2022, we drew up interim targets för 2025 and 2030 for the climate strategy launched the previous year. In asset management, the interim targets for 2025 are to reduce the carbon footprint of equity and credit portfolios by 30 % (compared to 2019) and increase the share of green bonds in corporate credit funds to 35 %. In lending, the next interim target is to create a green loan framework, introduce the first green loan products and develop a framework for green bonds in 2023. As for Aktia's own operations, the interim target is to achieve net carbon neutrality in the energy consumption of Aktia's head office by 2025.

In 2022, Aktia signed the UN Principles for Responsible Banking and joined the world's largest banking community. The Principles for Responsible Banking is the leading framework for ensuring that banks' strategies and practices are aligned with the UN Sustainable Development Goals and the Paris Climate Agreement.

During the year, Aktia launched two special-purpose investment funds: Aktia Bioindustry I Ky and Aktia Sustainable Corporate Bond Fund. With these two new funds and the Aktia Impact Fund updates, Aktia now has three funds classified as so-called dark green, Article 9 funds, in accordance with the EU Sustainable Finance Disclosure Regulation. In addition, Aktia published its first fund-specific ESG reports. The reports describe the sustainability and impact of our funds through, for example, ESG indicators related to the environment, society and governance, impacts related to the UN Sustainable Development Goals, the net impacts of operations, and climate indicators. The fund-specific reports are published on a quarterly basis and so far, they cover our equity and corporate credit funds.

We have also continued our sustainability work in banking operations throughout the year. The first sustainability-linked pilot loan project was launched, and we expect to launch Aktia's first green lending products, including green mortgages for private customers, in 2023.

Information security awareness is a key priority for Aktia, and we are continuously training our staff in information security. Aktia participated in a cyber security campaign in October and in Finland's largest joint cybersecurity exercise Tieto22 in September.

In 2023, for the first time, we will consider climate risks as part of the environmental risks of the Aktia Bank plc and Aktia Life Insurance investment portfolios in the internal capital adequacy assessment process (ICAAP), in order to assess the additional risk brought by climate change to the value of the portfolios. We also included ESG risks in the Life Insurance Company's Own risk and solvency assessment (ORSA) Report in 2022.

As regards customer service and digital services, we expanded our selection by launching the Aktia ID identification application.

With the updated sustainability program, Aktia will start to monitor some of the sustainability indicators on a quarterly or half-yearly basis. The frequency of these indicators are in the attached in the following table.

Indicators (target 2025)		2022	2021	Frequency
The share of Article 8/9 classified assets under management (increase)		2.1%	1.8%	quarterly
Aktia's ESG ratings (at least 4sector average)	MSCI Sustainalytics ISS	AA Low risk D+	AA High Risk D+	quarterly
Net impact ratio of Aktia Bank Plc according to the Upright model (positive)		+31%	+45%	quarterly
Carbon footprint of equity and credit portfolios** (-30% versus 2019)		42.70	41.90	quarterly
Siqni flame index*		72	-	every six months
eNPS, Employee Net Promoter Score (minimum 20)		-13	-5	every six months

* Scale 0-100
** Equity funds: Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America, Global, Micro Rhein, Rhein Value, Micro Markka and European Dividend.

Corporate credit funds: Corporate Bond+, Short-Term Corporate Bond+, European High Yield Bond+, Nordic High Yield and IU Aktia Sustainable Corporate Bond.Sustainable Corporate Bond.

In addition, the balanced funds Secura and Solida and the portfolios of Aktia Treasury and Aktia Life Insurance Company.

Development of Aktia's share 3 January–30 December 2022

Financial targets up until 2025

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

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

Risks and outlook

Risks (updated)

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. Changes in these factors may affect the demand for banking, insurance, and asset management services. The market value of Aktia's financial and other assets may change, for example, because of investors' higher return requirements or rising interest rates.

The high inflation rate in the euro area (10.1% in November) has contributed to a continued rise in interest rates during 2022. At the end of December, the market expected the ECB's policy rate to rise in one year from its year-end level within one year. Due to the reasons described above, we have hedged the interest rate risk of the liquidity portfolio over the past year. Correspondingly, we have reduced the interest rate risk of the Life insurance company. The availability of liquidity on the financial market is important for Aktia's refinancing activities. In the current interest rate environment, retail deposits have become an increasingly favourable form of funding alongside wholesale funding, making Aktia more active in the acquisition of deposits.

The development of the commission income is dependent on the volume and value development of assets under management, which has increased the risks pertaining to the Group's income and profitability. As a result of the increase in volatility in the financial markets and negative value developments in 2022, the risk level of commission income has increased, and in addition to this, the amount of assets under management has decreased because of the decrease in value. On the other hand, the increase in net subscriptions has increased the amount of assets under management.

Aktia has introduced new internal risk rating models for retail exposures (IRBA models) during the fourth quarter 2022, improving the bank's ability to classify clients on a risk basis. In connection with the development and improvement of models and calculations, the Financial Supervisory Authority has set additional capital requirements for the bank. Implementation of the updated models has no significant impact on the bank's capital adequacy.

The updated IRBA models also affect the ECL model for retail exposures. The model update and the calibration of the level of risk to a higher level due to the current uncertain economic situation increased the expected credit losses, with a negative effect on result in the fourth quarter. Any future impairment of credits in Aktia's credit portfolio could be due to many factors, of which the most important are the general economic situation, the interest rate level, the level of unemployment and the development of house prices.

The current economic situation increases the uncertainty in Aktia's credit portfolio. High inflation has reduced real income, while interest rates have risen at a record rate in the course of the year, leading to higher loan and other expenses for customers. At the moment, there have been no significant deviations in customer behaviour, for example in the demand for instalment-free periods or the number of loans in arrears, but Aktia is actively monitoring the situation. Aktia actively monitors risks in sectors that are most affected by the current situation, such as the energy-intensive industry and transport sectors. Some impairments have been made in the corporate portfolio. There is an increase in the number of defaulted exposures in Aktia's loan portfolio due to individual corporate counterparties and the increasing amount of uncertain repayment on the private customer side.

Aktia's operational risks have been in line with the risk appetite during the fourth quarter. Due to the crisis in Ukraine and Finland's decision to apply for NATO membership, the threat of various cyber-attacks has remained high, and short-term denial of service attacks have been targeted also against Aktia, but these have not directly affected services. Throughout the year, Aktia has actively collaborated with different authorities and other stakeholders in the sector to prevent cybercrime.

Various phishing attacks have been ongoing throughout the year. In particular, scams on online sales platforms and SMS scams have increased significantly in Finland. Aktia's customers have also suffered from these scams. Through its own measures, Aktia is proactive in preventing these scams targeting customers. Aktia has informed its customers about the threat, for example by arranging a webinar on fraud and how customers can protect themselves from it. In addition, Aktia is actively cooperating with various actors, such as authorities, the financial sector and other partners, in the fight against fraud.

Outlook for 2023

Aktia's comparable operating profit in 2023 is expected to be clearly higher than in 2022.

The outlook is based on following assumptions:

- Net interest income is expected to be clearly higher than in 2022.
- Net commission income is expected to start increasing slightly in 2023.
- Life insurance business is expected to develop stably. However, the result is also dependent on changes in market values.
- Operating expenses are expected to remain at the same level as in 2022.
- Provisions for potential credit losses are expected to be at the same level as in 2022.

Events after the end of the reporting period

Changes in the Executive Commitee

Mikko Ayub left his position as President and CEO of Aktia on 27 February 2023. Juha Hammarén, Deputy to the CEO and Executive Vice President, was appointed interim CEO.

Director in charge of Aktia's Asset Management, Perttu Purhonen, concluded his duties on 1 February 2023.

Quarterly trends in the Group

(EUR 1,000)	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	1-12/2022	1-12/2021
Net interest income	24,209	24,045	25,814	25,111	24,097	23,142	27,670	21,339	99,180	96,249
Dividends	14	1,002	416	11	11	9	323	9	1,444	353
Commission income	32,360	32,441	34,774	34,676	36,902	36,764	34,785	27,572	134,251	136,023
Commission expenses	-3,228	-2,547	-3,126	-3,358	-3,217	-3,232	-3,057	-2,524	-12,259	-12,031
Net commission income	29,132	29,894	31,648	31,318	33,684	33,532	31,727	25,048	121,992	123,992
Net income from life insurance	12,668	3,369	12,700	1,805	7,558	9,705	10,507	9,886	30,542	37,657
Net income from financial transactions	1,279	-2,215	873	701	37	449	2,888	1,309	638	4,684
Other operating income	202	125	105	80	132	213	203	301	512	849
Total operating income	**67,504**	**56,220**	**71,555**	**59,027**	**65,520**	**67,051**	**73,320**	**57,892**	**254,308**	**263,784**
Staff costs	-20,716	-20,841	-20,784	-21,275	-22,190	-21,909	-22,001	-17,622	-83,616	-83,723
IT expenses	-10,030	-7,454	-8,333	-7,629	-9,129	-7,492	-7,637	-6,396	-33,446	-30,655
Depreciation of tangible and intangible assets	-5,932	-5,881	-5,897	-5,870	-6,049	-5,728	-5,283	-4,444	-23,579	-21,504
Other operating expenses	-10,224	-8,657	-9,645	-11,155	-7,875	-6,461	-13,906	-10,281	-39,681	-38,523
Total operating expenses	**-46,902**	**-42,833**	**-44,659**	**-45,928**	**-45,243**	**-41,590**	**-48,827**	**-38,743**	**-180,322**	**-174,404**
Impairment of tangible and intangible assets	-40	-	-	-	-	-	-	-	-40	-
Impairment of credits and other commitments	-7,150	-1,002	-2,375	303	126	-996	-1,402	-2,222	-10,224	-4,494
Share of profit from associated companies	-6	-46	194	108	-95	-84	-51	-35	249	-265
Operating profit	**13,407**	**12,339**	**24,715**	**13,510**	**20,308**	**24,382**	**23,039**	**16,892**	**63,971**	**84,621**
Taxes	-2,616	-2,368	-4,881	-2,522	-4,044	-4,967	-5,363	-2,891	-12,387	-17,265
Profit for the period	**10,791**	**9,971**	**19,833**	**10,988**	**16,264**	**19,414**	**17,677**	**14,001**	**51,583**	**67,356**
Attributable to:										
Shareholders in Aktia Bank plc	10,791	9,971	19,833	10,988	16,264	19,414	17,137	14,001	51,583	66,816
Holders of other Tier 1 capital	-	-	-	-	-	-	540	-	-	540
Total	**10,791**	**9,971**	**19,833**	**10,988**	**16,264**	**19,414**	**17,677**	**14,001**	**51,583**	**67,356**
Earnings per share (EPS), EUR	0.15	0.14	0.28	0.15	0.23	0.28	0.24	0.20	0.72	0.95
Earnings per share (EPS), EUR, after dilution	0.15	0.14	0.28	0.15	0.23	0.28	0.24	0.20	0.72	0.95
Operating profit excluding items affecting comparability:										
Operating profit	13,407	12,339	24,715	13,510	20,308	24,382	23,039	16,892	63,971	84,621
Operating income:										
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-180	-	-540	-	-	-180	-540
Operating expenses:										
Costs for restructuring	1,370	-	-	-	354	-	2,957	-	1,370	3,311
Impairment of tangible and intangible assets:										
Costs for restructuring	40	-	-	-	-	-	-	-	40	-
Comparable operating profit	**14,817**	**12,339**	**24,715**	**13,330**	**20,662**	**23,842**	**25,996**	**16,892**	**65,201**	**87,392**

Quarterly trends of comprehensive income

(EUR 1,000)	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	1-12/2022	1-12/2021
Profit for the period	10,791	9,971	19,833	10,988	16,264	19,414	17,677	14,001	51,583	67,356
Other comprehensive income after taxes:										
Change in fair value for financial assets	987	-7,017	-22,002	-27,802	-4,052	-494	-2,270	-4,600	-55,833	-11,417
Change in fair value for cash flow hedging	406	83	-812	-15	-55	-47	5	-22	-338	-119
Transferred to the income statement for financial assets	-682	705	-281	314	-177	-708	-1,796	-848	55	-3,530
Comprehensive income from items which can be transferred to the income statement	711	-6,230	-23,095	-27,503	-4,284	-1,249	-4,061	-5,471	-56,116	-15,066
Defined benefit plan pensions	455	-	-	-	-131	-	-	-	455	-131
Comprehensive income from items which can not be transferred to the income statement	455	-	-	-	-131	-	-	-	455	-131
Total comprehensive income for the period	**11,957**	**3,741**	**-3,261**	**-16,514**	**11,849**	**18,165**	**13,615**	**8,530**	**-4,078**	**52,159**
Total comprehensive income attributable to:										
Shareholders in Aktia Bank plc	11,957	3,741	-3,261	-16,514	11,849	18,165	13,075	8,530	-4,078	51,619
Holders of other Tier 1 capital	-	-	-	-	-	-	540	-	-	540
Total	**11,957**	**3,741**	**-3,261**	**-16,514**	**11,849**	**18,165**	**13,615**	**8,530**	**-4,078**	**52,159**
Total earnings per share, EUR	0.17	0.05	-0.05	-0.23	0.16	0.26	0.19	0.12	-0.06	0.73
Total earnings per share, EUR, after dilution	0.17	0.05	-0.05	-0.23	0.16	0.26	0.19	0.12	-0.06	0.73
Total comprehensive income excluding items affecting comparability:										
Total comprehensive income	11,957	3,741	-3,261	-16,514	11,849	18,165	13,615	8,530	-4,078	52,159
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-144	-	-432	-	-	-144	-432
Costs for restructuring	1,128	-	-	-	283	-	2,365	-	1,128	2,649
Comparable total comprehensive income	**13,085**	**3,741**	**-3,261**	**-16,658**	**12,132**	**17,733**	**15,981**	**8,530**	**-3,094**	**54,376**

Quarterly trends in the Segments

(EUR 1,000)	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	1-12/2022	1-12/2021
Banking Business										
Net interest income	22,779	23,024	20,974	19,497	18,932	18,204	18,748	17,580	86,275	73,464
Net commission income	14,410	14,050	14,773	15,080	15,332	15,086	15,135	14,215	58,313	59,768
Other operating income	129	49	23	1	24	33	55	205	202	317
Total operating income	**37,319**	**37,123**	**35,770**	**34,579**	**34,288**	**33,323**	**33,938**	**31,999**	**144,791**	**133,549**
Staff costs	-3,973	-3,942	-3,812	-3,417	-4,223	-3,979	-5,025	-3,928	-15,144	-17,156
Other operating expenses [1]	-22,900	-19,434	-20,716	-23,036	-20,337	-18,839	-21,222	-20,801	-86,087	-81,200
Total operating expenses	**-26,874**	**-23,376**	**-24,528**	**-26,453**	**-24,560**	**-22,818**	**-26,247**	**-24,729**	**-101,230**	**-98,355**
Impairment of tangible and intangible assets	-40	-	-	-	-	-	-	-	-40	-
Impairment of credits and other commitments	-7,150	-1,002	-2,375	303	126	-1,016	-1,402	-2,222	-10,224	-4,515
Operating profit	**3,256**	**12,745**	**8,867**	**8,429**	**9,853**	**9,489**	**6,289**	**5,048**	**33,297**	**30,679**
Comparable operating profit	**4,072**	**12,745**	**8,867**	**8,429**	**9,952**	**9,489**	**7,489**	**5,048**	**34,114**	**31,977**
Asset Management										
Net interest income	1,684	668	535	494	381	393	383	417	3,381	1,574
Net commission income	15,943	17,201	18,469	17,819	19,985	20,152	18,457	12,355	69,432	70,949
Net income from life insurance	11,993	2,580	11,847	901	6,509	8,659	9,510	8,927	27,321	33,604
Other operating income	48	72	106	137	84	346	256	72	364	758
Total operating income	**29,668**	**20,521**	**30,957**	**19,352**	**26,959**	**29,550**	**28,606**	**21,770**	**100,498**	**106,885**
Staff costs	-5,670	-6,150	-5,751	-7,013	-7,072	-7,273	-6,206	-4,451	-24,583	-25,001
Other operating expenses [1]	-11,710	-10,142	-11,404	-10,605	-11,443	-9,697	-12,432	-7,577	-43,862	-41,150
Total operating expenses	**-17,380**	**-16,291**	**-17,155**	**-17,618**	**-18,515**	**-16,970**	**-18,638**	**-12,028**	**-68,445**	**-66,152**
Operating profit	**12,288**	**4,230**	**13,802**	**1,733**	**8,444**	**12,580**	**9,968**	**9,742**	**32,054**	**40,733**
Comparable operating profit	**12,819**	**4,230**	**13,802**	**1,733**	**8,622**	**12,580**	**11,712**	**9,742**	**32,585**	**42,656**

The table continues

(EUR 1,000)	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	1-12/2022	1-12/2021
Group Functions										
Net interest income	-295	345	4,303	5,119	4,784	4,545	8,536	3,344	9,473	21,209
Net commission income	1,575	1,525	1,370	1,469	1,322	1,426	1,174	1,393	5,940	5,315
Other operating income	1,356	-1,183	1,334	724	54	427	3,194	1,415	2,230	5,090
Total operating income	**2,636**	**687**	**7,006**	**7,313**	**6,160**	**6,398**	**12,903**	**6,153**	**17,643**	**31,614**
Staff costs	-11,073	-10,750	-11,222	-10,845	-10,895	-10,658	-10,770	-9,243	-43,889	-41,566
Other operating expenses [1]	6,306	5,472	6,067	6,772	6,842	6,636	4,677	5,204	24,617	23,359
Total operating expenses	**-4,767**	**-5,278**	**-5,154**	**-4,073**	**-4,053**	**-4,022**	**-6,093**	**-4,039**	**-19,272**	**-18,207**
Impairment of credits and other commitments	-	-	-	-	-	21	-	-	-	21
Operating profit	**-2,131**	**-4,590**	**1,852**	**3,240**	**2,106**	**2,397**	**6,810**	**2,114**	**-1,629**	**13,427**
Comparable operating profit	**-2,068**	**-4,590**	**1,852**	**3,060**	**2,183**	**1,857**	**6,822**	**2,114**	**-1,747**	**12,976**

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

5 year overview

(EUR 1,000)	2022	2021	2020	2019	2018
Income statement					
Net interest income	99,180	96,249	80,677	77,568	85,903
Net commission income	121,992	123,992	97,641	99,120	95,602
Net income from life insurance	30,542	37,657	19,876	29,978	21,362
Net income from financial transactions	638	4,684	635	2,878	4,850
Other operating income	1,955	1,202	2,287	11,870	2,414
Total operating income	**254,308**	**263,784**	**201,117**	**221,415**	**210,131**
Staff costs	-83,616	-83,723	-69,068	-68,993	-66,683
IT expenses	-33,446	-30,655	-26,002	-26,193	-25,638
Depreciation of tangible and intangible assets	-23,579	-21,504	-18,276	-19,481	-12,381
Other operating expenses	-39,681	-38,523	-28,813	-29,233	-38,346
Total operating expenses	**-180,322**	**-174,404**	**-142,159**	**-143,901**	**-143,048**
Impairment of tangible and intangible assets	-40	-	-	-	-
Expected credit losses and impairment of credits and other commitments	-10,224	-4,494	-4,046	-4,452	-839
Share of profit from associated companies	249	-265	-118	1,694	1,344
Operating profit	**63,971**	**84,621**	**54,793**	**74,756**	**67,588**
Taxes	-12,387	-17,265	-12,172	-12,931	-11,583
Profit for the reporting period	**51,583**	**67,356**	**42,621**	**61,825**	**56,005**
Attributable to:					
Shareholders in Aktia Bank plc	51,583	66,816	42,621	61,825	56,005
Holders of Additional Tier 1 capital	-	540	-	-	-
Total	**51,583**	**67,356**	**42,621**	**61,825**	**56,005**
Comprehensive income					
Profit for the period	51,583	67,356	42,621	61,825	56,005
Comprehensive income from items which can be transferred to the income statement	-56,116	-15,066	6,172	-2,558	-9,991
Comprehensive income from items which can not be transferred to the income statement	455	-131	-217	-307	13
Total comprehensive income for the reporting period	**-4,078**	**52,159**	**48,576**	**58,959**	**46,027**
Comprehensive income attributable to:					
Shareholders in Aktia Bank plc	-4,078	51,619	48,576	58,959	46,027
Holders of Additional Tier 1 capital	-	540	-	-	-
Total	**-4,078**	**52,159**	**48,576**	**58,959**	**46,027**

The table continues

(EUR 1,000)	2022	2021	2020	2019	2018
Balance sheet					
Financial assets measured at fair value through income statement	1,251,873	1,451,815	1,232,497	1,039,093	902,650
Financial assets measured at fair value through other comprehensive income	997,056	1,106,966	1,258,224	1,240,331	1,340,928
Interest-bearing securities measured at amortised cost	529,409	386,464	413,759	336,495	307,982
Loans and other receivables	8,984,948	7,551,691	7,028,686	6,446,455	6,129,827
Cash and balances with central banks	165,794	732,829	298,615	315,383	289,191
Derivative instruments	54,711	39,553	76,068	68,134	69,990
Other assets	409,484	384,023	264,920	251,208	226,257
Total assets	**12,393,275**	**11,653,341**	**10,572,768**	**9,697,098**	**9,266,826**
Deposits	6,045,668	5,425,806	5,164,416	4,657,453	4,565,120
Derivative instruments	294,049	20,484	12,247	9,847	17,126
Other financial liabilities	3,861,793	3,730,391	3,178,507	3,023,129	2,813,737
Technical provisions	1,351,424	1,568,214	1,410,818	1,259,771	1,155,704
Provisions	1,270	987	1,284	999	757
Other liabilities	141,319	169,062	138,667	135,904	124,443
Total liabilities	**11,695,522**	**10,914,945**	**9,905,939**	**9,087,102**	**8,676,887**
Equity	697,754	738,397	666,830	609,996	589,939
Total liabilities and equity	**12,393,275**	**11,653,341**	**10,572,768**	**9,697,098**	**9,266,826**

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2022	2021	2020	2019	2018
Earnings per share (EPS), EUR	0.72	0.95	0.61	0.90	0.81
Total earnings per share, EUR	-0.06	0.73	0.70	0.85	0.67
Dividend per share, EUR *) **)	0.43	0.56	0.43	0.53	0.61
Payout ratio, %	60.2	59.8	72.4	59.5	75.1
Equity per share (NAV), EUR 1)	8.85	9.45	9.60	8.82	8.56
Average number of shares (excluding treasury shares)	72,013,512	70,460,062	69,787,931	69,037,320	68,817,331
Number of shares at the end of the period (excluding treasury shares)	72,156,950	71,817,540	69,460,801	69,143,116	68,916,364
Return on equity (ROE), % 1)	7.8	10.0	6.7	10.3	9.4
Return on assets (ROA), % 1)	0.43	0.61	0.42	0.65	0.60
Cost-to-income ratio 1)	0.71	0.66	0.71	0.65	0.68
Common Equity Tier 1 capital ratio (Bank Group), %	10.8	11.2	14.0	14.7	17.5
Tier 1 capital ratio (Bank Group), %	12.7	13.2	14.0	14.7	17.5
Capital adequacy ratio (Bank Group), %	14.9	15.6	16.6	18.6	20.5
Risk-weighted commitments (Bank Group)	3,130,631	2,940,550	3,030,010	2,636,934	2,199,213
Capital adequacy ratio, % (finance and insurance conglomerate)	146.5	145.0	126.6	131.6	166.1
Equity ratio, % 1)	5.8	6.6	6.6	6.4	6.3
Group financial assets 1)	2,936,462	2,546,099	2,265,470	2,094,688	2,112,924
Assets under management 1)	13,539,000	15,450,954	10,446,947	9,853,097	8,353,372
Borrowing from the public	5,213,777	4,503,297	4,465,767	4,059,841	3,962,540
Lending to the public	7,791,700	7,486,371	6,999,814	6,429,143	6,106,717

The table continues

(EUR 1,000 if nothing else is stated)	2022	2021	2020	2019	2018
Premiums written before reinsurers' share [1]	142,189	152,696	106,161	118,606	105,634
Expense ratio, % (life insurance company) [1]	108.0	98.9	73.9	73.9	77.0
Solvency ratio (life insurance company), %	243.5	224.7	145.9	192.1	229.8
Own funds (life insurance company)	183,180	244,690	159,070	166,290	175,510
Investments at fair value (life insurance company) [1]	1,476,813	1,693,406	1,515,218	1,344,989	1,230,542
Technical provisions for risk insurances and interest-related insurances	349,624	414,454	441,005	390,364	398,930
Technical provisions for unit-linked insurances	1,001,799	1,153,760	969,814	869,407	756,774
Group's personnel (FTEs), average number of employees	911	862	806	787	803
Group's personnel (FTEs), at the end of the period	891	854	830	776	779
Alternative performance measures excluding items affecting comparability:					
Comparable cost-to-income ratio [2]	0.70	0.65	0.71	0.66	0.69
Comparable earnings per share (EPS), EUR [2]	0.73	0.98	0.61	0.79	0.77
Comparable return on equity (ROE), % [2]	8.0	10.3	6.7	9.1	8.9

*) Dividend proposal of EUR 0.43 per share

**) Dividend for 2019 was paid in January 2021

1) Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information.

2) Aktia presents a number of APMs, from which items affecting comparability are excluded. Items affecting comparability are not associated with day-to-day business, and such items are income and expenses attributable to restructuring, divestment of operations as well as impairment of assets departing from day-to-day business. The items affecting comparability are shown in a table under the Group's income statement and comprehensive income.

Basis of calculation

Earnings per share (EPS), EUR

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

Total earnings per share, EUR

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

Equity per share (NAV), EUR

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

Return on equity (ROE), %

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

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

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

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

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

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

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

Risk-weighted commitments (Bank Group)

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

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

Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

Equity ratio, %

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

Group financial assets

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

Assets under management

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

Expense ratio, % (life insurance company)

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

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

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

Non-financial report 2022

Business model

Aktia Group's business model is based on offering private, corporate, organisational and institutional customers customer-oriented banking and financial services based on close advice via various channels. Aktia has three business areas: Banking, Asset Management and Life Insurance. The Group's geographical business area includes the Finnish coastal area, metropolitan area and inland growth centres. Aktia is a Finnish company that operates and pays taxes in Finland.

Our current updated strategy, which extends until 2025, supports the company's growth goals and leads the company towards our vision of being "The leading wealth manager bank". Our growth strategy is based on close cooperation between Aktia's three business areas.

Sustainability

During 2022, an update of the Aktia Group's corporate responsibility programme was adopted. The revised programme is better aligned with the strategy and its schedule. The revised programme guides Aktia's responsibility work in 2022–2025.

Indicator (target for year 2025)		2022	2021	Change
T-media reputation & trust score (at least 3.50)		3.45	3.46	-0.01
Share of Article 8/9 classified funds (increase)		96.6%	78.4%	18.2 percentage points
Share of sustainable loans (increase)		2.1%	1.8%	0.3%
Wealth plan (90%)		Data will be obtained for the first time in 2023		
Siqni flame Index (80)		72	-	-
eNPS (20)		-13	-5	-8
SHE Index		First participation in 2023		
Aktia's ESG ratings (at least industry average)	MSCI	AA	AA	No change
	Sustainalytics	Low Risk	High Risk	Improvement
	ISS	D+	D+	No change
Aktia bank's net impact ratio according to Upright's model (positive)		+31%	+45%	-14 percentage points
Information security**	Inreach program:	3.47	3.46	+0.01
	Outreach program:	27	-	-
Interim objectives of the climate strategy	Relative carbon footprint of equity and credit portfolios per M€ invested *** (2025 -30% vs. 2019)	42.70	41.09	+1.61
	Green bonds share of corporate credit funds (35%)	24.34%	12.94%	11.4 percentage point
	Reduction of loan portfolio emissions - 2025 intermediate goal not defined			
	Scope 2 emissions in Aktia's HQ (Net Carbon neutrality)	0	130.6	-130.6

* scale 0-100
** Inreach program – overall awareness (Lähde eLearning / Hoxhunt / survey for staff, max 4)
Outreach program – supplier evaluations and stakeholder meetings carried per year
*** Equity funds: Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America, Global, Micro Rhein, Rhein Value, Micro Markka and Europa Dividend.
Credit funds: Corporate Bond +, Short-Term Corporate Bond +, European High Yield Bond +, Nordic High Yield and IU Aktia Sustainable Corporate Bond.
Also includes Balanced funds Secura and Solida as well as Aktia Treasury's and Aktia Life Insurance's funds
Baseline figure for 2019: 55.40

The corporate responsibility programme is divided into four themes:

- Prosperity
- People
- Principles of Governance
- Planet

Aktia's Executive Committee and Board of Directors approved the sustainability programme and its targets and actions. The topics in the sustainability programme are based on the 2020 materiality analysis, which was supplemented by a trend and peer analysis to examine topics that have an impact on the working environment of the financial sector. Aktia's ESG team specified the final programme focus areas, making use of the survey targeted at employees and workshops of selected target groups. The focus areas in the sustainability programme are Aktia's material topics and their development will be monitored in accordance with the table below. Different sustainability indicators are examined more thoroughly in our 2022 Annual Review.

The following indicators have both internal and external impacts: The T-Media Reputation&Trust survey measuring Aktia's reputation and the level of trust in Aktia among stakeholders, the share of customer assets classified as Article 8/9, the share of sustainable loans, the share of wealth plans drawn up, the eNPS (Employee Net Promoter Score), Aktia Bank's ESG ratings and the net impact ratio, the level of Aktia's information security training and activities, and Aktia's climate impact (interim targets in the climate strategy). The following indicators have primarily only internal impacts: the Siqni Flame Index, measuring employee satisfaction and the SHE Index measuring how well equality is realised. The internal and external impacts are described in more detail in the 2022 Annual Review.

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

- Laws and decrees and good banking and insurance practices
- Aktia Group's Code of Conduct
- Aktia Group's Code of Conduct for suppliers
- Sustainability programme
- Climate strategy and climate policy
- WWF Green Office principles
- Principles for Responsible Investment and Stewardship policy
- Personnel wellbeing programme (AktiaWellbeing)
- The Board of Directors' instructions on the principles of disclosure
- Principles for responsible lending
- Aktia Group's diversity policy
- Aktia Group's guidelines for green procurement

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

Principles of Governance

It is important for Aktia to follow good governance and to act in an ethical and transparent manner. We comply with international principles, and we are also playing a pioneering role, encouraging other companies to join sustainability initiatives. We strive for broad transparency both in our activities in general and in our reporting. Our goal is to achieve at least the industry average in the ESG ratings by MSCI, Sustainalytics and ISS and that Aktia Bank has a positive net impact ratio according to the Upright Project model.

Aktia Group has a Code of Conduct that supports and guides our employees in their everyday work. Staff also receives annual training in the Code of Conduct as part of mandatory compliance training.

As a critical player for emergency supply within the financial sector, information security, data protection and the protection of customer data are of particular importance to us and key factors in maintaining customer trust. The work to maintain and promote information security and data protection at Aktia is employee-based, comprehensive, long-term, and integrated into all our activities. We measure the results of information security work through the Inreach and Outreach programmes. With the Inreach programme, we measure the general awareness among employees, including online training, the Hoxhunt security awareness game and an employee survey. With an employee survey on information security, we measure the attitudes of Aktia employees to information security, the quality of the information security unit's services and the comprehensive development of the information security culture. Our objective is to achieve an average of over 3 in all areas of the survey (range 1–4), and in 2022 we achieved the objective with a result of 3.47. The Outreach programme, on the other hand, measures the number of supplier reviews and stakeholder meetings carried out, and our aim is to carry out at least 25 of these every year. During 2022, 27 supplier reviews were launched, and various stakeholder meetings were organised as necessary.

Prosperity

Sustainability is at the core of Aktia's activities and guides Aktia towards its goal of being the leading wealth manager bank. We want to promote the building of sustainable wealth in society by offering our customers the best and most comprehensive solutions for investment, financing and personal insurance. We aim to identify new opportunities in the changing world of digitalisation and ESG megatrends and to offer interesting solutions to customers. Our pledge is to help our customers think further and enable sustainable prosperity.

We want to respond to our customers' needs and provide high-quality customer service. We monitor the Aktia's reputation and the level of trust among our stakeholders through the T-Media Reputation&Trust survey biannually, and our goal is to reach a minimum level of 3.50 (max 4.00).

Especially as an asset manager, Aktia has a considerable opportunity to influence responsibly through its investment decisions. The UN Sustainable Development Goals form part of the value base on which our investment activities are based and by signing the Principles of Responsible Investment

(PRI) supported by the UN, Aktia is committed to taking environmental, social and good governance criteria into account in its asset management. Responsible investment is an important part of the development of Aktia's wealth management activities as well as the activities of the entities responsible for investment funds and discretionary wealth management and the entities responsible for the bank's own investments. Responsible investment is an important part of the development of Aktia's wealth management activities as well as the activities of the entities responsible for investment funds and discretionary wealth management and the entities responsible for the bank's own investments. Responsible investments also mean that Aktia can promote responsibility in the companies, in whose securities Aktia invests. Our objective in terms of responsible investment is to increase the share of client AUM invested in Article 8/9 classified funds.

One essential element of our ESG policy for responsible investment is the mitigation of climate change. We also encourage external asset managers to commit to mitigating climate change and to support the transition to a less low-dependent society in their investment decisions. Our impact work is not limited to companies, but also covers government institutions and policy makers.

After investment, lending has the second biggest impact, which is why we also want to practise responsible lending. We only conclude sound and ethically justifiable credit agreements. Granting credit is always based on the customer's adequate ability to pay. Before granting the credit, a thorough risk assessment is carried out to assess the customer's ability to pay and to ensure that the customer can meet their obligations. We will not contribute to arrangements for circumventing legislation or regulation or arrangements that may cause a reputational risk. The identity of the customer or the customer's representative is verified and information about the customer is gathered. The customer relationship is monitored, and the information is saved as a part of the Know Your Customer process as well as the prevention of money laundering and the financing of terrorism. Our key tools for responsible granting of credit are the new sales of credit according to the customer's ability to pay, as well as the loan ceiling and active follow-up of credits. As part of granting credit, the Group's climate policy is considered.

We have applied the principles of responsible lending, which were drawn up in the previous year, since the beginning of 2022. During 2022, we have also created criteria for green and sustainability-linked loans in order to launch our first sustainable loan products soon. In addition, we have analysed the taxonomy eligibility of our credit portfolio for 2022.

The shares and amounts in euro of green and other sustainable bonds in Aktia Asset Management's funds are presented in the following table. These green, social and other sustainable bonds form an important part of the portfolio management in this asset class and an important feature of our product solutions. Investments in green bonds accounted for 7.5% and EUR 97.7 million of Aktia's liquidity portfolio. In 2022, Aktia Bank did not provide green bonds but only participated in green syndicate bonds.

The share of sustainable bonds in Aktia's funds, %	Green bonds	Social bonds	Sustainability bonds	Sustainability linked bonds
Corporate Bond+	28.80%	2.07%	2.17%	1.88%
Short Corporate Interest Rate+	14.41%	0.00%	2.68%	0.00%
European High Yield Bond+	10.06%	0.00%	0.00%	5.41%
Nordic High Yield	19.96%	0.00%	0.78%	9.41%
UI Aktia Sustainable Corporate Bond	91.66%	4.32%	4.02%	0.00%
Impact	23.07%	1.18%	0.84%	0.00%
Secura	10.48%	0.22%	0.66%	0.16%
Solida	16.13%	1.31%	1.36%	0.24%
Emerging Market Bond+	5.02%	1.17%	4.87%	1.36%
EM Local Curr. Frontier Bond+	0,00%	0.00%	2.02%	0.00%

The share of sustainable bonds in Aktia's fundsr, mn €.	Green bonds	Social bonds	Sustainability bonds	Sustainability linked bonds
Corporate Bond+	126.3	9.1	9.5	8.2
Short Corporate Interest Rate+	57.0	0.0	10.6	0.0
European High Yield Bond+	26.7	0.0	0.0	14.4
Nordic High Yield	15.9	0.0	0.6	7.5
UI Aktia Sustainable Corporate Bond	84.1	4.0	3.7	0.0
Impact	8.6	0.4	0.3	0.0
Secura	29.7	0.6	1.9	0.5
Solida	61.3	5.0	5.2	0.9
Emerging Market Bond+	9.9	2.3	9.6	2.7
EM Local Curr. Frontier Bond+	0.0	0.0	12.6	0.0

Planet

The environmental theme is directly linked to Aktia's climate strategy, and the targets of our sustainability programme are the interim targets for 2025 of the climate strategy. In terms of investment, these are to reduce the carbon footprint of equity and corporate bond funds by 30% compared to the 2019 level and increase the share of green bonds in corporate credit funds to 35%. With regard to lending, the objective is to establish criteria for green and sustainability linked loans and a green bond framework, as well as to launch first sustainable lending products during 2023. The objective for Aktia's own activities is net carbon neutrality in energy consumption in Aktia's head office premises. Aktia's climate strategy and carbon dioxide emissions (Scope 1, 2 and 3) are described in more detail in the 2022 Annual Review.

In addition to climate change, biodiversity is one of the most important themes. In asset management, we have also developed tools for identifying transition companies and analysing the dependence of funds on natural capital resources. With regard to lending, we have worked on the criteria for responsible lending in 2022.

In terms of our own activities, energy consumption has become a particularly important theme this year due to the precarious world situation and the energy crisis caused by reduced energy imports from Russia. In order to combat the shortage of electricity, we took part in energy-saving campaign in the Aktia head office with the landlord Sponda and in Turku with Aktia Life insurance company's landlord Technology Properties.

Aktia's head office is WWF Green Office certified. Our intention is to later expand the Green Office practices also to other Aktia offices. We encourage environmentally friendly measures in all our offices and share good practices. Aktia uses so-called green electricity produced from renewable sources in Aktia's head office and in all Aktia offices where Aktia has its own electricity contract (approximately 90% of Aktia's energy consumption).

People

We want our employees to feel that Aktia is a good workplace and that they are valued. Aktia offers equal opportunities for all employees to succeed and to develop as professionals. Due to a low hierarchy and an entrepreneurial work culture, employees have the opportunity to influence and develop Aktia. Social responsibility indicators in Aktia include the Employee Net Promoter Score (eNPS i.e., the willingness to recommend Aktia as an employer). For eNPS, our target is 20. In 2022 our eNPS varied between -2 and -13.

Our values — courageously, skilfully and together — that we have established together with our employees, govern all our activities. In 2022, we updated our sustainability programme for 2022–2025, with good leadership, employee experience, and diversity, equity, and inclusion (DEI) as focus areas for the people theme. During the year, we began to use our new head office premises in Helsinki on a wider scale while continuing to work in hybrid mode. Employee experience was a strong focus area during the year, and we invested in surveying our employees' wishes and improvement areas within the company. We honed our customer experience internally and revisited our organisational structure to ensure that it serves the company and our customers as well as possible.

Good leadership

Good leadership is a key factor in achieving being an attractive workplace in the business. All employees have the right to enjoy good leadership. Aktia is investing in regular management training based on Aktia's strategy and values and the ability for change management. In 2022, we have continued our focus on deepening strategy understanding and awareness through continuous internal strategy communication and performance management. Special attention has been paid to supporting senior management in driving strategy execution by establishing a senior management leadership steering group. One aim of the steering group is to define and develop leadership in Aktia. Steering group met once a month during 2022.

Employee experience and well-being

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

In 2022, Aktia continued its cooperation with Mehiläinen and the AktiaWellbeing concept continued. The concept is an advanced way of organising occupational healthcare. The activities within the concept have been digital due to the COVID-19 pandemic. The concept includes, in addition to basic health services, versatile services and coaching which employees can use to improve their own occupational health. Examples of these include coaching on nutrition, exercise and recovery, as well as individual digicoaching. We have also regularly arranged mutual Aktia Take a Break sessions to support remote working. Many Aktia employees use the digital well-being services. With the AktiaWellbeing programme, employees have also benefited from many tools that support occupational health. In Aktia, for example, a work ability radar has been used, which allows for early intervention in terms of possible health risks. In addition, an important part of the well-being concept is the early support for working capacity that helps to improve the occupational health of Aktia employees and prolong their working careers. We introduced Siqni, a new employee survey tool to explore our employees' motivation in more detail. The most meaningful work factors determined in the survey form an average index, revealing employees' average level of work enthusiasm. In 2022, the index has been at 72, and Aktia aims to improve the result further. The survey results are incorporated into one-on-one discussions and within teams to better reflect employee wishes. Securing health is described in greater detail in our Annual Review 2022, in chapter Promoting personnel well-being.

DEI (Diversity, equity and inclusion)

In Aktia we respect diversity, equality and equal opportunity. Aktia's diversity policy covers both the employees and the Board of Directors. Diversity is an essential part of the organisation's ability to function. We believe that the diversity of our employees creates competitive advantages both in the business and when competing for the best possible employees. Aktia's diversity policy is based on Aktia's values, the Code of Conduct and anti-discrimination work. Diversity is part of good governance and Aktia's success. We are aiming at promoting diversity and equality in our employee policy. The equal treatment of employees starts from recruitment: we strive to ensure diversity of our employees through our recruitment processes. We are committed to ensuring equal opportunities for all employees and to ensuring equal treatment in recruitment situations. We monitor the gender structure amongst our employees and in 2022, 45% of the employees at Aktia were men and 55% women. In 2021, 56% were women and 44% men. In 2022, 63% of the Executive Committee were men and 38% women. In addition, 75% of the members of the Board of Directors were men and 25% were women. Our daily working environment also supports cultural diversity. All employees have equal opportunities to advance in their career. Aktia is also a multilingual workplace. In 2022, Aktia continued to invest in the multilingualism of employee documents. Aktia's principle is to equally support multilingualism, minorities, or groups that are in a vulnerable position in the work community. For example, Aktia organises language courses for its employees and provides comprehensive well-being services for all employees. Aktia's aim is to provide its employees with training and programmes to support future career development while considering the employees.

Respecting human rights

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

Responsible investment in Aktia and responsibility in general are based on key international conventions and standards, such as the UN Declaration of Human Rights and other UN conventions, the UN Sustainable Development Goals, ILO conventions and the OECD Guidelines for Multinational Enterprises. Aktia has had its own principles for responsible investment since 2006. By signing the UN supported Principles for Responsible Investment, PRI, Aktia has committed to being an active owner and to include ESG aspects in our corporate governance and to report on our ESG activities in a transparent manner.

Aktia has chosen to work together with ISS ESG, a forerunner in norm-based shareholder influence, to identify violations of norms in the investment funds' investment objects and to conduct advocacy dialogues with the companies via the pooled engagement service. In investment activities in emerging markets, a number of ESG factors are integrated into Aktia's country selection model that assesses how well human rights are realised. More detailed ESG reporting in asset management including, for example, compliance with norms in our investment funds is published biannually in our Overview of responsible investment.

Preventing corruption and bribes

Aktia is constantly striving to identify and define major risks, including money laundering and the financing of terrorism. The legislation on money laundering sets strict requirements for knowing the customers, such as politically exposed persons (so-called PEP), and for identifying the risks. Aktia strives for responsibility and high business ethics in all its activities, as well as to operate in order to maintain customer confidence and confidence in the financial market. Aktia has zero tolerance for bribery, corruption and other inappropriate influence, regardless of its form. Aktia strives to prevent corruption and the risk of bribery on a continuous basis by informing the management and employees on how to deal with receiving or giving gifts and other benefits, including participation in events.

To support employees, Aktia has compiled the main rules to be followed by the employees in their work in Aktia's Code of Conduct. All employees of Aktia are required to comply with the Code of Conduct and receive regular training on it. The Group's Code of Conduct covers, for example, the prevention of corruption and bribery, prevention of money laundering and financing of terrorism, confidentiality, insider rules, reporting sideline jobs and positions of trust, as well as rules on the protection of Aktia's trade secrets. The Code of Conduct also calls on the Group's employees to report breaches of the Code of Conduct and any unethical business methods or suspicion thereof (so-called whistleblowing). In 2022, there were no reports in the whistleblowing channel. Aktia Bank Plc has deemed that in its operations, the risk of corruption and bribes is low.

Task Force on Climate-Related Financial Disclosures (TCFD)

TCFD is an international reporting framework that guides the reporting of climate-related risks and opportunities. Aktia became a public supporter of the TCFD reporting recommendations in 2021. In this section we have gathered information about the activities in Aktia by using the TCFD reporting framework.

Governance

Sustainability, consisting of both corporate responsibility and ESG integration in all business areas, is managed in a structured way at Aktia. Sustainability is an integrated part of all Aktia's operations. Sustainability matters are also on the agenda of Aktia's Board of Directors at least once a year and on the Executive Committee's agenda more than once a year if necessary. During 2022, sustainability issues were on the Executive Committee's agenda on a quarterly basis. Sustainability matters are also on the agenda of the Board of Directors of Aktia Fund Management Company on a quarterly basis. On board level it is the Audit Committee that oversees ESG development and the sustainability programme. Depending on the issue, some matters are also discussed and approved by the Boards of Directors of the relevant subsidiaries within the group. The Sustainability Director is responsible for sustainability development at Aktia together with a team of corporate responsibility and ESG professionals. The director for sustainability reports to the Executive Vice President for the asset management business area. However, the scope of the ESG team's responsibility covers all group activities. The management of corporate responsibility is described in closer detail in our Annual Review.

During 2022, Aktia'a asset management has continued to actively develop its responsible investment approach. Asset management has an ESG committee with representatives from all asset classes. The committee develops responsible investment activities in Aktia's asset management, coordinates the implementation of Aktia's ESG principles, measures and initiatives as well as ESG analysis and performance in investments, addresses violations of norms, and prioritises engagement discussions with companies. In asset management, investment decisions are guided by Aktia's own principles of responsible investment, which cover both client asset management and Aktia's own investment activities.

Aktia Group has a climate policy and instructions on green procurement that apply to all functions. The Group holds discussions relating to the climate and environment with its suppliers in the scope of the instructions.

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

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

Strategy

In 2021 Aktia published a climate strategy, and during 2022 the interim targets of the climate strategy for 2025 and 2030 were processed and adopted at the end of the year. The main objectives of our climate strategy are:

- **Asset management and own investments:**
  Net carbon neutrality in investment portfolios by 2050.
  Aktia participates in the Net Zero Asset Managers initiative to support the goal of carbon neutrality. The carbon neutrality goal covers both customer assets and Aktia's own investments.
- **Lending:**
  Reducing the loan portfolio emissions.
  In order to support Aktia's sustainability work, Aktia joined the UN Principles for Responsible Banking initiative in 2022.
- **Aktia's own activities:**
  Net carbon neutrality for own activities by 2050.

Climate work is a part of the daily activities in Aktia's asset management. Aktia has committed to the UN supported Principles for Responsible Investment (PRI) and thus to considering e.g. environmental criteria in its wealth management. As a wealth manager, Aktia has an opportunity to affect the environment through its investment decisions. Aktia's equity investment strategy favours less capital-intensive companies with good emissions profiles. In addition, Aktia has developed the process of identifying transition companies in 2022. As a part of our transparent operations, we report the net impacts of our funds quarterly, using the Finnish Upright Project modelling.

To support climate change mitigation efforts globally, Aktia has signed the international Climate Action 100+ investor initiative, which is aimed at influencing companies with some of the largest greenhouse gas emissions. Aktia has also signed the Net Zero Asset Managers Initiative and the CDP's (formerly known as Carbon Disclosure Project) climate change, water and forest initiatives. In addition, we report to the CDP on our climate impacts.

We also encourage companies to start climate reporting and set science-based goals by participating in CDP's non-disclosure campaign and in the CDP-led Science Based Targets campaign. The majority of Aktia's stewardship efforts are related to companies. However, engagement is not limited to companies as we engage on climate issues also increasingly with external asset managers, government institutions and policy makers.

Risk management
Risks and risk management are a part of Aktia's business environment and operations. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, interest rate and other market risks as well as actuarial risks in the life insurance business. All these operations are exposed to business and operational risks. The above-mentioned risks and their management are described more in detail in the risk section of the Board of Directors' report and in Aktia's Pillar III report.

The Group's Board of Directors has the primary responsibility for the Group's risk management. The Board of Directors manages risk appetite by confirming instructions for the most important areas of risk and business units and the allocation of capital and by giving general instructions on organising the Group's risk management, internal control and capital management process. Since 2020, Aktia's Executive Committee and Board of Directors have reviewed the Group's sustainability risks on their agendas once a year. The Audit Committee of the board acts as the governing body that monitors the Group's ESG work.

In addition to these general principles, Aktia Bank's risk management is based on the principle of three lines of defence. The first line of defence consists of the line organisation. The second line of defence consists of the independent Compliance and Risk Control functions, whose primary task is to develop, maintain and supervise the general principles and the framework for risk management as well as continuously monitor the development of material risks. The third line of defence consists of internal control, a unit that is separate and independent from other functions, the task of which is to make sure that the internal control and risk management are organised appropriately.

Aktia Group also follows the European Central Bank's (ECB) guide on climate and environmental risks as well as the European Banking Authority's (EBA) discussion paper on ESG risks. ESG risks are part of Aktia's risk management policy and Aktia aims at developing its strategic and risk management processes to consider climate change in a more comprehensive way. During 2022, we have worked on an ESG modelling as part of the risk and solvency assessment of the life insurance company.

Aktia assesses climate risks annually in the short, medium and long term, which means that we look at the risks on an annual basis on current strategy period (less than five years), over a five to ten-year period, and over a ten to thirty-year period. The purpose of identifying and assessing the risks is to make it possible to control and mitigate climate risks in the business environment. Climate risks may influence the investment chain and direct functions or materialise through customers or the supply chain for example through financial effects or the effects of market development or through Aktia's reputation and reliability.

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

The portfolio managers at Aktia Asset Management consider ESG risks and opportunities as well as the principal adverse impacts (PAI) in the investment decision-making process. The principal adverse impacts (PAI) and the negative impact of investments on sustainability factors are considered as a part of the funds' investment process. As support for our portfolio management, we use our own as well as an external ESG analysis that we have purchased. We use e.g. Morningstar/Sustainalytics and ISS ESG's company-specific ESG assessments and analyses and ISS ESG's climate risk analysis. As a part of the climate risk analysis, we carry out a scenario analysis for our funds according to the different climate warming scenarios at least biannually. We assess how well our investment portfolio is in line with the climate warming scenario of less than 1.5 degrees. With the tool we also assess carbon footprint (scope 1, 2 and 3), carbon intensity, transition risks, and physical risks for both the asset management and our own investment portfolios. The results are reported as part of the Overview of responsible investment, published biannually, and the ESG reports of the funds, published on a quarterly basis. The portfolio managers take the results of the monitoring into account as part of portfolio management. For example, if an increased carbon risk or deficiencies in setting climate targets is noted in portfolio companies, the portfolio manager may start active ownership and impact work with the portfolio companies.

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

Regulatory risks: Regulatory risks are related, for example, to national and EU climate and energy policy and regulation and to possible changes in these. These risks are managed by developing practices to meet the newest regulation and by preparing for changes.

Technology risks: Technology risks for climate change are related, for example, to the supply chain and Aktia's funds that invest in technology. These risks are managed by carefully analysing the investment objects, the technology used and the development of new technologies.

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

Market risks: Market risks are related to the change in consumers' preference towards more sustainable products and services with a smaller carbon footprint. Aktia manages these risks by developing sustainable services.

Reputational risks: Reputational risks are related for example to analysts' and rating institutes' practice to include ESG factors in the rating process, in which case the possibly lower rating could cause a reputational risk. This risk is actively managed by working to maintain and improve ratings and by developing the business in accordance with ESG trends. Another reputational risk could arise if a product or a service turned out to be less green or sustainable than communicated. Aktia manages this risk by applying thorough screening and analysis of the services and products provided and by following and complying with external regulation relating to ESG, sustainable finance and product governance.

Short-term physical risks: Short-term physical risks are for example an increase in extreme weather events, such as storms, floods or downpours, which may cause property damage. These risks are managed by ensuring adequate insurance cover and predictive property maintenance and by carrying out environmental due diligence before making property investment. Also, through an initiation of updating the principles for responsible lending we can manage the risks relating to mortgage loans.

Long-term physical risks: Long-term physical risks are for example the consequences of permanent, long-term changes in the weather conditions, such as higher insurance premiums and depreciation of properties in, for example, flood risk areas. These risks are managed by ensuring, through property maintenance that the properties are sufficiently prepared for long-term changes in the weather conditions and by carrying out environmental due diligence before making a property investment.

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

Climate-related opportunities identified by Aktia are for example:

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

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

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

Aktia has identified climate change as a megatrend that has an impact on Aktia's strategy and financial planning in the future. There are both risks and opportunities arising from climate change mitigation and adaptation for Aktia. Aktia actively develops products and services to have more sustainable options both in asset management and in lending. In 2022, Aktia launched two special-purpose investment funds: Aktia Bioindustry I Ky and Aktia Sustainable Corporate Bond Fund. After these two new funds and Aktia Impact Fund updates, there are now three funds classified as so-called dark green, Article 9 aligned fund, in accordance with the EU Sustainable Finance Disclosure Regulation. During 2022, Aktia also started developing green and responsible lending operations. In addition to these, Aktia is also focusing on climate change adaptation and mitigation activities in its own operations for example through setting targets to reduce energy consumption and to procure green electricity as well as paying attention to sustainability in the supply chain.

Indicators

Aktia has reported the carbon footprint and carbon intensity of our own direct equity funds and corporate bond funds twice a year. We publish an overview of responsible investment on Aktia's website biannually. At the end of the year, the weighted average relative carbon footprint of Aktia's funds was 42.7 tonnes Co2e per million euros of earnings, which is on average 53% lower than the market benchmark. The carbon footprint of Aktia's funds has been smaller than that of the market benchmark for several years.

Aktia's own emissions from energy consumption, i.e. Scope 2 emissions in 2022 were 219.6 tonnes CO2e (market based). Aktia's total emissions (Scope 1, 2 and 3) are reported in Aktia's Annual Review.

Taxonomy reporting

Qualitative information

Background information in support of the quantitative indicators

In the 2022 taxonomy reporting (taxonomy eligible economic activities), we have slightly changed the format of the reported data compared to 2021, to better match market practice. The taxonomy reporting obligation encompass companies subject to reporting obligation under Non-Financial Reporting Directive (NFRD) which in Finland includes listed companies, credit institutions and insurance companies with more than 500 employees. These companies reported taxonomy eligibility for the first time regarding financial year 2021 and taxonomy alignment reporting for non-financial undertakings subject to NFRD reporting obligation commence for the financial year 2022. At the time of preparing this report, Aktia does for the most part not have data reported by corporate finance customers themselves available as Aktia's corporate customers are mainly not subject to NFRD reporting obligation. Since the use of estimates is not allowed in the actual taxonomy reporting, only mortgages, housing association loans, direct real estate investments and a small part of the corporate leasing credits are included in the taxonomy eligible assets. However, to increase transparency, we have estimated the share of other taxonomy eligible assets and present them in a separate table as voluntary reporting.

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

Aktia Group's investments include investments made by Aktia Bank Plc within the scope of the management of the liquidity portfolio, derivative investments and shares in other companies, as well as investments of Aktia Life Insurance Ltd in shares, fixed income instruments, alternative investments, properties, money market instruments and derivatives. The analysis of taxonomy eligibility in terms of equity and fixed income investments has been carried out by a third party (Upright Project) and is based both on figures reported by the companies themselves and estimates. All direct property investments have been estimated to be taxonomy eligible. Alternative investments have to some extent been left out of the assessment in the absence of reliable data.

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

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

Asset management considers whether the investment objects are taxonomy eligible as part of the qualitative analysis. The taxonomy is also strongly linked to the development of funds that have a sustainable investment objective in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR article 9 funds).

EU Taxonomy reporting 2022	Share of total assets
Taxonomy-eligible assets	56.0%
Taxonomy non-eligible assets	24.4%
Assets related to central governments, central banks supranationals	2.9%
Derivatives	0.3%
Assets related to non-NFRD undertakings	16.5%
On demand inter-bank loans	0.0%
Trading portfolio	0.0%

Estimated exposures covered by the taxonomy	Share of total assets
Taxonomy-eligible assets	56.0%
Estimated taxonomy-eligible assets	1.3%
Estimated taxonomy non-eligible assets	23.1%
Assets related to central governments, central banks, supranationals	2.9%
Derivatives	0.3%
Assets related to non-NFRD undertakings	16.5%
On demand inter-bank loans	0.0%
Trading portfolio	0.0%

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

Supplementary information

Currently only a limited part of all economic activities is included in the taxonomy. The reporting obligation is still limited to large companies subject to NFRD reporting obligation. while the majority of Aktia's corporate customers are SMEs that are not subject to the reporting obligation. Thus, the importance of the taxonomy for Aktia is currently considered to be rather low in terms of corporate finance. However, the demand for sustainable finance and investment objects is constantly increasing and thus the importance of the taxonomy is expected to increase in the future when the taxonomy will cover more sectors and the reporting obligation is extended to more companies.

The information in this non-financial report has been assured by KPMG (limited assurance). The assurance statement can be found within Aktia's sustainability report in Aktia's Annual Review 2022.

Financial Statement

Aktia

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Consolidated income statement

(EUR 1,000)	Note	2022	2021
Interest income		119,511	93,254
Interest expenses		-20,331	2,996
Net interest income	G4	99,180	96,249
Dividends	G5	1,444	353
Commission income		134,251	136,023
Commission expenses		-12,259	-12,031
Net commission income	G6	121,992	123,992
Net income from life insurance	G7	30,542	37,657
Net income from financial transactions	G8	638	4,684
Other operating income	G9	512	849
Total operating income		**254,308**	**263,784**
Staff costs	G10	-83,616	-83,723
IT expenses		-33,446	-30,655
Depreciation of tangible and intangible assets	G11	-23,579	-21,504
Other operating expenses	G12	-39,681	-38,523
Total operating expenses		**-180,322**	**-174,404**
Impairment of tangible and intangible assets	G26	-40	-
Impairment of credits and other commitments	G20	-10,224	-4,494
Share of profit from associated companies		249	-265
Operating profit		**63,971**	**84,621**
Taxes	G13	-12,387	-17,265
Profit for the reporting period		**51,583**	**67,356**

The table continues

(EUR 1,000)	Note	2022	2021
Attributable to:			
Shareholders in Aktia Bank plc		51,583	66,816
Holders of Additional Tier 1 capital		-	540
Total		**51,583**	**67,356**
Earnings per share (EPS), EUR	G14	0.72	0.95
Earnings per share (EPS), EUR, after dilution	G14	0.72	0.95

Consolidated statement of comprehensive income

(EUR 1,000)	Note	2022	2021
Profit for the reporting period		51,583	67,356
Other comprehensive income after taxes:			
Change in fair value for financial assets		-55,833	-11,417
Change in fair value for cash flow hedging		-338	-119
Transferred to the income statement for financial assets		55	-3,530
Comprehensive income from items which can be transferred to the income statement		-56,116	-15,066
Defined benefit plan pensions		455	-131
Comprehensive income from items which can not be transferred to the income statement		455	-131
Total comprehensive income for the year		**-4,078**	**52,159**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		-4,078	51,619
Holders of Additional Tier 1 capital		-	540
Total		**-4,078**	**52,159**
Total earnings per share, EUR	G14	-0.06	0.73
Total earnings per share, EUR, after dilution	G14	-0.06	0.73

Consolidated balance sheet

(EUR 1,000)	Note	31 Dec 2022	31 Dec 2021
Assets			
Interest-bearing securities		75,342	94,622
Shares and participations		174,936	203,173
Investments for unit-linked investments		1,001,595	1,154,020
Financial assets measured at fair value through income statement	G16	1,251,873	1,451,815
Interest-bearing securities		997,056	1,106,966
Financial assets measured at fair value through other comprehensive income	K17	997,056	1,106,966
Interest-bearing securities	K18	529,409	386,464
Lending to Bank of Finland and credit institutions	K19	1,193,248	65,320
Lending to the public and public sector entities	K19	7,791,700	7,486,371
Cash and balances with central banks	G21	165,794	732,829
Financial assets measured at amortised cost		9,680,151	8,670,984
Derivative instruments	G22	54,711	39,553
Investments in associated companies and joint ventures	G23	3,089	164
Intangible assets and goodwill	G24	166,317	173,978
Right-of-use assets	G25	19,893	22,313
Investment properties	G26	44,673	45,472
Other tangible assets	G27	8,973	8,061
Tangible and intangible assets		239,855	249,824
Accrued income and advance payments		52,350	43,706
Other assets		95,901	88,002
Total other assets	G28	148,251	131,708
Income tax receivables		1,522	186
Deferred tax receivables	G29	16,768	2,141
Tax receivables		18,290	2,327
Total assets		**12,393,275**	**11,653,341**

The table continues

(EUR 1,000)	Note	31 Dec 2022	31 Dec 2021
Liabilities			
Liabilities to central banks (TLTRO loan)		800,000	800,000
Liabilities to credit institutions		31,891	122,509
Liabilities to the public and public sector entities		5,213,777	4,503,297
Deposits	G30	6,045,668	5,425,806
Derivative instruments	G22	294,049	20,484
Debt securities issued	G31	3,051,735	3,060,323
Subordinated liabilities	G32	118,540	150,033
Other liabilities to credit institutions	G33	5,517	14,034
Other liabilities to the public and public sector entities	G34	686,000	506,000
Other financial liabilities		3,861,793	3,730,391
Technical provisions for risk insurances and interest-related insurances		349,624	414,454
Technical provisions for unit-linked insurances		1,001,799	1,153,760
Technical provisions	G35	1,351,424	1,568,214
Accrued expenses and income received in advance		43,452	57,300
Other liabilities		40,168	46,930
Total other liabilities	G36	83,621	104,230
Provisions	G20	1,270	987
Income tax liabilities		2,839	6,686
Deferred tax liabilities	G29	54,859	58,146
Tax liabilities		57,698	64,832
Total liabilities		**11,695,522**	**10,914,945**
Equity			
Restricted equity		119,817	175,933
Unrestricted equity		518,476	503,004
Shareholders' share of equity		638,294	678,937
Holders of Additional Tier 1 capital		59,460	59,460
Equity	G37	**697,754**	**738,397**
Total liabilities and equity		**12,393,275**	**11,653,341**

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Additional Tier 1 capital holders	Total equity
Equity as at 1 January 2021	**169,732**	**21,267**	**2,952**	**112,703**	**360,176**	**666,830**	**-**	**666,830**
Share issue				25,836		25,836		25,836
Acquisition of treasury shares					-973	-973		-973
Divestment of treasury shares				58	981	1,039		1,039
Dividend to shareholders					-67,670	-67,670		-67,670
Profit for the year					67,356	67,356		67,356
Change in fair value for financial assets		-11,417				-11,417		-11,417
Change in fair value for cash flow hedging		-119				-119		-119
Transferred to the income statement for financial assets		-3,530				-3,530		-3,530
Comprehensive income from items which can be transferred to the income statement		-15,066				-15,066		-15,066
Defined benefit plan pensions					-131	-131		-131
Comprehensive income from items which can not be transferred to the income statement					-131	-131		-131
Total comprehensive income for the year		-15,066			67,225	52,159	-	52,159
Additional Tier 1 (AT1) capital issue						-	60,000	60,000
Issue cost						-	-540	-540
Change in share-based payments (IFRS 2)			967		749	1,716		1,716
Equity as at 31 December 2021	**169,732**	**6,201**	**3,919**	**138,597**	**360,488**	**678,937**	**59,460**	**738,397**
Equity as at 1 January 2022	**169,732**	**6,201**	**3,919**	**138,597**	**360,488**	**678,937**	**59,460**	**738,397**
Share issue				2,348		2,348		2,348
Acquisition of treasury shares					-857	-857		-857
Divestment of treasury shares				523	1,151	1,675		1,675
Dividend to shareholders					-40,308	-40,308		-40,308
Profit for the year					51,583	51,583	-	51,583
Change in fair value for financial assets		-55,833				-55,833		-55,833
Change in fair value for cash flow hedging		-338				-338		-338
Transferred to the income statement for financial assets		55				55		55
Comprehensive income from items which can be transferred to the income statement		-56,116				-56,116		-56,116
Defined benefit plan pensions					455	455		455
Comprehensive income from items which can not be transferred to the income statement					455	455		455
Total comprehensive income for the year		-56,116			52,038	-4,078	-	-4,078
Paid interest on Additional Tier 1 (AT1) capital, after taxes					-1,860	-1,860	-	-1,860
Change in share-based payments (IFRS 2)			1,761		675	2,436		2,436
Equity as at 31 December 2022	**169,732**	**-49,915**	**5,680**	**141,468**	**371,328**	**638,294**	**59,460**	**697,754**

Consolidated cash flow statement

(EUR 1,000)	2022	2021
Cash flow from operating activities		
Operating profit	63,971	84,621
Adjustment items not included in cash flow	62,548	14,154
Paid income taxes	-21,105	-12,765
Cash flow from operating activities before change in receivables and liabilities	**105,414**	**86,010**
Increase (-) or decrease (+) in receivables from operating activities [1]	**-1,440,162**	**-542,746**
Financial assets measured at fair value through the income statement	37,760	-33,559
Financial assets measured at fair value through other comprehensive income	9,421	132,897
Interest-bearing securities measured at amortised cost, increase	-143,500	-40,000
Interest-bearing securities measured at amortised cost, decrease	-	67,500
Loans and other receivables	-1,493,234	-503,706
Investments for unit-linked insurances	152,425	-184,144
Other assets	-3,033	18,266
Increase (+) or decrease (-) in liabilities from operating activities	**825,024**	**1,032,966**
Deposits	646,625	263,432
Debt securities issued	223,181	255,823
Other financial liabilities	171,483	345,483
Technical provisions	-200,379	163,728
Other liabilities	-15,885	4,501
Total cash flow from operating activities	**-509,723**	**576,230**
Cash flow from investing activities		
Acquisition of Taaleri Wealth Management Ltd	-	-113,680
Investment in investment properties	-	-3,827
Proceeds from sale of investment properties	-	906
Investment in tangible and intangible assets	-12,206	-9,658
Proceeds from sale of tangible and intangible assets	78	147
Acquisition of and capital loan to associated companies	-2,676	-300
Total cash flow from investing activities	**-14,803**	**-126,413**

The table continues

(EUR 1,000)	2022	2021
Cash flow from financing activities		
Subordinated liabilities, increase	-	56,000
Subordinated liabilities, decrease	-24,983	-63,759
Share issue	-	13,907
Additional Tier 1 (AT1) capital issue	-	59,460
Paid interest on Additional Tier 1 (AT1) capital	-2,325	-
Divestment of treasury shares	1,675	1,039
Paid dividends	-40,308	-67,670
Total cash flow from financing activities	**-65,941**	**-1,023**
Change in cash and cash equivalents	**-590,468**	**448,795**
Cash and cash equivalents at the beginning of the year	734,910	276,606
Cash and cash equivalents at the end of the year	144,442	734,910
Cash and cash equivalents from the acqusition of Taaleri Wealth Management Ltd	-	9,509
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	852	909
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	111,053	680,321
Repayable on demand claims on credit insitutions	32,537	53,680
Total	**144,442**	**734,910**
Adjustment items not included in cash flow consist of:		
Impairment of interest-bearing securities	1,107	-400
Unrealised change in value for financial assets measured at fair value through income statement	9,757	-7,946
Impairment of credits and other commitments	10,224	4,494
Change in fair values	21,670	4,596
Depreciation and impairment of tangible and intangible assets	18,877	16,626
Sales gains and losses from tangible and intangible assets	-	-316
Unwound fair value hedging	-2,041	-2,041
Change in fair values of investment properties	799	-2,388
Change in share-based payments	1,590	804
Other adjustments	565	725
Total	**62,548**	**14,154**

1) Including a deposit in Bank of Finland of EUR 1,060 million.

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2022	2021
Earnings per share (EPS), EUR	0.72	0.95
Total earnings per share, EUR	-0.06	0.73
Dividend per share, EUR *)	0.43	0.56
Payout ratio, %	60.2	59.8
Equity per share (NAV), EUR [1]	8.85	9.45
Average number of shares (excluding treasury shares)	72,013,512	70,460,062
Number of shares at the end of the period (excluding treasury shares)	72,156,950	71,817,540
Return on equity (ROE), % [1]	7.8	10.0
Return on assets (ROA), % [1]	0.43	0.61
Cost-to-income ratio [1]	0.71	0.66
Common Equity Tier 1 capital ratio (Bank Group), %	10.8	11.2
Tier 1 capital ratio (Bank Group), %	12.7	13.2
Capital adequacy ratio (Bank Group), %	14.9	15.6
Risk-weighted commitments (Bank Group)	3,130,631	2,940,550
Capital adequacy ratio, % (finance and insurance conglomerate)	146.5	145.0
Equity ratio, % [1]	5.8	6.6
Group financial assets [1]	2,936,462	2,546,099
Assets under management [1]	13,539,000	15,450,954
Borrowing from the public	5,213,777	4,503,297
Lending to the public	7,791,700	7,486,371
Premiums written before reinsurers' share [1]	142,189	152,696
Expense ratio, % (life insurance company) [1]	108.0	98.9
Solvency ratio (life insurance company), %	243.5	224.7
Own funds (life insurance company)	183,180	244,690
Investments at fair value (life insurance company) [1]	1,476,813	1,693,406
Technical provisions for risk insurances and interest-related insurances	349,624	414,454
Technical provisions for unit-linked insurances	1,001,799	1,153,760

The table continues

(EUR 1,000 if nothing else is stated)	2022	2021
Group's personnel (FTEs), average number of employees	911	862
Group's personnel (FTEs), at the end of the period	891	854
Alternative performance measures excluding items affecting comparability:		
Comparable cost-to-income ratio [2]	0.70	0.65
Comparable earnings per share (EPS), EUR [2]	0.73	0.98
Comparable return on equity (ROE), % [2]	8.0	10.3

*) Dividend proposal of EUR 0.43 per share

1) Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information.

2) Aktia presents a number of APMs, from which items affecting comparability are excluded. Items affecting comparability are not associated with day-to-day business, and such items are income and expenses attributable to restructuring, divestment of operations as well as impairment of assets departing from day-to-day business. The items affecting comparability are shown in a table under the Group's income statement and comprehensive income.

Basis of calculation

Earnings per share (EPS), EUR

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

Total earnings per share, EUR

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

Equity per share (NAV), EUR

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

Return on equity (ROE), %

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

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

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

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

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

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

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

Risk-weighted commitments (Bank Group)

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

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

Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

Equity ratio, %

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

Group financial assets

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

Assets under management

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

Expense ratio, % (life insurance company)

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

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

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 17 February 2023 and are to be adopted by the Annual General Meeting on 5 April 2023. The report by the Board of Directors and financial statements are published on 15 March 2023 at the latest.

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

Basis for preparing financial statements

Aktia Bank Plc's consolidated financial statement is prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. In preparing the notes to the consolidated accounts, the applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account. The Act on Mortgage Credit Banks and Covered Bonds came into force on 8 July 2022 and the bank has taken the changes brought on by the amendment into consideration. Figures in the accounts are presented in thousands of euros, unless indicated otherwise. The consolidated accounts have been prepared in accordance with original acquisition value, unless otherwise indicated in the accounting principles.

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

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

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

New or amended IFRS standards have had no effect on the result or financial position of the Group.

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 new standard introduces uniform valuation principles based on three measurement models: the general model (GM), the premium allocation approach (PAA), and the variable fee approach (VFA). IFRS 17 prescribes the general model for the valuation of insurance contracts, whereby the insurance commitment is measured based on expected present values of future cash flows, with consideration given to risk and a profit margin. The two other valuation models can be applied under certain conditions. The choice of valuation model depends on the terms of the contract (long-term, shortterm or profit-yielding).

In the transition to IFRS 17, it is not possible for Aktia to use the full retrospective approach for the majority of the insurance contracts, since a large part of the insurance portfolio is very old. For those contracts where the full retrospective approach is not used, the fair value approach will be used. In the transition to IFRS 17 1 January 2022, Aktia expects that its equity will be reduced by approx. EUR 100 million. The decrease is mainly due to low interest rates and discounting effects on the insurance debt in the transition to IFRS 17. Rising interest rates mean that equity will increase in 2022. Aktia has used interest rate hedging to decrease volatility in the life insurance business result since 2023. A slightly higher result from the insurance business is expected in coming periods. The reduction of equity in the transition to IFRS 17 is not expected to have an effect on the bank group's capital adequacy ratio, but it will have an effect on the finance and insurance conglomerate's capital adequacy ratio.

Of the total technical provisions of EUR 1.35 billion per 31 December 2022, approximately EUR 0.42 billion will be recognised as insurance contracts under IFRS 17 and approximately EUR 0.93 billion as investment contracts under IFRS 9. The contractual margin in the transition to IFRS 9 is expected to be approximately EUR 80 million.

Aktia does not plan to use the option to recognise financial income and expenses through other comprehensive income.

The IFRS 17 standard was approved by the EU on 23 November 2021 and became compulsory in the EU on 1 January 2023. The Aktia Group implemented IFRS 17 when the standard became compulsory within the EU. More information on IFRS 17 and the transition effects will be published in conjunction with the interim report for 1 January – 31 March 2023.

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

Consolidation principles

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

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

The consolidated accounts cover those subsidiaries in which the parent company directly or indirectly owns more than 50% of voting rights or otherwise has considerable influence. The acquisition method has been applied to acquisition eliminations. The acquisition method involves the identifiable assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. In business combinations in which the consideration transferred, any holdings without controlling influence and fair value of previously owned share (in the case of successive acquisitions) exceeds the fair value of the assets and liabilities acquired, the difference is recognised as goodwill. Transaction costs, except costs attributable to issue of equity instruments or debt instruments, arising in connection with an acquisition are recognised directly in the income statement. The consideration transferred on acquisition does not include payments related to the settlement of previous business relationships. This type of settlement is recognised on the income statement. Contingent consideration is recognised at fair value on the acquisition date. Where contingent consideration is classified as equity instruments, no revaluation and the settlement is made within equity. For other contingent consideration, they are revalued at each reporting date and the change is recognised in profit or loss for the period.

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

All internal business transactions, receivables, liabilities, dividends, profits and losses are eliminated within the consolidated accounts. Unrealised gains arising from transactions with associates and joint ventures are eliminated according to the Group's holdings in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss.

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

Segment-based reporting

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

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

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

Pricing between the segments is based on market prices.

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

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

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

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividend

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

TLTRO loans are reported at amortised cost in accordance with IFRS 9. IAS 20 has not been applied. Interest income from the TLTRO loans is recognised as income when the contractual conditions for income recognition are fulfilled. Aktia Bank has fulfilled the European Central Bank's conditions regarding increased corporate lending linked to TLTRO III financing and, consequently, the bank has been able to recognise the extra interest rate, valid until 23 June 2022, as income. The extra interest rate was 0,5 percentage points below the ECB's deposit facility rate for each TLTRO III transaction for the periods 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022. As of 24 June 2022, the interest rate on all TLTRO III loans has been calculated according to the ECB's average deposit facility rate.

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

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

Commissions

Commission income consists mainly of commissions from fund and asset management, securities brokerage, card- and payment services, borrowing and lending, currency- and foreign operations as well as insurance brokerage. Commission expenses consist of expenses directly related to services whose income has been recognised as commission income. Commission income and expenses are reported using the accruals convention, which, depending on the nature of the service, is either linear over time as the service is being provided or at a certain point in time when the service is carried out.

The cost of acquiring new insurance policies or renewing existing policies is dealt with within the insurance business as commission expenses and is included in other operating expenses.

Insurance premiums

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

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

Claim costs

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

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

Other income and expenses

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

Depreciation

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

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–10 years

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

Employee remuneration

Pension plans

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

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

Share-based payments

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

Taxes

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

Financial assets and liabilities

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

Classification of financial assets
The Group classifies financial assets in the following categories:

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

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

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

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

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

- shares and participations
- interest-bearing securities

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

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

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

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

For **shares and participations** in this category, no ECL is calculated, and value changes are recognised on an ongoing basis in other comprehensive income after deferred tax. For an investment in an equity instrument that is not held for trading, the Group may make an irrevocable choice on initial recognition to recognise subsequent changes in fair value in other comprehensive income. The choice is made separately for each individual investment. The choice to recognise an equity instrument in this category leads to future sales gains and losses also being recognised in other comprehensive income. Only dividend from these instruments is recognised in the income statement.

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

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

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

Financial liabilities
Liabilities to credit institutions, liabilities to the public and public sector entities, derivative instruments and debt securities to the public are reported in the category Financial liabilities. Derivative instruments are included in the balance sheet at fair value while other financial liabilities are included at their acquisition value on entering into the agreement, and subsequently with the effective interest method at their amortised cost. TLTRO loans are reported at amortised cost in accordance with IFRS 9. When hedge accounting is applied, the amortised cost of the liabilities is adjusted with the fair value of the hedged risk. If the financial liabilities are related to commitments to acquire equity instruments, the liabilities are reported at fair value through the income statement.

In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

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

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

Reclassification between different valuation categories are reported as follows:

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

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

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

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

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

Hedge accounting

In accordance with the Aktia Group's hedge accounting policy, hedge accounting is defined either as fair value hedging or cash flow hedging. Documentation and establishment of the hedging relationship between the hedging instrument, the hedged item, the risk management aim and the strategy, occur when hedging is entered. When a high negative correlation exists between the hedging instrument's change in value and the change in value of the hedged item or cash flow, the hedging is considered to be effective. The effectiveness of the hedging relationship is continually assessed and evaluated through prospective efficiency testing and measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 % match, the ineffective part is reported in the income statement. Aktia applies IFRS 9 hedge accounting for all hedge relationships except for portfolio hedging of interest rate risk for which the Group has chosen to use the possibility to continue to apply the rules set out in IAS 39.

Valuation of financial instruments at fair value

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

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

Impairment of financial assets

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

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

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

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

- Stage 1 12 months' ECL
  - Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 2 ECL for the remaining duration of non-defaulted exposures
  - The expected credit losses for the instrument's remaining duration are calculated for non-defaulted exposures where the credit risk has increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 3 ECL for the remaining duration of defaulted exposures
  - Stage 3 includes exposures for which one or more events that have a significant negative impact on the future estimated cash flows has occurred. For defaulted assets in stage 3, expected credit losses for the instruments remaining duration are recognised on an ongoing basis, whereas the effective interest rate is calculated on the impaired book value.

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

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

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

Calculation of the expected credit losses (ECL): The Group has internally developed models for the evaluation of the creditworthiness. The models are used in the assessment of the probability of default when providing loans and other financial exposures to counterparties and customers. The Group has in advance defined probabilities for counterparty risks regarding the Group's all private and corporate loans and other receivables. For **credits and other receivables**, ECL is calculated on the basis of the exposure's risk parameters PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure At Default). These parameter estimates are derived from the same models used in the IRB solvency calculation, but are based on a so-called "Point-in-Time" calibration reflecting the prevailing or anticipated economic situation at the accounting horizon. For credits in Stage 1, ECL is equal to the product of the PD, LGD and EAD, i.e. 12-month ECL. For credits in Stage 2 and 3, ECL is calculated as the sum of 12-month ECL over the lifetime of the claim, adjusted for the probability that the exposure defaults during a previous period. Lifetime ECL also takes into account the contractual amortisation plan that is reflected in both the EAD and LGD estimate. Lifetime ECL for **interest-bearing securities** is calculated on the basis of the interest certificate's contractual calendar. Lifetime ECL is calculated as LGD multiplied by the sum of all expected and discounted cash flows times the probability of a credit event (PD). PD is calculated separately for each security by allocating an appropriate risk curve and by taking into account the liquidity and tax effects. 12-month ECL is then calculated by scaling down the lifetime ECL with a securities-specific proportionality constant which comprises the credit risk quota during the certificate's lifetime and the credit risk in the coming year.

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

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

- based on an absolute and relative change in PD for the remaining maturity
- at the latest when a payment is over 30 days delayed or when a customer is covered by mitigating circumstances. In the case of mitigating measures, credits are considered to have an increased credit risk over a period of two years from the date of when the measures have been initiated. These criteria define an absolute baseline for when an increase in credit risk has occurred when there are indications of other qualitative factors that have not been visible in regular quantitative analyses. In such cases the Group can use expert evaluations and relevant historical information

Defaulted credits and receivables are transferred to stage 3.

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

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

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

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

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

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

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

- The company has been declared bankrupt or is de facto insolvent and unable to make payments
- The company has entered into an agreement about business debt restructuring or has applied for protection against its creditors or is undergoing significant restructuring which affects creditors
- The company has missed a payment according to contractual cash flow and has not been corrected within 30 days

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

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

For **credits and other receivables (credit portfolio)** the risk parameters are adjusted according to assumptions in the relevant macro scenario in calculation of lifetime ECL. The PD estimate is adjusted based on a macro economic model that takes e.g. developments of unemployment into account. If unemployment is expected to increase, the PD estimate of household credits will increase. The LGD estimate takes the assumed development of house and real estate prices into account. If the market value of the securities decreases in the scenario, this has a positive effect on the LGD estimate, given that the amortisation speed does not exceed the decrease in the market value of the securities.

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

Tangible and intangible assets

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

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

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

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

In April 2021, the IFRS Interpretations Committee (IFRIC) adopted a final agenda decision on the treatment of development expenses related to purchased cloud services (IAS 38 intangible assets). Cloud services are reported as an asset if the Group gets control of the software and fulfils the criteria for reporting of an asset. For service agreements, which only give the Group access to the cloud service provider's software during the contract period, implementation expenses, including software configuration, are recognised as operating expenses upon receipt of the service. If a cloud service provider offers both configuration and customisation services, an assessment of whether the service is distinct from the cloud service or not is carried out. Configuration and customisation expenses that are distinct in relation to the cloud service are recognised as expenses upon receipt of the service. If the configuration and customisation expenses are not distinct from the cloud service, the expenses are reported as an advance payment, which is recognised as an expense during the contract period.

The Group as a lessor

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

The Group as a lessee

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

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

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

Assets classified as held for sale

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

Provisions

A provision is reported where the Group has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the Group can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation. Expected credit losses on off-balance-sheet commitments are reported as provisions.

Insurance and investment agreements

Classification of insurance and investment agreements

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

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

Agreements are classified as follows:

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

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

Reinsurance

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

Liabilities attributable to insurance and investment agreements

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

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

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

Assessment of technical provisions

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

The life insurance business' equity principle

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

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

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

Equity

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

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

Holdings with non-controlling interest

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

Accounting principles requiring management discretion

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

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

The calculation of ECL (Expected Credit Loss) includes essential assessments due to the current insecurity and the low visibility regarding the effects of the coronavirus crisis. To support the Group's ECL calculations an expert panel has been established in order to observe relevant future macroeconomic factors. Macroeconomic factors taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios over future macroeconomic conditions have been updated quarterly and include essential assessments in order to e.g. observe the coronavirus crisis' impact on future expected credit losses. The assessment includes several considerations, the Group has among other things taken into account the authorities' extensive stimulus packages. In the calculation of the ECL it has also been taken into account that the instalment free periods due to the corona crisis do not automatically lead to an increased need for provisions, the assessment is carried out individually in conjunction with the handling of the applications. The assessments have been made on the basis of the information available at the date of reporting. Due to the current uncertainty and the limited availability on trustworthy data the assessments for the future include significant uncertainty, which could have a considerable effect on the ECL estimate. The macroeconomic development and the assessments of credit quality are continuously revised quarterly. As of 1 January 2021, Aktia has introduced the new Definition of Default in accordance with EBA's guidelines in CRR 178.

Estimates and valuation of fair value

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

Impairment of financial assets

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

Leases

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

Actuarial calculations

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

Share-based payments

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

G2 The Group's risk management, 31 December 2022

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

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

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

1. General

1.1 Internal control and risk management

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

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

The independent control functions consist of the Group's Risk Control function, Compliance function as well as the independent Actuarial function in Aktia Life Insurance Ltd. The role of the Risk Control function is to monitor and evaluate risk management within the Group and to report risks to the management and the Board of Directors. Risk Control is responsible for ensuring that all risks are identified, evaluated, measured, monitored, managed, mitigated and reported by and to all operating areas, and that an assessment is carried out of the Group's overall risk position. The role of the Compliance function is to control and evaluate the management of risks related to an inadequate compliance, and to report to the management and the Board of Directors on significant observations and changes in applicable rules. The Compliance function is responsible for ensuring that the rules are adhered to within the Group's activities through its advisory and supervisory tasks and consequently supporting the business activities in ensuring that applicable rules are known and duly implemented. The Group's Data Protection Officer (DPO) forms also a part of the Compliance function.

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

1.2 Group capital management

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

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

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

The target for the Bank Group's Core Tier 1 ratio (CET1) is 1.5 percentage points above the regulatory requirement and for the total capital adequacy 2.0 percentage points above the regulatory requirement. The minimum target for the Bank Group's leverage ratio is 3.6%. For the finance and insurance conglomerate, the target for capital adequacy is for it to exceed 115%.

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

1.3 Management of operational risks

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

Operational risks are present in all of Aktia's operations. Under a resolution of the Board of Directors, the level of operational risks must in general be normal in relation to Aktia's activities and in relation to its competitors. A normal risk level is predicated on compliance with regulations, instructions and applicable laws.

The level of risk for information security must be normal in principle but low in terms of critical processes and services, as well as the information security in computer systems, services, processes and service providers classified as critical. This means that the information security level for all critical systems must be maintained high to ensure operations important for Aktia's business, i.e., manual and automatic data processing and an uninterrupted functioning of the computer network, to prevent unauthorised use of data and data systems, to prevent intentional or unintentional destruction of data or corrupt data, and to minimise damages from a possible disturbance. In addition, the level of compliance risks must be low, but normal for the type of risk with regard to the implementation of regulatory recommendations and simpler forms of governance (principle of proportionality). This means that Aktia seeks to mitigate the compliance risks to the extent possible in accordance with its risk appetite without preventing operational efficiency and flexibility and without it having a negative impact on Aktia's vision. All this requires a deep insight into the company's own activities, adequate, well-functioning and effective internal control and risk management, good leadership, sound processes and competent staff. The AML risk and risks caused by other external misuse have been included in compliance risks since 2022, and their level must be correspondingly low. Aktia has zero tolerance for all types of misuse of Aktia's services or products for criminal purposes but accepts the possibility that the risk might be realised. Aktia strives to take measures against misuse by means available, including monitoring, control measures and reporting. Aktia cooperates with authorities and other actors in the private sector to prevent activities aimed at financing terrorism, fraud, circumvention of sanctions and money laundering.

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

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

2. Banking business and asset management

2.1 Credit and counterparty risks

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

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

The Financial Supervisory Authority has authorised Aktia to implement updated IRBA models for retail exposures, which were implemented during the fourth quarter 2022. The updated models did not significantly affect the risk-weighted exposures, but the expected credit losses (ECL) increased. The model update did not have a significant impact on the bank's capital adequacy, but improves the bank's risk rating capacity.

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

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

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

Table K2.1.1 shows the exposures of the Bank Group at default (EAD) and their risk-weighted amounts, including accrued interest, by exposure class. Intra-group receivables have been eliminated and the collateral acceptable in the capital adequacy has been taken into account. A more detailed presentation of the Group's capital adequacy and exposures is given in table K2.4.1 below.

G2.1.1 The Bank Group's exposures at default and risk-weighted amounts by exposure class 31.12.2022

	31 Dec 2022		31 Dec 2021	
1000 eur	**Exposure at default**	**Risk-weighted amount**	**Exposure at default**	**Risk-weighted amount**
The Bank Group's total risk exposures				
Exposure class				
Credit risk, IRB approach				
Corporates - SME	991,848	579,288	921,134	579,499
Corporates - Other	800,583	564,296	616,260	432,478
Retail - Secured by immovable property non-SME	4,845,781	733,029	4,946,076	665,259
Retail - Secured by immovable property SME	106,842	12,588	138,665	68,607
Retail - Other non-SME	226,223	53,603	223,010	71,326
Retail - Other SME	14,994	8,903	47,045	37,000
Risk-weight floor for residential mortgages, 15%				0
Equity exposures	41,560	113,844	39,486	105,096
Total exposures, IRB approach	**7,027,831**	**2,065,552**	**6,931,676**	**1,959,265**
Credit risk, standardised approach				
States and central banks	1,478,274	0	1,007,018	0
Regional goverments and local authorities	173,198	281	212,611	274
Multilateral development banks	49,622	0	22,608	0
International organisations	24,971	0	20,103	0
Credit institutions	318,845	67,281	200,454	43,090
Corporates	43,708	29,333	20,254	16,470
Retail exposures	160,396	109,698	110,775	78,774
Secured by immovable property	781,188	238,467	767,194	231,808
Past due items	6,152	6,737	4,389	4,747
Covered bonds	853,727	90,323	814,836	86,263
Other items	104,316	77,031	131,513	79,231
Total exposures, standardised approach	**3,994,396**	**619,152**	**3,311,755**	**540,657**
Total risk exposures	**11,022,227**	**2,684,704**	**10,243,431**	**2,499,923**

2.2 Problem loans

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

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

The Bank has updated its ECL model in 2022 to make it compatible with the new IRBA models and calibrated the ECL model to a higher level of loss in 2022, which has raised the bank's ECL level.

G2.2.1 Loans past due by time overdue and ECL stages

(EUR million)	31 Dec 2022			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 30	34	22.9	6.4	63.4
of which households	24.4	22.5	6.3	53.2
> 30 ≤ 90	0	24.5	16.1	40.7
of which households	0	20.1	11.6	31.7
> 90	0	0	55.7	55.7
of which households	0	0	45.3	45.3

(EUR million)	31 Dec 2021			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 30	22.2	18.8	5.5	46.5
of which households	20.8	17.5	4.9	43.1
> 30 ≤ 90	0	22	10.8	32.8
of which households	0	17.2	9.9	27
> 90	0	0	52	52
of which households	0	0	41.3	41.3

G2.2.2 Credit exposures (incl. off-balance sheet items) per probability of default (PD)

	31 Dec 2022				31 Dec 2021			
(EUR million)	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate								
PD grades A	2,240.3	24.0	0.0	2,264.3	1,854.4	26.3	0.0	1,880.6
PD grades B	45.1	17.3	0.0	62.4	46.6	13.2	0.0	59.8
PD grades C	7.2	5.5	0.0	12.7	157.3	12.7	0.0	170.1
Default	0.0	0.0	28.3	28.3	0.0	0.0	23.6	23.6
	2,292.6	46.8	28.3	2,367.7	2,058.3	52.2	23.6	2,134.1
Loss allowance (ECL)	-3.3	-1.7	-9.5	-14.4	-3.0	-1.4	-10.0	-14.4
Carrying amount	2,289.3	45.1	18.8	2,353.3	2,055.3	50.8	13.6	2,119.7
Households								
PD grades A	4,270.4	72.1	0.0	4,342.5	3,428.5	77.8	0.0	3,506.3
PD grades B	784.2	54.9	0.0	839.1	1,126.4	78.1	0.0	1,204.5
PD grades C	131.6	116.3	0.0	247.9	592.9	109.2	0.0	702.0
Default	0.0	0.0	112.4	112.4	0.0	0.0	95.7	95.7
	5,186.2	243.3	112.4	5,541.9	5,147.8	265.0	95.7	5,508.5
Loss allowance (ECL)	-1.4	-4.7	-17.7	-23.7	-0.7	-2.3	-14.5	-17.4
Carrying amount	5,184.8	238.6	94.7	5,518.2	5,147.1	262.8	81.2	5,491.1
Other								
PD grades A	535.5	0.0	0.0	535.5	519.9	0.2	0.0	520.1
PD grades B	18.4	0.4	0.0	18.8	11.5	0.1	0.0	11.6
PD grades C	0.3	1.3	0.0	1.6	16.7	0.7	0.0	17.4
Default	0.0	0.0	1.4	1.4	0.0	0.0	0.6	0.6
	554.2	1.7	1.4	557.3	548.0	1.0	0.6	549.7
Loss allowance (ECL)	-0.4	0.0	-0.3	-0.7	-0.3	0.0	-0.3	-0.6
Carrying amount	553.8	1.7	1.1	556.6	547.7	1.0	0.3	549.1

The reporting of PD grades A, B and C has been updated in the Q4 2022 reporting to correspond to the PD grades according to the bank's IRB approach, where Default has a PD of 100%.

G2.2.3 Credit exposures (incl. off-balance sheet items) per loss given default (LGD)

	31 Dec 2022				31 Dec 2021			
(EUR million)	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate								
LGD class 1 (low)	0.0	0.0	1.0	1.0	0.0	0.0	0.7	0.7
LGD class 2	56.5	0.1	1.1	57.7	58.6	0.6	6.2	65.4
LGD class 3	1,687.0	31.5	9.6	1,728.1	1,531.6	47.0	4.2	1,582.8
LGD class 4	348.5	15.2	6.7	370.4	184.9	4.4	0.8	190.1
LGD class 5 (high)	200.8	0.0	9.7	210.5	283.2	0.3	11.7	295.2
	2,292.8	46.8	28.1	2,367.7	2,058.3	52.2	23.6	2,134.1
Loss allowance (ECL)	-3.3	-1.7	-9.5	-14.4	-3.0	-1.4	-10.0	-14.4
Carrying amount	2,289.5	45.1	18.6	2,353.3	2,055.3	50.8	13.6	2,119.7
Households								
LGD class 1 (low)	0.0	0.0	0.1	0.1	125.8	2.8	5.2	133.7
LGD class 2	539.0	21.8	4.4	565.2	2,355.1	93.2	22.6	2,471.0
LGD class 3	4,292.3	213.3	33.9	4,539.5	2,372.5	160.3	45.1	2,577.9
LGD class 4	47.1	2.2	30.9	80.2	24.1	2.1	7.6	33.8
LGD class 5 (high)	307.9	6.0	43.0	356.9	270.3	6.5	15.3	292.1
	5,186.3	243.3	112.3	5,541.9	5,147.8	265.0	95.7	5,508.5
Loss allowance (ECL)	-1.4	-4.7	-17.7	-23.7	-0.7	-2.3	-14.5	-17.4
Carrying amount	5,184.9	238.6	94.6	5,518.2	5,147.1	262.8	81.2	5,491.1
Other								
LGD class 1 (low)	0.0	0.0	0.0	0.0	5.2	0.3	0.0	5.5
LGD class 2	78.7	0.5	0.1	79.3	98.7	0.2	0.1	99.0
LGD class 3	405.8	1.0	0.5	407.3	423.4	0.4	0.1	423.9
LGD class 4	32.6	0.0	0.4	33.0	2.3	0.0	0.1	2.4
LGD class 5 (high)	37.0	0.1	0.4	37.5	18.4	0.1	0.3	18.8
	554.1	1.7	1.4	557.3	548.0	1.0	0.6	549.7
Loss allowance (ECL)	-0.4	0.0	-0.3	-0.7	-0.3	0.0	-0.3	-0.6
Carrying amount	553.7	1.7	1.1	556.6	547.8	1.0	0.3	549.1

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

2.3 Management of funding and liquidity risks

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

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

2.3.1 Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which in the aforesaid manner can be used as a liquidity reserve, including cash, had a market value of EUR 2,256 (1,571) million at year-end.

G2.2.4 Liquidity reserve, market value

(EUR million)	31 Dec 2022	31 Dec 2021
Cash and holdings in central banks	1,172	681
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	196	222
Securities issued or guaranteed by municipalities or Public sector entities	111	155
Covered bonds	777	514
Securities issued by credit institution	-0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	**2,256**	**1,571**
of which LCR-qualfied	2,256	1,571

The liquidity risk is monitored based on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR measures the short-term liquidity risk and is aimed to ensure that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is enough to meet short-term net outflows in stressed situations over the coming 30 days. NSFR measures the matching of assets and liabilities with maturities of more than one year for in Aktia Bank's balance sheet and is designed to ensure that long-term lending is financed by long-term borrowing to a satisfactory degree.

LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. Table G2.2.5 presents outcomes in 2022 for the LCR and NSFR risk measures for the Aktia Bank Group.

G2.2.5 LCR and NSFR

	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
LCR %	183%	144%	136%	136%	140%
NSFR %	121%	121%	119%	126%	118%

2.4 Management of market, balance sheet and counterparty risks

2.4.1 Market and asset and liability risks in the Bank Group

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

2.4.1.1 Interest rate risk

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

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

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

The structural present value risk (change in financial value) is measured as the sensitivity of the calculated present value for all existing interest-bearing items. When calculating the present value risk, avista lending has been modelled according to a behaviour model. Table G2.2.6 shows the outcome of a parallel shift of the interest rate curve for both the net interest income risk and the present value risk.

G2.2.6 Structural interest rate risk

Parallel shift in the interest rate curve	**31 Dec 2022 Basis points**	
(EUR million)	**-100**	**+100**
Net interest income risk		
Changes during the next 12 months	-3.9	2.9
Changes during 13-24 months	-25.6	25.0
Net Present Value risk (Change in Economic Value)	**-3.8**	**14.4**

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

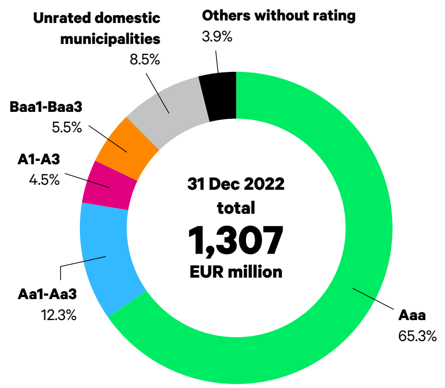
The liquidity portfolio of the Bank Group, which comprises of interest-bearing securities and is managed by the bank's Treasury unit, was EUR 1,307 (1,306) million on 31 December 2022 and includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the Bank Group.

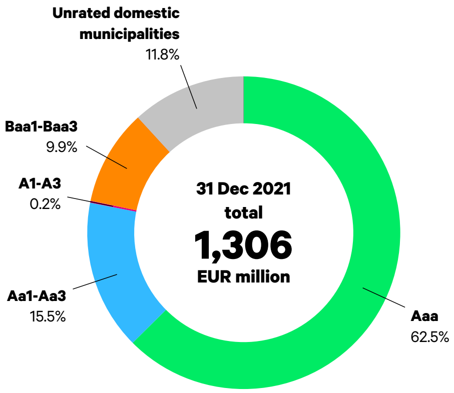
All bonds in the liquidity portfolio met the criteria for refinancing at the central bank at the end of the period.

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

No impairment losses were recognised during the year.

G2.2.7 Rating distribution for banking business' liquidity portfolio and other direct fixed income assets





2.4.1.3 Exchange rate risk

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

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

At year-end, total net currency exposure for the Bank Group amounted to EUR 4.6 (4.8) million.

2.4.1.4 Equity risk

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

The Bank Group conducts no equity trading for trading purposes.

Equity investments pertaining to business operations amounted at year-end to EUR 8.5 (5.2) million.

2.4.1.5 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. Table G2.8 summarises market value sensitivity for the Bank Group's financial assets available for sale in various market risk scenarios as at 31 December 2020 and 31 December 2020. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board's limits on capital usage. The risk components set out in the table are defined as follows:

Upward interest rate risk: The change is applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined based on a historical analysis and the changes have been selected to represent a 99.5 percentile (the 995th highest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually and a minimum shock of 1% is applied.

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

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

on a historical analysis based on a 99.5 percentile from which the interest rate component has been excluded. The factors are revised annually.

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

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

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

G2.2.8 Sensitivity analysis for market risks

	Financial assets measured at fair value through other comprehensive income			
	2022		2021	
Banking Group	**EUR million**	**%**	**EUR million**	**%**
Market value 31.12.	884.4	**100.0%**	949.5	**100.0%**
IR risk up (normal method)	-2.0	**-0.2%**	-24.3	**-2.6%**
IR risk up (100 bp)	-2.0	**-0.2%**	-24.3	**-2.6%**
IR risk down (normal method)	1.5	**0.2%**	19.9	**2.1%**
Spreadrisk	-9.4	**-1.1%**	-12.2	**-1.3%**
Equity risk	-4.8	**-0.5%**	-3.1	**-0.3%**
Real estate risk	0.0	**0.0%**	0.0	**0.0%**

Aktia started using interest rate swaps to hedge against the interest rate risk of the bank's liquidity portfolio. As a result, the interest rate risk decreased compared to the previous year. In the table, the market value consists of the market value of bonds, interest rate swaps and shares.

The normal method refers to the 99.5% percentile VaR method, where the minimum value for interest rate shock is 100 bp in the interest rate scenario. A flat 100 bp means a flat 100 bp shock.

3 Life insurance operations

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

After preparation by the Group's Asset and Liability Committee ALCO, the life insurance company's Board of Directors and the Board's Risk Committee, the Group's Board of Directors sets out the investment strategy and plans as well as limits for managing market risks in both the investment portfolio and interest-linked technical provisions. ALCO is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. The wealth management of the parent company Aktia Bank has a mandate for the fixed income and equity investments of Aktia Life Insurance Ltd and a named portfolio manager is responsible for the operational management. The Board of Directors is responsible for the strategic and property investments. The Group's Risk Control function supervises risk exposures and limits. As of 2019, the ALM unit of the Group is also involved particularly in the management of the interest rate risk and the overall planning of the portfolio.

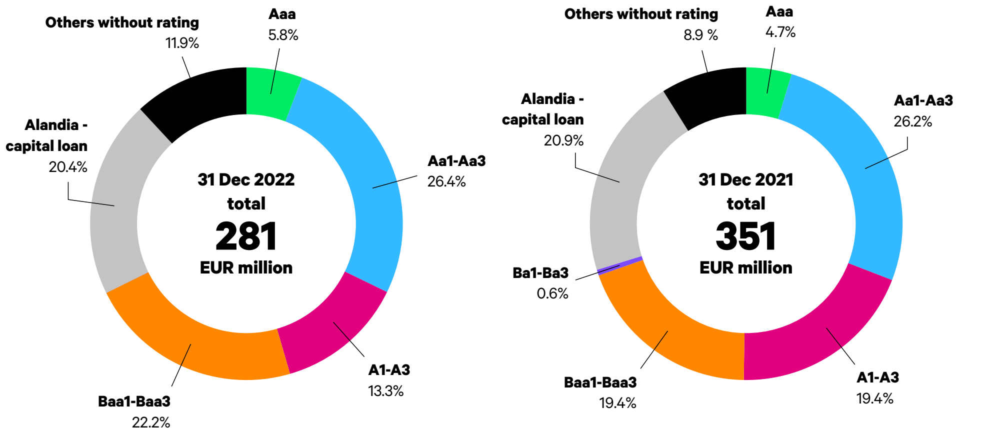
As of 2021, an investment manager for the life company's portfolio has been appointed within the same entity.

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

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

Interest rate risk is the most significant marketrisk connected with provisions in the life insurance company and affects profitability as a result of demands for returns over guaranteed interest rates and capital adequacy as a result of the market valuation of assets and liabilities. Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk refers to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment

G2.3.1 Rating distribution for the life insurance business' direct fixed income investments
(excluding investements in fixed-income funds, real estates, equities and alternative investments)



activities. Technical provisions EUR 13.5 (25.0) million, which can be used to cover the future interest rate requirements. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 3.1% for 2023, 2.9% for 2024, 2.7% for 2025–2027 and maximum 2.5% after that. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary.

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral, and is the third largest market risk after, equity risk and real estate risks at year-end 2022. The risk has been decreased due to reallocations in the portfolio. On the asset side, essentially the same instruments (fixed income instruments) are exposed to interest rate and credit spread risk, but as the interest-bearing technical provisions are not exposed to credit spread risk, this risk is one-sided, unlike interest rate risk. This also makes it effectively impossible to hedge without the use of credit derivatives. Since the company still does not hold any treasury shares, a higher credit risk is the natural price to pay for the desired return. The fixed income portfolio's share of the risk in the company's own portfolio (assets not related to unit-linked insurance) remains dominant, and at year-end fixed income investments excluding cash funds amounted to EUR 483 (475) million, corresponding to 81 (80) % of the investment portfolio.

For several years, the equity risk in the fixed income portfolio has related exclusively to investments in Private Equity funds and similar asset classes. In 2022 these investments have continued to increase, and now amount to EUR 28.7 (24.8) million. In 2021, the company reopened its holdings in wider range investment, and has expanded this during the year. All of these are in fund format and constitute on 31 December 2022 a position of EUR 12.8 (8.0) million. In the unit-linked portfolio, equity risk is a significant risk. This is because equity and balanced funds account for such a large investment volume among the customers' investments that, although the company's share of the risk in the unit-linked portfolios is small in percentage terms, the amount is still significant. The market value of the unit-linked investments at year-end was EUR 1,001.6 (1,155.3) million, of which EUR 499.4 (661.7) million was exposed to equity risk.

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year-end, total real estate investments amounted to EUR 72.7 (88.1) million. Real estate risk increases due to the real estate holdings including refinancing and it is the second most significant risk. In the unit-linked portfolios it is insignificant. Real estate ownership and risk decreased during the period due to the sale of the Akiva real estate fund.

The foreign exchange risk of the life insurance company relates to holdings in funds that invest in fixed income securities or equities, where the underlying investments are issued in other currencies. For the interest-bearing portfolio, all these funds are fixed income funds, but for the investment-linked portfolios also equities are included. At the end of the period, the company had underlying investments totalling EUR 50.5 (52.5) million, with open exchange rate risk in the interest-bearing portfolios.

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

3.2 Management of insurance risks

Insurance risk may be divided into risks arising from the selection of exposures (underwriting risk) and risks arising from the adequacy of the technical provisions. The latter are generally referred to as actuarial risks and arise when the actual claims to be paid out to policy holders and other related expenses exceed the actual income by more than expected in the initial calculation of the technical provisions. Underwriting risk is caused by losses due to, for example, incorrect pricing, risk concentrations, inadequate reinsurance, or unexpectedly high frequency of claims.

The product offering of the life insurance company includes life and health insurance, voluntary pension insurances, savings and investment insurances and capitalisation agreements. Due to the legal rules concerning insurance contracts, the company is very limited in its ability to influence premiums and terms and conditions for old policies that have already come into effect. Premium

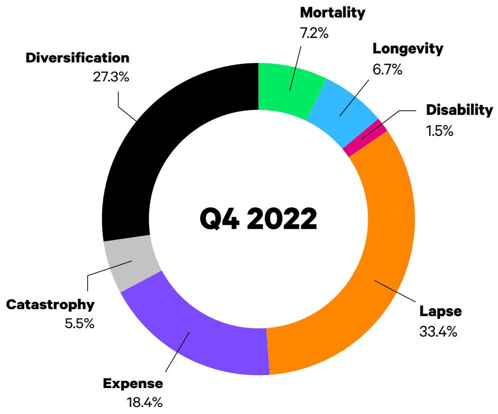
G2.3.2 Sensitivity analysis for market risks

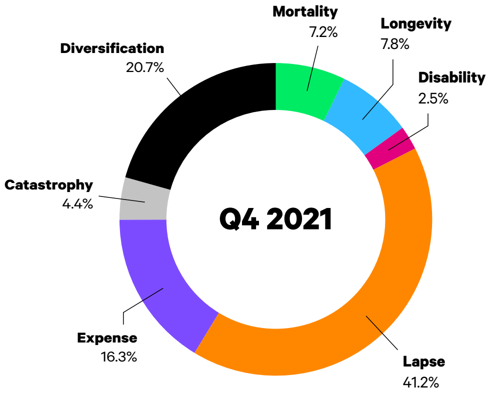
	Portfolio		Technical provisions*		Total			
	2022	2021	2022	2021	2022		2021	
Life insurance company	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**%****	**EUR million**	**%****
Interest linked								
Market value 31.12.	497.7	539.7	-318.6	-436.9	179.1	90.0%	102.8	64.3%
IR risk up	-28.0	-28.6	23.9	40.8	-4.1	-2.1%	12.2	7.6%
IR risk down	37.8	41.6	-38.2	-65.5	-0.4	-0.2%	-23.9	-15.0%
Spreadrisk	-14.5	-22.3	0.0	0.1	-14.5	-7.3%	-22.2	-13.9%
Currency risk	-12.4	-9.8	0.1	0.6	-12.3	-6.2%	-9.2	-5.8%
Equity risk	-21.5	-15.6	0.4	1.5	-21.1	-10.6%	-14.1	-8.9%
Real estate risk	-25.6	-33.1	0.0	0.0	-25.6	-12.9%	-33.1	-20.7%
Unit- and index linked								
Market value 31.12.	1,001.6	1,155.3	-981.7	-1,098.3	19.9	10.0%	57.0	35.7%
IR risk up	-13.8	-15.4	14.6	15.6	0.8	0.4%	0.2	0.1%
IR risk down	13.9	16.4	-15.3	-17.8	-1.4	-0.7%	-1.4	-0.9%
Spreadrisk	-18.4	-21.4	17.7	20.2	-0.7	-0.4%	-1.2	-0.8%
Currency risk	-108.9	-127.6	104.7	120.5	-4.2	-2.1%	-7.1	-4.4%
Equity risk	-271.9	-353.1	261.4	333.4	-10.5	-5.3%	-19.7	-12.3%
Real estate risk	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Total								
Market value 31.12.	**1,499.3**	**1,695.0**	**-1,300.3**	**-1,535.2**	**199.0**	**100.0%**	**159.8**	**100.0%**
IR risk up	-41.8	-44.0	38.5	56.4	-3.3	-1.7%	12.4	7.8%
IR risk down	51.7	58.0	-53.5	-83.3	-1.8	-0.9%	-25.3	-15.8%
Spreadrisk	-32.9	-43.7	17.7	20.3	-15.2	-7.6%	-23.4	-14.6%
Currency risk	-121.3	-137.4	104.8	121.1	-16.5	-8.3%	-16.3	-10.2%
Equity risk	-293.4	-368.7	261.8	334.9	-31.6	-15.9%	-33.8	-21.2%
Real estate risk	-25.6	-33.1	0.0	0.0	-25.6	-12.9%	-33.1	-20.7%

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

** The percentage is the portion of the total market value (199 for 2022)

G2.3.3 Distribution of underwriting risks according to Solvency II categories





adequacy is followed up annually. For new policies, the company is free to set the premium levels itself. This is done by the Board, at the proposal of the Head Actuary. Reinsurance is used to limit compensation liabilities for the company's own account so that its solvency capital is adequate, and results do not fluctuate too much. As part of the Group's capital and risk management process, limits are derived which the Board of Directors of the life insurance company defines for the risks that the company itself can bear without taking out reinsurance.

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

In the solvency calculation, the life insurance company applies the standard formula of the regulatory framework for the calculation of the Solvency Capital Requirement and its sub risks. A large part of the actuarial risks in accordance with that calculation relates to life insurance obligations, as they are often long-term by their nature. At the year-end, the total solvency actuarial risks of the life insurance obligations amounted to EUR 45.8 (67.4) million, with the mass cancellation risk being the most significant single actuarial sub risk. At the year-end, the corresponding actuarial risks for sickness obligations amounted to EUR 1.9 (3.4) million, the decrease being mainly attributable to the fact that the risk has now been calculated using a different method, as the interpretation of contract boundaries has changed during the period.

G2.4.1 Group's capital adequacy and risk exposures

The Bank Group's capital adequacy

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

	31 Dec 2022		30 Sep 2022		30 Jun 2022		31 Mar 2022		31 Dec 2021	
(EUR 1,000)	Group	Bank Group	Group	Bank Group	Group	Bank Group	Group	Bank Group	Group	Bank Group
Calculation of the Bank Group's capital base										
Total assets	**12,393,275**	**10,918,840**	**11,859,950**	**10,420,645**	**11,889,126**	**10,412,101**	**11,730,523**	**10,155,226**	**11,653,341**	**9,993,910**
of which intangible assets	166,317	164,581	166,992	165,604	169,002	167,649	170,724	169,481	173,978	172,785
Total liabilities	**11,695,522**	**10,286,585**	**11,175,707**	**9,796,012**	**11,207,905**	**9,795,293**	**11,007,791**	**9,511,149**	**10,914,945**	**9,361,704**
of which subordinated liabilities	118,540	69,547	118,736	69,530	121,007	69,513	134,380	81,204	150,033	94,463
Share capital	169,732	169,732	169,732	169,732	169,732	169,732	169,732	169,732	169,732	169,732
Fund at fair value	-49,915	-35,891	-50,626	-37,344	-44,396	-35,227	-21,301	-17,904	6,201	4,181
Restricted equity										
Unrestricted equity reserve and other funds	119,817	133,841	119,106	132,388	125,336	134,505	148,431	151,828	175,933	173,913
Retained earnings	147,148	147,033	145,764	145,673	144,791	144,722	142,903	142,862	142,516	142,413
Profit for the year	319,745	215,677	319,121	215,053	320,812	216,745	360,951	256,884	293,132	206,668
Unrestricted equity	51,583	76,245	40,792	72,060	30,822	61,376	10,988	33,044	67,356	49,752
	518,476	438,954	505,677	432,786	496,425	422,842	514,842	432,790	503,004	398,833
Shareholders' share of equity										
Holders of other Tier 1 capital	638,294	572,796	624,783	565,174	621,760	557,348	663,273	584,618	678,937	572,746
Equity	**59,460**	**59,460**	**59,460**	**59,460**	**59,460**	**59,460**	**59,460**	**59,460**	**59,460**	**59,460**
	697,754	632,256	684,243	624,634	681,220	616,808	722,733	644,078	738,397	632,206
Total liabilities and equity	**12,393,275**	**10,918,840**	**11,859,950**	**10,420,645**	**11,889,126**	**10,412,101**	**11,730,523**	**10,155,226**	**11,653,341**	**9,993,910**
Off-balance sheet commitments	645,125	627,813	704,568	685,048	764,044	744,584	747,570	723,674	737,613	712,834
The Bank Group's equity		**632,256**		**624,634**		**616,808**		**644,078**		**632,206**
Provision for dividends to shareholders [1]		-30,950		-32,634		-24,657		-8,791		-40,218
Profit for the year, for which no application was filed with the Financial Supervisory Authority		0		0		0		0		0
Intangible assets		-153,410		-157,401		-158,604		-158,840		-162,322
Debentures		69,547		69,530		69,513		69,663		70,631
Additional expected losses according to IRB		-26,703		-24,470		-27,318		-24,120		-24,421
Deduction for significant holdings in financial sector entities		-12,969		-14,094		-14,645		-14,146		-12,075
Other incl. unpaid dividend		-11,302		-10,897		-10,766		-51,873		-4,080
Total capital base (CET1 + AT1 + T2)		**466,469**		**454,668**		**450,330**		**455,972**		**459,720**

1) Based on the CRR regulation

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

(EUR 1,000)	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
The Bank Group's capital adequacy					
Common Equity Tier 1 Capital regulatory adjustments	532,066	522,174	520,585	523,414	520,178
Common Equity Tier 1 Capital regulatory adjustments	-192,819	-195,297	-199,768	-197,105	-191,088
Total Common Equity Tier 1 Capital (CET1)	**339,247**	**326,877**	**320,817**	**326,309**	**329,090**
Additional Tier 1 capital before regulatory adjustments	57,675	58,261	60,000	60,000	60,000
Additional Tier 1 capital regulatory adjustments	0	0	0	0	0
Additional Tier 1 capital after regulatory adjustments (AT1)	**57,675**	**58,261**	**60,000**	**60,000**	**60,000**
Total Tier 1 capital (T1 = CET1 + AT1)	**396,922**	**385,138**	**380,817**	**386,309**	**389,090**
Tier 2 capital before regulatory adjustments	69,547	69,530	69,513	69,663	70,631
Tier 2 capital regulatory adjustments	0	0	0	0	0
Total Tier 2 capital (T2)	**69,547**	**69,530**	**69,513**	**69,663**	**70,631**
Total own funds (TC = T1 + T2)	**466,469**	**454,668**	**450,330**	**455,972**	**459,720**

The table continues

(EUR 1,000)	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Risk weighted exposures total	**3,130,631**	**3,083,951**	**3,089,479**	**3,071,740**	**2,940,550**
of which credit risk, the standardised model	633,728	680,084	625,381	661,764	560,431
of which credit risk, the IRB model	2,065,552	1,983,014	2,043,245	1,989,123	1,959,266
of which 15% risk-weight floor for residential mortgages	0	0	0	0	0
of which market risk	0	0	0	0	0
of which operational risk	431,351	420,853	420,853	420,853	420,853
Own funds requirement (8 %)	250,450	246,716	247,158	245,739	235,244
Own funds buffer	216,018	207,952	203,172	210,232	224,476
CET1 Capital ratio	10.8%	10.6%	10.4%	10.6%	11.2%
T1 Capital ratio	12.7%	12.5%	12.3%	12.6%	13.2%
Total capital ratio	14.9%	14.7%	14.6%	14.8%	15.6%
Own funds floor (CRR article 500)					
Own funds	466,469	454,668	450,330	455,972	459,720
Own funds floor [1)]	245,995	245,450	244,306	239,778	235,289
Own funds buffer	220,474	209,218	206,024	216,194	224,431

1) 80% of the capital requirement based on standardised approach (8%).
Calculation of capital adequacy is made using ratings from Moody's Investors Services to define risk weight of exposures.

(EUR 1,000)	2020	2021	2022	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Risk-weighted amount for operational risks								
Gross income	213,818	240,509	235,834					
- average 3 years			230,054					
Capital requirement for operational risk				**34,508**	**33,668**	**33,668**	**33,668**	**33,668**
Risk-weighted amount				**431,351**	**420,853**	**420,853**	**420,853**	**420,853**

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%.

31 Dec 2022

(EUR 1,000)	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %
The Bank Group's total risk exposures					
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,092,900	991,848	58%	579,288	46,343
Corporates - Other	869,944	800,583	70%	564,296	45,144
Retail - Secured by immovable property non-SME	4,858,115	4,845,781	15%	733,029	58,642
Retail - Secured by immovable property SME	107,271	106,842	12%	12,588	1,007
Retail - Other non-SME	238,781	226,223	24%	53,603	4,288
Retail - Other SME	16,677	14,994	59%	8,903	712
Risk-weight floor for residential mortgages, 15%					
Equity exposures	41,560	41,560	274%	113,844	9,108
Total exposures, IRB approach	**7,225,246**	**7,027,831**	**29%**	**2,065,552**	**165,244**
Credit risk, standardised approach					
States and central banks	1,429,649	1,478,274	0%	0	0
Regional goverments and local authorities	174,732	173,198	0%	281	22
Multilateral development banks	0	49,622	0%	0	0
International organisations	24,971	24,971	0%	0	0
Credit institutions	322,103	318,845	21%	67,281	5,382
Corporates	95,583	43,708	67%	29,333	2,347
Retail exposures	384,108	160,396	68%	109,698	8,776
Secured by immovable property	797,221	781,188	31%	238,467	19,077
Past due items	8,136	6,152	110%	6,737	539
Covered bonds	853,727	853,727	11%	90,323	7,226
Other items	104,316	104,316	74%	77,031	6,163
Total exposures, standardised approach	**4,194,545**	**3,994,396**	**16%**	**619,152**	**49,532**
Total risk exposures	**11,419,792**	**11,022,227**	**24%**	**2,684,704**	**214,776**

31 Dec 2021

(EUR 1,000)	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %
The Bank Group's total risk exposures					
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,007,055	921,134	63%	579,499	46,360
Corporates - Other	667,587	616,260	70%	432,478	34,598
Retail - Secured by immovable property non-SME	4,952,553	4,946,076	13%	665,259	53,221
Retail - Secured by immovable property SME	139,457	138,665	49%	68,607	5,489
Retail - Other non-SME	232,302	223,010	32%	71,326	5,706
Retail - Other SME	48,989	47,045	79%	37,000	2,960
Risk-weight floor for residential mortgages, 15%				0	0
Equity exposures	39,486	39,486	266%	105,096	8,408
Total exposures, IRB approach	**7,087,429**	**6,931,676**	**28%**	**1,959,265**	**156,741**
Credit risk, standardised approach					
States and central banks	942,067	1,007,018	0%	0	0
Regional goverments and local authorities	227,242	212,611	0%	274	22
Multilateral development banks	0	22,608	0%	0	0
International organisations	20,103	20,103	0%	0	0
Credit institutions	203,620	200,454	21%	43,090	3,447
Corporates	99,957	20,254	81%	16,470	1,318
Retail exposures	268,189	110,775	71%	78,774	6,302
Secured by immovable property	786,616	767,194	30%	231,808	18,545
Past due items	5,716	4,389	108%	4,747	380
Covered bonds	814,836	814,836	11%	86,263	6,901
Other items	131,513	131,513	60%	79,231	6,339
Total exposures, standardised approach	**3,499,859**	**3,311,755**	**16%**	**540,657**	**43,253**
Total risk exposures	**10,587,288**	**10,243,431**	**24%**	**2,499,923**	**199,994**

(EUR 1,000)	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
The Bank Group's leverage Ratio					
Tier 1 capital	396,922	385,138	380,817	386,309	389,090
Total exposure	10,985,194	10,488,933	10,529,352	10,259,349	10,083,327
Leverage Ratio, %	**3.61**	**3.67**	**3.62**	**3.77**	**3.86**

(EUR 1,000)	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
The financial conglomerate's capital adequacy					
Summary					
The Group's equity	697,754	685,982	681,220	722,733	738,397
Sector-specific assets	125,547	125,530	125,513	125,663	126,631
Intangible assets and other reduction items	-187,279	-183,413	-178,689	-214,354	-220,125
Conglomerate´s total capital base	**636,022**	**628,099**	**628,044**	**634,042**	**644,903**
Capital requirement for banking business	359,030	353,532	354,224	351,975	335,829
Capital requirement for insurance business [1)]	75,229	77,775	83,945	98,861	108,879
Minimum amount for capital base	**434,258**	**431,307**	**438,169**	**450,836**	**444,707**
Conglomerate´s capital adequacy	**201,764**	**196,792**	**189,875**	**183,205**	**200,195**
Capital adequacy ratio, %	146.5%	145.6%	143.3%	140.6%	145.0%

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

G3 Group's segment reporting

	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
(EUR 1,000)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Income statement										
Net interest income	86,275	73,464	3,381	1,574	9,473	21,209	51	2	99,180	96,249
Net commission income	58,313	59,768	69,432	70,949	5,940	5,315	-11,694	-12,040	121,992	123,992
Net income from life insurance	-	-	27,321	33,604	-	-	3,221	4,053	30,542	37,657
Other operating income	202	317	364	758	2,230	5,090	-203	-279	2,594	5,886
Total operating income	**144,791**	**133,549**	**100,498**	**106,885**	**17,643**	**31,614**	**-8,625**	**-8,263**	**254,308**	**263,784**
Staff costs	-15,144	-17,156	-24,583	-25,001	-43,889	-41,566	-	-	-83,616	-83,723
Other operating expenses [1]	-86,087	-81,200	-43,862	-41,150	24,617	23,359	8,625	8,310	-96,706	-90,681
Total operating expenses	**-101,230**	**-98,355**	**-68,445**	**-66,152**	**-19,272**	**-18,207**	**8,625**	**8,310**	**-180,322**	**-174,404**
Impairment of tangible and intangible assets	-40	-	-	-	-	-	-	-	-40	-
Expected credit losses and impairment of credits and other commitments	-10,224	-4,515	-	-	-	21	-	-	-10,224	-4,494
Share of profit from associated companies	-	-	-	-	-	-	249	-265	249	-265
Operating profit	**33,297**	**30,679**	**32,054**	**40,733**	**-1,629**	**13,427**	**249**	**-218**	**63,971**	**84,621**
Comparable operating profit	**34,114**	**31,977**	**32,585**	**42,656**	**-1,747**	**12,976**	**249**	**-218**	**65,201**	**87,392**

(EUR 1,000)	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Balance sheet										
Financial assets measured at fair value	-	-	1,409,550	1,649,253	854,222	949,528	-14,843	-40,000	2,248,929	2,558,781
Cash and balances with central banks	101,742	289,042	0	0	64,051	443,787	-	-	165,794	732,829
Interest-bearing securities measured at amortised cost	-	-	36,812	37,448	492,597	349,016	-	-	529,409	386,464
Loans and other receivables	7,620,072	7,327,306	234,296	252,596	1,155,732	29,094	-25,152	-57,305	8,984,948	7,551,691
Other assets	87,515	56,993	140,515	192,996	298,561	351,506	-62,395	-177,918	464,195	423,576
Total assets	**7,809,330**	**7,673,340**	**1,821,173**	**2,132,294**	**2,865,163**	**2,122,931**	**-102,390**	**-275,224**	**12,393,275**	**11,653,341**
Deposits	4,471,400	4,064,332	820,344	580,706	779,075	838,074	-25,152	-57,305	6,045,668	5,425,806
Debt securities issued	-	-	-	-	3,066,578	3,100,315	-14,843	-39,992	3,051,735	3,060,323
Technical provisions	-	-	1,351,424	1,568,214	-	-	-	-	1,351,424	1,568,214
Other liabilities	140,479	-5,136	119,187	100,389	1,003,023	770,430	-15,995	-5,083	1,246,695	860,600
Total liabilities	**4,611,880**	**4,059,196**	**2,290,955**	**2,249,309**	**4,848,677**	**4,708,819**	**-55,989**	**-102,380**	**11,695,522**	**10,914,945**

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

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

G4 Net interest income

(EUR 1,000)	2022	2021
Interest income		
Financial assets valued at fair value through income statement	-3,823	-274
Financial assets valued at fair value through OCI	2,239	2,055
Cash and balances with central banks	282	-
Receivables from credit institutions and central bank	7,142	9,001
Receivables from public and public sector entities	108,095	78,487
Finance lease contracts	1,200	450
Loans and other receivables which are valued at amortised cost	116,437	87,938
Interest-bearing securities which are valued at amortised cost	4,377	3,038
Other external interest income	-1	496
Financial assets which are valued at amortised cost	120,813	91,472
Total	**119,511**	**93,254**
of which interest income from financial assets reported at stage 3	341	348
Interest expenses		
Deposits, credit institutions	-6,213	-612
Deposits, other than public sector entities	-1,165	-389
Deposits	-7,378	-1,001
Debt securities issued to the public	-20,359	-15,590
Subordinated liabilities	-1,144	-1,980
Debt securities issued and subordinated liabilities	-21,503	-17,570
Hedging derivative instruments	10,545	23,334
Interest expenses for right-of-use assets	-1,262	-1,383
Other interest expenses, external	-733	-383
Total	**-20,331**	**2,996**
Net interest income	**99,180**	**96,249**
Borrowing and lending	103,117	86,310
Liquidity portfolio	6,616	5,093
Hedging measures through interest rate derivatives	6	1,778
Negative interest expenses from TLTRO loan	1,294	8,642
Other financing	-11,853	-5,574
Total	**99,180**	**96,249**

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

G5 Dividends

(EUR 1,000)	2022	2021
Equity instruments measured at fair value through income statement	1,444	353
Total	**1,444**	**353**

Dividends in life insurance business are included in net income from investments, see note G7. Dividends from life insurance business are EUR 0.1 (-) million.

G6 Net commission income

(EUR 1,000)	2022	2021
Commission income		
Mutual funds, asset management and securities brokerage	87,796	91,705
Card- and payment services	25,430	22,861
Borrowing	3,747	3,802
Lending	9,113	9,805
Currency- and foreign operations	4,576	4,285
Insurance brokerage	1,954	1,876
Legal services	929	877
Guarantees and other off-balance sheet commitments	486	552
Other commission income	221	261
Total	**134,251**	**136,023**
Commission expenses		
Money handling	-1,514	-1,496
Card- and payment services	-4,371	-3,899
Securities and investments	-3,965	-5,799
Other commission expenses	-2,409	-837
Total	**-12,259**	**-12,031**
Net commission income	**121,992**	**123,992**

G7 Net income from life insurance

(EUR 1,000)	2022	2021
Premiums written	141,190	151,897
Net income from investments	6,991	21,299
Insurance claims paid	-114,496	-98,044
Net change in technical provisions	-3,142	-37,495
Net income from life insurance	**30,542**	**37,657**
PREMIUMS WRITTEN		
Premiums written from insurance agreements		
Insurance agreements	36,536	34,787
Total gross premiums written before reinsurer's share	**36,536**	**34,787**
Reinsurer's share	-999	-799
Premiums written from investment agreements	105,654	117,909
Total premiums written	**141,190**	**151,897**

	From insurance agreements		From investment agreements		Total	
(EUR 1,000)	2022	2021	2022	2021	2022	2021
Distribution of premiums						
Premiums written from risk insurance and interest-related insurance						
Saving plans	322	399	-	-	322	399
Individual pension insurance	2,040	2,310	-	-	2,040	2,310
Group pension insurance	2,106	2,518	-	-	2,106	2,518
Risk insurance	25,249	23,993	-	-	25,249	23,993
Total	**29,717**	**29,220**	**-**	**-**	**29,717**	**29,220**
Premiums written from unit-linked agreements						
Saving plans	355	391	102,679	114,792	103,033	115,182
Individual pension insurance	1,543	1,747	2,975	3,118	4,518	4,865
Group pension insurance	4,921	3,429	-	-	4,921	3,429
Total	**6,819**	**5,566**	**105,654**	**117,909**	**112,472**	**123,476**
On-going and one-off premiums from direct insurance						
On-going premiums from insurance agreements					36,536	34,787
On-going premiums from investment agreements					46,290	57,639
One-off premiums from investment agreements					59,364	60,270
Total premiums written					**142,189**	**152,696**

Net income from investments

(EUR 1,000)	2022	2021
Net income from financial assets measured at fair value through income statement		
Profit and losses	11	-7
Unrealised value changes	95	-8
Derivative contracts	106	-16
Interest income	527	1,806
Capital gains and losses	-	13
Unrealised value changes	-2,296	-194
Other income and expenses	-3	-159
Interest-bearing securities	-1,772	1,466
Dividends	117	-
Capital gains and losses	10,143	440
Unrealised value changes	-7,632	7,936
Impairments	-	-
Other income and expenses	2,043	1,676
Shares and participations	4,671	10,052
Total	**3,005**	**11,502**
Net income from financial assets measured at fair value through other comprehensive income		
Interest income	1,406	2,267
Capital gains and losses	1,512	-266
Transferred to income statement from fund at fair value	-1,427	725
Other income and expenses	-2	0
Interest-bearing securities	1,490	2,725
Total	**1,490**	**2,725**
Net income from financial assets reported at amortised cost		
Interest income	1,568	1,434
Interest-bearing securities	**1,568**	**1,434**

The table continues

(EUR 1,000)	2022	2021
Net income from investment properties		
Rental income	4,150	4,861
Valued at fair value	-809	3,119
Capital gains and losses	-	316
Direct expenses from investment properties, which generated rental income during during the accounting period	-2,377	-2,614
Total	**963**	**5,681**
Interest expenses for right-of-use assets	-35	-44
Total for the Insurance business' net income from the investment business	**6,991**	**21,299**
Exchange rate differences included in net income from the investment business	-	-

Insurance claims paid

(EUR 1,000)	From insurance agreements 2022	From insurance agreements 2021	From investment agreements 2022	From investment agreements 2021	Total 2022	Total 2021
Claims paid from risk insurance and interest-related insurance						
Saving plans						
Repayment of saving sums	-1,735	-4,471	-	-	-1,735	-4,471
Payments in the event of death	-534	-314	-	-	-534	-314
Repurchase	-2,423	-1,753	-	-	-2,423	-1,753
Total	**-4,692**	**-6,538**	**-**	**-**	**-4,692**	**-6,538**
Individual pension insurance						
Pensions	-25,463	-26,514	-	-	-25,463	-26,514
Payments in the event of death	-565	-296	-	-	-565	-296
Repurchase	-615	-225	-	-	-615	-225
Total	**-26,644**	**-27,035**	**-**	**-**	**-26,644**	**-27,035**
Group pension insurance						
Pensions	-5,355	-5,191	-	-	-5,355	-5,191
Repurchase	-1,335	-195	-	-	-1,335	-195
Other	-106	-122	-	-	-106	-122
Total	**-6,796**	**-5,508**	**-**	**-**	**-6,796**	**-5,508**
Risk insurance						
Individual insurance	-10,692	-10,247	-	-	-10,692	-10,247
Group life insurance for employers	-650	-487	-	-	-650	-487
Total	**-11,342**	**-10,734**	**-**	**-**	**-11,342**	**-10,734**
Total claims paid from risk insurance and interest-related insurance	**-49,474**	**-49,816**	**-**	**-**	**-49,474**	**-49,816**

The table continues

(EUR 1,000)	From insurance agreements 2022	From insurance agreements 2021	From investment agreements 2022	From investment agreements 2021	Total 2022	Total 2021
Claims paid from unit-linked agreements						
Saving plans						
Repayment of saving sums	-285	-221	-3	-24	-288	-245
Payments in the event of death	-37	-34	-21,766	-14,974	-21,803	-15,008
Repurchase	-747	-953	-37,565	-27,664	-38,312	-28,618
Total	**-1,069**	**-1,209**	**-59,334**	**-42,662**	**-60,403**	**-43,871**
Individual pension insurance						
Pensions	-	-	-3,408	-2,855	-3,408	-2,855
Payments in the event of death	-68	-184	-266	-67	-334	-251
Repurchase	-230	-125	-401	-781	-631	-906
Total	**-298**	**-310**	**-4,074**	**-3,703**	**-4,372**	**-4,012**
Group pension insurance						
Repurchase	-248	-345	-	-	-248	-345
Total	**-248**	**-345**	**-**	**-**	**-248**	**-345**
Total claims paid from unit-linked agreements	**-1,615**	**-1,863**	**-63,408**	**-46,365**	**-65,023**	**-48,228**
Total claims paid	**-51,088**	**-51,679**	**-63,408**	**-46,365**	**-114,496**	**-98,044**

(EUR 1,000)	2022	2021
Changes in premium provisions, interest-related	710	-3,981
Changes in claims provisions, interest-related	30,736	24,199
Change in technical provisions, risk insurance and interest-related insurance	**31,446**	**20,218**
Changes in claims provisions, unit-linked	976	-1,601
Changes in premium provisions, unit-linked	150,985	-182,345
Changes in value of unit-linked insurances, net	-186,549	126,234
Net change in technical provisions, unit-linked insurance, excl. portfolio transfer	**-34,588**	**-57,713**
Unit-linked premium liability in connection with the portfolio transfer from Liv-Alandia	-	-
Net change in technical provisions, unit-linked insurance	**-34,588**	**-57,713**
Total net change in technical provisions [1]	**-3,142**	**-37,495**

G8 Net income from financial transactions

(EUR 1,000)	2022	2021
Net income from derivative instruments measured at fair value through income statement		
Capital gains and losses from equity instruments	17	0
Capital gains and losses from derivative instruments	-6	-9
Total	11	-9
Valuation gains and losses from equity instruments	76	213
Valuation gains and losses from derivative instruments	28	209
Total	104	423
Total	**115**	**413**

The table continues

(EUR 1,000)	2022	2021
Net income from currency operations	**608**	**593**
Net income from derivative instruments valued at fair value through other comprehensive income		
Capital gains and losses from interest-bearing securities	-94	-247
Capital gains and losses from equity instruments	180	540
Total	86	293
Valuation gains and losses from interest-bearing securities	-493	252
Total	-493	252
Transferred to income statement from fund at fair value	435	3,435
Total	435	3,435
Total	**28**	**3,981**
Net income from interest-bearing securities reported at amortised cost		
Capital gains and losses from interest-bearing securities	-	-1
Total	**-**	**-1**
Valuation gains and losses from interest-bearing securities	-165	73
Total	-165	73
Total	**-165**	**72**
Fair value hedging		
Interest rate-related hedging repayable on demand liabilities	-24,491	-
Interest rate-relateds hedging lending to public	26,554	1,768
Interest rate-related hedging issued bonds	-202,790	-47,267
Changes in fair value of hedge instruments, net	-200,727	-45,498
Repayable on demand liabilities	24,722	-
Lending to public	-26,603	-1,781
Bonds issued	202,661	46,904
Changes in fair value of items hedged, net	200,779	45,123
Total	**53**	**-375**
Ineffective share of cash flow hedging	-	-
Net income from hedge accounting	**53**	**-375**
Net income from financial transactions	**638**	**4,684**

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

G9 Other operating income

(EUR 1,000)	2022	2021
Income from other banking business	36	35
Capital gains from sale of tangible and intangible assets	18	30
Merger profits	-	-
Other operating income	457	784
Total	**512**	**849**

G10 Staff

(EUR 1,000)	2022	2021
Salaries and remunerations	-66,256	-67,637
Share-based payments	-3,866	-2,609
Pension costs		
Defined contribution plans	-10,889	-11,341
Defined benefit plans	-112	-104
Other indirect employee costs	-2,494	-2,031
Indirect emplyee costs	-13,494	-13,477
Total	**-83,616**	**-83,723**
Number of emplyees 31 December		
Full-time	847	845
Part-time	117	112
Total	**964**	**957**
of which temporary	74	87
Number of employees converted to full-time equivalents	880	854
Full-time equivalent average number of employees for the year	910	862

The managements salaries and remuneration are presented in note G43.

G11 Depreciation and impairment of tangible and intangible assets

(EUR 1,000)	2022	2021
Depreciation of right-of-use assets	-4,742	-4,878
Depreciation of other tangible assets	-1,874	-1,460
Depreciation of intangible assets	-16,964	-15,166
Total	**-23,579**	**-21,504**

G12 Other operating expenses

(EUR 1,000)	2022	2021
Other staff expenses	-3,912	-2,353
Office expenses	-1,181	-992
Communication expenses	-3,201	-2,849
Marketing- and representation expenses	-4,056	-3,298
Purchased services	-10,095	-8,651
Rental expenses 1)	-2,109	-3,361
Expenses for properties in own use	-643	-802
Insurance and security expenses	-6,490	-5,452
Monitoring, control and membership fees	-1,655	-1,587
Other operating expenses	-6,339	-9,179
Total	**-39,681**	**-38,523**

1) Rental expenses refer to leasing agreements with a maximum term of 12 months of EUR 0.5 (0.5) million or low value assets of EUR 1.0 (1.0) milion. Other leasing agreements are reported in accordance with IFRS 16.

Auditors' fees		
Statutory auditing	-456	-457
Services related to auditing	-57	-33
Tax counselling	-26	-31
Other services	-40	-50
Total	**-579**	**-572**

The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-3,775	-3,280
amount of which paid from the old Deposit Guarantee Fund	-3,775	-3,280
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	9	11
Contribution to the Single Resolution Fund	-5,086	-4,148
amount of which transferred from previously paid bank tax	-	-
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	-	-

G13 Taxes

(EUR 1,000)	2022	2021
Income taxes	-15,578	-15,392
Taxes from previous years	-344	51
Change in deferred taxes	3,534	-1,924
Total	**-12,387**	**-17,265**

More information on deferred taxes is presented in note G29. The tax on the Group's profit before tax deviates from the theoretical value that should arise when using the tax rate for the parent company as follows:

Profit before tax	63,971	84,621
Tax calculated on a 20.0% tax rate	-12,794	-16,924
Non-deductible expenses	-145	-543
Tax free income	79	27
Unused write-downs for tax purposes	-	153
Associated companies and investment properties	73	146
Taxes from previous years	-344	51
Other	745	-174
Total taxes	**-12,387**	**-17,265**
Average effective tax rate	19%	20%

Deferred tax recognised in comprehensive income

Deferred tax relating to financial assets	13,944	3,737
Deferred tax relating to cash flow hedging	85	30
Deferred tax relating to defined benefit plan pensions	-114	33
Total	**13,915**	**3,799**

G14 Earnings per share

(EUR 1,000)	2022	2021
Profit for the year attributable to shareholders in Aktia Bank plc	51,583	66,816
Average number of shares	72,013,512	70,460,062
Earnings per share (EPS), EUR (excluding treasury shares)	0.72	0.95
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	0.72	0.95
Total comprehensive income attributable to shareholders in Aktia Bank plc	-4,078	51,619
Total earnings per share, EUR (excluding treasury shares)	-0.06	0.73
Total earnings per share, EUR, after dilution (excluding treasury shares)	-0.06	0.73

G15 Classification of assets and liabilities

(EUR 1,000)	Note	Amortised cost	Fair value through the income statement	Fair value through other comprehensive income	Non-financial assets	Total
Assets 31 December 2022						
Interest-bearing securities	G16		75,342			75,342
Shares and participations	G16		174,936			174,936
Investments for unit-linked investments	G16		1,001,595			1,001,595
Interest-bearing securities	G17			997,056		997,056
Interest-bearing securities	G18	529,409				529,409
Lending to Bank of Finland and credit institutions	G19	1,193,248				1,193,248
Lending to the public and public sector entities	G19	7,791,700				7,791,700
Cash and balances with central banks	G21	165,794				165,794
Derivative instruments	G22		54,711			54,711
Total financial instruments		**9,680,151**	**1,306,584**	**997,056**	**-**	**11,983,791**
Investments in associated companies and joint ventures	G23				3,089	3,089
Intangible assets and goodwill	G24				166,317	166,317
Right-of-use assets	G25				19,893	19,893
Investment properties	G26				44,673	44,673
Other tangible assets	G27				8,973	8,973
Accrued income and advance payments	G28				52,350	52,350
Other assets	G28				95,901	95,901
Income tax receivables					1,522	1,522
Deferred tax receivables	G29				16,768	16,768
Total		**9,680,151**	**1,306,584**	**997,056**	**409,484**	**12,393,275**

The table continues

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

(EUR 1,000)	Note	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities 31 December 2022					
Liabilities to credit institutions	G30		831,891		831,891
Liabilities to the public and public sector entities	G30		5,213,777		5,213,777
Derivative instruments	G22	294,049			294,049
Debt securities issued	G31		3,051,735		3,051,735
Subordinated liabilities	G32		118,540		118,540
Other liabilities to credit institutions	G33		5,517		5,517
Other liabilities to the public and public sector entities	G34		686,000		686,000
Technical provisions for risk insurances and interest-related insurances	G35			349,624	349,624
Technical provisions for unit-linked insurances	G35			1,001,799	1,001,799
Accrued expenses and income received in advance	G36			43,452	43,452
Liabilities for right-of-use assets	G36		22,263		22,263
Other liabilities	G36			17,905	17,905
Provisions	G20		1,270		1,270
Income tax liabilities				2,839	2,839
Deferred tax liabilities	G29			54,859	54,859
Total		**294,049**	**9,930,994**	**1,470,479**	**11,695,522**

The table continues

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

G16 Financial assets measured at fair value through income statement

(EUR 1,000)	2022	2021
Interest bearing securities, other	87	87
Interest-bearing securities, Banking business	87	87
Interest bearing securities, credit institutions	9,002	11,040
Interest bearing securities, other	66,254	83,495
Interest-bearing securities, Life insurance	75,255	94,536
Total interest-bearing securities	**75,342**	**94,622**
Publicly quoted shares and holdings	4,485	4,435
Shares and holdings that are not publicly quoted	765	770
Shares and holdings, Banking business	5,249	5,205
Publicly quoted shares and holdings	122,578	140,355
Shares and holdings that are not publicly quoted	47,109	57,613
Shares and holdings, Life insurance	169,687	197,968
Total shares and participations	**174,936**	**203,173**
Investments for unit-linked investments		
Publicly quoted shares and holdings	1,001,595	1,154,020
Total interest-bearing securities	**1,001,595**	**1,154,020**
Total financial assets measured at fair value through income statement	**1,251,873**	**1,451,815**

G17 Financial assets measured at fair value through other comprehensive income

(EUR 1,000)	2022	2021
Interest bearing securities, goverments and public sector entities	134,737	177,741
Interest bearing securities, credit institutions	714,237	766,582
Interest-bearing securities, Banking business	848,974	944,324
Interest bearing securities, goverments and public sector entities	49,095	66,073
Interest bearing securities, credit institutions	26,187	25,328
Interest bearing securities, other	72,800	71,241
Interest-bearing securities, Life insurance	148,082	162,642
Total interest-bearing securities	**997,056**	**1,106,966**
Total financial assets measured at fair value through other comprehensive income	**997,056**	**1,106,966**

G18 Interest-bearing securities measured at amortised cost

	2022		2021	
(EUR 1,000)	Carrying amount	of which ECL	Carrying amount	of which ECL
Interest-bearing securities, states	129,762	-58	129,463	-24
Interest-bearing securities, other public corporations	63,976	-26	44,001	-17
Interest-bearing securities, credit institutions	298,858	-146	175,552	-24
Interest-bearing securities, Banking business	492,597	-230	349,016	-65
Interest-bearing securities, states	36,812	-31	37,448	-5
Interest-bearing securities, Life insurance	36,812	-31	37,448	-5
Total interest-bearing securities measured at amortised cost	**529,409**	**-262**	**386,464**	**-70**

G19 Loans and other receivables

(EUR 1,000)	2022 Carrying amount	2022 of which ECL	2021 Carrying amount	2021 of which ECL
Paybale on demand claims on credit institutions	32,537	-	53,680	-
Other than paybale on demand claims on credit institutions	1,160,711	-	11,640	-
Lending to Bank of Finland and credit institutions	1,193,248	-	65,320	-
Current account credits, public and corporates	253,101	-2,246	187,288	-2,122
Loans	7,470,007	-34,306	7,265,019	-27,465
Syndicated loans and repurchase agreements	-	-	20	-
Change in fair value of loans	-27,456	-	-853	-
Receivables from finance lease contracts	95,729	-345	34,802	-189
Loans	7,791,380	-36,896	7,486,276	-29,775
Bank guarantee claims	319	-559	95	-297
Lending to the public and public sector entities	7,791,700	-37,456	7,486,371	-30,072
Total	**8,984,948**	**-37,456**	**7,551,691**	**-30,072**

(EUR 1,000)	2022	2021
Breakdown of maturity on finance lease receivables		
Under 1 year	29,599	20,746
1-5 years	69,104	15,454
Over 5 years	928	20
Gross investment	**99,631**	**36,220**
Unearned future finance income	-3,902	-1,418
Net investment	**95,729**	**34,802**
Present value of lease payment receivables		
Under 1 year	28,440	19,934
1-5 years	66,398	14,849
Over 5 years	891	19
Total	**95,729**	**34,802**

G20 Financial assets and impairment by stage

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2022				
Interest-bearing securities	1,520,221	81,585	0	1,601,807
Lending	7,398,282	281,863	111,555	7,791,700
Off-balance sheet commitments	640,204	2,810	2,112	645,125
Total	**9,558,707**	**366,258**	**113,666**	**10,038,632**
Book value of financial assets 31 December 2021				
Interest-bearing securities	1,588,052	-	-	1,588,052
Lending	7,092,307	300,445	93,618	7,486,371
Off-balance sheet commitments	721,436	14,277	1,899	737,613
Total	**9,401,796**	**314,723**	**95,517**	**9,812,036**
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2022	3,911	3,714	24,784	32,409
Transferred from stage 1 to stage 2	-225	3,267	-	3,043
Transferred from stage 1 to stage 3	-95	-	2,893	2,797
Transferred from stage 2 to stage 1	87	-452	-	-365
Transferred from stage 2 to stage 3	-	-883	1,969	1,086
Transferred from stage 3 to stage 1	5	-	-317	-311
Transferred from stage 3 to stage 2	-	259	-615	-356
Increases due to origination and acquisition	1,727	29	203	1,959
Decrease due to recognition	-472	-294	-2,683	-3,448
Changes due to updated calculation method	322	2,335	1,380	4,037
Decrease in allowance account due to write-offs	0	0	-3,863	-3,863
Other changes	-243	-1,626	3,689	1,821
Impairment of credits and the other commitments 31 December 2022	**5,017**	**6,351**	**27,441**	**38,808**
of which provisions	1,061	59	150	1,270

The table continues

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	1,407	4,669	17,673	23,748
Corporates	3,049	1,668	9,242	13,959
Housing associations	522	13	205	741
Public sector entities	13	-	-	13
Non-profit organisations	26	1	321	347
Total	**5,017**	**6,351**	**27,441**	**38,808**
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2022	393	-	306	699
Transferred from stage 1 to stage 2	-51	588	0	537
Transferred from stage 1 to stage 3	-	-	-	-
Transferred from stage 2 to stage 1	1	-21	-	-20
Transferred from stage 2 to stage 3	-	-	-	-
Transferred from stage 3 to stage 1	-	-	-	-
Transferred from stage 3 to stage 2	-	-	-	-
Reversal of impairment	36	21	-	57
Impairment January-December 2021 in the income statement	-43	0	-	-43
Realised losses for which write-downs were made in previous years	0	0	-306	-306
Other changes	575	0	0	575
Impairment of interest-bearing securities 31 December 2022	**912**	**588**	**0**	**1,500**
Impairment of interest-bearing securities by sector				
Corporates	738	451	0	1,190
Public sector entities	173	137	0	310
Total	**912**	**588**	**-**	**1,500**

The model-based reservations regarding healthy credits in stage 1 and stage 2 have increased compared to 31 December 2021, where the largest individual reasons are the update of the bank's IBRA models for household customers and the calibration of the ECL model.

G21 Cash and balances with central banks

(EUR 1,000)	2022	2021
Cash in hand	852	909
Bank of Finland current account	164,942	731,920
Total	**165,794**	**732,829**

G22 Derivative instruments

Derivative instruments, book value

	2022		2021	
(EUR 1,000)	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	53,495	280,067	31,140	17,393
Fair value hedging	53,495	280,067	31,140	17,393
Interest rate derivatives	268	13,043	5,350	-
Cash flow hedging	268	13,043	5,350	-
Interest rate derivatives	941	935	3,062	3,076
Currency derivatives	7	5	1	15
Other derivative instruments	948	939	3,063	3,091
Total	**54,711**	**294,049**	**39,553**	**20,484**

The nominal value of the underlying property and the fair value of the derivative instrument

31 Dec 2022

Hedging derivative instruments	**Nominal values / term remaining**				**Fair value**	
(EUR 1,000)	**Under 1 year**	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest rate swaps	540,000	2,568,625	1,341,095	4,449,719	25,798	279,134
Interest rate option agreements	-	650,625	110,950	761,575	27,696	932
Purchased		350,625	60,950	411,575	27,696	-
Written	-	300,000	50,000	350,000	-	932
Total fair value hedging	**540,000**	**3,219,250**	**1,452,045**	**5,211,294**	**53,495**	**280,067**
Cash flow hedging						
Interest rate swaps	48,290	281,917	-	330,207	268	13,043
Total cash flow hedging	**48,290**	**281,917**	**-**	**330,207**	**268**	**13,043**
Total interest rate derivatives	**588,290**	**3,501,166**	**1,452,045**	**5,541,501**	**53,763**	**293,109**
Total hedging derivative instruments	**588,290**	**3,501,166**	**1,452,045**	**5,541,501**	**53,763**	**293,109**
Other derivative instruments						
Interest rate swaps	60,000	0	-	60,000	941	935
Total interest rate derivatives	**60,000**	**-**	**-**	**60,000**	**941**	**935**
Forward rate agreements	4,220	-	-	4,220	7	5
Total forward rate agreements	**4,220**	**-**	**-**	**4,220**	**7**	**5**
Total other derivative instruments	**64,220**	**0**	**-**	**64,220**	**948**	**939**
Total derivative instruments	**652,511**	**3,501,166**	**1,452,045**	**5,605,722**	**54,711**	**294,049**

31 Dec 2021

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

G23 Investments in associated companies and joint ventures

(EUR 1,000)	2022	2021
Book value at 1 January	623	323
Increases	2,676	300
Book value at 31 December	3,298	623
Share of profits at 1 January	-459	-194
Share of profit from associated companies	249	-265
Share of profits at 31 December	-210	-459
Book value at 31 December	**3,089**	**164**
Associated companies:		
Figure Financial Management Ltd		
Percentage of shares and votes	25%	25%
Book value in parent company at 31 December	178	178
Share of profits in Figure Financial Management Ltd	52	14
Finlands Företagarskydd Ab		
Percentage of shares and votes	45%	45%
Book value in parent company at 31 December	620	445
Share of profits in Finlands Företagarskydd Ab	-173	-279
Aktia Alexander Corporate Finance Oy		
Percentage of shares and votes	20%	-
Book value in parent company at 31 December	2,000	-
Share of profits in Aktia Alexander Corporate Finance Oy	370	-
AktiaDuetto Ab		
Percentage of shares and votes	60%	-
Book value in parent company at 31 December	501	-
Share of profits in AktiaDuetto Ab	-	-

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

See note G43 for transactions with associated companies.

G24 Intangible assets and goodwill

(EUR 1,000)	Goodwill	Other intangible assets in connection with the Taaleri acquisition	Capitalised development expenses	Other intangible assets	Total
2022					
Acquisition cost at 1 January	80,395	43,074	16,073	117,179	256,721
Increases	-	-	2,386	6,916	9,303
Acquisition cost at 31 December	80,395	43,074	18,459	124,095	266,023
Accumulated depreciations and impairments at 1 January	-	-2,933	-6,588	-73,222	-82,743
Planned depreciation	-	-4,399	-2,016	-10,549	-16,964
Accumulated depreciations and impairments at 31 December	-	-7,332	-8,604	-83,771	-99,707
Book value at 31 December	**80,395**	**35,742**	**9,855**	**40,324**	**166,317**

The table continues

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

All goodwill relates to the Asset Management segment. The goodwill impairment test did not lead to impairments of goodwill in 2022.

The impairment test is based on an assessment of the recoverable amount of the cash-generating unit (CGU). The parameters used are based on the management's assessment. The net growth of cash flows is estimated at 3% per annum over the following five years. The net growth after five years is estimated at 2% per annum in line with the inflation target of the European Central Bank (ECB). The discount rate (WACC) is 13.77%. The recoverable amount exceeds its reported amount by EUR 76 million and therefore does not lead to an impairment of goodwill.

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

G25 Right-of-use assets

(EUR 1,000)	2022	2021
Carrying amount 1 January	**22,313**	**22,601**
Net change	2,256	4,590
Planned depreciation	-4,676	-4,878
Impairments	-	-
Reversal of impairments	-	-
Book value at 31 December	**19,893**	**22,313**
of which properties	19,454	21,815
of which cars	439	498

G26 Investment properties

(EUR 1,000)	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
2022				
Acquisition cost at 1 January	2,053	16,447	28,055	46,555
Valuation at fair value	-	100	-899	-799
Acquisitions	-	-	-	-
Increases	-	-	-	-
Acquisition cost at 31 December	2,053	16,547	27,156	45,756
Accumulated depreciations and impairments at 1 January	-	-	-1,083	-1,083
Accumulated depreciations and impairments at 31 December	-	-	-1,083	-1,083
Book value at 31 December	**2,053**	**16,547**	**26,073**	**44,673**
2021				
Acquisition cost at 1 January	2,053	14,847	24,030	40,930
Valuation at fair value	-	1,600	1,519	3,119
Acquisitions	-	-	-731	-731
Increases	-	-	3,827	3,827
Decreases	-	-	-591	-591
Acquisition cost at 31 December	2,053	16,447	28,055	46,555
Accumulated depreciations and impairments at 1 January	-	-	-1,083	-1,083
Accumulated depreciations and impairments at 31 December	**-**	**-**	**-1,083**	**-1,083**
Book value at 31 December	**2,053**	**16,447**	**26,972**	**45,472**

G27 Other tangible assets

(EUR 1,000)	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
2022				
Acquisition cost at 1 January	21,020	10,659	296	31,976
Acquisitions	-	-	-	-
Increases	870	2,034	-	2,903
Decreases	-78	-	-	-78
Acquisition cost at 31 December	21,812	12,693	296	34,801
Accumulated depreciations and impairments at 1 January	-16,883	-7,032	-	-23,915
Divestments	-	-	-	-
Accumulated depreciation on decreases	-	-	-	-
Planned depreciation	-1,137	-736	-	-1,874
Impairments	-29	-11	-	-40
Accumulated depreciations and impairments at 31 December	-18,049	-7,779	-	-25,828
Book value at 31 December	**3,763**	**4,914**	**296**	**8,973**
2021				
Acquisition cost at 1 January	17,485	8,831	528	26,845
Divestments	1,647	-	0	1,647
Increases	2,029	2,110	-	4,139
Decreases	-141	-282	-232	-654
Acquisition cost at 31 December	21,020	10,659	296	31,976
Accumulated depreciations and impairments at 1 January	-14,418	-6,860	-230	-21,508
Divestments	-1,599	-	-	-1,599
Accumulated depreciation on decreases	141	282	230	653
Planned depreciation	-1,006	-454	-	-1,460
Accumulated depreciations and impairments at 31 December	-16,883	-7,032	-	-23,915
Book value at 31 December	**4,138**	**3,627**	**296**	**8,061**

G28 Total other assets

(EUR 1,000)	2022	2021
Accrued and advance interests	22,501	21,387
Other accrued income and advance payments	29,848	22,319
Accrued income and advance payments	52,350	43,706
Cash items being collected	472	2,176
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	13,329	43,853
Other receivables	32,101	-8,026
Other assets	95,901	88,002
Total	**148,251**	**131,708**

G29 Deferred tax receivables and liabilities

(EUR 1,000)	2022	2021
Deferred tax liabilities, net		
Net deferred tax liabilities / receivables at 1 January	56,006	49,266
Acquisitions / divestments	-	8,615
Changes during the year booked via the income statement	-3,534	1,924
Financial assets:		
Valuation at fair value direct to equity	-13,958	-2,854
Transferred to the income statement	14	-882
Cash flow hedging:		
Valuation at fair value direct to equity	-85	-30
Defined-benefit pensions plans via comprehensive income	114	-33
AT1 loan through retained earnings	-465	-
Net deferred tax liabilities at 31 December	**38,091**	**56,006**

The table continues

(EUR 1,000)	2022	2021
Deferred tax liabilities		
Appropriations	43,000	43,000
Expected credit losses (ECL)	-1,577	-1,577
Financial assets	2,498	4,807
Cash flow hedging	38	38
Investment properties valued at fair value	1,020	1,002
Activated development costs	1,971	1,847
Equalisation provision of the life insurance business	480	720
Intangible assets from the acquisition of Taaleri's wealth management operations	7,148	8,028
Other	280	281
Total	**54,859**	**58,146**
Deferred tax receivables		
Expected credit losses (ECL)	2,482	891
Financial assets	9,388	839
Hedging of technical provisions	3,492	-
Hedging of Tier 2 loan	1,299	-
Defined-benefit pension plans	94	210
Other	12	201
Total	**16,768**	**2,141**
Specification of changes during the year booked via the income statement		
Expected credit losses (ECL)	1,591	266
Financial assets	-3,170	-2,307
Hedging of technical provisions	3,492	-
Hedging of Tier 2 loans	1,299	-
Investment properties valued at fair value	-18	-208
Defined-benefit pension plans	-3	-20
Activated development costs	-124	38
Equalisation provision of the life insurance business	240	240
Intangible assets from the acquisition of Taaleri's wealth management operations	880	587
Other	-653	-519
Total	**3,534**	**-1,924**

The table continues

(EUR 1,000)	2022	2021
Specification of changes during the year booked via other comprehensive income		
Financial assets	14,029	3,766
Defined-benefit pension plans	-114	33
Total	**13,915**	**3,799**
Specification of changes during the year booked via retained earnings		
Other	465	-
Total	**465**	**-**
Total change in deferred taxes	**17,915**	**1,875**

G30 Deposits

(EUR 1,000)	2022	2021
Repayable on demand deposits	30,631	88,199
TLTRO loan from ECB (other than repayable on demand deposits)	800,000	800,000
Other than repayable on demand deposits	1,260	34,310
Liabilities to credit institutions	831,891	922,509
Repayable on demand deposits	4,590,397	4,425,931
Other than repayable on demand deposits	623,380	77,366
Liabilities to the public and public sector entities	5,213,777	4,503,297
Total	**6,045,668**	**5,425,806**

G31 Debt securities issued

(EUR 1,000)	2022 Book value	2022 Nominal value	2021 Book value	2021 Nominal value
Certificates of deposits	105,148	105,500	143,083	143,000
Bonds	2,946,587	3,192,926	2,917,240	2,905,395
Total	**3,051,735**	**3,298,426**	**3,060,323**	**3,048,395**

(EUR 1,000)	2022 Under 1 year	2022 Over 1 year	2022 Total	2021 Under 1 year	2021 Over 1 year	2021 Total
Secured Debts (collateralised)						
Issued covered bonds	495,968	857,495	1,353,463	500,972	1,032,492	1,533,465
Total	**495,968**	**857,495**	**1,353,463**	**500,972**	**1,032,492**	**1,533,465**
Unsecured Debts						
Issued senior preferred debts	164,734	1,357,055	1,521,789	375,104	1,008,672	1,383,776
Issued senior non-preferred debts	-	71,335	71,335			
Total	**164,734**	**1,428,389**	**1,593,124**	**375,104**	**1,008,672**	**1,383,776**

(EUR 1,000)	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31 Dec 2022						
Certificates of deposit with fixed interest rate	84,500	21,000	0	0	0	105,500
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	0	500,000	500,000	500,000	0	1,500,000
Aktia Bank's EMTN (Euro Medium Term Note) program senior preferred, fixed interest rate	60,000	10,000	289,625	209,555	283,540	852,719
Aktia Bank's EMTN (Euro Medium Term Note) program senior preferred, floating interest rate	0	98,290	670,112	0	0	768,402
Aktia Bank's EMTN (Euro Medium Term Note) program senior non-preferred, floating interest rate	0	0	71,804	0	0	71,804
Total	**144,500**	**629,290**	**1,531,541**	**709,555**	**283,540**	**3,298,426**
31 Dec 2021						
Certificates of deposit with fixed interest rate	61,000	82,000	-	-	-	143,000
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	500,000	-	1,000,000		22,000	1,522,000
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	25,000	279,625	209,555	248,000	762,180
Aktia Bank's EMTN (Euro Medium Term Note) program senior preferred, fixed interest rate	150,000	198,881	272,334	-	-	621,215
Aktia Bank's EMTN (Euro Medium Term Note) program senior preferred, floating interest rate	-	-	-	-	-	-
Total	**711,000**	**305,881**	**1,551,959**	**209,555**	**270,000**	**3,048,395**

G32 Subordinated liabilities

(EUR 1,000)	2022	2021
Debentures	118,540	150,033
Loans whitout date of maturity	-	-
Total	**118,540**	**150,033**
Nominal value	126,000	150,983
Amount counted to Tier 2 capital	69,547	70,631

Subordinated loans issued by Aktia Bank Plc
A EUR 70 million 10-year non-call 5 subordinated loan that can be redeemed on 18 September 2024, is due on 18 September 2029. The loan runs at a fixed rate of 1.375% per annum until 18 September 2024, after which the interest rate changes to a fixed 5-year mid swap of +1.90%.

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

G33 Other liabilities to credit institutions

(EUR 1,000)	2022	2021
Other liabilities to credit institutions, secured debts	0	3,000
Other liabilities to credit institutions, unsecured debts	5,517	11,034
Total	**5,517**	**14,034**

Other liabilities to credit institutions include liabilities of EUR 6 (14) million with fixed interest rate to the European Investment Bank.

G34 Other liabilities to the public and public sector entities

(EUR 1,000)	2022	2021
Liabilities repayable on demand	-	-
Other liabilities	686,000	506,000
Total	**686,000**	**506,000**

G35 Technical provisions

	From insurance agreements		From investment agreements		Total	
(EUR 1,000)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Technical provisions at 1 January	523,085	539,551	1,045,130	871,267	1,568,214	1,410,818
Income from insurance premiums	35,536	33,987	105,654	117,909	141,190	151,897
Insurance claims paid	-51,088	-51,679	-63,408	-46,365	-114,496	-98,044
Transfer of savings from / to unit-linked insurance	-1,049	-1,888	1,049	1,888	-	-
Compensated interest for savings	1,100	8,750			1,100	8,750
Customer compensation for savings	465	169			465	169
Interest reductions and provision for customer compensation	-	1,540			-	1,540
Total expense loading	-9,563	-9,530	-8,487	-8,931	-18,051	-18,461
Value increases and other items	-68,324	2,185	-158,675	109,361	-226,999	111,546
Technical provisions at 31 December	**430,162**	**523,085**	**921,262**	**1,045,130**	**1,351,424**	**1,568,214**
Technical provisions by the various insurance branches						
Saving plans	45,422	58,197	821,678	917,385	867,100	975,582
Individual pension insurance	269,746	335,679	99,583	127,744	369,329	463,424
Group pension insurance	95,844	106,825			95,844	106,825
Risk insurance	19,150	22,383			19,150	22,383
Total	**430,162**	**523,085**	**921,262**	**1,045,130**	**1,351,424**	**1,568,214**
Change in technical provisions						
Technical provisions at 1 January	523,085	539,551	1,045,130	871,267	1,568,214	1,410,818
Change of category due to amended insurance terms and conditions	-	-	-	-	-	-
Year's change	-92,923	-16,466	-123,868	173,862	-216,790	157,396
Technical provisions at 31 December	**430,162**	**523,085**	**921,262**	**1,045,130**	**1,351,424**	**1,568,214**
of which technical provisions for risk insurance and interest-related insurance	340,985	406,903	8,639	7,551	349,624	414,454
of which technical provisions for unit-linked insurance	89,177	116,182	912,623	1,037,578	1,001,799	1,153,760

(EUR 1,000)	2022	2021
Average calculation interest		
Saving plans	2.3%	2.4%
Individual pension insurance	3.6%	3.5%
Group pension insurance	3.3%	3.3%
Risk insurance	2.6%	2.6%
Total	**3.3%**	**3.3%**

Methods used and assumptions made when determining technical insurance provisions of the life insurance business
Technical provisions is partly calculated so that future benefits are discounted at current value with deductions for future premiums, and partly so that premiums paid are credited with technical rate of interest and customer bonuses and rebates and debited with costs and risk premiums. In the calculations assumptions for the technical rate of interest, mortality and prevalence are used, as well as the loading mentioned in the actuarial assumptions of respective product. Further, extra provisions are made in pension insurance for interest costs and increased life expectancy. Provisions for outstanding claims include provisions for claims incurred and claims incurred but not reported. Specified customer bonuses are included in technical provisions.

For unit-linked insurances, the technical provisions is calculated on the basis of the market value for those funds which are associated with the insurance policy.

The insurance amount for risk insurance which exceed the company's excess are reinsured.

G36 Total other liabilities

(EUR 1,000)	2022	2021
Interest liabilities	8,828	13,294
Interets received in advance	259	1,219
Accrued interest expenses and interest income received in advance	9,087	14,513
Other accrued expenses and income received in advance	34,365	42,788
Accrued expenses and income received in advance	**43,452**	**57,300**
Cash items in the process of collection	8,201	5,640
Liabilities for right-of-use assets	22,263	24,536
Defined benefit plan pensions	469	1,051
Other liabilities	9,235	15,703
Total other liabilities	**40,168**	**46,930**
Total	**83,621**	**104,230**

G37 Equity

(EUR 1,000)	2022	2021
Share capital	169,732	169,732
Fund at fair value	-49,915	6,201
Restricted equity	**119,817**	**175,933**
Fund for share-based payments	5,680	3,919
Unrestricted equity reserve	141,468	138,597
Retained earnings 1 January	360,488	360,176
Dividend to shareholders	-40,308	-67,670
Other change in retained earnings	-1,185	749
Acquisition of treasury shares	-857	-973
Divestment of treasury shares	1,151	981
Defined pension plans, OCI	455	-131
Profit for the year	51,583	67,356
Unrestricted equity	**518,476**	**503,004**
Shareholders' share of equity	638,294	678,937
Holders of Additional Tier 1 capital	59,460	59,460
Equity	**697,754**	**738,397**

Share capital and shares

Aktia Bank Plc has only one share class. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 169,731,963.93 million divided into 72,385,072 (72,144,081) Aktia shares. The number of registred shareholders at the end of the year was 40,147 (39,461).

Treasury shares

At year-end, the number of Aktia treasury shares was 228,122 (326,541). Aktia Bank Plc has during the year issued 75,000 (100,000 treasury shares and has received 16,195 (228,341) shares in return from the acquisition of the minority in Aktia Asset Management Ltd (conditional acquisition). During the year 189,614 (163,092) treasury shares held by the company was used for payment of deferred instalments for the share-based inventive scheme and the share ownership scheme. On 6 April 2022, the Annual General Meeting authorised the Board of Directors to acquire a maximum of 500,000 treasury shares and to divest a maximum of 500,000 treasury shares. At the date the accounts closed the acquisition of a maximum of 500,000 treasury shares and the divestment of a maximum of 310,386 treasury shares remain of the Annual General Meeting's authorisation.

Fund at fair value

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

Fund for share-based payments

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

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue. On 6 April 2022, the Annual General Meeting authorised the Board of Directors to issue a maximum of 7,221,000 shares and, at the time of the closing of the accounts, the remaining number of the Annual General Meeting's authorisation is 6,980,009 shares.

Retained earnings

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

(EUR 1,000)	2022	2021
Specification of change in fund at fair value		
Fund at fair value at 1 January	6,201	21,267
Profit / loss on valuation to fair value, interest bearing securities	-69,791	-14,271
Deferred taxes on profit / loss on valuation to fair value	13,958	2,854
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-1,358	-3,687
Net income from life insurance	1,427	-725
Deferred taxes	-14	882
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	-423	-149
Deferred taxes on profit / loss on valuation to fair value	85	30
Fund at fair value at 31 December	**-49,915**	**6,201**

Share capital and unrestricted equity reserve

(EUR 1,000)	Number of shares	Share capital	Unrestricted equity reserve
1 Jan 2021	69,574,173	169,732	112,703
Share issue 9 February 2021	100,000		973
Share issue 6 May 2021	974,563		9,650
Share issue 20 May 2021	66,770		687
Share issue 30 September 2021	1,371,500		13,907
Share issue 18 November 2021	57,075		619
Other changes			58
31 Dec 2021	**72,144,081**	**169,732**	**138,597**
Share issue 14 February 2022	75,000		857
Share issue 24 May 2022	74,631		685
Share issue 17 November 2022	91,360		807
Other changes			523
31 Dec 2022	**72,385,072**	**169,732**	**141,468**

Group's unrestricted equity

(EUR 1,000)	2022	2021
Share of Group's unrestricted equity, which is non-distributable		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	172,000	172,000
Share of activated development expenses that have been included in the retained earnings at 1 Janaury	7,388	7,459
Total non-distributable earnings in the retained earnings 1 January	**179,388**	**179,459**
Share of accumulated appropriations that have been included in the profit for the year	-	-
Share of activated development expenses that have been included in the profit for the year	-	-71
Total non-distributable earnings that have been included in the profit for the year	**-**	**-71**
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	172,000	172,000
Share of activated development expenses that have been included in the retained earnings 31 December	7,388	7,388
Total non-distributable earnings in the retained earnings 31 December	**179,388**	**179,388**

Dividend to shareholders

Dividend for 2021 of EUR 0.56 per share was paid in April 2022.

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 5 April 2023 that a dividend of EUR 0.43 per share, estimated totalling EUR 31,027,488.50 to be paid for the year based on the parent company's distributable retained earnings of EUR 112,180,507,47.

There have been no significant changes in the company's financial position after the end of the reporting period. The company's liquidity is good, and according to the Board of Directors the proposed distribution of dividend does not affect the solvency of the company.

G38 Financial assets and liabilities

Fair value of financial assets and liabilities

	2022		2021	
(EUR 1,000)	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at fair value through income statement	1,251,873	1,251,873	1,451,815	1,451,815
Financial assets measured at fair value through other comprehensive income	997,056	997,056	1,106,966	1,106,966
Interest-bearing securities measured at amortised cost	529,409	493,640	386,464	408,762
Loans and other receivables	8,984,948	8,796,198	7,551,691	7,558,625
Cash and balances with central banks	165,794	165,794	732,829	732,829
Derivative instruments	54,711	54,711	39,553	39,553
Total	**11,983,791**	**11,759,271**	**11,269,318**	**11,298,550**
Financial liabilities				
Deposits	6,045,668	6,062,231	5,425,806	5,416,924
Derivative instruments	294,049	294,049	20,484	20,484
Debt securities issued	3,051,735	3,070,247	3,060,323	3,095,504
Subordinated liabilities	118,540	113,405	150,033	150,430
Other liabilities to credit institutions	5,517	5,528	14,034	14,098
Other liabilities to the public and public sector entities	686,000	684,757	506,000	506,603
Liabilities for right-of-use assets	22,263	22,263	24,536	24,536
Total	**10,223,772**	**10,252,481**	**9,201,217**	**9,228,579**

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

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

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

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

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.

Financial instruments measured at fair value

	31 Dec 2022 Fair value classified into				31 Dec 2021 Fair value classified into			
(EUR 1,000)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	1,001,595	-	-	1,001,595	1,154,020	-	-	1,154,020
Interest-bearing securities	18,529	56,726	87	75,342	21,887	72,649	87	94,622
Shares and participations	122,578	-	52,358	174,936	140,355	-	62,818	203,173
Total	**1,142,703**	**56,726**	**52,445**	**1,251,873**	**1,316,262**	**72,649**	**62,905**	**1,451,815**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	886,809	68,236	42,011	997,056	967,194	64,658	75,114	1,106,966
Total	**886,809**	**68,236**	**42,011**	**997,056**	**967,194**	**64,658**	**75,114**	**1,106,966**
Derivative instrument, net	2	-239,340	-	-239,338	-13	19,083	-	19,069
Total	**2**	**-239,340**	**-**	**-239,338**	**-13**	**19,083**	**-**	**19,069**
Total	**2,029,513**	**-114,378**	**94,456**	**2,009,592**	**2,283,442**	**156,390**	**138,019**	**2,577,850**

Transfers between levels 1 and 2

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

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

Changes within level 3

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

	Financial assets valued at fair value via the income statement			Financial assets measured at fair value through other comprehensive income			Total		
(EUR 1,000)	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Reconciliation of the changes taken place for financial instruments which belong to level 3									
Carrying amount 1 January 2022	87	62,820	62,907	75,114	-	75,114	75,201	62,820	138,021
New purchases	-	12,444	12,444	-	-	-	-	12,444	12,444
Sales	-	-38,635	-38,635	-	-	-	-	-38,635	-38,635
Matured during the year	-	-	-	-32,000	-	-32,000	-32,000	-	-32,000
Realised value change in the income statement	-	12,994	12,994	-	-	-	-	12,994	12,994
Unrealised value change in the income statement	-	2,737	2,737	-	-	-	-	2,737	2,737
Value change recognised in total comprehensive income	-	-	-	-1,103	-	-1,103	-1,103	-	-1,103
Carrying amount 31 December 2022	**87**	**52,360**	**52,447**	**42,011**	**-**	**42,011**	**42,098**	**52,360**	**94,458**

Sensitivity analysis for level 3 Financial instruments

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

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

Set off of financial assets and liabilities

	31 Dec 2022		31 Dec 2021	
(EUR 1,000)	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Assets				
Financial assets included in general agreements on set off or similar agreements	54,711	-	39,553	-
Carrying amount in the balance sheet	**54,711**	**-**	**39,553**	**-**
Amount not set off but included in general agreements on set off or similar	53,147	-	5,148	-
Collateral assets	1,260	-	34,310	-
Total amount of sums not set off in the balance sheet	**54,407**	**-**	**39,458**	**-**
Net amount	**304**	**-**	**95**	**-**
Liabilities				
Financial liabilities included in general agreements on set off or similar agreements	294,049	-	20,484	-
Carrying amount in the balance sheet	**294,049**	**-**	**20,484**	**-**
Amount not set off but included in general agreements on set off or similar	53,147	-	5,148	-
Collateral liabilities	127,584	-	12,030	-
Total amount of sums not set off in the balance sheet	**180,731**	**-**	**17,178**	**-**
Net amount	**113,318**	**-**	**3,306**	**-**

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

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

(EUR 1,000)	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets 31 December 2022							
Investments for unit-linked investments measured at fair value through income statement	G16	-	-	-	-	1,001,595	1,001,595
Equity instruments measured at fair value through income statement	G16	-	-	-	-	174,936	174,936
Interest-bearing securities measured at fair value through income statement	G16	-	0	25,410	13,484	36,448	75,342
Interest-bearing securities measured at fair value through other comprehensive income	G17	148,739	88,519	607,947	128,671	23,179	997,056
Interest-bearing securities measured at amortised cost	G18	15,994	87,829	226,931	193,963	4,691	529,409
Loans and other receivables	G19	1,521,776	658,992	2,191,994	1,560,618	3,051,568	8,984,948
Cash and balances with central banks	G21	165,794	-	-	-	-	165,794
Derivative instruments	G22	860	87	46,746	5,967	1,050	54,711
Total		**1,853,163**	**835,427**	**3,099,029**	**1,902,704**	**4,293,468**	**11,983,791**
Liabilities 31 December 2022							
Deposits	G30, G34	5,295,903	913,534	522,202	29	-	6,731,668
Derivative instruments	G22	929	7,773	121,631	105,830	57,886	294,049
Debt securities issued	G31	144,281	621,570	1,450,239	609,994	225,652	3,051,735
Subordinated liabilities	G32	-	-	-	118,540	-	118,540
Other liabilities to credit institutions	G33	1,379	4,138	-	-	-	5,517
Right-of-use liabilities for rent agreements	G36	1,217	3,651	14,588	2,808	-	22,263
Total		**5,443,709**	**1,550,666**	**2,108,659**	**837,200**	**283,539**	**10,223,772**
Assets 31 December 2021							
Investments for unit-linked investments measured at fair value through income statement	G16	-	-	-	-	1,154,020	1,154,020
Equity instruments measured at fair value through income statement	G16	-	-	-	-	203,173	203,173
Interest-bearing securities measured at fair value through income statement	G16	-	1,008	27,660	16,601	49,355	94,622
Interest-bearing securities measured at fair value through other comprehensive income	G17	111,061	168,324	678,786	116,230	32,565	1,106,966
Interest-bearing securities measured at amortised cost	G18	-	-	210,243	160,099	16,122	386,464
Loans and other receivables	G19	522,613	902,748	3,390,918	1,680,120	1,055,292	7,551,691
Cash and balances with central banks	G21	732,829	-	-	-	-	732,829
Derivative instruments	G22	3,340	963	25,407	1,348	8,494	39,553
Total		**1,369,845**	**1,073,042**	**4,333,013**	**1,974,397**	**2,519,021**	**11,269,318**
Liabilities 31 December 2021							
Deposits	G30, G34	4,608,800	439,520	883,455	31	-	5,931,806
Derivative instruments	G22	597	-	7,533	3,508	8,846	20,484
Debt securities issued	G31	712,008	307,151	1,566,009	208,963	266,193	3,060,323
Subordinated liabilities	G32	13,275	11,708	-	125,050	-	150,033
Other liabilities to credit institutions	G33	1,379	7,138	5,517	-	-	14,034
Right-of-use liabilities for rent agreements	G36	1,226	3,678	15,983	3,649	-	24,536
Total		**5,337,285**	**769,194**	**2,478,498**	**341,201**	**275,039**	**9,201,217**

G40 Collateral assets and liabilities

(EUR 1,000)	2022	2021
Collateral assets		
Collateral for own liabilities		
Securities	246,665	425,776
Outstanding loans constituting security for covered bonds	2,519,132	2,774,175
Total	**2,765,797**	**3,199,951**
Other collateral assets		
Pledged securities [1]	1,301	1,363
Cash included in pledging agreements and repurchase agreements	127,584	12,030
Total	**128,885**	**13,393**
Total collateral assets	**2,894,683**	**3,213,344**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	800,000	803,000
Issued covered bonds [3]	1,353,463	1,533,465
Derivatives	127,584	12,030
Total	**2,281,047**	**2,348,495**

1) Refers to securities pledged for the intra day limit. As at 31 December 2022, a surplus of pledged securities amounted to EUR 25.4 (11.7) million.

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

3) Own repurchases deducted.

(EUR 1,000)	2022	2021
Collateral liabilities		
Cash included in pledging agreements [1]	1,260	34,310
Total	**1,260**	**34,310**

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

G41 Off-balance sheet commitments

(EUR 1,000)	2022	2021
Guarantees	18,980	20,746
Other commitments provided to a third party	4,252	6,782
Unused credit arrangements	604,581	685,307
Other irrevocable commitments	17,312	24,778
Total	**645,125**	**737,613**

Off-balance sheet commitments, exclude rental commitments.

(EUR 1,000)	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31 Dec 2022						
Guarantees	4,686	2,433	2,518	3,701	5,642	18,980
Other commitments provided to a third party	1,631	1,303	918	250	150	4,252
Unused credit arrangements	203,726	134,863	63,130	-	202,861	604,581
Other irrevocable commitments	-	55	16,846	411	-	17,312
Total	**210,044**	**138,654**	**83,413**	**4,362**	**208,653**	**645,125**
31 Dec 2021						
Guarantees	4,894	2,542	1,889	5,125	6,294	20,746
Other commitments provided to a third party	1,515	2,618	2,500	-	150	6,782
Unused credit arrangements	182,306	175,166	65,886	3	261,946	685,307
Other irrevocable commitments	165	-	20,577	986	3,050	24,778
Total	**188,880**	**180,326**	**90,852**	**6,115**	**271,440**	**737,613**

G42 Subsidiaries and associated companies included in consolidated accounts

	2022		2021	
	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes
Subsiadiaries				
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	100%	100%	100%
AV Fund Management Company Ltd, Helsinki	-	-	100%	100%
Securities companies				
Aktia Wealth Management Ltd, Helsinki	-	-	100%	100%
Insurance companies				
Aktia Life Insurance Ltd, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100%	100%	100%	100%
Asunto Oy Helsingin Tuulensuoja, Helsinki	50%	50%	50%	50%
Kiinteistö Oy Skanssinkatu, Turku	50%	50%	50%	50%
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%	50%	50%	50%
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33%	33%	33%	33%
Other operations				
Aktia Wealth Planning Ltd, Helsinki	100%	100%	100%	100%
Aktia Housing GP Oy, Helsinki	100%	100%	100%	100%
Evervest Ltd, Helsinki	100%	100%	100%	100%
AV Partner Oy, Helsinki	100%	100%	100%	100%
Aktia Alternatiivi I GP Oy	100%	100%	-	-
Aktia Private Equity I GP Oy	100%	100%	-	-
Aktia Private Debt I GP Oy	100%	100%	-	-
Aktia Kiinteistöt I GP Oy	100%	100%	-	-
Aktia Infra I GP Oy	100%	100%	-	-
Aktia Asuntorahasto VIII GP Oy	100%	100%	-	-
Aktia Bioteollisuus GP Oy	100%	100%	-	-
Aktia Aurinkotuuli III GP Oy	100%	100%	-	-
AktiaDuetto Ab	60%	60%	-	-
Suomen Yrittäjäturva Oy, Helsinki	45%	45%	45%	45%
Figure Financial Management Ltd, Espoo	25%	25%	25%	25%
Aktia Alexander Corporate Finance Oy, Helsinki	20%	20%	-	-

The Group companies' holdings in the investment funds managed by Aktia EUR 13,539 (15,794) million have been taken into account when consolidating.

G43 Related-party transactions

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

Management personnel compensation

(EUR 1,000)	Salary,remunerations and other fringe benefits *	Result-based salary **	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplemen-tary pension (IFRS)
2022						
Mikko Ayub, Managing Director	361	72	135	568	34	57
Juha Hammarén, Deputy Managing Director	278	86	149	513	33	44
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,283	348	349	1,980	126	200
Total	**1,922**	**506**	**633**	**3,061**	**193**	**301**
2021						
Mikko Ayub, Managing Director	353	39	124	517	30	52
Juha Hammarén, Deputy Managing Director	301	57	96	454	29	40
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,091	190	279	1,560	100	121
Total	**1,745**	**287**	**500**	**2,531**	**160**	**213**

*) Including salaries and other fringe benefits such as car and phone (fixed compensation)
**) Payments in accordance with the long-term incentive programme for executive management during the financial year (variable compensation)

Compensation to Members of the Board of Directors [2)]

(EUR 1,000)	2022 Annual remuneration and remuneraration per meeting	2022 Statutory pension costs	2022 Cost for voluntary supplementary pension (IFRS)	2021 Annual remuneration and remuneraration per meeting	2021 Statutory pension costs	2021 Cost for voluntary supplementary pension (IFRS)
Lasse Svens, Chairman	84	7	-	96	6	-
Timo Vättö, Vice Chair	68	6	-	51	3	-
Johan Hammarén	53	4	-	55	3	-
Harri Lauslahti	49	4	-	52	3	-
Olli-Petteri Lehtinen	60	5	-	54	3	-
Johannes Schulman	47	2	-	50	3	-
Arja Talma	5	0	-	60	4	-
Sari Pohjonen	41	4	-	-	-	-
Maria Jerhamre Engström	57	4	-	62	3	-
Kari A. J. Järvinen	-	-	-	13	1	-
Christina Dahlblom	-	-	-	12	1	-
Total	**464**	**36**	**-**	**503**	**30**	**-**
Total management personnel compensation	3,061	193	301	2,531	160	213
Total comprensation to Members of the Board of Directors	464	36	-	503	30	-
Total compensation to Management personnel and the Board of Directors	**3,525**	**229**	**301**	**3,034**	**190**	**213**

1) The other members of the Executive Committee are CFO Outi Henriksson, Director Anssi Huhta, CIO Sari Leppänen, Director Perttu Purhonen, Director Max Sundström and Director Sini Kivekäs.
2) 40% (40%) of the Board of Directors' annual remuneration was paid in the form of Aktia shares.

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

Shareholding

At the end of 2021, the Group's related-parties held a total of 297,709 (240,292) Aktia shares in Aktia Bank plc, which represents 0.4 (0.3) % of the total number of shares.

Related-party transactions

(EUR 1,000)	2022 Associated companies	2022 Other related-party	2021 Associated companies	2021 Other related-party
Credits and guarantees	0	7,196	0	3,026
Deposits	6,337	37,086	143	848
Services bought	460	-	389	-

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

G44 Defined benefit pension plans

In addition to statutory pensions, Aktia has defined-benefit pension plans for employees who were members of the Pension Fund (pensionskassan) when the pensions fund was closed. On reaching retirement age (63 years), they receive a pension of 60 % of the pensionable salary.

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

The assets comprise 100% qualifying insurance policies.

During 2022, 10 (2021; 12) members have left the programme.

(EUR 1,000)	2022	2021
Current service cost	-102	-101
Net interest income	-9	-4
Expense recognised in income statement	**-112**	**-104**
Remeasurements in total comprehensive income	568	-164
Total comprehensive income before taxes	**457**	**-268**
Present value of obligation 1 January	**2,831**	**3,104**
Current service cost	102	101
Interest expenses	26	11
Actuarial gains (-) / losses (+) from experience adjustments	-368	337
Actuarial gains (-) / losses (+) from changes in financial assumptions	-832	-242
Benefits paid	-250	-479
Present value of obligation 31 December	**1,509**	**2,831**
Fair value of plan assets 1 January	**1,780**	**2,115**
Interest income	17	7
Return on plan assets excluding amount included in interest expenses / income	-632	-70
Benefits paid	-250	-479
Contributions by employer	125	207
Fair value of plan assets 31 December	**1,040**	**1,780**

The table continues

(EUR 1,000)	2022	2021
Present value of obligation	1,509	2,831
Fair value of plan assets	-1,040	-1,780
Liability recognised in balance sheet 31 December	**469**	**1,051**
Liability recognised in balance sheet 1 January	**1,051**	**989**
Expenses recognised in income statement	112	104
Contributions by employer	-125	-207
Additional expense (+) to local GAAP	-13	-102
Remeasurements in comprehensive income	-568	164
Liability recognised in balance sheet 31 December	**469**	**1,051**
Actuarial assumptions		
Discount rate, %	3.20%	1.00%
Rate of salary increase, %	3.60%	3.00%
Rate of benefit increase, %	0.00%	0.00%

Sensitivity analysis

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

Discount rate 1.00% (0.40%)	1,509	2,831
Change in discount rate +0.50%	-119	-266
Change in discount rate -0.50%	134	303
Salary increase 3.0% (2.3%)	1,509	2,831
Change in salary increase +0.50%	37	82
Change in salary increase -0.50%	-36	-80

The weighted average duration of the defined benefit obligation is 18 (2021; 21) years.

The Group is expected to pay approximately EUR 0.1 million contributions to the defined benefit plans during 2023.

G45 Share-based incentive scheme

AktiaUNA

The share savings plan will be offered to approximately 950 Aktia employees, who will be offered an opportunity to save 2–4% of their salaries (the members of the Group's Executive Committee up to 12% and selected key employees up to 7%) and regularly acquire the company's shares at a 10% reduced price. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2018–2019 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2019–2020 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 190,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2020-2021 to the participants amounts to a maximum total of EUR 950,000 upon the launch of the plan, corresponding to the value of 100,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2021-2022 to the participants amounts to a maximum total of EUR 2,270,000 upon the launch of the plan, corresponding to the value of 240,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2022-2023 to the participants amounts to a maximum total of EUR 2,800,000 upon the launch of the plan, corresponding to the value of 240,000 Aktia shares.

The estimated total savings for the second half of the savings period 2022–2023 (October 2022–March 2023) amounts up to a maximum total of approximately EUR 793,000. The final number of matching shares to be paid under savings period 2021-2022 depends on the number of participants and shares acquired in the plan by the employees.

In 2022 a total of 77,329 shares were transferred to participants under AktiaUna 2020-2021. In addition, a cash portion was paid corresponding to a value of 35,093 shares.

Within the scope of the above mentioned AktiaUna savings plan, approximately 30 key employees, including the CEO and the members of the Group's Executive Committee, have been offered a possibility to participate in a performance-based share savings plan. This part of the programme replaces the previous Executive Committee´s share-based incentive scheme. The performance criteria of the performance period 2018–2019, 2019-2020, 2020-2021 and 2022-2023 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019 amounts up to a maximum total of EUR 2,600,000 upon the launch of the plan, corresponding to the value of 280,000 Aktia shares. The value of the reward for the performance period 2019–2020 amounts up to a maximum total of EUR 2,100,000 upon the launch of the plan, corresponding to the value of 214,000 Aktia shares. The value of the reward for the performance period 2020–2021 amounts up to a maximum total of EUR 1,500,000 upon the launch of the plan, corresponding to the value of 158,000 Aktia shares. The value of the reward for the performance period 2021–2022 amounts up to a maximum total of EUR 2,236,000 upon the launch of the plan, corresponding to the value of 246,000 Aktia shares.

The estimated value of the reward payable of the basis of the second half of the AktiaUna savings period 2022-2023 (October 2022-March 2023) amounts up to a maximum total of EUR 1,544,000, including also the proportion to be paid in cash. The final cost of the plan depends on the number of shares that the key employees acquire in the AktiaUna Share Plan, as well as on the achievement of the targets of the performance criteria of the performance period. The performance criteria of the performance period 2022–2023 (January 2022–December 2023) are the Aktia Group's comparable operating profit and net commission income during the performance period. The reward based on the performance period will be paid in five instalments after the end of the performance period in 2024, 2025, 2026, 2027 and 2028, partly in Aktia shares and partly in cash. Shares received as a reward cannot be transferred within one year of the payment of the reward instalment.

In 2022 based on criteria attainment a total of 45,159 shares were transferred to participants under PSP 2020-2021. In addition, a cash portion was paid corresponding to a value of 28,518 shares. A total of 51,487 Aktia shares (gross) are subject to deferral based on EBA Guidelines, and will be delivered in equal instalments during the following three years.

The vesting schedule for PSP was modified during 2020, and the potential rewards form the plan will be paid to the key employees in 2021 (PSP 2019-2020), 2022 (PSP 2020-2021) and 2023 (PSP 2021-2022). The reward can be partially deferred based on EBA Guidelines. The deferred part of the reward will be paid during the following three years in equal instalments. In case of deferral, each instalment is subject to a 12-month retention period, during which the shares may not be transferred.

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

Business Areas' Performance-Based Incentive Plan

The Board of Directors of Aktia Bank Plc decided to launch a new performance-based incentive plan 2022–2023 for the key employees of Aktia's business areas. The objective of the plan is to support the company's strategy by motivating the key employees to achieve financial and strategic targets set for key employees' own business area.

The plan includes one 1-year performance period, calendar year 2022. The performance period is followed by an approximately 14-month restriction period. During the performance period 2022, the reward from the plan is based on each business area's operating profit and strategic performance criterion. Participation in the program requires participation in AktiaUna share savings plan.

The cash reward earned based on the performance period will be converted into Aktia shares after the performance period and will be paid in five instalments after the end of the restriction period in 2024, 2025, 2026, 2027 and 2028, partly in Aktia shares and partly in cash. The cash portion is intended to cover taxes and tax-related costs arising from the reward to the key employee. Shares received as a reward cannot be transferred within one year of the payment of the reward instalment.

At the target level, the maximum value of the reward based on the performance period is 1,500,000 euros in total upon the launch of the plan. At an Aktia share price of 11.52 euros, this amount corresponds to the value of approximately

130,000 Aktia shares. The final cost of the plan depends on the achievement of the targets of the performance criteria of the performance period and on the conversion price of the share after the end of the performance period. During the performance period 2022, approximately 50 key employees belong to the target group of the plan. The same persons may not be included in the performance-based part of the share savings plan and in the performance-based incentive program for the segments.

The Board of Directors of Aktia Bank Plc will annually decide on the launch of new performance periods of the business areas' performance-based incentive plan.

	AktiaUna 2020-2021	AktiaUna 2021-2022	AktiaUna 2022-2023	PSP 2020-2021	PSP 2021-2022	PSP 2022-2023	BALTI 2022-2023	Total
Estimated maximum gross shares upon the launch of the plan, pcs	100,000	240,000	240,000	158,000	246,000	340,000	130,000	1,454,000
Initial allocation date	1 Apr 2020	1 Apr 2021	1 Apr 2022	1 Apr 2020	1 Apr 2021	1 Apr 2022	1 Apr 2022	
Performance period begin				1 Jan 2020	1 Jan 2021	1 Jan 2022	1 Jan 2022	
Performance period end				31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2022	
Vesting date	31 May 2022	31 May 2023	28 Feb 2024	31 May 2022	31 May 2023	31 Mar 2024 31 Mar 2025, 31 Mar 2026, 31 Mar 2027, 31 Mar 2028	31 Mar 2024 31 Mar 2025, 31 Mar 2026, 31 Mar 2027, 31 Mar 2028	
Vesting conditions	Share ownersip, employment	Share ownersip, employment	Share ownersip, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	
Maximum contractual life, years	2.2	2.2	1.9	2.2	2.2	6	6	
Remaining contractual life, years	0	0.4	1.2	0	0.4	5.2	5.2	
Number of persons at the end of the reporting year	454	518	604	42	43	23	36	
Payment method	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity	

Changed during the reporting period (EUR 1,000)	AktiaUna 2020-2021	AktiaUna 2021-2022	AktiaUna 2022-2023*	PSP 2020-2021	PSP 2021-2022	PSP 2022-2023*	BALTI 2022-2023**	Totalt
Outstanding at the beginning of the reporting period, pcs	114,686	53,391	-	179,276	71,036	-	-	418,389
Changes during the reporting period								
Granted during the reporting period	-	74,631	91,360	-	95,744	163,704	-	425,439
Forfeited during the reporting period	2,264	10,165	3,100	-	1,688	4,728	-	21,945
Excercised during the reporting period	112,422	6,431	4,130	73,713	-	-	-	196,696
Expired during the reporting period	-	-	-	54,076	-	-	-	54,076
Outstanding at the end of the reporting period	**-**	**111,426**	**84,130**	**51,487**	**165,092**	**158,976**	**-**	**571,111**

* Figures based on shares acquired with savings from April 2022 to September 2022. The savings period 2022-2023 continues until March 2023.

** The cash reward earned based on the performance period will be converted into Aktia shares after the performance period.

Valuation parameters	AktiaUna 2022-2023	PSP 2022-2023	BALTI 2022-2023	AktiaUna 2021-2022	PSP 2021-2022
Share price at share purchase date, EUR	9.89	9.89		12.54	12.54
Share price at reporting period end, EUR	10.22	10.22		12.28	12.28
Maturity, years	1.30	2.41		1.60	1.60
Expected dividends, EUR	0.46	1.22		0.54	0.54
Fair value of one share, EUR	9.43	8.67		12	12

Impact of share-based payments on the company's result and financial position	2022	2021
Accounting period expenses from share-based payments in the income statement	2,031	2,188
of which shareholder-controlled	2,031	2,188
Liabilities arising from share-based payments at the end of the reporting period	-	-
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the reporting period	2,626	3,221

G46 The customer assets being managed

(EUR 1,000)	2022	2021
Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.		
Customer assets being managed		
Funds in a customer funds account	4,736	8,300
Funds in discretionary asset management services	14,761,481	16,081,455
Funds within the framework of investment advising according to a separate agreement	3,688,923	3,828,272
Total	**18,455,140**	**19,918,027**

G47 Events after the end of the reporting period

Changes in the Executive Commitee

Director in charge of Aktia's Asset Management, Perttu Purhonen, concluded his duties on 1 February 2023.

Mikko Ayub left his position as President and CEO of Aktia on 27 February 2023. Juha Hammarén, Deputy CEO and Executive Vice President, was appointed interim CEO.

Aktia Bank Plc – parent company's financial statement

Income statement - Aktia Bank plc

(EUR 1,000)	Note	2022	2021
Interest income		118,309	92,801
Net income from leasing operations		1,353	579
Interest expenses		-22,712	922
Net interest income	P2	96,949	94,303
Income from equity instruments	P3	55,944	353
Commission income		120,785	106,016
Commission expenses		-8,684	-6,552
Net commission income	P4	112,101	99,464
Net income from securities and currency operations	P5	695	530
Net icome from financial assets measured at fair value through fund at fair value	P6	521	3,727
Net income from hedge accounting	P7	53	-375
Other operating income	P8	561	8,361
Staff costs	P9	-77,031	-70,806
Other administrative expenses	P10	-46,544	-37,767
Total administrative expenses		-123,575	-108,573
Depreciation of tangible and intangible assets	P11	-22,430	-16,881
Other operating expenses	P12	-22,928	-20,271
Impairment of tangible and intangible assets	P21, P22	-40	-
Expected credit losses from financial assets reported at amortised cost		-10,224	-4,494
Expected credit losses and impairment from other financial assets		-658	325
Operating profit		**86,969**	**56,469**
Taxes	P13	-6,096	-10,128
Profit for the reporting period		**80,873**	**46,341**

Balance sheet - Aktia Bank plc

(EUR 1,000)	Note	2022	2021
Assets			
Cash and balances with central banks		165,794	732,829
Bonds eligible for refinancing with central banks	P14	1,341,571	1,293,340
Claims on credit institutions	P15	1,183,601	44,027
Receicables from the public and public sector entities	P16	7,695,970	7,451,569
Leasing assets	P18	95,753	34,796
Shares and participations	P19	135,952	178,205
Derivative instruments	P20	53,657	39,181
Intangible assets and goodwill	P21	78,915	45,999
Right-of-use assets		19,544	21,663
Other tangible assets		3,917	4,426
Tangible assets	P22	23,461	26,089
Other assets	P23	68,391	82,781
Accrued income and advance payments	P24	59,836	38,935
Deferred tax receivables	P25	13,610	3,259
Total assets		**10,916,511**	**9,971,009**
Liabilities			
Liabilities to credit institutions	P26	837,408	936,544
Borrowing		5,238,929	4,560,603
Other liabilities		686,000	506,000
Liabilities to the public and public sector entities	P27	5,924,929	5,066,603
Debt securities issued to the public	P28	3,066,578	3,100,315
Derivatives and other liabilities held for trading	P20	269,065	19,214
Other liabilities	P29	37,107	42,093
Provisions	P17	1,270	987
Accrued expenses and income received in advance	P30	40,968	50,732
Subordinated liabilities	P31	129,547	154,463
Deferred tax liabilities	P32	7,148	1,338
Total liabilities		**10,314,021**	**9,372,288**
Accumulated appropriations		215,000	215,000

The table continues

(EUR 1,000)	Note	2022	2021
Equity			
Share capital		169,732	169,732
Fund at fair value		-35,891	4,181
Restricted equity		133,841	173,913
Unrestricted equity reserve		141,468	138,597
Retained earnings		71,212	91,864
Dividend to shareholders		-40,308	-67,670
Change in share-based payments		109	668
Acquisition of treasury shares		295	8
Profit for the year		80,873	46,341
Unrestricted equity		253,649	209,808
Total equity	P33	**387,490**	**383,721**
Total liabilities and equity		**10,916,511**	**9,971,009**

Aktia Bank plc - off-balance-sheet commitments for the parent company

(EUR 1,000)	Note	2022	2021
Off-balance sheet commitments	P38		
Guarantees and pledges		18,980	20,746
Other		4,252	6,782
Commitments provided to a third party on behalf of the customers		23,232	27,528
Unused credit arrangements		604,581	685,307
Irrevocable commitments provided on behalf of customers		604,581	685,307
Total		**627,813**	**712,834**

Cash flow statement - Aktia Bank plc

(EUR 1,000)	2022	2021
Cash flow from operating activities		
Operating profit	86,969	56,469
Adjustment items not included in cash flow for the period	63,674	16,988
Paid income taxes	-16,218	-9,379
Increase (-) or decrease (+) in receivables from operating activities	**-1,545,466**	**-354,912**
Debt securities measured at fair value through other comprehensive income	16,388	90,577
Debt securities measured at amortised cost, increase	-143,500	-40,000
Debt securities measured at amortised cost, decrease	-	67,500
Claims on Bank of Finland and credit institutions [1]	-1,151,361	-12,359
Receicables from the public and public sector entities	-280,946	-476,839
Shares and participations measured at fair value through income statement	31	-633
Other assets	13,921	16,842
Increase (+) or decrease (-) in liabilities from operating activities	**968,669**	**916,394**
Liabilities to credit institutions	-99,136	213,343
Liabilities to the public and public sector entities	945,089	343,326
Debt securities issued to the public	138,024	345,825
Other liabilities	-15,309	13,900
Total cash flow from operating activities	**-442,372**	**625,560**
Cash flow from investing activities		
Investments in group companies, associated companies and joint ventures	-2,001	-113,680
Capital increase in associated companies	-675	-300
Investments in tangible and intangible assets	-82,747	-27,921
Proceeds from sale of tangible and intangible assets	78	147
Total cash flow from investing activities	**-85,344**	**-141,754**

The table continues

(EUR 1,000)	2022	2021
Cash flow from financing activities		
Subordinated liabilities, decrease	-24,983	-63,759
Share issue	-	13,907
Additional Tier 1 (AT1) capital issue	-	59,460
Divestment of treasury shares	1,675	1,039
Paid dividends	-40,308	-67,670
Total cash flow from financing activities	**-63,616**	**-57,023**
Change in cash and cash equivalents	**-591,333**	**426,783**
Cash and cash equivalents at the beginning of the year	713,617	271,485
Cash and cash equivalents at the end of the year	134,795	713,617
Cash and equivalents transferred in connection with merger	12,511	15,349
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	851	909
Bank of Finland current account	111,053	680,321
Repayable on demand claims on credit insitutions	22,890	32,387
Total	**134,795**	**713,617**
Adjustment items not included in cash flow consist of:		
Impairment (ECL) of interest-bearing securities	658	-325
Impairment (ECL) of credits and other commitments	10,224	4,494
Unrealised changes in value of shares and participations	-76	-213
Change in fair values	20,494	3,936
Depreciation and impairment of intangible and tangible assets	31,227	17,822
Unwound fair value hedging	-2,041	-2,041
Change in share-based payments	104	570
Merger profit	2,933	-7,485
Other adjustments	152	230
Total	**63,674**	**16,988**

1) Including a deposit in Bank of Finland of EUR 1,060 million.

P1 The parent company's accounting principles

The parent company Aktia Bank Plc's financial statement is prepared in compliance with Finnish accounting standard (FAS), the statutes of the Finnish Accounting Act and the Credit Institutions Act, the ordinance issued by the Ministry of Finance on financial statements, consolidated financial statements and reports by the board of directors for credit institutions as well as Regulations and guidelines 2/2016, Accounting, financial statements and report by the board of directors issued by the Financial Supervisory Authority.

Information about business segments in the parent company is not relevant. The Group's segment reporting is presented in note G3.

Aktia Bank Plc, domiciled in Helsinki, is the parent company of the Aktia Bank Plc Group. Aktia Bank Plc's financial statements, financial statement release and interim reports are available on Aktia's website **www.aktia.com**.

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividend

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

TLTRO loans are reported at amortised cost in accordance with IFRS 9. IAS 20 has not been applied. Interest income from the TLTRO loans is recognised as income when the contractual conditions for income recognition are fulfilled. Aktia Bank has fulfilled the European Central Bank's conditions regarding increased corporate lending linked to TLTRO III financing and, consequently, the bank has been able to recognise the extra interest rate, valid until 23 June 2022, as income. The extra interest rate was 0,5 percentage points below the ECB's deposit facility rate for each TLTRO III transaction for the periods 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022. As of 24 June 2022, the interest rate on all TLTRO III loans has been calculated according to the ECB's average deposit facility rate.

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

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

Commissions

Commission income consists mainly of commissions from fund and asset management, securities brokerage, card- and payment services, borrowing and lending, currency- and foreign operations as well as insurance brokerage. Commission expenses consist of expenses directly related to services whose income has been recognised as commission income. Commission income and expenses are reported using the accruals convention, which, depending on the nature of the service, is either linear over time as the service is being provided or at a certain point in time when the service is carried out.

Other income and expenses

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

Depreciation

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

Buildings	40 years
Basic repairs to buildings	5–10 years
Other tangible assets	3–5 years
Intangible assets (IT acquisitions)	3–10 years

Share-based payments

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

Taxes

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

Financial assets and liabilities

Aktia applies IFRS 9 according to the regulations and guidelines 2/2016 issued by the Financial Supervisory Authority, where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

Classification of financial assets
The Group classifies financial assets in the following categories:

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

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

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

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

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

- shares and participations
- interest-bearing securities

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

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

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

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

For **shares and participations** in this category, no ECL is calculated, and value changes are recognised on an ongoing basis in other comprehensive income after deferred tax. For an investment in an equity instrument that is not held for trading, the Group may make an irrevocable choice on initial recognition to recognise subsequent changes in fair value in other comprehensive income. The choice is made separately for each individual investment. The choice to recognise an equity instrument in this category leads to future sales gains and losses also being recognised in other comprehensive income. Only dividend from these instruments is recognised in the income statement.

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

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

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

Financial liabilities
Liabilities to credit institutions, liabilities to the public and public sector entities, derivative instruments and debt securities to the public are reported in the category Financial liabilities. Derivative instruments are included in the balance sheet at fair value while other financial liabilities are included at their acquisition value on entering into the agreement, and subsequently with the effective interest method at their amortised cost. TLTRO loans are reported at amortised cost in accordance with IFRS 9. When hedge accounting is applied, the amortised cost of the liabilities is adjusted with the fair value of the hedged risk. If the financial liabilities are related to commitments to acquire equity instruments, the liabilities are reported at fair value through the income statement.

In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

Reclassification
In connection to acquiring a financial asset, the asset is classified according to one of the three categories of

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

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

Reclassification between different valuation categories are reported as follows:

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

Repurchase agreements

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

Cash and balances with central banks

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

Derivative instruments

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

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

Hedge accounting

In accordance with the Aktia Group's hedge accounting policy, hedge accounting is defined either as fair value hedging or cash flow hedging. Documentation and establishment of the hedging relationship between the hedging instrument, the hedged item, the risk management aim and the strategy, occur when hedging is entered. When a high negative correlation exists between the hedging instrument's change in value and the change in value of the hedged item or cash flow, the hedging is considered to be effective. The effectiveness of the hedging relationship is continually assessed and evaluated through prospective efficiency testing and measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 % match, the ineffective part is reported in the income statement. Aktia applies IFRS 9 hedge accounting for all hedge relationships except for portfolio hedging of interest rate risk for which the Group has chosen to use the possibility to continue to apply the rules set out in IAS 39.

Valuation of financial instruments at fair value

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

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

Impairment of financial assets

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

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

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

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

- Stage 1 12 months' ECL
    - Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 2 ECL for the remaining duration of non-defaulted exposures
    - The expected credit losses for the instrument's remaining duration are calculated for non-defaulted exposures where the credit risk has increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 3 ECL for the remaining duration of defaulted exposures
    - Stage 3 includes exposures for which one or more events that have a significant negative impact on the future estimated cash flows has occurred. For defaulted assets in stage 3, expected credit losses for the instruments remaining duration are recognised on an ongoing basis, whereas the effective interest rate is calculated on the impaired book value.

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

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

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

Calculation of the expected credit losses (ECL): The group has internally developed models for the evaluation of the creditworthiness. The models are used in the assessment of the probability of default when providing loans and other financial exposures to counterparties and customers. The Group has in advance defined probabilities for counterparty risks regarding the Group's all private and corporate loans and other receivables. For **credits and other receivables**, ECL is calculated on the basis of the exposure's risk parameters PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure At Default). These parameter estimates are derived from the same models used in the IRB solvency calculation, but are based on a so-called "Point-in-Time" calibration reflecting the prevailing or anticipated economic situation at the accounting horizon. For credits in Stage 1, ECL is equal to the product of the PD, LGD and EAD, i.e. 12-month ECL. For credits in Stage 2 and 3, ECL is calculated as the sum of 12-month ECL over the lifetime of the claim, adjusted for the probability that the exposure defaults during a previous period. Lifetime ECL also takes into account the contractual amortisation plan that is reflected in both the EAD and LGD estimate. Lifetime ECL for **interest-bearing securities** is calculated on the basis of the interest certificate's contractual calendar. Lifetime ECL is calculated as LGD multiplied by the sum of all expected and discounted cash flows times the probability of a credit event (PD). PD is calculated separately for each security by allocating an appropriate risk curve and by taking into account the liquidity and tax effects. 12-month ECL is then calculated by scaling down the lifetime ECL with a securities-specific proportionality constant which comprises the credit risk quota during the certificate's lifetime and the credit risk in the coming year.

Significant increase of credit risk

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

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

- based on an absolute and relative change in PD for the remaining maturity
- at the latest when a payment is over 30 days delayed or when a customer is covered by mitigating circumstances. In the case of mitigating measures, credits are considered to have an increased credit risk over a period of two years from the date of when the measures have been initiated. These criteria define an absolute baseline for when an increase in credit risk has occurred when there are indications of other qualitative factors that have not been visible in regular quantitative analyses. In such cases the Group can use expert evaluations and relevant historical information

Defaulted credits and receivables are transferred to stage 3.

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

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

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

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

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

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

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

- The company has been declared bankrupt or is de facto insolvent and unable to make payments
- The company has entered into an agreement about business debt restructuring or has applied for protection against its creditors or is undergoing significant restructuring which affects creditors
- The company has missed a payment according to contractual cash flow and has not been corrected within 30 days

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

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

For **credits and other receivables (credit portfolio)** the risk parameters are adjusted according to assumptions in the relevant macro scenario in calculation of lifetime ECL. The PD estimate is adjusted based on a macro economic model that takes e.g. developments of unemployment into account. If unemployment is expected to increase, the PD estimate of household credits will increase. The LGD estimate takes the assumed development of house and real estate prices into account. If the market value of the securities decreases in the scenario, this has a positive effect on the LGD estimate, given that the amortisation speed does not exceed the decrease in the market value of the securities.

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

Tangible and intangible assets

Assets acquired through finance lease agreements are reported as of 1 January 2019 according to chapter 5, § 5 b of the Finnish Accounting Act and the statement 1988/2018 (27 June 2018) of the Accounting Board, which means that IFRS 16 is applied in the reporting of these assets in the parent company's financial statements.

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

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

The bank as a lessor

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

The bank as a lessee

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

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

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

Provisions

A provision is reported where the bank has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the bank can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation. Expected credit losses on off-balance-sheet commitments are reported as provisions.

Equity

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

P2 Net interest income

(EUR 1,000)	2022	2021
Interest income		
Cash and balances with central banks	282	-
Claims on credit institutions	7,142	9,001
Receivables from the public and public sector entities	108,095	78,487
Bonds	6,616	5,093
Derivatives	-3,823	-274
Other interest income	-4	494
Total	**118,309**	**92,801**
of which interest income from financial assets reported at stage 3	341	348
Net income from leasing operations		
Rental income	14,380	5,927
Depreciation according to plan	-13,186	-5,486
Sales gains	18	30
Commission income	141	108
Total	**1,353**	**579**
Interest expenses		
Liabilities to credit institutions	-4,631	-928
Liabilities to the public and public sector entities	-1,165	-389
Debt securities issued to the public	-22,001	-15,452
Derivatives and liabilities held for trading	10,545	23,334
Subordinated liabilities	-3,469	-3,921
Interest expenses for right-of-use assets	-1,261	-1,381
Other interest expenses	-730	-339
Total	**-22,712**	**922**
Net interest income	**96,949**	**94,303**

P3 Income from equity instruments

(EUR 1,000)	2022	2021
Group companies	54,500	-
Equity instruments measured at fair value through income statement	1,444	353
Total	**55,944**	**353**

P4 Net commission income

(EUR 1,000)	2022	2021
Commission income		
Card- and payment services	25,525	22,953
Mutual funds, asset management and securities brokerage	63,335	49,789
Brokerage of insurance	6,857	8,291
Lending	9,113	9,805
Borrowing	3,747	3,802
Currency operations	3,834	3,301
Guarantees and other off-balance sheet commitments	486	552
Other commission income	7,889	7,524
Total	**120,785**	**106,016**
Commission expenses		
Card- and payment services	-4,348	-3,530
Securities and investments	-2,043	-1,504
Money handling	-1,514	-1,496
Other commission expenses	-779	-22
Total	**-8,684**	**-6,552**
Net commission income	**112,101**	**99,464**

P5 Net income from securities and currency operations

(EUR 1,000)	2022	2021
Shares and participations		
Capital gains and losses	17	0
Valuation gains and losses	76	213
Total	**93**	**213**
Derivative instruments		
Capital gains and losses	-6	-9
Total	**-6**	**-9**
Total		
Capital gains and losses	11	-9
Valuation gains and losses	76	213
Net incom from securities	**87**	**204**
Net income from currency operations	608	326
Net income from securities and currency operations	**695**	**530**

P6 Net icome from financial assets measured at fair value through fund at fair value

(EUR 1,000)	2022	2021
Interest-bearing securities		
Capital gains and losses	86	292
Transferred to income statement from fund at fair value	435	3,435
Total	**521**	**3,727**

P7 Net income from hedge accounting

(EUR 1,000)	2022	2021
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Interest rate-related hedging repayable on demand liabilities	-24,491	-
Interest rate-relateds hedging lending to public	26,554	1,768
Interest rate-related hedging issued bonds	-202,790	-47,267
Changes in fair value of hedge instrument, net	-200,727	-45,498
Repayable on demand liabilities	24,722	-
Lending to public	-26,603	-1,781
Bonds issued	202,661	46,904
Changes in fair value of items hedged, net	200,779	45,123
Total	**53**	**-375**
Total hedge accounting	**53**	**-375**

P8 Other operating income

(EUR 1,000)	2022	2021
Income from other banking business	36	35
Group internal compensations	69	271
Merger and other sales gains	-	7,485
Other operating income	455	569
Total	**561**	**8,361**

P9 Staff

(EUR 1,000)	2022	2021
Salaries and remunerations	-64,237	-59,257
Pension costs	-10,344	-9,736
Other indirect employee costs	-2,449	-1,813
Indirect emplyee costs	-12,793	-11,549
Total	**-77,031**	**-70,806**
Number of emplyees 31 December		
Full-time	766	687
Part-time	101	93
Total	**867**	**780**
of which temporary	83	74

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are no pension commitments with a liability deficit.

P10 Other administrative expenses

(EUR 1,000)	2022	2021
IT expenses	-31,843	-26,744
Other staff expenses	-3,715	-2,044
Office expenses	-1,107	-925
Communication expenses	-2,758	-2,356
Marketing- and representation expenses	-4,044	-2,673
Other administrative expenses	-3,077	-3,026
Total	**-46,544**	**-37,767**

P11 Depreciation of tangible and intangible assets

(EUR 1,000)	2022	2021
Depreciation of right-of-use assets	-4,429	-4,545
Depreciation of other tangible assets	-1,127	-927
Depreciation of intangible assets	-16,873	-11,409
Total	**-22,430**	**-16,881**

P12 Other operating expenses

	2022	2021
Rental expenses [1]	-1,987	-1,754
Expenses for properties in own use	-589	-679
Insurance and security expenses	-6,490	-5,443
Monitoring, control and membership fees	-1,275	-1,131
Consulting fees	-6,448	-4,938
Group services	-53	-129
Phishing costs	-79	-739
Transer tax on the acquisition of Taaleri's wealth management operations	-	-1,979
Other operating expenses	-6,007	-3,479
Total	**-22,928**	**-20,271**

1) Rental expenses refer to leasing agreements with a maximum term of 12 months of EUR 0.4 (0.3 million) or low value assets of EUR 1.0 (1.0 milion). Other leasing agreements are reported from 1 Janaury 2019 accordance with IFRS 16.

Auditors' fees		
Statutory auditing	-456	-457
Services related to auditing	-57	-33
Tax counselling	-26	-31
Other services	-40	-50
Total	**-579**	**-572**

The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-3,775	-3,280
amount of which paid from the old Deposit Guarantee Fund	-3,775	-3,280
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	9	11
Contribution to the Single Resolution Fund	-5,086	-4,148
amount of which transferred from previously paid bank tax	-	-
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	-	-

P13 Taxes

	2022	2021
Income taxes on the ordinary business	-8,484	-10,002
Taxes from previous years	-164	18
Changes in deferred taxes	2,551	-144
Total	**-6,096**	**-10,128**

P14 Bonds according to financial instruments

	2022		2021	
(EUR 1,000)	Total	of which ECL	Total	of which ECL
Government bonds	169,345	-58	177,531	-24
Other	1,172,226	-172	1,115,809	-41
Total	**1,341,571**	**-230**	**1,293,340**	**-65**
of which eligible for refinancing with central banks	1,341,571		1,293,340	

Bonds by financial instrument

	Publicly quoted	Other	Total	of which ECL
31 Dec 2022				
Bonds measured at fair value through other comprehensive income	800,688	48,286	848,974	-
Bonds valued at amortised cost	492,597	-	492,597	-230
Total	**1,293,285**	**48,286**	**1,341,571**	**-230**
31 Dec 2021				
Bonds measured at fair value through other comprehensive income	889,764	54,560	944,324	-
Bonds valued at amortised cost	349,016	-	349,016	-65
Total	**1,238,780**	**54,560**	**1,293,340**	**-65**

P15 Claims on credit institutions

(EUR 1,000)	Repayable on demand	Other than repayable on demand	Total	of which ECL
31 Dec 2022				
Finnish credit institutions	7,890	1,061,650	1,069,540	-
Foreign credit institutions	15,001	99,061	114,062	-
Total	**22,890**	**1,160,711**	**1,183,601**	**-**
31 Dec 2021				
Finnish credit institutions	14,234	3,300	17,534	-
Foreign credit institutions	18,153	8,340	26,493	-
Total	**32,387**	**11,640**	**44,027**	**-**

P16 Receivables from the public and public sector entities

(EUR 1,000)	2022	2021
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	5,312,016	5,291,943
Corporates	1,210,749	1,108,983
Housing associations	1,119,975	996,445
Public sector entities	1,590	1,931
Non-profit organisations	51,640	52,266
Total	**7,695,970**	**7,451,569**

The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.

P17 Financial assets and impairment by stage

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2022				
Interest-bearing securities	1,277,565	64,006	-	1,341,571
Lending	8,486,154	281,863	111,555	8,879,572
Off-balance sheet commitments	622,891	2,810	2,112	627,813
Total	**10,386,610**	**348,679**	**113,666**	**10,848,955**
Book value of financial assets 31 December 2021				
Interest-bearing securities	1,293,340	-	-	1,293,340
Lending	7,101,532	300,445	93,618	7,495,596
Off-balance sheet commitments	696,658	14,277	1,899	712,834
Total	**9,091,530**	**314,723**	**95,517**	**9,501,770**
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2022	3,911	3,714	24,784	32,409
Transferred from stage 1 to stage 2	-225	3,267	-	3,043
Transferred from stage 1 to stage 3	-95	-	2,893	2,797
Transferred from stage 2 to stage 1	87	-452	-	-365
Transferred from stage 2 to stage 3	-	-883	1,969	1,086
Transferred from stage 3 to stage 1	5	-	-317	-311
Transferred from stage 3 to stage 2	-	259	-615	-356
Increases due to origination and acquisition	1,727	29	203	1,959
Decrease due to recognition	-472	-294	-2,683	-3,448
Changes due to updated calculation method	322	2,335	1,380	4,037
Decrease in allowance account due to write-offs	0	0	-3,863	-3,863
Other changes	-243	-1,626	3,689	1,821
Impairment of credits and the other commitments 31 December 2022	**5,017**	**6,351**	**27,441**	**38,808**
of which provisions	1,061	59	150	1,270

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	1,407	4,669	17,673	23,748
Corporates	3,049	1,668	9,242	13,959
Housing associations	522	13	205	741
Public sector entities	13	-	-	13
Non-profit organisations	26	1	321	347
Total	**5,017**	**6,351**	**27,441**	**38,808**
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2022	199	-	-	199
Transferred from stage 1 to stage 2	-22	229	-	207
Transferred from stage 1 to stage 3	-	-	-	-
Transferred from stage 2 to stage 1	-	-	-	-
Transferred from stage 2 to stage 3	-	-	-	-
Transferred from stage 3 to stage 1	-	-	-	-
Transferred from stage 3 to stage 2	-	-	-	-
Reversal of impairment	29	-	-	29
Impairment January-December 2021 in the income statement	-18	-	-	-18
Other changes	440	-	-	440
Impairment of interest-bearing securities 31 December 2022	**628**	**229**	**-**	**857**
Impairment of interest-bearing securities by sector				
Corporates	517	229	-	747
Public sector entities	110	-	-	110
Total	**628**	**229**	**-**	**857**

P18 Leasing assets

(EUR 1,000)	2022	2021
Book value at 1 January 2021	34,796	20,267
Increases	74,143	20,015
Planned depreciation	-13,186	-5,486
Book value at 31 December 2021	**95,753**	**34,796**

P19 Shares and participations

(EUR 1,000)	Publicly quoted	Credit institutions	Other	Total
31 Dec 2022				
Equity instruments measured at fair value through income statement	-	4,485	765	5,249
Shares and participations in associated companies	-	-	2,798	2,798
Shares and participations in group companies	-	-	127,905	127,905
Total	**-**	**4,485**	**131,467**	**135,952**
31 Dec 2021				
Equity instruments measured at fair value through income statement	-	4,435	769	5,204
Shares and participations in associated companies	-	-	623	623
Shares and participations in group companies	-	-	172,378	172,378
Total	**-**	**4,435**	**173,770**	**178,205**

The holdings in associated and group companies have been valued at their acquisition cost.

P20 Derivative instruments

The nominal value of the underlying property and the fair value of the derivative instrument

31 Dec 2022

Hedging derivative instruments	**Nominal values / term remaining**				**Fair value**	
(EUR 1,000)	**Under 1 year**	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	540,000	2,279,625	988,095	3,807,719	24,749	254,156
Interest rate options	-	650,625	110,950	761,575	27,696	932
Purchased	-	350,625	60,950	411,575	27,696	-
Written	-	300,000	50,000	350,000	-	932
Total	**540,000**	**2,930,250**	**1,099,045**	**4,569,294**	**52,445**	**255,088**
Cash flow hedging						
Interest rate swaps	48,290	281,917	-	330,207	268	13,043
Total	**48,290**	**281,917**	**-**	**330,207**	**268**	**13,043**
Total interest rate derivatives	**588,290**	**3,212,166**	**1,099,045**	**4,899,501**	**52,714**	**268,130**
Total hedging derivative instruments	**588,290**	**3,212,166**	**1,099,045**	**4,899,501**	**52,714**	**268,130**
Other derivative instruments						
Interest rate swaps	60,000	-	-	60,000	937	930
Total	**60,000**	**-**	**-**	**60,000**	**937**	**930**
Forward rate agreements	4,220	-	-	4,220	7	5
Total forward rate agreements	**4,220**	**-**	**-**	**4,220**	**7**	**5**
Total other derivative instruments	**64,220**	**-**	**-**	**64,220**	**944**	**935**
Total derivative instruments	**652,511**	**3,212,166**	**1,099,045**	**4,963,722**	**53,657**	**269,065**

31 Dec 2021

Hedging derivative instruments	**Nominal values / term remaining**				**Fair value**	
(EUR 1,000)	**Under 1 year**	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	525,000	1,499,625	364,555	2,389,180	28,960	10,590
Interest rate options	-	439,125	280,000	719,125	2,175	5,928
Purchased	-	239,125	130,000	369,125	2,175	-
Written	-	200,000	150,000	350,000	-	5,928
Total	**525,000**	**1,938,750**	**644,555**	**3,108,305**	**31,134**	**16,518**
Cash flow hedging						
Interest rate swaps	47,881	192,334	-	240,215	5,350	-
Total	**47,881**	**192,334**	**-**	**240,215**	**5,350**	**-**
Total interest rate derivatives	**572,881**	**2,131,084**	**644,555**	**3,348,520**	**36,484**	**16,518**
Total hedging derivative instruments	**572,881**	**2,131,084**	**644,555**	**3,348,520**	**36,484**	**16,518**
Other derivative instruments						
Interest rate swaps	10,000	60,000	-	70,000	2,696	2,682
Total	**10,000**	**60,000**	**-**	**70,000**	**2,696**	**2,682**
Forward rate agreements	1,900	-	-	1,900	1	15
Total forward rate agreements	**1,900**	**-**	**-**	**1,900**	**1**	**15**
Total other derivative instruments	**11,900**	**60,000**	**-**	**71,900**	**2,697**	**2,696**
Total derivative instruments	**584,781**	**2,191,084**	**644,555**	**3,420,420**	**39,181**	**19,214**

P21 Intangible assets and goodwill

(EUR 1,000)	Immaterial rights (IT expenses)	Other intangible assets in connection with the Taaleri acquisition	Capitalised development expenses	Other long-term expenditures	Total
2022					
Acquisition cost at 1 January	102,505	-	6,504	10,659	119,669
Merger	7,989	43,074	-	-	51,063
Increases	5,845	-	-	2,034	7,878
Acquisition cost at 31 December	116,339	43,074	6,504	12,693	178,610
Accumulated depreciations and impairments at 1 January	-61,334	-	-5,304	-7,032	-73,671
Merger	-6,209	-2,933	-	-	-9,141
Planned depreciation	-10,538	-4,399	-1,200	-736	-16,873
Impairments	-	-	-	-11	-11
Accumulated depreciations and impairments at 31 December	-78,080	-7,332	-6,504	-7,779	-99,696
Book value at 31 December	**38,259**	**35,742**	**-**	**4,914**	**78,915**
2021					
Acquisition cost at 1 January	98,863	-	6,504	8,549	113,917
Increases	3,787	-	-	2,110	5,897
Decreases	-145	-	-	-	-145
Acquisition cost at 31 December	102,505	-	6,504	10,659	119,669
Accumulated depreciations and impairments at 1 January	-51,676	-	-4,007	-6,578	-62,261
Planned depreciation	-9,658	-	-1,297	-454	-11,409
Accumulated depreciations and impairments at 31 December	-61,334	-	-5,304	-7,032	-73,671
Book value at 31 December	**41,171**	**-**	**1,200**	**3,627**	**45,999**

P22 Tangible assets

(EUR 1,000)	Right-of-use assets	Machines and equipment	Other tangible assets	Total tangible assets
2022				
Acquisition cost at 1 January	29,532	18,338	288	48,159
Merger	-	1,667	-	1,667
Increases	3,414	725	-	4,140
Decreases	-1,810	-78	-	-1,888
Acquisition cost at 31 December	31,137	20,652	288	52,078
Accumulated depreciations and impairments at 1 January	-7,870	-14,200	-	-22,070
Merger	-	-1,667	-	-1,667
Accumulated depreciation on decreases	640	-	-	640
Planned depreciation	-4,363	-1,127	-	-5,490
Impairments	-	-29	-	-29
Accumulated depreciations and impairments at 31 December	-11,593	-17,024	-	-28,617
Book value at 31 December	**19,544**	**3,628**	**288**	**23,461**
of which properties	19,145			
of which cars	399			

(EUR 1,000)	Right-of-use assets	Machines and equipment	Other tangible assets	Total tangible assets
2021				
Acquisition cost at 1 January	27,543	16,330	520	44,392
Increases	7,400	2,008	-	9,408
Decreases	-5,410	-	-232	-5,642
Acquisition cost at 31 December	29,532	18,338	288	48,159
Accumulated depreciations and impairments at 1 January	-5,577	-13,273	-230	-19,080
Accumulated depreciation on decreases	2,252	-	230	2,482
Planned depreciation	-4,545	-927	-	-5,472
Accumulated depreciations and impairments at 31 December	-7,870	-14,200	-	-22,070
Book value at 31 December	**21,663**	**4,138**	**288**	**26,089**
of which properties	21,221			
of which cars	441			

P23 Other assets

(EUR 1,000)	2022	2021
Cash items being collected	472	2,176
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	13,329	43,853
Bank account for the corporate leasing	0	-14,084
Other assets	4,591	837
Total	**68,391**	**82,781**

P24 Accrued income and advance payments

(EUR 1,000)	2022	2021
Interest receivables from ECB (TLTRO loan)	-	8,642
Other interest receivables	19,392	9,468
Other	40,444	20,825
Total	**59,836**	**38,935**

P25 Deferred tax receivables

(EUR 1,000)	2022	2021
Deferred tax receivables at 1 January	3,259	3,338
Change during the year booked via the income statement	1,339	-79
Financial assets:		
Valuation at fair value	8,928	-
Hedging av cash flow	85	-
Deferred tax receivables at 31 December	**13,610**	**3,259**

Deferred tax receivables relates to the unwound hedge interest-rate derivatives and to ECL for credit and other commitments.

P26 Liabilities to credit institutions

(EUR 1,000)	2022	2021
Repayable on demand liabilities to credit institutions	30,631	88,199
TLTRO loan from ECB (other than repayable on demand deposits)	800,000	800,000
Other than repayable on demand deposits from credit institutions	6,777	48,344
Total	**837,408**	**936,544**

P27 Liabilities to the public and public sector entities

(EUR 1,000)	Repayable on demand	Other than repayable on demand	Total
31 Dec 2022			
Borrowing	4,615,548	623,380	5,238,929
Other liabilities	-	686,000	686,000
Total	**4,615,548**	**1,309,380**	**5,924,929**
31 Dec 2021			
Borrowing	4,483,236	77,366	4,560,603
Other liabilities	-	506,000	506,000
Total	**4,483,236**	**583,366**	**5,066,603**

P28 Debt securities issued to the public

	2022		2021	
(EUR 1,000)	Book value	Nominal value	Book value	Nominal value
Certificates of deposits	119,992	120,500	183,083	183,000
Bonds	2,946,587	3,192,926	2,917,232	2,905,395
Total	**3,066,578**	**3,313,426**	**3,100,315**	**3,088,395**

P29 Other liabilities

(EUR 1,000)	2022	2021
Cash items in the process of collection	7,071	4,037
Liabilities for right-of-use assets	21,878	23,845
Liabilities from transactions with a future valuation day	2,994	10,004
Other liabilities	5,164	4,207
Total	**37,107**	**42,093**

P30 Accrued expenses and income received in advance

(EUR 1,000)	2022	2021
Interest liabilities	10,064	14,529
Other	30,904	36,202
Total	**40,968**	**50,732**

P31 Subordinated liabilities

(EUR 1,000)	2022	2021
Subordinated debentures	69,547	94,463
Additional Tier 1 capital loan	60,000	60,000
Total	**129,547**	**154,463**
Nominal value	130,000	94,983
Amount counted to Tier 2 capital	69,547	70,631

Subordinated loans

A EUR 70 million 10-year non-call 5 subordinated loan that can be redeemed on 18 September 2024, is due on 18 September 2029. The loan runs at a fixed rate of 1.375% per annum until 18 September 2024, after which the interest rate changes to a fixed 5-year mid swap of +1.90%.

Additional Tier 1 capital loan

The EUR 60 million Additional Tier 1 capital loan is a perpetual loan that can be redeemed for the first time on 26 May 2026. The loan runs at a fixed rate of 3.875% p.a. until 26 May 2026, after which the interest rate changes to a fixed 5-year mid swap of 4.088%.

P32 Deferred tax liabilities

(EUR 1,000)	2022	2021
Deferred tax liabilities at 1 January	1,338	4,108
Acquisition / Sales	8,028	-
Change during the year booked via the income statement	-1,213	65
Financial assets:		
Fair value measurement	-1,017	-2,097
Transferred to income statement	12	-737
Deferred tax liabilities at 31 December	**7,148**	**1,338**

Deferred tax liabilities relates to the financial assets measured at fair value. In the Group, a deferred tax liability of EUR 43 million occurs from the accumulated appropriations that include credit losses pursuant to Section 46 of the Act on the Taxation of Business Profits and Income from Professional Activity.

P33 Equity

(EUR 1,000)	At the beginning of the year	Increase/Decrease	At the end of the year
Share capital	169,732	-	169,732
Measured at fair value	3,960	-39,733	-35,774
Cash flow hedging	221	-338	-117
Fund at fair value	4,181	-40,071	-35,891
Restricted equity	**173,913**	**-40,071**	**133,841**
Unrestricted equity reserve	138,597	2,872	141,468
Retained earnings 1 January	71,212		71,212
Dividend to shareholders		-40,308	-40,308
Change in share-based payments		109	109
Acquisition / divestment of treasury shares		295	295
Profit for the year		80,873	80,873
Unrestricted equity	**209,808**	**43,840**	**253,649**
Equity	**383,721**	**3,769**	**387,490**

(EUR 1,000)	2022	2021
Fund at fair value at 1 January	4,181	15,519
Changes in fair value during the year	-50,147	-10,486
Deferred taxes on changes in fair value during the year	10,029	2,097
Transferred to income statement during the year	58	-3,687
Deferred taxes on transferred to income statement during the year	-12	737
Fund at fair value at 31 December	**-35,891**	**4,181**

Fair value for financial assets measured at fair value through other comprehensive income are recognised in the fund at fair value.

Distributable assets in unrestricted equity		
Retained earnings	68,111	89,145
Dividend to shareholders	-40,308	-67,670
Profit for the year	80,873	46,341
Unrestricted equity reserve	141,468	138,597
Share-based payments	3,504	3,395
Total	**253,649**	**209,808**

Unrestricted equity only consist of distributable assets. No staff costs for development projects have been activated.

Share capital and shares

Aktia Bank Plc has only one share class. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 169,731,963.93 million divided into 72,385,072 (72,144,081) Aktia shares. The number of registred shareholders at the end of the year was 40,147 (39,461).

Treasury shares

At year-end, the number of Aktia treasury shares was 228,122 (326,541). Aktia Bank Plc has during the year issued 75,000 (100,000 treasury shares and has received 16,195 (228,341) shares in return from the acquisition of the minority in Aktia Asset Management Ltd (conditional acquisition). During the year 189,614 (163,092) treasury shares held by the company was used for payment of deferred instalments for the share-based inventive scheme and the share ownership scheme. On 6 April 2022, the Annual General Meeting authorised the Board of Directors to acquire a maximum of 500,000 treasury shares and to divest a maximum of 500,000 treasury shares. At the date the accounts closed the acquisition of a maximum of 500,000 treasury shares and the divestment of a maximum of 310,386 treasury shares remain of the Annual General Meeting's authorisation.

Fund at fair value

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

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue. On 6 April 2022, the Annual General Meeting authorised the Board of Directors to issue a maximum of 7,221,000 shares and, at the time of the closing of the accounts, the remaining number of the Annual General Meeting's authorisation is 6,980,009 shares.

Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

P34 Fair value of financial assets and liabilities

	2022		2021	
(EUR 1,000)	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Cash and balances with central banks	165,794	165,794	732,829	732,829
Bonds	1,341,571	1,302,461	1,293,340	1,302,163
Claims on credit institutions	1,183,601	1,183,604	44,027	44,027
Receicables from the public and public sector entities	7,695,970	7,507,217	7,451,569	7,458,549
Shares and participations	5,249	5,249	5,204	5,204
Shares and participations in associated companies	2,798	3,298	623	623
Shares and participations in group companies	127,905	127,404	172,378	172,378
Derivative instruments	53,657	53,657	39,181	39,181
Total	**10,576,545**	**10,348,684**	**9,739,150**	**9,754,954**
Financial liabilities				
Liabilities to credit institutions and central banks	837,408	824,686	936,544	925,799
Liabilities to the public and public sector entities	5,924,929	5,947,453	5,066,603	5,069,132
Debt securities issued to the public	3,066,578	3,085,090	3,100,315	3,135,495
Derivatives and other liabilities held for trading	269,065	269,065	19,214	19,214
Subordinated liabilities	129,547	118,013	154,463	155,602
Liabilities for right-of-use assets	21,878	21,878	23,845	23,845
Total	**10,249,406**	**10,266,187**	**9,300,983**	**9,329,088**

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

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

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

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

P35 Breakdown by maturity of financial assets and liabilities by balance sheet item

(EUR 1,000)	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets 31 December 2022							
Bonds eligible for refinancing with central banks	P14	140,757	163,339	757,262	280,213	-	1,341,571
Claims on credit institutions	P15	1,183,601	-	-	-	-	1,183,601
Receicables from the public and public sector entities	P16	304,596	587,195	2,191,994	1,560,618	3,051,568	7,695,970
Total		**1,628,953**	**750,534**	**2,949,256**	**1,840,832**	**3,051,568**	**10,221,142**
Liabilities 31 December 2022							
Liabilities to credit institutions and central banks	P26	33,270	554,138	250,000	-	-	837,408
Liabilities to the public and public sector entities	P27	5,289,164	363,534	272,202	29	-	5,924,929
Debt securities issued to the public	P28	144,281	636,413	1,450,239	609,994	225,652	3,066,578
Subordinated liabilities	P31	-	-	-	69,547	60,000	129,547
Right-of-use liabilities for rent agreements	P29	1,134	3,403	14,539	2,803	-	21,878
Total		**5,467,849**	**1,557,488**	**1,986,979**	**682,372**	**285,652**	**9,980,341**
Assets 31 December 2021							
Bonds eligible for refinancing with central banks	P14	103,058	153,903	801,932	234,446	-	1,293,340
Claims on credit institutions	P15	44,027	-	-	-	-	44,027
Receicables from the public and public sector entities	P16	445,788	879,547	3,390,918	1,680,025	1,055,292	7,451,569
Total		**592,873**	**1,033,450**	**4,192,850**	**1,914,471**	**1,055,292**	**8,788,935**
Liabilities 31 December 2021							
Liabilities to credit institutions and central banks	P26	123,889	7,138	805,517	-	-	936,544
Liabilities to the public and public sector entities	P27	4,543,596	439,520	83,455	31	-	5,066,603
Debt securities issued to the public	P28	712,000	347,151	1,566,009	208,963	266,193	3,100,315
Subordinated liabilities	P31	13,275	11,708	-	69,480	60,000	154,463
Right-of-use liabilities for rent agreements	P29	1,141	3,423	15,640	3,642	-	23,845
Total		**5,393,901**	**808,939**	**2,470,621**	**282,115**	**326,193**	**9,281,769**

P36 Property items and liabilities in euros and in foreign currency

(EUR 1,000)	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2022					
Bonds	1,341,571	-	1,341,571	-	-
Claims on credit institutions	1,169,620	13,982	1,183,601	-	-
Receicables from the public and public sector entities	7,695,970	-	7,695,970	-	-
Leasing assets	95,753	-	95,753	-	-
Shares and participations	135,952	-	135,952	-	-
Derivative instruments	53,657	-	53,657	-	-
Other assets	410,007	-	410,007	18,640	-
Total	**10,902,530**	**13,982**	**10,916,511**	**18,640**	**-**
Liabilities 31 December 2022					
Liabilities to credit institutions and central banks	837,293	115	837,408	-	-
Liabilities to the public and public sector entities	5,910,028	14,901	5,924,929	25,152	-
Debt securities issued to the public	3,066,578	-	3,066,578	14,843	-
Derivative instruments	269,065	-	269,065	-	-
Subordinated liabilities	129,547	-	129,547	-	-
Provisions	1,270	-	1,270	-	-
Other liabilities	85,224	-	85,224	1,183	-
Total	**10,299,006**	**15,016**	**10,314,021**	**41,178**	**-**

The table continues

(EUR 1,000)	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2021					
Bonds	1,293,340	-	1,293,340	-	-
Claims on credit institutions	26,577	17,450	44,027	-	-
Receicables from the public and public sector entities	7,451,569	-	7,451,569	-	-
Leasing assets	34,796	-	34,796	-	-
Shares and participations	178,205	-	178,205	-	-
Derivative instruments	39,181	-	39,181	-	-
Other assets	929,891	-	929,891	5,083	-
Total	**9,953,559**	**17,450**	**9,971,009**	**5,083**	**-**
Liabilities 31 December 2021					
Liabilities to credit institutions and central banks	936,422	121	936,544	-	-
Liabilities to the public and public sector entities	5,048,754	17,848	5,066,603	57,305	-
Debt securities issued to the public	3,100,315	-	3,100,315	40,000	-
Derivative instruments	19,214	-	19,214	-	-
Subordinated liabilities	154,463	-	154,463	-	-
Provisions	987	-	987	-	-
Other liabilities	94,163	-	94,163	-	-
Total	**9,354,319**	**17,970**	**9,372,288**	**97,305**	**-**

P37 Collateral assets and liabilities

(EUR 1,000)	2022	2021
Collateral assets		
Collateral for own liabilities		
Securities	246,665	425,776
Outstanding loans constituting security for covered bonds	2,519,132	2,774,175
Total	**2,765,797**	**3,199,951**
Other collateral assets		
Pledged securities [1]	1,301	1,363
Cash included in pledging agreements and repurchase agreements	100,711	11,640
Total	**102,012**	**13,003**
Total collateral assets	**2,867,809**	**3,212,954**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	800,000	803,000
Issued covered bonds [3]	1,353,463	1,533,465
Derivatives	100,711	11,640
Total	**2,254,174**	**2,348,105**

1) Refers to securities pledged for the intra day limit. As at 31 December 2022, a surplus of pledged securities amounted to EUR 25.4 (11.7) million.

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

3) Own repurchases deducted.

(EUR 1,000)	2022	2021
Collateral liabilities		
Cash included in pledging agreements [1]	1,260	34,310
Total	**1,260**	**34,310**

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

P38 Off-balance sheet commitments

(EUR 1,000)	2022	2021
Guarantees	18,980	20,746
Other commitments provided to a third party	4,252	6,782
Unused credit arrangements	604,581	685,307
Total	**627,813**	**712,834**
Of which Group internal off-balance sheet commitments:		
Unused credit arrangements	-	-

Off-balance sheet commitments exclude rental commitments.

P39 Customer assets being managed

(EUR 1,000)	2022	2021

The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.

	2022	2021
Customer assets being managed		
Funds in a customer funds account	4,736	5,650
Funds in discretionary asset management services	8,996,906	9,590,314
Funds within the framework of investment advising according to separate agreement	3,688,923	2,473,989
Total	**12,690,565**	**12,069,953**

P40 The parent company's capital adequacy

(EUR 1,000)	2022	2021
Calculation of the parent company's capital base		
Total assets	**10,916,511**	**9,971,009**
of which intangible assets	78,915	45,999
Total liabilities	**10,529,021**	**9,587,288**
of which subordinated liabilities	129,547	154,463
Share capital	169,732	169,732
Fund at fair value	-35,891	4,181
Restricted equity	133,841	173,913
Unrestricted equity reserve and other funds	141,468	138,597
Retained earnings	31,308	24,871
Profit for the year	80,873	46,341
Unrestricted equity	253,649	209,808
Equity	**387,490**	**383,721**
Total liabilities and equity	**10,916,511**	**9,971,009**
Off-balance sheet commitments	627,813	712,834
Aktia Bank plc's equity	**387,490**	**383,721**
Provision for dividends to shareholders	-30,950	-40,218
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-	-
Intangible assets	-70,442	-37,154
Debentures	69,547	70,631
Additional expected losses according to IRB	-28,657	-27,461
Deduction for significant holdings in financial sector entities	-6,570	-2,461
AT1 instruments	60,000	60,000
Other	158,765	158,406
Total capital base (CET1 + AT1 + T2)	**539,183**	**565,464**

The table continues

(EUR 1,000)	2022	2021
The parent company's capital adequacy		
Common Equity Tier 1 Capital before regulatory adjustments	516,435	503,693
Common Equity Tier 1 Capital regulatory adjustments	-106,799	-68,860
Common Equity Tier 1 Capital total (CET1)	**409,636**	**434,833**
Additional TIER 1 capital before regulatory adjustments	60,000	60,000
Additional TIER 1 capital regulatory adjustments	-	-
Additional TIER 1 (AT1) capital after regulatory adjustments	**60,000**	**60,000**
TIER 1 capital (T1 = CET1 + AT1)	**469,636**	**494,833**
TIER 2 capital before regulatory adjustments	69,547	70,631
TIER 2 capital regulatory adjustments	-	-
TIER 2 capital (T2)	**69,547**	**70,631**
Own funds total (TC = T1 + T2)	**539,183**	**565,464**
Risk weighted exposures total	**3,423,921**	**3,358,238**
of which credit risk, the standardised model	636,035	548,503
of which credit risk, the IRB model	2,382,813	2,451,885
of which 15 % risk-weight floor for residential mortgages	-	-
of which market risk	-	-
of which operational risk	405,073	357,850
CET1 Capital ratio	12.0%	12.9%
T1 Capital ratio	13.7%	14.7%
Total capital ratio	15.7%	16.8%

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

	2020	2021	2022	2022	2021
Risk-weighted amount for operational risks					
Gross income	178,410	233,745	235,963		
- average 3 years			216,039		
Capital requirement for operational risk				**32,406**	**28,628**
Risk-weighted amount				**405,073**	**357,850**

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

P41 Holdings in other companies

	2022		2021	
(EUR 1,000)	Percentage of shares	Book value	Percentage of shares	Book value
Subsidiaries				
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	75,978	100%	2,507
AV Fund Management Company Ltd, Helsinki	-	-	100%	-
Securities companies				
Aktia Asset Management Ltd, Helsinki	-	-	-	-
Aktia Wealth Management Ltd, Helsinki	-	-	100%	123,680
Insurance companies				
Aktia Life Insurance Ltd, Turku	100%	46,191	100%	46,191
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%		100%	
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100%		100%	
Other operations				
Askel Infra GP Oy, Helsinki	-		-	
Aktia Wealth Planning Ltd, Helsinki	100%	560	100%	
Aktia Housing GP Oy, Helsinki	100%		100%	
Evervest Ltd, Helsinki	100%	4,676	-	-
AktiaDuetto Ab	60%	501	-	-
Total		**127,905**		**172,378**
Associated companies and joint ventures				
Other				
Figure Financial Management Ltd, Espoo	25%	178	25%	178
Finlands Företagarskydd Ab, Helsinki	45%	620	45%	445
Aktia Alexander Corporate Finance Oy	20%	2,000	-	-
Asunto Oy Helsingin Tuulensuoja, Helsinki	50%		50%	
Kiinteistö Oy Skanssinkatu, Turku	50%		50%	
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%		50%	
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33%		33%	
Total		**2,798**		**623**

P42 Shareholders

	Shareholders 31 December 2022		Shareholders 31 December 2021	
	Shares	**Of shares, %**	**Shares**	**Of shares, %**
The 20 largest shareholders:				
Rg Partners Oy	7,394,115	10.2	7,293,115	10.1
Veritas Pension Insurance Company Ltd.	6,040,391	8.3	6,040,391	8.4
Companies controlled by Erkki Etola [1]	5,920,000	8.2	5,555,000	7.7
Skandinaviska Enskilda Banken AB (publ) Helsinki Branch [2]	4,013,523	5.5	5,843,643	8.1
Åbo Akademi University Foundation	2,993,569	4.1	2,993,569	4.2
Oy Hammaren & Co AB	2,500,000	3.5	2,500,000	3.5
Mandatum Life Insurance Company Limited	1,808,358	2.5	1,603,739	2.2
Stiftelsen Tre Smeder	1,713,545	2.4	1,713,545	2.4
Aktiastiftelsen i Borgå	1,547,404	2.1	1,547,404	2.1
Citibank Europe Plc [2]	1,494,219	2.1	1,264,848	1.8
Aktiastiftelsen i Vasa	1,471,457	2.0	1,471,457	2.0
Varma Mutual Pension Insurance Company	1,175,000	1.6	1,175,000	1.6
Nordea Life Assurance Finland Ltd.	1,057,192	1.5	882,655	1.2
Taaleri Oyj	974,563	1.4	974,563	1.4
Sparbanksstiftelsen i Karis-Pojo	945,266	1.3	1,056,399	1.5
Ilmarinen Mutual Pension Insurance Company	897,401	1.2	897,401	1.2
Sparbanksstiftelsen i Hangö	652,000	0.9	642,000	0.9
Vörå Sparbanks Aktiastiftelse	627,220	0.9	627,220	0.9
Samfundet Folkhälsan i svenska Finland r.f.	562,906	0.8	277,076	0.4
Aktia Sparbanksstiftelsen i Malax	540,050	0.8	550,050	0.8
Largest 20 owners	**44,328,179**	**61.2**	**44,909,075**	**62.2**
Other	28,056,893	38.8	27,235,006	37.8
Total	**72,385,072**	**100.0**	**72,144,081**	**100.0**

1) companies controlled by Erkki Etola; Etola Group Oy, Oy Etra Invest Ab, Etola Oy
2) entered in nominee register

	Number of owners	%	Number of shares	%
Shareholders by sector 2022:				
Non-financial corporations and housing corporations	2,069	5.2	16,232,437	22.4
Financial and insurance institutions	54	0.1	8,834,777	12.2
Public sector organisations	30	0.1	8,576,087	11.8
Households	37,395	93.2	16,740,046	23.1
Non-profit organisations	432	1.1	16,315,380	22.5
Nominee registered and non-Finnish shareholders	154	0.4	5,686,345	7.9
Total by sector	**40,134**	**100.0**	**72,385,072**	**100.0**
Shareholders by sector 2021:				
Non-financial corporations and housing corporations	2,049	5.2	15,835,982	22.0
Financial and insurance institutions	51	0.1	8,465,184	11.7
Public sector organisations	28	0.1	8,202,622	11.4
Households	36,736	93.1	15,538,496	21.5
Non-profit organisations	442	1.1	16,749,345	23.2
Nominee registered and non-Finnish shareholders	155	0.4	7,352,452	10.2
Total by sector	**39,461**	**100.0**	**72,144,081**	**100.0**

	Number of owners	%	Number of shares	%
Breakdown of stock 2022:				
Number of shares				
1-100	21,229	52.9	901,753	1.2
101-1,000	15,396	38.4	5,379,305	7.4
1,001 - 10,000	3,214	8.0	8,508,584	11.8
10,001 - 100,000	238	0.6	5,386,644	7.4
100,000 -	57	0.1	52,208,786	72.1
Total by sector	**40,134**	**100.0**	**72,385,072**	**100.0**
Breakdown of stock 2021:				
Number of shares				
1-100	21,152	53.6	898,968	1.2
101-1,000	14,967	37.9	5,206,077	7.2
1,001 - 10,000	3,073	7.8	8,085,233	11.2
10,001 - 100,000	212	0.5	4,990,798	6.9
100,000 -	57	0.1	52,963,005	73.4
Total by sector	**39,461**	**100.0**	**72,144,081**	**100.0**

P43 Related-party information

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

Management personnel compensation

	2022			2021		
(EUR 1,000)	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension
Mikko Ayub, Managing Director	568	34	57	517	30	52
Juha Hammarén, Deputy Managing Director	513	33	44	454	29	40
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,980	126	200	1,560	100	121
Total	**3,061**	**193**	**301**	**2,531**	**160**	**213**
Comprensation to Members of the Board of Directors [2]						
Lasse Svens, Chairman	84	7	-	96	6	-
Timo Vättö, Vice Chair	68	6	-	51	3	-
Johan Hammarén	53	4	-	55	3	-
Harri Lauslahti	49	4	-	52	3	-
Olli-Petteri Lehtinen	60	5	-	54	3	-
Johannes Schulman	47	2	-	50	3	-
Arja Talma	5	0	-	60	4	-
Sari Pohjonen	41	4	-	-	-	-
Maria Jerhamre Engström	57	4	-	62	3	-
Kari A. J. Järvinen	-	-	-	13	1	-
Christina Dahlblom	-	-	-	12	1	-
Total	**464**	**36**	**-**	**503**	**30**	**-**
Total compensation to Management personnel and the Board of Directors	**3,525**	**229**	**301**	**3,034**	**190**	**213**

1) The other members of the Executive Committee are CFO Outi Henriksson, Director Anssi Huhta, CIO Sari Leppänen, Director Perttu Purhonen, Director Max Sundström and Director Sini Kivekäs.
2) 40% (40%) of the Board of Directors' annual remuneration was paid in the form of Aktia shares.

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

Shareholding

At the end of 2021, the Group's related-parties held a total of 297,709 (240,292) Aktia shares in Aktia Bank plc, which represents 0.4 (0.3) % of the total number of shares.

(EUR 1,000)	2022	2021
Related-party transactions with subsidiaries		
Deposits	25,152	57,305
Receivables	3,965	5,083
Services sold	6,118	5,561
Financing income obtained from and financing expenses paid to other group companies		
Dividends	54,500	-
Net finance income	**54,500**	**-**

The Board of Directors' and the CEO's signing of the Report by the Board of Directors and the Financial statements 2022

The Group's parent company is Aktia Bank Plc domiciled in Helsinki. A copy of the report by the Board of Directors and financial statement is available from Aktia Bank Plc, Arkadiankatu 4–6, 00100 Helsinki and from Aktia's website www.aktia.com.

The parent company's distributable retained earnings including profit for the financial year are EUR 112,180,507.47 and the unrestricted equity reserve is EUR 141,468,157.68. The Board of Directors proposes to the Annual General Meeting that: A dividend of EUR 0.43 per share is proposed for the financial year 2022. The dividend is expected to amount to a total of EUR 31,027,488.50, excluding dividend for treasury shares. The dividend is paid from retained earnings. After dividend pay-out, the distributable retained earnings in the parent company amount to EUR 81,153,018.97.

Helsinki, 17 February 2023
Aktia Bank's Board of Directors

Lasse Svens
Chair

Timo Vättö
Vice chair

Johan Hammarén

Maria Jerhamre Engström

Harri Lauslahti

Olli-Petteri Lehtinen

Johannes Schulman

Sari Pohjonen

Mikko Ayub
Managing Director

Our auditor's report has been issued today
Helsinki, 17 February 2023

KPMG Oy Ab
Marcus Tötterman
CGR

Auditor's Report
To the Annual General Meeting of Aktia Bank plc

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report, in the Swedish language, is legally binding.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aktia Bank plc (business identity code 2181702-8) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of lending to the public and public sector entities (Accounting Principles and Notes G1, G2, G19, G20, P16, P17)

- Lending to the public and public sector entities aggregated 7,8 billion euros comprising approximately 63 per cent of the Group's total assets. Interest income accruing on loans and other receivables forms a material part of the Group's income statement.
- IFRS 9 Financial Instruments standard is applied in the calculation of expected credit losses. Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk.
- Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, lending to the public and public sector entities are addressed as a key audit matter.

- We have assessed principles and controls for lending regarding the approval, recognition and monitoring of loans and receivables. In addition, we have assessed the risk monitoring and impairment recognition principles applied.
- We assessed the methods and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process for expected credit losses. Our audit procedures included an analysis of the most significant individual impairments recognized during the financial period.
- Our IFRS and financial instruments specialists were involved in the audit.
- Furthermore, we considered the appropriateness of the notes provided by the Aktia Bank plc in respect of loans and other receivables and credit losses.

Insurance Liabilities (Accounting Principles and Notes G2, G7, G35)

- Insurance liabilities in the balance sheet of Aktia Bank plc totalled 1,4 billion euros and is a material item in the Group's balance sheet.
- Determining insurance liability is subject to management judgement. In addition, different calculation methodologies can be used. Due to the significant carrying value of insurance liabilities involved, and the complexity associated with actuarial models used, insurance liabilities are addressed as a key audit matter.

- We have assessed and tested the implemented process controls over the insurance liabilities calculation process.
- As part of our audit, our actuary specialist has assessed and validated assumptions and calculation methodologies used in insurance liabilities calculations.
- We have summed up information and assumptions used in insurance liabilities calculations and evaluated their appropriateness by using industry knowledge and available market practise information.

Net commission income from mutual funds, asset management and investment brokerage (Accounting Principles and Notes G6 and P4)

- The assets managed by the Aktia Bank plc entitles to fee and commission income on the grounds of the agreements entered into with customers and the cooperation parties. Commission income, in aggregate 87,8 million euros, forms a material part of the Group's result income statement.
- The accounting of commission income from mutual funds and asset management comprises manual phases and the determination of the commission amount and revenue recognition may involve management judgement.
- Due to the significance of the income amount and the judgement involved, commission income is considered a key audit matter.

- We assessed the methods used by the Aktia Bank plc for calculation of mutual fund and asset management commissions.
- Our review regarding the accounting of mutual fund and asset management commissions focused on controls in the billing and fee calculation processes. Our audit procedures involved an assessment of the functionality and effectiveness of these controls.
- Our audit procedures included testing of commission calculations on a sample basis, as well as an assessment of the underlying related agreements and fund statutes where fees have been defined. We utilized data analysis in our analysis of the charged fees.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement
KPMG OY AB was appointed as auditor by the Annual General Meeting in 2011, and our appointment represents a total period of uninterrupted engagement of 12 years.

Other Information
The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in in the Annual Report. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 17 February 2023
KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

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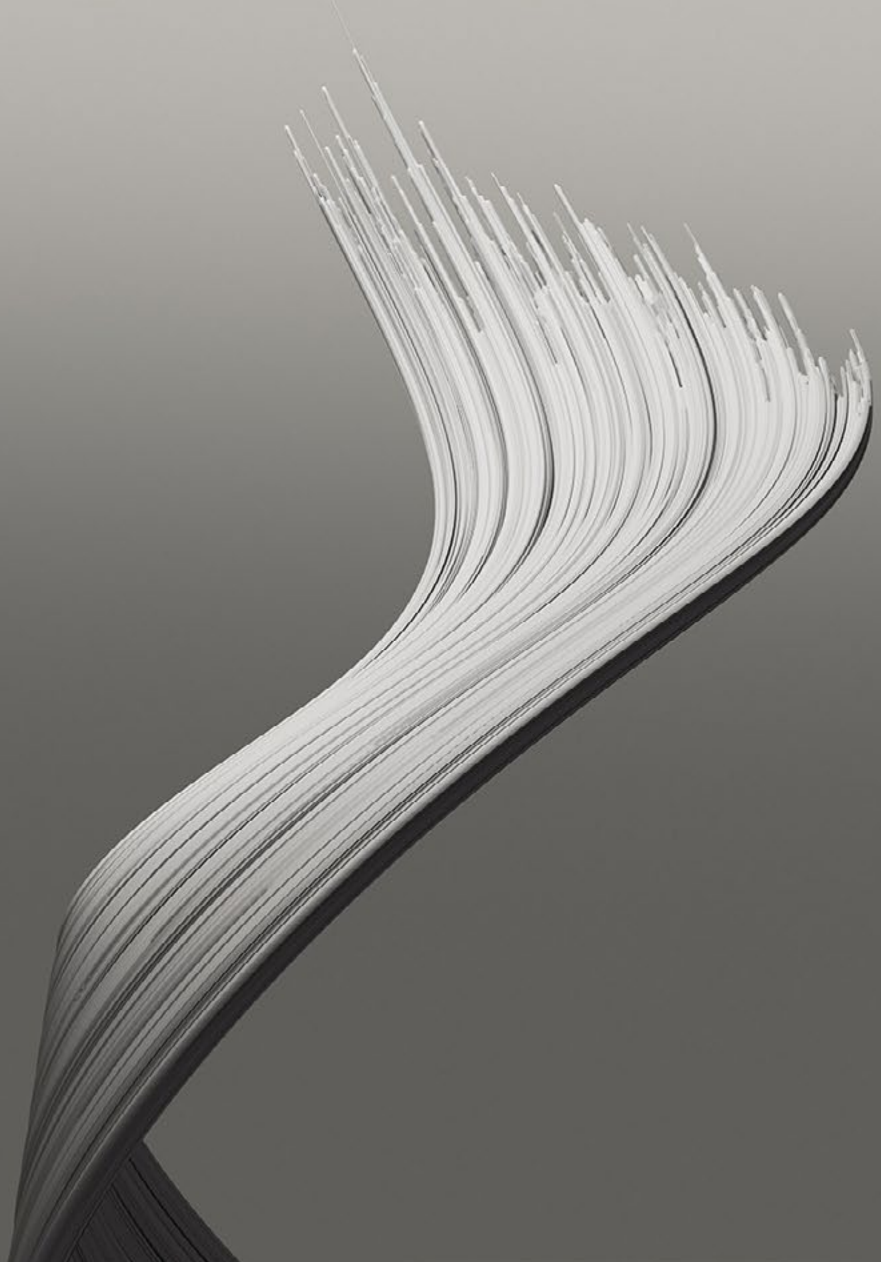

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