Q3

Interim report January–September 2019

Aktia

Strong growth in asset management

In brief

- Strong growth in assets under management (AuM) which increased by 5% or EUR 0.5 billion during the third quarter.
- Net subscriptions of UI-Aktia funds offered internationally amounted to EUR 319 million during the quarter.
- Strong lending and high customer activity continued.
- Net interest income from borrowing and lending for the quarter increased by 5% from last year.
- Comparable operating expenses increased by 7% for the quarter.

Outlook 2019 (unchanged)

Despite the uncertainty of the economic development, the comparable operating profit 2019 is expected to be approximately on the same level as for 2018 (see page 18).

Key figures

(EUR million)	3Q2019	3Q2018	Δ %	Jan-Sep 2019	Jan-Sep 2018	Δ %	2Q2019	2Q/1Q	1Q2019	2018
Net interest income	19.6	21.0	-7%	58.2	65.2	-11%	19.2	2%	19.4	85.9
Net commission income	24.6	22.9	7%	71.3	73.0	-2%	24.0	3%	22.7	95.6
Net income from life insurance	6.8	5.5	25%	21.7	16.3	34%	6.6	3%	8.3	21.4
Other operating income	1.9	6.0	-68%	15.0	7.9	89%	10.8	-82%	2.3	7.3
Total operating income	52.9	55.4	-4%	166.2	162.4	2%	60.6	-13%	52.7	210.1
Total operating expenses	-37.5	-31.8	18%	-108.6	-103.6	5%	-35.0	7%	-36.1	-143.0
Impairment of credits and other commitments	-1.2	-0.8	52%	-3.7	-0.7	424%	-1.4	-15%	-1.1	-0.8
Operating profit	**14.3**	**23.7**	**-40%**	**55.6**	**59.5**	**-7%**	**24.2**	**-41%**	**17.2**	**67.6**
Comparable operating income[1]	52.9	50.3	5%	156.2	157.4	-1%	50.6	5%	52.7	206.1
Comparable operating expenses[1]	-34.2	-31.8	7%	-105.2	-102.9	2%	-34.9	-2%	-36.1	-141.2
Comparable operating profit[1]	**17.6**	**18.6**	**-6%**	**49.0**	**55.2**	**-11%**	**14.3**	**23%**	**17.2**	**65.4**
Cost-to-income ratio	0.71	0.57	25%	0.65	0.64	2%	0.58	22%	0.69	0.68
Comparable cost-to-income ratio[1]	0.65	0.63	3%	0.67	0.65	3%	0.69	-6%	0.69	0.69
Earnings per share (EPS), EUR	0.16	0.29	-45%	0.67	0.72	-8%	0.30	-47%	0.21	0.81
Comparable earnings per share (EPS), EUR[1]	0.20	0.23	-13%	0.56	0.66	-14%	0.16	25%	0.21	0.77
Return on equity (ROE), %	7.4	13.7	-46%	10.2	11.2	-8%	13.7	-46%	9.4	9.4
Comparable return on equity (ROE), %[1]	9.2	10.9	-15%	8.6	10.2	-15%	7.2	29%	9.4	9.0
Common Equity Tier 1 capital ratio (CET1), %[2]	15.6	16.6	-6%	15.6	16.6	-6%	16.5	-5%	16.9	17.5

1) Alternative performance measures excluding items affecting comparability, see page 19
2) At the end of the period

The interim report January–September 2019 is a translation of the orginal Swedish version ”Delårsrapport 1.1-30.9.2019”. In case of discrepancies, the Swedish version shall prevail.

CEO's comments

Aktia's third quarter proceeded in many ways according to our expectations and goals. Lending especially to private customers was still strong. Aktia improved its private customer satisfaction the most in the September EPSI rating, measuring banking customers' satisfaction. The excellent sentiment also continued within asset management. Assets under management in UI-Aktia fixed income funds offered to international customers amounted to EUR 1.9 billion at the end of the third quarter and have increased by 67% since year-end, which I am especially proud of. It's great to be a part of creating an international success story in asset management. Aktia's special competence in equity asset management for small and medium-sized companies has also been successful. Morningstar rates 85% of Aktia's all funds as 4- or 5- star funds.

Aktia's comparable operating profit for the quarter decreased by 6% from last year but exceeded the earlier quarters this year, which shows that we are heading in the right direction. Comparable operating income for the quarter increased by 5% from the corresponding period last year. The good development in asset management resulted in 7% increase in commission income, which together with the strong net income from life insurance contributed to the good income development. Net interest income from borrowing and lending increased by 5% in the third quarter. The Group's net interest income decreased by 7% from last year and was weighed down mainly by the interest rate hedges unwound in 2012 and from reduced return from the bank's liquidity portfolio. The comparable expenses for the third quarter increased by 7% mainly due to accruements within staff costs – the total cost level is unchanged.

Updated strategy and new financial targets

The past autumn has been eventful for Aktia. We updated our strategy and our financial targets at the beginning of September and presented them at Aktia's Capital Market Day on 10 September 2019. The new strategy update extends to the year 2023 and according to the strategy Aktia is seeking even stronger growth in asset management and new customers in growing cities in Finland where most of Aktia's existing customers already are. In addition, Aktia is improving the profitability of its operations and freeing resources for growth investments.

Through our updated strategy we will increase our offering in asset management and make our high-quality investment products and award-winning asset management skills even more available for our extensive Finnish private customer network as well as for institutional investors. Aktia's target is also to continue the strong internationalisation of institutional asset management to new market areas.

In connection with the strategy update Aktia's Board of Directors confirmed as the company's new financial targets a comparable operating profit of EUR 100 million (previously 80 million), a return on equity (ROE) above 11% (previously 9.7%), a comparable cost-to-income ratio under 0.60 (previously 0.61), and a Common Equity Tier 1 capital ratio (CET1) 1.5-3 percentage points over regulatory requirements (unchanged). The dividend policy remained unchanged. Aktia's goal is to pay out a dividend of 60–80% of the profit for the year.

On the continuously changing banking market we want through our strategy update to be known as a stable but agile actor who meets its customers with a holistic perspective in all stages of life. We will also come across as an asset manager who provides its customers with world-class investment services. I believe that through these resources we have all the possibilities for growth.

Helsinki 30 October 2019

Mikko Ayub
CEO

Profit and balance

Profit July–September 2019

The Group's operating profit decreased to EUR 14.3 (23.7) million and the Group's profit to EUR 11.2 (19.8) million. Comparable operating profit was EUR 17.6 (18.6) million. The implementation of IFRS 16 affected the operating profit of the third quarter with EUR -0.2 million. The effects of the implementation of the standard are described more in detail in note 1.

Items affecting comparability

(EUR million)	Jul-Sep 2019	Jul-Sep 2018
Unrealised value change of the shareholding in Folksam Non-Life Insurance	-	4.0
Profit from divestment of Aktia Real Estate Agency	-	1.1
Costs for restructuring	-3.3	-
Total	**-3.3**	**5.1**

Income

The Group's operating income decreased to EUR 52.9 (55.4) million. However, comparable operating income increased by 5% to EUR 52.9 (50.3) million.

Net interest income decreased by 7% to EUR 19.6 (21.0) million. Net interest income from borrowing and lending increased by 5% to EUR 18.7 (17.7) million. Continued low market interest rates and thereby lower interest yield from the bank's liquidity portfolio decreased the Group's net interest income by EUR 0.5 million. The remaining active interest rate derivatives for hedging purposes, i.e. to hedge demand deposit accounts and savings deposits, were unwound in August 2019. The unwound interest rate derivatives resulted in a positive cash flow of EUR 7.5 million which is accrued in the net interest income according to the interest rate derivatives' original maturity 2019-2023. Interest income from hedging measures through interest rate derivatives decreased to EUR 0.8 (2.8) million.

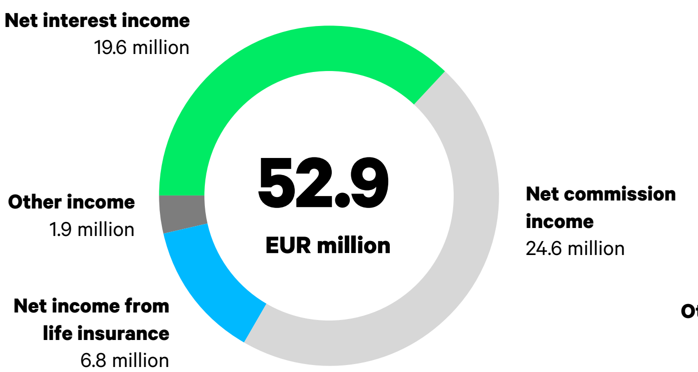
Net commission income increased by 7% to EUR 24.6 (22.9) million. Commission income from borrowing and lending amounted to EUR 3.3 (3.4) million. Commission income from funds, asset management and securities brokerage increased by 7% to EUR 16.4 (15.3) million. Card and other payment service commissions increased by 8% to EUR 6.6 (6.1) million.

Net income from life insurance increased by 25% to EUR 6.8 (5.5) million. The improvement is related to unrealised value changes in the investment portfolio of EUR 1.0 (-1.0) million. The actuarially calculated result was lower than last year due to two larger payments in the third quarter.

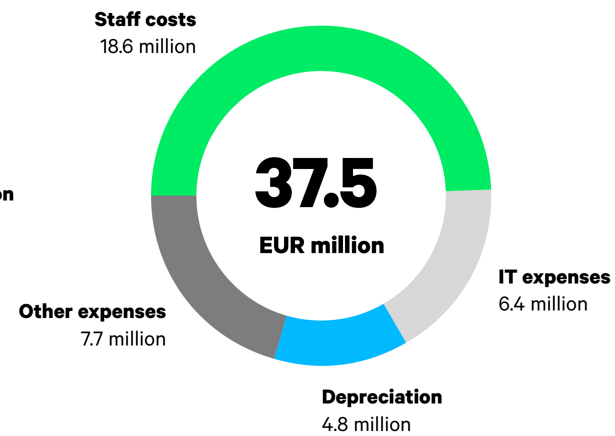
Net income from financial transactions decreased to EUR 1.2 (4.6) million. The reference period includes an unrealised value change of EUR 4.0 million from the shareholding in Folksam Non-Life Insurance. Other value changes in equity holdings amounted to EUR 0.4 (0.3) million.

Other operating income was EUR 0.4 (1.3) million. The reference period includes a profit from the divestment of Aktia Real Estate Agency Ltd of EUR 1.1 million.

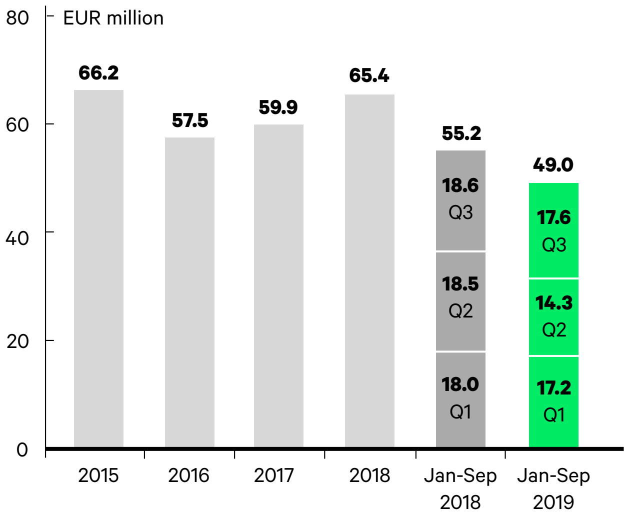
Operating income Q3 2019



Operating expenses Q3 2019



Comparable operating profit 2015–Q3 2019, EUR million



Expenses

Operating expenses amounted to EUR 37.5 (31.8) million, including estimated costs for restructuring of EUR 3.3 (-) million. Comparable operating expenses increased to EUR 34.2 (31.8) million.

Comparable staff costs increased to EUR 16.6 (14.3) million, mainly due to accruements within staff costs and somewhat higher running staff costs.

IT expenses increased slightly from the year before, and totalled EUR 6.4 (6.1) million.

The depreciation of tangible and intangible assets was EUR 4.8 (3.1) million. The increase of EUR 1.7 million is related to depreciations of real estate leases and cars according to IFRS 16.

Other operating expenses decreased to EUR 7.7 (8.4) million, including costs for restructuring of EUR 1.3 (-) million. Comparable other operating expenses decreased to EUR 6.4 (8.4) million. The decrease mainly relates to the implementation of IFRS 16.

Impairment on credits and other commitments amounted to EUR -1.2 (-0.8) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.1 (0.3) million.

Profit January–September 2019

The Group's operating profit decreased to EUR 55.6 (59.5) million and the Group's profit to EUR 45.9 (49.6) million. Comparable operating profit decreased to EUR 49.0 (55.2) million. The implementation of IFRS 16 affected the operating profit for the period with EUR -0.5 million.

Items affecting comparability

(EUR million)	**Jan-Sep 2019**	**Jan-Sep 2018**
Additional income from divestment of Visa Europe to Visa Inc	0.5	-
Profit from divestment of shares in Samlink Ltd	9.6	-
Unrealised value change of the shareholding in Folksam Non-Life Insurance	-	4.0
Profit from divestment of Aktia Real Estate Agency	-	1.1
Costs for restructuring	-3.4	-0.7
Total	**6.6**	**4.4**

Income

The Group's operating income increased to EUR 166.2 (162.4) million. However, comparable operating income decreased to EUR 156.2 (157.4) million.

Net interest income decreased by 11% to EUR 58.2 (65.2) million. Net interest income from borrowing and lending increased by 5% to EUR 54.8 (52.0) million. Interest income from the bank's liquidity portfolio decreased by EUR 1.9 million and interest income from hedging measures through interest rate derivatives by EUR 6,1 million. Interest income from Aktia's TLTRO financing programme decreased to EUR 1.2 (3.1) million. The European Central Bank determined the cost for Aktia's TLTRO financing programme in June 2018 when also the cumulative interest income was recognised.

Net commission income decreased by 2% to EUR 71.3 (73.0) million. Taking into account the reference period's income from the divested real estate agency and the terminated co-operation with Folksam, as well as the changes in accounting principles for recognition of insurance brokerage commissions, net commission income increased by 5% to EUR 71.3 (68.0) million. Commission income from borrowing and lending amounted to EUR 10.0 (10.5) million. Commission income from funds, asset management and securities brokerage increased by 4% to EUR 46.7 (45.0) million. Card and other payment service commissions increased by 7% to EUR 19.3 (18.1) million.

Net income from life insurance increased by 34% to EUR 21.7 (16.3) million, which is related to unrealised value changes in the investment portfolio of EUR 3.5 (-3.3) million. The actuarially calculated result was somewhat lower than last year.

Net income from financial transactions was EUR 4.0 (6.0) million, which includes an additional income of EUR 0.5 million from the divestment of Visa Europe to Visa Inc. The reference period includes an unrealised value change of EUR 4.0 million on shares in Folksam Non-Life Insurance. The period includes other value changes on shares and participations of EUR 0.9 (0.6) million, as well as a change in model-based credit losses (ECL) on the bank's interest-bearing securities of EUR 0.4 (0.2) million.

Other operating income amounted to EUR 10.5 (1.9) million and include a profit of EUR 9.6 million from the divestment of shares in Samlink Ltd. The reference period includes a profit from the divestment of Aktia Real Estate Agency Ltd of EUR 1.1 million.

Expenses

Operating expenses increased by 5% to EUR 108.6 (103.6) million, including estimated restructuring costs of EUR 3.4 (0.7) million. Comparable operating expenses increased by 2% to EUR 105.2 (102.9) million.

Staff costs increased to EUR 52.1 (48.6) million, including restructuring costs of EUR 2.1 (0.7) million. Comparable staff costs increased by 4% to EUR 49.9 (47.9) million. The increase is mainly related to somewhat higher costs for the AktiaUna programme and accruements within staff costs. The running staff costs were approximately on the same level as last year.

IT expenses increased to EUR 19.4 (18.1) million. The deviation is mainly related to higher investments during 2019 compared to 2018.

The depreciation of tangible and intangible assets increased to EUR 14.6 (9.4) million and includes depreciation of real estate leases and cars according to IFRS 16 of EUR 5.1 (-) million.

Other operating expenses decreased to EUR 22.5 (27.6) million, including costs for restructuring of EUR 1.3 (-) million. Comparable other operating expenses decreased to EUR 21.2 (27.6) million, of which the implementation of IFRS 16 reduced other operating expenses by EUR 5.5 million.

Impairment on credits and other commitments increased to EUR -3.7 (-0.7) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.9 (0.9) million.

Share of profit from associated companies includes dividend of EUR 1.7 (1.4) million from Samlink Ltd.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 9,614 (9,267) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees increased to EUR 543 (519) million.

Borrowing

Borrowing from the public and public-sector entities amounted to EUR 4,116 (3,963) million. Aktia's market share of deposits was 3.3 (3.3) % at the end of August.

The value of bonds issued by the Aktia Bank totalled EUR 2,549 (2,460) million. Of these, EUR 1,632 (1,666) million were Covered Bonds issued by Aktia Bank.

Aktia Bank issued a Tier 2 loan of EUR 70 million on the capital market in September. Through the issue outstanding debentures originally sold to private customers were replaced. The Tier 2 loan is because of its structure more efficient for the capital adequacy calculation than the earlier debenture loans.

During the period, Aktia Bank also issued a new long-term Covered Bond to a value of EUR 500 million and a maturity of 7 years. The issue was carried out to very favourable terms and it was oversubscribed more than twofold. As security for the Covered Bond issue, bonds with a value of EUR 2,186 (2,264) million were reserved.

During the period, Aktia Bank has also issued new long-term unsecured bonds to a value of EUR 120 million as part of its EMTN programme.

Lending

Total Group lending to the public and public-sector entities increased by EUR 167 million to EUR 6,273 (6,107) million. Loans to households accounted for EUR 4,847 (4,756) million, or 77.3 (77.9) % of the loan book.

The housing loan book totalled EUR 4,758 (4,698) million, of which the share for households was EUR 3,998 (3,958) million. Aktia's new lending to households increased to EUR 790 (726) million. At the end of August, Aktia's market share in housing loans to households stood at 4.0 (4.1) %.

Corporate lending accounted for 12.0 (11.6) % of Aktia Group's loan book. Total corporate lending increased to EUR 751 (708) million. Loans to housing companies amounted to EUR 637 (604) million, making up 10.2 (9.9) % of Aktia's total loan book.

Loan book by sector

(EUR million)	30 Sep 2019	31 Dec 2018	Δ	Share, %
Households	4,847	4,756	91	77.3%
Corporates	751	708	43	12.0%
Housing companies	637	604	34	10.2%
Non-profit organisations	36	35	0	0.6%
Public sector entities	4	4	-1	0.1%
Total	**6,273**	**6,107**	**167**	**100.0%**

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio and other interest-bearing investments of the Bank Group amounting to EUR 1,410 (1,368) million, the life insurance company's investment portfolio amounting to EUR 553 (551) million and the equity holdings of the Bank Group amounting to EUR 4 (4) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,227 (1,156) million, of which EUR 845 (757) million were unit-linked. Interest-related technical provisions decreased to EUR 382 (399) million.

Equity

Aktia Group's equity amounted to EUR 605 (590) million. The fund at fair value increased by EUR 9 million to EUR 27 (18) million and the profit for the period amounted to EUR 46 million. Dividend amounting to EUR 42 million was paid to the shareholders in April.

Assets under Management

The Group's total assets under management amounted to EUR 12,058 (10,466) million.

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

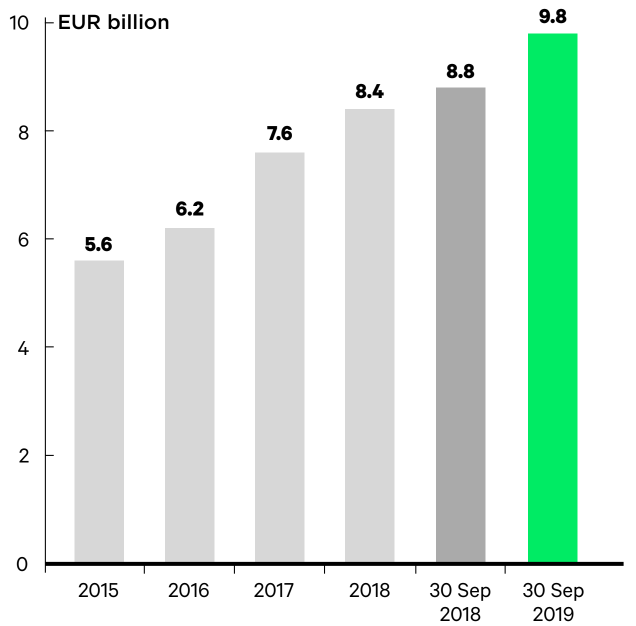
Group financial assets include the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	30 Sep 2019	31 Dec 2018	Δ %
Customer assets under management*	9,849	8,353	18%
Group financial assets	2,209	2,113	5%
Total	**12,058**	**10,466**	**15%**

* Excluding Fund in funds (comparative periods recalculated)

Customer assets under management (AuM) excluding custody assets 2015–30 September 2019, EUR billion



Segment overview

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

Banking Business

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

The segment's operating profit

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %
Operating income	98.7	98.3	0%
Operating expenses	-82.2	-75.5	9%
Operating profit	12.7	22.1	-42%
Comparable operating profit	16.1	22.6	-29%

The growth in lending was still stable and the acquisition of new customers was strong during the third quarter. Lending increased to EUR 6,273 (6,100) million, of which the private customers' loan book increased to EUR 4,882 (4,792) million and the corporate customers' loan book to EUR 1,391 (1,307) million.

The demand on housing loans is still increasing but it seems to be stabilising slowly. The intensive price competition in housing loans continued, especially in the Helsinki region, i.e. the pressure on margins continues.

The use of the online and mobile bank among private customers is growing in the whole customer base, and the utilization rate has increased by 19% compared to the year before. The number of mobile bank agreements increased during the third quarter by as much as 47%, but the increase is partly explained by the payment services directive PSD2, which requires a strong identification for electronic payments. Among private customers Aktia was the bank that most improved its customer satisfaction in the September EPSI rating, measuring banking customers' satisfaction. According to the rating, customer satisfaction developed favourably in all areas.

In corporate business the companies' investment appetite and building volumes show that the growth in the economic cycle is beginning to slow down. Despite this, Aktia's corporate lending continued its growth during the third quarter. The strong demand continued both in new construction and renovations. The risk level of the corporate loan book has continued on a stable level and the margin level could be retained despite price pressure.

Aktia's updated strategy is seeking larger growth in the growth areas of Finland and is investing in developing the offering, taking into account the various needs in the customers' different stages of life. The service models are increasingly based on the availability of digital channels, combined with appropriate counselling. The strategy update also supports Aktia's corporate business by combining the companies' and their owners' needs. Aktia will concentrate also in the future on solutions for the customers' needs regarding both existing and new SME customers as well as housing related corporate clients.

Results

The segment's operating income increased slightly from the year before and totalled EUR 98.7 million. Net interest income increased by 3% to EUR 50.8 million, which mainly relates to the growth in the corporate customers' loan book.

The net commission income was 2% lower than the year before and amounted to EUR 47.7 million. The decrease is mainly attributable to lower income from brokered insurance and the terminated co-operation with Folksam Non-Life Insurance in 2018.

Comparable operating expenses for the period increased by 5% to EUR 78.9 (75.0) million. The increase from last year is mainly attributable to higher IT-related expenses and marketing expenses.

Impairment on credits and other commitments remained low. The change in the allowance for model-based credit losses (ECL) increased by EUR 2.1 million from the corresponding period last year, which resulted in an increase of total impairments to EUR -3.7 (-0.7) million.

Asset Management

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

The segment's operating profit

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %
Operating income	48.8	40.6	20%
Operating expenses	-21.4	-20.2	6%
Operating profit	27.4	20.5	34%
Comparable operating profit	27.4	20.5	34%

Customer assets under management including managed and brokered funds as well as assets under management in the subsidiaries Aktia Asset Management Ltd and Aktia Fund Management Company Ltd reached their highest level ever during the period and amounted to EUR 9,849 (8,353) million. The increase is related to both strong sales and favourable market development.

(EUR million)	30 Sep 2019	31 Dec 2018	Δ %
Customer assets under management*	9,849	8,353	18%
of which institutional assets	6,778	5,652	20%

* Excluding Fund in funds (comparative periods recalculated)

Net subscriptions have been positive during the period in Aktia's branch network, to institutional Finnish customers as well as foreign institutional customers. Especially international sales through the Universal-Investment fund company in Luxembourg (UI) have been strong. The UI-Aktia fund capital has increased by 67% during the year and amounted at the end of September to EUR 1,873 (1,121) million.

Total sales of mutual funds during the period amounted to EUR 1,005 (1,013) million and at the end of the period Aktia Fund Management Company's fund book was EUR 5.2 (4.4) billion. The investment fund Aktia Emerging Market Local Currency Frontier Bond+ was the first of Aktia's own funds to exceed one billion euro.

During the period, Aktia has strengthened its resources within investment operations by recruiting new experts to the investment team. The recruitments support the growing customer demand, improve Aktia's investment competence further and support a wider service offering. As part of the explicit targets in the new strategy update to increase the offering within asset management, Aktia is launching a new fund with direct investments in European high yield corporate loans in October.

Aktia has during the period also continued its work with Principles for Responsible Investment (PRI). Responsibility is an integrated part of the normal investment operations. Aktia has during the period through co-operation partners increased its investments in both responsible ownership and influence, including measuring the fund's influence on its environment.

Aktia Life Insurance is actively working on developing new products and flexible sales processes, regarding both investment-linked products and personal coverage. As a part of this, a new savings insurance product has been launched in the autumn.

Results

The operating income for the period increased by 20% to EUR 48.8 million, which is explained by strong sales, a good development on the investment market and positive value changes in the life insurance operations of EUR 3.5 (-3.3) million. Net commission income increased by 9% to EUR 30.3 million and net income from life insurance by 43% to EUR 18.3 million. The sale of investment-linked savings insurance among Private Banking customers has increased by more than 50% during the period.

The segment's operating expenses increased by 6% to EUR 21.4 million, which is mainly due to higher staff costs, slightly higher IT expenses and higher other expenses.

Group Functions

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

The segment's operating profit

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %
Operating income	24.2	24.9	-2%
Operating expenses	-10.6	-10.9	-3%
Operating profit	13.7	14.0	-2%
Comparable operating profit	3.7	10.2	-63%

The segment's reported operating income include a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd, and an additional income of EUR 0.5 million relating to the divestment of Visa Europe to Visa Inc in 2016. Last year includes an unrealised value change of EUR 4.0 million on shares in Folksam Non-Life Insurance. The comparable operating income for the period amounted to EUR 14.2 (20.9) million.

Net interest income for the segment decreased following lower interest income from hedging interest rate derivatives and lower yields from the bank's liquidity portfolio. Interest income from hedging measures through interest rate derivatives decreased to EUR 3.3 (9.4) million and interest income from the bank's liquidity portfolio to EUR 4.7 (6.6) million.

Since March 2015, Aktia participates in the European Central Bank's long-term refinancing operations (TLTRO), which has enabled Aktia to offer financing with favourable and competitive terms. Interest income from Aktia's TLTRO financing amounted to EUR 1.2 (3.1) million for the period.

The European Central Bank determined the cost for Aktia's TLTRO financing in June 2018 when also the cumulative interest income was recognised.

Lower financing expenses from new long-term financing is partially compensating for decreasing income from the liquidity portfolio and unwound interest rate hedges. Despite the challenging interest rate situation, a positive interest yield has been retained when reinvesting in the liquidity portfolio.

The operating expenses of the segment were somewhat lower than last year.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
Income statement	**Jan-Sep 2019**	**Jan-Sep 2018**	**Jan-Sep 2019**	**Jan-Sep 2018**	**Jan-Sep 2019**	**Jan-Sep 2018**	**Jan-Sep 2019**	**Jan-Sep 2018**	**Jan-Sep 2019**	**Jan-Sep 2018**
Net interest income	50.8	49.2	0.0	0.0	7.4	16.0	-	0.0	58.2	65.2
Net commission income	47.7	48.8	30.3	27.7	2.1	2.2	-8.8	-5.7	71.3	73.0
Net income from life insurance	-	-	18.3	12.8	-	-	3.4	3.5	21.7	16.3
Other operating income	0.2	0.3	0.2	0.2	14.8	6.6	-0.1	0.8	15.0	7.9
Total operating income	**98.7**	**98.3**	**48.8**	**40.6**	**24.2**	**24.9**	**-5.5**	**-1.4**	**166.2**	**162.4**
Staff costs	-14.8	-14.3	-10.5	-9.8	-26.8	-22.4	-	-2.0	-52.1	-48.6
Other operating expenses[1]	-67.5	-61.3	-10.8	-10.3	16.2	11.5	5.6	5.0	-56.6	-55.1
Total operating expenses	**-82.2**	**-75.5**	**-21.4**	**-20.2**	**-10.6**	**-10.9**	**5.6**	**2.9**	**-108.6**	**-103.6**
Impairment of credits and other commitments	-3.7	-0.7	-	-	0.0	-	-	-	-3.7	-0.7
Share of profit from associated companies	-	-	-	-	-	-	1.7	1.4	1.7	1.4
Operating profit	**12.7**	**22.1**	**27.4**	**20.5**	**13.7**	**14.0**	**1.8**	**3.0**	**55.6**	**59.5**
Comparable operating profit	**16.1**	**22.6**	**27.4**	**20.5**	**3.7**	**10.2**	**1.8**	**2.0**	**49.0**	**55.2**
Balance sheet	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Financial assets measured at fair value	0.1	0.1	1,228.7	1,122.8	1,114.6	1,120.7	-	-	2,343.4	2,243.6
Cash and balances with central banks	1.7	4.4	0.0	0.0	320.9	284.8	-	-	322.5	289.2
Interest-bearing securities measured at amortised cost	-	-	68.9	69.0	278.4	239.0	-	-	347.2	308.0
Loans and other receivables	6,273.3	6,099.9	57.7	77.7	21.7	28.1	-55.5	-75.8	6,297.2	6,129.8
Other assets	19.9	11.8	55.2	5.0	286.7	342.5	-58.1	-63.1	303.7	296.2
Total assets	**6,294.9**	**6,116.2**	**1,410.5**	**1,274.5**	**2,022.3**	**2,015.0**	**-113.6**	**-138.9**	**9,614.0**	**9,266.8**
Deposits	4,225.3	4,071.0	-	-	502.1	569.8	-55.5	-75.6	4,671.9	4,565.1
Debt securities issued	0.4	0.6	-	-	2,548.8	2,459.7	-	-	2,549.2	2,460.3
Technical provisions	-	-	1,226.6	1,155.7	-	-	-	-	1,226.6	1,155.7
Other liabilities	11.8	3.6	34.0	29.8	522.4	465.5	-6.7	-3.2	561.5	495.7
Total liabilities	**4,237.5**	**4,075.2**	**1,260.6**	**1,185.5**	**3,573.3**	**3,495.0**	**-62.2**	**-78.9**	**9,009.1**	**8,676.9**

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.

Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 15.6 (17.5) %. After deductions, Common Equity Tier 1 capital increased by EUR 5.8 million during the period, which improved the CET1 capital ratio by 0.2 percentage points. Risk-weighted commitments increased by EUR 296.2 million, which reduced the CET1 capital ratio by 2.1 percentage points. The change is mainly attributable to the implementation of the IRB approach to certain corporate exposures (Foundation Internal Ratings Based Approach, F-IRB) during the third quarter. In the third quarter Aktia Bank Plc issued a Tier 2 loan of EUR 70 million, which improved the total capital ratio by 2.8 percentage points.

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

Capital adequacy, %	**30 Sep 2019**	**31 Dec 2018**
Bank Group		
CET1 capital ratio	15.6	17.5
Total capital ratio	20.0	20.5

The total capital requirement for the banking business consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The table below describes the different components for Aktia's capital requirements. The board of Financial Supervisory Authority has decided to set system risk buffer requirements for Finnish credit institutions. According to the Financial Supervisory Authority, the buffer requirement aims to strengthen the credit institutions' structural system risk tolerance. The requirement varies between the credit institutions and a 1% system risk buffer has been set for Aktia Bank Plc. The system risk buffer is to be met with CET1 capital and it entered into force on 1 July 2019. Taking all buffer requirements into account, the minimum total capital ratio level for the Bank Group was 13.30%, and 11.30% for Tier 1 capital ratio at the end of the period.

Leverage Ratio	**30 Sep 2019**	**31 Dec 2018**
Tier 1 capital	390.0	384.2
Total exposures	8,344,2	8,111.1
Leverage ratio, %	**4.7**	**4.7**

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

MREL-requirement (EUR million)	**30 Sep 2019**	**31 Dec 2018**
MREL requirement	665.4	645.5
Own funds and eligible liabilities		
CET1	390.0	384.2
AT1 instruments	0.0	0.0
Tier 2 instruments	171.5	148.3
Other liabilities	621.0	660.6
Total	**1,182.4**	**1,193.1**

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.

Solvency II	**With transitional rules**		**Whitout transitional rules**	
(EUR million)	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
MCR	24.7	22.7	26.4	24.7
SCR	92.1	76.4	103.6	89.0
Eligible capital	153.1	175.5	106.7	125.8
Solvency ratio, %	166.3	229.8	103.1	141.5

Total capital requirement

			Buffer requirements				
30 Sep 2019	**Pillar 1 requirement**	**Pillar 2 requirement**	**Capital Conservation**	**Counter-cyclical**	**O-SII**	**Systemic risk**	**Total**
CET1 capital	4.50	1.75	2.50	0.05	0.00	1.00	9.80
AT1 capital	1.50	0.00					1.50
Tier 2 capital	2.00	0.00					2.00
Total	**8.00**						**13.30**

The Group's risk exposures

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

Definitions and general principles for asset and risk management can be found in Aktia Bank Plc's Annual Report for 2018 (www.aktia.com), in note G2 on pages 83–95, or in Aktia Bank Plc's Capital and Risk Management Report on the Group's website www.aktia.com.

Banking and asset management business

Credit risks

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

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

(EUR million)	3Q2019	4Q2018
Corporate		
PD grades A	182.3	198.4
PD grades B	807.5	817.5
PD grades C	523.5	542.8
Default	15.9	30.3
	1,529.2	1,589.0
Loss allowance (ECL)	-12.3	-26.8
Carrying amount	1,516.9	1,562.2
Households		
PD grades A	3,394.3	3,354.6
PD grades B	835.0	815.1
PD grades C	796.1	821.3
Default	53.7	49.2
	5,079.2	5,040.3
Loss allowance (ECL)	-16.2	-12.6
Carrying amount	5,063.0	5,027.7
Other		
PD grades A	0.0	0.0
PD grades B	0.0	0.0
PD grades C	9.2	16.7
Default	0.0	0.0
	9.2	16.7
Loss allowance (ECL)	0.0	0.0
Carrying amount	9.2	16.7

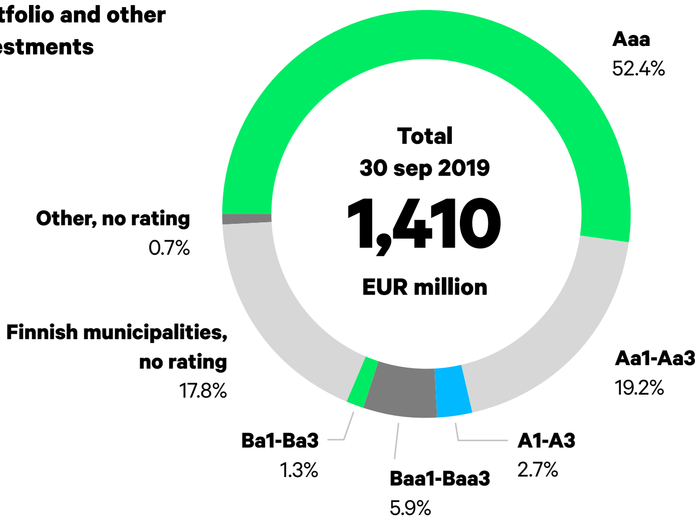
Loans past due by time overdue and ECL stages *

(EUR million)	30 Sep 2019			
Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	45.6	32.0	0.3	77.9
of which households	28.7	30.2	0.2	59.1
> 30 ≤ 90	0.0	23.8	0.9	24.7
of which households	0.0	21.4	0.5	21.9
> 90	0.0	0.0	44.1	44.1
of which households	0.0	0.0	36.9	36.9

(EUR million)	31 Dec 2018			
Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	39.3	14.9	0.1	54.2
of which households	36.5	13.5	0.1	50.1
> 30 ≤ 90	0.0	33.8	0.5	34.2
of which households	0.0	28.3	0.2	28.5
> 90	0.0	0.0	40.4	40.4
of which households	0.0	0.0	33.3	33.3

* The comparison figures 31 Dec 2018 have been restated

Rating distribution for the Bank Group's liquidity portfolio and other interest-bearing investments



Market risks

Market risks are formed 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 constitutes the largest market risk. A structural interest rate risk arises as a result of differences in periods for which interest rates are tied and at repricing of interest-bearing assets and liabilities. In the banking business, structural interest rate risks are managed actively through different trading arrangements, 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 present value on interest-bearing assets and liabilities where the interest rate curve is stressed using different interest rate scenarios for a dynamic or parallel change in interest rates.

The table Structural interest rate risk shows the interest rate sensitivity of the net interest income with a parallel shift in the interest rate curve of 1 percentage point.

Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve of 1% percentage point		**Change in net interest income**			
		30 Sep 2019		**31 Dec 2018**	
(EUR million)	**Interest rate change**	**Down**	**Up**	**Down**	**Up**
Changes during the next 12 months		0.3	3.6	0.0	8.1
Changes during 12-24 months		0.0	9.6	0.6	22.8

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

Equity investments pertaining to business operations amounted to EUR 4.5 (3.6) million at the end of the period. The Bank Group has no real estate holdings at the end of the period.

The Bank Group's total currency exposure amounted to EUR 4.2 (3.6) million at the end of the period.

Liquidity reserve and measurement of liquidity risk

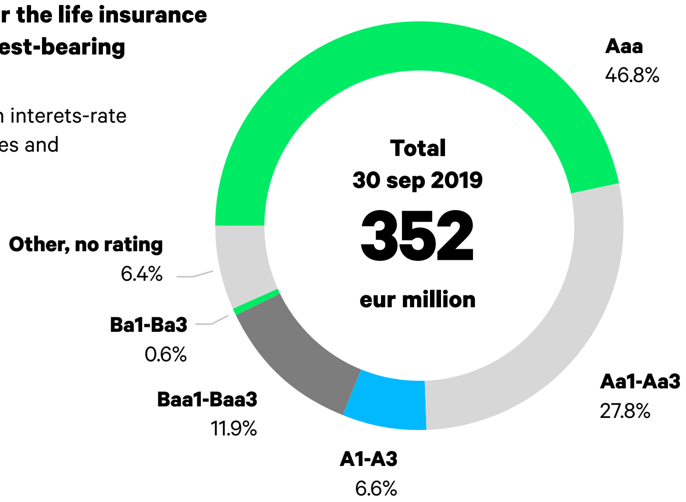
The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,155 (965) million at the end of the period.

All bonds, with the exception of investments in domestic commercial papers, met the criteria for refinancing at the central bank.

Liquidity reserve, market value (EUR million)	**30 Sep 2019**	**31 Dec 2018**
Cash and balances with central banks	279	247
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	204	205
Securities issued or guaranteed by municipalities or the public sector	296	236
Covered Bonds	349	241
Securities issued by credit institutions	0	37
Securities issued by corporates (commercial papers)	28	0
Total	**1,155**	**965**

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

(excluding investments in interets-rate funds, real estates, equities and alternative investments)



The liquidity risk is 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 sufficient to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. At the end of the period LCR amounted to 133 (134) %.

Liquidity coverage ratio (LCR)*	30 Sep 2019	31 Dec 2018
LCR %	133%	134%

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

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 553 (552) million. The life insurance company's direct real estate investments amounted to EUR 35 (39) million. The properties are located in the Helsinki region and in other growth areas in Southern Finland, and they mostly have long tenancies.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	30 Sep 2019		31 Dec 2018	
Fixed income investments	**444.8**	**80.4 %**	**428.8**	**77.7%**
Government bonds	99.1	17.9 %	84.3	15.3%
Financial bonds	189.2	34.0 %	188.6	34.2%
Other corporate bonds	59.5	9.2 %	61.3	11.1%
Emerging Markets (mtl. funds)	49.8	9.0 %	46.9	8.5%
High yield (mtl. funds)	19.5	3.5 %	19.5	3.5%
Trade finance (mtl. funds)	27.8	5.0 %	28.2	5.1%
Alternative investments	**6.5**	**1.2 %**	**4.5**	**0.8%**
Private Equity etc.	6.5	1.2 %	4.5	0.8%
Real estates	**60.1**	**10.9 %**	**67.2**	**12.2%**
Directly owned	35.0	6.3 %	38.6	7.0%
Real estate funds	25.1	4.5 %	28.5	5.2%
Money Market	**8.0**	**1.4 %**	**0.0**	**0.0 %**
Cash and bank	**33.5**	**6.1 %**	**51.1**	**9.3%**
Total	**553.0**	**100.0 %**	**551.5**	**100.0%**

Life insurance company's market risk

The average discount rate for the interest-bearing technical provisions is 3.4%. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which can be used to cover the future interest rate requirement. Interest rate risk is the most significant risk in conjunction with technical provisions in the life insurance company. It affects profitability through the spread between rate of return and guaranteed customer rate and capital adequacy as a result of the market valuation of assets and liabilities. Interest rate risk of the company's balance sheet items in the investment portfolio and both in the interest-linked and unit-linked technical provisions, is calculated through an interest rate stress test (decrease) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-termed technical provisions, amounted to EUR -47 (-45) million in September.

Main events

Strategy and long-term financial targets

Aktia updated its strategy and its long-term financial targets at the Capital Markets Day on 10 September 2019. According to the strategy update, extending to 2023, Aktia is seeking an even stronger growth in asset management and new customers in the growing cities in Finland, and continues to further intensify its operations. The aim of the strategy is to support Aktia's growth targets and to lead the company towards the new vision of being "The good bank. And a great asset manager".

Aktia initiated co-operation negotiations as a part of the planned service entity renewal

As a part of the strategy update and its implementation a renewal of Aktia's service entity is also planned. Aktia's branch network and its possible adjustment will also be assessed. As a result, Aktia is seeking growth especially in growing cities in Finland and initiates co-operation negotiations on 10 September 2019. The co-operation negotiations will affect about 380 persons. Possible shifting to part-time work and lay-offs will affect 110 employees at the most. The preliminary estimate is that the planned measures will bring annual savings of about EUR 3 million starting from 2020.

Aktia fulfils the new MREL-requirement clearly

The Financial Stability Board has set a new minimum requirement according to the Finnish resolution act for Aktia Bank Plc on capital and eligible liabilities that can be written down (MREL-requirement). The requirement is twice the minimum capital requirement, including the total capital buffer at the end of 2017. The MREL-requirement was set at 23.37% of total risk weighted assets, however, at least 8% of balance sheet total and enters into force immediately. Aktia Bank meets the requirement clearly.

Aktia involved in the first electronic housing transaction in Finland

On 18 June 2019, Aktia participated in the first electronic housing transaction in Finland where each stage of the transaction process, from the signing of the deeds of sale to the transfer tax, were conducted electronically. Aktia has participated in the development of digital housing transactions from the beginning and together with other Finnish banks been part of the joint venture that owns DIAS, the digital system for housing transactions. DIAS is a platform enabling digital housing transactions through a system between real estate agencies, property developers and banks. The platform is based on blockchain technology.

The launch of a new Investment Assistant solution

Aktia launched in summer 2019 a new digital Investment Assistant solution in order to create an easily accessible tool for digital savings and investments. With the help of the Investment Assistant Aktia's customers can define their own savings target and choose the most suitable tools for reaching the target. From the customer's point of view the Investment Assistant renews and digitalises many key banking services and makes using electronic services more flexible. The Investment Assistant has been developed in active co-operation with Aktia's customers.

Aktia divested its holdings in Samlink Ltd

On 23 January 2019, Aktia entered into an agreement to divest its holdings (22.56%) in Samlink Ltd to Cognizant Technology Solutions Finland Ltd. The divestment was finalised on 1 April 2019. In 2013 Aktia took the strategic decision to renew its core banking system and to waive from Samlink's system environment. The transaction generated a EUR 9.6 million sales gain in the second quarter, which affects the Group's reported operating profit for 2019. However, the transaction does not have an effect on the Group's comparable operating profit.

Renewal of business segments

Aktia's operations are now divided into the following three business segments: Banking Business, Asset Management and Group Functions. Aktia is reporting according to the new business segments as of 1 January 2019. The new segment Banking Business comprises the previous segment Personal & Corporate Banking as well as Aktia's private banking business and the banking business of institutional customers, which previously were included in the Wealth Management segment. The new segment Asset Management comprises the previous Wealth Management segment, excluding the private banking business and the banking business of institutional customers, which from now on are included in the new Banking Business segment. Central functions, including the Group's treasury operations, will still form part of the Group Functions segment.

Other information

Events after the end of the period

Niina Bergring, M.Sc. (Econ.) has been appointed Director for business area Asset Management as of 1 January 2020. She will be a member of Aktia's Executive Committee.

In order to speed up the strategy implementation and to further increase operational efficiency, the following changes will be made in the Executive Committee members' areas of responsibility:

Executive Vice President Juha Hammarén will focus on advancing the Group's strategic transactions, further develop the bank's credit portfolio and balance sheet as well as continue as Chairman of the Board of Aktia Life Insurance. Hammarén will also continue as member of the Executive Committee and as Deputy CEO.

HR Director and member of the Executive Committee Anu Tuomolin is appointed Chief Operating Officer (COO) responsible for HR, Business Risk Management, Production Center and Data & Analytics.

The changes in the Executive Committee's areas of responsibility will enter into force on 1 November 2019.

Rating

On 18 December 2018, Standard and Poor's confirmed its rating of Aktia Bank Plc's creditworthiness. The rating is A- for long-term borrowing and A2 for short-term borrowing, both with a stable outlook.

On 13 September 2019, Moody's Investors Service confirmed the long- and short-term deposit ratings of Aktia Bank. The Senior Unsecured rating was A1/P-1.

Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term Covered Bonds. The outlook is stable.

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

Events concerning related parties

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

Further information on events concerning related parties is described in notes G44 and P44 in the Financial statements 2018.

Staff

The number of full-time employees at the end of September amounted to 767 (31 December 2018; 779). The average number of full-time employees amounted to 790 (1 January–31 December 2018; 803).

Incentive scheme

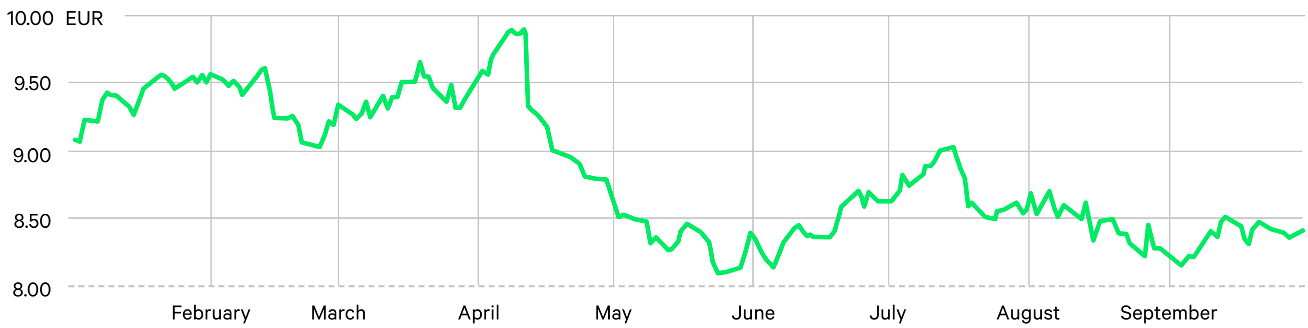
As of 2018, Aktia Bank Plc has launched a new long-term share savings plan for Aktia Group's employees in order to support the implementation of Aktia's strategy.

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

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

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

Development of Aktia's share 2 January–30 September 2019



Decisions of Aktia Bank Plc's Annual General Meeting 2019

The Annual General Meeting of Aktia Bank Plc on 11 April 2019 adopted the consolidated financial statements of the parent company and the Group, and discharged the members of the Board of Directors, the CEO and Deputy CEO from liability.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided to distribute a dividend of EUR 0.61 per share totalling approximately EUR 42 million for the financial period 1 January–31 December 2018.

The following Board members were re-elected: Christina Dahlblom, Stefan Damlin, Maria Jerhamre Engström, Johannes Schulman, Lasse Svens and Arja Talma. New Board members are Tarja Wist, LL.M., Attorney-at-Law, and Johan Hammarén, M.Sc. (Econ.), LL.M. All Board members were elected for the term running until the end of the next Annual General Meeting. The Board of Directors, which convened after the General Meeting, elected Lasse Svens as chair.

The Annual General Meeting determined that the number of auditors shall be one, and re-elected KPMG Oy Ab as auditor.

The Annual General Meeting adopted the proposals by the Board of Directors concerning the authorisation to issue shares, the authorisation to acquire treasury shares to be used in the company's share-based incentive scheme and/or as remuneration to members of executive bodies in the company as well as the authorisation to divest treasury shares.

All proposals mentioned above are included in the Summons to the AGM published on the website www.aktia.com under About Aktia > Corporate Governance > Annual General Meeting > Annual General Meeting 2019.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 163 million. At the end of September 2019, the number of Aktia shares was 69,094,753. The total number of registered holders amounted to 36,140 (31 December 2018: 37,475). 8.1% of the shares were in foreign ownership. The number of unregistered shares was 765,583 at 30 September 2019, corresponding to 1.1% of the total number of shares. On 30 September 2019, the Group held 29,321 (31 December 2018; 111,340) Aktia shares. Aktia Bank Plc's market value on 30 September 2019, the last trading day of the period, was EUR 582 million. Aktia's stock exchange value on 30 September 2019 was EUR 8.42. The highest price for the Aktia share was EUR 9.90 and the lowest EUR 8.08.

The average daily turnover of the Aktia share during January–September 2019 was EUR 273,189 or 30,851 shares.

Financial targets up until 2023

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

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

Risks and outlook

Risks (unchanged)

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

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

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

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

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

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

Outlook 2019 (unchanged)

The continued low interest rate environment and decreased income from previously unwound interest rate hedges (2012) will still have a negative impact on the total net interest income 2019.

The uncertainty regarding the future economic development brings uncertainty to the prognosis, which may have a considerable effect especially on the income from wealth management and investment activities in the net commission income and net income from life insurance.

Impairment of credits are expected to remain on a low level in 2019.

Despite the uncertainty of the economic development, the comparable operating profit 2019 is expected to be approximately on the same level as for 2018.

Tables and notes to the interim report

Key figures

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %	3Q2019	2Q2019	1Q2019	4Q2018	3Q2018
Earnings per share (EPS), EUR	0.67	0.72	-8%	0.16	0.30	0.21	0.09	0.29
Total earnings per share, EUR	0.80	0.59	36%	0.17	0.38	0.25	0.08	0.21
Equity per share (NAV), EUR *1	8.76	8.48	3%	8.76	8.58	8.81	8.56	8.48
Average number of shares (excl. treasury shares), million2	69.0	68.8	0%	69.0	69.0	69.0	68.8	68.8
Number of shares at the end of the period (excl. treasury shares), million1	69.1	68.8	0%	69.1	69.1	69.0	68.9	68.8
Return on equity (ROE), %*	10.2	11.2	-8%	7.4	13.7	9.4	4.4	13.7
Return on assets (ROA), %*	0.65	0.70	-7%	0.47	0.85	0.59	0.28	0.84
Cost-to-income ratio*	0.65	0.64	2%	0.71	0.58	0.69	0.83	0.57
Common Equity Tier 1 capital ratio, CET1 (Bank Group), %1	15.6	16.6	-6%	15.6	16.5	16.9	17.5	16.6
Tier 1 capital ratio (Bank Group), %1	15.6	16.6	-6%	15.6	16.5	16.9	17.5	16.6
Capital adequacy ratio (Bank Group), %1	20.0	20.1	0%	20.0	18.6	19.4	20.5	20.1
Risk-weighted commitments (Bank Group)1	2,495.4	2,262.0	10%	2,495.4	2,383.5	2,305.2	2,199.2	2,262.0
Capital adequacy ratio (finance and insurance conglomerate), %1	129.4	157.0	-18%	129.4	148.6	154.7	166.1	157.0
Equity ratio, %*1	6.4	6.2	4%	6.4	6.3	6.3	6.3	6.2
Group financial assets*1	2,208.9	2,265.0	-2%	2,208.9	2,188.2	2,675.9	2,112.9	2,265.0
Customer assets under management*1,3	9,849.4	8,805.6	12%	9,849.4	9,326.5	8,786.3	8,353.4	8,805.6
Borrowing from the public1	4,116.3	4,024.8	2%	4,116.3	4,139.9	3,999.4	3,962.5	4,024.8
Lending to the public1	6,273.5	6,029.8	4%	6,273.5	6,246.4	6,156.7	6,106.7	6,029.8
Premiums written before reinsurers' share*	79.1	86.4	-8%	28.5	26.0	24.6	19.3	19.8
Expense ratio, % (life insurance company)*2	75.5	75.3	0 %	75.5	76.6	78.2	77.0	75.3
Solvency ratio (life insurance company), %	166.3	216.1	-23%	166.3	188.5	200.5	229.8	216.1
Eligible capital (life insurance company)	153.1	177.2	-14%	153.1	160.9	166.1	175.5	177.2
Investments at fair value (life insurance company)*1	1,331.7	1,314.8	1 %	1,331.7	1,321.7	1,302.9	1,230.5	1,314.8
Technical provisions for risk insurances and interest-related insurances1	381.9	402.5	-5%	381.9	387.8	396.9	398.9	402.5
Technical provisions for unit-linked insurances1	844.7	821.9	3%	844.7	832.1	812.8	756.8	821.9
Group's personnel (FTEs), average number of employees	790	807	-2%	804	794	778	780	810
Group's personnel (FTEs), at the end of the period1	767	770	0%	767	828	774	779	770
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio*	0.67	0.65	3%	0.65	0.69	0.69	0.79	0.63
Comparable earnings per share (EPS), EUR*	0.56	0.66	-14%	0.20	0.16	0.21	0.12	0.23
Comparable return on equity (ROE), %*	8.6	10.2	-15%	9.2	7.2	9.4	5.6	10.9

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

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

Formulas for key figures are presented in Aktia Bank Plc's annual report 2018 page 71.

Consolidated income statement

(EUR million)	Note	Jan-Sep 2019	Jan-Sep 2018	Δ %	2018
Net interest income	3	58.2	65.2	-11%	85.9
Dividends		0.5	0.1	325%	0.1
Commission income		79.7	82.4	-3%	107.9
Commission expenses		-8.4	-9.4	11%	-12.3
Net commission income		71.3	73.0	-2%	95.6
Net income from life insurance	4	21.7	16.3	34%	21.4
Net income from financial transactions	5	4.0	6.0	-33%	4.9
Net income from investment properties		-	0.0	-	0.0
Other operating income		10.5	1.9	466%	2.3
Total operating income		**166.2**	**162.4**	**2%**	**210.1**
Staff costs		-52.1	-48.6	7%	-66.7
IT expenses		-19.4	-18.1	7%	-25.6
Depreciation of tangible and intangible assets		-14.6	-9.4	56%	-12.4
Other operating expenses		-22.5	-27.6	-18%	-38.3
Total operating expenses		**-108.6**	**-103.6**	**5%**	**-143.0**
Impairment of credits and other commitments	7	-3.7	-0.7	424%	-0.8
Share of profit from associated companies		1.7	1.4	19%	1.3
Operating profit		**55.6**	**59.5**	**-7%**	**67.6**
Taxes		-9.7	-10.0	-3%	-11.6
Profit for the period		**45.9**	**49.6**	**-7%**	**56.0**
Attributable to:					
Shareholders in Aktia Bank Plc		45.9	49.6	-7%	56.0
Total		**45.9**	**49.6**	**-7%**	**56.0**
Earnings per share (EPS), EUR		0.67	0.72	-8%	0.81
Earnings per share (EPS), EUR, after dilution		0.67	0.72	-8%	0.81
Operating profit excluding items affecting comparability:					
Operating profit		55.6	59.5	-7%	67.6
Operating income:					
Additional income from divestment of Visa Europe to Visa Inc		-0.5	-	-	-
Unrealised value change of the shareholding in Folksam Non-Life Insurance		-	-4.0	-	-4.0
Value change of equity holding in Bohemian Wrappsody		-	-	-	1.0
Profit from divestment of shares in Samlink Ltd		-9.6	-	-	-
Profit from divestment of Aktia Real Estate Agency		-	-1.1	-	-1.1
Operating expenses:					
Costs for restructuring		3.4	0.7	406%	1.8
Comparable operating profit		**49.0**	**55.2**	**-11%**	**65.4**

Consolidated statement of comprehensive income

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %	2018
Profit for the period	45.9	49.6	-7%	56.0
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets	9.8	-8.7	-	-8.9
Change in valuation of fair value for cash flow hedging	-	0.1	-	0.1
Transferred to the income statement for financial assets	-0.7	-0.5	-28%	-1.1
Comprehensive income from items which can be transferred to the income statement	9.1	-9.1	-	-10.0
Defined benefit plan pensions	-	-	-	0.0
Comprehensive income from items which can not be transferred to the income statement	-	-	-	0.0
Total comprehensive income for the period	**55.0**	**40.5**	**36%**	**46.0**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank Plc	55.0	40.5	36%	46.0
Total	**55.0**	**40.5**	**36%**	**46.0**
Total earnings per share, EUR	0.80	0.59	36%	0.67
Total earnings per share, EUR, after dilution	0.80	0.59	36%	0.67
Total comprehensive income excluding items affecting comparability:				
Total comprehensive income	55.0	40.5	36%	46.0
Operating income:				
Additional income from divestment of Visa Europe to Visa Inc	-0.4	-	-	-
Unrealised value change of the shareholding in Folksam Non-Life Insurance Company	-	-4.0	-	-4.0
Value change of equity holding in Bohemian Wrappsody	-	-	-	0.8
Profit from divestment of shares in Samlink Ltd	-9.6	-	-	-
Profit from divestment of Aktia Real Estate Agency	-	-1.1	-	-1.1
Operating expenses:				
Costs for restructuring	2.7	0.5	406%	1.5
Comparable total comprehensive income	**47.8**	**35.9**	**33%**	**43.3**

Items affecting consolidated income statement and comprehensive income

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %	2018
Net income from financial transactions	0.5	4.0	-88%	2.9
Other operating income	9.6	1.1	798%	1.1
Total operating income	**10.1**	**5.1**	**99%**	**4.0**
Staff costs	-2.1	-0.7	214%	-1.8
Other operating expenses	-1.3	-	-	0.0
Total operating expenses	**-3.4**	**-0.7**	**406%**	**-1.8**
Operating profit	**6.6**	**4.4**	**51%**	**2.2**
Taxes	0.6	0.1	335%	0.6
Total comprehensive income for the period	**7.2**	**4.5**	**59%**	**2.8**

Consolidated balance sheet

(EUR million)	Note	30 Sep 2019	31 Dec 2018	Δ %	30 Sep 2018
Assets					
Interest-bearing securities		17.4	8.7	100%	7.3
Shares and participations		137.2	136.2	1%	145.5
Investments for unit-linked investments		845.6	757.8	12%	822.9
Financial assets measured at fair value through income statement	8	1,000.3	902.7	11%	975.6
Interest-bearing securities		1,343.1	1,340.9	0%	1,558.6
Financial assets measured at fair value through other comprehensive income	8	1,343.1	1,340.9	0%	1,558.6
Interest-bearing securities	7,8	347.2	308.0	13%	308.1
Lending to Bank of Finland and other credit institutions	7,8	23.7	23.1	3%	28.9
Lending to the public and public sector entities	7,8	6,273.5	6,106.7	3%	6,029.8
Cash and balances with central banks	8	322.5	289.2	12%	217.6
Financial assets valued at amortised cost		6,966.9	6,727.0	4%	6,584.4
Derivative instruments	6,8	93.6	70.0	34%	62.0
Investments in associated companies and joint ventures		0.1	0.1	31%	0.2
Intangible assets		64.0	66.7	-4%	68.0
Right-of-use assets		12.5	-	-	-
Investment properties		34.2	39.1	-13%	46.8
Tangible assets excl. investment properties		2.4	3.2	-25%	3.3
Tangible and intangible assets		113.0	109.0	4%	118.2
Total other assets		93.0	114.9	-19%	62.5
Tax receivables		3.9	2.4	66%	3.0
Total assets		**9,614.0**	**9,266.8**	**4%**	**9,364.5**
Liabilities					
Liabilities to central banks		400.0	400.0	0%	400.0
Liabilities to credit institutions		155.5	202.6	-23%	247.0
Liabilities to the public and public sector entities		4,116.3	3,962.5	4%	4,024.8
Deposits	8	4,671.9	4,565.1	2%	4,671.8
Derivative instruments	6,8	12.5	17.1	-27%	27.0
Debt securities issued		2,549.2	2,460.3	4%	2,480.7
Subordinated liabilities		228.2	207.8	10%	207.8
Other liabilities to credit institutions		41.4	45.6	-9%	53.9
Other liabilities to the public and public sector entities		100.0	100.0	0%	-
Other financial liabilities	8	2,918.9	2,813.7	4%	2,742.5
Technical provisions for risk insurances and interest-related insurances		381.9	398.9	-4%	402.5
Technical provisions for unit-linked insurances		844.7	756.8	12%	821.9
Technical provisions		1,226.6	1,155.7	6%	1,224.5
Total other liabilities		120.6	70.8	70%	60.2
Provisions		0.8	0.8	5%	0.9
Income tax liabilities		0.7	3.3	-79%	2.7
Deferred tax liabilities		57.2	50.3	14%	51.3
Tax liabilities		57.9	53.6	8%	53.9
Total liabilities		**9,009.1**	**8,676.9**	**4%**	**8,780.9**
Equity					
Restricted equity		189.8	180.7	5%	181.5
Unrestricted equity		415.2	409.3	1%	402.0
Total equity		**604.9**	**589.9**	**3%**	**583.5**
Total liabilities and equity		**9,614.0**	**9,266.8**	**4%**	**9,364.5**

Consolidated off-balance-sheet commitments

(EUR million)	30 Sep 2019	31 Dec 2018	Δ %	30 Sep 2018
Guarantees	29.7	31.3	-5%	32.3
Other commitments provided to a third party	5.3	3.6	48%	5.3
Commitments provided to a third party on behalf of the customers	35.0	34.8	1%	37.6
Unused credit arrangements	486.9	456.7	7%	504.8
Other commitments provided to a third party	21.2	27.2	-22%	20.3
Irrevocable commitments provided on behalf of customers	508.1	484.0	5%	525.1
Total	**543.1**	**518.8**	**5%**	**562.7**

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for sharebased payments	Unrestricted equity reserve	Retained earnings	Total equity
Equity as at 1 January 2018	**163.0**	**51.5**	**1.5**	**108.4**	**273.6**	**598.0**
Restated for adoption of IFRS 9		-23.9			5.9	-18.0
Divestment of treasury shares				0.5	1.2	1.8
Dividend to shareholders					-37.8	-37.8
Profit for the period					56.0	56.0
Financial assets		-10.1				-10.1
Cash flow hedging		0.1				0.1
Defined benefit plan pensions					0.0	0.0
Total comprehensive income for the period		-10.0			56.0	46.0
Other change in equity			-0.1			-0.1
Equity as at 31 December 2018	**163.0**	**17.7**	**1.4**	**108.9**	**298.9**	**589.9**
Equity as at 1 January 2019	**163.0**	**17.7**	**1.4**	**108.9**	**298.9**	**589.9**
Divestment of treasury shares				0.6	0.8	1.4
Dividend to shareholders					-42.1	-42.1
Profit for the period					45.9	45.9
Financial assets		9.1				9.1
Total comprehensive income for the period		9.1			45.9	55.0
Other change in equity			0.7			0.7
Equity as at 30 September 2019	**163.0**	**26.8**	**2.1**	**109.5**	**303.5**	**604.9**
Equity as at 1 January 2018	**163.0**	**51.5**	**1.5**	**108.4**	**273.6**	**598.0**
Restated for adoption of IFRS 9		-23.9			5.9	-18.0
Divestment of treasury shares				0.0	1.1	1.1
Dividend to shareholders					-37.8	-37.8
Profit for the period					49.6	49.6
Financial assets		-9.2				-9.2
Cash flow hedging		0.1				0.1
Total comprehensive income for the period		-9.1			49.6	40.5
Other change in equity			-0.2			-0.2
Equity as at 30 September 2018	**163.0**	**18.5**	**1.3**	**108.4**	**292.4**	**583.5**

Consolidated cash flow statement

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %	2018
Cash flow from operating activities				
Operating profit	55.6	59.5	-7%	67.6
Adjustment items not included in cash flow	6.4	2.4	169%	12.1
Paid income taxes	-9.2	-5.6	-64%	-6.2
Cash flow from operating activities before change in receivables and liabilities	**60.2**	**56.3**	**7%**	**73.4**
Increase (-) or decrease (+) in receivables from operating activities	-274.5	40.2	-	184.6
Increase (+) or decrease (-) in liabilities from operating activities	263.3	-115.4	-	-216.8
Total cash flow from operating activities	**49.0**	**-18.9**	**-**	**41.3**
Cash flow from investing activities				
Investments in group companies and joint ventures	-	-0.2	-	-0.2
Proceeds from sale of group companies and associated companies	9.6	1.0	894%	1.0
Investment in investment properties	-3.9	-3.5	-10%	-5.0
Proceeds from sale of investment properties	10.8	8.5	27%	21.1
Investment in tangible and intangible assets	-6.0	-4.8	-25%	-6.3
Proceeds from sale of tangible and intangible assets	-	3.6	-	0.0
Total cash flow from investing activities	**10.5**	**4.6**	**128%**	**10.6**
Cash flow from financing activities				
Subordinated liabilities	18.3	-27.4	-	-27.4
Dividend/share issue to the non-controlling interest	-2.3	-1.7	-35%	-1.7
Divestment of treasury shares	0.7	1.1	-32%	1.2
Paid dividends	-42.1	-37.8	-11%	-37.8
Total cash flow from financing activities	**-25.3**	**-65.8**	**62%**	**-65.7**
Change in cash and cash equivalents	**34.2**	**-80.1**	**-**	**-13.9**
Cash and cash equivalents at the beginning of the year	264.4	278.3	-5%	278.3
Cash and cash equivalents at the end of the period	298.5	198.2	51%	264.4
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	1.7	4.0	-58%	4.4
Bank of Finland current account	276.7	172.3	61%	242.2
Repayable on demand claims on credit insitutions	20.2	21.9	-8%	17.7
Total	**298.5**	**198.2**	**51%**	**264.4**
Adjustment items not included in cash flow consist of:				
Impairment of interest-bearing securities	-0.5	-0.2	-150%	0.3
Unrealised value change of financial assets measured at fair value through income statement	-4.4	-1.3	-234%	4.9
Write-downs on credits and other commitments	3.7	0.7	424%	0.8
Change in fair values	-0.2	3.6	-	4.8
Depreciation and impairment of tangible and intangible assets	9.5	10.4	-8%	13.4
Sales gains and losses from tangible and intangible assets	-0.9	-1.5	43%	-2.3
Unwound fair value hedging	-2.4	-8.7	73%	-10.3
Change in fair values of investment properties	-1.1	-1.1	-3%	-0.5
Change in share-based payments	0.2	-1.0	-	-0.9
Other adjustments	2.5	1.5	69%	1.9
Total	**6.4**	**2.4**	**169%**	**12.1**

Quarterly trends in the Group

(EUR million)

Income statement	**3Q2019**	**2Q2019**	**1Q2019**	**4Q2018**	**3Q2018**	**Jan-Sep 2019**	**Jan-Sep 2018**
Net interest income	19.6	19.2	19.4	20.7	21.0	58.2	65.2
Dividends	0.3	0.2	0.0	0.0	0.0	0.5	0.1
Net commission income	24.6	24.0	22.7	22.6	22.9	71.3	73.0
Net income from life insurance	6.8	6.6	8.3	5.1	5.5	21.7	16.3
Net income from financial transactions	1.2	0.8	2.0	-1.2	4.6	4.0	6.0
Net income from investment properties	-	-	-	-	0.0	-	0.0
Other operating income	0.4	9.8	0.3	0.5	1.3	10.5	1.9
Total operating income	**52.9**	**60.6**	**52.7**	**47.7**	**55.4**	**166.2**	**162.4**
Staff costs	-18.6	-17.1	-16.4	-18.1	-14.3	-52.1	-48.6
IT expenses	-6.4	-6.2	-6.8	-7.6	-6.1	-19.4	-18.1
Depreciation of tangible and intangible assets	-4.8	-4.9	-4.9	-3.0	-3.1	-14.6	-9.4
Other operating expenses	-7.7	-6.8	-8.0	-10.7	-8.4	-22.5	-27.6
Total operating expenses	**-37.5**	**-35.0**	**-36.1**	**-39.4**	**-31.8**	**-108.6**	**-103.6**
Impairment of credits and other commitments	-1.2	-1.4	-1.1	-0.1	-0.8	-3.7	-0.7
Share of profit from associated companies	0.0	-	1.7	-0.1	0.9	1.7	1.4
Operating profit	**14.3**	**24.2**	**17.2**	**8.0**	**23.7**	**55.6**	**59.5**
Taxes	-3.1	-3.6	-3.0	-1.6	-3.9	-9.7	-10.0
Profit for the period	**11.2**	**20.6**	**14.1**	**6.4**	**19.8**	**45.9**	**49.6**
Attributable to:							
Shareholders in Aktia Bank Plc	11.2	20.6	14.1	6.4	19.8	45.9	49.6
Total	**11.2**	**20.6**	**14.1**	**6.4**	**19.8**	**45.9**	**49.6**
Earnings per share (EPS), EUR	0.16	0.30	0.21	0.09	0.29	0.67	0.72
Earnings per share (EPS), EUR, after dilution	0.16	0.30	0.21	0.09	0.29	0.67	0.72

Operating profit excluding items affecting comparability:	**3Q2019**	**2Q2019**	**1Q2019**	**4Q2018**	**3Q2018**	**Jan-Sep 2019**	**Jan-Sep 2018**
Operating profit	14.3	24.2	17.2	8.0	23.7	55.6	59.5
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-0.5	-	-	-	-0.5	-
Unrealised value change of the shareholding in Folksam Non-Life Insurance	-	-	-	0.0	-4.0	-	-4.0
Value change of equity holding in Bohemian Wrappsody	-	-	-	1.0	-	-	-
Profit from divestment of shares in Samlink Ltd		-9.6	-	-	-	-9.6	-
Profit from divestment of Aktia Real Estate Agency	-	-	-	-	-1.1	-	-1.1
Operating expenses:							
Costs for restructuring	3.3	0.1	-	1.1	-	3.4	0.7
Comparable operating profit	**17.6**	**14.3**	**17.2**	**10.2**	**18.6**	**49.0**	**55.2**

(EUR million)

Comprehensive income	**3Q2019**	**2Q2019**	**1Q2019**	**4Q2018**	**3Q2018**	**Jan-Sep 2019**	**Jan-Sep 2018**
Profit for the period	11.2	20.6	14.1	6.4	19.8	45.9	49.6
Other comprehensive income after taxes:							
Change in fair value for financial assets	0.8	5.5	3.6	-0.3	-4.8	9.8	-8.7
Change in fair value for cash flow hedging	-	-	-	0.0	0.0	-	0.1
Transferred to the income statement for financial assets	-0.3	0.0	-0.4	-0.6	-0.3	-0.7	-0.5
Comprehensive income from items which can be transferred to the income statement	0.5	5.5	3.1	-0.9	-5.0	9.1	-9.1
Defined benefit plan pensions	-	-	-	0.0	-	-	-
Comprehensive income from items which can not be transferred to the income statement	-	-	-	0.0	-	-	-
Total comprehensive income for the period	**11.6**	**26.1**	**17.3**	**5.6**	**14.7**	**55.0**	**40.5**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank Plc	11.6	26.1	17.3	5.6	14.7	55.0	40.5
Total	**11.6**	**26.1**	**17.3**	**5.6**	**14.7**	**55.0**	**40.5**
Total earnings per share, EUR	0.17	0.38	0.25	0.08	0.21	0.80	0.59
Total earnings per share, EUR, after dilution	0.17	0.38	0.25	0.08	0.21	0.80	0.59

Total comprehensive income excluding items affecting comparability:	**3Q2019**	**2Q2019**	**1Q2019**	**4Q2018**	**3Q2018**	**Jan-Sep 2019**	**Jan-Sep 2018**
Operating profit	11.6	26.1	17.3	5.6	14.7	55.0	40.5
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-0.4	-	-	-	-0.4	-
Unrealised value change of the shareholding in Folksam Non-Life Insurance	-	-	-	0.0	-4.0	-	-4.0
Value change of equity holding in Bohemian Wrappsody	-	-	-	0.8	-	-	-
Profit from divestment of shares in Samlink Ltd		-9.6	-	-	-	-9.6	-
Profit from divestment of Aktia Real Estate Agency	-	-	-	-	-1.1	-	-1.1
Operating expenses:							
Costs for restructuring	2.7	0.1	-	0.9	-	2.7	0.5
Comparable total comprehensive income	**14.3**	**16.2**	**17.3**	**7.3**	**9.7**	**47.8**	**35.9**

Quarterly trends in the Segments

Banking Business	3Q2019	2Q2019	1Q2019	4Q2018	3Q2018	Jan-Sep 2019	Jan-Sep 2018
Net interest income	17.4	16.8	16.6	17.1	16.7	50.8	49.2
Net commission income	16.0	16.3	15.4	15.6	15.7	47.7	48.8
Other operating income	0.1	0.1	0.1	0.1	0.0	0.2	0.3
Total operating income	**33.5**	**33.2**	**32.0**	**32.8**	**32.5**	**98.7**	**98.3**
Staff costs	-6.2	-4.6	-4.0	-5.9	-3.9	-14.8	-14.3
Other operating expenses[1]	-22.5	-21.5	-23.5	-24.7	-19.7	-67.5	-61.3
Total operating expenses	**-28.7**	**-26.0**	**-27.5**	**-30.6**	**-23.6**	**-82.2**	**-75.5**
Impairment of credits and other commitments	-1.3	-1.4	-1.1	-0.1	-0.8	-3.7	-0.7
Operating profit	**3.5**	**5.8**	**3.4**	**2.0**	**8.0**	**12.7**	**22.1**
Comparable operating profit	**6.8**	**5.9**	**3.4**	**3.1**	**8.0**	**16.1**	**22.6**

Asset Management	3Q2019	2Q2019	1Q2019	4Q2018	3Q2018	Jan-Sep 2019	Jan-Sep 2018
Net interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net commission income	10.8	10.0	9.5	9.4	9.4	30.3	27.7
Net income from life insurance	5.7	5.5	7.1	3.9	4.3	18.3	12.8
Other operating income	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Total operating income	**16.5**	**15.6**	**16.6**	**13.4**	**13.7**	**48.8**	**40.6**
Staff costs	-3.6	-3.5	-3.4	-3.5	-3.3	-10.5	-9.8
Other operating expenses[1]	-3.5	-3.8	-3.6	-3.7	-3.4	-10.8	-10.3
Total operating expenses	**-7.1**	**-7.3**	**-7.0**	**-7.2**	**-6.6**	**-21.4**	**-20.2**
Operating profit	**9.5**	**8.3**	**9.6**	**6.2**	**7.0**	**27.4**	**20.5**
Comparable operating profit	**9.5**	**8.3**	**9.6**	**6.2**	**7.0**	**27.4**	**20.5**

Group Functions	3Q2019	2Q2019	1Q2019	4Q2018	3Q2018	Jan-Sep 2019	Jan-Sep 2018
Net interest income	2.2	2.4	2.9	3.6	4.3	7.4	16.0
Net commission income	0.7	0.5	0.8	0.6	0.9	2.1	2.2
Other operating income	1.8	10.8	2.2	-0.8	4.8	14.8	6.6
Total operating income	**4.7**	**13.7**	**5.9**	**3.4**	**10.1**	**24.2**	**24.9**
Staff costs	-8.8	-9.0	-9.0	-8.7	-7.1	-26.8	-22.4
Other operating expenses[1]	5.2	5.4	5.5	5.2	3.4	16.2	11.5
Total operating expenses	**-3.6**	**-3.6**	**-3.5**	**-3.4**	**-3.7**	**-10.6**	**-10.9**
Operating profit	**1.2**	**10.1**	**2.4**	**-0.1**	**6.4**	**13.7**	**14.0**
Comparable operating profit	**1.3**	**0.1**	**2.4**	**1.0**	**2.4**	**3.7**	**10.2**

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.

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

Basis for preparing the interim report

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

The interim report for the period 1 January–30 September 2019 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim report does not contain all the information and notes required for financial statements and should therefore be read together with the Aktia Group's annual report of 31 December 2018. Figures in the tables are presented in millions of euros rounded to one decimal. Therefore, the total of individual amounts may differ from the presented total.

The interim report for the period 1 January–30 September 2019 was approved by the Board of Directors on 30 October 2019.

Aktia Bank Plc's financial statements and interim reports are available on Aktia's website www.aktia.com.

Key accounting principles

In preparing the interim report the Group has followed the accounting principles applicable to the annual report of 31 December 2018.

As of 1 January 2019, Aktia is reporting according to the following three business segments: Banking Business, Asset Management and Group Functions. Aktia announced in a stock exchange release on 23 November 2018 of an organisational change where the areas of responsibility of the Executive Committee were renewed to more efficiently implement the strategy reform from 2017. Aktia is thus renewing also its business segments. The new segment Banking Business comprises the previous segment Personal & Corporate Banking as well as Aktia's private banking business and the banking business of institutional customers, which previously were included in the Wealth Management segment. The new segment Asset Management comprises the previous segment Wealth Management, excluding the private banking business and the banking business of institutional customers, which from now on are included in the new Banking Business segment. The central functions, including the group's treasury operations, will still form part of the Group Functions segment. Operations that are not reported in the business segments mentioned above are reported in Other business.

The following new and amended IFRSs has taken effect as of 1 January 2019:

On 13 January 2016 IASB published **IFRS 16** Leases to supersede IAS 17 Leases. IFRS 16 has eliminated the distinction between operating and finance leases for lessees, and has introduced a new model instead, where assets and liabilities for all leases with lease terms exceeding 12 months are reported in the balance sheet. For leases where the lease term is 12 months or less, or where the value of the underlying asset is low, exemptions may be applied. For the leased asset, depreciation and interest expenses relating to the lease liability are reported separately. The requirements concerning lessor accounting remain largely unchanged from IAS 17, and the earlier distinction between operating and finance leases is retained. The new standard has mainly changed the accounting of rented properties and leased cars. An assessment of the likely rental period has been used to establish the leasing period and the discount rate has been established according to the fair market return requirements. The leased asset and the leased liability have at the transition to IFRS 16 increased the balance sheet total by EUR 15 million. At the transition to IFRS 16, the Group has applied the so-called simplified method, which means that the right-of-use asset amounts to the same amount as the lease liability. Changes in accounting principles for leases have not any significant impact on the Group's result or financial position. The standard was approved by the EU in October 2017. The Aktia Group implemented IFRS 16 when the standard became mandatory as of 1 January 2019.

Effects from the implemention of IFRS 16

(EUR million)	31 Dec 2018	Adjustment for transition to IFRS 16	1 Jan 2019	30 Sep 2019
Right-of-use asset, real estates	-	14.0	14.0	12.1
Right-of-use asset, cars	-	0.7	0.7	0.4
Deferred tax receivables	-	-	-	0.0
Assets	**-**	**14.7**	**14.7**	**12.6**
Lease liability, real estates	-	14.0	14.0	12.3
Lease liability, cars	-	0.7	0.7	0.4
Equity	-	-	-	-
Liabilities and equity	**-**	**14.7**	**14.7**	**12.6**

	Jan-Sep 2019
Interest expenses	-0.8
Depreciations	-5.1
Other operating expenses	-0.1
Rental expenses	5.5
Operating profit	**-0.5**
Change in deferred tax receivables	0,0
Profit for the period	**-0.5**

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

Note 2. Group's risk exposure

The Bank Group's capital adequacy

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

(EUR million)	**30 Sep 2019**		**31 Dec 2018**		**30 Sep 2018**	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**9,614.0**	**8,316.9**	**9,266.1**	**8,069.2**	**9,363.5**	**8,084.3**
of which intangible assets	64.0	63.7	66.7	66.3	68.0	67.7
Total liabilities	**9,009.1**	**7,801.6**	**8,676.1**	**7,558.5**	**8,780.0**	**7,580.4**
of which subordinated liabilities	228.2	228.2	207.8	207.8	207.8	207.8
Share capital	163.0	163.0	163.0	163.0	163.0	163.0
Fund at fair value	26.8	13.5	17.7	4.0	18.5	3.2
Restricted equity	189.8	176.5	180.7	167.0	181.5	166.2
Unrestricted equity reserve and other funds	111.7	111.6	110.4	110.3	109.6	109.6
Retained earnings	257.6	192.0	242.9	184.5	242.8	184.4
Profit for the year	45.9	35.1	56.0	48.9	49.6	43.6
Unrestricted equity	415.2	338.7	409.3	343.7	402.0	337.6
Shareholders' share of equity	604.9	515.3	589.9	510.7	583.5	503.8
Equity	**604.9**	**515.3**	**589.9**	**510.7**	**583.5**	**503.8**
Total liabilities and equity	**9,614.0**	**8,316.9**	**9,266.1**	**8,069.2**	**9,363.5**	**8,084.3**
Off-balance sheet commitments	**543.1**	**521.9**	**518.8**	**491.6**	**562.7**	**542.4**

	30 Sep 2019	31 Dec 2018	30 Sep 2018
The Bank Group's equity	**515.3**	**510.7**	**503.8**
Provision for dividends to shareholders	-	-42.0	-
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-35.1	-	-43.6
Intangible assets	-63.7	-66.3	-67.7
Debentures	110.1	67.5	78.0
Additional expected losses according to IRB	-20.6	-11.9	-9.1
Deduction for significant holdings in financial sector entities	-6.5	-7.1	-7.8
Other incl. unpaid dividend	0.7	0.8	0.7
Total capital base (CET1 + AT1 + T2)	**500.0**	**451.7**	**454.4**

(EUR million) The Bank Group's capital adequacy	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Common Equity Tier 1 Capital before regulatory adjustments	480.4	479.0	472.9	469.7	461.3
Common Equity Tier 1 Capital regulatory adjustments	-90.5	-85.7	-84.3	-85.5	-85.0
Total Common Equity Tier 1 Capital (CET1)	**390.0**	**393.4**	**388.6**	**384.2**	**376.4**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**390.0**	**393.4**	**388.6**	**384.2**	**376.4**
Tier 2 capital before regulatory adjustments	110.1	49.2	58.0	67.5	78.0
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**110.1**	**49.2**	**58.0**	**67.5**	**78.0**
Total own funds (TC = T1 + T2)	**500.0**	**442.5**	**446.6**	**451.7**	**454.4**
Risk weighted exposures total	**2 495.4**	**2 383.5**	**2,305.2**	**2,199.2**	**2,262.0**
of which credit risk, the standardised model	468.6	1 046.2	1,000.8	898.3	915.8
of which credit risk, the IRB model	1 496.9	791.4	713.4	721.4	808.1
of which 15% risk-weight floor for residential mortgages	176.3	192.2	237.3	225.9	188.1
of which market risk	-	-	-	-	-
of which operational risk	353.6	353.6	353.6	353.6	349.9
Own funds requirement (8%)	199.6	190.7	184.4	175.9	181.0
Own funds buffer	300.4	251.9	262.2	275.8	273.4
CET1 Capital ratio	15.6%	16.5%	16.9%	17.5%	16.6%
T1 Capital ratio	15.6%	16.5%	16.9%	17.5%	16.6%
Total capital ratio	20.0%	18.6%	19.4%	20.5%	20.1%
Own funds floor (CRR article 500)					
Own funds	500.0	442.5	446.6	451.7	454.4
Own funds floor[1]	208.1	214.2	209.0	201.9	202.4
Own funds buffer	291.9	228.4	237.6	249.9	252.0

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

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

Bank Group's risk-weighted amount for operational risks

(EUR million) Risk-weighted amount for operational risks	2016	2017	2018	9/2019	6/2019	3/2019	12/2018	9/2018
Gross income	183.3	188.9	193.6					
- average 3 years			188.6					
Capital requirement for operational risk				**28.3**	**28.3**	**28.3**	**28.3**	**28.0**
Risk-weighted amount				**353.6**	**353.6**	**353.6**	**353.6**	**349.9**

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

(EUR million)	30 Sep 2019				
The Bank Group's total risk exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Corporates - SME	377.5	340.1	68%	232.2	18.6
Corporates - Other	719.7	663.0	70%	462.4	37.0
Retail - Secured by immovable property non-SME	4,615.1	4,606.7	12%	535.8	42.9
Retail - Secured by immovable property SME	166.1	164.7	51%	83.6	6.7
Retail - Other non-SME	150.4	146.5	29%	41.7	3.3
Retail - Other SME	33.9	32.1	79%	25.3	2.0
Risk-weight floor for residential mortgages, 15%	-	-	15%	176.3	14.1
Equity exposures	44.2	44.2	262%	116.0	9.3
Total exposures, IRB approach	**6,107.0**	**5,997.3**	**28%**	**1,673.2**	**133.9**
Credit risk, standardised approach					
States and central banks	476.8	518.9	0%	0.8	0.1
Regional goverments and local authorities	287.5	311.1	0%	1.4	0.1
Multilateral development banks	-	-	0%	-	-
International organisations	51.3	51.3	0%	-	-
Credit institutions	289.3	183.6	28%	50.6	4.0
Corporates	121.5	76.9	82%	63.4	5.1
Retail exposures	249.9	110.3	71%	78.8	6.3
Secured by immovable property	414.4	401.4	34%	134.9	10.8
Past due items	0.9	0.7	147%	1.0	0.1
Covered Bonds	712.2	712.2	10%	71.2	5.7
Other items	105.0	105.0	50%	52.9	4.2
Total exposures, standardised approach	**2,708.8**	**2,471.3**	**18%**	**455.0**	**36.4**
Total risk exposures	**8,815.8**	**8,468.6**	**25%**	**2,128.2**	**170.3**

(EUR million)	31 Dec 2018				
The Bank Group's total risk exposures	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,535.3	4,528.3	10%	465.3	37.2
Retail - Secured by immovable property SME	177.8	176.8	46%	81.3	6.5
Retail - Other non-SME	139.2	134.8	33%	44.1	3.5
Retail - Other SME	24.8	23.2	83%	19.4	1.5
Risk-weight floor for residential mortgages, 15%	-	-	15%	225.9	18.1
Equity exposures	42.8	42.8	260%	111.2	8.9
Total exposures, IRB approach	**4,919.8**	**4,905.9**	**19%**	**947.2**	**75.8**
Credit risk, standardised approach					
States and central banks	391.8	456.1	0%	0.8	0.1
Regional goverments and local authorities	281.0	301.5	0%	0.7	0.1
Multilateral development banks	15.2	15.2	0%	-	-
International organisations	66.7	66.7	0%	-	-
Credit institutions	428.0	240.0	27%	65.7	5.3
Corporates	468.1	309.6	92%	283.7	22.7
Retail exposures	298.7	142.9	72%	102.3	8.2
Secured by immovable property	961.2	917.4	35%	323.1	25.9
Past due items	28.7	6.7	112%	7.5	0.6
Covered Bonds	714.9	714.9	10%	71.5	5.7
Other items	63.5	63.5	46%	29.4	2.4
Total exposures, standardised approach	**3,717.8**	**3,234.5**	**27%**	**884.9**	**70.8**
Total risk exposures	**8,637.6**	**8,140.4**	**23%**	**1,832.1**	**146.6**

The finance and insurance conglomerates capital adequacy

(EUR million)	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Summary					
The Group's equity	604.9	592.9	607.6	589.9	583.5
Sector-specific assets	115.1	54.4	63.5	73.3	84.0
Intangible assets and other reduction items	-188.5	-103.3	-123.3	-107.3	-120.8
Conglomerate´s total capital base	**531.5**	**544.0**	**547.8**	**556.0**	**546.8**
Capital requirement for banking business	318.6	280.7	271.3	258.5	266.2
Capital requirement for insurance business[1]	92.1	85.4	82.8	76.4	82.0
Minimum amount for capital base	**410.7**	**366.1**	**354.1**	**334.8**	**348.2**
Conglomerate´s capital adequacy	**120.8**	**177.9**	**193.7**	**221.2**	**198.6**
Capital adequacy ratio, %	129.4 %	148.6%	154.7%	166.1%	157.0%

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

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

Note 3. Net interest income

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %	2018
Borrowing and lending	54.8	52.0	5%	70.1
Liquidity portfolio	4.7	6.6	-29%	8.3
Hedging measures through interest rate derivatives	3.3	9.4	-65%	11.4
Other, incl. funding from wholesale market	-4.5	-2.7	-65%	-4.0
Total	**58.2**	**65.2**	**-11%**	**85.9**

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

Note 4. Net income from life insurance

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %	2018
Premiums written	78.5	85.8	-9%	104.9
Net income from investments	16.7	11.1	50%	13.9
of which change in ECL impairment	0.1	0.0	177%	0.0
of which unrealised value changes for shares and participations	3.5	-3.3	-	-3.3
Insurance claims paid	-89.2	-81.1	-10%	-110.4
Net change in technical provisions	15.7	0.4	-	12.9
Total	**21.7**	**16.3**	**34%**	**21.4**

Note 5. Net income from financial transactions

(EUR million)	Jan-Sep 2019	Jan-Sep 2018	Δ %	2018
Net income from financial assets measured at fair value through income statement	-0.5	-0.5	10%	-1.0
Net income from securities and currency trading	3.7	6.4	-42%	6.2
of which unrealised value changes for shares and participations	0.9	4.6	-80%	3.7
Net income from financial assets measured at fair value through other comprehensive income	0.7	0.3	114%	0.1
of which change in ECL impairment	0.4	0.2	183%	-0.2
Net income from interest-bearing securities measured at amortised cost	0.0	0.0	-	0.0
of which change in ECL impairment	0.0	0.0	-	0.0
Net income from hedge accounting	0.2	-0.2	-	-0.4
Total	**4.0**	**6.0**	**-33%**	**4.9**

Note 6. Derivative instruments

Hedging derivative instruments (EUR million)	30 Sep 2019 Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	1,882.0	82.3	0.4
Total	**1,882.0**	**82.3**	**0.4**
Derivative instruments valued through the income statement			
Interest rate-related[1]	220.4	11.3	12.1
Currency-related	8.5	0.1	0.0
Total	**228.9**	**11.3**	**12.1**
Total derivative instruments			
Interest rate-related	2,102.4	93.6	12.4
Currency-related	8.5	0.1	0.0
Total	**2,110.9**	**93.6**	**12.5**

Hedging derivative instruments (EUR million)	31 Dec 2018 Total nominal amount	Assets, fair value	Liabilities, fair value
Fair value hedging			
Interest rate-related	2,102.0	54.2	0.7
Total	**2,102.0**	**54.2**	**0.7**
Derivative instruments valued through the income statement			
Interest rate-related[1]	380.8	15.8	16.4
Currency-related	3.0	0.0	0.0
Total	**383.8**	**15.8**	**16.4**
Total derivative instruments			
Interest rate-related	2,482.8	70.0	17.1
Currency-related	3.0	0.0	0.0
Total	**2,485.8**	**70.0**	**17.1**

1) Interest-linked derivative instruments include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 220.0 (380.0) million.

Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 30 September 2019				
Interest-bearing securities	1,690.3	-	-	1,690.3
Lending	6,074.2	171.9	51.1	6,297.2
Off-balance sheet commitments	533.5	9.4	0.2	543.1
Total	**8,298.0**	**181.3**	**51.3**	**8,530.6**
Book value of financial assets 31 December 2018				
Interest-bearing securities	1,648.9	-	-	1,648.9
Lending	5,948.1	134.9	46.1	6,129.1
Off-balance sheet commitments	511.4	7.2	0.1	518.8
Total	**8,108.5**	**142.1**	**46.2**	**8,296.8**

Credits and other commitments

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and the other commitments 1 January 2019 according to IFRS 9	2.6	3.7	33.1	39.4
Transferred from stage 1 to stage 2	-2.1	2.1	-	-
Transferred from stage 1 to stage 3	-0.6	-	0.6	-
Transferred from stage 2 to stage 1	0.1	-0.1	-	-
Transferred from stage 2 to stage 3	-	-0.6	0.6	-
Transferred from stage 3 to stage 1	0.0	-	0.0	-
Transferred from stage 3 to stage 2	-	0.2	-0.2	-
Reversal of impairment	-	-	-0.1	-0.1
Other changes[1]	2.7	-0.1	1.1	3.8
Impairment January-September 2019 in the income statement	0.1	1.4	2.1	3.7
Realised losses for which write-downs were made in previous years	-	-	-14.2	-14.2
Reversal of impairment	-	-	0.1	0.1
Impairment of credits and the other commitments 30 September 2019 according to IFRS 9	**2.7**	**5.1**	**21.0**	**28.9**

1) Includes an increase of EUR 0.4 million from technical updates in the ECL calculations

Interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2019 according to IFRS 9	1.1	-	-	1.1
Other changes	-0.5	-	-	-0.5
Impairment January-September 2019 in the income statement	-0.5	-	-	-0.5
Impairment of interest-bearing securities 30 September 2019 according to IFRS 9	**0.6**	**-**	**-**	**0.6**

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	30 Sep 2019		31 Dec 2018	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through income statement	1,000.3	1,000.3	902.7	902.7
Financial assets measured at fair value through other comprehensive income	1,343.1	1,343.1	1,340.9	1,340.9
Interest-bearing securities measured at amortised cost	347.2	391.9	308.0	336.6
Loans and other receivables	6,297.2	6,386.2	6,129.8	6,137.1
Cash and balances with central banks	322.5	322.5	289.2	289.2
Derivative instruments	93.6	93.6	70.0	70.0
Total	**9,403.9**	**9,537.7**	**9,040.6**	**9,076.5**
Financial liabilities				
Deposits	4,671.9	4,669.0	4,565.1	4,561.1
Derivative instruments	12.5	12.5	17.1	17.1
Debt securities issued	2,549.2	2,573.8	2,460.3	2,457.2
Subordinated liabilities	228.2	231.3	207.8	209.8
Other liabilities to credit institutions	41.4	41.8	45.6	46.3
Other liabilities to the public and public sector entities	100.0	100.3	100.0	100.1
Total	**7,603.3**	**7,628.7**	**7,396.0**	**7,391.7**

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.

	30 Sep 2019				31 Dec 2018			
(EUR million)	**Fair value classified into**				**Fair value classified into**			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	845.6	-	-	845.6	756.8	-	-	756.8
Interest-bearing securities	17.3	-	0.2	17.4	8.6	-	0.2	8.7
Shares and participations	103.1	-	34.1	137.2	101.1	-	35.0	136.2
Total	**966.0**	**-**	**34.3**	**1,000.3**	**866.5**	**-**	**35.2**	**901.7**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,062.5	163.5	117.1	1,343.1	1,124.8	55.1	161.1	1,340.9
Shares and participations	-	-	-	-	-	-	-	-
Total	**1,062.5**	**163.5**	**117.1**	**1,343.1**	**1,124.8**	**55.1**	**161.1**	**1,340.9**
Derivative instrument, net	0.0	81.1	-	81.1	0.0	52.9	-	52.9
Total	**0.0**	**81.1**	**-**	**81.1**	**0.0**	**52.9**	**-**	**52.9**
Total	**2,028.5**	**244.6**	**151.4**	**2,424.5**	**1,991.2**	**108.0**	**196.3**	**2,295.5**

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. The increase in level 2 is due to an increase in business volumes, mainly relating to domestic municipal bonds and commercial papers.

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

Changes within level 3

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

Reconciliation of changes for financial instruments belonging to level 3	Financial assets measured at fair value via the income statement			Financial assets measured at fair value through other comprehensive income			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1 January 2019	0.2	35.0	35.2	161.1	-	161.1	161.3	35.0	196.3
New purchases	-	6.6	6.6	20.0	-	20.0	20.0	6.6	26.6
Sales	-	-9.1	-9.1	-22.5	-	-22.5	-22.5	-9.1	-31.6
Matured during the year	-	-	-	-41.5	-	-41.5	-41.5	-	-41.5
Realised value change in the income statement	-	-	-	-	-	-	-	-	-
Unrealised value change in the income statement	0.0	1.6	1.6	-	-	-	-	1.6	1.6
Value change recognised in total comprehensive income	-	-	-	0.0	-	0.0	0.0	-	0.0
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 30 September 2019	**0.2**	**34.1**	**34.3**	**117.1**	**-**	**117.1**	**117.3**	**34.1**	**151.4**

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%. These assumptions would mean a result or valuation effect via the income statement or via other comprehensive income corresponding to 1.9 (2.1) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	30 Sep 2019			31 Dec 2018		
	Effect at an assumed movement			Effect at an assumed movement		
(EUR million)	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets measured at fair value through income statement						
Investments for unit-linked investments	-	-	-	-	-	-
Interest-bearing securities	0.2	0.0	0.0	0.2	0.0	0.0
Shares and participations	34.1	6.8	-6.8	35.0	7.0	-7.0
Total	**34.3**	**6.8**	**-6.8**	**35.2**	**7.0**	**-7.0**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	117.1	3.5	-3.5	161.1	4.8	-4.8
Shares and participations	-	-	-	-	-	-
Total	**117.1**	**3.5**	**-3.5**	**161.1**	**4.8**	**-4.8**
Total	**151.4**	**10.3**	**-10.3**	**196.3**	**11.8**	**-11.8**

Set off of financial assets and liabilities

(EUR million)	30 Sep 2019		31 Dec 2018	
Assets	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial assets included in general agreements on set off or similar agreements	93.6	-	70.0	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**93.6**	**-**	**70.0**	**-**
Amount not set off but included in general agreements on set off or similar	0.4	-	0.4	-
Collateral assets	93.1	-	64.0	-
Total amount of sums not set off in the balance sheet	**93.5**	**-**	**64.4**	**-**
Net amount	**0.2**	**-**	**5.6**	**-**

Liabilities	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial liabilities included in general agreements on set off or similar agreements	12.5	-	17.1	98.8
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**12.5**	**-**	**17.1**	**98.8**
Amount not set off but included in general agreements on set off or similar	0.4	-	0.4	-
Collateral liabilities	3.5	-	5.4	99.0
Total amount of sums not set off in the balance sheet	**3.9**	**-**	**5.8**	**99.0**
Net amount	**8.6**	**-**	**11.4**	**-0.2**

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

Note 9. Specification of Aktia Group's funding structure

(EUR million)	30 Sep 2019	31 Dec 2018	30 Sep 2018
Deposits from the public and public sector entities	4,116.3	3,962.5	4,024.8
Short-term liabilities, unsecured debts			
Banks	62.2	39.7	39.2
Certificates of deposits issued and Money Market deposits	100.0	100.0	-
Total	**162.2**	**139.7**	**39.2**
Short-term liabilities, secured debts (collateralised)			
Banks - received cash in accordance with collateral agreements	93.3	64.0	55.6
Repurchase agreements - banks	-	98.8	152.3
Total	**93.3**	**162.9**	**207.8**
Total short-term liabilities	**255.5**	**302.6**	**247.0**
Long-term liabilities, unsecured debts			
Issued debts, senior financing	917.4	793.9	820.7
Other credit institutions	23.4	27.6	30.9
Subordinated debts	228.2	207.8	207.8
Total	**1,169.1**	**1,029.3**	**1,059.5**
Long-term liabilities, secured debts (collateralised)			
Centralbank and other credit institutions	418.0	418.0	423.0
Issued Covered Bonds	1,631.9	1,666.4	1,660.0
Total	**2,049.9**	**2,084.4**	**2,083.0**
Total long-term liabilities	**3,218.9**	**3,113.7**	**3,142.5**
Interest-bearing liabilities in the banking business	**7,590.8**	**7,378.8**	**7,414.3**
Technical provisions in the life insurance business	1,226.6	1,155.7	1,224.5
Total other non interest-bearing liabilities	191.8	141.5	141.2
Total liabilities	**9,009.1**	**8,676.0**	**8,780.0**

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

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

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	30 Sep 2019	31 Dec 2018	30 Sep 2018
Collateral for own liabilities			
Securities	420.6	529.1	581.7
Outstanding loans constituting security for Covered Bonds	2,185.9	2,264.0	2,384.8
Total	**2,606.5**	**2,793.1**	**2,966.6**
Other collateral assets			
Pledged securities[1]	113.8	121.7	126.4
Cash included in pledging agreements and repurchase agreements	3.5	5.4	7.1
Total	**117.3**	**127.1**	**133.5**
Total collateral assets	**2,723.8**	**2,920.2**	**3,100.0**
Collateral above refers to the following liabilities			
Liabilities to credit institutions[2]	418.0	516.8	575.3
Issued Covered Bonds[3]	1,631.9	1,666.4	1,660.0
Derivatives	3.5	5.4	7.1
Total	**2,053.4**	**2,188.7**	**2,242.3**

1) Refers to securities pledged for the intra day limit. As at 30 September 2019, a surplus of pledged securities amounted to EUR 13 (5) 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.

Collateral liabilities (EUR million)	30 Sep 2019	31 Dec 2018	30 Sep 2018
Cash included in pledging agreements[1]	93.3	64.0	55.6
Total	**93.3**	**64.0**	**55.6**

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

Helsinki 30 October 2019

Aktia Bank Plc
The Board of Directors

This document is an English translation of the Swedish report on review of the interim report. Only the Swedish version of the report is legally binding.

Report on review of the interim report of Aktia Bank plc as of and for the nine months period ending September 30, 2019

To the Board of Directors of Aktia Bank plc

Introduction

We have reviewed the balance sheet as of September 30, 2019 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of Aktia Bank plc Group for the nine-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Helsinki, 30 October, 2019

KPMG OY AB
Marcus Tötterman
Authorised Public Accountant, KHT

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Webcast from the results event

A live webcast from the results event will take place on 30 October 2019 at 10 a.m. CEO Mikko Ayub and CFO Outi Henriksson will present the results. The event is held in Finnish and Swedish and can be seen live at **https://aktia.videosync.fi/2019-q3-results**. A recording of the webcast will be available at www.aktia.com after the event.

Financial calendar

Accounts announcement 2019 .... 14 February 2020

AGM 2020 .... 16 April 2020
Interim report January–March 2020 .... 5 May 2020
Half-year report January–June 2020 .... 4 August 2020
Interim report January–September 2020 .... 3 November 2020

Aktia