Annual and Sustainability Report 2020

Aktia

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Aktia
2020

Responsible actor in the changing environment

CEO'S COMMENTS

Our goal is to be the best asset manager in Finland

For Aktia and the world around us, 2020 was an unusual year to say the least, and at times it even had some unreal characteristics. The rapid spread of the coronavirus early in the year and the increased uncertainty of the state of the world economy led to a steep and quick market drop in March. This also impacted Aktia's result for the entire year – in particular, the negative value changes in the life insurance company's investment portfolio during the first quarter decreased the comparable operating profit for the entire year to EUR 55.1 (68.2) million.

Aktia's stable underlying business and the markets recovering levels preceding the crisis, or even above them, have nevertheless led to a quick recovery of Aktia's financial performance. Net interest income for the year increased by 4 per cent from the previous year, and commission income remained at the previous year's level despite the market decline. Our goal-oriented work for improving our customer business is bearing fruit.

Remote work now part of everyday life

The pandemic has also had a major impact on everyday work. Approximately 80 per cent of Aktia's personnel has been able to work from home during the coronavirus pandemic, and the work of all Aktia's employees played a very important role in securing the financial situation of our customers and in keeping the wheels of society in motion.

The compulsory separation has also shown how important human contacts are. The highlights of 2020 included moving to the new and modern head office by the Narinkkatori square in Helsinki, and we now also have beautiful new premises in Vaasa and Karjaa. Due to remote work, we have not been able to fully utilise these premises yet, but I hope that the time for meeting face-to-face will soon come again.

The fluent migration of Aktia's employees to remote work by seeking new solutions has been an indication of brilliant cooperation for achieving

common goals. The personnel survey carried out in late 2020 showed that Aktia's employees' work motivation and satisfaction with the employer clearly increased last year. I consider this to be one of the most important things from the past year. I want to further enhance this positive trend. I want to sincerely thank every Aktia employee for their good work, perseverance and flexibility in these exceptional circumstances. I am proud of you.

Asset management at the very core of our strategy

The coronavirus pandemic did not change the direction of Aktia's strategy – on the contrary, the basic premises of our strategy are now more topical than ever. Aktia is seeking even stronger growth in asset management and new private and corporate customers in the growing cities in Finland. We are placing our award-winning asset management expertise at the disposal of a constantly growing customer base, both in Finland and internationally, while further diversifying our product portfolio. At the same time, we are improving the profitability of our operations and freeing resources for growth investments into the focal areas compliant with our strategy.

Asset management was at the very core of all our activities throughout last year. We have a strong vision of Aktia as the best asset manager in Finland, and we are prepared to work systematically to achieve that goal. An important milestone was the merger of Aktia Asset Management Ltd with Aktia Bank Plc on 1 January 2021. The merger increases efficiency in the operations and simplifies the Group structure. By the end of the year, Aktia's assets under management totalled an all-time high, EUR 10.4 billion, although it is clear that travel restrictions have had an impact, particularly on international sales.

> *I hope that the time for meeting face-to-face will soon come again."*

The goal-oriented expansion of asset management's product offering also continued. We expanded the asset management offering with structured products intended for private customers and presented our second private debt fund intended for institutional investors.

Last year, our high-quality asset portfolio management proved its professional competence once again. For the last three years, Aktia's funds have been at the top when comparing the independent Morningstar ratings of funds managed by different fund companies in Finland. Last year, the jewel in the crown among our funds was the Aktia Nordic Micro Cap that invests in small companies. Its annual return was as high as 88 per cent, making it one of the best among Nordic shares in last year's comparisons.

More than 12,000 instalment-free periods free of charge

The coronavirus crisis has also hit many households hard. In this difficult situation, we bore our part of societal responsibility and supported our customers in spring 2020 by granting almost 12,000 private customers an instalment-free period free of charge. All in all, more than 15,000 applications regarding instalment-free periods were processed last year. Aktia granted instalment-free periods more than usual also to companies.

Last year, our banking business took a major step forward. Our determined work for developing our sales organisation started to bear fruit, and Aktia's market share in mortgages and other household credits increased. Sales were also good throughout the corporate segment. The inorganic growth of Aktia's loan book also continued, and during 2019 and 2020 the bank purchased mortgages and housing company credits from the Mortgage Society of Finland (Hypo) totalling approximately EUR 115 million.

The sales of insurance products also continued strongly throughout the year. Almost 40 per cent more life insurance policies were sold during the last quarter than in the previous year. The ongoing coronavirus pandemic has contributed to people's increased awareness and need to secure their financial situation, but Aktia Life Insurance's more sales-oriented strategy has also produced good results.

Customer at the centre of everything we do

The progress of the service model renewal we initiated in autumn 2019 took a huge quantum leap last year: digital banking services have helped our customers to handle their banking business anywhere at a time that suits them best. I believe that the change will be of a permanent nature once customers realise the advantages of the new service model.

Without customers, there is no business, and the customer is always at the centre of everything we do. As proof of the correct choices and a job well done, our surveys indicate that corporate customers' satisfaction with both Aktia and their own contact persons improved substantially last year. The excellent customer satisfaction figures give us confidence that Aktia will help even more Finnish companies to think further also next year. When Finnish companies are prospering, society as a whole is also doing well.

Although the service model renewal has already progressed far, implementing even necessary changes can still be challenging. The queuing times in Aktia's telephone banking service increased as the volume of customer calls rapidly grew early in the summer. I am very sorry for any inconvenience this has caused our customers. To rectify the situation, we increased the number of employees in the telephone service and extended the telephone service working hours to also cover Saturdays and Sundays. We also introduced a new chatbot service. It is very important to us to serve our customers as smoothly as possible, and we will continue to pay particular attention to customer satisfaction.

Sustainability is an increasingly integral part of business

Sustainability is a natural part of our everyday work – after all, our and our predecessors' track record is almost 200 years long. Corporate responsibility is a part of our strategy and supports the creation of value for our stakeholders. The corporate responsibility programme and principles of responsible investing create the short- and long-term guidelines for managing the financial, social and environmental impacts of our operations. The goal of our corporate responsibility is that we are a solvent, reliable and ecologically responsible partner for economic welfare and the most attractive workplace in the business. Last year, the most important focal points of our corporate responsibility were to ensure the health of our personnel and customers, to develop customer satisfaction, new ways of working and remote management, and to prepare for stricter regulations, and to mitigate emissions.

Our significant accomplishments included the result of A+ in two categories of UN PRI reporting on responsible investing, level B in our CDP reporting concerning climate matters, and the WWF Green Office label awarded to our new, eco-efficient main office. We updated the indicators and actions of our corporate responsibility programme for the next three years and set priorities regarding the UN supported sustainable development themes that guide our operations. Our objectives were mainly developing in the right direction. We also updated our materiality analysis, remuneration policy, as well as our sustainability principles for investments and lending.

Furthermore, we integrated climate policy to our credit and risk management policies and continued the climate analysis work including climate risks and temperature increase scenarios with regard to our portfolios. We identified FINREP reporting as an area of development and initiated respective development actions. The trends that will challenge the corporate responsibility work in the banking sector in the future include the persistence of the coronavirus pandemic, climate change, and stricter EU regulations, for example, with respect to sustainable financing. Responsible investing and lending provide business opportunities and support Aktia's strategic goals. Our aim is to prepare for the expectations of stakeholders, and to continue developing the dialogue and integration of sustainability with business operations.

Interesting investment object also in the future

The Board of Directors of Aktia decided based on the authorisation given by the Annual General Meeting in 2020 on paying out a dividend of EUR 0.53 per share for the financial year 2019. The Board of Directors acknowledged the recommendation on distribution of credit institutions' profits updated by the Finnish Financial Supervisory Authority (FSA) on 18 December 2020 and decided after careful consideration to decrease the amount of the payable dividend to the lower end of Aktia's dividend policy, which is 60 per cent of the profit for the reporting period. FSA's recommendation in this exceptional situation is understandable but Aktia is a bank with solid capital adequacy and has been a trustworthy dividend distributor for a long time.

> ***"It is important that Aktia will be an interesting investment object also in the future."***

It is important that Aktia will be an interesting investment object also in the future. Aktia also has an important and responsible role in society: its mission is to build wealth together. More than 90 per cent of Aktia's shareholders are Finnish, and the dividends therefore also support the Finnish economy and society.

Considering the recommendations issued by the authorities, the Board proposes that Aktia Bank Plc's Annual General Meeting on 13 April 2021 authorises the Board to later decide on the payment of a maximum dividend of EUR 0.43 per share for the financial year 2020. The payment is carried out at one or more occasions, however, at the earliest on 1 October 2021.

We want to be an agile and responsible actor in the rapidly changing environment, capable of holistically meeting its customers in all situations in life. Many thanks are again due to all our customers and other stakeholders for the trust they have placed in us. We are working very hard to be worthy of this also in the future.

Last year, Aktia again took a major step towards its goals. It is clear that our strategy has taken Aktia in the right direction as an asset manager and bank. However, much remains to be done, and we will continue our determined work to attain our goals with the competent Aktia personnel despite the uncertain environment. This makes me very hopeful for 2021.

Mikko Ayub
CEO

Aktia in brief

Aktia is a Finnish asset manager, bank and life insurer that has been creating wealth and well-being from one generation to the next for 200 years. We serve our customers in digital channels everywhere and face-to-face in our offices in the Helsinki, Turku, Tampere, Vaasa and Oulu regions. Our award-winning asset management business sells investment funds internationally.

Business areas

Private customers
We provide private customers with comprehensive banking and financing services, the best investment advice services and full-service asset management.

Corporate customers
We are a financial advisory partner to our corporate customers, and we strive to enhance the company's opportunities for success and the owners' financial well-being.

Asset management
We offer award-winning, best-in-class asset management services and investment products to institutional and private customers in Finland and internationally.

Life insurance
In addition to life insurance, disability insurance and severe illness cover, we provide private individuals and companies with long-term saving solutions.

The legal structure of Aktia Group 31 December 2020

Aktia Bank Plc
Is listed in Nasdaq Helsinki Ltd

100% Aktia Life Insurance Ltd

100% Aktia Fund Management Company Ltd

100% Aktia Asset Management Ltd*

*Aktia Asset Management Ltd was merged into Aktia Bank Plc on 1 January 2021.

Key figures 31 December 2020 (Approx.)

260,000
Private customers

20,000
Corporate and institutional customers

110,000
Insurance policies

68%
smaller carbon footprint of our own funds compared with reference market

930
Employees

45/55
Gender distribution of top management (W% / M%)

10.6 EUR billion
Balance sheet total

10.4 EUR billion
Customer assets under management (AuM)

37,000
Shareholders

680 EUR million
Market cap

Key figures 2020

201.1 -5% (211.4)
Comparable operating income, EUR million

-141.9 +1% (-140.4)
Comparable operating expenses, EUR million

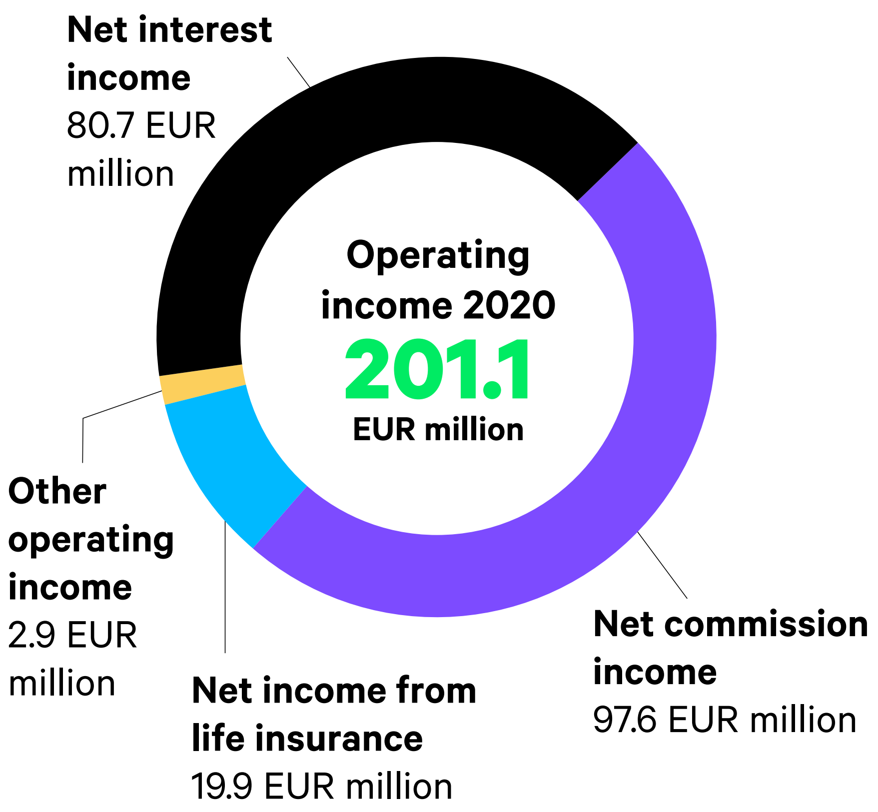
55.1 -19% (68.2)
Comparable operating profit, EUR million

0.61 -32% (0.90)
Earnings per share (EPS), EUR

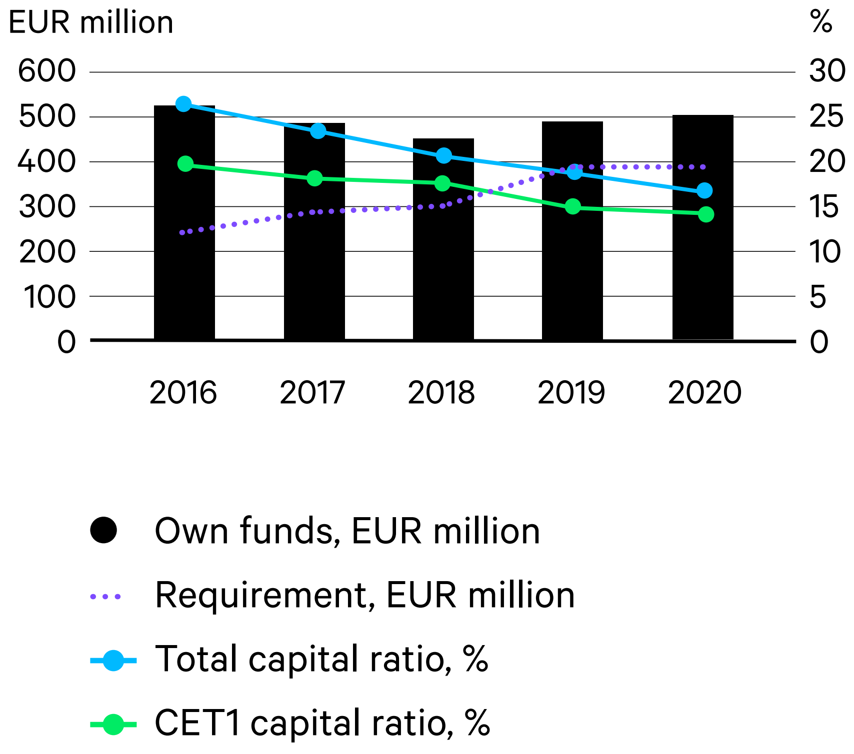
6.7 -35% (10.3)
Return on equity (ROE), %

14.0 -5% (14.7)
Common Equity Tier 1 capital ratio (CET1), %

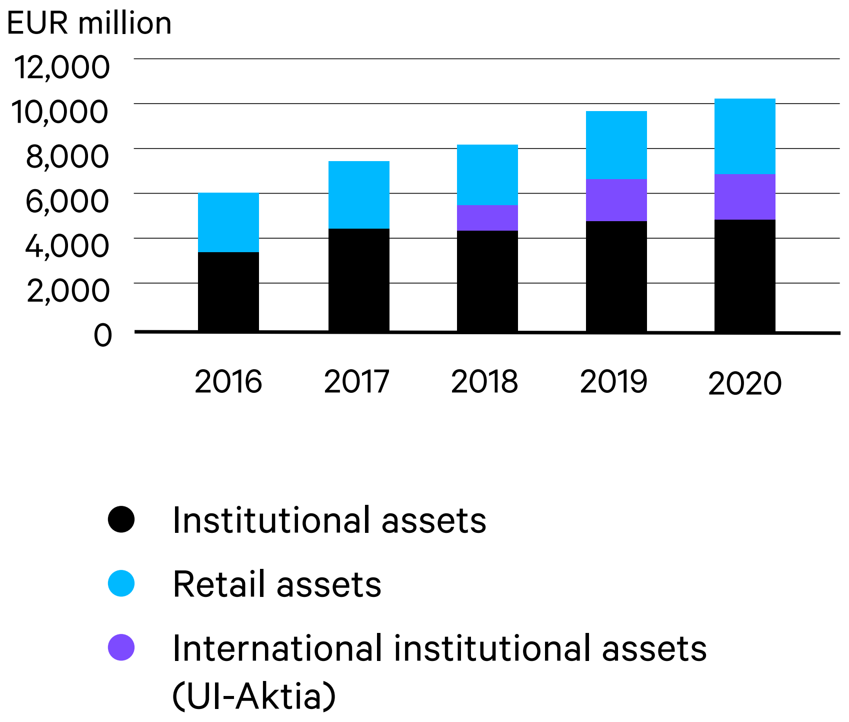
0.71 +8% (0.66)
Comparable cost-to-income ratio



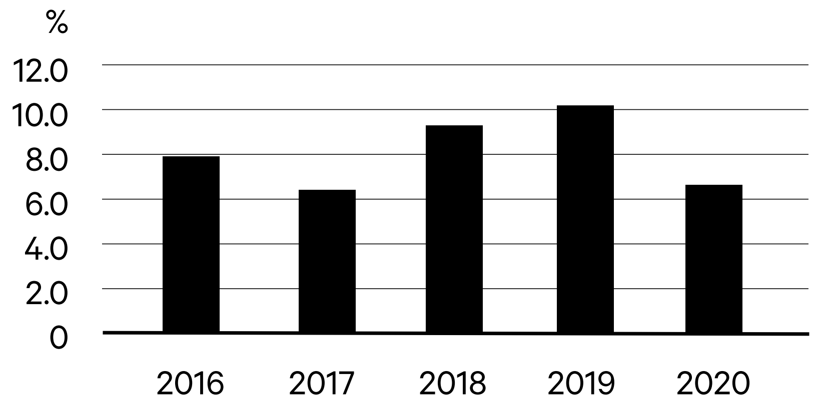
Capital adequacy

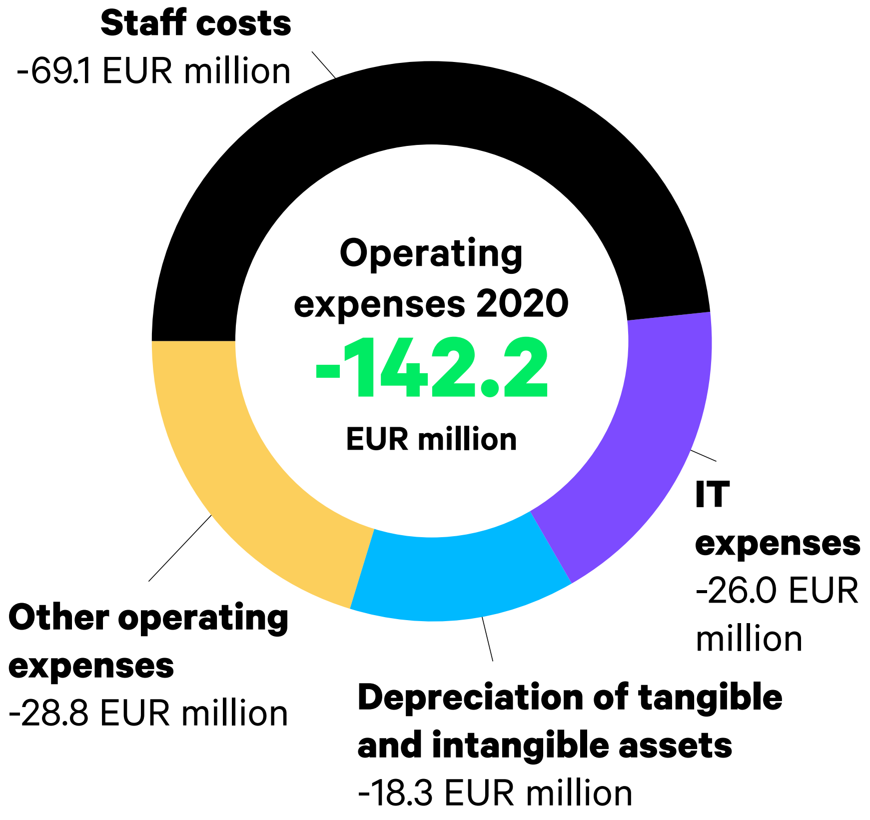


Assets under management (AuM) excluding custody



Aktia's return on equity (ROE)





Highlights of the year 2020

Q1 18 February

Google Pay available to Aktia's customers
Aktia expanded its service range of mobile payments and made Google Pay available to its customers. Android smart devices can be turned into payment instruments with Google Pay. Google Pay works with the help of a secured and encrypted virtual card number so the customer's actual card information stays secure.

Q1 16 March

Aktia offered private and corporate customers instalment-free periods to relieve the coronavirus situation
Aktia wanted to do its bit to ease the financial effects of the coronavirus situation and offered its private and corporate customers eight month long instalment-free periods.

Q2 31 May

Aktia's acquisition of Alandia's life insurance portfolio completed
Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia agreed earlier on the transfer of Alandia's life insurance portfolio to Aktia. Financial Supervisory Authority accepted the transfer, and the acquisition was completed on 31 May 2020.

Q3 16 September

The purchase of Askel Partners' fund business operations
Aktia Fund Management Company Ltd bought the fund business operations of Askel Partners Oy, a provider of fund services. With the purchase Aktia extends its selection of alternative investment products.

Achievements of Aktia's corporate responsibility in 2020

CDP's ranking
Aktia reached rating B in CDP's ranking, which is above the average in the European financial sector.

UN PRI assessment
Aktia received in UN PRI's annual assessment the highest overall score of A+ in two categories of reporting on responsible investing.

WWF Green Office label
Aktia's new eco-efficient main office was granted the WWF Green Office label.

Q3 14 August

Aktia Asset Management merged with Aktia Bank
Aktia Bank Plc initiated merger procedures aiming at merging the wholly owned subsidiary Aktia Asset Management Ltd with the parent company. The merger was executed on 1 January 2021.

Q4 30 November

Aktia founded Suomen Yrittäjäturva – a new company specialised in personal insurance
Aktia extends its distribution network for insurances and founded Suomen Yrittäjäturva – a company that specialises in entrepreneurs and their insurances as well as the distribution of the insurances. The new company is owned by Aktia, Veritas and private owners.

SUOMEN YRITTÄJÄTURVA

Q4 2 December

Aktia's funds available to private investors through Nordnet
Aktia signed a fund distribution contract with Nordnet. Nordnet's customers have been able to invest in ten funds managed by Aktia as of 2 December 2020.

Aktia Asset Management's awards in 2020

Morningstar Awards
Best Fund House Fixed Income 2020

Lipper Fund Awards
Bond EUR Global Corporates, Best Fund Over Past 10 years: Aktia Corporate Bond+ 2020

Scandinavian Financial Research
Gold Award 2020

New office building – a step towards a reformed Aktia

Aktia had a historical moment in autumn 2020 when the head office in Helsinki moved to the new Aktia House at Arkadiankatu 4–6. The premises are located on a site awarded with the international BREEAM environmental classification of 'Very Good'.

The move of the head office was a significant physical step towards a reformed Aktia and constitutes a continuation of the strategy update and brand reform launched in the latter half of 2019. Both are visible on the new premises. Aktia's first customer meeting space according to the new concept, Aktia Studio, is located at street level.

The modern and practical multi-purpose business premises and the various workspaces in them were designed to serve a new kind of varying work. Every detail was chosen to support better, more flexible and efficient work. The requirements of different tasks were considered in the design, while also ensuring the possibility for both concentration and cooperation. Our premises utilise modern tools and ergonomic solutions, and occupational health professionals were also involved in the design work. The Working Cafe is the heart of our premises and will allow Aktia employees to start meeting each other again once the coronavirus pandemic is history.

OPERATING ENVIRONMENT

Finland coped with the year of the coronavirus better than expected

Many indicators show that the Finnish economy fared much better than many other countries during the year of the coronavirus. One crucial difference has been the good management of the virus situation. Owing to this, the restrictive measures have been less stringent so that the negative impacts on economic activity as a whole have been smaller.

Unlike previous economic recessions, the 2020 crisis did not originate from any sector of the economy. The crisis was not caused by a stock exchange bubble or real estate bubble; instead, it came from outside the economy. Therefore, banks were not exposed to the same uncertainty as in the financial crisis of 2008, and they were able to provide better support to the economies. The housing market slowed down markedly in the spring, but new mortgages were again actively taken out in the summer. The corporate credits granted by the banks also increased sharply before the summer. At the same time, customers were helped by offering instalment-free periods.

Digitalisation has been a discussed topic ever since the IT bubble twenty years ago. The pandemic concretised the benefits of the trend but also revealed its limitations. The advanced degrees of digitalisation in many services have been able to reduce physical contacts between individuals, to slow down the spread of the virus, and has allowed everyday services to continue while physical places of business are closed. At the same time, remote work has made it easier for many to continue with their work effortlessly despite restrictions. However, having the office at home resulted in the total absence of personal meetings at places of work.

As always, in the coronavirus crisis, the investment markets were also the first to react to the uncertainty and with the most vigour. In just over three weeks, the global share indices dropped by over 30 per cent. The drop was historically rapid, but so was the recovery. The strong pendulum movement in share prices reminded all investors of the importance of a determined long-term investment strategy. The fact that shares yield higher returns than many other categories of investment is based on the diversification of risks and several years long investment periods. This allows the price drops occurring every now and then to be corrected over time. Therefore, the importance of diversification and long-term perspective are not emphasised without good reason.

AKTIA'S STRATEGY

Growth in asset management as well as new customers in the growing cities in Finland

Aktia's foundations were laid in the 1820s, when Helsingin Säästöpankki was founded. Aktia has an important and responsible role in society: our mission is to build wealth together, which requires us to renew ourselves continuously in today's Finland.

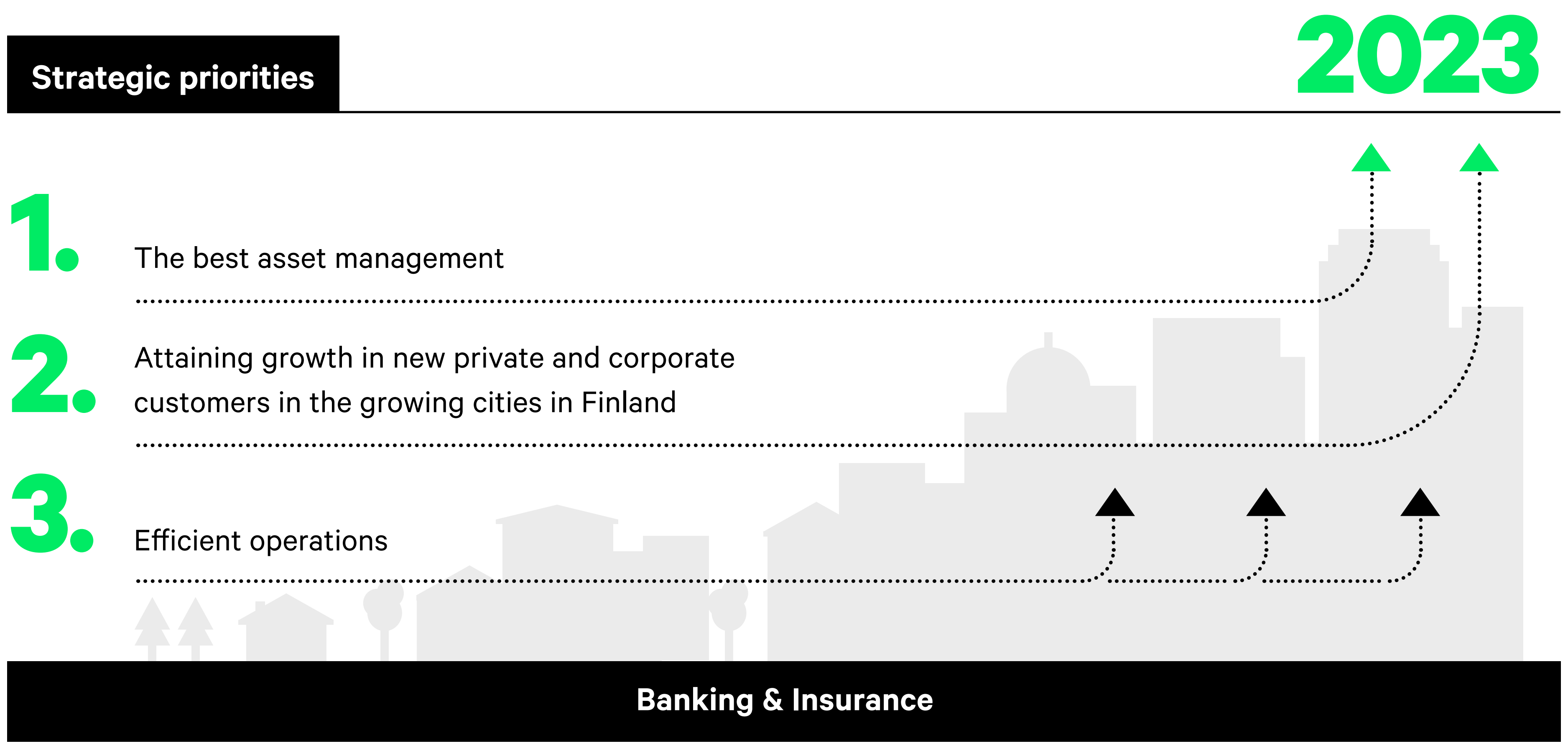
We want to be seen as an agile and responsible player in a rapidly changing environment and to show that we can serve our customers in all situations in life. Aktia updated its strategy and its financial targets in autumn 2019. According to the strategy, which extends to 2023, Aktia is seeking even stronger growth in asset management and new customers in the growing cities in Finland and continues to increase its operational efficiency further. The aim of the strategy is to support Aktia's growth targets and to lead the company towards the vision of being "The good bank. And a great asset manager".

Megatrends, such as urbanisation, the aging population, digitalisation and climate change, affect Aktia's business environment. The business environment and the changes in it are considered as a part of the strategy work.

Aktia's strategy consists of three main themes, which are:

1. The best asset management

Aktia's goal is to further extend its competitive offering within asset management through its own product development as well as carefully chosen partnerships. Aktia is also putting emphasis on increasing private customers' saving and investment activities. The bank wants to make its high-quality investment products and its award-winning asset management services available to its extensive private customer network and institutional investors to a greater extent than previously. Aktia aims to continue the strong internationalisation of institutional asset management into new market areas.



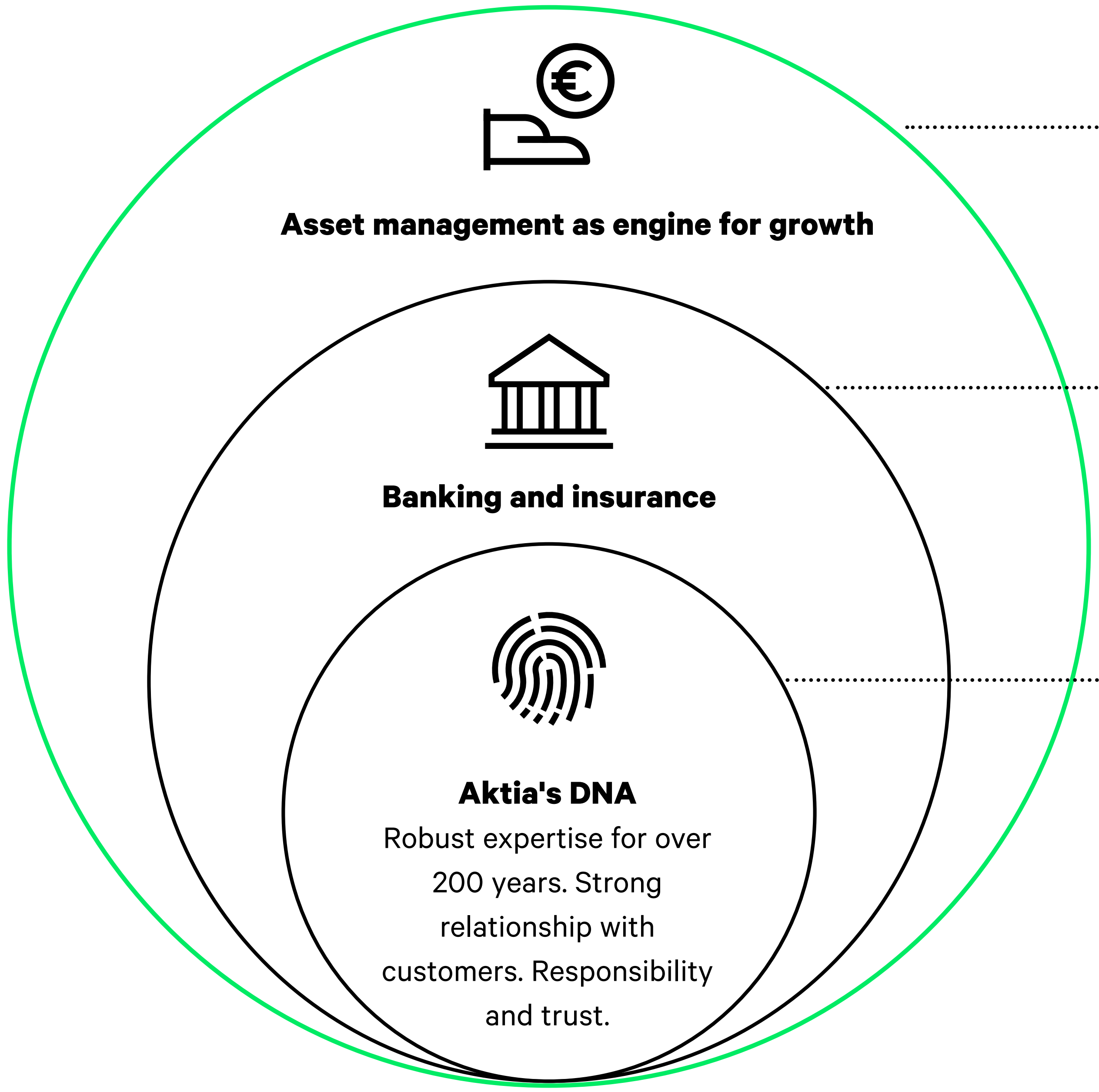
2. Attaining growth in new private and corporate customers in the growing cities in Finland

Aktia seeks growth in the growing cities in Finland and is making further investments in developing its offering for the customers' different stages in life. Digital banking, investment and personal insurance services combined with personal visits to the bank branch enable value creation in new ways that take better account of each customer's individual needs and enable the availability of services regardless of time and place. Aktia will continue to focus on serving small and medium-sized companies.

3. Efficient operations

Aktia will continue to increase its operational efficiency further by standardising and automating its operations. The goal is to renew and improve the efficiency of operating practices in order to meet rapidly changing customer needs in an even more agile manner and thus provide customers with a better customer experience. At the same time, Aktia aims to improve the profitability of its operations and free up resources for growth investments in focus areas in accordance with the strategy.

Basis of Aktia's strategy



We are seeking stronger growth from asset management.

We stand out from basic asset managers by offering high-quality, comprehensive banking services.

We utilise our robust expertise and maintain a strong relationship with our customers.

Financial targets for 2023

100
Comparable operating profit of EUR 100 million

> 11%
Return on equity (ROE) of more than 11 per cent

< 0.60
Comparable cost-to income ratio of under 0.60

1.5–3.0
Common Equity Tier 1 capital ratio (CET1) 1.5–3.0 percentage points over regulatory requirements

Megatrends

Urbanisation

Aging population

Digitalisation

Climate change

Value creation

Our vision: The good bank. And a great asset manager.

Input

Financial resources

Comparable operating profit:
EUR 55.1 million

Balance sheet total:
EUR 10,573 million

Equity:
EUR 667 million

Liabilities: EUR 9,906 million

Social capital

Personnel:
926 employees in total

Number of hours of personnel training:
6.4 hours/FTE employee

Intangible capital

Brand renewal

Diverse expertise

Product development

Natural resources

Paper

Energy

Water

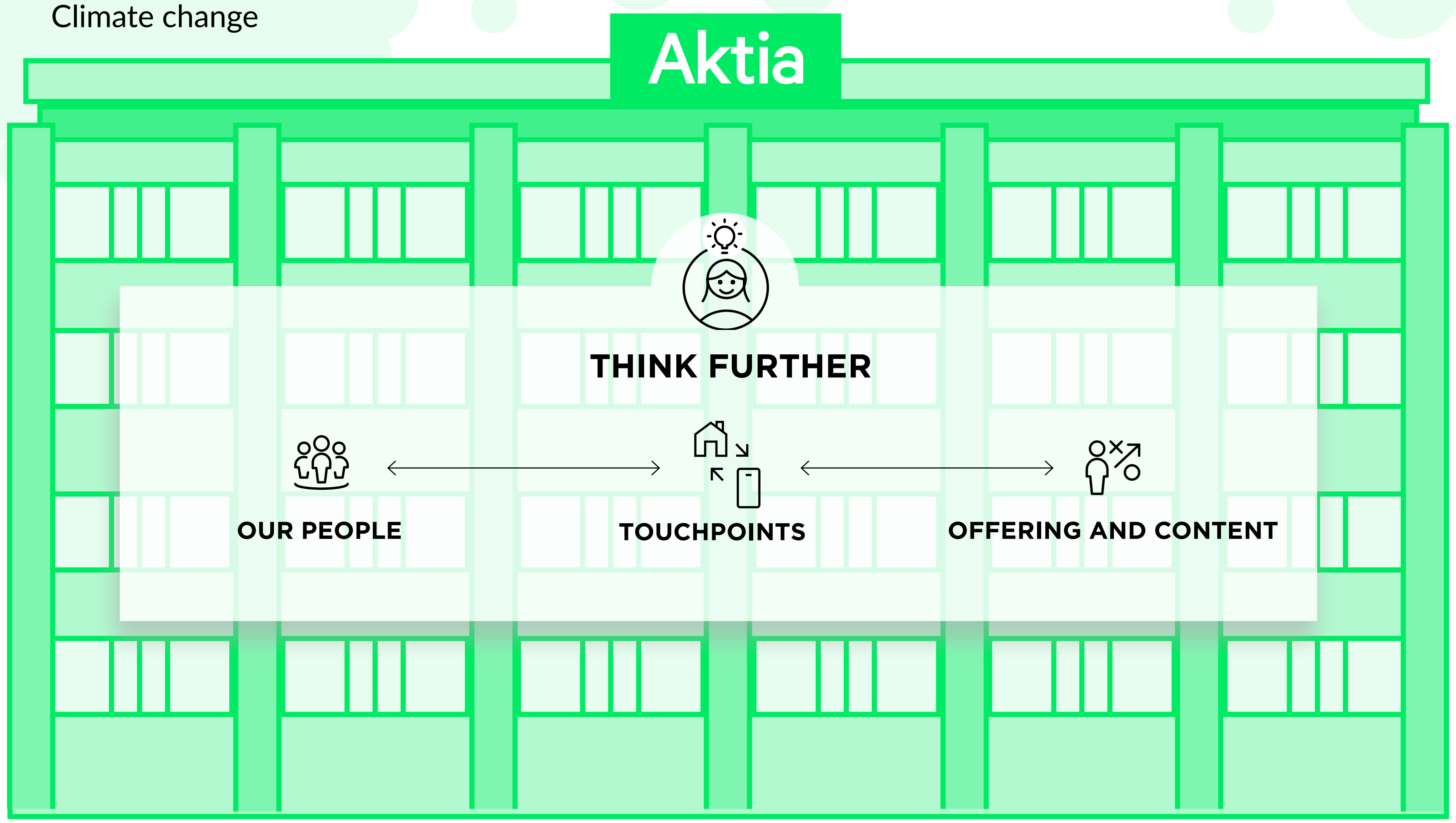
Aktia's business

Private customers | **Corporate customers** | **Asset Management** | **Life insurance**

Megatrends
Urbanisation
Aging population
Digitalisation
Climate change

Our mission:
Building wealth together.

Aktia's new culture and and change agents



Output

Owners and financiers

Earnings per share: EUR 0.61

Proposed dividend per share:
EUR 0.43

Net interest income: EUR 80.7 million

Community

Salaries and bonuses paid:
EUR 58.5 million

Social security and pension contributions:
EUR 10.6 million

Tax footprint: EUR 54.3 million

Donations EUR 46,470 and membership fees EUR 113,440

Customers

Customer satisfaction

High-quality service offering and digital services

Environment

CO_2 emissions: 556.6 tonnes (Scope 2 location-based)

Energy consumed at business locations:
3,807.7 MWh

Paper consumed: 10 kg/person and 8,878 kg in total

Our values: Courageously, Skilfully, Together

19 Locations, 5 Aktia Studios, 70 Customer service advisors, 280,000 Customers

Aktia as an investment object – stable and responsible value creation

Aktia has been creating wealth and well-being from one generation to the next for 200 years, and as a publicly listed company Aktia is already over 10 years old. We are the best partner for people, companies and organisations that value inner wisdom and responsible wealth creation. Our vision is to be "The good bank. And a great asset manager", and our mission is to build wealth together.

Why invest in Aktia?

1. Strong growth in asset management

- Our success in asset management is the outcome of years of long-term work and world-class expertise, as well within equities as fixed-income asset management.
- Through our banking operations, we have an extensive distribution network for asset management products also for private investors.
- We take responsibility for the assets we manage and for our investment environment. That is why responsible investment has been made a natural, integral part of our investment operations.

2. A reliable and responsible Finnish bank

- Aktia is a bank that operates close to its customers, so that it can interact with customers at every stage of their lives.
- Modern banking services are no longer limited to the opening hours of bank branches. The intense development of digital banking services will continue as a part of the renewal of our service package.
- The constant development of corporate responsibility is one of Aktia's most important objectives.
- We aim to be a solvent, reliable and environmentally responsible partner for economic well-being and the most attractive workplace in the business.

3. Good dividends

- Aktia pays good, stable dividends. We aim to pay out 60–80 per cent of the profit for each financial period in dividends.

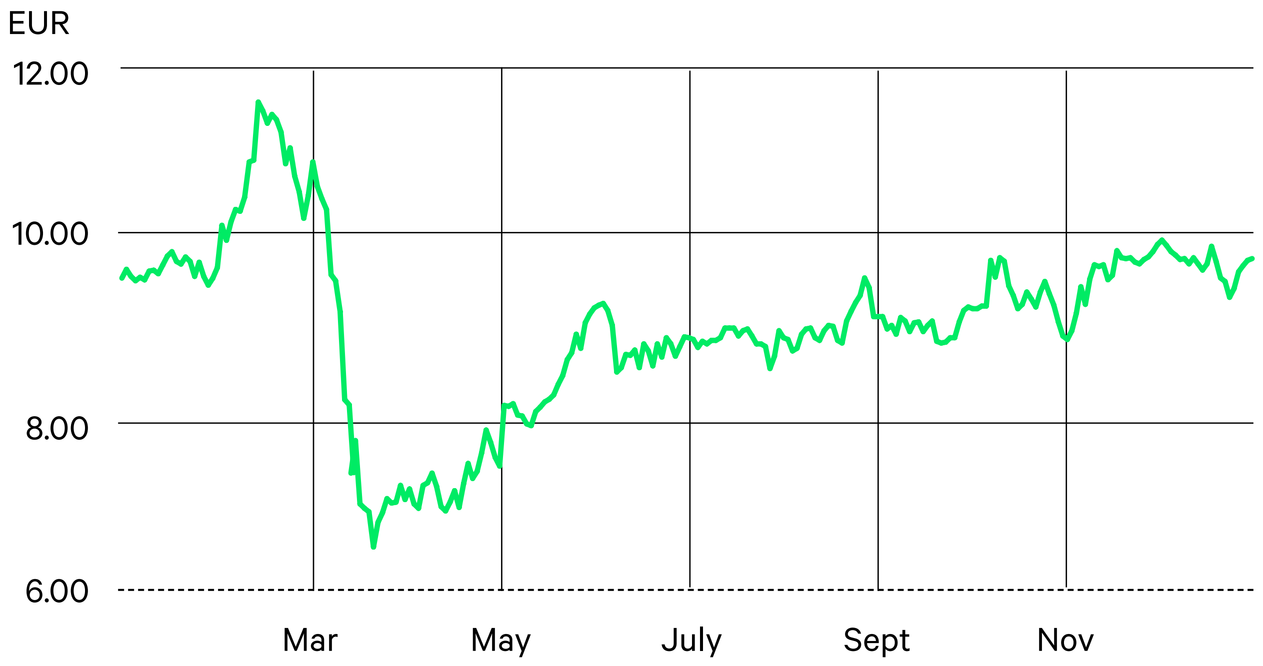
4. Good capital adequacy ratio

- Aktia's CET1 capital ratio is good in relation to the minimum CET1 requirement set for Aktia, as well as in comparison with the minimum capital requirement set by Aktia's Board of Directors.
- In 2020, the Common Equity Tier 1 capital ratio (CET1) was 14.0 per cent, and Aktia's long-term target is to remain 1.5–3 percentage points over the regulatory requirement (9.8 per cent).

5. Clear strategy and growth targets

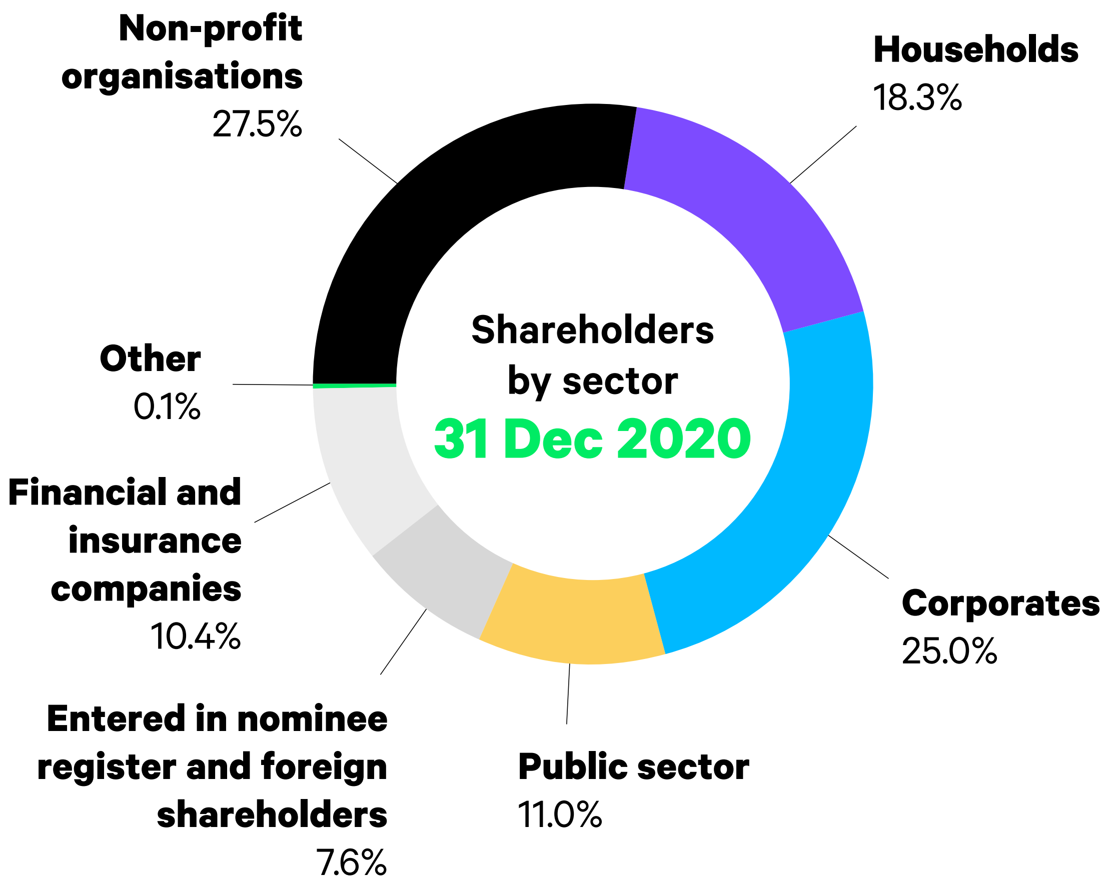
- In autumn 2019, Aktia updated its strategy and long-term financial targets.
- In line with the strategy for the period until 2023, Aktia is seeking even stronger growth in asset management and new private and corporate customers in Finland's growing cities while continuing to enhance the efficiency of its operations.

Aktia's share 2020



Aktia's share 31 December 2020:

Market	Nasdaq Helsinki Oy
Trading code	AKTIA
ISIN code	FI4000058870
Shares	69,574,173
Market cap	EUR 681,131,154
High	EUR 11.56
Low	EUR 6.51
Closing	EUR 9.79



Information for shareholders

Financial calendar

AGM 2021	13 Apr 2021
Interim report January–March 2021	5 May 2021
Half-year report January–June 2021	5 Aug 2021
Interim report January–September 2021	4 Nov 2021

Annual General Meeting 2021

Aktia Bank Plc's Annual General Meeting is being held on Tuesday 13 April 2021 at 4:00 p.m. Shareholders and their representatives can attend the Annual General Meeting and practice their rights as shareholders only by voting in advance and by making a counterproposal or asking questions in advance. It is not possible to attend the Annual General Meeting at the actual premises.

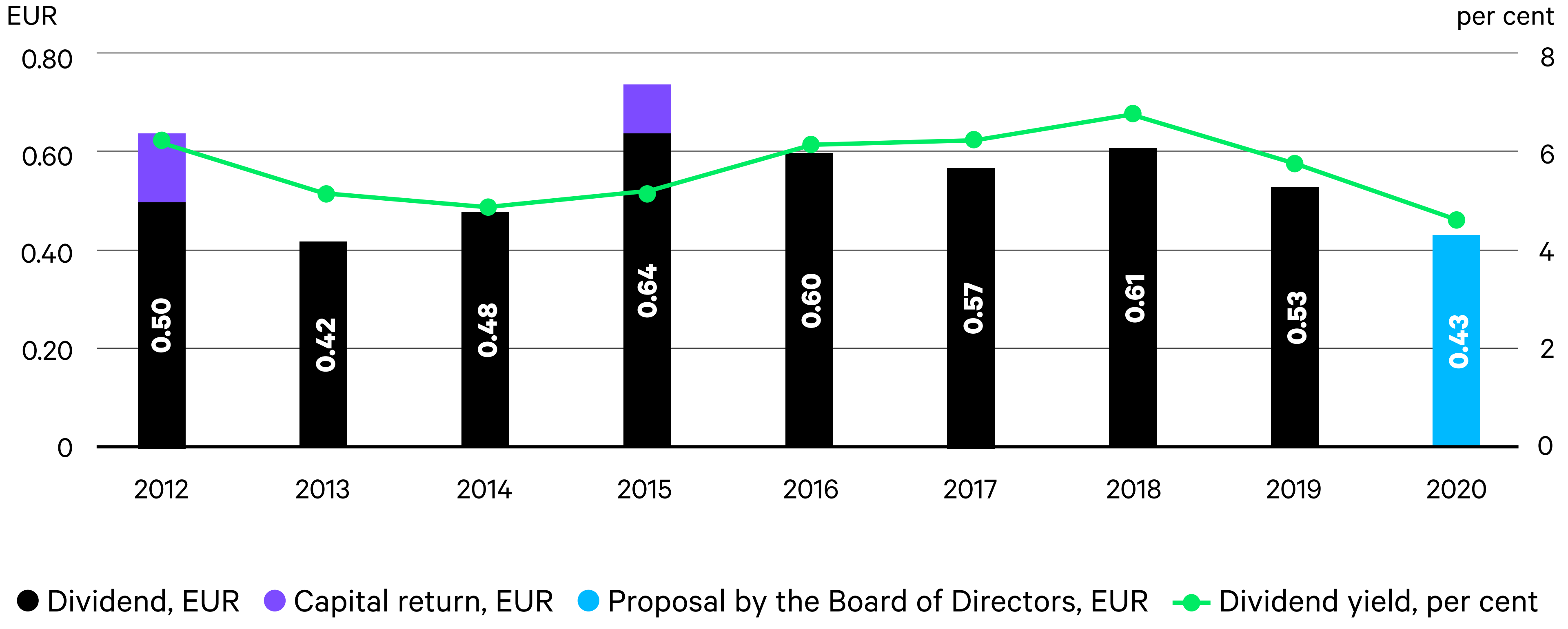
Each shareholder, who is registered in the company's register of shareholders maintained by Euroclear Finland Ltd as at 30 March 2021, has the right to participate in the Annual General Meeting. Shareholders whose shares are registered in their personal Finnish book-entry account are registered in the company's register of shareholders. Shareholders who are registered in the company's register of shareholders and who wish to participate in the Annual General Meeting and vote in advance must register their intention to attend and vote in advance by 4:00 p.m. on 6 April 2021, at the latest.

Participants can register for the Annual General Meeting and vote in advance:

- through the company's website at www.aktia.com; or
- by e-mail to agm@innovatics.fi
- in writing to Innovatics Oy, Annual General Meeting/Aktia Bank Plc, Ratamestarinkatu 13 A, 00520 Helsinki.

For registration purposes, the shareholder is requested to give his/her name and personal identification code or business ID, address, telephone number as well as the name and personal identification code of any representative. The personal details that shareholders give to Aktia Bank Plc, Innovatics Oy or another representative appointed by the company will only be used for purposes associated with the Annual General Meeting and processing the relevant registrations.

Aktia's dividend per share (including capital return) 2012–2020



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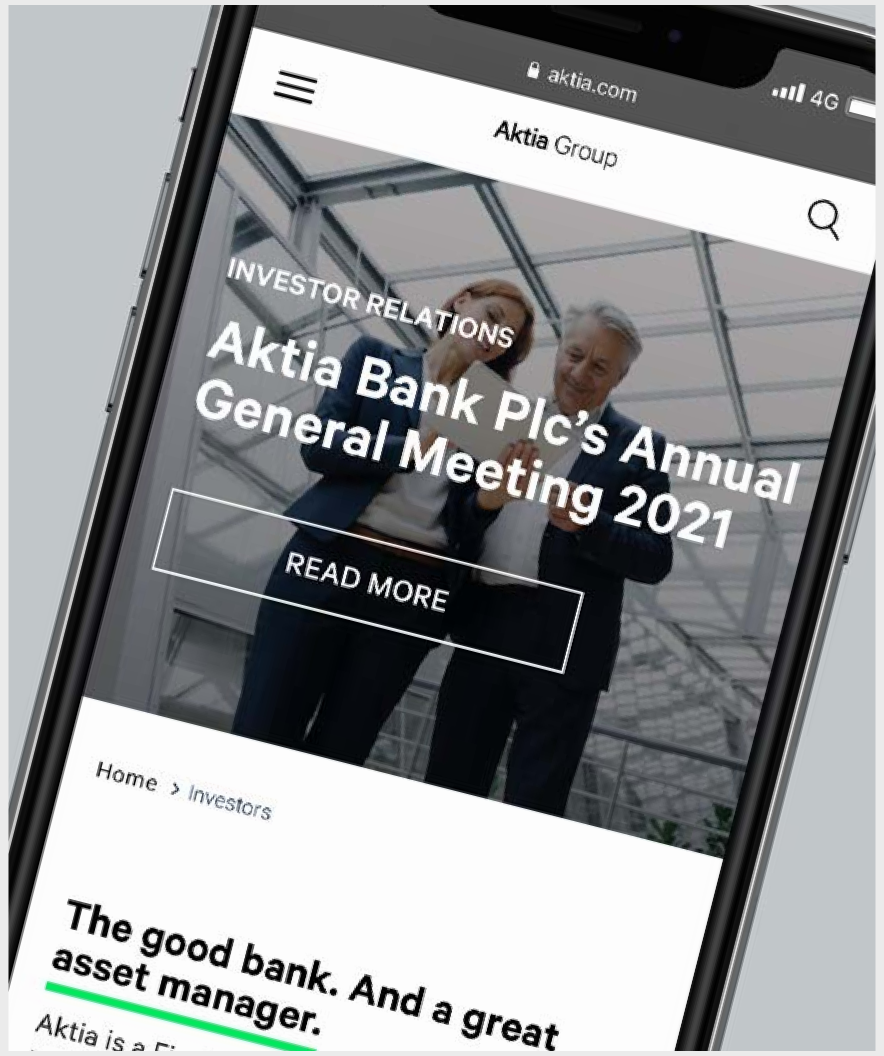
Renewal of the group and investor pages

Aktia renewed its group and investor pages in September 2020. We have above all developed the usability and visual appearance to match our new brand. Up-to-date information can due to the renewal easily, quickly and logically be found in all three languages; Finnish, Swedish and English. A clear structure and navigation make the group and investor pages easy to use.



Dividend proposal

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

Aktia Bank's dividend policy

Dividend pay-out of 60–80 per cent of profit for the reporting period.

Analysts covering Aktia Bank Plc

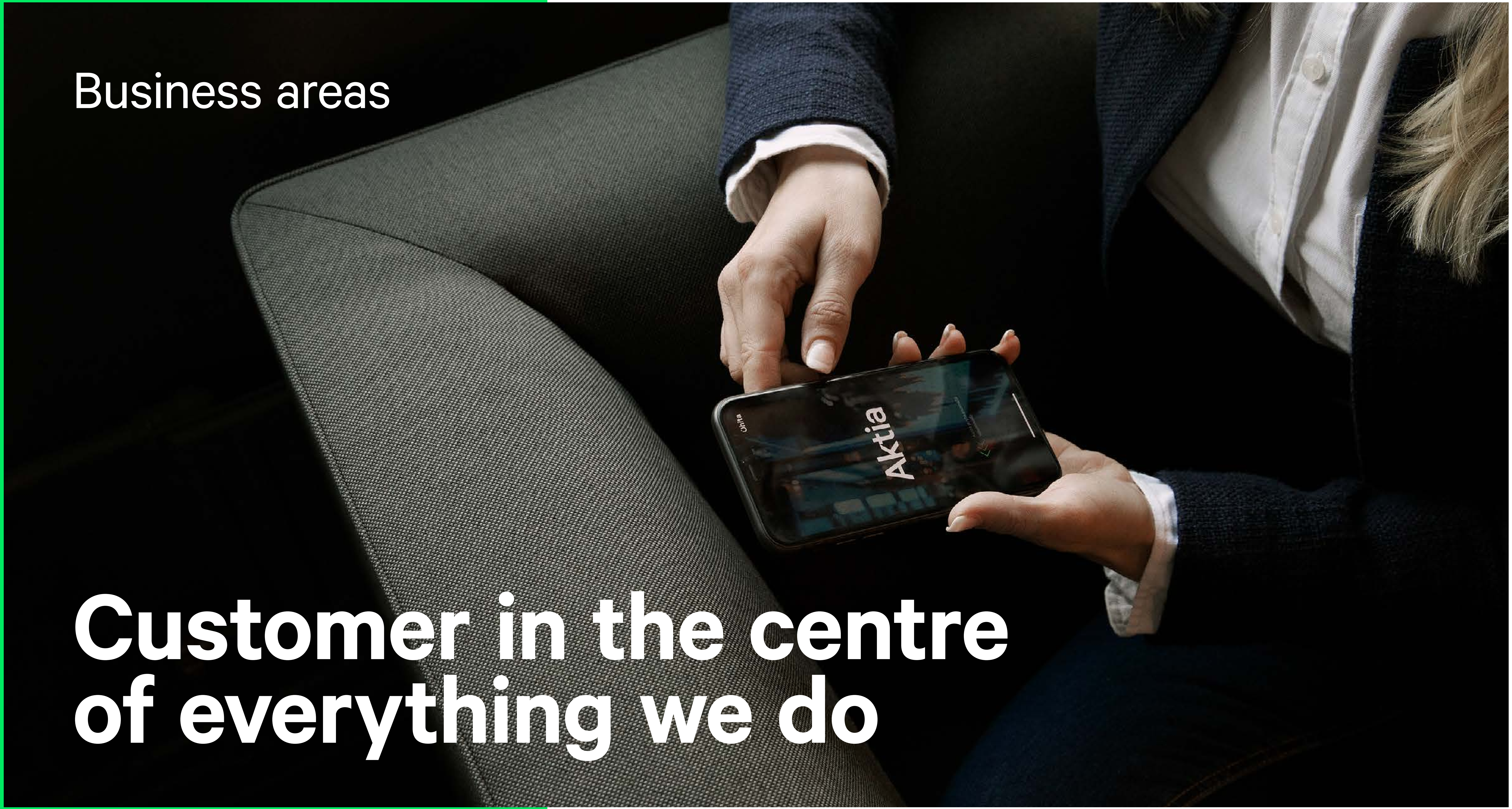
Danske Bank	Andreas Håkansson
Handelsbanken	Kimmo Rämä
Inderes	Sauli Vilén and Matias Arola
OP	Antti Saari

Aktia Bank Plc – Capital and Risk Management Report 2020

Aktia Group's internal control, risks and risk management are presented in greater detail in the Group's Capital and Risk Management Report, which is published separately at the same time as the annual report. The report is available on Aktia Group's website at www.aktia.com.

Business areas

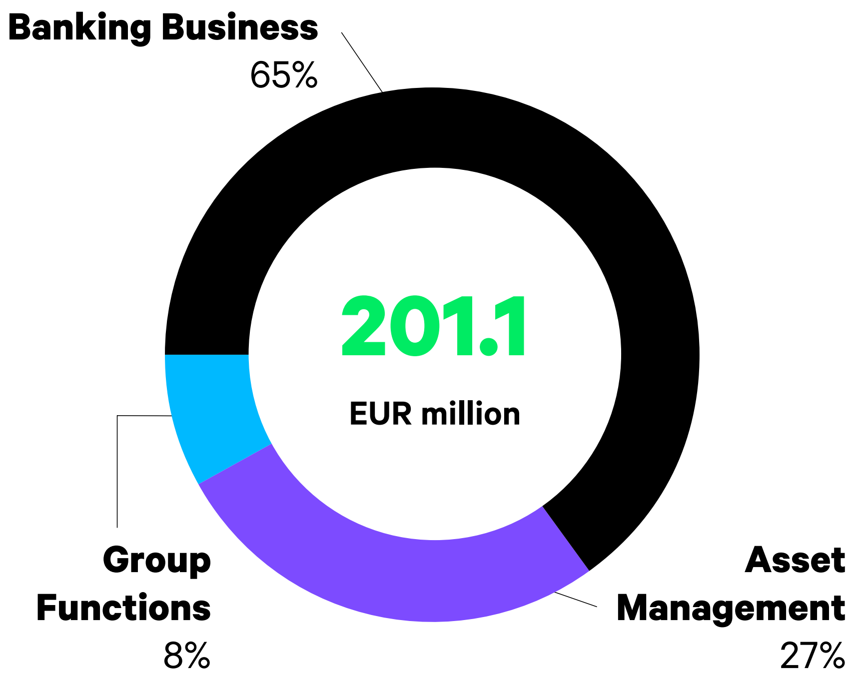
Customer in the centre of everything we do



Business areas and reporting business segments

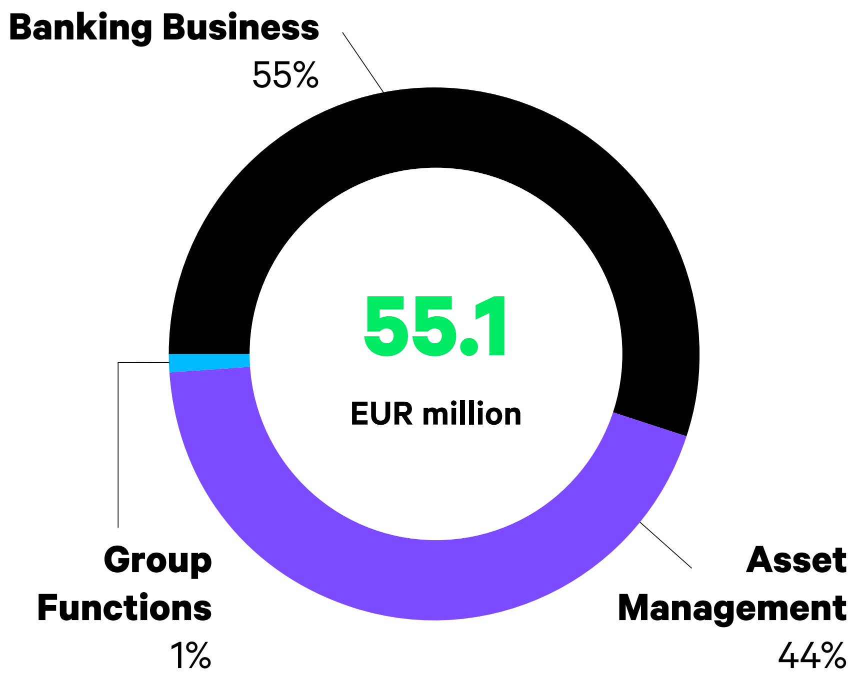
Aktia provides private individuals, corporate customers and institutions with customer-oriented banking and financing solutions, based on close consultancy, through different channels. The individual needs of each customer are the starting point of everything we do. Aktia has four business areas: Private customers, Corporate customers, Asset Management and Life Insurance. Aktia has three reporting business segments: Banking Business, Asset Management and Group Functions.

Share of total operating income 1–12/2020*

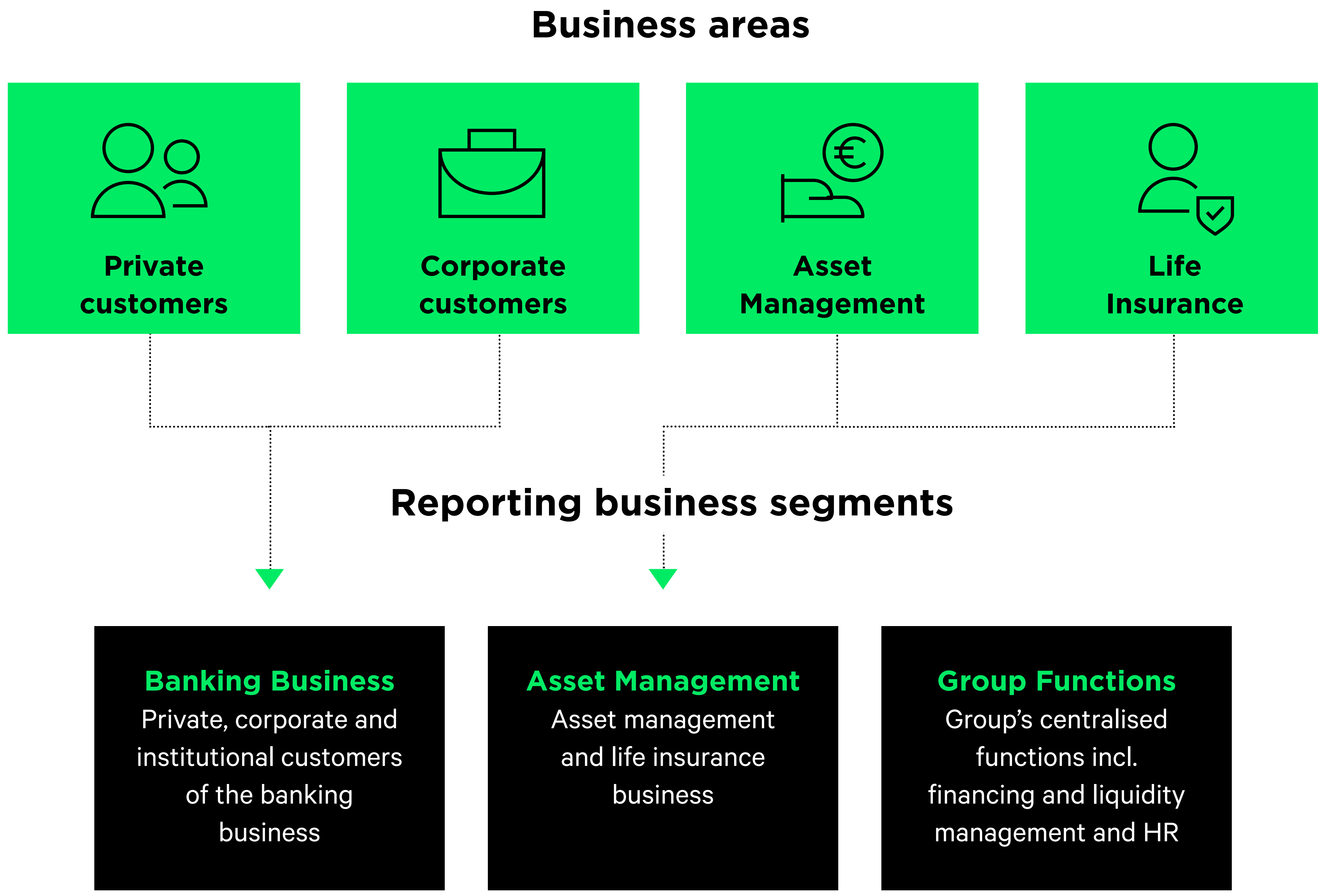


*Share of total operating income 1–12/2020. EUR 210.0 million excluding Other & eliminations EUR -8.9 million.

Share of comparable operating profit 1–12/2020*



*Share of comparable operating profit 1–12/2020. EUR 55.2 million excluding Other & eliminations EUR -0.1 million.



PRIVATE CUSTOMERS

Our development work is based on the needs of private customers

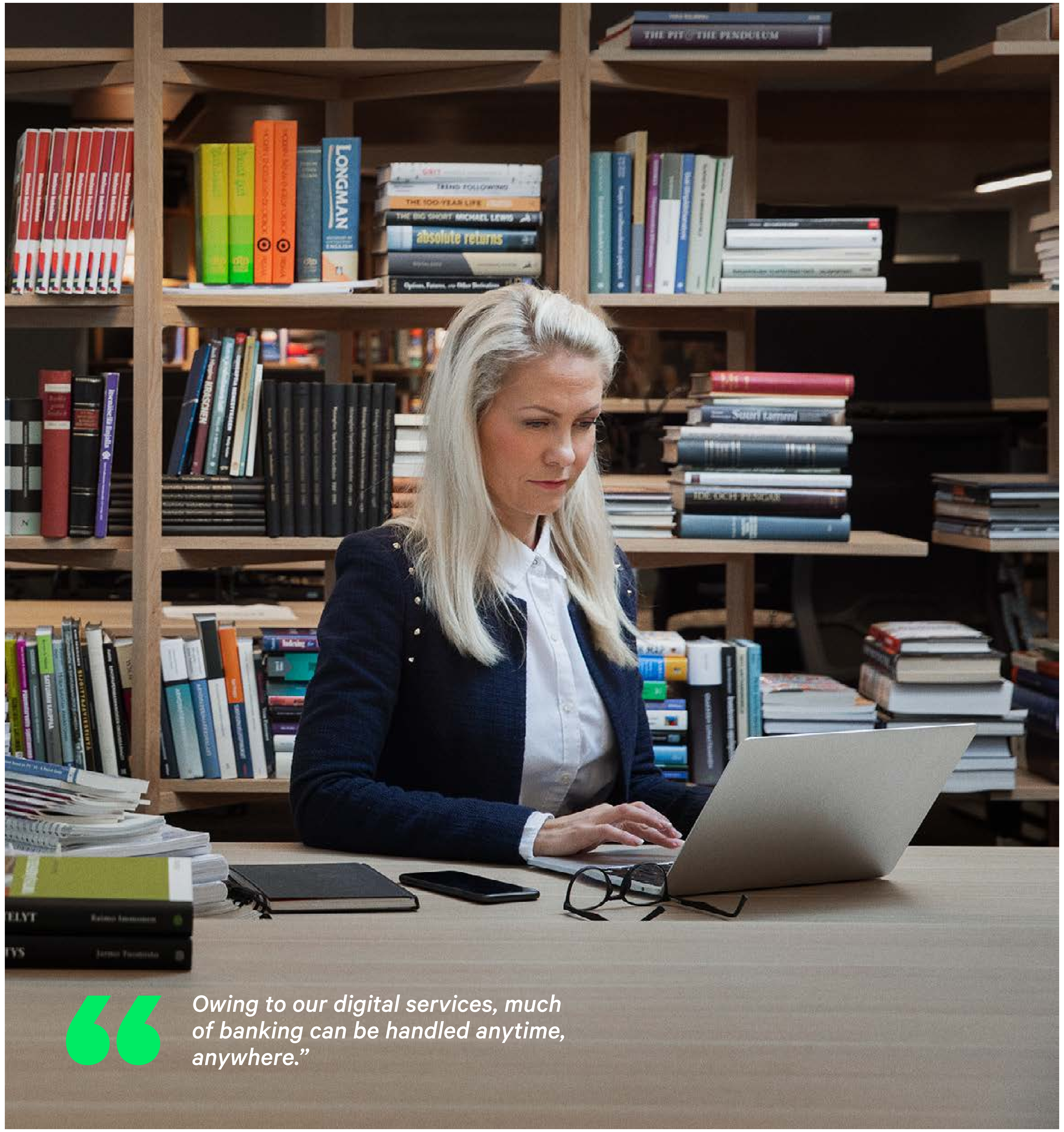
Aktia strives to help and support its customers to increase their wealth. We provide our private customers with a wide range of financing, insurance, savings as well as investment products and services through various channels. We provide advice regarding investments and mortgages and seek to make our customers' everyday activities easier by ensuring that their banking affairs will be handled with ease.

Aktia supports its customers in times of uncertainty

The year of private banking business was marred by the coronavirus epidemic, and the uncertainty it created increased particularly the need for customer advice and service. As the pandemic spread, the demand for digital services grew; particularly the relative share of digital housing transactions increased in 2020.

Mortgage lending was solid throughout the year, and the demand for mortgages increased particularly towards the end of the year, more than could have been expected considering our market share. Aktia introduced an indicative loan offer to make decision-making easier and quicker for private customers contemplating housing transactions. In the spring, Aktia launched a campaign for a free instalment-free period in order to provide its customers with even more flexible options to manage their finances. The instalment-free periods were well received by customers and we processed a record number of applications for these during the campaign.

During the year, stock market fluctuations affected investing and customer behaviour. The interest in investing has continued to be strong and the demand for asset management services and investment funds was high late in the year – not least due to the good returns for investment funds.



"Owing to our digital services, much of banking can be handled anytime, anywhere."

The interest in investing has continued to be strong and the demand for asset management services and investment funds was high late in the year."

Increased use of digital services

The service model reform introduced at the beginning of the year has advanced in quantum leaps. Owing to our digital services, our customers can now handle much of their banking anytime, anywhere. The electronic signature introduced during the year has also contributed to the improvement of services.

The coronavirus epidemic meant that most of the customer meetings were virtual. At the same time, our customers got to know our digital services which now constitute a natural part of our cooperation with customers.

During the year, Private Banking launched a portfolio application for its customers to make the daily monitoring of their asset management portfolios easier. In the autumn, the investment offering was enhanced with structured products.

The interest in customer service and telephone advice increased. That meant that customer service waiting times were long in the spring. In order to shorten the queuing times, we have extended our hours of service to weekends. Modern and flexible customer service will continue to be the focal point of good customer experience. Customer orientation was enhanced during the year and we provided our customers with the opportunity to influence our development work via the Aktia Community.

In customer meetings, we have particularly concentrated on the service and advice rendered to our customers. Customer satisfaction is at a good level and has further improved during the year. "I am pleased to see that, despite the exceptional year, the latest NPS results show that the customers of Aktia Private Banking are very satisfied with their bank and particularly with their banker. On a scale of 1 to 4, our customers rated the bank's seamless service at 3.9, commending particularly the provision of personal advice", says **Carola Nilsson**, Executive Vice President, Private customers.

Year of digital development

Hanna Palenius, who is in charge of digitalisation and customer payment traffic, describes 2020 as the year of digitalisation. According to Hanna, all customer groups have showed an increased interest in Aktia's digital service offering and the range of digital services is constantly expanding.

At the turn of the year, Aktia launched a solution for digital signatures that made digital transactions, such as housing transactions, easy. Digital powers of attorney have made things easier especially for families with children and elderly customers.

Customers overall have shown an increased interest in Aktia's digital service offering."

The mobile payments service offering was expanded at the beginning of the year when Google Pay, Fitbit Pay, and Garmin Pay supplemented the previously launched Apple Pay. The mobile payment services were well received by customers, and their use has increased. They make paying with smartphones and smart watches easy and quick.

In the summer, we launched a chatbot to facilitate the customers' everyday banking business, and its further development continues. "It has been a pleasure to see how well the digital services have been received by our customers and how they have been really actively used in all channels. We are naturally constantly continuing the development of our digital service offering, and Aktia's capabilities to serve its customers digitally are already of a high standard", says Hanna Palenius.

CORPORATE CUSTOMERS

Aktia helps Finnish companies to think further

We serve companies and organisations, from micro-businesses and associations to listed companies. We are a financial advisory partner to our corporate customers, and we strive to enhance the companies' opportunities for success and the owners' financial well-being. We walk on the same path as our customers, and we strive to comprehensively address their various needs. Our aim is to provide our customers with the best possible customer experience.

Advising our customers as the main focal area

The exceptional year in corporate banking business started strong, and the good market situation increased companies' willingness to invest more than expected. Many new projects also began in the construction sector. At Aktia, this activity was particularly reflected in the growth of the corporate loan portfolio.

However, the coronavirus situation quickly changed the market and the year that had started positively changed. The gloomier economy quickly erased a large part of the revenues for many companies, and the enquiries regarding instalment-free periods and working capital multiplied from the usual level. With quick actions and expertise, we solved challenges associated with the economic outlooks and acute cash flow crises of our customers and the main focus was now on providing our customers with advice and implementing their applications for financing.

To bring the financial situations for corporate customers into balance, Aktia offered them the possibility of instalment-free periods, and many companies took up the offer so that they on their part could prepare for any coronavirus-related business challenges. Instalment-free periods were also utilised for easing the situation regarding working capital.

Financing solutions as required

Following the partial easing of coronavirus restrictions, companies gradually required more financing for their investments, and the focus shifted back to financing

the growth requirements of corporate customers. After summer, the demand for loans increased and many projects that were suspended and postponed in the spring were back on the table, and even the willingness to invest was restored. The financing of RS properties was also at a good level.

The focus is on strategic growth areas, i.e., on winning new customers from the SME sector. We want to make Aktia an alternative also for companies that do not know us yet. New potential corporate customers were more active in the autumn than in the spring or summer.

In other words, the second wave of the coronavirus pandemic did not particularly affect the corporate customers' needs to change payment plans or increase their need to finance their working capital. Regarding payments, corporate customers seemed to be divided into two categories; in some sectors, the businesses and volumes have grown, while they are shrinking in others.

Corporate customers have showed interest in the European Investment Fund's EIF guarantee programme that Aktia obtained in the spring. The programme has enabled our customers to start corporate and investment projects, which has led to several new corporate customers for Aktia. The programme allows SMEs to obtain less expensive financing with lower collateral requirements for economically profitable investments and working capital supplements.

Factoring cooperation

Aktia started a factoring cooperation with Puro Finance Oy, allowing Aktia to provide its customers with an excellent alternative for financing their working capital in addition to its own solutions. It is essentially important for our corporate customers that the cooperation allows us to better respond to their individual needs. The service is easy to deploy, and it is intended for providing help for a company's cash flow. Help with the working capital is required especially when no real collateral is available.

Customer satisfaction at the centre

According to the latest NPS survey, the customers of Aktia's corporate customer teams are really satisfied with both Aktia (NPS 63%) and their own contact persons (NPS 83%). The coronavirus crisis has also sped up our digital customer service with corporate customers, and it will continue to promote the implementation of a flexible model for doing banking. During the year, customer meetings were held both as virtual meetings and conventional face-to-face meetings. In these meetings, we met more customers in 2020 than in previous years. Both our new and old customers have been satisfied with these meetings. The great NPS figures give us the confidence that Aktia will also help more and more Finnish companies to think further ahead next year. When Finnish companies are prospering, also society, as a whole, is doing well.

> *"When Finnish companies are prospering, also society, as a whole, is doing well."*

Anssi Huhta as the lead of corporate customer business

Anssi Huhta started as Executive Vice President, Corporate customers, at Aktia in November 2020. Anssi Huhta moved to Aktia from the OP Group where he has held several different managerial positions.

Anssi Huhta says that he is particularly pleased with the fact that he is now in a position where he can develop Aktia's corporate customer business towards increased customer orientation and activity. "In line with our strategy, we want to sharpen our focus on winning new SME customers and make Aktia better known in the growth centres of Finland, as well as attract companies who neither know us nor our methods yet", says Anssi Huhta.

ASSET MANAGEMENT

Asset management is Aktia's strategic cornerstone

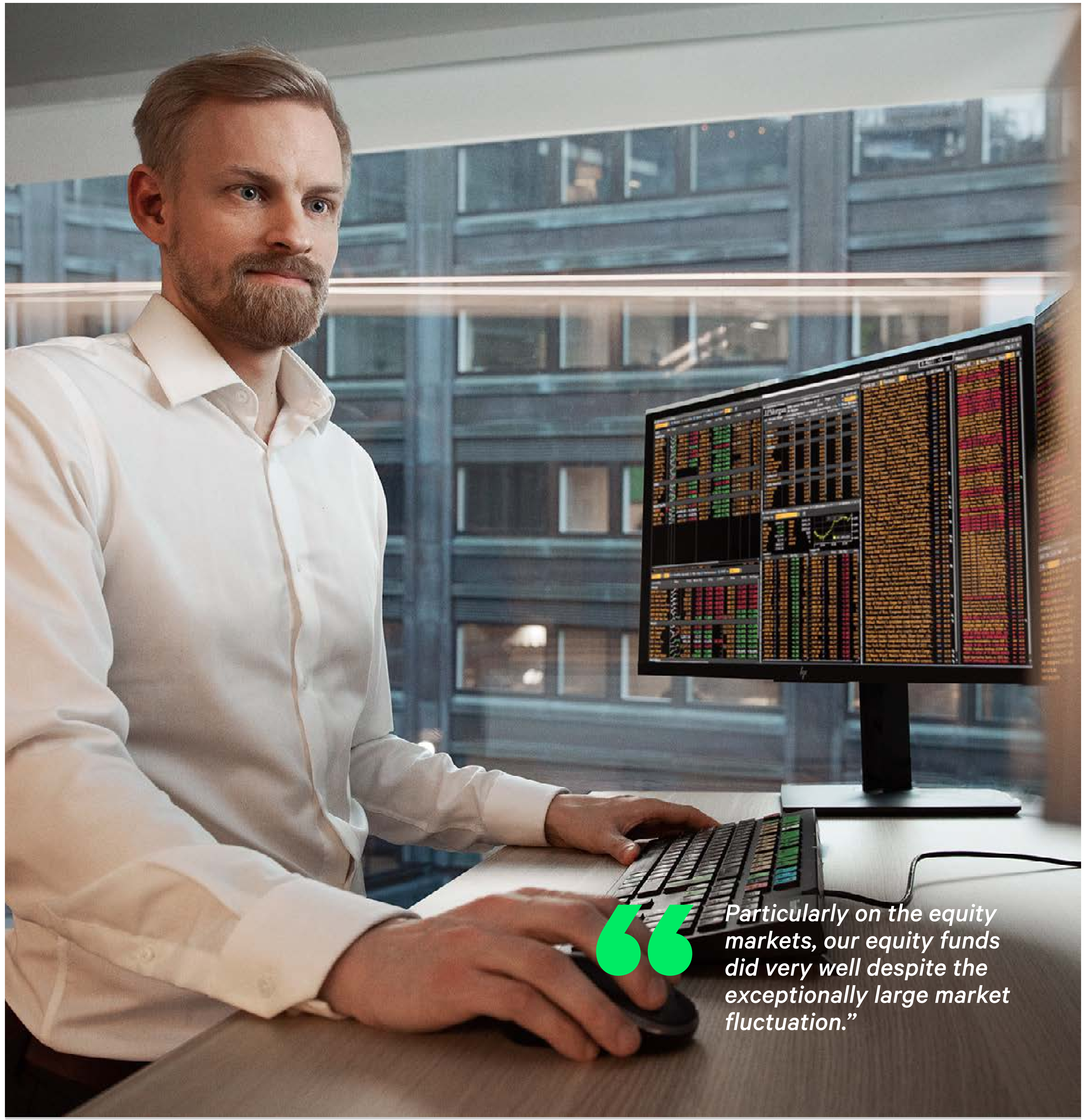
We offer award-winning, best-in-class asset management services and investment products to institutional and private customers in Finland and internationally. Customer orientation, strong competence, corporate responsibility and activity are the cornerstones of our operations. Our aim is to be a great asset manager.

Strong year amidst turmoil

Despite its exceptional nature, 2020 proved to be a strong year for asset management. We implemented our strategy according to plan, and in addition to the digital quantum leap in terms of work, we actively developed our own responsible investing processes.

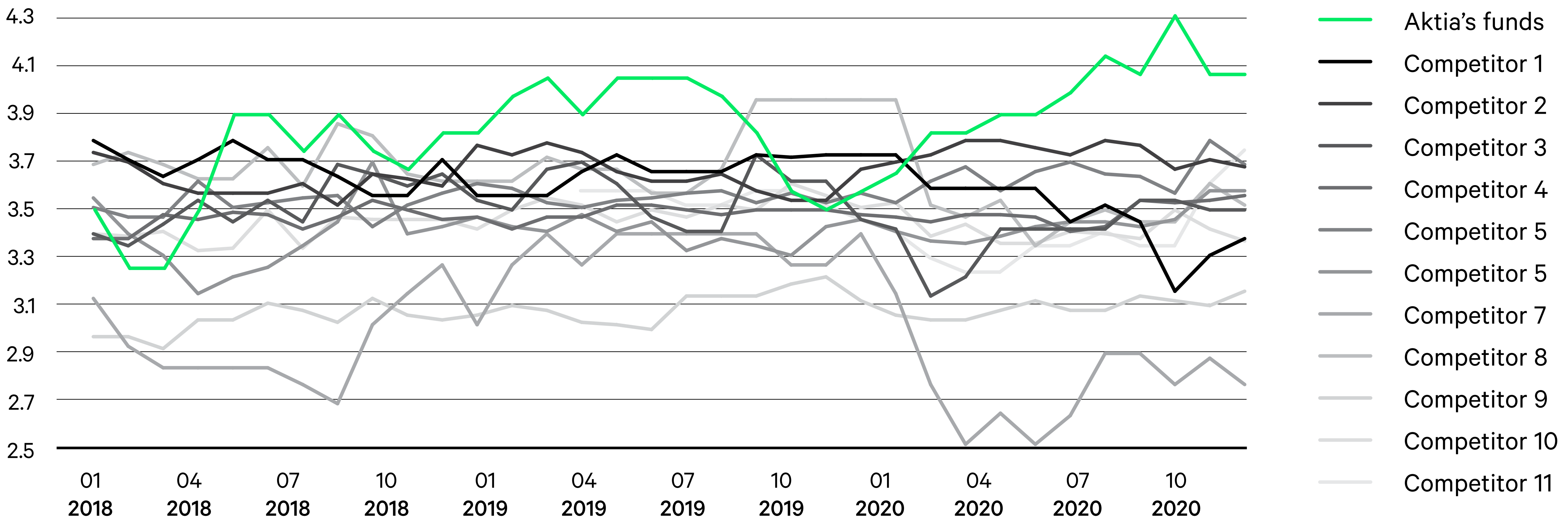
In the autumn, we achieved Finland's best Morningstar ratings of the year. Particularly on the equity markets, our equity funds did very well despite the exceptionally large market fluctuation. One impressive example of this is the equity fund Aktia Nordic Micro Cap with an annual return of as high as 88 per cent amidst the pandemic. Furthermore, our Nordic equity funds and portfolio managers were rated the best in the Nordic countries by by the newspaper Dagens Industri. Our fixed income fund management also received well-earned recognition in 2020 when Aktia won Morningstar's best Finnish Fixed Income Fund House category for the sixth time. In addition, the Aktia Corporate Bond+ fund won the best euro-denominated fund in the Refinitiv Lipper Fund Awards 2020 comparison, and we were awarded as one of Finland's best institutional asset managers in the Finnish Scandinavian Financial Research (SFR) survey.

During the year, we launched three new structured products for private customers. We also expanded our offering of alternative investment products and acquired Askel Partners' business, with which we continued the development of an infrastructure fund that invests in Finland. We obtained a marketing



"Particularly on the equity markets, our equity funds did very well despite the exceptionally large market fluctuation."

Morningstar ratings



authorisation for the fund, effective from the beginning of 2021. We have also introduced new sustainability-oriented funds from our partners for our customers and as a part of our asset management solutions. Towards the end of the year, we expanded the distribution cooperation of our funds with Nordnet. At the end of the year, we also reached another highlight as the total assets managed by us exceeded the level of EUR 10 billion. At the turn of the year, Aktia Asset Management Ltd also merged with Aktia Bank Plc as planned, and asset management became a separate business area for Aktia Bank.

"The year 2020 highlighted the profitability of active long-term asset management, especially in challenging times. Anyone can succeed in good times, but only the best can do so in turbulent times. The challenging year was nevertheless taxing on our international sales due to travel restrictions, but, on the other hand, it enabled active virtual meetings and created a basis for the following year. The year 2021 has started with a positive market sentiment, and the positive trend of customer activity in the latter part of 2020 has continued. We will continue on the path of development and growth this year, working every day in a determined manner for our customers and towards our goal of being a great asset manager", says **Niina Bergring**, Executive Vice President, Asset Management.

At the end of the year, we also reached another highlight as the total assets managed by us exceeded the level of EUR 10 billion."

Aktia's funds received Finland's best Morningstar ratings

Aktia's funds achieved the best Morningstar ratings ever when comparing the average Morningstar ratings achieved by the funds managed by different fund companies in Finland. In August 2020, the average rating of Aktia's funds was 4.20 stars, while the average of the next best contestant was 3.77.

"You can only succeed in Morningstar ratings if you have produced particularly good results in the long term. This success is a strong indication of the good results of our active portfolio management, which is above all evidenced by the development of our customers' investments", says **Niina Bergring**, Executive Vice President, Asset Management.

Aktia's funds concentrate on fixed income and foreign currency instruments of emerging markets, European corporate bonds and Nordic shares. All funds are actively managed.

"Even the most recent surveys show that the best portfolio managers produce clear added value, especially during periods of decline and when operating on the emerging markets", says Bergring.

Aktia's asset management has regularly since 2013 been at the top of Morningstar's surveys. Morningstar is an independent actor analysing and comparing investment markets and products.

LIFE INSURANCE

Life insurance as a foundation for financial security

We are a reliable provider of life insurance, and the scope of our competence includes products offered to private and corporate customers for insuring personal risks, such as life insurance, disability insurance, and insurance cover for serious illnesses. Furthermore, our range of products includes solutions for saving and rewarding, combining the efficiency of insurance savings with Aktia's award-winning asset management.

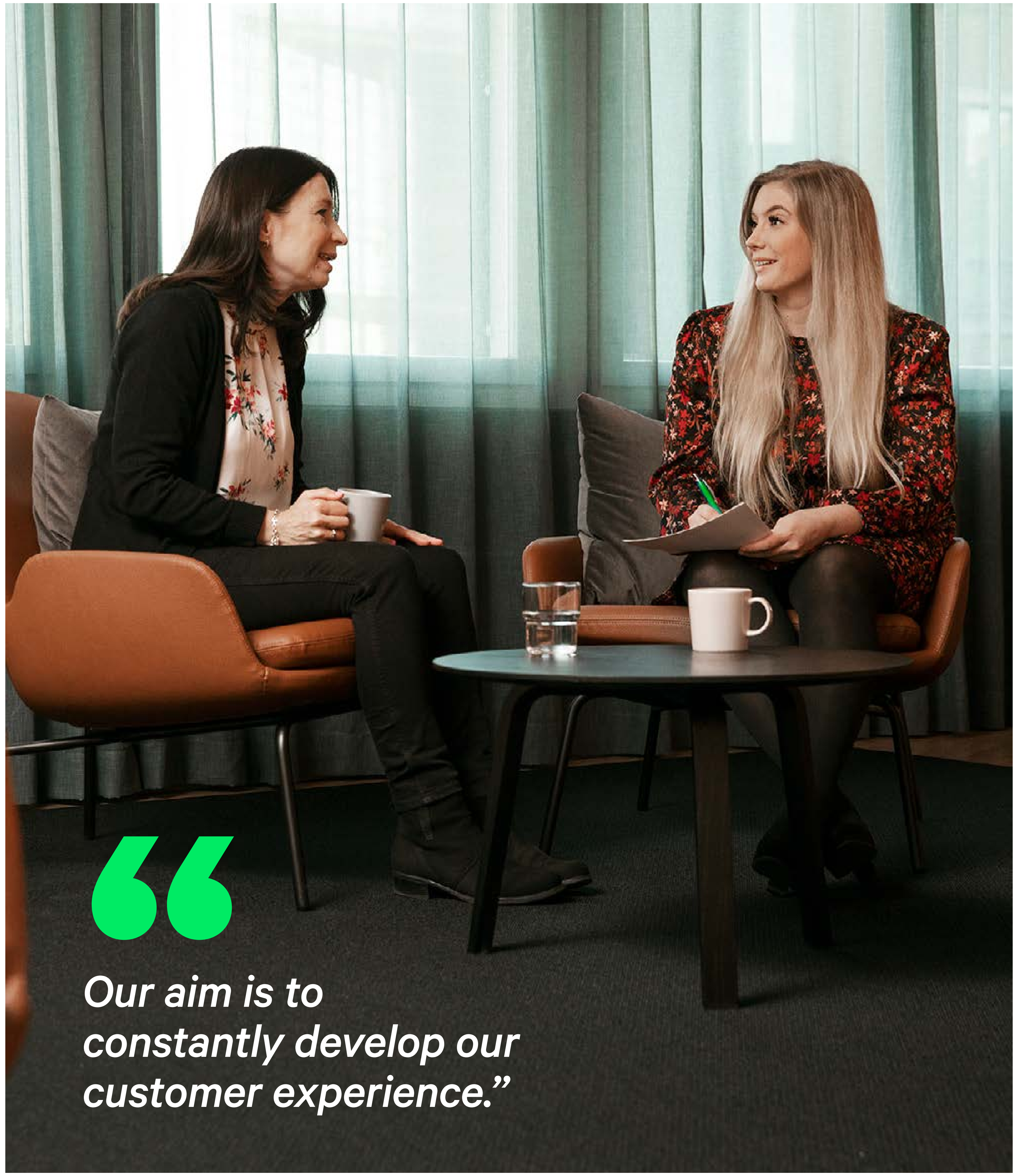
The challenging year did not stop the reforms

2020 was a very eventful year for our business. Early in the year, we continued the reforms already initiated in the previous year, and we succeeded in launching the renewed offering of personal coverage products and its sales process. During the first half of the year, we renewed our strategy for the life insurance company, and it has been implemented during the year together with personnel to ensure strong growth and efficiency of operations.

Just before the summer, we gained approximately 6,000 customers when Alandia's life insurance portfolio was transferred to Aktia in line with the agreement. From autumn onwards, Aktia Life Insurance also had a new CEO when Riikka Luukko started in her position. Late in the year, our distribution network was expanded when Suomen Yrittäjäturva Oy, a company specialising in insurance policies for entrepreneurs and enterprises, as well as their distribution, started its operations. Aktia Bank is a shareholder of this company.

During the year, we also expanded our offering with capitalisation agreements, group insurance policies for corporate customers, and a renewed group pension insurance solution, which are well suited for our customers' investment activities as well as long-term employee remuneration and commitment.

"During this exceptional year, both our own investment activities and those of our customers have been under pressure. However, the customer assets managed by us are at record high levels, although unrealised changes in the value of the investment portfolio have had a fluctuating effect on our profit. However, these value changes levelled off in the latter half of 2020. We will continue developing our product offering in 2021 to ensure our competitiveness. Our aim is to constantly develop our customer experience, and therefore particularly customer reporting, digital services and the range of investment objects will be the topics of the 2021 development programme", says **Riikka Luukko**, CEO of Aktia Life Insurance.



Renewed personal cover offering

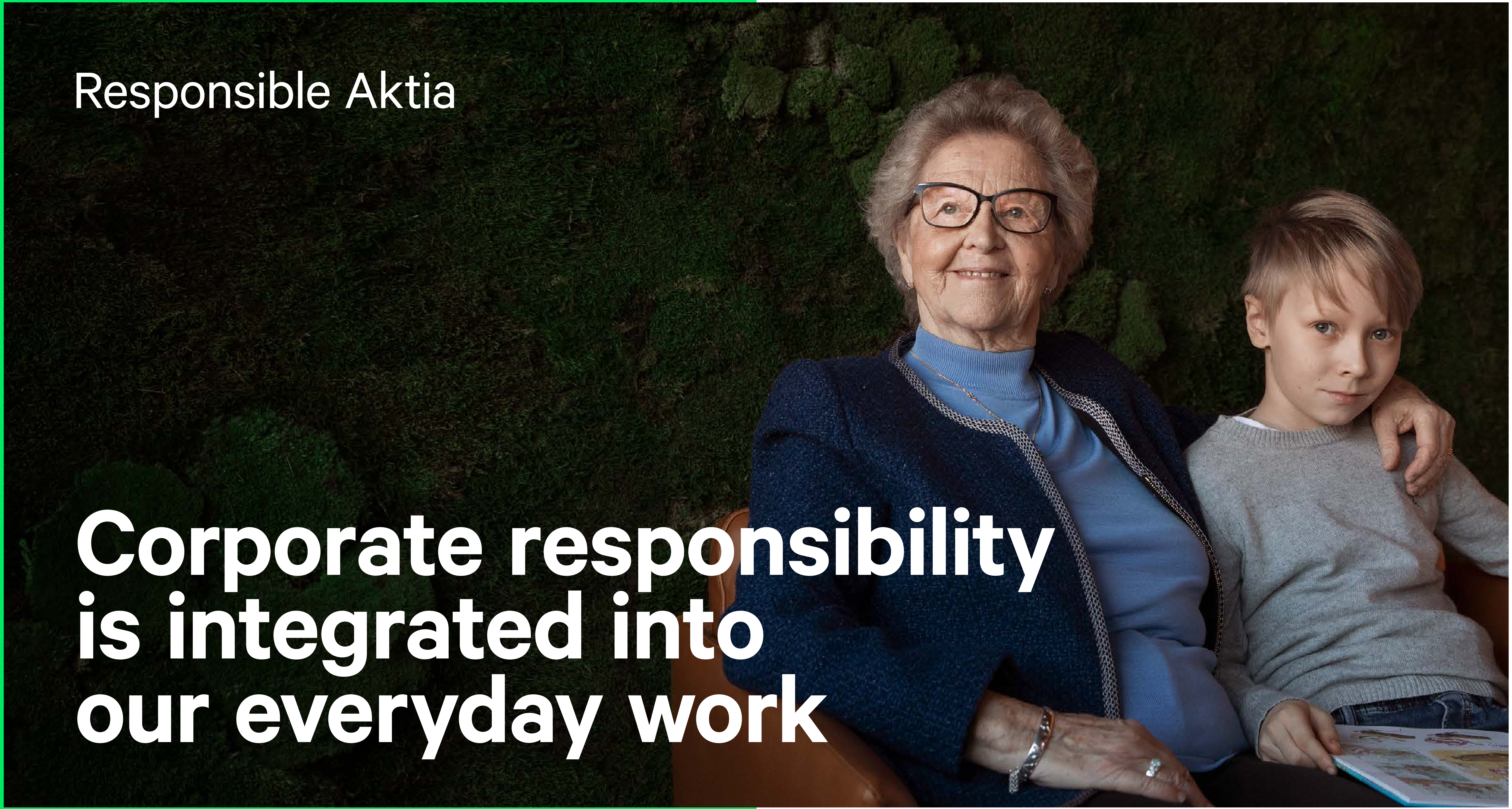
Early in 2020, we launched our renewed personal cover offering and the sales process related to it. The renewal made the personal cover offering better suited to our customers' needs in all our distribution channels.

In the autumn, our reform was commended by an article in Kuluttaja magazine which compared loan covers. Aktia's Personal Insurance scored maximum points in the comparison, and according to Kuluttaja magazine, Personal Insurance is an excellent alternative to a loan cover policy and "may nevertheless serve you better than actual loan cover policies". Instead of covering the repayment of a loan, Aktia Personal Insurance can include cover for serious illness, death and unemployment.

"Following the reform, we have developed plenty of new sales and gained success for the work we have carried out. We look at the overall situation of our customers and help them think further ahead, which is why we have designed our personal cover products so that they provide maximal protection to our customers in unexpected developments in life, while still maintaining attractive prices for the products", says **Riikka Luukko**, CEO of Aktia Life Insurance.

Responsible Aktia

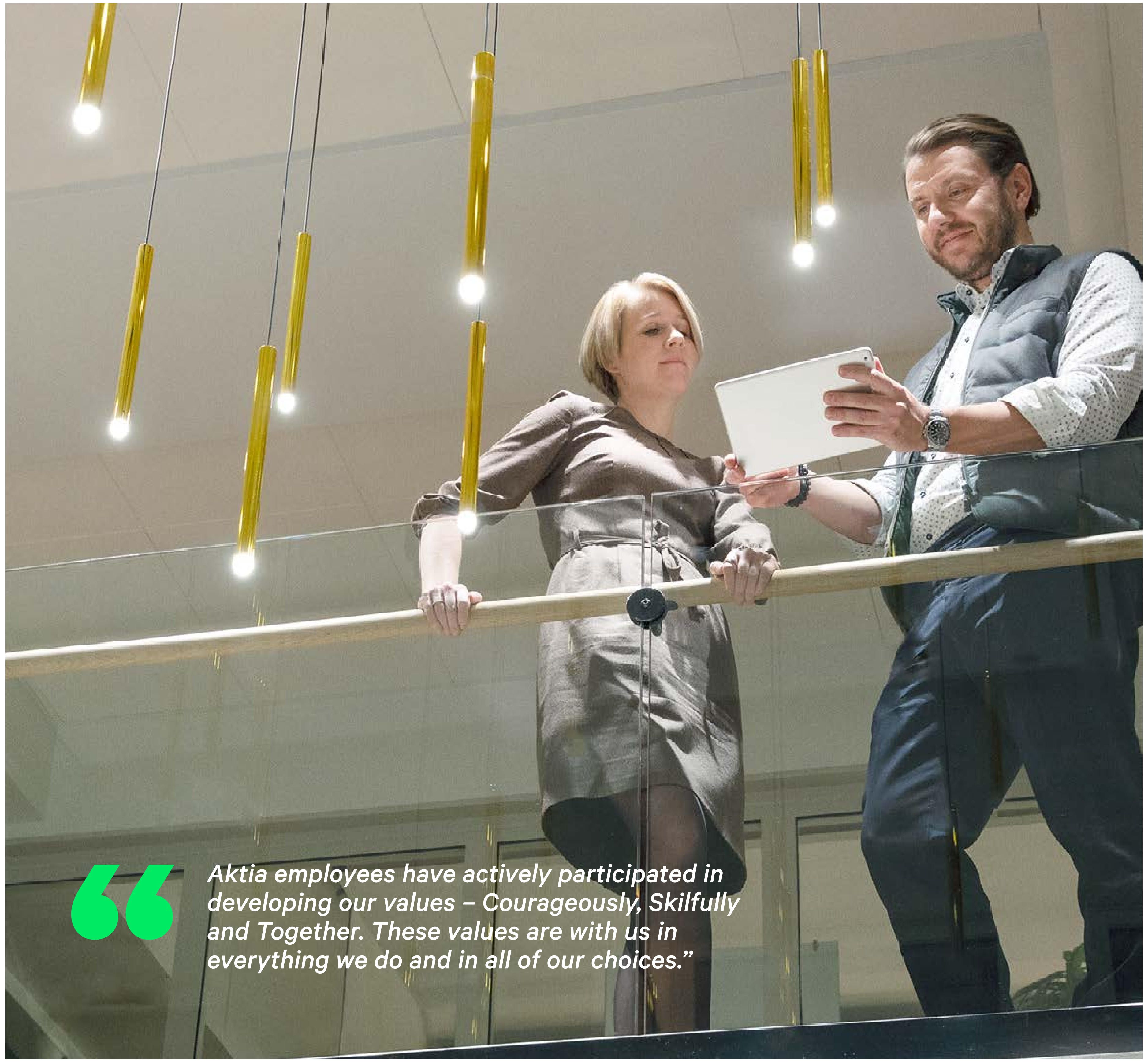
Corporate responsibility is integrated into our everyday work



CORPORATE RESPONSIBILITY

Management of corporate responsibility and ESG work and good governance

Corporate responsibility is a part of the core of our strategy, and thus an essential part of our operations both in the short and long term. Aktia engages in responsible business and offers financial, investment, asset management, and insurance services profitably, reliably and efficiently without forgetting the interests of owners and society. Our stakeholder survey and targeted interviews indicate that from Aktia's corporate responsibility point of view, the following five themes are the most important for our stakeholders: confidentiality of customer information, good governance, prevention of money laundering and corruption, transparent reporting and payment of taxes, transparent governance and ethical principles.



Aktia has integrated corporate responsibility, management of ESG work, and good governance as a part of its operations. Corporate responsibility matters, such as financial, social and environmental responsibility matters and ESG risks, are regularly reviewed in the agendas of Aktia's Executive Committee and Board of Directors. The Audit Committee and Aktia's Head of Sustainability regularly prepare corporate responsibility matters for discussion by the Board of Directors. Corporate responsibility and ESG matters and their associated policies, programmes and goals, as well as the non-financial report are approved by the Executive Committee and the Board of Directors as well as by the Boards of the subsidiaries concerned. The annual Sustainability Report is approved by the Executive Committee and included in the Annual Report.

The actions and implementation of corporate responsibility work are coordinated by the corporate responsibility group representing extensive experience in Aktia's different functions. The corporate responsibility programme and the Sustainable Development Goals supported by the UN are implemented in the annual planning of operations through the corporate responsibility group. A working group for the EU regulation of sustainable financing was also initiated in 2020. The corporate responsibility group and activities, as well as the work of the regulation working group, are managed by the Head of Sustainability in the CFO's organisation. The management, indicators and results of corporate responsibility are assessed by the Executive Committee and the Board of Directors in connection with the corporate responsibility programme updates. In 2020, Aktia also started integration of the essential parts of ESG risks in the roles of Internal Audit and Compliance in accordance with the future EU legislation.

Particularly as an asset manager, Aktia has an opportunity to have a responsible impact through its investment decisions. The ESG Committee of our asset management business coordinates the implementation of ESG principles, actions and initiatives, as well as ESG analyses and results in investments. The ESG Committee consists of experts in sustainable investing. Aktia's ESG activities of sustainable investing and the ESG Committee are led by Director, ESG. He operates in the organisation of Executive Vice President of Asset Management, who is a member of the Executive Committee. Aktia's ESG work is described in closer detail on page 45.

Aktia's corporate responsibility is based on Aktia's customer promise and our values, which are Courageously, Skilfully and Together. Corporate responsibility work is guided by the Group's corporate responsibility programme, the corporate responsibility action plan for the period from 2020 to 2023, and the selected UN supported Sustainable Development Goals' themes. The corporate responsibility programme covers the Group's economic, social and environmental responsibility. Aktia's key policies and principles are presented in closer detail in our non-financial report on page 94. In order to increase responsibility awareness and committing the organisation to responsibility work, training sessions are regularly organised according to emerging topical themes, among others as part of the induction training of new Aktia employees and the training organised by the ESG committee of Aktia Asset Management.

The Executive Committee guides and governs corporate responsibility and ESG-related policies, guidelines, programmes, targets, integration to strategy, corporate responsibility reporting and oversees performance and ESG risk management.

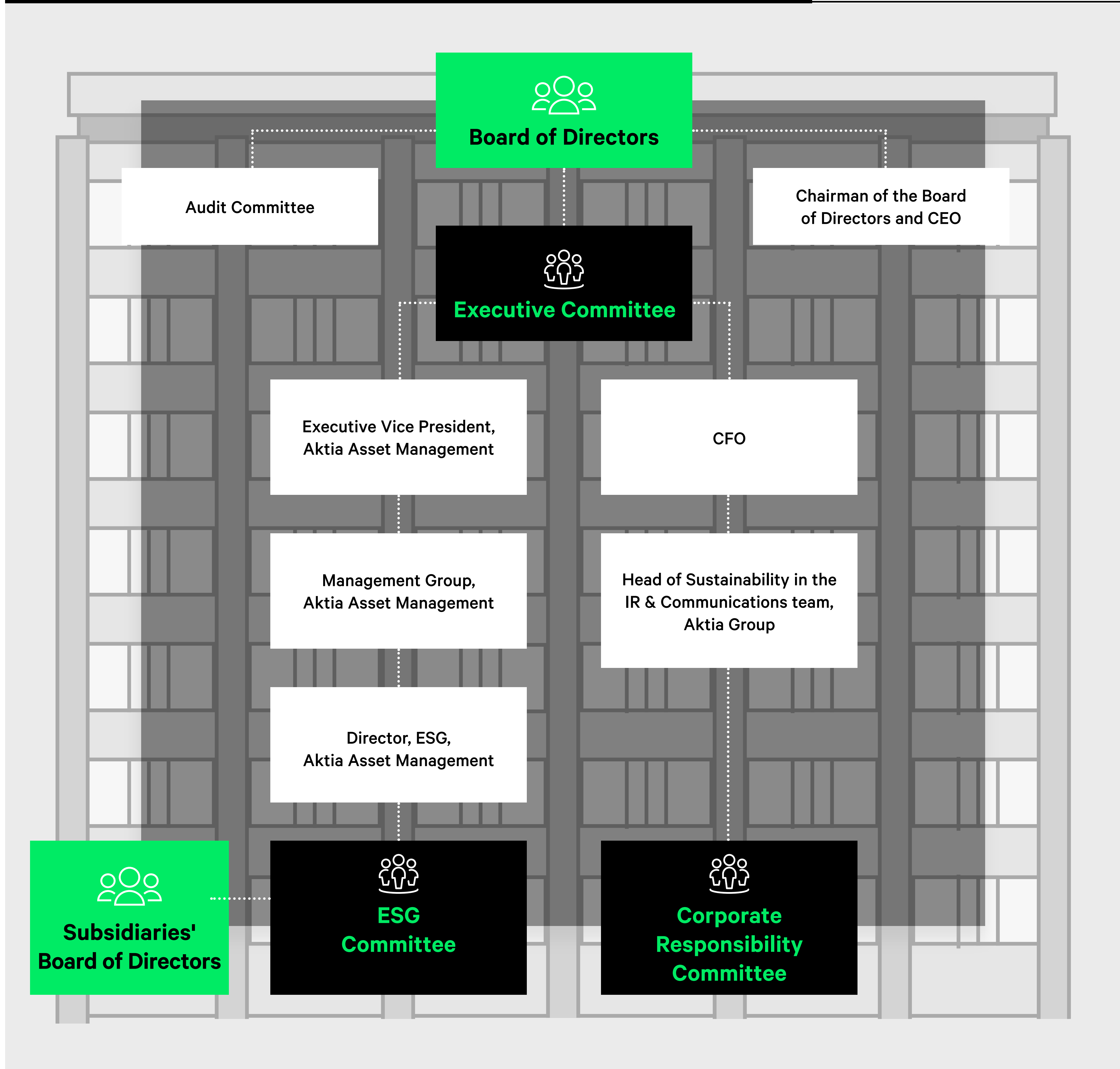
Relevant subsidiaries' Board of Directors and Management Group of Aktia Asset Management guide and govern ESG policies, guidelines, targets and oversees the performance in ESG work in asset management.

The ESG Committee drives sustainable investing performance and coordinates implementation of ESG principles, actions and initiatives and ESG analysis in asset management.

The Board of Directors and the Audit Committee guide and govern corporate responsibility and ESG-related policies, guidelines, programmes, targets, non-financial reporting and oversee the performance, ESG risk management and compliance.

The Corporate Responsibility Committee drives performance and coordinates implementation of the corporate responsibility programme, targets, action plan and UN Sustainable Development Goals in Aktia Group.

Aktia's Corporate Responsibility and ESG Work's Governance Structure



The corporate responsibility programme guides our sustainability work

The four main themes of the Group's corporate responsibility programme lay the foundation for Aktia Group's responsibility work. The main themes were analysed with the personnel, customers and Aktia's other stakeholders as part of the materiality analysis. The objective of Aktia's corporate responsibility is that we are a solvent, reliable and environmentally responsible partner for economic well-being, and the most attractive workplace in the business.

Aktia updates its corporate responsibility programme and action plan annually, as required. In 2020, we continued working on the programme by fine-tuning the indicators and actions for 2020–2023.

Targets and indicators have been assigned to each of the main themes in the corporate responsibility programme, and these are monitored annually at a minimum. The management practices, policies, resources and actions related to the main themes are described in more detail in connection with each of these subjects.

Aktia's corporate responsibility programme

1. Solvent and reliable

- Preventing money laundering and corruption
- Confidentiality and information security of customer data
- Transparent reporting and payment of taxes
- Solvency
- Active dialogue

Target:
- We are growing and profitable.
- We work with high morals.

2. Partner for economic well-being

- Responsible financing and lending
- Responsible investment activities and asset management
- Climate-smart services for customers
- Customer loyalty and satisfaction
- Flexible service and diverse channels
- Utilising new digital opportunities
- Promoting financial literacy
- Responsible marketing
- Contributing to developing the information society

Target:
- We address our customers' needs.
- We invest responsibly.
- We lend responsibly.

3. The most attractive workplace in the business

- Skilled personnel and good management
- Occupational well-being, equal opportunity and diversity

Target:
- We are developing our management and employee experience in the long term.
- We create well-being and promote health.

4. Environmentally responsible actor

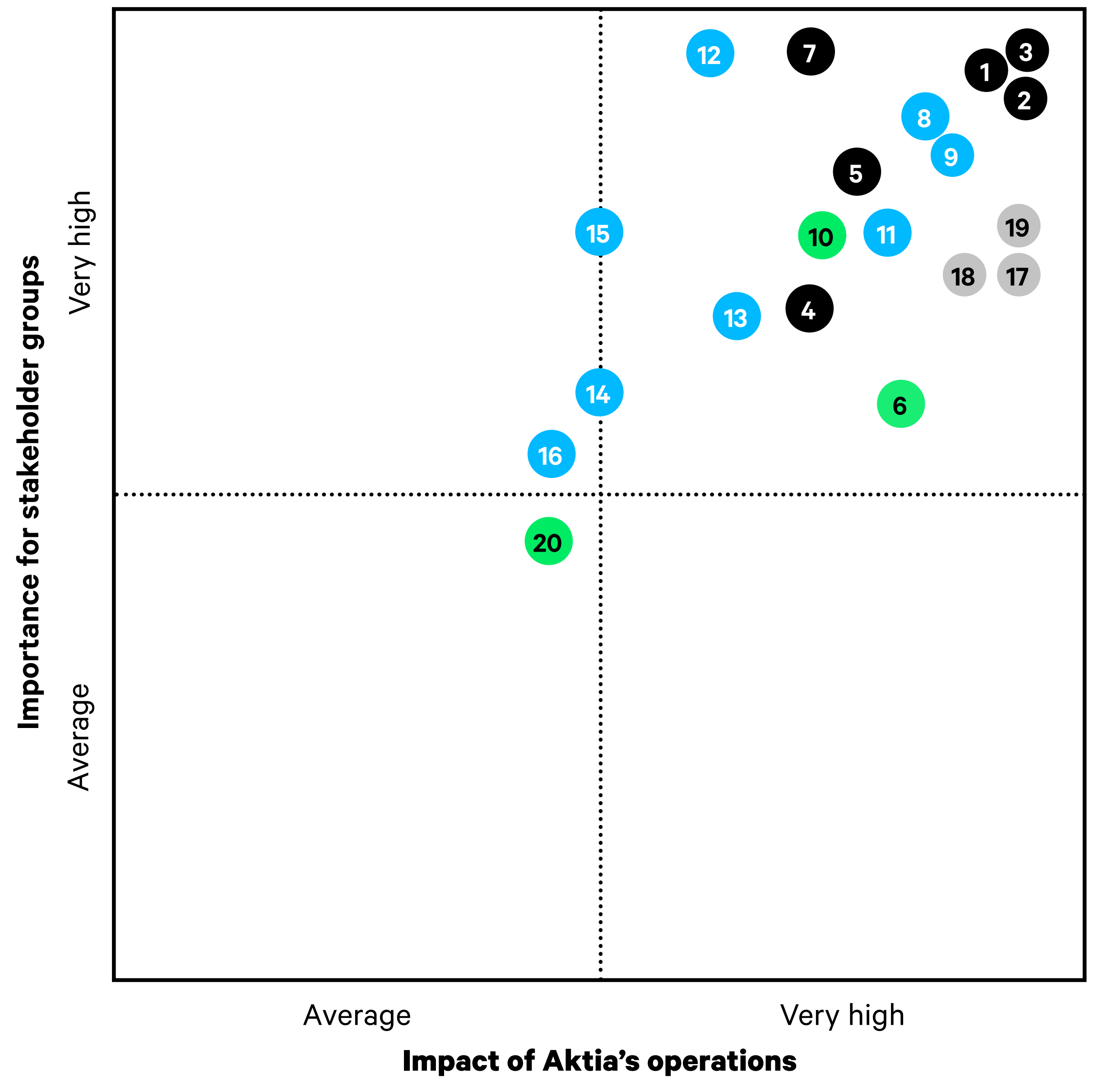
- Minimising the company's own environmental footprint
- Responsible procurement

Target:
- We are reducing our environmental footprint in terms of the energy consumption of our offices.

Stakeholder survey and materiality analysis

In 2020, Aktia carried out a stakeholder survey and targeted interviews, and updated the materiality analysis based on the results. The materiality analysis reviewed the impact of Aktia's operations on society and the significance to stakeholders. A total of 273 persons responded to the survey. The importance of corporate responsibility themes was prioritised based on a qualitative analysis (minor, average, very high) of the views of stakeholders, employees and the corporate responsibility working group, as well as the judgements of the senior management and stakeholders. The following graph shows the four main corporate responsibility themes with groups of topics identified as being critical in terms of Aktia's impacts and stakeholder expectations.

Materiality analysis



The topics identified as important considering Aktia's impacts and its stakeholders have been grouped under four main themes.

Solvent and reliable

1. Transparent governance and ethical principles (internal and external impact)
2. Prevention of money laundering and corruption (internal and external impact)
3. Information security and privacy of customer data (internal and external impact)
4. Transparent reporting and payment of taxes (internal and external impact)
5. Solvency (internal and external impact)
7. Active dialogue (internal and external impact)

Partner for economic well-being

8. Responsible financing and lending (internal and external impact)
9. Responsible investment and asset management (internal and external impact)
11. Customer loyalty and satisfaction (internal and external impact)
12. Flexible service and diverse channels (external impact)
13. Utilising new digital opportunities (internal and external impact)
14. Promoting financial literacy (internal and external impact)
15. Responsible marketing (external impact)
16. Participating in development of the information society (internal and external impact)

The most attractive workplace in the business

17. Skilled personnel and good management (internal and external impact)
18. Good leadership (internal and external impact)
19. Occupational well-being, equal opportunity and diversity (internal impact)

Environmentally responsible actor

6. Responsible procurement (internal and external impact)
10. Climate-smart services for customers (external impact)
20. Minimising the company's own environmental footprint (internal and external impact)

Objectives of corporate responsibility

Themes, objectives and indicators of Aktia's corporate responsibility

1. Solvent and reliable

Target: We are growing and profitable.
Indicator: Growth of operating profit as well as solvency and capital adequacy in keeping with the financial targets for the strategy period.
Result in 2020: EUR 55.1 million (2019: EUR 68.2 million)
Indicator: Common Equity Tier 1 capital ratio (CET1) 1.5–3.0 percentage points over the over the regulatory requirements (9.8%).
Result in 2020: 4.2 percentage points over the regulatory requirements (2019: 3.4 percentage points over the minimum requirement)
Change from the previous year: Operating profit EUR -13.1 million and Common Equity Tier 1 capital ratio (CET1) in line with target.

Target: We work with strong morals.
Indicator: All Aktia's employees have completed the compulsory compliance training. No official sanctions.
Result in 2020: 97 per cent (2019: 96 per cent)
Change from the previous year: +1 percentage point and one official sanction, for which corrective actions were immediately taken.

2. Partner for economic well-being

Target: We address our customers' needs.
Indicator: The Net Promoter Score (NPS) of private and premium customer meetings > 50.
Result in 2020: 68 (2019: 66)
Change from the previous year: +2

Target: We invest responsibly.
Indicator: The carbon footprint of Aktia Asset Management's own equity funds to be lower than that of the reference market in the long run.
Result in 2020: -68 per cent (2019: -51 per cent)
Change from the previous year: -17 percentage points

Target: We lend responsibly.
Indicator: Sales of new credits in line with the customer's ability to pay and the loan ceiling, as well as active monitoring of the credits. Development of the "Green credit portfolio".
Result in 2020: In line with the target for the ability to pay and the loan ceiling. In 2020, Aktia bank did not offer green loans while waiting for a confirmation of the definitions in the EU regulation.
Change from the previous year: At the same level.

3. The most attractive workplace in the business

Target: We are developing our management and employee experience over the long term.
Indicator: The eNPS target is > 0. The Leadership index target is > 69.
Result in 2020: eNPS 10 (2019: 1)
Change from the previous year: +9
Result in 2020: Leadership index 82 (2019: 78)
Change from the previous year: +4

Target: We create well-being and promote health.
Indicator: The health index, i.e., the percentage of Aktia employees that were not ill during the year.
Result in 2020: 57.8 per cent (2019: 46.8 per cent)
Change from the previous year: +11 percentage points

4. Environmentally responsible actor

Target: We are reducing our environmental footprint in terms of the energy consumption of our offices.
Indicator: Reducing the carbon dioxide emissions caused by electricity consumption in all Aktia's leased business premises by 10 per cent from the 2018 level by the end of 2023.
Result in 2020: 322.7 tonnes CO_2e, -42 per cent of the 2018 reference level (2019: 525.1 tonnes CO_2e)
Change from the previous year: -39 per cent

Highlights of corporate responsibility and ESG activities

Q1 26 March

The new annual and sustainability report was published

Q2 6 April

The ESG data initiative we made together with the OP Group, Aalto University, and Hanken School of Economics won the South Pole climate idea competition

Q2 12 May

The working group on the EU regulation of sustainable financing started its work

Q3 18 August

UN PRI score **A+ in two categories** of reporting on responsible investing

Q3 4 September

New corporate responsibility pages at aktia.com

Q3 10 September

The only Finnish asset manager participating in the international 50 Sustainability and Climate Leaders project

Q4 14 October

Participation in the Science Based Targets investor initiative

Q4 16 November

The corporate responsibility action plan was updated

Q4 9 December

CDP score B for the reporting on climate change mitigation. Read more on our website

Q4 10 December

WWF GREEN OFFICE

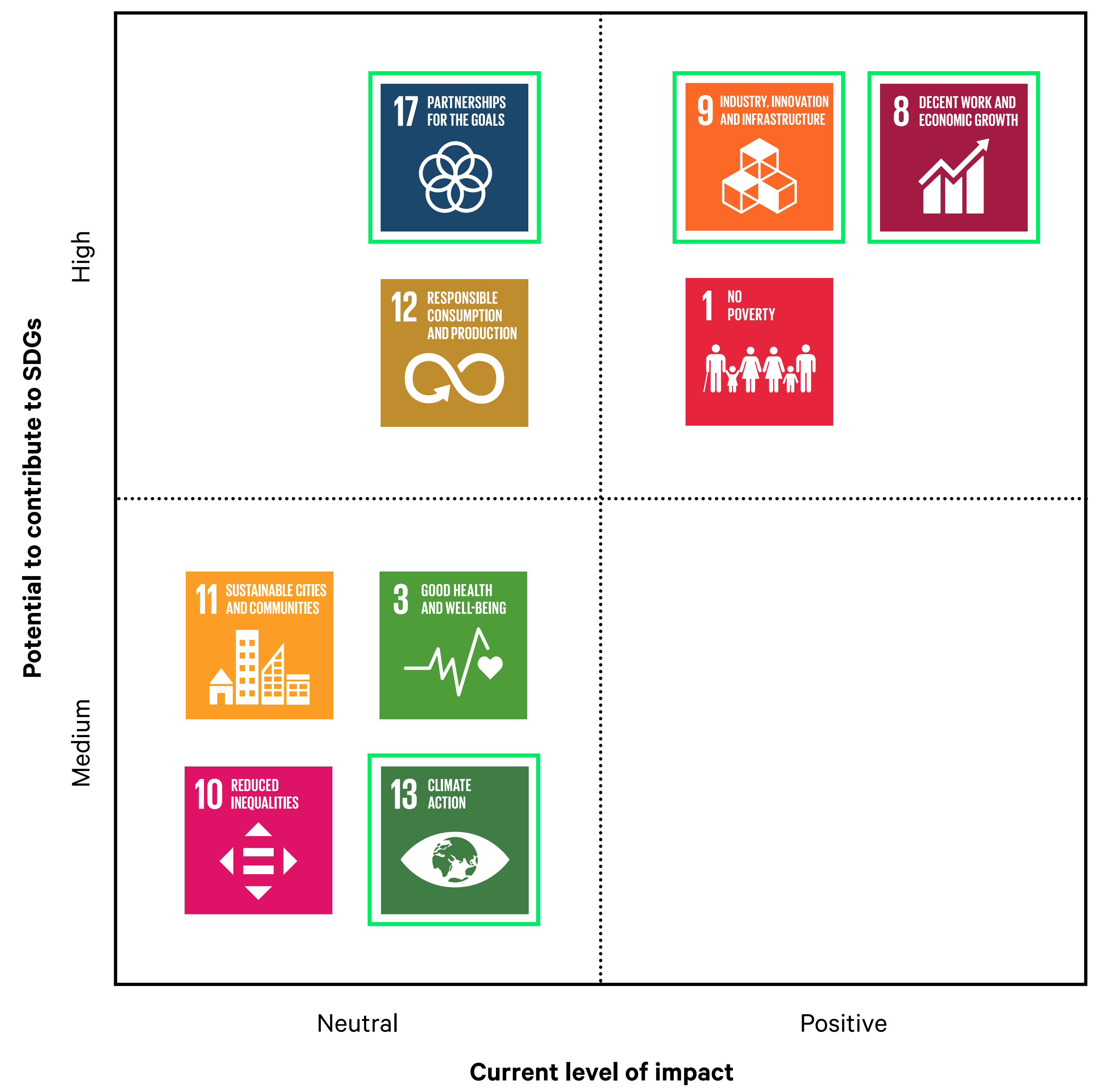
WWF Green Office label for the main office

UN supported sustainable development guidelines in our operations

UN member countries have agreed on the Sustainable Development Goals and plan of action, which are intended to guide worldwide development efforts until 2030. To guide the corporate responsibility work, Aktia's Executive Committee has approved the selected UN supported Sustainable Development Goals' themes and corresponding measures, and Aktia monitors the results of these annually.

In 2019, Aktia selected the following ten UN supported Sustainable Development Goals' themes: 1 (no poverty), 3 (good health and well-being), 4 (quality education), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 10 (reduced inequalities), 11 (sustainable cities and communities), 12 (responsible consumption and production), 13 (climate action) and 17 (partnerships for the goals). Our corporate responsibility group consisting of different representatives of our organisation assessed the impacts of Aktia's operations and the possibilities for influencing in terms of the themes. They are presented in the following figure. Following the assessment, in 2020, our corporate responsibility group prioritised the four most important UN Sustainable Development Goals' themes. These themes and the actions for promoting them are presented in closer detail in the following table.

Identifying the impacts of Aktia's operations and possibilities for influencing on UN supported Sustainable Development Goals



Memberships, commitments and sustainable initiatives

Aktia is a member of Finland's Sustainable Investment Forum Reg. Assn., the Standards Board for Alternative Investments, the Green Building Council Finland and the Finnish Business & Society corporate responsibility network. Aktia Asset management has signed the UN's Principles for Responsible Investment (PRI) and has joined several sustainable financial initiatives.

For example, Aktia Asset Management has signed the international Climate Action 100+ investor initiative, which is aimed at influencing companies with some of the largest atmospheric emissions. Our asset management is also involved in the science-based goals initiative, as well as, climate change, water and forest initiatives run by the CDP (formerly known as the Carbon Disclosure Project), encouraging listed companies to report their greenhouse gas emissions and use of water and forests. Furthermore, in 2020, Aktia Asset Management was the only Finnish asset manager participating in the international "50 Sustainability and Climate Leaders".

Actions for promoting the UN supported Sustainable Development Goals prioritised by Aktia

Sustainable Development Goal (SDG)	**Decent work and economic growth**	**Industry, innovation and infrastructure**	**Climate action**	**Partnerships for the goals**
Aktia's target, which supports the realisation of the SDG	**Our aim is to be the most attractive workplace in the business.** **We offer an extensive service network that supports companies and employment, among other things.** We support economic growth and employment by several means, including corporate finance. Our project for moving the main office provided work for partners in our value chain. We offered summer jobs to young people, and supported young people through charitable collaboration with Icehearts. Aktia has an equality plan in place, and our diversity policy covers both the personnel and the Board of Directors. We participated in the Oma kieli (Own language) campaign that encouraged people to use their own language in everyday life. We organise language courses and provide the entire personnel with extensive well-being services. We monitored the development of gender distribution.	**We participate in the activities of local communities.** The investment activities of our asset management business supports, among other things, infrastructure projects in emerging markets, and we are also expanding the possibilities for infrastructure investments in Finland. We also finance housing companies and private persons' housing acquisitions. During the year, we took a digital quantum leap in our operations, and our Aktia@home concept provided our customers with the opportunity to handle their banking affairs totally independent of location.	**Our target is that the emissions caused by electricity consumption in our leased premises decrease 10 per cent by the end of 2023, and that the carbon footprint of our own equity funds is lower than that of the reference market in the long run.** We decided to switch to green electricity in some of our offices and to compensate for the carbon footprint of our business flights. Remote work and electronic services reduced our climate burden. The carbon footprint of our own equity funds was 68 per cent smaller than that of the reference markets. We also participated in investor initiatives for mitigating climate change, including Climate Action 100+, CDP's "Science Based Targets" initiative, and in the climate change, water and forestry initiatives. The Group has a climate policy in place, and we continued the climate risk analysis work.	**We aim to develop partnerships to promote sustainability in a goal-oriented manner.** Furthermore, we cooperate with ISS ESG, a pioneer in norm-based owner impact. We continued our long-term cooperation with multinational financiers in emerging economies and acted responsibly in many ways through memberships and multiple sustainability initiatives.

Aktia's cooperation with stakeholders

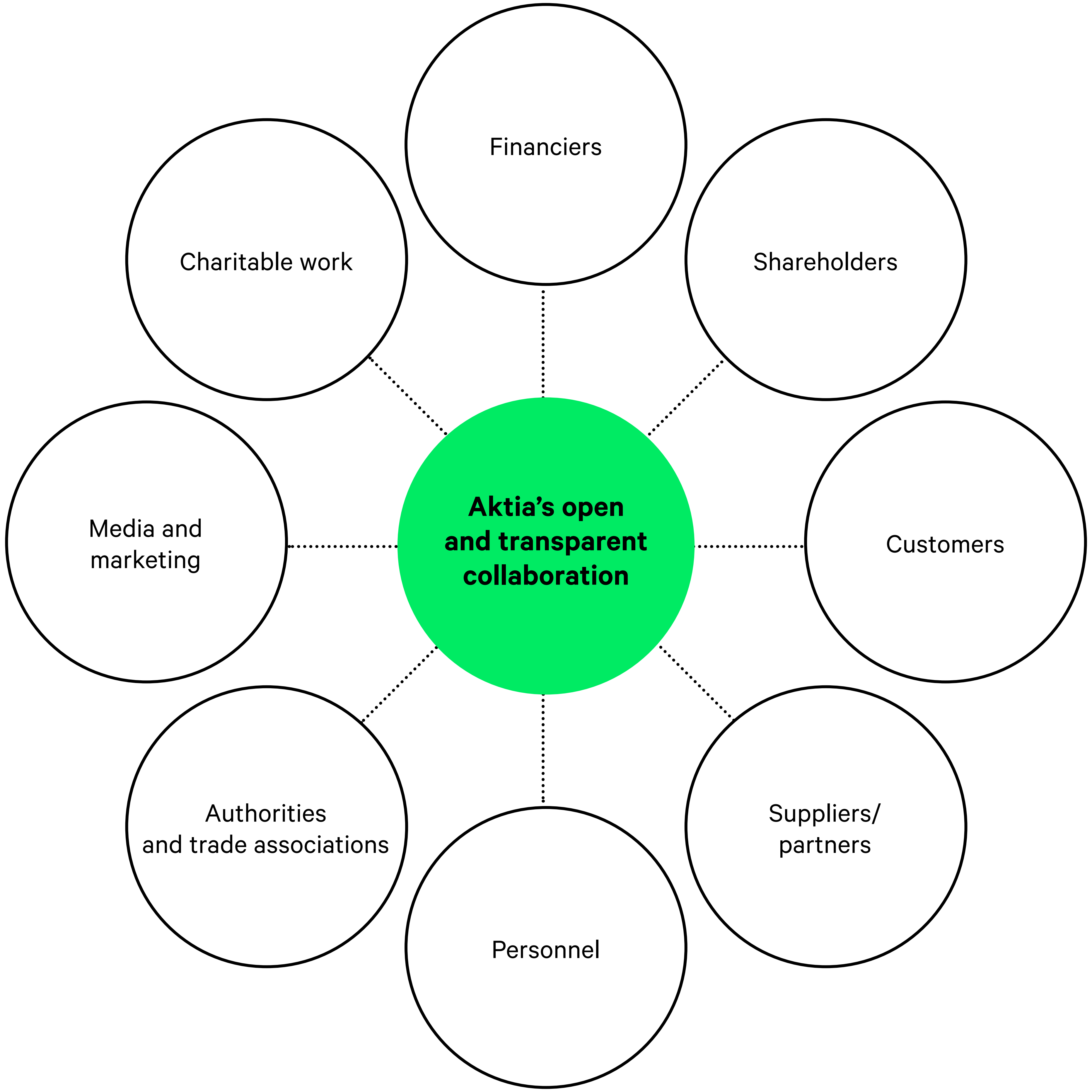
For Aktia, stakeholders constitute a major resource in the changing markets. Our main stakeholders include the customers, employees, shareholders and financiers, as well as social operators such as authorities, partners, NGOs and the media.

Cooperation with different stakeholder groups helps us assess and respond to the expectations placed on Aktia. As part of the corporate responsibility stakeholder survey carried out in 2020, we also investigated the expectations that our stakeholders had for our corporate responsibility. These expectations, as well as our corporate responsibility actions, challenges, and areas for development are described in closer detail in the table on the following page. We will be utilising the results of stakeholder surveys in the future to develop our operations.

Active dialogue and interaction

In addition to stakeholder surveys, we engage in continuous open dialogue in several channels in order to develop our operations. The most important communication tools are the company's website, social media, stock exchange and press releases, customer newsletters, and regular communication with selected customer groups. We meet and listen to our stakeholders at seminars, local events, trade fairs and by participating in projects.

We participate in various industry forums to discuss trends, challenges and opportunities. We monitor and assess the public debate regarding our industry. Open and transparent co-operation with the authorities, partners and national and local media is important to us. We also aim to be a significant social actor at a local level. Aktia's stakeholder groups are presented in the following figure.



Corporate responsibility expectations of stakeholders, Aktia's actions and areas for development

Expectations of stakeholders	Actions taken	Identified areas for future development
Responsible development and long-term planning.	We further specified the metrics and actions of our corporate responsibility programme for 2020–2023.	We will continue the systematic long-term development of corporate responsibility. Integration of responsibility with the strategy and defining our climate strategy. Updating the assessment and management of ESG risks in line with future EU regulation and expectations of the supervisory authorities.
Transparent and open communication with stakeholders.	Aktia reported on corporate responsibility as part of its half-year reports, and quarterly, as part of responsible investing reviews, as well as once a year, as part of the annual report. We also produce focused highlights in social media regarding our responsibility actions. In 2020, we renewed Aktia's corporate responsibility pages and their contents.	One of the focal areas of developing Aktia's corporate responsibility selected for 2021 is responsibility communication and its multiple channels.
Flexible and efficient services, shorter waiting times at the customer interface, and the development of processes to reduce the consumption of paper.	In addition to our digital Aktia@home services, we introduced the electronic initiation of customer relationships, electronic appointments and signatures to facilitate the efficient and safe handling of business. Our new Aktiabot robotic assistant serves our customers 24/7. From now on, the customers' telephone calls are received directly at our customer service without any telephone exchange.	We monitor the amount of digital service agreements. We will continue the development of flexibility, as well as the efficiency and automation of services.
Accessibility and also consideration for those customers who are not able or willing to utilise all digital services.	Our digital services meet the requirements imposed on credit institutions by the Accessibility Act, and we strive to make our services equally accessible to all at our offices. We have organised training to promote digital skills among senior citizens and enhanced financial literacy among young people. We also participated in producing the recommendations for digital service advisors in the financial sector and developed the network of new meeting points, the Aktia Studios.	When developing our office network and services, we seek to consider the multiple channels, accessibility and safety of services and guidance, and to also respond to the need for personal service.
Activities compliant with sustainable development.	In spring 2019, Aktia selected the UN supported themes of Sustainable Development Goals that are the most important for Aktia's operations, and at the end of 2020, our corporate responsibility group prioritised four of them for its activities.	We strive to promote activities compliant with sustainable development and to integrate deeper into our activities the four UN supported themes of Sustainable Development Goals we have prioritised and their associated sub-goals. We also seek to increase the communications regarding our activities.
Communicating on the carbon footprint as part of reporting our activities and investment products that take sustainable development into account.	Aktia reports the carbon footprint and carbon intensity of its own direct equity funds. Aktia Asset Management observes the UN's and Aktia's own principles for responsible investment in all its investment activities. To support our portfolio management, we utilise both our internal ESG analysis and a purchased external analysis.	We are continuing the development of our range of products to ensure our competitiveness. We also seek to develop the communication and marketing on responsibility and also take into account the requirements of the future disclosure regulation in our activities.
Customer orientation, identifying the customer and enhancing it.	We offer individual solutions as a response to our customers' needs. According to the law of Finland, the identity of our customer or the customer's representative is verified, information of the customer is collected, and the customer relationship is monitored and the information saved as part of the process of knowing the customer, credit risk analysis and the avoidance of money laundering and the financing of terrorism. We apply a suitability analysis when designating products and services for our customers.	We will continue the systematic development of customer orientation. We will develop the identification of customers, among others, regarding the identification of the customer's responsibility preferences as part of the MiFID II regulation that is becoming more detailed.
Promotion of diversity, equality and ethical conduct in the work community.	Aktia's diversity policy covers both the personnel and the Board of Directors. Our HR policy is in line with our equality plan and helps to promote diversity and equality starting from recruitment. The gender distribution of the employees, the Executive Committee and the Board of Directors was even. Aktia has a Co-operation Negotiation Board and a Human Capital Board that discusses, among other things, remuneration. An update of the ethical principles was also prepared in 2020, and it will be added to the internal code of conduct. We also participated in the Oma kieli (Own language) campaign launched by the Ministry of Justice.	Goal: By the end of the year, 100 per cent of our employees will have completed the compliance training in 2021. Reaching that goal will require systematic monitoring of performance, among others, by supervisors. In 2020, our result was 97 per cent, one percentage point higher than in the previous year.
Utilisation of green labels.	Aktia's new main office is located in a site awarded with the international BREEAM building rating of 'Very Good'. Our main office was also granted the WWF Green Office label. Aktia's real estate fund invests in real estate properties holding a building rating.	Our aim is to expand the WWF Green Office practices in our office network after the coronavirus pandemic. We are also evaluating the possibilities for other responsibility labels and classifications.
Enabling the employees' well-being, mobility and new ways and places of working.	Aktia continued the cooperation with Mehiläinen and the AktiaWellbeing concept, and as part of it Aktia employees were offered diverse services as well as coaching regarding eating, physical exercise and recovery, and individual digital coaching. Aktia's head office moved to new premises, enabling new ways and places of working. Aktia Group initiates a culture project for putting into practice the new ways of working in the Group, supported by the Growth Potential group that acted as the agent for change.	The exceptional coronavirus pandemic brought new challenges to our top themes of developing social responsibility – ensuring the health of our personnel and customers, the development of a common operating culture, and successful remote management and the development of a common operating culture. We will continue promoting these in 2021.

ECONOMIC RESPONSIBILITY

Solvent and reliable Aktia

We aim to grow Aktia's business and ensure its profitability. Aktia is a Finnish bank and asset manager with a clear strategy and growth targets. A strong relationship with customers, corporate responsibility and trust form the basis of our strategy. We are constantly developing the transparency of our governance and carry out all our operations with high ethics.

One of our corporate responsibility goals for economic responsibility is to be solvent and reliable. We actively monitor Aktia's financial and solvency trends against our financial targets. Aktia's financial targets are presented in the next table. Our comparable operating profit for 2020 was EUR 55.1 million. Our aim is to also keep the Common Equity Tier 1 capital ratio (CET1) clearly above the regulatory requirements. In 2020, it was 4.2 percentage points above the regulatory requirements.

Profitable and sustainable growth

Economic well-being, profitable and sustainable growth and solvency are the cornerstones of Aktia's business and economic responsibility. In line with its strategy for the period until 2023, Aktia is seeking stronger growth from asset management and new customers in Finland's growth centres, while continuing to enhance the efficiency of its operations.

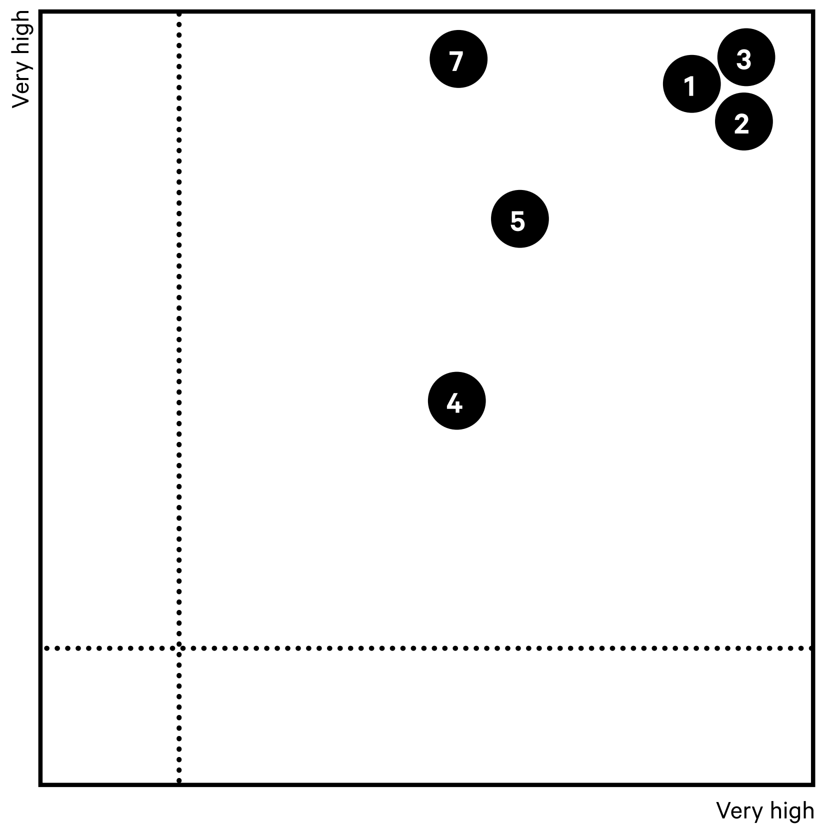
Profitability, solvency and reliability internally affect the Group's possibilities to employ people, grow and develop and externally they influence on our stakeholders, such as our shareholders, financiers and customers.

Transparent governance

Transparency, openness and ethics are some of the most important principles of good governance. Good governance enables efficient and predictable operations. The basic premise of Aktia's disclosure policy and communications is to ensure that all market actors simultaneously have access to correct, significant and unambiguous information about the company that can be used as a base for pricing the company's shares and debt instruments, as well as a comprehensive picture of Aktia's risk profile, goals, operations and development.

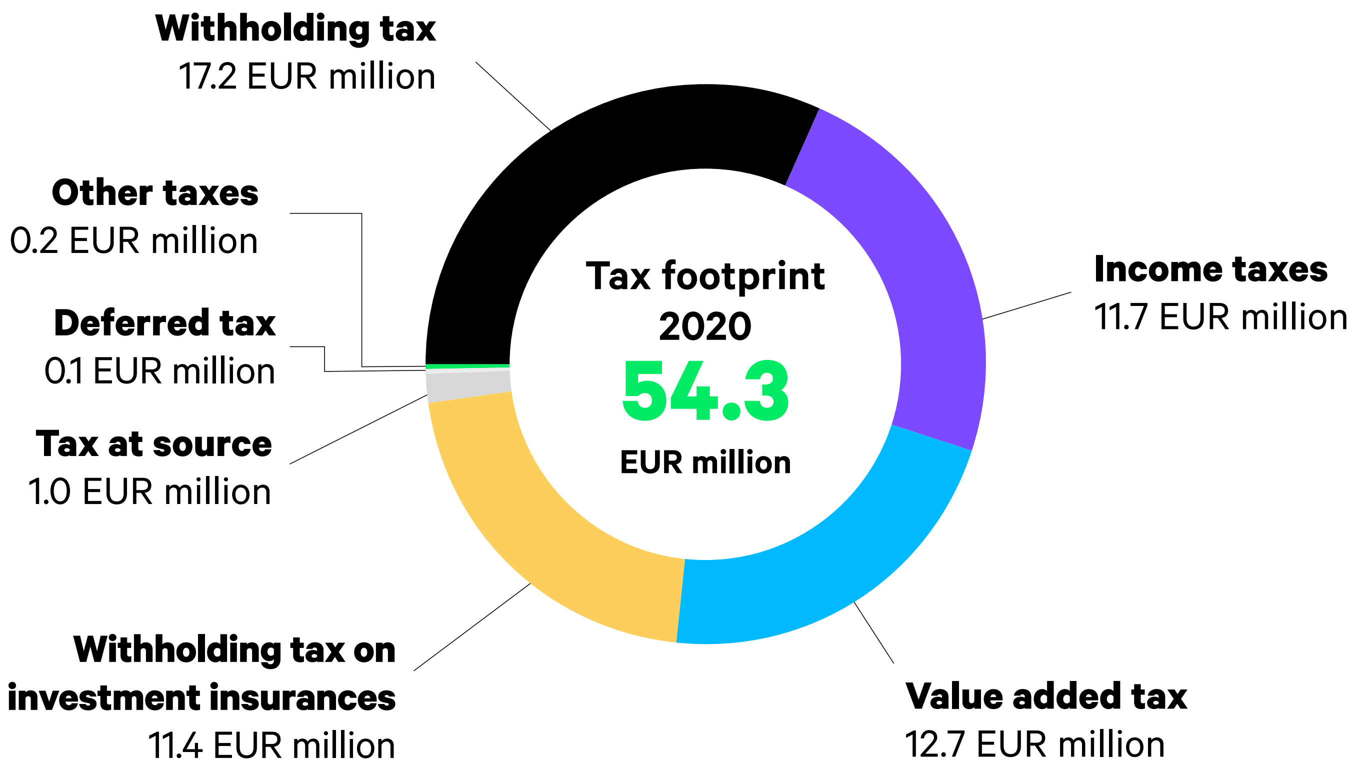
> *Our Common Equity Tier 1 capital ratio (CET1) was 4.2 percentage points above the regulatory requirements in 2020."*

Materiality analysis



Solvent and reliable

1. Transparent governance and ethical principles (internal and external impact)
2. Prevention of money laundering and corruption (internal and external impact)
3. Information security and privacy of customer data (internal and external impact)
4. Transparent reporting and payment of taxes (internal and external impact)
5. Solvency (internal and external impact)
7. Active dialogue (internal and external impact)



Aktia also operates transparently in society. Aktia pays salaries, pension contributions and taxes in Finland in accordance with Finnish legislation and Finnish collective agreements. The salaries and pension contributions paid in 2020 are described on page 14. Aktia pays a wide range of taxes and tax-like levies on its business. The graph above shows Aktia's tax footprint.

Code of conduct supports work

To support the everyday work of employees, Aktia has turned its most important guidelines into a code of conduct that employees must follow in their work. The code of conduct obliges every employee to uphold the trust that customers and markets have in Aktia. Employees are provided with regular training on the code of conduct. All Aktia employees are required to annually familiarise themselves with the modules relating to the topic using an electronic learning platform. In 2020, the mandatory online compliance training was completed by 97 per cent of Aktia's personnel, which is one percentage point higher than in the previous year.

Leadership praxis

Solvent and reliable

Aspects and key indicators

- Transparent governance and ethical principles GRI 102
- Preventing money laundering and corruption GRI 205
- Information security and privacy of customer data GRI 418
- Transparent reporting and payment of taxes GRI 201, GRI 203
- Capital adequacy and solvency GRI 103
- Responsible procurement GRI 204, GRI 308, GRI 414
- Active dialogue GRI 102

Policies and commitments

- Aktia's Corporate responsibility programme and action plan for 2020–2023
- Aktia's code of conduct
- Anti-corruption and anti-bribery policy, the Board of Directors' guidelines for handling conflicts of interest and guidelines regarding the prevention of corruption
- The Board of Directors' guidelines for principles of disclosing information and the Group's disclosure policy

Targets

- Comparable operating profit EUR 100 million
- Return on equity (ROE) more than 11 per cent
- Comparable cost-to-income ratio under 0.60
- Common Equity Tier 1 capital ratio (CET1) 1.5–3.0 percentage points over regulatory requirements

Resources and responsibilities

- The Chief Risk and Compliance Officer is responsible for compliance and for reporting any deviations, for developing and implementing the risk management and compliance processes, policies and tools. The Chief Risk and Compliance Officer reports directly to Aktia's CEO in the Executive Committee. The Director of Operational Risk Control is responsible for the monitoring of compulsory compliance trainings. The CFO and the Head of the finance department are jointly responsible for monitoring and reporting on financial indicators. The Director of IR and Communications as well as the Communications Manager are responsible for the maintenance and implementation of the Board of Directors' guidelines for principles of disclosing information.

Actions

- Aktia developed its sales processes and produced a sales manual. Aktia maintained processes for preventing money laundering and corruption and mandatory employee trainings and updated the ethical principles that will be integrated as part of the internal code of conduct. Aktia launched the "Thousand ways to reform" project encouraging cost efficiency.

Among other things, the Group's code of conduct includes instructions regarding access to premises and the use of the Group's IT system, the employees' roles as representatives for Aktia, managing their own affairs and those of their friends and immediate family at Aktia, secondary occupations and positions of trust, as well as non-disclosure of Aktia's trade secrets.

The code of conduct also provides instructions for actions against bribery, corruption and other inappropriate influence, for informing the immediate supervisor, reasonableness and reporting of benefits, and for avoidance of situations where a gift or entertainment may affect the employee's conduct at work. The code of conduct also covers the essential instructions on confidentiality and processing customer complaints, as customer relationships are crucial to Aktia's success. An update of the ethical principles was also prepared in 2020, and it will be added to the code of conduct.

All Aktia's employees are obliged to comply with the code of conduct. The code of conduct and related training also include an instruction for the Group's employees to report any infringements of the code of conduct and non-ethical business methods or suspicions thereof ("whistleblowing"). Aktia has a reporting channel, which is available in all languages used in the group and open 24/7, and the required organisation for processing the reports. There is a possibility for anonymous reporting and the reports are processed by the Chief Risk and Compliance Officer and the Head of Internal Audit, or alternatively by the persons designated by them in the appropriate units. The subjects of reports are also reported to the management. During the year, we received two reports concerning procedures in the private customer business. 100 per cent of the cases were investigated, and actions were taken.

> *"In 2020, the mandatory online compliance training was completed by 97 per cent of Aktia's personnel, which is one percentage point higher than in the previous year."*

Aktia's goal is to have no sanctions imposed on the company. In 2020, the Financial Supervisory Authority imposed an administrative fine of EUR 40,000 on Aktia Bank Plc due to the fact that, during the period 1 October 2017 to 31 March 2019, the company reported incorrect information (FINREP F19 report) on forbearance exposures in accordance with the EU Capital Requirements Regulation and the Commission Regulation adopted pursuant thereto. In addition, there have been inaccuracies in FINREP reports F20.4 Geographical breakdown of assets by residence of the counterparty and F20.5 Geographical breakdown of off-balance sheet exposures by residence of the counterparty. Having detected the mistakes, Aktia Bank has immediately taken actions to develop its reporting process and to avoid similar mistakes. The mistakes caused no damage to customers.

Aktia has decided not to finance political activities. In addition, in compliance with its code of conduct, Aktia is not involved in politics, nor does it directly or indirectly support any political parties, politicians or election candidates.

Aktia has an ISO/IEC 27001-based information security management system. We use contractual terms and audits to actively ensure that Aktia's service providers and subcontractors use corresponding standards as Aktia, when they process personal data."

Confidentiality, information security and privacy of customer data

In its operations, Aktia observes the EU General Data Protection Regulation (GDPR), other data protection legislation as well as good banking and insurance practices. In addition, Aktia has an ISO/IEC 27001-based information security management system that is integrated into Aktia's normal management system. Together, these lay the foundation for a high standard of information security and the confidentiality of customer data.

We only collect and process necessary personal data. Our website provides comprehensive information on the processing of personal data, such as for which purposes the data is collected and processed and in which situations it can be divulged. We will inform of any changes in the processing of personal data in the manner required by law.

Our objective is to with all measures ensure the confidentiality of customer data and personal data and to prevent data breaches and other data security infringements. Aktia uses contractual terms and audits to actively ensure that its service providers and subcontractors use corresponding standards when they process personal data. Furthermore, regular information security reviews, vulnerability assessments and information security tests are used to ensure the standard of data protection and information security as a part of system and service development work and service production throughout the lifespan of systems, all the way to the final disposal of the data. A support model has been created for system development for identifying and carrying out tasks related to information security and data protection. We use reliable and well-known partners for carrying out audits and information security testing.

Information security as a pillar of digitalisation

By developing a business-oriented information security culture, Aktia seeks to enhance the success of its digital services. Securing and protecting the data of customers and other stakeholders is at the core of Aktia's development work.

During 2020, Aktia has systematically continued the data security development projects it started in 2019. During the year, functional reforms were implemented in the life cycle management of system and service development. Considering data security and data protection from the beginning of the development work helps ensure the reliability of services when Aktia is developing the best banking, insurance, investment, and personal insurance services in line with its strategy.

As planned, a training programme aimed at increasing the data security awareness of personnel was initiated during the year. The cyber-capabilities of all employees were increased by training, briefings, and by organising different simulated social engineering campaigns for personnel. The simulated attack-related training sessions implemented together with a partner organisation have received plenty of positive feedback from personnel. Aktia's personnel has done very well in the training sessions compared to its peer groups.

With its data security management system, Aktia meets the requirements of the new instructions from the European Banking Authority which entered into force in summer 2020. During 2020, Aktia also reduced any ambiguity from the actions that Aktia's customers can take to report any breaches of data security they have encountered. In addition, the possibilities for eliminating malicious web campaigns targeting customers have been improved.

"Achieving a genuine cyber licence requires investments of resources, both in technical controls and in the competence of the entire personnel. When technology and controls fail, human decisions can still save the day. That is why the employee is at the core of the data security work at Aktia, and every Aktia employee is the strongest link in data security", says **Henri Heinonen**, Chief Information Security Officer at Aktia.

We regularly organise employee training sessions regarding the processing and confidentiality of customer data, protection of privacy and data security. Our aim is to have all our employees complete the compulsory training at regular intervals. Aktia's training programmes for information security awareness and data protection cover the entire personnel and include, besides online training sessions, briefings, training events and practice in identifying phishing messages. The training programmes are role-based, and their contents are reviewed annually.

Breaches of personal data security are taken seriously at Aktia. They are processed in accordance with the applicable banking and insurance secrecy and data protection obligations, and they are reported to customers, other data subjects and the data protection ombudsman as required by law. So far, the data protection breaches that have occurred have mainly been individual cases where customer data has come into the possession of third parties. Serious information security breaches and phishing have been avoided.

We are actively monitoring and controlling the use of our data networks and systems. The deviations identified by our information security control are responded to without delay, and any breaches of information security are reported, as required by regulations, to authorities and the National Cyber Security Centre and, when required, also to the Police.

Aktia has a designated Chief Information Security Officer in charge of monitoring and enhancing information security, as well as a designated Data Protection Officer. Every Aktia employee is responsible for information security and data protection. In addition, specific responsibilities are delegated to supervisors, the designated owners of systems and services, and the persons in charge of development. Aktia's information security management group regularly monitors incidents related to information security. The information security management group consists of the Chief Information Security Officer, the Operational Risk Management Director and the Data Protection Officer at the very least. Information security and data protection are regularly reported to the senior executives in accordance with Aktia's management system.

We prevent money laundering, corruption and financing of terrorism

Aktia is constantly striving to identify and determine major risks associated with its operations. Most risks are associated with money laundering and the financing of terrorism. The legislation on customer due diligence and the prevention of money laundering and financing of terrorism sets strict requirements for Aktia's operations in the financial sector. Information on the customer is collected and the customer relationship is monitored as part of the process of knowing the customer, credit risk analysis and the avoidance of money laundering and the financing of terrorism. When starting the customer relationship, the identity and customer's political exposure have to be established, and the customer database must be checked at least annually to find out any changes, for example in the customer's political exposure.

> ***"Aktia's employees are regularly trained on the Group's principles of preventing money laundering, corruption and financing of terrorism."***

Aktia complies with legislation in everything it does. As a responsible bank, Aktia strives to keep up with changing market and behavioural models and develop its processes to identify and prevent any misconduct. By the definition of corruption we mean, abusing one's influence to benefit oneself or the people closest to them. The Chief Risk and Compliance Officer has the managerial responsibility for the prevention of money laundering, corruption and the financing of terrorism and reports directly to Aktia's CEO in the Executive Committee.

Aktia's internal rules, routines, system support and training back up the employees in their work. With them Aktia ensures that the Group's companies and services are not used for money laundering and sets out the instructions for reporting any suspicious transactions. Aktia's employees can, for example, report their suspicions about breaches to their own or any other supervisor in Aktia Group, the Compliance Unit or Internal Audit directly and confidentially.

The most important guiding documents include Aktia's code of conduct, the anti-bribery and anti-corruption policy, the Board of Directors' guidelines for handling conflicts of interest, the guidelines regarding the prevention of corruption, the credit manual, and the rules regarding cash and cash equivalents. We train our employees regularly on the Group's principles of preventing money laundering, corruption and financing of terrorism, and this compulsory eLearning content also covers the training for compliance with international sanctions. Our aim is to have all our employees complete this training annually.

ECONOMIC RESPONSIBILITY

Partner for economic well-being

In line with its strategy, the mission of Aktia is to build wealth together. In order to prevent over-indebtedness, we always offer financing solutions based on a comprehensive review of our customers' exposures. Aktia's investment choices can also influence societal development. Corporate responsibility is reflected in our everyday investment decisions and our active ownership policies.

We have set being a partner for economic well-being as a goal of our corporate responsibility. We want to be seen as an agile and responsible actor in the rapidly changing environment, capable of holistically meeting our customers in all situations in life. The prerequisites for this include the solid competence of our experts and responsible solutions to our customers' needs. Our stakeholder survey indicated that there are three essential themes associated with economic responsibility. They are responsible financing and lending, responsible investment activities and asset management, and customer loyalty and satisfaction.

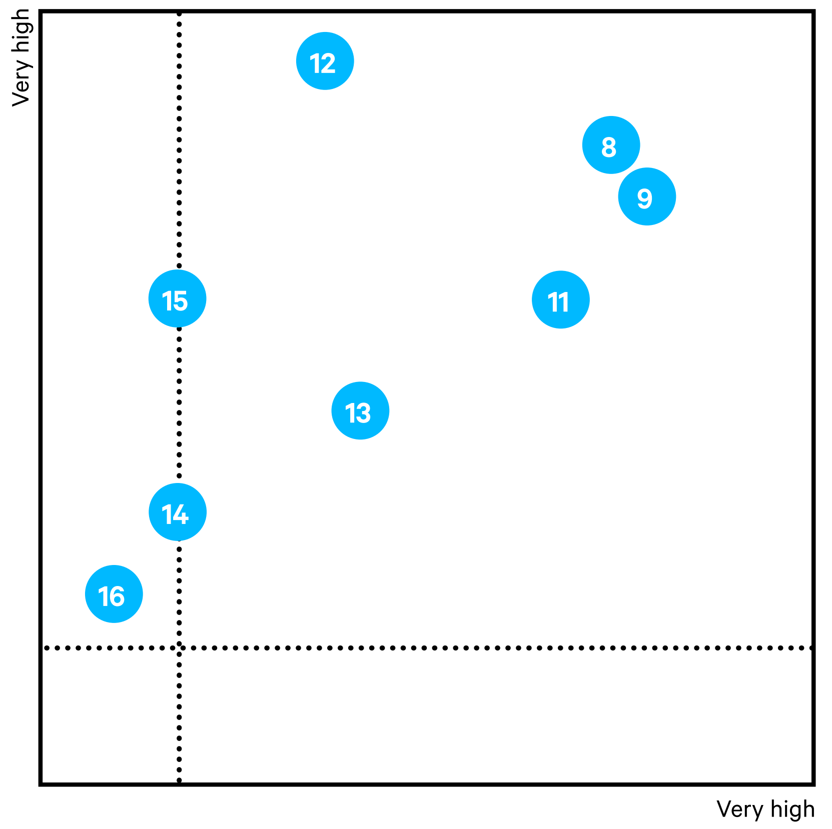
Responsible investing

Aktia has signed the UN's Principles for Responsible Investment (PRI). With them, Aktia undertakes to consider in all its asset management the matters concerning the environment and good governance in the following ways: :

1. By incorporating ESG issues into our investment processes
2. By acting as an active owner and by incorporating the ESG issues in our ownership practices
3. By seeking appropriate disclosure on ESG issues by the entities in which we invest
4. By promoting the introduction of principles of responsible investing within the investment industry.
5. By working together with other investors to enhance implementing responsible investing principles
6. By reporting on our activities and progress towards responsible investing

In addition, all our investment decisions are guided by Aktia's own principles of responsible investing. Responsible investing refers to all actions, taking into account those factors associated with the environment, society and good governance (the ESG factors). At Aktia, responsible investing is based on the values of several major conventions and norms, such as the UN's Universal Declaration of Human Rights and Sustainable Development Goals supported by the UN. Aktia's responsible investment business is based on the idea that a company operating responsibly and in compliance with sustainable norms is, in the long run, more competitive than a company that ignores those norms. Furthermore, Aktia does not make direct investments in the tobacco or arms industries or in gambling activities. We also do not invest in companies that exploit child labour.

Materiality analysis



Partner for economic well-being

8. Responsible financing and lending (internal and external impact)
9. Responsible investment and asset management (internal and external impact)
11. Customer loyalty and satisfaction (internal and external impact)
12. Flexible service and diverse channels (external impact)
13. Utilising new digital opportunities (internal and external impact)
14. Promoting financial literacy (internal and external impact)
15. Responsible marketing (external impact)
16. Participating in development of the information society (internal and external impact)

Aktia Asset Management improved its result to A+ in two categories of UN PRI reporting on responsible investing.”

Taking the ESG factors into account is based on ESG data, and its comparability and uniformity is essential from an assessment point of view. To develop these qualities, together with the OP Group, Aalto University, and Hanken School of Economics, we produced an ESG data initiative that won the climate idea competition organised by South Pole in 2020. South Pole is an international climate leaders forum dealing with climate issues and responsibility. In our data initiative, we proposed that ESG data should be reported and administered at an EU level so that its harmonisation would, in the future, enable an EU-level ESG data register. We also discuss our climate work carried out through responsible investing on page 60.

Leadership praxis

Partner for economic well-being

Aspects and key indicators

- Responsible financing and lending GRI 103
- Responsible investment activities and asset management GRI 103
- Customer loyalty and satisfaction GRI 102
- Flexible service and diverse channels GRI 103
- Utilising new digital opportunities GRI 103
- Promoting financial literacy GRI 103
- Responsible marketing GRI 417
- Contributing to developing the information society GRI 103

Policies and commitments

- Aktia’s corporate responsibility programme and action plan
- Asset management’s principles of responsible investment
- UN's Principles for Responsible Investment (PRI)
- Group’s governance principles
- Investor initiatives, which are described in closer detail under the heading **Memberships and commitments**
- The Board of Directors’ guidelines for principles of disclosing information, the Group’s disclosure policy, codes of conduct, instructions for the use of social media and the communications manual
- Charity and sponsorship policy

Targets

- Net Promoter Score of encounters with private and corporate customers (at least 50)
- The carbon footprint of Aktia Asset Management's equity funds to be lower than that of the reference market in the long run

Resources and responsibilities

- Aktia’s Executive Vice President for asset management and the Director for ESG have the managerial responsibility for the responsible investing policies, goals, implementation of actions, processes and tools of asset management. The Director for ESG leads the work of the ESG committee, development of responsible investing and ESG reporting at asset management. The CFO and the Group’s Head of Sustainability are responsible for the Group’s corporate responsibility programme, corporate responsibility action plan and corporate responsibility reporting, and developing the responsible principles for lending together with the heads of lending units and Credit Manager. The Head of Sustainability leads the Group’s corporate responsibility group that implements actions of the corporate responsibility programme. The Head of Brand and Customer Touch Points and the Head of Sustainability are jointly responsible for updating the charity and sponsorship policy.

Actions

- Aktia Group developed its ESG analysis tools of responsible investing and utilised them for assessing the climate risks of its own investments. The Group launched the electronic initiation of customer relationship, electronic appointments and signatures, as well as other digital services, and began building the network of new touch points for customers, the network of the Aktia Studios. The Group started the working group on the EU regulation of sustainable financing in order to ensure compliance. The work for updating the responsible principles was also started for asset management, own investments, lending, remuneration and ethical principles. In addition, The Group’s credit and risk management policy was updated, among other things regarding the development of ESG risk assessment.

Norm-based screening and influencing companies

Since 2017, Aktia has cooperated with ISS ESG, a pioneer in norm-based shareholder influence. The cooperation is based on norm-based screening. ISS ESG monitors the holdings of our funds using criteria based on the UN's Global Compact principles and identifies companies that have not complied with these principles. Most of the companies we have invested in operate in compliance with these principles so that ISS ESG has not found any cause for comments.

ISS ESG engages in discussions on behalf of Aktia to influence companies that have failed to act in compliance with the said criteria. Aktia's funds use the Proxy Voting service provided by ISS. It allows us to participate globally in General Meetings and vote in them on behalf of our funds. The unit holders' long-term interests are always considered in the votes in compliance with Aktia's governance principles. In its governance principles, Aktia has also added the requirement that the Group's climate policy must be considered in the investment activities.

In 2020, we participated through ISS ESG in new discussions for influencing with 108 different companies. Of these discussions, 21 were related to human rights, 21 to the environment, 27 to the employees' rights, and 11 to verified or suspected corruption problems, while 28 discussions were related to problems in several or overlapping areas.

In addition to norm-based screening, we check whether our portfolios include holdings in companies that are directly or indirectly involved in the development, production or distribution of controversial weapons. The analysis covers different types of weapons of mass destruction, such as nuclear weapons, biological or chemical weapons, as well as cluster munitions and infantry mines.

In 2020, we participated through ISS ESG in new discussions for influencing with 108 different companies."

Impact investment

The principles of responsible investment are key elements of the process by which Aktia selects emerging markets for inclusion in its fixed-income asset management services. Our investment decisions always include an assessment of the potential for long-term positive development in each country based on an extensive analysis of economic, political and social factors. In 2020, we have further expanded the scope of our country analyses to enable better comparisons to be drawn among the countries in our investment universe with regard to their fulfilment of the Sustainable Development Goals (SDGs) supported by the UN and with regard to other ESG aspects. The SDG indicators

Intertek and the impact of sustainability on our investment view

The portfolio managers of Aktia Asset Management observe the effects of sustainability on our investment objects. Among other things, we lean on our own internal ESG analysis, the detailed corporate ESG analyses of ISS ESG, the climate risk analysis of ISS ESG, and modelling of the Upright Project regarding the positive and negative external impacts of our funds. For example, Aktia's equity funds and balanced funds have invested in Intertek, whose external impacts appear positive in our analysis tools, particularly at the societal level and in knowledge creation.

Intertek is a global leader in quality assurance, testing, inspections and certification. The company has more than 1,000 laboratories and places of business around the world. Operating from these sites, it helps its customers, among other things, to identify and manage risks in their functions and production chains, and to evaluate and validate products, services and raw materials. The demand for services provided by Intertek is strongly supported in the global world, where the size and complexity of production chains in different sectors is constantly facing increasing expectations regarding the quality, safety and sustainability of operations.

The company has an extensive service portfolio: it has, for example, launched a sustainability certification programme that allows its customers to verify the sustainability of their production chains, products and services. Intertek has also launched a cyber safety programme that includes testing, monitoring and certification of consumer products to be connected to the internet. Furthermore, according to the company's own analysis, it is promoting the attainment of UN supported Sustainable Development Goals, focussing particularly on Goals 4 (Quality Education), 5 (Gender equality), 7 (Affordable and clean energy), 12 (Responsible consumption and production), and 13 (Climate action). The increasing demand for Intertek's services and their sustainability speak for the company's long-term growth prospects and contribute to the positive view of our portfolio managers.

have been more closely involved in the decision-making compliant with the selection model when the analysis tools have been developed to provide an even clearer picture of the SDG strengths and weaknesses and development trends of different countries. In addition, a comprehensive analysis model based on approximately 70 different variables were created based on the ESG indicators recommended by the World Bank. This allows a diverse assessment of the development of each country.

> ***The basis for all lending is a thorough and up-to-date risk assessment of the customer's solvency and credit rating.”***

The investment universe for Aktia's fixed-income funds focusing on emerging markets comprises approximately 170 countries, which are categorised into various investment classes based on the ESG-integrated analysis model. These country evaluations are conducted constantly. Responsible investment is also carried out from the perspective of impact in co-operation with development banks and by investing in government bonds, where the funds collected with them are used for financing development projects.

At the end of 2020, Aktia's emerging markets funds held assets valued at approximately EUR 600 million in the form of AAA-rated bonds issued by multinational development banks in some 20 countries. When project funding is channelled and monitored by development banks, it is judged to have a positive impact on the country's development. Funding may be allocated to areas such as infrastructure, agriculture, the energy sector or the banking sector to support small-scale entrepreneurship. Funding is intended as a means of tackling real problems while addressing ethical considerations. In 2020, the dollar-denominated emerging markets fund made new impact investments in Mexico and Egypt. In Mexico, this was the first SDG bond ever issued by any country, whereas Egypt was the first country in the Middle East to issue green bonds.

Responsible lending

Responsible lending underpins our efforts to create long-term customer relationships. The basis for all lending is a thorough and up-to-date risk assessment of the customer's solvency and credit rating. The assessment also considers interest rate risks and the customer's long-term financial position.

We only conclude sound and ethically justifiable credit agreements. Our lending is based on an effort to prevent the customer’s over-indebtedness. Mortgage repayment plans are prepared in a way that allows for rearrangements. We also offer reverse

mortgages. Mortgages and consumer credit can be supplemented with an insurance policy that covers the customer's repayment capacity in the event of unemployment or illness. Customers are also encouraged to save while they are repaying their loans and prepare themselves for unexpected expenses and life changes. New sales of credits in accordance with the customer's ability to pay, a loan ceiling, as well as an active follow-up on credits constitute our central tools for responsible lending.

The policy for credit risk management and credit risk strategy set the operational norms for all our lending and loan receivables. In line with the policy, the corporate responsibility programme and climate policy of our Group is also considered as part of our lending. They set the Group's standards in environmental and other sustainability matters and cover lending to private and corporate customers. In line with our climate policy, we seek to understand the risks and possibilities in the companies' business and sectors, when climate change is essential. In 2020, we updated our guidelines, among other things regarding the development of ESG risk assessment related to the environment, society and good governance.

We also updated our risk management policy regarding the development of considering the ESG risks as part of the process of determining the risk appetite and the risks and possibilities of different sectors. In addition, we began the preparations of responsible lending principles, covering, among other things, taking the ESG factors into account and discussing ESG matters in conjunction with customer contacts. When the principles have been completed, we will organise training in the identification of ESG risks and factors for the employees administering customer relationships.

The NPS score, which describes customer satisfaction, was for private and premium customers 68, and we significantly exceeded our target of at least 50."

As a responsible actor, we comply with the legislation and regulatory requirements related to our lending business, such as the supplementary requirements related to housing credit regulations in relation to customer data and stronger consumer protection. We will not contribute to arrangements for circumventing legislation or arrangements that may cause a reputational risk. The Executive Committee's managerial responsibilities regarding lending are presented in closer detail under the heading **Product governance and responsibility**.

We are also preparing to comply with the reporting instruction updates of the European Banking Authority (EBA) regarding the development of the "green asset ratio" in the loan portfolio in relation to the bank's total loan portfolio, as well as the development of the share of the bank's income from non-lending services, covering the future exposure of financing on activities and sectors compliant with taxonomy. The relative shares and euro amounts of Aktia's green and other responsible bonds, as well as the status of development of green loans, are described in closer detail in the non-financial information report on **page 94**.

Flexible and safe service models

It is important to Aktia that its customers can handle their day-to-day banking affairs easily, safely and flexibly. In 2020, the coronavirus pandemic made safe interaction very important. Digital banking, investment and personal insurance services combined with necessary and safely implemented personal visits to the bank branch enable value creation in new ways. We are discussing the arrangements associated with the coronavirus pandemic in closer detail as part of our social responsibility.

Our digital solutions enable the provision of services regardless of time and place. We actively enhance our service models and utilise the opportunities offered by digitalisation when we develop products and services. Aktia aims to bring together location-independent services, such as online, mobile and telephone services, and physical touch points to provide our customers with an even better service. This will also free up time that our experts previously spent handling routine tasks and enables them to provide financial advice to customers.

The flexible service models are part of our service concept that includes the Aktia@Home digital services and appointments with customer experts. The appointments can be implemented in remote meeting channels or, when required, safely at the customer's chosen touch point conveniently located in places where customers travel every day, as well as in Aktia Studios in growth centres.

Customer satisfaction is one of the most important indicators of how we serve our customers. We measure and monitor customer satisfaction with the Net Promoter Score (NPS). In 2020, the NPS for private and premium customers was 68, and we significantly exceeded our target of at least 50. This shows that Aktia's customers are very happy with their customer relationships. Aktia's strengths include friendliness, security, expertise and good handling of customers' problems, which is aligned with our pledge to provide responsible banking services. We also strive to ensure customer satisfaction and loyalty with the help of our policy for managing complaints, which is described in closer detail under the heading **Product governance and responsibility**.

Development of digitalisation

The number of digital service agreements and demand for versatile digital services has increased in the long run. This is an indication of the digitalisation trend and shows that the customers appreciate functional and flexible digital services.

We are actively participating in development of a flexible information society. In addition to our digital, location-independent Aktia@home services, in 2020 we introduced the electronic initiation of customer relationships, electronic appointments and signatures to facilitate efficient, safe and environmentally friendly handling of business. Aktia also launched the Aktiabot robotic assistant, the Google Pay, Fitbit Pay and Garmin Pay applications and a new digital investment reporting tool for our Private Banking customers. We also renewed the electronic mortgage application process and automated the processing of private customers' loan applications and loan offers. Our range of services already included Apple Pay, a totally digital credit card, and the possibility for electronic housing transactions using the DIAS platform.

Our digital services meet the requirements imposed on credit institutions by the Accessibility Act, and we strive to enable our services to be equally accessible to everyone, also at our branch offices. In the future, Aktia will continue making loans more automatic and further develop digital services and their accessibility. We aim to send customers fewer letters and printed information. We have also organised training to promote digital skills among senior citizens and enhanced financial literacy among young people. We also participated in writing the recommendations for digital service advisors in the financial sector.

"In 2020, we introduced the electronic initiation of customer relationships, electronic appointments and signatures to facilitate efficient, safe and environmentally friendly handling of business. Aktia also launched the Aktiabot robotic assistant, Google Pay, Fitbit Pay and Garmin Pay applications."

Product governance and responsibility

Aktia's Executive Vice President for Asset Management has managerial responsibility for the asset management products and their responsibility in our Executive Committee. In our Executive Committee, the Executive Vice President of Private Banking has managerial responsibility for lending products and their sustainability regarding loans to private customers, while the Executive Vice President of Corporate Banking has managerial responsibility for products regarding corporate financing. Our whole asset management offering must comply with our principles of responsible investing, and those factors related to the environment, society and good governance are considered in our investment process. Our policy for credit risk management and credit risk strategy also takes into account the corporate responsibility programme and climate policy of our Group. We therefore observe a strict commitment to responsibility in our products and services.

We openly share the detailed information on the success, risk details and classification of all Aktia's investment products on our website. Our customers are also informed of the success and risk classification by our salespersons in connection with customer interaction. A responsible investing review is published quarterly for all asset management's own funds. In the review, asset management publicly reports the success, risks and impacts of the funds on the basis of the ESG tools it uses. The risks and possibilities related to the environment, society and good governance, including the societal impacts and risks, are constantly assessed and monitored in our asset management. The ESG Committee of our asset management also organises regular training sessions regarding the responsibility of our product offering. In addition, a product suitability analysis is utilised for allocating the products to customers.

Our product development regarding the customer interface complies with Aktia's general approval process in accordance with our guidelines regarding the approval procedure for new or significantly changed products, services, processes or systems. The approval process includes the assessment of risk management and compliance, as well as approval as part of the product development process.

At the least, the representatives of the second line of defence as well as, to the extent required, the party responsible for information security and other internal stakeholders, participate in the approval process. The second line of defence may issue recommendations based on its assessment regarding the standard of compliance and risk management. At the end of the process, risk control issues an independent statement, which the owner of the product development object can use as the basis for decision. The responsible Executive Committee member of the business area has managerial responsibility for compliance with the process and approval of the end developed result. Our lines of defence and risk management are described in closer detail on page 94.

In terms of the product development of financial instruments, Aktia complies with the Investment Services Act and in terms of insurance products, with Aktia's product management regulation for financial instruments and insurance products and associated guidelines. In case of development of a financial instrument or insurance product, the regulations governing the management of these products are also complied with. Among other things, these regulations include the analysis of conflicts of interest regarding the product, an assessment of home markets, the distribution strategy, scenario analysis, the duties of the developer and distributor, as well as other requirements separately specified for these products.

The tools and mechanisms for customer feedback and complaints

Aktia is committed to listening to customer feedback and complaints. Our customer service and sales teams have the tools and mechanisms required to collect and study customer feedback, as well as to actively implement corrective measures so that we can surpass customer expectations. Customers can give feedback using a form on Aktia's website, in the online bank, by telephone or in person at a bank branch. Aktia Group also has a directive regarding the processing of customer complaints, defining the methods and roles for the entire organisation, the moderator, business development, customer service, subsidiaries, management, risk management and the compliance function. The purpose of the directive is to support Aktia's employees so that they promote the satisfaction and loyalty of customers, resolve and process customer complaints in a uniform and fair manner that meets the official requirements. A summary of customer complaints is also reported to the Financial Supervisory Authority in accordance with the reporting requirements. The Chief Risk and Compliance Officer has managerial responsibility for the directive for processing customer complaints.

> *"Supported by Aktia, the Icehearts association arranged 122 game passports, 55 game events, transportation, meals and equipment for young people during the temporary easing phase of the pandemic."*

Customer feedback and customer complaints are registered, documented and archived in accordance with the instructions. Our customer feedback is processed in compliance with the guidelines, Aktia's values, customer promises and principles of operation. The Executive Committee regularly follows reports compiled of customer feedback, actions taken and monitoring of compliance with deadlines. Customer complaints are also regularly monitored by the risk management and compliance functions. Our aim is to enhance customer satisfaction, and we report the customer satisfaction indicator every six months, as described in closer detail under the heading **Flexible and safe service models**.

Responsible marketing

We aim to support the attainment of Aktia's strategic and business goals with marketing and communications. They are used as tools for building a uniform company image and a strong brand. In marketing and communications, we comply with the Board of Directors' guidelines on disclosing information, our disclosure policy, our code of conduct, Aktia's guidelines for the use of social media, and our communications manual. Our disclosure policy and code of conduct are presented in closer detail on the Group's website at **www.aktia.com > Investors > Corporate Governance**

Aktia strives to be open in its marketing and comply with Finnish legislation, responsible marketing principles, and the guidelines of the Finnish Competition and Consumer Authority and the Financial Supervisory Authority. We provide relevant information about our products and services to enable customers to make decisions. The transparency of the terms, conditions and pricing of our products and services is of paramount importance to us. We always aim for clarity and openness in our advice and sales materials and strive to avoid misleading messages. We do not provide instant loans with predatory pricing.

Aktia's marketing takes into consideration the limited legal capacity of minors and legally unauthorised people to enter into agreements on certain banking services. In addition, we will take into consideration the sustainable finance disclosure regulation concerning product marketing in our future marketing efforts in order to ensure compliance. This regulation concerns the consideration and disclosure of the ESG risks and impacts regarding investment decisions and advice related to products and services. In 2020, there were no reported breaches of regulations or voluntary rules in Aktia's marketing, advertising or sponsorships.

Sponsorship and charity policy

The sponsorship and charity policy of Aktia Group has three main themes. They are: young people and developing financial literacy, themes that support environmental protection and mitigating climate change in the spirit of our commitments to the CDP (formerly the Carbon Disclosure Project) and Climate Action 100+ as well as supporting diversity and financial stability.

Aktia will re-evaluate its sponsorship and charity themes every two years and harmonise its sponsorship and charity actions accordingly. Supported by Aktia, the Icehearts association arranged 122 game passports, 55 game events, transportation, meals and equipment for young people during the temporary easing phase of the pandemic. Due to the coronavirus pandemic, the charitable activities were re-evaluated, and stakeholder cooperation was postponed to ensure safe interaction.

SOCIAL RESPONSIBILITY

Towards a better working life

During the past year, the global coronavirus pandemic had a significant impact on our operating environment. It highlighted the targeting of social responsibility impacts, both internally, regarding our personnel, and externally, regarding our customer interface. Despite the pandemic, we worked systematically for our goal of being the most attractive workplace in the business. We exceeded the target levels of both of our social responsibility indicators despite the challenging operating environment.

Aktia had set three main social responsibility themes for 2020. These were ensuring the health of our personnel and customers, development of a common operating culture and successful remote management. To support these, in 2020 we invested resources, for example, in our personnel, well-being, premises, methods of operation and culture.

Together towards a better working life

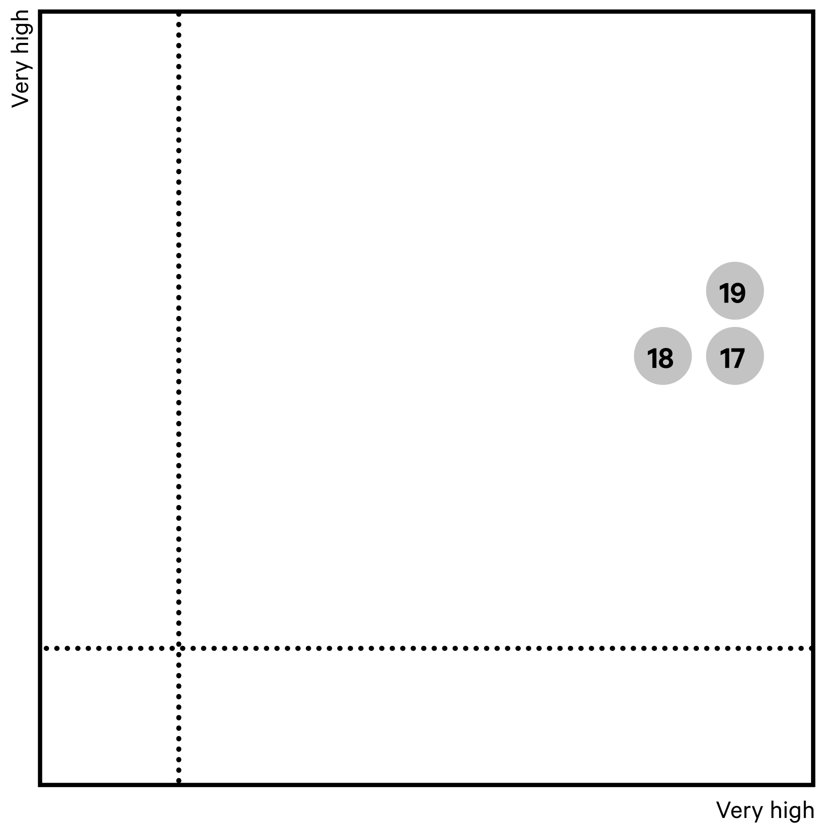
Aktia's first main theme of social responsibility was ensuring the health of our personnel and customers during the pandemic. We have sought to arrange a safe way to operate, among other things, with recommendations for remote work, meetings, hand hygiene and face masks, as well as with digital solutions and work shift arrangements. Together with the occupational health care and the crisis group, Aktia has followed the national health instructions in real time. We have provided our personnel with information and instructions in coronavirus briefings and the intranet, and distributed face masks and tools for remote work to the employees' homes. Furthermore, hand disinfectants and face masks are available in the offices, and people have sought to keep safe distances.

During the year, we also took many actions for our second main theme of social responsibility, the development of a new, uniform operating culture. The move of Aktia's head office to new multi-function premises at the end of 2020 was a significant practical step towards a reformed Aktia. The premises support new efficient methods of working and our values that were created together with our personnel, Courageously, Skilfully and Together. Well-being at work has improved and sick absences have decreased thanks to the increased use of new, flexible methods of work.

The values constitute the framework of our corporate culture and serve as a guide in our everyday work. As part of our development project for a common operating culture, we also started the creation of Aktia's culture vision and concept of humanity in 2020. They will be the basis for further development of Aktia's culture, among other things, in the form of a culture manual. As part of the project of developing the culture, the members of our Growth Potential group also act as agents for cultural change throughout the organisation.

The Growth Potential group has supported the organisation when it moved to the new premises, engaged in active cultural debate with the Executive Committee, and organised various innovation and idea creation workshops, as well as virtual events related to location-independent work. As one of the results, a channel for sharing competence was launched together with tips for sharing success stories, providing feedback and developing personal

Materiality analysis



The most attractive workplace in the business

17. Skilled personnel and good management (internal and external impact)
18. Good leadership (internal and external impact)
19. Occupational well-being, equal opportunity and diversity (internal impact)

time management. To advance the determination and positive development of rules of engagement for our new head office, the group also published a new HQ forum and an associated communication channel for deciding common issues.

We also promoted our third main theme, successful remote management. During 2020, the supervisors were provided with training in remote management. We also developed a self-assessment method regarding remote work.

Employee experience

In addition to its internal impact, personnel satisfaction also has a direct external impact on customer satisfaction and thus also on the company's financial performance. During the past year, Aktia has continued the systematic work for personnel satisfaction.

Due to the low hierarchy and entrepreneurial work culture, the employees have an opportunity to influence and develop Aktia. Compared to many other banking sector organisations, Aktia is a small actor, which allows quick reactions and agility. In 2020, summer interns were recruited for the second time at the AktiaSummer recruitment event held at the Biitsi beach volley event centre in Salmisaari.

Our employee experience is measured using the Employee Net Promoter Score (eNPS), which describes employees' willingness to recommend

> *Our eNPS score, which describes employees' willingness to recommend the employer, was 10, significantly higher than in the previous year by 9 points."*

Aktia as an employer. Aktia's eNPS has improved for three successive years. Our target regarding eNPS is above 0. Our score was 10. That is 9 points higher than in the previous year, which is significant. Another personnel satisfaction metric deployed by Aktia is the Leadership Index. For this, we updated our target level to a minimum of 75. The result for 2020 exceeded our new target and was 82. The results reflect the trust and confidence the personnel have in Aktia's strategy.

The organisational change initiated in the previous year was continued from the beginning of 2020, resulting in the closure of approximately 14 branch offices. Aktia also complies with the collective agreements of the banking and insurance sectors valid at the time. These agreements are agreements between the employee organisation and the employer or employer organisation on sector-specific terms and conditions, such as salaries and wages, working hours, holidays, and other benefits observed in the sector where the agreement is applied. In addition to the collective agreements of the banking and insurance sectors, we also comply

Leadership praxis

The most attractive workplace in the business

Aspects and key indicators

- Skilled personnel and good management GRI 102, GRI 103, GRI 401, GRI 404
- Occupational health and safety, equal opportunity and diversity GRI 202, GRI 402, GRI 403, GRI 405

Policies and commitments

- Occupational health and occupational well-being programme
- Employee policy, including the principles of equal opportunities
- Protecting employees with whistleblowing guidelines
- Diversity policy
- Equality plan
- Remuneration policy

Targets

- The eNPS (employee Net Promote Score) target is > 0.
- The Leadership index target is at least 75.
- The most attractive workplace in the business.

Resources and responsibilities

- The Chief Operating Officer and the HR Director are responsible for the health and safety issues, development and implementation of HR policies, development programmes and actions. The Head of Sustainability is responsible for the updating of Group diversity policy and the Group Legal Director is responsible for the updating of the Principles concerning diversity of Board of Directors.

Actions

- Aktia's head office moved to new premises that support new, flexible ways of working. We provided the personnel with information on the coronavirus, complied with safety recommendations, and provided solutions for safe and flexible working. Aktia provided diverse coaching sessions, "Aktia Take a break" events, Firstbeat well-being analyses, annual dental check-ups, and comprehensive health and well-being services with Mehiläinen. Aktia offered a wide range of training courses and initiated the Growth Potential development group to train individuals on managing change, personal development, and on implementing the new operating culture. We also developed the availability of personnel documentation in different languages and participated in the Oma kieli (Own language) campaign launched by the Ministry of Justice and its cooperation partners.

with the regulations of Finnish labour law regarding the implementation of organisational changes and the period of advance notice given for them, as well as with national legislation that guarantees 100 per cent of employees' freedom of association and the right to organise. In 2020, 89.5 per cent of Aktia's employees were covered by a collective bargaining agreement.

Aktia complies with the Act on Co-operation within Undertakings, according to which the employer is obliged to inform and negotiate with the employees' representatives before making any reorganisation decisions regarding the business that will affect the position of personnel. According to law, in the event of a business change, the personnel shall be informed within a week. Upon commencement of co-operation negotiations, employee representatives shall be given a written proposal for negotiations. We continued the activities of the Co-operation Negotiation Board and the Human Capital Board encouraged by good experience. Aktia's Human Capital Board brings together personnel from all functions and different positions. During the year, it convened four times and discussed topical issues, such as operating culture, working hours, remuneration and the new head office.

Aktia Group also maintains occupational safety operations covering the entire personnel, as well as regional occupational safety organisations, and carries out workplace audits and monitoring

> *"Co-operation Negotiation Board and a Human Capital Board operate within Aktia. The Human Capital Board convened four times."*

which, in compliance with the Occupational Safety and Health Act, include both risk assessments and basic surveys required by the Occupational Health Care Act. Workplace surveys are carried out at least every five years or when working conditions change or when new operations begin. Occupational safety and health liaison officers participate as experts in the processing of occupational safety issues. The actors selected by personnel represent the personnel and act as ambassadors in promoting well-being at work and improving awareness of essential information towards the joint committee referred to in the Act on Co-operation within Undertakings, the supervisors and the personnel. Occupational safety activities are a natural extension for AktiaWellbeing for which our Chief Operating Officer has managerial responsibility in the Executive Committee.

> *45 per cent of the Executive Committee members were women and 55 per cent were men."*

Equality and diversity

We want our employees to feel that Aktia is a good workplace and that they are appreciated. The Group has an equality plan in place, and in compliance with it, we have committed to respect diversity and equality. Our diversity policy is based on Aktia's values, codes of conduct and activities against discrimination. The diversity policy covers the diversity of personnel and the Board of Directors, as well as the monitoring of practical results of the diversity policy principles and their extent. Aktia's principle is to support multilingualism, minorities and groups in a vulnerable position in the work community equally. Aktia's assessment is that the risk of human rights violations regarding its own personnel is minor.

Aktia is a multilingual community, and our work environment also supports cultural diversity. During the past year, Aktia invested resources in the availability of personnel documentation in different languages. In 2020, we also participated in an initiative that supports the diversity of personnel. This was the Oma kieli (Own language) campaign, launched by the Ministry of Justice and its cooperation partners and encouraging people to use their own language in everyday life. The language courses arranged by Aktia for the entire personnel as well as occupational well-being and the everyday management of the company support equality and diversity.

Equal and non-discriminatory treatment is always taken into consideration, starting from recruitment. Possibilities for advancing in one's career are provided equally for everyone at Aktia. Our aim is to provide training and programmes supporting career development in the future so that the individuals' own strengths are considered. Our Chief Operating Officer has managerial responsibility for diversity as part of our HR functions in the Executive Committee. If necessary, diversity can also be discussed at Aktia on the agenda of the Human Capital Board.

We are monitoring the development of diversity by monitoring the gender distribution figures concerning our personnel. In 2020, 58 per cent of Aktia's employees were women and 42 per cent were men. The gender distribution of our personnel is now more even than in 2019, when 61 per cent were women and 39 per cent were men. In 2020, 45 per cent of the Executive Committee members were women and 55 per cent were men. Furthermore, 67 per cent of the Board members were men and 33 per cent were women. 94 per cent of Executive Committee and Board members were selected from the local communities. The following

Aktia is a genuinely multilingual work community

Language is an essential part of our identity. It helps us to structure our thoughts, interpret our world and interact with people. When the Ministry of Justice asked Aktia to participate in the campaign "Own language" at the end of the year 2020, it felt natural to say yes. Aktia is a truly bilingual workplace where everyone has a real opportunity to speak their own language. Aktia has also a small, but important, group of international co-workers and we aim to have essential information available also in English. We asked one of them, **Liron Berger**, Product Owner for Aktia's mobile bank services, how he has experienced the language climate in Aktia.

When you joined Aktia in 2019, how did you cope in a Finnish-Swedish environment?
"Having started working in Aktia's internal IT organisation, the beginning was smooth as a clear decision was made in the IT organisation to have all information sharing in English. That decision supported the efficient work of non-natives, and indeed made us feel welcome. Changing later to the development organisation went equally smoothly, as most meetings are also facilitated in English."

Inclusion is an important part also in a professional setting, how do you feel that you and your international colleagues have been taken into account?
"All work meetings within development are being facilitated in English the moment one of us non-natives enters the room, or nowadays – joins the chat. This certainly strengthens inclusion, as it is important that everyone involved in the development process understand it well. All documentation is also created in English, and I experience the gradual ongoing positive change all the time."

Looking forward, how would you see Aktia as a multicultural working environment?
"I appreciate especially how Aktia actively invests in language courses for employees. This makes it possible for everyone to feel comfortable expressing themselves in their own native language, knowing that listeners will manage to grasp the core ideas in their speech. I trust Aktia will further develop also the multicultural working environment."

tables show some of the key indicators related to the employees working in Finland.

Aktia also supports diversity and equality in its community by being a shareholder in the Women's Bank. The Women's Bank is a community and fund established to support entrepreneurship and livelihoods for women in developing countries. Donations are used to fund projects to enhance women's financial livelihoods, competencies and rights, small-scale loans, vocational education and other activities, as well as other innovative pilot projects focusing on women's entrepreneurship.

Promoting personnel well-being

The coronavirus pandemic made the past year exceptional both to our personnel and our customer interface. Aktia follows the law for occupational health care. Aktia has an AktiaWellbeing programme, through which Aktia has committed to promoting awareness about health and safety issues, preventing occupational disease and work accidents, promoting well-being and ergonomics, and reducing absenteeism. The programme covers 100 per cent of Aktia employees. The occupational health and safety matters are monitored internally and in cooperation with an external partner. We have set the health index as the indicator for monitoring the promotion of well-being in the responsibility programme. It describes the percentage of Aktia employees who were not ill during the year. In 2020, the health index was 57.8 per cent.

During 2020, Aktia continued the development of the AktiaWellbeing concept created in cooperation with Mehiläinen. This is an advanced way of organising occupational health care. Due to the coronavirus pandemic, the activities of the concept were transformed into digital mode. The concept encompasses basic health care and annual dental checks, along with a diverse selection of services and coaching that enable Aktia employees to improve their well-being and ergonomics.

In addition to treating illnesses, the concept offers to all employees individual digital coaching, as well as support in the form of coaching in various subjects including healthy nourishment, physical exercise, and mindfulness training groups supporting stress reduction. Common “Aktia Take a break” events were also regularly organised to support coping with remote work. Due to its high demand, the Wellbeing offering will be increased. The concept also includes physiotherapist's and psychologist's reception and Well-being Manager counselling clinics that make it easy to discuss well-being issues.

Owing to the AktiaWellbeing programme, several tools have been introduced to support occupational well-being, including a working capacity indicator, which facilitates early intervention in the event of health risks. The Firstbeat well-being analysis is one of the tools used to support occupational well-being. Firstbeat analyses provide participants with a diverse picture of their well-being and recovery.

Key figures for Aktia's personnel in Finland

Employees	2020	2019	2018	2017
Women	534	532	556	581
Men	392	347	330	315
Total	**926**	**879**	**886**	**896**

Gender distribution (%)	2020	2019	2018	2017
Senior management (W/M)	45/55	50/50	55/45	50/50
Middle management (W/M)	37/63	32/68	32/68	32/68
Experts (W/M)	58/42	50/50	50/50	50/50
Salaried employees (W/M)	68/32	72/28	77/23	78/22

New employees, gender and age distribution (numbers)	2020	2019	2018	2017
18–30 years (W/M)	69/78	42/41	42/32	37/19
31–40 years (W/M)	26/26	13/31	26/29	4/3
41–50 years (W/M)	18/17	9/16	16/17	2/1
51–60 years (W/M)	18/2	5/6	5/3	4/2
Over 60 years (W/M)	1/0	1/0	3/-	-

Gender distribution of the Board of Directors (%)	2020	2019	2018	2017
Women	33	50	57	38
Men	67	50	43	62

Social responsibility	2020	2019	2018	2017
Full-time employees	812	754	790	793
Part-time employees	114	125	96	103
Absences due to illness (%)	2.1	3.1	2,0	2.1
Employee turnover (%)	17.2	11.2	11.0	7.7
Accidents, registered injuries	8	15	16	22

> *In 2020, we invested EUR 1.4 million in developing our personnel. Every Aktia employee participated in employee training for approximately 6.4 hours.”*

In addition, workplace surveys were carried out in Aktia, and well-being questionnaires were made for different age groups.

Early support for working capacity is an important part of AktiaWellbeing. If any factors arise which could negatively affect working capacity, efforts are made to intervene at an early stage, thereby improving the well-being of Aktia employees and lengthening their careers. Aktia also has an action plan in place for preventing mental abuse, and we have an unequivocally negative attitude towards all kinds of mental abuse. Furthermore, Aktia also has instructions for actions in different situations involving external threats or abuse.

Aktia’s employees have been satisfied with the AktiaWellbeing programme carried out in collaboration with Mehiläinen, and 90 per cent of them have started using the digital well-being services. The previous table shows key figures for employment contract types, absences due to illness, turnover, and accidents among our personnel in Finland.

Development of competence and management

In 2020, we invested EUR 1.4 million in developing our personnel. Every Aktia employee participated in employee training for approximately 6.4 hours, which is 1.2 hours more than in the previous year. Competence was developed particularly through diverse eLearning sessions. Competence development was continued particularly for Aktia employees working in the customer interface. Coaching related to the sales manual was also provided in the sales organisation.

Good management is a key factor if we want to attain our goal of being the most attractive workplace in the business. The foundations of the development of Aktia's management are the company's strategy and values, as well as the ability to lead in times of change. All supervisors were provided with remote management training. AktiaWay Leader training sessions for all new supervisors were also continued digitally and modularly. Big Five personality tests were utilised in a targeted fashion, among other things, as part of recruitments. The tests allow developing self-awareness and leadership, internal interactions and the understanding of different personality types in the workplace.

Work has been done to improve the exchange of information by introducing an internal discussion channel for supervisors and by arranging quarterly

Active cooperation for better well-being

Aktia and Mehiläinen cooperated actively in developing the AktiaWellbeing concept, an advanced way of organising occupational healthcare, tailored for Aktia. Almost 500 employees utilised the multi-channel services of preventive occupational healthcare in 2020. Successful projects launched to support remote work during the exceptional year included particularly the Mindfulness groups and the “Take control of daily work” pilot.

We believe that well-being consists of many different aspects of life and means something slightly different for each of us – and hence, everyone can also affect his or her well-being in different ways. To allow people to find their own well-being, we initiated the comprehensive AktiaWellbeing programme in 2019 in cooperation with Mehiläinen, and the work for developing the programme continued in 2020.

In addition to conventional occupational healthcare and services, our programme encompasses extensive and preventive services supporting well-being, such as annual dental checks, well-being tools, the services of a Wellbeing Manager, other meetings with experts, and coaching sessions. In 2020, more than 54 coaching sessions were available and participated by Aktia employees.

The subjects of coaching sessions included sleep, recovery, nutrition, neck and back areas, as well as mind and stress management. Individual digital coaching sessions were also available: coaching improving working capacity and well-being, as well as more extensive care programmes. Furthermore, workplace surveys were carried out as part of the AktiaWellbeing programme, and during the exceptional year managers were provided with coaching for remote management and safe return to work.

Digital services became more pronounced during the coronavirus pandemic. Coping with remote work was supported by regular and popular “Aktia Take a break” events with changing themes. The NPS (Net Promoter Score) of the two Mindfulness groups implemented as a remote service was also commendably close to the highest possible level of 100. The coaching sessions of the AktiaWellbeing programme will continue in 2021, and there will be more sessions due to the high demand.

information events for supervisors, covering relevant topics. In addition, the performance reviews for the entire personnel, assessing the goals, performance and development plans of individual employees, have continued. Aktia's definition of “expert” developed in the previous year and based on the implementation of Aktia's values was also introduced as part of the performance reviews.

Remuneration of the management

The Annual General Meeting of Aktia Bank Plc confirms the remuneration payable to the members of the Board of Directors. The decision proposal is prepared by the Nomination Board consisting of the representatives of the five largest shareholders and the Chairman of the Board of Directors acting as an expert. This allows the shareholders to say on the pay of management both through the General Meeting and the Nomination Board. The Nomination Board also prepares the proposal regarding the members of the Board of Directors. The Board of Directors of Aktia Bank Plc confirms the financial benefits of the CEO and members of the Executive Committee, including the remuneration programmes and other terms and conditions of their contracts of employment. The Board's Remuneration and Corporate Governance Committee prepares the proposal for this.

When deciding on the financial benefits and other terms and conditions of the contracts of employment of the management, the basic premise is a report of the magnitude of remuneration payable to the management in relation to peer companies in the industry, the company's strategy and phase of development. The Remuneration and Corporate Governance Committee prepares and presents to the Board of Directors decision proposals that concern the Group's remuneration policy and report, and, in closer detail, the Executive Committee's salaries and remuneration programme, and evaluates them. The Committee also prepares and processes matters pertaining to the development of the Group's governance and control systems.

The CEO and members of the Executive Committee are paid a fixed basic salary and a variable salary or bonus consisting of a variable short-term incentive (STI) as well as a variable long-term incentive (LTI) which consists of two parts – a share savings plan (AktiaUna) and a pay for performance-based part. In 2020, the amount of variable remuneration could correspond to a maximum of 200 per cent of the fixed annual salary or remuneration of the CEO or member of the Executive Committee.

In 2020, the maximum amount of variable short-term incentive (STI) could be the six month's basic salary for the CEO and members of the Executive Committee. The STI targets are in part based on the Group's financial targets, in part on individual targets, and affected by qualitative and quantitative criteria during the measurement period. The Board of Directors confirms the targets and monitors their attainment annually. The purpose of variable short-term incentives is to encourage people to implement the strategy and to measure the progress achieved in it for achieving the long-term financial targets of Aktia. The financial targets for 2020 included the comparable profit, income and cost-to-income ratio, while the qualitative targets for 2020 included the Group-level eNPS, individual leadership indices and compliance with values.

The AktiaUna share savings plan provides all employees with the option of using (saving) a part of their wages or salary for acquiring Aktia shares at a discounted price. Furthermore, the AktiaUna share savings plan provides the CEO and members of the Executive Committee with the opportunity to participate in the performance-based share savings plan, intended for the key personnel of the Group. A person must participate in the AktiaUna share savings plan to qualify for earning shares in the performance-based share savings plan. In the performance-based share savings plan, a person has the possibility to receive Aktia shares based on performance criteria for each share acquired within the framework of the AktiaUna share savings plan.

The performance-based share savings plan has a performance period of two calendar years. The earning criteria for the earning periods of 2019–2020 and 2020–2021 are the development of Aktia Group's comparable operating profit (weighing 60 per cent) and net commission income (weighing 40 per cent) for the performance period concerned. Earning depends on the underlying savings shares

> ***“In addition, the performance reviews for the entire personnel, assessing the goals, performance and development plans of individual employees, have continued.”***

and on how well the performance criteria are achieved during the earning period.

If Aktia terminates the CEO's contract, the CEO will, in addition to the salary for the notice period, receive an amount of money (severance pay) that corresponds to the CEO's nine (9) months' salary, except in the event that the termination is based on factors that would justify the termination of the CEO's contract of service. The period of notice for the CEO's contract of service is six (6) months for both sides. In case Aktia's experts violate Aktia's norms and instructions, Aktia will also have the possibility to utilise, at its discretion, the clawback policy to recover already paid variable remuneration amounts.

The incentive schemes and remuneration of the management are presented in closer detail on the Group's website at **www.aktia.com > Investors > Corporate governance > Remuneration** where Aktia annually publishes its remuneration policy and remuneration report. The details required for the salary and remuneration report of the remuneration paid and other financial benefits are also presented in the notes to our financial statements.

ENVIRONMENTAL RESPONSIBILITY

Environmentally responsible actor

Environmental responsibility is the fourth main theme of Aktia's corporate responsibility. Aktia is working to contribute to a more sustainable society particularly through innovative products and services. They have both internal and external impacts, reducing the environmental footprint of Aktia and its customers. In Aktia's assessment, its direct environmental impact and risk is relatively small. The impact is mainly due to the use of energy, materials and equipment, as well as travel and transportation.

Particularly responsible investing provides Aktia with a significant possibility to promote eco-efficiency with its investment decisions. The decisions have extensive impacts outside Aktia, not only on the companies being investment objects, but also on their employees and the society around them.

Climate work through responsible investing

Aktia has signed the United Nations Principles for Responsible Investment (PRI) and is thus committed to taking the environmental criteria into account in its asset management. Aktia strives to do its part to stop climate change, which is a global threat.

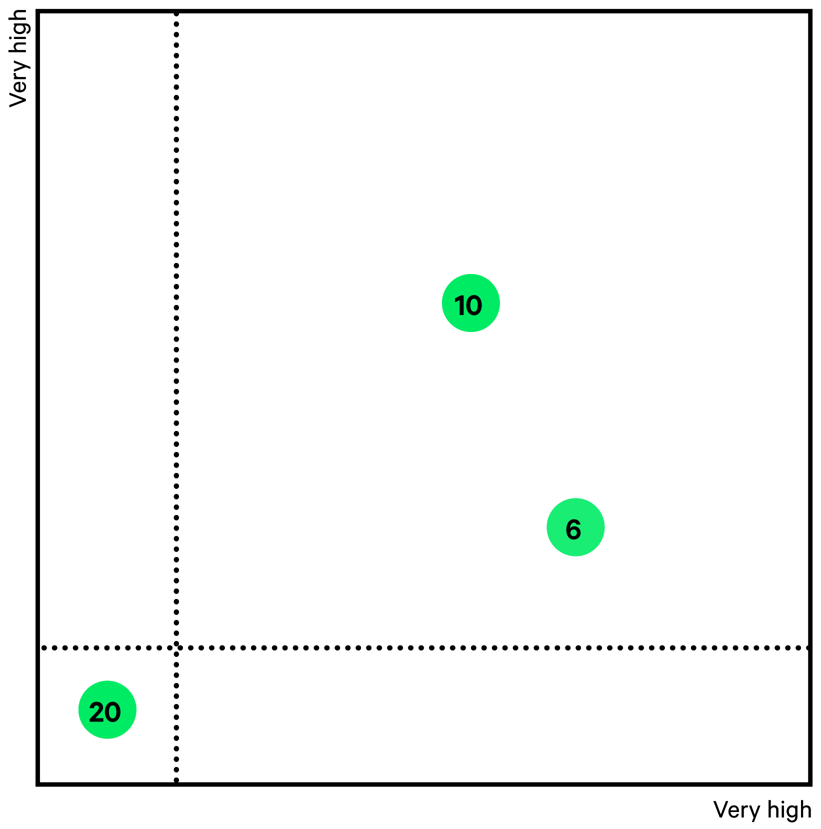
To support our portfolio management, we utilise both our internal ESG analysis and a purchased external analysis. We use, for example, the ISS ESG climate risk analysis, as well as detailed ESG evaluations and analyses on companies. As part of the climate risk analysis, we regularly create scenario analyses for our funds according to the different climate warming scenarios. Based on that we assess how well our investment portfolio is in line with the climate warming scenario of less than two degrees.

Aktia's equity investment strategy favours less capital-intensive companies with good emissions profiles. In December 2020, the carbon footprint of our funds was on average 68 per cent smaller than that of its reference market. The following table shows the carbon footprint of our funds in closer detail. The carbon footprint does not take the share of green bonds into account. At the end of the year, the weighted average carbon intensity of our asset management funds was 101.2 tonnes CO_2e per million euros of earnings. We report the carbon footprint and carbon intensity of our own direct equity funds twice a year.

In our investment activities, we always seek to understand all financially relevant factors affecting companies. Climate change is one of the megatrends we have identified. It may affect the profitability and outlook of companies. The operations of companies also have certain positive or negative external impacts. We report the external impacts of our funds in compliance with the Finnish Upright Project modelling in the quarterly reviews of responsible investing on Aktia's website.

During 2020, we actively developed our responsible investing activities. Our asset management has an

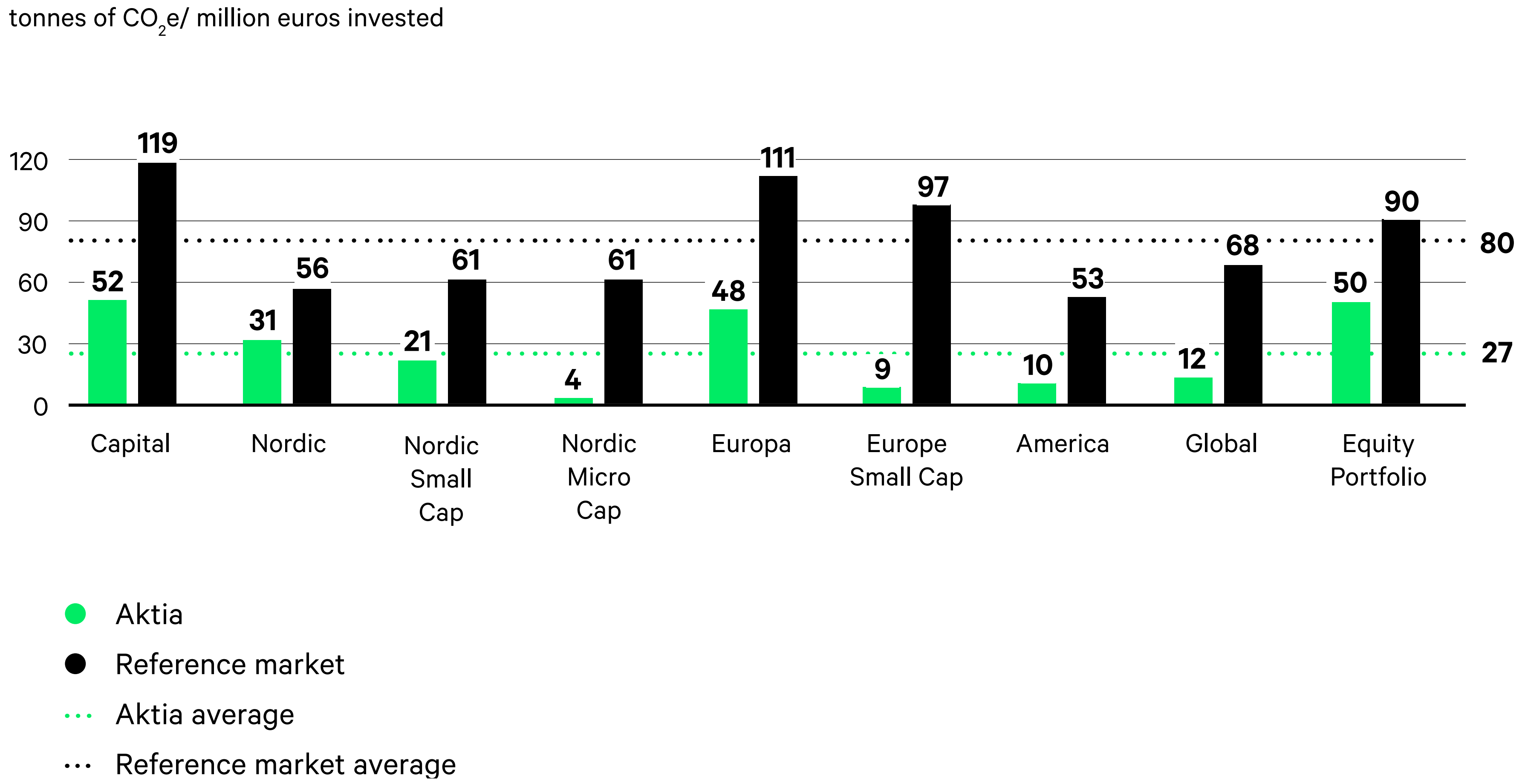
Materiality analysis



An environmentally responsible actor

6. Responsible procurement (internal and external impact)
10. Climate-smart services for customers (external impact)
20. Minimising the company's own environmental footprint (internal and external impact)

Carbon footprint of Aktia's funds 2020, tonnes of CO_2 e/ million euros invested



ESG Committee with representatives from all asset categories. The committee develops responsible investment activities in Aktia Asset Management, monitors trends and regulatory projects that affect our operations, plans customer events, assesses different service providers, handles violations of norms, and prioritises discussions for influencing companies.

> *The carbon footprint of our funds was, on average, 68 per cent smaller than that of its reference market. Our equity investment strategy favours less capital-intensive companies with good emissions profiles."*

Leadership praxis

Environmentally responsible actor

Aspects and key indicators

- Climate-smart services for customers GRI 305
- Minimising the company's own environmental footprint GRI 103, GRI 301, GRI 302, GRI 305, GRI 307
- Responsible procurement GRI 204, GRI 308, GRI 414

Policies and commitments

- UN supported Sustainable Development Goals
- WWF Green Office programme
- Principles of responsible investing
- The Group's climate policy
- Investor initiatives which are described in closer detail under the heading **Memberships and commitments**
- Supplier code of conduct, the Group's procurement policy, the Board of Directors' guidelines regarding the principles of outsourcing operations and guidelines regarding the procedures for outsourcing operations.

Targets

- Our goal is that Aktia Asset Management's own equity funds have, in the long run, a smaller carbon footprint than funds on the reference markets. We also aim to reduce our carbon dioxide emissions by the end of 2023 by 10 per cent of the total electricity consumption of all our leased business premises.

Resources and responsibilities

- The Head of Sustainability is responsible for the Group's corporate responsibility programme, as well as for the policies related to its implementation and the planning of actions, including the instructions regarding development of the sustainability of the supply chain, the UN supported Sustainable Development Goals, WWF Green Office programme and corporate responsibility reporting.

Actions

- Aktia Group developed the metrics and focal points of its corporate responsibility programme, and the corporate responsibility group prioritised the UN supported Sustainable Development Goals. Aktia developed eco-efficient methods and was granted the WWF Green Office label for its head office. Our real estate fund also made a policy decision of investing in real estate properties with environmental certificates and developed the environmental friendliness of its portfolio during the year by installing solar panels in Turku. Aktia Group also started applying a code of conduct to suppliers that meet certain criteria.

Environmental impact of Aktia's activities

In Aktia's assessment, its direct environmental impact and risk is relatively small due to the nature of its business and Aktia did not have any non-compliance with environmental regulation. Aktia's operations comply with the principle of prudence, and it strives to mitigate and avoid environmental risks and harmful impacts. Aktia has identified energy, use of materials and equipment, as well as travel and transportation as the most significant elements of its environmental footprint, and is taking focussed steps to reduce its footprint in these areas.

Aktia has set itself the target of reducing the carbon dioxide emissions caused by electricity consumption in all its leased business premises by 10 per cent from 2018 levels by the end of 2023. In 2020, these emissions decreased by 42 per cent from the base year, and we exceeded our target. This was due to the reduction in the number of our locations, energy efficiency, remote work and the decrease in the national emission factors of electricity we used.

During the year, our head office moved to new energy-efficient premises in Kamppi, Helsinki. Our head office was awarded the WWF Green Office label, and it is located in a building that has received the BREEAM 'Very Good' building rating. In the WWF Green Office environmental management system, attention is paid, for example, to mobility, energy consumption, recycling and sorting of waste materials, sustainable procurement, and choices of

"The carbon dioxide emissions caused by electricity consumption in our leased business premises decreased by 42 per cent from the base year, and we exceeded our target."

food. Our Green Office team has implemented eco-efficient practices in our organisation, and training sessions have been organised regarding the ways to reduce environmental impact in daily operations. We also participated in environmental engagement initiatives covering our entire personnel, which are discussed on page 96. Our intention is to later expand Green Office practices to other Aktia offices.

The following tables show, in closer detail, Aktia's carbon dioxide emissions (Scope 1 and Scope 2), its own emissions and the emissions arising in the subcontracting chain (Scope 3), as well as the emission intensity in relation to the number of employees, managed assets and gross area of our business premises. The emissions taken into consideration for the supply chain are from purchased services and products, losses on the electricity network and mail deliveries and processing. The calculations of emissions for Scopes 1, 2 and 3 are based on the GHG Protocol guidelines.

Due to the coronavirus pandemic, a recommendation to work remotely was given to all Aktia employees. Telephone and video conference calls were

Aktia's carbon dioxide emissions and energy consumption

Carbon dioxide emissions, tonnes CO_2e	2020	2019	2018	2017
Scope 1 (direct emissions)	0.00	0.00	0.00	0.00
Scope 2 (indirect emissions from energy consumption, location-based)	556.64	881.12	955.06	991.20
Scope 3 (other indirect emissions)	52,889.04	64,754.06	59,043.49	-

Carbon emission intensity (Scope 2, location-based)	2020	2019	2018	2017
Tonnes CO_2e/FTE	0.69	1.17	1.21	1.25
Tonnes CO_2e/operating income	2.77	4.17	4.55	0.10
Tonnes CO_2e/AuM	0.05	0.09	0.10	0.04
Tonnes CO_2e/sqm	0.03	0.04	0.04	0.04

CO_2 emissions from travels, kgs of CO_2	2020	2019	2018	2017
Flights in Finland	6,927 (47%)*	20,472 (12%)	24,143 (14%)	25,299 (18%)
Flights abroad	7,689 (53%)*	143,322 (88%)	142,772 (86%)	115,515 (82%)
Average emissions of leasing cars, g/km	123	115	127	126

Energy consumption and energy intensity of all business premises leased by Aktia (regarding electricity and heating)	2020	2019	2018	2017
MWh	3,807.74	5,494.25	5,728.90	
MWh/FTE	4.69	7.29	7.25	7.94
MWh/operating income	18.93	25.99	27.27	
MWh/AuM	0.36	0.56	0.62	0.65
MWh/sqm	0.22	0.22	0.23	0.24

* Aktia decided to offset emissions from air travel in 2020.

extensively utilised, and unnecessary travelling was avoided in the entire Group. All employees were challenged to have walking meetings during the European Mobility Week. Aktia Group also had a cycling team that participated in the mileage contest. In five months, our team cycled 18,317.0 km, an average of 964.1 km per team member. We saved a total of 3,205 kg of CO_2, corresponding to some 22,929 km of motoring. An emission limit has also been set for our leasing cars. In addition, we decided to offset emissions from air travel in 2020. The previous table shows the emissions from travelling. Other key indicators of our environmental footprint regarding energy and paper consumption are presented in closer detail on our corporate responsibility pages at **www.aktia.com**.

Aktia Group also regularly assesses and monitors climate risks and possibilities, which are covered in more depth in the non-financial report on pages 94–100. Aktia also reports these risks and opportunities as part of its annual climate change reporting in the CDP (former Carbon Disclosure Project) portal. Aktia's CDP reporting score obtained at the beginning of 2020 increased by five levels and reached level B, which is above the European and global average for the financial services sector. We maintained this level with the new results obtained at the end of 2020.

Green procurement guidelines

In its operations, Aktia Group applies the green procurement guidelines, thus striving to switch to more environmentally friendly acquisitions. According to the guidelines, comparisons of procurement options should always include green alternatives whenever they are available. The guidelines support compliance with the WWF Green Office criteria in our everyday work. We decided to switch to green electricity in the locations where the lessor allows Aktia to make its own electricity contracts. In addition, most of the office paper that Aktia procures has EU Ecolabel certification, and of Aktia's data centre suppliers, Telia holds LEED, ISO and CEEDA certifications, while Ficolo holds a Cicero Dark Green classification.

Supplier code of conduct and assessment of sustainability risks

Aktia also seeks to promote environmental responsibility with the code of conduct it has drawn up for its suppliers. This supplier code of conduct covers the environment, legality of the suppliers' actions, respect of human rights, employees' rights and occupational safety, good business practices, as well as reporting obligation and monitoring. From the beginning of 2020, Aktia began applying the supplier code of conduct to new procurement contracts with suppliers that meet certain criteria. In existing procurement contracts, the code of conduct will be applied gradually as the contracts are renewed. We will update this code of conduct at least every two years.

Aktia has also sought to manage the responsibility of its supply chain by carrying out sustainability assessments on selected suppliers by following the Sustainability Accounting Standards Board (SASB) standards for the sector. The risk assessment carried out earlier to 30 suppliers covered the responsibility of areas such as environmental impacts, social and societal impacts, management methods, business models, innovations, and value chains. The results were used to identify the most important risk areas in Aktia's procurement chain, the likelihood of the risks materialising, the impacts of the risks, and the means of risk management used by the suppliers. The risk assessments found that one supplier had a very large environmental impact and risks related to human rights. This supplier has since proposed ways of managing these risks and Aktia has continued to use the supplier. During the reporting period, Aktia did not make any changes to its supplier relations based on the responsibility criteria, such as environmental or human rights criteria. We will continue to actively improve the responsibility of our supply chain.

> ***Aktia Group applies the green procurement guidelines and a supplier code of conduct."***

Aktia uses several subcontracting chains in its operations. They support Aktia in areas such as brand development and by supplying a wide range of services on selected markets. For example, Aktia's asset management services make use of brokers, who are monitored and evaluated regularly. In 2020, the project of moving Aktia's head office provided work for many actors in our subcontracting chain, including interior and brand designers, as well as suppliers planning and implementing technical solutions.

The majority of Aktia's suppliers are local, mainly Finnish, with a small number of European operators. In the reporting period, Aktia had 19 offices in Finland. In 2020, 92 per cent of our procurement was from Finnish companies. In addition to the supplier code of conduct, the policies regarding procurement include the Group's procurement policy, the Board of Directors' guidelines regarding the principles of outsourcing operations and guidelines regarding the procedures for outsourcing operations.

Reporting principles

This is the tenth corporate responsibility report by Aktia. The aim of the report is to comprehensively describe the company's corporate responsibility in an evolving operating environment. Aktia's corporate responsibility report was prepared in accordance with the Global Reporting Initiative (GRI) Standards by applying the non-binding recommendations concerning the EU principles for corporate responsibility reporting. In addition, our non-financial information report includes information of the operations of Aktia Bank and asset management, compiled by using, as applicable, the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD). The extent of the report corresponds to the Core level of GRI standards. Our corporate responsibility report is not subject to external verification.

The financial period of the company is the calendar year. The report is published annually. Unless otherwise stated, the information in the report concerns the financial period of 1 January to 31 December 2020. The previous corporate responsibility report was published on 26 March 2020. The GRI content index lists the GRI Standard indicators used by Aktia as well as the Sustainability Accounting Standards Board (SSAB) themes compliant with them and explains where the information can be found. The annual corporate responsibility report and the report of non-financial information complement the Group's financial reporting and cover the entire Group's activities. In addition to this corporate responsibility report, Aktia also publishes selected corporate responsibility indicators in the half-year reports. Unlike the previous year's report, in 2020 Aktia did not monitor the development in the volume of outgoing customer letters due to the fact that our paperless bank project reached its intended completion during the year.

The corporate responsibility report can be downloaded at www.aktia.com, and any questions concerning the report should be addressed to ir@aktia.fi. The next corporate responsibility report in line with the GRI Standards will be published in the first quarter of 2022.

Scope of the report and impacts

The reporting covers Aktia's entire business, and there are no special grounds for limiting the scope of the report. The report on economic and social responsibility covers all Aktia's units and every member of personnel in Finland. The report on environmental responsibility covers all Aktia's offices unless otherwise stated. Of all the reported information, the greatest external impacts are caused by the Scope 1, 2 and 3 emissions and the mechanisms by which the emissions arise, charitable work, ethical operations, the tax footprint, and the indicators presented in the value creation graph on page 14. The impacts of the other material themes are described along with the materiality analysis on page 33.

Consumption of electricity and heating energy

The reporting of electricity consumption and the associated emissions is based on measurements. So far, Aktia has been unable to obtain information about the heating consumption on its leased premises. These have been estimated using statistical heating consumption and the gross area of Aktia's business premises based on a report by the City of Helsinki's Energy Saving Committee titled "Energy-saving activities and energy-use development in the City of Helsinki 2016".

Emission calculations (Scope 1, 2 and 3)

The calculations of emissions for Scopes 1, 2 and 3 are based on the GHG Protocol guidelines. The reporting of Scope 1 and Scope 2 emissions is based on measurements. As regards measured electricity consumption, the Scope 2 emission calculation uses Motiva's estimation coefficient for the average emissions of electricity consumption in offices in Finland (known as a "location-based" calculation).

The Scope 3 emission calculation uses measured and estimated data. In the calculations of travel-related emissions, the GHG Protocol cross-sectional tool was used to obtain the emission coefficients for journeys by bus for employees who do not use leasing cars, while the average emission coefficient for leasing cars was used for journeys by car. The emissions caused by bus and car journeys are based on the assumption that the ratio of bus to car use is 50/50. The distances used to calculate the emissions of bus and car journeys are based on the estimated average length of commutes in Finland as stated on findikaattori.fi.

The Scope 3 carbon dioxide emissions related to paper consumption are estimated based on the amount of paper purchased and the VTT study titled "The Carbon Footprint of a Magazine: VTT LEADER research (2007–2010) 2011". The carbon dioxide emissions caused by phones, computers and printers are based on the number of such devices in use and the average emission coefficients from Anthesis Group for 2014. The carbon dioxide emissions associated with delivering letters are estimated based on the number of letters reported by Aktia's mailing partner in the previous year and an estimate of the emissions arising from the delivery and handling of each letter. The carbon footprint of Aktia's investments is based on the value of assets under management and an estimate of the size of the footprint of investments measured using tools. The carbon footprint of investments does not include green bonds.

Intensity figures

The calculation of the energy intensity and Scope 2 carbon dioxide emission intensity uses the gross area of offices, the number of full-time employees, the value of assets under management, as well as the operating income representing the financial success of business operations.

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Report by the Board of Directors

Report by the Board of Directors

Profit 2020

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

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

Items affecting comparability

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

Income

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

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

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

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

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

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

Expenses

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

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

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

The depreciation of tangible and intangible assets decreased to EUR 18.3 (19.5) million.

The decrease is mainly related to lower depreciations of right-of-use assets.

Other operating expenses decreased to EUR 28.8 (29.2) million. However, other comparable operating expenses increased by 3% to EUR 28.8 (27.9) million since the reference period includes EUR 1.3 million restructuring costs. The increase pertains to the cost for the stability fee, which has increased by EUR 0.8 million from last year.

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

Balance sheet and off-balance sheet commitments

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

Borrowing

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

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

During the fourth quarter, Aktia Bank issued new long-term unsecured bonds to a value of EUR 166 million within the scope of the bank's EMTN programme. During the period January–December, new long-term unsecured bonds to a total value of EUR 856 million have been issued, partially also to secure that the renewed MREL requirement is fulfilled. In addition, Aktia Bank has issued a retained Covered Bond of EUR 300 million with a maturity of four years. The aim of the issue was an exchange of collateral in the central bank.

Lending

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

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

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

Loan book by sector

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

Financial assets

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

Technical provisions

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

Equity

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

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

Assets under Management

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

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

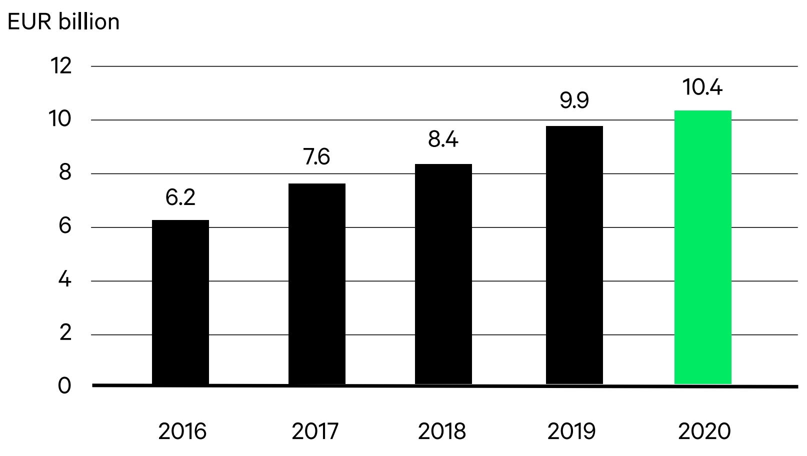
Group financial assets include the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

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

* Excluding Fund in funds

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



Segment overview

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

Banking Business

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

Private customers

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

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

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

Corporate customers

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

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

Results for Banking Business segment

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

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

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

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

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

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

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

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

Asset Management

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

Customer assets under management

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

* Excluding fund in funds

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

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

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

Life insurance

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

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

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

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

Results for Asset Management segment

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

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

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

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

Group Functions

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

Results for Group Functions segment

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

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

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

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

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

Group's segment reporting

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

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

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

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

Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 14.0 (14.7) %. After deductions, Common Equity Tier 1 capital increased by EUR 36.2 million during the period, which affected the CET1 capital ratio by 1.2 percentage points. The maximum 2020 dividend, EUR 0.43 per share, has been deducted from the CET1 capital in accordance with the Board's proposal to Annual General Meeting. Risk-weighted assets increased by EUR 393.1 million, which reduced the CET1 capital ratio by 1.9 percentage points. The increase in risk-weighted assets is mainly pertained to an increase in corporate exposures.

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

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

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

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

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

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

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

MREL-requirement (EUR million)	31 Dec 2020	31 Dec 2019
MREL requirement	727.3	670.9
Own funds and eligible liabilities		
CET1	424.3	388.1
AT1 instruments	0.0	0.0
Tier 2 instruments	95.6	160.4
Other liabilities	1,082.4	247.9
Total	**1,602.3**	**796.4**

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

Total capital requirement

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

Solvency II (EUR million)	With transitional rules 31 Dec 2020	With transitional rules 31 Dec 2019	Without transitional rules 31 Dec 2020	Without transitional rules 31 Dec 2019
MCR	28.2	24.2	29.5	25.9
SCR	109.0	86.6	119.4	98.3
Eligible capital	159.1	166.3	116.2	120.2
Solvency ratio, %	145.9	192.1	97.4	122.2

The Group's risk exposures

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

Definitions and general principles for asset and risk management can be found in note 2 on p. 121–136 in Aktia Bank Plc's Annual and Sustainability Report for 2020 and in Aktia Bank Plc's Capital and Risk Management Report on the Group's website **www.aktia.com**.

Banking and asset management business

Credit risks

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

Loans past due by time overdue and ECL stages

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

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

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

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

Market risks

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

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

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

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

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

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

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

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

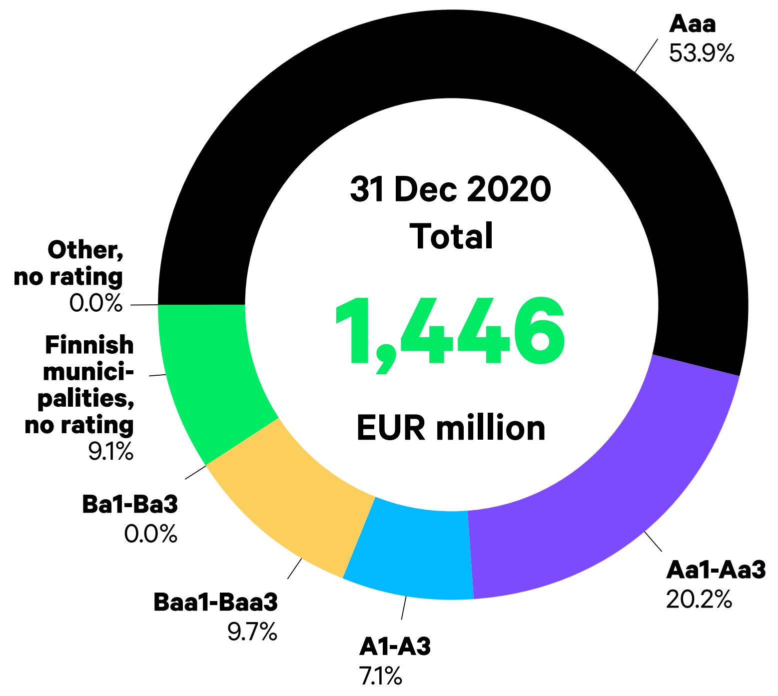
All bonds met the criteria for refinancing at the central bank.

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

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

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

Rating distribution for the Bank Group's liquidity portfolio



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

Life Insurance Business

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

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

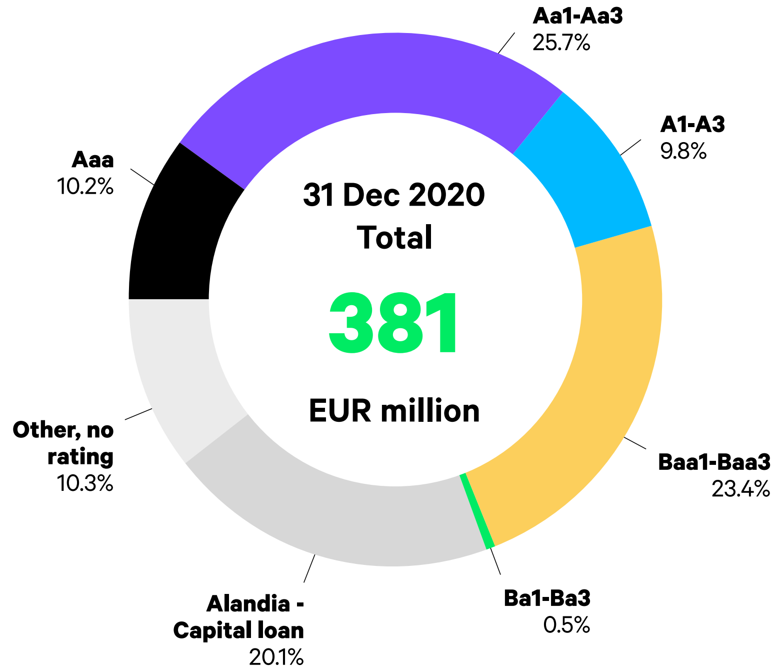
Aktia Life Insurance, allocation of investment portfolio

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

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

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

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



Main events

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

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

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

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

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

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

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

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

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

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

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

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

Other information

Events after the end of the period

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

On 10 March 2021, Aktia Bank Plc ("Aktia") has signed a contract with Taaleri Plc ("Taaleri"), with which Aktia has agreed to acquire the wealth management operations of Taaleri, including 100% of the following companies: Taaleri Wealth Management Ltd, Taaleri Fund Management Ltd, Taaleri Tax Services Ltd and Evervest Ltd. As a part of the transaction, the parties have agreed on initiating co-operation that supports the strategy of both parties, through which Aktia will be the distributor of Taaleri's alternative investment products in Finland. The completion of the transaction is subject to approvals by the Finnish Competition and Consumer Authority and the Financial Supervisory Authority (FIN-FSA) in accordance with applicable laws and regulation. It is estimated that the transaction will be completed in May 2021, provided that the approvals have been granted and the terms for completing the transaction are fulfilled.

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

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

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

Rating

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

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

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

Events concerning related parties

Related parties comprise 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 interest. The Aktia Group's key persons are the members of the Board of Directors, the CEO, the Deputy CEO and other members of the Executive Committee.

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

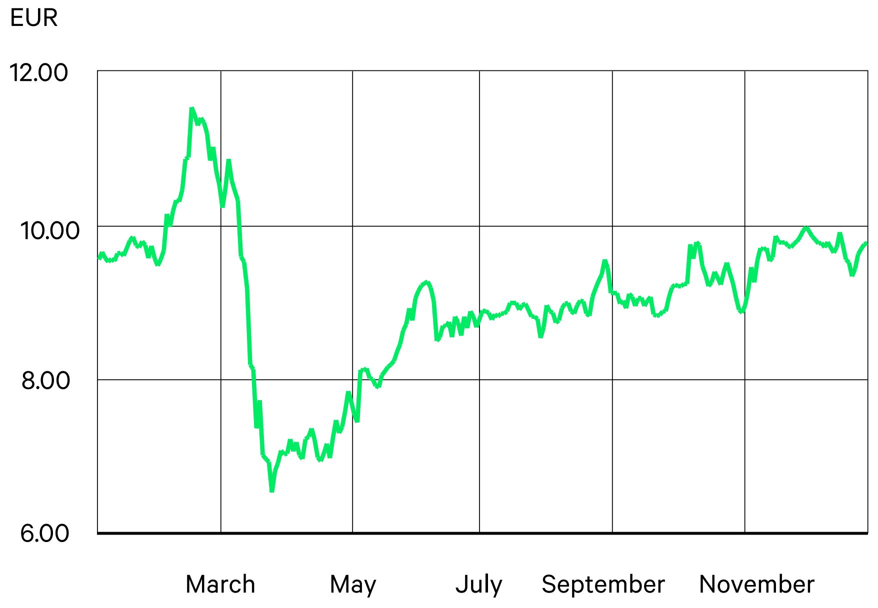
Staff

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

Incentive scheme

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

Development of Aktia's share 2 January–30 December 2020



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

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

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

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

Decisions of Aktia Bank Plc's Annual General Meeting 2020

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

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

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

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

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

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

Shareholders' Nomination Board's proposal for the Annual General Meeting 2021

The Shareholders' Nomination Board of Aktia Bank Plc has decided to present the following proposition to the Annual General Meeting 2021 of Aktia Bank:

The number of the members of the Board of Directors is proposed to be decreased from nine to eight.

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

The Shareholders' Nomination Board also proposes that Timo Vättö be elected as new Board member for the same term, subject to his consent.

All the proposed persons are independent in relation to the company according to the definition of the Corporate Governance Code. Only Timo Vättö is not independent of a significant shareholder since he is a member of the Board of Rettig Group Oy Ab, which is the largest owner of RG Partners Oy – the largest shareholder (10.17%) of Aktia Bank.

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

The Board members Christina Dahlblom and Kari A.J. Järvinen have informed that they will not be available for re-election.

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

- Chairman, EUR 64,300 (2020: EUR 64,300)
- Deputy Chairman, EUR 43,000 (2020: EUR 36,400)
- Member, EUR 35,000 (2020: EUR 28,500)

It is also proposed that the Chairman of each Committee will further receive an annual remuneration of EUR 8,000. The proposed meeting remuneration for Board and Committee meetings is EUR 500/attended meeting. Compensation for travel and accommodation expenses as well as a daily allowance is paid in line with the Finnish Tax Administration's guidelines.

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

Chairman of the Shareholders' Nomination Board of Aktia Bank is Matts Rosenberg (appointed by the RG Partners Oy), members are Carl Pettersson (appointed by Veritas Pension Insurance Company

Ltd), Stefan Björkman (appointed by Hammarén & Co Oy Ab), Gisela Knuts (appointed by the Åbo Akademi University Foundation), Marcus Rantala (appointed by the Foundation Tre Smeder), and Lasse Svens, Chairman of the Board of Directors of Aktia Bank acts as an expert.

Board of Directors' Proposals for the Annual General Meeting 2021

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

The Board of Directors proposes, based on the recommendation of the Board of Directors' Audit Committee, that KPMG Oy Ab, a firm of authorised public accountants, shall be elected as auditor, with Marcus Tötterman, M.Sc. (Econ.), APA, as auditor-in-charge for a term of office beginning when the Annual General Meeting 2021 is closed and continuing until the Annual General Meeting 2022 has concluded. Remuneration and compensation for travel expenses to the auditor are proposed to be paid against reasonable invoices.

Publication of information

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

The Disclosure Policy describes key principles for Aktia's communication with the capital market, mass media and other stakeholder groups. The Disclosure Policy is published on Aktia's website, **www.aktia.com**. The reports and communications published by Aktia Bank Plc are also available on the website. Aktia Bank Plc meets its disclosure obligations in the form of publications. The main publications are:

- The annual report, accounts announcement, half-year report and interim reports, including the notes, contain financial information on the results and activities of the Aktia Group.
- Aktia's remuneration report gives a report on the remunerations paid out to the company's organs in line with the code for Listed Companies issued by the Finnish Securities Market Associations (the Finnish Corporate Governance Code 2020).
- The Corporate Governance Report contains information on the administration and administrative structure of the Aktia Group. The report follows the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association (the Finnish Corporate Governance Code 2020).
- Aktia reports on corporate responsibility as a part of Aktia's annual report on 23 March 2021 at the latest. The publication contains information on how Aktia has implemented corporate social responsibility issues in its day-to-day activities and processes. The report provides a general picture of those material aspects which Aktia's stakeholders consider important for Aktia's activities. The report follows the guidelines of the Global Reporting Initiative (GRI).
- The Capital and Risk Management Report provides information about the Group's risk position and various types of risk as well as capital adequacy. The report covers the requirements set forth in the Capital Requirements Regulation (CRR), Chapter 8.
- Aktia Life Insurance publishes a Solvency and Financial Condition Report, which provides information on the company's financial position and solvency. The report will be published no later than 7 April 2021.
- Aktia will publish a report on non-financial information in connection with the Report by the Board of Directors which is published as part of Aktia's annual report no later than 23 March 2021.

Aktia's website, **www.aktia.com**, contains also information e.g. on the Group's management, administration and remuneration systems.
The Aktia Group's financial calendar with publication dates is also published on the website. Reports by the Board of Directors of all banks shall include information on where and in what publication the banks publish information complying with the Article 8 of the capital requirements regulation (CRR). More detailed information is provided in Appendix 6 to the Capital and Risk Management Report 2020.

Share capital and ownership

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

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

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

Financial targets up until 2023

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

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

Corporate responsibility

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

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

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

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

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

Risks and outlook

Risks (changed)

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

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

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

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

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

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

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

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

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

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

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

Outlook 2021

The comparable operating profit for 2021 is expected to be clearly higher than during 2020 provided stable market and society conditions.

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

Quarterly trends in the Group

EUR 1,000	4Q2020	3Q2020	2Q2020	1Q2020	2020	2019
Net interest income	20,820	20,031	20,131	19,695	80,677	77,568
Dividends	50	9	102	237	398	464
Commission income	27,600	26,435	25,242	27,659	106,936	110,423
Commission expenses	-2,208	-2,254	-2,346	-2,487	-9,295	-11,303
Net commission income	25,392	24,180	22,897	25,172	97,641	99,120
Net income from life insurance	10,229	4,727	10,138	-5,218	19,876	29,978
Net income from financial transactions	126	165	1,346	-1,002	635	2,878
Other operating income	400	293	175	1,021	1,889	11,406
Total operating income	**57,017**	**49,406**	**54,789**	**39,905**	**201,117**	**221,415**
Staff costs	-17,671	-16,426	-18,420	-16,551	-69,068	-68,993
IT expenses	-6,935	-7,124	-6,384	-5,560	-26,002	-26,193
Depreciation of tangible and intangible assets	-4,589	-4,311	-4,753	-4,623	-18,276	-19,481
Other operating expenses	-7,217	-5,963	-6,736	-8,896	-28,813	-29,233
Total operating expenses	**-36,412**	**-33,824**	**-36,293**	**-35,630**	**-142,159**	**-143,901**
Impairment of credits and other commitments	-827	-54	-1,756	-1,410	-4,046	-4,452
Impairment of other receivables	-	400	-400	-	-	-
Share of profit from associated companies	-54	28	-6	-86	-118	1,694
Operating profit	**19,724**	**15,956**	**16,334**	**2,779**	**54,793**	**74,756**
Taxes	-4,616	-3,511	-3,328	-718	-12,172	-12,931
Profit for the period	**15,109**	**12,445**	**13,006**	**2,061**	**42,621**	**61,825**
Attributable to:						
Shareholders in Aktia Bank plc	15,109	12,445	13,006	2,061	42,621	61,825
Total	**15,109**	**12,445**	**13,006**	**2,061**	**42,621**	**61,825**
Earnings per share (EPS), EUR	0.22	0.18	0.19	0.03	0.61	0.90
Earnings per share (EPS), EUR, after dilution	0.22	0.18	0.19	0.03	0.61	0.90
Operating profit excluding items affecting comparability:						
Operating profit	19,724	15,956	16,334	2,779	54,793	74,756
Operating income:						
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-	-484
Profit from divestment of shares in Samlink Ltd	-	-	-	-	-	-9,574
Operating expenses:						
Costs for restructuring	93	-	200	-	294	3,510
Comparable operating profit	**19,818**	**15,956**	**16,534**	**2,779**	**55,087**	**68,209**

Quarterly trends of comprehensive income

EUR 1,000	4Q2020	3Q2020	2Q2020	1Q2020	2020	2019
Profit for the period	15,109	12,445	13,006	2,061	42,621	61,825
Other comprehensive income after taxes:						-
Change in fair value for financial assets	1,451	4,005	8,672	-5,723	8,405	2,764
Change in fair value for cash flow hedging	194	127	19	-	340	-
Transferred to the income statement for financial assets	-104	-512	-698	-1,258	-2,573	-5,322
Comprehensive income from items which can be transferred to the income statement	1,541	3,620	7,993	-6,981	6,172	-2,558
Defined benefit plan pensions	-217	-	-	-	-217	-307
Comprehensive income from items which cannot be transferred to the income statement	-217	-	-	-	-217	-307
Total comprehensive income for the period	**16,432**	**16,065**	**20,999**	**-4,919**	**48,576**	**58,959**
Total comprehensive income attributable to:						
Shareholders in Aktia Bank plc	16,432	16,065	20,999	-4,919	48,576	58,959
Total	**16,432**	**16,065**	**20,999**	**-4,919**	**48,576**	**58,959**
Total earnings per share, EUR	0.24	0.23	0.30	-0.07	0.70	0.85
Total earnings per share, EUR, after dilution	0.24	0.23	0.30	-0.07	0.70	0.85
Total comprehensive income excluding items affecting comparability:						
Total comprehensive income	16,432	16,065	20,999	-4,919	48,576	58,959
Operating income:						
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-	-387
Profit from divestment of shares in Samlink Ltd	-	-	-	-	-	-9,574
Operating expenses:						
Costs for restructuring	75	-	160	-	235	2,808
Comparable total comprehensive income	**16,506**	**16,065**	**21,159**	**-4,919**	**48,811**	**51,807**

Items affecting consolidated income statement and comprehensive income

EUR 1,000	4Q2020	3Q2020	2Q2020	1Q2020	2020	2019
Net income from financial transactions	-	-	-	-	-	484
Other operating income	-	-	-	-	-	9,574
Total operating income	**-**	**-**	**-**	**-**	**-**	**10,057**
Staff costs	-93	-	-200	-	-294	-2,204
Other operating expenses	-	-	-	-	-	-1,306
Total operating expenses	**-93**	**-**	**-200**	**-**	**-294**	**-3,510**
Operating profit	**-93**	**-**	**-200**	**-**	**-294**	**6,547**
Taxes	19	-	40	-	59	605
Total comprehensive income for the year	**-75**	**-**	**-160**	**-**	**-235**	**7,152**

Quarterly trends in the Segments

EUR 1,000	4Q2020	3Q2020	2Q2020	1Q2020	2020	2019
Banking Business						
Net interest income	18,542	18,175	17,912	16,949	71,577	67,444
Net commission income	16,233	15,667	15,091	16,617	63,608	66,611
Other operating income	91	153	65	690	998	304
Total operating income	**34,866**	**33,994**	**33,067**	**34,256**	**136,183**	**134,359**
Staff costs	-5,423	-5,060	-5,349	-4,636	-20,468	-22,020
Other operating expenses[1]	-20,665	-19,455	-20,275	-20,943	-81,339	-82,145
Total operating expenses	**-26,088**	**-24,515**	**-25,625**	**-25,579**	**-101,806**	**-104,165**
Impairment of credits and other commitments	-827	-54	-1,756	-1,381	-4,017	-4,451
Impairment of other receivables	-	400	-400	-	-	-
Operating profit	**7,951**	**9,826**	**5,286**	**7,297**	**30,360**	**25,742**
Comparable operating profit	**7,951**	**9,826**	**5,406**	**7,297**	**30,480**	**29,083**
Asset Management						
Net interest income	-2	-1	3	-1	0	-4
Net commission income	10,657	10,125	9,393	10,162	40,337	39,807
Net income from life insurance	9,202	3,718	9,208	-6,300	15,828	25,486
Other operating income	56	50	49	63	218	329
Total operating income	**19,912**	**13,892**	**18,653**	**3,924**	**56,382**	**65,618**
Staff costs	-3,622	-3,005	-3,606	-3,646	-13,879	-14,299
Other operating expenses[1]	-4,794	-4,733	-4,562	-4,456	-18,546	-17,685
Total operating expenses	**-8,416**	**-7,738**	**-8,168**	**-8,102**	**-32,425**	**-31,984**
Operating profit	**11,497**	**6,154**	**10,485**	**-4,178**	**23,958**	**33,634**
Comparable operating profit	**11,590**	**6,154**	**10,485**	**-4,178**	**24,051**	**33,634**
Group Functions						
Net interest income	2,282	1,858	2,217	2,746	9,102	10,129
Net commission income	1,693	1,548	1,475	1,664	6,379	6,036
Other operating income	492	303	1,586	-457	1,924	14,271
Total operating income	**4,466**	**3,708**	**5,277**	**3,954**	**17,405**	**30,436**
Staff costs	-8,627	-8,361	-9,465	-8,269	-34,722	-32,674
Other operating expenses[1]	4,467	4,578	4,771	4,068	17,884	15,831
Total operating expenses	**-4,160**	**-3,783**	**-4,694**	**-4,201**	**-16,838**	**-16,843**
Impairment of credits and other commitments	-	-	-	-29	-29	-1
Operating profit	**307**	**-75**	**583**	**-277**	**538**	**13,592**
Comparable operating profit	**307**	**-75**	**663**	**-277**	**618**	**3,704**

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.

Five year overview

EUR 1,000	2020	2019	2018	2017	2016
Income statement					
Net interest income	80,677	77,568	85,903	89,620	95,588
Net commission income	97,641	99,120	95,602	91,429	79,672
Net income from life insurance	19,876	29,978	21,362	26,597	24,666
Net income from financial transactions	635	2,878	4,850	841	8,280
Other operating income	2,287	11,870	2,414	1,798	3,136
Total operating income	**201,117**	**221,415**	**210,131**	**210,284**	**211,341**
Staff costs	-69,068	-68,993	-66,683	-79,057	-72,250
IT expenses	-26,002	-26,193	-25,638	-30,451	-28,352
Depreciation of tangible and intangible assets	-18,276	-19,481	-12,381	-9,465	-8,186
Other operating expenses	-28,813	-29,233	-38,346	-41,681	-39,627
Total operating expenses	**-142,159**	**-143,901**	**-143,048**	**-160,654**	**-148,414**
Impairment of tangible and intangible assets	-	-	-	-534	-
Expected credit losses and impairment of credits and other commitments	-4,046	-4,452	-839	-574	-2,198
Share of profit from associated companies	-118	1,694	1,344	597	738
Operating profit	**54,793**	**74,756**	**67,588**	**49,118**	**61,467**
Taxes	-12,172	-12,931	-11,583	-9,778	-12,159
Profit for the period	**42,621**	**61,825**	**56,005**	**39,340**	**49,308**
Attributable to:					
Shareholders in Aktia Bank plc	42,621	61,825	56,005	39,340	49,308
Total	**42,621**	**61,825**	**56,005**	**39,340**	**49,308**
Comprehensive income					
Profit for the period	42,621	61,825	56,005	39,340	49,308
Comprehensive income from items which can be transferred to the income statement	6,172	-2,558	-9,991	-15,750	-7,799
Comprehensive income from items which cannot be transferred to the income statement	-217	-307	13	2,093	-503
Total comprehensive income for the year	**48,576**	**58,959**	**46,027**	**25,683**	**41,006**
Comprehensive income attributable to:					
Shareholders in Aktia Bank plc	48,576	58,959	46,027	25,683	41,006
Total	**48,576**	**58,959**	**46,027**	**25,683**	**41,006**

The table continues

EUR 1,000	**2020**	**2019**	**2018**	**2017**	**2016**
Balance sheet					
Financial assets measured at fair value through income statement	1,232,497	1,039,093	902,650	802,575	723,144
Financial assets measured at fair value through other comprehensive income	1,258,224	1,240,331	1,340,928	1,925,358	1,840,526
Interest-bearing securities measured at amortised cost	413,759	336,495	307,982	367,800	445,294
Loans and other receivables	7,028,686	6,446,455	6,129,827	5,888,674	5,760,460
Cash and balances with central banks	298,615	315,383	289,191	282,477	380,095
Derivative instruments	76,068	68,134	69,990	84,046	132,246
Other assets	264,920	251,208	226,257	199,071	204,213
Total assets	**10,572,768**	**9,697,098**	**9,266,826**	**9,550,000**	**9,485,978**
Deposits	5,164,416	4,657,453	4,565,120	4,812,963	4,673,148
Derivative instruments	12,247	9,847	17,126	33,559	54,254
Other financial liabilities	3,178,507	3,023,129	2,813,737	2,745,994	2,800,312
Technical provisions	1,410,818	1,259,771	1,155,704	1,217,328	1,162,446
Provisions	1,284	999	757	-	-
Other liabilities	138,667	135,904	124,443	142,135	182,709
Total liabilities	**9,905,939**	**9,087,102**	**8,676,887**	**8,951,979**	**8,872,869**
Equity	666,830	609,996	589,939	598,022	613,108
Total liabilities and equity	**10,572,768**	**9,697,098**	**9,266,826**	**9,550,000**	**9,485,978**

The years 2016–2017 are determined in accordance with IAS 39.

Key figures and ratios

EUR 1,000 if nothing else is stated	2020	2019	2018	2017	2016
Earnings per share (EPS), EUR	0.61	0.90	0.81	0.57	0.72
Total earnings per share, EUR	0.70	0.85	0.67	0.37	0.60
Dividend per share, EUR	0.43*	0.53**	0.61	0.57	0.60
Payout ratio, %	70.1	59.3	75.1	96.1	80.8
Equity per share (NAV), EUR[1]	9.60	8.82	8.56	8.70	8.92
Average number of shares (excluding treasury shares)	69,787,931	69,037,320	68,817,331	68,867,809	68,899,450
Number of shares at the end of the period (excluding treasury shares)	69,460,801	69,143,116	68,916,364	68,718,564	68,771,335
Return on equity (ROE), %[1]	6.7	10.3	9.4	6.5	8.0
Return on assets (ROA), %[1]	0.42	0.65	0.60	0.41	0.51
Cost-to-income ratio[1]	0.71	0.65	0.68	0.76	0.70
Common Equity Tier 1 capital ratio (Bank Group), %	14.0	14.7	17.5	18.0	19.5
Tier 1 capital ratio (Bank Group), %	14.0	14.7	17.5	18.0	19.5
Capital adequacy ratio (Bank Group), %	16.6	18.6	20.5	23.4	26.3
Risk-weighted commitments (Bank Group)	3,030,010	2,636,934	2,199,213	2,080,185	1,997,682
Capital adequacy ratio, % (finance and insurance conglomerate)	126.6	131.6	166.1	164.5	188.6
Equity ratio, %[1]	6.6	6.4	6.3	6.3	6.3
Group financial assets[1]	2,265,470	2,094,688	2,112,924	2,601,921	2,705,988
Assets under management[1]	10,446,947	9,853,097	8,353,372	7,627,881	6,234,721
Borrowing from the public	4,465,767	4,059,841	3,962,540	4,118,544	4,164,289
Lending to the public	6,999,814	6,429,143	6,106,717	5,838,764	5,717,386

The table continues

EUR 1,000 if nothing else is stated	**2020**	**2019**	**2018**	**2017**	**2016**
Premiums written before reinsurers' share[1]	106,161	118,606	105,634	125,935	112,753
Expense ratio, % (life insurance company)[1]	73.9	73.9	77.0	78.9	81.9
Solvency ratio (life insurance company), %	145.9	192.1	229.8	199.2	179.4
Own funds (life insurance company)	159,070	166,290	175,510	169,490	144,660
Investments at fair value (life insurance company)	1,515,218	1,344,989	1,230,542	1,342,758	1,293,517
Technical provisions for risk insurances and interest-related insurances	441,005	390,364	398,930	414,978	443,014
Technical provisions for unit-linked insurances	969,814	869,407	756,774	802,349	719,432
Group's personnel (FTEs), average number of employees	806	787	803	903	925
Group's personnel (FTEs), at the end of the period	830	776	779	804	903
Alternative performance measures excluding items affecting comparability:					
Comparable cost-to-income ratio[2]	0.71	0.66	0.69	0.71	0.71
Comparable earnings per share (EPS), EUR[2]	0.61	0.79	0.77	0.70	0.67
Comparable return on equity (ROE), %[2]	6.7	9.1	8.9	7.9	7.5

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

2) Aktia 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.

*) Dividend attempt of maximum of EUR 0.43 per share

**) Dividend for 2019 was paid in January 2021

Basis of calculation

Earnings per share (EPS), EUR

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

Total earnings per share, EUR

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

Equity per share (NAV), EUR

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

Return on equity (ROE), %

Profit for the year / Average equity x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

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

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

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

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

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

Risk-weighted commitments (Bank Group)

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

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

Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

Equity ratio, %

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

Group financial assets

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

Assets under management

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

Expense ratio, % (life insurance company)

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

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

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

Non-financial report 2020

Aktia Group's business model is based on offering private, corporate and institutional customers solutions from the Group's wide range of banking, asset management and life insurance services. The Group's geographical business area includes the Finnish coastal area, metropolitan area and inland growth centres. Aktia is a Finnish company that operates and pays taxes in Finland.

According to its strategy that extends to 2023, Aktia is seeking even stronger growth in asset management and new customers in growth centres of Finland and continues to improve its operational efficiency. The aim of the strategy is to lead the company towards the vision of being "The good bank. And a great asset manager".

Risks and risk management

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

The above-mentioned risks and their management are described more in detail in the risk section of the Board of Directors' report and in Aktia's Capital and Risk Management Report on the Group's website. Estimating climate risks and opportunities is described further under the headline Task Force on Climate-related Financial Disclosures.

The Group's Board of Directors has the primary responsibility for the Group's risk management. The Board of Directors manages risk appetite by confirming instructions for the most important areas of risk and business units and the allocation of capital and by giving general instructions on organising the Group's risk management, internal control and capital management process. In addition to these general principles, Aktia Bank's risk management is based on the principle of three lines of defence.

The first line of defence consists of the line organisation. The second line of defence consists of the independent Compliance and Risk Control function, the primary task of which is to develop, maintain and supervise the general principles and the framework for risk management. The third line of defence consists of internal control, a unit that is separate and independent from other functions, the task of which is to make sure that the internal control and risk management are organised appropriately.

Corporate responsibility

The Group's guidelines for a corporate responsibility programme were drawn up in Aktia during 2018. In 2020, we continued to work with the programme by specifying the goals and measures for the years 2020–2023. We focus on four themes in the Group's corporate responsibility work:

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

The Group's corporate responsibility programme and its targets and measures and their updates are approved by Aktia's Executive Committee and Board of Directors. The main themes for our corporate responsibility programme have been prepared together with Aktia's employees, customers and other stakeholders based on the materiality analysis. The materiality analysis was updated in 2020 by carrying out a stakeholder survey and directed interviews. Aktia has defined the five most important indicator categories for monitoring responsibility, and they are presented in the following table. The indicators are explored in closer details on page 34 in our Annual and Sustainability Report.

The following indicators have an internal impact as well as an impact external to Aktia: NPS (Net Promoter Score), which measures customer satisfaction, the carbon footprint of Aktia's own equity funds, eNPS (Employee Net Promoter Score), which measures employees' willingness to recommend the employer and lastly, the carbon dioxide emissions from the electricity consumption of leased business premises. The compulsory compliance trainings for the employees and authority sanctions primarily only have internal impacts for Aktia. The internal and external impacts are described more in detail on page 33 in our Annual and Sustainability Report and our observation limits for GRI on page 64.

Indicator (target)	2020	2019	2018	Change from the previous year
NPS (Net Promoter Score), measuring customers' satisfaction, private and premium customers (at least 50)	68	66	-	+2
The carbon footprint of our equity funds* compared to the reference market (in the long run smaller on average than that of the reference market)	-68	-51%	-48%	-17%
Employees, who have completed the compulsory compliance training % (100%)	97%	96%	over 90%	+1%
Authority sanctions (no authority sanctions)	1	0	0	Target was not met
eNPS, measuring the employees' willingness to recommend their employer (Employee Net Promoter Score; at least 0)	10	1	-7	+9
Leadership index (at least 75)	82	78	78	+4
The carbon dioxide emissions from electricity consumption in Aktia's leased business premises, tonnes CO_2e (10% reduction in carbon dioxide emissions from the level in 2018 until the end of 2023)	322.7**	525.1	560.8	-39%

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

** -42% from the reference level

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

- Laws and decrees as well as good banking and insurance practices
- The code of conduct for employees and suppliers and the anti-bribery policy
- The corporate responsibility programme, the climate policy and WFF's Green Office principles
- Principles for Responsible Investment and Corporate Governance
- Employee policies, the occupational health and well-being programme
- The Board of Directors' instructions on the principles of disclosure and our Disclosure policy.

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

Solvent and reliable actor

actor. Our objective is growth and profitability. The indicators for this comprise increased operating profit and stability according to the financial objectives for the strategy period. The comparable operating profit according to these objectives was EUR 55.1 million in 2020. The Common Equity Tier 1 capital ratio (CET1) was 14.0 per cent, whereas out target is to exceed the regulatory requirements (9.8 per cent) for the CET1 capital by 1.5–3.0 percentage points. Our goal is also to operate with high ethical standards.

Aktia organises diverse compliance trainings for its personnel in its training portal regarding for example information security, physical safety, data protection, code of conduct and the prevention of money laundering and deleting personal data. Among other things, an indicator we are monitoring is that all our employees pass the required compliance training programmes. At the end of 2020, 97 per cent of our employees had finished the training programmes. The number increased by one percentage point since last year.

An indicator for Aktia is also, that no sanctions will be imposed on the company. In 2020, the Financial Supervisory Authority imposed a EUR 40,000 fine on Aktia Bank Plc due to the fact that, during the period 1 October 2017 to 31 March 2019, the company reported incorrect information (FINREP F19 report) on forbearance exposures in accordance with the EU Capital Requirements Regulation and the Commission Regulation adopted pursuant thereto. In addition, there had been inaccuracies in FINREP reports F20.4 Geographical breakdown of assets by residence of the counterparty and F20.5 Geographical breakdown of off-balance sheet exposures by residence of the counterparty. After having noticed the errors, Aktia Bank immediately took measures to develop its reporting process and to avoid corresponding errors. The errors did not cause any damage to customers.

Partner for economic well-being

The second main theme for our corporate responsibility is to be a partner for our customers' economic well-being. We want to meet our customers' needs and monitor customer satisfaction by measuring the net promoter score (NPS) and by reporting it twice a year for customer meetings with premium and private customers.

One of the targets for our corporate responsibility programme is to invest responsibly when offering asset management services to our customers. We are striving to follow the UN supported principles on sustainable development and to report on them. In spring 2019, Aktia selected the UN supported sustainable development goals' themes that are the most important for Aktia's operations. Our corporate responsibility group prioritised the following four themes for our business at the end of 2020: 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 13 (climate action) and 17 (partnerships for the goals).

Especially as an asset manager, Aktia has a considerable opportunity to influence responsibly through its investment decisions. We believe that responsible companies will defeat their competition in the long term. Climate change mitigation is a part of our ESG policy for responsible investments. We encourage our asset managers to commit themselves to climate change mitigation and to support the development towards a society that is less dependent on coal in their investment decisions. Another indicator for our corporate responsibility is that the carbon footprint of our equity funds in the long term is smaller on average than that of the reference market. At the end of 2020, the carbon footprint of our equity funds was 68 per cent smaller than that of the reference market.

Aktia has signed the UN Principles for Responsible Investment (PRI) and thus committed itself to focus on the criteria for the environment, society and good governance. Responsible investments are in focus in the development of Aktia's asset management activities and in those units responsible for investment funds and discretionary asset management, as well as in units managing the bank's own investments. Responsible investments also mean that Aktia can promote responsibility in the companies, in whose securities Aktia invests.

We also want to implement responsible lending. We only conclude sound and ethically justifiable credit agreements. Lending is always based on the customer's ability to pay. It is preceded by a detailed risk assessment, with the support of which we can evaluate the customer's ability to repay and make sure that the customer is able to fulfil his or her obligations. We will not contribute to arrangements for circumventing legislation or regulation or arrangements that may cause a reputational risk. The identity of the customer or the customer's representative is verified and information about the customer is gathered. The customer relationship is monitored, and the information is saved as a part of the Know Your Customer process as well as avoiding money laundering and the financing of terrorism. New sales of credits in accordance with the customer's ability to pay, the loan ceiling as well as an active follow-up on credits constitute our central tools for responsible lending.

As a part of our lending, we consider our Group's corporate responsibility action plan and climate policy. Based on these, in 2020 we started preparing the principles of responsible lending. We are also preparing for following the European Banking Authority's (EBA) reporting instructions on the development of the so-called "green loan book" in ratio to the bank's total loan book as well as on the development of the share of the service income from non-lending services, covering the exposure of financing on activities and sectors compliant with taxonomy.

The shares and amounts in euro of green and other responsible bonds in Aktia Asset Management's funds are presented in the following table. Our Asset Management participated in green bonds with 8.2 per cent and EUR 141.6 million, in bonds in accordance with UN supported sustainable development goals with 0.4 per cent and EUR 7.7 million and social responsibility bonds with 0.5 per cent and EUR 8.4 million. Additionally, Aktia Bank only participated to a small degree in green bonds, with 3.7 per cent and EUR 43.9 million. In 2020, Aktia Bank did not offer green loans.

The share of responsible bonds in Aktia Asset Management's funds	Share (%)	Amount (Euro million)
Corporate bond+		
Green bonds	19.9	68.4
SDG-linked bonds*	1.0	3.6
Social bonds	1.6	5.6
Short-Term Corporate Bond+		
Green bonds	4.4	15.9
European high yield bond+		
Green bonds	2.7	5.3
Secura (combination fund, percentage of the whole fund)		
Green bonds	5.0	15.9
SDG-linked bonds*	0.3	1.0
Solida		
Green bonds	7.1	36.0
SDG-linked bonds*	0.6	3.1
Social bonds	0.6	2.9

* Bonds compliant with the UN supported sustainable development goals (SDG)

Environmental responsibility

The fourth main theme for Aktia's responsibility programme is to be an environmentally responsible actor. The target is to decrease Aktia's own environmental footprint. The indicator for our environmental responsibility is that the carbon dioxide emissions from the total electricity consumption in the business premises that Aktia has leased is 10 per cent smaller than in 2018. In 2020, these emissions decreased by 42 per cent from the base year, and we exceeded our target. This was due to the reduction in the number of locations, energy efficiency and the decrease in the national emission factors of the electricity we used. The carbon dioxide emissions for 2020 (Scope 1–3) are explored in further detail on page 62 in our Annual and Sustainability Report.

Aktia had an energy audit made in its offices where an external specialist identified energy saving opportunities. Aktia took measures to obtain the WFF Green Office label for its head office and was awarded the label at the end of the year. Our intention is to later expand the Green Office practices also to other Aktia offices. In addition, Aktia participated in the Energy Saving Week and World Green Building Week. In conjunction with them, the personnel received tips on saving energy and water consumption.

The most attractive workplace in the business

The fourth main theme of our corporate responsibility programme is to be the most attractive workplace in the business. We want our employees to experience that Aktia is a good work community and that they are appreciated. In Aktia, all employees are offered equal opportunities to succeed and develop as professionals. Due to the low hierarchy and entrepreneurial work culture the employees can influence and develop Aktia.

Aktia's indicators for social responsibility are among other things the Employee Net Promoter Score (eNPS, in other words employees' willingness to recommend Aktia as an employer) and the Leadership index. For eNPS our goal is above 0. Our latest score was 10 and it increased significantly from the previous year, by 9 points. Our target for the Leadership index was updated to a minimum of 75. The result for 2020 exceeded our new target and was 82.

Our values created together with the employees – courageously, skilfully and together – guide us in everything we do. Aktia's head office moved at the end of 2020 to new premises which support our values, new ways of working as well as efficiency. Aktia's head office moving to new premises was a significant physical step towards a renewed Aktia. Well-being at work has improved and absences due to illness have decreased owing to new methods of work. We also integrated the real estate functions with our personnel functions, which brings more opportunities for developing safe and ergonomic ways of working in our network of offices.

During the year, the main themes of social responsibility were due to the coronavirus pandemic securing the health of our employees and customers as well as remote leadership and developing a common culture that supports new working methods. Securing health is described in closer detail in the paragraph about promoting well-being and health. As a part of the project for developing our operating culture, in 2020 we started creating Aktia's culture vision and concept of humanity, based on which we will continue developing Aktia's culture, among other things, in the form of a culture manual. We also founded a Growth Potential group, the members of which act as agents for culture change throughout the organisation. More information about the work carried out by the group as well as the results of innovation and idea workshops is disclosed on page 53.

Good leadership

Good leadership is a key factor that makes it possible for us to reach the goal of being the most attractive workplace in the business. All employees have the right to good leadership. Aktia continuously invests in regular management training that is based on Aktia's strategy and values and the capacity for leadership during change. In 2020, managers were provided with training relating to distance leadership. The managers' mutual interaction on important matters has been developed also through manager briefings and an internal conversation channel. AktiaWay Leader training sessions for all new supervisors were also continued digitally and modularly. Management trainings offer new views and ideas for management work.

Promoting well-being and health

The coronavirus pandemic made the past year exceptional both to our employees and our customer interface. Together with the occupational health care and the crisis group, Aktia has followed the national health instructions in real time and has provided its employees with information and recommendations during coronavirus briefings and on the intranet. We have tried to arrange a safe way to work for example via recommendations on distance work, meetings, hand hygiene and wearing face masks, digital solutions and work shift arrangements. Aktia's employees also received face masks and equipment for working remotely to their homes. Hand disinfectants and face masks have also been available in the offices.

Aktia has set the health index as the indicator for monitoring the promotion of well-being and health. It describes the percentage of employees who were not ill during the year. In 2020, the health index was 57.8 per cent. During 2020, Aktia continued its cooperation with Mehiläinen as well as the AktiaWellbeing concept, which is an innovative way of arranging occupational health. Due to the coronavirus pandemic, the concept's activities were held digitally.

In addition to basic health care services, the concept also includes diverse services and coaching sessions that allow Aktia's employees to improve their well-being. These are for example coaching sessions relating to eating, exercising and recovery as well as individual digital coaching sessions. Common Aktia Take a break sessions have been arranged regularly to support coping with remote work. Due to its high demand, the Wellbeing offering will be increased in the future.

90 per cent of Aktia's employees have started using digital well-being services. With the AktiaWellbeing programme, many tools supporting well-being at work have been utilised. Aktia has used for example a radar to asses work ability, with the help of which it is possible to intervene in possible health risks, as well as the Firstbeat analysis of well-being, with the help of which the participant gets a diverse picture of their well-being and recovery. Early support for work ability is also an important part of the well-being concept, whose purpose is to try and improve Aktia employees' well-being and make working careers longer. In addition, workplace surveys were carried out and well-being questionnaires were made for different age groups.

Equality and diversity

At Aktia we respect diversity, equality and equal opportunities. The diversity policy covers both the employees and the Board of Directors. Diversity is an essential part of the organisation's operating capability. We believe that the diversity of our personnel creates competitive advantages both in business operations and in the competition for the best possible personnel. Aktia's diversity policy is based on Aktia's values, codes of conduct and activities against discrimination. Diversity is a part of good governance and Aktia's success.

We aim at advancing diversity and equality in our entire personnel policy. The equal treatment of the personnel starts from recruitment: we aim at guaranteeing the diversity of our personnel through our recruiting processes. We are committed to guaranteeing all job applicants equal opportunities and to ensuring an equal treatment in recruitments. We are monitoring the gender division of our personnel, and in 2020, 42 per cent of Aktia's employees were male and 58 per cent female. The gender division has evened out since 2019, when 61 per cent of the employees were women and 39 per cent men. In 2020, 55 per cent of the Executive Committee was men and 45 per cent women. Additionally, 67 per cent of the members of the Board of Directors were men and 33 per cent women.

Our daily work environment also supports cultural diversity. Each employee has equal opportunities to advance their career. Aktia is also a multilingual work community. In 2020, we also developed the availability of personnel documentation in different languages. We also participated in the Oma kieli (own language) campaign launched by the Ministry of Justice and its cooperation partners. The campaign encourages people to boldly speak their own language in everyday life.

Aktia's principle is to support multilingualism, minorities and groups in a vulnerable position in the work community in an equal way. Aktia organises for example language courses for its employees and offers extensive well-being services for the entire personnel. Aktia's aim is to provide its personnel with education and programmes supporting career development considering individual strengths.

Respecting human rights

Aktia follows the main international conventions and standards, such as the UN Universal Declaration of Human Rights and corresponding UN conventions, ILO conventions, OECD Guidelines for Multinational Enterprises, and the Rio Declaration on Environment and Development. Aktia has estimated that the risk of violation of human rights is low in its business. Aktia has also conducted a responsibility risk assessment on selected suppliers, which includes risks relating to respecting human rights. Based on the assessment, there are no significant risks in Aktia's supply chain that relate to human and employee rights.

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

By signing the UN Principles for Responsible Investment, PRI, Aktia Asset Management has committed to being an active owner and to include ESG aspects in their ownership procedures and to report on their ESG activities. Since 2017, Aktia Asset Management has cooperated with ISS ESG, a pioneer in norm-based shareholder influence. We will describe the cooperation, norm-based screening and influencing companies on page 47.

Prevention of corruption and bribes

Aktia is constantly striving to identify and define major risks, including money laundering and the financing of terrorism. The legislation on money laundering sets strict requirements for knowing the customers, such as politically exposed persons (so-called PEP), and for identifying the risks. Aktia strives throughout its operations for responsibility and high business ethics and to act so that it maintains the trust of its customers and the trust in the financial markets.

Aktia has a policy of zero tolerance for bribes, corruption and other inappropriate influencing, regardless of the form. Aktia is constantly striving to prevent corruption and the risk of bribes being accepted by informing the management and employees about how they must react to receiving or giving gifts, provisions, and other benefits, including participating in events.

To support its employees, Aktia has in the code of conduct compiled the most important rules that the employees need to observe in their work. All Aktia's employees are obliged to follow the code of conduct. The employees regularly receive training in the code of conduct. Among other things, the Group's code of conduct includes rules concerning preventing corruption and bribery, managing your own affairs and those of your friends and immediate family at Aktia, secondary occupations and positions of trust, as well as non-disclosure of Aktia's trade secrets. In 2020, an update of the ethical principles was also prepared, and it will be added to the code of conduct in the future.

The code of conduct includes an instruction for the Group's employees to report any infringements of the code of conduct and possible or suspected non-ethical business methods ("whistleblowing"). In 2020, two reports concerning procedures in the private customer business have been made through the channel. The cases have been investigated and measures have been taken. Aktia has estimated that the risk of corruption and bribes in its business is low.

Task Force on Climate-Related Financial Disclosures

In this section we have gathered information about the activities in Aktia Bank and Asset Management by using the TCFD reporting framework. TCFD is an international reporting framework, the intention of which is to improve the reporting concerning the economic effects of the climate change.

Governance

Management of corporate responsibility and ESG work is an integrated part of Aktia's operations. Corporate responsibility matters and the Group's climate matters as a part of them are reviewed on the agendas of Aktia's Executive Committee and Board of Directors. Corporate responsibility and ESG matters and policies and instructions, programmes and targets relating to them are approved by the Executive Committee and the Board of Directors as well as the Boards of Directors of the subsidiaries. The corporate responsibility work is managed by the Head of Sustainability in the CFO's organisation. The responsible investment ESG work is managed by the Director for ESG in the organisation of Asset Management's Executive Vice President. The management of corporate responsibility is described in closer detail on pages 30–31 in our Annual and Sustainability Report.

During 2020, Aktia Asset Management has actively developed its responsible investments. Asset Management has an ESG committee with representatives from all asset classes.
The committee develops responsible investment activities in Aktia Asset Management, monitors

trends and regulatory projects that affect our operations, plans customer events, assesses different service providers, handles violations of norms, and prioritises discussions for influencing companies.

Aktias own principles for responsible investments guide Aktia Asset Management's investment decisions. In terms of these principles, in 2020 we initiated an update regarding Asset Management's investments as well as our own investments. Aktia Group has a climate policy and instructions on green procurement that apply to all functions. The Group holds discussions relating to the climate and environment with its suppliers in the scope of the instructions. Aktia Group has added to its principles on governance that our climate policy must be considered in the investment activities.

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

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

Strategy

Aktia Group has identified climate strategy work as an area of development. The Group's climate policy has been the first phase in the work and the work will be continued during the following years. Climate work is a part of the daily activities in Aktia Asset Management. Aktia Asset Management has committed to the UN Principles for Responsible Investment and has thus committed to considering e.g. environmental criteria in its asset management. Climate change is a threat that concerns the entire world and Aktia strives to do its part to stop it. As an asset manager, Aktia has a possibility to affect the environment through its investment decisions. Aktia's equity investment strategy favours less capital-intensive companies with good emissions profiles.

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

To take advantage of its possibility to control climate change globally, Aktia Asset Management has signed the international Climate Action 100+ investor initiative, which is aimed at influencing companies with some of the largest atmospheric emissions. Aktia Group has also signed the CDP's (formerly Carbon Disclosure Project) climate change, water and forest initiative as well as annually reports information about climate change in the CDP portal.

Risk management

In 2020, Aktia's Executive Committee and Board of Directors decided that the Group's sustainability risks are reviewed on their agendas once a year. At the same time, Aktia's CFO was appointed as a sponsor for monitoring ESG risks and the Audit Committee of the governing body was appointed as the party that monitors the Group's ESG risks.

Aktia Group has also familiarised itself with European Central Bank's (ECB) guide on climate and environmental risks as well as European Banking Authority's (EBA) discussion paper on ESG risks. According to these, credit institutions should consider climate and environmental risks in a strategic, proactive and comprehensive way amongst other as a part of the business strategy, objectives of the business operations and risk management arrangements. In 2020, Aktia added the ESG risks to its risk management policy and aims at developing its strategic and risk management processes to consider climate change in a more comprehensive way.

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

When lending, we consider Aktia Group's corporate responsibility action plan and climate policy, according to which we strive to understand the risks and possibilities incorporated in companies' business operations and industries when climate change is relevant. In 2020, we updated our credit policy in terms of e.g. the development of the ESG risk assessment. Considering risks as a part of responsible lending are described further on page 49.

The portfolio managers at Aktia Asset Management assess the ESG risks and possibilities regularly through their ESG tools. As support for our portfolio management, we use our own as well as an external ESG analysis that we have purchased. We use e.g. ISS ESG's detailed ESG estimates and analyses on companies as well as ISS ESG's climate risk analysis. As a part of the climate risk analysis we regularly carry out a scenario analysis for our funds according to the different climate warming scenarios. We assess how well our investment portfolio is in line with the climate warming scenario of less than two degrees. With the tool we also assess transition risks as well as physical risks for the portfolios in asset management as well as the portfolios for our own investments.

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

- **Regulatory risks:** Regulatory risks are related for example to national and EU's climate and energy policy and regulation and to possible changes in these, such as an increase in the carbon dioxide price. These risks are managed by developing practices to meet the newest regulation and by preparing for changes, such as a possible increase in the price of energy.
- **Technology risks:** Technology risks for climate change are related e.g. with the supply chain and Aktia's funds that invest in technology. These risks are managed by carefully analysing the investment objects.
- **Legal risks:** Aktia complies meticulously with environmental and climate legislation, and no legal measures relating to this have been taken against Aktia.
- **Market risks:** Market risks are related to the change in consumers' preference towards more sustainable products and services with smaller carbon footprint. Aktia manages these risks by developing responsible services.
- **Reputational risks:** Reputational risks are related for example to analysts' and rating institutes' aims to include ESG factors in the rating process, in which case the possibly lower rating could cause a reputational risk. This risk is actively managed by working to maintain and improve ratings and by developing the business in accordance with ESG trends.
- **Short-term physical risks:** Short-term physical risks are for example an increase in extreme weather events, such as storms, floods or downpours, that may cause property damage. These risks are managed by ensuring adequate insurance cover and predictive property maintenance and by carefully considering the location of property investments when making the purchase decision. Also, through an initiation of updating the responsible principles for lending we can manage the risks relating to mortgage loans.
- **Long-term physical risks:** Long-term physical risks are for example the consequences of permanent, long-term changes in the weather conditions, such as higher insurance premiums and increased sick absences on older business premises due to warm summer periods. These risks are managed by ensuring adequate ventilation in the offices and by ensuring with the help of property management that the properties are sufficiently prepared for long-term changes in the weather conditions. Also, the location of property investments is carefully considered when buying.

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

Climate-related opportunities identified by Aktia are for example:

- **Resource efficiency:** By saving natural resources and increasing carbon dioxide emissions it is also possible to cut costs. Reducing paper, electricity and water consumption, as well as reducing travelling, brings cost savings. Aktia utilises these opportunities and cuts costs by training the employees, by favouring more energy efficient premises, by taking measures to improve ecological efficiency and by organising more video and Teams conferences.
- **Using renewable energy:** Aktia can reduce its carbon dioxide emissions and in the long term cut costs by favouring energy that is produced with renewable sources of energy. Aktia has decided to buy green electricity for the offices where it can have its own electricity contract. Aktia had solar panels installed in an investment object of Asset Management in Turku to reduce its carbon dioxide emissions and to support the transition towards low-carbon sources of energy by using new technology.
- **Business opportunities:** Aktia may achieve growth through new business opportunities, as customers' preferences shift towards responsible products and services. Through investment and financial products Aktia can have an influence on climate change mitigation and promoting adaptation.

Indicators

Aktia reports the carbon footprint and carbon intensity of our own direct equity funds and corporate bond funds twice a year. We regularly publish a report on responsible investments on Aktia's website. At the end of the year, the weighted average carbon intensity of our asset management funds was 101.2 tonnes CO_2e per million euros of earnings and was 7 per cent less than in 2019. The objective for our corporate responsibility programme is that the carbon footprint of our own funds in the long term is smaller on average than that of the reference market. In December 2020, the carbon footprint for our funds was on average 68 per cent lower than that of its reference market. Aktia's carbon footprint fund by fund is explored in further detail on page 61.

Financial Statement

Aktia Bank Plc – consolidated financial statement

Consolidated income statement

EUR 1,000	Note	2020	2019
Interest income		83,068	81,429
Interest expenses		-2,391	-3,861
Net interest income	G4	80,677	77,568
Dividends	G5	398	464
Commission income		106,936	110,423
Commission expenses		-9,295	-11,303
Net commission income	G6	97,641	99,120
Net income from life insurance	G7	19,876	29,978
Net income from financial transactions	G8	635	2,878
Other operating income	G9	1,889	11,406
Total operating income		**201,117**	**221,415**
Staff costs	G10	-69,068	-68,993
IT expenses		-26,002	-26,193
Depreciation of tangible and intangible assets	G11	-18,276	-19,481
Other operating expenses	G12	-28,813	-29,233
Total operating expenses		**-142,159**	**-143,901**
Impairment of credits and other commitments	G20	-4,046	-4,452
Share of profit from associated companies		-118	1,694
Operating profit		**54,793**	**74,756**
Taxes	G13	-12,172	-12,931
Profit for the reporting period		**42,621**	**61,825**
Attributable to:			
Shareholders in Aktia Bank plc		42,621	61,825
Total		**42,621**	**61,825**
Earnings per share (EPS), EUR	G14	0.61	0.90
Earnings per share (EPS), EUR, after dilution	G14	0.61	0.90

Consolidated statement of comprehensive income

EUR 1,000	Note	2020	2019
Profit for the reporting period		42,621	61,825
Other comprehensive income after taxes:			
Change in fair value for financial assets		8,405	2,764
Change in fair value for cash flow hedging		340	-
Transferred to the income statement for financial assets		-2,573	-5,322
Comprehensive income from items which can be transferred to the income statement		6,172	-2,558
Defined benefit plan pensions		-217	-307
Comprehensive income from items which cannot be transferred to the income statement		-217	-307
Total comprehensive income for the year		**48,576**	**58,959**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		48,576	58,959
Total		**48,576**	**58,959**
Total earnings per share, EUR	G14	0.70	0.85
Total earnings per share, EUR, after dilution	G14	0.70	0.85

Consolidated balance sheet

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
Assets			
Interest-bearing securities		102,717	19,368
Shares and participations		159,904	148,084
Investments for unit-linked investments		969,876	871,641
Financial assets measured at fair value through income statement	G16	1,232,497	1,039,093
Interest-bearing securities		1,258,224	1,240,331
Financial assets measured at fair value through other comprehensive income	G17	1,258,224	1,240,331
Interest-bearing securities	G18	413,759	336,495
Lending to Bank of Finland and credit institutions	G19	28,872	17,312
Lending to the public and public sector entities	G19	6,999,814	6,429,143
Cash and balances with central banks	G21	298,615	315,383
Financial assets measured at amortised cost		7,741,060	7,098,333
Derivative instruments	G22	76,068	68,134
Investments in associated companies and joint ventures	G23	129	102
Intangible assets	G24	57,932	62,813
Right-of-use assets	G25	22,601	11,826
Investment properties	G26	39,847	42,162
Other tangible assets	G27	5,336	2,112
Tangible and intangible assets		125,717	118,912
Accrued income and advance payments		34,429	46,121
Other assets		101,676	82,800
Total other assets	G28	136,105	128,921
Income tax receivables		519	411
Deferred tax receivables	G29	2,450	2,862
Tax receivables			
Total assets		**2,969**	**3,273**

The table continues

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
Liabilities			
Liabilities to central banks		550,000	400,000
Liabilities to credit institutions		148,649	197,612
Liabilities to the public and public sector entities		4,465,767	4,059,841
Deposits	G30	5,164,416	4,657,453
Derivative instruments	G22	12,247	9,847
Debt securities issued	G31	2,845,801	2,622,677
Subordinated liabilities	G32	158,154	215,383
Other liabilities to credit institutions	G33	24,552	35,069
Other liabilities to the public and public sector entities	G34	150,000	150,000
Other financial liabilities		3,178,507	3,023,129
Technical provisions for risk insurances and interest-related insurances		441,005	390,364
Technical provisions for unit-linked insurances		969,814	869,407
Technical provisions	G35	1,410,818	1,259,771
Accrued expenses and income received in advance		42,409	45,696
Other liabilities		40,501	35,399
Total other liabilities	G36	82,910	81,095
Provisions	G20	1,284	999
Income tax liabilities		4,041	4,301
Deferred tax liabilities	G29	51,717	50,507
Tax liabilities		55,757	54,809
Total liabilities		**9,905,939**	**9,087,102**
Equity			
Restricted equity		190,999	178,094
Unrestricted equity		475,831	431,902
Shareholders' share of equity		666,830	609,996
Equity	G37	**666,830**	**609,996**
Total liabilities and equity		**10,572,768**	**9,697,098**

Consolidated off-balance-sheet commitments

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
Off-balance sheet commitments	G41		
Guarantees		22,227	28,266
Other commitments provided to a third party		8,187	5,457
Commitments provided to a third party on behalf of the customers		30,414	33,724
Unused credit arrangements		659,951	592,419
Other commitments provided to a third party		8,570	14,434
Irrevocable commitments provided on behalf of customers		668,522	606,853
Total		**698,935**	**640,577**

Consolidated statement of changes in equity

EUR 1,000	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholdes' share of equity	Total equity
Equity as at 1 January 2019	**163,000**	**17,653**	**1,438**	**108,935**	**298,913**	**589,939**	**589,939**
Share issue				1,259		1,259	1,259
Divestment of treasury shares				-10	755	745	745
Dividend to shareholders					-42,075	-42,075	-42,075
Profit for the year					61,825	61,825	61,825
Financial assets		-2,558				-2,558	-2,558
Defined benefit plan pensions					-307	-307	-307
Total comprehensive income for the year		-2,558			61,518	58,959	58,959
Change in share-based payments (IFRS 2)			1,168			1,168	1,168
Equity as at 31 December 2019	**163,000**	**15,094**	**2,606**	**110,184**	**319,111**	**609,996**	**609,996**
Equity as at 1 January 2020	**163,000**	**15,094**	**2,606**	**110,184**	**319,111**	**609,996**	**609,996**
Share issue	6,732			2,919	-6,089	3,561	3,561
Acquisition of treasury shares					-1,657	-1,657	-1,657
Divestment of treasury shares				-400	1,318	917	917
Profit for the year					42,621	42,621	42,621
Financial assets		5,832				5,832	5,832
Cash flow hedging		340				340	340
Defined benefit plan pensions					-217	-217	-217
Total comprehensive income for the year		6,172			42,404	48,576	48,576
Change in share-based payments (IFRS 2)			346		1,487	1,833	1,833
Repayment of dividend debt for invalidated shares					3,603	3,603	3,603
Equity as at 31 December 2020	**169,732**	**21,267**	**2,952**	**112,703**	**360,176**	**666,830**	**666,830**

Consolidated cash flow statement

EUR 1,000	2020	2019
Cash flow from operating activities		
Operating profit	54,793	74,756
Adjustment items not included in cash flow	12,546	6,805
Unwound fair value hedging	-	7,450
Paid income taxes	-12,409	-11,925
Cash flow from operating activities before change in receivables and liabilities	**54,930**	**77,086**
Increase (-) or decrease (+) in receivables from operating activities	**-774,444**	**-405,098**
Financial assets measured at fair value through the income statement	-18,476	-18,116
Financial assets measured at fair value through other comprehensive income	-10,607	97,733
Interest-bearing securities measured at amortised cost, increase	-102,012	-64,000
Interest-bearing securities measured at amortised cost, decrease	25,000	36,000
Loans and other receivables	-578,693	-325,337
Investments for unit-linked insurances	-83,684	-113,880
Other assets	-5,972	-17,497
Increase (+) or decrease (-) in liabilities from operating activities	**775,069**	**381,070**
Deposits	509,030	91,106
Debt securities issued	227,059	150,841
Other financial liabilities	-10,517	39,483
Technical provisions	50,971	104,067
Other liabilities	-1,474	-4,426
Total cash flow from operating activities	**55,555**	**53,058**

The table continues

EUR 1,000	2020	2019
Cash flow from investing activities		
Proceeds from sale of group companies and associated companies	-	9,574
Investment in investment properties	-1,500	-7,865
Proceeds from sale of investment properties	-	10,810
Investment in tangible and intangible assets	-10,955	-7,764
Proceeds from sale of tangible and intangible assets	2	6
Share issue and capital loan to associated companies	-143	-
Acquisition of Liv-Alandia's life insurance portfolio	6,995	-
Total cash flow from investing activities	**-5,601**	**4,761**
Cash flow from financing activities		
Subordinated liabilities, increase	-	69,325
Subordinated liabilities, decrease	-57,296	-61,781
Dividend/share issue to the non-controlling interest	-3,044	-2,341
Divestment of treasury shares	917	745
Paid dividends	-	-42,075
Total cash flow from financing activities	**-59,423**	**-36,127**
Change in cash and cash equivalents	**-9,469**	**21,693**
Cash and cash equivalents at the beginning of the year	286,075	264,382
Cash and cash equivalents at the end of the year	276,606	286,075

The table continues

EUR 1,000	2020	2019
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	1,302	1,844
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	248,333	269,419
Repayable on demand claims on credit institutions	26,972	14,812
Total	**276,606**	**286,075**
Adjustment items not included in cash flow consist of:		
Impairment of interest-bearing securities	107	-308
Unrealised change in value for financial assets measured at fair value through income statement	1,641	-4,446
Write-downs on credits and other commitments	4,046	4,452
Change in fair values	-9,680	-506
Depreciation and impairment of tangible and intangible assets	12,609	12,707
Sales gains and losses from tangible and intangible assets	-	-859
Unwound fair value hedging	-2,067	-3,094
Change in fair values of investment properties	3,815	-5,169
Change in share-based payments	90	712
Other adjustments	1,984	3,315
Total	**12,546**	**6,805**

Key figures and ratios

EUR 1,000 if nothing else is stated	2020	2019
Earnings per share (EPS), EUR	0.61	0.90
Total earnings per share, EUR	0.70	0.85
Dividend per share, EUR	0.43*	0.53**
Payout ratio, %	70.1	59.3
Equity per share (NAV), EUR[1]	9.60	8.82
Average number of shares (excluding treasury shares)	69,787,931	69,037,320
Number of shares at the end of the period (excluding treasury shares)	69,460,801	69,143,116
Return on equity (ROE), %[1]	6.7	10.3
Return on assets (ROA), %[1]	0.42	0.65
Cost-to-income ratio[1]	0.71	0.65
Common Equity Tier 1 capital ratio (Bank Group), %	14.0	14.7
Tier 1 capital ratio (Bank Group), %	14.0	14.7
Capital adequacy ratio (Bank Group), %	16.6	18.6
Risk-weighted commitments (Bank Group)	3,030,010	2,636,934
Capital adequacy ratio, % (finance and insurance conglomerate)	126.6	131.6
Equity ratio, %[1]	6.6	6.4
Group financial assets[1]	2,265,470	2,094,688
Assets under management[1]	10,446,947	9,853,097

The table continues

EUR 1,000 if nothing else is stated	2020	2019
Borrowing from the public	4,465,767	4,059,841
Lending to the public	6,999,814	6,429,143
Premiums written before reinsurers' share[1]	106,161	118,606
Expense ratio, % (life insurance company)[1]	73.9	73.9
Solvency ratio (life insurance company), %	145.9	192.1
Own funds (life insurance company)	159,070	166,290
Investments at fair value (life insurance company)	1,515,218	1,344,989
Technical provisions for risk insurances and interest-related insurances	441,005	390,364
Technical provisions for unit-linked insurances	969,814	869,407
Group's personnel (FTEs), average number of employees	806	787
Group's personnel (FTEs), at the end of the period	830	776
Alternative performance measures excluding items affecting comparability:		
Comparable cost-to-income ratio[2]	0.71	0.66
Comparable earnings per share (EPS), EUR[2]	0.61	0.79
Comparable return on equity (ROE), %[2]	6.7	9.1

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

2) Aktia 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.

*) Dividend attempt of maximum of EUR 0.43 per share

**) Dividend for 2019 was paid in January 2021

Basis of calculation

Earnings per share (EPS), EUR

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

Total earnings per share, EUR

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

Equity per share (NAV), EUR

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

Return on equity (ROE), %

Profit for the year / Average equity x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

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

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

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

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

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

Risk-weighted commitments (Bank Group)

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

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

Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

Equity ratio, %

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

Group financial assets

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

Assets under management

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

Expense ratio, % (life insurance company)

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

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

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 18 February 2021 and are to be adopted by the Annual General Meeting on 13 April 2021. The report by the Board of Directors and financial statements are published on 23 March 2021 at the latest.

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

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

Basis for preparing financial statements

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

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

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

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

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

The following new and amended IFRSs will affect the reporting of future transactions and business:
The reporting of insurance contracts is regulated in IFRS 4 and will in the future be replaced by the new standard IFRS 17. IFRS 17 means new starting points for accounting and measurement of insurance contracts as well as for rules on how insurance contracts are presented in the notes. The aim of the new standard is to increase transparency, give a more accurate picture of the results of insurance contracts and to reduce the differences in accounting between different insurance contracts. IASB has during this year adopted an amendment package to IFRS 17, which will postpone the implementation of the standard until 2023. The standard is expected to be adopted by EU during 2021 and to become mandatory within EU 1 January 2023. The Aktia Group aims at implementing IFRS 17 when the standard becomes mandatory within EU.

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

Consolidation principles

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

The consolidated accounts cover those subsidiaries in which the parent company directly or indirectly owns more than 50% of voting rights or otherwise has considerable influence. The acquisition method has been applied to acquisition eliminations. The acquisition method involves the identifiable assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. Transaction costs, with the exception of costs attributable to issue of equity instruments or debt instruments, arising in connection with an acquisition are recognised directly in the income statement.

The consolidated accounts cover those associated companies in which the parent company directly or indirectly owns 20-50% of voting rights or otherwise has considerable influence. When consolidating associated companies, the equity method has been applied. The equity method means that the Group's share of the associated company's equity and result increase or reduce the value of the shares reported on the date the accounts are closed. The Group's share of associated companies' other comprehensive income is reported on a separate row under the Group's other comprehensive income.

All internal business transactions, receivables, liabilities, dividends, profits and losses are eliminated within the consolidated accounts.

Non-controlling holdings are based on their proportional share of net assets and reported separately under consolidated shareholders' equity. The share of holdings where a non-controlling interest exists which cannot be reported as shareholders' equity is reported as other liabilities. In acquisitions possible non-controlling holdings in the acquired company are identified at the time of acquisition. The holdings are reported as shareholders' equity or as other liabilities depending on the contents of possible agreements with the owners of non-controlling interest.

Segment-based reporting

Segment reporting corresponds internal reporting to the highest executive body. The highest executive body is the function responsible for appropriation of resources and evaluation of the business segments' results. In the Group this function is identified as the Executive Committee, taking strategic decisions.

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

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

Pricing between the segments is based on market prices.

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

The Asset Management segment encompasses asset management and life insurance business, which include the Aktia Bank Plc's capital market support function and the subsidiaries Aktia Asset Management Ltd, Aktia Fund Management Company Ltd and Aktia Life Insurance Ltd with its real estate subsidiaries Keskinäinen Kiinteistö Oy Tikkurilantie 141 and Keskinäinen Kiinteistö Oy Areenakatu 4, as well as the associated companies Keskinäinen Kiinteistö Oy Sähkötie 14–16 (holdings 33.33%), Kiinteistö Oy Skanssinkatu (holdings 49.95%), Kiinteistö Oy Lempäälän Rajamäentie (holdings 49.95%), Kiinteistö Oy Helsingin Gigahertsi (holdings 33.33%) and Asunto Oy Helsingin Tuulensuoja (holdings 50%).

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

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividend

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

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

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

Commissions

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

Insurance premiums

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

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

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

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

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

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

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

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

Employee remuneration

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

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

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

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

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

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

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

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

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

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

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

- shares and participations
- interest-bearing securities

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

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

The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at fair value through other comprehensive income. Impairment of debt instruments (interest-bearing securities) is based on a three-stage model for expected credit losses (ECL) and are described in more detail under the heading Impairment of financial assets. The ECL is not calculated for shares and participations. Changes in value are reported on an ongoing basis in other comprehensive income with a deduction for deferred tax. Interest income, dividends and impairments are reported in the income statement and the return of capital is reported in other comprehensive income. The counter item to impairments relating to the three-stage model for expected credit losses is recognised in the fund at fair value (other comprehensive income) and thus does not affect the fair value of the asset in the balance sheet. In connection with the sale of debt securities (debt instruments), the cumulative unrealised profit or loss is transferred from the fund at fair value to the income statement. The decision to classify shares and participations not held for trading purposes in this category at first recognition is irrevocable. The decision lead to that future sales gains and losses on such instruments are reported in other comprehensive income. Only dividend from these instruments are recognised in the income statement.

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

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

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

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

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

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

Reclassification between different valuation categories are reported as follows:

- From amortised cost to fair value through the income statement: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in the income statement.

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

Repurchase agreements

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

Cash and balances with central banks

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

Derivative instruments

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

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

Hedge accounting

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

Valuation of financial instruments at fair value

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

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

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

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

Expected credit loss (ECL) is not calculated for shares and participations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

made according to the square metres reserved for their respective purposes.

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

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

The Group as a lessor

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

The Group as a lessee

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

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

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

Assets classified as held for sale

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

Provisions

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

Insurance and investment agreements

Classification of insurance and investment agreements

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

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

Agreements are classified as follows:

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

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

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

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

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

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

In the consolidated IFRS accounts, the insurance company's equalisation provisions (FAS) have been transferred to shareholders' equity and deferred tax liability.

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

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

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

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

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

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

Non-controlling holdings of the subsidiary Aktia Asset Management Ltd is reported as a liability to the owners, and the change in the fair value of the liability is reported as personnel costs.

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

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

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

Estimates and valuation of fair value

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

Impairment of financial assets

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

Actuarial calculations

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

Share-based payments

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

G2 The Group's risk management, 31 December 2020

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

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

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

1. General

1.1 Internal control and risk management

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

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

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

The Group's Data Protection Officer (DPO) forms also a part of the Compliance function.

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

1.2 Group capital management

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

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

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

The target for the Bank Group's Core Tier 1 ratio (CET1) is 1.5–3 percentage points above the regulatory requirement and for the total capital adequacy 2.0–3.5 percentage points. The minimum target for the Bank Group's leverage ratio is 3.5%. For the financial conglomerate, the target for capital adequacy is for it to exceed 120%.

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

1.2 Management of operational risks

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

Operational risks are present in all of Aktia's operations. Under a resolution of the Board of Directors, the level of operational risks must in general be normal in relation to Aktia's activities and in relation to its competitors. A normal risk level is predicated on compliance with regulations, instructions and applicable laws. This means that the information security level for all critical systems must be maintained high to ensure operations important for Aktia's business, i.e. manual and automatic data processing and an uninterrupted functioning of the computer network, to prevent unauthorised use of data and data systems, to prevent intentional or unintentional destruction of data or corrupt data, and to minimise damages from a possible disturbance. In addition, the compliance risk level must be low. This means that Aktia aims at mitigating compliance risks to the extent possible without preventing sound business operations. All this requires a deep insight into the company's own activities, adequate, well-functioning and effective internal control and risk management, good leadership, sound processes and competent staff.

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

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

2. Banking business and asset management

2.1 Credit and counterparty risks

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

The Bank Group applies internal risk classification in compliance with the advanced method (Advanced IRB) in the calculation of capital adequacy requirements for credit risk for private and household customers, and companies with small exposures. A total of 69% of the Bank Group's exposures are calculated according to the IRB approach at the end of the period. The internal models comprise models for probability of default

(PD) and loss given fault (LGD). In addition to the capital adequacy calculation these models are used for monitoring credit risk, internal risk reporting, and for estimating expected credit loss.

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

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

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

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

G2.1 The Group's maximum exposure by operation

	31 Dec 2020			31 Dec 2019		
	Banking business	Life insurance business	Total group	Banking business	Life insurance business	Total group
Cash and money market	**323.3**	**25.8**	**327.5**	**329.8**	**34.9**	**332.7**
Bonds	**1,428.7**	**364.3**	**1,782.9**	**1,313.1**	**307.0**	**1,605.1**
Public sector	344.5	96.2	440.6	383.8	87.9	471.7
Government guaranteed bonds	0.0	6.1	6.1	12.1	6.2	18.4
Banks	174.0	41.0	204.9	76.0	41.9	102.9
Covered bonds	910.2	36.8	947.0	841.2	88.7	929.9
Corporate	0.0	184.2	184.2	0.0	82.2	82.2
Shares and mutual funds	**5.1**	**154.9**	**160.0**	**5.1**	**143.1**	**148.2**
Fixed income funds	0.0	106.1	106.1	0.0	110.1	110.1
Shares and equity funds	5.1	0.0	5.1	5.1	0.0	5.1
Real estate funds	0.0	37.1	37.1	0.0	26.2	26.2
Private Equity	0.0	11.8	11.8	0.0	6.8	6.8
Hedge funds	0.0	0.0	0.0	0.0	0.0	0.0
Loans and claims	**7,006.1**	**0.0**	**7,006.1**	**6,440.5**	**0.0**	**6,440.5**
Public sector entities	2.8	0.0	2.8	8.6	0.0	8.6
Housing associations	909.3	0.0	909.3	739.6	0.0	739.6
Corporate	980.9	0.0	980.9	772.7	0.0	772.7
Households	5,085.9	0.0	5,085.9	4,888.9	0.0	4,888.9
Non-profit organisations	27.1	0.0	27.1	30.7	0.0	30.7
Tangible assets	**27.3**	**40.5**	**67.8**	**13.3**	**42.8**	**56.1**
Bank guarantees	**33.8**	**0.0**	**33.8**	**33.8**	**0.0**	**33.8**
Unused facilities and unused limits	**592.3**	**14.4**	**606.8**	**593.3**	**14.4**	**607.8**
Derivatives (credit equivalents)	**98.0**	**0.0**	**98.0**	**85.4**	**0.0**	**85.4**
Other assets	**122.6**	**5.0**	**124.6**	**106.9**	**6.6**	**111.9**
Total	**9,637.2**	**604.9**	**10,207.5**	**8,921.2**	**548.8**	**9,421.6**

2.2 Problem loans

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

According to the Group's accounting principles, an evaluation is made at each reporting date as to whether a substantial increase in the credit risk has occurred. The evaluation is based on the change in the probability of default (PD) since the first accounting, and whether the customer has a past due loan payment (30 days), or if there are mitigating circumstances. Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly (ECL Stage 1). The expected credit losses for the credit's remaining maturity are calculated for non-defaulted exposures where the credit risk has increased significantly (ECL Stage 2) and for defaulted credits (ECL Stage 3). Credit is considered to be defaulted if at least one of the following criteria is met: past due loan payment (90 days or more), or past due loan payment (less than 90 days) and the counterparty has been entered into bankruptcy or debt restructuring, or if it is deemed unlikely that the customer fully can pay its loan obligations.

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

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

(EUR million)		31.12.2019		
Days	**Stadie 1**	**Stadie 2**	**Stadie 3**	**Total**
≤ 30	45.9	23.0	0.5	69.4
of which households	36.3	21.6	0.4	58.3
> 30 ≤ 90	0.0	26.0	1.4	27.4
of which households	0.0	23.3	1.1	24.4
> 90	0.0	0.0	44.4	44.4
of which households	0.0	0.0	38.0	38.0

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

	31 Dec 2020				31 Dec 2019			
(EUR million)	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate								
PD grades A	209.7	0.0	0.0	209.7	182.6	16.9	0.0	199.5
PD grades B	866.5	0.0	0.0	866.5	707.7	0.0	0.0	707.7
PD grades C	759.7	37.2	0.0	797.0	525.9	26.3	0.0	552.1
Default	0.0	0.0	27.4	27.4	0.0	0.0	20.7	20.7
	1,836.0	37.2	27.4	1,900.6	1,416.1	43.2	20.7	1,480.0
Loss allowance (ECL)	-3.1	-1.8	-10.0	-15.0	-2.7	-0.8	-11.6	-15.1
Carrying amount	1,832.8	35.4	17.4	1,885.6	1,413.5	42.3	9.1	1,464.9
Households								
PD grades A	3,240.8	79.0	0.0	3,319.7	3,440.1	8.5	0.0	3,448.6
PD grades B	1,055.8	74.6	0.0	1,130.4	829.0	8.8	0.0	837.8
PD grades C	757.9	150.7	0.0	908.5	694.9	86.2	0.0	781.1
Default	0.0	0.0	41.7	41.7	0.0	0.0	51.7	51.7
	5,054.5	304.2	41.7	5,400.4	4,963.9	103.5	51.7	5,119.1
Loss allowance (ECL)	-0.9	-3.5	-11.1	-15.5	-0.9	-2.8	-9.9	-13.6
Carrying amount	5,053.6	300.7	30.6	5,384.9	4,963.0	100.7	41.7	5,105.5
Other								
PD grades A	29.7	0.2	0.0	29.9	26.4	0.0	0.0	26.4
PD grades B	348.0	0.0	0.0	348.0	330.6	0.0	0.0	330.6
PD grades C	78.2	1.0	0.0	79.1	158.7	0.5	0.0	159.2
Default	0.0	0.0	0.6	0.6	0.0	0.0	0.9	0.9
	455.8	1.2	0.6	457.6	515.8	0.5	0.9	517.1
Loss allowance (ECL)	-0.2	0.0	-0.2	-0.5	-0.2	0.0	-0.2	-0.5
Carrying amount	455.6	1.2	0.4	457.1	515.6	0.4	0.6	516.7

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

	31.12.2020				31.12.2019			
(EUR million)	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate								
LGD class 1 (low)	0.0	0.0	0.5	0.5	0.0	0.0	0.3	0.3
LGD class 2	45.8	0.3	1.3	47.4	35.8	0.5	1.0	37.2
LGD class 3	1,356.2	31.9	1.9	1,390.0	1,043.6	40.1	3.8	1,087.5
LGD class 4	152.6	4.2	0.9	157.6	163.9	1.5	2.1	167.4
LGD class 5 (high)	281.4	0.9	22.7	305.1	172.9	1.1	13.7	187.7
	1,836.0	37.2	27.4	1,900.6	1,416.1	43.2	20.7	1,480.0
Loss allowance (ECL)	-3.1	-1.8	-10.0	-15.0	-2.7	-0.8	-11.6	-15.1
Carrying amount	1,832.8	35.4	17.3	1,885.6	1,413.5	42.3	9.1	1,464.9
Households								
LGD class 1 (low)	115.6	2.8	7.4	125.7	99.7	1.5	10.3	111.4
LGD class 2	2,227.8	102.2	9.7	2,339.8	2,185.4	26.9	10.2	2,222.6
LGD class 3	2,427.6	190.3	11.5	2,629.5	2,405.8	67.0	11.8	2,484.6
LGD class 4	25.0	2.5	7.0	34.5	23.4	1.4	6.9	31.7
LGD class 5 (high)	258.5	6.4	6.1	271.0	249.6	6.7	12.5	268.7
	5,054.5	304.2	41.7	5,400.4	4,963.9	103.5	51.7	5,119.1
Loss allowance (ECL)	-0.9	-3.5	-11.1	-15.5	-0.9	-2.8	-9.9	-13.6
Carrying amount	5,053.6	300.7	30.7	5,384.9	4,963.0	100.7	41.7	5,105.5
Other								
LGD class 1 (low)	5.2	0.3	0.0	5.5	4.9	0.1	0.0	5.0
LGD class 2	77.3	0.4	0.0	77.7	80.5	0.1	0.0	80.6
LGD class 3	326.0	0.4	0.0	326.5	280.0	0.2	0.0	280.2
LGD class 4	22.8	0.0	0.0	22.8	21.0	0.0	0.0	21.0
LGD class 5 (high)	24.5	0.1	0.5	25.1	129.4	0.1	0.9	130.4
	455.8	1.2	0.6	457.6	515.8	0.5	0.9	517.1
Loss allowance (ECL)	-0.2	0.0	-0.2	-0.5	-0.2	0.0	-0.2	-0.5
Carrying amount	455.6	1.2	0.4	457.1	515.6	0.4	0.6	516.7

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

2.3 Management of funding and liquidity risks

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

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

2.3.1 Liquidity reserve and measurement of liquidity risk

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

G2.5 Liquidity reserve, market value

(EUR million)	31 Dec 2020	31 Dec 2019
Cash and holdings in central banks	250	271
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	226	195
Securities issued or guaranteed by municipalities or Public sector entities	132	208
Covered bonds	755	430
Securities issued by credit institution	6	0
Securities issued by financial corporates (commercial papers)	0	0
Total	1,368	1,104
of which LCR-qualified	1,362	1104

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

LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities.

Table G2.6 presents outcomes in 2020 for the LCR and NSFR risk measures for the Aktia Bank Group.

G2.6 LCR and NSFR

	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
LCR %	138%	124%	137%	129%	118%
NSFR %	126%	127%	121%	118%	118%

2.4 Management of market, balance sheet and counterparty risks

2.4.1 Market and asset and liability risks in the Bank Group

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

2.4.1.1 Interest rate risk

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

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

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

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

G2.7 Structural interest rate risk

Parallel shift in the interest rate curve	31 Dec 2020 Basis points	
(EUR million)	-100	+100
Net interest income risk		
Changes during the next 12 months	3.2	0.5
Changes during 13-24 months	2.5	11.7
Net Present Value risk (Change in Economic Value)	3.3	22.1

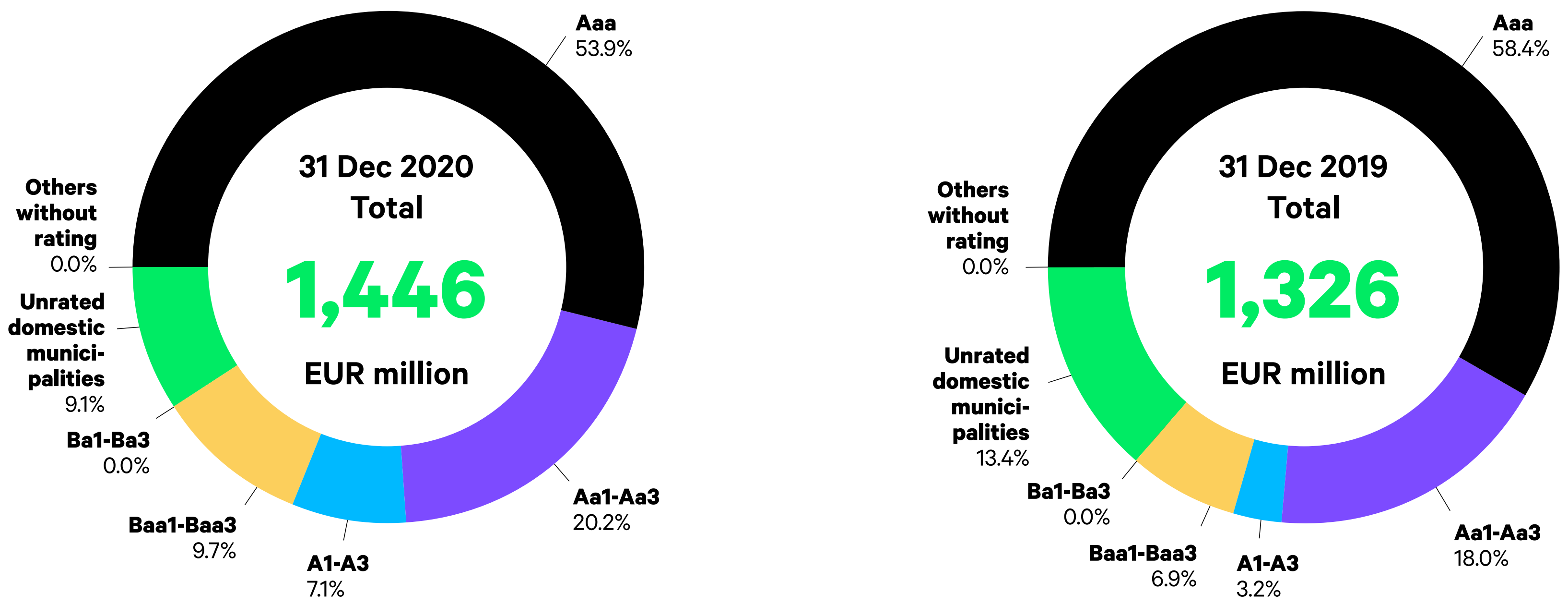
2.4.1.2 The Bank Group's liquidity portfolio and other interest-bearing securities

The liquidity portfolio of the Bank Group, which comprises of interest-bearing securities and is managed by the bank's Treasury unit, amounted to EUR 1,446 (1,326) million on 31 December 2020 and includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the Bank Group.

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

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

G2.8 Rating distribution for banking business' liquidity portfolio and other direct fixed income assets



of Directors establishes limits for counterparty risks every year. Exposures are market valued and monitored on a daily basis.

No impairment losses were recognised during the year.

2.4.1.3 Exchange rate risk

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

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

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

2.4.1.4 Equity risk

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

The Bank Group conducts no equity trading for trading purposes.

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

2.4.1.5 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. Table G2.9 summarises market value sensitivity for the Bank Group's financial assets available for sale in various market risk scenarios as at 31 December 2020 and 31 December 2019. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board's limits on capital usage. The risk components set out in the table are defined as follows:

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

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

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

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

Equity and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -50% for listed shares, -60% for unlisted shares and -25% for real estate.

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

G2.9 Sensitivity analysis for market risks

	Financial assets that are measured at fair value through other comprehensive income			
	2020		2019	
Bank Group	**EUR million**	**%**	**EUR million**	**%**
Market value 31 December	1,027.9	100.0%	1,027.9	100.0%
Upward interest rate risk (normal method)	-27.3	-2.7%	-27.3	-2.7%
Downward interest rate risk (even 100 bps)	-27.3	-2.7%	-27.3	-2.7%
Downward interest rate risk (normal method)	22.9	2.2%	22.9	2.2%
Spread risk	-36.6	-3.6%	-36.6	-3.6%
Equity risk	-3.0	-0.3%	-3.0	-0.3%
Real estate risk	0.0	0.0%	0.0	0.0%

3 Life insurance operations

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

After preparation by the Group's Asset and Liability Committee ALCO, the life insurance company's Board of Directors and the Board's Risk Committee the Group's Board of Directors sets out the investment strategy and plans as well as limits for managing market risks in both the investment portfolio and interest-linked technical provisions. ALCO is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. Aktia Asset Management has an open mandate to handle the investment management in practice. The Group's Risk Control function supervises risk exposure and limits.

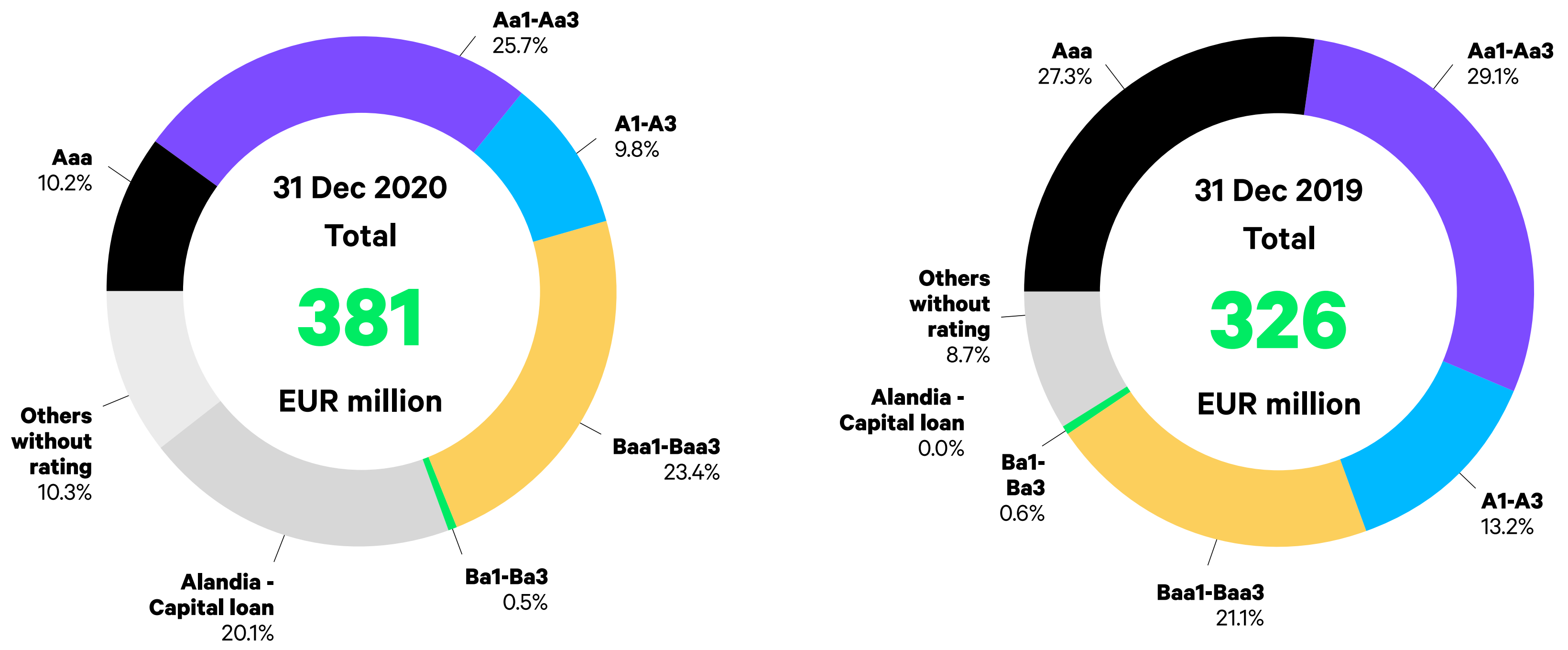
In the life insurance business, the policyholder bears the investment risk of the investments that provide cover for unit-linked insurance policies. Other investments within the insurance company for covering technical provisions are at the company's risk. There is thus a certain degree of risk-taking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

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

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

G2.10 Rating distribution for the life insurance business' direct fixed income investments

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



between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities. Technical provisions include an interest reserve of EUR 28.1 (26.0) million, which can be used to cover the future interest rate requirements. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 2.2% for 2021–2025, 2.3% for 2026–2029. The discount rate is subsequently 3.0% Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary.

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral, and is the third largest market risk after interest rate risks and real estate risks at year-end 2020. On the asset side, essentially the same instruments (fixed income instruments) are exposed to interest rate and credit spread risk, but as the interest-bearing technical provisions are not exposed to credit spread risk, this risk is one-sided, unlike interest rate risk. This also makes it effectively impossible to hedge without the use of credit derivatives. Since the company still does not hold any treasury shares, a higher credit risk is the natural price to pay for the desired return. The fixed income portfolio's share of the risk in the company's own portfolio (assets not related to unit-linked insurance) remains dominant, and at year-end fixed income investments excluding cash funds amounted to EUR 487.2 (422.7) million, corresponding to 81% (77%) of the investment portfolio.

For several years, the equity risk in the fixed income portfolio has related exclusively to investments in Private Equity funds and similar asset classes. In 2020 these investments have continued to increase, and now amount to EUR 6.9 (6.7) million. In the unit-linked portfolio, on the other hand, equity risk is a significant risk. This is because equity and balanced funds account for such a large investment volume among the customers' investments that, although the company's share of the risk in the unit-linked portfolios is small in percentage terms, the amount is still significant. The market value of the unit-linked investments at year-end was EUR 966.5 (872.3) million, of which EUR 538.7 (453.2) million was exposed to equity risk.

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year-end, total real estate investments amounted to EUR 77.5 (68.7) million. Real estate risk increases due to the real estate holdings including refinancing and it is the second most significant risk. In the unit-linked portfolios it is insignificant.

The life insurance company's exchange rate risk comes from holdings in fixed income funds that invest in emerging market government bonds issued in USD or local currencies. In addition, some of the Private Equity funds' and other alternative investment holdings are in foreign currencies.
At the end of the period, the life insurance company had underlying investments totalling EUR 45.4 (54.7) million, with open exchange rate risk in the interest-linked portfolios. Exchange rate risk arises also in the unit-linked portfolios, as a part of the fixed income and equity funds are denominated in other currencies than the euro.

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

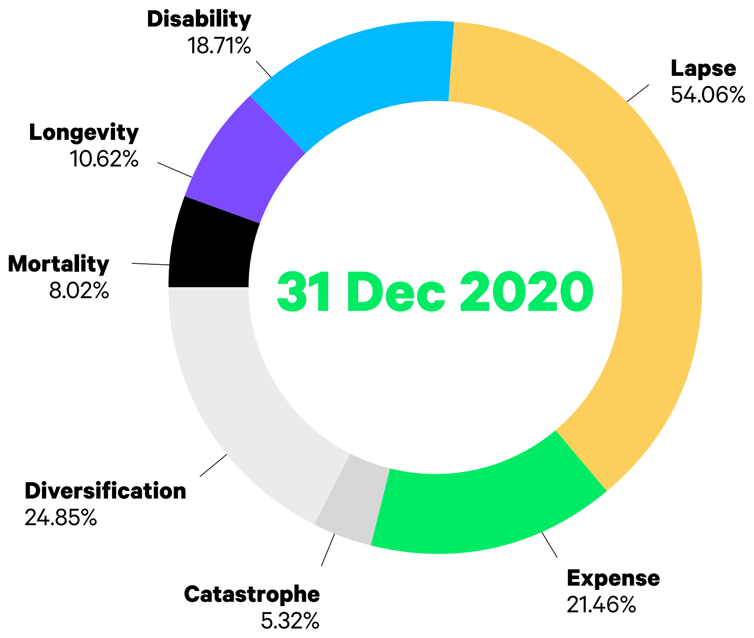
G2.11 Sensitivity analysis for market risks

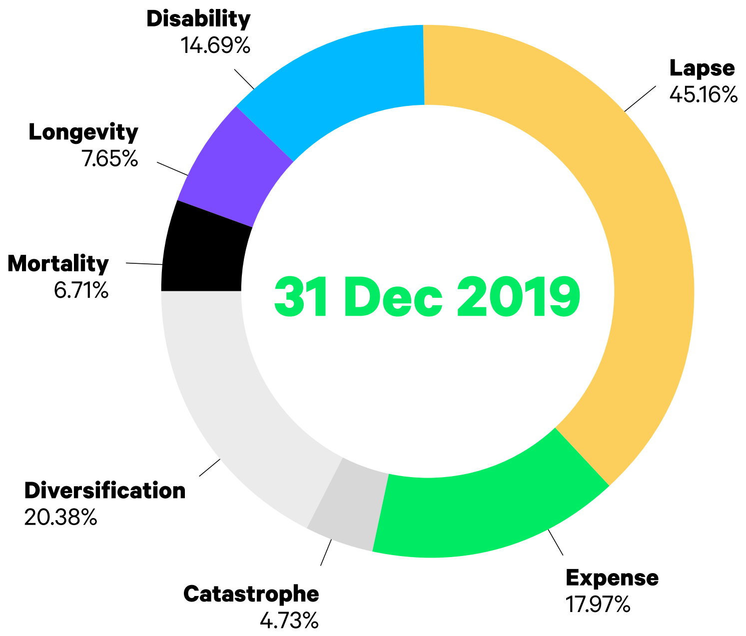
	Portfolio		Technical provisions*		Total			
	2020	2019	2020	2019	2020		2019	
Life insurance company	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**%****	**EUR million**	**%****
Interest linked								
Market value 31 Dec	576.5	511.2	-486.2	-433.2	90.3	65.9%	78.0	61.1%
IR risk up	-26.8	-17.2	46.0	40.1	19.2	14.0%	22.9	17.9%
IR risk down	39.9	20.8	-81.9	-72.9	-42.0	-30.7%	-52.1	-40.8%
Spreadrisk	-25.3	-27.1	0.1	0.2	-25.2	-18.4%	-26.9	-21.1%
Currency risk	-8.4	-10.0	0.7	0.3	-7.7	-5.6%	-9.7	-7.6%
Equity risk	-3.8	-4.5	1.7	0.7	-2.1	-1.5%	-3.8	-3.0%
Real estate risk	-31.4	-27.5	0.0	0.0	-31.4	-22.9%	-27.5	-21.6%
Unit- and index linked								
Market value 31.12.	966.5	872.3	-919.8	-822.7	46.7	34.1%	49.6	38.9%
IR risk up	-19.0	-21.5	19.2	21.7	0.2	0.1%	0.2	0.2%
IR risk down	23.0	27.1	-24.8	-17.4	-1.8	-1.3%	9.7	7.6%
Spreadrisk	-16.5	-32.4	15.5	30.5	-1.0	-0.7%	-1.9	-1.5%
Currency risk	-109.1	-64.2	102.8	60.5	-6.3	-4.6%	-3.7	-2.9%
Equity risk	-273.3	-230.6	257.2	217.4	-16.1	-11.8%	-13.2	-10.3%
Real estate risk	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Total								
Market value 31.12.	1,543.0	1,383.5	-1,406.0	-1,255.9	137.0	100.0%	127.6	100.0%
IR risk up	-45.8	-38.7	65.2	61.8	19.4	14.2%	23.1	18.1%
IR risk down	62.9	47.9	-106.7	-90.3	-43.8	-32.0%	-42.4	-33.2%
Spreadrisk	-41.8	-59.5	15.6	30.7	-26.2	-19.1%	-28.8	-22.6%
Currency risk	-117.5	-74.2	103.5	60.8	-14.0	-10.2%	-13.4	-10.5%
Equity risk	-277.1	-235.1	258.9	218.1	-18.2	-13.3%	-17.0	-13.3%
Real estate risk	-31.4	-27.5	0.0	0.0	-31.4	-22.9%	-27.5	-21.6%

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

** The percentage is the portion of the total market value

G2.12 Distribution of underwriting risks according to Solvency II categories





3.2 Management of insurance risks

Insurance risk refers in general to the risk that claims to be paid out to policyholders exceed the amount expected. The risk is divided into underwriting risk and technical provision risk. Underwriting risk is caused by losses due to e.g. incorrect pricing, risk concentrations, inadequate reinsurance or unexpectedly high frequency of claims. Provision risk is the risk caused by a situation where reserves in the technical provision are not adequate to cover the claims arising from known or unknown damages covered by insurance contracts that have already been entered into.

Aktia Life Insurance provides life insurance and savings insurance. Due to the legal rules concerning insurance contracts, the company is very limited in its ability to influence premiums and terms and conditions for old policies that have already come into effect. Premium adequacy is followed up annually. For new policies, the company is free to set the premium levels itself. This is done by the Board of the Life insurance company, at the proposal of the Head Actuary. Reinsurance is used to limit compensation liabilities for the company's own account so that its solvency capital is adequate, and results do not fluctuate too much. As part of the Group's capital and risk management process, limits are derived which the Board of Directors of the life insurance company defines for the risks that the company itself can bear without taking out reinsurance.

G2.13 Group's capital adequacy and risk exposures

The Bank Group's capital adequacy

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

	31 Dec 2020		30 Sep 2020		30 Jun 2020		31 Mar 2020	
EUR 1,000	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**
Calculation of the Bank Group's capital base								
Total assets	**10,572,768**	**9,091,396**	**10,588,549**	**9,202,534**	**10,319,544**	**8,962,998**	**9,844,721**	**8,688,686**
of which intangible assets	57,932	57,061	58,017	57,173	59,858	59,051	61,381	60,756
Total liabilities	**9,905,939**	**8,516,867**	**9,942,804**	**8,642,636**	**9,690,524**	**8,418,152**	**9,237,988**	**8,159,161**
of which subordinated liabilities	158,154	158,154	169,470	169,470	187,683	187,683	196,267	196,267
Share capital	169,732	169,732	169,732	169,732	169,732	169,732	169,732	169,732
Fund at fair value	21,267	15,519	19,726	15,019	16,106	11,998	8,114	5,645
Restricted equity	190,999	185,251	189,458	184,751	185,838	181,730	177,846	175,377
Unrestricted equity reserve and other funds	115,655	115,565	114,980	114,919	114,710	114,663	113,246	113,139
Retained earnings	317,555	235,914	313,795	232,154	313,404	231,763	313,581	231,940
Profit for the year	42,621	37,798	27,512	28,074	15,067	16,690	2,061	9,069
Unrestricted equity	475,831	389,277	456,287	375,147	443,182	363,117	428,887	354,149
Shareholders' share of equity	666,830	574,528	645,745	559,898	629,020	544,846	606,733	529,525
Equity	**666,830**	**574,528**	**645,745**	**559,898**	**629,020**	**544,846**	**606,733**	**529,525**
Total liabilities and equity	**10,572,768**	**9,091,396**	**10,588,549**	**9,202,534**	**10,319,544**	**8,962,998**	**9,844,721**	**8,688,686**
Off-balance sheet commitments	698,935	690,365	695,485	686,198	669,543	659,647	658,374	648,255
The Bank Group's equity		**574,528**		**559,898**		**544,846**		**529,525**
Provision for dividends to shareholders		-29,868		-		-		-
Profit for the year, for which no application was filed with the Financial Supervisory Authority		-		-28,074		-16,690		-9,069
Intangible assets		-57,061		-57,173		-59,051		-60,756
Debentures		80,057		84,616		90,101		96,093
Additional expected losses according to IRB		-23,550		-21,621		-21,506		-21,255
Deduction for significant holdings in financial sector entities		-3,422		-824		-1,358		-2,266
Other incl. unpaid dividend		-36,362		639		732		807
Total capital base (CET1 + AT1 + T2)		**504,321**		**537,460**		**537,074**		**533,079**

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

EUR 1,000	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
The Bank Group's capital adequacy					
Common Equity Tier 1 Capital before regulatory adjustments	508,435	532,444	528,801	520,543	477,143
Common Equity Tier 1 Capital regulatory adjustments	-84,170	-79,600	-81,828	-83,557	-89,032
Total Common Equity Tier 1 Capital (CET1)	**424,265**	**452,844**	**446,973**	**436,986**	**388,111**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**424,265**	**452,844**	**446,973**	**436,986**	**388,111**
Tier 2 capital before regulatory adjustments	80,057	84,616	90,101	96,093	102,608
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**80,057**	**84,616**	**90,101**	**96,093**	**102,608**
Total own funds (TC = T1 + T2)	**504,321**	**537,460**	**537,074**	**533,079**	**490,719**

The table continues

EUR 1,000	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Risk weighted exposures total	**3,030,010**	**2,900,691**	**2,844,773**	**2,746,014**	**2,636,934**
of which credit risk, the standardised model	663,817	658,945	650,980	591,121	558,726
of which credit risk, the IRB model	1,909,806	1,781,423	1,726,998	1,631,133	1,567,358
of which 15% risk-weight floor for residential mortgages	96,937	99,001	105,472	162,437	149,527
of which market risk	-	-	-	-	-
of which operational risk	359,450	361,323	361,323	361,323	361,323
Own funds requirement (8%)	242,401	232,055	227,582	219,681	210,955
Own funds buffer	261,921	305,405	309,492	313,398	279,764
CET1 Capital ratio	14,0%	15,6%	15,7%	15,9%	14,7%
T1 Capital ratio	14,0%	15,6%	15,7%	15,9%	14,7%
Total capital ratio	16,6%	18,5%	18,9%	19,4%	18,6%
Own funds floor (CRR article 500)					
Own funds	504,321	537,460	537,074	533,079	490,719
Own funds floor[1]	229,005	221,435	220,018	214,566	203,557
Own funds buffer	275,316	316,025	317,055	318,513	287,162

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

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

EUR 1,000	2018	2019	2019	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Risk-weighted amount for operational risks								
Gross income	193,603	195,594	185,923					
- average three years			191,707					
Capital requirement for operational risk				**28,756**	**28,906**	**28,906**	**28,906**	**28,906**
Risk-weighted amount				**359,450**	**361,323**	**361,323**	**361,323**	**361,323**

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

31 Dec 2020

EUR 1,000	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
The Bank Group's total risk exposures					
Exposure class					
Credit risk, IRB approach					
Corporates - SME	520,545	473,697	79%	376,288	30,103
Corporates - Other	893,583	837,484	72%	607,125	48,570
Retail - Secured by immovable property non-SME	4,810,621	4,800,732	14%	656,849	52,548
Retail - Secured by immovable property SME	151,300	149,750	49%	73,149	5,852
Retail - Other non-SME	178,493	174,785	30%	51,903	4,152
Retail - Other SME	33,041	31,231	60%	18,675	1,494
Risk-weight floor for residential mortgages, 15%	-	-	15%	96,937	7,755
Equity exposures	47,892	47,892	263%	125,817	10,065
Total exposures, IRB approach	**6,635,475**	**6,515,571**	**31%**	**2,006,743**	**160,539**
Credit risk, standardised approach					
States and central banks	482,671	529,999	0%	-	-
Regional governments and local authorities	186,465	207,739	0%	771	62
Multilateral development banks	-	-	-	-	-
International organisations	20,100	20,100	0%	-	-
Credit institutions	407,794	319,799	31%	100,474	8,038
Corporates	202,412	105,890	96%	101,870	8,150
Retail exposures	240,045	95,611	72%	69,302	5,544
Secured by immovable property	690,073	652,049	34%	224,393	17,951
Past due items	594	495	141%	697	56
Covered bonds	800,879	800,879	10%	82,236	6,579
Other items	120,413	120,413	54%	64,657	5,173
Total exposures, standardised approach	**3,151,446**	**2,852,973**	**23%**	**644,399**	**51,552**
Total risk exposures	**9,786,920**	**9,368,544**	**28%**	**2,651,142**	**212,091**

31 Dec 2019

EUR 1,000	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
The Bank Group's total risk exposures					
Exposure class					
Credit risk, IRB approach					
Corporates - SME	334,183	300,600	82%	247,452	19,796
Corporates - Other	751,200	697,384	70%	491,162	39,293
Retail - Secured by immovable property non-SME	4,645,569	4,637,336	12%	567,067	45,365
Retail - Secured by immovable property SME	161,514	160,048	50%	80,520	6,442
Retail - Other non-SME	153,774	149,898	30%	44,695	3,576
Retail - Other SME	30,514	28,736	66%	18,968	1,517
Risk-weight floor for residential mortgages, 15%	-	-	15%	149,527	11,962
Equity exposures	44,577	44,577	264%	117,495	9,400
Total exposures, IRB approach	**6,121,331**	**6,018,578**	**29%**	**1,716,885**	**137,351**
Credit risk, standardised approach					
States and central banks	463,656	505,361	0%	812	65
Regional governments and local authorities	265,412	284,227	0%	446	36
Multilateral development banks	-	-	-	-	-
International organisations	35,306	35,306	0%	-	-
Credit institutions	319,862	187,257	28%	52,958	4,237
Corporates	163,483	90,857	98%	89,096	7,128
Retail exposures	253,068	111,940	72%	80,249	6,420
Secured by immovable property	587,781	556,872	35%	196,588	15,727
Past due items	595	499	143%	712	57
Covered bonds	750,510	750,510	10%	75,051	6,004
Other items	82,072	82,072	59%	48,064	3,845
Total exposures, standardised approach	**2,921,745**	**2,604,902**	**21%**	**543,977**	**43,518**
Total risk exposures	**9,043,076**	**8,623,480**	**26%**	**2,260,862**	**180,869**

EUR 1,000	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
The Bank Group's leverage Ratio [1]					
Tier 1 capital	424,265	453,005	446,973	436,986	388,111
Total exposure	9,211,343	9,323,568	9,084,931	8,816,195	8,474,500
Leverage Ratio, %	4.61	4.86	4.92	4.96	4.58

1) The leverage ratio is calculated based on end of quarter figures

EUR 1,000	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
The financial conglomerate's capital adequacy					
Summary					
The Group's equity	666,830	645,745	629,020	606,733	609,996
Sector-specific assets	83,897	88,696	94,421	100,653	107,408
Intangible assets and other reduction items	-177,656	-142,716	-141,407	-115,145	-159,077
Conglomerate's total capital base	**573,070**	**591,725**	**582,034**	**592,241**	**558,327**
Capital requirement for banking business	343,695	327,451	321,207	349,541	337,650
Capital requirement for insurance business [1]	108,991	104,869	107,852	85,234	86,561
Minimum amount for capital base	**452,687**	**432,320**	**429,059**	**434,776**	**424,211**
Conglomerate's capital adequacy	**120,384**	**159,405**	**152,975**	**157,465**	**134,116**
Capital adequacy ratio, %	126.6%	136.9%	135.7%	136.2%	131.6%

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

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

G3 Group's segment reporting

	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Income statement										
Net interest income	71,577	67,444	0	-4	9,102	10,129	-2	-	80,677	77,568
Net commission income	63,608	66,611	40,337	39,807	6,379	6,036	-12,682	-13,334	97,641	99,120
Net income from life insurance	-	-	15,828	25,486	-	-	4,048	4,492	19,876	29,978
Other operating income	998	304	218	329	1,924	14,271	-218	-156	2,922	14,749
Total operating income	**136,183**	**134,359**	**56,382**	**65,618**	**17,405**	**30,436**	**-8,854**	**-8,998**	**201,117**	**221,415**
Staff costs	-20,468	-22,020	-13,879	-14,299	-34,722	-32,674	-	-	-69,068	-68,993
Other operating expenses[1]	-81,339	-82,145	-18,546	-17,685	17,884	15,831	8,910	9,091	-73,091	-74,908
Total operating expenses	**-101,806**	**-104,165**	**-32,425**	**-31,984**	**-16,838**	**-16,843**	**8,910**	**9,091**	**-142,159**	**-143,901**
Expected credit losses and impairment of credits and other commitments	-4,017	-4,451	-	-	-29	-1	-	-	-4,046	-4,452
Share of profit from associated companies	-	-	-	-	-	-	-118	1,694	-118	1,694
Operating profit	**30,360**	**25,742**	**23,958**	**33,634**	**538**	**13,592**	**-62**	**1,787**	**54,793**	**74,756**
Comparable operating profit	**30,480**	**29,083**	**24,051**	**33,634**	**618**	**3,704**	**-62**	**1,787**	**55,087**	**68,209**

EUR 1,000	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Balance sheet										
Financial assets measured at fair value	-	51	1,447,053	1,268,858	1,053,667	1,025,514	-9,998	-15,000	2,490,721	2,279,424
Cash and balances with central banks	1,302	1,844	0	0	297,313	313,539	-	-	298,615	315,383
Interest-bearing securities measured at amortised cost	-	-	37,763	47,938	375,996	288,558	-	-	413,759	336,495
Loans and other receivables	6,998,707	6,428,932	54,642	60,774	24,888	15,260	-49,551	-58,511	7,028,686	6,446,455
Other assets	72,586	22,387	58,315	65,057	277,735	293,563	-67,649	-61,665	340,987	319,342
Total assets	**7,072,594**	**6,453,214**	**1,597,774**	**1,442,627**	**2,029,598**	**1,936,433**	**-127,198**	**-135,175**	**10,572,768**	**9,697,098**
Deposits	4,582,274	4,185,596	-	-	631,693	530,367	-49,551	-58,511	5,164,416	4,657,453
Debt securities issued	-	-	-	-	2,855,615	2,637,310	-9,814	-14,633	2,845,801	2,622,677
Technical provisions	-	-	1,410,818	1,259,771	-	-	-	-	1,410,818	1,259,771
Other liabilities	63,956	13,465	27,948	32,305	402,481	511,695	-9,481	-10,265	484,904	547,201
Total liabilities	**4,646,229**	**4,199,062**	**1,438,766**	**1,292,076**	**3,889,789**	**3,679,373**	**-68,846**	**-83,408**	**9,905,939**	**9,087,102**

G4 Net interest income

EUR 1,000	2020	2019
Interest income		
Financial assets valued at fair value through income statement	201	-496
Financial assets valued at fair value through OCI	3,126	3,712
Receivables from credit institutions and central bank	1,307	1,975
Receivables from public and public sector entities	75,057	72,649
Finance lease contracts	450	450
Loans and other receivables which are valued at amortised cost	76,814	75,074
Interest-bearing securities which are valued at amortised cost	3,047	2,910
Other external interest income	-120	230
Financial assets which are valued at amortised cost	79,741	78,213
Total	**83,068**	**81,429**
of which interest income from financial assets reported at stage 3	262	243
Interest expenses		
Deposits, credit institutions	-242	-860
Deposits, other than public sector entities	-687	-2,863
Deposits	-929	-3,722
Debt securities issued to the public	-17,949	-19,750
Subordinated liabilities	-3,546	-4,507
Debt securities issued and subordinated liabilities	-21,495	-24,256
Hedging derivative instruments	21,147	25,097
Interest expenses for right-of-use assets	-1,117	-975
Other interest expenses, external	4	-5
Total	**-2,391**	**-3,861**
Net interest income	**80,677**	**77,568**
Borrowing and lending	78,273	73,369
Liquidity portfolio	6,174	6,113
Hedging measures through interest rate derivatives	2,243	4,009
Other, incl. funfing from wholesale market	-6,013	-5,922
Total	**80,677**	**77,568**

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

G5 Dividends

EUR 1,000	2020	2019
Equity instruments measured at fair value through income statement	398	464
Total	**398**	**464**

G6 Net commission income

EUR 1,000	2020	2019
Commission income		
Mutual funds, asset management and securities brokerage	64,284	63,947
Card- and payment services	23,197	25,643
Borrowing	3,451	3,511
Lending	9,056	9,688
Currency and foreign operations	4,010	3,777
Brokerage of insurance	1,297	2,393
Legal services	752	710
Guarantees and other off-balance sheet commitments	608	516
Other commission income	281	238
Total	**106,936**	**110,423**
Commission expenses		
Money handling	-1,422	-1,671
Card- and payment services	-3,244	-3,690
Securities and investments	-4,438	-5,695
Other commission expenses	-192	-246
Total	**-9,295**	**-11,303**
Net commission income	**97,641**	**99,120**

G7 Net income from life insurance

EUR 1,000	2020	2019
Premiums written	105,332	117,860
Net income from investments	7,821	32,123
Insurance claims paid	-119,274	-136,913
Net change in technical provisions	25,996	16,907
Net income from life insurance	**19,876**	**29,978**
PREMIUMS WRITTEN		
Premiums written from insurance agreements		
Insurance agreements	30,743	28,978
Total gross premiums written before reinsurer's share	**30,743**	**28,978**
Reinsurer's share	-829	-746
Premiums written from investment agreements	75,419	89,628
Total premiums written	**105,332**	**117,860**

	From insurance agreements		From investment agreements		Total	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Distribution of premiums						
Premiums written from risk insurance and interest-related insurance						
Saving plans	491	682	-	-	491	682
Individual pension insurance	2,539	2,695	-	-	2,539	2,695
Group pension insurance	2,409	1,740	-	-	2,409	1,740
Risk insurance	21,559	20,397	-	-	21,559	20,397
Total	**26,998**	**25,514**	**-**	**-**	**26,998**	**25,514**
Premiums written from unit-linked agreements						
Saving plans	308	216	72,181	86,143	72,489	86,358
Individual pension insurance	1,667	1,631	3,238	3,485	4,905	5,116
Group pension insurance	1,769	1,618	-	-	1,769	1,618
Total	**3,745**	**3,464**	**75,419**	**89,628**	**79,163**	**93,092**
On-going and one-off premiums from direct insurance						
On-going premiums from insurance agreements					30,743	28,978
On-going premiums from investment agreements					30,749	15,983
One-off premiums from investment agreements					44,670	73,645
Total premiums written					**106,161**	**118,606**

Net income from investments

EUR 1,000	2020	2019
Net income from financial assets valued at fair value through income statement		
Interest income	1,505	440
Capital gains and losses	23	12
Other income and expenses	-154	-
Interest-bearing securities	1,374	453
Capital gains and losses	-1,373	1,092
Impairments	-1,870	2,797
Other income and expenses	1,681	1,690
Shares and participations	-1,561	5,579
Total	**-187**	**6,031**
Net income from financial assets measured at fair value through other comprehensive income		
Interest income	4,116	6,717
Capital gains and losses	-1,101	-1,511
Transferred to income statement from fund at fair value	3,186	6,086
Other income and expenses	-17	-29
Interest-bearing securities	6,185	11,263
Total	**6,185**	**11,263**
Net income from financial assets valued at amortised cost		
Interest income	1,624	2,895
Capital gains and losses	2,345	5,304
Interest-bearing securities	**3,969**	**8,200**

The table continues

EUR 1,000	2020	2019
Net income from investment properties		
Rental income	4,246	3,453
Valued at fair value	-3,819	4,324
Capital gains and losses	-	467
Direct expenses from investment properties, which generated rental income during the accounting period	-2,529	-1,572
Total	**-2,102**	**6,672**
Interest expenses for right-of-use assets	-43	-43
Total for the Insurance business' net income from the investment business	**7,821**	**32,123**
Exchange rate differences included in net income from the investment business	-	-

Insurance claims paid

	From insurance agreements		From investment agreements		Total	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Claims paid from risk insurance and interest-related insurance						
Saving plans						
Repayment of saving sums	-6,066	-4,711	-	-	-6,066	-4,711
Payments in the event of death	-888	-435	-	-	-888	-435
Repurchase	-1,384	-1,056	-	-	-1,384	-1,056
Total	**-8,338**	**-6,203**	**-**	**-**	**-8,338**	**-6,203**
Individual pension insurance						
Pensions	-26,996	-25,188	-	-	-26,996	-25,188
Payments in the event of death	-435	-453	-	-	-435	-453
Repurchase	-4,305	-624	-	-	-4,305	-624
Total	**-31,735**	**-26,265**	**-**	**-**	**-31,735**	**-26,265**
Group pension insurance						
Pensions	-4,380	-3,325	-	-	-4,380	-3,325
Repurchase	-180	-89	-	-	-180	-89
Other	-75	-28	-	-	-75	-28
Total	**-4,636**	**-3,442**	**-**	**-**	**-4,636**	**-3,442**
Risk insurance						
Individual insurance	-10,032	-9,000	-	-	-10,032	-9,000
Group life insurance for employers	-712	-931	-	-	-712	-931
Other group life insurance	-	-	-	-	-	-
Total	**-10,744**	**-9,931**	**-**	**-**	**-10,744**	**-9,931**
Total claims paid from risk insurance and interest-related insurance	**-55,453**	**-45,841**	**-**	**-**	**-55,453**	**-45,841**

The table continues

	From insurance agreements		From investment agreements		Total	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Claims paid from unit-linked agreements						
Saving plans						
Repayment of saving sums	-274	-248	-654	-31	-928	-279
Payments in the event of death	-109	-78	-14,344	-16,285	-14,453	-16,363
Repurchase	-648	-1,275	-41,252	-69,854	-41,899	-71,129
Total	**-1,031**	**-1,601**	**-56,249**	**-86,170**	**-57,280**	**-87,772**
Individual pension insurance						
Pensions	-	-	-2,539	-2,135	-2,539	-2,135
Payments in the event of death	-35	-41	-151	-208	-186	-249
Repurchase	-3,244	-317	-374	-429	-3,618	-747
Total	**-3,279**	**-358**	**-3,064**	**-2,772**	**-6,343**	**-3,131**
Group pension insurance						
Payments in the event of death	-	-10	-	-	-	-10
Repurchase	-198	-159	-	-	-198	-159
Total	**-198**	**-169**	**-**	**-**	**-198**	**-169**
Total claims paid from unit-linked agreements	**-4,508**	**-2,129**	**-59,313**	**-88,942**	**-63,821**	**-91,071**
Total claims paid	**-59,961**	**-47,970**	**-59,313**	**-88,942**	**-119,274**	**-136,913**

EUR 1,000	2020	2019
Changes in premium provisions, interest-related	-12,515	-9,449
Changes in claims provisions, interest-related	-19,595	18,015
Change in technical provisions, risk insurance and interest-related insurance, excl. portfolio transfer	**-32,110**	**8,566**
Interest-linked liability in connection with the portfolio transfer from Liv-Alandia	23,004	-
Interest-bearing premium liability in connection with the portfolio transfer from Liv-Alandia	44,022	-
Change in technical provisions, risk insurance and interest-related insurance	**34,916**	**8,566**
Changes in claims provisions, unit-linked	-1,426	-1,716
Changes in premium provisions, unit-linked	-98,981	-110,916
Changes in value of unit-linked investments, net	76,967	120,974
Net change in technical provisions, unit-linked insurance, excl. portfolio transfer	**-23,440**	**8,341**
Unit-linked premium liability in connection with the portfolio transfer from Liv-Alandia	14,520	-
Net change in technical provisions, unit-linked insurance	**-8,920**	**8,341**
Total net change in technical provisions [1]	**25,996**	**16,907**

1) The technical provisions transferred from Liv-Alandia are valued at fair value and the value change for the period amounted to EUR 18,530 thousand.

G8 Net income from financial transactions

EUR 1,000	2020	2019
Net income from derivative instruments measured at fair value through income statement		
Capital gains and losses from equity instruments	181	563
Capital gains and losses from derivative instruments	-22	-27
Total	160	535
Valuation gains and losses from equity instruments	194	1,379
Valuation gains and losses from derivative instruments	270	-104
Total	464	1 275
Total	**624**	**1 810**

The table continues

EUR 1,000	2020	2019
Net income from currency operations	**75**	**411**
Net income from derivative instruments valued at fair value through other comprehensive income		
Capital gains and losses from interest-bearing securities	296	-23
Total	296	-23
Valuation gains and losses from interest-bearing securities	30	313
Total	30	313
Transferred to income statement from fund at fair value	-	253
Total	-	253
Total	**326**	**544**
Net income from interest-bearing securities reported at amortised cost		
Valuation gains and losses from interest-bearing securities	34	-64
Total	34	-64
Total	**34**	**-64**
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-	-3,112
Financial derivatives hedging issued bonds	3,031	12,426
Changes in fair value of hedge instruments, net	3,031	9,313
Repayable on demand liabilities	-	3,130
Bonds issued	-3,454	-12,265
Changes in fair value of items hedged, net	-3,454	-9,135
Total	**-423**	**178**
Ineffective share of cash flow hedging	-	-
Net income from hedge accounting	**-423**	**178**
Net income from financial transactions	**635**	**2,878**

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

G9 Other operating income

EUR 1,000	2020	2019
Income from other banking business	58	93
Profit from divestment of shares in Samlink Ltd	-	9,574
Capital gains from sale of tangible and intangible assets	77	14
Merger profits	10	-
Other operating income	1,745	1,725
Total	**1,889**	**11,406**

G10 Staff

EUR 1,000	2020	2019
Salaries and remunerations	-58,371	-57,985
Share-based payments	-81	-331
Pension costs		
Defined contribution plans	-8,885	-8,934
Defined benefit plans	-109	-136
Other indirect employee costs	-1,623	-1,607
Indirect employee costs	-10,616	-10,677
Total	**-69,068**	**-68,993**
Number of employees 31 December		
Full-time	768	716
Part-time	50	52
Temporary	108	112
Total	**926**	**880**
Number of employees converted to full-time equivalents	829	776
Full-time equivalent average number of employees for the year	808	787

The managements salaries and remuneration are presented in note G43.

G11 Depreciation of tangible and intangible assets

EUR 1,000	2020	2019
Depreciation of right-of-use assets	-5,667	-6,774
Depreciation of other tangible assets	-1,204	-1,492
Depreciation of intangible assets	-11,405	-11,214
Total	**-18,276**	**-19,481**

G12 Other operating expenses

EUR 1,000	2020	2019
Other staff expenses	-2,749	-4,338
Office expenses	-1,556	-1,699
Communication expenses	-2,908	-3,044
Marketing- and representation expenses	-3,071	-3,476
Purchased services	-6,344	-6,271
Rental expenses [1]	-1,466	-2,007
Expenses for properties in own use	-992	-1,495
Insurance and security expenses	-3,945	-3,153
Monitoring, control and membership fees	-1,580	-1,293
Other operating expenses	-4,200	-2,459
Total	**-28,813**	**-29,233**

1) Rental expenses refer to leasing agreements with a maximum term of 12 months of EUR 0.8 (0.9 million) or low value assets of EUR 1.0 (0.8 million). Other leasing agreements are reported from 1 January 2019 accordance with IFRS 16.

Auditors' fees		
Statutory auditing	-433	-182
Services related to auditing	-18	-78
Tax counselling	-2	-13
Other services	-21	-14
Total	**-475**	**-286**

The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-2,590	-2,311
amount of which paid from the old Deposit Guarantee Fund	-2,590	-2,311
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	15	18
Contribution to the Single Resolution Fund	-2,781	-1,963
amount of which transferred from previously paid bank tax	-	-
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	0	0

G13 Taxes

EUR 1,000	2020	2019
Income taxes	-12,101	-12,826
Taxes from previous years	61	298
Change in deferred taxes	-132	-403
Total	**-12,172**	**-12,931**

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

Profit before tax	54,793	74,756
Tax calculated on a 20.0% tax rate	-10,959	-14,951
Non-deductible expenses	-128	-269
Tax free income	123	1,846
Unused write-downs for tax purposes	234	1
Associated companies and investment properties	-486	773
Taxes from previous years	61	298
Repayment of dividend debt for invalidated shares	-721	-
Other	-297	-628
Total taxes	**-12,172**	**-12,931**
Average effective tax rate	22%	17%

Deferred tax recognised in comprehensive income

Deferred tax relating to financial assets	-1,458	640
Deferred tax relating to cash flow hedging	-85	-
Deferred tax relating to defined benefit plan pensions	54	77
Total	**-1,489**	**716**

G14 Earnings per share

EUR 1,000	2020	2019
Profit for the year attributable to shareholders in Aktia Bank plc	42,621	61,825
Average number of shares	69,868,878	69,037,320
Earnings per share (EPS), EUR (excluding treasury shares)	0.61	0.90
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	0.61	0.90
Total comprehensive income attributable to shareholders in Aktia Bank plc	48,576	58,959
Total earnings per share, EUR (excluding treasury shares)	0.70	0.85
Total earnings per share, EUR, after dilution (excluding treasury shares)	0.70	0.85

G15 Classification of and liabilities

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

The table continues

EUR 1,000	Note	Amortised cost	Fair value through the income statement	Fair value through other comprehen-sive income	Non-financial assets	Total
Assets 31 December 2019						
Interest-bearing securities	G16		19,368			19,368
Shares and participations	G16		148,084			148,084
Investments for unit-linked investments	G16		871,641			871,641
Interest-bearing securities	G17			1,240,331		1,240,331
Interest-bearing securities	G18	336,495				336,495
Lending to Bank of Finland and credit institutions	G19	17,312				17,312
Lending to the public and public sector entities	G19	6,429,143				6,429,143
Cash and balances with central banks	G21	315,383				315,383
Derivative instruments	G22		68,134			68,134
Total financial instruments		**7,098,333**	**1,107,226**	**1,240,331**	**-**	**9,445,890**
Investments in associated companies and joint ventures	G23				102	102
Intangible assets	G24				62,813	62,813
Right-of-use assets	G25				11,826	11,826
Investment properties	G26				42,162	42,162
Other tangible assets	G27				2,112	2,112
Accrued income and advance payments	G28				46,121	46,121
Other assets	G28				82,800	82,800
Income tax receivables					411	411
Deferred tax receivables	G29				2,862	2,862
Total		**7,098,333**	**1,107,226**	**1,240,331**	**251,208**	**9,697,098**

The table continues

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

The table continues

EUR 1,000		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities 31 December 2019					
Liabilities to credit institutions	G30		597,612		597,612
Liabilities to the public and public sector entities	G30		4,059,841		4,059,841
Derivative instruments	G22	9,847			9,847
Debt securities issued	G31		2,622,677		2,622,677
Subordinated liabilities	G32		215,383		215,383
Other liabilities to credit institutions	G33		35,069		35,069
Other liabilities	G34		150,000		150,000
to the public					
and public sector entities					
Technical provisions for risk insurances and interest-related insurances	G35			390,364	390,364
Technical provisions for unit-linked insurances	G35			869,407	869,407
Accrued expenses and income received in advance	G36			45,696	45,696
Liabilities for right-of-use assets	G36		12,280		12,280
Other liabilities	G36			23,119	23,119
Provisions	G20		999		999
Income tax liabilities				4,301	4,301
Deferred tax liabilities	G29			50,507	50,507
Total		**9,847**	**7,693,860**	**1,383,395**	**9,087,102**

G16 Financial assets measured at fair value through income statement

EUR 1,000	2020	2019
Interest bearing securities, credit institutions	12,211	11,368
Interest bearing securities, other	90,506	8,000
Interest-bearing securities, Life insurance	102,717	19,368
Total interest-bearing securities	**102,717**	**19,368**
Publicly quoted shares and holdings	4,152	3,951
Shares and holdings that are not publicly quoted	842	1,042
Shares and holdings, Banking business	4,994	4,993
Publicly quoted shares and holdings	112,977	112,573
Shares and holdings that are not publicly quoted	41,933	30,518
Shares and holdings, Life insurance	154,910	143,091
Total shares and participations	**159,904**	**148,084**
Investments for unit-linked investments		
Publicly quoted shares and holdings	969,876	871,641
Total interest-bearing securities	**969,876**	**871,641**
Total financial assets measured at fair value through income statement	**1,232,497**	**1,039,093**

G17 Financial assets measured at fair value through other comprehensive income

EUR 1,000	2020	2019
Interest bearing securities, governments and public sector entities	169,616	245,921
Interest bearing securities, credit institutions	879,057	774,651
Interest-bearing securities, Banking business	1,048,673	1,020,572
Interest bearing securities, governments and public sector entities	65,020	44,479
Interest bearing securities, credit institutions	56,070	101,597
Interest bearing securities, other	88,462	73,683
Interest-bearing securities, Life insurance	209,552	219,759
Total interest-bearing securities	**1,258,224**	**1,240,331**
Total financial assets measured at fair value through other comprehensive income	**1,258,224**	**1,240,331**

G18 Interest-bearing securities measured at amortised cost

	2020		**2019**	
EUR 1,000	**Carrying amount**	**of which ECL**	**Carrying amount**	**of which ECL**
Interest-bearing securities, states	129,104	-51	89,177	-51
Interest-bearing securities, other public corporations	44,000	-	58,942	-56
Interest-bearing securities, credit institutions	202,892	-87	140,438	-65
Interest-bearing securities, Banking business	375,996	-138	288,558	-172
Interest-bearing securities, states	37,763	-11	47,938	-28
Interest-bearing securities, Life insurance	37,763	-11	47,938	-28
Total interest-bearing securities measured at amortised cost	**413,759**	**-149**	**336,495**	**-200**

G19 Loans and other receivables

EUR 1,000	2020 Carrying amount	2020 of which ECL	2019 Carrying amount	2019 of which ECL
Payable on demand claims on credit institutions	26,972	-	14,812	-
Other than payable on demand claims on credit institutions	1,900	-	2,500	-
Lending to Bank of Finland and credit institutions	28,872	-	17,312	-
Current account credits, public and corporates	165,633	-1,171	175,130	-1 367
Loans	6,812,795	-26,474	6,235,291	-25 020
Syndicated loans and repurchase agreements	70	-	100	-
Change in fair value of loans	928	-	-	-
Receivables from finance lease contracts	20,294	-94	18,487	-164
Loans	6,999,720	-27,739	6,429,008	-26 551
Bank guarantee claims	95	-574	135	-586
Lending to the public and public sector entities	6,999,814	-28,313	6,429,143	-27 137
Total	**7,028,686**	**-28,313**	**6,446,455**	**-27 137**

EUR 1,000	2020	2019
Breakdown of maturity on finance lease receivables		
Under 1 year	15,312	9,183
1-5 years	5,813	9,650
Over 5 years	-5	407
Gross investment	**21,121**	**19,240**
Unearned future finance income	-827	-754
Net investment	**20,294**	**18,487**
Present value of lease payment receivables		
Under 1 year	14,712	8,824
1-5 years	5,586	9,272
Over 5 years	-4	391
Total	**20,294**	**18,487**

G20 Financial assets and impairment by stage

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2020				
Interest-bearing securities	1,671,983	-	-	1,671,983
Lending	6,646,188	334,761	47,737	7,028,686
Off-balance sheet commitments	695,795	2,533	607	698,935
Total	**9,013,965**	**337,295**	**48,344**	**9,399,605**
Book value of financial assets 31 December 2019				
Interest-bearing securities	1,576,826	-	-	1,576,826
Lending	6,254,822	140,564	51,068	6,446,455
Off-balance sheet commitments	637,238	2,941	398	640,577
Total	**8,468,886**	**143,505**	**51,466**	**8,663,858**
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2020 according to IFRS 9	3,766	3,645	21,766	29,177
Transferred from stage 1 to stage 2	-292	2,796	-	2,505
Transferred from stage 1 to stage 3	-26	-	663	637
Transferred from stage 2 to stage 1	72	-595	-	-523
Transferred from stage 2 to stage 3	-	-467	777	310
Transferred from stage 3 to stage 1	11	-	-127	-115
Transferred from stage 3 to stage 2	-	233	-210	23
Reversal of impairment	-	-	-140	-140
Other changes	725	-279	903	1,349
Impairment January-December 2020 in the income statement	491	1,689	1,866	4,046
Realised losses for which write-downs were made in previous years	-	-	-2,460	-2,460
Reversal of impairment	-	-	140	140
Impairment of credits and the other commitments 31 December 2020 according to IFRS 9	**4,257**	**5,334**	**21,312**	**30,903**
of which ECL of other commitments	892	69	323	1,284

The table continues

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	753	3,492	10,663	14,908
Corporates	2,857	1,785	10,284	14,926
Housing associations	612	48	165	825
Public sector entities	1	-	-	1
Non-profit organisations	33	9	200	242
Total	**4,257**	**5,334**	**21,312**	**30,903**
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2020 according to IFRS 9	841	-	-	841
Transferred from stage 1 to stage 3	-	-	154	154
Other changes	-47	-	-	-47
Impairment January-December 2020 in the income statement	-47	-	154	107
Impairment of interest-bearing securities 31 December 2020 according to IFRS 9	**793**	**-**	**154**	**948**
Impairment of interest-bearing securities by sector				
Corporates	664	-	154	818
Public sector entities	129	-	-	129
Total	**793**	**-**	**154**	**948**

G21 Cash and balances with central banks

EUR 1,000	2020	2019
Cash in hand	1,302	1,844
Bank of Finland current account	297,313	313,539
Total	**298,615**	**315,383**

G22 Derivative instruments

Derivative instruments, book value

	2020		2019	
EUR 1,000	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	63,338	6,764	58,815	0
Fair value hedging	63,338	6,764	58,815	0
Interest rate derivatives	7,372	-	-	-
Cash flow hedging	7,372	-	-	-
Interest rate derivatives	5,244	5,454	9,308	9,766
Currency derivatives	113	28	11	81
Other derivative instruments	5,357	5,482	9,319	9,847
Total	**76,068**	**12,247**	**68,134**	**9,847**

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

31 December 2020

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

31 December 2019

Hedging derivative instruments	Nominal values / Term remaining				Fair value	
EUR 1,000	Under 1 year	1–5 years	Over 5 years	Total	Assets	Liabilities
Hedging derivative instruments						
Interest rate swaps	-	1,070,000	802,000	1,872,000	58,815	-
Interest rate swaps	**-**	**1,070,000**	**802,000**	**1,872,000**	**58,815**	**-**
Total interest rate derivatives	**-**	**1,070,000**	**802,000**	**1,872,000**	**58,815**	**-**
Total hedging derivative instruments	**-**	**1,070,000**	**802,000**	**1,872,000**	**58,815**	**-**
Other derivative instruments						
Interest rate swaps	100,400	120,000	-	220,400	9,308	9,766
Total interest rate derivatives	**100,400**	**120,000**	**-**	**220,400**	**9,308**	**9,766**
Forward rate agreements	11,140	-	-	11,140	11	81
Total forward rate agreements	**11,140**	**-**	**-**	**11,140**	**11**	**81**
Total other derivative instruments	**111,540**	**120,000**	**-**	**231,540**	**9,319**	**9,847**
Total derivative instruments	**111,540**	**1,190,000**	**802,000**	**2,103,540**	**68,134**	**9,847**

G23 Investments in associated companies and joint ventures

EUR 1,000	**2020**	**2019**
Book value at 1 January	178	175
Increases	145	3
Decreases	-	0
Book value at 31 December	323	178
Share of profits at 1 January	-76	-86
Share of profit from associated companies	-118	1 694
Dividends obtained during the year	-	-1 684
Share of profits at 31 December	-194	-76
Book value at 31 December	**129**	**102**
Associated companies:		
Samlink Ltd, Helsinki		
Total share of profits in Samlink Ltd	-	1 684
Figure Financial Management Ltd		
Percentage of shares and votes	25%	25%
Book value in parent company at 31 December	278	178
Total share of profits in Figure Financial Management Ltd	-9	10
Finlands Företagarskydd Ab		
Percentage of shares and votes	45%	-
Book value in parent company at 31 December	45	-
Total share of profits in Finlands Företagssydd Ab	-109	-

Aktia Bank Plc has obtained in 2019 dividends from Samlink Ltd EUR 1.7 million.

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

See note G43 for transactions with associated companies.

G24 Intangible assets

EUR 1,000	**2020**	**2019**
Acquisition cost at 1 January	114,506	108,248
Increases	6,524	7,194
Decreases	-	-935
Acquisition cost at 31 December	121,031	114,506
Accumulated depreciations and impairments at 1 January	-51,694	-41,591
Accumulated depreciation on decreases	-	935
Planned depreciation	-11,405	-11,037
Accumulated depreciations and impairments at 31 December	-63,099	-51,694
Book value at 31 December	**57,932**	**62,813**

G25 Right-of-use assets

EUR 1,000	2020	2019
Properties	17,355	14,781
Cars	535	758
Acquisition cost at 1 January	**17,890**	**15,539**
Increases	17,199	4,517
Decreases	-6,291	-2,166
Acquisition cost at 31 December	28,798	17,890
Accumulated depreciations and impairments at 1 January	-6,064	-
Accumulated depreciation on decreases	5,534	710
Planned depreciation	-5,667	-6,774
Accumulated depreciations and impairments at 31 December	-6,197	-6,064
Book value at 31 December	**22,601**	**11,826**
Properties	22,229	11,552
Cars	371	274

G26 Investment properties

EUR 1,000	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
2020				
Acquisition cost at 1 January	2,053	16,347	24,845	43,245
Valuation at fair value	-	-1,500	-2,315	-3,815
Increases	-	-	1,500	1,500
Acquisition cost at 31 December	2,053	14,847	24,030	40,930
Accumulated depreciations and impairments at 1 January	-	-	-1,083	-1,083
Accumulated depreciations and impairments at 31 December	-	-	-1,083	-1,083
Book value at 31 December	**2,053**	**14,847**	**22,947**	**39,847**
2019				
Acquisition cost at 1 January	2,048	14,852	23,217	40,117
Valuation at fair value	-	1,307	3,862	5,169
Increases	5	188	7,672	7,865
Acquisition cost at 31 December	2,053	16,347	24,845	43,245
Accumulated depreciations and impairments at 1 January	-	-	-1,038	-1,038
Accumulated impairments on decreases	-	-	-45	-45
Accumulated depreciations and impairments at 31 December	-	-	-1,083	-1,083
Book value at 31 December	**2,053**	**16,347**	**23,762**	**42,162**

G27 Other tangible assets

EUR 1,000	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
2020				
Acquisition cost at 1 January	15,905	9,443	530	25,878
Increases	2,939	1,492	-	4,431
Decreases	-1,358	-2,104	-2	-3,464
Acquisition cost at 31 December	17,485	8,831	528	26,845
Accumulated depreciations and impairments at 1 January	-15,111	-8,425	-230	-23,766
Accumulated depreciation on decreases	1,358	2,104	-	3,462
Planned depreciation	-666	-538	-	-1,204
Accumulated depreciations and impairments at 31 December	-14,418	-6,860	-230	-21,508
Book value at 31 December	**3,067**	**1,971**	**298**	**5,336**
2019				
Acquisition cost at 1 January	15,704	9,085	537	25,326
Increases	213	357	-	570
Decreases	-12	-	-6	-18
Acquisition cost at 31 December	15,905	9,443	530	25,878
Accumulated depreciations and impairments at 1 January	-14,320	-7,563	-225	-22,108
Accumulated depreciation on decreases	12	-	-	12
Planned depreciation	-803	-862	-5	-1,670
Accumulated depreciations and impairments at 31 December	-15,111	-8,425	-230	-23,766
Book value at 31 December	**794**	**1,018**	**300**	**2,112**

G28 Total other assets

EUR 1,000	2020	2019
Accrued and advance interests	13,897	19,775
Other accrued income and advance payments	20,532	26,346
Accrued income and advance payments	34,429	46,121
Cash items being collected	480	429
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	41,534	25,689
Other receivables	9,661	6,682
Other assets	101,676	82,800
Total	**136,105**	**128,921**

G29 Deferred tax receivables and liabilities

EUR 1,000	2020	2019
Deferred tax liabilities, net		
Net deferred tax liabilities / receivables at 1 January	47,646	47,960
Changes during the year booked via the income statement	132	403
Financial assets:		
Valuation at fair value direct to equity	2,101	691
Transferred to the income statement	-643	-1,331
Cash flow hedging:		
Valuation at fair value direct to equity	85	-
Defined-benefit pensions plans via comprehensive income	-54	-77
Net deferred tax liabilities at 31 December	**49,266**	**47,646**

The table continues

EUR 1,000	2020	2019
Deferred tax liabilities		
Appropriations	43,000	43,007
Expected credit losses	-1,642	-1,655
Financial assets	6,714	5,048
Investment properties valued at fair value	794	1,026
Activated development costs	1,885	1,877
Equalisation provision of the life insurance business	960	1,200
Other	5	4
Total	**51,717**	**50,507**
Deferred tax receivables		
Expected credit losses	560	210
Financial assets	1,249	1,777
Defined-benefit pension plans	198	161
Other	444	714
Total	**2,450**	**2,862**
Specification of changes during the year booked via the income statement		
Appropriations	7	-2
Change of expected credit losses	337	160
Financial assets	-651	321
Investment properties valued at fair value	232	-358
Defined-benefit pension plans	-17	-23
Activated development costs	-8	87
Equalisation provision of the life insurance business	240	240
Right-of-use assets	2	4
Negative result	-	-494
Other	-274	-338
Total	**-132**	**-403**
Total change in deferred taxes	**-132**	**-403**

G30 Deposits

EUR 1,000	2020	2019
Repayable on demand liabilities to credit institutions	72,655	75,346
Other than repayable on demand deposits from credit institutions	625,994	522,266
Liabilities to credit institutions	698,649	597,612
Repayable on demand deposits	4,308,556	3,988,940
Other than repayable on demand deposits	157,211	70,901
Liabilities to the public and public sector entities	4,465,767	4,059,841
Total	**5,164,416**	**4,657,453**

G31 Debt securities issued

	2020		2019	
EUR 1,000	**Book value**	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposits	125,981	126,000	96,951	97,000
Bonds	2,719,820	2,714,607	2,525,726	2,530,796
Total	**2,845,801**	**2,840,607**	**2,622,677**	**2,627,796**

	2020			2019		
EUR 1,000	**Under 1 year**	**Over 1 year**	**Total**	**Under 1 year**	**Over 1 year**	**Total**
Secured Debts (collateralised)						
Issued covered bonds	176	1,621,337	1,621,513	183	1,612,423	1,612,605
Total	**176**	**1,621,337**	**1,621,513**	**183**	**1,612,423**	**1,612,605**
Unsecured Debts						
Issued unsecured debts, senior financing	-	1,098,307	1,098,307	530,005	383,116	913,121
Total	**-**	**1,098,307**	**1,098,307**	**530,005**	**383,116**	**913,121**

EUR 1,000	**Under 3 months**	**3-12 months**	**1-5 years**	**5-10 years**	**Over 10 years**	**Total**
31.12.2020						
Certificates of deposit with fixed interest rate	58,000	68,000	-	-	-	126,000
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	1,000,000	500,000	83,000	1,583,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	189,625	89,770	228,000	507,395
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	-	571,215	-	-	571,215
Other	-	-	-	-	-	52,996
Total	**58,000**	**68,000**	**1,760,840**	**589,770**	**311,000**	**2,840,607**
31.12.2019						
Certificates of deposit with fixed interest rate	-	97,000	-	-	-	97,000
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	-	1,000,000	500,000	83,000	1,583,000
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	70,000	25,000	194,000	289,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	530,000	80,000	-	-	610,000
Other	-	-	-	-	-	48,796
Total	**-**	**627,000**	**1,150,000**	**525,000**	**277,000**	**2,627,796**

G32 Subordinated liabilities

EUR 1,000	2020	2019
Debentures	158,154	215,383
Total	**158,154**	**215,383**
Nominal value	158,742	216,038
Amount counted to Tier 2 capital	80,057	102,608

There are two loans exceeding 10% of all subordinated liabilities; a loan of EUR 21.6 million at an interest rate of 2.5% maturing 2 January 2021 and another of EUR 70 million at an interest rate of 1.375% maturing 18 September 2029.

G33 Other liabilities to credit institutions

EUR 1,000	2020	2019
Other liabilities to credit institutions, secured debts	8,000	13,000
Other liabilities to credit institutions, unsecured debts	16,552	22,069
Total	**24,552**	**35,069**

Other liabilities to credit institutions include liabilities of EUR 25 (35) million with fixed interest rate to the European Investment Bank.

G34 Other liabilities to the public and public sector entities

EUR 1,000	2020	2019
Other liabilities	150,000	150,000
Total	**150,000**	**150,000**

G35 Technical provisions

	From insurance agreements		From investment agreements		Total	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Technical provisions at 1 January	460,890	461,110	798,881	694,594	1,259,771	1,155,704
Income from insurance premiums	29,913	28,232	75,419	89,628	105,332	117,860
Insurance claims paid	-59,961	-47,970	-59,313	-88,942	-119,274	-136,913
Transfer of savings from / to unit-linked insurance	-687	-6,486	687	6,486	-	-
Compensated interest for savings	9,406	13,831	-	-	9,406	13,831
Customer compensation for savings	28	57	-	-	28	57
Interest reductions and provision for customer compensation	1,200	10,000	-	-	1,200	10,000
Total expense loading	-8,791	-8,212	-7,760	-8,171	-16,551	-16,383
Value increases and other items	107,553	10,329	63,354	105,286	170,907	115,614
Technical provisions at 31 December	**539,551**	**460,890**	**871,267**	**798,881**	**1,410,818**	**1,259,771**
Technical provisions by the various insurance branches						
Saving plans	63,336	54,468	759,617	698,387	822,954	752,854
Individual pension insurance	345,238	308,324	111,650	100,494	456,887	408,818
Group pension insurance	105,797	74,648	-	-	105,797	74,648
Risk insurance	25,180	23,450	-	-	25,180	23,450
Total	**539,551**	**460,890**	**871,267**	**798,881**	**1,410,818**	**1,259,771**
Change in technical provisions						
Technical provisions at 1 January	460,890	461,110	798,881	694,594	1,259,771	1,155,704
Change of category due to amended insurance terms and conditions	-	-	-	-	-	-
Year's change	78,661	-220	72,386	104,287	151,047	104,067
Technical provisions at 31 December	**539,551**	**460,890**	**871,267**	**798,881**	**1,410,818**	**1,259,771**
of which technical provisions for risk insurance and interest-related insurance	437,507	382,261	3,498	8,103	441,005	390,364
of which technical provisions for unit-linked insurance	102,044	78,629	867,770	790,777	969,814	869,407

EUR 1,000	**2020**	**2019**
Average calculation interest		
Saving plans	2.6%	2.5%
Individual pension insurance	3.5%	3.5%
Group pension insurance	3.3%	3.3%
Risk insurance	2.8%	2.8%
Total	**3.3%**	**3.3%**

Methods used and assumptions made when determining technical insurance provisions of the life insurance business

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

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

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

G36 Total other liabilities

EUR 1,000	2020	2019
Interest liabilities	13,294	14,465
Interest received in advance	969	775
Accrued interest expenses and interest income received in advance	14,264	15,240
Other accrued expenses and income received in advance	28,146	30,456
Accrued expenses and income received in advance	**42,409**	**45,696**
Cash items in the process of collection	10,934	11,686
Liabilities for right-of-use assets, properties	24,027	11,997
Liabilities for right-of-use assets, cars	560	283
Defined benefit plan pensions	989	804
Other liabilities	28,578	22,910
Total other liabilities	**40,501**	**35,399**
Total	**82,910**	**81,095**

G37 Equity

EUR 1,000	2020	2019
Share capital	169,732	163,000
Fund at fair value	21,267	15,094
Restricted equity	**190,999**	**178,094**
Fund for share-based payments	2,952	2,606
Unrestricted equity reserve	112,703	110,184
Retained earnings 1 January	319,111	298,913
Dividend to shareholders	-	-42,075
Other change in retained earnings	-1,000	-
Acquisition of treasury shares	-1,657	-
Divestment of treasury shares	1,318	755
Defined pension plans, OCI	-217	-307
Profit for the year	42,621	61,825
Unrestricted equity	**475,831**	**431,902**
Shareholders' share of equity	666,830	609,996
Equity	**666,830**	**609,996**

EUR 1,000	2020	2019
Specification of change in fund at fair value		
Fund at fair value at 1 January	15,094	17,653
Profit / loss on valuation to fair value, interest bearing securities	10,507	3,455
Deferred taxes on profit / loss on valuation to fair value	-2,101	-691
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-30	-566
Net income from life insurance	-3,186	-6,086
Deferred taxes	643	1,331
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	425	-
Deferred taxes on profit / loss on valuation to fair value	-85	-
Fund at fair value at 31 December	**21,267**	**15,094**

Share capital and shares

Aktia Bank Plc has only one share class. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 169,731,963.93 million divided into 69,574,173 (69,172,437) Aktia shares. The number of registered shareholders at the end of the year was 36,918 (35,718). The number of Aktia shares attributable to unidentified shareholders was 47,920 (765,483).

Treasury shares

At year-end, the number of Aktia treasury shares was 113,372 (29,321). Aktia Bank Plc has during the year issued 220,000 treasury shares and has received 32,389 shares in return from the acquisition of the minority in Aktia Asset Management Ltd (conditional acquisition) and has during the year also divested 168,338 treasury shares held by the company for payment of deferred instalments for the share-based inventive scheme and the share ownership scheme. On 16 April 2020, the Annual General Meeting authorised the Board of Directors to acquire a maximum of 500,000 treasury shares and to divest a maximum of 500,000 treasury shares. At the date the accounts closed the acquisition of a maximum of 500,000 treasury shares and the divestment of a maximum of 331,662 treasury shares remain of the Annual General Meeting's authorisation.

Fund at fair value

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

Fund for share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there are remuneration programs with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in shareholder's equity under Fund for share-based payments.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in a new issue.

Retained earnings

Retained earning contains retained earnings from previous years, dividends to shareholders and profit for the year. Retained earnings also contains appropriations in the separate financial statements of Group companies and the insurance companies' equalisation provisions that in the IFRS financial statements have been booked under retained earnings after deduction for deferred tax.

Share capital and unrestricted equity reserve

EUR 1,000	Number of shares	Share capital	Unrestricted equity reserve
1.1.2019	**69,027,794**	**163,000**	**108,935**
Share issue 16 May 2019	66,959		607
Share issue 14 November 2019	77,684		652
Other changes			-10
31.12.2019	**69,172,437**	**163,000**	**110,184**
Share issue 14 February 2020	744,696	6,732	
Share issue 4 May 2020	220,000		1,657
Share issue 5 May 2020	84,355		607
Invalidation of shares 7 October 2020	-717,196		
Share issue 16 November	69,881		655
Other changes			-400
31.12.2020	**69,574,173**	**169,732**	**112,703**

Group's unrestricted equity

EUR 1,000	2020	2019
Group's non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	172,029	172,020
Share of activated development expenses that have been included in the retained earnings at 1 January	7,507	7,854
Total non-distributable earnings in the retained earnings 1 January	**179,536**	**179,874**
Share of accumulated appropriations that have been included in the profit for the year	-29	9
Share of activated development expenses that have been included in the profit for the year	-47	-347
Total non-distributable earnings that have been included in the profit for the year	**-77**	**-338**
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	172,000	172,029
Share of activated development expenses that have been included in the retained earnings 31 December	7,459	7,507
Total non-distributable earnings in the retained earnings 31 December	**179,459**	**179,536**

The table continues

EUR 1,000	2020	2019
Group's distributable earnings in unrestricted equity		
Fund for share-based payments	2,952	2,606
Unrestricted equity reserve	112,703	110,184
Retained earnings 1 January	139,575	119,040
Dividend to shareholders	-	-42,075
Other changes in retained earnings	-1,556	447
Profit for the year	42,698	62,163
Total	**296,372**	**252,366**
Group's total unrestricted equity		
Fund for share-based payments	2,952	2,606
Unrestricted equity reserve	112,703	110,184
Retained earnings 1 January	319,111	298,913
Dividend to shareholders	-	-42,075
Other changes in retained earnings	-1,556	447
Profit for the year	42,621	61,825
Total	**475,831**	**431,902**

Dividend to shareholders

Dividend for 2019 of EUR 0.53 per share was paid in January 2021.

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 13 April 2021 that a dividend of EUR 0.43 per share, estimated totalling EUR 91,864,240.07 to be paid for the year based on the parent company's distributable retained earnings of EUR 29,860,264.68.

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

G38 Financial assets and liabilities

Fair value of financial assets and liabilities

	2020		2019	
EUR 1,000	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Financial assets measured at fair value through income statement	1,232,497	1,232,497	1,039,093	1,039,093
Financial assets measured at fair value through other comprehensive income	1,258,224	1,258,224	1,240,331	1,240,331
Interest-bearing securities measured at amortised cost	413,759	448,315	336,495	367,973
Loans and other receivables	7,028,686	7,127,768	6,446,455	6,476,330
Cash and balances with central banks	298,615	298,615	315,383	315,383
Derivative instruments	76,068	76,068	68,134	68,134
Total	**10,307,849**	**10,441,486**	**9,445,890**	**9,507,244**
Financial liabilities				
Deposits	5,164,416	5,164,533	4,657,453	4,654,544
Derivative instruments	12,247	12,247	9,847	9,847
Debt securities issued	2,845,801	2,882,055	2,622,677	2,645,728
Subordinated liabilities	158,154	156,201	215,383	217,013
Other liabilities to credit institutions	24,552	24,708	35,069	35,360
Other liabilities to the public and public sector entities	150,000	150,464	150,000	150,144
Liabilities for right-of-use assets	24,587	24,587	12,280	12,280
Total	**8,379,756**	**8,414,794**	**7,702,709**	**7,724,916**

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

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

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

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

Measurement of financial assets at fair value

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

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

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

Financial instruments measured at fair value

	2020				2019			
	Fair value classified into				Fair value classified into			
EUR 1,000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	969,876	-	-	969,876	871,641	-	-	871,641
Interest-bearing securities	24,187	78,530	-	102,717	19,213	-	154	19,368
Shares and participations	112,977	-	46,927	159,904	112,573	-	35,511	148,084
Total	**1,107,041**	**78,530**	**46,927**	**1,232,497**	**1,003,427**	**-**	**35,665**	**1,039,093**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,128,584	54,432	75,208	1,258,224	1,069,394	54,933	116,003	1,240,331
Total	**1,128,584**	**54,432**	**75,208**	**1,258,224**	**1,069,394**	**54,933**	**116,003**	**1,240,331**
Derivative instrument, net	86	63,735	-	63,821	-70	58,357	-	58,287
Total	**86**	**63,735**	**-**	**63,821**	**-70**	**58,357**	**-**	**58,287**
Total	**2,235,710**	**196,697**	**122,135**	**2,554,542**	**2,072,752**	**113,290**	**151,669**	**2,337,710**

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 in Aktia Life Insurance.

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

Reconciliation of the changes taken place for financial instruments which belong to level 3	**Financial assets valued at fair value via the income statement**			**Financial assets measured at fair value through other comprehensive income**			**Total**		
EUR 1,000	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**
Carrying amount 1 January 2020	154	35,512	35,666	116,002	-	116,002	116,157	35,512	151,668
New purchases	-	12,376	12,376	-	-	-	-	12,376	12,376
Sales	-	-2,483	-2,483	-	-	-	-	-2,483	-2,483
Matured during the year	-	-	-	-41,000	-	-41,000	-41,000	-	-41,000
Realised value change in the income statement	-154	-	-154	-	-	-	-154	-	-154
Unrealised value change in the income statement	-	1,523	1,523	-	-	-	-	1,523	1,523
Value change recognised in total comprehensive income	-	-	-	205	-	205	205	-	205
Carrying amount 31 December 2020	**-**	**46,928**	**46,928**	**75,207**	**-**	**75,207**	**75,207**	**46,928**	**122,135**

Changes within level 3

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

Sensitivity analysis for level 3 Financial instruments

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

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

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

Sensitivity analysis for financial instruments belonging to level 3	**31.12.2020 Effect at an assumed movement**			**31.12.2019 Effect at an assumed movement**		
EUR 1,000	**Carrying amount**	**Positive**	**Negative**	**Carrying amount**	**Positive**	**Negative**
Financial assets measured at fair value through income statement						
Interest-bearing securities	-	-	-	154	5	-5
Shares and participations	46,927	9,385	-9,385	35,511	7,102	-7,102
Total	**46,927**	**9,385**	**-9,385**	**35,665**	**7,107**	**-7,107**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	75,208	2,256	-2,256	116,003	3,480	-3,480
Total	**75,208**	**2,256**	**-2,256**	**116,003**	**3,480**	**-3,480**
Total	**122,135**	**11,642**	**-11,642**	**151,669**	**10,587**	**-10,587**

Set off of financial assets and liabilities

	31 December 2020		31 December 2019	
EUR 1,000	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Assets				
Financial assets included in general agreements on set off or similar agreements	76,068	-	68,134	-
Carrying amount in the balance sheet	**76,068**	**-**	**68,134**	
				-
Amount not set off but included in general agreements on set off or similar	6,488	-	9	-
Collateral assets	64,640	-	69,469	-
Total amount of sums not set off in the balance sheet	**71,128**	**-**	**69,478**	**-**
Net amount	**4,940**	**-**	**-1,344**	**-**
Liabilities				
Financial liabilities included in general agreements on set off or similar agreements	12,247	11,354	9,847	52,806
Carrying amount in the balance sheet	**12,247**	**11,354**	**9,847**	**52,806**
Amount not set off but included in general agreements on set off or similar	6,488	-	9	52,724
Collateral liabilities	1,900	11,349	2,500	-
Total amount of sums not set off in the balance sheet	**8,388**	**11,349**	**2,509**	**52,724**
Net amount	**3,859**	**5**	**7,338**	**82**

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

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

EUR 1,000	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets 31 December 2020							
Investments for unit-linked investments measured at fair value through income statement	G16	-	-	-	-	969 876	969 876
Equity instruments measured at fair value through income statement	G16	-	-	-	-	159,904	159,904
Interest-bearing securities measured at fair value through income statement	G16	-	5,557	19,749	23,478	53,933	102,717
Interest-bearing securities measured at fair value through other comprehensive income	G17	97,137	78,119	825,513	227,216	30,240	1,258,224
Interest-bearing securities measured at amortised cost	G18	-	-	232,154	165,381	16,224	413,759
Loans and other receivables	G19	395,983	981,579	3,124,505	1,581,377	945,243	7,028,686
Cash and balances with central banks	G21	298,615	-	-	-	-	298,615
Derivative instruments	G22	493	612	35,407	22,702	16,853	76,068
Total		**792,228**	**1,065,867**	**4,237,327**	**2,020,154**	**2,192,273**	**10,307,849**
Liabilities 31 December 2020							
Deposits	G30, G34	4,522,006	157,706	634,666	37	-	5,314,416
Derivative instruments	G22	664	589	6,310	4,361	323	12,247
Debt securities issued	G31	58,043	68,114	1,787,400	608,297	323,947	2,845,801
Subordinated liabilities	G32	30,876	32,883	24,983	69,412	-	158,154
Other liabilities to credit institutions	G33	1,379	9,138	14,034	-	-	24,552
Right-of-use liabilities for rent agreements	G36	-1,258	3,455	19,228	3,161	-	24,587
Total		**4,611,711**	**271,884**	**2,486,622**	**685,269**	**324,270**	**8,379,756**
Assets 31 December 2019							
Investments for unit-linked investments measured at fair value through income statement	G16	-	-	-	-	871,641	871,641
Equity instruments measured at fair value through income statement	G16	-	-	-	-	148,084	148,084
Interest-bearing securities measured at fair value through income statement	G16	-	-	10,670	8,698	-	19,368
Interest-bearing securities measured at fair value through other comprehensive income	G17	70,241	193,599	759,703	201,302	15,486	1,240,331
Interest-bearing securities measured at amortised cost	G18	14,997	-	189,292	91,890	40,316	336,495
Loans and other receivables	G19	243,550	429,477	2,083,247	1,504,928	2,185,253	6,446,455
Cash and balances with central banks	G21	315,383	-	-	-	-	315,383
Derivative instruments	G22	37	1,833	29,324	13,701	23,238	68,134
Total		**644,207**	**624,910**	**3,072,236**	**1,820,520**	**3,284,018**	**9,445,890**
Liabilities 31 December 2019							
Deposits	G30, G34	4,251,103	269,888	286,436	26	-	4,807,453
Derivative instruments	G22	614	1,824	7,409	-	-	9,847
Debt securities issued	G31	46	627,093	1,165,598	534,338	295,602	2,622,677
Subordinated liabilities	G32	19,132	38,164	88,742	69,345	-	215,383
Other liabilities to credit institutions	G33	1,379	9,138	24,552	-	-	35,069
Right-of-use liabilities for rent agreements	G36	1,415	2,695	8,170	-	-	12,280
Total		**4,273,690**	**948,801**	**1,580,907**	**603,708**	**295,602**	**7,702,709**

G40 Collateral assets and liabilities

EUR 1,000	2020	2019
Collateral assets		
Collateral for own liabilities		
Securities	333,232	473,101
Outstanding loans constituting security for covered bonds	2,475,488	2,031,788
Total	**2,808,720**	**2,504,889**
Other collateral assets		
Pledged securities [1]	1,381	16,800
Cash included in pledging agreements and repurchase agreements	1,900	2,500
Total	**3,281**	**19,300**
Total collateral assets	**2,812,001**	**2,524,189**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	569,349	465,806
Issued covered bonds [3]	1,621,513	1,612,605
Derivatives	1,900	2,500
Total	**2,192,762**	**2,080,911**

1) Refers to securities pledged for the intra day limit. As at 31 December 2020, a surplus of pledged securities amounted to EUR 6 (5) million.

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

3) Own repurchases deducted.

EUR 1,000	2020	2019
Collateral liabilities		
Cash included in pledging agreements [1]	64,640	69,460
Total	**64,640**	**69,460**

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

G41 Off-balance sheet commitments

EUR 1,000	2020	2019
Guarantees	22,227	28,266
Other commitments provided to a third party	8,187	5,457
Unused credit arrangements	659,951	592,419
Other irrevocable commitments	8,570	14,434
Total	**698,935**	**640,577**

Off-balance sheet commitments, exclude rental commitments.

EUR 1,000	Under 3 months	3-12 months	1-5 years	1-5 years	Over 10 years	Total
31.12.2020						
Guarantees	10,506	2,425	6,998	39	2,259	22,227
Other commitments provided to a third party	3,381	1,876	2,780	-	150	8,187
Unused credit arrangements	199,969	47,764	253,353	15	158,850	659,951
Other irrevocable commitments	-	1,461	165	6,944	-	8,570
Total	**213,856**	**53,527**	**263,296**	**6,997**	**161,259**	**698,935**
31.12.2019						
Guarantees	20,709	4,951	2,088	65	453	28,266
Other commitments provided to a third party	1,990	1,178	2,276	14	-	5,457
Unused credit arrangements	172,421	73,227	182,809	185	163,777	592,419
Other irrevocable commitments	7,770	141	6,523	-	-	14,434
Total	**202,891**	**79,498**	**193,695**	**264**	**164,230**	**640,577**

G42 Subsidiaries included in consolidated accounts

	2020 Percentage of shares	2020 Percentage of votes	2019 Percentage of shares	2019 Percentage of votes
Financing				
Aktia Finance ltd, Helsinki	-	-	100%	100%
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	100%	100%	100%
Securities companies				
Aktia Asset Management Ltd, Helsinki	100%	100%	76%	76%
Insurance companies				
Aktia Life Insurance Ltd, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%	100%	100%	100%
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100%	100%	100%	100%
Asunto Oy Helsingin Tuulensuoja, Helsinki	50%	50%	50%	50%
Kiinteistö Oy Skanssinkatu, Turku	50%	50%	50%	50%
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%	50%	50%	50%
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33%	33%	33%	33%
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33%	33%	33%	33%
Other operations				
Askel Infra GP Oy, Helsinki	80%	80%	-	-

The Group companies' holdings in the investment funds managed by Aktia EUR 10,447 (9,853) million have been taken into account when consolidating.

Subsidiaries that have material non-controlling interest	Segment	2020 Non-controlling interests' share of shares	2020 Non-controlling interests' share of votes	2019 Non-controlling interests' share of shares	2019 Non-controlling interests' share of votes
Aktia Asset Management Ltd	Asset Management	-	-	24%	24%
Askel Infra GP Oy	Group functions	20%	20%	-	-

Summarised financial information (before inter-company eliminations)	Aktia Asset Management Ltd 2020	Aktia Asset Management Ltd 2019
Profit for the year	13,334	13,127
attributable to non-controlling interest	-	3,141
Total comprehensive income for the year	13,334	13,127
attributable to non-controlling interest	-	3,141
Assets	23,569	22,449
Liabilities	6,074	6,109
Net assets	17,495	16,340
attributable to non-controlling interest	-	3,909
Cash flow from operating activities	16,923	10,967
Cash flow from investing activities	-58	-47
Cash flow from financing activities	-12,153	-9,798
Net change in cash and cash equivalents	4,712	1,122
Dividends paid to non-controlling interest	2,913	2,341

See note P43 for transactions with subsidiaries.

G43 Related-party transactions

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

Management personnel compensation

EUR 1,000	Salary remunerations and other fringe benefits *	Result-based salary **	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
2020						
Mikko Ayub, Managing Director	328	65	93	486	90	52
Juha Hammarén, Deputy Managing Director	278	55	175	508	77	44
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,731	232	431	2,395	425	246
Total	**2,337**	**352**	**700**	**3,389**	**592**	**342**
2019						
Mikko Ayub, Managing Director	320	-	-	320	55	52
Juha Hammarén, Deputy Managing Director	278	25	121	424	72	44
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,327	173	86	1,586	271	256
Total	**1,925**	**198**	**207**	**2,330**	**398**	**352**

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

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

Compensation to Members of the Board of Directors [2]

	2020			2019		
EUR 1,000	**Annual remuneration and remuneration per meeting**	**Statutory pension costs**	**Cost for voluntary supplementary pension (IFRS)**	**Annual remuneration and remuneration per meeting**	**Statutory pension costs**	**Cost for voluntary supplementary pension (IFRS)**
Lasse Svens, Chairman	84	19	-	86	15	-
Arja Talma, Vice Chair	50	12	-	54	9	-
Christina Dahlblom	46	11	-	43	7	-
Johan Hammarén	42	10	-	33	6	-
Maria Jerhamre Engström	48	11	-	44	8	-
Kari A. J. Järvinen	35	8	-	-	-	-
Harri Lauslahti	35	8	-	-	-	-
Olli-Petteri Lehtinen	35	8	-	-	-	-
Johannes Schulman	40	9	-	42	7	-
Stefan Damlin	-	-	-	41	7	-
Tarja Wist	-	-	-	33	6	-
Catharina von Stackelberg-Hammarén	-	-	-	12	2	-
Total	**414**	**95**	**-**	**389**	**66**	**-**
Total management personnel compensation	3,389	592	342	2,330	398	352
Total compensation to Members of the Board of Directors	414	95	-	389	66	-
Total compensation to Management personnel and the Board of Directors	**3,803**	**687**	**342**	**2,719**	**464**	**352**

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Director Niina Bergring, Director Max Sundström, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen and Director Anssi Huhta.

2) 40% (40%) of the Board of Directors' annual remuneration was paid in the form of Aktia shares acquired for the Board members from the Stock Exchange at market price.

The notice of dismissal for the Managing Director is from the employer's side 15 months (obligation to work six months), and for the other members of the executive committee the notice of dismissal is 12 months (obligation to work six months). Members of the executive committee follow statutory pension age.

Shareholding

At the end of 2020, the Group's key personnel held a total of 186,069 (122,708) Aktia shares in Aktia Bank plc, which represents 0.3 (0.2) % of the total number of shares.

Related-party transactions

	2020		2019	
EUR 1,000	**Associated companies**	**Other related-party**	**Associated companies**	**Other related-party**
Credits and guarantees	36	2,408	-	3,881
Deposits	-	1,644	-	2,236
Services bought	588	-	1,675	78

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

G44 Defined benefit pension plans

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

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

The assets comprise 100% qualifying insurance policies.

During 2020, 9 (2019; 20) members have left the programme.

EUR 1,000	2020	2019
Current service cost	-104	-128
Net interest income	-4	-8
Expense recognised in income statement	**-109**	**-136**
Remeasurements in total comprehensive income	-272	-384
Total comprehensive income before taxes	**-380**	**-520**
Present value of obligation 1 January	**3,225**	**3,262**
Current service cost	104	128
Interest expenses	18	62
Actuarial gains (-) / losses (+) from experience adjustments	187	149
Actuarial gains (-) / losses (+) from changes in financial assumptions	147	634
Benefits paid	-578	-1,010
Present value of obligation 31 December	**3,104**	**3,225**
Fair value of plan assets 1 January	**2,421**	**2,730**
Interest income	14	54
Return on plan assets excluding amount included in interest expenses / income	62	399
Benefits paid	-578	-1,010
Contributions by employer	195	249
Fair value of plan assets 31 December	**2,115**	**2,421**

The table continues

EUR 1,000	2020	2019
Present value of obligation	3,104	3,225
Fair value of plan assets	-2,115	-2,421
Liability recognised in balance sheet 31 December	**989**	**804**
Liability recognised in balance sheet 1 January	**804**	**533**
Expenses recognised in income statement	109	136
Contributions by employer	-195	-249
Additional expense (+) to local GAAP	-87	-113
Remeasurements in comprehensive income	272	384
Liability recognised in balance sheet 31 December	**989**	**804**
Actuarial assumptions		
Discount rate, %	0.40%	0.64%
Rate of salary increase, %	2.30%	2.30%
Rate of benefit increase, %	0.00%	0.00%
Sensitivity analysis		
The following table show how the changes in assumptions used affect the defined benefit obligation (EUR)		
Discount rate 0.40% (0.64%)	3,104	3,225
Change in discount rate +0.50%	-296	-299
Change in discount rate -0.50%	339	342
Salary increase 2.3% (2.3%)	3,104	3,225
Change in salary increase +0.50%	102	102
Change in salary increase -0.50%	-98	-98

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

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

G45 Share-based incentive scheme

AktiaUNA

The share savings plan will be 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. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2018–2019 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2019–2020 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 190,000 Aktia shares. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2020-2021 to the participants amounts to a maximum total of EUR 950,000 upon the launch of the plan, corresponding to the value of 100,000 Aktia shares. At the end of the year approx. 76% of Aktia's personnel participated in the share savings plan AktiaUna.

The estimated total savings for the second half of the savings period 2020–2021 (October 2020–March 2021) amounts up to a maximum total of approximately EUR 627,000. The final number of matching shares to be paid under savings period 2020-2021 depends on the number of participants and shares acquired in the plan by the employees.

In 2020 a total of 77,057 shares were transferred to participants under AktiaUna 2018-2019. In addition, a cash portion was paid corresponding to a value of 35,753 shares. A total of 533 (gross) Aktia shares are subject to deferral based on EBA Guidelines, and will be delivered in equal instalments during the following three 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. This part of the programme replaces the previous Executive Committee´s share-based incentive scheme. The performance criteria of the performance period 2018–2019 and 2019-2020 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019 amounts up to a maximum total of EUR 2,600,000 upon the launch of the plan, corresponding to the value of 280,000 Aktia shares. The value of the reward for the performance period 2019–2020 amounts up to a maximum total of EUR 2,100,000 upon the launch of the plan, corresponding to the value of 214,000 Aktia shares. The value of the reward for the performance period 2020–2021 amounts up to a maximum total of EUR 1,500,000 upon the launch of the plan, corresponding to the value of 158,000 Aktia shares.

The estimated value of the reward payable of the basis of the second half of the AktiaUna savings period 2020-2021 (October 2020-March 2021) amounts up to a maximum total of EUR 627,000, including also the proportion to be paid in cash. The final cost of the plan depends on the number of shares that the key employees acquire in the AktiaUna Share Plan, as well as on the achievement of the targets of the performance criteria of the performance period. The performance criteria of the performance period 2020–2021 (January 2020–December 2021) are the Aktia Group's comparable operating profit and net commission income during the performance period.

In 2020 based on criteria attainment a total of 60,562 shares were transferred to participants under PSP 2018-2019. In addition, a cash portion was paid corresponding to a value of 38,506 shares. A total of 79,765 Aktia shares (gross) are subject to deferral based on EBA Guidelines, and will be delivered in equal instalments during the following three years. The vesting schedule for PSP was modified during 2020, and the potential rewards form the plan will be paid to the key employees in 2021 (PSP 2019-2020) and 2022 (PSP 2020-2021). The reward can be partially deferred based on EBA Guidelines. The deferred part of the reward will be paid during the following three years in equal instalments. In case of deferral, each instalment is subject to a 12-month retention period, during which the shares may not be transferred.

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

	AktiaUna 2020-2021	PSP 2020-2021	AktiaUna 2019-2020	PSP 2019-2020	AktiaUna 2018-2019	PSP 2018-2019	Total
Estimated maximum gross shares upon	100,000	158,000	190,000	214,000	195,000	280,000	1,137,000
Initial allocation	1 Apr 2020	1 Apr 2020	1 Apr 2019	1 Apr 2019	1 Apr 2018	1 May 2018	
Performance period begin		1 Jan 2020		1 Jan 2019		1 Jan 2018	
Performance period end		31 Dec 2021		31 Dec 2020		31 Dec 2019	
Vesting date	31 Mar 2022	31 Mar 2022	31 Mar 2021	31 Mar 2021	31 May 2020	31 May 2020	
Vesting conditions	Share ownership, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	Share ownership, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	Share ownership, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	
Maximum contractual life, years	2.2	2.2	2.2	2.2	2.2	2.2	
Remaining contractual life, years	1.4	0	0.4	0.4	0	1.4	
Number of persons at the end of the reporting year	533	41	441	43	426	50	
Payment method			Cash & equity	Cash & equity	Cash & equity	Cash & equity	

Changed during the reporting period 2020, EUR 1,000	AktiaUna 2020-2021*	PSP 2020-2021*	AktiaUna 2019-2020	PSP 2019-2020	AktiaUna 2018-2019	PSP 2018-2019	Total
1 January 2020							
Outstanding at the beginning of the reporting period, pcs	-	-	74,392	116,576	120,868	203,286	515,122
Changes during the reporting period							
Granted during the reporting period	69,881	110,024	84,355	133,992	-	-	398,252
Forfeited during the reporting period	1,400	-	12,769	3,948	7,525	3,880	29,522
Exercised during the reporting period	-	-	-	-	112,810	99,068	211,878
Expired during the reporting period	-	-	-	-	-	20,573	20,573
31 December 2020							
Outstanding at the end of the reporting period	68,481	110,024	145,978	246,620	533	79,765	651,401

* Figures based on shares acquired with savings from April 2020 to September 2020. The savings period 2020-2021 continues until March 2021.

Valuation parameters	AktiaUna 2020-2021	PSP 2020-2021	AktiaUna 2019-2020	PSP 2019-2020	AktiaUna 2018-2019	PSP 2018-2019
Share price at share purchase date, EUR	9.17	9.17	7.43	7.43	-	-
Share price at reporting period end, EUR	9.79	9.79	9.79	9.79	-	-
Maturity, years	1.60	1.60	1.10	1.10	-	-
Expected dividends, EUR	1.76	1.76	1.11	1.11	-	-
Fair value of one share, EUR	7.41	7.41	6.32	6.32	-	-

Impact of share-based payments on the company's result and financial position, EUR 1,000	2020	2019	2018
Accounting period expenses from share-based payments in the income statement	2,092	1,649	674
of which shareholder-controlled	2,092	1,649	674
Liabilities arising from share-based payments at the end of the reporting period	-	-	-
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the reporting period	2,907	2,822	1,650

Previous Share-based reward schemes and ownership schemes

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

The maximum reward paid out through current share-based reward schemes (earning periods 2016–2017, 2017–2018) may amount to a maximum of 9,768 A Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares. The number of shares deferred from earlier earning period 2019 may amount to a maximum of 1,456 Aktia shares in Aktia Bank plc.

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

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

EUR 1,000	2020	2019	2018	2017	2016
The earning period 2014–2015					
Basic information					
Max. number of shares	-	-	9.928	19.862	29.790
Sum in cash corresponding max. number of shares	-	-	9.928	19.862	29.790
Decision date	-	-	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	-	-	1 Jan 2014	1 Jan 2014	1 Jan 2014
Earning period ends	-	-	31 Dec 2015	31 Dec 2015	31 Dec 2015
Number of persons on the decision date	-	-	4	5	13
Rate of Aktia share on the decision date, EUR	-	-	8.35	8.35	8.35
Rate of Aktia share at the end of the accounting period, EUR	-	-	8.92	9.11	9.73

The table continues

EUR 1,000	2020	2019	2018	2017	2016
The earning period 2015–2016					
Basic information					
Max. number of shares	-	2,639	5,413	7,511	120,000
Sum in cash corresponding max. number of shares	-	2,639	5,413	7,511	120,000
Decision date	-	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	-	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015
Earning period ends	-	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	-	4	7	7	15
Rate of Aktia share on the decision date, EUR	-	9.46	9.46	9.46	9.46
Rate of Aktia share at the end of the accounting period, EUR	-	9.23	8.92	9.11	9.73
The earning period 2016–2017					
Basic information					
Max. number of shares	590	1,170	2,347	84,000	101,500
Sum in cash corresponding max. number of shares	590	1,170	2,347	84,000	101,500
Decision date	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015
Earning period starts	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016
Earning period ends	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017
Number of persons on the decision date	7	7	7	7	14
Rate of Aktia share on the decision date, EUR	10.07	10.07	10.07	10.07	10.07
Rate of Aktia share at the end of the accounting period, EUR	9.23	9.23	8.92	9.11	9.73
The earning period 2017–2018					
Basic information					
Max. number of shares	9,178	18,354	27,531	120,000	-
Sum in cash corresponding max. number of shares	9,178	18,354	27,531	120,000	-
Decision date	15 Feb 2017	15 Feb 2017	15 Feb 2017	15 Feb 2017	-
Earning period starts	1 Oct 2017	1 Oct 2017	1 Oct 2017	1 Oct 2017	-
Earning period ends	31 Mar 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018	-
Number of persons on the decision date	10	10	10	10	-
Rate of Aktia share on the decision date, EUR	9.66	9.66	9.66	9.66	-
Rate of Aktia share at the end of the accounting period, EUR	9.23	9.23	8.92	9.11	-

Share ownership scheme

In addition to the share-based incentive schemes some key persons are enabled to also receive a conditional reward based on the acquisition of Aktia shares when the incentive scheme is implemented. The conditional reward will be paid to key persons after the earning period, and will take the form of both cash and shares, provided that the key person is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of rewards. The total reward paid out through the Share Ownership Scheme (MRS) may amount to a maximum of 3,200 Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

EUR 1,000	2020	2019	2018	2017	2016
Share ownership scheme 2014					
Basic information					
Max. number of shares	-	2,400	5,600	8,400	69,000
Sum in cash corresponding max. number of shares	-	2,400	5,600	8,400	69,000
Decision date	-	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	-	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014
Earning period ends	-	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	-	2	3	3	23
Rate of Aktia share on the decision date, EUR	-	8.35	8.35	8.35	8.35
Rate of Aktia share at the end of the accounting period, EUR	-	9.23	8.92	9.11	9.73
Share ownership scheme 2015					
Basic information					
Max. number of shares	2,800	5,600	8,400	39,000	45,000
Sum in cash corresponding max. number of shares	2,800	5,600	8,400	39,000	45,000
Decision date	18 Dec 2014	18 Dec 2014	18 Dec 2014	18 Dec 2014	18 Dec 2014
Earning period starts	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015
Earning period ends	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017
Number of persons on the decision date	6	6	6	13	14
Rate of Aktia share on the decision date, EUR	9.46	9.46	9.46	9.46	9.46
Rate of Aktia share at the end of the accounting period, EUR	9.23	9.23	8.92	9.11	9.73

The table continues

EUR 1,000	2020	2019	2018	2017	2016
Share ownership scheme 2016					
Basic information					
Max. number of shares	800	1,200	21,000	21,000	27,000
Sum in cash corresponding max. number of shares	800	1,200	21,000	21,000	27,000
Decision date	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015
Earning period starts	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016
Earning period ends	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018
Number of persons on the decision date	1	1	7	7	7
Rate of Aktia share on the decision date, EUR	10.07	10.07	10.07	10.07	10.07
Rate of Aktia share at the end of the accounting period, EUR	9.23	9.23	8.92	9.11	9.73
Share ownership scheme 2017					
Basic information					
Max. number of shares	-	9,998	19,998	40,000	-
Sum in cash corresponding max. number of shares	-	9,998	19,998	40,000	-
Decision date	-	24 Aug 2017	24 Aug 2017	24 Aug 2017	-
Earning period starts	-	1 Jan 2017	1 Jan 2017	1 Jan 2017	-
Earning period ends	-	31 Dec 2018	31 Dec 2018	31 Dec 2018	-
Number of persons on the decision date	-	2	3	4	-
Rate of Aktia share on the decision date, EUR	-	9.27	9.27	9.27	-
Rate of Aktia share at the end of the accounting period, EUR	-	9.23	8.92	9.11	-
Impact of share-based payments on the company's result and financial position					
Accounting period expenses from share-based payments in the income statement	-4	-195	1,104	1,102	1,558
of which recorded as liability 31 December	103	332	1,280	1,650	2,497
of which recorded as fund for share-based payments 31 December	94	310	807	1,499	1,957

G46 The customer assets being managed

EUR 1,000	2020	2019
Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.		
Customer assets being managed		
Funds in a customer funds account	1,019	2,600
Funds in discretionary asset management services	9,253,221	9,016,328
Funds within the framework of investment advising according to a separate agreement	6,352,294	5,993,767
Total	**15,606,534**	**15,012,695**

G47 Events after the end of the year

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

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

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

Aktia Bank Plc – parent company`s financial statement

Income statement – Aktia Bank plc

EUR 1,000	Note	2020	2019
Interest income		82,618	80,965
Net income from leasing operations		597	490
Interest expenses		-2,568	-4,122
Net interest income	P2	80,647	77,333
Income from equity instruments	P3	15,560	24,692
Commission income		76,110	76,163
Commission expenses		-6,261	-6,686
Net commission income	P4	69,849	69,477
Net income from securities and currency operations	P5	436	2,108
Net income from financial assets measured at fair value through fund at fair value	P6	296	231
Net income from hedge accounting	P7	-423	178
Other operating income	P8	2,445	11,922
Staff costs	P9	-57,811	-55,743
Other administrative expenses	P10	-36,148	-39,018
Total administrative expenses		-93,959	-94,761
Depreciation of tangible and intangible assets	P11	-17,704	-18,882
Other operating expenses	P12	-13,075	-12,842
Expected credit losses from financial assets reported at amortised cost		-4,046	-4,455
Expected credit losses and impairment from other financial assets		64	249
Operating profit		**40,091**	**55,250**
Taxes	P13	-5,241	-4,255
Profit for the reporting period		**34,850**	**50,995**

Balance sheet – Aktia Bank plc

EUR 1,000	Note	2020	2019
Assets			
Cash and balances with central banks		298,614	315,383
Bonds eligible for refinancing with central banks	P14	1,424,668	1,309,130
Claims on credit institutions	P15	23,751	14,277
Receivables from the public and public sector entities	P16	6,979,521	6,410,656
Leasing assets	P18	20,267	18,469
Shares and participations	P19	63,280	56,430
Derivative instruments	P20	76,043	68,104
Intangible assets	P21	51,656	56,998
Right-of-use assets		21,966	11,187
Other tangible assets		3,346	1,058
Tangible assets	P22	25,312	12,245
Other assets	P23	101,085	82,337
Accrued income and advance payments	P24	28,789	35,471
Deferred tax receivables	P25	3,338	3,517
Total assets		**9,096,326**	**8,383,016**
Liabilities			
Liabilities to credit institutions	P26	723,201	632,681
Borrowing		4,515,318	4,118,351
Other liabilities		150,000	150,000
Liabilities to the public and public sector entities	P27	4,665,318	4,268,351
Debt securities issued to the public	P28	2,855,615	2,637,310
Derivatives and other liabilities held for trading	P20	11,985	9,310
Other liabilities	P29	34,369	26,237
Provisions	P17	1,284	999
Accrued expenses and income received in advance	P30	37,475	41,260
Subordinated liabilities	P31	158,154	215,383
Deferred tax liabilities	P32	4,108	2,151
Total liabilities		**8,491,508**	**7,833,681**
Accumulated appropriations		215,000	215,000
Equity			
Share capital		169,732	163,000
Fund at fair value		15,519	7,744
Restricted equity		185,251	170,744
Unrestricted equity reserve		112,703	110,184
Retained earnings		53,406	42,720
Dividend to shareholders		-	-42,075
Change in share-based payments		3,947	1,011
Acquisition of treasury shares		-339	755
Profit for the year		34,850	50,995
Unrestricted equity		204,567	163,590
Total equity	P33	**389,818**	**334,335**
Total liabilities and equity		**9,096,326**	**8,383,016**

The table continues

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

EUR 1,000	Note	2020	2019
Off-balance sheet commitments	P38		
Guarantees and pledges		22,227	28,266
Other		8,187	5,457
Commitments provided to a third party on behalf of the customers		30,414	33,724
Unused credit arrangements		659,951	592,676
Irrevocable commitments provided on behalf of customers		659,951	592,676
Total		**690,365**	**626,400**

Cash flow statement – Aktia Bank plc

EUR 1,000	2020	2019
Cash flow from operating activities		
Operating profit	40,091	55,250
Adjustment items not included in cash flow for the period	11,058	15,967
Unwound fair value hedging	-	7,450
Paid income taxes	-5,599	-3,271
Increase (-) or decrease (+) in receivables from operating activities	**-691,893**	**-248,347**
Debt securities measured at fair value through other comprehensive income	-18,777	101,628
Debt securities measured at amortised cost, increase	-102,012	-64,000
Debt securities measured at amortised cost, decrease	15,000	15,000
Claims on Bank of Finland and credit institutions	-4,260	1,299
Receivables from the public and public sector entities	-572,626	-280,366
Shares and participations measured at fair value through income statement	193	-56
Other assets	-9,410	-21,852
Increase (+) or decrease (-) in liabilities from operating activities	**707,840**	**228,375**
Liabilities to credit institutions	90,520	-63,191
Liabilities to the public and public sector entities	399,033	128,402
Debt securities issued to the public	222,058	165,840
Other liabilities	-3,770	-2,676
Total cash flow from operating activities	**61,497**	**55,424**

The table continues

EUR 1,000	2020	2019
Cash flow from investing activities		
Investments in group companies, associated companies and joint ventures	-	-3
Capital increase in associated companies	-143	-3
Proceeds from sale of group companies and associated companies	-	9,574
Investments in tangible and intangible assets	-16,533	-9,671
Proceeds from sale of tangible and intangible assets	2	6
Total cash flow from investing activities	**-16,673**	**-97**
Cash flow from financing activities		
Subordinated liabilities, increase	-	69,325
Subordinated liabilities, decrease	-57,296	-61,781
Divestment of treasury shares	917	745
Paid dividends	-	-42,075
Total cash flow from financing activities	**-56,379**	**-33,786**
Change in cash and cash equivalents	**-11,555**	**21,541**
Cash and cash equivalents at the beginning of the year	283,040	261,499
Cash and cash equivalents at the end of the year	271,485	283,040

The table continues

EUR 1,000	2020	2019
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	1,302	1,844
Bank of Finland current account	248,333	269,419
Repayable on demand claims on credit institutions	21,851	11,777
Total	**271,485**	**283,040**
Adjustment items not included in cash flow consist of:		
Impairment (ECL) of financial assets measured at fair value through other comprehensive income	-64	-249
Impairment (ECL) of credits and other commitments	4,046	4,055
Unrealised changes in value of shares and participations	-194	-1,379
Change in fair values	-9,410	-391
Depreciation and impairment of intangible and tangible assets	17,786	16,746
Unwound fair value hedging	-2,067	-3,094
Change in share-based payments	115	536
Other adjustments	846	-257
Total	**11,058**	**15,967**

P1 The parent company's accounting principles

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

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

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

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividend

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

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

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

Commissions

Commission income and expenses are reported in accordance with the accruals convention.

Other income and expenses

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

Depreciation

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

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

Share-based payments

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

Taxes

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

Financial assets and liabilities

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

Classification of financial assets

The Group classifies financial assets in the following categories:

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

- Measured at fair value through the income statement (FVTPL)

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

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

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

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

- shares and participations
- interest-bearing securities

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

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

The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at fair value through other comprehensive income. Impairment of debt instruments (interest-bearing securities) is based on a three-stage model for expected credit losses (ECL) and are described in more detail under the heading Impairment of financial assets. The ECL is not calculated for shares and participations. Changes in value are reported on an ongoing basis in other comprehensive income with a deduction for deferred tax. Interest income, dividends and impairments are reported in the income statement and the return of capital is reported in other comprehensive income. The counter item to impairments relating to the three-stage model for expected credit losses is recognised in the fund at fair value (other comprehensive income) and thus does not affect the fair value of the asset in the balance sheet. In connection with the sale of debt securities (debt instruments), the cumulative unrealised profit or loss is transferred from the fund at fair value to the income statement.

The decision to classify shares and participations not held for trading purposes in this category at first recognition is irrevocable. The decision lead to that future sales gains and losses on such instruments are reported in other comprehensive income. Only dividend from these instruments are recognised in the income statement.

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

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

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

Financial liabilities

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

Reclassification

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

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

Reclassification between different valuation categories are reported as follows:

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

Repurchase agreements

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

Cash and balances with central banks

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

Derivative instruments

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

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

Hedge accounting

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

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

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

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

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

Expected credit loss (ECL) is not calculated for shares and participations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The bank as a lessor

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

The bank as a lessee

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

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

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

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

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

P2 Net interest income

EUR 1,000	2020	2019
Interest income		
Claims on credit institutions	1,307	1,975
Receivables from the public and public sector entities	75,057	72,634
Bonds	6,174	6,621
Derivatives	201	-496
Other interest income	-120	230
Total	**82,618**	**80,965**
of which interest income from financial assets reported at stage 3	262	243
Net income from leasing operations		
Rental income	5,821	4,676
Depreciation according to plan	-5,409	-4,290
Sales gains	77	14
Commission income	109	91
Total	**597**	**490**
Interest expenses		
Liabilities to credit institutions	-166	-784
Liabilities to the public and public sector entities	-687	-2,863
Debt securities issued to the public	-18,207	-20,092
Derivatives and liabilities held for trading	21,147	25,097
Subordinated liabilities	-3,546	-4,507
Interest expenses for right-of-use assets	-1,114	-972
Other interest expenses	5	-3
Total	**-2,568**	**-4,122**
Net interest income	**80,647**	**77,333**

P3 Income from equity instruments

EUR 1,000	2020	2019
Group companies	15,162	22,544
Associated companies	-	1,684
Equity instruments measured at fair value through income statement	398	464
Total	**15,560**	**24,692**

P4 Net commission income

EUR 1,000	2020	2019
Commission income		
Card- and payment services	23,287	25,728
Mutual funds, asset management and securities brokerage	20,382	17,506
Brokerage of insurance	7,665	9,261
Lending	9,056	9,658
Borrowing	3,451	3,511
Currency operations	3,114	2,759
Guarantees and other off-balance sheet commitments	608	516
Other commission income	8,547	7,224
Total	**76,110**	**76,163**
Commission expenses		
Card- and payment services	-3,134	-3,524
Securities and investments	-1,681	-1,421
Money handling	-1,422	-1,671
Other commission expenses	-23	-70
Total	**-6,261**	**-6,686**
Net commission income	**69,849**	**69,477**

P5 Net income from securities and currency operations

EUR 1,000	2020	2019
Shares and participations		
Capital gains and losses	181	563
Valuation gains and losses	194	1,379
Total	**376**	**1,942**
Derivative instruments		
Capital gains and losses	-22	-27
Valuation gains and losses	-	-220
Total	**-22**	**-247**
Total		
Capital gains and losses	160	535
Valuation gains and losses	194	1,159
Net income from securities	**354**	**1,695**
Net income from currency operations	82	413
Net income from securities and currency operations	**436**	**2,108**

P6 Net income from financial assets measured at fair value through fund at fair value

EUR 1,000	2020	2019
Interest-bearing securities		
Capital gains and losses	296	-23
Transferred to income statement from fund at fair value	-	253
Total	**296**	**231**

P7 Net income from hedge accounting

EUR 1,000	2020	2019
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-	-3,112
Financial derivatives hedging issued bonds	3,031	12,426
Changes in fair value of hedge instrument, net	3,031	9,313
Repayable on demand liabilities	-	3,130
Bonds issued	-3,454	-12,265
Changes in fair value of items hedged, net	-3,454	-9,135
Total	**-423**	**178**
Total hedge accounting	**-423**	**178**

P8 Other operating income

EUR 1,000	2020	2019
Income from other banking business	58	93
Profit from divestment of shares in Samlink Ltd	-	9,574
Merger and other sales gains	684	689
Other operating income	1,703	1,566
Total	**2,445**	**11,922**

P9 Staff

EUR 1,000	2020	2019
Salaries and remunerations	-48,658	-46,584
Pension costs	-7,738	-7,681
Other indirect employee costs	-1,415	-1,478
Indirect employee costs	-9,153	-9,159
Total	**-57,811**	**-55,743**
Number of employees 31 December		
Full-time	666	608
Part-time	39	40
Temporary	98	105
Total	**803**	**753**

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are no pension commitments with a liability deficit.

P10 Other administrative expenses

EUR 1,000	2020	2019
IT expenses	-23,613	-23,899
Other staff expenses	-2,498	-3,882
Office expenses	-1,453	-1,562
Communication expenses	-2,512	-2,643
Marketing- and representation expenses	-3,010	-3,360
Group services	-	-400
Other administrative expenses	-3,061	-3,273
Total	**-36,148**	**-39,018**

P11 Depreciation of tangible and intangible assets

EUR 1,000	2020	2019
Depreciation of right-of-use assets	-5,327	-6,426
Depreciation of other tangible assets	-648	-612
Depreciation of intangible assets	-11,729	-11,844
Total	**-17,704**	**-18,882**

P12 Other operating expenses

EUR 1,000	2020	2019
Rental expenses [1]	-1,041	-1,515
Expenses for properties in own use	-942	-1,442
Insurance and security expenses	-3,942	-3,149
Monitoring, control and membership fees	-1,126	-915
Consulting fees	-3,006	-2,471
Group services	-284	-1,194
Other operating expenses	-2,734	-2,156
Total	**-13,075**	**-12,842**

1) Rental expenses refer to leasing agreements with a maximum term of 12 months of EUR 0.3 (0.4 million) or low value assets of EUR 1.0 (0.8 million). Other leasing agreements are reported from 1 January 2019 accordance with IFRS 16.

Auditors' fees		
Statutory auditing	-292	-131
Services related to auditing	-12	-39
Tax counselling	-2	-10
Other services	-16	-14
Total	**-322**	**-194**
The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-2,590	-2,311
amount of which paid from the old Deposit Guarantee Fund	-2,590	-2,311
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	15	18
Contribution to the Single Resolution Fund	-2,781	-1,963
amount of which transferred from previously paid bank tax	-	-
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	0	0

P13 Taxes

EUR 1,000	2020	2019
Income taxes on the ordinary business	-5,117	-5,505
Taxes from previous years	67	-12
Changes in deferred taxes	-191	1,263
Total	**-5,241**	**-4,255**

P14 Bonds according to financial instruments

	2020		2019	
EUR 1,000	Total	of which ECL	Total	of which ECL
Government bonds	180,892	-51	140,667	-51
Other	1,243,776	-87	1,168,462	-121
Total	**1,424,668**	**-138**	**1,309,130**	**-172**
of which eligible for refinancing with central banks	1,424,668		1,309,130	

Bonds by financial instrument

EUR 1,000	Publicly quoted	Other	Total	of which ECL
31.12.2020				
Bonds measured at fair value through other comprehensive income	1,027,156	21,516	1,048,673	-
Bonds valued at amortised cost	375,996	-	375,996	-138
Total	**1,403,152**	**21,516**	**1,424,668**	**-138**
31.12.2019				
Bonds measured at fair value through other comprehensive income	992,952	27,620	1,020,572	-
Bonds valued at amortised cost	288,558	-	288,558	-172
Total	**1,281,510**	**27,620**	**1,309,130**	**-172**

P15 Claims on credit institutions

EUR 1,000	Repayable on demand	Other than repayable on demand	Total	of which ECL
31.12.2020				
Finnish credit institutions	-	1,900	1,900	-
Foreign credit institutions	21,851	-	21,851	-
Total	**21,851**	**1,900**	**23,751**	**-**
31.12.2019				
Finnish credit institutions	-	2,500	2,500	-
Foreign credit institutions	11,777	-	11,777	-
Total	**11,777**	**2,500**	**14,277**	**-**

P16 Receivables from the public and public sector entities

EUR 1,000	2020	2019
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	5,082,584	4,885,333
Corporates	959,182	753,190
Housing associations	908,061	738,463
Public sector entities	2,606	3,076
Non-profit organisations	27,087	30,593
Total	**6,979,521**	**6,410,656**

The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.

P17 Financial assets and impairment by stage

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 December 2020				
Interest-bearing securities	1,424,668	-	-	1,424,668
Lending	6,620,773	334,761	47,737	7,003,272
Off-balance sheet commitments	687,224	2,533	607	690,365
Total	**8,732,666**	**337,295**	**48,344**	**9,118,305**
Book value of financial assets 31 December 2019				
Interest-bearing securities	1,309,130	-	-	1,309,130
Lending	6,233,301	140,564	51,068	6,424,933
Off-balance sheet commitments	623,061	2,941	398	626,400
Total	**8,165,491**	**143,505**	**51,466**	**8,360,462**
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2020 according to IFRS 9	3,766	3,645	21,766	29,177
Transferred from stage 1 to stage 2	-292	2,796	-	2,505
Transferred from stage 1 to stage 3	-26	-	663	637
Transferred from stage 2 to stage 1	72	-595	-	-523
Transferred from stage 2 to stage 3	-	-467	777	310
Transferred from stage 3 to stage 1	11	-	-127	-115
Transferred from stage 3 to stage 2	-	233	-210	23
Reversal of impairment	-	-	-140	-140
Other changes	725	-279	903	1,349
Impairment January-December 2020 in the income statement	491	1,689	1,866	4,046
Realised losses for which write-downs were made in previous years	-	-	-2,460	-2,460
Reversal of impairment	-	-	140	140
Impairment of credits and other commitments 31 December 2020 according to IFRS 9	**4,257**	**5,334**	**21,312**	**30,903**
of which ECL of other commitments	892	69	323	1,284

The table continues

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	753	3,492	10,663	14,908
Corporates	2,857	1,785	10,284	14,926
Housing associations	612	48	165	825
Public sector entities	1	-	-	1
Non-profit organisations	33	9	200	242
Total	**4,257**	**5,334**	**21,312**	**30,903**
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2020 according to IFRS 9	588	-	-	588
Other changes	-64	-	-	-64
Impairment January-December 2020 in the income statement	-64	-	-	-64
Impairment of interest-bearing securities 31 December 2020 according to IFRS 9	**524**	**-**	**-**	**524**
Impairment of interest-bearing securities by sector				
Corporates	427	-	-	427
Public sector entities	97	-	-	97
Total	**524**	**-**	**-**	**524**

P18 Leasing assets

EUR 1,000	2020	2019
Acquisition cost machinery and equipment at 1 January	23,134	-
Acquisitions	-	20,261
Increases	7,207	2,873
Acquisition cost at 31 December	30,341	23,134
Accumulated depreciations and impairments at 1 January	-4,665	-
Acquisitions	-	-375
Planned depreciation	-5,409	-4,290
Accumulated depreciations and impairments at 31 December	-10,074	-4,665
Book value machinery and equipment at 31 December	**20,267**	**18,469**

P19 Shares and participations

EUR 1,000	Publicly quoted	Credit institutions	Other	Total
31.12.2020				
Equity instruments measured at fair value through income statement	-	4,152	842	4,994
Shares and participations in associated companies	-	-	323	323
Shares and participations in group companies	-	-	57,963	57,963
Total	**-**	**4,152**	**59,128**	**63,280**
31.12.2019				
Equity instruments measured at fair value through income statement	-	4,076	916	4,993
Shares and participations in associated companies	-	-	178	178
Shares and participations in group companies	-	353	50,907	51,259
Total	**-**	**4,429**	**52,001**	**56,430**

The holdings in associated and group companies have been valued at their acquisition cost.

P20 Derivative instruments

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

31.12.2020

Hedging derivative instruments	**Nominal values / term remaining**				**Fair value**	
EUR 1,000	**Under 1 year**	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	-	1 444 625	875 770	2 320 395	63 338	560
Interest rate options	-	100,000	150,000	250,000	-	6,205
Written	-	100,000	150,000	250,000	-	6,205
Total	**-**	**1,544,625**	**1,025,770**	**2,570,395**	**63,338**	**6,764**
Cash flow hedging						
Interest rate swaps	-	240,215	-	240,215	7,372	-
Total	**-**	**240,215**	**-**	**240,215**	**7,372**	**-**
Total interest rate derivatives	**-**	**1,784,840**	**1,025,770**	**2,810,610**	**70,711**	**6,764**
Total hedging derivative instruments	**-**	**1,784,840**	**1,025,770**	**2,810,610**	**70,711**	**6,764**
Other derivative instruments						
Interest rate swaps	50,000	70,000	-	120,000	5,219	5,192
Total	**50,000**	**70,000**	**-**	**120,000**	**5,219**	**5,192**
Forward rate agreements	8,247	-	-	8,247	113	28
Total forward rate agreements	**8,247**	**-**	**-**	**8,247**	**113**	**28**
Total other derivative instruments	**58,247**	**70,000**	**-**	**128,247**	**5,332**	**5,220**
Total derivative instruments	**58,247**	**1,854,840**	**1,025,770**	**2,938,857**	**76,043**	**11,985**

31.12.2019

Hedging derivative instruments	**Nominal values / term remaining**				**Fair value**	
EUR 1,000	**Under 1 year**	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	-	1,070,000	802,000	1,872,000	58,815	0
Total	**-**	**1,070,000**	**802,000**	**1,872,000**	**58,815**	**0**
Total interest rate derivatives	**-**	**1,070,000**	**802,000**	**1,872,000**	**58,815**	**0**
Total hedging derivative instruments	**-**	**1,070,000**	**802,000**	**1,872,000**	**58,815**	**0**
Other derivative instruments						
Ränteswappar	100,400	120,000	-	220,400	9,278	9,228
Total	**100,400**	**120,000**	**-**	**220,400**	**9,278**	**9,228**
Interest rate swaps	11,140	-	-	11,140	11	81
Valutaderivat totalt	**11,140**	**-**	**-**	**11,140**	**11**	**81**
Total other derivative instruments	**111,540**	**120,000**	**-**	**231,540**	**9,289**	**9,310**
Total derivative instruments	**111,540**	**1,190,000**	**802,000**	**2,103,540**	**68,104**	**9,310**

P21 Intangible assets

EUR 1,000	Immaterial rights (IT expenses)	Other long-term expenditures	Total
2020			
Acquisition cost at 1 January	93,968	15,665	109,634
Increases	4,895	1,492	6,387
Decreases	-	-2,104	-2,104
Acquisition cost at 31 December	98,863	15,054	113,917
Accumulated depreciations and impairments at 1 January	-41,853	-10,783	-52,636
Accumulated depreciation on decreases	-	2,104	2,104
Planned depreciation	-9,823	-1,906	-11,729
Accumulated depreciations and impairments at 31 December	-51,676	-10,585	-62,261
Book value at 31 December	**47,188**	**4,468**	**51,656**
2019			
Acquisition cost at 1 January	87,485	15,308	102,793
Acquisitions	255	-	255
Increases	6,228	357	6,585
Acquisition cost at 31 December	93,968	15,665	109,634
Accumulated depreciations and impairments at 1 January	-32,239	-8,553	-40,792
Acquisitions	-177	-	-177
Planned depreciation	-9,436	-2,230	-11,666
Accumulated depreciations and impairments at 31 December	-41,853	-10,783	-52,636
Book value at 31 December	**52,115**	**4,883**	**56,998**

P22 Tangible assets

Other tangible assets

EUR 1,000	Right-of-use assets	Machines and equipment	Other tangible assets	Total tangible assets
2020				
Acquisition cost at 1 January	16,921	14,748	522	32,191
Increases	16,843	2,939	-	19,781
Decreases	-6,221	-1,357	-2	-7,580
Acquisition cost at 31 December	27,543	16,330	520	44,392
Accumulated depreciations and impairments at 1 January	-5,734	-13,983	-230	-19,947
Accumulated depreciation on decreases	5,484	1,357	-	6,841
Planned depreciation	-5,327	-648	-	-5,974
Accumulated depreciations and impairments at 31 December	-5,577	-13,273	-230	-19,080
Book value at 31 December	**21,966**	**3,057**	**290**	**25,312**
Properties	21,630			
Cars	336			

P23 Other assets

EUR 1,000	2020	2019
Cash items being collected	480	429
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	41,534	25,689
Other assets	9,071	6,219
Total	**101,085**	**82,337**

P24 Accrued income and advance payments

EUR 1,000	2020	2019
Interest receivables	9,660	14,806
Other	19,129	20,666
Total	**28,789**	**35,471**

P25 Deferred tax receivables

EUR 1,000	2020	2019
Deferred tax receivables at 1 January	3,517	2,204
Change during the year booked via the income statement	-178	1,313
Deferred tax receivables at 31 December	**3,338**	**3,517**

Deferred tax receivables relates to the unwound hedge interest-rate derivatives and to ECL for credit and other commitments.

P26 Liabilities to credit institutions

EUR 1,000	2020	2019
Repayable on demand liabilities to credit institutions	72,655	75,346
Other than repayable on demand deposits from credit institutions	650,546	557,335
Total	**723,201**	**632,681**

P27 Liabilities to the public and public sector entities

EUR 1,000	Repayable on demand	Other than repayable on demand	Total
31.12.2020			
Borrowing	4,358,107	157,211	4,515,318
Other liabilities	-	150,000	150,000
Total	**4,358,107**	**307,211**	**4,665,318**
31.12.2019			
Borrowing	4,047,450	70,901	4,118,351
Other liabilities	-	150,000	150,000
Total	**4,047,450**	**220,901**	**4,268,351**

P28 Debt securities issued to the public

	2020		2019	
EUR 1,000	**Book value**	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposits	135,979	136,000	111,951	112,000
Bonds	2,719,636	2,714,423	2,525,359	2,530,430
Total	**2,855,615**	**2,850,423**	**2,637,310**	**2,642,430**

P29 Other liabilities

EUR 1,000	2020	2019
Cash items in the process of collection	9,294	9,886
Liabilities for right-of-use assets, properties	23,575	11,369
Liabilities for right-of-use assets, cars	344	251
Other liabilities	25,075	16,350
Total	**34,369**	**26,237**

P30 Accrued expenses and income received in advance

EUR 1,000	2020	2019
Interest liabilities	13,294	14,465
Other	24,181	26,795
Total	**37,475**	**41,260**

P31 Subordinated liabilities

EUR 1,000	2020	2019
Subordinated debentures	158,154	215,383
Total	**158,154**	**215,383**
Nominal value	158,742	216,038
Amount counted to Tier 2 capital	80,057	102,608

There are two loans exceeding 10% of all subordinated liabilities; a loan of EUR 21.6 million at an interest rate of 2.5% maturing 2 January 2021 and another of EUR 70 million at an interest rate of 1.375% maturing 18 September 2029.

P32 Deferred tax liabilities

EUR 1,000	2020	2019
Deferred tax liabilities at 1 January	2,151	1,168
Change during the year booked via the income statement	13	50
Financial assets:		
Fair value measurement	1,950	1,047
Transferred to income statement	-6	-113
Deferred tax liabilities at 31 December	**4,108**	**2,151**

Deferred tax liabilities relates to the financial assets measured at fair value. In the Group, a deferred tax liability of EUR 43 million occurs from the accumulated appropriations that include credit losses pursuant to Section 46 of the Act on the Taxation of Business Profits and Income from Professional Activity.

P33 Equity

EUR 1,000	At the beginning of the year	Increase/ Decrease	At the end of the year
Share capital	163,000	6,732	169,732
Measured at fair value	7,744	7,435	15,179
Cash flow hedging	-	340	340
Fund at fair value	7,744	7,775	15,519
Restricted equity	**170,744**	**14,507**	**185,251**
Unrestricted equity reserve	110,184	2,518	112,703
Retained earnings	53,406		53,406
Change in share-based payments		344	344
Repayment of dividend debt for invalidated shares		3,603	3,603
Acquisition/divestments of treasure shares		-339	-339
Profit for the year		34,850	34,850
Unrestricted equity	**163,590**	**40,977**	**204,567**
Equity	**334,335**	**55,483**	**389,818**

EUR 1,000	2020	2019
Fund at fair value at 1 January	7,744	4,010
Changes in fair value during the year	9,749	5,235
Deferred taxes on changes in fair value during the year	-1,950	-1,047
Transferred to income statement during the year	-30	-566
Deferred taxes on transferred to income statement during the year	6	113
Fund at fair value at 31 December	**15,519**	**7,744**

Fair value for financial assets measured at fair value through other comprehensive income are recognised in the fund at fair value.

Distributable assets in unrestricted equity		
Retained earnings	54,287	41,879
Dividend to shareholders	-	-42,075
Profit for the year	34,850	50,995
Unrestricted equity reserve	112,703	110,184
Share-based payments	2,728	2,606
Total	**204,567**	**163,590**

Unrestricted equity only consist of distributable assets. No development costs have been activated.

Share capital and shares

Aktia Bank Plc has only one share class. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 169,731,963.93 million divided into 69,574,173 (69,172,437) Aktia shares. The number of registered shareholders at the end of the year was 36,918 (35,718). The number of Aktia shares attributable to unidentified shareholders was 47,920 (765,483).

Treasury shares

At year-end, the number of Aktia treasury shares was 113,372 (29,321). Aktia Bank Plc has during the year issued 220,000 treasury shares and has received 32,389 shares in return from the acquisition of the minority in Aktia Asset Management Ltd (conditional acquisition) and has during the year also divested 168,338 treasury shares held by the company for payment of deferred instalments for the share-based inventive scheme and the share ownership scheme. On 16 April 2020, the Annual General Meeting authorised the Board of Directors to acquire a maximum of 500,000 treasury shares and to divest a maximum of 500,000 treasury shares. At the date the accounts closed the acquisition of a maximum of 500,000 treasury shares and the divestment of a maximum of 331,662 treasury shares remain of the Annual General Meeting's authorisation.

Fund at fair value

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

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in a new issue.

Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

P34 Fair value of financial assets and liabilities

	2020		2019	
EUR 1,000	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Cash and balances with central banks	298,614	298,614	315,383	315,383
Bonds	1,424,668	1,442,325	1,309,130	1,322,003
Claims on credit institutions	23,751	23,751	14,277	14,277
Receivables from the public and public sector entities	6,979,521	7,078,379	6,410,656	6,440,531
Shares and participations	4,994	4,994	4,993	4,993
Shares and participations in associated companies	323	323	178	178
Shares and participations in group companies	57,963	57,963	51,259	51,259
Derivative instruments	76,043	76,043	68,104	68,104
Total	**8,865,878**	**8,982,392**	**8,173,979**	**8,216,729**
Financial liabilities				
Liabilities to credit institutions and central banks	723,201	723,323	632,681	632,925
Liabilities to the public and public sector entities	4,665,318	4,665,932	4,268,351	4,265,633
Debt securities issued to the public	2,855,615	2,891,869	2,637,310	2,660,361
Derivatives and other liabilities held for trading	11,985	11,985	9,310	9,310
Subordinated liabilities	158,154	156,201	215,383	217,013
Liabilities for right-of-use assets	23,919	23,919	11,620	11,620
Total	**8,438,191**	**8,473,229**	**7,774,655**	**7,796,862**

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

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

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

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

P35 Breakdown by maturity of financial assets and liabilities by balance sheet item

EUR 1,000	Not1	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets 31 December 2020							
Bonds eligible for refinancing with central banks	P14	70,570	55,442	961,398	337,259	-	1,424,668
Claims on credit institutions	P15	23,751	-	-	-	-	23,751
Receivables from the public and public sector entities	P16	362,194	971,784	3,118,919	1,581,381	945,243	6,979,521
Total		**456,514**	**1,027,226**	**4,080,317**	**1,918,640**	**945,243**	**8,427,940**
Liabilities 31 December 2020							
Liabilities to credit institutions and central banks	P26	150,028	9,138	564,034	-	-	723,201
Liabilities to the public and public sector entities	P27	4,422,909	157,706	84,666	37	-	4,665,318
Debt securities issued to the public	P28	57,997	77,982	1,787,392	608,297	323,947	2,855,615
Subordinated liabilities	P31	30,876	32,883	24,983	69,412	-	158,154
Right-of-use liabilities for rent agreements	P29	-1,333	3,220	18,871	3,161	-	23,919
Total		**4,660,477**	**280,928**	**2,479,947**	**680,908**	**323,947**	**8,426,207**
Assets 31 December 2019							
Bonds eligible for refinancing with central banks	P14	78,224	148,134	839,555	219,224	23,993	1,309,130
Claims on credit institutions	P15	14,277	-	-	-	-	14,277
Receivables from the public and public sector entities	P16	224,909	421,982	2,073,975	1,504,537	2,185,253	6,410,656
Total		**317,410**	**570,116**	**2,913,530**	**1,723,761**	**2,209,245**	**7,734,063**
Liabilities 31 December 2019							
Liabilities to credit institutions and central banks	P26	198,992	209,138	224,552	-	-	632,681
Liabilities to the public and public sector entities	P27	4,112,002	69,888	86,436	26	-	4,268,351
Debt securities issued to the public	P28	15,000	626,956	1,165,414	534,338	295,602	2,637,310
Subordinated liabilities	P31	19,132	38,164	88,742	69,345	-	215,383
Right-of-use liabilities for rent agreements	P29	1,336	2,456	7,827	-	-	11,620
Total		**4,346,461**	**946,602**	**1,572,971**	**603,708**	**295,602**	**7,765,345**

P36 Property items and liabilities in euros and in foreign currency

EUR 1,000	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2020					
Bonds	1,424,668	-	1,424,668	-	-
Claims on credit institutions	5,859	17,892	23,751	-	-
Receivables from the public and public sector entities	6,979,521	-	6,979,521	-	-
Leasing assets	20,267	-	20,267	-	-
Shares and participations	63,280	-	63,280	-	-
Derivative instruments	76,043	-	76,043	-	-
Other assets	508,796	-	508,796	9,481	-
Total	**9,078,435**	**17,892**	**9,096,326**	**9,481**	**-**
Liabilities 31 December 2020					
Liabilities to credit institutions and central banks	723,087	114	723,201	-	-
Liabilities to the public and public sector entities	4,648,136	17,182	4,665,318	49,551	-
Debt securities issued to the public	2,855,615	-	2,855,615	9,998	-
Derivative instruments	11,985	-	11,985	-	-
Subordinated liabilities	158,154	-	158,154	-	-
Provisions	1,284	-	1,284	-	-
Other liabilities	75,952	-	75,952	137	-
Total	**8,474,213**	**17,295**	**8,491,508**	**59,686**	**-**

The table continues

EUR 1,000	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2019					
Bonds	1,309,130	-	1,309,130	-	-
Claims on credit institutions	3,682	10,595	14,277	-	-
Receivables from the public and public sector entities	6,410,656	-	6,410,656	-	-
Leasing assets	18,469	-	18,469	-	-
Shares and participations	56,430	-	56,430	-	-
Derivative instruments	68,104	-	68,104	-	-
Other assets	505,951	-	505,951	10,391	-
Total	**8,372,421**	**10,595**	**8,383,016**	**10,391**	**-**
Liabilities 31 December 2019					
Liabilities to credit institutions and central banks	632,561	120	632,681	-	-
Liabilities to the public and public sector entities	4,254,617	13,735	4,268,351	58,511	-
Debt securities issued to the public	2,637,310	-	2,637,310	15,000	-
Derivative instruments	9,310	-	9,310	-	-
Subordinated liabilities	215,383	-	215,383	-	-
Provisions	999	-	999		
Other liabilities	69,648	-	69,648	223	-
Total	**7,819,827**	**13,854**	**7,833,681**	**73,734**	**-**

P37 Collateral assets and liabilities

EUR 1,000	2020	2019
Collateral assets		
Collateral for own liabilities		
Securities	333,232	473,101
Outstanding loans constituting security for covered bonds	2,475,488	2,031,788
Total	**2,808,720**	**2,504,889**
Other collateral assets		
Pledged securities [1]	1,381	16,800
Cash included in pledging agreements and repurchase agreements	1,900	2,500
Total	**3,281**	**19,300**
Total collateral assets	**2,812,001**	**2,524,189**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	569,349	465,806
Issued covered bonds [3]	1,621,513	1,612,605
Derivatives	1,900	2,500
Total	**2,192,762**	**2,080,911**

1) Refers to securities pledged for the intra-day limit. As at 31 December 2020, a surplus of pledged securities amounted to EUR 6 (5) million.

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

3) Own repurchases deducted.

EUR 1,000	2020	2019
Collateral liabilities		
Cash included in pledging agreements [1]	64,640	69,460
Total	**64,640**	**69,460**

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

P38 Off-balance sheet commitments

EUR 1,000	2020	2019
Guarantees	22,227	28,266
Other commitments provided to a third party	8,187	5,457
Unused credit arrangements	659,951	592,676
Total	**690,365**	**626,400**
Of which Group internal off-balance sheet commitments:		
Unused credit arrangements	-	256

Off-balance sheet commitments exclude rental commitments.

P39 Customer assets being managed

EUR 1,000	2020	2019
The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.		
Customer assets being managed		
Funds in a customer funds account	162	677
Funds in discretionary asset management services	211,237	150,225
Funds within the framework of investment advising according to separate agreement	2,218,727	2,385,757
Total	**2,430,125**	**2,536,658**

P40 The parent company's capital adequacy

EUR 1,000	2020	2019
Calculation of the parent company's capital base		
Total assets	**9,096,326**	**8,383,016**
of which intangible assets	51,656	56,998
Total liabilities	**8,706,508**	**8,048,681**
of which subordinated liabilities	158,154	215,383
Share capital	169,732	163,000
Fund at fair value	15,519	7,744
Restricted equity	185,251	170,744
Unrestricted equity reserve and other funds	112,703	110,184
Retained earnings	57,014	2,411
Profit for the year	34,850	50,995
Unrestricted equity	204,567	163,590
Equity	**389,818**	**334,335**
Total liabilities and equity	**9,096,326**	**8,383,016**
Off-balance sheet commitments	690,365	626,400
Aktia Bank plc's equity	**389,818**	**334,335**
Provision for dividends to shareholders	-29,868	-
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-	-50,995
Intangible assets	-51,656	-56,998
Debentures	80,057	102,608
Additional expected losses according to IRB	-23,838	-20,657
Deduction for significant holdings in financial sector entities	-4,368	-8,525
Other	133,774	170,972
Total capital base (CET1 + AT1 + T2)	**493,919**	**470,739**

The table continues

EUR 1,000	2020	2019
The parent company's capital adequacy		
Common Equity Tier 1 Capital before regulatory adjustments	495,725	455,605
Common Equity Tier 1 Capital regulatory adjustments	-81,862	-87,474
Common Equity Tier 1 Capital total (CET1)	**413,862**	**368,131**
Additional TIER 1 capital before regulatory adjustments	-	-
Additional TIER 1 capital regulatory adjustments	-	-
Additional TIER 1 (AT1) capital after regulatory adjustments	**-**	**-**
TIER 1 capital (T1 = CET1 + AT1)	**413,862**	**368,131**
TIER 2 capital before regulatory adjustments	80,057	102,608
TIER 2 capital regulatory adjustments	-	-
TIER 2 capital (T2)	**80,057**	**102,608**
Own funds total (TC = T1 + T2)	**493,919**	**470,739**
Risk weighted exposures total	**3,024,289**	**2,605,231**
of which credit risk, the standardised model	662,580	555,867
of which credit risk, the IRB model	1,951,718	1,581,852
of which 15% risk-weight floor for residential mortgages	96,937	149,527
of which market risk	-	-
of which operational risk	313,056	317,985
CET1 Capital ratio	13.7%	14.1%
T1 Capital ratio	13.7%	14.1%
Total capital ratio	16.3%	18.1%

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

EUR 1,000	2018	2019	2020	2020	2019
Risk-weighted amount for operational risks					
Gross income	174,402	167,704	158,783		
- average three years			166,963		
Capital requirement for operational risk				**25,004**	**25,439**
Risk-weighted amount				**313,056**	**317,985**

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

P41 Holdings in other companies

	2020		2019	
EUR 1,000	**Percentage of shares**	**Book value**	**Percentage of shares**	**Book value**
Subsidiaries				
Financing				
Aktia Finance ltd, Helsinki	-	-	100%	353
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	2,507	100%	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	100%	8,628	76%	2,206
Insurance companies				
Aktia Life Insurance Ltd, Turku	100%	46,191	100%	46,191
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100%		100%	
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100%		100%	
Asunto Oy Helsingin Tuulensuoja, Helsinki	50%		50%	
Kiinteistö Oy Skanssinkatu, Turku	50%		50%	
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50%		50%	
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33%		33%	
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33%		33%	
Other operations				
Askel Infra GP Oy, Helsinki	80%	3	-	-
Total		**57,329**		**51,257**
Associated companies and joint ventures				
Other				
Figure Financial Management Ltd, Espoo	25%	175	25%	175
Finlands Företagarskydd Ab, Helsinki	45%	45	-	-
Total		**220**		**175**

P42 Shareholders

	Shareholders 31 December 2020		Shareholders 31 December 20219	
	Shares	**Of shares, %**	**Shares**	**Of shares, %**
The 20 largest shareholders:				
RG Partners Oy	7,078,115	10.2	-	-
Veritas Pension Insurance Company Ltd.	6,040,391	8.7	6,040,391	8.7
Companies controlled by Erkki Etola 1)	5,300,000	7.6	300,000	0.4
Oy Hammarén & Co Ab	2,964,511	4.3	2,964,511	4.3
Nordea Bank Abp 2)	2,672,089	3.8	3,390,220	4.9
Åbo Akademi University Foundation sr	2,522,173	3.6	2,522,173	3.7
Skandinaviska Enskilda Banken AB (publ) Helsinki Branch [2]	2,281,308	3.3	2,709,510	3.9
Stiftelsen Tre Smeder sr	1,713,545	2.5	6,463,545	9.3
Mandatum Life Insurance Company Limited	1,639,521	2.4	1,564,488	2.3
Aktiastiftelsen i Borgå sr	1,547,404	2.2	1,947,404	2.8
Aktiastiftelsen i Vasa sr	1,541,457	2.2	1,541,457	2.2
Varma Mutual Pension Insurance Company	1,175,000	1.7	1,175,000	1.7
Föreningen Konstsamfundet r.f.	1,155,013	1.7	1,155,013	1.7
Sparbanksstiftelsen i Karis-Pojo sr	1,108,266	1.6	1,108,266	1.6
Nordea Life Assurance Finland Ltd	909,378	1.3	-	-
Life Annuity Institution Hereditas Ltd	874,960	1.3	1,749,921	2.5
Sparbanksstiftelsen i Kyrkslätt sr	670,000	1.0	848,958	1.2
Vörå Sparbanks Aktiastiftelse sr	627,220	0.9	627,220	0.9
Aktia-Stiftelsen i Hangö sr	613,900	0.9	613,900	0.9
Aktiastiftelsen i Malax sr	560,050	0.8	560,050	0.8
Largest 20 owners	**42,994,301**	**61.8**	**37,282,027**	**53.8**
Other	26,579,872	38.2	31,890,410	46.2
Total	**69,574,173**	**100.0**	**69,172,437**	**100.0**

1) companies controlled by Erkki Etola; Oy Etra Invest Ab, Tiiviste-Group Oy, Etola Oy

2) entered in nominee register

	Number of owners	**%**	**Number of shares**	**%**
Shareholders by sector 2020:				
Non-financial corporations and housing corporations	2,039	5.5	17,406,175	25.0
Financial and insurance institutions	55	0.1	7,245,300	10.4
Public sector organisations	32	0.1	7,654,948	11.0
Households	34,185	92.6	12,756,346	18.3
Non-profit organisations	473	1.3	19,148,241	27.5
Nominee registered and non-Finnish shareholders	134	0.4	5,315,243	7.6
Total	**36,918**	**100.0**	**69,526,253**	**99.9**
Unidentified shareholders			47,920	0.1
Total by sector	**36,918**	**100.0**	**69,574,173**	**100.0**
Shareholders by sector 2019:				
Non-financial corporations and housing corporations	2,051	5.7	7,821,874	11.3
Financial and insurance institutions	57	0.2	4,611,166	6.7
Public sector organisations	29	0.1	7,309,531	10.6
Households	32,972	92.3	11,339,763	16.4
Non-profit organisations	474	1.3	30,878,175	44.6
Nominee registered and non-Finnish shareholders	135	0.4	6,446,445	9.3
Total	**35,718**	**100.0**	**68,406,954**	**98.9**
Unidentified shareholders			765,483	1.1
Total by sector	**35,718**	**100.0**	**69,172,437**	**100.0**

	Number of owners	%	Number of shares	%
Breakdown of stock 2020:				
Number of shares				
1-100	20,303	55.0	851,088	1.2
101-1,000	13,664	37.0	4,743,809	6.8
1,001 - 10,000	2,711	7.3	7,015,093	10.1
10,001 - 100,000	178	0.5	4,875,760	7.0
100,000 -	62	0.2	52,040,503	74.8
Total	**36,918**	**100.0**	**69,526,253**	**99.9**
Unidentified shareholders			47,920	0.1
Total by sector	**36,918**	**100.0**	**69,574,173**	**100.0**
Breakdown of stock 2019:				
Number of shares				
1-100	20,297	56.8	842,150	1.2
101-1,000	12,793	35.8	4,344,643	6.3
1,001 - 10,000	2,422	6.8	6,230,334	9.0
10,001 - 100,000	146	0.4	3,848,448	5.6
100,000 -	60	0.2	53,141,379	76.8
Total	**35,718**	**100.0**	**68,406,954**	**98.9**
Unidentified shareholders			765,483	1.1
Total by sector	**35,718**	**100.0**	**69,172,437**	**100.0**

P43 Related-party information

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

Management personnel compensation

	2020			2019		
EUR 1,000	**Total salary and remunerations**	**Statutory pension costs**	**Cost for voluntary supplementary pension**	**Total salary and remunerations**	**Statutory pension costs**	**Cost for voluntary supplementary pension**
Mikko Ayub, Managing Director	486	90	52	320	55	52
Juha Hammarén, Deputy Managing Director	508	77	44	424	72	44
Executive Committee excl. Managing Director and Deputy Managing Director [1]	2,395	425	246	1,586	271	256
Total	**3,389**	**592**	**342**	**2,330**	**398**	**352**
Compensation to Members of the Board of Directors [2]						
Lasse Svens, Chairman	84	19	-	86	15	-
Arja Talma, Vice Chair	50	12	-	54	9	-
Christina Dahlblom	46	11	-	43	7	-
Johan Hammarén	42	10	-	33	6	-
Maria Jerhamre Engström	48	11	-	44	8	-
Kari A. J. Järvinen	35	8	-	-	-	-
Harri Lauslahti	35	8	-	-	-	-
Olli-Petteri Lehtinen	35	8	-	-	-	-
Johannes Schulman	40	9	-	42	7	-
Stefan Damlin	-	-	-	41	7	-
Tarja Wist	-	-	-	33	6	-
Catharina von Stackelberg-Hammarén	-	-	-	12	2	-
Total	**414**	**95**	**-**	**389**	**66**	**-**
Total compensation to Management personnel and the Board of Directors	**3,803**	**687**	**342**	**2,719**	**464**	**352**

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Director Niina Bergring, Director Max Sundström, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen and Director Anssi Huhta.

2) 40% (40%) of the Board of Directors' annual remuneration was paid in the form of Aktia shares acquired for the Board members from the Stock Exchange at market price.

The notice of dismissal for the Managing Director is from the employer's side 15 months (obligation to work six months), and for the other members of the executive committee the notice of dismissal is 12 months (obligation to work six months). Members of the executive committee follow statutory pension age.

Shareholding

At the end of 2020, the Group's key personnel held a total of 186,069 (122,708) Aktia shares in Aktia Bank plc, which represents 0.3 (0.2) % of the total number of shares.

EUR 1,000	2020	2019
Related-party transactions with subsidiaries		
Deposits	49,551	58,511
Receivables	9,481	10,391
Liabilities	137	223
Services bought	260	1,194
Services sold	6,697	5,322
Financing income obtained from and financing expenses paid to other group companies		
Interest income	-	47
Dividends	15,162	24,228
Net finance income	**15,162**	**24,274**

The Board of Directors' and the CEO's signing of the Report by the Board of Directors and the Financial statements 2020

The Group's parent company is Aktia Bank plc domiciled in Helsinki. A copy of the report by the Board of Directors and financial statement is available from Aktia Bank plc, Arkadiankatu 4–6, 00100 Helsinki and from Aktia's website **www.aktia.com**.

The parent company's distributable retained earnings including profit for the year are EUR 91,864,240.07 and the unrestricted equity reserve is EUR 112,702,575.11. The Board of Directors proposes to the Annual General Meeting that:

A dividend of no more than EUR 0.43 per shares proposed for the reporting period 2020. The dividend is expected to amount to a total EUR 29,860,264.68, excluding dividend for treasury shares, be paid. Dividend is paid from retained earnings. After dividend pay-out the distributable retained earnings in the parent company are EUR 62,003,975.39.

Helsinki, 18 February 2021
Aktia Bank's Board of Directors

Lasse Svens
Chair

Arja Talma
Vice chair

Christina Dahlblom

Johan Hammarén

Maria Jerhamre Engström

Kari A. J. Järvinen

Harri Lauslahti

Olli-Petteri Lehtinen

Johannes Schulman

Mikko Ayub
Managing Director

Our auditor's report has been issued today
Helsinki, 18 February 2021

KPMG Oy Ab
Marcus Tötterman
Authorised Public Accountant

Auditor’s Report to the Annual General Meeting of Aktia Bank plc

This document is an English translation of the Finnish auditor’s report. Only the Finnish version of the report, in the Swedish language, is legally binding.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aktia Bank plc (business identity code 2181702-8) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of lending to the public and public sector entities (Accounting Principles and Notes G1, G2, G19, G20, P16, P17)

The key audit matter	How the matter was addressed in the audit
• Lending to the public and public sector entities aggregated EUR 7,000 million comprising approximately 66 per cent of the Group's total assets. Interest income accruing on loans and other receivables forms a material part of the Group's income statement. • IFRS 9 Financial Instruments standard is applied in the calculation of expected credit losses. Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. • In the financial year 2020 the COVID-19 pandemic has impacted the operating environment, credit risk level and the parameters applied by Aktia in accounting for expected credit losses. • Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, lending to the public and public sector entities are addressed as a key audit matter.	• We have assessed principles and controls for lending regarding the approval, recognition and monitoring of loans and receivables. In addition, we have assessed the risk monitoring and impairment recognition principles applied. • We assessed the methods and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process for expected credit losses. Our audit procedures included an analysis of the most significant individual impairments recognized during the financial period. • We considered the impacts of the COVID-19 pandemic on the credit risk position and the accounting for expected credit losses. Main areas were parameters for macroeconomic assumptions as well as changes in repayment terms and deferred amortization. • Our IFRS and financial instruments specialists were involved in the audit. • Furthermore, we considered the appropriateness of the notes provided by the Aktia Bank plc in respect of loans and other receivables and credit losses.

Insurance Liabilities (Accounting Principles and Notes G2, G7, G35)

• Insurance liabilities in the balance sheet of Aktia Bank plc totalled EUR 1,411 million and is a material item in the Group's balance sheet. An acquisition of a life insurance portfolio was completed during the financial year which increased the amount of insurance liabilities. • Determining insurance liability is subject to management judgement. In addition, different calculation methodologies can be used. Due to the significant carrying value of insurance liabilities involved, and the complexity associated with actuarial models used, insurance liabilities are addressed as a key audit matter.	• We have assessed and tested the implemented process controls over the insurance liabilities calculation process. • We have considered the principles and the accounting treatment applied in the acquisition of the life insurance portfolio completed during the financial year. • As part of our audit, our actuary specialist has assessed and validated assumptions and calculation methodologies used in insurance liabilities calculations. • We have summed up information and assumptions used in insurance liabilities calculations and evaluated their appropriateness by using industry knowledge and available market practise information.

Net commission income from mutual funds, asset management and investment brokerage (Accounting Principles and Notes G6 and P4)

• The assets managed by the Aktia Bank plc entitles to fee and commission income on the grounds of the agreements entered into with customers and the cooperation parties. Commission income, in aggregate EUR 64.3 million, forms a material part of the Group's result income statement. • The accounting of commission income from mutual funds and asset management comprises manual phases and the determination of the commission amount and revenue recognition may involve management judgement. • Due to the significance of the income amount and the judgement involved, commission income is considered a key audit matter.	• We assessed the methods used by the Aktia Bank plc for calculation of mutual fund and asset management commissions. • Our review regarding the accounting of mutual fund and asset management commissions focused on controls in the billing and fee calculation processes. Our audit procedures involved an assessment of the functionality and effectiveness of these controls. • Our audit procedures included testing of commission calculations on a sample basis, as well as an assessment of the underlying related agreements and fund statutes where fees have been defined. We utilized data analysis in our analysis of the charged fees.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement
KPMG OY AB was appointed as auditor by the Annual General Meeting in 2011, and our appointment represents a total period of uninterrupted engagement of 10 years.

Other Information
The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in in the Annual Report. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 18 February 2021

KPMG OY AB

Marcus Tötterman

Authorised Public Accountant, KHT

Corporate Governance Report

Corporate Governance Statement for Aktia Bank Plc

This report has been approved by the Board of Directors of Aktia Bank Plc (Aktia) on 17 February 2021. The report has been prepared separately from the Report by the Board of Directors and has been examined by the Audit Committee of the Board of Directors.

This Corporate Governance Report has been prepared in accordance with the Finnish Corporate Governance Code 2020. This report and other disclosures required under the Corporate Governance Code, the company's financial statement, the Report by the Board of Directors and the auditor's report for 2020 are available on the company's website, **www.aktia.com**.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's Articles of Association, Aktia Bank Plc also complied with the 2020 Corporate Governance Code for Listed Companies issued by the Finnish Securities Market Association (Corporate Governance Code 2020). The Code is publicly available on the website of the Finnish Securities Market Association, **www.cgfinland.fi**. Aktia is a supporting member of the Securities Market Association.

Aktia Bank Plc's governance structure

BOARD OF DIRECTORS 31 DECEMBER 2020

Lasse Svens

Lasse Svens

b. 1962

Chairman of the Board, member of the Board's Risk Committee and the Board's Remuneration and Corporate Governance Committee

M.Sc. (Econ.)

CEO, Åbo Akademi University Foundation sr

Member of the Board since 2016

Shares in Aktia Bank Plc 31 December 2020: 12,043

Arja Talma

b. 1962

Deputy Chairman of the Board and Chairman of the Board's Audit Committee

M.Sc. (Econ.), eMBA

Board professional

Member of the Board since 2013

Shares in Aktia Bank Plc 31 December 2020: 9,237

Christina Dahlblom

b. 1978

Member of the Board and Chairman of the Board's Remuneration and Corporate Governance Committee

Ph.D (Econ.)

Entrepreneur, Flo Co

Member of the Board since 2016

Shares in Aktia Bank Plc 31 December 2020: 6,332

Johan Hammarén

b. 1969

Member of the Board and member of the Board's Remuneration and Corporate Governance Committee

M.Sc (Econ.), Master of Laws

CEO, Oy Hammarén & Co Ab

Member of the Board since 2019

Shares in Aktia Bank Plc 31 December 2020: 2,750

Maria Jerhamre Engström

b. 1969

Member of the Board and Chairman of the Board's Risk Committee

eMBA

Management Consultant focusing on IT and

IT transformation

Member of the Board since 2018

Shares in Aktia Bank Plc 31 December 2020: 3,997

Kari A. J. Järvinen

b. 1962

Member of the Board and member of the Board's Remuneration and Corporate Governance Committee

M.Sc.Eng., MBA

Board professional

Member of the Board since 2020

Shares in Aktia Bank Plc 31 December 2020: 1,458

Harri Lauslahti

b. 1961

Member of the Board and member of the Board's Risk Committee

M.Sc. (Econ.)

Managing Partner, Kohtas Co. Finland Oy

Member of the Board since 2020

Shares in Aktia Bank Plc 31 December 2020: 1,458

Olli-Petteri Lehtinen

b. 1960

Member of the Board and member of the Board's Audit Committee

M.Sc. (Econ.)

Board professional

Member of the Board since 2020

Shares in Aktia Bank Plc 31 December 2020: 1,458

Johannes Schulman

b. 1970

Member of the Board and member of the Board's Audit Committee

M.Sc. (Econ.)

Member of the Board since 2020

Shares in Aktia Bank Plc 31 December 2020: 4,096

Stefan Damlin

b. 1968

M.Sc. (Econ.)

Member of the Board and member of the Board's Risk Committee and the Audit Committee up until the Annual General Meeting 16 April 2020.

Tarja Wist

b. 1965

Master of Laws (with court training), Attorney

Member of the Board and member of the Board's Risk Committee and the Audit Committee up until the Annual General Meeting 16 April 2020

Information on remuneration paid to the members of the Board is found in Notes G43 and G45 of the financial statements.

Composition of the Board of Directors

In accordance with the provisions of the Articles of Association, Aktia's Board of Directors encompasses a minimum of five and a maximum of 12 ordinary members. The Annual General meeting decides on the number of Board members, elects Board members and decides on the fees to be paid to the Board members based on the proposal submitted by the shareholders' Nomination Board. The Board members' mandates begin at the end of the Annual General Meeting and ends at the end of the following Annual General Meeting. The Board of Directors elects its Chairman and Deputy Chairman from among its members. No Board members are appointed through a special appointment procedure.

Pursuant to the Articles of Association of Aktia, the Nomination Board comprises representatives of the five largest shareholders according to number of shares held. The chairman of the Board of Directors convenes the Nomination Board and acts as an expert at the meetings.

The right to appoint a member to the Nomination Board lies with the five shareholders whose ownership of shares in Aktia Bank Plc is the largest on 1 June immediately preceding the General Meeting. Should a shareholder not wish to use his/her appointment right, the right transfers to the next largest shareholder who would otherwise not have an appointment right. The shareholders entitled to appoint a member are determined on the basis of the shareholders' register of the company on 1 June the calendar year preceding the General Meeting.

Prior to an Annual General Meeting the Nomination Board shall present its proposals for members of the Board of Directors and for remuneration to the Board of Directors of Aktia Bank Plc before the end of January. Concerning Extraordinary General Meetings, proposals shall be presented in a similar manner in good time before the meeting, considering applicable rules and regulations.

Independence and diversity of Board members

None of the Board members has been or is an employee of the company. The Board of Directors deems all members of the Aktia's Board 2020 to be independent in relation to Aktia within the meaning of the Corporate Governance Code 2020. According to the Board's assessment, all Board members are independent of significant shareholders of the company (a shareholding representing at least ten per cent of the total number of shares or voting rights).

The Board of Directors has approved principles for diversity with the aim of ensuring that the Board as a whole has the expertise and the diversity required to ensure a healthy board culture, to preserve shareholder value through efficient supervision of the business and to increase shareholder value through insights and strategic thinking. The principles are available on the company's website, **www.aktia.com/en/investors/corporate-governance**.

According to Aktia's principles in terms of gender, an even gender distribution in the Board of Directors shall be pursued. The principles for diversity have been considered in the composition of the Board. Up until 16 April 2020, the number of women on the Board of Directors was 50 per cent and as of 16 April 2020, the number of women on the Board of Directors was 33 per cent.

The Board of Directors' tasks and meetings

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws and the Articles of Association. Apart from assignments given by the Board of Directors to its members in individual cases, Board members do not have individual duties related to the governance of the company.

The Board has adopted written rules of procedure for its work. Meetings of the Board are held mainly at Aktia's head office in Helsinki. When required, the Board can also hold meetings by telephone/e-mail and adopt resolutions without convening. In 2020, the Board of has mainly held digital meetings due to the coronavirus pandemic. In accordance with the rules of procedure, the Board normally meets once a month. At one longer meeting annually the Board mainly discusses the Group's strategy.

Meetings of the Board of Directors are deemed quorate when more than half of its' members, including the Chairman or the Deputy Chairman, are present.

The rules of procedure for the Board of Directors define, in more detail, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings, and reporting procedures.

In 2020 the Board held 16 meetings. In addition, the Board of Directors adopted separate decisions on 8 occasions concerning matters that fall under its authority.

The following Board members have been members throughout 2020. Their attendance at meetings:

Svens Lasse, Chairman	16/16
Talma Arja, Deputy Chairman	16/16
Dahlblom Christina	15/16
Hammarén Johan	15/16
Jerhamre Engström Maria	15/16
Schulman Johannes	16/16

The following persons were elected to the Board on 16 April 2020 and have thereafter attended Board meetings as follows:

Järvinen Kari A. J.	10/10
Lauslahti Harri	10/10
Lehtinen Olli-Petteri	10/10

Stefan Damlin and Tarja Wist were members of the Board up until the Annual General Meeting 16 April 2020. Stefan Damlin had before that participated in 4/6 Board meetings and 4/4 Committee meetings and Tarja Wist in 6/6 Board Meetings and 3/3 Committee meetings.

Composition and duties of Board committees

To draw up issues to be resolved by the Board of Directors and to make decisions on certain defined matters, the Board of Directors has established three committees. The committees' rules of procedures constitute a part of the Board of Directors' rules of procedure. Under the rules of procedure, the committees must have at least two and not more than four members. The rules of procedure also specify which matters are to be prepared by the committees and the matters on which the committees are authorised to decide.

The Risk Committee prepares individual credit matters that require the Board of Directors' decision in accordance with the Group's credit risk strategy and matters of risk-taking and risk management. In addition, the committee considers the central risk-related processes for capital and liquidity, internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment (ILAAP) and draws up risk-related matters for the Board of Directors to pass decision on. The committee prepares decisions on the annual plan and on procedures for the Risk Control and Compliance function to be adopted by the Board, and studies the reports submitted by Risk Control and Compliance. In 2020, the committee held 11 meetings.

Members of the Risk Committee and meeting attendance in 2020:

Jerhamre Engström Maria, Chairman	11/11
Svens Lasse	11/11
Lauslahti Harri, as of 16 April 2020 8/8	8/8
Damlin Stefan, up until 16 April 2020 3/3	3/3
Wist Tarja, up until 16 April 2020 3/3	3/3

The Audit Committee secures the financial reporting and an appropriate organisation for internal control and internal audit. The Audit Committee draws up matters to be decided upon by the Board of Directors for the financial statements and interim reports. The committee prepares the principles for internal auditing and the Group's internal audit plan. The committee studies the reports issued by the external auditor, the Internal Audit function and the Compliance function and assesses the sufficiency of the other internal reports. The Audit Committee assesses the independence of the auditor or audit firm and, in particular, the provision of ancillary services. In 2020 the Audit Committee held five meetings.

Members of the Audit Committee and meeting attendance in 2020:

Talma Arja, Chairman	5/5
Schulman Johannes	5/5
Lehtinen Olli-Petteri as of 16 April 2020	4/4
Damlin Stefan up until 16 April 2020	1/1

The Remuneration and Corporate Governance Committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning the Group's remuneration policy and report, and more in detail concerning the remuneration and incentive schemes of the Executive Committee and assesses these. The committee prepares and manages also matters relating to the development of the Group's administration and governance systems. In 2020, the committee held 10 meetings.

Members of the Compensation and Corporate Governance Committee and meeting attendance in 2020:

Dahlblom Christina, Chairman	10/10
Hammarén Johan	9/10
Svens Lasse	10/10
Järvinen Kari A. J., as of 16 April 2020	6/6

EXECUTIVE COMMITTEE 31 DECEMBER 2020

Mikko Ayub

b. 1969
CEO
M.Soc.Sc., MBA
At Aktia since 2018
Shares in Aktia Bank Plc 31 December 2020: 31,409

Juha Hammarén

b. 1960
Executive Vice President, Deputy CEO
Master of Laws (with court training), eMBA
At Aktia since 2014
Shares in Aktia Bank Plc 31 December 2020: 38,872

Niina Bergring

b. 1973
Director, Asset Management
M.Sc. (Econ.), MBA
In Aktia since 2020
Shares in Aktia Bank Plc 31 December 2020: 5,869

Outi Henriksson

b. 1969
CFO
M.Sc. (Econ.)
At Aktia since 2017
Shares in Aktia Bank Plc 31 December 2020: 18,818

Anssi Huhta

b. 1977

Director, Corporate customers

eMBA

At Aktia since 2020

Shares in Aktia Bank Plc 31 December 2020: 0

Carola Nilsson

b. 1967

Executive Vice President, Private customers

M.Sc. (Econ.)

At Aktia since 2017

Shares in Aktia Bank Plc 31 December 2020: 15,036

Max Sundström

b. 1971

Director, Development & Data

M.Sc.Eng.

At Aktia since 2019

Shares in Aktia Bank Plc 31 December 2020: 5,905

Anu Tuomolin

b. 1976

Director, COO

M.Sc. (Econ.)

At Aktia since 2018

Shares in Aktia Bank Plc 31 December 2020: 10,680

Juha Volotinen

b. 1975

Director, IT

M.Sc. (Econ.)

At Aktia since 2010

Shares in Aktia Bank Plc 31 December 2020: 16,651

Irma Gillberg-Hjelt

b. 1962

Director, Corporate Customers

Member of the Executive Committee up until 15 April 2020.

Information on remuneration of members of the Executive Committee is found in Notes G43 and G45 of the financial statements.

CEO and his duties

Mikko Ayub, M.Soc.Sc., MBA, born 1969.

The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The CEO is assisted in the day-to-day management by the Executive Committee.

Executive Committee

Duties of the Executive Committee

The task of the Group's Executive Committee is to assist the CEO. The Executive Committee discusses and monitors the outcome of the Group's strategy and its earnings performance as well as outcomes for significant projects and the achievement of defined targets.

The Executive Committee has no formal corporate law status. The Executive Committee consists of the CEO, who acts as chairman, and the executives for segments and functions, as stipulated by the Board. The members of the Executive Committee report to the CEO. In 2020, the Executive Committee generally convened every two weeks.

Internal control and risk management in Aktia Group

The system of internal control is designed to ensure that the activities of the Aktia Group comply with the applicable regulatory requirements and the operational guidelines adopted by the Board. In Aktia, the methodology called "Three lines of defence" is applied to internal control and risk management. Internal control is thus implemented on all levels of the organisation. The first line of defence, i.e. business operations as well as its support functions, own all risks in their operations and are through that responsible for the internal control and risk management. Ensuring the appropriate organisation and functioning of the internal control is part of the duties of the Board of Directors of Aktia Bank Plc.

In addition to processes for financial reporting, a functioning internal control in Aktia Group is secured by the Risk Control Function, the Compliance Function and in Aktia Life Insurance Ltd by the independent actuarial function in the second line of defence as well as by the Internal Audit in the third line of defence. All these functions operate independently of the operational side of the business. Risk Control, Compliance functions and Internal Audit function report directly to the Group's Board of Directors and the boards of the Group's regulated subsidiaries. Additionally, the independent actuarial function reports to the Board of Aktia Life Insurance Ltd.

The Board determines principles, instructions, risk strategies and risk appetite in the Group, and thus establishes a framework for risk management in the Group. The Board is in charge of ensuring that risk management is carried out in an appropriate, efficient and responsible manner and that Aktia has working methods which guarantee that Aktia Group's business activities comply with the law.

The main principles for risk management in Aktia Group as well as the processes and internal control are described in detail in the Capital and Risk Management Report (CAR) 2020, which is available on the website **www.aktia.com/en/investors/results-and-presentations/year/2021**.

Financial reporting

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures in Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have been built into all key processes where information is recorded. Internal control is supported by observations made by the Group's Internal Audit function which, through risk-based audits, verifies the accuracy of information flows and the sufficiency of the level of control.

The Aktia Group's operational financial reporting organisation consists of an accounts unit at Group level that is in charge of external as well as internal financial reporting. The unit's remit includes consolidation, budgeting, internal performance monitoring, updating of accounting principles, and internal financial reporting guidelines and instructions. For each business segment and key individual subsidiaries within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis. The Group's reports are compiled centrally and are based on a common financial reporting system covering external as well as internal reporting, which helps to ensure that day-to-day financial reporting is handled in a uniform manner.

Important parts of current accounting activities in companies within Aktia Group have been outsourced to an external company that provides accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. Aktia Group has an ownership interest in and is represented on the board of Figure Taloushallinto Oy, which is responsible for Aktia Group's outsourced accountancy services.

Within Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. Aktia Group's Chief Accounting Officer, who is in charge of internal and external financial management, is not involved in making direct business decisions. Her incentives are mainly independent of factors driving the business. The Chief Accounting Officer reports to the Chief

Financial Officer of the Aktia Group, who is a member of the Executive Committee.

The Aktia Group's internal reporting and monthly financial statements are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are currently distributed to Aktia Group's Board of Directors and management, selected key personnel and the auditors.

Aktia Group's financial development and performance is addressed each month by the Group's Executive Committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its Audit Committee in the form of interim reports and an annual report. The annual report is audited and the interim reports are reviewed by the Group's external auditors, who report their observations to the Audit Committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its Audit Committee.

Risk Control function

The Aktia Group has a Risk Control function which is independent of the operational side of the business, and which evaluates risk management in the Group and its subsidiaries and reports on risks to management and the Board of Directors. The function monitors that well adapted measuring, analyses and monitoring of risks exist in the Group's every operating area and carries out an assessment of the Group's overall risk position in relation to the strategies and risk appetite, which is established by the Board of Directors. Risk control in the subsidiaries takes account of the particular characteristics of each subsidiary and the specific regulations which apply to its operations. The Risk Control function is guided by a set of principles and an annual plan for the function, which are adopted annually by the Board of Directors.

Compliance function

Aktia Group has a Compliance function that is independent of the operational side of the business. The Group's Compliance function performs advisory, supervisory and reporting tasks for the purpose of ensuring compliance with the applicable customer protection, data protection, market conduct, permissions and supervision as well as anti-money laundering regulations. Compliance supports Aktia's operational activities and is tasked with supervising that these activities are conducted in compliance with the applicable laws. The Compliance function is governed by a set of principles and an annual plan for the function, which are adopted annually by the Board of Directors.

Internal auditing

Aktia Group has an Internal Audit function that is independent of the operational side of the business. The function examines the adequacy and effectiveness of the internal monitoring system and the quality of the tasks performed, and thereby (by addressing observed shortcomings and identifying areas of potential improvement) helps to ensure that necessary changes are implemented. Principles for the activities of the Internal Audit function as well as the Group's audit plan are reviewed and adopted by the Group's Board of Directors on an annual basis. On a quarterly basis, Internal Audit reports on its key observations, the review of previously implemented actions and the implementation of the audit plan directly to the Aktia Group's Board of Directors and its Audit Committee.

The Internal Audit function operates in accordance with the international framework for the professional practice of internal auditing, including the definition of internal audit, the professional ethical code, and guidelines for professional internal auditing. The function also follows other legislation and regulatory requirements for the industry.

Insider administration

As a listed company and issuer, Aktia Bank Plc follows the Market Abuse Regulation (MAR), under which companies are required to draw up insider lists and lists of persons discharging managerial responsibilities and persons closely associated with them, as well as Nasdaq Helsinki Ltd's (Helsinki Stock Exchange) Guidelines for Insiders. More information on the governing of insider information is available on Aktia's website **www.aktia.com/en/investors/corporate-governance/insider-administration**.

Related party transactions

To ensure that possible conflicts of interest are taken into consideration in an appropriate way in decision-making, an evaluation of the company's all related party transactions will be made. Aktia Bank has defined its related parties (i.e. close relations) and is involved in regular trading with these. These business transactions are a part of the company's normal business, as many of the individuals defined as related parties are also customers of Aktia Bank. With the exception of employee benefits for those individuals employed by Aktia, all business transactions are made at normal customer terms and conditions, following determined decision-making processes.

Business transactions with related parties that are significant for Aktia, as well as business transactions with related parties that deviate from the bank's normal business operations, or business transactions made at other than market terms shall be approved by the Board of Directors. Special attention shall be paid to that the related parties do not benefit from their positions.

Aktia's finance unit evaluates and monitors transactions made with related parties as part of the normal routines for control and reporting. Related party transactions are reported in Aktia Bank's annual report (Note G43).

Auditor

The auditing firm KPMG Oy Ab with Marcus Tötterman, Authorised Public Accountant, as lead audit engagement partner has been Aktia's auditor in 2020. The auditor is elected by the Annual General Meeting. Information on fees paid for audit and non-audit services is provided in Note G12 to the financial statements.

Contact information

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BIC/S.W.I.F.T: HELSFIHH

Aktia