Aktia

Annual and Sustainability Report 2019

Aktia Bank Plc

Mannerheimintie 14, PO Box 207, 00101 Helsinki
Business ID: 2181702-8
www.aktia.com

Annual and Sustainability Report 2019 is a translation of the original Swedish version Års- och hållbarhetsredovisning 2019.
In case of discrepancies, the Swedish version shall prevail.

6

CEO's comments: A strong challenger mindset drives Aktia boldly forwards

16

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

18

Business areas: Aktia is a close advisor and the customer's best partner in financial matters

28

Responsibility: Corporate responsibility is a crucial aspect of Aktia's operations in the short term and the long term

Contents

About Aktia 5
A strong challenger mindset drives Aktia boldly forwards 6
Aktia in brief 8
Highlights of the year 2019 10
Aktia as an investment – stable and responsible value creation 12
Information for shareholders 14
Growth in asset management as well as new customers in the growing cities in Finland 16

Business areas 18
Business areas and reporting business segments 19
Private customers closely involved with the development of services 20
Aktia stays close to corporate customers' everyday business 22
Asset management in focus in Aktia's operations 24
Life insurance as a foundation for financial security 26

Responsible Aktia 28
Corporate responsibility management and good governance 29
Corporate responsibility programme guides our sustainability work 30
The UN Sustainable Development Themes guide Aktia's activities 31
Aktia's stakeholder collaboration 35
Solvent and reliable Aktia 37
A partner for economic well-being 40
Heading for a better working life 44
An environmentally responsible actor 49
Responsible procurement 53
Reporting principles 54
Aktia's corporate responsibility management themes and indicators 56
GRI content index 59

Report by the Board of Directors 61
Report by the Board of Directors 62
Non-financial report 2019 88

Financial Statement 95
Aktia Bank Plc – consolidated financial statements 98
Aktia Bank Plc – parent company`s financial statement 174
Signing of the Report by the Board of Directors and the Financial statements 2019 206
Auditor's Report to the Annual General Meeting of Aktia Bank Plc 207

Corporate Governance Report 211
Corporate Governance Report for Aktia Bank Plc 212

About Aktia

“

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.

CEO'S COMMENTS

A strong challenger mindset drives Aktia boldly forwards

In 2019, Aktia had its sights set firmly on the future. For us, this meant updating our financial targets and strategy, thereby carrying out major renewal and reorganising our operations. At the same time, we kept costs well under control and earnings on track; the strong growth in asset management was particularly pleasing. Customers also acknowledged the good work we have done. In the EPSI customer satisfaction survey in September, Aktia made the biggest improvement among private customers.

Growth in asset management

Aktia held a Capital Markets Day in September 2019, when it updated its strategy and financial targets. The strategy supports Aktia's growth targets, and it will drive the company towards its vision of being "The good bank. And a great asset manager".

In line with the updated strategy for the period until 2023, Aktia is now seeking an even stronger growth in asset management and new private and corporate customers in Finland's growing cities. We will make our award-winning asset management expertise more widely available to our customer base in Finland and abroad while diversifying our product selection. Examples of this include the successful launch of the new high-yield corporate bond fund in October and the structured products that we have offered to our customers since the beginning of 2020.

The internationalisation of Aktia's institutional asset management gathered pace during the past year. The value of assets under management in fixed-income funds offered to international customers was EUR 1.9 billion at the end of the year, representing growth of 68 per cent year-on-year. Aktia Asset Management is already a success story that we can all be proud of. This is a good position for us to be in as we head for even better results.

In 2019, Aktia had its sights set firmly on the future. For us, this meant updating our financial targets and strategy, thereby carrying out major renewal and reorganising our operations.

A shift in consumption behaviour motivated the redesigned service model

Real changes are taking place in the financial services sector, the operating environment and customer behaviour, forcing banks to rethink their businesses. That includes us. Last autumn, we redesigned our customer service model in conjunction with our strategy update process, and co-operation negotiations took place as a part of this. As a consequence, 92 jobs were reduced and 50 new positions

became available. In addition, 18 branches were merged with other branches. The productive activities of customer service and sales were also rearranged.

The aim of redesigning the customer service model is to combine new types of meeting points, designed in accordance with customer needs, with the opportunities presented by a constantly evolving range of digital services, thereby enabling services such as Aktia's award-winning asset management to be made available to everyone in Finland.

Responsibility for the future

The development of Aktia's corporate responsibility was one of the most important goals in the past year. We aim to be a solvent, reliable and environmentally responsible partner for economic well-being and the most attractive workplace in the business. In 2019, we updated our corporate responsibility indicators, prepared an action plan for the next five-year period and selected UN sustainable development themes and goals to guide our operations.

Our significant achievements in the past year also included preparing a climate policy, green procurement guidelines, suppliers' ethical code of conduct and corporate responsibility risk analysis. We have also begun proactively building a WWF Green Office environmental management system. This will be used in the Group's new headquarters, where we will move in late 2020.

Climate change and increasingly stringent regulations in areas such as sustainable finance are trends that will require a response from our sector in the future. However, responsible investment and lending will also lead to new business opportunities and support Aktia's updated strategy. We aim to be prepared to satisfy our stakeholders' expectations, develop a dialogue on corporate responsibility and further integrate corporate responsibility into our business in the future.

We also want to help Finnish people to take responsibility for their futures by saving and investing more. According to a research by Statistics Finland, Finnish people are more likely to spend their disposable income on gambling than investing. I find this particularly worrying. For example, people should see their first home above all as an investment – not just a debt. It is time to do away with the mindset that people with mortgages can think of nothing more than clearing their debt.

In conclusion, I would like to thank our customers, owners and other stakeholders for a good year in 2019. I would equally like to thank every Aktia employee for their valuable efforts and adaptability in this dynamic era of constant renewal. I have complete faith in you.

Our evolution will continue, and a strong challenger mindset will drive Aktia boldly forwards.

Mikko Ayub
CEO

Aktia in brief

Key figures 31 December 2019

270,000
Private customers

100,000
Insurance policies

750
Employees

9.7 EUR billion
Balance sheet total

36,000
Shareholders

20,000
Corporate and institutional customers

51%
smaller carbon footprint of our own funds compared with reference market

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

9.9 EUR billion
Customer assets under management (AuM)

650 EUR million
Market cap

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.

Forms of service

Self-service
Aktia Wallet
Online bank
Mobile bank

General advising
Chat on website
Social media

Personal service
Telephone
Net meeting
Branch offices

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.

The legal structure of Aktia Group

Aktia Bank Plc
Is listed in Nasdaq Helsinki Ltd

100% Aktia Life Insurance Ltd

100% Aktia Fund Management Company Ltd

76% Aktia Asset Management Ltd*

100% Aktia Finance Ltd

* Aktia Asset Management will become a wholly-owned subsidiary of Aktia Bank by the end of the first quarter of 2020.

Key figures 2019

211.4 +3% (206.1)
Comparable operating income, EUR million

-140.4 -1% (-141.2)
Comparable operating expenses, EUR million

68.2 +4% (65.4)
Comparable operating profit, EUR million

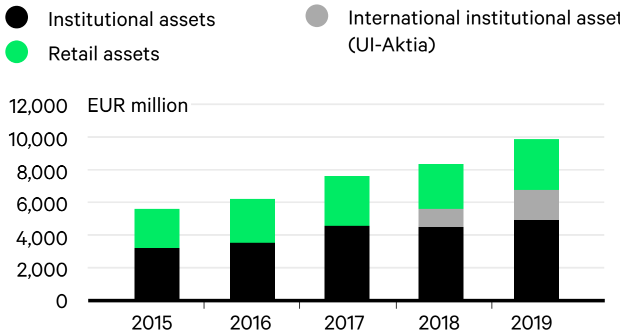
0.66 -4% (0.69)
Comparable cost-to-income ratio

0.90 +10% (0.81)
Earnings per share (EPS), EUR

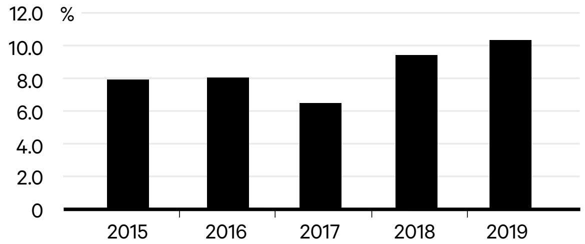
10.3 +9% (9.4)
Return on equity (ROE), %

14.7 -16% (17.5)
Common Equity Tier 1 capital ratio (CET1), %

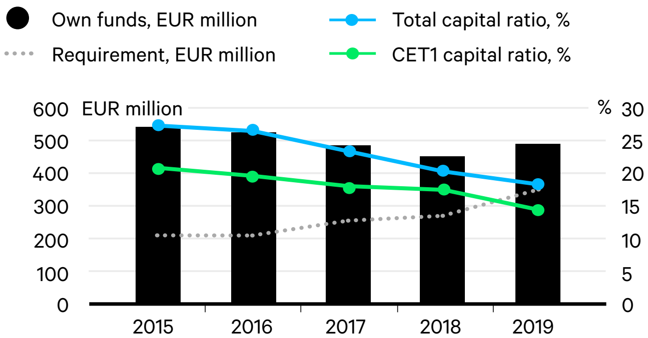
Assets under management (AuM) excluding custody

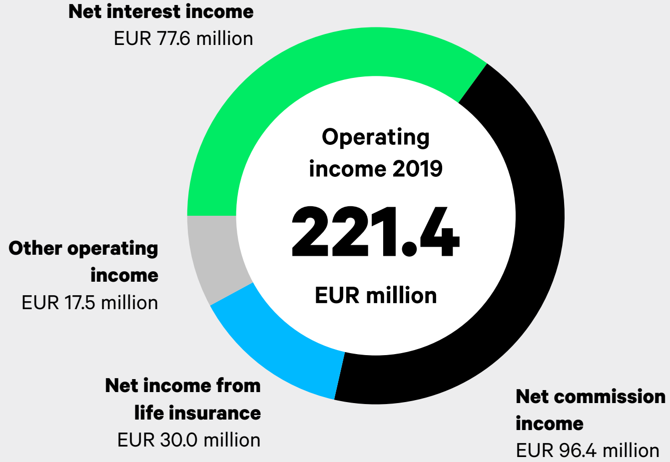


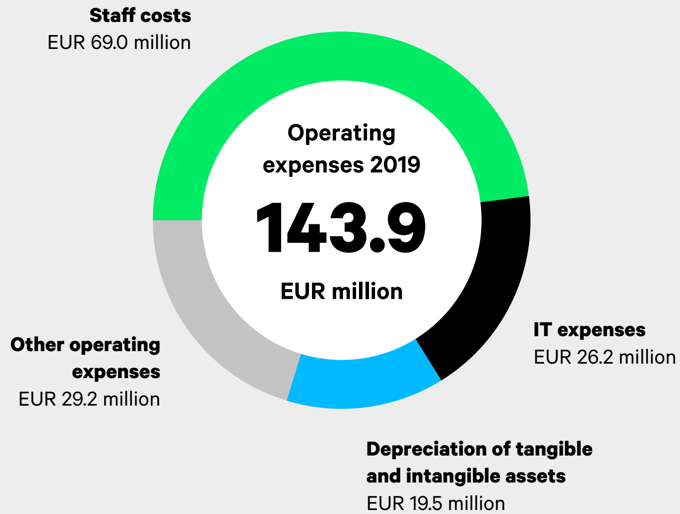
Aktia's return on equity (ROE)



Capital adequacy







Highlights of the year 2019

Q1

23 January

Aktia entered into an agreement to divest its holdings in Oy Samlink Ab

Aktia entered into an agreement on 23 January 2019 to divest its holdings in Oy Samlink Ab (22.56 per cent) to Cognizant Technology Solutions Finland Ltd. The transaction was completed on 1 April 2019. The transaction generated a EUR 9.6 million sales gain in the second quarter, which affected the Group's reported operating profit for 2019 but did not have an effect on the Group's comparable operating profit.

29 January

Aktia is the first Finnish bank to offer its customers a fully digital credit card

The fully digital Aktia Digital Gold Credit card works with the Aktia Wallet app. One of the main advantages of the card is security: the security code (CVC) changes after every purchase.

6 March

Aktia chosen again as the best Finnish Fixed Income Fund House

Aktia won in Morningstar's Finland Awards 2019 both in the category of Fixed Income Fund House and Fixed Income Funds.

Q2

2 April

Apple Pay available for Aktia's customers

Aktia offers its customers Apple Pay service, making mobile payments fast and effortless in an easy and secure way. Security and privacy are the cornerstones of Apple Pay.

Aktia's asset management rewarded with two Lipper Fund Awards

Lipper Fund Awards has rewarded Aktia Asset Management as the best Nordic fixed income fund house in the Small Company category and Aktia EM Local Currency Frontier Bond+ as the best fund in the Nordic countries.

15 May

The launch of a new Investment Assistant solution

The aim of the Investment Assistant is to provide a readily available digital tool for saving and investment. With the help of the Investment Assistant, Aktia's customers can define their own savings target and choose the most suitable tools for reaching the target.

1 June – 31 July

Aktia is improving its corporate responsibility work

In summer 2019, Aktia drew up a new climate policy and approved its selected themes related to the UN Sustainable Development Goals as well as a new corporate responsibility action plan for the next five-year period.
In addition, Aktia began reporting its most significant corporate responsibility indicators in connection with its half-year reports and financial statement releases.

18 June

Aktia involved in the first electronic housing transaction in Finland

Each stage of the housing transaction process, from the signing of the deeds of sale to the transfer tax, were conducted electronically. Homes can now be bought and sold digitally, at any time and in any place of the customer's choosing using DIAS, the digital housing transaction platform.

Q3

10 September

Aktia updated its strategy and long-term financial targets

According to the strategy update, extending to 2023, Aktia is seeking an even stronger growth in asset management and new customers in the growing cities in Finland, and continues to increase operational efficiency further. The aim of the strategy is to support Aktia's growth targets and to lead the company towards the new vision of being "The good bank. And a great asset manager".

Capital Markets Day

Aktia held its Capital Markets Day in Helsinki in September. At the event, Aktia announced its updated strategy and presented its new financial targets.

Q4

9 October

Aktia's award-winning fixed-income fund surpassed one billion euros in assets under management

The assets managed by Aktia's Emerging Market Local Currency Frontier Bond+ fund surpassed the billion-euro mark at the end of September, becoming the tenth long-term bond fund in Finland to reach this milestone.

15 October

Aktia launched a new high-yield fund

To increase its asset management offering, Aktia launched a new fund with direct investments in European high-yield corporate bonds in October.

4 November

Aktia started a service model renewal and ended co-operation negotiations

After the conclusion of the co-operation negotiations in October, Aktia will merge 18 of its branches with other branches. Aktia is seeking growth in growing cities and is now strongly renewing its operation and service model and creating a bank of the future.

19 December

Aktia agreed on the acquisition of Alandia's life insurance portfolio

Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia agreed on the transfer of Alandia's life insurance portfolio to Aktia. The transfer is planned to take place during the first quarter of 2020.

23 December

Aktia Asset Management a wholly-owned subsidiary of Aktia

Aktia Bank Plc and Evergreen Holding Ltd, the minority shareholder in Aktia Asset Management Ltd, reached an agreement of Aktia Bank Plc acquiring the entire minority share of 24 per cent in Aktia Asset Management. As a result, Aktia Asset Management will become a wholly-owned subsidiary of Aktia Bank by the end of the first quarter 2020.

Aktia as an investment – 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 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 increasingly international asset management

- Our success in asset management is the outcome of years of long-term work and world-class expertise, particularly in fixed-income asset management.
- The value of assets under management by our funds sold to institutional customers on international markets rose by 68 per cent in 2019.
- 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 it can interact with customers at every stage of their lives. In the EPSI customer satisfaction survey in September 2019, Aktia made the biggest improvement among private customers.
- Modern banking services are no longer limited to the opening hours of bank branches. The intense development of digital banking services will continue as part of the renewal of our service package.
- The constant development of corporate responsibility is one of Aktia's most important goals.
- 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

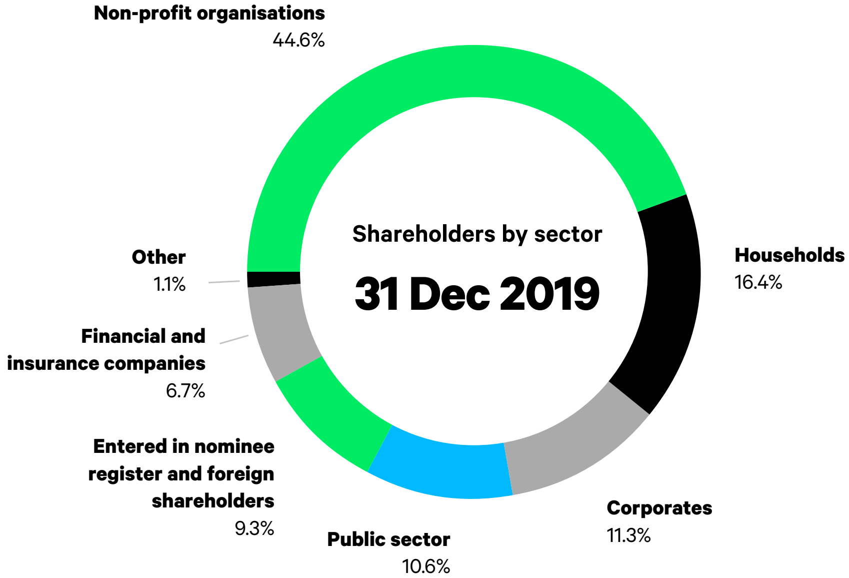
- Aktia pays good, stable dividends. We aim to pay out 60–80 per cent of the profit for each financial period in dividends.

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 2019, the Common Equity Tier 1 capital ratio (CET1) was 14.7 per cent, and Aktia's long-term target is to remain 1.5–3 percentage points over the regulatory requirement (11.3 per cent).

5. Clear strategy and growth targets

- In autumn 2019, Aktia updated its strategy and long-term financial targets.
- In line with the new strategy for the period until 2023, Aktia is seeking an 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 2019

Aktia's share 31 December 2019:

Market	Nasdaq Helsinki Oy
Trading code	AKTIA
ISIN code	FI4000058870
Shares	69,172,437
Market cap	EUR 646,070,562
High 2019	EUR 9.90
Low 2019	EUR 8.08
Closing	EUR 9.34

Information for shareholders

Financial calendar

AGM 2020	16 Apr 2020
Interim report January–March 2020	5 May 2020
Half-year report January–June 2020	4 Aug 2020
Interim report January–September 2020	3 Nov 2020

Annual General Meeting 2020

Aktia Bank Plc's Annual General Meeting is being held on Thursday 16 April 2020 at 4:00 p.m. at Pörssitalo, Fabianinkatu 14, Helsinki.

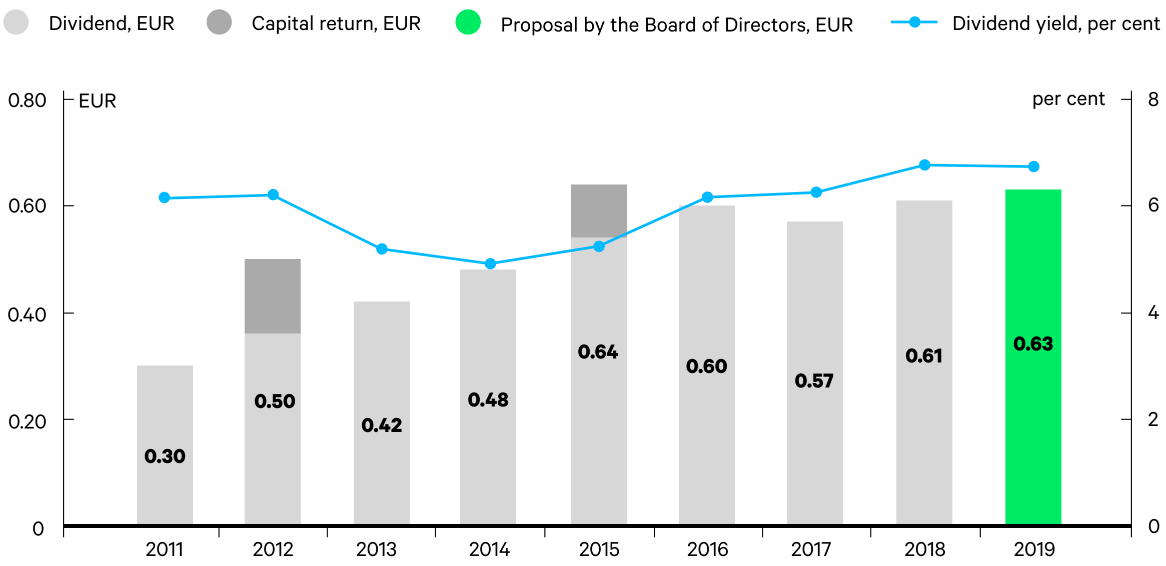
Each shareholder, who is registered in the company's register of shareholders maintained by Euroclear Finland Ltd as at 2 April 2020, has the right to participate in the Annual General Meeting. Shareholders whose shares are registered in their personal Finnish book-entry account are registered in the 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 must register their intention to attend by 4:00 p.m. on 8 April 2020, at the latest.

Participants can register for the Annual General Meeting:

- through the company's website at www.aktia.com
- by telephone at +358 800 0 2474 (8:30 a.m.–4:30 p.m. on weekdays); or
- in writing to Aktia Bank Plc/Group Legal, P.O. Box 207, 00101 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 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) 2011-2019



Dividend

For the financial year 2019, the Board of Directors proposes that a dividend of EUR 0.63 per share shall be paid. Shareholders entitled to dividend are those who are registered in the register of shareholders of the company maintained by Euroclear Finland Ltd on the record date 20 April 2020. The Board of Directors proposes that the dividend shall be paid out on 27 April 2020 in accordance with the rules of Euroclear Finland Ltd.

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	Matti Ahokas
Handelsbanken	Kimmo Rämä
Inderes	Jesse Kinnunen
OP Corporate Bank	Antti Saari

Aktia Bank Plc – Capital and Risk Management Report 2019

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 at Aktia Group's website at www.aktia.com.

Investor Relations Contacts

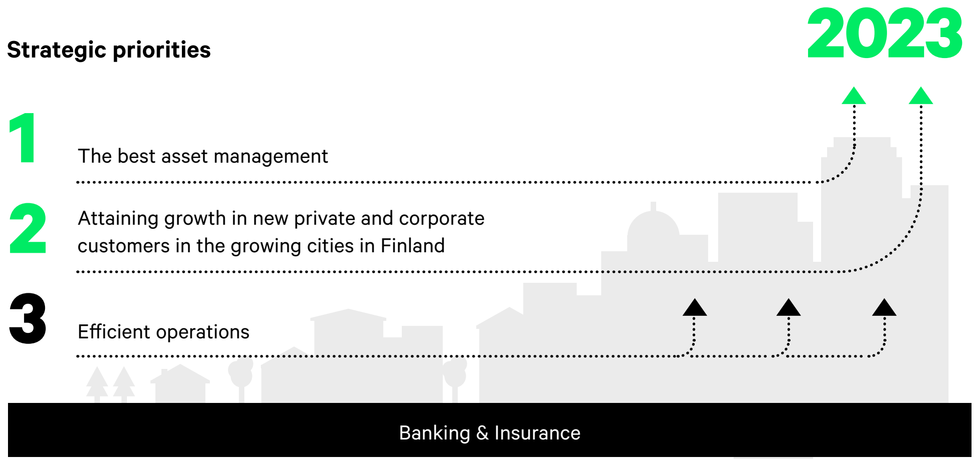
Lotta Borgström,
Director, Investor Relations and Communications
+358 10 247 6838
lotta.borgstrom@aktia.fi

Timo Ruotsalainen,
Head of Treasury
+358 10 247 7211
timo.ruotsalainen@aktia.fi

Linda Tuomela,
Investor Relations Specialist
+358 10 247 4204
linda.tuomela@aktia.fi

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. Our mission is to build wealth together, which requires us to renew ourselves continuously in the Finland of today.

Aktia updated its strategy and its financial targets at the Capital Markets Day on 10 September 2019. According to the strategy update, which extends to 2023, Aktia is seeking even stronger growth in asset management and new customers in the growing cities in Finland, and it will continue to increase operational efficiency further.

The aim of the strategy is to support Aktia's growth targets and to lead the company towards the new vision of being "The good bank. And a great asset manager". 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.

Following the update, Aktia's strategy consists of three main themes:

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 larger 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 provision of services regardless of time and place. Aktia will continue to focus on serving small and medium-sized companies, while investing further in its offering of life insurance products.

3. Efficient operations

Aktia will continue the standardisation and automation of its operations as an extension to its previous strategy. 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 the updated 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 (previously EUR 80 million).

> 11%
Return on equity (ROE) of more than 11 per cent (previously 9.7 per cent).

< 0.60
Comparable cost-to-income ratio of under 0.60 (previously 0.61).

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

Vision, mission and values

Vision
The good bank. And a great asset manager.

Mission
Building wealth together.

Values
Courageously, skilfully, together.

Business areas

“

Private and corporate customers’ individual needs are the starting point of everything we do.

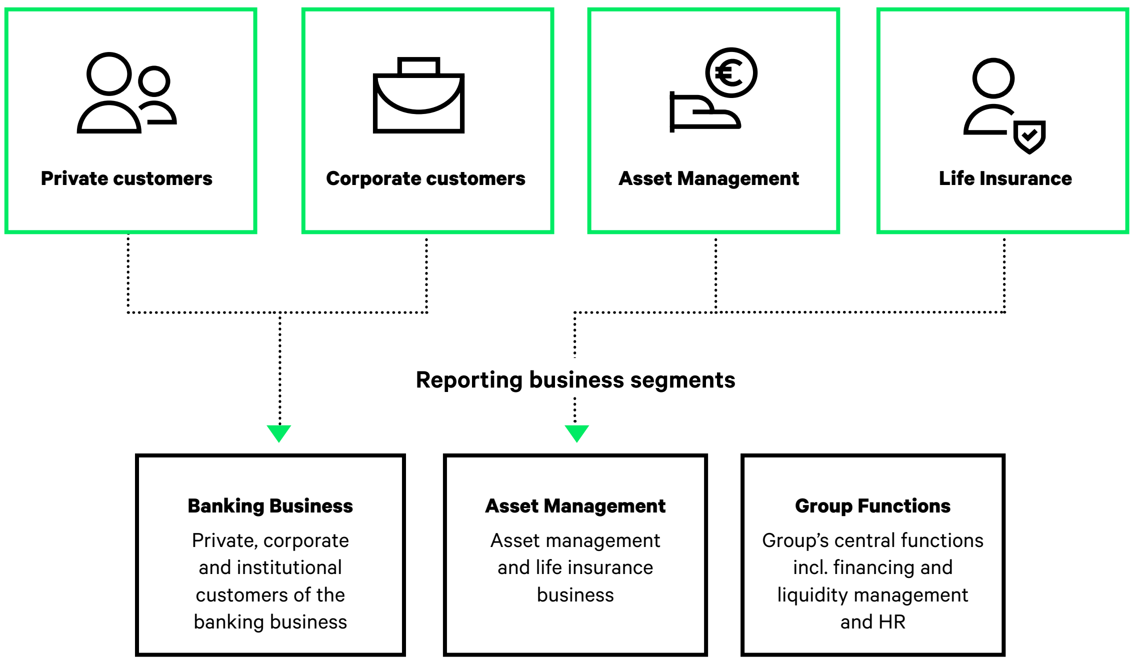
Business areas and reporting business segments

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.

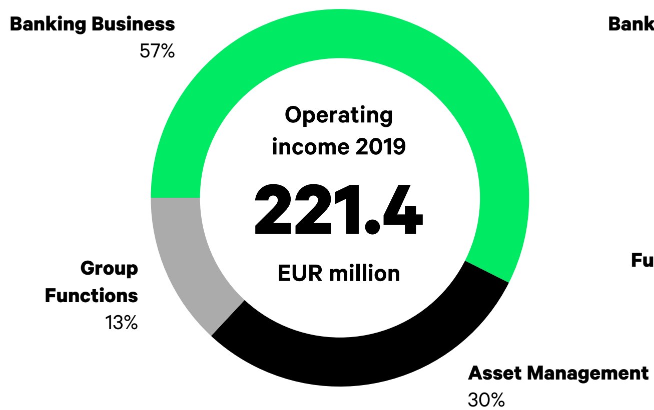
Aktia has four business areas: Private customers, Corporate customers, Asset Management and Life Insurance.

Aktia has three reporting business segments: Banking Business, Asset Management and Group Functions.

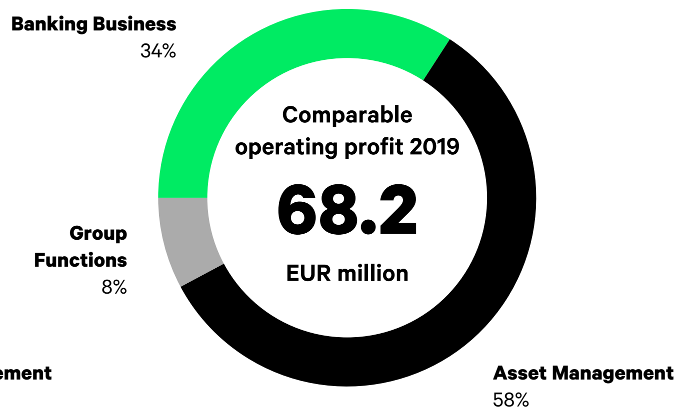
Business areas



Share of total operating income 1–12/2019. EUR 228.8 million excluding Other & eliminations EUR -7.3 million.



Share of comparable operating profit 1–12/2019. EUR 66.5 million excluding Other & eliminations EUR 1.8 million.



Private customers closely involved with the development of services

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

We aim to make our customers' everyday lives easier and ensure that their daily banking affairs are handled smoothly. Our digital services enable customers to interact with Aktia anywhere and at any time. We remain at our customer's side through various life phases, and we take their individual needs into account when we provide personal advice. This enables us to provide our customers with a unique customer experience and help them to realise their dreams.

Our development work focuses on customer needs

In 2019, we updated our customer concepts, services and products. We focused on improving our saving and investment services and products; for example, we were the first bank to introduce a digital Investment Assistant solution, which we developed with our customers. We believe that everyone should be able to save and invest for the future, and we offer every customer a suitable solution for this.

We are improving our service model on the basis of customer needs and behaviours. Our customers are increasingly handling their banking affairs online. The number of monthly mobile bank users increased significantly in 2019 (73 per cent).

"In 2020, we will continue working on the change to our service model and invest in innovative digital solutions together with our partners. In 2020, we will also open the first of our flagship branches," says Carola Nilsson, Director for the business area Private customers.

Employees

Alek Kaseva

Sales Director, Private Banking
Joined Aktia in 2018
Hobbies: Boating, tennis and skiing

Kimmo Hyttinen

Senior Private Banker
Joined Aktia in 2019
Hobbies: Tennis, ice hockey and spending time outdoors with the dogs

Interview with Alek Kaseva and Kimmo Hyttinen

What do you do at Aktia? Alek: "My work includes monitoring and improving customer satisfaction, monitoring sales targets, providing private bankers with support to reach their targets, and like my colleagues, acquiring new customers. I am also involved in development projects that seek to generate added value based on feedback from customers and employees." **Kimmo:** "I work with existing customers and seek to acquire new customers. I actively contact our customers and arrange meetings with them. My daily customer meetings involve analysing customers' needs and offering each customer suitable solutions together with other Aktia personnel."

What is the best thing about your job? Alek: "Satisfied customers and the effective solutions we offer to them." **Kimmo:** "The best thing about my job is the internal cooperation between different departments. Cooperation enables us to offer our customers a diverse range of services in an efficient way."

How do Aktia's values – courageously, skilfully, together – manifest themselves in your work? Alek and Kimmo: "We have the courage to make bold decisions on matters such as developing products and services, and we are courageous in offering our services to customers. Aktia's employees are ambitious and skilful. We are professionals with our sights set high. We work a lot together with people from various units in the organisation, and we frequently go with them to meet customers."

Why should a private customer choose Aktia? Alek and Kimmo: "We are a Finnish company that is reasonably sized and agile. We offer our customers personal and professional service, as well as a diverse range of high-quality products under one roof."

What were the highlights of 2019? Alek and Kimmo: "2019 was a year of strong development – including in earnings. Customer satisfaction was top-grade, and we are very pleased about this. The structural renewal of our full-service asset management and the outbound phone service for contacting new customers we piloted proved successful. The updated strategy clarified our activities and sharpened our focus on customer acquisition in selected growing cities."

The best thing about my job is the internal cooperation between different departments. Cooperation enables us to offer our customers a diverse range of services in an efficient way.

How does 2020 look for you? Alek and Kimmo: "2019 laid a solid foundation for 2020. We are curious and excited about the opportunities that 2020 will present us with. We are also looking forward to moving to our new headquarters, as well as to developing our culture and working methods."

Aktia stays close to corporate customers' everyday business

We serve companies and organisations from micro-businesses and associations to large listed companies. 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; we walk the same path as our customers, and we strive to comprehensively address their various needs. This is how we endeavour to provide our customers with the best possible customer experience.

Collaboration in Aktia for the best customer experience

In 2019, we worked successfully with our corporate customers to build financing solutions that help them to reach their financial goals. Our development projects involved wide-ranging collaboration between various departments within Aktia to make customers' everyday lives easier and their dealings with us more efficient.

"The strategy update sharpened our focus on acquiring new customers in the SME category. In 2020, we aim to concentrate on our existing customers, as well as on promoting Aktia as an alternative for companies that do not yet know us," says Irma Gillberg-Hjelt, Director for the business area Corporate customers.

Employee

Anu Vainio

Director, Corporate Banking
Joined Aktia in 2000
Hobbies: Sports, particularly golf and cross-country skiing, as well as travelling

Interview with Anu Vainio

What do you do at Aktia? "I am responsible for one of Aktia's teams of Key Account Managers. My work includes sales management, customer relationship management and customer acquisition, preparing credit applications and making lending decisions, as well as various development projects."

What is the best thing about your job? "The best thing about my job is that I work with a professional team and colleagues who are fun and skilful. Customer meetings are also close to my heart: I am constantly learning new things when I meet Finnish companies and entrepreneurs."

What is Aktia like as an employer? "Aktia has offered me many interesting career opportunities in various positions, which have enabled me to grow and develop. Aktia is a suitably-sized organisation where wide-ranging responsibilities allow employees to participate in various projects and develop their expertise."

How do Aktia's values – courageously, skilfully, together – manifest themselves in your work? "We tackle challenges, boldly give our opinions and viewpoints, develop our skills and work together with various units in the interests of our customers. We are a financial partner to our customers, so my work revolves around good collaboration with our customers."

How does Aktia serve companies and their owners? "The customer is at the centre of everything we do. We take all of our corporate customers' needs into consideration. We analyse companies' needs as well as the needs of the owners and key personnel, and we strive to offer the right solutions to every target group. We provide our customers with digital services, and we meet them in person where it suits them."

Why should a corporate customer choose Aktia? "We are an agile company and it is easy to do business with us. Our decision-making process is thorough but quick, and we offer our customers expert individual service."

We are an agile company that is easy to do business with. Our decision-making process is professional but quick, and we offer our customers expert individual service.

What were the highlights of 2019? "A lot went on in 2019! We started several interesting projects throughout the year and we acquired good new customer accounts. I am very happy that our Key Account Managers got so much good feedback from our corporate customers. It is a sign of our success."

How does 2020 look for you? "The strategy update in 2019 has made our focus even clearer. We are starting 2020 with clear targets for growth in the corporate business. Challenging targets motivate us."

Asset management in focus in Aktia's operations

We offer award-winning, best-in-class asset management services and investment products to institutional and private customers in Finland and internationally. Customer orientation, robust expertise, corporate responsibility and activity are the cornerstones of our operations.

Asset management had an excellent year of growth

From the perspective of asset management, 2019 went very well. We strengthened our position on international markets: the value of the assets under management in the UI-Aktia fixed-income funds, which are sold to international investors, increased by 68 per cent in 2019. Our product launches, which included a fund that invests directly in high-yield European corporate bonds, were successful. We also succeeded in expanding and utilising our asset management expertise among our private customers.

Aktia Asset Management's awards in 2019

Morningstar Awards
Best Fund House Fixed Income
TOP 3 Balanced Fund (Aktia Solida)
Best Fixed Income Fund (Aktia Government Bond+)

Lipper Fund Awards
Overall Group Award: Small Company Fixed Income
Best Fund, EM Global LC 3y: Aktia EM Local Currency Frontier Bond+

Scandinavian Financial Research
Gold Award 2019

"In 2020, we will continue our determined work to drive Aktia towards its vision of being 'The good bank. And a great asset manager'. In addition to service and product development, we will focus especially in enhancing the customer experience because it is important to us that our customer service is first-class," emphasises Niina Bergring, Director for the business area Asset Management.

Top funds of 2019

Picked by Nils Lundberg, Managing Director of Aktia Fund Company:

1. **Aktia Nordic Micro Cap** – great fund investing in Nordic small cap companies that we launched three years ago, a fantastic 42 per cent return in 2019
2. **Aktia EM LC Frontier** – our first fund with assets exceeding EUR 1 billion, globally unique, a 9 per cent return in 2019
3. **Aktia Toimitilakiinteistöt** – a 1-year old, commercial real-estate fund with a good return, an exciting investment object, has attracted a lot of interest among investors
4. **Aktia European High Yield** – our most recent fund, launched in October 2019, increasing our awarded fixed-income fund management, assets of more than EUR 160 million already
5. **Aktia Varainhoitosalkku 50** – our asset management and allocation expertise in one package, a 17 per cent return in 2019, balanced risk

Employee

Janna Haahtela

Portfolio Manager, Aktia Asset Management
Joined Aktia in 2014
Hobbies: Active lifestyle, tennis amateur

Interview with Janna Haahtela

What do you do at Aktia? "As a portfolio manager, I am responsible for our European equity funds. My working days consist of company and customer meetings, monitoring portfolio companies and markets, company analysis and making investment decisions."

What is the best thing about your job? "Besides my great colleagues, I enjoy the challenge of identifying responsible, growing high-quality companies for our funds at an early stage. Every working day is different, and we operate in a fast-paced environment that requires risk tolerance. I find my job very rewarding."

What is Aktia like as an employer? "Aktia is a good and reliable employer that has given me the opportunity to take on the responsible job of a portfolio manager in a motivating working environment. I appreciate the mutual trust I enjoy with my manager, and the support I receive from those around me."

How do Aktia's values – courageously, skilfully, together – manifest themselves in your work? "We have the courage to be active portfolio managers. We do a lot of own analysis work and build packages based on our investment philosophies. Our strong expertise is reflected in the good performance of our portfolios, even compared to international peers. I believe that long-term success in asset management is achieved when skilful professionals work persistently together."

What are Aktia Asset Management's strengths? "We have a comprehensive product offering, and our investment products are highly competitive. As a local operator, we are close to our customers and are easily accessible. Each customer's needs are different, so it is important for us to have a high-quality product offering in various asset classes."

How is responsibility reflected in your work? "The principles for responsible investment are reflected in all of our investment decisions and funds. I believe that companies that operate responsibly generate a better risk-adjusted return over the long-term. In my opinion, it is important for us as owners to engage with companies and make sure that environmental and social responsibility and good corporate governance are being implemented."

What are Aktia's special areas of expertise in portfolio management? "Our quality-growth Europe Small Cap and Nordic Small Cap and Micro Cap equity funds have generated stellar performance compared to the benchmark since the launch of the funds. In fixed-income, Aktia is well known for its success in the area of emerging market debt products. We also have robust expertise in European corporate bonds and alternative investments."

What were the highlights of 2019? "Our funds had another excellent year, and the portfolios enjoyed several successes. Out of all our equity funds, I am particularly satisfied with the performance of our small-cap funds. Responsible investment played an important role in our activities in 2019. We began working with the Upright Project, which has introduced new ways for portfolio managers to analyse the impacts of companies on the world and society."

How does 2020 look for you? "Things are looking quite good for 2020 but the sentiment can change quickly. We have a very strong equity year behind us so a sudden recession risk is quickly reflected in asset prices. Equities remain attractive in relative terms. In my opinion, stock selection has become even more important. Market timing is challenging but equity investing has always been profitable in the long run!"

Life insurance as a foundation for financial security

We are a professional personal risk insurer that creates financial security for private individuals and companies. In addition to life insurance, disability insurance and severe illness cover, we provide long-term saving solutions that combine the efficiency of insurance savings with Aktia's award-winning investment fund expertise.

Life insurance as part of Aktia's strategy

We implemented several reforms in 2019. We developed sales processes, updated our product range and added digital functionalities to make it easier for customers to do business with us and boost the efficiency of our internal processes.

Life insurance has a great importance as the foundation for the financial security of families. In conjunction with our strategy update in autumn 2019, life insurance business became an even more important part of Aktia's strategy.

The purchase of Liv-Alandia's life insurance portfolio provided good support for our updated strategy.

"In 2020, we will continue to work on updating our product concept and developing sales in our distribution channels. Aktia Life Insurance's product and concept offering will be an increasingly crucial part of Aktia's financial advisory services both in investment and the coverage of personal risks," says Juha Hammarén, Aktia's Deputy CEO.

Employee

Tommi Lindqvist

Financial Manager, Aktia Life Insurance
Joined Aktia in 2015
Hobbies: Orienteering

Interview with Tommi Lindqvist

What do you do at Aktia? "I am responsible for Aktia Life Insurance's finance and actuary unit. My job description includes preparing the financial statements, working on various development projects and planning for the future with Aktia Life Insurance's management group."

What is Aktia like as an employer? "Aktia is a good, flexible employer that invests in its employees. Among other things, Aktia has encouraged me to take paternity leave; indeed, I will have six months of paternity leave in 2020."

How do Aktia's values – courageously, skilfully, together – manifest themselves in your work? "Aktia's values guide our operations and shine through in our everyday work, our mindset and our decision-making."

Which insurance products does Aktia offer? "We offer personal and savings insurance policies to cover the financial livelihood of customers and their families and to increase their wealth."

Why should customers buy life insurance? "Finnish people tend to take out fairly comprehensive cover for their property, but they often overlook insurance for themselves and their family members. Everyone should think about what would happen to the family's finances if one of the parents passed away or became incapacitated, either permanently or for a long period. Life insurance covers these eventualities and provides financial security for the insured person and their loved ones in case something happens."

What are Aktia Life Insurance's strengths? "We are a reliable partner to our customers. We have highly professional employees and extensive experience in life insurance. Our oldest life insurance policy, which is still valid, took effect in 1953."

What were the highlights of 2019? "The year went by quickly, and we achieved a lot, particularly with regard to product revamps; we renewed the Aktia Personal Cover product family, as well as Aktia Savings Insurance. We also introduced an electronic health declaration. When I was involved in the product revamp projects, I had the chance to work with people from other units, such as sales, IT and banking personnel, which was highly rewarding and instructive."

How does 2020 look for you? "I am looking forward to 2020, particularly with regard to product renewals."

Finnish people tend to take out fairly comprehensive cover for their property, but they often overlook insurance for themselves and their family members.

Responsible Aktia

“

Corporate responsibility helps us to build added value through attractive services and a positive employer image, personnel well-being, and sustainable and efficient operations.

Corporate responsibility management and good governance

Aktia has decided to include corporate responsibility issues regularly on the agenda of the Executive Committee and the Board of Directors.

Corporate responsibility is a crucial aspect of Aktia's operations in the short term and the long term. Aktia's strategy identifies corporate responsibility as one of the pillars of its operations. Aktia aims to be a solvent, reliable and environmentally responsible partner for economic well-being and the most attractive workplace in the business. 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.

Aktia has decided to include corporate responsibility issues on the agendas of the Executive Committee and the Board of Directors for regular discussion. The Audit Committee and Aktia's Head of Sustainability regularly prepare matters for discussion by the Board of Directors. Aktia's Executive Committee approves updates to the corporate responsibility programme, including targets. Corporate responsibility management and results are evaluated when the programme is updated. Corporate responsibility actions, initiatives, implementation and development work are coordinated by the corporate responsibility working group, which possesses wide-ranging expertise in Aktia's various functions. The corporate responsibility programme is incorporated into the annual planning of functions through the corporate responsibility working group. The corporate responsibility working group is headed by the Head of Sustainability, who belongs to the CFO organisation. The corporate responsibility policies, programmes, guidelines and reporting of non-financial information are approved by the Executive Committee and the Board of Directors. The annual sustainability report is included in the annual report and approved by the Executive Committee.

Aktia's corporate responsibility is based on Aktia's customer promise and values, which are: courageously, skilfully, together. Corporate responsibility work is guided by the Group's corporate responsibility programme, the corporate responsibility action plan for the period from 2019 to 2023, and the selected UN Sustainable Development Goals and themes. Our main policies and principles are the climate and HR policies, anti-bribery policy, code of conduct, occupational health and well-being programme, principles of responsible investment and ESG policy, charity and sponsorship policy, and the WWF's Green Office principles. Aktia also complies with laws, regulations and good banking and insurance practice. In order to protect employees, Aktia has a whistleblowing channel for reporting actual or suspected unethical business practices. Training is organised around relevant themes in order to raise awareness of sustainability and foster the commitment of the organisation to corporate responsibility work.

Corporate responsibility programme guides our sustainability work

Aktia prepared a corporate responsibility programme in 2018. The four main themes of the Group's corporate responsibility programme lay the foundation for Aktia Group's responsibility work. The main themes shown in the following diagram were analysed with the personnel, customers and other Aktia stakeholders. Aktia updates its corporate responsibility action plan annually and its corporate responsibility programme whenever necessary. In 2019, we continued working on the programme by fine-tuning the targets and actions for the period from 2019 to 2023.

Targets and indicators have been assigned to each of the main themes in the corporate responsibility programme, and these are monitored at least annually. The management practices, policies, resources and actions related to the main themes are described in more detail in the table on pages 56–58.

Aktia's corporate responsibility programme

1. Solvent and reliable

- Transparent governance and ethical principles
- Preventing money laundering and corruption
- Information security and privacy of customer data
- Transparent reporting and payment of taxes
- Solvency
- Responsible procurement
- Active dialogue

Target: We are growing and profitable.
Indicators: Growing operating profit and solvency in accordance with the financial targets for the strategic period.

Target: We work with strong morals.
Indicators: All of Aktia's employees have completed mandatory compliance training. No sanctions from the authorities.

2. Partner for economic well-being

- Responsible financing and lending
- Responsible investment 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.
Indicators: Private and premium customers' satisfaction with customer interactions, Net Promoter Score (NPS) > 50.

Target: We invest responsibly.
Indicators: Aktia Asset Management's own equity funds have a smaller carbon footprint on average than funds in the reference markets in the long term.

Target: We lend responsibly.
Indicators: New credit approvals according to the customer's payment capacity and debt ceiling, and active monitoring of debts. Increase the "green loan book" in relation to the total loan book.

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 over the long term.
Indicators: eNPS target of > 0. Leadership index target of > 69.

Target: We create well-being and promote health.
Indicators: Health index – the percentage of Aktia employees who have not been ill in one year.

4. An environmentally responsible actor

- Minimising the company's own environmental footprint

Target: We are reducing our environmental footprint in terms of paper consumption, energy consumption on our business premises and carbon dioxide emissions.
Indicators: Annual reduction of 10 per cent in the number of outgoing customer letters until 2020. Reducing the carbon dioxide emissions due to the electricity consumption of all of Aktia's leased business premises by 10 per cent from the level in 2018 by the end of 2023.

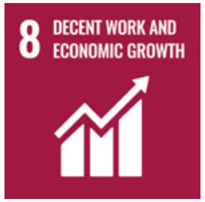
The UN Sustainable Development Themes guide Aktia's activities

UN member countries have agreed on the sustainable development goals and plan of action, which are intended to guide worldwide development efforts until 2030. In order to promote the systematic development of corporate responsibility work, Aktia's Executive Committee approved the selected UN sustainable development themes and corresponding measures, and Aktia will begin monitoring the results of these annually. Aktia has selected the following ten UN sustainable development 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). We selected the themes based on our materiality analysis and the four main themes of our corporate responsibility programme. The following table describes Aktia's selected UN themes and goals in more detail.

10

Aktia selected ten UN sustainable development themes and goals, the results of which Aktia will be monitoring annually.

UN's Sustainable Development Themes and Goals selected by Aktia

	 	 	 	 	
Sustainable Development Goal (SDG)	**No poverty**	**Ensure healthy lives and promote well-being for all at all ages**	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	**Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**
Aktia's target, which supports the realisation of the SDG	**The advice we provide supports saving and investment.** **We lend responsibly.** We use tools to identify the customer's financial position during the lending process. We updated our credit policy in 2019. We encourage our customers to save and invest also during their loan repayment periods.	**We support selected sporting events within the scope of our sponsorship and charity policy.** In 2019, we supported events such as the Stafett carnival (a relay race for schools) and the Icehearts run. **We support the health and well-being of our personnel.** Last year, we began working on AktiaWellbeing, an extensive collaboration programme with Mehiläinen, encompassing comprehensive well-being services and well-being groups.	**We support high-quality education and expertise, both within Aktia and outside it, as well as financial literacy.** Last year, we supported education at institutions such as Hanken, Arkadia and Novia. We developed and held personnel training events and coaching for supervisors and specialists. We arranged events to promote financial literacy among young people in collaboration with Icehearts and Junior Achievement Finland.	**We aim 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. We have offered summer jobs to young people and supported young people by entering into a charitable collaboration with Icehearts and Junior Achievement Finland. In 2019, we developed the orientation and recruitment process, the occupational well-being concept, and internal and external interaction.	**We participate in the activities of local communities.** Last year, we participated in several events, including a pop-up event held on Aalto University's Otaniemi campus. Wherever possible, we support the sustainable infrastructure of our multinational partners in emerging markets through our asset management investment activities.

UN's Sustainable Development Themes and Goals selected by Aktia

	10 Reduced inequalities	11 Sustainable cities and communities	12 Responsible consumption and production	13 Climate action	17 Partnerships for the goals
Sustainable Development Goal (SDG)	**Reduce inequality within and among countries**	**Make cities and human settlements inclusive, safe, resilient and sustainable**	**Ensure sustainable consumption and production patterns**	**Take urgent action to combat climate change and its impacts**	**Co-operation and partnership**
Aktia's target, which supports the realisation of the SDG	**We promote financial literacy, service accessibility and digital skills for senior citizens.** We promote maintaining and improving senior citizens' digital skills with the help of digital training. We have improved the accessibility of our services by adding new digital services, and we have ensured that we operate in the spirit of accessibility legislation for customers such as elderly and disabled citizens. Aktia has an equality policy and an updated diversity policy. We guarantee equal opportunities within our working community.	**We invest and lend responsibly.** Our impact investments may be allocated to areas such as infrastructure, agriculture or the energy sector in emerging economies. We participated in the Finnish Green Building Council's EeMAP project, which analysed the principles for green mortgages in Europe and locally. Our updated credit policy takes into account Aktia's corporate responsibility programme and the principles of the Group's climate policy.	**We finance a sustainable economy and enhance the sustainability of our procurements and supply chain.** Aktia's funds have invested in Tomra, which provides products and services that reduce the incidence of plastic waste polluting natural environments. We improved the sustainability of production patterns in our supply chain with the help of an ethical code of conduct and sustainability risk assessments of our supply chain. We aim to come closer to being a paperless bank, and we favour digital alternatives. We prepared green procurement guidelines, which aim to increase the proportion of environmentally friendly procurements.	**We aim to reduce the emissions due to electricity consumption in our leased premises by 10 per cent by the end of 2023 and to ensure that our own equity funds have a smaller long-term carbon footprint on average than the reference market.** We decided to switch to green electricity in selected offices. The carbon footprint of our own equity funds was 51% lower than the reference market. We develop the Green Office mindset within our community. We prepared the Group's climate policy and conducted a climate risk analysis.	**We aim to develop partnerships to promote sustainability in a goal-oriented manner.** Last year, we became a member of the Finnish Green Building Council and the Finnish Business & Society corporate responsibility network. We are also a member of Finland's Sustainable Investment Forum (FINSIF). We have collaborated with ISS Ethix, a pioneer in norm-based owner impact, which monitors the holdings of our funds in accordance with criteria based on the UN Global Compact.

Materiality analysis was updated

Aktia comprehensively updated its materiality analysis in 2018. The materiality analysis assessed the impacts of Aktia's operations on the surrounding society and the significance of Aktia's operations to stakeholders. A total of 570 people responded to the survey on our website, along with more than 170 Aktia employees. We also conducted targeted surveys. We prioritised the importance of our corporate responsibility themes based on 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.

Corporate responsibility was examined by comparing the characteristics of Aktia's business with a widely-used definition of sustainable development applying to issues of economic, environmental and social responsibility. We also used general information about the financial sector to identify the material points. Aktia's materiality map formed the basis of the materiality analysis for 2019, and a fourth theme – environmental responsibility – was added to the analysis. 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

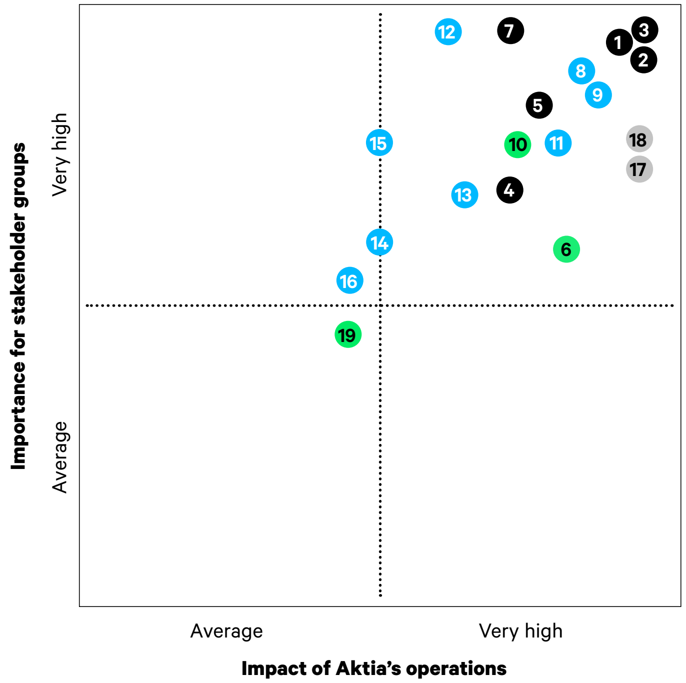
Solvent and reliable

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. Contributing to developing the information society (internal and external impact)

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



The most attractive workplace in the business

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

An environmentally responsible actor

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

Aktia's stakeholder collaboration

In changing market conditions, stakeholders are a significant resource for Aktia. Collaboration with various stakeholders helps us to assess the expectations people have of Aktia and deliver on them. Our most important stakeholders include our customers, personnel, owners and financiers, as well as social operators such as the authorities, partners, NGOs and the media. The following image shows Aktia's stakeholders.

Active dialogue and interaction

We engage in continuous open dialogue with our stakeholders 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 communications with selected customer groups. We also conduct research to gauge the views of our stakeholders, and we use the results to enhance our operations.

We meet and listen to our stakeholders at seminars, local events, trade fairs and joint projects.

We monitor and evaluate public debate about our sector. We participate in discussions within our sector on trends, challenges and opportunities. 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 on a local level.

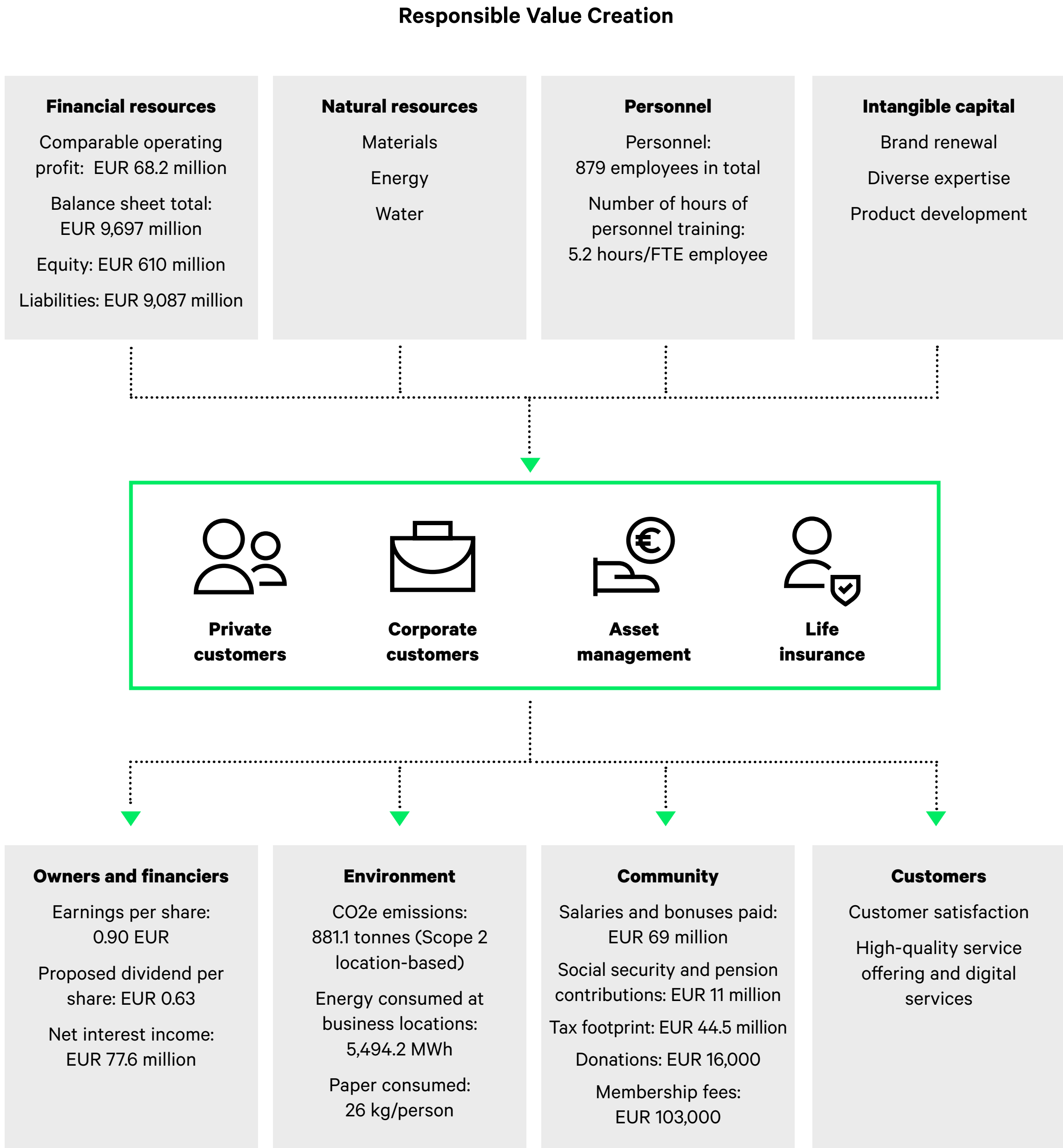
Added value for Aktia's stakeholders

Aktia's operations generate added value for its stakeholders in many ways. Comparable operating income amounted to EUR 211.4 million, and comparable operating expenses to EUR 140.4 million. Share of profit from associated companies was EUR 1.7 million and impairments were EUR 4.5 million. The owners and financiers receive their own share of Aktia's earnings, and society benefits from Aktia's taxes, pension contributions, donations and employment. Aktia's tax footprint is further reviewed on page 38. Customers receive high-quality services from Aktia in several channels. Employees benefit from salaries, training and social services. A significant proportion of our earnings is returned to society via our owners in the form of awards and grants. We are widely involved in every area of society via our operations. The following image provides more details on the added value that Aktia generates for its stakeholders.

Memberships and commitments

Aktia is a member of Finland's Sustainable Investment Forum Reg. Assn. and the Standards Board for Alternative Investments. In 2019, Aktia also joined the Green Building Council Finland and the Finnish Business & Society corporate responsibility network.

Aktia is a signatory of the UN's Principles for Responsible Investment, so it is committed to taking the environment and society into consideration in its asset management business and to complying with good corporate governance. Aktia Asset Management has also signed the international Climate Action 100+ investor initiative, which aims to influence the companies responsible for the largest volumes of climate emissions in the world. We are also involved in the Climate Change water and forest initiative run by the CDP (formerly known as the Carbon Disclosure Project). The initiative encourages listed companies to report their greenhouse emissions and their use of water and forests.



ECONOMIC RESPONSIBILITY

Solvent and reliable Aktia

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 on page 17 of the annual report. A strong relationship with customers, corporate responsibility and trust form the basis of Aktia's updated strategy. Aktia operates to high ethical standards in everything it does.

Profitable and sustainable growth

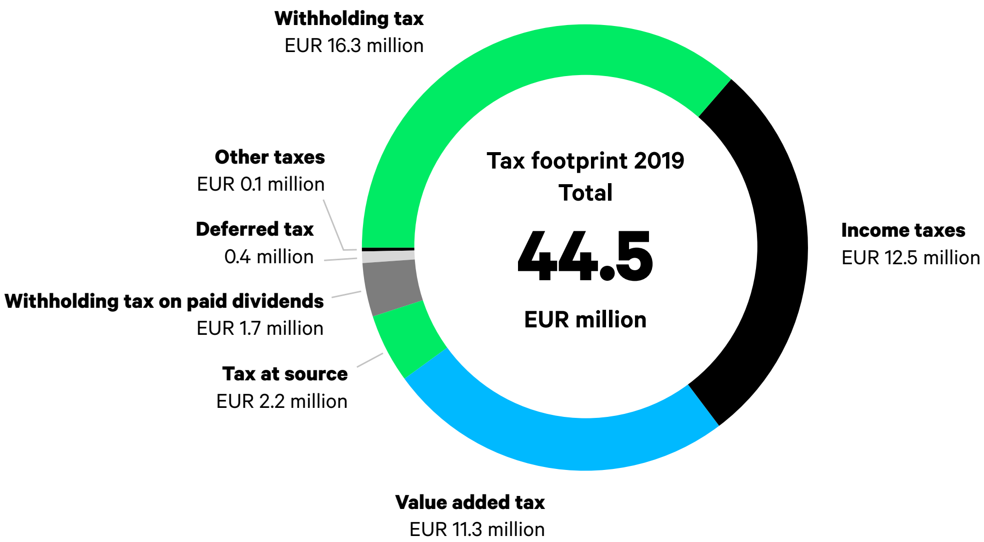
Economic well-being, profitable and sustainable growth and solvency are the cornerstones of Aktia's business and economic responsibility. In line with the updated strategy for the period until 2023, Aktia is seeking stronger growth from asset management and new customers in Finland's growth centres while continuing to enhance the efficiency of its operations. Our comparable operating profit for 2019 was EUR 68.2 million. We also aim to keep our Common Equity Tier 1 capital ratio (CET1) well above the regulatory requirement. On 31 December 2019 it was 3.4 percentage points higher than the regulatory requirement.

Transparent governance

Transparency, openness and ethics are among the most important principles of corporate governance. Good governance enables efficient and predictable operations. We always publish the information required by regulations

3.4

In 2019 our Common Equity Tier 1 capital ratio (CET1) was 3.4 percentage points above the regulatory requirement.



to the required schedule. We provide a correct and comprehensive view of Aktia as an investment by means such as regular updates to our investor relations strategy and by keeping the publicly available key information up to date.

Aktia also operates transparently in society. Aktia pays salaries, pension contributions and taxes in Finland in accordance with Finnish legislation and collective agreements. The salaries and pension contributions paid in 2019 are described on page 36. Aktia pays a wide range of taxes and tax-like levies on its business. The above graph shows Aktia's tax footprint.

Code of conduct supports work

In order 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 of customers and markets in Aktia. Employees are provided with regular training on the code of conduct. All Aktia employees are required to familiarise themselves with eight training modules relating to the topic annually using an electronic learning platform.

The Group's code of conduct includes instructions concerning access to workspaces, the use of the Group's information system, employees' roles as representatives of Aktia, how people's own affairs and related-party affairs are handled at Aktia, secondary occupations and positions of trust, and maintaining the confidentiality of Aktia's business secrets. The code of conduct also covers the essential instructions on confidentiality and processing customer complaints, as customer relationships are crucial to Aktia's success. All Aktia employees are obliged to comply with the code of conduct. The code of conduct also encourages the Group's personnel to report any breaches of the code of conduct and potential or suspected unethical business practices (whistleblowing).

In 2019, the mandatory online compliance training was completed by 96 per cent of Aktia's personnel, which is six percentage points higher than in the previous year.

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

Ensuring information security and the confidentiality of customer data

Aktia's operations comply with the EU General Data Protection Regulation (GDPR), the Data Protection Act which took effect at the start of 2019, good banking and insurance practices, and a wide range of data protection requirements and standards. In addition, Aktia has an information security management system, which is based on the ISO/IEC 27001 standard and is integrated into

Case: developing an information security management system

In 2019, Aktia made major investments in developing and resourcing an information security management system. As part of this work, Aktia completely rewrote its guidelines for information security work and began a training programme for every employee to learn to identify phishing messages. In addition, a support model was developed for Aktia's system development related to information security and data protection work, and a plan was made for information security awareness training for the entire personnel, beginning in 2020. In 2019, Aktia also enhanced its ability to identify and monitor information security threats, thereby improving its readiness to react to them.

Aktia has a designated information security director in charge of monitoring and enhancing information security, as well as a designated data protection officer. Every Aktia employee is responsible for information security, but specific responsibilities are delegated to supervisors, the designated owners of systems and services, and the personnel in charge of development. Aktia's information security management group, which was established at the beginning of 2019, regularly monitors incidents related to information security. The information security management group consists of the information security director, the operational risk monitoring director and the data protection officer at the very least.

Aktia's normal management system. Together, these lay the foundation for a high standard of information security and the confidentiality of customer data. We aim to do everything we can to ensure the confidentiality and security of customer data and prevent security breaches and violations. Aktia uses contractual terms and audits to actively ensure that its service providers and subcontractors use corresponding standards when they process personal data. The data security and privacy standards of innovations and new products are also verified. This covers the entire product development lifecycle, from planning, deployment and production all the way to the secure disposal of the developed product and the data it contains.

We arrange regular employee training on personal data processing, confidentiality, privacy protection and information security. We aim for all of our personnel to complete information security and privacy training regularly.

Aktia takes information security violations related to the protection of customer privacy very seriously. Such violations are processed in accordance with the applicable banking and insurance secrecy and data protection obligations, and they are reported to customers and the data protection ombudsman as required by law. Until now, the data protection breaches that have occurred have mainly been individual cases in which customer data has come into the possession of third parties. Aktia has avoided serious information security breaches and phishing.

We prevent money laundering, corruption and financing of terrorism

We constantly strive to identify and determine the key risks associated with our operations. Most of the risks are related to money laundering, corruption and financing of terrorism. The legislation on customer due diligence and the prevention of money laundering and financing of terrorism sets stringent requirements on banking operations. 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 all forms of misconduct. Aktia's internal rules, routines, system support and training support the personnel in their work and help Aktia to ensure that the Group's companies and services are not used for money laundering.

We train our employees regularly on the principles of preventing money laundering, corruption and financing of terrorism. We aim for all of our personnel to complete this training regularly. The authorities did not impose any sanctions on Aktia in 2019.

We train our employees regularly on the principles of preventing money laundering, corruption and financing of terrorism.

ECONOMIC RESPONSIBILITY

A partner for economic well-being

In line with its updated strategy, Aktia's mission is to create wealth together. One of the corporate responsibility targets is to be a partner for economic well-being. This rests on the robust expertise of our specialists and the responsible investment and financing solutions for our customers. When we provide financing solutions, we always analyse our customers' liabilities as a whole to prevent over-indebtedness. Aktia's investment choices can also influence societal development. Corporate responsibility is reflected in our everyday investment decisions and our active ownership policies.

Responsible investment

Aktia is a signatory of the UN Principles for Responsible Investment (PRI). As such, Aktia is committed to considering matters concerning the environment, society and corporate governance in its asset management activities. Our investment decisions are also guided by Aktia's own principles of responsible investment. When we speak of responsible investment, we are referring to every action that takes into account environmental, social and governance (ESG) factors. The value base of Aktia's responsible investment activities is structured upon several crucial agreements and norms, such as the UN's Universal Declaration of Human Rights and Sustainable Development Goals. Aktia's responsible investment activities are based on the idea that a company operating responsibly in line with sustainable norms will be more competitive over the long term than a company that does not observe these norms. In addition, Aktia does not make direct investments in the tobacco and arms industries or in gambling activities. We also do not invest in companies that exploit child labour.

103

In 2019, we engaged in impact discussions with 103 different companies via ISS Ethix.

Aktia actively makes choices that promote sustainable development. For example, many of Aktia's equity and balanced funds have invested in Tomra, a Norwegian company. Tomra is a shining example of a company whose products and services provide solutions for preventing plastic waste from ending up in the environment thanks to its bottle deposit systems.

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 prerequisites for long-term positive development in each country based on an extensive analysis of economic, political and social factors. In 2019, we 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 UN's 17 Sustainable Development Goals. Since mid-2019, we have also reported the profiles of fixed-income funds focusing on emerging markets and their trends in relation to eight of the UN's Sustainable Development Goals. The goals, such as health, education, equality and action to prevent climate change, were selected and deemed most important from the investor's perspective.

The investment universe for Aktia's fixed-income funds focusing on emerging markets comprises approximately 170 countries, which are categorised into various investment ratings based on their development trends. Country evaluations are conducted constantly. Responsible investment is also carried out in co-operation with development banks from the perspective of impact. At the end of 2019, Aktia's emerging markets funds held assets valued at EUR 550 million in the form of AAA-rated bonds issued by multinational development banks in approximately 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.

Norm-based screening and influencing of companies

Since 2017, Aktia has worked with ISS Ethix, a pioneer in norm-based owner impact. This collaboration is centred around norm-based screening. ISS Ethix monitors the holdings of our funds according to criteria based on the UN Global Compact, and it identifies companies that have acted in breach of the Global Compact. The vast majority of the companies we invest in operate in accordance with the Global Compact, and ISS Ethix has not identified

any cause to issue alerts. The companies that have not succeeded in operating in line with the stated criteria are invited to engage in impact discussions with ISS Ethix on behalf of Aktia. In spring 2019, Aktia's funds introduced a Proxy Voting service provided by ISS. This enables us to participate in annual general meetings around the world and vote on behalf of our funds. We always vote in the long-term interests of unitholders and in line with Aktia's principles of governance. Aktia has also added a section to its governance principles stating that the Group's climate policy should be taken into consideration in its investment activities.

In 2019, we engaged in impact discussions with 103 different companies via ISS Ethix. Of these discussions, 16 were related to human rights, 32 to the environment, 19 to employees' rights, and 15 concerned proven or suspected problems related to corruption. 21 of the discussions were related to several problems or overlapping problems.

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. Aktia actively monitors all changes in credit ratings. Our lending is based on an effort to prevent customers 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 insurance, which 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.

As a responsible actor, Aktia complies with the legislation and regulatory requirements related to its lending business, such as the supplementary requirements related to housing credit regulations in relation to customer data and stronger consumer protection. In addition, Aktia updated its credit policy in 2019 to the effect that lending new complies with Aktia's corporate responsibility programme and the Group's climate policy. The unit holdings and monetary values of Aktia's green and other responsible bond loans and the trends in green loans are described in the non-financial report on page 90.

Flexible service models and new interaction concept

It is important to Aktia that its customers are able to handle their day-to-day banking affairs easily and flexibly. 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 meeting points to provide our customers with even better service. This will free up time that our experts previously spent handling routine tasks and enable them to provide financial advice to customers.

The flexible new service models will provide better support for our updated strategy in the future. Our new service concept includes the Aktia@Home digital services, flagship offices in growing cities and appointments with customer experts at the customer's chosen meeting point or advice and service meetings on customer premises, which are conveniently located in places where customers travel every day.

Customer satisfaction is one of the most important indicators of how we serve our customers. The European Performance Satisfaction Index (EPSI) rating for Finland shows that confidence in the banking sector has risen since 2018 among private customers. The customer satisfaction of Aktia's private customers was 77.1 in 2019, while it was 75.1 in 2018. This result means that Aktia made the greatest improvement among private customers in 2019.

We measure and monitor customer satisfaction using the Net Promoter Score (NPS). In 2019, our NPS was 66 for private and premium customers. We aim for an NPS of more than 50. This shows that Aktia's customers are highly satisfied 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. 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.

Digitalisation as part of customer interactions and sustainability

Digital banking, investment and personal insurance services, combined with personal customer interaction, enable new forms of value generation. This helps to take better account of customers' individual needs and enables services to be accessible at any time and in any place. Year by year, online banking becomes more and more popular. The number of online banking contracts increased year-on-year by 4.6 per cent among private customers and by 11.8 per cent among corporate customers. The growth in the number of online banking contracts and logins reflects the digitalisation trend and indicates that our customers value functional and flexible digital services. The automation of the lending process enabled by digitalisation facilitates making credit decisions and enables focusing expertise and resources on more demanding decisions. Digitalisation also reduces paper consumption, thereby saving on natural resources. Aktia favours recycling and reusing IT devices, such as laptops and mobile phones. The IT devices in daily use either have Energy Star or TCO labels or other symbols indicating high energy-efficiency. Aktia works in co-operation with 3 Step IT, a company that recycles IT devices.

Digital banking, investment and personal insurance services, combined with personal customer interaction, enable services to be accessible at any time and in any place.

We are actively involved in developing the information society and, in the year under review, we took part in Finland's first entirely electronic housing transaction. The electronic housing transaction took place on the DIAS platform, which handles every phase of the transaction electronically, from the approval of the deed of sale to asset transfer tax. In 2019, Aktia also launched Finland's first entirely digital credit card, which operates on the Aktia Wallet app and can be used for online payments and contactless payments in stores. Online payments are made more secure thanks to single-use security codes (CVCs). In addition, Aktia was among the first banks in Finland to begin using the Apple Pay app.

The Accessibility Act took effect in 2019, aiming to promote the accessibility of digital services. Accessibility refers to various principles and technologies for making digital services more accessible to everyone. 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. We have conducted training to promote digital skills among senior citizens and enhanced financial literacy among young people with registered associations such as Icehearts and Junior Achievement Finland.

In the future, Aktia will increase the number of digital services and thus, improve the accessibility of these services. In addition to the new Aktia@Home range of digital services, which can be used anywhere, we will soon introduce an automatic mortgage offer, electronic customer registration, electronic appointment booking and electronic signatures. We aim to become a paperless bank that sends customers fewer letters and printed information. In addition, our asset management reporting will be renewed, and the number of self-services will increase.

SOCIAL RESPONSIBILITY

Heading for a better working life

Aktia aims to become the most attractive workplace in the business by 2021. Everything we do is driven by our values, which we defined together with our personnel – courageously, skilfully, together. Our values form the backbone of our corporate culture and function as a guiding light for our everyday activities. In 2019, we took a number of actions towards our targets. The targets for 2019 were to develop our orientation and recruitment processes and increase the amount of internal and external interaction. The key themes of the year were occupational well-being, communication and interaction. Development if internal communication will be supported by the upcoming move to our new headquarters in late 2020 as well as our work to develop a new operating culture.

The Human Capital Board activities continued last year, creating good experiences. Aktia's Human Capital Board brings together personnel from all of the various functions and tasks. Relevant issues were discussed throughout the year, including occupational health and the results of Pulssi surveys, which measure employee satisfaction. Participants were also asked for suggestions relating to competence development.

Employee experience

Employee satisfaction directly correlates with customer satisfaction and, thereby, with the company's financial performance. In 2019, Aktia worked systematically to improve employee satisfaction.

Thanks to the low hierarchical structure and entrepreneurial working culture, the personnel have the opportunity to influence and develop Aktia. Compared to many other companies in the banking sector, Aktia is relatively small, which enables rapid reactions and agility. In 2019, summer interns were recruited for the first time at the AktiaSummer recruitment event, which was held at the Helsinki Ice Hall. In addition, we also invested in social media visibility in various channels and took part in a wide range of events. We were more visible to customers, students and potential employees.

Thanks to the low hierarchical structure and entrepreneurial working culture, the personnel have the opportunity to influence and develop Aktia.

Our employee experience is measured using the Employee Net Promoter Score (eNPS), which describes employees' willingness to recommend Aktia as an employer. Aktia's eNPS has improved steadily since the restructuring in

400

400 Aktia employees took the Big Five personality test in 2019.

2017. A new organisational change began in autumn 2019 to support the company's operations in line with the updated strategy. In 2019, Aktia decided to alter the operations of 18 of its 32 bank branches in such a way that around 14 branches will be closed. The changes will take place in phases from the beginning of 2020. We are complying with Finnish labour regulations and the collective agreements for the financial sector with regards to implementing the organisational changes and the notice periods. Collective agreements covered 89% of Aktia's employees in 2019.

We aim for an eNPS higher than 0, and in spite of the restructuring in the autumn, the result of our most recent eNPS study was 1. The results reflect the personnel's confidence and belief in Aktia's updated strategy. The importance of immediate teams and line managers also increased. Another indicator that Aktia uses to measure the employee experience is the Leadership Index, in which we aim for a score of 69. The most recent score was 78.

Competence development

The development of Aktia employees' competences and working methods has continued by introducing methods such as Lean and SAFe as part of their everyday work. Lean is a new mindset that seeks to streamline work processes. In 2019, the focus was on processes related to financing solutions for private customers, managing customer relationships with small businesses, and customer communication. The outcome was a set of simpler and more efficient processes that create a better customer experience more cost-effectively. Lean principles, new ways of working and continuous improvement will be implemented throughout Aktia, one team at a time. In addition, we will focus on streamlining selected critical internal processes to make our operations more customer-oriented and agile.

60/40

We monitor the gender distribution of our personnel. In 2019, 60 per cent of Aktia's employees were women and 40 per cent were men.

SAFe is a technical development model that Aktia introduced in 2019 to enable systematic, consistent development. The change in the operating model has improved transparency throughout the organisation, particularly for service developers and development managers, leading to greater efficiency and productivity. The work will continue with the development of new services that support the strategy.

In addition, approximately 400 Aktia employees took the Big Five personality test in 2019 with the aim of developing self-awareness and leadership, internal interactions and the understanding of different personality types in the workplace. Aktia's definition of "expert" was also developed in 2019 based on the implementation of Aktia's values as part of the work of every Aktia employee.

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. The AktiaWay Leader programme for supervisors continued in 2019 with the key themes of self-awareness, personal encounters and a coaching management style. The training package was also extended with the addition of interactive Booster events for supervisors, focusing on joint development. The topics of the Booster events were selected according to supervisors' wishes. In 2019, each Aktia employee attended approximately 5.2 hours of training.

Work has been done to improve the exchange of information by introducing an internal discussion channel for supervisors and by arranging quarterly information events for supervisors, covering relevant topics. In addition, performance reviews have continued as before.

Equal opportunity and diversity

Diversity and equality are important themes that support Aktia's goal of becoming the most attractive workplace in the business. We respect diversity and equality.

In 2019, we updated our diversity policy, which is based on Aktia's values and code of conduct, as well as work to prevent discrimination. The diversity policy covers the diversity of Aktia's personnel and Board of Directors, as well as the monitoring and scope of implementation of the principles in the diversity policy. The language courses arranged by Aktia and occupational well-being and the everyday management of the company support equality and diversity. Aktia offers opportunities to everyone equally. Equal and non-discriminatory treatment is always taken into consideration, from recruitment onwards.

We monitor the gender distribution of our personnel: in 2019, 60 per cent of Aktia's employees were women and 40 per cent were men. Of the permanent and part-time employees, 60 per cent were women and 40 per cent were men. The gender distribution is more even than in 2018, when 65 per cent of employees were women and 35 per cent were men. There were 45 per cent women and 55 per cent men in the Executive Committee at the end of 2019.

The Board of Directors included as many men as women. The following tables show some of the key indicators related to the personnel working in Finland.

Employees	2019	2018	2017
Women	532	556	581
Men	347	330	315
Total	879	886	896

Gender distribution, %	2019	2018	2017
Senior management (W/M)	45/55	55/45	50/50
Middle management (W/M)	32/68	32/68	32/68
Experts (W/M)	50/50	50/50	50/50
Clerical employees (W/M)	72/28	77/23	78/22

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

Gender distribution among the Board of Directors, %	2019	2018	2017
Women	50	57	38
Men	50	43	62

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, competences and rights, small-scale loans, vocational education and other activities, as well as other innovative pilot projects focusing on women's entrepreneurship.

Since the beginning of 2019, Aktia has been working with Mehiläinen to improve its occupational health care services. The outcome of this collaboration is a comprehensive and advanced well-being concept called AktiaWellbeing.

Promoting personnel well-being

Since the beginning of 2019, Aktia has been working with Mehiläinen to improve its occupational health care services. The outcome of this collaboration is a comprehensive and advanced well-being concept called AktiaWellbeing. The concept encompasses basic health care and annual dental checks, along with a diverse selection of services that enable Aktia employees to improve their well-being. In addition to treating illnesses, the concept offers support in the form of coaching for areas such as sleep, recovery, exercise, back well-being, nutrition, and mood and stress management. The concept also includes Well-being Manager clinics, which make it easy to discuss well-being issues. Aktia actively works with Mehiläinen to further enhance the well-being concept.

Thanks 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 threats. 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. 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. The health index of Aktia's employees was 46.8 per cent in 2019. This figure illustrates the proportion of Aktia employees who were not ill in 2019.

Aktia's personnel have been satisfied with the AktiaWellbeing programme realised in collaboration with Mehiläinen. Aktia's personnel have given Mehiläinen a Net Promoter Score (NPS) of 80. The NPS measures customers' willingness to recommend a service to others. The aim is to develop well-being groups according to the needs of Aktia's employees. The following table shows key figures for employment contract types, absences due to illness, turnover and accidents among our personnel in Finland.

Social responsibility	2019	2018	2017
Full-time employees	754	790	793
Part-time employees	125	96	103
Absence due to illness, %	3.1	2.0	2.1
Personnel turnover, %	11.2	11.0	7.7
Accidents, recorded injuries	15	16	22

Case: Effective responsibility work with young people

Aktia began active charity collaboration with Icehearts at the beginning of 2019. Icehearts does important work involving team sports and other activities to support children and youths at risk of becoming marginalised. Icehearts' operating model provides long-term, comprehensive support to help children in a changing world. An Icehearts educator commits to working with a child for 12 years. The aim of the operating model is to prevent marginalisation, promote social skills and provide a safe, long-lasting adult presence in the child's life throughout their growth. Icehearts has achieved proven, impactful results. In addition to generating well-being for children and youth, the organisation saves money for society by preventing social exclusion.

In 2019, Aktia and Icehearts arranged diverse events to support young people. In September, we held a running event in Hakunila, Vantaa, in which 26 Aktia runners and enthusiasts took part. The proceeds from the event were used in full to fund Icehearts' activities. On the International Day of the Girl, Aktia offered one Icehearts youth a chance to see what it is like to work in the company's senior management for a day as HR Director or Regional Manager. In November, we worked with Icehearts and Junior Achievement Finland, our other charity partner, to arrange an event at the Hotel Clarion in Vantaa with the aim of enhancing young people's financial literacy. The event allowed young people to share their business ideas related to sustainable development and deliver sales pitches for them. The business ideas included a food waste lorry, which would travel from one school to the next offering an alternative to the school lunch, and a service to encourage environmentally friendly modes of transport instead of flying.

The funds that Aktia has donated to Icehearts were used to support Icehearts' summer camps for young people, the girls' team, game passes, insurance and transportation to camps and tournaments. Some of the money was spent on making gym backpacks for young people with the logos of Aktia and Icehearts.

Responsible marketing

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.

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 disclosure regulation concerning product marketing in our future marketing efforts. This regulation concerns the disclosure of corporate responsibility risks and impacts when investment advice is provided regarding products and services. In 2019, there were no reported breaches of regulations or voluntary rules in Aktia's marketing, advertising or sponsorships.

Sponsorship and charity policy

In 2019, Aktia prepared a Group-wide sponsorship and charity policy, which was approved by the Executive Committee. Aktia chose three main themes for its sponsorship and charity partners in this policy, and the themes 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+, and 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.

Aktia also continued to work with the charities it selected at the end of 2018. These were Icehearts and Junior Achievement Finland.

ENVIRONMENTAL RESPONSIBILITY

An environmentally responsible actor

-23%

The number of outgoing customer letters decreased by 23 per cent from the previous year.

Aktia continued working on its corporate responsibility programme in 2019, placing environmental responsibility alongside its other main corporate responsibility themes. Aktia aims to reduce its environmental footprint in terms of paper and energy consumption, as well as carbon dioxide emissions. Two environmental responsibility indicators have been selected. The first is reducing the carbon dioxide emissions due to the electricity consumption of all of Aktia's leased business premises by 10 per cent from the level in 2018 by the end of 2023. In 2019, these emissions decreased by 6 per cent. The second indicator is an annual reduction of 10 per cent in the number of outgoing customer letters from the volumes in 2018 each year until 2020. In 2019, 1.7 million customer letters were sent. This is 23 per cent less than in the previous year due to an increase in electronic communications, process changes and Aktia's decision to begin charging card customers for invoices on paper.

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. Aktia's operations comply with the principle of prudence, and it strives to mitigate and avoid environmental risks and harmful impacts. Digital development has helped to reduce environmental loading.

51%

In December 2019, the average carbon footprint of Aktia Asset Management's own funds was 51 per cent lower than for the reference market.

In addition to electronic communications, customer interactions will be facilitated by automatic mortgage offers, electronic customer registration, electronic appointments and electronic signatures. Over the long term, we aim to become a paperless bank.

Aktia constantly strives to increase awareness of environmental efficiency within the company and promote environmentally friendly solutions. We have joined the Green Building Council Finland and begun building a WWF Green Office environmental system for our new headquarters. The WWF Green Office environmental system takes into consideration factors such as mobility, energy consumption, recycling and waste sorting, sustainable procurement and food choices. For example, the waste sorting instructions for the headquarters have been renewed and more waste bins have been added. During the year, we also decided to move our headquarters to new, eco-efficient premises in Kamppi, Helsinki. We are due to move in late 2020. Energy reviews have also been conducted in Aktia's other offices.

Aktia's like-for-like electricity consumption and estimated heat consumption in its leased units was 1,213.3 MWh in 2019, with emissions of 194.7 tonnes of CO_2e (Scope 2 location-based). The corresponding figures for all of the leased premises occupied by Aktia were 5,494.2 MWh (-4 per cent) and 881.12 tonnes CO_2e (-7.7 per cent). The energy intensity of electricity and estimated heat consumption in all of Aktia's leased premises increased by 0.5 per cent due to a reduction in the number of employees in 2019. Aktia's comparable energy intensity of electricity and heat for its leased premises was 0.21 MWh/m^2, and its emission intensity was 0.0334 tonnes CO_2/m^2.

In addition, Aktia hosted numerous themed corporate responsibility events in 2019, including the energy-saving week and the World Green Building Week, during which efforts were made to reduce electricity and water consumption in the offices and increase the rate of recycling. The following table shows Aktia's use of materials, energy consumption and energy intensity in Aktia's offices.

Use of materials	**2019**	**2018**	**2017**
Paper expenses (EUR thousand)	24.6	32.1	42.6
Paper consumption (kg)	20,459	26,712	35,505
Paper consumption per employee (kg)	26	32	40

Energy consumption of all premises leased by Aktia	**2019**	**2018**	**2017**
Total electricity expenses (EUR thousand)	366.5	391.3	442.3
Electricity consumption (MWh)	3,323.7	3,549.1	4,011.0
Electricity consumption per employee (MWh)	4.4	4.5	5.1

Energy intensity of all business premises leased by Aktia (in terms of electricity and heat)	**2019**	**2018**	**2017**
MWh/FTE employee	7.29	7.25	7.94
MWh/AUM	0.56	0.62	0.65
MWh/m^2	0.22	0.23	0.24

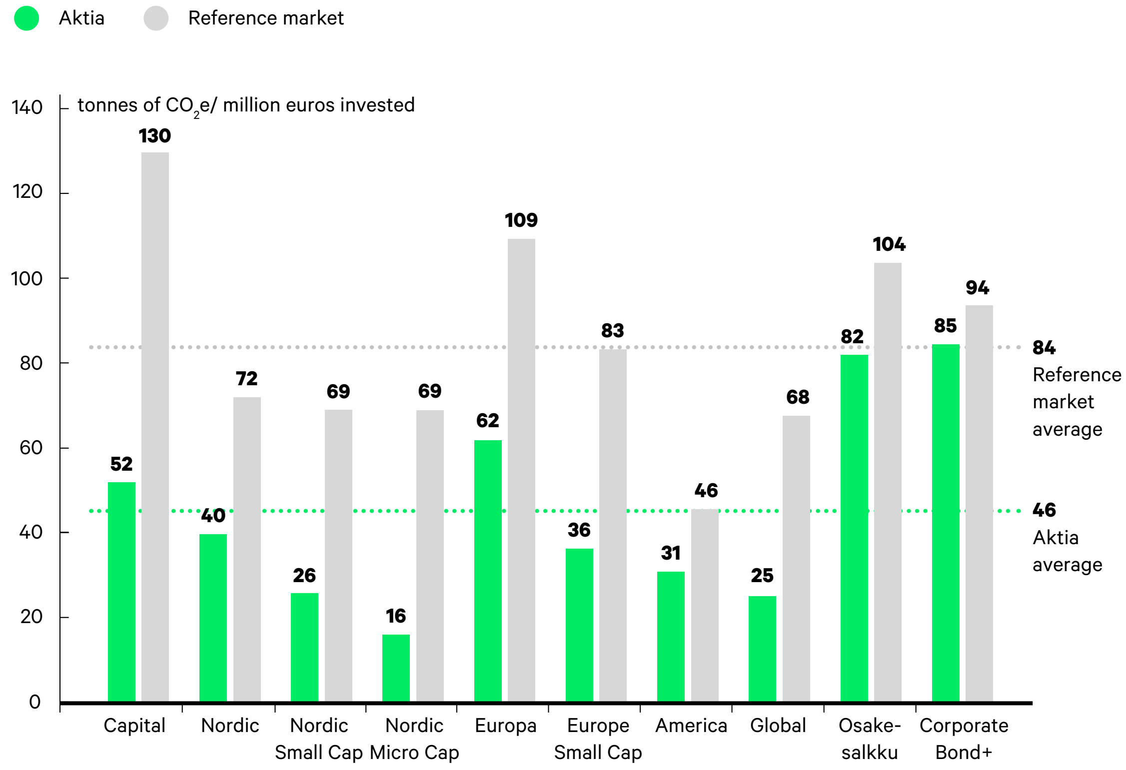
Aktia's employees are encouraged to use public transport when they commute and hold phone and video meetings instead of travelling. During the exercise week, employees were encouraged to take walking meetings, and before the start of the cycling season, a two-day bicycle-servicing pop-up was arranged in the Helsinki Metropolitan Area. A cycling team consisting of Aktia's employees participated in a cycling challenge. Over the course of five months, the team cycled a total of 10,627.4 km, leading to savings of 743 litres of petrol and 1,857 kg of CO_2 emissions. The following table shows Aktia's travel indicators. As regards ship travel, there was only one journey, which led to carbon dioxide emissions of 0.008 kg CO_2e.

Number of business trips	2019	2018	2017
Flights	505	522	565
Train journeys	385	279	490

CO_2 emissions due to travel (kgCO_2)	2019	2018	2017
Domestic flights	20,472 (12%)	24,143 (14%)	25,299 (18%)
International flights	143,322 (88%)	142,772 (86%)	115,515 (82%)

Leased vehicles	2019	2018	2017
Number of leased vehicles	32	34	40
Average emissions of leased vehicles (g/km)	115	127	126

Carbon footprint of Aktia's funds 2019, tonnes of CO_2e/ million euros invested



Climate action through responsible investment

Aktia is committed to the UN's Principles for Responsible Investment (PRI) and, therefore, to taking into consideration criteria such as environmental matters in its asset management activities. Climate change is a threat to the entire world, and Aktia is striving to do its part in stopping climate change. As an asset manager, Aktia has the opportunity to influence the environment via its investment decisions. Aktia's investment strategy favours less capital-intensive companies with good emissions profiles. In December 2019, the average carbon footprint of our own funds was 51 per cent lower than for the reference market. The following table shows the carbon footprint of each of Aktia's funds in more detail. At the end of 2019the year, the weighted average carbon intensity of our asset management funds was 108.3 tonnes CO_2e per million euros of earnings. Aktia reports the carbon footprint of its direct equity funds twice a year. We regularly release responsible investment reviews on our website.

In 2019, Aktia actively developed its responsible investment activities. At the beginning of the year, we established an ESG committee, which has representatives for each asset class. The committee is tasked with developing responsible investment activities at Aktia Asset Management, monitoring trends and regulatory projects that could affect our operations, planning customer events, assessing different service providers, and handling violations of norms.

Case: Climate change scenario analysis for our equity funds

In the summer, we conducted a climate change scenario analysis for our equity funds concerning exposure to companies that are among the more significant emitters of greenhouse gases within their sectors. In addition, we analysed the outlooks for such holdings in relation to the development of the IEA's sustainable development scenario and other climate scenarios.

The results for our funds were positive. Five of our funds had no holdings in companies causing significant emissions as covered by the tool. None of the analysed funds had a direct exposure to the following high-emission sectors: cement or steel production, airlines, shipping and coal production. As regards electricity generation, the holdings of our funds performed relatively well and generated a much larger proportion of their electricity using water power and renewable energy than the reference market.

Aktia Asset Management also ran a pilot project on renewable energy sources by installing solar panels on a site in Hyvinkää belonging to the real estate fund. The Centre for Economic Development, Transport and the Environment paid a grant of EUR 11,850 to support the project.

Aktia Asset Management has signed the international Climate Action 100+ investor initiative, which aims to influence the companies responsible for the largest volumes of climate emissions in the world. Aktia has also signed the climate change, water and forest initiative by the CDP (formerly the Carbon Disclosure Project) and it reports details concerning climate change on CDP's portal annually. The following table shows Aktia's carbon dioxide emissions (Scope 1 and Scope 2 location-based), as well as Aktia's other emissions and the emissions arising in the subcontracting chain (Scope 3). The emissions taken into consideration for the subcontracting chain are from purchased services and products, losses on the electricity network and mail deliveries and processing. The reporting of electricity consumption and the associated emissions is based on measurements and invoices. The calculations of emissions for Scopes 1, 2 and 3 are based on the GHG Protocol guidelines.

Carbon dioxide emissions (tonnes of CO_2e)	**2019**	**2018**	**2017**
Scope 1 (direct emissions)	0	0	0
Scope 2 (indirect emissions due to energy consumption, location-based)	881.1	955.1	991.2
Scope 3 (other indirect emissions)	64,754.0	59,043.5	-

Emission intensity (scope 2, location-based)	**2019**	**2018**	**2017**
tonnes of CO_2e/FTE	1.169	1.209	1.250
tonnes of CO_2e/AUM	0.089	0.103	0.102
tonnes of CO_2e/m^2	0.035	0.038	0.038

In 2019, Aktia Group also assessed its climate-related risks and opportunities, which are covered in more depth in the non-financial report on pages 91–92. Aktia also reports these risks and opportunities as part of its annual climate change reporting on the CDP (formerly the Carbon Disclosure Project) portal. Aktia's CDP reporting score for 2019 increased by five levels and reached level B, which is above the European and global average for the financial services sector.

Aktia Asset Management has signed the international Climate Action 100+ investor initiative, which aims to influence the companies responsible for the largest volumes of climate emissions in the world.

ENVIRONMENTAL RESPONSIBILITY

Responsible procurement

Green procurement and procurement guidelines

In 2019, Aktia prepared green procurement guidelines for the Group. According to the guidelines, comparisons of procurement options should always include green alternatives whenever they are available. The guidelines are an effort to switch to more ecological procurement, and they support compliance with the WWF Green Office criteria in our everyday work. The aim is to expand the use of WWF Green Office practices from our headquarters to our other offices. Inspired by the WWF Green Office, we decided in 2019 to switch to green electricity in the locations where the lessor allows Aktia to make its own electricity contracts. Green electricity contracts will also support Aktia's target to reduce the carbon dioxide emissions from the total consumption of electricity on its leased premises. In addition, most of the office paper that Aktia buys has EU Ecolabel certification.

Supplier code of conduct and assessment of responsibility risks

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 in selected markets. For example, Aktia's asset management services make use of brokers, who are monitored and evaluated regularly. In 2019, Aktia also carried out a brand renewal in collaboration with a branding agency. Aktia's subcontracting chain also underwent changes with a switch to a new data centre operator. Aktia's new data centre operator is Telia.

The majority of Aktia's suppliers are local – mainly Finnish, with a small number of European operators. In the reporting period, Aktia had 32 offices in Finland. In 2019, 85 per cent of our procurement was from Finnish companies. In 2019, Aktia actively enhanced the responsibility of its supply chain by taking measures such as assessing the responsibility risks of selected suppliers. The risk assessments were carried out with an external agency following the Sustainability Accounting Standards Board (SASB) standards for the sector. The results of the assessments 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 assessment covered the responsibility of areas such as environmental impacts, social and societal impacts, management methods, business models, innovations and value chains at 30 suppliers. During the reporting period, Aktia did not make any changes to its supplier relations on the basis of responsibility criteria, such as environmental or human rights criteria. However, the risk assessments found that one supplier had a very large environmental impact and carried risks related to human rights. This supplier has since proposed ways of managing these risks, and Aktia has continued to use the supplier. We will continue to actively improve the responsibility of our supply chain, and we intend to contact selected suppliers on the basis of any risks that emerge in order to agree on the necessary improvements.

Aktia actively enhanced the responsibility of its supply chain by measures such as assessing the responsibility risks of selected suppliers.

In addition to assessing responsibility risks, Aktia has drawn up an ethical code of conduct for its suppliers. The code of conduct covers the legality of suppliers' business activities, respect for human rights, employee rights and occupational safety, good business practices, the environment, and the duty of disclosure and monitoring. The supplier code of conduct will apply to all new procurement contracts that the Group enters into with suppliers that meet certain criteria as of the beginning of 2020. The code of conduct will be introduced to old procurement contracts in phases as the contracts come up for renewal.

We will make efforts to continue assessing the responsibility risks of suppliers regularly, including the matters covered by the supplier code of conduct, such as human rights abuses. We will update the supplier code of conduct at least once every two years. In Aktia's estimation, the risk of human rights abuses affecting Aktia's own personnel is minor.

Reporting principles

Aktia's corporate responsibility report was prepared in accordance with the Global Reporting Initiative (GRI) Standards, applying the non-binding recommendations concerning the EU principles for corporate responsibility reporting.

This is the ninth time Aktia has prepared a corporate responsibility report in line with the Global Reporting Initiative (GRI) recommendations. 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 GRI Standards, applying the non-binding recommendations concerning the EU principles for corporate responsibility reporting. In addition, we have reported information of particular relevance to Aktia in accordance with the GRI Standards. The scope of the report is GRI Core. Our corporate responsibility report is not subject to external assurance.

The company's financial period is the calendar year. The report is published annually. The information in the report applies to the financial period 1 January 2019 to 31 December 2019 unless otherwise stated.

The previous corporate responsibility report was published on 21 March 2019. The GRI content index lists the GRI Standard indicators used by Aktia 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 publish selected corporate responsibility indicators in the half-year report. The data for the EPSI customer satisfaction indicator in 2018 (the previous reporting period) has been adjusted to correspond to the data on the EPSI Rating's website.

The corporate responsibility report is available for download on www.aktia.com, and questions concerning the report should be sent to ir@aktia.fi. The next corporate responsibility report in line with the GRI Standards will be published in the first quarter of 2021.

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 of Aktia's units and every member of personnel in Finland. The report on environmental responsibility covers all of Aktia's offices unless otherwise stated. In addition, the information on electricity and energy consumption and the carbon dioxide emissions associated with energy consumption (Scope 2) also includes information for comparable leased

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.

premises. The comparable leased premises comprise 10 offices leased by Aktia with a total floor area of 5,823.5 m^2. 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 36. The impacts of the other material themes are described along with the materiality analysis on page 34.

The reporting of electricity consumption and the associated emissions is based on measurements. The calculations of emissions for Scopes 1, 2 and 3 are based on the GHG Protocol guidelines. As regards measured electricity consumption, the Scope 2 emission calculation uses Motiva's estimation coefficient for the average emissions due to electricity consumption in offices in Finland (known as a "location-based" calculation). The calculation of the energy intensity and Scope 2 carbon dioxide emission intensity uses the total floor area of offices, the number of full-time employees and the value of assets under management. So far, Aktia has been unable to obtain information about the heating expenses on its leased premises. These have been estimated using statistical heating consumption and the gross floor area of Aktia's 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".

The Scope 3 emission calculation uses measured and estimated data. The calculations of travel-related emissions use the average emission coefficients for passenger journeys by ship in accordance with the VTT Technical Research Centre of Finland Ltd's LIPASTO system, and the distance of each journey is taken as the stated distance between the point of origin and destination in the booking information. 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 based on the number of letters reported by Aktia's postal partner 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.

Aktia's corporate responsibility management themes and indicators

Solvent and reliable

Perspectives and 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 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 2019–2023 Aktia's code of conduct Anti-bribery and anti-corruption policy
Targets	Comparable operating profit EUR 100 million (previously EUR 80 million) Return on equity of more than 11 per cent (previously 9.7 per cent) Comparable cost-to-income ratio under 0.60 (previously 0.61) Common Equity Tier 1 capital ratio (CET1) 1.5–3 percentage points over regulatory requirements (unchanged) Aktia aims to pay out 60–80 per cent of the profit for each financial period in dividends
Resources and responsibilities	The Head of Group Compliance is responsible for improving and implementing the risk management and compliance processes, policies and tools. The Head of Sustainability is responsible for the policies related to the Group's sustainability programme and the implementation thereof, and planning and implementing actions, including instructions related to enhancing sustainability in the procurement chain. The CFO and the head of the finance department are jointly responsible for monitoring and reporting on financial indicators.
Actions	Aktia prepared green procurement guidelines, an ethical code of conduct for suppliers and internal guidelines on implementing the code of conduct. Aktia maintained processes and mandatory employee training on preventing money laundering and corruption.

Partner for economic well-being

Perspectives and indicators	Responsible financing and lending GRI 103 Responsible investment 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 Charity and sponsorship policy Asset management ESG policy
Targets	NPS based on interactions with private and premium customers Our target is for our own equity funds to have a smaller carbon footprint than the reference market in the long term.
Resources and responsibilities	Aktia Asset Management's Executive Vice President and Head of ESG and International Sales are responsible for the sustainable investment guidelines, processes and tools for asset management. The finance director and the Group Head of Sustainability are jointly responsible for developing responsible financing and lending policies and actions in collaboration with the heads of the lending units. The Marketing Director and the Head of Sustainability are jointly responsible for updating the charity and sponsorship policy.
Actions	Aktia Asset Management prepared ESG reporting and portfolio analyses for each fund. Aktia Group set targets for its own equity funds and for private and premium customers' satisfaction with customer interactions. The targets are monitored and reported every six months. Aktia prepared a charity and sponsorship policy. Aktia launched the Apple Pay app, a digital credit card and digital real estate transaction services. Aktia worked with its charitable partners to arrange an event designed to improve young people's financial literacy.

An environmentally responsible actor

Perspectives and indicators	Climate-smart services for customers GRI 305 Minimising the company's own environmental footprint GRI 103 GRI 301 GRI 302 GRI 305 Responsible procurement GRI 204 GRI 308 GRI 414
Policies and commitments	UN Sustainable Development Goals WWF Green Office programme ESG policy in responsible investing Climate policy and climate risk assessment Commitments including the CDP's climate, water and forest initiatives and Climate Action 100+
Targets	In asset management, our target is for our own equity funds to have a smaller carbon footprint than the reference market in the long term. We aim to reduce the number of outgoing customer letters by 10 per cent each year until 2020 and to reduce carbon dioxide emissions by 10 per cent from the total consumption of electricity in all our leased premises by the end of 2023.
Resources and responsibilities	The Head of Sustainability is responsible for the policies related to the Group's corporate responsibility programme and the implementation thereof, and planning and implementing actions, including the UN Sustainable Development Goals, WWF Green Office programme and annual reporting related to the CDP (formerly the Carbon Disclosure Project) climate initiative.
Actions	Aktia prepared a Group corporate responsibility action plan for the period from 2019 to 2023, a climate policy and a climate risk analysis. Aktia selected UN's sustainable development themes and goals and began implementing the WWF Green Office system in its headquarters. Aktia prepared green procurement guidelines, an ethical code of conduct for suppliers and internal guidelines on implementing the code of conduct, and it conducted a corporate responsibility risk analysis for selected suppliers. Aktia promoted the paperless bank project and the development of electronic systems. Aktia became a member of the Green Building Council Finland, contributed to a working group on green mortgages and analysed the opportunities for green services in the upcoming five-year period.

The most attractive workplace in the business

Perspectives and indicators	Skilled personnel and good management GRI 103 GRI 401 GRI 404 Occupational well-being, equal opportunity and diversity 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
Targets	Employee Net Promoter Score (eNPS) target of > 0. Leadership index target of 69. The most attractive workplace in the business by 2021.
Resources and responsibilities	The Head of Human Resources is responsible for the development and implementation of HR policies, development programmes and actions.
Actions	Aktia updated the Group diversity policy concerning the Board of Directors and the personnel. Aktia implemented a wide range of measures to promote well-being, preventive measures, health care and digital well-being services under the well-being programme. Aktia offered services such as a fitness inspiration group, a back group, a sleep group, Firstbeat well-being analysis, annual dental checkups, 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 and personal development.

GRI content index

GRI Standard	Reporting requirements	Page
General disclosures		
Organisational profile		
102-1	Name of the organisation	224
102-2	Activities, brands, products and services	8
102-3	Location of headquarters	224
102-4	Location of operations	224
102-5	Ownership and legal form	8
102-6	Markets served	8
102-7	Scale of the organisation	8
102-8	Information on employees and other workers	47
102-9	Supply chain	53
102-10	Significant changes to the organisation and its supply chain	45, 53
102-11	Precautionary principle or approach	49
102-12	External initiatives	36
102-13	Membership of associations	36
Strategy		
102-14	Statement from senior decision-maker	6–7
102-15	Key impacts, risks and opportunities	30, 34, 91–92
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	29, 30, 38

GRI Standard	Reporting requirements	Page
Governance		
102-18	Governance structure	29, 88, 212
102-19	Delegating authority	29
102-20	Executive-level responsibility for economic, environmental, and social topics	29
102-21	Consulting stakeholders on economic, environmental, and social topics	29, 34
102-22	Composition of the highest governance body and its committees	216–217
102-23	Chair of the highest governance body	213
102-24	Nominating and selecting the highest governance body	216–217
Stakeholder engagement		
102-40	List of stakeholder groups	35
102-41	Collective bargaining agreements	45
102-43	Approach to stakeholder engagement	34–35
102-44	Key topics and concerns raised	34
Reporting practice		
102-45	Entities included in the consolidated financial statements	54–55, 165
102-46	Defining report content and topic boundaries	54–55
102-47	List of material topics	34, 59–60
102-48	Restatements of information	54–55
102-49	Changes in reporting	54–55
102-50	Reporting period	54–55
102-51	Date of most recent report	54–55
102-52	Reporting cycle	54–55
102-53	Contact point for questions regarding the report	54–55
102-54	Claims of reporting in accordance with the GRI Standards	54–55
102-55	GRI content index	59–60
102-56	External assurance	54–55

GRI Standard	Reporting requirements	Page
Management model		
Management approach		
103-1	Explanation of the material topic and its boundary	34, 54–55
103-2	The management approach and its components	29, 56–58
103-3	Evaluation of the management approach	29
Economic impacts		
Economic performance		
201-1	Direct economic value generated and distributed	36
201-2	Financial implications and other risks and opportunities due to climate change	91–92
201-4	Financial assistance received from government	52
Procurement practices		
204-1	Proportion of spending on local suppliers	53
Anti-corruption		
205-2	Communication and training about anti-corruption policies and procedures	38–39
Environmental impacts		
Materials		
301-1	Materials used by weight or volume	50
Energy		
302-1	Energy consumption within the organisation	50
302-3	Energy intensity	50
302-4	Reduction of energy consumption	50, 54–55
Emissions		
305-1	Direct (Scope 1) GHG emissions	52
305-2	Energy indirect (Scope 2) GHG emissions	52
305-3	Other indirect (Scope 3) GHG emissions	52
305-4	GHG emissions intensity	52
305-5	Reduction of GHG emissions	52

GRI Standard	Reporting requirements	Page
Supplier environmental assessment		
308-1	New suppliers that were screened using environmental criteria	53
308-2	Negative environmental impacts in the supply chain and actions taken	53
Social impacts		
Employment		
401-1	New employee hires and employee turnover	47
Labour/management relations		
402-1	Minimum notice periods regarding operational changes	45
Training and education		
404-1	Average hours of training per year per employee	46
404-2	Programmes for upgrading employee skills and transition assistance programmes	45–46
Diversity and equal opportunity		
405-1	Diversity of governance bodies and employees	47
Supplier social assessment		
414-2	Negative social impacts in the supply chain and actions taken	53
Public policy		
415-1	Political contributions	38
Marketing and labelling		
417-3	Incidents of non-compliance concerning marketing communications	48
Socioeconomic compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	39
Sector disclosures for the financial services sector		
FS10	Engagement with companies held in the institution’s portfolio	41–42
FS16	Enhancing financial literacy	43, 48, 56–58

Report by the Board of Directors

Report by the Board of Directors

Profit 2019

The Group's operating profit increased to EUR 74.8 (67.6) million and the Group's profit to EUR 61.8 (56.0) million. The comparable operating profit increased to EUR 68.2 (65.4) million. The implementation of IFRS 16 affected the operating profit with EUR -0.5 million.

Items affecting comparability

(EUR million)	2019	2018
Additional income from divestment of Visa Europe to Visa Inc	0.5	-
Profit from divestment of shares in Samlink Ltd	9.6	-
Profit from divestment of shares in Folksam Non-Life Insurance	-	4.0
Value change of equity holding in Bohemian Wrappsody	-	-1.0
Profit from divestment of Aktia Real Estate Agency Ltd	-	1.1
Costs for restructuring	-3.5	-1.8
Total	**6.5**	**2.2**

Income

The Group's operating income increased to EUR 221.4 (210.1) million. Comparable operating income increased by 3% to EUR 211.4 (206.1) million.

Net interest income decreased by 10% to EUR 77.6 (85.9) million. Net interest income from borrowing and lending increased by 5% to EUR 73.4 (70.1) million. Interest income from hedging measures through interest rate derivatives decreased by EUR 7.4 million to EUR 4.0 (11.4) million. The remaining active interest rate derivatives for hedging purposes, i.e. to hedge on demand deposit accounts and savings deposits, were unwound in August 2019. The unwound interest rate derivatives resulted in a positive cash flow of EUR 7.5 million, which is accrued in the net interest income according to the interest rate derivatives' original maturity 2019–2023. Interest income from the bank's liquidity portfolio decreased to EUR 6.1 (8.3) million and interest income from Aktia's TLTRO financing programme to EUR 1.6 (3.5) million.

Net commission income was EUR 96.4 (95.6) million. Taking into account the reference period's income from the divested real estate agency and the terminated co-operation with Folksam, as well as the changes in accounting principles for recognition of insurance brokerage commissions, net commission income increased by 6% to EUR 96.4 (90.6) million. Commission income from funds, asset management and securities brokerage increased by 7% to EUR 63.9 (59.6) million. Card and other payment service commissions increased by 5% to EUR 25.6 (24.4) million. Commission income from borrowing and lending decreased by 4% to EUR 13.2 (13.8) million.

Net income from life insurance increased by 40% to EUR 30.0 (21.4) million, which is related to unrealised value changes in the investment portfolio of EUR 6.3 (-4.6) million. An interest reserve of EUR 10.0 million was recognised in November, which was compensated by realised sales gains from the investment portfolio. The actuarially calculated result excluding the interest reserve was somewhat higher than last year.

Net income from financial transactions was EUR 5.6 (4.9) million, which includes an additional income of EUR 0.5 million from the divestment of Visa Europe to Visa Inc. The reference period includes a profit from the divestment of the shareholding in Folksam Non-Life Insurance of EUR 4.0 million, and a value change in the shareholding in Bohemian Wrappsody of EUR -1.0 million. Comparable net income from financial transactions increased to EUR 5.2 (1.9) million. The increase is related to net income from derivative instruments (EUR 0.9 million), net income from currency operations (EUR 0.7 million), a value change in shares and participations (EUR 0.6 million), net income from hedge accounting (EUR 0.6 million) and to a change in model-based credit losses (ECL) of the bank's interest-bearing securities (EUR 0.4 million).

Other operating income amounted to EUR 11.4 (2.3) million and include a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd. The reference period includes a profit from the divestment of Aktia Real Estate Agency Ltd of EUR 1.1 million.

Expenses

Operating expenses amounted to EUR 143.9 (143.0) million, including EUR 3.5 (1.8) million in restructuring costs. Comparable operating expenses decreased to EUR 140.4 (141.2) million.

Staff costs increased to EUR 69.0 (66.7) million, including EUR 2.2 (1.8) million in restructuring costs. Comparable staff costs increased by 3% to EUR 66.8 (64.9) million. The increase is mainly related to costs for the personnel's AktiaUna incentive programme. The running staff costs were approximately on the same level as last year.

IT expenses increased to EUR 26.2 (25.6) million. The increased expenses are mainly related to higher investments during the first half of 2019 compared to 2018. During the second half of the year the expenses were lower than last year.

The depreciation of tangible and intangible assets increased to EUR 19.5 (12.4) million and includes depreciation of real estate leases and cars according to IFRS 16 of EUR 6.8 (-) million. IFRS 16 depreciations were recognised as rental expenses for the comparative period.

Other operating expenses decreased to EUR 29.2 (38.3) million, including costs for restructuring of EUR 1.3 (0.0) million. Comparable other operating expenses decreased to EUR 27.9 (38.3) million. Rental expenses of EUR 7.3 million are from 1 January 2019 reported as depreciations and interest expenses according to IFRS 16. Other expenses that have decreased from last year are mainly related to purchased services, postal costs and manufacturing costs for cards.

Impairment on credits and other commitments increased to EUR -4.5 (-0.8) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.7 (0.3) million.

Share of profit from associated companies includes mainly a dividend of EUR 1.7 (1.3) million from Samlink Ltd.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 9,697 (9,267) million. Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees increased to EUR 641 (518) million.

Borrowing

Borrowing from the public and public-sector entities amounted to EUR 4,060 (3,963) million. Aktia's market share of deposits was 3.2 (3.3) % at the end of December.

The value of bonds issued by Aktia Bank totalled EUR 2,526 (2,460) million. Of these, EUR 1,613 (1,666) million were Covered Bonds issued by Aktia Bank.

In February Aktia Bank issued a new long-term Covered Bond to a value of EUR 500 million and a maturity of 7 years. The issue was carried out to very favourable terms and it was oversubscribed more than twofold. As security for the Covered Bond issue, bonds with a value of EUR 2,032 (2,264) million were reserved.

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

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

Lending

The Group's lending to the public and public-sector entities increased by EUR 322 million to EUR 6,429 (6,107) million. Loans to households accounted for EUR 4,886 (4,756) million, or 76.0 (77.9) % of the loan book.

The housing loan book totalled EUR 4,877 (4,698) million, of which the share for households was EUR 4,026 (3,958) million. Aktia's new lending to households increased to EUR 1,057 (951) million. At the end of December, Aktia's market share in housing loans to households was 4.0 (4.1) %.

Corporate lending accounted for 12.0 (11.6) % of the Aktia Group's loan book. Total corporate lending increased to EUR 771 (708) million. Loans to housing companies increased to EUR 738 (604) million, making up 11.5 (9.9) % of Aktia's total loan book. The increase is partly related to Aktia's purchase of loans to housing companies of EUR 55 million from the Mortgage Society of Finland at the end of 2019.

Loan book by sector

(EUR million)	31 Dec 2019	31 Dec 2018	Δ	Share. %
Households	4,886	4,756	130	76.0%
Corporates	771	708	63	12.0%
Housing companies	738	604	135	11.5%
Non-profit organisa-tions	31	35	-5	0.5%
Public sector entities	4	4	-1	0.1%
Total	**6,429**	**6,107**	**322**	**100.0%**

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Banking Group amounting to EUR 1,326 (1,368) million, the life insurance company's investment portfolio amounting to EUR 546 (551) million and the equity holdings of the Bank Group amounting to EUR 5 (4) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,260 (1,156) million, of which EUR 869 (757) million were unit-linked. Interest-related technical provisions decreased to EUR 390 (399) million.

Equity

Aktia Group's equity amounted to EUR 610 (590) million. The fund at fair value decreased by EUR 3 million to EUR 15 (18) million and the profit for the year amounted to EUR 62 million. Dividend amounting to EUR 42 million was paid to the shareholders in April.

Assets under Management

The Group's total assets under management amounted to EUR 11,963 (10,466) million.

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

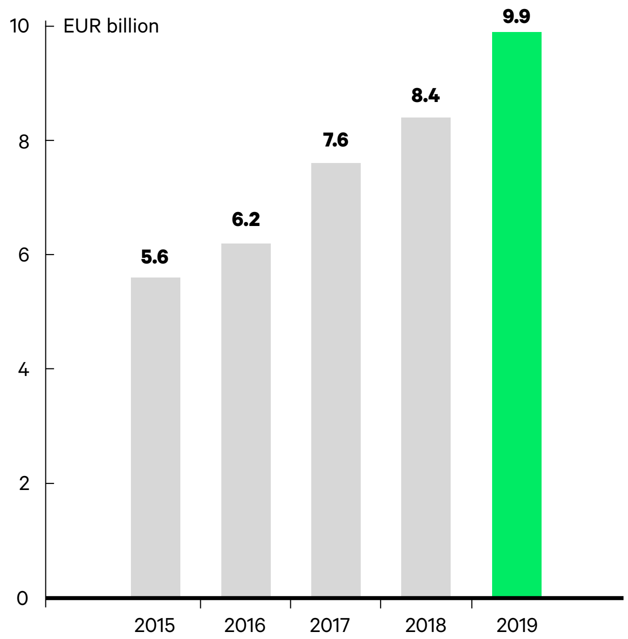
Group financial assets include the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	31 Dec 2019	31 Dec 2018	Δ %
Customer assets under management*	9,853	8,353	18%
Group financial assets	2,110	2,113	0%
Total	**11,963**	**10,466**	**14%**

* Excluding Fund in funds (comparative periods recalculated)

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



Segment overview

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

Banking Business

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

Private customers

During the fourth quarter of the year Aktia continued to renew its brand, which has been received well by both customers and other stakeholders. The renewed brand supports Aktia's updated strategy with the purpose of attracting especially new and existing private and corporate customers in growing cities in Finland.

On the basis of the updated strategy a change in the private customers' service model was also realised in order to increasingly meet the customers' needs for digital banking services. Availability regardless of place and possibilities for flexible meetings as well as more extensive services both by phone and electronically create opportunities for new customer relations and helps to maintain and to further develop Aktia's customer satisfaction. The merger of branch offices and a reduction in office premises was realised during the last quarter of the year, and the first flexible Meeting Point of the new service model was carried out in the form of a new pop-up office in Otaniemi in Espoo.

During the end of the year support for using Aktia's digital services has been provided free of charge to different customer groups in several regions. The support has been offered in 12 branch offices and the work will continue also during 2020.

The interest in asset management products and different investment alternatives is growing. The asset management portfolios of Private Banking performed well during 2019. The return from the return-oriented portfolio was 26 (comparison index 23) %, from the balanced portfolio 19 (comparison index 18) % and from the moderate portfolio 11 (comparison index 11) %. The special investment fund Aktia Business Premises, launched in September 2018, has created interest among customers and the fund's assets under management at the end of 2019 amounted to EUR 43 million.

Corporate customers

During the last quarter a new unit was founded in order to strengthen the service model for smaller corporate and organisational customers. The unit is responsible for active customer contacts where the customer's individual needs are taken into account. The unit officially started its operations at the end of 2019.

The economic cycle continued better than expected. Both investment appetite and building volumes of corporates continued on a good level during the fourth quarter. Despite the fact that the economic cycle is showing some signs of slowing down, the companies' performance ability continued, which kept the risk level of the corporate loan book stable. The margin level was retained despite the price competition.

Segment results

(EUR million)	2019	2018	Δ%
Operating income	131.4	131.1	0%
Operating expenses	-107.6	-106.2	1%
Operating profit	19.3	24.1	-20%
Comparable operating profit	22.7	25.7	-12%

The operating income for the period amounted to EUR 131.4 (131.1) million, which was somewhat higher than last year. Net interest income increased by 2% to EUR 67.4 million. The increase is mainly related to the growth in the corporate customers' loan book. The total loan book increased by 5% to EUR 6,429 (6,100) million. The loan book of private customers amounted to EUR 4,924 (4,792) million and the corporate customers' loan book to EUR 1,505 (1,307) million.

Net commission income decreased by 1% to EUR 63.6 million. The change is mainly attributable to lower income from brokered insurance and the terminated co-operation with Folksam Non-Life Insurance in 2018.

Comparable operating expenses for the period were somewhat lower than the year before and amounted to EUR 104.3 (104.6) million.

Impairment on credits and other commitments remained low. The change in the allowance for model-based credit losses (ECL) increased by EUR 1.6 million, which partly explains the total impairments increasing to EUR -4.5 (-0.8) 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.

Assets under management

(EUR million)	31 Dec 2019	31 Dec 2018	Δ %
Customer assets under management*	9,853	8,353	18%
of which institutional assets	6,821	5,652	21%

* Excluding Fund in funds (comparative periods recalculated)

Customer assets under management were still at a high level and amounted at the end of the year to their highest level ever.

The activities for a more extensive range of products continued during the fourth quarter. As a part of the strategic investment in asset management growth, Aktia launched in October a new European High Yield Bond fund with direct investments in European high yield corporate loans. The fund was received well among investors and had at the year-end a capital of EUR 165 million. The sales of Aktia's real estate fund and wealth management solutions within Private Banking were very favourable during the year.

Aktia is at the beginning of 2020 starting the sale of structured products as well as aiming at launching new private debt solutions to institutional customers.

Aktia's asset management was rewarded during the fourth quarter with the Gold Award among institutional investors in the annual SFR survey. Aktia's ability to present its market view was reviewed especially high and is judged to be the best on the market.

Aktia's focus on international sales through the Universal-Investment (UI) fund company in Luxembourg continues. At the end of the fourth quarter the Aktia UI fund capital was on the same level as at the end of the third quarter. Net subscriptions for the year amounted to about EUR 700 million.

The equity fund Aktia Nordic Micro Cap turned three in December. The fund, investing in small Nordic companies, has since its launch had an annual return of more than 16% and the return for 2019 was 41%. The fund capital in Aktia's funds investing in the Nordic countries amount to approximately EUR 350 million in total.

Life insurance

Life insurance operations presented a strong result. The decreasing interest-linked stock in combination with a better product mix of risk insurances contributed to strengthening the results. Rising market rates and favourable new sales of investment-linked insurances led to the unit-linked technical provisions reaching a new record level of EUR 869 (757) million at the end of the year.

As a part of the realisation of Aktia's strategy an agreement was reached in December concerning Aktia Life Insurance's acquisition of Försäkringsaktiebolaget Liv-Alandias life insurance portfolio. In the arrangement, which still requires approval from the Finnish Financial Supervisory Authority, 11,000 life insurance policies are transferred to Aktia Life Insurance Ltd. The transfer is planned to take place during the first quarter of 2020.

Segment results

(EUR million)	2019	2018	Δ %
Operating income	67.5	54.0	25%
Operating expenses	-28.9	-27.4	6%
Operating profit	38.6	26.7	45%
Comparable operating profit	38.6	26.7	45%

The operating income for the period increased by 25% to EUR 67.5 million, which is explained by strong sales, a favourable development on the investment market and positive value changes in the life insurance operations of EUR 6.3 (-4.6) million. Net commission income increased by 13% to EUR 41.7 million and net income from life insurance by 53% to EUR 25.5 million. The sale of investment-linked savings insurances among Private Banking customers was still strong and the stock increased by 59% during the year. Operating expenses for the segment increased by 6% to EUR 28.9 million, which mainly relates to the increase in staff costs.

Customer assets under management increased by EUR 1.5 billion and amounted to EUR 9.8 (8.3) billion. Aktia Emerging Market funds, which mainly consist of fixed income funds, accounted for about EUR 3.5 billion of customer assets. At the end of the fourth quarter a long-term fund co-operation with a larger distribution partner was terminated, which led to customer assets decreasing by approximately EUR 0.2 billion. Net sales of the year amounted to EUR 0.8 billion and the market value change to EUR 0.9 billion. The main part of the net sales was to institutional customers.

Group Functions

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

Segment results

(EUR million)	2019	2018	Δ %
Operating income	29.9	28.2	6%
Operating expenses	-14.8	-14.3	4%
Operating profit	15.0	13.9	8%
Comparable operating profit	5.2	11.2	-54%

The segment's reported operating income include a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd, and an additional income of EUR 0.5 million relating to the divestment of Visa Europe to Visa Inc. Last year includes a profit from the divestment of shares in Folksam Non-Life Insurance of EUR 4.0 million, and a value change in the shareholding in Bohemian Wrappsody of EUR -1.0 million. The comparable operating income for the period amounted to EUR 19.8 (25.3) million.

Net interest income for the segment decreased following lower interest income from hedging interest rate derivatives and lower yields from the bank's liquidity portfolio. Interest income from hedging measures through interest rate derivatives decreased to EUR 4.0 (11.4) million and interest income from the bank's liquidity portfolio to EUR 6.1 (8.3) million.

Since March 2015, Aktia participates in the European Central Bank's refinancing operations (TLTRO), which has enabled Aktia to offer financing with favourable and competitive terms. Interest income from Aktia's TLTRO financing amounted to EUR 1.6 (3.5) million. The European Central Bank determined the cost for Aktia's TLTRO financing in June 2018 when also the cumulative interest income was recognised.

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

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

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
Income statement	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net interest income	67.4	66.3	0.0	0.0	10.1	19.6	-	0.0	77.6	85.9
Net commission income	63.6	64.4	41.7	37.1	2.7	2.8	-11.7	-8.6	96.4	95.6
Net income from life insurance	-	-	25.5	16.7	-	-	4.5	4.7	30.0	21.4
Other operating income	0.3	0.4	0.3	0.3	17.0	5.8	-0.2	0.8	17.5	7.3
Total operating income	**131.4**	**131.1**	**67.5**	**54.0**	**29.9**	**28.2**	**-7.3**	**-3.2**	**221.4**	**210.1**
Staff costs	-19.3	-20.2	-14.3	-13.3	-35.4	-31.1	-	-2.0	-69.0	-66.7
Other operating expenses[1]	-88.4	-85.9	-14.6	-14.0	20.6	16.8	7.4	6.8	-74.9	-76.4
Total operating expenses	**-107.6**	**-106.2**	**-28.9**	**-27.4**	**-14.8**	**-14.3**	**7.4**	**4.8**	**-143.9**	**-143.0**
Impairment of credits and other commitments	-4.5	-0.8	-	-	0.0	-	-	-	-4.5	-0.8
Share of profit from associated companies	-	-	-	-	-	-	1.7	1.3	1.7	1.3
Operating profit	**19.3**	**24.1**	**38.6**	**26.7**	**15.0**	**13.9**	**1.8**	**3.0**	**74.8**	**67.6**
Comparable operating profit	**22.7**	**25.7**	**38.6**	**26.7**	**5.2**	**11.2**	**1.8**	**1.9**	**68.2**	**65.4**

Balance sheet	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Financial assets measured at fair value	0.1	0.1	1,268.9	1,122.8	1,025.5	1,120.7	-15.0	-	2,279.4	2,243.6
Cash and balances with central banks	1.8	4.4	0.0	0.0	313.5	284.8	-	-	315.4	289.2
Interest-bearing securities measured at amortised cost	-	-	47.9	69.0	288.6	239.0	-	-	336.5	308.0
Loans and other receivables	6,428.9	6,099.9	60.8	77.7	15.3	28.1	-58.5	-75.8	6,446.5	6,129.8
Other assets	22.3	11.8	65.1	5.0	293.7	342.5	-61.7	-63.1	319.3	296.2
Total assets	**6,453.1**	**6,116.2**	**1,442.6**	**1,274.5**	**1,936.5**	**2,015.0**	**-135.2**	**-138.9**	**9,697.1**	**9,266.8**
Deposits	4,185.6	4,071.0	-	-	530.4	569.8	-58.5	-75.6	4,657.5	4,565.1
Debt securities issued	-	0.6	-	-	2,637.3	2,459.7	-14.6	-	2,622.7	2,460.3
Technical provisions	-	-	1,259.8	1,155.7	-	-	-	-	1,259.8	1,155.7
Other liabilities	13.4	3.6	32.3	29.8	511.7	465.5	-10.3	-3.2	547.2	495.7
Total liabilities	**4,199.0**	**4,075.2**	**1,292.1**	**1,185.5**	**3,679.4**	**3,495.0**	**-83.4**	**-78.9**	**9,087.1**	**8,676.9**

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

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

Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 14.7 (17.5) %. After deductions, Common Equity Tier 1 capital increased by EUR 3.9 million during the period, which improved the CET1 capital ratio by 0.1 percentage points. Risk-weighted assets increased by EUR 437.7 million, which reduced the CET1 capital ratio by 2.9 percentage points. The increase in risk-weighted assets is mainly attributable to the implementation of the IRB approach to certain corporate exposures (Foundation Internal Ratings Based Approach F-IRB) during the third quarter and the growth in corporate lending.

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 2019	31 Dec 2018
Bank Group		
CET1 capital ratio	14.7	17.5
Total capital ratio	18.6	20.5

The total capital requirement for the banking business consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The table below describes the different components for Aktia's capital requirements.

The board of Financial Supervisory Authority has decided to set system risk buffer requirements for Finnish credit institutions. According to the Financial Supervisory Authority, the buffer requirement aims to strengthen the credit institutions' structural system risk tolerance.

The requirement varies between the credit institutions and a 1% system risk buffer has been set for Aktia Bank Plc. The system risk buffer is to be met with CET1 capital and it entered into force on 1 July 2019. Taking all buffer requirements into account, the minimum total capital ratio level for the Bank Group was 13.30% and 11.30% for Tier 1 capital ratio at the end of the period.

Leverage ratio	31 Dec 2019	31 Dec 2018
Tier 1 capital	388.1	384.2
Total exposures	8,474.5	8,111.1
Leverage ratio, %	**4.6**	**4.7**

The Finnish Financial Supervisory Authority has on 13 December 2019 determined a new Pillar 2 requirement of 1.25% for Aktia. The new requirement is valid as of 30 June 2020 and replaces the current requirement of 1.75%.

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

MREL-requirement (EUR million)	31 Dec 2019	31 Dec 2018
MREL requirement	670.9	645.5
Own funds and eligible liabilities		
CET1	388.1	384.2
AT1 instruments	0.0	0.0
Tier 2 instruments	160.4	148.3
Other liabilities	247.9	660.6
Total	**796.4**	**1,193.1**

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

Solvency II	With transitional rules		Whitout transitional rules	
(EUR million)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
MCR	24.2	22.7	25.9	24.7
SCR	86.6	76.4	98.3	89.0
Eligible capital	166.3	175.5	120.2	125.8
Solvency ratio, %	192.1	229.8	122.2	141.5

Total capital requirement

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

The Group's risk exposures

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

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

Banking and asset management business

Credit risks

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

Loans past due by time overdue and ECL stages

(EUR million)	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

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

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

(EUR million)	31 Dec 2019	31 Dec 2018
Corporate		
PD grades A	199.5	152.3
PD grades B	707.7	563.5
PD grades C	552.1	417.5
Default	20.7	26.7
	1,480.0	1,159.2
Loss allowance (ECL)	-15.1	-24.1
Carrying amount	1,464.9	1,135.1
Households		
PD grades A	3,448.6	3,482.4
PD grades B	837.8	974.8
PD grades C	781.1	617.5
Default	51.6	45.7
	5,119.1	5,120.4
Loss allowance (ECL)	-13.6	-14.9
Carrying amount	5,105.5	5,105.5
Other		
PD grades A	26.4	28.5
PD grades B	330.6	222.4
PD grades C	159.2	145.8
Default	0.9	0.9
	517.1	397.5
Loss allowance (ECL)	-0.5	-0.2
Carrying amount	516.7	397.3

Market risks

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

The interest rate risk constitutes the largest market risk. A structural interest rate risk arises as a result of differences in periods for which interest rates are tied and at repricing of interest-bearing assets and liabilities. In the banking business, structural interest rate risks are managed actively through different trading arrangements, either through hedging derivatives or investments in the liquidity portfolio or a combination of both, depending on the prevailing market conditions.

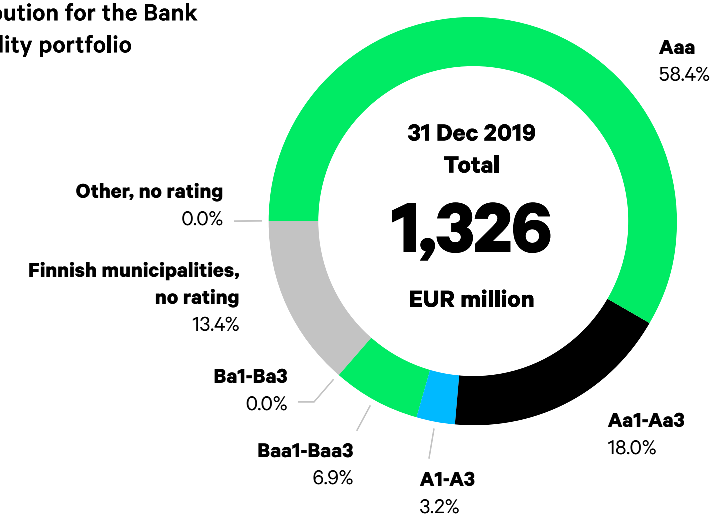
The bank measures the interest rate risk through sensitivity analyses of the net interest income, and through the present value on interest-bearing assets and liabilities where the interest rate curve is stressed using different interest rate scenarios for a dynamic or parallel change in interest rates.

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

Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve of 1% percentage point	Change in net interest income			
	31 Dec 2019		31 Dec 2018	
(EUR million)	Down	Up	Down	Up
Changes during the next 12 months	0.1	5.1	0.0	8.1
Changes during 12-24 months	0.8	19.0	0.6	22.8

Rating distribution for the Bank Group's liquidity portfolio



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 (4) million. The Bank Group had no real estate holdings at the end of the period.

The Bank Group's total currency exposure amounted to EUR 4.8 (3.6) million at the end of the period.

Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,104 (965) million at the end of the period.

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

Liquidity reserve, market value (EUR million)	31 Dec 2019	31 Dec 2018
Cash and balances with central banks	271	247
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	195	205
Securities issued or guaranteed by municipalities or the public sector	208	236
Covered Bonds	430	241
Securities issued by credit institutions	0	37
Securities issued by corporates (commercial papers)	0	0
Total	**1 104**	**965**

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 sufficient to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. The LCR amounted to 118 (134) %.

The liquidity risk is also followed up through the Net Stable Funding Ratio NSFR, which measures the long-term structural liquidity risk. The NSFR amounted to 118 (119) %.

Liquidity coverage ratio (LCR)*	31 Dec 2019	31 Dec 2018
LCR %	118%	134%

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

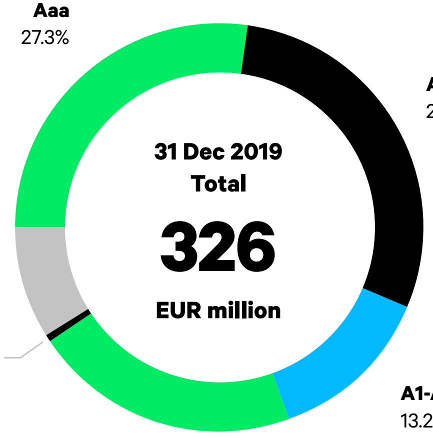
Life Insurance Business

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 546 (551) million. The life insurance company's direct real estate investments amounted to EUR 42 (39) million. The properties are located in the Helsinki region and in other growth areas in Southern Finland, and they mostly have long tenancies.

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

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



Aktia Life Insurance, allocation of investment portfolio

(EUR million)	31 Dec 2019		31 Dec 2018	
Fixed income investments	**387.7**	**71.0%**	**428.8**	**77.7%**
Government bonds	112.8	20.7%	84.3	15.3%
Financial bonds	114.6	21.0%	188.6	34.2%
Other corporate bonds	80.4	14.7%	61.3	11.1%
Emerging Markets (mtl. funds)	50.1	9.2%	46.9	8.5%
High yield (mtl. funds)	19.5	3.6%	19.5	3.5%
Trade finance (mtl. funds)	10.3	1.9%	28.2	5.1%
Alternative investments	**6.8**	**1.2%**	**4.5**	**0.8%**
Private Equity etc.	6.8	1.2%	4.5	0.8%
Real estates	**68.7**	**12.6%**	**67.2**	**12.2%**
Directly owned	42.5	7.8%	38.6	7.0%
Real estate funds	26.2	4.8%	28.5	5.2%
Money Market	**48.0**	**8.8%**	**0.0**	**0.0%**
Cash and bank	**34.9**	**6.4%**	**51.1**	**9.3%**
Total	**546.1**	**100.0%**	**551.5**	**100.0%**

Life insurance company's market risk

Technical provisions include an interest reserve of EUR 26.0 (16.0) million, which can be used to cover the future interest rate requirement. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 2.3% for the coming 10 years. The discount rate is subsequently 3.1%. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. Interest rate risk is the most significant risk in conjunction with technical provisions in the life insurance company. It affects profitability through the spread between rate of return and guaranteed customer rate and capital adequacy as a result of the market valuation of assets and liabilities. Interest rate risk of the company's interest-bearing balance sheet items in the investment portfolio and in the interest-linked and unit-linked technical provisions is calculated through an interest rate stress test (decrease in interest rate) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-term technical provisions and amounted to EUR -42 (-47) million.

Main events

Aktia Asset Management to become a wholly-owned subsidiary of Aktia Bank

Aktia Bank Plc and Evergreen Holding Ltd, the minority shareholder in Aktia Asset Management Ltd, have reached an agreement whereas Aktia Bank Plc will acquire the whole minority share of 24% in Aktia Asset Management. As a result, Aktia Asset Management became a wholly-owned subsidiary of Aktia Bank in February 2020. The aim of the simplified ownership structure is to support the management and development of asset management in line with Aktia's updated strategy.

Aktia acquires Alandia's life insurance portfolio

Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia have agreed on the transfer of Alandia's life insurance portfolio to Aktia. The transfer is planned to take place during the first quarter of 2020. Aktia is currently already handling most of Liv-Alandia's insurance portfolio.

A lower Pillar 2 requirement

The Finnish Financial Supervisory Authority has on 13 December 2019 imposed a discretionary additional capital requirement (Pillar 2) under chapter 11, section 6, subsection 2, paragraph 1 subparagraph a) of the Act on Credit institutions (610/2014) for Aktia Bank Plc Group. The Pillar 2 requirement amounts to 1.25% and must be fulfilled with Common Equity Tier 1 capital as defined in EU's Capital Requirements Regulation (575/2013). The requirement is valid until further notice as of 30 June 2020 but not longer than until 30 June 2023. Aktia's current Pillar 2 requirement is 1.75%.

Changes in Executive Committee

Niina Bergring, M.Sc. (Econ.) appointed Director for business area Asset Management as of 1 January 2020 and she is a member of Aktia's Executive Committee.

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

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

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

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

Strategy and long-term financial targets

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

Service model renewal and co-operation negotiations

Aktia's co-operation negotiations initiated on 19 September 2019 have been concluded on 31 October 2019. After the conclusion of the negotiations the company has decided on changes leading to a reduction of 92 jobs and approximately 50 employees has been offered a new job. Aktia is seeking growth in growing cities and will merge 18 of its branch offices with other branch offices. Aktia is now strongly renewing its operation and service model and is creating a bank of the future.

Aktia involved in the first electronic housing transaction in Finland

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

The launch of a new Investment Assistant solution

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

Aktia divested its holdings in Samlink Ltd

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

Renewal of business segments

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

Other information

Events after the end of the reporting period

Aktia reached 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.

Aktia Bank Plc has in a directed share issue on 13 February 2020 issued 744,696 new shares as a part of the acquisition of the minority share of 24% in Aktia Asset Management Ltd. The shares have been issued according to the share issue authorisation from the Annual General Meeting on 11 April 2019. The new shares were registered into the Trade Register on 14 February 2020 and started trading on Nasdaq Helsinki Ltd as of 17 February 2020. After the issue, the number of shares in Aktia is 69,917,133.

Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia have agreed on the transfer of Alandia's life insurance portfolio to Aktia. The transfer is planned to take place during the first quarter of 2020.

Rating

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

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

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

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

Events concerning related parties

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

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

Staff

The number of full-time employees at the end of December amounted to 776 (779). The average number of full-time employees amounted to 787 (803).

Incentive scheme

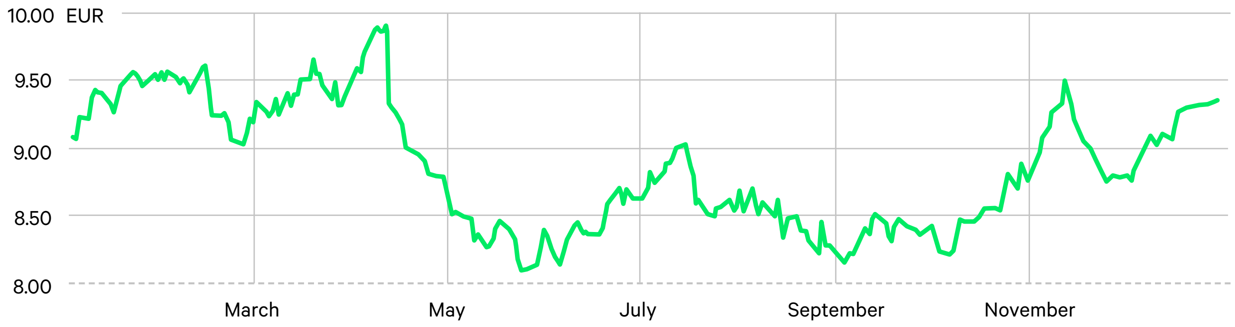
As of 2018, Aktia Bank Plc has launched a new long-term share savings plan for Aktia Group's employees in order to support the implementation of Aktia's strategy.

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

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

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

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



Decisions of Aktia Bank Plc's Annual General Meeting 2019

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

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

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

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

The Annual General Meeting adopted the proposals by the Board of Directors concerning the authorisation to issue a maximum of 6,896,000 shares, the authorisation to acquire treasury shares to be used in the company's share-based incentive scheme and/or as remuneration to members of executive bodies in the company as well as the authorisation to divest treasury shares.

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

The proposals of the Shareholders' Nomination Board to the Annual General Meeting 2020

The Shareholders' Nomination Board has decided to present the following proposition to the Annual General Meeting 2020 of Aktia Bank Plc:

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

The Shareholders' Nomination Board proposes that of the present members of the Board of Directors, Christina Dahlblom, Johan Hammarén, Maria Jerhamre Engström, 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 Harri Lauslahti and Olli-Petteri Lehtinen be elected as new Board members for the same term, subject to their consent. Further information on the new Board members proposed to be elected can be found closer on the company's website at www.aktia.com.

All the of the proposed members are independent in relation to the company and in their relationship to significant shareholders.

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.

The Board members Stefan Damlin and Tarja Wist have informed that they will not be available for re-electon.

The Shareholders' Nomination Board proposes that the remuneration for the members of the Board of Directors be determined as follows:

- Chairman, EUR 64,300 (2019: EUR 61,200)
- Deputy Chairman, EUR 36,400 (2019: EUR 34,650)
- Member, EUR 28,500 (2019: EUR 27,140)

Meeting remunerations are proposed to be unchanged, i.e. EUR 500 per attended meeting and EUR 1,000 to the chairman of a committee where he/she acts as chairman. Compensation for travel and accommodation expenses as well as a daily allowance is paid in the line with the Finnish Tax Administration's guidelines.

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

Chairman of the Shareholders' Nomination Board of Aktia Bank is Marcus Rantala (appointed by the Foundation Tre Smeder), members are Carl Pettersson (appointed by Veritas Pension Insurance Company Ltd), Dag Wallgren (appointed by The Society of Swedish Literature in Finland), Stefan Björkman (appointed by Hammarén & Co Oy Ab) and Gisela Knuts (appointed by the Åbo Akademi University Foundation), and Lasse Svens, Chairman of the Board of Directors of Aktia Bank acts as expert.

Board of Directors' Proposals for the Annual General Meeting 2020

The Board of Directors proposes that a dividend of EUR 0.63 (0.61) per share shall be paid for the period 1 January - 31 December 2019.

The proposed record date for the dividend is proposed to be 20 April 2020, and the dividend will be paid on 27 April 2020.

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 2020 is closed and continuing until the Annual General Meeting 2021 has concluded.

Remuneration and compensation for travel expenses to the auditor are proposed to be paid against reasonable invoices.

Share capital and ownership

At the end of December 2019, Aktia Bank Plc's share capital amounted to EUR 163 million and the number of Aktia shares was 69,172,437. The total number of registered holders amounted to 35,718 (31 December 2018: 37,475). 9.3% of the shares were in foreign ownership. The number of unregistered shares was 765,483 at 31 December 2019, corresponding to 1.1% of the total number of shares. On 31 December 2019, the Group held 29,321 (31 December 2018; 111,430) Aktia shares. Aktia Bank Plc's market value on 30 December 2019, the last trading day of the period, was EUR 646 million. The closing price for the Aktia share on 30 December 2019 was EUR 9.34. The highest price for the Aktia share was EUR 9.90 and the lowest EUR 8.08.

The average daily turnover of the Aktia share during January–December 2019 was EUR 299,690 or 33,848 shares.

Financial targets up until 2023

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

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

Corporate responsibility

Corporate responsibility is a part of our strategy and supports our value creation for the customers. Our most important focus areas of corporate responsibility are to decrease the amount of customer letters, restrain emissions, maintain customer satisfaction, develop leadership and enhance the employees' well-being.

The carbon footprint of Aktia's own equity funds was on average 51% (30 June 2019; 50%) less than on the reference markets. Our goal in the long term is to have a smaller carbon footprint than that on the reference market. Private and Premium Banking customers' satisfaction was good and amounted to 66 (30 June 2019; 66) when our goal is to exceed 50. Customer satisfaction describes how we succeed in our customer service.

Aktia has taken concrete measures to implement corporate responsibility during the last six months. In order to guide our operations, Aktia chose UN's goals for sustainable development as introduced last spring. The UN's 10 selected themes for sustainable development for Aktia are: 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 inequality), 11 (sustainable cities and communities), 12 (responsible consumption and production), 13 (climate action), and 17 (partnerships for the goals).

Other significant measures consisted of creating a climate policy and a climate risk analysis, an instruction on green purchasing, an ethical code of conduct for suppliers as well as a responsibility risk analysis. We continued to build the WWF Green Office environmental system in our head office and started to develop new working methods.

Risks and outlook

Risks

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

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

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

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

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

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

Outlook 2020

The growth in the loan book and customer assets under management is expected to continue during 2020. The continued low interest rate environment will, however, continue to put pressure on the total net interest income in 2020.

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

Despite the uncertainty of the economic development, the comparable operating profit in 2020 is expected to be somewhat higher than in 2019.

Updated outlook on 18 March 2020:

The significant worsening of the macroeconomic outlook and the grown volatility on the market as a result of the coronavirus outbreak is expected to have a negative impact on Aktia's operating profit in 2020. Aktia expects therefore that the earlier published outlook will not be attained (earlier outlook: the comparable operating profit for 2020 is expected to be somewhat higher than in 2019).

Due to the low visibility and the high volatility on the market it is very difficult to predict the economic impact. Aktia has therefore decided to suspend its outlook for 2020. Aktia aims to give an update on the outlook in connection with the interim report for the first quarter, which will be published on 5 May 2020.

Aktia's liquidity and capital positions remain strong.

Publication of information

Aktia's information policy covers Aktia Bank Plc and all subsidiaries. The information policy describes key principles for Aktia's communication with the capital market, mass media and other stakeholder groups. The information policy is published on Aktia's website, www.aktia.com. The reports and releases published by Aktia Bank Plc are also available on the website.

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

- The annual report, financial statement release, half-year report and interim reports, including the notes, contain financial information on the results and activities of the Aktia Group.
- Aktia's remuneration statement is a description of remunerations to the Board of Directors, CEO and other management of Aktia Bank Plc in compliance with the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association from 2015 (Corporate Governance Code 2015).
- 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, which will be published on 26 March 2020 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 2020.
- 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 26 March 2020.

Aktia's website, www.aktia.com, contains also information on the Group's management, administration and remuneration systems. The Aktia Group's financial calendar with publication dates is also published on the website.

In their reports, banks are required to indicate where and in which publication the disclosures provided for in Chapter 8 of the Capital Requirements Regulation (EU) No. 575/2013 are published. More detailed information is provided in Appendix 6 to the Capital and Risk Management Report 2019.

Quarterly trends in the Group

EUR 1,000	**4Q2019**	**3Q2019**	**2Q2019**	**1Q2019**	**2019**	**2018**
Net interest income	19,340	19,559	19,230	19,439	77,568	85,903
Dividends	9	282	166	8	464	114
Commission income	27,941	27,520	26,881	25,322	107,663	107,936
Commission expenses	-2,862	-2,892	-2,905	-2,643	-11,303	-12,334
Net commission income	25,079	24,628	23,976	22,678	96,361	95,602
Net income from life insurance	8,274	6,831	6,606	8,266	29,978	21,362
Net income from financial transactions	1,608	1,221	842	1,966	5,637	4,850
Other operating income	873	405	9,819	309	11,406	2,299
Total operating income	**55,183**	**52,927**	**60,639**	**52,666**	**221,415**	**210,131**
Staff costs	-16,919	-18,624	-17,071	-16,379	-68,993	-66,683
IT expenses	-6,771	-6,425	-6,211	-6,786	-26,193	-25,638
Depreciation of tangible and intangible assets	-4,880	-4,786	-4,919	-4,896	-19,481	-12,381
Other operating expenses	-6,701	-7,662	-6,827	-8,043	-29,233	-38,346
Total operating expenses	**-35,271**	**-37,497**	**-35,028**	**-36,105**	**-143,901**	**-143,048**
Impairment of credits and other commitments	-751	-1,207	-1,420	-1,075	-4,452	-839
Share of profit from associated companies	-15	28	-	1,681	1,694	1,344
Operating profit	**19,146**	**14,251**	**24,191**	**17,168**	**74,756**	**67,588**
Taxes	-3,235	-3,099	-3,571	-3,026	-12,931	-11,583
Profit for the period	**15,912**	**11,152**	**20,620**	**14,142**	**61,825**	**56,005**
Attributable to:						
Shareholders in Aktia Bank plc	15,912	11,152	20,620	14,142	61,825	56,005
Total	**15,912**	**11,152**	**20,620**	**14,142**	**61,825**	**56,005**
Earnings per share (EPS), EUR	0.23	0.16	0.30	0.21	0.90	0.81
Earnings per share (EPS), EUR, after dilution	0.23	0.16	0.30	0.21	0.90	0.81
Operating profit excluding items affecting comparability:						
Operating profit	19,146	14,251	24,191	17,168	74,756	67,588
Operating income:						
Additional income from divestment of Visa Europe to Visa Inc	-	-	-484	-	-484	-
Profit from divestment of shares in Folksam Non-Life Insurance	-	-	-	-	-	-3,951
Value change of equity holding in Bohemian Wrappsody	-	-	-	-	-	1,009
Profit from divestment of shares in Samlink Ltd	-	-	-9,574	-	-9,574	-
Profit from divestment of Aktia Real Estate Agency Ltd	-	-	-	-	-	-1,066
Operating expenses:	-					-
Costs for restructuring	74	3,319	117	-	3,510	1,815
Comparable operating profit	**19,221**	**17,570**	**14,250**	**17,168**	**68,209**	**65,395**

Quarterly trends of comprehensive income

EUR 1,000	4Q2019	3Q2019	2Q2019	1Q2019	2019	2018
Profit for the period	15,912	11,152	20,620	14,142	61,825	56,005
Other comprehensive income after taxes:						**-**
Change in fair value for financial assets	-7,032	777	5,450	3,568	2,764	-8,939
Change in fair value for cash flow hedging	-	-	-	-	-	79
Transferred to the income statement for financial assets	-4,627	-288	41	-448	-5,322	-1,130
Comprehensive income from items which can be transferred to the income statement	-11,659	489	5,491	3,120	-2,558	-9,991
Defined benefit plan pensions	-307	-	-	-	-307	13
Comprehensive income from items which can not be transferred to the income statement	-307	-	-	-	-307	13
Total comprehensive income for the period	**3,946**	**11,642**	**26,111**	**17,262**	**58,959**	**46,027**
Total comprehensive income attributable to:						
Shareholders in Aktia Bank plc	3,946	11,642	26,111	17,262	58,959	46,027
Total	**3,946**	**11,642**	**26,111**	**17,262**	**58,959**	**46,027**
Total earnings per share, EUR	0.06	0.17	0.38	0.25	0.85	0.67
Total earnings per share, EUR, after dilution	0.06	0.17	0.38	0.25	0.85	0.67
Total comprehensive income excluding items affecting comparability:						
Total comprehensive income	3,946	11,642	26,111	17,262	58,959	46,027
Operating income:						
Additional income from divestment of Visa Europe to Visa Inc	-	-	-387	-	-387	-
Profit from divestment of shares in Folksam Non-Life Insurance	-	-	-	-	-	-3,951
Value change of equity holding in Bohemian Wrappsody	-	-	-	-	-	807
Profit from divestment of shares in Samlink Ltd	-	-	-9,574	-	-9,574	-
Profit from divestment of Aktia Real Estate Agency Ltd	-	-	-	-	-	-1,066
Operating expenses:				-		-
Costs for restructuring	59	2,655	94	-	2,808	1,452
Comparable total comprehensive income	**4,005**	**14,297**	**16,244**	**17,262**	**51,807**	**43,269**

Items affecting consolidated income statement and comprehensive income

EUR 1,000	**4Q2019**	**3Q2019**	**2Q2019**	**1Q2019**	**2019**	**2018**
Net income from financial transactions	-	-	484	-	484	2,942
Other operating income	-	-	9,574	-	9,574	1,066
Total operating income	**-**	**-**	**10,057**	**-**	**10,057**	**4,008**
Staff costs	-74	-2,013	-117	-	-2,204	-1,790
Other operating expenses	-	-1,306	-	-	-1,306	-25
Total operating expenses	**-74**	**-3,319**	**-117**	**-**	**-3,510**	**-1,815**
Operating profit	**-74**	**-3,319**	**9,940**	**-**	**6,547**	**2,193**
Taxes	15	664	-73	-	605	565
Total comprehensive income for the year	**-59**	**-2,655**	**9,867**	**-**	**7,152**	**2,757**

Quarterly trends in the Segments

EUR 1,000	4Q2019	3Q2019	2Q2019	1Q2019	2019	2018
Banking Business						
Net interest income	16,626	17,394	16,850	16,578	67,447	66,309
Net commission income	15,926	16,017	16,310	15,386	63,639	64,360
Other operating income	87	74	56	68	285	394
Total operating income	**32,638**	**33,486**	**33,216**	**32,032**	**131,371**	**131,063**
Staff costs	-4,470	-6,238	-4,567	-3,976	-19,250	-20,223
Other operating expenses [1]	-20,886	-22,459	-21,461	-23,549	-88,354	-85,941
Total operating expenses	**-25,356**	**-28,696**	**-26,028**	**-27,524**	**-107,604**	**-106,164**
Impairment of credits and other commitments	-706	-1,251	-1,420	-1,075	-4,451	-839
Operating profit	**6,577**	**3,538**	**5,768**	**3,432**	**19,316**	**24,060**
Comparable operating profit	**6,577**	**6,785**	**5,862**	**3,432**	**22,656**	**25,656**
Asset Management						
Net interest income	-1	0	-2	-1	-4	1
Net commission income	11,409	10,786	10,028	9,464	41,686	37,053
Net income from life insurance	7,173	5,709	5,496	7,108	25,486	16,680
Other operating income	166	54	54	55	329	292
Total operating income	**18,746**	**16,549**	**15,576**	**16,627**	**67,497**	**54,026**
Staff costs	-3,779	-3,599	-3,513	-3,409	-14,299	-13,308
Other operating expenses [1]	-3,752	-3,487	-3,755	-3,593	-14,587	-14,048
Total operating expenses	**-7,531**	**-7,085**	**-7,268**	**-7,002**	**-28,886**	**-27,356**
Operating profit	**11,215**	**9,464**	**8,308**	**9,625**	**38,611**	**26,670**
Comparable operating profit	**11,215**	**9,464**	**8,308**	**9,625**	**38,611**	**26,670**
Group Functions						
Net interest income	2,716	2,165	2,382	2,862	10,125	19,593
Net commission income	634	729	542	795	2,700	2,823
Other operating income	2,276	1,819	10,756	2,199	17,049	5,806
Total operating income	**5,626**	**4,713**	**13,681**	**5,856**	**29,875**	**28,222**
Staff costs	-8,669	-8,788	-8,992	-8,995	-35,444	-31,107
Other operating expenses [1]	4,435	5,228	5,402	5,545	20,610	16,783
Total operating expenses	**-4,234**	**-3,559**	**-3,590**	**-3,450**	**-14,833**	**-14,324**
Impairment of credits and other commitments	-45	45	-	-	-1	-
Operating profit	**1,347**	**1,198**	**10,091**	**2,406**	**15,041**	**13,898**
Comparable operating profit	**1,421**	**1,270**	**57**	**2,406**	**5,154**	**11,175**

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

5 year overview

EUR 1,000	**2019**	**2018**	**2017**	**2016**	**2015**
Income statement					
Net interest income	77,568	85,903	89,620	95,588	97,347
Net commission income	96,361	95,602	91,429	79,672	79,969
Net income from life insurance	29,978	21,362	26,597	24,666	24,875
Net income from financial transactions	5,637	4,850	841	8,280	3,724
Other operating income	11,870	2,414	1,798	3,136	2,461
Total operating income	**221,415**	**210,131**	**210,284**	**211,341**	**208,376**
Staff costs	-68,993	-66,683	-79,057	-72,250	-72,652
IT expenses	-26,193	-25,638	-30,451	-28,352	-26,850
Depreciation of tangible and intangible assets	-19,481	-12,381	-9,465	-8,186	-8,123
Other operating expenses	-29,233	-38,346	-41,681	-39,627	-36,794
Total operating expenses	**-143,901**	**-143,048**	**-160,654**	**-148,414**	**-144,419**
Impairment of tangible and intangible assets	-	-	-534	-	-
Expected credit losses and impairment of credits and other commitments	-4,452	-839	-574	-2,198	-341
Share of profit from associated companies	1,694	1,344	597	738	599
Operating profit	**74,756**	**67,588**	**49,118**	**61,467**	**64,215**
Taxes	-12,931	-11,583	-9,778	-12,159	-12,646
Profit for the year	**61,825**	**56,005**	**39,340**	**49,308**	**51,569**
Attributable to:					
Shareholders in Aktia Bank plc	61,825	56,005	39,340	49,308	52,001
Non-controlling interest’s share	-	-	-	-	-432
Total	**61,825**	**56,005**	**39,340**	**49,308**	**51,569**
Comprehensive income					
Profit for the year	61,825	56,005	39,340	49,308	51,569
Comprehensive income from items which can be transferred to the income statement	-2,558	-9,991	-15,750	-7,799	-28,906
Comprehensive income from items which can not be transferred to the income statement	-307	13	2,093	-503	48
Total comprehensive income for the year	**58,959**	**46,027**	**25,683**	**41,006**	**22,711**
Comprehensive income attributable to:					
Shareholders in Aktia Bank plc	58,959	46,027	25,683	41,006	23,038
Non-controlling interest’s share	-	-	-	-	-327
Total	**58,959**	**46,027**	**25,683**	**41,006**	**22,711**

The table continues

EUR 1,000	**2019**	**2018**	**2017**	**2016**	**2015**
Balance sheet					
Financial assets measured at fair value through income statement	1,039,093	902,650	802,575	723,144	667,748
Financial assets measured at fair value through other comprehensive income	1,240,331	1,340,928	1,925,358	1,840,526	2,197,648
Interest-bearing securities measured at amortised cost	336,495	307,982	367,800	445,294	481,653
Loans and other receivables	6,446,455	6,129,827	5,888,674	5,760,460	5,900,156
Cash and balances with central banks	315,383	289,191	282,477	380,095	268,361
Derivative instruments	68,134	69,990	84,046	132,246	172,495
Other assets	251,208	226,257	199,071	204,213	193,482
Total assets	**9,697,098**	**9,266,826**	**9,550,000**	**9,485,978**	**9,881,543**
Deposits	4,657,453	4,565,120	4,812,963	4,673,148	4,396,818
Derivative instruments	9,847	17,126	33,559	54,254	86,176
Other financial liabilities	3,023,129	2,813,737	2,745,994	2,800,312	3,427,248
Technical provisions	1,259,771	1,155,704	1,217,328	1,162,446	1,130,463
Provisions	999	757	-	-	-
Other liabilities	135,904	124,443	142,135	182,709	225,612
Total liabilities	**9,087,102**	**8,676,887**	**8,951,979**	**8,872,869**	**9,266,317**
Equity	609,996	589,939	598,022	613,108	615,226
Total liabilities and equity	**9,697,098**	**9,266,826**	**9,550,000**	**9,485,978**	**9,881,543**

The years 2015-2017 are determined in accordance with IAS 39.

Key figures and ratios

EUR 1,000 if nothing else is stated	**2019**	**2018**	**2017**	**2016**	**2015**
Earnings per share (EPS), EUR	0.90	0.81	0.57	0.72	0.75
Total earnings per share, EUR	0.85	0.67	0.37	0.60	0.33
Dividend per share, EUR	0.63	0.61	0.57	0.60	0.54
Payout ratio, %	70.5	75.1	96.1	80.8	69.0
Equity per share (NAV), EUR [1]	8.82	8.56	8.70	8.92	8.94
Average number of shares (excluding treasury shares)	69,037,320	68,817,331	68,867,809	68,899,450	68,916,693
Number of shares at the end of the period (excluding treasury shares)	69,143,116	68,916,364	68,718,564	68,771,335	68,813,892
Return on equity (ROE), % [1]	10.3	9.4	6.5	8.0	7.9
Return on assets (ROA), % [1]	0.65	0.60	0.41	0.51	0.50
Cost-to-income ratio [1]	0.65	0.68	0.76	0.70	0.69
Common Equity Tier 1 capital ratio (Bank Group), %	14.7	17.5	18.0	19.5	20.7
Tier 1 capital ratio (Bank Group), %	14.7	17.5	18.0	19.5	20.7
Capital adequacy ratio (Bank Group), %	18.6	20.5	23.4	26.3	27.1
Risk-weighted commitments (Bank Group)	2,636,934	2,199,213	2,080,185	1,997,682	1,998,768
Capital adequacy ratio, % (finance and insurance conglomerate)	131.6	166.1	164.5	188.6	226.7
Equity ratio, % [1]	6.4	6.3	6.3	6.3	6.3
Group financial assets [1]	2,109,688	2,112,924	2,601,921	2,705,988	2,994,365
Assets under management [1]	9,853,097	8,353,372	7,627,881	6,234,721	5,597,065
Borrowing from the public	4,059,841	3,962,540	4,118,544	4,164,289	3,921,993
Lending to the public	6,429,143	6,106,717	5,838,764	5,717,386	5,856,262

The table continues

EUR 1,000 if nothing else is stated	**2019**	**2018**	**2017**	**2016**	**2015**
Premiums written before reinsurers' share [1]	118,606	105,634	125,935	112,753	174,924
Expense ratio, % (life insurance company) [1]	73.9	77.0	78.9	81.9	83.8
Solvency ratio (according to Solvency II, life insurance company), % [2]	192.1	229.8	199.2	179.4	175.8
Own funds (Solvency II, life insurance company) [2]	166,290	175,510	169,490	144,660	143,220
Solvency ratio (according to Solvency I, life insurance company), % [2]	-	-	-	-	22.3
Solvency margin (according to Solvency I, life insurance company) [2]	-	-	-	-	130,423
Investments at fair value (life insurance company)	1,344,989	1,230,542	1,342,758	1,293,517	1,225,742
Technical provisions for risk insurances and interest-related insurances	390,364	398,930	414,978	443,014	468,260
Technical provisions for unit-linked insurances	869,407	756,774	802,349	719,432	662,203
Group's personnel (FTEs), average number of employees	787	803	903	925	936
Group's personnel (FTEs), at the end of the period	776	779	804	903	920
Alternative performance measures excluding items affecting comparability:					
Comparable cost-to-income ratio [3]	0.66	0.69	0.71	0.71	0.69
Comparable earnings per share (EPS), EUR [3]	0.79	0.77	0.70	0.67	0.78
Comparable return on equity (ROE), % [3]	9.1	8.9	7.9	7.5	8.1

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) From 2016 onwards the life insurance company' solvency ratio is calculated according to Solvency II rules

3) 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.

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 acturial calculations, should cover the costs. The operating costs do not include the re-insurers' commissions.

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

Non-financial report 2019

Business model

The Aktia Group's business model is based on offering customers individual 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 the strategy, extending to 2023, Aktia is seeking an even stronger growth in asset management and new customers in growth centres in Finland, and continues to intensify its operations. The aim of the strategy is to lead the company towards the new 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 as well as interest risk, other market risks and actuarial risks in the life insurance business. All of 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 report by the Board of Directors and in Aktia's Capital and Risk Management Report on the Group's website www.aktia.com.

The Group's Boards of Directors has the primary responsibility for the Group's risk management. The Board of Directors manages risk-taking by confirming instructions for the most important areas of risk and business units, and the allocation of capital as well as by giving general instructions on 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, whose primary task is to develop, maintain and supervise the general principles and the framework for risk management. The third line of defence consists of internal audit, a unit that is separate and independent from other functions, whose task is to make sure that the internal control and risk management are duly organised.

In 2019, Aktia Group also assessed climate-related risks and opportunities, and they are handled in the chapter Ecological responsibility and climate change. During 2019, Aktia also assessed its suppliers' responsibility risks, started to develop responsibility management in the supply chain and drew up an ethical code of conduct for suppliers.

Corporate responsibility

Guidelines for a corporate responsibility programme were drawn up in Aktia during 2018. In 2019, we continued to work with the programme by specifying the goals and measures for the years 2019–2023. At the same time, we strengthened the role of environmental and climate matters in the whole corporate responsibility programme. We focus on four themes in our corporate responsibility work:

- A solid and reliable economic actor
- A partner for economic well-being
- Ecological responsibility
- The most attractive workplace in the business

The corporate responsibility programme and its goals 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 personnel, customers and other interest groups based on materiality analysis. Aktia has defined the five most important indicator categories for monitoring responsibility, and they are presented in the table below.

Of the above-mentioned indicators, NPS, measuring customer satisfaction, the carbon footprint of our equity funds, eNPS, measuring the employees' willingness to recommend their employer, the number of customer letters, and the carbon dioxide emissions from electricity consumption in the premises that Aktia has rented, also have impacts outside of Aktia in addition to internal impacts.

The compulsory compliance trainings for the employees and authority sanctions primarily only have internal impacts in Aktia. The internal and external impacts are described more in detail on page 34 of our sustainability report and our observation limits on pages 54–55.

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

- Laws and decrees and good banking and insurance practices
- Code of conduct for employees
- Principles for Responsible Investment

The policies that guide Aktia's corporate responsibility are described more in detail as a part of corporate responsibility governance on page 29 of our Annual Report.

Indicator (goal)	**2019**	**2018**	**Change**
NPS (Net Promoter Score), measuring customers' satisfaction, private and premium customers (at least 50)	66	-	-
The carbon footprint of our equity funds[1] compared to the reference market (in the long run smaller on average than that of the reference market)	-51%	-48%	-3%
Employees, who have completed the compulsory compliance training (%) (100%)	96%	Over 90%	6%
Authority sanctions (no authority sanctions)	0	0	according to the goal
eNPS, measuring the employees' willingness to recommend their employer (Employee Net Promoter Score; at least 0)	1	-7	8
Leadership index (at least 69)	78	78	0
The number of outgoing customer letters, in millions (10% annual reduction in the number of outgoing customer letters until 2020 from the level in 2018)	1.7	2.2	-23%
The carbon dioxide emissions from electricity consumption in the premises that Aktia has rented, tonnes CO_2e (10% reduction in carbon dioxide emissions from the level in 2018 until the end of 2023)	525.1	560.8	-6%

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

Solid and reliable actor

The first of the main themes within our programme for corporate responsibility is to be solid and reliable actor. Our objectives are growth and profitability. The indicators for these comprise the development of operating profit and stability according to the financial objectives for the strategy period. The comparable operating profit according to these objectives was EUR 68.2 million in 2019. The Common Equity Tier 1 capital ratio (CET1) was 3.4% (CET 1) over regulatory requirements, while the target is 1.5–3 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. Among other things, we are following up as an indicator that all our employees pass the required compliance training programmes and that no authority sanctions are made against Aktia. At the end of 2019, 96% of our employees have finished the training programmes. There were no authority sanctions to be reported in 2019.

Partner for economic well-being

The second main theme for our corporate responsibility is to be a partner in enabling 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 regarding customer meetings with premium and private customers. Our aim is to invest responsibly when offering asset management services to our customers. We are striving to follow the UN principles and reporting on sustainable development. In spring 2019, Aktia selected the UN themes of sustainable development that are the most important for Aktia's operations and identified corresponding goals for the operations in the autumn. The promotion of the themes and goals is reported on pages 32–33 of the sustainability report.

Especially as an asset manager Aktia has a considerable opportunity to influence responsibly through its investment decisions. We believe that responsible companies will win their competitors in the long run. 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 run is smaller on average than that of the reference market. Aktia's investment strategy favours less capital-intensive companies that typically also have a favourable emission profile. At the end of 2019, the carbon footprint of our equity funds was 51% 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 good asset management practice for the environment, society and corporate 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. Aktia is a member of FINSIF Finland's Sustainable Investment Forum ry.

We also want to implement responsible lending. 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 are able to evaluate the customer's ability to repay and make sure that the customer is able to fulfil his or her obligations. New sales of credits in accordance with the customer's ability to pay and loan ceiling as well as an active follow-up on credits constitute our central tools for responsible lending.

In 2019, Aktia updated its credit policy in such a manner that lending follows Aktia's corporate responsibility programme and the principles for the Group's climate policy. We will update the indicators for responsible lending during the next two years. Our goal regarding companies is to monitor the development of projects that reduce environmental damage or benefit the environment, i.e. the development of the so-called "green loan book" in relation to the bank's total loan book. The criteria for the "green loan book" will be defined in the next coming years taking into account the EU initiative for sustainable finance to standardise the taxonomy and green bonds. In 2019, Aktia Bank did not offer green loans or participate to a considerable extent in green bonds. The shares and amounts in euro of green and other responsible bonds in Aktia Asset Management's funds are presented in the table below.

	Share	Amount
Corporate bond+		
Green bonds	16.67%	60,601,795€
SDG-linked bonds [1]	2.06%	7,492,158€
Social bonds	1.38%	5,003,514€
Short-Term Corporate Bond+		
Green bonds	1.46%	4,293,858€
European high yield bond+		
Green bonds	0.01%	1,559,615€
Secura (combination fund, percentage of the whole fund)		
Green bonds	4.92%	14,649,915€
SDG-linked bonds [1]	0.34%	1,004,280€
Social bonds	0.27%	900,698€

1) UN's Sustainable Development Goal (SDG)-linked bonds

Ecological responsibility and climate change

In 2019, Aktia raised ecological responsibility among the other main themes of corporate responsibility. The goal is to reduce Aktia's own environmental footprint regarding paper and energy consumption and carbon dioxide emissions. Aktia Group updated its climate policy in 2019 and drew up a green procurement guide, within the limits of which Aktia carries out discussions on climate and environmental matters also with its suppliers. Aktia's Executive Committee approves the updates of the climate-related focus areas and the climate policy as well as other responsibility policies. Responsibility matters are handled on the Board of Directors' agenda once or twice a year. 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 taking climate change aspects into consideration.
3. We are committed to developing responsible products and promoting climate-friendly measures and goal setting 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 industries and companies regarding for example the financial effects of climate change.
5. We are committed to using our rights as a long-term shareholder through Proxy Voting on behalf of the assets managed by Aktia Asset Management. We participate in selected Annual General Meetings and cooperate with companies to influence their climate change-related governance practices.

Our first indicator for ecological responsibility is reducing the number of outgoing customer letters by 10% annually until 2020 compared to 2018. In 2019, the number of outgoing customer letters was 1.7 million, i.e. 22.5% less than the year before. In 2019, Aktia promoted the paperless bank development initiative, made changes in its processes, started to charge card customers for paper invoices and made the use of its digital communication channels more effective.

The second indicator for our ecological responsibility is that the carbon dioxide emissions from the total electricity consumption in the offices that Aktia has rented is 10% smaller in 2023 than in 2018. In 2019, the reduction was 6.4%. For the time being, Aktia does not get information on its heat consumption. Aktia had an energy survey made in its offices where an external specialist identified energy saving opportunities. Aktia started conducting measures to strive for WWF Green Office certificate for its headquarters, and the aim is to later expand the Green Office practices also to Aktia's other offices. In addition, Aktia participated in the Energy Saving Week and World Green Building Week. In conjunction with them, the personnel got tips on saving energy.

Aktia also participates in the climate change, water and forest initiative of CDP (formerly the Carbon Disclosure Project), where listed companies are encouraged to report their greenhouse gas emissions and the use of water and forest. In 2019, the carbon emissions from electricity consumption and estimated heat consumption were 881.1 tonnes of CO_2e (Scope 2, location-based emissions) and 64,754.1 tonnes of CO_2e (Scope 3). In 2019, Aktia did not have emissions according to the definition of Scope 1 for example from its own energy production on its own premises.

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. Climate risks may influence the investment chain and direct functions or materialize through customers or the supply chain for example through financial effects or the effects of market development or through Aktia's reputation and reliability. Aktia Asset Management makes also scenario analyses of the impact climate change has on its business with the help of international tools and its own ESG analyses.

Climate-related risks identified by Aktia 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 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 energy price.
- **Technology risks:** Technology risks for climate change are related for example to the procurement 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 products and services with a 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 considering the location of property investments when making the purchase decision.
- **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 in flood areas and increased absences due to sickness in older 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 considered at the time of purchase.

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

Climate-related opportunities identified by Aktia are for example:

- **Resource efficiency:** At the same time as Aktia saves natural resources and reduces carbon dioxide emissions it can also cut costs. Reducing paper, electricity and water consumption, as well as reducing flying, brings cost savings. Aktia utilises these opportunities and cuts costs by training the personnel, striving to move into more energy efficient premises, taking measures to improve ecological efficiency and organising more video and Skype conferences.
- **Using renewable energy:** Aktia can reduce its carbon dioxide emissions and in the long run cut costs by changing to 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 Asset Management's investment object in Järvenpää to reduce its carbon dioxide emissions and to support the transition towards low-carbon sources of energy by using new technology. It was a pilot for renewable sources of energy.
- **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.

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 by 2021. Our values created together with the personnel – courageously, skilfully and together – steer all our operations. Aktia's main themes of social responsibility 2019 were the well-being of employees, as well as interaction. The objectives in 2019 were to improve workplace orientation and recruitment and increase both internal and external interaction. We reinforced Aktia's image as an employer during the year by increasing Aktia's visibility in different channels and by improving recruitment. In Aktia all employees are offered equal opportunities. Due to the low hierarchy and entrepreneurial work culture the employees have the opportunity to influence and develop Aktia. We want our employees to experience that Aktia is a good workplace and that they are appreciated.

During the year, the employees' competence development has been carried out through Lean and Safe programmes. Lean is a new way to think, which allows us to make things more streamlined. This year, we have focused especially on the processes for retail customer's financial solutions, the management of small corporate customers and customer communication. As a result, the processes are simpler and smoother and produce better customer experience more cost-efficiently. The Safe programme, which was introduced in 2019, is a model of technological development, which allows the development to be carried out systematically and consistently. The change in operating model has improved transparency in the whole organisation and improved efficiency and produced results.

Aktia's indicators for social responsibility are, among other things, the Employee Net Promoter Score (eNPS, measuring the employees' willingness to recommend Aktia as an employer) and the Leadership index. For eNPS our goal is higher than 0. The employee's willingness to recommend Aktia as an employer was 1 in the latest survey. Our goal regarding the Leadership index is at least 69, the result in 2019 was 78.

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 invests in regular management training that is based on Aktia's strategy and values and the capacity for leadership during change. In 2019 the manager's mutual interaction on important matters has been improved through manager briefings and an internal conversation channel. In addition, Booster events have been organised for managers. The AktiaWay Leader programme for managers has been developed further. Management trainings offer new views and ideas for management work.

Promoting well-being and health

Aktia set in 2019 an indicator to follow up the promotion of well-being and health. The indicator is a health index that describes the percentage of Aktia employees that have not been sick during the year. In 2019 the health index was 46.8%. At the beginning of 2019 Aktia started to cooperate with Mehiläinen. The AktiaWellbeing concept is the result of the co-operation and it is an innovative way to organise occupational health care services. In addition to basic health care services the concept also includes diverse services that allow Aktia employees to improve their well-being. Through the AktiaWellbeing programme many tools supporting the well-being of employees have been implemented. These include a radar to asses work ability, which helps to intervene in possible health risks early on, and Firstbeat analysis of well-being, where the participant gets a diverse picture of his or her well-being and recovery. Early support for work ability is also an important part of the well-being concept, with the purpose to improve Aktia employees' well-being and extend careers.

Equality and diversity

At Aktia we respect diversity, equality and equal opportunities. In 2019 Aktia updated its diversity policy that 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 forms part of good administration and Aktia's success.

We aim at advancing diversity and equality in our whole personnel policy. The equal treatment of the personnel starts from recruitment and we aim at guaranteeing our personnel's diversity 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 2019, 60% of Aktia employees were female and 40% male. The gender division has evened out since 2018, when 65% of the employees were women and 35% men. Also, the gender division of the top management has evened out: in 2019 there were as many men and women in the Executive Committee. In addition, there were as many men and women in the Board of Directors.

Our daily work environment supports cultural diversity. Each employee has equal opportunities to advance their career. Aktia is also a multilingual work community. Aktia's principle is to support multilingualism, minorities and groups in a vulnerable position in the work community equally. Aktia organises for example language courses for its employees and offers extensive well-being services for the whole personnel. Aktia's aim is to provide its personnel with education and programmes supporting career development taking into account 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 own operations. In 2019 Aktia also conducted a responsibility risk assessment on selected suppliers, which includes risks relating to respecting human rights. There are no significant risks for Aktia's supply chain relating to human rights and employee rights. Based on the results, Aktia strives to carry out discussions with selected suppliers.

Aktia also produced an ethical code of conduct for its suppliers and requires that the suppliers respect human rights, employee rights, and occupational 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, we have committed ourselves to be an active owner and to include ESG aspects in our ownership procedures and to report on our ESG activities. Since 2017, we have cooperated with ISS Ethix, a pioneer in norm-based shareholder influence.

ISS Ethix monitors the holdings of Aktia Asset Management's funds by applying the criteria based on the UN's Global Compact principles and identifies companies that have failed to act in compliance with the Global Compact principles. Most of the companies where we have invested operate in compliance with these principles so that there has not been any cause for comments. ISS Ethix engages in discussions on behalf of Aktia with the companies that have failed to act in compliance with the said criteria. During 2019, we participated through ISS Ethix in discussions with 103 different companies. Of these discussions, 48 had to do with verified or suspected problems regarding human rights and the environment, 19 discussions with employee rights and 15 with corruption. 21 discussions had to with problems in several or overlapping areas.

In addition to norm-based screening, we carry out reviews of our portfolios regarding holdings in companies that are either directly or indirectly associated with so-called controversial weapons (development, production or distribution). Different types of weapons covered by the screening include weapons of mass destruction (such as nuclear, biological and chemical weapons), cluster bombs and anti-personnel land mines. The goal is that all funds investing in shares and corporate bonds are screened, and this goal was met in 2019.

Prevention of corruption and bribes

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 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 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.

Aktia has compiled the most important rules that the employees need to observe in their work in the code of conduct. The personnel receive regularly training in the code of conduct. All Aktia's employees are obliged to follow the code of conduct. Among other things, the Group's code of conduct includes rules concerning preventing corruption and bribery, managing own affairs and those of closely associated persons at Aktia, secondary occupations and positions of trust, as well as non-disclosure of Aktia's trade secrets. 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 (so-called whistleblowing). In 2019 two (2) reports were made through the channel. The cases have been investigated and measures have been taken. Aktia has estimated that the risk of corruption and bribes is low in its business.

Financial Statement

Aktia Bank Plc –consolidated financial statements 98

Consolidated income statement 98
Consolidated statement of comprehensive income 99
Consolidated balance sheet 99
Consolidated off-balance-sheet commitments 100
Consolidated statement of changes in equity 101
Consolidated cash flow statement 102
Key figures and ratios 103
G1 Consolidated accounting principles 105
G2 The Group's risk management, 31 December 2019 117
G3 Group's segment reporting 133
G4 Net interest income 134
G5 Dividends 134
G6 Net commission income 134
G7 Net income from life insurance 135
G8 Net income from financial transactions 138
G9 Other operating income 139
G10 Staff 139
G11 Depreciation of tangible and intangible assets 140
G12 Other operating expenses 140
G13 Taxes 141
G14 Earnings per share 141
G15 Classification of and liabilities 142
G16 Financial assets measured at fair value through income statement 144
G17 Financial assets measured at fair value through other comprehensive income 144
G18 Interest-bearing securities measured at amortised cost 144
G19 Loans and other receivables 145
G20 Financial assets and impairment by stage 145
G21 Cash and balances with central banks 146
G22 Derivative instruments 146
G23 Investments in associated companies and joint ventures 148
G24 Intangible assets 148
G25 Right-of-use assets 149
G26 Investment properties 149
G27 Other tangible assets 150
G28 Total other assets 150
G29 Deferred tax receivables and liabilities 150
G30 Deposits 151
G31 Debt securities issued 152
G32 Subordinated liabilities 153
G33 Other liabilities to credit institutions 153
G34 Other liabilities to the public and public sector entities 153
G35 Technical provisions 154
G36 Total other liabilities 155
G37 Equity 156
G38 Financial assets and liabilities 158
G39 Breakdown by maturity of financial assets and liabilities by balance sheet item 162
G40 Collateral assets and liabilities 163
G41 Off-balance sheet commitments 164
G42 Subsidiaries included in consolidated accounts 165
G43 Related-party transactions 166
G44 Defined benefit pension plans 168
G45 Share-based incentive scheme 169
G46 The customer assets being managed 173
G47 Events after the end of the year 173

Aktia Bank Plc – parent company`s financial statement 174

Income statement - Aktia Bank plc 174
Balance sheet - Aktia Bank plc 175
Aktia Bank plc - off-balance-sheet commitments for the parent company 175
Cash flow statement - Aktia Bank plc 176
P1 The parent company's accounting principles 178
P2 Net interest income 185
P3 Income from equity instruments 185
P4 Net commission income 185
P5 Net income from securities and currency operations 186
P6 Net icome from financial assets measured at fair value through fund at fair value 186
P7 Net income from hedge accounting 186
P8 Other operating income 187
P9 Staff 187
P10 Other administrative expenses 187
P11 Depreciation of tangible and intangible assets 187
P12 Other operating expenses 188
P13 Taxes 188
P14 Bonds according to financial instruments 188
P15 Claims on credit institutions 189
P16 Receivables from the public and public sector entities 189
P17 Financial assets and impairment by stage 189
P18 Leasing assets 190
P19 Shares and participations 190
P20 Derivative instruments 191
P21 Intangible assets 191
P22 Tangible assets 192
P23 Other assets 193
P24 Accrued income and advance payments 193
P25 Deferred tax receivables 193
P26 Liabilities to credit institutions 193
P27 Liabilities to the public and public sector entities 193
P28 Debt securities issued to the public 194
P29 Other liabilities 194
P30 Accrued expenses and income received in advance 194
P31 Subordinated liabilities 194
P32 Deferred tax liabilities 194
P33 Equity 195
P34 Fair value of financial assets and liabilities 196
P35 Breakdown by maturity of financial assets and liabilities by balance sheet item 197
P36 Property items and liabilities in euros and in foreign currency 198
P37 Collateral assets and liabilities 199
P38 Off-balance sheet commitments 199
P39 Customer assets being managed 199
P40 The parent company's capital adequacy 200
P41 Holdings in other companies 201
P42 Shareholders 202
P43 Related-party information 204

Aktia Bank Plc – consolidated financial statements

Consolidated income statement

EUR 1,000	Note	2019	2018
Interest income		81,429	83,689
Interest expenses		-3,861	2,214
Net interest income	G4	77,568	85,903
Dividends	G5	464	114
Commission income		107,663	107,936
Commission expenses		-11,303	-12,334
Net commission income	G6	96,361	95,602
Net income from life insurance	G7	29,978	21,362
Net income from financial transactions	G8	5,637	4,850
Other operating income	G9	11,406	2,299
Total operating income		**221,415**	**210,131**
Staff costs	G10	-68,993	-66,683
IT expenses		-26,193	-25,638
Depreciation of tangible and intangible assets	G11	-19,481	-12,381
Other operating expenses	G12	-29,233	-38,346
Total operating expenses		**-143,901**	**-143,048**
Impairment of credits and other commitments	G20	-4,452	-839
Share of profit from associated companies		1,694	1,344
Operating profit		**74,756**	**67,588**
Taxes	G13	-12,931	-11,583
Profit for the reporting period		**61,825**	**56,005**
Attributable to:			
Shareholders in Aktia Bank plc		61,825	56,005
Total		**61,825**	**56,005**
Earnings per share (EPS), EUR	G14	0.90	0.81
Earnings per share (EPS), EUR, after dilution	G14	0.90	0.81

Consolidated statement of comprehensive income

EUR 1,000	Note	2019	2018
Profit for the reporting period		61,825	56,005
Other comprehensive income after taxes:			
Change in fair value for financial assets		2,764	-8,939
Change in fair value for cash flow hedging		-	79
Transferred to the income statement for financial assets		-5,322	-1,130
Comprehensive income from items which can be transferred to the income statement		-2,558	-9,991
Defined benefit plan pensions		-307	13
Comprehensive income from items which can not be transferred to the income statement		-307	13
Total comprehensive income for the year		**58,959**	**46,027**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		58,959	46,027
Total		**58,959**	**46,027**
Total earnings per share, EUR	G14	0.85	0.67
Total earnings per share, EUR, after dilution	G14	0.85	0.67

Consolidated balance sheet

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
Assets			
Interest-bearing securities		19,368	8,717
Shares and participations		148,084	136,173
Investments for unit-linked investments		871,641	757,760
Financial assets measured at fair value through income statement	G16	1,039,093	902,650
Interest-bearing securities		1,240,331	1,340,928
Financial assets measured at fair value through other comprehensive income	G17	1,240,331	1,340,928
Interest-bearing securities	G18	336,495	307,982
Lending to Bank of Finland and credit institutions	G19	17,312	23,110
Lending to the public and public sector entities	G19	6,429,143	6,106,717
Cash and balances with central banks	G21	315,383	289,191
Financial assets measured at amortised cost		7,098,333	6,727,001
Derivative instruments	G22	68,134	69,990
Investments in associated companies and joint ventures	G23	102	89
Intangible assets	G24	62,813	66,656
Right-of-use assets	G25	11,826	-
Investment properties	G26	42,162	39,079
Other tangible assets	G27	2,112	3,217
Tangible and intangible assets		118,912	108,953
Accrued income and advance payments		46,121	40,088
Other assets		82,800	74,765
Total other assets	G28	128,921	114,852
Income tax receivables		411	40
Deferred tax receivables	G29	2,862	2,323
Tax receivables		3,273	2,363
Total assets		**9,697,098**	**9,266,826**

The table continues

EUR 1,000	**Note**	**31 Dec 2019**	**31 Dec 2018**
Liabilities			
Liabilities to central banks		400,000	400,000
Liabilities to credit institutions		197,612	202,580
Liabilities to the public and public sector entities		4,059,841	3,962,540
Deposits	G30	4,657,453	4,565,120
Derivative instruments	G22	9,847	17,126
Debt securities issued	G31	2,622,677	2,460,332
Subordinated liabilities	G32	215,383	207,819
Other liabilities to credit institutions	G33	35,069	45,586
Other liabilities to the public and public sector entities	G34	150,000	100,000
Other financial liabilities		3,023,129	2,813,737
Technical provisions for risk insurances and interest-related insurances		390,364	398,930
Technical provisions for unit-linked insurances		869,407	756,774
Technical provisions	G35	1,259,771	1,155,704
Accrued expenses and income received in advance		45,696	47,466
Other liabilities		35,399	23,367
Total other liabilities	G36	81,095	70,833
Provisions	G20	999	757
Income tax liabilities		4,301	3,327
Deferred tax liabilities	G29	50,507	50,282
Tax liabilities		54,809	53,610
Total liabilities		**9,087,102**	**8,676,887**
Equity			
Restricted equity		178,094	180,653
Unrestricted equity		431,902	409,286
Shareholders' share of equity		609,996	589,939
Equity	G37	**609,996**	**589,939**
Total liabilities and equity		**9,697,098**	**9,266,826**

Consolidated off-balance-sheet commitments

EUR 1,000	**Note**	**31 Dec 2019**	**31 Dec 2018**
Off-balance sheet commitments	G41		
Guarantees		28,266	31,157
Other commitments provided to a third party		5,457	3,573
Commitments provided to a third party on behalf of the customers		33,724	34,730
Unused credit arrangements		592,419	456,065
Other commitments provided to a third party		14,434	27,239
Irrevocable commitments provided on behalf of customers		606,853	483,304
Total		**640,577**	**518,035**

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Total equity
Equity as at 1 January 2018	**163,000**	**51,533**	**1,499**	**108,400**	**273,590**	**598,022**	**598,022**
Restated for adoption of IFRS 9		-23,889			5,923	-17,967	-17,967
Share issue				557		557	557
Divestment of treasury shares				-22	1,217	1,195	1,195
Dividend to shareholders					-37,833	-37,833	-37,833
Profit for the year					56,005	56,005	56,005
Financial assets		-10,070				-10,070	-10,070
Cash flow hedging		79				79	79
Defined benefit plan pensions					13	13	13
Total comprehensive income for the year		-9,991			56,017	46,027	46,027
Change in share-based payments (IFRS 2)			-61			-61	-61
Equity as at 31 December 2018	**163,000**	**17,653**	**1,438**	**108,935**	**298,913**	**589,939**	**589,939**
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**

Consolidated cash flow statement

EUR 1,000	2019	2018
Cash flow from operating activities		
Operating profit	74,756	67,588
Adjustment items not included in cash flow	6,805	12,066
Unwound fair value hedging	7,450	-
Paid income taxes	-11,925	-6,216
Cash flow from operating activities before change in receivables and liabilities	**77,086**	**73,437**
Increase (-) or decrease (+) in receivables from operating activities	**-405,098**	**184,632**
Financial assets measured at fair value through the income statement	-18,116	-15,833
Financial assets measured at fair value through other comprehensive income	97,733	345,049
Interest-bearing securities measured at amortised cost, increase	-64,000	-
Interest-bearing securities measured at amortised cost, decrease	36,000	128,700
Loans and other receivables	-325,337	-268,960
Investments for unit-linked insurances	-113,880	44,815
Other assets	-17,497	-49,139
Increase (+) or decrease (-) in liabilities from operating activities	**381,070**	**-216,805**
Deposits	91,106	-244,692
Debt securities issued	150,841	14,391
Other financial liabilities	39,483	85,541
Technical provisions	104,067	-61,623
Other liabilities	-4,426	-10,422
Total cash flow from operating activities	**53,058**	**41,264**

The table continues

EUR 1,000	2019	2018
Cash flow from investing activities		
Investments in group companies, associated companies and joint ventures	-	-175
Proceeds from sale of group companies and associated companies	9,574	963
Investment in investment properties	-7,865	-5,034
Proceeds from sale of investment properties	10,810	21,123
Investment in tangible and intangible assets	-7,764	-6,326
Proceeds from sale of tangible and intangible assets	6	0
Total cash flow from investing activities	**4,761**	**10,552**
Cash flow from financing activities		
Subordinated liabilities, increase	69,325	-
Subordinated liabilities, decrease	-61,781	-27,381
Dividend/share issue to the non-controlling interest	-2,341	-1,730
Divestment of treasury shares	745	1,195
Paid dividends	-42,075	-37,833
Total cash flow from financing activities	**-36,127**	**-65,749**
Change in cash and cash equivalents	**21,693**	**-13,934**
Cash and cash equivalents at the beginning of the year	264,382	278,316
Cash and cash equivalents at the end of the year	286,075	264,382

The table continues

EUR 1,000	2019	2018
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	1,844	4,418
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	269,419	242,234
Repayable on demand claims on credit insitutions	14,812	17,730
Total	**286,075**	**264,382**
Adjustment items not included in cash flow consist of:		
Impairment of interest-bearing securities	-308	266
Unrealised change in value for financial assets measured at fair value through income statement	-4,446	4,893
Impairment of credits and other commitments	4,452	839
Change in fair values	-506	4,777
Depreciation and impairment of tangible and intangible assets	12,707	13,381
Sales gains and losses from tangible and intangible assets	-859	-2,290
Unwound fair value hedging	-3,094	-10,328
Change in fair values of investment properties	-5,169	-503
Change in share-based payments	712	-897
Other adjustments	3,315	1,928
Total	**6,805**	**12,066**

Key figures and ratios

EUR 1,000 if nothing else is stated	2019	2018
Earnings per share (EPS), EUR	0.90	0.81
Total earnings per share, EUR	0.85	0.67
Dividend per share, EUR	0.63	0.61
Payout ratio, %	70.5	75.1
Equity per share (NAV), EUR [1]	8.82	8.56
Average number of shares (excluding treasury shares)	69,037,320	68,817,331
Number of shares at the end of the period (excluding treasury shares)	69,143,116	68,916,364

The table continues

EUR 1,000 if nothing else is stated	2019	2018
Return on equity (ROE), % [1]	10.3	9.4
Return on assets (ROA), % [1]	0.65	0.60
Cost-to-income ratio [1]	0.65	0.68
Common Equity Tier 1 capital ratio (Bank Group), %	14.7	17.5
Tier 1 capital ratio (Bank Group), %	14.7	17.5
Capital adequacy ratio (Bank Group), %	18.6	20.5
Risk-weighted commitments (Bank Group)	2 636 934	2,199,213
Capital adequacy ratio, % (finance and insurance conglomerate)	131.6	166.1
Equity ratio, % [1]	6.4	6.3
Group financial assets [1]	2,109,688	2,112,924
Assets under management [1]	9,853,097	8,353,372
Borrowing from the public	4,059,841	3,962,540
Lending to the public	6,429,143	6,106,717
Premiums written before reinsurers' share [1]	118,606	105,634
Expense ratio, % (life insurance company) [1]	73.9	77.0
Solvency ratio (according to Solvency II, life insurance company), % [2]	192.1	229.8
Own funds (Solvency II, life insurance company) [2]	166 290	175,510
Investments at fair value (life insurance company)	1,344,989	1,230,542
Technical provisions for risk insurances and interest-related insurances	390,364	398,930
Technical provisions for unit-linked insurances	869,407	756,774
Group's personnel (FTEs), average number of employees	787	803
Group's personnel (FTEs), at the end of the period	776	779

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) From 2016 onwards the life insurance company' solvency ratio is calculated according to Solvency II rules

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 acturial calculations, should cover the costs. The operating costs do not include the re-insurers' commissions.

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 14 February 2020 and are to be adopted by the Annual General Meeting on 16 April 2020. The report by the Board of Directors and financial statements are published on 26 March 2020 at the latest.

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

Basis for preparing financial statements

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

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

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

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

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

On 13 January 2016 IASB published IFRS 16 Leases to supersede IAS 17. IFRS 16 has eliminated the earlier distinction between operating and finance leases for lessees, and has introduced a new model instead, where assets and liabilities for all leases are reported in the balance sheet. For leases where the lease term is 12 months or less, or where the value of the underlying asset is low, exemptions may be applied. For the right-of-use asset, depreciation and interest expenses related to the lease liability are reported separately. The requirements concerning lessor accounting remain substantially unchanged from IAS 17, and the earlier distinction between operating and finance leases is retained. The Aktia Group as lessor only has finance lease contracts.

The new standard has mainly changed the accounting of rented properties and leased cars for Aktia Group. An assessment of the likely rental period has been used to establish the leasing period and the discount rate has been established according to the market return requirements. The right-of-use asset and the lease liability have at the transition to IFRS 16 increased the balance sheet total by EUR 15.5 million. At the transition to IFRS 16, the Group has applied the so-called modified retroactive method, which means that the right-of-use asset at the transition to IFRS 16 is the same as the lease liability. At the transition to IFRS 16 the weighted average marginal interest rate for borrowing was 7.0%. The Aktia Group has at the transition not reported the right-of-use assets and lease liabilities for contracts where the lease period is shorter than 12 months or for assets of low value. In connection with the transition an assessment of a possible extension and/or termination of the lease contracts was also made. Other initial information has been excluded from the valuation of the right-of-use assets at the transition to IFRS 16. Changes in accounting principles for lease contracts have not any significant impact on the Group's result or financial position. The standard was approved by the EU in October 2017. The Aktia Group implemented IFRS 16 when the standard became mandatory as of 1 January 2019.

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

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

The Group does not expect other new or revised IFRSs or interpretations from IFRIC (International Financial Reporting Interpretations Committee) to have 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.

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

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.

Financial instruments measured 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 occured:

- 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.

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.

The Group as a lessor

Finance lease agreements

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 (IAS 17 was applied for the reference period)

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.

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 technical provisions are based on assumptions of for example mortality, costs and loss ratios. The technical interest rate used in the calculation of technical provisions for insurance agreements with a guaranteed interest varies between 1.0 and 4.5%.

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.

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 2019

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 of these operations are exposed to business and operational risks.

Aktia Bank Plc is the parent company of the 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 in its entirety. 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 is 1.5-3 percentage points above the regulatory requirement and for total capital adequacy 2.0-3.5 percentage points. The minimum target for the Bank Group's leverage ratio is 3.5%. The life insurance business's target Solvency II ratio is a minimum level of 125%, taking account of the transition rules. For the finance and insurance 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.

1.3 Management of operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, inadequate or unreliable systems, insufficient or unreliable information, deficient quantitative models, other failures in internal control or risk management, staff or from external factors. Operational risk also includes 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. Deviating from the general risk level the risk level of information security must be low. This means that the information security level was 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 creditworthiness. Credit and counterparty risks are measured by assessing expected credit losses. Expected credit losses are assessed with the help of Expected Credit Loss models (ECL) in accordance with IFRS9. ECL models are static models for measuring the probability of default (PD) and loss given fault (LGD) in future macroeconomic scenarios.

The Bank Group applies internal risk classification in compliance with the advanced method (Advanced IRB) in the calculation of capital adequacy requirements for credit risk for private and household customers, and companies with small exposures. During the period the foundation IRB for corporate customers has been introduced. For other exposures the standardised approach is used in the capital adequacy calculation. A total of 68% 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

EUR million	31 Dec 2019 Banking business	31 Dec 2019 Life insurance business	31 Dec 2019 Total after eliminatins group	31 Dec 2018 Banking business	31 Dec 2018 Life insurance business	31 Dec 2018 Total after eliminations group
Cash and money market	**330**	**35**	**333**	**310**	**51**	**312**
Bonds	**1,313**	**307**	**1,605**	**1,361**	**307**	**1,668**
Public sector	384	88	472	384	67	452
Government guaranteed bonds	12	6	18	54	6	60
Banks	76	42	103	107	23	130
Covered bonds	841	89	930	816	161	977
Corporate	0	82	82	0	50	50
Shares and mutual funds	**5**	**143**	**148**	**4**	**133**	**136**
Fixed income funds	0	110	110	0	100	100
Shares and equity funds	5	0	5	4	0	4
Real estate funds	0	26	26	0	29	29
Private Equity	0	7	7	0	4	4
Hedge funds	0	0	0	0	0	0
Loans and claims	**6,440**	**0**	**6,440**	**6,116**	**0**	**6,116**
Public sector entities	9	0	9	8	0	8
Housing associations	740	0	740	605	0	605
Corporate	773	0	773	709	0	709
Households	4,889	0	4,889	4,759	0	4,759
Non-profit organisations	31	0	31	35	0	35
Tangible assets	**13**	**43**	**56**	**3**	**39**	**42**
Bank guarantees	**34**	**0**	**34**	**35**	**0**	**35**
Unused facilities and unused limits	**593**	**14**	**608**	**457**	**27**	**484**
Derivatives (credit equivalents)	**85**	**0**	**85**	**81**	**0**	**81**
Other assets	**107**	**7**	**112**	**92**	**5**	**96**
Total	**8,921**	**549**	**9,422**	**8,458**	**563**	**8,972**

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 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

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

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

	31 Dec 2019				31 Dec 2018			
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	182.59	16.91	0.00	199.50	134.06	18.23	0.00	152.29
PD grades B	707.68	0.00	0.00	707.68	563.54	0.00	0.00	563.54
PD grades C	525.85	26.27	0.00	552.12	391.57	25.82	0.12	417.51
Default	0.00	0.00	20.73	20.73	0.00	0.00	25.85	26.71
	1,416.12	43.18	20.73	1,480.03	1,089.17	44.05	25.97	1,159.19
Loss allowance (ECL)	-2.65	-0.84	-11.63	-15.11	-1.91	-1.39	-20.81	-24.11
Carrying amount	1,413.48	42.34	9.10	1,464.92	1,087.26	42.66	5.16	1,135.08
Households								
PD grades A	3,440.09	8.49	0.00	3,448.58	3,474.56	7.86	0.00	3,482.42
PD grades B	828.98	8.81	0.00	837.79	967.70	7.12	0.00	974.82
PD grades C	694.85	86.21	0.00	781.06	529.67	83.05	4.77	617.49
Default	0.00	0.00	51.65	51.65	0.00	0.00	45.66	45.66
	4,963.92	103.51	51.65	5,119.08	4,971.93	98.03	50.43	5,120.39
Loss allowance (ECL)	-0.92	-2.79	-9.91	-13.61	-0.67	-2.28	-11.92	-14.87
Carrying amount	4,963.01	100.72	41.74	5,105.47	4,971.26	95.75	38.51	5,105.52
Other								
PD grades A	26.41	0.00	0.00	26.41	28.52	0.00	0.00	28.52
PD grades B	330.64	0.00	0.00	330.64	222.39	0.00	0.00	222.39
PD grades C	158.73	0.46	0.00	159.19	145.76	0.00	0.00	145.76
Default	0.00	0.00	0.86	0.86	0.00	0.00	0.86	0.86
	515.78	0.46	0.86	517.10	396.67	0.00	0.86	397.53
Loss allowance (ECL)	-0.20	-0.02	-0.23	-0.45	-0.01	0.00	-0.22	-0.23
Carrying amount	515.58	0.44	0.63	516.65	396.66	0.00	0.64	397.30

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

	31 Dec 2019				31 Dec 2018			
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)	0.00	0.00	0.26	0.26	0.00	0.00	0.00	0.00
LGD class 2	35.76	0.46	0.95	37.17	0.00	0.00	0.00	0.00
LGD class 3	1,043.59	40.12	3.78	1,087.49	525.15	24.11	0.36	549.62
LGD class 4	163.86	1.49	2.05	167.40	190.44	8.16	6.73	205.33
LGD class 5 (high)	172.91	1.11	13.69	187.70	373.59	11.79	18.89	404.27
	1,416.12	43.18	20.73	1,480.03	1,089.17	44.05	25.97	1,159.19
Loss allowance (ECL)	-2.65	-0.84	-11.63	-15.11	-1.91	-1.39	-20.81	-24.11
Carrying amount	1,413.48	42.34	9.10	1,464.91	1,087.26	42.66	5.16	1,135.08
Households								
LGD class 1 (low)	99.69	1.46	10.29	111.44	107.55	19.88	7.77	135.20
LGD class 2	2,185.39	26.94	10.22	2,222.55	2,120.30	18.96	8.38	2,147.64
LGD class 3	2,405.80	67.02	11.81	2,484.63	2,457.96	44.82	12.82	2,515.60
LGD class 4	23.44	1.40	6.88	31.72	49.40	1.98	6.44	57.81
LGD class 5 (high)	249.60	6.69	12.45	268.74	236.74	12.38	15.03	264.15
	4,963.92	103.51	51.65	5,119.08	4,971.93	98.02	50.43	5,120.39
Loss allowance (ECL)	-0.92	-2.79	-9.91	-13.61	-0.67	-2.28	-11.92	-14.87
Carrying amount	4,963.01	100.72	41.74	5,105.47	4,971.26	95.74	38.51	5,105.52
Other								
LGD class 1 (low)	4.92	0.10	0.01	5.03	0.00	0.00	0.00	5.03
LGD class 2	80.50	0.05	0.00	80.55	0.00	0.00	0.00	80.55
LGD class 3	279.99	0.22	0.00	280.21	280.03	0.00	0.00	280.21
LGD class 4	20.96	0.00	0.00	20.96	20.96	0.00	0.00	20.96
LGD class 5 (high)	129.41	0.09	0.85	0.00	95.67	0.00	0.86	0.00
	515.78	0.46	0.86	517.10	396.67	0.00	0.86	397.53
Loss allowance (ECL)	-0.20	-0.02	-0.23	-0.45	-0.01	0.00	-0.22	-0.23
Carrying amount	515.58	0.44	0.63	516.65	396.66	0.00	0.64	397.30
Class 1	Risk free, e.g. state guarantee				Risk free, e.g. state guarantee			
Class 2	Low risk, e.g. share in housing co-operative				Low risk, e.g. share in housing co-operative			
Class 3	Medium risk, e.g. other real estate security				Medium risk, e.g. other real estate security			
Class 4	Increased risk, other guarantees				Increased risk, other guarantees			
Class 5	High risk, no collateral				High risk, no collateral			

2.3 Management of funding and liquidity risks

Funding and liquidity risk imply 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 1,104 (965) million at year-end.

G2.5 Liquidity reserve, market value

EUR million	31 Dec 2019	31 Dec 2018
Cash and holdings in central banks	271	247
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	195	205
Securities issued or guaranteed by municipalities or Public sector entities	208	236
Covered bonds	430	241
Securities issued by credit instituation	0	37
Securities issued by financial corporates	0	0
Total	**1,104**	**965**

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 sufficient 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 G2.5 presents outcomes in 2019 for the LCR and NSFR risk measures for the Aktia Bank Group.

G2.6 LCR and NSFR

	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
LCR %	118%	133%	115%	113%	134%
NSFR %	118%	128%	129%	130%	119%

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 in order to manage the structural interest rate risk based on the established strategy and limits.

2.4.1.1 Structural net interest income risk or interest rate risk (IRRBB)

Structural net interest income 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 and protecting financial performance against sustained low interest rates.

The structural net interest income risk is simulated using a dynamic asset and liability risk management model. The model takes into account 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. Table G2.6 shows that net interest income would increase if interest rates rose and decrease if interest rates declined.

G2.7 Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve with of 1 % point		Change in net interest income			
		31 Dec 2019		31 Dec 2018	
EUR million Period	Interest rate change	Down	Up	Down	Up
Changes during the next 12 months		0.1	5.1	0.0	8.1
Changes during 12-24 months		0.8	19.0	0.6	22.8

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

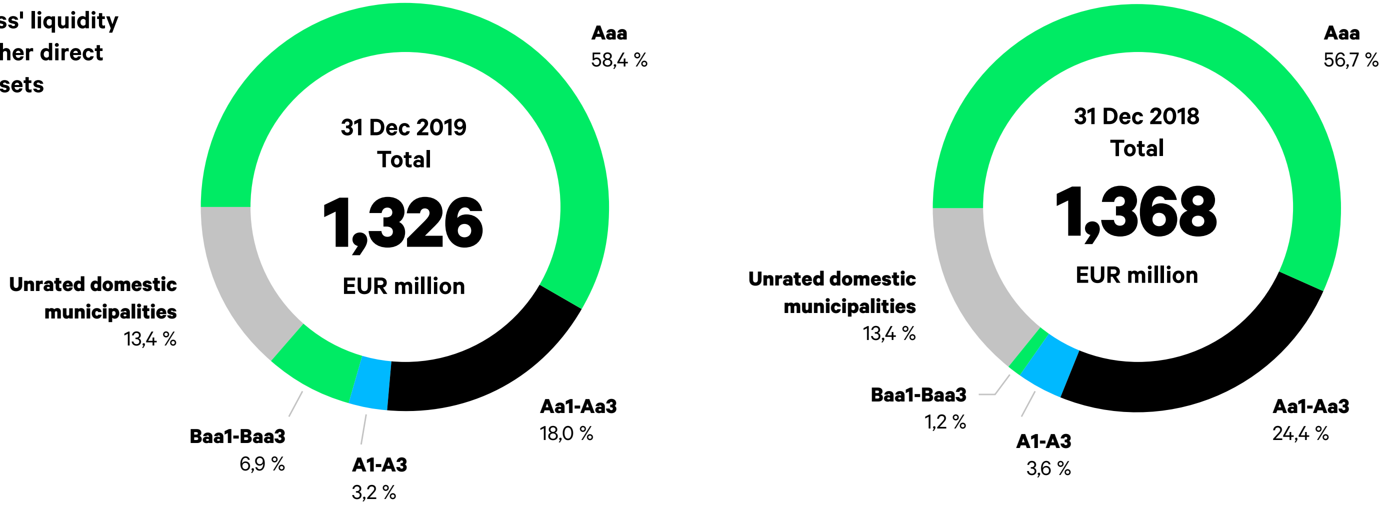
The liquidity portfolio of the Bank Group, which comprises of interest-bearing securities and is managed by the bank's Treasury unit, stood at EUR 1,326 (1,368) million as at 31 December 2019, which includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the Bank Group.

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 also managed through the requirement for a Credit Support Annex agreement. Individual investment decisions are made in accordance with an investment plan in place and are based on careful assessment of the counterparty. The Group's Board of Directors establishes limits for counterparty risks every year. The investment portfolio is market valued and monitored on a daily basis.

No impairment losses were recognised during the year.

G2.8 Rating distribution for banking business' liquidity portfolio and other direct fixed income assets



2.4.1.3 Exchange rate risk

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

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

At year-end, total net currency exposure for the Bank Group amounted to EUR 4.8 (3.6) 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 (3.6) million.

2.4.1.5 Risk sensitivity

With regard to investments, the key risks are interest rate risk and credit spread risk. Table G2.8 summarises market value sensitivity for the Bank Group's financial assets available for sale in various market risk scenarios as at 31 Dec 2019 and 31 Dec 2018. 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 on the basis of 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 on the basis of 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 on the basis of 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: Describe 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 measured at fair value through other comprehensive income			
	2019		**2018**	
Banking Group	**EUR million**	**%**	**EUR million**	**%**
Market value 31.12.	1,027.9	100.0%	1,124.0	100.0%
IR risk up (normal method)	-27.3	-2.7%	-23.7	-2.1%
IR risk up (100 bp)	-27.3	-2.7%	-23.7	-2.1%
IR risk down (normal method)	22.9	2.2%	18.1	1.6%
Spreadrisk	-36.6	-3.6%	-23.4	-2.1%
Equity risk	-3.0	-0.3%	-2.2	-0.2%
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.

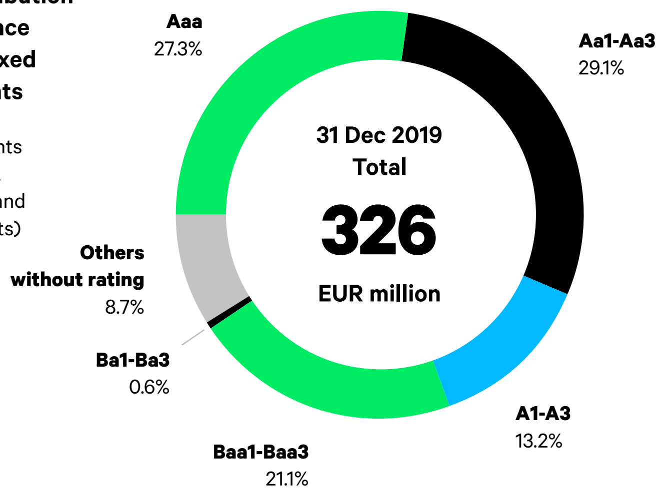
In the life insurance business, the policyholder bears the investment risk of the investments that provide cover for unit-linked insurance policies. Other investments within the insurance company for covering technical provisions are at the company’s risk. There is thus a certain degree of risk-taking in the investment activities of the insurance companies.

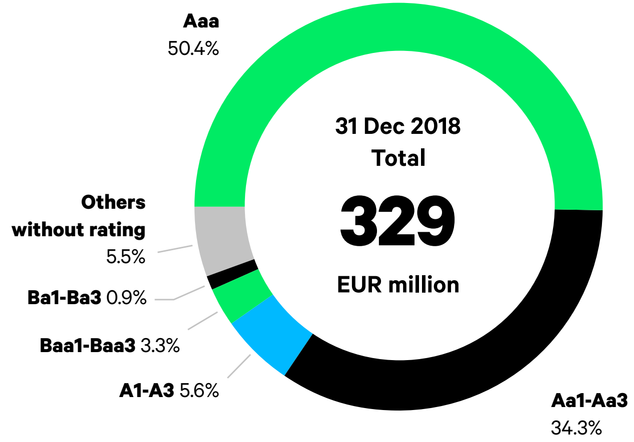
From a risk sensitivity perspective, the key market risks are interest rate, counterparty (spread) and real estate risk. For technical provisions for the interest-bearing portfolios, other risks than interest rate risk are insignificant. For the unit-linked portfolios the most significant risk is equity 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 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 26.0 (16.0) million, which can be used to cover the future interest rate requirements. The average discount rate at 31 December 2019 for the company after dissolutions from the interest reserve is 2.3% for the coming 10 years. The discount rate is subsequently 3.1%. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary.

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)





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 2019. 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 very dominant, and at year-end fixed income investments including cash funds amounted to EUR 470.7 (479.9) million, corresponding to 86 (87) % 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 2019 these investments have continued to increase, and now amount to EUR 6.7 (4.5) 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 872.3 (756.8) million, of which EUR 453.2 (448.0) 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 68.7 (67.2) 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 54.7 (47.0) 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 taken into account for technical provisions.

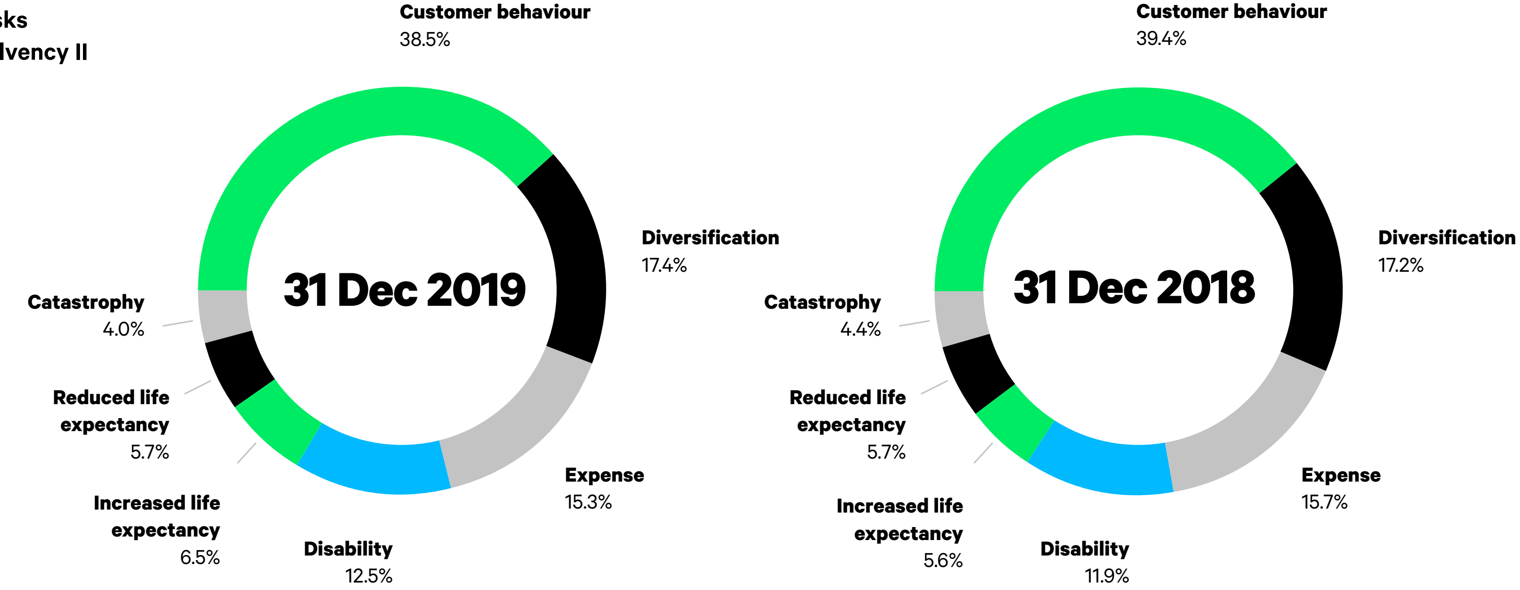
G2.11 Sensitivity analysis for market risks

	Portfolio		Technical provisions*		Total			
	2019	2018	2019	2018	2019		2018	
Life insurance company	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**%****	**EUR million**	**%****
Interest linked								
Market value 31.12.	511.2	500.4	-433.2	-425.9	78.0	61.1%	74.5	61.9%
IR risk up	-17.2	-16.0	40.1	39.1	22.9	17.9%	23.1	19.2%
IR risk down	20.8	17.7	-72.9	-69.6	-52.1	-40.8%	-51.9	-43.1%
Spreadrisk	-27.1	-14.2	0.2	0.1	-26.9	-21.1%	-14.1	-11.7%
Currency risk	-10.0	-10.0	0.3	0.1	-9.7	-7.6%	-9.9	-8.2%
Equity risk	-4.5	-2.9	0.7	0.0	-3.8	-3.0%	-2.9	-2.4%
Real estate risk	-27.5	-25.2	0.0	0.2	-27.5	-21.6%	-25.0	-20.8%
Unit- and index linked								
Market value 31.12.	872.3	756.8	-822.7	-711.0	49.6	38.9%	45.8	38.1%
IR risk up	-21.5	-14.4	21.7	14.8	0.2	0.2%	0.4	0.3%
IR risk down	27.1	16.9	-17.4	-10.5	9.7	7.6%	6.4	5.3%
Spreadrisk	-32.4	-17.8	30.5	16.5	-1.9	-1.5%	-1.3	-1.1%
Currency risk	-64.2	-56.0	60.5	52.1	-3.7	-2.9%	-3.9	-3.2%
Equity risk	-230.6	-200.8	217.4	186.8	-13.2	-10.3%	-14.0	-11.6%
Real estate risk	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Total								
Market value 31.12.	1,383.5	1,257.2	-1,255.9	-1,136.9	127.6	100.0%	120.3	100.0%
IR risk up	-38.7	-30.4	61.8	53.9	23.1	18.1%	23.5	19.5%
IR risk down	47.9	34.6	-90.3	-80.1	-42.4	-33.2%	-45.5	-37.8%
Spreadrisk	-59.5	-32.0	30.7	16.6	-28.8	-22.6%	-15.4	-12.8%
Currency risk	-74.2	-66.0	60.8	52.2	-13.4	-10.5%	-13.8	-11.5%
Equity risk	-235.1	-203.7	218.1	186.8	-17.0	-13.3%	-16.9	-14.0%
Real estate risk	-27,5	-25,2	0,0	0,2	-27,5	-21,6 %	-25,0	-20,8 %

* 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 (127,6 for 2019)

G2.12 Distribution of underwriting risks according to Solvency II cathegories



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.

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

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 2019		30 Sep 2019		30 Jun 2019		31 Mar 2019	
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	**9,697,098**	**8,385,755**	**9,614,041**	**8,316,916**	**9,533,093**	**8,247,641**	**9,912,687**	**8,644,058**
of which intangible assets	62,813	62,373	63,951	63,699	65,287	65,006	65,914	65,624
Total liabilities	**9,087,102**	**7,864,835**	**9,009,126**	**7,801,644**	**8,940,193**	**7,741,576**	**9,305,097**	**8,119,876**
of which subordinated liabilities	215,383	215,383	228,245	228,245	175,040	175,040	184,519	184,519
Share capital	163,000	163,000	163,000	163,000	163,000	163,000	163,000	163,000
Fund at fair value	15,094	7,744	26,753	13,523	26,264	12,518	20,773	7,399
Restricted equity	178,094	170,744	189,753	176,523	189,264	175,518	183,773	170,399
Unrestricted equity reserve and other funds	112,790	112,704	111,655	111,587	111,281	111,230	110,222	110,191
Retained earnings	257,286	191,725	257,593	192,033	257,593	192,033	299,453	233,893
Profit for the year	61,825	45,745	45,914	35,129	34,761	27,285	14,142	9,700
Unrestricted equity	431,902	350,175	415,162	338,748	403,636	330,548	423,817	353,784
Shareholders' share of equity	609,996	520,919	604,915	515,271	592,900	506,066	607,590	524,182
Equity	**609,996**	**520,919**	**604,915**	**515,271**	**592,900**	**506,066**	**607,590**	**524,182**
Total liabilities and equity	**9,697,098**	**8,385,755**	**9,614,041**	**8,316,916**	**9,533,093**	**8,247,641**	**9,912,687**	**8,644,058**
Off-balance sheet commitments	640,577	626,168	543,149	521,936	593,960	570,561	495,057	468,479
The Bank Group's equity		**520,919**		**515,271**		**506,066**		**524,182**
Provision for dividends to shareholders		-44,042		-		-		-
Profit for the year, for which no application was filed with the Financial Supervisory Authority		-		-35,129		-27,285		-9,700
Intangible assets		-62,373		-63,699		-65,006		-65,624
Debentures		102,608		110,076		49,170		58,028
Additional expected losses according to IRB		-20,534		-20,622		-14,848		-12,186
Deduction for significant holdings in financial sector entities		-6,709		-6,541		-6,231		-6,663
Other incl. unpaid dividend		849		673		675		-41,395
Total capital base (CET1 + AT1 + T2)		**490,719**		**500,030**		**442,541**		**446,642**

EUR 1,000	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
The Bank Group's capital adequacy					
Common Equity Tier 1 Capital before regulatory adjustments	477,143	480,408	479,046	472,888	469,693
Common Equity Tier 1 Capital regulatory adjustments	-89,032	-90,454	-85,676	-84,274	-85,499
Total Common Equity Tier 1 Capital (CET1)	**388,111**	**389,955**	**393,371**	**388,614**	**384,194**
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)	**388,111**	**389,955**	**393,371**	**388,614**	**384,194**
Tier 2 capital before regulatory adjustments	102,608	110,076	49,170	58,028	67,546
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**102,608**	**110,076**	**49,170**	**58,028**	**67,546**
Total own funds (TC = T1 + T2)	**490,719**	**500,030**	**442,541**	**446,642**	**451,739**

The table continues

EUR 1,000	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Risk weighted exposures total	**2,636,934**	**2,495,440**	**2,383,480**	**2,305,183**	**2,199,213**
of which credit risk, the standardised model	558,726	468,611	1,046,217	1,000,798	898,348
of which credit risk, the IRB model	1,567,358	1,496,921	791,403	713,420	721,351
of which 15% risk-weight floor for residential mortgages	149,527	176,287	192,237	237,342	225,892
of which market risk	-	-	-	-	-
of which operational risk	361,323	353,622	353,622	353,622	353,622
Own funds requirement (8%)	210,955	199,635	190,678	184,415	175,937
Own funds buffer	279,764	300,395	251,862	262,228	275,802
CET1 Capital ratio	14,7%	15,6%	16,5%	16,9%	17,5%
T1 Capital ratio	14,7%	15,6%	16,5%	16,9%	17,5%
Total capital ratio	18,6%	20,0%	18,6%	19,4%	20,5%
Own funds floor (CRR article 500)					
Own funds	490,719	500,030	442,541	446,642	451,739
Own funds floor [1]	203,557	208,147	214,186	208,923	201,888
Own funds buffer	287,162	291,883	228,354	237,719	249,852

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	2017	2018	2019	12/2019	9/2019	6/2019	3/2019	12/2018
Risk-weighted amount for operational risks								
Gross income	188,920	193,603	195,594					
- average 3 years			192,706					
Capital requirement for operational risk				**28,906**	**28,290**	**28,290**	**28,290**	**28,290**
Risk-weighted amount				**361,323**	**353,622**	**353,622**	**353,622**	**353,622**

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%.

The Bank Group's total risk exposures 31 Dec 2019

EUR 1,000	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
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 goverments 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**

The Bank Group's total risk exposures 31 Dec 2018

EUR 1,000	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,535,296	4,528,328	10%	465,291	37,223
Retail - Secured by immovable property SME	177,791	176,754	46%	81,332	6,507
Retail - Other non-SME	139,204	134,830	33%	44,115	3,529
Retail - Other SME	24,772	23,193	83%	19,364	1,549
Risk-weight floor for residential mortgages, 15%	-	-	15%	225,892	18,071
Equity exposures	42,773	42,773	260%	111,248	8,900
Total exposures, IRB approach	**4,919,836**	**4,905,878**	**19%**	**947,243**	**75,779**
Credit risk, standardised approach					
States and central banks	391,806	456,122	0%	804	64
Regional goverments and local authorities	280,975	301,525	0%	717	57
Multilateral development banks	15,246	15,246	0%	-	-
International organisations	66,671	66,671	0%	-	-
Credit institutions	427,984	239,959	27%	65,745	5,260
Corporates	468,139	309,599	92%	283,672	22,694
Retail exposures	298,686	142,921	72%	102,348	8,188
Secured by immovable property	961,188	917,367	35%	323,143	25,851
Past due items	28,675	6,735	112%	7,548	604
Covered bonds	714,911	714,911	10%	71,491	5,719
Other items	63,474	63,474	46%	29,438	2,355
Total exposures, standardised approach	**3,717,753**	**3,234,528**	**27%**	**884,905**	**70,792**
Total risk exposures	**8,637,589**	**8,140,406**	**23%**	**1,832,148**	**146,572**

EUR 1,000	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
The Bank Group's leverage Ratio [1]					
Tier 1 capital	388,111	389,955	393,371	388,614	384,194
Total exposure	8,474,500	8,344,820	8,301,781	8,675,914	8,111,135
Leverage Ratio, %	**4.58**	**4.67**	**4.74**	**4.48**	**4.74**

* The leverage ratio is calculated based on end of quarter figures

The financial conglomerate's capital adequacy

EUR 1,000	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Summary					
The Group's equity	609,996	604,915	592,900	607,590	589,939
Sector-specific assets	107,408	115,116	54,450	63,548	73,306
Intangible assets and other reduction items	-159,077	-188,488	-103,348	-123,340	-107,253
Conglomerate´s total capital base	**558,327**	**531,543**	**544,002**	**547,798**	**555,991**
Capital requirement for banking business	337,650	318,646	280,724	271,282	258,461
Capital requirement for insurance business [1]	86,561	92,061	85,381	82,844	76,362
Minimum amount for capital base	**424,211**	**410,707**	**366,105**	**354,126**	**334,823**
Conglomerate´s capital adequacy	**134,116**	**120,836**	**177,897**	**193,672**	**221,169**
Capital adequacy ratio, %	131,6%	129,4%	148,6%	154,7%	166,1%

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	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Income statement										
Net interest income	67,447	66,309	-4	1	10,125	19,593	-	0	77,568	85,903
Net commission income	63,639	64,360	41,686	37,053	2,700	2,823	-11,665	-8,634	96,361	95,602
Net income from life insurance	-	-	25,486	16,680	-	-	4,492	4,682	29,978	21,362
Other operating income	285	394	329	292	17,049	5,806	-156	771	17,508	7,264
Total operating income	**131,371**	**131,063**	**67,497**	**54,026**	**29,875**	**28,222**	**-7,329**	**-3,181**	**221,415**	**210,131**
Staff costs	-19,250	-20,223	-14,299	-13,308	-35,444	-31,107	-	-2,046	-68,993	-66,683
Other operating expenses [1]	-88,354	-85,941	-14,587	-14,048	20,610	16,783	7,422	6,842	-74,908	-76,365
Total operating expenses	**-107,604**	**-106,164**	**-28,886**	**-27,356**	**-14,833**	**-14,324**	**7,422**	**4,796**	**-143,901**	**-143,048**
Expected credit losses and impairment of credits and other commitments	-4,451	-839	-	-	-1	-	-	-	-4,452	-839
Share of profit from associated companies	-	-	-	-	-	-	1,694	1,344	1,694	1,344
Operating profit	**19,316**	**24,060**	**38,611**	**26,670**	**15,041**	**13,898**	**1,787**	**2,959**	**74,756**	**67,588**
Comparable operating profit	**22,656**	**25,656**	**38,611**	**26,670**	**5,154**	**11,175**	**1,787**	**1,893**	**68,209**	**65,395**

EUR 1,000	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Balance sheet										
Financial assets measured at fair value	51	51	1,268,858	1,122,802	1,025,514	1,120,725	-15,000	-	2,279,424	2,243,579
Cash and balances with central banks	1,844	4,418	0	0	313,539	284,773	-	-	315,383	289,191
Interest-bearing securities measured at amortised cost	-	-	47,938	69,013	288,558	238,969	-	-	336,495	307,982
Loans and other receivables	6,428,932	6,099,891	60,774	77,688	15,260	28,072	-58,511	-75,823	6,446,455	6,129,827
Other assets	22,299	11,837	65,057	5,046	293,651	342,472	-61,665	-63,109	319,342	296,246
Total assets	**6,453,126**	**6,116,197**	**1,442,627**	**1,274,550**	**1,936,521**	**2,015,011**	**-135,175**	**-138,932**	**9,697,098**	**9,266,826**
Deposits	4,185,596	4,070,953	-	-	530,367	569,808	-58,511	-75,640	4,657,453	4,565,120
Debt securities issued	-	633	-	-	2,637,310	2,459,699	-14,633	-	2,622,677	2,460,332
Technical provisions	-	-	1,259,771	1,155,704	-	-	-	-	1,259,771	1,155,704
Other liabilities	13,412	3,594	32,305	29,814	511,748	465,535	-10,265	-3,212	547,201	495,731
Total liabilities	**4,199,009**	**4,075,180**	**1,292,076**	**1,185,518**	**3,679,425**	**3,495,042**	**-83,408**	**-78,853**	**9,087,102**	**8,676,887**

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

G4 Net interest income

EUR 1,000	2019	2018
Interest income		
Financial assets measured at fair value through income statement	-496	-909
Financial assets measured at fair value through otfer comprehensive income	3,712	6,720
Receivables from credit institutions and central bank	1,975	3,691
Receivables from the public and public sector entities	72,649	71,105
Finance lease contracts	450	450
Loans and other receivables measured at amortised cost	75,074	75,246
Interest-bearing securities which measured at amortised cost	2,910	2,622
Other external interest income	230	11
Financial assets which are measured at amortised cost	78,213	77,878
Total	**81,429**	**83,689**
of which interest income from financial assets reported at stage 3	243	266
Interest expenses		
Deposits, credit institutions	-860	-365
Deposits, other than public sector entities	-2,863	-3,452
Deposits	-3,722	-3,817
Debt securities issued to the public	-19,750	-25,406
Subordinated liabilities	-4,507	-5,652
Debt securities issued and subordinated liabilities	-24,256	-31,058
Hedging derivative instruments	25,097	37,092
Interest expenses for right-of-use assets	-975	-
Other interest expenses, external	-5	-3
Total	**-3,861**	**2,214**
Net interest income	**77,568**	**85,903**
Borrowing and lending	73,369	70,135
Liquidity portfolio	6,113	8,338
Hedging measures through interest rate derivatives	4,009	11,407
Other, incl. funding from wholesale market	-5,922	-3,977
Total	**77,568**	**85,903**

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	2019	2018
Equity instruments measured at fair value through income statement	464	114
Total	**464**	**114**

G6 Net commission income

EUR 1,000	2019	2018
Commission income		
Lending	9,688	10,253
Borrowing	3,511	3,532
Card- and payment services	25,643	24,368
Mutual funds, asset management and securities brokerage	63,947	59,570
Brokerage of insurance	2,393	3,646
Guarantees and other off-balance sheet commitments	516	524
Real estate agency	-	3,840
Legal services	710	695
Other commission income	1,256	1,507
Total	**107,663**	**107,936**
Commission expenses		
Money handling	-1,671	-1,558
Card- and payment services	-3,690	-4,602
Securities and investments	-5,695	-5,698
Other commission expenses	-246	-476
Total	**-11,303**	**-12,334**
Net commission income	**96,361**	**95,602**

G7 Net income from life insurance

EUR 1,000	2019	2018
Premiums written	117,860	104,932
Net income from investments	32,123	13,903
Insurance claims paid	-136,913	-110,370
Net change in technical provisions	16,907	12,896
Net income from life insurance	**29,978**	**21,362**
PREMIUMS WRITTEN		
Premiums written from insurance agreements		
Insurance agreements	28,978	30,644
Total gross premiums written before reinsurer's share	**28,978**	**30,644**
Reinsurer's share	-746	-702
Premiums written from investment agreements	89,628	74,990
Total premiums written	**117,860**	**104,932**

	From insurance agreements		From investment agreements		Total	
EUR 1,000	2019	2018	2019	2018	2019	2018
Distribution of premiums written						
Premiums written from risk insurances and interest-related insurances						
Saving plans	682	829	-	-	682	829
Individual pension insurance	2,695	3,097	-	-	2,695	3,097
Group pension insurance	1,740	2,131	-	-	1,740	2,131
Risk insurance	20,397	20,882	-	-	20,397	20,882
Total	**25,514**	**26,938**	**-**	**-**	**25,514**	**26,938**
Premiums written from unit-linked agreements						
Saving plans	216	253	86,143	71,415	86,358	71,668
Individual pension insurance	1,631	1,735	3,485	3,575	5,116	5,310
Group pension insurance	1,618	1,718	-	-	1,618	1,718
Total	**3,464**	**3,706**	**89,628**	**74,990**	**93,092**	**78,696**
On-going and one-off premiums from direct insurance						
On-going premiums from insurance agreements					28,978	30,296
One-off premiums from insurance agreements					-	348
On-going premiums from investment agreements					15,983	42,510
One-off premiums from investment agreements					73,645	32,479
Total premiums written					**118,606**	**105,634**

Net income from investments

EUR 1,000	2019	2018
Net income from financial assets measured at fair value through income statement		
Interest income	440	-109
Capital gains and losses	12	10
Other income and expenses	-	-104
Interest-bearing securities	453	-203
Capital gains and losses	1,092	750
Impairments	2,797	-4,414
Other income and expenses	1,690	2,589
Shares and participations	5,579	-1,075
Total	**6,031**	**-1,278**
Net income from financial assets measured at fair value through other comprehensive income		
Interest income	6,717	7,795
Capital gains and losses	-1,511	-683
Transferred to income statement from fund at fair value	6,086	1,161
Other income and expenses	-29	-27
Interest-bearing securities	11,263	8,246
Total	**11,263**	**8,246**
Net income from financial assets measured at amortised cost		
Interest income	2,895	2,927
Capital gains and losses	5,304	-
Interest-bearing securities	**8,200**	**2,927**

The table continues

EUR 1,000	2019	2018
Net income from investment properties		
Rental income	3,453	5,856
Measured at fair value	4,324	-1,000
Capital gains and losses	467	1,224
Direct expenses from investment properties, which generated rental income during the accounting period	-1,572	-2,072
Total	**6,672**	**4,009**
Interest expenses for right-of-use assets	-43	-
Total for the Insurance business' net income from investments	**32,123**	**13,903**
Exchange rate differences included in net income from investments	-	-

Insurance claims paid

EUR 1,000	From insurance agreements 2019	From insurance agreements 2018	From investment agreements 2019	From investment agreements 2018	Total 2019	Total 2018
Claims paid from risk insurances and interest-related insurances						
Saving plans						
Repayment of saving sums	-4,711	-4,861	-	-	-4,711	-4,861
Payments in the event of death	-435	-1,061	-	-	-435	-1,061
Repurchase	-1,056	-1,689	-	-	-1,056	-1,689
Total	**-6,203**	**-7,611**	**-**	**-**	**-6,203**	**-7,611**
Individual pension insurances						
Pensions	-25,188	-24,660	-	-	-25,188	-24,660
Payments in the event of death	-453	-431	-	-	-453	-431
Repurchase	-624	-495	-	-	-624	-495
Total	**-26,265**	**-25,585**	**-**	**-**	**-26,265**	**-25,585**
Group pension insurances						
Pensions	-3,325	-3,109	-	-	-3,325	-3,109
Repurchase	-89	-525	-	-	-89	-525
Other	-28	-61	-	-	-28	-61
Total	**-3,442**	**-3,695**	**-**	**-**	**-3,442**	**-3,695**
Risk insurances						
Individual insurance	-9,000	-10,431	-	-	-9,000	-10,431
Group life insurance for employers	-931	-973	-	-	-931	-973
Total	**-9,931**	**-11,404**	**-**	**-**	**-9,931**	**-11,404**
Total claims paid from risk insurances and interest-related insurances	**-45,841**	**-48,295**	**-**	**-**	**-45,841**	**-48,295**

The table continues

EUR 1,000	From insurance agreements 2019	From insurance agreements 2018	From investment agreements 2019	From investment agreements 2018	Total 2019	Total 2018
Claims paid from unit-linked agreements						
Saving plans						
Repayment of saving sums	-248	-238	-31	-	-279	-238
Payments in the event of death	-78	-109	-16,285	-12,814	-16,363	-12,923
Repurchase	-1,275	-1,038	-69,854	-44,810	-71,129	-45,848
Total	**-1,601**	**-1,385**	**-86,170**	**-57,624**	**-87,772**	**-59,009**
Individual pension insurances						
Pensions	-	-	-2,135	-1,771	-2,135	-1,771
Payments in the event of death	-41	-160	-208	-199	-249	-359
Repurchase	-317	-493	-429	-429	-747	-923
Total	**-358**	**-653**	**-2,772**	**-2,399**	**-3,131**	**-3,053**
Group pension insurances						
Payments in the event of death	-10	-1	-	-	-10	-1
Repurchase	-159	-12	-	-	-159	-12
Total	**-169**	**-13**	**-**	**-**	**-169**	**-13**
Total claims paid from unit-linked agreements	**-2,129**	**-2,051**	**-88,942**	**-60,024**	**-91,071**	**-62,075**
Total claims paid	**-47,970**	**-50,346**	**-88,942**	**-60,024**	**-136,913**	**-110,370**

EUR 1,000	2019	2018
Changes in premium provisions, interest-related	-9,449	2,013
Changes in claims provisions, interest-related	18,015	14,035
Change in technical provisions, risk insurances and interest-related insurances	**8,566**	**16,048**
Changes in claims provisions, unit-linked	-1,716	128
Changes in premium provisions, unit-linked	-110,916	45,447
Changes in value of unit-linked investments, net	120,974	-48,727
Net change in technical provisions for unit-linked insurances	**8,341**	**-3,152**
Total net change in technical provisions	**16,907**	**12,896**

G8 Net income from financial transactions

EUR 1,000	2019	2018
Net income from derivative instruments measured at fair value through income statement		
Capital gains and losses from equity instruments	563	4,010
Capital gains and losses from derivative instruments	-27	-130
Total	535	3,880
Valuation gains and losses from equity instruments	1,379	-260
Valuation gains and losses from derivative instruments	-104	-901
Total	1,275	-1,161
Total	**1,810**	**2,719**
Net income from currency operations	**3,170**	**2,489**

The table continues

EUR 1,000	2019	2018
Net income from derivative instruments measured at fair value through other comprehensive income		
Capital gains and losses from interest-bearing securities	-23	-200
Total	-23	-200
Valuation gains and losses from interest-bearing securities	313	-155
Total	313	-155
Transferred to income statement from fund at fair value	253	407
Total	253	407
Total	**544**	**51**
Net income from interest-bearing securities measured at amortised cost		
Valuation gains and losses from interest-bearing securities	-64	-34
Total	-64	-34
Total	**-64**	**-34**
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-3,112	3,112
Financial derivatives hedging issued bonds	12,426	-3,674
Changes in fair value of hedge instruments, net	9,313	-561
Repayable on demand liabilities	3,130	-3,130
Bonds issued	-12,265	3,316
Changes in fair value of items hedged, net	-9,135	186
Total	**178**	**-375**
Ineffective share of cash flow hedging	-	-
Net income from hedge accounting	**178**	**-375**
Net income from financial transactions	**5,637**	**4,850**

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	2019	2018
Income from other banking business	93	121
Profit from divestment of shares in Samlink Ltd	9,574	-
Profit from divestment of shares in Aktia Kiinteistönvälitys Oy	-	1,066
Capital gains from sale of tangible and intangible assets	14	42
Other operating income	1,725	1,070
Total	**11,406**	**2,299**

G10 Staff

EUR 1,000	2019	2018
Salaries and remunerations	-57,985	-55,383
Share-based payments	-331	140
Pension costs		
Defined contribution plans	-8,934	-9,536
Defined benefit plans	-136	-154
Other indirect employee costs	-1,607	-1,750
Indirect emplyee costs	-10,677	-11,440
Total	**-68,993**	**-66,683**
Number of emplyees 31 December		
Full-time	716	716
Part-time	52	51
Temporary	112	119
Total	**880**	**886**
Number of employees converted to full-time equivalents	776	779
Full-time equivalent average number of employees for the year	787	803

The managements salaries and remuneration are presented in note G43.

G11 Depreciation of tangible and intangible assets

EUR 1,000	2019	2018
Depreciation of right-of-use assets	-6,774	-
Depreciation of other tangible assets	-1,492	-2,124
Depreciation of intangible assets	-11,214	-10,257
Total	**-19,481**	**-12,381**

G12 Other operating expenses

EUR 1,000	2019	2018
Other staff expenses	-4,338	-3,700
Office expenses	-1,699	-2,180
Communication expenses	-3,044	-4,075
Marketing- and representation expenses	-3,476	-3,218
Purchased services	-6,271	-7,181
Rental expenses [1]	-2,007	-8,825
Expenses for properties in own use	-1,495	-1,390
Insurance and security expenses	-3,153	-3,685
Monitoring, control and membership fees	-1,293	-1,387
Other operating expenses	-2,459	-2,704
Total	**-29,233**	**-38,346**

1) Rental expenses for 2019 refer to leasing agreements with a maximum term of 12 months (EUR 0.9 million) or low value assets (EUR 0.8 milion). Other leasing agreements are reported from 1 Janaury 2019 accordance with IFRS 16.

Auditors' fees		
Statutory auditing	-182	-218
Services related to auditing	-78	-139
Tax counselling	-13	-80
Other services	-14	-50
Total	**-286**	**-488**

The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-2,311	-1,901
of which amount paid from the old Deposit Guarantee Fund	-2,311	-1,901
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	18	29
Contribution to the Single Resolution Fund	-1,963	-2,361
of which amount transferred from previously paid bank tax	-	-97
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	2019	2018
Income taxes	-12,826	-9,029
Taxes from previous years	298	506
Change in deferred taxes	-403	-3,061
Total	**-12,931**	**-11,583**

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	74,756	67,588
Tax calculated on a 20.0% tax rate	-14,951	-13,518
Non-deductible expenses	-269	-602
Tax free income	1,846	1,415
Unused depreciation for tax purposes	1	20
Utilisation of previously unrecognised tax losses	-	929
Tax on share of the profit from associated companies	773	157
Taxes from previous years	298	506
Other	-628	-489
Total taxes	**-12,931**	**-11,583**
Average effective tax rate	17%	17%

Deferred tax recognised in comprehensive income

Deferred tax related to financial assets	640	2,517
Deferred tax related to cash flow hedging	-	-20
Deferred tax related to defined benefit plan pensions	77	-3
Total	**716**	**2,495**

G14 Earnings per share

EUR 1,000	2019	2018
Profit for the year attributable to shareholders in Aktia Bank plc	61,825	56,005
Average number of shares	69,037,320	68,817,331
Earnings per share (EPS), EUR (excluding treasury shares)	0.90	0.81
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	0.90	0.81
Total comprehensive income attributable to shareholders in Aktia Bank plc	58,959	46,027
Total earnings per share, EUR (excluding treasury shares)	0.85	0.67
Total earnings per share, EUR, after dilution (excluding treasury shares)	0.85	0.67

G15 Classification of assets and liabilities

EUR 1,000	Note	Amortised cost	Fair value through the income statement	Fair value through other comprehensive income	Non-financial assets	Total
Assets 31 December 2019						
Interest-bearing securities	G16, G17, G18	336,495	19,368	1,240,331		1,596,194
Shares and participations	G16		148,084			148,084
Investments for unit-linked investments	G16		871,641			871,641
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	Note	Amortised cost	Fair value through the income statement	Fair value through other comprehensive income	Non-financial assets	Total
Assets 31 December 2018						
Interest-bearing securities	G16, G17, G18	307,982	8,717	1,340,928		1,657,627
Shares and participations	G16		136,173			136,173
Investments for unit-linked investments	G16		757,760			757,760
Lending to Bank of Finland and credit institutions	G19	23,110				23,110
Lending to the public and public sector entities	G19	6,106,717				6,106,717
Cash and balances with central banks	G21	289,191				289,191
Derivative instruments	G22		69,990			69,990
Total financial instruments		**6,727,001**	**972,640**	**1,340,928**	**-**	**9,040,569**
Investments in associated companies and joint ventures	G23				89	89
Intangible assets	G24				66,656	66,656
Investment properties	G26				39,079	39,079
Other tangible assets	G27				3,217	3,217
Accrued income and advance payments	G28				40,088	40,088
Other assets	G28				74,765	74,765
Income tax receivables					40	40
Deferred tax receivables	G29				2,323	2,323
Total		**6,727,001**	**972,640**	**1,340,928**	**226,257**	**9,266,826**

The table continues

EUR 1,000	Note	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 to the public and public sector entities	G34		150,000		150,000
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
Other liabilities	G36			35,399	35,399
Provisions	G20		999		999
Income tax liabilities				4,301	4,301
Deferred tax liabilities	G29			50,507	50,507
Total		**9,847**	**7,681,580**	**1,395,675**	**9,087,102**

The table continues

EUR 1,000	Note	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities 31 December 2018					
Liabilities to credit institutions	G30		602,580		602,580
Liabilities to the public and public sector entities	G30		3,962,540		3,962,540
Derivative instruments	G22	17,126			17,126
Debt securities issued	G31		2,460,332		2,460,332
Subordinated liabilities	G32		207,819		207,819
Other liabilities to credit institutions	G33		45,586		45,586
Other liabilities to the public and public sector entities	G34		100,000		100,000
Technical provisions for risk insurances and interest-related insurances	G35			398,930	398,930
Technical provisions for unit-linked insurances	G35			756,774	756,774
Accrued expenses and income received in advance	G36			47,466	47,466
Other liabilities	G36			23,367	23,367
Provisions	G20		757		757
Income tax liabilities				3,327	3,327
Deferred tax liabilities	G29			50,282	50,282
Total		**17,126**	**7,379,614**	**1,280,147**	**8,676,887**

G16 Financial assets measured at fair value through income statement

EUR 1,000	2019	2018
Interest bearing securities, credit institutions	11,368	8,040
Interest bearing securities, other	8,000	677
Interest-bearing securities, Life insurance	19,368	8,717
Total interest-bearing securities	**19,368**	**8,717**
Publicly quoted shares and holdings	3,951	2,575
Shares and holdings that are not publicly quoted	1,042	983
Shares and holdings, Banking business	4,993	3,558
Publicly quoted shares and holdings	112,573	101,136
Shares and holdings that are not publicly quoted	30,518	31,480
Shares and holdings, Life insurance	143,091	132,615
Total shares and participations	**148,084**	**136,173**
Investments for unit-linked investments		
Publicly quoted shares and holdings	871,641	757,760
Total investments for unit-linked investments	**871,641**	**757,760**
Total financial assets measured at fair value through income statement	**1,039,093**	**902,650**

G17 Financial assets measured at fair value through other comprehensive income

EUR 1,000	2019	2018
Interest bearing securities, goverments and public sector entities	245,921	337,413
Interest bearing securities, credit institutions	774,651	779,806
Interest-bearing securities, Banking business	1,020,572	1,117,219
Interest bearing securities, goverments and public sector entities	44,479	23,778
Interest bearing securities, credit institutions	101,597	151,081
Interest bearing securities, other	73,683	48,850
Interest-bearing securities, Life insurance	219,759	223,710
Total interest-bearing securities	**1,240,331**	**1,340,928**
Total shares and participations	**-**	**-**
Total financial assets measured at fair value through other comprehensive income	**1,240,331**	**1,340,928**

G18 Interest-bearing securities measured at amortised cost

	2019		2018	
EUR 1,000	Carrying amount	of which ECL	Carrying amount	of which ECL
Interest-bearing securities, states	89,177	-51	48,527	-7
Interest-bearing securities, other public corporations	58,942	-56	34,957	-
Interest-bearing securities, credit institutions	140,438	-65	155,485	-101
Interest-bearing securities, Banking business	288,558	-172	238,969	-108
Interest-bearing securities, states	47,938	-28	48,208	-57
Interest-bearing securities, credit institutions	-	-	20,805	-10
Interest-bearing securities, Life insurance	47,938	-28	69,013	-66
Total interest-bearing securities measured at amortised cost	**336,495**	**-200**	**307,982**	**-175**

G19 Loans and other receivables

EUR 1,000	2019 Carrying amount	2019 of which ECL	2018 Carrying amount	2018 of which ECL
Payable on demand claims on credit institutions	14,812	-	17,730	-
Other than payable on demand claims on credit institutions	2,500	-	5,380	-
Lending to Bank of Finland and credit institutions	17,312	-	23,110	-
Current account credits, public and corporates	175,130	-1,367	179,030	-1,429
Loans	6,235,291	-25,020	5,906,999	-34,785
Syndicated loans and repurchase agreements	100	-	100	-
Receivables from finance lease contracts	18,487	-164	20,299	-137
Total loans	6,429,008	-26,551	6,106,428	-36,352
Bank guarantee claims	135	-586	289	-1,183
Lending to the public and public sector entities	6,429,143	-27,137	6,106,717	-37,535
Total	**6,446,455**	**-27,137**	**6,129,827**	**-37,535**

EUR 1,000	2019	2018
Breakdown of maturity on finance lease receivables		
Under 1 year	9,183	10,977
1-5 years	9,650	10,042
Over 5 years	407	108
Gross investment	**19,240**	**21,126**
Unearned future interest income	-754	-827
Net investment	**18,487**	**20,299**
Present value of lease payment receivables		
Under 1 year	8,824	10,547
1-5 years	9,272	9,649
Over 5 years	391	103
Total	**18,487**	**20,299**

G20 Financial assets and impairment by stage

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
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**
Book value of financial assets 31 December 2018				
Interest-bearing securities	1,648,911	-	-	1,648,911
Lending	5,948,868	134,854	46,105	6,129,827
Off-balance sheet commitments	510,047	7,513	474	518,035
Total	**8,107,826**	**142,367**	**46,579**	**8,296,772**
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2019 according to IFRS 9	2,598	3,665	33,117	39,379
Transferred from stage 1 to stage 2	-1,813	1,813	-	-
Transferred from stage 1 to stage 3	-683	-	683	-
Transferred from stage 2 to stage 1	369	-369	-	-
Transferred from stage 2 to stage 3	-	-892	892	-
Transferred from stage 3 to stage 1	9	-	-9	-
Transferred from stage 3 to stage 2	-	108	-108	-
Reversal of impairment	-	-	-75	-75
Changes due to updated calculation method	743	-1,148	-	-405
Other changes	2,541	470	1,921	4,932
Impairment January-December 2019 in the income statement	1,168	-19	3,304	4,452
Realised losses for which impairments were made in previous years	-	-	-14,730	-14,730
Reversal of impairment	-	-	75	75
Impairment of credits and other commitments 31 December 2019 according to IFRS 9	**3,766**	**3,645**	**21,766**	**29,177**
of which ECL provisions in balance sheet	890	72	36	999

The table continues

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	844	2,788	9,718	13,350
Corporates	2,293	739	11,754	14,786
Housing associations	593	117	74	784
Public sector entities	2	-	-	2
Non-profit organisations	33	1	220	255
Total	**3,766**	**3,645**	**21,766**	**29,177**
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2019 according to IFRS 9	1,149	-	-	1,149
Other changes	-308	-	-	-308
Impairment January-December 2019 in the income statement	-308	-	-	-308
Impairment of interest-bearing securities 31 December 2019 according to IFRS 9	**841**	**-**	**-**	**841**
Impairment of interest-bearing securities by sector				
Corporates	585	-	-	585
Public sector entities	256	-	-	256
Total	**841**	**-**	**-**	**841**

G21 Cash and balances with central banks

EUR 1,000	2019	2018
Cash in hand	1,844	4,418
Bank of Finland current account	313,539	284,773
Total	**315,383**	**289,191**

G22 Derivative instruments

Derivative instruments, book value

	2019		2018	
EUR 1,000	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	58,815	0	54,159	719
Fair value hedging	58,815	0	54,159	719
Interest rate derivatives	9,308	9,766	15,826	16,360
Currency derivatives	11	81	5	47
Other derivative instruments	9,319	9,847	15,831	16,407
Total	**68,134**	**9,847**	**69,990**	**17,126**

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

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**
Fair value hedging						
Interest rate swaps	-	1,070,000	802,000	1,872,000	58,815	-
Total fair value hedging	**-**	**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**

31 December 2018

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	620,000	1,200,000	282,000	2,102,000	54,159	719
Total fair value hedging	**620,000**	**1,200,000**	**282,000**	**2,102,000**	**54,159**	**719**
Total interest rate derivatives	620,000	1,200,000	282,000	2,102,000	54,159	719
Total hedging derivative instruments	620,000	1,200,000	282,000	2,102,000	54,159	719
Other derivative instruments						
Interest rate swaps	160,000	220,800	-	380,800	15,826	16,360
Total interest rate derivatives	160,000	220,800	-	380,800	15,826	16,360
Forward rate agreements	3,007	-	-	3,007	5	47
Total forward rate agreements	3,007	-	-	3,007	5	47
Total other derivative instruments	**163,007**	**220,800**	**-**	**383,807**	**15,831**	**16,407**
Total derivative instruments	**783,007**	**1,420,800**	**282,000**	**2,485,807**	**69,990**	**17,126**

G23 Investments in associated companies and joint ventures

EUR 1,000	2019	2018
Book value at 1 January	175	0
Increases	3	175
Decreases	0	-
Book value at 31 December	178	175
Share of profits at 1 January	-86	-
Share of profit from associated companies	1,694	1,344
Dividends obtained during the year	-1,684	-1,430
Share of profits at 31 December	-76	-86
Book value at 31 December	**102**	**89**
Associated companies:		
Samlink Ltd, Helsinki		
Percentage of shares and votes	-	23%
Book value in parent company at 31 December	-	0
Total share of profits in Samlink Ltd	1,684	1,430
Paikallispankkien PP-Laskenta Oy		
Percentage of shares and votes	25%	25%
Book value in parent company at 31 December	178	175
Total share of profits in Paikallispankkien PP-Laskenta Oy	10	-86

Aktia Bank Plc has during the year obtained dividend of EUR 1.7 (1.4) million from Samlink Ltd.

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	2019	2018
Acquisition cost at 1 January	108,248	103,523
Acquisitions	-	-117
Increases	7,194	5,774
Decreases	-935	-932
Acquisition cost at 31 December	114,506	108,248
Accumulated depreciations and impairments at 1 January	-41,591	-32,384
Acquisitions	-	117
Accumulated depreciation on decreases	935	932
Planned depreciation	-11,037	-10,257
Accumulated depreciations and impairments at 31 December	-51,694	-41,591
Book value at 31 December	**62,813**	**66,656**

G25 Right-of-use assets

EUR 1,000	2019	2018
Restated for adoption of IFRS 16, properties	14,781	-
Restated for adoption of IFRS 16, cars	758	-
Acquisition cost at 1 January	15,539	-
Increases	4,517	-
Decreases	-2,166	-
Acquisition cost at 31 December	17,890	-
Accumulated depreciation on decreases	710	-
Planned depreciation	-6,774	-
Accumulated depreciations and impairments at 31 December	-6,064	-
Book value at 31 December	**11,826**	**-**
Right-of-use assets, properties	11,552	-
Right-of-use assets, cars	274	-

As of 1 June 2020, Aktia Bank Plc has a lease commitment for the new head office, which is estimated to carry a liability of approximately EUR 12.7 million.

As of 31 December 2018, the Aktia Group's rental commitments were EUR 10.6 million and mainly comprised operating areas (mainly bank offices).

G26 Investment properties

EUR 1,000	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
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
Decreases	-	-	-9,906	-9,906
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**
2018				
Acquisition cost at 1 January	5,726	27,995	21,511	55,232
Valuation at fair value	-	-281	870	589
Acquisitions	-	-321	-	-321
Divestments	-3,600	-13,179	-	-16,779
Increases	-	638	4,397	5,034
Decreases	-78	-	-3,561	-3,639
Acquisition cost at 31 December	2,048	14,852	23,217	40,117
Accumulated depreciations and impairments at 1 January	-	-	-38	-38
Impairments	-	-	-1,000	-1,000
Accumulated depreciations and impairments at 31 December	-	-	-1,038	-1,038
Book value at 31 December	**2,048**	**14,852**	**22,179**	**39,079**

G27 Other tangible assets

EUR 1,000	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
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**
2018				
Acquisition cost at 1 January	16,229	10,053	1,568	27,850
Divestments	-199	-26	-5	-229
Increases	329	223	-	552
Decreases	-655	-1,164	-1,027	-2,847
Acquisition cost at 31 December	15,704	9,085	537	25,326
Accumulated depreciations and impairments at 1 January	-14,044	-7,740	-1,254	-23,038
Divestments	195	11	1	207
Accumulated depreciation on decreases	560	726	1,027	2,313
Planned depreciation	-1,126	-998	-	-2,124
Accumulated impairments on decreases	95	438	-	534
Accumulated depreciations and impairments at 31 December	-14,320	-7,563	-225	-22,108
Book value at 31 December	**1,384**	**1,522**	**311**	**3,217**

G28 Total other assets

EUR 1,000	2019	2018
Accrued and advance interests	19,775	20,158
Other accrued income and advance payments	26,346	19,930
Accrued income and advance payments	46,121	40,088
Cash items being collected	429	241
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	25,689	21,884
Other receivables	6,682	2,640
Other assets	82,800	74,765
Total	**128,921**	**114,852**

G29 Deferred tax receivables and liabilities

EUR 1,000	2019	2018
Deferred tax liabilities, net		
Net deferred tax liabilities at 1 January	47,960	52,886
Transferred deferred tax liability in connection with the transition to IFRS 9	-	-4,644
Acquisitions/divestments	-	-848
Changes during the year recognised through income statement	403	3,061
Financial assets:		
Valuation at fair value direct to equity	691	-2,235
Transferred to the income statement	-1,331	-283
Cash flow hedging:		
Valuation at fair value direct to equity	-	20
Defined-benefit pension plans recognised through other comprehensive income	-77	3
Net deferred tax liabilities at 31 December	**47,646**	**47,960**

The table continues

EUR 1,000	2019	2018
Deferred tax liabilities		
Appropriations	43,007	43,005
Expected credit losses	-1,655	-1,705
Financial assets	5,048	5,031
Cash flow hedging	-	-124
Investment properties valued at fair value	1,026	668
Activated development costs	1,877	1,963
Equalisation provision of the life insurance business	1,200	1,440
Other	4	4
Total	**50,507**	**50,282**
Deferred tax receivables		
Expected credit losses	210	-
Financial assets	1,777	674
Defined-benefit pension plans	161	107
Negative result	-	494
Other	714	1,048
Total	**2,862**	**2,323**
Specification of changes during the year recognised through income statement		
Appropriations	-2	-1,892
Change of expected credit losses	160	-73
Financial assets	321	-1,474
Cash flow hedging	-	40
Investment properties valued at fair value	-358	-139
Defined-benefit pension plans	-23	-12
Activated development costs	87	240
Equalisation provision of the life insurance business	240	240
Right-of-use Assets	4	-
Negative result	-494	-466
Other	-338	477
Total	**-403**	**-3,061**
Total change in deferred taxes	**-403**	**-3,061**

G30 Deposits

EUR 1,000	2019	2018
Repayable on demand liabilities to credit institutions	75,346	39,696
Other than repayable on demand deposits from credit institutions	522,266	562,884
Liabilities to credit institutions	597,612	602,580
Repayable on demand deposits	3,988,940	3,873,708
Other than repayable on demand deposits	70,901	88,833
Liabilities to the public and public sector entities	4,059,841	3,962,540
Total	**4,657,453**	**4,565,120**

G31 Debt securities issued

	2019		2018	
EUR 1,000	**Book value**	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposits	96,951	97,000	-	-
Bonds	2,525,726	2,530,796	2,460,332	2,464,042
Total	**2,622,677**	**2,627,796**	**2,460,332**	**2,464,042**

	2019			2018		
EUR 1,000	**Under 1 year**	**Over 1 year**	**Total**	**Under 1 year**	**Over 1 year**	**Total**
Secured Debts (collateralised)						
Issued covered bonds	183	1,612,423	1,612,605	567,067	1,099,355	1,666,422
Total	**183**	**1,612,423**	**1,612,605**	**567,067**	**1,099,355**	**1,666,422**
Unsecured Debts						
Issued unsecured debts, senior financing	530,005	383,116	913,121	-	793,910	793,910
Total	**530,005**	**383,116**	**913,121**	**-**	**793,910**	**793,910**

EUR 1,000	**Under 3 months**	**3-12 months**	**1-5 years**	**5-10 years**	**Over 10 years**	**Total**
31 December 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**
31 December 2018						
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	564,750	1,000,000	-	83,000	1,647,750
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen, fixed interest rate	-	-	-	15,000	184,000	199,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	-	580,000	-	-	580,000
Other		-	-	-	-	37,292
Total	**-**	**564,750**	**1,580,000**	**15,000**	**267,000**	**2,464,042**

G32 Subordinated liabilities

EUR 1,000	2019	2018
Debentures	215,383	207,819
Total	**215,383**	**207,819**
Nominal value	216,038	207,819
Amount counted to Tier capital	102,608	67,546

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	2019	2018
Other liabilities to credit institutions, secured debts	13,000	18,000
Other liabilities to credit institutions, unsecured debts	22,069	27,586
Total	**35,069**	**45,586**

Other liabilities to credit institutions include liabilities of EUR 35 (46) million with fixed interest rate to the European Investment Bank.

G34 Other liabilities to the public and public sector entities

EUR 1,000	2019	2018
Liabilities repayable on demand	-	100,000
Other liabilities	150,000	-
Total	**150,000**	**100,000**

G35 Technical provisions

	From insurance agreements		From investment agreements		Total	
EUR 1,000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Technical provisions at 1 January	461,110	490,444	694,594	726,883	1,155,704	1,217,328
Premiums written	28,232	29,942	89,628	74,990	117,860	104,932
Insurance claims paid	-47,970	-50,346	-88,942	-60,024	-136,913	-110,370
Transfer of savings from/to unit-linked insurance	-6,486	-2,629	6,486	2,629	-	-
Compensated interest rates for savings	13,831	14,469	-	-	13,831	14,469
Customer compensation for savings	57	74	-	-	57	74
Interest rate reduction and provision for customer compensation	10,000	-	-	-	10,000	-
Expense loading	-8,212	-8,476	-8,171	-7,916	-16,383	-16,393
Value increases and other items	10,329	-12,367	105,286	-41,968	115,614	-54,335
Technical provisions at 31 December	**460,890**	**461,110**	**798,881**	**694,594**	**1,259,771**	**1,155,704**
Technical provisions by various insurance branches						
Saving plans	54,468	58,733	698,387	616,365	752,854	675,098
Individual pension insurance	308,324	306,959	100,494	78,229	408,818	385,189
Group pension insurance	74,648	70,725	-	-	74,648	70,725
Risk insurance	23,450	24,692	-	-	23,450	24,692
Total	**460,890**	**461,110**	**798,881**	**694,594**	**1,259,771**	**1,155,704**
Change in technical provisions						
Technical provisions at 1 January	461,110	490,444	694,594	726,883	1,155,704	1,217,328
Change for the year	-220	-29,334	104,287	-32,289	104,067	-61,623
Technical provisions at 31 December	**460,890**	**461,110**	**798,881**	**694,594**	**1,259,771**	**1,155,704**
of which technical provisions for risk insurances and interest-related insurances	382,261	393,639	8,103	5,291	390,364	398,930
of which technical provisions for unit-linked insurances	78,629	67,471	790,777	689,303	869,407	756,774

EUR 1,000	**2019**	**2018**
Average calculation interest		
Saving plans	2.5%	2.7%
Individual pension insurance	3.5%	3.7%
Group pension insurance	3.3%	3.3%
Risk insurance	2.8%	2.9%
Total	**3.3%**	**3.5%**

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 present 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.

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

G36 Total other liabilities

EUR 1,000	2019	2018
Interest liabilities	14,465	17,719
Interets received in advance	775	1,052
Accrued interest expenses and interest income received in advance	15,240	18,771
Other accrued expenses and income received in advance	30,456	28,696
Accrued expenses and income received in advance	**45,696**	**47,466**
Cash items in the process of collection	11,686	12,393
Liabilities for right-of-use assets, properties	11,997	-
Liabilities for right-of-use assets, cars	283	-
Defined benefit plan pensions	804	533
Other liabilities	22,910	10,441
Total other liabilities	**35,399**	**23,367**
Total	**81,095**	**70,833**

G37 Equity

EUR 1,000	2019	2018
Share capital	163,000	163,000
Fund at fair value	15,094	17,653
Restricted equity	**178,094**	**180,653**
Fund for share-based payments	2,606	1,438
Unrestricted equity reserve	110,184	108,935
Retained earnings 1 January	298,913	273,590
Dividend to shareholders	-42,075	-37,833
Other change in retained earnings	-	5,923
Divestment of treasury shares	755	1,217
Defined pension plans, OCI	-307	13
Profit for the year	61,825	56,005
Unrestricted equity	**431,902**	**409,286**
Shareholders' share of equity	609,996	589,939
Equity	**609,996**	**589,939**

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 163,000,000 million, amounting to 69,172,437 (69,027,794) Aktia shares. The number of registred shareholders at the end of the year was 35,718 (37,475). The number of Aktia shares attributable to unindentified shareholders was 765,483 (765,696).

Treasury shares

At year-end, the number of treasury Aktia shares was 29,321 (111,430). Aktia Bank Plc has during the year divested 82,109 treasury shares held by the company for payment of deferred instalments for the share-based incentive scheme and the share ownership scheme, and for payment of 40% of the Board members' annual remuneration. The Annual General Meeting on 11 April 2019 authorised the Board of Directors to acquire a maximum of 400,000 treasury shares and to divest a maximum of 500,000 treasury shares. At the date the accounts closed the acquisition of a maximum of 400,000 treasury shares and the divestment of a maximum of 417,891 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 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 an accrued expense 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 an 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 the Group companies and the insurance companies' equalisation provisions, which in the IFRS financial statements have been recognised in retained earnings after deduction of the deferred tax.

EUR 1,000	2019	2018
Specification of change in fund at fair value		
Fund at fair value at 1 January	17,653	51,533
Restated for adoption of IFRS 9	-	-23,889
Profit/loss on valuation to fair value, interest-bearing securities	3,455	-11,174
Deferred taxes on profit/loss on valuation to fair value	-691	2,235
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-566	-252
Net income from life insurance	-6,086	-1,161
Deferred taxes	1,331	283
Profit/loss on valuation to fair value for cash flow hedging derivative contracts	-	99
Deferred taxes on profit/loss on valuation to fair value	-	-20
Fund at fair value at 31 December	**15,094**	**17,653**

Share capital and unrestricted equity reserve

EUR 1,000	Number of shares	Share capital	Unrestricted equity reserve
1 January 2018	**66,578,811**	**163,000**	**108,400**
Targeted share issue when merging A and R shares	2,383,851		
Share issue 15 November 2018	65,132		557
Other changes			-22
31 December 2018	**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 December 2019	**69,172,437**	**163,000**	**110,184**

Group's unrestricted equity

EUR 1,000	2019	2018
Group's non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	172,020	164,452
Share of activated development expenses that have been included in the retained earnings at 1 Janaury	7,854	8,812
Total non-distributable earnings in the retained earnings 1 January	**179,874**	**173,265**
Share of accumulated appropriations that have been included in the profit for the year	9	7,568
Share of activated development expenses that have been included in the profit for the year	-347	-959
Total non-distributable earnings that have been included in the profit for the year	**-338**	**6,609**
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	172,029	172,020
Share of activated development expenses that have been included in the retained earnings 31 December	7,507	7,854
Total non-distributable earnings in the retained earnings 31 December	**179,536**	**179,874**

The table continues

EUR 1,000	2019	2018
Group's distributable earnings in unrestricted equity		
Fund for share-based payments	2,606	1,438
Unrestricted equity reserve	110,184	108,935
Retained earnings 1 January	119,040	100,325
Dividend to shareholders	-42,075	-37,833
Other changes in retained earnings	447	7,153
Profit for the year	62,163	49,396
Total	**252,366**	**229,413**
Group's total unresticted equity		
Fund for share-based payments	2,606	1,438
Unrestricted equity reserve	110,184	108,935
Retained earnings 1 January	298,913	273,590
Dividend to shareholders	-42,075	-37,833
Other changes in retained earnings	447	7,153
Profit for the year	61,825	56,005
Total	**431,902**	**409,286**

Dividend to shareholders

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 16 April 2020 that a dividend of EUR 0.63 per share, estimated totalling EUR 44,041,571.28 to be paid for the year based on the parent company's distributable retained earnings of EUR 53,406,208,12.

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

	2019		2018	
EUR 1,000	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Financial assets measured at fair value through income statement	1,039,093	1,039,093	902,650	902,650
Financial assets measured at fair value through other comprehensive income	1,240,331	1,240,331	1,340,928	1,340,928
Interest-bearing securities measured at amortised cost	336,495	367,973	307,982	336,648
Loans and other receivables	6,446,455	6,476,330	6,129,827	6,137,056
Cash and balances with central banks	315,383	315,383	289,191	289,191
Derivative instruments	68,134	68,134	69,990	69,990
Total	**9,445,890**	**9,507,244**	**9,040,569**	**9,076,464**
Financial liabilities				
Deposits	4,657,453	4,654,544	4,565,120	4,561,054
Derivative instruments	9,847	9,847	17,126	17,126
Debt securities issued	2,622,677	2,645,728	2,460,332	2,457,242
Subordinated liabilities	215,383	217,013	207,819	209,831
Other liabilities to credit institutions	35,069	35,360	45,586	46,346
Other liabilities to the public and public sector entities	150,000	150,144	100,000	100,099
Total	**7,690,429**	**7,712,637**	**7,395,983**	**7,391,697**

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

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

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

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

Measurement of financial assets at fair value

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

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

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

Financial instruments measured at fair value	**31 Dec 2019**				**31 Dec 2018**			
	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	871,641	-	-	871,641	756,774	-	-	756,774
Interest-bearing securities	19,213	-	154	19,368	8,554	-	163	8,718
Shares and participations	112,573	-	35,511	148,084	101,136	-	35,037	136,173
Total	**1,003,427**	**-**	**35,665**	**1,039,093**	**866,464**	**-**	**35,201**	**901,665**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,069,394	54,933	116,003	1,240,331	1,124,752	55,069	161,107	1,340,928
Total	**1,069,394**	**54,933**	**116,003**	**1,240,331**	**1,124,752**	**55,069**	**161,107**	**1,340,928**
Derivative instrument, net	-70	58,357	-	58,287	-42	52,905	-	52,864
Total	**-70**	**58,357**	**-**	**58,287**	**-42**	**52,905**	**-**	**52,864**
Total	**2,072,752**	**113,290**	**151,669**	**2,337,710**	**1,991,175**	**107,974**	**196,308**	**2,295,457**

Transfers between levels 1 and 2

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

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

Changes within level 3

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

Reconciliation of the changes taken place for financial instruments which belong to level 3	**Financial assets measured at fair value through 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 2019	163	35,038	35,201	161,107	-	161,107	161,271	35,038	196,308
New purchases	-	8,886	8,886	43,003	-	43,003	43,003	8,886	51,889
Sales	-	-10,212	-10,212	-22,500	-	-22,500	-22,500	-10,212	-32,712
Matured during the year	-	-	-	-56,500	-	-56,500	-56,500	-	-56,500
Unrealised value change in the income statement	-9	1,800	1,791	-	-	-	-9	1,800	1,791
Value change recognised in total comprehensive income	-	-	-	-20	-	-20	-20	-	-20
Transfer to level 1 and 2	-	-	-	-9,088	-	-9,088	-9,088	-	-9,088
Carrying amount 31 December 2019	**154**	**35,512**	**35,666**	**116,002**	**-**	**116,002**	**116,157**	**35,512**	**151,668**

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 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%. These assumptions would mean a result or valuation effect via the income statement or via other comprehensive income corresponding to 1.9 (2.1) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	**31 December 2019**			**31 December 2018**		
		Effect at an assumed movement			**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	163	5	-5
Shares and participations	35,511	7,102	-7,102	35,037	7,007	-7,007
Total	**35,665**	**7,107**	**-7,107**	**35,201**	**7,012**	**-7,012**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	116,003	3,480	-3,480	161,107	4,833	-4,833
Total	**116,003**	**3,480**	**-3,480**	**161,107**	**4,833**	**-4,833**
Total	**151,669**	**10,587**	**-10,587**	**196,308**	**11,846**	**-11,846**

Set off of financial assets and liabilities

EUR 1,000	31 December 2019 Derivatives	31 December 2019 Reverse repurchase agreements	31 December 2018 Derivatives	31 December 2018 Reverse repurchase agreements
Assets				
Financial assets included in general agreements on set off or similar agreements	68,134	-	69,990	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**68,134**	**-**	**69,990**	**-**
Amount not set off but included in general agreements on set off or similar	9	-	376	-
Collateral assets	69,469	-	64,036	-
Total amount of sums not set off in the balance sheet	**69,478**	**-**	**64,412**	**-**
Net amount	**-1,344**	**-**	**5,578**	**-**
Liabilities				
Financial liabilities included in general agreements on set off or similar agreements	9,847	52,806	17,126	98,848
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**9,847**	**52,806**	**17,126**	**98,848**
Amount not set off but included in general agreements on set off or similar	9	52,724	376	-
Collateral liabilities	2,500	-	5,380	99,009
Total amount of sums not set off in the balance sheet	**2,509**	**52,724**	**5,756**	**99,009**
Net amount	**7,338**	**82**	**11,370**	**-161**

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 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
Liabilities for right-of-use assets	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**
Assets 31 December 2018							
Investments for unit-linked investments measured at fair value through income statement	G16	-	-	-	-	757,760	757,760
Equity instruments measured at fair value through income statement	G16	-	-	-	-	136,173	136,173
Interest-bearing securities measured at fair value through income statement	G16	-	513	4,763	3,441	-	8,717
Interest-bearing securities measured at fair value through other comprehensive income	G17	136,220	215,806	868,727	120,175	-	1,340,928
Interest-bearing securities measured at amortised cost	G18	-	15,137	116,354	149,027	27,465	307,982
Loans and other receivables	G19	214,970	392,879	1,829,307	1,350,233	2,342,438	6,129,827
Cash and balances with central banks	G21	289,191	-	-	-	-	289,191
Derivative instruments	G22	1,463	9,531	32,385	1,045	25,565	69,990
Total		**641,844**	**633,866**	**2,851,537**	**1,623,920**	**3,289,401**	**9,040,569**
Liabilities 31 December 2018							
Deposits	G30, G34	4,096,113	84,474	484,510	23	-	4,665,120
Derivative instruments	G22	2,118	2,400	12,607	-	-	17,126
Debt securities issued	G31	130	566,937	1,589,456	15,761	288,048	2,460,332
Subordinated liabilities	G32	23,300	38,481	146,038	-	-	207,819
Other liabilities to credit institutions	G33	1,379	9,138	35,069	-	-	45,586
Total		**4,123,040**	**701,430**	**2,267,680**	**15,785**	**288,048**	**7,395,983**

G40 Collateral assets and liabilities

EUR 1,000	2019	2018
Collateral assets		
Collateral for own liabilities		
Securities	473,101	529,075
Outstanding loans constituting security for covered bonds	2,031,788	2,264,039
Total	**2,504,889**	**2,793,114**
Other collateral assets		
Pledged securities [1]	16,800	121,700
Cash included in pledging agreements and repurchase agreements	2,500	5,380
Total	**19,300**	**127,080**
Total collateral assets	**2,524,189**	**2,920,194**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	465,806	516,848
Issued covered bonds [3]	1,612,605	1,666,422
Derivatives	2,500	5,380
Total	**2,080,911**	**2,188,650**

1) Refers to securities pledged for the intra day limit. As at 31 December 2019, a surplus of pledged securities amounted to EUR 5 (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	2019	2018
Collateral liabilities		
Cash included in pledging agreements [1]	69,460	64,036
Total	**69,460**	**64,036**

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	2019	2018
Guarantees	28,266	31,157
Other commitments provided to a third party	5,457	3,573
Unused credit arrangements	592,419	456,065
Other irrevocable commitments	14,434	27,239
Total	**640,577**	**518,035**

Off-balance sheet commitments, exclude rental commitments.

EUR 1,000	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31 December 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**
31 December 2018						
Guarantees	25,486	4,190	74	77	1,330	31,157
Other commitments provided to a third party	2,342	889	329	12	-	3,573
Unused credit arrangements	109,947	64,765	141,545	150	139,659	456,065
Other irrevocable commitments	9,437	72	17,731	-	-	27,239
Total	**147,212**	**69,916**	**159,679**	**239**	**140,989**	**518,035**

Aktia Life Insurance Ltd and insurance company Liv-Alandia have agreed on the transfer of Alandia's life insurance portfolio to Aktia during the first quarter of 2020. In the transfer Aktia Life Insurance Ltd will receive an insurance liability of approximately EUR 80 million including risk, savings, pension and group pension insurances. A transfer of assets as coverage for the liability will also be carried out. The transfer still requires approval from the Finnish Financial Supervisory Authority.

G42 Subsidiaries included in consolidated accounts

	2019		2018	
	% of shares	% of votes	% of shares	% of votes
Financing				
Aktia Corporate Finance Ltd, Helsinki	-	-	100%	100%
Aktia Finance ltd, Helsinki	100%	100 %	100%	100%
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	100 %	100%	100%
Securities companies				
Aktia Asset Management Ltd, Helsinki	76%	76%	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%
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	-	-	50%	50%
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 Lahden BW Tower, Helsinki	-	-	33%	33%
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33%	33%	33%	33%
Other operations				
Trivekta Ltd	100%	100%	-	-

The Group companies' holdings in the investment funds managed by Aktia (EUR 9,853 million) have been taken into account when consolidating.

Subsiadiaries that have material non-controlling interets		2019		2018	
		Non-controlling interests' share of		Non-controlling interests' share of	
	Segment	shares	votes	shares	votes
Aktia Asset Management Ltd	Asset Management	24%	24%	24%	24%

Non-controlling holdings in subsidiaries are subject to restrictions concerning transfer of the shares.

Summarised financial information (before inter-company eliminations) EUR 1,000	Aktia Asset Management Ltd 2019	2018
Profit for the year	13,127	10,228
attributable to non-controlling interest	3,141	2,447
Total comprehensive income for the year	13,127	10,228
attributable to non-controlling interest	3,141	2,447
Assets	22,449	18,402
Liabilities	6,109	5,485
Net assets	16,340	12,917
attributable to non-controlling interest	3,909	3,090
Cash flow from operating activities	10,967	7,899
Cash flow from investing activities	-47	-
Cash flow from financing activities	-9,798	-7,231
Net change in cash and cash equivalents	1,122	668
Dividens paid to non-controlling interest	2,341	1,730

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 supplemen-tary pension (IFRS)
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**
2018						
Mikko Ayub, Managing Director from 1 October 2018	78	-	-	78	14	4
Juha Hammarén, Acting CEO 7 March - 30 September 2018, Deputy Managing Director	278	17	150	445	52	41
Martin Backman, Managing Director until 7 March 2018	282	-	95	376	49	-
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,875	149	767	2,790	355	303
Total	**2,513**	**166**	**1,011**	**3,690**	**469**	**348**

*) 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]	**2019**			**2018**		
EUR 1,000	**Annual remuneration and remuneraration per meeting**	**Statutory pension costs**	**Cost for voluntary supplementary pension (IFRS)**	**Annual remuneration and remuneraration per meeting**	**Statutory pension costs**	**Cost for voluntary supplementary pension (IFRS)**
Lasse Svens, Chairman from 10 April 2018, Vice Chair until 9 April 2018	86	15	-	86	15	-
Arja Talma, Vice Chair from 10 April 2018	54	9	-	55	10	-
Christina Dahlblom	43	7	-	44	8	-
Stefan Damlin	41	7	-	43	8	-
Johan Hammarén	33	6	-	-	-	-
Maria Jerhamre Engström	44	8	-	32	6	-
Johannes Schulman	42	7	-	33	6	-
Tarja Wist	33	6	-	-	-	-
Dag Wallgren, Chairman until 9 April 2018	-	-	-	25	4	-
Catharina von Stackelberg-Hammarén	12	2	-	45	8	-
Sten Eklundh	-	-	-	18	3	-
Kjell Hedman	-	-	-	13	2	-
Total	**389**	**66**	**-**	**392**	**69**	**-**
Total management personnel compensation	2,330	398	352	3,690	469	348
Total comprensation to Members of the Board of Directors	389	66	-	392	69	-
Total compensation to Management personnel and the Board of Directors	**2,719**	**464**	**352**	**4,082**	**538**	**348**

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Director Irma Gillberg-Hjelt, Director Max Sundström, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen and Director Nils Lundberg.

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 6 months), and for the other members of the executive committee the notice of dismissal is 12–15 months (obligation to work 6 months). Members of the executive committee follow statutory pension age.

Shareholding

At the end of 2019, the Group's key personnel held a total of 122,708 (113,009) Aktia shares in Aktia Bank plc, which represents 0.2 (0.2) % of the total number of shares.

Related-party transactions	**2019**		**2018**	
EUR 1,000	**Associated companies**	**Other related parties**	**Associated companies**	**Other related parties**
Credits and guarantees	-	3,881	-	3,439
Deposits	-	2,236	6	1,959
Liabilities	-	-	5	-
Services bought	1,675	78	1,844	50

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 position as well as for employees who were members of Savings Banks' Pension Fund (Sparbankernas Pensionskassa) when the pensions fund was closed 31 December 1993. The retirement age of members of the Execituve Committee and key persons in management position 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 2019, 20 (2018; 13) members have left the programme.

EUR 1,000	2019	2018
Current service cost	-128	-145
Net interest income	-8	-8
Expense recognised in income statement	**-136**	**-154**
Remeasurements in total comprehensive income	-384	16
Total comprehensive income before taxes	**-520**	**-138**
Present value of obligation 1 January	**3,262**	**3,320**
Current service cost	128	145
Interest expenses	62	55
Actuarial gains (-) / losses (+) from experience adjustments	149	121
Actuarial gains (-) / losses (+) from changes in financial assumptions	634	-162
Benefits paid	-1,010	-216
Present value of obligation 31 December	**3,225**	**3,262**
Fair value of plan assets 1 January	**2,730**	**2,711**
Interest income	54	46
Return on plan assets excluding amount included in interest expenses/ income	399	-26
Benefits paid	-1,010	-216
Contributions by employer	249	214
Fair value of plan assets 31 December	**2,421**	**2,730**

The table continues

EUR 1,000	2019	2018
Present value of obligation	3,225	3,262
Fair value of plan assets	-2,421	-2,730
Liability recognised in balance sheet 31 December	**804**	**533**
Liability recognised in balance sheet 1 January	**533**	**609**
Expenses recognised in income statement	136	154
Contributions by employer	-249	-214
Additional expense (+) to local GAAP	-113	-61
Remeasurements in comprehensive income	384	-16
Liability recognised in balance sheet 31 December	**804**	**533**
Actuarial assumptions		
Discount rate, %	0,64%	1,92%
Rate of salary increase, %	2,30%	2,70%
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		
Discount rate 0.64 (1.92) %	3,225	3,262
Change in discount rate +0.50%	-299	-284
Change in discount rate -0.50%	342	322
Salary increase 2.3 (2.7) %	3,225	3,262
Change in salary increase +0.50%	102	91
Change in salary increase -0.50%	-98	-88

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

The Group is expected to pay approximately EUR 0.3 million contributions to the defined benefit plans during 2020.

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. At the end of the year approx. 60% of Aktia's personnel participated in the share savings plan AktiaUna.

The estimated total savings for the second half of the savings period 2019–2020 (October 2019–March 2020) amounts up to a maximum total of approximately EUR 562,000. The final number of matching shares to be paid under savings period 2019-2020 depends on the number of participants and shares acquired in the plan by the employees.

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 estimated value of the reward payable of the basis of the second half of the AktiaUna savings period 2019-2020 (October 2019-March 2020) amounts up to a maximum total of EUR 968,000, 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 2019–2020 (January 2018–December 2019) are the Aktia Group's comparable operating profit and net commission income during the performance period.

The potential rewards form the plan will be paid to the key employees in four instalments in 2020, 2021, 2022 and 2023 (PSP 2018-2019) and 2021, 2022, 2023 and 2024 (PSP 2019-2020). The reward shares are subject to a 12-month retention period, during which the shares may not be transferred. After the retention period, the terms and conditions of the plan restrict the transfer of the reward shares of the members of the Group's Executive Committee until they own a certain number of Aktia Bank Plc shares. As a rule, no reward will be paid if a key employee's employment or service ends before the reward payment.

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

	AktiaUna 2019-2020	PSP 2019-2020	AktiaUna 2018-2019	PSP 2018-2019	Total
Estimated maximum gross shares upon the launch of the plan	190,000	214,000	195,000	280,000	879,000
Initial allocation date	1 Apr 2019	1 Apr 2019	1 Apr 2018	1 Apr 2018	
Performance period begin		1 Jan 2019		1 Jan 2018	
Performance period end		31 Dec 2020		31 Dec 2019	
Vesting date	31 May 2021	31 May 2021 31 May 2022 31 May 2023 31 May 2024	31 May 2020	31 May 2020 31 May 2021 31 May 2022 31 May 2023	
Vesting conditions	Share ownersip, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	Share ownersip, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	
Maximum contractual life, years	2.2	5.2	2.2	5.2	
Remaining contractual life, years	1.4	4.4	0.4	3.4	
Number of persons at the end of the reporting year	490	46	452	43	
Payment method	Cash & equity	Cash & equity	Cash & equity	Cash & equity	

Changed during the reporting period 2019, EUR 1,000	AktiaUna 2019-2020	PSP 2019-2020	AktiaUna 2018-2019*	PSP 2018-2019*	Total
1 January 2019					
Outstanding at the beginning of the reporting period, pcs	-	-	63,652	111,804	175,456
Changes during the reporting period					
Granted during the reporting period	77,684	116,576	66,959	116,294	377,513
Forfeited during the reporting period	3,292	-	11,477	24,812	39,581
31 December 2019					
Outstanding at the end of the reporting period	74,392	116,576	119,134	203,286	513,388

* Figures based on shares acquired with savings from April 2019 to September 2019. The savings period 2019-2020 continues until March 2020.

Valuation parameters	AktiaUna 2019-2020	PSP 2019-2020	AktiaUna 2018-2019	PSP 2018-2019
Share price at purchase date, EUR	8.80	8.80	8.52	8.52
Share price at the end of the reporting period, EUR	9.34	9.34	9.34	9.34
Maturity, years	1.60	4.60	1.10	4.10
Expected dividends, EUR	1.29	1.81	0.63	1.14
Fair value of one share, EUR	7.51	6.99	7.89	7.38

Impact of share-based payments on the company's result and financial position, EUR 1,000	2019	2018
Accounting period expenses from share-based payments in the income statement	1,649	674
of which shareholder-controlled	1,649	674
Liabilities arising from share-based payments 31 December 2019	-	-
Future cash payment to be paid to the tax authorities from share-based payments, estimated at 31 December 2019	2,822	1,650

Previous Share-based reward schemes and ownership schemes

Share-based reward scheme

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 19,524 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 2015-2016 may amount to a maximum of 2,639 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.

	2019	2018	2017	2016	2015
The earning period 2014 - 2015					
Basic information					
Max. number of shares	-	9,928	19,862	29,790	112,500
Sum in cash corresponding max. number of shares	-	9,928	19,862	29,790	112,500
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 2015	31 Dec 2015	31 Dec 2015	31 Dec 2015
Number of persons on the decision date	-	4	5	13	13
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	-	8.92	9.11	9.73	10.31

The table continues

	2019	2018	2017	2016	2015
The earning period 2015 - 2016					
Basic information					
Max. number of shares	2,639	5,413	7,511	120,000	120,000
Sum in cash corresponding max. number of shares	2,639	5,413	7,511	120,000	120,000
Decision date	28 Jan 2014	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	1 Jan 2015
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	4	7	7	15	16
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	8.92	9.11	9.73	10.31
The earning period 2016 - 2017					
Basic information					
Max. number of shares	1,170	2,347	84,000	101,500	-
Sum in cash corresponding max. number of shares	1,170	2,347	84,000	101,500	-
Decision date	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015	-
Earning period starts	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016	-
Earning period ends	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	-
Number of persons on the decision date	4	7	7	14	-
Rate of Aktia share on the decision date, EUR	10.07	10.07	10.07	10.07	-
Rate of Aktia share at the end of the accounting period, EUR	9.23	8.92	9.11	9.73	-

The table continues

	2019	2018	2017	2016	2015
The earning period 2017 - 2018					
Basic information					
Max. number of shares	18,354	27,531	120,000	-	-
Sum in cash corresponding max. number of shares	18,354	27,531	120,000	-	-
Decision date	15 Feb 2017	15 Feb 2017	15 Feb 2017	-	-
Earning period starts	1 Oct 2017	1 Oct 2017	1 Oct 2017	-	-
Earning period ends	31 Mar 2018	31 Mar 2018	31 Mar 2018	-	-
Number of persons on the decision date	8	9	10	-	-
Rate of Aktia share on the decision date, EUR	9.66	9.66	9.66	-	-
Rate of Aktia share at the end of the accounting period, EUR	9.23	8.92	9.11	-	-

Share ownership scheme

In addition to the share-based incentive schemes some key persons are enabled to also receive a conditional reward based on the acquisition of Aktia shares when the incentive scheme is implemented. The conditional reward will be paid to key persons after the earning period, and will take the form of both cash and shares, provided that the key person is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of rewards. The total reward paid out through the Share Ownership Scheme (MRS) may amount to a maximum of 19,198 Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

	2019	2018	2017	2016	2015
Share ownership scheme 2014					
Basic information					
Max. number of shares	2,400	5,600	8,400	69,000	69,000
Sum in cash corresponding max. number of shares	2,400	5,600	8,400	69,000	69,000
Decision date	28 Jan 2014	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	1 Jan 2014
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	2	3	3	23	23
Rate of Aktia share on the decision date, EUR	8.35	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	10.31
Share ownership scheme 2015					
Basic information					
Max. number of shares	5,600	8,400	39,000	45,000	45,000
Sum in cash corresponding max. number of shares	5,600	8,400	39,000	45,000	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	5	6	13	14	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	8.92	9.11	9.73	10.31

The table continues

	2019	2018	2017	2016	2015
Share ownership scheme 2016					
Basic information					
Max. number of shares	1,200	21,000	21,000	27,000	-
Sum in cash corresponding max. number of shares	1,200	21,000	21,000	27,000	-
Decision date	16 Dec 2015	16 Dec 2015	16 Dec 2015	16 Dec 2015	-
Earning period starts	1 Jan 2016	1 Jan 2016	1 Jan 2016	1 Jan 2016	-
Earning period ends	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018	-
Number of persons on the decision date	-	7	7	7	-
Rate of Aktia share on the decision date, EUR	10.07	10.07	10.07	10.07	-
Rate of Aktia share at the end of the accounting period, EUR	9.23	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	-195	1,104	1,102	1,558	2,642
of which recorded as liability 31 December	332	1,280	1,650	2,497	3,166
of which recorded as fund for share-based payments 31 December	310	807	1,499	1,957	2,143

G46 Customer assets being managed

EUR 1,000	2019	2018
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	2,600	364
Funds in discretionary asset management services	9,016,328	7,252,113
Funds within the framework of investment advising according to a separate agreement	5,993,767	5,419,252
Total	**15,012,695**	**12,671,729**

G47 Events after the end of the year

Aktia reached 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.

Aktia Bank Plc has in a directed share issue on 13 February 2020 issued 744,696 new shares as a part of the acquisition of the minority share of 24% in Aktia Asset Management Ltd. The shares have been issued according to the share issue authorisation from the Annual General Meeting on 11 April 2019. The new shares were registered into the Trade Register on 14 February 2020 and started trading on Nasdaq Helsinki Ltd on 17 February 2020. After the issue, the number of shares in Aktia is 69,917,133.

Aktia Life Insurance Ltd and Försäkringsaktiebolaget Liv-Alandia have agreed on the transfer of Alandia's life insurance portfolio to Aktia. The transfer is planned to take place during the first quarter of 2020.

Aktia Bank Plc – parent company`s financial statement

Income statement – Aktia Bank plc

EUR 1,000	Note	2019	2018
Interest income		80,965	83,019
Net income from leasing operations		490	-
Interest expenses		-4,122	1,696
Net interest income	P2	77,333	84,715
Income from equity instruments	P3	24,692	11,078
Commission income		73,404	73,983
Commission expenses		-6,686	-7,367
Net commission income	P4	66,718	66,615
Net income from securities and currency operations	P5	4,867	5,387
Net icome from financial assets measured at fair value through fund at fair value	P6	231	207
Net income from hedge accounting	P7	178	-375
Net income from investment properties		-	-33
Other operating income	P8	11,922	3,817
Staff costs	P9	-55,743	-51,106
Other administrative expenses	P10	-39,018	-39,461
Total administrative expenses		-94,761	-90,567
Depreciation of tangible and intangible assets	P11	-18,882	-11,854
Other operating expenses	P12	-12,842	-20,051
Expected credit losses from financial assets reported at amortised cost		-4,455	-840
Expected credit losses and impairment from other financial assets		249	-189
Operating profit		**55,250**	**47,909**
Appropriations		-	-9,500
Taxes	P13	-4,255	-2,913
Profit for the year		**50,995**	**35,496**

Balance sheet – Aktia Bank plc

EUR 1,000	Note	2019	2018
Assets			
Cash and balances with central banks		315,383	289,191
Bonds eligible for refinancing with central banks	P14	1,309,130	1,356,188
Claims on credit institutions	P15	14,277	20,227
Receicables from the public and public sector entities	P16	6,410,656	6,097,712
Leasing assets	P18	18,469	-
Shares and participations	P19	56,430	63,493
Derivative instruments	P20	68,104	69,906
Intangible assets	P21	56,998	62,001
Right-of-use assets		11,187	-
Other tangible assets		1,058	1,640
Tangible assets	P22	12,245	1,640
Other assets	P23	82,337	73,627
Accrued income and advance payments	P24	35,471	25,558
Deferred tax receivables	P25	3,517	2,204
Total assets		**8,383,016**	**8,061,747**
Liabilities			
Liabilities to credit institutions	P26	632,681	648,166
Borrowing		4,118,351	4,038,722
Other liabilities		150,000	100,000
Liabilities to the public and public sector entities	P27	4,268,351	4,138,722
Debt securities issued to the public	P28	2,637,310	2,459,699
Derivatives and other liabilities held for trading	P20	9,310	16,420
Other liabilities	P29	26,237	15,530
Provisions	P17	999	757
Accrued expenses and income received in advance	P30	41,260	39,802
Subordinated liabilities	P31	215,383	207,819
Deferred tax liabilities	P32	2,151	1,168
Total liabilities		**7,833,681**	**7,528,082**
Accumulated appropriations		215,000	215,000

The table continues

EUR 1,000	Note	2019	2018
Equity			
Share capital		163,000	163,000
Fund at fair value		7,744	4,010
Restricted equity		170,744	167,010
Unrestricted equity reserve		110,184	108,935
Retained earnings		42,720	39,905
Dividend to shareholders		-42,075	-37,833
Change in share-based payments		1,011	3,935
Acquisition of treasury shares		755	1,217
Profit for the year		50,995	35,496
Unrestricted equity		163,590	151,655
Total equity	P33	**334,335**	**318,665**
Total liabilities and equity		**8,383,016**	**8,061,747**

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

EUR 1,000	Note	2019	2018
Off-balance sheet commitments	P38		
Guarantees and pledges		28,266	31,157
Other		5,457	3,573
Commitments provided to a third party on behalf of the customers		33,724	34,730
Unused credit arrangements		592,676	467,598
Irrevocable commitments provided on behalf of customers		592,676	467,598
Total		**626,400**	**502,328**

Cash flow statement – Aktia Bank plc

EUR 1,000	2019	2018
Cash flow from operating activities		
Operating profit	55,250	47,909
Adjustment items not included in cash flow for the period	15,967	6,574
Unwound fair value hedging	7,450	-
Paid income taxes	-3,271	-26
Increase (-) or decrease (+) in receivables from operating activities	**-248,347**	**132,489**
Debt securities measured at fair value through other comprehensive income	101,628	308,949
Debt securities measured at amortised cost, increase	-64,000	-
Debt securities measured at amortised cost, decrease	15,000	128,700
Claims on Bank of Finland and credit institutions	1,299	6,151
Receicables from the public and public sector entities	-280,366	-277,066
Shares and participations measured at fair value through income statement	-56	5,742
Other assets	-21,852	-39,987
Increase (+) or decrease (-) in liabilities from operating activities	**228,375**	**-130,437**
Liabilities to credit institutions	-63,191	-106,298
Liabilities to the public and public sector entities	128,402	-26,062
Debt securities issued to the public	165,840	14,391
Other liabilities	-2,676	-12,468
Total cash flow from operating activities	**55,424**	**56,509**

The table continues

EUR 1,000	2019	2018
Cash flow from investing activities		
Equity return	-	5,864
Investments in group companies, associated companies and joint ventures	-3	-175
Capital increase in associated companies	-3	-
Proceeds from sale of group companies and associated companies	9,574	972
Investments in tangible and intangible assets	-9,671	-12,272
Proceeds from sale of tangible and intangible assets	6	78
Total cash flow from investing activities	**-97**	**-5,534**
Cash flow from financing activities		
Subordinated liabilities, increase	69,325	-
Subordinated liabilities, decrease	-61,781	-27,381
Divestment of treasury shares	745	1,195
Paid dividends	-42,075	-37,833
Total cash flow from financing activities	**-33,786**	**-64,019**
Change in cash and cash equivalents	**21,541**	**-13,044**
Cash and cash equivalents at the beginning of the year	261,499	274,543
Cash and cash equivalents at the end of the year	283,040	261,499

The table continues

EUR 1,000	**2019**	**2018**
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	1,844	4,418
Bank of Finland current account	269,419	242,234
Repayable on demand claims on credit insitutions	11,777	14,847
Total	**283,040**	**261,499**
Adjustment items not included in cash flow consist of:		
Impairment (ECL) of financial assets measured at fair vaue through other comprehensive income	-249	189
Impairment (ECL) of credits and other commitments	4,055	840
Unrealised value changes of shares and participations	-1,379	260
Change in fair values	-391	4,577
Depreciation and impairment of intangible and tangible assets	16,746	11,854
Sales gains and losses from tangible and intangible assets	-	152
Unwound fair value hedging	-3,094	-10,328
Change in share-based payments	536	-970
Other adjustments	-257	-
Total	**15,967**	**6,574**

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 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

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.

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.

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.

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	2019	2018
Interest income		
Claims on credit institutions	1,975	3,691
Receivables from the public and public sector entities	72,634	70,887
Bonds	6,621	9,341
Derivatives	-496	-909
Other interest income	230	8
Total	**80,965**	**83,019**
of which interest income from financial assets reported at stage 3	243	266
Net income from leasing operations		
Rental income	4,676	-
Depreciation according to plan	-4,290	-
Sales gains	14	-
Commission income	91	-
Total	**490**	**-**
Interest expenses		
Liabilities to credit institutions	-784	-365
Liabilities to the public and public sector entities	-2,863	-3,452
Debt securities issued to the public	-20,092	-25,925
Derivatives and liabilities held for trading	25,097	37,092
Subordinated liabilities	-4,507	-5,652
Interest expenses for right-of-use assets	-972	-
Other interest expenses	-3	-2
Total	**-4,122**	**1,696**
Net interest income	**77,333**	**84,715**

P3 Income from equity instruments

EUR 1,000	2019	2018
Group companies	22,544	9,533
Associated companies	1,684	1,430
Equity instruments measured at fair value through income statement	464	114
Total	**24,692**	**11,078**

P4 Net commission income

EUR 1,000	2019	2018
Commission income		
Lending	9,658	9,802
Borrowing	3,511	3,532
Card- and payment services	25,728	24,470
Mutual funds, asset management and securities brokerage	17,506	17,139
Brokerage of insurance	9,261	10,836
Guarantees and other off-balance sheet commitments	516	524
Other commission income	7,224	7,680
Total	**73,404**	**73,983**
Commission expenses		
Money handling	-1,671	-1,558
Card- and payment services	-3,524	-4,370
Securities and investments	-1,421	-1,399
Other commission expenses	-70	-40
Total	**-6,686**	**-7,367**
Net commission income	**66,718**	**66,615**

P5 Net income from securities and currency operations

EUR 1,000	2019	2018
Shares and participations		
Capital gains and losses	563	4,010
Valuation gains and losses	1,379	-260
Total	**1,942**	**3,750**
Derivative instruments		
Capital gains and losses	-27	-130
Valuation gains and losses	-220	-701
Total	**-247**	**-831**
Total		
Capital gains and losses	535	3,880
Valuation gains and losses	1,159	-961
Net incom from securities	**1,695**	**2,919**
Net income from currency operations	3,172	2,468
Net income from securities and currency operations	**4,867**	**5,387**

P6 Net icome from financial assets measured at fair value through fund at fair value

EUR 1,000	2019	2018
Interest-bearing securities		
Capital gains and losses	-23	-200
Transferred to income statement from fund at fair value	253	407
Total	**231**	**207**

P7 Net income from hedge accounting

EUR 1,000	2019	2018
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	-3,112	3,112
Financial derivatives hedging issued bonds	12,426	-3,674
Changes in fair value of hedge instrument, net	9,313	-561
Repayable on demand liabilities	3,130	-3,130
Bonds issued	-12,265	3,316
Changes in fair value of items hedged, net	-9,135	186
Total	**178**	**-375**
Total hedge accounting	**178**	**-375**

P8 Other operating income

EUR 1,000	2019	2018
Income from other banking business	93	121
Group internal compensations	-	162
Profit from divestment of shares in Samlink Ltd	9,574	-
Repayment from the unrestricted equity reserve in Aktia Finance Ltd (eliminated in the Group)	-	2,541
Merger and other sales gains	689	-
Other operating income	1,566	992
Total	**11,922**	**3,817**

P9 Staff

EUR 1,000	2019	2018
Salaries and remunerations	-46,584	-41,822
Pension costs	-7,681	-7,755
Other indirect employee costs	-1,478	-1,529
Indirect emplyee costs	-9,159	-9,284
Total	**-55,743**	**-51,106**
Number of emplyees 31 December		
Full-time	608	600
Part-time	40	39
Temporary	105	107
Total	**753**	**746**

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	2019	2018
IT expenses	-23,899	-22,967
Other staff expenses	-3,882	-3,135
Office expenses	-1,562	-2,007
Communication expenses	-2,643	-3,612
Marketing- and representation expenses	-3,360	-2,568
Group services	-400	-400
Other administrative expenses	-3,273	-4,772
Total	**-39,018**	**-39,461**

P11 Depreciation of tangible and intangible assets

EUR 1,000	2019	2018
Depreciation of right-of-use assets	-6,426	-
Depreciation of other tangible assets	-612	-1,107
Depreciation of intangible assets	-11,844	-10,747
Total	**-18,882**	**-11,854**

P12 Other operating expenses

EUR 1,000	2019	2018
Rental expenses [1]	-1,515	-7,779
Expenses for properties in own use	-1,442	-1,326
Insurance and security expenses	-3,149	-3,666
Monitoring, control and membership fees	-915	-921
Consulting fees	-2,471	-2,122
Group services	-1,194	-1,673
Other operating expenses	-2,156	-2,563
Total	**-12,842**	**-20,051**

1) Rental expenses for 2019 refer to leasing agreements with a maximum term of 12 months (EUR 0.4 million) or low value assets (EUR 0.8 milion). Other leasing agreements are from 1 Janaury 2019 according to IFRS 16.

Auditors' fees

	2019	2018
Statutory auditing	-131	-138
Services related to auditing	-39	-47
Tax counselling	-10	-12
Other services	-14	-50
Total	**-194**	**-246**

The Financial Stability Board has determined the stability fees as:

	2019	2018
Deposit guarantee contribution	-2,311	-1,901
of which amount paid from the old Deposit Guarantee Fund	-2,311	-1,901
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	18	29
Contribution to the Single Resolution Fund	-1,963	-2,361
of which amount transferred from previously paid bank tax	-	-97
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	2019	2018
Income taxes on the ordinary business	-5,505	-1,478
Taxes from previous years	-12	507
Changes in deferred taxes	1,263	-1,942
Total	**-4,255**	**-2,913**

P14 Bonds according to financial instruments

	2019		2018	
EUR 1,000	Total	of which ECL	Total	of which ECL
Government bonds	140,667	-51	65,114	-7
Other	1,168,462	-121	1,291,074	-101
Total	**1,309,130**	**-172**	**1,356,188**	**-108**
of which eligible for refinancing with central banks	1,309,130		1,338,187	

Bonds by financial instrument

EUR 1,000	Publicly quoted	Other	Total	of which ECL
31 December 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**
31 December 2018				
Bonds measured at fair value through other comprehensive income	1,067,699	49,520	1,117,219	-
Bonds valued at amortised cost	238,969	-	238,969	-108
Total	**1,306,668**	**49,520**	**1,356,188**	**-108**

P15 Claims on credit institutions

EUR 1,000	Repayable on demand	Other than repayable on demand	Total	of which ECL
31 December 2019				
Finnish credit institutions	-	2,500	2,500	-
Foreign credit institutions	11,777	-	11,777	-
Total	**11,777**	**2,500**	**14,277**	**-**
31 December 2018				
Finnish credit institutions	-	5,000	5,000	-
Foreign credit institutions	14,847	380	15,227	-
Total	**14,847**	**5,380**	**20,227**	**-**

P16 Receivables from the public and public sector entities

EUR 1,000	2019	2018
A sector-by-sector analysis of receivables from the public and public sector entities		
Households	4,885,333	4,752,102
Corporates	753,190	703,115
Housing associations	738,463	603,735
Public sector entities	3,076	3,545
Non-profit organisations	30,593	35,216
Total	**6,410,656**	**6,097,712**

The bank only has receivables other than repayable on demand receivables from the public and public sector entities.

P17 Financial assets and impairment by stage

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
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**
Book value of financial assets 31 December 2018				
Interest-bearing securities	1,356,188	-	-	1,356,188
Lending	5,936,980	134,854	46,105	6,117,939
Off-balance sheet commitments	494,341	7,513	474	502,328
Total	**7,787,509**	**142,367**	**46,579**	**7,976,455**
Impairment of credits and other commitments				
Impairment of credits and the other commitments 1 January 2019 according to IFRS 9	2,598	3,665	33,096	39,358
Transferred from stage 1 to stage 2	-1,813	1,813	-	-
Transferred from stage 1 to stage 3	-683	-	683	-
Transferred from stage 2 to stage 1	369	-369	-	-
Transferred from stage 2 to stage 3	-	-892	892	-
Transferred from stage 3 to stage 1	9	-	-9	-
Transferred from stage 3 to stage 2	-	108	-108	-
Reversal of impairment	-	-	-73	-73
Changes due to updated calculation method	743	-1,148	-	-405
Other changes	2,541	470	1,921	4,932
Impairment January-December 2019 in the income statement	1,168	-19	3,306	4,455
Realised losses for which write-downs were made in previous years	-	-	-14,709	-14,709
Reversal of impairment	-	-	73	73
Impairment of credits and the other commitments 31 December 2019 according to IFRS 9	**3,766**	**3,645**	**21,766**	**29,177**
of which ECL provisions in balance sheet	890	72	36	999

The table continues

EUR 1,000	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and other commitments by sector				
Households	844	2,788	9,718	13,350
Corporates	2,293	739	11,754	14,786
Housing associations	593	117	74	784
Public sector entities	2	-	-	2
Non-profit organisations	33	1	220	255
Total	**3,766**	**3,645**	**21,766**	**29,177**
Impairment of interest-bearing securities				
Impairment of interest-bearing securities 1 January 2019 according to IFRS 9	837	-	-	837
Other changes	-249	-	-	-249
Impairment January-December 2019 in the income statement	-249	-	-	-249
Impairment of interest-bearing securities 31 December 2019 according to IFRS 9	**588**	**-**	**-**	**588**
Impairment of interest-bearing securities by sector				
Corporates	389	-	-	389
Public sector entities	198	-	-	198
Total	**588**	**-**	**-**	**588**

P18 Leasing assets

EUR 1,000	2019	2018
Acquisitions	20,261	-
Increases	2,873	-
Acquisition cost at 31 December	23,134	-
Acquisitions	-375	-
Planned depreciation	-4,290	-
Accumulated depreciations and impairments at 31 December	-4,665	-
Book value machinery and equipment at 31 December	**18,469**	**-**

P19 Shares and participations

EUR 1,000	Publicly quoted	Credit institutions	Other	Total
31 December 2019				
Shares and participations 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**
31 December 2018				
Shares and participations measured at fair value through income statement	-	2,697	861	3,558
Shares and participations in associated companies	-	-	175	175
Shares and participations in group companies	-	8,856	50,904	59,760
Total	**-**	**11,553**	**51,940**	**63,493**

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 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**
Interest-related						
Interest rate swaps	100,400	1,190,000	802,000	2,092,400	68,093	9,229
Total	**100,400**	**1,190,000**	**802,000**	**2,092,400**	**68,093**	**9,229**
Total interest rate derivatives	**100,400**	**1,190,000**	**802,000**	**2,092,400**	**68,093**	**9,229**
Forward rate agreements	11,140	-	-	11,140	11	81
Total forward rate agreements	**11,140**	**-**	**-**	**11,140**	**11**	**81**
Total derivative instruments	**111,540**	**1,190,000**	**802,000**	**2,103,540**	**68,104**	**9,310**

31 December 2018

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-related						
Interest rate swaps	780,000	1,420,800	282,000	2,482,800	69,901	16,373
Total	**780,000**	**1,420,800**	**282,000**	**2,482,800**	**69,901**	**16,373**
Total interest rate derivatives	**780,000**	**1,420,800**	**282,000**	**2,482,800**	**69,901**	**16,373**
Forward rate agreements	3,007	-	-	3,007	5	47
Total forward rate agreements	**3,007**	**-**	**-**	**3,007**	**5**	**47**
Total derivative instruments	**783,007**	**1,420,800**	**282,000**	**2,485,807**	**69,906**	**16,420**

P21 Intangible assets

EUR 1,000	**Immaterial rights (IT expenses)**	**Other long-term expenditures**	**Total**
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**
2018			
Acquisition cost at 1 January	82,268	9,598	91,866
Increases	5,217	6,727	11,945
Decreases	-	-1,018	-1,018
Acquisition cost at 31 December	87,485	15,308	102,793
Accumulated depreciations and impairments at 1 January	-23,759	-7,304	-31,063
Accumulated depreciation on decreases	-	579	579
Planned depreciation	-8,480	-2,267	-10,747
Accumulated impairments on decreases	-	438	438
Accumulated depreciations and impairments at 31 December	-32,239	-8,553	-40,792
Book value at 31 December	**55,246**	**6,755**	**62,001**

P22 Tangible assets

Other tangible assets

EUR 1,000	Right-of-use assets	Machines and equipment	Other tangible assets	Total tangible assets
2019				
Restated for adoption of IFRS 16, properties	14,153			
Restated for adoption of IFRS 16, cars	695			
Acquisition cost at 1 January	14,849	14,538	528	29,915
Acquisitions	-	9	-	9
Increases	4,220	213	-	4,433
Decreases	-2,148	-12	-6	-2,166
Acquisition cost at 31 December	16,921	14,748	522	32,191
Accumulated depreciations and impairments at 1 January	-	-13,201	-225	-13,426
Acquisitions	-	-9	-	-9
Accumulated depreciation on decreases	692	12	-	704
Planned depreciation	-6,426	-785	-5	-7,216
Accumulated depreciations and impairments at 31 December	-5,734	-13,983	-230	-19,947
Book value at 31 December	**11,187**	**766**	**292**	**12,245**
Right-of-use assets, properties	10,944			
Right-of-use assets, cars	243			

As of 1 June 2020, Aktia Bank Plc has a lease commitment for the new head office, which is estimated to carry a liability of approximately EUR 12.7 million.

As of 31 December 2018, the Aktia Bank Plc's rental commitments were EUR 9.9 million and mainly comprised operating areas (mainly branch offices).

EUR 1,000	Machines and equipment	Other tangible assets	Total tangible assets
2018			
Acquisition cost at 1 January	14,435	1,555	16,069
Increases	328	-	328
Decreases	-225	-1,027	-1,330
Acquisition cost at 31 December	14,538	528	15,066
Accumulated depreciations and impairments at 1 January	-12,319	-1,252	-13,571
Accumulated depreciation on decreases	130	1,027	1,157
Planned depreciation	-1,107	-	-1,107
Accumulated impairments on decreases	95	-	95
Accumulated depreciations and impairments at 31 December	-13,201	-225	-13,426
Book value at 31 December	**1,337**	**303**	**1,640**

P23 Other assets

EUR 1,000	2019	2018
Cash items being collected	429	241
Receivables from transactions with a future valuation day	50,000	50,000
The Card unit's working capital	25,689	21,884
Other assets	6,219	1,502
Total	**82,337**	**73,627**

P24 Accrued income and advance payments

EUR 1,000	2019	2018
Interest receivables	14,806	14,478
Other	20,666	11,080
Total	**35,471**	**25,558**

P25 Deferred tax receivables

EUR 1,000	2019	2018
Deferred tax receivables at 1 January	2,204	2,538
Change during the year recognised through the income statement	1,313	-334
Deferred tax receivables at 31 December	**3,517**	**2,204**

Deferred tax receivables relates to the unwound hedge interest-rate derivatives and to ECL for credits and other commitments.

P26 Liabilities to credit institutions

EUR 1,000	2019	2018
Repayable on demand liabilities to credit institutions	75,346	39,696
Other than repayable on demand deposits from credit institutions	557,335	608,470
Total	**632,681**	**648,166**

P27 Liabilities to the public and public sector entities

EUR 1,000	Repayable on demand	Other than repayable on demand	Total
31 December 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**
31 December 2018			
Borrowing	3,949,890	88,833	4,038,722
Other liabilities	100,000	-	100,000
Total	**4,049,890**	**88,833**	**4,138,722**

P28 Debt securities issued to the public

	2019		**2018**	
EUR 1,000	**Book value**	**Nominal value**	**Book value**	**Nominal value**
Certificates of deposits	111,951	112,000	-	-
Bonds	2,525,359	2,530,430	2,459,699	2,426,750
Total	**2,637,310**	**2,642,430**	**2,459,699**	**2,426,750**

P29 Other liabilities

EUR 1,000	**2019**	**2018**
Cash items in the process of collection	9,886	10,982
Liabilities for right-of-use assets, properties	11,369	-
Liabilities for right-of-use assets, cars	251	-
Other liabilities	16,350	4,547
Total	**26,237**	**15,530**

P30 Accrued expenses and income received in advance

EUR 1,000	**2019**	**2018**
Interest liabilities	14,465	17,719
Other	26,795	22,083
Total	**41,260**	**39,802**

P31 Subordinated liabilities

EUR 1,000	**2019**	**2018**
Subordinated debentures	215,383	207,819
Total	**215,383**	**207,819**
Nominal value	216,038	207,819
Amount counted to Tier capital	102,608	67,546

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	**2019**	**2018**
Deferred tax liabilities at 1 January	1,168	2,218
Transferred deferred tax liability in connection with the transition to IFRS 9	-	-1,778
Change during the year recognised through the income statement	50	1,608
Financial assets:		
Fair value measurement	1,047	-829
Transferred to income statement	-113	-50
Deferred tax liabilities at 31 December	**2,151**	**1,168**

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	-	163,000
Measured at fair value	4,010	3,735	7,744
Fund at fair value	4,010	3,735	7,744
Restricted equity	**167,010**	**3,735**	**170,744**
Unrestricted equity reserve	108,935	1,249	110,184
Retained earnings	42,720	-	42,720
Dividend to shareholders		-42,075	-42,075
Change in share-based payments		1,011	1,011
Acquisition / divestment of treasury shares		755	755
Profit for the year		50,995	50,995
Unrestricted equity	**151,655**	**11,935**	**163,590**
Equity	**318,665**	**15,670**	**334,335**

EUR 1,000	2019	2018
Fund at fair value at 1 January	4,010	8,870
Restated for adoption of IFRS 9	-	-1,343
Changes in fair value during the year	5,235	-4,146
Deferred taxes on changes in fair value during the year	-1,047	829
Transferred to income statement during the year	-566	-252
Deferred taxes transferred to income statement during the year	113	50
Fund at fair value at 31 December	**7,744**	**4,010**

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	41,879	43,620
Dividend to shareholders	-42,075	-37,833
Profit for the year	50,995	35,496
Unrestricted equity reserve	110,184	108,935
Share-based payments	2,606	1,438
Total	**163,590**	**151,655**

Unrestricted equity only consist of distributable assets. No development expenses 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 163,000,000 million divided into 69,172,437 (69,027,794) Aktia shares. The number of registred shareholders at the end of the year was 35,718 (37,475). The number of Aktia shares attributable to unindentified shareholders was 765,483 (765,696).

Treasury shares

At the end of the year, the number of treasury Aktia shares was 29,321 (111,430). Aktia Bank Plc has during the year divested 82,109 treasury shares held by the company for payment of deferred instalments for the share-based incentive scheme and the share ownership scheme, and for payment of 40% of the Board members' annual remuneration. The Annual General Meeting on 11 April 2019 authorised the Board of Directors to acquire a maximum of 400,000 treasury shares and to divest a maximum of 500,000 treasury shares. At the date the accounts closed the acquisition of a maximum of 400,000 treasury shares and the divestment of a maximum of 417,891 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 other comprehensive income and on financial derivatives that are held for cash flow hedging. Financial assets recognised in the fund at fair value are transferred to the income statement on sale or on impairment of the assets.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue.

Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

P34 Fair value of financial assets and liabilities

	2019		2018	
EUR 1,000	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Cash and balances with central banks	315,383	315,383	289,191	289,191
Bonds	1,309,130	1,322,003	1,356,188	1,362,966
Claims on credit institutions	14,277	14,277	20,227	20,227
Receicables from the public and public sector entities	6,410,656	6,440,531	6,097,712	6,104,945
Shares and participations	4,993	4,993	3,558	3,558
Shares and participations in associated companies	178	178	175	175
Shares and participations in group companies	51,259	51,259	59,760	59,760
Derivative instruments	68,104	68,104	69,906	69,906
Total	**8,173,979**	**8,216,729**	**7,896,717**	**7,910,728**
Financial liabilities				
Liabilities to credit institutions and central banks	632,681	632,925	648,166	647,014
Liabilities to the public and public sector entities	4,268,351	4,265,633	4,138,722	4,136,667
Debt securities issued to the public	2,637,310	2,660,361	2,459,699	2,456,608
Derivatives and other liabilities held for trading purposes	9,310	9,310	16,420	16,420
Subordinated liabilities	215,383	217,013	207,819	209,831
Total	**7,763,035**	**7,785,243**	**7,470,826**	**7,466,540**

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

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

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

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

P35 Breakdown by maturity of financial assets and liabilities by balance sheet item

EUR 1,000	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets 31 December 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
Receicables 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**
Assets 31 December 2018							
Bonds eligible for refinancing with central banks	P14	134,606	190,778	822,448	208,356	-	1,356,188
Claims on credit institutions	P15	20,227	-	-	-	-	20,227
Receicables from the public and public sector entities	P16	229,077	377,773	1,799,110	1,349,314	2,342,438	6,097,712
Total		**383,910**	**568,551**	**2,621,558**	**1,557,670**	**2,342,438**	**7,474,127**
Liabilities 31 December 2018							
Liabilities to credit institutions and central banks	P26	203,959	9,138	435,069	-	-	648,166
Liabilities to the public and public sector entities	P27	3,969,715	84,474	84,510	23	-	4,138,722
Debt securities issued to the public	P28	-	566,800	1,589,089	15,761	288,048	2,459,699
Subordinated liabilities	P31	23,300	38,481	146,038	-	-	207,819
Total		**4,196,974**	**698,893**	**2,254,706**	**15,785**	**288,048**	**7,454,406**

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 2019					
Bonds	1,309,130	-	1,309,130	-	-
Claims on credit institutions	3,682	10,595	14,277	-	-
Receicables 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**	**-**

The table continues

EUR 1,000	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2018					
Bonds	1,356,188	-	1,356,188	-	-
Claims on credit institutions	6,890	13,337	20,227	-	-
Receicables from the public and public sector entities	6,097,712	-	6,097,712	50,149	-
Shares and participations	63,493	-	63,493	-	-
Derivative instruments	69,906	-	69,906	-	-
Other assets	454,221	-	454,221	3,166	-
Total	**8,048,410**	**13,337**	**8,061,747**	**53,315**	**-**
Liabilities 31 December 2018					
Liabilities to credit institutions and central banks	647,862	305	648,166	-	-
Liabilities to the public and public sector entities	4,125,864	12,858	4,138,722	76,188	6
Debt securities issued to the public	2,459,699	-	2,459,699	-	-
Derivative instruments	16,420	-	16,420	-	-
Subordinated liabilities	207,819	-	207,819	-	-
Other liabilities	56,499	-	56,499	26	-
Total	**7,514,162**	**13,163**	**7,527,325**	**76,214**	**6**

P37 Collateral assets and liabilities

EUR 1,000	2019	2018
Collateral assets		
Collateral for own liabilities		
Securities	473,101	529,075
Outstanding loans constituting security for covered bonds	2,031,788	2,264,039
Total	**2,504,889**	**2,793,114**
Other collateral assets		
Pledged securities [1]	16,800	121,700
Cash included in pledging agreements and repurchase agreements	2,500	5,380
Total	**19,300**	**127,080**
Total collateral assets	**2,524,189**	**2,920,194**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	465,806	516,848
Issued covered bonds [3]	1,612,605	1,666,422
Derivatives	2,500	5,380
Total	**2,080,911**	**2,188,650**

1) Refers to securities pledged for the intra day limit. As at 31 December 2019, a surplus of pledged securities amounted to EUR 5 (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	2019	2018
Collateral liabilities		
Cash included in pledging agreements [1]	69,460	64,036
Total	**69,460**	**64,036**

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	2019	2018
Guarantees	28,266	31,157
Other commitments provided to a third party	5,457	3,573
Unused credit arrangements	592,676	467,598
Total	**626,400**	**502,328**
Of which Group internal off-balance sheet commitments:		
Unused credit arrangements	256	24,665

Off-balance sheet commitments exclude rental commitments.

P39 Customer assets being managed

EUR 1,000	2019	2018
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	677	1,278
Funds in discretionary asset management services	150,225	96,230
Funds within the framework of investment advising according to separate agreement	2,385,757	2,357,208
Total	**2,536,658**	**2,454,716**

P40 The parent company's capital adequacy

EUR 1,000	2019	2018
Calculation of the parent company's capital base		
Total assets	**8,383,016**	**8,060,990**
of which intangible assets	56,998	62,001
Total liabilities	**8,048,681**	**7,742,325**
of which subordinated liabilities	215,383	207,819
Share capital	163,000	163,000
Fund at fair value	7,744	4,010
Restricted equity	170,744	167,010
Unrestricted equity reserve and other funds	110,184	108,935
Retained earnings	2,411	6,705
Profit for the year	50,995	36,015
Unrestricted equity	163,590	151,655
Equity	**334,335**	**318,665**
Total liabilities and equity	**8,383,016**	**8,060,990**
Off-balance sheet commitments	626,400	502,328
Aktia Bank plc's equity	**334,335**	**318,665**
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-50,995	-36,015
Intangible assets	-56,998	-62,001
Debentures	102,608	67,546
Additional expected losses according to IRB	-20,657	-12,238
Deduction for significant holdings in financial sector entities	-8,525	-8,262
Other	170,972	170,880
Total capital base (CET1 + AT1 + T2)	**470,739**	**438,573**

The table continues

EUR 1,000	2019	2018
The parent company's capital adequacy		
Common Equity Tier 1 Capital before regulatory adjustments	455,605	455,670
Common Equity Tier 1 Capital regulatory adjustments	-87,474	-84,642
Common Equity Tier 1 Capital total (CET1)	**368,131**	**371,028**
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)	**368,131**	**371,028**
TIER 2 capital before regulatory adjustments	102,608	67,546
TIER 2 capital regulatory adjustments	-	-
TIER 2 capital (T2)	**102,608**	**67,546**
Own funds total (TC = T1 + T2)	**470,739**	**438,573**
Risk weighted exposures total	**2,605,231**	**2,192,756**
of which credit risk, the standardised model	555,867	901,776
of which credit risk, the IRB model	1,581,852	768,882
of which 15 % risk-weight floor for residential mortgages	149,527	225,892
of which market risk	-	-
of which operational risk	317,985	296,206
CET1 Capital ratio	14.1%	16.9%
T1 Capital ratio	14.1%	16.9%
Total capital ratio	18.1%	20.0%

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

EUR 1,000	2017	2018	2019	2019	2018
Risk-weighted amount for operational risks					
Gross income	166,670	174,402	167,704		
- average 3 years			169,592		
Capital requirement for operational risk				**25,439**	**24,770**
Risk-weighted amount				**317,985**	**309,624**

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

	2019		2018	
EUR 1,000	**Percentage of shares**	**Book value**	**Percentage of shares**	**Book value**
Subsidiaries				
Financing				
Aktia Corporate Finance Ltd, Helsinki	-	-	100%	8,503
Aktia Finance ltd, Helsinki	100%	353	100%	353
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100%	2,507	100%	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	76%	2,206	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%	
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	-		50%	
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 Lahden BW Tower, Helsinki	-		33%	
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33%		33%	
Other operations				
Trivekta Ltd	100%	3	-	-
Total		**51,259**		**59,760**
Associated companies and joint ventures				
Data processing				
Samlink Ltd, Helsinki	-	-	23%	0
Other				
Paikallispankkien PP-Laskenta Oy, Espoo	25%	175	25%	175
Total		**175**		**175**

P42 Shareholders

	Shareholders 31 December 2019		Shareholders 31 December 2018	
	Shares	% of shares	Shares	% of shares
The 20 largest shareholders:				
Stiftelsen Tre Smeder sr	6,463,545	9.3	6,463,545	9.4
Veritas Pension Insurance Company Ltd.	6,040,391	8.7	6,040,391	8.8
Svenska litteratursällskapet i Finland rf	5,803,154	8.4	5,748,141	8.3
Nordea Bank Abp [1]	3,390,220	4.9	3,258,559	4.7
Oy Hammarén & Co Ab	2,964,511	4.3	2,964,511	4.3
Skandinaviska Enskilda Banken AB (publ) Helsinki Branch [1]	2,709,510	3.9	1,932,706	2.8
Åbo Akademi University Foundation sr	2,522,173	3.7	2,467,160	3.6
Aktiastiftelsen i Borgå sr	1,947,404	2.8	1,947,404	2.8
Life Annuity Institution Hereditas Ltd	1,749,921	2.5	1,749,921	2.5
Mandatum Life Insurance Company Limited	1,564,488	2.3	1,273,203	1.8
Aktiastiftelsen i Vasa sr	1,541,457	2.2	1,591,457	2.3
Varma Mutual Pension Insurance Company	1,175,000	1.7	1,175,000	1.7
Föreningen Konstsamfundet r.f.	1,155,013	1.7	1,176,173	1.7
Sparbanksstiftelsen i Karis-Pojo sr	1,108,266	1.6	1,158,266	1.7
Sparbanksstiftelsen i Kyrkslätt sr	848,958	1.2	1,317,958	1.9
Nordea rahastot [1]	679,033	1.0	-	-
Vörå Sparbanks Aktiastiftelse sr	627,220	0.9	627,220	0.9
Sibbo Sparbanksstiftelse sr	618,722	0.9	630,559	0.9
Aktia-Stiftelsen i Hangö sr	613,900	0.9	593,900	0.9
Aktiastiftelsen i Malax sr	560,050	0.8	560,050	0.8
Largest 20 owners	**44,082,936**	**63.7**	**42,676,124**	**61.8**
Other	25,089,501	36.3	26,351,670	38.2
Total	**69,172,437**	**100.0**	**69,027,794**	**100.0**

1) entered in nominee register

	Number of owners	%	Number of shares	%
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**
Shareholders by sector 2018:				
Non-financial corporations and housing corporations	2,413	5.7	8,130,084	11.8
Financial and insurance institutions	52	0.1	3,627,690	5.3
Public sector organisations	29	0.1	7,308,557	10.6
Households	34,623	92.4	10,784,117	15.6
Non-profit organisations	484	1.3	32,830,940	47.6
Nominee registered and non-Finnish shareholders	144	0.4	5,580,710	8.1
Total	**37,745**	**100.0**	**68,262,098**	**98.9**
Unidentified shareholders			765,696	1.1
Total by sector	**37,745**	**100.0**	**69,027,794**	**100.0**

	Number of owners	%	Number of shares	%
Breakdown of share 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**
Breakdown of share stock 2018:				
Number of shares				
1-100	22,317	59.6	918,929	1.3
101-1,000	12,631	33.7	4,190,792	6.1
1,001 - 10,000	2,324	6.2	5,889,488	8.5
10,001 - 100,000	142	0.4	3,522,037	5.1
100,000 -	61	0.2	53,740,852	77.9
Total	**37,475**	**100.0**	**68,262,098**	**98.9**
Unidentified shareholders			765,696	1.1
Total by sector	**37,475**	**100.0**	**69,027,794**	**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	**2019**			**2018**		
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	320	55	52	78	14	4
Juha Hammarén, Deputy Managing Director	424	72	44	445	52	41
Martin Backman, Managing Director until 7 March 2018	-	-	-	376	49	-
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,586	271	256	2,790	355	303
Total	**2,330**	**398**	**352**	**3,690**	**469**	**348**
Comprensation to Members of the Board of Directors [2]						
Lasse Svens, Chairman from 10 April 2018, Vice Chair until 9 April 2018	86	15	-	86	15	-
Arja Talma, Vice Chairman from 10 April 2018	54	9	-	55	10	-
Christina Dahlblom	43	7	-	44	8	-
Stefan Damlin	41	7	-	43	8	-
Johan Hammarén	33	6	-	-	-	-
Maria Jerhamre Engström	44	8	-	32	6	-
Johannes Schulman	42	7	-	33	6	-
Tarja Wist	33	6	-	-	-	-
Dag Wallgren, Chairman until 9 April 2018	-	-	-	25	4	-
Catharina von Stackelberg-Hammarén	12	2	-	45	8	-
Sten Eklundh	-	-	-	18	3	-
Kjell Hedman	-	-	-	13	2	-
Total	**389**	**66**	**-**	**392**	**69**	**-**
Total compensation to Management personnel and the Board of Directors	**2,719**	**464**	**352**	**4,082**	**538**	**348**

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Director Irma Gillberg-Hjelt, Director Max Sundström, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen and Director Nils Lundberg.
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 6 months), and for the other members of the executive committee the notice of dismissal is 12 months (obligation to work 6 months). Members of the executive committee follow statutory pension age.

Shareholding

At the end of 2018, the Group's key personnel held a total of 122,708 (113,009) Aktia shares in Aktia Bank plc, which represents 0.2 (0.2) % of the total number of shares.

EUR 1,000	2019	2018
Related-party transactions with subsidiaries		
Credits and guarantees	-	50,149
Deposits	58,511	76,880
Receivables	10,391	3,167
Liabilities	223	25
Services bought	1,194	1,658
Services sold	5,322	5,384
Financing income obtained from and financing expenses paid to other group companies		
Interest income	47	535
Dividends	24,228	10,963
Net finance income	**24,274**	**11,499**

Signing of the Report by the Board of Directors and the Financial statements 2019

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, Mannerheimintie 14 A, 00100 Helsinki and from Aktia's website www.aktia.com.

The parent company's distributable retained earnings including profit for the year are EUR 53,406,208.12 and the unrestricted equity reserve is EUR 110,184,099.74. The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.63 per share to be paid. The dividend is expected to amount to a total of EUR 44,041,571.28, excluding dividend for treasury shares. Dividend is paid from retained earnings. After dividend pay-out the distributable retained earnings in the parent company are EUR 9,846,045.04.

Helsinki, 14 February 2020
Aktia Bank's Board of Directors

Lasse Svens
Chair

Arja Talma
Vice chair

Christina Dahlblom

Stefan Damlin

Johan Hammarén

Maria Jerhamre Engström

Johannes Schulman

Tarja Wist

Mikko Ayub
Managing Director

Our auditor's report has been issued today
Helsinki, 14 February 2020

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 auditor's report, Swedish language version 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 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Valuation of lending to the public and public sector entities (Accounting Principles and Notes G1, G2, G19, G20, P16, P17)	
• Lending to the public and public sector entities aggregated 6,429 million euros 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. • Aktia Bank plc has applied IFRS 9 Financial Instruments to recognition of impairment losses on receivables as from 1 January 2018. Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. • Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, lending to the public and public sector entities are addressed as a key audit matter.	• We have assessed principles and controls for lending regarding the approval, recognition and monitoring of loans and receivables. In addition, we have assessed the risk monitoring and impairment recognition principles applied. • We assessed the methods and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process for expected credit losses. Our audit procedures included an analysis of the most significant individual impairments recognized during the financial period. Our IFRS and financial instruments specialists were involved in the audit. • Furthermore, we considered the appropriateness of the notes provided by the Aktia Bank plc in respect of loans and other receivables and credit losses
Insurance Liabilities (Accounting Principles and Notes G2, G7, G35)	
• Insurance liabilities in the balance sheet of Aktia Bank plc totalled 1,259 million euros, and is a material item in the Group's balance sheet. • Determining insurance liability is subject to management judgement. In addition, different calculation methodologies can be used. The most significant assumptions are related to mortality and illness. • Due to the significant carrying value of insurance liabilities involved, and the complexity associated with actuarial models used, insurance liabilities are addressed as a key audit matter.	• We have assessed and tested the implemented process controls over the insurance liabilities calculation process. • As part of our audit, our actuary specialist has assessed and validated assumptions and calculation methodologies used in insurance liabilities calculations. • We have summed up information and assumptions used in insurance liabilities calculations and evaluated their appropriateness by using industry knowledge and available market practise information.
Net commission income from mutual funds, asset management and investment brokerage (Accounting Principles and Notes G6 and P4)	
• The assets managed by the Aktia Bank plc entitles to fee and commission income on the grounds of the agreements entered into with customers and the cooperation parties. Commission income, in aggregate 63.9 million euros, forms a material part of the Group's result income statement. • The accounting of commission income from mutual funds and asset management comprises manual phases and the determination of the commission amount and revenue recognition may involve management judgement. • Due to the significance of the income amount and the judgement involved, commission income is considered a key audit matter.	• We assessed the methods used by the Aktia Bank plc for calculation of mutual fund and asset management commissions. • Our review regarding the accounting of mutual fund and asset management commissions focused on controls in the billing and fee calculation processes. Our audit procedures involved an assessment of the functionality and effectiveness of these controls. • Our audit procedures included testing of commission calculations on a sample basis, as well as an assessment of the underlying related agreements and fund statutes where fees have been defined. We utilized data analysis in our analysis of the charged fees.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

KPMG OY AB was appointed as auditor by the Annual General Meeting in 2011, and our appointment represents a total period of uninterrupted engagement of 9 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, 14 February 2020

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

Corporate Governance Report

Corporate Governance Report for Aktia Bank Plc

This report has been approved by the Board of Directors of Aktia Bank Plc (Aktia) on 13 February 2020. 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.

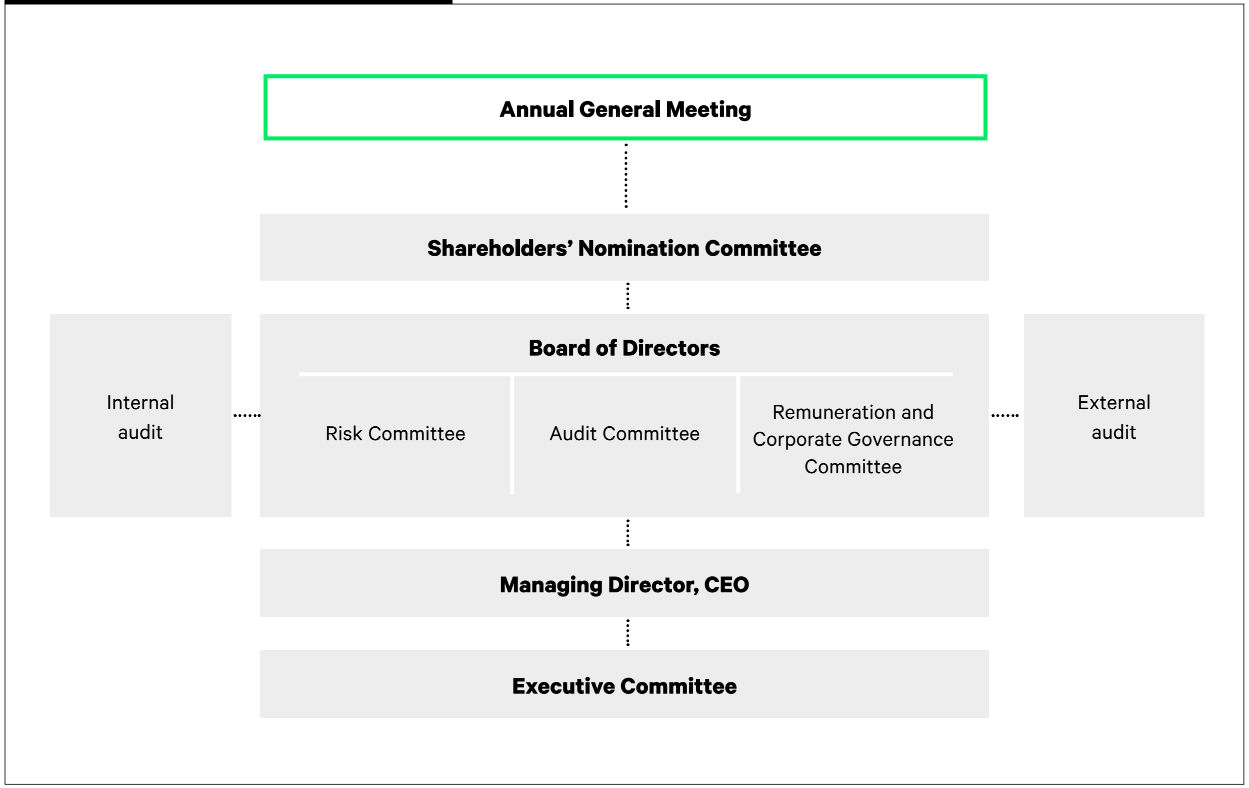
This corporate governance report has been prepared in accordance with the Finnish Corporate Governance Code 2020. This report and other disclosures required under the Corporate Governance Code, the company's financial statement, the Report by the Board of Directors and the auditor's report for 2019 are 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 followed in 2019 the 2015 Corporate Governance Code for Listed Companies issued by the Finnish Securities Market Association (Corporate Governance Code 2015). 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.

As of 2020 Aktia Bank Plc follows the recommendations of the Corporate Governance Code 2020.

Aktia Bank Plc's governance structure



The Board of Directors 31 December 2019

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.)

Treasurer of the Åbo Akademi University Foundation sr

Member of the Board since 2016

Shares in Aktia Bank Plc 31 Dec 2019: 8,754

Arja Talma

b. 1962

Deputy Chairman of the Board and Chairman of the Board's Audit Committee

M.Sc. (Econ.), eMBA

Member of the Board since 2013

Shares in Aktia Bank Plc 31 Dec 2019: 7,375

Christina Dahlblom

b. 1978

Member of the Board and Chairman of the Board's Remuneration and Corporate Governance Committee

Ph.D (Econ.)

CEO, Miltton Sparks Ltd

Member of the Board since 2016

Shares in Aktia Bank Plc 31 Dec 2019: 4,874

Stefan Damlin

b. 1968

Member of the Board and member of the Board's Risk Committee and the Audit Committee

M.Sc. (Econ.)

Managing Director, Vaasan Sähkö Oy

Member of the Board since 2016

Shares in Aktia Bank Plc 31 Dec 2019: 5,178

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 Dec 2019: 1,292

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 Dec 2019: 2,539

Johannes Schulman

b. 1970

Member of the Board and member of the Board's Audit Committee

M.Sc. (Econ.)

Partner and CEO, Miltton Markets

Member of the Board since 2018

Shares in Aktia Bank Plc 31 Dec 2019: 2,638

Tarja Wist

b. 1965

Member of the Board and member of the Board's Risk Committee

Master of Laws, Master of Laws trained on the bench, Advocate

Member of the Board since 2019

Shares in Aktia Bank Plc 31 Dec 2019: 1,217

Catharina Stackelberg-Hammarén

b. 1970

M.Sc. (Econ.), Managing Director of Marketing Clinic Ab,

Member of the Board and Chairman of the Board's

Remuneration and Corporate Governance Committee until the Annual General Meeting on 11 April 2019

Information on remuneration paid to the members of the Board is found in Notes G43 and G45 of the financial statements.

Composition and duties of the Board of Directors

In keeping with the provisions of the Articles of Association, Aktia's Board of Directors encompasses a minimum of 5 and a maximum of 12 ordinary members. The shareholders' 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.

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 in 2019 to be independent in relation to Aktia within the meaning of the Corporate Governance Code 2015. According to the Board's assessment, all Board members are, and have been, independent of significant shareholders of the company (a shareholding representing at least ten percent 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, preserve shareholder value through efficient supervision of the business and increase shareholder value through insights and strategic thinking. The principles are available on the company's website, www.aktia.com/en/johto-ja-hallinto.

The principles for diversity have been taken into account in the composition of the Board. In 2019 until 11 April 2019 the share of female Board members was 57 per cent, from 11 April 2019 the share of female Board members was 50 per cent.

The duties of the Board of Directors

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.

Board meetings

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 accordance with the rules of procedure, the Board normally meets once a month. Annually at one longer meeting 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 Deputy Chairman, are present.

The rules of procedure for the Board of Directors define, in greater 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 2019 the Board held 16 meetings. In addition, the Board of Directors adopted separate decisions on 6 occasions concerning matters that fall under its authority.

The following Board members have been members throughout 2019. Their attendance at meetings:

Svens Lasse, Chairman	16/16
Talma Arja, Deputy Chairman	16/16
Dahlblom Christina	16/16
Damlin Stefan	16/16
Schulman Johannes	16/16
Jerhamre Engström Maria	16/16

The following persons were elected to the Board on 11 April 2019 and have thereafter attended Board meetings as follows:

Hammarén Johan	11/11
Wist Tarja	11/11

Stackelberg-Hammarén Catharina resigned from the Board on 11 April 2019 and had before that attended 5/5 Board meetings and 2/2 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 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 credits and risk-taking and risk management issues. 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 participates in the reports submitted by Risk Control and Compliance. In 2019 the committee held 10 meetings.

Members of the Risk Committee and meeting attendance in 2019:

Svens Lasse, Chairman until 11 April 2019	10/10
Jerhamre-Engström Maria, Chairman from 11 April 2019	10/10
Damlin Stefan, from 11 April 2019	6/6
Wist Tarja, from 11 April 2019	6/6
Talma Arja, until 11 April 2019	4/4

The Audit Committee secures the financial reporting and an appropriate system 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 audit and the Group's internal audit plan. The committee studies the reports issued by the external auditor, the Internal Audit function and assesses the sufficiency of the other internal reports. The Audit Committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. In 2019 the Audit Committee held 6 meetings.

Members of the Audit Committee and meeting attendance in 2019:

Talma Arja, Chairman	6/6
Svens Lasse, until 11 April 2019	2/2
Damlin Stefan, from 11 April 2019	4/4
Schulman Johannes	5/6

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 corporate governance systems. In 2019 the committee held 6 meetings.

Members of the Remuneration and Corporate Governance Committee and meeting attendance in 2019:

Stackelberg-Hammarén Catharina, Chairman until 11 April 2019	2/2
Dahlblom Christina, Chairman from 11 April 2019	6/6
Hammarén Johan, from 11 April 2019	4/4
Svens Lasse	6/6

Executive Committee 31 December 2019

Mikko Ayub

b. 1969

CEO

M.Soc.Sc., MBA

At Aktia since 2018

Shares in Aktia Bank Plc 31 Dec 2019: 20,101

Juha Hammarén

b. 1960

Executive Vice President, Deputy CEO

LL.M., eMBA

At Aktia since 2014

Shares in Aktia Bank Plc 31 Dec 2019: 25,967

Irma Gillberg-Hjelt

b. 1962

Executive Vice President, Corporate Customers

LL.M.

At Aktia since 2017

Shares in Aktia Bank Plc 31 Dec 2019: 6,489

Outi Henriksson

b. 1969

Executive Vice President & CFO

M.Sc. (Econ.)

At Aktia since 2017

Shares in Aktia Bank Plc 31 Dec 2019: 9,638

Carola Nilsson

b. 1967

Executive Vice President, Private customers

M.Sc. (Econ.)

At Aktia since 2017

Shares in Aktia Bank Plc 31 Dec 2019: 6,445

Max Sundström

b. 1971

Executive Vice President, Concept & strategy

M.Sc.Eng.

At Aktia since 2019

Shares in Aktia Bank Plc 31 Dec 2019: 1,553

Anu Tuomolin

b. 1976

Executive Vice President & COO

M.Sc. (Econ.)

At Aktia since 2018

Shares in Aktia Bank Plc 31 Dec 2019: 4,617

Juha Volotinen

b. 1975

Executive Vice President & CIO

M.Sc. (Econ.)

At Aktia since 2010

Shares in Aktia Bank Plc 31 Dec 2019: 10,012

Anssi Rantala

b. 1971

Executive Vice President, Asset Management

Member of the Executive Committee until 26 June 2019

Nils Lundberg

b. 1980

Acting Executive Vice President, Asset Management

Member of the Executive Committee until 31 December 2019

Niina Bergring

b. 1973

Executive Vice President, Asset Management

Member of the Executive Committee from 1 January 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, born 1969, M.Soc.Sc., MBA, took over as CEO of Aktia Bank Plc on 1 October 2018.

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 an Executive Committee.

Executive Committee

Duties of the Executive Committee

The Group's Executive Committee is tasked with assisting 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, the Segment Managers and Function Managers, as stipulated by the Board. The members of the Executive Committee report to the CEO. In 2019 the Executive Committee convened every other week, as a rule.

Internal control in the 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. Internal control is implemented at all levels of the organisation. Ensuring the appropriate organisation and functioning of internal control is part of the duties of the Board of Directors of Aktia Bank Plc.

In addition to financial reporting processes, effective internal control in the Aktia Group is ensured by the Risk Control and Compliance functions, the independent actuarial function and the Internal Audit function. 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. In addition, the independent actuarial function reports to the Board of Directors of the Life Insurance company.

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 manner and that Aktia has working methods which guarantee that the Aktia Group's business activities comply with the law.

The main principles for risk management in the Aktia Group as well as the processes and internal control procedures are described in detail in the Capital and Risk Management Report 2019 CAR, which is available on the website, www.aktia.com/en/julkaisut.

Financial reporting

Internal controls in the financial reporting process are based on 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 the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also 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 the Aktia Group have been outsourced to external companies that provide 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. The Aktia Group has an ownership interest in and is represented on the board of PP-Laskenta Oy, which handles the Aktia Group's outsourced bookkeeping services.

Within the 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. The Aktia Group's Chief Accounting Officer, who is in charge of internal and external financial management, is not involved in making direct business decisions. His incentive is 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 reports 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 the Aktia Group's Board of Directors and management, selected key personnel and the auditors.

The 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 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 risks are appropriately measured, analysed and monitored in all areas of activity in the Group and makes assessments of the Group's overall risk position. 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

The 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, market conduct and anti-money laundering regulations. Compliance supports Aktia's business and is tasked with ensuring 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

The 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 applying to the industry.

Insider administration

As a listed company and issuer, Aktia Bank Plc follows Nasdaq Helsinki Ltd's (the Helsinki Stock Exchange) Guidelines for Insiders and 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. More information on the handling of insider information is available on Aktia's website www.aktia.com/en/johto-ja-hallinto/sisapiirihallinto.

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 related party transactions is made. Aktia Bank has defined its related parties and is involved in regular trading with these. These business transactions are a part of the company's normal business, as many of the related parties are also customers of Aktia Bank. With the exception of employee benefits for those related parties employed by Aktia, all business transactions are made at normal customer terms and conditions, following determined decision-making processes.

For Aktia, significant business transactions with related parties, business transactions with related parties deviating from the bank's normal business operations or business transactions made at other than market terms shall be approved by the bank's 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 its 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 2019. The auditor is elected by the shareholders' meeting. Information on fees paid for audit and non-audit services is provided in Note G12 to the financial statements.

Contact information

Aktia Bank Plc
PO Box 207
Mannerheimintie 14, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Group and Investor information: www.aktia.com
Contact: ir@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 2181702-8
BIC/S.W.I.F.T: HELSFIHH

Aktia