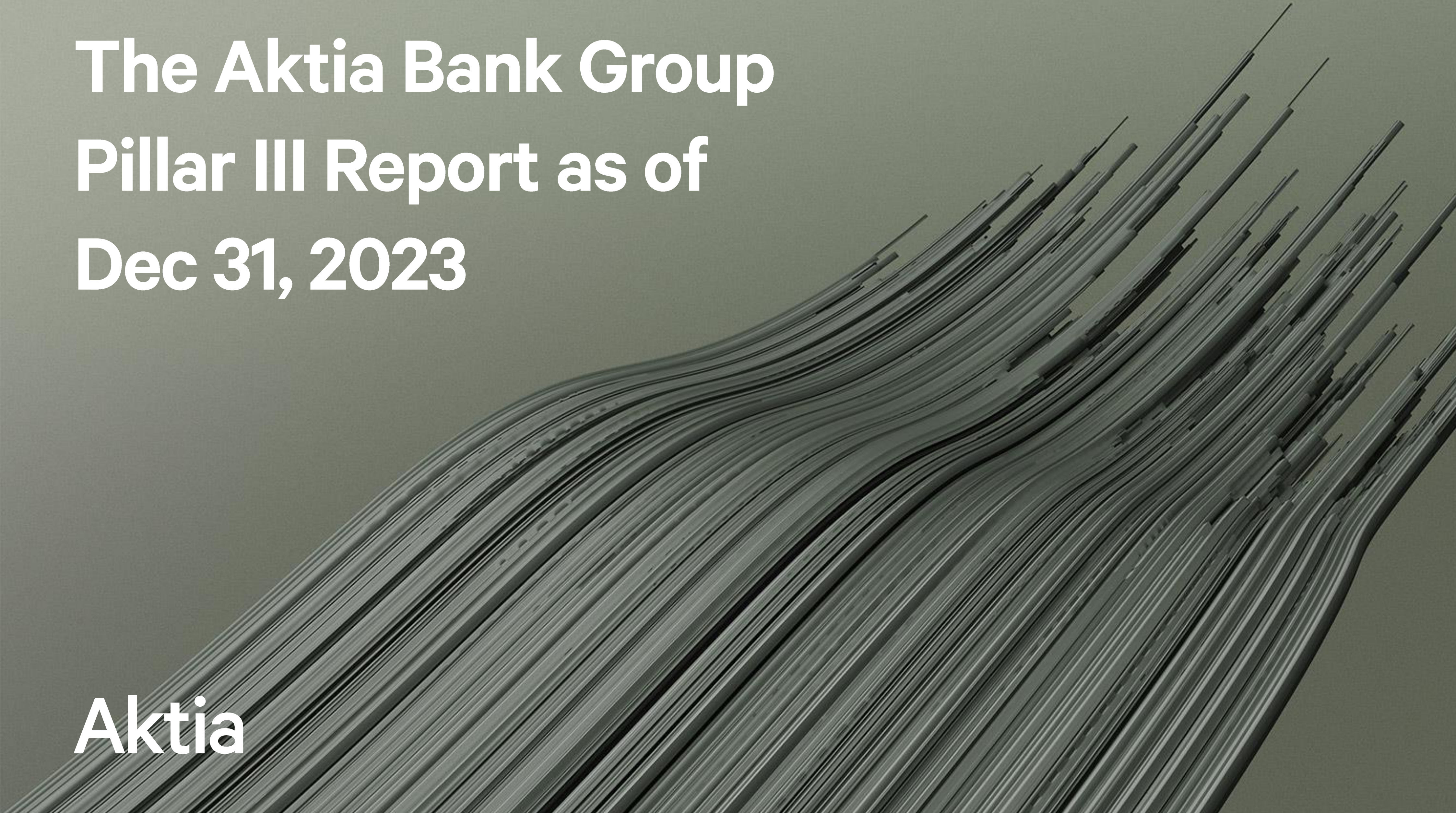
The Aktia Bank Group Pillar III Report as of Dec 31, 2023



Aktia

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1 Regulatory framework and general requirements for disclosures risk management objectives and policies

1.1 Introduction

The Pillar III Report 2023 discloses information on the capital adequacy of the Aktia Bank Group, as specified in Part 8 of EU Capital Requirements Regulation (575/2013), later amended by CRRII regulation (2019/8769) in compliance with the commission implementing regulations, delegated regulations and guidelines issued by European Banking Authority (EBA) for publishing disclosures. In 2020, EBA published final implementing technical standard on public disclosures based on the mandate included in Article 434a of CRR II to specify uniform disclosure formats and associated instructions. These new disclosure requirements apply from 28 June 2021 onwards and this Report has been prepared in accordance with updated regulation. The report consists of this document, which contains qualitative Pillar III data, and the quantitative Pillar III tables published in .xlsx format. It provides the full set of Pillar 3 disclosures of the Aktia Bank Group applicable for this reporting period and does not contain references to the Annual Report as of December 31, 2023. However, additional information can be found in the Annual Review 2023, Corporate Governance Report 2023, Financial Review 2023, Financial Statement 2023, and Remuneration Report 2023.

The report is presented in euros (EUR) rounded to the nearest millions of euros to one decimal place. Due to rounding, numbers presented throughout this Report may not add up precisely to the totals we provide, and percentages may not precisely reflect the absolute figures.

The appropriateness of the Pillar III disclosed information is approved by the Senior management of the Aktia Bank Group. If there is information considered to be proprietary or confidential, the information is not published, but disclosed in more general manner. Also, information or templates identified as not applicable to the Aktia Bank Group has not been included in the Report. For more information, see Section 8.

Aktia Life Insurance Ltd is included in the consolidated financial statement according to IFRS but is not under the scope of regulatory consolidation- and thus has not been included in the Pillar III disclosed figures.

Aktia Bank Group, classified as an other institution based on Article 4 No. (146) CRR, publishes its Pillar 3 Disclosures as required to Article 433 and 433c CRR. In this regard the Group also adheres to the frequency of disclosure requirements as provided within EBA Guideline “Final draft implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III Part Eight of Regulation (EU) No 575/2013”.

The documents comprising Aktia Bank Plc’s Pillar III Report 2023 are published on the Group’s website www.aktia.com.

1.2 Aktia Board of Directors’ declaration approved by the management body on the adequacy of the risk management arrangements 31 December 2023

By approving this report, the Board of Directors approves the formal statement of key risks in the chapter Institution risk management approach (EU OVA) point (c) Point according to point (e) of Article 435(1) CRR, and formally declares the adequacy of risk management arrangements given Aktia’s risk profile and in the chapter 7.1.1 Liquidity risk management (EU LIQA) points (h). A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance states that the liquidity risk management systems put in place are adequate with regard to the institution’s profile and strategy and (i) A concise liquidity risk statement approved by the management body succinctly describing the institution’s overall liquidity risk profile associated with the business strategy. The Board of Directors has approved the Group principles for publication of disclosures according to Part Eight of the CRR, Article 435(1).

The figures in this report are based on economic information that is presented and audited in the 2023 Annual Report. This report is not externally audited; however, control mechanisms, internal control processes and policies provide certainty to stakeholders about its accuracy and relevance. All figures in this report are as of year-end 2023 unless otherwise stated.

Aktia’s risk profile

Aktia’s result is affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates, as well as the competitive situation. Changes in these factors may affect the demand for banking, insurance, and asset management services. The market value of Aktia's financial and other assets may change, for example, because of investors’ higher return requirements or rising interest rates.

Capital markets are operating fairly normally, and a large number of issues have been made during the quarter. Aktia's senior funding recovered in the fourth quarter of the year, and the bank issued new bonds to a total value of approx. EUR 161.5 million. However, retail deposits are a good form of fundraising alongside wholesale funding also going forward. Aktia has been an active provider of deposit alternatives also in the international deposit market.

There was no significant change in the ECL level in the fourth quarter of 2023. Any future impairment of credits in Aktia’s credit portfolio may depend on many factors, of which the most important are the general economic situation, the interest rate level, the unemployment rate and the development of real estate prices.

The current economic situation, with decreased economic development and higher interest rate levels having a negative effect on customers’ economic situation, increases the uncertainty in Aktia’s loan book. Defaulted exposures have increased somewhat in the household portfolio, while defaulted exposures in the corporate portfolio decreased somewhat in the quarter. However, defaulted exposures decreased on an annual level in both exposure groups. The number of instalment-free periods remained stable compared to the previous quarter but decreased considerably compared to the end of 2022. Forbearance measures increased somewhat during the fourth quarter, caused by private customers' increased payment difficulties. Unpaid exposures have remained stable in the mortgage portfolio. Some individual products, such as student loans and credit cards, are showing a minor increase in unpaid loans.

Aktia's operational risks were within the risk appetite during the fourth quarter. No major incidents occurred during the quarter. The deficiencies discovered based on the incidents are analysed and necessary measures are taken to prevent similar incidents in the future. The risk level of information security is considered to be outside the risk appetite but within the risk tolerance due to the general situation and the international cyber threats against the financial sector. Aktia works actively to combat potential cyber threats. During the fourth quarter, cyber-attacks continued, e.g., against Finnish actors in the financial sector. However, the impacts have so far been insignificant for Aktia.

1.3 Disclosure of risk management objectives and policies (Article 435 CRR)

1.3.1 Institution risk management approach (EU OVA)

(a) Point (f) of Article 435(1) CRR
Disclosure of concise risk statement approved by the management body.

Aktia's business model is diversified, with the main risk being credit risk.

Aktia Group
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 are the best partner for people, companies, and organisations that value inner wisdom and responsible wealth creation. Our vision is to be the leading wealth manager bank, and our mission is to build wealth for our customers and society. We serve our customers in digital channels everywhere and face-to-face in our offices in the Helsinki, Kuopio, Oulu, Turku, Tampere and Vaasa regions. Our award-winning asset management business sells investment funds internationally. We employ approximately 900 people around Finland. Total assets of Aktia are 12.0 billion, and a Common Equity Tier 1 (CET1) capital ratio of 11.3%. Assets under management are EUR 13.7 billion.

Risk Appetite
Aktia's capital ratios at the end of 2023 were as follows: Common Equity Tier 1 (CET1) capital ratio of 11.3%, Tier 1 capital ratio of 13.0% and own funds ratio of 15.0%. Aktia assesses its risk capacity on at least an annual basis, defining it as the maximum level of risk the Group is deemed capable of assuming given its capital (own funds), risk management and control capabilities, and regulatory constraints. The risk appetite within Aktia is defined as the aggregate level and types of risk Aktia is willing to assume, within its risk capacity and in line with its business model, to achieve its strategic objectives. Aktia carries out ongoing monitoring and reporting of its risk exposures against the risk limits to ensure that risk-taking activities remain within the risk appetite.

Key risks in Aktia's operations
Aktia has developed a risk strategy to support strategic priorities while ensuring a strong risk and control culture across the Group. By focusing on its strategic priorities, 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. Risks are spread across industries and customer types. The Group's material risks derive from business activities which include asset management, banking, and insurance.

Aktia is an active lender to households and corporate customers. This activity gives rise to credit risk, which is Aktia's primary financial risk, accounting for approximately 86% of its total risk exposure amount (REA). The credit risk appetite statement is defined in terms of credit risk concentration (limits for specific client groups), long-term credit quality (expected loss), and the Group's non-performing loan ratio, in line with regulatory definitions and limits applicable to specific sub-portfolios and financing structures. Internal ratings-based corporate and retail exposures currently represent 43.9% and 26.7% respectively of Aktia's total REA. The Group's credit portfolio quality has altogether remained stable. The risk profile for credit risk, measured by multiple KRI's, was kept within the risk tolerance levels set by the management body. The activity of the housing market in Finland have reduced under 2023, and with increased interest rates customers tend to amortize their loans with increased speed, which have led to decreased gross exposure amounts in the mortgage lending portfolio. Lending has increased in the credit card segment for private individuals due to the increased volumes of the Aktia Finnair Visa card. The corporate portfolio has grown steadily on portfolio level, with increased lending in leasing exposures. Risk levels have remained stable, with decreased defaults during the year, and increased RWA mainly due to increased lending in the corporate segment. Loan losses during 2023 amounted to approximately EUR 8.5 million. The REA attributable to credit risk was EUR 2,927 million at the end of the fourth quarter of 2023.

Operational risk is present across all Aktia's activities. Capital held for operational risk represents 14% of the Group's total REA. The risk appetite statement for operational risk varies within operational risk areas from low to moderate.

The primary risk not mitigated with capital and hence not measured in REA terms is liquidity risk, which is a material risk for Aktia. Aktia adheres to a liquidity risk appetite according to which it must have sufficient liquidity to be able to always meet its cash flow obligations, including on an intraday basis, across market cycles and during periods of stress. Liquidity risk limits and triggers are set to ensure that the liquidity risk profile of the Group remains within the liquidity risk appetite. Group has set minimum levels for Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The year-end figures were for LCR 221%, and NSFR 122%.

Material transactions
Aktia Bank Plc and Elisa Plc signed an agreement for a long-term partnership, through which Elisa will take charge of a part of Aktia's IT and network management services. The agreement took effect on 1 June 2023, and it has been drawn up for the next five years, after which it can be extended. The cooperation supports Aktia's strategic goal of being the leading wealth manager bank in Finland.

Board of Directors' approval of the risk statement
Aktia's Board of Directors has approved this risk statement and acknowledges that the Aktia Group's risk management arrangements are adequate and well adapted to its business model, risk appetite and capital position.

(b) Point (b) of Article 435(1) CRR

Information on the risk governance structure for each type of risk

The Group is managed in the manner of an industrial group, which means that the parts of the Group complement each other, work in synergy and promote competitive advantages as a group. In the subsidiaries, the Boards of Directors and CEOs are responsible for adherence to the strategies, guidelines and policies set at the Group level.

The Board of Directors of Aktia Bank Plc oversees the efficient management of the Aktia Group and follows prudent business principles in accordance with the provisions of applicable laws and the Articles of Association. The Board of Directors approves the Bank's business strategy, strategic objectives, risk strategy, and systems for management and governance, as well as their monitoring and oversight. The Board of Directors also appoints Aktia's CEO.

The Group's strategy governs all risk taking, and the Board of Directors has responsibility for the Group's risk management, and the resources it requires. The Board of Directors annually approves the Group's risk management framework, including strategies, goals, and limits for managing the operations. The risk appetite is approved and translated into key risk indicators (KRIs), guidelines and limits for business units.

The Board of Directors regularly monitors the Group's compliance with the risk policy and its risk positions. The utilisation of limits and KRIs are reported to the Board of Directors at least quarterly.

The Board of Directors approves and monitors the Group's internal capital assessment, including stress tests, to measure the adequacy of capital, considering the Group's risk positions.

The Risk Committee prepares matters of risk-taking and risk management as well as individual credit matters that require the Board of Directors' decision. 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 prepares risk-related matters for the Board of Directors to decide on. The committee prepares decisions on the annual plan and on procedures for the Risk Control and Compliance functions to be adopted by the Board, and receives the reports submitted by Risk Control and Compliance.

For further information on the Risk Committee, including the number of meetings held in the past year, as well as further information on the governance structure, please see the Corporate Governance Statement on Aktia's website.

The CEO is appointed by the Board of Directors. The CEO is responsible for the day-to-day management of the Aktia Group in accordance with instructions issued by the Board of Directors.

The Executive Committee members manage their respective business areas or support functions. Certain matters related to lending and the handling of the Group's asset and liability management, financing, liquidity and market risks, as well as administration, are dealt with by committees consisting of Executive Committee members and others appointed by the CEO. Among other things, the CEO is responsible for organising the risk management processes, including matters relating to internal capital assessment and further delegation of risk mandates.

The CEO appoints a committee for asset and liability management (ALM). The Asset and Liability Committee (ALCO) meets approximately twice a month in meetings dedicated to ALM-, capital- and risk-related matters. The role of these meetings is to handle and prepare issues for decisions by the Board of Directors and make decisions, based on a mandate delegated by the Board of Directors, regarding internal credit, and market risk models and parameters used in scenario analysis. The ALCO comprises 3 members of the Executive Committee. The Chief Risk Officer (CRO) is also a member of the ALCO.

The primary responsibility for internal control lies with the first line of defence: business units responsible for the day-to-day running of business operating processes and their control, as well as risk management measures. Risk management is the key element of internal control. In the second line of defence, the control functions consist of the Group's Risk Control unit, the Compliance function, and the independent Actuarial function in Aktia Life Insurance Ltd, which are independent of the business units. In addition, two of the subsidiaries, Aktia Life Insurance, Aktia Fund Management Company, have persons or other mechanisms within the group responsible for the control function. These persons report to the Board of Directors of each of the subsidiaries. In addition, these persons have a dual reporting line to the Chief Risk Officer and coordinate their activities in co-operation with the Group's Risk Control and Compliance unit. The Group's Internal Audit function represents the third line of defence, and the function is responsible for the independent audit of the first and second lines of defence.

The Group's Risk Control function reports to the Board of Directors. Risk Control monitors risk management in the business units and is responsible for securing the appropriate calculations, analysis, and monitoring of risks in all areas of the Group's operations, including subsidiaries. Risk Control assesses the Group's overall risk position in relation to the strategy and risk appetite decided by the Board of Directors. Risk Control is responsible for preparing the Group's risk management framework, which is approved annually by the Board of Directors. The Group's internal capital assessment and liquidity planning process is controlled by Risk Control, and it evaluates the impacts of various stress tests and scenarios on the capital adequacy and liquidity position, as well as on the result of the financial conglomerate and Group companies. Risk Control is also responsible for coordinating and updating the Group's recovery plan in accordance with the Bank Recovery and Resolution Directive and national legislation, and for monitoring the indicators in the plan. Administratively, the Group's Risk Control function is subordinate to the CEO.

Regarding the fund and asset management subsidiaries, the independent risk control function is responsible for monitoring and reporting risk limits related to mutual funds and asset management activities. In addition, asset management's middle office function monitors the daily risk limits of all Aktia's asset management customers. Risk limits are reported to the Boards of Directors of the subsidiary, Aktia Fund Management Company Ltd. The Group's Risk Control, in cooperation with the Actuary Function of the Aktia Life Insurance subsidiary, is also responsible for monitoring and reporting risks and limits related to insurance activities to the Board of Directors of Aktia Life Insurance.

The Group's Compliance function reports independently to the Board of Directors in addition to reporting on compliance risks, significant observations, and changes in applicable regulation to the management and the organisation. The role of the Compliance function is to control and evaluate the management of risks related to inadequate compliance. The Compliance function is responsible for ensuring that the rules are adhered to within the Group's activities through its advisory and control tasks, and therefore for supporting the business activities in ensuring that applicable rules are known and duly implemented. The Group's Data Protection Officer (DPO) is also part of the Compliance function. Administratively, the Group's Risk Control function is subordinate to the CEO.

(c) Point (e) of Article 435(1) CRR

Declaration approved by the management body on the adequacy of the risk management arrangements.

By approving this report, the Board of Directors approves the formal statement of key risks in this point (c), and formally declares the adequacy of risk management arrangements given Aktia's risk profile. The Board of Directors has approved the Group principles for publication of disclosures according to Part Eight of the CRR, Article 435(1).

The figures in this report are based on economic information that is presented and audited in the 2023 Annual Report. This report is not externally audited; however, control mechanisms, internal control processes and policies provide certainty to stakeholders related to its accuracy and relevance. All figures in this report are as of year-end 2023 unless otherwise stated.

The results and capital adequacy of the banking business are affected primarily by business volumes, deposit and lending margins, the balance sheet structure, the general interest rate level, write-downs, and cost-effectiveness. Fluctuating results in banking operations may occur as a result of sudden credit or operational risk outcomes. Business risks in the form of changes in volumes and interest margins change slowly, and they are managed through diversification and adjustment measures.

The results of asset management operations are mainly affected by trends in business volumes, commission levels and cost-effectiveness. Opportunities for improving, customising, and developing new products and processes help reduce business risks. Negative trends in the valuation of assets under management may also affect customers' decisions on whether to invest in funds and other investment products.

Life insurance operations are based on bearing and managing the risk of loss events, as well as the risks involved on both the asset side and in liabilities. Volatility in solvency and the results from life insurance operations can be attributed primarily to market risks in the investment assets and to the interest rate risk in technical provisions. The policyholder bears the market risk of investments that act as cover for unit-linked policies, while the company bears the risk of the part of the investment portfolio that covers technical provisions for interest-linked policies.

Risks in sustainability of operations, and risks in environmental, social and governance issues affect all of Aktia's operations.

Risk definitions and risk profile

Risk	Definition	Risk profile
General	Risk refers to a calculated or unexpected event that has a negative impact on results (loss) or capital adequacy/solvency. The term covers both the probability of an event taking place, as well as the impact of the event taking place.	Aktia focuses primarily on asset management, banking, and life insurance operations. Risks and risk management are thus a substantial part of Aktia's operating environment and business activities. The main areas of risk are credit, interest and liquidity risks in the banking sector and interest and other market risks and insurance risks in the life insurance business. All of the Group's operations are exposed to business and operational risks.
Credit risk	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.	Aktia's lending is diversified between private individuals and SME's. Lending for private individuals is focused on mortgage lending where security is predominantly real estate. Strong loan-to-value ratios and a low risk level contribute to the high credit quality of Aktia's credit portfolio. The bank is exposed to counterparty risk through derivative contracts, which is mitigated by collateral arrangements according to agreements with each counterparty. Counterparties are selected through an evaluation process focusing on their ratings and they are mainly systemically important financial institutions.
Market risk	Market risks arise from price and volatility changes in the financial markets. Market risks for Aktia Bank are divided into interest rate, spread, foreign exchange rate and equity risks. The market risks considered for the life insurance company are interest rate, spread, foreign exchange rate, equity, real estate and concentration risks.	Aktia's market risk is mainly structural interest rate risk in its balance sheet, while exchange rate risk is low as lending and funding is mainly euro-denominated. No trading activities are carried out by the Group. Aktia is also exposed to market risk in its investment activities in the bank and in Aktia Life Insurance. The Bank Group aims for low market risks and low volatility in its earnings.
Funding and liquidity risk	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.	To ensure market-related refinancing, the bank strives to maintain a diverse range of financing sources and an adequate diversification across different markets and investors. Aktia maintains a liquidity buffer for which a target is set annually by the Board of Directors. The liquidity buffer consists almost entirely of securities which are eligible as pledges to the central bank. Aktia's appetite for liquidity risk is low.
Operational risk	Operational risks are considered to include risks of losses arising from unclear or incomplete internal processes or instructions, deficient or unreliable systems, and inadequate or unreliable information, as well as those caused by personnel – including through human error – or external events. Compliance, AML/CFT and legal risks are considered to be part of operational risks as well as information security risks and model risks related to calculation models. Strategic risks are not part of operational risks.	The Board of Directors confirms the risk appetite for different operational risk categories annually. Aktia identifies risk appetite for operational risks separately for following risk categories: information security, compliance, AML/CFT risks and other operational risks. The risk appetite for compliance risks is low. The risk appetite for AML/CFT risks is low. The risk appetite for information security is mainly low. For all other operational risk areas, the risk appetite is moderate.
Other	Other risks include business risk, strategic risk, and reputational risk. Business risk refers to risk of decreased income and increased costs due to decreasing volumes, price pressures or competition. Strategic risk is closely related to business risk and is defined as risk of losses due to mistaken business decisions or failure to react to the changes in society, regulatory system, or the banking sector, while reputational risk is a decline in confidence towards the group due to negative publicity. Risks in sustainability of operations, and risks in environmental, social and governance issues affect all operations of Aktia.	Business and strategic risk are predominantly risks that, when realised, have an impact on the group's performance and profitability. Reputational risk is similar but can in addition have an impact on the group's liquidity. Business risk is reduced by diversification in operations, as well as strategic risk. Some strategic risks can also be realised as operational risk incidents and they are managed by the same measures as mentioned above. 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.

(d) Point (c) of Article 435(1) CRR
Disclosure on the scope and nature of risk disclosure and/or measurement systems.

The Group focuses primarily on banking, asset management and life insurance operations. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, interest rate and other market risks and actuarial risks in the life insurance business. All these operations are exposed to business and operational risks.

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.

- Credit risks are reported to the Group's Board of Directors and its risk committee every quarter. Position- and aggregate-level credit risk reporting is available daily to the business personnel involved in the credit process and the Executive Committee. Every year, Risk Control conducts a comprehensive validation of all credit risk models, and the results are reported to both the Board of Directors and members of the Executive Committee in the ALCO. The internal models comprise models for probability of default (PD) and loss given default (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. Internal ratings are used for corporate exposures, while internal credit scoring is used for retail exposures. More detailed descriptions of the models used can be found in the credit risk section in the table EU CRA.
- As a locally operating financial institution, Aktia is exposed to certain concentration risks. Concentration risks are governed by the Group's credit risk policy, which imposes rules and restrictions for the individual counterparty level and portfolio level.
- Aktia Bank's counterparty credit risk arises from holdings of financial instruments as part of daily liquidity management. The instruments mainly comprise bonds that the Bank holds in its liquidity portfolio and largely consist of covered bonds and sovereign bonds, as well as domestic municipal bonds. Risk tolerance for counterparty risk is generally low. Exposures to counterparties, asset classes and countries are approved and limited by the Board, and existing limits are reviewed and decided each year. Limits are set for exposure values and tenors.
- The Aktia Group's risk appetite and the limit system restricts the size of the exposure to market risks. The main market risk for the Group arises from the credit spread risk. Measurement methods, limits and strategy are prepared in the Executive Committee and the Board's Risk Committee and are thereafter established by the Board of Directors. The Group's Asset and Liability Management Committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The Bank's Treasury unit conducts transactions to manage the structural interest rate risk based on the established strategy and limits. The Group's Risk Control unit, which continuously monitors market risks and their associated limits, is responsible for reporting on these risk factors to the Board and the Executive Committee.
- Interest rate risk bears upon net interest income risk and present value risk (financial value) when the market rates are changing. Both interest rate risk indicators are measured according to EBA's rules and are monitored monthly.
- Structural net interest income risk (profit risk) arises as a result of an imbalance between reference rates and the re-pricing of assets and liabilities. As well as matching reference rates in lending and borrowing through business management, hedging with interest rate derivatives, and fixed rate investments in the liquidity portfolio are also utilised, with the aim of maintaining net interest income at a stable level.
- The structural net interest income risk is simulated using a dynamic asset and liability risk management model. The model considers the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied.
- The structural present value risk (change in financial value) is measured as the sensitivity of the calculated present value for all existing interest-bearing items. When calculating the present value risk, avista lending has been modelled according to a behaviour model.
- The foreign exchange (FX) risk is the risk of a negative change in the value of the Bank Group's FX positions caused by fluctuations in exchange rates, especially 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.
- 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.
- The liquidity risk is measured on both short- and long-term bases. To ensure funding in situations in which Aktia is in urgent need of cash, and normal funding sources do not suffice, Aktia holds a liquidity reserve, for which the Board of Directors sets the minimum level. The liquidity reserve consists of highly liquid assets that can easily be sold or used as collateral in funding operations.
- Liquidity risks are measured and monitored with the help of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). More detailed descriptions of the models used can be found in the liquidity risk section in the table EU LIQA.
- Operational risks are present in all of Aktia's operations. Under the decision of the Board of Directors, the level of operational risks must in general be moderate in relation to Aktia's activities and in relation to its competitors. A low risk level is predicated on compliance with regulations, instructions, and applicable laws. 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. The risk level of operational risks is measured through key risk indicators (KRIs), which the Board of Directors approves annually. More detailed descriptions of the models used can be found in the operative risk section in the table EU ORA.

(e) Point (c) of Article 435(1) CRR
Disclose information on the main features of risk disclosure and measurement systems.

The Group's Risk Control unit is responsible for ensuring that the models and methods used for measuring risk are comprehensive and reliable.

The central numbers, assumptions and calculation methodologies are validated and checked annually according to the duality principle within the Risk Control and risk management units. The most significant parts of the calculation methodology for all risk areas are also examined internally within the risk control unit.

All credit risk models used for IRB purposes are validated annually, and central model performance metrics are reported quarterly to both the Board of Directors and the Group's management. Validation is performed by the Risk Control unit, and it includes both quantitative and qualitative assessments of model performance and parameters. Most quantitative tests performed during annual validation are performed and analysed quarterly by the Risk Control unit. Key monitoring metrics are reported to the Board of Directors and the Group's management.

(f) Point (a) of Article 435(1) CRR
Strategies and processes to manage risks for each separate category of risk.

Aktia conducts regular stress testing and scenario analysis to analyse their capital position and identify risks. The process is conducted for key portfolios at different levels. Stress tests are conducted to measure the risk in certain positions, or at company and Group-level to capture the enterprise level of risk.

More detailed qualitative information on stress tests, such as the portfolios subject to stress testing, the scenarios adopted and the methodologies used, can be found in the descriptions of each risk area.

- The Group's capital planning is based on a business plan which covers near-future changes in volumes and risk levels. 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 stress scenarios in capital management and internal capital focus on the key risk factors of the Group. More detailed information is described in the table EU OVC. Most of the loan book is secured by residential or commercial real estate. Credit risk is described in the table EU CRA. Various components of market risk are subject to stress testing in market risk management: interest rate risk, credit spread risk and equity risk Interest rate risk: The size and maturity of the liquidity portfolio is restricted, and the risk level is managed with a capital limit based on dynamic interest rate shocks. In the sensitivity analysis, interest rate risk is stressed through absolute change factors calculated from the Euribor–euro swaps curve for each rate maturity. The factors are determined from historical data and recalibrated annually. Credit spread risk: In the sensitivity analysis, credit spread risk is stressed through absolute change factors calculated from a set of collective yield curves from the market. Each security is mapped to the most appropriate curve in the set, using factors such as type of investment and rating. The factors are determined from historical data and recalibrated annually. The (upward) stress represents the 99.5th percentile of the absolute changes of the yield curve level from which the risk-free component has been subtracted. Equity risk: In the sensitivity analysis, equity risk is calculated simply as a percentage decrease in the market value. The factor is chosen by expert judgement, but it is based on historical data.
- Aktia conducts regular stress testing to ensure that liquidity is sufficient even during unfavourable market conditions. In these tests, the Bank constructs unlikely but still possible adverse scenarios that would trigger a range of risk drivers. In the Internal liquidity adequacy assessment process (ILAAP), various stress scenarios are used, e.g., withdrawals of deposits, no access to long-term funding in the capital market, and market stress on High quality liquid assets etc. The stress scenarios in the ILAAP focus on the impact on the regulatory requirements (Liquidity Coverage Ratio, Net Stable Funding Ratio) and the Bank's net liquidity position.

(g) Points (a) and (d) of Article 435(1) CRR
Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.

The Group focuses primarily on banking, asset management and life insurance operations. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, interest rate and other market risks and actuarial risks in the life insurance business. All these operations are exposed to business and operational risks. The Group is utilizing a variety of risk mitigation techniques to manage financial and non-financial risk exposures. More detailed risk type specific considerations van be found in following chapters:

- 1.3.3 Disclosure on qualitative items (EU LRA)
- 2.1.1 General qualitative information about credit risk (EU CRA)
- 2.2.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)
- 2.2.3 Qualitative disclosure requirements related to standardised model (EU CRD)
- 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
- 2.3.1 Qualitative disclosure related to CCR (EU CCRA)
- 3.1.1 Qualitative disclosure requirements related to market risk (EU MRA)
- 4.1.1 Qualitative information on operational risk (EU ORA)
- 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBBA)
- 6.1.1 Liquidity risk management (EU LIQA)

The Aktia Group’s internal reporting and monthly financial reports are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are on a regular basis distributed to Aktia Group’s Board of Directors and management, selected key personnel and the auditors.

Aktia Group’s financial development and performance is addressed each month by the Group’s Executive Committee. Similar detailed review takes place on a quarterly basis by the Group’s Board of Directors and its Audit Committee in the form of interim reports and an annual report. The annual accounts are audited, and the interim reports 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.

Senior management's attestation

The senior management confirms with the accordance of CRR article 431(3) that the Aktia Bank Group has made the Pillar III disclosures required under Part Eight of Regulation (EU) No 2019/879 (CRR2) and further disclosure guidance provided by the European Banking Authority (EBA) in its “Final draft implementing technical standards on public disclosures by institutions of the information related to in Titles II and III of Part Eight of Regulation (EU) No 575/2013” (EBA ITS) in accordance with the formal policies and internal processes, systems and controls. The key elements of the Aktia Bank Group's formal policies to comply with the disclosure requirements are included in the Pillar III report.

In Helsinki 13 March 2024

Tommi Orpana

Chief Risk Officer at Aktia

1.3.2 ICAAP information (EU OVC)

(a) Article 438(a) CRR

Approach to assessing the adequacy of the internal capital

The annual Internal Capital Adequacy Assessment Process (ICAAP) process is part of the Board's strategy work.

On the basis of strategic lines, estimates are made of the development of business volumes (the consolidated balance sheet) and the revenue and expense structure (the consolidated income statement). The forward looking scenario analysis forms the basis for the Group's capital adequacy forecasts and stress scenarios. The Group's internal capital requirements are also set as part of the ICAAP process.

The ICAAP documentation is updated on the basis of the strategy work on an annual basis, and more often if needed. Methodologies and risk models for the internal assessment of capital requirements are also updated. The ICAAP documentation and conclusions are approved by the Board. At the same time as the ICAAP, Life Insurance Company's ORSA process is also established. External reporting of the conclusions takes place as part of the Group's Pillar 3 reporting.

The internal assessment of capital requirements for the Group is an important element of capital management. The internal capital requirement reflects the Group's capital adequacy more comprehensively than the regulatory capital requirements (Pillar 1), because it also takes into account risks not included in them. The internal capital requirement encompasses all the Group's material risks.

The Bank Group's internal capital requirement is based on the "Pillar 1 plus Pillar 2" method. Pillar 1 sets the minimum regulatory capital requirements for credit risks and operational risks. In Pillar 2, the capital requirement is supplemented by internal capital requirements for other risks, as well as areas that are covered insufficiently under Pillar 1.

The Pillar 1 requirements for credit risks are based on a combination of the standard approach and Aktia's IRB models. Pillar 2 adds the capital requirement for concentration risk, because Pillar 1 methods assume that credit portfolios are perfectly diversified across counterparties, regions, and industries. Aktia uses an internal model to measure single name concentrations in corporate and liquidity portfolios, as well as product and geographical concentrations, in the banking book.

For counterparty credit risk in the OTC derivatives, the mark-to market method is applied to calculate the exposure value. The capital requirement for the credit valuation adjustment risk is calculated using the standardised method. The basic indicator approach is used for operational risks.

Aktia has no trading book, which means there is no Pillar 1 requirement for market risk. The market risk in the banking book is captured by the Pillar 2 requirements. The Pillar 2 models measure the spread, equity, FX, and real estate risks in the FVTPL and FVOCI portfolios. Market risk also includes the interest rate risk in the banking book. The model for structural interest risk in the banking book also includes the Bank Group's liquidity portfolio. The aggregation of market risk requirements assumes a correlation structure between various components of market risk.

Business risk in banking is measured with a scenario model that considers changes in customer behaviour and pricing, the cost of funding and the competitive situation which affects net interest income. The model also incorporates adverse scenarios in non-interest income and operating costs. The model does not capture the effects of credit and market risks on P&L. The liquidity risk is partly covered in the model as increasing funding costs. The Bank Group's total internal capital requirement is the sum of different Pillar 1 and Pillar 2 requirements, i.e., no inter-risk diversification is assumed. The internal capital requirement for Aktia Life Insurance is part of its Own Risk and Solvency Assessment (ORSA) process. The capital requirements are based on internal risk models that cover business, market, underwriting and operational risks. The model takes into account both intra and inter-risk correlations.

Declining real estate prices combined with increasing default rates therefore have a material impact on loan losses. The development of short-term interest rates affects the level of interest income for the mainly Euribor-linked loan book. However, long-term rates have an impact on the values of the fixed-income portfolios in Aktia Bank and Life Insurance. In the Solvency II regime, the interest rates also affect the present value of the interest-linked technical provisions.

Other market risk factors include credit spreads, equity, and commercial real estate prices. Movements in credit spreads have an impact on both the value of the fixed-income portfolios and Aktia's own funding prices. In Aktia Life Insurance, movements in FX rates also have a material impact.

Other key stress factors are related to the development of business volumes on and off the balance sheet, and their pricing. Increasing operating costs also affect the Group's overall profitability. The calculation process starts from the Group's rolling financial forecasts, which include baseline assumptions of business volumes and profitability. The stress scenarios cover a rolling three-year period. The severity of the scenarios can be adjusted to meet different stress-testing requirements. Various P&L items are recalculated in the scenario based on the selected risk factors.

The stressed net interest income (NII) is based on assumptions of the business volumes and margins of both interest-bearing assets and liabilities in the scenario. The selected interest rate scenario affects the repricing of the balance sheet. The interest income estimate is adjusted to incorporate the loss rates of the selected credit risk scenario. The asset and liability management (ALM) model that calculates the NII estimate provides the dynamic balance sheet estimates, which are also used as the basis for credit risk risk-weighted exposure amount (REA) estimates.

The loan book's loan loss estimates are based on the International Financial Reporting Standards 9 model-based credit losses (IFRS 9 ECL models). Credit risk scenarios are based on a two-factor model in which one factor drives the point-in-time estimates of PD and the other the collateral values behind the loss given default (LGD) estimates. The ECL estimates can be supplemented by additional defaults in the corporate portfolio. Risk weight (RW) estimates for internal risk classification (IRB) portfolios are driven by a change in LGD-estimates and the credit rating distribution including defaulted exposures while on the SA portfolio side only an increase in defaulted exposures is taken into account. Combined with the balance sheet estimate, an REA estimate is obtained.

In addition to NII, the market risk factors mainly affect the unrealised profits and losses measured at fair value. The market risk factors are the main drivers of solvency stress in Aktia Life Insurance. The life insurance company has a special ALM tool to measure the dynamic impact of the scenarios on its solvency ratios.

Based on the selected scenario, a stressed balance sheet, P&L and risk metric estimates are calculated. Combined with the scenario assumptions on capital policy (i.e., dividend pay-out and new issues of various capital instruments), capital ratios for Aktia Bank and Life Insurance, and the financial conglomerate are derived. The results are then compared with the target, and the alarm zones are set by the Board of Directors.

The stress scenario methodology is also used to calculate the regulatory stress test exercises on an ad-hoc basis. The stress factors are adjusted in accordance with the given scenarios. The tool can also be used to conduct reverse stress tests. In particular, this method is used to design the stress scenarios that are required to test the recovery and resolution options.

The results of the Bank Group and Aktia Life Insurance are aggregated to a Group requirement. The results are then compared with the capital position of the Group. The Group's own funds are based on the adjusted value of equity and subordinated debt. The equity is adjusted by including the changes in fair value of investments measured at amortised cost in Aktia Life Insurance and deducting the dividend proposal, intangible assets, and EL shortfall. Also deducted are other life insurance-related items that are not considered to be eligible capital in the Solvency II regulation.

The Group's own funds include the mark-to-market effect of technical provisions. Capital instruments that are not freely transferable to cover losses within the Group are deducted from the Group's own funds to the extent that they exceed internal capital requirements. Risk limits have been set based on internal capital requirements. The limit establishes the maximum amount of capital that can be utilised for a specific risk type. The limit framework also incorporates the targets for capital adequacy.

1.3.3 Disclosure of LR qualitative information (EU LRA)

(a) Description of the processes used to manage the risk of excessive leverage
For the Leverage ratio, a management target has been set. This target exceeds the minimum regulatory requirement.

(b) Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers
Leverage ratio increased during the period by 0.62%. The change was driven by an increase of EUR 46,2 million in T1 capital while, at the same time, LR exposures decreased by EUR 516 million. The decrease in exposure amount was mainly caused by a decrease in retail lending volume. The increase in T1 capital was primarily due to the profit for the financial year and fair value reserve growth.

2 Credit risk and credit risk mitigations

2.1 General information on credit risk (Article 435 (a,d,f) and Article 442 (a-c,e-g) CRR)

2.1.1 General qualitative information about credit risk (EU CRA)

(a) In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile.
The general description of the concise risk statement approved by the management body is presented in the table EU OVA.

The credit risk profile including the credit risk strategy of the institution is approved by the Board of Directors, including the target segments and risk levels. The credit risk profile includes quantitative plus qualitative targets and limits for credit risk, in addition to overall principles for credit granting. Targets and limits are specified for different lending portfolios including e.g. customer selection, geographical concentration and limits for ESG-risk. The development of the credit risk profile is monitored by specified KRI indicators, which are reported to senior management and the Board of Directors. KRI's for credit risk includes e.g. a capital limit for credit risk, Expected Loss (EL) for different portfolios, geographical limitation, concentration risk and limits for non-performing exposures.

Credit risk management focuses on careful customer selection, which includes long term customer relationships and a good knowledge of the customers situation and their re-payment capacity. The re-payment capacity is carefully analysed for each credit, where an adequate re-payment capability of the customers is a prerequisite for credit granting.

The institution's credit risk profile, stemming mostly from the banking area, constitutes of the major part of loans to households and private persons with residential or real estate securities. Corporate exposure volumes have increased in the last years, with continued growth against commercial or residential real estate collaterals. Also leasing exposures grew during 2023 according to the credit risk strategy.

The current credit risk profile of the institution has been built on the basis of the bank's previous strategies and business model, focusing on lending to households with real estate securities. The relative increase in corporate lending has continued during 2023, which is diversifying the credit risk portfolio of the bank.

(b) When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits.
The strategies and processes to manage credit risk are applied according to the three lines of defence and are based on the group risk management policy.

The group risk management policies, including credit risk management policy, are based on governing laws and regulations, and functions as a base for setting up credit risk limits. Credit risks development is limited by key risk indicators (KRIs), which are analysed and proposed by the credit risk control function, based on the credit portfolio and the strategy of the bank, and decided by the management unit. The KRI's are updated yearly. In addition to KRIs, the credit risk control unit is responsible for overseeing the development of risks on the portfolio level by constant monitoring of risks.

The line organisation assesses the credit risk in each transaction and bears the overall responsibility for credit risks in its own customer base. The Group's Risk Control unit is responsible for ensuring that the models and methods used for measuring credit risk are comprehensive and reliable. The Risk Control unit is also responsible for performing independent risk analysis and reporting.

Credit risks are reported to the Group's Board of Directors and its' risk committee every quarter. Position- and aggregate-level credit risk reporting is available daily to the business personnel involved in the credit process and the Executive Committee. Every year, Risk Control conducts a comprehensive validation of all credit risk models, and the results are reported to both the Board of Directors and members of the Executive Committee in the ALCO. Risk Control also continuously monitors models to ensure they are functioning normally, and these monitoring results are reported quarterly to both the Board of Directors and the management of the Group.

The credit risk control function is a part of the second line of defence, whose tasks are described in more detail in EU OVB. In line with the responsibility of the 2nd line of defence, the Group's credit risk control assesses the Group's overall credit risk position in relation to the strategy and risk appetite, is responsible for preparing the risk management framework and proposing the KRI's for the Group's risk appetite concerning credit risk.

(c) When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function.
Credit risk management function in the first line of defence is independent from the units responsible for banking business, with a separate reporting line to the EVP responsible for credit risk. The credit risk control function in the second line of defence is independent from the Credit Risk Management function in first line of defence.

The Credit Risk Control function answers to the group CRO and is thereby not affected by the business units it controls. The organisational structure is simple, consisting of one team responsible over credit risk control of the bank, functioning as the credit risk control unit according to governing regulation. Modelling and validation tasks are separated within the unit. The head of the unit is a member of the Risk Control Function executive team.

(d) When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions.
Internal audit constitutes the 3rd line of defence in the bank and is fully separated from 1st and 2nd line of defence. A separate compliance department is placed within the 1st line of defence. Status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR is described in point (c) above.

2.1.2 Additional disclosure related to the credit quality of assets (EU CRB)

(a) The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR.
A loan is considered in default if a significant loan payment is delinquent by 90 days or more according to CRR article 178. A loan is also considered in default if a significant loan payment is delinquent by less than 90 days, and the borrower is subject to bankruptcy or debt restructuring, or the borrower's ability to settle his or her loan obligations to their fullest extent is considered unlikely. The definition of impaired and of past due and default for accounting and regulatory purposes is aligned in the bank.

(b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.
Non-material past due according to CRR article 178 are not automatically considered impaired.

(c) Description of methods used for determining general and specific credit risk adjustments.
Credit risk adjustments are made either according to the IFRS 9 ECL model, or manual decisions made by the debt collection department in the bank based on counterparty analysis.

For non-defaulted loans whose credit risk has not increased significantly (ECL Stage 1), the expected credit losses for a 12-month period are calculated. For non-defaulted loans whose credit risk has increased significantly (ECL Stage 2), as well as for defaulted loans (ECL Stage 3), the expected credit losses for the remaining lifetime of the loan are calculated.

Aktia does not have general credit risk adjustments.

(d) The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.
Aktia's definitions of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR is in line with the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

2.2 General information on credit risk mitigation (Article 453 (a-f) CRR)

2.2.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)

(a) Article 453 (a) CRR
A description of the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting;

The accounting policies of the Aktia Bank Group do not include the netting of balance sheet items or off-balance sheet items.

To limit and reduce counterparty risks, individual collateral arrangements are used, in accordance with credit support annex (ISDA/CSA) conditions. The ISDA/CSA agreement allows the use of close-out netting agreements, in which all positive and negative market values under an agreement can be netted at the counterparty level. The Group has netting and collateral agreements in place with all counterparties that are credit institutions. The collateral used is mainly cash, but government securities can also be used. At year-end, all received and placed collateral was in cash. Aktia has no rating-based triggers in CSA agreements, and a credit rating downgrade would therefore not trigger a requirement for additional collateral.

(b) Article 453 (b) CRR
The core features of policies and processes for eligible collateral evaluation and management

The valuation and administration of collateral is important for managing credit risk. Rules and authorisations concerning the valuation of collateral and the updating of collateral values have been established. In keeping with the principle of prudence, collateral values are calculated by subtracting a haircut from the market value. The extent to which this prudent collateral value is lower indicates the volatility in the collateral's market value, liquidity, and the expected recovery time and fulfilment. Under the SA, real estate collateral, certain guarantees and financial securities are considered in the capital adequacy calculation. Under the IRB approach, credit risk mitigants affect the capital adequacy calculation through the LGD estimate.

For corporate financing purposes, collateral is valued in accordance IVS (International valuation standards) also considering a valuation buffer specific to the collateral, to allow the determination of a prudent value. Especially when valuing commercial properties income value approach is used.

c) Article 453 (c) CRR
A description of the main types of collateral taken by the institution to mitigate credit risk

Loans to households are mainly granted against real estate collateral. Commercial or residential real estate collateral is used for a major part of the corporate portfolio.

(d) Article 453 (d) CRR
For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures.

Finnish government, credit guarantor Finnvera, European Investment Fund and Finnish municipalities are the main types of guarantors within Aktia's loan book. The Finnish government and the largest credit guarantee insurer (Finnvera) both have the same high quality credit rating AAA. Unfunded credit protections is also provided mainly to private households, with an external credit rating A-.

Aktia had no outstanding credit default swaps at year-end.

(e) Article 453 (e) CRR
Information about market or credit risk concentrations within the credit mitigation taken

Most of the Bank's collateral stock is made up of residential real estate, and most of the collaterals are concentrated in or around growth centres. Trends in housing prices are therefore important factors in the Bank's risk profile. LTV is though on a modest level and concentrated to the low LTV classes, with an average LTV being 42 %.

The largest single guarantor is Finnish government (mainly student loans). All the other guarantors have significantly smaller amounts guaranteed, and as such do not create risk concentrations.

2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)

Institutions shall disclose the information referred to of points (a) to (f) of Article 452 of Regulation (EU) 575/20131 ("CRR") by following the instructions provided below in this Annex to complete table EU CRE which is presented in Annex XXI to this Implementing Regulation.

(a) Article 452 (a) CRR
The competent authority's permission of the approach or approved transition

The Financial Supervisory Authority in Finland has granted Aktia Bank Group permission to apply the internal ratings-based (IRB) approach to retail, equity, and certain corporate exposures. The Foundation IRB approach is used for corporate exposures. The IRB approach represents 64% of the Bank Group's credit risk exposure. The remaining credit exposures are calculated using the standardised approach (SA).

(b) CRR 452(c) The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:
(i) the relationship between the risk management function and the internal audit function;
(ii) the rating system review;
(iii) procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;
(iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models

The control mechanisms in the bank consist of monitoring and validation of the models. Quarterly monitoring is performed by the credit risk control unit with results reported according to CRR article 189.

Validation is done within the credit risk control unit, with the responsibility of validation separate from modelling. Taking into the consideration Aktia's scale of operations and according to the proportionality principle, Aktia does not have a separated validation function, but has separate staff responsible for validation. Validation is performed yearly, with results reported to ALCO and the management unit.

Internal Audit performs independent reviews on the credit risk control unit on a yearly basis.

(c) Article 452 (d) CRR
The role of the functions involved in the development, approval and subsequent changes of the credit risk models

The Credit Risk Control Unit (CRCU) is responsible for development, changing the models and the approval process of changes/new models with FIN-FSA. CRCU is an independent unit from the functions responsible for the origination of loans, with responsibilities according to CRR article 190.2.

All material changes to credit risk models are validated by the personnel responsible of model validation. Internal audit has a role in auditing material changes made by the CRCU unit.

(d) Article 452 (e) CRR
The scope and main content of the reporting related to credit risk models

Internal reporting of credit risk models is done by all lines of defence. Supervisory reporting is done according to regulation or specific requests.

The first line of defence reports the current and historical level of risk in the bank to the sales organisation and senior management.

The second line of the defence risk report includes more detailed information on the PD-, LGD- and EL-levels. Monitoring results are reported quarterly to senior management and the management unit. Validation reports are reported yearly, including a presentation to senior management and the management unit.

The third line of defence reports separately their findings concerning the credit risk models and the status concerning them.

(e) Article 452 (f) CRR
A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:
(i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;
(ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;
(iii) where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables.

Aktia uses IRB -models for retail and corporate exposures. A counterparty PD -model is used for corporate exposures and for retail exposures, two models are used depending on the counterparty (household or small business). The scoring will differ based on the counterparty history available (application or behavioural models) and the product used. Expert judgement is used in combination with qualitative analysis for low default portfolios.

For retail models, the main differences are related to how data is used. Internal data are used for the counterparties with behavioural history, and application data are used for new customers. The PD's in different models have been developed by multivariate regression analysis using application and transaction data.

The main driver of differences between PD and DR in the last years has been the implementation of a new default definition, and thereby moving from an exposure level default to a customer-group level default. Increased level of unlikeliness-to-pay was the main reason for increased defaults from 2021 until 2023, but have decreased somewhat within the year. No regulatory floors have been implemented, but regulative add-ons are implemented which affects the RWA.

On the corporate side, one rating model combining a quantitative and qualitative approach is used using the same data of the counterparties.

Aktia uses internal LGD-estimates for their retail portfolio, consisting of one model covering the portfolio. The model uses information on, e.g., collaterals used and internal expenses, calculated by regression to estimate the correct LGD. The time lapse between default and closure in modelling is 5 years. For low default portfolios, which are outside the retail exposures, FIRB or standardised approach is used.

Validation of LGD and PD is performed by separate staff than the ones responsible over the models. Validation consists of quantitative and qualitative tests, with most of the focus in the last year performance of the model.

2.2.3 Qualitative disclosure requirements related to standardised approach (EU CRD)

(a) Article 444 (a) CRR
Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period.

Aktia uses external long-term issue and issuer ratings from Moody's Investors Service to calculate the risk weight according to the SA. The mapping of ratings follows the ECAI mapping published by the EBA. No changes in the use of ECAI ratings have been done during the disclosure period.

(b) Article 444 (b) CRR
The exposure classes for which each ECAI or ECA is used

EBA table EU CR5 shows the risk weights for exposures in the standardised approach. The external ratings are used for sovereign-type exposure classes (exposure classes (a)–(e) according to Article 112 of the CRR), as well as for institution and covered bond exposure classes. The counterparties with external ratings are mainly derivative counterparties or part of the liquidity portfolio.

(c) Article 444 (c) CRR
A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book;

Aktia uses external long-term issue and issuer ratings from Moody's Investors Service to calculate the risk weight according to the SA. The external ratings are used for sovereign-type exposure classes (exposure classes (a)–(e) according to Article 112 of the CRR), as well as for institutions and covered bond exposure classes. The counterparties with external ratings are mainly derivative counterparties or part of the liquidity portfolio. The mapping of ratings follows the ECAI mapping published by the EBA.

(d) Article 444 (d) CRR
The association of the external rating of each nominated ECAI or ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA).

Not applicable for Aktia

2.3 Counterparty credit risk (CCR) (Article 439, Article 444 e) and Article 452 (g) CRR)

2.3.1 Qualitative disclosure related to CCR (EU CCRA)

(a) Article 439 (a) CRR
Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties.

Aktia uses the SA-CCR method for calculating the counterparty credit risk arising from derivatives contracts.

(b) Article 439 (b) CRR
Description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves.

Counterparty risk arises from the derivative operations. Counterparty risk in derivative contracts is the risk of a counterparty not fulfilling its contractual obligations to Aktia when a contract has a positive market value. To limit and reduce counterparty risks in derivative contracts, individual collateral arrangements are used, in accordance with ISDA/CSA (credit support annex) conditions. The ISDA/CSA agreement allows the use of close-out netting agreements, in which all positive and negative market values under an agreement can be netted at the counterparty level. Aktia has netting and collateral agreements in place with all counterparties that are credit institutions. Counterparty exposures are measured and followed-up daily.

(c) Article 439 (c) CRR
Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CRR

Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. There are two types of wrong-way risk. Specific wrong-way risk is caused by the specific characteristics of the counterparty or the transaction: for example, if the counterparty posts its own bonds – or bonds of closely linked entities – as collateral. General wrong-way risk arises where the credit quality of the counterparty may for non-specific reasons be held to be correlated with a macroeconomic factor which also affects the value of derivatives transactions. According to its own analysis, Aktia does not have any exposures containing general or specific wrong-way risk.

(d) Article 431 (3) and (4) CRR
Any other risk management objectives and relevant policies related to CCR.

Not any other risk management objectives or related policies.

(e) Article 439 (d) CRR
The amount of collateral the institution would have to provide if its credit rating was downgraded.

Aktia has no rating-based triggers in CSA agreements, and a credit rating downgrade would therefore not trigger a requirement for additional collateral.

3 Market risk

3.1 Article 445 CRR - Market Risk Standardized Approach

3.1.1 Qualitative disclosure requirements related to market risk (EU MRA)

(a) Points (a) and (d) of Article 435 (1) CRR
A description of the institution's strategies and processes to manage market risk, including:

- An explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution's market risks
- A description of their policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges

The market risk management operates under the three lines of defence framework. Aktia bank does not have a trading book. The Aktia bank's risk appetite and the limit system restrict the size of the exposure to market risks. Measurement methods, limits and strategy are prepared in the Executive Committee and the Board's Risk Committee and are thereafter established by the Board of Directors.

The market risk and hedging strategy are defined in the internal documents that define limits, counterparties, regions, products and processes and internal rules. The general principles of Aktia bank's hedging activities are described in the documentation governing the group's risk policy.

Aktia banks structural market risk consists of credit spread risk, interest rate risk, equity risk and foreign currency risk components. The main market risk for the bank's liquidity portfolio arises from the credit spread risk. Aktia limits its credit spread risk by allocation positions to relatively secure and low duration instruments. The company is subject to spread risk due to the fluctuations in the market prices of the investment portfolio's bonds. The spread risk is related to the credit ratings of the instruments' issuers and the markets' general sentiment towards credit risk-linked instruments.

The starting point of the bank's interest rate risk management is matching the interest rate risk. The better the compatibility between assets (loans and liquidity portfolio) and liabilities (deposits and financial liabilities) is achieved in the planning phase of the interest rate linkage, the more effectively the interest rate risk can be managed. In addition, interest rate risk is managed and coordinated with interest rate derivative instruments. The market risks of derivatives transactions are generally very low, as derivatives are used only for hedging purposes and counterparty risk is limited by daily exchange of collateral in accordance with the ISDA/CSA agreement (collateral management).

The bank has effective processes for identifying, managing, and reporting market risks: The bank has working procedures for approving new products, and in addition, product descriptions are made for all products. Derivatives transactions has principles and limits that are approved annually. The interest rate risk is reported monthly, and the market values of the liquidity portfolio are reported daily. Interest hedging is done either on an instrument-by-instrument basis or at the portfolio level.

The Group's Asset and Liability Management Committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The Bank's ALM unit manages the market risk and the Bank's Treasury unit conducts transactions to manage the market risk based on the established strategy and limits.

Aktia Bank's foreign currency risk, which is managed by the bank's Treasury, is very limited. The foreign currency position is created from the cash flows of the payment, the foreign currency accounts of customers and foreign currency transactions made for customer service purposes within the Treasury. All foreign currency loan positions are fully hedged with currency and interest rate swaps at the time of issuance.

(b) Point (b) of Article 435 (1) CRR
A description of the structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above, and that describes the relationships and the communication mechanisms between the different parties involved in market risk management.
The Group's Risk Control unit, which continuously monitors market risks and their associated limits, is responsible for reporting on market risk factors to the Board and the Executive Committee.

Aktia's market risk is managed by the bank's ALM unit together with Treasury. Interest rate risk management considers changes in the balance sheet structure and how changes in the interest rate market affect the banking group's interest rate risk position. The bank's ALM unit regularly provides ALCO with an overview of the group's interest rate risk. ALCO makes a decision on hedging measures based on the proposal of the ALM unit and the Treasury and authorizes the Treasury to make the interest rate hedges.

(c) Point (c) of Article 435 (1) CRR
Scope and nature of risk reporting and measurement systems
Risk reporting to the management covers all markets risks (interest rate, credit spread, foreign exchange rate and equity risks) in a pre-defined format at least quarterly. Identification and measuring of the risk take place with suitable IT systems taking into account the measuring methods stated in the Group´s risk policy for market risk management. No trading activities are conducted by the Aktia Group. The Aktia Group's risk appetite and the limit system restricts the size of the exposure to market risks.

Measurement methods, limits and strategy are prepared in the Executive Committee and the Board's Risk Committee and are thereafter established by the Board of Directors. The Group's Asset and Liability Management Committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The Bank's Treasury unit conducts transactions to manage the structural interest rate risk based on the established strategy and limits. The Group's Risk Control unit, which continuously monitors market risks and their associated limits, is responsible for reporting on these risk factors to the Board and the Executive Committee.

The Group's Risk Control unit monitors credit ratings and the change of the market values of instruments in the liquidity portfolio.

The statistical Value at Risk- models measures the development of structural market risk and the risk control unit investigates the components that influence changes in risks levels at least quarterly. The Aktia Group's risk appetite and the limit system restricts the size of the exposure to market risks.

4 Operational risk

4.1 Disclosure of operational risk management (Article 446 (a) CRR)

4.1.1 Qualitative information on operational risk (EU ORA)

(a) Points (a), (b), (c) and(d) of Article 435(1) CRR

Disclosure of the risk management objectives and policies

Definition of operational risk
Aktia considers operational risks to include risks of losses arising from unclear or incomplete internal processes or instructions, deficient or unreliable systems, and inadequate or unreliable information, as well as operational risks caused by personnel – including through human error – or external events. Compliance, AML/CFT and legal risks are also considered to be part of operational risks, as well as information security risks and model risks related to calculation models. Strategic risks are not part of operational risks.

The realisation of an operational risk could result in direct or indirect economic losses for Aktia, but it could also threaten the reputation of the Group.

Management of operational risks
Aktia uses a risk-based approach to managing operational risks. The framework for the management of operational risks in the Group is adopted annually by the Board of Directors. Where applicable, the framework follows the ISO 31000 standard. The CEO adopts other relevant internal rules related to managing operational risks.

The Board of Directors confirms the risk appetite for different operational risk categories annually. Aktia identifies risk appetite for operational risks separately for the following risk categories: information security; compliance risks; AML/CFT-risks and other operational risks including process, personnel, IT & systems and legal risks.

The responsibility for managing operational risks lies with the risk owners, i.e. the Executive Committee- level management of the different business areas and their respective organisations. Risk owners are accountable for the continuous development of the quality of processes and their embedded internal controls and identifying and mitigating risks.

The management of each business area is responsible for ensuring that processes and procedures are adapted to Aktia's strategy, and the goals established by the Group's executive management, and that the internal instructions are sufficient.

The Operational Risk Control team (part of the Risk Control organisation in the second line of defence) is responsible for providing the operational risk framework, and analysing and reporting the Group's operational risks, as well as providing support for the risk owners in their risk management work.

Aktia has various methods, processes and procedures to manage operational risks:

- regular risk assessments
- reporting of incidents
- contingency and business continuity planning, including disaster recovery planning
- the new product approval process (NPAP)
- adequate internal rules
- regular employee training and education

Information security management and governance

The CEO annually approves a revised version of the information security policy owned by Operational Risk Control. The policy is based on ISO 27001, as well as all relevant regulatory requirements.

The Group has a chief information security officer (CISO) that is in the first line of defence but has a direct reporting line to the Group's CEO enabling the required independence. The CISO is responsible for implementing the IT security framework within Aktia Group. The CISO has a responsibility to implement the information security policy through information security guidelines. The CISO also supports the business in information security related issues as well as has the responsibility to maintain at high level of security awareness in the Group. A training programme for information security awareness exists for all personnel.

A process for information security incident management is in place, governed by the Operational Risk Control team. Information security risk assessment is part of the general risk assessment process.

Information security assessments for systems and IT infrastructure as well as for third parties are conducted regularly by the CISO organisation. The CISO organisation co-operates actively with the Operational Risk Control team to assess and manage the current group-level information security risks and further develop and improve Aktia Group's information security framework.

Risk appetite
The risk level for information security is mainly low but can also be moderate in predefined areas. The risk level for systems used to produce critical or significant services, as well as for support components, processes and systems used in the IT infrastructure identified on a risk basis, must be low. The risk level for information security should also be low considering services, processes and systems which are socially significant. The risk level for information security is otherwise moderate. A high level of risk is only allowed if it is a question of sharing banking/ insurance related confidential information with other industry operators and the Finnish Transport and Communication Agency/ Cybersecurity Center to ensure the industry's information security.

This means that the information security level of all critical systems must be kept high in order to ensure important manual and automatic data processing and the continuous operation of the information network in Aktia's operations, to prevent the intentional or unintentional destruction or corruption of information, and to minimize the damage caused by a possible disruption.

The compliance risk level is basically low, but with regard to the type of risk related to the implementation of authorities' recommendations and simpler forms of control, it is moderate (principle of proportionality). This means that Aktia does not accept from the company, its management or employees violations of legislation, authority regulations, industry regulation/its own regulation, practices based on external binding requirements and internal or established company practices/requirements that concern Aktia as a financial market operator. Aktia does not accept unethical procedures. This requires a good knowledge of own operations, sufficiently functional and effective internal control and risk management, good leadership, sound processes and competent personnel.

The risk level for the AML/CFT-risk shall be low. Aktia has zero tolerance for all types of misuse of Aktia's services or products for criminal purposes but accepts the possibility that the risk might be realised. Aktia strives to take measures against misuse by means available, including monitoring, control measures and reporting. Aktia cooperates with authorities and other actors in the private sector to prevent activities aimed at financing terrorism, fraud, circumvention of sanctions and money laundering.

Methods, processes and procedures to manage operational risks

a. Risk assessments and risk management
According to the operational risk framework, the critical functions of the Group, including outsourced functions, are to be risk assessed at least annually by the risk owners and their organisation. Risk assessments are performed with the aid of a standard risk management tool and group-wide risk library, which can be complemented by function-specific risks. Identified risks are evaluated for their probability and potential impact, given an individual risk's risk level. The risk owner or the appropriate decision-making bodies in the organisation determine how these risks or risk areas are to be treated, and what mitigating actions should be taken within the risk appetite and risk tolerance of each risk area. The identified risks and implementation of the identified risk-mitigating actions are to be followed-up by the risk owner regularly, and the required actions are to be taken.

The Operational Risk Control facilitates an annual operational risk assessment. Based on this assessment a Group-level summary is provided for management and the Board of Directors is produced.

b. Incident management
Despite well-functioning internal controls, risk events (incidents) do occur. All functions and branches are required to report both incidents with financial implications and "close calls". The Operational Risk Control team within Risk Control analyses incident information and reports issues to the risk owner for action, including the required root cause analysis and risk mitigation measures. If the incident has a data protection impact, the Group data protection officer (DPO) is always consulted immediately. The DPO defines the necessary actions and supports the incident-solving process. For incidents related to information security, the Group-level CISO -office is responsible for instructing and controlling the incident-solving process.

c. Internal rules
Adequate internal rules for functions, processes and employees are in place as a preventive measure to reduce operational risks in central and high-risk areas. Among other things, the rules cover internal controls, legal risks, employee risks, principles for continuity and contingency planning, measures to prevent money laundering and the financing of terrorism, and the implementation of financial sanctions, as well as information security policies and guidelines. As part of an efficient internal control system, process documents are created for critical processes. Each manager is responsible for compliance with the instructions within their managed area.

d. New products and processes approval (NPAP)
Before launching new products, services, or processes or systems affecting customers, or when introducing material changes to previously existing products, services, or processes or systems affecting customers, a new product approval process is applied to identify the associated risks. The aim of this process is to ensure that the introduction of products, services, or processes or systems has been carefully considered from the compliance and risk management perspective. Ultimately, the decision to introduce a product, service, or process or system rests with the risk owner.

e. Contingency and continuity planning
Each critical function has an annually updated business continuity plan, including disaster recovery plans for related critical systems. A Group-level annually updated contingency plan, including a crisis communication plan and crisis management team (CMT) work order, is also in place. The Group-level CMT has fixed assembly, which can be supplemented if necessary.

The responsibility for continuity planning lies with the risk owner. The Operational Risk Control organisation is responsible for updating the Group-level contingency plan.

f. Insurance
In addition to the preventive work aimed at avoiding or mitigating operational risks, the Group has adequate insurance coverage for damage that can occur as a result of the realisation of such risks.

Measurement of operational risks
The risk level is measured through key risk indicators (KRIs), which the Board of Directors approves annually. These indicators reflect the risk appetite, risk tolerance and risk capacity of each risk category with regard to both capital requirements and qualitative requirements. The summary of the realisation of KRIs is reported quarterly by the Risk Control function to management and the Board of Directors.

(b) Article 446 CRR
Disclosure of the approaches for the assessment of minimum own funds requirements
The capital requirement for operational risks is 15% of average gross revenue for the past three years. The risk-weighted amount for operational risks has been calculated by dividing the capital requirement by 8%. The information at financial year end used for the calculation of own funds requirements is based on audited figures.

5 Interest rate risk in banking book (IRRBB)

5.1 Exposure to interest rate risk in the banking book (Article 448 CRR)

5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBBA)

(a) Article 448.1 (e), first paragraph
A description of how the institution defines IRRBB for purposes of risk control and measurement.
The interest rate risk in the banking book is the current or prospected risk to earnings or capital arising from adverse movements in interest rates. A structural interest rate risk arises from mismatches between interest-fixing periods and the repricing of assets and liabilities. The interest rate risk is measured by the six standardised interest rate shock scenarios set out in EBA's guideline plus some own internally determined interest rate shock scenarios. All negative interest rate shock scenarios are floored according to the EBA guideline.

(b) Article 448.1 (f)
A description of the institution's overall IRRBB management and mitigation strategies.
Measurement methods, limits and strategy are prepared in the Executive Committee and the Board's Risk Committee and are thereafter established by the Board of Directors. The Group's Asset and Liability Management Committee is responsible for the operational management of internal group investment assets within the given guidelines and limits. The Bank's ALM unit drives the interest rate risk in the banking book and the Bank's Treasury unit conducts transactions to manage the structural interest rate risk based on the established strategy and limits. In addition to matching interest-fixing periods in lending and borrowing through business management, derivative instruments and fixed-rate investments in the liquidity portfolio are utilised, with the aim of maintaining net interest income at a stable level.

(c) Article 448.1 (e) (i) and (v); Article 448.2
The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB.
Changes in net interest income (NII) are simulated using a dynamic asset and liability risk management model. The model takes into account the balance sheet's effects on the structure, starting with planned growth and simulated customer behaviour. Change of the NII measures the impact of changing interest rates on net interest income of the banking book with a time horizon of both one year and two years. Stress tests regarding the economic value of equity (EVE) take into account changes in economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independent of accounting classification. The model assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits and prepayments. The interest rate risk, both the EVE and NII, in the Bank is calculated on a monthly basis.

(d) Article 448.1 (e) (iii) Article 448.2
A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable)
On top of the six supervisory shock scenarios, EVE and NII changes are estimated in additional parallel rate shock scenarios, basis shock scenarios and a frozen rates scenario.

(e) Article 448.1 (e) (ii) Article 448.2
A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable)
The same assumptions apply.

(f) Article 448.1 (e) (iv) Article 448.2
A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment (if applicable).
In addition to matching interest-fixing periods in lending and borrowing through business management, derivative instruments and fixed-rate investments in the liquidity portfolio are utilised in hedging the Bank's IRRBB. The majority of the Bank's fixed rate wholesale funding is swapped to floating rates to balance the floating rate-driven loan portfolio on the asset side. The Bank's Hold-to-Collect portfolio as part of the liquidity reserve provides a natural hedge to fixed rate non-maturing core deposits. The Hold to Collect and Sell -portfolio is hedged with interest rate swaps to avoid a possible adverse impact to the Bank's capital base.

(g) Article 448.1 (c) Article 448.2
A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable).
Key IRRBB modelling assumptions are the repricing of non-maturing deposits and prepayment rates for loans. The assumptions for non-maturing deposits are based on a replicating portfolio model combined with a scenario-specific approach to capture behavioral customer optionality in a rapidly changing interest rate environment.
Estimated prepayment rates for loans are calibrated and reviewed against actual prepayment behaviour.

(h) Article 448.1 (d)
Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures
The bank has renewed its model for non-maturing deposits which has significantly changed the quantification of risk for the EVE measure. The scenario-specific approach takes a more conservative account for behavioural optionality element in the calculation. The short-term risk for NII is low and has remained at a similar level compared to the previous period.

(i) Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)
No other relevant comments.

(1) (2) Article 448.1 (g)
Disclosure of the average and longest repricing maturity assigned to non-maturity deposits
The weighted average repricing maturity for all non-maturing deposits is 4.0 years in the baseline. Considering the scenario-specific treatment, the average repricing maturity is 3.6 years for an upward shock to short-term interest rates and 4.5 years for a downward shock. The longest repricing maturity is 10 years.

6 Funding & liquidity risk

6.1 Disclosure of liquidity requirements (Article 451a CRR)

6.1.1 Liquidity risk management (EU LIQA)

(a) Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding,
Good diversification between different types of funding sources in various markets and forms of funding instruments is a key component of the funding strategy. Aktia's objective is to achieve a well-diversified financing profile and a competitive price for financing to ensure the competitiveness of its core business. The most important sources of funding are deposits from households and small and medium-sized enterprises, as well as covered bonds. The funding is supplemented with other long-term financing (Senior Preferred and Senior Non-Preferred notes and Private Placement loan agreements) as well as with short-term financing from the capital market and the central bank. Limit framework approved by the Board of Directors includes limits for regulatory LCR- and NSFR-metrics, minimum liquidity buffer and funding maturity structure.

(b) Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).
Funding and liquidity risk management is governed by policies and limits established by the Board. The Group's Asset and Liability Management Committee is responsible for managing financing and liquidity risks. The Group's Risk Control unit, which continuously monitors liquidity risks and their associated limits, reports on these to the Board and the Executive Committee. The Treasury unit is responsible for maintaining the Bank's day-to-day liquidity, and constantly monitors how Aktia's wholesale assets and liabilities mature. Developments and pricing in the deposit stock are also followed closely. The treasury unit implements the adopted measures to change the liquidity position.

(c) A description of the degree of centralisation of liquidity management and interaction between the group's units
On an operational level, liquidity management is centralised in treasury. The treasury is responsible for monitoring Aktia Group´s intraday and daily liquidity management.

(d) Scope and nature of liquidity risk reporting and measurement systems.
Risk reporting to the management covers all liquidity risks and is performed in a pre-defined format at least quarterly. Identification and measuring of the risk takes place with suitable IT systems taking into account the measuring methods stated in the Group´s risk policy for liquidity risk management.

(e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.
The main policy for liquidity risk management are risk appetite and Liquidity Risk Strategy. Liquidity Risk Strategy outlines organizational structure, responsibilities and main risk mitigation principles. Liquidity risk is monitored and managed daily. Internal systems support liquidity risk measurement, monitoring and reporting. The maintenance of adequate liquidity reserves in both the short and long term as regards payment obligations and regulatory requirements is a keyway of ensuring liquidity adequacy.

(f) An outline of the bank`s contingency funding plans.
The Bank Group has a contingency plan for managing liquidity crises. The contingency plan contains a clear division of responsibility and instructions for how the Bank should improve a possible liquidity deficit. The plan indicates appropriate measures to handle various types of crisis situations. Risk Control monitor ensures that a financing continuity plan exists, is sufficient in scope, includes adequate measures and is regularly updated. The Bank Group's recovery plan also includes indicators tied to the liquidity situation.

(g) An explanation of how stress testing is used.
Aktia conducts regular stress testing to ensure that liquidity is sufficient even during unfavourable market conditions. In these tests, the Bank constructs unlikely, but still possible, adverse scenarios that would trigger a range of risk drivers. In the ILAAP, various stress scenarios are used, e.g., withdrawals of deposits, no access to long-term funding in the capital market, etc., The stress scenarios in ILAAP focus on the impact on the regulatory requirements (Liquidity Coverage Ratio, Net Stable Funding Ratio) and the bank's net liquidity position.

(h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.
According to the latest Liquidity Adequacy Statement, the Board of Directors assures that Aktia's liquidity situation is sufficient on the basis of the quality of the liquid assets and the scope of the liquidity portfolio in relation to internal objectives and regulatory requirements (ILAAP).

(i) A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.
These ratios may include:

- Concentration limits on collateral pools and sources of funding (both products and counterparties)
- Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank
- Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity
- Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps

Aktia has a low appetite for liquidity risk and the aim of the liquidity risk management is to always ensure business continuity.

The liquidity risk is managed through the limits set by the Board. The liquidity risk and targets are measured on both short- and long-term bases. Regulatory LCR and NSFR requirements are met with buffer limits set by the Board of Directors. Internal limits are set clearly above the 100% regulative requirements. For situations where Aktia is in urgent need of cash, and normal funding sources do not suffice, Aktia holds liquidity buffer. The liquidity buffer consists of highly liquid assets that can easily be sold or used as collateral in funding operations and the size of the buffer is sufficient to cover a short-term liquidity crisis as well as a longer-term wholesale market disruption. Board of Directors has set limits for a minimum level of the liquidity buffer as well as for the maturity structure of funding.

6.1.2 Qualitative information on LCR (EU LIQB)

(a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time
Aktia Group´s LCR ratio stayed at a high level during Q4/2023 and amounted to 221% (220% Q3/2023). The higher LCR ratio was driven by a higher liquidity buffer which was mainly contributed from pre-financing of future maturities for the wholesale funding.

(b) Explanations on the changes in the LCR over time
LCR fluctuates over time, partly depending on the maturity structure of the bank's issued bonds.

(c) Explanations on the actual concentration of funding sources
Aktia Bank is a retail bank with diversified funding. The most important sources of funding are deposits from households and small and medium-sized enterprises, as well as covered bonds. Sufficient unsecured long-term wholesale funding also ensures the fulfilment of the regulatory requirements (MREL, NSFR) and rating targets. Short-term wholesale funding is used to primarily react to changes in the liquidity position.

(d) High-level description of the composition of the institution`s liquidity buffer.
A major part of holdings in Aktia´s liquidity reserve are cash at the central bank and covered bonds of very high quality. Residual assets of size in the reserve are government bonds and securities issued by municipalities.

(e) Derivative exposures and potential collateral calls
Derivatives are used only for hedging purposes. For assessing potential additional outflows from derivatives and other collateral requirements, the historical look-back approach (HLBA) is used.

(f) Currency mismatch in the LCR
The Aktia Group business is conducted in euros, so there is no currency difference.

(g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile
There are no material items in Aktia´s LCR that are not captured in the disclosure template.

6.1.3 Accompanying narrative information (EU AE4)

(a) General narrative information on asset encumbrance
The tables provide information on asset encumbrance and liabilities related to encumbered assets. The figures are presented as the quarterly median for 2023. Most of the encumbered assets consist of Aktia Bank's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. Aktia maintains a certain level of over-collateralisation (in addition to the level required by the supervisory authority) in the cover pool to ensure it can withstand a significant price fall in the real estate market. Other sources of asset encumbrance arise from long-term financing operations (TLRO III) from the Central Bank, repo financing and derivatives.

(b) Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.
Aktia Bank limits it's asset encumbrance level by limiting the size of the Covered Bonds issuance related to the size of the banks Total Assets, available eligible collateral and total funding volume. Also, the bank monitors the encumbrance of the liquid assets portfolio making sure that there i's always enough assets and cash to cover the LCR -requirement and other forecasted liquidity requirements. Internal buffers on top of regulative limits ensure the availability of liquid assets in case of unexpected needs.

7 Other disclosures

7.1.1 Explanations of differences between accounting and regulatory exposure amounts (EU LIA)

(a) Article 436(b) CRR
Differences between columns (a) and (b) in template EU LI1

Aktia Life Insurance Ltd is not under the scope of regulatory consolidation but is included in the consolidated financial statement according to IFRS. Entities in the different scopes of consolidation are listed in table EU LI3.

(b) Article 436(d) CRR
Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template EU LI2

Table EU LI2 provides information regarding the main sources of differences between the accounting carrying values and regulatory exposures. The main differences result from the amount of off-balance-sheet items, derivatives, CRM techniques (financial collateral) and provisions in the calculation of EAD under IRB methods.

Other differences on row 11 include negative account balances which are not deducted from the exposure amount.

The items that are subject to deductions from own funds are not risk weighted and are thus excluded from table EU LI2.

7.1.2 Other qualitative information on the scope of application (EU LIB)

(a) Article 436(f) CRR Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group
There are no current or foreseen material, practical or legal impediments to the prompt transfer of the Group's own excess funds, or the repayment of liabilities between Aktia Bank Plc and its subsidiaries. Aktia Bank Plc and all its subsidiaries are incorporated in Finland: there is therefore no need for cross-border transfers within the Group.

(b) Article 436(g) CRR Subsidiaries not included in the consolidation with own funds less than required
Not applicable, each legal entity must fulfil its individual capital requirements and have sufficient liquidity to operate.

(c) Article 436(h) CRR Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR
Not applicable, the provisions laid down in Articles 7 and 9 are not in use.

(d) Article 436(g) CRR Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation
Not applicable, each legal entity must fulfil its individual capital requirements and have sufficient liquidity to operate.

8 Requirements

8.1.1 Compliance with regulatory disclosure requirements

CRR Article		Reference
Article 431	1. Institutions shall publicly disclose the information referred to in Titles II and III in accordance with the provisions laid down in this Title, subject to the exceptions referred to in Article 432.	This report and disclosures at aktia.com address the requirement
	2. Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III of this Part shall publicly disclose the information laid down therein.	This report and disclosures at aktia.com address the requirement
	3. The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institutions' disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in institutions' disclosures.	"Aktia Bank Plc has adopted a formal policy to assure compliance with the disclosure requirements. At least one member of the executive management shall certify in writing that Aktia has disclosed the required information in accordance with formal procedures and internal processes, systems and controls. The written certificate and the key elements of the institution's formal procedures for complying with the disclosure requirements shall be included in the publication of the institution's Pillar III report."
	Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report.	Disclosure principles of capital adequacy information approved by Aktia's management
	Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential as referred to in Article 432.	Disclosure principles of capital adequacy information approved by Aktia's management
	4. All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	Disclosure principles of capital adequacy information approved by Aktia's management
	5. Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of that explanation shall be proportionate to the size of the loan.	To be delivered on request.
Article 432		
Non-material, proprietary or confidential information		
	1. With the exception of the disclosures laid down in point (c) of Article 435(2) and in Articles 437 and 450, institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material.	Chapter 8.1.2 Immaterial items not disclosed
	2. Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450.	Chapter 8.1.2 Immaterial items not disclosed
	3. In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that specific items of information are not being disclosed and the reason for not disclosing those items and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	Chapter 8.1.2 Immaterial items not disclosed
Article 433		
Frequency of disclosure		
	Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a, 433b and 433c.	Other institutions to which Aktia is classified, shall disclose all the information required under Part 8 on annual basis and the key metrics referred in Article 447 on semi-annual basis
	Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter.	The disclosures are made annually in conjunction with the publication of Aktia’s Annual Report
	Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter.	The disclosures are made semi-annually in conjunction with the publication of Aktia’s interim financial report
Article 433a		
Disclosures by large institutions		N/A
Article 433b		
Disclosures by small and non-complex institutions		N/A

CRR Article		Reference
Disclosures by other institutions		Other institutions to which Aktia is classified shall disclose all the information required under Part 8 on annual basis and the key metrics referred in Article 447 on semi-annual basis
	1. Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency:	
	(a) all the information required under this Part on an annual basis;	Information is disclosed on the date of publication of the financial statements.
	(b) the key metrics referred to in Article 447 on a semi-annual basis.	Information disclosed half-yearly is presented in connection with interim reports.
	2. By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis:	N/A
Article 434		
Means of disclosures		
	1. Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information, or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	www.aktia.com
	2. Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	www.aktia.com
Article 434a		
Uniform disclosure formats		
TITLE II		
TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE		
Article 435		
Disclosures by other institutions		Other institutions to which Aktia is classified shall disclose all the information required under Part 8 on annual basis and the key metrics referred in Article 447 on semi-annual basis
	1. Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency:	
	(a) all the information required under this Part on an annual basis;	Information is disclosed on the date of publication of the financial statements.
	(b) the key metrics referred to in Article 447 on a semi-annual basis.	Information disclosed half-yearly is presented in connection with interim reports.
	2. By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis:	N/A
Article 434		
Means of disclosures		
	1. Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	www.aktia.com
	2. Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	www.aktia.com
Article 434a		
Uniform disclosure formats		

CRR Article		Reference
Disclosure of risk management objectives and policies		
	1. Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. Those disclosures shall include:	
(a)	the strategies and processes to manage those categories of risks;	Institution risk management approach (EU OVA) Chapter 6.1.1 Liquidity risk management (EU LIQA) Chapter 2.1.1 General qualitative information about credit risk (EU CRA) Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
(b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents;	Institution risk management approach (EU OVA) Chapter 6.1.1 Liquidity risk management (EU LIQA) Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
(c)	the scope and nature of risk reporting and measurement systems;	Institution risk management approach (EU OVA) Chapter 6.1.1 Liquidity risk management (EU LIQA) Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
(d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	Institution risk management approach (EU OVA) Chapter 6.1.1 Liquidity risk management (EU LIQA) Chapter 2.1.1 General qualitative information about credit risk (EU CRA) Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
(e)	a declaration approved by the management body on the adequacy of the risk management arrangements of the relevant institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	Institution risk management approach (EU OVA) Chapter 6.1.1 Liquidity risk management (EU LIQA) Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
(f)	a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include:	
(i)	key ratios and figures providing external stakeholders a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body;	Institution risk management approach (EU OVA) Chapter 6.1.1 Liquidity risk management (EU LIQA) Chapter 2.1.1 General qualitative information about credit risk (EU CRA) Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
(ii)	information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	Institution risk management approach (EU OVA) Chapter 6.1.1 Liquidity risk management (EU LIQA) Chapter 2.1.1 General qualitative information about credit risk (EU CRA) Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
	2. Institutions shall disclose the following information regarding governance arrangements:	
(a)	the number of directorships held by members of the management body;	https://www.aktia.com/en/ → Investors → Reports and Presentations → 2023 → Corporate Governance Report (EU OVB)
(b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	https://www.aktia.com/en/ → Investors → Reports and Presentations → 2023 → Corporate Governance Report (EU OVB)
(c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;	https://www.aktia.com/en/ → Investors → Reports and Presentations → 2023 → Corporate Governance Report (EU OVB)
(d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	https://www.aktia.com/en/ → Investors → Reports and Presentations → 2023 → Corporate Governance Report (EU OVB)
(e)	the description of the information flow on risk to the management body.	https://www.aktia.com/en/ → Investors → Reports and Presentations → 2023 → Corporate Governance Report (EU OVB)
Article 436		
Disclosure of the scope of application		
	Institutions shall disclose the following information regarding the scope of application of this Regulation as follows:	
(a)	the name of the institution to which the requirements of this Regulation apply;	The Aktia Bank Group Pillar III Report as of Dec 31 2023, Introduction.
(b)	a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds;	Table 9.1.4 Outline of the differences in the scopes of consolidation (entity by entity) (EU LI3) Table 9.1.5 Explanations of differences between accounting and regulatory exposure amounts (EU LIA)

CRR Article		Reference
Disclosure of risk management objectives and policies		
(c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part;	Table 9.1.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (EU LI1)
(d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences;	Table 9.1.3 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2)
(e)	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;	N/A
(f)	any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries;	Table 9.1.6 Other qualitative information on the scope of application (EU LIB)
(g)	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;	N/A
(h)	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	N/A
Article 437		
Disclosure of own funds		
	1. Institutions shall disclose the following information regarding their own funds:	
(a)	a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	Table 2.1.1 Composition of regulatory own funds (EU CC1) Table 9.1.1 Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2)
(b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA)
(c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Table 2.2.1 Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA)
(d)	a separate disclosure of the nature and amounts of the following:	
(i)	each prudential filter applied pursuant to Articles 32 to 35;	Table 2.1.1 Composition of regulatory own funds (EU CC1)
(ii)	items deducted pursuant to Articles 36, 56 and 66;	Table 2.1.1 Composition of regulatory own funds (EU CC1)
(iii)	items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	Table 2.1.1 Composition of regulatory own funds (EU CC1)
('e)	a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	N/A
(f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation.	Table 2.1.1 Composition of regulatory own funds (EU CC1)
Article 437a		
Disclosure of own funds and eligible liabilities		
	1. Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities:	
(a)	the composition of their own funds and eligible liabilities, their maturity and their main features;	Table 1.1.2 Key metrics - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities (EU KM2) Table 2.5.1 Composition - MREL and, where applicable, the G-SII Requirement for own funds and eligible liabilities (EU TLAC1)
(b)	the ranking of eligible liabilities in the creditor hierarchy;	N/A
(c)	the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4);	Table 2.5.1 Composition - MREL and, where applicable, the G-SII Requirement for own funds and eligible liabilities (EU TLAC1)
(d)	the total amount of excluded liabilities referred to in Article 72a(2).	Table 1.1.2 Key metrics - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities (EU KM2)

CRR Article		**Reference**
Article 438		
Disclosure of own funds requirements and risk-weighted exposure amounts		
	Institutions shall disclose the following information regarding their compliance with Article 92 of this Regulation and with the requirements laid down in Article 73 and in point (a) of Article 104(1) of Directive 2013/36/EU:	
(a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	Table 1.3.2 ICAAP information (EU OVC)
(b)	the amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	Table 1.1.1 Key metrics template (EU KM1)
(c)	upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	N/A
(d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	Table 2.3.1 Overview of risk weighted exposure amounts (EU OV1)
(e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	N/A Specialized lending
(f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	Table 2.3.2 Insurance participations (EU INS1)
(g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;	Table 2.3.3 Financial conglomerates information on own funds and capital adequacy ratio (EU INS2)
(h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	N/A
Article 439		
Disclosure of exposures to counterparty credit risk		
	Institutions shall disclose the following information regarding their compliance with Article 92 of this Regulation and with the requirements laid down in Article 73 and in point (a) of Article 104(1) of Directive 2013/36/EU:	
(a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	Table 1.3.2 ICAAP information (EU OVC)
(b)	the amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	Table 1.1.1 Key metrics template (EU KM1)
(c)	upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	N/A
(d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	Table 2.3.1 Overview of risk weighted exposure amounts (EU OV1)
(e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	N/A Specialized lending
(f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	Table 2.3.2 Insurance participations (EU INS1)

CRR Article		Reference
(g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;	Table 3.7.2 Analysis of CCR exposure by approach (EU CCR1)
(h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	Table 3.7.3 Transactions subject to own funds requirements for CVA risk (EU CCR2)
(i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	Not applicable for Aktia: no exposures to CCPs
(j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;	N/A
(k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9);	N/A
(l)	separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	Table 3.7.4 Standardised approach – CCR exposures by regulatory exposure class and risk weights (EU CCR3) Table 3.7.5 IRB approach – CCR exposures by exposure class and PD scale (EU CCR4)"
(m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	Table 3.7.2 Analysis of CCR exposure by approach (EU CCR1)
Article 440		
Disclosure of countercyclical capital buffers		
	1. Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer as referred to in Chapter 4 of Title VII of Directive 2013/36/EU:	
(a)	the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer;	Table 2.4.1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1)
(b)	the amount of their institution-specific countercyclical capital buffer.	Table 2.4.2 Amount of institution-specific countercyclical capital buffer (EU CCyB2)
Article 441		
(g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;	Table 3.7.2 Analysis of CCR exposure by approach (EU CCR1)
(h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	Table 3.7.3 Transactions subject to own funds requirements for CVA risk (EU CCR2)
(i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	Not applicable for Aktia: no exposures to CCPs
Disclosure of indicators of global systemic importance		N/A G-SII institutions
Article 442		
Disclosure of exposures to credit risk and dilution risk		
	Institutions shall disclose the following information regarding their exposures to credit risk and dilution risk:	
(a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	Chapter 2.1.2 Additional disclosure related to the credit quality of assets (EU CRB)
(b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Chapter 2.1.2 Additional disclosure related to the credit quality of assets (EU CRB)
(c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	Table 3.1.3 Performing and non-performing exposures and related provisions (EU CR1) Table 3.3.1 Credit quality of forborne exposures (EU CQ1) Table 3.1.5 Quality of non-performing exposures by geography (EU CQ4)
(d)	an ageing analysis of accounting past due exposures;	Table 3.2.1 Credit quality of performing and non-performing exposures by past due days (EU CQ3)
(e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;	"Table 3.1.5 Quality of non-performing exposures by geography (EU CQ4)

CRR Article		Reference
(f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	Table 3.1.5 Quality of non-performing exposures by geography (EU CQ4) Table 3.1.6 Credit quality of loans and advances by industry (EU CQ5)"
(g)	the breakdown of loans and debt securities by residual maturity.	Table 3.1.4 Maturity of exposures (EU CR1-A)
Article 443		
Disclosure of encumbered and unencumbered assets		
	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.	Table 7.2.1 Encumbered and unencumbered assets (EU AE1) Table 7.2.2 Collateral received and own debt securities issued (EU AE2) Table 7.2.3 Sources of encumbrance (EU AE3) Table 7.2.4 Accompanying narrative information (EU AE4)"
Article 444		
Disclosure of the use of the Standardised Approach		
	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:	
(a)	the names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period;	Chapter 2.2.3 Qualitative disclosure requirements related to standardised model (EU CRD)
(b)	the exposure classes for which each ECAI or ECA is used;	Chapter 2.2.3 Qualitative disclosure requirements related to standardised model (EU CRD)
(c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	Chapter 2.2.3 Qualitative disclosure requirements related to standardised model (EU CRD)
(d)	the association of the external rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three, taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by EBA;	Chapter 2.2.3 Qualitative disclosure requirements related to standardised model (EU CRD)
(e)	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as the exposure values deducted from own funds.	"Table 3.5.3 Standardised approach – Credit risk exposure and CRM effects (EU CR4)
Article 445		
Disclosure of exposure to market risk		
	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those points. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	N/A, FX net position less than 2% of own funds.
Article 446		
Disclosure of operational risk management		
	Institutions shall disclose the following information about their operational risk management:	
(a)	the approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;	Chapter 4.1.1 Qualitative information on operational risk (EU ORA)
(b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach;	N/A advanced measurement approach
(c)	in the case of partial use, the scope and coverage of the different methodologies used.	N/A advanced measurement approach
Article 447		
Disclosure of key metrics		
	Institutions shall disclose the following key metrics in a tabular format:	
(a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	Table 1.1.1 Key metrics template (EU KM1)
(b)	the total risk exposure amount as calculated in accordance with Article 92(3);	Table 1.1.1 Key metrics template (EU KM1)
(c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU;	Table 1.1.1 Key metrics template (EU KM1)
(d)	their combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	Table 1.1.1 Key metrics template (EU KM1)
(e)	their leverage ratio and the total exposure measure as calculated in accordance with Article 429;	Table 1.1.1 Key metrics template (EU KM1)

CRR Article		Reference
(f)	the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	
(i)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 1.1.1 Key metrics template (EU KM1)
(ii)	the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 1.1.1 Key metrics template (EU KM1)
(iii)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 1.1.1 Key metrics template (EU KM1)
(g)	the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six:	
(i)	the net stable funding ratio at the end of each quarter of the relevant disclosure period;	Table 1.1.1 Key metrics template (EU KM1)
(ii)	the available stable funding at the end of each quarter of the relevant disclosure period;	Table 1.1.1 Key metrics template (EU KM1)
(iii)	the required stable funding at the end of each quarter of the relevant disclosure period;	Table 1.1.1 Key metrics template (EU KM1)
(h)	their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	Table 1.1.2 Key metrics of own funds and eligible liabilities (EU KM2)
Article 448		
Disclosure of exposures to interest rate risk on positions not held in the trading book		
	1. As from 28 June 2021, institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of Directive 2013/36/EU:	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(a)	the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	"Table 6.1.2 Interest rate risks of non-trading book activities (EU IRRB 1)
(b)	the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	"Table 6.1.2 Interest rate risks of non-trading book activities (EU IRRB 1)
(c)	a description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(d)	an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(e)	the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(i)	a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income;	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(ii)	a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences;	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(iii)	a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk;	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(iv)	the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3);	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(v)	an outline of how often the evaluation of the interest rate risk occurs;	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(f)	the description of the overall risk management and mitigation strategies for those risks;	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)
(g)	average and longest repricing maturity assigned to non-maturity deposits.	Chapter 5.1.1 Qualitative information on interest rate risks of non-trading book activities (EU IRRBA)

CRR Article		Reference
	2. By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.	
Article 449		
Disclosure of exposures to securitisation positions		N/A, no securitisation positions
Article 449a		
Disclosure of environmental, social and governance risks (ESG risks)		N/A, Aktia is not considered a large institution
Article 450		
Disclosure of remuneration policy		
	1. Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on the risk profile of the institutions:	
(a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	https://www.aktia.com/en/ → Investors → Corporate governance → Remuneration → Remuneration and variable compensation (EU REMA)
(b)	information about the link between pay of the staff and their performance;	https://www.aktia.com/en/ → Investors → Corporate governance → Remuneration → Remuneration and variable compensation (EU REMA)
(c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	https://www.aktia.com/en/ → Investors → Corporate governance → Remuneration → Remuneration and variable compensation (EU REMA)
(d)	the ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU;	https://www.aktia.com/en/ → Investors → Corporate governance → Remuneration → Remuneration and variable compensation (EU REMA)
(e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	https://www.aktia.com/en/ → Investors → Corporate governance → Remuneration → Remuneration and variable compensation (EU REMA)
(f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;	https://www.aktia.com/en/ → Investors → Corporate governance → Remuneration → Remuneration and variable compensation (EU REMA)
(g)	aggregate quantitative information on remuneration, broken down by business area;	Table 8.1.5 Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM5)
(h)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following:	Table 8.1.2 Remuneration awarded for the financial year (EU REM1)
(i)	the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;	Table 8.1.2 Remuneration awarded for the financial year (EU REM1)
(ii)	the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part;	Table 8.1.2 Remuneration awarded for the financial year (EU REM1)
(iii)	the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years;	Table 8.1.2 Remuneration awarded for the financial year (EU REM1) Table 8.1.4 Deferred remuneration (EU REM3)"
(iv)	the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments;	Table 8.1.2 Remuneration awarded for the financial year (EU REM1) Table 8.1.4 Deferred remuneration (EU REM3)"
(v)	the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;	Table 8.1.3 Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM2)
(vi)	the severance payments awarded in previous periods, that have been paid out during the financial year;	Table 8.1.3 Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM2)
(vii)	the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	Table 8.1.3 Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM2)
(i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	N/A
(j)	upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management;	N/A

CRR Article		Reference
(k)	information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU.	https://www.aktia.com/en/ → Investors → Corporate governance → Remuneration → Remuneration and variable compensation (EU REMA)
	2. For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.	N/A
	Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to Regulation (EU) 2016/679 of the European Parliament and of the Council (*15).	Principle of proportionality Aktia has applied this in reporting these issues.
Article 451		
Disclosure of the leverage ratio		
	1. Institutions that are subject to Part Seven shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 and their management of the risk of excessive leverage:	
(a)	the leverage ratio and how the institutions apply Article 499(2);	Table 2.6.2 LRCom: Leverage ratio common disclosure (EU LR2)
(b)	a breakdown of the total exposure measure referred to in Article 429(4), as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Table 2.6.1 LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1) Table 2.6.3 LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU LR3)"
(c)	where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	N/A
(d)	a description of the processes used to manage the risk of excessive leverage;	Chapter 1.3.2 Disclosure of LR qualitative information (EU LRA)
(e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	Chapter 1.3.2 Disclosure of LR qualitative information (EU LRA)
	2. Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).	N/a public development credit institutions
	3. In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	N/A large institutions
Article 451a		
Disclosure of liquidity requirements		
	1. Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	
	2. Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	Table 7.1.2 Quantitative information of LCR (EU LIQ1) Chapter 6.1.2 Qualitative information on LCR, which complements template EU LIQ1 (EU LIQB)"
(a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 7.1.2 Quantitative information of LCR (EU LIQ1) Chapter 6.1.2 Qualitative information on LCR, which complements template EU LIQ1 (EU LIQB)"
(b)	the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Table 7.1.2 Quantitative information of LCR (EU LIQ1) Chapter 6.1.2 Qualitative information on LCR, which complements template EU LIQ1 (EU LIQB)"
(c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Table 7.1.2 Quantitative information of LCR (EU LIQ1) Chapter 6.1.2 Qualitative information on LCR, which complements template EU LIQ1 (EU LIQB)"
	3. Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	Table 7.1.4 Net Stable Funding Ratio (EU LIQ2)
(a)	quarter-end figures of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period;	Table 7.1.4 Net Stable Funding Ratio (EU LIQ2)

CRR Article		**Reference**
(b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six;	Table 7.1.4 Net Stable Funding Ratio (EU LIQ2)
(c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six.	Table 7.1.4 Net Stable Funding Ratio (EU LIQ2)
	4. Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU.	Table 7.1.4 Net Stable Funding Ratio (EU LIQ2)
TITLE III		
QUALIFYING REQUIREMENTS FOR THE USE OF PARTICULAR INSTRUMENTS OR METHODOLOGIES		
Article 452		
Disclosure of the use of the IRB Approach to credit risk		
	Institutions calculating the risk-weighted exposure amounts under the IRB Approach to credit risk shall disclose the following information:	
(a)	the competent authority's permission of the approach or approved transition;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(b)	for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission;	Table 3.5.1 Scope of the use of IRB and SA approaches (EU CR6-A) Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(c)	the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(i)	the relationship between the risk management function and the internal audit function;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(ii)	the rating system review;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(iii)	the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(iv)	the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(d)	the role of the functions involved in the development, approval and subsequent changes of the credit risk models;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(e)	the scope and main content of the reporting related to credit risk models;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(f)	a description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(i)	the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(ii)	where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(iii)	where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	Chapter 2.2.2 Qualitative disclosure requirements related to IRB approach (EU CRE)
(g)	as applicable, the following information in relation to each exposure class referred to in Article 147:	Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6) Table 3.5.3 IRB approach – CCR exposures by exposure class and PD scale (EU CCR4)
(i)	their gross on-balance-sheet exposure;	Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)
(ii)	their off-balance-sheet exposure values prior to the relevant conversion factor;	Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)
(iii)	their exposure after applying the relevant conversion factor and credit risk mitigation;	Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)
(iv)	any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk;	Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)
(v)	separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	Table 3.5.6 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)

CRR Article		Reference
(h)	institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.	Table 3.5.10 IRB approach – Back-testing of PD per exposure class (fixed PD scale) (EU CR9)
Article 453		
Use of credit risk mitigation techniques		
	The institutions applying credit risk mitigation techniques shall disclose the following information:	
(a)	the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting;	Chapter 2.2.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)
(b)	the policies and processes for collateral valuation and management;	Chapter 2.2.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)
(c)	a description of the main types of collateral taken by the institution;	Chapter 2.2.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)
(d)	the main types of guarantor and credit derivative counterparty and their creditworthiness;	N/A
(e)	information about market or credit risk concentrations within the credit mitigation taken;	Chapter 2.2.1 Qualitative disclosure requirements related to CRM techniques (EU CRC)
(f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral;	Table 3.4.2 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (EU CR3)
(g)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155.	Table 3.5.3 Standardised approach – Credit risk exposure and CRM effects (EU CR4)
Article 454		
Use of the Advanced Measurement Approaches to operational risk		N/A
Article 455		
Use of Internal Market Risk Models		N/A Internal Market Risk Models

8.1.2 Immaterial items not disclosed

Table	Article reference	
Template EU LIB - Other qualitative information on the scope of application	Article 436 points (g) and (h)	Not applicable for Aktia. The actual own funds in all the subsidiaries do not fall below the required minimum. Aktia does not have the exemption referred to in Article 7 or the individual consolidation method laid down in Article 9.
Table EU PV1: Prudent valuation adjustments (PVA)	Article 436 point (e)	Not applicable for Aktia
Table EU iLAC - Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs Table EU TLAC2: Creditor ranking - Entity that is not a resolution entity Table EU TLAC3: creditor ranking - resolution entity	Article 437a	Article not applicable to Aktia: G-SII Institutions TLAC Debt Disclosure Requirements
Table EU CR10 – Specialised lending and equity exposures under the simple risk weighted approach	Article 438 point (e)	This article is not applicable for Aktia. No specialized lending has been identified in Aktia
Table EU CCR4-IRB approach – CCR exposures by exposure class and PD scale	Article 439 point (l)	Not applicable for Aktia: No derivatives under IRB method
Table EU CCR7 – RWEA flow statements of CCR exposures under the IMM	Article 438 point (h)	Not applicable for Aktia: No exposures under IMM
Table EU CCR6 – Credit derivatives exposures	Article 439 point (j)	Not applicable for Aktia: No credit derivatives
Table EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries Table EU CQ2: Quality of forbearance Table EU CQ6: Collateral valuation - loans and advances Table EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	Article 442 point (c) and (f)	EBA/ITS/2020/04 templates EU CR2a, EU CQ2, EU CQ6 and EU CQ8 are applied only to significant credit institutions with a gross NPL ratio of 5% or above. As Aktia is not a significant credit institution and the NPL ratio does not exceed 5%, Aktia has not disclosed these templates.
Table EU CQ7: Collateral obtained by taking possession and execution processes	Article 442 point (c)	Template EU CQ7 might be empty and shall not be disclosed: Aktia has not obtained collaterals by taking possession over them through execution process (prohibited by Finnish law)
Table EU CR2: Changes in the stock of non-performing loans and advances	Article 442 point (f)	
Table EU-SECA - Qualitative disclosure requirements related to securitisation exposures Table EU-SEC1 - Securitisation exposures in the non-trading book Table EU-SEC2 - Securitisation exposures in the trading book Table EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor Table EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor Table EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Article 449	Not applicable for Aktia: no exposures to securitisation positions
Table EU REM4 - Remuneration of 1 million EUR or more per year	Article 450 points 1. (j) (i)	No identified staff that are high earners as set out in Article 450(i) CRR (Eur 1 million or more)
Table EU CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Article 452 (h)	Not applicable to Aktia as it does not rate / compare with the ECAI rating
Table EU MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models	Article 445	Not applicable; Internal Market Risk Models not in use
Table EU MR1 - Market risk under the standardised approach	Article 445	Not applicable: No capital requirement because fx net position less than 2% of own funds.
Table EU MR2-A - Market risk under the internal Model Approach (IMA)	Article 455 e)	Not applicable; No trading book
Table EU MR2-B - RWA flow statements of market risk exposures under the IMA	Article 438 (h)	Not applicable; No trading book
Table EU MR3 - IMA values for trading portfolios	Article 455 (d)	Not applicable; No trading book
Table EU MR4 - Comparison of VaR estimates with gains/losses	Article 455 (g)	Not applicable; No trading book
Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria.	EBA/GL/2020/07 Disclosure of exposures subject to measures applied in response to COVID-19 crisis	For the purpose of EBA/GL/2020/07 templates 1 and 2, moratoria refers to general moratoria in accordance with paragraph 10 of EBA Guidelines (EBA/GL/2020/02) on legislative and non-legislative moratoria. The concessions Aktia has made in response to the COVID-19 crisis have been assessed individually for each counterparty, hence the concession does not meet the criteria of moratoria in accordance with EBA/GL/2020/02.

Zero rows or columns are not presented.

8.1.2.1 Information not disclosed due to non-materiality or not applicable to the Aktia Bank Group

Aktia does not publish the tables listed below because Aktia has no reporting obligation to supplement its operations or the reporting obligation does not apply to Aktia.

8.1.2.2 Contact information

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8.1.2.3 BIC/S.W.I.F.T: HELSFIHH