Report by the Board of Directors

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Mikko Ayub, new CEO at Aktia

On 6 August 2018, the Board of Aktia Bank Plc appointed Mikko Ayub (M.Sc., MBA) as new Chief Executive Officer. Mikko Ayub is moving to Aktia from Nordea Bank where he most recently has been Executive Advisor for the Commercial and Business Banking operations and before that he was responsible for the Markets operations in Finland, Baltics and Russia. Mikko Ayub started as CEO on 1 October 2018.

Aktia renews its Executive Committee

On 23 November 2018, Aktia Bank Plc announced that the Bank will renew its Executive Committee to more efficiently implement its strategy. As of 1 January 2019, Aktia will have three business areas, Private customers and Corporate customers within the Banking business and Asset Management.

Aktia decreased its holding in Aktia Real Estate Agency

Aktia Bank Plc decreased its holdings in Aktia Real Estate Agency Ltd to 19 % at the beginning of July. The change in the ownership structure supports the implementation of Aktia's new strategy and will improve Aktia Real Estate Agency's possibilities within its own branch. The transaction had no significant impact on the Group's result and financial position. The close cooperation between Aktia Bank and the Real Estate Agency continues even after the change in the ownership structure.

Aktia divested its holding in Folksam Non-Life Insurance Company

In October, Aktia Bank Plc has made an agreement to sell its remaining 10 % holding in Folksam Non-Life Insurance Company Ltd to Fennia Mutual Insurance Company. Aktia Bank is now completely focused on carrying out the strategy, which focuses on asset management and financing solutions, while competitive non-life insurance and pension insurance products are offered through partners.

Moody's upgraded Aktia's rating

In July, the credit institution Moody's upgraded the long- and short-term deposit ratings of Aktia Bank from A3/P-2 to A1/P-1 and the long-term Senior Unsecured debt rating from A3 to A1. The main reason for the upgraded rating was the consistent improvement in Aktia's financial performance during the last two years, including successful diversification of the bank's mixed income through expanding asset management operations.

Combining the R and A shares

Aktia Bank Plc's Annual General Meeting approved the Board of Directors' proposal that the company's R and A shares should be combined without increasing the share capital, so that after the combination the company will have only one share class. The Annual General Meeting also accepted the amended Articles of Association and the directed, payment-free issue of new shares to the holders of R shares each received three new payment-free shares for every batch of 25 R shares that they own. All in all, 2,383,851 new shares were issued to the holders of R shares. The combination was registered on 12 April 2018. Trading with the new share together with the existing share commenced on 13 April 2018 under the ISIN code FI4000058870 and the trading symbol AKTIA.

Expanding to the international market

Aktia expanded sales of its specialist knowledge of emerging market government bonds to international markets. The new cooperation with the German company Universal-Investment GmbH, the largest independent manager in German-speaking Europe that offers investment services, continued. The company has over EUR 340 billion in assets under management and offers its customers over 1,000 private-label funds and mandates. Universal-Investment GmbH manages and distributes Aktia's funds through its sales organisation to institutional investors in German-speaking Europe.

Aktia's asset management at the top of Finnish fixed-income fund management again

Aktia was again chosen as the Best Finnish Fixed Income Manager in Morningstar's competition "Finland Awards 2018". Additionally, the Aktia Corporate Bond+ fund finished among the three best funds in the Fixed Income Funds category. Asset Management at Aktia has been at the top in Morningstar's surveys since 2013. The long-standing success proves the outstanding expertise within Aktia. Aktia's Wealth Management has specialised in three main areas within fixed income fund management: global inflation, European corporate bonds and government bonds issued in emerging markets.

Aktia Bank introduced a new share savings plan

To support the implementation of Aktia's new strategy, the Board of Aktia Bank Plc decided to introduce a new long-term share savings plan for the employees of the Aktia Group. The aim is to encourage Aktia's employees to invest in and hold the company's shares, and with that, to rectify the interests and engagement of the staff and management towards value development and increased shareholder value.

Business environment

The difficult negotiations regarding foreign trade between the US and China as well as concerns about the economic outlook on a broader level caused significant turbulence on the investment market at the end of the year.

The decrease in the world stocks and thus the low return on the stock market continued throughout the last quarter. Both the American S&P 500 index and the domestic OMX Helsinki Cap index decreased by approximately 14 % during the last quarter. The Nordic banking sector's index (N Bank's EUR PI) decreased by approximately 15 % during the fourth quarter and 19 % during 2018. The Aktia share (AKTIA) increased by 5.6 % during 2018, but deceased by 2.0 % during the last quarter of the year. The Euribor rates mainly remained unchanged. The long reference rates and government bonds deceased due to the weaker cyclical development and the increased political risk.

The European Central Bank ceased its pegging purchases at the turn of the year. The first interest rate increase is expected during autumn 2019 but the uncertainty regarding this has increased due to a lower cyclical development in the euro area overall as well as a continued moderate development of inflation.

The financial development in Finland, based on the indicators we have, was relatively good during the last quarter 2018, but the uncertainty in the world economy weighted down the outlook. Statistics Finland's meter of the economic situation showed 3.2 % growth during October compared to the previous year, and the corresponding number in November was 1.8 %. The overall picture still looks relatively good but the downward risks in the prognosis are dominating.

In Finland the confidence is still on historically high levels even though the consumer confidence as well as the industry and service sector confidence have decreased from the highest levels in the beginning of 2018. There is still strong belief in the personal economy and many households see that the situation is favourable for further savings.

The inflation in Finland is still moderate both historically and in relation to the euro area. Consumer prices increased in December by 1.3 % while the corresponding number for the euro area was 1.6 %. The lower energy prices can already be seen in the inflation. During autumn, investments and foreign trade have lagged while the consumption has continued to grow supported by the excellent employment development. In December, employment rates increased to 72.5 %. The unemployment rate has also decreased significantly during 2018 and during the last quarter unemployment decreased to 6.6 %.

The divided development on the Finnish real-estate market has continued and the overall picture of the development on the real-estate market is rather weak. The prices for older row and block house apartments have increased by 0.6 % during the year. The aggregated numbers are due to vast regional differences. The prices in the Helsinki region increased by 2.5 % while the prices decreased by 1.2 % in the rest of the country. However, in most growth centres the price development has continued favourably. The demand for mortgage loans was still strong, even though the hard competition for mortgage loan borrowers is still putting pressure on customer margins for new mortgage loans.

Key figures

Y-o-y	2019E*	2018E*	2017
GDP growth, %			
World	3.4	3.7	3.8
Euro area	1.5	1.9	2.4
Finland	1.8	2.4	2.8
Consumer price index, %			
Euro area	1.8	1.6	1.5
Finland	1.6	1.2	0.7
Other key ratios, %			
Development of real value of housing in Finland[1]	0.8	0.2	0.3
Unemployment in Finland[1]	7.0	7.4	8.6
Interest rates[2], %			
ECB	0.25	0.00	0.00
10-y interest rate, Finland	0.90	0.54	0.59
Euribor 12 months	-0.05	-0.12	-0.19
Euribor 3 months	-0.10	-0.31	-0.33

*Aktia's chief economist's prognosis 24 January 2019
1) annual average
2) at the end of the year

Rating

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

On 2 July 2018, credit institution Moody's Investors Service upgraded (and confirmed on 28 December 2018) the long- and short-term deposit ratings of Aktia Bank from A3/P-2 to A1/P-1 and the long-term Senior Unsecured rating from A3 to A1. Baseline Credit Assessment (BCA) was upgraded to a3. Furthermore, the foreign and local currency Counterparty Risk Ratings (CRR) were upgraded to Aa3/P-1 and the long- and short-term Counterparty Risk (CR) Assessments were upgraded to Aa3(cr)/P-1(cr). The outlook on the long-term deposit and senior ratings was changed from positive to stable.

Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term covered bonds.

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

Transition to IFRS 9

The income statement for the year is reported according to IFRS 9, while the reference year for 2017 is reported according to the previous IAS 39 standard.

The new rules for recognition and measurement had at the time of the transition no significant impact on the Group's result or financial position but caused increased volatility mainly in the net income from life-insurance.

The transition to IFRS 9 brought a new model for calculating and reporting impairments. The new model can cause increased volatility for impairments of credits and other commitments, for net income from life-insurance and for net income from financial transactions.

Profit 2018

The Group's operating profit was EUR 67.6 (49.1) million. The Group's profit was EUR 56.0 (39.3) million. Operating profit excluding items affecting comparability increased by 9 % to EUR 65.4 (59.9) million.

Items affecting comparability

EUR million	2018	2017
Dividend from Suomen Luotto-osuuskunta	-	1.3
Net income from equity holding in Folksam Non-Life Insurance Company	4.0	-1.0
Value change of equity holding in Bohemian Wrappsody	-1.0	-
Profit from divestment of Aktia Real Estate Agency	1.1	-
Costs for restructuring	-1.8	-11.1
Total	**2.2**	**-10.8**

Income

The Group's operating income was at the same level as last year and amounted to EUR 210.1 (210.3) million. Operating income excluding items affecting comparability, however, decreased to EUR 206.1 (210.0) million.

Net interest income decreased by 4 % to EUR 85.9 (89.6) million. The net interest income from borrowing and lending increased by 2 % to EUR 70.1 (69.1) million, even though last year includes interest income of EUR 2.0 million from unwound mortgage bank loans. Continued low market interest rates, and thereby lower interest income from the Bank's liquidity portfolio, decreased the Group's net interest income by EUR 6.6 million. Interest income from the 2012 unwound interest rate hedges decreased by EUR 4.1 million to EUR 10.3 (14.4) million. In June, the European Central Bank set the expense for Aktia's TLTRO refinancing and during the year a positive impact on the net interest income of EUR 3.5 million was recognised.

Net commission income increased by 5 % to EUR 95.6 (91.4) million. Net commission income from borrowing and lending amounted to EUR 13.8 (12.1) million, which corresponds to a 14 % increase. Commission income from mutual funds, asset management and securities brokerage increased by 10 % to EUR 59.6 (54.2) million. Card and other payment service commissions increased by 18 % to EUR 24.4 (20.7) million.

The net income from life insurance decreased by 20 % to EUR 21.4 (26.6) million. The actuarially calculated result has increased from last year while the net income from investment activities has decreased. The transition to IFRS 9 caused increased volatility in the net income from life insurance and the year includes value changes of EUR -4.6 million.

Net income from financial transactions was EUR 4.9 (0.8) million. In November, Aktia divested its remaining holdings in Folksam Non-Life Insurance, which resulted in a EUR 4.0 million sales gain. Net income from hedge accounting was EUR -0.4 (-0.3) million.

Other operating income amounted to EUR 2.3 (1.5) million and includes a EUR 1.1 million sales gain from the divestment of Aktia Real Estate Agency.

Expenses

The operating expenses amounted to EUR 143.0 (160.7) million. Operating expenses excluding items affecting comparability decreased by 6 % to EUR 141.2 (150.0) million.

The staff costs amounted to EUR 66.7 (79.1) million. The year includes costs for restructuring, amounting to EUR 1.8 (9.2) million. Comparable staff costs decreased by 7 % to EUR 64.9 (69.9) million.

IT expenses decreased by 16 % to EUR 25.6 (30.5) million due to lower operating costs.

Depreciations of tangible and intangible assets amounted to EUR 12.4 (9.5) million, of which depreciation for the core banking system amounted to EUR 6.1 (3.0) million.

Other operating expenses were EUR 38.3 (41.7) million and include EUR 2.3 million for the EU statutory expense to the fund for financial stability. The biggest decreases are attributable to marketing expenses and rental expenses. The reference year includes EUR 1.4 million in costs for restructuring.

Last year includes a EUR 0.5 million impairment of tangible assets, which relates to costs for restructuring.

Impairment of credits and other commitments were still low and amounted to EUR -0.8 (-0.6) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total at the end of December was EUR 9,266 (9,550) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 1,368 (1,816) million. The short-term financing requirement was financed with repurchase agreements to a value of EUR 99 (146) million.

To monitor liquidity risks, a so-called survival horizon is used. The survival horizon measures how long the cash flows of the liquidity reserve will last to cover the contractual outgoing cash flows from the capital market without access to new financing. On 31 December 2018 the Bank Group would survive for over 21 months in a scenario with completely closed capital markets.

In addition, the liquidity risk is followed up by the Liquidity Coverage Ratio (LCR). On 31 December 2018 the LCR was 134 (161) %. The LCR level fluctuates among other things because of the maturity structure of the bonds issued by the bank.

Liquidity coverage ratio (LCR)*	**31 Dec 2018**	**31 Dec 2017**
LCR %	134 %	161 %

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

Borrowing

Borrowing from the public and public sector entities decreased to EUR 3,963 (4,119) million. At the end of December Aktias market share of deposits was 3.3 (3.5) %.

In total, the value of bonds issued by the Aktia Group was EUR 2,460 (2,451) million. Of these, EUR 1,666 (1,669) million was covered bonds issued by Aktia Bank.

During the year, Aktia Bank issued a new long-term covered bond to a value of EUR 500 million and a maturity of 5 years. The issue was carried out to very favourable terms and it was oversubscribed more than 2.5 times. As security for the CB issue, bonds with a value of EUR 2,264 (2,110) million were reserved at the end of December.

During the year, Aktia Bank has also issued new long-term unsecured bonds to the value of EUR 250 million within the scope of the bank's EMTN programme, which were carried out to repay the EUR 235 million bonds that matured during the year and to ensure that the bank meets the future regulatory requirements.

Lending

Total Group lending to the public amounted to EUR 6,106 (5,839) million at the end of December, an increase of EUR 267 million.

Loans to private households accounted for EUR 4,756 (4,714) million, or 77.9 (80.7) % of the loan book.

The housing loan book totalled EUR 4,698 (4,655) million, of which the share for households was EUR 3,958 (3,971) million. Aktia's new lending to households amounted to EUR 811 (838) million. At the end of December, Aktia's market share in housing loans to households was 4.1 (4.2) %.

Corporate lending accounted for 11.6 (10.1) % of Aktia's loan book. Total corporate lending amounted to EUR 707 (592) million. Loans to housing companies increased by 23 % to EUR 604 (491) million, making up 9.9 (8.4) % of Aktia's total loan book.

Loan book by sector

(EUR million)	**31 Dec 2018**	**31 Dec 2017**	**Δ**	**Share, %**
Households	4,756	4,714	42	77.9 %
Corporates	707	592	116	11.6 %
Housing companies	604	491	112	9.9 %
Non-profit organisations	35	38	-3	0.6 %
Public sector entities	4	4	0	0.1 %
Total	**6,106**	**5,839**	**267**	**100.0 %**

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Bank Group and other interest-bearing investments amounting to EUR 1,368 (1,816) million, the life insurance company's investment portfolio amounting to EUR 551 (574) million and the real estate and equity holdings of the Bank Group amounting to EUR 4 (9) million.

Technical provisions

The life insurance company's technical provisions amounted to EUR 1,156 (1,217) million, of which EUR 757 (802) million were unit-linked. Interest-related technical provisions decreased to EUR 399 (415) million.

Equity

Aktia Group's equity amounted to EUR 590 (598) million. The fund at fair value decreased to EUR 18 (52) million. EUR 24 million of the total decrease of EUR 34 million is attributable to the reclassifications in conjunction with the implementation of IFRS 9.

Commitments

Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees amounted to EUR 519 (553) million.

Managed assets

The Group's total managed assets amounted to EUR 10,973 (10,563) million.

Assets under management comprise managed and brokered mutual funds and managed capital in the subsidiaries in the Wealth Management segment. The assets presented in the table below reflect net volumes, so that AuM in multiple companies have been eliminated.

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

Managed assets

(EUR million)	31 Dec 2018	31 Dec 2017	Δ %
Assets under management	8,860	7,961	11 %
Group financial assets	2,113	2,602	-19 %
Total	**10,973**	**10,563**	**4 %**

Capital adequacy and solvency

At the end of the year, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance Ltd) was 17.5 (18.0) %. After deductions, Common Equity Tier 1 capital increased by EUR 8.7 million during the year which improved the CET1 capital ratio by 0.4 percentage points. Risk-weighted commitments increased by EUR 119.0 million which reduced the CET1 capital ratio by 1.0 percentage points. The change is mainly attributable to the risk weight floor of 15 % for mortgage loans which increased risk-weighted commitments by EUR 225.9 million. During the year the corporate exposures have also increased.

The Bank Group applies internal risk classification (IRB) to the calculation of capital requirement for retail and equity exposures. For other exposures the standardised approach is used. A total of 57 (54) % of the Bank Group's exposures are calculated according to the IRB approach. Aktia has submitted an IRBA application regarding corporate exposures (Foundation Internal Ratings Based Approach, F-IRB) and unsecured credits (Advanced Internal Ratings Based Approach, A-IRB) to the Financial Supervisory Authority.

Capital adequacy, %	31 Dec 2018	31 Dec 2017
Bank Group		
CET1 capital ratio	17.5	18.0
T1 capital ratio	17.5	18.0
Total capital ratio	20.5	23.4
Aktia Bank		
CET1 capital ratio	16.9	17.9
T1 capital ratio	16.9	17.9
Total capital ratio	20.0	23.2

The total capital requirement for the banking business consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The minimum requirement for CET1 capital ratio under Pillar 1 is 4.5 % and 8 % for the total capital ratio. Pillar 2 is specific to banks and is based on the Supervisory Review and Evaluation Process, SREP. The additional requirements for capital buffers increase the capital requirements and limit the distribution of profit if the CET1 capital ratio does not meet the requirements.

The Finnish Financial Supervisory Authority has set a consolidated Pillar 2 requirement for Aktia. The requirement amounts to 1.75 % and covers the concentration risk within credit risk and structural interest rate risk. For these risks there are no specific capital requirements (Pillar 1) in the EU's Capital Requirements Regulation (CRR). According to the decision, the requirement shall be met with CET1 capital. The requirement entered into force on 30 June 2017.

The requirement for the capital conservation buffer will increase the minimum requirement by 2.5 percentage points. The countercyclical buffer will vary between 0.0 and 2.5 percentage points and is calculated by taking the geographic distribution of exposures into account. The board of the Financial Supervisory Authority will quarterly decide the magnitude of the requirement for the countercyclical capital buffer for Finnish exposures based on analysis of macroeconomic stability. The latest decisions on the requirement (20 December 2018) set no countercyclical capital buffer requirement on the banks for Finnish exposures. Authorities in some other countries have set requirements for a countercyclical buffer and in cases when Aktia has exposures in those countries, the Group's capital requirement is increased. This requirement also applies to certain exposures in the Bank Group's liquidity portfolio. Aktia Bank Group's requirement for institute specific countercyclical buffer amounted to 0.05 % as per 31 December 2018, taking the geographic distribution of exposures into account.

Total capital requirement

31 Dec 2018	Pillar 1 minimum requirement	Pillar 2 requirement	Buffer requirements: Capital Conservation	Counter-cyclical	O-SII	Systemic risk	Total capital requirement
CET1 capital	4.50	1.75	2.50	0.05	0.00	0.00	8.80
AT1 capital	1.50	0.00					1.50
Tier 2 capital	2.00	0.00					2.00
Total	**8.00**						**12.30**

The Financial Supervisory Authority has defined Other Systemically Important Institutions (O-SIIs) in Finland and set buffer requirements for them. No O-SII buffer requirement was set for Aktia. Taking all buffer requirements into account, the minimum total capital ratio level for the Bank Group was 12.30 %, and 10.30 % for Tier 1 capital ratio at the end of the year.

The Finnish Financial Supervisory Authority's decision to introduce a minimum level of 15 % for the average risk weight on residential mortgage loans for credit institutions that have adopted the IRB approach entered into force on 1 January 2018. According to the decision the limit only applies to housing loans as defined in the Consumer Protection Act. At the end of the year, the average risk weight for such housing loans according to the IRB approach was 9.5 %. The minimum risk weight decreased CET1 by 2.0 percentage points.

The board of Financial Supervisory Authority has decided to put systemic risk buffer requirements for Finnish credit institutes. According to the Financial Supervisory Authority, the buffer requirement aims to strengthen the credit institute's structural systemic risk tolerance. The requirement varies between the credit institutes and a 1 % systemic risk buffer has been set for Aktia Bank Plc. The systemic risk buffer is to be met with CET1 capital and enters into force on 1 July 2019.

The Aktia Group has implemented IFRS 9 as of 1 January 2018. The transition to IFRS 9 had a marginal impact on the Bank Group's capital adequacy.

Aktia Bank Group's leverage ratio was 4.7 (4.5) %.

Leverage Ratio [1]	31 Dec 2018	31 Dec 2017
Tier 1 capital	384	375
Total exposures	8,111	8,259
Leverage Ratio, %	**4.7**	**4.5**

1) The leverage ratio is calculated based on end of quarter figures

The Financial Stability Board set the minimum requirement for Aktia Bank on eligible liabilities that can be written down (MREL requirement). The requirement set is twice the minimum capital requirement, including the total buffer requirement according to the Finnish Credit Institutions Act, however, at least 8 % of the balance sheet total. The requirement entered into force on 31 December 2018. Non-preferred senior instruments have been implemented into Finnish legislation during the last quarter.

MREL-requirement (EUR million)	31 Dec 2018	31 Dec 2017
RWA based	539.7	512.1
Balance sheet based	645.5	659.4
Own funds and eligible liabilities		
CET1	384.2	375.5
AT1 instruments	0.0	0.0
Tier 2 instruments	148.3	211.3
Other liabilities	660.6	566.1
Total	**1,193.1**	**1,152.8**

The life insurance company follows the Solvency II directive, in which the calculation for solvency requirements are measured at market value. According to Solvency II, the company calculates its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and identifies its available solvency capital within Solvency II. Aktia Life Insurance applies the standard formula for SCR, with consideration of the transitional measure for technical provisions in accordance with the permission granted by the Financial Supervisory Authority. The transition rule means that the solvency capital is adjusted with an addition that annually decreased linearly until 31 December 2031.

At the end of the year, SCR amounted to EUR 76,4 (85.1) million, MCR to EUR 22.7 (23.9) million and the available capital to EUR 175.5 (169.5) million. Thus, the solvency ratio was 229.8 (199.2) %. Without transitional measures SCR amounted to EUR 89.0 (98.6) million, MCR to EUR 24.7 (26.1) million and the available capital to EUR 125.8 (116.3) million. The solvency ratio without transitional measures was 141.5 (117.9) %. The transition to IFRS 9 had no impact on the solvency of Aktia Life Insurance.

The financial conglomerate's capital adequacy ratio was 166.1 (164.5) %. The financial conglomerate's capital adequacy increased during the year, due to increase in the conglomerate's capital base. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100 %. The transition to IFRS 9 had no significant impact on the conglomerate's capital adequacy.

Segment overview

Aktia Bank's operations were divided into three business segments: Personal & Corporate Banking, Wealth Management and Group Functions. Operations not a part of the business segments are reported in the Other segment.

Personal & Corporate Banking

Personal Banking provides Aktia's private customers a wide range of financing, insurance, savings and investment products and services thorough various channels. The segment also comprises the concept Aktia Premium. Corporate Banking serves companies and organisations, from micro sized companies and associations to listed companies.

The segment's operating profit

(EUR million)	2018	2017	Δ %
Operating income	120.1	115.1	4 %
Operating expenses	-91.6	-99.5	-8 %
Operating profit	27.6	14.6	89 %
Comparable operating profit	28.2	23.1	22 %

The demand for housing loans is still high but hard competition for good housing loan borrowers is still putting pressure on customer margins for new housing loans. At the same time, rent corridor and rent ceiling products have been in high demand. The total fund book of the segment decreased during the fourth quarter due to the challenging market development. Despite the challenging market development, the sales of funds through Aktia's branch network were positive for the year.

Lending to private customers was EUR 4,653 (4,611) million. The loan book for the corporate business increased to EUR 1,305 (1,111) million.

The increase in the corporate business loan book reflects the strong demand on the market for both corporate investments and property financing. The corporate business's strategic focus on small and medium-sized companies and financial solutions for larger corporate customers has contributed to the positive development of the loan book.

Net interest income from borrowing and lending has stayed on a good level due to low interest rates on deposits and stable growth in lending. Taking the segment's income of EUR 1.0 million from phasing out of Aktia Real Estate Mortgage Bank last year into account, the net interest income from borrowing and lending has increased by EUR 0.6 million. Impairment of credits and other commitments remained low.

The renewed customer concepts in line with the new strategy and price adjustments resulted in higher commission income from payment services and borrowing.

The operating expenses decreased as a result of centralisation of some support functions and restructuring of the branch network at the end of 2017.

Private customers' savings in deposits decreased to EUR 2,520 (2,554) million and savings in funds decreased to EUR 1,368 (1,419) million.

Wealth Management

The segment comprises asset management, private banking and life insurance businesses. The segment offers wealth management and financing services to wealthy private customers and institutional investors. The segment also offers a wide range of investment and life insurance products for distribution in Aktia's all customer segments.

The segment's operating profit

(EUR million)	2018	2017	Δ %
Operating income	63.2	65.7	-4 %
Operating expenses	-42.8	-41.8	2 %
Operating profit	20.5	23.8	-14 %
Comparable operating profit	21.5	26.1	-18 %

During the year, great success was reached with Nordic and European institutions through the cooperation with the fund management company Universal-Investment (UI) in Luxembourg. As of 2018, UI-Aktia EMD fund products have been offered to institutional investors and the UI-Aktia mutual fund capital was EUR 1,121 million at the end of December.

The net commission income of the segment developed in a positive way during the year. Net commission income increased by 7 % for Private Banking and by 9 % for Asset Management.

Aktia Fund Management Company's fund stock was EUR 4.4 billion, which is EUR 0.4 billion lower than the previous year. The market change for the year was negative. Sales to domestic institutional investors for the year were negative while sales of funds through Aktia's branch network were still positive.

Institutional sales on a total level have continued well despite the turbulence on the market during the past year. The total fund sales amounted to EUR 954 (678) million. Most of the sales were carried out to foreign institutions that subscribed to funds through Universal-Investment in Luxembourg. Domestic institutional sales were lower than the previous year.

During 2018, the following new funds were launched; UI-Aktia EM Local Currency Bond+, Aktia Opportunistic Credit, Aktia Alternative and Aktia Commercial Properties. It is noteworthy that in our current fund selection, our fixed income fund Aktia Emerging Markets Local Currency Bond + is the world's most successful of its kind and it turned 10 years in 2018. The fund has had the highest historical return for three, five, seven as well as for ten years' return.

Aktia's competence is unique even globally and the company's asset management has been rewarded during several years. During 2018, Aktia was again chosen Best Fixed Income Manager in Morningstar's competition Finland Awards 2018. Aktia has been in the top three for six years running and has won the competition four times. Additionally, the fund Aktia Corporate Bond+ finished among the three best funds in the Fixed Income Funds category.

Institutional investors highly appreciate Aktia Asset Management and the company was awarded third best asset manager for the second year running in the External Asset Management Institutions 2018 Finland survey by KANTAR SIFO Prospera.

The transition to IFRS 9 caused increased volatility in net income from life insurance. The segments net income from life insurance before group eliminations decreased to EUR 17.9 (23.6) million. Net income from life insurance was burdened by unrealised value changes of EUR -4.6 million for the year.

The life insurance company's technical provisions were EUR 1,156 (1,217) million, of which EUR 757 (802) million were unit-linked. Interest-related technical provisions decreased to EUR 399 (415) million. The average discount rate for the interest-linked technical provisions was 3.4 %. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which can be used to cover the future interest rate requirements.

Taking the restructuring costs of EUR 1.0 (2.2) million into account, the segment's comparable operating expenses increased by EUR 2.1 million. The expense ratio for the life insurance business was at a good level and amounted to 77.0 (78.9) %.

Assets under management totalled EUR 8,860 (7,962) million.

(EUR million)	31 Dec 2018	31 Dec 2017	Δ %
Assets under management	8,860	7,962	11 %
of which Institutional assets	5,824	4,590	27 %

Group functions

Group Functions comprises the Group's treasury business and the Group's other support and staff functions. The entities oversee the Group's financing and liquidity management and assists the other business segments with sales, IT and product support and development. The Group Functions also include monitoring and controlling risk and financial follow-up. The largest source of income is income from the Group's treasury business.

The segment's operating profit

(EUR million)	2018	2017	Δ %
Operating income	29.9	30.1	0 %
Operating expenses	-13.4	-20.2	-34 %
Operating profit	16.5	9.7	69 %
Comparable operating profit	13.8	9.8	40 %

The book value of the liquidity portfolio amounted to EUR 1,356 (1,799) million, equivalent to 22 (31) % of the lending portfolio. The interest income of the liquidity portfolio decreased to EUR 8.3 (14.9) million due to the current level of low interest rates. Despite the challenging interest rate situation, positive interest income has been retained by reinvesting.

The net interest income for the segment decreased due to lower interest income of the liquidity portfolio and lower interest income from the unwound interest rate hedges. Since March 2015, Aktia participates in the European Central Bank's long-term refinancing operations (TLTRO), which has enabled Aktia to offer financing with favourable and competitive terms. In June, the European Central Bank set the expense for Aktia's TLTRO refinancing. During the year a positive impact on the net interest income of EUR 3.5 million was recognised.

Income from the unwound interest derivatives in 2012 decreased to EUR 10.3 (14.4) million. In 2019, the positive impact on the net interest income will amount to approximately EUR 2.4 million.

Lower financing expenses mainly from senior financing is partially compensating for decreasing income from the liquidity portfolio and unwound interest rate hedges.

The comparable staff costs increased by 5 % to EUR 30.5 (29.0) million due to centralisation of some group functions during the end of 2017.

The running IT expenses decreased, and the depreciations increased due to the implementation of the new core banking system. The new business model and the EUR 2.3 million EU statutory costs to the fund for financial stability increased other operating expenses.

Other

Other activities do not constitute a reporting business segment.

The Group's other activities has mainly consisted of Aktia Real Estate Agency Ltd. Aktia decreased its holdings in Aktia Real Estate Agency Ltd to 19 % in the beginning of July. The divestment resulted in a sales gain of EUR 1.1 million. The change in the ownership structure supports the implementation of Aktia's new strategy and had no significant impact on the Group's result and financial position. The close cooperation between Aktia Bank and the Real Estate Agency continues even after the changes in the ownership structure.

Value changes reported through the fund at fair value

Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 17.7 (51.5) million after deferred tax. EUR -23.9 million of the total decrease of EUR -33.9 million is attributable to the reclassifications in conjunction with the implementation of IFRS 9.

Cash flow hedging, which comprises unwound interest-rate derivative contracts that have been acquired for the purposes of hedging the banking business' net interest income, amounted to EUR 0.0 (-0.1) million.

The fund at fair value

(EUR million)	31 Dec 2018	31 Dec 2017	Reclassification (IFRS 9)	Δ
Shares and participations				
Banking Business	-	1.3	-1.3	-
Life Insurance Business	-	3.7	-3.7	-
Direct interest-bearing securities				
Banking Business	4.0	7.6	0.0	-3.6
Life Insurance Business	13.6	39.0	-18.9	-6.5
Cash flow hedging	-	-0.1	-	0.1
Fund at fair value	**17.7**	**51.5**	**-23.9**	**-10.0**

Overview of risks and risk management

General

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, counterparty, interest rate and liquidity risks in the Bank Group, interest rate and other market risks and actuarial risks in the life insurance business. All of these operations are exposed to business and operational risks.

Credit and counterparty risks

Credit risks occur in the banking operations, while counterparty risks occur in both banking and insurance operations. Together, these form the largest risks that the Group is exposed to. Aktia applies a credit policy that is based on an assessment of whether the debtor has a satisfactory ability to repay the debt. The majority of the loan portfolio consists of household loans secured against real estate. The customers' ability to repay the loans is stressed using a higher discount rate than the actual interest rate on the loan, and a reasonable decline in price is factored into the assessment of the collateral. Credits without collateral, mainly credit card credits and consumer credits, form a growing part of the loan portfolio. Regarding these credits the emphasis is on the debtor's ability to repay the debt as well as former credit management.

In the bank's corporate lending activities, the focus is on risk management. For each customer, a credit assessment is made that includes a business and market analysis, and a forecast-based assessment of the debtor's ability to repay the loan. Collateral arrangements and contract-specific terms are also taken into account. Aktia attaches particular importance to training staff in corporate credit assessment.

At the end of 2018, household loans accounted for 77.9 % (80.7) of the total loan book while the share of corporate loans was 11.6 % (10.1) and the share of housing companies 9.9 % (8.4). The value of the total loan book was EUR 6,106 (5,839) million. Credit quality remained relatively high, with loans more than 90 days past due totalling EUR 34 (36) million during the year.

Counterparty risks occur in conjunction with investments and in relation to entering into derivative contracts for hedging purposes. These risks are managed through the requirement for satisfactory external ratings, conservative allocation and contractual collateral arrangements with daily collateral valuation and exchange.

Market risks

No trading activities are carried out by the Aktia Group, which is why the market risks are structural in nature and occur due to differences in the balance sheet primarily relating to the interest terms of the loans and the periods for which interest rates are tied.

In the banking business, structural interest rate risks are managed actively through trading arrangements, either through hedging derivatives or investments in the liquidity portfolio or a combination of both, depending on the prevailing market conditions. At year-end, the Bank Group's liquidity portfolio and other interest-bearing investments had a total value of EUR 1,368 (1,816) million. Of the Bank Group's liquidity portfolio and other interest-bearing securities, 60 % (52) constituted investments in covered bonds, 8 % (15) constituted investments in banks, 32 % (32) constituted investments in the public sector (including state-guaranteed bonds and investments in supranational counterparties) and 0 % (1) were investments in companies.

The life insurance business is subject to Solvency II regulations, which affects the allocation of the investment portfolio. Of the investment portfolio, which stood at EUR 551 (574) million, 87 % (86) constituted investments in interest-bearing securities, 12 % (14) constituted investments in real estate and 1 % (0) constituted alternative investments.

Financing and liquidity risks

At year-end, the Bank Group's liquidity position was very good, representing over 21 months of outgoing cash flow excluding new market borrowing. The bank's outstanding long-term covered bonds had a total value of EUR 1,647 (1,647) million. During the year, Aktia Bank issued a new long-term covered bond with a value of EUR 500 million and a maturity of 5 years. During the year, Aktia Bank has also issued new long-term unsecured senior loans of EUR 250 million within the scope of the bank's EMTN programme, which were carried out to repay the EUR 235 million bonds that matured during the period. At year-end, the long-term unsecured senior financing, issued within the Bank's EMTN programme, totalled EUR 779 (769) million.

Aktia Bank has a sizeable unused liquidity reserve through its ability to issue further long-term covered bonds.

Operational risks

The digitisation of service channels, for which the bank is increasingly taking over the IT operation, has created a situation where incidents and disruptions related to IT systems constitute serious operational risks for Aktia. Data security arrangements coupled with business continuity plans are the key risk management tools used to secure the operation of the systems. The bank can also be subject to information security incidents in the form of phishing for bank codes or the spread of malicious software. A number of phishing campaigns were observed especially towards the end of 2018. One occurrence of phishing caused a minor loss for the bank in terms of internal costs but could be restricted through swift measures. Aktia has standardised methods for handling such campaigns and is working with the authorities to bring those responsible to justice.

In May 2018 the General Data Protection Regulation (GDPR) became applicable and Aktia Bank appointed a Data Protection Officer (DPO) within the organisation. The bank uses processes for reporting data protection incidents as well as requests for accessing information on private customers. The number of requests increased towards the end of 2018.

Detailed information about the Group's risks, capital and capital adequacy is presented in note G2.

A description of internal control, risks and risk management in the Aktia Group, including the disclosure requirements in the Capital Requirements Regulation, Chapter 8 (Pillar III), is provided in the group's Capital and Risk Management Report, which is published separately from the annual report on the Group's website www.aktia.com.

Events concerning related parties

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

Further information on events concerning related parties is described in notes G44 and P46.

Other events during the year

Aktia Bank Plc has on 15 January 2018 divested 39,831 series A treasury shares held by the company for payment of deferred instalments for the share-based reward scheme earning periods 2013–2014, 2014–2015 and 2015–2016 and the share ownership scheme to 24 key persons included in the share-based incentive scheme.

On 21 May 2018, Aktia Bank Plc has divested 82,835 Aktia shares as payment of shares from the share-based reward scheme earning periods 2016–2017, 2017–Q122018 as well as matching shares within the scope of the company's share ownership scheme 2015–2018. Furthermore, shares held by the company have been divested to carry out payment of 40 % of the Board member's annual remuneration in the form of Aktia shares.

In May, Aktia refinanced the covered bond that matured in June. The demand for the new five-year EUR 500 million covered bond was high. The market showed confidence in Aktia when the issue was oversubscribed over 2.5 times and the issue could be carried out with very favourable terms with an all-time low margin.

On 29 June 2018, The Financial Supervisory Authority set an 1 % additional capital requirement for Aktia Bank Plc which is a so-called system risk buffer requirement. According to the decision, the requirement can only be met with CET1 capital and therefore increases the bank's CET1 capital requirement as of 1 July 2019 when the requirement enters into force. Aktia has a strong capital adequacy and can already now meet the additional capital requirement with good margin. More information about capital adequacy under Capital adequacy and solvency.

In accordance with Aktia's new strategy, Aktia has on 6 August 2018 ended cooperation with Folksam Non-Life Insurance and has stopped brokering their insurances. Aktia continues offering service to customers in matters regarding life, inability to work and loan protection.

On 31 August 2018, Aktia Bank Plc acquired 25 % of Paikallispankkien PP-Laskenta Oy from Samlink. The change does not affect Aktia's operations and the cooperating continues as before. All the new owners are customers of PP-Laskenta.

In September, Aktia Bank has as a part of its EMTN programme issued new long-term bonds worth EUR 200 million. At the same time, a EUR 150 million bond was repurchased. Its original due date was in the end of October 2018. The issue of the new bonds was carried out to ensure that the bank will comply with future regulatory requirements.

In October, Aktia Bank Plc has made an agreement to sell its remaining 10 % holdings in Folksam Non-Life Insurance Company Ltd to Fennia Mutual Insurance Company. Aktia Bank now focuses on carrying out the strategy with focus on asset management and financing solutions, while competitive non-life insurance and pension insurance products are offered through partners. Concurrently, a letter of intent was signed with Fennia to investigate the possibility of cooperation regarding non-life insurance products in the future.

Aktia Bank Plc has on 1 November 2018 within the scope of the share savings scheme AktiaUna issued 65,132 new shares. The new shares were registered into the Trade Register on 15 November 2018. After the issue, the number of shares was 69,027,794.

On 23 November 2018, Aktia Bank Plc informed that the bank will renew its Executive Committee to more efficiently implement the strategy. As of 1 Januari 2019, Aktia will have three business areas, Private and Corporate customers and Asset Management, and renews the composition of the Executive Committee. M.Sc. Max Sundström has been appointed as a new member of the Executive Committee and he will be responsible for the Group's concept and strategy. The previous members of the Executive Committee, Merja Sergelius and Sam Olin, will continue to be responsible for Private and Premium customers. Minna Miettinen has left Aktia on 23 November 2018.

Aktia Bank Plc has on 26 November 2018 divested 10,002 Aktia shares held by the company to three key persons in the company's management for payment of matching shares within the scope of the company's share-based ownership scheme 2017.

Events after year-end

Aktia Bank Plc has on 15 Januari 2019 divested 34,156 Aktia treasury shares held by the company for payment of deferred instalments for the share-based reward scheme earning periods 2014–2015, 2015–2016, 2016–2017 and 2017–2018 and the share ownership scheme to 29 persons included in the share-based incentive scheme.

Since the other owners of Samlink have now chosen a new core banking solution, it is in accordance with Aktia's strategy to divest all shares in the company together with the other owners of Samlink. On 23 January 2019 Aktia Bank Plc has entered into an agreement to divest its holdings (22.56 %) in Oy Samlink Ab to Cognizant Technology Solutions Finland Ltd. The transaction will generate approximately an EUR 8 million sales gain, which affects the Group's reported operating profit for 2019. The transaction does not have effect on the Group's comparable operating profit. The transaction is planned to be carried out on 1 April 2019.

Aktia Corporate Finance Ltd merged with Aktia Bank Abp 1 February 2019.

Staff

The number of full-time employees deceased by 25 from the previous year and was at the end of December 779 (804). The average number of full-time employees decreased by 100 from the previous year to 803 (903).

Incentive scheme

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

The share savings plan will be offered to approximately 800 Aktia employees, who will be offered an opportunity to save 2–4 % of their salaries (the members of the Group's Executive Committee up to 7 %) and regularly acquire the company's shares at a 10 % reduced price. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2018–2019 to the participants amounts to a maximum total of 1,800,000 euros upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. This programme replaces Aktia's Personnel Fund. At the end of the year 57 % of Aktia's personnel participated in the share savings plan AktiaUna.

Within the scope of the above mentioned AktiaUna savings plan, approximately 60 key employees, including the CEO and the members of the Group's Executive Committee, have been offered a possibility to participate in a performance-based share savings plan. This part of the programme replaces the previous Executive Committee´s share-based incentive scheme. The performance criteria of the performance period 2018–2019 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019 amounts up to a maximum total of 2,600,000 euros upon the launch of the plan, corresponding to the value of 280,000 Aktia shares.

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

Board of Directors and Executive Committee

Aktia Bank Plc's Board of Directors for the term running until the end of the next Annual General Meeting:

- Chair Lasse Svens, M.Sc. (Econ.)
- Vice chair Arja Talma, M.Sc. (Econ.), eMBA
- Christina Dahlblom, M.Sc. (Econ.)
- Stefan Damlin, M.Sc. (Econ.)
- Maria Jerhamre Engström, eMBA
- Johannes Schulman, M.Sc (Econ.)
- Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)

Aktia Bank Plc's Board of Directors on 31 December 2018 was:

- Mikko Ayub, M.Soc.Sc., MBA, CEO
- Juha Hammarén, vice District Court Judge, Executive Vice President and COO
- Merja Sergelius, eMBA, Executive Vice President with responsibility for private customers
- Anssi Rantala, Dr. Soc.Sc., Executive Vice President with responsibility for Aktia Asset Management, Aktia Fund Management Company and Aktia Life Insurance
- Carola Nilsson, M.Sc. (Econ.), Executive Vice President with responsibility for private banking
- Irma Gillberg-Hjelt, LL.M., Vice President; with responsibility for corporate customers

- Sam Olin, B.Sc. (Econ.), Vice President with responsibility for premium customers
- Outi Henriksson, M.Sc. (Econ.), Chief Financial Officer with responsibility for finance, treasury, investor relations and legal matters
- Juha Volotinen, M.Sc. (Econ.), Chief IT and Data Architecture officer
- Anu Tuomolin, M.Sc. (Econ.), Chief HR officer

There is also a staff representative in the Executive Committee.

Aktia Bank Plc's Board of Directors and CEO Martin Backman agreed together that Martin Backman stepped down from his position on 7 March 2018. Juha Hammarén, COO and Deputy to CEO was acting as interim CEO until 30 September 2018. Aktia's new CEO Mikko Ayub took office on 1 October 2018.

A Nomination Board shall be appointed annually with the duty to prepare a proposal for members of the Board of Directors as well as for the remuneration of them to the Annual General Meeting. The Nomination Board comprises representatives of the five largest shareholders according to number of shares held. Further, the chairman of the Board of Directors participates in the work of the Nomination Board. The composition of the Nomination Board up until 30 August 2019 is:
- Attorney Nina Wilkman, appointed by Stiftelsen Tre Smeder
- Managing Director Carl Pettersson, appointed by the Pension Insurance Company Veritas
- Managing Director Dag Wallgren, appointed by The Society of Swedish Literature in Finland
- Bachelor of Laws, M.Sc. (Econ.). Johan Hammarén, appointed by Oy Hammarén & Co Ab
- Honorary Counsellor Peter Boström, appointed by the Åbo Akademi University Endowment
- Chairman of the Board of Aktia Bank Plc Lasse Svens

Decisions of Aktia Bank Plc's Annual General Meeting 2018

The Annual General Meeting of Aktia Bank Plc on 10 April 2018 adopted the consolidated financial statements of the parent company and the group, and discharged the members of the Board of Supervisors, the members of the Board of Directors, the Managing Director and his alternate from liability.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided to distribute a dividend of EUR 0.57 per share totalling approximately EUR 37.8 million for the financial period 1 January–31 December 2017.

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

The Annual General Meeting approved the Board of Directors' proposal of combining the company's two share classes A and R without increasing the share capital, so that the company after the combination only has one share class, which is subject to public trading. The share entitles the holder to one (1) vote per share and equal rights. The Annual General Meeting also approved the amended Paragraph 3 of Articles of Association pertaining to the combination and the directed payment-free issue of a maximum of 2,384,650 new shares to the holders of R shares deviating from shareholders' pre-emptive subscription right so that the owners of R shares payment-free receive 3 (three) new shares against every batch of 25 R shares held in the same book-entry account.

Due to the combination of A and R share classes, the Trade Register has on 12 April 2018 registered a total amount of 2,383,851 new shares issued through a directed payment-free issue to the holders of R shares. At the same time the combination of the share classes and the amended Articles of Association pertaining to the combination has been registered in the Trade Register.

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

All proposals mentioned above are included in the Summons to the AGM published on the website www.aktia.com under About Aktia > Corporate Governance > Annual General Meeting > Annual General Meeting 2018.

The proposals of the Shareholders' Nomination Board to the Annual General Meeting 2019

The Shareholders' Nomination Board has decided to present the following proposition to the Annual General Meeting of Aktia Bank Plc on 11 April 2019:

The number of Board members is proposed to be eight, one more than the present seven members.

The Shareholders' Nomination Board proposes that of the present members of the Board of Directors, Christina Dahlblom, Stefan Damlin, Maria Jerhamre Engström, Johannes Schulman, Lasse Svens and Arja Talma, subject to their consent, be re-elected for a term continuing up until the end of the next Annual General Meeting.

The Board member Catharina von Stackelberg-Hammarén has informed that she will no longer be available for re-election.

The Nomination Board proposes further that:
- Tarja Wist, LL.M., Attorney-at-Law, with her consent, be elected as a new member of the Board of Directors for the same term. Tarja Wist (b. 1965) is partner in the law firm Waselius & Wist and has strong expertise in the banking and finance sector due to her long career as legal counsel to clients in the financial sector.

- Johan Hammarén, M. Sc. (Econ.), LL.M., with his consent, be elected as a new member of the Board of Directors for the same term. Johan Hammarén (b. 1969) is Manging Director of Oy Hammarén & Co Ab and he has a strong focus on entrepreneurship and new thinking. He has a background in Nokia and he is one of the founders of the law firm Fondia Oy as well as of the wealth management firm JAM Advisors Oy, both pioneering companies with new business models in traditional fields.

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

The Shareholders' Nomination Board proposes that the remuneration for the members of the Board of Directors be unchanged:
- Chair EUR 61,200 p.a.
- Vice Chair EUR 34,650 p.a.
- Member EUR 27,140 p.a.

40 % of the Board members' annual remuneration is paid in the form of Aktia shares. The Board members are encouraged to keep these shares for the duration of their Board term in Aktia.

In addition, the Nomination Board proposes a remuneration of EUR 500 per attended meeting. However, the Chair of a Committee is proposed to receive a remuneration of EUR 1,000 per committee meeting.

The proposals of the Shareholders' Nomination Board will be included in the summons of the Annual General Meeting and be available at the company's website at www.aktia.com.

Board of Directors' Proposals for the Annual General Meeting 2019

The Board of Directors proposes that a dividend of EUR 0.61 per share (2017: 0.57) shall be paid for the period 1 January - 31 December 2018.

The proposed record date for the dividend is proposed to be 15 April 2019, and the dividend will be paid on 25 April 2019.

The Board of Directors proposes, based on the recommendation of the Board of Directors' Audit Committee, that KPMG Oy Ab, a firm of authorised public accountants, shall be elected as auditor, with Marcus Tötterman, M.Sc. (Econ.), APA, as auditor-in-charge for a term of office beginning when the Annual General Meeting 2019 is closed and continuing until the Annual General Meeting 2020 has concluded.

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

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 163 million. In the end of December 2018, the number of Aktia shares was 69,027,794. The total amount of registered holders amounted to 37,475 (31 December 2017: 39,757). 8.0 % of the shares were in foreign ownership. The number of unregistered shares was 765,811 (765,829), corresponding to 1.1 (1.1) % of the total number of shares. On 31 December 2018, the Group held 111,430 Aktia shares. Aktia Bank Plc's market value on 28 December 2018, the last trading day of the year, was EUR 621 (631) million. Aktia's stock exchange value on 28 December 2018 was EUR 9.0. The highest price for the Aktia share was EUR 9.58 and the lowest EUR 7.90.

Shares

The average daily turnover of the Aktia share during January–December 2018 was EUR 582,114 or 65,340 shares. After the combination of R and A shares Aktia Bank Plc only has one share series which is subject to public trading and for which each share entitles to one (1) vote per share and equal rights. The combination was registered on 12 April 2018. Trading with the company's only share class and the new shares commenced on 13 April 2018 (ISIN code FI4000058870, trading symbol AKTIA).

Outlook and risks

Outlook 2019

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

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

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

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

Risks

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

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

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

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

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

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

Financial objectives up until 2022

The financial objectives stipulated by the Board of Directors in October 2017 are:

- Improve the comparable operating profit to approximately EUR 80 million (2018; EUR 65.4 million)
- Improve the comparable cost-to-income ratio to 0.61 (2018; 0.69)
- Improve Return on Equity (ROE) to 9.7 % (2018; 9.4 %)
- Common Equity Tier 1 capital ratio (CET1) 1.5-3 percentage points over the regulatory requirement (2018; 7.2 percentage points over the minimum capital requirement 10.3 %)

Publication of information

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

Aktia Bank Plc meets its disclosure obligations in the form of publications.

- The annual report, accounts announcement, half-year report and interim reports, including the notes, contain financial information on the results and activities of the Aktia Group.
- Aktia's remuneration statement is a description of remunerations to the Board of Directors, CEO and other management of Aktia Bank Plc in compliance with the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association from 2015 (Corporate Governance Code 2015).
- The Corporate Governance Report contains information on the administration and administrative structure of the Aktia Group. The report follows the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association (the Finnish Corporate Governance Code 2015).
- Aktia reports on corporate responsibility as a part of Aktia's annual report on 21 March 2019 at the latest. The publication contains information on how Aktia has implemented corporate social responsibility issues in its day-to-day activities and processes. The report provides a general picture of those material aspects which Aktia's stakeholders consider important for Aktia's activities. The report follows the guidelines of the Global Reporting Initiative (GRI).
- The Capital and Risk Management Report provides information about the Group's risk position and various types of risk as well as capital adequacy. The report covers the requirements set forth in the Capital Requirements Regulation (CRR), Chapter 8.
- Aktia Life Insurance publishes a Solvency and Financial Condition Report, which provides information on the company's financial position and solvency. The report will be published no later than 22 April 2019.
- Aktia will publish a report on non-financial information in connection with the Report by the Board of Directors which is published as part of Aktia's annual report no later than 21 March 2019.

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

In their reports, banks are required to indicate where and in which publication the disclosures provided for in Chapter 8 of the Capital Requirements Regulation (EU) No. 575/2013 are published. More detailed information is provided in Appendix 6 to the Capital and Risk Management Report 2018.

Quartely trends in the Group

(1 000 euroa)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Net interest income	20,661	21,043	23,479	20,719	85,903	89,620
Dividends	7	12	89	6	114	307
Commission income	25,489	26,090	29,287	27,071	107,936	102,485
Commission expenses	-2,884	-3,166	-3,037	-3,246	-12,334	-11,056
Net commission income	22,604	22,924	26,249	23,825	95,602	91,429
Net income from life insurance	5,111	5,467	4,986	5,798	21,362	26,597
Net income from financial transactions	-1,163	4,643	728	643	4,850	841
Net income from investment properties	-	-33	-	-	-33	-
Other operating income	470	1,347	315	200	2,332	1,490
Total operating income	**47,691**	**55,403**	**55,846**	**51,190**	**210,131**	**210,284**
Staff costs	-18 131	-14,274	-17,781	-16,497	-66,683	-79,057
IT expenses	-7 554	-6,124	-6,346	-5,613	-25,638	-30,451
Depreciation of tangible and intangible assets	-3 025	-3,068	-3,162	-3,126	-12,381	-9,465
Other operating expenses	-10 717	-8,380	-11,035	-8,213	-38,346	-41,681
Total operating expenses	**-39 427**	**-31,847**	**-38,324**	**-33,450**	**-143,048**	**-160,654**
Impairment of tangible and intangible assets	-	-	-	-	-	-534
Impairment of credits and other commitments	-133	-796	687	-597	-839	-574
Share of profit from associated companies	-86	903	-	527	1,344	597
Operating profit	**8,045**	**23,663**	**18,210**	**17,670**	**67,588**	**49,118**
Taxes	-1,624	-3,906	-3,498	-2,555	-11,583	-9,778
Profit for the period	**6,421**	**19,757**	**14,712**	**15,115**	**56,005**	**39,340**
Attributable to:						
Shareholders in Aktia Bank plc	6,421	19,757	14,712	15,115	56,005	39,340
Total	**6,421**	**19,757**	**14,712**	**15,115**	**56,005**	**39,340**
Earnings per share (EPS). EUR	0.09	0.29	0.21	0.22	0.81	0.57
Earnings per share (EPS). EUR. after dilution	0.09	0.29	0.21	0.22	0.81	0.57
Operating profit excluding items affecting comparability:						
Operating profit	8,045	23,663	18,210	17,670	67,588	49,118
Operating income:						
Net income from equity holding in Folksam Non-Life Insurance Company	49	-4,000	-	-	-3,951	966
Value change of equity holding in Bohemian Wrappsody	1,009	-	-	-	1,009	-
Profit from divestment of Aktia Real Estate Agency	-	-1,066	-	-	-1,066	-
Operating expenses:						
Expenses for restructuring	1,136	-	324	356	1,815	11,144
Comparable operating profit	**10,239**	**18,597**	**18,533**	**18,026**	**65,395**	**59,929**

Quarterly trends of comprehensive income

(EUR million)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Profit for the period	6,421	19,757	14,712	15,115	56,005	39,340
Other comprehensive income after taxes:					-	
Change in valuation of fair value for financial assets	-286	-4,758	-773	-3,123	-8,939	-12,837
Change in valuation of fair value for cash flow hedging	10	46	24	-0	79	69
Transferred to the income statement for financial assets	-585	-324	-205	-17	-1,130	-2,982
Comprehensive income from items which can be transferred to the income statement	-861	-5,036	-953	-3,140	-9,991	-15,750
Defined benefit plan pensions	13	-	-	-	13	2,093
Comprehensive income from items which can not be transferred to the income statement	13	-	-	-	13	2,093
Total comprehensive income for the period	**5,572**	**14,721**	**13,758**	**11,976**	**46,027**	**25,683**
Total comprehensive income attributable to:						
Shareholders in Aktia Bank plc	5,572	14,721	13,758	11,976	46,027	25,683
Total	**5,572**	**14,721**	**13,758**	**11,976**	**46,027**	**25,683**
Total earnings per share. EUR	0.08	0.21	0.20	0.17	0.67	0.37
Total earnings per share. EUR. after dilution	0.08	0.21	0.20	0.17	0.67	0.37
Total comprehensive income excluding items affecting comparability:						
Total comprehensive income	5,572	14,721	13,758	11,976	46,027	25,683
Operating income:						
Dividend from Suomen Luottokunta	-	-	-	-	-	-1,038
Net income from equity holding in Folksam Non-Life Insurance Company	49	-4,000	-	-	-3,951	966
Value change of equity holding in Bohemian Wrappsody	807	-	-	-	807	-
Profit from divestment of Aktia Real Estate Agency	-	-1,066	-	-	-1,066	-
Operating expenses:						
Expenses for restructuring	909	-	259	285	1,452	8,915
Comparable total comprehensive income	**7,336**	**9,655**	**14,017**	**12,260**	**43,269**	**34,525**

Items affecting consolidated income statement and comprehensive income

(EUR million)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Net income from financial transactions	-1,058	4,000	-	-	2,942	332
Other operating income	-	1,066	-	-	1,066	-
Total operating income	**-1,058**	**5,066**	**-**	**-**	**4,008**	**332**
Staff costs	-1,111	-	-324	-356	-1,790	-9,188
Other operating expenses	-25	-	-	-	-25	-1,422
Total operating expenses	**-1,136**	**-**	**-324**	**-356**	**-1,815**	**-10,610**
Impairment of tangible and intangible assets	-	-	-	-	-	-534
Operating profit	**-2,194**	**5,066**	**-324**	**-356**	**2,193**	**-10,811**
Taxes	429	-	65	71	565	1,969
Total comprehensive income for the year	**-1,765**	**5,066**	**-259**	**-285**	**2,757**	**-8,842**

Quarterly trends in the segments

(EUR million)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Personal & Corporate Banking						
Net interest income	16,009	15,673	15,569	15,256	62,507	62,858
Net commission income	13,801	13,883	15,437	14,079	57,200	51,879
Other operating income	80	39	126	111	356	331
Total operating income	**29,891**	**29,594**	**31,132**	**29,446**	**120,063**	**115,068**
Staff costs	-4,359	-3,366	-4,747	-4,308	-16,780	-24,826
Other expenses [1]	-21,176	-17,149	-19,160	-17,367	-74,852	-74,646
Total operating expenses	**-25,536**	**-20,515**	**-23,907**	**-21,675**	**-91,632**	**-99,472**
Impairment of tangible and intangible assets	-	-	-	-	-	-534
Impairment of credits and other commitments	-133	-796	667	-597	-860	-478
Operating profit	**4,222**	**8,283**	**7,892**	**7,174**	**27,572**	**14,584**
Comparable operating profit	**4,365**	**8,283**	**8,216**	**7,286**	**28,151**	**23,064**
Wealth Management						
Net interest income	480	536	541	532	2,089	2,470
Net commission income	10,804	10,851	10,833	10,484	42,972	39,376
Net income from life insurance	4,259	4,599	4,141	4,897	17,896	23,565
Other operating income	109	58	75	39	281	246
Total operating income	**15,651**	**16,043**	**15,590**	**15,953**	**63,237**	**65,657**
Staff costs	-5,079	-3,845	-4,060	-3,767	-16,751	-17,087
Other expenses [1]	-7,435	-6,133	-6,403	-6,042	-26,013	-24,743
Total operating expenses	**-12,514**	**-9,979**	**-10,463**	**-9,808**	**-42,764**	**-41,830**
Operating profit	**3,137**	**6,065**	**5,127**	**6,145**	**20,474**	**23,827**
Comparable operating profit	**4,091**	**6,065**	**5,127**	**6,212**	**21,495**	**26,064**
Group functions						
Net interest income	4,172	4,835	7,369	4,930	21,307	24,241
Net commission income	618	879	501	825	2,823	3,541
Other operating income	-836	4,845	1,024	774	5,806	2,301
Total operating income	**3,955**	**10,559**	**8,894**	**6,529**	**29,937**	**30,083**
Staff costs	-8,693	-7,062	-7,717	-7,634	-31,107	-32,761
Other expenses [1]	5,487	3,639	3,683	4,924	17,733	12,521
Total operating expenses	**-3,206**	**-3,423**	**-4,034**	**-2,710**	**-13,374**	**-20,240**
Impairment of credits and other commitments	-	-	20	-	20	-96
Share of profit from associated companies	-86	-	-	-	-86	-
Operating profit	**662**	**7,135**	**4,880**	**3,819**	**16,497**	**9,747**
Comparable operating profit	**1,758**	**3,135**	**4,880**	**3,996**	**13,770**	**9,841**

1) The net expenses for support and staff functions are allocated from the Group Functions to the business segments Personal & Corporate Banking and Wealth Management. This cost allocation is included in the segments' other expenses.

5 year overview

(EUR 1,000)	2018	2017	2016	2015	2014
Income statement					
Net interest income	85,903	89,620	95,588	97,347	102,779
Net commission income	95,602	91,429	79,672	79,969	74,866
Net income from life insurance	21,362	26,597	24,666	24,875	24,004
Net income from financial transactions	4,850	841	8,280	3,724	7,327
Other operating income	2,414	1,798	3,136	2,461	3,322
Total operating income	**210,131**	**210,284**	**211,341**	**208,376**	**212,298**
Staff costs	-66,683	-79,057	-72,250	-72,652	-69,518
IT expenses	-25,638	-30,451	-28,352	-26,850	-26,324
Depreciation of tangible and intangible assets	-12,381	-9,465	-8,186	-8,123	-7,344
Other operating expenses	-38,346	-41,681	-39,627	-36,794	-41,265
Total operating expenses	**-143,048**	**-160,654**	**-148,414**	**-144,419**	**-144,451**
Impairment of tangible and intangible assets	-	-534	-	-	-
Expected credit losses and impairment of credits and other commitments	-839	-574	-2,198	-341	-1,729
Share of profit from associated companies	1,344	597	738	599	2,195
Operating profit	**67,588**	**49,118**	**61,467**	**64,215**	**68,314**
Taxes	-11,583	-9,778	-12,159	-12,646	-13,282
Profit for the period	**56,005**	**39,340**	**49,308**	**51,569**	**55,031**
Attributable to:					
Shareholders in Aktia Bank plc	56,005	39,340	49,308	52,001	52,499
Non-controlling interest's share	-	-	-	-432	2,532
Total	**56,005**	**39,340**	**49,308**	**51,569**	**55,031**
Comprehensive income					
Profit for the reporting period	56,005	39,340	49,308	51,569	55,031
Comprehensive income from items which can be transferred to the income statement	-9,991	-15,750	-7,799	-28,906	22,886
Comprehensive income from items which can not be transferred to the income statement	13	2,093	-503	48	339
Total comprehensive income for the reporting period	**46,027**	**25,683**	**41,006**	**22,711**	**78,257**
Comprehensive income attributable to:					
Shareholders in Aktia Bank plc	46,027	25,683	41,006	23,038	75,610
Non-controlling interest's share	-	-	-	-327	2,647
Total	**46,027**	**25,683**	**41,006**	**22,711**	**78,257**
Balance sheet					
Financial assets measured at fair value through income statement	902,650	802,575	723,144	667,748	545,271
Financial assets measured at fair value through other comprehensive income	1,340,928	1,925,358	1,840,526	2,197,648	2,375,417
Interest-bearing securities measured at amortised cost	307,982	367,800	445,294	481,653	488,509
Loans and other receivables	6,129,070	5,888,674	5,760,460	5,900,156	6,461,808
Cash and balances with central banks	289,191	282,477	380,095	268,361	395,905
Derivative instruments	69,990	84,046	132,246	172,495	231,302
Other assets	226,257	199,071	204,213	193,482	208,476
Total assets	**9,266,069**	**9,550,000**	**9,485,978**	**9,881,543**	**10,706,688**
Deposits	4,565,120	4,812,963	4,673,148	4,396,818	4,755,748
Derivative instruments	17,126	33,559	54,254	86,176	113,196
Other financial liabilities	2,813,737	2,745,994	2,800,312	3,427,248	3,930,668
Technical provisions	1,155,704	1,217,328	1,162,446	1,130,463	1,025,417
Other liabilities to credit institutions	124,443	142,135	182,709	225,612	190,770
Total liabilities	8,676,130	8,951,979	8,872,869	9,266,317	10,015,799
Equity	589,939	598,022	613,108	615,226	690,890
Total liabilities and equity	**9,266,069**	**9,550,000**	**9,485,978**	**9,881,543**	**10,706,688**

The years 2014-2017 are determined in accordance with IAS 39.

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2018	2017	2016	2015	2014
Earnings per share (EPS), EUR [1]	0.81	0.57	0.72	0.75	0.76
Total earnings per share, EUR [1]	0.67	0.37	0.60	0.33	1.10
Dividend per share, EUR	0.61	0.57	0.60	0.54	0.48
Payout ratio, %	75.1	96.1	80.8	69.0	60.7
Equity per share (NAV), EUR [1,2]	8.56	8.70	8.92	8.94	9.07
Average number of shares (excluding treasury shares) [1]	68,817,331	68,867,809	68,899,450	68,916,693	68,932,319
Number of shares at the end of the period (excluding treasury shares) [1]	68,916,364	68,718,564	68,771,335	68,813,892	68,818,598
Return on equity (ROE), % [2]	9.4	6.5	8.0	7.9	8.3
Return on assets (ROA), % [2]	0.60	0.41	0.51	0.50	0.51
Cost-to-income ratio [2]	0.68	0.76	0.70	0.69	0.68
Common Equity Tier 1 capital ratio (Bank Group), %	17.5	18.0	19.5	20.7	14.6
Tier 1 capital ratio (Bank Group), %	17.5	18.0	19.5	20.7	14.6
Capital adequacy ratio (Bank Group), %	20.5	23.4	26.3	27.1	19.1
Risk-weighted commitments (Bank Group)	2,199,213	2,080,185	1,997,682	1,998,768	3,263,318
Capital adequacy ratio, % (finance and insurance conglomerate)	166.1	164.5	188.6	226.7	216.5
Equity ratio, % [2]	6.3	6.3	6.3	6.3	6.4
Group financial assets [2]	2,112,924	2,601,921	2,705,988	2,994,365	3,282,191
Assets under management [2, 3]	8,860,322	7,961,506	6,523,366	5,787,761	5,524,872
Borrowing from the public	3,962,540	4,118,544	4,164,289	3,921,993	3,979,188
Lending to the public	6,105,960	5,838,764	5,717,386	5,856,262	6,416,025
Premiums written before reinsurers' share [2]	105,634	125,935	112,753	174,924	125,726
Expense ratio, % (life insurance company) [2]	77.0	78.9	81.9	83.8	81.5
Solvency ratio (according to Solvency II, life insurance company), % [4]	229,845	199,236	179,412	175,801	-
Own funds (Solvency II, life insurance company) [4]	175,510	169,490	144,660	143,220	-
Solvency ratio (according to Solvency I, life insurance company), % [4]	-	-	-	22.3	23.3
Solvency margin (according to Solvency I, life insurance company) [4]	-	-	-	130,423	133,397
Investments at fair value (life insurance company)	1,230,542	1,342,758	1,293,517	1,225,742	1,135,207
Technical provisions for risk insurances and interest-related insurances	398,930	414,978	443,014	468,260	482,275
Technical provisions for unit-linked insurances	756,774	802,349	719,432	662,203	543,143
Group's personnel (FTEs), average number of employees	803	903	925	936	941
Group's personnel (FTEs), at the end of the period	779	804	903	920	932
Alternative performance measures excluding items affecting comparability:					
Comparable cost-to-income ratio [5]	0.69	0.71	0.71	0.69	
Comparable earnings per share (EPS), EUR [5]	0.77	0.70	0.67	0.78	
Comparable return on equity (ROE), % [5]	8.9	7.9	7.5	8.1	

1) Recalculated according to the number of shares after combining series A and R

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

3) Assets under management excluding custody assets (comparision periods recalculated)

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

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

Basis of calculation

Earnings per share (EPS), EUR

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

Total earnings per share, EUR

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

Equity per share (NAV), EUR

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

Return on equity (ROE), %

Profit for the year / Average equity x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

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

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

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

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

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

Risk-weighted commitments (Bank Group)

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

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

Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

Equity ratio, %

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

Group financial assets

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

Assets under management

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

Expense ratio, % (life insurance company)

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

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

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

Non-financial report 2018

Aktia Bank Plc's business model

Aktia Bank's business model is based on offering private customers and companies high-class asset management in the long term and financial solutions. Aktia is a Finnish company that employs and pays taxes in Finland.

Guidelines for a corporate social responsibility programme were drawn up in Aktia during 2018. The first of the main three themes within our programme for corporate social responsibility is solvency and reliability. Our objective is growth and profitability. The indicators for this comprise increased operating profit and solvency according to the financial objectives for the strategy period. Our goal is also to operate with high ethical standards. We are e.g. following up that all our employees pass the required compliance training programmes. During 2018 more than 90% of our employees has finished the main compliance training programmes. Another indicator is that no regulatory sanctions are to be made against Aktia. Aktia was not subject to any regulatory sanctions in 2018.

The second main theme for our corporate social responsibility is to be a Partner in economic well-being. We want to meet our customers' needs and we monitor customer satisfaction by measuring the net promoter score (NPS). Our aim is to invest responsibly when offering wealth management services to our customers. We are striving to follow the UN principles and reporting on sustainable development.

Our goal is also to finance responsibly. Lending is based on the customer's sufficient ability to pay and a thorough risk assessment is carried out before any financing. With the support of the risk assessment we are able to evaluate the customer's ability to repay and make sure that the customer is able to fulfil his or her obligations. New sales of credits in accordance with the customer's ability to pay and loan ceiling as well as an active follow-up on credits constitute our central tools for responsible lending. Our goal regarding companies is to monitor the development of the so-called "green loan book" in relation to the bank's total loan book. In 2019 the criteria for the "green loan book" are defined taking into account the EU initiative for sustainable finance.

Environment

Especially as an asset manager Aktia has the opportunity to indirectly influence the environment through its investment decisions. According to studies, Aktia's investment process leads to a smaller carbon footprint than its competitors'. The carbon footprint of our equity funds was in December 2018 on average approximately 48 % smaller than that of the relevant reference market.

In the future the carbon footprint of funds may at times also be higher than at present, depending on the market situation and our view. However, Aktia's investment strategy favours less capital-intensive companies which typically also have a favourable emission profile. We participate also in CDP's Climate Change, a water and forest initiative that encourages listed companies to report their greenhouse gas emissions and the use of water and forest.

Investments in government bonds on emerging markets is part of Aktia's special expertise. In autumn 2017, we produced an environmental analysis of the long-term development in the states bordering the emerging markets, i.e. Frontier markets, and of the current level in relation to the developed economies. The review used several different indicators (EPI and CCPI) and individual variables, from air pollution to energy consumption. The analysis showed that the emerging economies are behind the industrialised countries regarding measures to combat climate change, but their positive development is most often stronger than in the industrialised countries.

Environmental consideration in day-to-day operations and in other service supply

Aktia is striving to decrease its environmental impact from its own operations by improving the resource and energy efficiency, and by considering the environmental impact caused by business travel. In 2019 our goal is to introduce the WWF Green Office environmental programme, which includes drawing up an environmental plan.

Aktia's direct environmental impact is relatively small. Our direct environmental impact comes from the consumption of energy, materials and equipment as well as travel and transport. The digital development has contributed to decrease the environmental impact. We endeavour to reduce paper consumption by sending electronic mail instead of conventional letters and other documents on paper.

Aktia employees are encouraged to use public transport for business travels and to conduct phone and video meetings to avoid unnecessary travelling.

Aktia Bank Plc estimates that the environmental risk in its operations is overall small.

Aktia Bank's GRI report for 2018 (p. 186–194), which is included in the annual report, gives a more detailed account of the indicators for calculating the measures, the purpose of which is to decrease the environmental impact of the operations, such as the consumption of materials and energy as well as greenhouse gas emissions.

The most attractive workplace in the business

Aktia's goal is to be the best financial advisor for families and their companies. We want to be the most attractive workplace in the business, which is the third main theme within our corporate social responsibility programme. In order to reach the goal, we need to develop both the leadership and the employee experience in the long term. Another goal is to create well-being and to promote health. In Aktia it is important that the employees are seen and that they are committed and motivated. Good leadership improves the occupational health and job satisfaction. We want our employees to experience Aktia as a good workplace and to feel that they are valued.

Indicators are e.g. the recommendation index eNPS (Employee net promoter score, which measures the employees' readiness to recommend Aktia as a workplace) and the Leadership index. For eNPS our goal is higher than 0. The employees' readiness to recommend Aktia as an employer was -7 in the latest survey. Our goal is to raise the recommendation index above the average for the respondent group, which consists of more than 200 companies in the Nordic countries and whose eNPS in the latest survey 2018 was 0. Our Leadership index goal is at least 69, the latest result was 78.

The Human Capital Board programme was launched in 2018. The activities bring together different parts of the organisation and employees in different roles in Aktia. The Human Capital Board discusses and presents ideas regarding personnel issues, such as competence, occupational health contents and performance reviews.

Good leadership

The new leadership principles based on Aktia's values were launched during the past year.

Committed and motivated employees and good leadership constitute the foundation for success in order to become the best financial advisor for our customers. All employees have the right to good leadership. A major portion of the individual development takes place on the job, therefore it is important that we create opportunities for our employees to do so. Aktia continuously invests in strong management, including regular management training and courses. Management training is based on Aktia's strategy and values and the capacity for leadership during change. The goal for 2018 was to be at least on the same leadership level as in 2017. In addition, the goal for 2018 was to improve the managers' self-knowledge and coaching leadership.

During the past year we have launched the AktiaWay Leader training programme for employees in a management role. Through the training programme employees in management roles receive new inspiration for their management work. AktiaWay Leader is a part of the AktiaWay competence development and offers new views for management work.

Promoting well-being and health

In order to promote the personnel's well-being Aktia carried out in a tender process and a development project regarding occupational health services in 2018. AktiaWellbeing, a service offering focusing on proactive healthcare and the improvement of health was launched at the beginning of 2019 through a close cooperation between the occupational health provider Mehiläinen and Aktia. The Aktia Wellbeing concept offers each Aktia-employee the opportunity to find new tools and to receive coaching in different areas of well-being. The indicators for this work will be specified during 2019.

Equality and diversity

In Aktia we respect diversity, equality and equal opportunity. We are aiming at promoting diversity and equality in our overall employee policy. Our employees are treated equally starting from recruitment and we have undertaken to guarantee all employees equal opportunities, and to attend to an equal treatment at the recruitment occasion.

We monitor the gender structure amongst our employees and in 2018 35 % of the employees at Aktia were men and 65 % women. There has been no significant changes since 2017. The proportion of women in top management has increased to some degree: in 2018 55 % of the members of the Executive Committee were women.

Respecting human rights

Aktia follows the main international conventions and standards, such as the UN Universal Declaration of Human Rights and corresponding UN conventions, ILO conventions, OECD Guidelines for Multinational Enterprises, and the Rio Declaration on Environment and Development.

Aktia has signed the United Nations Principles for Responsible Investment (PRI). Thus, Aktia has committed itself to focus on good asset management practice for the environment and society. The PRI principles are in focus in the development of Aktia's asset management activities and in those units responsible for investment funds and discretionary asset management, as well as in units managing the bank's own investments. The PRI also means that Aktia can assist in achieving more responsible activities in those companies in which Aktia invests. Aktia is a member of FINSIF – Finland's Sustainable Investment Forum r.y.

Aktia has since 2017 cooperated with ISS Ethix, a pioneer in norm-based owner influence. The cooperation is based on so-called norm-based screening; ISS Ethix follows with the help of monitors our funds' holdings according to the criteria that are based on the UN Global Compact principles and identifies companies that have not been able to operate in compliance with the Global Compact principles. The majority of the companies we have invested in operates in compliance with these principles in such a manner that ISS Ethix has not found anything to remark on. ISS Ethix conducts dialogues on Aktia's behalf with those companies that have not been able to act in accordance with the criteria mentioned above.

In 2018 we conducted discussions with 100 different companies through ISS Ethix. 26 of these discussions were demonstrably or suspected of being associated with human rights and the environment, 19 with employee rights and 20 with corruption. 16 discussions were related to problems within several or overlapping areas.

By signing the United Nations Principles for Responsible Investment (PRI), we have committed ourselves to be an active owner and include ESG aspects in our ownership procedures, and to report on our ESG activities. The cooperation helps us to meet this requirement.

In addition to norm-based screening, reviews of our portfolios regarding holdings in companies that are either directly or indirectly associated with so-called controversial weapons (development, production or distribution) are carried out. Different types of weapons covered by the screening include weapons of mass destruction (such as nuclear, biological and chemical weapons), cluster bombs and anti-personnel land mines. The goal is that all funds investing in shares and corporate bonds are screened, and this goal was met in 2018.

Aktia Bank Plc has deemed that in its operations the risk of violations against human rights is low.

Prevention of corruption and bribes

Aktia is continuously seeking to identify and define the central risks. Most risks are associated with money laundering and the financing of terrorism. Money laundering legislation imposes stringent requirements regarding customer control, such as identifying politically exposed persons (PEP) and risks. As a responsible bank, Aktia strives to continuously monitor the changing market and behavioural models and to develop its processes for identifying and preventing all forms of misuse.

Through a high level of business ethics and internal control Aktia shall prevent the Group, deliberately or by mistake, from contributing to illegal activities, such as money laundering or the financing of terrorism. Aktia is obliged to have a good knowledge of its customers and their banking, both when the customer relationship is initiated and while it is in place. Aktia's internal regulatory frameworks, procedures, system support and training support the personnel in gaining knowledge about the customers. In this way Aktia can ensure that the Group company or Group services are not utilised for money laundering or the financing of terrorism. For the prevention of the financing of terrorism, Aktia's customer register and customer transactions are regularly checked against the sanctions lists published by various authorities. On a regular basis, Aktia's personnel receives training in identifying the principles for preventing money laundering and the financing of terrorism.

To support the employees in their work Aktia has compiled a Code of Conduct consisting of the most important rules to be observed by employees when carrying out their duties. The Group's Code of Conduct includes e.g. rules regarding access to workplaces and the use of the Group's computer system, the role of personnel as representatives of Aktia, managing one's own affairs and those of related parties in Aktia, sidelines and positions of trust, and on keeping Aktia's trade secrets confidential. All employees at Aktia are obliged to follow the Code of Conduct. The employees receive regular training in the Code of Conduct. The Code of Conduct includes a request for the employees of the Group to inform about violations of the rules of the Code and possible unethical business operations or suspicions of them (so-called whistle blowing). In 2018 no such violations have been reported through the channel.

Aktia Bank Plc has deemed that in its operations the risk of corruption and bribes is low.

Financial statements and signatures

Aktia Bank Plc - consolidated financial statements

Consolidated income statement

(EUR 1,000)	Note	2018	2017
Interest income		83,689	91,020
Interest expenses		2,214	-1,400
Net interest income	G4	85,903	89,620
Dividends	G5	114	307
Commission income		107,936	102,485
Commission expenses		-12,334	-11,056
Net commission income	G6	95,602	91,429
Net income from life insurance	G7	21,362	26,597
Net income from financial transactions	G8	4,850	841
Net income from investment properties	G9	-33	-
Other operating income	G10	2,332	1,490
Total operating income		**210,131**	**210,284**
Staff costs	G11	-66,683	-79,057
IT expenses		-25,638	-30,451
Depreciation of tangible and intangible assets	G12	-12,381	-9,465
Other operating expenses	G13	-38,346	-41,681
Total operating expenses		**-143,048**	**-160,654**
Impairment of tangible and intangible assets	G27	-	-534
Impairment of credits and other commitments	G21	-839	-574
Share of profit from associated companies		1,344	597
Operating profit		**67,588**	**49,118**
Taxes	G14	-11,583	-9,778
Profit for the reporting period		**56,005**	**39,340**
Attributable to:			
Shareholders in Aktia Bank plc		56,005	39,340
Total		**56,005**	**39,340**
Earnings per share (EPS), EUR	G15	0.81	0.57
Earnings per share (EPS), EUR, after dilution	G15	0.81	0.57

Consolidated statement of comprehensive income

(EUR 1,000)	Note	2018	2017
Profit for the reporting period		56,005	39,340
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets		-8,939	-12,837
Change in valuation of fair value for cash flow hedging		79	69
Transferred to the income statement for financial assets		-1,130	-2,982
Comprehensive income from items which can be transferred to the income statement		-9,991	-15,750
Defined benefit plan pensions		13	2,093
Comprehensive income from items which can not be transferred to the income statement		13	2,093
Total comprehensive income for the year		**46,027**	**25,683**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		46,027	25,683
Total		**46,027**	**25,683**
Total earnings per share, EUR	G15	0.67	0.37
Total earnings per share, EUR, after dilution	G15	0.67	0.37

Consolidated balance sheet

(EUR 1,000)	Note	31 Dec 2018	31 Dec 2017
Assets			
Interest-bearing securities		8,717	-
Shares and participations [1]		136,173	-
Investments for unit-linked investments		757,760	802,575
Financial assets measured at fair value through income statement	G17	902,650	802,575
Interest-bearing securities [2]		1,340,928	1,797,199
Shares and participations [1]		-	128,159
Financial assets measured at fair value through other comprehensive income	K18	1,340,928	1,925,358
Interest-bearing securities [3]	K19	307,982	367,800
Lending to Bank of Finland and other credit institutions	K20	23,110	49,910
Lending to the public and public sector entities	K20	6,105,960	5,838,764
Cash and balances with central banks	G22	289,191	282,477
Financial assets valued at amortised cost		6,726,244	6,538,950
Derivative instruments	G23	69,990	84,046
Investments in associated companies and joint ventures	G24	89	0
Intangible assets	G25	66,656	71,139
Investment properties	G26	39,079	55,195
Tangible assets excl. investment properties	G27	3,217	4,812
Tangible and intangible assets		108,953	131,145
Accrued income and advance payments		40,088	38,862
Other assets		74,765	24,420
Total other assets	G28	114,852	63,283
Income tax receivables		40	456
Deferred tax receivables	G29	2,323	4,187
Tax receivables		2,363	4,643
Total assets		**9,266,069**	**9,550,000**
Liabilities			
Liabilities to central banks		400,000	400,000
Liabilities to credit institutions		202,580	294,419
Liabilities to the public and public sector entities		3,962,540	4,118,544
Deposits	G30	4,565,120	4,812,963
Derivative instruments	G23	17,126	33,559
Debt securities issued	G31	2,460,332	2,450,748
Subordinated liabilities	G32	207,819	235,200
Other liabilities to credit institutions	G33	45,586	60,045
Other liabilities to the public and public sector entities	G34	100,000	-
Other financial liabilities		2,813,737	2,745,994
Technical provisions for risk insurances and interest-related insurances		398,930	414,978
Technical provisions for unit-linked insurances		756,774	802,349
Technical provisions	G35	1,155,704	1,217,328
Accrued expenses and income received in advance		47,466	53,700
Other liabilities		23,367	29,553
Total other liabilities	G36	70,833	83,253
Income tax liabilities		3,327	1,809
Deferred tax liabilities	G29	50,282	57,073
Tax liabilities		53,610	58,882
Total liabilities		**8,676,130**	**8,951,979**
Equity			
Restricted equity		180,653	214,533
Unrestricted equity		409,286	383,489
Shareholders' share of equity		589,939	598,022
Equity	G37	**589,939**	**598,022**
Total liabilities and equity		**9,266,069**	**9,550,000**

1) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

2) In 2017, these interest-bearing securities correspond the category Financial assets available for sale according to IAS39.

3) In 2017, these interest-bearing securities correspond the category Financial assets held until maturity according to IAS39.

Consolidated off-balance-sheet commitments

(EUR 1,000)	Note	31 Dec 2018	31 Dec 2017
Off-balance sheet commitments	G41		
Guarantees		31,255	31,704
Other commitments provided to a third party		3,573	7,325
Commitments provided to a third party on behalf of the customers		34,828	39,029
Unused credit arrangements		456,724	505,190
Other commitments provided to a third party		27,239	8,806
Irrevocable commitments provided on behalf of customers		483,964	513,996
Total		**518,792**	**553,025**

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Total equity
Equity as at 1 January 2017	**163,000**	**67,283**	**1,957**	**108,316**	**272,552**	**613,108**	**613,108**
Acquisition of treasury shares					-1,703	-1,703	-1,703
Divestment of treasury shares				84	1,216	1,300	1,300
Dividend to shareholders					-39,908	-39,908	-39,908
Profit for the year					39,340	39,340	39,340
Financial assets		-15,819				-15,819	-15,819
Cash flow hedging		69				69	69
Defined benefit plan pensions					2,093	2,093	2,093
Total comprehensive income for the year		-15,750			41,433	25,683	25,683
Other change in equity			-458			-458	-458
Equity as at 31 December 2017	**163,000**	**51,533**	**1,499**	**108,400**	**273,590**	**598,022**	**598,022**
Equity as at 1 January 2018	**163,000**	**51,533**	**1,499**	**108,400**	**273,590**	**598,022**	**598,022**
Restated for adoption of IFRS 9		-23,889			5,923	-17,967	-17,967
Divestment of treasury shares				535	1,217	1,752	1,752
Dividend to shareholders					-37,833	-37,833	-37,833
Profit for the period					56,005	56,005	56,005
Financial assets		-10,070				-10,070	-10,070
Cash flow hedging		79				79	79
Defined benefit plan pensions					13	13	13
Total comprehensive income for the year		-9,991			56,017	46,027	46,027
Other change in equity			-61			-61	-61
Equity as at 31 December 2018	**163,000**	**17,653**	**1,438**	**108,935**	**298,913**	**589,939**	**589,939**

Consolidated cash flow statement

(EUR 1,000)	2018	2017
Cash flow from operating activities		
Operating profit	67,588	49,118
Adjustment items not included in cash flow	12,066	875
Paid income taxes	-6,216	-4,864
Cash flow from operating activities before change in receivables and liabilities	**73,437**	**45,129**
Increase (-) or decrease (+) in receivables from operating activities	**185,371**	**-226,200**
Financial assets measured at fair value through the income statement	-15,833	-
Financial assets measured at fair value through other comprehensive income	345,049	-118,561
Interest-bearing securities measured at amortised cost, increase	-	-147,339
Interest-bearing securities measured at amortised cost, decrease	128,700	222,000
Loans and other receivables	-268,221	-107,832
Investments for unit-linked insurances	44,815	-79,431
Other assets	-49,139	4,963
Increase (+) or decrease (-) in liabilities from operating activities	**-216,805**	**164,788**
Deposits	-244,692	154,214
Debt securities issued	14,391	353
Other financial liabilities	85,541	-19,959
Technical provisions	-61,623	54,882
Other liabilities	-10,422	-24,702
Total cash flow from operating activities	**42,003**	**-16,284**
Cash flow from investing activities		
Investments in group companies, associated companies and joint ventures	-175	-3,593
Proceeds from sale of group companies and associated companies	963	10,393
Investment in investment properties	-5,034	-2,806
Proceeds from sale of investment properties	21,123	-
Investment in tangible and intangible assets	-6,326	-14,604
Proceeds from sale of tangible and intangible assets	0	24
Total cash flow from investing activities	**10,552**	**-10,587**
Cash flow from financing activities		
Subordinated liabilities, increase	-	18,389
Subordinated liabilities, decrease	-27,381	-26,784
Dividend/share issue to the non-controlling interest	-1,730	-1,086
Acquisition of treasury shares	-	-1,703
Divestment of treasury shares	1,195	1,300
Paid dividends	-37,833	-39,908
Total cash flow from financing activities	**-65,749**	**-49,792**
Change in cash and cash equivalents	**-13,195**	**-76,662**
Cash and cash equivalents at the beginning of the year	320,116	396,779
Cash and cash equivalents at the end of the year	306,921	320,116
Cash and cash equivalents in the cash flow statement consist of the following items:		
Repayable on demand liabilities to credit institutions, external	4,418	4,753
Bank of Finland current account	284,773	277,723
Repayable on demand claims on credit insitutions	17,730	37,640
Total	**306,921**	**320,116**
Adjustment items not included in cash flow consist of:		
Impairment of interest-bearing securities	266	2,522
Unrealised change in value for financial assets measured at fair value through income statement	4,893	-
Write-downs on credits and other commitments	839	574
Change in fair values	4,777	4,898
Depreciation and impairment of tangible and intangible assets	13,381	9,999
Sales gains and losses from tangible and intangible assets	-2,290	-815
Unwound fair value hedging	-10,328	-14,400
Change in provisions	-	-1,406
Change in fair values of investment properties	-503	-582
Change in share-based payments	-897	-1,305
Other adjustments	1,928	1,390
Total	**12,066**	**875**

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2018	2017
Earnings per share (EPS), EUR [1]	0.81	0.57
Total earnings per share, EUR [1]	0.67	0.37
Dividend per share, EUR	0.61	0.57
Payout ratio, %	75.1	96.1
Equity per share (NAV), EUR [1,2]	8.56	8.70
Average number of shares (excluding treasury shares) [1]	68,817,331	68,867,809
Number of shares at the end of the period (excluding treasury shares) [1]	68,916,364	68,718,564
Return on equity (ROE), % [2]	9.4	6.5
Return on assets (ROA), % [2]	0.60	0.41
Cost-to-income ratio [2]	0.68	0.76
Common Equity Tier 1 capital ratio (Bank Group), %	17.5	18.0
Tier 1 capital ratio (Bank Group), %	17.5	18.0
Capital adequacy ratio (Bank Group), %	20.5	23.4
Risk-weighted commitments (Bank Group)	2,199,213	2,080,185
Capital adequacy ratio, % (finance and insurance conglomerate)	166.1	164.5
Equity ratio, % [2]	6.3	6.3
Group financial assets [2]	2,112,924	2,601,921
Assets under management [2, 3]	8,860,322	7,961,506
Borrowing from the public	3,962,540	4,118,544
Lending to the public	6,105,960	5,838,764
Premiums written before reinsurers' share [2]	105,634	125,935
Expense ratio, % (life insurance company) [2]	77.0	78.9
Solvency ratio (according to Solvency II, life insurance company), %	229,845	199,236
Own funds (Solvency II, life insurance company)	175,510	169,490
Solvency ratio (according to Solvency I, life insurance company), %	-	-
Solvency margin (according to Solvency I, life insurance company)	-	-
Investments at fair value (life insurance company)	1,230,542	1,342,758
Technical provisions for risk insurances and interest-related insurances	398,930	414,978
Technical provisions for unit-linked insurances	756,774	802,349
Group's personnel (FTEs), average number of employees	803	903
Group's personnel (FTEs), at the end of the period	779	804

1) Recalculated according to the number of shares after combining series A and R

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

3) Assets under management excluding custody assets (comparision periods recalculated)

Basis of calculation

Earnings per share (EPS), EUR

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

Total earnings per share, EUR

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

Equity per share (NAV), EUR

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

Return on equity (ROE), %

Profit for the year / Average equity x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

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

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

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

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

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

Risk-weighted commitments (Bank Group)

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

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

Capital adequacy ratio, % (finance and insurance conglomerate)

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

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

Equity ratio, %

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

Group financial assets

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

Assets under management

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

Expense ratio, % (life insurance company)

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

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

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

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

Own funds (Solvency II capital, life insurance company)

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

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

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

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

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

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

G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 28 February 2019 and are to be adopted by the Annual General Meeting on 11 April 2019. The report by the Board of Directors and financial statements are published on 21 March 2019 at the latest.

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

Basis for preparing financial statements

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

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

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

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

The following new and amended IFRSs has taken effect as of 1 January 2018:

The standard **IFRS 9** Financial Instruments was approved by the EU in November 2016, and it replaces IAS 39 Financial Instruments: Recognition and measurement. The Aktia Group implemented IFRS 9 when the standard became mandatory on 1 January 2018. The difference in book value of financial assets and liabilities was recognised in retained earnings and in the fund at fair value within equity at the implementation of IFRS 9. Comparative figures according to IFRS 9 have not been recalculated for the previous year. Thus, the information presented in the income statement and balance sheet for 2018 is not comparable with 2017.

IFRS 9 introduces new requirements for recognition and measurement of financial assets and liabilities. The model for risk management and the characteristics of financial instruments in respect of future cash flows have an impact on the classification of the Group's financial assets and liabilities. The Group's financial assets are as of 1.1.2018 classified in the categories amortised cost, fair value through other comprehensive income, and fair value through the income statement. The reporting of financial assets according to a mixed business model, where changes in fair value according to IFRS 9 are reported through other comprehensive income, corresponds to the reporting of financial assets available for sale according to the previous IAS 39 standard.

The new rules for recognition and measurement with the transition to IFRS 9 led to less reclassification from the previous category Financial assets available for sale to the categories Financial assets measured at amortised cost and Financial assets measured at fair value through the income statement. The reclassifications had no significant impact on the Group's result or financial position with the transition to IFRS 9.

Differing from the previous model concerning provisions for credit losses based on occurred events, the requirements concerning impairment in IFRS 9 are based on a model for expected credit losses. Calculation of provisions for expected credit losses comprises financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as well as financial guarantee contracts and loan promises. The implementation of ECL (Expected Credit Loss) models in accordance with IFRS 9 marginally decreased the provisions for impairments. The decrease had no significant impact on the Group's result or financial position with the transition to IFRS 9.

The effects of reclassification and revaluation of financial assets and new model for impairments slightly reduced the Group's equity. The effects on the Bank Group and on capital adequacy were marginal.

The requirements for hedge accounting in accordance with IFRS 9 made the method for assessing the efficiency of hedge accounting less based on rules and more adjusted according to the Group's risk management. The Group will implement the exclusion from the rules, according to which IAS 39 may be applied to so-called portfolio hedging. Changes in hedge accounting rules have no significant impact on the Group's result or financial position.

The effect of reclassification and revaluation of financial assets and the impact on equity with the transition to IFRS 9 is presented in Changes in equity and in note G16. The changes in provisions for credit losses with the implementation of ECL (Expected Credit Loss) models according to IFRS 9 is presented in note K21 and the effect on the Group's own funds at the transition to IFRS 9 is presented in note G2.

IFRS 15 Revenue from contracts with customers replaced all earlier standards and interpretations of revenue recognition. The standard was approved by the EU in October 2016, and it is mandatory as of 1 January 2018. The Aktia Group implemented IFRS 15 when the standard became mandatory. IFRS 15 includes a comprehensive five-step model for revenue recognition. In the Aktia Group, revenue recognition is reported using the accruals convention when recognising expenses and revenue. Interests are recognised according to the effective interest rate and commissions are recognised on a pro rata basis as from the time of the contract. Commission income is recognised when the work to carry out a transaction is done and the transaction is completed. Changes in accounting principles for revenue recognition are not expected to have any significant impact on the Group's result or financial position.

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

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

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

Consolidation principles

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

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

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

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

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

Segment-based reporting

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

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

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

Pricing between the segments is based on market prices.

As of 1 January 2018, as a part of the previously published new strategy, Aktia has renewed the business segments. Aktia is reporting according to three business segments as of 1 January 2018, which are Personal & Corporate Banking, Wealth Management and Group Functions. Other business is reported separately but does not make a reporting business segment. The Private Banking and Institutional customers, which previously were included in the Banking Business segment, are included in the new segment Wealth Management. The Group's treasury operations as well as other support and staff functions, which previously were included in the segments Banking Business and Miscellaneous, are included in the new segment Group functions. Other business comprised mainly Aktia Real Estate Agency Ltd until 30 June 2018. The new segment Personal & Corporate Banking consists of the previous segment Banking Business, taking the above mentioned changes into account.

Segment Personal & Corporate Banking includes Aktia Bank plc's private and corporate customers as well as the subsidiary Aktia Företagsfinans Ab.

The Wealth Management segment includes Aktia Bank plc's private banking business, institutional customers and the capital market support function as well as the subsidiaries Aktia Asset Management Ltd, Aktia Fund Management Company Ltd and Aktia Life Insurance Ltd with its real estate subsidiaries Keskinäinen Kiinteistö Oy Tikkurilantie 141 and Keskinäinen Kiinteistö Oy Areenakatu 4, as well as the associated companies Kiinteistö Oy Keinusaaren Toimistotalo 1 (holdings 50 %), Keskinäinen Kiinteistö Oy Sähkötie 14–16 (holdings 33.33 %), Kiinteistö Oy Lahden BW Tower (holdings 33.33 %), Kiinteistö Oy Skanssinkatu (holdings 49.95 %), Kiinteistö Oy Lempäälän Rajamäentie (holdings 49.95 %), Kiinteistö Oy Helsingin Gigahertsi (holdings 33.33%) and Asunto Oy Helsingin Tuulensuoja (holdings 50 %).

The segment Group functions encompasses the Group´s treasury operations, other support and administrative functions as well as the subsidiary Aktia Finans Ab.

Segment Other included mainly Aktia Fastighetsförmedling Ab until 30 June 2018.

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividend

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

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

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

Commissions

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

Insurance premiums

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

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

Claim costs

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

In this respect, for losses incurred that remain unpaid at the time the accounts are prepared and claims adjustment costs for these, including for losses that have not yet been reported to the Group, a provision is made in the company's technical provision (claim provision).

Other income and expenses

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

Depreciation

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

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

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

Employee remuneration

Pension plans

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

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

Share-based payments

The Group has an incentive agreement with key personnel in management positions and a share savings program for the whole staff. The Group continuously evaluates the likely outcome of this incentive agreement. The benefits earned within the incentive agreement are valued at fair value on the decision date and costs are entered linearly during the earning-period. Payment is made either as transfer of equity instruments or in cash.

For the part of the incentive agreement where payment is made as transfer of equity instruments, an accrued change is recognised in shareholders' equity under Fund for share-based payments. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liabilities are reported as Staff costs.

Taxes

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

Financial assets and liabilities

From 1 January 2018, Aktia is applying IFRS 9 where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

Classification of financial assets

The Group classifies financial assets in the following categories:
- Reported at amortised cost (AC)
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through the income statement (FVTPL)

The category **Financial assets reported at amortised cost** includes:
- interest-bearing securities
- interest-bearing securities
- interest-bearing securities

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

The category **Financial assets measured at fair value through other comprehensive income** includes:
- shares and participations
- interest-bearing securities

Financial assets are measured at fair value through other comprehensive income if:
- the asset is an interest-bearing security (debt instrument) managed according to a business model where the securities are held both in order to obtain contractual cash flows (only concerns the payment of capital and interest on the outstanding capital) and which may be sold if necessary
- the asset is shares and participations (equity instrument) which is not held for trading and is chosen to be classified in this category at the first recognition

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

The category **Financial assets measured at fair value through the income statement** includes:
- derivative instruments
- life insurance investments providing cover for unit-linked agreements
- shares and participations
- interest-bearing securities
- loans and other receivables (included in this category if the SPPI-requirement is not fulfilled)

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

Financial liabilities

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

Reclassification

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

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

Reclassification between different valuation categories are reported as follows:

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

Repurchase agreements

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

Cash and balances with central banks

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

Derivative instruments

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

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

Hedge accounting

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

Valuation of financial instruments at fair value

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

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

Impairment of financial assets

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

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

Expected credit loss (ECL) is not calculated for shares and participations.

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

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

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

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

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

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

Significant increase of credit risk

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

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

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

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

Assessment of impairment needs (definition of default)

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

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

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

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

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

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

Information describing the future

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

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

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

Tangible and intangible assets

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

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

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

Assets classified as held for sale

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

Provisions

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

The Group as a lessor

Finance lease agreements

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

The Group as a lessee

Operating lease agreements

Where a lessor in all significant respects bears the financial risks and advantages associated with the ownership of an object, this is classified as an operating lease and the assets are entered in the lessor's balance sheet. Leasing rents on operating lease agreements are reported in the income statement as rental expenses.

Insurance and investment agreements

Classification of insurance and investment agreements

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

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

Agreements are classified as follows:

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

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

Reinsurance

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

Liabilities attributable to insurance and investment agreements

Liabilities attributable to insurance and investment agreements are reported as technical provisions, comprising premium liabilities and outstanding claims. Calculation of technical provisions are based on assumptions of for example mortality, costs and loss ratios. The technical interest rate used in the calculation of technical provisions for insurance agreements with a guaranteed interest varies between 1.0 and 4.5%.

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

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

In the consolidated IFRS accounts, the insurance company's equalisation provisions (FAS) have been transferred to shareholders' equity and deferred tax liability.

Assessment of technical provisions

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

The life insurance business' equity principle

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

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

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

Equity

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

Holdings with non-controlling interest

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

Non-controlling holdings of the subsidiary Aktia Asset Management Ltd is reported as a liability to the owners, and the change in the fair value of the liability is reported as personnel costs.

Accounting principles requiring management discretion

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

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

Estimates and valuation of fair value

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

Impairment of financial assets

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

Actuarial calculations

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

Share-based payments

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

G2 The Group's risk management

1. General

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

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

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

2. Internal control and risk management

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

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

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

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

3. Group capital management

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

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

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

The target for the Bank Group's Core Tier 1 ratio is 1.5-3 percentage points above the regulatory requirement and for total capital adequacy 2.0-3.5 percentage points. The minimum target for the Bank Group's leverage ratio is 3.5 %. The life insurance business's target Solvency II ratio is a minimum level of 125 %, taking into account the transitional measures. For the financial conglomerate, the target for capital adequacy is for it to exceed 120%.

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

4. Credit and counterparty risks

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

The Bank Group applies internal risk classification in compliance with the advanced method (Advanced IRB) in the calculation of capital adequacy requirements for credit risk for private and household customers, and companies with small exposures. For other exposures the standardised approach is used in the capital adequacy calculation. At the end of the year, a total of 57 % of the Bank Group's exposures were covered by the IRB approach. The internal models comprise models for probability of default (PD) and loss given fault (LGD). In addition to the capital adequacy calculation these models are used for monitoring credit risk, internal risk reporting, and for estimating expected credit loss. Aktia has submitted an application to the Financial Supervisory Authority concerning the application of internal risk classification in compliance with the foundation IRB approach for companies with larger exposures.

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

G2.1 The Group's maximum exposure by operation

	31 Dec 2018			31 Dec 2017		
EUR million	**Banking business**	**Life insurance business**	**Total group**	**Banking business**	**Life insurance business**	**Total group**
Cash and money market	**310**	**51**	**312**	**329**	**28**	**332**
Bonds	**1,361**	**307**	**1,668**	**1,808**	**373**	**2,180**
Public sector	384	67	452	508	105	613
Government guaranteed bonds	54	6	60	72	6	79
Banks	107	23	130	269	24	293
Covered bonds	816	161	977	948	174	1,122
Corporate	0	50	50	10	63	73
Shares and mutual funds	**4**	**133**	**136**	**9**	**119**	**128**
Fixed income funds	0	100	100	0	94	94
Shares and equity funds	4	0	4	9	0	9
Real estate funds	0	29	29	0	23	23
Private Equity	0	4	4	0	2	2
Hedge funds	0	0	0	0	0	0
Loans and claims	**6,116**	**0**	**6,116**	**5,845**	**0**	**5,845**
Public sector entities	8	0	8	4	0	4
Housing associations	605	0	605	492	0	492
Corporate	709	0	709	594	0	594
Households	4,759	0	4,759	4,717	0	4,717
Non-profit organisations	35	0	35	38	0	38
Tangible assets	**3**	**39**	**42**	**5**	**55**	**60**
Bank guarantees	**35**	**0**	**35**	**39**	**0**	**39**
Unused facilities and unused limits	**457**	**27**	**484**	**505**	**9**	**514**
Derivatives (credit equivalents)	**81**	**0**	**81**	**96**	**0**	**96**
Other assets	**92**	**5**	**96**	**43**	**5**	**46**
Total	**8,458**	**563**	**8,972**	**8,680**	**589**	**9,242**

Table G2.1 presents the Group's exposure per operating area. The figures include accrued interest. Internal Group receivables and liabilities are eliminated, and deductions for acceptable collateral have not been made. Investments for unit-linked provisions are not included.

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

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

4.1 Problem loans

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

According to the Group's accounting principles, an evaluation is made at each reporting date as to whether a significant increase in the credit risk has occurred. The evaluation is based on the change in the probability of default (PD) since initial recognition, and whether the customer has a past due loan payment (30 days), or if forbearance measures have been applied. Expected credit losses for twelve months are calculated for non-defaulted exposures for which a significant increase in credit risk has not occured (ECL Stage 1). The expected credit losses for the exposure's remaining lifetime are calculated for non-defaulted exposures for which a significant increase in credit risk has occured (ECL Stage 2) and for defaulted exposures (ECL Stage 3). An exposure is considered to be defaulted if at least one of the following criteria is met: a significant past due loan payment (90 days or more), or a significant past due loan payment (less than 90 days) and the counterparty has been entered into bankruptcy or debt restructuring or is deemed unlikely to be able to fully pay its loan obligations.

G2.2 Loans past due by time overdue and ECL stages

(EUR million)	**1 Jan 2018**			
Days	**Stage 1**	**Stage 1**	**Stage 3**	**Total**
≤ 30	12.0	7.1	1.8	20.8
of which households	10.6	6.0	1.8	18.5
> 30 ≤ 90	0.0	13.5	4.3	17.8
of which households	0.0	12.7	3.7	16.3
> 90	0.0	0.0	32.4	32.4
of which households	0.0	0.0	26.6	26.6

(EUR million)	**31 Dec 2018**			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 30	3.2	5.1	0.0	8.3
of which households	2.9	5.1	0.0	8.0
> 30 ≤ 90	0.0	18.1	0.1	18.2
of which households	0.0	17.8	0.1	17.9
> 90	0.0	0.0	34.1	34.1
of which households	0.0	0.0	27.3	27.3

G2.3 Credit exposures (incl. off-balance sheet items) per probability of default (PD) 31 Dec 2018

EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate				
PD grades A	162.58	18.23	0.00	180.82
PD grades B	737.67	0.00	0.00	737.67
PD grades C	537.33	25.82	0.12	563.27
Default	0.00	0.00	26.71	26.71
	1,437.58	44.06	26.83	1,508.47
Loss allowance (ECL)	-1.91	-1.39	-21.03	-24.33
Carrying amount	1,435.67	42.67	5.81	1,484.14
Households				
PD grades A	3,474.56	7,86	0.00	3,482.42
PD grades B	967.70	7.12	0.00	974.82
PD grades C	529.67	83.05	4.77	617.49
Default	0.00	0.00	45.66	45.66
	4,971.93	98.02	50.43	5,120.39
Loss allowance (ECL)	-0.67	-2.28	-11.92	-14.87
Carrying amount	4,971.26	95.75	38.52	5,105.52
Other				
PD grades A	0.00	0.00	0.00	0.00
PD grades B	0.00	0.00	0.00	0.00
PD grades C	48.26	0.00	0.00	48.26
Default	0.00	0.00	0.00	0.00
	48.26	0.00	0.00	48.26
Loss allowance (ECL)	-0.01	0.00	0.00	-0.01
Carrying amount	48.25	0.00	0.00	48.25

G2.4 Credit exposures (incl. off-balance sheet items) per loss given default (LGD) 31 Dec 2018 (EUR million)

EUR million	Stage 1	Stage 2	Stage 3	Total
Corporate				
LGD class 1 (low)	0.00	0.00	0.00	0.00
LGD class 2	0.00	0.00	0.00	0.00
LGD class 3	756.92	24.11	0.36	781.38
LGD class 4	211.40	8.16	6.73	226.29
LGD class 5 (high)	469.26	11.79	19.75	500.80
	1,437.58	44.06	26.83	1,508.47
Loss allowance (ECL)	-1.91	-1.39	-21.03	-24.33
Carrying amount	1,435.67	42.67	5.81	1,484.14
Households				**0.00**
LGD class 1 (low)	107.55	19.88	7.77	135.20
LGD class 2	2,120.30	18.96	8.38	2,147.64
LGD class 3	2,457.96	44.82	12.82	2,515.60
LGD class 4	49.40	1.98	6.44	57.81
LGD class 5 (high)	236.74	12.38	15.03	264.15
	4,971.93	98.02	50.43	5,120.39
Loss allowance (ECL)	-0.67	-2.28	-11.92	-14.87
Carrying amount	4,971.26	95.75	38.52	5,105.52
Other				**0.00**
LGD class 1 (low)	0.00	0.00	0.00	0.00
LGD class 2	0.00	0.00	0.00	0.00
LGD class 3	0.11	0.00	0.00	0.11
LGD class 4	0.65	0.00	0.00	0.65
LGD class 5 (high)	47.50	0.00	0.00	47.50
	48.26	0.00	0.00	48.26
Loss allowance (ECL)	-0.01	0.00	0.00	-0.01
Carrying amount	48.25	0.00	0.00	48.25
Class 1	Risk free, e.g. state guarantee			
Class 2	Low risk, e.g. share in housing co-operative			
Class 3	Medium risk, e.g. other real estate security			
Class 4	Increased risk, other guarantees			
Class 5	High risk, no collateral			

5. Management of funding and liquidity risks

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

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

5.1 Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which in the aforesaid manner can be used as a liquidity reserve, including cash, had a market value of EUR 965 (1,356) million at year-end.

To monitor liquidity risks, a so-called survival horizon is used. The survival horizon measures how long the cash flows of the liquidity reserve will last to cover the contractual outgoing cash flow to the capital market without access to new financing. On 31 December 2018 the liquidity reserve would survive for over 21 months in a scenario with completely closed capital markets.

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

LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. Table G2.5 presents outcomes in 2018 for the LCR and NSFR risk measures for the Aktia Bank Group.

G2.5 LCR och NSFR

	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
LCR %	134 %	118 %	128 %	143 %	161 %
NSFR %	119 %	121 %	120 %	120 %	122 %

6. Management of market, balance sheet and counterparty risks

6.1 Market and asset and liability risks in the Bank Group

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

6.1.1 Interest rate risk in the banking book (IRRBB)

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

The structural net interest income risk is simulated using a dynamic asset and liability risk management model. The model takes into account the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied. Table G2.6 shows that net interest income would increase if interest rates rose and decrease if interest rates declined.

G2.6 Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve with of 1 % point

		Change in net interest income(EUR million)			
		31 Dec 2018		31 Dec 2017	
Period	**Interest rate change**	**Down**	**Up**	**Down**	**Up**
Changes during the next 12 months		0.0	8.1	-0.5	9.0
Changes during 12-24 months		0.6	22.8	-2.5	23.0

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

The liquidity portfolio of the Bank Group, which comprises of interest-bearing securities and is managed by the bank's Treasury unit, stood at EUR 1,368 (1,816) million as at 31 December 2018, which includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the Bank Group.

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

At the end of the period, there were bonds worth EUR 18 million that did not meet the eligibility requirements for refinancing at the central bank. One of the bonds from a Finnish credit institution did not meet the eligibility requirements for refinancing at the central bank since the issue had no rating. The other bonds did not meet the eligibility requirements for refinancing at the central bank because the country of issue for these covered bonds is not an EEA or G7 country, which is an eligibility requirement for refinancing at the central bank.

No impairment losses were recognised during the year.

G2.7 Rating distribution for banking business' liquidity portfolio and other direct fixed income assets

	31 Dec 2018	31 Dec 2017
EUR million	**1,368**	**1,816**
Aaa	56.7 %	53.1 %
Aa1-Aa3	24.4 %	27.4 %
A1-A3	3.6 %	5.0 %
Baa1-Baa3	1.2 %	2.3 %
Ba1-Ba3	0.0 %	0.0 %
B1-B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Unrated domestic municipalities and credit institutions	14.0 %	11.6 %
Others without rating	0.0 %	0.6 %
Totalt	**100.0 %**	**100.0 %**

G2.8 Geopolitical distribution of investments due to instrument type

Aktia Banking operations	Government and govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Listed Equity		Total	
EUR million	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**
Finland	215.86	225.35	68.02	49.04	18.83	81.50	-	10.00	-	-	302.71	365.89
Norway	-	-	248.32	257.15	12.07	-	-	-	-	-	260.39	257.15
Sweden	-	-	152.42	133.30	55.93	107.59	-	-	-	-	208.35	240.89
France	64.84	65.58	68.39	78.75	-	31.53	-	-	-	-	133.23	175.86
Canada	-	-	78.89	89.30	-	-	-	-	-	-	78.89	89.30
Poland	1.01	1.02	53.66	53.56	-	-	-	-	-	-	54.67	54.58
Germany	47.89	48.41	-	-	-	-	-	-	-	-	47.89	48.41
United Kingdom	-	-	34.26	75.53		-	-	-	-	-	34.26	75.53
Netherlands	-	-	10.48	67.46	20.35	48.82	-	-	-	-	30.83	116.28
Spain	10.85	11.24	19.91	-		-	-	-	-	-	30.76	11.24
Belgium	3.05	41.47	22.02	22.34	-	-	-	-	-	-	25.07	63.81
Austria	15.03	15.02	12.14	12.06	-	-	-	-	-	-	27.17	27.08
Supernational	82.76	180.54									82.76	180.54
Other	3.01	-	47.60	109.64	-	-	-	-	-	-	50.61	162.50
Total	**444.30**	**588.63**	**816.11**	**948.13**	**107.18**	**269.44**	**-**	**10.00**	**-**	**-**	**1,367.59**	**1,816.25**

6.1.3 Exchange rate risk

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

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

At year-end, total net currency exposure for the Bank Group amounted to EUR 3.6 (3.5) million.

6.1.4 Equity and real estate risk

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

The Bank Group conducts no equity trading for trading purposes or investments in real estate property for yield purposes.

At the end of the period, real estate holdings amounted to EUR 0.0 (0.1) million and investments in shares necessary for the business amounted to EUR 3.6 (9.3) million which decreased due to the divestment of shareholdings in Folksam Non-Life Insurance.

6.1.5 Risk sensitivity

Regarding investments, the key risks are interest rate risk and credit spread risk. Table G2.9 summarises market value sensitivity for the Bank Group's financial assets available for sale in various market risk scenarios as at 31 December 2018 and 31 December 2017. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board's limits on capital usage. As of 31 December 2017, an additive shock is applied with fixed percentage rates instead of a percentage shock. The risk components set out in the table are defined as follows:

Upward interest rate risk: The change is applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined on the basis of a historical analysis and the changes have been selected to represent a 99.5 percentile (the 995th highest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually and a minimum shock of 1% is applied. Due to the low interest rate environment the fixed additive shock is lower than 1% for all maturities, which means that the minimum shock of 1% has de facto been used throughout the interest rate curve.

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

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The size of the change is an annually revised figure that is based on yield curves for interest rate instruments with a given rating and investment type. The stress factors have been determined based on a historical analysis based on a 99.5 percentile from which the interest rate component has been excluded. The factors are revised annually.

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

Equity and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -50% for listed shares, -60% for unlisted shares and -25% for real estate.

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

G2.9 Sensitivity analysis for market risks

	Financial assets measured at fair value through other comprehensive income			
	2018		2017	
Banking Group	**EUR million**	**%**	**EUR million**	**%**
Market value 31.12.	1,124.0	**100.0 %**	1,445.4	**100.0 %**
IR risk up (normal method)	-23.7	**-2.1 %**	-27.8	**-1.9 %**
IR risk up (100 bp)	-23.7	**-2.1 %**	-27.8	**-1.9 %**
IR risk down (normal method)	18.1	**1.6 %**	23.3	**1.6 %**
Spreadrisk	-23.4	**-2.1 %**	-27.0	**-1.9 %**
Equity risk	-2.2	**-0.2 %**	-5.6	**-0.4 %**
Real estate risk	0.0	**0.0 %**	0.0	**0.0 %**

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

After preparation by the Group's Asset and Liability Committee ALCO, the life insurance company's Board of Directors and the Board's Risk Committee the Group's Board of Directors sets out the investment strategy and plans as well as limits for managing market risks in both the investment portfolio and interest-linked provisions. ALCO is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. An Investment Manager has been appointed to be in charge of operational management. The Group's Risk Control function supervises risk exposure and limits.

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

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

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

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral, and is the fourth largest market risk at year-end 2018. On the asset side, essentially the same instruments (fixed income instruments) are exposed to interest rate and credit spread risk, but as the interest-bearing provisions are not exposed to credit spread risk, this risk is one-sided, unlike interest rate risk. This also makes it much harder to hedge the risk, as hedging is effectively impossible without the use of credit derivatives. However, as the company is choosing not to invest in equities at this stage, a higher credit risk is the natural price to pay for the desired return. The fixed income portfolio's share of the risk in the company's own portfolio (assets not related to unit-linked insurance) remains very dominant, and at year-end fixed income investments including cash funds amounted to EUR 479.9 (467.1) million, corresponding to 87% (81) of the investment portfolio.

For several years, the equity risk in the fixed income portfolio has related exclusively to investments in Private Equity funds and similar asset classes. In 2018 these investments were somewhat increased, and now amount to EUR 4.5 (1.7) million. In the unit-linked portfolio, on the other hand, equity risk is a significant risk. This is because equity and balanced funds account for such a large investment volume among the customers' investments that, although the company's share of the risk in the unit-linked portfolios is small in percentage terms, the amount is still significant. The market value of the unit-linked investments at year-end was EUR 756.8 (802.6) million, of which EUR 448.0 (557.0) million was exposed to equity risk.

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year-end, total real estate investments amounted to EUR 67.2 (77.9) million. Real estate risk increases due to the real estate holdings including refinancing and it is the second most significant risk. In the unit-linked portfolios it is insignificant.

The life insurance company's exchange rate risk comes from holdings in fixed income funds that invest in emerging market government bonds issued in USD or local currencies. Some of the hedge funds' and Private Equity funds' holding are also in foreign currencies. At the end of the period, the life insurance company had underlying investments totalling EUR 47.0 (69.0) million, with open exchange rate risk in the interest-linked portfolios. Exchange rate risk arises also in the unit-linked portfolios, as a part of the fixed income and equity funds are denominated in other currencies than the euro.

The same parameters are used to calculate risk sensitivity as in the risk sensitivity calculation for the bank. These parameters are described in Chapter 6.1.6. For the life insurance company, stress is also taken into account for technical provisions.

G2.10 Rating distribution for the life insurance business' direct fixed income investments (excluding investements in fixed-income funds, real estates, equities and alternative investments)

EUR million	31 Dec 2018 329	31 Dec 2017 373
Aaa	50.4 %	50.0 %
Aa1-Aa3	34.3 %	32.4 %
A1-A3	5.6 %	3.3 %
Baa1-Baa3	3.3 %	3.8 %
Ba1-Ba3	0.9 %	0.5 %
B1-B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Unrated domestic municipalities and credit institutions	0.0 %	1.6 %
Others without rating	5.5 %	8.3 %
Totalt	**100.0 %**	**100.0 %**

G2.11 Geopolitical distribution of investments due to instrument type

Aktia Life Insurance	Government and govt. guaranteed		Covered Bonds (CB)		Finacial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
EUR million	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**	**12/18**	**12/17**
Finland	21.02	27.82	5.61	-	65.00	34.94	41.89	79.56	67.17	77.87	1.72	1.56	-	-	202.41	221.75
France	37.70	38.40	79.83	80.33	1.00	-	7.27	7.46	-	-		-	-	-	125.80	126.19
Netherlands	3.94	10.85	28.48	29.44	9.08	12.50	2.31	2.35	-	-		-	-	-	43.81	55.14
United Kingdom	-	-	28.48	34.26	0.04	-	0.92	1.31	-	-		-	-	-	29.44	35.57
Austria	22.24	22.67	5.63	5.83	-	-	0.09	0.05	-	-		-	-	-	27.96	28.55
Denmark	-	-	17.81	18.44	2.56	1.11	-	-	-	-		-	-	-	20.37	19.55
Sweden	-	-	-	5.82	3.59	7.37	1.90	1.94	-	-	0.04	0.09	-	-	5.53	15.22
Norway	-	-	-	-	1.98	-	-	-	-	-		-	-	-	1.98	-
Supranational	7.46	8.72													7.46	8.72
Other	2.79	53.82	-	-	1.41	1.20	79.59	8.79	-	-	2.93	-	-	-	86.72	63.81
Totalt	**95.15**	**162.28**	**165.84**	**174.12**	**84.66**	**57.12**	**133.97**	**101.46**	**67.17**	**77.87**	**4.69**	**1.65**	**-**	**-**	**551.48**	**574.50**

G2.12 Sensitivity analysis for market risks

	Portfolio		Technical provisions*		Total			
	2018	**2017**	**2018**	**2017**	**2018**		**2017**	
Life insurance company	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**%****	**EUR million**	**%****
Interest linked								
Market value 31.12.	500.4	546.6	-425.9	-452.2	74.5	**61.9 %**	94.4	**66.2 %**
IR risk up	-16.0	-19.2	39.1	42.0	23.1	**19.2 %**	22.8	**16.0 %**
IR risk down	17.7	22.3	-69.6	-75.0	-51.9	**-43.1 %**	-52.7	**-37.0 %**
Spreadrisk	-14.2	-18.0	0.1	0.0	-14.1	**-11.7 %**	-17.9	**-12.6 %**
Currency risk	-10.0	-4.0	0.1	0.1	-9.9	**-8.2 %**	-3.9	**-2.7 %**
Equity risk	-2.9	-1.1	0.0	0.0	-2.9	**-2.4 %**	-1.1	**-0.8 %**
Real estate risk	-25.2	-24.3	0.2	0.3	-25.0	**-20.8 %**	-24.1	**-16.9 %**
Unit- and index linked								
Market value 31.12.	756.8	802.3	-711.0	-754.1	45.8	**38.1 %**	48.2	**33.8 %**
IR risk up	-14.4	-13.3	14.8	13.8	0.4	**0.3 %**	0.6	**0.4 %**
IR risk down	16.9	15.9	-10.5	-13.2	6.4	**5.3 %**	2.7	**1.9 %**
Spreadrisk	-17.8	-19.6	16.5	18.2	-1.3	**-1.1 %**	-1.5	**-1.0 %**
Currency risk	-56.0	-37.4	52.1	34.6	-3.9	**-3.2 %**	-2.8	**-2.0 %**
Equity risk	-200.8	-216.6	186.8	200.3	-14.0	**-11.6 %**	-16.2	**-11.4 %**
Real estate risk	0.0	0.0	0.0	0.0	0.0	**0.0 %**	0.0	**0.0 %**
Total								
Market value 31.12.	1,257.2	1,348.9	-1,136.9	-1,206.3	120.3	**100.0 %**	142.6	**100.0 %**
IR risk up	-30.4	-32.4	53.9	55.8	23.5	**19.5 %**	23.4	**16.4 %**
IR risk down	34.6	38.2	-80.1	-88.2	-45.5	**-37.8 %**	-50.0	**-35.0 %**
Spreadrisk	-32.0	-37.6	16.6	18.2	-15.4	**-12.8 %**	-19.4	**-13.6 %**
Currency risk	-66.0	-41.4	52.2	34.7	-13.8	**-11.5 %**	-6.7	**-4.7 %**
Equity risk	-203.7	-217.7	186.8	200.3	-16.9	**-14.0 %**	-17.3	**-12.1 %**
Real estate risk	-25.2	-24.3	0.2	0.3	-25.0	**-20.8 %**	-24.1	**-16.9 %**

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

** The percentage is the portion of the total market value (120,3 for 2018)

7. Management of insurance risks

Insurance risk refers in general to the risk that claims to be paid out to policyholders exceed the amount expected. The risk is divided into underwriting risk and provision risk. Underwriting risk is caused by losses due to e.g. incorrect pricing, risk concentrations, inadequate reinsurance or unexpectedly high frequency of claims. Provision risk is the risk caused by a situation where reserves in the technical provision are not adequate to cover the claims arising from known or unknown damages covered by insurance contracts that have already been entered into.

Aktia Life Insurance provides life insurance and savings insurance. Due to the legal rules concerning insurance contracts, the company is very limited in its ability to influence premiums and terms and conditions for old policies that have already come into effect. Premium adequacy is followed up annually. For new policies, the company is free to set the premium levels itself. This is done by the Board, at the proposal of the Head Actuary. Reinsurance is used to limit compensation liabilities for the company's own account so that its solvency capital is adequate, and results do not fluctuate too much. As part of the Group's capital and risk management process, limits are derived which the Board of Directors of the life insurance company defines for the risks that the company itself can bear without taking out reinsurance.

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

8. Management of operational risks

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

Operational risks are present in all of Aktia's operations. Under a resolution of the Board of Directors, the level of operational risks must be normal in relation to Aktia's activities and in relation to its competitors. A normal risk level is predicated on compliance with regulations, instructions and applicable laws. The level of information security in the business must also be high, i.e. the risk level must be low. All this requires a deep insight into the company's own activities, adequate, well-functioning and effective internal control and risk management, good leadership, sound processes and competent staff.

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

In addition to preventing operational risks from being realised, Aktia also strives to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities.

G2.13 Group's capital adequacy and risk exposures

(EUR 1,000)

The Bank Group's capital adequacy

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

	31 Dec 2018		30 Sep 2018		30 Jun 2018		31 Mar 2018	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**9,266,069**	**8,069,224**	**9,363,508**	**8,084,250**	**9,380,089**	**8,088,139**	**9,364,387**	**8,095,329**
of which intangible assets	66,656	66,346	68,021	67,676	70,240	69,814	70,975	70,468
Total liabilities	**8,676,130**	**7,558,513**	**8,779,966**	**7,580,449**	**8,811,583**	**7,599,253**	**8,772,136**	**7,582,264**
of which subordinated liabilities	207,819	207,819	207,819	207,819	223,322	223,322	228,840	228,840
Share capital	163,000	163,000	163,000	163,000	163,000	163,000	163,000	163,000
Fund at fair value	17,653	4,010	18,514	3,197	23,550	6,286	24,503	6,011
Restricted equity	180,653	167,010	181,514	166,197	186,550	169,286	187,503	169,011
Unrestricted equity reserve and other funds	110,373	110,349	109,640	109,625	109,324	109,318	109,754	109,754
Retained earnings	242,909	184,488	242,804	184,384	242,804	184,384	279,879	221,458
Profit for the year	56,005	48,865	49,584	43,596	29,827	25,899	15,115	12,843
Unrestricted equity	409,286	343,702	402,029	337,605	381,956	319,600	404,748	344,055
Shareholders' share of equity	589,939	510,712	583,543	503,801	568,506	488,886	592,251	513,065
Equity	**589,939**	**510,712**	**583,543**	**503,801**	**568,506**	**488,886**	**592,251**	**513,065**
Total liabilities and equity	**9,266,069**	**8,069,224**	**9,363,508**	**8,084,250**	**9,380,089**	**8,088,139**	**9,364,387**	**8,095,329**
Off-balance sheet commitments	518,792	491,572	562,692	542,378	537,212	519,346	551,953	543,701
The Bank Group's equity		**510,712**		**503,801**		**488,886**		**513,065**
Provision for dividends to shareholders		-42,039		-		-		-
Profit for the year, for which no application was filed with the Financial Supervisory Authority		-		-43,596		-25,899		-12,843
Intangible assets		-66,346		-67,676		-69,814		-70,468
Debentures		67,546		78,016		88,911		100,041
Additional expected losses according to IRB		-11,911		-9,096		-8,947		-12,885
Deduction for significant holdings in financial sector entities		-7,065		-7,777		-7,698		-8,212
Other incl. unpaid dividend		843		705		704		-37,074
Total capital base (CET1 + AT1 + T2)		**451,739**		**454,377**		**466,144**		**471,623**

The Bank Group's capital adequacy	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Common Equity Tier 1 Capital before regulatory adjustments	469,693	461,317	464,100	464,283	465,070
Common Equity Tier 1 Capital regulatory adjustments	-85,499	-84,956	-86,867	-92,700	-89,619
Total Common Equity Tier 1 Capital (CET1)	**384,194**	**376,361**	**377,233**	**371,582**	**375,451**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**384,194**	**376,361**	**377,233**	**371,582**	**375,451**
Tier 2 capital before regulatory adjustments	67,546	78,016	88,911	100,041	111,048
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**67,546**	**78,016**	**88,911**	**100,041**	**111,048**
Total own funds (TC = T1 + T2)	**451,739**	**454,377**	**466,144**	**471,623**	**486,499**
Risk weighted exposures total	**2,199,213**	**2,261,990**	**2,317,989**	**2,271,555**	**2,080,185**
of which credit risk, the standardised model	898,348	915,816	976,561	924,436	855,781
of which credit risk, the IRB model	721,351	808,123	823,390	860,341	874,488
of which 15 % risk-weight floor for residential mortgages	225,892	188,135	168,122	136,861	-
of which market risk	-	-	-	-	-
of which operational risk	353,622	349,916	349,916	349,916	349,916
Own funds requirement (8 %)	175,937	180,959	185,439	181,724	166,415
Own funds buffer	275,802	273,418	280,705	289,899	320,084
CET1 Capital ratio	17.5 %	16.6 %	16.3 %	16.4 %	18.0 %
T1 Capital ratio	17.5 %	16.6 %	16.3 %	16.4 %	18.0 %
Total capital ratio	20.5 %	20.1 %	20.1 %	20.8 %	23.4 %
Own funds floor (CRR article 500)					
Own funds	451,739	454,377	466,144	471,623	486,499
Own funds floor [1]	201,888	202,425	204,313	199,179	193,016
Own funds buffer	249,852	251,953	261,831	272,444	293,483

1) 80 % standardimenetelmän mukaisesta omien varojen vaateesta (8 %).

Vakavaraisuuslaskennassa hyödynnetään vastuun riskipainon määrittämiseksi Moody’s Investors Service luottoluokituslaitoksen luokituksia.

Risk-weighted amount for operational risks	2016	2017	2018	Dec 2018	Sep 2018	Jun 2018	Mar 2018	Dec 2017
Gross income	183,272	188,920	193,603					
- average 3 years			188,598					
Capital requirement for operational risk				**28,290**	**27,993**	**27,993**	**27,993**	**27,993**
Risk-weighted amount				**353,622**	**349,916**	**349,916**	**349,916**	**349,916**

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

The Bank Group's total exposures	31 Dec 2018 Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,535,296	4,528,328	10,%	465,291	37,223
Retail - Secured by immovable property SME	177,791	176,754	46,%	81,332	6,507
Retail - Other non-SME	139,204	134,830	33,%	44,115	3,529
Retail - Other SME	24,772	23,193	83,%	19,364	1,549
Risk-weight floor for residential mortgages, 15 %	-	-	15,%	225,892	18,071
Equity exposures	42,773	42,773	260,%	111,248	8,900
Total exposures, IRB approach	**4,919,836**	**4,905,878**	**19,%**	**947,243**	**75,779**
Credit risk, standardised approach					
States and central banks	391,806	456,122	0 %	804	64
Regional goverments and local authorities	280,975	301,525	0 %	717	57
Multilateral development banks	15,246	15,246	0 %	-	-
International organisations	66,671	66,671	0 %	-	-
Credit institutions	427,984	239,959	27 %	65,745	5,260
Corporates	468,139	309,599	92 %	283,672	22,694
Retail exposures	298,686	142,921	72 %	102,348	8,188
Secured by immovable property	961,188	917,367	35 %	323,143	25,851
Past due items	28,675	6,735	112 %	7,548	604
Covered bonds	714,911	714,911	10 %	71,491	5,719
Other items	63,474	63,474	46 %	29,438	2,355
Total exposures, standardised approach	**3,717,753**	**3,234,528**	**27 %**	**884,905**	**70,792**
Total risk exposures	**8,637,589**	**8,140,406**	**23 %**	**1,832,148**	**146,572**

The Bank Group's total exposures	31 Dec 2017 Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8 %
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,493,600	4,489,596	13 %	584,974	46,798
Retail - Secured by immovable property SME	141,602	141,252	50 %	70,395	5,632
Retail - Other non-SME	140,511	131,358	45 %	58,884	4,711
Retail - Other SME	33,876	32,237	93 %	30,017	2,401
Equity exposures	47,628	47,628	273 %	130,219	10,417
Total exposures, IRB approach	**4,857,217**	**4,842,072**	**18 %**	**874,488**	**69,959**
Credit risk, standardised approach					
States and central banks	401,010	488,626	0 %	-	-
Regional goverments and local authorities	240,658	264,349	1 %	1,342	107
Multilateral development banks	50,963	50,963	0 %	-	-
International organisations	127,990	127,990	0 %	-	-
Credit institutions	702,821	433,862	25 %	109,786	8,783
Corporates	412,511	229,085	99 %	226,842	18,147
Retail exposures	276,112	127,168	68 %	86,639	6,931
Secured by immovable property	903,032	839,310	36 %	299,825	23,986
Past due items	35,995	8,959	104 %	9,332	747
Covered bonds	836,373	836,373	10 %	83,637	6,691
Other items	70,548	64,573	40 %	26,016	2,081
Total exposures, standardised approach	**4,058,012**	**3,471,258**	**24 %**	**843,420**	**67,474**
Total risk exposures	**8,915,229**	**8,313,330**	**21 %**	**1,717,908**	**137,433**

The Bank Group's leverage Ratio *	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Tier 1 capital	384,194	376,361	377,233	371,582	375,451
Total exposure	8,111,135	8,132,182	8,140,368	8,143,105	8,258,937
Leverage Ratio, %	**4.74**	**4.63**	**4.63**	**4.56**	**4.55**

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

The financial conglomerate's capital adequacy	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Summary					
The Group's equity	589,939	583,543	568,506	592,251	598,022
Sector-specific assets	73,306	84,016	95,151	106,521	117,768
Intangible assets and other reduction items	-107,253	-120,801	-118,702	-162,018	-174,845
Conglomerate´s total capital base	**555,991**	**546,758**	**544,955**	**536,754**	**540,944**
Capital requirement for banking business	258,461	266,171	273,132	267,618	243,858
Capital requirement for insurance business [1]	76,362	81,986	83,393	86,172	85,071
Minimum amount for capital base	**334,823**	**348,157**	**356,525**	**353,790**	**328,930**
Conglomerate´s capital adequacy	**221,169**	**198,601**	**188,430**	**182,964**	**212,015**
Capital adequacy ratio, %	166.1 %	157.0 %	152.9 %	151.7 %	164.5 %

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

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

G3 Group's segment reporting

(EUR 1,000)	Personal & Corporate Banking		Wealth Management		Group functions		Miscellaneous		Eliminations		Total Group	
Income statement	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net interest income	62,507	62,858	2,089	2,470	21,307	24,241	0	0	-	50	85,903	89,620
Net commission income	57,200	51,879	42,972	39,376	2,823	3,541	3,591	7,417	-10,984	-10,784	95,602	91,429
Net income from life insurance	-	-	17,896	23,565	-	-	-	-	3,465	3,033	21,362	26,597
Other operating income	356	331	281	246	5,806	2,301	1,066	-	-245	-239	7,264	2,638
Total operating income	**120,063**	**115,068**	**63,237**	**65,657**	**29,937**	**30,083**	**4,657**	**7,417**	**-7,764**	**-7,941**	**210,131**	**210,284**
Staff costs	-16,780	-24,826	-16,751	-17,087	-31,107	-32,761	-2,046	-4,384	-	-	-66,683	-79,057
Other expenses [1]	-74,852	-74,646	-26,013	-24,743	17,733	12,521	-1,278	-2,762	8,045	8,034	-76,365	-81,597
Total operating expenses	**-91,632**	**-99,472**	**-42,764**	**-41,830**	**-13,374**	**-20,240**	**-3,324**	**-7,147**	**8,045**	**8,034**	**-143,048**	**-160,654**
Impairment of tangible and intangible assets	-	-534	-	-	-	-	-	-	-	-	-	-534
Expected credit losses and impairment of credits and other commitments	-860	-478	-	-	20	-96	-	-	-	-	-839	-574
Share of profit from associated companies	-	-	-	-	-86	-	-	-	1,430	597	1,344	597
Operating profit	**27,572**	**14,584**	**20,474**	**23,827**	**16,497**	**9,747**	**1,333**	**270**	**1,711**	**690**	**67,588**	**49,118**
Comparable operating profit	**28,151**	**23,064**	**21,495**	**26,064**	**13,770**	**9,841**	**268**	**270**	**1,711**	**690**	**65,395**	**59,929**

Balance sheet	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Financial assets measured at fair value through income statement	51	-	899,093	802,575	3,507	-	-	-	-	-	902,650	802,575
Financial assets measured at fair value through other comprehensive income	-	55	223,710	485,240	1,117,219	1,440,061	-	2	-	-	1,340,928	1,925,358
Cash and balances with central banks	4,335	4,576	83	178	284,773	277,723	-	-	-	-	289,191	282,477
Interest-bearing securities measured at amortised cost	-	-	69,013	-	238,969	367,800	-	-	-	-	307,982	367,800
Loans and other receivables	5,958,480	5,721,710	218,341	171,480	28,072	44,965	-	3,672	-75,823	-53,154	6,129,070	5,888,674
Other assets	11,109	16,744	5,675	81,499	342,230	261,881	156	484	-62,923	-77,490	296,246	283,117
Total assets	**5,973,976**	**5,743,085**	**1,415,914**	**1,540,972**	**2,014,769**	**2,392,431**	**156**	**4,158**	**-138,746**	**-130,645**	**9,266,069**	**9,550,000**
Deposits	3,352,558	3,443,137	718,395	781,014	569,808	641,658	-	-	-75,640	-52,847	4,565,120	4,812,963
Debt securities issued	633	1,152	-	-	2,459,699	2,449,596	-	-	-	-	2,460,332	2,450,748
Technical provisions	-	-	1,155,704	1,217,328	-	-	-	-	-	-	1,155,704	1,217,328
Other liabilities	2,800	5,549	29,750	40,959	465,535	433,247	-	1,644	-3,112	-10,459	494,974	470,940
Total liabilities	**3,355,991**	**3,449,838**	**1,903,850**	**2,039,301**	**3,495,042**	**3,524,502**	**-**	**1,644**	**-78,753**	**-63,306**	**8,676,130**	**8,951,979**

1) The net expenses for support and staff functions are allocated from the Group Functions to the business segments Personal & Corporate Banking and Wealth Management. This cost allocation is included in the segments' other expenses.

(EUR 1,000)

G4 Net interest income

G4 Net interest income	2018	2017
Interest income		
Financial assets valued at fair value through income statement	-909	-
Financial assets valued at fair value through OCI	6,720	10,978
Receivables from credit institutions and central bank	3,691	334
Receivables from public and public sector entities	71,105	73,336
Finance lease contracts	450	372
Loans and other receivables which are valued at amortised cost	75,246	74,041
Interest-bearing securities which are valued at amortised cost	2,622	5,992
Other external interest income	11	9
Financial assets which are valued at amortised cost	77,878	80,042
Total	**83,689**	**91,020**
of which interest income from financial assets reported at stage 3	266	-
Interest expenses		
Deposits, credit institutions	-365	-423
Deposits, other than public sector entities	-3,452	-4,870
Deposits	-3,817	-5,293
Debt securities issued to the public	-25,406	-31,812
Subordinated liabilities	-5,652	-6,265
Debt securities issued and subordinated liabilities	-31,058	-38,077
Hedging derivative instruments	37,092	41,965
Other interest expenses, external	-3	4
Total	**2,214**	**-1,400**
Net interest income	**85,903**	**89,620**
Borrowing and lending	70,135	69,087
Liquidity portfolio	8,338	14,890
Hedging measures through interest rate derivatives	11,407	14,400
Other, incl. funfing from wholesale market	-3,977	-8,757
Total	**85,903**	**89,620**

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

G5 Dividends

G5 Dividends	2018	2017
Equity instruments measured at fair value through income statement	114	-
Equity instruments available for sales	-	307
Total	**114**	**307**

G6 Net commission income

	2018	2017
Commission income		
Lending	10,253	10,860
Borrowing	3,532	1,285
Card- and payment services	24,368	20,734
Mutual funds, asset management and securities brokerage	59,570	54,208
Brokerage of insurance	3,646	4,227
Guarantees and other off-balance sheet commitments	524	632
Real estate agency	3,840	7,888
Legal services	695	1,244
Other commission income	1,507	1,406
Total	**107,936**	**102,485**
Commission expenses		
Money handling	-1,558	-1,372
Card- and payment services	-4,602	-4,107
Securities and investments	-5,698	-4,977
Other commission expenses	-476	-600
Total	**-12,334**	**-11,056**
Net commission income	**95,602**	**91,429**

G7 Net income from life insurance

	2018	2017
Premiums written	104,932	125,206
Net income from investments	13,903	20,357
Insurance claims paid	-110,370	-106,740
Net change in technical provisions	12,896	-12,226
Net income from life insurance	**21,362**	**26,597**
PREMIUMS WRITTEN		
Premiums written from insurance agreements		
Insurance agreements	30,644	31,625
Total gross premiums written before reinsurer's share	**30,644**	**31,625**
Reinsurer's share	-702	-729
Premiums written from investment agreements	74,990	94,310
Total premiums written	**104,932**	**125,206**

Distribution of premiums	From insurance agreements		From investment agreements		Total	
Premiums written from risk insurance and interest-related insurance	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Saving plans	829	1,120	-	-	829	1,120
Individual pension insurance	3,097	3,621	-	-	3,097	3,621
Group pension insurance	2,131	2,597	-	-	2,131	2,597
Risk insurance	20,882	20,705	-	-	20,882	20,705
Total	**26,938**	**28,043**	**-**	**-**	**26,938**	**28,043**
Premiums written from unit-linked agreements						
Saving plans	253	267	71,415	90,488	71,668	90,755
Individual pension insurance	1,735	1,846	3,575	3,822	5,310	5,668
Group pension insurance	1,718	1,469	-	-	1,718	1,469
Total	**3,706**	**3,582**	**74,990**	**94,310**	**78,696**	**97,893**
On-going and one-off premiums from direct insurance						
On-going premiums from insurance agreements					30,296	31,232
One-off premiums from insurance agreements					348	393
On-going premiums from investment agreements					42,510	63,359
One-off premiums from investment agreements					32,479	30,951
Total premiums written					**105,634**	**125,935**

NET INCOME FROM INVESTMENTS	2018	2017
Net income from financial assets valued at fair value through income statement		
Interest income	-109	-
Capital gains and losses	10	-
Other income and expenses	-104	-
Interest-bearing securities	-203	-
Capital gains and losses	750	-
Impairments	-4,414	-
Other income and expenses	2,589	-
Shares and participations	-1,075	-
Total	**-1,278**	**-**
Net income from financial assets measured at fair value through other comprehensive income		
Interest income	7,795	12,076
Capital gains and losses	-683	-712
Transferred to income statement from fund at fair value	1,161	1,393
Other income and expenses	-27	-26
Interest-bearing securities	8,246	12,731
Capital gains and losses	-	1,606
Impairments	-	-1,556
Transferred to income statement from fund at fair value	-	1,643
Other income and expenses	-	1,724
Shares and participations	-	3,417
Total	**8,246**	**16,148**
Net income from financial assets valued at amortised cost		
Interest income	2,927	-
Interest-bearing securities	**2,927**	**-**
Net income from investment properties		
Rental income	5,856	5,026
Valued at fair value	-1,000	-387
Capital gains and losses	1,224	653
Direct expenses from investment properties, which generated rental income during during the accounting period	-2,072	-1,084
Total	**4,009**	**4,209**
Total for the Insurance business' net income from the investment business	**13,903**	**20,357**
Exchange rate differences included in net income from the investment business	-	-

INSURANCE CLAIMS PAID

Claims paid from risk insurance and interest-related insurance	From insurance agreements 2018	From insurance agreements 2017	From investment agreements 2018	From investment agreements 2017	Total 2018	Total 2017
Saving plans						
Repayment of saving sums	-4,861	-4,388	-	-	-4,861	-4,388
Payments in the event of death	-1,061	-1,219	-	-	-1,061	-1,219
Repurchase	-1,689	-4,005	-	-	-1,689	-4,005
Total	**-7,611**	**-9,611**	**-**	**-**	**-7,611**	**-9,611**
Individual pension insurance						
Pensions	-24,660	-25,302	-	-	-24,660	-25,302
Payments in the event of death	-431	-629	-	-	-431	-629
Repurchase	-495	-5,999	-	-	-495	-5,999
Total	**-25,585**	**-31,930**	**-**	**-**	**-25,585**	**-31,930**
Group pension insurance						
Pensions	-3,109	-3,149	-	-	-3,109	-3,149
Repurchase	-525	-	-	-	-525	-
Other	-61	-77	-	-	-61	-77
Total	**-3,695**	**-3,226**	**-**	**-**	**-3,695**	**-3,226**
Risk insurance						
Individual insurance	-10,431	-10,789	-	-	-10,431	-10,789
Group life insurance for employers	-973	-895	-	-	-973	-895
Total	**-11,404**	**-11,683**	**-**	**-**	**-11,404**	**-11,683**
Total claims paid from risk insurance and interest-related insurance	**-48,295**	**-56,451**	**-**	**-**	**-48,295**	**-56,451**
Claims paid from unit-linked agreements						
Saving plans						
Repayment of saving sums	-238	-180	-	-	-238	-180
Payments in the event of death	-109	-133	-12,814	-13,999	-12,923	-14,132
Repurchase	-1,038	-1,284	-44,810	-28,418	-45,848	-29,701
Total	**-1,385**	**-1,596**	**-57,624**	**-42,417**	**-59,009**	**-44,013**
Individual pension insurance						
Pensions	-	-	-1,771	-1,522	-1,771	-1,522
Payments in the event of death	-160	-84	-199	-218	-359	-302
Repurchase	-493	-4,042	-429	-405	-923	-4,447
Total	**-653**	**-4,126**	**-2,399**	**-2,144**	**-3,053**	**-6,270**
Group pension insurance						
Payments in the event of death	-1	-	-	-	-1	-
Repurchase	-12	-6	-	-	-12	-6
Total	**-13**	**-6**	**-**	**-**	**-13**	**-6**
Total claims paid from unit-linked agreements	**-2,051**	**-5,728**	**-60,024**	**-44,561**	**-62,075**	**-50,289**
Total claims paid	**-50,346**	**-62,179**	**-60,024**	**-44,561**	**-110,370**	**-106,740**

	2018	2017
Changes in premium provisions, interest-related	2,013	3,535
Changes in claims provisions, interest-related	14,035	24,500
Change in technical provisions, risk insurance and interest-related insurance	**16,048**	**28,036**
Changes in claims provisions, unit-linked	128	-804
Changes in premium provisions, unit-linked	45,447	-82,114
Changes in value of unit-linked investments, net	-48,727	42,655
Net change in technical provisions, unit-linked insurance	**-3,152**	**-40,262**
Total net change in technical provisions	**12,896**	**-12,226**

G8 Net income from financial transactions

	2018	2017
Net income from derivative instruments valued at fair value through income statement		
Capital gains and losses from equity instruments	4,010	-
Capital gains and losses from derivative instruments	-130	-244
Total	3,880	-244
Valuation gains and losses from equity instruments	-260	1
Valuation gains and losses from derivative instruments	-901	-682
Total	-1,161	-681
Total	**2,719**	**-925**
Net income from currency trading	**2,489**	**1,525**
Net income from derivative instruments valued at fair value through other comprehensive income		
Capital gains and losses from interest-bearing securities	-200	27
Capital gains and losses from equity instruments	-	1,366
Total	-200	1,394
Valuation gains and losses from interest-bearing securities	-155	-
Total	-155	-
Transferred to income statement from fund at fair value	407	87
Total	407	87
Impairment of equity instruments	-	-966
Total	-	-966
Total	**51**	**514**
Nettotuotot korollisista arvopapereista, jotka kirjataan jaksotettuun hankintamenoon		
Valuation gains and losses from interest-bearing securities	-34	-
Total	-34	-
Total	**-34**	**-**
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	3,112	-
Financial derivatives hedging issued bonds	-3,674	-23,989
Changes in fair value of hedge instruments, net	-561	-23,989
Repayable on demand liabilities	-3,130	-
Bonds issued	3,316	23,715
Changes in fair value of items hedged, net	186	23,715
Total	**-375**	**-273**
Ineffective share of cash flow hedging	-	-
Net income from hedge accounting	**-375**	**-273**
Net income from financial transactions	**4,850**	**841**

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

G9 Net income from investment properties

	2018	2017
Capital losses	-33	-
Total	**-33**	**-**

G10 Other operating income

	2018	2017
Income from other banking business	121	128
Capital gains from sale of tangible and intangible assets	1,108	-132
Other operating income	1,103	1,494
Total	**2,332**	**1,490**

G11 Staff

	2018	2017
Salaries and remunerations	-55,383	-66,744
Share-based payments	140	1,273
Pension costs		
Defined contribution plans	-9,536	-10,876
Defined benefit plans	-154	-487
Other indirect employee costs	-1,750	-2,224
Indirect emplyee costs	-11,440	-13,586
Total	**-66,683**	**-79,057**
Number of emplyees 31 December		
Full-time	716	759
Part-time	51	58
Temporary	119	79
Total	**886**	**896**
Number of employees converted to full-time equivalents	779	804
Full-time equivalent average number of employees for the year	899	922

The managements salaries and remuneration are presented in note G44.

G12 Depreciation of tangible and intangible assets

	2018	2017
Depreciation of tangible assets	-2,124	-2,935
Depreciation of intangible assets	-10,257	-6,530
Total	**-12,381**	**-9,465**

G13 Other operating expenses

	2018	2017
Other staff expenses	-3,700	-5,784
Office expenses	-2,180	-1,949
Communication expenses	-4,075	-4,162
Marketing- and representation expenses	-3,218	-4,758
Purchased services	-7,181	-6,727
Rental expenses	-8,825	-10,183
Expenses for properties in own use	-1,390	-1,560
Insurance and security expenses	-3,685	-1,538
Monitoring, control and membership fees	-1,387	-1,459
Other operating expenses	-2,704	-3,561
Total	**-38,346**	**-41,681**
Auditors' fees		
Statutory auditing	-218	-219
Services related to auditing	-139	-124
Tax counselling	-80	-41
Other services	-50	-145
Total	**-488**	**-529**
The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-1,901	-1,840
amount of which paid from the old Deposit Guarantee Fund	-1,901	-1,840
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	29	25
Contribution to the Single Resolution Fund	-2,361	-1,653
amount of which transferred from previously paid bank tax	-97	-1,653
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	0	2

G14 Taxes

	2018	2017
Income taxes	-9,029	-5,858
Taxes from previous years	506	385
Change in deferred taxes	-3,061	-4,306
Total	**-11,583**	**-9,778**

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

	2018	2017
Profit before tax	67,588	49,118
Tax calculated on a 20.0% tax rate	-13,518	-9,824
Non-deductible expenses	-602	-597
Tax free income	1,415	296
Unused write-downs for tax purposes	20	275
Utilisation of previously unrecognised tax losses	929	6
Loss when deferred tax is not recorded	-	-260
Tax on the share of the profit from associated companies	157	320
Taxes from previous years	506	385
Other	-489	-381
Total taxes	**-11,583**	**-9,778**
Average effective tax rate	17 %	20 %

Deferred tax recognised in comprehensive income

	2018	2017
Deferred tax relating to financial assets	2,517	3,835
Deferred tax relating to cash flow hedging	-20	-17
Deferred tax relating to defined benefit plan pensions	-3	-523
Total	**2,495**	**3,294**

G15 Earnings per share

	2018	2017
Profit for the year attributable to shareholders in Aktia Bank plc	56,005	39,340
Average number of shares	68,817,331	68,867,809
Earnings per share (EPS), EUR (excluding treasury shares)	**0.81**	**0.57**
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	**0.81**	**0.57**
Total comprehensive income attributable to shareholders in Aktia Bank plc	46,027	25,683
Total earnings per share, EUR (excluding treasury shares)	**0.67**	**0.37**
Total earnings per share, EUR, after dilution (excluding treasury shares)	**0.67**	**0.37**

G16 Classification of assets and liabilities

Classification of financial instruments 1 January 2018	Note	Classification under IAS39	Classification under IFRS9	Carrying amount IAS39	Reclassification	Remeasurement *	Carrying amount IFRS 9	Equity impact as at 1 Jan 2018
Cash and balances with central banks	G22	Loans and other receivables	Amortised cost	282,477	-	-	282,477	-
Interest-bearing securities			Amortised cost	-	92,852	-23,627	69,225	-18,902
Interest-bearing securities	K18	Held for sale	Fair value through other comprehensive income	1,797,199	-98,416	-	1,698,782	-
Interest-bearing securities			Fair value through the income statement	-	5,565	-	5,565	-
Interest-bearing securities [1]	K19	Held to maturity	Amortised cost	367,800	-	-	367,800	122
Held for sale	K18	Held for sale	Fair value through the income statement	128,159	-	-	128,159	-
Derivative instruments	G23	Fair value through the income statement	Fair value through the income statement	84,046	-	-	84,046	-
Lending to Bank of Finland and other credit institutions	K20	Loans and other receivables	Amortised cost	49,910	-	-	49,910	-
Lending to the public and public sector entities	K20	Loans and other receivables	Amortised cost	5,838,764	-	1,016	5,839,780	813
Investments for unit-linked investments	G17	Fair value through the income statement	Fair value through the income statement	802,575	-	-	802,575	-
Total				**9,350,929**	**-**	**-22,611**	**9,328,318**	**-17,967**

*) Includes value change and change in provisions for credit loss in in connection with the transition to IFRS 9. The change in provisions for credit loss is presented in detail in note G21.

1) In connection with the transition to IFRS 9, the periodised overvalue of reclassified interest-bearing securities held until maturity is transferred from the fund at fair value to retained earnings. Simultaneously, the deferred tax liabilities of the overvaluation disappear and its effect is reported under Change in shareholder's equity in the table above as per 1 January 2018.

Assets 31 December 2018 according to IFRS 9	Note	Carrying amount IAS39 31 Dec 2017	Carrying amount IFRS 9 1 Jan 2018	Amortised cost 31 Dec 2018	Fair value through the income statement 31 Dec 2018	Fair value through other comprehensive income 31 Dec 2018	Non-financial assets 31 Dec 2018	Total 31 Dec 2018
Interest-bearing securities	G17	-	5,565	-	8,717	-	-	8,717
Shares and participations [1]	G17	128,159	128,159	-	136,173	-	-	136,173
Investments for unit-linked investments	G17	802,575	802,575	-	757,760	-	-	757,760
Interest-bearing securities [2]	K18	1,797,199	1,698,782	-	-	1,340,928	-	1,340,928
Interest-bearing securities [3]	K19	367,800	437,025	307,982	-	-	-	307,982
Lending to Bank of Finland and other credit institutions	K20	49,910	49,910	23,110	-	-	-	23,110
Lending to the public and public sector entities	K20	5,838,764	5,839,780	6,105,960	-	-	-	6,105,960
Cash and balances with central banks	G22	282,477	282,477	289,191	-	-	-	289,191
Derivative instruments	G23	84,046	84,046		69,990	-	-	69,990
Total financial instruments		**9,350,929**	**9,328,318**	**6,726,244**	**972,640**	**1,340,928**	**-**	**9,039,812**
Investments in associated companies and joint ventures	G24	-	-	-	-	-	89	89
Intangible assets	G25	-	-	-	-	-	66,656	66,656
Investment properties	G26	-	-	-	-	-	39,079	39,079
Other tangible assets	G27	-	-	-	-	-	3,217	3,217
Accrued income and advance payments	G28	-	-	-	-	-	40,088	40,088
Other assets	G28	-	-	-	-	-	74,765	74,765
Income tax receivables		-	-	-	-	-	40	40
Deferred tax receivables	G29	-	-	-	-	-	2,323	2,323
Total				**6,726,244**	**972,640**	**1,340,928**	**226,257**	**9,266,069**

1) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

2) In 2017, these interest-bearing securities correspond the category Financial assets available for sale according to IAS39.

3) In 2017, these interest-bearing securities correspond the category Financial assets held until maturity according to IAS39.

Liabilities 31 December 2018	Note	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities to credit institutions	G30	-	602,580	-	602,580
Liabilities to the public and public sector entities	G30	-	3,962,540	-	3,962,540
Derivative instruments	G23	17,126	-	-	17,126
Debt securities issued	G31	-	2,460,332	-	2,460,332
Subordinated liabilities	G32	-	207,819	-	207,819
Other liabilities to credit institutions	G33	-	45,586	-	45,586
Other liabilities to the public and public sector entities	G34	-	100,000	-	100,000
Technical provisions for risk insurances and interest-related insurances	G35	-	-	398,930	398,930
Technical provisions for unit-linked insurances	G35	-	-	756,774	756,774
Accrued expenses and income received in advance	G36	-	-	47,466	47,466
Other liabilities	G36	-	-	23,367	23,367
Income tax liabilities		-	-	3,327	3,327
Deferred tax liabilities	G29	-	-	50,282	50,282
Total		**17,126**	**7,378,857**	**1,280,147**	**8,676,130**

Liabilities 31 December 2017		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities to credit institutions	G30	-	694,419	-	694,419
Liabilities to the public and public sector entities	G30	-	4,118,544	-	4,118,544
Derivative instruments	G23	33,559	-	-	33,559
Debt securities issued	G31	-	2,450,748	-	2,450,748
Subordinated liabilities	G32	-	235,200	-	235,200
Other liabilities to credit institutions	G33	-	60,045	-	60,045
Technical provisions for risk insurances and interest-related insurances	G35	-	-	414,978	414,978
Technical provisions for unit-linked insurances	G35	-	-	802,349	802,349
Accrued expenses and income received in advance	G36	-	-	53,700	53,700
Other liabilities	G36	-	-	29,553	29,553
Income tax liabilities		-	-	1,809	1,809
Deferred tax liabilities	G29	-	-	57,073	57,073
Total		**33,559**	**7,558,956**	**1,359,463**	**8,951,979**

G17 Financial assets measured at fair value through income statement

	2018	2017
Interest bearing securities, credit institutions	8,040	-
Interest bearing securities, other	677	-
Interest-bearing securities, Life insurance	8,717	-
Total interest-bearing securities	**8,717**	**-**
Publicly quoted shares and holdings	2,575	-
Shares and holdings that are not publicly quoted	983	-
Shares and holdings, Banking business	3,558	-
Publicly quoted shares and holdings	101,136	-
Shares and holdings that are not publicly quoted	31,480	-
Shares and holdings, Life insurance	132,615	-
Total shares and participations [1]	**136,173**	**-**
Investments for unit-linked investments		
Publicly quoted shares and holdings	757,760	802,575
Total interest-bearing securities	**757,760**	**802,575**
Total financial assets measured at fair value through income statement	**902,650**	**802,575**

1) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

G18 Financial assets measured at fair value through other comprehensive income

	2018	2017
Interest bearing securities, goverments and public sector entities	337,413	424,500
Interest bearing securities, credit institutions	779,806	996,317
Interest bearing securities, other	-	10,003
Interest-bearing securities, Banking business	1,117,219	1,430,820
Interest bearing securities, goverments and public sector entities	23,778	109,364
Interest bearing securities, credit institutions	151,081	194,184
Interest bearing securities, other	48,850	62,830
Interest-bearing securities, Life insurance	223,710	366,378
Total interest-bearing securities [1]	**1,340,928**	**1,797,199**
Publicly quoted shares and holdings	-	2,680
Shares and holdings that are not publicly quoted	-	6,618
Shares and holdings, Banking business	-	9,297
Publicly quoted shares and holdings	-	94,305
Shares and holdings that are not publicly quoted	-	24,557
Shares and holdings, Life insurance	-	118,862
Total shares and participations [2]	**-**	**128,159**
Total financial assets measured at fair value through other comprehensive income	**1,340,928**	**1,925,358**

1) In 2017, these interest-bearing securities correspond the category Financial assets available for sale according to IAS39.

2) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

G19 Interest-bearing securities measured at amortised cost

	2018		2017	
	Carrying amount	of which ECL	Carrying amount	of which ECL
Interest-bearing securities, states	48,527	-7	48,202	-
Interest-bearing securities, other public corporations	34,957	-	319,598	-
Interest-bearing securities, credit institutions	155,485	-101	-	-
Interest-bearing securities, Banking business	238,969	-108	367,800	-
Interest-bearing securities, states	48,208	-57	-	-
Interest-bearing securities, credit institutions	20,805	-10		
Interest-bearing securities, Life insurance	69,013	-66	-	-
Total interest-bearing securities measured at amortised cost [1]	**307,982**	**-175**	**367,800**	**-**

1) In 2017, these interest-bearing securities correspond the category Financial assets held until maturity according to IAS39.

G20 Loans and other receivables

	2018		2017	
	Carrying amount	**of which ECL**	**Carrying amount**	**of which ECL**
Claims on credit institutions payable on demand	17,730	-	37,640	-
Other than paybale on demand claims on credit institutions	5,380	-	12,270	-
Lending to Bank of Finland and other credit institutions	23,110	-	49,910	-
Current account credits, public and corporates	179,030	-1,429	170,215	-
Loans	5,906,242	-34,785	5,651,051	-
Syndicated loans and repurchase agreements	100	-	34	-
Receivables from finance lease contracts	20,299	-137	16,985	-
Loans	6,105,671	-36,352	5,838,284	-
Bank guarantee claims	289	-1,183	480	-
Lending to the public and public sector entities	6,105,960	-37,535	5,838,764	-
Total	**6,129,070**	**-37,535**	**5,888,674**	**-**

Breakdown of maturity on finance lease receivables	**2018**	**2017**
Under 1 year	10,119	6,811
1-5 years	10,886	10,035
Over 5 years	122	831
Gross investment	**21,126**	**17,677**
Unearned future finance income	-827	-692
Net investment	**20,299**	**16,985**
Present value of lease payment receivables		
Under 1 year	9,723	6,501
1-5 years	10,459	9,659
Over 5 years	117	824
Total	**20,299**	**16,985**

G21 Financial assets and impairment by stage

Book value of financial assets 31 December 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	1,648,911	-	-	1,648,911
Lending	5,948,111	134,854	46,105	6,129,070
Off-balance sheet commitments	511,429	7,218	144	518,792
Total	**8,108,451**	**142,072**	**46,249**	**8,296,772**

Book value of financial assets 1 January 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	2,164,998	-	-	2,164,998
Lending	5,718,844	124,001	45,829	5,888,674
Off-balance sheet commitments	547,097	5,413	514	553,025
Total	**8,430,939**	**129,414**	**46,343**	**8,606,697**

Impairment of credits and other commitments	Stage 1	Stage 2	Stage 3	Write-downs (IAS 39)	Total
Impairment of credits and the other commitments 31 December 2017 according to IAS 39	-	-	-	47,658	47,658
Restated for adoption of IFRS 9	1,992	4,680	39,970	-47,658	-1,016
Impairment of credits and the other commitments 1 January 2018 according to IFRS 9	1,992	4,680	39,970	-	46,642
Transferred from stage 1 to stage 2	-1,455	1,455	-	-	-
Transferred from stage 1 to stage 3	-359	-	359	-	-
Transferred from stage 2 to stage 1	145	-145	-	-	-
Transferred from stage 2 to stage 3	-	-635	635	-	-
Transferred from stage 3 to stage 1	2	-	-2	-	-
Transferred from stage 3 to stage 2	-	79	-79	-	-
Reversal of impairment	-	-	-38	-	-38
Other changes	2,273	-1,770	374	-	877
Impairment January-December 2018 in the income statement	606	-1,015	1,249	-	839
Realised losses for which write-downs were made in previous years	-	-	-8,140	-	-8,140
Reversal of impairment	-	-	38	-	38
Impairment of credits and the other commitments 31 December 2018 according to IFRS 9	**2,598**	**3,665**	**33,117**	**-**	**39,379**

Impairment of credits and other commitments by sector	Stage 1	Stage 2	Stage 3	Total
Households	556	2,162	9,820	12,538
Corporates	1,510	1,367	22,698	25,575
Housing associations	469	132	424	1,024
Public sector entities	2	0	-	2
Non-profit organisations	36	3	201	240
Total	**2,572**	**3,665**	**33,142**	**39,379**

Impairment of interest-bearing securities	Stage 1	Stage 2	Stage 3	Write-downs (IAS 39)	Total
Impairment of interest-bearing securities 31 December 2017 according to IAS 39	-	-	-	-	-
Restated for adoption of IFRS 9	883	-	-	-	883
Impairment of interest-bearing securities 1 January 2018 according to IFRS 9	883	-	-	-	883
Other changes	266	-	-	-	266
Impairment January-December 2018 in the income statement	266	-	-	-	266
Impairment of interest-bearing securities 31 December 2018 according to IFRS 9	**1,149**	**-**	**-**	**-**	**1,149**

Impairment of interest-bearing securities by sector	Stage 1	Stage 2	Stage 3	Total
Corporates	899	-	-	899
Public sector entities	250	-	-	250
Total	**1,149**	**-**	**-**	**1,149**

G22 Cash and balances with central banks

	2018	2017
Cash in hand	4,418	4,753
Bank of Finland current account	284,773	277,723
Total	**289,191**	**282,477**

G23 Derivative instruments

	2018		2017	
Derivative instruments, book value	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	54,159	719	56,894	2,401
Fair value hedging	54,159	719	56,894	2,401
Interest rate derivatives	-	-	-	3,927
Cash flow hedging	-	-	-	3,927
Interest rate derivatives	15,826	16,360	27,109	27,215
Currency derivatives	5	47	44	16
Other derivative instruments	15,831	16,407	27,152	27,231
Total	**69,990**	**17,126**	**84,046**	**33,559**

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

31 December 2018

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

31 December 2017

Hedging derivative instruments	Nominal values / term remaining Under 1 year	1-5 years	Over 5 years	Total	Fair value Assets	Liabilities
Fair value hedging						
Interest rate swaps	525,000	1,120,000	282,000	1,927,000	56,894	2,401
Total fair value hedging	**525,000**	**1,120,000**	**282,000**	**1,927,000**	**56,894**	**2,401**
Cash flow hedging						
Interest rate swaps	85,079	-	-	85,079	-	3,927
Total cash flow hedging	**85,079**	**-**	**-**	**85,079**	**-**	**3,927**
Total interest rate derivatives	**610,079**	**1,120,000**	**282,000**	**2,012,079**	**56,894**	**6,329**
Total hedging derivative instruments	**610,079**	**1,120,000**	**282,000**	**2,012,079**	**56,894**	**6,329**
Other derivative instruments						
Interest rate swaps	235,330	321,200	60,000	616,530	26,431	26,537
Interest rate option agreements	80,000	-	-	80,000	678	678
Purchased	40,000	-	-	40,000	678	678
Written	40,000	-	-	40,000	-	-
Total interest rate derivatives	**315,330**	**321,200**	**60,000**	**696,530**	**27,109**	**27,215**
Forward rate agreements	8,805	-	-	8,805	44	16
Total forward rate agreements	**8,805**	**-**	**-**	**8,805**	**44**	**16**
Total other derivative instruments	**324,135**	**321,200**	**60,000**	**705,335**	**27,152**	**27,231**
Total derivative instruments	**934,215**	**1,441,200**	**342,000**	**2,717,415**	**84,046**	**33,559**

G24 Investments in associated companies and joint ventures

	2018	2017
Book value at 1 January	0	0
Increases	175	-
Book value at 31 December	175	0
Share of profit from associated companies	1,344	597
Dividends obtained during the year	-1,430	-597
Share of profits at 31 December	-86	-
Book value at 31 December	**89**	**0**

Associated companies:	**2018**	**2017**
Samlink Ltd, Helsinki		
Percentage of shares and votes	23 %	23 %
Book value in parent company at 31 December	0	0
Total share of profits in Samlink Ltd	1,430	597
Paikallispankkien PP-Laskenta Oy		
Percentage of shares and votes	25 %	-
Book value in parent company at 31 December	175	-
Total share of profits in Paikallispankkien PP-Laskenta Oy	-86	-

Aktia Bank pcl has obtained dividends from Samlink Ltd EUR 1.4 (0.6) million.

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

See note G44 for transactions with associated companies.

G25 Intangible assets

	2018	2017
Acquisition cost at 1 January	103,523	89,575
Acquisitions	-117	-
Increases	5,774	13,971
Decreases	-932	-23
Acquisition cost at 31 December	108,248	103,523
Accumulated depreciations and impairments at 1 January	-32,384	-25,878
Acquisitions	117	-
Accumulated depreciation on decreases	932	23
Planned depreciation	-10,257	-6,530
Accumulated depreciations and impairments at 31 December	-41,591	-32,384
Book value at 31 December	**66,656**	**71,139**

G26 Investment properties

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

2017	Land and water areas	Buildings	Shares and participations in real estate corporations	Total
Acquisition cost at 1 January	5,961	33,429	18,667	58,057
Valuation at fair value	-	-387	1,006	619
Acquisitions	-235	-6,016	-	-6,251
Increases	-	968	1,838	2,806
Acquisition cost at 31 December	5,726	27,995	21,511	55,232
Impairments	-	-	-38	-38
Accumulated depreciations and impairments at 31 December	-	-	-38	-38
Book value at 31 December	**5,726**	**27,995**	**21,473**	**55,195**

G27 Tangible assets excl. investment properties

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

2017	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	16,582	11,300	1,587	29,469
Increases	417	216	-	633
Decreases	-770	-1,464	-19	-2,253
Acquisition cost at 31 December	16,229	10,053	1,568	27,850
Accumulated depreciations and impairments at 1 January	-13,117	-7,427	-1,254	-21,798
Accumulated depreciation on decreases	765	1,464	-	2,229
Planned depreciation	-1,597	-1,338	-	-2,935
Impairments	-95	-438	-	-534
Accumulated depreciations and impairments at 31 December	-14,044	-7,740	-1,254	-23,038
Book value at 31 December	**2,185**	**2,312**	**315**	**4,812**

G28 Total other assets

	2018	2017
Accrued and advance interests	20,158	22,293
Other accrued income and advance payments	19,930	16,569
Accrued income and advance payments	40,088	38,862
Cash items being collected	241	8,633
Other receivables	74,523	15,787
Other assets	74,765	24,420
Total	**114,852**	**63,283**

G29 Deferred tax receivables and liabilities

	2018	2017
Deferred tax liabilities / receivables, net		
Net deferred tax liabilities / receivables at 1 January	52,886	52,151
Transferred deferred tax liability in connection with the transition to IFRS 9	-4,644	-
Acquisitions / divestments	-848	-276
Changes during the year booked via the income statement	3,061	4,306
Financial assets:		
Valuation at fair value direct to equity	-2,235	-3,089
Transferred to the income statement	-283	-746
Cash flow hedging:		
Valuation at fair value direct to equity	20	17
Defined-benefit pensions plans via comprehensive income	3	523
Net deferred tax liabilities / receivables at 31 December	**47,960**	**52,886**
Deferred tax liabilities		
Appropriations	43,005	41,113
Change of expected credit losses	3,313	-1,844
Financial assets	-	12,615
Cash flow hedging	-111	-71
Investment properties valued at fair value	672	1,377
Activated development costs	1,963	2,203
Equalisation provision of the life insurance business	1,440	1,680
Total	**50,282**	**57,073**
Deferred tax receivables		
Financial assets	674	2,538
Defined-benefit pension plans	107	122
Negative result	494	960
Other	1,048	567
Total	**2,323**	**4,187**
Specification of changes during the year booked via the income statement		
Appropriations	-1,892	-631
Change of expected credit losses	-73	-183
Financial assets	-1,474	-3,121
Cash flow hedging	40	-75
Investment properties valued at fair value	-139	-387
Defined-benefit pension plans	-12	59
Activated development costs	240	57
Equalisation provision of the life insurance business	240	240
Negative result	-466	-
Other	477	-264
Total	**-3,061**	**-4,306**

G30 Deposits

	2018	2017
Repayable on demand liabilities to credit institutions	39,696	71,684
Other than repayable on demand deposits from credit institutions	562,884	622,735
Liabilities to credit institutions	602,580	694,419
Repayable on demand deposits	3,873,708	3,930,242
Other than repayable on demand deposits	88,833	188,301
Liabilities to the public and public sector entities	3,962,540	4,118,544
Total	**4,565,120**	**4,812,963**

G31 Debt securities issued

	2018		2017	
	Book value	Nominal value	Book value	Nominal value
Bonds	2,460,332	2,464,042	2,450,748	2,458,929
Total	**2,460,332**	**2,464,042**	**2,450,748**	**2,458,929**

	2018			2017		
Secured Debts (collateralised)	Under 1 year	Over 1 year	Total	Under 1 year	Over 1 year	Total
Issued covered bonds	567,067	1,099,355	1,666,422	503,373	1,165,215	1,668,587
Total	**567,067**	**1,099,355**	**1,666,422**	**503,373**	**1,165,215**	**1,668,587**
Unsecured Debts	**Under 1 year**	**Over 1 year**	**Total**	**Under 1 year**	**Over 1 year**	**Total**
Issued unsecured debts, senior financing	-	793,910	793,910	236,318	545,843	782,161
Total	**-**	**793,910**	**793,910**	**236,318**	**545,843**	**782,161**

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

31 December 2017	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	500,000	1,064,750	-	83,000	1,647,750
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	5,000	-	15,000	184,000	204,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	235,079	330,000	-	-	565,079
Other		-	-	-	-	42,100
Total	**-**	**740,079**	**1,394,750**	**15,000**	**267,000**	**2,458,929**

G32 Subordinated liabilities

	2018	2017
Debentures	207,819	235,200
Total	**207,819**	**235,200**
Nominal value	207,819	235,200
Amount counted to Tier capital	67,546	111,048

There is one debenture loan amounting to EUR 21.6 million, exceeding 10 % of all subordinated liabilities. The loan was issued 19 October 2015. The loan matures 2 January 2021 and early repayment can not be required. The loan has a fixed interest rate of 2.5 %.

G33 Other liabilities to credit institutions

	2018	2017
Other liabilities to credit institutions, secured debts	18,000	23,000
Other liabilities to credit institutions, unsecured debts	27,586	37,045
Total	**45,586**	**60,045**

Other liabilities to credit institutions include liabilities of EUR 46 (56) million with fixed interest rate to the European Investment Bank.

G34 Other liabilities to the public and public sector entities

	2018	2017
Liabilities repayable on demand	100,000	-
Total	**100,000**	**-**

G35 Technical provisions

	From insurance agreements		From investment agreements		Total	
	2018	2017	2018	2017	2018	2017
Technical provisions at 1 January	490,444	518,941	726,883	643,504	1,217,328	1,162,446
Income from insurance premiums	29,942	30,896	74,990	94,310	104,932	125,206
Insurance claims paid	-50,346	-62,179	-60,024	-44,561	-110,370	-106,740
Transfer of savings from / to unit-linked insurance	-2,629	-3,809	2,629	3,809	-	-
Compensated interest for savings	14,469	14,858	-	-	14,469	14,858
Customer compensation for savings	74	35	-	-	74	35
Total expense loading	-8,476	-8,732	-7,916	-7,765	-16,393	-16,497
Value increases and other items	-12,367	433	-41,968	37,586	-54,335	38,019
Technical provisions at 31 December	**461,110**	**490,444**	**694,594**	**726,883**	**1,155,704**	**1,217,328**

	From insurance agreements		From investment agreements		Total	
Technical provisions by the various insurance branches	2018	2017	2018	2017	2018	2017
Saving plans	58,733	67,251	616,365	644,201	675,098	711,452
Individual pension insurance	306,959	325,718	78,229	82,682	385,189	408,400
Group pension insurance	70,725	70,798	-	-	70,725	70,798
Risk insurance	24,692	26,678	-	-	24,692	26,678
Total	**461,110**	**490,444**	**694,594**	**726,883**	**1,155,704**	**1,217,328**

	From insurance agreements		From investment agreements		Total	
Change in technical provisions	2018	2017	2018	2017	2018	2017
Technical provisions at 1 January	490,444	518,941	726,883	643,504	1,217,328	1,162,446
Year's change	-29,334	-28,497	-32,289	83,379	-61,623	54,882
Technical provisions at 31 December	**461,110**	**490,444**	**694,594**	**726,883**	**1,155,704**	**1,217,328**
of which technical provisions for risk insurance and interest-related insurance	393,639	411,771	5,291	3,208	398,930	414,978
of which technical provisions for unit-linked insurance	67,471	78,674	689,303	723,676	756,774	802,349

Average calculation interest	2018	2017
Saving plans	2,7 %	2,9 %
Individual pension insurance	3,7 %	3,8 %
Group pension insurance	3,3 %	3,3 %
Risk insurance	2,9 %	2,9 %
Total	**3,5 %**	**3,5 %**

Methods used and assumptions made when determining technical insurance provisions of the life insurance business

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

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

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

G36 Total other liabilities

	2018	2017
Interest liabilities	17,719	20,346
Interets received in advance	1,052	1,566
Accrued interest expenses and interest income received in advance	18,771	21,911
Other accrued expenses and income received in advance	28,696	31,789
Accrued expenses and income received in advance	**47,466**	**53,700**
Cash items in the process of collection	12,393	13,331
Defined benefit plan pensions	533	609
Other liabilities	10,441	15,613
Total other liabilities	**23,367**	**29,553**
Total	**70,833**	**83,253**

G37 Equity

	2018	2017
Share capital	163,000	163,000
Fund at fair value	17,653	51,533
Restricted equity	**180,653**	**214,533**
Fund for share-based payments	1,438	1,499
Unrestricted equity reserve	108,935	108,400
Retained earnings 1 January	273,590	272,552
Dividend to shareholders	-37,833	-39,908
Other change in retained earnings	5,923	-
Acquisition of treasury shares	-	-1,703
Divestment of treasury shares	1,217	1,216
Defined pension plans, OCI	13	2,093
Profit for the year	56,005	39,340
Unrestricted equity	**409,286**	**383,489**
Shareholders' share of equity	589,939	598,022
Equity	**589,939**	**598,022**

Share capital and shares

Aktia Bank Plc has only one share class after the combination of A and R shares. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 million divided into 69,027,794 (68,718,564) Aktia shares. The number of registred shareholders at the end of the year was 37,475 (39,757). The number of Aktia shares attributable to unindentified shareholders was 765,811 (765,829).

Treasury shares

At year-end, the number of treasury Aktia shares was 111,430 (244,098).

Fund at fair value

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

Fund for share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there are remuneration programs with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in shareholder's equity under Fund for share-based payments.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue.

Retained earnings

Retained earning contains retained earnings from previous years, dividends to shareholders and profit for the year. Retained earnings also contains appropriations in the seperate financial statements of Group companies and the insurance companies' equalisation provisions that in the IFRS financial statements have been booked under retained earnings after deduction for deferred tax.

Specification of change in fund at fair value	2018	2017
Fund at fair value at 1 January	51,533	67,283
Restated for adoption of IFRS 9	-23,889	-
Profit / loss on valuation to fair value, shares and holdings	-	1,603
Profit / loss on valuation to fair value, interest bearing securities	-11,174	-17,529
Deferred taxes on profit / loss on valuation to fair value	2,235	3,089
Transferred to the income statement, shares and participations, included in:		
Net income from financial transactions	-	-605
Net income from life insurance	-	-1,643
Deferred taxes	-	450
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-252	-87
Net income from life insurance	-1,161	-1,393
Deferred taxes	283	296
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	99	86
Deferred taxes on profit / loss on valuation to fair value	-20	-17
Fund at fair value at 31 December	**17,653**	**51,533**

Share capital and unrestricted equity reserve

	Number of shares	Share capital	Unrestricted equity reserve
1 January 2017	**66,578,811**	**163,000**	**108,316**
Divestment of treasury shares			84
31 December 2017	**66,578,811**	**163,000**	**108,400**
Targeted share issue when merging A and R shares	2,383,851		
Divestment of treasury shares			535
Share issue 15 November 2018	65,132		
31 December 2018	**69,027,794**	**163,000**	**108,935**

Group's unrestricted equity	2018	2017
Group's non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	164,452	162,077
Share of activated development expenses that have been included in the retained earnings at 1 Janaury	8,812	9,042
Total non-distributable earnings in the retained earnings 1 January	**173,265**	**171,118**
Share of accumulated appropriations that have been included in the profit for the year	7,568	2,376
Share of activated development expenses that have been included in the profit for the year	-959	-229
Total non-distributable earnings that have been included in the profit for the year	**6,609**	**2,146**
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	172,020	164,452
Share of activated development expenses that have been included in the retained earnings 31 December	7,854	8,812
Total non-distributable earnings in the retained earnings 31 December	**179,874**	**173,265**
Group's distributable earnings in unrestricted equity		
Fund for share-based payments	1,438	1,499
Unrestricted equity reserve	108,935	108,400
Retained earnings 1 January	100,325	101,434
Dividend to shareholders	-37,833	-39,908
Other changes in retained earnings	7,153	1,606
Profit for the year	49,396	37,193
Total	**229,413**	**210,224**
Group's total unresticted equity		
Fund for share-based payments	1,438	1,499
Unrestricted equity reserve	108,935	108,400
Retained earnings 1 January	273,590	272,552
Dividend to shareholders	-37,833	-39,908
Other changes in retained earnings	7,153	1,606
Profit for the year	56,005	39,340
Total	**409,286**	**383,489**

Dividend to shareholders

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 11 April 2019 that a dividend of EUR 0.61 per share, totalling EUR 42,038,982.04 to be paid for the year based on the parent company's distributable retained earnings of EUR 42,720,372.06.

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

G38 Financial assets and liabilities

Fair value of financial assets and liabilities	2018 Book value	2018 Fair value	2017 Book value	2017 Fair value
Financial assets				
Financial assets measured at fair value through income statement	902,650	902,650	802,575	802,575
Financial assets measured at fair value through other comprehensive income	1,340,928	1,340,928	1,925,358	1,925,358
Interest-bearing securities measured at amortised cost	307,982	336,648	367,800	376,489
Loans and other receivables	6,129,070	6,136,299	5,888,674	5,811,166
Cash and balances with central banks	289,191	289,191	282,477	282,477
Derivative instruments	69,990	69,990	84,046	84,046
Total	**9,039,812**	**9,075,707**	**9,350,929**	**9,282,110**
Financial liabilities				
Deposits	4,565,120	4,561,054	4,812,963	4,803,459
Derivative instruments	17,126	17,126	33,559	33,559
Debt securities issued	2,460,332	2,457,242	2,450,748	2,465,729
Subordinated liabilities	207,819	209,831	235,200	238,227
Other liabilities to credit institutions	45,586	46,346	60,045	60,371
Other liabilities to the public and public sector entities	100,000	100,099	-	-
Total	**7,395,983**	**7,391,697**	**7,592,516**	**7,601,346**

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

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

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

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

Measurement of financial assets at fair value

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

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

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

Financial instruments measured at fair value	31 December 2018 Fair value classified into Level 1	Level 2	Level 3	Total	31 December 2017 Fair value classified into Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	756,774	-	-	756,774	802,575	-	-	802,575
Interest-bearing securities	8,554	-	163	8,718	-	-	-	-
Shares and participations	101,136	-	35,037	136,173	-	-	-	-
Total	**866,464**	**-**	**35,201**	**901,665**	**802,575**	**-**	**-**	**802,575**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,124,752	55,069	161,107	1,340,928	1,457,566	93,215	246,419	1,797,199
Shares and participations	-	-	-	-	94,305	-	33,854	128,159
Total	**1,124,752**	**55,069**	**161,107**	**1,340,928**	**1,551,870**	**93,215**	**280,273**	**1,925,358**
Derivative instrument, net	-42	52,905	-	52,864	28	50,459	-	50,487
Total	**-42**	**52,905**	**-**	**52,864**	**28**	**50,459**	**-**	**50,487**
Total	**1,991,175**	**107,974**	**196,308**	**2,295,457**	**2,354,473**	**143,674**	**280,273**	**2,778,420**

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period no transfers between level 1 and level 2 have occurred. The decrease in level 2 is mainly due to decreased business volumes and prematurely divested securities.

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

Changes within level 3

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

Reconciliation of the changes taken place for financial instruments which belong to level 3	Financial assets valued at fair value via the income statement: Interest-bearing securities	Shares and partici-pations	Total	Financial assets measured at fair value through other comprehensive income: Interest-bearing securities	Shares and partici-pations	Total	Total: Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1 January 2018	-	-	-	246,419	33,855	280,273	246,419	33,855	280,273
Reclassified according to IFRS 9	277	33,855	34,132	-277	-33,855	-34,132	-	-	-
New purchases	-	8,874	8,874	-	-	-	-	8,874	8,874
Sales	-	-7,121	-7,121	-18,071	-	-18,071	-18,071	-7,121	-25,192
Matured during the year	-	-	-	-65,000	-	-65,000	-65,000	-	-65,000
Unrealised value change in the income statement	-114	-570	-684	-	-	-	-114	-570	-684
Value change recognised in total comprehensive income	-	-	-	48	-	48	48	-	48
Transfer to level 1 and 2	-	-	-	-2,011	-	-2,011	-2,011	-	-2,011
Carrying amount 31 December 2018	**163**	**35,038**	**35,201**	**161,107**	**-**	**161,107**	**161,271**	**35,038**	**196,308**

Sensitivity analysis for level 3 Financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20 %. These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.1 (2.6) % of the finance and insurance conglomerate's own funds.

	31 December 2018			31 December 2017		
		Effect at an assumed movement			Effect at an assumed movement	
Sensitivity analysis for financial instruments belonging to level 3	**Carrying amount**	**Positive**	**Negative**	**Carrying amount**	**Positive**	**Negative**
Financial assets measured at fair value through income statement						
Interest-bearing securities	163	5	-5	-	-	-
Shares and participations	35,037	7,007	-7,007	-	-	-
Total	**35,201**	**7,012**	**-7,012**	**-**	**-**	**-**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	161,107	4,833	-4,833	246,419	7,393	-7,393
Shares and participations	-	-	-	33,854	6,771	-6,771
Total	**161,107**	**4,833**	**-4,833**	**280,273**	**14,163**	**-14,163**
Total	**196,308**	**11,846**	**-11,846**	**280,273**	**14,163**	**-14,163**

Set off of financial assets and liabilities

	31 December 2018		31 December 2017	
Assets	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial assets included in general agreements on set off or similar agreements	69,990	-	84,046	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**69,990**	**-**	**84,046**	**-**
Amount not set off but included in general agreements on set off or similar	376	-	5,826	-
Collateral assets	64,036	-	76,550	-
Total amount of sums not set off in the balance sheet	**64,412**	**-**	**82,376**	**-**
Net amount	**5,578**	**-**	**1,670**	**-**

	31 December 2018		31 December 2017	
Liabilities	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial liabilities included in general agreements on set off or similar agreements	17,126	98,848	33,559	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**17,126**	**98,848**	**33,559**	**-**
Amount not set off but included in general agreements on set off or similar	376	-	5,826	-
Collateral liabilities	5,380	99,009	12,270	-
Total amount of sums not set off in the balance sheet	**5,756**	**99,009**	**18,096**	**-**
Net amount	**11,370**	**-161**	**15,463**	**-**

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

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

Assets 31 December 2018	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Investments for unit-linked investments measured at fair value through income statement	G17	-	-	-	-	757,760	757,760
Equity instruments measured at fair value through income statement	G17	-	-	-	-	136,173	136,173
Interest-bearing securities measured at fair value through income statement	G17	-	513	4,763	3,441	-	8,717
Interest-bearing securities measured at fair value through other comprehensive income	K18	136,220	215,806	868,727	120,175	-	1,340,928
Interest-bearing securities measured at amortised cost	K19	-	15,137	116,354	149,027	27,465	307,982
Loans and other receivables	K20	214,502	392,688	1,829,252	1,350,233	2,342,395	6,129,070
Cash and balances with central banks	G22	289,191	-	-	-	-	289,191
Derivative instruments	G23	1,463	9,531	32,385	1,045	25,565	69,990
Total		**641,376**	**633,162**	**2,846,719**	**1,620,480**	**2,395,425**	**8,137,162**

Liabilities 31 December 2018		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Deposits	G30	4,096,113	84,474	484,510	23	-	4,665,120
Derivative instruments	G23	2,118	2,400	12,607	-	-	17,126
Debt securities issued	G31	130	566,937	1,589,456	15,761	288,048	2,460,332
Subordinated liabilities	G32	23,300	38,481	146,038	-	-	207,819
Other liabilities to credit institutions	G33	1,379	9,138	35,069	-	-	45,586
Total		**4,123,040**	**701,430**	**2,267,680**	**15,785**	**288,048**	**7,395,983**

Assets 31 December 2017		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Investments for unit-linked investments measured at fair value through income statement	G17	-	-	-	-	802,575	802,575
Equity instruments measured at fair value through other comprehensive income	K18	-	-	-	-	128,159	128,159
Interest-bearing securities measured at fair value through other comprehensive income	K18	146,240	266,992	1,068,970	275,512	39,485	1,797,199
Interest-bearing securities measured at amortised cost	K19	98,792	30,144	45,245	193,618	-	367,800
Loans and other receivables	K20	174,060	421,642	1,624,092	1,634,966	2,033,913	5,888,674
Cash and balances with central banks	G22	282,477	-	-	-	-	282,477
Derivative instruments	G23	2,104	8,951	35,666	7,844	29,481	84,046
Total		**703,673**	**727,729**	**2,773,974**	**2,111,940**	**3,033,613**	**9,350,929**

Liabilities 31 December 2017		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Deposits	G30	4,322,199	72,126	418,639	-	-	4,812,963
Derivative instruments	G23	2,949	7,157	17,099	6,354	-	33,559
Debt securities issued	G31	130	739,560	1,403,324	16,145	291,589	2,450,748
Subordinated liabilities	G32	6,361	21,021	207,819	-	-	235,200
Other liabilities to credit institutions	G33	1,379	13,080	40,069	5,517	-	60,045
Total		**4,333,017**	**852,943**	**2,086,950**	**28,016**	**291,589**	**7,592,516**

G40 Collateral assets and liabilities

	2018	2017
Collateral assets		
Collateral for own liabilities		
Securities	529,075	575,159
Outstanding loans constituting security for covered bonds	2,264,039	2,110,366
Total	**2,793,114**	**2,685,525**
Other collateral assets		
Pledged securities [1]	121,700	146,656
Cash included in pledging agreements and repurchase agreements	5,380	12,270
Total	**127,080**	**158,926**
Total collateral assets	**2,920,194**	**2,844,450**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	516,848	569,185
Issued covered bonds [3]	1,666,422	1,668,567
Derivatives	5,380	12,270
Total	**2,188,650**	**2,250,023**

1) Refers to securities pledged for the intra day limit. As at 31 December 2018, a surplus of pledged securities amounted to EUR 5 (21) million.

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

3) Own repurchases deducted.

	2018	2017
Collateral liabilities		
Cash included in pledging agreements [1]	64,036	76,550
Total	**64,036**	**76,550**

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

G41 Off-balance sheet commitments

	2018	2017
Guarantees	31,255	31,704
Other commitments provided to a third party	3,573	7,325
Unused credit arrangements	456,724	505,190
Other irrevocable commitments	27,239	8,806
Total	**518,792**	**553,025**

Off-balance sheet commitments, exclude rental commitments.

31 December 2018	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Guarantees	25,572	4,202	74	77	1,330	31,255
Other commitments provided to a third party	2,342	889	329	12	-	3,573
Unused credit arrangements	110,441	64,897	141,546	150	139,690	456,724
Other irrevocable commitments	9,437	72	17,731	-	-	27,239
Total	**147,793**	**70,060**	**159,680**	**239**	**141,020**	**518,792**

31 December 2017	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Guarantees	4,428	2,819	20,714	-	3,743	31,704
Other commitments provided to a third party	-	200	7,125	-	-	7,325
Unused credit arrangements	149,681	52,710	166,706	-	136,094	505,190
Other irrevocable commitments	-	134	225	168	8,279	8,806
Total	**154,109**	**55,863**	**194,769**	**168**	**148,116**	**553,025**

G42 Rent commitments

	2018	2017
Less than 1 year	6 625	6 925
1-5 years	3 964	5 160
More than 5 years	17	108
Total	**10 607**	**12 192**

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Materiality principle has been adopted and only significant rent commitments are considered.

G43 Subsidiaries included in consolidated accounts

	2018		2017	
	Percentage of shares	**Percentage of votes**	**Percentage of shares**	**Percentage of votes**
Financing				
Aktia Corporate Finance Ltd, Helsinki	100 %	100 %	100 %	100 %
Aktia Finance ltd, Helsinki	100 %	100 %	100 %	100 %
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100 %	100 %	100 %	100 %
Securities companies				
Aktia Asset Management Ltd, Helsinki	76 %	76 %	76 %	76 %
Real estate agency operations				
Aktia Kiinteistönvälitys Oy, Turku	19 %	19 %	100 %	100 %
Insurance companies				
Aktia Life Insurance Ltd, Turku	100 %	100 %	100 %	100 %
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	-	-	100 %	100 %
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	-	-	100 %	100 %
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100 %	100 %	100 %	100 %
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100 %	100 %	100 %	100 %
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50 %	50 %	50 %	50 %
Asunto Oy Helsingin Tuulensuoja, Helsinki	50 %	50 %	-	-
Kiinteistö Oy Skanssinkatu, Turku	50 %	50 %	50 %	50 %
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50 %	50 %	50 %	50 %
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33 %	33 %	33 %	33 %
Kiinteistö Oy Lahden BW Tower, Helsinki	33 %	33 %	33 %	33 %
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33 %	33 %	33 %	33 %

Subsiadiaries that have material non-controlling interets		2018		2017	
		Non-controlling interests' share of		**Non-controlling interests' share of**	
	Segment	**shares**	**votes**	**shares**	**votes**
Aktia Asset Management Ltd	Wealth Management	24 %	24 %	24 %	24 %

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

Summarised financial information (before inter-company eliminations)	Aktia Asset Management Ltd	
	2018	**2017**
Profit for the year	10,228	7,543
attributable to non-controlling interest	2,447	1,805
Total comprehensive income for the year	10,228	7,543
attributable to non-controlling interest	2,447	1,805
Assets	18,402	15,700
Liabilities	5,485	5,811
Net assets	12,917	9,889
attributable to non-controlling interest	3,090	2,366
Cash flow from operating activities	7,899	7,795
Cash flow from investing activities	-	-2
Cash flow from financing activities	-7,231	-4,538
Net change in cash and cash equivalents	668	3,254
Dividens paid to non-controlling interest	1,730	1,086

See note P46 for transactions with subsidiaries.

G44 Related-party transactions

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

Management personnel compensation

2018	Salary, remunerations and other fringe benefits *	Result-based salary **	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Mikko Ayub, Managing Director from 1 October 2018	78	-	-	78	14	4
Juha Hammarén, Acting CEO 7 March - 30 September 2018, Deputy Managing Director	278	17	150	445	52	41
Martin Backman, Managing Director until 7 March 2018	282	-	95	376	49	-
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,875	149	767	2,790	355	303
Total	**2,513**	**166**	**1,011**	**3,690**	**469**	**348**

2017	Salary, remunerations and other fringe benefits *	Result-based salary **	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Martin Backman, Managing Director from 6 March 2017	257	-	93	350	45	38
Jussi Laitinen, Managing Director until 3 March 2017	46	17	241	304	11	55
Juha Hammarén, Deputy Managing Director	246	26	18	290	48	35
Taru Narvanmaa, Deputy Managing Director until 5 May 2017	89	20	169	277	19	59
Executive Committee excl. Managing Director and Deputy Managing Director [1]	1,140	100	114	1,353	218	167
Total	**1,777**	**162**	**635**	**2,574**	**342**	**353**

*) Including salaries and other fringe benefits such as car and phone (fixed compensation)

**) Payments in accordance with the long-term incentive programme for executive management during the financial year (variable compensation)

Compensation to Members of the Board of Directors [2]	2018 Annual remuneration and remuneraration per meeting	2018 Statutory pension costs	2018 Cost for voluntary supplementary pension (IFRS)	2017 Annual remuneration and remuneraration per meeting	2017 Statutory pension costs	2017 Cost for voluntary supplementary pension (IFRS)
Lasse Svens, Chairman from 10 April 2018, Vice Chair until 9 April 2018	86	15	-	56	10	-
Dag Wallgren, Chairman until 9 April 2018	25	4	-	84	15	-
Arja Talma, Vice Chair from 10 April 2018	55	10	-	44	8	-
Christina Dahlblom	44	8	-	37	6	-
Stefan Damlin	43	8	-	40	7	-
Maria Jerhamre Engström	32	6	-	-	-	-
Johannes Schulman	33	6	-	-	-	-
Catharina von Stackelberg-Hammarén	45	8	-	38	7	-
Sten Eklundh	18	3	-	49	8	-
Kjell Hedman	13	2	-	39	7	-
Total	**392**	**69**	**-**	**386**	**67**	**-**
Total compensation to Members of the Board of Supervisors [3]	**-**	**-**	**-**	**204**	**-**	**-**
Total management personnel compensation	3,690	469	348	2,574	342	353
Total comprensation to Members of the Board of Directors	392	69	-	386	67	-
Total compensation to Members of the Board of Supervisors	-	-	-	204	-	-
Total compensation to Management personnel, the Board of Directors and the Board of Supervisors	**4,082**	**538**	**348**	**3,163**	**408**	**353**

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Vice Managing Director Anssi Rantala, Director Irma Gillberg-Hjelt, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen, Vice Managing Director Merja Sergelius and Director Sam Olin.

The notice of dismissal for the Managing Director is from the employer's side 15 months, and for the other members of the executive committee the notice of dismissal is 12 months. Members of the executive committee follow statutory pension age.

2) 40 % (40 %) of the Board of Directors' annual remuneration was paid in the form of Aktia shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the proposal by the Board of Directors, the Extraordinary General Meeting of Aktia Bank plc on 21 September 2017 took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors. In 2017 the members of the Board of Supervisors acquired Aktia A shares corresponding 40 % of their annual remuneration from the Stock Exchange at market price in accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2017,

Shareholding

At the end of 2018, the Group's key personnel held a total of 113,009 (162,988) Aktia shares in Aktia Bank plc, which represents 0.2 (0.2) % of the total number of shares.

Related-party transactions	2018 Associated companies	2018 Other related-party	2017 Associated companies	2017 Other related-party
Credits and guarantees	-	3,439	-	15,328
Deposits	6	1,959	572	6,077
Liabilities	5	-	-	-
Services bought	1,844	50	7,745	162

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

G45 Defined benefit pension plans

In addition to statutory pensions, Aktia has defined-benefit pension plans for members of the Executive Committee and some key persons in management as well as for employees who were members of Savings Banks' Pension Fund (Sparbankernas Pensionskassa) when the pensions fund was closed down 31 December 1993. The retirement age of members of the Execituve Committee and key persons in management is 63. On reaching retirement age, they receive a pension of 60 % of the pensionable salary.

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

The assets comprise 100 % qualifying insurance policies.

During 2018, 13 (2017; 19) members have left the programme.

	2018	2017
Current service cost	-145	-451
Net interest income	-8	-35
Expense recognised in income statement	**-154**	**-487**
Remeasurements in total comprehensive income	16	2,616
Total comprehensive income before taxes	**-138**	**2,130**
Present value of obligation 1 January	**3,320**	**7,700**
Current service cost	145	451
Interest expenses	55	99
Actuarial gains (-) / losses (+) from experience adjustments	121	-2,436
Actuarial gains (-) / losses (+) from changes in financial assumptions	-162	-438
Benefits paid	-216	-2,058
Present value of obligation 31 December	**3,262**	**3,320**
Fair value of plan assets 1 January	**2,711**	**4,768**
Interest income	46	64
Return on plan assets excluding amount included in interest expenses / income	-26	-257
Benefits paid	-216	-2,058
Contributions by employer	214	193
Fair value of plan assets 31 December	**2,730**	**2,711**
Present value of obligation	3,262	3,320
Fair value of plan assets	-2,730	-2,711
Liability recognised in balance sheet 31 December	**533**	**609**
Liability recognised in balance sheet 1 January	**609**	**2 932**
Expenses recognised in income statement	154	487
Contributions by employer	-214	-193
Additional expense (+) to local GAAP	-61	293
Remeasurements in comprehensive income	-16	-2 616
Liability recognised in balance sheet 31 December	**533**	**609**
Actuarial assumptions		
Discount rate, %	1,9 %	1,7 %
Rate of salary increase, %	2,7 %	2,8 %
Rate of benefit increase, %	0,0 %	0,0 %
Sensitivity analysis - net liability		
The following table show how the changes in assumptions used affect the net liability (EUR)		
Discount rate 1.9 % (1.7 %)	533	609
Change in discount rate +0.50 %	-79	-96
Change in discount rate -0.50 %	91	111
Salary increase 2.7 % (2.8 %)	533	609
Change in salary increase +0.50 %	91	108
Change in salary increase -0.50 %	-88	-104

The duration is 19 years according to the weighted average of the obligation.

The Group is expected to pay approximately EUR 0.2 million contributions to the defined benefit plans during 2019.

G46 Share-based incentive scheme

AktiaUNA

The share savings plan will be offered to approximately 800 Aktia employees, who will be offered an opportunity to save 2–4 % of their salaries (the members of the Group's Executive Committee up to 7 %) and regularly acquire the company's shares at a 10 % reduced price. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2018–2019 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. This programme replaces Aktia's Personnel Fund. At the end of the year 57 % of Aktia's personnel participated in the share savings plan AktiaUna.

The estimated total savings for the second half of the savings period 2018–2019 (October 2018–March 2019) amounts up to a maximum total of approximately EUR 562,000. The final number of matching shares to be paid under savings period 2018-2019 depends on the number of participants and shares acquired in the plan by the employees.

Within the scope of the above mentioned AktiaUna savings plan, approximately 60 key employees, including the CEO and the members of the Group's Executive Committee, have been offered a possibility to participate in a performance-based share savings plan. This part of the programme replaces the previous Executive Committee´s share-based incentive scheme. The performance criteria of the performance period 2018–2019 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019 amounts up to a maximum total of EUR 2,600,000 upon the launch of the plan, corresponding to the value of 280,000 Aktia shares.

The figures in the Changes during the period 2018 table are based on shares acquired with savings from April 2018 to September 2018. The estimated value of the reward payable of the basis of the second half of the AktiaUna savings period 2018-2019 (October 2018-March 2019) amounts up to a maximum total of EUR 1,100,000, including also the proportion to be paid in cash. The final cost of the plan depends on the number of shares that the key employees acquire in the AktiaUna Share Plan, as well as on the achievement of the targets of the performance criteria of the performance period. The performance criteria of the performance period 2018–2019 (January 2018–December 2019) are the Aktia Group's comparable operating profit and net commission income during the performance period.

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

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

	AktiaUna 2018-2019	PSP 2018-2019	Total
Estimated maximum gross shares upon the launch of the plan, pcs	195 000	280 000	475 000
Initial allocation date	1 Apr 2018	1 Apr 2018	
Performance period begin		1 Jan 2018	
Performance period end		31 Dec 2019	
Vesting date	31 May 2020	31 May 2020	
		31 May 2021	
		31 May 2022	
		31 May 2023	
Vesting conditions	Share ownersip, employment	Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period, employment	
Maximum contractual life, years	2.2	5.2	
Remaining contractual life, years	1.4	4.4	
Number of persons at the end of the reporting year	493	49	
Payment method	Cash & equity	Cash & equity	

Changed during the reporting period 2018	**AktiaUna 2018-2019***	**PSP 2018-2019***	**Total**
1 January 2018			
Outstanding at the beginning of the reporting period, pcs	-	-	-
Changes during the reporting period			
Granted during the reporting period	65,132	111,804	176,936
Forfeited during the reporting period	1,480	-	1,480
31 December 2018			
Outstanding at the end of the reporting period	63,652	111,804	175,456

* Figures based on shares acquired with savings from April 2018 to September 2018. The savings period 2018-2019 continues until March 2019.

Valuation parameters	**AktiaUna 2018-2019**	**PSP 2018-2019**
Share price at share purchase date, EUR	8.63	8.63
Share price at reporting period end, EUR	9.00	9.00
Maturity, years	1.60	2.40
Expected dividends, EUR	1.31	1.85
Fair value of one share, EUR	7.32	6.78

Impact of share-based payments on the company's result and financial position	
Accounting period expenses from share-based payments in the income statement	729
of which shareholder-controlled	729
Liabilities arising from share-based payments 31 December 2018	-
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the period	1,650

PREVIOUS SHARE-BASED REWARD SCHEMES AND OWNERSHIP SCHEMES

Share-based reward scheme

The Managing Director, other members of the Executive Committee as well as certain key persons are included in a share-based incentive scheme (share-based reward scheme). The incentive scheme has been prepared in accordance with regulations concerning remuneration schemes in the financial sector, and the reward will be paid partly as Aktia shares in Aktia Bank plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person.

The maximum reward paid out through current share-based reward schemes (earning periods 2016–2017, 2017–2018) may amount to a maximum of 29,878 A Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares. The number of shares deferred from earlier earning periods 2014–2015 and 2015-2016 may amount to a maximum of 15,341 Aktia shares in Aktia Bank plc.

Key persons are obliged to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain their shares as long as they are employed in the Group.

The potential reward for each earning period will be paid out in four instalments after each earning period. The reward is paid in the form of shares and in cash. The Board of Directors has stipulated a maximum level of reward per key person. In general, the reward is not paid to a key person who is no longer employed by the Aktia Group at the time of payment of rewards.

The earning period 2014 - 2015	**2018**	**2017**	**2016**	**2015**	**2014**
Basic information					
Max. number of shares	9 928	19 862	29 790	112 500	112 500
Sum in cash corresponding max. number of shares	9 928	19 862	29 790	112 500	112 500
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014
Earning period ends	31 Dec 2015	31 Dec 2015	31 Dec 2015	31 Dec 2015	31 Dec 2015
Number of persons on the decision date	4	5	13	13	13
Rate of Aktia share on the decision date, EUR	8.35	8.35	8.35	8.35	8.35
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	9.77

The earning period 2015 - 2016	**2018**	**2017**	**2016**	**2015**	**2014**
Basic information					
Max. number of shares	5,413	7,511	120,000	120,000	-
Sum in cash corresponding max. number of shares	5,413	7,511	120,000	120,000	-
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	-
Earning period starts	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015	-
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	-
Number of persons on the decision date	7	7	15	16	-
Rate of Aktia share on the decision date, EUR	9.46	9.46	9.46	9.46	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	-

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

The earning period 2017 - 2018	**2018**	**2017**	**2016**	**2015**	**2014**
Basic information					
Max. number of shares	27,531	120,000	-	-	-
Sum in cash corresponding max. number of shares	27,531	120,000	-	-	-
Decision date	15 Feb 2017	15 Feb 2017	-	-	-
Earning period starts	1.10.2017	1.10.2017	-	-	-
Earning period ends	31 Mar 2018	31 Mar 2018	-	-	-
Number of persons on the decision date	9	10	-	-	-
Rate of Aktia share on the decision date, EUR	9.66	9.66	-	-	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	-	-	-

Share ownership scheme

In addition to the share-based incentive schemes some key persons are enabled to also receive a conditional reward based on the acquisition of Aktia shares when the incentive scheme is implemented. The conditional reward will be paid to key persons after the earning period, and will take the form of both cash and shares, provided that the key person is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of rewards. The total reward paid out through the Share Ownership Scheme (MRS) may amount to a maximum of 54,998 Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

Share ownership scheme 2014	**2018**	**2017**	**2016**	**2015**	**2014**
Basic information					
Max. number of shares	5,600	8,400	69,000	69,000	69,000
Sum in cash corresponding max. number of shares	5,600	8,400	69,000	69,000	69,000
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	3	3	23	23	22
Rate of Aktia share on the decision date, EUR	8.35	8.35	8.35	8.35	8.35
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	9.77

Share ownership scheme 2015	**2018**	**2017**	**2016**	**2015**	**2014**
Basic information					
Max. number of shares	8,400	39,000	45,000	45,000	-
Sum in cash corresponding max. number of shares	8,400	39,000	45,000	45,000	-
Decision date	18 Dec 2014	18 Dec 2014	18 Dec 2014	18 Dec 2014	-
Earning period starts	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015	-
Earning period ends	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	-
Number of persons on the decision date	6	13	14	14	-
Rate of Aktia share on the decision date, EUR	9.46	9.46	9.46	9.46	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	-

Share ownership scheme 2016	**2018**	**2017**	**2016**	**2015**	**2014**
Basic information					
Max. number of shares	21,000	21,000	27,000	-	-
Sum in cash corresponding max. number of shares	21,000	21,000	27,000	-	-
Decision date	16 Dec 2015	16 Dec 2015	16 Dec 2015	-	-
Earning period starts	1 Jan 2016	1 Jan 2016	1 Jan 2016	-	-
Earning period ends	31 Dec 2018	31 Dec 2018	31 Dec 2018	-	-
Number of persons on the decision date	7	7	7	-	-
Rate of Aktia share on the decision date, EUR	10.07	10.07	10.07	-	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	-	-

Share ownership scheme 2017	**2018**	**2017**	**2016**	**2015**	**2014**
Basic information					
Max. number of shares	19,998	40,000	-	-	-
Sum in cash corresponding max. number of shares	19,998	40,000	-	-	-
Decision date	24 Aug 2017	24 Aug 2017	-	-	-
Earning period starts	1 Jan 2017	1 Jan 2017	-	-	-
Earning period ends	31 Dec 2018	31 Dec 2018	-	-	-
Number of persons on the decision date	3	4	-	-	-
Rate of Aktia share on the decision date, EUR	9.27	9.27	-	-	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	-	-	-

Impact of share-based payments on the company's result and financial position	**2018**	**2017**	**2016**	**2015**	**2014**
Accounting period expenses from share-based payments in the income statement	1,104	1,102	1,558	2,642	2,544
of which recorded as liability 31 December	1,280	1,650	2,497	3,166	2,936
of which recorded as fund for share-based payments 31 December	807	1,499	1,957	2,143	1,858

G47 Customer assets being managed

Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.

	2018	2017
Customer assets being managed		
Funds in a customer funds account	364	167
Funds in discretionary asset management services	7,252,113	6,285,964
Funds within the framework of investment advising according to a separate agreement	5,419,252	6,456,364
Total	**12,671,729**	**12,742,495**

PS savings

The pension saving comprises bank account, investments in mutual funds, bonds and shares.

	2018	2017
Customer assets witin PS savings		
PS Savings account	70	69
PS Deposit	62	60
Total	**132**	**128**
Customers' PS investments		
Investments in mutual funds	6,482	6,421
Shares	265	243
Total	**6,747**	**6,664**

G48 Events after the end of the year

Aktia Bank Plc has on 15 Januari 2019 divested 34,156 Aktia treasury shares held by the company for payment of deferred instalments for the share-based reward scheme earning periods 2014–2015, 2015–2016, 2016–2017 and 2017–2018 and the share ownership scheme to 29 persons included in the share-based incentive scheme.

Since the other owners of Samlink have now chosen a new core banking solution, it is in accordance with Aktia's strategy to divest all shares in the company together with the other owners of Samlink. On 23 January 2019 Aktia Bank Plc has entered into an agreement to divest its holdings (22.56 %) in Oy Samlink Ab to Cognizant Technology Solutions Finland Ltd. The transaction will generate approximately an EUR 8 million sales gain, which affects the Group's reported operating profit for 2019. The transaction does not have effect on the Group's comparable operating profit. The transaction is planned to be carried out on 1 April 2019.

Aktia Corporate Finance Ltd merged with Aktia Bank Abp 1 February 2019.

Aktia Bank Plc - parent company's financial statements

Aktia Bank Plc - Income statement

(EUR 1,000)	Note	2018	2017
Interest income		83,019	89,758
Interest expenses		1,696	-1,582
Net interest income	P2	84,715	88,176
Income from equity instruments	P3	11,078	9,263
Commission income		73,983	70,379
Commission expenses		-7,367	-5,757
Net commission income	P4	66,615	64,622
Net income from securities and currency trading	P5	5,387	335
Net icome from financial assets measured at fair value through fund at fair value	P6	207	514
Net income from hedge accounting	P7	-375	-255
Net income from investment properties	P8	-33	-
Other operating income	P9	3,817	6,028
Staff costs	P10	-51,106	-60,461
Other administrative expenses	P11	-39,461	-45,092
Total administrative expenses		-90,567	-105,553
Depreciation of tangible and intangible assets	P12	-11,854	-8,189
Other operating expenses	P13	-20,051	-18,077
Impairment of tangible and intangible assets	P21, P22	-	-534
Expected credit losses from financial assets reported at amortised cost		-840	-519
Expected credit losses and impairment from other financial assets		-189	-
Operating profit		**47,909**	**35,811**
Appropriations		-9,500	-3,150
Taxes	P14	-2,913	-3,346
Profit for the reporting period		**35,496**	**29,314**

Aktia Bank Plc – Balance sheet

(EUR 1,000)	Note	2018	2017
Assets			
Cash and balances with central banks		289,191	282,476
Bonds eligible for refinancing with central banks	P15	1,356,188	1,788,617
Claims on credit institutions	P16	20,227	46,137
Receicables from the public and public sector entities	P17	6,096,955	5,827,805
Other bonds	P15	-	10,003
Shares and participations	P19	63,493	76,307
Derivative instruments	P20	69,906	83,924
Intangible assets	P21	62,001	60,803
Investment properties		-	78
Other tangible assets		1,640	2,419
Tangible assets	P22	1,640	2,497
Other assets	P23	73,627	24,448
Accrued income and advance payments	P24	25,558	31,799
Deferred tax receivables	P25	2,204	2,538
Total assets		**8,060,990**	**8,237,356**
Liabilities			
Liabilities to credit institutions	P26	648,166	754,464
Borrowing		4,038,722	4,171,983
Other liabilities		100,000	-
Liabilities to the public and public sector entities	P27	4,138,722	4,171,983
Debt securities issued to the public	P28	2,459,699	2,449,596
Derivatives and other liabilities held for trading	P20	16,420	33,015
Other liabilities	P29	15,530	19,915
Accrued expenses and income received in advance	P30	39,802	45,289
Subordinated liabilities	P31	207,819	235,200
Deferred tax liabilities	P32	1,168	2,218
Total liabilities		**7,527,325**	**7,711,680**
Accumulated appropriations		215,000	205,500
Equity			
Share capital		163,000	163,000
Fund at fair value		4,010	8,870
Restricted equity		167,010	171,870
Unrestricted equity reserve		108,935	108,400
Retained earnings		39,905	51,444
Dividend to shareholders		-37,833	-39,908
Change in share-based payments		3,935	-458
Acquisistion of treasury shares		1,217	-487
Profit for the year		35,496	29,314
Unrestricted equity		151,655	148,305
Total equity	P33	**318,665**	**320,176**
Total liabilities and equity		**8,060,990**	**8,237,356**

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

(EUR 1,000)	Note	2018	2017
Off-balance sheet commitments	P38		
Guarantees and pledges		31,255	31,704
Other		3,573	7,325
Commitments provided to a third party on behalf of the customers		34,828	39,029
Unused credit arrangements		468,257	505,663
Irrevocable commitments provided on behalf of customers		468,257	505,663
Total		**503,085**	**544,691**

Aktia Bank Plc - Cash flow statement

(EUR 1,000)	2018	2017
Cash flow from operating activities		
Operating profit	47,909	35,811
Adjustment items not included in cash flow for the period	6,574	-6,124
Paid income taxes	-26	-243
Increase (-) or decrease (+) in receivables from operating activities	**133,228**	**-204,759**
Debt securities measured at fair value through other comprehensive income	308,949	-131,623
Debt securities measured at amortised cost, increase	-	-147,339
Debt securities measured at amortised cost, decrease	128,700	222,000
Claims on credit institutions	6,890	16,120
Receicables from the public and public sector entities	-277,066	-164,680
Shares and participations measured at fair value through income statement	5,742	-1,025
Other assets	-39,987	1,789
Increase (+) or decrease (-) in liabilities from operating activities	**-130,437**	**162,191**
Liabilities to credit institutions	-106,298	213,817
Liabilities to the public and public sector entities	-26,062	-22,597
Debt securities issued to the public	14,391	-10,842
Other liabilities	-12,468	-18,188
Total cash flow from operating activities	**57,248**	**-13,124**
Cash flow from investing activities		
Equity returns	5,864	-
Investments in group companies, associated companies and joint ventures	-175	-
Proceeds from sale of group companies and associated companies	972	-
Investments in tangible and intangible assets	-12,272	-13,923
Proceeds from sale of tangible and intangible assets	78	24
Total cash flow from investing activities	**-5,534**	**-13,900**
Cash flow from financing activities		
Subordinated liabilities, increase	-	18,389
Subordinated liabilities, decrease	-27,381	-26,784
Acquisition of treasury shares	-	-1,703
Divestment of treasury shares	1,195	1,300
Paid dividends	-37,833	-39,908
Total cash flow from financing activities	**-64,019**	**-48,706**

	2018	2017
Change in cash and cash equivalents	**-12,305**	**-75,730**
Cash and cash equivalents at the beginning of the year	316,343	391,873
Cash and cash equivalents at the end of the year	304,038	316,343
Cash and equivalents transferred in connection with merger	-	200
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	4,418	4,753
Bank of Finland current account	284,773	277,723
Repayable on demand claims on credit insitutions	14,847	33,867
Total	**304,038**	**316,343**
Adjustment items not included in cash flow consist of:		
Impairment (ECL) of financial assets measured at fair vaue through other comprehensive income	189	966
Impairment (ECL) of credits and other commitments	840	519
Unrealised changes in value of shares and participations	260	-
Change in fair values	4,577	5,112
Depreciation and impairment of intangible and tangible assets	11,854	8,723
Sales gains and losses from tangible and intangible assets	152	-
Unwound fair value hedging	-10,328	-14,400
Change in provisions	-	-1,406
Change in share-based payments	-970	-1,305
Other adjustments	-	-4,333
Total	**6,574**	**-6,124**

P1 The parent company's accounting principles

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

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

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

Foreign currency translation

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

Revenue and expenses recognition

Interest and dividend

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

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

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

Commissions

Commission income and expenses are reported in accordance with the accruals convention.

Other income and expenses

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

Depreciation

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

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

Taxes

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

Financial assets and liabilities

From 1 January 2018, Aktia is applying IFRS 9 where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

Classification of financial assets

The Group classifies financial assets in the following categories:

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

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

- interest-bearing securities
- interest-bearing securities
- interest-bearing securities

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

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

- shares and participations
- interest-bearing securities

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

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

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

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

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

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

Financial liabilities

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

Reclassification

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

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

Reclassification between different valuation categories are reported as follows:

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

Repurchase agreements

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

Cash and balances with central banks

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

Derivative instruments

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

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

Hedge accounting

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

Valuation of financial instruments at fair value

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

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

Impairment of financial assets

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

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

Expected credit loss (ECL) is not calculated for shares and participations.

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

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

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

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

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

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

Significant increase of credit risk

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

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

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

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

Assessment of impairment needs (definition of default)

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

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

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

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

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

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

Information describing the future

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

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

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

Tangible and intangible assets

Real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Company. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If part of the premises is used by the Company, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their original acquisition value. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments.

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

Provisions

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

Equity

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

(1 000 euroa)

P2 Net interest income

	2018	2017
Interest income		
Claims on credit institutions	3,691	334
Receivables from the public and public sector entities	70,887	68,467
Bonds	9,341	16,970
Derivatives	-909	-
Other interest income	8	3,987
Total	**83,019**	**89,758**
of which interest income from financial assets reported at stage 3	266	-
Interest expenses		
Liabilities to credit institutions	-365	-424
Liabilities to the public and public sector entities	-3,452	-4,870
Debt securities issued to the public	-25,925	-31,805
Derivatives and liabilities held for trading	37,092	41,777
Subordinated liabilities	-5,652	-6,265
Other interest expenses	-2	5
Total	**1,696**	**-1,582**
Net interest income	**84,715**	**88,176**

P3 Income from equity instruments

	2018	2017
Group companies	9,533	8,359
Associated companies	1,430	597
Equity instruments measured at fair value through income statement	114	-
Equity instruments available for sales	-	307
Total	**11,078**	**9,263**

P4 Net commission income

	2018	2017
Commission income		
Lending	9,802	10,381
Borrowing	3,532	1,285
Card- and payment services	24,470	19,936
Mutual funds, asset management and securities brokerage	17,139	19,331
Brokerage of insurance	10,836	10,686
Guarantees and other off-balance sheet commitments	524	632
Other commission income	7,680	8,129
Total	**73,983**	**70,379**
Commission expenses		
Money handling	-1,558	-1,372
Card- and payment services	-4,370	-3,154
Securities and investments	-1,399	-1,215
Other commission expenses	-40	-16
Total	**-7,367**	**-5,757**
Net commission income	**66,615**	**64,622**

P5 Net income from securities and currency trading

	2018	2017
Shares and participations		
Capital gains and losses	4,010	-
Valuation gains and losses	-260	1
Total	**3,750**	**1**
Derivative instruments		
Capital gains and losses	-130	-244
Valuation gains and losses	-701	-965
Total	**-831**	**-1,209**
Total		
Capital gains and losses	3,880	-244
Valuation gains and losses	-961	-964
Net incom from securities	**2,919**	**-1,208**
Net income from currency trading	2,468	1,543
Net income from securities and currency trading	**5,387**	**335**

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

	2018	2017
Interest-bearing securities		
Capital gains and losses	-200	27
Transferred to income statement from fund at fair value	407	87
Total	**207**	**114**
Shares and participations		
Capital gains and losses	-	1,971
Transferred to income statement from fund at fair value	-	-605
Impairments	-	-966
Total	**-**	**400**
Total		
Capital gains and losses	-200	1,999
Transferred to income statement from fund at fair value	407	-518
Impairments	-	-966
Total	**207**	**514**

P7 Net income from hedge accounting

	2018	2017
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	3,112	-1,525
Financial derivatives hedging issued bonds	-3,674	-15,429
Changes in fair value of hedge instrument, net	-561	-16,954
Repayable on demand liabilities	-3,130	1,469
Bonds issued	3,316	15,229
Changes in fair value of items hedged, net	186	16,698
Total	**-375**	**-255**
Total hedge accounting	**-375**	**-255**

P8 Net income from investment properties

	2018	2017
Capital losses	-33	-
Total	**-33**	**-**

P9 Other operating income

	2018	2017
Income from other banking business	121	128
Group internal compensations	162	179
Merger and sales gains	-	4,333
Other operating income	3,533	1,388
Total	**3,817**	**6,028**

P10 Staff

	2018	2017
Salaries and remunerations	-41,822	-50,009
Pension costs	-7,755	-8,523
Other indirect employee costs	-1,529	-1,929
Indirect emplyee costs	-9,284	-10,452
Total	**-51,106**	**-60,461**
Number of emplyees 31 December		
Full-time	600	575
Part-time	39	44
Temporary	107	70
Total	**746**	**689**

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are no pension commitments with a liability deficit.

P11 Other administrative expenses

	2018	2017
IT expenses	-22,967	-27,376
Other staff expenses	-3,135	-5,034
Office expenses	-2,007	-1,633
Communication expenses	-3,612	-3,464
Marketing- and representation expenses	-2,568	-3,454
Group services	-400	-619
Other administrative expenses	-4,772	-3,512
Total	**-39,461**	**-45,092**

P12 Depreciation of tangible and intangible assets

	2018	2017
Depreciation of tangible assets	-1,054	-1,572
Depreciation of intangible assets	-10,800	-6,617
Total	**-11,854**	**-8,189**

P13 Other operating expenses

	2018	2017
Rental expenses	-7,779	-8,947
Expenses for properties in own use	-1,326	-1,492
Insurance and security expenses	-3,666	-1,475
Monitoring, control and membership fees	-921	-1,003
Consulting fees	-2,122	-2,330
Group services	-1,673	-312
Other operating expenses	-2,563	-2,518
Total	**-20,051**	**-18,077**
Auditors' fees		
Statutory auditing	-138	-149
Services related to auditing	-47	-42
Tax counselling	-12	-19
Other services	-50	-128
Total	**-246**	**-338**
The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-1,901	-1,840
amount of which paid from the old Deposit Guarantee Fund	-1,901	-1,840
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	29	25
Contribution to the Single Resolution Fund	-2,361	-1,653
amount of which transferred from previously paid bank tax	-97	-1,653
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	0	2

P14 Taxes

	2018	2017
Income taxes on the ordinary business	-1,478	-504
Taxes from previous years	507	19
Changes in deferred taxes	-1,942	-2,862
Total	**-2,913**	**-3,346**

P15 Bonds according to financial instruments

	2018		2017	
	Total	of which ECL	Total	of which ECL
Government bonds	65,114	-7	82,263	-
Other	1,291,074	-101	1,716,356	-
Total	**1,356,188**	**-108**	**1,798,620**	**-**
of which eligible for refinancing with central banks	1,338,187		1,755,580	

Bonds by financial instrument	**Publicly quoted**	**Other**	**Total**	**of which ECL**
31 December 2018				
Bonds measured at fair value through other comprehensive income	1,067,699	49,520	1,117,219	-
Bonds valued at amortised cost	238,969	-	238,969	-108
Total	**1,306,668**	**49,520**	**1,356,188**	**-108**
31 December 2017				
Bonds measured at fair value through other comprehensive income	1,398,803	32,017	1,430,820	-
Bonds valued at amortised cost	367,800	-	367,800	-
Total	**1,766,603**	**32,017**	**1,798,620**	**-**

P16 Receivables from credit institutions

	Repayable on demand	**Other than repayable on demand**	**Total**	**of which ECL**
31 December 2018				
Finnish credit institutions	-	5,000	5,000	-
Foreign credit institutions	14,847	380	15,227	-
Total	**14,847**	**5,380**	**20,227**	**-**
31 December 2017				
Finnish credit institutions	14,035	11,000	25,035	-
Foreign credit institutions	19,832	1,270	21,102	-
Total	**33,867**	**12,270**	**46,137**	**-**

P17 Receivables from the public and public sector entities

A sector-by-sector analysis of receivables from the public and public sector entities	**2018**	**2017**
Households	4,752,102	4,707,426
Corporates	702,358	587,003
Housing associations	603,735	491,419
Public sector entities	3,545	4,189
Non-profit organisations	35,216	37,768
Total	**6,096,955**	**5,827,805**

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

P18 Financial assets and impairment by stage

Book value of financial assets 31 December 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	1,356,188	-	-	1,356,188
Lending	5,936,223	134,854	46,105	6,117,182
Off-balance sheet commitments	495,722	7,218	144	503,085
Total	**7,788,133**	**142,072**	**46,249**	**7,976,455**

Book value of financial assets 1 January 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	1,788,617	-	-	1,788,617
Lending	5,704,112	124,001	45,829	5,873,942
Off-balance sheet commitments	538,763	5,413	514	544,691
Total	**8,031,492**	**129,414**	**46,343**	**8,207,250**

Impairment of credits and other commitments	Stage 1	Stage 2	Stage 3	Impair-ment (IAS 39)	Total
Impairment of credits and the other commitments 31 December 2017 according to IAS 39	-	-	-	47,658	47,658
Restated for adoption of IFRS 9	1,992	4,680	39,970	-47,658	-1,016
Impairment of credits and the other commitments 1 January 2018 according to IFRS 9	1,992	4,680	39,970	-	46,642
Transferred from stage 1 to stage 2	-1,455	1,455	-	-	-
Transferred from stage 1 to stage 3	-359	-	359	-	-
Transferred from stage 2 to stage 1	145	-145	-	-	-
Transferred from stage 2 to stage 3	-	-635	635	-	-
Transferred from stage 3 to stage 1	2	-	-2	-	-
Transferred from stage 3 to stage 2	-	79	-79	-	-
Reversal of impairment	-	-	-5	-	-5
Other changes	2,273	-1,770	342	-	845
Impairment January-December 2018 in the income statement	606	-1,015	1,250	-	840
Realised losses for which write-downs were made in previous years	-	-	-8,129	-	-8,129
Reversal of impairment	-	-	5	-	5
Impairment of credits and the other commitments 31 December 2018 according to IFRS 9	**2,598**	**3,665**	**33,096**	**-**	**39,358**

Impairment of credits and other commitments by sector	Stage 1	Stage 2	Stage 3	Total
Households	556	2,162	9,820	12,538
Corporates	1,510	1,367	22,677	25,554
Housing associations	469	132	424	1,024
Public sector entities	2	0	-	2
Non-profit organisations	36	3	201	240
Total	**2,572**	**3,665**	**33,121**	**39,358**

Impairment of interest-bearing securities	Stage 1	Stage 2	Stage 3	Impair-ment (IAS 39)	Total
Impairment of interest-bearing securities 31 December 2017 according to IAS 39	-	-	-	-	-
Restated for adoption of IFRS 9	648	-	-	-	648
Impairment of interest-bearing securities 1 January 2018 according to IFRS 9	648	-	-	-	648
Other changes	189	-	-		189
Impairment January-December 2018 in the income statement	189	-	-	-	189
Impairment of interest-bearing securities 31 December 2018 according to IFRS 9	**837**	**-**	**-**	**-**	**837**

Impairment of interest-bearing securities by sector	Stage 1	Stage 2	Stage 3	Total
Corporates	681	-	-	681
Public sector entities	156	-	-	156
Total	**837**	**-**	**-**	**837**

P19 Shares and participations

	Publicly quoted	Credit institutions	Other	Total
31 December 2018				
Equity instruments measured at fair value through income statement	-	2,697	861	3,558
Shares and participations in associated companies	-	-	175	175
Shares and participations in group companies	-	8,856	50,904	59,760
Total	**-**	**11,553**	**51,940**	**63,493**
31 December 2017				
Equity instruments measured at fair value through other comprehensive income	-	1,969	7,327	9,296
Shares and participations in associated companies	-	-	0	0
Shares and participations in group companies	-	13,315	53,697	67,011
Total	**-**	**15,284**	**61,023**	**76,307**

The holdings in associated and group companies have been valued at their acquisition cost.

P20 Derivative instruments

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

31 December 2018

	Nominal values / term remaining				Fair value	
Hedging derivative instruments	**Under 1 year**	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	780,000	1,420,800	282,000	2,482,800	69,901	16,373
Total	**780,000**	**1,420,800**	**282,000**	**2,482,800**	**69,901**	**16,373**
Total interest rate derivatives	**780,000**	**1,420,800**	**282,000**	**2,482,800**	**69,901**	**16,373**
Forward rate agreements	3,007	-	-	3,007	5	47
Total forward rate agreements	**3,007**	**-**	**-**	**3,007**	**5**	**47**
Total derivative instruments	**783,007**	**1,420,800**	**282,000**	**2,485,807**	**69,906**	**16,420**

31 December 2017

	Nominal values / term remaining				Fair value	
Hedging derivative instruments	**Under 1 year**	**1-5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	845,409	1,441,200	342,000	2,628,609	83,324	32,865
Interest rate options	80,000	-	-	80,000	678	678
Purchased	40,000	-	-	40,000	678	678
Written	40,000	-	-	40,000	-	-
Total	**925,409**	**1,441,200**	**342,000**	**2,708,609**	**84,003**	**33,543**
Total interest rate derivatives	**925,409**	**1,441,200**	**342,000**	**2,708,609**	**84,003**	**33,543**
Forward rate agreements	8,805	-	-	8,805	44	16
Total forward rate agreements	**8,805**	**-**	**-**	**8,805**	**44**	**16**
Total derivative instruments	**934,215**	**1,441,200**	**342,000**	**2,717,415**	**84,046**	**33,559**

P21 Intangible assets

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

2017	Immaterial rights (IT expenses)	Other long-term expenditures	Total
Acquisition cost at 1 January	68,975	10,776	79,751
Increases	13,292	216	13,509
Decreases	-	-1,394	-1,394
Acquisition cost at 31 December	82,268	9,598	91,866
Accumulated depreciations and impairments at 1 January	-18,476	-6,926	-25,401
Accumulated depreciation on decreases	-	1,394	1,394
Planned depreciation	-5,284	-1,333	-6,617
Impairments	-	-438	-438
Accumulated depreciations and impairments at 31 December	-23,759	-7,304	-31,063
Book value at 31 December	**58,508**	**2,295**	**60,803**

P22 Tangible assets

	2018	2017
Investment properties		
Shares and participations in real estate corporations		
Acquisition cost at 1 January	78	78
Decreases	-78	-
Acquisition cost at 31 December	-	78
Book value at 31 December	**-**	**78**
Carrying amount at 31 December	**-**	**78**

Other tangible assets

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

2017	**Machines and equipment**	**Other tangible assets**	**Total tangible assets**
Acquisition cost at 1 January	14,745	1,574	16,397
Increases	415	-	415
Decreases	-724	-19	-743
Acquisition cost at 31 December	14,435	1,555	16,069
Accumulated depreciations and impairments at 1 January	-11,375	-1,252	-12,628
Accumulated depreciation on decreases	724	-	724
Planned depreciation	-1,572	-	-1,572
Impairments	-95	-	-95
Accumulated depreciations and impairments at 31 December	-12,319	-1,252	-13,571
Book value at 31 December	**2,116**	**303**	**2,497**

P23 Other assets

	2018	2017
Cash items being collected	241	8,561
Other assets	73,385	15,887
Total	**73,627**	**24,448**

P24 Accrued income and advance payments

	2018	2017
Interest receivables	14,478	15,990
Other	11,080	15,809
Total	**25,558**	**31,799**

P25 Deferred tax receivables

	2018	2017
Deferred tax receivables at 1 January	2,538	5,418
Change booked via the income statement during the year	-334	-2,880
Deferred tax receivables at 31 December	**2,204**	**2,538**

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

P26 Liabilities to credit institutions

	2018	2017
Repayable on demand liabilities to credit institutions	39,696	71,684
Other than repayable on demand deposits from credit institutions	608,470	682,780
Total	**648,166**	**754,464**

P27 Liabilities to the public and public sector entities

	Repayable on demand	Other than repayable on demand	Total
31 December 2018			
Borrowing	3,949,890	88,833	4,038,722
Other liabilities	100,000	-	100,000
Total	**4,049,890**	**88,833**	**4,138,722**
31 December 2017			
Borrowing	3,983,682	188,301	4,171,983
Total	**3,983,682**	**188,301**	**4,171,983**

P28 Debt securities issued to the public

	2018		2017	
	Book value	Nominal value	Book value	Nominal value
Bonds	2,459,699	2,426,750	2,449,596	2,416,829
Total	**2,459,699**	**2,426,750**	**2,449,596**	**2,416,829**

P29 Other liabilities

	2018	2017
Cash items in the process of collection	10,982	9,651
Other liabilities	4,547	10,264
Total	**15,530**	**19,915**

P30 Accrued expenses and income received in advance

	2018	2017
Interest liabilities	17,719	20,346
Other	22,083	24,943
Total	**39,802**	**45,289**

P31 Subordinated liabilities

	2018	2017
Subordinated debentures	207,819	235,200
Total	**207,819**	**235,200**
Nominal value	207,819	235,200
Amount counted to Tier capital	67,546	111,048

There is one debenture loan amounting to EUR 21.6 million, exceeding 10 % of all subordinated liabilities. The loan was issued 19 October 2015. The loan matures 2 January 2021 and early repayment can not be required. The loan has a fixed interest rate of 2.5 %.

P32 Deferred tax liabilities

	2018	2017
Deferred tax liabilities at 1 January	2,218	3,835
Transferred deferred tax liability in connection with the transition to IFRS 9	-1,778	-
Change during the year booked via the income statement	1,608	-19
Financial assets:		
Fair value measurement	-829	-1,460
Transferred to income statement	-50	-138
Deferred tax liabilities at 31 December	**1,168**	**2,218**

Deferred tax liabilities relates to the financial assets measured at fair value. In the Group, a deferred tax liability of EUR 43 million occurs from the accumulated appropriations that include credit losses pursuant to Section 46 of the Act on the Taxation of Business Profits and Income from Professional Activity.

P33 Equity

	At the beginning of the year	Increase/ Decrease	At the end of the year
Share capital	163,000	-	163,000
Fair value hedging	8,950	-4,940	4,010
Cash flow hedging	-79	79	-
Fund at fair value	8,870	-4,861	4,010
Restricted equity	**171,870**	**-4,861**	**167,010**
Unrestricted equity reserve	108,400	535	108,935
Retained earnings	39,905	-	39,905
Dividend to shareholders		-37,833	-37,833
Change in share-based payments		3,935	3,935
Acquisition / divestment of treasury shares		1,217	1,217
Profit for the year		35,496	35,496
Unrestricted equity	**148,305**	**3,350**	**151,655**
Equity	**320,176**	**-1,511**	**318,665**

	2018	2017
Fund at fair value at 1 January	8,870	15,745
Restated for adoption of IFRS 9	-1,343	-
Changes in fair value during the year	-4,146	-7,782
Deferred taxes on changes in fair value during the year	829	1,460
Transferred to income statement during the year	-252	-692
Deferred taxes on transferred to income statement during the year	50	138
Fund at fair value at 31 December	**4,010**	**8,870**

Fair value for financial assets available for sale are recognised in the fund at fair value.

Distributable assets in unrestricted equity	2018	2017
Retained earnings	43,620	48,999
Dividend to shareholders	-37,833	-39,908
Profit for the year	35,496	29,314
Unrestricted equity reserve	108,935	108,400
Share-based payments	1,438	1,499
Total	**151,655**	**148,305**

Unrestricted equity only consist of distributable assets. No development costs have been activated.

Share capital and shares

Aktia Bank Plc has only one share class after the combination of A and R shares. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 million divided into 69,027,794 (68,718,564) Aktia shares. The number of registred shareholders at the end of the year was 37,475 (39,757). The number of Aktia shares attributable to unindentified shareholders was 765,811 (765,829).

Treasury shares

At year-end, the number of treasury Aktia shares was 111,430 (244,098).

Fund at fair value

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

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in an new issue.

Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

P34 Fair value of financial assets and liabilities

	2018		2017	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets				
Cash and balances with central banks	289,191	289,191	282,476	282,476
Bonds	1,356,188	1,362,966	1,798,620	1,807,309
Claims on credit institutions	20,227	20,227	46,137	46,137
Receicables from the public and public sector entities	6,096,955	6,104,188	5,827,805	5,750,305
Shares and participations	3,558	3,558	9,296	9,296
Shares and participations in associated companies	175	175	0	0
Shares and participations in group companies	59,760	59,760	67,011	67,011
Derivative instruments	69,906	69,906	83,924	83,924
Total	**7,895,960**	**7,909,971**	**8,115,269**	**8,046,457**
Financial liabilities				
Liabilities to credit institutions and central banks	648,166	647,014	754,464	754,875
Liabilities to the public and public sector entities	4,138,722	4,136,667	4,171,983	4,162,395
Debt securities issued to the public	2,459,699	2,456,608	2,449,596	2,464,577
Derivatives and other liabilities held for trading	16,420	16,420	33,015	33,015
Subordinated liabilities	207,819	209,831	235,200	238,227
Total	**7,470,826**	**7,466,540**	**7,644,259**	**7,653,089**

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

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

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

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

P35 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets 31 December 2018	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P15	134,606	190,778	822,448	208,356	-	1,356,188
Claims on credit institutions	P16	20,227	-	-	-	-	20,227
Receicables from the public and public sector entities	P17	228,609	377,582	1,799,055	1,349,314	2,342,395	6,096,955
Total		**383,441**	**568,360**	**2,621,503**	**1,557,670**	**2,342,395**	**7,473,370**

Liabilities 31 December 2018	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P26	203,959	9,138	435,069	-	-	648,166
Liabilities to the public and public sector entities	P27	3,969,715	84,474	84,510	23	-	4,138,722
Debt securities issued to the public	P28	-	566,800	1,589,089	15,761	288,048	2,459,699
Subordinated liabilities	P31	23,300	38,481	146,038	-	-	207,819
Total		**4,196,974**	**698,893**	**2,254,706**	**15,785**	**288,048**	**7,454,406**

Assets 31 December 2017	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P15	226,992	282,397	921,358	357,505	364	1,788,617
Claims on credit institutions	P16	46,137	-	-	-	-	46,137
Receicables from the public and public sector entities	P17	158,429	410,183	1,591,277	1,634,003	2,033,913	5,827,805
Other bonds	P15	10,003	-	-	-	-	10,003
Total		**441,561**	**692,581**	**2,512,634**	**1,991,508**	**2,034,278**	**7,672,562**

Liabilities 31 December 2017	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P26	295,798	13,080	440,069	5,517	-	754,464
Liabilities to the public and public sector entities	P27	4,081,219	72,126	18,639	-	-	4,171,983
Debt securities issued to the public	P28	-	739,171	1,402,690	16,145	291,589	2,449,596
Subordinated liabilities	P31	6,361	21,021	207,819	-	-	235,200
Total		**4,383,378**	**845,397**	**2,069,217**	**21,662**	**291,589**	**7,611,244**

P36 Property items and liabilities in euros and in foreign currency

Assets 31 December 2018	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Bonds	1,356,188	-	1,356,188	-	-
Claims on credit institutions	6,890	13,337	20,227	-	-
Receicables from the public and public sector entities	6,096,955	-	6,096,955	50,149	-
Shares and participations	63,493	-	63,493	-	-
Derivative instruments	69,906	-	69,906	-	-
Other assets	454,221	-	454,221	3,166	-
Total	**8,047,653**	**13,337**	**8,060,990**	**53,315**	**-**

Liabilities 31 December 2018	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Liabilities to credit institutions and central banks	647,862	305	648,166	-	-
Liabilities to the public and public sector entities	4,125,864	12,858	4,138,722	76,188	6
Debt securities issued to the public	2,459,699	-	2,459,699	-	-
Derivative instruments	16,420	-	16,420	-	-
Subordinated liabilities	207,819	-	207,819	-	-
Other liabilities	56,499	-	56,499	26	-
Total	**7,514,162**	**13,163**	**7,527,325**	**76,214**	**6**

Assets 31 December 2017	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Bonds	1,798,620	-	1,798,620	-	-
Claims on credit institutions	31,529	14,607	46,137	1,994	-
Receicables from the public and public sector entities	5,827,805	-	5,827,805	49,539	-
Shares and participations	76,307	-	76,307	-	-
Derivative instruments	83,924	-	83,924	-	-
Other assets	404,563	-	404,563	8,233	-
Total	**8,222,748**	**14,607**	**8,237,356**	**59,766**	**-**

Liabilities 31 December 2017	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Liabilities to credit institutions and central banks	754,464	-	754,464	-	-
Liabilities to the public and public sector entities	4,157,753	14,230	4,171,983	53,440	572
Debt securities issued to the public	2,449,596	-	2,449,596	-	-
Derivative instruments	33,015	-	33,015	-	-
Subordinated liabilities	235,200	-	235,200	-	-
Other liabilities	67,422	-	67,422	463	-
Total	**7,697,450**	**14,230**	**7,711,680**	**53,902**	**572**

P37 Collateral assets and liabilities

	2018	2017
Collateral assets		
Collateral for own liabilities		
Securities	529,075	575,159
Outstanding loans constituting security for covered bonds	2,264,039	2,110,366
Total	**2,793,114**	**2,685,525**
Other collateral assets		
Pledged securities [1]	121,700	146,656
Cash included in pledging agreements and repurchase agreements	5,380	12,270
Total	**127,080**	**158,926**
Total collateral assets	**2,920,194**	**2,844,450**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	516,848	569,185
Issued covered bonds [3]	1,666,422	1,668,567
Derivatives	5,380	12,270
Total	**2,188,650**	**2,250,023**

1) Refers to securities pledged for the intra day limit. As at 31 December 2018, a surplus of pledged securities amounted to EUR 5 (21) million.

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

3) Own repurchases deducted.

	2018	2017
Collateral liabilities		
Cash included in pledging agreements [1]	64,036	76,550
Total	**64,036**	**76,550**

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

P38 Off-balance sheet commitments

	2018	2017
Guarantees	31,255	31,704
Other commitments provided to a third party	3,573	7,325
Unused credit arrangements	468,257	505,663
Total	**503,085**	**544,691**
Of which Group internal off-balance sheet commitments:		
Unused credit arrangements	24,665	24,337

Off-balance sheet commitments exclude rental commitments.

P39 Rent commitments

	2018	2017
Less than 1 year	6,301	6,379
1-5 years	3,601	3,983
More than 5 years	17	108
Total	**9,919**	**10,470**

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Materiality principle has been adopted and only significant rent commitments are considered.

P40 Customer assets being managed

The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.

	2018	2017
Customer assets being managed		
Funds in a customer funds account	1,278	167
Funds in discretionary asset management services	96,230	97,476
Funds within the framework of investment advising according to separate agreement	2,357,208	2,147,896
Total	**2,454,716**	**2,245,539**

PS savings

The pension saving comprises bank account, investments in mutual funds, bonds and shares.

	2018	2017
Customer assets witin PS savings		
PS Savings account	70	69
PS Deposit	62	60
Total	**132**	**128**
Customers' PS investments		
Investments in mutual funds	6,482	6,421
Shares	265	243
Total	**6,747**	**6,664**

P41 The parent company's capital adequacy

	2018	2017
Calculation of the parent company's capital base		
Total assets	**8,060,990**	**8,237,356**
of which intangible assets	62,001	60,803
Total liabilities	**7,742,325**	**7,917,180**
of which subordinated liabilities	207,819	235,200
Share capital	163,000	163,000
Fund at fair value	4,010	8,870
Restricted equity	167,010	171,870
Unrestricted equity reserve and other funds	108,935	108,400
Retained earnings	6,705	10,591
Profit for the year	36,015	29,314
Unrestricted equity	151,655	148,305
Equity	**318,665**	**320,176**
Total liabilities and equity	**8,060,990**	**8,237,356**
Off-balance sheet commitments	503,085	544,691
Aktia Bank plc's equity	**318,665**	**320,176**
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-36,015	-29,314
Intangible assets	-62,001	-60,803
Debentures	67,546	111,048
Additional expected losses according to IRB	-12,238	-9,452
Deduction for significant holdings in financial sector entities	-8,262	-7,827
Other	170,880	163,034
Total capital base (CET1 + AT1 + T2)	**438,573**	**486,861**
The parent company's capital adequacy		
Common Equity Tier 1 Capital before regulatory adjustments	455,670	457,499
Common Equity Tier 1 Capital regulatory adjustments	-84,642	-81,686
Common Equity Tier 1 Capital total (CET1)	**371,028**	**375,813**
Additional TIER 1 capital before regulatory adjustments	-	-
Additional TIER 1 capital regulatory adjustments	-	-
Additional TIER 1 (AT1) capital after regulatory adjustments	**-**	**-**
TIER 1 capital (T1 = CET1 + AT1)	**371,028**	**375,813**
TIER 2 capital before regulatory adjustments	67,546	111,048
TIER 2 capital regulatory adjustments	-	-
TIER 2 capital (T2)	**67,546**	**111,048**
Own funds total (TC = T1 + T2)	**438,573**	**486,861**
Risk weighted exposures total	**2,192,735**	**2,097,358**
of which credit risk, the standardised model	901,754	865,127
of which credit risk, the IRB model	994,774	934,259
of which 15 % risk-weight floor for residential mortgages	225,892	-
of which operational risk	296,206	297,972
CET1 Capital ratio	16.9 %	17.9 %
T1 Capital ratio	16.9 %	17.9 %
Total capital ratio	20.0 %	23.2 %

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

Risk-weighted amount for operational risks	2016	2017	2018	2018	2017
Gross income	154,326	157,070	162,534		
- average 3 years			157,977		
Capital requirement for operational risk				**23,697**	**23,838**
Risk-weighted amount				**296,206**	**297,972**

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

P42 Holdings in other companies

	2018		2017	
Subsidiaries	**Percentage of shares**	**Book value**	**Percentage of shares**	**Book value**
Financing				
Aktia Corporate Finance Ltd, Helsinki	100 %	8,503	100 %	8,503
Aktia Finance ltd, Helsinki	100 %	353	100 %	4,811
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100 %	2,507	100 %	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	76 %	2,206	76 %	2,206
Real estate agency operations				
Aktia Kiinteistönvälitys Oy, Turku	19 %	-	100 %	2,792
Insurance companies				
Aktia Life Insurance Ltd, Turku	100 %	46,191	100 %	46,191
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	-	-	100 %	8,203
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	-	-	100 %	7,403
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100 %	12,900	100 %	12,900
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100 %	3,695	-	3,695
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50 %	8,450	50 %	9,450
Asunto Oy Helsingin Tuulensuoja, Helsinki	50 %	1,452	-	-
Kiinteistö Oy Skanssinkatu, Turku	50 %	2,297	50 %	2,297
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50 %	2,095	50 %	2,095
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33 %	1,017	33 %	1,017
Kiinteistö Oy Lahden BW Tower, Helsinki	33 %	114	33 %	3,675
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33 %	4,782	33 %	1,838
Total		**96,562**		**119,582**

	2018		2017	
Associated companies and joint ventures	**Percentage of shares**	**Book value**	**Percentage of shares**	**Book value**
Data processing				
Samlink Ltd, Helsinki	23 %	0	23 %	0
Other				
Paikallispankkien PP-Laskenta Oy, Espoo	25 %	175	-	-
Total		**175**		**0**

P43 Shareholders

	Shareholders 31 December 2018		Shareholders 31 December 2017	
	Shares	Of shares, %	Shares	Of shares, %
The 20 largest shareholders:				
Stiftelsen Tre Smeder sr	6,463,545	9.4	5,898,729	8.9
Veritas Pension Insurance Company Ltd.	6,040,391	8.8	5,781,866	8.7
Svenska litteratursällskapet i Finland rf	5,748,141	8.3	5,653,434	8.5
Nordea Bank Abp [1]	3,258,559	4.7	851,832	1.3
Oy Hammarén & Co Ab	2,964,511	4.3	2,850,994	4.3
Åbo Akademi University Foundation sr	2,467,160	3.6	2,346,640	3.5
Aktiastiftelsen i Borgå sr	1,947,404	2.8	1,868,645	2.8
Skandinaviska Enskilda Banken AB (publ) Helsinki Branch [1]	1,932,706	2.8	1,850,793	2.8
Life Annuity Institution Hereditas Ltd	1,749,921	2.5	1,646,106	2.5
Aktiastiftelsen i Vasa sr	1,591,457	2.3	1,525,787	2.3
Sparbanksstiftelsen i Kyrkslätt sr	1,317,958	1.9	1,297,556	1.9
Mandatum Life	1,273,203	1.8	267,020	0.4
Föreningen Konstsamfundet r.f.	1,176,173	1.7	1,176,173	1.8
Varma Mutual Pension Insurance Company	1,175,000	1.7	1,175,000	1.8
Sparbanksstiftelsen i Karis-Pojo sr	1,158,266	1.7	1,181,025	1.8
Aktiastiftelsen i Esbo-Grankulla sr	1,000,000	1.5	1,203,708	1.8
Aktiastiftelsen i Vanda sr	700,000	1.0	1,205,490	1.8
Sparbanksstiftelsen i Sibbo sr	630,559	0.9	698,455	1.0
Vörå Sparbanks Aktiastiftelse sr	627,220	0.9	625,960	0.9
Aktia-Stiftelsen i Hangö sr	593,900	0.9	397,500	0.6
Largest 20 owners	**43,816,074**	**63.5**	**39,502,713**	**59.3**
Other	25,211,720	36.5	27,076,098	40.7
Total	**69,027,794**	**100.0**	**66,578,811**	**100.0**

1) entered in nominee register

Shareholders by sector 2018:	Number of owners	%	Number of shares	%
Corporates	2,413	5.7	8,130,084	11.8
Financial institutes and insurance companies	56	0.1	3,627,690	5.3
Public sector entities	29	0.1	7,308,557	10.6
Non-profit organisations	484	1.3	32,830,940	47.6
Households	34,623	92.4	10,784,117	15.6
Foreign shareholders	140	0.4	118,667	0.2
Total	**37,745**	**100.0**	**62,800,055**	**91.0**
entered in nominee register	11		5,462,043	7.9
Unidentified shareholders			765,696	1.1
Total by sector	**37,745**	**100.0**	**69,027,794**	**100.0**

Shareholders by sector 2017:	Number of owners	%	Number of shares	%	Number of votes	%
Corporates	2,235	5.6	6,268,857	9.4	33,477,465	7.5
Financial institutes and insurance companies	51	0.1	6,885,257	10.3	50,929,498	11.5
Public sector entities	28	0.1	7,049,985	10.6	47,983,528	10.8
Non-profit organisations	519	1.3	32,602,472	49.0	296,079,291	66.7
Households	36,777	92.5	9,991,063	15.0	14,797,284	3.3
Foreign shareholders	147	0.4	44,690	0.1	115,588	0.0
Total	**39,757**	**100.0**	**62,842,324**	**94.4**	**443,382,654**	**99.8**
entered in nominee register	10		2,970,658	4.5		
Unidentified shareholders			765,829	1.2	765,829	0.2
Total by sector	**39,757**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

Breakdown of stock 2018:	Number of owners	%	Number of shares	%
Number of shares				
1-100	22,317	59.6	918,929	1.3
101-1 000	12,631	33.7	4,190,792	6.1
1 001 - 10 000	2,324	6.2	5,889,488	8.5
10 001 - 100 000	142	0.4	3,522,037	5.1
100 000 -	61	0.2	53,740,852	77.9
Total	**37,475**	**100.0**	**68,262,098**	**98.9**
Unidentified shareholders			765,696	1.11
Total by sector	**37,475**	**100.0**	**69,027,794**	**100.0**

Breakdown of stock 2017:	Number of owners	%	Number of shares	%	Number of votes	%
Number of shares						
1-100	25,320	63.7	1,022,270	1.5	1,191,598	0.3
101-1 000	12,199	30.7	4,016,366	6.0	5,430,593	1.2
1 001 - 10 000	2,043	5.1	5,206,190	7.8	7,876,184	1.8
10 001 - 100 000	128	0.3	3,171,663	4.8	7,823,471	1.8
100 000 -	67	0.2	52,396,493	78.7	421,060,808	94.8
Total	**39,757**	**100.0**	**65,812,982**	**98.8**	**443,382,654**	**99.8**
Unidentified shareholders			765,829	1.2	765,829	0.2
Total by sector	**39,757**	**100.0**	**66,578,811**	**100.0**	**444,148,483**	**100.0**

P44 Related-party information

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

	2018			2017		
Management personnel compensation	**Total salary and remu-nerations**	**Statutory pension costs**	**Cost for vol-untary sup-plementary pension**	**Total salary and remu-nerations**	**Statutory pension costs**	**Cost for vol-untary sup-plementary pension**
Mikko Ayub, Managing Director from 1 October 2018	78	14	4	-	-	-
Juha Hammarén, Acting CEO 7 March - 30 September 2018, Deputy Managing Director	445	52	41	290	48	35
Martin Backman, Managing Director until 7 March 2018	376	49	-	350	45	38
Jussi Laitinen, Managing Director until 3 March 2017	-	-	-	304	11	55
Taru Narvanmaa, Deputy Managing Director until 5 May 2017	-	-	-	277	19	59
Executive Committee excl. Managing Director and Deputy Managing Director [1]	2,790	355	303	1,353	218	167
Total	**3,690**	**469**	**348**	**2,574**	**342**	**353**
Comprensation to Members of the Board of Directors [2]						
Lasse Svens, Chairman from 10 April 2018, Vice Chair until 9 April 2018	86	15	-	56	10	-
Dag Wallgren, Chairman until 9 April 2018	25	4	-	84	15	-
Arja Talma, Vice Chair from 10 April 2018	55	10	-	44	8	-
Christina Dahlblom	44	8	-	37	6	-
Stefan Damlin	43	8	-	40	7	-
Maria Jerhamre Engström	32	6	-	-	-	-
Johannes Schulman	33	6	-	-	-	-
Catharina von Stackelberg-Hammarén	45	8	-	38	7	-
Sten Eklundh	18	3	-	49	8	-
Kjell Hedman	13	2	-	39	7	-
Total	**392**	**69**	**-**	**386**	**67**	**-**
Total compensation to Members of the Board of Supervisors [3]	**-**	**-**	**-**	**204**	**-**	**-**
Total compensation to Management personnel, the Board of Directors and the Board of Supervisors	**4,082**	**538**	**348**	**3,163**	**408**	**353**

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Vice Managing Director Anssi Rantala, Director Irma Gillberg-Hjelt, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen, Vice Managing Director Merja Sergelius and Director Sam Olin.

The notice of dismissal for the Managing Director is from the employer's side 15 months, and for the other members of the executive committee the notice of dismissal is 12 months. Members of the executive committee follow statutory pension age.

2) 40 % (40 %) of the Board of Directors' annual remuneration was paid in the form of Aktia shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the proposal by the Board of Directors, the Extraordinary General Meeting of Aktia Bank plc on 21 September 2017 took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors. In 2017 the members of the Board of Supervisors acquired Aktia A shares corresponding 40 % of their annual remuneration from the Stock Exchange at market price in accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2017,

Shareholding

At the end of 2018, the Group's key personnel held a total of 113,009 (162,988) Aktia shares in Aktia Bank plc, which represents 0.2 (0.2) % of the total number of shares.

Related-party transactions with subsidiaries	2018	2017
Credits and guarantees	50,149	50,323
Deposits	76,880	53,487
Receivables	3,167	9,443
Liabilities	25	463
Services bought	1,658	401
Services sold	5,384	4,985

Income and expenses from other activities	2018	2017
Group contribution to Aktia Finance ltd from Group's wholly-owned subsidiaries	-	3,195
Total	**-**	**3,195**

Financing income obtained from and financing expenses paid to other group companies	2018	2017
Interest income	535	540
Dividends	10,963	8,955
Interest expenses	-	-50
Net finance income	**11,499**	**9,445**

The Board of Directors' and the CEO's signing of the Report by the Board of Directors and the Financial statements 2018

The Group's parent company is Aktia Bank plc domiciled in Helsinki. A copy of the report by the Board of Directors and financial statement is available from Aktia Bank plc, Mannerheimintie 14 A, 00100 Helsinki and from Aktia's website www.aktia.com.

The parent company's distributable retained earnings including profit for the year are EUR 42,720,372.06 and the unrestricted equity reserve is EUR 108,934,923.90. The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.61 per share, totalling EUR 42,038,982.04, excluding dividend for treasury shares, be paid. Dividend is paid from retained earnings. After dividend pay-out the distributable retained earnings in the parent company are EUR 681,390.02.

Helsinki, 28 February 2019
Aktia Bank's Board of Directors

Lasse Svens
Chair

Arja Talma
Vice chair

Christina Dahlblom

Stefan Damlin

Maria Jerhamre Engström

Johannes Schulman

Catharina von Stackelberg-Hammarén

Mikko Ayub
Managing Director

Our auditor's report has been issued today
Helsinki, 28 February 2019

KPMG Oy Ab
Marcus Tötterman
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting
of Aktia Bank plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aktia Bank plc (business identity code 2181702-8) for the year ended 31 December 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of lending to the public and public sector entities (Accounting Principles and Notes G2, G20, G21, P17)	
• Lending to the public and public sector entities aggregated 6 106 million euros comprising approximately 66 per cent of the Group's total assets. Interest income accruing on loans and other receivables forms a material part of the Group's income statement. • Aktia Bank plc has applied IFRS 9 Financial Instruments to recognition of impairment losses on receivables as from 1 January 2018. The adoption resulted in shift from the calculation of impairment on an individual and collective basis to that of the expected credit loss calculated using models under IFRS 9. • Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. • Due to the significance of the carrying amount involved, adoption of IFRS 9, complexity of the accounting methods used for measurement purposes and management judgement involved, lending to the public and public sector entities are addressed as a key audit matter.	• We have assessed principles and controls for lending regarding the approval, recognition and monitoring of loans and receivables. In addition, we have assessed the risk monitoring and impairment recognition principles applied. We utilized data analysis in our audit focusing on the lending process and loans. • As regards adoption of IFRS 9, we assessed the models and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process for expected credit losses. Our audit procedures included an analysis of the most significant individual impairments recognized during the financial period. Our IFRS- and financial instruments -specialists were involved in the audit. • Furthermore, we considered the appropriateness of the notes provided by the Aktia Bank plc in respect of loans and other receivables and expected credit losses, including the notes related to the IFRS 9 transition.
Financial Assets measured at fair value (Accounting Principles and Notes G2, G8, G17, G18, G38, P6, P20, P34)	
• Financial assets measured at fair value are material items in the Group´s consolidated financial statements. The financial assets totalled 2 295 million euros and they comprise approximately 25 per cent of the total assets. • The fair value of financial instruments is determined using either prices quoted in an active market or the Group's own valuation techniques where no active market exists. Determining fair values for investments involves management judgements, especially in respect of those instruments for which market-based data is not available • The adoption of IFRS 9 Financial Instruments as at 1 January 2018 resulted in changes to the classification and measurement of financial assets and financial liabilities. The most significant classification changes relates mainly to investments in Aktia Bank plc's life insurance, which are measured at fair value through profit and loss.	• We evaluated the appropriateness of the accounting principles applied and the valuation techniques used by Aktia Bank plc, and tested accounting and valuation of investments using for instance data-analysis. • As regards the adoption of IFRS 9, we assessed classification principles for the financial instruments and tested the classification on a sample basis. • Our audit procedures in relation to the financial assets have concentrated on the risk management and valuation process by testing process controls. In addition, we have assessed valuation models and assumptions within the models. • We also assessed the impairment principles applied and methods used by Aktia Bank plc in respect of investments. • Finally, we considered the appropriateness of the notes on financial assets, including the notes related to the IFRS 9 transition.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Insurance Liabilities (Accounting Principles and Notes G2, G7, G35)	
• Insurance liabilities in the balance sheet of Aktia Bank plc totalled 1 156 million euros, and is a material item in the Group's balance sheet. • Determining insurance liability is subject to management judgement. In addition, different calculation methodologies can be used. The most significant assumptions are related to mortality and illness. • Due to the significant carrying value of insurance liabilities involved, and the complexity associated with actuarial models used, insurance liabilities are addressed as a key audit matter.	• We have assessed and tested the implemented process controls over the insurance liabilities calculation process. • As part of our audit our actuary specialist has assessed and validated assumptions and calculation methodologies used in insurance liabilities calculations. • We have summed up information and assumptions used in insurance liabilities calculations and evaluated their appropriateness by using industry knowledge and available market practise information.
Net commission income from mutual funds, asset management and investment brokerage (Accounting Principles and Notes K6 and M4)	
• The assets managed by the Aktia Bank plc entitles to fee and commission income on the grounds of the agreements entered into with customers and the cooperation parties. Commission income, in aggregate 59,6 million euros, forms a material part of the Group's result income statement. • The accounting of commission income from mutual funds and asset management comprises manual phases and the determination of the commission amount and revenue recognition may involve management judgement. • Due to the significance of the income amount and the judgement involved, commission income is considered a key audit matter.	• We assessed the methods used by the Aktia Bank plc for calculation of mutual fund and asset management commissions. • Our review regarding the accounting of mutual fund and asset management commissions focused on controls in the billing and fee calculation processes. Our audit procedures involved an assessment of the functionality and effectiveness of these controls. • Our audit procedures included testing of commission calculations on a sample basis, as well as an assessment of the underlying related agreements and fund statutes where fees have been defined. We utilized data analysis in our analysis of the charged fees.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

KPMG OY AB was appointed as auditor by the Annual General Meeting in 2011, and our appointment represents a total period of uninterrupted engagement of 8 years.

Other Information

The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in in the Annual Report. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 28 February 2019
KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

Corporate Governance Report

Corporate Governance Report for Aktia Bank Plc

This report has been approved by the Board of Directors of Aktia Bank Plc (Aktia) on 28 February 2019. The report has been prepared separately from the Report by the Board of Directors and has been examined by the Audit Committee of the Board of Directors.

This corporate governance report has been prepared in accordance with the Finnish Corporate Governance Code 2015. This report and other disclosures required under the Corporate Governance Code, the company’s financial statement, the Report by the Board of Directors and the auditor’s report for 2018 are available on the company’s website, www.aktia.com.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company’s Articles of Association, Aktia also follows the 2015 Corporate Governance Code for Listed Companies issued by the Finnish Securities Market Association (‘Corporate Governance Code’), which entered into force on 1 January 2016. The Code is publicly available on the website of the Finnish Securities Market Association, www.cgfinland.fi. Aktia is a supporting member of the Securities Market Association.

Aktia follows the recommendations of the Corporate Governance Code 2015.

AKTIA BANK PLC’S GOVERNANCE STRUCTURE

THE BOARD OF DIRECTORS 31 DECEMBER 2018

Back row from left

Maria Jerhamre Engström

b. 1969

Member of the Board and member of the Board's Risk Committee

eMBA

Management Consultant focusing on IT and IT transformation

Member of the Board since 2018

Shares in Aktia Bank Plc
31 Dec 2018: 1,322

Johannes Schulman

b. 1970

Member of the Board and member of the Board's Audit Committee

M.Sc. (Econ.)

Partner and CEO for Miltton Markets

Member of the Board since 2018

Shares in Aktia Bank Plc
31 Dec 2018: 1,421

Arja Talma

b. 1962

Vice chairman of the Board, Chairman of the Board's Audit Committee and member of the Board's Risk Committee

M.Sc. (Econ.), eMBA

Member of the Board since 2013

Shares in Aktia Bank Plc
31 Dec 2018: 5,822

Catharina Stackelberg-Hammarén

b. 1970

Member of the Board, chairman of the Board's Remuneration and Corporate Governance Committee

M.Sc. (Econ.)

Managing Director, Marketing Clinic Oy

Member of the Board since 2012

Shares in Aktia Bank Plc
31 Dec 2018: 6,314

Front row from left

Christina Dahlblom

b. 1978

Member of the Board and member of the Board's Remuneration and Corporate Govenrnance Committee

Ph.D (Econ.)

CEO of Miltton Sparks Oy

Member of the Board since 2016

Shares in Aktia Bank Plc
31 Dec 2018: 3,657

Stefan Damlin

b. 1968

Member of the Board and member of the Board's Risk Committee

M.Sc. (Econ.)

CEO of Vasa Elektriska Ab

Member of the Board since 2016

Shares in Aktia Bank Plc
31 Dec 2018: 3,961

Lasse Svens

b. 1962

Chairman of the Board, Chairman of the Board's Risk Committee, member of the Audit Committee and member of the Board's Remuneration and Corporate Governance Committee

M.Sc. (Econ.)

Treasurer of the Åbo Akademi University Foundation sr

Member of the Board since 2016

Shares in Aktia Bank Plc
31 Dec 2018: 6,010

Composition and duties of the Board of Directors

In keeping with the provisions of the Articles of Association, Aktia's Board of Directors encompasses a minimum of 5 and a maximum of 12 ordinary members. The shareholders' meeting decides on the number of Board members, elects Board members and decides on the fees to be paid to the Board members based on the proposal submitted by the shareholders' Nomination Committee. The Board members' mandates begin at the end of the Annual General Meeting and ends at the end of the following Annual General Meeting. The Board of Directors elects its Chairman and Deputy Chairman from among its members. No Board members are appointed through a special appointment procedure.

Independence and diversity of Board members

None of the Board members has been or is an employee of the company. The Board of Directors deems all members of the Aktia's Board to be independent in relation to Aktia within the meaning of the Corporate Governance Code 2015. According to the Board's assessment, all Board members with the exception of Lasse Svens, who is a member of the Board of Directors of Pension Insurance Company Veritas, are also independent of significant shareholders of the company (a shareholding representing at least ten per cent of the total number of shares or voting rights).

Aktia's Board of Directors until 10 April 2018:

Name:	Year of birth:	Education, job title and main occupation:
Dag Wallgren, Chairman	1961	M.Sc. in Business and Economics, Managing Director of the Swedish Society of Literature in Finland
Christina Dahlblom	1978	Ph.D. in Economics, CEO of Miltton Sparks Oy
Stefan Damlin	1968	M.Sc. in Business and Economics, CEO of Vasa Elektriska Ab
Sten Eklundh	1960	M.Sc. in Business and Economics
Kjell Hedman	1951	Business Economist
Catharina Stackelberg-Hammarén	1970	M.Sc. in Business and Economics, Managing Director of Marketing Clinic Ab
Lasse Svens	1962	M.Sc. in Business and Economics, Treasurer of the Åbo Akademi University Foundation sr
Arja Talma	1962	M.Sc. in Business and Economics, eMBA

Aktia's Board of Directors from 11 April 2018:

Name:	Year of birth:	Education, job title and main occupation:
Lasse Svens, Chairman	1962	M.Sc. in Business and Economics, Treasurer of the Åbo Akademi University Foundation sr
Christina Dahlblom	1978	Ph.D. in Economics, CEO of Miltton Sparks Oy
Stefan Damlin	1968	M.Sc. in Business and Economics, CEO of Vasa Elektriska Ab
Catharina Stackelberg-Hammarén	1970	M.Sc. in Business and Economics, Managing Director of Marketing Clinic Ab
Arja Talma	1962	M.Sc. in Business and Economics, eMBA
Maria Jerhamre Engström	1969	eMBA, Management Consultat (IT and IT-transformation)
Johannes Schulman	1970	M.Sc. in Business and Economics, CEO for Miltton Markets

The Board of directors has approved principles for diversity with the aim of ensuring that the Board as a whole has the expertise and the diversity required to ensure a healthy board culture, preserve shareholder value through effective supervision of the business and increase shareholder value through insights and strategic thinking. The principles are available on the company's website, www.aktia.com/en/johto-ja-hallinto.

The principles for diversity have been taken into account in the composition of the Board. In 2018 until 10 April 2018 the share of female Board members was 38 %, from 11 April 2018 the share of female Board members was 57 %.

The duties of the Board of Directors

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws and the Articles of Association. Apart from assignments given by the Board of Directors to its members in individual cases, Board members do not have individual duties related to the governance of the company.

Board meetings

The Board has adopted written rules of procedure for its work. Meetings of the Board are held mainly at Aktia's head office in Helsinki. When required, the Board can also hold meetings by telephone/e-mail and adopt resolutions without convening. In accordance with the rules of procedure, the Board normally meets once a month. At one longer meeting the Board mainly discuss the Group's strategy.

Meetings of the Board of Directors are deemed quorate when more than half of it's members, including the Chairman or Deputy Chairman, are present.

The rules of procedure for the Board of Directors define, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings and reporting procedures.

In 2018 the Board held 15 meetings. In addition, the Board of Directors adopted separate decisions on 14 occasions concerning matters that fall under its authority.

The following Board members have been members throughout 2018 and their attendance at meetings in 2018:

Svens Lasse, Chairman from 11 April 2018 Deputy Chairman until 11 April 2018	14/15
Dahlblom Christina	15/15
Damlin Stefan	14/15
von Stackelberg-Hammarén Catharina	15/15
Talma Arja	15/15

The following persons were elected to the Board of Directors on 11 April 2018 and have thereafter attended Board meetings as follows:

Schulman Johannes, from 11 April 2018	10/10
Jerhamre Engström Maria, from 11 April 2018	10/10

The following persons resigned from the Board of Directors on 11 April 2018 and had before that attended Board meetings as follows:

Wallgren Dag, Chairman until 11 April 2018	4/5
Eklundh Sten, until 11 April 2018	5/5
Hedman Kjell, until 11 April 2018	5/5

Composition and duties of Board committees

To draw up issues to be resolved by the Board of Directors and to make decisions on certain defined matters, the Board of Directors has three committees. The committees' rules of procedures constitute a part of the Board of Directors' rules of procedure. Under the rules of procedure, the committees must have at least two and not more than four members. The rules of procedure also specify which matters are to be prepared by the committees and the matters on which the committees are authorised to decide.

Within the framework established by the Board of Directors, the Risk Committee can make independent decisions on risk-taking and risk management issues. In addition, the committee considers the central risk-related processes for capital and liquidity, internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment (ILAAP) and draws up risk-related matters for the Board of Directors to pass decision on. The committee decides on the annual plan and on procedures for the Risk Control and Compliance function, and studies the reports submitted by Risk Control and Compliance. In 2018 the committee held 11 meetings.

Members of the Risk Committee and meeting attendance until 11 April 2018:

Eklundh Sten, Chairman until 11 April 2018	5/5
Hedman Kjell	5/5
Svens Lasse	5/5
Wallgren Dag	5/5

Members of the Risk Committee and meeting attendance from 11 April 2018:

Svens Lasse, Chairman from 11 April 2018	6/6
Jerhamre Engström Maria	6/6
Damlin Stefan	6/6
Talma Arja	6/6

The Audit Committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee defines the principles for internal auditing and adopts the Group's internal audit plan. The committee studies the reports issued by the external auditor and the Internal Audit function and assesses the sufficiency of the other internal reports. The Audit Committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. In 2018 the committee held 7 meetings.

Members of the Audit Committee and meeting attendance until 11 April 2018:

Talma Arja, Chairman	3/3
Damlin Stefan	2/3
Svens Lasse	3/3

Members of the Audit Committee and meeting attendance from 11 April 2018:

Talma Arja, Chairman	4/4
Svens Lasse	4/4
Schulman Johannes	3/4

The Compensation and Corporate Governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties towards the company, and on matters relating to the development of the Group's administration and control system. In 2018 the committee held 7 meetings.

Members of the Compensation and Corporate Governance Committee and meeting attendance until 11 April 2018:

Wallgren Dag, Chairman	2/2
von Stackelberg-Hammarén Catharina	2/2
Dahlblom Christina	2/2

Members of the Compensation and Corporate Governance Committee and meeting attendance until 11 April 2018:

von Stackelberg-Hammarén Catharina, Chairman	5/5
Dahlblom Christina	5/5
Svens Lasse	5/5

Board members' shareholdings

Shareholdings attributable to Board members, 31 December 2018

Name	Number of shares
Lasse Svens	6,010
Arja Talma	5,822
Christina Dahlblom	3,657
Stefan Damlin	3,961
Maria Jerhamre Engström	1,322
Johannes Schulman	1,421
Catharina von Stackelberg-Hammarén	6,314

Information on remuneration of Board members is found in Note G44 of the financial statements.

EXECUTIVE COMMITTEE 7 JANUARY 2019

Back row from left

Anu Tuomolin
b. 1976

Director, HR

M.Sc. (Econ.)

At Aktia since 2018

Shares in Aktia Bank Plc 31 Dec 2018: 2,613

Juha Volotinen
b. 1975

Director, IT

M.Sc. (Econ.)

At Aktia since 2010

Shares in Aktia Bank Plc 31 Dec 2018: 7,209

Max Sundström
b. 1971

Director, Concept and strategy

M.Sc.Eng.

At Aktia since 2019

Carola Nilsson
b. 1967

Executive Vice President, Private customers

M.Sc. (Econ.)

At Aktia since 2017

Shares in Aktia Bank Plc 31 Dec 2018: 3,611

Juha Hammarén
b. 1960

Executive Vice President, Deputy to CEO, Operational Activities

LL.M., eMBA

At Aktia since 2014

Shares in Aktia Bank Plc 31 Dec 2018: 16,187

Front row from left

Irma Gillberg-Hjelt
b. 1962

Director, Corporate customers

LL.M.

At Aktia since 2017

Shares in Aktia Bank Plc 31 dec 2018: 4,300

Mikko Ayub
b. 1969

CEO

M.Soc.Sc., MBA

At Aktia since 2018

Shares in Aktia Bank Plc 31 Dec 2018: 38

Outi Henriksson
b. 1969

CFO

M.Sc. (Econ.)

At Aktia since 2017

Shares in Aktia Bank Plc 31 Dec 2018: 4,791

Anssi Rantala
b. 1972

Executive Vice President, Asset Management

D.Soc.Sc.

At Aktia since 2014

Shares in Aktia Bank Plc 31 Dec 2018: 13,475

Martin Backman, CEO until 6 March 2018. Minna Miettinen, Director, CDMO until 23 November 2018. Sam Olin, Director, Premium Banking, in Executive Committee until 31 December 2018. Merja Sergelius, Vice President, Personal Banking, in Executive Committee until 31 December 2018.

CEO and his duties

Mikko Ayub, born 1969, M.Soc.Sc., MBA, took over as CEO on 1 October 2018. Martin Backman, born 1969, M.Sc. in Engineering and M.Sc. in Business and Economics, resigned as CEO on 5 March 2018. Juha Hammarén, born 1960, LL.M., eMBA, acting CEO during the period 6 March–30 September 2018.

The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The CEO is assisted in the day-to-day management by an Executive Committee.

Executive Committee

Duties of the Executive Committee

The Group's Executive Committee is tasked with assisting the CEO. The Executive Committee discusses and monitors the outcome of the Group's strategy and its earnings performance as well as outcomes for significant projects and the achievement of defined targets.

The Executive Committee has no formal corporate law status. The Executive Committee consists of the CEO, who acts as chairman, the Segment Managers and Function Managers, as stipulated by the Board. The members of the Executive Committee report to the CEO. In 2018 the Executive Committee convened once a month, as a rule.

Composition of the Executive Committee

At 31 December 2018 the Group Executive Committee consisted of the following persons:

Mikko Ayub, b. 1969
CEO
Education: M.Soc.Sc., MBA
At Aktia since 2018

Juha Hammarén, b. 1960
Executive Vice President, Deputy to the CEO
In charge of Operational Activites, Acting Chief digital & Marketing Officer, in charge of digitalisation and marketing
Education: LL.M., eMBA
At Aktia since 2014

Merja Sergelius, b. 1965
Executive Vice President, in charge of Private Customers
Education: eMBA
At Aktia since 1986

Carola Nilsson, b. 1967
Executive Vice President, in charge of Private Banking
Education: M.Sc. in Business and Economics
At Aktia since 2017

Anssi Rantala, b. 1972
Executive Vice President, in charge of Aktia Asset Management, Aktia Fund Management and Aktia Life Insurance
Education: D. Soc.Sc.
At Aktia since 2014

Irma Gillberg-Hjelt, b. 1962
Vice President Corporate Customers
Education: LL.M.
At Aktia since 2017

Sam Olin, b. 1973
Vice President Premium Customers
Education: B.Sc. in Business and Economics
At Aktia since 2016

Outi Henriksson, b. 1969
CFO, in charge of Accounts, treasury, investor relations and legal matters
Education: M.Sc. in Business and Economics
At Aktia since 2017

Anu Tuomolin, b. 1976
Vice President, in charge of HR
Education: M.Sc. in Business and Economics
At Aktia since 2017

Juha Volotinen, b. 1975
CIO, in charge of the Group's IT functions
Education: M.Sc. in Business and Economics
At Aktia since 2010

Shareholdings of the Executive Committee

Shareholdings attributable to members of the Executive Committee and related persons, 31 December 2018

Name	Number of shares
Mikko Ayub	38
Juha Hammarén	16,187
Irma Gillberg-Hjelt	4,300
Outi Henriksson	4,791
Carola Nilsson	3,611
Sam Olin	4,300
Anssi Rantala	13,475
Merja Sergelius	27,978
Anu Tuomolin	2,613
Juha Volotinen	7,209

Information on remuneration of members of the Executive Committee is found in Notes G44 and G46 of the financial statements.

Internal control in the Aktia Group

The system of internal control is designed to ensure that the activities of the Aktia Group comply with the applicable regulatory requirements and the operational guidelines adopted by the Board. Internal control is implemented at all levels of the organisation. Ensuring the appropriate organisation and functioning of internal control is part of the duties of the Board of Directors of Aktia Bank Plc.

In addition to financial reporting processes, effective internal control in the Aktia Group is ensured by the Risk Control and Compliance functions, the independent actuarial function and the Internal Audit function. All these functions operate independently of the operational side of the business. Risk Control, Compliance functions and Internal Audit function report directly to the Group's Board of Directors and the boards of the Group's regulated subsidiaries. In addition, the independent actuarial function reports to the Board of Directors of Life-Insurance company. To ensure effective internal control, the Group's Board of Directors defines internal rules and regulations prepared by the Risk Committee of the Board of Directors. The Board is in charge of ensuring that risk management is carried out in an appropriate manner and of working methods which guarantee that the Aktia Group's business activities comply with the law.

Financial reporting

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures in the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also been built into all key processes where information is recorded. Internal control is supported by observations made by the Group's Internal Audit function which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control.

The Aktia Group's operational financial reporting organisation consists of an accounts unit at Group level that is in charge of external as well as internal financial reporting. The unit's remit includes consolidation, budgeting, internal performance monitoring, updating of accounting principles, and internal financial reporting guidelines and instructions. For each business segment and key individual subsidiaries within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis. The Group's reports are compiled centrally and are based on a common financial reporting system covering external as well as internal reporting, which helps to ensure that day-to-day financial reporting is handled in a uniform manner.

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. The Aktia Group has an ownership interest in and is represented on the board of PP-Laskenta Oy, which handles the Aktia Group's outsourced bookkeeping services.

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Chief Accounting Officer, who is in charge of internal and external financial management, is not involved in making direct business decisions. His incentive is mainly independent of factors driving the business. The Chief Accounting Officer reports to the Chief Financial Officer of the Aktia Group, who is a member of the Executive Committee.

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

The Aktia Group's financial development and performance is addressed each month by the Group's executive committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its Audit Committee in the form of interim reports and an annual report. The annual report is revised, and the interim reports are reviewed by the Group's external auditors, who report their observations to the Audit Committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its Audit Committee.

Risk management

The Board of Directors of Aktia Bank Abp is responsible for ensuring the appropriate organisation of risk management in the Group. The Aktia Group has a Risk Control function which is independent of the operational side of the business, and which evaluates risk management in the Group and its subsidiaries and reports on risks to management and the Board of Directors. The function monitors that risks are appropriately measured, analysed and monitored in all areas of activity in the Group and makes assessments of the Group's overall risk position. The Risk Control function reports to the Executive Committee and, on a quarterly basis, to the Group's Board of Directors and its Risk Committee. The Risk Control function also reports to the boards of the concessionaire subsidiaries on a quarterly basis. Risk control in the subsidiaries takes account of the particular characteristics of each subsidiary and the specific regulations which apply to its operations. The Risk Control function is guided by a set of principles and an annual plan for the function, which are adopted annually by the Board of Directors.

The Board determines principles, instructions, risk strategies and risk appetite in the Group, and thus establishes a framework for risk management in the Group.

The main principles for risk management in the Aktia Group as well as the processes and internal control procedures are described in detail in the Capital and Risk Management Report 2018 CAR, which is available on the website, www.aktia.com/en/julkaisut.

Then Compliance function

In the Aktia Group the Compliance function performs advisory, supervisory and reporting tasks for the purpose of ensuring compliance with the applicable customer protection, market conduct and anti-money laundering regulations, and is responsible for maintaining instructions on compliance risk management. Compliance is a separate function which supports Aktia's operational activities and is tasked with ensuring that these activities are conducted in compliance with the applicable laws. The Compliance function reports on a quarterly basis to the Group's Board of Directors and its Risk Committee and to the boards of the concessionaire subsidiaries describing the function's observations, significant changes in the regulations applied and any impact that these may have on the activities. The Compliance function is governed by a set of principles and an annual plan for the function which are adopted annually by the Board of Directors.

Internal auditing

The Aktia Group has an Internal Audit function that is independent of the operational side of the business. The function examines the adequacy and effectiveness of the internal monitoring system and the quality of the tasks performed, and thereby (by addressing observed shortcomings and identifying areas of potential improvement) helps to ensure that necessary changes are implemented. Principles for the activities of the Internal Audit function as well as the Group's audit plan are reviewed and adopted by the Group's Board of Directors on an annual basis. On a quarterly basis, Internal Audit reports on its key observations, the review of previously implemented actions and the implementation of the audit plan directly to the Aktia Group's Board of Directors and its Audit Committee.

The Internal Audit function operates in accordance with the international framework for the professional practice of internal auditing, including the definition of internal audit, the professional ethical code, and guidelines for professional internal auditing. The function also follows other legislation and regulatory requirements applying to the industry.

Insider administration

As a listed company and issuer, Aktia Bank Abp follows Nasdaq Helsinki Oy's (the Helsinki Stock Exchange) Guidelines for Insiders and the Market Abuse Regulation (MAR), under which companies are required to draw up insider lists and lists of persons discharging managerial responsibilities and persons closely associated with them. More information on the handling of insider information is available on Aktia's website www.aktia.com/en/johto-ja-hallinto/sisapiirihallinto.

Related party transactions

To ensure that possible conflicts of interest are taken into consideration in an appropriate way in decision-making, an evaluation of the company's all related party transactions will be made. Aktia Bank has defined its related parties (i.e. close relations) and is involved in regular trading with these. These business transactions are a part of the company's normal business, as many of the related parties are also customers of Aktia Bank. With the exception of employee benefits for those related parties employed by Aktia, all business transactions are made at normal customer terms and conditions, following determined decision-making processes so that for instance decisions concerning credits to the CEO are taken by the Board of Directors.

For Aktia significant business transactions with related parties, business transactions with related parties, deviating from the bank's normal business operations, or business transactions made at other than market terms shall be approved by the bank's Board of Directors. Special attention shall be paid to that the related parties do not benefit from their positions.

Aktia's Finance unit evaluates and monitors transactions made with related parties as part of its routines for control and reporting. Related party transactions are reported in Aktia Bank's annual report (Note G44).

Auditor

The auditing firm KPMG Oy Ab with Marcus Tötterman, Authorised Public Accountant, as lead audit engagement partner has been the Aktia Group's auditors in 2018. The auditor is elected by the shareholders' meeting. Information on fees paid for audit and non-audit services is provided in Note G13 to the financial statements.

Contact information

Aktia Bank Plc
PO Box 207
Mannerheimintie 14, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Group and Investor information: www.aktia.com
Contact: aktia@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 2181702-8
BIC/S.W.I.F.T: HELSFIHH

Aktia