Q2

Half-year report January–June 2021

Aktia

Record-strong second quarter

The quarter in short

- The comparable operating profit EUR 26.0 million at an all-time high during the second quarter
- Strong volume increase in corporate loans and mortgages with continuously low expected credit losses
- The half-year report includes Taaleri's wealth management business (May–June)
- The integration work after the acquisition continues according to plan
- Very good development in life insurance business
- The increase in expenses is attributable to the costs related to the acquisition

Dividend

On 27 July 2021, Financial Supervisory Authority (FIN-FSA) informed that its recommendation on the distribution of credit institutions' profits will not be extended beyond 30 September 2021. Aktia's Board of Directors will make the decision on the dividend for 2020 in October. The decision and the payment schedule will be informed separately. Aktia's Annual General Meeting 2021 authorised the Board of Directors to decide on the payment of a maximum dividend of EUR 0.43 per share for the accounting period 1 January–31 December 2020.

Outlook 2021 (maintained)

Aktia maintains its previous outlook in which the comparable operating profit for 2021 is expected to be considerably higher than during 2020.

- The increase in net interest income is expected to continue owing to strong volume increase and reasonable financing expenses
- The increase in commission income from fund and asset management is expected to be higher than during the first half year due to the acquisition of Taaleri's wealth management operations
- Expenses are expected to be higher than during 2020 considering the increased staff expenses due to the acquisition of Taaleri's wealth management operations as well as one-off transaction and integration related expenses
- Provisions for possible expected credit losses are expected to increase moderately. Aktia's liquidity is expected to be at a high level whereas the capital adequacy ratio is expected to be solid but somewhat lower than during the first quarter, which is mainly attributable to the acquisition of Taaleri's wealth management operations

Aktia paid out a dividend of EUR 0.53 per share for the accounting period 1 January–31 December 2019. The record date was 13 January 2021 and the payment date 20 January 2021 (see p. 19).

(EUR million)	2Q2021	2Q2020	Δ %	1-6/2021	1-6/2020	Δ %	1Q2021	Δ %	2020
Net interest income	27.7	20.1	37%	49.0	39.8	23%	21.3	30%	80.7
Net commission income	31.7	22.9	39%	56.8	48.1	18%	25.0	27%	97.6
Net income from life insurance	10.5	10.1	4%	20.4	4.9	315%	9.9	6%	19.9
Total operating income	73.3	54.8	34%	131.2	94.7	39%	57.9	27%	201.1
Operating expenses	-48.8	-36.3	35%	-87.6	-71.9	22%	-38.7	26%	-142.2
Impairment of credits and other commitments	-1.4	-1.8	-20%	-3.6	-3.2	14%	-2.2	-37%	-4.0
Operating profit	**23.0**	**16.3**	**41%**	**39.9**	**19.1**	**109%**	**16.9**	**36%**	**54.8**
Comparable operating income[1]	73.3	54.8	34%	131.2	94.7	39%	57.9	27%	201.1
Comparable operating expenses[1]	-45.9	-36.1	27%	-84.6	-71.7	18%	-38.7	18%	-141.9
Comparable operating profit[1]	**26.0**	**16.5**	**57%**	**42.9**	**19.3**	**122%**	**16.9**	**54%**	**55.1**
Cost-to-income ratio	0.67	0.66	2%	0.67	0.76	-12%	0.67	0%	0.71
Comparable cost-to-income ratio[1]	0.63	0.66	-5%	0.64	0.76	-16%	0.67	-6%	0.71
Earnings per share (EPS), EUR	0.25	0.19	32%	0.45	0.22	105%	0.20	25%	0.61
Comparable earnings per share (EPS), EUR[1]	0.29	0.19	53%	0.49	0.22	123%	0.20	45%	0.61
Return on equity (ROE), %	10.1	8.4	20%	9.1	4.9	87%	8.6	17%	6.7
Comparable return on equity (ROE), %[1]	11.8	8.5	38%	9.8	4.9	99%	8.6	37%	6.7
Common Equity Tier 1 capital ratio (CET1), %[2]	10.8	15.7	-31%	10.8	15.7	-31%	13.8	-22%	14.0

1) Alternative performance measures excluding items affecting comparability, see page 24
2) At the end of the period

CEO's comments

The second quarter of the year was very significant to Aktia. Amid the coronavirus pandemic, we completed the most extensive corporate transaction in the history of Aktia, when Aktia acquired Taaleri's wealth management operations and at the same time started a cooperation in conjunction with which Aktia became the distributor of Taaleri's alternative investment products in Finland. At the same time, we went from four business areas to three: Asset Management, Banking (previously Private Customers and Corporate Customers) and Life Insurance. In conjunction with this, Private Banking was moved from the Banking operations to become a part of Asset Management – the reported segments were otherwise unchanged. These measures clarified and streamlined the organisation and brought decision-making closer to the customer. The updated comparable figures for the reported segments have been published in our **stock exchange release 4 August 2021**.

We purposefully started integrating Taaleri's wealth management operations into Aktia as soon as the transaction was completed on 30 April 2021. The integration work continues according to plan, and I can say that I am already very happy with the new entity. Cross-selling and additional sales started immediately, and the revenue and expense synergies have started to become concrete. It is very important that we in our integration work maintain the strengths of both actors while creating a common corporate culture for the new entity. I want to thank both new and old Aktia employees for having an excellent attitude and for their persistent work during the past spring. We are still only starting our common journey and the active work for building a new asset management bank continues.

The corporate acquisition has been well received also by the customers. The acquisition of Taaleri's wealth management operations was an important step for us both strategically and financially and thus offers our customers an exceptional customer experience, high-quality asset management products, award-winning Private Banking expertise as well as comprehensive banking and life insurance products. Our objective is to make our combined product and service selection available to all our customers during the second half of the year.

Aktia arranges a Capital Markets Day on 8 September 2021, during which we will present Aktia's business more closely and will provide more information about the company's strategic direction. More information about the programme and the details of the event will be provided later in August.

Continued strong increase in net interest income

In its half-year report, Aktia reports a result that includes Taaleri's wealth management business that was acquired in the spring. This complicates particularly the comparison of the commission income and the expenses with the corresponding period last year. It is also good to remember that the result from the given period was affected by the market drop due to the coronavirus pandemic as well as the subsequent negative value changes.

The comparable operating profit during the second quarter of the year amounted to EUR 26.0 (16.5) million, which is the best result in the history of Aktia. The good financial performance was mainly affected by the increase in net interest income as well as particularly by the strong commission income from the new asset management business that had been acquired via the Taaleri transaction.

Net interest income increased to EUR 27.7 (20.1) million and thus its good increase continued. The positive effect (EUR 5.3 million) of the negative interest rate that had accumulated in the end of the second quarter from the European Central Bank's financing programme TLTRO III is reflected in the net interest income for the second quarter. The good sentiment in lending continued particularly on the corporate side, where the margins were at a competitive yet profitable level. The sales of mortgages to household customers also continued exceptionally strong, while we maintained our conservative risk profile. The bank's financing expenses continued at a moderate level.

Net commission income of the Group was EUR 31.7 (22.9) million during the second quarter. The majority of the growth was due to the acquisition of Taaleri's wealth management operations but also the commission income without an effect from the Taaleri transaction increased supported by the good market development. Aktia's assets under management (AuM) were EUR 15.6 billion at the end of the period. The life insurance business also had a very good result during the second quarter of the year and net income from life insurance amounted to EUR 10.5 (10.1) million. The positive value changes as well as the actuarially calculated result contributed to a good development. It is worth noting that the net income from life insurance for the given quarter was exceptionally strong after the market values of the investments had recovered from the market drop at the end of March 2020.

The comparable expenses of the business increased compared to both the given period and the first quarter and amounted EUR 45.9 (36.1) million. The increase in expenses was almost solely tied to growth due to the acquisition of Taaleri's wealth management operations, which meant that approximately 100 employees and to some extent other expenses for the normal business operations were transferred to Aktia. Additionally, the completion of the corporate transaction was associated with a significant number of consultancy expenses, tax expenses and other one-off expenses, of which the total amount was EUR 4.4 million during the second quarter.

Helsinki 5 August 2021

Mikko Ayub
CEO

Profit and balance

Profit April–June 2021

The Group's operating profit increased to EUR 23.0 (16.3) million and the profit for the period to EUR 17.7 (13.0) million and the comparable operating profit increased to EUR 26.0 (16.5). The main part of the improved result is attributable to strong positive development in all income categories that include among others a EUR 5.3 million negative interest cost for the TLTRO III financing received by the European Central Bank.

Items affecting comparability

(EUR million)	Apr-Jun 2021	Apr-Jun 2020
Costs for restructuring	-3.0	-0.2
Operating profit	**-3.0**	**-0.2**

Income

The Group's operating income increased by 34% to EUR 73.3 (54.8) million.

Net interest income increased by 37% to EUR 27.7 (20.1) million. Net interest income from borrowing and lending increased by 14% to EUR 22.0 (19.4) million. Interest expenses for other financing amounted to EUR 3.8 (-1.5) million and include a EUR 5.3 (0.4) million accumulated negative interest cost for the TLTRO III financing.

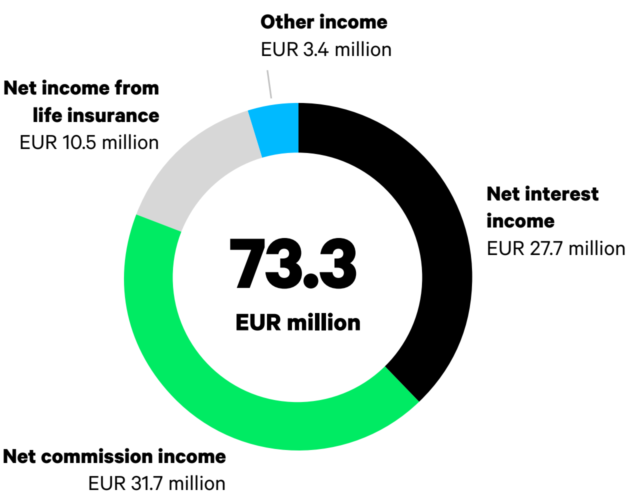
Net commission income increased to EUR 31.7 (22.9) million. Commission income from funds, asset management and securities brokerage increased by 55% to EUR 23.3 (15.0) million. The increase is partly attributable to the acquisition of Taaleri's wealth management operations. Commission income from cards, payment services and borrowing increased by 4% to EUR 6.7 (6.5) million and commission income from lending increased by 20% to EUR 2.7 (2.3) million.

Net income from life insurance was EUR 10.5 (10.1) million, which was a very good result for the quarter. The given quarter was also exceptionally good and included a recovery of the market values of investments after the strong market drop at the end of March 2020. The improved net income from life insurance is attributable to the actuarially calculated result that owing to higher market values of the unit linked book increased to EUR 4.4 (3.9) million. Unrealised value changes in the life insurance company's total investment portfolio amounted to EUR 3.2 (4.6) million. Sales gains from the investment portfolio increased to EUR 0.6 (0.0) million.

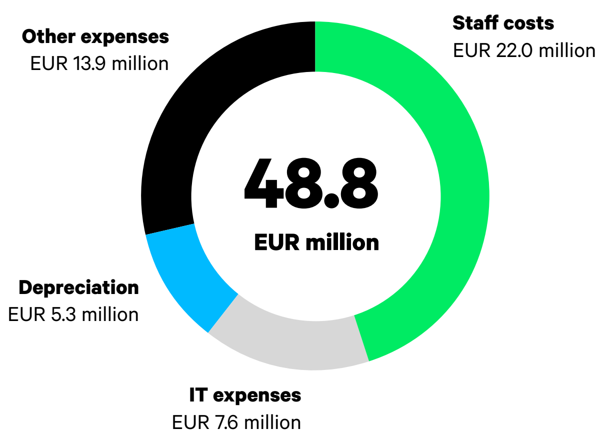
Net income from financial transactions increased to EUR 2.9 (1.3) million. The increase mainly relates to sales gains in the liquidity portfolio amounting to EUR 2.4 (0.1) million. The value change in the holdings in Visa Inc. decreased to EUR 0.3 (0.6) million and the model-based ECL impairments amounted to EUR 0.3 (0.7) million.

Other operating income amounted to EUR 0.2 (0.2) million.

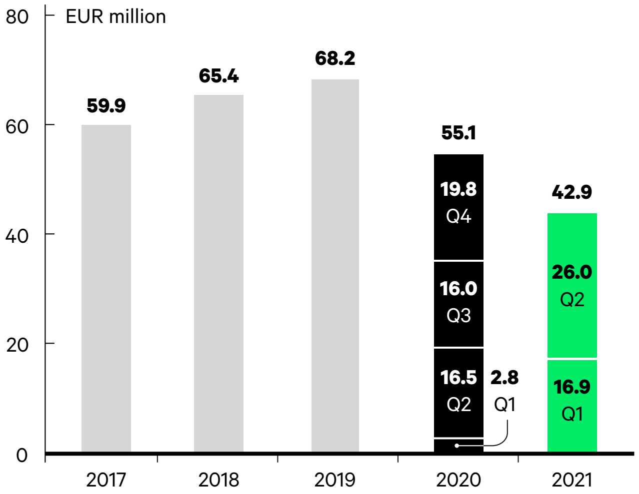
Operating income 2Q2021



Operating expenses 2Q2021



Comparable operating profit 2017–2Q2021, EUR million



Expenses

Operating expenses increased to EUR 48.8 (36.3) million. Comparable operating expenses increased by 27% to EUR 45.9 (36.1) million. The increase pertains to expenses in Taaleri's wealth management operations and to transaction and integration costs for the acquisition.

Staff expenses increased to EUR 22.0 (18.4) million. Comparable staff expenses increased by 14% to EUR 20.7 (18.2) million. The increase is mainly attributable to staff expenses in Taaleri's wealth management operations as well as increased costs for variable compensation.

IT expenses increased by 20% to EUR 7.6 (6.4) million. The difference compared to last year is mainly attributable to Taaleri's wealth management operationsIT expenses as well as a greater number of IT projects than during the second quarter last year.

The depreciation of tangible and intangible assets increased to EUR 5.3 (4.8) million. The increase is attributable to depreciations related to Taaleri's wealth management operations.

Other operating expenses increased to EUR 13.9 (6.7) million. Other comparable operating expenses increased by 82% to EUR 12.2 (6.7) million. The increase mainly pertains to one-off expenses relating to the acquisition of Taaleri's wealth management operations (transaction costs EUR 4.4 million), a final EUR 1.4 million cost for the stability fee that caused further expenses during the quarter as well as other expenses.

Impairments on credits and other commitments amounted to EUR -1.4 (-1.8) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.1 (-1.2) million.

Profit January–June 2021

The Group's operating profit increased to EUR 39.9 (19.1) million and the profit for the period to EUR 31.7 (15.1) million and the comparable operating profit increased to EUR 42.9 (19.3). The main part of the improved result pertains mainly to a clear improvement of net income from life insurance and the accumulated negative interest cost for the TLTRO III financing.

Items affecting comparability

(EUR million)	Jan-Jun 2021	Jan-Jun 2020
Costs for restructuring	-3.0	-0.2
Operating profit	**-3.0**	**-0.2**

Income

The Group's operating income increased to EUR 131.2 (94.7) million.

Net interest income increased by 23% to EUR 49.0 (39.8) million. Net interest income from borrowing and lending increased by 12% to EUR 42.7 (38.2) million. Interest expenses for other financing amounted to EUR 2.5 (-2.6) million and include a EUR 5.3 (0.8) million accumulated negative interest cost for the TLTRO III financing.

Net commission income was EUR 56.8 (48.1) million. Commission income from funds, asset management and securities brokerage increased by 28% to EUR 40.5 (31.5) million. The increase is partly attributable to the acquisition of Taaleri's wealth management operations. Commission income from cards, payment services and borrowing decreased by 4% to EUR 13.1 (13.6) million while commission income from lending increased by 14% to EUR 5.0 (4.3) million.

Net income from life insurance increased to EUR 20.4 (4.9) million, which is mainly related to the EUR 5.0 (-9.3) million unrealised value changes and impairments in the life insurance company's investment portfolio. The actuarially calculated result increased to EUR 7.9 (6.6) million owing to higher market values of the unit linked book and a better risk result than last year. Sales gains from the investment portfolio decreased to EUR 0.7 (2.1) million.

Net income from financial transactions increased to EUR 4.2 (0.3) million. The increase mainly relates to sales gains in the liquidity portfolio amounting to EUR 3.1 (0.1) million. The value change in the holdings in Visa Inc. decreased to EUR 0.4 (0.1) million and the model-based ECL impairments amounted to EUR 0.4 (0.0) million.

Other operating income decreased to EUR 0.5 (1.2) million. The reference period includes one-off recognised items of EUR 0.5 million.

Expenses

Operating expenses increased to EUR 87.6 (71.9) million. Comparable operating expenses increased by 18% to EUR 84.6 (71.7) million. The increase is mainly attributable to expenses in Taaleri's wealth management operations, transaction and integration expenses, higher IT expenses as well as to higher running staff expenses.

Staff expenses increased to EUR 39.6 (35.0) million. The comparable staff expenses increased by 10% to EUR 38.3 (34.8), which is mainly attributable to Taaleri wealth management operations' staff expenses, increased costs for variable compensation (STI bonus) as well as higher running staff expenses.

IT expenses increased by 17% to EUR 14.0 (11.9) million. The difference compared to last year is mainly attributable to Taaleri's wealth management operations IT expenses as well as a greater number of IT projects than during the first half of last year.

The depreciation of tangible and intangible assets was EUR 9.7 (9.4) million. The increase pertains to depreciations related to Taaleri's wealth management operations, while Aktia's other depreciations have decreased.

Other operating expenses increased to EUR 24.2 (15.6) million. Other comparable operating expenses increased by 44% to EUR 22.5 (15.6) million. The increase mainly pertains to one-off expenses relating to the acquisition of Taaleri's wealth management operations (transaction costs EUR 5.6 million), the cost for the stability fee that increased to EUR 4.1 (2.8) million as well as other expenses.

Impairments on credits and other commitments amounted to EUR -3.6 (-3.2) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.2 (-2.1) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 11,236 (10,573) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees increased to EUR 721 (699) million.

Borrowing

Borrowing from the public and public-sector entities decreased to EUR 4,560 (4,466) million. Aktia's market share of deposits was 3.0 (3.1) % at the end of June.

The value of long-term bonds issued by Aktia Bank totalled EUR 2,890 (2,720) million. After an issued retained covered bond was set off, EUR 1,608 (1,622) million consisted of Covered Bonds issued by Aktia Bank.

During the second quarter, Aktia Bank issued new long-term unsecured bonds to the value of EUR 25 million within the scope of the bank's EMTN programme. New issued long-term unsecured bonds during the first half of the year totalled EUR 195 million. To strengthen its capital base, Aktia Bank also issued a EUR 60 million AT1 loan (Additional Tier 1 capital) during the second quarter of the year. Additionally, the bank has participated in the TLTRO III refinancing operations with an additional EUR 100 million withdrawal.

Lending

Group lending to the public and public-sector entities increased by EUR 299 million to EUR 7,299 (7,000) million. Loans to households accounted for EUR 5,233 (5,083) million, or 71.7 (72.6) % of the total loan book.

The housing loan book totalled EUR 5,327 (5,185) million, of which the share for households was EUR 4,304 (4,178) million. Aktia's new lending was EUR 701 (551) million. At the end of June, Aktia's market share in housing loans to households was 4.1 (4.1) %.

Corporate lending accounted for 14.8 (14.0) % of Aktia Group's loan book. Total corporate lending increased to EUR 1,077 (979) million. Loans to housing companies increased to EUR 934 (908) million, which was 12.8 (13.0) % of Aktia's total loan book.

Loan book by sector

(EUR million)	30 Jun 2021	31 Dec 2020	Δ	Share, %
Households	5,233	5,083	150	71.7%
Corporates	1,077	979	98	14.8%
Housing companies	934	908	26	12.8%
Non-profit organisations	52	27	25	0.7%
Public sector entities	2	3	-1	0.0%
Total	**7,299**	**7,000**	**299**	**100.0%**

Financial assets

The Aktia Group's financial assets consist of the Bank Group's liquidity portfolio amounting to EUR 1,166 (1,446) million, the life insurance company's investment portfolio of EUR 593 (602) million, and the Bank Group's equity holdings of EUR 5 (5) million.

Technical provisions

The life insurance company's technical provisions increased to EUR 1,514 (1,411) million. Unit-linked technical provisions increased to EUR 1,088 (970) million while interest-related technical provisions decreased to EUR 427 (441) million.

Equity

Aktia Group's equity amounted to EUR 723 (667) million. The fund at fair value decreased to EUR 12 (21) million and the profit for the period amounted to EUR 32 million. Dividend amounting to EUR 37 million was paid to the shareholders in January.

A EUR 10.0 million directed share issue was completed in conjunction with the acquisition of Taaleri's wealth management operations. In May, a EUR 60 million unsecured bond with fixed rate that can be counted as Additional Tier 1 was issued.

Assets under Management

The Group's total assets under management were EUR 17,956 (12,712) million.

Assets under management comprise managed and brokered mutual funds as well as managed capital. Assets under management presented in the table below reflect net volumes, so that assets under management included in multiple companies or funds have been eliminated.

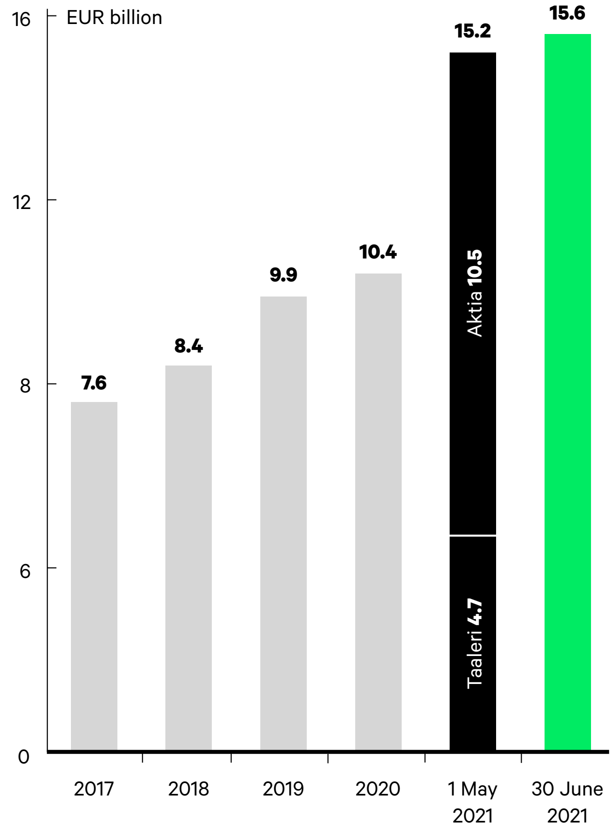
Group financial assets include the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	30 Jun 2021	31 Dec 2020	Δ %
Customer assets under management*	15,582	10,447	49%
Group financial assets	2,374	2,265	5%
Total	**17,956**	**12,712**	**41%**

* Excluding Fund in funds

Customer sssets under management (AuM) excluding custody assets 2017–2Q2021, EUR billion



Segment overview

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

Banking Business

The segment comprises household and corporate customers of the banking business not including Private Banking. Aktia's private customers are provided a wide range of financing, insurance, savings as well as investment products and services through various channels. Aktia's corporate business provides services to companies and organisations, from micro sized companies and associations to listed companies, as well as to institutional customers with other banking services than asset management.

Private customers

The good growth in the sales of mortgages continued during the second quarter of the year, as the quarterly sales reached all-time high levels. The strong development of the housing market favoured growth and the digital mortgage processes were developed further. The margins on mortgages remained under pressure while the increased interest in hedging affected the development of margins positively. The effective credit process and hence the quicker indicative offer for mortgages have enabled growth without any significant increase in risk-taking.

The digital sales continued to increase productivity and the virtual customer meetings have proved to be effective. Sales within financing but also within investment activities developed well. The good development on the equity market and the sales activity contributed to a prominent increase in the household customers' investments in funds during the first quarter. The individual wealth plan that was launched during the first quarter of the year was rooted even more deeply and was well received by the customers. The wealth plan is based on the customer's current financial situation and based on that and future expectations of the customer, a concrete action plan is made.. The plan considers financing, investment and insurance services.

As a result of cooperation negotiations during the spring meant that the sales organisation was restructured, and the support functions were centralised. The processes became more automated. Private Banking was also transferred to the Asset Management segment.

With the Taaleri transaction completed in May, Aktia's financing selection was increased with new alternative products, passive ETF investment alternatives and digital investment services with e.g. sustainability as a theme. Non-UCITS Fund Aktia Impact, with impact investing as a starting point, was launched to the customers.

Corporate customers

The corporate customer business continued to grow strongly, particularly in terms of the strategic customers in the SME segment. The active acquisition of new customers led to very strong growth of the loan book and net interest income. The focus for Aktia's corporate customer business has moved more and more towards growth areas and this development will be strengthened further. The physical customer meetings increased due to a somewhat better coronavirus situation.

Aktia's corporate bank actively participated in several corporate transactions in medium-sized companies and the general investment appetite of the customer companies seemed to clearly increase. The demand for financing of FS objects and housing associations' loans continued strong. The financial consequences of the coronavirus pandemic seem to have been minor for Aktia's corporate customers in the SME segment.

Corporate customers' general interest in leasing and factoring products remained strong. Aktia has started its first significant leasing financing cooperation, which will support business growth particularly among SME customers and lead to a more extensive product and service selection. During the end of the year, the corporate customer business is concentrating on sales and development of the customer-oriented and group-wide selection.

Results for Banking Business segment

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %
Operating income	65.9	62.5	6%
Operating expenses	-50.9	-47.2	8%
Operating profit	11.3	11.7	-3%
Comparable operating profit	12.5	11.8	6%

Operating income for the period increased to EUR 65.9 (62.5) million.

Net interest income was 7% higher than during the corresponding period last year and was EUR 36.3 (34.0) million. The increase is mainly related to the growth in the corporate customers' loan book. The customer margins for corporate customers increased from the corresponding period last year. However, customer margins for private customers were still pressed, which caused margin levels to decrease from last year. The growth in the loan book was strong during the first half of the year and the total loan book increased by 5% from the year-end and amounted to EUR 7,143 (6,829) million. The private customers' loan book increased to EUR 5,094 (4,939) million and the corporate customers' loan book to EUR 2,049 (1,889) million.

Net commission income was 6% higher than during the corresponding period last year and amounted to EUR 29.3 (27.8) million. Net commission income from investment activities increased by 19% to EUR 7,8 million owing to good sales and a very positive market change. The strong balance growth during the first half of the year resulted in net commission income from lending increasing by 15% to EUR 4.9 million. As a result of the coronavirus pandemic, the use of cash has decreased further, which has caused net commission income from cash to decrease by 37% to EUR 0.6 million.

Assets under management increased by 11% from the year-end and amounted to approximately EUR 2 billion.

Other operating income decreased to EUR 0.3 (0.7) million, which is explained by the fact that the reference period includes higher one-off recognised items of EUR 0.6 million.

Comparable operating expenses for the period increased to EUR 49.7 (47.1) million. The increase is mainly attributable to higher staff expenses, the stability fee for the year as well as other losses.

Impairments on credits and other commitments increased to EUR -3.6 (-3.1) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.2 (-2.1) million, whereas other impairments on credits increased to EUR -2.4 (-1.0) million. The new definition of default that entered into force on 1 January 2021 increased the model-based impairments with approximately EUR 0.8 million and has also affected the individual impairments.

Asset Management

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

Customer assets under management

(EUR million)	30 Jun 2021	31 Dec 2020	Δ %
Customer assets under management*	15,582	10 447	49%
of which institutional assets	8,275	7 071	17%

* Excluding fund in funds

Asset management

The second quarter of the year was very significant to Aktia's asset management business – particularly considering strengthening the competitiveness of the business now and in the future. During the quarter, Aktia acquired Taaleri's wealth management business and at the same time, Aktia's Private Banking was transferred to the Asset Management segment. In practice, the changes mean that the number of people working directly with asset management doubled and that the competitiveness of the business area was significantly strengthened in terms of all customer target groups in asset management, from institutions to Private Banking customers. The transaction brought together two strong players who held top positions in the independent company Morningstar's comparison of funds' portfolio management. In June, Aktia's funds received the best average score in the comparison, which was 4.11, while the second-best actor received the score 3.77.

The Taaleri transaction made it possible for customers to benefit from the best features of both Aktia Bank asset management and Taaleri boutique wealth manager. Going forward, the comprehensive product selection in asset management will be enough for Aktia's entire customer base. The integration work within asset management has progressed according to plan and as a sign of this, cross-selling and additional sales have already been initiated. New investment opportunities for customers are also offered through Aktia's sole right to distribution cooperation in terms of Taaleri's capital funds.

In addition to the improved competitiveness on the domestic market, the international fund sales continue to be in the core of the asset management strategy. As proof of this, we strengthened Aktia's Emerging Markets Debt team during the spring and summer. In June, the results of the customer satisfaction survey of Taaleri Wealth Management acquired by Aktia improved. In other words, the acquistion was also well received by the transferred customers.

Life insurance

The sales of personal insurances were still strong during the second quarter of the year continued in a positive way in the life insurance business area. The sales of personal insurances were at a good level during the beginning of the year. The positive development on the investment markets as well as the successful new sales of investment-linked products contributed to the increased growth of our investment-linked customer assets.

Sales to corporate customers were activated further through wider distribution of e.g. group pension insurances. The cooperation with Finlands Företagarskydd, which in present day employs 7 representatives, has had a good start and shows good development.

According to the updated strategy for life insurance business, even more focus will be placed on the development of investment offers as well as the increased digital and automated processes. With the Taaleri transaction, the preparation for broadening the investment alternatives in the investment-linked insurances has started. The life insurance company will launch several new investment opportunities during the end of the year.

To secure our competitiveness, we will continuously continue developing our product selection and the development of digital services continues during 2021. In addition to this, we are heavily investing in growth and new customer acquisition both through Aktia Bank and our other distribution channels.

Results for Asset Management segment

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %
Operating income	50.4	27.4	84%
Operating expenses	-30.7	-20.2	52%
Operating profit	19.7	7.2	174%
Comparable operating profit	21.5	7.2	197%

The operating income for the period increased by EUR 23.0 million to EUR 50.4 million, which is mainly explained by the fact that the reference period includes negative unrealised value changes in the life insurance company's investment portfolio amounting to EUR -6.3 million because the coronavirus pandemic affected the market negatively. The figures for the period also include the wealth management operations acquired from Taaleri (included as of 1 May 2021).

As in the first quarter the second quarter was characterised as a steady increase in share prices and the large global exchanges reached all-time high levels. The reference period was affected by heavy volatility on the investment market. The markets continued to go up during the period and the companies published strong figures. The world economy is still supported by great fiscal stimulus and by the central banks in the world.

Net commission income increased by 33% to EUR 30.8 million and net income from life insurance increased to EUR 18.4 (3.3) million owing to good return on the investment portfolio. The premium income from life insurance business increased by 53% from the corresponding period the previous year and the sales of investment-linked savings insurances continued to be strong. Operating expenses for the segment increased by 52% to EUR 30.7 million, which mainly relates to the increased expenses from Taaleri wealth management's running expenses. The cost structure is also affected by integration costs from the Taaleri transaction. Additionally, the costs for the period were affected by the following items: increased sales commission expenses in life insurance, one-off expense items in asset management and higher group governance costs.

Assets under management increased from the year-end to EUR 15,582 (10,447) million. Net subscriptions for the period amounted to EUR -402 million, and the market value change to EUR 813 million.

Group Functions

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

Results for Group Functions segment

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %
Operating income	19.1	9.2	107%
Operating expenses	-10.2	-8.9	14%
Operating profit	8.9	0.3	-
Comparable operating profit	8.9	0.4	-

Operating income for the segment increased to EUR 19.1 (9.2) million.

The net interest income for the segment increased by EUR 6.9 million to EUR 11.9 million mainly owing to the accumulated negative interest cost from the TLTRO III financing. Interest income from hedging measures via interest rate derivatives and interest income from the banks' liquidity portfolio were somewhat lower than last year.

Since March 2015, Aktia participates in the European Central Bank's refinancing operations (TLTRO), which has enabled Aktia to offer the market favourable and competitive loans.

Net income from financial transactions increased to EUR 4.1 (0.3) million. The increase mainly pertains to sales gains from interest-bearing securities.

The segment's operating expenses increased from last year due to higher running staff expenses.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
Income statement	**Jan-Jun 2021**	**Jan-Jun 2020**	**Jan-Jun 2021**	**Jan-Jun 2020**	**Jan-Jun 2021**	**Jan-Jun 2020**	**Jan-Jun 2021**	**Jan-Jun 2020**	**Jan-Jun 2021**	**Jan-Jun 2020**
Net interest income	36.3	34.0	0.8	0.9	11.9	5.0	0.0	0.0	49.0	39.8
Net commission income	29.3	27.8	30.8	23.1	2.6	3.1	-6.0	-5.9	56.8	48.1
Net income from life insurance	-	-	18.4	3.3	-	-	2.0	1.6	20.4	4.9
Other operating income	0.3	0.7	0.3	0.1	4.6	1.1	-0.2	-0.1	5.0	1.9
Total operating income	**65.9**	**62.5**	**50.4**	**27.4**	**19.1**	**9.2**	**-4.2**	**-4.4**	**131.2**	**94.7**
Staff costs	-10.3	-8.7	-10.7	-8.5	-18.7	-17.7	-	-	-39.6	-35.0
Other operating expenses[1]	-40.7	-38.5	-20.0	-11.7	8.5	8.8	4.2	4.4	-47.9	-37.0
Total operating expenses	**-50.9**	**-47.2**	**-30.7**	**-20.2**	**-10.2**	**-8.9**	**4.2**	**4.4**	**-87.6**	**-71.9**
Impairment of credits and other commitments	-3.6	-3.1	-	-	-	0.0	-	-	-3.6	-3.2
Impairment of other receivables commitments	-	-0.4	-	-	-	-	-	-	-	-0.4
Share of profit from associated companies	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Operating profit	**11.3**	**11.7**	**19.7**	**7.2**	**8.9**	**0.3**	**0.0**	**-0.1**	**39.9**	**19.1**
Comparable operating profit	**12.5**	**11.8**	**21.5**	**7.2**	**8.9**	**0.4**	**0.0**	**-0.1**	**42.9**	**19.3**

Balance sheet	**30 Jun 2021**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
Financial assets measured at fair value	-	-	1,528.0	1447.1	827,8	1,053.7	-	-10.0	2,355.8	2,490.7
Cash and balances with central banks	116,8	1.3	0.0	0.0	599,8	297.3	-	-	716.7	298.6
Interest-bearing securities measured at amortised cost	-	-	37.6	37.8	328,8	376.0	-	-	366.5	413.8
Loans and other receivables	7,142.8	6,828.7	233.6	224.6	27,6	24.9	-62.3	-49.6	7,341.8	7,028.7
Other assets	71,9	72.0	192.7	58.8	368,9	277.7	-178.3	-67.6	455.2	341.0
Total assets	**7,331.5**	**6,902.1**	**1,992.0**	**1,768.3**	**2,153,0**	**2,029.6**	**-240.6**	**-127.2**	**11,235.9**	**10,572.8**
Deposits	4,124.1	4,015.8	580.6	566.5	701,6	631.7	-62.3	-49.6	5,343.9	5,164.4
Debt securities issued	-	-	-	-	3,065,5	2,855.6	0.1	-9.8	3,065.6	2,845.8
Technical provisions	-	-	1,514.4	1,410.8	-	-	-	-	1,514.4	1,410.8
Other liabilities	66.7	63.9	43.1	28.0	485,1	402.5	-5.6	-9.5	589.2	484.9
Total liabilities	**4,190.8**	**4,079.7**	**2,138.0**	**2,005.3**	**4,252,1**	**3,889.8**	**-67.9**	**-68.8**	**10,513.1**	**9,905.9**

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

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

Capital adequacy and solvency

At the end of the period, Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 10.8 (14.0) %. CET1 capital decreased during the period by EUR 112.7 million due to the increase in intangible assets and goodwill that was allocated when acquiring Taaleri's wealth management operations. During the first quarter, Aktia implemented the new definition of default for IRB models, which led to an increase in expected losses. The maximum payment of dividends, EUR 0.43 per share for 2020, has in accordance with the authorisation given to the Board of Directors by with Aktia Bank Plc's Annual General Meeting been deducted from the CET1 capital.

To strengthen its Tier 1 capital, Aktia Bank issued a EUR 60 million AT1 loan (Additional Tier 1 capital) during the second quarter of the year.

The 15% risk-weight floor for mortgage loans ceased in the beginning of 2021, which decreased the risk-weighted assets. Concurrently, the new definition of default and lending growth led to an increase in the risk-weighted assets. Aktia also implemented the new Capital Requirements Regulation (CCR II) at the end of the second quarter. During the second quarter, also exposures to credit institutions have decreased in the Bank Group's liquidity portfolio, which decreased the risk-weighted assets. In total, the risk-weighted assets decreased by EUR 144.3 million during the period.

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

Capital adequacy, %	**30 Jun 2021**	**31 Dec 2020**
Bank Group		
CET1 capital ratio	10.8	14.0
Total capital ratio	15.5	16.6

The total capital requirement for banks consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The table below describes the different components of Aktia's capital requirements. During the second quarter, the new Act on Credit Institutions entered into force, under which the Pillar 2 requirement can be partially covered by the AT1 capital and Tier 2 capital. Taking all capital requirements into account, the minimum total capital ratio for the Bank Group was 11.76%, and 9.45% for Tier 1 capital ratio at the end of the period.

After CRR II entering into force at the end of the second quarter, a 3% binding minimum requirement for the leverage ratio was introduced.

Leverage ratio	**30 Jun 2021**	**31 Dec 2020**
Tier 1 capital	371,6	424.3
Total exposures	9.751,2	9,211.3
Leverage ratio, %	**3,8**	**4.6**

On 28 April 2021, Financial Stability Authority has renewed the MREL requirement for Aktia. The new requirement is 19.86% of the total risk-weighted items (TREA) or 5.91% of the leverage ratio exposures (LRE). The MREL requirement does not include a so-called subordination requirement. The requirement enters into force on 1 January 2022 and replaces the previous MREL decision as of 28 April 2021.

Total capital requirement

30 Jun 2021	**Pillar 1 requirement**	**Pillar 2 requirement**	**Buffer requirements** Capital Conservation	Counter-cyclical	O-SII	Systemic risk	**Total**
CET1 capital	4.50	0.70	2.50	0.01	0.00	0.00	7.71
AT1 capital	1.50	0.23					1.73
Tier 2 capital	2.00	0.31					2.31
Total	**8.00**						**11.76**

MREL-requirement (EUR million)	30 Jun 2021	31 Dec 2020
MREL requirement	576.3	727.3
Own funds and eligible liabilities		
CET1	311.6	424.3
AT1 instruments	60.2	0.0
Tier 2 instruments	70.8	95.6
Other liabilities	1,056.8	1,082.4
Total	**1,499.4**	**1,602.3**

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

Solvency II	With transitional rules		Whitout transitional rules	
(EUR million)	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
MCR	28.3	28.2	30.7	29.5
SCR	113.1	109.0	122.9	119.4
Eligible capital	177.1	159.1	138.1	116.2
Solvency ratio, %	156.6	145.9	112.4	97.4

The Group's risk exposures

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

Definitions and general principles for asset and risk management can be found in note G2 on p. 120–135 in Aktia Bank Plc's Annual and Sustainability Report for 2020 and in Aktia Bank Plc's Capital and Risk Management Report on the Group's website www.aktia.com.

Banking and asset management business

Credit risks

Aktia's loan book constitutes for the major part of loans to households and private persons with residential or real estate securities. The loan ratio measured in loan-to-value (LTV) is at an adequate level and a low risk level provides a good quality of credits in Aktia's loan book. At the end of Q2 2021, the LTV level amounted on average to 42% for the entire loan book.

Loans past due by time overdue and ECL stages

(EUR million)	30 Jun 2021			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 30	21.8	26.0	5.9	53.5
of which households	19.1	25.5	5.3	50.0
> 30 ≤ 90	0.0	14.2	7.7	20.1
of which households	0.0	12.3	7.3	17.9
> 90	0.0	0.0	34.3	36.2
of which households	0.0	0.0	29.1	30.9

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

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

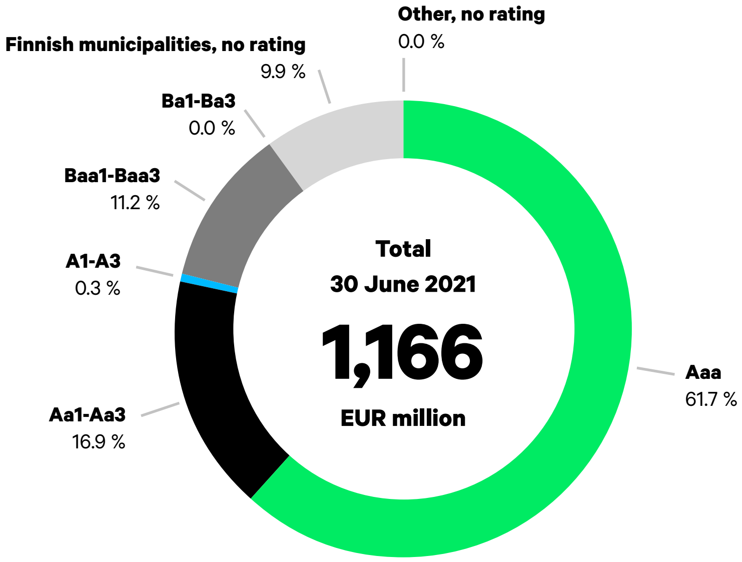
(EUR million)	30 Jun 2021	31 Dec 2020
Corporate		
PD grades A	237.0	209.7
PD grades B	870.8	866.5
PD grades C	865.0	797.0
Default	31.5	27.4
	2,004.3	1,900.6
Loss allowance (ECL)	-13.9	-15.0
Carrying amount	1,990.4	1,885.6
Households		
PD grades A	3,387.8	3,319.7
PD grades B	1,109.9	1,130.4
PD grades C	900.9	908.5
Default	94.8	41.7
	5,493.4	5,400.4
Loss allowance (ECL)	-16.8	-15.5
Carrying amount	5,476.6	5,384.9
Other		
PD grades A	29.7	29.9
PD grades B	410.1	348.0
PD grades C	83.6	79.1
Default	0.9	0.6
	524.3	457.6
Loss allowance (ECL)	-0.5	-0.5
Carrying amount	523.8	457.1

Market risks

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

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

Rating distribution for the Bank Group's liquidity portfolio



The bank measures the interest rate risk through sensitivity analyses of the net interest income and through the current value on interest-bearing assets and liabilities where the interest rate curve is stressed by using different interest rate shock scenarios according to EBA's guidelines as well as with the bank's own internally defined interest rate shock scenarios. The bank group's interest rate risk increased somewhat during the second quarter mainly due to updated balance sheet assumptions as well as the increased balance sheet total.

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

Equity investments pertaining to business operations amounted to EUR 5.4 (5.0) million. The Bank Group had no real estate holdings at the end of the period.

The Bank Group's total currency exposure is marginal and amounted to EUR 5.4 (3.9) million at the end of the period.

Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,433 (1,368) million at the end of the period.

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

Liquidity reserve, market value (EUR million)	**30 Jun 2021**	**31 Dec 2020**
Cash and balances with central banks	667	250
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	217	226
Securities issued or guaranteed by municipalities or the public sector	115	132
Covered Bonds	434	755
Securities issued by credit institutions		6
Securities issued by corporates (commercial papers)	-	0
Total	**1,433**	**1,368**
of which LCR-qualified	*1,433*	*1,362*

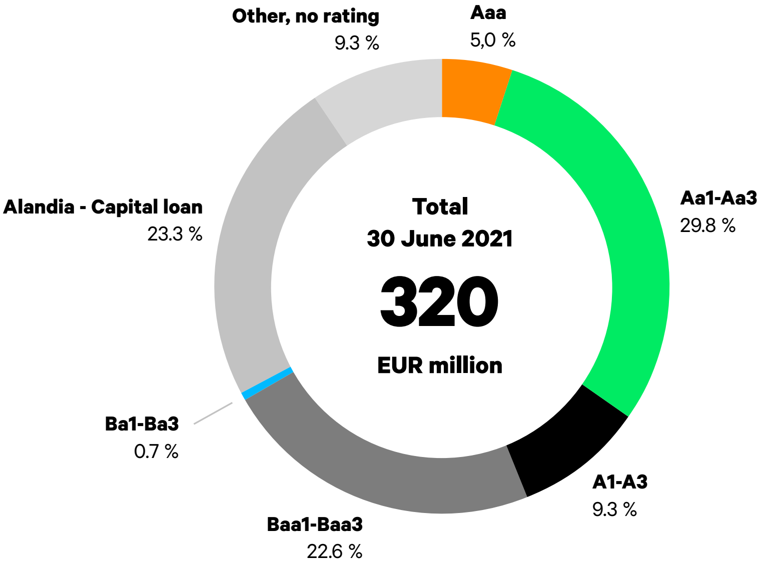
The liquidity risk is, among other things, followed up by the Liquidity Coverage Ratio (LCR). LCR measures the short-term liquidity risk and is aimed to ensure that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is enough to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued bonds. The LCR amounted to 161 (138) %.

Liquidity coverage ratio (LCR)*	**30 Jun 2021**	**31 Dec 2020**
LCR %	161%	138%

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

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

(excluding investments in fixed income funds, real estates, equities and alternative investments)



Life Insurance Business

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 593 (602) million. The life insurance company's direct real estate investments amounted to EUR 43 (40) million. The properties are in the Helsinki region and in other growth areas in Southern Finland and they mostly have long tenancies.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	30 Jun 2021		31 Dec 2020	
Equities	**7.4**	**1.2%**	**0.0**	**0.0%**
Europe	4.6	0.8%	0.0	0.0%
USA	2.8	0.5%	0.0	0.0%
Fixed income investments	**389.2**	**65.7%**	**437.0**	**72.6%**
Government bonds	118.6	20.0%	119.2	19.8%
Financial bonds	37.0	6.2%	62.7	10.4%
Other corporate bonds [1]	162.1	27.3%	184.6	30.6%
Emerging Markets (mtl. funds)	44.2	7.5%	43.2	7.2%
High yield (mtl. funds)	24.3	4.1%	24.0	4.0%
Trade finance (mtl. funds)	3.0	0.5%	3.4	0.6%
Alternative investments	**17.1**	**2.9%**	**11.8**	**2.0%**
Private Equity etc.	13.5	2.3%	11.8	2.0%
Infrastructure funds	3.7	0.6%	0.0	0.0%
Real estates	**81.3**	**13.7%**	**77.5**	**12.9%**
Directly owned	43.1	7.3%	40.4	6.7%
Real estate funds	38.2	6.4%	37.1	6.2%
Money Market	**42.3**	**7.1%**	**50.2**	**8.3%**
Derivatives	**0.1**	**0.0%**	**0.0**	**0.0%**
Cash and bank	**55.4**	**9.3%**	**25.8**	**4.3%**
Total	**592.8**	**100.0%**	**602.2**	**100.0%**

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

Life insurance company's market risk

Technical provisions include an interest reserve of EUR 25.8 (28.1) million, which can be used to cover the future interest rate requirements. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 2.2% for 2021–2025, 2.3% for 2026–2029. The discount rate is subsequently approximately 3%. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. Interest rate risk is the most significant risk in conjunction with technical provisions in the life insurance company. It affects profitability through the spread between rate of return and guaranteed customer rate and capital adequacy as a result of the market valuation of assets and liabilities. Interest rate risk of the company's interest-bearing balance sheet items in the investment portfolio and in the interest-linked and unit-linked technical provisions is calculated through an interest rate stress test (decrease in interest rate) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-termed technical provisions and amounted to EUR -22 (-44) million.

Main events

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

Aktia Bank Plc's acquisition of Taaleri's wealth management operations was completed on 30 April 2021 in accordance with the sale agreement signed on 10 March 2021. The acquisition included 100% of Taaleri Wealth Management Ltd and its wholly owned subsidiaries Taaleri Fund Management Ltd, Taaleri Tax Services Ltd, Evervest Ltd and Taaleri Asunnot GP Ltd. As a part of the transaction, the parties agreed on initiating co-operation that supports the strategy of both parties, through which Aktia became the distributor of Taaleri's alternative investment products in Finland.

Asset management is in the core of Aktia's strategy and acquiring Taaleri Plc's wealth management operations supports Aktia's objective to be the best asset manager in Finland. Together, Aktia and the operations that are being transferred from Taaleri, form one of the leading asset management organisations in Finland that combines excellent services, customer orientation, strong investment knowledge, comprehensive portfolio management and digital capabilities. With the transaction, Aktia will offer its customers first-class asset management products, price-winning Private Banking competence and comprehensive banking and life insurance services.

The transaction is expected to deliver significant synergy gains, which consist mainly of revenue synergies, reorganisation of functions and scale benefits including IT and other infrastructure. The synergy gains at an annual level are estimated to amount to EUR 8 million and they are expected to be realised in full during 2023.

The purchase-sum amounted to EUR 123.7 million, of which EUR 10.0 million were paid as 974,563 Aktia shares. With the acquisition, intangible assets amounting to EUR 43.1 million for customer relations, partnership agreements and non-compete agreements as well as EUR 80.4 million for goodwill were allocated.

Changes in Aktia's Executive Committee and responsibilities

Aktia simplified the Group's organisational structure and clarified the responsibilities and management of the different business areas.

Perttu Purhonen, was appointed EVP, Asset Management as of 3 May 2021.

Anssi Huhta, EVP, Corporate Customers and member of the Executive Committee, took over the responsobility of the entire Banking Business as of 5 May 2021.

Sari Leppänen was appointed EVP, Chief Information Officer (CIO) and member of the Executive Committee as of 9 August 2021.

Carola Nilsson left her duties in the Group's Executive Committee as of 5 May 2021 but continues as Director for the Private Customer business.

Anu Tuomolin, Chief Operating Officer (COO) and HR, left her duties in Aktia as of 5 May 2021.

Aktia issued EUR 60 million Additional Tier 1 notes

On 19 May 2021, Aktia Bank Plc issued EUR 60 million unsecured fixed rate notes that can be counted as AT1 capital (Additional Tier 1) in the capital adequacy. The notes bear a fixed interest at the initial rate of 3.875 per cent per annum.

Aktia's Capital Markets Day will take place on 8 September 2021

Aktia will arrange a Capital Markets Day in Helsinki on 8 September 2021. The event is intended for investors, analysts, bank representatives and the media. Aktia's CEO Mikko Ayub, CFO Outi Henriksson and other members of the Group's Executive Committee will present at the event. Registration information and the more detailed agenda will be distributed later.

Cooperation negotiations at Aktia were completed

Aktia's cooperation negotiations that were initiated on 18 February 2021 were completed on 20 April 2021. After completing the negotiations, the company decided on making changes that resulted in Aktia reducing 75 jobs instead on the initially estimated 100 jobs. With the negotiations, approximately 50 persons were given a possibility to obtain new duties within the company.

Aktia the best fund house in Morningstar's comparison

Aktia won first place in all three Fund House categories in Morningstar's Finland Awards 2021 competition. In terms of fund houses, the five-year risk-adjusted return in three areas is assessed: equities, fixed income and best overall. This year, Aktia was the winner in all three areas.

Distribution cooperation with Hypo

Aktia Life Insurance extended its distribution of personal insurances and started a cooperation with Hypo (The Mortage Society of Finland). The cooperation started in February, when Hypo started selling Aktia Personal Insurance. With the cooperation, Aktia Life Insurance continued in a purposeful way to increase sales and to extend its distribution cooperation projects.

Decision on the payment of dividend

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

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

Other information

Rating

On 22 January 2021, Standard & Poor's (S&P) adjusted its outlook for the creditworthiness of Aktia Bank Plc to stable. The rating is A- for long-term borrowing and A2 for short-term borrowing. The rating has been updated on 25 March 2021.

On 23 September 2020, Moody's Investors Service confirmed the long- and short-term credit rating of Aktia Bank. The rating has been updated on 19 May 2021. The rating for senior preferred bonds was A1 and for short-term debt instruments P-1. Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term Covered Bonds. The outlook is stable. Moody's Investors Service restored the outlook for the banking sector in Finland to stable on 1 April 2021.

On 17 May 2021, Moody's Investors Service awarded Aktia Bank the rating Baa3(hyb) for the Additional Tier 1 capital issued by Aktia Bank.

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

Events concerning related parties

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

Further information on events concerning related parties is described in notes G43 and P43 in the Financial statements 2020.

Staff

The number of full-time employees at the end of June amounted to 926 (31 December 2020; 830). The average number of full-time employees amounted to 850 (1 January–30 June 2020; 786).

Incentive scheme

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

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

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

Matching shares for the AktiaUna share savings programme, including the performance-based part of the programme, for 2019–2020 have been paid during the first quarter 2021.

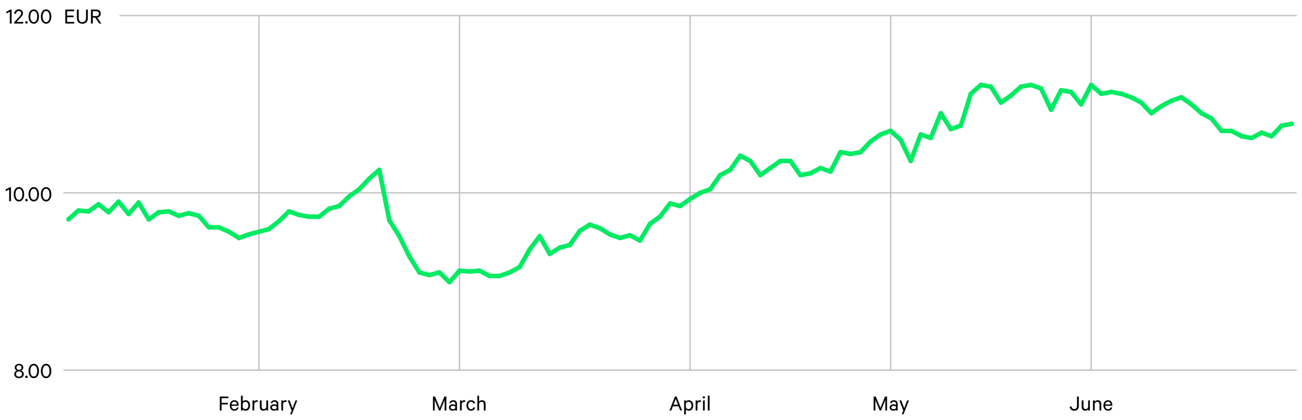
For more information on the incentive scheme see www.aktia.com > Investors > Corporate Governance > Remuneration.

Decisions of Aktia Bank Plc's Annual General Meeting 2021

The Annual General Meeting of Aktia Bank Plc on 13 April 2021 adopted the financial statements of the parent company and the consolidated financial statements and discharged the members of the Board of Directors, the CEO and his deputy from liability.

In accordance with the proposal by the Board of Directors, the Annual General Meeting decided, taking into account the recommendations issued by the authorities', to authorise the Board to at a later date decide on the payment of a maximum dividend of 0.43 euro per share for the accounting period 1 January – 31 December 2020 with a payment at one or more occasions. The authorisation is in force until the Annual General Meeting 2022. The Board was authorised to decide

Development of Aktia's share 4 January–30 June 2021



on the record date and the date of payment of a possible dividend. Aktia will notify of the decisions separately.

The Annual General Meeting confirmed the number of board members as eight. Johan Hammarén, Maria Jerhamre Engström, Harri Lauslahti, Olli-Petteri Lehtinen, Johannes Schulman, Lasse Svens and Arja Talma were re-elected as Board members. Timo Vättö was elected as a new member of the Board of Directors. The Board of Directors, which convened after the General Meeting, elected Lasse Svens as chair and Timo Vättö as vice chair.

In accordance with the proposal by the Board of Directors the Annual General Meeting decided to approve the remuneration report for the governing bodies of Aktia Bank Plc and confirmed the remuneration for the Board members.

The Annual General Meeting determined that the number of auditors shall be one, and confirmed the remuneration to the auditor, and re-elected APA firm KPMG Oy Ab as auditor with Marcus Tötterman, M.Sc. (Econ.), APA, as auditor-in-charge.

The Annual General Meeting adopted the proposal of the Board of Directors regarding resolution for share issue authorisation for up to 6,967,000 shares or securities entitling to shares, authorisation to acquire up to 500,000 company's own shares for use in the company's share based scheme and/or the remuneration of members of the company's Board of Directors and authorisation to divest up to 500,000 company's own shares.

The Annual General Meeting adopted the proposal of the Board of Directors regarding the right to a share incorporated in the book-entry system and the rights that the share carries have been forfeited for the shares in Aktia Bank Plc's collective account. The 47,920 shares now object for forfeiture are shares issued as a buffer in connection with the merger of Veritas Mutual Non-Life Insurance Company to Aktia Plc on 1 January 2009.

All proposals mentioned above are included in the Summons to the Annual General Meeting published on the website www.aktia.com under Investors > Corporate governance > Annual general meeting > Annual General Meeting 2021.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 169.7 million. At the end of June 2021, the number of Aktia shares was 70,715,506. The total number of registered holders amounted to 38,729 (30 June 2020; 36,640). 11.97% of the shares were in foreign ownership. The number of unregistered shares was 0 on 30 June 2021, corresponding to 0.00% of the total number of shares. On 30 June 2021, the Group held 251,237 Aktia shares (30 June 2020; 85,578). Aktia Bank Plc's market value on 30 June 2021, the last trading day of the period, was approximately EUR 762 million. The closing price for the Aktia share on 30 June 2021 was EUR 10,78. The highest price for the Aktia share during the period was EUR 11.22 and the lowest EUR 8.99.

The average daily turnover of the Aktia share during January–June 2021 was EUR 1,181,795 or 117,888 shares.

(EUR million)	**Number of shares**	**Share capital**	**Unrestricted equity reserve**
1 Jan 2020	**69,172,437**	**163.0**	**110.2**
Share issue 14 Feb 2020	744,696	6.7	-
Share issue 4 May 2020	220,000	-	1.7
Share issue 27 May 2020	84,355	-	0.6
Invalidation of shares 7 Oct 2020	-717,196	-	
Share issue 16 Nov 2020	69,881	-	0.7
Other changes	-	-	-0.4
31 Dec 2020	**69,574,173**	**169.7**	**112.7**
Share issue 9 Feb 2021	100,00	-	1.0
Share issue 6 May 2021	974,563	-	9.6
Share issue 20 May 2021	66,770	-	0.7
30 Jun 2021	**70,715,506**	**169.7**	**124.0**

Corporate responsibility

Corporate responsibility is a part of our strategy and supports the value creation for our stakeholders. The objective for our corporate responsibility programme is to be a solvent, reliable, and environmentally responsible partner for economic well-being and the most attractive workplace in the business. In spring, we became a public supporter of TCFD and published the first TCFD (Task Force on Climate-related Financial Disclosures) overview as part of our integrated Annual and Sustainability report. We developed our consideration of ESG factors and risks as well as our assessment of taxonomy eligibility as part of our business operations. We also assessed the carbon dioxide emissions and flood risks of the loan portfolio. We published a remuneration policy that takes ESG (Environmental, Social, Governance) risks into account and updated our principles for responsible investment. Our aim is to continue integrating the responsibility into our business and to further develop our corporate responsibility reporting. The indicators we monitor every six months developed in the right direction. The carbon footprint for our own equity funds was on average -70 %*(-56 %**) less than for the reference markets. Our long-term objective is to have a smaller carbon footprint than that for the reference market. The investment strategy favours less capital-intensive companies that typically also have favourable emissions profiles. Private and premium customers' satisfaction with customer meetings, which describes the success of our customer service, increased and was at a good level considering that our target is to go over 50. Our corporate responsibility and ESG activity were also successful: Our ESG ranking at the Retail & Specialised Banks' sector increased significantly to level 14, by 41 levels.

Indicator (target)	1-6/2021	1-6/2020	Δ
The carbon footprint of our equity funds compared to the reference market (in the long run smaller on average than that of the reference market)	-70%* (-56%**)	-69%*	-1%
NPS (Net Promoter Score), measuring customers' satisfaction, private and premium customers (at least 50)	73	67	+6

* The figures include Aktia's comparable funds, i.e. Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America and Global.

** The figures include Aktia's comparable funds and the funds Micro Rhein, New Europe, Nordic Micro Equity, Nordic Value, Rhein Value, Micro Markka, Finland Value, European Cash Machines transferred from Taaleri to Aktia as a result of the acquisition.

Financial targets up until 2023

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

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

The intension is that the financial targets are updated in connection with the capital market day.

Risks and outlook

Risks (changed)

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

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

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

The availability of liquidity on the financial market is important for Aktia's refinancing activities. Like other banks, Aktia relies on deposits from households to 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 demands on long-term financing and higher fixed expenses.

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

The coronavirus pandemic that broke out during 2020 and the measures taken for limiting its development has influenced both the real economy and the financial market. The negative impact of the coronavirus pandemic as well as the sufficiency of the measures taken to decrease the impact are monitored and assessed continuously.

According to the latest information, the recovery from the coronavirus pandemic has started, which is also reflected in statistic indications in Finland's economic development during spring 2021.

The quality of Aktia's loan book and new lending has been stable despite growth in lending. This applies to the lending volumes of both corporate and household customers.

The transaction between Taaleri Plc and Aktia Group was completed on 30 April 2021. The transaction is being handled actively by thorough integration coordination and capital planning. Future risks regarding the transaction are the completion of the transaction and that the integration will be reached according to the set targets, including the synergy and cross-selling targets. Integration of Aktia and Taaleri's wealth management business is led by a planned merger of the Group's two fund management companies and the merger between Aktia Asset Management Ltd and Aktia Bank Plc has been prepared and related risks have been identified during the second quarter. Potential risks for unclear processes, responsibilities or operative principles are mitigated by harmonising processes, principles and the government structure before carrying out mergers.

Sepa instant payment and increased digitalisation have increased the number of frauds throughout the finance sector. These are carried out very professionally from abroad. Aktia's customers have also been victims of such phishing attacks during the first half of 2021, which increases the reputation risks by decreased confidence in the reliability of bank services. Aktia has been able to limit customer loss by taking quick measures but frauds also include the risk for increased expenses in the form of information security investments and compensation for customer loss based on PSD2 regulation.

Aktia's regulative capital situation in relation to risk-weighted position has decreased. This has resulted in a higher risk of the regulative capital situation preventing utilising the market potential for growth in terms of risk positions in the future.

Outlook 2021 (maintained)

Aktia maintains its previous outlook in which the comparable operating profit for 2021 is expected to be considerably higher than during 2020.

- The increase in net interest income is expected to continue owing to strong volume increase and reasonable financing expenses
- The increase in commission income from fund and asset management is expected to be higher than during the first half year due to the acquisition of Taaleri's wealth management operations
- Expenses are expected to be higher than during 2020 considering the increased staff expenses due to the acquisition of Taaleri's wealth management operations as well as one-off transaction and integration related expenses
- Provisions for possible expected credit losses are expected to increase moderately. Aktia's liquidity is expected to be at a high level whereas the capital adequacy ratio is expected to be solid but somewhat lower than during the first quarter, which is mainly attributable to the acquisition of Taaleri's wealth management operations..

Tables and notes to the interim report

Key figures

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %	2Q2021	1Q2021	4Q2020	3Q2020	2Q2020
Earnings per share (EPS), EUR	0.45	0.22	105%	0.25	0.20	0.22	0.18	0.19
Total earnings per share, EUR	0.31	0.23	35%	0.19	0.12	0.24	0.23	0.30
Equity per share (NAV), EUR *[1]	10.26	8.97	14%	10.26	9.19	9.60	9.21	8.97
Average number of shares (excl. treasury shares), million[2]	69.8	69.7	0%	69.8	69.5	69.8	69.7	69.7
Number of shares at the end of the period (excl. treasury shares), million[1]	70.5	70.1	0%	70.5	69.5	69.5	70.1	70.1
Return on equity (ROE), %*	9.1	4.9	87%	10.1	8.6	9.2	7.8	8.4
Return on assets (ROA), %*	0.58	0.30	93%	0.65	0.55	0.57	0.48	0.52
Cost-to-income ratio*	0.67	0.76	-12%	0.67	0.67	0.64	0.68	0.66
Common Equity Tier 1 capital ratio. CET1 (Bank Group), %[1]	10.8	15.7	-31 %	10.8	13.8	14.0	15.6	15.7
Tier 1 capital ratio (Bank Group), %[1]	12.9	15.7	-18%	12.9	13.8	14.0	15.6	15.7
Capital adequacy ratio (Bank Group), %[1]	15.5	18.9	-18%	15.5	16.3	16.6	18.5	18.9
Risk-weighted assets (Bank Group)[1]	2,885.7	2,844.8	1%	2,885.7	3,035.8	3,030.0	2,900.7	2,844.8
Capital adequacy ratio (finance and insurance conglomerate), %[1]	121.6	135.7	-10%	121.6	126.9	126.6	136.9	135.7
Equity ratio, %*[1]	6.6	6.3	5%	6.6	6.3	6.6	6.4	6.3
Group financial assets*[1]	2,374.0	2,435.5	-3%	2,374.0	2,221.8	2,265.5	2,625.9	2,435.5
Customer assets under management*[1,3]	15,581.7	9,233.3	69%	15,581.7	10,378.5	10,446.9	9,623.5	9,233.3
Borrowing from the public[1]	4,559.6	4,499.9	1%	4,559.6	4,370.6	4,465.8	4,497.1	4,499.9
Lending to the public[1]	7,299.2	6,693.8	9%	7,299.2	7,139.0	6,999.8	6,779.9	6,693.8
Premiums written before reinsurers' share*	80.8	53.0	52%	41.8	38.9	35.3	17.8	17.3
Expense ratio, % (life insurance company)*[2]	95.6	89.3	7%	95.6	97.3	73.9	87.7	89.3
Solvency ratio (life insurance company), %	156.6	137.4	14%	156.6	154.7	145.9	146.8	137.4
Eligible capital (life insurance company)	177.1	148.2	20%	177.1	171.3	159.1	154.0	148.2
Investments at fair value (life insurance company)*[1]	1,608.7	1,390.1	16%	1,608.7	1,555.1	1,515.2	1,421.7	1,390.1
Technical provisions for risk insurances and interest-related insurances[1]	426.5	459.3	-7%	426.5	435.9	441.0	450.7	459.3
Technical provisions for unit-linked insurances[1]	1,087.9	856.4	27%	1,087.9	1,020.2	969.8	889.0	856.4
Group's personnel (FTEs), average number of employees	850	786	8%	867	827	826	833	797
Group's personnel (FTEs), at the end of the period[1]	926	834	11%	926	824	830	821	834
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio*	0.64	0.76	-16%	0.63	0.67	0.64	0.68	0.66
Comparable earnings per share (EPS), EUR*	0.49	0.22	123%	0.29	0.20	0.22	0.18	0.19
Comparable return on equity (ROE), %*	9.8	4.9	99%	11.8	8.6	9.3	7.8	8.5

* 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. Aktia presents a number of 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 the table under the Group's income statement and comprehensive income.
1) At the end of the period
2) Cumulative from the beginning of the year
3) Excluding fund in funds (comparative periods recalculated)

Formulas for the key figures are available in Aktia Bank Plc's Annual and Sustainability Report 2020 on page 111.

Consolidated income statement

(EUR million)	Note	Jan-Jun 2021	Jan-Jun 2020	Δ %	2020
Net interest income	3	49.0	39.8	23%	80.7
Dividends		0.3	0.3	-2%	0.4
Commission income		62.4	52.9	18%	106.9
Commission expenses		-5.6	-4.8	-15%	-9.3
Net commission income		56.8	48.1	18%	97.6
Net income from life insurance	4	20.4	4.9	315%	19.9
Net income from financial transactions	5	4.2	0.3	-	0.6
Other operating income		0.5	1.2	-58%	1.9
Total operating income		**131.2**	**94.7**	**39%**	**201.1**
Staff costs		-39.6	-35.0	13%	-69.1
IT expenses		-14.0	-11.9	17%	-26.0
Depreciation of tangible and intangible assets		-9.7	-9.4	4%	-18.3
Other operating expenses		-24.2	-15.6	55%	-28.8
Total operating expenses		**-87.6**	**-71.9**	**22%**	**-142.2**
Impairment of credits and other commitments	7	-3.6	-3.2	14%	-4.0
Impairment of other receivables		-	-0.4	-	-
Share of profit from associated companies		-0.1	-0.1	7%	-0.1
Operating profit		**39.9**	**19.1**	**109%**	**54.8**
Taxes		-8.3	-4.0	104%	-12.2
Profit for the period		**31.7**	**15.1**	**110%**	**42.6**
Attributable to:					
Shareholders in Aktia Bank Plc		31.1	15.1	107%	42.6
Holders of other Tier 1 capital		0.5	-	-	-
Total		**31.7**	**15.1**	**110%**	**42.6**
Earnings per share (EPS), EUR		0.45	0.22	105%	0.61
Earnings per share (EPS) after dilution, EUR		0.45	0.22	105%	0.61
Operating profit excluding items affecting comparability:					
Operating profit		39.9	19.1	109%	54.8
Operating expenses:					
Costs for restructuring		3.0	0.2	-	0.3
Comparable operating profit		**42.9**	**19.3**	**122%**	**55.1**

Consolidated statement of comprehensive income

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %	2020
Profit for the period	31.7	15.1	110%	42.6
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets	-6.9	2.9	-	8.4
Change in valuation of fair value for cash flow hedging	0.0	0.0	-	0.3
Transferred to the income statement for financial assets	-2.6	-2.0	-35%	-2.6
Comprehensive income from items which can be transferred to the income statement	-9.5	1.0	-	6.2
Defined benefit plan pensions	-	-	-	-0.2
Comprehensive income from items which can not be transferred to the income statement	-	-	-	-0.2
Total comprehensive income for the period	**22.1**	**16.1**	**38%**	**48.6**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank Plc	21.6	16.1	34%	48.6
Holders of other Tier 1 capital	0.5	-	-	-
Total	**22.1**	**16.1**	**38%**	**48.6**
Total earnings per share. EUR	0.31	0.23	35%	0.70
Total earnings per share after dilution. EUR	0.31	0.23	35%	0.70
Total comprehensive income excluding items affecting comparability:				
Total comprehensive income	22.1	16.1	38%	48.6
Operating expenses:				
Costs for restructuring	2.4	0.2	-	0.2
Comparable total comprehensive income	**24.5**	**16.2**	**51%**	**48.8**

Items affecting consolidated income statement and comprehensive income

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %	2020
Staff costs	-1.3	-0.2	548%	-0.3
Other operating expenses	-1.7	-	-	-
Total operating expenses	**-3.0**	**-0.2**	**-**	**-0.3**
Operating profit	**-3.0**	**-0.2**	**-**	**-0.3**
Taxes	0.6	0.0	-	0.1
Total comprehensive income for the year	**-2.4**	**-0.2**	**-**	**-0.2**

Consolidated balance sheet

(EUR million)	Note	30 Jun 2021	31 Dec 2020	Δ %	30 Jun 2020
Assets					
Interest-bearing securities		97.4	102.7	-5 %	101.0
Shares and participations		180.0	159.9	13%	146.4
Investments for unit-linked investments		1,088.8	969.9	12%	856.9
Financial assets measured at fair value through income statement	8	1,366.2	1,232.5	11%	1,104.3
Interest-bearing securities		989.6	1,258.2	-21%	1,334.2
Financial assets measured at fair value through other comprehensive income	8	989.6	1,258.2	-21%	1,334.2
Interest-bearing securities	7,8	366.5	413.8	-11%	391.1
Lending to Bank of Finland and credit institutions	7,8	42.6	28.9	47%	24.0
Lending to the public and public sector entities	7,8	7,299.2	6,999.8	4%	6,693.8
Cash and balances with central banks	8	716.7	298.6	140%	431.0
Financial assets measured at amortised cost		8,424.9	7,741.1	9%	7,540.0
Derivative instruments	6,8	54.1	76.1	-29%	70.4
Investments in associated companies and joint ventures		0.2	0.1	50%	0.2
Intangible assets and goodwill		180.2	57.9	211%	59.9
Right-of-use assets		24.7	22.6	9%	23.8
Investment properties		42.2	39.8	6%	43.3
Other tangible assets		6.6	5.3	24%	3.0
Tangible and intangible assets		253.7	125.7	102%	130.0
Other assets		144.0	136.1	6%	135.5
Income tax receivables		0.8	0.5	61%	2.2
Deferred tax receivables		2.3	2.5	-5%	2.9
Tax receivables		3.2	3.0	7%	5.0
Total assets		**11,235.9**	**10,572.8**	**6%**	**10,319.5**
Liabilities					
Liabilities to central banks		650.0	550.0	18%	500.0
Liabilities to credit institutions		134.2	148.6	-10%	133.4
Liabilities to the public and public sector entities		4,559.6	4,465.8	2%	4,499.9
Deposits	8	5,343.9	5,164.4	3%	5,133.3
Derivative instruments	6,8	16.7	12.2	36%	12.8
Debt securities issued		3,065.6	2,845.8	8%	2,721.1
Subordinated liabilities		119.4	158.2	-25%	187.7
Other liabilities to credit institutions		21.8	24.6	-11%	32.3
Other liabilities to the public and public sector entities		269.5	150.0	80%	150.0
Other financial liabilities	8	3,476.3	3,178.5	9%	3,091.1
Technical provisions for risk insurances and interest-related insurances		426.5	441.0	-3%	459.3
Technical provisions for unit-linked insurances		1,087.9	969.8	12%	856.4
Technical provisions		1,514.4	1,410.8	7%	1,315.7
Other liabilities		98.6	82.9	19%	84.7
Provisions		1.5	1.3	15%	1.1
Income tax liabilities		3.3	4.0	-19%	0.3
Deferred tax liabilities		58.6	51.7	13%	51.5
Tax liabilities		61.9	55.8	11%	51.9
Total liabilities		**10,513.1**	**9,905.9**	**6%**	**9,690.5**
Equity					
Restricted equity		181.5	191.0	-5%	185.8
Unrestricted equity		541.3	475.8	14%	443.2
Shareholders' share of equity		663.3	666.8	-1%	629.0
Holders of other Tier 1 capital		59.5	-	-	-
Total equity		**722.8**	**666.8**	**8%**	**629.0**
Total liabilities and equity		**11,235.9**	**10,572.8**	**6%**	**10,319.5**

Consolidated off-balance-sheet commitments

(EUR million)	30 Jun 2021	31 Dec 2020	Δ %	30 Jun 2020
Guarantees	20.5	22.2	-8%	24.9
Other commitments provided to a third party	7.0	8.2	-14%	6.8
Commitments provided to a third party on behalf of the customers	27.6	30.4	-9%	31.8
Unused credit arrangements	680.2	660.0	3%	627.9
Other commitments provided to a third party	13.0	8.6	52%	9.9
Irrevocable commitments provided on behalf of customers	693.2	668.5	4%	637.8
Total	**720.8**	**698.9**	**3%**	**669.5**

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Additional Tier 1 capital holders	Total equity
Equity as at 1 January 2020	**163.0**	**15.1**	**2.6**	**110.2**	**319.1**	**610.0**	**-**	**610.0**
Share issue	6.7			2.9	-6.1	3.6	-	3.6
Acquisition of treasury shares					-1.7	-1.7	-	-1.7
Divestment of treasury shares				-0.4	1.3	0.9	-	0.9
Profit for the year					42.6	42.6	-	42.6
Financial assets		5.8				5.8	-	5.8
Cash flow hedging		0.3				0.3	-	0.3
Defined benefit plan pensions					-0.2	-0.2	-	-0.2
Total comprehensive income for the year		6.2			42.4	48.6	-	48.6
Change in share-based payments (IFRS 2)			0.3		1.5	1.8	-	1.8
Repayment of dividend debt for invalidated shares					3.6	3.6	-	3.6
Equity as at 31 December 2020	**169.7**	**21.3**	**3.0**	**112.7**	**360.2**	**666.8**	**-**	**666.8**
Equity as at 1 January 2021	**169.7**	**21.3**	**3.0**	**112.7**	**360.2**	**666.8**	**-**	**666.8**
Share issue				11.3		11.3	-	11.3
Acquisition of treasury shares					-1.0	-1.0	-	-1.0
Divestment of treasury shares				0.1	1.0	1.0	-	1.0
Dividend to sharehol-ders					-36.8	-36.8	-	-36.8
Profit for the year					31.7	31.7	-	31.7
Financial assets		-9.5			-	-9.5	-	-9.5
Cash flow hedging		0.0			-	0.0	-	0.0
Total comprehensive income for the period		-9.5			31.7	22.1	-	22.1
Additional Tier 1 (AT1) capital issue						-	60.0	60.0
Issue cost						-	-0.5	-0.5
Change in share-based payments (IFRS 2)			-0,6		0,4	-0,2	-	-0,2
Equity as at 30 June 2021								

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Additional Tier 1 capital holders	Total equity
Equity as at 1 January 2020	**163.0**	**15.1**	**2.6**	**110.2**	**319.1**	**610.0**	**-**	**610.0**
Share issue	6.7				-6.1	0.6	-	0.6
Acquisition of treasury shares					-1.7	-1.7	-	-1.7
Divestment of treasury shares				2.4	1.3	3.7	-	3.7
Profit for the year					15.1	15.1	-	15.1
Financial assets		1.0				1.0	-	1.0
Cash flow hedging		0.0				0.0	-	0.0
Total comprehensive income for the year		1.0			15.1	16.1	-	16.1
Change in share-based payments (IFRS 2)			-0.5		0.8	0.3	-	0.3
Equity as at 30 June 2020	**169.7**	**16.1**	**2.1**	**112.6**	**328.5**	**629.0**	**-**	**629.0**

Consolidated cash flow statement

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %	2020
Cash flow from operating activities				
Operating profit	39.9	19.1	109%	54.8
Adjustment items not included in cash flow	10.2	21.4	-52%	12.5
Paid income taxes	-8.8	-9.0	2%	-12.4
Cash flow from operating activities before change in receivables and liabilities	**41.3**	**31.5**	**31%**	**54.9**
Increase (-) or decrease (+) in receivables from operating activities	-134.0	-404.5	67%	-774.4
Increase (+) or decrease (-) in liabilities from operating activities	643.5	519.3	24%	775.1
Total cash flow from operating activities	**550.8**	**146.3**	**277%**	**55.6**
Cash flow from investing activities				
Acquisition of the Taaleri Varainhoito Group	-113.7	-	-	-
Investment in investment properties	-2.2	-2.3	6%	-1.5
Proceeds from sale of investment properties	0.9	-	-	-
Investment in tangible and intangible assets	-4.8	-4.2	-16%	-11.0
Proceeds from sale of tangible and intangible assets	0.0	-	-	0.0
Share issue and capital loan to associated companies	-0.2	-0.1	-5%	-0.1
Acquisition of Liv-Alandia's life insurance portfolio	-	7.0	-	7.0
Total cash flow from investing activities	**-119.9**	**0.4**	**-**	**-5.6**
Cash flow from financing activities				
Subordinated liabilities	-38.8	-27.7	-40%	-57.3
Additional Tier 1 (AT1) capital issue	59.5	-	-	-
Dividend/share issue to the non-controlling interest	-	-3.0	-	-3.0
Divestment of treasury shares	1.0	1.4	-28%	0.9
Paid dividends	-36.8	-	-	-
Total cash flow from financing activities	**-15.1**	**-29.3**	**49%**	**-59.4**
Change in cash and cash equivalents	**415.8**	**117.3**	**254%**	**-9.5**
Cash and cash equivalents at the beginning of the year	276.6	286.1	-3%	286.1
Cash and cash equivalents at the end of the period	701.9	403.4	74%	276.6
Cash and cash equivalents from the acquired Taaleri Varainhoito Group	9.5	-	-	-
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	0.8	1.3	-37%	1.3
Bank of Finland current account	665.8	380.7	75%	248.3
Repayable on demand claims on credit insitutions	35.3	21.3	66%	27.0
Total	**701.9**	**403.4**	**74%**	**276.6**
Adjustment items not included in cash flow consist of:				
Impairment of interest-bearing securities	-0.2	0.1	-	0.1
Unrealised change in value for financial assets measured at fair value through income statement	-0.5	6.8	-	1.6
Write-downs on credits and other commitments	3.6	3.2	14%	4.0
Change in fair values	2.8	5.2	-47%	-9.7
Depreciation and impairment of tangible and intangible assets	7.2	6.2	16%	12.6
Sales gains and losses from tangible and intangible assets	-0.3	-	-	-
Unwound fair value hedging	-1.0	-1.0	2%	-2.1
Change in fair values of investment properties	-0.7	1.2	-	3.8
Change in share-based payments	-0.7	-0.7	3%	0.1
Other adjustments	0.1	0.5	-89%	2.0
Total	**10.2**	**21.4**	**-52%**	**12.5**

Quarterly trends in the Group

(EUR million)

Income statement	**2Q2021**	**1Q2021**	**4Q2020**	**3Q2020**	**2Q2020**	**Jan-Jun 2021**	**Jan-Jun 2020**
Net interest income	27.7	21.3	20.8	20.0	20.1	49.0	39.8
Dividends	0.3	0.0	0.1	0.0	0.1	0.3	0.3
Net commission income	31.7	25.0	25.4	24.2	22.9	56.8	48.1
Net income from life insurance	10.5	9.9	10.2	4.7	10.1	20.4	4.9
Net income from financial transactions	2.9	1.3	0.1	0.2	1.3	4.2	0.3
Other operating income	0.2	0.3	0.4	0.3	0.2	0.5	1.2
Total operating income	**73.3**	**57.9**	**57.0**	**49.4**	**54.8**	**131.2**	**94.7**
Staff costs	-22.0	-17.6	-17.7	-16.4	-18.4	-39.6	-35.0
IT expenses	-7.6	-6.4	-6.9	-7.1	-6.4	-14.0	-11.9
Depreciation of tangible and intangible assets	-5.3	-4.4	-4.6	-4.3	-4.8	-9.7	-9.4
Other operating expenses	-13.9	-10.3	-7.2	-6.0	-6.7	-24.2	-15.6
Total operating expenses	**-48.8**	**-38.7**	**-36.4**	**-33.8**	**-36.3**	**-87.6**	**-71.9**
Impairment of credits and other commitments	-1.4	-2.2	-0.8	-0.1	-1.8	-3.6	-3.2
Impairment of other receivables	-	-	-	0.4	-0.4	-	-0.4
Share of profit from associated companies	-0.1	0.0	-0.1	0.0	0.0	-0.1	-0.1
Operating profit	**23.0**	**16.9**	**19.7**	**16.0**	**16.3**	**39.9**	**19.1**
Taxes	-5.4	-2.9	-4.6	-3.5	-3.3	-8.3	-4.0
Profit for the period	**17.7**	**14.0**	**15.1**	**12.4**	**13.0**	**31.7**	**15.1**
Attributable to:							
Shareholders in Aktia Bank Plc	17.1	14.0	15.1	12.4	13.0	31.1	15.1
	0.5	-	-	-	-	0.5	-
Total	**17.7**	**14.0**	**15.1**	**12.4**	**13.0**	**31.7**	**15.1**
Earnings per share (EPS), EUR	0.25	0.20	0.22	0.18	0.19	0.45	0.22
Earnings per share (EPS) after dilution, EUR	0.25	0.20	0.22	0.18	0.19	0.45	0.22

Operating profit excluding items affecting comparability:	**2Q2021**	**1Q2021**	**4Q2020**	**3Q2020**	**2Q2020**	**Jan-Jun 2021**	**Jan-Jun 2020**
Operating profit	23.0	16.9	19.7	16.0	16.3	39.9	19.1
Operating expenses:							
Costs for restructuring	3.0	-	0.1	-	0.2	3.0	0.2
Comparable operating profit	**26.0**	**16.9**	**19.8**	**16.0**	**16.5**	**42.9**	**19.3**

(EUR million)

Comprehensive income	**2Q2021**	**1Q2021**	**4Q2020**	**3Q2020**	**2Q2020**	**Jan-Jun 2021**	**Jan-Jun 2020**
Profit for the period	17.7	14.0	15.1	12.4	13.0	31.7	15.1
Other comprehensive income after taxes:							
Change in fair value for financial assets	-2.3	-4.6	1.5	4.0	8.7	-6.9	2.9
Change in fair value for cash flow hedging	0.0	0.0	0.2	0.1	0.0	0.0	0.0
Transferred to the income statement for financial assets	-1.8	-0.8	-0.1	-0.5	-0.7	-2.6	-2.0
Comprehensive income from items which can be transferred to the income statement	-4.1	-5.5	1.5	3.6	8.0	-9.5	1.0
Defined benefit plan pensions	-	-	-0.2	-	-	-	-
Comprehensive income from items which can not be transferred to the income statement	-	-	-0.2	-	-	-	-
Total comprehensive income for the period	**13.6**	**8.5**	**16.4**	**16.1**	**21.0**	**22.1**	**16.1**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank Plc	13.1	8.5	16.4	16.1	21.0	21.6	16.1
	0.5	-	-	-	-	0.5	-
Total	**13.6**	**8.5**	**16.4**	**16.1**	**21.0**	**22.1**	**16.1**
Total earnings per share, EUR	0.19	0.12	0.24	0.23	0.30	0.31	0.23
Total earnings per share after dilution, EUR	0.19	0.12	0.24	0.23	0.30	0.31	0.23

Total comprehensive income excluding items affecting comparability:	**2Q2021**	**1Q2021**	**4Q2020**	**3Q2020**	**2Q2020**	**Jan-Jun 2021**	**Jan-Jun 2020**
Operating profit	13.6	8.5	16.4	16.1	21.0	22.1	16.1
Operating expenses:						-	
Costs for restructuring	2.4	-	0.1	-	0.2	2.4	0.2
Comparable total comprehensive income	**16.0**	**8.5**	**16.5**	**16.1**	**21.2**	**24.5**	**16.2**

Quarterly trends in the Segments

Banking Business	2Q2021	1Q2021	4Q2020	3Q2020	2Q2020	Jan-Jun 2021	Jan-Jun 2020
Net interest income	18.7	17.6	18.1	17.7	17.4	36.3	34.0
Net commission income	15.1	14.2	14.1	13.8	13.3	29.3	27.8
Other operating income	0.1	0.2	0.1	0.2	0.1	0.3	0.7
Total operating income	**33.9**	**32.0**	**32.3**	**31.7**	**30.7**	**65.9**	**62.5**
Staff costs	-5.7	-4.6	-4.9	-4.6	-4.8	-10.3	-8.7
Other operating expenses[1]	-20.5	-20.1	-19.2	-18.1	-19.0	-40.7	-38.5
Total operating expenses	**-26.2**	**-24.7**	**-24.1**	**-22.6**	**-23.8**	**-50.9**	**-47.2**
Impairment of credits and other commitments	-1.4	-2.2	-0.8	-0.1	-1.8	-3.6	-3.1
Impairment of other receivables	-	-	-	0.4	-0.4	-	-0.4
Operating profit	**6.3**	**5.0**	**7.4**	**9.4**	**4.8**	**11.3**	**11.7**
Comparable operating profit	**7.5**	**5.0**	**7.4**	**9.4**	**4.9**	**12.5**	**11.8**

Asset Management	2Q2021	1Q2021	4Q2020	3Q2020	2Q2020	Jan-Jun 2021	Jan-Jun 2020
Net interest income	0.4	0.4	0.5	0.5	0.5	0.8	0.9
Net commission income	18.5	12.4	12.5	11.7	11.0	30.8	23.1
Net income from life insurance	9.5	8.9	9.4	3.9	9.4	18.4	3.3
Other operating income	0.3	0.1	0.1	0.1	0.1	0.3	0.1
Total operating income	**28.6**	**21.8**	**22.5**	**16.2**	**21.0**	**50.4**	**27.4**
Staff costs	-6.2	-4.5	-4.2	-3.5	-4.2	-10.7	-8.5
Other operating expenses[1]	-12.4	-7.6	-5.8	-5.8	-5.8	-20.0	-11.7
Total operating expenses	**-18.6**	**-12.0**	**-10.0**	**-9.3**	**-10.0**	**-30.7**	**-20.2**
Operating profit	**10.0**	**9.7**	**12.4**	**6.9**	**11.0**	**19.7**	**7.2**
Comparable operating profit	**11.7**	**9.7**	**12.5**	**6.9**	**11.0**	**21.5**	**7.2**

Group Functions	2Q2021	1Q2021	4Q2020	3Q2020	2Q2020	Jan-Jun 2021	Jan-Jun 2020
Net interest income	8.5	3.4	2.3	1.9	2.2	11.9	5.0
Net commission income	1.2	1.4	1.7	1.5	1.5	2.6	3.1
Other operating income	3.2	1.4	0.5	0.3	1.6	4.6	1.1
Total operating income	**12.9**	**6.2**	**4.5**	**3.7**	**5.3**	**19.1**	**9.2**
Staff costs	-10.1	-8.6	-8.6	-8.4	-9.5	-18.7	-17.7
Other operating expenses[1]	4.0	4.5	4.1	4.2	4.8	8.5	8.8
Total operating expenses	**-6.1**	**-4.1**	**-4.6**	**-4.1**	**-4.7**	**-10.2**	**-8.9**
Impairment of credits and other commitments	-	-	-	-	-	-	0.0
Operating profit	**6.8**	**2.1**	**-0.1**	**-0.4**	**0.6**	**8.9**	**0.3**
Comparable operating profit	**6.8**	**2.1**	**-0.1**	**-0.4**	**0.7**	**8.9**	**0.4**

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

Note 1. Basis for preparing the half-year report and important accounting principles

Basis for preparing the half-year report

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

The half-year report for the period 1 January–30 June 2021 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim report does not contain all the information and notes required for financial statements and should therefore be read together with the Aktia Group's annual report of 31 December 2020. Figures in the tables are presented in millions of euros rounded to one decimal. Therefore, the total of individual amounts may differ from the presented total.

The half-year report for the period 1 January–30 June 2021 was approved by the Board of Directors on 5 August 2021.

Key accounting principles

In preparing the half-year report the Group has followed the accounting principles applicable to the annual report of 31 December 2020. .

Accounting principles requiring management discretion

The calculation of ECL (Expected Credit Loss) includes essential assessments due to the current uncertainty and the low visibility regarding the effects of the coronavirus crisis. To support the Group's ECL calculations an expert panel has been established in order to observe relevant future macroeconomic factors. Macroeconomic factors considered include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios over future macroeconomic prerequisites have been updated per quarter and include essential assessments e.g. in order to observe the coronavirus crisis' impact on future expected credit losses. The assessment includes several considerations, the Group has among other things taken into account the authorities' extensive stimulus packages. In the calculation of the ECL it has also been taken into account that the instalment-free periods due to thecorona crisis do not automatically lead to an increased need for provisions, but the assessment is carried out individually as the applications are being processed. The assessments have been made on the basis of the information available at the date of reporting. Due to the current uncertainty and the limited availability on trustworthy data the assessments for the future include significant uncertainty, which could have a considerable effect on the ECL estimate. The macroeconomic development and the assessments of credit quality are revised continuously on a quarterly basis. As of 1 January 2021, Aktia has introduced the new Definition of Default in accordance with EBA's guidelines in CRR 178.

Accounting principles for AT1 loans

Aktia Bank also issued a EUR 60 million AT1 instrument (Additional Tier 1 capital) during the second quarter of the year. The terms of the AT1 instrument include no agreed maturity and the payment of interest can be cancelled by the issuer. The capital and the interest are reported as equity according to IAS 32.16. The accumulated interest is paid as a contingent liability and amounts to EUR 0.2 million on 30 June 2021. The capital can be counted as AT1 capital (Additional Tier 1) in the capital adequacy.

The following new or revised IFRS standards and interpretations have been made by IFRIC:

In April 2021, the IFRS Interpretation Committee (IFRIC) adopted a final agenda decision on the treatment of development expenses related to purchased cloud services (IAS 38 intangible assets). The agenda includes clarifications of the type of development expenses that can be activated as an intangible asset. According to the new interpretation, the expenses for developing systems that a company does not own or manage, such as cloud services, must not be activated. In autumn 2021, an analysis on whether the agenda decision affects the Group's development expenses activated at an earlier time. No new or adjusted IFRS standards have been implemented this year

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

The reporting of insurance contracts is regulated in IFRS 4 and will in the future be replaced by the new standard IFRS 17. IFRS 17 means new starting points for reporting and measurement of insurance contracts as well as rules on how insurance contracts are presented in the notes. The aim of the new standard is to increase transparency, give a more accurate picture of the results of the insurance contracts and to reduce the differences in accounting between different insurance contracts. This year, IASB has approved a change package for IFRS 17 which will postpone the introduction of the standard to 2023. The standard is expected to be approved by the EU during 2021 and will be compulsory in the EU on 1 January 2023. Aktia Group aims at implementing IFRS 17 when the standard becomes compulsory within the EU.

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

Note 2. Group's risk exposure

The Bank Group's capital adequacy

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

(EUR million)	30 Jun 2021		31 Dec 2020		30 Jun 2020	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**11,235.9**	**9,662.0**	**10,572.8**	**9,091.4**	**10,319.5**	**8,963.0**
of which intangible assets	180.2	179.0	57.9	57.1	59.9	59.1
Total liabilities	**10,513.1**	**9,039.0**	**9,905.9**	**8,516.9**	**9,690.5**	**8,418.2**
of which subordinated liabilities	119.4	119.4	158.2	158.2	187.7	187.7
Share capital	169.7	169.7	169.7	169.7	169.7	169.7
Fund at fair value	11.7	8.8	21.3	15.5	16.1	12.0
Restricted equity	181.5	178.5	191.0	185.3	185.8	181.7
Unrestricted equity reserve and other funds	126.4	126.3	115.7	115.6	114.7	114.7
Retained earnings	383.3	296.8	317.6	235.9	313.4	231.8
Profit for the period	31.7	21.3	42.6	37.8	15.1	16.7
Unrestricted equity	541.3	444.4	475.8	389.3	443.2	363.1
Equity	**722.8**	**623.0**	**666.8**	**574.5**	**629.0**	**544.8**
Total liabilities and equity	**11,235.9**	**9,662.0**	**10,572.8**	**9,091.4**	**10,319.5**	**8,963.0**
Off-balance sheet commitments	**720.8**	**707.8**	**698.9**	**690.4**	**669.5**	**659.6**
The Bank Group's equity		**623.0**		**574.5**		**544.8**
Provision for dividends to shareholders		-		-29.9		-
Profit for the period, for which no application was filed with the Financial Supervisory Authority		-21.3		-		-16.7
Intangible assets		-170.1		-57.1		-59.1
Debentures		74.3		80.1		90.1
Additional expected losses according to IRB		-25.4		-23.6		-21.5
Deduction for significant holdings in financial sector entities		-13.7		-3.4		-1.4
Other incl. unpaid dividend		-21.0		-36.4		0.7
Total capital base (CET1 + AT1 + T2)		**445.9**		**504.3**		**537.1**

The calculation of own funds doesn't include the treatment of article 468 of EU regulation 2020/873 (so called CRR quick fix). The article introduces a temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic.

(EUR million)

The Bank Group's capital adequacy	**30 Jun 2021**	**31 Mar 2021**	**31 Dec 2020**	**30 Sep 2020**	**30 Jun 2020**
Common Equity Tier 1 Capital before regulatory adjustments	512.4	505.2	508.4	532.4	528.8
Common Equity Tier 1 Capital regulatory adjustments	-200.8	-87.4	-84.2	-79.6	-81.8
Total Common Equity Tier 1 Capital (CET1)	**311.6**	**417.9**	**424.3**	**452.8**	**447.0**
Additional Tier 1 capital before regulatory adjustments	60.0	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**60.0**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**371.6**	**417.9**	**424.3**	**452.8**	**447.0**
Tier 2 capital before regulatory adjustments	74.3	76.9	80.1	84,6	90.1
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**74.3**	**76.9**	**80.1**	**84,6**	**90.1**
Total own funds (TC = T1 + T2)	**445.9**	**494.8**	**504.3**	**537,5**	**537.1**
Risk weighted assets	**2 885.7**	**3,035.8**	**3,030.0**	**2,900.7**	**2,844.8**
of which credit risk, the standardised model	589.1	654.7	663.8	658.9	651.0
of which credit risk, the IRB model	1 887.9	2,021.7	1,909.8	1,781.4	1,727.0
of which 15% risk-weight floor for residential mortgages	-	-	96.9	99.0	105.5
of which market risk	-	-	-	-	-
of which operational risk	408.8	359.5	359.5	361.3	361.3
Own funds requirement (8%)	230.9	242.9	242.4	232.1	227.6
Own funds buffer	215.0	251.9	261.9	305.4	309.5
CET1 Capital ratio	10.8%	13.8%	14.0%	15.6%	15.7%
T1 Capital ratio	12.9%	13.8%	14.0%	15.6%	15.7%
Total capital ratio	15.5%	16.3%	16.6%	18.5%	18.9%
Own funds floor (CRR article 500)					
Own funds	445.9	494.8	504.3	537.5	537.1
Own funds floor[1]	236.7	232.3	229.0	221.4	220.0
Own funds buffer	209.2	262.5	275.3	316.0	317,1

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

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

Bank Group's risk-weighted amount for operational risks

(EUR million)

Risk-weighted amount for operational risks	**2018**	**2019**	**2020**	**30 Jun 2021**	**31 Mar 2021**	**31 Dec 2020**	**30 Sep 2020**	**30 Jun 2020**
Gross income	221,2	219,0	213,8					
- average 3 years			218,0					
Capital requirement for operational risk				**32,7**	**28,8**	**28,8**	**28,9**	**28,9**
Risk-weighted amount				**408,8**	**359,5**	**359,5**	**361,3**	**361,3**

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

(EUR million)	30 June 2021				
The Bank Group's total risk exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital requirement 8%**
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,057.9	970.6	63 %	611.9	48.9
Corporates - Other	479.8	437.7	73%	319.7	25.6
Retail - Secured by immovable property non-SME	4,880.0	4,73.4	14%	677.9	54.2
Retail - Secured by immovable property SME	141.1	140.3	49%	68.2	5.5
Retail - Other non-SME	293.3	284.4	32%	91.6	7.3
Retail - Other SME	27.5	25.6	65%	16.7	1.3
Risk-weight floor for residential mortgages, 15%	0.0	0.0	15%	0.0	0.0
Equity exposures	38.1	38.1	267%	102.0	8.2
Total exposures, IRB approach	**6,917.8**	**6,770.2**	**28%**	**1,887.9**	**151.0**
Credit risk, standardised approach					
States and central banks	904.3	974.8	0%	0.0	0.0
Regional goverments and local authorities	170.7	168.9	0%	0.2	0.0
Multilateral development banks	0.0	18.9	0%	0.0	0.0
International organisations	20.0	20.0	0%	0.0	0.0
Credit institutions	199.0	186.8	22%	41.6	3.3
Corporates	137.2	78.8	83%	65.3	5.2
Retail exposures	256.8	96.4	72%	69.8	5.6
Secured by immovable property	761.0	741.2	30%	222.2	17.8
Past due items	3.9	3.0	111%	3.3	0.3
Covered Bonds	718.5	718.5	10%	74.7	6.0
Other items	136.7	136.7	60%	82.7	6.6
Total exposures, standardised approach	**3,307.9**	**3,143.9**	**18%**	**559.8**	**44.8**
Total risk exposures	**10,225.7**	**9,914.1**	**25%**	**2,447.7**	**195.8**

(EUR million)	31 December 2020				
The Bank Group's total risk exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital requirement 8%**
Exposure class					
Credit risk, IRB approach					
Corporates - SME	520.5	473.7	79%	376.3	30.1
Corporates - Other	893.6	837.5	72%	607.1	48.6
Retail - Secured by immovable property non-SME	4,810.6	4,800.7	14%	656.8	52.5
Retail - Secured by immovable property SME	151.3	149.7	49%	73.1	5.9
Retail - Other non-SME	178.5	174.8	30%	51.9	4.2
Retail - Other SME	33.0	31.2	60%	18.7	1.5
Risk-weight floor for residential mortgages, 15%	-	-	15%	96.9	7.8
Equity exposures	47.9	47.9	263%	125.8	10.1
Total exposures, IRB approach	**6,635.5**	**6,515.6**	**31%**	**2 006.7**	**160.5**
Credit risk, standardised approach					
States and central banks	482.7	530.0	0%	-	-
Regional goverments and local authorities	186.5	207.7	0%	0.8	0.1
Multilateral development banks	-	-	-	-	-
International organisations	20.1	20.1	0%	-	-
Credit institutions	407.8	319.8	31%	100.5	8.0
Corporates	202.4	105.9	96%	101.9	8.1
Retail exposures	240.0	95.6	72%	69.3	5.5
Secured by immovable property	690.1	652.0	34%	224.4	18.0
Past due items	0.6	0.5	141%	0.7	0.1
Covered Bonds	800.9	800.9	10%	82.2	6.6
Other items	120.4	120.4	54%	64.7	5.2
Total exposures, standardised approach	**3,151.4**	**2,853.0**	**23%**	**644.4**	**51.6**
Total risk exposures	**9,786.9**	**9,368.5**	**28%**	**2 651.1**	**212.1**

The finance and insurance conglomerates capital adequacy

(EUR million)	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Summary					
The Group's equity	722.8	638.5	666.8	645.7	629.0
Sector-specific assets	77.7	80.5	83.9	88.7	94.4
Intangible assets and other reduction items	-262.1	-141.1	-177.7	-142.7	-141.4
Conglomerate´s total capital base	**538.4**	**577.8**	**573.1**	**591.7**	**582.0**
Capital requirement for banking business	329.8	344.6	343.7	327.5	321.2
Capital requirement for insurance business[1]	113.1	110.7	109.0	104.9	107.9
Minimum amount for capital base	**442.9**	**455.3**	**452.7**	**432.3**	**429.1**
Conglomerate´s capital adequacy	**95.5**	**122.5**	**120.4**	**159.4**	**153.0**
Capital adequacy ratio, %	121.6%	126.9%	126.6%	136.9%	135.7%

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

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

Note 3. Net interest income

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %	2020
Borrowing and lending	42.7	38.2	12%	78.3
Liquidity portfolio	2.8	3.1	-9%	6.2
Hedging measures through interest rate derivatives	1.0	1.1	-11%	2.2
Other, incl. funding from wholesale market	2.5	-2.6	-	-6.0
Total	**49.0**	**39.8**	**23%**	**80.7**

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

Note 4. Net income from life insurance

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %	2020
Premiums written	80.3	52.6	53%	105.3
Net income from investments	12.5	-1.7	-	7.8
of which change in ECL impairment	0.1	-0.1	-	0.0
of which unrealised value changes for shares and participations	3.6	-5.6	-	-0.5
of which unrealised value changes for investment properties	1.4	-1.2	-	-3.8
Insurance claims paid	-50.8	-62.2	18%	-119.3
Net change in technical provisions	-21.7	16.1	-	26.0
Total	**20.4**	**4.9**	**315%**	**19.9**

Note 5. Net income from financial transactions

(EUR million)	Jan-Jun 2021	Jan-Jun 2020	Δ %	2020
Net income from financial assets measured at fair value through income statement	0.2	0.3	-12%	0.2
Net income from securities and currency operations	0.6	0.2	229%	0.5
of which unrealised value changes in shares and participations	0.4	0.1	258%	0.2
Net income from financial assets measured at fair value through other comprehensive income	3.4	0.1	-	0.3
of which change in ECL impairment	0.3	0.0	-	0.0
Net income from interest-bearing securities measured at amortised cost	0.1	0.1	73%	0.0
of which change in ECL impairment	0.1	0.1	73%	0.0
Net income from hedge accounting	-0.2	-0.3	16%	-0.4
Total	**4.2**	**0.3**	**-**	**0.6**

Note 6. Derivative instruments

	30 June 2021		
Hedging derivative instruments (EUR million)	**Total nominal amount**	**Assets, fair value**	**Liabilities, fair value**
Fair value hedging			
Interest rate-related	2,821.3	43.5	13.3
Total	**2,821.3**	**43.5**	**13.3**
Cash Flow hedging			
Interest rate-related	240.2	7.2	-
Total	**240.2**	**7.2**	**-**
Derivative instruments valued through the income statement			
Interest rate-related[1]	80.0	3.4	3.4
Currency-related	6.6	0.0	0.0
Total	**86.6**	**3.4**	**3.4**
Total derivative instruments			
Interest rate-related	3,141.5	54.1	16.6
Currency-related	6.6	0.0	0.0
Total	**3,148.1**	**54.1**	**16.7**

	31 December 2020		
Hedging derivative instruments (EUR million)	**Total nominal amount**	**Assets, fair value**	**Liabilities, fair value**
Fair value hedging			
Interest rate-related	2,570.4	63.3	6.8
Total	**2,570.4**	**63.3**	**6.8**
Cash Flow hedging			
Interest rate-related	240.2	7.4	-
Total	**240.2**	**7.4**	**-**
Derivative instruments valued through the income statement			
Interest rate-related[1]	120.0	5.2	5.5
Currency-related	8.2	0.1	0.0
Total	**128.2**	**5.4**	**5.5**
Total derivative instruments			
Interest rate-related	2,930.6	76.0	12.2
Currency-related	8.2	0.1	0.0
Total	**2,938.9**	**76.1**	**12.2**

1) Interest-linked derivative instruments include interest rate hedging provided for local banks, which after back-to-back hedging with third parties amounted to EUR 80.0 (120.0) million.

Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 30 June 2021				
Interest-bearing securities	1,356.1	-	-	1,356.1
Lending	6,932.1	321.8	87.9	7,341.8
Off-balance sheet commitments	711.9	7.8	1.1	720.8
Total	**9,000.1**	**329.6**	**88.9**	**9,418.6**
Book value of financial assets 31 December 2020				
Interest-bearing securities	1,672.0	-	-	1,672.0
Lending	6,646.2	334.8	47.7	7,028.7
Off-balance sheet commitments	695.8	2.5	0.6	698.9
Total	**9,014.0**	**337.3**	**48.3**	**9,399.6**

Credits and other commitments

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and the other commitments 1 January 2021 according to IFRS 9	4.3	5.3	21.3	30.9
Transferred from stage 1 to stage 2	-0.1	1.1	-	1.0
Transferred from stage 1 to stage 3	-0.1	-	1.4	1.3
Transferred from stage 2 to stage 1	0.2	-0.4	-	-0.2
Transferred from stage 2 to stage 3	-	-1.2	1.9	0.7
Transferred from stage 3 to stage 1	0.0	-	-0.1	-0.1
Transferred from stage 3 to stage 2	-	0.1	-0.1	0.0
Reversal of impairment	-	-	-0.1	-0.1
Other changes	-0.1	-0.6	1.7	1.0
Impairment January-June 2021 in the income statement	-0.2	-1.0	4.8	3.6
Realised losses for which write-downs were made in previous years	-	-	-2.4	-2.4
Reversal of impairment	-	-	0.1	0.1
Impairment of credits and the other commitments 30 June 2021 according to IFRS 9	**4.1**	**4.3**	**23.8**	**32.2**
of which ECL provisions in the balance sheet	1.0	0.1	0.4	1.5

Interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2021 according to IFRS 9	0.8	-	0.3	1.1
Other changes	-0.5	-	-	-0.5
Impairment January-June 2021 in the income statement	-0.5	-	-	-0.5
Impairment of interest-bearing securities 30 June 2021 according to IFRS 9	**0.3**	**-**	**0.3**	**0.6**

The model-based provisions regarding healthy credits in stage 1 and stage 2 were at the same level compared to the calculations for Q4 2020. The provisions with regards to non-performing loans in stage 3 increased because the definition of insolvency had changed.

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	30 June 2021		31 December 2020	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through income statement	1,366.2	1,366.2	1,232.5	1,232.5
Financial assets measured at fair value through other comprehensive income	989.6	989.6	1,258.2	1,258.2
Interest-bearing securities measured at amortised cost	366.5	393.4	413.8	448.3
Loans and other receivables	7,341.8	7,358.4	7,028.7	7,127.8
Cash and balances with central banks	716.7	716.7	298.6	298.6
Derivative instruments	54.1	54.1	76.1	76.1
Total	**10,834.9**	**10,878.5**	**10,307.8**	**10,441.5**
Financial liabilities				
Deposits	5,343.9	5,336.9	5,164.4	5,164.5
Derivative instruments	16.7	16.7	12.2	12.2
Debt securities issued	3,065.6	3,102.3	2,845.8	2,882.1
Subordinated liabilities	119.4	120.1	158.2	156.2
Other liabilities to credit institutions	21.8	21.9	24.6	24.7
Other liabilities to the public and public sector entities	269.5	269.8	150.0	150.5
Liabilities for right-of-use assets	26.9	26.9	24.6	24.6
Total	**8,863.7**	**8,894.5**	**8,379.8**	**8,414.8**

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

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

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

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

Measurement of financial assets at fair value

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

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

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

	30 June 2021				**31 December 2020**			
(EUR million)	**Market value classified into**				**Market value classified into**			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	1,088.80	-	-	1,088.8	969.9	-	-	969.9
Interest-bearing securities	23.6	73.8	-	97.4	24.2	78.5	-	102.7
Shares and participations	127.1	-	52.9	180.0	113.0	-	46.9	159.9
Total	**1,239.5**	**73.8**	**52.9**	**1,366.2**	**1,107.0**	**78.5**	**46.9**	**1,232.5**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	884.1	30.4	75.1	989.6	1,128.6	54.4	75.2	1,258.2
Total	**884.1**	**30.4**	**75.1**	**989.6**	**1,128.6**	**54.4**	**75.2**	**1,258.2**
Derivative instruments, net	-	37.5	-	37.5	0.1	63.7	-	63.8
Total	**-**	**37.5**	**-**	**37.5**	**0.1**	**63.7**	**-**	**63.8**
Total	**2,123.6**	**141.7**	**128.0**	**2,393.3**	**2,235.7**	**196.7**	**122.1**	**2,554.5**

Transfers between level 1 and level 2

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

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

Changes within level 3

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

Reconciliation of changes for financial instruments belonging to level 3	**Financial assets measured at fair value through income statement**			**Financial assets measured at fair value through other comprehensive income**			**Total**		
(EUR million)	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**
Carrying amount 1 January 2021	-	46.9	46.9	75.2	-	75.2	75.2	46.9	122.1
New purchases	-	4.2	4.2	-	-	-	-	4.2	4.2
Sales	-	-0.1	-0.1	-	-	-	-	-0.1	-0.1
Unrealised value change in the income statement	-	2.0	2.0	-	-	-	-	2.0	2.0
Value change recognised in total comprehensive income	-	-	-	-0.1	-	-0.1	-0.1	-	-0.1
Carrying amount 30 June 2021	**-**	**52.9**	**52.9**	**75.1**	**-**	**75.1**	**75.1**	**52.9**	**128.1**

Sensitivity analysis for level 3 financial instruments

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

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

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20%. These assumptions would mean a result or valuation effect via the income statement or via other comprehensive income corresponding to 2.4 (2.0) % of the finance and insurance conglomerate’s own funds.

Sensitivity analysis for financial instruments belonging to level 3	30 June 2021 Effect at an assumed movement			31 December 2020 Effect at an assumed movement		
(EUR million)	**Carrying amount**	**Positive**	**Negative**	**Carrying amount**	**Positive**	**Negative**
Financial assets measured at fair value through income statement						
Shares and participations	52.9	10.6	-10.6	46.9	9.4	-9.4
Total	**52.9**	**10.6**	**-10.6**	**46.9**	**9.4**	**-9.4**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	75.1	2.3	-2.3	75.2	2.3	-2.3
Total	**75.1**	**2.3**	**-2.3**	**75.2**	**2.3**	**-2.3**
Total	**128.1**	**12.8**	**-12.8**	**122.1**	**11.6**	**-11.6**

Set off of financial assets and liabilities

(EUR million)	30 June 2021		31 December 2020	
Assets	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial assets included in general agreements on set off or similar agreements	54.1	-	76.1	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	**54.1**	**-**	**76.1**	**-**
Amount not set off but included in general agreements on set off or similar	6.4	-	6.5	-
Collateral assets	46.5	-	64.6	-
Amount not set off in the balance sheet	**52.9**	**-**	**71.1**	**-**
Net amount	**1.2**	**-**	**4.9**	**-**

Liabilities	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	16.7	-	12.2	11.4
Set off amount	**-**	**-**	-	-
Carrying amount in the balance sheet	**16.7**	**-**	**12.2**	**11.4**
Amount not set off but included in general agreements on set off or similar	6.4	-	6.5	-
Collateral liabilities	7.3	-	1.9	11.3
Amount not set off in the balance sheet	**13.7**	**-**	**8.4**	**11.3**
Net amount	**2.9**	**-**	**3.9**	**0.0**

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

Note 9. Specification of Aktia Group's funding structure

(EUR million)	30 Jun 2021	31 Dec 2020	30 Jun 2020
Deposits from the public and public sector entities	4,559.6	4,465.8	4,499.9
Short-term liabilities, unsecured debts			
Banks	87.8	72.7	68.9
Certificates of deposits issued and money market deposits	444.8	276.0	150.0
Total	**532.5**	**348.6**	**218.9**
Short-term liabilities, secured debts (collateralised)			
Banks - received cash in accordance with collateral agreements	46.5	64.6	64.5
Repurchase agreements - banks	-	11.4	-
Total	**46.5**	**76.0**	**64.5**
Total short-term liabilities	**579.0**	**424.6**	**283.4**
Long-term liabilities, unsecured debts [1]			
Issued debts, senior financing	1,282.2	1,098.3	1,100.7
Other credit institutions	13.8	16.6	19.3
Subordinated debts	119.4	158.2	187.7
Total	**1,415.3**	**1,273.0**	**1,307.7**
Long-term liabilities, secured debts (collateralised)			
Central bank and other credit institutions	658.0	558.0	513.0
Issued Covered Bonds	1,608.1	1,621.5	1,620.4
Total	**2,266.1**	**2,179.5**	**2,133.4**
Total long-term liabilities	**3,681.5**	**3,452.5**	**3,441.1**
Interest-bearing liabilities in the banking business	**8,820.1**	**8,342.9**	**8,224.3**
Technical provisions in the life insurance business	1 514.4	1,410.8	1,315.7
Total other non interest-bearing liabilities	178.6	152.2	150.5
Total liabilities	**10,513.1**	**9,905.9**	**9,690.5**

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

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

1) AT1 loan (Addtional Tier 1 capital) of 60 million euros, issued during Q2 2021, booked under equity

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	30 Jun 2021	31 Dec 2020	30 Jun 2020
Collateral for own liabilities			
Securities	425.4	333.2	514.0
Outstanding loans constituting security for Covered Bonds	2,460.20	2,475.5	2,443.4
Total	**2,885.6**	**2,808.7**	**2,957.4**
Other collateral assets			
Pledged securities[1]	1.4	1.4	109.3
Cash included in pledging agreements and repurchase agreements	7.3	1.9	2.7
Total	**8.7**	**3.3**	**112.0**
Total collateral assets	**2,894.3**	**2,812.0**	**3,069.4**
Collaterals above refers to the following liabilities			
Liabilities to credit institutions[2]	658.0	569.3	513.0
Issued Covered Bonds[3]	1,608.1	1,621.5	1,620.4
Derivatives	7.3	1.9	2.7
Total	**2,273.4**	**2,192.8**	**2,136.0**

1) Refers to securities pledged for the intra day limit. As at 30 June 2021, a surplus of pledged securities amounted to EUR 27 (6) million.
2) Refers to liabilities to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
3) Own repurchases deducted.

Collateral liabilities (EUR million)	30 Jun 2021	31 Dec 2020	30 Jun 2020
Cash included in pledging agreements[1]	46.5	64.6	64.5
Total	**46.5**	**64.6**	**64.5**

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

Note 11. Acquired businesses

Acquired businesses during the financial period

The acquisition of Taaleri Plc's wealth management operations ("Taaleri") was completed on 30 April 2021 in accordance with the sales deed that was signed on 10 March 2021. The acquisition included 100% of Taaleri Wealth Management Ltd (name changed to Aktia Wealth Management Ltd) and its wholly owned subsidiaries Taaleri Fund Management Ltd (name changed to AV Fund Management Ltd), Taaleri Tax Services Ltd (name changed to Aktia Wealth Planning Ltd), Evervest Ltd and Taaleri Asunnot GP Oy (name changed to Aktia Housing GP Ltd).

Asset Management is at the core of Aktia's strategy and the acquisition of Taaleri Plc's wealth management operations supports Aktia's objective to be the best asset manager in Finland. Together, Aktia and the functions that are being transferred from Taaleri, compose one of the leading asset management organisations in Finland in which excellent services, customer orientation, strong investment expertise, comprehensive portfolio management and digital expertise are combined. With the transaction, Aktia offers its customer high-quality asset management products, award-winning Private Banking expertise as well as comprehensive banking and life insurance services.

The acquisition is expected to bring considerable synergy gains that mainly consist of revenue synergies, re-organisation of functions as well as economies of scale within among other things IT and other infrastructure. The synergy gains are expected to amount to approximately EUR 8 million at an annual level and they are expected to be realised in full during 2023.

Transaction and integration costs for the acquisition have up until 30 June 2021 totalled EUR 6.2 million, EUR 5 million of which pertains to 2021. The acquired opeartions contribute to the net commission income for the period of approximately EUR 6.0 million. The integration of the business has commenced immediately at the time of acquisation, with which the impact of the acquired business's can not be distinguished.

Preliminary acquisition calculation* (EUR million

	30 Apr 2021		
Assets	**Taaleri**	**Adjustment for fair value**	**Taaleri's acquisition balance**
Financial assets measured at fair value through income statement	0.0		0.0
Daily accounts, credit institutions	9.5		9.5
Intangible assets	2.4	43.1	45.4
Tangible assets	0.1		0.1
Tax receivables	0.2		0.2
Other assets	5.2		5.2
Total assets	**17.4**	**43.1**	**60.4**
Liabilities			
Tax liabilities	0.6	8.6	9.2
Other liabilities	8.0		8.0
Total liabilities	**8.5**	**8.6**	**17.2**
Net assets according to IFRS	**8.8**	**34.5**	**43.3**
Acquisition value			**123.7**
- of which have been paid in cash			113.7
- of which has been paid with a directed issue of 974,563 shares of EUR 10.261			10.0
Differens = Goodwill			**80.4**
Förvärvsbalansen inkluderar allokerade immateriella tillgångar enligt följande:			
* Customer relationships with a depreciation period of 10 years			26.9
* Cooperation agreement with a depreciation period of 12 years			13.1
* Competition agreement with a depreciation period of 5 years			3.1
Total allocated intangible assets			**43.1**

Intangible assets that have been acquired through a combination of businesses are identified and reported separately from goodwill if they meet the definition of an intangible asset and the fair value can be calculated in a reliable way. The acquisition value for this type of intangible assets is the fair value at the time of the acquisition. The surplus that constitutes of the difference between the paid purchase-sum and the fair value of the Group's share of identifiable acquired net assets are reported as goodwill. If the purchase-sum is lower than the fair value of the company's acquired net assets, the difference is reported directly on the income statement. A latent EUR 8,615 tax debt is reported on the acquisition balance sheet for the allocated intangible assets that amounted to EUR 43,073.

Goodwill is valued, after the first initial recognition, at acquisition value after deductions for possible accumulated impairments. Impairments relating to goodwill are not reversed even though the reason behind the impairment would have ceased to exist. To be able to perform an impairment test, goodwill that has been acquired in conjunction with a combination of businesses is allocated to groups of cash flow generating entities that are expected to be favoured by the synergies in the acquisition. An impairment test for goodwill and intangible assets is performed yearly and if there is any indication of value impairment, an impairment is reported on the income statement. In Taaleri, goodwill amounted to EUR 4,157 and further allocated goodwill for the acquisition amounted to EUR 76,238 at the time of the acquisition.

*The acquisition calculation has been calculated as preliminary during the second quarter and is expected to be determined in final form in connection with the preparation of the annual accounts for 2021.

Helsinki 5 August 2021

Aktia Bank Plc
The Board of Directors

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

Report on review of the half-year report of Aktia Bank plc as of and for the six months period ending 30 June 2021

To the Board of Directors of Aktia Bank plc

Introduction

We have reviewed the balance sheet as of June 30, 2021 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of Aktia Bank plc Group for the six-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

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

Conclusion

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

Helsinki 5 May 2021

KPMG OY AB
Marcus Tötterman
Authorised Public Accountant, KHT

Contact information

Aktia Bank Plc
PO Box 207
Arkadiankatu 4–6, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Group and Investor information: www.aktia.com
Contact: ir@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 2181702-8
BIC/S.W.I.F.T: HELSFIHH

Webcast from the results event

A live webcast from the results event will take place on 5 August 2021 at 10.30 a.m. CEO Mikko Ayub and CFO Outi Henriksson will present the results. The event is held in English and can be seen live at **https://aktia.videosync.fi/2021-q2-results**. A recording of the webcast will be available at www.aktia.com after the event.

Financial calendar

Capital Market Day..8 September 2021

Interim report January–September 2021.....................4 November 2021

Aktia