

Aktia



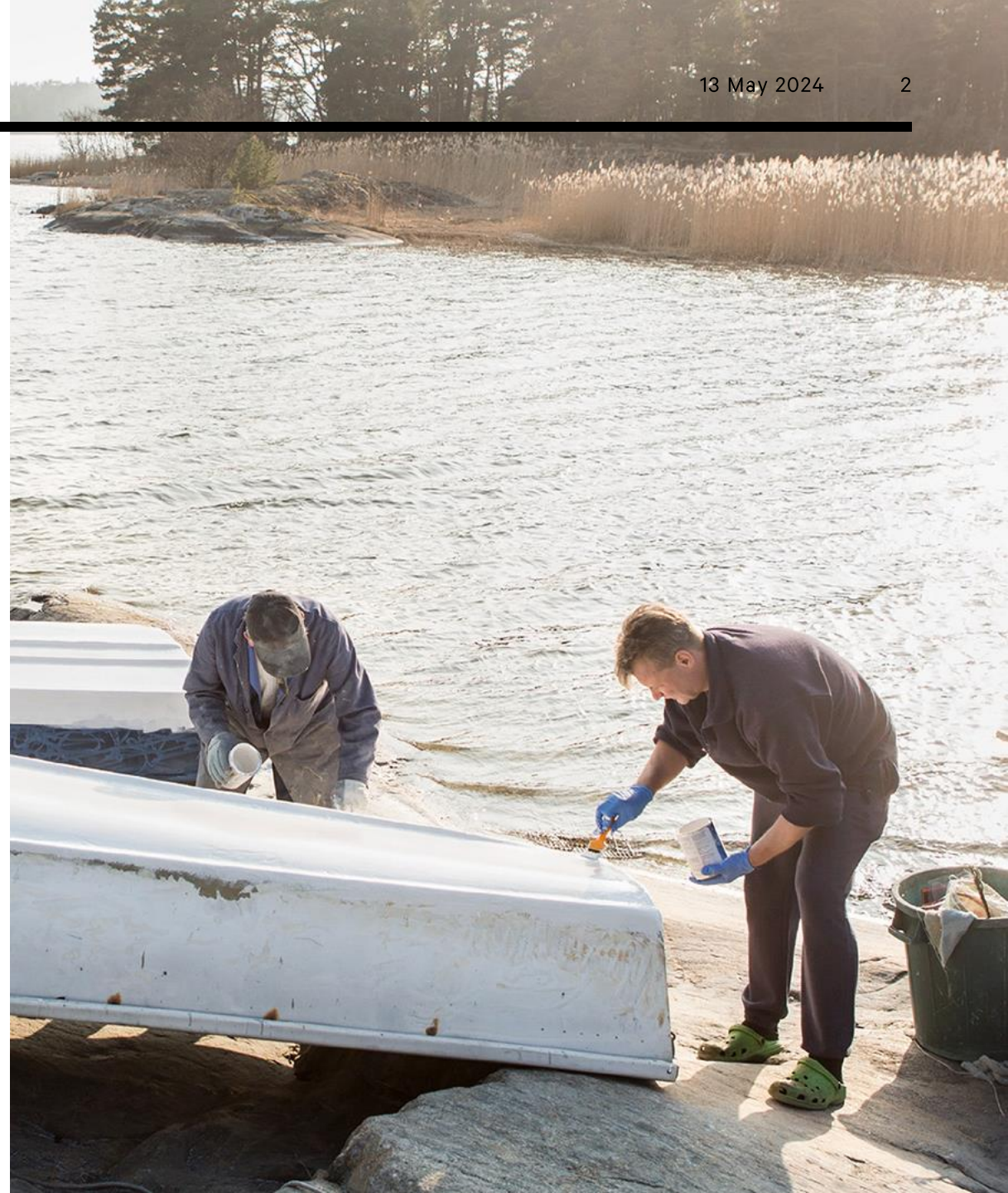
Debt Investor Presentation

14 May 2024

Aktia

Highlights Q1 2024

- Aktia's strong performance continued in Q1.
- Good comparable operating profit, driven by a high net interest income.
- Important key metrics such as C/I ratio and ROE improved.
- Assets under management increased slightly and net commission income from asset management was solid.
- Costs were well under control, though IT expenses increased, mainly reflecting investments in system improvements, data and analytics, and customer experience.
- Credit losses remained at a moderate level.

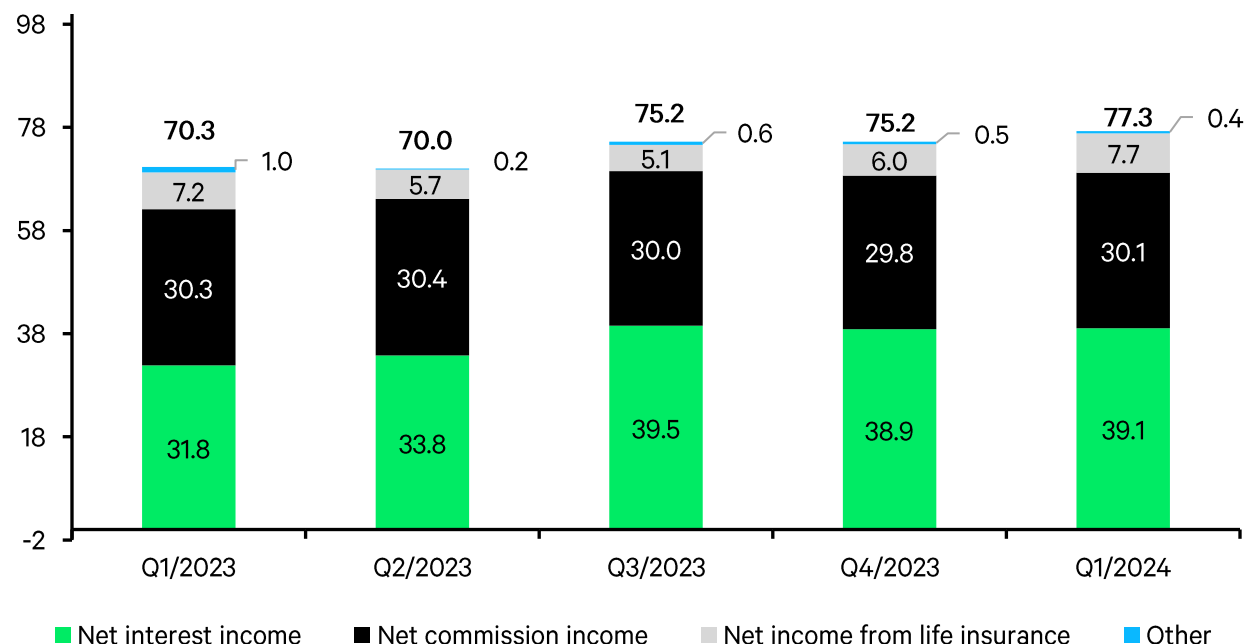


Total operating income 10% above last year

- Top line growth driven by NII and strong income from life insurance in Q1.
- Interest income from lending has been supported by favorable margin development as the growth is attributable to corporate lending and higher margin product mix. However, cost of market-based funding remains high. Interest expenses from deposits has increased somewhat as a result of movement from current accounts to term deposits.
- Net commission income was at the same level as previous quarters.

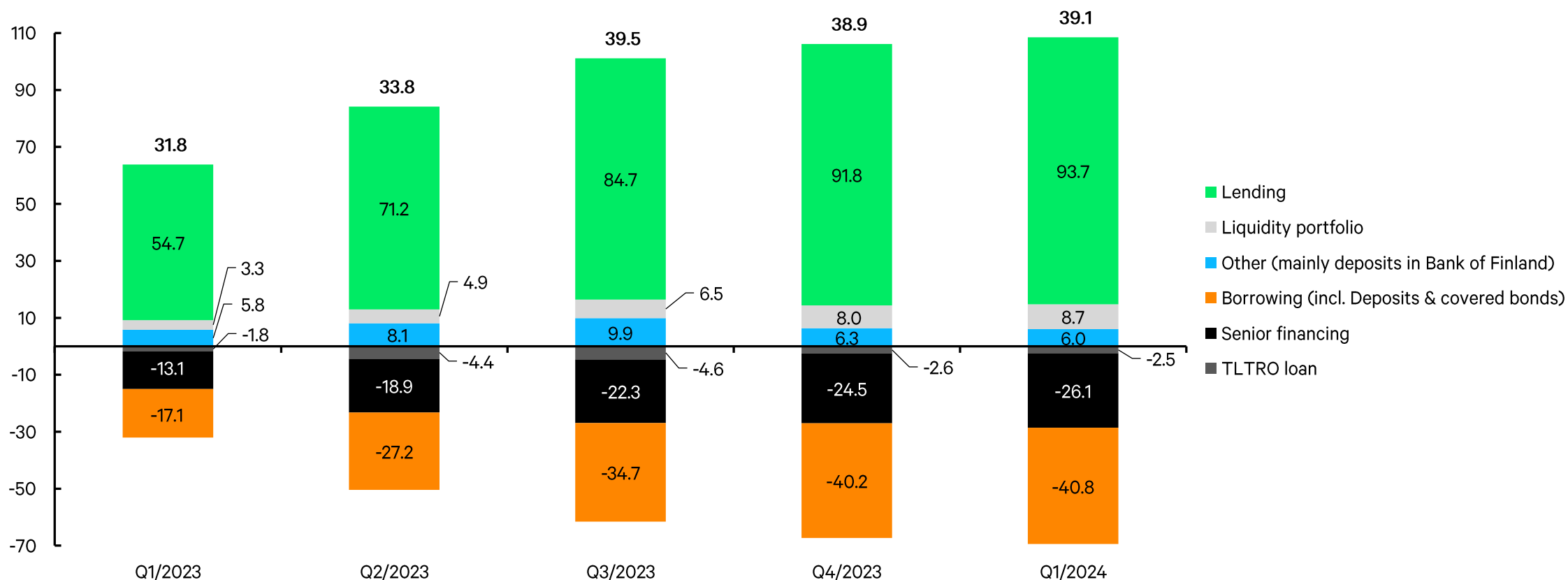
Comparable operating income, Q-o-Q

EUR million



Composition of the Group net interest income

EUR million

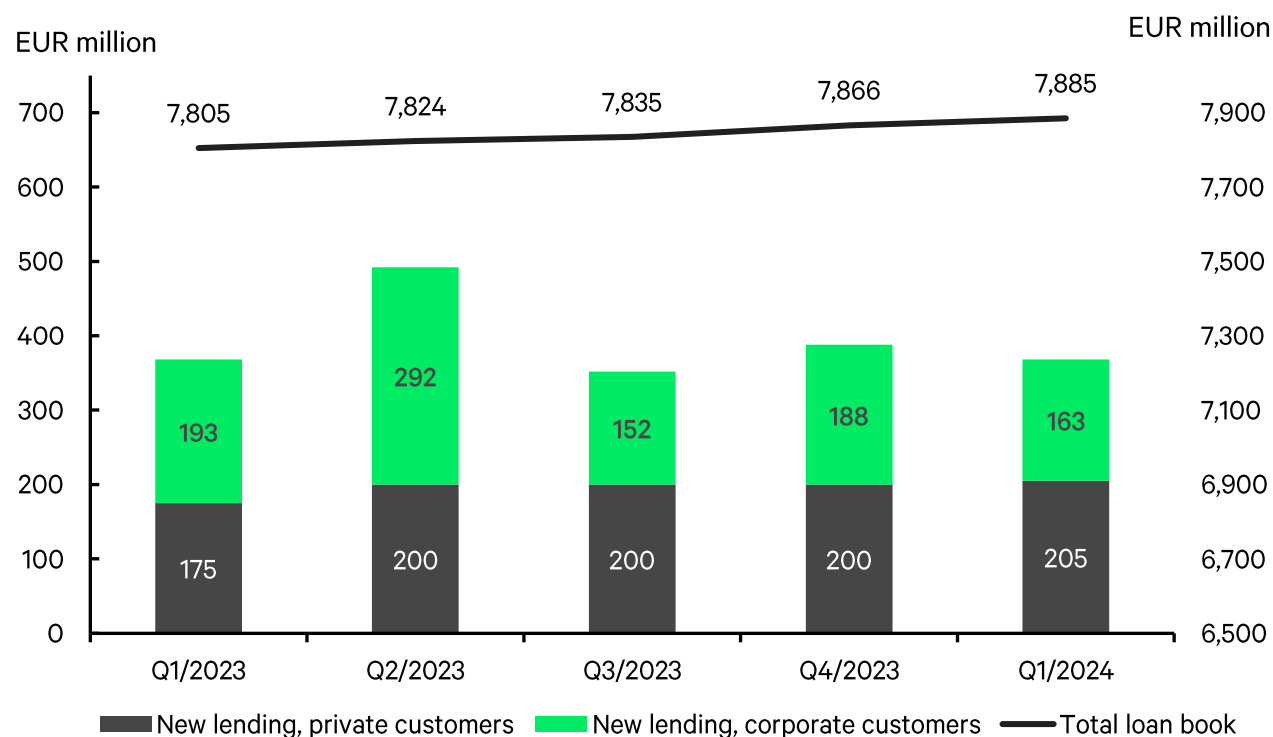


Business areas

NII supported by corporate lending

- Strong net interest income, driven by interest income from lending and growth in profitable financial solutions.
- Demand for hire purchase and leasing financing remained strong.
- Demand for housing loans still low.
- Credit losses increased slightly, but remain at a moderate level, thanks to good risk management and the good quality of the loan book.
- Continued growth in the card business.
- Sales of investment products to banking business customers developed well.

Development of the Group's credit portfolio Q-o-Q

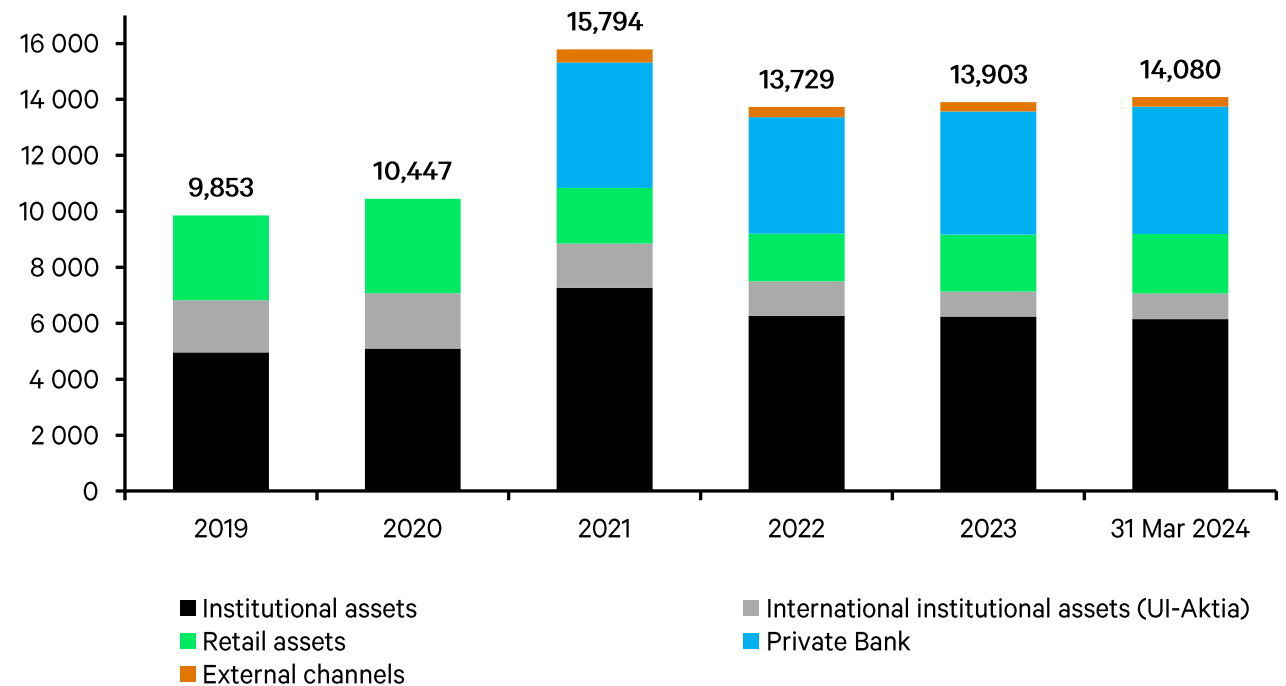


Assets under Management grew slightly

- AuM grew slightly in Q1, as market environment remained mainly positive.
- Growth was supported by strong net sales in the banking business and in Private Banking.
- Total net subscriptions were negative in Q1, due to negative net sales to institutions. However, this had only a marginal impact on the result.
- Net commission income from asset management remained solid.
- In January, Kati Eriksson started as EVP, Asset Management.

The Group's Assets under Management, excluding custody

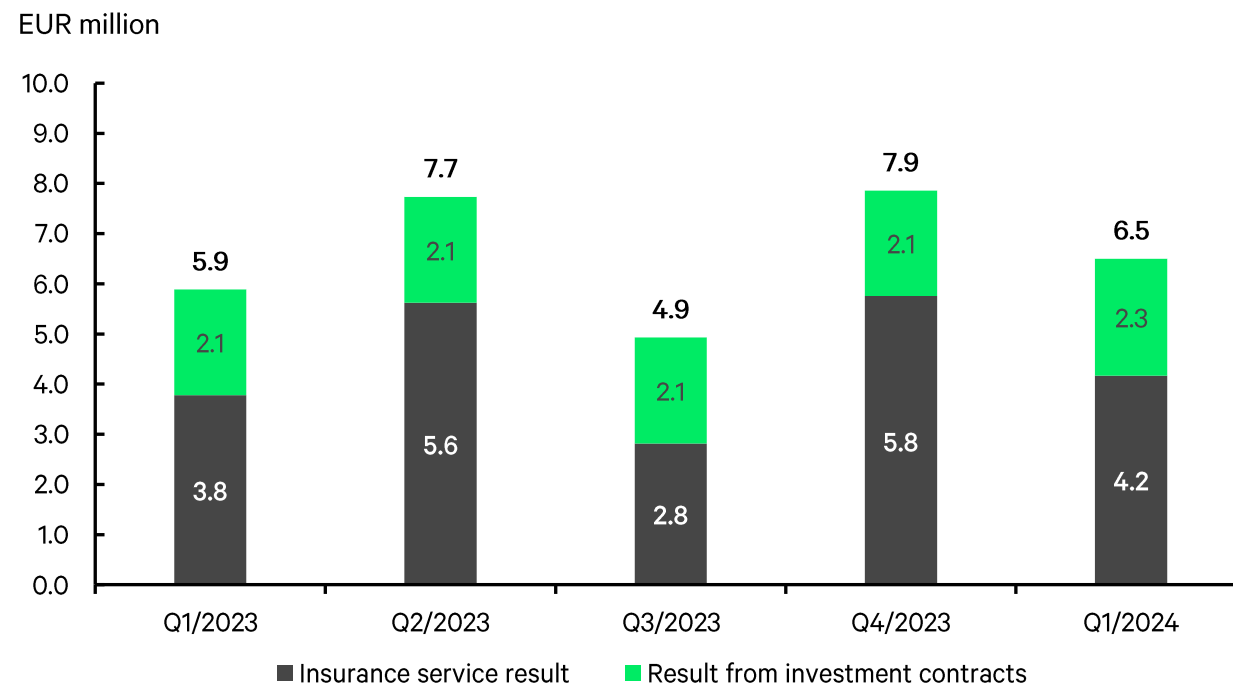
EUR million



Insurance service result remained solid

- Sales of risk life insurance policies continued to developed well.
- Sales of investment-linked insurances were strong.
- Favourable market development had a positive impact on the result.
- The result from investment activities was stable and amounted to EUR 1.8 million.
- The solvency ratio remained on a good level.

Development of the actuarially calculated result Q-o-Q



ESG

Aktia's sustainability in Q1/2024

Our mission is to build wealth for our customers and society, not only today but also for generations to come. The financial sector can play a major role in the green transition.

Q1/2024 highlights



New active ownership methods for engagement dialogues with government institutions

We developed our active ownership methods by building a new model for sovereign engagement. The model is based on a new public climate performance assessment tool (ASCOR), where Aktia has been part of the advisory committee. This pilot aims to enhance climate change considerations within Aktia's emerging market debt funds, with implementation scheduled for the second quarter.



Aktia's updated principles for responsible investing

Aktia's own principles for responsible investing have been a focus during the first quarter. The principles have been updated during the first quarter and will come into effect during the second quarter. The updated principles include e.g., specification regarding the exclusion criteria in our investment practices.

Sustainability-driven success for the leading wealth manager bank

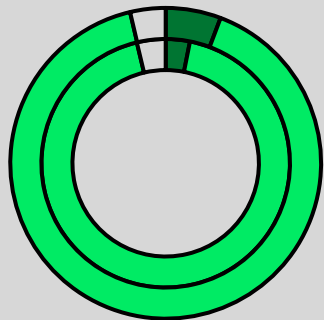
☑ = 2025 target achieved

Prosperity & Planet

People

Principles of Governance

Share of SFDR Article 8 and 9 classified funds
Target: increase the share



Q1 2024 96.3%
(outer circle)
Q1 2023 96.3%
(inner circle)



Change in the relative carbon footprint of equity and credit portfolios

(tonnes of CO2e/ million euros invested)
Target: 2025 -30% vs. 2019

-40.1% ☑



Signi Flame Index*

Target: 80
2024 H1 2023 H2

75 **72**



eNPS**
Target 20

2024 H1 2023 H2

18 **-4**



SHE Index***

Target: 85
2023 Q4

74

Aktia's ESG ratings

Target: reach at least industry average

MSCI ☑ AA
Sustainalytics ☑ Low Risk
ISS-ESG ☑ D+

*The Flame Index is the average of how the five most significant factors according to the employee are realized at the workplace. Scale 0-100

** Measures the recommendability of the employer from the employees point of view

*** The target was set during the year 2023, after receiving the initial score for Aktia.

Signi and eNPS are measured biannually and SHE index annually

Financial overview



Aktia

Financial summary Q1

EUR million	Q1/2024	Q1/2023	Δ %	Q4/2023	Δ %
Total operating income	77.3	70.3	10%	75.2	3%
Net interest income	39.1	31.8	23%	38.9	0%
Net commission income	30.1	30.3	0%	29.8	1%
Net income from life insurance	7.7	7.2	7%	6.0	27%
Other income	0.4	1.0	-59%	0.5	-17%
Total operating expenses	-41.4	-47.1	-12%	-46.5	-11%
Impairments of credits and other commitments	-2.7	-0.9	190%	-2.4	12%
Operating profit	33.3	22.2	50%	25.2	32%
Comparable operating profit**	33.9	23.6	44%	26.3	29%
Earnings Per Share (EPS), EUR	0.38	0.25	52%	0.28	35%
Return on Equity (ROE), %	16.4	12.2	4.2*	12.8	3.6*
Cost-to-income ratio (comparable)	0.53	0.65	-18%	0.60	-12%
Common Equity Tier 1 capital ratio, %	11.4	11.1	0.3*	11.3	0.1*

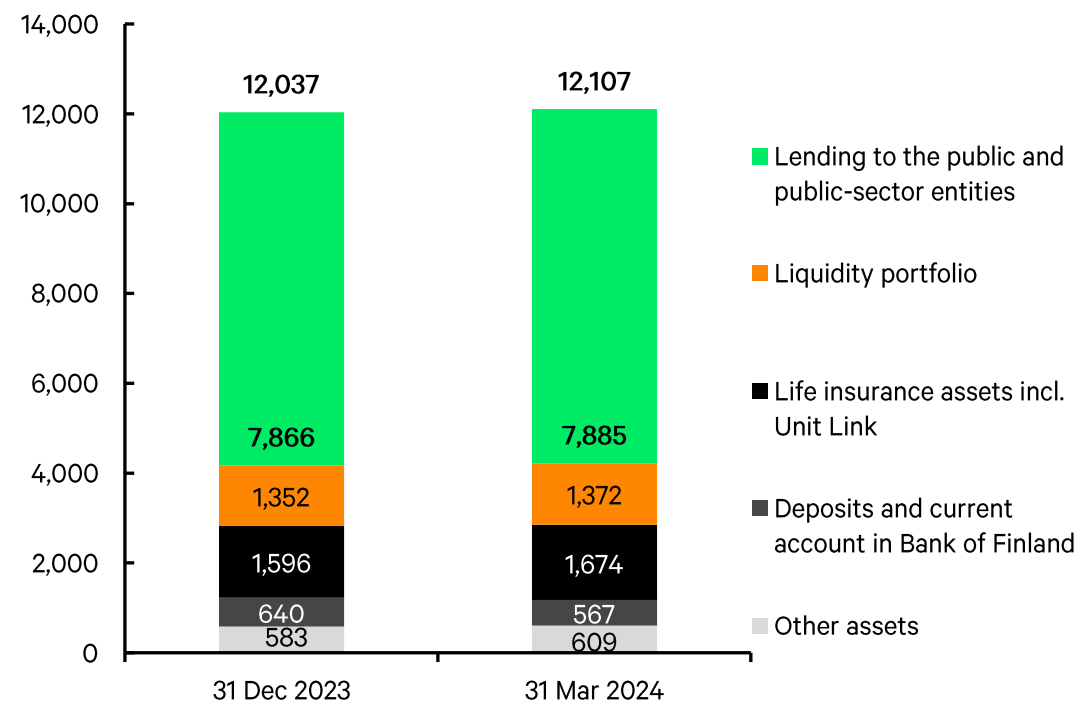
*) The change is calculated in percentage points

***) Excl. items affecting comparability

Balance sheet total EUR 12,107 million

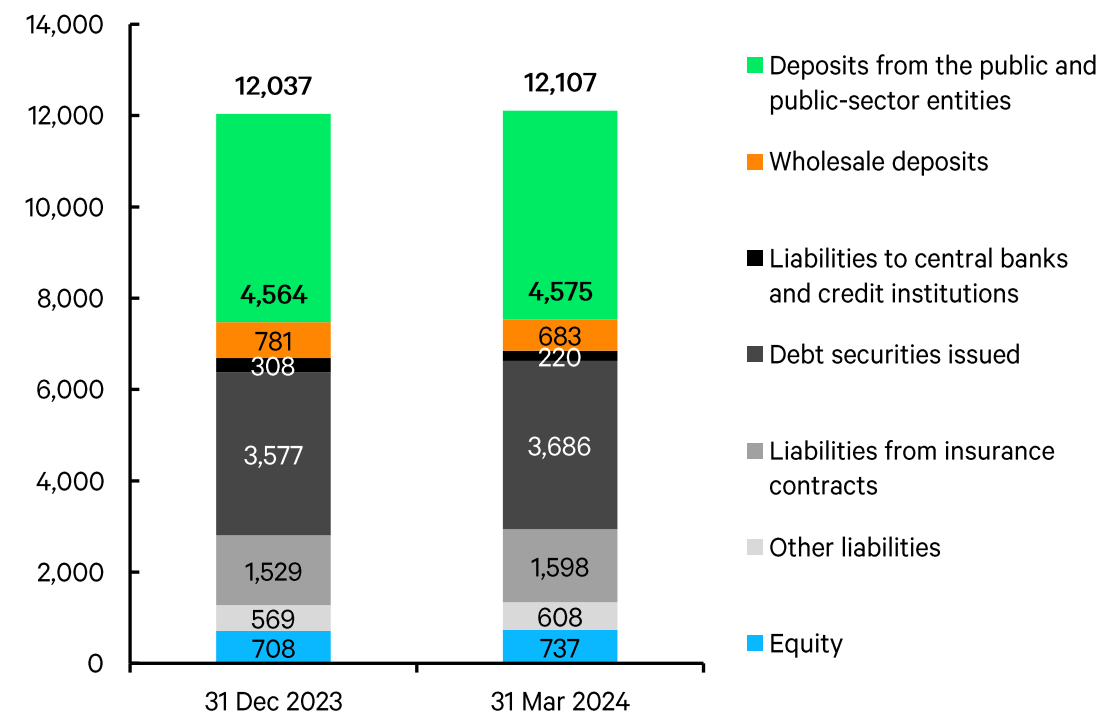
Total assets

EUR million



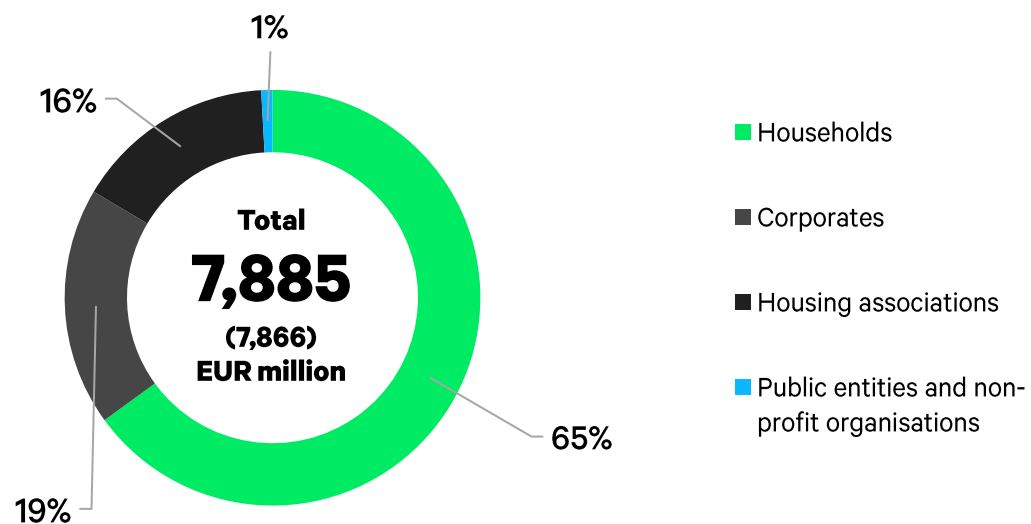
Total liabilities and equity

EUR million

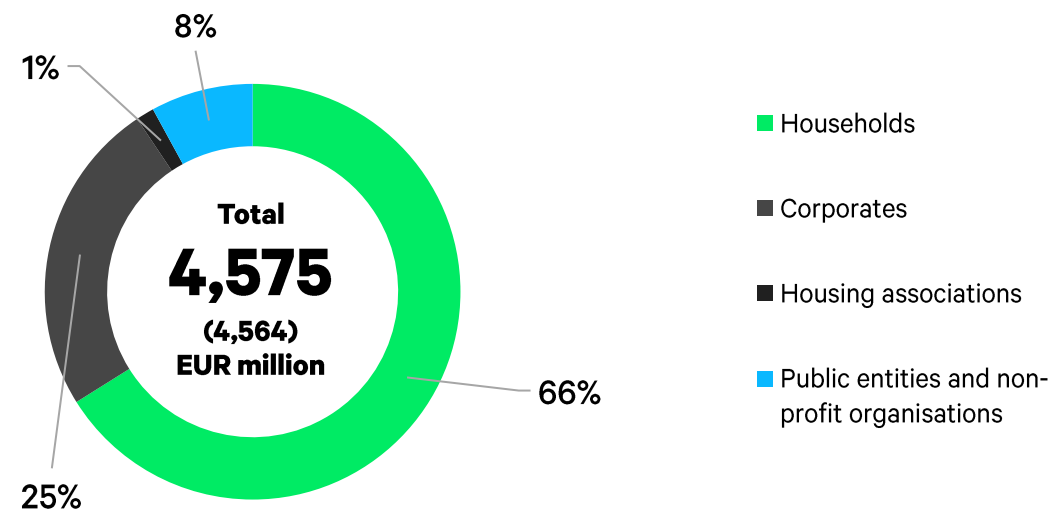


Structure of lending and deposits

Lending

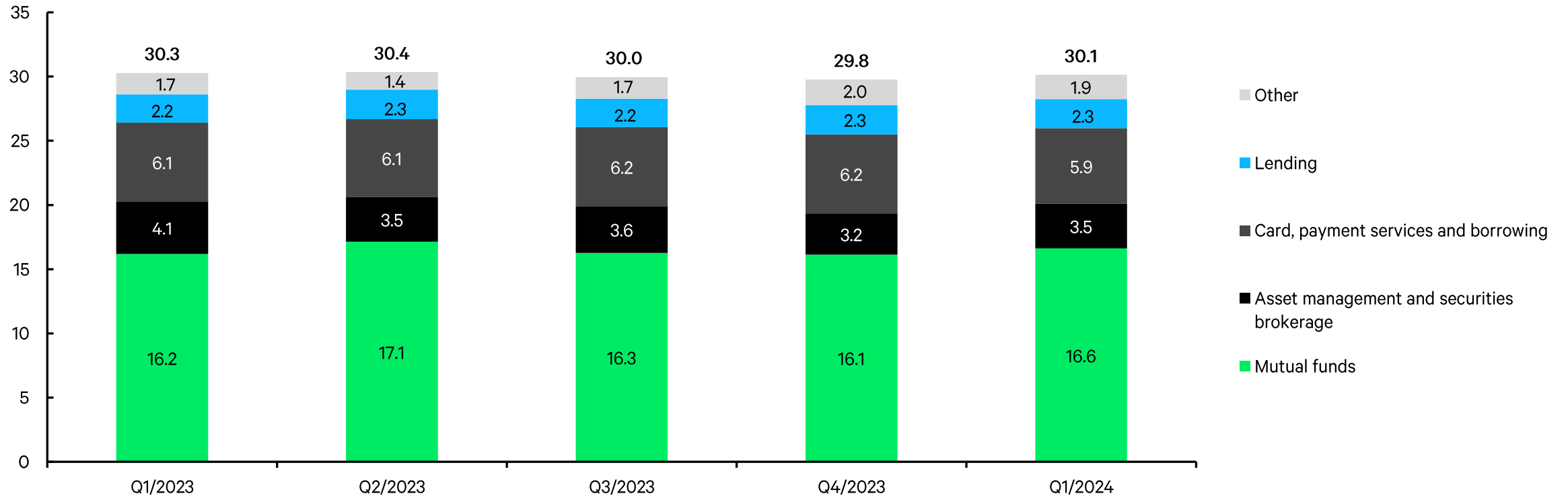


Deposits



Net commission income mix

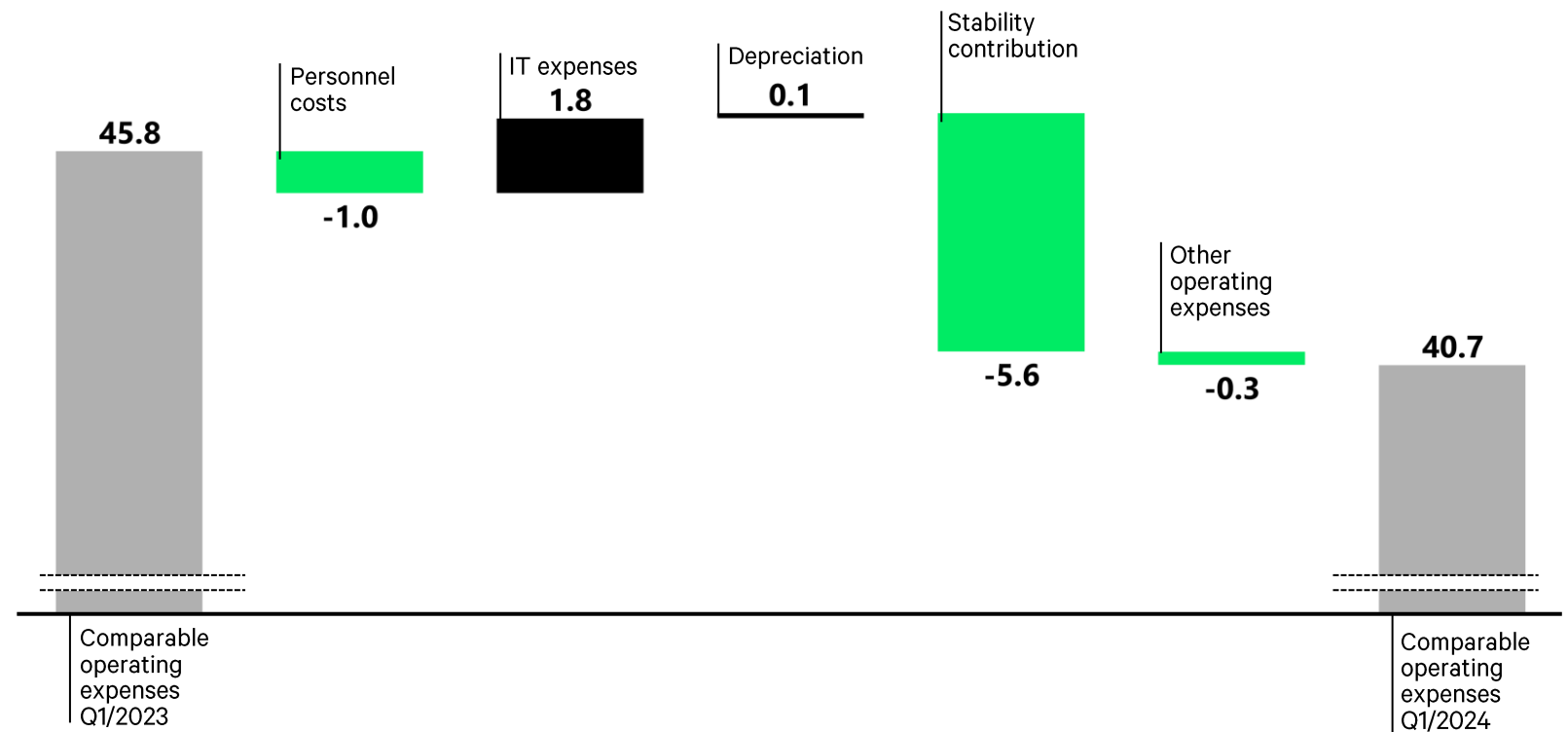
EUR million



Despite high inflation, operating expenses are well under control

- Efficiency improvements now visible in personnel expenses and other operating expenses – despite high inflation last year.
- IT expenses increased by 19% compared to last year, mainly reflecting efforts and investments in system improvements, data and analytics, as well as customer experience.
- Comparison to last year is affected by the stability contribution (EUR 5.6 million last year, no reservation this year).

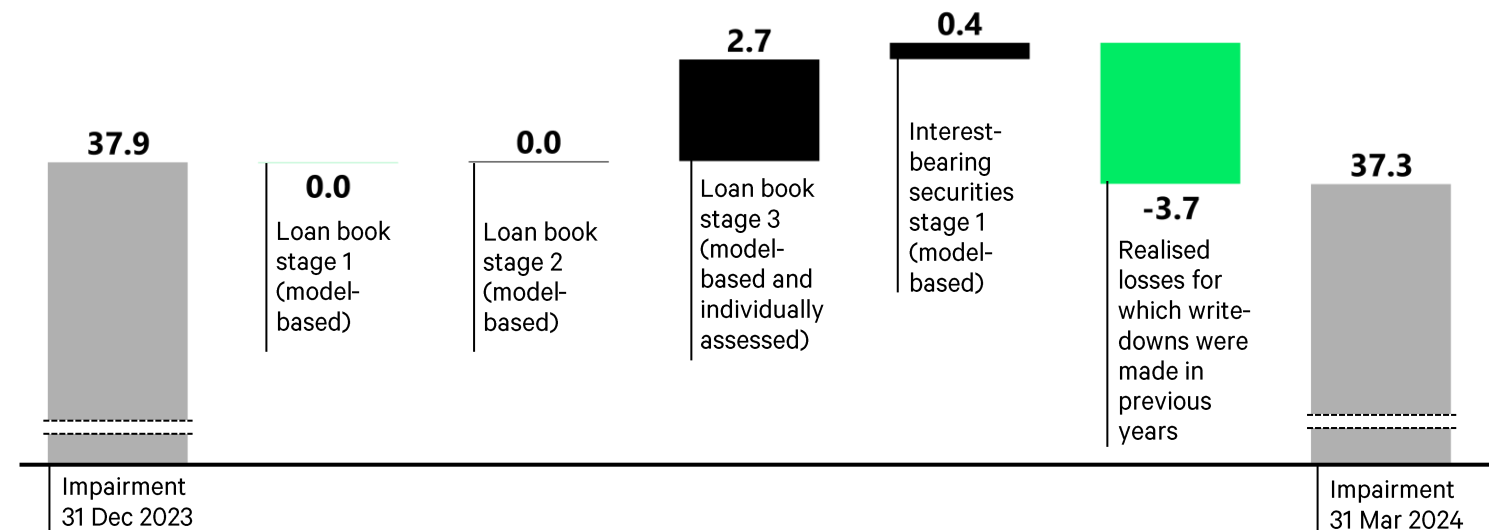
Comparable operating expenses Q1/2024 vs Q1/2023
EUR million



Quality of the credit portfolio remains solid

- Loan book constitutes for the major part of loans to households with residential or real estate securities.
- The loan-to-value (LTV) ratio remained at a healthy level (42%).
- Credit loss provisions in Q1 remained at a moderate level (EUR -2.7 million). Growth in credit card business has somewhat increased the exposure.

Change in expected credit losses (ECL) 1–3/2024
EUR million

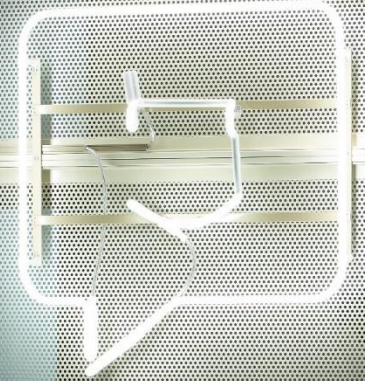


Outlook 2024

Aktia's comparable operating profit for 2024 is expected to be higher or somewhat higher than the EUR 108.4 million reported for 2023.

The outlook has been prepared based on the following assumptions:

- Despite market uncertainty and a probable decline in interest rates, the net interest income is expected to be higher than in 2023.
- Net commission income is expected to be somewhat higher than in 2023, provided that the market conditions continue to be favorable.
- The life insurance business is expected to develop steadily. However, the result may be affected by changes in market values.
- Total operating expenses are expected to remain on approximately the same level as in 2023, IT expenses are expected to increase.
- Impairments and provisions for credit losses are expected to increase slightly compared to the 2023 level, given the current market environment.



The Debt Investment case

Credit ratings

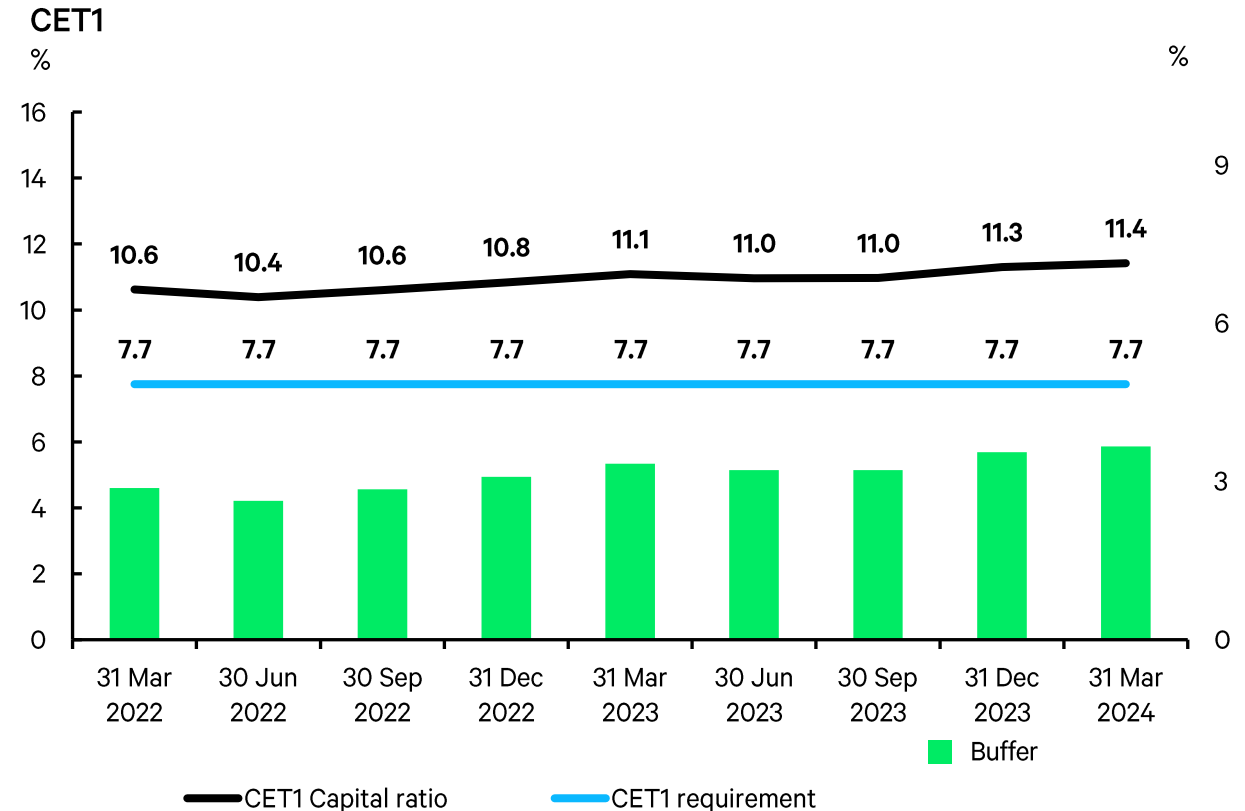
Moody's: A2 / P-1, neg, Covered Bonds: Aaa

S&P: A- / A-2, stable

Aktia

CET1 ratio 3.7 percentage points above the regulatory requirement

- CET1 ratio was 11.4%, thus improved 0.1 percentage points from Q4/2023 and 0.3 percentage points from Q1/2023. Regulatory minimum CET1 requirement ratio is currently 7.75%.
- Regulatory CET1 own funds increased by EUR 6.8 million, including:
 - Increase in the fund at fair value (EUR 3.2 million).
- Risk-weighted assets increased by EUR 25.5 million from the year-end 2023 mainly due to the growth in corporate lending.
- Total capital ratio increased to 16.1% (15.0%). Total minimum capital ratio requirement is 11.79%.
- Reservations for dividends:
 - 31 December 2023 EUR 50.7 million.
 - 31 March 2024 EUR 16.3 million (corresponding to 60% of the Group's distributable result).

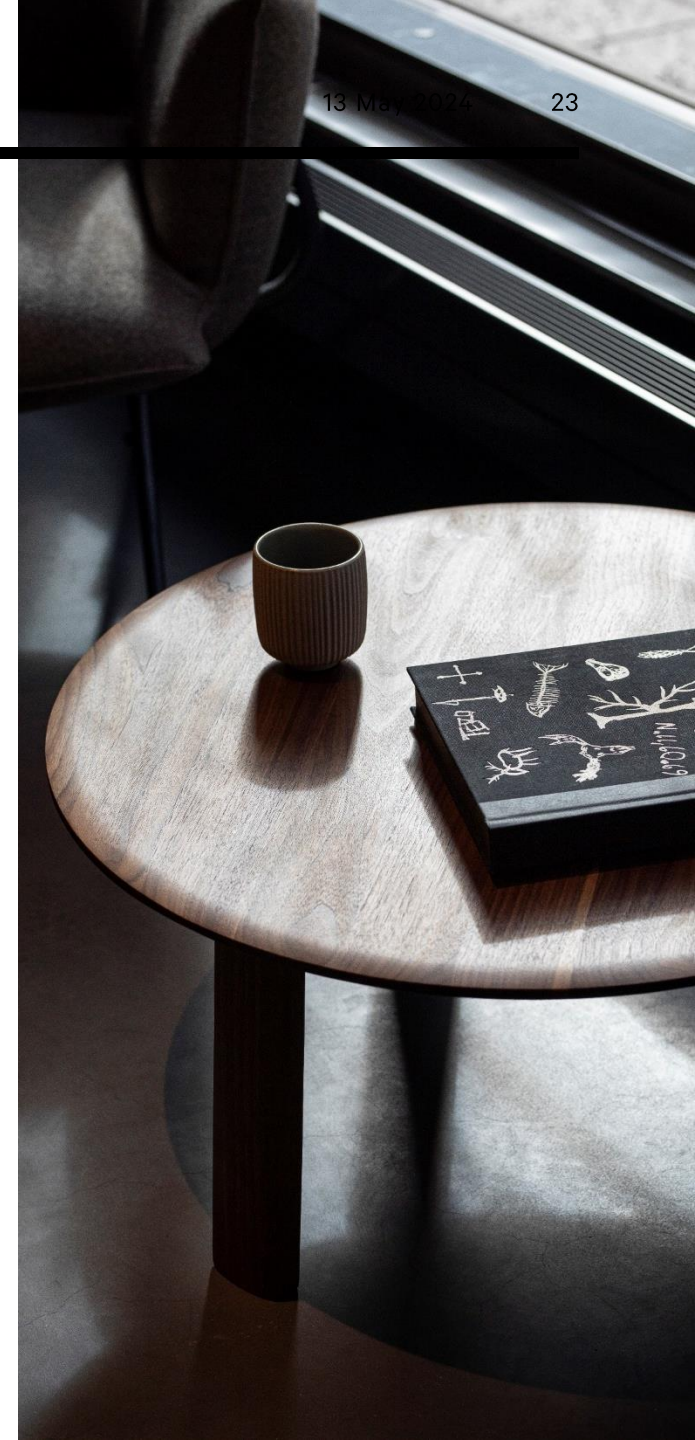


Regulative requirements updated

- Aktia Bank Group's leverage ratio was 4.3% (4Q23 4.2%)
 - Tier 1 capital EUR 451.7 million
 - Total exposures EUR 10,465.6 million
 - At the beginning of 2024 the Finnish Financial Stability Authority has updated the MREL requirement for Aktia Bank to MREL LRE: 7.72% and MREL TREA: 20.30%
 - TREA coverage 341.0% and LRE coverage 294.4% as of 31 March 2024
 - MREL requirement EUR 807.9 million
 - Own funds and eligible liabilities EUR 2,378.9 million
- FIN-FSA decided to adjust the discretionary additional capital requirement (Pillar 2) down to 1.00% for Aktia, valid until further notice as of 30 September 2024 (currently 1.25%).
 - As previously announced by FIN-FSA, a systematic buffer increase of 1.00% percentage points will be effective for the majority Finnish credit institutions, including Aktia, from 1 April 2024 onwards.

Funding activities

- Through the first quarter of 2024, the market has remained very strong, and issuance of covered bonds in particular has been very active. Also, senior and subordinated debt markets have performed strongly.
- During Q1/2023, Aktia completed six senior preferred private placement transactions. The total volume in nominal value was approximately EUR 285 million with maturities in the range of 2–5 years. The bank also issued successfully inaugural SEK Tier 2 issue to Swedish market (SEK 350 million), equivalent approximately EUR 31 million.
- Aktia is monitoring the EUR market for possible benchmark size public issue in Q2. The bank will also continue to issue senior debt in private placement format.
- Aktia's liquidity continued to be at very good level, the LCR ratio being 187% at the end of Q1/2024.

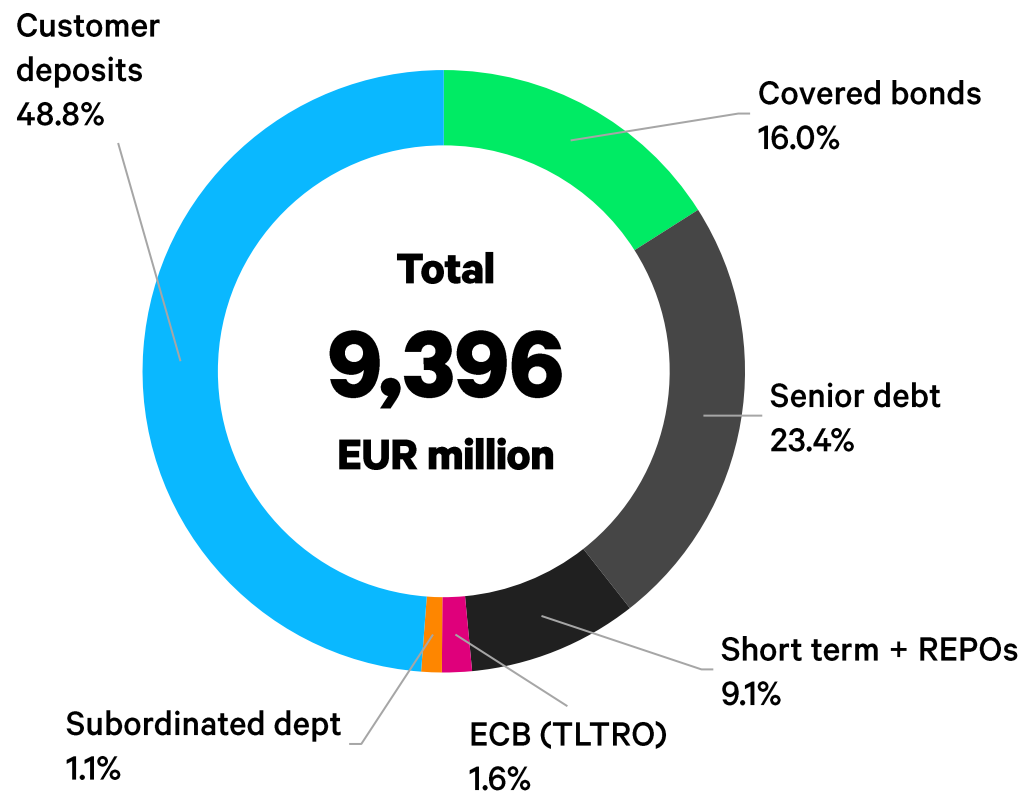


Sound funding profile

Borrowing from the public and public-sector entities stayed at EUR 4,575 million.

The value of bonds issued by Aktia Bank totalled EUR 3,514.2 (4Q/23: 3,457.1) million.

Aktia has EMTCN program of EUR 5 billion. All market-based funding is based on that documentation. Program was updated on 14 August 2023.



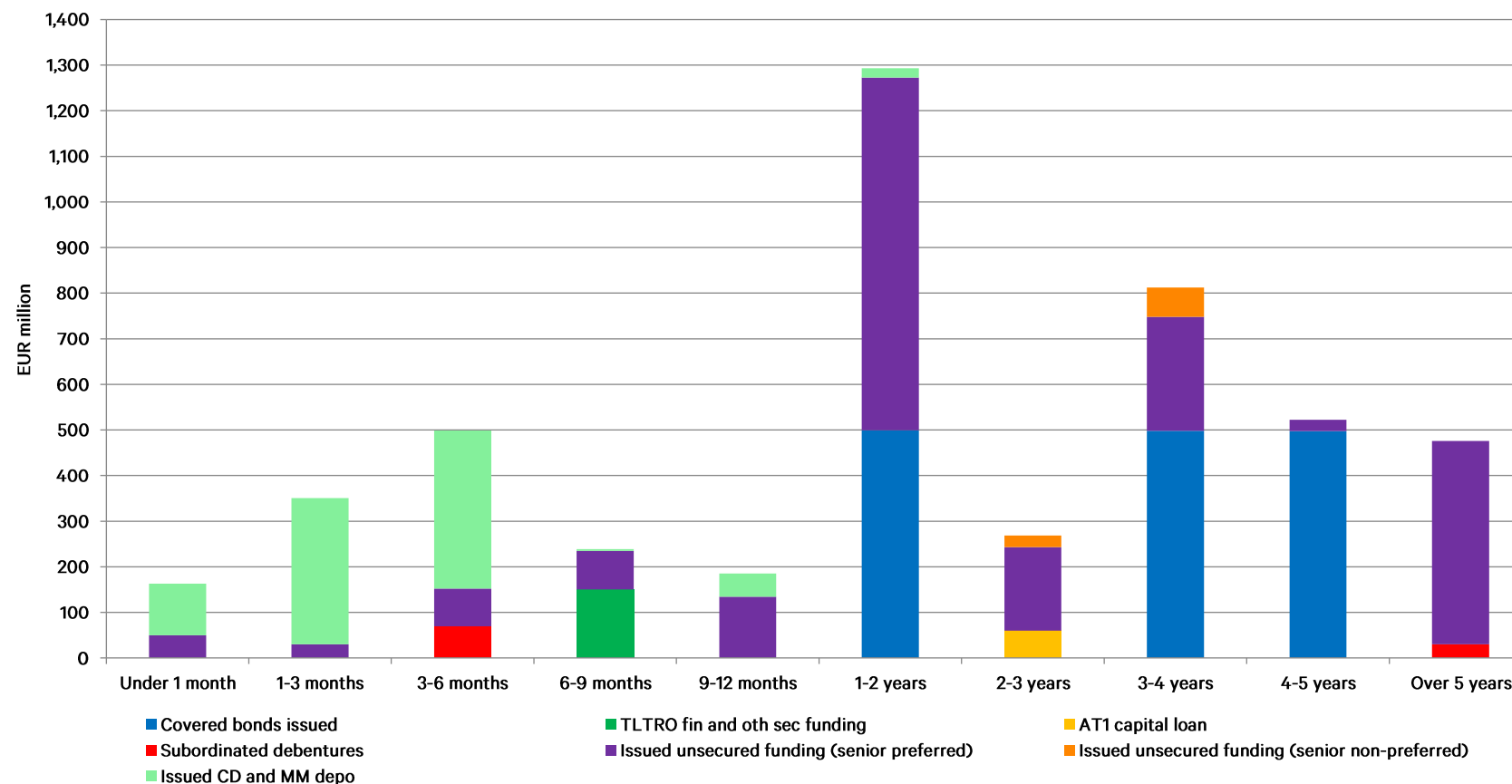
Redemption schedule

Remaining TLTRO redemption schedule:

- December 2024:
EUR 150 million

Next public benchmark covered bond issue redeems in March 2026

Maturity profile, 31 March 2024



High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 187%

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 1,869 million on 31 March 2024 (4Q23: EUR 1,817 million).

All assets are LCR eligible.

Unencumbered Liquidity reserve, market value

EUR million	31 Mar 2024	31 Dec 2023
Cash and holdings in central banks	625	597
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	198	191
Securities issued or guaranteed by municipalities or Public sector entities	64	72
Covered bonds	983	957
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	1,869	1,817

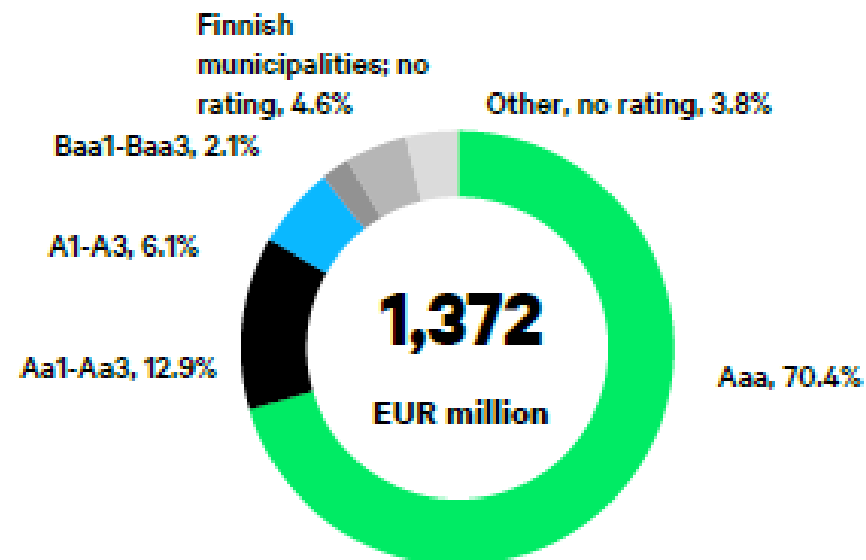
Low risk liquidity portfolio

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations.

Assets are:

- LCR and ECB eligible covered and SSA notes.
- Commercial or Municipalities issued short term papers.

Rating distribution 31 March 2024



Aktia Bank as covered bond issuer

Aktia Bank has issued the Covered bonds as mortgage bank under the former legislation (Act on Mortgage Credit Bank Operations, MCBA 688/2010) and under the new Finnish Covered bond legislation came into effect on 8th July 2022 (Act on Mortgage Credit Banks and Covered Bonds (151/2022)).

The legislation complies with the Directive (EU)2019/2162 and the regulation (EU) 2019/2160 of the European Parliament and of the Council.

The covered bonds are issued directly from the bank's balance sheet.

- Aktia Bank issued the first EUR denominated covered bond in 2004.
- The Aktia Bank mortgage loan portfolio is of very high quality:
 - Prime residential mortgage loans and loans to Housing Companies.
 - Collateral located in Finland.
 - Low average LTV.
- Aktia Bank covered bonds issued before 8 July 2022 are CRR & UCITS, ECB repo eligible and any covered bond issued thereafter will meet the “European Covered Bond (premium)” label requirements.
- Bank aims to comply with the ECBC covered bond label transparency initiative which meets the requirements of the updated legislation.
- Stable access to the covered bond market is in high priority.
- Aktia Bank will focus on EUR 500 million public benchmark Covered Bond issues with selective private placement offerings.
- Bank has used retained Covered Bonds as collateral in ECB.

Aktia Cover pool

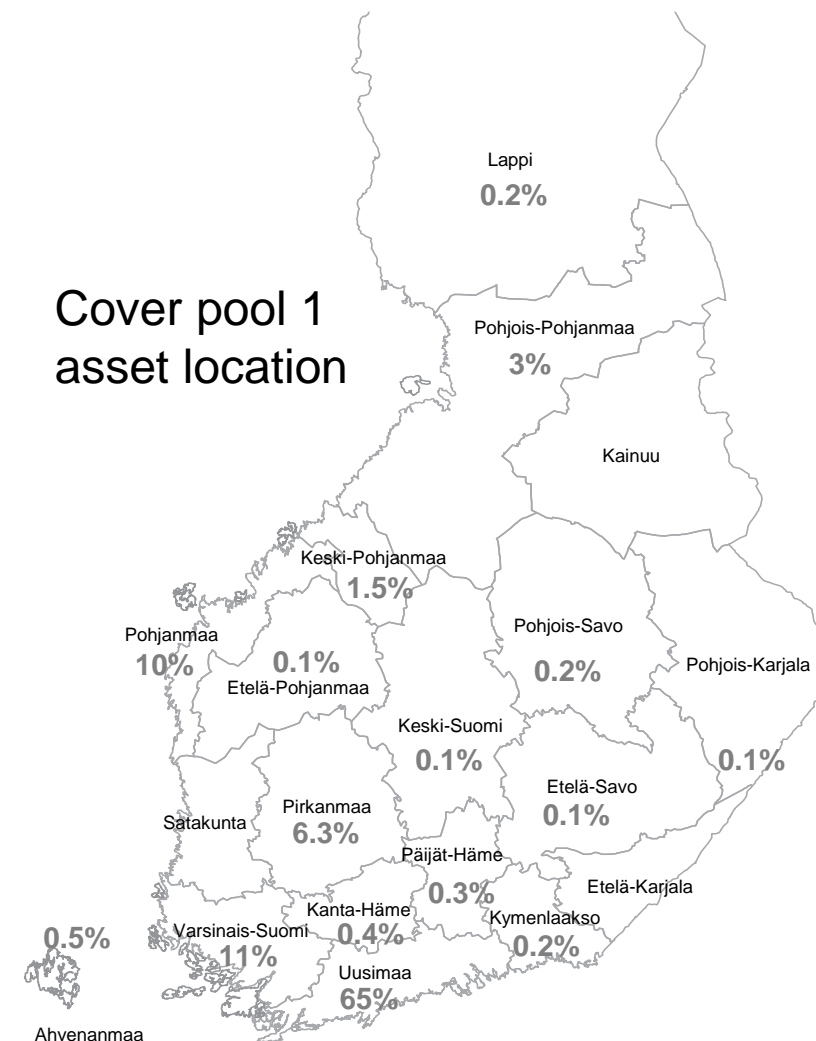
1Q 2024

Pool 1 (2023-)

Pool 2 (2014-2022)

Asset Pool Balance	EUR 0,610 bln. (no substitute assets)	EUR 1,764 bln. (no substitute assets)
No of loans / average loan balance	6,179/ EUR 98,750	26,144/ EUR 67,477
Types of loans	First ranking residential mortgages and pledges of shares in housing companies	First ranking residential mortgages, pledges of shares in housing companies and loans for housing companies
Asset types in cover pool	98% Residential, 2% Housing Company Loans	94% Residential, 6% Housing Company Loans
Geography	Finland only, well diversified with concentration on growth areas	Finland only, well diversified with concentration on growth areas
Non-performing loans (> 90 days in arrears)	0,0	0,0
WA indexed LTV	50.04%	46.58%
Maximum LTV	Covered Bond refinancing max LTV limit: 80%	Covered Bond refinancing max LTV limit: 70%
Interest rate	Loans exceeding LTV 80 haircut at LTV 80%	Loans exceeding LTV 70 haircut at LTV 70%
WA seasoning	floating 99%, fixed 1%	floating 93%, fixed 7%
Overcollateralisation (%)	67 months	76.6 months
Committed OC (Nominal)	22.04%	35.70%
OC Calculation: Legal Minimum	5.00%	10.00%
	2.00%	2.00%

Cover pool 1 asset location



Expected Transaction

Termsheet

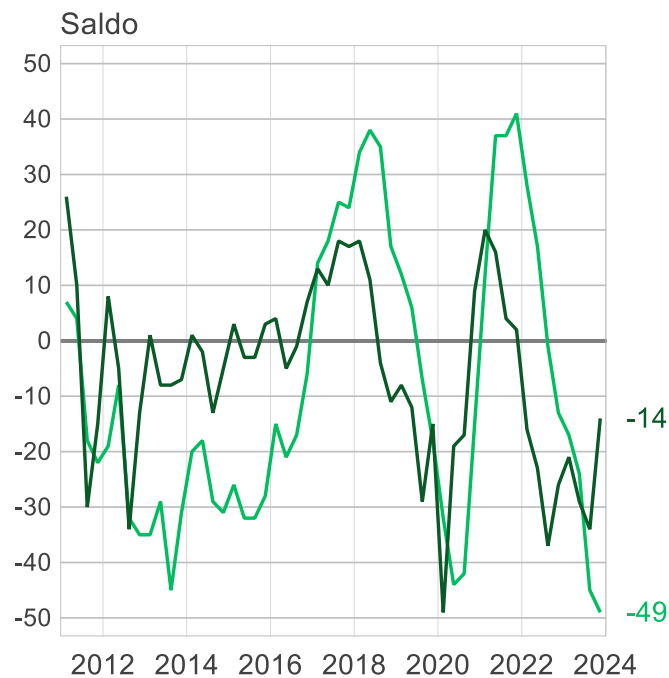
Issuer	Aktia Bank Plc (Aktia Bank, Ticker: AKTIA)
Type	European Covered Bond (Premium)
Format	Reg S, bearer, covered
Exp. Issue Rating	Aaa (Moody's)
Currency / Size	EUR 500,000,000 WNG
Settlement Date	[xx May 2024 (T+5)]
Tenor	[long 5yr]; Soft bullet
Denominations:	100k x100k
Coupon	Fixed rate, annual, act/act ICMA
Bookrunners	Commerzbank, Danske Bank, Erste Group, Helaba and Nordea
Listing / Law	Luxembourg / English law
Documentation	Under Aktia Bank's 2023 Base Prospectus ; supplemented from time to time
Target Market	MiFID II professionals / Eligible Counterparties only / All distribution channels. No EU PRIIPs Key Information Document (KID) as not available to retail in the EEA.

Finland Macro and Housing market update

Economic sentiment

Manufacturing industry

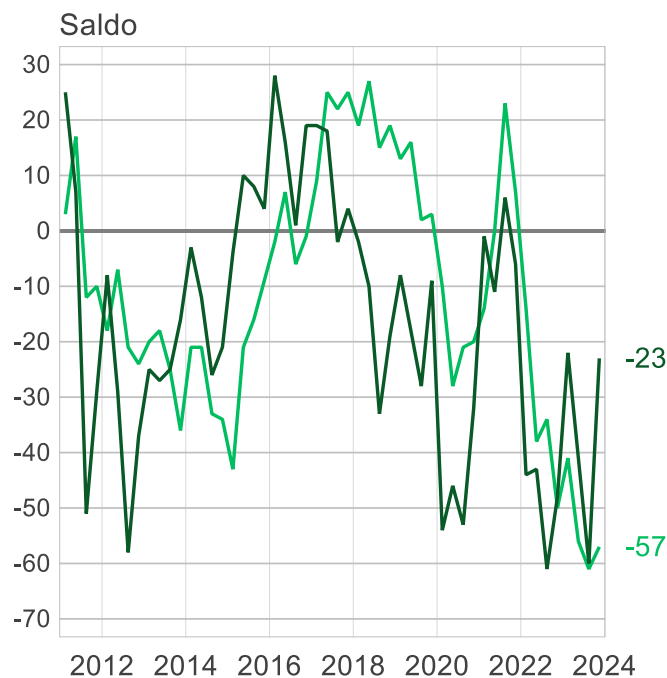
— Outlook near future — Current situation



Source: Aktia, Macrobond, EK.

Construction

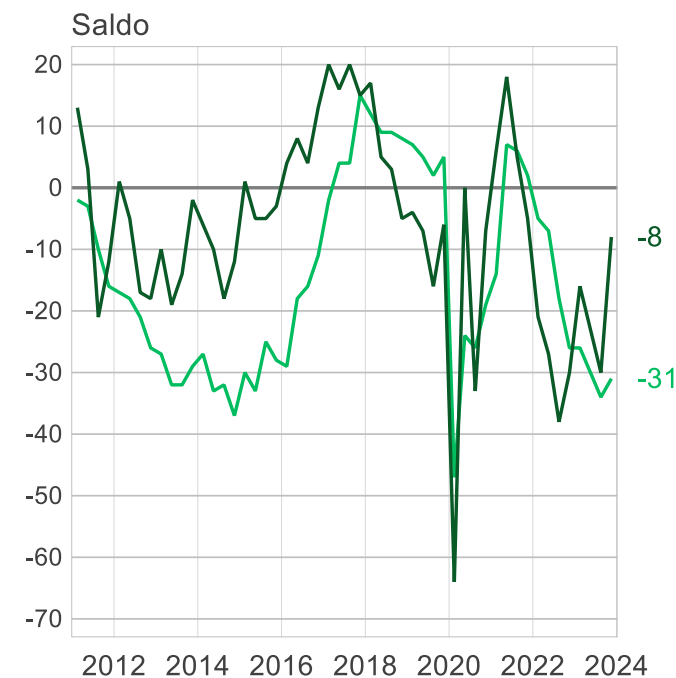
— Outlook near future — Current situation



Source: Aktia, Macrobond, EK.

Services

— Outlook near future — Current situation

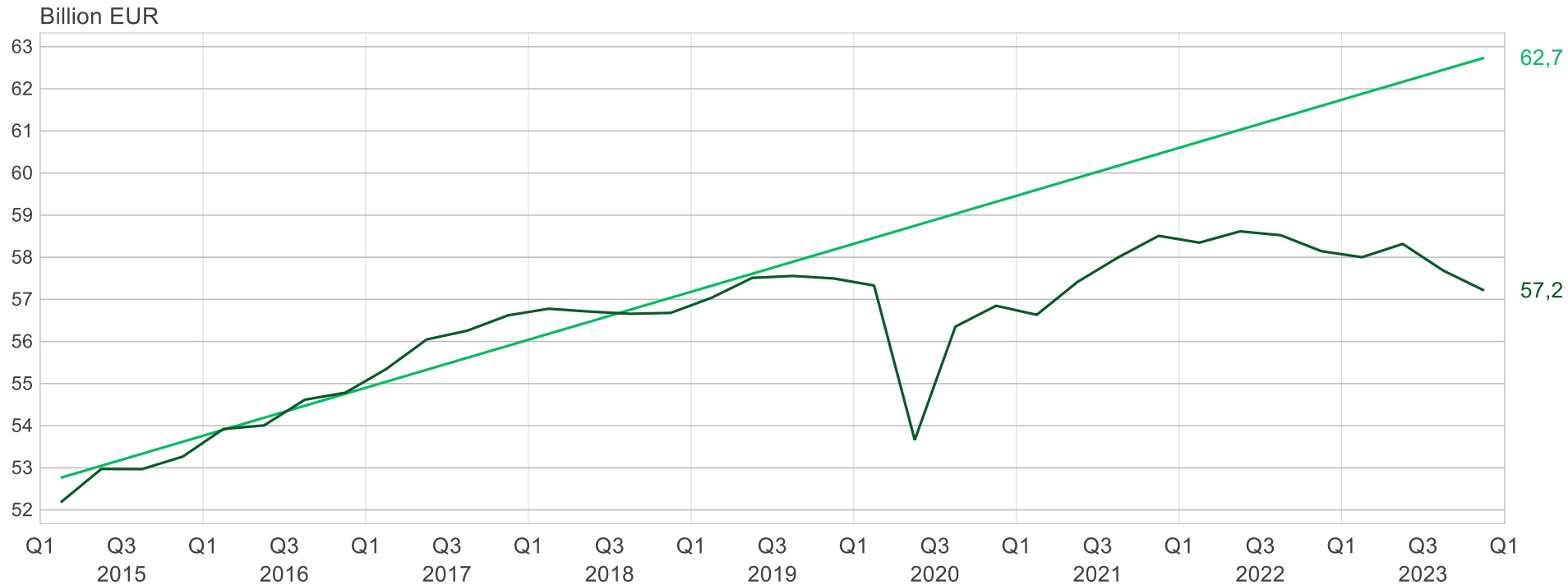


Source: Aktia, Macrobond, EK.

Gross domestic product behind trend

Finland, quarterly gross domestic product, 2015 prices

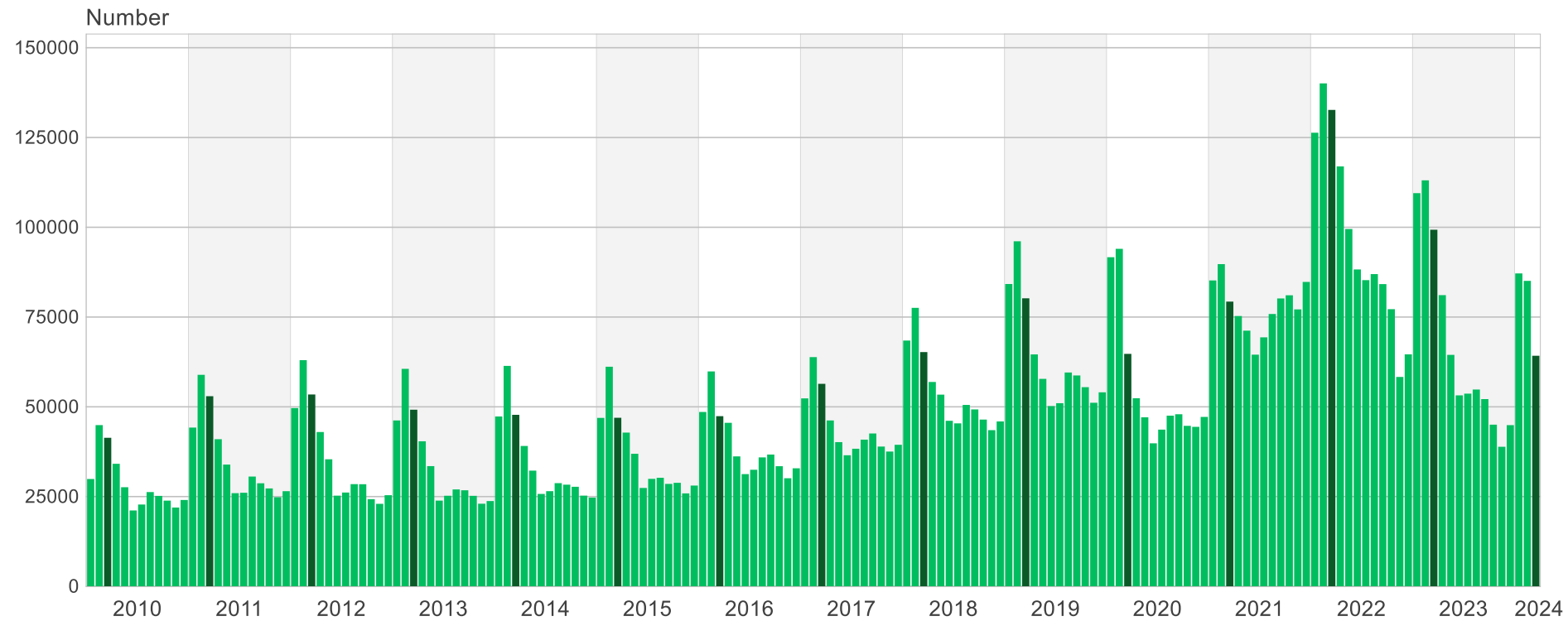
— GDP — Trend 2015-2019



Lähde: Aktia, Macrobond, Statistics Finland.

Labour market is normalising

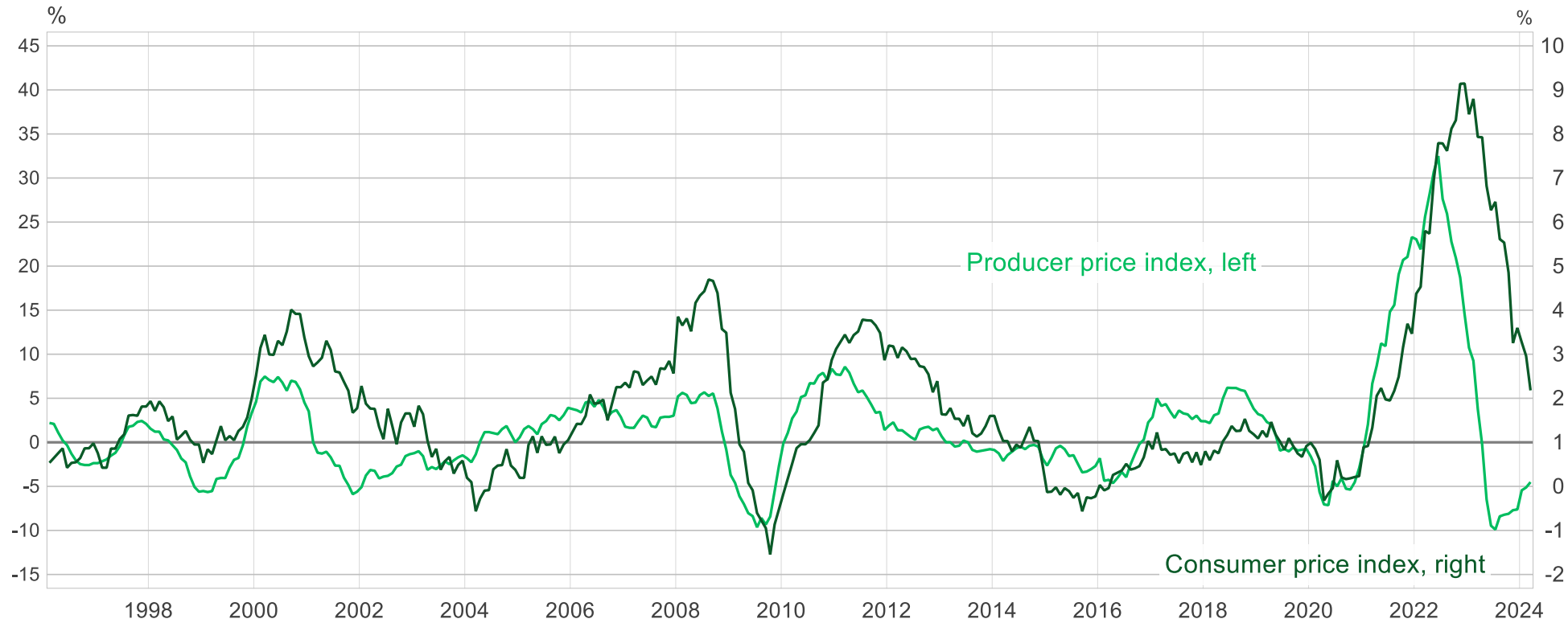
Job openings, latest observation 03/2024



Source: Aktia, Macrobond, Ministry of Economic Affairs & Employment of Finland.

Inflation pressure is easing

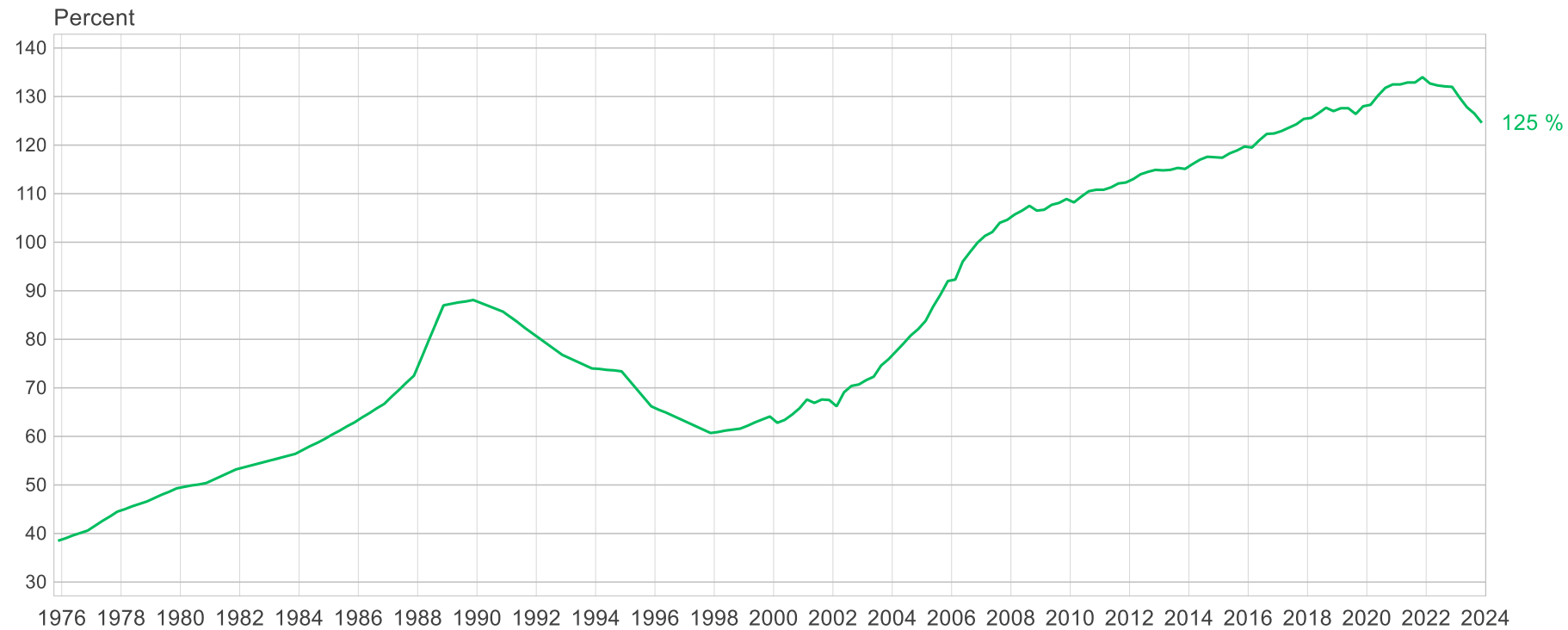
Finland, annual change in consumer and producer price indecies



Source: Aktia, Macrobond, Statistics Finland.

Finnish household indebtedness decreasing

Finnish households' indebtedness rate

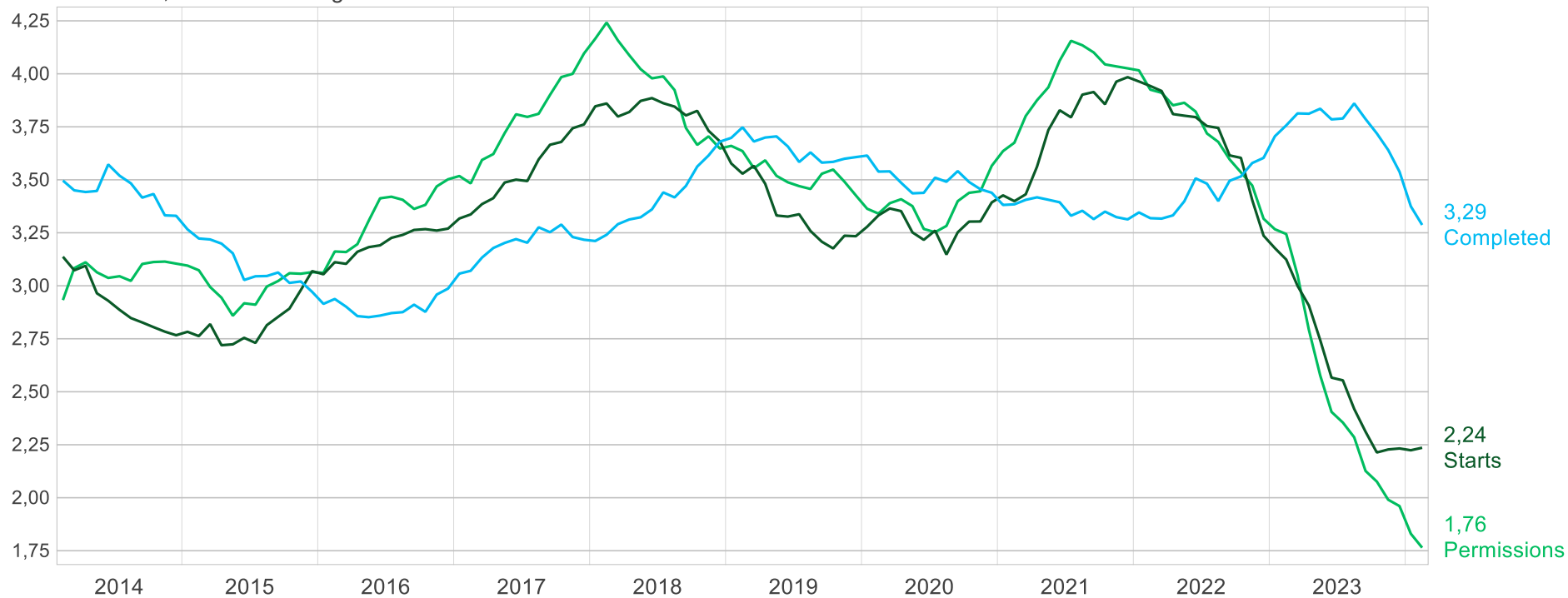


Source: Aktia, Macrobond, Statistics Finland

Residential construction starts at lows

Residential construction activity

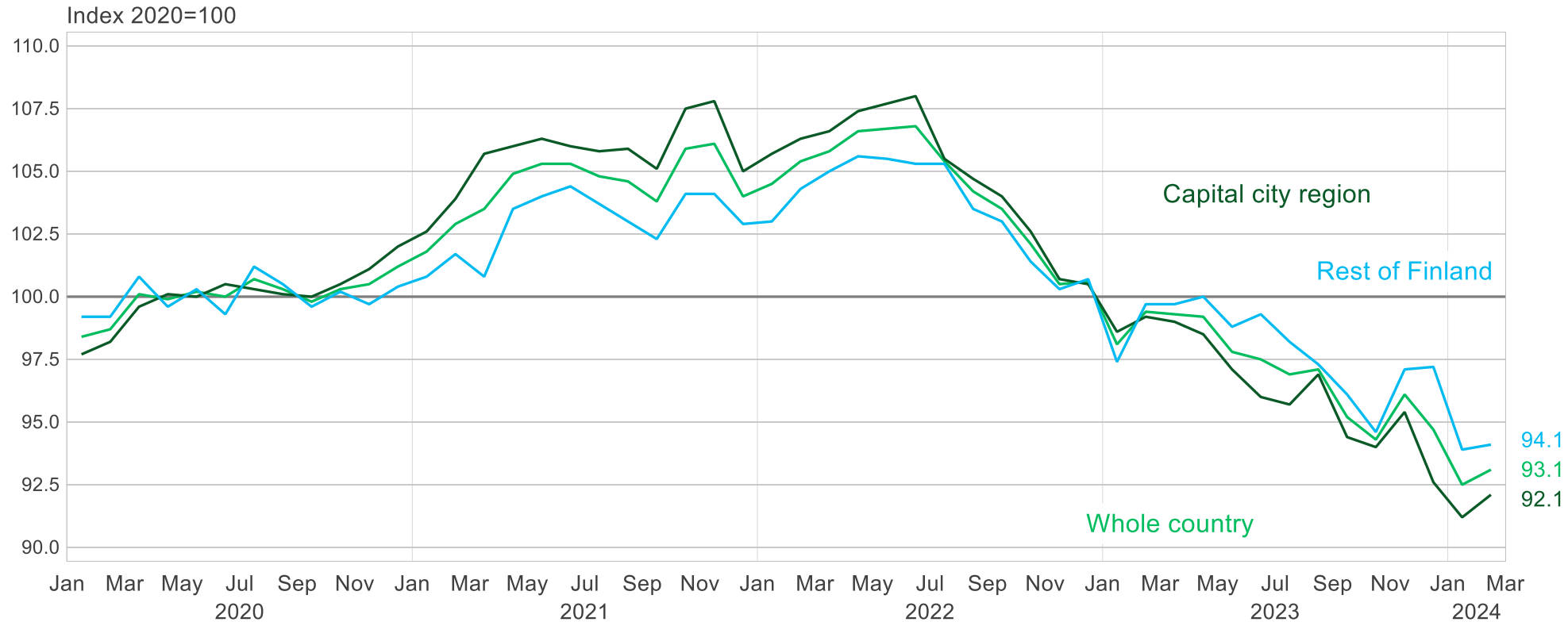
Million m², 12 month rolling sum



Lähde: Aktia, Macrobond, Statistics Finland.

Housing prices bottomed out?

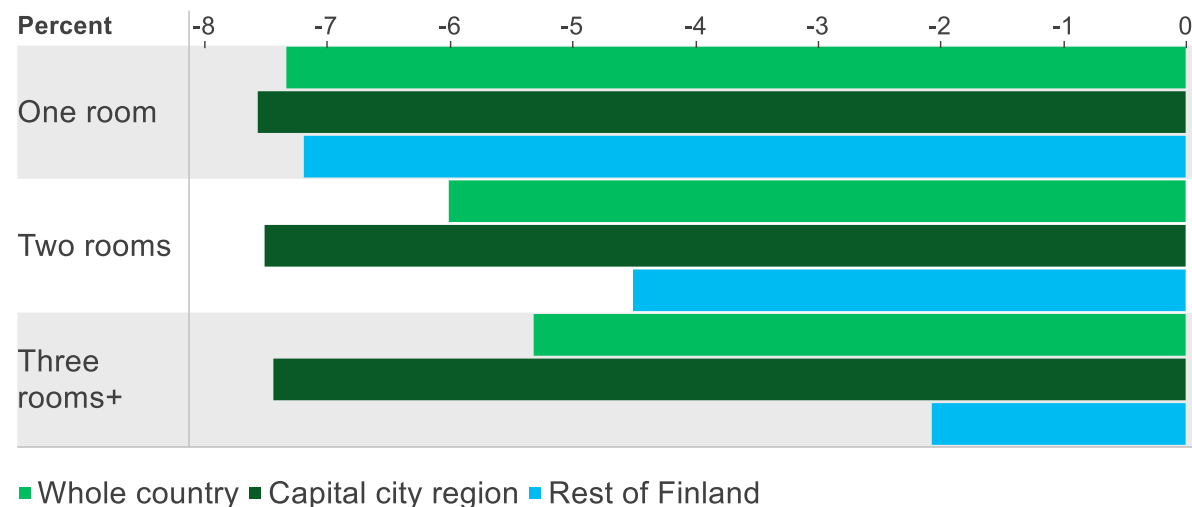
Price index of old blocks' of flats



Source: Aktia, Macrobond, Statistics Finland.

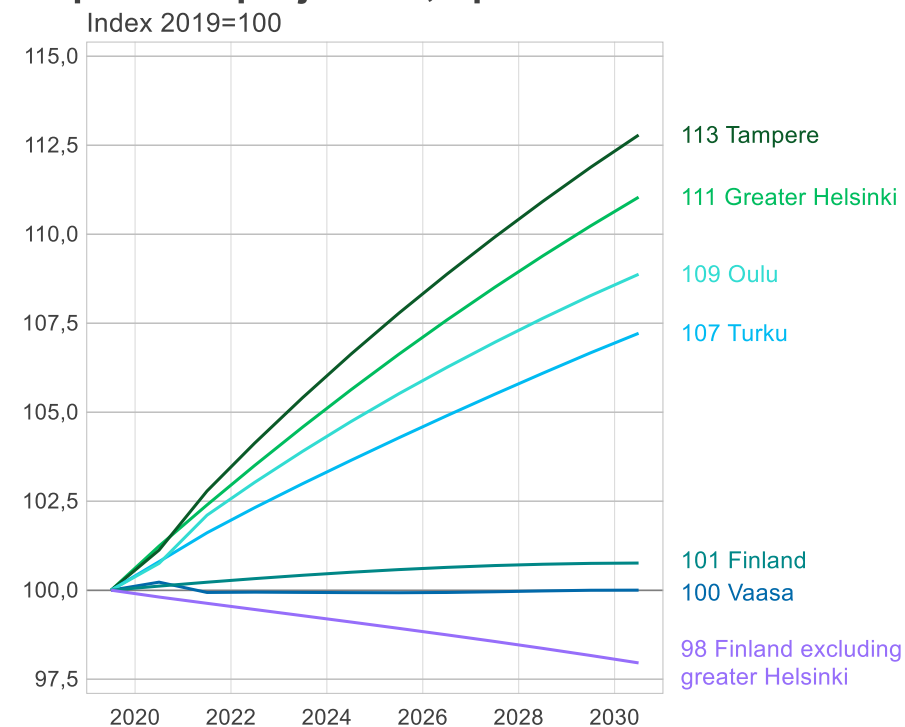
Housing market has been challenging

Annual change in prices of apartment blocks, 2023 Q4



Source: Aktia, Macrobond, Statistics Finland

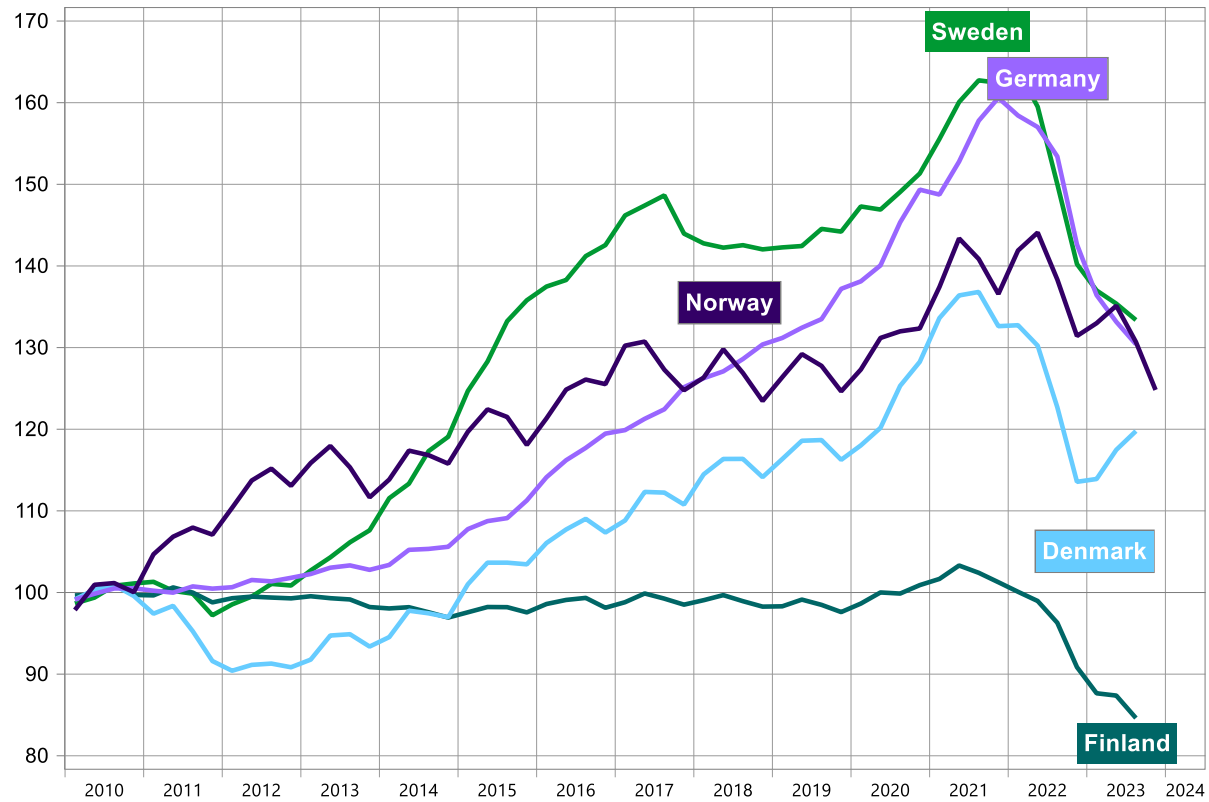
Population projection, updated 9/2021



Source: Aktia, Macrobond, Statistics Finland.

Housing market comparison

Real House Prices,



Sources: Aktia and Macrobond



Building wealth for our customers and society

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Aktia