

11 MAY 2023

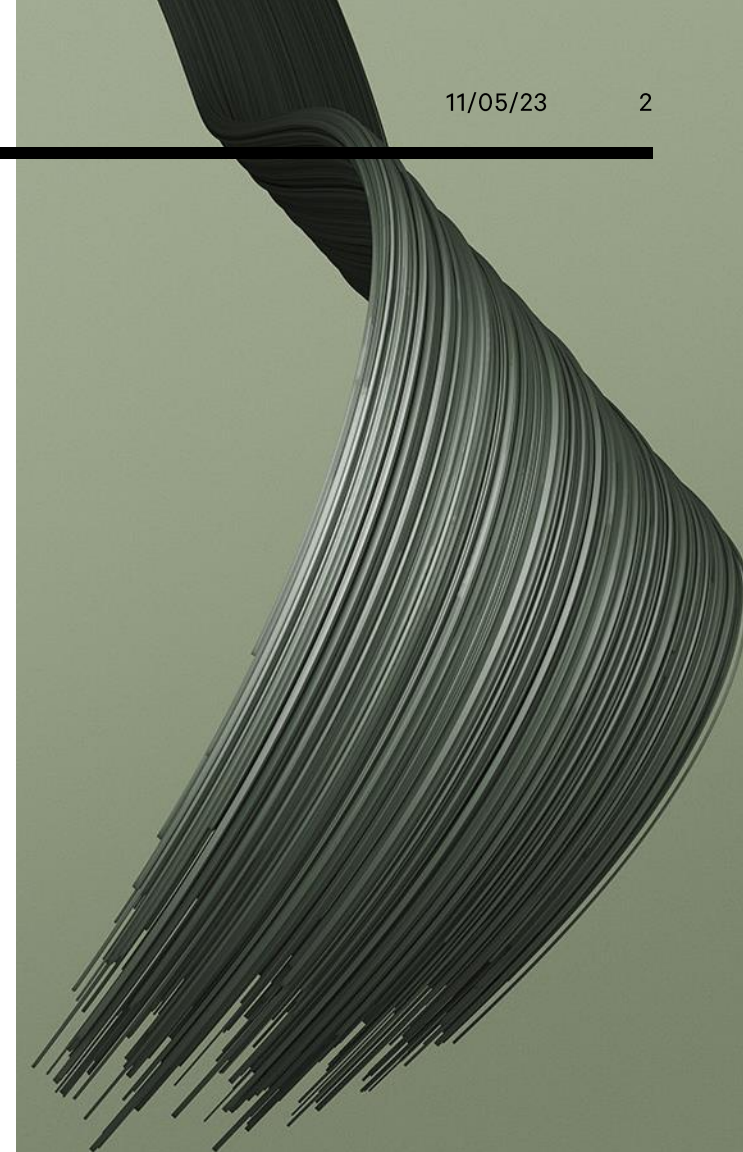
# Q1 Results

Debt Investor Presentation

Aktia

# Highlights Q1

- **Net interest income** grew by 27% to EUR 31.8 (25.1) million.
- **Net commission income** remained approximately at the previous year's level at EUR 30.3 (31.3) million.
- **Assets under management (AuM)** increased from the end of the year to EUR 13.8 (13.5) billion.
- **Net income from life insurance** amounted to EUR 7.2 (21.4) million. The implementation of IFRS 17 standard makes comparisons difficult.
- **The costs** increased slightly due to inflation and a higher estimated cost for the stability fee than last year.
- **Credit loss provisions** remained at a moderate level at EUR -0.9 million.
- **CET1 ratio** increased to 11.1 (10.8) %.

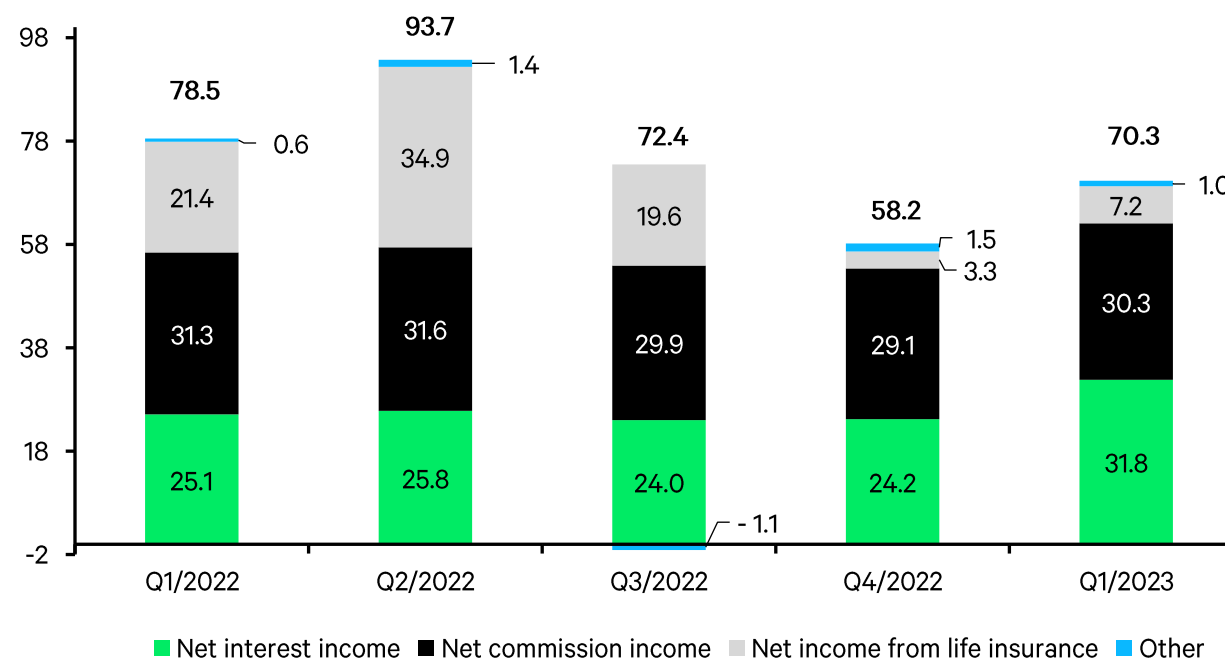


# Strong growth in NII

- Comparable operating income was EUR 70.3 (78.5) million.
- Net interest income developed very positively with rising interest rates.
- Net commission income decreased, mainly due to the decrease of commission income from funds, asset management and securities brokerage as a result of lower customer assets under management (AuM).
- Net income from life insurance was clearly below last year's level due to the implementation of IFRS 17.

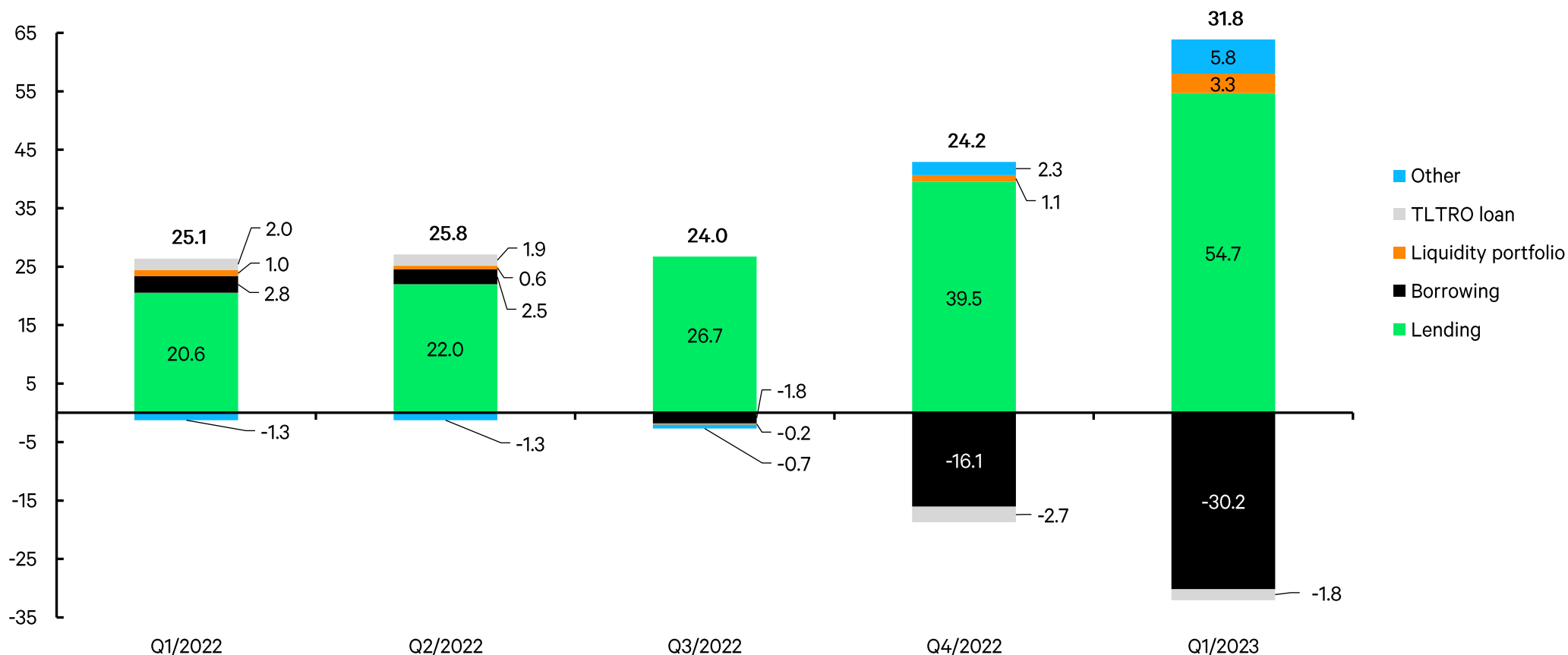
Comparable operating income, Q-o-Q

EUR million



# Composition of the Group net interest income

EUR million



# Business areas

---

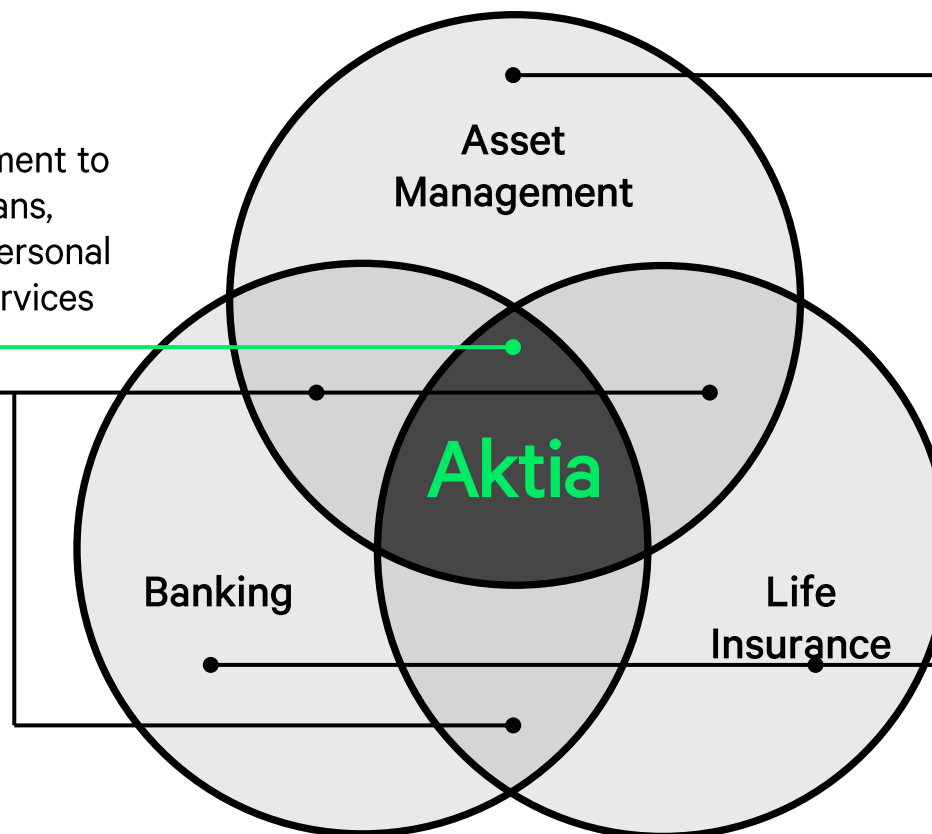
# Focus on guiding customers to our focal point

## Growth in our strategic sweet-spot

Offering comprehensive wealth management to our target segments, including wealth plans, financing, asset management services, personal life insurance and convenient banking services

## Growth through cross-selling

Focus on cross sales and development of our current customer base



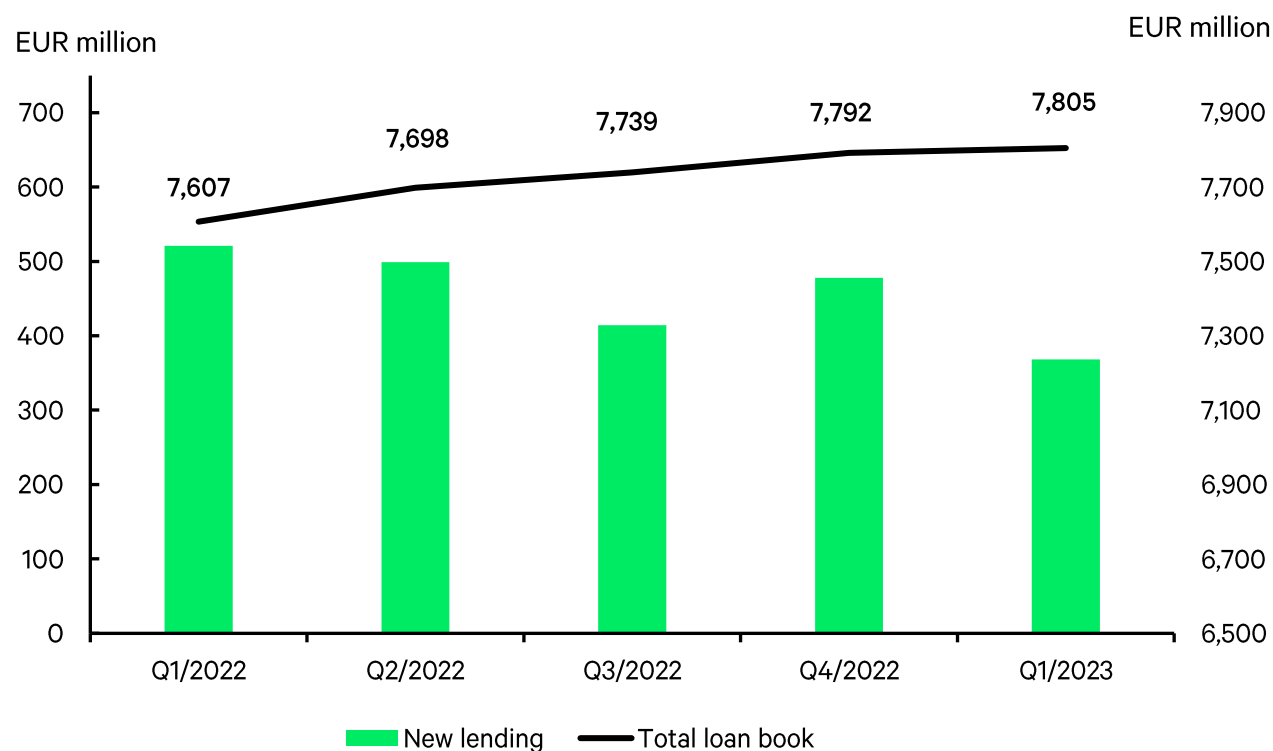
Focus on excellent customer experience and offering for single product customers

Focus on production and service cost for single product customers

# Banking: Average margin continued to grow

- Net interest income of the loan book developed very favourably.
- Consumer demand for housing loans continued to decrease.
- Consumer financing performed well.
- Sales of the quarter's structured investment product reached record levels.
- Corporate customer business lending continued to increase.

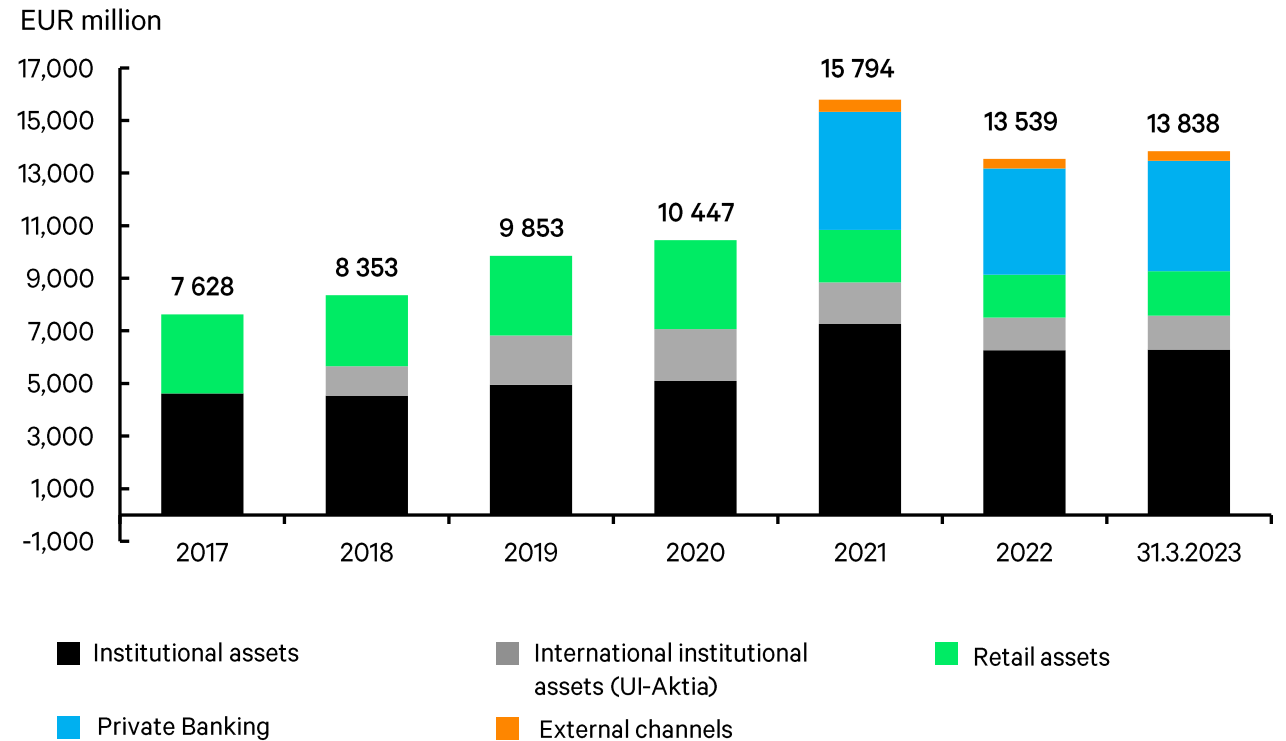
Development of credit portfolio Q-o-Q



# Slight increase in AuM

- Market environment clearly improved.
- Rising interest rates put pressure on the market value of fixed income and housing funds.
- Net subscriptions continued to increase and amounted to EUR 131 million.
- Aurinkotuuli III fund launched in co-operation with Taaleri.
- Customer satisfaction in Private Banking increased significantly.

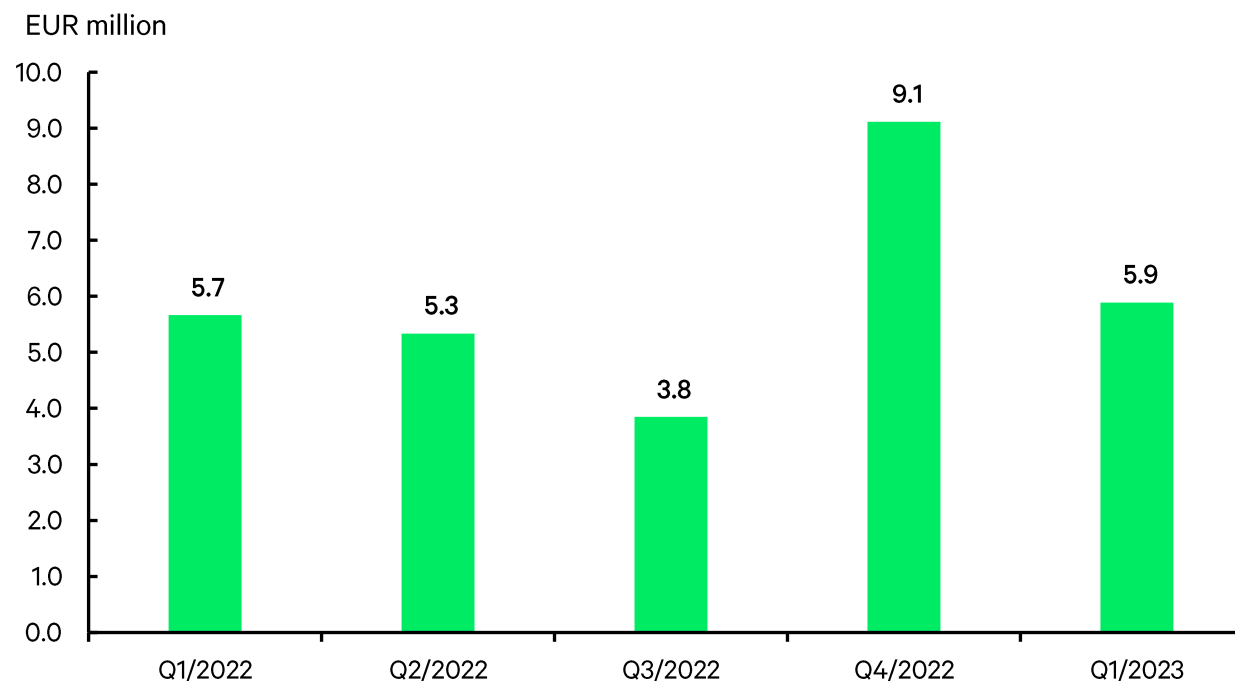
Assets under Management, excluding custody



# Life Insurance business remained stable

- Sales of risk life insurance developed well.
- Sales of investment-linked insurance continued to develop positively.
- Net investment result amounted to EUR 2.0 million.
- Solvency decreased from the year-end, but improved somewhat from Q1/2022.

Development of the actuarially calculated result Q-o-Q

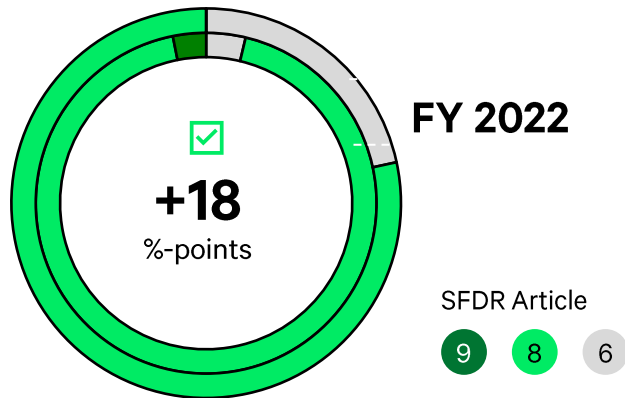


# Success of the leading wealth management bank is based on sustainability

☑ = target achieved

## Share of SFDR Article 8 and 9 classified funds

Target: increase the share



## Aktia's ESG ratings

Target: reach at least industry average

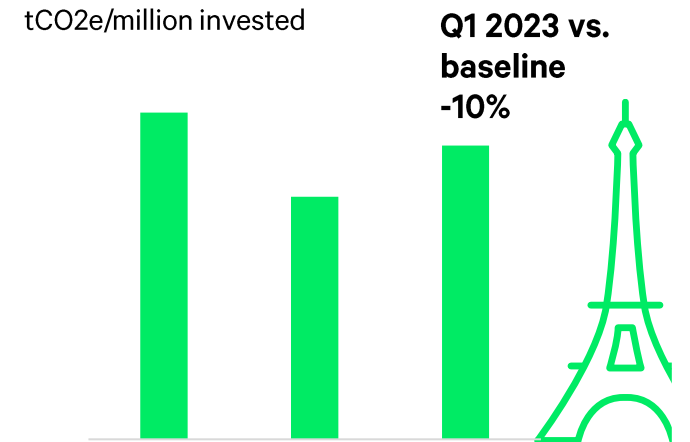
MSCI:	A	☑
Sustainalytics:	Low Risk	☑
ISS-ESG:	D+	☑

## Aktia's net impact

Target: Positive net impact ratio according to Upright's model

Upright Project:	+31%	☑
------------------	------	---

## Relative carbon footprint of equity and credit portfolios



# Aktia sustainability program for 2022–2025

Aktia has set four clear and transparent targets for sustainability

- Prosperity: Customer Satisfaction, Responsible investments, Responsible lending, Comprehensive understanding of customer needs.
- People: Good leadership, Employee experience, Diversity, Equity & inclusion.
- Principles of Governance: Transparency (in operations and reporting), Business ethics, Information security.
- Planet: Climate strategy, Minimising Aktia's own environmental impact

Aktia				
Aktia's sustainability program for 2022-2025				
Sustainability theme	Prosperity	People	Principles of Governance	Planet
Focus areas	<ul style="list-style-type: none"> <li>• Customer experience</li> <li>• Responsible investment</li> <li>• Responsible lending</li> <li>• Comprehensive understanding of customer's needs</li> </ul>	<ul style="list-style-type: none"> <li>• Good leadership</li> <li>• Employee experience</li> <li>• DEI (Diversity, Equity &amp; Inclusion)</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency (in operations and reporting)</li> <li>• Business ethics</li> <li>• Information security</li> </ul>	<ul style="list-style-type: none"> <li>• Climate strategy</li> <li>• Minimizing Aktia's own environmental impact</li> </ul>
Targets for 2025 (KPIs)	<ul style="list-style-type: none"> <li>• T-media reputation &amp; trust score above 3.50</li> <li>• Increase the share of Article 8/9 classified funds</li> <li>• Increase the share of sustainable loans</li> <li>• Wealth plan done in 90% of cases when mortgage loan granted</li> </ul>	<ul style="list-style-type: none"> <li>• Signi flame index (at least 80)</li> <li>• eNPS (at least 20)</li> <li>• St-E index participation</li> </ul>	<ul style="list-style-type: none"> <li>• Reach at least industry average in the ESG ratings by:               <ul style="list-style-type: none"> <li>• MSCI</li> <li>• Sustainalytics</li> <li>• ISS</li> </ul> </li> <li>• Positive Net Impact ratio of Aktia Bank Plc (Upright Project)</li> <li>• Information security:               <ul style="list-style-type: none"> <li>• Inreach program (overall awareness of employees), score over 3</li> <li>• Outreach program: supplier evaluations and stakeholder meetings at least 25 done</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Interim objectives of the climate strategy:               <ul style="list-style-type: none"> <li>• Carbon footprint of equity and credit portfolios -30 %</li> <li>• Green bonds share of corporate credit funds 35 %</li> <li>• Developing a green bond framework</li> <li>• (Net) Carbon neutrality in energy consumption in Aktia's HQ</li> </ul> </li> </ul>
Actions	<ul style="list-style-type: none"> <li>• Continuous work on responsible investing</li> <li>• Development of sustainable lending criteria</li> <li>• Internal collaboration between functions</li> <li>• Comprehensive overview of customer's needs</li> </ul>	<ul style="list-style-type: none"> <li>• Listening to our employees (Signi questionnaire)</li> <li>• Training program for our supervisors</li> <li>• Annual one-to-one conversations</li> <li>• Following the diversity policy &amp; equality plan and fostering equal opportunities</li> <li>• Prepare a development plan for each employee by 2025</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing transparency &amp; expanding our reporting</li> <li>• Following international principles &amp; standards</li> <li>• Acting as a thought leader encouraging companies to join sustainability initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Taking part in initiatives (NZAM etc)</li> <li>• Working systematically with climate impact assessment within wealth management</li> <li>• Active ownership &amp; stewardship</li> <li>• Negotiating with lessors about transition to green energy</li> <li>• Develop green lending products</li> </ul>

Additional information: <https://www.aktia.com/en/sustainability/sustainability-programme>

# Sustainability at Aktia – Q1/2023

Aktia follows the sustainability programme updated last year, of which the high-level targets are to enable sustainable prosperity, provide meaningful work for skilled employees, ensure reliable and transparent operations and work towards carbon-neutrality.

Aktia wants to participate in financing the green transition. During the first quarter of 2023, the guidance regarding the framework for Aktia's green and sustainability-linked loans was finalised and approved. Aktia has already granted one sustainability-linked loan based on the new framework.

During the first quarter, Aktia launched the private equity fund Aurinkotuuli III. The fund also offers also private investors an opportunity to invest effectively in the development of renewable energy production. The fund invests in the international private equity fund Taaleri SolarWind III, a financial product under Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR).

# Financial overview



Aktia

# Financial summary Q1

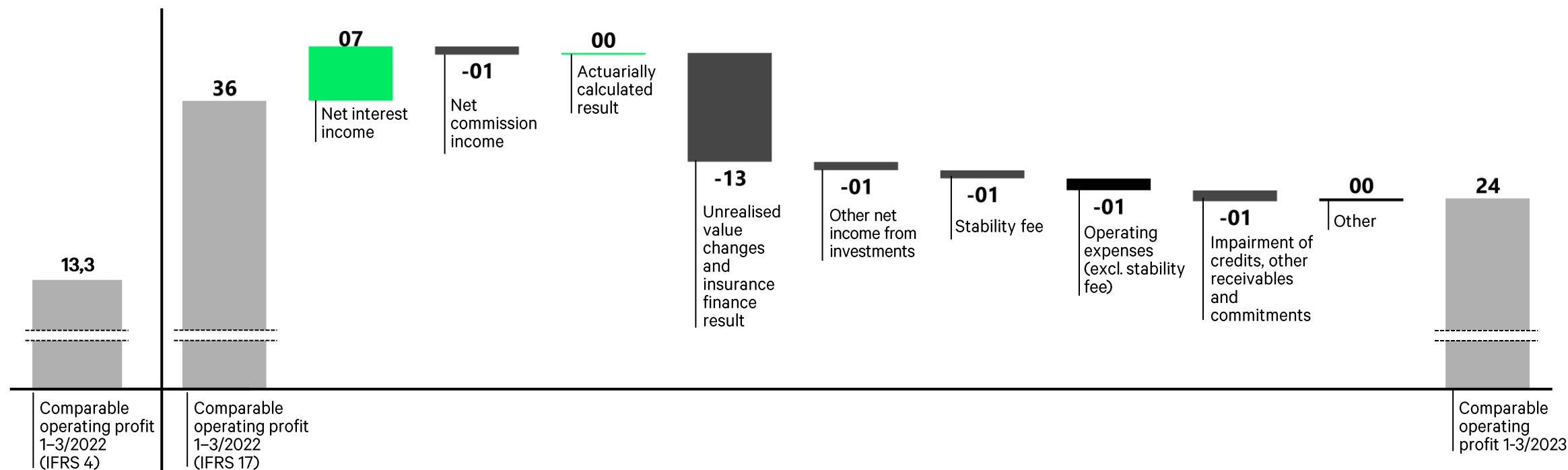
EUR million	1Q/2023	1Q/2022	Δ %	4Q/2022	Δ %
Total operating income	70.3	78.7	-11%	58.2	21%
Net interest income	31.8	25.1	27%	24.2	31%
Net commission income	30.3	31.3	-3%	29.1	4%
Net income from life insurance	7.2	21.4	-67%	3.3	116%
Other income	1.0	0.8	28%	1.5	-32%
<b>Total operating expenses</b>	<b>-47.1</b>	<b>-43.3</b>	<b>9%</b>	<b>-44.1</b>	<b>7%</b>
Impairments of credits and other commitments	-0.9	0.3	-	-7.1	-87%
<b>Operating profit</b>	<b>22.2</b>	<b>35.8</b>	<b>-38%</b>	<b>6.9</b>	<b>221%</b>
<b>Comparable operating profit*</b>	<b>23.6</b>	<b>35.6</b>	<b>-34%</b>	<b>8.3</b>	<b>183%</b>
Earnings Per Share (EPS), EUR	0.25	0.40	-38%	0.07	238%
Return on Equity (ROE), %	12.2	19.9	-38%	3.7	229%
Cost-to-income ratio (comparable)	0.65	0.55	18%	0.73	-11%
Common Equity Tier 1 capital ratio, %	11.1	10.6	4%	10.8	2%

\*) Excl. items affecting comparability

# Adoption of IFRS 17 decreased comparable operating profit

Comparable operating profit 1–3/2023 vs 1–3/2022

EUR million

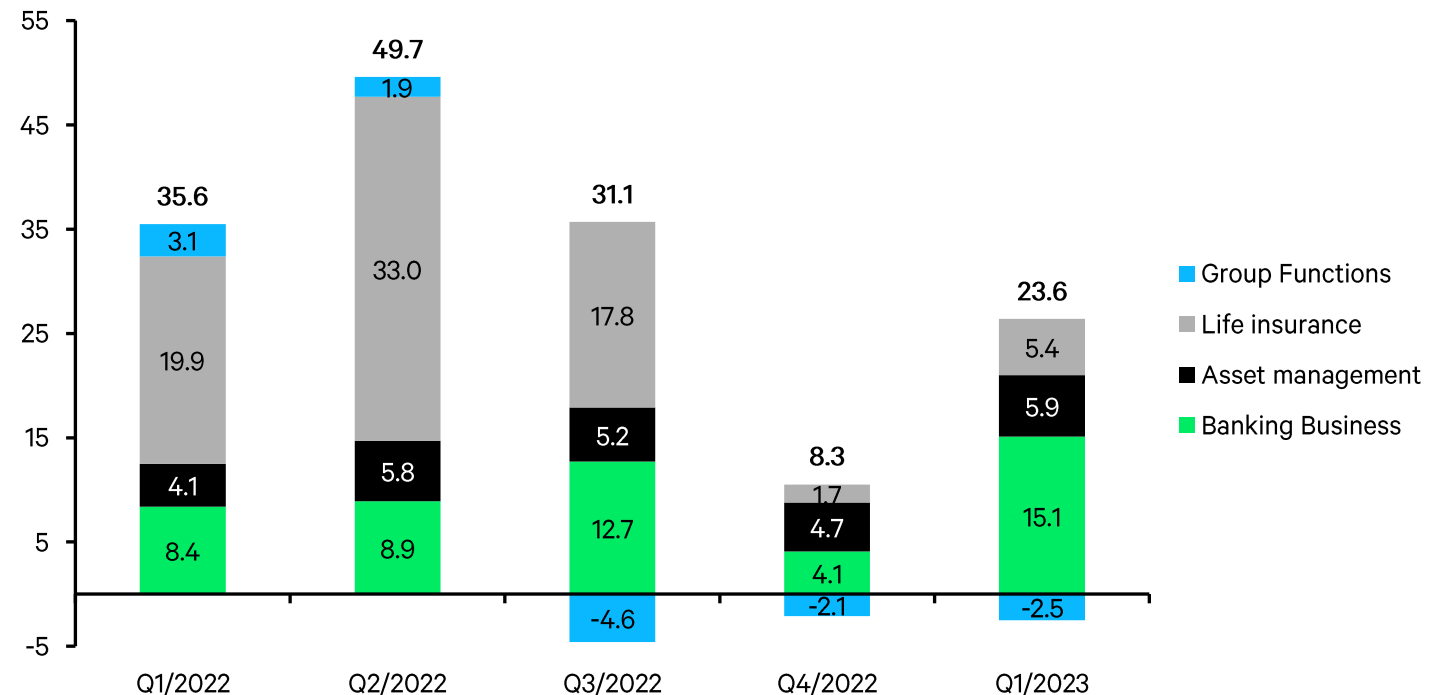


# Comparable operating profit increased clearly in Banking Business and in Asset Management

- Comparable operating profit increased clearly in Banking Business and in Asset Management
- Comparable operating profit decreased significantly in Life Insurance due to the implementation of IFRS 17

Comparable operating profit Q-o-Q

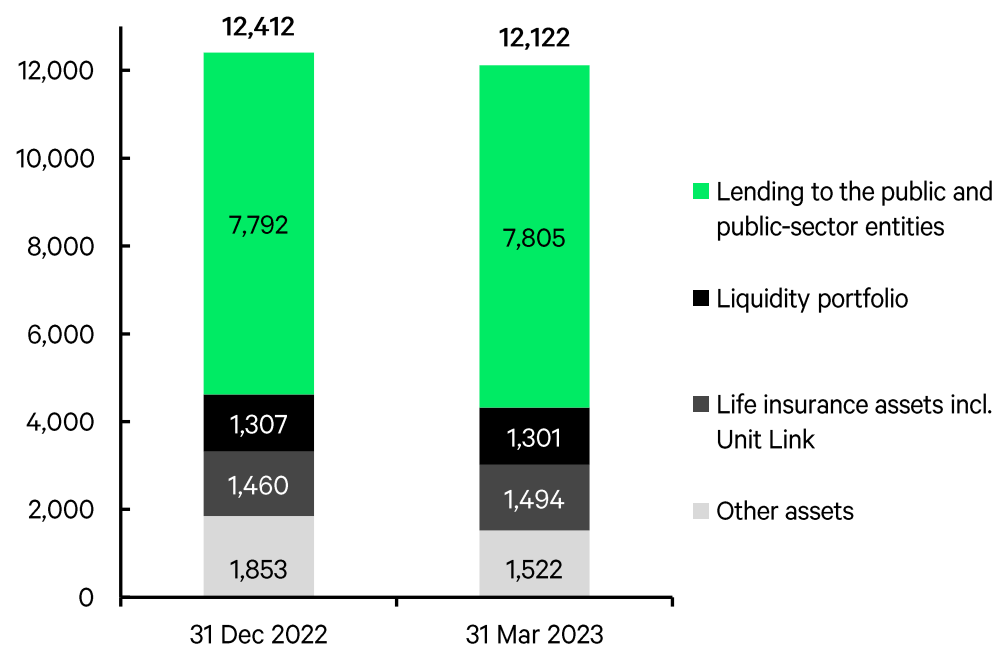
EUR million



# Balance sheet total EUR 12,122 million

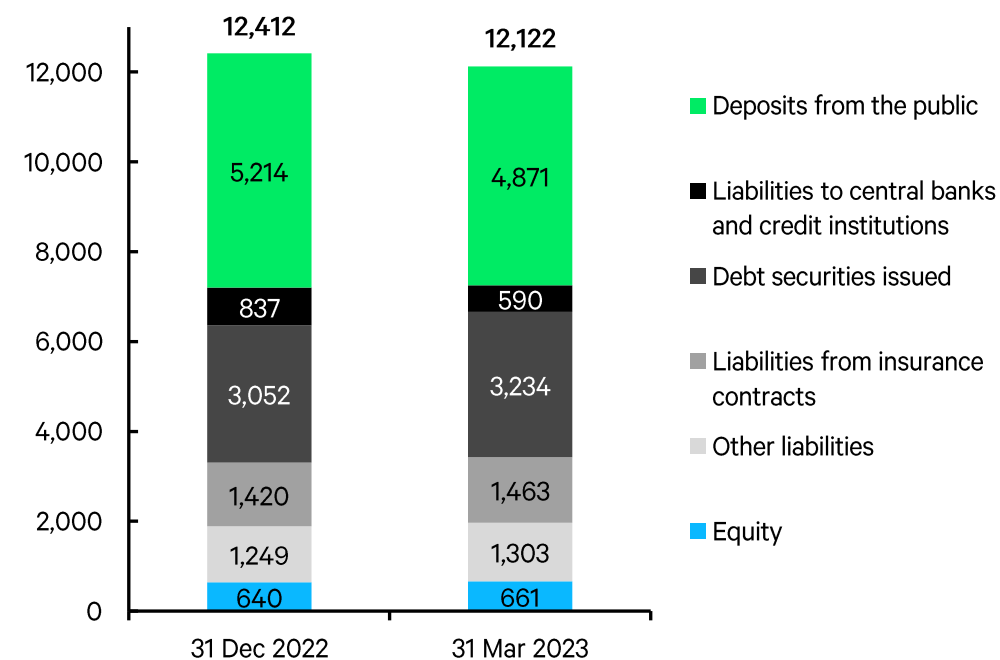
## Total assets

EUR million



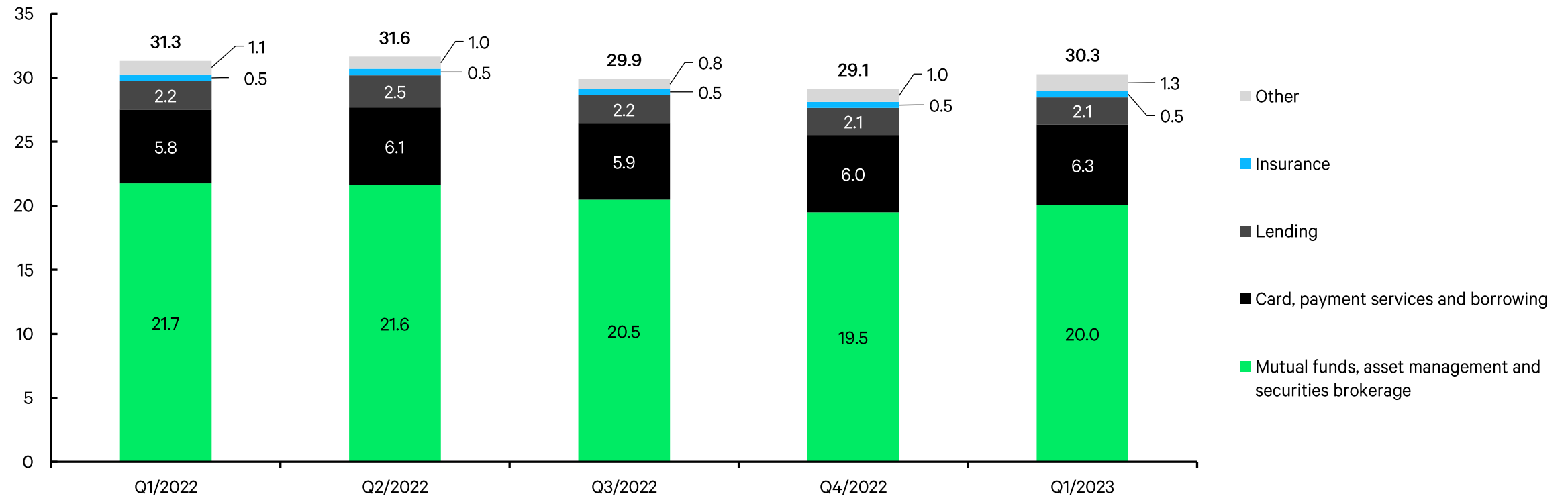
## Total liabilities and equity

EUR million



# Net commission income mix

EUR million

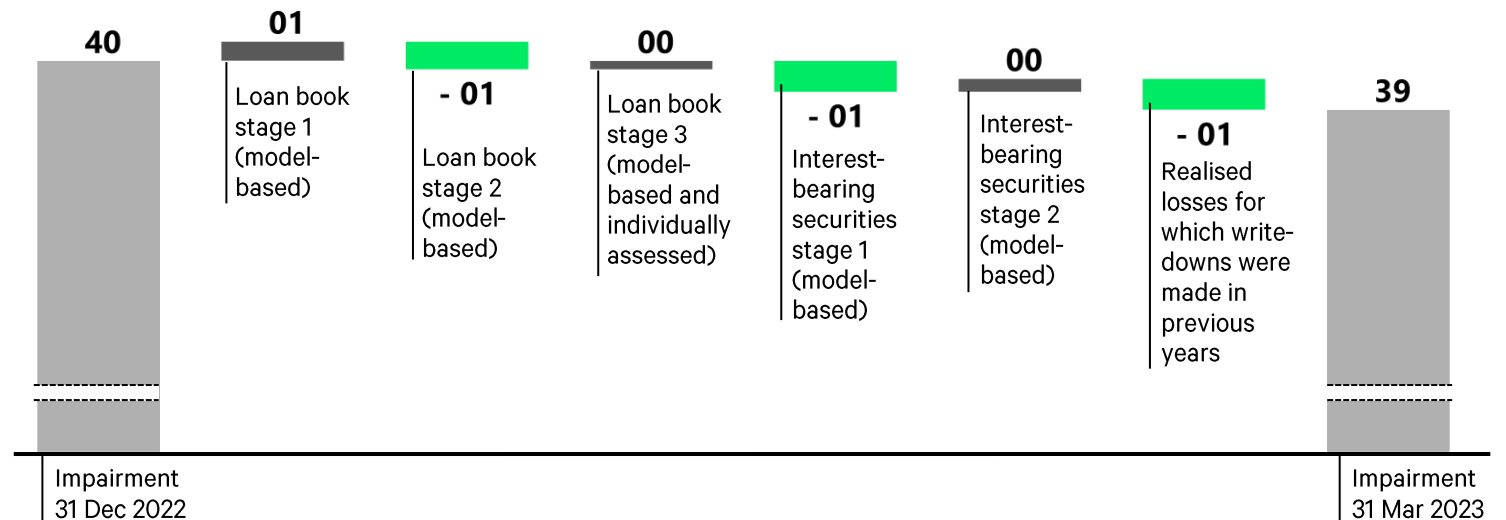


# Quality of the credit portfolio remains solid

- Loan book constitutes for the major part of loans to households and private persons with residential or real estate securities.
- The loan-to-value (LTV) ratio is at a good level (43%) and a low risk level provides a solid quality of credits in Aktia's loan book.
- Reservations for expected credit losses decreased by EUR 1.3 million in the quarter.

## Change in expected credit losses (ECL) 1-3/2023

EUR million



# Financial targets 2025

<p>Comparable operating profit <b>above EUR 120 million</b></p> <p>1-3/2023: EUR 23.6 million</p> <p>1-12/2022: EUR 124.7 million*</p>	<p>Comparable return on Equity (ROE) <b>above 12%</b></p> <p>31 March 2023: 13.0%</p> <p>31 December 2022: 17.2%*</p>	<p>Comparable cost-to-income ratio <b>under 0.60</b></p> <p>1-3/2023: 0.65</p> <p>1-12/2022: 0.56*</p>	<p>Common Equity Tier 1 capital ratio (CET1) <b>above 1.5 percentage points over the regulatory requirement</b></p> <p>31 March 2023: 3.3 percentage points over the regulatory requirement</p> <p>7.7%</p>
--	---	--	---

\* Adjusted due to the adoption of IFRS 17 accounting standard as of 1 January 2023

# The Debt Investment case

## Credit ratings

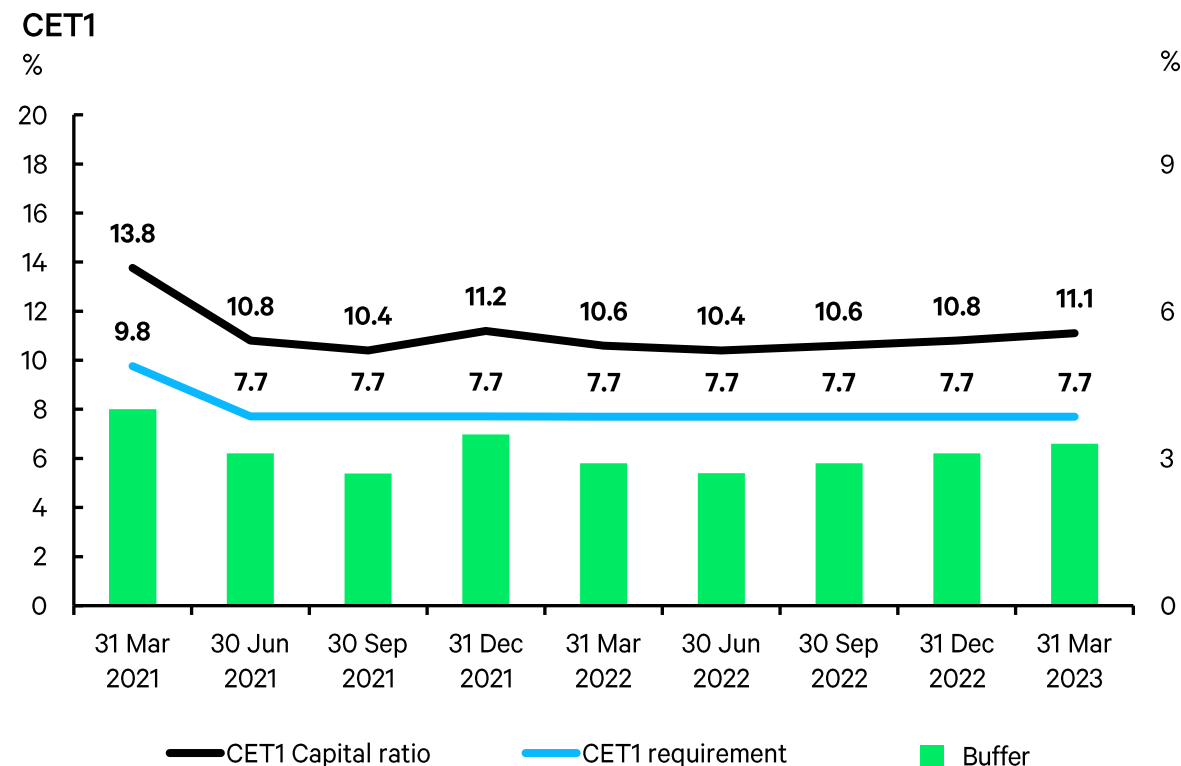
Moody's: A2 / P-1, neg, Covered Bonds: Aaa

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

Aktia

# CET1 ratio 3.3 percentage points above the requirement

- CET1 ratio 11.1% , +0.2 percentage points from Q4/2022.
- Risk-weighted assets increased only by EUR 2 million, mainly due to changes made by Statistics Finland to its Industry Classification criteria.
- The fund at fair value increased by EUR 2 million due to the shortened maturity in the hedged liquidity portfolio.
- Aktia Life Insurance paid a dividend of EUR 6.3 million to the parent company in March, which strengthened the Bank's CET1 capital.



# CET1 ratio above the requirement

- Minimum CET1 requirement ratio is 7.74 % (1Q23 CET1 11.1%).
- Total minimum capital ratio requirement 11.78% (1Q23 Total capital: 15.2%).
- Aktia Bank Group's leverage ratio was 3.8% (4Q22 3.6%).
  - Tier 1 capital EUR 406.7 million
  - Total exposures EUR 10,619.4 million
- The Finnish Financial Stability Authority has set the MREL requirement for Aktia Bank at twice the minimum capital requirement, at least 8% of the balance sheet total.
  - MREL requirement EUR 627.6 million
  - Own funds and eligible liabilities EUR 2,138.2 million

Capital requirement	%
Pillar 1 req	4.5%
Pillar 2 CET1 req	0.70%
Capital Conservation buffer	2.5%
Counter Cyclical buffer	0.03%
Systemic Risk buffer**	0.0%
<b>Total CET1 % req</b>	<b>7.74%</b>
AT1 Capital	1.5%
Pillar 2 AT1 req	0.23%
Tier 2 Capital	2.0%
Pillar 2 Tier 2 req	0.31%
<b>Total Capital Requirement</b>	<b>11.78%</b>

# High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 188%.

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 1,822 million on 31 March 2023 (4Q22 EUR 2,256 million).

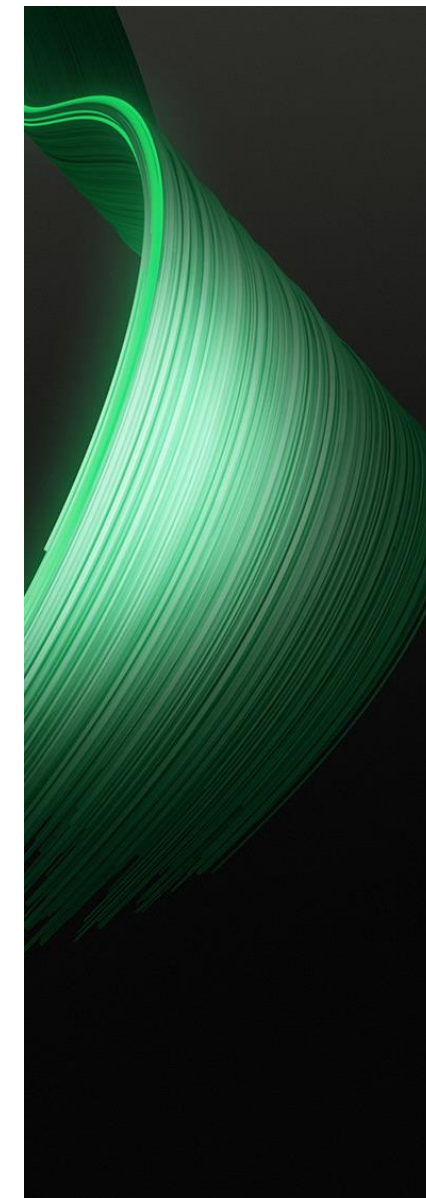
All assets are LCR eligible.

## Unencumbered Liquidity reserve, market value

EUR million	31 Mar 2023	31 Dec 2022
Cash and holdings in central banks	836	1,172
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	216	196
Securities issued or guaranteed by municipalities or Public sector entities	104	111
Covered bonds	667	777
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
<b>Total</b>	<b>1,822</b>	<b>2,256</b>

# Funding activities

- Market sentiment turned more negative towards the end of Q1 due the liquidity problems amongst the medium-size US banks. Concerns of potential asset and liability problems in banking community after very quickly increased interest rates weighed the otherwise decent market sentiment.
- In Q1, Aktia completed twelve senior preferred private placement transactions with the total value of approximately EUR 275 million.
- In February, Aktia paid back part of the TLTRO III financing prior to the redemption of the tranche in June (EUR 250 million).
- The refinancing of the EUR 500 million covered bond redeeming in May 2023 will happen during the second quarter of 2023.
- Aktia will continue to issue senior debt to prefund some redeeming notes and to convert part of the short-term money market funding to longer term issuance.
- Very limited volume of new AT1 issuance is possible, depending on the market sentiment.

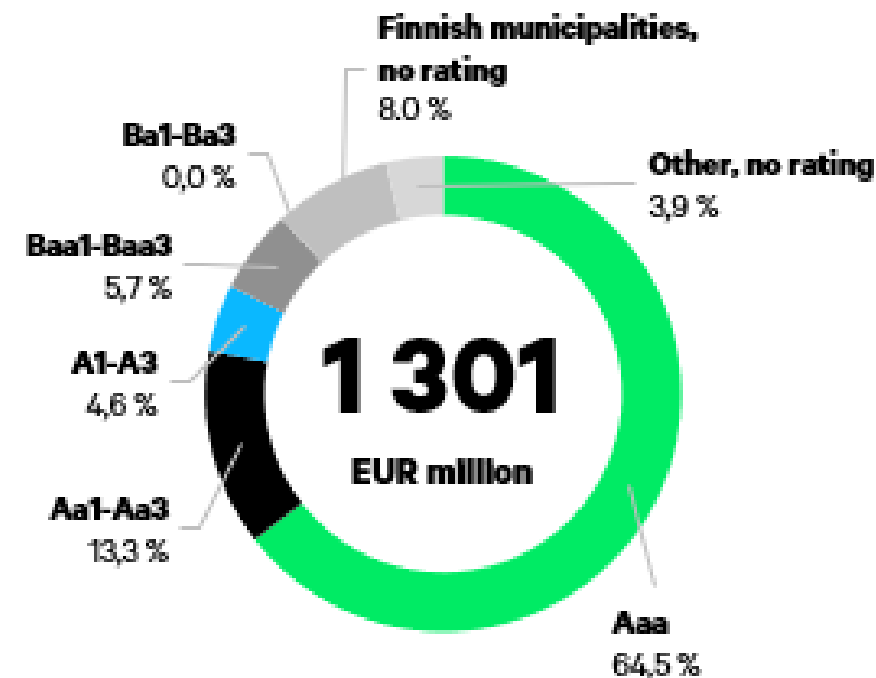


# Low risk liquidity portfolio

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



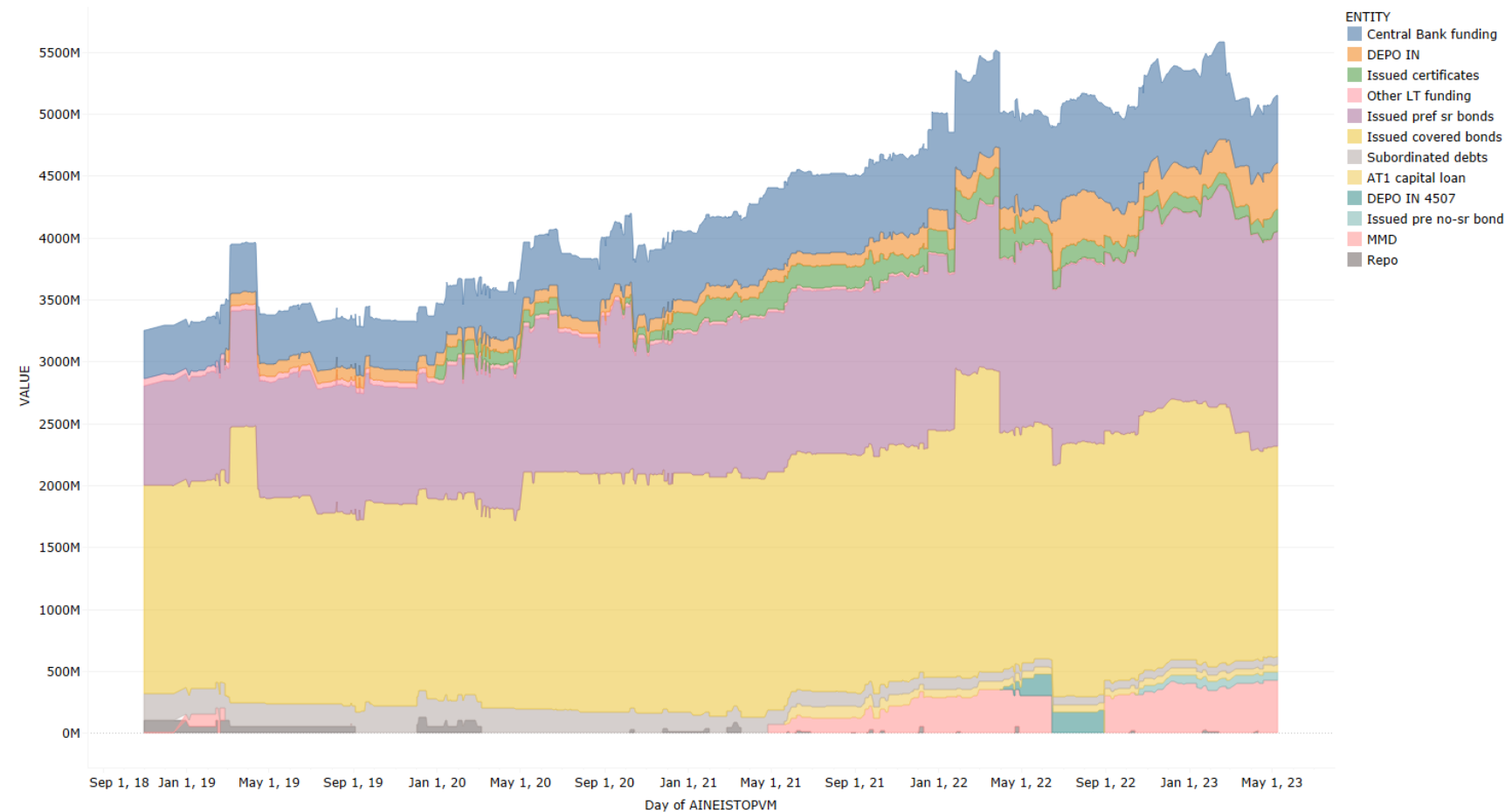
# Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities ended up to EUR 4.817 (4Q2022: 5,214) million. Aktia's market share of deposits was 3.0% (3.1%) at the end of March 2023.

The value of bonds issued by Aktia Bank totalled EUR 3,160 (2,947) million. The total is excluding the EUR 300 million retained Covered Bonds.

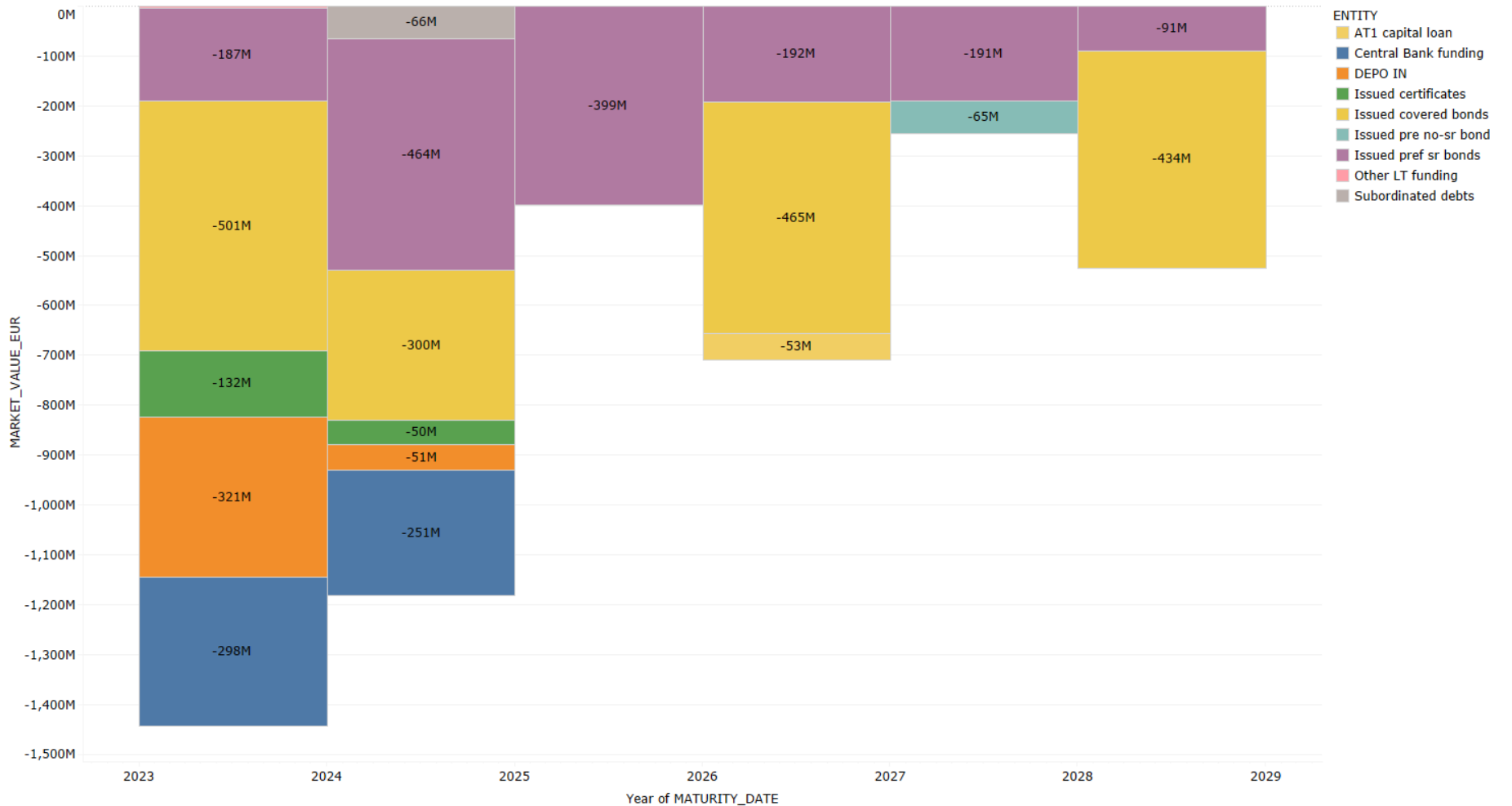
Funding Structure



# Redemption schedule

EUR 500 million covered bond refinancing will take place during Q2 2023

Funding Maturity Structure 5/9/2023



# Aktia Bank as covered bond issuer

Aktia Bank has issued the existing Covered bonds under the legislation as mortgage bank (Act on Mortgage Credit Bank Operations, MCBA 688/2010). The covered bonds are issued directly from the bank's balance sheet.

The new Finnish Covered bond legislation came into effect on 8<sup>th</sup> July 2022. The legislation complies with the Directive (EU)2019/2162 and the regulation (EU) 2019/2160 of the European Parliament and of the Council

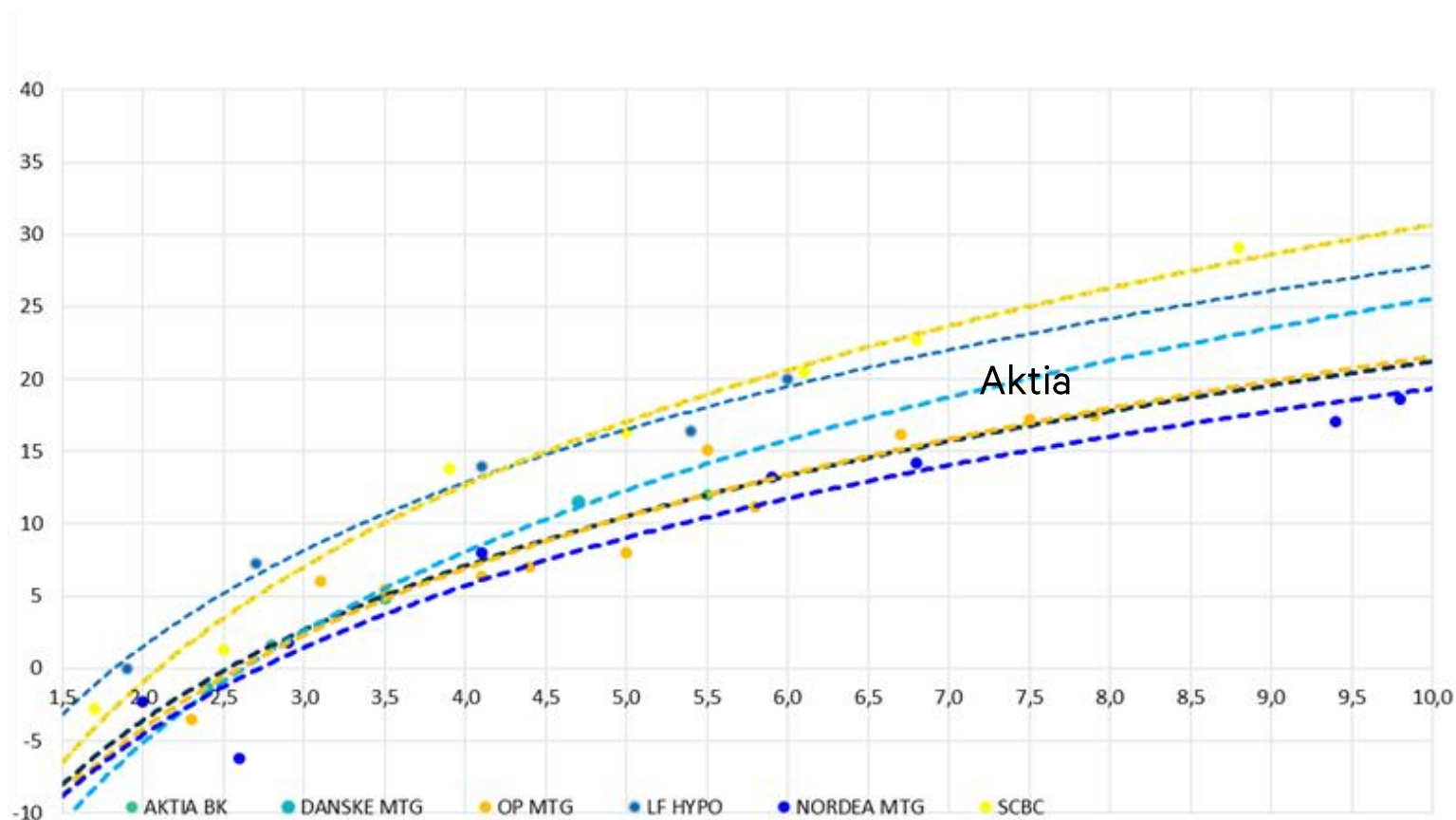
- Aktia Bank issued the first EUR denominated covered bond in 2004
- The Aktia Bank mortgage loan portfolio is of very high quality:
  - Prime residential mortgage loans and loans to Housing Companies
  - Collateral located in Finland
  - Low average LTV
- Aktia Bank covered bonds issued before 8 July 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

# Secondary market comparable

Aktia has been regular issuer of benchmark size covered bonds for more than decade.

Existing bonds:

- XS1827629384 500mEUR 30.05.2023
- XS1958616176 500mEUR 05.03.2026
- XS2436153139 500mEUR 25.10.2028

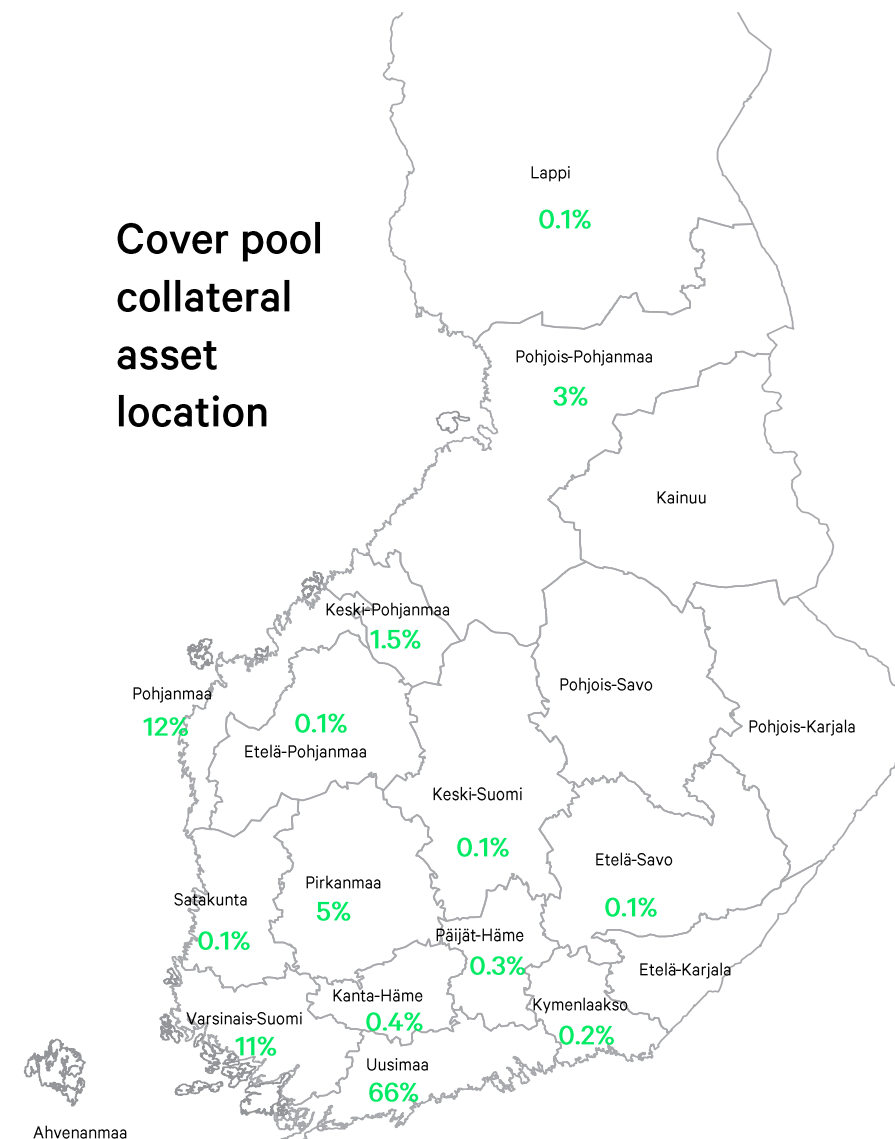


# Aktia Cover pool 2

1Q 2023

Asset Pool Balance	EUR 2.459 bln. (no substitute assets)
No of loans / average loan balance	34,006/ EUR 72,315
Types of loans	First ranking residential mortgages, pledges of shares in housing companies and loans for housing companies
Asset types in cover pool	95% Residential, 5 % Housing Company Loans
Geography	Finland only, well diversified with concentration on growth areas
Non-performing loans (> 90 days in arrears)	0.0
WA indexed LTV	45.84 %
Maximum LTV	Covered Bond refinancing max LTV limit: 70% Loans exceeding LTV 70 haircut at LTV 70%
Interest rate	floating 95 %, fixed 5 %
WA seasoning	67.8 months
Overcollateralisation (%)	36.62 %
Committed OC (Nominal)	10.00 %
OC Calculation: Legal Minimum	2.00 %

## Cover pool collateral asset location



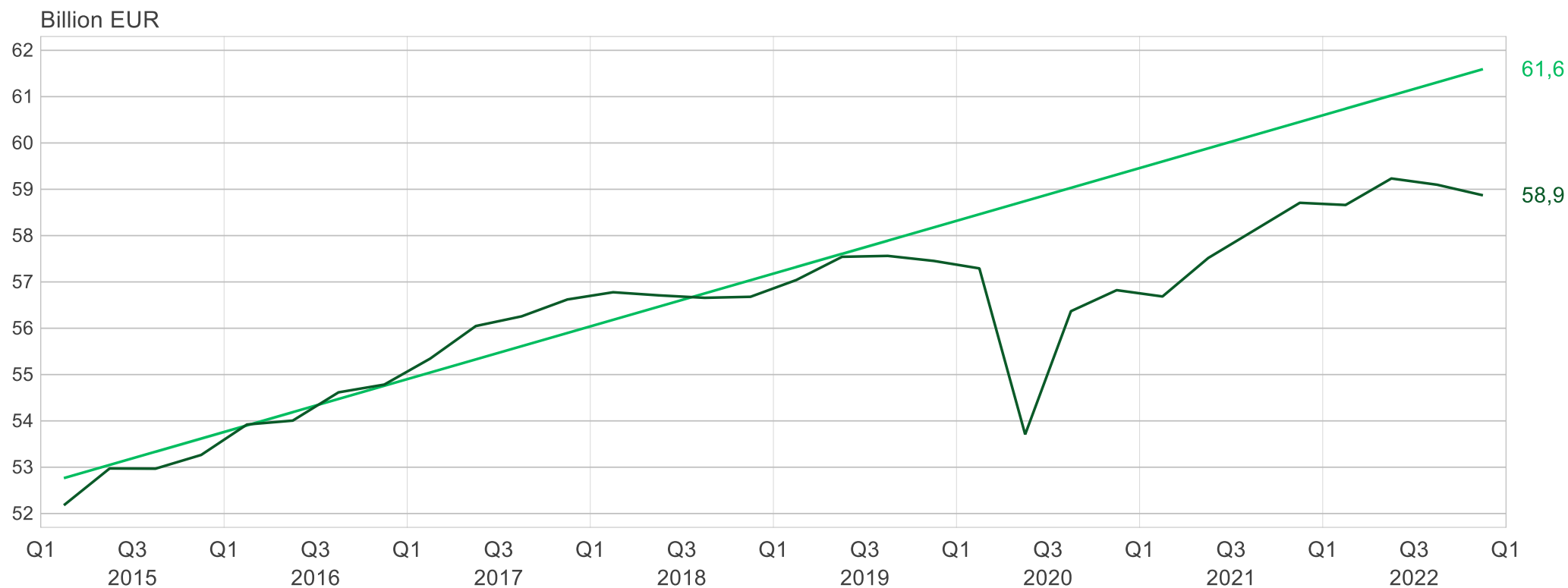
# Finland – a responsible Nordic welfare economy

---

# Gross domestic product behind trend

## Finland, quarterly gross domestic product, 2015 prices

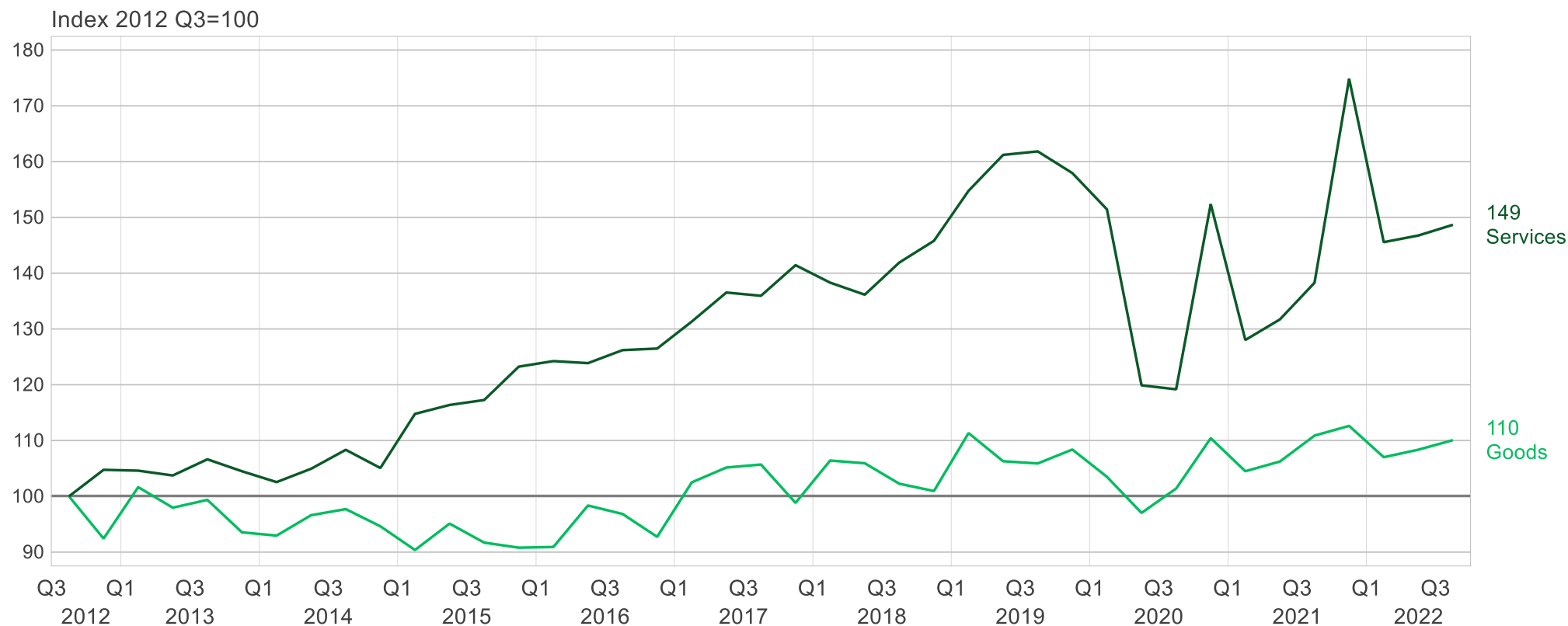
— GDP — Trend 2015-2019



Lähde: Aktia, Macrobond, Statistics Finland.

# Service exports supporting the economy

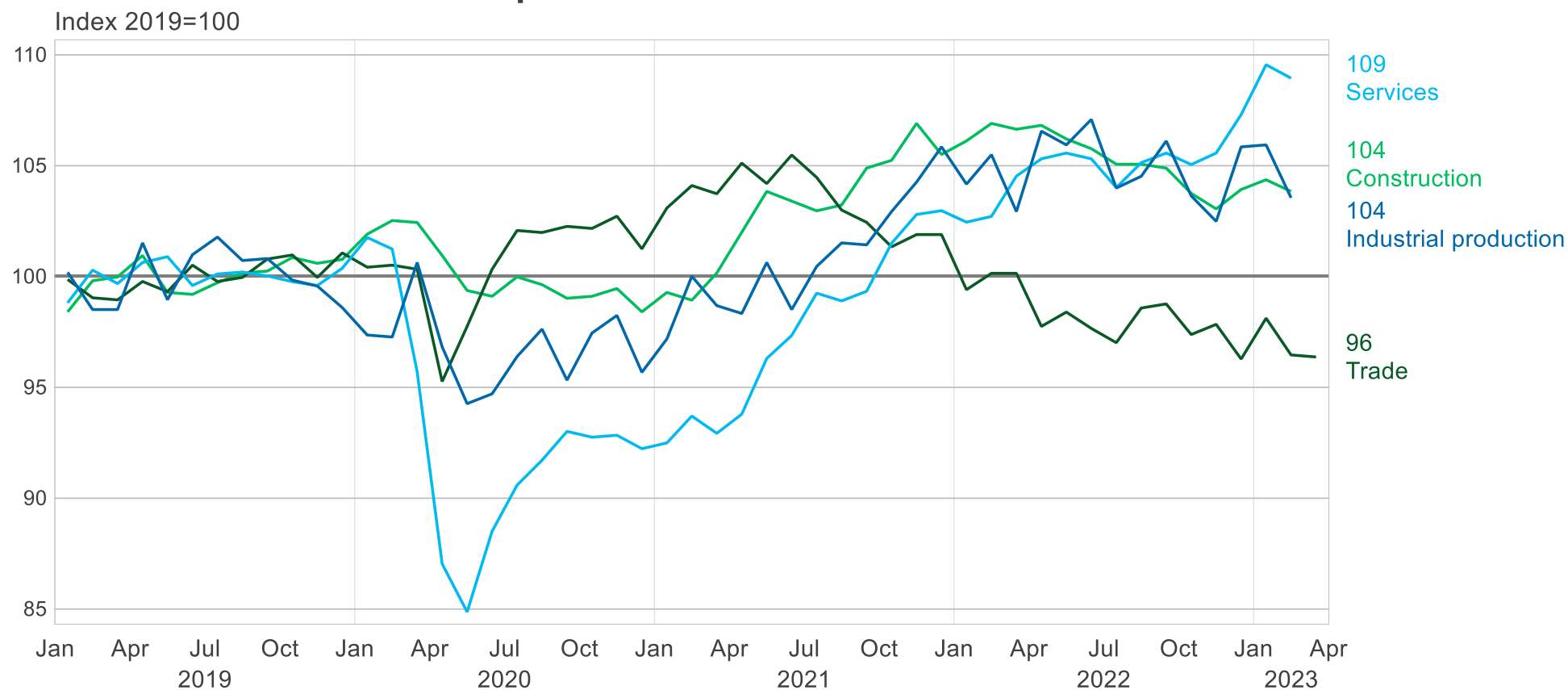
## Finland, export of goods and services



Source: Aktia, Macrobond, Statistics Finland.

# Most sectors fully recovered from pandemic

## Sales volume and industrial production

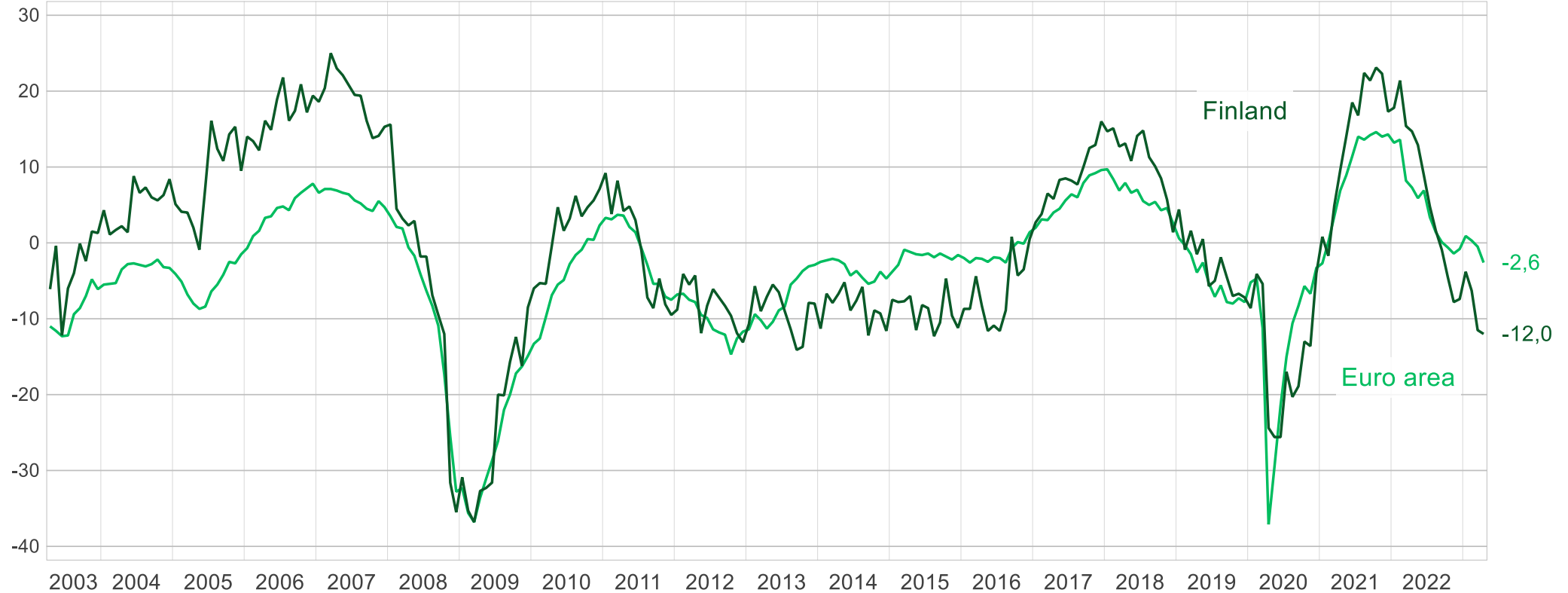


Source: Aktia, Macrobond, Statistics Finland.

# Industrial confidence is struggling

## Industrial confidence

Percent

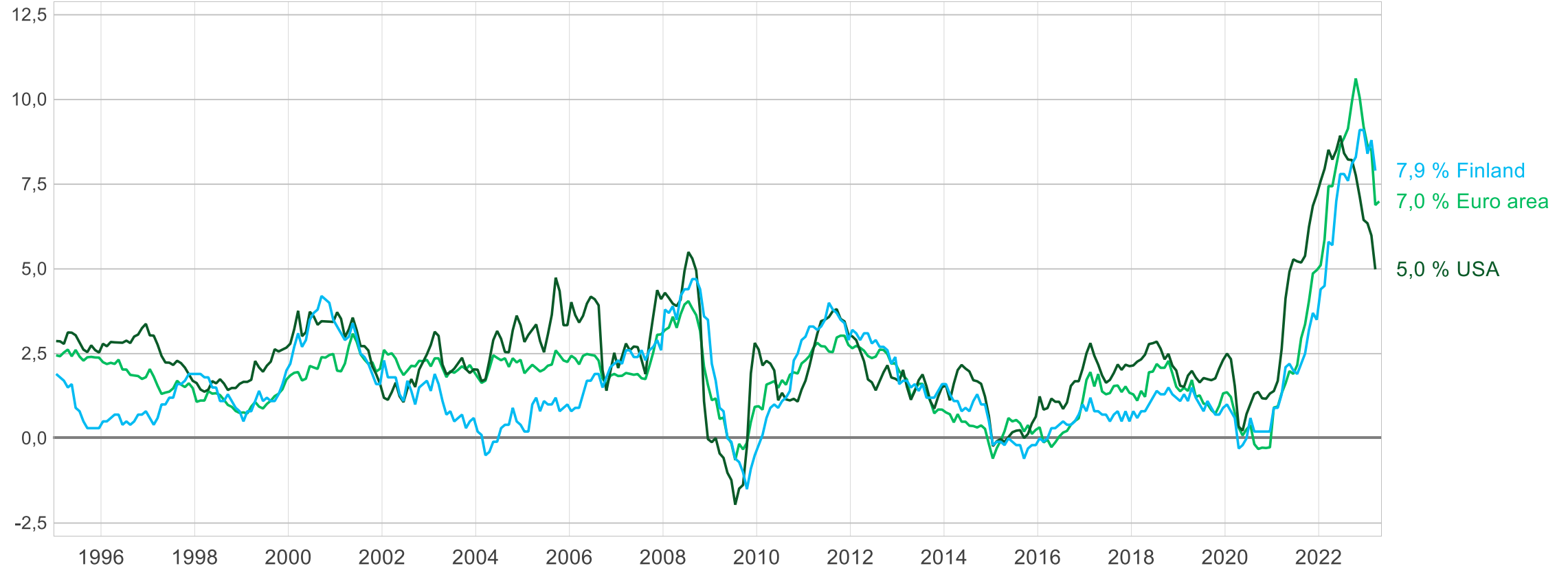


Source: Aktia, Macrobond, European Commission (DG ECFIN).

# Inflation lower but still at elevated levels

## Inflation

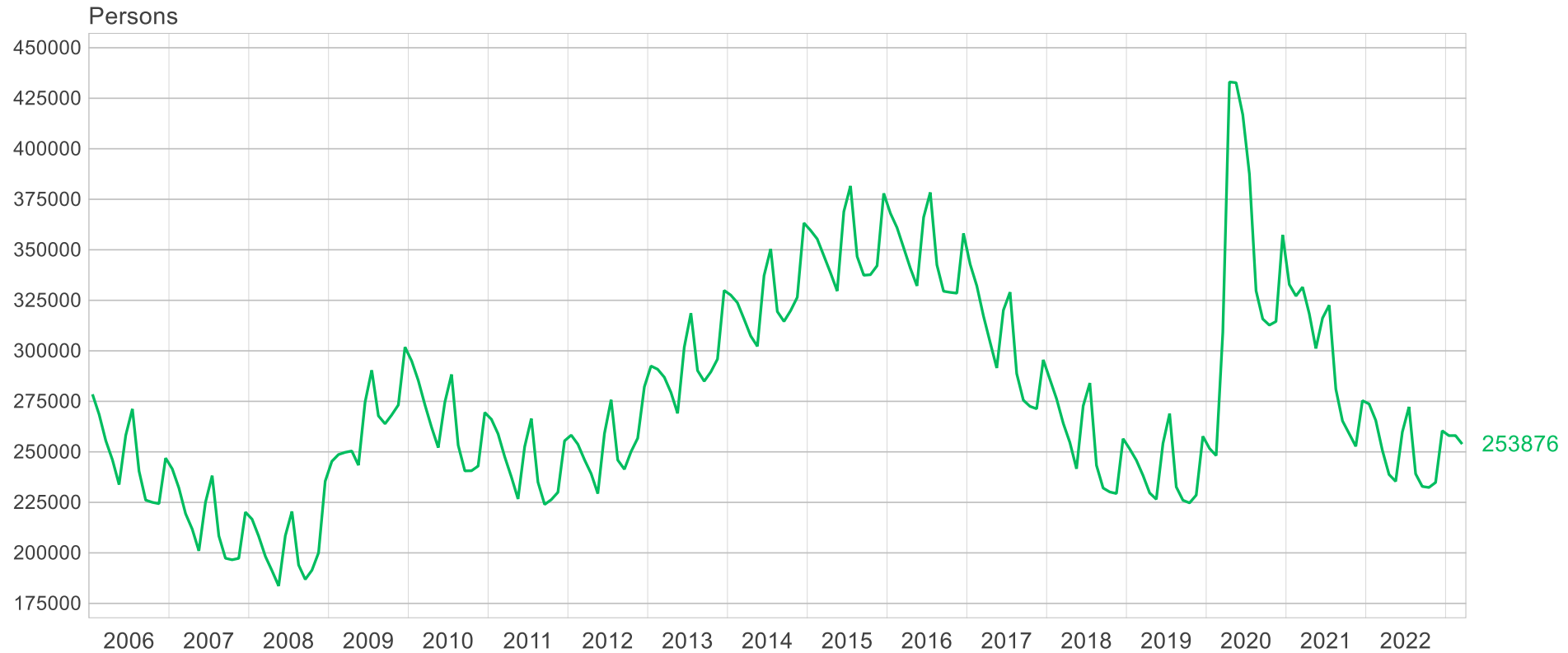
Percent



Source: Aktia, Macrobond, Eurostat, U.S. Bureau of Labor Statistics (BLS), Statistics Finland.

# Labor market: almost at pre-corona

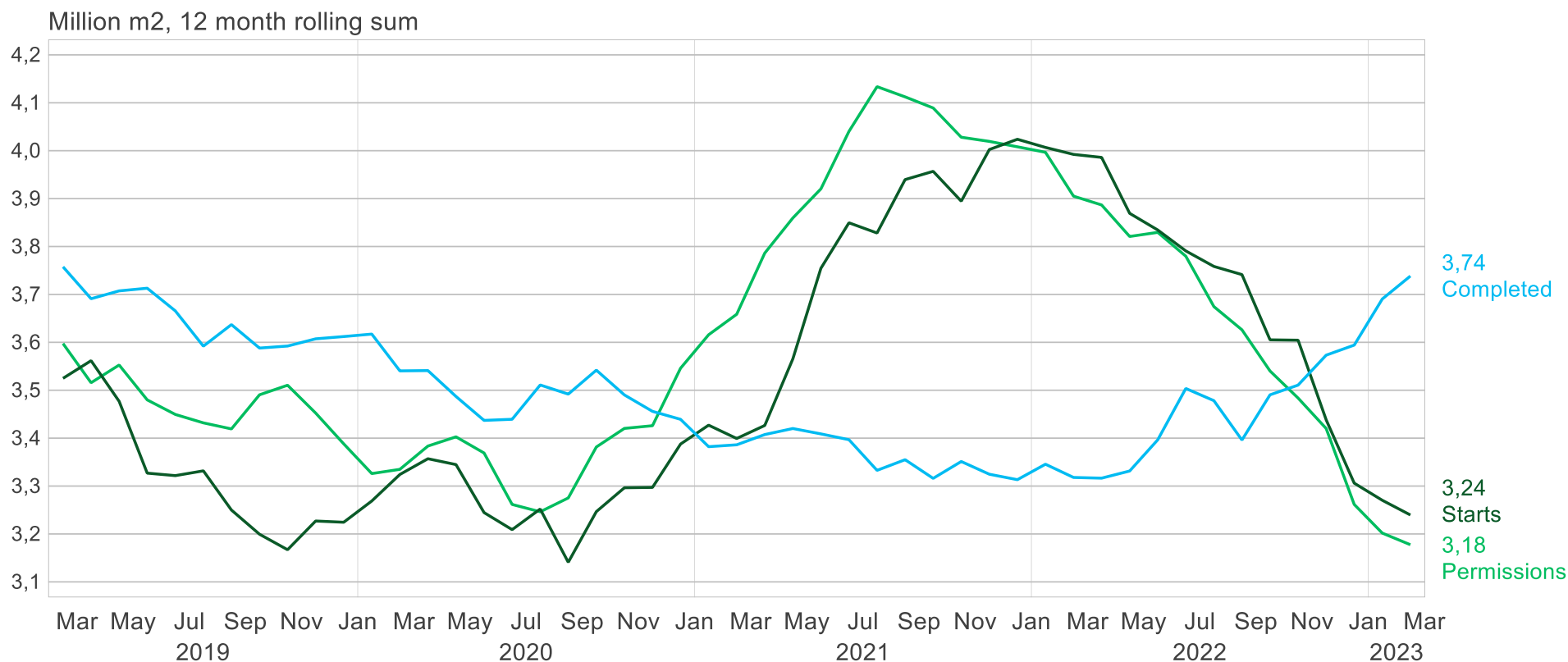
## Unemployed persons in Finland



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

# Residential construction activity decreasing

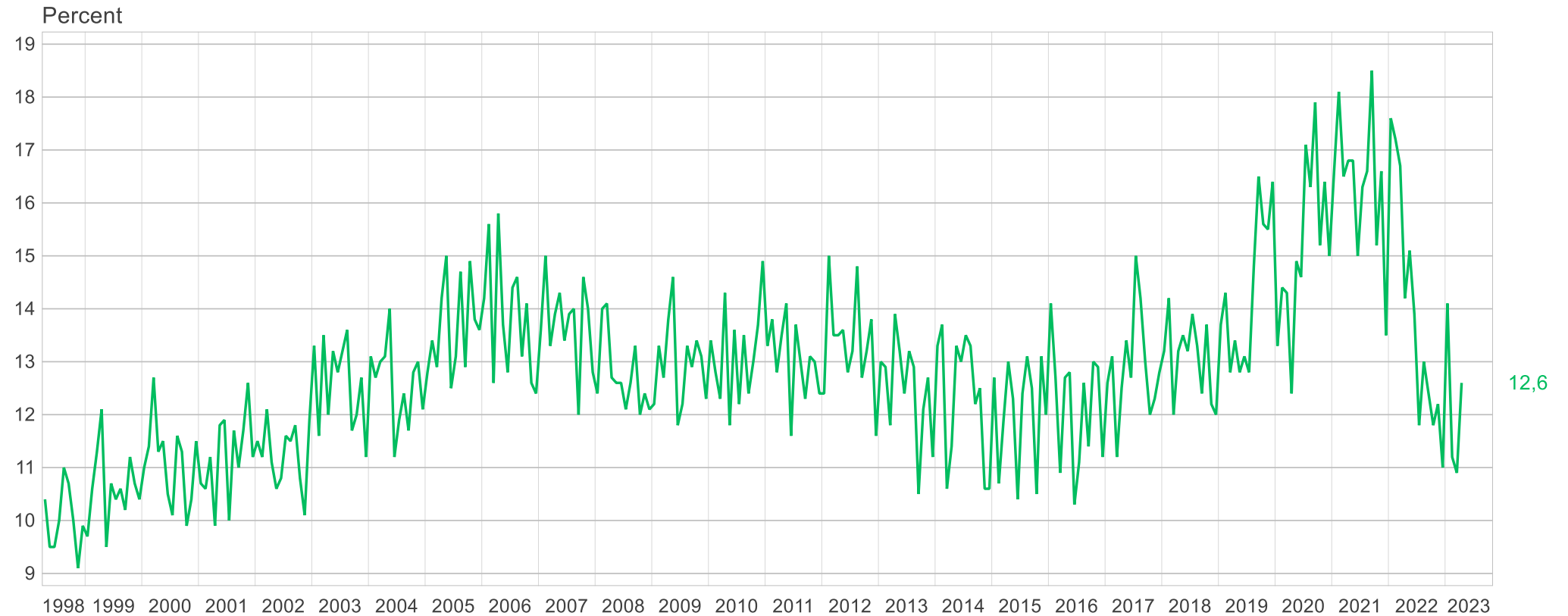
## Residential construction activity



Source: Aktia, Macrobond and Statistics Finland.

# Housing market expectations

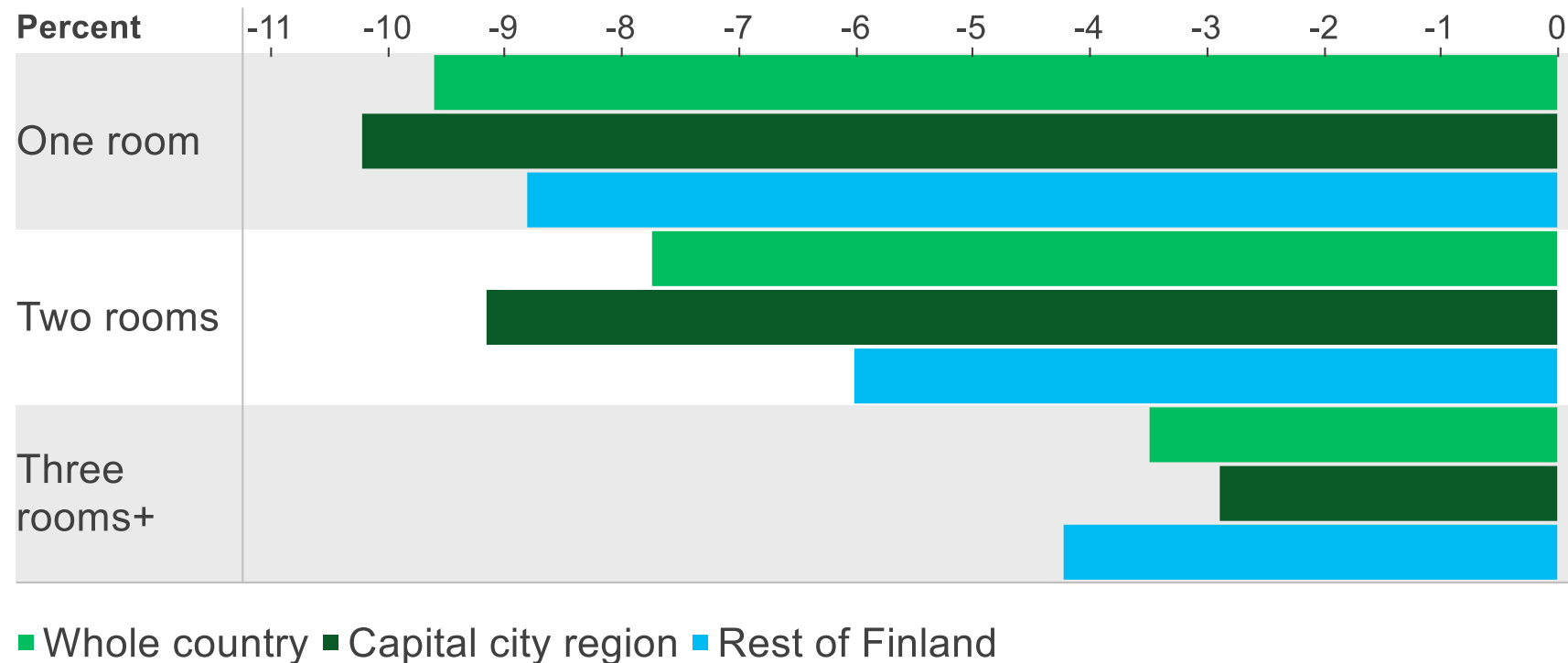
## Intentions to Buy a Dwelling in the Next 12 Months



Source: Aktia, Macrobond, Statistics Finland.

# Finnish housing market price development 1(2)

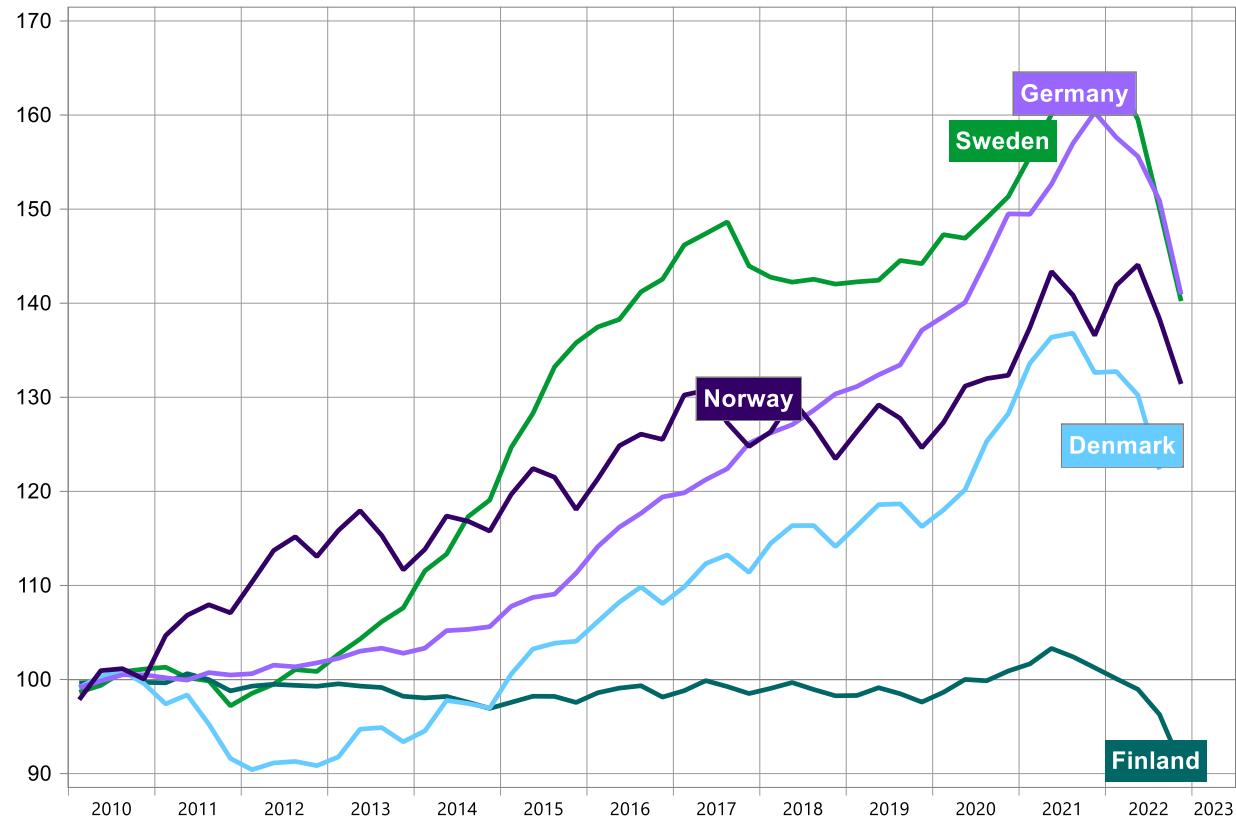
## Annual change in prices of apartment blocks, 2023 Q1



Source: Aktia, Macrobond, Statistics Finland

# Housing market prices under pressure

Real House Prices



Sources: Aktia and Macrobond



# Thank you

**Aktia**

# Contacts and additional information



**Outi Henriksson**  
CFO

Tel. +358 10 247 6236  
outi.henriksson@aktia.fi



**Lotta Borgström**  
Director, IR and Communications

Tel. +358 10 247 6838  
lotta.borgstrom@aktia.fi



**Timo Ruotsalainen**  
Head of Treasury

Tel. +358 10 247 7211  
timo.ruotsalainen@aktia.fi

## Debt investor information:

[aktia.com](https://www.aktia.com)

[Interim reports and presentations](#)