

9 AUGUST 2023

# Aktia Bank Plc

Debt Investor Presentation  
September 2023

Aktia

## Presentation includes:

- Introduction of the Bank
- Business areas
- Sustainable bank
- Debt Investment case
- Financial Information
- Finland: Economic and Housing market update

# Aktia in short

30 June 2023 (Approx.)

EUR **13.8** billion

Customer assets under management (AuM)

EUR **12.3** billion

Balance sheet total

**250,000**

Private customers

**20,000**

Corporate and institutional customers

**100,000**

Insurance policies

**900**

Employees

## Business areas



Banking



Asset Management



Life Insurance

**1.** Finland's first digital credit card

**95%** share of capital invested in Aktia's funds that is invested in sustainable funds according to SFDR Articles 8 and 9

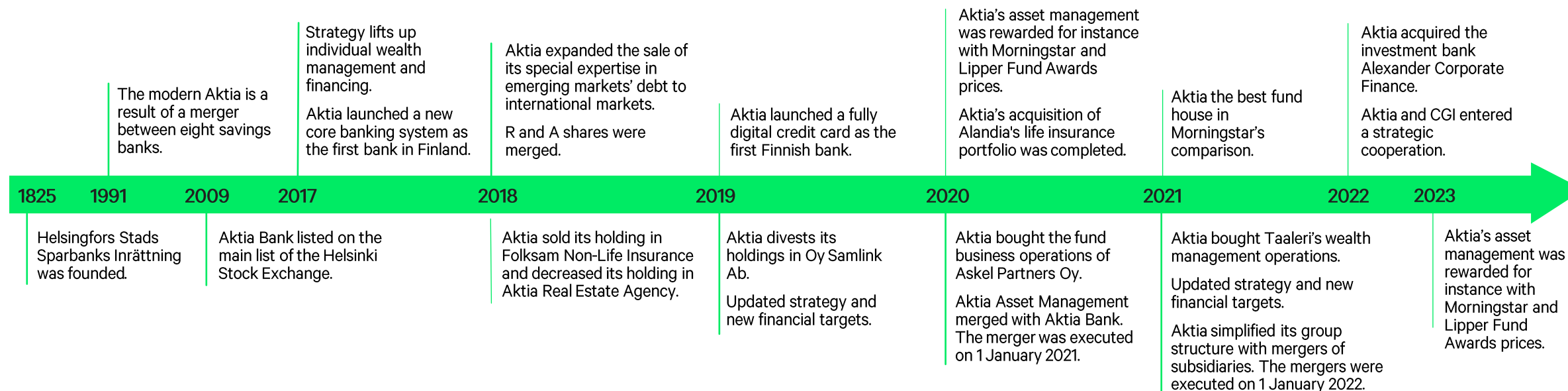
**40,000**

Shareholders

EUR **675** million

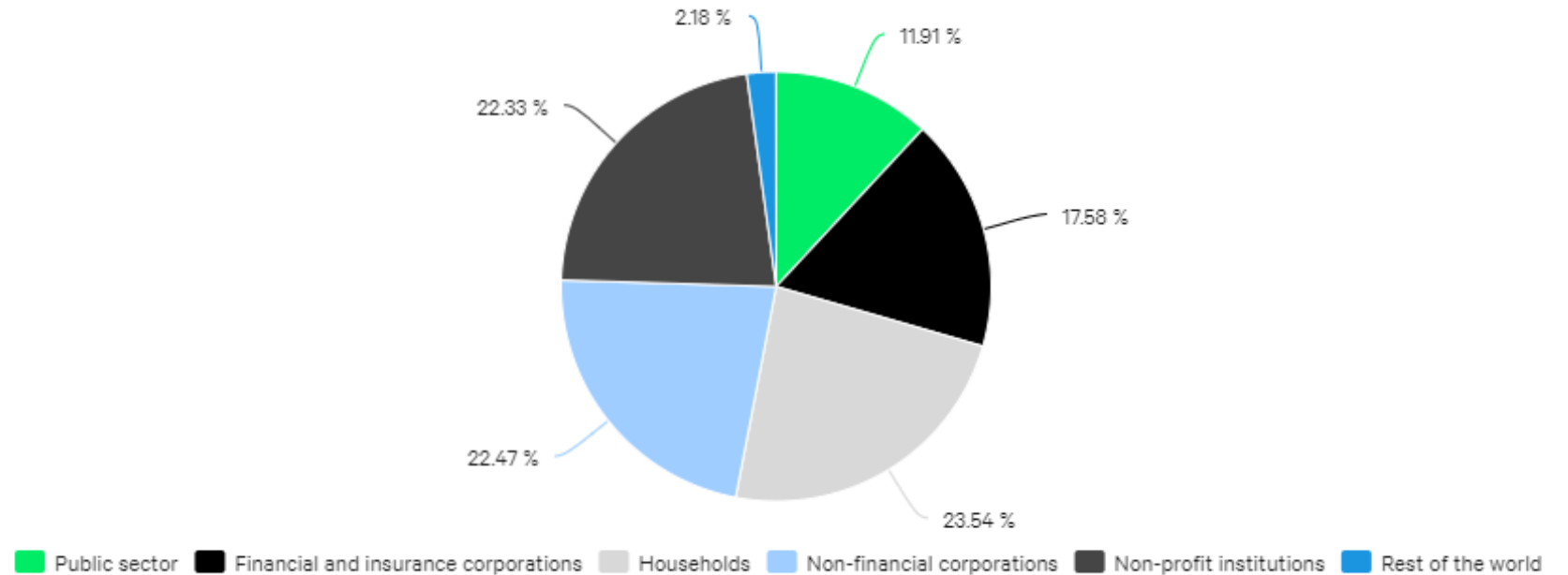
Market cap

# Aktia has been building wellbeing and a wealthier society since 1825



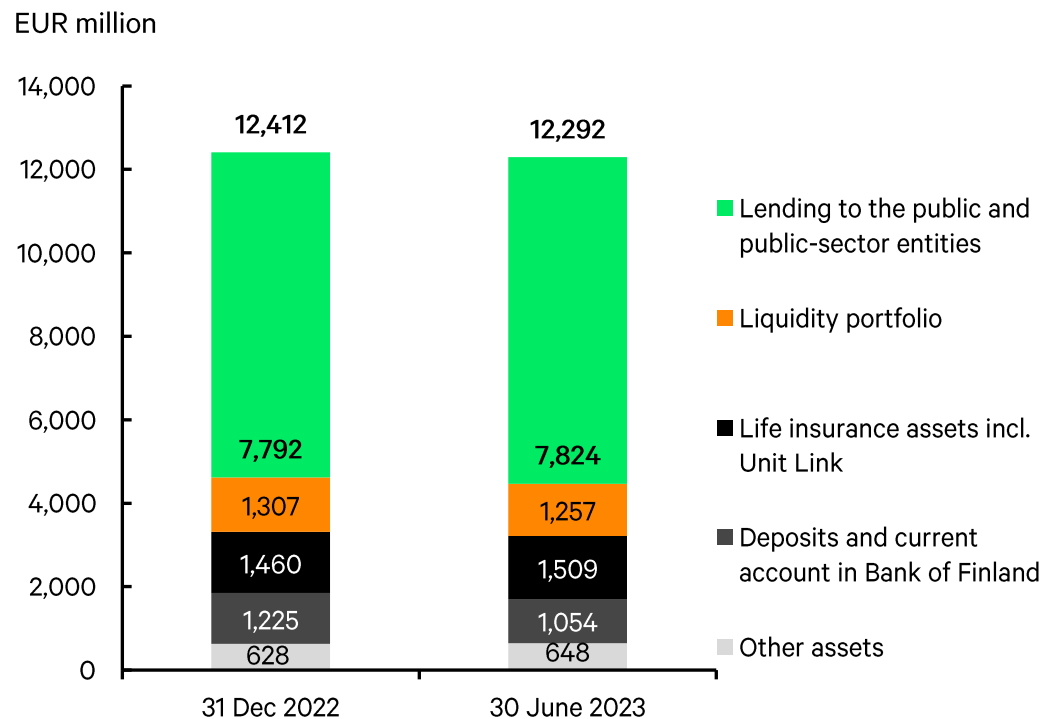
# Aktia dividends support wealth broadly

- Aktia Bank Plc's shares are predominantly in the hands of domestic investors.
- The Non-profit institutions are local foundations that invest in the wellbeing of their local communities and academic education.
- Current dividend policy is to strive to a dividend payout of 60-80% of annual profit.

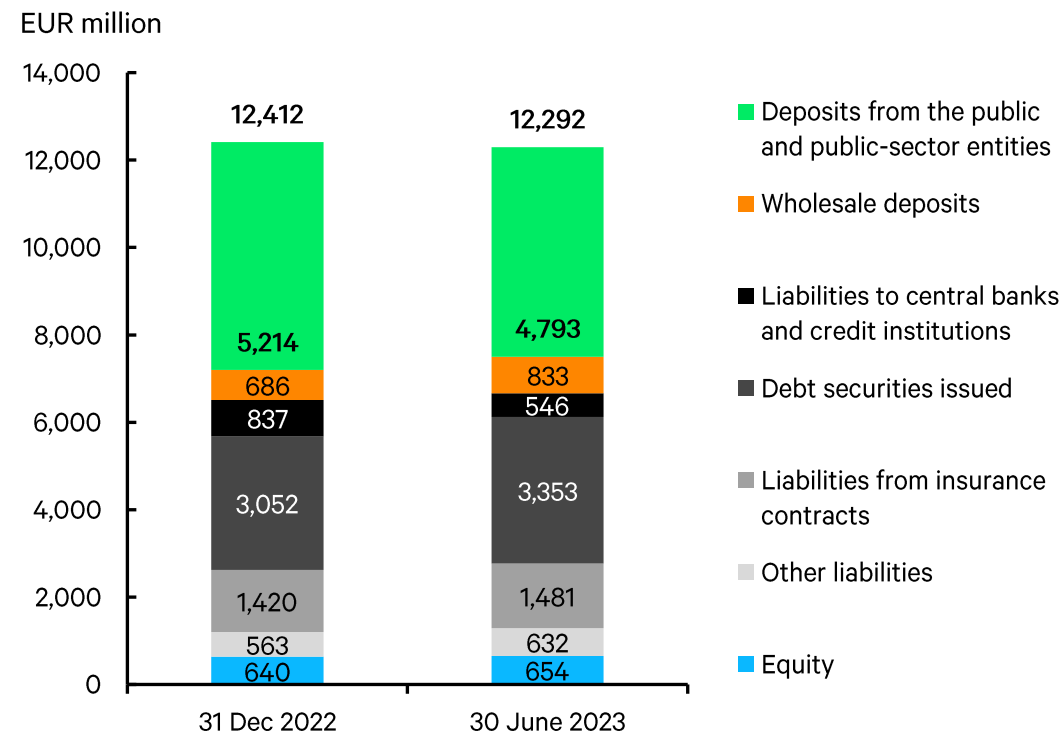


# Balance sheet total EUR 12,292 million

## Total assets



## Total liabilities and equity



# Financial targets 2025

<p>Comparable operating profit <b>above EUR 120 million</b></p> <p>1-6/2023: EUR 50.1 million</p> <p>1-12/2022: EUR 124.7 million*</p>	<p>Comparable return on Equity (ROE) <b>above 12%</b></p> <p>30 June 2023: 13.6%</p> <p>31 December 2022: 17.2%*</p>	<p>Comparable cost-to-income ratio <b>under 0.60</b></p> <p>1-6/2023: 0.63</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>30 June 2023: 3.3 percentage points over the regulatory requirement</p> <p>7.7%</p>
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\* Adjusted due to the adoption of IFRS 17 accounting standard as of 1 January 2023

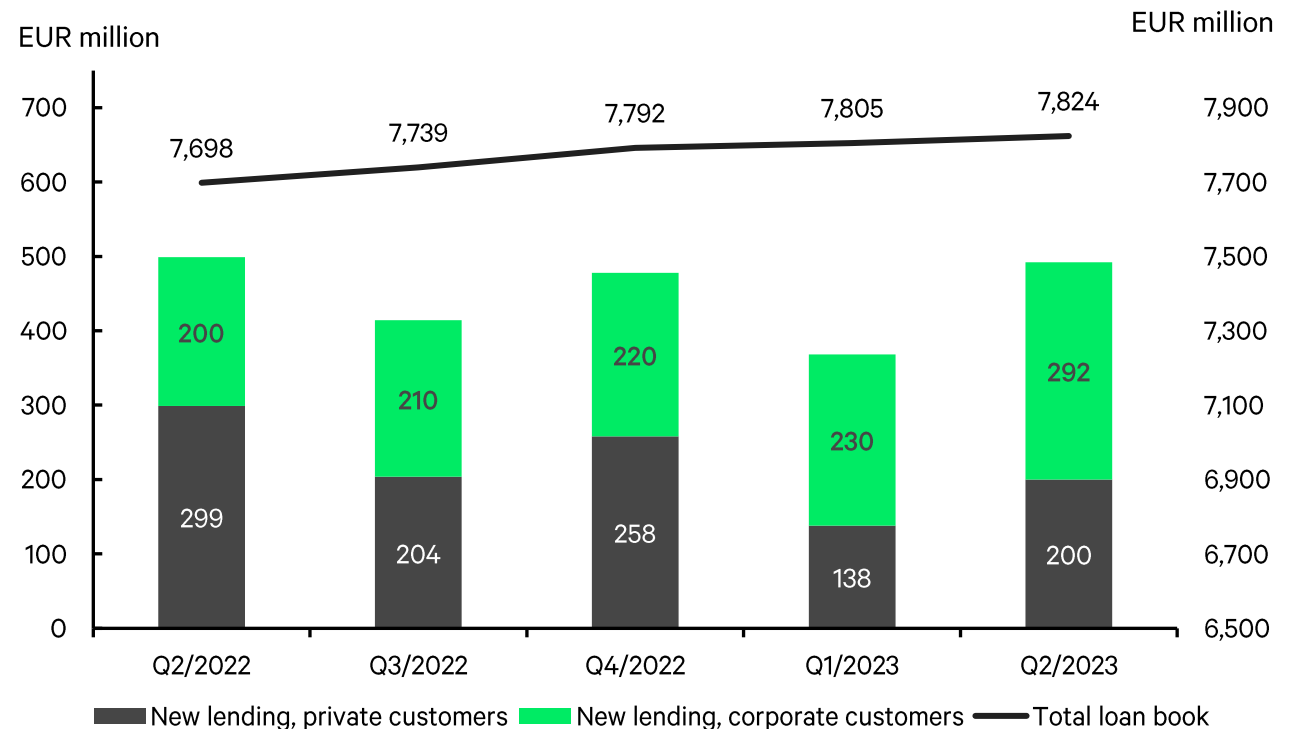
# Business areas

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# Banking: Average margin continued to grow

- The net interest income of the loan book continued its strong growth.
- The average margin for the entire loan book continued to increase.
- The positive demand for hire purchase and leasing financing continued. The sales of factoring solutions has got off to a good start.
- The demand for financing for new-build housing projects among consumers and contractors remained modest.
- Premium Wealth Plan for investment customers was launched.

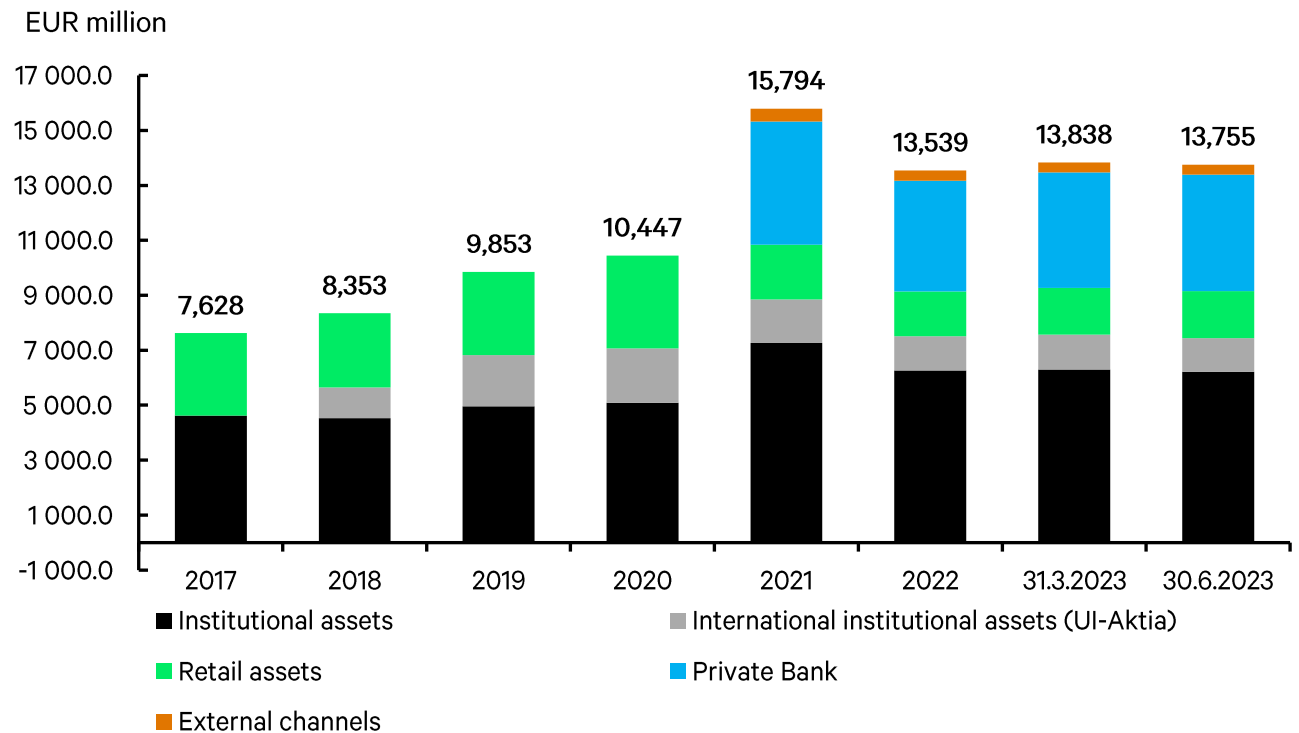
Development of credit portfolio Q-o-Q



# AM: Stable development of AuM

- The market environment continued to be unstable.
- The equity market in Finland was slow during the quarter, but the US and Central Europe had a stronger development.
- In the Refinitiv Lipper Fund Awards comparison Aktia was awarded as the best European fixed income fund house.
- The first closing of AurinkoTuuli III fund exceeded its target and amounted to more than EUR 160 million.
- Net sales for Aktia's Private Banking had a strong development during the quarter.

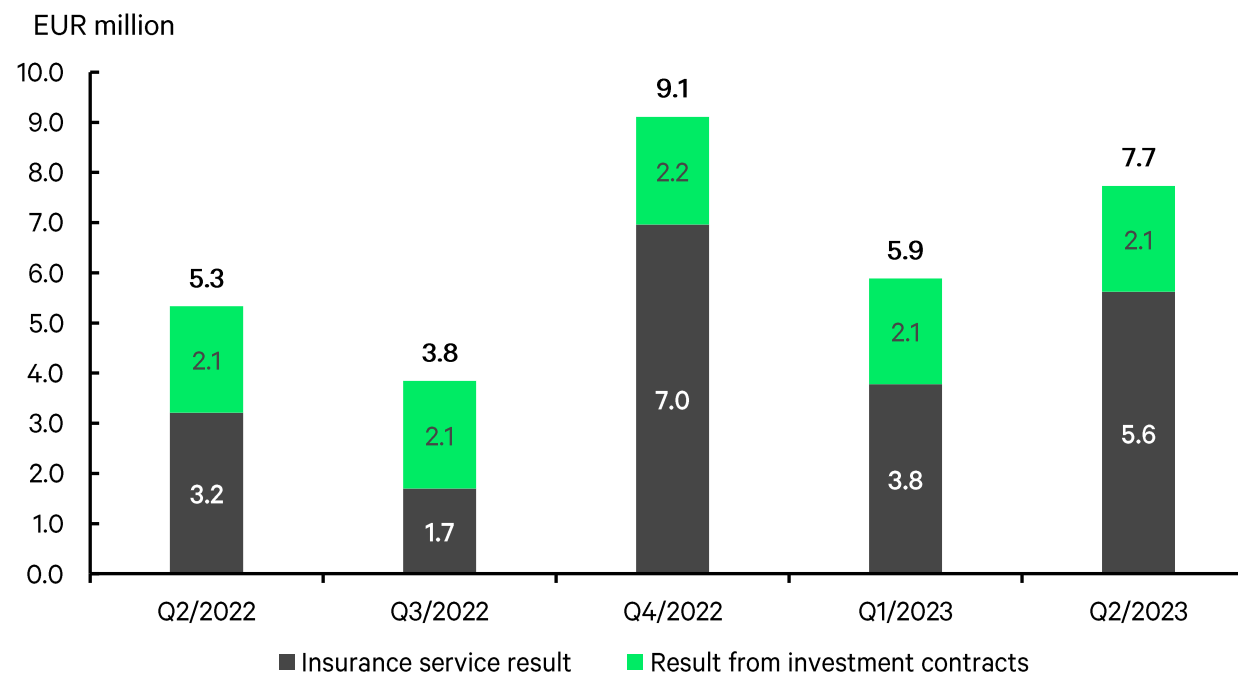
Assets under Management, excluding custody



# Life Insurance business remained solid

- Sale of risk life insurance developed positively.
- Sale of investment-linked insurances remained stable.
- The result from investment activities amounted to EUR -1.3 million.

Development of the actuarially calculated result Q-o-Q

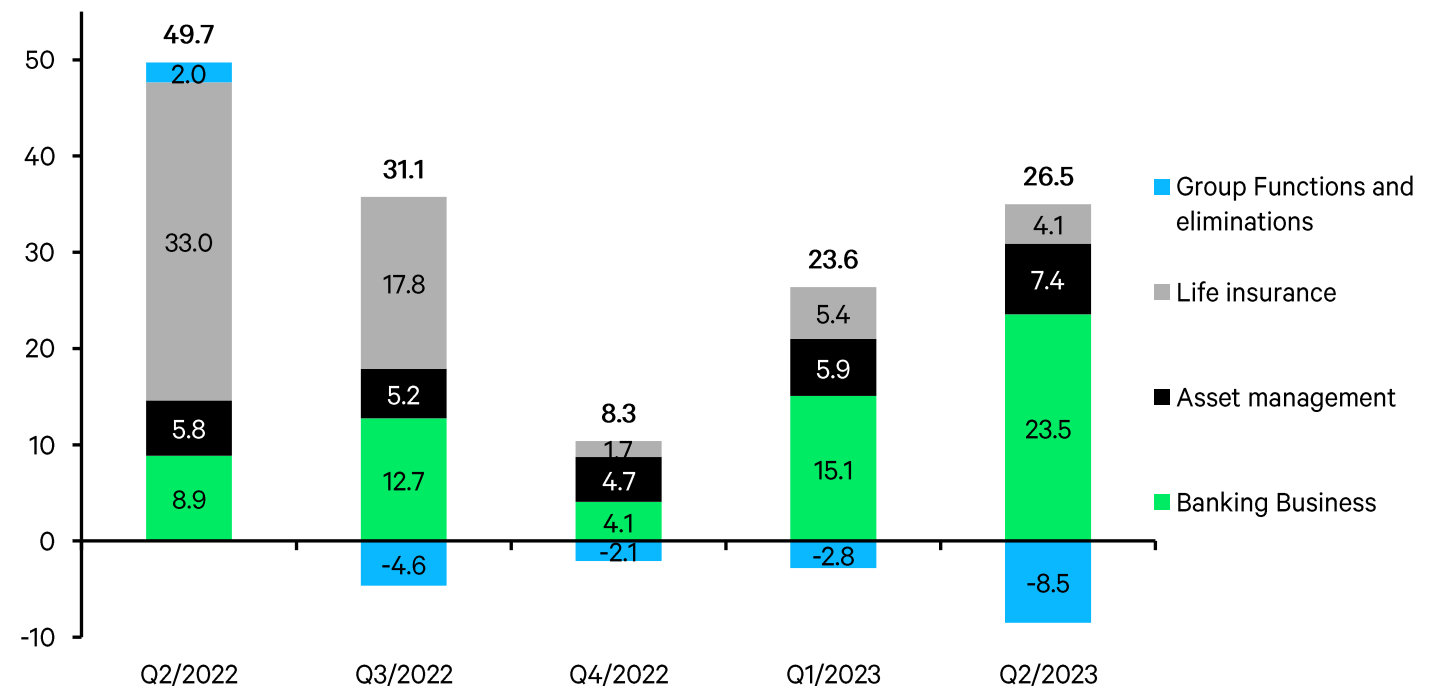


# Comparable operating profit improved in Banking Business and in Asset Management

- Comparable operating profit increased clearly in Banking Business and in Asset Management.
- Comparable operating profit decreased significantly in Life Insurance due to the adoption of IFRS 17.
- Comparable operating profit decreased significantly in Group Functions, mainly due to higher financing costs.

Comparable operating profit Q-o-Q

EUR million



# Sustainable Aktia

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# Aktia's sustainability in Q2/2023

During the second quarter, Aktia took from ambition to action and invested especially in social issues such as employee experience and the well-being of the personnel. This included e.g. a new HR strategy, updated HR related policies and new benefits to the personnel as well as gender equality in general. Also educating children and young people in financial skills was high on the agenda.

## Q2/2023 highlights

Updated HR strategy	Supporter of the TPI	New sustainable investment fund	Participation in the SHE Index	Aktia x Käärijä
Aktia launched a new HR strategy, which is based on the idea that every Aktia employee has a role in the implementation of the strategy and can grow together with Aktia's strategy.	Aktia became a public supporter of TPI (Transition Pathway Initiative) in June. TPI operates under the Grantham Research Institute on Climate Change and the Environment, which is part of the London School of Economics and Political Science.	Aktia expanded its sustainable fund family by launching the renewed Aktia Sustainable Government Bond fund. The new fund broadens Aktia's sustainable fund family into the sovereign, supranational and agency issuer space.	We joined the SHE Index and received the first rating 74 (High). The SHE Index measures and compares the gender balance in organizations, which promotes transparency and motivates activities.	Aktia started cooperation with Finnish Eurovision silver winner Käärijä to improve the financial skills of children and young people.

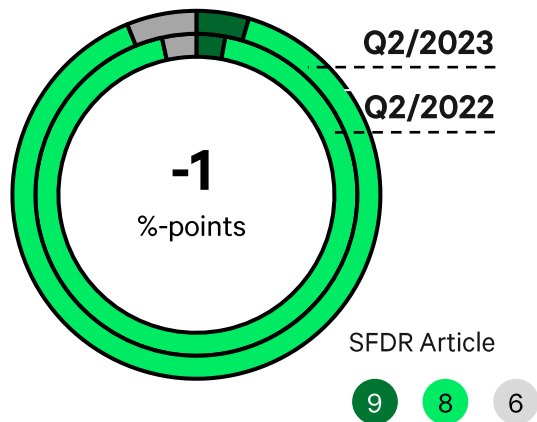
# Sustainability-driven success for the leading wealth manager bank

☑ = 2025 target achieved

## Prosperity

### Share of SFDR Article 8 and 9 classified funds

Target: increase the share



## People

### Signi Flame Index\*

Target: 80

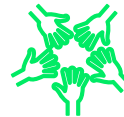
Q2/2023	Q2/2022
<b>70</b>	<b>71</b>



### eNPS\*\*

Target 20

Q2/2023	Q2/2022
<b>-8</b>	<b>-2</b>



## Principles of Governance

### Aktia's ESG ratings

Target: reach at least industry average

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

### Aktia's net ESG impact

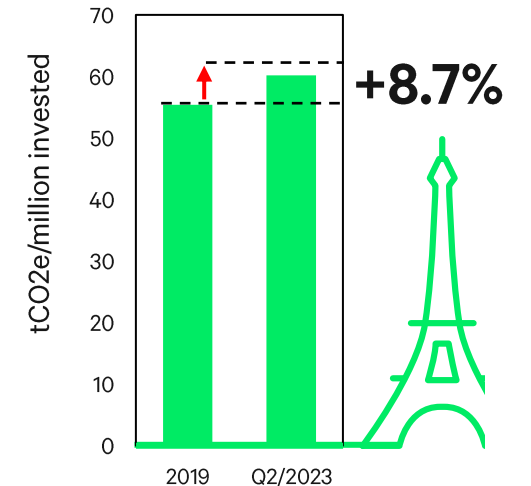
Target: positive net impact

Upright Project: ☑ 35%

## Planet

### Relative carbon footprint of equity and credit portfolios

Target: -30% vs 2019



\* 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 recomendability of the employer from the employees' point of view

# Aktia's 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>• Si-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>

# The Debt Investment case

## Credit ratings

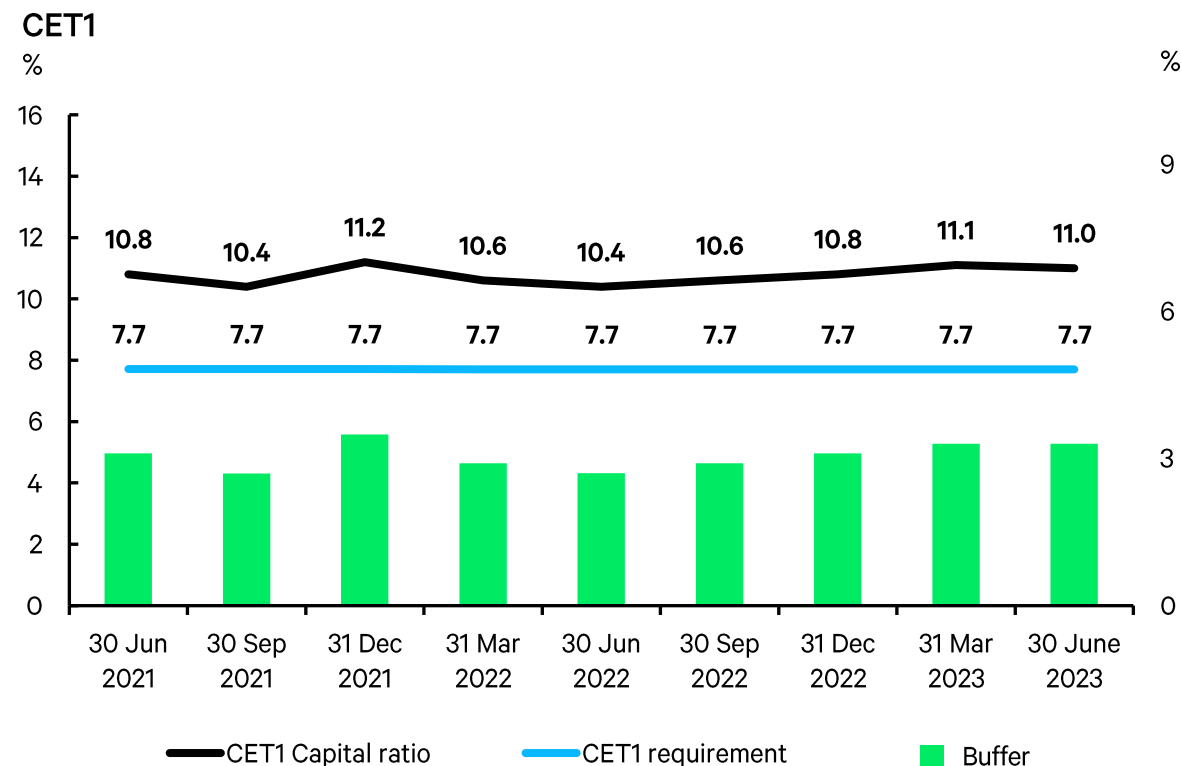
Moody's: A2 / P-1, neg, Covered Bonds: Aaa

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

Aktia

# CET1 ratio 3.2 percentage points above the requirement

- CET1 ratio at 11.0% increased by +0.2 percentage points from Q4/2022.
- Risk-weighted assets increased by EUR 72 million from the year-end mainly due to increased corporate lending.
- Regulatory CET1 own funds increased by EUR 12 million, including:
  - Result for the period (EUR 38 million), including dividend from Aktia Life insurance of EUR 6 million
  - Reserve for dividends (EUR -31 million)
  - Increase in fair value fund (EUR 4 million)
  - Other smaller contributions



# CET1 ratio above the requirement

- Minimum CET1 requirement ratio is 7.75 % (2Q23 CET1 11.0%).
- Total minimum capital ratio requirement 11.80% (1Q23 Total capital: 15.0%).
- Aktia Bank Group's leverage ratio was 3.8% (4Q22 3.6%).
  - Tier 1 capital EUR 410.5 million
  - Total exposures EUR 10,793.6 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 637.9 million
  - Own funds and eligible liabilities EUR 2,032.6 million

Capital requirement	%
Pillar 1 req	4.5%
Pillar 2 CET1 req	0.70%
Capital Conservation buffer	2.5%
Counter Cyclical buffer	0.05%
Systemic Risk buffer**	0.0%
<b>Total CET1 % req</b>	<b>7.75%</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>11.80%</b>

# High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 221%.

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 1,980 million on 30 June 2023 (4Q22 EUR 2,256 million).

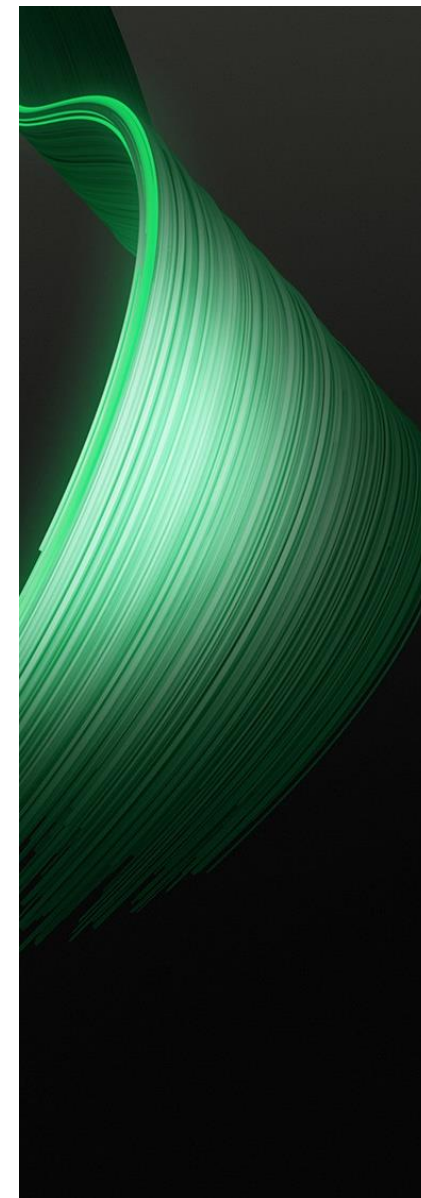
All assets are LCR eligible.

## Unencumbered Liquidity reserve, market value

EUR million	30 June 2023	31 Dec 2022
Cash and holdings in central banks	997	1,172
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	183	196
Securities issued or guaranteed by municipalities or Public sector entities	69	111
Covered bonds	731	777
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
<b>Total</b>	<b>1,980</b>	<b>2,256</b>

# Funding activities

- Market sentiment was choppy during the Q2 but towards the end of the period much more constructive than earlier this year. Covered Bond market continued working with very high activity.
- Aktia refinanced redeeming a EUR 500 million covered bond in May 2023 very successfully. The bank issued new 4y transaction at the re-offer spread +17bp. Orderbook was more than twice oversubscribed by granular, high quality group of investors.
- In Q2, Aktia completed only two senior preferred private placement transactions. Market was preferring public transactions and the supply of new transactions was regular.
- Aktia will continue to issue senior debt to prefund some redeeming finance 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.
- Aktia's liquidity continued to be at a very good level, the LCR ratio being 221% at the end of Q2 2023.

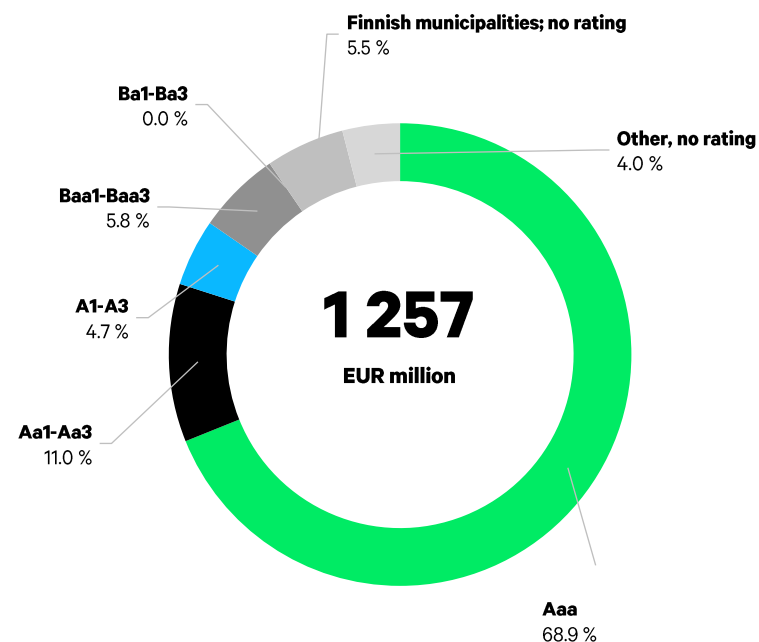


# Low risk liquidity portfolio

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



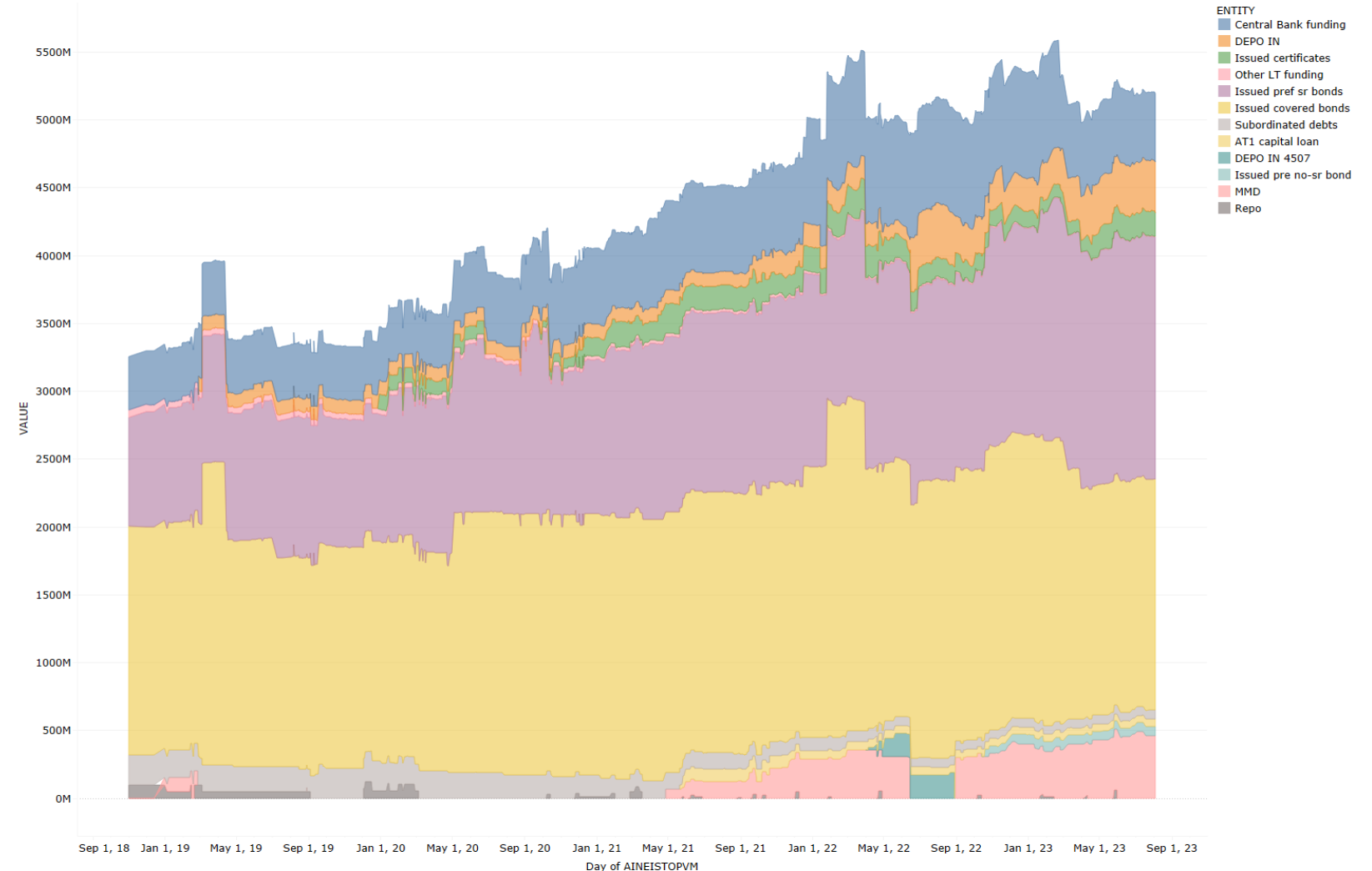
# Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities ended up to EUR 4.793 (4Q2022: 5,214) million. Aktia's market share of deposits was 3.0% (3.1%) at the end of June 2023.

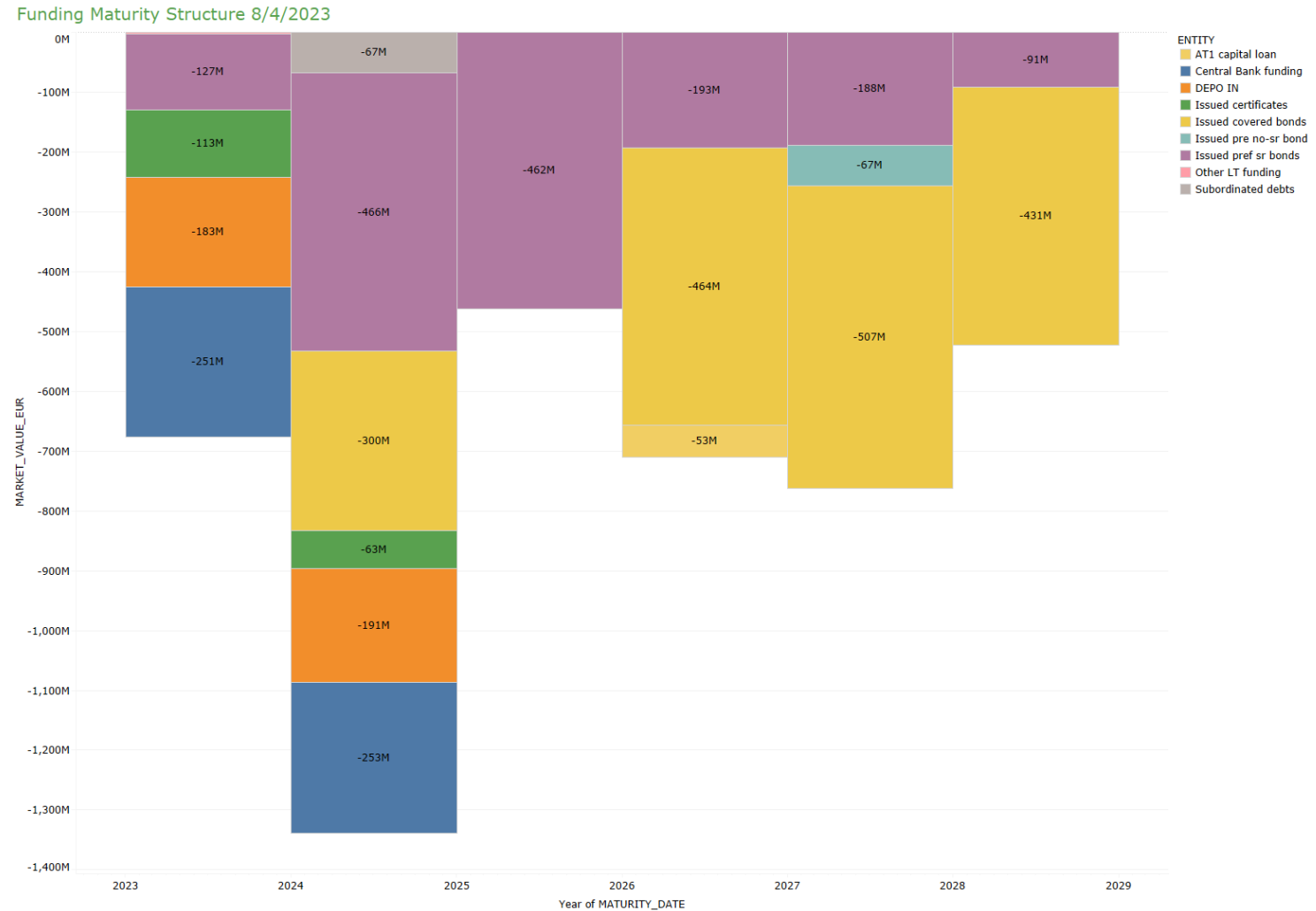
The value of bonds issued by Aktia Bank totalled EUR 3,190 (2,947) million. The total is excluding the EUR 300 million retained Covered Bonds.

Funding Structure



# Redemption schedule

Senior bond and TLTRO refinancing to be done in 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.

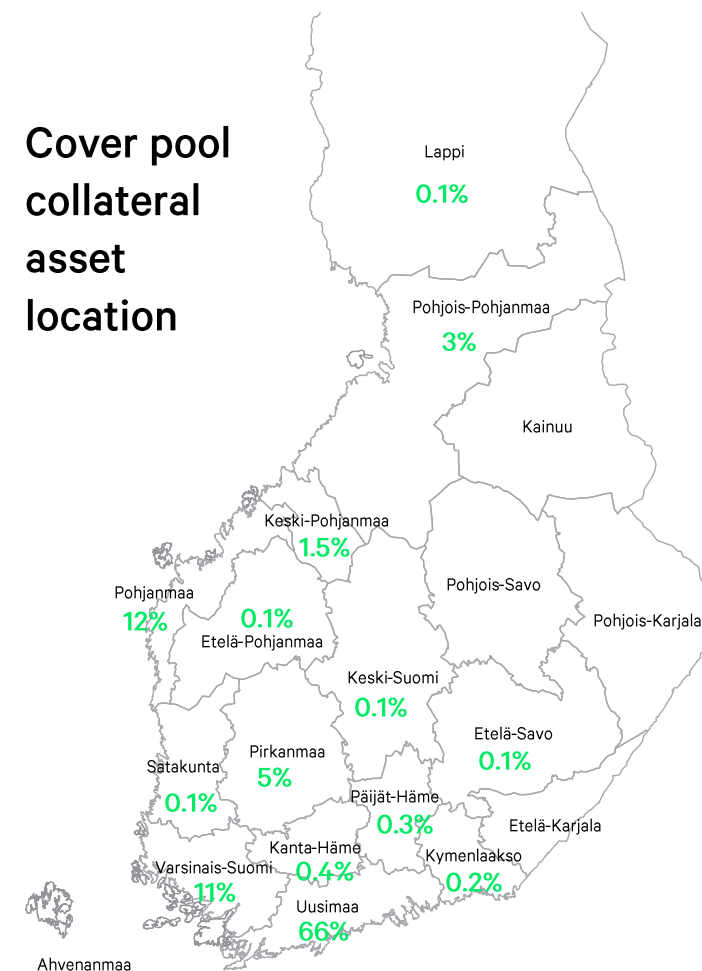
The new Finnish Covered bond legislation came into effect on 8<sup>th</sup> July 2022. The legislation complies with the Directive (EU)2019/2162 and the regulation (EU) 2019/2160 of the European Parliament and of the Council

- 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

# Aktia Cover pools 1 & 2

2Q 2023

	Pool 1 (2023-)	Pool 2 (2014-2022)
Asset Pool Balance	EUR 0.634 bln. (no substitute assets)	EUR 2.004 bln. (no substitute assets)
No of loans / average loan balance	6,367/ EUR 99,652	29,513/ EUR 67,902
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	50.12%	46.17%
Maximum LTV	Covered Bond refinancing max LTV limit: 80%	Covered Bond refinancing max LTV limit: 70%
	Loans exceeding LTV 80 haircut at LTV 80%	Loans exceeding LTV 70 haircut at LTV 70%
Interest rate	floating 99%, fixed 1%	floating 93%, fixed 7%
WA seasoning	65 months	68.2 months
Overcollateralisation (%)	26.90%	54.16%
Committed OC (Nominal)	5.00%	10.00%
OC Calculation: Legal Minimum	2.00%	2.00%



# Financial overview



Aktia

# Highlights Q2

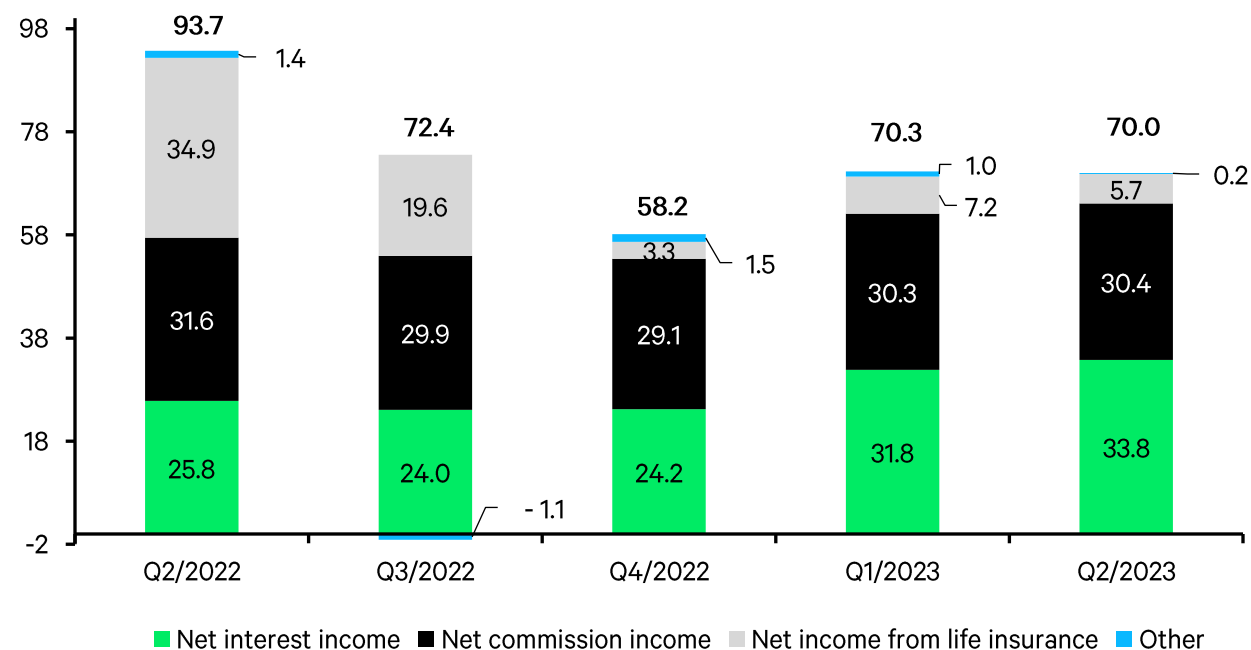
- **Net interest income** grew by 31% to EUR 33.8 (25.8) million.
- **Net commission income** decreased by 4% to EUR 30.4 (31.6) million.
- **Net income from life insurance** amounted to EUR 5.7 (34.9) million. The recalculated comparative figures for 2022 according to IFRS 17 include considerable positive changes in market value.
- **Comparable operating expenses** were on the previous year's level and amounted to EUR 42.2 (41.8) million.
- **Comparable operating profit** decreased to EUR 26.5 (49.7) million, due to IFRS 17. The comparable operating profit, according to the accounting standard used at the time, amounted to EUR 24.7 million in Q2/2022.
- **Credit loss provisions** remained at a very moderate level at EUR -1.3 million.

# Strong growth in net interest income in Q2

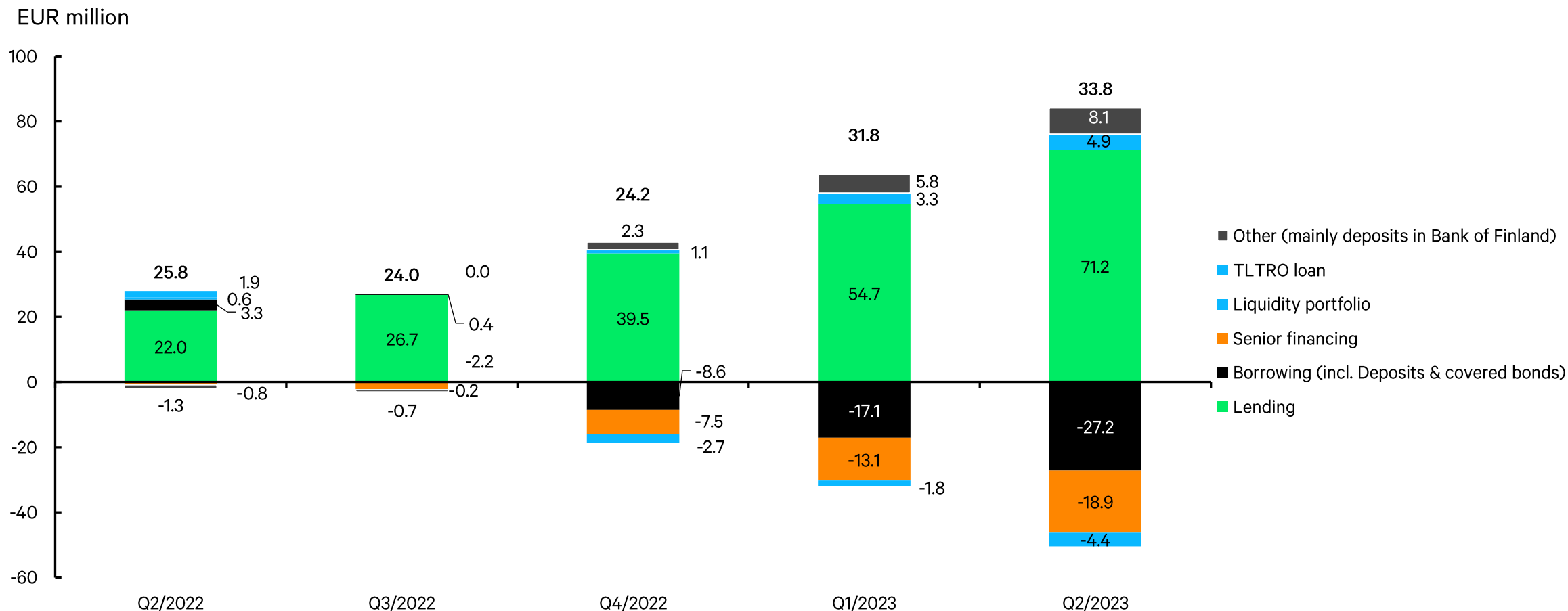
- Comparable operating income was EUR 70.0 (93.7) million.
- Net interest income developed very positively, supported by rising interest rates and margin development.
- Net commission income decreased, mainly due to the decrease of commission income from funds, asset management and securities brokerage 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 adoption of IFRS 17.

Comparable operating income, Q-o-Q

EUR million



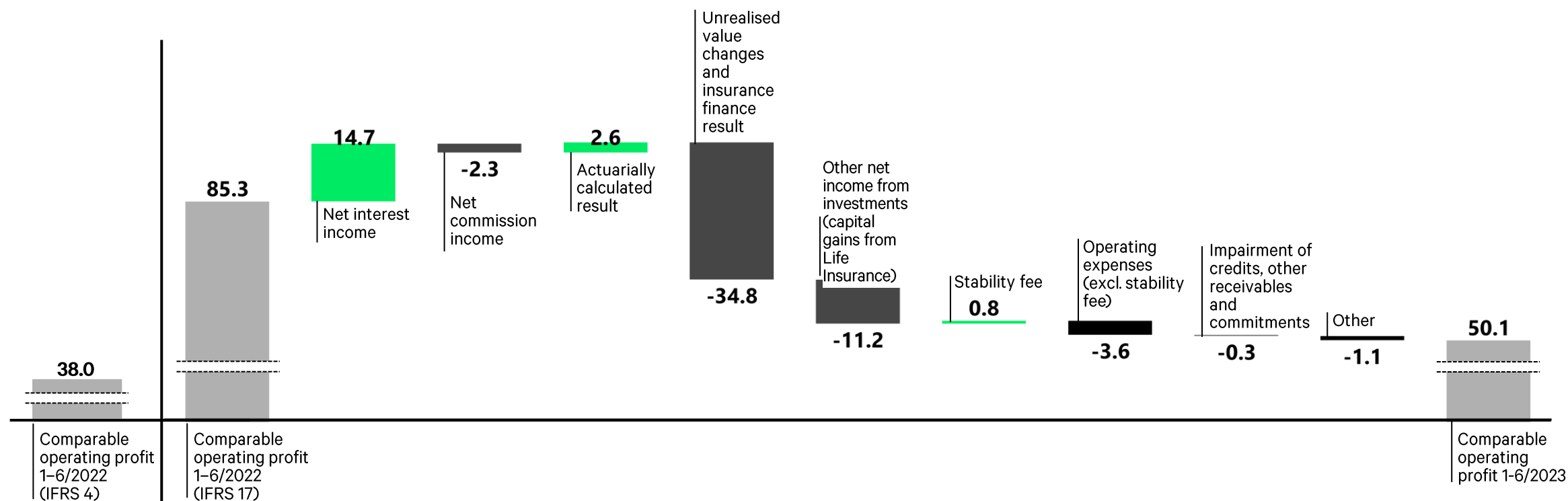
# Composition of the Group net interest income



# Adoption of IFRS 17 decreased comparable operating profit

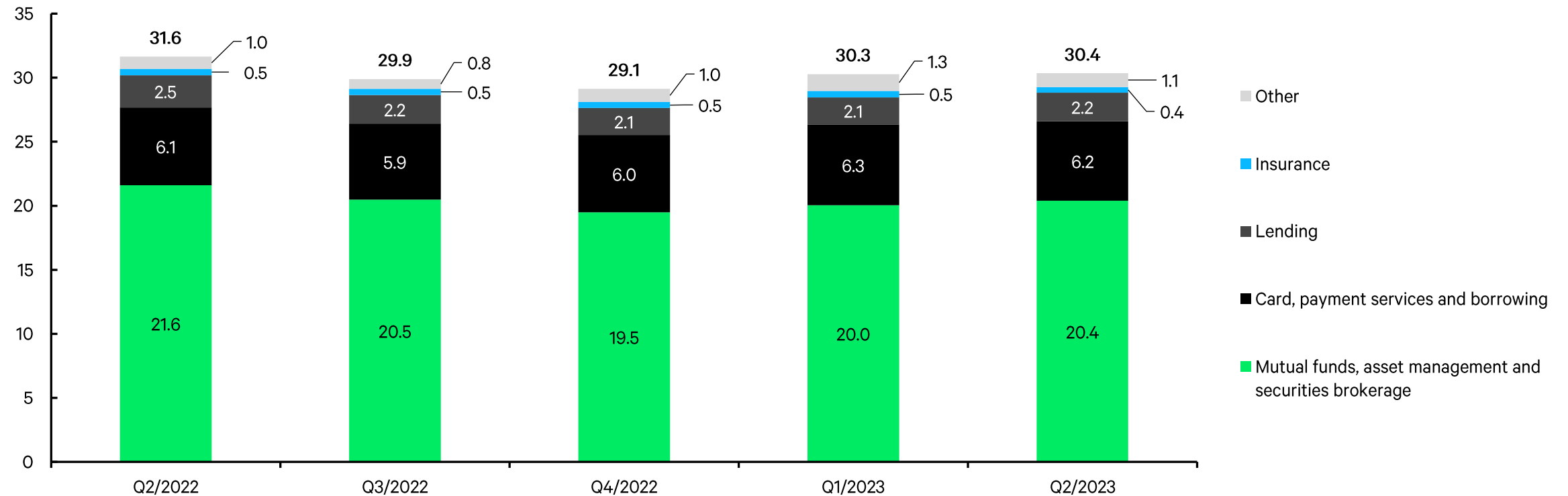
Comparable operating profit 1-6/2023 vs 1-6/2022

EUR million



# Net commission income mix

EUR million

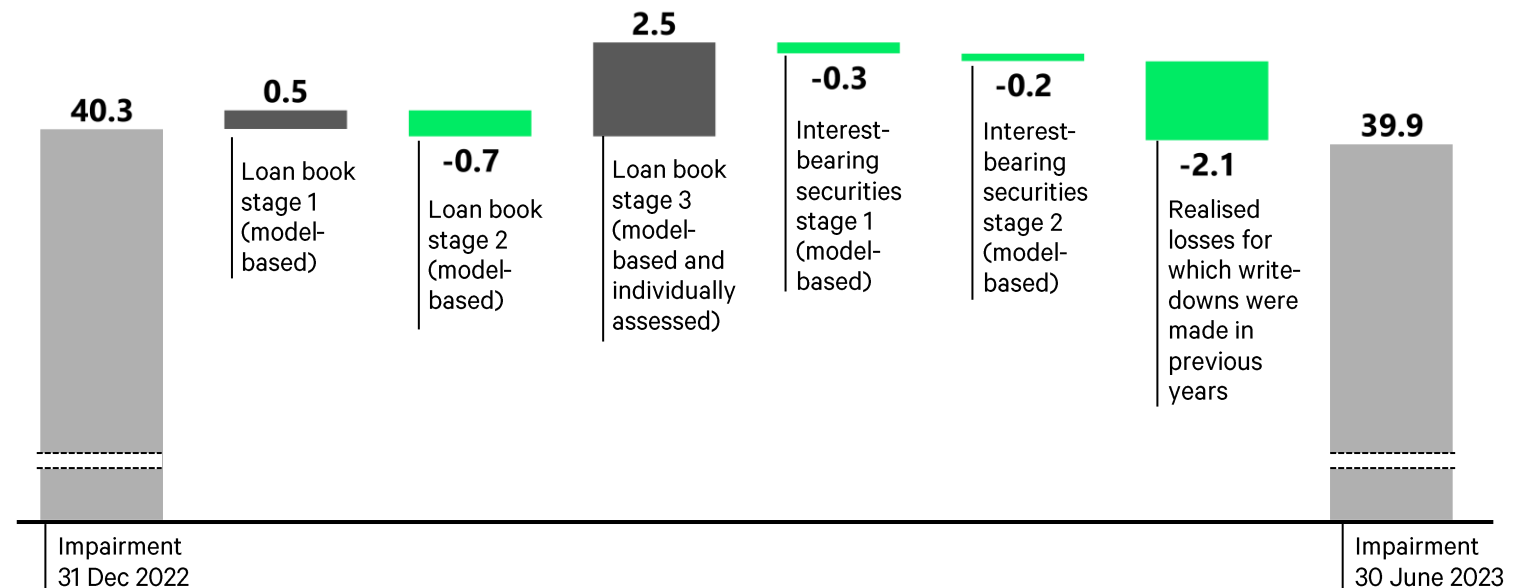


# Quality of the credit portfolio remains solid

- 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 healthy level (41%) and a low risk level provides a solid quality of credits in Aktia's loan book.
- Credit loss provisions remained at a very moderate level at EUR -1.3 million.

## Change in expected credit losses (ECL) 1-6/2023

EUR million

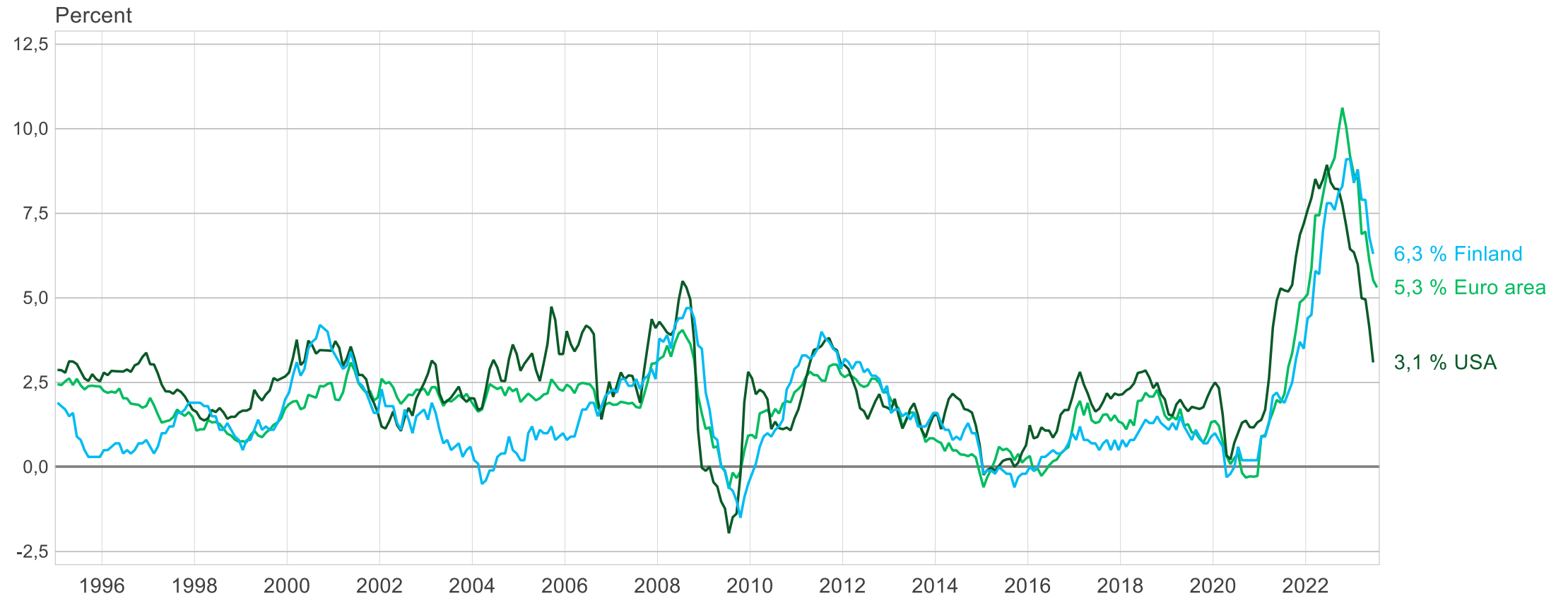


# Finland Macro and Housing market update

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# Inflation gradually lower

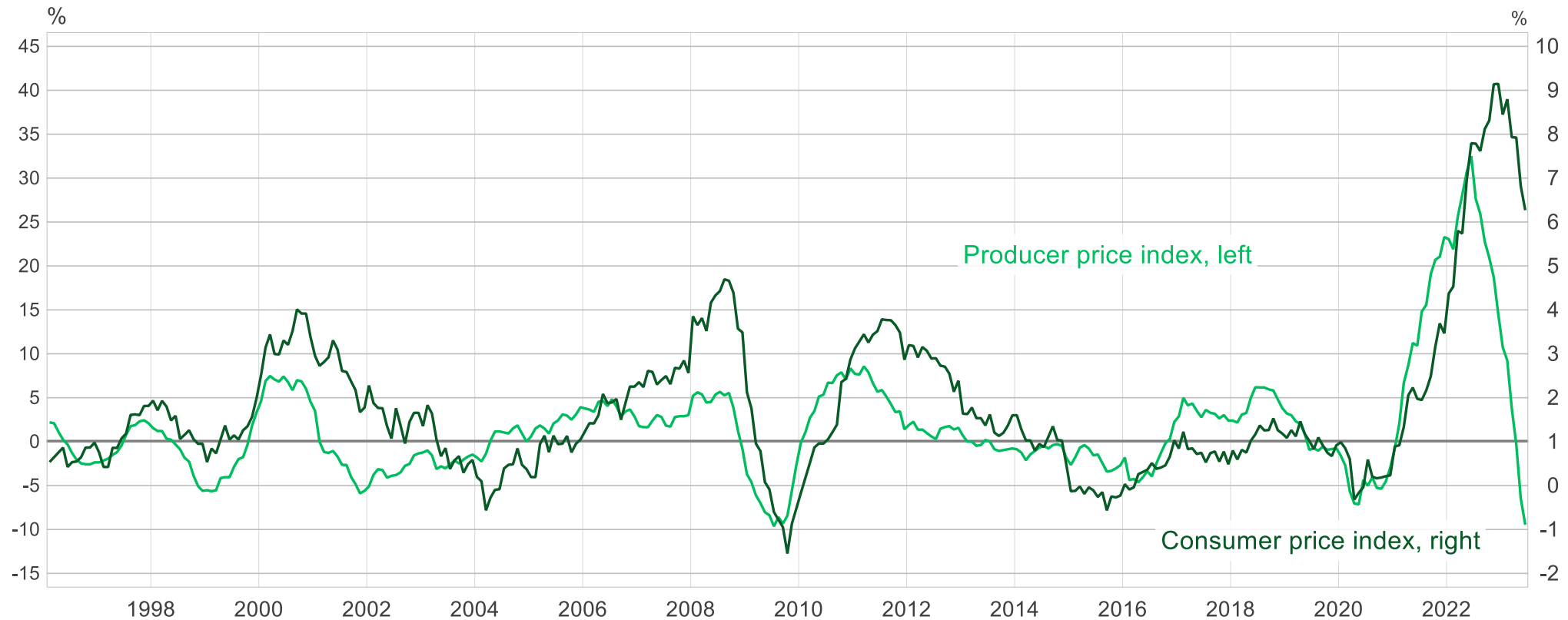
## Inflation



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

# Consumer Prices elevated

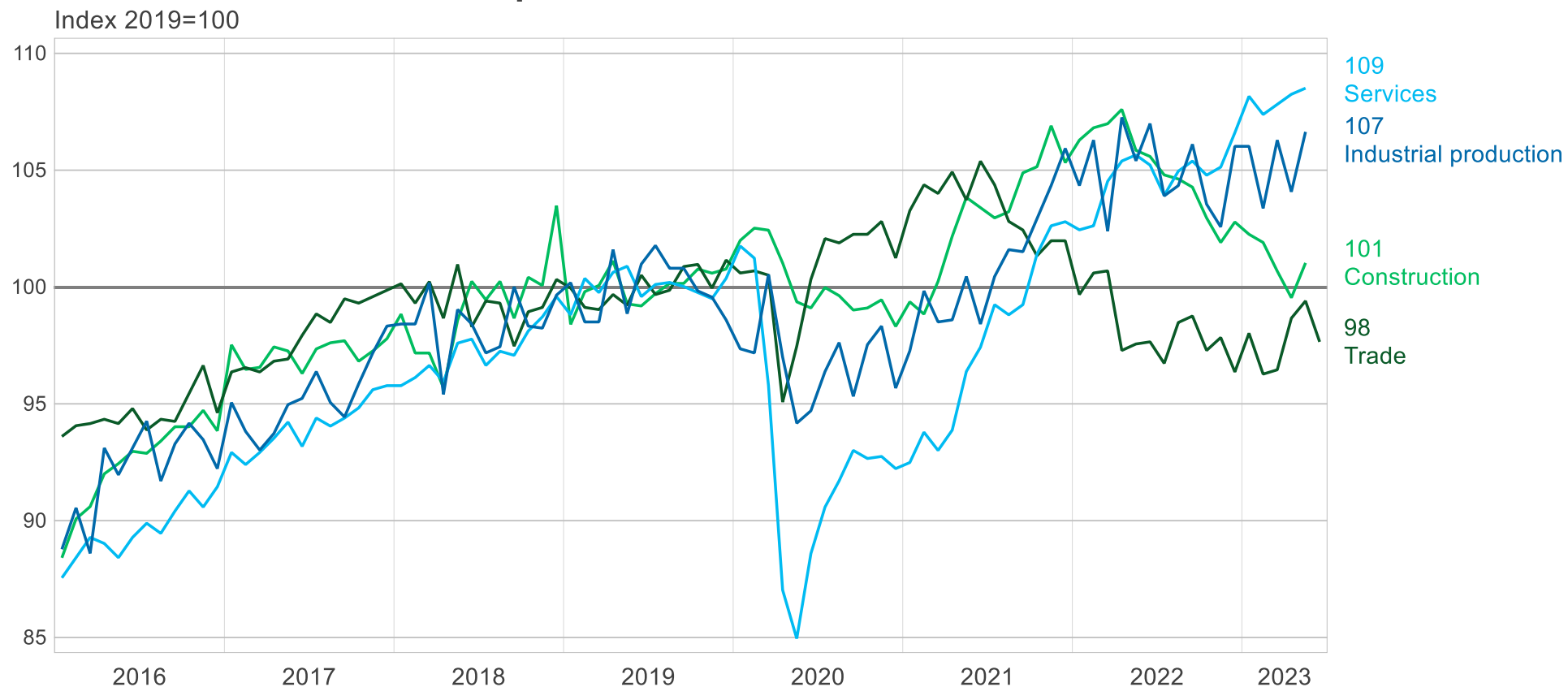
## Finland, annual change in consumer and producer price indecies



Source: Aktia, Macrobond, Statistics Finland.

# Service sector is still growing

## Sales volume and industrial production

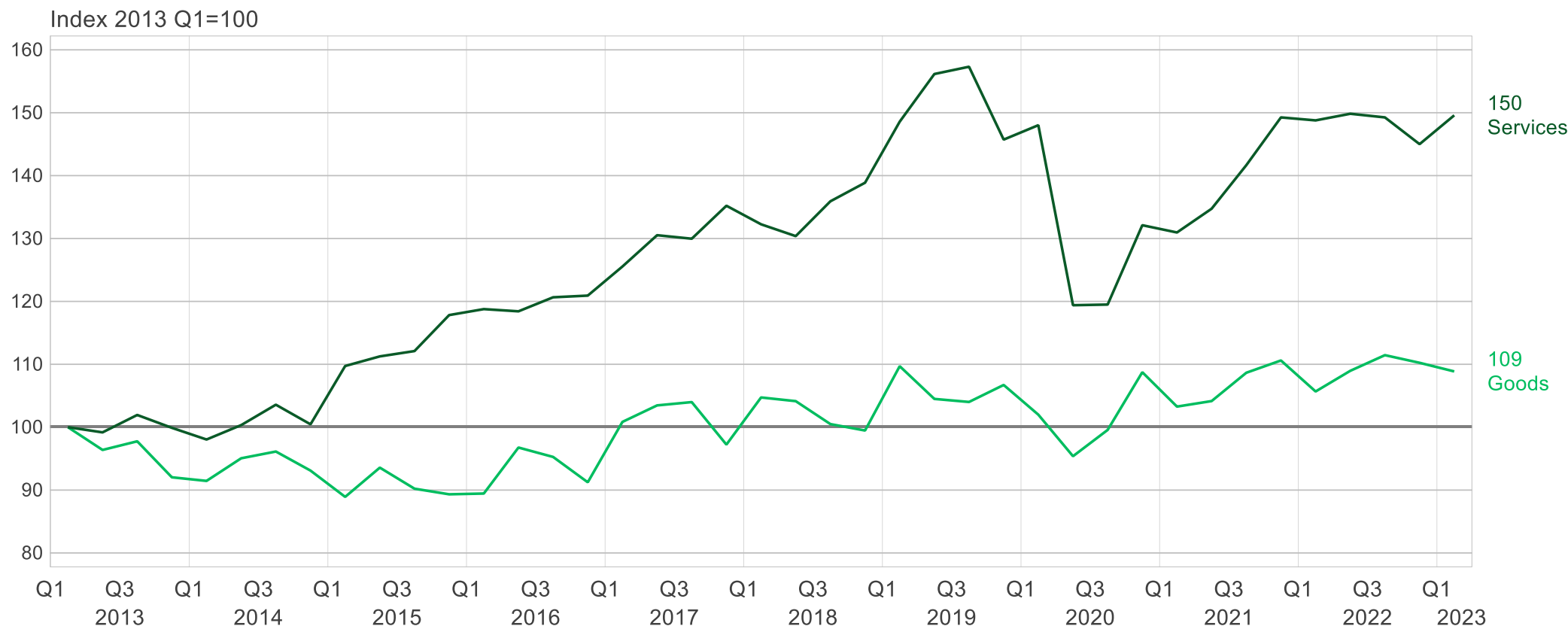


Source: Aktia, Macrobond, Statistics Finland.

# Service exports are 30% of all exports

Telecommunications, computer and information services (ICT) cover 41 per cent of total service exports.

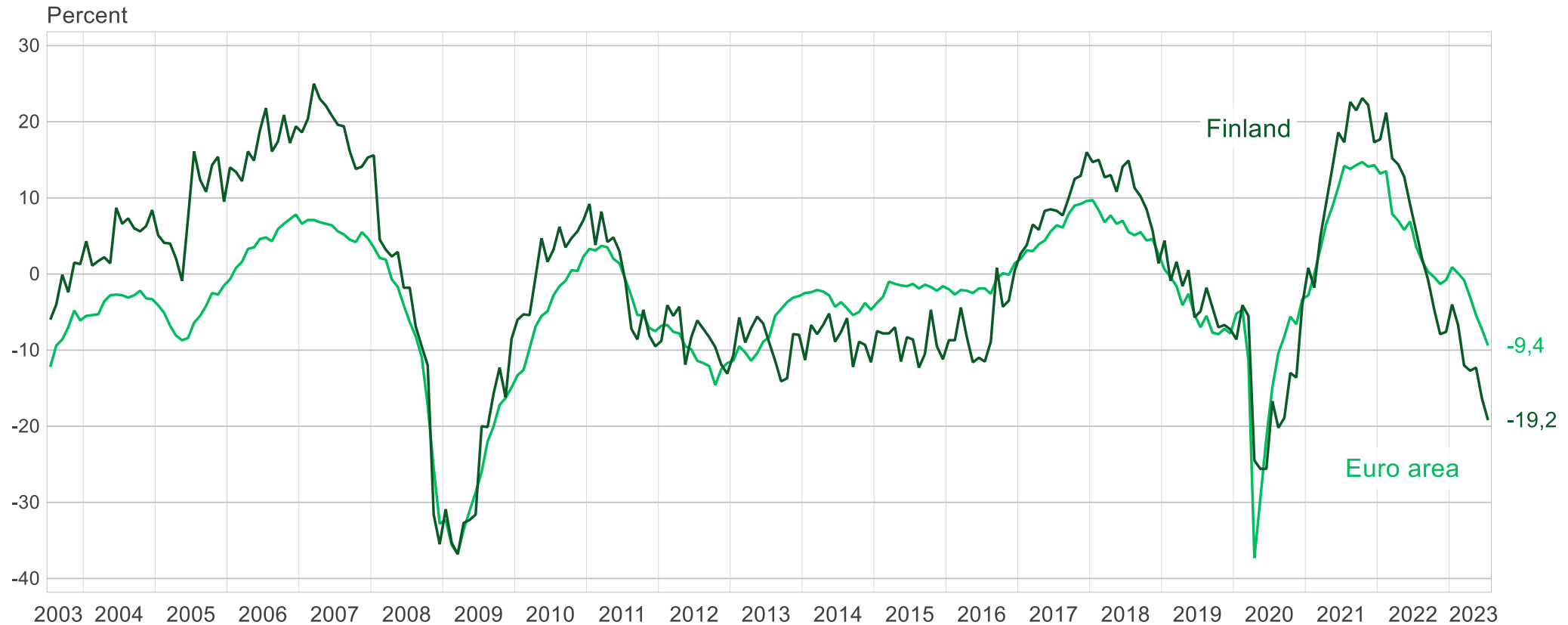
## Finland, export of goods and services



Source: Aktia, Macrobond, Statistics Finland.

# Industrial confidence continues to struggle

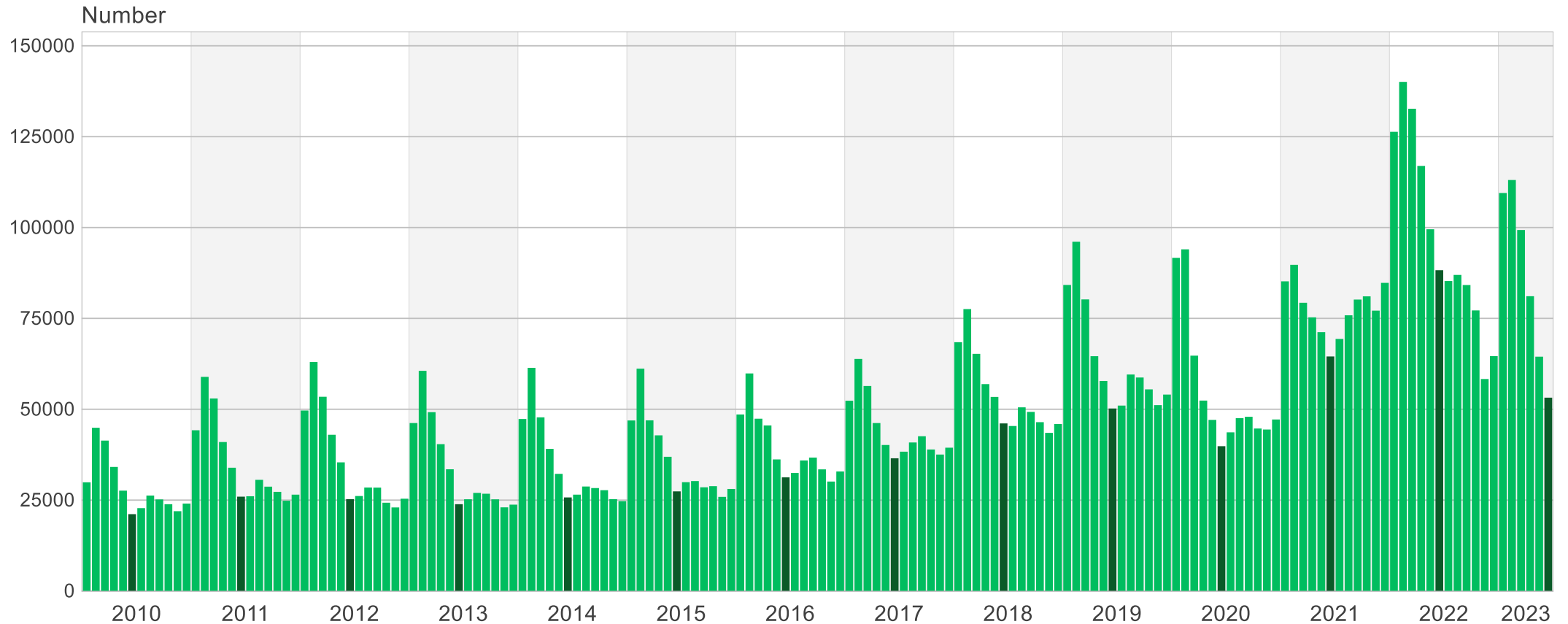
## Industrial confidence



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

# Labor market is cooling off

## Job openings, latest observation 06/2023

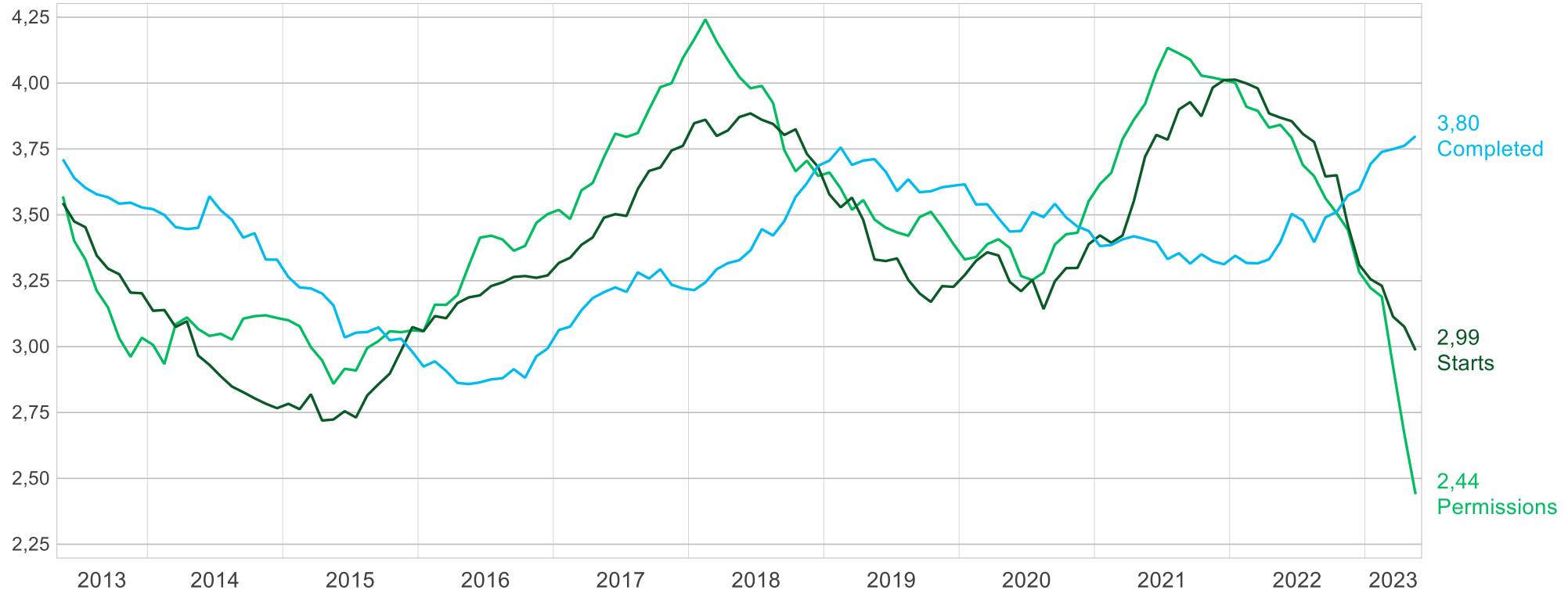


Source: Aktia, Macrobond, Ministry of Economic Affairs & Employment of Finland.

# Residential construction activity decreasing

## Residential construction activity

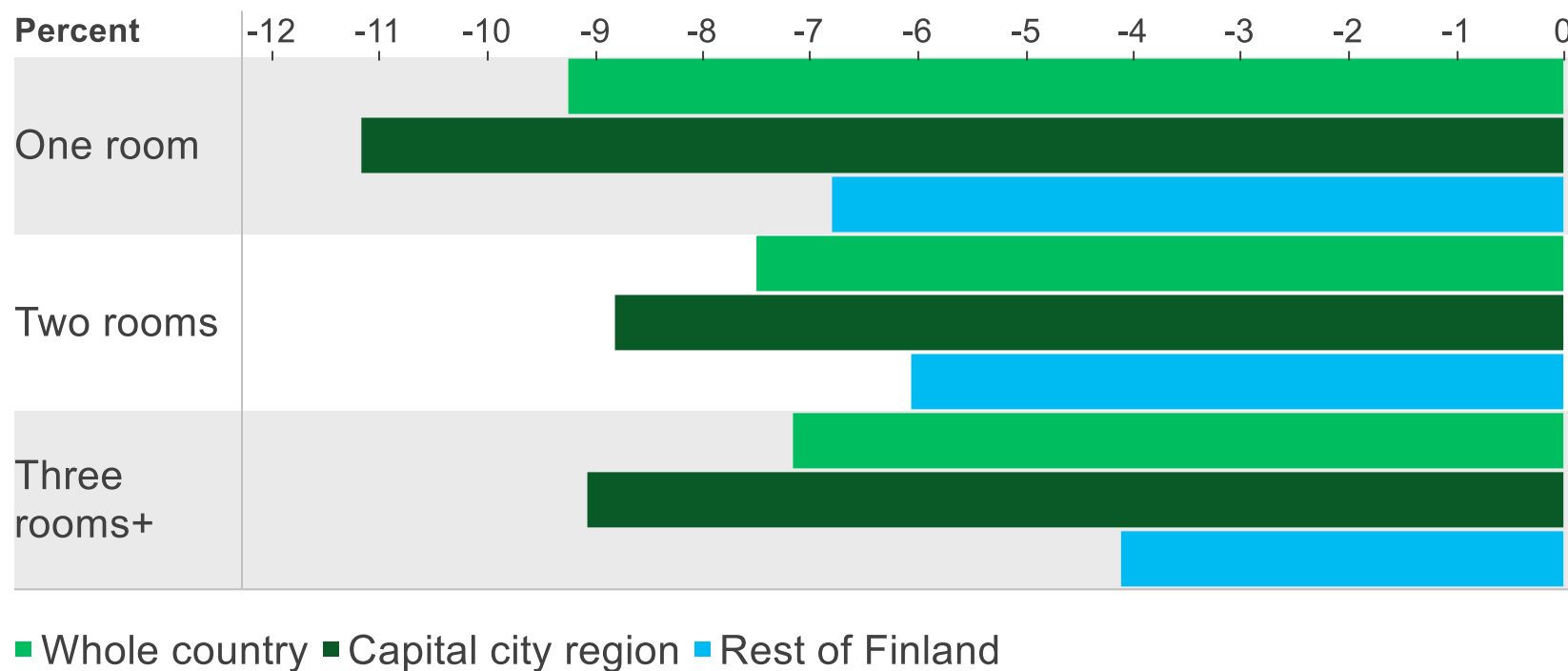
Million m2, 12 month rolling sum



Lähde: Aktia, Macrobond, Statistics Finland.

# Finnish housing market price development

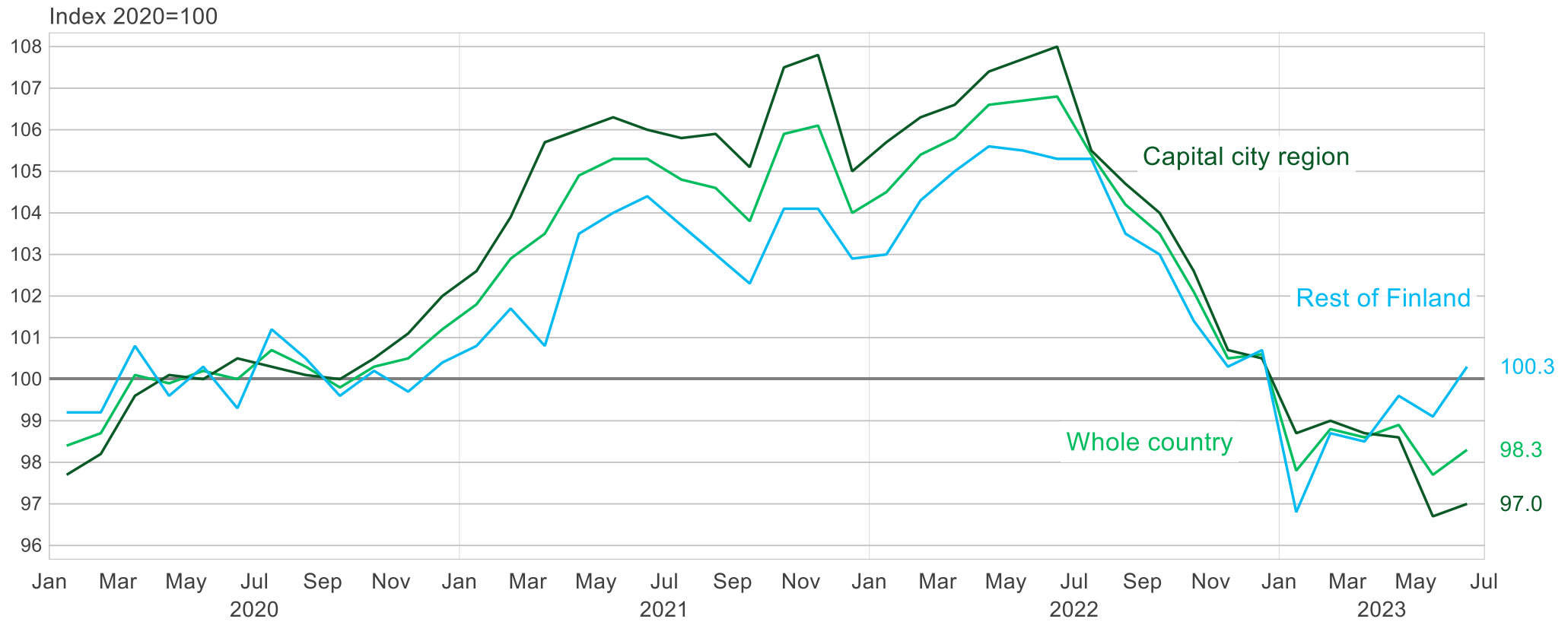
## Annual change in prices of apartment blocks, 2023 Q2



Source: Aktia, Macrobond, Statistics Finland

# Have we reached the bottom?

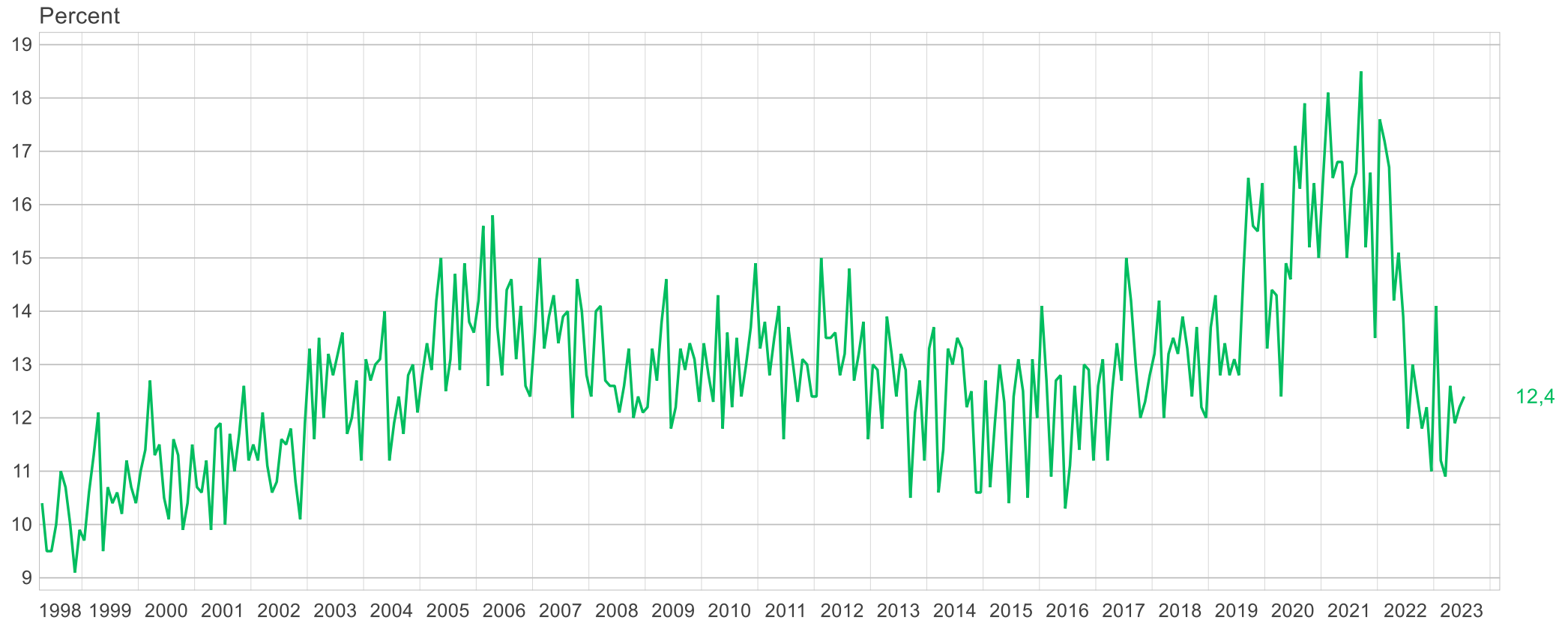
## Price index of old blocks' of flats



Source: Aktia, Macrobond, Statistics Finland.

# Housing market expectations

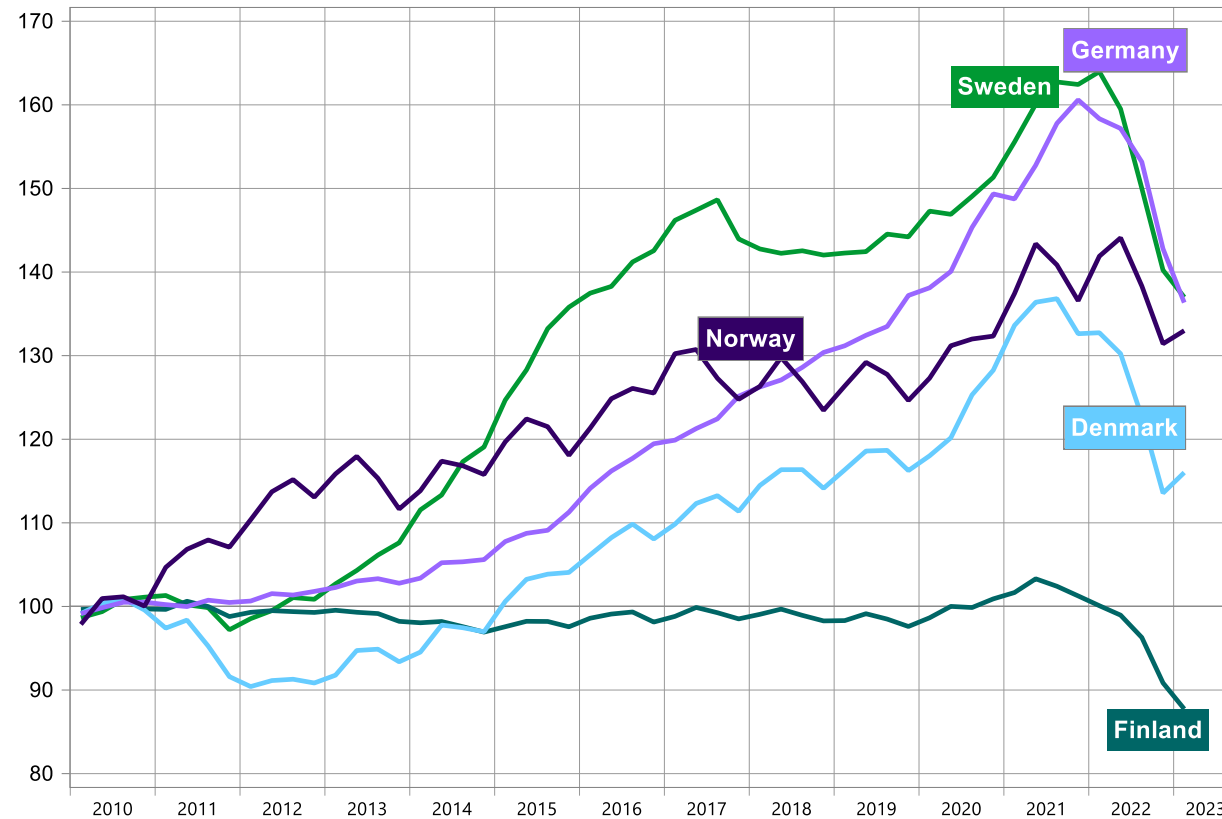
## Intentions to Buy a Dwelling in the Next 12 Months



Source: Aktia, Macrobond, Statistics Finland.

# Housing market prices under pressure

Real House Prices,



Sources: Aktia and Macrobond



# Thank you

**Aktia**

# Contacts and additional information



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