

5 AUGUST 2022

Aktia Bank Q2 2022

Debt investor presentation



Aktia

Highlights Q2 2022

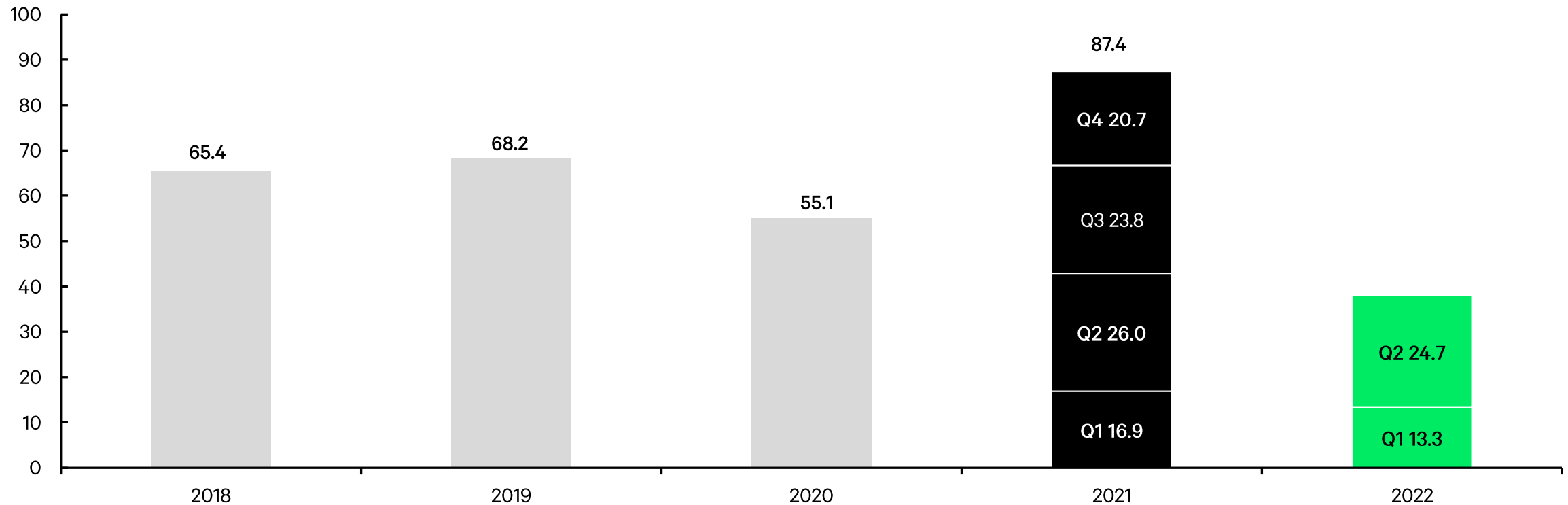
- Interest income from lending increased by 10% with the support of the corporate customer business. Average margin for the entire loan book improved.
- NII continued to develop well; the decrease from last year is explained by the accumulated interest on central bank financing (TLTRO III) which was booked during Q2 2021.
- Net subscriptions for Q2 were positive, AuM decreased by 5% to EUR 13.9 (14.7 31.3.2022) billion as a result of the increasing interest rates and stock market decline.
- Sales of Aktia's international fund products expands to eight new markets.
- Increase in interest rates weighed down the life insurance investment portfolio. Capital gains of a real estate investment increased the result by EUR 11.0 million.
- Credit loss provisions continued to be at a moderate level.



Business in good shape despite the market decline

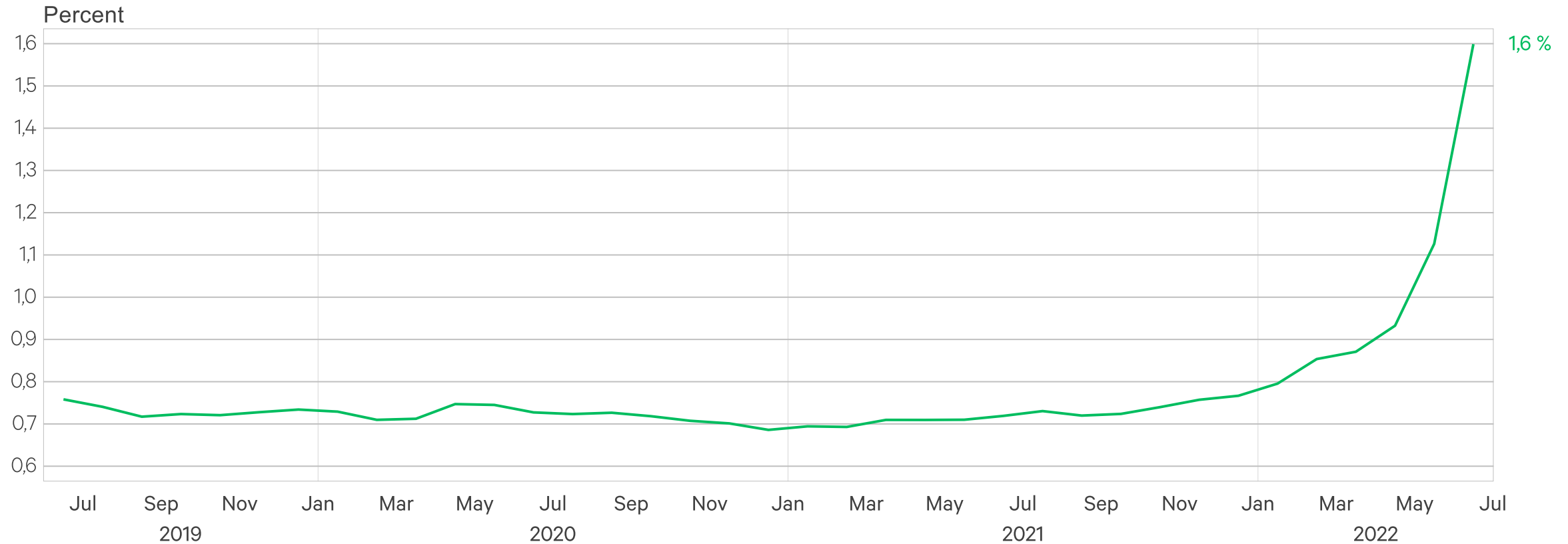
Comparable operating profit 2018–2022

EUR million



Rapid increase in housing loan interest rates

Average interest rate on new housing loans in Finland

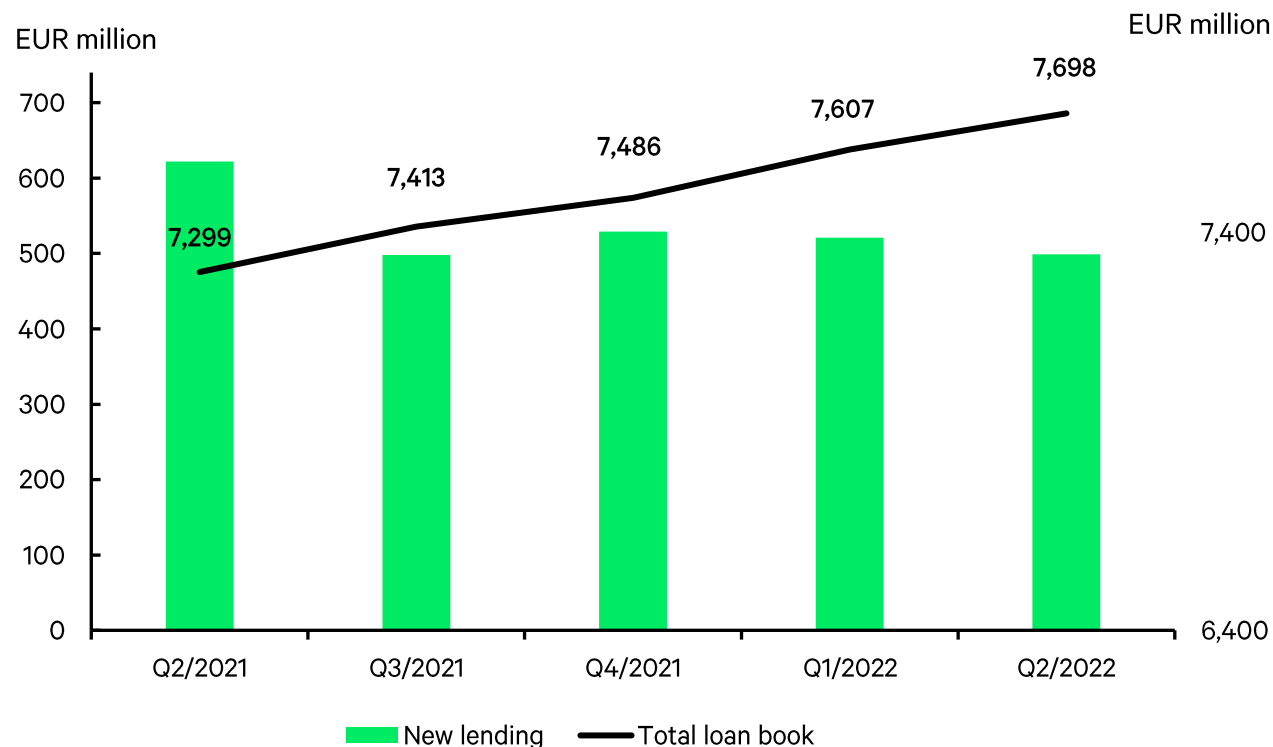


Source: Bank of Finland (Suomen Pankki).

Growth driven by corporate lending continues

- Interest income from lending increased by 10%, due to continued growth in corporate customer business.
- Acquisition of Taaleri's wealth management business with a broader customer base contributed to the growth.
- Average margin of entire loan book improved.
- Market uncertainty reflected in subdued housing market and a decline in the demand of housing loans.
- Credit quality continues to be high.
- Focus on customer selection.

Development of credit portfolio Q-o-Q



Aktia Wealth Plan fully launched

- Aktia Wealth Plan is a new, standard part of our housing loan offering. It is the main way to offer customers a wide range of asset management, life insurance and banking products.
- At the moment appr. half of the housing loan offerings include a tailor-made Aktia Wealth Plan. We will include the Aktia Wealth Plan in every housing loan discussion.
- Customer feedback has so far been excellent.

Vaurastumis-suunnitelma
Tuote- ja palveluehdotus

Timothy Helin
Kaisa Särö
23.5.2022

Aktia

Seuraavaksi

- 1 Olen teihin yhteydessä viikolla 22 sopiaksemme suunnitelman lopullisesta sisällöstä
- 2 Valmistelomme kaikki asiakirjat valmiiksi 31.05 mennessä
- 3 Lähettämme linkin sopimusten allekirjoittamista varten sähköpostisi viimeistään 31.05 Sähköpostit tulevat osoitteesta noreply@aktia.fi
- 4 Kun olette löytäneet kohteen, olettehan minuun yhteydessä vielä ennen sitovan ostotarjouksen tekemistä, jotta voimme tarkistaa kohteen yhdessä.

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Kiitos keskustelustamme, Timothy ja Kaisa

Nykytilanne ja tavoitteet

- Asuntolaina 450 000€ 10v korkoputkella
- Takaisimmaksuunnan ja talouttanne turvaamaan Henkilöturva
- Suunnitelma vaurastumista varten, 500 €/kk 25 v ajan
- Tämän perusteella olemme tehneet alustavan ehdotuksen, jota voi päivittää ja muokata.
- Olisi hienoa saada teidät meille Aktiaan asiakkaiksi!

Aktia

Näin keskustelimme

Aloitatte sijoittamaan säännöllisesti joka kuukausi jolloin kartutatte sijoitusvarallisuutta sekä asuntovarallisuutta. Tässä esimerkkilaskelma.

Tavoitteena on pitää kuukausittaiset menot sopivalla tasolla suhteessa tuloihin mutta jakaa summa niin, että osa menee säästöön ja osa henkilöturvaan.

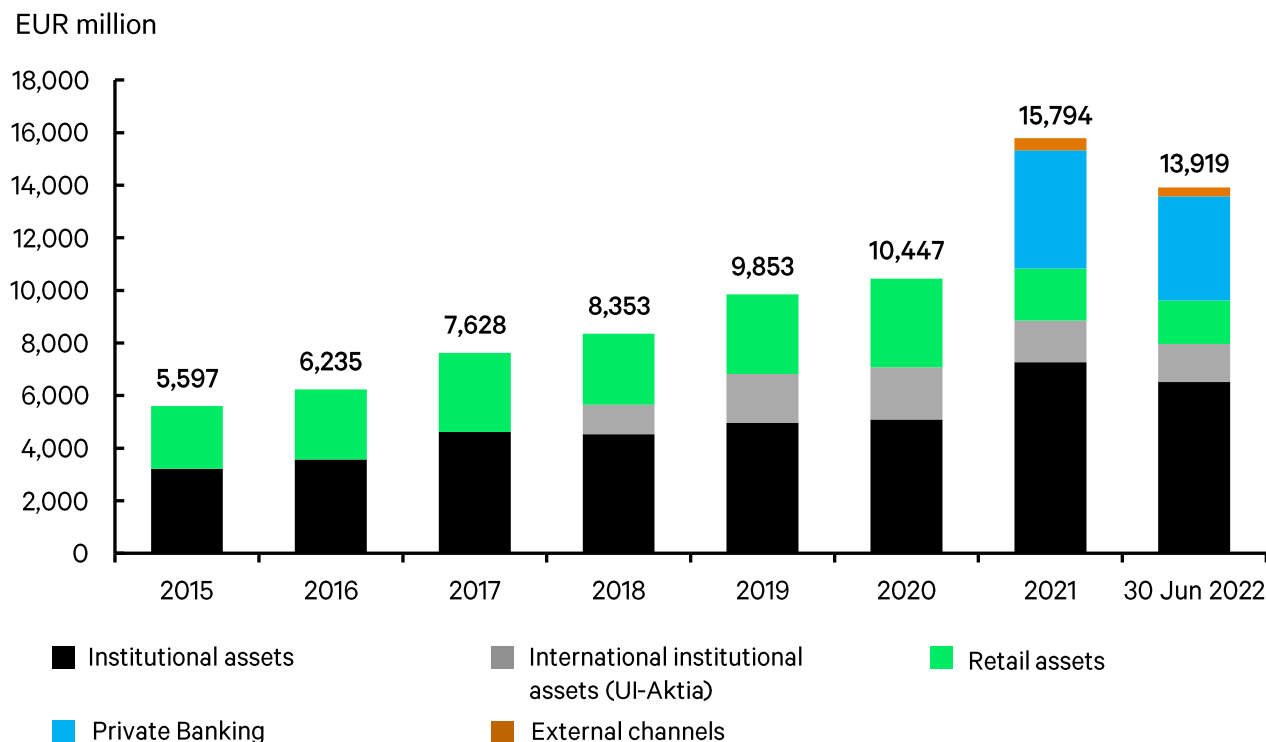
Kuukausimenosi		25 vuoden tavoitteesi	
Laina	1 831 €	Asunto- arvoitus	600 000 €
Sijoittaminen	500 €	Säästä- varallisuus	346 497 €
Henkilöturva	197 €	Henkilöturva	✓
Yhteensä	2 528 €	Yhteensä	946 497 €

Aktia

Net subscriptions turned positive

- Net subscriptions for Q2 were positive and amounted to EUR 111 million. Net sales increased in domestic and foreign institutions, as well as Private Banking customers.
- AuM decreased to EUR 13.9 billion due to increasing interest rates and stock market decline.
- Good cooperation with Taaleri Plc continued and resulted in the successful launch of the Bioindustry I fund.
- New distribution contract expands international sales to UK, Ireland, Benelux, Denmark, Norway and Switzerland.

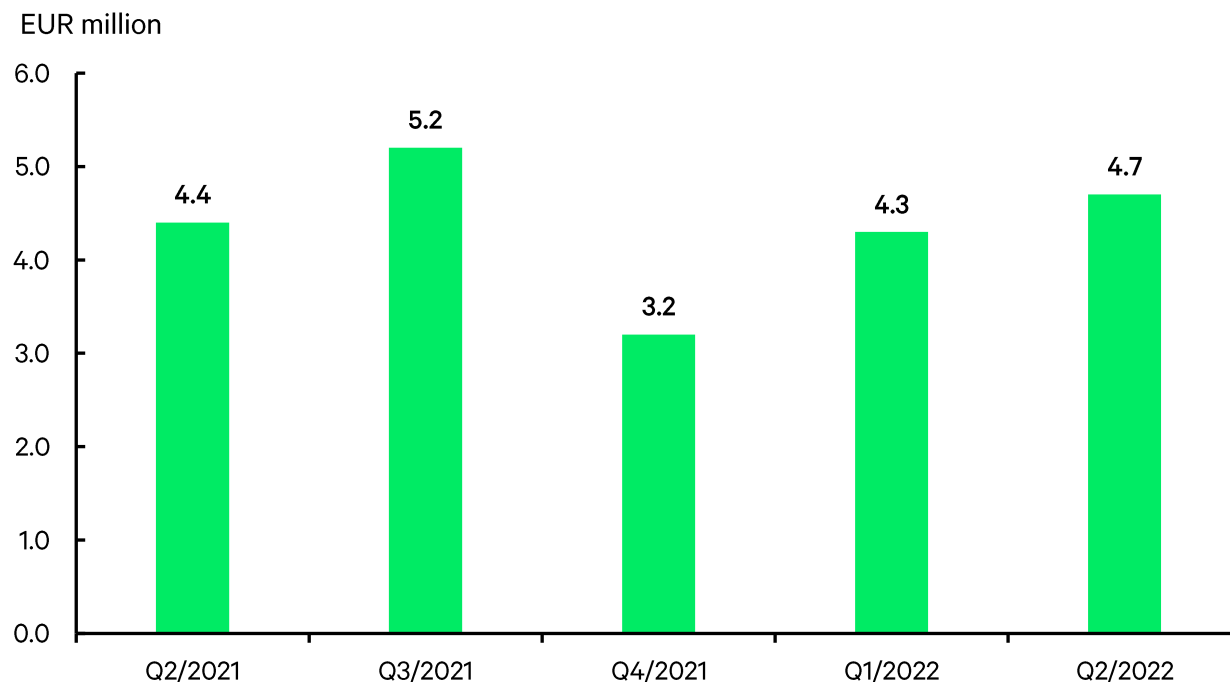
Assets under Management, excluding custody



Rapid increase in rates continued to weigh down the Life investment portfolio

- Life insurance business continued to develop well
 - Continued positive net inflow in unit linked sales
 - Steady growth in risk life insurance premium income
- Net income from life insurance EUR 12.7 (10.5) million, the majority of which derives from the capital gains of EUR 11.0 million from a real estate investment in the portfolio
- Increased interest rates weighed down the life insurance business's investment portfolio

Development of the actuarially calculated result Q-o-Q



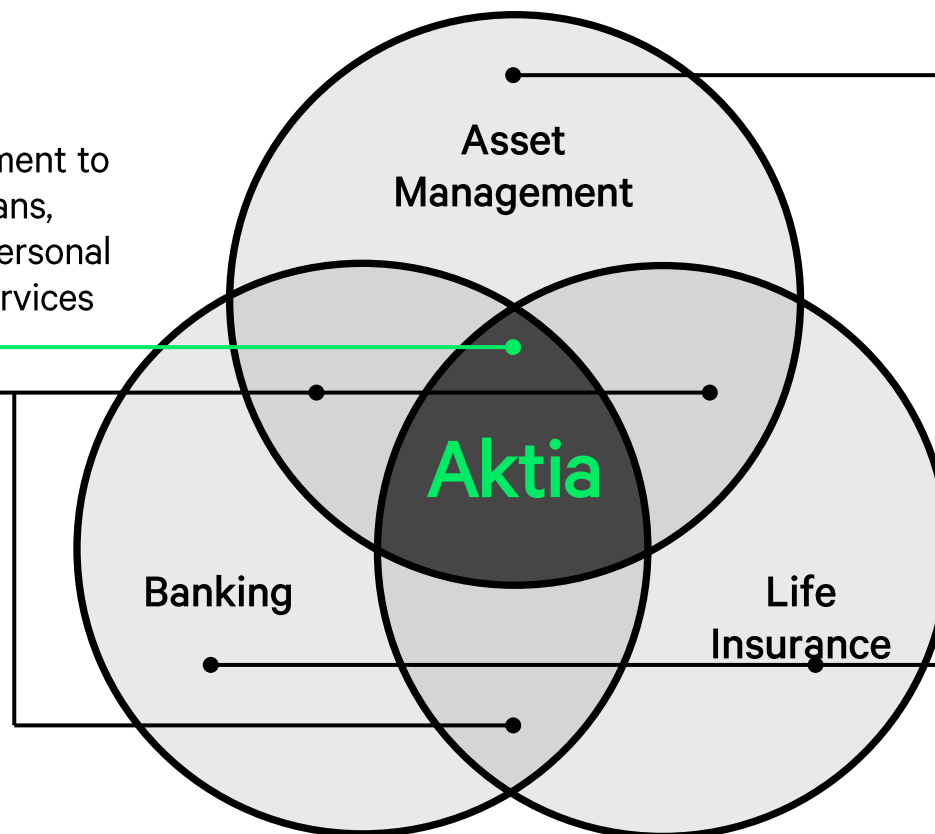
Focus on guiding customers to our focal point

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

Outlook 2022

- The net interest income growth is expected to remain strong, especially in the corporate customer segment, due to active pricing and expected volume growth. The positive impact of the increasing short-term reference rate on private customers' net interest income will be gradually visible as a result of the annual interest rate adjustments on mortgage loans.
- Financing costs are expected to increase slightly as interest rates rise, the positive impact of the negative interest rate on central bank financing will decrease.
- Commission income is expected to increase. The growth is supported by the completion of the integration of Taaleri's wealth management business.
- The net income from life insurance depends on the changes in market values. In the first half of the year, rising interest rates and market uncertainty led to negative unrealised value changes in the life insurance business's investment portfolio. We expect the actuarially calculated result to increase compared to last year.
- Considering the impact of inflation, the expenses are expected to be approximately at the level of the comparable operating expenses 2021.
- Credit loss provisions are expected to remain at a moderate level while the liquidity and capital adequacy of Aktia remain stable.

The financial targets 2025

Comparable
operating profit
above EUR
120 million

1-3/2022;
EUR 13.3 million

Comparable return
on Equity (ROE)
above 12%

31 March 2022;
6.5%

Comparable
cost-to-income ratio
under 0.60

1-3/2022;
0.78

Common Equity
Tier 1 capital ratio
(CET1) above 1.5
percentage points
over the regulatory
requirement

31 March 2022;
2.9 percentage points over
the regulatory requirement
7.7%

Aktia signed the UN Principles for Responsible Banking

Actions during H1:

- Aktia signed the UN Principles for Responsible Banking and became a member of UNEP FI
- Aktia's Responsible Lending Policy was implemented in the beginning of 2022
- Aktia acts as lead investor in two engagements in CDP's Non-disclosure campaign encouraging companies to increase transparent climate reporting by participating in CDP's questionnaire
- Aktia got certified as a 'Nasdaq ESG Transparency Partner'

Performance of key indicators from Aktia's corporate responsibility programme

-65%

The carbon footprint of Aktia's equity funds was on average approx. 65% smaller than reference market for H1 2022

72

The Net Promoter Score, measuring customer satisfaction, personal and premium customers was 72 for H1 2022 (target at least 50)



Financial overview



Aktia

Financial summary Q2

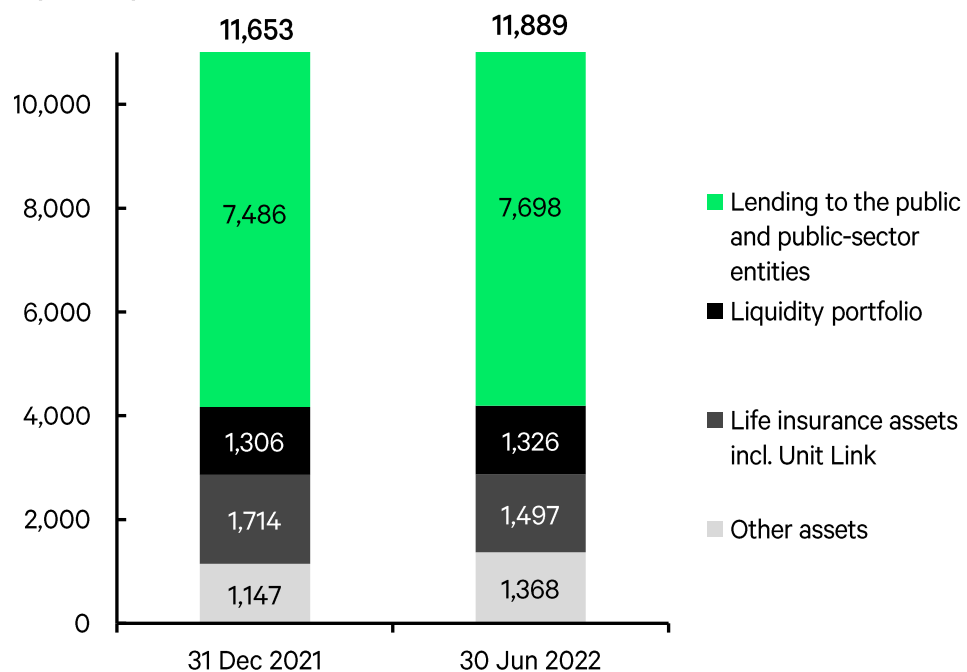
EUR million	2Q2022	2Q2021	Δ %	1-6/2022	1-6/2021	Δ %
Total operating income	71.6	73.3	-2%	130.6	131.2	0%
Net interest income	25.8	27.7	-7%	50.9	49.0	4 %
Net commission income	31.6	31.7	0%	63.0	56.8	11%
Net income from life insurance	12.7	10.5	21%	14.5	20.4	-29%
Other income	1.4	3.4	-59%	2.2	5.0	-56%
Total operating expenses	-44.7	-48.8	-8%	-90.6	-87.6	3%
Impairments of credits and other commitments	-2.4	-1.4	69%	-2.1	-3.6	-43%
Operating profit	24.7	23.0	7%	38.2	39.9	-4%
Comparable operating profit*	24.7	26.0	-5%	38.0	42.9	-11%
Earnings Per Share (EPS), EUR	0.28	0.24	13%	0.43	0.45	-4%
Return on Equity (ROE), %	12.3	10.5	17%	9.5	9.5	0%
Cost-to-income ratio (comparable)	0.62	0.63	-1%	0.69	0.64	8%
Common Equity Tier 1 capital ratio, %	10.4	10.8	-4%	10.4	10.8	-4%

*) Excl. items affecting comparability

Balance sheet total increased to EUR 11,889 million

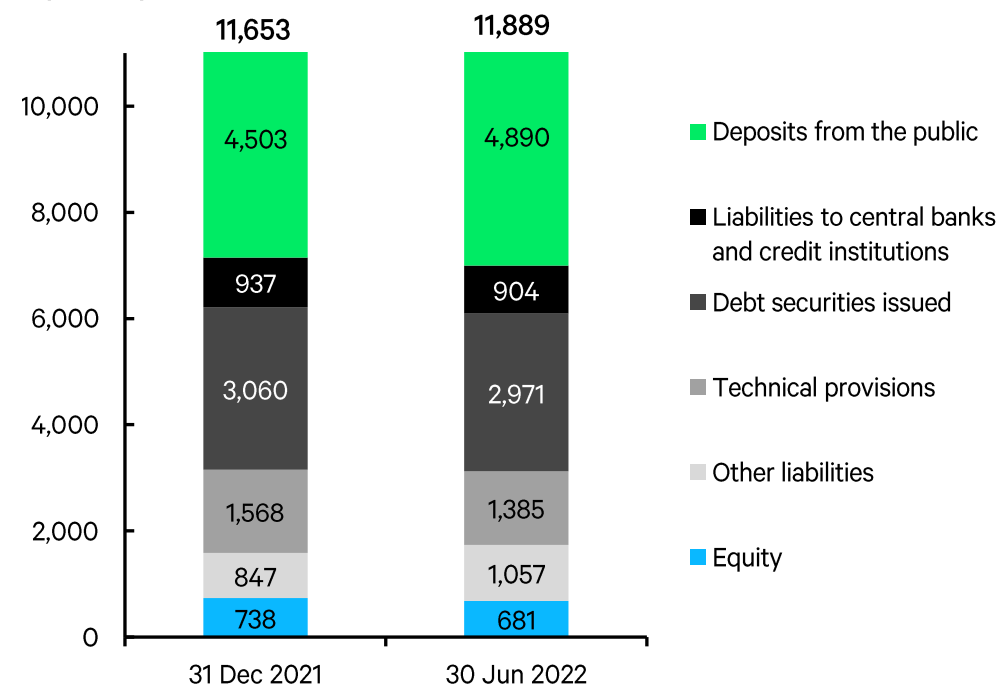
Total assets

EUR million



Total liabilities and equity

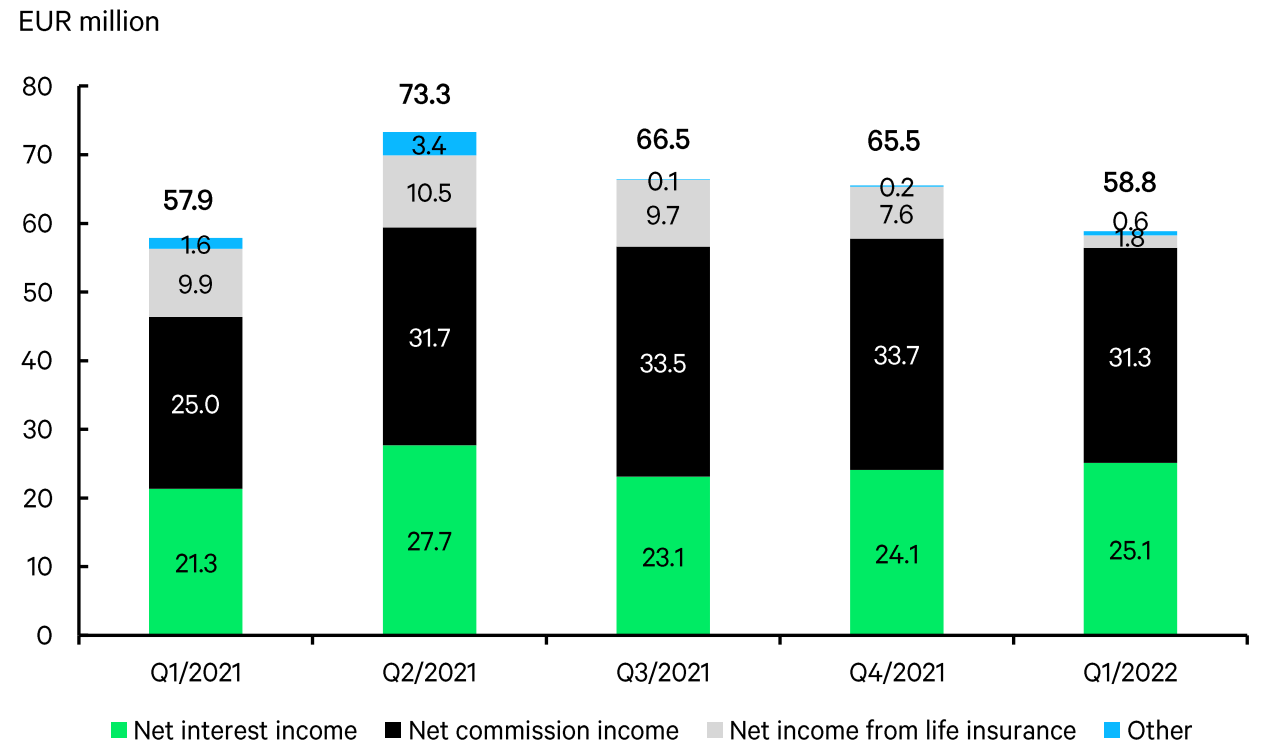
EUR million



Solid business performance continued

- Net interest income up 18% Y-o-Y
 - The strong growth was driven by excellent development in the corporate customer business
- 25% growth in net commission income Y-o-Y mainly due to acquisition of Taaleri wealth management
 - 7% decrease Q-o-Q was affected by the nervous market sentiment
- Negative unrealised value changes in the life insurance company's investment portfolio due to rapid increase in interest rates weighed down the net income from life insurance to EUR 1.8 (9.9) million in Q1

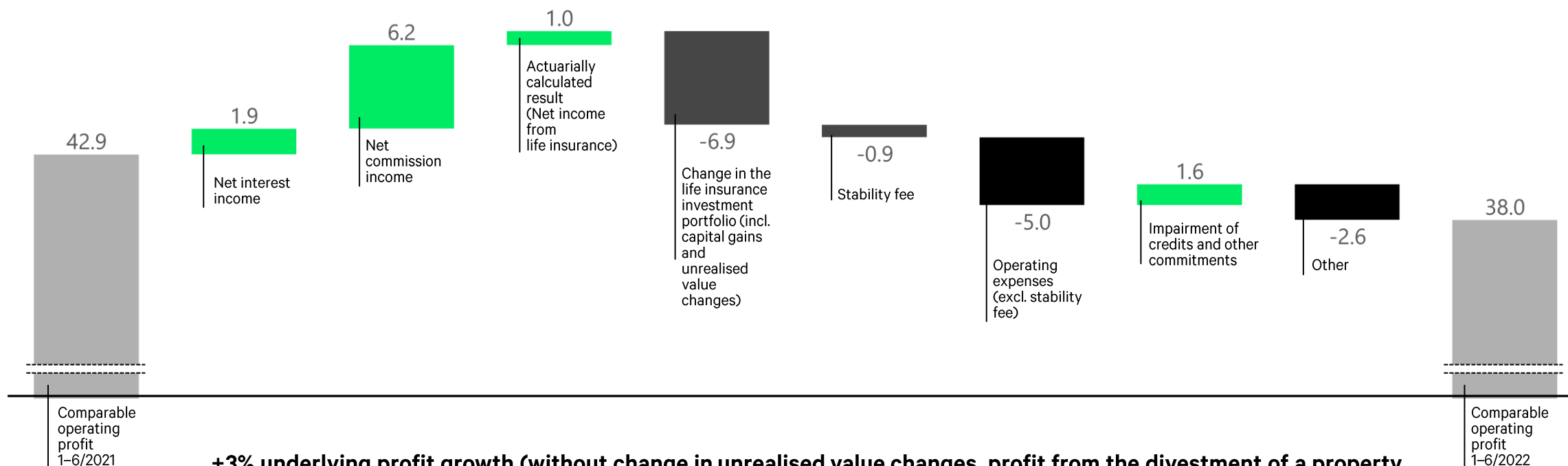
Comparable operating income, Q-o-Q



Underlying profit increased by 3%

Comparable operating profit 1–6/2022 vs 1–6/2021

EUR million



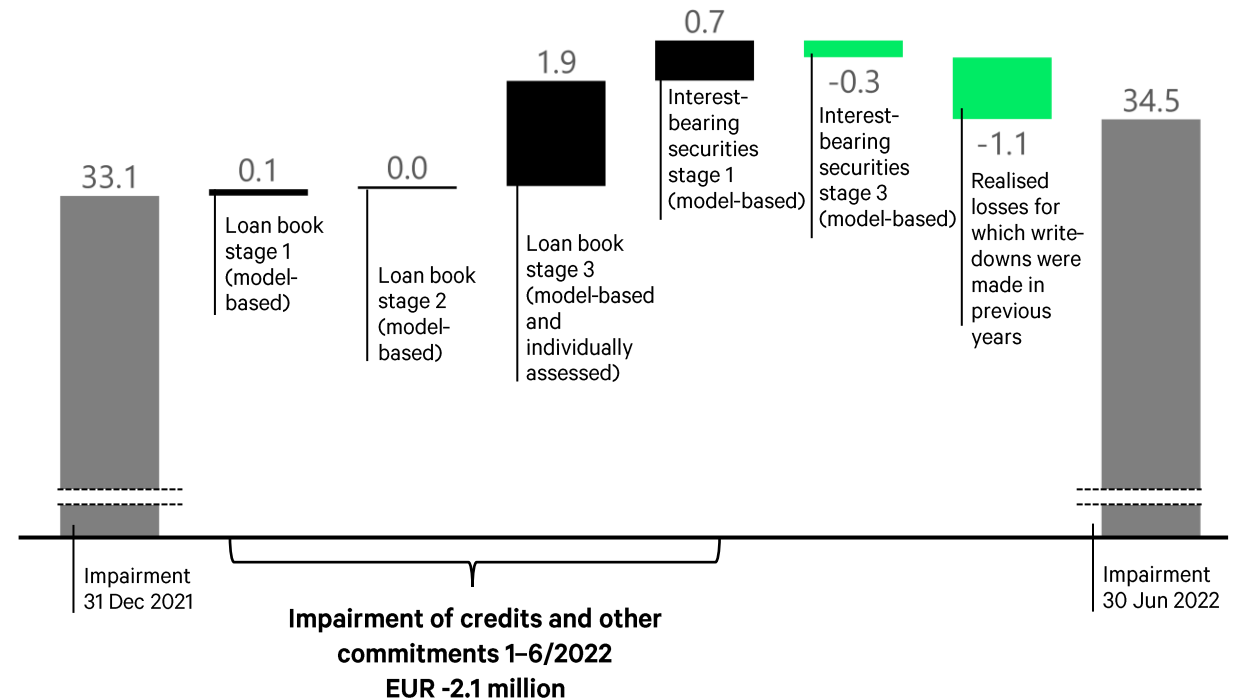
+3% underlying profit growth (without change in unrealised value changes, profit from the divestment of a property investment, realised profits from sales in the Bank's liquidity portfolio, impairments of credits and other commitments, stability fee and one-off project costs)

Expected credit losses at a moderate level

- Reservations for expected credit losses increased by EUR 2.4 million in Q2 2022, totaling at EUR -2.1 million in H1 2022.
- We have not observed any major new risk concentrations in our credit portfolio.
- A thorough review of corporate exposure was carried out during the quarter, no reason for a management overlay found.

Change in expected credit losses (ECL) 1-6/2022

EUR million



The Debt Investment case

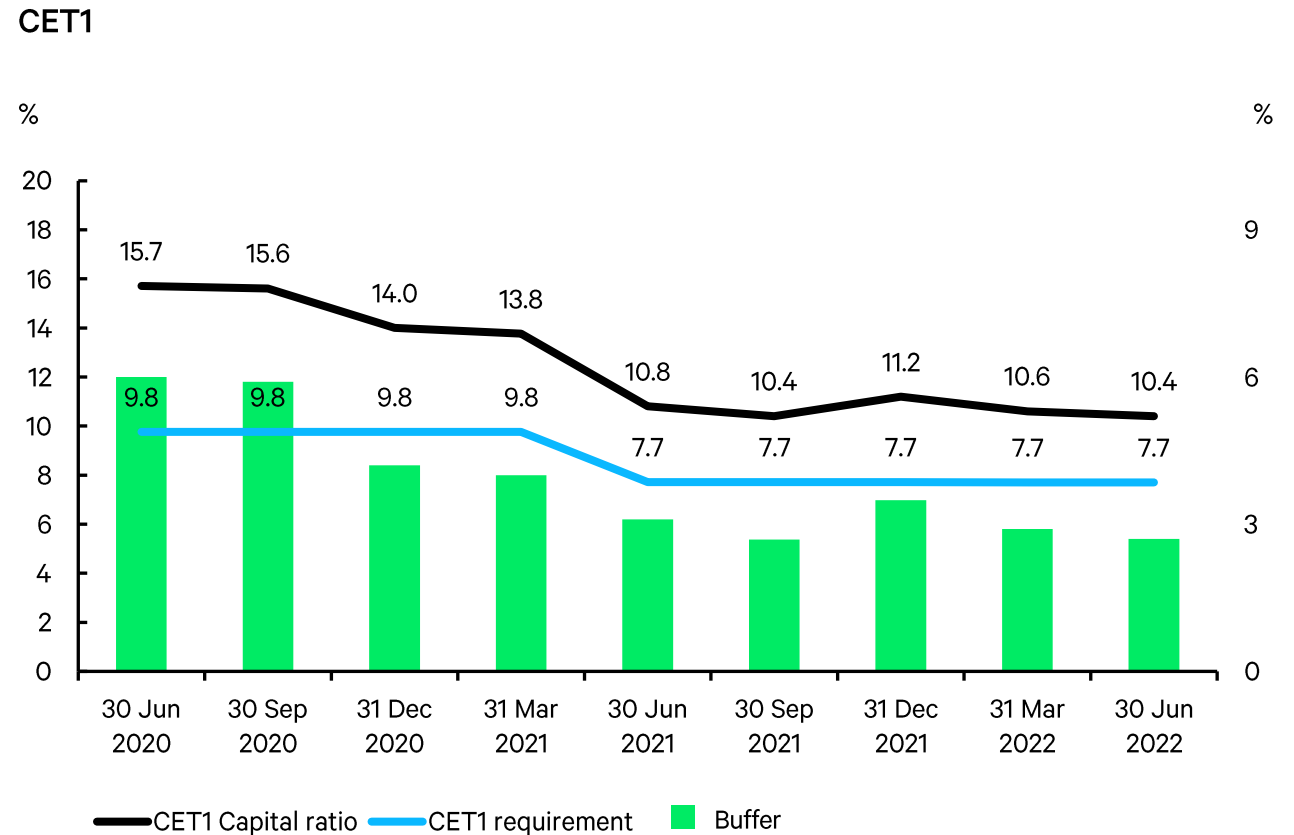
Credit ratings

Moody's: A1 / P-1, neg, Covered Bonds: Aaa

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

CET1 ratio 2.7 percentage points above the requirement

- The CET1 ratio was 10.4% and decreased from year end by 0.8 percentage points.
- Aktia Life Insurance Ltd paid a dividend of EUR 15 million to the parent company in June and 20 million in March, which strengthened the Bank's CET1 capital.
- The fair value reserve was negatively affected by the increase in interest rates during the first half of the year, which in turn weakened the Bank's CET1 capital by approx. EUR 39 million.
- The risk-weighted assets increased by EUR 149 million, driven by growth in corporate lending.



CET1 ratio above the requirement

- Minimum CET1 requirement ratio is 7.71 % (2Q22 CET1 10.4%).
- Total minimum capital ratio requirement 11.76% (2Q22 Total capital:14.8%).
- Aktia Bank Group's leverage ratio was 3.6% (4Q21 3.9%).
 - Tier 1 capital EUR 380.8 million
 - Total exposures EUR 10,529.4 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 622.3 million
 - Own funds and eligible liabilities EUR 1,598.1 million

Capital requirement	%
Pillar 1 req	4.5%
Pillar 2 CET1 req	0.70%
Capital Conservation buffer	2.5%
Counter Cyclical buffer	0.01%
Systemic Risk buffer**	0.0%
Total CET1 % req	7.71%
AT1 Capital	1.5%
Pillar 2 AT1 req	0.23%
Tier 2 Capital	2.0%
Pillar 2 Tier 2 req	0.31%
Total Capital Requirement	11.76%

Funding activities

- During Q1 2022, Aktia completed 3 senior preferred private placement transactions. The total volume has been approximately EUR 113 million with maturities in the range of 2–5 years. The bank will continue to issue senior debt during the year 2022 to refinance redeeming notes and to convert some of the short-term money market funding to longer term issuance. The bank is planning also to issue limited amount of Non-Preferred Senior notes during the year of 2022.
- In June Aktia Bank issued also EUR 150 million covered bond redeeming in June 2027. The bond was issued for collateral purposes.
- The new Covered Bonds Law in Finland entered into force on 8 July 2022. The Covered Bonds issued after 8 July will be covered in accordance with the Finnish Mortgage Credit Banks and Covered Bonds Act (*Laki kiinnitysluottopankeista ja katetuista joukkolainoista 151/2022*).
- Aktia's liquidity continued to be at a good level. The LCR ratio has been comfortably over the regulative limit being 136% at the end of Q2. The cash level has been very good. The ECB tiering structure has been in full use for the whole period.



High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 136%.

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 1,644 million on 30 June 2022 (4Q21: EUR 1,571 million).

All assets are LCR eligible.

Unencumbered Liquidity reserve, market value

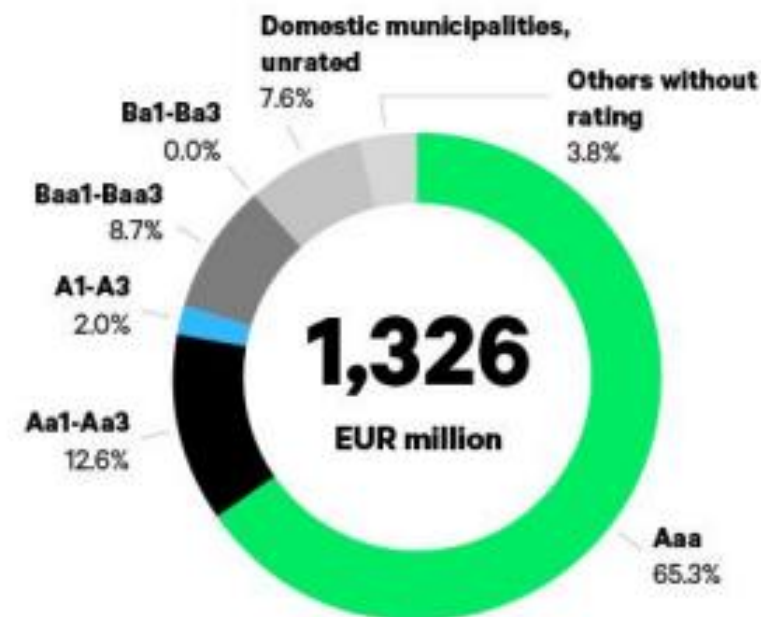
EUR million	30 June 2022	31 Dec 2021
Cash and holdings in central banks	771	681
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	210	222
Securities issued or guaranteed by municipalities or Public sector entities	101	155
Covered bonds	581	514
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	1,644	1,571

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



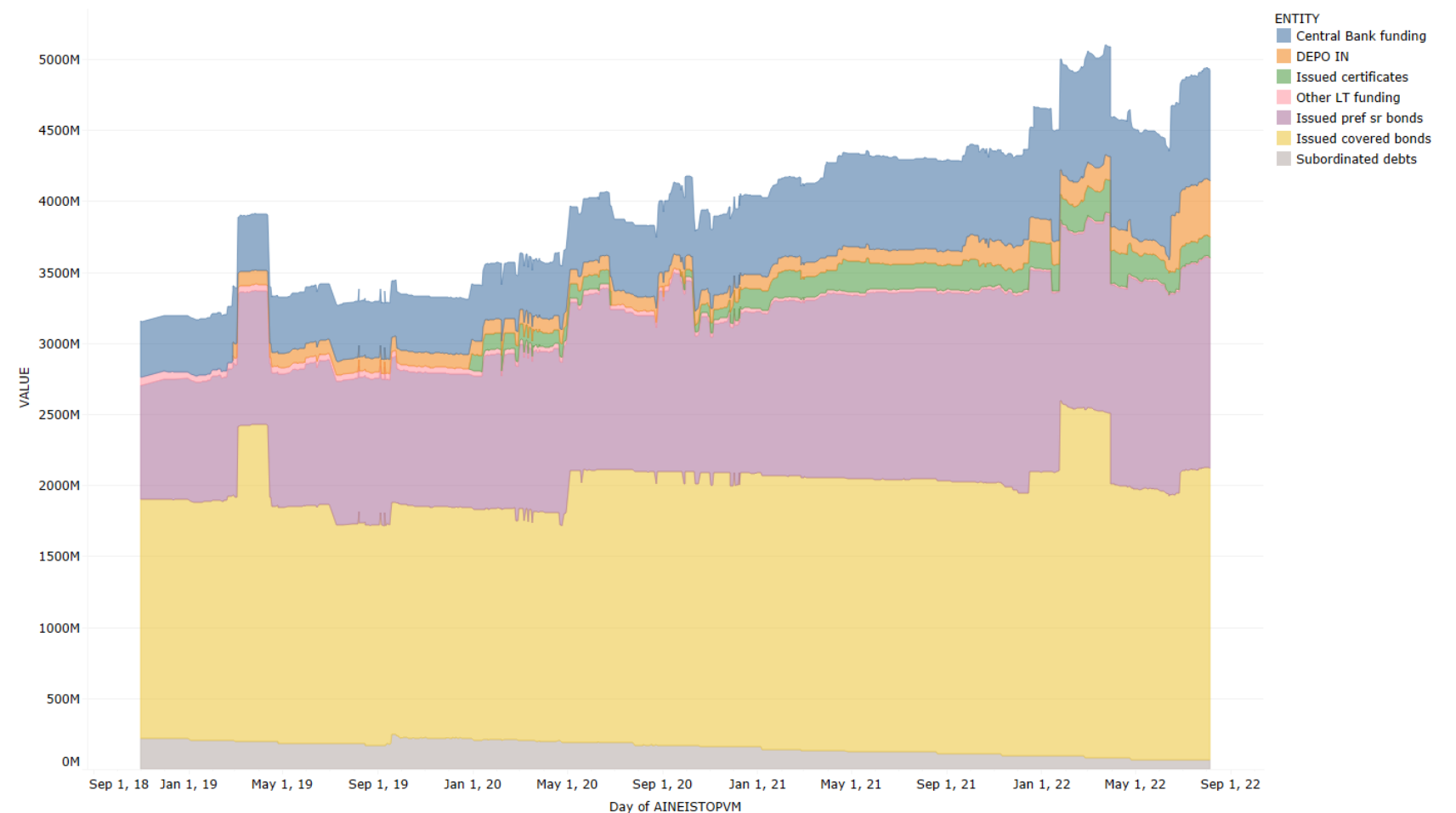
Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities increased to EUR 4,890 (4,503) million. Aktia's market share of deposits was 3.0% (3.0%) at the end of June 2022.

The value of bonds issued by Aktia Bank totalled EUR 2,846 (2,917) million. The total is excluding the EUR 600 million retained Covered Bonds.

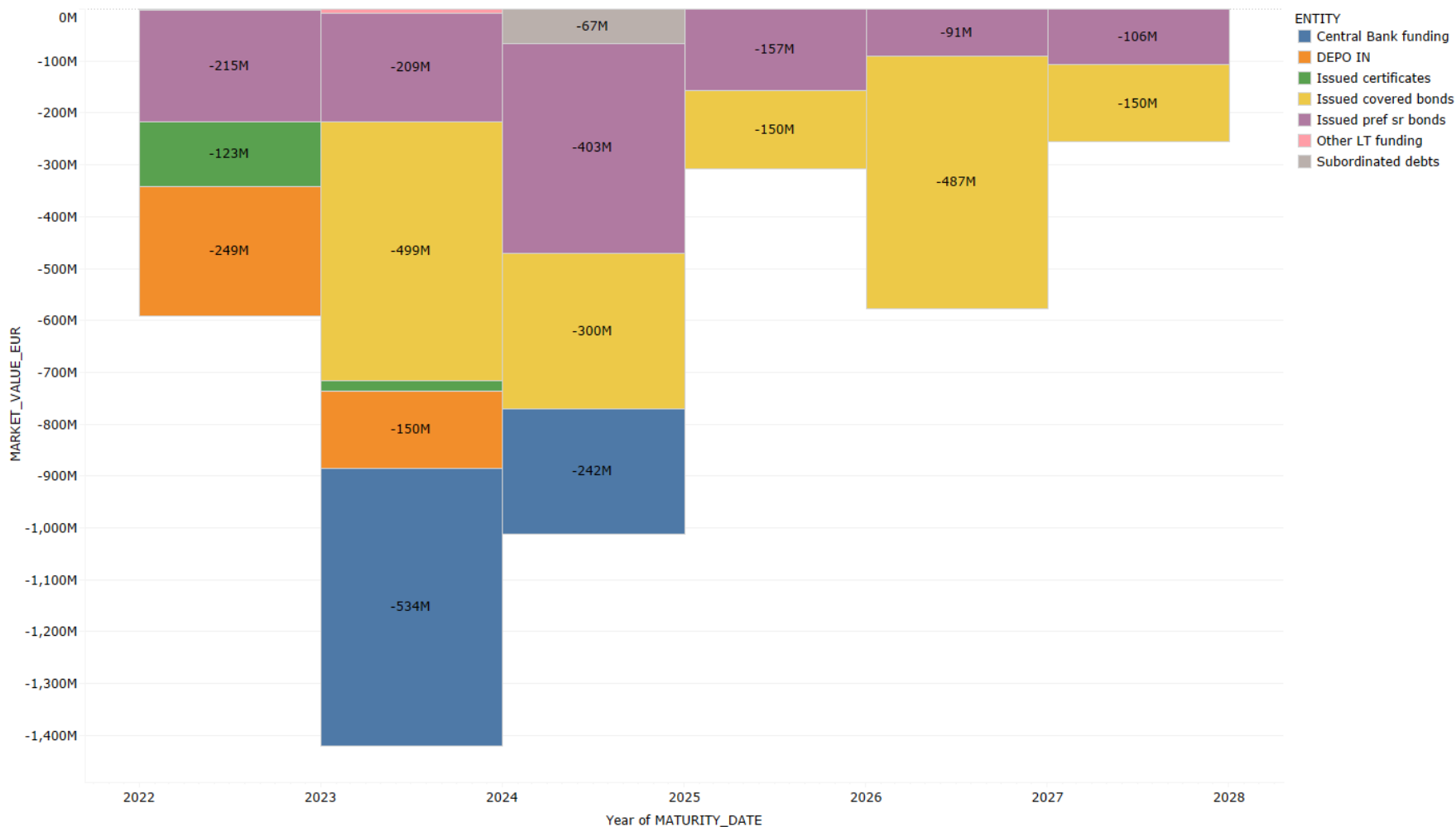
Funding Structure



Redemption schedule

2023
redemptions
requires good
planning

Funding Maturity Structure 8/5/2022



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 8th 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

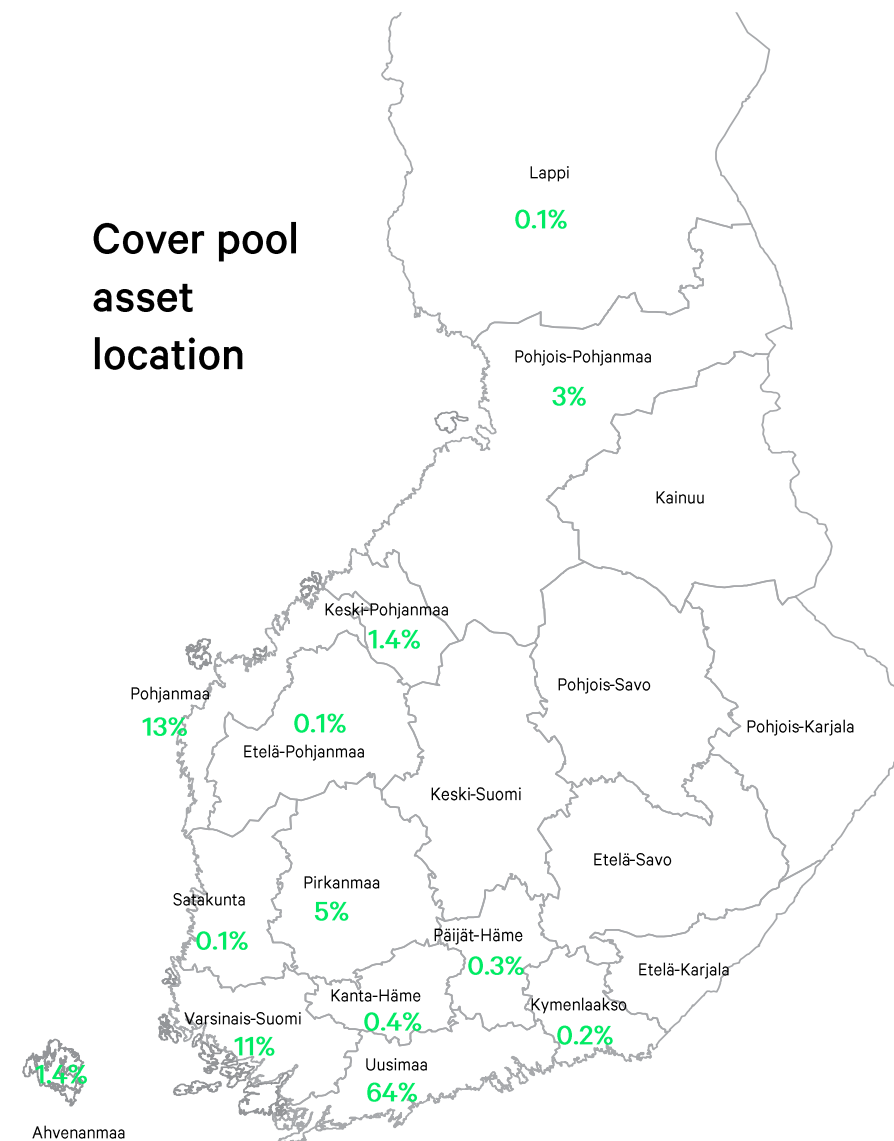
- The Aktia Bank mortgage loan portfolio is of very high quality:
 - Prime residential mortgage loans and loans to Housing Companies
 - Collateral located in Finland
 - Low average LTV
- Aktia Bank covered bonds are CRR & UCITS, ECB repo and CBPP eligible
- Bank aims to comply with the ECBC covered bond 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

2Q 2022

	Cover pool
Total asset pool (No substitute assets)	EUR 2,577 million
No of loans / average loan balance	36,465 / EUR 70,680
Types of loans	First ranking residential mortgages, pledges of shares in housing companies and loans to housing companies
Geography	Finland, well diversified with concentration on growth areas
Non-performing loans > 90 days in arrears	0.0
WA indexed LTV	46.71%
Maximum LTV	LTV limit: 70%
Interest base	floating 94%, fixed 6%
WA seasoning	63.9 months
Overcollateralisation (%)	22.73% (committed 10%)
Moody's Collateral Score	5.00%

Cover pool asset location

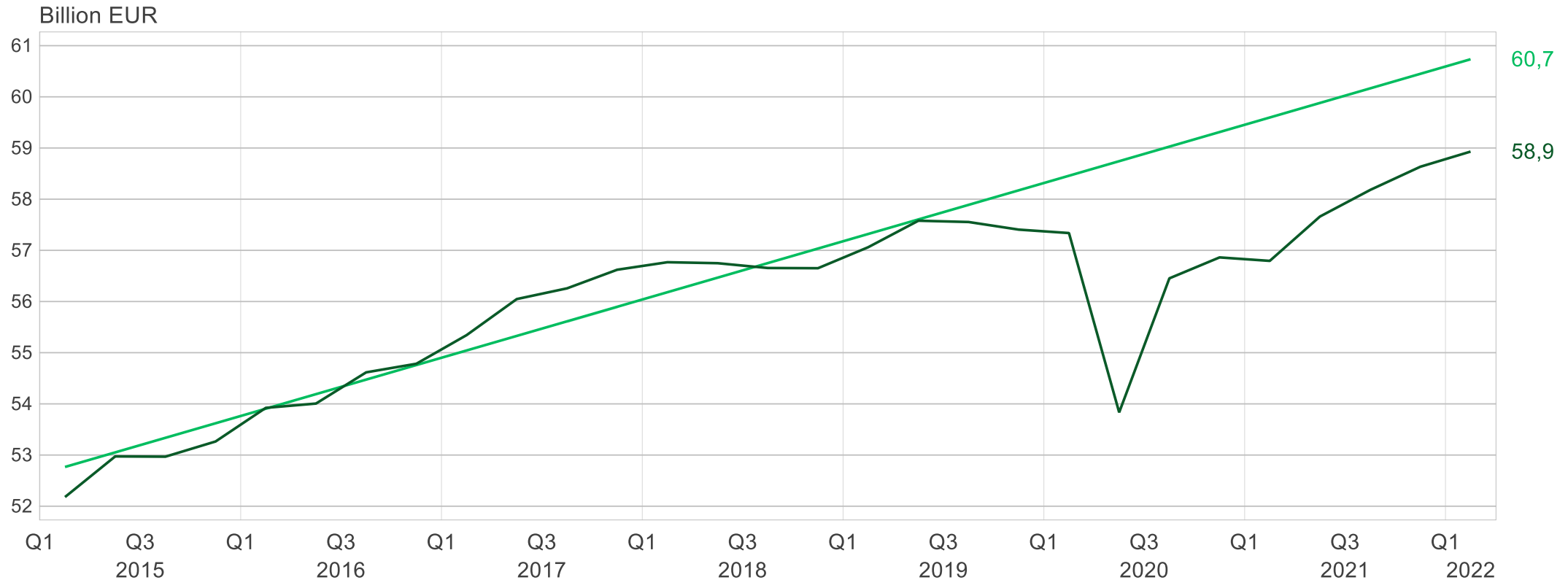


Finland – a responsible Nordic welfare economy

Gross domestic product behind trend

Finland, quarterly gross domestic product, 2015 prices

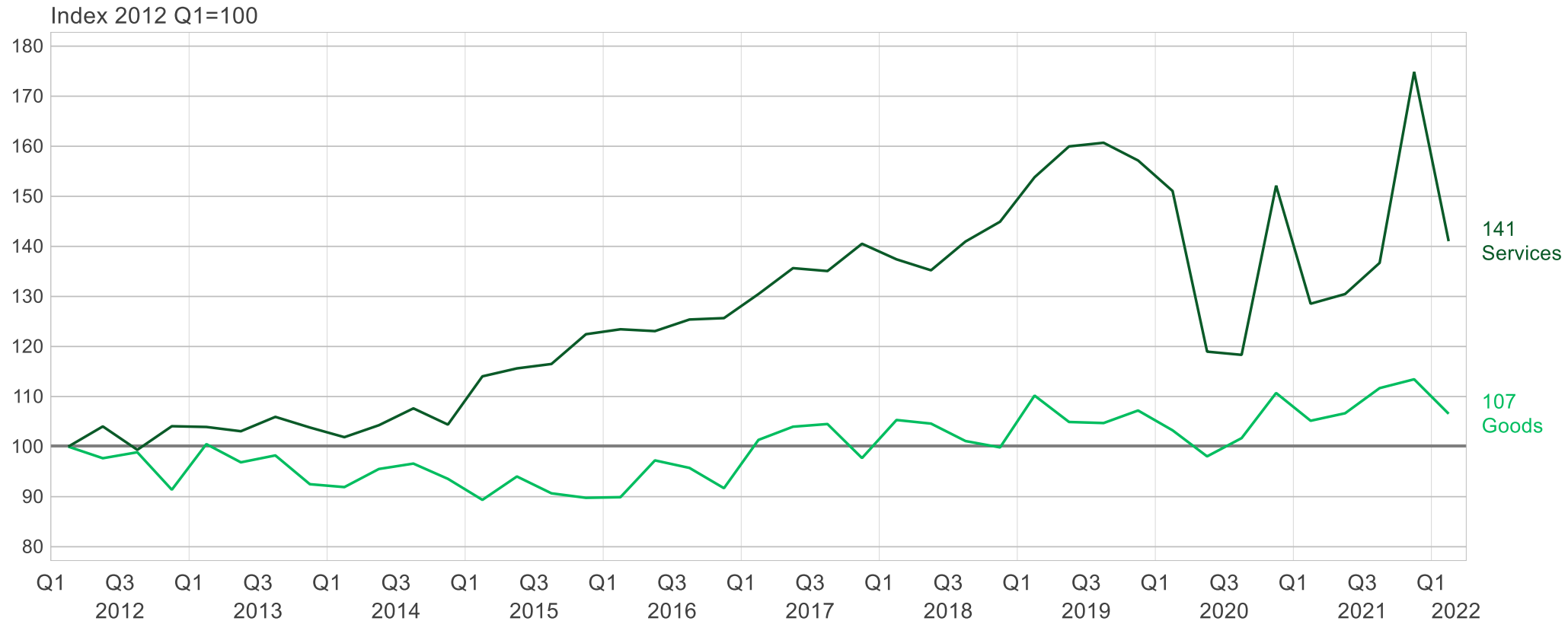
— GDP — Trend 2015-2019



Lähde: Aktia, Macrobond, Statistics Finland.

Service exports supported by weak euro

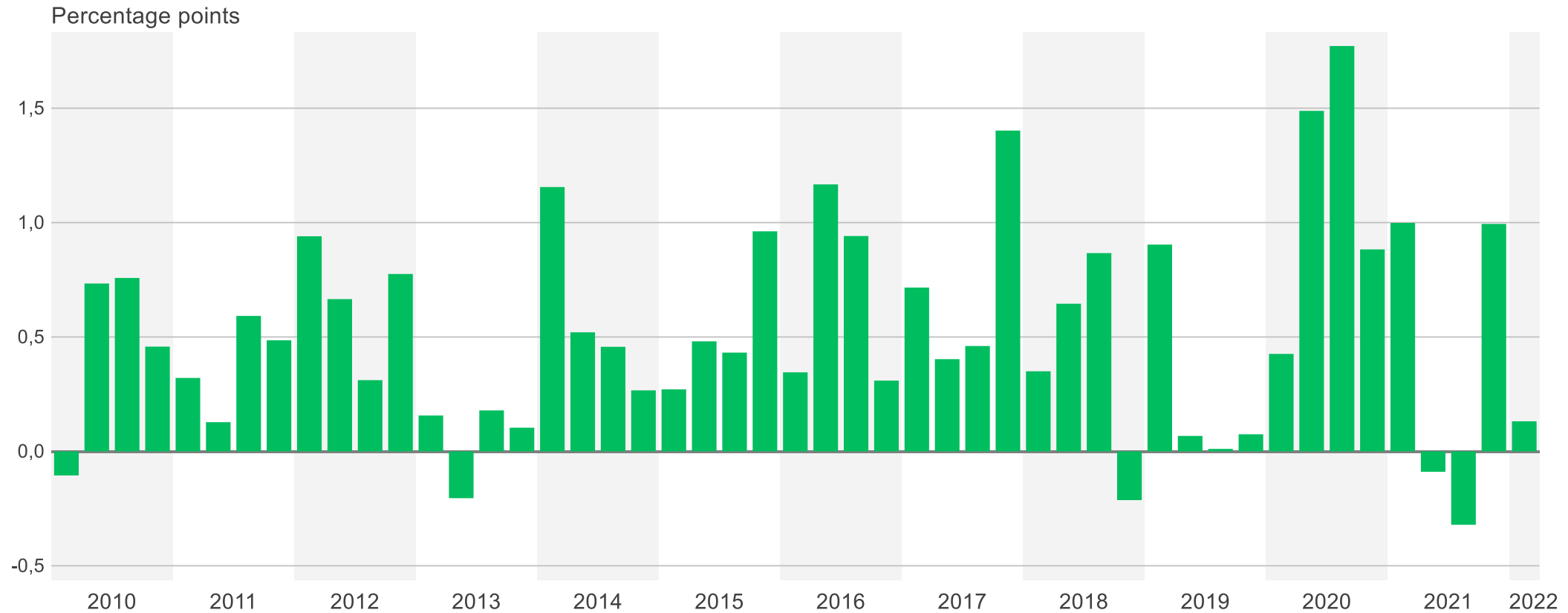
Finland, export of goods and services



Source: Aktia, Macrobond, Statistics Finland.

Household indebtedness is not growing

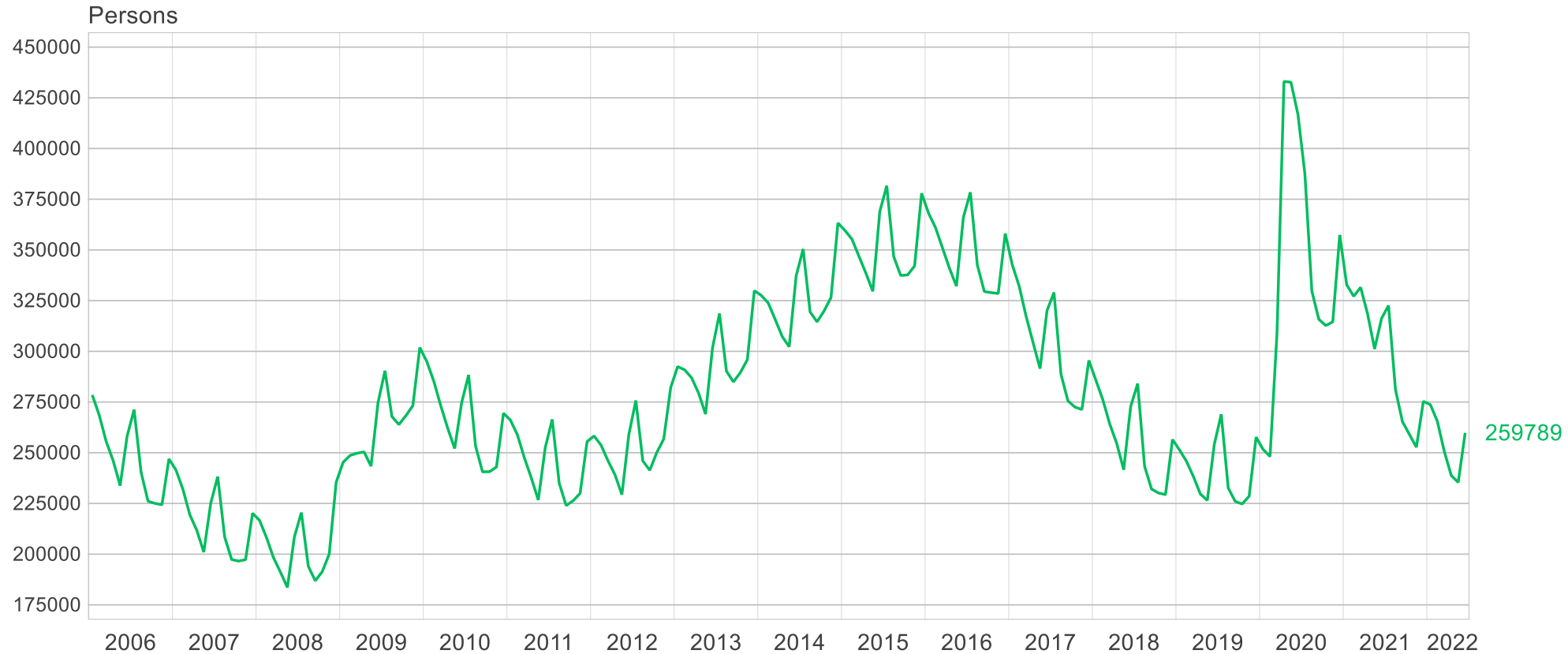
Quarterly change in households' indebtedness ratio



Source: Aktia, Macrobond, Statistics Finland.

Labor market: almost at pre-corona

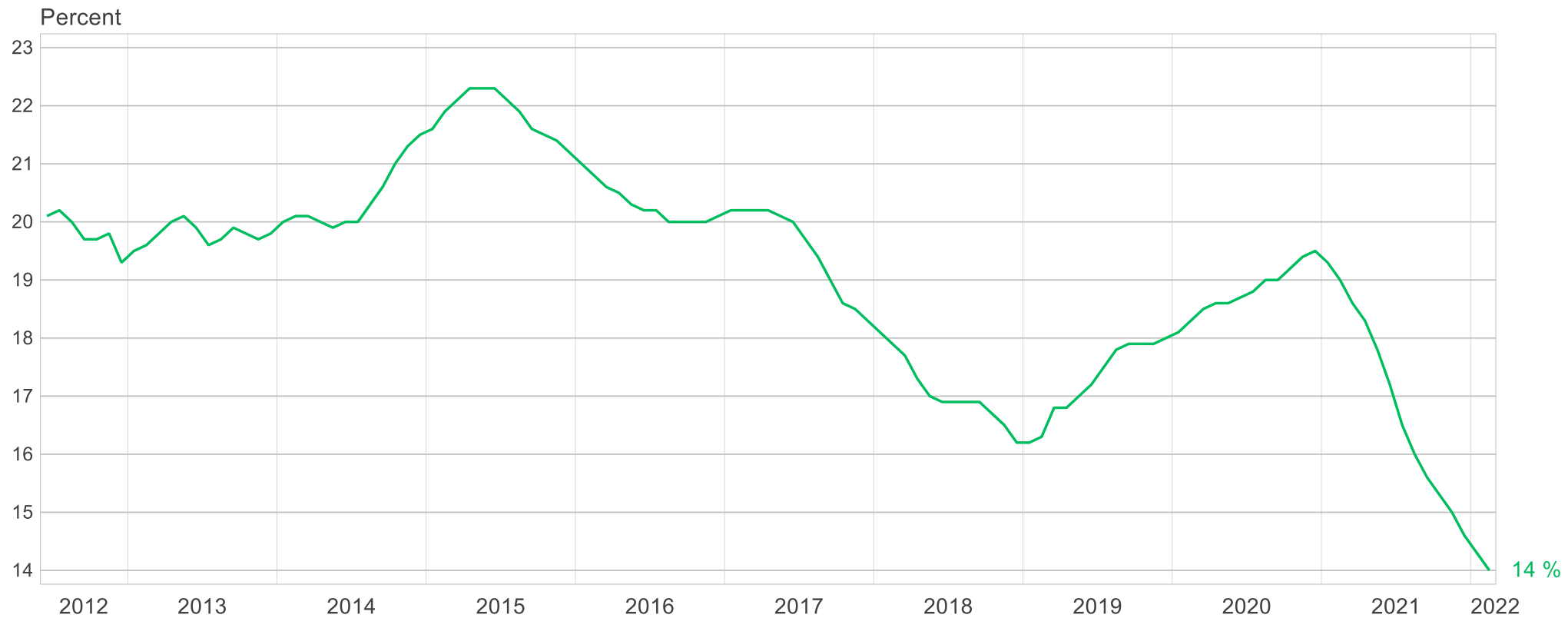
Unemployed persons in Finland



Source: Aktia, Macrobond, Finnish Ministry of Employment & The Economy.

More good news from the labor market

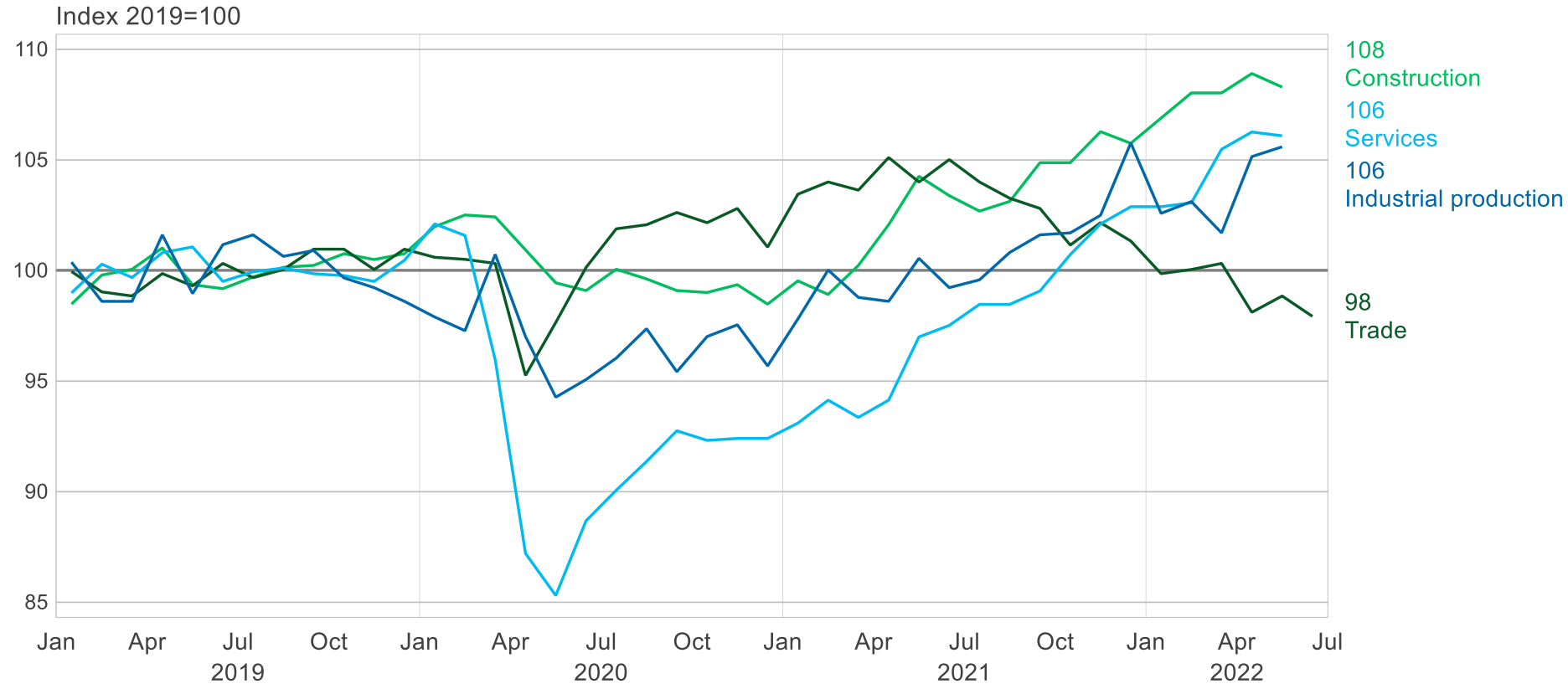
Youth unemployment in Finland (aged 15-24)



Source: Aktia, Macrobond, Statistics Finland.

Most sectors fully recovered from pandemic

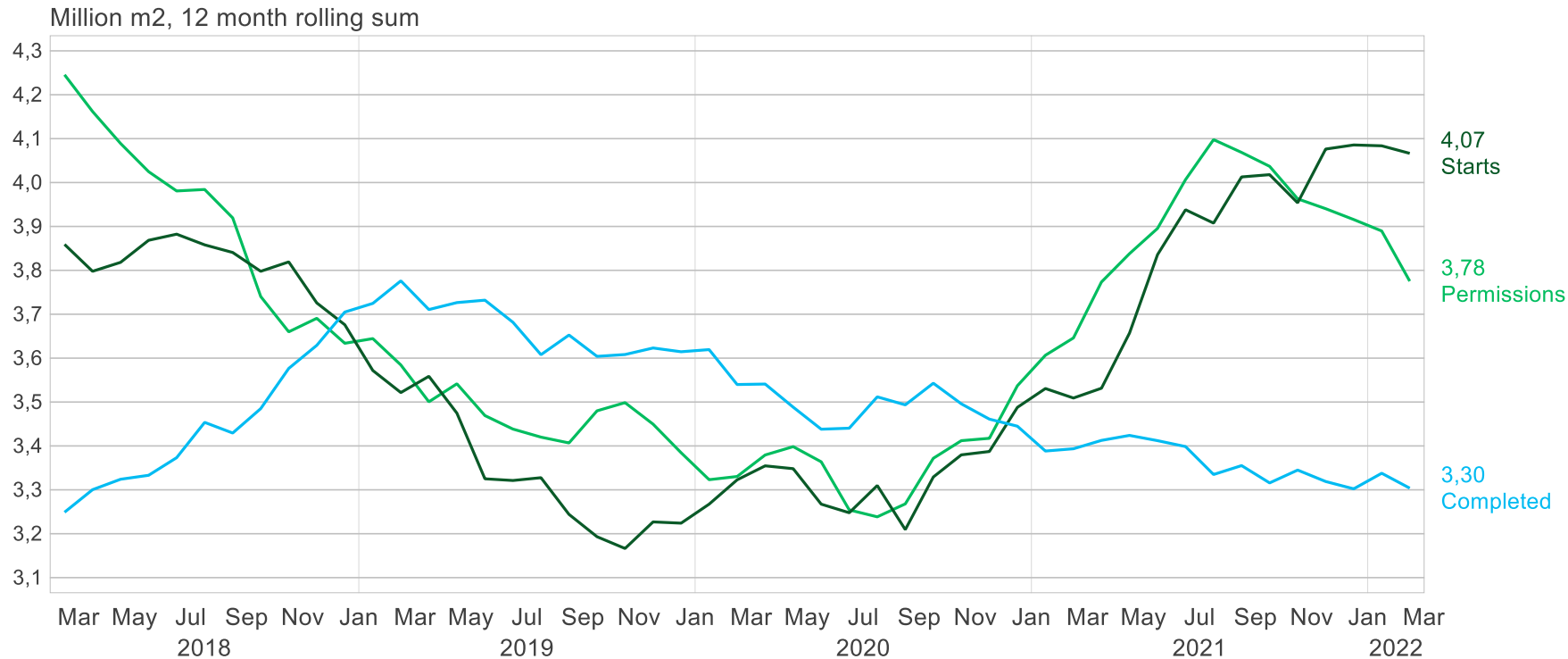
Sales volume and industrial production



Source: Aktia, Macrobond, Statistics Finland.

Permissions in residential construction are decreasing

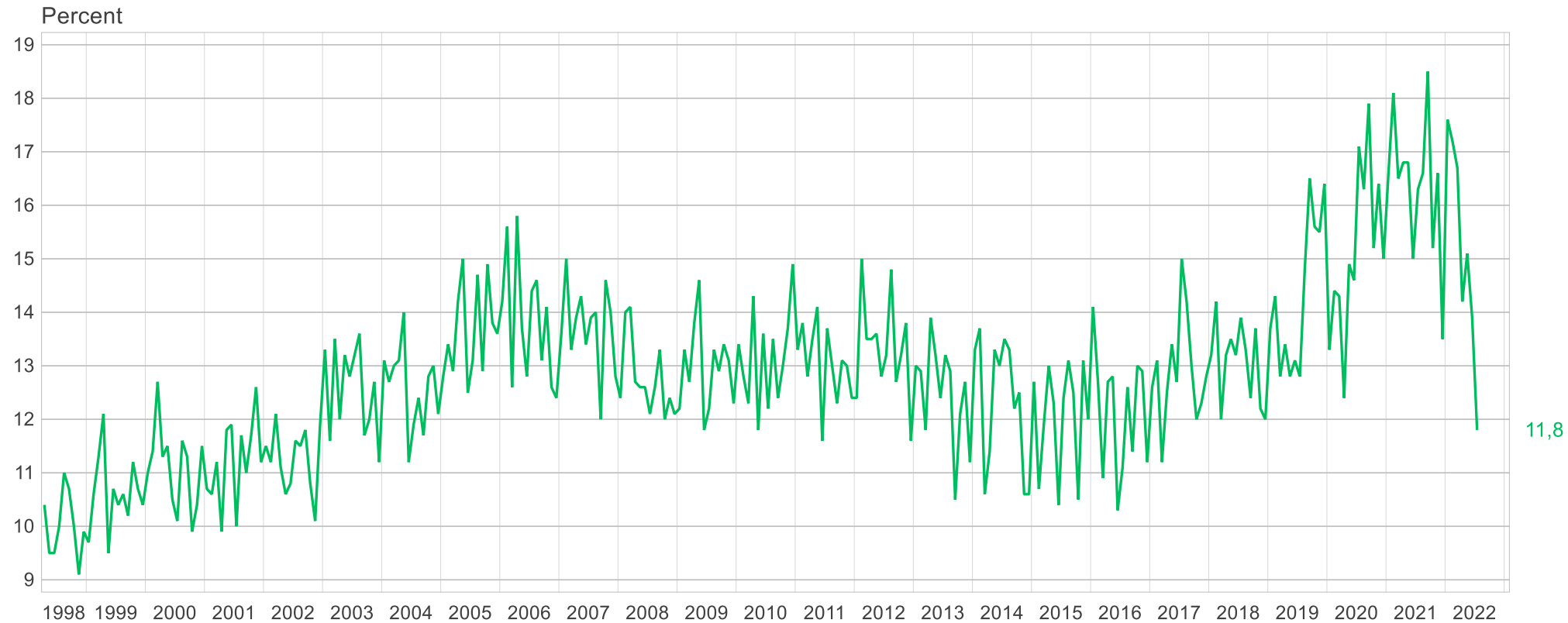
Residential construction activity



Source: Aktia, Macrobond and Statistics Finland.

Housing market doubtful

Intentions to Buy a Dwelling in the Next 12 Months

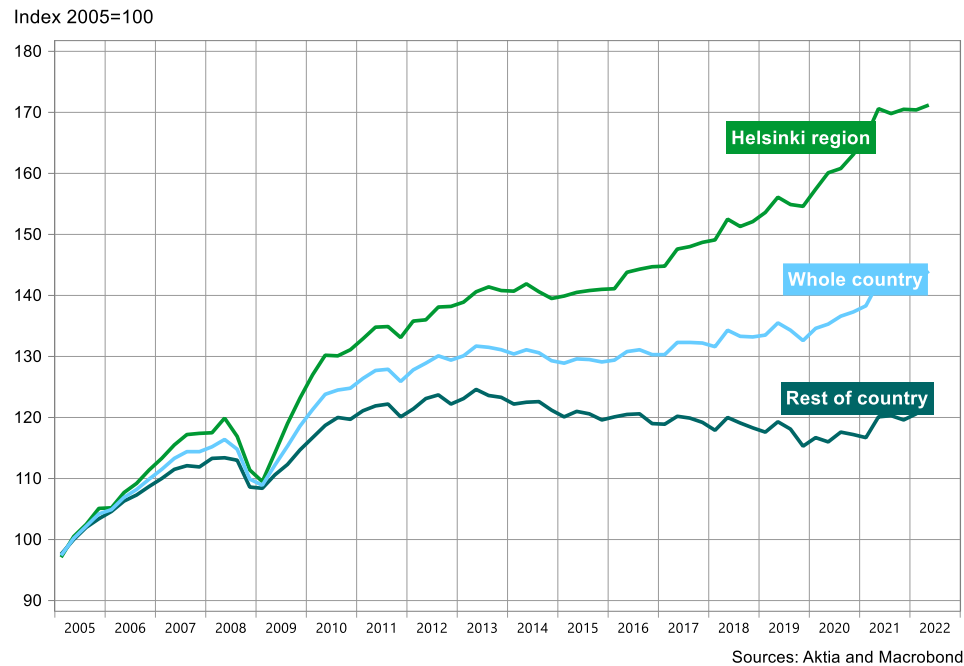


Source: Aktia, Macrobond, Statistics Finland.

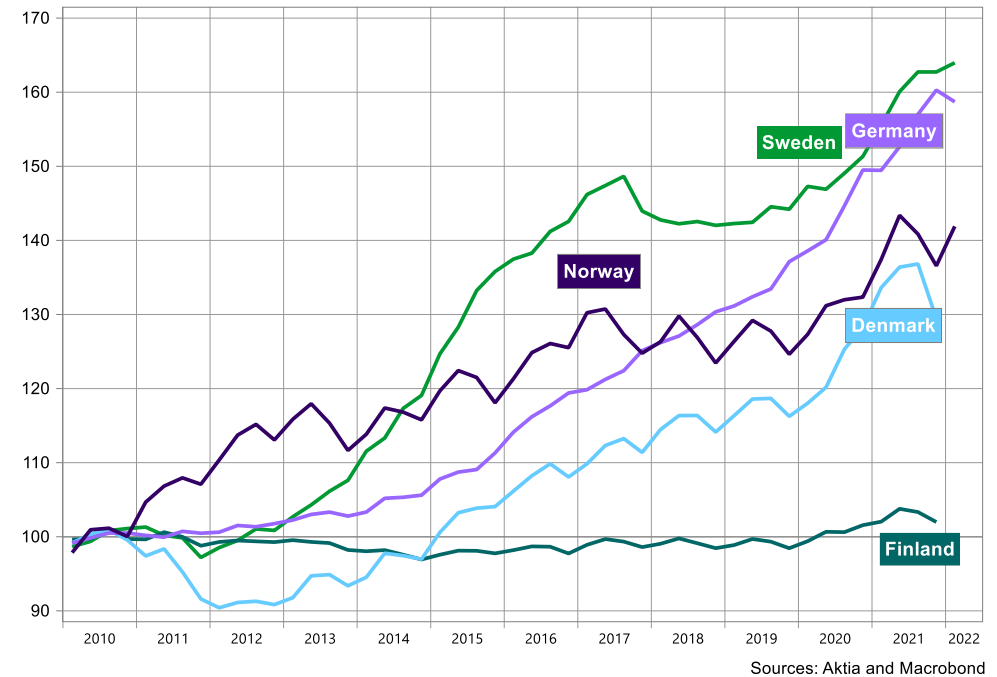
Finnish housing market price development

Solid and stable market, positive development focused on growing cities

Finland: Prices, old apartments



Real House Prices, <Property IndexBase not found.>





Thank you

Aktia

Contacts and additional information



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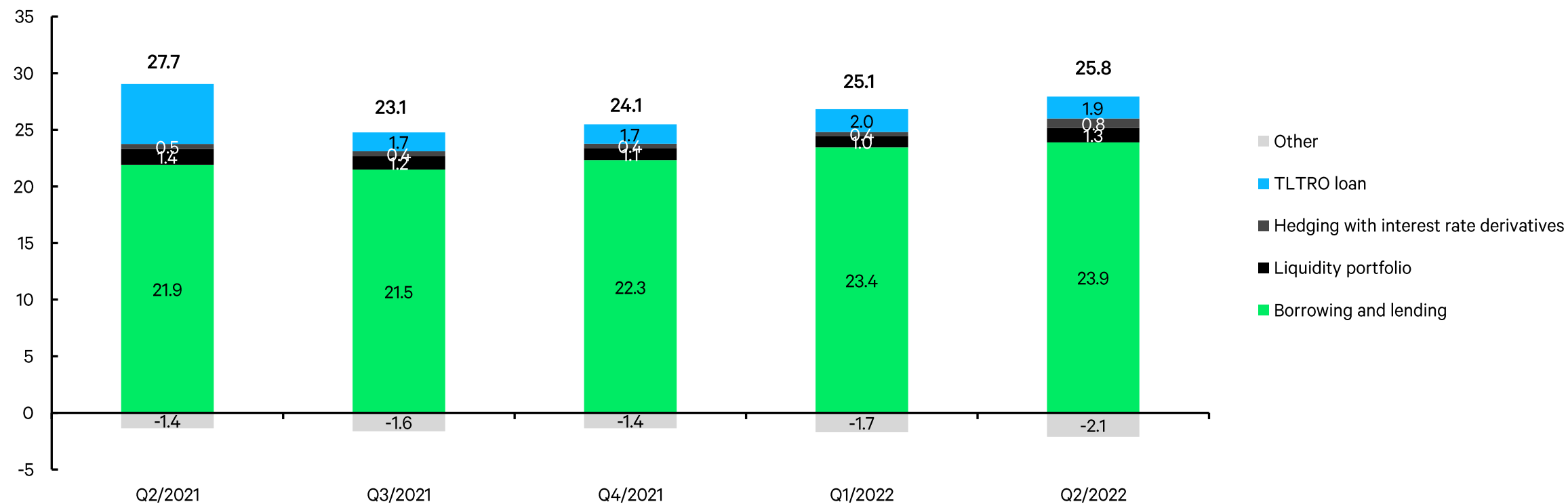
[aktia.com](https://www.aktia.com)

[Interim reports and presentations](#)

Appendices

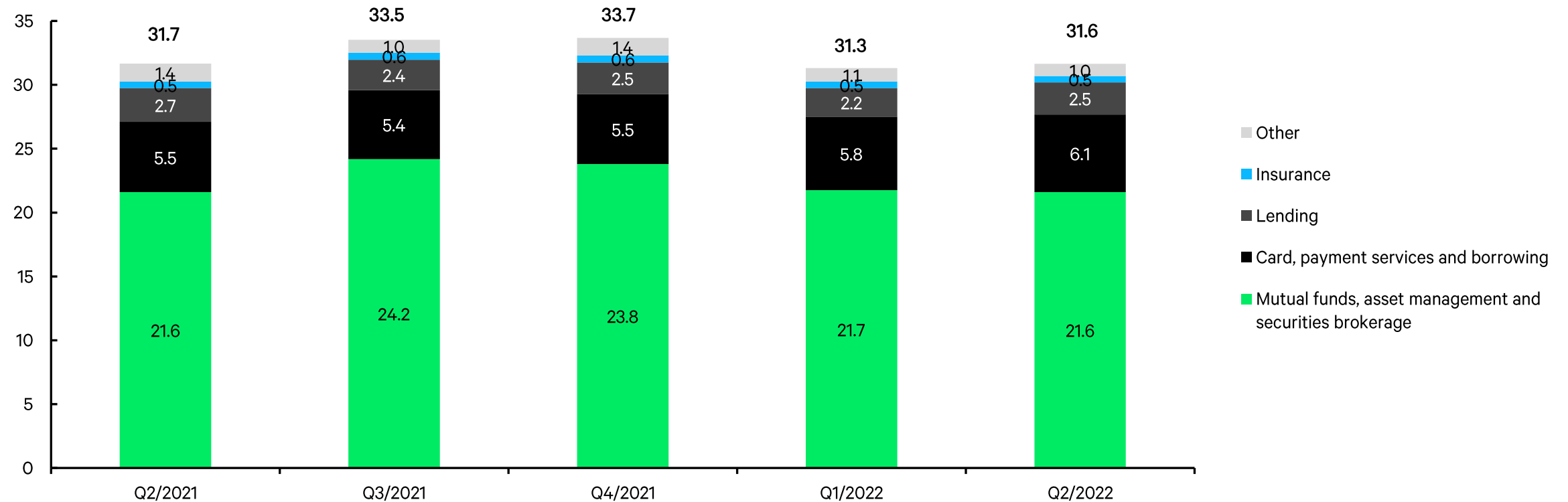
Net interest income mix

EUR million



Net commission income mix

EUR million



Aktia