

17 FEBRUARY 2023

Q4 Results

Debt Investor Presentation



Aktia

Highlights Q4

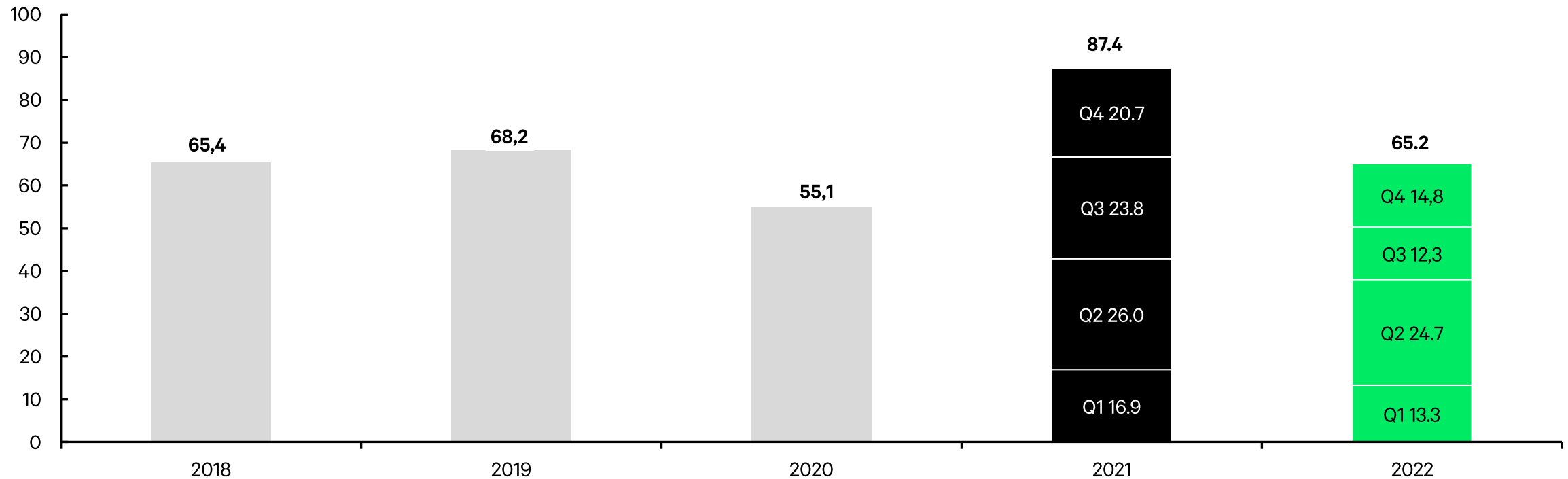
- Interest income from lending grew strongly towards the end of the year. Higher financing and hedging costs weighed down net interest income.
- Strong new sales in asset management, especially in Private Banking. Overall net subscriptions landed slightly negative.
- Expenses were at the same level as the previous quarters.
- The calibration of the ECL model, driven by the regulation, increased the provisions for potential future credit losses. The quality of the credit portfolio remained solid.
- **Outlook 2023:** Aktia's comparable operating profit in 2023 is expected to be clearly higher than in 2022.
- **Dividend:** Aktia's Board of Directors proposes, in accordance with the company's dividend policy, that a dividend of EUR 0.43 per share be paid for 2022, which constitutes 60% of the profit for the reporting period.



Operating environment weighed down operating profit

Comparable operating profit 2018–2022

EUR million



Business areas

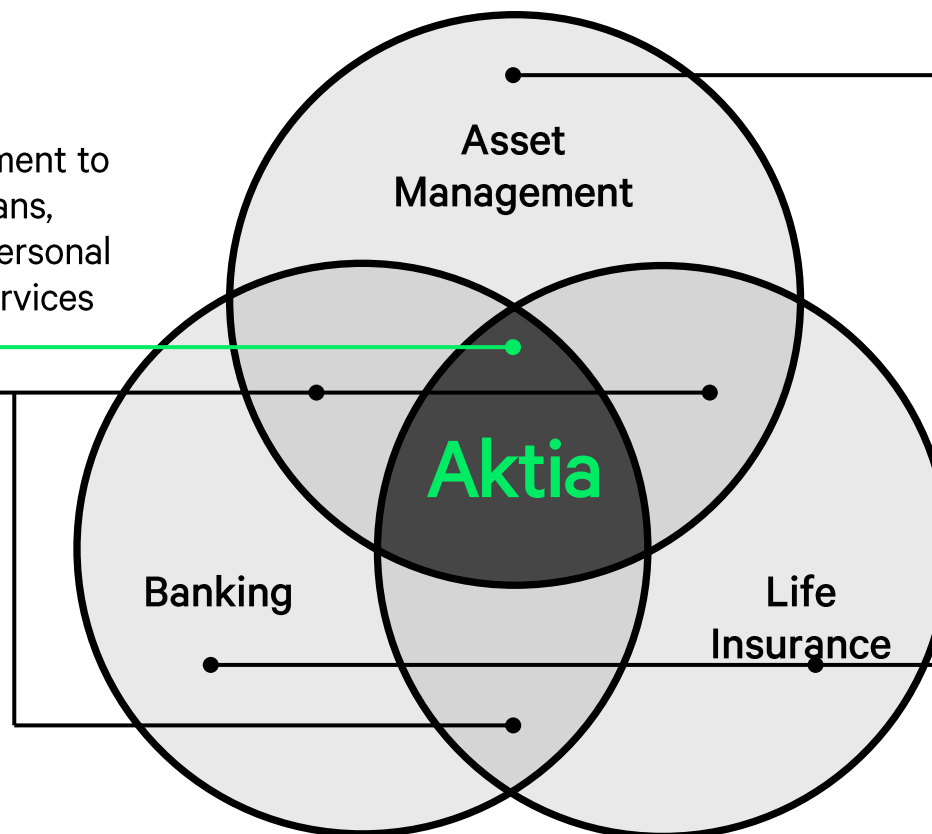
Focus on guiding customers to our focal point

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



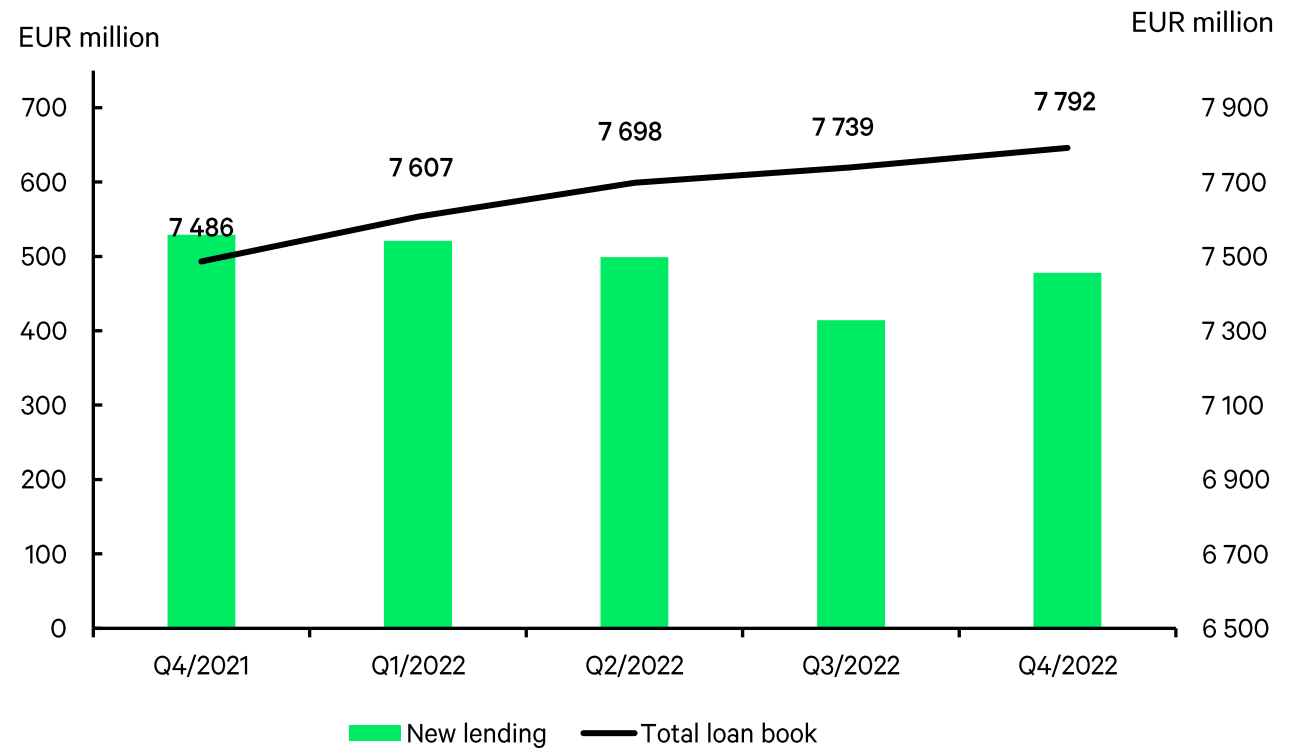
Focus on excellent customer experience and offering for single product customers

Focus on production and service cost for single product customers

Average margin continued to rise

- Mortgage demand continued to decrease due to private customers' weakened confidence in the economy.
- Corporate lending remained strong.
- Active pricing and volume growth increased interest income from corporate customers.
- Average margin of entire loan book continued to improve.
- Credit quality unchanged.

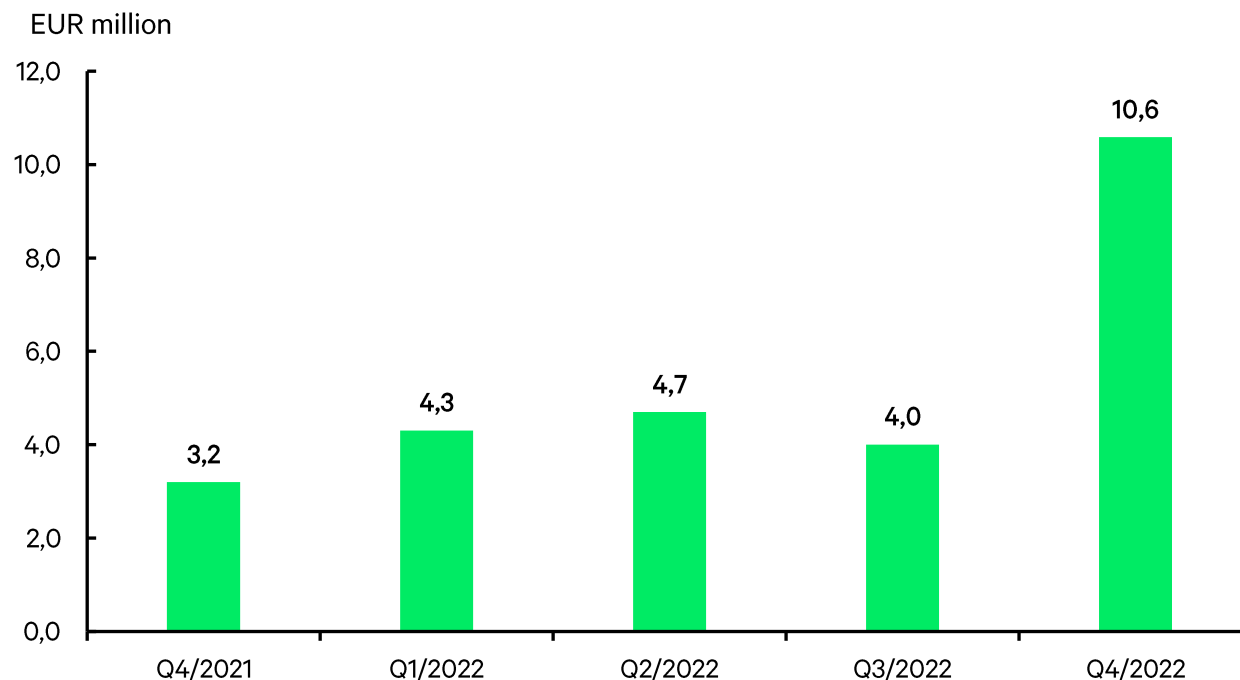
Development of credit portfolio Q-o-Q



Solid performance in Life Insurance continued

- Stable growth in new sales of risk life insurances.
- Interest rate rise reduced the market value of the investment portfolio.
- The extra dissolution of the interest reserve increased the net income from life insurance by EUR 6.3 million.
- Aktia launched new Aktia Avara investment insurance and capitalisation agreements. The first agreements were sold at the end of the quarter.

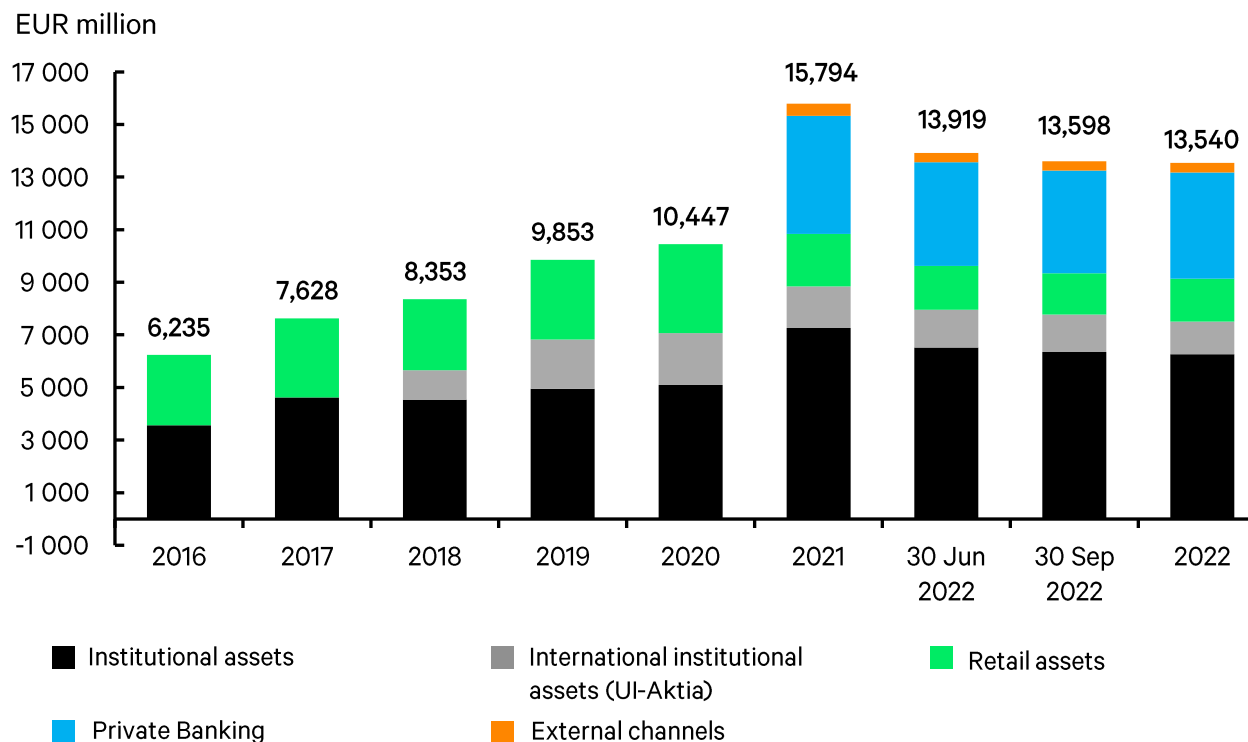
Development of the actuarially calculated result Q-o-Q



Stable AuM in the quarter

- Best new sales quarter of the year.
- AuM was on the same level as the previous quarter due to stabilised markets.
- Net subscriptions of domestic Private Banking and Institutional customers increased by EUR 190 million throughout the year.
- Net subscriptions in decreased in the fourth quarter and amounted to EUR -62 million.
- The Article 9 Aktia Sustainable Corporate Bond fund, launched in the autumn, reached a size of over EUR 100 million.

Assets under Management, excluding custody



Aktia's Sustainable year 2022

Our mission is to build wealth for our customers and society, not only today but also for generations to come. During the year 2022 Aktia has worked with implementing the EU sustainable finance regulation, new initiatives, Net Zero targets and scenario analysis to achieve **increased transparency, increased climate action, better risk management and positive real world impact.**

2022 highlights

Updated sustainability programme

We updated our sustainability programme to better reflect Aktia's ambition.

Interim targets for Aktia's climate strategy

We set specific greenhouse gas emissions reduction targets for investments, lending and our own operations for 2025 and 2030.

Two new sustainable fund launches

We launched two new SFDR article 9 funds, bringing the overall amount of dark green Aktia funds to three.

UI-Aktia Sustainable Corporate Bond

Aktia launched the new UI-Aktia Sustainable Corporate Bond fund on 1 September 2022. Fund reached a size of over EUR 100 million in December.

In accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation the fund invests only in green, social, and responsible bonds as well as sustainability-linked bonds (SLB), and each investment object is also required to have a positive net impact, considering, for example, the impact on society and the environment.

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

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

Financial overview



Aktia

Financial summary Q4

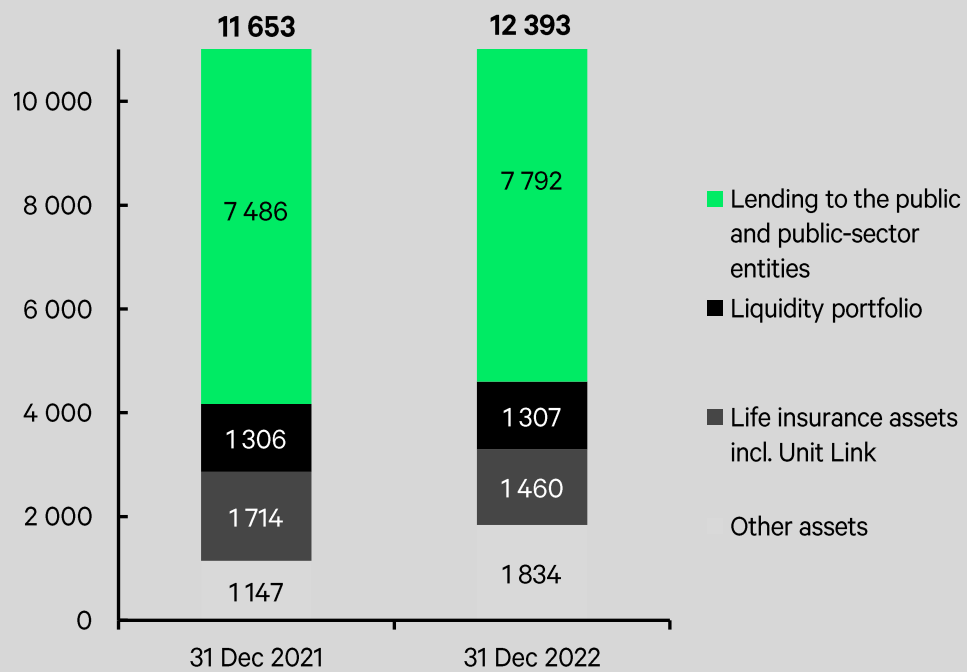
EUR million	4Q2022	4Q2021	Δ %	2022	2021	Δ %
Total operating income	67.5	65.5	3%	254.3	263.8	-4%
Net interest income	24.2	24.1	0%	99.2	96.2	3%
Net commission income	29.1	33.7	-14%	122.0	124.0	-2%
Net income from life insurance	12.7	7.6	68%	30.5	37.7	-19%
Other income	1.5	0.2	-	2.6	5.9	-56%
Total operating expenses	-46.9	-45.2	4%	-180.3	-174.4	3%
Impairments of credits and other commitments	-7.1	0.1	-	-10.2	-4.5	-127%
Operating profit	13.4	20.3	-34%	64.0	84.6	-24%
Comparable operating profit*	14.8	20.7	-28%	65.2	87.4	-25%
Earnings Per Share (EPS), EUR	0.15	0.23	-34%	0.72	0.95	-24%
Return on Equity (ROE), %	6.8	9.5	-28%	7.8	10.0	-22%
Cost-to-income ratio (comparable)	0.67	0.69	1%	0.70	0.65	8%
Common Equity Tier 1 capital ratio, %	10.8	11.2	-3%	10.8	11.2	-3%

*) Excl. items affecting comparability

Balance sheet total increased to EUR 12 393 million

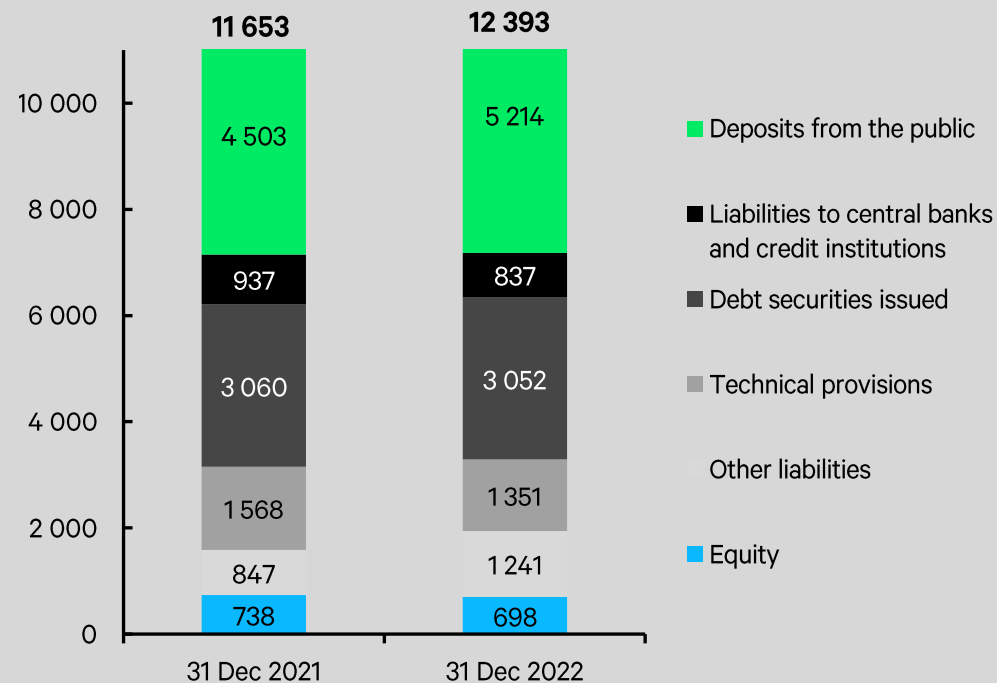
Total assets

EUR million



Total liabilities and equity

EUR million

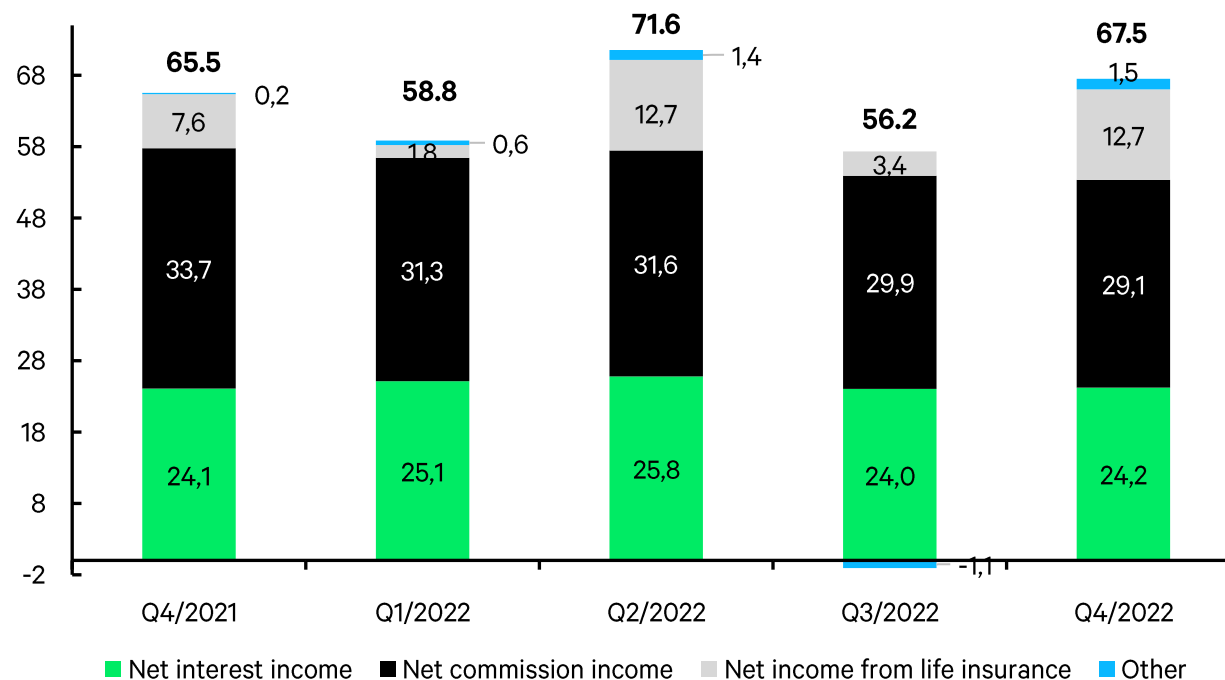


Rising interest rates increased interest income from lending

- Interest income from lending continued to grow strongly.
- Growth in lending was somewhat offset by higher financing costs at net interest income level.
- New sales in Asset Management was at a good level. Net commission income decreased due to flat AuM and slightly negative net subscriptions.
- A partial reversal of the interest reserve had positive impact on net income from life insurance.

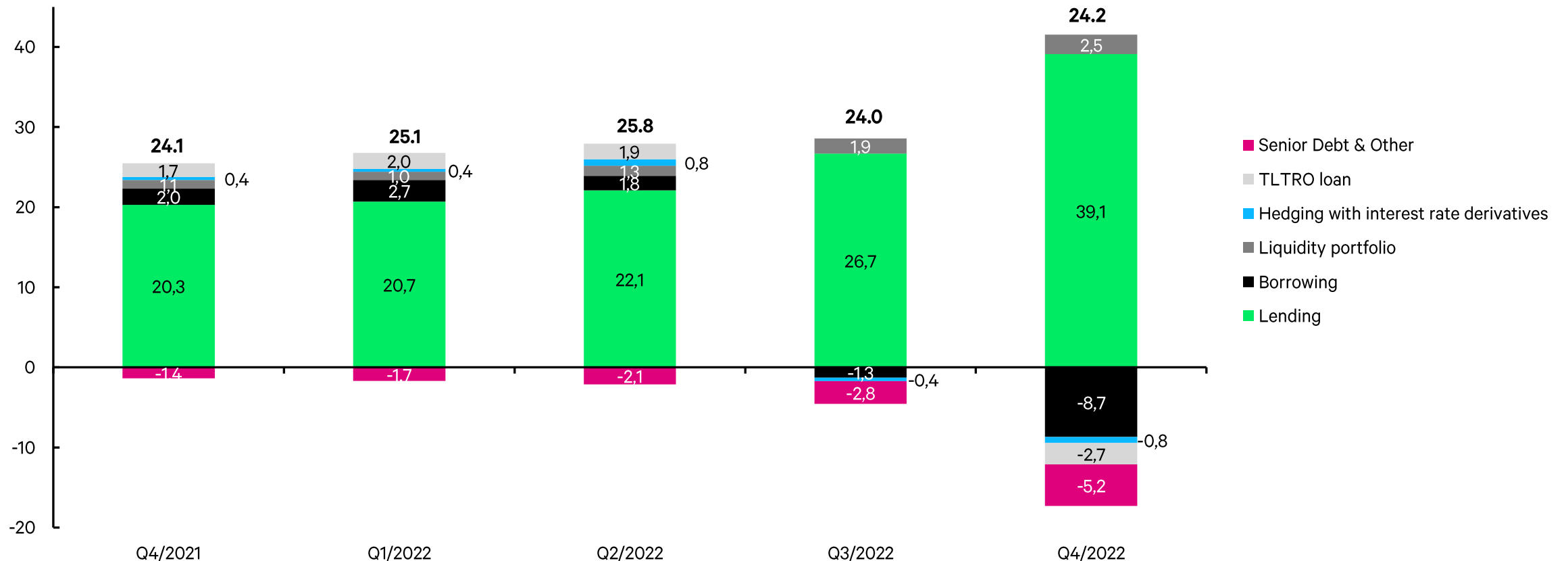
Comparable operating income, Q-o-Q

EUR million



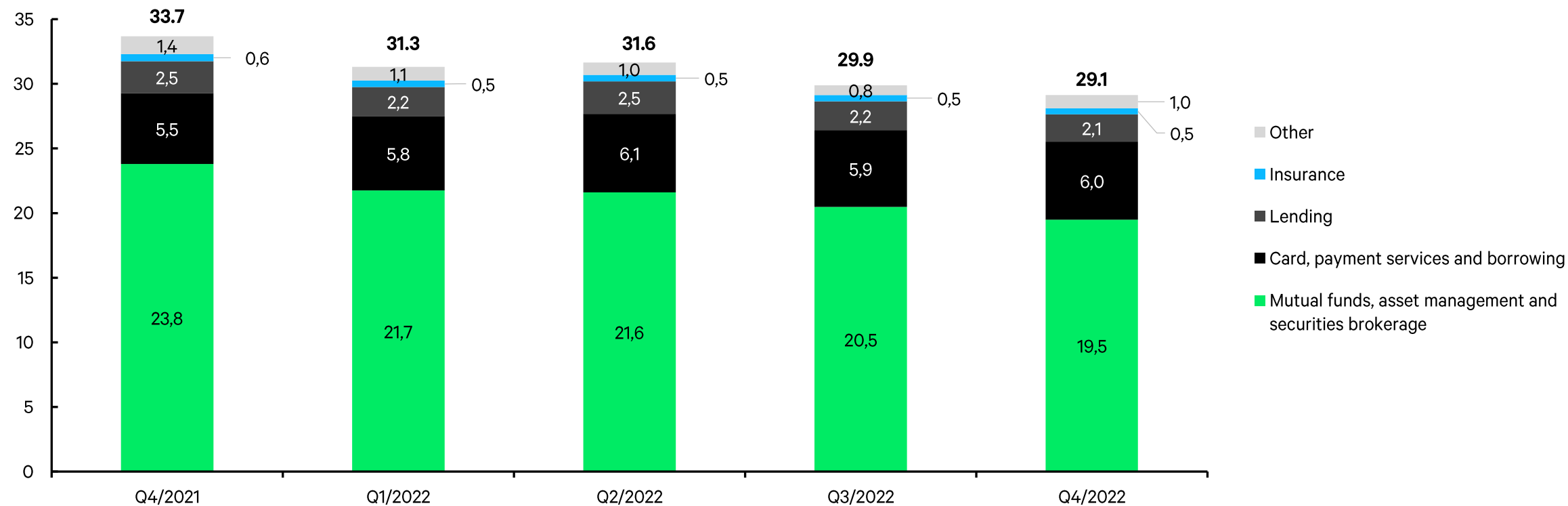
Composition of the Group net interest income

EUR million



Net commission income mix

EUR million

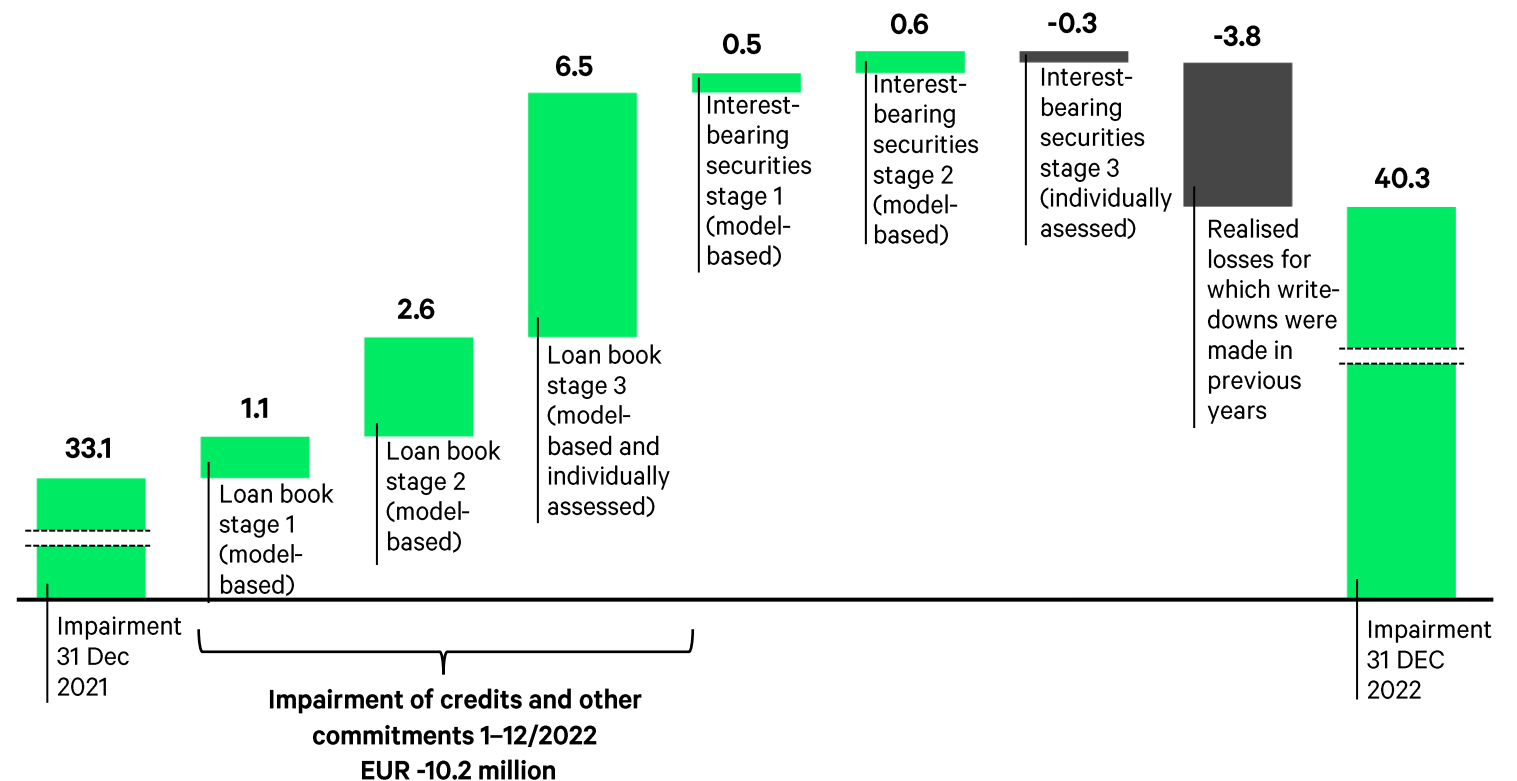


Quality of the credit portfolio remains solid

- Calibration of the ECL model, driven by regulation, increased the provisions for potential future credit losses by EUR 4.0 million during the quarter. Increase in other provisions during the quarter was EUR 3.1 million.
- The quality of the credit portfolio remained solid.
- We have not observed any major new risk concentrations in our credit portfolio.

Change in expected credit losses (ECL) 1-12/2022

EUR million



Financial targets 2025

Comparable
operating profit
above EUR
120 million

1-12/2022;
EUR 65.2 million

Comparable return
on Equity (ROE)
above 12%

31 December 2022;
8.0%

Comparable
cost-to-income ratio
under 0.60

1-12/2022;
0.70

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

31 December 2022;
3.1 percentage points over
the regulatory requirement
7.7%

The Debt Investment case

Credit ratings

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

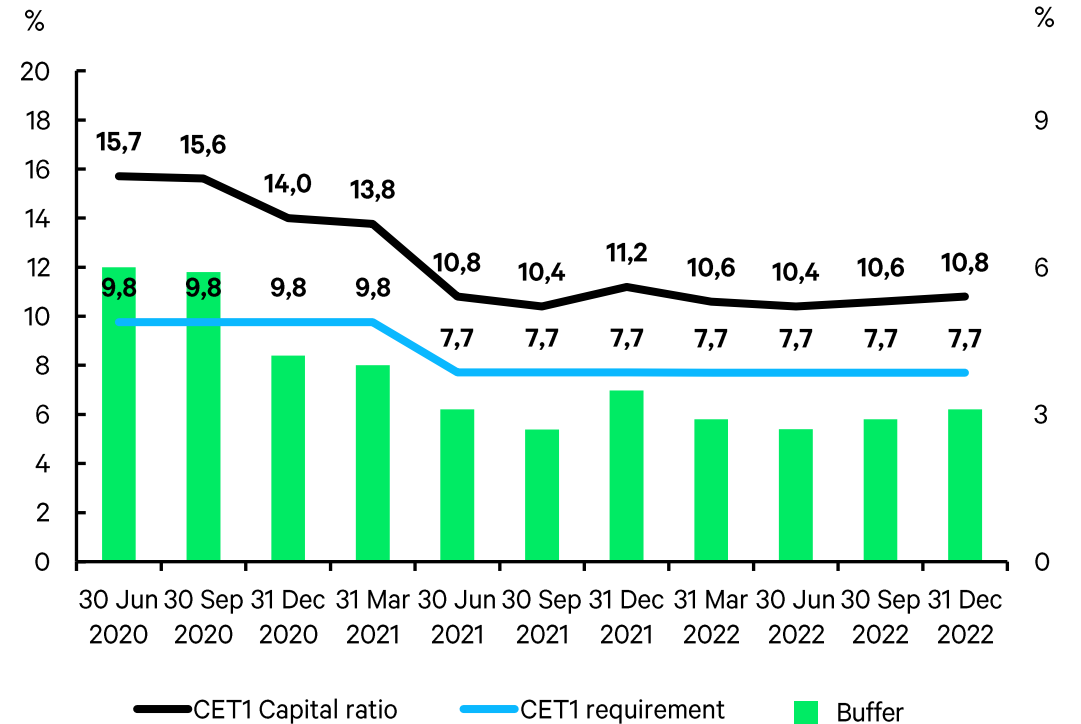
S&P: A- / A-2, stable

Aktia

CET1 ratio 3.1 percentage points above the requirement

- The CET1 ratio was 10.8% and increased from Q3 by 0.2 percentage points.
- The risk-weighted assets increased by EUR 47 million in 4Q. Increase from the beginning of the year was EUR 190 million, driven by growth in corporate lending.
- The fair value reserve increased by EUR 1.0 million in the fourth quarter. The fair value reserve was negatively affected by the steep rise in interest rates, which in turn weakened the Bank's CET1 capital by approx. EUR 40 million during the year.
- 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.

CET1



CET1 ratio above the requirement

- Minimum CET1 requirement ratio is 7.73 % (4Q22 CET1 10.8%).
- Total minimum capital ratio requirement 11.78% (4Q22 Total capital:14.9%).
- Aktia Bank Group's leverage ratio was 3.6% (4Q21 3.9%).
 - Tier 1 capital EUR 396.9 million
 - Total exposures EUR 10,985.2 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 649.2 million
 - Own funds and eligible liabilities EUR 2,065.7 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%
Total CET1 % req	7.73%
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	11.78%

Funding activities

- During the Q4 Debt Capital Market mood improved significantly. Spread levels remained still wide but investors returned to the market and improved the demand of both covered and senior notes.
- During Q4 2022, Aktia completed seven senior preferred private placement and two Senior Non-preferred transactions. The total volume has been approximately EUR 292 million with maturities in the range of 1–8 years. Aktia was able to execute deals both in NOK and EUR markets.
- The bank 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.
- The refinancing of the 500mEUR covered bond redeeming in May 2023 will most likely happen during the second quarter of 2023. Also, very limited volume of new AT1 issuance is possible.
- Aktia will start paying back the TLTRO III financing prior to the redemption of the tranches in near future. First target is to pay back the Tranche 4 (redeeming in June 2023).
- Aktia's liquidity continued to be at very good level, the LCR ratio being 183% at the end of Q4.

High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 183%.

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 2,256 million on 31 December 2022 (4Q21: EUR 1,571 million).

All assets are LCR eligible.

Unencumbered Liquidity reserve, market value

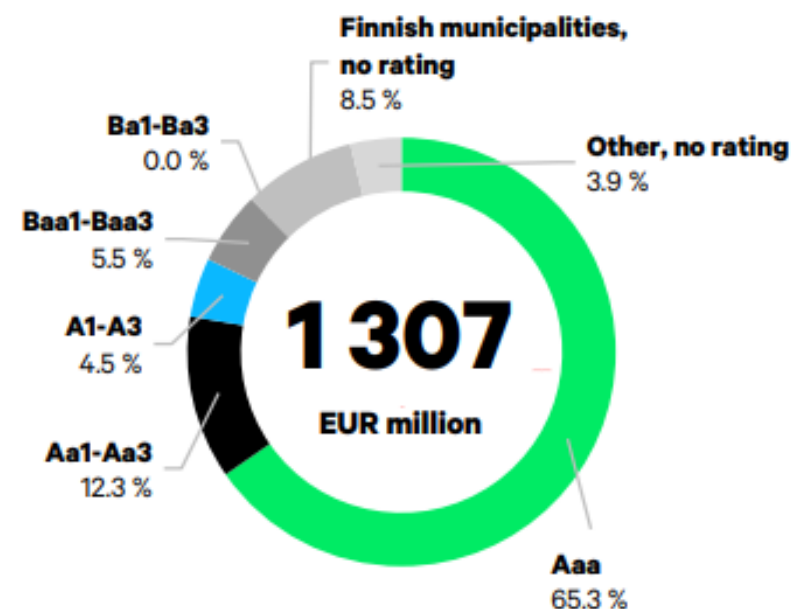
EUR million	31 Dec 2022	31 Dec 2021
Cash and holdings in central banks	1,172	681
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	196	222
Securities issued or guaranteed by municipalities or Public sector entities	111	155
Covered bonds	777	514
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	2,256	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



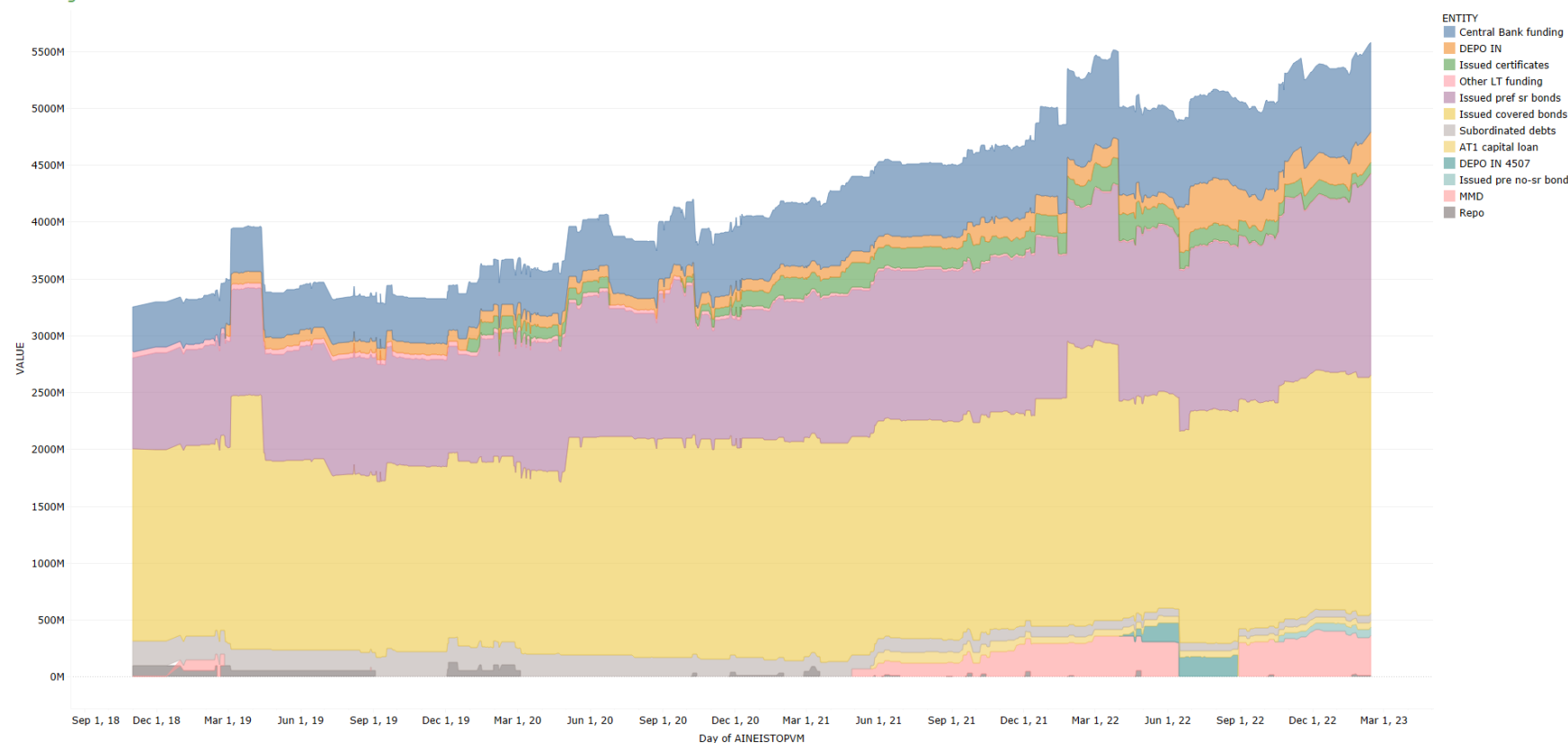
Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities increased to EUR 5,214 (2021: 4,503) million. Aktia's market share of deposits was 3.1% (3.0%) at the end of December 2022.

The value of bonds issued by Aktia Bank totalled EUR 2,947 (2,917) million. The total is excluding the EUR 800 million retained Covered Bonds.

Funding Structure



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

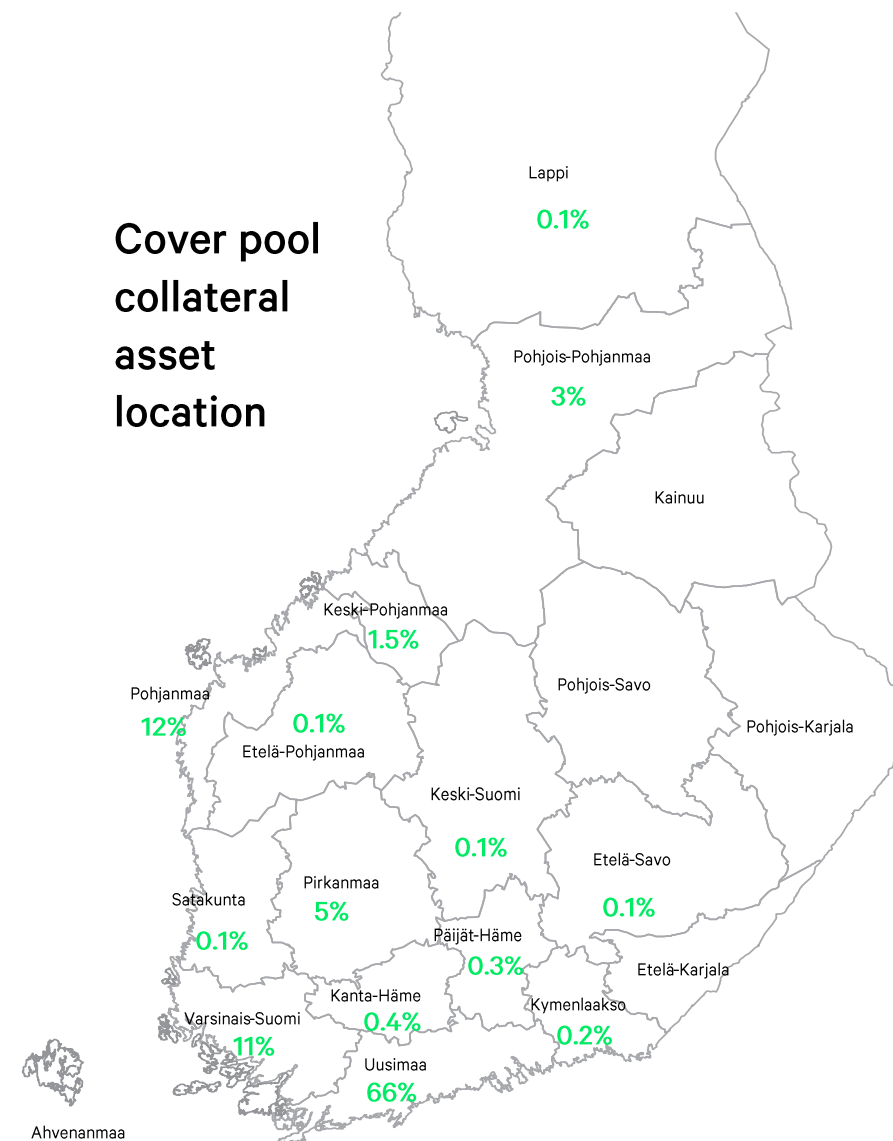
- The Aktia Bank mortgage loan portfolio is of very high quality:
 - Prime residential mortgage loans and loans to Housing Companies
 - Collateral located in Finland
 - Low average LTV
- Aktia Bank covered bonds are CRR & UCITS, ECB repo and CBPP eligible
- Bank aims to comply with the ECBC covered bond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

4Q 2022

Asset Pool Balance	EUR 2.519 bln. (no substitute assets)
No of loans / average loan balance	35,015/ EUR 71,944
Types of loans	First ranking residential mortgages, pledges of shares in housing companies and loans for housing companies
Asset types in cover pool	94% Residential, 6 % 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	46,39 %
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	66.4 months
Overcollateralisation (%)	14,51 %
Committed OC (Nominal)	10,00 %
OC Calculation: Legal Minimum	2,00 %

Cover pool collateral asset location

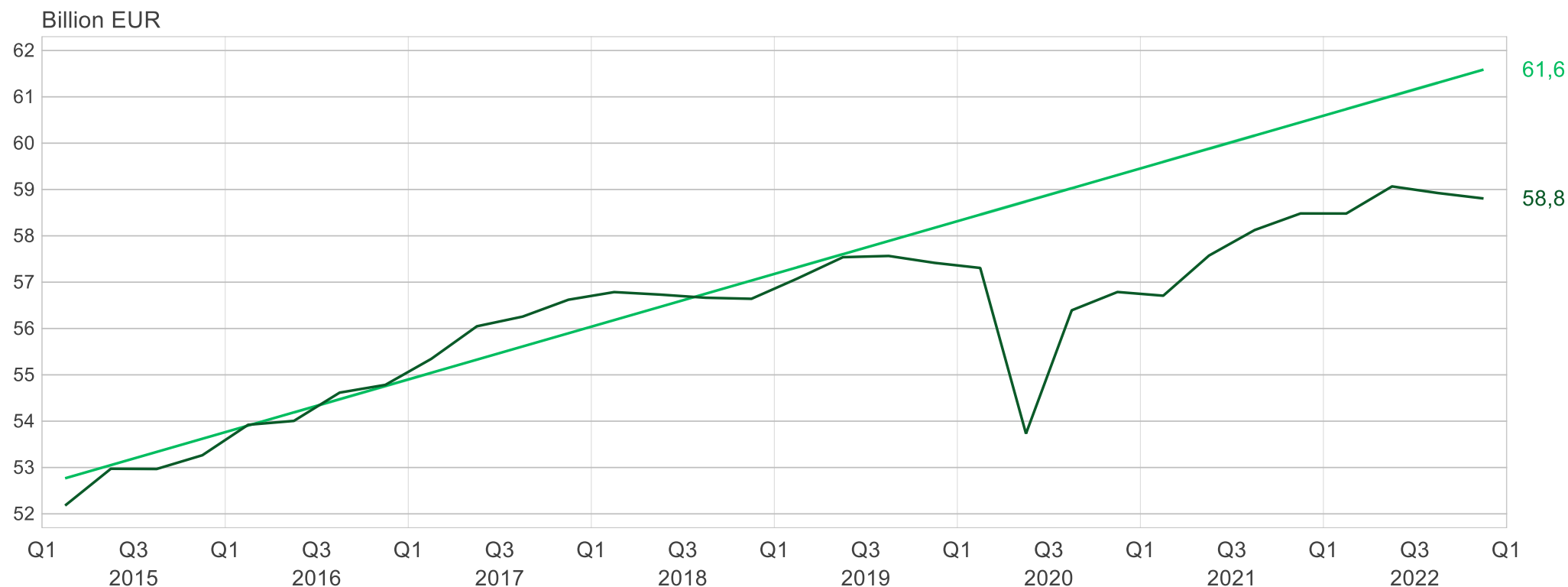


Finland – a responsible Nordic welfare economy

Gross domestic product behind trend

Finland, quarterly gross domestic product, 2015 prices

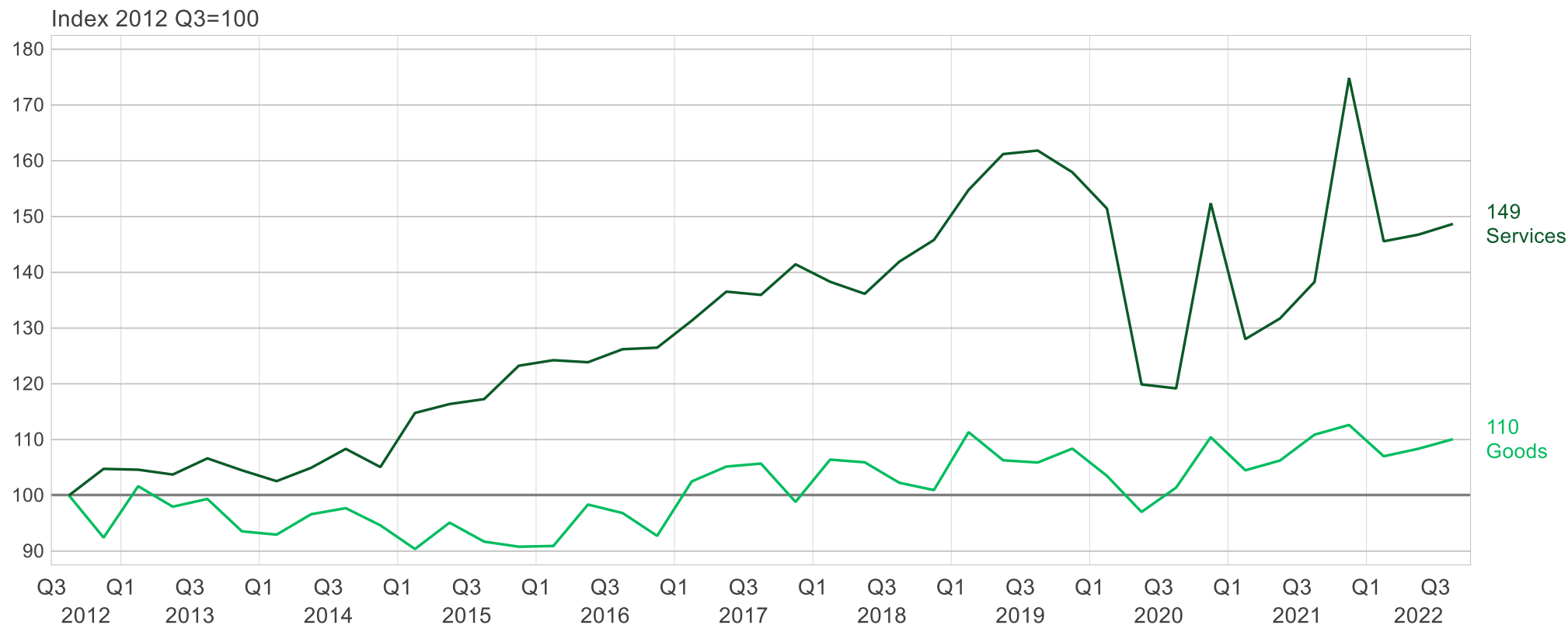
— GDP — Trend 2015-2019



Lähde: Aktia, Macrobond, Statistics Finland.

Service exports supported by weak euro

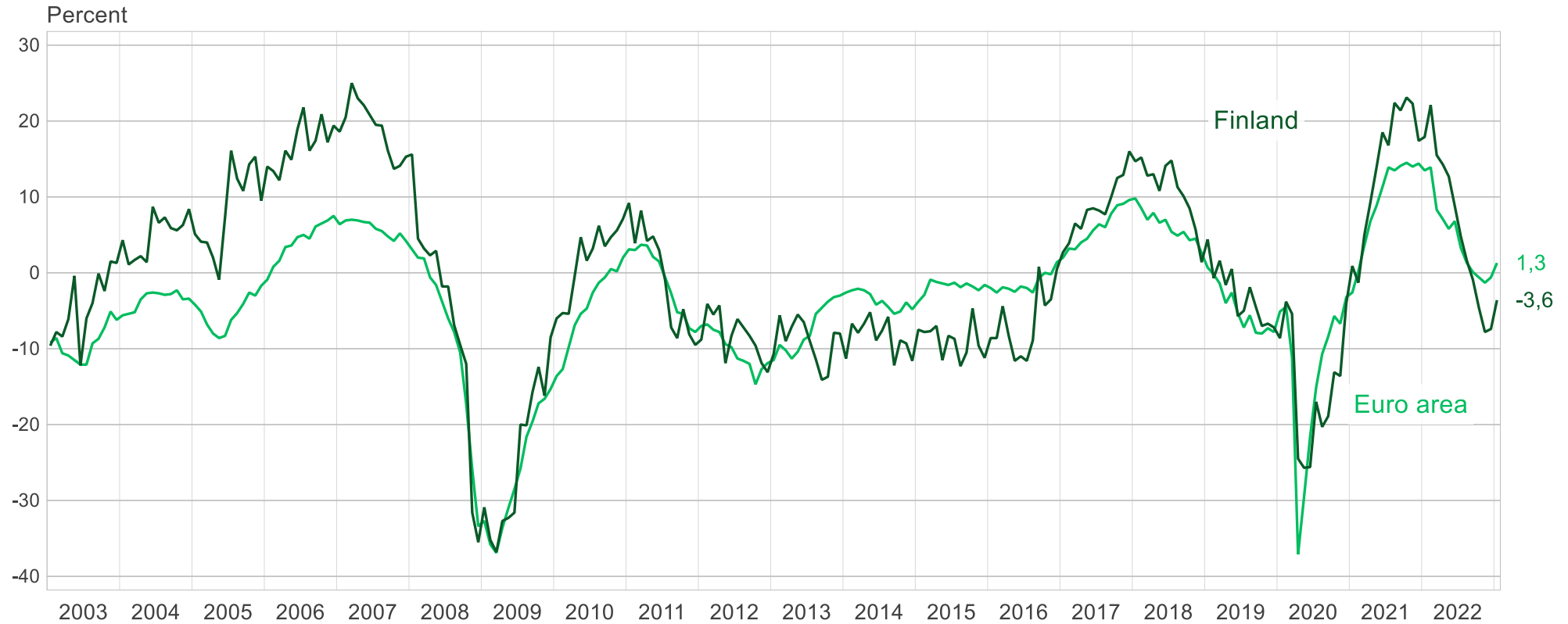
Finland, export of goods and services



Source: Aktia, Macrobond, Statistics Finland.

Industrial confidence is picking up

Industrial confidence

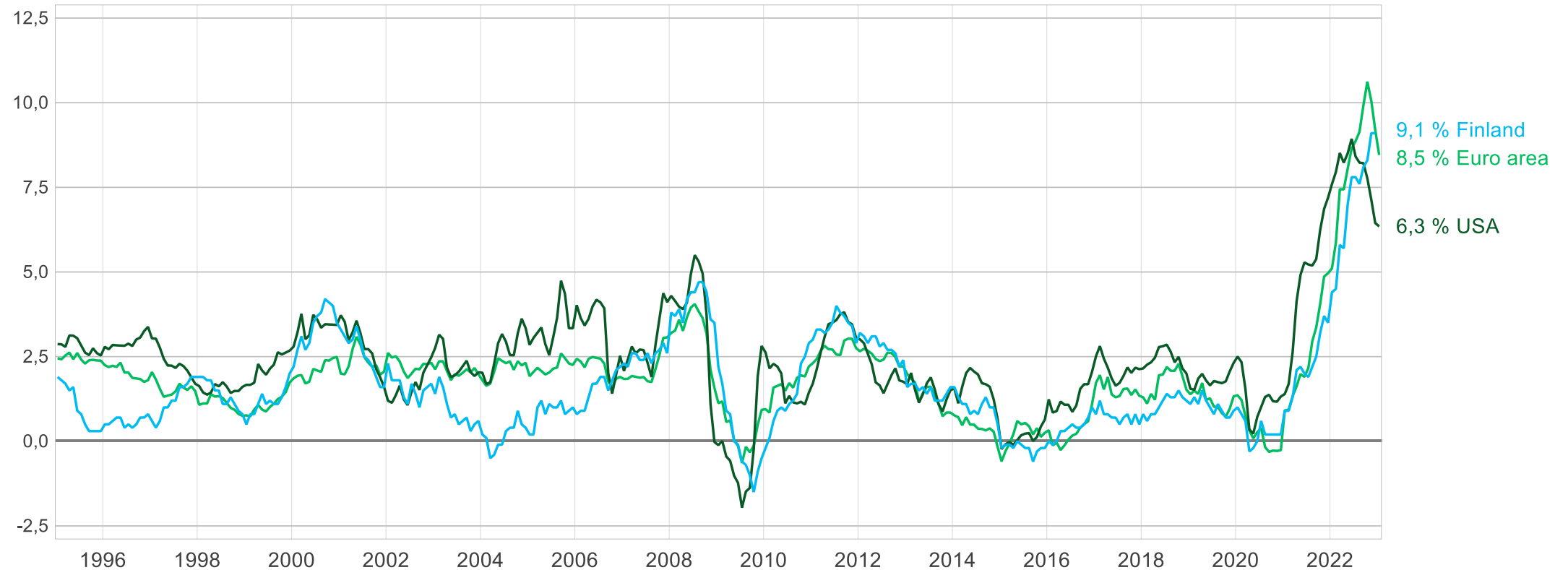


Source: Aktia, Macrobond, European Commission (DG ECFIN).

Inflation still at very high levels

Inflation

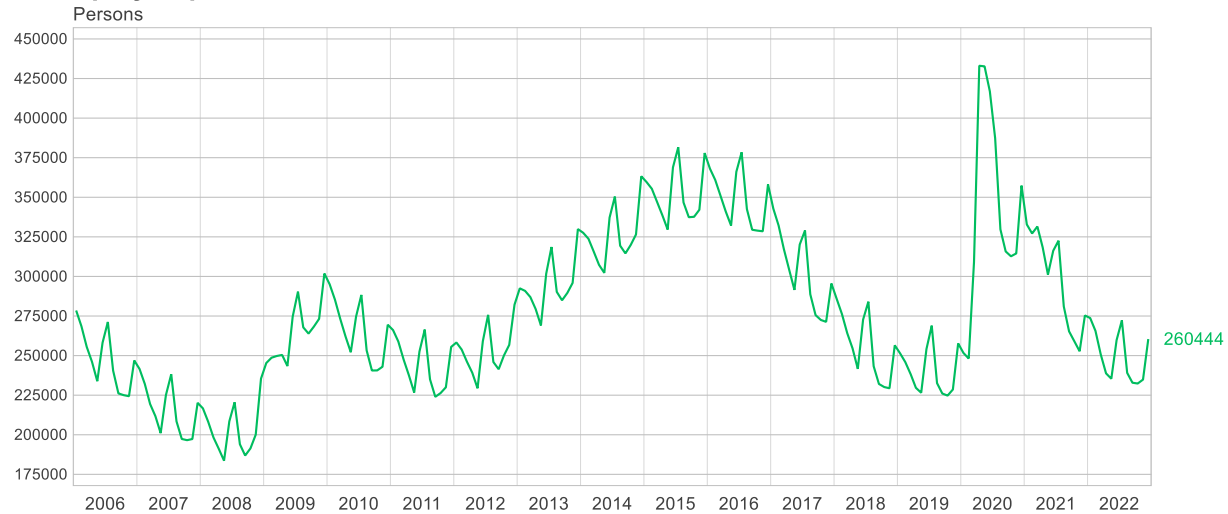
Percent



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

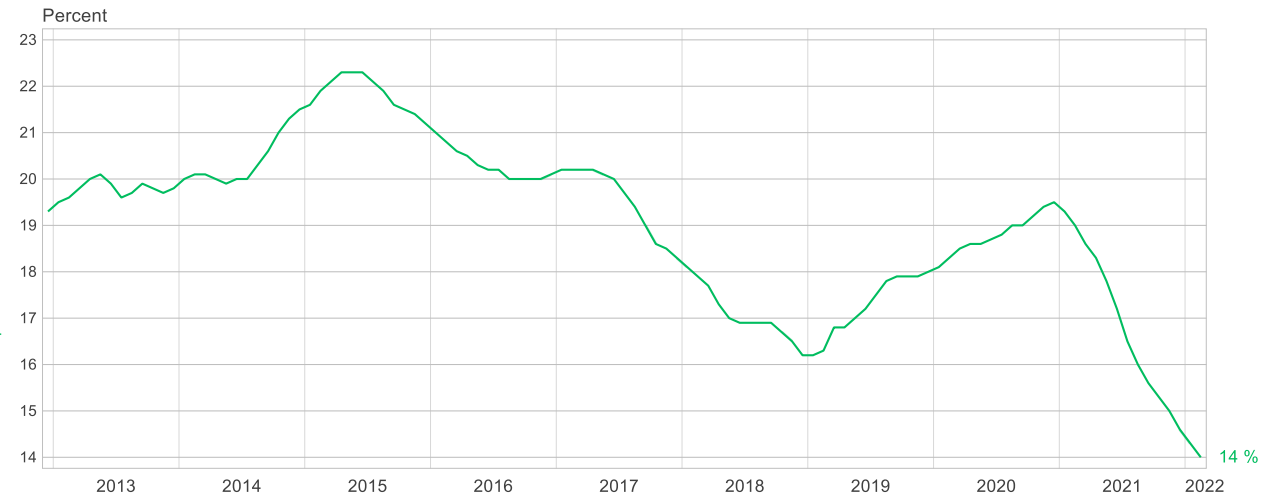
Labor market: almost at pre-corona

Unemployed persons in Finland



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

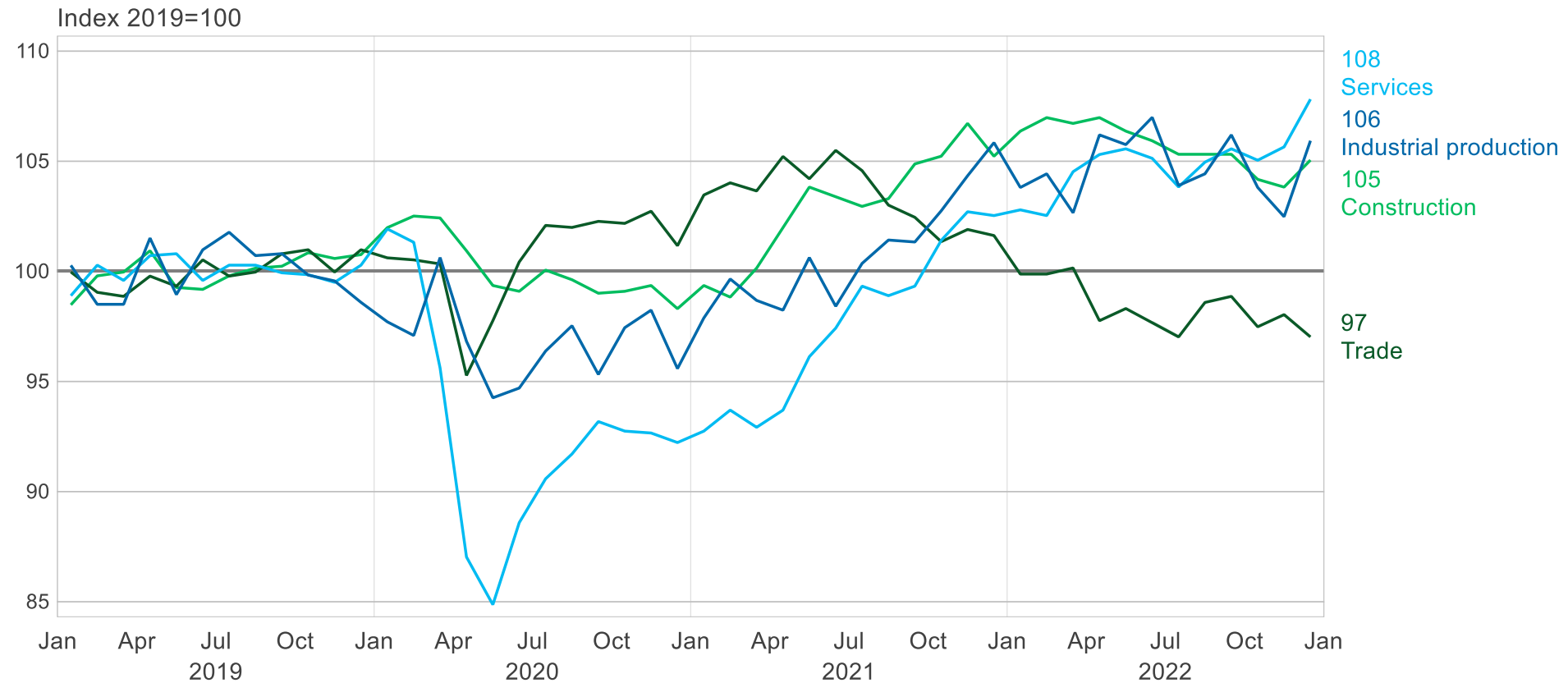
Youth unemployment in Finland (aged 15-24)



Source: Aktia, Macrobond, Statistics Finland.

Most sectors fully recovered from pandemic

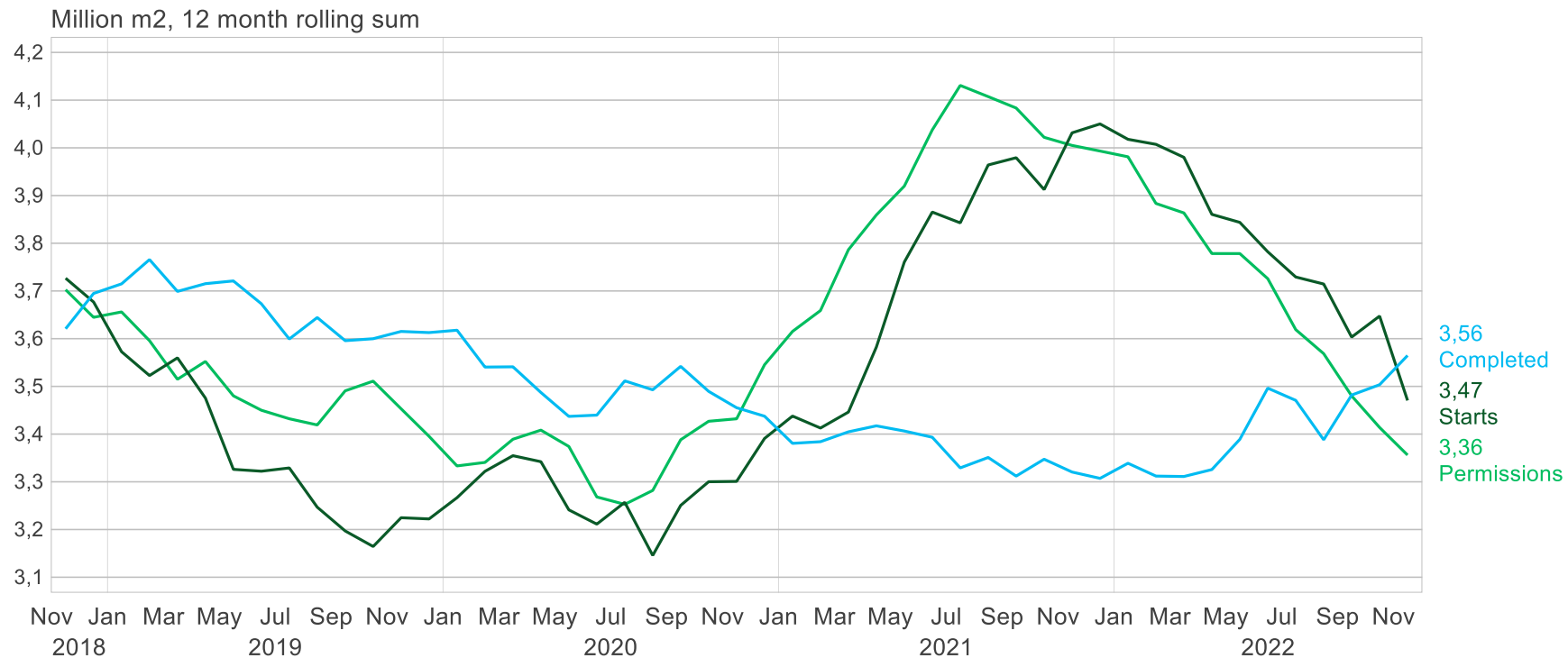
Sales volume and industrial production



Source: Aktia, Macrobond, Statistics Finland.

Permissions in residential construction are decreasing

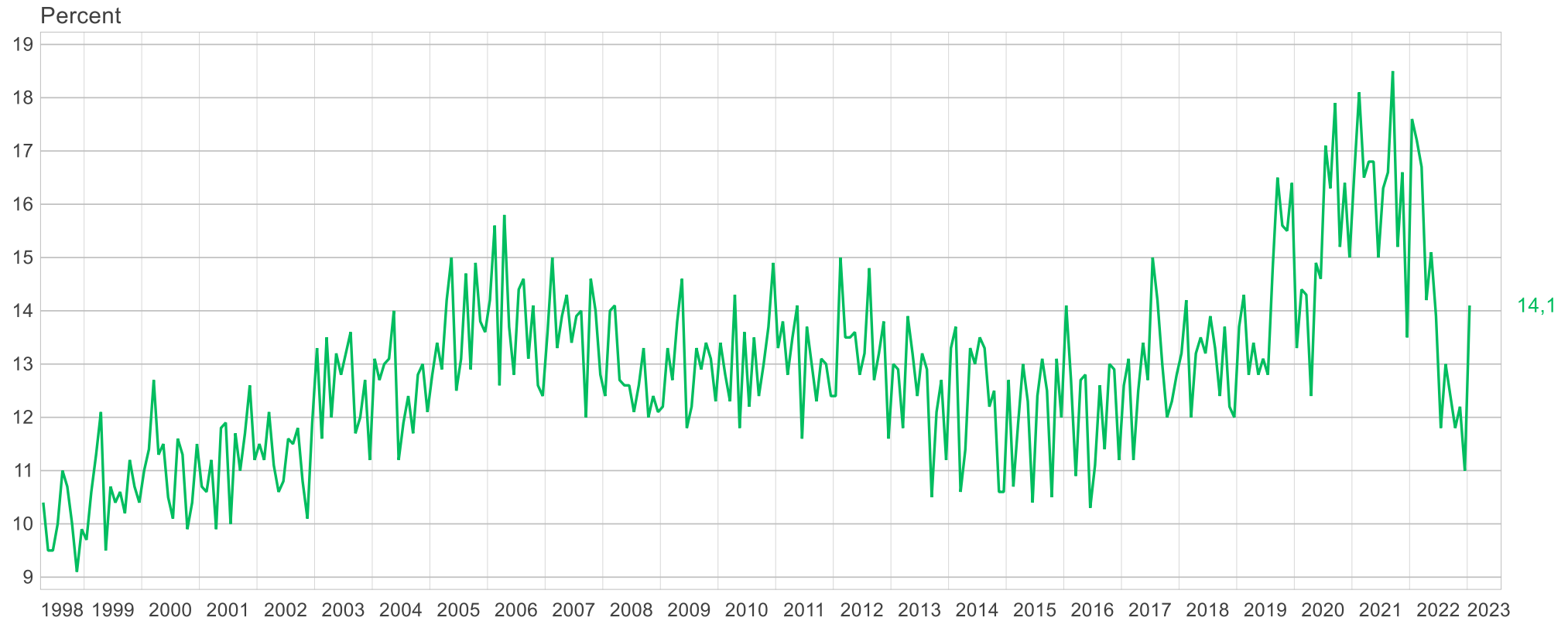
Residential construction activity



Source: Aktia, Macrobond and Statistics Finland.

Housing market doubtful

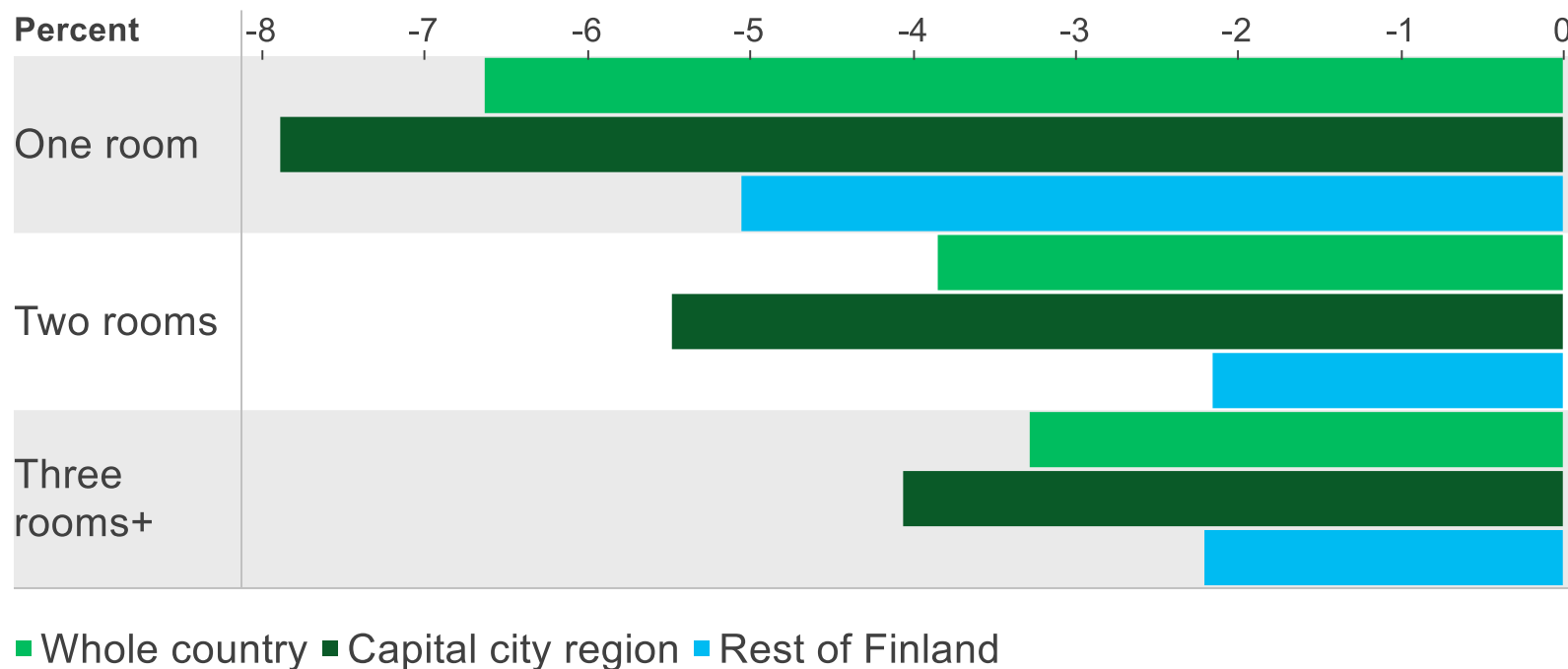
Intentions to Buy a Dwelling in the Next 12 Months



Source: Aktia, Macrobond, Statistics Finland.

Finnish housing market price development 1(2)

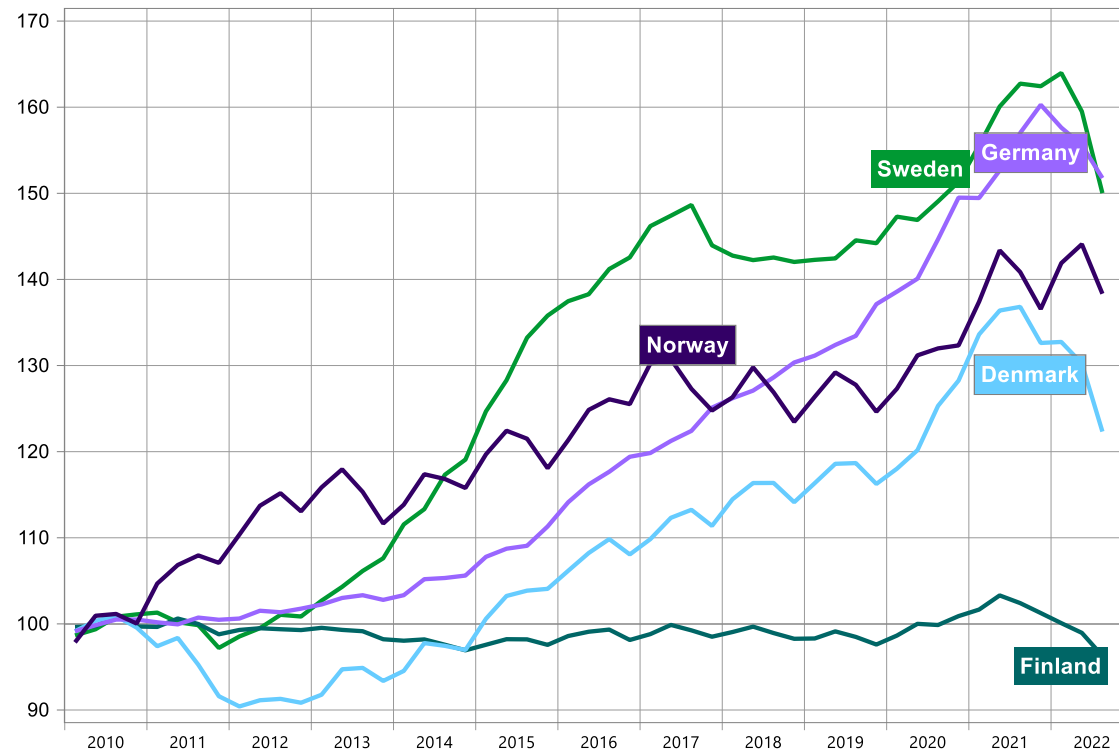
Annual change in prices of apartment blocks, 2022 Q4



Source: Aktia, Macrobond, Statistics Finland

Nordic housing market price development

Real House Prices



Sources: Aktia and Macrobond



Thank you

Aktia

Contacts and additional information



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

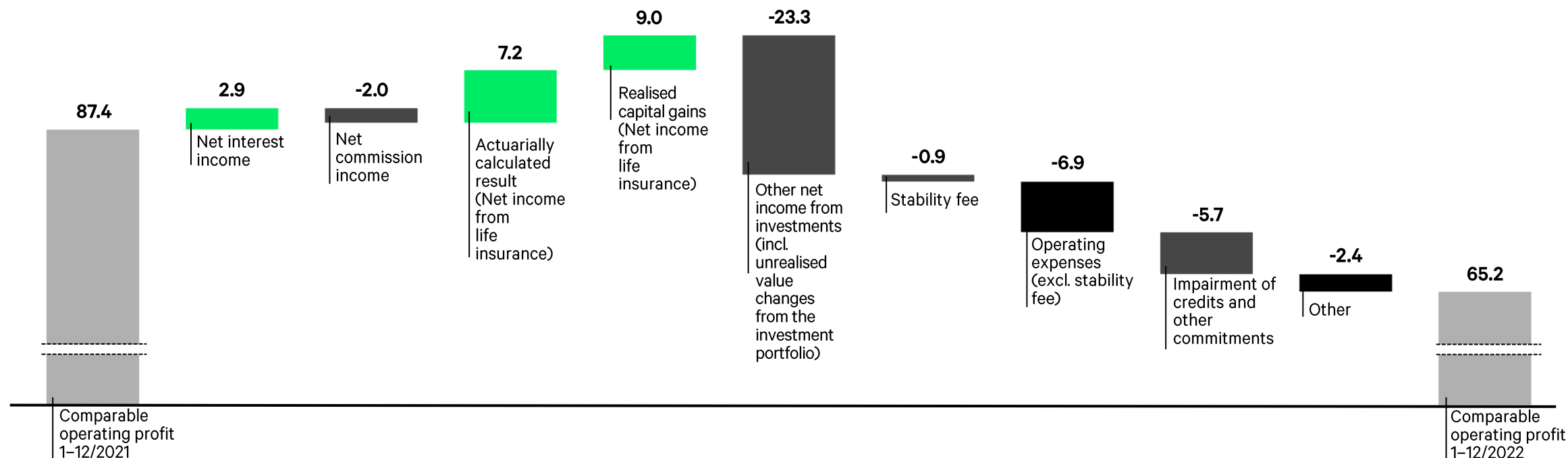
[Interim reports and presentations](#)

Appendices

Comparable operating profit decreased

Comparable operating profit 1–12/2022 vs 1–12/2021

EUR million



+4% underlying profit growth (without change in unrealised value changes, capital gains and losses, impairments of credits and other commitments, stability fee and project-related one-off expenses).