Q2

Half-year report January–June 2023

Aktia

Continued strong growth in net interest income

April-June in short

- Net interest income grew by 31% from the previous year and amounted to EUR 33.8 (25.8) million.
- Net commission income decreased by 4% from the previous year and amounted to EUR 30.4 (31.6) million. Positive net subscriptions were EUR 73 million.
- Net income from life insurance amounted to EUR 5.7 (34.9) million. The recalculated comparative figures for 2022 according to the new accounting standard IFRS 17 include considerable positive changes in market value, thus making the comparison significantly more difficult.
- Comparable operating expenses were on the previous year's level and amounted to EUR 42.2 (41.8) million.
- The business developed according to the company's expectations, but due to the accounting standard change (IFRS 17) the comparable operating profit decreased to EUR 26.5 (49.7) million. The comparable operating profit during the second quarter of last year, according to the accounting standard used at the time, amounted to EUR 24.7 million.
- Credit loss provisions remained at a very moderate level at EUR -1.3 million.

January-June in short

- Net interest income increased by 29% from the previous year and amounted to EUR 65.6 (50.9) million.
- Net commission income decreased by 4% from the previous year and amounted to EUR 60.6 (63.0) million.
- Net income from life insurance amounted to EUR 12.9 (56.3) million. The recalculated comparative figures for 2022 according to the new accounting standard IFRS 17 include considerable positive changes in market value, thus making the comparison significantly more difficult.
- Comparable operating expenses increased by 3% and were EUR 87.9 (85.1) million. The inflation and outsourcing of certain IT operations increased IT expenses.
- The business developed according to the company's expectations, but due to the accounting standard change (IFRS 17) the comparable operating profit decreased to EUR 50.1 (85.3) million.

Outlook 2023 (unchanged)

Aktia's comparable operating profit for 2023 is expected to be clearly higher than the EUR 65.2 million reported for 2022 (under the accounting standard previously applied for the life insurance business). Read more about the assumptions that the outlook is based on on page 22.

(EUR million)	Q2/2023	Q2/2022	Δ %	1-6/2023	1-6/2022	Δ %	Q1/2023	Δ %	2022
Net interest income	33.8	25.8	31%	65.6	50.9	29%	31.8	6%	99.2
Net commission income	30.4	31.6	-4%	60.6	63.0	-4%	30.3	0%	122.0
Net income from life insurance	5.7	34.9	-84%	12.9	56.3	-77%	7.2	-20%	79.2
Total operating income	70.3	93.7	-25%	140.6	172.4	-18%	70.3	0%	302.9
Operating expenses	-42.2	-41.8	1%	-89.3	-85.1	5%	-47.1	-11%	-169.4
Impairment of credits and other commitments	-1.3	-2.4	-45%	-2.3	-2.1	9%	-0.9	40%	-10.2
Operating profit	**26.8**	**49.7**	**-46%**	**49.0**	**85.5**	**-43%**	**22.2**	**21%**	**123.5**
Comparable operating income[1]	70.0	93.7	-25%	140.3	172.2	-19%	70.3	0%	302.8
Comparable operating expenses[1]	-42.2	-41.8	1%	-87.9	-85.1	3%	-45.8	-8%	-168.1
Comparable operating profit[1]	**26.5**	**49.7**	**-47%**	**50.1**	**85.3**	**-41%**	**23.6**	**13%**	**124.7**
Cost-to-income ratio	0.60	0.45	34%	0.64	0.49	29%	0.67	-11%	0.56
Comparable cost-to-income ratio[1]	0.60	0.45	35%	0.63	0.49	27%	0.65	-7%	0.56
Earnings per share (EPS), EUR	0.29	0.55	-47%	0.54	0.95	-43%	0.25	16%	1.37
Comparable earnings per share (EPS), EUR[1]	0.29	0.55	-48%	0.55	0.95	-41%	0.27	8%	1.38
Return on equity (ROE), %	14.1	28.0	-50%	13.3	24.2	-45%	12.2	15%	17.0
Comparable return on equity (ROE), %[1]	13.9	28.0	-50%	13.6	24.1	-44%	13.0	7%	17.2
Common Equity Tier 1 capital ratio (CET1), %[2]	11.0	10.4	6 %	11.0	10.4	6 %	11.1	-1 %	10.8

1) Alternative performance measures
2) At the end of the period

Reference periods 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts. Half-year report January–June 2023 is a translation of the orginal Swedish version "Delårsrapport 1.1-30.6.2023". In case of discrepancies, the Swedish version shall prevail.

CEO's comments

Aktia's strong financial development continued during the second quarter of the year. Interest income from lending continued to grow as the interest rate adjustments in the loan book increased faster than the financing costs. Aktia issued a EUR 500 million covered bond in May. The bond was oversubscribed 2.5-fold and priced very competitively, which considering the market conditions was an excellent result and an example of successful investor work both in Finland and internationally. However, it should be noted that the rise in interest rates also increases the costs for market-based and deposit financing. Our deposit base remained stable also during the second quarter.

The demand for housing loans remained soft as in the beginning of the year due to the housing market slowing down and the continuing general market uncertainty. So far, the employment rate in Finland has remained high and we have not seen an increase in the demand for instalment-free periods in housing loans. However, the strong demand for hire purchase and leasing financing among corporate customers continued. The quality of the loan book was still on a high level, and the average margin for the entire loan book continued to grow. Aktia's credit loss provisions during the quarter remained at a very moderate level at EUR -1.3 million.

Net commission income for the quarter decreased somewhat compared to the reference period. The market environment was still unstable, and the development especially in the Finnish equity market was regrettably modest. Market changes put pressure on customer assets under management, which nevertheless remained almost at the same level as at the beginning of the year and amounted to EUR 13.8 billion. I am especially happy with the positive net subscriptions of EUR 73 million. This is proof of our successful advisory and sales efforts.

Aktia's position at the top of the European fixed income fund houses was strengthened further when Aktia was awarded as the best European fixed income fund house in the small fund houses category in the Refinitiv Lipper Fund Awards. The rise in interest rates has restored customers' interest in fixed income investments, which further strengthens Aktia's position among asset managers. The cooperation with Taaleri within alternative investments also continued successfully. Together with Taaleri, Aktia launched the Article 9 fund Aurinkotuuli III in February. The fund raised more than EUR 160 million in its first round of funding, exceeding its target. The Aurinkotuuli III fund strongly supports the green transition in the energy economy.

Good profit development continued

The life insurance business, and hence the net income from life insurance, also continued their positive development during the second quarter. The sales of risk life insurances in particular remained strong, and the actuarially calculated result increased to EUR 7.7 million. In this context it should be noted that the recalculated comparative figures for 2022 according to the new accounting standard IFRS 17 include considerable positive changes in market value, thus making the comparison of net income from life insurance significantly more difficult throughout 2023.

Higher inflation made the cost development for the first half of the year more challenging than we expected at the beginning of the year. The costs increased also due to the start-up expenses of IT outsourcings. We will pay special attention to cost control during the rest of the year.

Aktia's comparable operating profit in the second quarter amounted to EUR 26.5 million, which I am very happy with. The figure was considerably lower than in the reference period (49.7) due to the recalculation of the net income from life insurance according to the IFRS 17 accounting standard. The comparable operating profit from the reference period last year, according to the accounting standard used at the time, amounted to EUR 24.7 million, which includes capital gains of EUR 11 million in the life insurance company's investment portfolio.

Helsinki, 9 August 2023

Juha Hammarén
Interim CEO

Profit and balance

On 1 January 2023, the Group adopted the new standard for insurance contracts, IFRS 17, and comparative figures for 2022 have been recalculated according to the new standard. Transitional effects and new accounting principles can be found in notes 1 and 11.

Profit April-June 2023

The Group's operating profit amounted to EUR 26.8 (49.7) million and the profit for the period to EUR 21.0 (39.6) million. The comparable operating profit amounted to EUR 26.5 (49.7) million. The lower result compared to last year is of an accounting technical nature attributable to the adoption of the IFRS 17 standard. The effect of the sharp rise in the interest rates in 2022, while the interest rate-related hedging programme was not yet complete, led to a very high insurance finance result according to IFRS 17 for the comparison period.

Items affecting comparability

(EUR million)	Q2/2023	Q2/2022
Additional income from divestment of Visa Europe to Visa Inc	0.3	-
Operating profit	**0.3**	**-**

Income

The Group's operating income amounted to EUR 70.3 (93.7) million and the comparable operating income to EUR 70.0 (93.7) million. Net interest income has continued to develop positively in line with expectations. The clearly lower result for net income from life insurance compared to last year is of an accounting technical nature attributable to the retroactive adoption of the IFRS 17 standard as of 1 January 2022.

Net interest income increased by 31% to EUR 33.8 (25.8) million. Net interest income from borrowing and lending increased by 74% to EUR 44.1 (25.3) million. The positive development of the customer margins for lending, rising reference interest rates and the growth in the corporate loan book increased net interest income from lending, while interest expenses from deposits and covered bonds increased. Interest expenses from senior financing increased to EUR -18.9 (-0.8) million. Net interest income from the liquidity portfolio increased to EUR 4.9 (0.6) million, mainly due to higher market interest rates than in the second quarter of last year. Other net interest income, which mainly includes TLTRO financing and deposits in the central bank, increased to EUR 3.7 (0.7) million.

Net commission income decreased by 4% to EUR 30.4 (31.6) million. Commission income from funds, asset management and securities brokerage decreased by 7% to EUR 21.6 (23.1) million due to lower customer assets under management (AuM) than last year. Commission income from cards, payment services and borrowing increased by 14% to EUR 8.2 (7.2) million while commission income from lending decreased by 12% to EUR 2.2 (2.5) million.

The result for the insurance business has improved from last year, but due to the changes of the accounting standard (retroactive adoption of IFRS 17 from 1 January 2022), the net income from life insurance decreased to EUR 5.7 (34.9) million. Last year's result also included a capital gain of EUR 11 million in the life insurance company's investment portfolio. Insurance service result (insurance contracts reported in accordance with IFRS 17) increased by 75% to EUR 5.6 (3.2) million. The quarter was very good, which was mainly linked to rising interest rates resulting in a group of unprofitable insurance contracts becoming more profitable. Result from investment contracts was on the same level as last year and amounted to EUR 2.1 (2.1) million. Net investment result decreased to EUR -2.0 (29.5) million. The negative result for the quarter was caused by financing expenses from insurance exceeding the return from investments, and by impairments on individual investments.

Net income from financial transactions amounted to EUR 0.3 (0.9) million and includes an additional income of EUR 0.3 million relating to the sale of Visa Europe to Visa Inc, which is not included in the comparable result. Comparable net income from financial transactions amounted to EUR 0.0 (0.9) million. The deviation is related to unrealised value changes in the bank's equity instruments amounting to EUR -0.2 (1.0) million.

Expenses

Operating expenses increased by 1% to EUR 42.2 (41.8) million. The quarter does not include any expenses affecting comparability. In connection with the transition to IFRS 17, operating expenses attributable to insurance contracts are reported as part of the insurance service result included in net income from life insurance.

Staff costs increased by 5% to EUR 20.9 (19.9) million. Running staff costs were approximately on the same level as last year.

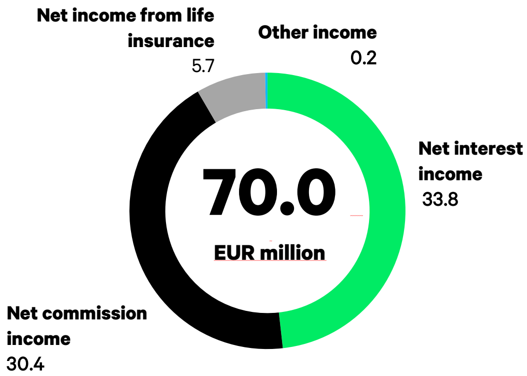
IT expenses increased by 20% to EUR 9.7 (8.1) million. The increase mainly relates to IT services purchased from the company AktiaDuetto, founded in November 2022, and index adjustments by several suppliers.

The depreciation of tangible and intangible assets increased by 1% to EUR 5.9 (5.8) million. The increase is attributable to higher depreciations on capitalised development expenses.

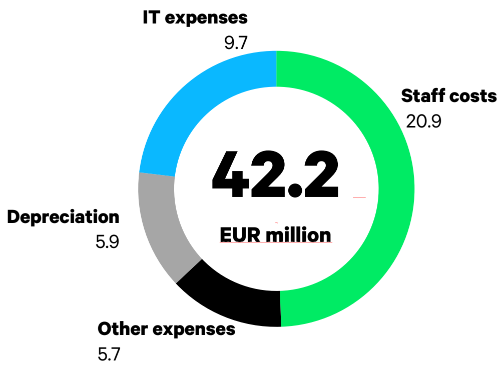
Other operating expenses were 28% lower than in the second quarter of last year and amounted to EUR 5.7 (7.9) million. The lower costs relate mainly to the final fee of the stability fee for 2023, which resulted in an income of EUR 1.3 million in the second quarter.

Impairments on credits and other commitments amounted to EUR -1.3 (-2.4) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.4 (-1.5) million.

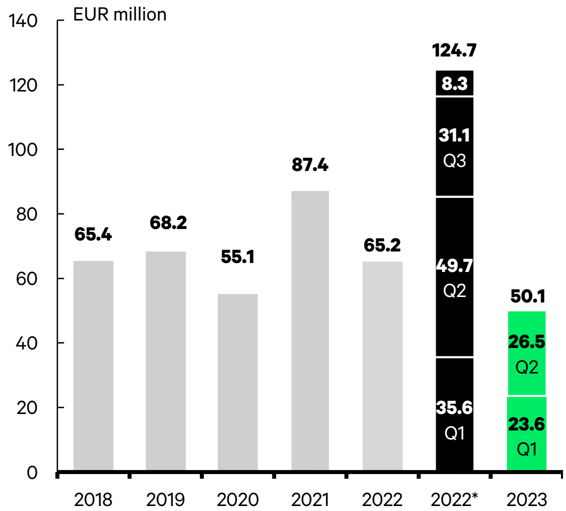
Operating income Q2/2023



Operating expenses Q2/2023



Comparable operating profit 2018–Q2/2023



*Recalculated according to the new accounting standard IFRS 17

Profit January-June 2023

The Group's operating profit amounted to EUR 49.0 (85.5) million and the profit for the period to EUR 39.1 (68.2) million. The comparable operating profit amounted to EUR 50.1 (85.3) million. The lower result compared to last year is of an accounting technical nature attributable to the adoption of the IFRS 17 standard. The effect of the sharp rise in the interest rates in 2022, while the interest rate-related hedging programme was not yet complete, led to a very high insurance finance result according to IFRS 17 for the comparison period.

Items affecting comparability

(EUR million)	1-6/2023	1-6/2022
Additional income from divestment of Visa Europe to Visa Inc	0.3	0.2
Costs for restructuring	-1.4	-
Operating profit	**-1.1**	**0.2**

Income

The Group's operating income amounted to EUR 140.6 (172.4) million and the comparable operating income to EUR 140.3 (172.2) million. Net interest income developed very positively supported by rising interest rates, while net income from life insurance was clearly below last year's level due to the implementation of IFRS 17 and its effects.

Net interest income increased by 29% to EUR 65.6 (50.9) million. Net interest income from borrowing and lending increased by 66% to EUR 81.7 (49.1) million. The improvement mainly pertains to the positive development of the customer margins for lending and rising reference interest rates as well as the growth in the corporate loan book. At the same time, higher market interest rates have led to increased interest expenses from deposits and covered bonds. Interest expenses from senior financing increased to EUR -32.0
(-1.3) million. Net interest income from the liquidity portfolio increased to EUR 8.2 (1.7) million mainly due to higher market interest rates. Other net interest income, which mainly includes TLTRO financing and deposits in the central bank, increased to EUR 7.7 (1.4) million.

Net commission income decreased by 4% to EUR 60.6 (63.0) million. Commission income from funds, asset management and securities brokerage decreased by 8% to EUR 42.8 (46.3) million due to lower customer assets under management (AuM) than last year. Commission income from cards, payment services and borrowing increased by 14% to EUR 16.1 (14.1) million, while commission income from lending decreased by 9% to EUR 4.4 (4.8) million.

The result for the insurance business has improved from last year, but due to accounting technical change (retroactive adoption of IFRS 17 from 1 January 2022), the net income from life insurance decreased to EUR 12.9 (56.3) million. Insurance service result (insurance contracts reported in accordance with IFRS 17) increased by 42% to EUR 9.4 (6.6) million owing to good new sales, low loss ratio, profitable insurance contracts and rising interest rates resulting in a group of unprofitable insurance contracts becoming more profitable. Result from investment contracts decreased by 3% to EUR 4.2 (4.4) million, due to lower market value of customer assets compared to the corresponding period last year. Net investment result decreased to EUR -0.7 (45.3) million. The deviation from last year is mainly related to the recalculated result according to IFRS 17 for the comparison period and is of an accounting technical nature, as the interest rate related hedging programme was not yet complete during the sharp rise in interest rates. To reduce volatility in the net investment result in future, Aktia has gradually expanded its interest rate hedging programme until the end of 2022.

Net income from financial transactions amounted to EUR 0.9 (1.6) million and includes an additional income of EUR 0.3 (0.2) million relating to the sale of Visa Europe to Visa Inc, which is not included in the comparable result. Comparable net income from financial transactions amounted to EUR 0.6 (1.4) million. The deviation is related to unrealised value changes in the bank's equity instruments amounting to EUR 0.1 (1.0) million.

Expenses

Operating expenses increased to EUR 89.3 (85.1) million. Comparable operating expenses increased by 3% to EUR 87.9 (85.1) million. In connection with the transition to IFRS 17, operating expenses attributable to insurance contracts are reported as part of the insurance service result included in net income from life insurance.

Staff costs increased to EUR 41.9 (40.4) million, while the comparable staff costs were at the same level as the previous year and amounted to EUR 40.5 (40.4) million. Despite outsourcing and change negotiations, the comparable staff costs have not decreased due to new recruitments during last year.

IT expenses increased by 21% to EUR 18.9 (15.6) million. The increase mainly relates to IT services purchased from the company AktiaDuetto, newly founded in November 2022, and index adjustments by several suppliers. In addition, increased transaction volumes have contributed to increased IT expenses.

The depreciation of tangible and intangible assets increased by 1% to EUR 11.8 (11.6) million. Depreciations on capitalised development expenses have increased compared to last year.

Other operating expenses decreased by 4% to EUR 16.7 (17.5) million. The decrease is related to the fee of the stability fund, which decreased to EUR 4.3 (5.1) million.

Impairments on credits and other commitments amounted to EUR -2.3 (-2.1) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.2 (-1.0) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total decreased to EUR 12,292 (12,412) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees, decreased to EUR 626 (645) million.

Borrowing

Borrowing from the public and public-sector entities was 2% lower than in the corresponding period last year and 8% lower than at the year-end and amounted to EUR 4,793 (5,214) million. Aktia's market share of deposits was 3.0% (3.1) at the end of June.

The value of long-term bonds issued by Aktia Bank totalled EUR 3,190 (2,947) million. After an issued retained covered bond was set off, Covered Bonds issued by Aktia Bank amounted to EUR 1,364 (1,354) million.

At the end of May, Aktia Bank issued a new covered bond to a value of EUR 500 million with a maturity of 4 years, replacing a corresponding bond that was due in May. The issue was oversubscribed 2.5 times and priced competitively despite the competitive market conditions.

During the second quarter, Aktia Bank also issued new long-term covered bonds (senior preferred) amounting to EUR 121 million as part of its EMTN programme. During the first half of the year, new long-term covered bonds (senior preferred) of a total of EUR 396 million have been issued. During the quarter, Aktia Bank repaid TLTRO III loans totalling EUR 50 million. A total of EUR 300 million in TLTRO III loans have been repaid in the first half of the year. During the first quarter, issued retained covered bonds of EUR 400 million were cancelled.

Lending

Group lending to the public and public-sector entities increased by 2% from the corresponding period last year to EUR 7,824 million, which was marginally higher than at the end of the year. New lending to corporate customers increased for the period to EUR 485 (452) million while lending to private customers decreased to EUR 374 (568) million. Corporates' share of the total loan book increased from the end of the year to 17.0% (16.7) and housing companies' share to 15.6% (14.4), while households' share decreased to 66.5% (68.2).

The housing loan book decreased to EUR 5,416 (5,434) million, of which the share for households was EUR 4,171 (4,289) million. At the end of June, Aktia's market share in housing loans to households was 3.9% (3.9).

Loan book by sector

(EUR million)	30 June 2023	31 Dec 2022	Δ	Share, %
Households	5,207	5,312	-105	66.5%
Corporates	1,333	1,301	32	17.0%
Housing companies	1,221	1,120	101	15.6%
Non-profit organisations	57	52	5	0.7%
Public sector entities	6	6	0	0.1%
Total	**7,824**	**7,792**	**32**	**100.0%**

Financial assets

Aktia Group's financial assets consist of the Bank Group's liquidity portfolio (net after the issued retained covered bond was set off) amounting to EUR 1,257 (1,307) million, the life insurance company's investment portfolio of EUR 475 (488) million, and the Bank Group's equity holdings of EUR 12 (8) million.

Liabilities from insurance business

The total liabilities from insurance business increased during the period by 4% to EUR 1,481 (1,420) million. Liabilities from insurance contracts were somewhat lower than at the year-end and amounted to EUR 481 (492) million. Liabilities from investment contracts increased by 8% to EUR 1,000 (928) million due to a positive net inflow and higher market values than at the end of the year.

Equity

Aktia Group's equity increased to EUR 654 (640) million. The value of the fund at fair value increased to EUR -45 (-50) million and the profit for the period amounted to EUR 39 million. Dividend amounting to EUR 31 million was paid to the shareholders in April.

Fund at fair value

(EUR million)	30 June 2023	31 Dec 2022	Δ
Interest-bearing securities, Aktia Bank	-30.9	-35.8	4.9
Interest-bearing securities, Aktia Life Insurance	-12.7	-14.0	1.3
Cash flow hedging	-1.1	-0.1	-1.0
Total	**-44.7**	**-49.9**	**5.2**

Assets under Management

The Group's total assets under management were at the same level as at the end of the year and amounted to EUR 16,436 (16,475) million.

Customer assets under management comprise managed and brokered mutual funds as well as managed capital. Assets under management presented in the table reflect net volumes, so that assets under management included in multiple companies or funds have been eliminated.

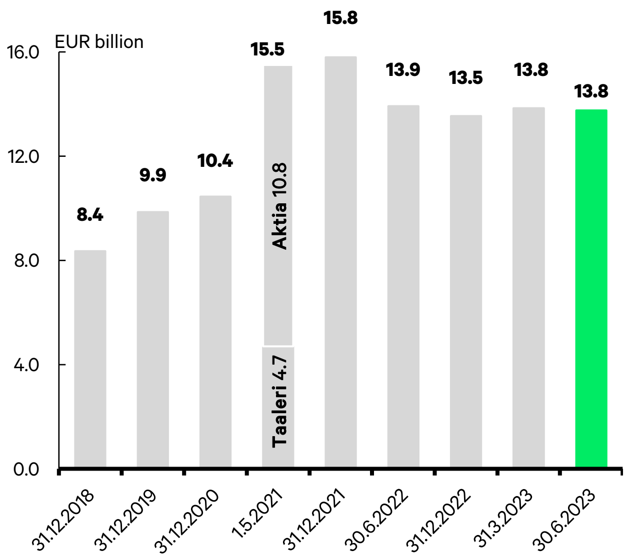
Group financial assets include the Bank Group's liquidity portfolio managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

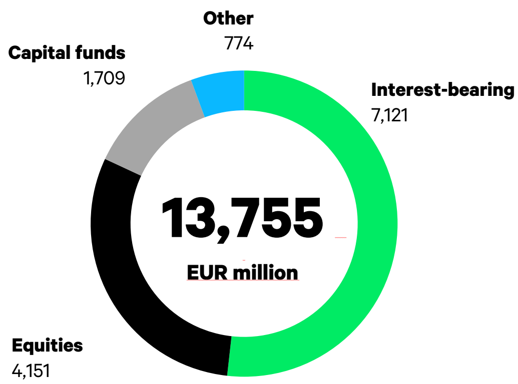
(EUR million)	30 June 2023	31 Dec 2022	Δ%
Customer assets under management*	13,755	13,539	2%
Group financial assets	2,681	2,936	-9%
Total	**16,436**	**16,475**	**0%**

* Excluding fund in funds

Customer assets under management (AuM) excluding custody assets 2018–Q2/2023



Customer assets by asset class



Segment overview

As of 1 January 2023, Aktia Bank's operations are divided into four reporting business segments: Banking Business, Asset Management, Life Insurance and Group Functions.

Banking Business

The segment comprises household and corporate customers of the banking business not including Private Banking. Aktia's private customers are provided a wide range of financing, insurance, savings as well as investment products and services through various channels. Aktia's corporate business provides services to companies and organisations, from micro-sized companies and associations to listed companies, as well as other banking services than asset management to institutional customers.

- The net interest income of the loan book continued its strong growth during the second quarter and the quality of the loan book remained at a good level. The average margin for the entire loan book continued to increase.
- The positive demand for hire purchase and leasing financing in the corporate customer business continued. Sales of factoring solutions has got off to a good start and we will continue to focus on these solutions.
- The demand for financing for new-build housing projects (RS financing) among consumers and contractors remained soft due to the slower housing market and the general uncertainty on the market.
- Aktia launched the Premium Wealth Plan för investment customers.

Result

(EUR million)	Jan-June 2023	Jan-June 2022	Δ%
Net interest income	34.7	21.0	65%
Net commission income	14.6	14.8	-1%
Other operating income	0.0	0.0	53%
Operating income	49.3	35.8	38%
Operating expenses	-24.4	-24.5	-0%
Operating profit	**23.5**	**8.9**	**166%**
Comparable operating profit	**23.5**	**8.9**	**166%**

Result for Banking Business segment

Operating income increased from the corresponding quarter last year to EUR 49.3 (35.8) million. Net interest income was 65% higher than in the corresponding quarter of the previous year and amounted to EUR 34.7 (21.0) million. The increase in customer margins for the entire loan book continued. Rising reference rates have had a positive impact on interest income from lending, while internal interest expenses have increased. A large part of the loan book is tied to the 12-month Euribor, which rose by 3.10 percentage points to 4.13% at the end of June.

The loan book increased to EUR 7,626 (7,620) million from year-end. The corporate customers' loan book increased to EUR 2,626 (2,489) million, while private customers' loan book decreased to EUR 5,000 (5,131) million. The strong demand for fixed-term savings deposits continued among private customers. However, the total borrowing from the public and public-sector entities decreased by 9% from the year-end and amounted to EUR 4,060 (4,443) million.

Net commission income was on the previous year's level and amounted to EUR 14.6 (14.8) million. Net commission income from lending decreased by 11% to EUR 2.2 (2.5) million, mainly due to lower demand for housing loans. Net commission income from cards, payment services and borrowing was on the same level as last year and amounted to EUR 6.3 (6.2) million. Net commission income from investment operations increased by 3% to EUR 3.7 (3.6) million. Assets under management increased by 4% to EUR 1,710 million from year-end.

Operating expenses were slightly lower than in the corresponding quarter last year and amounted to EUR 24.4 (24.5) million. The stability fee for the year was set in May, which resulted in an income of EUR 1.1 million recorded for the segment in the second quarter. However, other operating expenses have increased mainly due to higher depreciations.

Impairments on credits and other commitments amounted to EUR -1.3 (-2.4) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.4 (-1.6) million, whereas other impairments on credits amounted to EUR -0.9 (-0.8) million.

Asset Management

The segment includes asset management business as well as Private Banking and provides asset management to institutional investors, as well as a wide range of investment products to be distributed in Aktia's and external partners' sales channels.

- The market environment continued to be unstable. Central banks continued their reference rate hikes as market expectations for lower interest rates moved further into the future.
- The development of the equity market was mixed: The equity market in Finland was slow during the quarter, while the US and Central Europe had a stronger development.
- In the Refinitiv Lipper Fund Awards comparison, Aktia was awarded the best European fixed income fund house in the category for small fund houses.
- The development of net sales for Aktia's Private Banking was strong.
- The first closing in June of the Article 9 fund Aurinkotuuli III, which Aktia launched together with Taaleri Ltd, exceeded its target and raised more than

EUR 160 million. The Aurinkotuuli III fund strongly supports the green transition in the energy economy.

Result

(EUR million)	Jan-June 2023	Jan-June 2022	Δ%
Net interest income	*4.3*	*0.5*	*705%*
Net commission income	*16.2*	*17.5*	*-7%*
Other operating income	*0.0*	*0.1*	*-52%*
Operating income	20.6	18.1	13%
Operating expenses	-13.2	-12.4	7%
Operating profit	**7.4**	**5.8**	**28%**
Comparable operating profit	**7.4**	**5.8**	**28%**

Customer assets under management

(EUR million)	30 June 2023	31 Dec 2022	Δ%
Customer assets under management*	13,755	13,539	2%
of which institutional assets	7,438	*7,506*	-1%

* Excluding fund in funds

Result for Asset Management segment

Operating income for the quarter increased by EUR 2.4 million to EUR 20.6 million due to a stronger net interest income that more than compensated the lower net commission income.

Net commission income decreased by 7% compared to the corresponding quarter last year and amounted to EUR 16.2 (17.5) million. The lower net commission income is due to lower assets under management, which is due to lower market values in all customer segments except one. However, assets under management among international customers have decreased mainly due to customer redemptions. International customers have mainly invested in emerging market fixed income funds, and the new interest rate environment with higher interest rates available also on more traditional markets has resulted in institutional investors reallocating capital from the emerging market.

On the other hand, fees from private equity funds were higher than last year. No performance-based fees were recognised during the quarter. Assets under management decreased by EUR 164 million from the corresponding period last year and amounted to EUR 13,755 (30 June 2022; 13,919) million at the end of the period. Net subscriptions for the quarter amounted to EUR +73 million, and the market value change to EUR -156 million.

Operating expenses of the segment increased by EUR 0.8 million to EUR 13.2 (12.4) million. Staff expenses were higher than last year, whereas Group-related expenses were lower. Staff expenses constituted 41% (35) of the total expenses of the segment.

Life insurance

The segment includes the Life Insurance business area, which operates in risk life insurance and manages and sells an extensive range of investment-linked insurance products to be distributed in Aktia's and external partners' sales channels. As security for its customer liabilities, Aktia Life Insurance has investment assets.

- Sales of risk life insurance developed positively during the second quarter.
- Sales of investment-linked insurance continued to be stable during the quarter.
- The result from investment activities, including insurance finance result and income from investment activities, amounted to EUR -1.3 million during the second quarter.
- The solvency ratio decreased during the period but was still on a good level.

Result

(EUR million)	Jan-June 2023	Jan-June 2022	Δ%
Insurance service result	*5.6*	*3.2*	*75%*
Result from investment contracts	*2.1*	*2.1*	*0%*
Net investment result	*-1.3*	*30.2*	*-104%*
Net income from life insurance	6.4	35.6	-82%
Operating expenses	-2.3	-2.5	-8%
Operating profit	**4.1**	**33.0**	**-88%**
Comparable operating profit	**4.1**	**33.0**	**-88%**

Result for Life Insurance segment

As of the beginning of the year, Aktia Life Insurance adopted a new accounting standard, IFRS 17. The standard is expected to provide more insight and transparency in the insurance companies' accounts. Under the new standard, liabilities from insurance contracts are valued using current market interest rates. In order to reduce volatility in results, the company has gradually expanded its interest rate hedging programme during 2022.

Therefore, the sharp increase in interest rates in 2022 had a significant impact on the comparison figures for 2022 as the interest rate hedging programme was not complete. The comparable operating result for the Life Insurance segment was 88% lower than in the corresponding period last year due to the above-mentioned reasons. With investments and interest rate hedging, Aktia aims to minimise volatility in results arising from the market valuation of liabilities from insurance contracts according to IFRS 17.

The sales performance of risk insurance, especially through agents, continued to be positive during the second quarter and contributed to the improved result for insurance services. The result from the insurance service for the quarter was very good due to a low loss ratio and rising interest rates resulting in a group of unprofitable insurance contracts becoming more profitable. The investment-linked insurance book, which includes both investment and insurance contracts, increased by 3%. Positive net inflows and favourable market development contributed to the growth.

The result from investment activities was affected by the volatility of the fixed income market and the valuation of individual investments. The result for the quarter was negative due to financing expenses from insurance exceeding the return from investments, and by impairments on individual investments.

The contractual service margin (CSM), which represents the future profit that the company expects to earn on the insurance contracts, decreased by EUR 0.5 million during the quarter. During the period, EUR 2.0 million of the contractual service margin was dissolved through the income statement for insurance services provided, while new insurances sold increased the margin by EUR 3.5 million. Other items had an impact of EUR -2.0 million. During the quarter, the company signed an agreement on a new basic system for the insurance business. The project is expected to start during the latter half of the year and will support the company's strategic growth and objectives. The solvency ratio decreased by 17 percentage points during the quarter. The decrease is mainly related to changes in the models in use and assumptions on actuarial provisions.

Group Functions

The Group functions comprise the Group’s centralised functions. The entities oversee the Group’s financing and liquidity management and assist the other business segments with sales, IT and product support and development. The Group functions are also responsible for monitoring and controlling risk and financial follow-up.

Result

(EUR million)	Q2/2023	Q2/2022	Δ%
Operating income	-3.4	7.0	-149%
Operating expenses	-4.8	-5.2	-7%
Operating profit	-8.2	1.9	-542%
Comparable operating profit	-8.5	1.9	-557%

Result for Group Functions segment

Comparable operating income for the segment decreased in the second quarter to EUR -3.7 (7.0) million, mainly due to lower net interest income than in the corresponding quarter last year.

The net interest income decreased to EUR -5.3 (4.3) million. The change is mainly owing to the interest expense from the TLTRO III financing of EUR -4.4 million, which during the corresponding quarter last year was a negative interest expense of EUR 1.9 million, as well as higher financing costs. Interest income from the liquidity portfolio and from deposits in the Bank of Finland increased. At segment level, the higher financing costs are to a certain extent offset by higher internal interest income.

Since March 2015, Aktia Bank participates in the European Central Bank’s refinancing operations (TLTRO), which has enabled Aktia to offer the market favourable and competitive loans.

The total operating expenses of the segment increased by EUR 0.4 million from the corresponding quarter last year, mainly due to the lower cost for the stability fee. The IT expenses were higher than in the second quarter of last year, while purchased services, depreciations and staff costs were lower than in the previous year. Most of the segment’s operating expenses are allocated to the other segments.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Life Insurance		Group Functions		Other & eliminations		Total Group	
Income statement	**Jan-June 2023**	**Jan-June 2022**	**Jan-June 2023**	**Jan-June 2022**	**Jan-June 2023**	**Jan-June 2022**	**Jan-June 2023**	**Jan-June 2022**	**Jan-June 2023**	**Jan-June 2022**	**Jan-June 2023**	**Jan-June 2022**
Net interest income	63.5	40.5	8.0	1.0	-	-	-6.1	9.4	0.2	0.0	65.6	50.9
Net commission income	29.5	29.9	32.2	34.2	-	-	2.9	2.8	-4.0	-3.9	60.6	63.0
Net income from life insurance	-	-	-	-	14.3	57.8	-	-	-1.5	-1.5	12.9	56.3
Other operating income	0.4	0.0	0.1	0.2	-	-	1.5	2.1	-0.5	-0.1	1.5	2.2
Total operating income	**93.3**	**70.3**	**40.3**	**35.5**	**14.3**	**57.8**	**-1.6**	**14.3**	**-5.7**	**-5.5**	**140.6**	**172.4**
Staff costs	-8.7	-8.2	-11.0	-10.1	-1.1	-1.1	-21.1	-21.1	-	-	-41.9	-40.4
Other operating expenses[1]	-44.2	-42.8	-16.6	-15.5	-3.7	-3.8	11.8	11.9	5.3	5.5	-47.4	-44.7
Total operating expenses	**-52.9**	**-51.0**	**-27.6**	**-25.6**	**-4.8**	**-4.9**	**-9.3**	**-9.2**	**5.3**	**5.5**	**-89.3**	**-85.1**
Impairment of credits and other commitments	-2.3	-2.1	-	-	-	-	-	-	-	-	-2.3	-2.1
Impairment of other receivables	-	-	-0.1	-	-	-	-	-	-	-	-0.1	-
Share of profit from associated companies	-	-	-	-	-	-	-	-	0.1	0.3	0.1	0.3
Operating profit	**38.2**	**17.3**	**12.6**	**9.9**	**9.5**	**52.9**	**-10.9**	**5.1**	**-0.3**	**0.3**	**49.0**	**85.5**
Comparable operating profit	**38.6**	**17.3**	**13.3**	**9.9**	**9.5**	**52.9**	**-11.0**	**4.9**	**-0.3**	**0.3**	**50.1**	**85.3**

Balance sheet	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**
Financial assets measured at fair value	-	-	0.1	0.1	1,456.1	1,407.0	808.0	854.2	-14.8	-14.8	2,249.5	2,246.5
Cash and balances with central banks	0.6	0.9	-	-	-	0.0	109.1	164.9	-	-	109.7	165.8
Interest-bearing securities measured at amortised cost	-	-	-	-	36.7	36.8	488.6	492.6	-	-	525.3	529.4
Loans and other receivables	7,637.8	7,620.1	252.7	219.5	31.9	14.8	1,079.8	1,155.7	-30.6	-25.2	8,971.6	8,984.9
Other assets	45.2	87.5	56.1	54.1	101.7	109.5	298.8	298.6	-65.5	-64.1	436.3	485.6
Total assets	**7,683.6**	**7,708.4**	**308.9**	**273.7**	**1,626.4**	**1,568.1**	**2,784.4**	**2,966.1**	**-110.9**	**-104.1**	**12,292.4**	**12,412.2**
Deposits	4,096.7	4,472.4	791.9	820.3	-	-	477.7	778.0	-30.6	-25.2	5,335.7	6,045.7
Debt securities issued	-	-	-	-	-	-	3,367.8	3,066.6	-14.8	-14.8	3,353.1	3,051.7
Liabilities from insurance business	-	-	-	-	1,481.3	1,420.0	-	-	-	-	1,481.3	1,420.0
Other liabilities	134.3	140.5	34.0	34.8	87.5	93.3	1,231.0	1,003.9	-18.8	-17.7	1,468.1	1,254.8
Total liabilities	**4,231.1**	**4,612.9**	**825.9**	**855.2**	**1,568.8**	**1,513.2**	**5,076.6**	**4,848.5**	**-64.1**	**-57.7**	**11,638.2**	**11,772.1**

1) The net expenses for central functions are allocated from the Group Functions to the business segments Banking Business, Asset Management and Life Insurance. This cost allocation is included in the segments' other operating expenses.

The quarterly figures for the segments are presented later in the report.

Reference periods in 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts.

Capital adequacy and solvency

At the end of the period, Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance) was 11.0% (10.8) which is 3.2 percentage points (3.1) above the minimum requirement. CET1 increased by EUR 3.8 million mainly due to the result for the period and the increase in the fund at fair value. Own funds increased in the first two quarters of the year due to the result for the period, which includes a dividend of EUR 6.3 million from Aktia Life Insurance Ltd in accordance with the company's dividend policy. The total risk-weighted assets increased by EUR 72 million from the year-end mainly due to increased corporate lending.

The Bank Group applies internal risk classification (IRBA) for the calculation of capital requirement for retail, equity and certain corporate exposures. For other exposures the standardised approach is used.

Capital adequacy, %	30 Jun 2023	31 Dec 2022
Bank Group		
CET1 capital ratio	11.0	10.8
Total capital ratio	15.0	14.9

The total capital requirement for banks consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The table below describes the different components of Aktia's capital requirements. Taking all capital requirements into account, the minimum total capital ratio was 11.80% for the Bank Group and 9.25% for Tier 1 capital ratio at the end of the period. On 30 March 2023 the Financial Supervisory Authority informed Aktia of a system risk buffer requirement of 1.0% as of 1 April 2024.

Leverage ratio (EUR million)	30 Jun 2023	31 Dec 2022
Tier 1 capital	410.0	396.9
Total exposures	10,793.6	10,985.2
Leverage ratio, %	**3.8**	**3.6**

For Aktia, the ratio of own funds and eligible liabilities to the total risk exposure amount (TREA) was 319.7% and to the leverage ratio exposure (LRE) 318.7%, as compared to the current MREL requirements of 19.86% for the TREA and 5.91% for the LRE. The current requirement entered into force on 1 January 2022. Aktia's requirement was covered by own funds and unsecured senior bonds. The MREL requirement does not include a so-called subordination requirement.

Aktia's buffer for the MREL was EUR 1,395.3 million. The MREL requirement for Aktia was based on the the leverage ratio exposure amount.

The Financial Stability Authority updated the MREL requirement for Aktia on 6 April 2022. From 1 January 2024, the MREL requirement will increase to 20.30% of the total risk exposure amount or 7.72% of the leverage ratio exposures.

Total capital requirement

			Buffer requirements				
30 Jun 2023 (%)	Pillar 1 minimum requirement	Pillar 2 requirement	Capital Conservation	Counter-cyclical	O-SII	Systemic risk	Total capital requirement
CET1 capital	4.50	0.70	2.50	0.05	0.00	0.00	7.75
AT1 capital	1.50	0.23					1.73
Tier 2 capital	2.00	0.31					2.31
Total	**8.00**	**1.25**	**2.50**	**0.05**	**0.00**	**0.00**	**11.80**

MREL requirement (EUR million)	30 Jun 2023	31 Dec 2022
Total Risk Exposure Amount (TREA)	3,202.7	3,130.6
of which MREL requirement	636.1	621.7
Leverage Ratio Exposure (LRE)	10,793.6	10,985.2
of which MREL requirement	637.9	649.2
MREL requirement	**637.9**	**649.2**
Own funds and eligible liabilities		
CET1	351.5	339.2
AT 1 instruments	59.4	57.7
Tier 2 instruments	69.6	69.5
Other liabilities	1,553.1	1,599.3
Total	**2,033.6**	**2,065.7**

The life insurance business follows the Solvency II directive, in which technical provisions are measured at market value. According to Solvency II, the company calculates its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and identifies its available solvency capital within Solvency II. Aktia Life Insurance applies the standard formula for SCR, with consideration of the transitional measure for technical provisions, in accordance with the permission granted by the Financial Supervisory Authority.

During the second quarter, Life Insurance Company's solvency ratio (with transition rules) has decreased slightly. The largest effect comes from changes applied in the modeling of the actuarial provisions starting from the reporting for the second quarter.

Solvency II	**With transitional rules**		**Without transitional rules**	
(EUR million)	**30 Jun 2023**	**31 Dec 2022**	**30 Jun 2023**	**31 Dec 2022**
MCR	22.7	21.8	23.9	23.1
SCR	83.8	75.2	91.8	84.2
Eligible capital	174.0	183.2	146.0	152.2
Solvency ratio, %	**207.6**	**243.5**	**159.1**	**180.8**

The Group's risk exposures

The Group focuses primarily on banking, asset management and life insurance operations. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, as well as interest rate and other market risks and actuarial risks in the life insurance business. All these operations are exposed to business and operational risks.

Definitions and general principles for asset and risk management can be found in note G2 on page 59–74 in Aktia Bank Plc's Financial Review 2022 and in Aktia Bank Plc's Pillar III Report 2022, published on the Group's website www.aktia.com.

Banking and asset management business

Credit risks

Aktia's loan portfolio consists for the major part of loans to households and private persons with residential or real estate collaterals. The loan ratio measured in loan-to-value (LTV) is at an adequate level. At the end of the second quarter of 2023, the average LTV level amounted to 41% for the entire loan portfolio.

During the fourth quarter of 2022, the Financial Supervisory Authority granted Aktia permission to implement updated internal IRBA models for retail exposures. The updated models did not affect the risk-weighted commitments significantly, but expected credit losses (ECL) increased due to the model update and calibration of ECL to a higher level. The model update did not have a significant impact on the bank's capital adequacy, but improved the bank's risk rating capacity.

The increased costs of living and loan repayments have not had a significant effect on private customers' repayment capacity, while the repayment capacity for individual company counterparties has been affected. The current economic situation with higher inflation and loan servicing costs is expected to have a negative impact on customers' repayment capacity. The bank has continued the follow-up and internal reporting of identified sectors, such as agriculture, transport and construction, that may have an increased risk due to the current economic situation.

During the second quarter of 2023, companies' defaulted exposures decreased, whereas the level for households was stable. A significant part of private customers' defaulted credit exposures consists of counterparties marked as unlikely to pay. Exposures with delays of more than 90 days are within historical development.

Gross loans past due by time overdue and ECL stages

(EUR million)	30 June 2023			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
⩽ 30	28.7	28.3	9.0	65.9
of which households	26.0	26.0	7.9	59.9
> 30 ⩽ 90	0.0	12.7	8.8	21.5
of which households	0.0	10.7	7.8	18.5
> 90	0.0	0.0	57.4	57.4
of which households	0.0	0.0	44.6	44.6

(EUR million)	31 December 2022			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
⩽ 30	34.0	22.9	6.4	63.4
of which households	24.4	22.5	6.3	53.2
> 30 ⩽ 90	0.0	24.5	16.1	40.7
of which households	0.0	20.1	11.6	31.7
> 90	0.0	0.0	55.7	55.7
of which households	0.0	0.0	45.3	45.3

Credit exposures (incl. off-balance sheet commitments) per probability of default (PD)

(EUR million)	30 June 2023	31 Dec 2022
Corporate		
PD grades A	2,395.3	2,264.3
PD grades B	79.4	62.4
PD grades C	19.6	12.7
Default	21.8	28.3
Book value of ECL provisions	2,516,1	2,367.7
Loss allowance (ECL)	-14.9	-14.4
Carrying amount	**2,501.2**	**2,353.3**
Households		
PD grades A	4,298.1	4,342.5
PD grades B	757.9	839.1
PD grades C	298.8	247.9
Default	110.2	112.4
Book value of ECL provisions	5,465.0	5,541.9
Loss allowance (ECL)	-23.3	-23.7
Carrying amount	**5,441.7**	**5,518.2**
Other		
PD grades A	505.9	535.5
PD grades B	8.4	18.8
PD grades C	11.2	1.6
Default	1.6	1.4
Book value of ECL provisions	527.1	557.3
Loss allowance (ECL)	-0.8	-0.7
Carrying amount	**526.3**	**556.6**

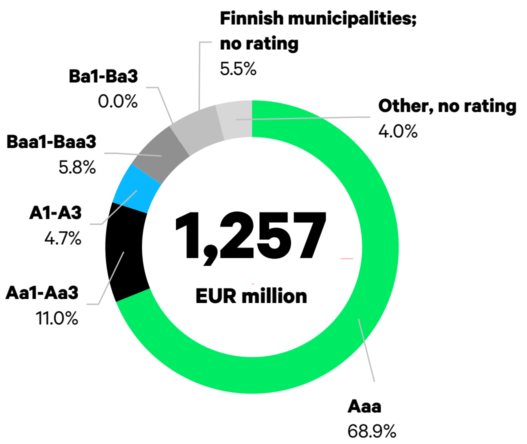
Reporting of PD classes A, B and C has been updated in Q4 2022 reporting to correspond to the PD classes according to the bank's internal method, where Default has a PD of 100%.

Market risks

Market risks arise as a result of price changes and risk factors on the financial market. Market risks include interest rate risk, spread risk, currency risk as well as equity and real estate risk. The spread risk is the largest market risk.

A structural interest rate risk occurs as a result of differences in interest determination periods and repricing of interest-bearing assets and liabilities. In the banking business, structural interest rate risks are actively managed through various trading arrangements considering the current market situation, either through hedging derivatives or fixed interest rate investments in the liquidity portfolio or a combination of both.

Rating distribution for the Bank Group's liquidity portfolio 30 Jun 2023 in total



The bank measures the interest rate risk through sensitivity analyses of the net interest income and through the current value of interest-bearing assets and liabilities where the interest rate curve is stressed by using different interest rate shock scenarios according to EBA's guidelines as well as with the bank's own internally defined interest rate shock scenarios. The bank group's interest rate risk, present value risk (financial value), increased during the year mainly due to the increasing market interest rates.

The banking business conducts no equity trading or investments in real estate property for yield purposes.

Equity investments pertaining to business operations amounted to EUR 12 (8) million. The Bank Group had no real estate holdings at the end of the period.

The Bank Group's total currency exposure is marginal and amounted to EUR 5 (5) million at the end of the period.

Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. 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 (2,256) million at the end of the period.

All bonds met the criteria for refinancing at the central bank.

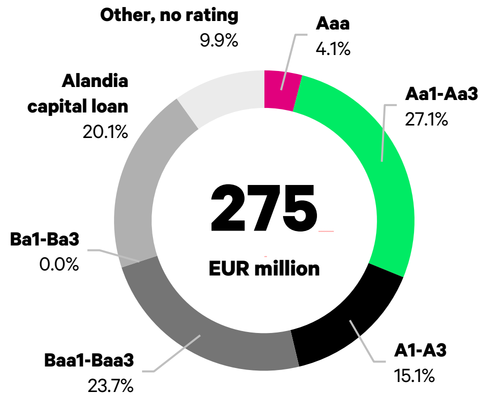
Liquidity reserve, market value (EUR million)	30 Jun 2023	31 Dec 2022
Cash and balances with central banks	997	1,172
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	183	196
Securities issued or guaranteed by municipalities or the public sector	69	111
Covered Bonds	731	777
Securities issued by credit institutions	-	-
Securities issued by corporates (commercial papers)	-	-
Total	1,980	2,256
of which LCR-qualified	*1,980*	*2,256*

The liquidity risk is monitored e.g. using the Liquidity Coverage Ratio (LCR). LCR measures the short-term liquidity risk and is aimed to ensure that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is strong enough to meet short-term net outflows in stressed situations over the coming 30 days. LCR fluctuates over time, partly depending on the maturity structure of the bank's issued bonds. The LCR amounted to 221% (183).

Liquidity coverage ratio (LCR)	31 Jun 2023	31 Dec 2022
LCR %	221%	183%

Rating distribution for the life insurance business's direct interest-bearing investments 30 Jun 2023 in total

(excluding investments in fixed income funds, real estates, equities and alternative investments)



Life Insurance Business

Investment portfolio of the life insurance business

The market value of the life insurance business' total investment portfolio amounted to EUR 475 (488) million. The life insurance company's direct real estate investments amounted to EUR 46 (46) million. The properties are in the Helsinki region and in other growth centres in Southern Finland and they mostly have long tenancies.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	30 Jun 2023		31 Dec 2022	
Equities	**9.1**	**1.8%**	**12.8**	**2.6%**
Europe	1.4	0.3%	8.6	1.8%
USA	6.5	1.4%	4.2	0.9%
Japan	0.6	0.1%		
Emerging markets	0.6	0.1%		
Fixed income investments	**320.5**	**67.5%**	**327.7**	**67.1%**
Government bonds	91.5	19.3%	90.9	18.6%
Financial bonds	24.7	5.2%	31.7	6.5%
Other corporate bonds[1]	142.3	30.0%	143.7	29.4%
Emerging Markets (mtl. funds)	38.0	8.0%	37.2	7.6%
High yield (mtl. funds)	21.8	4.6%	21.5	4.4%
Other funds	2.2	0.5%	2.7	0.6%
Alternative investments	**28.0**	**5.9%**	**28.7**	**5.9%**
Private Equity etc.	23.1	4.9%	21.5	4.4%
Infrastructure funds	4.9	1.0%	7.2	1.5%
Real estates	**69.3**	**14.6%**	**72.7**	**14.9%**
Directly owned	49.5	10.4%	48.7	10.0%
Real estate funds	19.8	4.2%	24.0	4.9%
Money Market	**37.4**	**7.9%**	**55.3**	**11.3%**
Derivatives	**-21.3**	**-4.5%**	**-23.9**	**-4.9%**
Cash and bank	**31.8**	**6.7%**	**14.7**	**3.0%**
Total	**474.7**	**100.0%**	**488.0**	**100.0%**

1) Includes capital loan to Alandia

Life insurance company's market risk

In the life insurance company's liabilities from insurance contracts the interest rate risk is the most significant market risk, as other market risks are of marginal significance. Through its investment portfolio, the company is also exposed to credit spread risk, equity risk, real estate risk, as well as currency and concentration risk.

In the Group's internal capital calculation as well as in the official solvency calculation (Solvency II), the company's largest market risk exposure is the real estate risk arising from the potential value decrease of the company's direct and indirect real estate holdings. Also risks arising from an increase in credit margins (spreads) and decreasing share prices is considerable.

The IFRS 17 standard, which is effective from 1 January 2023, increases the result's exposure for interest rate risks. The new standard gives rise to interest rate fluctuations having an impact on the value of technical provisions of insurance contracts, which directly affects the Group's result. The interest rate risk is still a significant partial risk within the market risk, but after the hedging measures carried out during 2022 it is no longer the largest market risk.

The risk exposure in the internal model is calculated through a difference under a stress scenario describing a historical 99.5% percentile of the various risk factors. On 30 June 2023, the risk sensitivity was EUR 24.2 (3.3) million for interest rate risk, EUR 27.3 (31.6) million for equity risk, EUR 24.7 (25.6) million for real estate risk, EUR 20.4 (15.2) million for credit spread risk, and EUR 18.7 (16.4) million for currency risk. After a summation and diversification effect, the internal requirement is 72.9 (61.7) EUR million against the allowed limit of 100 (105) EUR million. The relatively large change is due to the calibration of the model at the year-end, as rising interest rate levels considerably affect the calculation parameters. The earlier parameters were applied until 31 December 2022.

Main events

Aktia was awarded the best European fixed income fund house

Aktia was awarded the best European fixed income fund house in the series for small fund houses in the Refinitiv Lipper Fund Awards comparison. In addition, Aktia's funds once again collected first prizes in both the Nordics and Europe. Refinitiv Lipper Fund Awards are granted annually to the best funds and asset management and fund management companies all over the world. The awards are based on risk-weighted returns over three, five and ten years.

Aktia and Käärijä encourage children and young people to learn about finances

The runner up in the Eurovision Song Contest 2023, Käärijä, or Jere Pöyhönen, and Aktia started working together to improve the financial literacy of children and young people. Good financial literacy is an important civic skill that increases equality in society. Aktia and Käärijä joined forces to make financial literacy a natural part of life for children and young people.

Elisa took charge of part of Aktia's IT and network management services

Aktia Bank Plc and Elisa Plc signed an agreement for a long-term partnership, through which Elisa will take charge of a part of Aktia’s IT and network management services. The agreement took effect on 1 June 2023, and it has been drawn up for the next five years, after which it can be extended. The cooperation supports Aktia's strategic goal of being the leading wealth manager bank in Finland.

Aktia issued a EUR 500 million covered bond

On 23 May 2023, Aktia Bank Plc issued a new EUR 500 million covered bond, due in May 2027. The bond was competitively priced 17 basis points over swap rates (MS +17) and it was oversubscribed by 2.5 times. The final order book included subscription offers from over 50 investors.

Aktia set clearer targets for sustainability

Sustainability is at the heart of Aktia’s activities and guides Aktia towards the vision of being the leading wealth manager bank. To reach this goal, Aktia updated its sustainability programme to align it even more with the strategy. The new programme will steer the company’s sustainability efforts on a comprehensive scale until the year 2025.

More information about Aktia’s sustainability program can be found on the company’s website at **www.aktia.com/en/sustainability/corporate-responsibility-programme**

Aktia launched the Aktia Aurinkotuuli III private equity fund

With Aktia Aurinkotuuli III, also private investors can make impactful investments in increasing the production of renewable energy. The fund invests in the international Taaleri SolarWind III private equity fund. The fund’s investment strategy is to acquire, develop, build, operate and sell industrial-scale wind farms and solar power parks as well as energy storage facilities in the target markets in the Nordic countries, the Baltic countries, Poland, Southeast Europe, Spain and Texas.

Aktia was selected the best fixed income fund house in Finland

Aktia was selected the best fixed income fund house in Finland in the Morningstar Awards 2022 comparison. In the same comparison, Aktia’s balanced fund Aktia Wealth Allocation+ Moderate B was selected as the best balanced fund in Finland. Morningstar is an independent party which carries out fund comparisons and selects the best fund houses annually based on a five-year risk-adjusted return.

Aktia raised its prime rate to 2.00 per cent

Aktia Bank raised its prime rate from 1.00 per cent to 2.00 per cent. The new prime rate was applied from 1 April 2023. The change was due to higher market rates.

Other information

Rating

Standard & Poor’s (S&P) outlook for the creditworthiness of Aktia Bank Plc has been stable since the latest update on 22 January 2021. The rating is A- for long-term borrowing and A2 for short-term borrowing. The rating was affirmed on 8 Novemeber 2022 related to the S&P’s “Ratings Direct” report.

On 6 April, Moody's Investors Service changed the long-term outlook on Aktia's credit ratings for short-term and long-term funding from stable to negative. At the same time, Moody’s confirmed Aktia’s short-term funding rating at P-1 and long-term funding rating at A2. Moody’s Investors Service’s rating for Aktia Bank’s long-term Covered Bonds is Aaa.

	Long-term borrowing	Short-term borrowing	Outlook	Covered Bonds
Moody’s Investors Service	A2	P-1	negative	Aaa
Standard & Poor’s	A-	A-2	stable	-

Events concerning related parties

Related parties include Aktia’s subsidiaries and associated companies, shareholders with significant influence and key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling influence. Aktia Group’s key persons are the members of the Board of Directors, the CEO, the Deputy CEO and other members of the Executive Committee.

Further information on events concerning related parties is described in notes G43 and P43 in the Financial statements 2022.

Staff

The number of full-time employees at the end of June amounted to 870 (31 December 2022; 891). The average number of full-time employees amounted to 867 (1 January–31 June 2022; 900).

Executive Committee

On 5 June 2023, Aktia announced that company’s Board of Directors had appointed M.Soc.Sc. Aleksi Lehtonen as the new President and CEO of Aktia Bank Plc. Lehtonen will start in his position at the beginning of December 2024 at the latest. He will move to Aktia from Nordea, where he has been Head of Business Banking Finland since 2018 together with the more administrative role as Country Senior Executive since 2022. During his career in Nordea for more than 24 years, Lehtonen has also held several managerial positions in Nordea Markets where he has been in charge of risk management and investment solutions, among others. The appointment is conditional on the Financial Supervisory Authority not having any objections to the appointment.

On 28 April 2023, Aktia announced that Sari Leppänen, Chief Information Officer and a member of the Executive Committee at Aktia, will leave the company at the end of July 2023 and undertake other duties outside of the company. Kaapro Kanto was appointed as the interim Chief Information Officer as of 12 June 2023.

On 30 June 2023, Aktia’s Executive Committee consisted of the following persons: Juha Hammarén, interim CEO; Outi Henriksson, Executive Vice President & CFO; Anssi Huhta, Executive Vice President, Banking Business; Uki Lammi, Executive Vice President (interim), Asset Management; Kaapro Kanto, Executive Vice President & CIO (interim) and Sini Kivekäs, Executive Vice President, Human Resources.

The incentive plans 2023–2024

Share Savings Plan

The Board of Directors of Aktia Bank Plc decided on a continuation of AktiaUna, a long-term share savings plan for the employees of the Aktia Group that was launched in 2018 to support the implementation of Aktia’s strategy.

The objective of the share savings plan is to motivate Aktia’s employees to invest in Aktia shares and to own shares in Aktia. The objective is also to align the interests and commitment of the employees and management to work for a good value development and increased shareholder value in the long-term.

AktiaUna share savings plan offers approximately 900 Aktia employees the opportunity to save 2–4% of their salaries (the members of the Group’s Executive Committee up to 12% and selected key employees up to 7%) and with this savings amount regularly acquire Aktia shares at a 10% discount. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in AktiaUna share savings plan after approximately two years.

Executive and key employee incentive plan 2023

The Board of Directors of Aktia Bank Plc decided to launch a new performance-based incentive plan for key employees, including CEO and group executive committee, of the group. The objective of the plan is to support the company’s strategy by motivating the key employees to achieve financial and strategic targets set for the group.

The plan includes one 1-year performance period, calendar year 2023. During the performance period 2023, the reward from the plan is based on Group comparable operating profit, strategic metrics decided by the Board and participants individual performance. Participation in the programme requires participation in AktiaUna share savings plan.

Half of the cash reward earned based on the performance period will be converted into Aktia shares after the performance period and will be paid in five instalments between 2024 and 2028, partly in Aktia shares and partly in cash.

On 8 June 2023, Aktia announced it will continue its executive and key employee incentive plan. The total number of Aktia Bank Plc's shares paid under the plan was increased by 100,000 shares, bringing the maximum number of shares for the whole plan to 380,000.

Business Areas' Performance-Based Incentive Plan

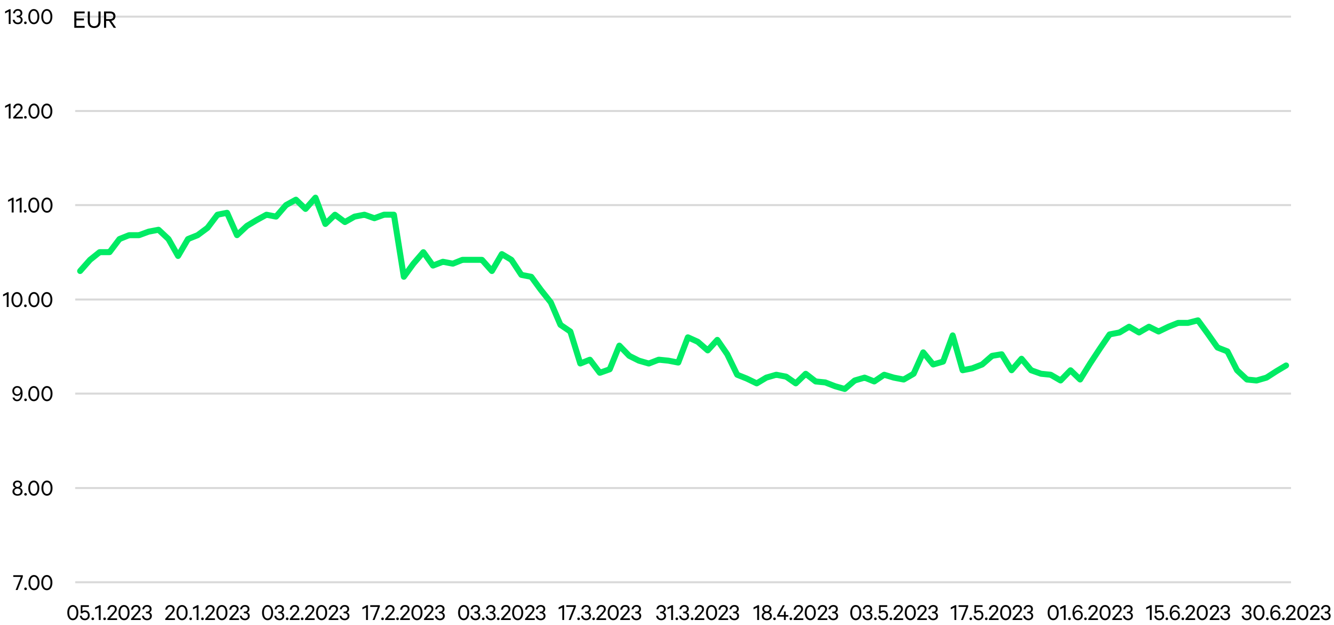
The Board of Directors of Aktia Bank Plc decided to launch a new performance-based incentive plan 2023–2024 for the key employees of Aktia's business areas. The objective of the plan is to support the company's strategy by motivating the key employees to achieve financial and strategic targets set for key employees' own business area.

The plan includes one 1-year performance period, calendar year 2023. The performance period is followed by an approximately 14-month restriction period. During the performance period 2023, the reward from the plan is based on each business area's comparable operating profit. Participation in the program requires participation in AktiaUna share savings plan.

The cash reward earned based on the performance period will be converted into Aktia shares after the performance period and will be paid in five instalments after the end of the restriction period in 2025, 2026, 2027, 2028 and 2029, partly in Aktia shares and partly in cash.

More information on the incentive schemes is presented at www.aktia.com > Investors > Corporate Governance > Remuneration.

Development of Aktia's share 3 January–30 June 2023



Decisions of Aktia Bank Plc's Annual General Meeting 2023

The Annual General Meeting of Aktia Bank Plc, held on 5 April 2023, adopted the financial statements of the parent company and the consolidated financial statements and discharged the members of the Board of Directors, the CEO and his deputy from liability.

In accordance with the proposal by the Board of Directors, the Annual General Meeting decided on the payment of a dividend of 0.43 euro per share for the accounting period 1 January – 31 December 2022.

The Annual General Meeting confirmed the number of board members as eight. Maria Jerhamre Engström, Harri Lauslahti, Sari Pohjonen, Johannes Schulman, Lasse Svens and Timo Vättö were re-elected as Board members. Ann Grevelius and Carl Haglund were elected as new members of the Board of Directors. The Board of Directors, which convened after the General Meeting, elected Lasse Svens as chair and Timo Vättö as vice chair. In the same meeting, the Board of Directors also decided on the composition of the Board's Audit Committee, Risk Committee, as well as the Remuneration and Corporate Governance Committee. Sari Pohjonen was elected as chair and Ann Grevelius and Johannes Schulman as members of the Audit Committee. Maria Jerhamre Engström was elected as chair and Harri Lauslahti and Lasse Svens as members of the Risk Committee. Timo Vättö was elected as chair and Carl Haglund and Lasse Svens as members of the Remuneration and Corporate Governance Committee.

In accordance with the proposal by the Board of Directors, the Annual General Meeting decided to approve the remuneration report for the governing bodies of Aktia Bank Plc and the remuneration of the Board of Directors.

The Annual General Meeting determined that the number of auditors shall be one, and re-elected APA firm KPMG Oy Ab as auditor with Marcus Tötterman, M.Sc. (Econ.), APA, as auditor-in-charge.

The Annual General Meeting adopted the proposal of the Board of Directors regarding amendment of article 5 of the company's Articles of Association to allow organising of a remote general meeting without a meeting venue as an alternative to a physical general meeting or a hybrid meeting. In the same context, the venue for physical general meetings was be defined to be Helsinki, Espoo or Vantaa.

The Annual General Meeting adopted the proposal of the Board of Directors regarding resolution for share issue authorisation for up to 7,238,000 shares or securities entitling to shares, authorisation to acquire up to 500,000 company's own shares for use in the company's share based scheme and/or the remuneration of members of the company's Board of Directors and authorisation to divest up to 500,000 company's own shares.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 170 million. Aktia has issued a total of 92,793 new shares as part of the Aktia Group's employee share savings plan AktiaUna 2022–2023. The share issue is based on the authorisation by the Annual General Meeting of Shareholders held on 5 April 2023. Nearly 600 employees participated in the share savings plan during this savings period. The number of shares in Aktia after this share issue is 72,557,865 shares.

On 15 May 2023, Aktia announced it had divested a total of 1,490 own shares held by the company to 14 persons as a deferred payment based on the company's remuneration programmes. On 30 June 2023, a total of 165,693 (30 June 2022; 240,263) shares remain in the company's possession.

On 30 June 2023, the total number of registered holders of Aktia Bank Plc's shares amounted to 40,308 (30 June 2022; 40,222). Foreign ownership was 8.72 (10.73) per cent. There were no unregistered shares at the end of June.

Aktia Bank Plc's market value on 30 June 2023, the last trading day of the period, was approximately EUR 675 (30 June 2022; 661) million. The closing price for the Aktia share on 30 June 2023 was EUR 9.30 (30 June 2022; 9.14). The highest price for the Aktia share during the period was EUR 11.08 (12.88) and the lowest EUR 9.05 (8.80). The average daily turnover of the Aktia share during January—June 2023 was EUR 411,736 (707,184) or 42,149 (67,526) shares.

(EUR million)	Number of shares	Share capital	Unrestricted equity reserve
1 Jan 2022	**72,144.081**	**169.7**	**138.6**
Share issue 1 Jan 2022	75,000	-	0.9
Share issue 24 May 2022	74,631	-	0.7
Share issue 17 Nov 2022	91,360	-	0.8
Other changes	-	-	0.5
31 Dec 2022	**72,385.072**	**169.7**	**141.5**
Share issue 30 Jan 2023	80,000	-	0.9
Share issue 25 May 2023	92,793	-	0.8
Other changes	-	-	0.3
30 June 2023	**72,557.865**	**169.7**	**143.4**

Sustainability

Aktia follows the sustainability programme updated last year, of which the high-level targets are to enable sustainable prosperity, competence and well-being of employees who can influence their work and feel that their work is meaningful , ensure reliable and transparent operations and work towards carbon-neutrality.

In the second quarter, Aktia invested especially in the employee experience as well as the well-being of the personnel. Examples of this are e.g. a renewed HR strategy, which is based on the Aktia strategy and the idea that every Aktia employee has a role in the implementation of the strategy. We also updated our internal instructions regarding occupational health and safety as well as harassment and improper treatment. We increased the amount of the sports and culture benefits for the personnel and we also offer our personnel a new employee bicycle benefit to encourage our people to exercise and lead an active lifestyle.

One of the focus areas of the sustainability programme updated last year is diversity, equity and inclusion. In accordance with our goal, we joined the SHE Index and received the first rating, which was 74 (High). The result is the same as the average result of Finnish companies. The SHE Index measures and compares the gender balance in organisations, which promotes transparency and motivates activities. We will later set a target level for the index. We also updated our recruitment policy to better support diverse recruitment and the formation of teams.

Aktia started cooperation with Eurovision Song Contest 2023 Finnish runner-up Käärijä, aka Jere Pöyhönen, to improve the financial literacy of children and young people. Good financial literacy is an important civic skill that increases equality in society. Acquiring money management skills and an understanding of the importance of good financial management already at a young age creates a strong foundation for the rest of your life. Practical financial skills are best learned by practicing using money in everyday situations, and practicing can also be interesting and fun. As an asset management bank, Aktia wants to create wealth for Finns and thereby for society as a whole.

Aktia expanded its sustainable fund family by launching the renewed Aktia Sustainable Government Bond fund. The rules of the fund were changed in such a way that the fund is now classified as an investment product according to Article 9 of the EU sustainable finance regulation, SFDR, whose goal is to make sustainable investments that must promote environmental and social goals and must not cause significant harm to other sustainability indicators. This is a continuation of Aktia's determined work to respond to the opportunities brought by the green transition and the growing demand from customers for sustainable product solutions.

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. The TPI Global Climate Transition Center (TPI Centre) is an independent source of research and information on the financial and business world's progress in the transition to a low-carbon economy. Aktia has already previously used TPI's data as part of asset management, to identify transition companies that are on the right path in transitioning to a low-carbon economy.

With the updated sustainability programme, Aktia monitors some of the sustainability indicators semi-annually. The levels of these indicators are presented in the table below.

Indicator (target for year 2025)		Q2 2023	Q2 2022
Share of Article 8/9 classified funds (increase)		95.4%	96.6%***
Siqni flame Index* (80)		70	71
eNPS, Employee Net Promoter Score measures employees' willingness to recommend the organization (20)		-8	-2
Aktia's ESG ratings (at least industry average)	MSCI	A	AA
	Sustainalytics	Low risk	High risk
	ISS	D+	D+
Aktia bank's net impact ratio according to Upright's model (positive)		+31%	+45%
Interim objectives of the climate strategy			
Change in the relative carbon footprint of equity and credit portfolios per M€ invested*** (2025 -30% vs. 2019)		8.7%	-22.9%***

* Scale 0-100
** Equity funds: Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America, Global, Micro Rhein, Rhein Value, Micro Markka and Europa Dividend.
Credit funds: Corporate Bond +, Short-Term Corporate Bond +, European High Yield Bond +, Nordic High Yield and IU Aktia Sustainable Corporate Bond.
Also includes Balanced funds Secura and Solida as well as Aktia Treasury's and Aktia Life Insurance's funds
*** The comparison figure is the 2022 year-end figure, because there is no quarterly data for 2022

Risks

Risks (updated)

Aktia's result is affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates, as well as the competitive situation. Changes in these factors may affect the demand for banking, insurance, and asset management services. The market value of Aktia's financial and other assets may change, for example, because of investors' higher return requirements or rising interest rates.

Although inflation in the euro area slowed down during the second quarter, it remains on a high level (6.1% in May). The European Central Bank (ECB) continued its reference rate hikes during the second quarter and has stated that it is strongly committed to continuing on the same path until the medium-term target of 2% is reached. The descending yield curve reflects the market expectations, while short market rates continued to rise. Aktia's net interest income risk measured in a 12-month period is low.

Capital markets are operating normally, and a large number of issues have been made during the quarter. Aktia also performed a very successful issue to a value of EUR 500 million and with a maturity of 4 years on the covered bond market. However, the bank's senior funding is still modest due to low demand, and in addition to wholesale funding, retail deposits are therefore an excellent form of funding also going forward. Aktia has been an active provider of deposit alternatives.

There are no notable changes in the ECL level in the second quarter of 2023. Any future impairment of credits in Aktia's credit portfolio could be due to many factors, of which the most important are the general economic situation, the interest rate level, the level of unemployment and the development of real estate prices.

The current economic situation increases the uncertainty in Aktia's credit portfolio. The high inflation has lowered real income at the same time as the higher interest rate level is beginning to have an effect on an increasing number of customers in connection with the interest rate adjustments. However, the insolvent exposures in Aktia's credit portfolio decreased somewhat during the quarter, mainly because of the decrease in defaults in corporate exposures. At the moment, there are no significant deviations in customer behaviour, for example in the demand for instalment-free periods or an increase in defaulted loans, but Aktia is actively monitoring the situation. Aktia also actively monitors risks in sectors that are most affected by the current situation, such as the energy-intensive industry and transport sectors.

Aktia's operational risks exceeded the risk appetite also in the second quarter but remained well within the risk tolerance.

During the quarter, some process faults have been reported which may lead to credit losses in the future. The individual cases are nevertheless small measured in euro and risk-limiting measures have been taken. Based on the observed deficiencies, measures to prevent similar events have also been taken, such as the development of control measures for identifying missing documentation.

The risk level of data security is considered to be elevated due to the general situation and international cyber threats aimed at the financial sector. The risk level is heightened also by the findings in the data security testing (Red team testing) within the TIBER-FI framework, which Aktia carried out in the first quarter. Based on these findings risk-limiting measures have already been taken, but the risk level is estimated to stay elevated until the completion of ongoing comprehensive system updates at the end of 2023.

Outlook for 2023 (unchanged)

Aktia's comparable operating profit for 2023 is expected to be clearly higher than the EUR 65.2 million reported for 2022 (under the accounting standard previously applied for the life insurance business).

The outlook has been prepared based on the following assumptions:

- Net interest income is expected to be significantly higher than in 2022.
- Net commission income is expected to increase slightly in 2023.
- Life insurance business is expected to develop stably. However, the result is affected by changes in market values. The recalculated result for 2022 according to the new accounting standard IFRS 17 is exceptionally high due to accounting technical changes.
- Operating expenses are expected to be on the same level or increase somewhat from 2022, due in particular to higher inflation and the start-up expenses of IT outsourcings (updated, earlier: are expected to be on the same level as in 2022).
- Credit loss provisions are expected to be at the same level as in 2022.

Tables and notes to the half-year report

Key figures

(EUR million)	1-6/2023	1-6/2022	Δ %	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022
Earnings per share (EPS), EUR	0.54	0.95	-43 %	0.29	0.25	0.07	0.34	0.55
Total earnings per share, EUR	0.61	0.24	154 %	0.32	0.29	0.09	0.26	0.23
Equity per share (NAV), EUR [*1]	8.22	7.70	7 %	8.22	8.33	8.05	7.95	7.70
Average number of shares (excl. treasury shares), million[2]	72.3	71.9	0 %	72.3	72.2	72.0	72.0	71.9
Numer of share at the end of the period (excl. treasury shares), million[1]	72.4	72.1	0 %	72.4	72.3	72.2	72.1	72.1
Return on equity (ROE), % [*3]	13.3	24.2	-45 %	14.1	12.2	3.7	17.6	28.0
Return on assets (ROA), % [*]	0.63	1.16	-45 %	0.69	0.59	0.18	0.83	1.34
Cost-to-income ratio[*]	0.64	0.49	29 %	0.60	0.67	0.76	0.56	0.45
Common Equity Tier 1 capital ratio. CET1 (Bank Group), %[1]	11.0	10.4	6 %	11.0	11.1	10.8	10.6	10.4
Tier 1 capital ratio (Bank Group), %[1]	12.8	12.3	4 %	12.8	13.0	12.7	12.5	12.3
Capital adequacy ratio (Bank Group), %[1]	15.0	14.6	3 %	15.0	15.2	14.9	14.7	14.6
Risk-weighted exposures (Bank Group)[1]	3,202.7	3,089.5	4 %	3,202.7	3,132.8	3,130.6	3,084.0	3,089.5
Capital adequacy ratio (finance and insurance conglomerate), %[1]	137.5	143.3	-4 %	137.5	141.2	141.5	141.2	140.8
Equity ratio, %[*1]	5.3	5.2	2 %	5.3	5.4	5.3	5.4	5.2
Group financial assets[*1]	2,681	2,589	4 %	2,681	2,580	2,936	2,475	2,589
Assets under management[*1]	13,755	13,919	-1 %	13,755	13,838	13,539	13,598	13,919
Borrowing from the public[1]	4,793	4,890	-2 %	4,793	4,871	5,214	4,904	4,890
Lending to the public[1]	7,824	7,698	2 %	7,824	7,805	7,792	7,739	7,698
Premiums written before reinsurers' share (Aktia Life Insurance Ltd)[*]	85.3	82.1	4 %	44.7	40.6	31.7	28.4	36.4
Expense ratio, % (life insurance company)[*2]	110.6	107.1	3 %	110.6	108.1	108.0	106.8	107.1
Solvency ratio (life insurance company), %	207.6	245.1	-15 %	207.6	224.3	243.5	246.1	245.1
Eligible capital (life insurance company)[1]	174.0	205.8	-15 %	174.0	177.9	183.2	191.4	205.8
Investments at fair value (life insurance company)[*1]	1,553	1,495	4 %	1,553	1,509	1,474	1,453	1,495
Liabilities from insurance contracts[1]	481	538	-11 %	481	493	492	501	538
Liabilities from investment contracts[1]	1,000	930	8 %	1,000	970	928	906	930
Group's personnel (FTEs), average number of employees	867	900	-4 %	863	870	913	947	923
Group's personnel (FTEs), at the end of the period[1]	870	965	-10 %	870	860	891	927	965
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio[*]	0.63	0.49	27 %	0.60	0.65	0.73	0.56	0.45
Comparable earnings per share (EPS), EUR[*]	0.55	0.95	-41 %	0.29	0.27	0.09	0.34	0.55
Comparable return on equity (ROE), %[*3]	13.6	24.1	-44 %	13.9	13.0	4.5	17.6	28.0

* Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information. Aktia presents a number of APMs, from which items affecting comparability are excluded. Items affecting comparability are not associated with day-to-day business, and such items are income and expenses attributable to restructuring, divestment of operations as well as impairment of assets departing from day-to-day business. The items affecting comparability are shown in the table under the Group's income statement and comprehensive income.
1) At the end of the period
2) Cumulative from the beginning of the year
3) Return on equity exclude the additional Tier 1 capital loan recognised as equity

Reference periods 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts.

Formulas for the key figures are available in AktiaBank Plc's Consolidated Financial Statement 2022 on page 48.

Consolidated income statement

(EUR million)	Note	Jan-June 2023	Jan-June 2022	Δ %	2022
Net interest income	3	65.6	50.9	29 %	99.2
Dividends		0.1	0.4	-84 %	1.4
Commission income		67.3	69.4	-3 %	134.3
Commission expenses		-6.7	-6.5	-3 %	-12.3
Net commission income		60.6	63.0	-4 %	122.0
Insurance service result		9.4	6.6	42 %	15.3
Result from investment contracts		4.2	4.4	-3 %	8.7
Net investment result		-0.7	45.3	-	55.2
Net income from life insurance	4	12.9	56.3	-77 %	79.2
Net income from financial transactions	5	0.9	1.6	-42 %	0.6
Other operating income		0.5	0.2	168 %	0.5
Total operating income		**140.6**	**172.4**	**-18 %**	**302.9**
Staff costs		-41.9	-40.4	4 %	-80.4
IT expenses		-18.9	-15.6	21 %	-32.7
Depreciation of tangible and intangible assets		-11.8	-11.6	1 %	-23.3
Other operating expenses		-16.7	-17.5	-4 %	-33.0
Total operating expenses		**-89.3**	**-85.1**	**5 %**	**-169.4**
Impairment of tangible and intangible assets		-	-	-	0.0
Impairment of credits and other commitments	7	-2.3	-2.1	9 %	-10.2
Share of profit from associated companies		0.1	0.3	-83 %	0.2
Operating profit		**49.0**	**85.5**	**-43 %**	**123.5**
Taxes		-9.9	-17.3	-43 %	-25.2
Profit for the period		**39.1**	**68.2**	**-43 %**	**98.3**
Attributable to:					
Shareholders in Aktia Bank Plc		39.1	68.2	-43 %	98.3
Holders of Additional Tier 1 capital		-	-	-	-
Total		**39.1**	**68.2**	**-43 %**	**98.3**
Earnings per share (EPS), EUR		0.54	0.95	-43 %	1.37
Earnings per share (EPS) after dilution, EUR		0.54	0.95	-43 %	1.37
Operating profit excluding items affecting comparability:					
Operating profit		49.0	85.5	-43 %	123.5
Operating income:					
Additional income from divestment of Visa Europe to Visa Inc		-0.3	-0.2	-56 %	-0.2
Operating expenses:					
Costs for restructuring		1.4	-	-	1.4
Impairment of tangible and intangible assets:					
Costs for restructuring		-	-	-	0.0
Comparable operating profit		**50.1**	**85.3**	**-41 %**	**124.7**

Consolidated statement of comprehensive income

(EUR million)	Jan-June 2023	Jan-June 2022	Δ %	2022
Profit for the period	39.1	68.2	-43 %	98.3
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets	6.2	-49.8	-	-55.8
Change in valuation of fair value for cash flow hedging	-1.0	-0.8	-24 %	-0.3
Transferred to the income statement for financial assets	0.0	0.0	-	0.1
Comprehensive income from items which can be transferred to the income statement	5.2	-50.6	-	-56.1
Defined benefit plan pensions	-	-	-	0.5
Comprehensive income from items which can not be transferred to the income statement	-	0.0	-	0.5
Total comprehensive income for the period	**44.3**	**17.6**	**152 %**	**42.7**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank Plc	44.3	17.6	152 %	42.7
Holders of Additional Tier 1 capital	-	-	-	-
Total	**44.3**	**17.6**	**152 %**	**42.7**
Total earnings per share, EUR	0.61	0.24	151 %	0.59
Total earnings per share after dilution, EUR	0.61	0.24	151 %	0.59
Total comprehensive income excluding items affecting comparability:				
Total comprehensive income	44.3	**17.6**	152 %	42.7
Additional income from divestment of Visa Europe to Visa Inc	-0.2	-0.1	-56 %	-0.1
Costs for restructuring	1.1	-	-	0.0
Comparable total comprehensive income	**45.2**	**17.4**	**159 %**	**42.5**

Items affecting consolidated income statement and comprehensive income

(EUR million)	Jan-June 2023	Jan-June 2022	Δ %	2022
Net income from financial transactions	0.3	0.2	56 %	0.2
Total operating income	**0.3**	**0.2**	**56 %**	**0.2**
Staff costs	-1.4	-	-	-0.8
Other operating expenses	0.0	-	-	-0.6
Total operating expenses	**-1.4**	**-**	**-**	**-1.4**
Impairment of tangible and intangible assets	-	-	-	0.0
Operating profit	**-1.1**	**0.2**	**-**	**-1.2**
Taxes	0.2	0.0	-	0.2
Total comprehensive income for the period	**-0.9**	**0.1**	**-**	**-1.0**

Consolidated balance sheet

(EUR million)	Note	30 June 2023	31 Dec 2022	Δ%	30 June 2022
Interest-bearing securities		70.2	72.9	-4 %	77.1
Shares and participations		151.9	174.9	-13 %	169.2
Investments for unit-linked investments		1,081.0	1,001.6	8 %	1,004.2
Financial assets measured at fair value through income statement	8	1,303.0	1,249.5	4 %	1,250.5
Interest-bearing securities		946.5	997.1	-5 %	1,041.5
Financial assets measured at fair value through other comprehensive income	8	946.5	997.1	-5 %	1,041.5
Interest-bearing securities	7,8	525.3	529.4	-1 %	508.4
Lending to Bank of Finland and credit institutions	7,8	1,147.2	1,193.2	-4 %	128.8
Lending to the public and public sector entities	7,8	7,824.4	7,791.7	0 %	7,698.2
Cash and balances with central banks	8	109.7	165.8	-34 %	824.4
Financial assets measured at amortised cost		9,606.7	9,680.2	-1 %	9,159.8
Derivative instruments	6,8	64.9	54.7	19 %	18.5
Investments in associated companies and joint ventures		2.8	3.1	-11 %	2.5
Intangible assets and goodwill		167.2	166.3	1 %	169.0
Right-of-use assets		20.9	19.9	5 %	21.9
Investment properties		44.7	44.7	0 %	45.6
Other tangible assets		8.1	9.0	-10 %	8.3
Tangible and intangible assets		240.9	239.9	0 %	244.8
Other assets		98.0	148.3	-34 %	166.8
Income tax receivables		1.4	1.5	-7 %	0.0
Deferred tax receivables		28.3	38.2	-26 %	26.0
Tax receivables		29.7	39.7	-25 %	26.1
Total assets		**12,292.4**	**12,412.2**	**-1 %**	**11,910.5**
Liabilities to central banks (TLTRO loan)		500.0	800.0	-38 %	800.0
Liabilities to credit institutions		43.1	31.9	35 %	93.2
Liabilities to the public and public sector entities		4,792.7	5,213.8	-8 %	4,890.1
Deposits	8	5,335.7	6,045.7	-12 %	5,783.3
Derivative instruments	6.8	332.2	294.0	13 %	181.7
Debt securities issued		3,353.1	3,051.7	10 %	2,971.2
Subordinated liabilities		119.0	118.5	0 %	121.0
Other liabilities to credit institutions		2.8	5.5	-50 %	11.3
Other liabilities to the public and public sector entities		833.0	686.0	21 %	622.3
Other financial liabilities	8	4,307.8	3,861.8	12 %	3,725.7
Liabilities for insurance contracts		481.4	491.6	-2 %	538.2
Liabilities for investment contracts		999.9	928.4	8 %	930.1
Liabilities from insurance business	4	1,481.3	1,420.0	4 %	1,468.3
Other liabilities		123.7	83.6	48 %	80.4
Provisions		1.2	1.3	-7 %	1.1
Income tax liabilities		1.0	2.8	-65 %	4.3
Deferred tax liabilities		55.2	62.9	-12 %	51.6
Tax liabilities		56.2	65.8	-15 %	55.9
Total liabilities		**11,638.2**	**11,772.1**	**-1 %**	**11,296.3**
Restricted equity		125.0	119.8	4 %	125.3
Unrestricted equity		469.7	460.8	2 %	429.4
Shareholders' share of equity		594.7	580.6	2 %	554.7
Holders of Additional Tier 1 capital		59.5	59.5	0 %	59.5
Total equity		**654.2**	**640.1**	**2 %**	**614.2**
Total liabilities and equity		**12,292.4**	**12,412.2**	**-1 %**	**11,910.5**

Consolidated off-balance-sheet commitments

(EUR million)	30 June 2023	31 Dec 2022	Δ%	30 June 2022
Guarantees	18.5	19.0	-2 %	18.6
Other commitments provided to a third party	3.3	4.3	-22 %	6.7
Commitments provided to a third party on behalf of the customers	**21.9**	**23.2**	**-6 %**	**25.4**
Unused credit arrangements	588.5	604.6	-3 %	719.2
Other commitments provided to a third party	16.0	17.3	-8 %	19.5
Irrevocable commitments provided on behalf of customers	**604.5**	**621.9**	**-3 %**	**738.7**
Total	**626.4**	**645.1**	**-3 %**	**764.0**

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Un-restricted equity reserve	Retained earnings	Share-holders' share of equity	Additional Tier 1 capital holders	Total equity
Equity as at 31 December 2021	**169.7**	**6.2**	**3.9**	**138.6**	**360.5**	**678.9**	**59.5**	**738.4**
Effect of the implementation of IFRS 17					-104.4	-104.4		-104.4
Equity as at 1 January 2022	**169.7**	**6.2**	**3.9**	**138.6**	**256.1**	**574.5**	**59.5**	**634.0**
Share issue				2.3		2.3		2.3
Acquisition of treasury shares					-0.9	-0.9		-0.9
Divestment of treasury shares				0.5	1.2	1.7		1.7
Dividend to shareholders					-40.3	-40.3		-40.3
Profit for the year					*98.3*	*98.3*		*98.3*
Financial assets		*-55.8*				*-55.8*		*-55.8*
Cash flow hedging		*-0.3*				*-0.3*		*-0.3*
Transferred to the income statement for financial assets		*0.1*				*0.1*		*0.1*
Comprehensive income from items which can be transferred to the income statement		-56.1				-56.1		-56.1
Defined benefit plan pensions					*0.5*	*0.5*		*0.5*
Comprehensive income from items which can not be transferred to the income statement					0.5	0.5		0.5
Total comprehensive income for the year		-56.1			98.8	42.7		42.7
Additional Tier 1 (AT1) capital issue					-1.9	-1.9		-1.9
Change in share-based payments (IFRS 2)			1.8		0.7	2.4		2.4
Equity as at 31 December 2022	**169.7**	**-49.9**	**5.7**	**141.5**	**313.7**	**580.6**	**59.5**	**640.1**

Equity as at 1 January 2023	**169.7**	**-49.9**	**5.7**	**141.5**	**313.7**	**580.6**	**59.5**	**640.1**
Share issue				1.6	-	1.6		1.6
Acquisition of treasury shares					-0.9	-0.9		-0.9
Divestment of treasury shares				0.3	1.2	1.5		1.5
Dividend to shareholders					-31.1	-31.1		-31.1
Profit for the period					39.1	39.1		39.1
Financial assets		*6.2*				*6.2*		*6.2*
Cash flow hedging		*-1.0*				*-1.0*		*-1.0*
Transferred to the income statement for financial assets		*0.0*				*0.0*		*0.0*
Comprehensive income from items which can be transferred to the income statement		5.2				5.2		5.2
Total comprehensive income for the period		5.2			39.1	44.3		44.3
Paid interest on Additional Tier 1 (AT1) capital, after taxes					-1.9	-1.9	-	-1.9
Change in share-based payments (IFRS 2)			0.1		0.3	0.4		0.4
Equity as at 30 June 2023	**169.7**	**-44.7**	**5.8**	**143.4**	**320.5**	**594.7**	**59.5**	**654.2**

Equity as at 1 January 2022	**169.7**	**6.2**	**3.9**	**138.6**	**256.1**	**574.5**	**59.5**	**634.0**
Share issue				0.9	-	0.9		0.9
Acquisition of treasury shares					-0.9	-0.9		-0.9
Divestment of treasury shares				1.1	1.2	2.2		2.2
Dividend to shareholders					-40.3	-40.3		-40.3
Profit for the period					*68.2*	*68.2*		*68.2*
Financial assets		*-49.8*				*-49.8*		*-49.8*
Cash flow hedging		*-0.8*				*-0.8*		*-0.8*
Transferred to the income statement for financial assets		0.0				0.0		0.0
Comprehensive income from items which can be transferred to the income statement		-50.6				-50.6		-50.6
Total comprehensive income for the period		-50.6			68.2	17.6		17.6
Change in share-based payments (IFRS 2)			0.3		0.3	0.7		0.7
Equity as at 30 June 2022	**169.7**	**-44.4**	**4.3**	**140.5**	**284.6**	**554.7**	**59.5**	**614.2**

Consolidated cash flow statement

(EUR million)	Jan-June 2023	Jan-june 2022	Δ %	2022
Cash flow from operating activities				
Operating profit	49.0	85.5	-43 %	123.5
Adjustment items not included in cash flow	57.1	-25.9	-	3.0
Paid income taxes	-10.3	-11.3	9 %	-21.1
Cash flow from operating activities before change in receivables and liabilities	**95.8**	**48.3**	**98 %**	**105.4**
Increase (-) or decrease (+) in receivables from operating activities	91.4	-252.4	-	-1,440.2
Increase (+) or decrease (-) in liabilities from operating activities	-177.2	356.8	-	825.0
Total cash flow from operating activities	**10.0**	**152.7**	**-93 %**	**-509.7**
Cash flow from investing activities				
Investment in tangible and intangible assets	-9.6	-4.7	-104 %	-12.2
Proceeds from sale of tangible and intangible assets	-	0.1	-	0.1
Acquisition of and capital loan to associated companies	-	-2.1	-	-2.7
Dividend from associated companies	0.4	-	-	-
Total cash flow from investing activities	**-9.2**	**-6.7**	**-38 %**	**-14.8**
Cash flow from financing activities				
Subordinated liabilities	-	-25.0	-	-25.0
Additional Tier 1 (AT1) capital issue	-2.3	-	-	-2.3
Divestment of treasury shares	1.5	1.6	-4 %	1.7
Paid dividends	-31.1	-40.3	23 %	-40.3
Total cash flow from financing activities	**-31.9**	**-63.7**	**50 %**	**-65.9**
Change in cash and cash equivalents	**-31.1**	**82.3**	**-**	**-590.5**
Cash and cash equivalents at the beginning of the year	144.4	734.9	-80 %	734.9
Cash and cash equivalents at the end of the period	113.4	817.2	-86 %	144.4
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	0.6	0.7	-6 %	0.9
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	51.3	770.5	-93 %	111.1
Repayable on demand claims on credit insitutions	61.5	46.0	33 %	32.5
Total	**113.4**	**817.2**	**-86 %**	**144.4**
Adjustment items not included in cash flow consist of:				
Impairment of interest-bearing securities	-0.5	0.7	-	1.1
Unrealised change in value for financial assets measured at fair value through income statement	-2.6	9.6	-	9.8
Impairment of credits and other commitments	2.3	2.1	9 %	10.2
Change in fair values	48.7	-46.9	-	-37.9
Depreciation and impairment of tangible and intangible assets	9.5	9.4	2 %	18.9
Unwound fair value hedging	-0.4	-1.0	57 %	-2.0
Change in fair values of investment properties	0.0	-0.2	-	0.8
Change in share-based payments	0.0	0.2	-90 %	1.6
Other adjustments	0.1	0.2	-42 %	0.6
Total	**57.1**	**-25.9**	**-**	**3.0**

Quarterly trends in the Group

(EUR million) Income statement	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Net interest income	33.8	31.8	24.2	24.0	25.8	65.6	50.9
Dividends	0.1	0.0	0.0	1.0	0.4	0.1	0.4
Net commission income	30.4	30.3	29.1	29.9	31.6	60.6	63.0
Net income from life insurance	5.7	7.2	3.3	19.6	34.9	12.9	56.3
Net income from financial transactions	0.3	0.6	1.3	-2.2	0.9	0.9	1.6
Other operating income	0.1	0.4	0.2	0.1	0.1	0.5	0.2
Total operating income	**70.3**	**70.3**	**58.2**	**72.4**	**93.7**	**140.6**	**172.4**
Staff costs	-20.9	-21.0	-19.9	-20.1	-19.9	-41.9	-40.4
IT expenses	-9.7	-9.2	-9.9	-7.3	-8.1	-18.9	-15.6
Depreciation of tangible and intangible assets	-5.9	-5.9	-5.9	-5.8	-5.8	-11.8	-11.6
Other operating expenses	-5.7	-11.0	-8.5	-7.1	-7.9	-16.7	-17.5
Total operating expenses	**-42.2**	**-47.1**	**-44.1**	**-40.3**	**-41.8**	**-89.3**	**-85.1**
Impairment of tangible and intangible assets	-	-	0.0	-	-	-	-
Impairment of credits and other commitments	-1.3	-0.9	-7.1	-1.0	-2.4	-2.3	-2.1
Impairment of other receivables	-	-0.1	-	-	-	-0.1	-
Share of profit from associated companies	0.0	0.1	0.0	0.0	0.2	0.1	0.3
Operating profit	**26.8**	**22.2**	**6.9**	**31.1**	**49.7**	**49.0**	**85.5**
Taxes	-5.7	-4.1	-1.5	-6.3	-10.1	-9.9	-17.3
Profit for the period	**21.0**	**18.1**	**5.4**	**24.8**	**39.6**	**39.1**	**68.2**
Attributable to:							
Shareholders in Aktia Bank Plc	21.0	18.1	5.4	24.8	39.6	39.1	68.2
Total	**21.0**	**18.1**	**5.4**	**24.8**	**39.6**	**39.1**	**68.2**
Earnings per share (EPS), EUR	0.29	0.25	0.07	0.34	0.55	0.54	0.95
Earnings per share (EPS) after dilution, EUR	0.29	0.25	0.07	0.34	0.55	0.54	0.95

Operating profit excluding items affecting comparability:	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Operating profit	26.8	22.2	6.9	31.1	49.7	49.0	85.5
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-0.3	-	-	-	-	-0.3	-0.2
Operating expenses:							
Costs for restructuring	-	1.4	1.4	-	-	1.4	-
Impairment of tangible and intangible assets:							
Costs for restructuring	-	-	0.0	-	-	-	-
Comparable operating profit	**26.5**	**23.6**	**8.3**	**31.1**	**49.7**	**50.1**	**85.3**

Reference periods 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts.

(EUR million) Comprehensive income	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Profit for the period	**21.0**	**18.1**	**5.4**	**24.8**	**39.6**	**39.1**	**68.2**
Other comprehensive income after taxes:							
Change in fair value for financial assets	2.8	3.4	1.0	-7.0	-22.7	6.2	-49.8
Change in fair value for cash flow hedging	-0.5	-0.5	0.4	0.1	-0.8	-1.0	-0.8
Transferred to the income statement for financial assets	0.0	0.0	-0.7	0.7	0.5	0.0	0.0
Comprehensive income from items which can be transferred to the income statement	2.3	2.9	0.7	-6.2	-23.1	5.2	-50.6
Defined benefit plan pensions	-	-	0.5	-	-	-	-
Comprehensive income from items which can not be transferred to the income statement	-	-	0.5	-	-	-	-
Total comprehensive income for the period	**23.3**	**21.0**	**6.5**	**18.5**	**16.5**	**44.3**	**17.6**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank Plc	23.3	21.0	6.5	18.5	16.5	44.3	17.6
Total	**23.3**	**21.0**	**6.5**	**18.5**	**16.5**	**44.3**	**17.6**
Total earnings per share, EUR	0.32	0.29	0.09	0.26	0.23	0.61	0.24
Total earnings per share after dilution, EUR	0.32	0.29	0.09	0.26	0.23	0.61	0.24

Total comprehensive income excluding items affecting comparability:	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Total comprehensive income	**23.3**	**21.0**	**6.5**	**18.5**	**16.5**	**44.3**	**17.6**
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-0.2	-	-	-	-	-0.2	-0.1
Operating expenses:							
Costs for restructuring	-	1.1	1.1	-	-	1.1	-
Comparable total comprehensive income	**23.1**	**22.1**	**7.7**	**18.5**	**16.5**	**45.2**	**17.4**

Reference periods 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts.

Quarterly trends in the segments

Banking Business	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Net interest income	34.7	28.8	22.8	23.0	21.0	63.5	40.5
Net commission income	14.6	14.9	14.4	14.0	14.8	29.5	29.9
Other operating income	0.0	0.3	0.1	0.0	0.0	0.4	0.0
Total operating income	**49.3**	**44.0**	**37.3**	**37.1**	**35.8**	**93.3**	**70.3**
Staff costs	-4.6	-4.1	-4.5	-4.4	-4.3	-8.7	-8.2
Other operating expenses[1]	-19.8	-24.3	-22.4	-19.0	-20.2	-44.2	-42.8
Total operating expenses	**-24.4**	**-28.5**	**-26.9**	**-23.4**	**-24.5**	**-52.9**	**-51.0**
Impairment of tangible and intangible assets	-	-	0.0	-	-	-	-
Impairment of credits and other commitments	-1.3	-0.9	-7.1	-1.0	-2.4	-2.3	-2.1
Operating profit	**23.5**	**14.6**	**3.3**	**12.7**	**8.9**	**38.2**	**17.3**
Comparable operating profit	**23.5**	**15.1**	**4.1**	**12.7**	**8.9**	**38.6**	**17.3**

Asset Management	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Net interest income	4.3	3.7	1.7	0.7	0.5	8.0	1.0
Net commission income	16.2	16.0	15.1	16.3	17.5	32.2	34.2
Other operating income	0.0	0.0	0.0	0.1	0.1	0.1	0.2
Total operating income	**20.6**	**19.7**	**16.8**	**17.0**	**18.1**	**40.3**	**35.5**
Staff costs	-5.4	-5.5	-4.2	-4.9	-4.3	-11.0	-10.1
Other operating expenses[1]	-7.8	-8.9	-8.4	-7.0	-8.0	-16.6	-15.5
Total operating expenses	**-13.2**	**-14.4**	**-12.6**	**-11.9**	**-12.4**	**-27.6**	**-25.6**
Impairment of other receivables	-	-0.1	-	-	-	-0.1	-
Operating profit	**7.4**	**5.2**	**4.2**	**5.2**	**5.8**	**12.6**	**9.9**
Comparable operating profit	**7.4**	**5.9**	**4.7**	**5.2**	**5.8**	**13.3**	**9.9**

Life Insurance	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Net income from life insurance	6.4	7.9	4.1	20.3	35.6	14.3	57.8
Total operating income	**6.4**	**7.9**	**4.1**	**20.3**	**35.6**	**14.3**	**57.8**
Staff costs	-0.6	-0.5	-0.6	-0.5	-0.6	-1.1	-1.1
Other operating expenses[1]	-1.7	-2.0	-1.9	-1.9	-2.0	-3.7	-3.8
Total operating expenses	**-2.3**	**-2.5**	**-2.5**	**-2.4**	**-2.5**	**-4.8**	**-4.9**
Operating profit	**4.1**	**5.4**	**1.6**	**17.8**	**33.0**	**9.5**	**52.9**
Comparable operating profit	**4.1**	**5.4**	**1.7**	**17.8**	**33.0**	**9.5**	**52.9**

Reference periods 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts.

Group Functions	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	1-6/2023	1-6/2022
Net interest income	-5.3	-0.8	-0.3	0.3	4.3	-6.1	9.4
Net commission income	1.4	1.5	1.6	1.5	1.4	2.9	2.8
Other operating income	0.4	1.1	1.4	-1.2	1.3	1.5	2.1
Total operating income	**-3.4**	**1.8**	**2.6**	**0.7**	**7.0**	**-1.6**	**14.3**
Staff costs	-10.2	-10.8	-10.6	-10.3	-10.7	-21.1	-21.1
Other operating expenses[1]	5.5	6.3	5.8	5.0	5.6	11.8	11.9
Total operating expenses	**-4.8**	**-4.5**	**-4.8**	**-5.3**	**-5.2**	**-9.3**	**-9.2**
Operating profit	**-8.2**	**-2.7**	**-2.1**	**-4.6**	**1.9**	**-10.9**	**5.1**
Comparable operating profit	**-8.5**	**-2.5**	**-2.1**	**-4.6**	**1.9**	**-11.0**	**4.9**

1) The net expenses for central functions are allocated from the Group Functions to the business segment's Banking Business and Asset Management. This cost allocation is included in the segments' other operating expenses.

Note 1. Basis for preparing the half-year report and generally accepted accounting principles

Basis for preparing the half-year report

Aktia Bank Plc's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The half-year report for the period 1 January–30 June 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The half-year report does not contain all the information required for financial statements and should therefore be read together with Aktia Group's Financial Statement 2022 and other supplementary reports (in particular Financial Review 2022 and Pillar III Report 2022). The figures in the tables are presented in millions of euros to one decimal place and are rounded, so the sum of individual amounts may differ from the total presented.

The half-year report for the period 1 January–30 June 2023 was approved by the Board of Directors on 9 August 2023.

Generally accepted accounting principles

In preparing this half-year report, the Group has followed the accounting principles applied in the annual accounts 31.12.2022.

To further increase the transparency of reporting, Aktia Group's reported segments have been changed as of 1 January 2023. The change means that life insurance business has been separated from what was formerly the Asset Management segment. As of 1 January 2023, the reported segments are Banking, Asset Management, Life Insurance and Group Functions. In addition, the content of the Banking segment has been changed so that certain group functions, whose net costs are fully allocated to the segment, are included under the Banking segment directly (previously included under the Group Functions segment). While the change does not affect the operating profit of the Banking or Group Functions segments, it does result in changes to staff costs and other operating expenses in these segments. The comparative period has been recalculated to reflect the above changes.

The IFRS 17 standard has been applied as of 1.1.2023:

The new IFRS 17 standard for insurance contracts became mandatory within the EU from 1 January 2023, when Aktia Group also adopted the new standard, which replaced the previous IFRS 4 standard. IFRS 17 establishes new starting points for the reporting and valuation of insurance contracts and rules for how insurance contracts are reported in the notes. The purpose of the new standard is to increase transparency, provide a more accurate picture of the performance of insurance contracts and reduce the differences in reporting between different insurance contracts.

The new standard is based on uniform valuation principles based on three methods of valuation: the General Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 prescribes the General Model for the valuation of insurance contracts, whereby the insurance obligation is valued based on the expected present value of future cash flows, taking into account a risk and return margin. The other two valuation methods can be applied under certain conditions. The choice of valuation method depends on the contract terms (long-term, short-term or profit-sharing). Aktia Group's current insurance contracts are reported using the General Model valuation method.

The transition to IFRS 17 occurred retroactively as of 1 January 2022, and all comparison periods in 2022 have been recalculated to conform to the new standard. At the time of the transition to IFRS 17, Aktia has not had the opportunity to use the fully retrospective method for the majority of insurance contracts as a large part of the insurance portfolio is very old. In the case of contracts for which the fully retrospective method cannot be applied, the fair value method has been used. The fair value method has been used for insurance contracts granted in 2020 or earlier. For contract groups where the fair value method has been applied, estimated cash flows have been used as a basis and adjusted according to specific margins for the portfolio and cash flow type so that the value reflects the expected price for an acquirer to take over the contract group. The adoption of IFRS 17 on 1 January 2022 resulted in a decrease in equity (net after tax) of EUR 104 million, mainly due to low interest rates and the discounting effects of insurance contract liabilities. Rising interest rates led to an increase in equity during 2022. To reduce earnings volatility, Aktia has gradually expanded its interest rate hedging programme until the end of 2022. The implementation of IFRS 17 signifies that net income from sold insurance contracts are reported for the duration of the contract, which means that the Group according to the new standard expects a higher result from the insurance business in future periods compared to the previous standard. The reduction in equity due to the transition to IFRS 17 on 1 January 2022 does not affect the solvency ratio of Aktia Livförsäkring Ab or the capital adequacy ratio of the banking group. However, the capital adequacy ratio of the financial and insurance group increased by just under two percentage points.

Under IFRS 4, insurance liabilities amounted to EUR 1351 million as of 31 December 2022. The adoption of IFRS 17 increased total liabilities of the insurance business by EUR 69 million to EUR 1420 million, of which EUR 492 million relates to insurance contracts under IFRS 17 and EUR 928 million to investment contracts under IFRS 9. The contractual service margin (CSM) in the transition to IFRS 17 amounted to EUR 81 million as of 1 January 2022 and to EUR 58 million as of 31 December 2022.

Aktia has not exercised the option to report financial income and expenses through other comprehensive income.

The transitional effects of adopting IFRS 17 as of 1 January 2022 can be found in note 11.

The Group believes that further new or revised IFRS standards or IFRIC (International Financial Reporting Interpretations Committee) interpretations will not have a significant effect on the Group's future results, financial position or disclosures.

Accounting principles for insurance contracts under IFRS 17 (also used for recalculated comparative figures 2022):

For insurance contracts, results are reported as income from insurance services. Liabilities from insurance contracts are divided into present value of future cash flows, contractual margin and risk adjustment.

For investment contracts, insurance premiums and claims received are reported as premiums earned or claims paid in the income statement and are included in the net income from life insurance. Premiums are reported as income from premiums according to the payment principle. Liabilities from investment contracts are valued on the basis of the market value of the investments related to the insurance.

A company shall apply IFRS 17 to the following insurance contracts:

- Insurance contracts, including reinsurance contracts issued by the company
- Reinsurance contracts held by the company
- Investment contracts with discretionary participation issued by the company, provided that the company also issues insurance contracts

An insurance contract is defined as a contract under which one party assumes a significant insurance risk from another party.

For Aktia, insurance policies containing at least one of the following insurance components are considered insurance contracts:

- A risk component
- Life insurance coverage that is not 100% of savings
- A possibility of client compensation

Other insurance policies are classified as investment contracts.

Aktia reports a group of issued insurance contracts starting from the earliest of the following dates:

- The beginning of the insurance coverage term for the group of contracts
- The date on which the first payment from a policyholder in the group is due
- For a group of loss-making contracts, the point at which the group becomes a loss-making contract

A contract is removed from the balance sheet when it expires, i.e. when the obligation specified in the insurance contract expires, is fulfilled or cancelled, or when the contract is amended so that a new contract with new terms and conditions is reported.

Aktia bases its reporting according to IFRS 17 on the legal insurance contract. The grouping of contracts in portfolios is done using the same groupings that the company uses for other reporting, with some holdings that are in run-off being added together. The portfolios consist of insurance contracts with similar risk profiles and are grouped by year of issue, except for insurance contracts that were transferred under the fair value method at the start of IFRS 17 which may be grouped with contracts issued in different years. The profitability of the contracts is assessed at a group level. Those groups subject to a negative contractual margin during initial reporting are classified as loss-making contracts. Reinsurance contracts held are reported separately from underlying contracts.

For contracts shorter than one year, the premium allocation approach can be used. For other contracts, the General Model is used unless the conditions for the variable fee approach are met. For a group of insurance contracts, future cash flows are estimated during initial reporting. For a group of insurance contracts with a positive net cash flow, the expected profit (contractual margin) is reported as a liability on the balance sheet. The contractual margin shall reflect the value of the insurance services that are expected to be performed over the life of the contract and affect future returns. For a group of insurance contracts with expected negative net cash flows, the future expected loss is reported as a loss component on the income statement during initial reporting. Financial income and expenses are reported on the income statement.

Future cash flows consist of estimates for amount, timing and uncertainty made by the company based on reasonable and verifiable information that can be obtained without undue cost and effort. The cash flows of contracts are mainly estimated based on the coverage level of the individual contracts. Cash flows from contracts defined as insurance contracts consist of premiums, claims, costs incurred by the company to fulfil its obligations to the policyholder and other cash flows directly related to the contract.

Future cash flows are adjusted so that the present value estimate reflects the compensation required by the company to cover uncertainty with regard the amount and timing of cash flows arising from non-financial risk. This adjustment is calculated using a cost-of-capital method that reflects the cost of capital tied up in the cash flow uncertainty based on the owners' required rate of return.

To spread the contractual margin over the life of a contract group, insurance coverage units are used that reflect the volume of insurance contract services provided. For risk insurance, the coverage units are based on the sum insured; if claims can be paid multiple times, the coverage units are based on the maximum remaining claim amount. For savings and pension insurance, the insurance coverage units are based on the total savings.

Estimated future cash flows are adjusted to reflect the time value of money and the financial risks associated with the cash flows. The discount rate used is a risk-free interest rate curve based on SWAP rates adjusted by a liquidity premium that varies according to the uncertainty of the cash flows of the portfolios.

With regard to insurance, in accordance with Chapter 13, Section 3 of the Insurance Companies Act, the principle of 'reasonableness' is observed for insurance policies that are entitled to bonuses under the insurance contract. For savings and pension insurance, the aim is for the sum of the interest rate and annually determined bonuses for customers on the savings of fixed-interest pension insurance to be higher than the return on the Finnish government's 10-year bond, and that fixed-interest savings and investment insurance remain at the same level as returns on the Finnish government's 5-year bond. In addition, the solvency ratio of Aktia Life Insurance Ltd must be kept at a level that enables the distribution of customer bonuses and profits to shareholders. For risk insurance, the surplus will benefit customers in the coming years through investments in digital services and improved customer experience. The Board of Directors of Aktia Life Insurance Ltd decides on customer bonuses on a yearly basis.

Calculations under IFRS 17 are based on actuarial assumptions and always involve an element of uncertainty. The calculations are based on forecasts on, among other things, future interest rates, mortality, morbidity and future cost levels. Where possible, Aktia strives to use the same forecasts as in the Solvency II legal framework.

Note 2. Group's risk exposure

The Bank Group's capital adequacy

Banking Group includes Aktia Bank Plc and all its subsidiaries except for Aktia Life Insurance Ltd, and forms a consolidated group in accordance with the capital adequacy regulations.

(EUR million)	30 June 2023		31 December 2022		30 June 2022	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**12,292.4**	**10,761.2**	**12,393.3**	**10,918.8**	**11,889.1**	**10,412.1**
of which intangible assets	167.2	165.4	166.3	164.6	169.0	167.6
Total liabilities	**11,638.2**	**10,118.3**	**11,695.5**	**10,286.6**	**11,207.9**	**9,795.3**
of which subordinated liabilities	119.0	69.6	118.5	69.5	121.0	69.5
Share capital	169.7	169.7	169.7	169.7	169.7	169.7
Fund at fair value	-44.7	-32.1	-49.9	-35.9	-44.4	-35.2
Restricted equity	125.0	137.7	119.8	133.8	125.3	134.5
Unrestricted equity reserve and other funds	149.2	149.1	147.1	147.0	144.8	144.7
Retained earnings	281.4	258.7	319.7	215.7	320.8	216.7
Profit for the period	39.1	37.8	51.6	76.2	30.8	61.4
Unrestricted equity	469.7	445.7	518.5	439.0	496.4	422.8
Shareholders' share of equity	594.7	583.4	638.3	572.8	621.8	557.3
Holders of other Tier 1 capital	59.5	59.5	59.5	59.5	59.5	59.5
Equity	**654.2**	**642.9**	**697.8**	**632.3**	**681.2**	**616.8**
Total liabilities and equity	**12,292.4**	**10,761.2**	**12,393.3**	**10,918.8**	**11,889.1**	**10,412.1**
Off-balance sheet commitments	**626.4**	**610.4**	**645.1**	**627.8**	**720.8**	**744.6**
The Bank Group's equity		**642.9**		**632.3**		**616.8**
Provision for dividends to shareholders		-31.3		-31.0		-24.7
Profit for the period, for which no application was filed with the Financial Supervisory Authority		-		-		-
Intangible assets		-157.0		-153.4		-158.6
Debentures		69.6		69.5		69.5
Additional expected losses according to IRB		-22.4		-26.7		-27.3
Deduction for significant holdings in financial sector entities		-11.9		-13.0		-14.6
Other incl. unpaid dividend		-10.3		-11.3		-10.8
Total capital base (CET1 + AT1 + T2)		**479.6**		**466.5**		**450.3**

1) Based on the CRR regulation

The calculation of own funds doesn't include the treatment of article 468 of EU regulation 2020/873 (so called CRR quick fix). The article introduces a temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic.

(EUR million) The Bank Group’s capital adequacy	30 June 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022	30 June 2022
Common Equity Tier 1 Capital before regulatory adjustments	540.8	537.3	532.1	522.2	520.6
Common Equity Tier 1 Capital regulatory adjustments	-189.7	-190.1	-192.8	-195.3	-199.8
Total Common Equity Tier 1 Capital (CET1)	**351.1**	**347.3**	**339.2**	**326.9**	**320.8**
Additional Tier 1 capital before regulatory adjustments	58.8	59.4	57.7	58.3	60.0
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**58.8**	**59.4**	**57.7**	**58.3**	**60.0**
Total Tier 1 capital (T1 = CET1 + AT1)	**410.0**	**406.7**	**396.9**	**385.1**	**380.8**
Tier 2 capital before regulatory adjustments	69.6	69.6	69.5	69.5	69.5
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**69.6**	**69.6**	**69.5**	**69.5**	**69.5**
Total own funds (TC = T1 + T2)	**479.6**	**476.3**	**466.5**	**454.7**	**450.3**
Risk weighted exposures	**3,202.7**	**3,132.8**	**3,130.6**	**3,084.0**	**3,089.5**
of which credit risk, the standardised model	677.8	661.1	633.7	680.1	625.4
of which credit risk, the IRB model	2,093.6	2,040.4	2,065.6	1,983.0	2,043.2
of which 15% risk-weight floor for residential mortgages	-	-	-	-	-
of which market risk	-	-	-	-	-
of which operational risk	431.4	431.4	431.4	420.9	420.9
Own funds requirement (8%)	**256.2**	**250.6**	**250.5**	**246.7**	**247.2**
Own funds buffer	223.3	225.7	216.0	208.0	203.2
CET1 Capital ratio	11.0 %	11.1 %	10.8 %	10.6 %	10.4 %
T1 Capital ratio	12.8 %	13.0 %	12.7 %	12.5 %	12.3 %
Total capital ratio	15.0 %	15.2 %	14.9 %	14.7 %	14.6 %
Own funds floor (CRR article 500)					
Own funds	479.6	476.3	466.5	454.7	450.3
Own funds floor1	250.8	247.1	246.0	245.5	244.3
Own funds buffer	228.8	229.2	220.5	209.2	206.0

1) 80% of the capital requirement based on standardised approach (8%).

Calculation of capital adequacy is made using ratings from Moody’s Investors Services to define risk weight of exposures.

Bank Group’s risk-weighted amount for operational risks

(EUR million) Risk-weighted amount for operational risks	2020	2021	2022	30 June 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 June 2022
Gross income	213,8	240,5	235.8					
- average 3 years			230.1					
Capital requirement for operational risk				**34.5**	**34.5**	**34.5**	**33.7**	**33.7**
Risk-weighted amount				**431.4**	**431.4**	**431.4**	**420.9**	**420.9**

The capital requirement for operational risk is 15% of average gross income for the last three years.

The risk-weighted amount for operational risk is calculated by dividing the capital requirement by 8%.

(EUR million) The Bank Group’s total risk exposures	30 June 2023 Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,045.2	907.0	60 %	545.2	43.6
Corporates - Other	981.4	913.3	75 %	685.3	54.8
Retail - Secured by immovable property non-SME	4,702.5	4,690.7	14 %	668.2	53.5
Retail - Secured by immovable property SME	105.8	105.4	14 %	14.8	1.2
Retail - Other non-SME	246.7	229.7	25 %	56.6	4.5
Retail - Other SME	18.4	16.6	52 %	8.7	0.7
Risk-weight floor for residential mortgages, 15%	-	-	-	-	-
Equity exposures	42.8	42.8	268 %	114.8	9.2
Total exposures, IRB approach	**7,142.9**	**6,905.5**	**30 %**	**2,093.6**	**167.5**
Credit risk, standardised approach					
States and central banks	1,225.8	1,277.0	0 %	-	-
Regional goverments and local authorities	83.7	81.8	0 %	0.3	0.0
Multilateral development banks	-	53.0	0 %	-	-
International organisations	25.0	25.0	0 %	-	-
Credit institutions	355.2	352.0	21 %	72.8	5.8
Corporates	91.6	32.4	78 %	25.3	2.0
Retail exposures	451.0	213.6	67 %	143.6	11.5
Secured by immovable property	833.0	817.9	31 %	252.3	20.2
Past due items	6.2	4.1	107 %	4.4	0.4
Covered Bonds	872.0	872.0	10 %	90.1	7.2
Other items	112.3	112.3	71 %	79.3	6.3
Total exposures, standardised approach	**4,055.8**	**3,841.2**	**17 %**	**668.1**	**53.5**
Total risk exposures	**11,198.8**	**10,746.7**	**26 %**	**2,761.7**	**220.9**

(EUR million) The Bank Group's total risk exposures	31 December 2022 Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,092.9	991.8	58 %	579.3	46.3
Corporates - Other	869.9	800.6	70 %	564.3	45.1
Retail - Secured by immovable property non-SME	4,858.1	4,845.8	15 %	733.0	58.6
Retail - Secured by immovable property SME	107.3	106.8	12 %	12.6	1.0
Retail - Other non-SME	238.8	226.2	24 %	53.6	4.3
Retail - Other SME	16.7	15.0	59 %	8.9	0.7
Risk-weight floor for residential mortgages, 15%	-	-	-	-	-
Equity exposures	41.6	41.6	274 %	113.8	9.1
Total exposures, IRB approach	**7,225.2**	**7,027.8**	**29 %**	**2,065.6**	**165.2**
Credit risk, standardised approach					
States and central banks	1,429.6	1,478.3	0 %	-	-
Regional goverments and local authorities	174.7	173.2	0 %	0.3	0.0
Multilateral development banks	-	49.6	0 %	-	-
International organisations	25.0	25.0	0 %	-	0.0
Credit institutions	322.1	318.8	21 %	67.3	5.4
Corporates	95.6	43.7	67 %	29.3	2.3
Retail exposures	384.1	160.4	68 %	109.7	8.8
Secured by immovable property	797.2	781.2	31 %	238.5	19.1
Past due items	8.1	6.2	110 %	6.7	0.5
Covered Bonds	853.7	853.7	11 %	90.3	7.2
Other items	104.3	104.3	74 %	77.0	6.2
Total exposures, standardised approach	**4,194.5**	**3,994.4**	**16 %**	**619.2**	**49.5**
Total risk exposures	**11,419.8**	**11,022.2**	**24 %**	**2,684.7**	**214.8**

The finance and insurance conglomerates capital adequacy

(EUR million)	30 June 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 June 2022
Summary					
The Group's equity	654.2	662.3	640.1	632.0	614.2
Sector-specific assets	125.6	125.6	125.5	125.5	125.5
Intangible assets and other reduction items	-159.5	-168.8	-151.3	-148.5	-122.9
Conglomerate´s total capital base	**620.2**	**619.0**	**614.3**	**609.1**	**616.8**
Capital requirement for banking business	367.4	359.2	359.0	353.5	354.2
Capital requirement for insurance business	83.8	79.3	75.2	77.8	83.9
Minimum amount for capital base	**451.2**	**438.6**	**434.3**	**431.3**	**438.2**
Conglomerate´s capital adequacy	**169.1**	**180.5**	**180.1**	**177.8**	**178.6**
Capital adequacy ratio, %	137.5 %	141.2 %	141.5 %	141.2 %	140.8 %

The finance and insurance conglomerate´s capital adequacy is based on consolidation method and is calculated according to the rules of the Finnish Act on the Supervision of Financial and Insurance Conglomerates and the standards of the Finnish Financial Supervision Authority.

Reference periods 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts.

Note 3. Net interest income

(EUR million)	Jan-June 2023	Jan-June 2022	Δ %	2022
Lending	125.9	42.6	196 %	108.8
Borrowing	-44.2	6.6	-	-1.7
Senior financing	-32.0	-1.3	-	-10.9
Liquidity portfolio	8.2	1.7	393 %	2.6
Other	7.7	1.4	457 %	0.3
of which TLTRO loan	*-6.2*	*3.9*	-	*1.3*
of which deposits in the Bank of Finland	*13.5*	*-0.2*	-	*1.5*
Total	**65.6**	**50.9**	**29 %**	**99.2**

Borrowing and lending include the covered bonds issued by mortgage bank operations and the interest rate hedging that was made in connection with the issues. Other consists mainly of TLTRO loan, deposits in the Bank of Finland and risk debentures.

Note 4. Net income from life insurance and liabilities from insurance contracts

(EUR million)	Jan-June 2023	Jan-June 2022	Δ %	2022
Insurance service result	9.4	6.6	42 %	15.3
Result from investment contracts	4.2	4.4	-3 %	8.7
Actuarially calculated result	13.6	11.0	24 %	24.0
Net income from investments	6.2	-17.7	-	-30.0
of which change in ECL impairment	*0.0*	*-0.1*	-	*-0.4*
of which unrealised value changes for shares and participations	*2.5*	*-33.2*	-	*-45.6*
of which unrealised value changes for investment properties	*-1.1*	*0.2*	-	*-0.8*
Insurance finance result	-6.9	63.0	-	85.2
Net investment result	-0.7	45.3	-	55.2
Net income from life insurance	**12.9**	**56.3**	**-77 %**	**79.2**

Reference periods 2022 have been recalculated according to the new IFRS 17 standard for insurance contracts.
Insurance service result includes results from contracts which according to IFRS 17 are defined as insurance contracts. Liabilities from insurance contracts are divided into present value of future expected cash flows, contractual service margin and risk adjustment.
Regarding investment contracts insurance premiums received and claims are reported as premiums written, or insurance claims paid in the income statement. Premiums are reported as premiums written when payment is received. Liabilities from investment contracts are measured on the basis of market value for investments that are associated with the insurance policy.
Insurance finance result include financial income and expenses from discounting of future cash flows for liabilities from insurance contracts, as well as a possible changes in the actuarial assumptions.

(EUR million)	30 June 2023	31 Dec 2022	Δ %	30 June 2022
Present value of future cash flows (PVCF)	390.1	401.7	-3 %	419.7
Contractual service margin (CSM)	59.1	58.2	1 %	65.8
Risk adjustment (RA)	32.3	31.7	2 %	52.7
Liabilities for insurance contracts	481.4	491.6	-2 %	538.2
Liabilities for investment contracts	999.9	928.4	8 %	930.1
Liabilities from insurance business	**1 481.3**	**1,420.0**	**4 %**	**1,468.3**

Note 5. Net income from financial transactions

(EUR million)	Jan-June 2023	Jan-June 2022	Δ %	2022
Net income from financial assets measured at fair value through income statement	0.0	0.0	-	0.0
Net income from securities and currency operations	0.2	1.3	-88 %	0.7
of which unrealised value changes in shares and participations	*0.1*	*1.0*	*-92 %*	*0.1*
Net income from financial assets measured at fair value through other comprehensive income	0.7	0.4	56 %	0.0
of which change in ECL impairment	*0.4*	*-0.1*	-	*-0.5*

Net income from interest-bearing securities measured at amortised cost	0.1	0.0	-	-0.2
of which change in ECL impairment	*0.1*	*0.0*	-	*-0.2*
Net income from hedge accounting	0.0	-0.1	-	0.1
Total	**0.9**	**1.6**	**-42 %**	**0.6**

Note 6. Derivative instruments

Hedging derivative instruments (EUR million)	30 June 2023 Total nominal amount	Assets, fair value	Hedging derivative instruments (EUR million)
Fair value hedging			
Interest rate-related	6 030.5	64.6	282.3
Total	**6 030.5**	**64.6**	**282.3**
Cash Flow hedging			
Interest rate-related	507.3	0.0	49.7
Total	**507.3**	**-**	**49.7**
Derivative instruments valued through the income statement			
Interest rate-related[1]	10.0	0.2	0.2
Currency-related	3.0	0.0	0.0
Total	**13.0**	**0.2**	**0.2**
Total derivative instruments			
Interest rate-related	6 547.8	64.8	332.2
Currency-related	3.0	0.0	0.0
Total	**6 550.8**	**64.9**	**332.2**
Of which cleared interest rate swaps	1 619.3	6.6	4.0

Hedging derivative instruments (EUR million)	31 December 2022 Total nominal amount	Assets, fair value	Hedging derivative instruments (EUR million)
Fair value hedging			
Interest rate-related	5,211.3	53.5	280.1
Total	**5,211.3**	**53.5**	**280.1**
Cash Flow hedging			
Interest rate-related	330.2	0.3	13.0
Total	**330.2**	**0.3**	**13.0**
Derivative instruments valued through the income statement			
Interest rate-related[1]	60.0	0.9	0.9
Currency-related	4.2	0.0	0.0
Total	**64.2**	**0.9**	**0.9**
Total derivative instruments			
Interest rate-related	5,601.5	54.7	294.0
Currency-related	4.2	0.0	0.0
Total	**5,605.7**	**54.7**	**294.0**
Of which cleared interest rate swaps	783.0	1.1	5.1

1) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 10.0 (60.0) million.

Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 30 June 2023				
Interest-bearing securities	1,529.4	12.5	-	1,541.9
Lending	7,449.7	272.5	102.2	7,824.4
Off-balance sheet commitments	621.9	2.4	2.2	626.4
Total	**9,600.9**	**287.4**	**104.4**	**9,992.7**
Book value of financial assets 31 December 2022				
Interest-bearing securities	1,517.8	81.6	-	1,599.4
Lending	7,398.3	281.9	111.6	7,791.7
Off-balance sheet commitments	640.2	2.8	2.1	645.1
Total	**9,556.3**	**366.3**	**113.7**	**10,036.2**

Impairment of credits and other commitments

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and the other commitments 1 January 2023	5.0	6.4	27.4	38.8
Transferred from stage 1 to stage 2	-0.2	1.4	-	1.2
Transferred from stage 1 to stage 3	0.0	-	0.7	0.7
Transferred from stage 2 to stage 1	0.1	-1.0	-	-0.9
Transferred from stage 2 to stage 3	-	-0.5	0.9	0.5
Transferred from stage 3 to stage 1	0.1	-	-0.8	-0.7
Transferred from stage 3 to stage 2	-	0.1	-0.8	-0.6
Increases due to origination and acquisition	0.6	0.0	0.3	0.9
Decrease due to recognition	-0.2	-0.3	-0.8	-1.3
Decrease in allowance account due to write-offs	-	-	-2.2	-2.2
Other changes	0.2	-0.5	2.9	2.6
Impairment of credits and the other commitments 30 June 2023	**5.6**	**5.6**	**27.8**	**38.9**
of which provisions	1.0	0.1	0.1	1.2

Impairment of interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2023	0.9	0.6	0.0	1.5
Transferred from stage 1 to stage 2	0.0	-0.3	-	-0.2
Decrease due to recognition	0.0	-	-	0.0
Decrease in allowance account due to write-offs	0.0	-	-	0.0
Other changes	-0.3	0.1	0.0	-0.2
Impairment of interest-bearing securities 30 June 2023	**0.6**	**0.4**	**0.0**	**1.0**

The model-based reservations regarding healthy credits in stage 1 and stage 2 have increased compared to 31 December 2021, where the largest individual reasons are the update of the bank's IBRA models for household customers and the calibration of the ECL model.

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	30 June 2023		31 December 2022	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through income statement	1,303.0	1,303.0	1,249.5	1,251.9
Financial assets measured at fair value through other comprehensive income	946.5	946.5	997.1	997.1
Interest-bearing securities measured at amortised cost	525.3	493.3	529.4	493.6
Loans and other receivables	8,971.6	8,860.6	8,984.9	8,796.2
Cash and balances with central banks	109.7	109.7	165.8	165.8
Derivative instruments	64.9	64.9	54.7	54.7
Total	**11,921.0**	**11,778.0**	**11,981.4**	**11,759.3**
Financial liabilities				
Deposits	5,335.7	5,358.8	6,045.7	6,062.2
Derivative instruments	332.2	332.2	294.0	294.0
Debt securities issued	3,353.1	3,367.5	3,051.7	3,070.2
Subordinated liabilities	119.0	113.1	118.5	113.4
Other liabilities to credit institutions	2.8	2.8	5.5	5.5
Other liabilities to the public and public sector entities	833.0	831.9	686.0	684.8
Liabilities for right-of-use assets	23.1	23.1	22.3	22.3
Total	**9,998.9**	**10,029.3**	**10,223.8**	**10,252.5**

In the table, the fair value and the book value of the financial assets and liabilities, are presented per balance sheet item. The fair values are determined both for agreements with fixed and variable interest rates. The fair values are calculated without accrued interest and without the effect of possible hedging derivatives attributable to the balance sheet item.

Fair values on investment assets are determined by market prices quoted on the active market. If quoted market prices are not available, the value of the balance sheet items is mainly determined by discounting future cash flow using market interest rates on the day the accounts were closed. In addition to the credit risk profile of current stock, costs for re-financing are considered in the discount rate when determining fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash flows at market interest rates on the day the accounts were closed. The fair value of issued debts is mainly determined based on quotes on the market. In the discount rate for unquoted issued debts and subordinated liabilities, a margin corresponding the seniority of the instrument is applied.

Derivatives are valued at fair value corresponding to quotes on the market.

Measurement of financial assets at fair value

Level 1 consists of financial instruments that are valued using prices listed on an active market. In an active market transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes listed bonds and other securities, listed equity instruments and derivatives, for which tradable price quotes exist.

Level 2 consists of financial instruments that do not have directly accessible listed prices from an effective market. The fair value has been determined by using valuation techniques, which are based on assumptions supported by observable market prices. Such market information may include listed interest rates, for example, or prices for closely related instruments. This category includes the majority of OTC derivative instruments, as well as many other instruments that are not traded on an active market. In addition, the Bank makes an independent valuation adjustment to the market value of the outstanding OTC derivatives for the total credit risk component for the counterparty credit risk as well as for the own credit risk.

Level 3 consists of financial instruments for which the fair value cannot be obtained directly from quoted market prices or indirectly by using valuation techniques or models supported by observable market prices. This category mainly includes unlisted equity instruments and funds, and other unlisted funds and securities where there currently are no fixed prices.

	30 June 2023				31 December 2022			
(EUR million)	Market value classified into				Market value classified into			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	1,081.0	-	-	1,081.0	1,001.6	-	-	1,001.6
Interest-bearing securities	15.3	54.8	0.1	70.2	18.5	56.7	0.1	75.3
Shares and participations	101.4	-	50.5	151.9	122.6	-	52.4	174.9
Total	**1,197.6**	**54.8**	**50.6**	**1,303.0**	**1,142.7**	**56.7**	**52.4**	**1,251.9**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	884.6	19.6	42.3	946.5	886.8	68.2	42.0	997.1
Shares and participations	-	-	-	-	-	-	-	0.0
Total	**884.6**	**19.6**	**42.3**	**946.5**	**886.8**	**68.2**	**42.0**	**997.1**
Derivative instruments, net	0.0	-267.4	-	-267.4	0.0	-239.3	-	-239.3
Total	**0.0**	**-267.4**	**-**	**-267.4**	**0.0**	**-239.3**	**-**	**-239.3**
Total	**2,082.2**	**-193.0**	**92.8**	**1,982.1**	**2,029.5**	**-114.4**	**94.5**	**2,009.6**

Transfers between level 1 and level 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period no transfers between level 1 and level 2 have occurred.

Aktia Group's Risk control has the responsibility for classifying financial instrument into levels 1, 2 and 3. The valuation process, which is made on an ongoing basis, is the same for financial instruments in all levels. The process determines to which level in the fair value hierarchy a financial instrument will be classified. In cases where internal assumptions have a material impact on fair value, the financial instrument is reported in level 3. The process also includes an evaluation based on the quality of the valuation data, if a class of financial instrument is to be transferred between levels.

Changes within level 3

The following table present the change from year-end regarding level 3 financial assets reported at fair value.

Reconciliation of changes for financial instruments belonging to level 3	Financial assets measured at fair value through income statement			Financial assets measured at fair value through other comprehensive income			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1 January 2023	0.1	52.4	52.4	42.0	-	42.0	42.1	52.4	94.5
New purchases	-	4.4	4.4	-	-	-	-	4.4	4.4
Sales	-	-4.4	-4.4	-	-	-	-	-4.4	-4.4
Matured during the year	-	-	-	-	-	-	0.0	0.0	-
Realised value change in the income statement	-	-0.9	-0.9	-	-	-	-	-0.9	-0.9
Unrealised value change in the income statement	-	-0.9	-0.9	-	-	-	-	-0.9	-0.9
Value change recognised in total comprehensive income	-	-	-	0.2	-	0.2	0.2	-	0.2
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 30 June 2023	**0.1**	**50.5**	**50.6**	**42.3**	**-**	**42.3**	**42.3**	**50.5**	**92.8**

Set off of financial assets and liabilities

(EUR million) Assets	30 June 2023 Derivatives	30 June 2023 Reverse repurchase agreements	31 December 2022 Derivatives	31 December 2022 Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	64.9	-	54.7	-
Carrying amount in the balance sheet	**64.9**	**-**	**54.7**	**-**
Amount not set off but included in general agreements on set off or similar	59.0	-	53.1	-
Collateral assets	4.9	-	1.3	-
Amount not set off in the balance sheet	**63.8**	**-**	**54.4**	**-**
Net amount	**1.0**	**-**	**0.3**	**-**

Liabilities	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	332.2	-	294.0	-
Carrying amount in the balance sheet	**332.2**	**-**	**294.0**	**-**
Amount not set off but included in general agreements on set off or similar	59.0	-	53.1	-
Collateral liabilities	169.1	-	127.6	-
Amount not set off in the balance sheet	**228.1**	**-**	**180.7**	**-**
Net amount	**104.2**	**-**	**113.3**	**-**

The table shows financial assets and liabilities that are not set off in the balance sheet, but have potential rights associated with enforceable master set-off arrangements or similar arrangements, such as ISDA Master Agreements, together with related collateral. The net amount shows the exposure in normal business as well as in the event of default or insolvency.

Note 9. Specification of Aktia Group's funding structure

(EUR million)	30 June 2023	31 December 2022	30 June 2022
Deposits from the public and public sector entities	4,792.7	5,213.8	4,890.1
Short-term liabilities, unsecured debts[1]			
Banks	39.9	30.6	91.6
Certificates of deposits issued and money market deposits	996.1	791.1	747.2
Total	**1,036.0**	**821.8**	**838.8**
Short-term liabilities, secured debts (collateralised)[1]			
Banks - received cash in accordance with collateral agreements	3.2	1.3	1.6
Repurchase agreements - banks	0.0	0.0	0.0
Total	**3.2**	**1.3**	**1.6**
Total short-term liabilities	**1,039.2**	**823.0**	**840.4**
Long-term liabilities, unsecured debts [2]			
Issued senior preferred debts	1,761.8	1,521.8	1,437.0
Issued senior non-preferred debts	64.1	71.3	-
Other credit institutions	2.8	5.5	8.3
Subordinated debts	69.6	69.5	69.5
AT1 loan (Additional Tier 1 capital)[3]	60.0	60.0	60.0
Total	**1,958.2**	**1,728.2**	**1,574.8**
Long-term liabilities, secured debts (collateralised) [2]			
Central bank and other credit institutions	500.0	800.0	803.0
Issued Covered Bonds	1,364.1	1,353.5	1,409.2
Total	**1,864.1**	**2,153.5**	**2,212.2**
Total long-term liabilities	**3,822.3**	**3,881.7**	**3,787.0**
Interest-bearing liabilities in the banking business	**9,654.1**	**9,918.5**	**9,517.5**
Technical provisions in the life insurance business	1,481.3	1,351.4	1,385.0
Subordinated debts in the life insurance business	49.4	49.0	51.5
Total other non interest-bearing liabilities	513.4	436.6	313.9
Total liabilities	**11,698.2**	**11,755.5**	**11,267.9**

1) Short-term liabilities = liabilities which original maturity is under 1 year
2) Long-term liabilities = liabilities which original maturity is over 1 year
3) AT1 loan (Addtional Tier 1 capital), issued during the second quarter 2021 is recognised within equity

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	30 June 2023	31 December 2022	30 June 2022
Collateral for own liabilities			
Securities	335.3	246.7	475.2
Outstanding loans constituting security for covered bonds	2,638.5	2,519.1	2,577.4
Total	**2,973.8**	**2,765.8**	**3,052.6**
Other collateral assets			
Pledged securities[1]	1.3	1.3	1.3
Cash included in pledging agreements and repurchase agreements	169.1	127.6	96.9
Total	**170.4**	**128.9**	**98.2**
Total collateral assets	**3,144.2**	**2,894.7**	**3,150.7**
Collaterals above refers to the following liabilities			
Liabilities to credit institutions[2]	500.0	800.0	803.0
Issued Covered Bonds[3]	1,364.1	1,353.5	1,409.2
Derivatives	169.1	127.6	96.9
Total	**2,033.2**	**2,281.0**	**2,309.0**

1) Refers to securities pledged for the intra day limit. As at 30 June 2023, a surplus of pledged securities amounted to EUR 63.5 (25.4) million.
2) Refers to liabilities to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
3) Own repurchases deducted.

Collateral liabilities (EUR million)	30 June 2023	31 December 2022	30 June 2022
Cash included in pledging agreements[1]	4.9	1.3	1.6
Total	**4.9**	**1.3**	**1.6**

1) Refers to derivative agreements where collaterals were received from the counterparty in accordance with ISDA/CSA agreements.

Note 11. Transition effects in connection with the implementation of IFRS 17

(EUR million) Consolidated balance sheet	31 Dec 2021 according to IFRS 4	IFRS 17 transition effects	1 Jan 2022 according to IFRS 17
Financial assets measured at fair value through income statement	1,451.8		1,451.8
Daily accounts, credit institutions	1,107.0		1,107.0
Tangible assets	8,671.0		8,671.0
Tax receivables	39.6		39.6
Tax receivables	0.2		0.2
Tax receivables	249.8		249.8
Tax receivables	131.7		131.7
Tax receivables	0.2		0.2
Tax receivables	2.1	21.4	23.5
Other assets	2.3	21.4	23.7
Total assets	**11,653.3**	**21.4**	**11,674.7**
Deposits	5,425.8		5,425.8
Derivative instruments	20.5		20.5
Other financial liabilities	3,730.4		3,730.4
Liabilities for insurance contracts	523.1	127.8	650.9
Liabilities for investment contracts	1,045.1	2.7	1,047.9
Liabilities from insurance contracts	1,568.2	130.5	1,698.7
Other liabilities	104.2		104.2
Provisions	1.0		1.0
Income tax liabilities	6.7		6.7
Deferred tax liabilities	58.1	-4.7	53.4
Tax liabilities	64.8	-4.7	60.1
Total liabilities	**10,914.9**	**125.8**	**11,040.7**
Equity	175.9		175.9
Share capital	3.9		3.9
Fund at fair value	138.6		138.6
Share premium account	360.5	-104.4	256.1
Legal reserve	503.0	-104.4	398.6
Restricted equity	678.9	-104.4	574.5
Fund for share-based payments	59.5		59.5
Total equity	**738.4**	**-104.4**	**634.0**
Total liabilities and equity	**11,653.3**	**21.4**	**11,674.7**

"Aktia Group has implemented the new IFRS 17 standard for insurance contracts, which replaces the previous IFRS 4 standard as of 1 January 2023. The transition to IFRS 17 was carried out retroactively on 1 January 2022, and the transition effects are shown in the table above.

In the transition to IFRS 17 Aktia has not been able to use the fully retrospective method for the majority of insurance contracts, as a large part of the insurance portfolio is very old. For those contracts where it has not been possible to use the fully retrospective method, the fair value method has been used. The fair value method has been used for insurance contracts granted in 2020 and earlier. In contract groups where the fair value method has been used, the estimated cash flows have been used as a base and adjusted with portfolio and cash flow type specific margins. The value reflects what a potential buyer of the contract group in question is expected to demand as compensation for this transfer.

The transition to IFRS 17 on 1 January 2022 signified that equity (net after taxes) decreased by EUR 104 million. The decrease pertains mainly to the low interest rate level and the discounting effects from liabilities from insurance contracts. The implementation of IFRS 17 signifies that net income from sold insurance contracts are reported for the duration of the contract, which means that the Group according to the new standard expects a higher result from the insurance business in future periods compared to the previous standard. The decrease in equity at the transition to IFRS 17 on 1 January 2022 does not affect the solvency ratio for Aktia Life Insurance Ltd or the bank group's capital adequacy ratio. However, the capital adequacy ratio of the finance and insurance conglomerate increased by just under two percentage points.

Helsinki 9 August 2023

Aktia Bank Plc
The Board of Directors

Report on review of the half-year report of Aktia Bank plc as of and for the six months period ending June 30, 2023

To the Board of Directors of Aktia Bank plc

Introduction

We have reviewed the balance sheet as of June 30, 2023 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of Aktia Bank plc Group for the six-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of half-year reports. We will express our conclusion on the half-year report based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki 9 August 2023

KPMG OY AB
Marcus Tötterman
Authorised Public Accountant, KHT

Contact information

Contact information
Aktia Bank Plc
PO Box 207
Arkadiankatu 4–6, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Group and Investor information: www.aktia.com
Contact: ir@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 2181702-8
BIC/S.W.I.F.T: HELSFIHH

Webcast from the results event

A live webcast from the results event will take place on 9 August 2023 at 10.30 a.m. (EEST). interim CEO Juha Hammarén and CFO Outi Henriksson will present the results. The event is held in English and can be seen live at https://aktia.videosync.fi/2023-q2-results. A recording of the webcast will be available at www.aktia.com after the event.

Financial calendar

Interim Report January–September 2023..................9 November 2023