Q4

Financial Statement Release January-December 2023

Aktia

Aktia achieved a strong result, driven by a very good net interest income

October-December in short

- Interest income from lending grew strongly, raising the net interest income to a high level. The average margin of the loan book also increased.
- Net commission income from asset management increased slightly from the reference period. The growth was supported by, for example, commissions from private equity funds and structured products.
- Assets under management grew in the fourth quarter and net sales to Private Banking customers remained positive, but as a whole net subscriptions were negative.
- The life insurance business developed steadily.
- Despite high inflation, Aktia managed to keep cost increases at a reasonable level.
- The continuous and effective risk assessment of the credit portfolio helped to keep credit losses at a moderate level.

Proposed dividend

Aktia's Board of Directors proposes, in accordance with the company's dividend policy, that a dividend of EUR 0.70 per share to be paid for 2023, which constitutes 60% of the profit for the reporting period and corresponds to a dividend of approx. EUR 51 million.

January-December in short

- The Banking business achieved a very strong result and the Group's comparable operating profit grew to EUR 108.4 million.
- The cooperation with Finnair brought Aktia slightly over 30,000 new customers. In addition, successful corporate sales resulted in around 3,500 new corporate customers for Aktia.
- Interest income continued to grow strongly, supported by the rise in interest rates and good margin development.
- Demand for housing loans was soft, but demand for corporate loans – especially for hire purchase and leasing financing – remained strong.
- Asset management's net sales to domestic institutional investors and Private Banking customers were clearly positive in 2023, but net sales to foreign customers were negative.
- Outsourcing of services and high inflation increased IT costs. The increase in costs also reflects Aktia's active focus on information security, improving customer experience and reforming systems.

Outlook 2024

Aktia's comparable operating profit for 2024 is expected to be somewhat higher than the EUR 108.4 million reported for 2023. For the expectations that the outlook is based on, see page 22.

(EUR million)	Q4/2023	Q4/2022	Δ %	1-12/2023	1-12/2022	Δ %	Q3/2023	Δ %	Q2/2023	Q1/2023
Net interest income	38.9	24.2	61%	144.0	99.2	45%	39.5	-2%	33.8	31.8
Net commission income	29.8	29.1	2%	120.4	122.0	-1%	30.0	-1%	30.4	30.3
Net income from life insurance	6.0	3.3	82%	24.1	79.2	-70%	5.1	18%	5.7	7.2
Total operating income	75.2	58.2	29%	291.0	302.9	-4%	75.2	0%	70.3	70.3
Operating expenses	-46.5	-44.1	6%	-176.6	-169.4	4%	-40.8	14%	-42.2	-47.1
Impairment of credits and other commitments	-2.4	-7.1	-66%	-7.0	-10.2	-32%	-2.3	8%	-1.3	-0.9
Operating profit	**25.2**	**6.9**	**266%**	**106.2**	**123.5**	**-14%**	**32.0**	**-21%**	**26.8**	**22.2**
Comparable operating income 1)	75.2	58.2	29%	290.8	302.8	-4%	75.2	0%	70.0	70.3
Comparable operating expenses 1)	-45.5	-42.7	7%	-174.2	-168.1	4%	-40.8	12%	-42.2	-45.8
Comparable operating profit 1)	**26.3**	**8.3**	**216%**	**108.4**	**124.7**	**-13%**	**32.0**	**-18%**	**26.5**	**23.6**
Cost-to-income ratio	0.62	0.76	-18%	0.61	0.56	9%	0.54	15%	0.60	0.67
Comparable cost-to-income ratio 1)	0.60	0.73	-18%	0.60	0.56	7%	0.54	11%	0.60	0.65
Earnings per share (EPS), EUR	0.28	0.07	300%	1.16	1.37	-15%	0.34	-18%	0.29	0.25
Comparable earnings per share (EPS), EUR 1)	0.29	0.09	222%	1.19	1.38	-14%	0.34	-15%	0.29	0.27
Return on equity (ROE), %	12.8	3.7	9,1*	13.7	17.0	-3,3*	16.2	-3,4*	14.1	12.3
Comparable return on equity (ROE), % 1)	13.3	4.5	8,7*	14.0	17.2	-3,2*	16.2	-3*	13.9	13.0
Common Equity Tier 1 capital ratio (CET1), % 2)	11.3	10.8	5%	11.3	10.8	5%	11.0	3%	11.0	11.1
Dividend per share (proposal from Board Directors), EUR				0.70	0.43	63%				

* The change is calculated in percentage points
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. The Financial Statement Release January-December 2023 is a translation of the original Swedish version "Bokslutskommuniké 1.1.–31.12.2023". In case of discrepancies, the Swedish version shall prevail.

CEO’s comments

The fourth quarter of 2023 was excellent for Aktia. All three of our business areas, Banking, Asset Management, and Life Insurance, developed positively. I consider the significant increase in the number of customers, which continued until the end of the year, as a particular success. In the course of the year, we welcomed over 30,000 new customers.

Net interest income increased by 61 per cent from the corresponding quarter last year, and net commission income also increased from the reference period, which we can be satisfied with in the current market environment. The increase in net interest income combined with a moderate increase in costs, despite high inflation, brought the comparative operating profit for the full year to EUR 108.4 million. When considering the result, it should be noted that the comparative figures have been recalculated according to IFRS 17, making the comparison between years difficult.

Business areas developed well

The Banking business developed strongly. Demand for fixed-term deposits has remained high. The general uncertainty kept the demand for housing loans subdued despite a slight pick-up towards the end of the year. However, the total credit stock grew as the demand for hire purchase and leasing financing remained strong among corporate customers. The average margin for the entire loan book continued to grow. The balance sheet also developed well. I am particularly pleased that credit losses remained at a moderate level and the quality of the credit stock remained in line with our strategy. We have been actively reviewing the risks of our credit portfolios, and this has paid off.

In the Asset Management business, market uncertainty has been reflected particularly on the development of commission income. In the fourth quarter, the trend turned, and commission income grew from the reference period. Assets under management increased, although most of the increase came from the change in market value. Net sales to Private Banking customers continue strong in the fourth quarter and were clearly positive on an annual basis, similar to sales to domestic institutional investors. At the end of the year, a reorganisation was implemented in Asset Management to improve customer experience and develop and strengthen service models.

The fourth quarter was strong for the Life Insurance business. The sales of risk life insurance developed well for the fifth consecutive year and the sale of investment-linked insurance remained stable. Net income from life insurance grew from the corresponding quarter of the previous year and the actuarially calculated result for the full year improved. In the summer, the company selected a supplier for its basic system project, and the planning of the project progressed towards the end of the year, so that the implementation can begin in early 2024.

The new Corporate Sustainability Reporting Directive requires more extensive reporting of sustainability data from 2024 onwards. Sustainability guides everything we do in Aktia and we look forward to being able to further strengthen our sustainability work through more comprehensive reporting. We have prepared for the new requirements set by regulation and are well prepared to respond to the new reporting requirements.

Focus on developing customer and employee experience

Aktia’s personnel costs were slightly higher than in the corresponding quarter of the previous year. By contrast, the fixed salary costs were lower than last year, which means that the trend is moving in the right direction. At the beginning of 2023, we promised to reward our employees with EUR 1 million if Aktia’s comparable operating profit for 2023 exceeds EUR 100 million. The reward will be distributed equally among all employees and the share of the Executive Committee will be donated to charity.

IT costs increased clearly due to outsourcing of services, high inflation and investments in information security, improvement of customer experience and system renewals. In improving customer experience, we focus on solutions that enable smoother and quicker identification services and complement the tools for meeting customers in digital channels. One example is the Aktia Contact Center system renewal, which has been received well. With improvements like these, we can contribute towards seamless customer services in a concrete way.

An excellent employee and customer experience, the best wealth management, and customers who want to grow their wealth are the cornerstones of our operations also in the coming year. We strive to be worthy of your trust and meet your expectations every day of the year.

Helsinki, 8 February 2024

Juha Hammarén

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 are presented in notes 1 and 11.

Profit October-December 2023

The group's operating profit increased to EUR 25.2 (6.9) million and the profit for the period to EUR 20.4 (5.4) million. The comparable operating profit increased to EUR 26.3 (8.3) million. The increase is attributable to higher income compared to the fourth quarter of the previous year.

Items affecting comparability

(EUR million)	Q4/2023	Q4/2022
Costs for restructuring	-1.1	-1.4
Operating profit	**-1.1**	**-1.4**

Income

The Group's operating income amounted to EUR 75.2 (58.2) million. Net interest income was clearly higher than the previous year. Also, the net income from life insurance and the net commission income was higher than in the corresponding quarter of the previous year.

Net interest income increased by 61% to EUR 38.9 (24.2) million. Interest income from lending increased by 132% to EUR 91.8 (39.5) million. The increase is attributable to the positive development of the customer margins for lending, rising reference interest rates and the growth of the corporate loan book. Interest expenses from borrowing increased to EUR 40.2 (8.6) million, mainly due to increased costs for deposits and covered bonds. Interest expenses from senior financing increased to EUR 24.5 (7.5) million. Interest income from the liquidity portfolio increased to EUR 8.0 (1.1) million, mainly due to higher market interest rates than in the corresponding quarter of the previous year. Other net interest income, which mainly includes TLTRO financing and deposits in the central bank, increased to EUR 3.8 (-0.4) million.

Net commission income was 2% higher than in the fourth quarter of the previous year and amounted to EUR 29.8 (29.1) million. Commission income from funds, asset management and securities brokerage decreased to EUR 20.3 (20.6) million, which is mainly due to 2% lower average assets under management compared to the previous year. Commission income from cards, payment services and borrowing increased by 16% to EUR 8.8 (7.6) million and commission income from lending was on the previous year's level and amounted to EUR 2.1 (2.1) million.

Net income from life insurance increased to EUR 6.0 (3.3) million. The IFRS 17 recalculation of the comparison period combined with a slight decrease in the interest rates in the fourth quarter are making the comparison between the years challenging. Insurance service result (insurance contracts reported in accordance with IFRS 17) decreased by 17% to EUR 5.8 (7.0) million. Good new sales and low loss ratio contributed to a continued good result. Result from investment contracts decreased somewhat to EUR 2.1 (2.2) million. The net investment result improved to EUR -1.8 (-5.8) million. The result was affected by the volatile fixed-income-market and the valuation of individual investments.

Net income from financial transactions amounted to EUR 0.3 (1.3) million. The deviation is mainly due to changes in model based ECL impairments on interest bearing securities in the bank's liquidity portfolio, which decreased to EUR 0.1 (0.8) million.

Expenses

Operating expenses increased by 6% to EUR 46.5 (44.1) 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 the net income from life insurance.

Personnel costs increased by 9% to EUR 21.6 (19.9) million. The increase is related to a significantly higher allocation for variable remuneration compared to the fourth quarter of the previous year. Running costs for personnel decreased by 11%, mainly due to outsourcing of IT services. The average number of full-time employees during the quarter decreased to 834 (913).

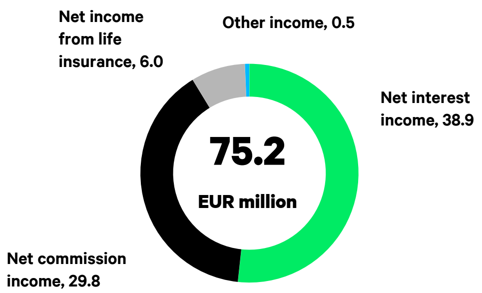
As a result of the outsourcing of IT services, IT expenses increased by 28% to EUR 12.6 (9.9) million. Index adjustments by several suppliers have contributed to increased IT expenses. The quarter includes certain one-off expenses.

Depreciations of tangible and intangible assets were on the previous year's level and amounted to EUR 5.9 (5.9) million.

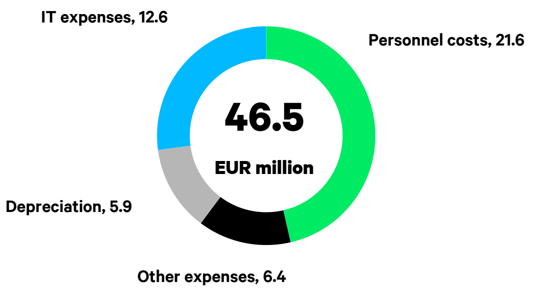
Other operating expenses were 24% lower than in the fourth quarter of the previous year and amounted to EUR 6.4 (8.5) million. The decrease is mainly due to lower costs for purchased services and marketing.

Impairments on credits and other commitments amounted to EUR -2.4 (-7.1) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.8 (-6.3) million.

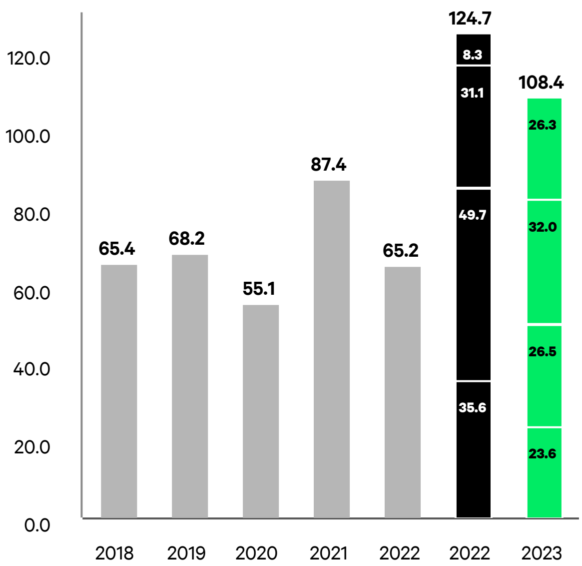
Operating income Q4/2023



Operating expenses Q4/2023



Comparable operating profit 2018–2023



*Recalculated according to the new accounting standard IFRS 17

Profit January-December 2023

The Group's operating profit amounted to EUR 106.2 (123.5) million and the profit for the period to EUR 84.2 (98.3) million. The comparable operating profit amounted to EUR 108.4 (124.7) million. The effect of the sharp rise in the interest rates in 2022 led to a very high net investment result according to IFRS 17 for the comparison year.

Items affecting comparability

(EUR million)	Jan-Dec 2023	Jan-Dec 2022
Additional income from divestment of Visa Europe to Visa Inc	0.3	0.2
Costs for restructuring	-2.4	-1.4
Operating profit	**-2.1**	**-1.2**

Income

The Group's operating income amounted to EUR 291.0 (302.9) million and the comparable operating income to EUR 290.8 (302.8) million. Net interest income developed very positively, while net income from life insurance was clearly below the previous year's level due to the implementation of IFRS 17 and its effects.

Net interest income increased by 45% to EUR 144.0 (99.2) million. Interest income from lending increased by 178% to EUR 302.5 (108.8) million. The increase mainly pertains to the positive development of the customer margins for lending, rising reference interest rates and the growth of the corporate loan book. Interest expenses from borrowing increased to EUR 119.1 (1.7) million, mainly due to increased interest expenses from deposits and covered bonds. Interest expenses from senior financing increased to EUR 78.8 (10.9) million. Higher market interest rates led to interest income from the liquidity portfolio increasing to EUR 22.7 (2.6) million. Other net interest income, which mainly includes TLTRO financing and deposits in the central bank, increased to EUR 16.7 (0.3) million.

Net commission income decreased by 1% to EUR 120.4 (122.0) million. Commission income from funds, asset management and securities brokerage decreased by 4% to EUR 84.0 (87.8) million. The decrease is due to 5% lower average customer assets under management (AuM) than the previous year. Commission income from cards, payment services and borrowing increased by 14% to EUR 33.3 (29.2) million, while commission income from lending decreased by 5% to EUR 8.6 (9.1) million.

The result for the insurance business improved from the previous year, but due to accounting technical changes (IFRS 17), the net investment result and thus the net income from life insurance decreased to EUR 24.1 (79.2) million. Insurance service result increased by 18% to EUR 18.0 (15.3) million owing to good new sales, low loss ratio and profitable insurance contracts. Result from investment contracts decreased by 2% to EUR 8.4 (8.7) million. The decrease is due to a lower earnings level for customer assets compared to the previous year. The implementation of IFRS 17 led to the net investment result decreasing to EUR -2.4 (55.2) million. The net investment result is affected by the volatility of the fixed income market and the valuation of individual investments. Since 2023, Aktia has a more comprehensive interest rate hedging programme, reducing the volatility in the net investment result.

Net income from financial transactions amounted to EUR 1.7 (0.6) million and included 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 1.4 (0.5) million. The improvement is mainly related to changes in model based ECL impairments on the bank's interest-bearing securities of EUR 0.6 (-0.7) million.

Expenses

Operating expenses increased to EUR 176.6 (169.4) million. Comparable operating expenses increased by 4% to EUR 174.2 (168.1) 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.

Personnel costs increased to EUR 84.5 (80.4) million. Comparable personnel costs increasing by 3% to EUR 82.2 (79.6) million despite the outsourcing of IT services. The excellent operating result led to an increase in variable remuneration compared to the previous year. Running costs for personnel decreased by 4% compared to the previous year and the average number of full-time employees during the period decreased to 855 (911).

IT expenses increased by 26% to EUR 41.1 (32.7) million. The increase mainly relates to outsourcing of IT services and index adjustments by several suppliers. In addition, increased transaction volumes and one-off expenses have contributed to increased IT expenses.

Depreciation of tangible and intangible assets increased by 1% to EUR 23.5 (23.3) million. The increase is mainly due to higher depreciations on office renovations.

Other operating expenses decreased to EUR 27.5 (33.0) million. Comparable other operating expenses decreased by 15% to EUR 27.4 (32.4) million. The decrease is due to lower costs for purchased services and a lower fee to the stability fund.

Impairments on credits and other commitments amounted to EUR -7.0 (-10.2) million. The change in the allowance for model-based credit losses (ECL) decreased to EUR -1.8 (-8.0) million while individual impairments increased to EUR -5.1 (-2.3) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total decreased to EUR 12,037 (12,412) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees, decreased to EUR 617 (645) million.

Borrowing

Borrowing from the public and public-sector entities was 12% lower than at the year-end and amounted to EUR 4,564 (5,214) million. Aktia's market share of deposits was 2,9 (3.1) % at the end of December.

The value of long-term bonds issued by Aktia Bank totalled EUR 3,457 (2,947) million. After an issued retained covered bond was set off, covered bonds issued by Aktia Bank amounted to EUR 1,426 (1,354) million.

At the end of May, Aktia Bank issued a new covered bond 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.

In addition, during the fourth quarter, Aktia Bank issued a senior non-preferred bond of EUR 25 million. During the year, Aktia issued senior preferred bonds of EUR 609 million in total as part of its EMTN programme, of which EUR 152 million were issued during the fourth quarter. During the year, TLTRO III loans totalling EUR 550 million were repaid. In March, issued retained covered bonds of EUR 400 million were cancelled.

Lending

Group lending to the public and public-sector entities increased by 1% from last year and amounted to EUR 7,866 (7,792) million. New lending to corporate customers decreased to EUR 825 (917) million and new lending to private customers to EUR 796 (995) million. The share of corporate customers and housing companies of the total loan book increased from the previous year, while households' share decreased.

The housing loan book decreased to EUR 5,346 (5,434) million, of which the share of households was EUR 4,094 (4,289) million. At the end of December, Aktia's market share in housing loans to households was 3.8 (3.9) %.

Loan book by sector

(EUR million)	31 Dec 2023	31 Dec 2022	Δ	Share, %
Households	5,154	5,312	-158	65.5%
Corporates	1,416	1,301	115	18.0%
Housing companies	1,230	1,120	110	15.6%
Non-profit organisations	59	52	7	0.8%
Public sector entities	7	6	1	0.1%
Total	**7,866**	**7,792**	**74**	**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 1,352 (1,307) million, the life insurance company's investment portfolio of EUR 486 (488) million, and the Bank Group's equity holdings of EUR 9 (8) million.

Liabilities from insurance business

The total liabilities from insurance business increased during the year by 8% to EUR 1,529 (1,420) million. Liabilities from insurance contracts decreased by 3% to EUR 475 (492) million. The main reason for the decrease is related to pensions paid from pension insurances in run-off. Liabilities from investment contracts, on the other hand, increased by 13% to EUR 1,054 (928) million due to a positive net inflow and higher market values compared to the previous year.

Equity

Aktia Group's equity increased to EUR 708 (640) million. The value of the fund at fair value increased to EUR -39 (-50) million and the profit for the period amounted to EUR 84 million. Dividend amounting to EUR 31 million was paid to the shareholders in April.

Fund at fair value

(EUR million)	31 Dec 2023	31 Dec 2022	Δ
Interest-bearing securities, Aktia Bank	-28.3	-35.8	7.5
Interest-bearing securities, Aktia Life Insurance	-10.0	-14.0	4.0
Cash flow hedging	-0.7	-0.1	-0.6
Total	**-39.0**	**-49.9**	**10.9**

Assets under Management

The Group's total assets under management, including group financial assets, decreased by 3% to EUR 16,055 (16,475) million.

Customer assets under management comprise managed and brokered mutual funds as well as managed capital.

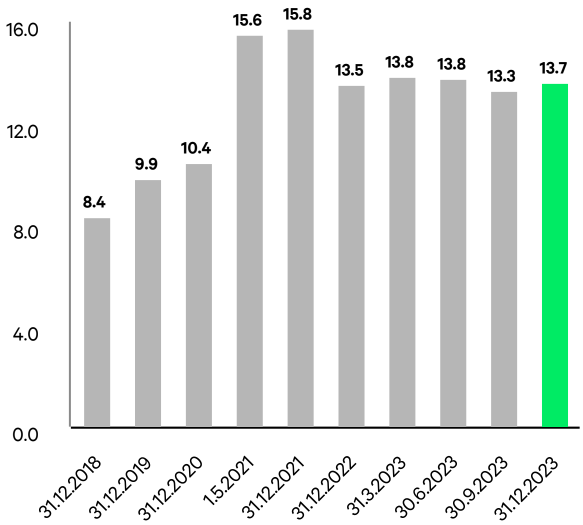
Group financial assets include the Bank Group's liquidity portfolio managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	31 Dec 2023	31 Dec 2022	Δ%
Customer assets under management*	13,658	13,539	1%
Group financial assets	2,397	2,936	-18%
Total	**16,055**	**16,475**	**-3%**

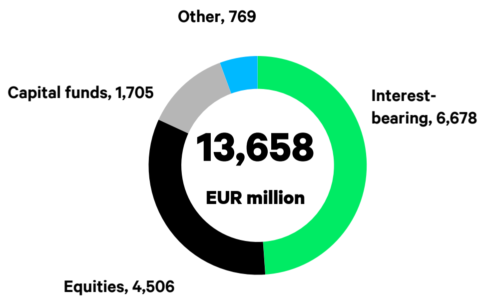
* Excluding fund in funds

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



* Assets under management presented in the table reflect net volumes, so that assets under management included in multiple companies or funds have been eliminated.

AuM 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 total loan book of Aktia's banking business grew despite the modest development of the housing loan market. The net interest income from the loan book continued to grow during the fourth quarter and the quality of the loan book remained good. The average margin for the entire loan book continued to increase.
- In the corporate customer business, the demand for hire purchase and leasing financing remained strong. System investments in these product areas have been completed, enabling continued profitable growth.
- Overall, the corporate customer business grew very strongly, and in 2023 more than 3,500 new corporate customers joined Aktia.
- In the private customer business, the Finnair cooperation proceeded as expected. The cooperation brought almost 30,000 new customers to Aktia during the year.

Result

(EUR million)	Q4/2023	Q4/2022	Δ%
Net interest income	44.6	22.8	96%
Net commission income	13.9	14.4	-3%
Other operating income	0.0	0.1	-71%
Operating income	58.6	37.3	57%
Operating expenses	-27.7	-26.9	3%
Impairment	-3.4	-7.2	-53%
Operating profit	**27.5**	**3.3**	**744%**
Comparable operating profit	**27.6**	**4.1**	**577%**

Result for Banking Business segment

Operating income increased from the previous year's corresponding quarter to EUR 58.6 (37.3) million. Net interest income was 96% higher than in the corresponding quarter of the previous year and amounted to EUR 44.6 (22.8) million. The increase in customer margins for the entire loan book continued. Rising reference interest 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 to 3.51% at the end of the year and was 0.22 percentage points higher compared to the previous year.

The loan book increased to EUR 7,631 (7,620) million from the end of year 2022. The corporate customers' loan book increased to EUR 2,688 (2,489) million, while the private customers' loan book decreased to EUR 4,943 (5,131) million. The favourable demand for fixed-term savings deposits continued among private customers. The total borrowing from the public and public-sector entities decreased by 12% year-on-year and amounted to EUR 3,890 (4,443) million.

Net commission income was 3% lower than in the corresponding quarter of the previous year and amounted to EUR 13.9 (14.4) million. Net commission income from lending decreased by 3% to EUR 2.0 (2.1) million, mainly due to lower credit demand. Net commission income from cards, payment services and borrowing was 1% higher than in the fourth quarter of the previous year and amounted to EUR 6.4 (6.3) million. Net commission income from investment operations decreased by 4% to EUR 3.6 (3.7) million. Customer assets under management increased by 10% to EUR 1,789 million from the year-end 2022.

Operating expenses were 3% higher than in the corresponding quarter of the previous year and amounted to EUR 27.7 (26.9) million. The increase is mainly due to higher impairments related to development projects.

During the quarter, an EUR -1.0 (0,0) million impairment of intangible assets was recorded. Impairments on credits and other commitments amounted to EUR -3.4 (-7.2) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -0.8 (-6.3) million and other individual impairments on credits amounted to EUR -1.7 (-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 remained unstable, but the equity indexes, especially in the US and Europe, developed strongly during the year. The Finnish equity market developed negatively throughout the year, but the trend clearly turned in the final quarter, even though the situation in the Finnish real economy remained challenging.
- Central banks continued their reference interest rate hikes at the beginning of the year. Market expectations of lower interest rates moved forward, but the rise in interest rates stagnated in the fourth quarter. The market consensus predicts that the rate-hike cycle has peaked, and for 2024 central banks are expected to cut key interest rates as inflationary pressures decrease.
- Aktia Asset Management's net sales to domestic institutional investors and Private Banking customers were clearly positive in 2023. However, international investors made significant redemptions from certain well-performing Aktia fixed-income funds, leaving the Asset Management's total net sales negative for 2023. However, in the last month of the year, international sales also turned positive.
- Net commission income from Asset Management increased in the fourth quarter compared to the reference period.

Result

(EUR million)	Q4/2023	Q4/2022	Δ%
Net interest income	5.6	1.7	232%
Net commission income	16.2	15.1	8%
Other operating income	0.0	0.0	—
Operating income	21.8	16.8	30%
Operating expenses	-14.5	-12.6	15%
Impairment	-0.1	—	—
Operating profit	**7.1**	**4.2**	**71%**
Comparable operating profit	**8.1**	**4.7**	**74%**

Customer assets under management

(EUR million)	31 Dec 2023	31 Dec 2022	Δ%
Customer assets under management*	13,658	13,539	1%
of which institutional assets	7,438	7,872	-6%

* Excluding fund in funds

Result for Asset Management segment

The operating income for the quarter increased by EUR 5.0 million to EUR 21.8 million due to higher net interest income and net commission income than in the reference period. The majority of the increase was due to the improved net interest income.

Net commission income totalled EUR 16.2 million, 8% higher than in the fourth quarter of the previous year. The increase was due to, among other things, higher fees from private equity funds and structured products. Private Banking customers' net subscriptions were positive during the quarter, and positive sales were reported for each quarter of the financial year 2023. In the international customer and domestic institutional customer segments, sales were negative during the period. The international customer segment has been affected by portfolio reallocations among some customers due to the new interest rate level. These customers have reduced their exposure to emerging market fixed income products and increased their allocations in traditional fixed income markets.

Assets under management increased by EUR 119 million from the reference period and amounted to EUR 13,658 (31 December 2022: 13,539) million at the end of the period. The net subscriptions for the quarter amounted to EUR -76 million, and the market value change was EUR 389 million.

The operating expenses of the segment increased by EUR 1.9 million to EUR 14.5 million. The increase is mainly attributable to higher costs for variable remuneration. Personnel costs constituted 42% (36) 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 policies developed well during the fourth quarter.
- Sales of investment-linked insurance policies remained stable.
- The result from investment activities, including insurance finance result and income from investment activities, amounted to EUR -1.1 million in the fourth quarter.
- The solvency ratio decreased during the quarter but remained on a good level.

Result

(EUR million)	Q4/2023	Q4/2022	Δ%
Operating income	5.8	7.0	-17%
Result from investment contracts	2.1	2.2	-2%
Net investment result	-1.1	-5.0	-78%
Net income from life insurance	6.7	4.1	66%
Operating expenses	-2.5	-2.5	1%
Operating profit	**4.2**	**1.6**	**164%**
Comparable operating profit	**4.2**	**1.7**	**154%**

Result for Life Insurance segment

The sale of risk insurance, especially through agents, continued positively during the fourth quarter and contributed to the improved result from insurance service. A good loss ratio and new sales also had a positive impact on the result from insurance service for the quarter. The investment-linked insurance book, which includes both investment and insurance contracts, increased by 6 per cent.

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.

The contractual service margin (CSM), which represents the future profit that the company expects to earn on the insurance contracts, increased by EUR 15.1 million during the quarter. The increase is mainly due to changes in the mortality and surrender assumptions, which have a positive effect on CSM. During the period, EUR 2.8 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 5.0 million. Other effects, such as changes in the mortality and surrender assumptions, increased the margin by EUR 12.9 million.

The solvency ratio decreased by 9.7 percentage points during the quarter. The decrease is mainly due to declining interest rates and updated model for deferred pensions.

As of the beginning of the year, Aktia Life Insurance adopted a new accounting standard, IFRS 17. Under the new standard, liabilities from insurance contracts are valued using current market interest rates. The sharp increase in interest rates in 2022 had a significant impact on the result of the reference period and the 2022 balance sheet, as the interest rate hedging programme was not complete. The comparable operating profit for the Life Insurance segment was 154% higher than in the corresponding quarter of the previous 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.

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)	Q4/2023	Q4/2022	Δ%
Operating income	-9.4	2.6	—
Operating expenses	-4.3	-4.8	-9%
Operating profit	**-13.7**	**-2.1**	**544%**
Comparable operating profit	**-13.7**	**-2.1**	**563%**

Result for Group Functions segment

The comparable operating income for the segment decreased to EUR -9.4 (2.6) million in the fourth quarter, mainly due to lower net interest income than in the corresponding quarter of the previous year.

Net interest income decreased to EUR -11.4 (-0.3) million. The change is mainly attributable to higher financing expenses. Interest income from the liquidity portfolio and from deposits in the Bank of Finland have increased. At the segment level, the higher financing expenses are partly offset by higher internal interest income.

Since March 2015, Aktia Bank has participated in the European Central Bank's refinancing operations (TLTRO), which has enabled Aktia to offer the market favourable and competitive loans. The remaining amount of the loan is EUR 250 million and it is due for payment in 2024.

Net income from financial transactions was EUR 0.4 (1.3) million. The decrease is mainly attributable to the change in ECL impairments on interest-bearing securities.

The total comparable operating expenses of the segment remained on the same level as in the corresponding quarter of the previous year, although IT costs have increased while costs from purchased services, depreciations and costs related to personnel have decreased. 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	**1-12/ 2023**	**1-12/ 2022**	**1-12/ 2023**	**1-12/ 2022**	**1-12/ 2023**	**1-12/ 2022**	**1-12/ 2023**	**1-12/ 2022**	**1-12/ 2023**	**1-12/ 2022**	**1-12/ 2023**	**1-12/ 2022**
Net interest income	151.8	86.3	18.2	3.4	—	—	-26.4	9.5	0.5	0.1	144.0	99.2
Net commission income	58.2	58.3	64.0	65.5	—	—	6.1	5.9	-7.8	-7.8	120.4	122.0
Net income from life insurance	—	—	—	—	27.0	82.1	—	—	-2.9	-2.9	24.1	79.2
Other operating income	0.5	0.2	0.1	0.4	—	—	2.6	2.2	-0.5	-0.2	2.6	2.6
Total operating income	**210.4**	**144.8**	**82.3**	**69.3**	**27.0**	**82.1**	**-17.8**	**17.6**	**-10.8**	**-10.9**	**291.0**	**302.9**
Personnel costs	-17.8	-17.1	-23.1	-19.2	-2.4	-2.2	-41.2	-42.0	—	—	-84.5	-80.4
Other operating expenses [1]	-87.0	-84.2	-32.1	-30.8	-7.3	-7.6	23.8	22.7	10.5	10.9	-92.1	-89.0
Total operating expenses	**-104.8**	**-101.2**	**-55.1**	**-50.0**	**-9.7**	**-9.7**	**-17.4**	**-19.3**	**10.5**	**10.9**	**-176.6**	**-169.4**
Impairment of tangible and intangible assets	-1.0	—	-0.1	—	—	—	-0.2	—	—	—	-1.3	—
Expected credit losses and impairment of credits and other commitments	-7.0	-10.2	—	—	—	—	—	—	—	—	-7.0	-10.2
Impairment of other receivables	—	—	-0.1	—	—	—	—	—	—	—	-0.1	—
Share of profit from associated companies	—	—	—	—	—	—	—	—	0.1	0.2	0.1	0.2
Operating profit	**97.7**	**33.3**	**27.0**	**19.2**	**17.3**	**72.3**	**-35.5**	**-1.6**	**-0.2**	**0.2**	**106.2**	**123.5**
Comparable operating profit	**98.2**	**34.1**	**28.6**	**19.7**	**17.3**	**72.4**	**-35.5**	**-1.7**	**-0.2**	**0.2**	**108.4**	**124.7**

Balance sheet	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Financial assets measured at fair value	—	—	0.0	0.1	1,497.9	1,407.0	920.9	854.2	0.0	-14.8	2,418.7	2,246.5
Cash and balances with central banks	0.6	0.9	—	—	—	0.0	91.1	164.9	—	—	91.8	165.8
Interest-bearing securities measured at amortised cost	—	—	—	—	37.6	36.8	450.9	492.6	—	—	488.4	529.4
Loans and other receivables	7,639.0	7,620.1	284.7	219.5	26.9	14.8	635.2	1,155.7	-23.7	-25.2	8,562.1	8,984.9
Other assets	61.1	87.5	53.5	54.1	114.0	109.5	326.2	298.6	-79.0	-64.1	475.9	485.6
Total assets	**7,700.7**	**7,708.4**	**338.2**	**273.7**	**1,676.5**	**1,568.1**	**2,424.2**	**2,966.1**	**-102.6**	**-104.1**	**12,036.9**	**12,412.2**
Deposits	3,910.0	4,472.4	712.4	820.3	—	—	274.0	778.0	-23.7	-25.2	4,872.6	6,045.7
Debt securities issued	—	—	—	—	—	—	3,577.3	3,066.6	—	-14.8	3,577.3	3,051.7
Liabilities from insurance business	—	—	—	—	1,529.0	1,420.0	—	—	—	—	1,529.0	1,420.0
Other liabilities	169.1	140.5	51.6	34.8	81.2	93.3	1,080.4	1,003.9	-32.3	-17.7	1,350.1	1,254.8
Total liabilities	**4,079.1**	**4,612.9**	**764.0**	**855.2**	**1,610.2**	**1,513.2**	**4,931.7**	**4,848.5**	**-56.0**	**-57.7**	**11,329.0**	**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 11.3 (10.8) %, which is 3.6 (3.1) percentage points above the minimum requirement. CET1 increased by EUR 46.2 million mainly due to the profit for the period and an increase in the fund at fair value. The result includes a dividend of EUR 6.3 million from Aktia Life Insurance Ltd paid in the first quarter of the year. The risk-weighted assets increased by EUR 281 million mainly due to increased corporate lending. Risk-weighted exposures to household lending with real-estate collateral decreased from the previous year. Despite this, risk-weighted assets for these exposures increased during the fourth quarter, primarily due to changes in Loss Given Default (LGD). An increase of the Bank Group's operating income also led to an increase in the capital requirement for operational risks compared to the previous year.

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, %	31 Dec 2023	31 Dec 2022
Bank Group		
CET1 capital ratio	11.3	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 9.49% for Tier 1 capital ratio at the end of the quarter. 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)	31 Dec 2023	31 Dec 2022
Tier 1 capital	443.1	396.9
Total exposures	10,468.9	10,985.2
Leverage ratio	**4.2%**	**3.6%**

For Aktia, the ratio of own funds and eligible liabilities to the total risk exposure amount (TREA) was 320.0% and to the leverage ratio exposure (LRE) 350.3%, 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.

MREL requirement (EUR million)	31 Dec 2023	31 Dec 2022
Total risk exposures (TREA)	3,411.2	3,130.6
of which MREL requirement	677.5	621.7
Leverage ratio exposures (LRE)	10,468.9	10,985.2
of which MREL requirement	618.7	649.2
MREL requirement	**677.5**	**649.2**
CET1 capital	385.5	339.2
AT 1 instruments	57.7	57.7
Tier 2 instruments	69.6	69.5
Other liabilities	1,654.8	1,599.3
Total	**2,167.6**	**2,065.7**

Aktia's buffer for the MREL was EUR 1,490.1 million. The MREL requirement for Aktia was based on the total risk exposures (TREA).

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 and 7.72% of the leverage ratio exposures. Aktia's buffer to the requirement will remain stable even after the new requirement has entered into force.

Total capital requirement

			Buffer requirements				
31 December 2023 (%)	**Pilar 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%	—	—	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%**	**—**	**—**	**11.80%**

The life insurance business follows the Solvency II directive, in which calculations for insurance liabilities are measured at market value. In line with Solvency II, the company calculates its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and identifies its available solvency capital within the regulation. Aktia Life Insurance Ltd 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 period, the Life Insurance Company's solvency ratio (with transition rules) has somewhat decreased. The main reasons for the decrease is attributable to changes in the modelling of actuarial provisions, impairments on investments in direct real estates, and a higher capital requirement for shareholdings due to the change in the symmetric equity dampener in Solvency II.

Solvency II

	With transitional rules		Without transitional rules	
(EUR million)	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
MCR	23.5	21.8	23.1	23.1
SCR	93.9	75.2	101.9	84.2
Eligible capital	180.1	183.2	152.1	152.2
Solvency ratio, %	**191.7**	**243.5**	**149.3**	**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 are presented in note G2, The Group's risk management, 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 fourth quarter of 2023, the average LTV level amounted to 42% for the entire loan portfolio.

Household lending has decreased in 2023, while corporate lending has continued to increase. The instalment-free periods for households have decreased, which is expected in the current interest rate environment, as customers with good repayment capacity are paying back their loans with increased pace. The growth of Aktia Finnair Visa card exposures has, however, been strong.

Private customers' repayment capacity has changed during the fourth quarter, which is seen in the increase of forbearances. Additionally, the number of loans 30–60 days past due has increased, contributing to the growing number of exposures in ECL stage 2. The number of defaults has remained stable during the year, although loans with forbearance measures and days-past-due have slightly increased. The current economic situation is expected to continue to be challenging for individual customers, which is expected to have a negative impact on customers' repayment capacity.

Corporate exposures have continued to increase during 2023, as loans for corporates and housing cooperatives have increased while loans for housing cooperatives under construction and commercial real estates have decreased. Defaults have decreased during the year, which is mainly due to the curing of some larger loans.

Gross loans past due by time overdue and ECL stages

(EUR million)	31 December 2023			
Days	Stage 1	Stage 2	Stage 3	Total
≤ 30	38.5	24.7	8.2	71.3
of which households	29.5	20.5	7.2	57.2
> 30 ≤ 90	—	37.9	12.5	50.5
of which households	—	30.0	12.1	42.1
> 90	—	—	54.7	54.7
of which households	—	—	45.6	45.6

(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	—	24.5	16.1	40.7
of which households	—	20.1	11.6	31.7
> 90	—	—	55.7	55.7
of which households	—	—	45.3	45.3

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

(EUR million)	31 Dec 2023	31 Dec 2022
Corporate		
PD grades A	2,449.4	2,264.3
PD grades B	75.6	62.4
PD grades C	15.9	12.7
Default	21.7	28.3
Book value of ECL provisions	2,562.7	2,367.7
Loss allowance (ECL)	-13.2	-14.4
Carrying amount	**2,549.5**	**2,353.3**
Households		
PD grades A	4,208.1	4,342.5
PD grades B	821.1	839.1
PD grades C	324.0	247.9
Default	110.0	112.4
Book value of ECL provisions	5,463.2	5,541.9
Loss allowance (ECL)	-23.4	-23.7
Carrying amount	**5,439.8**	**5,518.2**
Other		
PD grades A	489.3	535.5
PD grades B	8.4	18.8
PD grades C	14.6	1.6
Default	1.0	1.4
Book value of ECL provisions	513.2	557.3
Loss allowance (ECL)	-0.7	-0.7
Carrying amount	**512.5**	**556.6**

Reporting of PD classes A, B and C divided according to the credit classification models in the bank. Corporates and households are classified with the IRB-approach. Defaulted exposures has a PD of 100%.

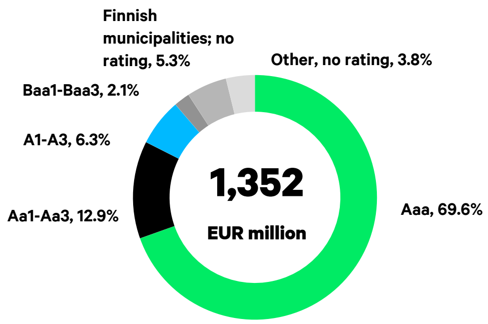
Market risks

Market risk arises from changes in price and risk factors in financial markets. Market risk includes interest rate risk, credit spread risk, currency risk, equity risk and real estate risk. The main market risk in the liquidity portfolio is credit spread risk, while the main market risk in the entire banking book is interest rate risk.

Credit spread risk is the most significant risk component of the Bank's internal market risk model, which measures the fair value risk of the instruments in the liquidity portfolio (HTCS liquidity portfolio). The Bank has protected its liquidity portfolio against rising interest rates and has continued the hedging measures since the third quarter 2022, which means that the interest rate risk is currently very low. There was no significant change in the risk level during the fourth quarter.

Structural interest rate risk arises from differences in fixed interest periods and repricing of interest-bearing assets and liabilities. In the banking business, structural interest rate risk is actively managed through various business transactions taking into consideration the market interest rates, either through hedging derivatives or fixed-term investments in the liquidity portfolio.

Rating distribution for the Bank Group's liquidity portfolio 31 Dec 2023 in total



Banking operations do not engage in equity trading for trading purposes and no real estate investments are made for yield purposes.

Equity investments attributable to the operations amounted to EUR 9 (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 6 (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 1,817 (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)	31 Dec 2023	31 Dec 2022
Cash and balances with central banks	597	1,172
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	191	196
Securities issued or guaranteed by municipalities or the public sector	72	111
Covered Bonds	957	777
Securities issued by credit institutions	—	0
Total	**1,817**	**2,256**
of which LCR-qualified	1,817	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) %. On 31 December 2023, the Net Stable Funding Ratio (NSFR) was 122 (121) %.

Liquidity coverage ratio (LCR)	31 Dec 2023	31 Dec 2022
LCR %	221%	183%
NSFR %	122%	121%

Life Insurance Business

Investment portfolio of the life insurance business

The market value of the life insurance business' total investment portfolio amounted to EUR 487 (892) million. The life insurance company's direct real estate investments amounted to EUR 73 (49) million. The properties are located in the Helsinki region and in other growth centres in Southern Finland and they mostly have long tenancies.

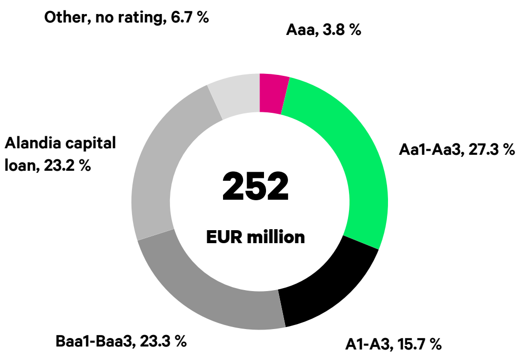
Aktia Life Insurance, allocation of investment portfolio

(EUR million)	31 Dec 2023		31 Dec 2022	
Equities	**10.6**	**2.1%**	**12.8**	**2.6%**
Europe	2.0	0.3%	8.6	1.8%
Finland	0.5	0.1%	—	—
USA	6.9	1.4%	—	—
Japan	0.6	0.1%	4.2	0.9%
Emerging markets	0.6	0.1%	—	—
Fixed income investments	**316.7**	**65.1%**	**652.6**	**—**
Government bonds	88.7	18.2%	327.7	67.1%
Financial bonds	29.4	6.0%	90.9	18.6%
Other corporate bonds[1]	139.7	28.7%	31.7	6.5%
Emerging Markets (mtl. funds)	34.1	7.0%	143.7	29.4%
High yield (mtl. funds)	22.8	4.7%	37.2	7.6%
Other funds	2.1	0.9%	21.5	4.4%
Alternative investments	**27.1**	**5.9%**	**50.2**	**0.6%**
Private Equity etc.	22.6	4.6%	28.7	5.9%
Infrastructure funds	4.6	1.5%	21.5	4.4%
Real estates	**91.9**	**14.9%**	**121.4**	**1.5%**
Directly owned	72.7	10.0%	72.7	14.9%
Real estate funds	19.2	4.9%	48.7	10.0%
Money Market	**25.8**	**11.3%**	**24.0**	**4.9%**
Derivatives	**-12.2**	**-4.9%**	**55.3**	**11.3%**
Cash and bank	**26.8**	**5.5%**	**-23.9**	**-4.9%**
Total	**486.8**	**100.0%**	**892.4**	**3.0%**

1) Includes capital loan to Alandia

Rating distribution for the life insurance business's direct interest-bearing investments 31 Dec 2023 in total

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



Life insurance company's market risk

The interest rate risk is the most significant market risk within the technical provisions of the life insurance company, 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, the company's largest market risk exposure is equity risk, arising from a potential deprecation in the value of the company's equity holdings, and from the share of risk in the customers' holdings in investment-linked insurance portfolios attributed to the company. The risks arising from decreasing real estate prices or an increase in credit margins (spreads) are also considerable.

The IFRS 17 standard, effective from 1 January 2023, increases the result's exposure to interest rate risks. The new standard results in interest rate fluctuations affecting the value of liabilities from insurance contracts, directly impacting 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 as a difference under a stress scenario describing a historical 99.5% percentile of various risk factors. On 31 December 2023, the risk sensitivity was EUR 23.1 (3.3) million for interest rate risk, EUR 35.2 (31.6) million for equity risk, EUR 25.9 (25.6) million for real estate risk, EUR 23.0 (15.2) million for credit spread risk, and EUR 22.2 (16.4) million for currency risk. After summation and diversification effects, the internal requirement is EUR 82.1 (61.7) million, against the allowed limit of EUR 100 (105) million. The relatively large change is due to the calibration of the model at the end of the year 2022, as rising interest rate levels considerably affect the calculation parameters. The earlier parameters were applied until 31 December 2022.

Main events

Aktia introduced Green Mortgage

Green Mortgage is Aktia's first green loan product. Green Mortgage is a housing loan that meets the requirements of EU's sustainable finance classification system, or taxonomy, in terms of energy efficiency of the building. Thus, it contributes significantly to the environmental goal of mitigating climate change.

Aktia began to pay interest on the Savings Deposit (Säästötalletus)

Aktia was among the first to start paying interest on fixed-term deposits as early as in August 2022, after market interest rates had, after a long period of time, returned positive. As of 1 January 2024, Aktia also began paying a deposit interest of 0.25% to the Savings Deposit Account. The savings deposit has no minimum deposit and no withdrawal limit.

Aktia reorganised parts of its operations

Aktia carried out change negotiations to reorganise part of its operations. The change negotiations concerned certain areas of asset management and group functions. The aim of the negotiations was to simplify and renew the organisation and its activities. As a result of the negotiations, approximately 23 job positions were reduced.

Aktia raised its prime rate to 2.50 per cent

Aktia Bank raised its prime rate from 2.00 per cent to 2.50 per cent. The new prime rate was applied from 2 October 2023. The increase was due to rising market interest rates. On 1 April 2023, Aktia Bank raised its prime rate from 1.00 per cent to 2.00 per cent.

Aktia Wealth Planning to be merged with Aktia Bank

Aktia Bank Plc initiated merger procedures aiming at merging the wholly owned subsidiary Aktia Wealth Planning Ltd with Aktia Bank Plc. The subsidiary merger simplifies Aktia's group structure and enables a more efficient development of the business. The merger will enter into force on 1 April 2024. The merger has no impact on Aktia's customers, services or personnel.

Aktia Aurinkotuuli III fund raised over EUR 160 million in its first fundraising round

Aktia Aurinkotuuli III is a closed private equity fund whose only investment is Taaleri SolarWind III. Aktia Aurinkotuuli III belongs to the highest "dark green" category in the sustainability rating, as its target fund Taaleri SolarWind III is also a financial product under Article 9 of the EU Sustainable Finance Disclosure Regulation.

With Aktia Aurinkotuuli III, also private investors can make impactful investments in increasing the production of renewable energy. 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 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 a 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 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 2023 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.

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 November 2022 related to the S&P's "Ratings Direct" report.

On 6 April 2023, 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 Investor 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.

Personnel

The number of full-time employees at the end of December amounted to 833 (31 December 2022; 860). The average number of full-time employees amounted to 855 (1 January–31 December 2022; 911).

Governance

Executive Committee

On 9 November 2023, Aktia announced that Kaapro Kanto, Bachelor of Computer Science BCS, had been appointed as the EVP, Chief Information Officer (CIO) of Aktia and member of the Group's Executive Committee. He reports to Aktia's CEO Juha Hammarén. Kanto has extensive experience in demanding IT tasks.

Kati Eriksson, M.Sc (Econ.) has been appointed as the EVP, Asset Management, and as a member of the Group's Executive Committee. Eriksson assumed her position on 26 January 2024.

On 5 June 2023, Aktia's Board of Directors appointed M.Soc.Sc. Aleksi Lehtonen as the new President and CEO of Aktia Bank Plc. Lehtonen will start in his position on 1 June 2024.

On 31 December 2023, Aktia's Executive Committee consisted of the following persons: Juha Hammarén, CEO; Outi Henriksson, Executive Vice President & CFO; Anssi Huhta, Executive Vice President, Banking Business & Deputy CEO; Uki Lammi, Executive Vice President (interim), Asset Management; Sini Kivekäs, Executive Vice President, Group Functions, and Kaapro Kanto, Executive Vice President & CIO.

Shareholders' Nomination Board

In accordance with the Articles of Association of Aktia Bank Plc, a Nomination Board shall be appointed annually with the duty to prepare a proposal for members of the Board of Directors as well as for the remuneration of them to the Annual General Meeting. Aktia announced the appointment of the Shareholders' Nomination Board on 17 August 2023.

The composition of the Nomination Board as from 17 August 2023 is: Matts Rosenberg, appointed by RG Partners Oy; Gisela Knuts, appointed by the Pension Insurance Company Veritas and the companies controlled by Erkki Etola; Stefan Wallin, appointed by the Åbo Akademi University Foundation and Johan Hammarén, appointed by Oy Hammarén & Co Ab. Gisela Knuts was elected chair of the Nomination Board. Further, the chair of the Board of Aktia Bank Plc, Lasse Svens participates in the work of the Nomination Board as an expert.

Aktia Bank Plc’s incentive programme 2024–2025

Share Savings Plan

The Board of Directors of Aktia Bank Plc has 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 850 Aktia employees the opportunity to save 2–6% 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 2024

The Board of Directors of Aktia Bank Plc has decided to continue a performance-based incentive plan for key employees of the group, including the CEO and the group executive committee. 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 2024. During the performance period 2024, the reward from the plan is based on group comparable operating profit, Cost/income ratio and strategic metrics decided by the Board, and the participants’ individual performance. Participation in the programme requires participation in the AktiaUna share savings plan.

Half of the reward earned based on the performance period will be converted into Aktia shares after the performance period and will be paid in five instalments in 2025, 2026, 2027, 2028 and 2029, partly in Aktia shares and partly in cash. Shares received as a reward cannot be transferred within one year of the payment of the reward instalment.

At the target level, the maximum value of the reward based on the performance period is 2,330,000 euros in total upon the launch of the plan. The final cost of the plan depends on the achievement of the targets of the performance criteria for the performance period and on the conversion price of the share after the end of the performance period. During the performance period 2024, approximately 25 key employees belong to the target group of the plan.

Development of Aktia’s share 3 January–31 December 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. On 22 November 2023, Aktia issued a total of 87,022 new shares as part of the Aktia Group's employee share savings plan AktiaUna 2023–2024. The share issue was based on the authorisation by the Annual General Meeting of Shareholders held on 5 April 2023. The number of shares in Aktia after this share issue increased to 72,644,887 shares.

On 28 November 2023, Aktia announced it had divested a total of 808 own shares held by the company to four persons as a deferred payment based on the company's remuneration programs. On 31 December 2023, the company held a total of 159,538 (31 December 2022; 228,122) own shares.

On 31 December 2023, the total number of registered holders of Aktia Bank Plc's shares amounted to 39,975 (31 December 2022; 40,147). Foreign ownership was 10.11 (10.00) per cent.

Aktia Bank Plc's market value on 29 December 2023, the last trading day of the period, was approximately EUR 684 (31 December 2022; 740) million. The closing price for the Aktia share on 29 December 2023 was EUR 9.42 (31 December 2022; 10.22). The highest price for the Aktia share during the period was EUR 11.12 (12.88) and the lowest EUR 8.73 (8.62). The average daily turnover of the Aktia share during January-December 2023 was EUR 429,539 (523,742) or 45,685 (55,225) shares.

(EUR million)	Number of shares	Share capital	Unrestricted equity reserve
1 Jan 2022	**72,144,081**	**169.7**	**138.6**
Share issue 24 Feb 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
Share issue 22 Nov 2023	87,022	—	0.7
Other changes	—	—	0.4
31 Dec 2023	**72,644,887**	**169.7**	**144.2**

Sustainability

Sustainability is an essential part of Aktia's strategy and supports value creation for its stakeholders. For Aktia, sustainability means both corporate responsibility and the integration of ESG into business operations. The high-level targets of Aktia's sustainability programme are 1) to enable sustainable prosperity, 2) competent and well-being employees who can influence their work and feel that their work is meaningful, 3) ensure reliable and transparent operations and 4) work towards carbon-neutrality.

Aktia reported for the first time in 2023 in accordance with the requirements of the UN principles for responsible banking. The Principles for Responsible Banking are the leading framework for ensuring that a bank's strategy and practices are aligned with the UN Sustainable Development Goals and the Paris Climate Agreement. Aktia joined the world's largest banking community, UNEP FI, in 2022.

Aktia developed its own reference framework for green and sustainability-linked loans already in the beginning of 2023. During the fourth quarter, Aktia launched its first loan product based on this framework, a green mortgage. Limiting climate change is one of the six environmental goals in the EU's classification system for sustainable finance, i.e. the taxonomy. Aktia's green mortgage can be granted if the apartment to be purchased with the mortgage meets the taxonomy's requirements in terms of the building's energy efficiency, and contributes significantly to meeting the environmental goal of mitigating climate change. The customer can get a green mortgage from Aktia to purchase an apartment or a detached house. For a mortgage to be designated as green, there must be a valid energy certificate for the apartment to be purchased that meets the energy efficiency criteria. An object with energy class A always meets the criteria for a green mortgage, and the criteria can also be met if the energy class is B. Aktia's range of green lending products will be supplemented in 2024.

Aktia continued its work in the advisory committee for the ASCOR project (Assessing Sovereign Climate-related Opportunities and Risks). The ASCOR project is a public and independent investor framework and database created by international investors that evaluates countries' climate action and performance. Aktia has been part of ASCOR's advisory committee since 2021 and is also one of the project's financiers. In February 2023, ASCOR launched a public consultation on the initial framework. The framework was finalised in November 2023.

ASCOR published the first independent academic assessment of 25 countries' climate goals and policies in December 2023. Country coverage will be expanded in the coming years to cover a significant portion of sovereign bond issuers globally. The results of the academic assessment provide a conflicting picture. While they indicate significant progress in climate regulations, the goals are not sufficiently ambitious to meet the target of limiting the temperature increase to 1.5°C. Aktia will continue to participate in the project's advisory committee in 2024 and explore ways to leverage ASCOR's data and analytics as part of the investment process as the coverage grows.

Aktia monitors some of the sustainability indicators in Aktia's sustainability programme on a quarterly or biannual basis. The levels of these indicators are presented in the table below.

Indicator (target for year 2025)		**Q4/2023**	**Q4/2022**
Share of Article 8/9 classified funds (increase)		95.3%	96.6%
Siqni flame Index (80)		72	72
eNPS, Employee Net Promoter Score measures employees' willingness to recommend the organization (20)		-4	-13
Aktia's ESG ratings (at least industry average)	MSCI	A	AA
	Sustainalytics	Low risk	Low risk
	ISS	D+	D+
Interim objectives of the climate strategy			
Change in the relative carbon footprint of equity and credit portfolios* (tonnes of CO_2 e/ million euros invested) (2025 -30% vs. 2019)		-30.1%	-22.9%

* 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.
Includes also the mixed funds Secura and Solida as well as Aktia Treasury's and Aktia Life Insurance's investment portfolios.

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, among other things, as a result of investors' higher return requirements or rising interest rates.

The series of successive rate hikes by the European Central Bank ended with the Governing Council deciding to keep the key policy rates unchanged in its December meeting. Inflation in the euro area continued to decrease to 2.4% in November 2023, but Eurostat's forecast for December was 2.9%. The markets expect interest rate cuts to start this year, which is also reflected in the downward yield curve. The 12-month Euribor remained below shorter-term market rates throughout December, which as a prolonged situation is not favourable for the development of the Bank's net interest income.

Capital markets are operating fairly normally, and a large number of issues have been made during the quarter. Aktia's senior funding recovered in the fourth quarter of the year, and the bank issued new bonds to a total value of approx. EUR 161.5 million. However, retail deposits are an excellent form of fundraising alongside wholesale funding also going forward. Aktia has been an active provider of deposit options also in the international deposit market.

There was no significant change in the ECL level in the fourth quarter of 2023. Any future impairment of credits in Aktia's credit portfolio may depend on many factors, of which the most important are the general economic situation, the interest rate level, the unemployment rate and the development of real estate prices.

The current economic situation, with decreased economic development and higher interest rate levels having a negative effect on customers' economic situation, increases the uncertainty in Aktia' loan book. Defaulted exposures have increased somewhat in the household portfolio, while defaulted exposures in the corporate portfolio decreased somewhat in the quarter. However, defaulted exposures decreased on an annual level in both exposure groups. The number of instalment-free periods remained stable compared to the previous quarter, but decreased considerably compared to the end of 2022. Forbearance measures increased somewhat during the fourth quarter, caused by private customers' increased payment difficulties. Unpaid exposures have remained stable in the mortgage portfolio. Some individual products, such as student loans and credit cards, are showing a minor increase in unpaid loans.

Aktia's operational risks were within the risk appetite during the fourth quarter. No major incidents occurred during the quarter. The deficiencies discovered based on the incidents are analysed and necessary measures are taken to prevent similar incidents in the future. The risk level of information security is considered to be outside the risk appetite but within the risk tolerance due to the general situation and the international cyber threats against the financial sector. Aktia works actively to combat potential cyber threats. During the fourth quarter, cyber attacks continued e.g. against Finnish actors in the financial sector. However, the impacts have so far been insignificant for Aktia.

Outlook for 2024

Aktia's comparable operating profit for 2024 is expected to be somewhat higher than the EUR 108.4 million reported for 2023.

The outlook has been prepared based on the following expectations:

- Despite market uncertainty and a probable decline in interest rates, the net interest income is expected to be slightly higher than in 2023.
- Net commission income is expected to be somewhat higher than in 2023, provided that the market conditions are favourable.
- The life insurance business is expected to develop steadily. However, the result may be affected by changes in market values.
- Operating expenses are expected to be on the same level or somewhat higher than in 2023, IT expenses are expected to increase slightly.
- Impairments and provisions for credit losses are expected to increase slightly compared to the 2023 level, given the current market situation.

Events after the end of the reporting period

Changes in the Executive Commitee

Aleksi Lehtonen, new CEO of Aktia, will assume his duties on 1 June 2024. Aleksi Lehtonen was appointed CEO of Aktia in June 2023.

Aktia's interim EVP, Asset Management Uki Lammi stepped down from his duties on 11 January 2024. Kati Eriksson assumed the position of EVP, Asset Management on 26 January 2024.

Tables and notes to the interim report

Key figures

(EUR million)	1-12/2023	1-12/2022	Δ %	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022
Earnings per share (EPS), EUR	1.16	1.37	-15%	0.28	0.34	0.29	0.25	0.07
Total earnings per share, EUR	1.31	0.59	122%	0.33	0.37	0.32	0.29	0.09
Equity per share (NAV), EUR[**1]	8.95	8.05	11%	8.95	8.60	8.22	8.33	8.05
Average number of shares (excl. treasury shares), million[2]	72.3	72.0	0%	72.3	72.3	72.3	72.2	72.0
Number of shares at the end of the period (excl. treasury shares), million1	72.5	72.2	0%	72.5	72.4	72.4	72.3	72.2
Return on equity (ROE), %[**3]	13.7	17.0	-3,3*	12.8	16.2	14.1	12.3	3.7
Return on assets (ROA), %**	0.69	0.82	-0,1*	0.68	0.82	0.69	0.59	0.18
Cost-to-income ratio**	0.61	0.56	9%	0.62	0.54	0.60	0.67	0.76
Common Equity Tier 1 capital ratio, CET1 (Bank Group), %[1]	11.3	10.8	0,5*	11.3	11.0	11.0	11.1	10.8
Tier 1 capital ratio (Bank Group), %[1]	13.0	12.7	0,3*	13.0	12.8	12.8	13.0	12.7
Capital adequacy ratio (Bank Group), %[1]	15.0	14.9	0,1*	15.0	14.9	15.0	15.2	14.9
Risk-weighted exposures (Bank Group)[1]	3,411.2	3,130.6	9%	3,411.2	3,257.3	3,202.7	3,132.8	3,130.6
Capital adequacy ratio (finance and insurance conglomerate), %[1]	135.9	141.5	-5,6*	135.9	136.2	137.5	141.2	141.5
Equity ratio, %[**1]	5.8	5.3	0,5*	5.8	5.6	5.3	5.4	5.3
Group financial assets[**1]	2,397	2,936	-18%	2,397	2,254	2,681	2,580	2,936
Assets under management[**1]	13,658	13,539	1%	13,658	13,345	13,755	13,838	13,539
Borrowing from the public[1]	4,564	5,214	-12%	4,564	4,679	4,793	4,871	5,214
Lending to the public[1]	7,866	7,792	1%	7,866	7,835	7,824	7,805	7,792
Premiums written before reinsurers' share (Aktia Life Insurance Ltd)*	149.9	142.2	5%	33.6	31.0	44.7	40.6	31.7
Expense ratio, % (Aktia Life Insurance Ltd)[2]	111.3	108.0	3,3*	111.3	110.5	110.6	108.1	108.0
Solvency ratio (Aktia Life Insurance Ltd), %	191.7	243.5	-51,8*	191.7	201.4	207.6	224.3	243.5
Eligibe capital (Aktia Life Insurance Ltd)	180.1	183.2	-2%	180.1	170.0	174.0	177.9	183.2
Investments at fair value (Aktia Life Insurance Ltd)[**1]	1,597	1,474	8%	1,597	1,539	1,553	1,509	1,474
Liabilities from insurance contracts[1]	475	492	-3%	475	458	481	493	492
Liabilities from investment contracts[1]	1,054	928	13%	1,054	993	1,000	970	928
Group's personnel (FTEs), average number of employees	855	911	-6%	834	855	863	870	913
Group's personnel (FTEs), at the end of the period[1]	833	891	-7%	833	839	870	860	891
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio**	0.60	0.56	7%	0.60	0.54	0.60	0.65	0.73
Comparable earnings per share (EPS), EUR**	1.19	1.38	-14%	0.29	0.34	0.29	0.27	0.09
Comparable return on equity (ROE), %[**3]	14.0	17.2	-3,2*	13.3	16.2	13.9	13.0	4.5

* The change is calculated in percentage units
** 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 Aktia Bank Plc's Consolidated Financial Statement 2022 on page 48.

Consolidated income statement

EUR million	Note	Jan-Dec 2023	Jan-Dec 2022	Δ%
Net interest income	3	144.0	99.2	45%
Dividends		0.1	1.4	-90%
Commission income		134.6	134.3	0%
Commission expenses		-14.3	-12.3	16%
Net commission income		120.4	122.0	-1%
Insurance service result		18.0	15.3	18%
Result from investment contracts		8.4	8.7	-2%
Net investment result		-2.4	55.2	—
Net income from life insurance	4	24.1	79.2	-70%
Net income from financial transactions	5	1.7	0.6	168%
Other operating income		0.7	0.5	42%
Total operating expenses		**291.0**	**302.9**	**-4%**
Personnel costs		-84.5	-80.4	5%
IT expenses		-41.1	-32.7	26%
Depreciation of tangible and intangible assets		-23.5	-23.3	1%
Other operating expenses		-27.5	-33.0	-17%
Total operating expenses		**-176.6**	**-169.4**	**4%**
Impairment of tangible and intangible assets		-1.3	0.0	—
Impairment of credits and other commitments	7	-7.0	-10.2	-32%
Impairment of other receivables		-0.1	—	—
Share of profit from associated companies		0.1	0.2	-41%
Operating profit		**106.2**	**123.5**	**-14%**
Taxes		-22.0	-25.2	-13%
Profit for the period		**84.2**	**98.3**	**-14%**
Attributable to:				
Shareholders in Aktia Bank Plc		84.2	98.3	-14%
Total		**84.2**	**98.3**	**-14%**
Earnings per share (EPS), EUR		1.16	1.37	-15%
Earnings per share (EPS) after dilution, EUR		1.16	1.37	-15%
Operating profit excluding items affecting comparability:				
Operating profit		106.2	123.5	-14%
Operating income:				
Additional income from divestment of Visa Europe to Visa Inc		-0.3	-0.2	56%
Operating expenses:				
Costs for restructuring		2.4	1.4	77%
Impairment of tangible and intangible assets:				
Costs for restructuring		—	0.0	-100%
Comparable operating profit		**108.4**	**124.7**	**-13%**

Consolidated statement of comprehensive income

(EUR million)	Jan-Dec 2023	Jan-Dec 2022	Δ%
Profit for the period	84.2	98.3	-14%
Other comprehensive income after taxes:			
Change in fair value for financial assets	11.9	-55.8	—
Change in fair value for cash flow hedging	-0.6	-0.3	69%
Transferred to the income statement for financial assets	-0.4	0.1	—
Comprehensive income from items which can be transferred to the income statement	10.9	-56.1	—
Defined benefit plan pensions	0.0	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	**95.1**	**42.7**	**123%**
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc	95.1	42.7	123%
Total	**95.1**	**42.7**	**123%**
Total earnings per share, EUR	1.31	0.59	122%
Total earnings per share, EUR, after dilution	1.31	0.59	122%
Total comprehensive income excluding items affecting comparability:			
Total comprehensive income	95.1	42.7	123%
Additional income from divestment of Visa Europe to Visa Inc	-0.2	-0.1	56%
Costs for restructuring	1.9	1.1	72%
Comparable total comprehensive income	**96.8**	**43.7**	**122%**

Items affecting consolidated income statement and comprehensive income

(EUR million)	Jan-Dec 2023	Jan-Dec 2022	Δ%
Net income from financial transactions	0.3	0.2	56%
Total operating income	**0.3**	**0.2**	**56%**
Personnel costs	-2.4	-0.8	211%
Other operating expenses	-0.1	-0.6	-89%
Total operating expenses	**-2.4**	**-1.4**	**77%**
Impairment of tangible and intangible assets	—	0.0	-100%
Operating profit	**-2.1**	**-1.2**	**74%**
Taxes	0.4	0.2	74%
Total comprehensive income for the period	**-1.7**	**-1.0**	**74%**

Consolidated balance sheet

(EUR million)	Note	31 Dec 2023	31 Dec 2022	Δ%
Interest-bearing securities		73.8	72.9	1%
Shares and participations		162.3	174.9	-7%
Investments for unit-linked investments		1,133.6	1,001.6	13%
Financial assets measured at fair value through income statement	8	1,369.7	1,249.5	10%
Interest-bearing securities		1,049.0	997.1	5%
Financial assets measured at fair value through other comprehensive income	8	1,049.0	997.1	5%
Interest-bearing securities	7,8	488.4	529.4	-8%
Lending to Bank of Finland and credit institutions	7,8	696.2	1,193.2	-42%
Lending to the public and public sector entities	7,8	7,865.9	7,791.7	1%
Cash and balances with central banks	8	91.8	165.8	-45%
Financial assets measured at amortised cost		9,142.3	9,680.2	-6%
Derivative instruments	6,8	81.9	54.7	50%
Investments in associated companies and joint ventures		2.9	3.1	-6%
Intangible assets and goodwill		168.2	166.3	1%
Right-of-use assets		21.3	19.9	7%
Investment properties		62.3	44.7	40%
Other tangible assets		8.6	9.0	-4%
Tangible and intangible assets		260.5	239.9	9%
Total other assets		105.5	148.3	-29%
Income tax receivables		0.0	1.5	-100%
Deferred tax receivables		25.1	38.2	-34%
Tax receivables		25.2	39.7	-37%
Total assets		**12,036.9**	**12,412.2**	**-3%**
Liabilities				
Liabilities to central banks (TLTRO loan)		250.0	800.0	-69%
Liabilities to credit institutions		58.4	31.9	83%
Liabilities to the public and public sector entities		4,564.2	5,213.8	-12%
Deposits	8	4,872.6	6,045.7	-19%
Derivative instruments	6,8	223.7	294.0	-24%
Debt securities issued		3,577.3	3,051.7	17%
Subordinated liabilities		121.4	118.5	2%
Other liabilities to credit institutions		—	5.5	-100%
Other liabilities to the public and public sector entities		781.0	686.0	14%
Other financial liabilities	8	4,479.6	3,861.8	16%
Liabilities from insurance contracts		475.3	491.6	-3%
Liabilities from investment contracts		1,053.6	928.4	13%
Liabilities from insurance business	4	1,529.0	1,420.0	8%
Other liabilities		164.4	83.6	97%
Provisions		1.2	1.3	-3%
Income tax liabilities		4.6	2.8	62%
Deferred tax liabilities		53.9	62.9	-14%
Tax liabilities		58.5	65.8	-11%
Total liabilities		**11,329.0**	**11,772.1**	**-4%**
Equity				
Restricted equity		130.7	119.8	9%
Unrestricted equity		517.8	460.8	12%
Shareholders' share of equity		648.5	580.6	12%
Holders of Additional Tier 1 capital		59.5	59.5	0%
Total equity		**708.0**	**640.1**	**11%**
Total liabilities and equity		**12,036.9**	**12,412.2**	**-3%**

Consolidated off-balance-sheet commitments

(EUR million)	31 Dec 2023	31 Dec 2022	Δ%
Guarantees	59.2	19.0	212%
Other commitments provided to a third party	2.3	4.3	-47%
Unused credit arrangements	546.0	604.6	-10%
Other irrevocable commitments	10.0	17.3	-42%
Total	**617.5**	**645.1**	**-4%**

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted 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 period					98.3	98.3		98.3
Change in fair value for financial assets		-55.8				-55.8		-55.8
Change in fair value for 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 period		-56.1			98.8	42.7	—	42.7
Paid interest on Additional Tier 1 (AT1) capital, after taxes					-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				2.4	—	2.4		2.4
Acquisition of treasury shares					-0.9	-0.9		-0.9
Divestment of treasury shares				0.4	1.2	1.5		1.5
Dividend to shareholders					-31.1	-31.1		-31.1
Profit for the period					84.2	84.2		84.2
Change in fair value for financial assets		11.9				11.9		11.9
Change in fair value for cash flow hedging		-0.6				-0.6		-0.6
Transferred to the income statement for financial assets		-0.4				-0.4		-0.4
Comprehensive income from items which can be transferred to the income statement		10.9				10.9		10.9
Defined benefit plan pensions					0.0	0.0		0.0
Comprehensive income from items which can not be transferred to the income statement					0.0	0.0		0.0
Total comprehensive income for the period		10.9			84.2	95.1		95.1
Paid interest on Additional Tier 1 (AT1) capital, after taxes					-1.9	-1.9		-1.9
Change in share-based payments (IFRS 2)			2.1		0.7	2.7		2.7
Equity as at 31 December 2023	**169.7**	**-39.0**	**7.7**	**144.2**	**365.9**	**648.5**	**59.5**	**708.0**

Consolidated cash flow statement

(EUR million)	Jan-Dec 2023	Jan-Dec 2022	Δ%
Cash flow from operating activities			
Operating profit	106.2	123.5	-14%
Adjustment items not included in cash flow	31.6	3.0	947%
Paid income taxes	-17.0	-21.1	-19%
Cash flow from operating activities before change in receivables and liabilities	**120.8**	**105.4**	**15%**
Increase (-) or decrease (+) in receivables from operating activities[1]	388.9	-1,440.2	—
Increase (+) or decrease (-) in liabilities from operating activities	-484.8	825.0	—
Total cash flow from operating activities	**24.8**	**-509.7**	**—**
Cash flow from investing activities			
Investment in investment properties	-21.6	—	—
Investment in tangible and intangible assets	-22.0	-12.2	80%
Proceeds from sale of tangible and intangible assets	—	0.1	-100%
Acquisition of and capital loan to associated companies	-0.5	-2.7	-80%
Dividend from associated companies	0.4	—	—
Total cash flow from investing activities	**-43.7**	**-14.8**	**195%**
Cash flow from financing activities			
Subordinated liabilities	—	-25.0	-100%
Paid interest on Additional Tier 1 (AT1) capital	-2.3	-2.3	0%
Divestment of treasury shares	1.5	1.7	-8%
Paid dividends	-31.1	-40.3	-23%
Total cash flow from financing activities	**-31.9**	**-65.9**	**-52%**
Change in cash and cash equivalents	-50.8	-590.5	-91%
Cash and cash equivalents at the beginning of the year	144.4	734.9	-80%
Cash and cash equivalents at the end of the period	93.7	144.4	-35%
Cash and cash equivalents in the cash flow statement consist of the following items:			
Cash in hand	0.6	0.9	-29%
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	33.0	111.1	-70%
Repayable on demand claims on credit institutions	60.0	32.5	85%
Total	**93.7**	**144.4**	**-35%**
Adjustment items not included in cash flow consist of:			
Impairment of interest-bearing securities	-0.9	1.1	—
Unrealised change in value for financial assets measured at fair value through income statement	5.6	9.8	-43%
Impairment of credits and other commitments	7.0	10.2	-32%
Change in fair values	-6.7	-37.9	-82%
Depreciation and impairment of tangible and intangible assets	20.5	18.9	8%
Unwound fair value hedging	-0.5	-2.0	-73%
Change in fair values of investment properties	3.9	0.8	392%
Change in share-based payments	1.9	1.6	19%
Other adjustments	1.0	0.6	72%
Total	**31.6**	**3.0**	**947%**

Quarterly trends in the Group

(EUR million) Income statement	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Net interest income	38.9	39.5	33.8	31.8	24.2	144.0	99.2
Dividends	0.1	0.0	0.1	0.0	0.0	0.1	1.4
Net commission income	29.8	30.0	30.4	30.3	29.1	120.4	122.0
Net income from life insurance	6.0	5.1	5.7	7.2	3.3	24.1	79.2
Net income from financial transactions	0.3	0.5	0.3	0.6	1.3	1.7	0.6
Other operating income	0.1	0.1	0.1	0.4	0.2	0.7	0.5
Total operating income	**75.2**	**75.2**	**70.3**	**70.3**	**58.2**	**291.0**	**302.9**
Personnel costs	-21.6	-21.0	-20.9	-21.0	-19.9	-84.5	-80.4
IT expenses	-12.6	-9.6	-9.7	-9.2	-9.9	-41.1	-32.7
Depreciation of tangible and intangible assets	-5.9	-5.8	-5.9	-5.9	-5.9	-23.5	-23.3
Other operating expenses	-6.4	-4.4	-5.7	-11.0	-8.5	-27.5	-33.0
Total operating expenses	**-46.5**	**-40.8**	**-42.2**	**-47.1**	**-44.1**	**-176.6**	**-169.4**
Impairment of tangible and intangible assets	-1.1	-0.2	—	—	0.0	-1.3	0.0
Impairment of credits and other commitments	-2.4	-2.3	-1.3	-0.9	-7.1	-7.0	-10.2
Impairment of other receivables	—	—	—	-0.1	—	-0.1	—
Share of profit from associated companies	0.1	0.0	0.0	0.1	0.0	0.1	0.2
Operating profit	**25.2**	**32.0**	**26.8**	**22.2**	**6.9**	**106.2**	**123.5**
Taxes	-4.9	-7.3	-5.7	-4.1	-1.5	-22.0	-25.2
Profit for the period	**20.4**	**24.7**	**21.0**	**18.1**	**5.4**	**84.2**	**98.3**
Attributable to:							
Shareholders in Aktia Bank plc	20.4	24.7	21.0	18.1	5.4	84.2	98.3
Total	**20.4**	**24.7**	**21.0**	**18.1**	**5.4**	**84.2**	**98.3**
Earnings per share (EPS), EUR	0.28	0.34	0.29	0.25	0.07	1.16	1.37
Earnings per share (EPS), EUR, after dilution	0.28	0.34	0.29	0.25	0.07	1.16	1.37

comparability:	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Operating profit	25.2	32.0	26.8	22.2	6.9	106.2	123.5
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	—	—	-0.3	—	—	-0.3	-0.2
Operating expenses:							
Costs for restructuring	1.1	—	—	1.4	1.4	2.4	1.4
Impairment of tangible and intangible assets:							
Costs for restructuring	—	—	—	—	0.0	—	0.0
Comparable operating profit	**26.3**	**32.0**	**26.5**	**23.6**	**8.3**	**108.4**	**124.7**

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

(EUR million) Comprehensive income	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Profit for the period	**20.4**	**24.7**	**21.0**	**18.1**	**5.4**	**84.2**	**98.3**
Other comprehensive income after taxes:							
Change in fair value for financial assets	4.4	1.3	2.8	3.4	1.0	11.9	-55.8
Change in fair value for cash flow hedging	-0.4	0.8	-0.5	-0.5	0.4	-0.6	-0.3
Transferred to the income statement for financial assets	-0.4	0.0	0.0	0.0	-0.7	-0.4	0.1
Comprehensive income from items which can be transferred to the income statement	3.6	2.1	2.3	2.9	0.7	10.9	-56.1
Defined benefit plan pensions	0.0	—	—	—	0.5	0.0	0.5
Comprehensive income from items which can not be transferred to the income statement	0.0	—	—	—	0.5	0.0	0.5
Total comprehensive income for the period	**23.9**	**26.8**	**23.3**	**21.0**	**6.5**	**95.1**	**42.7**
Total comprehensive income attributable to:							
Shareholders in Aktia Bank plc	23.9	26.8	23.3	21.0	6.5	95.1	42.7
Total	**23.9**	**26.8**	**23.3**	**21.0**	**6.5**	**95.1**	**42.7**
Total earnings per share, EUR	0.33	0.37	0.32	0.29	0.09	1.31	0.59
Total earnings per share, EUR, after dilution	0.33	0.37	0.32	0.29	0.09	1.31	0.59

Total comprehensive income excluding items affecting comparability:	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Total comprehensive income	**23.9**	**26.8**	**23.3**	**21.0**	**6.5**	**95.1**	**42.7**
Additional income from divestment of Visa Europe to Visa Inc	—	—	-0.2	—	—	-0.2	-0.1
Costs for restructuring	0.8	—	—	1.1	1.1	1.9	1.1
Comparable total comprehensive income	**24.7**	**26.8**	**23.1**	**22.1**	**7.7**	**96.8**	**43.7**

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

Quarterly trends in the segments

(EUR million) Banking Business	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Net interest income	44.6	43.7	34.7	28.8	22.8	151.8	86.3
Net commission income	13.9	14.8	14.6	14.9	14.4	58.2	58.3
Other operating income	0.0	0.1	0.0	0.3	0.1	0.5	0.2
Total operating income	**58.6**	**58.5**	**49.3**	**44.0**	**37.3**	**210.4**	**144.8**
Personnel costs	-4.7	-4.4	-4.6	-4.1	-4.5	-17.8	-17.1
Other operating expenses[1]	-23.0	-19.8	-19.8	-24.3	-22.4	-87.0	-84.2
Total operating expenses	**-27.7**	**-24.3**	**-24.4**	**-28.5**	**-26.9**	**-104.8**	**-101.2**
Impairment of tangible and intangible assets	-1.0	—	—	—	0.0	-1.0	0.0
Impairment of credits and other commitments	-2.4	-2.3	-1.3	-0.9	-7.1	-7.0	-10.2
Operating profit	**27.5**	**32.0**	**23.5**	**14.6**	**3.3**	**97.7**	**33.3**
Comparable operating profit	**27.6**	**32.0**	**23.5**	**15.1**	**4.1**	**98.2**	**34.1**

(EUR million) Asset Management	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Net interest income	5.6	4.7	4.3	3.7	1.7	18.2	3.4
Net commission income	16.2	15.6	16.2	16.0	15.1	64.0	65.5
Other operating income	0.0	0.0	0.0	0.0	0.0	0.1	0.4
Total operating income	**21.8**	**20.3**	**20.6**	**19.7**	**16.8**	**82.3**	**69.3**
Personnel costs	-6.5	-5.6	-5.4	-5.5	-4.2	-23.1	-19.2
Other operating expenses[1]	-8.1	-7.4	-7.8	-8.9	-8.4	-32.1	-30.8
Total operating expenses	**-14.5**	**-13.0**	**-13.2**	**-14.4**	**-12.6**	**-55.1**	**-50.0**
Impairment of tangible and intangible assets	-0.1	—	—	—	—	-0.1	—
Impairment of other receivables	—	—	—	-0.1	—	-0.1	—
Operating profit	**7.1**	**7.2**	**7.4**	**5.2**	**4.2**	**27.0**	**19.2**
Comparable operating profit	**8.1**	**7.2**	**7.4**	**5.9**	**4.7**	**28.6**	**19.7**

(EUR million) Life Insurance	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Operating income	5.8	2.8	5.6	3.8	7.0	18.0	15.3
Operating expenses	2.1	2.1	2.1	2.1	2.2	8.4	8.7
Net investment result	-1.1	1.0	-1.3	2.0	-5.0	0.6	58.1
Net income from life insurance	**6.7**	**5.9**	**6.4**	**7.9**	**4.1**	**27.0**	**82.1**
Personnel costs	-0.6	-0.6	-0.6	-0.5	-0.6	-2.4	-2.2
Other operating expenses[1]	-1.9	-1.7	-1.7	-2.0	-1.9	-7.3	-7.6
Total operating expenses	**-2.5**	**-2.4**	**-2.3**	**-2.5**	**-2.5**	**-9.7**	**-9.7**
Operating profit	**4.2**	**3.6**	**4.1**	**5.4**	**1.6**	**17.3**	**72.3**
Comparable operating profit	**4.2**	**3.6**	**4.1**	**5.4**	**1.7**	**17.3**	**72.4**

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

(EUR million) Group Functions	Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	1-12/2023	1-12/2022
Net interest income	-11.4	-9.0	-5.3	-0.8	-0.3	-26.4	9.5
Net commission income	1.5	1.6	1.4	1.5	1.6	6.1	5.9
Other operating income	0.5	0.5	0.4	1.1	1.4	2.6	2.2
Total operating income	**-9.4**	**-6.8**	**-3.4**	**1.8**	**2.6**	**-17.8**	**17.6**
Personnel costs	-9.8	-10.3	-10.2	-10.8	-10.6	-41.2	-42.0
Other operating expenses[1]	5.4	6.6	5.5	6.3	5.8	23.8	22.7
Total operating expenses	**-4.3**	**-3.8**	**-4.8**	**-4.5**	**-4.8**	**-17.4**	**-19.3**
Impairment of tangible and intangible assets	—	-0.2	—	—	—	-0.2	—
Operating profit	**-13.7**	**-10.8**	**-8.2**	**-2.7**	**-2.1**	**-35.5**	**-1.6**
Comparable operating profit	**-13.7**	**-10.8**	**-8.5**	**-2.5**	**-2.1**	**-35.5**	**-1.7**

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

Note 1. Basis for preparing the financial statement release and important accounting principles

Basis for preparing the financial statement release

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

The financial statement release for the period 1 January–31 December 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statement release 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 (mainly 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 financial statement release for the period 1 January–31 December 2023 was approved by the Board of Directors on 8 February 2024.

Important accounting principles

In preparing the financial statement release, the Group has followed the accounting principles applied in the annual accounts on 31 December 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 personnel 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 January 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 liabilities from insurance business. 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.

See note 11 for the transitional effects of adopting IFRS 17 as of 1 January 2022.

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):

Insurances policies classified as insurance contracts are reported as insurance service result in net income from life insurance. Insurance service result includes income and expenses related to the insurance business and changes in certain assumptions related to future cash flows. Agreements where the issuer takes on a significant insurance risk and where agreements must include at least one insurance component (risk insurance, insurance contracts with a death benefit less than 100% of the insurance saving or insurances with a possibility for considerable customer bonuses) are classified as insurance agreements.

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. Investment contracts are contracts not classified as insurance contracts.

Contracts in the life insurance business are classified either as insurance contracts or investment contracts. Insurance contracts are contracts whereby a significant insurance risk is transferred from the policyholder to the insurer. The same applies to reinsurance contracts issued or held by the company. Insurance policies with the right to discretionary benefits (customer bonuses) are reported as insurance contracts.

In 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. Unit-linked agreements without significant insurance risk and capitalisation contracts are classified as investment contracts.

Liabilities from insurance contracts are divided into net present value of future cash flows, contractual service margin and risk adjustment.

Aktia assumes the legal insurance contract for accounting according to IFRS 17. The grouping of agreements in portfolios follows the grouping used in other reporting; however, some stock in run-off have been combined. Portfolios consist of insurance contracts containing similar risks and are divided into annual cohorts according to the year of issue, with the exception of insurance policies which at the implementation of IFRS 17 were transferred according to the fair value method, where the cohort may contain insurance agreements issued in different years. The profitability of the contracts is assessed on group level. Those groups which at the first time of reporting would have a negative contractual margin are classified as onerous contracts. Reinsurance contracts held are reported separately from the underlying contracts.

Contracts transferred to IFRS 17 according to the fair value method have been measured according to expected discounted cash flows. The discount rate used is according to the method described below. Cash flows have been adjusted with margins to reflect the profit requirement and risk premium a possible buyer would demand to take over the contracts (see the table below).

Insurance type	Margin on present value of expected future benefits	Margin on present value of expected future handling expenses (excl. commissions)	Margin on present value of expected future reinsurance premiums	Margin on current saving	Margin on risk adjustment	Margin on discount rate (parallel shift) and liquidity adjustment
Risk insurances	5.0%	15.0%	0.0%	0.0%	15.0%	0.0%
Risk insurances which may have a savings component, ATG	3.0%	15.0%	0.0%	0.0%	15.0%	0.0%
Risk insurances new sales	10.0%	15.0%	0.0%	0.0%	15.0%	0.0%
Savings insurances	5.0%	15.0%	0.0%	1.5%	15.0%	-0.5%
Pension insurances	5.0%	15.0%	0.0%	3.0%	15.0%	-0.5%
Reinsurance contracts	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%

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.

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. The expense is calculated with a fixed interest of 6% p.a.

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. The group has defined its risk-free interest according to the "bottom up" approach. The risk-free interest rate is the interest rate on interest rate swaps in euro with liquid maturities of up to 50 years. The risk-free interest-rate is interpolated between liquid maturities and extrapolated for maturities over 50 years using the numerical Smith-Wilson method. In relation to the discount rate level over 50 years, it is assumed that forward rates will converge to the equilibrium level defined by the maximum value of the latest liquid 40y10y forward rate and the European Central Bank's medium-term inflation target of 2%.

A liquidity premium is implemented for liabilities from insurance contracts. For pension insurances the premium is 50% and for other insurances the premium is 25% of the difference between risk premiums and euro-denominated bonds issued by the financial sector and credit risk swaps from the same issuer. The liquidity premium measures the spread that more illiquid bonds have in relation to credit risk swaps in standardised samples for credit rating, issue size and maturity.

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. The Board of Directors of Aktia Life Insurance Ltd decides on customer bonuses on a yearly basis.

The calculations of liabilities from insurance contracts 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)	**31 December 2023**		**31 December 2022**	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**12,036.9**	**10,431.7**	**12,393.3**	**10,918.8**
of which intangible assets	168.2	165.3	166.3	164.6
Total liabilities	**11,329.0**	**9,743.8**	**11,695.5**	**10,286.6**
of which subordinated liabilities	121.4	69.6	118.5	69.5
Share capital	169.7	169.7	169.7	169.7
Fund at fair value	-39.0	-29.0	-49.9	-35.9
Restricted equity	130.7	140.7	119.8	133.8
Unrestricted equity reserve and other funds	151.9	151.8	147.1	147.0
Retained earnings	281.7	259.0	319.7	215.7
Profit for the period	84.2	76.9	51.6	76.2
Unrestricted equity	517.8	487.7	518.5	439.0
Shareholders' share of equity	648.5	628.5	638.3	572.8
Holders of other Tier 1 capital	59.5	59.5	59.5	59.5
Equity	**708.0**	**687.9**	**697.8**	**632.3**
Total liabilities and equity	**12,036.9**	**10,431.7**	**12,393.3**	**10,918.8**
Off-balance sheet commitments	**617.5**	**607.5**	**645.1**	**627.8**

	31 December 2023	31 December 2022
The Bank Group's equity	**687.9**	**632.3**
Provision for dividends to shareholders[1]	-50.7	-31.0
Profit for the period, for which no application was filed with the Financial Supervisory Authority	—	—
Intangible assets	-149.8	-153.4
Debentures	69.6	69.5
Additional expected losses according to IRB	-26.1	-26.7
Deduction for significant holdings in financial sector entities	-8.8	-13.0
Other incl. unpaid dividend	-9.5	-11.3
Total capital base (CET1 + AT1 + T2)	**512.8**	**466.5**

1) Based on the CRR regulation

(EUR million) **The Bank Group's capital adequacy**	31 Dec 2023	30 Sept 2023	30 June 2023	31 Mar 2023	31 Dec 2022
Common Equity Tier 1 Capital before regulatory adjustments	568.5	548.0	540.8	537.3	532.1
Common Equity Tier 1 Capital regulatory adjustments	-183.0	-190.8	-189.7	-190.1	-192.8
Total Common Equity Tier 1 Capital (CET1)	**385.5**	**357.2**	**351.1**	**347.3**	**339.2**
Additional Tier 1 capital before regulatory adjustments	57.7	58.3	58.8	59.4	57.7
Additional Tier 1 capital regulatory adjustments	—	—	—	—	—
Additional Tier 1 capital after regulatory adjustments (AT1)	**57.7**	**58.3**	**58.8**	**59.4**	**57.7**
Total Tier 1 capital (T1 = CET1 + AT1)	**443.1**	**415.5**	**410.0**	**406.7**	**396.9**
Tier 2 capital before regulatory adjustments	69.6	69.6	69.6	69.6	69.5
Tier 2 capital regulatory adjustments	—	—	—	—	—
Total Tier 2 capital (T2)	**69.6**	**69.6**	**69.6**	**69.6**	**69.5**
Total own funds (TC = T1 + T2)	**512.8**	**485.1**	**479.6**	**476.3**	**466.5**
Risk weighted exposures	**3,411.2**	**3,257.3**	**3,202.7**	**3,132.8**	**3,130.6**
of which credit risk, the standardised model	734.8	712.9	668.1	646.5	619.2
of which credit risk, the IRB model	2,191.9	2,100.7	2,093.6	2,040.4	2,065.6
of which CVA risk	13.8	12.4	9.7	14.6	14.6
of which market risk	—	—	—	—	—
of which operational risk	470.7	431.4	431.4	431.4	431.4
Own funds requirement (8 %)	272.9	260.6	256.2	250.6	250.5
Own funds buffer	239.9	224.5	223.3	225.7	216.0
CET1 Capital ratio	11.3%	11.0%	11.0%	11.1%	10.8%
T1 Capital ratio	13.0%	12.8%	12.8%	13.0%	12.7%
Total capital ratio	15.0%	14.9%	15.0%	15.2%	14.9%
Own funds floor (CRR article 500)					
Own funds	512.8	485.1	479.6	476.3	466.5
Own funds floor[1]	260.9	254.0	250.8	247.1	246.0
Own funds buffer	251.9	231.1	228.8	229.2	220.5

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**	2021	2022	2023	31 Dec 2023	30 Sept 2023	30 June 2023	31 Mar 2023	31 Dec 2022
Gross income	240.5	235.8	276.8					
- average 3 years			251.0					
Capital requirement for operational risk				**37.7**	**34.5**	**34.5**	**34.5**	**34.5**
Risk-weighted amount				**470.7**	**431.4**	**431.4**	**431.4**	**431.4**

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)	31 Dec 2023				
The Bank Group's total risk exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital requirement 8 %**
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,074.0	977.4	61%	595.1	47.6
Corporates - Other	897.7	841.8	82%	689.9	55.2
Retail - Secured by immovable property non-SME	4,594.6	4,581.5	15%	703.3	56.3
Retail - Secured by immovable property SME	103.6	103.0	17%	17.2	1.4
Retail - Other non-SME	245.0	231.3	23%	53.2	4.3
Retail - Other SME	18.6	16.5	52%	8.5	0.7
Equity exposures	46.5	46.5	268%	124.6	10.0
Total exposures, IRB approach	**6,980.0**	**6,798.0**	**32%**	**2,191.9**	**175.3**
Credit risk, standardised approach					
States and central banks	811.8	858.7	—%	—	—
Regional governments and local authorities	85.7	84.2	0%	0.3	0.0
Multilateral development banks	—	41.9	—%	—	—
International organisations	25.3	25.3	—%	—	—
Credit institutions	303.5	300.4	21%	62.8	5.0
Corporates	113.6	35.6	81%	29.0	2.3
Retail exposures	586.2	292.4	68%	197.9	15.8
Secured by immovable property	895.9	883.9	29%	259.9	20.8
Past due items	5.5	3.8	121%	4.6	0.4
Covered bonds	961.0	961.0	10%	96.8	7.7
Other items	105.3	105.3	79%	83.6	6.7
Total exposures, standardised approach	**3,893.8**	**3,592.6**	**20%**	**734.8**	**58.8**
Total risk exposures	**10,873.9**	**10,390.6**	**28%**	**2,926.7**	**234.1**

(EUR million)	31 December 2022				
The Bank Group's total risk exposures	**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
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	—%	—	—
Regional goverments and local authorities	174.7	173.2	0%	0.3	0.0
Multilateral development banks	—	49.6	—%	—	—
International organisations	25.0	25.0	—%	—	—
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)					
The financial conglomerate's capital adequacy	**31 Dec 2023**	**30 Sept 2023**	**30 June 2023**	**31 Mar 2023**	**31 Dec 2022**
Summary					
The Group's equity	708.0	682.3	654.2	662.3	640.1
Sector-specific assets	125.6	125.6	125.6	125.6	125.5
Intangible assets and other reduction items	-174.2	-184.2	-159.5	-168.8	-151.3
Conglomerate´s total capital base	**659.4**	**623.7**	**620.2**	**619.0**	**614.3**
Capital requirement for banking business	391.4	373.4	367.4	359.2	359.0
Capital requirement for insurance business	93.9	84.4	83.8	79.3	75.2
Minimum amount for capital base	**485.4**	**457.8**	**451.2**	**438.6**	**434.3**
Conglomerate´s capital adequacy	**174.0**	**165.9**	**169.1**	**180.5**	**180.1**
Capital adequacy ratio, %	136%	136%	137%	141%	141%

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-Dec 2023	Jan-Dec 2022	Δ%
Lending	302.5	108.8	178%
Borrowing	-119.1	-1.7	—
Senior financing	-78.8	-10.9	623%
Liquidity portfolio	22.7	2.6	781%
Other	16.7	0.3	—
of which TLTRO loan	-13.4	1.3	—
of Which deposits in the bank of Finland	27.9	1.5	—
Total	**144.0**	**99.2**	**45%**

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-Dec 2023	Jan-Dec 2022	Δ%
Insurance service result	18.0	15.3	18%
Result from investment contracts	8.4	8.7	-2%
Actuarially calculated result	26.4	24.0	10%
Net income from investments	21.1	-30.0	—
of which change in ECL impairment	0.3	-0.4	—
of which unrealised value changes for shares and participations	17.1	-45.6	—
of which unrealised value changes for investment properties	-1.3	-0.8	59%
Insurance finance result	-23.5	85.2	—
Net investment result	-2.4	55.2	—
Net income from life insurance	**24.1**	**79.2**	**-70%**

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 based on 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)	31 Dec 2023	31 Dec 2022	Δ%
Present value of future cash flows (PVCF)	358.6	370.0	-3%
Contractual service margin (CSM)	74.0	58.2	27%
Risk adjustment (RA)	42.7	31.7	35%
Liabilities for insurance contracts	475.3	491.6	-3%
Liabilities for investment contracts	1,053.6	928.4	13%
Liabilities from insurance business	**1,529.0**	**1,420.0**	**8%**

Note 5. Net income from financial transactions

(EUR million)	Jan-Dec 2023	Jan-Dec 2022	Δ%
Net income from financial assets measured at fair value through income statement	0.0	0.0	—
Net income from securities and currency operations	1.0	0.7	39%
of which unrealised value changes for shares and participations	0.9	0.1	—
Net income from financial assets measured at fair value through other comprehensive income	0.8	0.0	—
of which change in ECL impairment	0.5	-0.5	—
Net income from interest-bearing securities measured at amortised cost	0.1	-0.2	—
of which change in ECL impairment	0.1	-0.2	—
Net income from hedge accounting	-0.2	0.1	—
Total	**1.7**	**0.6**	**168%**

Note 6. Derivative instruments

Hedging derivative instruments (EUR million)	Total nominal amount	31 December 2023 Assets, fair value	Hedging derivative instruments (EUR million)
Fair value hedging			
Interest rate-related	6,158.1	72.4	202.1
Total	**6,158.1**	**72.4**	**202.1**
Cash flow hedging			
Interest rate-related	611.8	9.4	21.5
Total	**611.8**	**9.4**	**21.5**
Derivative instruments valued through the income statement			
Interest rate-related [1)]	—	—	—
Currency-related	4.7	0.1	0.0
Total	**4.7**	**0.1**	**0.0**
Total derivative instruments			
Interest rate-related	6,769.9	81.9	223.6
Currency-related	4.7	0.1	0.0
Total	**6,774.6**	**81.9**	**223.7**
Of which cleared interest rate swaps	1,759.8	25.2	8.9

Hedging derivative instruments (EUR million)	Total nominal amount	31 December 2022 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	1.0	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 0.0 (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 31 December 2023				
Interest-bearing securities	1,608.8	2.5	—	1,611.3
Lending	7,450.2	311.9	103.8	7,865.9
Off-balance sheet commitments	612.5	2.4	2.6	617.5
Total	**9,671.5**	**316.7**	**106.4**	**10,094.7**
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	-0.3	2.3	—	2.0
Transferred from stage 1 to stage 3	0.0	—	1.8	1.8
Transferred from stage 2 to stage 1	0.1	-1.2	—	-1.0
Transferred from stage 2 to stage 3	—	-0.7	1.5	0.8
Transferred from stage 3 to stage 1	0.0	—	-1.0	-1.0
Transferred from stage 3 to stage 2	—	0.2	-1.0	-0.8
Increases due to origination and acquisition	3.5	0.2	1.0	4.7
Decrease due to recognition	-1.3	-0.5	-2.2	-4.0
Decrease in allowance account due to write-offs	—	—	-8.5	-8.5
Other changes	-0.9	-0.4	5.8	4.6
Impairment of credits and the other commitments 31 December 2023	**6.1**	**6.3**	**25.0**	**37.4**
of which provisions	1.1	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	—	1.5
Transferred from stage 2 to stage 1	0.0	-0.5	—	-0.4
Increases due to origination and acquisition	0.0	—	—	0.0
Decrease due to recognition	-0.1	—	—	-0.1
Decrease in allowance account due to write-offs	—	—	—	—
Other changes	-0.4	0.0	—	-0.4
Impairment of interest-bearing securities 31 December 2023	**0.4**	**0.1**	**—**	**0.6**

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	31 December 2023		31 December 2022	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through income statement	1,369.7	1,369.7	1,249.5	1,249.5
Financial assets measured at fair value through other comprehensive income	1,049.0	1,049.0	997.1	997.1
Interest-bearing securities measured at amortised cost	488.4	469.5	529.4	493.6
Loans and other receivables	8,562.1	8,581.5	8,984.9	8,796.2
Cash and balances with central banks	91.8	91.8	165.8	165.8
Derivative instruments	81.9	81.9	54.7	54.7
Total	**11,642.9**	**11,643.4**	**11,981.4**	**11,756.9**
Financial liabilities				
Deposits	4,872.6	4,886.8	6,045.7	6,062.2
Derivative instruments	223.7	223.7	294.0	294.0
Debt securities issued	3,577.3	3,611.0	3,051.7	3,070.2
Subordinated liabilities	121.4	118.2	118.5	113.4
Other liabilities to credit institutions	—	—	5.5	5.5
Other liabilities to the public and public sector entities	781.0	781.4	686.0	684.8
Liabilities for right-of-use assets	23.7	23.7	22.3	22.3
Total	**9,599.6**	**9,644.6**	**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.

	31 December 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	1,133.6	—	—	1,133.6	1,001.6	—	—	1,001.6
Interest-bearing securities	16.0	57.8	0.0	73.8	18.5	56.7	0.1	75.3
Shares and participations	109.6	—	52.8	162.3	122.6	—	52.4	174.9
Total	**1,259.2**	**57.8**	**52.8**	**1,369.7**	**1,142.7**	**56.7**	**52.4**	**1,251.9**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	993.8	25.5	29.7	1,049.0	886.8	68.2	42.0	997.1
Total	**993.8**	**25.5**	**29.7**	**1,049.0**	**886.8**	**68.2**	**42.0**	**997.1**
Derivative instrument, net	0.0	-141.8	—	-141.7	0.0	-239.3	—	-239.3
Total	**0.0**	**-141.8**	**—**	**-141.7**	**0.0**	**-239.3**	**—**	**-239.3**
Total	**2,253.1**	**-58.5**	**82.5**	**2,277.0**	**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 participations	Total	Interest bearing securities	Shares and participations	Total	Interest bearing securities	Shares and participations	Total
Carrying amount 1 January 2023	0.1	52.4	52.4	42.0	—	42.0	42.1	52.4	94.5
New purchases	—	7.2	7.2	—	—	—	—	7.2	7.2
Sales	—	-5.5	-5.5	—	—	—	—	-5.5	-5.5
Matured during the year	—	—	—	-13.0	—	-13.0	-13.0	—	-13.0
Realised value change in the income statement	—	-0.9	-0.9	—	—	—	-0.1	-0.9	-1.0
Unrealised value change in the income statement	-0.1	-0.4	-0.4	—	—	—	—	-0.4	-0.4
Value change recognised in total comprehensive income	—	—	—	0.7	—	0.7	0.7	—	0.7
Carrying amount 31 December 2023	**0.0**	**52.8**	**52.8**	**29.7**	**—**	**29.7**	**29.7**	**52.8**	**82.5**

Set off of financial assets and liabilities

(EUR million)	31 December 2023		31 December 2022	
Assets	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	81.9	—	54.7	—
Carrying amount in the balance sheet	**81.9**	**—**	**54.7**	**—**
Amount not set off but included in general agreements on set off or similar	41.1	—	53.1	—
Collateral assets	35.8	—	1.3	—
Total amount of sums not set off in the balance sheet	**76.9**	**—**	**54.4**	**—**
Net amount	**5.0**	**—**	**0.3**	**—**

Liabilities	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	223.7	—	294.0	—
Carrying amount in the balance sheet	**223.7**	**—**	**294.0**	**—**
Amount not set off but included in general agreements on set off or similar	41.1	—	53.1	—
Collateral liabilities	105.2	—	127.6	—
Amount not set off in the balance sheet	**146.3**	**—**	**180.7**	**—**
Net amount	**77.4**	**—**	**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)	31 Dec 2023	31 Dec 2022
Deposits from the public and public sector entities	4,564.2	5,213.8
Short-term liabilities, unsecured debts [1]		
Banks	22.7	30.6
Certificates of deposits issued and Money Market deposits	901.2	791.1
Total	**923.8**	**821.8**
Short-term liabilities, secured debts (collateralised) [1]		
Banks - received cash in accordance with collateral agreements	35.8	1.3
Total	**35.8**	**1.3**
Total short-term liabilities	**959.6**	**823.0**
Long-term liabilities, unsecured debts [2]		
Issued senior preferred debts	1,939.2	1,521.8
Issued senior non-preferred debts	92.3	71.3
Other credit institutions	—	5.5
Subordinated debts	69.6	69.5
AT1 loan (Additional Tier 1 capital) [3]	60.0	60.0
Total	**2,161.1**	**1,728.2**
Long-term liabilities, secured debts (collateralised) [2]		
Central bank and other credit institutions	250.0	800.0
Issued covered bonds	1,425.6	1,353.5
Total	**1,675.6**	**2,153.5**
Total long-term liabilities	**3,836.7**	**3,881.7**
Interest-bearing liabilities in the banking business	**9,360.5**	**9,918.5**
Technical provisions in the life insurance business	1,529.0	1,351.4
Subordinated debts in the life insurance business	51.7	49.0
Total other non-interest-bearing liabilities	447.7	436.6
Total liabilities	**11,389.0**	**11,755.5**

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 (Additional Tier 1 capital), is recognised within equity

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	31 Dec 2023	31 Dec 2022
Collateral for own liabilities		
Securities	29.6	246.7
Outstanding loans constituting security for covered bonds	2,475.5	2,519.1
Total	**2,505.1**	**2,765.8**
Other collateral assets		
Pledged securities [1]	100.3	1.3
Cash included in pledging agreements and repurchase agreements	105.2	127.6
Total	**205.5**	**128.9**
Total collateral assets	**2,710.6**	**2,894.7**
Collateral above refers to the following liabilities		
Liabilities to credit institutions [2]	250.0	800.0
Issued covered bonds [3]	1,425.6	1,353.5
Derivatives	105.2	127.6
Total	**1,780.8**	**2,281.0**

1) Refers to securities pledged for the intra day limit. As of 31 December 2023, a surplus of pledged securities amounted to EUR 14.2 (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)	31 Dec 2023	31 Dec 2022
Cash included in pledging agreements [1]	35.8	1.3
Total	**35.8**	**1.3**

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

Note 11. Acquired businesses

(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
Financial assets measured at fair value through other comprehensive income	1,107.0		1,107.0
Financial assets measured at amortised cost	8,671.0		8,671.0
Derivative instruments	39.6		39.6
Investments in associated companies and joint ventures	0.2		0.2
Tangible and intangible assets	249.8		249.8
Other assets	131.7		131.7
Income tax receivables	0.2		0.2
Deferred tax receivables	2.1	21.4	23.5
Tax receivables	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.

This report has not been subject to external auditing.

Helsinki 8 February 2024

KPMG OY AB

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KHT

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Webcast from the results event

A live webcast from the results event will take place on 8 February 2024 at 10.30 a.m. (EET). 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-q4-results**.

A recording of the webcast will be available at **www.aktia.com** after the event.

Financial calendar

Annual General Meeting.. 3 April 2024

Interim Report January–March 2024 ....30 April 2024

Half-year Report January–June 2024 .... 2 August 2024

Interim Report January–September 2024 .... 6 November 2024

Aktia