Q1

Interim report January–March 2023

Aktia

Aktia's net interest income increased strongly

The quarter in short

- Net interest income grew by 27% to EUR 31.8 (25.1) million from the previous year. The strong growth is mainly due to the increase in interest income from lending.
- Net commission income remained approximately at the previous year's level at EUR 30.3 (31.3) million. The assets under management (AuM) increased from the end of the year to EUR 13.8 (13.5) billion.
- Net income from life insurance amounted to EUR 7.2 (21.4) million. The recalculated comparative figures for 2022 according to the new accounting standard IFRS 17 include considerable positive market valuations and thus make the comparison significantly more difficult.
- The business developed according to the company's expectations, but due to the accounting standard change (IFRS 17), the comparable operating profit decreased to EUR 23.6 (35.6) million.
- The costs increased somewhat due to inflation and a higher estimated cost for the stability fee than last year.
- Credit loss provisions remained at a moderate level at EUR -0.9 million.
- The CET1 ratio, which describes Aktia's capital adequacy, increased to 11.1 (10.8) % from the year-end.

Outlook 2023 (unchanged)

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

The outlook has been prepared based on the following expectations:

- Net interest income is expected to be significantly higher than in 2022.
- Net commission income is expected to increase slightly in 2023.
- The life insurance business is expected to develop stably. However, the result is affected by changes in market values. The recalculated result for 2022 according to the new accounting standard IFRS 17 is exceptionally high due to accounting technical changes.
- Operating expenses are expected to be at the same level as 2022.
- Credit loss provisions are expected to be at the same level as 2022.

(EUR million)	Q1/2023	Q1/2022	Δ %	2022	Q4/2022	Δ %	Q3/2022	Q2/2022
Net interest income	31.8	25.1	27 %	99.2	24.2	31 %	24.0	25.8
Net commission income	30.3	31.3	-3 %	122.0	29.1	4 %	29.9	31.6
Net income from life insurance	7.2	21.4	-67 %	79.2	3.3	116 %	19.6	34.9
Total operating income	70.3	78.7	-11 %	302.9	58.2	21 %	72.4	93.7
Operating expenses	-47.1	-43.3	9 %	-169.4	-44.1	7 %	-40.3	-41.8
Impairment of credits and other commitments	-0.9	0.3	-	-10.2	-7.1	-87 %	-1.0	-2.4
Operating profit	22.2	35.8	-38 %	123.5	6.9	221 %	31.1	49.7
Comparable operating income[1]	70.3	78.5	-10 %	302.8	58.2	21 %	72.4	93.7
Comparable operating expenses[1]	-45.8	-43.3	6 %	-168.1	-42.7	7 %	-40.3	-41.8
Comparable operating profit[1]	23.6	35.6	-34 %	124.7	8.3	183 %	31.1	49.7
Cost-to-income ratio	0.67	0.55	22 %	0.56	0.76	-12 %	0.56	0.45
Comparable cost-to-income ratio[1]	0.65	0.55	18 %	0.56	0.73	-11 %	0.56	0.45
Earnings per share (EPS), EUR	0.25	0.40	-38 %	1.37	0.07	238 %	0.34	0.55
Comparable earnings per share (EPS), EUR[1]	0.27	0.40	-33 %	1.38	0.09	194 %	0.34	0.55
Return on equity (ROE), %	12.2	19.9	-38 %	17.0	3.7	229 %	17.6	28.0
Comparable return on equity (ROE), %[1]	13.0	19.8	-34 %	17.2	4.5	188 %	17.6	28.0
Common Equity Tier 1 capital ratio (CET1), %[2]	11.1	10.6	4 %	10.8	10.8	2 %	10.6	10.4

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.

Interim report January–March 2023 is a translation of the orginal Swedish version "Delårsrapport 1.1-31.3.2023". In case of discrepancies, the Swedish version shall prevail.

CEO's comments

The first quarter of 2023 was strong for Aktia, which pleases me especially after the challenging previous year. Net interest income grew by 27%, which is mainly explained by higher interest income due to the increase in interest rates. The increase also well exceeded the increase in funding expenses.

Provisions for potential credit losses were very moderate during the first quarter and the quality of Aktia's loan book remained good. Due to the general market uncertainty, the housing market remained rather inactive, but in the corporate customer business lending continued to increase. The average margin for the entire loan book continued to rise. The sales and interest towards the Finnair Visa Credit card, developed in cooperation between Aktia and Finnair, were strong also outside our standard customer base, which I am particularly pleased about.

The net commission income development was stable during the beginning of the year and close to last year's level, although Assets under Management, at EUR 13.8 billion, understandably did not reach the level of the previous year's first quarter. The gross sales within Asset Management in the quarter were good, with net subscriptions amounting to EUR 131 million.

There was a great interest in structured products in particular, and their sales reached record levels, which increased the net commission income. In cooperation with Taaleri, Aktia launched the Article 9 fund SolarWind III at the beginning of the year, which strongly supports the green transition in the energy economy. Sales have started well, and the fund is an important complement to our range of responsible investment products. Our determined work to improve the customer experience also began to bear fruit – customer satisfaction in Private Banking improved significantly.

New accounting standard makes comparing the net income from life insurance more difficult

The life insurance business continued its stable development and the sales of risk life insurances in particular continued to grow. However, net income from life insurance was below the previous year's comparative figures, adjusted according to the IFRS 17 accounting standard, which were exceptionally high due to the rise in interest rates at the beginning of 2022. This makes comparisons considerably more difficult. The IFRS 17 accounting standard was introduced on 1 January 2023, which greatly affected the reporting and comparative figures of Aktia's life insurance business. Aktia published the revised figures in a stock exchange bulletin on 8 May 2023.

It should also be noted that in order to increase transparency, Aktia now for the first time reports Asset Management and Life Insurance as separate, independent segments - not as one combined entity.

The cost development in the past quarter was moderate, but the high inflation was particularly reflected in the increased IT costs, which mainly consisted of services purchased.

Aktia's comparable operating profit in the first quarter amounted to EUR 23.6 million, which due to the new calculation of net income from life insurance was notably lower compared to the reference period (35.6). However, the transition to the IFRS 17 accounting standard makes the comparison significantly more difficult and it should be to noted that recalculated comparative figures for net income from life insurance and thus for the comparable operating profit are exceptionally high. The comparable operating profit during the first quarter of last year according to the accounting standard used at the time amounted to EUR 13.3 million.

I am very pleased with Aktia's first quarter. All income categories developed in line with our expectations, which gives us a good premise for the year ahead. The quality of Aktia's loan book has also remained stable. However, the general economic uncertainty continues and there is no immediate relief in sight. We want to help our customers think further in their finances also in economically more challenging times.

Helsinki 11 May 2023

Juha Hammarén
Interim CEO

Profit and balance

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

Profit January–March 2023

The Group's operating profit amounted to EUR 22.5 (35.8) million and the profit for the period to EUR 18.1 (28.6) million. The comparable operating profit amounted to EUR 23.6 (35.6) million. The lower result compared to last year is of an accounting technical nature attributable to the adoption of the IFRS 17 standard. The effect of the sharp rise in the interest rates in 2022, while the interest rate-related hedging programme was not yet complete, led to a very high net investment result according to IFRS 17 for the comparison period.

Items affecting comparability

(EUR million)	Q1/2023	Q1/2022
Additional income from divestment of Visa Europe to Visa Inc	-	0.2
Costs for restructuring	-1.4	-
Operating profit	**-1.4**	**0.2**

Income

The Group's operating income amounted to EUR 70.3 (78.7) million and the comparable operating income to EUR 70.3 (78.5) million. Net interest income developed very positively suuported by rising interest rates, while net income from life insurance was clearly below last year's level due to the implementation of IFRS 17 and its effects.

Net interest income increased by 27% to EUR 31.8 (25.1) million. Net interest income from borrowing and lending, including senior financing, increased by 5% to EUR 24.5 (23.4) million. The improvement mainly pertains to the positive development of the customer margins and the increase in the corporate loan book. Net interest income from the liquidity portfolio increased to EUR 3.3 (1.0) million, mainly due to increased interest rates. The interest expense from the TLTRO III financing amounted to EUR -1.8 million, compared to a negative interest expense of EUR 2.0 million for the corresponding quarter last year. The interest expense for TLTRO III financing includes an adjustment of the cumulative interest expense of EUR 2.2 million, which reduced the interest expenses for the first quarter. Interest income from deposits in the Bank of Finland amounted to EUR 5.7 (0.0) million.

Net commission income decreased by 3% to EUR 30.3 (31.3) million. Commission income from funds, asset management and securities brokerage decreased by 9% to EUR 21.2 (23.2) million due to lower customer assets under management (AuM) than last year. Commission income from cards, payment services and borrowing increased by 14% to EUR 7.9 (6.9) million while commission income from lending decreased by 5% to EUR 2.1 (2.2) million.

The result for the insurance business has improved from last year, but due to the changes of the accounting standard (retroactive adoption of IFRS 17 from 1 January 2022), the net income from life insurance decreased to EUR 7.2 (21.4) million. Insurance service result (insurance contracts reported in accordance with IFRS 17) increased by 10% to EUR 3.8 (3.4) million owing to good new sales and profitable insurance contracts. Result from investment contracts decreased slightly to EUR 2.1 (2.2) million, due to somewhat lower market value of customer assets compared to the corresponding period last year. Net investment result decreased to EUR 1.3 (15.8) million. The deviation from last year is related to the accounting technical change which led to a strong increase of the comparable period's recalculated result according to IFRS 17. To reduce volatility in the net investment result in future, Aktia has gradually expanded its interest rate hedging programme until the end of 2022.

Net income from financial transactions amounted to EUR 0.6 (0.7) million and comparable net income from financial transactions to EUR 0.6 (0.5) million. The previous year includes an additional income of EUR 0.2 million relating to the sale of Visa Europe to Visa Inc, which is not included in the comparable result.

Expenses

Operating expenses increased to EUR 47.1 (43.3) million. Comparable operating expenses increased by 6% to EUR 45.8 (43.3) million. In connection with the transition to IFRS 17, operating expenses attributable to insurance contracts are reported as part of the insurance service result included in net income from life insurance.

Staff costs increased to EUR 21.0 (20.5) million, while the comparable staff costs decreased by 4% to EUR 19.7 (20.5) million. The decrease is partly due to the average number of employees slightly decreasing compared to the reference period.

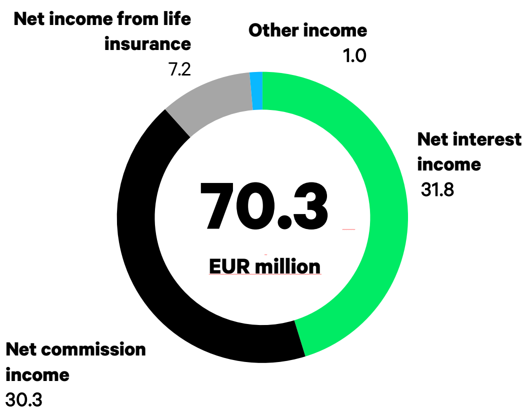
IT expenses increased by 23% to EUR 9.2 (7.5) million. The increase mainly relates to IT services purchased from the company AktiaDuetto, newly founded in November 2022, and index adjustments by several suppliers. The IT structure has also become broader, both in terms of volume and number of applications used.

The depreciation of tangible and intangible assets increased by 2% to EUR 5.9 (5.8) million. The increase is attributable to higher depreciations on capitalised development expenses.

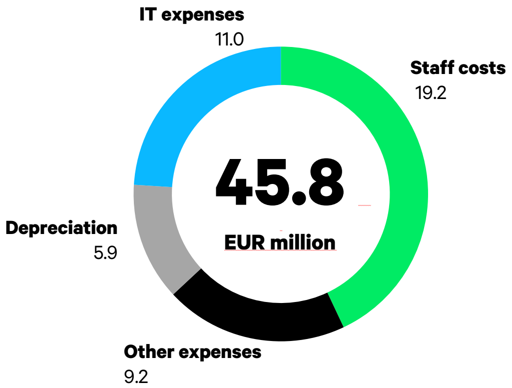
Other operating expenses increased by 15% to EUR 11.0 (9.5) million. The increase is mainly related to the estimated cost for the stability fee, amounting to EUR 5.6 (4.6) million.

Impairments on credits and other commitments amounted to EUR -0.9 (0.3) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR 0.2 (0.5) million.

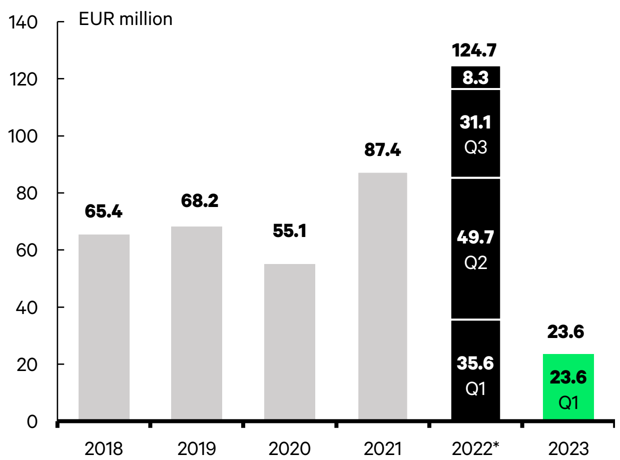
Operating income Q1/2023



Operating expenses Q1/2023



Comparable operating profit 2018–Q1/2023



*Recalculated according to the new accounting standard IFRS 17

Balance sheet and off-balance sheet commitments

The Group's balance sheet total decreased to EUR 12,122 (12,412) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees decreased to EUR 573 (645) million.

Borrowing

Borrowing from the public and public-sector entities increased by 4% from the corresponding period last year, but was however lower than at the year-end and amounted to EUR 4,871 (5,214) million. Aktia's market share of deposits was 3.0% (3.1) at the end of March.

The value of long-term bonds issued by Aktia Bank totalled EUR 3,160 (2,947) million. After an issued retained covered bond was set off, Covered Bonds issued by Aktia Bank amounted to EUR 1,369 (1,354) million.

During the first quarter, Aktia Bank issued new covered bonds (senior preferred) amounting to EUR 275 million. During the quarter, Aktia Bank prematurely repaid TLTRO III loans totaling EUR 250 million. In addition, issued retained covered bonds of EUR 400 million were cancelled.

Lending

Group lending to the public and public-sector entities increased by 3% from the corresponding period last year to EUR 7,805 million, which was on the same level as at the end of the year. Corporates' share of the total loan book increased from the end of the year to 17.3% (16.7), while households' share decreased to 67.4% (68.2).

The housing loan book decreased to EUR 5,386 (5,434) million, of which the share for households was EUR 4,227 (4,289) million. Aktia's new lending amounted to EUR 175 (262) million. At the end of March, Aktia's market share in housing loans to households was 3.9% (3.9).

Loan book by sector

(EUR million)	31 Mar 2023	31 Dec 2022	Δ	Share, %
Households	5,259	5,312	-53	67.4%
Corporates	1,350	1,301	48	17.3%
Housing companies	1,137	1,120	16	14.6%
Non-profit organisations	54	52	1	0.7%
Public sector entities	6	6	0	0.1%
Total	**7,805**	**7,792**	**13**	**100.0 %**

Financial assets

The 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 1 301 (1,307) million, the life insurance company's investment portfolio of EUR 477 (488) million, and the Bank Group's equity holdings of EUR 8 (8) million.

Liabilities from insurance business

The total liabilities from insurance business increased during the first quarter by 3% to EUR 1,463 (1,420) million. Liabilities from insurance contracts were at the year-end's level and amounted to EUR 493 (492) million. Liabilities from investment contracts increased by 5% to EUR 970 (928) million due to a positive net inflow and higher market values than at the end of the year.

Equity

Aktia Group's equity increased to EUR 661 (640) million. The value of the fund at fair value increased to EUR -47 (-50) million and the profit for the period amounted to EUR 18 million.

Fund at fair value

(EUR million)	31 Mar 2023	31 Dec 2022	Δ
Interest-bearing securities, Aktia Bank	-33.7	-35.8	2.0
Interest-bearing securities, Aktia Life Insurance	-12.6	-14.0	1.4
Cash flow hedging	-0.6	-0.1	-0.5
Total	**-47.0**	**-49.9**	**2.9**

Assets under Management

The Group's total assets under management were at the same level as at the end of the year and amounted to EUR 16,418 (16,475) million.

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

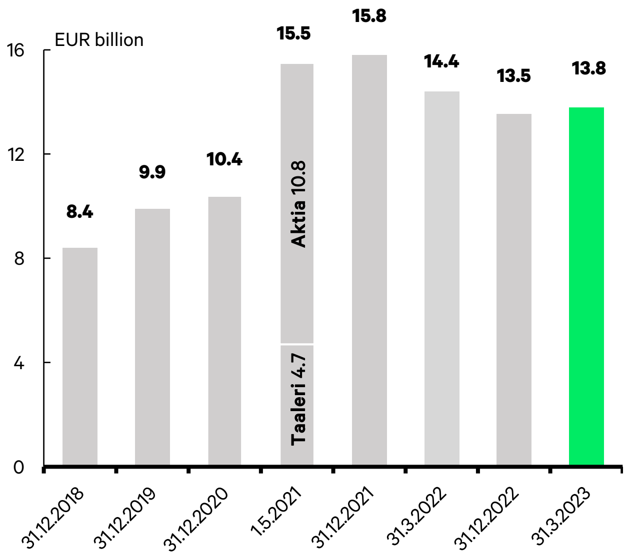
Group financial assets include the Bank Group's liquidity portfolio managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

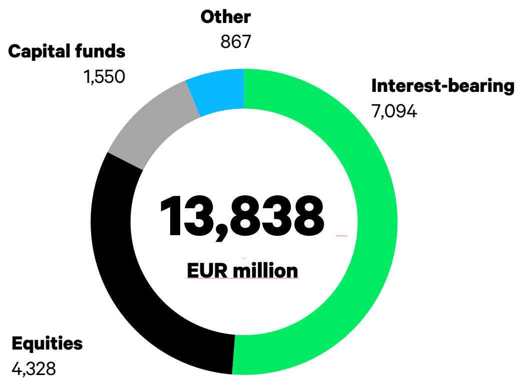
(EUR million)	31 Mar 2023	31 Dec 2022	Δ%
Customer assets under management*	13,838	13,539	2%
Group financial assets	2,580	2,936	-12%
Total	**16,418**	**16,475**	**0%**

* Excluding fund in funds

Customer assets under management (AuM) excluding custody assets 2018–Q1/2023



Customer assets by asset class



Segment overview

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

Banking Business

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

- The net interest income of the loan book developed very favourably in the first quarter and the quality of the loan book remained good. The average margin for the entire loan book continued to grow.
- The general market uncertainty and calm housing market continued to reduce consumer demand for housing loans.
- In consumer financing, the quarter was strong, and sales of the Finnair Visa Credit card remained at a good level.
- Demand for fixed-term deposits was strong among investors and depositors. Sales of the quarter's structured investment product reached record levels.
- In the corporate customer business, lending continued to increase as planned and the quarter was strong particularly in hire purchase and leasing.

Result

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ%
Net interest income	28.8	19.5	48 %
Net commission income	14.9	15.1	-1 %
Other operating income	0.3	0.0	-
Operating income	44.0	34.6	27 %
Operating expenses	-28.5	-26.5	8 %
Operating profit	14.6	8.4	74 %
Comparable operating profit	15.1	8.4	79 %

Result for Banking Business segment

The operating income for the period increased to EUR 44.0 (34.6) million.

The net interest income was 48% higher than during the corresponding period last year and amounted to EUR 28.8 (19.5) million. The customer margins for the entire loan book have continued to rise throughout the period. The rising reference rates have also had a positive effect on the 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 from negative to 3.62% and was 3.70 percentage points higher compared to the corresponding period last year.

The loan book increased by 3% from the reference period last year to EUR 7,615 million, which was the same level as at the year-end. The corporate customer loan book increased by 12% from the corresponding period last year to EUR 2,552 million, while the private customer loan book decreased by 1% to EUR 5,063 million.

The strong demand for fixed-term savings deposits continued among private customers. However, the total borrowing from the public and public-sector entities decreased by 8% from the year-end and amounted to EUR 4,099 (4,443) million.

The net commission income increased by 1% compared to the corresponding period last year and amounted to EUR 14.9 (15.1) million. The net commission income from cards, payment services and borrowing increased by 7 % to EUR 6.4 (6.0) million. However, the net commission income from investment activities decreased by 4 % to EUR 3.9 (4.0) million. Customer assets under management increased by 4% to EUR 1,702 million from the year-end.

The comparable operating expenses increased to EUR 28.0 (26.5) million for the period, mainly due to the estimated stability fee for the year and higher depreciation.

Impairments on credits and other commitments amounted to EUR -0.9 (0.3) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR 0.2 (0.5) 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 clearly improved during the beginning of the year, despite continued market fluctuations. Interest rates continued to rise, which put pressure on the market value of fixed income and housing funds. The problems in the international banking sector had no significant impact on the development of the value of funds managed by Aktia.
- Net subscriptions continued to increase and amounted to EUR 131 million during the first quarter. The international sales of Aktia's funds also progressed when the first subscriptions in the UI funds we manage were made in Spain.
- Aktia launched the Article 9 fund SolarWind III in co-operation with Taaleri Oyj at the end of February. The fund strongly supports the green transition in the energy economy. The sales of SolarWind III started as planned.

- Customer satisfaction in Private Banking increased significantly.

Result

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ%
Net interest income	*3.7*	*0.5*	*646 %*
Net commission income	*16.0*	*16.7*	*-4 %*
Other operating income	*0.0*	*0.1*	*-66 %*
Operating income	19.7	17.3	14 %
Operating expenses	-14.4	-13.2	9 %
Operating profit	5.2	4.1	25 %
Comparable operating profit	5.9	4.1	43 %

Customer assets under management

(EUR million)	31 Mar 2023	31 Dec 2022	Δ%
Customer assets under management*	13,838	13,539	2 %
of which institutional assets	*7,572*	*7,506*	*1 %*

* Excluding fund in funds

Result for Asset Management segment

The operating income for the period increased by EUR 2.4 million to EUR 19.7 million due to stronger net interest income, which more than compensated for the lower net commission income.

The net commission income amounted to EUR 16.0 million, which was 4% lower than in the reference period. The lower net commission income is due to lower assets under management. The net commission income areas that increased compared to last year were fees from structured products and fees from private equity funds. No performance-based fees were recognised during the period or the reference period. The assets under management decreased by EUR 859 million compared to the corresponding period last year and amounted to EUR 13,838 (31 March 2022: 14,697) million at the end of the period. However, the assets under management increased by EUR 299 million from the year-end. The increase consisted of net subscriptions for the period amounting to EUR 131 million and the market value change amounting to EUR 168 million.

The operating expenses of the segment increased by EUR 1.2 million to EUR 14.4 million, mainly due to increased group-related expenses from a broader organisation and one-off items that reduced expenses in the reference period. The expenses for the period are also affected by the following items: higher IT expenses as several suppliers have made index adjustments to their prices, higher marketing and representation expenses and higher space expenses. However, staff expenses are lower than last year due to lower variable remuneration. Staff expenses constituted 38% (48) 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 customers responsibilities, Aktia Life Insurance has investment assets.

- Sales of risk life insurancies developed well during the first quarter.
- Sales of investment-linked insurancies continued to develop positively despite the challenging situation in the investment market, which drives investor sentiment
- Net investment result amounted to EUR 2.0 million.
- The solvency of the life insurance business decreased from the year-end, but improved somewhat from the reference period last year.

Result

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ%
Insurance service result	*3.8*	*3.4*	*10 %*
Result from investment contracts	*2.1*	*2.2*	*-6 %*
Net investment result	*2.0*	*16.5*	*-88 %*
Net income from life insurance	7.9	22.2	-64 %
Operating expenses	-2.5	-2.3	8 %
Operating profit	5.4	19.9	-73 %
Comparable operating profit	5.4	19.9	-73 %

Result for Life Insurance segment

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

Therefore, the sharp increase in interest rates in 2022 had a significant impact on the comparison figures for 2022 as the interest rate hedging programme was not complete. The comparable operating result for the Life Insurance segment was 73% lower than in the corresponding period last year due to the above-mentioned reasons. With investments and interest rate hedging, Aktia aims to minimise volatility in results arising from the market valuation of liabilities from insurance contracts according to IFRS 17.

The sale of risk insurance, especially through agents, continued to be positive during the first quarter and contributed to the improved result for insurance services. The investment-linked insurance book, which includes both investment and insurance contracts, increased by 4.8%.

Contributing factors included positive net inflows and favourable market development.

The result from investment activities was affected by the volatility of the fixed income market. The impact on the result was positive as the equity market rose and the result from the hedging and investment activities was better than the corresponding result from the market valuation of insurance liabilities.

The contractual service margin (CSM), which represents the future profit that the company expects to earn on the insurance contracts, increased by EUR 2.5 million during the period. During the period, EUR 2.3 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 4.6 million. Other items had an impact of EUR 0.3 million. The solvency ratio decreased by 19 percentage points during the quarter. The decrease is partly related to the dividend of EUR 6.3 million paid to the parent company Aktia Bank Plc during the period.

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)	Jan-Mar 2023	Jan-Mar 2022	Δ%
Operating income	1.8	7.3	-76%
Operating expenses	-4.5	-4.1	10%
Operating profit	-2.7	3.2	-183%
Comparable operating profit	-2.5	3.1	-182%

Financial development for Group Functions segment

Comparable operating income for the segment decreased for the first quarter to EUR 1.8 (7.1) million, mainly due to lower net interest income than in the corresponding quarter last year.

The net interest income decreased to EUR -0.8 (5.1) million. The change is mainly owing to the interest expense from the TLTRO III financing of EUR -1.8 million, which during the corresponding quarter last year was a negative interest expense of EUR 2.0 million, as well as higher financing costs. Interest income from the liquidity portfolio and from deposits in the Bank of Finland has increased. The interest expense for the TLTRO III-financing include an adjustment of the cumulative interest expense of EUR 2.2 million, which reduced the interest expenses for the first quarter. At segment level, the higher financing costs are to a certain extent offset by higher internal interest income.

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

The total operating expenses of the segment increased by EUR 0.8 million, mainly due to the higher estimated cost for the stability fee of EUR 5.6 (4.6) million. The IT expenses were also higher than in the first quarter last year, while staff costs and depreciations were lower than previous year. Most of the segment's operating expenses are allocated to the other segments.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Life Insurance		Group Functions		Other & eliminations		Total Group	
Income statement	**Jan-Mar 2023**	**Jan-Mar 2022**	**Jan-Mar 2023**	**Jan-Mar 2022**	**Jan-Mar 2023**	**Jan-Mar 2022**	**Jan-Mar 2023**	**Jan-Mar 2022**	**Jan-Mar 2023**	**Jan-Mar 2022**	**Jan-Mar 2023**	**Jan-Mar 2022**
Net interest income	28.8	19.5	3.7	0.5	-	-	-0.8	5.1	0.1	-	31.8	25.1
Net commission income	14.9	15.1	16.0	16.7	-	-	1.5	1.5	-2.1	-1.9	30.3	31.3
Net income from life insurance	-	-	-	-	7.9	22.2	-	-	-0.7	-0.8	7.2	21.4
Other operating income	0.3	0.0	0.0	0.1	-	-	1.1	0.7	-0.4	-0.1	1.0	0.8
Total operating income	**44.0**	**34.6**	**19.7**	**17.3**	**7.9**	**22.2**	**1.8**	**7.3**	**-3.2**	**-2.8**	**70.3**	**78.7**
Staff costs	-4.1	-3.9	-5.5	-5.7	-0.5	-0.5	-10.8	-10.4	-	-	-21.0	-20.5
Other operating expenses[1]	-24.3	-22.6	-8.9	-7.5	-2.0	-1.8	6.3	6.3	2.8	2.8	-26.1	-22.8
Total operating expenses	**-28.5**	**-26.5**	**-14.4**	**-13.2**	**-2.5**	**-2.3**	**-4.5**	**-4.1**	**2.8**	**2.8**	**-47.1**	**-43.3**
Impairment of credits and other commitments	-0.9	0.3	-	-	-	-	-	-	-	-	-0.9	0.3
Impairment of other receivables	-	-	-0.1	-	-	-	-	-	-	-	-0.1	-
Share of profit from associated companies	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Operating profit	**14.6**	**8.4**	**5.2**	**4.1**	**5.4**	**19.9**	**-2.7**	**3.2**	**-0.3**	**0.1**	**22.2**	**35.8**
Comparable operating profit	**15.1**	**8.4**	**5.9**	**4.1**	**5.4**	**19.9**	**-2.5**	**3.1**	**-0.3**	**0.1**	**23.6**	**35.6**

Balance sheet	**31 Mar 2023**	**31 Dec 2022**	**31 Mar 2023**	**31 Dec 2022**	**31 Mar 2023**	**31 Dec 2022**	**31 Mar 2023**	**31 Dec 2022**	**31 Mar 2023**	**31 Dec 2022**	**31 Mar 2023**	**31 Dec 2022**
Financial assets measured at fair value	-	-	0.1	0.1	1,441.2	1,407.0	822.0	854.2	-14.9	-14.8	2,248.4	2,246.5
Cash and balances with central banks	0.7	0.9	-	-	-	0.0	113.8	164.9	-	-	114.5	165.8
Interest-bearing securities measured at amortised cost	-	-	-	-	36.8	36.8	514.2	492.6	-	-	551.0	529.4
Loans and other receivables	7,618.5	7,620.1	238.9	219.5	18.2	14.8	903.2	1,155.7	-17.5	-25.2	8,761.2	8,984.9
Other assets	43.5	87.5	56.6	54.1	110.6	109.5	299.9	298.6	-63.6	-64.1	447.1	485.6
Total assets	**7,662.7**	**7,708.4**	**295.6**	**273.7**	**1,606.8**	**1,568.1**	**2,653.2**	**2,966.1**	**-96.1**	**-104.1**	**12,122.2**	**12,412.2**
Deposits	4,127.2	4,472.4	817.9	820.3	-	-	529.8	778.0	-17.5	-25.2	5,457.3	6,045.7
Debt securities issued	-	-	-	-	-	-	3,248.6	3,066.6	-14.9	-14.8	3,233.6	3,051.7
Liabilities from insurance business	-	-	-	-	1,462.9	1,420.0	-	-	-	-	1,462.9	1,420.0
Other liabilities	128.2	140.5	32.7	34.8	89.6	93.3	1,073.4	1,003.9	-16.9	-17.7	1,307.0	1,254.8
Total liabilities	**4,255.4**	**4,612.9**	**850.6**	**855.2**	**1,552.5**	**1,513.2**	**4,851.7**	**4,848.5**	**-49.4**	**-57.7**	**11,460.8**	**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 11.1% (10.8). Own funds increased due to the result for the period, which includes a dividend of 6.3 EUR million from Aktia Life Insurance Ltd in accordance with the company's dividend policy. The fund at fair value increased by close to two million euro from the year-end due to the shortened maturity in the hedged liquidity portfolio. The interest rate risk in the bank's liquidity portfolio has been hedged as of the end of April 2022. The risk-weighted assets increased by EUR 2 million from the year-end.

The Bank Group applies internal risk classification (IRBA) for the calculation of capital requirement for retail, equity and certain corporate exposures. During the fouth quarter of 2022, Aktia was allowed by the Financial Supervisory Authority to adopt new internal models for household exposures. For other exposures the standardised approach is used. The implementation did not significantly affect the risk-weighted exposures, while the expected credit losses (ECL) increased. The IRBA model change affected the Bank Group's CET1 ratio by approximately 0.2 percentage points.

Capital adequacy, %	**31 Mar 2023**	**31 Dec 2022**
Bank Group		
CET1 capital ratio	11.1	10.8
Total capital ratio	15.2	14.9

Total capital requirement

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 11.78% for the Bank Group and 9.47% for Tier 1 capital ratio at the end of the period. On 30 March 2023 the Financial Supervisory Authority informed Aktia of a system risk buffer requirement of 1.0% as of 1 April 2024.

Leverage ratio	**31 Mar 2023**	**31 Dec 2022**
Tier 1 capital	406.7	396.9
Total exposures	10,619.4	10,985.2
Leverage ratio, %	**3.8**	**3.6**

For Aktia, the ratio of own funds and eligible liabilities to the total risk exposure amount (TREA) was 343.7 % and to the leverage ratio exposure (LRE) 340.7 %, as compared to the current MREL requirements of 19.86 % for the TREA and 5.91 % for the LRE. The current requirement entered into force on 1 January 2022. Aktia's requirement was covered by own funds and unsecured senior bonds. The MREL requirement does not include a so-called subordination requirement.

Aktia's buffer for the MREL was EUR 1,510.6 million. The MREL requirement for Aktia was based on the leverage ratio exposure.

The Financial Stability Authority updated the MREL requirement for Aktia on 6 April 2022. From 1 January 2024, the MREL requirement will increase to 19.9% of the total risk exposure amount or 7.12% of the leverage ratio exposures.

			Buffer requirements				
31 March 2023 (%)	**Pillar 1 minimum requirement**	**Pillar 2 requirement**	**Capital Conservation**	**Counter-cyclical**	**O-SII**	**Systemic risk**	**Total capital requirement**
CET1 capital	4.50	0.70	2.50	0.03	0.00	0.00	7.74
AT1 capital	1.50	0.23					1.73
Tier 2 capital	2.00	0.31					2.31
Total	**8.00**	**1.25**	**2.50**	**0.03**	**0.00**	**0.00**	**11.78**

MREL requirement (EUR million)	31 Mar 2023	31 Dec 2022
Total Risk Exposure Amount (TREA)	3,132.8	3,130.6
of which MREL requirement	622.2	621.7
Leverage Ratio Exposure (LRE)	10,619.4	10,985.2
of which MREL requirement	627.6	649.2
MREL requirement	**627.6**	**649.2**
Own funds and eligible liabilities		
CET1	347.3	339.2
AT 1 instruments	59.4	57.7
Tier 2 instruments	69.6	69.5
Other liabilities	1,661.9	1,599.3
Total	**2,138.2**	**2,065.7**

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

Solvency II	With transitional rules		Whitout transitional rules	
(EUR million)	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
MCR	22.4	21.8	23.5	23.1
SCR	79.3	75.2	87.4	84.2
Eligible capital	177.9	183.2	150.0	152.2
Solvency ratio, %	**224.3**	**243.5**	**171.7**	**180.8**

The Group's risk exposures

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

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

Banking and asset management business

Credit risks

Aktia's loan book consists for the major part of loans to households and private persons with residential or realestate collaterals. The loan ratio measured in loan-to-value (LTV) is at an adequate level. At the end of the first quarter of 2023, the average LTV level amounted to 43% for the entire loan book.

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

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

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

Gross loans past due by time overdue and ECL stages

(EUR million)	31 March 2023			
Days	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
⩽ 30	20.7	16.2	6.0	42.9
of which households	17.6	15.2	4.8	37.6
> 30 ⩽ 90	0.0	22.3	20.9	43.3
of which households	0.0	15.0	11.8	26.8
> 90	0.0	0.0	53.5	53.5
of which households	0.0	0.0	43.0	43.0

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

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

(EUR million)	31 Mar 2023	31 Dec 2022
Corporate		
PD grades A	2,255.5	2,264.3
PD grades B	58.9	62.4
PD grades C	46.8	12.7
Default	29.4	28.3
Book value of ECL provisions	2,390.5	2,367.7
Loss allowance (ECL)	-15.2	-14.4
Carrying amount	**2,375.4**	**2,353.3**
Households		
PD grades A	4,365.4	4,342.5
PD grades B	718.5	839.1
PD grades C	296.1	247.9
Default	113.2	112.4
Book value of ECL provisions	5,593.3	5,541.9
Loss allowance (ECL)	-22.6	-23.7
Carrying amount	**5,570.7**	**5,518.2**
Other		
PD grades A	534.8	535.5
PD grades B	8.4	18.8
PD grades C	9.0	1.6
Default	1.6	1.4
Book value of ECL provisions	553.8	557.3
Loss allowance (ECL)	-1.0	-0.7
Carrying amount	**552.8**	**556.6**

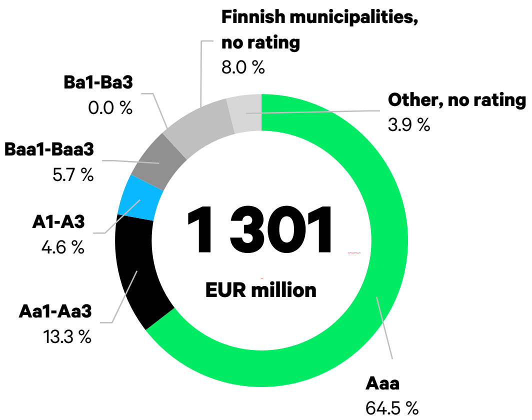
Reporting of PD classes A, B and C has been updated in Q4 2022 reporting to correspond to the PD classes according to the bank's internal method, where Default has a PD of 100%.

Market risks

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

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

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



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

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

Equity investments pertaining to business operations amounted to EUR 8.0 (8.0) million. The Bank Group had no real estate holdings at the end of the period.

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

Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,822 (2,256) million at the end of the period. The decrease is attributable to the repayment of TLTRO loans in advance, as well as the invalidation of retained covered bonds.

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

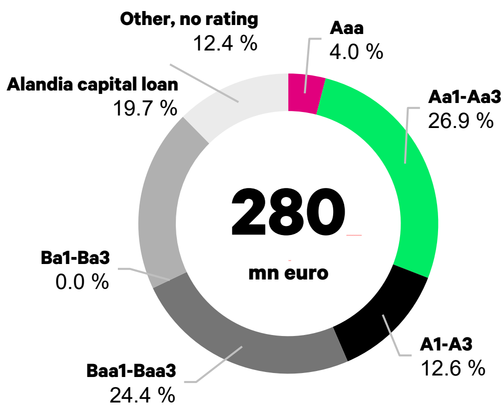
Liquidity reserve, market value (EUR million)	31 Mar 2023	31 Dec 2022
Cash and balances with central banks	836	1,172
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	216	196
Securities issued or guaranteed by municipalities or the public sector	104	111
Covered Bonds	667	777
Securities issued by credit institutions	-	-
Securities issued by corporates (commercial papers)	-	-
Total	1,822	2,256
of which LCR-qualified	*1,822*	*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 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 188% (183).

Liquidity coverage ratio (LCR)	31 Mar 2023	31 Dec 2022
LCR %	188%	183%

Rating distribution for the life insurance business's direct interest-bearing investments 31 Mar 2023 Total

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



Life Insurance Business

Investment portfolio of the life insurance business

The market value of the life insurance business' total investment portfolio amounted to EUR 477 (485) million. The life insurance company's direct real estate investments amounted to EUR 49 (46) million. The properties are in the Helsinki region and in other growth centres in Southern Finland and they mostly have long tenancies.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	31 Mar 2023		31 Dec 2022	
Equities	**8.6**	**1.8%**	**12.8**	**2.6%**
Europe	1.4	0.3%	8.6	1.8%
USA	6.1	1.3%	4.2	0.9%
Japan	0.5	0.1%		
Emerging markets	0.6	0.1%		
Fixed income investments	**325.4**	**68.2%**	**327.7**	**67.1%**
Government bonds	92.3	19.4%	90.9	18.6%
Financial bonds	23.2	4.9%	31.7	6.5%
Other corporate bonds[1]	148.3	31.1%	143.7	29.4%
Emerging Markets (mtl. funds)	37.2	7.8%	37.2	7.6%
High yield (mtl. funds)	21.5	4.5%	21.5	4.4%
Other funds	2.7	0.6%	2.7	0.6%
Alternative investments	**28.2**	**5.9%**	**28.7**	**5.9%**
Private Equity etc.	21.3	4.5%	21.5	4.4%
Infrastructure funds	6.9	1.4%	7.2	1.5%
Real estates	**71.7**	**15.0%**	**72.7**	**14.9%**
Directly owned	48.7	10.2%	48.7	10.0%
Real estate funds	23.0	4.8%	24.0	4.9%
Money Market	**46.4**	**9.7%**	**55.3**	**11.3%**
Derivatives	**-21.2**	**-4.4%**	**-23.9**	**-4.9%**
Cash and bank	**18.1**	**3.8%**	**14.7**	**3.0%**
Total	**477.2**	**100.0%**	**488.0**	**100.0%**

1) Includes capital loan to Alandia

Life insurance company’s market risk

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

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

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

The risk exposure in the internal model is calculated through a difference under a stress scenario describing a historical 99.5% percentile of the various risk factors. On 31 March 2023, the risk sensitivity was EUR 14.9 (3.3) million for interest rate risk, EUR 27.2 (31.6) million for equity risk, EUR 26.3 (25.6) million for real estate risk, EUR 19.9 (15.2) million for credit spread risk, and EUR 19.7 (16.4) million for currency risk. After a summation and diversification effect the internal requirement is 68.9 (61.7) EUR million, against the allowed limit of 100 (105) EUR million. The relatively large change is due to the calibration of the model at the year-end, as rising interest rate levels considerably effect the calculation parameters. The earlier parameters were applied until 31 December 2022.

Main events

Aktia set clearer targets for sustainability

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

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

Aktia launched the Aktia Aurinkotuuli III (Aktia Solarwind III) private equity fund

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

Aktia was selected the best fixed income fund house in Finland

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

Aktia raised its prime rate to 2.00 per cent

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

Other information

Rating

Standard & Poor's (S&P) outlook for the creditworthiness of Aktia Bank Plc has been stable since the latest update on 22 January 2021. The rating is A- for long-term borrowing and A2 for short-term borrowing. The rating was affirmed on 16 December 2021 related to the S&P revised rating methodology update.

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

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

Events concerning related parties

Related parties include 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. The Aktia Group's key persons are the members of the Board of Directors, the CEO, the Deputy CEO and other members of the Executive Committee.

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

Staff

The number of full-time employees at the end of March amounted to 860 (31 December 2022; 891). The average number of full-time employees amounted to 870 (1 January–31 March 2022; 875).

Executive Committee

On 27 February 2023, Aktia announced that Mikko Ayub, the company's President and CEO will leave his position in the company with immediate effect. Ayub served as President and CEO of Aktia since October 2018. Juha Hammarén, Deputy to the CEO and Executive Vice President, was appointed interim CEO. Hammarén has been a member of Aktia's Executive Committee since 2014 and served as Chairman of the Board of Aktia Life Insurance Ltd since 2018. The process of selecting a new CEO has begun.

Perttu Purhonen, the Director in charge of Aktia's Asset Management and a member of Aktia's Executive Committee, concluded his duties on 1 February 2023. Uki Lammi acts as the interim Director in charge of Aktia's Asset Management. Aktia has initiated the recruitment of a new director of Asset Management.

As of 31 March 2023, Aktia's Executive Committee consisted of the following persons: Juha Hammarén, interim CEO; Outi Henriksson, Executive Vice President & CFO; Anssi Huhta, Executive Vice President, Banking Business; Uki Lammi, Executive Vice President (interim), Asset Management; Sari Leppänen, Executive Vice President & CIO and Sini Kivekäs, Executive Vice President, Human Resources.

Events after the end of the period

On 28 April 2023, Aktia announced that Sari Leppänen, Chief Information Officer and a member of the Executive Committee at Aktia, will leave the company and undertake other duties outside of the company. She will be working for Aktia until the end of July 2023.

The incentive plans 2023–2024

Share Savings Plan

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

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

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

Executive and key employee incentive plan 2023

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

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

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

Business Areas' Performance-Based Incentive Plan

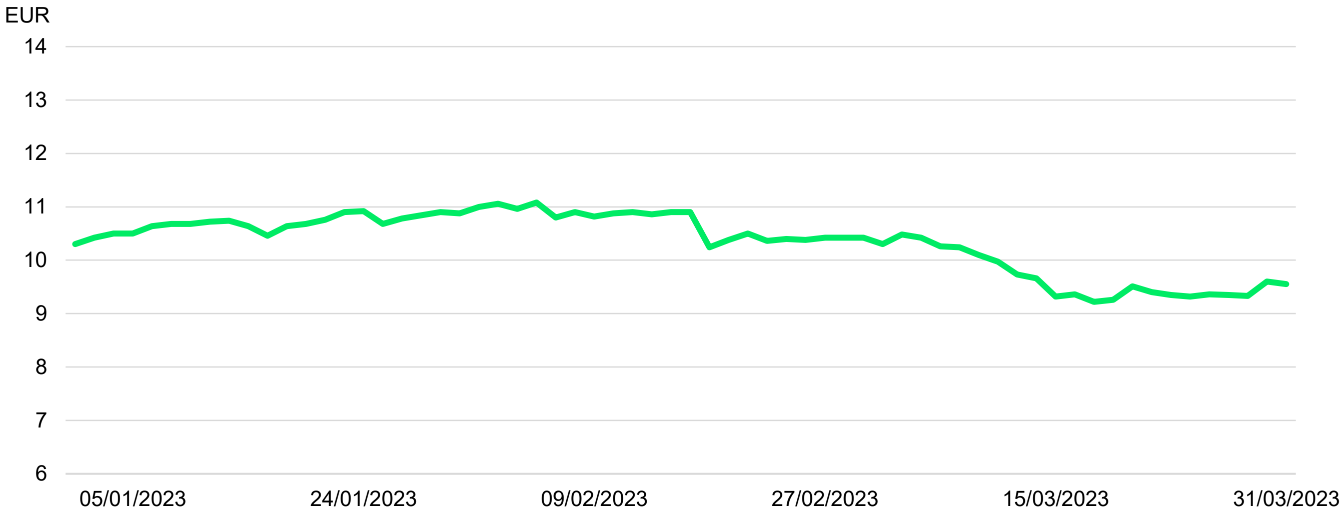
The Board of Directors of Aktia Bank Plc decided to launch a new performance-based incentive plan 2023–2024 for the key employees of Aktia's business areas. The objective of the plan is to support the company's strategy by motivating the key employees to achieve financial and strategic targets set for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

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

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

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

Development of Aktia's share 3 January–31 March 2023



Decisions of Aktia Bank Plc’s Annual General Meeting 2023

The Annual General Meeting of Aktia Bank Plc that was held after the end of the reporting period 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 30 January 2023, the Board of Directors of Aktia Bank Plc, pursuant to the share issue authorization granted by the Annual General Meeting held on 6 April 2022, resolved on an issue of 80,000 new shares to the company itself without payment. The new shares to be issued to the company will be used for reward payments under the company's incentive programs. The total number of the company's shares after the share issue was 72,465,072 shares. On 31 March 2023, the total number of registered holders amounted to 40,457 (31 March 2022; 40,354). 9.47% of the shares were in foreign ownership. There were no unregistered shares at the end of March.

In January–March, based on decisions made by the Board of Directors, Aktia divested a total of 138 623 own shares held by the company to company’s personnel in accordance with the terms of the share-based incentive plans. After the divestments, a total of 169,499 (31 March 2022; 240,263) shares remain in the company’s possession.

Aktia Bank Plc’s market value on 31 March 2023, the last trading day of the period, was approximately EUR 692 (31 March 2022; 787) million. The closing price for the Aktia share on 31 March 2023 was EUR 9.55 (31 March 2022; 10.90). The highest price for the Aktia share during the period was EUR 11.12 (12.88) and the lowest EUR 8.98 (8.80). The average daily turnover of the Aktia share during January–March 2023 was EUR 1,215,470 (905,350) or 119,758 (83,011) shares.

(EUR million)	Number of shares	Share capital	Unrestricted equity reserve
1 Jan 2022	**72,144.081**	**169.7**	**138.6**
Share issue 1 Jan 2022	75,000	-	0.9
Share issue 24 May 2022	74,631	-	0.7
Share issue 17 Nov 2022	91,360	-	0.8
Other changes	-	-	0.5
31 Dec 2022	**72,385.072**	**169.7**	**141.5**
Share issue 30 Jan 2023	80,000	-	0.9
Other changes	-	-	0.3
31 Mar 2023	**72,465.072**	**169.7**	**142.6**

Sustainability

Aktia follows the sustainability programme updated last year, of which the high-level targets are to enable sustainable prosperity, provide meaningful work for skilled employees, ensure reliable and transparent operations and work towards carbon-neutrality.

Aktia wants to participate in financing the green transition. During the first quarter of 2023, the guidance regarding the framework for Aktia's green and sustainability-linked loans was finalised and approved. In line with Aktia's climate strategy, the goal is to reduce the carbon footprint of the personal and corporate loan portfolio by 30% by 2030, with 2020 as the base year. The guideline defines Aktia's framework and criteria for green and sustainability-linked lending. Aktia has already granted one sustainability-linked loan based on the new framework.

During the first quarter, Aktia launched the private equity fund Aktia Aurinkotuuli III. The fund offers also private investors an opportunity to make impactful investments in the development of renewable energy production. The fund invests in the international private equity fund Taaleri SolarWind III, a financial product under Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR). Therefore, also Aktia Aurinkotuuli III falls into the EU Taxonomy's highest, "dark green" category. The target fund's investment strategy is to acquire, develop, build, operate and sell industrial-scale onshore wind and solar energy farms and energy storage facilities in selected target markets. The fund's investments have positive impacts on the environment and society. Aktia's goal is to increase customers' wealth in financial products under Articles 8 and 9 of the SFDR Regulation. The Aktia Aurinkotuuli III fund supports this sustainability goal.

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

Indicators (target 2025)	**Q1 2023**	**Q1 2022**
The share of Article 8/9 classified assets under management (increase)	96.3%	78.4%*
Aktia's ESG ratings (at least 4 sector average)		
MSCI	A	AA
Sustainalytics	Low risk	Low Risk
ISS	D+	D+
Net impact ratio of Aktia Bank Plc according to the Upright model (positive)	+31%	+45%
Carbon footprint of equity and credit portfolios** (-30% versus 2019)	49.83	41.09*

* The comparison figure is the 2021 year-end figure, because there is no quarterly data
** Equity funds: Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America, Global, Micro Rhein, Rhein Value, Micro Markka and Europa Dividend.
Credit funds: Corporate Bond +, Short-Term Corporate Bond +, European High Yield Bond +, Nordic High Yield and IU Aktia Sustainable Corporate Bond.
Also includes Balanced funds Secura and Solida as well as Aktia Treasury's and Aktia Life Insurance's funds
Baseline figure for 2019: 55,40

Risks

Risks (updated)

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

The inflation in the Euro zone is now on a downward trend but still on high level (8.5% in February). According to the prognoses the decrease would continue in March, which was reflected in the stabilisation in the rise of long-term interest rates. Short-term interest rates fell heavily mid-March when the budding banking crisis as a result of the bank run at a US bank spilled into Europe and quickly lead also to the collapse of a European bank. Later on, both the equity market and interest rate market calmed down, and as a whole Euribor interest rates continued their rise during the first quarter. The ECB raised its key interest rates as expected in March, despite market disturbances, but the market predicted that the top level was already close. Aktia's interest rate risk position at the end of Q1 is very neutral regarding both the risk indicator of economic value (EVE) and the income risk (NII).

Regarding Aktia's acquisition of refinancing the availability of liquidity on the capital markets is important. The incidents in the US and Switzerland, testing the banking sector's credibility, have caused a nervousness on the capital markets, and although the availability of market-based liquidity has remained at least satisfactory, retail deposits will be an excellent form of funding also in the future together with wholesale funding. Aktia has been an active provider of deposit alternatives.

Durin Q4 2022 Aktia adopted new internal risk classification models (IRBA) for retail exposures improving the bank's ability to classify clients on a risk basis. In connection with the development and improvement of models and calculations, the Financial Supervisory Authority has set additional capital requirements for the bank. Implementation of the updated models has no significant impact on the bank's capital adequacy.

The new IRBA models also had an effect on the ECL model for retail exposures as of Q4 2022. In connection with the adoption of the models, the bank calibrated the risk level to a higher level and increased the expected credit losses during Q4 2022. There was no considerable change in the ECL level in Q1 2023. Any future impairment of credits in Aktia's credit portfolio could be due to many factors, of which the most important are the general economic situation, the interest rate level, the level of unemployment and the development of real estate prices.

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

In the first quarter, Aktia's operational risks exceeded the risk appetite, but remained well within the risk tolerance. Aktia has not experienced any cyber attacks during the quarter. Active cooperation to prevent cyber crime has continued together with the authorities and other actors in the industry.

Different kinds of phishing attacks are frequent. Aktia participates in a national digital fraud prevention campaign together with the authorities and other actors and companies in the finance industry. The aim of the campaign is to prevent digital fraud by increasing awareness of the phenomenon in Finland, as well as by advising how to protect yourself against digital fraud. Aktia also actively strives to inform its customers of the threats of digital fraud. During the first quarter digital fraud did not cause Aktia any outstanding claims.

During the first quarter, Aktia has started working on implementing requirements which the new DORA regulation (Digital Operational Resilience Act) will establish as binding as of 17 January 2025.

Tables and notes to the interim report

Key figures

(EUR million)	1-3/2023	1-3/2022	Δ %	2022	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Earnings per share (EPS), EUR	0.25	0.40	-38 %	1.37	0.25	0.07	0.34	0.55	0.40
Total earnings per share, EUR	0.29	0.02	-	0.59	0.29	0.09	0.26	0.23	0.02
Equity per share (NAV), EUR [*1]	8.33	8.01	4 %	8.05	8.33	8.05	7.95	7.70	8.01
Average number of shares (excl. treasury shares), million[2]	72.2	71.9	0 %	72.0	72.2	72.0	72.0	71.9	71.9
Numer of share at the end of the period (excl. treasury shares), million[1]	72.3	72.0	0 %	72.2	72.3	72.2	72.1	72.1	72.0
Return on equity (ROE), % [*3]	12.2	19.9	-38 %	17.0	12.2	3.7	17.6	28.0	19.9
Return on assets (ROA), % [*]	0.59	0.98	-40 %	0.82	0.59	0.18	0.83	1.34	0.98
Cost-to-income ratio[*]	0.67	0.55	22 %	0.56	0.67	0.76	0.56	0.45	0.55
Common Equity Tier 1 capital ratio. CET1 (Bank Group), %[1]	11.1	10.6	4 %	10.8	11.1	10.8	10.6	10.4	10.6
Tier 1 capital ratio (Bank Group), %[1]	13.0	12.6	3 %	12.7	13.0	12.7	12.5	12.3	12.6
Capital adequacy ratio (Bank Group), %[1]	15.2	14.8	2 %	14.9	15.2	14.9	14.7	14.6	14.8
Risk-weighted exposures (Bank Group)[1]	3,132.8	3,072.1	2 %	3,130.6	3,132.8	3,130.6	3,084.0	3,089.5	3,072.1
Capital adequacy ratio (finance and insurance conglomarate), %[1]	141.2	140.3	1 %	141.5	141.2	141.5	141.2	140.8	140.3
Equity ratio, %[*1]	5.4	5.4	-1 %	5.3	5.4	5.3	5.4	5.2	5.4
Group financial assets[*1]	2,580	2,580	0 %	2,936	2,580	2,936	2,475	2,589	2,580
Assets under management[*1]	13,838	14,697	-6 %	13,539	13,838	13,539	13,598	13,919	14,697
Borrowing from the public[1]	4,871	4,699	4 %	5,214	4,871	5,214	4,904	4,890	4,699
Lending to the public[1]	7,805	7,607	3 %	7,792	7,805	7,792	7,739	7,698	7,607
Premiums written before reinsurers' share (Aktia Life Insurance Ltd)[*]	40.6	45.7	-11 %	142.2	40.6	31.7	28.4	36.4	45.7
Expense ratio, % (life insurance company)[*2]	108.1	102.3	6 %	108.0	108.1	108.0	106.8	107.1	102.3
Solvency ratio (life insurance company), %	224.3	221.9	1 %	243.5	224.3	243.5	246.1	245.1	221.9
Eligible capital (life insurance company)[1]	177.9	219.4	-19 %	183.2	177.9	183.2	191.4	205.8	219.4
Investments at fair value (life insurance company)[*1]	1,509	1,604	-6 %	1,474	1,509	1,474	1,453	1,495	1,604
Liabilities from insurance contracts[1]	493	597	-17 %	492	493	492	501	538	597
Liabilities from investment contracts[1]	970	1,000	-3 %	928	970	928	906	930	1,000
Group's personnel (FTEs), average number of employees	870	875	-1 %	911	870	913	947	923	875
Group's personnel (FTEs), at the end of the period[1]	860	895	-4 %	891	860	891	927	965	895
Alternative performance measures excluding items affecting comparability:									
Comparable cost-to-income ratio[*]	0.65	0.55	18 %	0.56	0.65	0.73	0.56	0.45	0.55
Comparable earnings per share (EPS), EUR[*]	0.27	0.40	-33 %	1.38	0.27	0.09	0.34	0.55	0.40
Comparable return on equity (ROE), %[*3]	13.0	19.8	-34 %	17.2	13.0	4.5	17.6	28.0	19.8

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

1) At the end of the period
2) Cumulative from the beginning of the year
3) Return on equity exclude the additional Tier 1 capital loan recognised as equity

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

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

Consolidated income statement

(EUR million)	Note	Jan-Mar 2023	Jan-Mar 2022	Δ %	2022
Net interest income	3	31.8	25.1	27 %	99.2
Dividends		0.0	0.0	26 %	1.4
Commission income		33.3	34.7	-4 %	134.3
Commission expenses		-3.0	-3.4	9 %	-12.3
Net commission income		30.3	31.3	-3 %	122.0
Insurance service result		3.8	3.4	10 %	15.3
Result from investment contracts		2.1	2.2	-6 %	8.7
Net investment result		1.3	15.8	-92 %	55.2
Net income from life insurance	4	7.2	21.4	-67 %	79.2
Net income from financial transactions	5	0.6	0.7	-14 %	0.6
Other operating income		0.4	0.1	395 %	0.5
Total operating income		**70.3**	**78.7**	**-11 %**	**302.9**
Staff costs		-21.0	-20.5	3 %	-80.4
IT expenses		-9.2	-7.5	23 %	-32.7
Depreciation of tangible and intangible assets		-5.9	-5.8	2 %	-23.3
Other operating expenses		-11.0	-9.5	15 %	-33.0
Total operating expenses		**-47.1**	**-43.3**	**9 %**	**-169.4**
Impairment of tangible and intangible assets		-	-	-	0.0
Impairment of credits and other commitments	7	-0.9	0.3	-	-10.2
Share of profit from associated companies		0.1	0.1	-34 %	0.2
Operating profit		**22.2**	**35.8**	**-38 %**	**123.5**
Taxes		-4.1	-7.2	-43 %	-25.2
Profit for the period		**18.1**	**28.6**	**-37 %**	**98.3**
Attributable to:					
Shareholders in Aktia Bank Plc		18.1	28.6	-37 %	98.3
Holders of Additional Tier 1 capital		-	-	-	-
Total		**18.1**	**28.6**	**-37 %**	**98.3**
Earnings per share (EPS), EUR		0.25	0.40	-37 %	1.37
Earnings per share (EPS) after dilution, EUR		0.25	0.40	-37 %	1.37
Operating profit excluding items affecting comparability:					
Operating profit		22.2	35.8	-38 %	123.5
Operating income:					
Additional income from divestment of Visa Europe to Visa Inc		-	-0.2	-	-0.2
Operating expenses:					
Costs for restructuring		1.4	-	-	1.4
Impairment of tangible and intangible assets:					
Costs for restructuring		-	-	-	0.0
Comparable operating profit		**23.6**	**35.6**	**-34 %**	**124.7**

Consolidated statement of comprehensive income

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ%	2022
Profit for the period	18.1	28.6	-37 %	98.3
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets	3.4	-27.1	-	-55.8
Change in valuation of fair value for cash flow hedging	-0.5	0.0	-	-0.3
Transferred to the income statement for financial assets	0.0	-0.4	-	0.1
Comprehensive income from items which can be transferred to the income statement	2.9	-27.5	-	-56.1
Defined benefit plan pensions	-	-	-	0.5
Comprehensive income from items which can not be transferred to the income statement	-	0.0	-	0.5
Total comprehensive income for the period	**21.0**	**1.1**	**-**	**42.7**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank Plc	21.0	1.1	-	42.7
Holders of Additional Tier 1 capital	-	-	-	-
Total	**21.0**	**1.1**	**-**	**42.7**
Total earnings per share, EUR	0.29	0.02	-	0.59
Total earnings per share after dilution, EUR	0.29	0.02	-	0.59
Total comprehensive income excluding items affecting comparability:				
Total comprehensive income	21.0	1.1	-	42.7
Additional income from divestment of Visa Europe to Visa Inc	-	-0.1	-	-0.1
Costs for restructuring	1.1	-	-	0.0
Comparable total comprehensive income	**22.1**	**0.9**	**-**	**42.5**

Items affecting consolidated income statement and comprehensive income

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ%	2022
Net income from financial transactions	-	0,2	-	0,2
Total operating income	**-**	**0,2**	**-**	**0,2**
Staff costs	-1,4	-	-	-0,8
Other operating expenses	0,0	-	-	-0,6
Total operating expenses	**-1,4**	**-**	**-**	**-1,4**
Impairment of tangible and intangible assets	-	-	-	0,0
Operating profit	**-1,4**	**0,2**	**-**	**-1,2**
Taxes	0,3	0,0	-	0,2
Total comprehensive income for the period	**-1,1**	**0,1**	**-**	**-1,0**

Consolidated balance sheet

(EUR million)	Note	31 Mar 2023	31 Dec 2022	Δ%	31 Mar 2022
Interest-bearing securities		70.2	72.9	-4 %	86.8
Shares and participations		159.9	174.9	-9 %	186.0
Investments for unit-linked investments		1,050.1	1,001.6	5 %	1,086.7
Financial assets measured at fair value through income statement	8	1,280.2	1,249.5	2 %	1,359.5
Interest-bearing securities		968.2	997.1	-3 %	1,071.8
Financial assets measured at fair value through other comprehensive income	8	968.2	997.1	-3 %	1,071.8
Interest-bearing securities	7,8	551.0	529.4	4 %	458.4
Lending to Bank of Finland and credit institutions	7,8	956.7	1,193.2	-20 %	93.2
Lending to the public and public sector entities	7,8	7,804.5	7,791.7	0 %	7,607.3
Cash and balances with central banks	8	114.5	165.8	-31 %	781.9
Financial assets measured at amortised cost		9,426.8	9,680.2	-3 %	8,940.8
Derivative instruments	6,8	49.1	54.7	-10 %	26.0
Investments in associated companies and joint ventures		2.8	3.1	-10 %	2.3
Intangible assets and goodwill		166.1	166.3	0 %	170.7
Right-of-use assets		21.1	19.9	6 %	22.6
Investment properties		44.7	44.7	0 %	45.5
Other tangible assets		8.6	9.0	-4 %	8.5
Tangible and intangible assets		240.6	239.9	0 %	247.3
Other assets		115.0	148.3	-22 %	78.9
Income tax receivables		2.3	1.5	54 %	0.6
Deferred tax receivables		37.2	38.2	-2 %	24.7
Tax receivables		39.6	39.7	0 %	25.3
Total assets		**12,122.2**	**12,412.2**	**-2 %**	**11,751.9**
Liabilities to central banks (TLTRO loan)		550.0	800.0	-31 %	800.0
Liabilities to credit institutions		36.1	31.9	13 %	88.8
Liabilities to the public and public sector entities		4,871.2	5,213.8	-7 %	4,698.9
Deposits	8	5,457.3	6,045.7	-10 %	5,587.7
Derivative instruments	6.8	295.9	294.0	1 %	87.5
Debt securities issued		3,233.6	3,051.7	6 %	3,026.8
Subordinated liabilities		119.2	118.5	1 %	134.4
Other liabilities to credit institutions		4.1	5.5	-25 %	12.7
Other liabilities to the public and public sector entities		714.0	686.0	4 %	522.0
Other financial liabilities	8	4,070.9	3,861.8	5 %	3,695.9
Liabilities for insurance contracts		492.7	491.6	0 %	596.6
Liabilities for investment contracts		970.2	928.4	4 %	1,000.4
Liabilities from insurance business	4	1,462.9	1,420.0	3 %	1,597.0
Other liabilities		108.6	83.6	30 %	93.6
Provisions		1.2	1.3	-7 %	1.1
Income tax liabilities		0.5	2.8	-82 %	1.1
Deferred tax liabilities		63.5	62.9	1 %	52.0
Tax liabilities		64.1	65.8	-3 %	53.1
Total liabilities		**11,460.8**	**11,772.1**	**-3 %**	**11,116.0**
Restricted equity		122.7	119.8	2 %	148.4
Unrestricted equity		479.2	460.8	4 %	428.0
Shareholders' share of equity		601.9	580.6	4 %	576.5
Holders of Additional Tier 1 capital		59.5	59.5	0 %	59.5
Total equity		**661.4**	**640.1**	**3 %**	**635.9**
Total liabilities and equity		**12,122.2**	**12,412.2**	**-2 %**	**11,751.9**

Consolidated off-balance-sheet commitments

(EUR million)	31 Mar 2023	31 Dec 2022	Δ%	31 Mar 2022
Guarantees	19.0	19.0	0 %	19.8
Other commitments provided to a third party	3.9	4.3	-8 %	7.3
Commitments provided to a third party on behalf of the customers	**22.9**	**23.2**	**-2 %**	**27.1**
Unused credit arrangements	533.0	604.6	-12 %	696.6
Other commitments provided to a third party	17.3	17.3	0 %	23.9
Irrevocable commitments provided on behalf of customers	**550.3**	**621.9**	**-12 %**	**720.5**
Total	**573.2**	**645.1**	**-11 %**	**747.6**

Consolidated statement of changes in equity

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

Equity as at 1 January 2023	**169.7**	**-49.9**	**5.7**	**141.5**	**313.7**	**580.6**	**59.5**	**640.1**
Share issue				0.9	-	0.9		0.9
Acquisition of treasury shares					-0.9	-0.9		-0.9
Divestment of treasury shares				0.3	1.2	1.5		1.5
Profit for the period					*18.1*	*18.1*		*18.1*
Financial assets		*3.4*				*3.4*		*3.4*
Cash flow hedging		*-0.5*				*-0.5*		*-0.5*
Transferred to the income statement for financial assets		*0.0*				*0.0*		*0.0*
Comprehensive income from items which can be transferred to the income statement		2.9				2.9		2.9
Total comprehensive income for the period		2.9			18.1	21.0		21.0
Change in share-based payments (IFRS 2)			-1.3		0.2	-1.2		-1.2
Equity as at 31 March 2023	**169.7**	**-47.0**	**4.3**	**142.6**	**332.2**	**601.9**	**59.5**	**661.4**

Equity as at 1 January 2022	**169.7**	**6.2**	**3.9**	**138.6**	**256.1**	**574.5**	**59.5**	**634.0**
Share issue				0.9	-	0.9		0.9
Acquisition of treasury shares					-0.9	-0.9		-0.9
Divestment of treasury shares				0.4	1.2	1.6		1.6
Profit for the period					*28.6*	*28.6*		*28.6*
Financial assets		*-27.1*				*-27.1*		*-27.1*
Cash flow hedging		*0.0*				*0.0*		*0.0*
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		-27.5				-27.5		-27.5
Total comprehensive income for the period		-27.5			28.6	1.1		1.1
Change in share-based payments (IFRS 2)			-0.9		0.2	-0.7		-0.7
Equity as at 31 March 2022	**169.7**	**-21.3**	**3.0**	**139.9**	**285.1**	**576.5**	**59.5**	**635.9**

Consolidated cash flow statement

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ %	2022
Cash flow from operating activities				
Operating profit	22.2	35.8	-38 %	123.5
Adjustment items not included in cash flow	30.2	-17.4	-	3.0
Paid income taxes	-6.4	-9.0	28 %	-21.1
Cash flow from operating activities before change in receivables and liabilities	**45.9**	**9.4**	**389 %**	**105.4**
Increase (-) or decrease (+) in receivables from operating activities	263.5	-74.7	-	-1,440.2
Increase (+) or decrease (-) in liabilities from operating activities	-341.1	139.5	-	825.0
Total cash flow from operating activities	**-31.7**	**74.2**	**-**	**-509.7**
Cash flow from investing activities				
Investment in tangible and intangible assets	-4.2	-2.0	-114 %	-12.2
Proceeds from sale of tangible and intangible assets	-	0.1	-	0.1
Acquisition of and capital loan to associated companies	-	-2.0	-	-2.7
Dividend from associated companies	0.4	-	-	-
Total cash flow from investing activities	**-3.8**	**-3.9**	**2 %**	**-14.8**
Cash flow from financing activities				
Subordinated liabilities	-	-13.3	-	-25.0
Additional Tier 1 (AT1) capital issue	-	-	-	-2.3
Divestment of treasury shares	1.5	1.6	-6 %	1.7
Paid dividends	-	-	-	-40.3
Total cash flow from financing activities	**1.5**	**-11.7**	**-**	**-65.9**
Change in cash and cash equivalents	**-34.0**	**58.6**	**-**	**-590.5**
Cash and cash equivalents at the beginning of the year	144.4	734.9	-80 %	734.9
Cash and cash equivalents at the end of the period	110.4	793.5	-86 %	144.4
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	0.7	0.9	-20 %	0.9
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	55.1	730.8	-92 %	111.1
Repayable on demand claims on credit insitutions	54.6	61.8	-12 %	32.5
Total	**110.4**	**793.5**	**-86 %**	**144.4**
Adjustment items not included in cash flow consist of:				
Impairment of interest-bearing securities	-0.5	0.1	-	1.1
Unrealised change in value for financial assets measured at fair value through income statement	-2.7	6.2	-	9.8
Impairment of credits and other commitments	0.9	-0.3	-	10.2
Change in fair values	29.5	-26.9	-	-37.9
Depreciation and impairment of tangible and intangible assets	4.8	4.7	1 %	18.9
Unwound fair value hedging	-0.3	-0.5	37 %	-2.0
Change in fair values of investment properties	-0.1	-0.1	-12 %	0.8
Change in share-based payments	-1.3	-0.9	-53 %	1.6
Other adjustments	-0.1	0.2	-	0.6
Total	**30.2**	**-17.4**	**-**	**3.0**

Quarterly trends in the Group

(EUR million) Income statement	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Net interest income	31.8	24.2	24.0	25.8	25.1	99.2
Dividends	0.0	0.0	1.0	0.4	0.0	1.4
Net commission income	30.3	29.1	29.9	31.6	31.3	122.0
Net income from life insurance	7.2	3.3	19.6	34.9	21.4	79.2
Net income from financial transactions	0.6	1.3	-2.2	0.9	0.7	0.6
Other operating income	0.4	0.2	0.1	0.1	0.1	0.5
Total operating income	**70.3**	**58.2**	**72.4**	**93.7**	**78.7**	**302.9**
Staff costs	-21.0	-19.9	-20.1	-19.9	-20.5	-80.4
IT expenses	-9.2	-9.9	-7.3	-8.1	-7.5	-32.7
Depreciation of tangible and intangible assets	-5.9	-5.9	-5.8	-5.8	-5.8	-23.3
Other operating expenses	-11.0	-8.5	-7.1	-7.9	-9.5	-33.0
Total operating expenses	**-47.1**	**-44.1**	**-40.3**	**-41.8**	**-43.3**	**-169.4**
Impairment of tangible and intangible assets	-	0.0	-	-	-	0.0
Impairment of credits and other commitments	-0.9	-7.1	-1.0	-2.4	0.3	-10.2
Impairment of other receivables	-0.1	-	-	-	-	-
Share of profit from associated companies	0.1	0.0	0.0	0.2	0.1	0.2
Operating profit	**22.2**	**6.9**	**31.1**	**49.7**	**35.8**	**123.5**
Taxes	-4.1	-1.5	-6.3	-10.1	-7.2	-25.2
Profit for the period	**18.1**	**5.4**	**24.8**	**39.6**	**28.6**	**98.3**
Attributable to:						
Shareholders in Aktia Bank Plc	18.1	5.4	24.8	39.6	28.6	98.3
Total	**18.1**	**5.4**	**24.8**	**39.6**	**28.6**	**98.3**
Earnings per share (EPS), EUR	0.25	0.07	0.34	0.55	0.40	1.37
Earnings per share (EPS) after dilution, EUR	0.25	0.07	0.34	0.55	0.40	1.37

Operating profit excluding items affecting comparability:	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Operating profit	22.2	6.9	31.1	49.7	35.8	123.5
Operating income:						
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-0.2	-0.2
Operating expenses:						
Costs for restructuring	1.4	1.4	-	-	-	1.4
Impairment of tangible and intangible assets:						
Costs for restructuring	-	0.0	-	-	-	0.0
Comparable operating profit	**23.6**	**8.3**	**31.1**	**49.7**	**35.6**	**124.7**

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

(EUR million) Comprehensive income	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Profit for the period	**18.1**	**5.4**	**24.8**	**39.6**	**28.6**	**98.3**
Other comprehensive income after taxes:						
Change in fair value for financial assets	3.4	1.0	-7.0	-22.7	-27.1	-55.8
Change in fair value for cash flow hedging	-0.5	0.4	0.1	-0.8	0.0	-0.3
Transferred to the income statement for financial assets	0.0	-0.7	0.7	0.5	-0.4	0.1
Comprehensive income from items which can be transferred to the income statement	2.9	0.7	-6.2	-23.1	-27.5	-56.1
Defined benefit plan pensions	-	0.5	-	-	-	0.5
Comprehensive income from items which can not be transferred to the income statement	-	0.5	-	-	-	0.5
Total comprehensive income for the period	**21.0**	**6.5**	**18.5**	**16.5**	**1.1**	**42.7**
Total comprehensive income attributable to:						
Shareholders in Aktia Bank Plc	21.0	6.5	18.5	16.5	1.1	42.7
Total	**21.0**	**6.5**	**18.5**	**16.5**	**1.1**	**42.7**
Total earnings per share, EUR	0.29	0.09	0.26	0.23	0.02	0.59
Total earnings per share after dilution, EUR	0.29	0.09	0.26	0.23	0.02	0.59

Total comprehensive income excluding items affecting comparability:	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Total comprehensive income	**21.0**	**6.5**	**18.5**	**16.5**	**1.1**	**42.7**
Operating income:						
Additional income from divestment of Visa Europe to Visa Inc	-	-	-	-	-0.1	-0.1
Operating expenses:						
Costs for restructuring	1.1	1.1	-	-	-	1.1
Comparable total comprehensive income	**22.1**	**7.7**	**18.5**	**16.5**	**0.9**	**43.7**

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

Quarterly trends in the segments

Banking Business	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Net interest income	28.8	22.8	23.0	21.0	19.5	86.3
Net commission income	14.9	14.4	14.0	14.8	15.1	58.3
Other operating income	0.3	0.1	0.0	0.0	0.0	0.2
Total operating income	**44.0**	**37.3**	**37.1**	**35.8**	**34.6**	**144.8**
Staff costs	-4.1	-4.5	-4.4	-4.3	-3.9	-17.1
Other operating expenses[1]	-24.3	-22.4	-19.0	-20.2	-22.6	-84.2
Total operating expenses	**-28.5**	**-26.9**	**-23.4**	**-24.5**	**-26.5**	**-101.2**
Impairment of tangible and intangible assets	-	0.0	-	-	-	0.0
Impairment of credits and other commitments	-0.9	-7.1	-1.0	-2.4	0.3	-10.2
Operating profit	**14.6**	**3.3**	**12.7**	**8.9**	**8.4**	**33.3**
Comparable operating profit	**15.1**	**4.1**	**12.7**	**8.9**	**8.4**	**34.1**

Asset Management	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Net interest income	3.7	1.7	0.7	0.5	0.5	3.4
Net commission income	16.0	15.1	16.3	17.5	16.7	65.5
Other operating income	0.0	0.0	0.1	0.1	0.1	0.4
Total operating income	**19.7**	**16.8**	**17.0**	**18.1**	**17.3**	**69.3**
Staff costs	-5.5	-4.2	-4.9	-4.3	-5.7	-19.2
Other operating expenses[1]	-8.9	-8.4	-7.0	-8.0	-7.5	-30.8
Total operating expenses	**-14.4**	**-12.6**	**-11.9**	**-12.4**	**-13.2**	**-50.0**
Impairment of other receivables	-0.1	-	-	-	-	-
Operating profit	**5.2**	**4.2**	**5.2**	**5.8**	**4.1**	**19.2**
Comparable operating profit	**5.9**	**4.7**	**5.2**	**5.8**	**4.1**	**19.7**

Life Insurance	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Net income from life insurance	7.9	4.1	20.3	35.6	22.2	82.1
Total operating income	**7.9**	**4.1**	**20.3**	**35.6**	**22.2**	**82.1**
Staff costs	-0.5	-0.6	-0.5	-0.6	-0.5	-2.2
Other operating expenses[1]	-2.0	-1.9	-1.9	-2.0	-1.8	-7.6
Total operating expenses	**-2.5**	**-2.5**	**-2.4**	**-2.5**	**-2.3**	**-9.7**
Operating profit	**5.4**	**1.6**	**17.8**	**33.0**	**19.9**	**72.3**
Comparable operating profit	**5.4**	**1.7**	**17.8**	**33.0**	**19.9**	**72.4**

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

Group Functions	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022	2022
Net interest income	-0.8	-0.3	0.3	4.3	5.1	9.5
Net commission income	1.5	1.6	1.5	1.4	1.5	5.9
Other operating income	1.1	1.4	-1.2	1.3	0.7	2.2
Total operating income	**1.8**	**2.6**	**0.7**	**7.0**	**7.3**	**17.6**
Staff costs	-10.8	-10.6	-10.3	-10.7	-10.4	-42.0
Other operating expenses[1]	6.3	5.8	5.0	5.6	6.3	22.7
Total operating expenses	**-4.5**	**-4.8**	**-5.3**	**-5.2**	**-4.1**	**-19.3**
Operating profit	**-2,7**	**-2,1**	**-4,6**	**1,9**	**3,2**	**-1,6**
Comparable operating profit	**-2.5**	**-2.1**	**-4.6**	**1.9**	**3.1**	**-1.7**

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

Note 1. Basis for preparing the interim report and generally accepted accounting principles

Basis for preparing the interim report

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

The interim report for the period 1.1–31.3.2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim report does not contain all the information required for financial statements and should therefore be read together with Aktia Group's Financial Statement 2022 and other supplementary reports (in particular Financial Statement 2022 and Pillar III Report). 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 interim report for the period 1.1–31.3.2023 was approved by the Board of Directors on 11.5.2023.

Generally accepted accounting principles

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

To further increase the transparency of reporting, Aktia Group's reported segments have been changed as of 1.1.2023. The change means that life insurance business has been separated from what was formerly the Asset Management segment. As of 1.1.2023, the reported segments are Banking, Asset Management, Life Insurance and Group Functions. In addition, the content of the Banking segment has been changed so that certain group functions, whose net costs are fully allocated to the segment, are included under the Banking segment directly (previously included under the Group Functions segment). While the change does not affect the operating profit of the Banking or Group Functions segments, it does result in changes to staff costs and other operating expenses in these segments. The reference period has been recalculated to reflect the above changes.

The IFRS 17 standard has been applied as of 1.1.2023:

The new IFRS 17 standard for insurance contracts became mandatory within the EU from 1.1.2023, 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 1.1.2022, 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 1.1.2022 resulted in a decrease in equity (net after tax) of EUR 104 million, mainly due to low interest rates and the discounting effects of insurance contract liabilities. Rising interest rates led to an increase in equity during 2022. To reduce earnings volatility, Aktia has gradually expanded its interest rate hedging programme until the end of 2022. The implementation of IFRS 17 signifies that net income from sold insurance contracts are reported for the duration of the contract, which means that the Group according to the new standard expects a higher result from the insurance business in future periods compared to the previous standard. The reduction in equity due to the transition to IFRS 17 on 1.1.2022 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 31.12.2022. 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 1.1.2022 and to EUR 58 million as of 31.12.2022.

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

The transitional effects of adopting IFRS 17 as of 1.1.2022 can be found in note 11.

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

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

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

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

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

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

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

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

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

Other insurance policies are classified as investment contracts.

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

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

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

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

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

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

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

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

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

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

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

Note 2. Group's risk exposure

The Bank Group's capital adequacy

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

(EUR million)	31 March 2023		31 December 2022		31 March 2022	
Calculation of the Bank Group's capital base	**Group**	**Bank Group**	**Group**	**Bank Group**	**Group**	**Bank Group**
Total assets	**12,122.2**	**10,594.5**	**12,393.3**	**10,918.8**	**11,730.5**	**10,155.2**
of which intangible assets	166.1	164.3	166.3	164.6	170.7	169.5
Total liabilities	**11,460.0**	**9,940.3**	**11,695.5**	**10,286.6**	**11,007.8**	**9,511.1**
of which subordinated liabilities	119.2	69.6	118.5	69.5	134.4	81.2
Share capital	169.7	169.7	169.7	169.7	169.7	169.7
Fund at fair value	-47.0	-34.4	-49.9	-35.9	-21.3	-17.9
Restricted equity	122.7	135.3	119.8	133.8	148.4	151.8
Unrestricted equity reserve and other funds	147.0	146.9	147.1	147.0	142.9	142.9
Retained earnings	315.0	292.4	319.7	215.7	361.0	256.9
Profit for the period	18.1	20.1	51.6	76.2	11.0	33.0
Unrestricted equity	480.1	459.4	518.5	439.0	514.8	432.8
Shareholders' share of equity	602.8	594.7	638.3	572.8	663.3	584.6
Holders of other Tier 1 capital	59.5	59.5	59.5	59.5	59.5	59.5
Equity	**662.3**	**654.2**	**697.8**	**632.3**	**722.7**	**644.1**
Total liabilities and equity	**12,122.2**	**10,594.5**	**12,393.3**	**10,918.8**	**11,730.5**	**10,155.2**
Off-balance sheet commitments	**573.2**	**555.9**	**645.1**	**627.8**	**747.6**	**723.7**

	31 March 2023	31 December 2022	31 March 2022
The Bank Group's equity	**654.2**	**632.3**	**644.1**
Provision for dividends to shareholders	-14.5	-31.0	-8.8
Profit for the period, for which no application was filed with the Financial Supervisory Authority	-	-	-
Intangible assets	-154.5	-153.4	-158.8
Debentures	69.6	69.5	69.7
Additional expected losses according to IRB	-24.4	-26.7	-24.1
Deduction for significant holdings in financial sector entities	-12.2	-13.0	-14.1
Other incl. unpaid dividend	-41.8	-11.3	-51.9
Total capital base (CET1 + AT1 + T2)	**476.3**	**466.5**	**456.0**

1) Based on the CRR regulation

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

(EUR million) The Bank Group's capital adequacy	31 Mar 2023	31 Dec 2022	30 Sept 2022	30 June 2022	31 Mar 2022
Common Equity Tier 1 Capital before regulatory adjustments	537.3	532.1	522.2	520.6	523.4
Common Equity Tier 1 Capital regulatory adjustments	-190.1	-192.8	-195.3	-199.8	-197.1
Total Common Equity Tier 1 Capital (CET1)	**347.3**	**339.2**	**326.9**	**320.8**	**326.3**
Additional Tier 1 capital before regulatory adjustments	59.4	57.7	58.3	60.0	60.0
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**59.4**	**57.7**	**58.3**	**60.0**	**60.0**
Total Tier 1 capital (T1 = CET1 + AT1)	**406.7**	**396.9**	**385.1**	**380.8**	**386.3**
Tier 2 capital before regulatory adjustments	69.6	69.5	69.5	69.5	69.7
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**69.6**	**69.5**	**69.5**	**69.5**	**69.7**
Total own funds (TC = T1 + T2)	**476.3**	**466.5**	**454.7**	**450.3**	**456.0**
Risk weighted exposures	**3,132.8**	**3,130.6**	**3,084.0**	**3,089.5**	**3,071.7**
of which credit risk, the standardised model	661.1	633.7	680.1	625.4	661.8
of which credit risk, the IRB model	2,040.4	2,065.6	1,983.0	2,043.2	1,989.1
of which 15% risk-weight floor for residential mortgages	-	-	-	-	-
of which market risk	-	-	-	-	-
of which operational risk	431.4	431.4	420.9	420.9	420.9
Own funds requirement (8%)	**250.6**	**250.5**	**246.7**	**247.2**	**245.7**
Own funds buffer	225.7	216.0	208.0	203.2	210.2
CET1 Capital ratio	11.1 %	10.8 %	10.6 %	10.4 %	10.6 %
T1 Capital ratio	13.0 %	12.7 %	12.5 %	12.3 %	12.6 %
Total capital ratio	15.2 %	14.9 %	14.7 %	14.6 %	14.8 %
Own funds floor (CRR article 500)					
Own funds	476.3	466.5	454.7	450.3	456.0
Own funds floor1	247.1	246.0	245.5	244.3	239.8
Own funds buffer	229.2	220.5	209.2	206.0	216.2

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

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

Bank Group's risk-weighted amount for operational risks

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

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

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

(EUR million) The Bank Group's total risk exposures	Contractual exposure	Exposure at default	31 March 2023 Risk weight, %	Risk-weighted amount	Capital requirement 8%
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,076.0	973.0	60 %	588.4	47.1
Corporates - Other	893.9	826.0	70 %	580.7	46.5
Retail - Secured by immovable property non-SME	4,776.3	4,765.0	14 %	676.8	54.1
Retail - Secured by immovable property SME	104.0	103.5	13 %	13.6	1.1
Retail - Other non-SME	243.7	228.2	25 %	56.6	4.5
Retail - Other SME	16.4	14.5	59 %	8.6	0.7
Risk-weight floor for residential mortgages, 15%	-	-	-	-	-
Equity exposures	42.3	42.3	273 %	115.6	9.2
Total exposures, IRB approach	**7,152.4**	**6,952.5**	**29 %**	**2,040.4**	**163.2**
Credit risk, standardised approach					
States and central banks	1,099.6	1,151.3	0 %	-	-
Regional goverments and local authorities	115.9	114.5	0 %	-	-
Multilateral development banks	-	54.6	0 %	-	-
International organisations	24.9	24.9	0 %	-	-
Credit institutions	348.5	345.3	21 %	72.9	5.8
Corporates	96.0	47.7	69 %	33.1	2.7
Retail exposures	397.8	180.7	68 %	122.7	9.8
Secured by immovable property	809.3	794.5	31 %	242.4	19.4
Past due items	5.7	3.7	107 %	4.0	0.3
Covered Bonds	849.0	849.0	10 %	87.8	7.0
Other items	118.1	118.1	71 %	83.5	6.7
Total exposures, standardised approach	**3,865.0**	**3,684.4**	**18 %**	**646.5**	**51.7**
Total risk exposures	**11,017.4**	**10,636.9**	**25 %**	**2,686.9**	**215.0**

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

The finance and insurance conglomerates capital adequacy

(EUR million)	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 June 2022	31 Mar 2022
Summary					
The Group's equity	662.3	640.1	632.0	614.2	635.9
Sector-specific assets	125.6	125.5	125.5	125.5	125.7
Intangible assets and other reduction items	-168.8	-151.3	-148.5	-122.9	-129.2
Conglomerate´s total capital base	**619.0**	**614.3**	**609.1**	**616.8**	**632.4**
Capital requirement for banking business	359.2	359.0	353.5	354.2	352.0
Capital requirement for insurance business	79.3	75.2	77.8	83.9	98.9
Minimum amount for capital base	**438.6**	**434.3**	**431.3**	**438.2**	**450.8**
Conglomerate´s capital adequacy	**180.5**	**180.1**	**177.8**	**178.6**	**181.5**
Capital adequacy ratio, %	141.2 %	141.5 %	141.2 %	140.8 %	140.3 %

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-Mar 2023	Jan-Mar 2022	Δ %	2022
Borrowing	-30.2	2.8	-	-12.6
Lending	54.7	20.6	166 %	108.8
Liquidity portfolio	3.3	1.0	226 %	2.6
TLTRO loan	-1.8	2.0	-	1.3
Other	5.8	-1.3	-	-0.9
Total	**31.8**	**25.1**	**27 %**	**99.2**

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

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

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ %	2022
Insurance service result	3.8	3.4	10 %	15.3
Result from investment contracts	2.1	2.2	-6 %	8.7
Actuarially calculated result	5.9	5.7	4 %	24.0
Net income from investments	4.8	-13.5	-	-30.0
of which change in ECL impairment	*0.1*	*-0.1*	-	*-0.4*
of which unrealised value changes for shares and participations	*2.4*	*-16.9*	-	*-45.6*
of which unrealised value changes for investment properties	*0.1*	*0.1*	*6 %*	*-0.8*
Insurance finance result	-3.6	29.2	-	85.2
Net investment result	1.3	15.8	-92 %	55.2
Net income from life insurance	**7.2**	**21.4**	**-67 %**	**79.2**

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

(EUR million)	31 March 2023	31 December 2022	Δ %	31 March 2022
Present value of future cash flows (PVCF)	399.9	401.7	0 %	457.6
Contractual service margin (CSM)	60.7	58.2	4 %	83.9
Risk adjustment (RA)	32.1	31.7	1 %	55.1
Liabilities for insurance contracts	492.7	491.6	0 %	596.6
Liabilities for investment contracts	970.2	928.4	4 %	1,000.4
Liabilities from insurance business	**1,462.9**	**1,420.0**	**3 %**	**1,597.0**

Note 5. Net income from financial transactions

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Δ %	2022
Net income from financial assets measured at fair value through income statement	0.0	0.0	-	0.0
Net income from securities and currency operations	0.3	0.3	14 %	0.7
of which unrealised value changes in shares and participations	*0.3*	-	-	*0.1*
Net income from financial assets measured at fair value through other comprehensive income	0.4	0.5	-25 %	0.0
of which change in ECL impairment	*0.4*	*-0.1*	-	*-0.5*
Net income from interest-bearing securities measured at amortised cost	0.1	0.0	-	-0.2
of which change in ECL impairment	*0.1*	*0.0*	-	*-0.2*
Net income from hedge accounting	-0.1	-0.1	-139 %	0.1
Total	**0.6**	**0.7**	**-14 %**	**0.6**

Note 6. Derivative instruments

Hedging derivative instruments (EUR million)	31 March 2023 Total nominal amount	Assets, fair value	Hedging derivative instruments (EUR million)
Fair value hedging			
Interest rate-related	5,673.6	48.9	264.8
Total	**5,673.6**	**48.9**	**264.8**
Cash Flow hedging			
Interest rate-related	436.3	0.0	31.0
Total	**436.3**	**-**	**31.0**
Derivative instruments valued through the income statement			
Interest rate-related[1]	10.0	0.1	0.1
Currency-related	3.8	0.0	0.0
Total	**13.8**	**0.1**	**0.1**
Total derivative instruments			
Interest rate-related	6,119.9	49.1	295.9
Currency-related	3.8	0.0	0.0
Total	**6,123.7**	**49.1**	**295.9**
Of which cleared interest rate swaps	1,253.3	1.7	3.0

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

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

Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 31 March 2023				
Interest-bearing securities	1,577.0	12.5	-	1,589.4
Lending	7,421.9	269.5	113.2	7,804.5
Off-balance sheet commitments	568.9	2.1	2.2	573.2
Total	**9,567.7**	**284.0**	**115.4**	**9,967.2**
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	-0.1	0.9	-	0.8
Transferred from stage 1 to stage 3	-0.1	-	0.2	0.2
Transferred from stage 2 to stage 1	0.1	-0.9	-	-0.9
Transferred from stage 2 to stage 3	-	-0.3	0.7	0.4
Transferred from stage 3 to stage 1	0.1	-	-0.6	-0.5
Transferred from stage 3 to stage 2	-	0.1	-0.5	-0.5
Increases due to origination and acquisition	0.2	0.0	0.3	0.4
Decrease due to recognition	-0.1	-0.1	-0.4	-0.5
Decrease in allowance account due to write-offs	0.0	0.0	-0.9	-0.9
Other changes	0.4	-0.3	1.5	1.6
Impairment of credits and the other commitments 31 March 2023	**5.5**	**5.6**	**27.8**	**38.9**
of which provisions	*1.0*	*0.0*	*0.2*	*1.2*

Impairment of interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2023	0.9	0.6	0.0	1.5
Transferred from stage 1 to stage 2	0.0	-0.3	-	-0.2
Decrease due to recognition	0.0	0.0		0.0
Decrease in allowance account due to write-offs	0.0	0.0		0.0
Other changes	-0.3	0.0	0.0	-0.2
Impairment of interest-bearing securities 31 March 2023	**0.7**	**0.3**	**0.0**	**1.0**

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

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	31 March 2023		31 December 2022	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through income statement	1,280.2	1,280.2	1,249.5	1,251.9
Financial assets measured at fair value through other comprehensive income	968.2	968.2	997.1	997.1
Interest-bearing securities measured at amortised cost	551.0	520.1	529.4	493.6
Loans and other receivables	8,761.2	8,694.9	8,984.9	8,796.2
Cash and balances with central banks	114.5	114.5	165.8	165.8
Derivative instruments	49.1	49.1	54.7	54.7
Total	**11,724.2**	**11,627.0**	**11,981.4**	**11,759.3**
Financial liabilities				
Deposits	5,457.3	5,477.7	6,045.7	6,062.2
Derivative instruments	295.9	295.9	294.0	294.0
Debt securities issued	3,233.6	3,258.2	3,051.7	3,070.2
Subordinated liabilities	119.2	112.4	118.5	113.4
Other liabilities to credit institutions	4.1	4.1	5.5	5.5
Other liabilities to the public and public sector entities	714.0	713.2	686.0	684.8
Liabilities for right-of-use assets	23.3	23.3	22.3	22.3
Total	**9,847.4**	**9,884.7**	**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 March 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	1,050.1	-	-	1,050.1	1,001.6	-	-	1,001.6
Interest-bearing securities	15.2	54.9	0.1	70.2	18.5	56.7	0.1	75.3
Shares and participations	108.9	-	51.0	159.9	122.6	-	52.4	174.9
Total	**1,174.2**	**54.9**	**51.1**	**1,280.2**	**1,142.7**	**56.7**	**52.4**	**1,251.9**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	864.4	61.7	42.2	968.2	886.8	68.2	42.0	997.1
Shares and participations	-	-	-	-	-	-	-	0.0
Total	**864.4**	**61.7**	**42.2**	**968.2**	**886.8**	**68.2**	**42.0**	**997.1**
Derivative instruments, net	0.0	-246.8	-	-246.8	0.0	-239.3	-	-239.3
Total	**0.0**	**-246.8**	**-**	**-246.8**	**0.0**	**-239.3**	**-**	**-239.3**
Total	**2,038.5**	**-130.2**	**93.3**	**2,001.5**	**2,029.5**	**-114.4**	**94.5**	**2,009.6**

Transfers between level 1 and level 2

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

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

Changes within level 3

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

Reconciliation of changes for financial instruments belonging to level 3	**Financial assets measured at fair value through income statement**			**Financial assets measured at fair value through other comprehensive income**			**Total**		
(EUR million)	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**	**Interest-bearing securities**	**Shares and partici-pations**	**Total**
Carrying amount 1 January 2023	0.1	52.4	52.4	42.0	-	42.0	42.1	52.4	94.5
New purchases	-	0.2	0.2	-	-	-	-	0.2	0.2
Sales	-	-0.7	-0.7	-	-	-	-	-0.7	-0.7
Matured during the year	-	-	-	-	-	-	0.0	0.0	-
Realised value change in the income statement	-	-	-	-	-	-	-	0.0	-
Unrealised value change in the income statement	-	-0.8	-0.8	-	-	-	-	-0.8	-0.8
Value change recognised in total comprehensive income	-	-	-	0.1	-	0.1	0.1	-	0.1
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-	-	-	-	-	-
Carrying amount 31 March 2023	**0.1**	**51.0**	**51.1**	**42.2**	**-**	**42.2**	**42.2**	**51.0**	**93.3**

Set off of financial assets and liabilities

(EUR million) Assets	31 March 2023 Derivatives	31 March 2023 Reverse repurchase agreements	31 December 2022 Derivatives	31 December 2022 Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	49.1	-	54.7	-
Carrying amount in the balance sheet	**49.1**	**-**	**54.7**	**-**
Amount not set off but included in general agreements on set off or similar	46.9	-	53.1	-
Collateral assets	1.8	-	1.3	-
Amount not set off in the balance sheet	**48.7**	**-**	**54.4**	**-**
Net amount	**0.4**	**-**	**0.3**	**-**

Liabilities	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	295.9	-	294.0	-
Carrying amount in the balance sheet	**295.9**	**-**	**294.0**	**-**
Amount not set off but included in general agreements on set off or similar	46.9	-	53.1	-
Collateral liabilities	149.1	-	127.6	-
Amount not set off in the balance sheet	**196.1**	**-**	**180.7**	**-**
Net amount	**99.8**	**-**	**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 March 2023	31 December 2022	31 March 2022
Deposits from the public and public sector entities	4,871.2	5,213.8	4,698.9
Short-term liabilities, unsecured debts[1]			
Banks	34.3	30.6	76.7
Certificates of deposits issued and money market deposits	787.9	791.1	712.5
Total	**822.2**	**821.8**	**789.2**
Short-term liabilities, secured debts (collateralised)[1]			
Banks - received cash in accordance with collateral agreements	1.8	1.3	12.1
Repurchase agreements - banks	0.0	0.0	0.0
Total	**1.8**	**1.3**	**12.1**
Total short-term liabilities	**824.0**	**823.0**	**801.3**
Long-term liabilities, unsecured debts[2]			
Issued senior preferred debts	1,724.5	1,521.8	1,384.7
Issued senior non-preferred debts	65.8	71.3	-
Other credit institutions	4.1	5.5	9.7
Subordinated debts	69.6	69.5	81.2
AT1 loan (Additional Tier 1 capital)[3]	60.0	60.0	60.0
Total	**1,924.0**	**1,728.2**	**1,535.5**
Long-term liabilities, secured debts (collateralised)[2]			
Central bank and other credit institutions	550.0	800.0	803.0
Issued Covered Bonds	1,369.4	1,353.5	1,451.7
Total	**1,919.4**	**2,153.5**	**2,254.7**
Total long-term liabilities	**3,843.4**	**3,881.7**	**3,790.2**
Interest-bearing liabilities in the banking business	**9,538.6**	**9,918.5**	**9,290.4**
Technical provisions in the life insurance business	1,462.9	1,351.4	1,488.8
Subordinated debts in the life insurance business	49.6	49.0	53.2
Total other non interest-bearing liabilities	468.8	436.6	235.4
Total liabilities	**11,520.0**	**11,755.5**	**11,067.8**

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

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	31 March 2023	31 December 2022	31 March 2022
Collateral for own liabilities			
Securities	327.2	246.7	426.2
Outstanding loans constituting security for Covered Bonds	2,459.1	2,519.1	2,740.2
Total	**2,786.4**	**2,765.8**	**3,166.5**
Other collateral assets			
Pledged securities[1]	1.3	1.3	1.3
Cash included in pledging agreements and repurchase agreements	149.1	127.6	38.6
Total	**150.5**	**128.9**	**40.0**
Total collateral assets	**2,936.8**	**2,894.7**	**3,206.4**
Collaterals above refers to the following liabilities			
Liabilities to credit institutions[2]	550.0	800.0	803.0
Issued Covered Bonds[3]	1,369.4	1,353.5	1,451.7
Derivatives	149.1	127.6	38.6
Total	**2,068.6**	**2,281.0**	**2,293.3**

1) Refers to securities pledged for the intra day limit. As at 31 March 2023, a surplus of pledged securities amounted to EUR 14.5 (25.4) million.
2) Refers to liabilities to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
3) Own repurchases deducted.

Collateral liabilities (EUR million)	31 March 2023	31 December 2022	31 March 2022
Cash included in pledging agreements[1]	1.8	1.3	12.1
Total	**1.8**	**1.3**	**12.1**

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

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

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

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

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

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

Helsinki 11 May 2023

Aktia Bank Plc
The Board of Directors

Report on review of the interim report of Aktia Bank plc as of and for the three months period ending March 31, 2023

To the Board of Directors of Aktia Bank plc

Introduction

We have reviewed the balance sheet as of March 31, 2023 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of
Aktia Bank plc Group for the three-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

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

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

Conclusion

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

Helsinki 11 May 2023

KPMG OY AB
Marcus Tötterman
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Webcast from the results event

A live webcast from the results event will take place on 11 May 2023 at 10.30 a.m. interim CEO Juha Hammarén and CFO Outi Henriksson will present the results. The event is held in English and can be seen live at **https://aktia.videosync.fi/2023-q1-results**. A recording of the webcast will be available at **www.aktia.com** after the event.

Financial calendar

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