

Q2



Half-year report January–June 2022

Aktia

Business in good shape despite the market decline

The quarter in short

- The interest income from lending increased strongly with the support of the corporate customer business, and the average margin for the entire loan book improved. The net interest income continued to develop well; the decrease from last year is explained by the accumulated interest on central bank financing (TLTRO III) which was booked during the reference period.
- The asset management's net subscriptions for the quarter were positive, the assets under management decreased by 5 % to EUR 13.9 (14.7 31.3.2022) billion during the quarter as a result of the increased interest rates and stock market decline.
- The sale of Aktia's international fund products expands to eight new markets through a new distribution contract.
- Increased interest rates weighed down the life insurance business's investment portfolio. The capital gains of a

real estate investment increased the net income from life insurance by EUR 11.0 million.

- Expenses were on the same level as last year.
- Credit loss provisions are still at a moderate level.

Outlook 2022 (updated 15 July 2022)

Aktia's comparable operating profit in 2022 is expected to be approximately at the same level as in 2021. The key uncertainties related to the realisation of the outlook include the development of the interest rate and equity markets as well as the general economic situation (read more on page 21).

Previous outlook for 2022: Aktia's comparable operating profit in 2022 is expected to be somewhat higher than in 2021 provided that the market development is favourable and the circumstances in society remain stable.

In 2021, Aktia's comparable operating profit was EUR 87.4 million.

(EUR million)	2Q/2022	2Q/2021	Δ %	1-6/2022	1-6/2021	Δ %	1Q2022	Δ %	2021
Net interest income	25.8	27.7	-7 %	50.9	49.0	4 %	25.1	3 %	96.2
Net commission income	31.6	31.7	0 %	63.0	56.8	11 %	31.3	1 %	124.0
Net income from life insurance	12.7	10.5	21 %	14.5	20.4	-29 %	1.8	604 %	37.7
Total operating income	71.6	73.3	-2 %	130.6	131.2	0 %	59.0	21 %	263.8
Operating expenses	-44.7	-48.8	-9 %	-90.6	-87.6	3 %	-45.9	-3 %	-174.4
Impairment of credits and other commitments	-2.4	-1.4	69 %	-2.1	-3.6	-43 %	0.3	-	-4.5
Operating profit	24.7	23.0	7 %	38.2	39.9	-4 %	13.5	83 %	84.6
Comparable operating income ¹	71.6	73.3	-2 %	130.4	131.2	-1 %	58.8	22 %	263.2
Comparable operating expenses ¹	-44.7	-45.9	-3 %	-90.6	-84.6	7 %	-45.9	3 %	-171.1
Comparable operating profit¹	24.7	26.0	-5 %	38.0	42.9	-11 %	13.3	85 %	87.4
Cost-to-income ratio	0.62	0.67	-7 %	0.69	0.67	4 %	0.78	-20 %	0.66
Comparable cost-to-income ratio ¹	0.62	0.63	-1 %	0.69	0.64	8 %	0.78	-20 %	0.65
Earnings per share (EPS), EUR	0.28	0.24	13 %	0.43	0.45	-4 %	0.15	80 %	0.95
Comparable earnings per share (EPS), EUR ¹	0.28	0.28	-1 %	0.43	0.48	-11 %	0.15	83 %	0.98
Return on equity (ROE), %	12.3	10.5	17 %	9.5	9.5	0 %	6.5	89 %	10.0
Comparable return on equity (ROE), % ¹	12.3	12.3	0 %	9.4	10.2	-8 %	6.5	91 %	10.3
Common Equity Tier 1 capital ratio (CET1), % ²	10.4	10.8	-4 %	10.4	10.8	-4 %	10.6	-2 %	11.2

1) Alternative performance measures

2) At the end of the period

Half-year report January–June 2022 is a translation of the original Swedish version "Halvårsrapport 1.1-30.6.2022".

In case of discrepancies, the Swedish version shall prevail.

CEO's comments

The first half of the year was strongly marked by the ongoing market uncertainty: The war in Ukraine, global inflation and, as a result, the central banks' tightening monetary policy shadowed the economic outlook and put pressure on the equity market. The rapid increase in interest rates, which started at the beginning of the year while the equity market declined, has been very exceptional.

The decline in the equity market and increasing interest rates led to a challenging market environment also for Aktia in the second quarter. Despite positive net subscriptions, assets under management declined in the second quarter due to negative value changes. The market value of the life insurance business's investment portfolio also decreased. The outlook for the rest of the year being very uncertain in this situation, we announced earlier that we had decided to lower the earnings guidance for 2022 and we now estimate that the comparable operating profit in 2022 will reach approximately the same level as in 2021 (previously somewhat higher than in 2021). Since last year was an excellent year in terms of the result, and our core business is still developing in line with the strategy, I have strong confidence in the future prospects of the company's business. Nor do I see anything that would have changed our strategic assumptions.

The indirect effects of the war in Ukraine on Aktia are mainly reflected in uncertainty on the investment market and thus in the value of the funds. However, so far, the direct effects of the war on Aktia's business have been very moderate. For our own part, we are complying with all sanctions against Russia and in March, based on our own risk assessment, we decided to suspend all outgoing and incoming payments to Russia and Belarus for the time being. There are no significant direct risks in relation to the crisis area in Aktia's credit portfolio. Aktia's own funds do not contain any direct investments in Russia either, and Aktia has stopped the new sales of other actors' funds that mainly invest in Russia.

Business in good shape

Despite the challenging market situation, Aktia's comparable operating profit of EUR 24.7 million remained at a good level and was only slightly lower than the reference period (26.0). The main explanatory factors for this were the good core business and the capital gains of a real estate investment in the life insurance business.

The net interest income for the second quarter of EUR 25.8 (27.7) million decreased slightly from last year, which is mainly due to the accumulated interest of EUR 5.3 million on central bank financing (TLTRO III) booked during the reference period. The interest income on lending was around 10% better than in the reference period, mainly due to the continued growth of the corporate customer business in the second quarter. The acquisition of Taaleri's wealth management business with a new, broader customer base contributed to the growth.

The loan book of Aktia's private customers also increased moderately and the risk level remained stable. The average margin of Aktia's entire loan book improved. The positive impact of the increasing interest rates will reflect gradually on the net interest income as interest rates are adjusted. The launch of the new Finnair Visa credit card in cooperation with Finnair in early June reflected our investment in consumer

financing. The demand for the card has been strong and we expect it to remain high.

The commission income for the quarter was around the level of the reference period at EUR 31.6 (31.7) million. The assets under management (AuM) decreased to EUR 13.9 (14.7 31.3.2022) million as a result of the increasing interest rates and market decline. However, despite the challenging market in the beginning of the year, the asset management's net subscriptions were positive, EUR 111 million, which I am particularly pleased to see. Net sales increased in both domestic and foreign institutions, as well as private banking customers. The integration of Taaleri's asset management activities advanced according to plan. Cooperation with Taaleri Plc continued and resulted in the successful launch of the Bioindustry I fund, among other things. Fund sales are not yet shown in net sales for the second quarter.

There is also excellent news related to the international distribution of Aktia's Emerging Market fixed income funds (EMD): The sales of Aktia's international fund products will expand to eight new markets through the distribution contract in July with British Harrington-Cooper: United Kingdom, Ireland, the Benelux countries, Denmark, Norway and the French-speaking parts of Switzerland. The relative success of the EMD funds was significant in the first half of the year, with the funds delivering significantly better return than their benchmark index.

In the second quarter of the year, the rapidly rising interest rates continued to weigh down the return on the life insurance business's investment portfolio. Net income from life insurance was EUR 12.7 (10.5) million, the majority of which derives from the capital gains of EUR 11.0 million from a real estate investment in the portfolio. Aktia provided information on the matter on 16 May 2022. The life insurance business itself continued to develop well: The new sales of risk life insurances and investment-linked insurances remained favourable. The actuarially calculated result also increased as a result of the insurance stock developing well.

Aktia's comparable expenses for the quarter were 3% under the level of the reference period at EUR 44.7 (45.9) million. The staff costs slightly decreased in the second quarter, while the depreciation of intellectual property rights following the acquisition of Taaleri's wealth management business increased the expenses. The credit loss provisions increased by EUR 2.4 million in the second quarter but remain at a moderate level.



Helsinki 11 May 2022

Mikko Ayub
CEO

Profit and balance

Profit April–June 2022

The Group's operating profit increased to EUR 24.7 (23.0) million and the profit for the period to EUR 19.8 (17.7) million. The comparable operating profit decreased to EUR 24.7 (26.0) million.

The improved result in relation to the corresponding quarter last year is mainly attributable to an increased net income from life insurance and to reduced costs, despite the fact that the comparative quarter includes Taaleri's wealth management business for only two months. Operating profit also improved compared to the first quarter of the year by 7% to EUR 24.7 (13.5) million due to the sale of a real estate investment in the life insurance portfolio.

Items affecting comparability

(EUR million)	Apr–June 2022	Apr–June 2021
Costs for restructuring	0.0	-3.0
Operating profit	0.0	-3.0

Income

The Group's operating income decreased to EUR 71.6 (73.3) million and the Group's comparable operating income to EUR 71.6 (73.3) million, which is a decrease by 2% from the corresponding quarter last year. The decrease is related to a lower net interest income and to a lower net result from financial transactions, while net income from life insurance has increased.

Net interest income decreased by 7% to EUR 25.8 (27.7) million. Net interest income from borrowing and lending increased by 9% to EUR 23.9 (21.9) million. The lower net interest during the quarter is due to a negative interest cost for the TLTRO III loans, which has decreased from the corresponding period to EUR 1.9 (5.3) million. The corresponding period includes accumulated interest that could be recognised at the end of the year, while the second quarter of the year includes only the interest that pertains to the quarter.

Net commission income was at the same level as during the corresponding period, EUR 31.6 (31.7) million. The decrease is due to management commissions for fund units of 15.9 (18.1) million and to an increase in private equity related subscription commissions and commission income of EUR 2.1 (0.0) million. The decrease in management commissions is attributable to difficult market conditions, which has decreased customer assets under management (AuM). Commission income from cards, payment services and borrowing increased by 10% to EUR 6.1 (5.5) million and

commission income from lending decreased by 7% to EUR 2.5 (2.7) million.

Net income from life insurance increased to EUR 12.7 (10.5) million compared to the corresponding quarter last year. The actuarially calculated result increased to EUR 4.7 (4.4) million owing to positive new sales. Net investment increased to EUR 8.7 (7.7) million and includes a sale profit from the real estate profit from portfolio of EUR 11 million and unrealised value changes in the life insurance company's investment portfolio of EUR -4.8 (3.3) million. The negative unrealised value changes are mainly attributable to the rising interest rates, which had a negative impact on the market values.

Net income from financial transactions decreased to EUR 0.9 (2.3) million.

Expenses

Operating expenses decreased by 9% to EUR 44.7 (48.8) million. The reference period includes costs related to the acquisition of Taaleri wealth management operations for only two months.

Staff costs decreased by 6% to EUR 20.8 (22.0) million. The quarter's average number of employees (converted to full-time) increased by 54 compared to last year. Total staff costs were EUR 0.5 million lower than in the first quarter of the year.

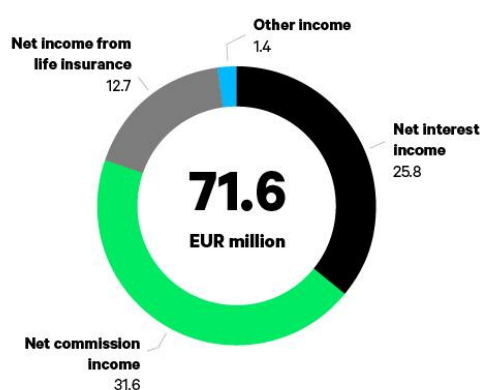
IT expenses increased by 9% to EUR 8.3 (7.6) million. The increase is mainly due to higher expenses for licenses and consultants. IT expenses were EUR 0.7 million higher than in the first quarter.

The depreciation of tangible and intangible assets increased to EUR 5.9 (5.3) million. The increase is attributable to depreciations related to the acquired wealth management operations from Taaleri.

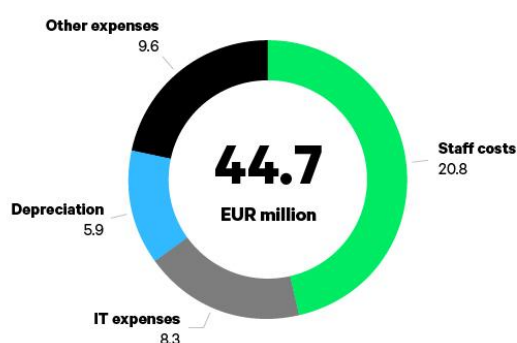
Other operating expenses decreased by 31% to EUR 9.6 (13.9) million. The reference period includes transaction-related one-off costs of EUR 4.4 million related to the acquisition of Taaleri's wealth management operations.

Impairments on credits and other commitments amounted to EUR -2.4 (-1.4) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.5 (-1.2) million.

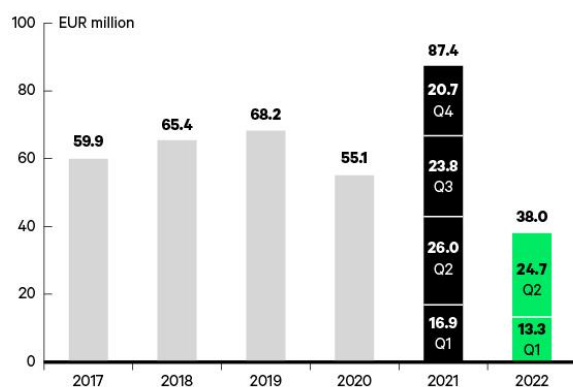
Operating income Q2/2022



Operating expenses Q2/2022



Comparable operating profit 2017–Q2/2022



Profit January–June 2022

The Group's operating profit decreased to EUR 38.2 (39.9) million and the profit for the period to EUR 30.8 (31.7) million, while comparable operating profit decreased to EUR 38.0 (42.9) million. The decreased result pertains to operating income and mainly to net income from life insurance, which is 29% lower than last year, as well as to a general increase in operating expenses.

Items affecting comparability

(EUR million)	Jan-Jun 2022	Jan-Jun 2021
Costs for restructuring	0.0	-3.0
Additional income from divestment of Visa Europe to Visa Inc	0.2	0.0
Operating profit	0.2	-3.0

Income

The Group's operating income decreased to EUR 130.6 (131.2) million.

Net interest income increased by 4% to EUR 50.9 (49.0) million. Net interest income from borrowing and lending increased by 11% to EUR 47.3 (42.5) million. Interest expenses for other financing amounted to EUR -3.2 (-1.9) million and include a EUR 3.9 (5.3) million negative interest expense for the TLTRO III financing.

Net commission income amounted to EUR 63.0 (56.8) million. Commission income from funds, asset management and securities brokerage increased by 16% to EUR 43.4 (37.4) million. The increase is mainly attributable to a strong development of the asset management business and its products. Commission income from cards, payment services and borrowing increased by 8% to EUR 11.8 (10.9) million. Aktia started a new card cooperation with Finnair during the quarter. Lending and other commissions decreased by 8% to EUR 7.8 (8.5) million.

Net income from life insurance decreased to EUR 14.5 (20.4) due to lower net investments. Value changes and impairments in the life insurance company's investment portfolio were EUR -11.0 (-5.2) million. The actuarially calculated result increased to EUR 8.9 (7.9) million owing to positive development in the insurance book. Sales profits from the investment portfolio increased to EUR 11.1 (0.4) million.

Net income from financial transactions decreased to EUR 1.6 (4.2) million. The decrease is mainly attributable to the reallocation of capital in the liquidity portfolio last year. The change in model-based ECL amounted to EUR -1.0 (-1.2) million.

Other operating income decreased to EUR 0.6 (0.8) million. The period includes one-off recognised items of EUR 0.2 million.

Expenses

Operating expenses increased to EUR 90.6 (87.6) million. Comparable operating expenses increased by 7% to EUR 90.6 (84.6) million. The increase is mainly attributable to staff costs and IT expenses.

Staff costs increased to EUR 42.1 (39.6) million. The comparable staff costs increased by 10% to EUR 42.1 (38.3) million.

IT expenses increased by 14% to EUR 16.0 (14.0) million. The difference compared to last year is mainly attributable to increased IT project costs compared to the first half of last year.

Depreciation of tangible and intangible assets amounted to EUR 11.8 (9.7) million. The increase pertains to depreciations related to the acquisition of Taaleri's wealth management operations.

Other operating expenses decreased to EUR 20.8 (24.2) million. Comparable other operating expenses decreased by 8% to EUR 20.5 (22.5) million. The decrease mainly pertains to one-off costs relating to Taaleri's wealth management operations (transaction costs of EUR 5.6 million) last year. Expenses for the stability fee increased by 25% to EUR 5.1 (4.1) million.

Impairment of credits and other commitments amounted to EUR -2.1 (-3.6) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.0 (-1.2) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased to EUR 11,889 (11,653) million. Off-balance sheet commitments, consisting of credit limits, other loan promises, and bank guarantees increased to EUR 764 (738) million.

Borrowing

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

The value of long-term bonds issued by Aktia Bank totalled EUR 2,846 (2,917) million. After an issued retained covered bond was set off, EUR 1,409 (1,534) million consisted of Covered Bonds issued by Aktia Bank.

In January, Aktia Bank issued a new covered bond to a value of EUR 500 million and with a maturity of approximately 6.8 years, replacing a corresponding bond that was due in March. The issue was carried out to very favourable terms and it was oversubscribed more than twofold. At the end of June, the bank issued a covered bond for its own use, a so-called retained covered bond, of EUR 150 million with a maturity of 5 years. The purpose of the issue was a pledging exchange in the central bank.

In addition, during the second quarter, Aktia Bank issued new long-term unsecured bonds of EUR 109 million within the scope of the bank's EMTN program. During the first half of the year, new long-term unsecured bonds totaling EUR 284 million were issued.

Lending

Group lending to the public and public-sector entities increased by 3% to EUR 7,698 (7,486) million. Loans to households accounted for EUR 5,343 (5,292) million, or 69.4 (71.7) % of the total loan book.

The housing loan book totalled EUR 5,469 (5,389) million, of which the share for households was EUR 4,348 (4,326) million. Aktia's new lending amounted to EUR 293 (320) million. At the end of June, Aktia's market share in housing loans to households was 4.0 (4.0) %.

Corporate lending accounted for 15.6 (15.3) % of Aktia Group's loan book. Total corporate lending increased by 5% to EUR 1,203 (1,143) million. Loans to housing companies increased by 10% to EUR 1,094 (996) million, which was 14.2 (13.3) % of Aktia's total loan book.

Loan book by sector

(EUR million)	30 June 2022	31 Dec 2021	Δ	Share, %
Households	5,343	5,292	51	69,4 %
Corporates	1,203	1,143	60	15,6 %
Housing companies	1,094	996	98	14,2 %
Non-profit organisations	54	52	1	0,7 %
Public sector entities	4	3	2	0,1 %
Total	7,698	7,486	212	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 1,326 (1,306) million, the life insurance company's investment portfolio of EUR 543 (642) million, and the bank group's equity holdings of EUR 9 (5) million.

Technical provisions

The life insurance company's technical provisions decreased due to the market downturn to EUR 1,385 (1,568) million. The unit-linked technical provisions decreased to EUR 1,003 (1,154) million and the interest-related technical provisions decreased to EUR 382 (414) million.

Equity

Aktia Group's equity amounted to EUR 681 (738) million. The fund at fair value decreased to EUR -44 (6) million and the profit for the period amounted to EUR 19.8 million.

Fund at fair value

(EUR million)	30 June 2022	31 Dec 2021
Interest-bearing securities, Aktia Bank	-34.6	4.0
Interest-bearing securities, Aktia Life Insurance	-9.2	2.0
Cash flow hedging	-0.6	0.2
Total	-44.4	6.2

Assets under Management

The Group's total assets under management amounted to EUR 16,508 (18,340) 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.

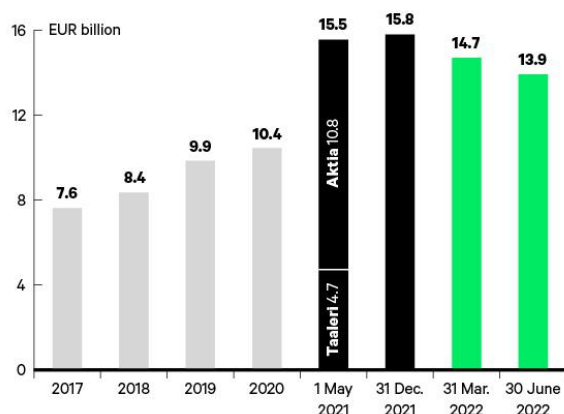
Group financial assets include the Bank Group's liquidity portfolio managed by the treasury function and the life insurance company's investment portfolio.

Assets under management

(EUR million)	30 June 2022	31 Dec 2021	Δ%
Customer assets under management*	13,919	15,794	-12 %
Group financial assets	2,589	2,546	2 %
Total	16,508	18,340	-10 %

* Excluding fund in funds

Customer assets under management (AuM) excluding custody assets 2017–Q2/2022



Segment overview

Aktia Bank's operations are divided into three reporting business segments: Banking Business, Asset Management 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 to institutional customers with other banking services than asset management.

Private customers

The effects of the war in Ukraine, expectations of rising inflation and interest rates, as well as general economic uncertainty continued to weaken consumer confidence. The war and market uncertainty were reflected in a subdued housing market, a decline in the demand for credit and nervousness of small investors on the investment market.

Aktia's wealth plan, which allows private customers to increase their wealth systematically alongside mortgage payments, was successfully fully launched in the second quarter. The work to improve the customer experience and to provide customers with more comprehensive solutions progressed as planned. Aktia's objective is to develop and improve our customers' ability to increase their wealth in all market situations and stages of life. The selection of alternative investment products to private customers was also further developed to complement investment portfolios and diversify risks.

The loan book of Aktia's private customers increased moderately in the second quarter and the risk level remained stable and healthy. The average margin of Aktia's entire loan book improved during the quarter. The profitability of loans remained at a reasonable level, although the demand for interest rate hedges slowed down from the record level in the first quarter. The funding of portfolio investments and the allocation of funding to wealth management customers are an essential and increasingly important part of our business. The launch of the new Finnair Visa credit card in cooperation with Finnair reflected Aktia's significant investment in consumer financing. The demand for the card has been strong and we expect it to remain high.

Corporate customers

In the corporate customer business, the positive development continued in the second quarter, and the market situation remains favourable to the corporate customer business. Both the acquisition of new customers and the extension of Aktia's product offering to the current customer base developed well, particularly regarding leasing products. So far, Russia's war of aggression has had no significant economic effects on Aktia's corporate customer business.

The corporate customer business continued to grow. In the current economic situation, special attention was paid to customer selection and addressing the challenges caused by possible changes in customers' business, such as cost pressure and changes in supply chains. However, we have not identified any significant risk factors among our customers because of this.

The cooperation and cross-selling with Aktia's asset management developed well in the second quarter, which was reflected in joint meetings and offers together with the asset management. Aktia continues to focus particularly on medium-sized companies in its corporate customer business. During the rest of the year, the product and service development focuses especially on the factoring product area and developing cooperation with sellers.

Results for Banking Business segment

(EUR million)	Jan-June 2022	Jan-June 2021	Δ%
Operating income	70.3	65.9	7 %
Operating expenses	-51.0	-51.0	0 %
Operating profit	17.3	11.3	53 %
Comparable operating profit	17.3	12.5	38 %

The operating income for the period increased by 7 % to EUR 70.3 (65.9) million. The net interest income was 11% higher than during the corresponding period last year and amounted to EUR 40.5 (36.3) million. The increase is mainly related to the growth in the corporate customers' loan book. The customer margins for corporate customers increased from the corresponding period last year.

The loan book increased by 3 % to EUR 7,514 (7,313) million from year-end. The corporate customers' loan book increased to EUR 2,350 (2,178) million and the private customers' loan book to EUR 5,164 (5,135) million.

Borrowing from the public and public-sector entities increased by 7 % from year-end and amounted to EUR 4,246 (3,977) million. The increase is mainly attributable to corporate customer borrowing where balances within daily accounts increased.

The net commission income increased by 2 % in relation to the corresponding period last year and amounted to EUR 29.9 (29.3) million. The net commission income from cards, payment services and borrowing increased by 9 % to EUR 12.2 (11.3) million.

In the challenging investment market, the net commission income from the investment activities decreased by 2 % to EUR 7.6 (7.8) million. Customer assets under management in the Banking Business segment decreased by 17 % to EUR 1,657 million during the period. The decline is mainly due to negative value changes of share-based assets.

Comparable operating expenses for the period increased by 2 % to EUR 51.0 (49.8) million. The increase is mainly attributable to the stability fee for the year as well as the higher group governance costs.

Impairments on credits and other commitments amounted to EUR -2.1 (-3.6) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.0 (-1.2) million and other impairments on credits amounted to EUR -1.1 (-2.4) million.

Asset Management

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

Customer assets under management

(EUR million)	30 June 2022	31 Dec 2021	Δ%
Customer assets under management*	13,919	15,794	-12 %
of which institutional assets	7,960	8,848	-10 %

* Excluding fund in funds

Asset management

The challenging market situation in the beginning of the year continued in the second quarter and the value of almost all investment products turned downwards with share prices in the lead. However, despite the market situation, the asset management's net subscriptions turned positive, amounting to EUR 111 million. Net sales in both domestic and foreign institutions, as well as private banking customers developed positively.

Aktia signed a distribution contract with British Harrington-Cooper for UI-Aktia products in Great Britain, Ireland, the Benelux countries, Denmark, Norway, and the French-speaking parts of Switzerland. This expands the UI-Aktia fund products to eight new markets.

BioIndustry I, launched in cooperation with Taaleri, reached its first target level of closing, around EUR 70 million in investment commitments, before Midsummer. BioIndustry I has been reopened for sale and, according to the current

estimate, the fund will reach its maximum size of over EUR 100 million before the first capital call in early autumn. The successful sale of BioIndustry I is not yet reflected in the net sales figures for the second quarter.

The relative success of the Emerging Market Debts funds was also considerable during the first half of the year and the funds yield significantly better than their benchmark index. At the end of the quarter, Luxembourg authorities also granted a marketing authorisation for the new fund product "Sustainable Corporate Bond Fund", a so-called dark green fund in accordance with Article 9 in the EU Sustainable Finance Disclosure Regulation. The sale of the fund will start in the beginning of September.

The integration within the asset management operations progressed as planned in the second quarter, and the customer service processes will be streamlined before the end of the year. The planned cost synergies have also been achieved as planned.

Life insurance

The life insurance business continued to develop well in the second quarter. The new sales of risk life insurances and investment-linked insurances remained favourable, and the actuarially calculated result also increased as a result of the insurance stock developing well. Despite successful new sales, the value of the investment-linked insurance stock was negative. The interest-related portfolio continued to decline.

The life insurance company's solvency developed strongly, and the company paid an extra dividend to the parent company at the end of June, when the solvency exceeded the internal target levels. At the end of the quarter, after dividends had been paid, the solvency was 245 % with transitional provisions and 188 % without transitional provisions. The higher net income from life insurance is due to capital gains of a real estate investment in the investment portfolio in June 2022.

Business development continued as planned in the first half of the year. The cooperation regarding distribution channels was developed in line with the objectives and the sales of new risk life insurances remained strong. The business of Suomen Yrittäjäturva expanded during the past quarter, strengthening Aktia's position especially among SMEs.

The product launches and changes in the sales process in the beginning of the year were well received by both the sales personnel and our customers. During the first half of the year, we reached good results measured in premium income.

Results for Asset Management segment

(EUR million)	Jan-June 2022	Jan-June 2021	Δ%
Operating income	50.3	50.4	0 %
Operating expenses	-34.8	-30.7	13 %
Operating profit	15.5	19.7	-21 %
Comparable operating profit	15.5	21.5	-28 %

The operating income for the period decreased by EUR 0.1 million to EUR 50.3 million, which is explained by a much higher net commission income in asset management and a lower net commission income in Aktia Life Insurance, which resulted in a lower net income from life insurance. Both net commission income and net income from life insurance were higher during Q2/2022 than Q1/2022.

The net income from life insurance decreased during the period due to a lower net investment income and amounted to EUR 12.7 (18.4) million. The net investment income was affected by big unrealised value changes of EUR -10.4 (5.1) million and the capital gains of EUR 11.0 million from the real estate investment. The premium income from the life insurance business increased by 1.6% or EUR 1.3 million compared to the same period last year. Interest towards both risk insurances and investment-linked insurances increased compared to the previous year. The actuarially calculated result increased to EUR 8.9 (7.9) million, following favourable developments in the insurance book.

The net commission income in the asset management segment was 5.5 million higher than the reference period and amounted to EUR 36.3 million. However, the net commission income was negatively affected by the market turmoil during the period. The period was also characterised by increasing market rates, which had a negative impact on market values. The net commission income in Q2/2022 was around 4% higher than in Q1/ 2022, due to higher subscription fees and transaction-related commissions. The net commission income for the second quarter was at the same level as for Q2/2021 as a result of declining market values. The assets under management decreased by EUR 1,875 million from year-end and amounted to EUR 13,919 (15,794) million at the end of the period. The net subscriptions for the period amounted to EUR -105 million, and the market value change to EUR -1,770 million. Net subscriptions in the second quarter were EUR 111 million and market value changes EUR -889 million. In the first quarter of the year, net subscriptions were EUR -215 million and the market change EUR -881 million.

The comparable operating expenses of the segment increased by EUR 5.9 million to EUR 34.8 million. The reference period included expense items affecting comparability of EUR 1.7 million in total. Expense items that

increased were staff costs, group governance costs and depreciations; other operating expenses decreased. Staff costs increased as the reference period only covers Taaleri's wealth management business for two months (5-6/2021). Depreciations increased due to the acquisition of Taaleri's wealth management business carried out in Q2/2021. Staff costs constituted 37% (35%) of the total expenses of the segment.

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.

Results for Group Functions segment

(EUR million)	Jan-June 2022	Jan-June 2021	Δ%
Operating income	14.3	19.1	-25 %
Operating expenses	-9.2	-10.1	-9 %
Operating profit	5.1	8.9	-43 %
Comparable operating profit	4.9	8.9	-45 %

Operating income for the segment decreased to EUR 14.1 (19.1) million.

The segment's net interest income decreased by EUR 2.5 million to EUR 9.4 million. The change mainly relates to the negative interest cost from the TLTRO III financing of EUR 3.9 (5.3) million, as well as higher interest expenses for deposits.

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.

Comparable net income from financial transactions decreased to EUR 1.3 (4.1) million. The decrease from the comparable period last year mainly pertains to lower sales gains from interest-bearing securities in the bank's liquidity portfolio.

The total operating expenses of the segment increased by EUR 5.6 million from last year. The stability fee has risen to EUR 5.1 (4.1) million and in addition staff costs, IT costs and consulting costs have increased. The other operating costs have fallen as the transfer tax for the acquisition of Taaleri's wealth management operations was booked during the comparison period. Most of the segment's operating costs are allocated to the other segments.

Group's segment reporting

(EUR million)	Banking Business		Asset Management		Group Functions		Other & eliminations		Total Group	
	Jan-June 2022	Jan-June 2021	Jan-June 2022	Jan-June 2021	Jan-June 2022	Jan-June 2021	Jan-June 2022	Jan-June 2021	Jan-June 2022	Jan-June 2021
Income statement										
Net interest income	40.5	36.3	1.0	0.8	9.4	11.9	0.0	0.0	50.9	49.0
Net commission income	29.9	29.3	36.3	30.8	2.8	2.6	-6.0	-6.0	63.0	56.8
Net income from life insurance	-	-	12.7	18.4	-	-	1.8	2.0	14.5	20.4
Other operating income	0.0	0.3	0.2	0.3	2.1	4.6	-0.1	-0.2	2.2	5.0
Total operating income	70.3	65.9	50.3	50.4	14.3	19.1	-4.4	-4.2	130.6	131.2
Staff costs	-7.2	-9.0	-12.8	-10.7	-22.1	-20.0	-	-	-42.1	-39.6
Other operating expenses ¹	-43.8	-42.0	-22.0	-20.0	12.8	9.9	4.4	4.2	-48.5	-47.9
Total operating expenses	-51.0	-51.0	-34.8	-30.7	-9.2	-10.1	4.4	4.2	-90.6	-87.6
Impairment of credits and other commitments	-2.1	-3.6	-	-	-	-	-	-	-2.1	-3.6
Share of profit from associated companies	-	-	-	-	-	-	0.3	-0.1	0.3	-0.1
Operating profit	17.3	11.3	15.5	19.7	5.1	8.9	0.3	0.0	38.2	39.9
Comparable operating profit	17.3	12.5	15.5	21.5	4.9	8.9	0.3	0.0	38.0	42.9
Balance sheet	30 June 2022	31 Dec 2021	30 June 2022	31 Dec 2021	30 June 2022	31 Dec 2021	30 June 2022	31 Dec 2021	30 June 2022	31 Dec 2021
Financial assets measured at fair value	-	-	1,431.1	1,649.3	878.9	949.5	-18.0	-40.0	2,292.0	2,558.8
Cash and balances with central banks	285.9	289.0	0.0	0.0	538.4	443.8	-	-	824.4	732.8
Interest-bearing securities measured at amortised cost	-	-	37.3	37.4	471.1	349.0	-	-	508.4	386.5
Loans and other receivables	7,514.4	7,327.3	259.6	252.6	107.6	29.1	-54.6	-57.3	7,827.0	7,551.7
Other assets	74.3	57.0	208.6	193.0	207.5	351.5	-53.1	-177.9	437.3	423.6
Total assets	7,874.7	7,673.3	1,936.5	2,132.3	2,203.6	2,122.9	-125.7	-275.2	11,889.1	11,653.3
Deposits	4,336.7	4,064.3	704.2	580.7	797.0	838.1	-54.6	-57.3	5,783.3	5,425.8
Debt securities issued	-	-	-	-	2,989.1	3,100.3	-18.0	-40.0	2,971.2	3,060.3
Technical provisions	-	-	1,385.0	1,568.2	-	-	-	-	1,385.0	1,568.2
Other liabilities	167.4	-5.1	110.4	100.4	797.4	770.4	-6.7	-5.1	1,068.4	860.6
Total liabilities	4,504.0	4,059.2	2,199.7	2,249.3	4,583.5	4,708.8	-79.3	-102.4	11,207.9	10,914.9

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

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

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 10.4 (11.2) %. Aktia Life Insurance's own funds were positively influenced by both increasing interest rates and capital gains from the real estate investment. As a result of strong solvency, Aktia Life Insurance paid an extra dividend of EUR 15 million to Aktia Bank in June 2022 and EUR 20 million in March 2022, strengthening the bank's CET1 capital. The increasing interest rates during the first half of the year have led to a decrease in the fair value reserve, which in turn has weakened the bank's CET1 capital by around EUR 39 million. As a result, the bank's CET1 capital is slightly decreasing. Overall, the risk-weighted assets increased by EUR 149 million from year-end.

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

Capital adequacy, %	30 June 2022	31 Dec 2021
Bank Group		
CET1 capital ratio	10.4	11.2
Total capital ratio	14.8	15.6

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 for the bank group was 11.76%, and 9.45% for Tier 1 capital ratio at the end of the period.

Leverage ratio	30 June 2022	31 Dec 2021
Tier 1 capital	380.8	389.1
Total exposures	10,529.4	10,083.3
Leverage ratio, %	3.6	3.9

The Financial Stability Authority has set the minimum requirement in accordance with the bank resolution act for own funds and eligible liabilities that can be written down (MREL requirement) for Aktia Bank Plc. The MREL requirement amounts to 19.86% of total risk-weighted assets (TREA) or 5.91% of the leverage ratio exposures (LRE). The MREL requirement does not include a so-called subordination requirement.

On 6 April 2022, the Financial Stability Authority renewed the MREL requirement for Aktia. The requirement replaces the previous MREL decision as of 1 January 2024, which means that the new requirement is 19.95% of TREA or 7.7% of LRE.

30 June 2022 (%)	Pillar 1 minimum requirement		Buffer requirements				Total capital requirement
	Pillar 1 minimum requirement	Pillar 2 requirement	Capital Conservation	Counter-cyclical	O-SII	Systemic risk	
CET1 capital	4.50	0.70	2.50	0.01	0.00	0.00	7.72
AT1 capital	1.50	0.23					1.73
Tier 2 capital	2.00	0.31					2.31
Total	8.00	1.25	2.50	0.01	0.00	0.00	11.76

MREL requirement (EUR million)	30 June 2022	31 Dec 2021
MREL requirement	622.3	595.9
Own funds and eligible liabilities		
CET1	320.8	329.1
AT 1-instruments	60.0	60.0
Tier 2-instruments	69.5	70.6
Other liabilities	1,147.8	903.7
Total	1,598.1	1,363.5

The life insurance company follows the Solvency II directive, in which the calculation for 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)	30 June 2022	31 Dec 2021	30 June 2022	31 Dec 2021
MCR	23.0	27.5	24.3	29.7
SCR	84.0	108.9	92.9	118.7
Eligible capital	205.8	244.7	174.8	206.8
Solvency ratio, %	245.2	224.7	188.2	174.3

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 2021 and in Aktia Bank Plc's Pillar III Report 2021 (the former Capital and Risk Management Report), published on the Group's website www.aktia.com.

Banking and asset management business

Credit risks

Aktia's loan book constitutes for the major part of loans to households and private persons with residential or real estate securities. The loan ratio measured in loan-to-value (LTV) is at an adequate level and a low risk level provides a good quality of credits in Aktia's loan book. At the end of the second quarter of 2022, the LTV level amounted to, on average, 42% for the entire loan book.

The impact of the war in Ukraine as well as the economic sanctions imposed on Russia, have not significantly affected the credit risk position of the bank. The bank has put in place an increased follow-up and reporting of identified sectors that may have an increased risk due to the crisis.

The number of non-performing credit exposures have increased, mainly because the number of counterparties identified as unlikely to being able to repay the capital has increased, while delays over 90 days did not increase significantly.

Gross loans past due by time overdue and ECL stages

(EUR million)		30 June 2022			
Days		Stage 1	Stage 2	Stage 3	Total
≤ 30		28.2	28.9	8.0	65.1
of which households		25.0	23.6	7.1	55.7
> 30 ≤ 90		0.0	13.8	11.8	25.5
of which households		0.0	13.3	10.8	24.1
> 90		0.0	0.0	53.1	53.1
of which households		0.0	0.0	43.8	43.8

(EUR million)		31 December 2021			
Days		Stage 1	Stage 2	Stage 3	Total
≤ 30		22.2	18.8	5.5	46.5
of which households		20.8	17.5	4.9	43.1
> 30 ≤ 90		0.0	22.0	10.8	32.8
of which households		0.0	17.2	9.9	27.0
> 90		0.0	0.0	52.0	52.0
of which households		0.0	0.0	41.3	41.3

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

(EUR million)	30 June 2022	31 Dec 2021
Corporate		
PD grades A	268.3	244.4
PD grades B	942.7	942.2
PD grades C	1,020.4	923.7
Default	35.1	23.6
	2,266.5	2,133.9
Loss allowance (ECL)	-14.6	-14.4
Carrying amount	2,251.9	2,119.5
Households		
PD grades A	3,501.3	3,395.6
PD grades B	1,154.2	1,211.6
PD grades C	819.6	805.6
Default	106.2	95.7
	5,581.3	5,508.5
Loss allowance (ECL)	-18.1	-17.4
Carrying amount	5,563.2	5,491.1
Other		
PD grades A	31.0	28.6
PD grades B	500.3	436.7
PD grades C	80.7	83.7
Default	1.4	0.6
	613.4	549.6
Loss allowance (ECL)	-0.7	-0.6
Carrying amount	612.7	549.0

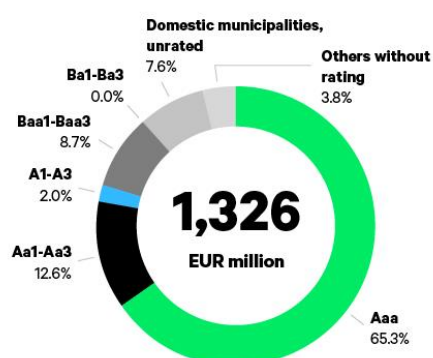
The PD grades are divided according to PD-TTC, where grade A has a PD of less than 0.2%, grade B has a PD of less than 1%, grade C has a PD of less than 100% and grade Default has a PD-TTC of 100%.

Market risks

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

The interest rate risk is the largest market risk. A structural interest rate risk occurs as a result of differences 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 investments in the liquidity portfolio or a combination of both, depending on the prevailing market conditions.

Rating distribution for the Bank Group's liquidity portfolio



The bank measures the interest rate risk through sensitivity analyses of the net interest income and through the current value on 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 somewhat during the first semester due to the increasing market interest rates. In the second quarter, both the bank's and the life insurance's interest rate risk has been actively reduced by interest-rate swaps and the effective interest rate duration of the "Hold to Collect and Sell" portfolio is now only 1.1 years.

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 9 (5) 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 1,664 (1,571) million at the end of the period.

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

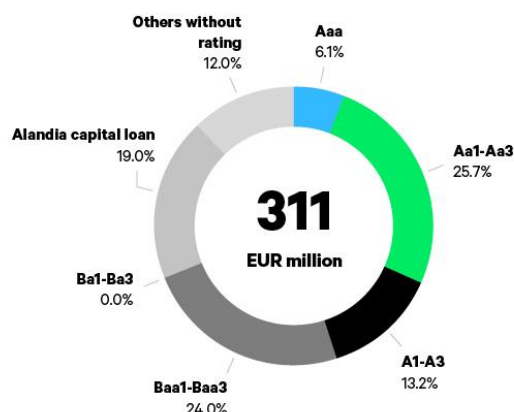
Liquidity reserve, market value (EUR million)	30 June 2022	31 Dec 2021
Cash and balances with central banks	771	681
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	210	222
Securities issued or guaranteed by municipalities or the public sector	101	155
Covered Bonds	581	514
Securities issued by credit institutions	-	-
Securities issued by corporates (commercial papers)	-	-
Total	1,664	1,571
<i>of which LCR-qualified</i>	<i>1,664</i>	<i>1,571</i>

The liquidity risk is, among other things, followed up by 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 136 (140) %.

Liquidity coverage ratio (LCR)	30 June 2022	31 Dec 2021
LCR %	136%	140%

Rating distribution for the life insurance business's direct interest-bearing investments

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



Life Insurance Business

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 543 (642) million. The life insurance company's direct real estate investments amounted to EUR 48 (47) million. The properties are in the Helsinki region and in other growth areas in Southern Finland and they mostly have long tenancies.

Aktia Life Insurance, allocation of investment portfolio

(EUR million)	30 June 2022		31 Dec 2021	
Equities	12.6	2.3%	8.0	1.3%
Europe	8.4	1.5%	4.9	0.8%
USA	4.2	0.8%	3.2	0.5%
Fixed income investments	332.4	61.2%	384.9	60.0%
Government bonds	99.8	18.4%	116.9	18.2%
Financial bonds	35.5	6.5%	37.3	5.8%
Other corporate ibonds ¹⁾	129.7	23.9%	157.5	24.5%
Emerging Markets i(mtl. funds)	43.0	7.9%	45.6	7.1%
High yield (mtl. ifunds)	21.2	4.0%	24.4	3.8%
Other funds	6.1	1.1%	3.6	0.6%
Alternative investments	27.7	5.1%	24.8	3.9%
Private Equity etc.	21.6	4.0%	18.9	2.9%
Infrastructure funds	6.1	1.1%	5.9	0.9%
Real estates	73.3	13.5%	88.1	13.7%
Directly owned	48.2	8.9%	47.2	7.3%
Real estate funds	25.2	4.6%	41.0	6.4%
Money Market	75.0	13.8%	90.3	14.1%
Derivatives	-12.6	-2.3%	-0.9	-0.1%
Cash and bank	35.0	6.4%	46.7	7.3%
Total	543.4	100.0%	642.0	100.0%

1) Includes capital loan to Aalandia

Life insurance company's market risk

Technical provisions include an interest reserve of EUR 25 (25) million, which can be used to cover the future interest rate requirements. The average discount rate for the interest-bearing technical provisions after dissolutions from the interest reserve is 2.2% for 2022, 2.3% for 2023–2031 and 2.9% after that. Aktia Life Insurance makes an annual assessment of the adequacy of the interest reserve and adjusts it if necessary. The interest rate risk remains the largest market risk associated with the life insurance company's insurance debt, other market risks have a marginal impact, however, its importance has declined significantly due to the extensive hedging measures put in place in the two previous quarters. Interest rate risk of the company's interest-bearing balance sheet items in the investment portfolio and in the interest-linked and unit-linked technical provisions is calculated through an interest rate stress test (decrease in interest rate) representing a historical 99.5 percentile of the market interest rate. The calculated effect in the stress scenario is mainly due to the change in the market value of the long-termed technical provisions and amounted to EUR -17 (-25) million.

Main events

Aktia Life Insurance sold its real estate investment, capital gains of EUR 11 million

On 16 May 2022, Aktia informed that Aktia Life Insurance Ltd, a subsidiary of Aktia Bank Plc, is an investor in a real estate investment company, the sale of which was subject to a letter of intent. The transaction was executed during the second quarter and as a result, Aktia Life Insurance Ltd recorded capital gains of EUR 11 million in its investment portfolio.

Aktia signed the UN Principles for Responsible Banking and joined the world's largest banking community

Aktia became an official Signatory of the UN Principles for Responsible Banking – a single framework for a sustainable banking industry developed through a partnership between over 270 banks worldwide and the United Nations Environment Programme Finance Initiative (UNEP FI).

Aktia's funds won recognition in the Refinitiv Lipper Fund Awards 2022

Aktia Asset Management was rewarded in the Refinitiv Lipper Fund Awards 2022 both for its equity funds investing in Nordic companies and for its bond fund investing in euro-denominated corporate bonds. The awards are granted based on risk-adjusted returns over three-, five-, and ten-year periods.

Aktia once again Finland's best fund house in Morningstar's comparison

In the Morningstar Awards 2022 comparison, published on 28 February 2022, Aktia was selected as Finland's best fund house for fixed-income funds as well as for the overall selection. Morningstar is an independent party carrying out fund comparisons and selecting the best fund houses annually based on the five-year risk-adjusted return.

Aktia became partner in Alexander Corporate Finance

On 30 November, Aktia Bank Plc and Alexander Corporate Finance Oy ("ACF") announced an arrangement, which results in Aktia owning 20% of ACF's shares. The completion of the arrangement took place on 2 February 2022 after receiving the approval from the Finnish Financial Supervisory Authority. With the arrangement, the name of Alexander Corporate Finance was changed to Aktia Alexander Corporate Finance Oy.

Aktia issued a EUR 500 million covered bond

On 18 January 2022, Aktia Bank Plc issued a new EUR 500 million covered bond, due in October 2028. The bond was priced at a negative margin compared to swap rates (MS -1). This was the first Finnish covered bond in 2022.

Aktia simplified its group structure with mergers of subsidiaries

As planned, Aktia Bank Plc executed the merger of its wholly owned subsidiary Aktia Wealth Management Ltd with Aktia Bank Plc on 1 January 2022. At the same time, Aktia merged its two subsidiaries, where Aktia Fund Management Company Ltd merged with AV Fund Management Ltd. As from 1 January 2022, the name of the Fund Management Company is Aktia Fund Management Company Ltd. Both mergers are a part of simplifying Aktia's asset management operations, where an essential part is the simplification of the group structure.

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 13 April 2022 in S&P's "RatingsDirect" report.

On 9 September 2021, Moody's Investors Service confirmed the long-term and short-term senior funding credit ratings of Aktia Bank and changed the outlook of the ratings to negative. The rating for senior preferred bonds is A1 and for short-term debt instruments P-1. Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term Covered Bonds.

On 17 May 2021, Moody's Investors Service awarded Aktia Bank the rating Baa3 (hyb) for the Additional Tier 1 capital issued by Aktia Bank.

	Long-term borrowing	Short-term borrowing	Outlook	Covered Bonds
Moody's Investors Service	A1	P-1	negative	Aaa
Standard & Poor's	A-	A-2	stable	-

Events concerning related parties

Related parties include shareholders with significant influence and key persons in management positions and close family members, as well as companies that are under the influence of a key person or family member according to Chapter 15 of the Credit Institutions Act. 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 Review 2021.

Staff

The number of employees converted to full-time employees at the end of June amounted to 965 (31 December 2021; 854). The average number of employees converted to full-time employees amounted to 900 (1.1–30.6.2021; 850).

Decisions of Aktia Bank Plc's Annual General Meeting 2022

The Annual General Meeting of Aktia Bank Plc on 6 April 2022 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 0.56 euro per share for the accounting period 1 January – 31 December 2021.

The Annual General Meeting confirmed the number of board members as eight. Johan Hammarén, Maria Jerhamre Engström, Harri Lauslahti, Olli-Petteri Lehtinen, Johannes Schulman, Lasse Svens and Timo Vättö were re-elected as Board members. Sari Pohjonen was elected as a new member 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 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 confirmed the remuneration for the Board members.

The Annual General Meeting determined that the number of auditors shall be one, and confirmed the remuneration to the auditor, 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 resolution for share issue authorisation for up to 7,221,000 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.

All proposals mentioned above are included in the Summons to the Annual General Meeting published on the website www.aktia.com under Investors > Corporate governance > Annual General Meeting > Annual General Meeting 2022.

Development of Aktia's share 3 January–30 June 2022



Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 170 million. At the end of June 2022, the number of Aktia shares was 72,293,712. The total number of registered holders amounted to 40,222 (30 June 2021; 38,729). 10.73% of the shares were in foreign ownership. There were no unregistered shares at the end of June. On 30 June 2022, the Group held 240,263 (30 June 2021; 251,237) Aktia shares. Aktia Bank Plc's market value on 30 June 2022, the last trading day of the period, was approximately EUR 661 million. The closing price for the Aktia share on 30 June 2022 was EUR 9.14. The highest price for the Aktia share during the period was EUR 12.88 and the lowest EUR 8.80.

The average daily turnover of the Aktia share during January–June 2022 was EUR 707,184 or 67,526 shares.

(EUR million)	Number of shares	Share capital	Unrestricted equity reserve
1 Jan 2021	69,574,173	169.7	112.7
Share issue 9 Feb 2021	100,000	-	1.0
Share issue 6 May 2021	974,563	-	9.6
Share issue 20 May 2021	66,770	-	0.7
Share issue 30 Sep 2021	1,371,500	-	13.9
Share issue 18 Nov 2021	57,075	-	0.6
Other changes	-	-	0.1
31 Dec 2021	72,144,081	169.7	138.6
Share issue 14 Feb 2022	75,000	-	0.9
Share issue 24 May 2022	74,631	-	0.7
Other changes	-	-	0.4
30 June 2022	72,293,712	169.7	140.5

Sustainability

Sustainability is a crucial part of our strategy and supports the value creation for our stakeholders. To Aktia, sustainability means corporate responsibility as well as making ESG an integrated part of our business. The objective for Aktia's corporate responsibility programme is to be a solid, dependable, and environmentally reliable

partner for economic well-being and the most attractive workplace in the business.

Aktia wants to follow best practices in the field, and in the beginning of 2022, Aktia signed the UN Principles of Responsible Banking and joined the world's largest banking community. The objective of the Responsible Banking Principles is to increase transparency and ensure that banks' strategies and practices are consistent with the UN Sustainable Development Goals and align with the Paris Climate Agreement. As part of this, Aktia will report more widely on the impacts of our actions. Already in 2021, Aktia reported on the impacts of its own activities and investment portfolios regarding the UN Sustainable Development Goals, and in the future, Aktia will also report on the impacts of the loan portfolio.

The principles for responsible lending launched in the last year were introduced at the beginning of 2022 and are now part of the lending processes. As a part of the ESG evaluations, Aktia responded to Nasdaq's ESG questionnaire and obtained the Nasdaq ESG Transparency Partner certificate. EU's rapid Sustainable Finance Disclosure Regulation is topical and Aktia has launched the first fund according to article 9, Aktia Bioindustry. The Bioindustry fund is a frontrunner in impact investing, and it invests in industrial scale production plants that are either ready or in the construction phase, which allows to accelerate the growth of bioindustry production in Finland and abroad, enabling the technologies and innovations needed to build a sustainable future.

The indicators Aktia monitors every six months remained at a good level. The carbon footprint for Aktia's own equity funds was on average clearly less than for the reference markets. Aktia's long-term objective is to have a smaller carbon footprint than that for the reference market. The investment strategy favours less capital-intensive companies that typically also have favourable emissions profiles. Private and premium customers' satisfaction with customer meetings, which describes the success of our customer service, remained at a good level considering that our target is to go over the rating 50.

Indicator (target)	1-6/2022	1-6/2021	Δ
The carbon footprint of our equity funds compared to the reference market (in the long run smaller on average than that of the reference market)	-65%	-68%	-3%
NPS (Net Promoter Score), measuring customers' satisfaction, private and premium customers (at least 50)	72	73	-1

*The figures include Aktia's funds, i.e. Capital, Nordic, Nordic Small Cap, Nordic Micro Cap, Europa, Europe Small Cap, America and Global as well as the funds Micro Rhein, Rhein Value, Micro Markka and European Dividend that became part of Aktia as a result of the acquisition of Taaleri.

Risks and outlook

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. The demand for banking, insurance, and asset management services can be changed by these factors.

Changes in interest rate level, yield curves and credit margins are hard to predict and can affect Aktia's interest margins and thus profitability. Aktia is pursuing a proactive management of interest rate risks.

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 house prices.

The availability of liquidity on the financial market is important for Aktia's refinancing activities. Like other banks, Aktia relies on deposits from households to service some of its liquidity needs.

The market value of Aktia's financial and other assets can change, among other things, because of investors' demands for higher returns or because of the increasing interest rates.

Increased regulation of banking and insurance operations has led to more stringent capital and liquidity requirements for the bank. The new regulations have also resulted in increased demands on long-term financing and higher fixed expenses.

The development of the commission income is dependent on the volume and value development of assets under management, which as a result of market fluctuations has increased the risks pertaining to the Group's income and profitability.

Russia's war against Ukraine continues and has had spill-over effects on the European and Finnish economies. This, paired with increased inflation and the European Central Bank's decision to raise interest rates, also affects the financial position and activity of Aktia's customers. For the time being, there have been no significant deviations in customer behaviour, but Aktia is actively monitoring the situation. Aktia operates in Finland and has no activity in Russia, Belarus or Ukraine.

According to the latest data, the recovery from the consequences of the coronavirus pandemic will continue and this will also be reflected in the statistical indicators concerning Finland's economic development. The quality of Aktia's loan book and new lending has been stable despite the growth in lending. This applies to the lending volume of both companies and private customers.

The acquisition of Taaleri's wealth management operations was carried out on 30 April 2021. The transaction is being handled actively through thorough integration coordination. Future risks concern the implementation of the integration in accordance with the set targets, including the synergy and cross-selling targets. Aktia simplified its group structure by merging two fund management companies as well as Aktia Wealth Management Ltd and Aktia Bank Plc on 1 January 2022.

Aktia's operational risks have also been in line with the risk appetite during the second quarter of 2022. Due to the crisis in Ukraine and Finland's decision to apply for NATO membership, the threat of various cyber-attacks has increased, but has not materialised in Q2/2022 either. Aktia has followed the instructions of the authorities and raised the levels of protection against cyber-attacks in Q1/2022. We are still actively following up the development of the situation.

Aktia's customers have also been subject to various forms of phishing in Q2/2022, but significant financial losses to customers have been avoided. In particular, fraud on e-commerce platforms has increased significantly in Finland this spring and Aktia's customers have also been affected. Aktia aims to take preventive measures against offenders targeting customers and informs customers about threats of online fraud.

Aktia has returned to a hybrid work model after the coronavirus pandemic. No specific coronavirus measures apply.

The high inflation rate in the euro area (1.8 % in May) has contributed to a continued rise in interest rates in the second quarter. The market also expects that the ECB will increase the reference rate significantly already in 2022 and that the ECB's reference rate will increase by about 2 pp from its current level within two years. Due to the reasons described above, we have started to hedge the interest rate risk of the liquidity portfolio in the second quarter.

Outlook 2022 (updated 15 July 2022)

The decline in the equity market and increasing interest rates made the market environment particularly challenging during the first half of the year. Despite the positive net subscriptions, the assets under management (AuM) reduced during the second quarter due to the negative value changes. The market value of the life insurance company's investment portfolio also declined. As the market outlook for the rest of the year remains uncertain, Aktia decided to lower its outlook for 2022.

New outlook for 2022:

Aktia's comparable operating profit in 2022 is expected to be approximately at the same level as in 2021. The key uncertainties related to the realisation of the outlook include the development of the interest rate and equity markets as well as the general economic situation.

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

Previous outlook for 2022:

Aktia's comparable operating profit in 2022 is expected to be somewhat higher than in 2021 provided that the market development is favourable and the circumstances in society remain stable.

In 2021, Aktia's comparable operating profit was EUR 87.4 million.

Tables and notes to the half-year report

Key figures

(EUR million)	1-6/2022	1-6/2021	Δ %	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021
Earnings per share (EPS), EUR	0.43	0.45	-4 %	0.28	0.15	0.23	0.28	0.24
Total earnings per share, EUR	-0.27	0.31	-	-0.05	-0.23	0.16	0.26	0.19
Equity per share (NAV), EUR ¹	8.63	9.41	-8 %	8.63	9.21	9.45	9.70	9.41
Average number of shares (excl. treasury shares), million ²	71.9	69.8	3 %	71.9	71.9	70.5	70.0	69.8
Numer of share at the end of the period (excl. treasury shares), million ¹	72.1	70.5	2 %	72.1	72.0	71.8	71.8	70.5
Return on equity (ROE), % ³	9.5	9.5	0 %	12.3	6.5	9.5	11.4	10.5
Return on assets (ROA), % ³	0.52	0.58	-10 %	0.67	0.38	0.57	0.69	0.63
Cost-to-income ratio [*]	0.69	0.67	4 %	0.62	0.78	0.69	0.62	0.67
Common Equity Tier 1 capital ratio. CET1 (Bank Group), % ¹	10.4	10.8	-4 %	10.4	10.6	11.2	10.4	10.8
Tier 1 capital ratio (Bank Group), % ¹	12.3	12.9	-4 %	12.3	12.6	13.2	12.4	12.9
Capital adequacy ratio (Bank Group), % ¹	14.6	15.5	-6 %	14.6	14.8	15.6	14.8	15.5
Risk-weighted exposures (Bank Group) ¹	3,089.5	2,885.7	7 %	3,089.5	3,072.1	2,940.6	2,969.2	2,885.7
Capital adequacy ratio (finance and insurance conglomerate), % ¹	143.3	121.6	18 %	143.3	140.6	145.0	125.9	121.6
Equity ratio, % ¹	5.8	6.6	-13 %	5.8	6.2	6.6	6.9	6.6
Group financial assets ¹	2,589	2,374	9 %	2,589	2,580	2,546	2,417	2,374
Assets under management ^{1,4}	13,919	15,912	-13 %	13,919	14,697	15,794	15,899	15,912
Borrowing from the public ¹	4,890.1	4,559.6	7 %	4,890.1	4,698.9	4,503.3	4,606.5	4,559.6
Lending to the public ¹	7,698.2	7,299.2	5 %	7,698.2	7,607.3	7,486.4	7,412.7	7,299.2
Premiums written before reinsurers' share [*]	82.1	80.8	2 %	36.4	45.7	39.8	32.1	41.8
Expense ratio, % (life insurance company) ²	107.1	95.6	12 %	107.1	102.3	98.9	94.9	95.6
Solvency ratio (life insurance company), %	245.1	156.6	57 %	245.1	154.7	224.7	164.3	156.6
Eligible capital (life insurance company)	205.8	177.1	16 %	205.8	171.3	244.7	184.6	177.1
Investments at fair value (life insurance company) ¹	1,495.4	1,608.7	-7 %	1,495.4	1,599.3	1,693.4	1,616.2	1,608.7
Technical provisions for risk insurances and interest-related insurances ¹	381.6	426.5	-11 %	381.6	402.4	414.5	421.9	426.5
Technical provisions for unit-linked insurances ¹	1,003.4	1,087.9	-8 %	1,003.4	1,086.4	1,153.8	1,096.6	1,087.9
Group's personnel (FTEs), average number of employees	907	854	6 %	932	875	859	901	867
Group's personnel (FTEs), at the end of the period ¹	965	926	4 %	965	895	854	865	926
Alternative performance measures excluding items affecting comparability:								
Comparable cost-to-income ratio [*]	0.69	0.64	8 %	0.62	0.78	0.69	0.63	0.63
Comparable earnings per share (EPS), EUR [*]	0.43	0.48	-11 %	0.28	0.15	0.23	0.27	0.28
Comparable return on equity (ROE), % ³	9.4	10.2	-8 %	12.3	6.5	9.6	11.2	12.3

* 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
Formulas for the key figures are available in Aktia Bank Plc's Annual Review 2021 on page 49.

4) The reported customer assets have been adjusted from 1 January 2021 (+0.3 billion euros) and now include customer entities instead of specific assets.

Consolidated income statement

(EUR million)	Note	Jan-June 2022	Jan-June 2021	Δ %	2021
Net interest income	3	50.9	49.0	4 %	96.2
Dividends		0.4	0.3	29 %	0.4
Commission income		69.4	62.4	11 %	136.0
Commission expenses		-6.5	-5.6	-16 %	-12.0
Net commission income		63.0	56.8	11 %	124.0
Net income from life insurance	4	14.5	20.4	-29 %	37.7
Net income from financial transactions	5	1.6	4.2	-62 %	4.7
Other operating income		0.2	0.5	-63 %	0.8
Total operating income		130.6	131.2	0 %	263.8
Staff costs		-42.1	-39.6	6 %	-83.7
IT expenses		-16.0	-14.0	14 %	-30.7
Depreciation of tangible and intangible assets		-11.8	-9.7	21 %	-21.5
Other operating expenses		-20.8	-24.2	-14 %	-38.5
Total operating expenses		-90.6	-87.6	3 %	-174.4
Impairment of credits and other commitments	7	-2.1	-3.6	-43 %	-4.5
Share of profit from associated companies		0.3	-0.1	-	-0.3
Operating profit		38.2	39.9	-4 %	84.6
Taxes		-7.4	-8.3	-10 %	-17.3
Profit for the period		30.8	31.7	-3 %	67.4
Attributable to:					
Shareholders in Aktia Bank Plc		30.8	31.1	-1 %	66.8
Holders of Additional Tier 1 capital		0.0	0.5	-100 %	0.5
Total		30.8	31.7	-3 %	67.4
Earnings per share (EPS), EUR		0.43	0.45	-4 %	0.95
Earnings per share (EPS) after dilution, EUR		0.43	0.45	-4 %	0.95
Operating profit excluding items affecting comparability:					
Operating profit		38.2	39.9	-4 %	84.6
Operating income:					
Additional income from divestment of Visa Europe to Visa Inc		-0.2	-	-	-0.5
Operating expenses:					
Costs for restructuring		-	3.0	-	3.3
Comparable operating profit		38.0	42.9	-11 %	87.4

Consolidated statement of comprehensive income

(EUR million)	Jan-June 2022	Jan-June 2021	Δ%	2021
Profit for the period	30.8	31.7	-3 %	67.4
Other comprehensive income after taxes:				
Change in valuation of fair value for financial assets	-49.8	-6.9	-625 %	-11.4
Change in valuation of fair value for cash flow hedging	-0.8	0.0	-	-0.1
Transferred to the income statement for financial assets	0.0	-2.6	-	-3.5
Comprehensive income from items which can be transferred to the income statement	-50.6	-9.5	-431 %	-15.1
Defined benefit plan pensions	-	-	-	-0.1
Comprehensive income from items which can not be transferred to the income statement	-	-	-	-0.1
Total comprehensive income for the period	-19.8	22.1	-	52.2
Total comprehensive income attributable to:				
Shareholders in Aktia Bank Plc	-19.8	21.6	-	51.6
Holders of Additional Tier 1 capital	-	0.5	-	0.5
Total	-19.8	22.1	-	52.2
Total earnings per share, EUR	-0.28	0.31	-	0.73
Total earnings per share after dilution, EUR	-0.28	0.31	-	0.73
Total comprehensive income excluding items affecting comparability:				
Total comprehensive income	-19.8	22.1	-	52.2
Operating income:				
Additional income from divestment of Visa Europe to Visa Inc	-0.1	-	-	-0.4
Operating expenses:				
Costs for restructuring	-	2.4	-	2.6
Comparable total comprehensive income	-19.9	24.5	-	54.4

Items affecting consolidated income statement and comprehensive income

(EUR million)	Jan-June 2022	Jan-June 2021	Δ%	2021
Net income from financial transactions	0.2	-	-	0.5
Total operating income	0.2	-	-	0.5
Staff costs	-	-1.3	-	-1.6
Other operating expenses	-	-1.7	-	-1.7
Total operating expenses	-	-3.0	-	-3.3
Operating profit	0.2	-3.0	-	-2.8
Taxes	0.0	0.6	-	0.6
Total comprehensive income for the period	0.1	-2.4	-	-2.2

Consolidated balance sheet

(EUR million)	Note	30 June 2022	31 Dec 2021	Δ%	30 June 2021
Interest-bearing securities		77.1	94.6	-19 %	97.4
Shares and participations		169.2	203.2	-17 %	180.0
Investments for unit-linked investments		1,004.2	1,154.0	-13 %	1,088.8
Financial assets measured at fair value through income statement	8	1,250.5	1,451.8	-14 %	1,366.2
Interest-bearing securities		1,041.5	1,107.0	-6 %	989.6
Financial assets measured at fair value through other comprehensive income	8	1,041.5	1,107.0	-6 %	989.6
Interest-bearing securities	7,8	508.4	386.5	32 %	366.5
Lending to Bank of Finland and credit institutions	7,8	128.8	65.3	97 %	42.6
Lending to the public and public sector entities	7,8	7,698.2	7,486.4	3 %	7,299.2
Cash and balances with central banks	8	824.4	732.8	12 %	716.7
Financial assets measured at amortised cost		9,159.8	8,671.0	6 %	8,424.9
Derivative instruments	6,8	18.5	39.6	-53 %	54.1
Investments in associated companies and joint ventures		2.5	0.2	-	0.2
Intangible assets and goodwill		169.0	174.0	-3 %	180.2
Right-of-use assets		21.9	22.3	-2 %	24.7
Investment properties		45.6	45.5	0 %	42.2
Other tangible assets		8.3	8.1	3 %	6.6
Tangible and intangible assets		244.8	249.8	-2 %	253.7
Other assets		166.8	131.7	27 %	144.0
Income tax receivables		0.0	0.2	-79 %	0.8
Deferred tax receivables		4.7	2.1	118 %	2.3
Tax receivables		4.7	2.3	102 %	3.2
Total assets		11,889.1	11,653.3	2 %	11,235.9
Liabilities to central banks (TLTRO loan)		800.0	800.0	0 %	650.0
Liabilities to credit institutions		93.2	122.5	-24 %	134.2
Liabilities to the public and public sector entities		4,890.1	4,503.3	9 %	4,559.6
Deposits	8	5,783.3	5,425.8	7 %	5,343.9
Derivative instruments	6,8	181.7	20.5	787 %	16.7
Debt securities issued		2,971.2	3,060.3	-3 %	3,065.6
Subordinated liabilities		121.0	150.0	-19 %	119.4
Other liabilities to credit institutions		11.3	14.0	-20 %	21.8
Other liabilities to the public and public sector entities		622.3	506.0	23 %	269.5
Other financial liabilities	8	3,725.7	3,730.4	0 %	3,476.3
Technical provisions for risk insurances and interest-related insurances		381.6	414.5	-8 %	426.5
Technical provisions for unit-linked insurances		1,003.4	1,153.8	-13 %	1,087.9
Technical provisions		1,385.0	1,568.2	-12 %	1,514.4
Other liabilities		80.4	104.2	-23 %	98.6
Provisions		1.1	1.0	13 %	1.5
Income tax liabilities		4.3	6.7	-36 %	3.3
Deferred tax liabilities		46.4	58.1	-20 %	58.6
Tax liabilities		50.7	64.8	-22 %	61.9
Total liabilities		11,207.9	10,914.9	3 %	10,513.1
Restricted equity		125.3	175.9	-29 %	181.5
Unrestricted equity		496.4	503.0	-1 %	481.9
Shareholders' share of equity		621.8	678.9	-8 %	663.3
Holders of Additional Tier 1 capital		59.5	59.5	0 %	59.5
Total equity		681.2	738.4	-8 %	722.8
Total liabilities and equity		11,889.1	11,653.3	2 %	11,235.9

Consolidated off-balance-sheet commitments

(EUR million)	30 June 2022	31 Dec 2021	Δ%	30 June 2021
Guarantees	18.6	20.7	-10 %	20.5
Other commitments provided to a third party	6.7	6.8	-1 %	7.0
Commitments provided to a third party on behalf of the customers	25.4	27.5	-8 %	27.6
Unused credit arrangements	719.2	685.3	5 %	680.2
Other commitments provided to a third party	19.5	24.8	-21 %	13.0
Irrevocable commitments provided on behalf of customers	738.7	710.1	4 %	693.2
Total	764.0	737.6	4 %	720.8

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	Shareholders' share of equity	Additional Tier 1 capital holders	Total equity
Equity as at 1 January 2021	169.7	21.3	3.0	112.7	360.2	666.8	-	666.8
Share issue	-			25.8	-	25.8		25.8
Acquisition of treasury shares					-1.0	-1.0		-1.0
Divestment of treasury shares				0.1	1.0	1.0		1.0
Dividend to shareholders					-67.7	-67.7		-67.7
<i>Profit for the year</i>					67.4	67.4		67.4
<i>Financial assets</i>		-14.9				-14.9		-14.9
<i>Cash flow hedging</i>		-0.1				-0.1		-0.1
<i>Defined benefit plan pensions</i>					-0.1	-0.1		-0.1
Total comprehensive income for the year		-15.1			67.2	52.2		52.2
Additional Tier 1 (AT1) capital issue						-	60.0	60.0
Issue cost						-	-0.5	-0.5
Change in share-based payments (IFRS 2)			1.0		0.7	1.7		1.7
Equity as at 31 December 2021	169.7	6.2	3.9	138.6	360.5	678.9	59.5	738.4
Equity as at 1 January 2022	169.7	6.2	3.9	138.6	360.5	678.9	59.5	738.4
Share issue				1.5	-	1.5		1.5
Acquisition of treasury shares					-0.9	-0.9		-0.9
Divestment of treasury shares				0.4	1.2	1.6		1.6
<i>Profit for the period</i>					30.8	30.8		30.8
<i>Financial assets</i>		-49.8			-	-49.8		-49.8
<i>Cash flow hedging</i>		-0.8			-	-0.8		-0.8
Total comprehensive income for the period		-50.6			30.8	-19.8		-19.8
Additional Tier 1 (AT1) capital issue						-	-	-
Issue cost						-	-	-
Change in share-based payments (IFRS 2)			0.3		0.3	0.7		0.7
Equity as at 30 June 2022	169.7	-44.4	4.3	140.5	351.6	621.8	59.5	681.2

Equity as at 1 January 2021	169.7	21.3	3.0	112.7	360.2	666.8	-	666.8
Share issue				11.3	-	11.3		11.3
Acquisition of treasury shares					-1.0	-1.0		-1.0
Divestment of treasury shares				0.1	1.0	1.0		1.0
Dividend to shareholders					-36.8	-36.8		-36.8
<i>Profit for the period</i>					31.7	31.7		31.7
<i>Financial assets</i>		-9.5				-9.5		-9.5
<i>Cash flow hedging</i>		0.0				0.0		0.0
Total comprehensive income for the period		-9.5			31.7	22.1		22.1
Additional Tier 1 (AT1) capital issue							60.0	60.0
Issue cost							-0.5	-0.5
Change in share-based payments (IFRS 2)			-0.6		0.4	-0.2		-0.2
Equity as at 30 June 2021	169.7	11.7	2.3	124.1	355.5	663.3	59.5	722.8

Consolidated cash flow statement

(EUR million)	Jan-June 2022	Jan-June 2021	Δ %	2021
Cash flow from operating activities				
Operating profit	38.2	39.9	-4 %	84.6
Adjustment items not included in cash flow	21.4	10.2	110 %	14.2
Paid income taxes	-11.3	-8.8	-28 %	-12.8
Cash flow from operating activities before change in receivables and liabilities	48.3	41.3	17 %	86.0
Increase (-) or decrease (+) in receivables from operating activities	-252.4	-134.0	-88 %	-542.7
Increase (+) or decrease (-) in liabilities from operating activities	356.8	643.5	-45 %	1 033.0
Total cash flow from operating activities	152.7	550.8	-72 %	576.2
Cash flow from investing activities				
Acquisition of the Taaleri Wealth Management Ltd	-	-113.7	-	-113.7
Investment in investment properties	-	-2.2	-	-3.8
Proceeds from sale of investment properties	-	0.9	-	0.9
Investment in tangible and intangible assets	-4.7	-4.8	2 %	-9.7
Proceeds from sale of tangible and intangible assets	0.1	0.0	-	0.1
Acquisition of and capital loan to associated companies	-2.1	-0.2	-	-0.3
Total cash flow from investing activities	-6.7	-119.9	94 %	-126.4
Cash flow from financing activities				
Subordinated liabilities	-25.0	-38.8	36 %	-7.8
Share issue	-	-	-	13.9
Additional Tier 1 (AT1) capital issue	-	59.5	-	59.5
Divestment of treasury shares	1.6	1.0	50 %	1.0
Paid dividends	-40.3	-36.8	-10 %	-67.7
Total cash flow from financing activities	-63.7	-15.1	-322 %	-1.0
Change in cash and cash equivalents	82.3	415.8	-80 %	448.8
Cash and cash equivalents at the beginning of the year	734.9	276.6	166 %	276.6
Cash and cash equivalents at the end of the period	817.2	701.9	16 %	734.9
Cash and cash equivalents from the acquisition of Taaleri Wealth Management Ltd	-	9.5	-	9.5
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	0.7	0.8	-19 %	0.9
Bank of Finland current account excl. the minimum reserve deposit in Bank of Finland	770.5	665.8	16 %	680.3
Repayable on demand claims on credit institutions	46.0	35.3	31 %	53.7
Total	817.2	701.9	16 %	734.9
Adjustment items not included in cash flow consist of:				
Impairment of interest-bearing securities	0.7	-0.2	-	-0.4
Unrealised change in value for financial assets measured at fair value through income statement	9.6	-0.5	-	-7.9
Impairment of credits and other commitments	2.1	3.6	-43 %	4.5
Change in fair values	0.3	2.8	-88 %	4.6
Depreciation and impairment of tangible and intangible assets	9.4	7.2	30 %	16.6
Sales gains and losses from tangible and intangible assets	-	-0.3	-	-0.3
Unwound fair value hedging	-1.0	-1.0	0 %	-2.0
Change in fair values of investment properties	-0.2	-0.7	78 %	-2.4
Change in share-based payments	0.2	-0.7	-	0.8
Other adjustments	0.2	0.1	258 %	0.7
Total	21.4	10.2	110 %	14.2

Quarterly trends in the Group

(EUR million)							
Income statement	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021	1-6/2022	1-6/2021
Net interest income	25.8	25.1	24.1	23.1	27.7	50.9	49.0
Dividends	0.4	0.0	0.0	0.0	0.3	0.4	0.3
Net commission income	31.6	31.3	33.7	33.5	31.7	63.0	56.8
Net income from life insurance	12.7	1.8	7.6	9.7	10.5	14.5	20.4
Net income from financial transactions	0.9	0.7	0.0	0.4	2.9	1.6	4.2
Other operating income	0.1	0.1	0.1	0.2	0.2	0.2	0.5
Total operating income	71.6	59.0	65.5	67.1	73.3	130.6	131.2
Staff costs	-20.8	-21.3	-22.2	-21.9	-22.0	-42.1	-39.6
IT expenses	-8.3	-7.6	-9.1	-7.5	-7.6	-16.0	-14.0
Depreciation of tangible and intangible assets	-5.9	-5.9	-6.0	-5.7	-5.3	-11.8	-9.7
Other operating expenses	-9.6	-11.2	-7.9	-6.5	-13.9	-20.8	-24.2
Total operating expenses	-44.7	-45.9	-45.2	-41.6	-48.8	-90.6	-87.6
Impairment of credits and other commitments	-2.4	0.3	0.1	-1.0	-1.4	-2.1	-3.6
Share of profit from associated companies	0.2	0.1	-0.1	-0.1	-0.1	0.3	-0.1
Operating profit	24.7	13.5	20.3	24.4	23.0	38.2	39.9
Taxes	-4.9	-2.5	-4.0	-5.0	-5.4	-7.4	-8.3
Profit for the period	19.8	11.0	16.3	19.4	17.7	30.8	31.7
Attributable to:							
Shareholders in Aktia Bank Plc	19.8	11.0	16.3	19.4	17.1	30.8	31.1
Holders of Additional Tier 1 capital	-	-	-	-	0.5	-	0.5
Total	19.8	11.0	16.3	19.4	17.7	30.8	31.7
Earnings per share (EPS), EUR	0.15	0.15	0.23	0.28	0.24	0.43	0.45
Earnings per share (EPS) after dilution, EUR	0.15	0.15	0.23	0.28	0.24	0.43	0.45
Operating profit excluding items affecting comparability:							
Operating profit	24.7	13.5	20.3	24.4	23.0	38.2	39.9
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-0.2	-	-0.5	-	-0.2	-
Operating expenses:							
Costs for restructuring	-	-	0.4	-	3.0	-	3.0
Comparable operating profit	24.7	13.3	20.7	23.8	26.0	38.0	42.9

(EUR million)							
Comprehensive income	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021	1-6/2022	1-6/2021
Profit for the period	19.8	11.0	16.3	19.4	17.7	30.8	31.7
Other comprehensive income after taxes:							
Change in fair value for financial assets	-22.0	-27.8	-4.1	-0.5	-2.3	-49.8	-6.9
Change in fair value for cash flow hedging	-0.8	0.0	-0.1	0.0	0.0	-0.8	0.0
Transferred to the income statement for financial assets	-0.3	0.3	-0.2	-0.7	-1.8	0.0	-2.6
Comprehensive income from items which can be transferred to the income statement	-23.1	-27.5	-4.3	-1.2	-4.1	-50.6	-9.5
Defined benefit plan pensions	-	-	-0.1	-	-	-	-
Comprehensive income from items which can not be transferred to the income statement	-	-	-0.1	-	-	-	-
Total comprehensive income for the period	-3.3	-16.5	11.8	18.2	13.6	-19.8	22.1
Total comprehensive income attributable to:							
Shareholders in Aktia Bank Plc	-3.3	-16.5	11.8	18.2	13.1	-19.8	21.6
Holders of Additional Tier 1 capital	-	-	-	-	0.5	-	0.5
Total	-3.3	-16.5	11.8	18.2	13.6	-19.8	22.1
Total earnings per share, EUR	-0.05	-0.23	0.16	0.26	0.19	-0.27	0.31
Total earnings per share after dilution, EUR	-0.05	-0.23	0.16	0.26	0.19	-0.27	0.31
Total comprehensive income excluding items affecting comparability:	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021	1-6/2022	1-6/2021
Total comprehensive income	-3.3	-16.5	11.8	18.2	13.6	-19.8	22.1
Operating income:							
Additional income from divestment of Visa Europe to Visa Inc	-	-0.1	-	-0.4	-	-0.1	-
Operating expenses:							
Costs for restructuring	-	-	0.3	-	2.4	-	2.4
Comparable total comprehensive income	-3.3	-16.7	12.1	17.7	16.0	-19.9	24.5

Quarterly trends in the segments

Banking Business	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021	1-6/2022	1-6/2021
Net interest income	21.0	19.5	18.9	18.2	18.7	40.5	36.3
Net commission income	14.8	15.1	15.4	15.1	15.1	29.9	29.3
Other operating income	0.0	0.0	0.0	0.0	0.1	0.0	0.3
Total operating income	35.8	34.6	34.3	33.3	33.9	70.3	65.9
Staff costs	-3.8	-3.4	-6.9	-4.0	-5.0	-7.2	-9.0
Other operating expenses ¹	-20.7	-23.0	-17.6	-18.8	-21.2	-43.8	-42.0
Total operating expenses	-24.5	-26.5	-24.5	-22.8	-26.2	-51.0	-51.0
Impairment of credits and other commitments	-2.4	0.3	0.1	-1.0	-1.4	-2.1	-3.6
Operating profit	8.9	8.4	9.9	9.5	6.3	17.3	11.3
Comparable operating profit	8.9	8.4	10.0	9.5	7.5	17.3	12.5

Asset Management	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021	1-6/2022	1-6/2021
Net interest income	0.5	0.5	0.4	0.4	0.4	1.0	0.8
Net commission income	18.5	17.8	20.0	20.2	18.5	36.3	30.8
Net income from life insurance	11.8	0.9	6.5	8.7	9.5	12.7	18.4
Other operating income	0.1	0.1	0.1	0.3	0.3	0.2	0.3
Total operating income	31.0	19.4	27.0	29.5	28.6	50.3	50.4
Staff costs	-5.8	-7.0	-7.1	-7.3	-6.2	-12.8	-10.7
Other operating expenses ¹	-11.4	-10.6	-11.4	-9.7	-12.4	-22.0	-20.0
Total operating expenses	-17.2	-17.6	-18.5	-17.0	-18.6	-34.8	-30.7
Operating profit	13.8	1.7	8.4	12.6	10.0	15.5	19.7
Comparable operating profit	13.8	1.7	8.6	12.6	11.7	15.5	21.5

Group Functions	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021	1-6/2022	1-6/2021
Net interest income	4.3	5.1	4.8	4.5	8.5	9.4	11.9
Net commission income	1.4	1.5	1.3	1.4	1.2	2.8	2.6
Other operating income	1.3	0.7	0.1	0.4	3.2	2.1	4.6
Total operating income	7.0	7.3	6.2	6.4	12.9	14.3	19.1
Staff costs	-11.2	-10.8	-8.2	-10.7	-10.8	-22.1	-20.0
Other operating expenses ¹	6.1	6.8	4.1	6.6	4.7	12.8	9.9
Total operating expenses	-5.2	-4.1	-4.1	-4.0	-6.1	-9.2	-10.1
Impairment of credits and other commitments	-	-	-	0.0	-	-	-
Operating profit	1.9	3.2	2.1	2.4	6.8	5.1	8.9
Comparable operating profit	1.9	3.1	2.2	1.9	6.8	4.9	8.9

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

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

Basis for preparing the interim report

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

The interim report for the period 1 January–30 June 2022 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim report does not contain all the information and notes required for financial statements and should therefore be read together with Aktia Group's Financial Statements 2021 and other supplementary reports (mainly the Financial Review 2021 and the Pillar III Report 2021). Figures in the tables are presented in millions of euros rounded to one decimal. Therefore, the total of individual amounts may differ from the presented total.

The interim report for the period 1 January–30 June 2022 was approved by the Board of Directors on 05 August 2022.

Key accounting principles

In preparing the interim report the Group has followed the accounting principles applicable to the Annual report of 31 December 2021.

No new or adjusted IFRS standards have been implemented this year.

The following new and amended IFRSs will affect the reporting of future transactions and business:

The reporting of insurance contracts is regulated in IFRS 4 and will in the future be replaced by the new standard IFRS 17. IFRS 17 means new starting points for reporting and measurement of insurance contracts as well as rules on how insurance contracts are presented in the notes. The aim of the new standard is to increase transparency, give a more accurate picture of the results of the insurance contracts and to reduce the differences in accounting between different insurance contracts. The new standard introduces uniform valuation principles based on three measurement approaches: the building block approach, the premium allocation approach, and the variable fee approach. IFRS 17 prescribes the building block approach for the valuation of insurance contracts, whereby the insurance commitment is measured based on expected present values of future cash flows, with consideration given to risk and a profit margin. The two other valuation approaches can be applied under certain conditions. The choice of valuation approach depends on the terms of the contract (long-term, shortterm or profit-yielding). A project for the implementation of IFRS 17 is ongoing and currently the financial impact of the new standard is being evaluated. The impact of the new standard on the Group's result and financial position, and the transitional method chosen by Aktia will be described in the interim report Q3/2022, at the latest. The IFRS 17 standard was approved by the EU on 23 November 2021 and will be compulsory in the EU on 1 January 2023. The Aktia Group will implement IFRS 17 when the standard becomes compulsory within the EU.

The Group does not expect other new or revised IFRSs or interpretations from IFRIC (International Financial Reporting Interpretations Committee) to have an impact on the Group's future results, financial position or explanatory notes.

Note 2. Group's risk exposure

The Bank Group's capital adequacy

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

(EUR million)	30 June 2022		31 December 2021		30 June 2021	
Calculation of the Bank Group's capital base	Group	Bank Group	Group	Bank Group	Group	Bank Group
Total assets	11,889.1	10,412.1	11,653.3	9,993.9	11,235.9	9,662.0
of which intangible assets	169.0	167.6	174.0	172.8	180.2	179.0
Total liabilities	11,207.9	9,795.3	10,914.9	9,361.7	10,513.1	9,039.0
of which subordinated liabilities	121.0	69.5	150.0	94.5	119.4	119.4
Share capital	169.7	169.7	169.7	169.7	169.7	169.7
Fund at fair value	-44.4	-35.2	6.2	4.2	11.7	8.8
Restricted equity	125.3	134.5	175.9	173.9	181.5	178.5
Unrestricted equity reserve and other funds	144.8	144.7	142.5	142.4	126.4	126.3
Retained earnings	320.8	216.7	352.6	266.1	383.3	296.8
Profit for the period	30.8	61.4	67.4	49.8	31.7	21.3
Unrestricted equity	496.4	422.8	562.5	458.3	541.3	444.4
Shareholders' share of equity	621.8	557.3	678.9	572.7	663.3	563.5
Holders of other Tier 1 capital	59.5	59.5	59.5	59.5	59.5	59.5
Equity	681.2	616.8	738.4	632.2	722.8	623.0
Total liabilities and equity	11,889.1	10,412.1	11,653.3	9,993.9	11,235.9	9,662.0
Off-balance sheet commitments	764.0	744.6	737.6	712.8	720.8	707.8
The Bank Group's equity		616.8		632.2		623.0
Provision for dividends to shareholders		-24.7		-40.2		-
Profit for the period, for which no application was filed with the Financial Supervisory Authority		-		-		-21.3
Intangible assets		-158.6		-162.3		-170.1
Debentures		69.5		70.6		74.3
Additional expected losses according to IRB		-27.3		-24.4		-25.4
Deduction for significant holdings in financial sector entities		-14.6		-12.1		-13.7
Other incl. unpaid dividend		-10.8		-4.1		-21.0
Total capital base (CET1 + AT1 + T2)		450.3		459.7		445.9

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)	30 June 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 June 2021
The Bank Group's capital adequacy					
Common Equity Tier 1 Capital before regulatory adjustments	520.6	523.4	520.2	507.9	512.4
Common Equity Tier 1 Capital regulatory adjustments	-199.8	-197.1	-191.1	-199.4	-200.8
Total Common Equity Tier 1 Capital (CET1)	320.8	326.3	329.1	308.5	311.6
Additional Tier 1 capital before regulatory adjustments	60.0	60.0	60.0	60.0	60.0
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	60.0	60.0	60.0	60.0	60.0
Total Tier 1 capital (T1 = CET1 + AT1)	380.8	386.3	389.1	368.5	371.6
Tier 2 capital before regulatory adjustments	69.5	69.7	70.6	72.1	74.3
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	69.5	69.7	70.6	72.1	74.3
Total own funds (TC = T1 + T2)	450.3	456.0	459.7	440.7	445.9
Risk weighted exposures	3,089.5	3 071.7	2,940.6	2,969.2	2,885.7
of which credit risk, the standardised model	625.4	661.8	560.4	606.4	589.1
of which credit risk, the IRB model	2,043.2	1 989.1	1,959.3	1,954.0	1,887.9
of which 15% risk-weight floor for residential mortgages	-	-	-	-	-
of which market risk	-	-	-	-	-
of which operational risk	420.9	420.9	420.9	408.8	408.8
Own funds requirement (8%)	247.2	245.7	235.2	237.5	230.9
Own funds buffer	203.2	210.2	224.5	203.1	215.0
CET1 Capital ratio	10.4, %	10,6 %	11.2 %	10.4 %	10.8 %
T1 Capital ratio	12.3, %	12,6 %	13.2 %	12.4 %	12.9 %
Total capital ratio	14.6, %	14,8 %	15.6 %	14.8 %	15.5 %
Own funds floor (CRR article 500)					
Own funds	450.3	456.0	459.7	440.7	445.9
Own funds floor ¹	244.3	239.8	235.3	244.5	236.7
Own funds buffer	206.0	216.2	224.4	196.2	209.2

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)	2019	2020	2021	30 June 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 June 2021
Risk-weighted amount for operational risks								
Gross income	219.0	213.8	240.5					
- average 3 years			224.5					
Capital requirement for operational risk				33.7	33.7	33.7	32.7	32.7
Risk-weighted amount				420.9	420.9	420.9	408.8	408.8

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%.

30 June 2022

(EUR million)	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
The Bank Group's total risk exposures					
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,036.6	943.1	63 %	590.0	47.2
Corporates - Other	751.9	703.0	70 %	491.3	39.3
Retail - Secured by immovable property non-SME	4,963.8	4,956.8	13 %	662.9	53.0
Retail - Secured by immovable property SME	134.9	134.3	48 %	64.1	5.1
Retail - Other non-SME	250.0	240.9	35 %	83.5	6.7
Retail - Other SME	55.5	53.5	76 %	40.5	3.2
Risk-weight floor for residential mortgages, 15%	-	-	-	-	-
Equity exposures	40.2	40.2	276 %	110.9	8.9
Total exposures, IRB approach	7,233.1	7,071.9	29 %	2,043.2	163.5
Credit risk, standardised approach					
States and central banks	1,021.3	1,085.0	0 %	-	-
Regional governments and local authorities	167.9	163.3	0 %	0.3	0.0
Multilateral development banks	-	24.6	0 %	-	-
International organisations	25.3	25.3	0 %	-	-
Credit institutions	309.9	306.8	21 %	63.8	5.1
Corporates	113.1	28.9	83 %	24.0	1.9
Retail exposures	312.7	134.4	70 %	93.7	7.5
Secured by immovable property	839.0	819.6	30 %	243.6	19.5
Past due items	5.0	3.5	114 %	3.9	0.3
Covered Bonds	858.8	858.8	11 %	91.0	7.3
Other items	148.6	148.6	58 %	85.6	6.8
Total exposures, standardised approach	3,801.6	3,598.6	17 %	605.8	48.5
Total risk exposures	11,034.6	10,670.5	25 %	2,649.0	211.9

31 December 2021

(EUR million)	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	Capital requirement 8%
The Bank Group's total risk exposures					
Exposure class					
Credit risk, IRB approach					
Corporates - SME	1,007.1	921.1	63 %	579.5	46.4
Corporates - Other	667.6	616.3	70 %	432.5	34.6
Retail - Secured by immovable property non-SME	4,952.6	4,946.1	13 %	665.3	53.2
Retail - Secured by immovable property SME	139.5	138.7	49 %	68.6	5.5
Retail - Other non-SME	232.3	223.0	32 %	71.3	5.7
Retail - Other SME	49.0	47.0	79 %	37.0	3.0
Risk-weight floor for residential mortgages, 15%	-	-	-	-	-
Equity exposures	39.5	39.5	266 %	105.1	8.4
Total exposures, IRB approach	7,087.4	6,931.7	28 %	1,959.3	156.7
Credit risk, standardised approach					
States and central banks	942.1	1,007.0	0 %	-	-
Regional governments and local authorities	227.2	212.6	0 %	0.3	0.0
Multilateral development banks	-	22.6	0 %	-	-
International organisations	20.1	20.1	0 %	-	-
Credit institutions	203.6	200.5	21 %	43.1	3.4
Corporates	100.0	20.3	81 %	16.5	1.3
Retail exposures	268.2	110.8	71 %	78.8	6.3
Secured by immovable property	786.6	767.2	30 %	231.8	18.5
Past due items	5.7	4.4	108 %	4.7	0.4
Covered Bonds	814.8	814.8	11 %	86.3	6.9
Other items	131.5	131.5	60 %	79.2	6.3
Total exposures, standardised approach	3,499.9	3,311.8	16 %	540.7	43.3
Total risk exposures	10,587.3	10,243.4	28 %	2,499.9	200.0

The finance and insurance conglomerates capital adequacy

(EUR million)	30 June 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 June 2021
Summary					
The Group's equity	681.2	722.7	738.4	756.0	722.8
Sector-specific assets	125.5	125.7	126.6	75.3	77.7
Intangible assets and other reduction items	-178.7	-214.4	-220.1	-262.1	-262.1
Conglomerate's total capital base	628.0	634.0	644.9	569.1	538.4
Capital requirement for banking business	354.2	352.0	335.8	339.7	329.8
Capital requirement for insurance business	83.9	98.9	108.9	112.3	113.1
Minimum amount for capital base	438.2	450.8	444.7	452.0	442.9
Conglomerate's capital adequacy	189.9	183.2	200.2	117.1	95.5
Capital adequacy ratio, %	143.3 %	140.6 %	145.0 %	125.9 %	121.6 %

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.

Note 3. Net interest income

(EUR million)	Jan-June 2022	Jan-June 2021	Δ %	2021
Borrowing and lending	47.3	42.5	11 %	86.3
Liquidity portfolio	2.3	2.8	-18 %	5.1
Hedging measures through interest rate derivatives	1.2	1.0	20 %	1.8
Negative interest expenses from TLTRO loan	3.9	5.3	-25 %	8.6
Other, incl. funding from wholesale market	-3.8	-2.6	-48 %	-5.6
Total	50.9	49.0	4 %	96.2

Borrowing and lending include the Covered Bonds issued by mortgage bank operations and the interest rate hedging that was made in connection with the issues. Other consists mainly of senior financing, its interest rate hedging and risk debentures.

Note 4. Net income from life insurance

(EUR million)	Jan-June 2022	Jan-June 2021	Δ %	2021
Premiums written	81.7	80.3	2 %	151.9
Net income from investments	5.6	12.5	-55 %	21.3
<i>of which change in ECL impairment</i>	-0.6	0.1	-	0.1
<i>of which unrealised value changes for shares and participations</i>	-10.6	3.6	-	7.7
<i>of which unrealised value changes for investment properties</i>	0.2	1.4	-89 %	3.1
Insurance claims paid	-55.6	-50.8	-10 %	-98.0
Net change in technical provisions	-17.1	-21.7	21 %	-37.5
Total	14.5	20.4	-29 %	37.7

Note 5. Net income from financial transactions

(EUR million)	Jan-June 2022	Jan-June 2021	Δ %	2021
Net income from financial assets measured at fair value through income statement	0.0	0.2	-89 %	0.2
Net income from securities and currency operations	1.3	0.6	102 %	0.8
<i>of which unrealised value changes in shares and participations</i>	1.0	0.4	133 %	0.2
Net income from financial assets measured at fair value through other comprehensive income	0.4	3.4	-88 %	4.0
<i>of which change in ECL impairment</i>	-0.1	0.3	-	0.3
Net income from interest-bearing securities measured at amortised cost	0.0	0.1	-	0.1
<i>of which change in ECL impairment</i>	0.0	0.1	-	0.1
Net income from hedge accounting	-0.1	-0.2	39 %	-0.4
Total	1.6	4.2	-62 %	4.7

Note 6. Derivative instruments

30 June 2022

Hedging derivative instruments (EUR million)	Total nominal amount	Assets, fair value	Hedging derivative instruments (EUR million)
Fair value hedging			
Interest rate-related	4,127.6	16.4	173.1
Total	4,127.6	16.4	173.1
Cash Flow hedging			
Interest rate-related	269.1	0.7	7.4
Total	269.1	0.7	7.4
Derivative instruments valued through the income statement			
Interest rate-related ¹	60.0	1.3	1.3
Currency-related	3.1	0.0	0.0
Total	63.1	1.3	1.3
Total derivative instruments			
Interest rate-related	4,456.6	18.4	181.7
Currency-related	3.1	0.0	0.0
Total	4,459.7	18.5	181.7

31 December 2021

Hedging derivative instruments (EUR million)	Total nominal amount	Assets, fair value	Hedging derivative instruments (EUR million)
Fair value hedging			
Interest rate-related	3,303.3	31.1	17.4
Total	3,303.3	31.1	17.4
Cash Flow hedging			
Interest rate-related	240.2	5.3	-
Total	240.2	5.3	-
Derivative instruments valued through the income statement			
Interest rate-related ¹	70.0	3.1	3.1
Currency-related	1.9	0.0	0.0
Total	71.9	3.1	3.1
Total derivative instruments			
Interest rate-related	3,613.5	39.6	20.5
Currency-related	1.9	0.0	0.0
Total	3,615.4	39.6	20.5

¹) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 60.0 (70.0) million.

Note 7. Financial assets and impairment by stage

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Book value of financial assets 30 June 2022				
Interest-bearing securities	1,517.2	32.7	0.0	1,549.9
Lending	7,486.6	230.9	109.5	7,827.0
Off-balance sheet commitments	754.5	2.5	7.1	764.0
Total	9,758.3	266.1	116.5	10,140.9

Book value of financial assets 31 December 2021				
Interest-bearing securities	1,493.4	-	-	1,493.4
Lending	7,157.6	300.4	93.6	7,551.7
Off-balance sheet commitments	721.4	14.3	1.9	737.6
Total	9,372.5	314.7	95.5	9,782.7

Impairment of credits and other commitments

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of credits and the other commitments 1 January 2022	3.9	3.7	24.8	32.4
Transferred from stage 1 to stage 2	-0.1	1.0		0.8
Transferred from stage 1 to stage 3	0.0		2.2	2.1
Transferred from stage 2 to stage 1	0.0	-0.4		-0.4
Transferred from stage 2 to stage 3		-0.5	1.1	0.5
Transferred from stage 3 to stage 1	0.0		-0.3	-0.3
Transferred from stage 3 to stage 2		0.1	-0.3	-0.2
Increases due to origination and acquisition	0.3	0.0	0.0	0.3
Decrease due to recognition	-0.2	-0.1	-0.8	-1.2
Changes due to updated calculation method	0.0	0.0	0.0	-
Decrease in allowance account due to write-offs	0.0	0.0	-1.1	-1.1
Other changes	0.2	0.0	0.1	0.2
Impairment of credits and the other commitments 30 June 2022	4.0	3.8	25.6	33.4
<i>of which provisions</i>	0.9	0.0	0.1	1.1

Impairment of interest-bearing securities

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Impairment of interest-bearing securities 1 January 2022	0.4	-	0.3	0.7
Transferred from stage 1 to stage 2	0.0	0.8	-	0.8
Decrease due to recognition	0.0			0.0
Decrease in allowance account due to write-offs	0.0	0.0	-0.3	-0.3
Other changes	-0.1	0.0	0.0	-0.1
Impairment of interest-bearing securities 30 June 2022	0.3	0.8	0.0	1.1

The model-based reservations regarding healthy credits in stage 1 and stage 2 were at the same level as on 31 December 2021.

Note 8. Financial assets and liabilities

Fair value of financial assets and liabilities

(EUR million)	30 June 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at fair value through income statement	1,250.5	1,250.5	1,451.8	1,451.8
Financial assets measured at fair value through other comprehensive income	1,041.5	1,041.5	1,107.0	1,107.0
Interest-bearing securities measured at amortised cost	508.4	494.9	386.5	408.8
Loans and other receivables	7,827.0	7,794.8	7,551.7	7,558.6
Cash and balances with central banks	824.4	824.4	732.8	732.8
Derivative instruments	18.5	18.5	39.6	39.6
Total	11,470.2	11,424.5	11,269.3	11,298.5
Financial liabilities				
Deposits	5,783.3	5,776.7	5,425.8	5,416.9
Derivative instruments	181.7	181.7	20.5	20.5
Debt securities issued	2,971.2	2,980.3	3,060.3	3,095.5
Subordinated liabilities	121.0	117.1	150.0	150.4
Other liabilities to credit institutions	11.3	11.3	14.0	14.1
Other liabilities to the public and public sector entities	622.3	621.8	506.0	506.6
Liabilities for right-of-use assets	24.3	24.3	24.5	24.5
Total	9,715.1	9,713.3	9,201.2	9,228.6

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.

(EUR million)	30 June 2022				31 December 2021			
	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	1,004.2	0.0	0.0	1,004.2	1,154.0	-	-	1,154.0
Interest-bearing securities	18.5	58.5	0.1	77.1	21.9	72.6	0.1	94.6
Shares and participations	117.4	0.0	51.8	169.2	140.4	-	62.8	203.2
Total	1,140.1	58.5	51.9	1,250.5	1,316.3	72.6	62.9	1,451.8
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	929.6	51.5	60.4	1,041.5	967.2	64.7	75.1	1,107.0
Shares and participations	0.0	0.0	0.0	-	-	-	-	-
Total	929.6	51.5	60.4	1,041.5	967.2	64.7	75.1	1,107.0
Derivative instruments, net	0.0	-163.3	0.0	-163.3	0.0	19.1	-	19.1
Total	0.0	-163.3	-	-163.3	0.0	19.1	-	19.1
Total	2,069.7	-53.3	112.3	2,128.7	2,283.4	156.4	138.0	2,577.9

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 (EUR million)	Financial assets measured at fair value through income statement			Financial assets measured at fair value through other comprehensive income			Total		
	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Carrying amount 1 January 2022	0.1	62.8	62.9	75.1	-	75.1	75.2	62.8	138.0
New purchases	0.0	9.3	9.3	0.0	-	-	-	9.3	9.3
Sales	-	-36.3	-36.3	0.0	-	-	-	-36.3	-36.3
Matured during the year	0.0	0.0	-	-14.0	0.0	-14.0	-14.0	0.0	-14.0
Realised value change in the income statement	0.0	13.0	13.0	0.0	0.0	-	-	13.0	13.0
Unrealised value change in the income statement	-	3.0	3.0	0.0	-	-	-	3.0	3.0
Value change recognised in total comprehensive income	-	0.0	-	-0.8	-	-0.8	-0.8	-	-0.8
Transfer from level 1 and 2	-	0.0	-	0.0	-	-	-	-	-
Transfer to level 1 and 2	-	0.0	-	0.0	-	-	-	-	-
Carrying amount 30 June 2022	0.1	51.8	51.9	60.4	-	60.4	60.4	51.8	112.3

Set off of financial assets and liabilities

(EUR million)	30 June 2022		31 December 2021	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Assets				
Financial assets included in general agreements on set off or similar agreements	18.5	-	39.6	-
Carrying amount in the balance sheet	18.5	-	39.6	-
Amount not set off but included in general agreements on set off or similar	16.0	-	5.1	-
Collateral assets	1.6	-	34.3	-
Amount not set off in the balance sheet	17.6	-	39.5	-
Net amount	0.8	-	0.1	-
Liabilities				
Financial liabilities included in general agreements on set off or similar agreements	181.7	-	20.5	-
Carrying amount in the balance sheet	181.7	-	20.5	-
Amount not set off but included in general agreements on set off or similar	16.0	-	5.1	-
Collateral liabilities	96.9	-	12.0	-
Amount not set off in the balance sheet	112.9	-	17.2	-
Net amount	68.9	-	3.3	-

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

Note 9. Specification of Aktia Group's funding structure

(EUR million)	30 June 2022	31 December 2021	30 June 2021
Deposits from the public and public sector entities	4,890.1	4,503.3	4,559.6
Short-term liabilities, unsecured debts¹			
Banks	91.6	88.2	87.8
Certificates of deposits issued and money market deposits	747.2	649.1	444.8
Total	838.8	737.3	532.5
Short-term liabilities, secured debts (collateralised)¹			
Banks - received cash in accordance with collateral agreements	1.6	34.3	46.5
Repurchase agreements - banks	0.0	0.0	-
Total	1.6	34.3	46.5
Total short-term liabilities	840.4	771.6	579.0
Long-term liabilities, unsecured debts²			
Issued debts, senior financing	1,437.0	1,383.8	1,282.2
Other credit institutions	8.3	11.0	13.8
Subordinated debts	69.5	94.5	119.4
AT1 loan (Additional Tier 1 capital) ³	60.0	60.0	60.0
Total	1,574.8	1,549.3	1,475.3
Long-term liabilities, secured debts (collateralised)²			
Central bank and other credit institutions	803.0	803.0	658.0
Issued Covered Bonds	1,409.2	1,533.5	1,608.1
Total	2,212.2	2,336.5	2,266.1
Total long-term liabilities	3,787.0	3,885.7	3,741.5
Interest-bearing liabilities in the banking business	9,517.5	9,160.6	8,880.1
Technical provisions in the life insurance business	1,385.0	1,568.2	1,514.4
Subordinated debts in the life insurance business	51.5	55.6	-
Total other non interest-bearing liabilities	313.9	190.5	178.6
Total liabilities	11,267.9	10,974.9	10,573.1

1) Short-term liabilities = liabilities which original maturity is under 1 year

2) Long-term liabilities = liabilities which original maturity is over 1 year

3) AT1 loan (Additional Tier 1 capital), issued during the second quarter 2021 is recognised within equity

Note 10. Collateral assets and liabilities

Collateral assets (EUR million)	30 June 2022	31 December 2021	30 June 2021
Collateral for own liabilities			
Securities	475.2	425.8	425.4
Outstanding loans constituting security for Covered Bonds	2,577.4	2,774.2	2,460.2
Total	3,052.6	3,200.0	2,885.6
Other collateral assets			
Pledged securities ¹	1.3	1.4	1.4
Cash included in pledging agreements and repurchase agreements	96.9	12.0	7.3
Total	98.2	13.4	8.7
Total collateral assets	3,150.7	3,213.3	2,894.3
Collaterals above refers to the following liabilities			
Liabilities to credit institutions ²	803.0	803.0	658.0
Issued Covered Bonds ³	1,409.2	1,533.5	1,608.1
Derivatives	96.9	12.0	7.3
Total	2,309.0	2,348.5	2,273.4

1) Refers to securities pledged for the intra day limit. As at 30 June 2022, a surplus of pledged securities amounted to EUR 43.7 (11.7) million.

2) Refers to liabilities to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase XAgreement) terms and conditions.

3) Own repurchases deducted.

Collateral liabilities (EUR million)	30 June 2022	31 December 2021	30 June 2021
Cash included in pledging agreements ¹	1.6	34.3	46.5
Total	1.6	34.3	46.5

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

Helsinki 5 August 2022

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 June 31, 2022

To the Board of Directors of Aktia Bank plc

Introduction

We have reviewed the balance sheet as of June 30, 2022 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of Aktia Bank plc Group for the six-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of 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 5 August May 2022

KPMG OY AB
Marcus Tötterman
Authorised Public Accountant, KHT

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Webcast from the results event

A live webcast from the results event will take place on 5 August 2022 at 10.30 a.m. CEO Mikko Ayub and CFO Outi Henriksson will present the results. The event is held in English and can be seen live at <https://aktia.videosync.fi/2022-halfyear-report>. A recording of the webcast will be available at www.aktia.com after the event.

Financial calendar

Interim Report January–September 2022.....4 November 2022