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Initiation of Coverage

Banks

Finland

16 September 2024

## An ideal banking structure, but work to do

**With c. 50% of 2026E profit from capital-light asset management and life units, Aktia's more balanced model stands out from its Nordic banking peers. While we think the structure should allow the group to deliver superior profitability and value creation over time, that is not the case today. With a capital base in line with the CET 1 ratio buffer target, we see scope for a new ROE target of 14%. We think management work is needed to extract the opportunities.**

### Key Data (2024E)

Price (EUR)	9.12
Reuters	AKTIA.HE
Bloomberg	AKTIA FH
Market cap (EURm)	665
Market cap (USDm)	734
Market cap (EURm)	665
Equity (EURm)	696
Capital ratio	16%
Shares fully dil. (m)	72.9
Avg daily turnover (m)	0.0
Free float	88%

### Less NII and more fees

Aktia's vision is to be a wealth manager bank, which we think offers merit, as it should steer the bank towards more attractive clients and capital-light businesses. The more traditional part of the bank mainly focuses on mortgage lending, an area we believe will see growth recover as interest rates fall. The Finnair Visa card cooperation offers attractive growth potential, in our view. As with other banks, NII will decline over time, in line with falling interest rates, and the relatively large fee income component will become increasingly attractive.

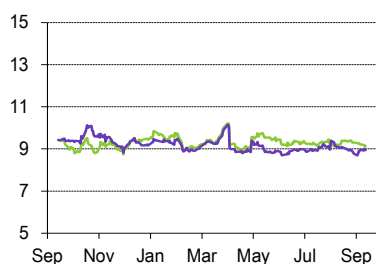
### New CEO to head even more towards wealth management, in our view

We expect new targets and a strategy update ahead, given that a new CEO is in place. With sector NII falling as interest rates decline, we think banks should focus on growing their capital-light revenue. In our view, Aktia's broad product offering leaves it well positioned for success in such a strategy shift. We believe growing high ROE business will improve capital generation and justify a higher valuation.

### A low P/E and a high yield

Aktia is trading at 2026E EPS of 7.0x compared to its five-year historical average of 11x and peers at 8.2x. The 2025E-26E dividend yield of c.10% should interest investors, not least in a lower interest rate environment. We initiate coverage of Aktia with a valuation range of EUR 11.8-13.1 compared to the current share price of EUR 9.2.

### Share Price (12M)



Absolute (green) / Relative to Finland (purple).

**Marketing communication  
commissioned by:  
Aktia Bank**

### Financials (EUR)

Year end: Dec	2022	2023	2024E	2025E	2026E
Net interest income (m)	99	140	154	147	145
Total income (m)	303	288	305	305	311
Pre-provision profit (m)	134	111	129	125	127
Adjusted net profit (m)	99	83	95	94	95
EPS (adjusted)	1.37	1.14	1.31	1.29	1.31
DPS	0.43	0.7	0.7	0.92	0.94
Total income growth (%)	14.8	(5.1)	6.1	(0.0)	1.9
Pre-provision growth (%)	49.4	(16.9)	16.0	(2.4)	1.3
EPS (adjusted) growth (%)	41.0	(16.8)	14.5	(1.5)	1.6
Lending growth (%)	4.1	1.0	0.5	1.5	3.0
Cost / Income ratio (%)	55.9	61.4	57.9	58.9	59.1
Loan loss ratio (%)	0.13	0.09	0.12	0.09	0.08
NII / Average lending (%)	1.30	1.79	1.95	1.84	1.78
Leverage ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.
PER (x)	7.5	8.3	7.0	7.1	7.0
RoE (%)	15.6	13.3	14.2	13.2	12.9
RoTE (%)	23.2	20.1	19.7	17.5	17.1
Dividend yield (%)	4.2	7.4	7.7	10.0	10.3
P/BV (x)	1.27	1.07	0.95	0.92	0.89
P/TBV (x)	1.95	1.55	1.27	1.21	1.17

Source for all data on this page: SEB (estimates) and Millstream/Thomson Reuters (prices)

# Well positioned, action needed

At first glance, Aktia may seem like a typical universal bank with savings roots. While parts of that are true, we believe it does not tell the full story or fully illustrate the potential we see for the group.

What we find unique about Aktia is that its large capital-light asset management and life operations provide it with a broader based business model compared to its Nordic banking peers. In Q2, when NII remained elevated thanks to past rate rises, NII only generated 51% of Aktia's revenue compared to 56-76% for its Nordic peers. This revenue split is attractive, as it should allow Aktia to deliver a competitive ROE; however, comparing Aktia's profitability drivers to those of its peers shows that its profitability is good, but it does not stand out. We see potential for the new management team to drive value through a turnaround in the asset management division, especially related to fund sales. We are also attracted to the recent focus on affluent clients, an area we believe Aktia is well positioned to grow in, not least via its Finnair cooperation.

Later in this report, we compare the profitability of the traditional banking division to the capital-light asset management/life units. We find that the ROE of the banking divisions is below what we regard as attractive, even though NII remains high as current interest rates are still elevated. We believe costs related to scale is one problem, as market shares of 2-4% (depending on product) are probably too low to spread costs (such as compliance and digital banking) over enough customers and hence revenue. With market share gains in banking normally quite slow, we cannot rule out Aktia seeking to grow inorganically. In our view, banks such as Ålandsbanken and Oma (we cover neither) seem to have similar scale problems.

The size issue could also be helped through organic growth, which is currently low on both the retail and corporate sides. The combination of a recovering Finnish economy and lower interest rates could buoy loan growth in 2025 and 2026. Even though we are more attracted to the asset management division, we see the potential for the new management team to create also value in the Banking division.

We initiate coverage of Aktia with a valuation range of EUR 11.8-13.1.

## The profitability challenge

We believe long-term value in bank shares is delivered through a high ROE, something we follow closely for the Nordic banks on a quarterly basis. In the table below, we use a simple DuPont model in which we compare each P&L line to total assets. Aktia stands out in two ways: 1) its revenue margin of 248bp is the highest in the peer group, but 2) its cost margin of 145bp is also the highest, bringing its pre-provision profit margin to 103bp, which is slightly below the average for the peer group.

Our focus when analysing banks is on capital allocation and business mix rather than cost/income, as capital-light revenue comes with higher costs in most cases. We therefore do not have a direct problem with what looks to be high costs at Aktia. However, we note that its staff costs do not appear to be overly high; rather, Aktia's other expenses stand out compared to peers, which we again believe is due to its lack of scale.

**Profitability DuPont model**

	<b>Aktia</b>	<b>Nordea</b>	<b>SEB</b>	<b>SHB</b>	<b>Swedbank</b>	<b>DNB</b>	<b>Danske</b>
<b>Q2/24 reported</b>							
NII	1.25%	1.26%	1.12%	1.26%	1.59%	1.72%	0.97%
Fees	1.00%	0.52%	0.57%	0.32%	0.54%	0.37%	0.39%
Trading	-0.02%	0.16%	0.26%	0.06%	0.12%	0.11%	0.06%
Other	0.25%	0.06%	0.00%	0.02%	0.13%	0.14%	0.06%
<b>Total revenues</b>	<b>2.48%</b>	<b>2.00%</b>	<b>1.96%</b>	<b>1.66%</b>	<b>2.38%</b>	<b>2.35%</b>	<b>1.49%</b>
<b>Costs</b>	<b>-1.45%</b>	<b>-0.83%</b>	<b>-0.71%</b>	<b>-0.69%</b>	<b>-0.84%</b>	<b>-0.82%</b>	<b>-0.67%</b>
C/I	-58%	-42%	-36%	-42%	-35%	-35%	-45%
PPP	1.03%	1.17%	1.25%	0.97%	1.53%	1.53%	0.83%
Provisions	-0.06%	-0.04%	0.00%	0.01%	0.03%	-0.06%	0.02%
Resolution etc	0.00%	-0.01%	-0.10%	-0.07%	-0.14%	0.00%	-0.02%
PBT	0.97%	1.11%	1.14%	0.91%	1.43%	1.46%	0.83%
Tax	-0.19%	-0.25%	-0.23%	-0.21%	-0.31%	-0.29%	-0.21%
Net profit	0.78%	0.86%	0.91%	0.71%	1.12%	1.17%	0.62%
Leverage	17.4	20.0	19.1	19.1	15.3	13.6	21.1
<b>ROE</b>	<b>13.5%</b>	<b>17.2%</b>	<b>17.3%</b>	<b>13.5%</b>	<b>17.2%</b>	<b>16.0%</b>	<b>13.1%</b>

Source: Aktia, SEB

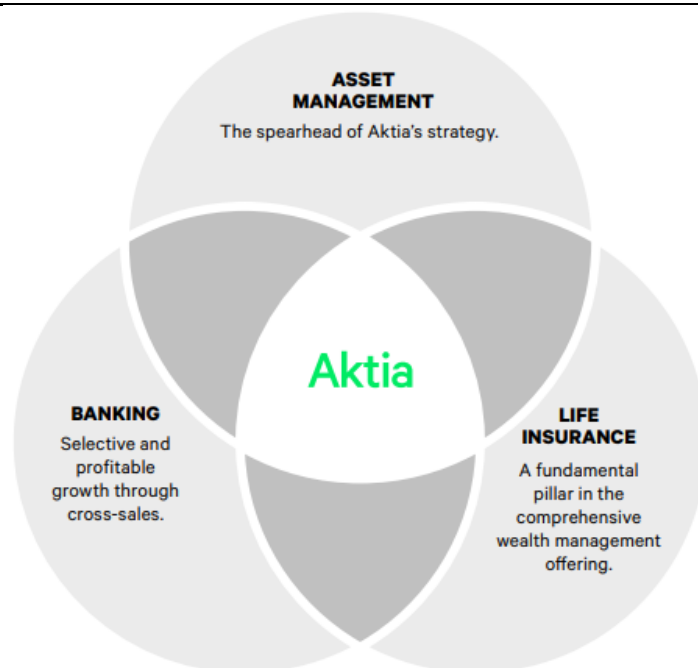
## This is Aktia

Aktia was founded as a savings bank in 1826. Today, it is a Finnish universal bank with a primary focus on the wealth creation of its clients. Traditional banking services are only offered in Finland. Its geographical exposure has historically been larger in the Swedish speaking parts of Finland, although today it has offices in the more urban parts of Finland. The asset management business offers funds internationally. Aktia does not generally target clients who are only interested in simple banking products; it prefers clients who have more complex banking needs and have enough wealth to be interested in asset management and life products.

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### Aktia's client focus

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Source: Aktia

Today, Aktia has c. 850 employees that service c. 255,000 retail and c. 23,500 corporate clients.

### Current financial targets

The current targets for 2025 were set in 2021.

1. Comparable operating profit above EUR 120m
2. Comparable ROE above 12%
3. Comparable cost/income ratio under 60%
4. CET1 ratio above 150bp management buffer to regulatory requirement

We currently forecast a lower comparable operating profit than the “above EUR 120m” target but are in line with the ROE and cost/income targets. Further, we do not reduce our capitalisation to 150bp, even though we assume a 2024 payout ratio of 70%. We note that consensus forecasts 2025 operating profit of EUR 111.8m and hence do not believe missing the target is already priced in.

We expect new targets to be communicated later this year or alongside the Q4 report. Given that the new CEO, Mr. Aleks Lehtonen, was appointed as recently as 1 June 2024, we also expect a more broad-based strategic overview.

### Our proposed new financial targets (2028 potentially)

1. Comparable operating profit above EUR 130m
2. Comparable ROE above 14%
3. CET1 ratio 150-250bp management buffer to regulatory requirement
4. Excess capital will be distributed (dividends and buy-backs)

We have no firm 2028 estimates but forecast a 12.7% ROE for 2026 and believe it will take a combination of profit growth and additional capital distributions to reach a 2028 ROE of above 14%.

### The capital position and attractive dividend case

Aktia reported a CET1 ratio of 11.5% for Q2, which is 275bp above the regulatory requirement. Aktia targets a CET1 buffer of above 150bp, so it has c.125bp (or EUR 42.3m) of excess capital. Later in the year, there will be a further 15bp CET1 requirement reduction as the systemic risk buffer is reduced.

#### Capital position and requirement, Q2/24

Minimum requirement	4.50%
Capital conservation buffer	2.50%
Systemic risk buffer	1.00%
Countercyclical buffer	0.05%
P2	0.70%
Total requirement	8.75%
Reported Q2 CET 1 ratio	11.50%
Buffer	2.75%
Buffer target	1.50-2.5%
Excess capital (EUR m)	9-43

Source: Aktia, SEB calculations

Throughout this report, we look at the profitability of Aktia. However, the capitalisation table above is important to take into consideration, as the ROE would of course rise if Aktia paid out the excess capital. Aktia reported a Q2 ROE of 14.8% on reported equity capital. If Aktia would have paid out all its excess capital, ROE would have risen to 15.8%, a more competitive ROE against peers.

Aktia's dividend policy is to pay out c. 60% of the profits in the period. Given the current (and our forecast) high ROE in combination with our expectation of low capital consumption on low lending estimates, Aktia continues to build capital. As Aktia is overcapitalised (as illustrated in the table above), we see scope for Aktia to pay out more. A key question in a potential strategic update is what target should weigh heaviest: to have a buffer of above 150bp or pay out 60%?

In the table below, we look at potential capital distributions in 2024-26. We start by looking at the capital position today and then add profit generation for 2024E, 2025E and 2026E. We then deduct capital consumption from RWA growth. When we add current excess capital to net capital generation over the coming years, we conclude that Aktia should be able to pay out 40.3% of its market cap over the next three years, which is above even what we calculate for Nordea, a stock we view as an attractive yield case.

**Estimated excess capital capacity**

	Nordea	Aktia
<b>Estimated Capital Requirement</b>		
Pillar 1 requirement	11.0%	7.9%
Blended CCyB	1.7%	0.1%
P2R + P2G	0.9%	0.7%
<b>FSA requirement</b>	<b>13.6%</b>	<b>8.60%</b>
Basel IV and IRB impact expectations	0.0%	0.0%
Management Buffer	1.5%	2.5%
<b>Total</b>	<b>15.1%</b>	<b>11.1%</b>
<b>Actual Q2/24 CET1 capital</b>	<b>15.6%</b>	<b>11.5%</b>
<b>SEB Calculated Buffer</b>	<b>0.5%</b>	<b>0.4%</b>
<b>Excess capital</b>		
Net Profit 2024	5,087	95
Net Profit 2025	4,894	94
Net Profit 2026	5,136	95
Capital adjustment to target	697	14
<b>Gross total distribution 24-26</b>	<b>15,814</b>	<b>298</b>
RWA as of Q2 2024	139,333	3,426
RWA as of end 2026	161,634	3,652
RWA build	22,301	226
<b>Capital consumption</b>	<b>3,367</b>	<b>25</b>
<b>Net total distribution capacity</b>	<b>12,446</b>	<b>273</b>
Proposed DPS 2024	0.95	0.91
Total distribution 25-26 per share (local)	2.60	2.84
Total yield 25-26	25.0%	30.5%
<b>Total yield 24-26</b>	<b>34.1%</b>	<b>40.3%</b>

Source: SEB

**Building through partnerships and acquisitions**

Over the past few years, Aktia has launched a number of cooperations and partnerships, as well as making outright acquisitions.

**Taaleri:** In March 2021, Aktia made a noticeable acquisition when it acquired Taaleri's wealth management and fund operations. Aktia's AUM grew by EUR 4.4bn, to EUR 14.8bn, in the transaction. While some synergies were mentioned, Aktia's main focus was to broaden its offering in its mission to be the best asset manager in Finland, in our view.

**Alexander Corporate Finance:** In November 2021, Aktia announced the acquisition of 20% of Finnish investment bank Alexander Corporate Finance. Now branded Aktia Alexander, the group offers traditional corporate finance services, such as IPOs and M&A advice, which ties well into the corporate banking and wealth management offerings of Aktia.

**The Finnair Visa credit card potential:** Aktia launched a cooperation with Finnair in 2022 in which customers receive Finnair "Avios" (i.e. airmiles) when they use their card. With Aktia being the only provider of this card, it has been able to use the card as a tool to grow its client base.

**Swedbank:** In May 2024, Aktia and Swedbank announced a strategic partnership. Swedbank will continue to focus on Finnish large corporates, mid-corporates and institutions, while Aktia continues to focus on SMEs. The co-operation also sees Swedbank discontinue cash management and payment services in Finland; instead, its corporate customers can be served by Aktia.

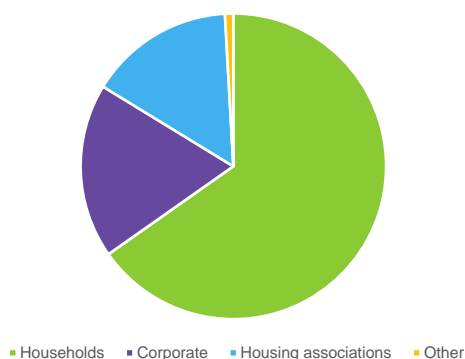
## The Banking division

With the Banking division generating almost 70% of group revenue in Q2/24, it is the largest and most important unit in the bank. Of course, increasing interest rates boosted the Banking division's NII; we note that in Q4/22, when interest rates were closer to 2%, the division generated 55% of group revenue.

The focus on retail banking can best be seen in the split of the loans. About 65% of the loan book consists of household mortgages and a further 15% relates to housing associations, which we consider more retail than corporate from a risk perspective. Corporate loans comprise only 18% of the loan book.

The focus on household banking can also be seen in the market share Aktia has in Finland. In December 2023, Aktia had a 4% market share of Finnish housing loans while the market share of corporate lending was only 2% (see chart below).

**Loan book split, Q2/24**



Source: Aktia

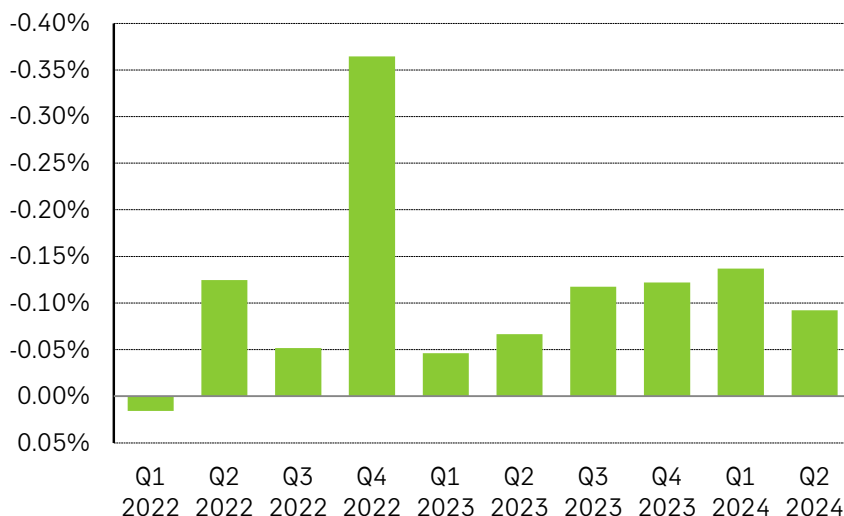
**Market share of loans, December 2023**



Source: Bank of Finland

Being more exposed to household loans, a large proportion of which are mortgage loans with collateral, means that asset quality is a minor risk, in our view. The asset quality of the banking business has been good throughout the current rate cycle (see chart below); the Q4/22 increase in provisions related to regulatory changes to the ECL model.

**Loan loss provisions as a percent of loans**



Source: Aktia

When we look at the two main groups of loans, corporate and household, we see that it is actually housing loans that have the highest proportion classified as non-performing or stage 3. We believe this relates to delays in interest rate payments, but with housing loans requiring strong collateral, the need for provisions is limited. As the table below illustrates, EUR 87.6m of the household stage 3 loans are covered by collateral and the provisioning need is therefore only EUR 17.2m.

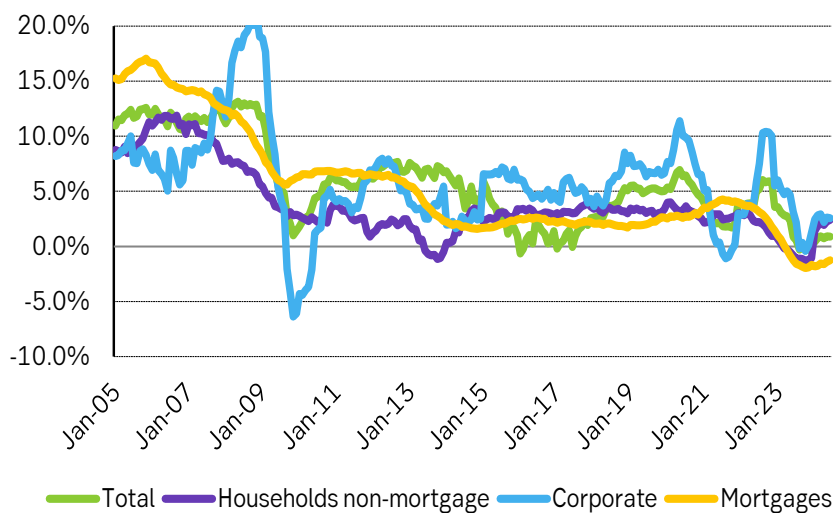
#### Stage 3 loan split and coverage, Q2/24

(EURm)	Gross loans	Stage 3	% stage 3	Stage 3 provisions	Collateral	Total covered
Corporate	2,317	19.5	0.8%	7.6	10.3	92%
Household	5,140	110.4	2.1%	17.2	87.6	95%

Source: Aktia

In our view, a larger problem than asset quality is the current lack of loan growth in Finland. In June 2024, which is the latest available data, total loan growth in the Finnish market was 0.9% y/y; mortgages had negative growth of -1.3%, while corporate loans grew by 2.6%. In Q2/24, Aktia reported year-to-date loan growth of -1%.

#### Finnish loan growth y/y



Source: Bank of Finland

When we talk about the potential for the group, improving the profitability of the Banking division is key, in our view. We often talk about the difference in profitability between NII and capital-light revenues. We illustrate the difference in the table below, in which split the bank in two: one related to NII and one for other revenue. We make a number of assumptions:

1. Generating NII is cheaper than other revenue; we assume a 40% cost/income for NII, which gives an implied cost/income for other revenue of 72%.
2. All loan loss provisions are allocated to NII, as they are related to lending.
3. Capital is allocated according to how RWAs are split; in Aktia's case, 86% is credit risk related, hence we allocate 86% of group equity to NII.

Using the assumptions above, the H1/24 ROE of NII was 11.2% and other revenues had a ROE of 31.5%, even though the cost/income was 72%. To us, it illustrates that a bank's focus should be capital allocation rather than costs.

**Profitability drivers (based on H1/24)**

	NII	Other
Revenues	77.9	76.1
Costs	-31	-55
C/I	-40%	-72%
PPP	46.7	21.1
Loan losses	-4.5	0
PBT	42.2	21.1
Tax	-20%	-20%
Net profit	33.8	16.8
Equity	605	107
ROE	11.2%	31.5%

Source: SEB estimates

We illustrate the profitability difference in another way by splitting the bank into a banking division and one combining the capital-light asset management/life areas. We allocate central costs according to the revenue split.

We then see the same trends, with the Banking division delivering a ROE of 9.2% compared to the capital-light division at 27.3%. Note that 2023 was a good year for NII: it rose 45% from 2022, primarily on rising interest rates.

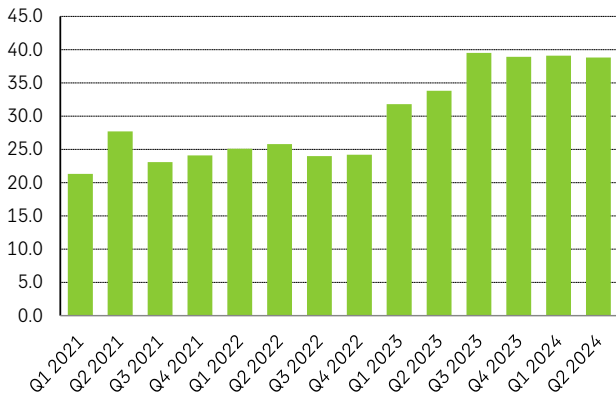
**Divisional profitability illustration based on 2023**

	Banking	AM/Life
NII	125.0	15.4
Fees/Life	56.3	88.2
Other	2.1	0.3
Total revenues	188.0	99.3
Staff costs	-35.3	-49.2
Other expenses	-63.5	-28.6
Total expenses	-109.7	-66.9
PPP	78.3	34.0
Impairments of intangibles	-1.1	-0.2
Loan loss provisions	-6.9	0.0
Operating profit	70.3	33.8
Tax rate	-20%	-20%
Tax	-14.1	-6.8
Net profit	56.3	27.1
Equity	609	99
ROE	9.2%	27.3%

Source: SEB

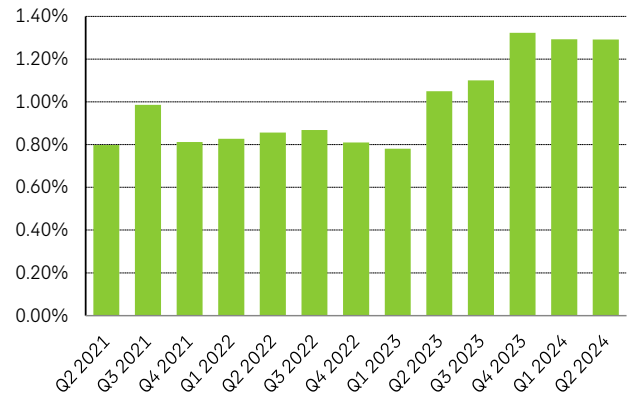
With NII being 71% of revenue for the Banking division, the performance of the P&L line is (and will continue to be) the main driver of profit growth. The impact from rising interest rates can be clearly seen in the two charts below, as NII grew by 63% from Q4/22 to the peak of Q3/23. The NII margin (over assets) expanded from 0.81% to 1.32% during the same period.

**Quarterly NII (EUR)**



Source: Aktia

**NII/assets**

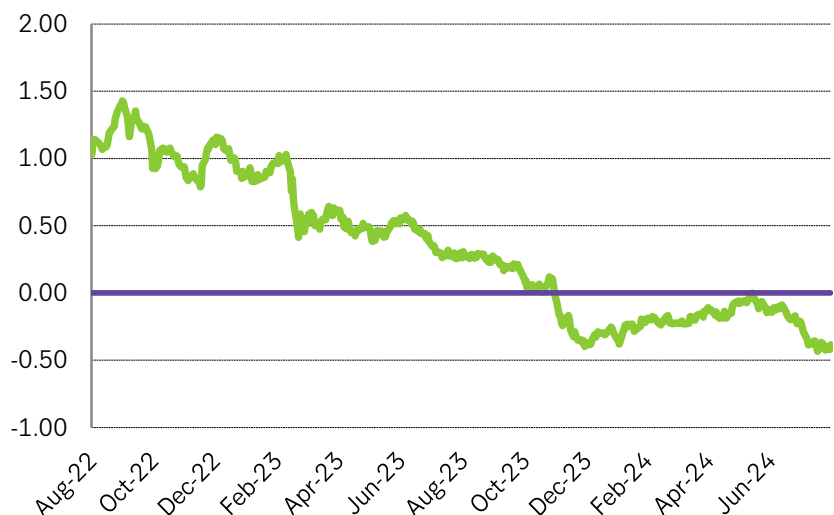


Source: Aktia, SEB

With our and market expectations for the ECB policy rate to fall from the recent 4% peak to 2% by the end of 2025, we believe it is clear that NII will decline again, something that is also reflected in consensus estimates. The former CFO of Aktia, Ms. Henriksson (she left the bank in August 2024), said that NII will be supported by a hedge but was not willing to provide details about how the hedge is structured or the impact/timing of it, so it is difficult to include it in our estimates.

However, the retail side has a natural hedge, as the majority of household mortgage loans are tied to 12-month Euribor while funding has a fixing closer to three months. The structure means that when short term rates are lower than longer rates, which should generally hold true over time, Aktia enjoys margin expansion. However, since the end of 2023, the spread between the two durations has fallen and 12-month Euribor has been lower than the three-month rate. At the end of August 2024, the spread was around -40bp, the lowest it has been during the past rate cycle. As long as this situation remains, it will act as a negative driver of mortgage NII.

**Spread, 12M EURIBOR-3M EURIBOR**



Source: FactSet

We forecast 2026 NII to be down 6% from the 2024 peak but acknowledge significant uncertainty, given that we have no visibility on the hedge, as interest rate expectations could change significantly over the next few years.

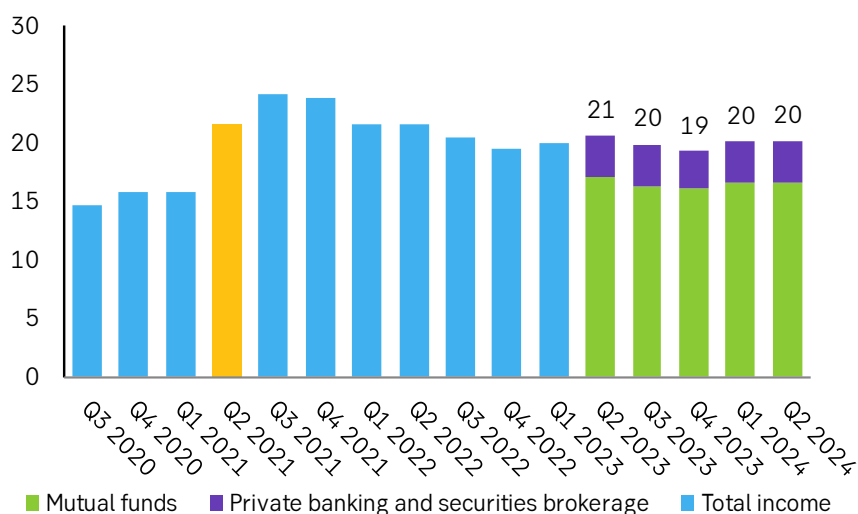
## Asset Management

Aktia's strategy is to win in the wealth management business. It wants to offer wealth management to its target segments, including wealth plans, financing and asset management services. In short, Aktia wants to be the first choice for private and institutional customers by having a comprehensive product offering, best-in-class portfolio managers and a high-quality private banking business. A key transaction, which according to management has been a cornerstone in developing the wealth management division, was the acquisition of Taaleri.

Considering asset management is at the core of Aktia's strategy, management decided to acquire Taaleri Wealth Management on 30 April 2021 to support its vision of being the best asset manager in Finland. Moreover, as a part of the acquisition, both parties agreed to a strategic cooperation in which Aktia became the vendor of Taaleri's alternative investment products in Finland.

However, income from mutual funds, asset management and securities brokerage has not grown since Q2/21, when Aktia acquired Taaleri (see chart below). We find this surprising, given the performance of the equity market over the past three years, hence we dive into the different components to see why this income line has not increased and how it might trend ahead.

### Net income related to Asset Management (EURm)

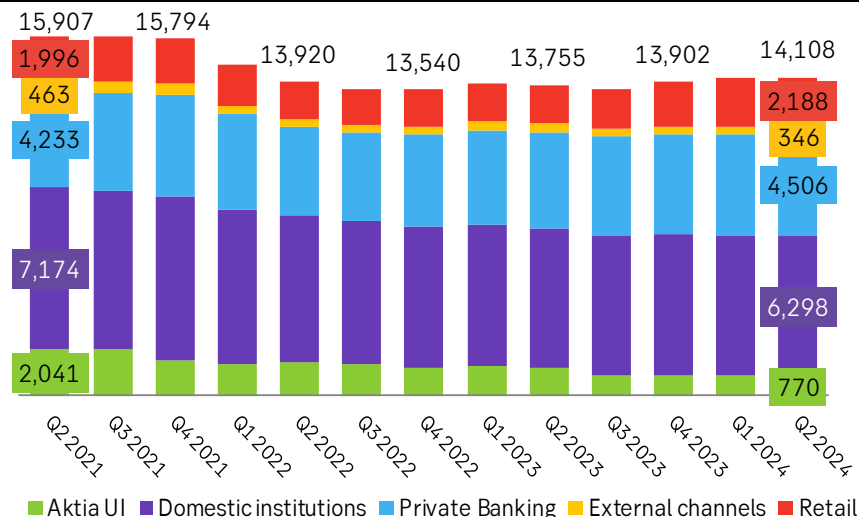


Source: Aktia, SEB

### AUM trends

After a period of negative growth in Q2/24, Aktia reported total AUM of EUR 14,108m, up from EUR 13,755m a year earlier. The largest category is domestic institutions, at EUR 6,298m, followed by private banking and retail banking. The smallest channel is external channels, at just EUR 346m. Below, we highlight the composition of Aktia's AUM from a historical standpoint.

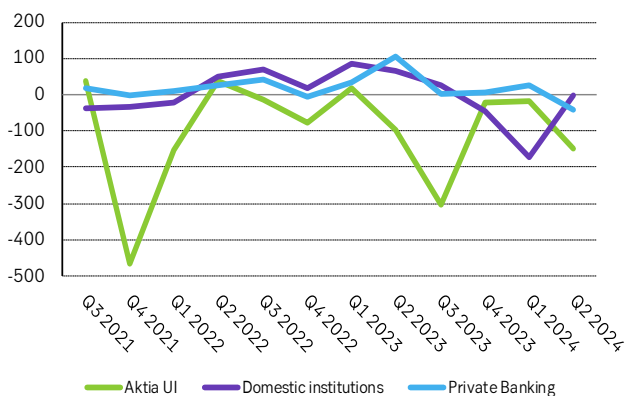
**AUM mix and trends (EURm)**



Source: Aktia, SEB

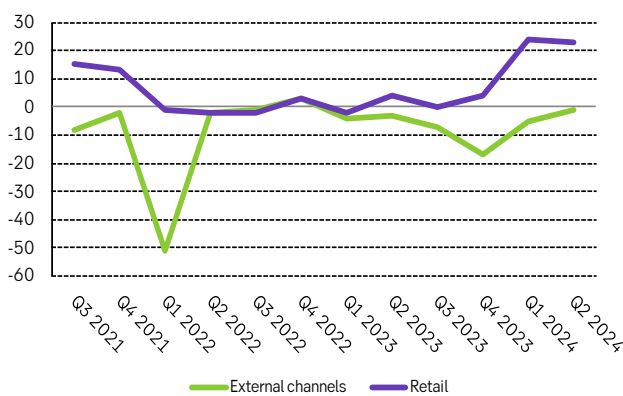
Since Q2/21, Aktia's AUM has decreased by EUR 1,799m. The drivers behind the decline were Aktia UI, domestic institutions, and external channels. Positively, private banking and retail grew over the period. To better understand the AUM trend, we split up the quarterly AUM performance into market changes and net subscriptions. Net subscriptions per quarter have averaged EUR -85m since Q3/21; the largest component was Aktia UI, with an average of EUR -101m per quarter. In aggregate, since Q3/21, Aktia has seen withdrawals of EUR 1,216m within this division.

**Net subscription trends (EURm)**



Source: Aktia, SEB

**Net subscription trends (EURm)**



Source: Aktia, SEB

The table below shows the flow in each category over recent years. It is clear that Aktia UI has been struggling.

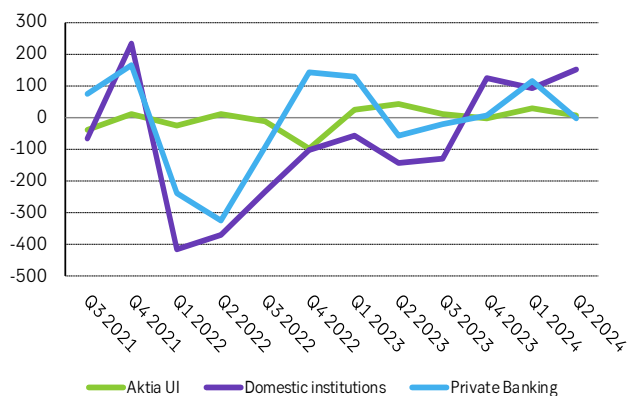
**Breakdown of net subscriptions (EURm)**

	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	Sum	Average
Aktia UI	37	-468	-153	37	-15	-77	16	-99	-304	-24	-18	-148	-1,216	-101
Domestic institutions	-38	-35	-21	51	71	17	87	66	26	-44	-174	-3	3	0
Private Banking	17	-2	10	25	42	-8	35	105	2	5	26	-41	216	18
External channels	-8	-2	-51	-2	-1	3	-4	-3	-7	-17	-5	-1	-98	-8
Retail	15	13	-1	-2	-2	3	-2	4	0	4	24	23	79	7
<b>Total AuM</b>	<b>23</b>	<b>-494</b>	<b>-216</b>	<b>109</b>	<b>95</b>	<b>-62</b>	<b>132</b>	<b>73</b>	<b>-283</b>	<b>-76</b>	<b>-147</b>	<b>-170</b>	<b>-1,016</b>	<b>-85</b>

Source: Aktia, SEB

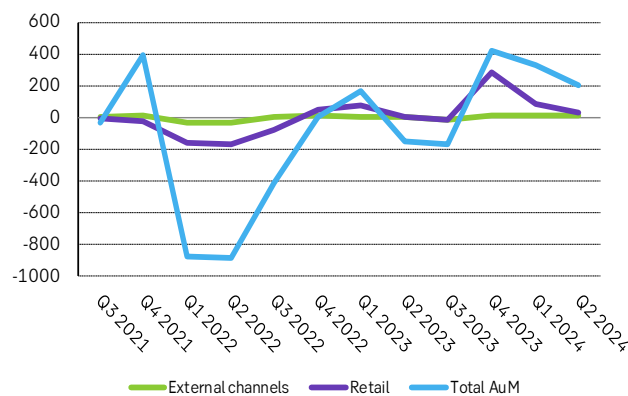
Looking at market changes, AUM has decreased by an average of EUR 87m per quarter due to the negative performances of the funds. Equity markets such as OMX Stockholm 30 and MSCI World are up by 9% and 16% respectively; however, we acknowledge that OMX Helsinki 25 is down 16% over the same time period. In aggregate, since Q3/21, negative market performances, mainly in Finland, have resulted in negative trend in AUM of EUR 1,043m.

#### Market change trends (EURm)



Source: Aktia, SEB

#### Market change trends (EURm)



Source: Aktia, SEB

Surprisingly, market changes have contributed positively in the past couple of quarters, although Aktia continued to suffer from negative net subscriptions. With management stating that it offers more fixed income funds than equity funds, one explanation for the weak flow could be that investors have shifted their exposure, as policy rates are widely expected to be cut rapidly pace during H2/24 and 2025.

#### Breakdown of market changes (EURm)

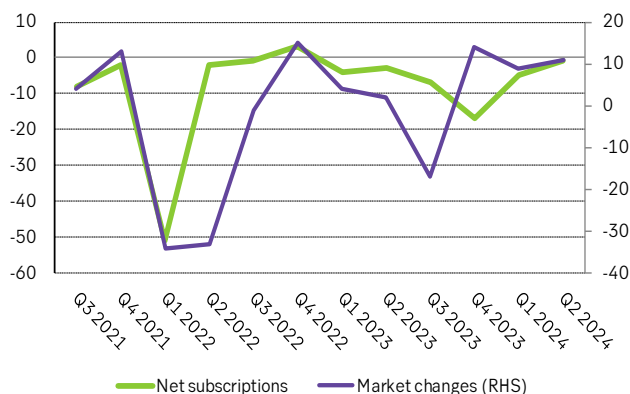
	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	Sum	Average
Aktia UI	-38	9	-27	8	-14	-100	23	41	12	-2	29	5	-54	-5
Domestic institutions	-66	232	-415	-369	-233	-103	-59	-142	-129	125	90	150	-919	-77
Private Banking	72	162	-241	-325	-92	142	127	-60	-22	4	115	-2	-120	-10
External channels	4	13	-34	-33	-1	15	4	2	-17	14	9	11	-13	-1
Retail	-3	-28	-164	-170	-76	49	72	4	-15	280	81	33	63	5
<b>Total AuM</b>	<b>-31</b>	<b>388</b>	<b>-881</b>	<b>-889</b>	<b>-416</b>	<b>3</b>	<b>167</b>	<b>-155</b>	<b>-171</b>	<b>421</b>	<b>324</b>	<b>197</b>	<b>-1,043</b>	<b>-87</b>

Source: Aktia, SEB

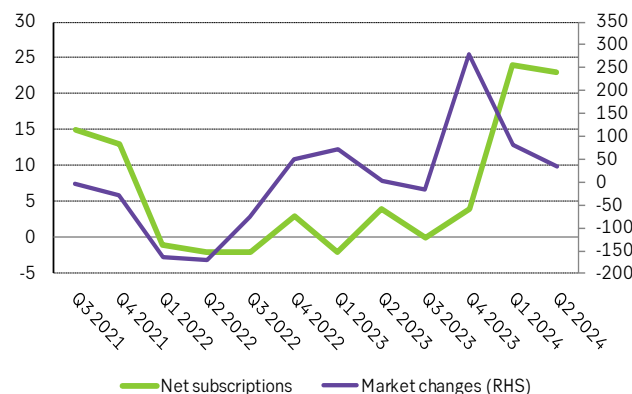
#### Our view of Asset Management's potential

Earlier in this report, we used the DuPont model to provide a holistic overview of Aktia's profitability. The fee income line is an important driver of Aktia's earnings, but, more importantly, it is capital-light and thus produces a higher ROE than NII, for example. Looking at Aktia's asset management and mutual funds business, our concern is that income has not grown since Q2/21, when it acquired Taaleri. The AUM trend has been negative in the same period, which highlights a structural issue, in our view. However, discussing this topic with management, it seems Aktia has had a large turnover of staff/portfolio managers in recent years but is now fully staffed once again.

Additionally, Aktia has a larger tilt towards fixed Income funds rather than equity funds. We believe there is great untapped potential here, as more and more retail clients understand that they need private pension savings. In Sweden, which we regard as a more developed market than Finland, new investors prefer mutual equity funds to fixed income funds, as the underlying components are easier to understand.

**Trends in external channels (EURm)**

Source: Aktia, SEB

**Trends in retail channels (EURm)**

Source: Aktia, SEB

Both external channels have trended unfavourably in recent years (negative trends in both the underlying market and net subscriptions). Looking at retail channels, the market has trended positively and contributed EUR 63m in aggregate to Aktia's AUM. Net subscriptions have also been positive, although its growth has mainly been in the past couple of quarters.

**Overview of Finnish funds available on Nordnet's platform**

	Annual fee	Performance 1Y	Number of Nordnet owners
Fondita Finland Micro Cap	2%	9.07%	97
Nordnet Suomi Indeksi	0%	8.94%	248,320
Handelsbanken Finland Small Cap	1.78%	4.87%	92
S-Pankki Fenno Osake	1.60%	1.98%	219
Evli Suomi Select	1.80%	1.44%	1,257
<b>Average excl. Nordnet</b>	<b>1.80%</b>	<b>4.34%</b>	<b>416</b>

Source: Nordnet

In the table above, we use Nordnet's platform to screen for funds exposed to the Finnish market. The largest fund by far is Nordnet's Finnish index fund, with 248,320 investors, which represents more than 41% of all its clients in Finland. We conclude that there seems to be great interest from retail investors to invest in Finnish funds; however, Aktia does not show up in our screening.

**Overview of Finnish funds available on Nordnet's platform**

	Annual fee	Performance 1Y	Number of Nordnet owners
Aktia Nordic	1.90%	4.45%	322
Aktia Nordic Micro	2.03%	10.01%	3,759
Aktia Nordic Small	2.05%	15.56%	583
Evli Pohjoismaat	1.60%	0.71%	453
Evli Ruotsi Pienyhtiöt	1.60%	16.60%	1,696
Nordea Nordic Fund	1.40%	9.89%	122
Ålandsbanken Pohjoismaat Osake	1.40%	11.80%	106
Ålandsbanken Pohjoismaiset Pienyhtiöt	1.60%	10.38%	1,150
<b>Average Aktia</b>	<b>1.99%</b>	<b>10.01%</b>	<b>1,555</b>
<b>Average rest</b>	<b>1.52%</b>	<b>9.88%</b>	<b>705</b>

Source: Nordnet

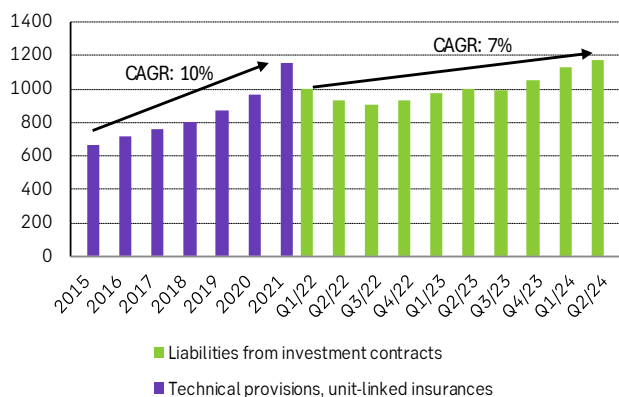
In the table above, we change the screening to Nordic funds from a Finnish asset manager. Aktia has three funds. As can be observed, the group has outperformed its peer group over the past year. Additionally, it seems to us that Aktia has a renowned name, as its Nordic micro fund has the most retail investors. On average, Aktia screens well compared to its peers. We believe Aktia could continue to drive net subscriptions from Nordnet's platform ahead in a similar way to the dynamic between asset managers and Avanza in Sweden.

## Life insurance: cross-selling complementary products

Aktia offers life insurance products as a fundamental pillar for the wealth management offering. The unit-linked savings insurance products play an essential role in asset management, as customers are offered investment products in insurance wrappers, which provide a tax effective way to make long-term investments. Life insurance products also can be sold to mitigate risks related to ability to serve the loans. Hence, Aktia's life offering has personal risk insurance products, such as disability insurance and cover for critical illness. In practice, Aktia's asset management and banking businesses offer a natural distribution outlet for the life products, which complement the offering of its other two segments. Consequently, the growth of Aktia's life insurance business is driven by the performance in asset management and banking volumes. Aktia also has reselling agreements, and the company recently noted the good performance of risk insurance products via agents.

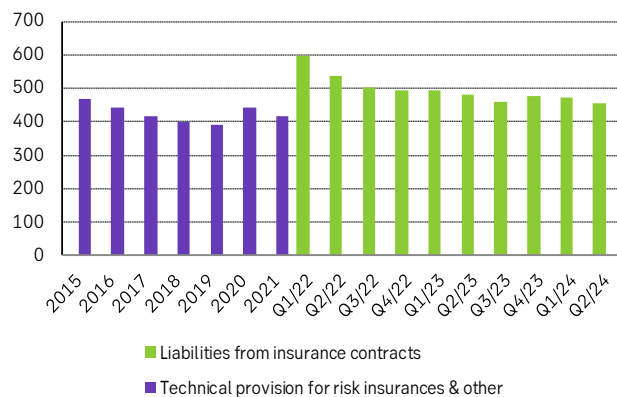
Aktia's total life insurance liabilities amounted to EUR 1,628m (end-H1/24) and some EUR 1,175m (72%) of this owes to investment contracts and EUR 453m relates to insurance contracts. The liabilities related to investment contracts (and unit-linked policies before 2022) have been steadily growing, driven by the growth in asset management (net flows and market moves). The 2015-21 CAGR for unit-linked insurance was c. 10%. Since Q1/22, liabilities for investment contracts have increased by c. 7% on an annualised basis, despite the assets declining during H1/22 following the Russian invasion of Ukraine.

**Liabilities from investment contracts and unit-linked**



Source: SEB, Aktia

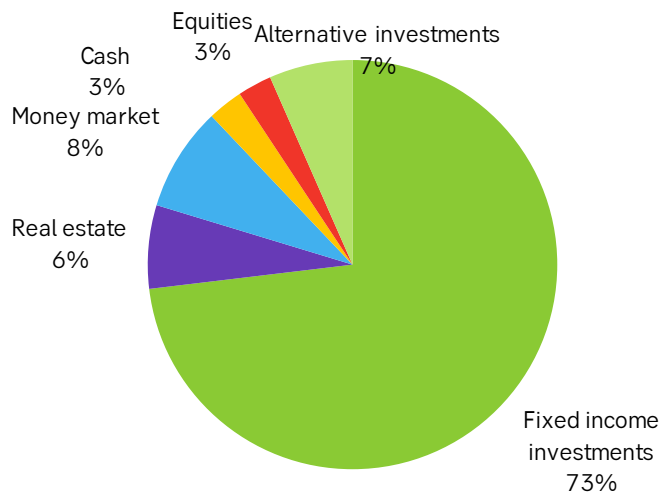
**Liabilities from insurance contracts**



Source: SEB, Aktia

Unit-linked investments amounted to EUR 1,259m at end-H1/24, while the investment portfolio at Aktia's risk amounted to EUR 468m. The portfolio is largely invested in fixed income and money markets, with the weight of equity and alternatives at just 8%. The CSM (contractual service margin) amounted to EUR 74m (end-H1/24) and has increased recently, thanks to new sales of risk products and life expectancy changes. The release (P&L impact) of CSM has been on average c. EUR 2-3m quarterly. Yet, we note that new sales have consistently exceeded the release, meaning that the growth momentum of the business remains healthy.

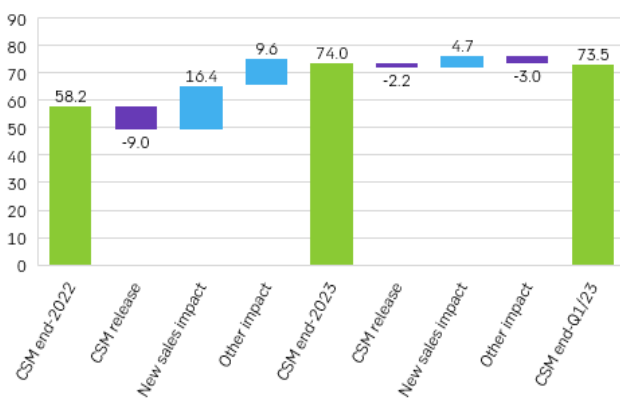
**Aktia life insurance, allocation of investment portfolio\* at EUR 468m, H1/24**



\*excluding derivatives

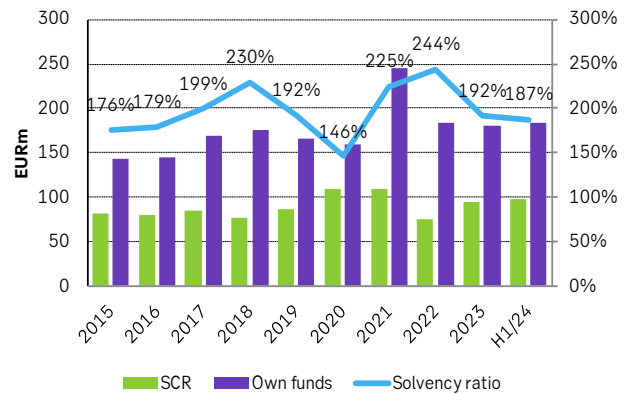
Source: SEB, Aktia

**CSM bridge for 2022-Q1/24 (EURm)**



Source: SEB, Aktia

**Solvency trend**



Source: SEB, Aktia

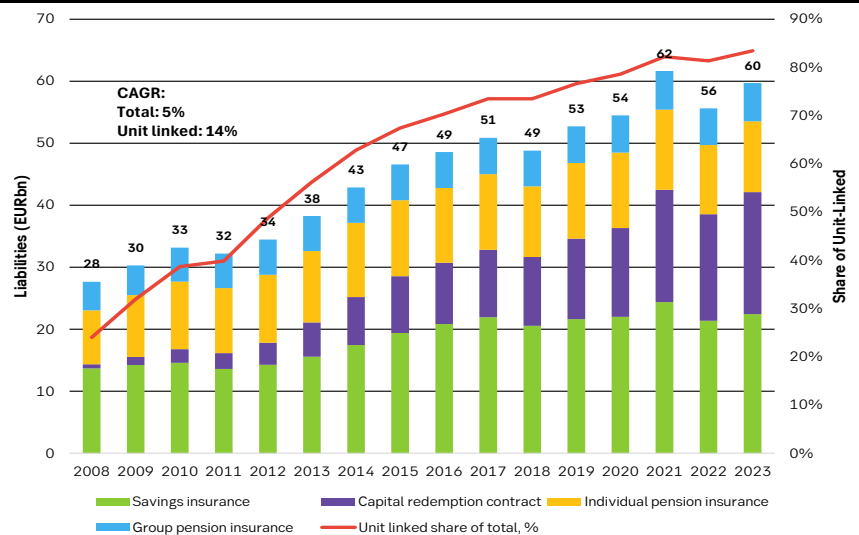
Aktia's life business solvency ratio stood at 187% at the end of H1/24, which suggests that the business is well capitalised. The solvency position has declined somewhat since 2022 driven by the change in insurance technical modelling of reserves and a higher capital requirement for equities. Also, Aktia Life paid a dividend of EUR 6.3m in 2023, explaining some 7pp. of the solvency decline in 2023. Furthermore, the planned easing of the transition rule explains the decline and we note that in H1/24, the solvency without transitional rules improved some 1.2pp to 150.5%. Aktia's life insurance unit holds own funds of EUR 184m, while the capital requirement related to the business stands at EUR 98m. Own funds contain c. EUR 56m of tier2 capital loans (maturing in 2031 with a 3% coupon) in addition to the CSM, so the IFRS equity allocation to the business is relatively limited.

**Life market share aligned with Banking AM market position**

Over the past 16 years, Finnish life insurance savings have been increasing some 5% annually on average. The growth has been driven by unit-linked products, which have seen a CAGR of 14% over 2008-23, while the traditional with-profit savings businesses in general are in run-off mode. As shown in the chart below, the share of unit-linked of total life savings has grown from 24% in 2008 to 84% of savings in 2023. According to Finance Finland, the total Finnish market size in terms of life savings, including both unit-linked and with-profit, amounted to EUR 59.7bn at end-2023, meaning that Aktia’s market share of total savings is c. 3%. Based on the premium income in 2023, Aktia’s market share was 3.3%. Looking closer at the product areas, Aktia’s market share is greatest in unit-linked personal life products (8%) while its market share in capital redemption policies is just 1%. Unit-linked savings insurance and capital redemption policies are clearly the largest sub-markets based on the written premiums. Aktia also holds a relatively strong position in other life product areas, which however is a relatively small market. In the group pension and life products, Aktia’s market share is some 3%, based on Finance Finland data.

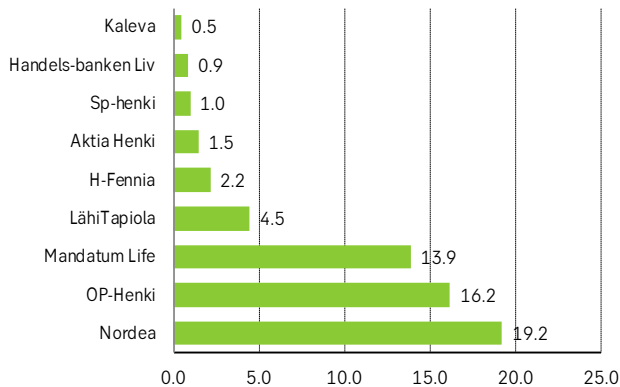
Overall, the Finnish life insurance market is highly concentrated with the three largest players controlling about 79% of the market (based on 2023 premiums). The market is dominated by Mandatum, Nordea and OP. In addition to its own life-focused operation, Mandatum has a re-selling agreement with Danske Bank, the third largest bank in Finland. As life insurance products are naturally distributed via a bank’s own network, market shares are roughly aligned with market position. Hence, we think that Aktia’s life insurance market share will closely follow its banking and wealth management market shares ahead.

**Finnish life insurance savings time series**



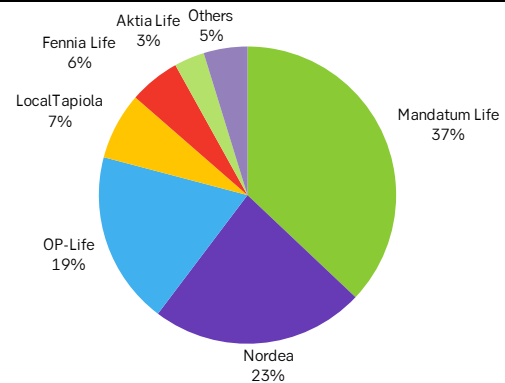
Source: SEB, Mandatum, Finance Finland

### Finnish life savings by company, 2023 (EURm)



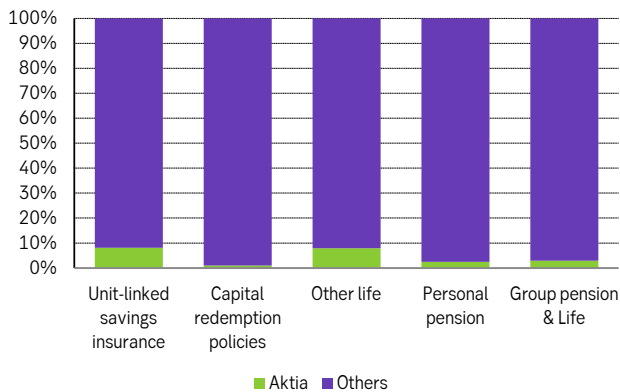
Source: SEB, Finance Finland

### Life insurers' market share, 2023 premiums written



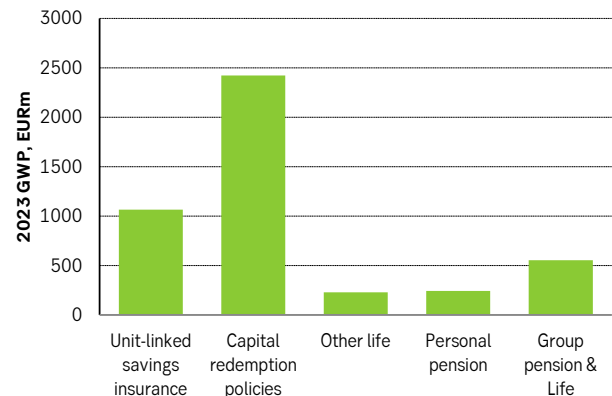
Source: SEB, Finance Finland

### Aktia's market share by product category, 2023 GWP



Source: SEB, Finance Finland

### Finnish market size by product category



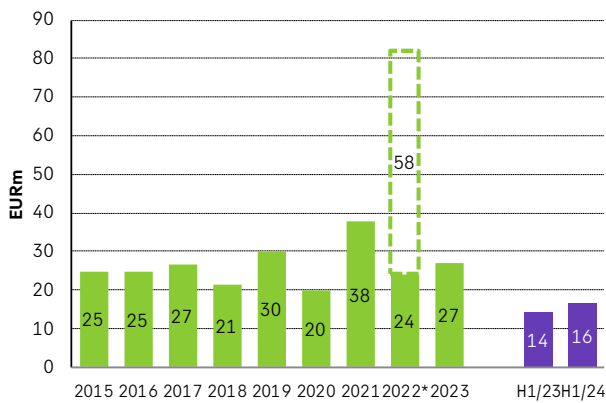
Source: SEB, Finance Finland

### Steady financial performance, excluding market moves

Aktia's life insurance operations have posted relatively stable financial results except for 2022, which was retroactively published under IFRS 17. Aktia moved to IFRS 17 reporting in 2023 and under that standard the insurance contract liabilities are valued using current market rates. However, towards the introduction of IFRS 17 in 2022-23, Aktia has increased its hedging against interest rate risk, resulting in significantly reduced volatility related to market valuation of liabilities.

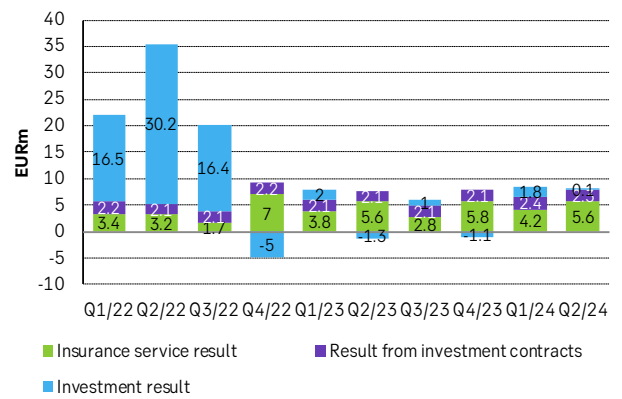
When eliminating the 2022 investment result of EUR 58m (driven by the impact of rate moves), we find that the life insurance income has been relatively steady over the past nine years, varying between EUR 20m and EUR 38m. Since 2022 Aktia has provided more detailed income split for the segment, showing the result from investment contracts has been steadily rising with steady margin on the growing asset base. Yet, the revenue stream remains relatively small. Insurance service result is more volatile in nature due to natural changes in claims and insurance technical items. Since the increased hedging against the interest rate risk related to insurance liabilities (under IFRS 17) the investment result volatility has declined significantly and the quarterly investment result has varied between EUR -1m and EUR 2m since Q1/23. Aktia's life operational costs are stable, seeing only a marginal inflation-driven increase. Over the past 10 quarters the quarterly cost base has varied between EUR 2.3m and EUR 2.7m.

**Net life insurance income (EURm)**



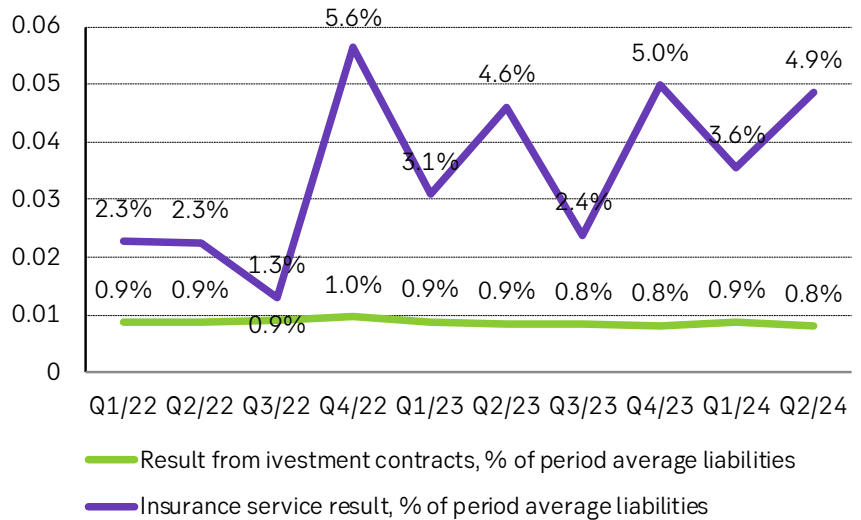
Source: SEB, Aktia

**Quarterly life insurance income by income source**



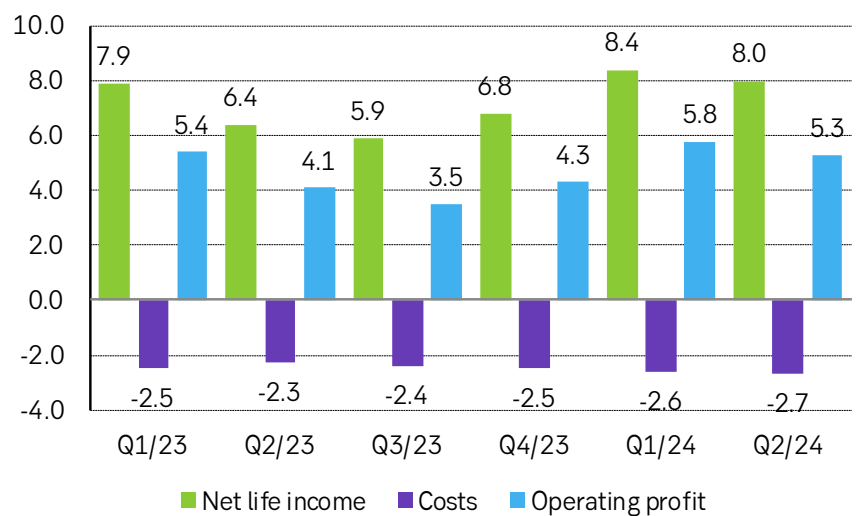
Source: SEB, Aktia

**Life income margins on liabilities**



Source: SEB, Aktia

**Life net insurance income, costs and EBIT (EURm)**



Source: SEB, Aktia

# A slow Finnish economy

The Finnish economy seems to react to external shocks with a lag, according to SEB's Economics Research team (Nordic Outlook, 27 August 2024). This is most evident in the manufacturing sector, which only now is feeling the weight of low global demand. While production levels have dropped roughly 10% from their peak in spring 2022, recent months have shown some signs of stabilisation. However new orders remain low, which will cause exports to fall by another 3.5% in 2024E. We expect a rebound in 2025, with exports increasing by 3.2%.

Key data, y/y percentage change				
Sweden	2023	2024E	2025E	2026E
GDP	-0.2	0.6	2.6	2.9
Unemployment*	7.7	8.2	8.6	8.2
Wages and salaries	3.8	3.9	3.4	3.4
CPI	6.0	1.9	1.8	1.8
Public sector balance**	-0.6	-1.0	-1.3	-0.5
Public sector debt**	31.7	33.0	33.5	34.1
Policy rate,%***	4.00	2.75	2.00	2.00

Note: \*% of labour force, \*\*% of GDP, \*\*\*at year-end

Source: SEB, Eurostat

Key data, y/y percentage change				
Finland	2023	2024E	2025E	2026E
GDP	-1.2	-0.6	1.5	1.8
Household consumption	0.2	0.8	1.0	1.5
Exports	-0.1	-3.5	3.2	3.5
Unemployment*	7.2	8.2	7.8	7.5
Wages and salaries	4.2	3.2	2.8	2.5
HICP inflation	4.3	1.2	2.0	1.6
Public sector fiscal balance**	-2.7	-3.8	-3.2	-3.0

Note: \*% of labour force, \*\*% of GDP

Source: SEB, Eurostat

As can be observed, the Finnish economy stands out negatively compared to the rest of the Nordics. Our Economics Research team expects GDP in Sweden and Denmark to grow by 2.6-2.9% and 3.0-3.1% respectively in the next two years. Wages and salaries are also expected to develop less, resulting in lower spending power by consumers.

Key data, y/y percentage change				
Norway	2023	2024E	2025E	2026E
GDP	0.5	1.8	2.0	1.1
Mainland GDP	0.7	0.7	1.7	1.6
LFS unemployment *	3.6	4.1	4.2	3.9
Wages and salaries	5.2	5.3	4.0	3.5
CPI-ATE inflation	6.2	3.8	2.7	2.2
Key interest rate,%	4.50	4.25	3.25	2.50

Note: \*% of labour force

Source: SEB, Macrobond.

Key data, y/y percentage change				
Denmark	2023	2024E	2025E	2026E
GDP	2.5	2.0	3.1	3.0
CPI	3.3	1.2	1.4	1.9
Wages and salaries	3.3	3.6	4.1	4.3
Public sector fiscal balance*	3.4	3.5	4.0	4.0
Public sector debt*	29.3	29.0	28.0	27.0
Current account*	12.5	10.0	8.0	7.0
Policy rate (CD rate),%	3.60	2.85	2.10	1.60

Note: \*% of GDP

Source: SEB, Statistics Denmark, DORS.

Business sector lending shows some signs of revival but at current rates, investments will remain subdued. We expect capital spending to decline by 3.5% in 2024, with a 3.8% rebound anticipated in 2025 as lower interest rates begin to stimulate investments.

Unemployment has slowly been ticking up and is expected to continue doing so. The main drivers are construction and manufacturing, where demand has fallen the most. While both sectors appear to be stabilising, the adjustment to much lower output levels means less need for labour. Consequently, unemployment is projected to increase this year. Recovering demand for construction services and manufactured goods should gradually start to improve the situation in the next couple of years. Wage and salary growth has remained relatively strong, contributing to the recovery of household purchasing power.

### Wage growth is not lagging inflation anymore



Source: Statistics Finland, Macrobond, SEB

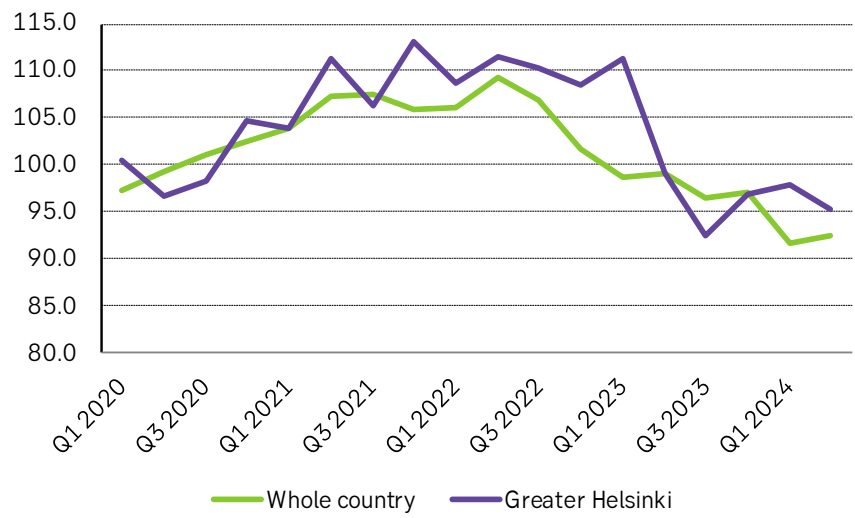
### Working hard to fix public finances

The Finnish government is continuing its efforts to contain the budget deficit, a challenging task given low economic growth. The government has decided to cut spending and raise value-added tax (VAT) to 25.5% (from 24.0%) in September, one of the highest rates in the EU. According to SEB's Economics Research team this should reduce the budget deficit to 3.2% in 2025 and 3.0% in 2026. However, the deficit will still be significant, causing the public debt-to-GDP ratio to rise to 84% in 2026.

Economic measures are not only being implemented by the government but also by households. Low consumer confidence has led to sluggish retail sales, but sentiment is beginning to recover, and we expect growth in real wages to positively impact consumption. In 2024, household consumption is projected to increase 0.8%, although growth will remain moderate in 2025, at only 1%, per SEB's Economics team. A more significant acceleration in spending is expected in 2026, with consumption rising 1.5%. Despite the VAT changes, SEB's Economics team believes that inflation will remain relatively low, averaging 2% in 2025 and 1.6% in 2026.

### On a positive note, house prices could have troughed

Looking at the Finnish housing market, it seems that the negative trend in house prices has stabilised. Below we show the price index of single-family houses in the whole country as well as the picture within the Greater Helsinki region. While prices are down by 15.4% and 15.7% respectively from their peak to Q2 2024, we see that prices have stabilised during 2024 thus far. Additionally, prices in Finland on aggregate have increased slightly during the last quarter, meaning we have probably troughed. The Greater Helsinki region appears to have troughed in Q3 2023, and we could be looking at a rebound in prices during next year. A positive driver would be the ECB lowering its policy rates; SEB's Economics Research team forecasts two rate cuts during H2/24 with the first one on September 12 and the next one in December. In 2025, our Economics team believes the ECB will become more aggressive, and forecasts five rate cuts resulting in a policy rate of 2.00% by the end of 2025.

**Price index of single-family houses**

Source: Statistics Finland

# Financial forecasts

We forecast NII to decline somewhat ahead, as the 12M EURIBOR rate, which is the base component of customers' lending rate, is lower than the 3M EURIBOR rate which represents the funding cost for Aktia. Hence, we believe Aktia will face a headwind over the next 12 months. We further remain cautious on lending growth, and any improvement in the Finnish economy would be a positive estimate driver.

Given that life insurance volumes are driven by the overall asset management volume growth and lending volumes (risk policies), we forecast Aktia's life insurance segment will grow in line with the volume growth in these two segments. Should the healthy performance delivered by risk insurance agents continue and favourable market moves continue, net income could well surprise on the positive side. We also think that the costs in life insurance will grow moderately, allowing for an improving C/I ratio. Hence the profit growth in a benign environment should exceed the net income growth. We however, flag that the changes in market rates and valuations continue to cause quarterly volatility in the investment result. Also, insurance service results are likely to see changes between quarters.

Interim financial statement												
(EURm)	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24E	Q4/24E	Q1/25E	Q2/25E	Q3/25E	Q4/25E
NII	31.8	33.8	39.5	38.9	39.1	38.8	38.2	37.9	36.7	36.4	36.6	36.9
Fees	30.3	30.4	30.0	29.8	30.1	30.8	31.1	31.3	31.9	32.3	32.6	32.9
Life	7.2	5.7	5.1	6.0	7.7	7.4	5.6	6.3	6.7	8.1	6.2	6.9
Trading	0.6	0.3	0.5	0.4	0.1	0.2	0.2	0.4	0.1	0.2	0.2	0.4
Other income	0.4	0.1	0.1	0.1	0.3	-0.5	0.1	0.1	0.3	-0.5	0.1	0.1
<b>Total income</b>	<b>70.3</b>	<b>70.3</b>	<b>75.2</b>	<b>75.2</b>	<b>77.3</b>	<b>76.7</b>	<b>75.2</b>	<b>76.0</b>	<b>75.7</b>	<b>76.6</b>	<b>75.6</b>	<b>77.2</b>
Staff costs	-21.0	-20.9	-21.0	-21.6	-19.3	-20.1	-21.0	-20.5	-19.7	-20.5	-21.4	-20.9
IT expenses	-9.2	-9.7	-9.6	-12.6	-11.0	-12.7	-12.5	-13.2	-11.2	-13.0	-12.7	-13.5
Depreciation	-5.9	-5.9	-5.8	-5.9	-6.0	-6.1	-6.1	-6.0	-6.1	-6.2	-6.2	-6.1
Other	-11.0	-5.7	-4.4	-6.4	-5.1	-5.9	-4.6	-6.4	-5.1	-5.9	-4.6	-6.4
<b>Total Expenses</b>	<b>-47.1</b>	<b>-42.2</b>	<b>-40.8</b>	<b>-46.5</b>	<b>-41.4</b>	<b>-44.8</b>	<b>-44.2</b>	<b>-46.2</b>	<b>-42.1</b>	<b>-45.6</b>	<b>-45.0</b>	<b>-47.0</b>
<b>PPP</b>	<b>23.2</b>	<b>28.1</b>	<b>34.4</b>	<b>28.7</b>	<b>35.9</b>	<b>31.9</b>	<b>31.0</b>	<b>29.8</b>	<b>33.6</b>	<b>31.0</b>	<b>30.7</b>	<b>30.2</b>
Impairments	0.0	0.0	-0.2	-1.1	0.0	0.0	-0.2	-1.2	0.0	0.0	-0.2	-1.3
Loan losses	-0.9	-1.3	-2.3	-2.4	-2.7	-1.8	-2.3	-2.3	-1.8	-1.4	-1.8	-1.8
Other impairments	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
<b>PBT</b>	<b>22.3</b>	<b>26.8</b>	<b>31.9</b>	<b>25.3</b>	<b>33.2</b>	<b>30.1</b>	<b>28.4</b>	<b>26.5</b>	<b>31.8</b>	<b>29.6</b>	<b>28.6</b>	<b>27.2</b>
Tax	-4.1	-5.7	-7.3	-4.9	-6.0	-6.0	-5.7	-5.3	-6.3	-5.9	-5.7	-5.4
<b>Net income</b>	<b>18.2</b>	<b>21.1</b>	<b>24.6</b>	<b>20.4</b>	<b>27.2</b>	<b>24.1</b>	<b>22.8</b>	<b>21.2</b>	<b>25.5</b>	<b>23.7</b>	<b>22.9</b>	<b>21.8</b>
EPS	0.25	0.29	0.34	0.28	0.37	0.33	0.31	0.29	0.35	0.33	0.31	0.30
DPS	0.00	0.00	0.00	0.70	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.94
<b>Key ratios</b>												
CET1 ratio	11.1%	11.0%	11.0%	11.3%	11.4%	11.5%	11.7%	11.7%	11.9%	12.0%	12.1%	12.1%
ROE	10.4%	12.8%	15.0%	12.0%	15.4%	13.5%	12.4%	11.2%	13.0%	12.9%	12.1%	11.1%
ROTE	13.7%	17.0%	20.2%	15.9%	20.2%	17.9%	16.2%	14.6%	16.8%	16.8%	15.6%	14.3%
Loan-loss-ratio	-0.05%	-0.07%	-0.12%	-0.12%	-0.14%	-0.09%	-0.12%	-0.12%	-0.09%	-0.07%	-0.09%	-0.09%
C/I ratio	-67%	-60%	-54%	-62%	-54%	-58%	-59%	-61%	-56%	-59%	-59%	-61%

Source: SEB estimates, Aktia

Looking ahead, we forecast Aktia will reach its financial target of delivering a C/I ratio below 60%. However, on ROE we do not forecast 2026 to exceed 12%. The main reason is Aktia building too much capital and management needs to clarify its distribution policy in its upcoming strategic update. Looking at ROTE the bank is above 15%, which we find attractive.

**Annual financial statements (EURm)**

	2019	2020	2021	2022	2023	2024E	2025E	2026E
NII	77.6	80.7	96.2	99.2	140.4	154.0	146.6	144.6
Fees	96.4	97.6	124.0	122.0	120.4	123.2	129.7	136.2
Life	30.0	19.9	37.7	79.2	24.1	27.0	28.0	29.1
Trading	5.6	0.6	4.7	0.6	1.7	0.9	0.9	0.9
Other income	11.9	2.3	1.2	2.0	0.7	0.0	0.0	0.0
<b>Total income</b>	<b>221.4</b>	<b>201.1</b>	<b>263.8</b>	<b>302.9</b>	<b>287.3</b>	<b>305.2</b>	<b>305.2</b>	<b>310.9</b>
Staff costs	-69.0	-69.1	-83.7	-80.4	-84.5	-80.9	-82.5	-84.2
IT expenses	-26.2	-26.0	-30.7	-32.7	-41.1	-49.4	-50.4	-51.9
Depreciation	-19.5	-18.3	-21.5	-23.3	-23.5	-24.2	-24.7	-25.2
Other	-29.2	-28.8	-38.5	-33.0	-27.5	-22.0	-22.0	-22.5
<b>Total Expenses</b>	<b>-143.9</b>	<b>-142.2</b>	<b>-174.4</b>	<b>-169.4</b>	<b>-176.6</b>	<b>-176.6</b>	<b>-179.6</b>	<b>-183.7</b>
<b>PPP</b>	<b>77.5</b>	<b>59.0</b>	<b>89.4</b>	<b>133.5</b>	<b>110.7</b>	<b>128.6</b>	<b>125.5</b>	<b>127.1</b>
Impairments	0.0	0.0	0.0	0.0	-1.3	-1.4	-1.6	-1.7
Loan losses	-4.5	-4.0	-4.5	-10.2	-6.9	-9.1	-6.8	-6.4
Other impairments	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Associates	1.7	-0.1	-0.3	0.2	0.2	0.1	0.1	0.1
<b>PBT</b>	<b>74.8</b>	<b>54.8</b>	<b>84.6</b>	<b>123.5</b>	<b>102.6</b>	<b>118.2</b>	<b>117.3</b>	<b>119.1</b>
Tax	-12.9	-12.2	-17.3	-25.2	-21.3	-22.9	-23.4	-23.7
<b>Net income</b>	<b>61.8</b>	<b>42.6</b>	<b>67.4</b>	<b>98.3</b>	<b>81.3</b>	<b>95.3</b>	<b>93.9</b>	<b>95.4</b>
EPS	0.89	0.61	0.93	1.36	1.12	1.31	1.29	1.31
DPS	0.53	0.43	0.56	0.43	0.70	0.91	0.94	0.97
<b>Key ratios</b>								
CET1 ratio	0.0%	0.0%	0.0%	10.8%	11.3%	11.7%	12.1%	12.2%
ROE	10.1%	6.4%	9.1%	15.4%	11.5%	12.6%	12.0%	11.8%
ROTE	11.3%	7.0%	11.9%	20.8%	15.1%	16.4%	15.4%	15.2%
Loan-loss-ratio	-0.07%	-0.06%	-0.06%	-0.13%	-0.09%	-0.11%	-0.08%	-0.08%
C/I ratio	-65%	-71%	-66%	-56%	-61%	-58%	-59%	-59%

Source: SEB estimates, Aktia

# Valuation

We use three different valuation methodologies to derive our valuation range for Aktia. Firstly, we provide a sum-of-the-parts (SOTP) where we value Aktia's banking, asset management, life and central divisions to reach a value of EUR 13.1. The second method is a Gordon growth model. We base this on normalised earnings in 2026E, assuming a growth rate of 2%, a COE of 10.5% and a projected ROE of 12.7% to reach a value of EUR 11.8. The third method we apply is to calculate the implied P/E of the Nordic banks we cover using our target prices to reach an average P/E of 9.4x. Using Aktia's 2026E EPS, we derive a value of EUR 12.3. The value range for Aktia hence is EUR 11.8-13.1.

## Valuation range (EUR)

SOTP	13.1	
GGM	11.8	
Peer P/E	12.3	
<b>Range</b>	<b>11.8</b>	<b>13.1</b>

Source: SEB

## Sum-of-the-parts (EURm)

	Banking	Asset mgmt	Life	Central units	Group
Net profit	69.1	25.0	19.2	-17.9	95.4
Equity	691.0	59.3	59.3	-59.5	750.0
ROE	10.0%	42.1%	32.4%		12.7%
g	1.0%	3.0%	3.0%		
COE	10.5%	9.5%	10.0%		
P/B	0.9	6.0	4.2		1.42
P/E	9.5	14.3	13.0	11	11.1
Value	655	357	249	-197	1,063
Number of shares					72.9
2026 value					14.6
PV dividend 2024					0.8
PV dividend 2025					0.7
<b>Target valuation (EUR)</b>					<b>13.1</b>

Source: SEB estimates

## Gordon growth model (EURm)

PPP 2026	127
Normalised provisions	-8
Provisions in %	-0.10%
PBT	119
Normalised tax	-24
Net profit	95
BV	750
ROE	12.7%
G	2.0%
COE	10.5%
Target P/B	1.26
Share count	73
Per share value pv	10.4
PV dividend 2024	0.8
PV dividend 2025	0.7
<b>Target value (EUR)</b>	<b>11.8</b>

Source: SEB estimates

We derive the peer P/E from the average implied P/E from our target prices of peer banks.

**Peer valuation table**

	Mkt cap (lcl bn)	Share Price (lcl)	Rec.	Target price (local)	Upside (%)	P/E			P/B			Div. yield (%)			ROE (%)		
						24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E
<b>Nordic banks</b>																	
Danske Bank A/S	181.4	211.1	Buy	250	18.4	8.0	7.7	7.1	1.01	1.0	1.0	7.5	8.4	9.1	12.6	12.2	12.3
DNB	334.1	218.3	Hold	225	3.1	8.5	9.2	9.1	1.27	1.2	1.2	7.8	8.0	8.2	15.4	13.7	13.3
Handelsbanken	209.8	106.0	Hold	107	1.0	8.5	9.9	9.9	1.02	1.0	1.0	9.4	11.3	10.4	12.0	10.2	10.1
Nordea	39.2	121.9	Buy	159	27.1	7.4	7.7	7.3	1.14	1.1	1.1	8.9	9.2	9.2	15.9	14.7	15.2
SEB (Factset data)	343.8	156.3	n.a.	n.a.	n.a.	8.9	9.4	n.a.	1.38	1.4	n.a.	7.7	6.4	n.a.	15.6	14.4	n.a.
Swedbank	249.0	220.0	Buy	255	15.9	7.6	8.5	8.2	1.21	1.2	1.1	7.0	7.7	7.7	16.2	13.9	13.7
Jyske Bank	34.5	537.0	Buy	605	12.7	7.0	7.7	7.1	0.8	0.7	0.6	4.6	4.3	4.7	11.2	9.4	9.4
Sydbank	18.9	340.2	Buy	440	29.3	5.8	6.5	6.5	1.2	1.1	1.0	8.9	8.0	8.0	21.0	17.7	16.6
RiLBa (Ringkjøbing Landbobank)	29.2	1,075.0	Buy	1,350	25.6	12.1	12.3	11.7	2.6	2.4	2.2	1.3	1.3	1.2	22.0	20.0	19.3
Spar Nord	15.3	128.6	Buy	150	16.6	6.7	7.9	7.6	1.2	1.1	1.0	7.8	7.8	8.6	17.9	14.7	14.6
Sparebanken Vest	13.7	128.0	Hold	139	8.6	8.4	9.1	9.2	1.5	1.4	1.3	5.9	6.2	6.5	18.1	15.5	14.6
SpareBank 1 Nord-Norge	10.7	106.5	Hold	108	1.4	7.6	9.3	9.3	1.3	1.3	1.3	8.0	8.5	8.6	18.3	14.1	13.9
Sparebank 1 SR-Bank	33.9	132.0	Hold	134	1.5	7.9	8.6	8.6	1.0	1.0	1.0	5.7	7.0	7.2	12.4	11.8	11.4
Sparebank 1 SMN	0.0	153.9	Hold	157	2.0	8.0	9.4	9.4	1.2	1.2	1.2	8.1	8.2	8.3	15.0	12.4	12.2

Source: FactSet, SEB

## Risks

Although we view Aktia as a defensive retail bank, its balance sheet is not without risks. As for other banks, the main risk we see is related to credit. We acknowledge that Aktia could see an increase in loan loss provisions if the Finnish macro environment deteriorates. Should such a downturn happen in parallel with rising unemployment and sharply falling house prices, the mortgage book could also run into asset quality problems.

With the capital-light operations directly or indirectly exposed to equity markets through assets under management, a sharper and/or longer decline in equity markets could have negative impacts on our estimates.

# SEAM (SEB's ESG Assessment Methodology)

## Aktia Bank

Country: Finland Sector: Banks Overall impact of ESG factors on valuation: Neutral Fully discounted in mid-point DCF value: **No**

In our view, ESG factors do or will have an overall neutral impact on the share's valuation. The most material impact is . Some of the impact is yet to be discounted in our mid-point equity valuation. We believe that some of the ESG factors facing the company could be manageable by the company, and that the company's management of these issues is optimal.

Our analysis suggests an overall neutral ESG impact on valuation, which is similar relative to Sustainalytics' "medium" qualitative ESG score.

With regard to the EU taxonomy, the company has not yet reported its revenue eligibility, or is not required to do so. In the longer term, we also expect alignment to be insignificant.

### ESG impact on NPV (as % of equity valuation)

Total impact over time	<b>0</b>
of which:	
- impact reflected in mid-point equity valuation	<b>0</b>
- impact yet-to-be reflected in mid-point equity valuation	<b>0</b>

### SEB ESG Financial Assessment

	As % of equity valuation
<b>Long term impact of ESG issue on valuation</b>	<b>0</b>
of which:	
<b>Impact already reflected in our 6-12 month mid-point</b>	<b>0</b>
<b>Impact yet-to-be reflected in mid-point price</b>	<b>0</b>

### Topline exposure to ESG opportunities/threats

#### ESG Integration in financing

Aktia aims to be in the forefront in financing the green transition.

Sales (%pa)	Impact (% of Fair Value)
0	2

#### Climate related impact - products/services

Aktia is set to align with the Science Based Targets initiatives.

0	2
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### Costs (inc write downs) exposure to ESG opportunities/threats

#### Supply chain ESG management and political risk

Political and regulatory risks is always elevated for banks which drives costs

Costs/Topline (%)	Impact (% of Fair Value)
0	(1)

### Loan losses exposure to ESG opportunities/threats

#### Cyber crime

Crime related to lending could materialise in asset quality problems

Losses/Topline (percent units)	Impact (% of Fair Value)
0	(2)

### Long term impact of ESG issue on valuation (% of Fair value)

**1**

## Aktia Bank (cont.)

### Sustainalytics Assessment (note: lower number means less risk)

Overall risk	Medium
Percentile vs. companies in all industries	18
Percentile vs. others in industry	0

The Sustainalytics ESG rating is an assessment of how well a company is managing its material ESG risks, while SEB's SEFA is a bottom up evaluation of the impact of most material ESG factors on the company's financial performance.



### EU Taxonomy Eligibility/Alignment (based on mandatory EU disclosures)

Eligible revenues (inc. aligned revs.)	NA (current group revenues)
Aligned revenues	NA (current group revenues)
SEB forecast, aligned revenues (in 5 years' time)	NA (est. future group revenues)

### Sustainability related commitments and targets

Does the company have a science based target?	Committed to target
Is the CEO's remuneration linked to achievement of sustainability goals?	No
What are the company's most material sustainability goals?	Target carbon footprint reduction 2025 of -30% compared to 2019 Green bond share of corporate credit funds 35% Reduce loan portfolio emissions (Net) carbon neutrality in energy consumption in Aktia's HQ
Who has ultimate responsibility for sustainability management?	Markus Lindqvist

# Overview

## Investment considerations

Aktia has changed its management and will update its financial targets which should support the equity story in Aktia. Additionally, distributing excess capital to shareholders will create an attractive yield case and will support a higher ROE going forward. The Asset Management division has underperformed during the last years, and any improvement will support earnings and benefit the income mix positively driving ROE upwards.

## Company profile

Aktia Bank Plc is a Finnish retail bank based in Helsinki that traces its roots to 1991, when several savings banks based in the coastal areas of Finland merged with Helsinki Savings Bank which had operated in the Helsinki region since 1826. Aktia continues to operate solely in Finland via its branch network, servicing retail customers, SME corporate and institutional clients. The primary focus is on retail mortgages and SME lending but with growing importance of the bank's wealth and asset management operations in recent years.

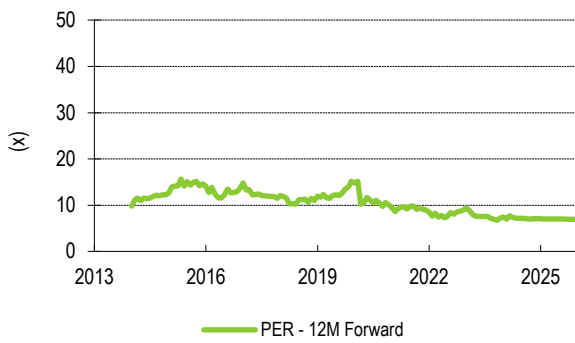
## Valuation approach

We arrive at an equity value range through SOTP, GGM and Peer valuation.

## Investment risks

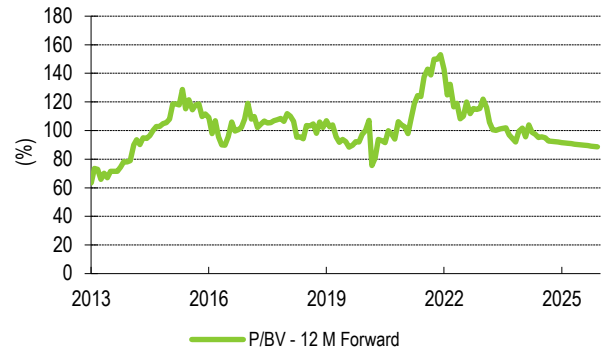
If 12M EURIBOR continues to be lower than 3M EURIBOR we see pressure on NII margins and downside to our estimates. Additionally, if ECB cuts the policy rate quicker than SEB's strategy team predicts we will see downside pressure to our estimates. If Finish economy doesn't rebound we see limited lending growth in the coming years which will also affect NII negatively, on the flipside any improvement in macro data will benefit Aktia.

**PER - 12M Forward**



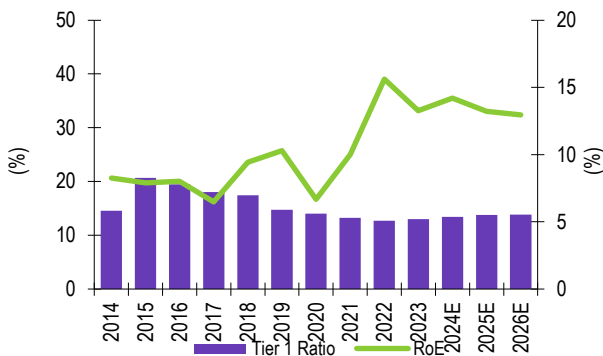
Source: SEB

**P/BV - 12M Forward**



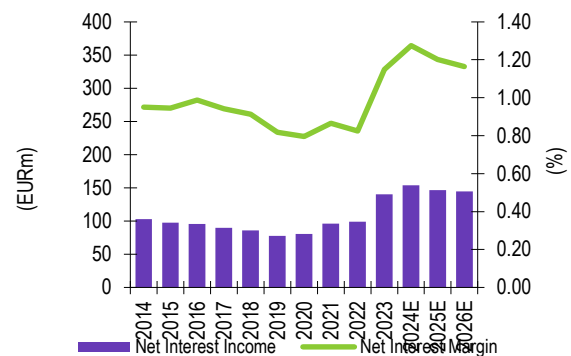
Source: SEB

**Tier 1 Ratio & Return on Equity**



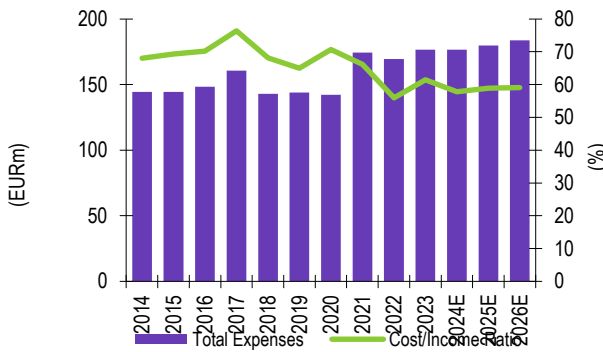
Source: SEB

**Net Interest Income & Net Interest Margin**



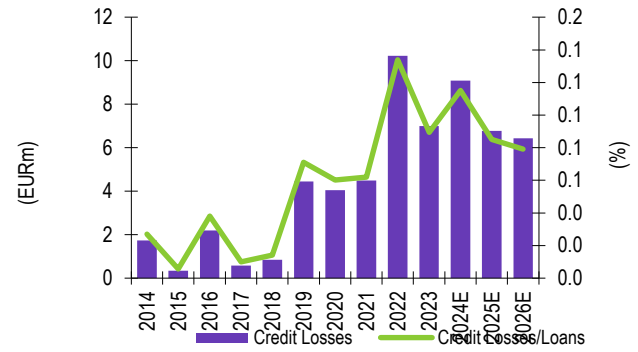
Source: SEB

**Total Expenses & Cost/Income Ratio**



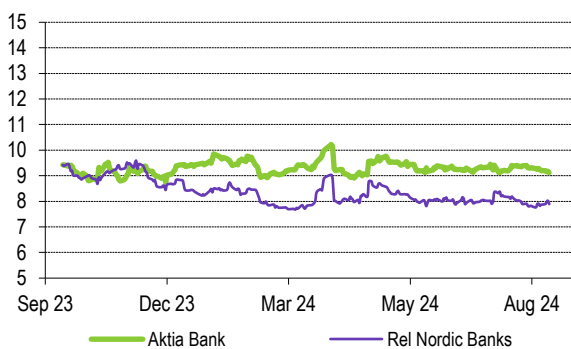
Source: SEB

**Credit Losses**



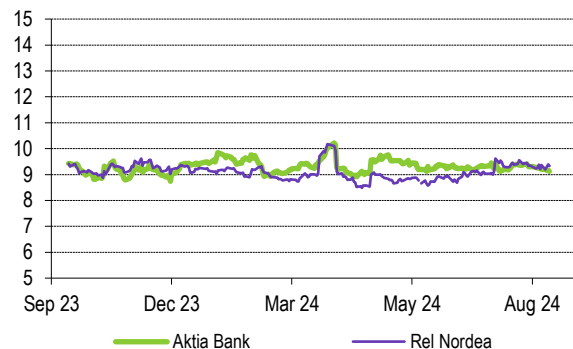
Source: SEB

**Comparison with Sector Index - 1 year**



Source: SIX

**Comparison with Nordea - 1 year**



Source: SIX

<b>Profit &amp; loss statement - Aktia Bank</b>													
(EURm)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net interest income	103	97	96	90	86	78	81	96	99	140	154	147	145
Net commissions	75	80	80	93	98	99	98	124	122	120	123	130	136
Trading income	7	4	8	(1)	3	6	1	5	1	2	0	0	0
Profit from insurance operations	24	25	25	27	21	30	20	38	79	24	27	28	29
Other income	3	2	3	2	2	9	2	1	2	1	1	1	1
<b>Total income</b>	<b>212</b>	<b>208</b>	<b>211</b>	<b>210</b>	<b>210</b>	<b>221</b>	<b>201</b>	<b>264</b>	<b>303</b>	<b>288</b>	<b>305</b>	<b>305</b>	<b>311</b>
Personnel expenses	(70)	(73)	(72)	(79)	(67)	(69)	(69)	(84)	(80)	(85)	(81)	(83)	(84)
Depreciation	(7)	(8)	(8)	(9)	(12)	(19)	(18)	(22)	(23)	(24)	(24)	(25)	(25)
Other expenses	(68)	(64)	(68)	(72)	(64)	(55)	(55)	(69)	(66)	(69)	(71)	(72)	(74)
<b>Total expenses</b>	<b>(144)</b>	<b>(144)</b>	<b>(148)</b>	<b>(161)</b>	<b>(143)</b>	<b>(144)</b>	<b>(142)</b>	<b>(174)</b>	<b>(169)</b>	<b>(177)</b>	<b>(177)</b>	<b>(180)</b>	<b>(184)</b>
<b>Pre-provision profit</b>	<b>68</b>	<b>64</b>	<b>63</b>	<b>50</b>	<b>67</b>	<b>78</b>	<b>59</b>	<b>89</b>	<b>134</b>	<b>111</b>	<b>129</b>	<b>125</b>	<b>127</b>
Credit losses	(2)	(0)	(2)	(1)	(1)	(4)	(4)	(4)	(10)	(7)	(9)	(7)	(6)
<b>Operating profit after cred. losses</b>	<b>66</b>	<b>64</b>	<b>61</b>	<b>49</b>	<b>66</b>	<b>73</b>	<b>55</b>	<b>85</b>	<b>123</b>	<b>104</b>	<b>120</b>	<b>119</b>	<b>121</b>
Gains/losses on fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill amortisation	0	0	0	0	0	0	0	0	0	0	0	0	0
Other intangibles amortisation	0	0	0	0	0	0	0	0	0	0	0	0	0
Extraordinaries	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	2	1	1	0	1	2	(0)	(0)	0	(1)	(1)	(1)	(2)
<b>Reported pre-tax profit</b>	<b>68</b>	<b>64</b>	<b>61</b>	<b>49</b>	<b>68</b>	<b>75</b>	<b>55</b>	<b>85</b>	<b>124</b>	<b>103</b>	<b>118</b>	<b>117</b>	<b>119</b>
Tax paid on pre-tax profit	(13)	(13)	(12)	(10)	(12)	(13)	(12)	(17)	(25)	(21)	(23)	(23)	(24)
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>55</b>	<b>52</b>	<b>49</b>	<b>39</b>	<b>56</b>	<b>62</b>	<b>43</b>	<b>67</b>	<b>98</b>	<b>81</b>	<b>95</b>	<b>94</b>	<b>95</b>
<b>Adjustments:</b>													
Reported pre-tax profit	68	64	61	49	68	75	55	85	124	103	118	117	119
Restructuring costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Net extraordinaries	0	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill and intangibles amort.	0	0	0	0	0	0	0	0	0	0	0	0	0
Non recurring capital gains	0	1	(5)	(1)	(4)	0	0	(1)	0	0	0	0	0
Unrealized changes in other income	0	0	0	0	1	10	0	0	0	0	0	0	0
Excess (lack) provisions	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on conv. debt net of tax	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted pretax profit	68	66	58	59	65	68	55	87	125	105	118	117	119
Normalised tax	(13)	(13)	(12)	(12)	(11)	(12)	(12)	(18)	(25)	(22)	(23)	(23)	(24)
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Adjusted profit after tax</b>	<b>55</b>	<b>53</b>	<b>47</b>	<b>47</b>	<b>54</b>	<b>56</b>	<b>43</b>	<b>69</b>	<b>99</b>	<b>83</b>	<b>95</b>	<b>94</b>	<b>95</b>

<b>Margins, tax &amp; returns</b>													
(%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net interest margin	0.95	0.95	0.99	0.94	0.91	0.82	0.80	0.87	0.82	1.15	1.28	1.20	1.16
Cost/income ratio	68.0	69.3	70.2	76.4	68.1	65.0	70.7	66.1	55.9	61.4	57.9	58.9	59.1
Credit losses/loans	0.03	0.01	0.04	0.01	0.01	0.07	0.06	0.06	0.13	0.09	0.12	0.09	0.08
Tax rate	19.4	19.7	19.8	19.9	17.1	17.3	22.2	20.4	20.8	19.4	19.9	19.9	19.9
ROE	8.3	7.9	8.0	6.5	9.4	10.3	6.7	10.0	15.6	13.3	14.2	13.2	12.9
Adjusted ROE	8.3	8.1	7.6	7.8	9.0	9.3	6.7	10.2	15.7	13.5	14.2	13.2	12.9
Return on tangible equity	8.6	8.7	8.4	8.8	10.2	10.5	7.4	12.7	23.2	20.1	19.7	17.5	17.1

<b>Key ratios</b>													
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Tier 1 ratio	14.6	20.7	19.5	18.0	17.5	14.7	14.0	13.2	12.7	13.0	13.4	13.8	13.8
Capital ratio	19.0	27.1	26.3	23.4	20.5	18.6	16.4	15.6	14.9	15.0	16.3	16.7	16.6
Net impaired loans	0	0	0	0	0	0	0	120	141	131	0	0	0
Acc provisions % of gross impaired	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impaired % of net loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	1.8	1.7	0.0	0.0	0.0
Net impaired % of equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.7	24.3	20.4	0.0	0.0	0.0
Average number of employees	950	926	912	854	792	778	803	842	873	862	0	0	0
Personnel expenses/employee	(73)	(78)	(79)	(93)	(84)	(89)	(86)	(99)	(92)	(98)	0	0	0
Income/employee	224	225	232	246	265	285	250	313	347	334	n.a.	n.a.	n.a.

<b>Growth rates y-o-y (%)</b>													
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net interest income	(8.8)	(5.3)	(1.8)	(6.2)	(4.1)	(9.7)	4.0	19.3	3.0	41.6	9.7	(4.9)	(1.3)
Total income	(5.3)	(1.8)	1.4	(0.5)	(0.1)	5.4	(9.2)	31.2	14.8	(5.1)	6.1	(0.0)	1.9
Personnel expenses	n.a.	4.5	(0.6)	9.4	(15.7)	3.5	0.1	21.2	(4.0)	5.1	(4.2)	2.0	2.0
Total expenses	(8.1)	(0.0)	2.8	8.2	(11.0)	0.6	(1.2)	22.7	(2.9)	4.2	(0.0)	1.8	2.3
Pre-provision profit	1.4	(5.7)	(1.6)	(21.1)	35.2	15.6	(23.9)	51.6	49.4	(16.9)	16.0	(2.4)	1.3
Pre-tax profit	4.5	(6.0)	(4.3)	(20.1)	37.6	10.6	(26.7)	54.4	45.9	(16.9)	15.2	(0.8)	1.6
EPS (adjusted)	n.m.	(3.3)	(11.6)	1.0	10.9	2.6	(24.3)	58.4	41.0	(16.8)	14.5	(1.5)	1.6

Source for all data on this page: SEB

**Balance sheet - Aktia Bank**

(EURm)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Cash & financial institutions	442	312	423	332	312	333	328	798	1,359	788	792	804	828
Securities	2,779	2,585	2,185	2,165	1,658	1,596	1,775	1,588	1,599	1,611	1,611	1,611	1,611
Net loans	6,416	5,856	5,717	5,839	6,107	6,429	7,000	7,486	7,792	7,866	7,905	8,024	8,265
Other interest bearing	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total interest bearing assets</b>	<b>9,636</b>	<b>8,753</b>	<b>8,325</b>	<b>8,336</b>	<b>8,077</b>	<b>8,358</b>	<b>9,102</b>	<b>9,873</b>	<b>10,750</b>	<b>10,265</b>	<b>10,308</b>	<b>10,439</b>	<b>10,704</b>
Goodwill	36	51	64	71	67	63	58	174	166	168	173	173	182
Other intangibles	0	0	0	0	0	0	0	0	0	0	0	0	0
Property, plant and equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Other non-interest bearing	1,034	1,077	1,097	1,143	1,123	1,276	1,413	1,607	1,496	1,604	1,640	1,669	1,669
<b>Total non-interest bearing assets</b>	<b>1,070</b>	<b>1,128</b>	<b>1,161</b>	<b>1,214</b>	<b>1,189</b>	<b>1,339</b>	<b>1,471</b>	<b>1,781</b>	<b>1,662</b>	<b>1,773</b>	<b>1,814</b>	<b>1,842</b>	<b>1,851</b>
<b>Total assets</b>	<b>10,707</b>	<b>9,882</b>	<b>9,486</b>	<b>9,550</b>	<b>9,266</b>	<b>9,697</b>	<b>10,573</b>	<b>11,653</b>	<b>12,412</b>	<b>12,038</b>	<b>12,122</b>	<b>12,281</b>	<b>12,555</b>
Borrowing from fin. institutions	777	475	509	694	203	198	149	123	32	58	58	58	58
Deposits from customers	3,979	3,922	4,164	4,119	3,963	4,060	4,466	4,503	5,214	4,564	4,607	4,653	4,699
Bond borrowing	3,535	3,033	2,477	2,451	2,460	2,623	2,846	3,060	3,052	3,577	3,577	3,577	3,756
Other interest bearing liabilities	1,726	1,836	1,723	1,688	1,651	1,807	1,896	2,429	2,675	2,883	3,124	3,210	3,231
<b>Total liabilities and equity</b>	<b>10,016</b>	<b>9,266</b>	<b>8,873</b>	<b>8,952</b>	<b>8,276</b>	<b>8,687</b>	<b>9,356</b>	<b>10,115</b>	<b>10,972</b>	<b>11,083</b>	<b>11,367</b>	<b>11,499</b>	<b>11,745</b>
Provisions	0	0	0	0	0	0	0	0	0	0	0	0	0
Other non-interest bearing liabilities	0	0	0	0	400	400	550	800	800	250	0	0	0
Minority interests	0	0	0	0	0	0	0	59	59	60	60	60	60
Shareholders' equity	691	615	613	598	590	610	667	679	581	645	696	723	750
<b>Total liabilities and equity</b>	<b>10,707</b>	<b>9,882</b>	<b>9,486</b>	<b>9,550</b>	<b>9,266</b>	<b>9,697</b>	<b>10,573</b>	<b>11,653</b>	<b>12,412</b>	<b>12,038</b>	<b>12,122</b>	<b>12,281</b>	<b>12,555</b>
<b>Capitalisation</b>													
Tier 1 capital	475	413	390	375	384	388	424	389	397	443	464	490	506
Tier 2 capital	146	128	136	111	68	103	72	131	127	127	160	160	160
Deductions, other	0	0	0	0	0	0	0	(60)	(58)	(57)	(59)	(59)	(59)
<b>Total capital</b>	<b>621</b>	<b>542</b>	<b>526</b>	<b>486</b>	<b>452</b>	<b>491</b>	<b>496</b>	<b>460</b>	<b>466</b>	<b>513</b>	<b>566</b>	<b>591</b>	<b>607</b>
Risk-weighted assets	3,263	1,999	1,998	2,080	2,199	2,637	3,030	2,941	3,131	3,411	3,463	3,546	3,652
Tier 1 ratio (%)	14.6	20.7	19.5	18.0	17.5	14.7	14.0	13.2	12.7	13.0	13.4	13.8	13.8
Capital ratio (%)	19.0	27.1	26.3	23.4	20.5	18.6	16.4	15.6	14.9	15.0	16.3	16.7	16.6
<b>Asset Quality</b>													
Gross impaired loans	0	0	0	0	0	0	0	96	114	106	0	0	0
Accumulated provisions	0	0	0	0	0	0	0	25	27	25	0	0	0
<b>Net impaired loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120</b>	<b>141</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>0</b>
Accum. provisions % of gross loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions % of gross impaired	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(26.0)	(24.1)	(23.5)	0.0	0.0	0.0
Net impaired % of net loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	1.8	1.7	0.0	0.0	0.0
Net impaired % of equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.7	24.3	20.4	0.0	0.0	0.0
Loans/assets (%)	59.9	59.3	60.3	61.1	65.9	66.3	66.2	64.2	62.8	65.3	65.2	65.3	65.8
Deposits/loans (%)	62.0	67.0	72.8	70.5	64.9	63.1	63.8	60.2	66.9	58.0	58.3	58.0	56.9
<b>Growth rates (%)</b>													
Net loans	(5.7)	(8.7)	(2.4)	2.1	4.6	5.3	8.9	7.0	4.1	1.0	0.5	1.5	3.0
Customer deposits	4.8	(1.4)	6.2	(1.1)	(3.8)	2.5	10.0	0.8	15.8	(12.5)	0.9	1.0	1.0
Shareholders' equity	7.7	(11.0)	(0.3)	(2.5)	(1.4)	3.4	9.3	1.8	(14.5)	11.2	7.8	3.9	3.7

**Valuation**

(EUR)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
No of shares, fully dil. (y/e)	66.6	66.4	66.3	66.3	68.9	69.2	69.6	72.1	72.4	72.9	72.9	72.9	72.9
No of shares, fully dil. avg.	66.6	66.5	66.4	66.3	67.6	69.0	69.4	70.9	72.3	72.6	72.9	72.9	72.9
Share price, y/e	9.8	10.3	9.7	9.1	9.0	9.3	9.8	12.3	10.2	9.5	9.1	9.1	9.1
Share price, high	10.0	12.1	10.3	11.0	9.9	9.9	11.6	13.1	12.8	11.1	10.2		
Share price, low	8.0	9.3	7.7	8.8	7.9	8.1	6.5	9.0	8.7	8.7	8.9		
Share price, avg	9.3	10.8	9.1	9.5	8.9	8.9	9.0	11.1	10.1	9.5	9.3		
EPS, reported	0.83	0.78	0.74	0.59	0.83	0.9	0.61	0.95	1.36	1.12	1.31	1.29	1.31
EPS, adjusted	0.83	0.8	0.71	0.71	0.79	0.81	0.61	0.97	1.37	1.14	1.31	1.29	1.31
Dividend/share	0.8	0.5	0.6	0.6	0.6	0.5	0.4	0.6	0.4	0.7	0.7	0.9	0.9
Book value/share	10.4	9.3	9.2	9.0	8.6	8.8	9.6	9.4	8.0	8.9	9.5	9.9	10.3
Tangible equity/share	9.8	8.5	8.3	7.9	7.6	7.9	8.8	6.6	5.3	6.1	7.2	7.5	7.8
PER (adjusted)	11.8	12.9	13.8	12.8	11.4	11.5	15.9	12.6	7.5	8.3	7.0	7.1	7.0
Price/Book value	0.94	1.11	1.05	1.01	1.05	1.06	1.02	1.30	1.27	1.07	0.95	0.92	0.89
Price/Tangible equity	0.99	1.21	1.17	1.15	1.19	1.18	1.12	1.87	1.95	1.55	1.27	1.21	1.17
Return on equity (%)	8.3	7.9	8.0	6.5	9.4	10.3	6.7	10.0	15.6	13.3	14.2	13.2	12.9
Adjusted return on equity (%)	8.3	8.1	7.6	7.8	9.0	9.3	6.7	10.2	15.7	13.5	14.2	13.2	12.9

**Main Shareholders**

Main Shareholders				Management		Company Information	
Name	(%)	Votes	Capital	Title	Name	Contact	
Rg Partners Oy		10.2	10.2	COB	Lasse Svens	Internet	www.aktia.com
Companies controlled by Erkki Etola		10.0	10.0	CEO	Aleksi Lehtonen	Phone Number	+358 10 247 5000
Veritas Pension Insurance Company		8.3	8.3	CFO	Karri Varis		
				IR	Oscar Taimitarha		

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