

5 MAY 2020

# Q1 Results presentation

Aktia



# Aktia's Q1 2020 in brief

- Unrealised value changes the main reason for the lower net income from life insurance of EUR -5.2 (8.3) million and thus the low comparable operating profit of EUR 2.8 (17.2) million.
- Very strong activity among private and corporate customers during January-February supported an increase in the net interest income to EUR 19.7 (19.4) million. Demand for housing loans decreased in March, stable lending margins.
- Net commission income increased to EUR 25.2 (23.2) million. Assets under management (AuM) decreased due to large market movements but the proportion of corona related redemptions was relatively small.
- The expansion of the product selection for asset management continued during the quarter. The distribution contracts for UI-Aktia funds in Chile and Peru were signed.
- The cost level was close to unchanged compared to the previous year.
- The visibility still low to the end of the year.



# A good result despite the economic uncertainty

## Banking Business

### Private customers

- January–February was characterised by high activity within private customers.
- Lending activity was on a good level at the start of the year and the growth of the loan book stable. However, a drop in the demand for housing loans could be seen after the coronavirus outbreak.
- The interest in instalment-free periods increased clearly towards the end of the quarter.
- The demand for Aktia’s asset management services increased among private customers.

### Corporate customers

- The corporate customer business had a strong growth and a good activity level at the beginning of the year.
- The market situation was still favourable at the beginning of the year and companies’ investment appetite was higher than expected.
- However, the coronavirus situation in March caused a fast change on the market. The main focus in March was on giving advice to our customers.
- Aktia continued the purchase of loans to housing companies from the Mortgage Society of Finland (Hypo) to a value of EUR 48 million.

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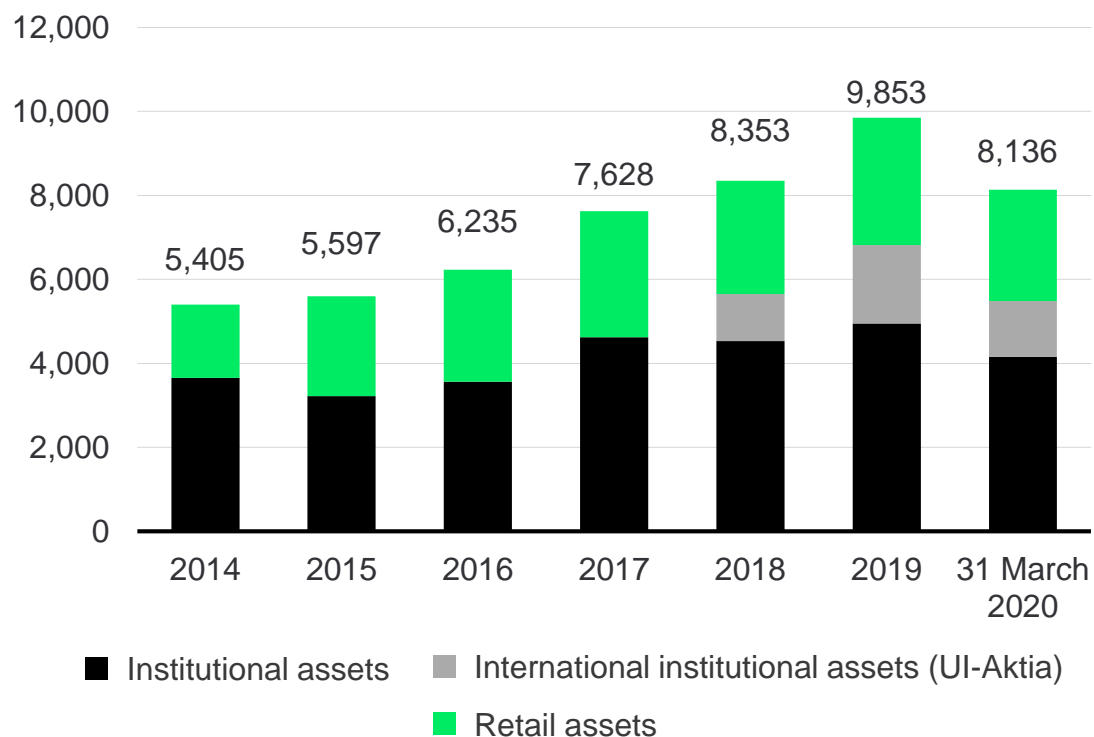
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# The steep market decline had a large impact on the assets under management

## Asset Management

### Assets under management excluding custody (AuM)

EUR million



## Asset Management

- Assets under management (AuM) amounted to EUR 8,136 (31 March 2019; 8,786) million.
- Customer assets under management decreased during the quarter due to strong and negative market movements as a result of the global coronavirus pandemic.
- Aktia's focus on international growth continued. The distribution contracts for UI-Aktia funds in Chile and Peru were signed.

## Life Insurance

- The focus on developing the life insurance business continued and led to higher activity levels.
- The demand for personal coverage has increased steadily during the whole quarter compared to the corresponding period last year.

# Decisions of Aktia's Annual General Meeting

- Aktia's Annual General Meeting took a place according to the original plan on 16 April 2020 at Aktia's headquarters.
- The meeting was sent as a direct webcast to Aktia's shareholders. The CEO presentation can be seen as a separate recording at Aktia's website on [www.aktia.com](http://www.aktia.com).
- The AGM decided, taking into account the recommendations issued by the authorities', to authorise the Board to at a later date decide on the payment of a maximum dividend of EUR 0.63 per share for the accounting period 1 January – 31 December 2019 with a payment at one or more occasions, however, at the earliest on 1 October 2020. Aktia will notify of the decisions separately.
- Christina Dahlblom, Johan Hammarén, Maria Jerhamre Engström, Johannes Schulman, Lasse Svens and Arja Talma were re-elected as Board members. As new members of the Board of Directors were elected Kari A.J. Järvinen, Harri Lauslahti and Olli-Petteri Lehtinen.

# Covid-19: impacts and measures

# Coronavirus pandemic: impacts and measures

- We always put safety of our customers and personnel first
- The operational reliability ensured through active crisis management and business continuity plans
- A rapid and agile change in the way of working: appr. 80% of the personnel working remotely
- A big change in customer behavior: digital banking solutions at the centre when Aktia takes a big digital leap forward
- Remote customer meetings have become a part of everyday business, the use of digital signatures in conjunction with housing transactions has also picked up
- Almost 9,000 instalment-free period applications from private customers, a significant increase even within corporate banking

# Outlook 2020

- Due to the continuously low visibility and the high volatility on the market it is still very difficult to predict the impacts on the economy.
- Aktia has therefore decided to suspend its outlook for 2020 for the time being. Aktia's goal is to give an update on the outlook in connection with the half-year report to be published on 4 August 2020.





# Our strategic priorities still valid



2023

① Win in **asset management**

② Acquire **new customers** in growing **cities**

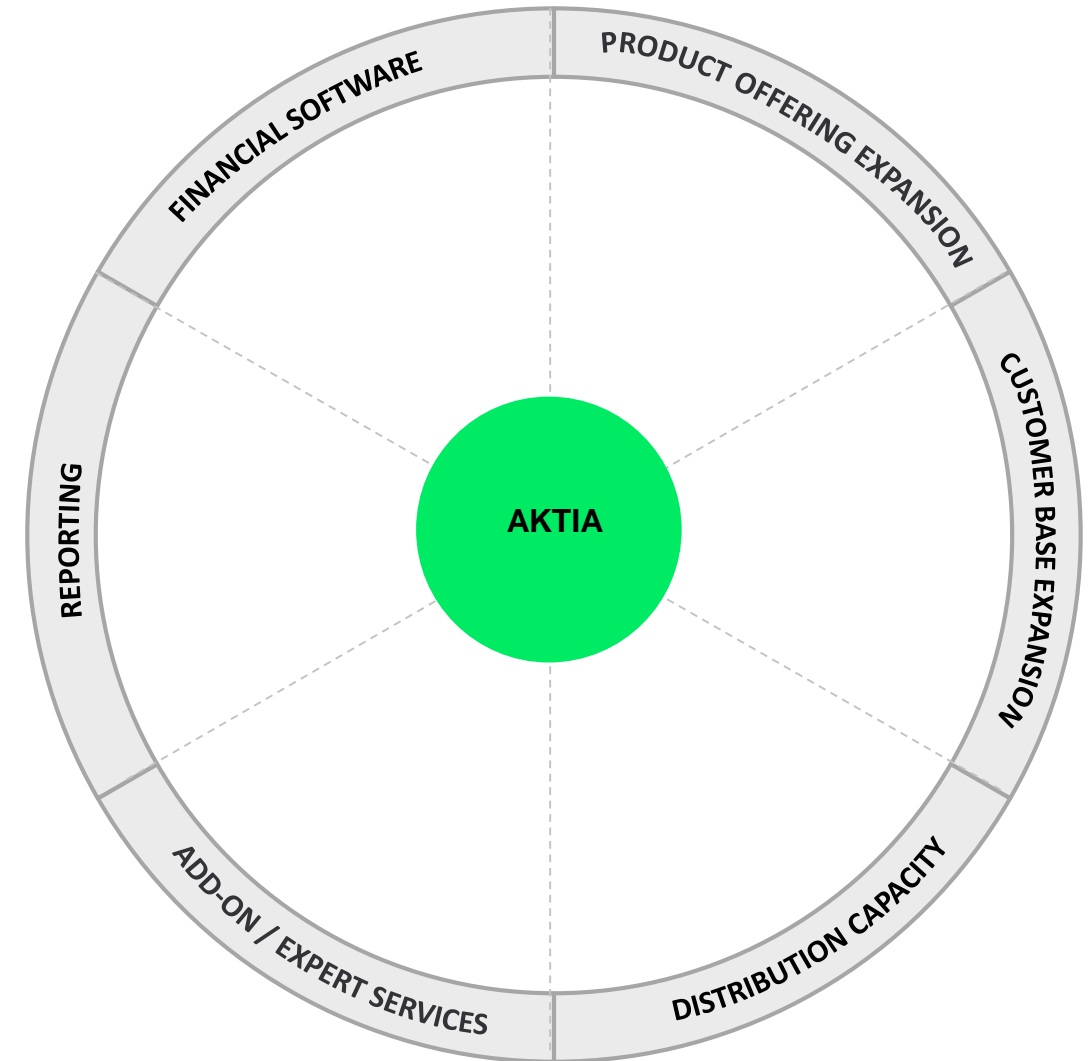
③ **Drive operational efficiency**  
to capitalise on our challenger position

Banking & Insurance

**Aktia**

# Inorganic growth: M&A as a part of Aktia's strategy

- Inorganic activities are a viable and increasingly important means to grow for Aktia.
- Aktia assumes an active role in executing its M&A strategy.
- Aktia is also open for opportunistic business ventures if new opportunities in untapped or developing areas are recognised and found viable.
- Execution of inorganic activities during the strategy period until 2023 will also secure Aktia's growth options beyond 2023.



# The financial targets for 2023

**Comparable  
operating profit  
EUR 100 million**

1–3/2020;  
**EUR 2.8 million**

(1–12/2019;  
EUR 68.2 million)

**Return on  
Equity (ROE)  
above 11%**

31 March 2020;  
**1.4%**

(31 December 2019;  
10.3%)

**Comparable  
cost-to-income  
ratio under 0.60**

1–3/2020;  
**0.89**

(1–12/2019;  
0.66)

**Common Equity  
Tier 1 capital ratio  
(CET1) 1.5–3  
percentage points  
over the regulatory  
requirement**

31 March 2020;  
**4.6 percentage points over  
the minimum capital  
requirement 11.3%**

(31 December 2019;  
3.4 percentage points over the  
minimum capital requirement  
11.3%)

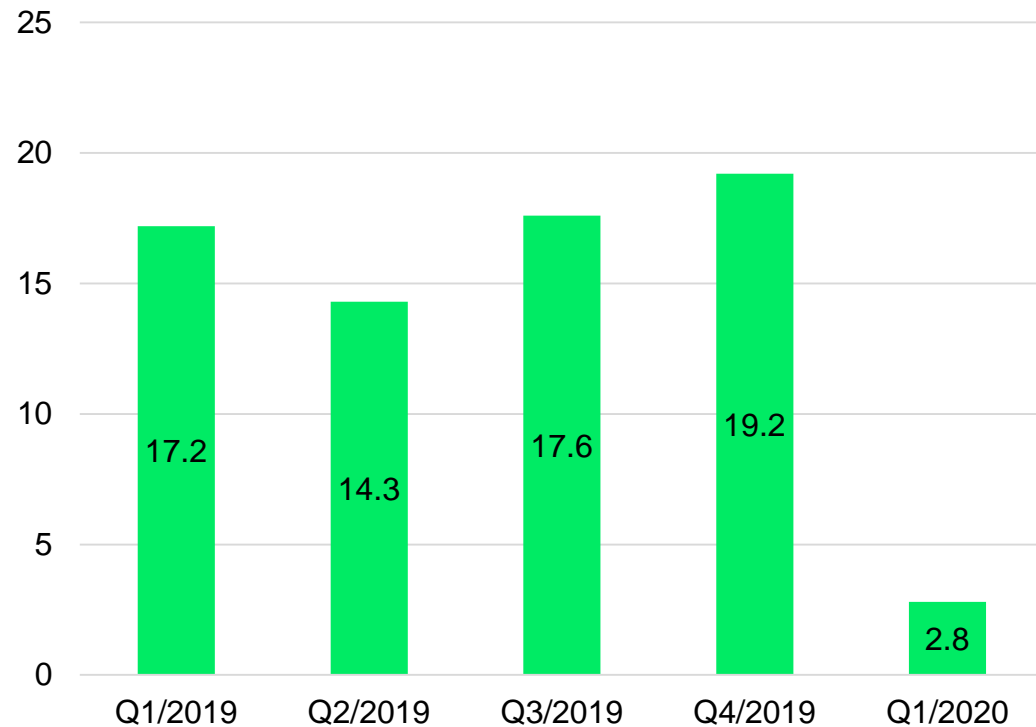
# Financial overview

# Comparable operating profit

Q-o-Q

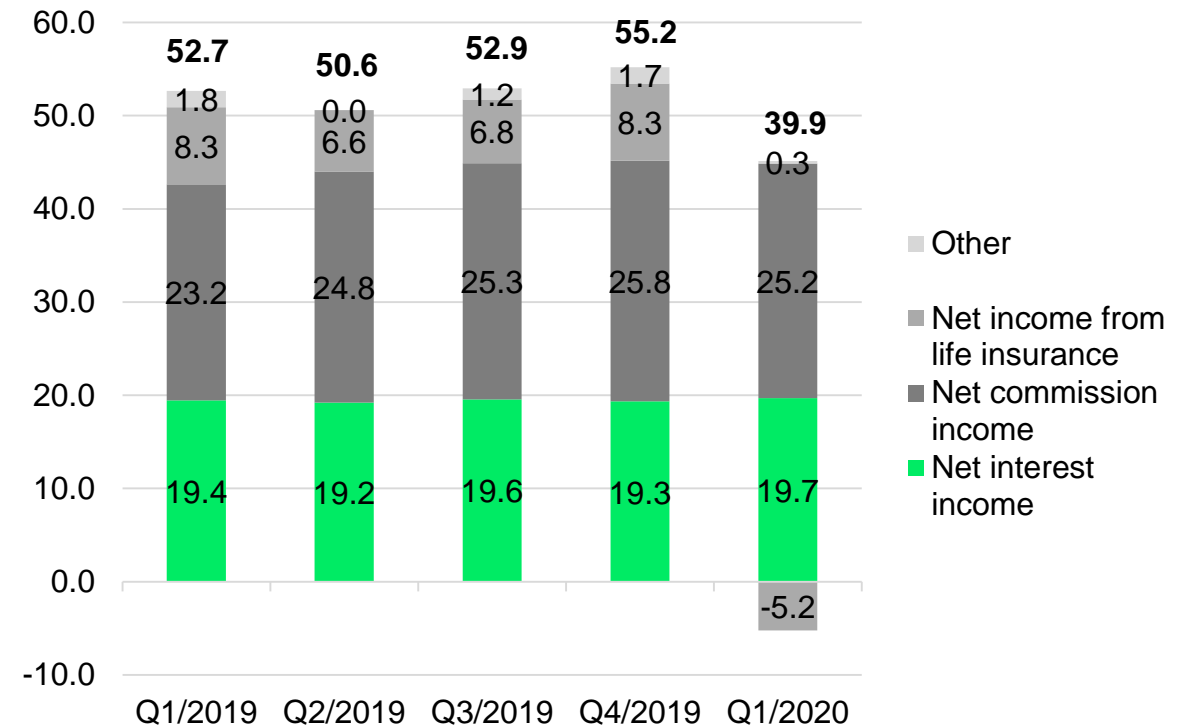
## Comparable operating profit

EUR million



## Comparable operating income

EUR million



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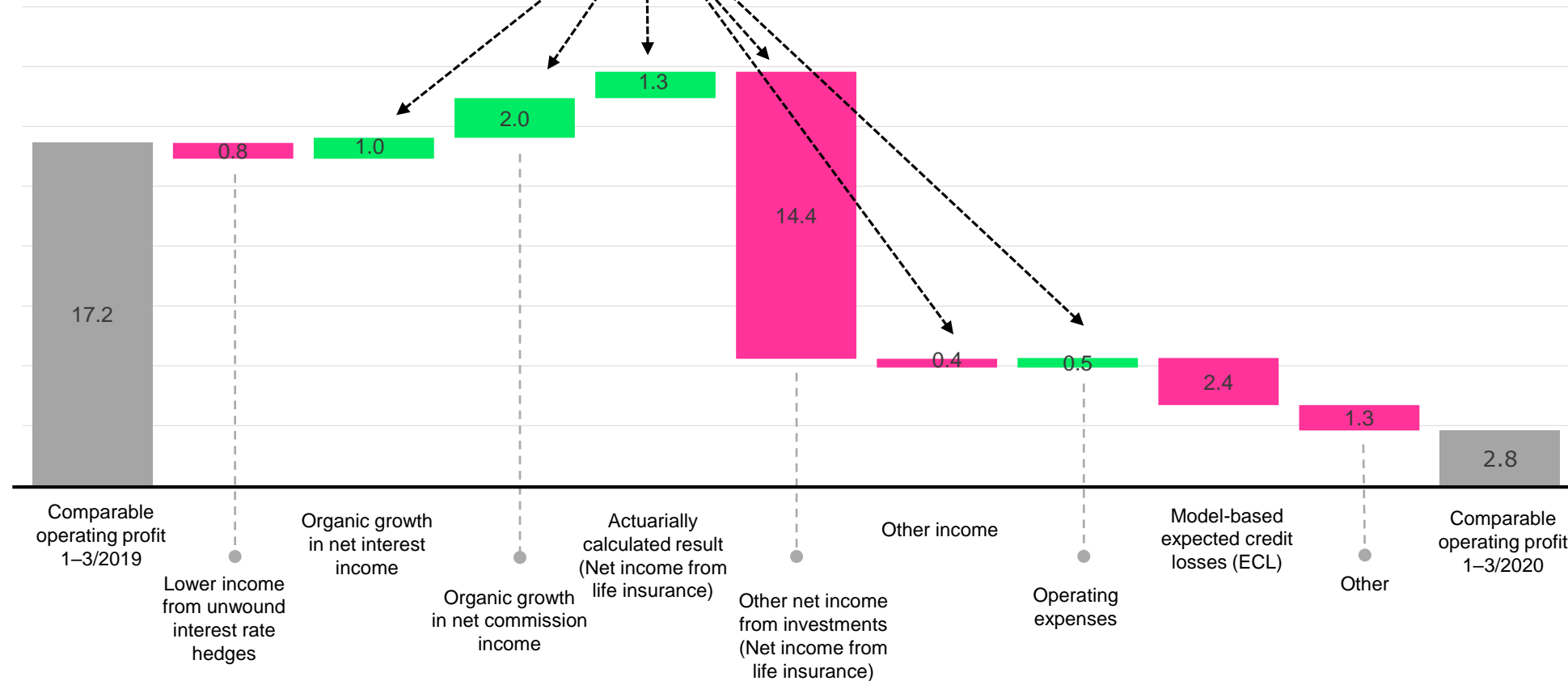
# Comparable operating profit

1–3/2020 vs 1–3/2019

**+16% underlying profit growth  
(without unrealised value changes)\***

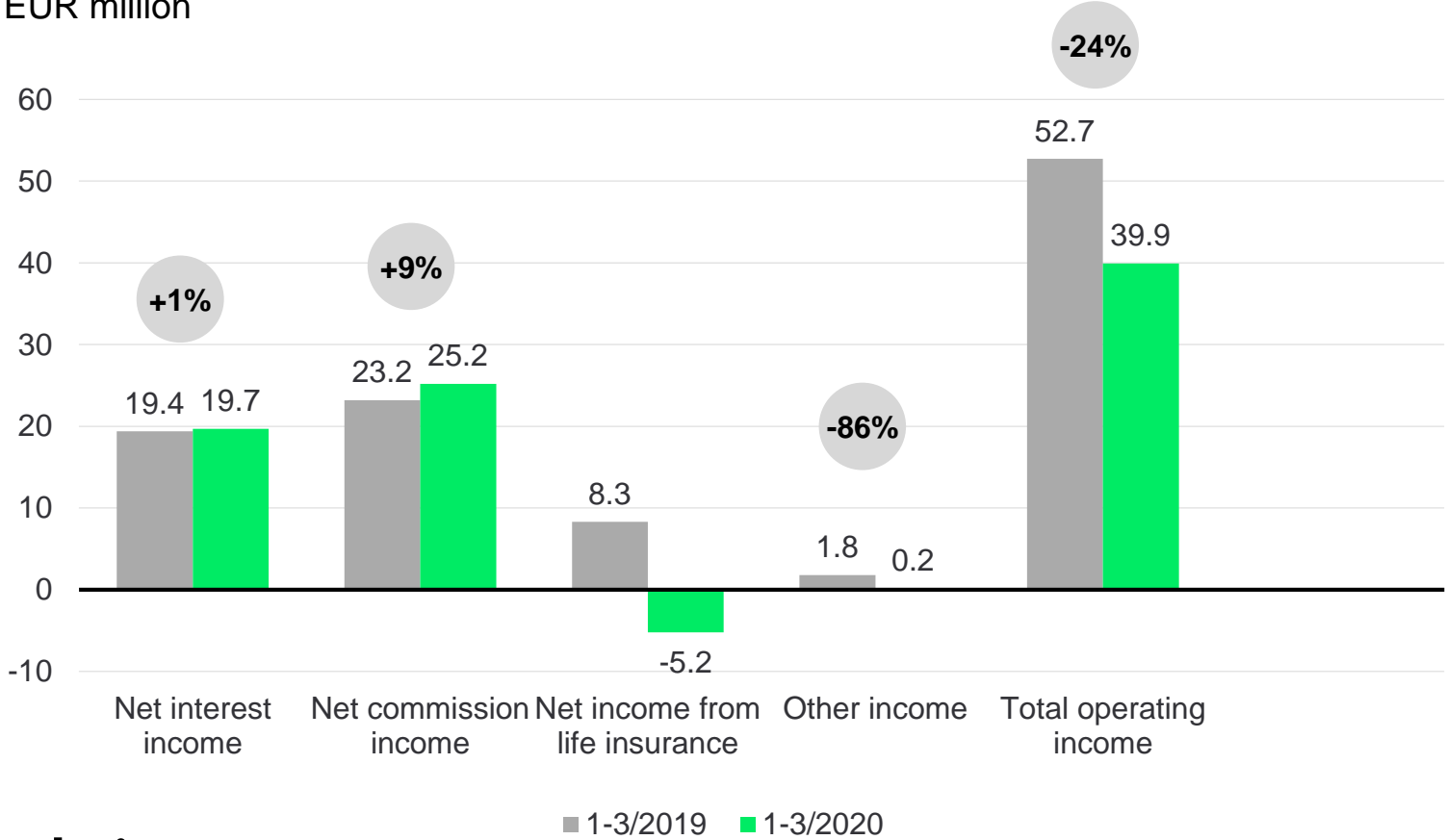
\* Organic growth in net interest income (EUR 1.0 million), net commission income (EUR 2.0 million), net income from life insurance (EUR -0.6 million), other income (EUR -0.1 million) and operating expenses (EUR 0.5 million)

EUR million



# Total operating income decreased by 24%

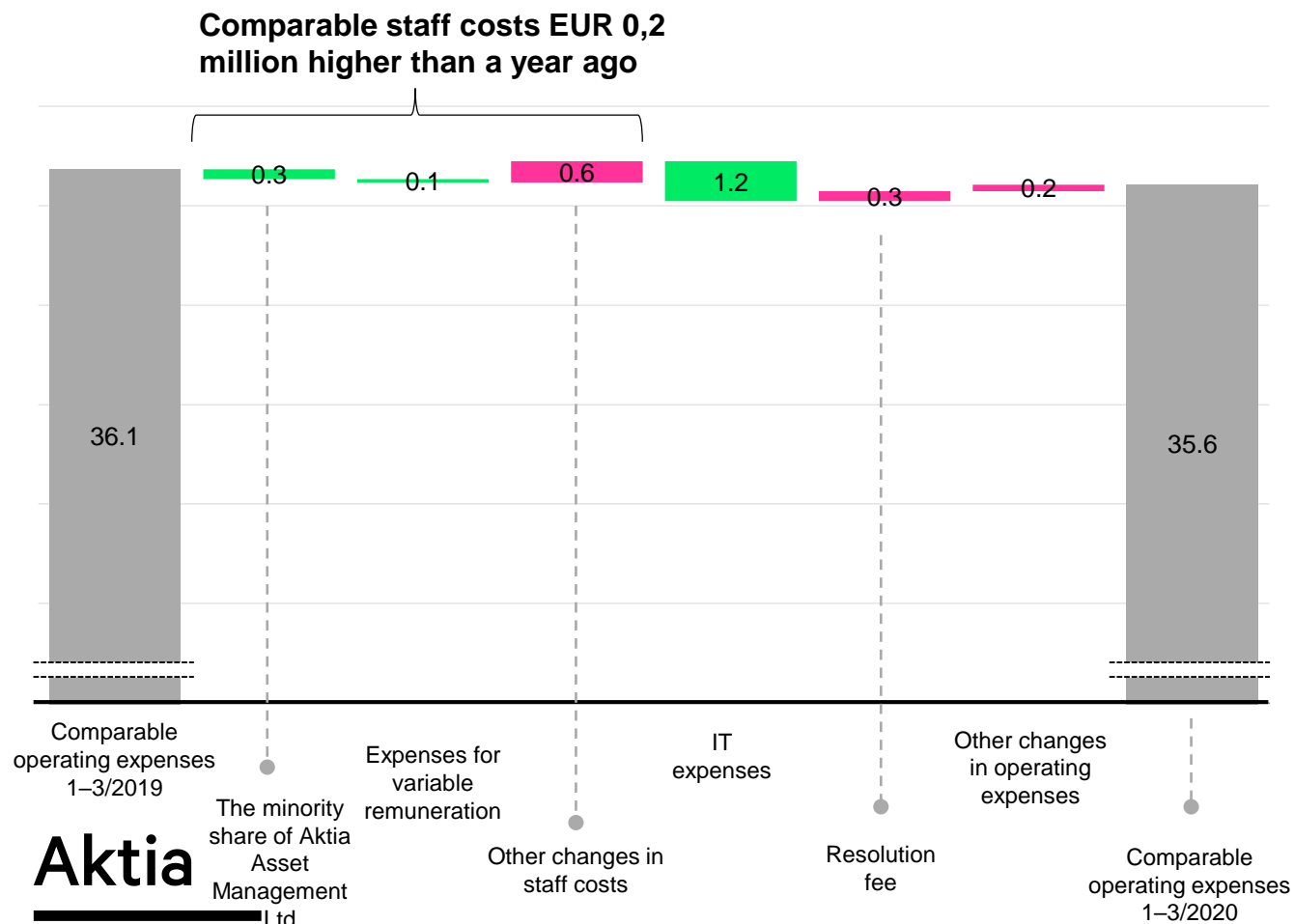
Income mix  
EUR million



# Total cost level was close to unchanged compared to the previous year

1–3/2020 vs 1–3/2019

EUR million



## Staff costs:

Staff costs amounted to EUR 16.6 (16.4) million. Running staff costs increased somewhat from last year on account of Aktia having recruited staff to compensate for external IT consultants.

## IT expenses:

IT expenses decreased to EUR 5.6 (6.8) million, mainly as a result of lower costs for IT consultants.

## Other operating expenses:

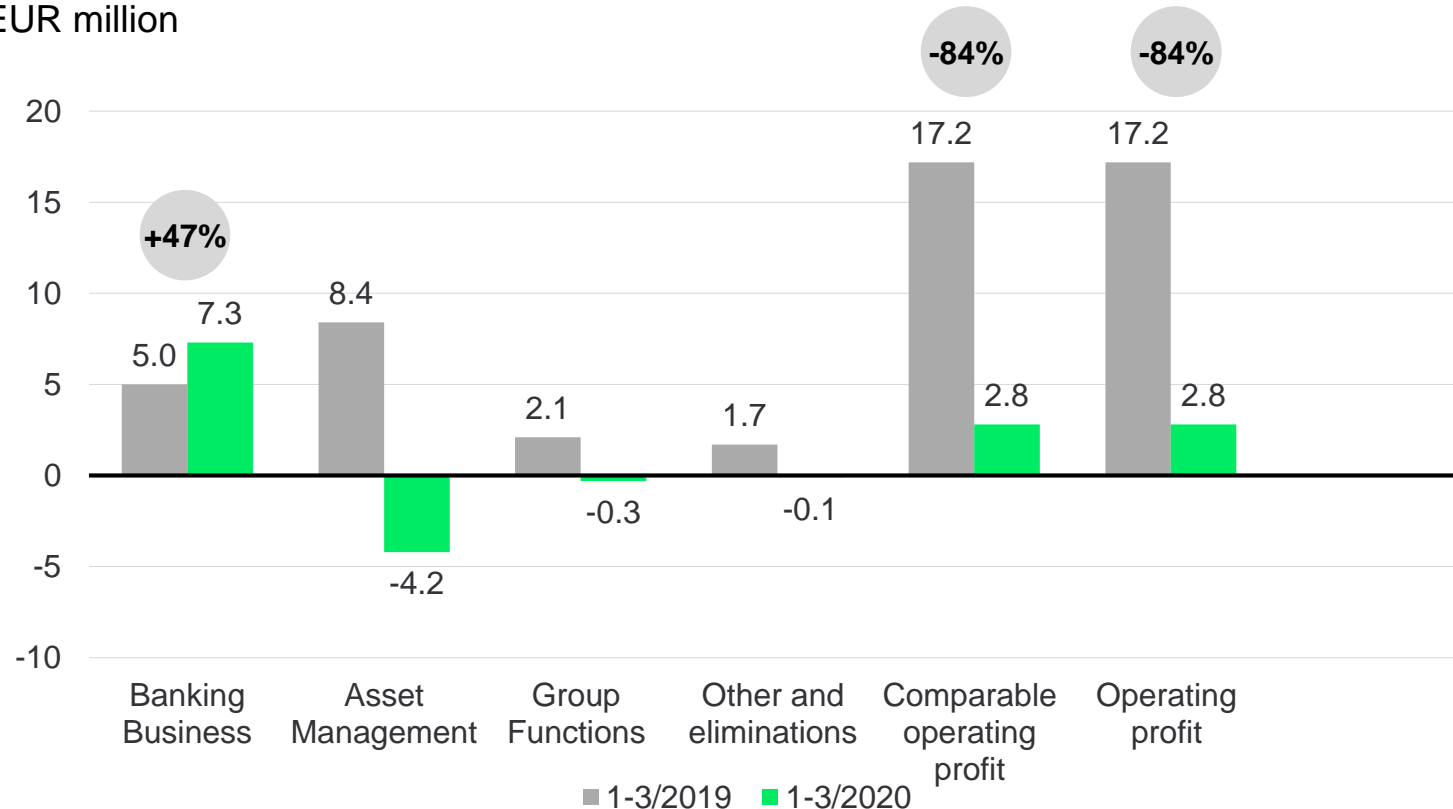
The estimated cost for the resolution fee increased to EUR 2.3 (2.0) million.



# Comparable operating profit decreased by 84%

## Comparable operating profit per segment

EUR million



### Banking Business:

The comparable operating profit for the period increased by 47% to EUR 7.3 million.

### Asset Management:

Comparable operating profit decreased to EUR -4.2 million.

The quarter started with two good months but was influenced negatively mainly during March by the redemption of funds and a negative development on the investment market.

# Financial summary Q1

EUR million	1Q2020	1Q2019	Δ, %	4Q2019	Δ, %
<b>Total operating income</b>	<b>39.9</b>	<b>52.7</b>	<b>-24%</b>	<b>55.2</b>	<b>-28%</b>
Net interest income	19.7	19.4	1%	19.3	2%
Net commission income	25.2	23.2	9%	25.8	-3%
Net income from life insurance	-5.2	8.3	-	8.3	-
Other income	0.3	1.8	-86%	1.7	-85%
<b>Total operating expenses</b>	<b>-35.6</b>	<b>-36.1</b>	<b>-1%</b>	<b>-35.3</b>	<b>1%</b>
Impairments of credits and other commitments	-1.4	-1.1	31%	-0.8	88%
<b>Operating profit</b>	<b>2.8</b>	<b>17.2</b>	<b>-84%</b>	<b>19.1</b>	<b>-85%</b>
<b>Comparable operating profit*</b>	<b>2.8</b>	<b>17.2</b>	<b>-84%</b>	<b>19.2</b>	<b>-86%</b>
Earnings Per Share (EPS), EUR	0.03	0.21	-86%	0.23	-87%
Return on Equity (ROE), %	1.4	9.4	-86%	10.5	-87%
Cost-to-income ratio (comparable)	0.89	0.69	29%	0.64	39%
Common Equity Tier 1 capital ratio, %	15.9	16.9	-6%	14.7	8%

\*) Excl. items affecting comparability

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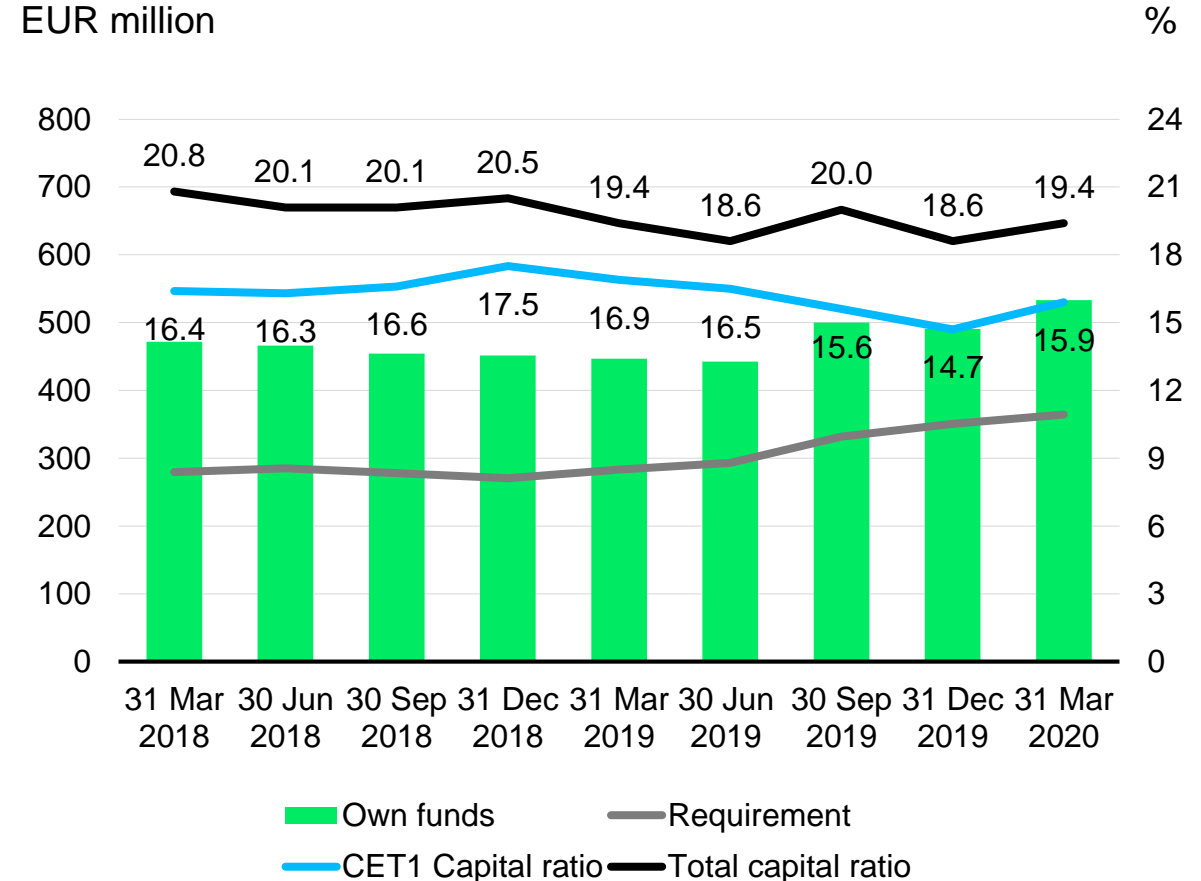
# CET1 on a solid level above the target range

## Capital Adequacy

- At the end of the period, the Group's Common Equity Tier 1 (CET1) capital ratio was 15.9%.
  - Target range at the end of period 12.76–14.26%
- The CET1 ratio increased as a result of decision on postponing the decision on dividend payment for the financial year 2019 to a later date.
- Risk-weighted assets increased by EUR 109.1 million mainly due to an increase in corporate exposures.
- The FIN-FSA has decided on removing the systemic risk buffer requirement for Finnish credit institutions as of 6 April 2020, which will lower Aktia's capital requirement by 1 percentage point.

### CET1

EUR million



# Aktia's liquidity on a continuously good level

- Aktia has been an active issuer in the senior preferred market in the first third of the year. We have completed five private placement type of transactions and two tap issues to existing bond under our EMTN-program. The total volume is EUR 250 million with maturities in the range of 2–15 years. Aktia is planning to issue further EUR 400–500 million worth of senior preferred debts during this year.
- Aktia's liquidity situation is very good. The LCR ratio has been in the typical range of 120 to 135 most of the time. We have been able to fully benefit from the ECB tiering structure, balancing the cash liquidity to the tiering capacity.
- Aktia prepares to continue the utilisation of the ECB TLTRO III by refinancing the redeeming TLTRO II tranche in June. It is for the first time Aktia will use self-issued covered bonds as collateral for the operation. The proceeds of the TLTRO will be used for supporting the corporate lending as what has been the modus operandi also during TLTRO II.

# The four interesting factors to follow in the near future

- Customer assets under management (AuM)
- Value changes in the investment portfolio of the life insurance business
- Model-based credit losses (ECL)
- Funding costs

# Appendices

# Key Figures Q1 2020

(Q1 2019)

<b>Net interest income</b>	<b>+1%</b>	EUR 19.7 (19.4) million
<b>Net commission income</b>	<b>+9%</b>	EUR 25.2 (23.2) million
<b>Total operating income</b>	<b>-24%</b>	EUR 39.9 (52.7) million
Comparable operating income	-24%	EUR 39.9 (52.7) million
<b>Total operating expenses</b>	<b>-1%</b>	EUR -35.6 (-36.1) million
Comparable operating expenses	-1%	EUR -35.6 (-36.1) million
<b>Comparable operating profit</b>	<b>-84%</b>	EUR 2.8 (17.2) million

EPS  
**EUR 0.03**  
(EUR 0.21)

Comparable C/I ratio  
**0.89**  
(0.69)

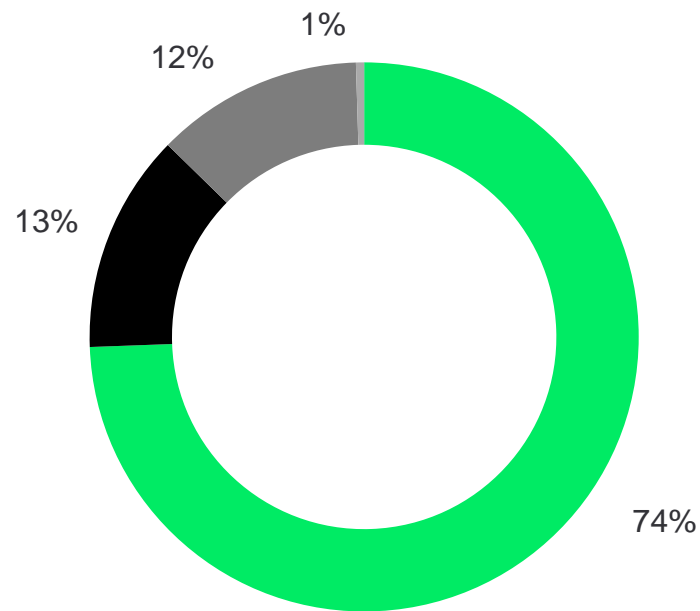
ROE  
**1.4%**  
(31 March 2019; 9.4%)

CET1  
**15.9%**  
(31 March 2019; 16.9%)

# Structure of lending and deposits

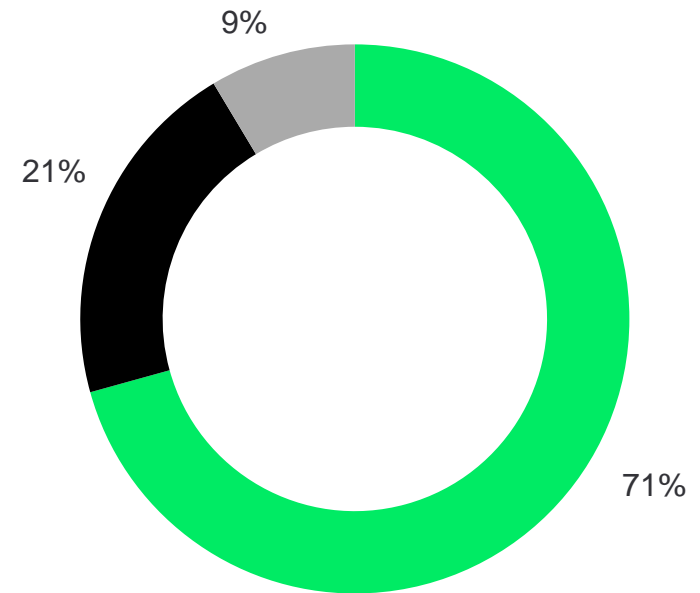
31 March 2020

**Lending**  
Total EUR 6,590 million



■ Households      ■ Corporates  
■ Housing associations      ■ Public entities and non-profit organisations

**Deposits**  
Total EUR 4,260 million



■ Households      ■ Corporates  
■ Public entities and non-profit organisations

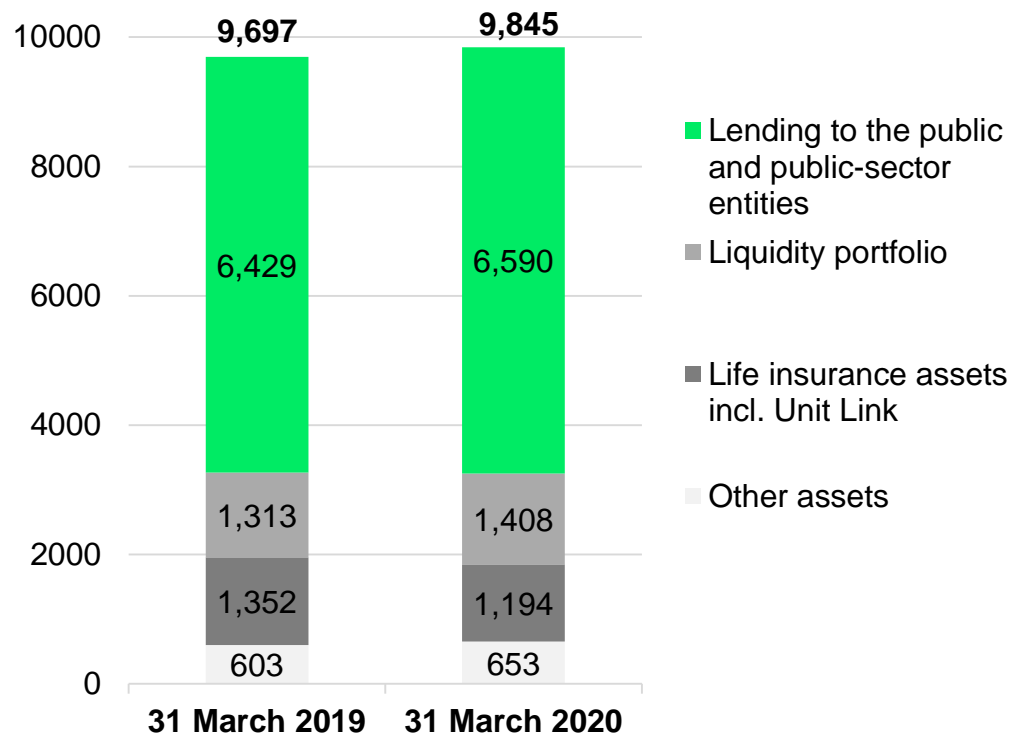


# Balance sheet total increased to EUR 9,845 million

31 March 2020

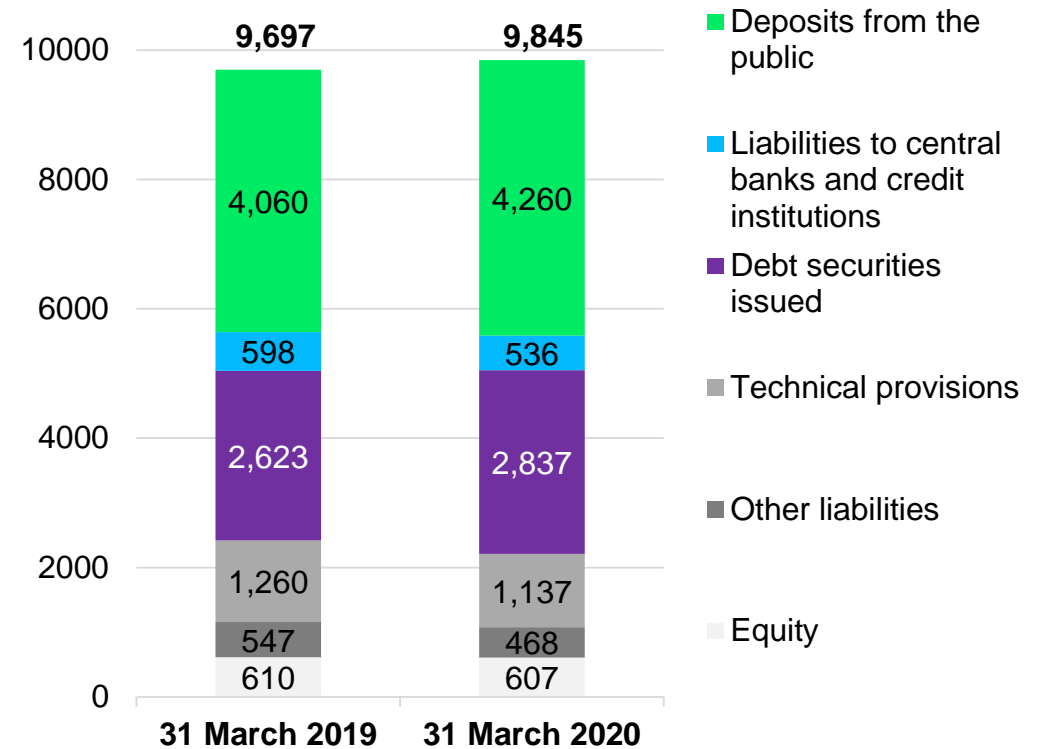
## Total assets

EUR million



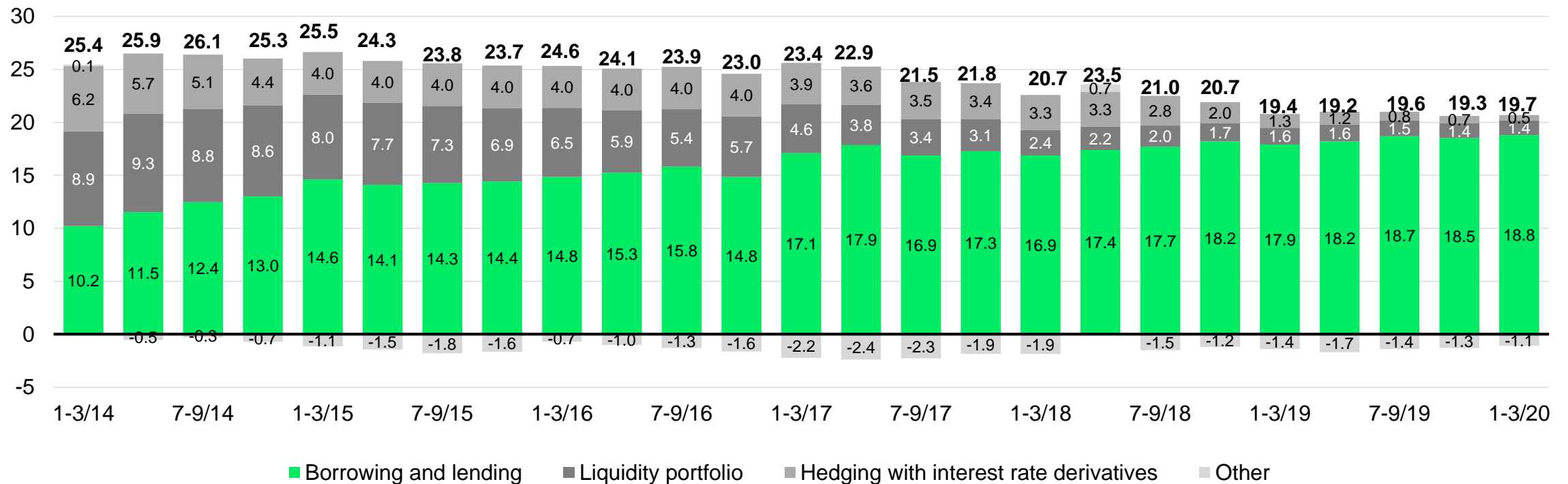
## Total liabilities and equity

EUR million



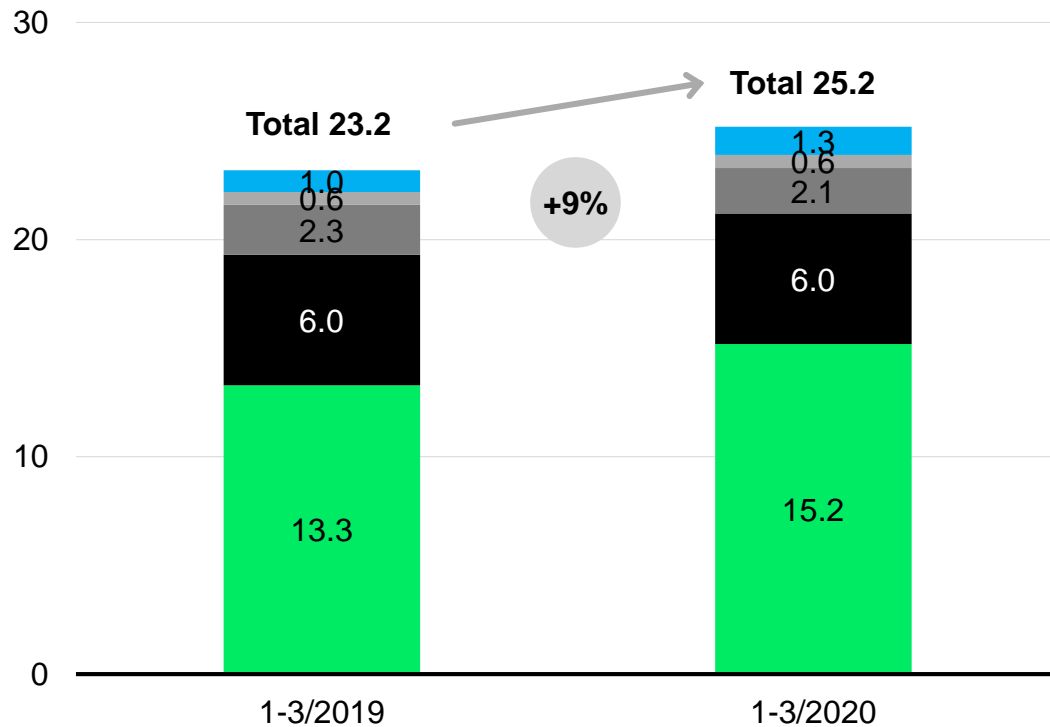
# Net interest income mix

EUR million



# Net commission income mix

EUR million



- Other
- Insurance
- Lending
- Card, payment services and borrowing
- Savings and investment products (incl. mutual funds, asset management and securities brokerage)



# The good bank. And a great asset manager.

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**Aktia**

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