

17 JANUARY 2022

# Debt investor presentation

**Aktia**

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# Aktia Bank Plc

## EXECUTIVE SUMMARY

### Wealth management bank with focus on growth areas in Finland

Aktia provides private individuals, corporate customers and institutions with customer-oriented banking and financing solutions, based on close consultancy, through different channels.

### Business is strongly focused to private individuals and households

Aktia has three business areas: Banking, Asset Management and Life Insurance. Households account for 71% of the loan portfolio and of the deposit stock.

### Aktia operates responsibly

Aktia reached rating B in CDP's ranking, bank is signatory of UN Principles of Responsible Investments (PRI: A+) and has MSCI ESG rating: AA.

### Credit ratings

Moody's:	A1 / P-1, Neg	Covered Bonds: Aaa
S&P:	A- / A-2, stable	

# Q3 2021 Continued good performance in all business areas

EUR million	3Q2021	3Q2020	Δ %
<b>Total operating income</b>	<b>67.1</b>	<b>49.4</b>	<b>36%</b>
Net interest income	23.1	20.0	16%
Net commission income	33.5	24.2	39%
Net income from life insurance	9.7	4.7	105%
Other income	0.7	0.5	44%
<b>Total operating expenses</b>	<b>-41.6</b>	<b>-33.8</b>	<b>23%</b>
Impairments of credits and other commitments	-1.0	-0.1	-
<b>Operating profit</b>	<b>24.4</b>	<b>16.0</b>	<b>53%</b>
<b>Comparable operating profit</b>	<b>23.8</b>	<b>16.0</b>	<b>49%</b>
EPS, EUR	0.28	0.18	54%
ROE, %	11.4	7.8	46%
Cost-to-income ratio (comparable)	0.63	0.68	-8%
CET1, %	10.4	15.6	-33%

- Good net interest income
- Net commission income also at a very good level
- Strong net income from life insurance was attributable to good sales and an improved investment income
- Comparable cost-to-income ratio decreased to 0.63
- On 14 October 2021, Aktia paid EUR 0.43 dividend per share for the financial year 2020. The paid dividend amounted to EUR 30.9 million

# Asset Management

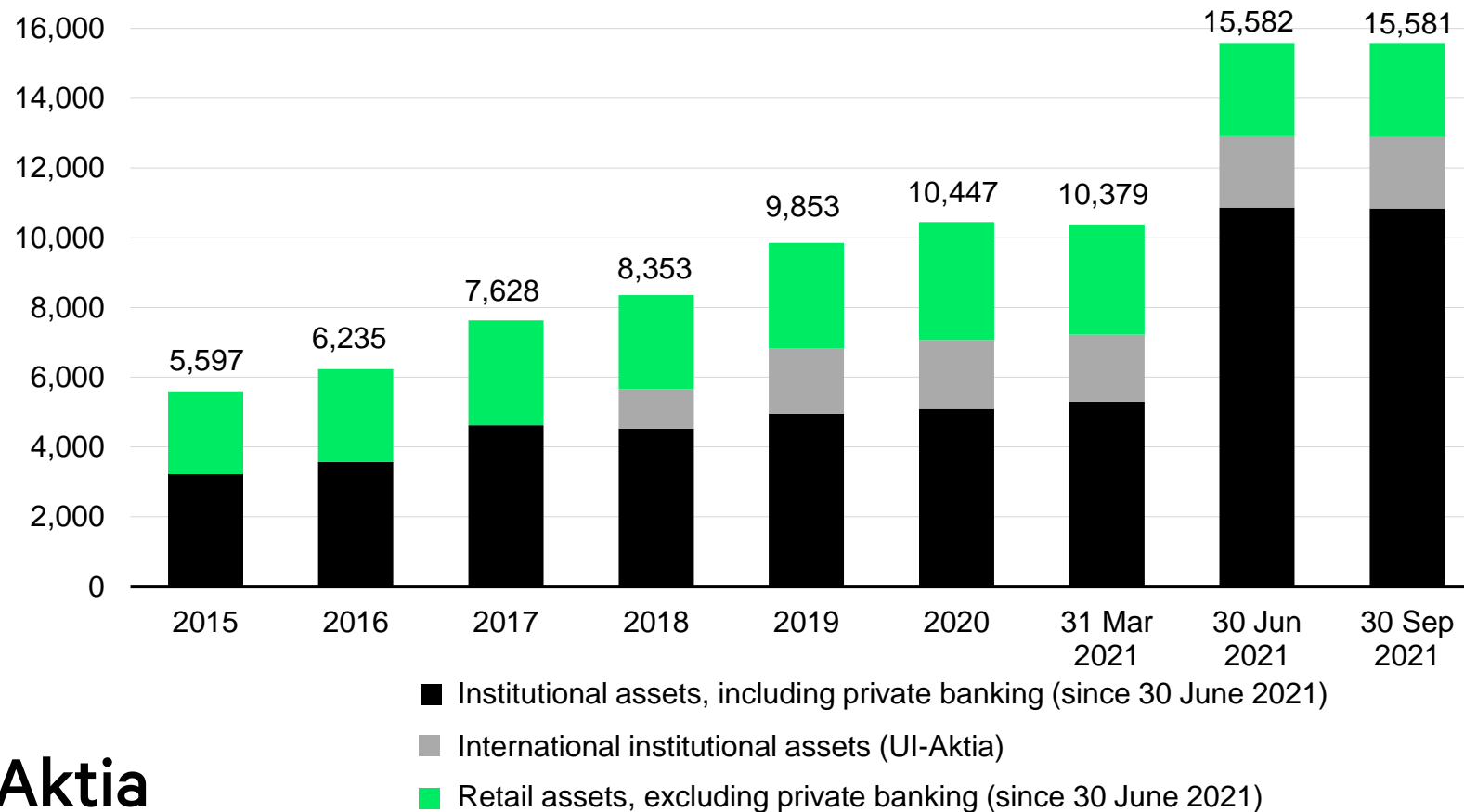
- Integration work after the Taaleri wealth management acquisition continued in Q3 and proceeded according to plans and timetable
- The organisational structure of Aktia's asset management was completed during Q3
- Customer service models merged, and piloting projects were initiated during Q3
  - The Financing of investments well received by customers
- The Legal entity mergers of the wealth and fund management subsidiaries will be carried out at the beginning of the year 2022



# Assets under Management

## AuM excluding custody

EUR million



- Net subscriptions positive during Q3
- Volatility of the equity market and the nervousness of investors weighed the changes in the market values

# Banking Business

- Growth in loan book continues
  - Loan margins from corporate customers continued to increase during Q3
- Goal not to increase volume or gain market share as such, we hold a strong focus on profitability and good quality of the credit portfolio
- Aktia and Finnair have agreed on a co-operation and will introduce a new Finnair Visa credit card into the market in spring 2022, which opens access to customers at the core of our strategy
- Customer satisfaction was at a good level according to surveys in the autumn and the satisfaction of Premium customers in particular was downright excellent
- Particular effort was made to develop the customer service for corporate customers as well as to organise the work, which our customers noticed as shorter waiting and service times
- Aktia's investments in the sales and development of leasing products were also reflected in the profitable growth of the credit book and market share in Aktia's SME sector



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# Life Insurance

- The demand for risk life insurances continued to increase, particularly the sales of critical illness insurances developed well
- The Co-operation with Finland's Företagarskydd continued well, strengthening Aktia Life's position particularly amongst SME companies
- The Focus within business development has been on improving the risk life insurance underwriting processes and on broadening the investment offering



# Our three strategic priorities

1

## Win in wealth management

- A) The most preferred wealth manager among private and institutional customers
- B) Success in integrating Taaleri's wealth management operations

2

## Growth among customers who are willing to increase their wealth

- C) Acquire new customers to our strategic sweet-spot
- D) Focus on cross-sales and development of our current customer base

3

## Excellent customer experience

- E) Seamless collaboration and holistic service models across all business areas

2025

### OUR VISION

The leading wealth manager bank

### OUR MISSION

Building wealth for our customers and society

**Aktia**

Courageously

Skillfully

Together

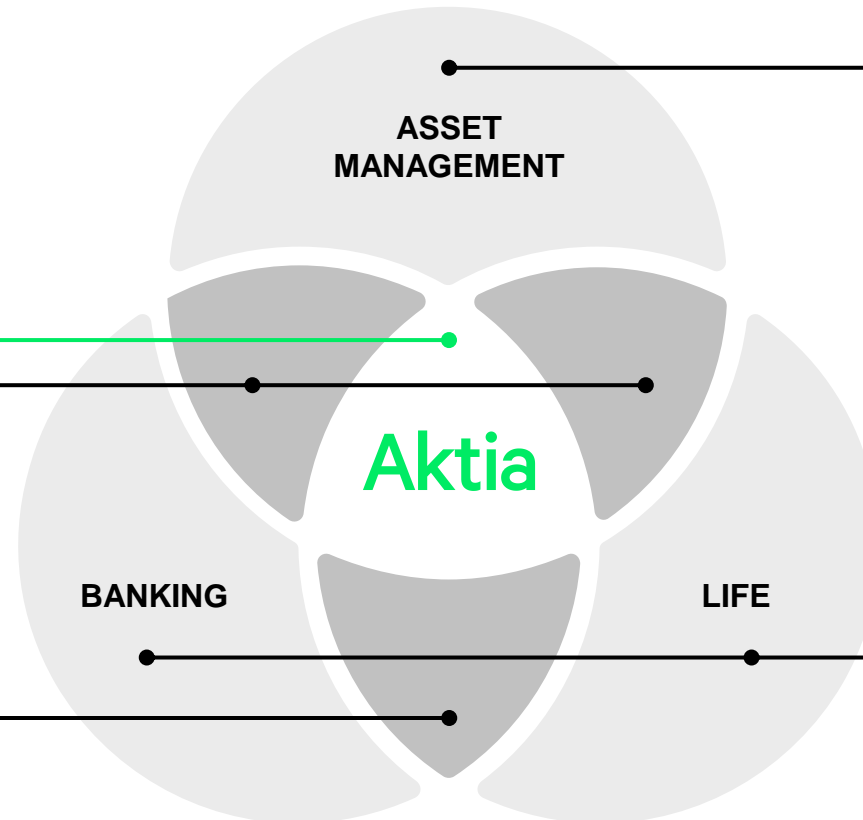
# Focus on guiding customers to our focal point

## Growth in our strategic sweet-spot

Offering comprehensive wealth management to our target segments, including wealth plans, financing, asset management services, personal life insurance and convenient banking services

## Growth through cross-selling

Focus on cross sales and development of our current customer base



Focus on excellent customer experience and offering for single product customers

Focus on production and service cost for single product customers

# The financial targets 2025

Comparable  
operating profit  
**above EUR 120  
million**

1–9/2021;  
**EUR 66.7 million**

Comparable  
return on  
Equity (ROE)  
**above 12%**

30 September 2021;  
**10.4%**

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

1–9/2021;  
**0.64**

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

30 September 2021;  
**2.7 percentage points over  
the minimum capital  
requirement 7.7%**

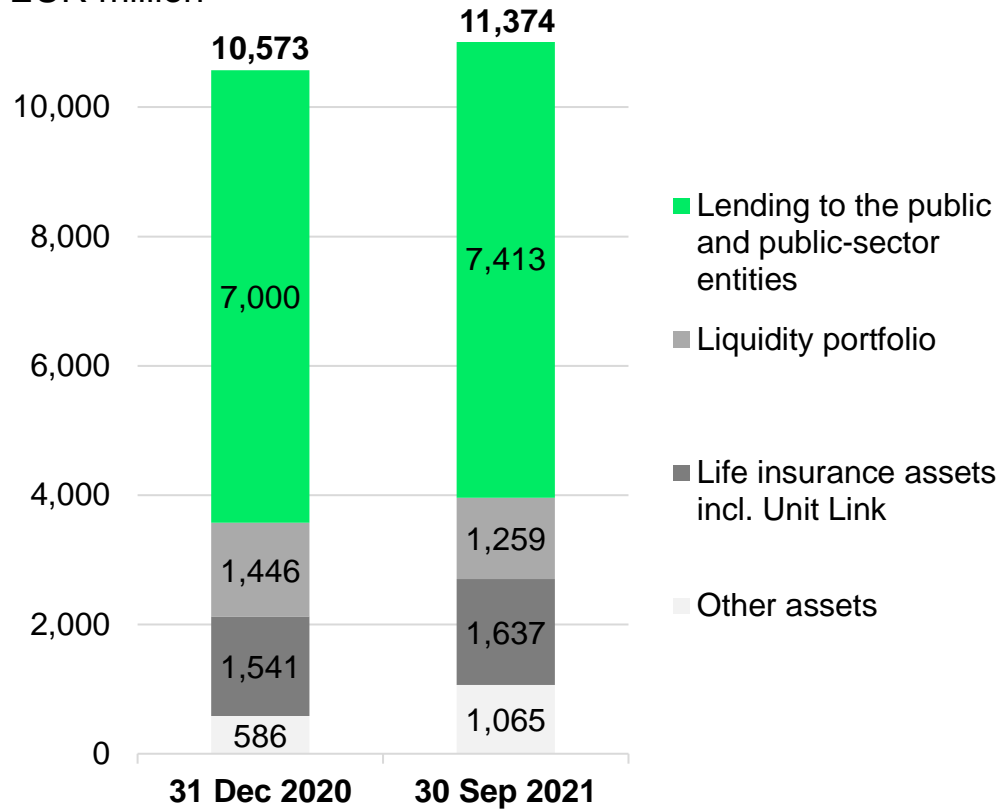
# Financial overview

# Balance sheet total increased to EUR 11,374 million

30 September 2021

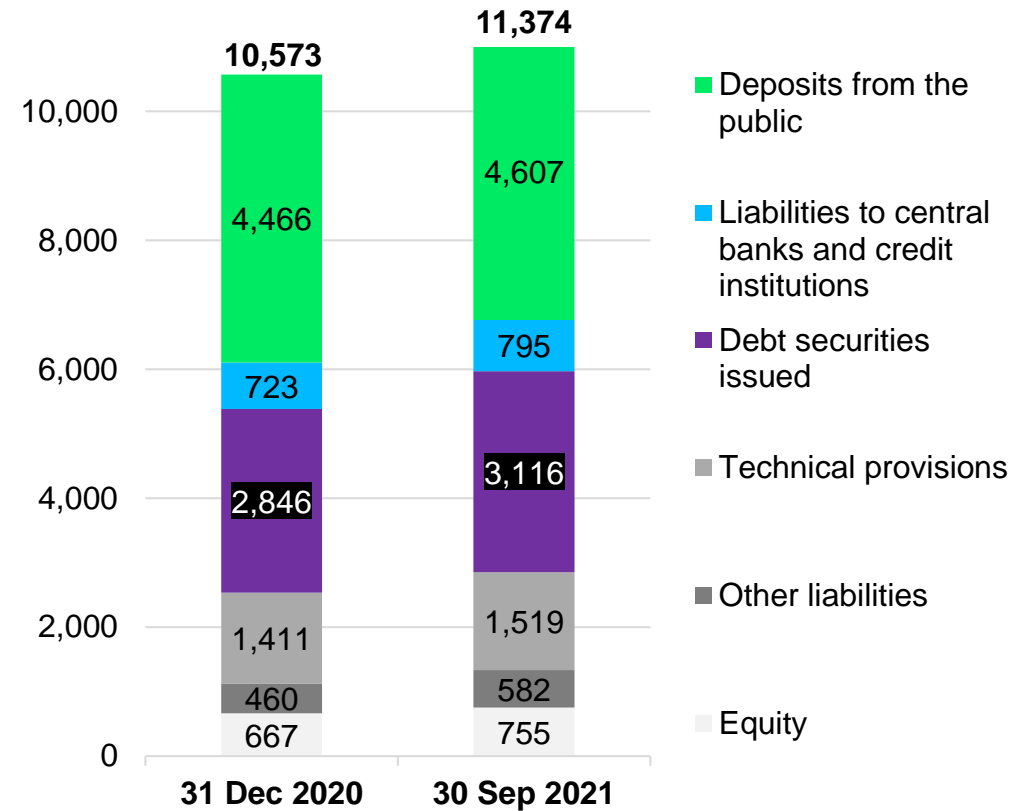
## Total assets

EUR million



## Total liabilities and equity

EUR million



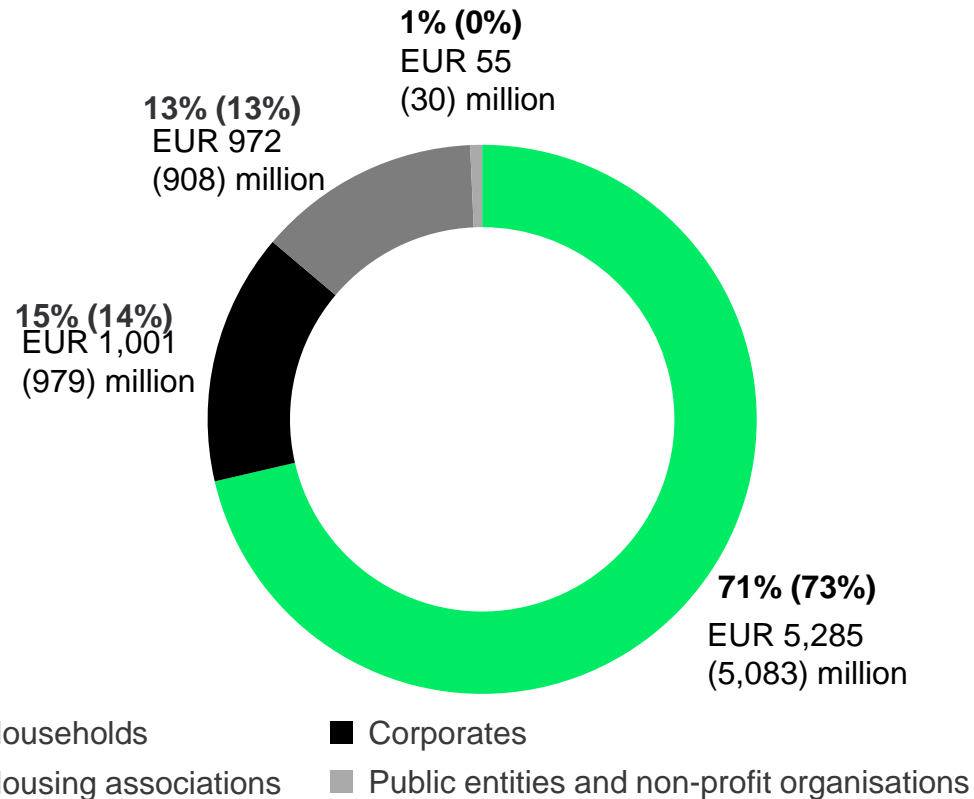
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# Structure of lending and deposits

30 September 2021 (31 December 2020)

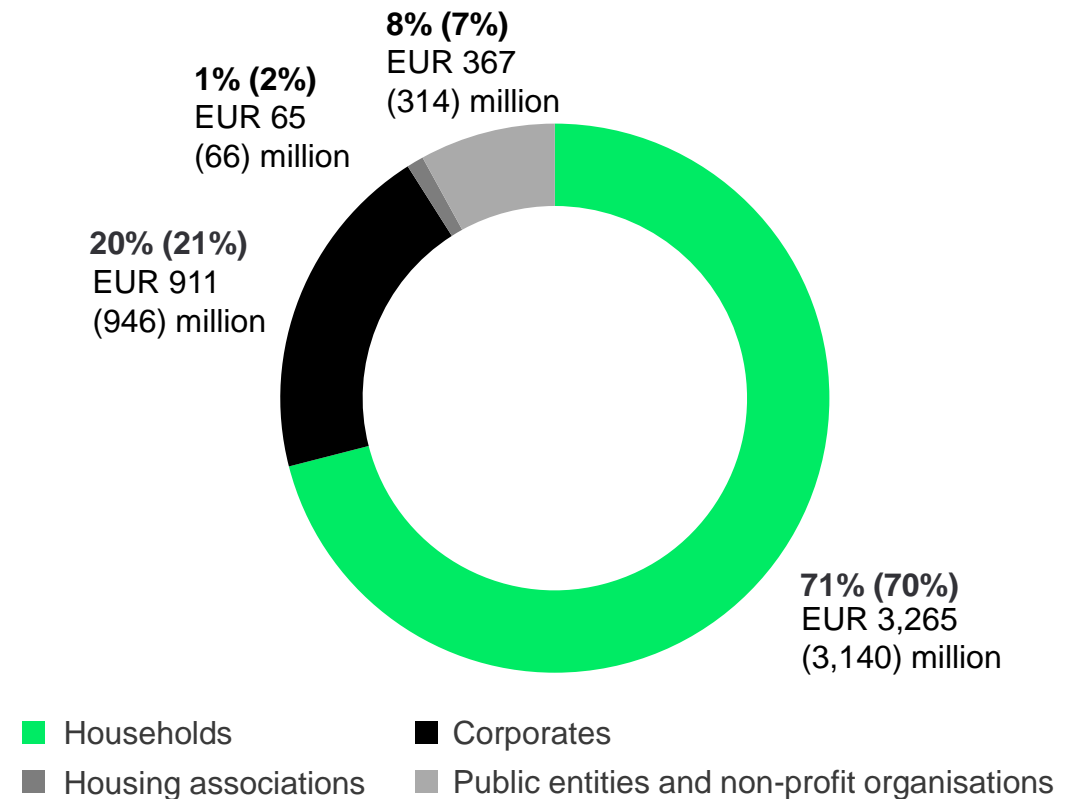
## Lending

Total EUR 7,413 (7,000) million



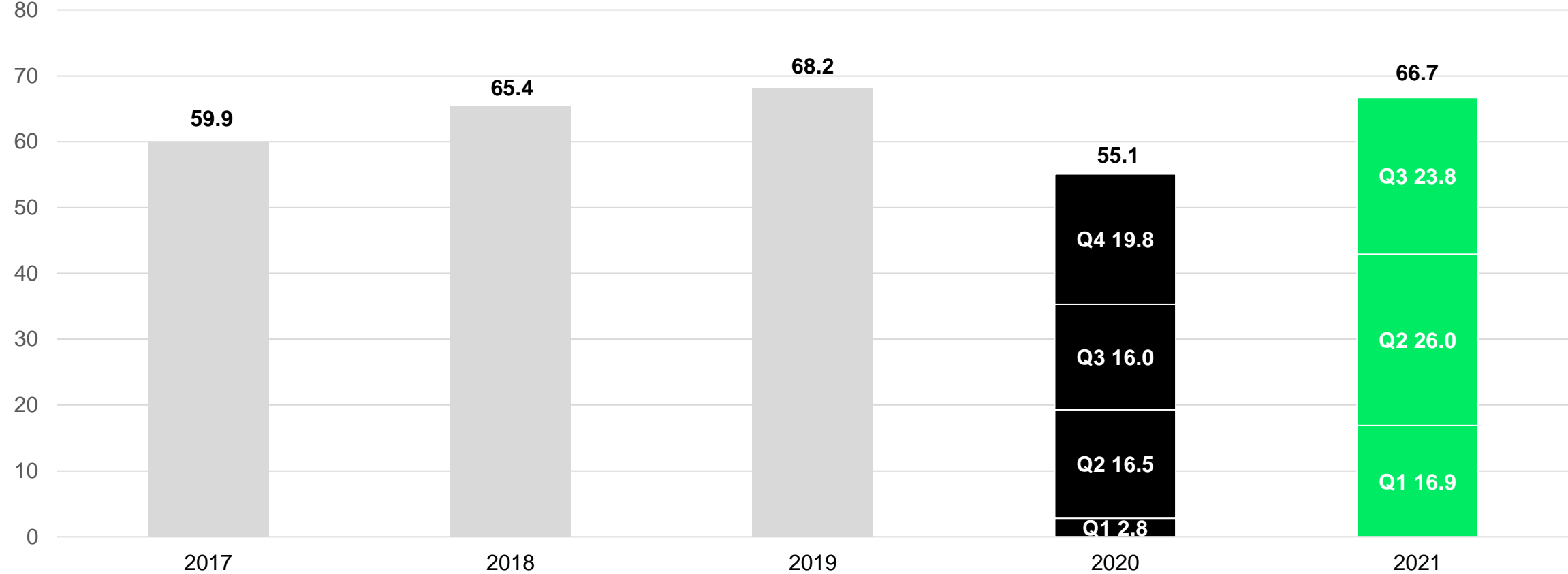
## Deposits

Total EUR 4,607 (4,466) million



# Comparable operating profit 2017–3Q2021

EUR million

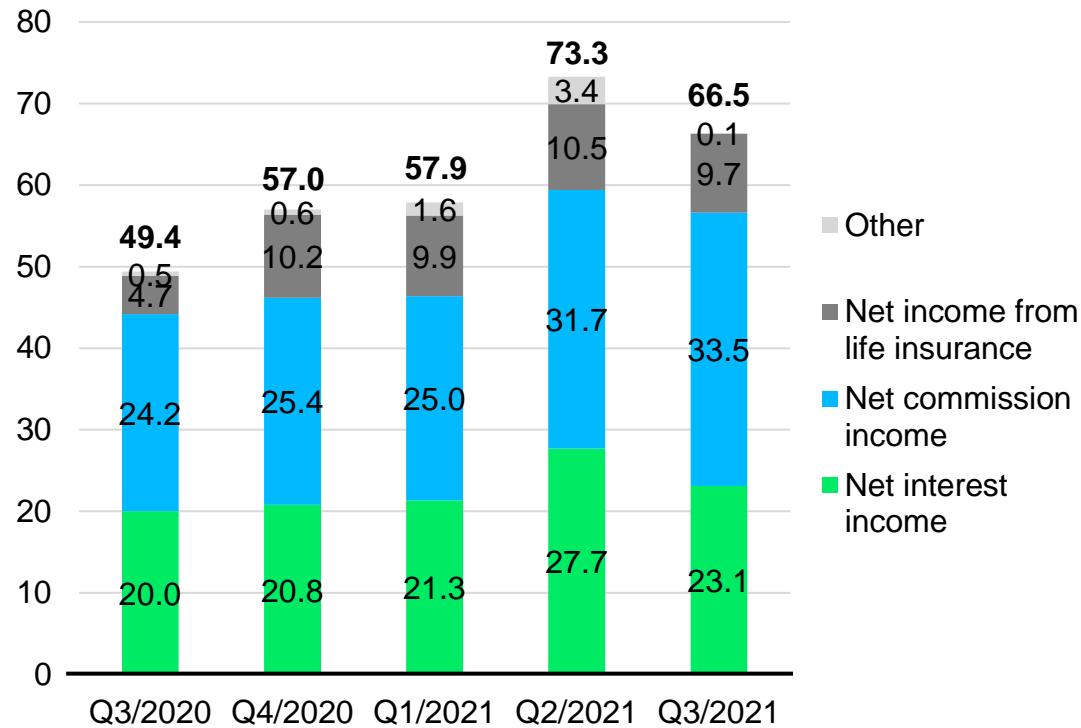


# Comparable operating profit and income

Q-o-Q

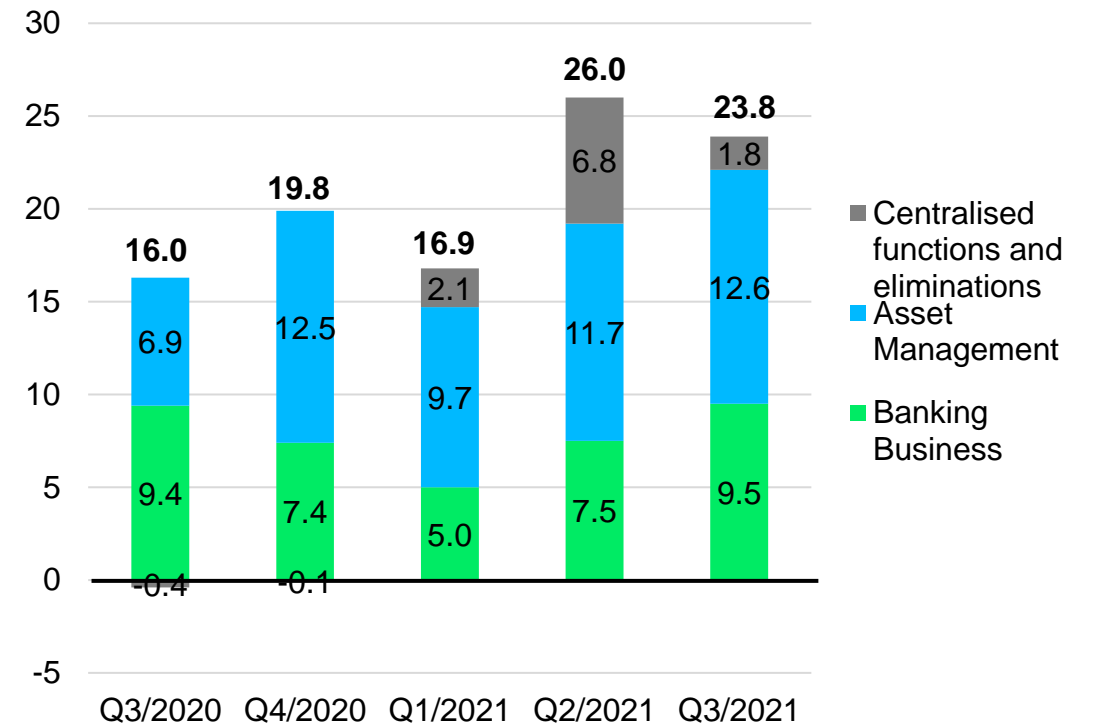
## Comparable operating income

EUR million



## Comparable operating profit

EUR million

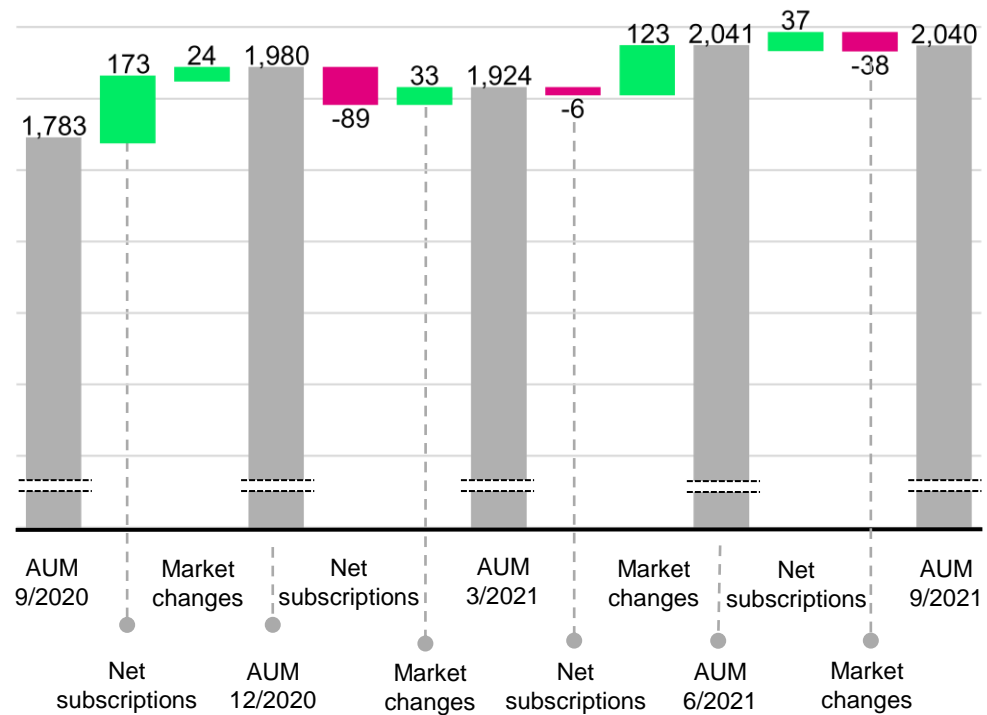


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# AuM – Net subscriptions and market changes

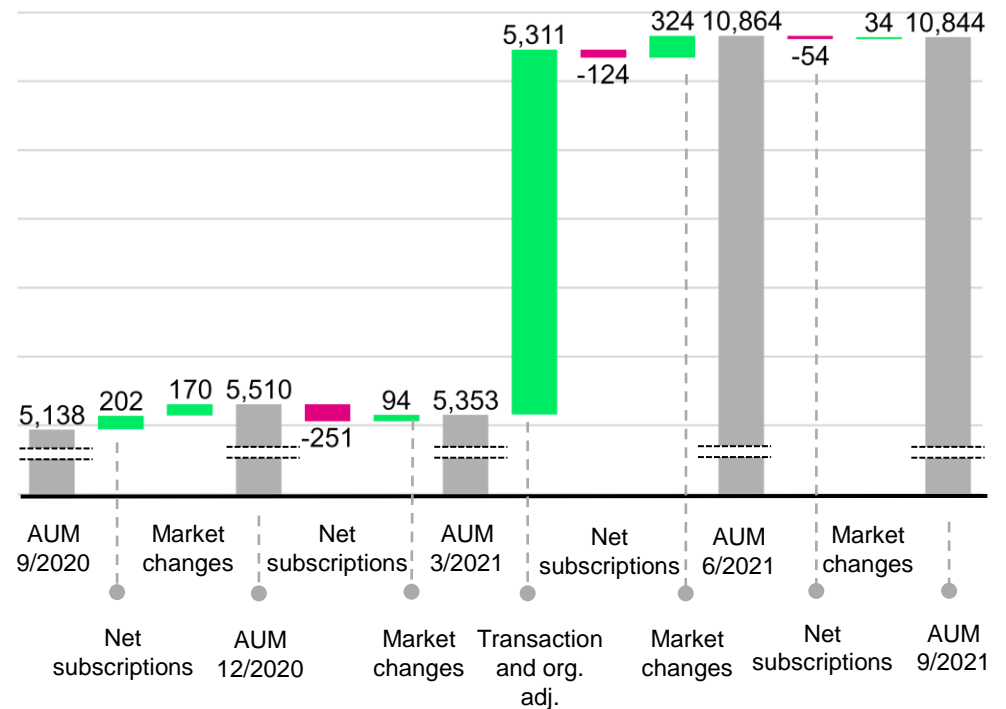
## Asset Management, Aktia UI Q-o-Q

EUR million



## Asset Management, domestic institutions Q-o-Q

EUR million

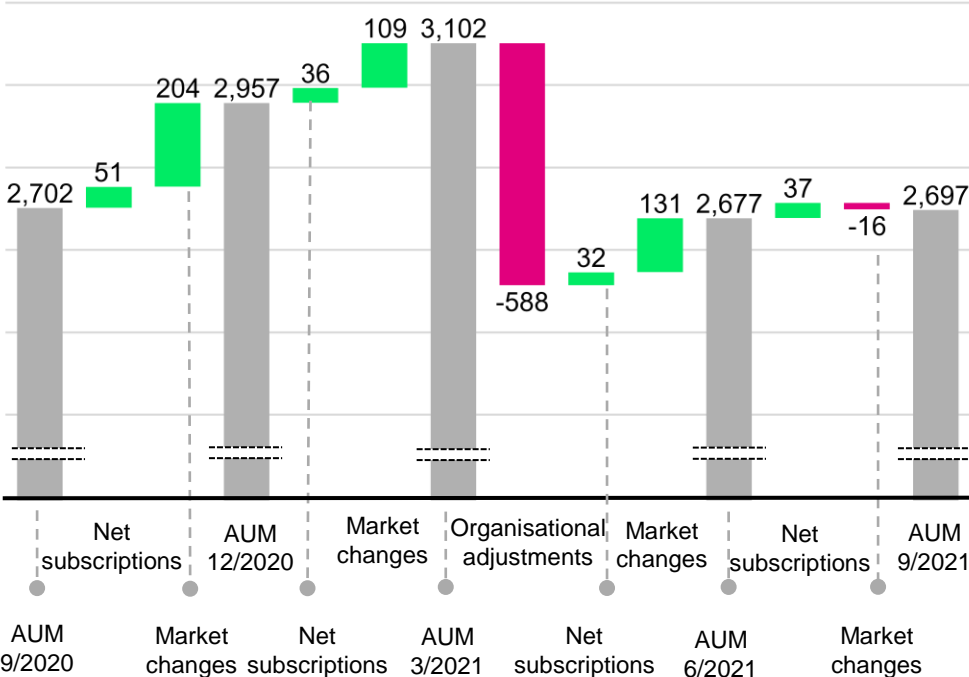


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# AuM – Net subscriptions and market changes

## Banking Business, Retail Q-o-Q

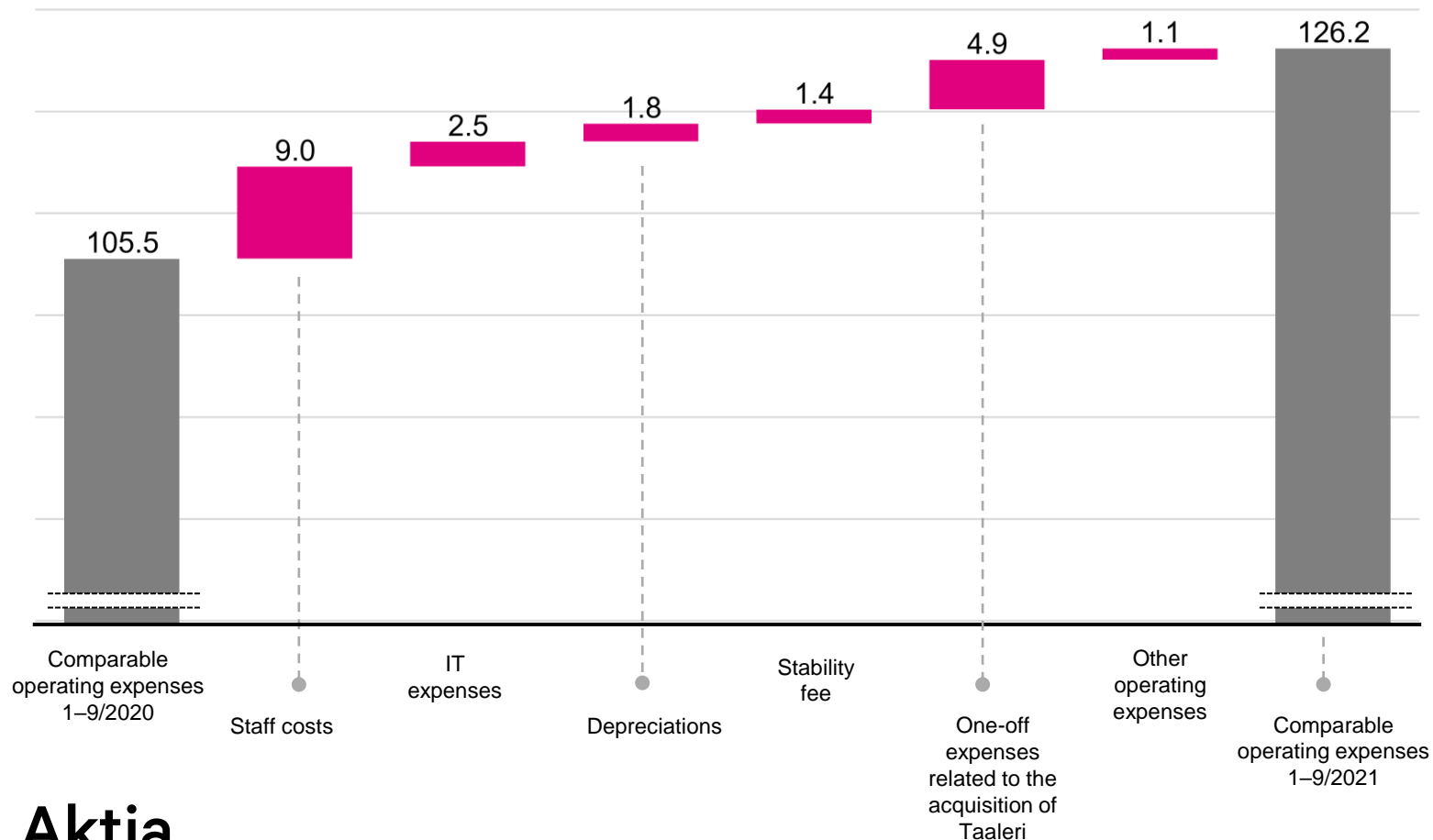
EUR million



# Comparable operating expenses

1–9/2021 vs 1–9/2020

EUR million



## Staff costs:

The comparable staff costs increased by 18% to EUR 60.2 (51.2) million. The increase is mainly attributable to increase in personnel as a result of acquisition of Taaleri's wealth management operations (in 2Q).

## IT expenses:

IT expenses increased by 13% to EUR 21.6 (19.0) million. The difference is mainly attributable to Taaleri's wealth management operations IT expenses as well as a greater number of IT projects than for the corresponding period last year.

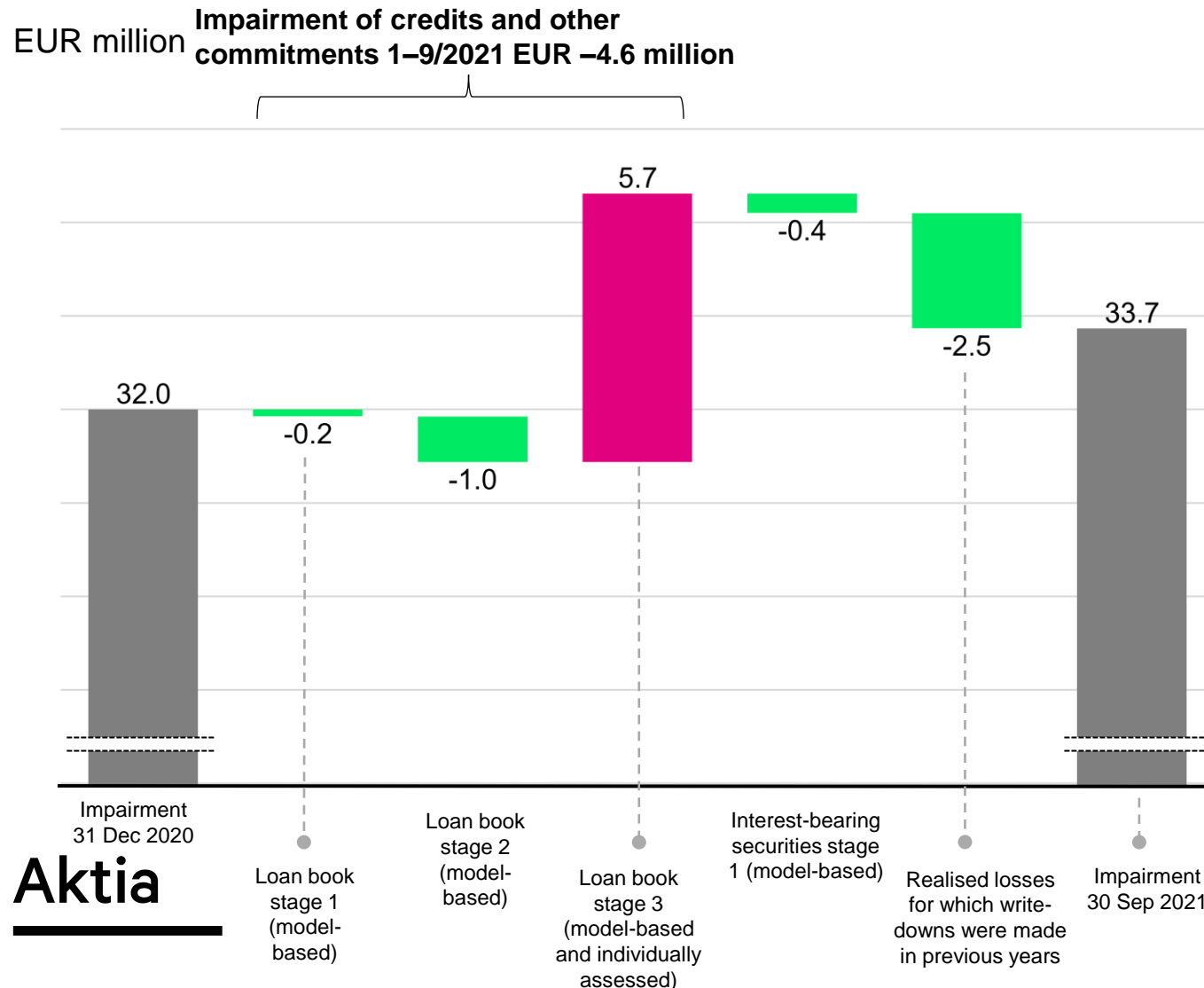
## Other operating expenses:

Comparable other operating expenses increased by 34% to EUR 29.0 (21.6) million. The increase mainly pertains to one-off expenses (advisory fees, transfer taxes) relating to the acquisition of Taaleri's wealth management operations. The stability fee increased to EUR 4.1 (2.8) million.

The depreciations of intangible assets increased as a result of the acquisition of Taaleri's wealth management operations, while Aktia's other depreciations have somewhat decreased.

# Impairments for future expected credit losses

## Change in expected credit losses (ECL) 1–9/2021



- Impairments on credits and other commitments increased to EUR -4.6 (-3.2) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -2.0 (-1.6) million, whereas other impairments on credits increased to EUR -2.6 (-1.6) million.
- The new definition of default that entered into force on 1 January 2021 increased the model-based impairments with approximately EUR 0.8 million and has also affected the individual impairments.
- The macroeconomic assumptions were updated again in Q3, no material impact in 3Q.
- We still have not observed any major covid-related new risk concentrations in our credit portfolio.

# Sustainability at Aktia

# Sustainability at Aktia

Driver for long term profitable growth

Our goal since 1825 has been to build wealth for our customers and society. At present, sustainability is not only our licence to operate, but is also a major driver of profitable growth in the long term.

**2006**

Aktia's Responsible Investment Policy

**2050**

climate neutrality goal for investments

**TCFD**

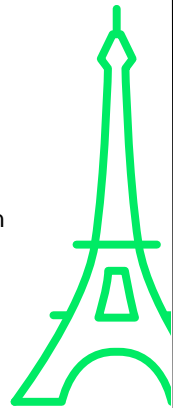
Supporter of Task Force on Climate-related Financial Disclosures recommendations

**2010**

PRI signatory

**56%**

lower carbon footprint in mutual funds compared to the index



## Strong Values of Sustainability

We have strong values of sustainability. Our Responsible Investment Policy, Responsible lending Policy, Stewardship Policy, Climate Policy and Climate Strategy guide all our activities. As part of our values we examine our contribution to UN Sustainable Development Goals. Our Corporate Responsibility Programme is based on stakeholder materiality analysis.



## From Local Presence to Global Impact

Although our operations are based in Finland, we have exposure as well as impact to global ESG megatrends such as climate change, biodiversity, demographic trends and human rights through our global investment activities

## Gender Distribution of Top Management



46%



54%

## Sustainability ratings and assessments

Signatory of:



**A+**

**AA**

**B**

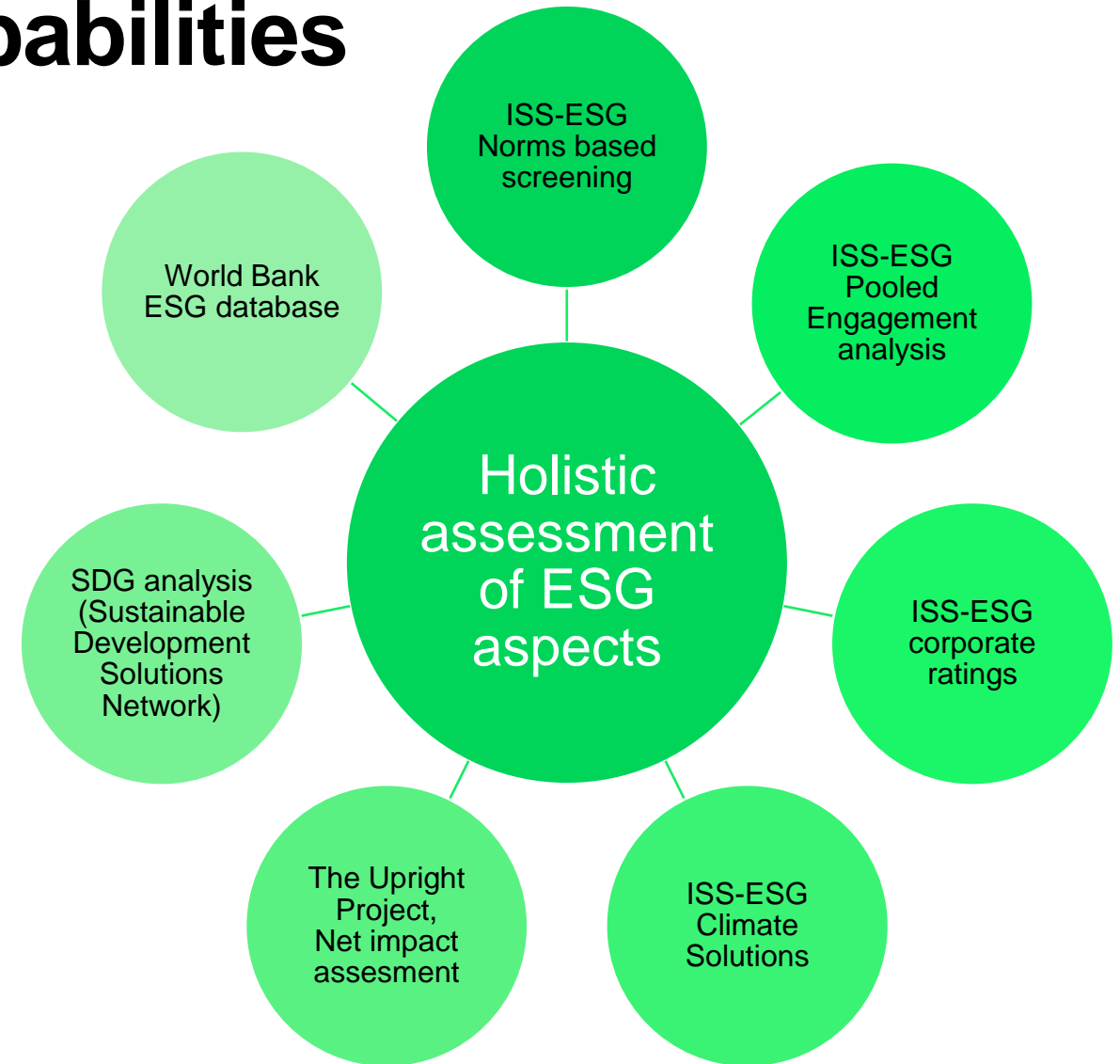
## Active and impactful partnerships

UNPRI, FINSIF, FIBS, CDP, Climate Action 100+, ASCOR (Assessing Sovereign Climate related opportunities and risks), Net Zero Asset Managers Initiative, AIMA (Alternative Investment Management Association), Green Building Council Finland, SBAI (Standards Board for Alternative Investments), ISS-ESG, Morningstar, Upright Project, WWF Green Office

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# Aktia's ESG analysis capabilities

Examples of external data sources used



# The debt investment case

## Credit ratings

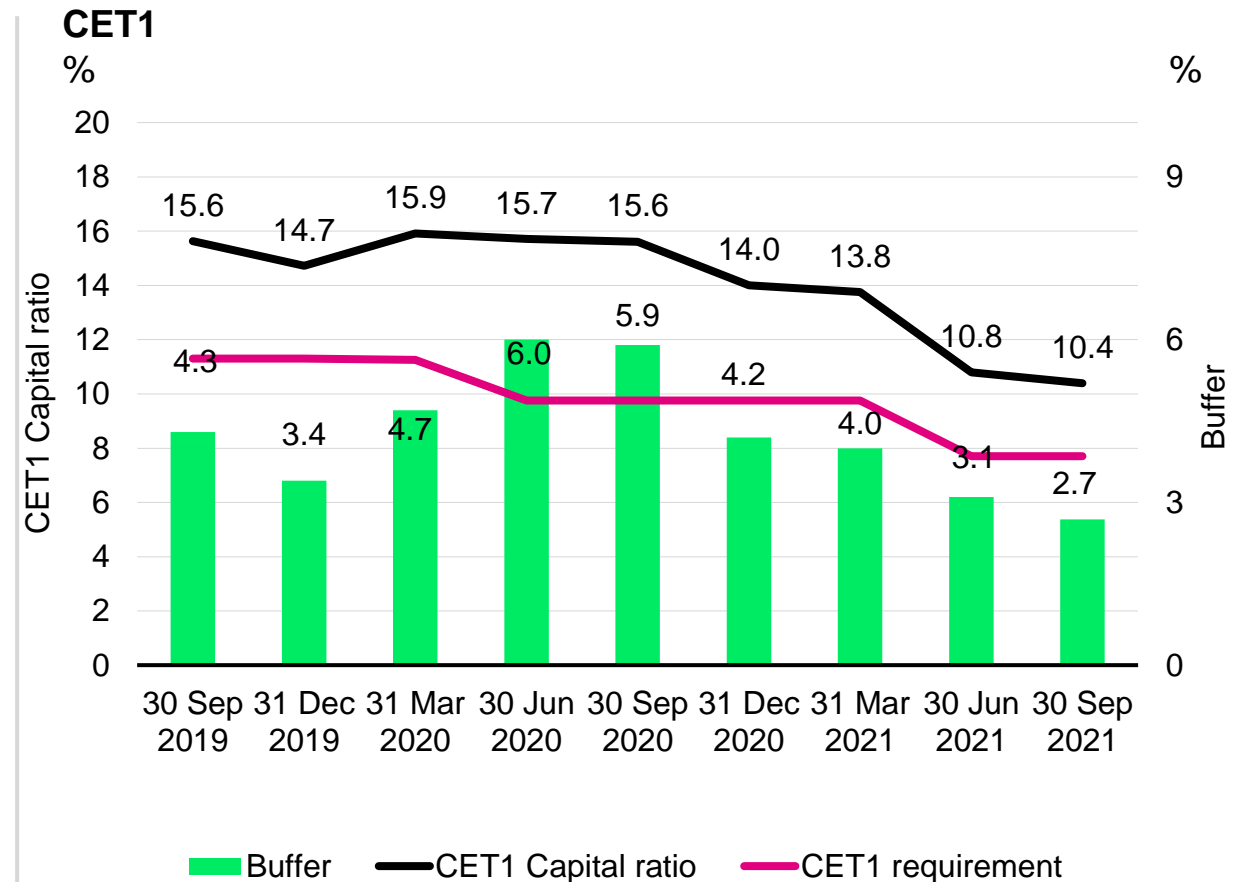
Moody's: A1 / P-1, neg, Covered Bonds: Aaa

S&P: A- / A-2, stable

# CET1 ratio above the requirement

## Capital Adequacy

- At the end of the period, the Bank Group's Common Equity Tier 1 (CET1) capital ratio was 10.4%
- CET1 capital decreased by EUR 115.7 million during the period
  - The decrease was expected and mainly a result of increase in intangible assets and goodwill related to the successful acquisition of Taaleri's wealth management operations
  - The 2020 dividend, EUR 0.43 per share, has been deducted from the CET1 capital
- Aktia has issued AT1 capital of EUR 60 million during the second quarter
  - Tier 1 ratio 12.4%
- Total capital ratio is 14.8% (minimum requirement: 11.76%)



# CET1 ratio above the requirement

- Minimum CET1 requirement ratio is 7.71 % (3Q21 CET1 10,4%).
- Total minimum capital ratio requirement 11.76% (3Q21 Total capital:14.8%).
- Aktia Bank Group's leverage ratio was 3.7% (4Q20 4.6%).
  - Tier 1 capital EUR 371,6.9 million
  - Total exposures EUR 9,751.2 million
- The Finnish Financial Stability Authority has set the MREL requirement for Aktia Bank at twice the minimum capital requirement, at least 8% of the balance sheet total.
  - MREL requirement EUR 589.7 million
  - Own funds and eligible liabilities EUR 1,464.3 million

Capital requirement	%
Pillar 1 req	4.5%
Pillar 2 CET1 req	0.70%
Capital Conservation buffer	2.5%
Counter Cyclical buffer	0.01%
Systemic Risk buffer**	0.0%
<b>Total CET1 % req</b>	<b>7.71%</b>
AT1 Capital	1.5%
Pillar 2 AT1 req	0.23%
Tier 2 Capital	2.0%
Pillar 2 Tier 2 req	0.31%
<b>Total Capital Requirement</b>	<b>11.76%</b>

# High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 125%.

- The unencumbered assets in the liquidity portfolio, which can be used as a liquidity reserve, including cash and balances with central banks, had a market value of EUR 1,482 million on 30 September 2021 (4Q20: EUR 1,368 million).

## Unencumbered Liquidity reserve, market value

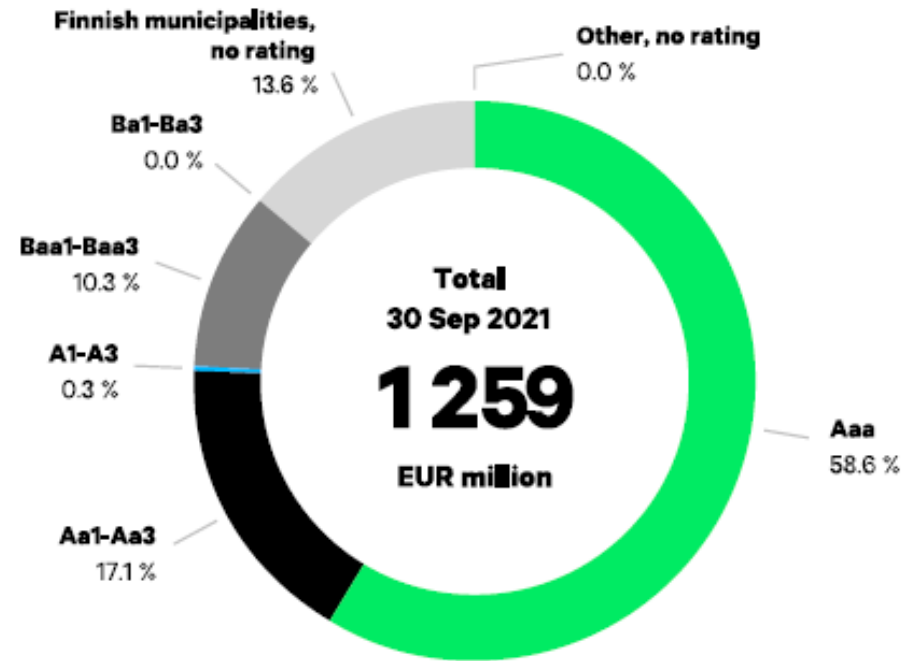
	30 Sep 2021	31 Dec 2020
<b>EUR million</b>		
Cash and holdings in central banks	619	250
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	236	226
Securities issued or guaranteed by municipalities or Public sector entities	171	132
Covered bonds	456	755
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
<b>Total</b>	<b>1,482</b>	<b>1,368</b>

# Low risk liquidity portfolio

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations.

Assets are:

- LCR and ECB eligible covered and SSA notes
- Bonds issued by Municipalities
- Short term money market instruments issued by corporates or municipalities

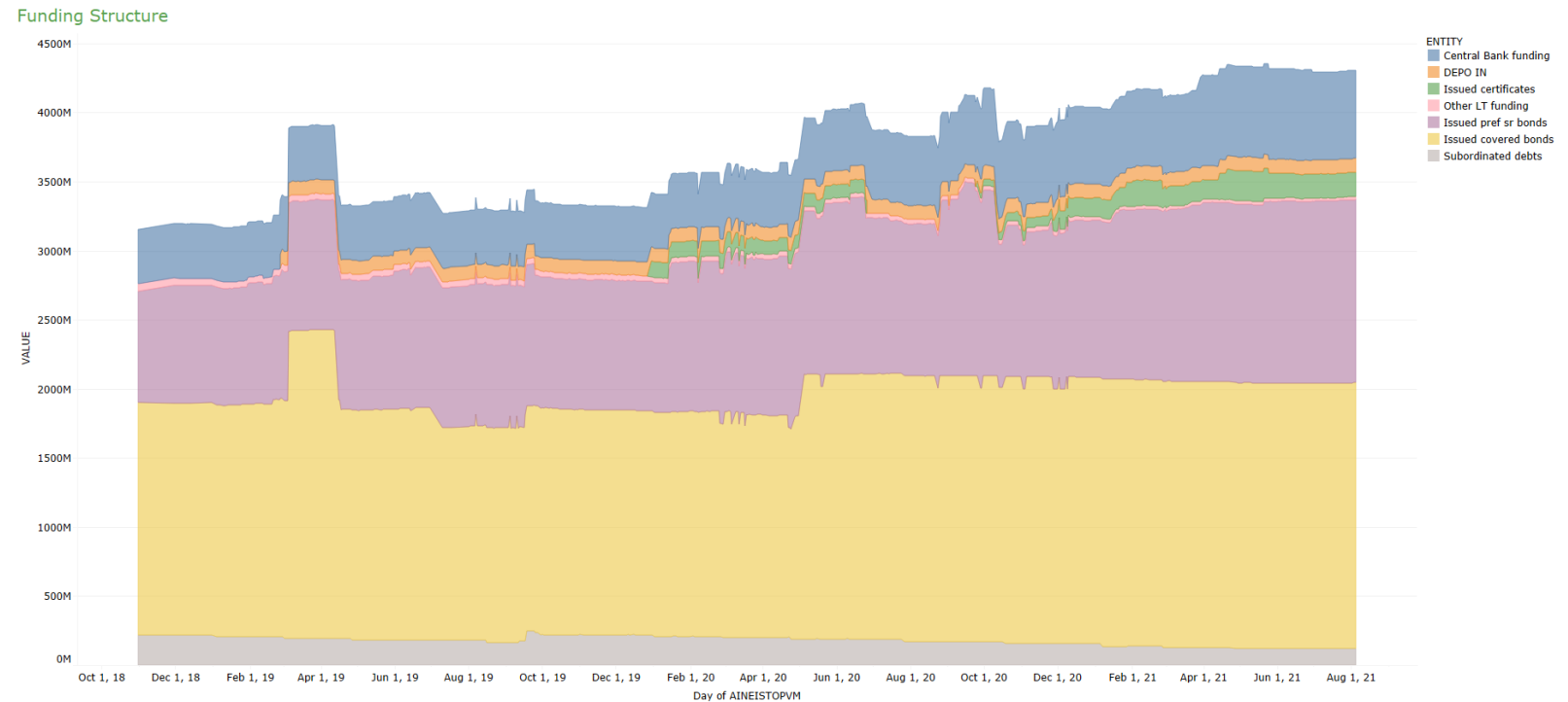


# Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities increased to EUR 4,607 million. Aktia's market share of deposits was 3.0% at the end of September.

The value of bonds issued by Aktia Bank totalled EUR 2,901 million. The total is excluding the EUR 300 million retained Covered Bond issued in May 2020.

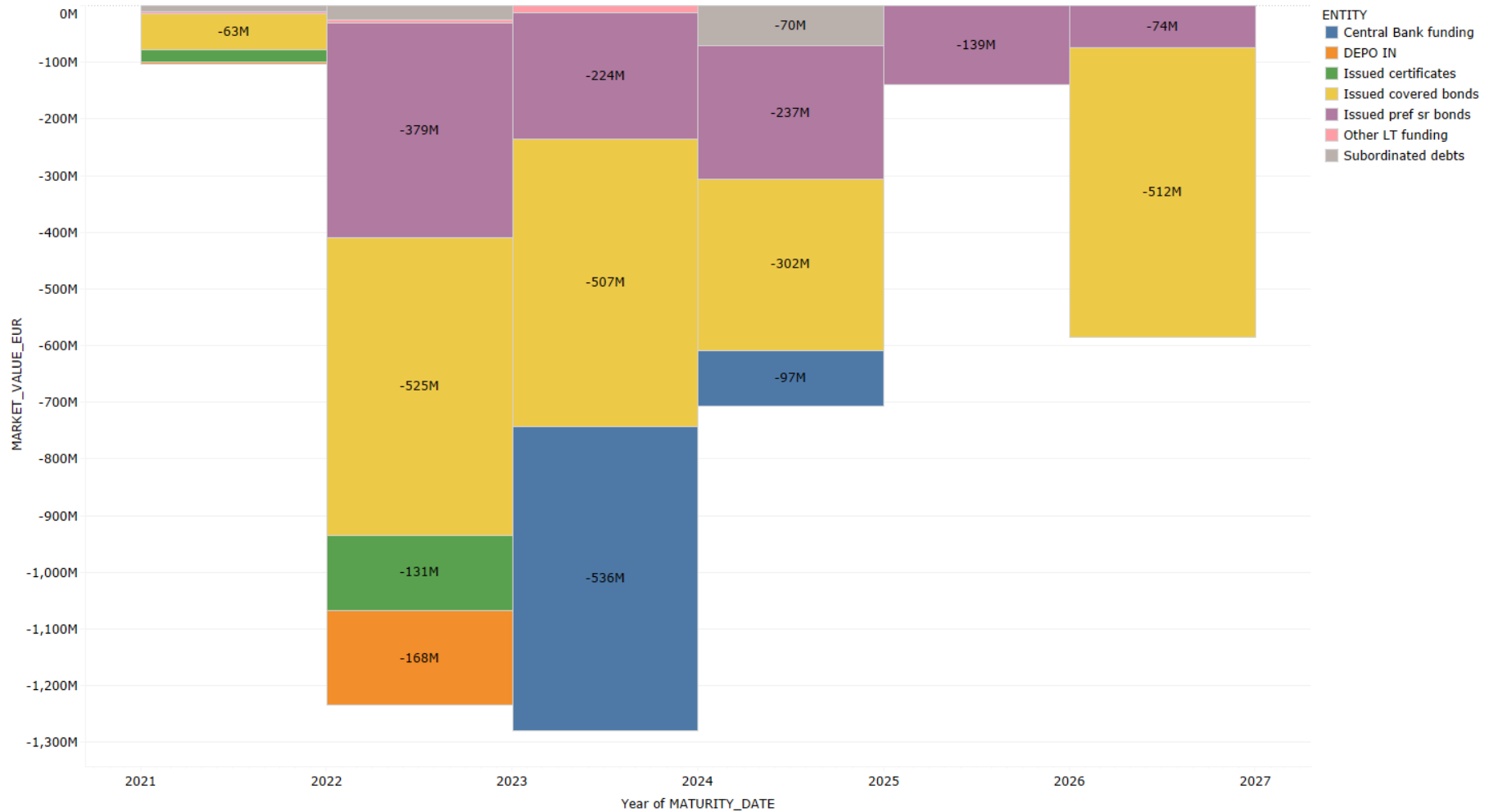


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# Redemption schedule

The year 2022 redemptions are starting to show in funding activities

Funding Maturity Structure 10/29/2021



# Aktia Bank as a Covered Bond issuer

**Aktia Bank operates under the legislation as a mortgage bank (Act on Mortgage Credit Bank Operations, MCBA 688/2010) and issues the covered bonds directly from the bank's balance sheet.**

**The Finnish Covered bond legislation is to be updated during the year 2021 to comply with the EU Directive (EU)2019/2162 and the EU regulation (EU) 2019/2160 of the European Parliament and of the Council**

- The Aktia Bank mortgage loan portfolio is of very high quality:
  - Prime residential mortgage loans and loans to Housing Companies
  - Collateral located in Finland
  - Low average LTV
- Aktia Bank covered bonds are CRR & UCITS, ECB repo and CBPP eligible
- The Bank aims to comply with the ECBC covered bond label transparency initiative
- Stable access to the covered bond market is in high priority
- Aktia Bank will focus on EUR 500 million public benchmark Covered Bond issues with selective private placement offerings
- The Bank has issued retained Covered Bonds (450mEUR) for collateral purposes

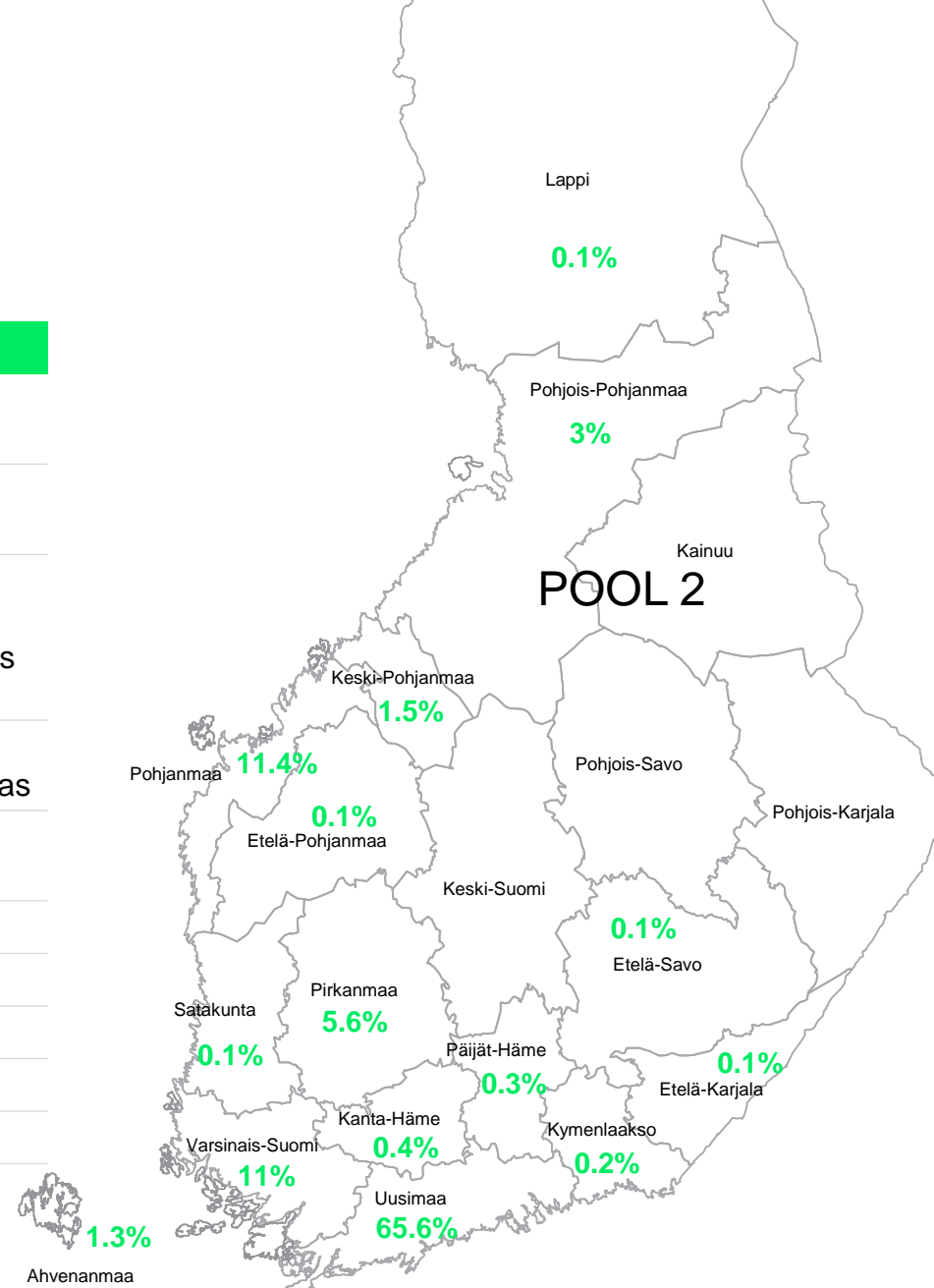
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# Cover pools

4Q 2021 (preliminary figures)

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,667 million	EUR 107 million
No of loans / average loan balance	38,073 / EUR 70,056	1,645 / EUR 64,831
Types of loans	First ranking residential mortgages, pledges of shares in housing companies and loans to housing companies	First ranking residential mortgages and pledges of shares in housing companies
Geography	Finland, well diversified with concentration on growth areas	Finland, well diversified with concentration on growth areas
Non-performing loans > 90 days in arrears	0.0	0.0
WA indexed LTV	47.35%	34.31%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 95%, fixed 5%	floating 97%, fixed 3%
WA seasoning	60.7 months	112 months
Overcollateralisation (%)	36,78% (committed 10%)	384.76% (committed 12%)
Moody's Collateral Score	5.00%	5.00%



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# Expected transaction

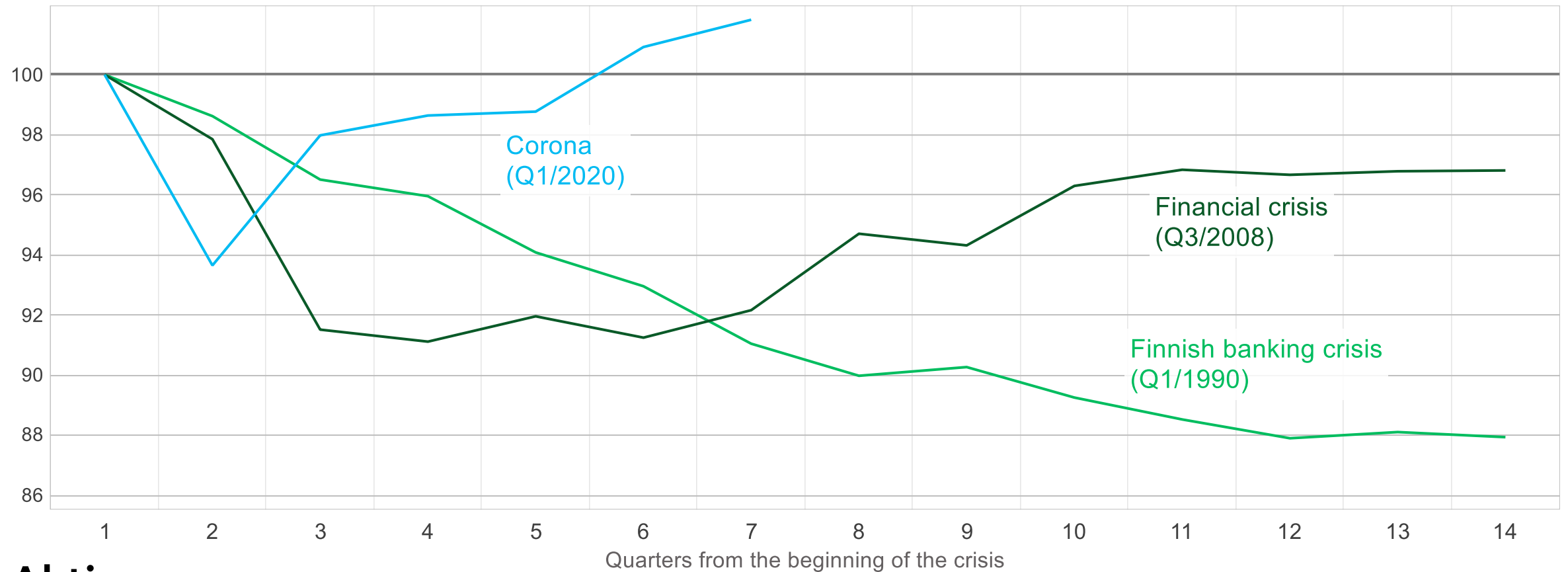
# Term Sheet of the expected transaction

<b>Issuer</b>	Aktia Bank Plc (Ticker: AKTIA)
<b>Issuer amount</b>	EUR 500mn
<b>Status</b>	Finnish Covered Bond
<b>Currency</b>	EUR
<b>Expected Rating</b>	Aaa (Moody's)
<b>Collateral</b>	100% residential mortgages
<b>Listing</b>	Luxembourg Stock Exchange
<b>Format</b>	RegS Bearer, NGN
<b>Documentation</b>	Issuer's €5bn Euro Medium Term Note and Covered Bond Programme dated 14 July 2021
<b>LCR Eligibility</b>	Level 1b
<b>ECB repo eligibility</b>	Expected to be ECB repo eligible

# Finland – Economy and housing market update

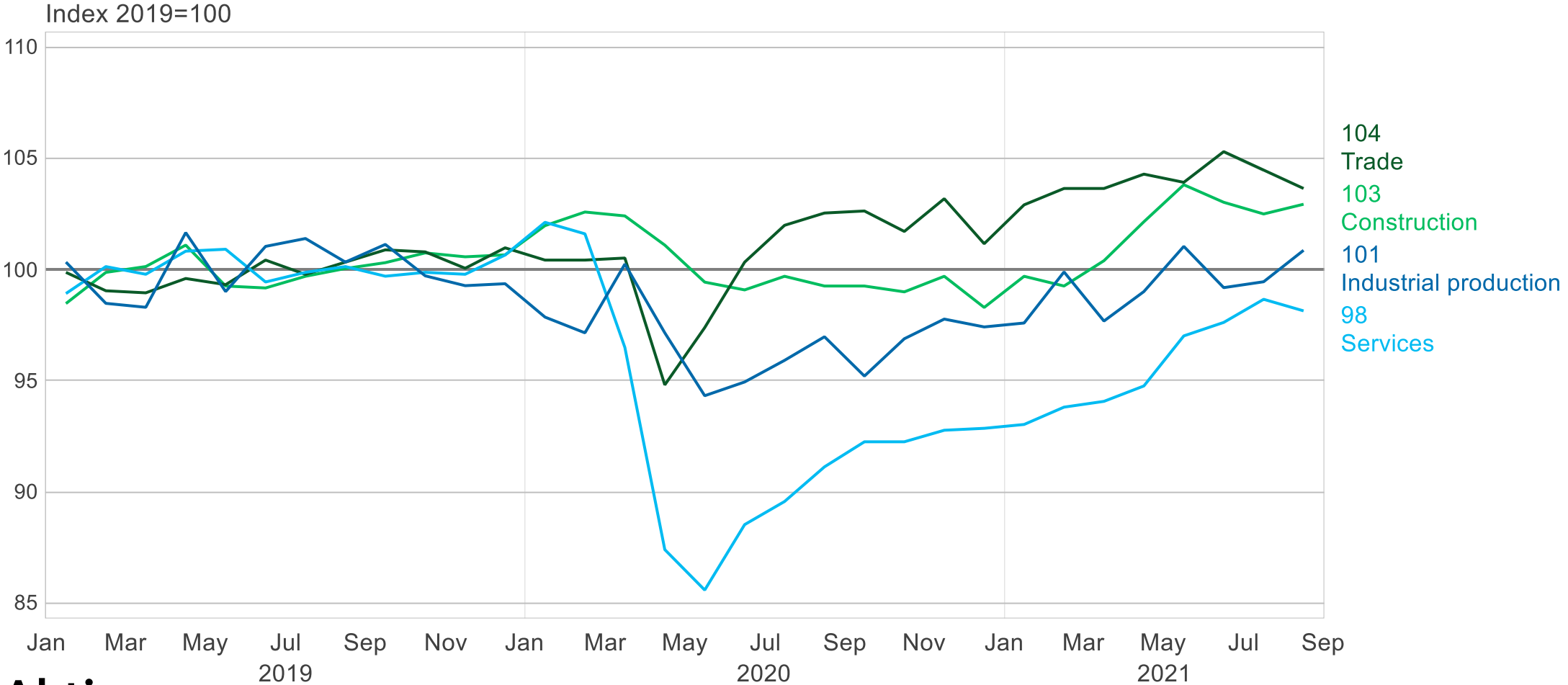
# Rapid economic recovery from the pandemic

Finland's GDP in earlier crises  
Index, Beginning of the crisis=100



# Services only sector which has not fully recovered

## Sales volume and industrial production



# Aktia's economic forecast for Finland

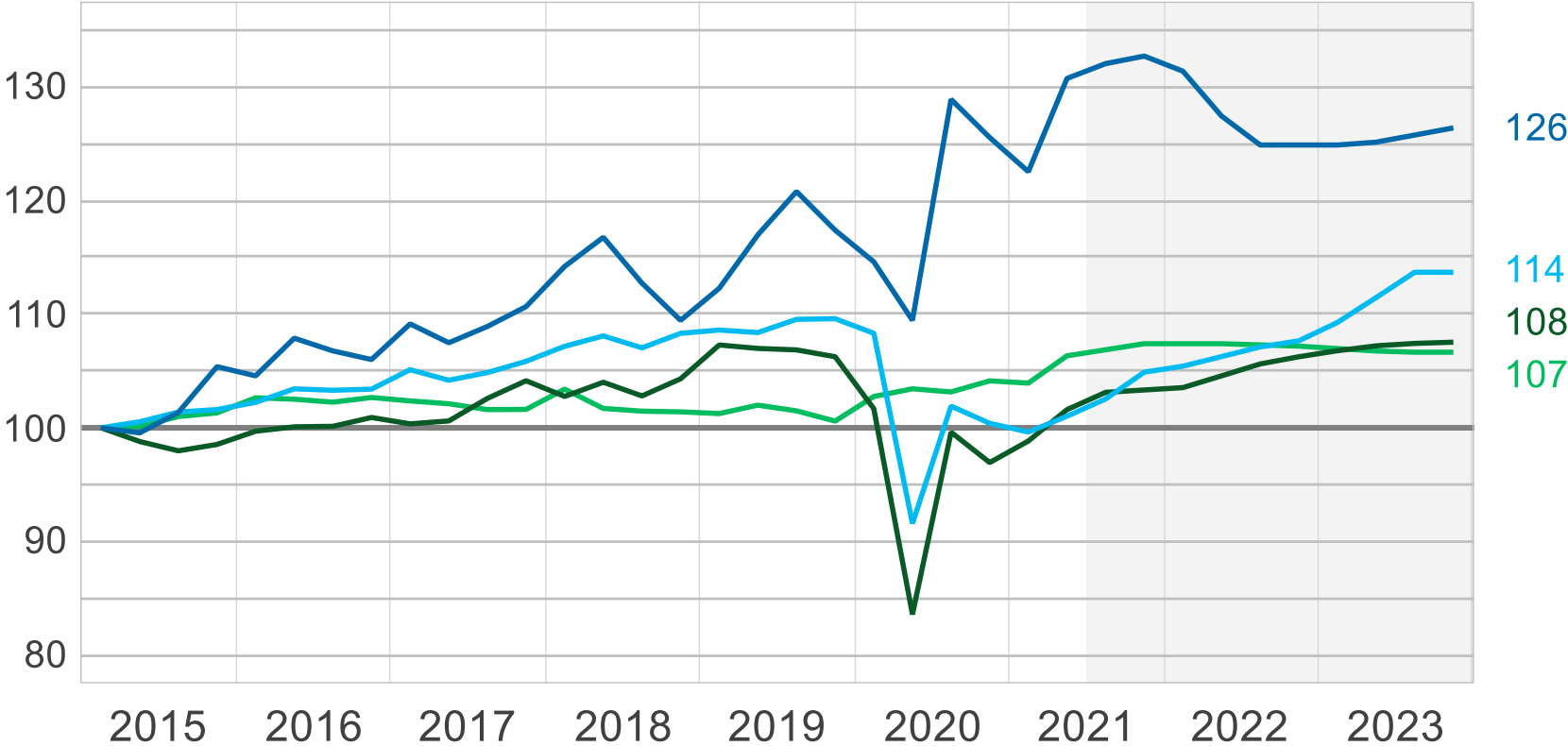
				Forecast		
Annual volume growth, %	2018	2019	2020	2021	2022	2023
<b>GDP</b>	<b>1,1</b>	<b>1,3</b>	<b>-2,9</b>	<b>3,3</b>	<b>2,3</b>	<b>1,2</b>
<b>Exports</b>	<b>1,5</b>	<b>6,8</b>	<b>-6,7</b>	<b>3,9</b>	<b>6,6</b>	<b>1,5</b>
<b>Imports</b>	<b>5,7</b>	<b>2,3</b>	<b>-6,4</b>	<b>3,9</b>	<b>6,5</b>	<b>1,9</b>
<b>Consumption</b>	<b>1,8</b>	<b>1,1</b>	<b>-3,1</b>	<b>2,7</b>	<b>2,1</b>	<b>1,5</b>
<i>Private</i>	<i>1,7</i>	<i>0,7</i>	<i>-4,7</i>	<i>2,8</i>	<i>2,7</i>	<i>1,9</i>
<i>Public</i>	<i>2,0</i>	<i>2,0</i>	<i>0,5</i>	<i>2,4</i>	<i>1,0</i>	<i>0,6</i>
<b>Investment</b>	<b>3,6</b>	<b>-1,6</b>	<b>-0,7</b>	<b>2,4</b>	<b>3,5</b>	<b>0,9</b>
<i>Buildings</i>	<i>4,7</i>	<i>-1,4</i>	<i>-0,4</i>	<i>2,0</i>	<i>4,1</i>	<i>1,0</i>
<i>Machinery and transport equipment</i>	<i>-1,7</i>	<i>-4,9</i>	<i>-0,6</i>	<i>6,5</i>	<i>3,0</i>	<i>1,1</i>
<i>Intellectual property</i>	<i>7,1</i>	<i>1,9</i>	<i>-2,0</i>	<i>-1,3</i>	<i>2,5</i>	<i>0,4</i>
<b>Key figures, %</b>						
<i>Trade balance of GDP</i>	<i>-1,2</i>	<i>0,4</i>	<i>0,3</i>	<i>0,3</i>	<i>0,4</i>	<i>0,2</i>
<i>Unemployment</i>	<i>7,4</i>	<i>6,7</i>	<i>7,8</i>	<i>7,6</i>	<i>7,2</i>	<i>6,6</i>
<i>Inflation</i>	<i>1,1</i>	<i>1,0</i>	<i>0,3</i>	<i>1,9</i>	<i>1,4</i>	<i>1,1</i>

# Private demand: services up and durable goods down

## Finnish households' consumption expenditure

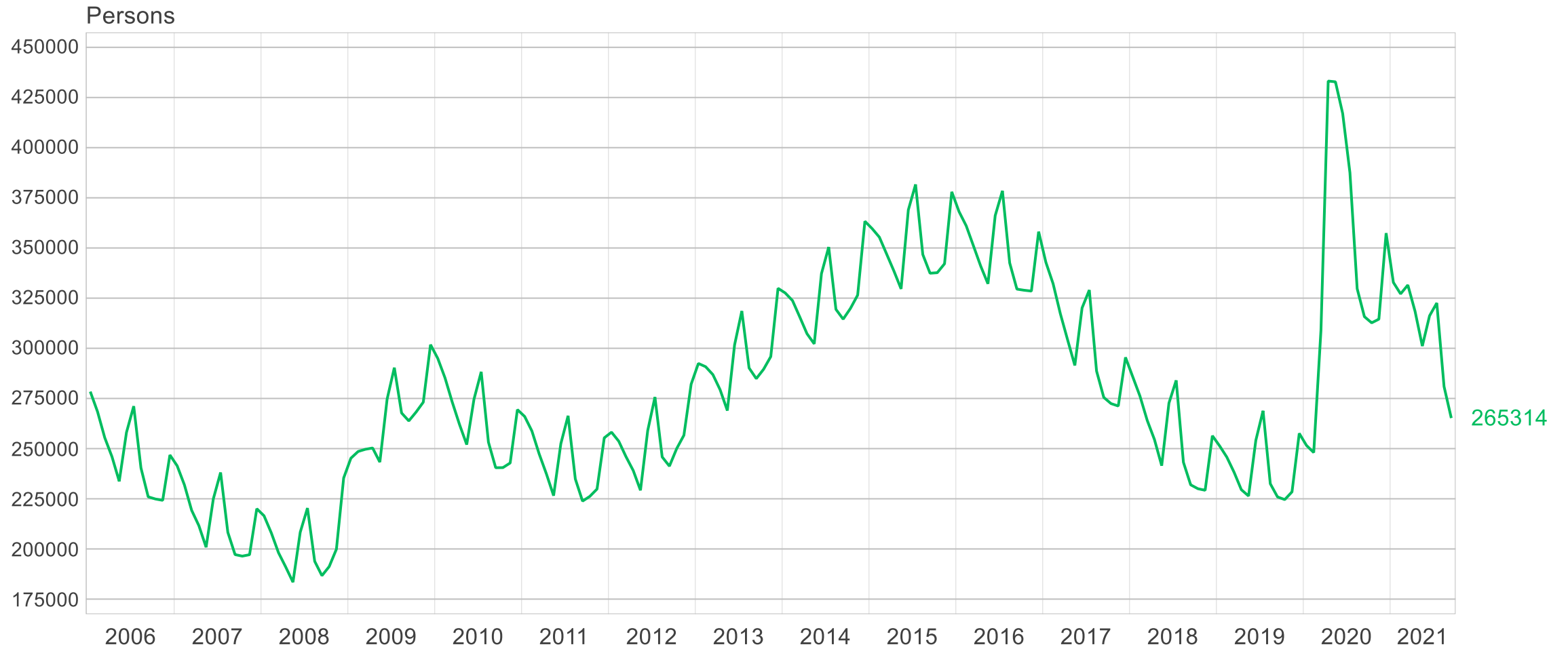
— Durable goods — Services — Semi-durable goods — Non-durable goods

Index 2015=100



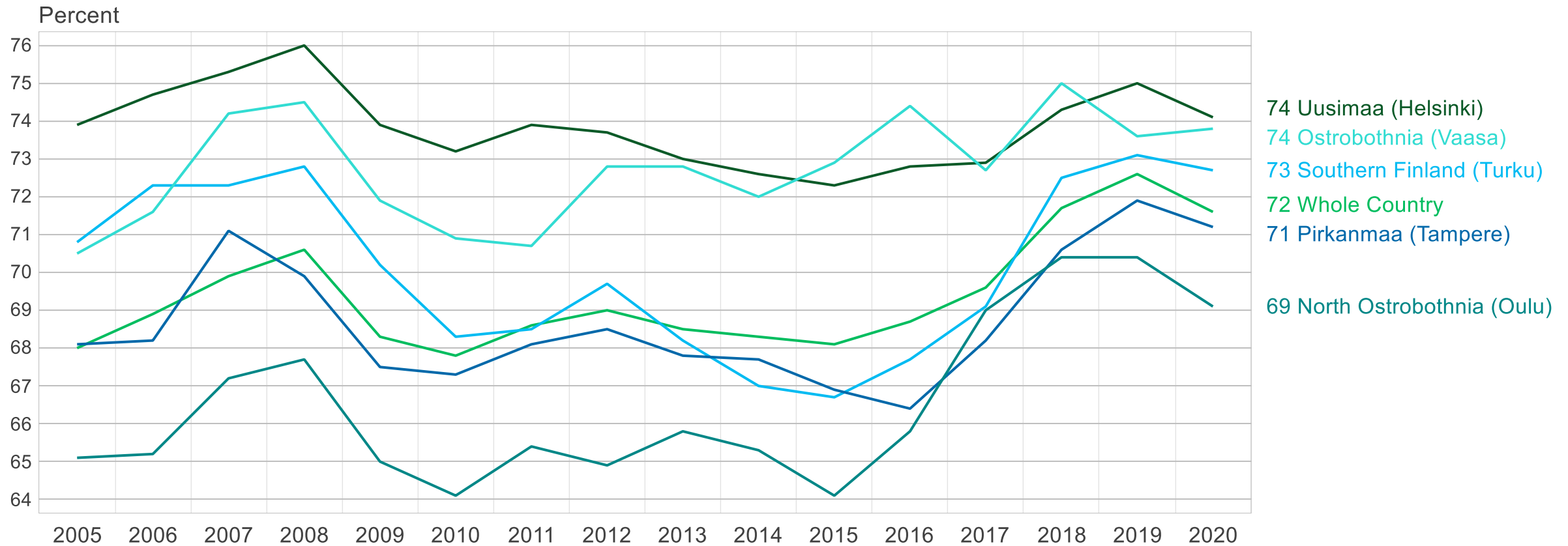
# Labour market: almost at pre-corona

## Unemployed persons in Finland



# Employment rate generally higher in regions where Aktia operates

## Employment rate 15-64 age group, by regions



Source: Aktia, Macrobond, Statistics Finland.

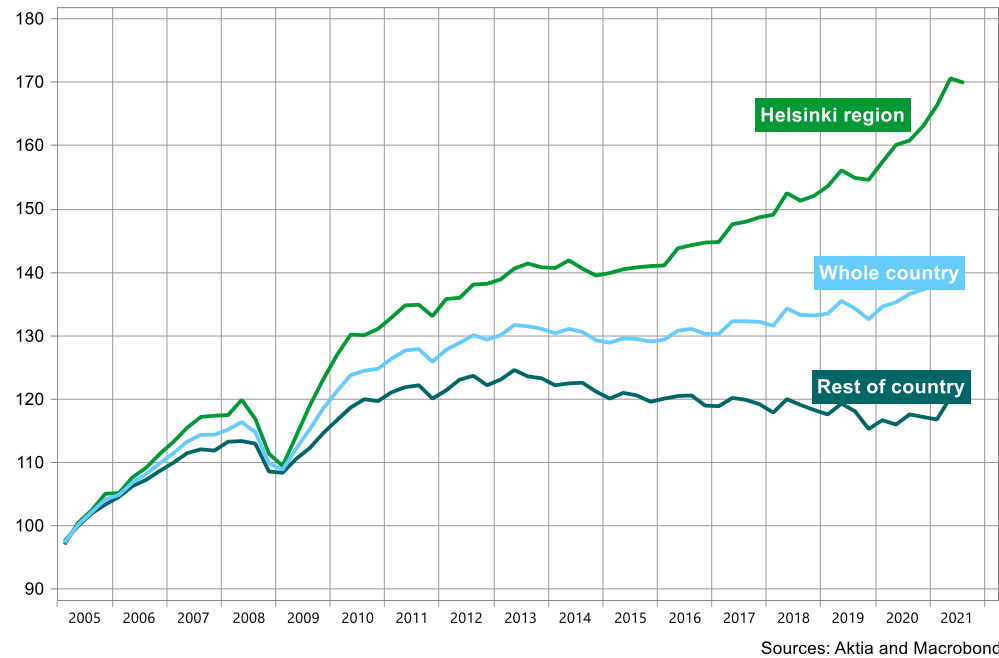
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# Finnish housing market

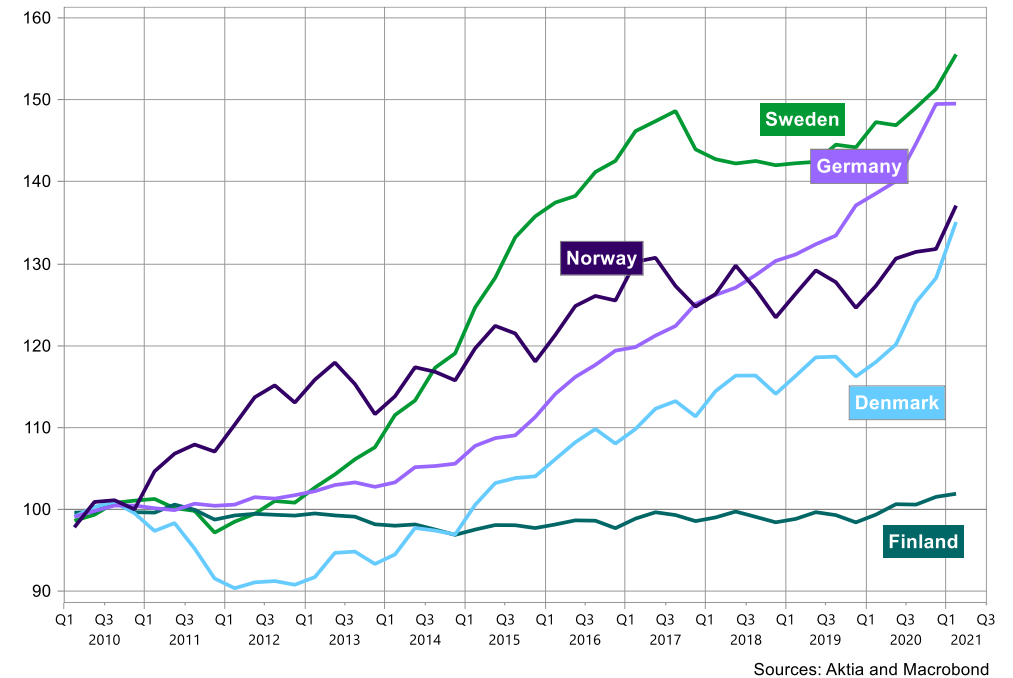
Solid and stable market, positive development focused on growing cities

Finland: Prices, old apartments

Index 2005=100

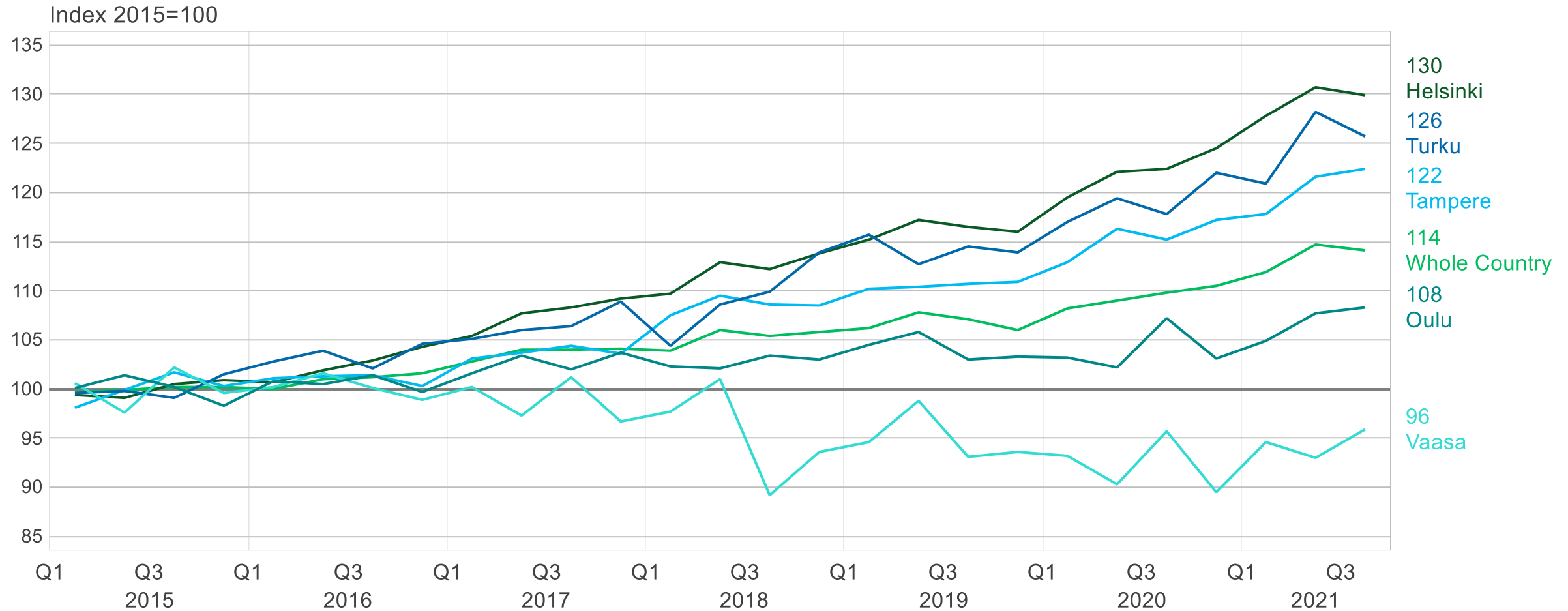


Real House Prices,



# House price development trends unchanged

## Real estate prices, blocks of flats



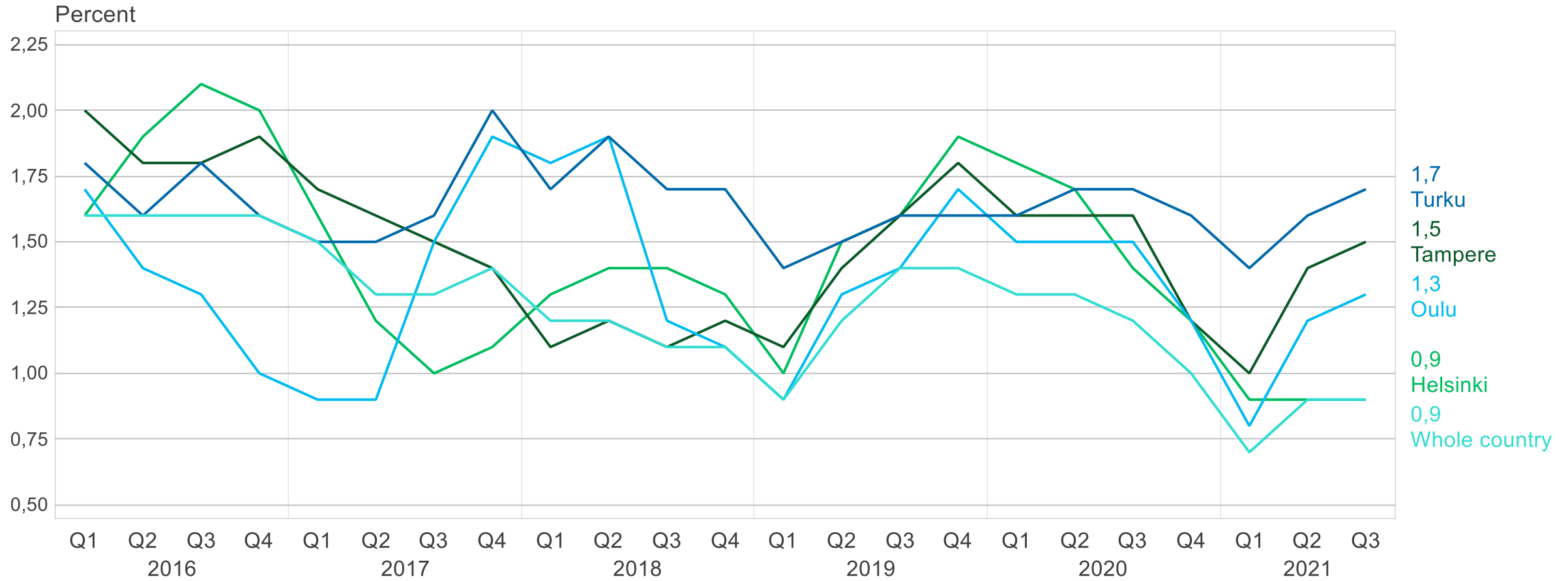
**Aktia**

Source: Aktia, Macrobond, Statistics Finland.

# Rent market stabilizes

## Annual change in non-subsidized rents for apartments

— Whole country — Turku — Oulu — Tampere — Helsinki



Source: Aktia, Macrobond, Statistics Finland.



**The good bank.  
And a great asset manager.**

**Aktia**

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## Debt investor information:

<https://www.aktia.com/en/investors> (website)

<https://www.aktia.com/en/investors/results-and-presentations/year/2021> (interim reports and presentations)

# Appendices

# Asset Management key focus areas

Award-winning expertise in different asset classes creates a strong basis for successful investment operations.

## Emerging Market Debt

- Proven track record since 2006 in different market conditions.
- Investment philosophy based on a macroeconomic and fundamentally driven approach targeting high real yields and low FX volatility.
- ESG considerations integrated into the investment process.

## European Credit

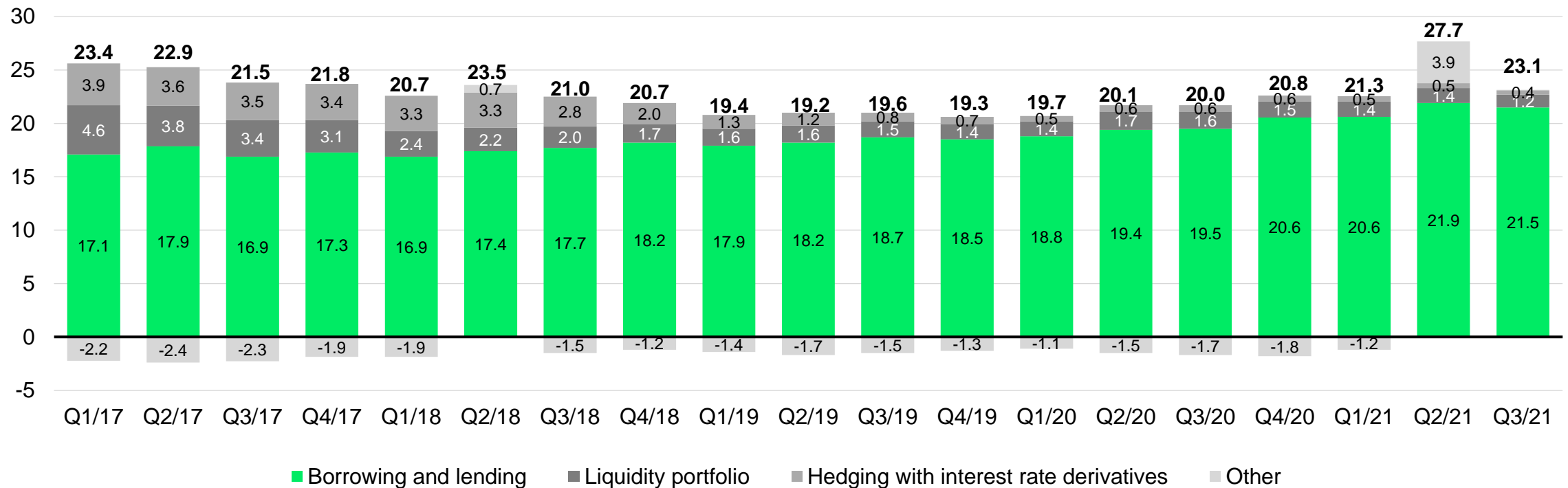
- Key areas of excellence include Financials & Insurance, Nordic credit, corporate hybrids and short-duration credit.
- Benchmark-agnostic approach with specific focus on diversification and identification of downside risks.
- While aiming for consistent outperformance, the team executes both core and more tactical credit views by employing theme-based company clusters and a controlled risk framework.

## European and Nordic Small Caps

- Proven track record since 2011 in different market conditions.
- Strategies target a higher risk adjusted return by investing in companies with structural competitive advantages and a high return on invested capital.
- The strategies follow Aktia's QGARP (Quality Growth at a Reasonable Price) philosophy.
- Our experienced European and Nordic equity team manages three different Small and Micro Cap strategies.

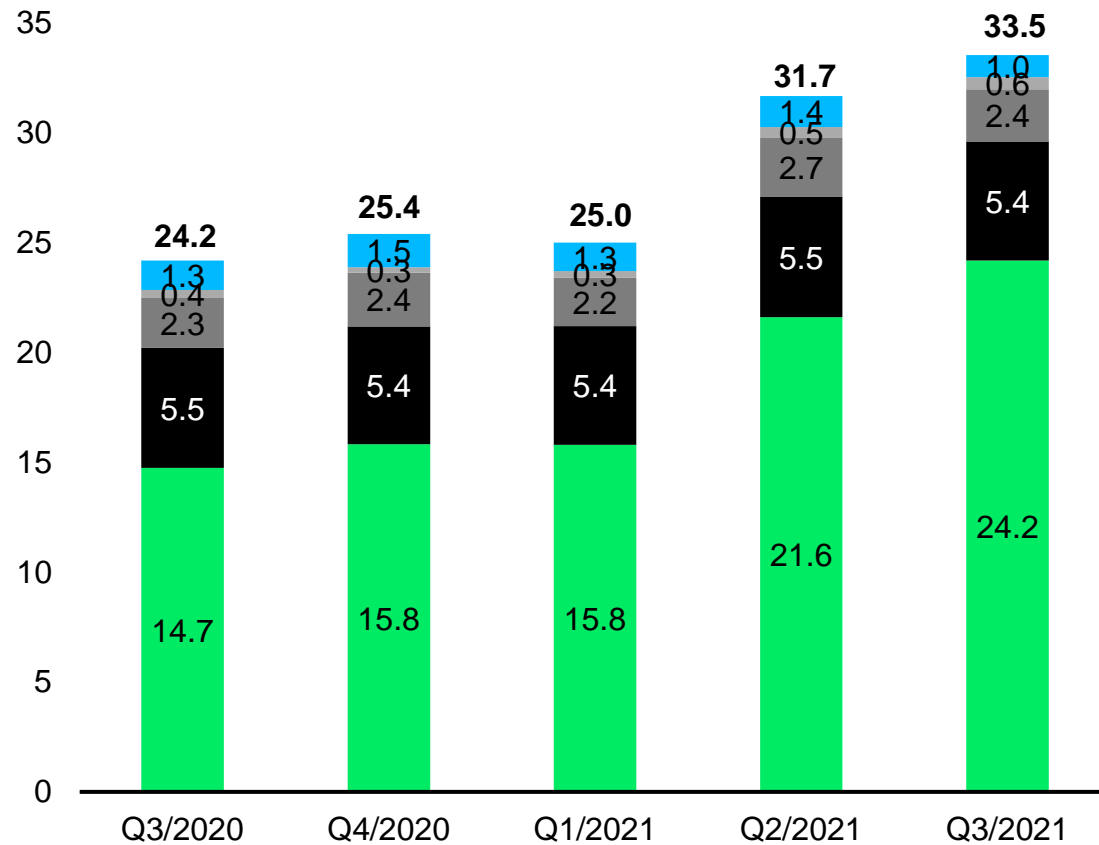
# Net interest income mix

EUR million



# Net commission income mix

EUR million



- Other
- Insurance
- Lending
- Card, payment services and borrowing
- Mutual funds, asset management and securities brokerage