

5 MAY 2021

Q1 Debt investor presentation

Aktia

Aktia's Q1 2021 in brief

- The good development of the net interest income continued mainly due to the strong balance growth of corporate credits
- The housing market continued to be active and the demand on especially holiday homes increased
- Assets under management were at the same level as at the year-end and amounted to EUR 10.4 billion
- Net subscriptions for Aktia's investment products on the emerging markets decreased somewhat, but without any significant effect on the financial performance
- Positive value changes together with the stable actuarially calculated result contributed to the very favourable development of net income from life insurance
- Aktia's acquisition of the wealth management operations of Taaleri was completed on 30 April 2021

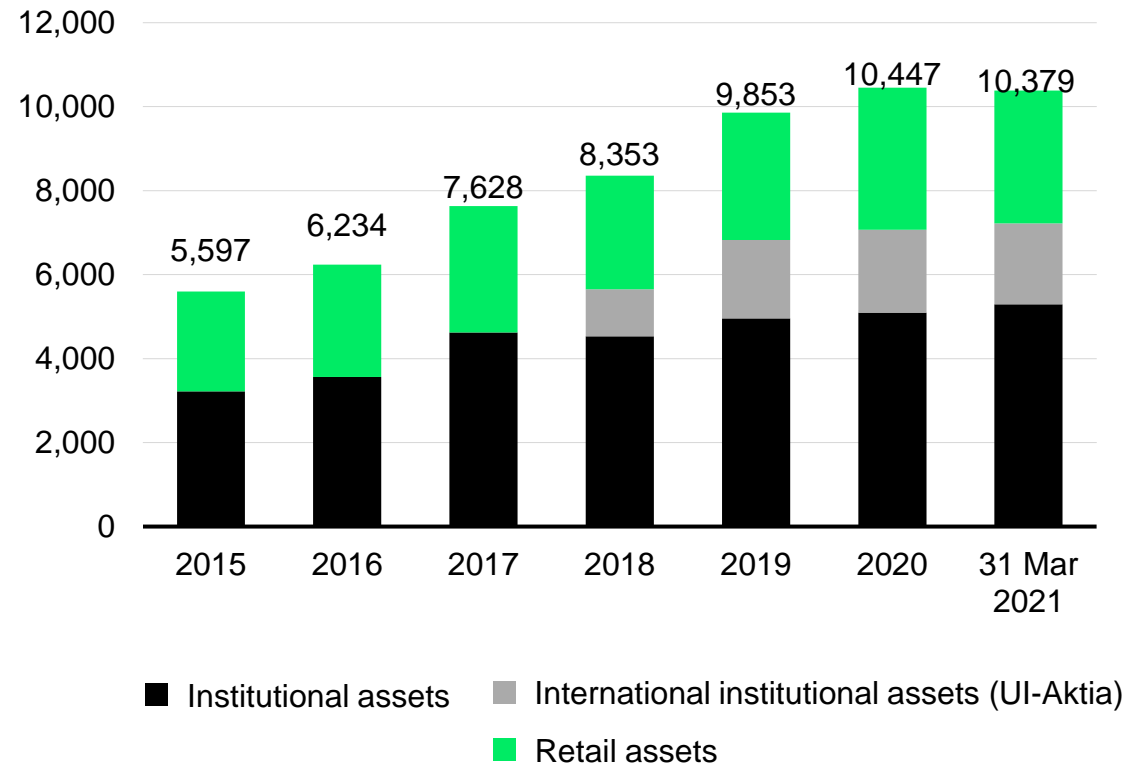


Aktia won all three categories in Morningstar awards

Asset Management

Assets under management excluding custody (AuM)

EUR million



Asset Management

- Aktia's extensive and top-quality asset management competence was rewarded with Morningstar's all three fund house awards
- Aktia announced on 30 April the closing of the acquisition of Taaleri Plc's wealth management operations. After the transaction Aktia will provide its customers an increasingly broad product range

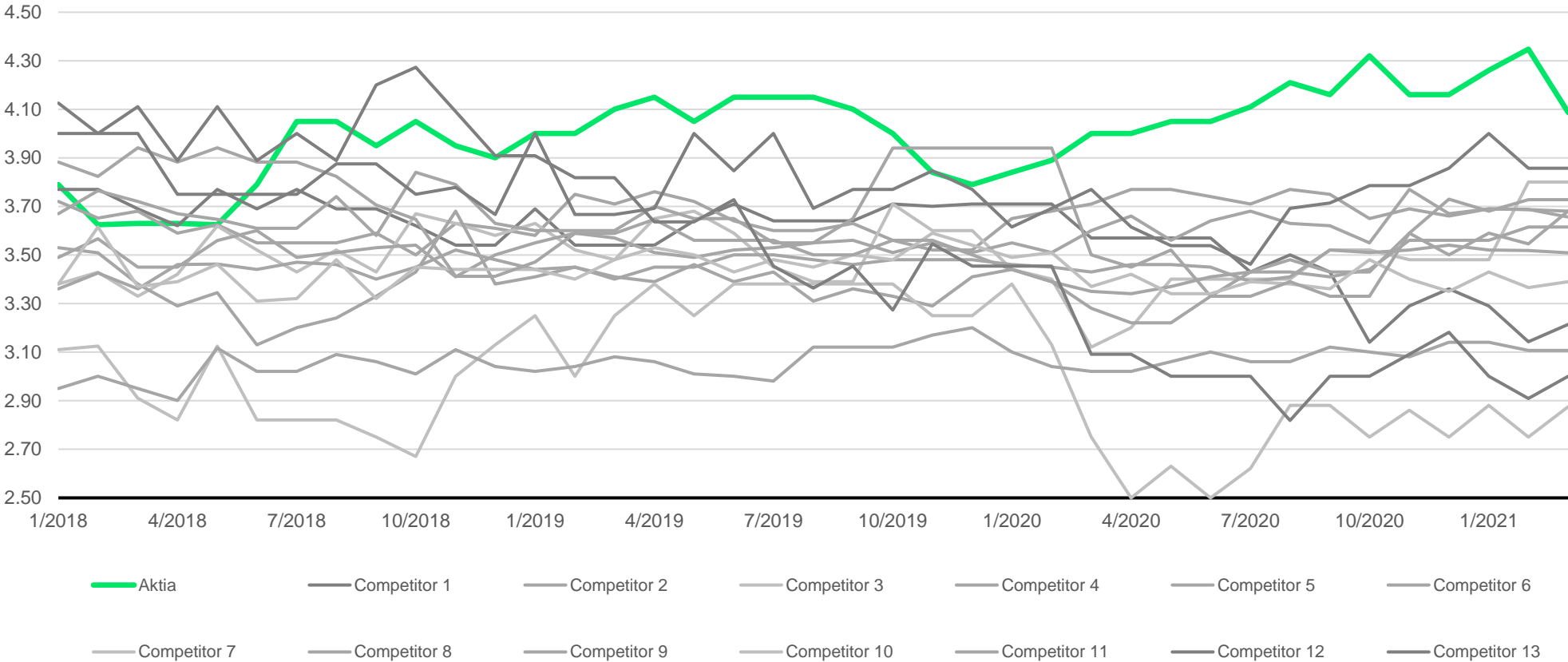
Life Insurance

- The sales of personal insurances were strong during Q1
- The Mortgage Society of Finland started sales during Q1 as a new co-operation partner for the distribution of personal insurances to private persons

Aktia

Aktia's Morningstar rating extraordinary strong

3/2021

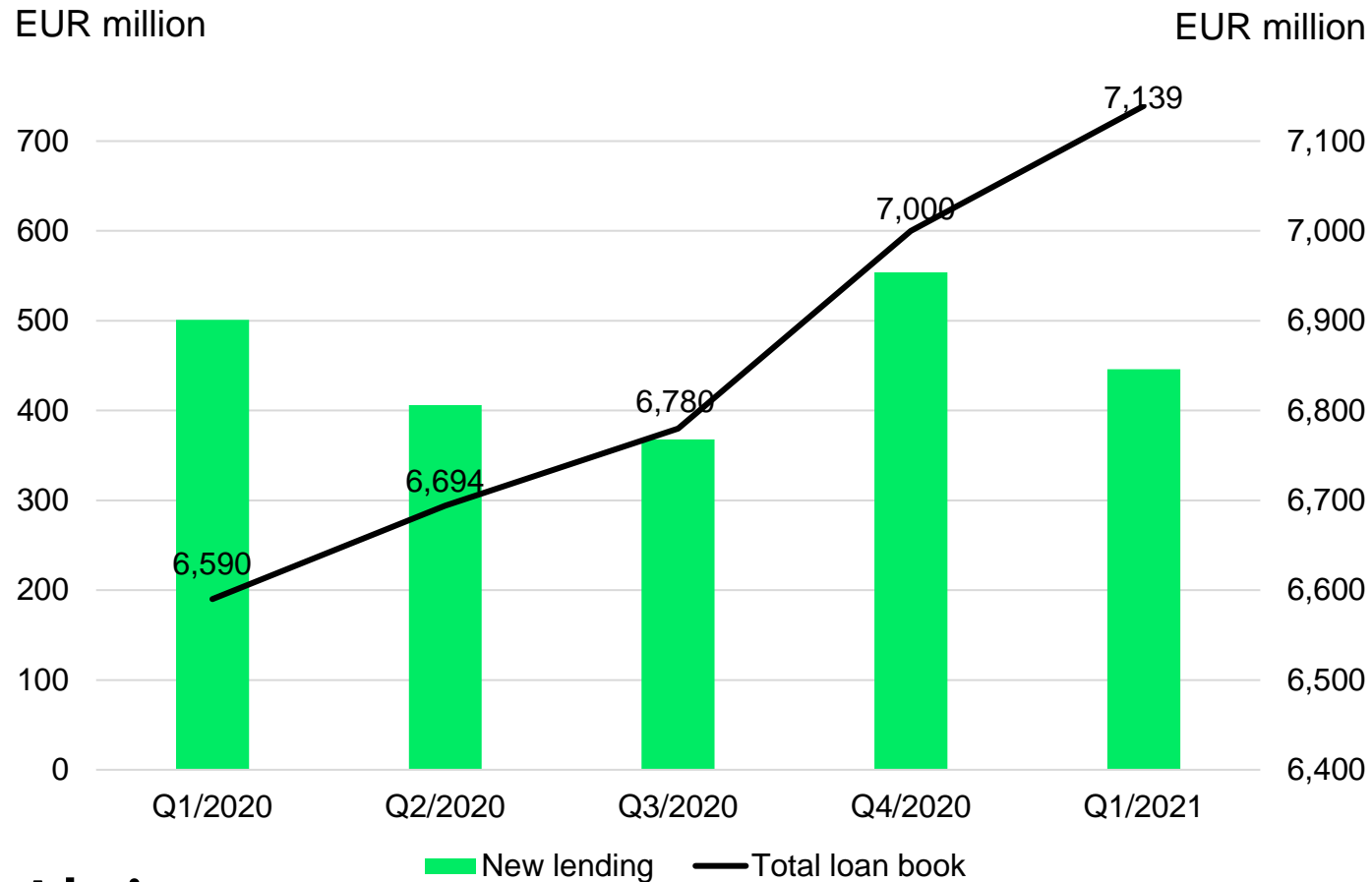


For all fund management companies, the fund unit type of each fund that has the most stars is used in the comparison.

Aktia

Growth in total loan book continues

Total loan book EUR +139 million (+2%) Q-o-Q



- Group lending to the public and public-sector entities increased by EUR 139 million to EUR 7,139 (7,000) million
- Aktia's total new lending was EUR 446 (554) million

Implementation of the service model continues

Banking Business

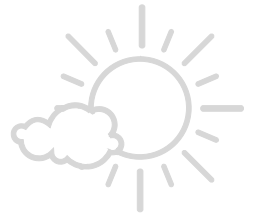
Private customers

- The good development in housing loan operations continued during Q1 and the number of digital housing transactions increased further.
- Aktia's customer-oriented service model has become a part of the company's everyday business
- Customer behaviour has changed, and the location-independent service model has strengthened its position in customer work: The share of virtual meetings, digital signatures and webinars increased during Q1 and the demand for virtual services continued to increase

Corporate customers

- The demand on corporate lending continued to increase
- The increase in financing for RS objects and SMEs was still strong in strategic growth areas
- Aktia's corporate customers' interest in leasing and factoring products increased considerably

Our strategic priorities



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

The financial targets 2023

**Comparable
operating profit
EUR 100 million**

1–3/2021;
EUR 16.9 million

(1–12/2020;
EUR 55.1 million)

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

31 March 2021;
8.6%

(31 December 2020;
6.7%)

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

1–3/2021;
0.67

(1–12/2020;
0.71)

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

31 March 2021;
**4.0 percentage points over
the minimum capital
requirement 9.8%**

(31 December 2020;
4.2 percentage points over the
minimum capital requirement
9.8%)

Aktia acquired the wealth management operations of Taaleri – key figures

€ 4.4/7.1 bn <i>AUM</i>	appr. 100 <i># of employees</i>	~5,600 <i># of customers</i>
€ 35.5 M <i>Turnover FY20</i>	€ 31.0 M <i>Net commission income FY20</i>	€ 10.1 M <i>EBIT FY20</i>

- The transaction was completed on 30 April 2021
- The acquired Taaleri wealth management business is profitable and expected to have positive contribution to operating profit going forward. However, in 2021 the transaction execution and integration will incur one-time expenses such as M&A and legal advisory related costs and post-closing integration costs.
- Taaleri Asset Management impact on financial results will be commented in connection with 2Q results.

Transaction synergies

Revenue synergies

- Offering expansion for the transferring customers - banking services, Aktia's investment and insurance products
- Offering expansion for Aktia's existing customers – brokerage services and Taaleri's investment products

Cost synergies

- Reduced cost base due to increased scale of the business
- Consolidation of IT and infrastructure
- Operational and administrative reorganization

The synergy gains at the annual level are estimated to amount to EUR 8 million by the end of 2023

Aktia



Corporate responsibility programme

In 2020, Aktia updated indicators and actions to group's corporate responsibility programme and action plan for 2021–2023.

Aktia reports every six months on the selected indicators of our corporate responsibility programme (carbon footprint of our funds and customer satisfaction (NPS)). In Q4 2020, Aktia added a new indicator: increase of the amount of digital service agreements.

Actions in 2020:

- Integration of ESG risk consideration to the Executive Committee's and the Board's agenda and lending, risk management and remuneration policies.
- Initiation of EU sustainable finance regulation working group and ESG policy updates for investing and lending.
- Implementation of eco-efficient ways of working at the main office and achievement of the WWF Green Office label.
- Priorisation of UN sustainable development goals.
- Additional information: Annual and Sustainability Report 2020

Aktia

Aktia's corporate responsibility programme



A+

In categories: Responsible Investment Strategy and Governance and Listed Equity – incorporation.

Signatory of:



B

In Climate Change reporting.

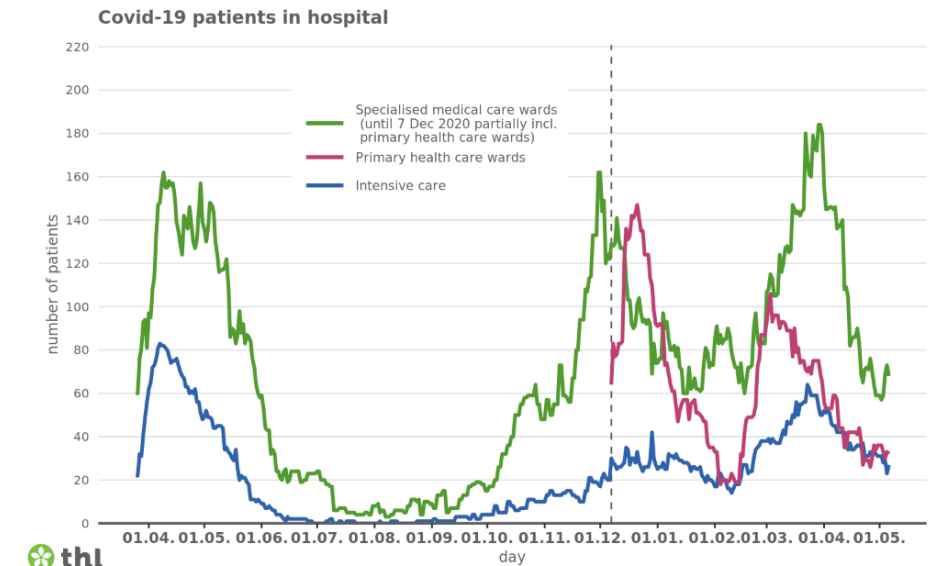


68%

The carbon footprint of Aktia's equity funds was on average approx. 68% smaller than reference market in 2020

Coronavirus pandemic: Improving development

- Strong and decisive measures by the Finnish government and healthcare network have saved Finland for the worst possible outcome of the pandemic so far.
- Vaccination program proceeds successfully. At the beginning May roughly one third of Finns have already received at least the first dose of the vaccine.
- During 2020, the increase in Aktia's credit risk was reflected mainly in an increased by approximately 15 000 applications for an instalment-free period for loans but after the campaign for free instalment-free periods in the spring 2020, the number of applications has returned to normal levels.
- As an agile organisation, Aktia has been very well prepared for the several waves of the pandemic
 - Operational reliability is ensured through active crisis management and business continuity plans
 - Risk management is actively following the development in the loan book but the impact to the credit quality of the portfolio has been very limited



Source: THL, Situation update on coronavirus

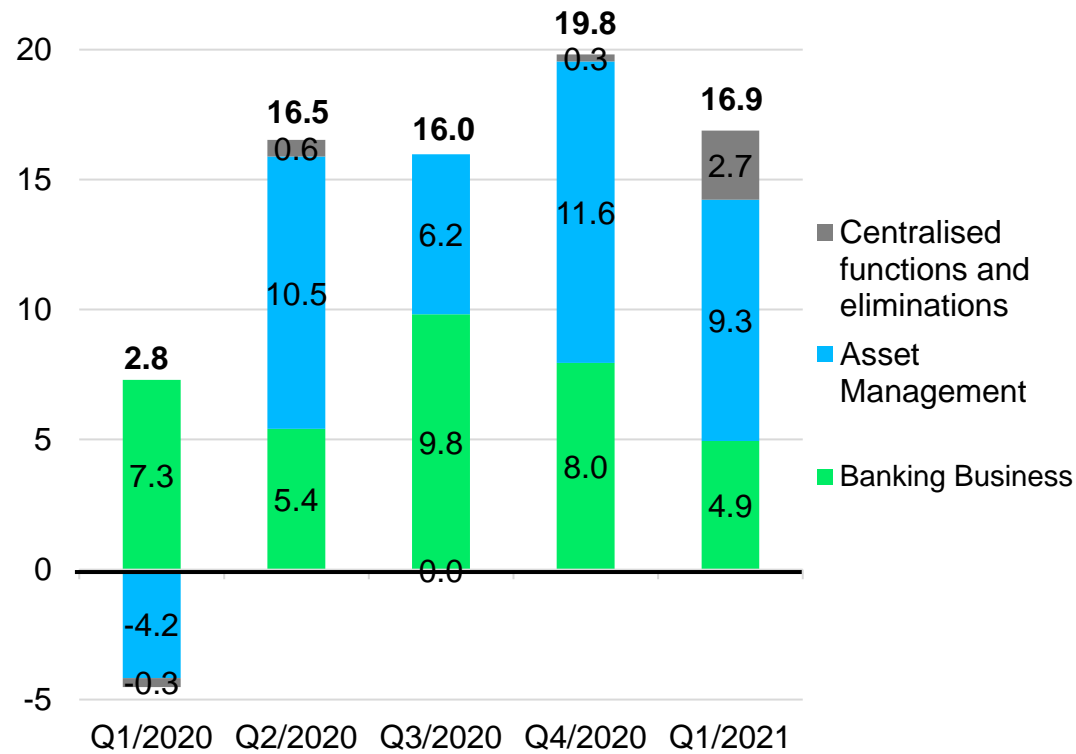
Financial overview

Comparable operating profit and income

Q-o-Q

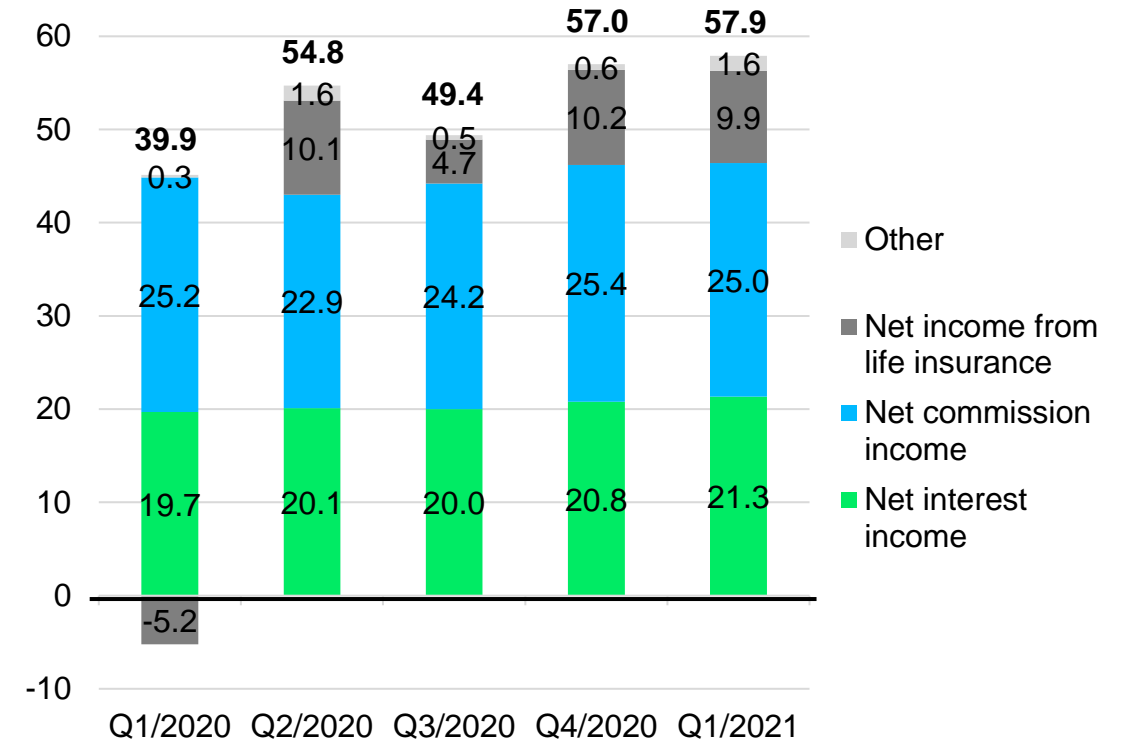
Comparable operating profit

EUR million



Comparable operating income

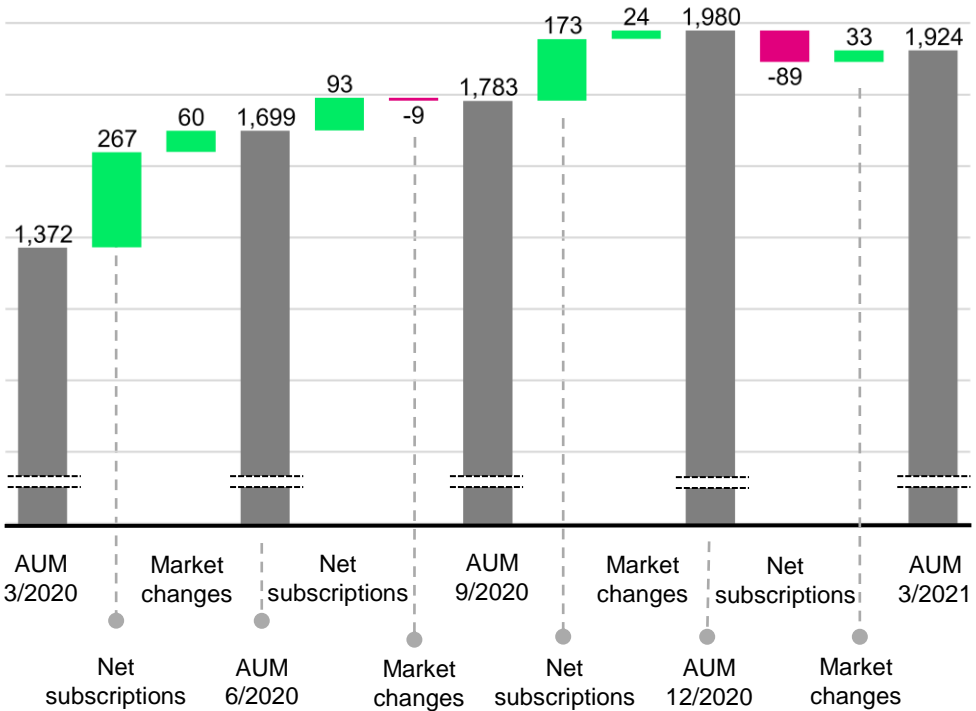
EUR million



Assets under Management – Net subscriptions and market changes

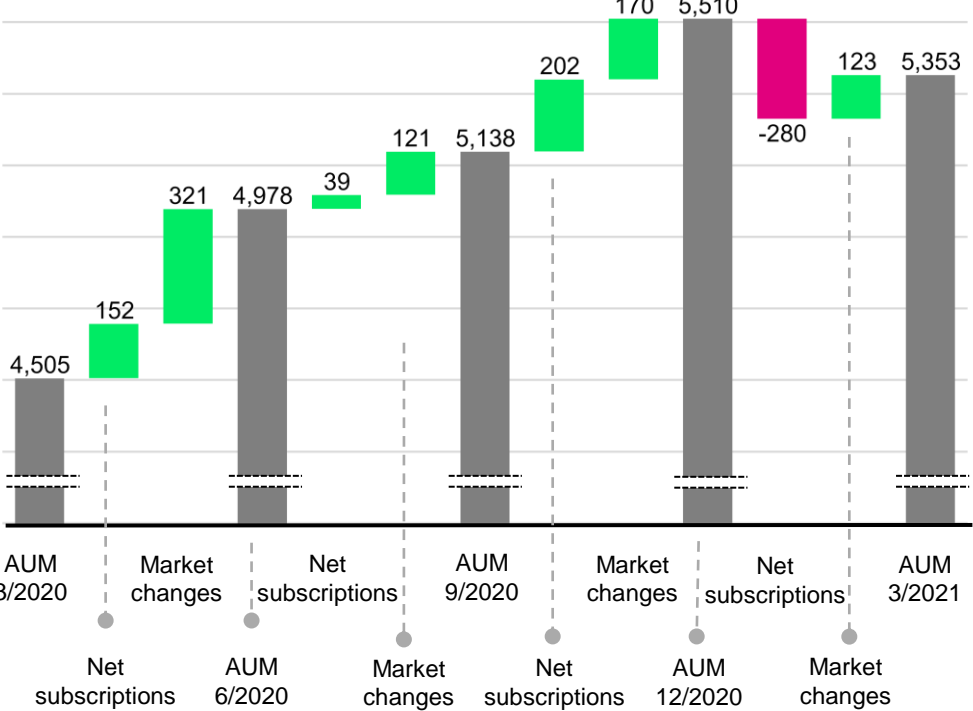
Asset Management, Aktia UI Q-o-Q

EUR million



Asset Management, domestic Q-o-Q

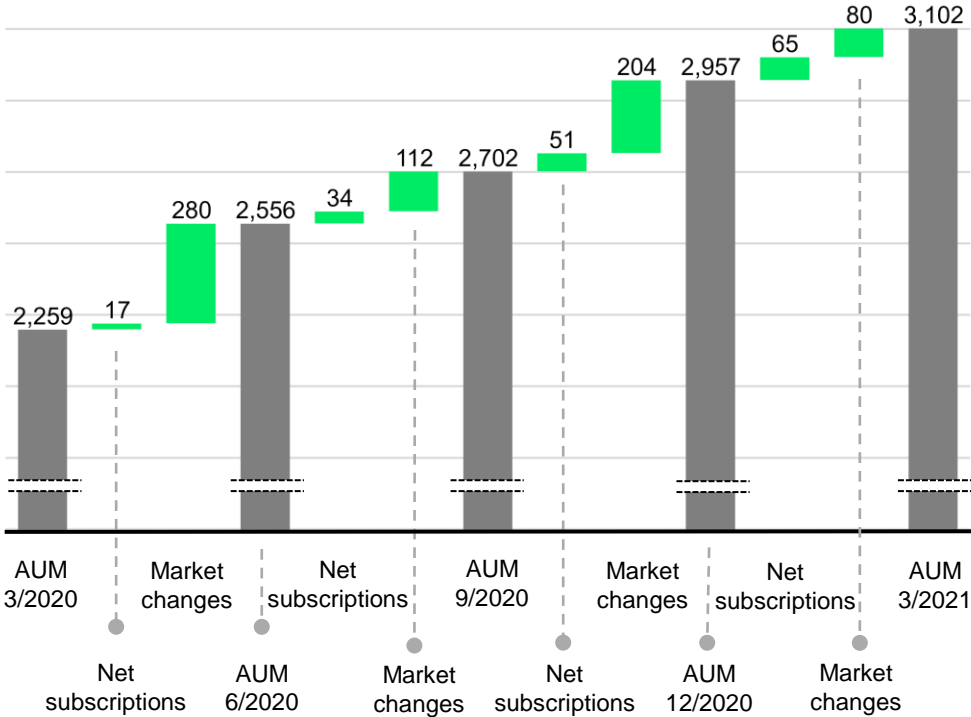
EUR million



Assets under Management – Net subscriptions and market changes

Banking Business, Retail Q-o-Q

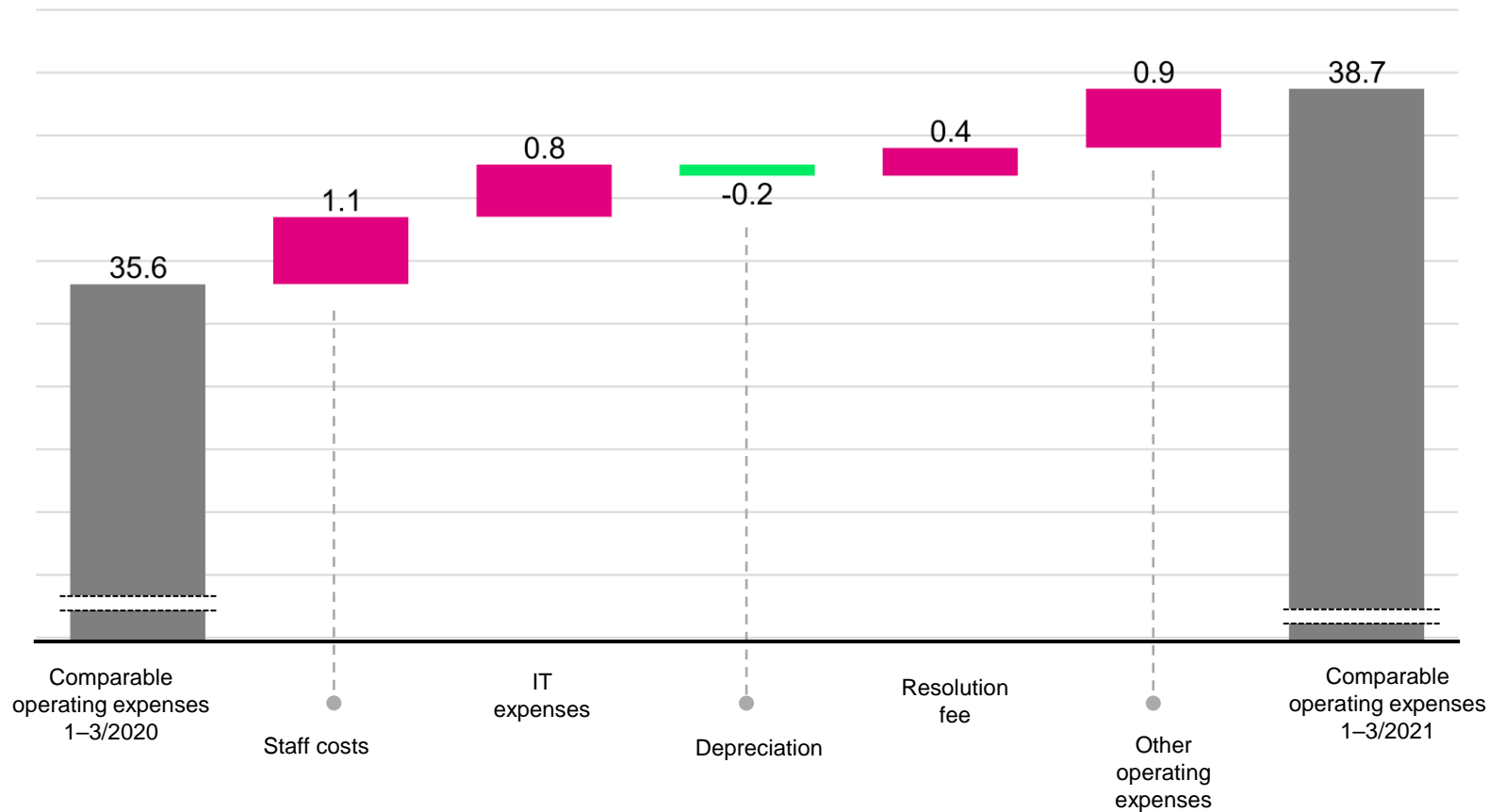
EUR million



Comparable operating expenses

1–3/2021 vs 1–3/2020

EUR million



Staff costs:

Staff expenses increased by 6% to EUR 17.6 (16.6) million, which relate to recruitments in 2020.

IT expenses:

IT expenses increased to EUR 6.4 (5.6) million, partially related to timing of recognising certain IT costs. The run-rate is approximately at 2020 level.

Other operating expenses:

Other operating expenses increased to EUR 10.3 (8.9) million. The increase mainly pertains to Taaleri Asset Management transaction related one-off costs (EUR 1.2 million).

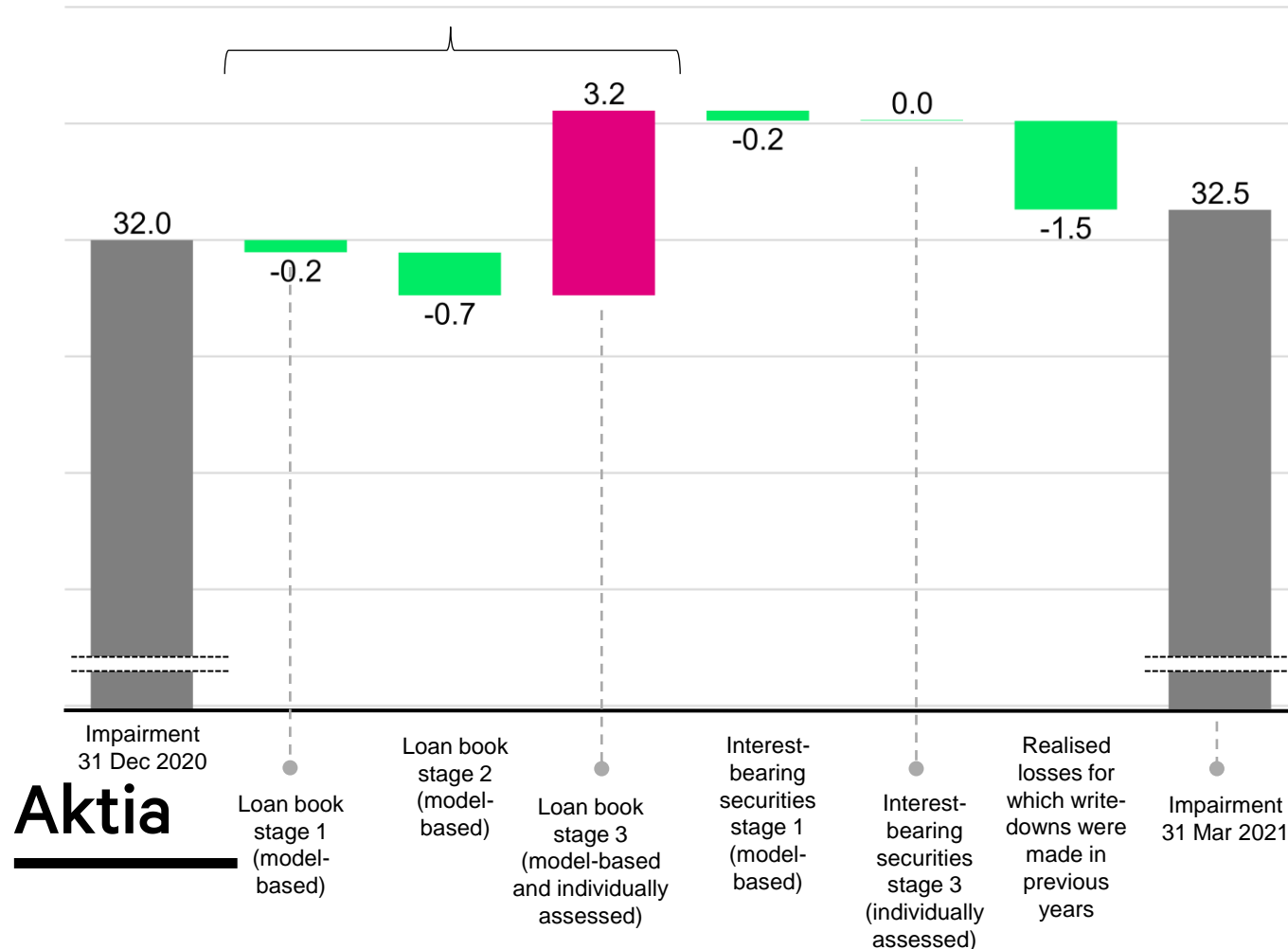
Operating expenses also include the estimated stability fee of EUR 2.8 (2.3) million for 2021.

Impairments for future expected credit losses

Change in expected credit losses (ECL) 1–3/2021

EUR million

Impairment of credits and other commitments 1–3/2021 EUR -2.2 million



Aktia

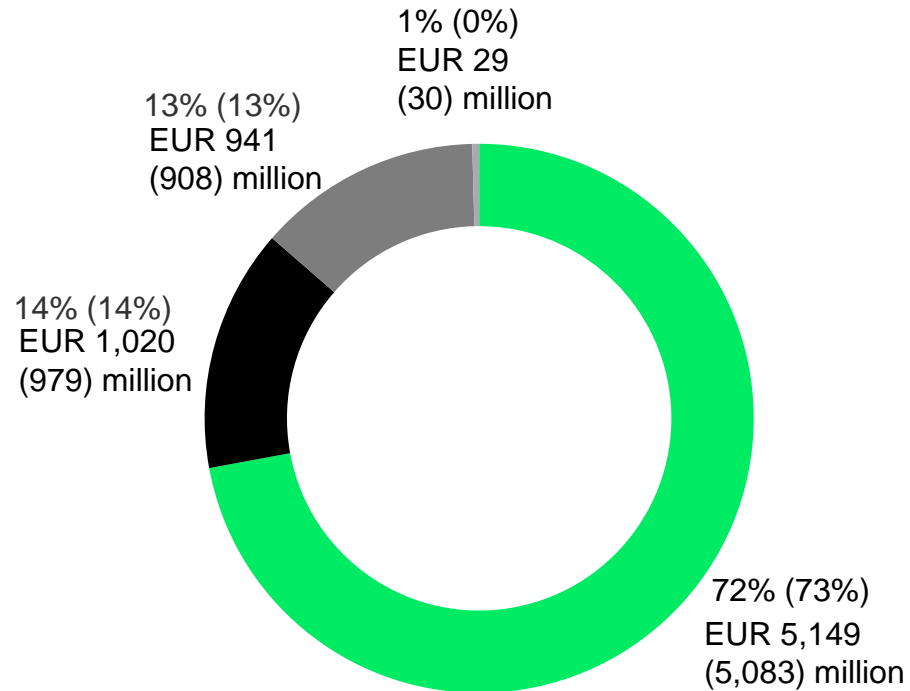
- Impairments on credits and other commitments increased to EUR -2.2 (-1.4) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.1 (-0.9) million, whereas other impairments on credits increased to EUR -1.1 (-0.5) million.
- The new definition of default that entered into force on 1 January 2021 increased the model-based impairments with EUR 0.8 million.
- The macroeconomic assumptions in the ECL model were updated leading to a positive change of EUR 0.6 million for the quarter. Macroeconomic factors considered include measures such as unemployment rate, GDP growth, residential and commercial property prices.
- We still have not observed any major covid-related new risk concentrations in our credit portfolio.

Structure of lending and deposits

31 March 2021 (31 December 2020)

Lending

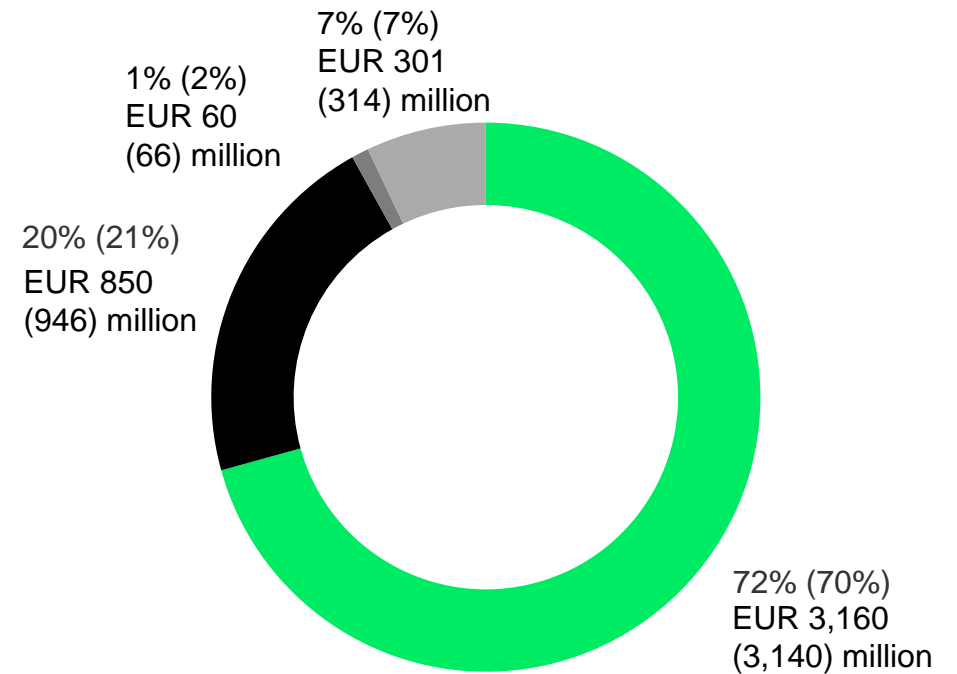
Total EUR 7,139 (7,000) million



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

Deposits

Total EUR 4,371 (4,466) million



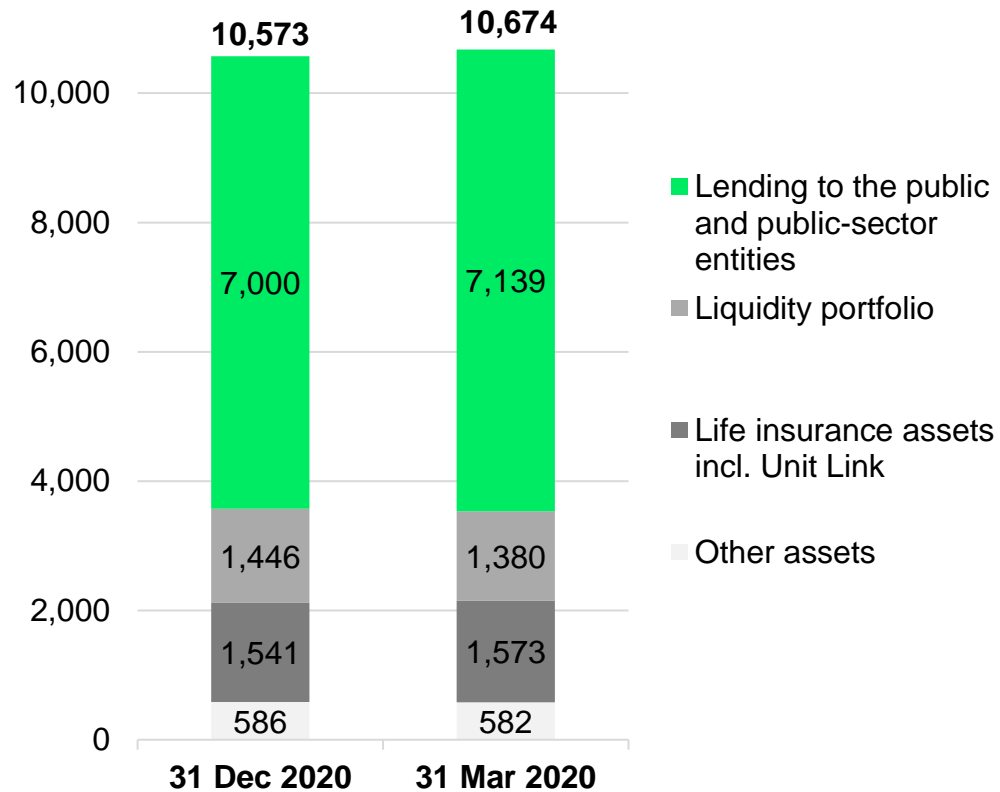
- Households
- Corporates
- Housing associations
- Public entities and non-profit organisations

Balance sheet total increased to EUR 10,647 million

31 March 2021

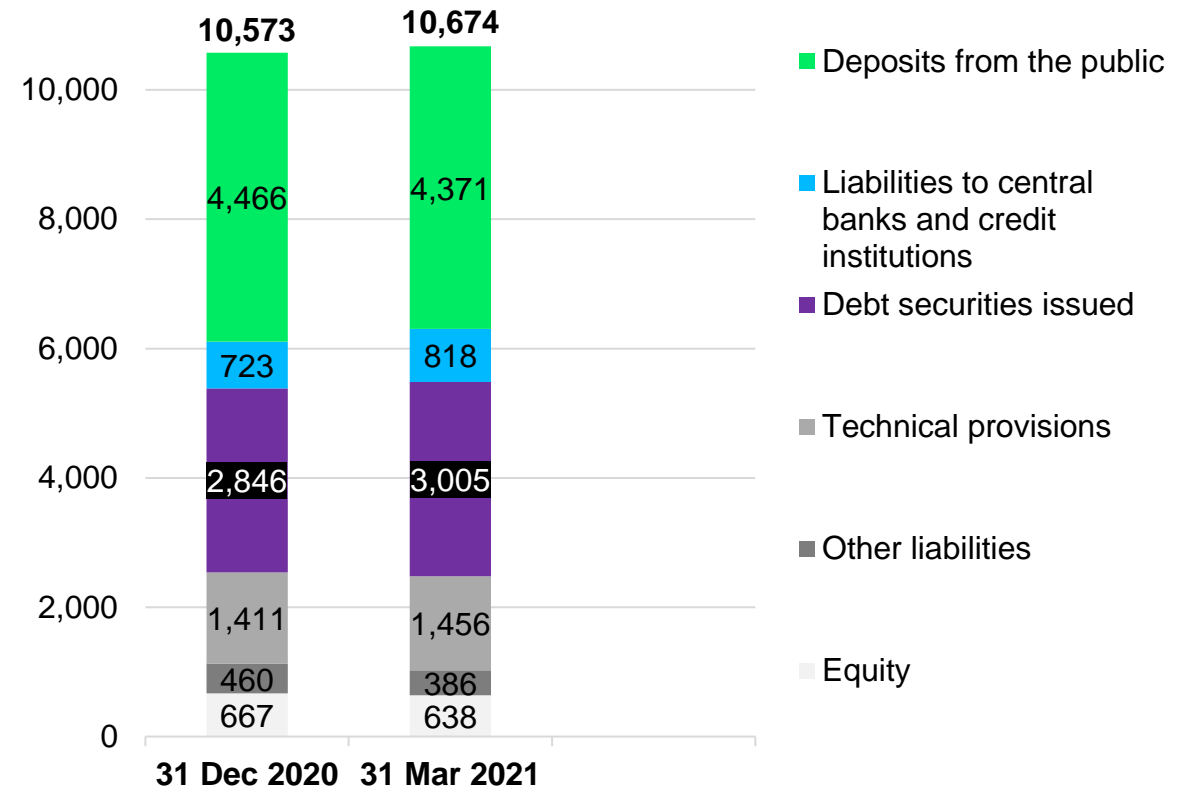
Total assets

EUR million



Total liabilities and equity

EUR million



Financial summary Q1

EUR million	1Q2021	1Q2020	Δ %	4Q2020	Δ %
Total operating income	57.9	39.9	45%	57.0	2%
Net interest income	21.3	19.7	8%	20.8	2%
Net commission income	25.0	25.2	0%	25.4	-1%
Net income from life insurance	9.9	-5.2	-	10.2	-3%
Other income	1.6	0.3	503%	0.6	181%
Total operating expenses	-38.7	-35.6	9%	-36.4	6%
Impairments of credits and other commitments	-2.2	-1.4	58%	-0.8	169%
Operating profit	16.9	2.8	508%	19.7	-14%
Comparable operating profit*	16.9	2.8	508%	19.8	-15%
Earnings Per Share (EPS), EUR	0.20	0.03	567%	0.22	-9%
Return on Equity (ROE), %	8.6	1.4	533%	9.2	-7%
Cost-to-income ratio (comparable)	0.67	0.89	-25%	0.64	5%
Common Equity Tier 1 capital ratio, %	13.8	15.9	-14%	14.0	-2%

*) Excl. items affecting comparability

Aktia

The debt investment case

Credit ratings

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

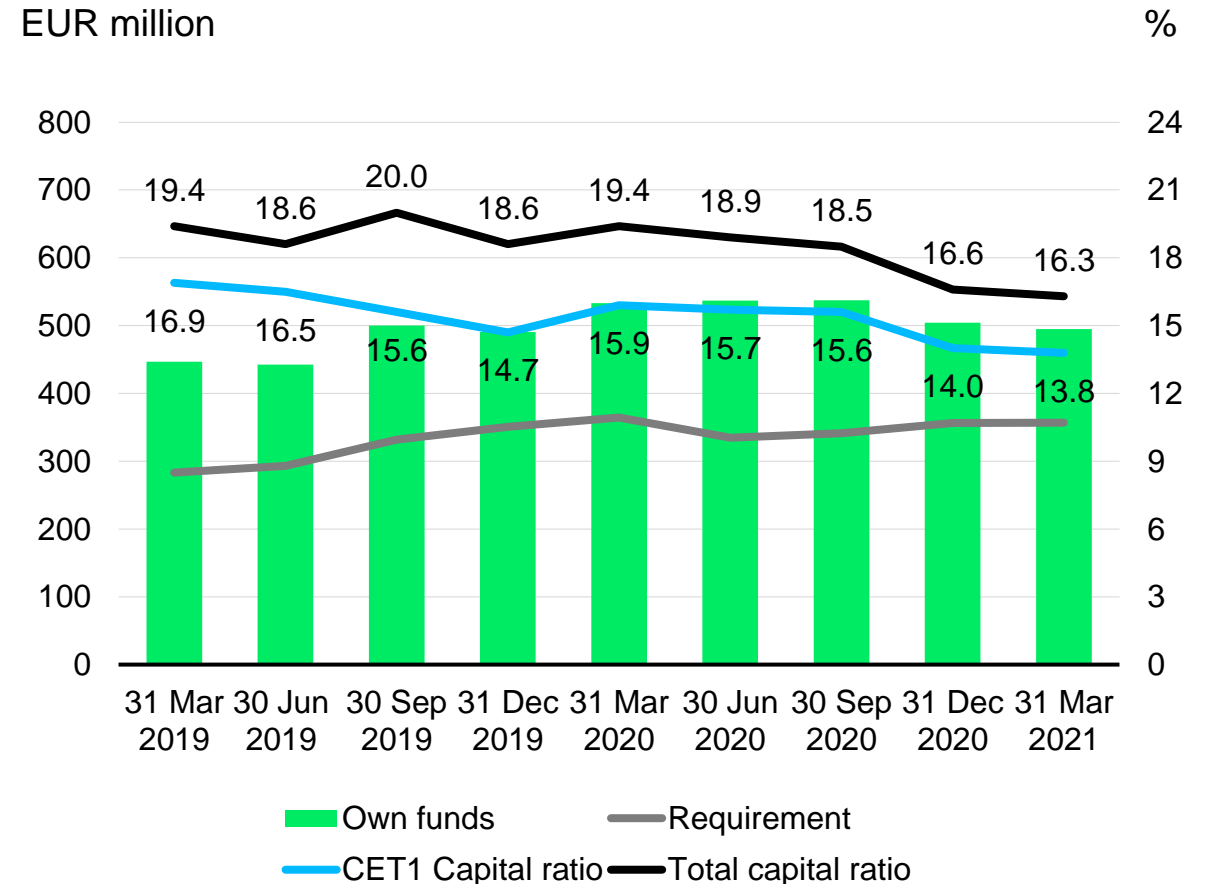
S&P: A- / A-2, stable

CET1 on a solid level

Capital Adequacy

- At the end of the period of Q1, the Bank Group's Common Equity Tier 1 (CET1) capital ratio was 13.8%.
 - Target range at the end of period 11.3–12.8%.
- During the Q1 Aktia implemented the new definition of default (DoD) for IRB models.
- CET1 capital decreased by EUR 6.4 million during the period
 - The decrease was mainly as a result of increase of expected losses due to the DoD-implementation
 - The maximum proposed 2020 dividend, EUR 0.43 per share, has been deducted from the CET1 capital, which affected the CET1 capital ratio by 1.1 percentage points.
- The risk-weighted assets (RWA) increased by EUR 5.8 million
 - The 15% risk-weight floor for mortgage loans have abolished which reduced the RWA
 - The implementation of DoD and growth in the loan book increased the RWA

CET1



CET1 meets regulative targets

Capital adequacy

- The regulative capital requirement levels for Aktia Bank Group are following:
 - Tier 1: 9.76% (CET1: 8.26%)** **31.3.2021: 13.8% (CET1)**
 - Total Capital ratio: 11.76%** **31.3.2021: 16.3%**Aktia's internal target for CET 1 ratio is 150-300bp over the regulative level.
- Aktia Bank Group's leverage ratio was **4.5%** (4Q20 4.6%).
 - Tier 1 capital** **EUR 417.9 million**
 - Total exposures** **EUR 9,282.9 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 732.4 million**
 - Own funds and eligible liabilities** **EUR 1,482.5 million**

Capital requirement	%
CET1 %	8.0%
Pillar 1 min req	4.5%
Pillar 2 req	1.25%*
Capital Conservation buffer	2.5%
Counter Cyclical buffer	0.01%
Systemic Risk buffer**	0,0%
Total CET1 % req	8.26%
AT1 Capital	1.5%
Tier 2 Capital	2.0%
Total Capital Requirement	11.76%

**The FIN-FSA has decided on removing the systemic risk buffer requirement for Finnish credit institutions as of 6 April 2020, which lowered Aktia's capital requirement by 1 percentage point.

Funding activities and AT 1

- During the Q1 2021 Aktia has continued to be active issuer in the senior preferred market. Aktia has completed over 30 transactions under the EMTN program. The total volume during the first quarter was EUR 170 million with maturities in the range of 2–15 years.
- The bank has been mandated by the Board of Directors to issue inaugural Additional Tier 1 issue to the market. Mandate is based on the general growth strategy of the Bank. Completed acquisition of Taaleri Wealth Management intensified the planning and scheduling of the plan.
- Aktia Bank has fulfilled the regulative AT1 share of the capital structure with CET1 capital. Planned issue is going to fill the gap in the capital structure.
- Aktia is considering to issue further approximately EUR 100 million worth of new debt during the first half year 2021. The issuance will be Senior Preferred notes and mirroring the Q1 activities.

High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 139%.

- 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 1,254 million on 31 March 2021 (4Q20: EUR 1,368 million).

Unencumbered Liquidity reserve, market value

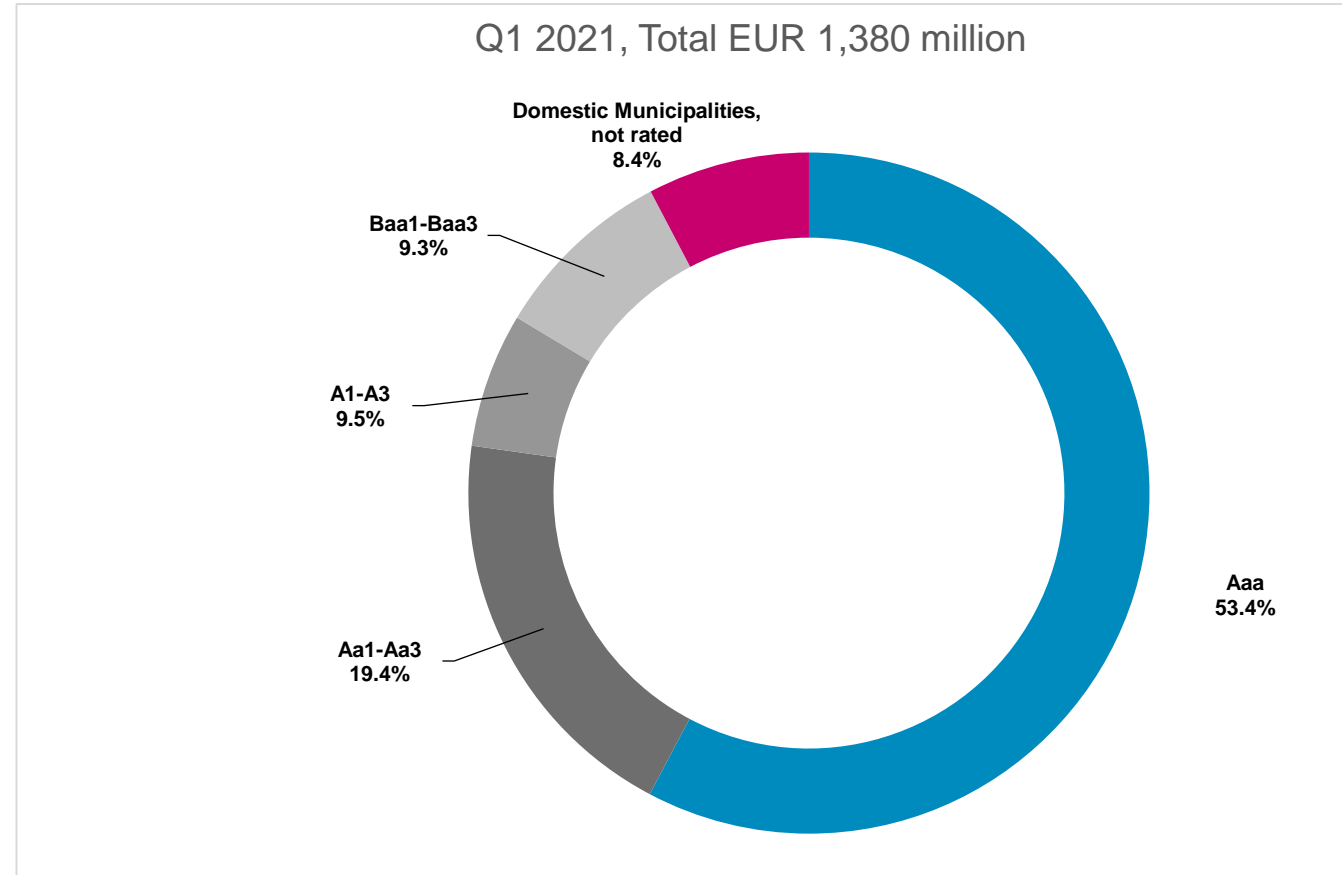
	31 Mar 2021	31 Dec 2020
EUR million		
Cash and holdings in central banks	291	250
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	224	226
Securities issued or guaranteed by municipalities or Public sector entities	115	132
Covered bonds	625	755
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	1,254	1,368

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
- Senior notes eligible for Central Bank operations
- Commercial or Municipalities issued short term papers



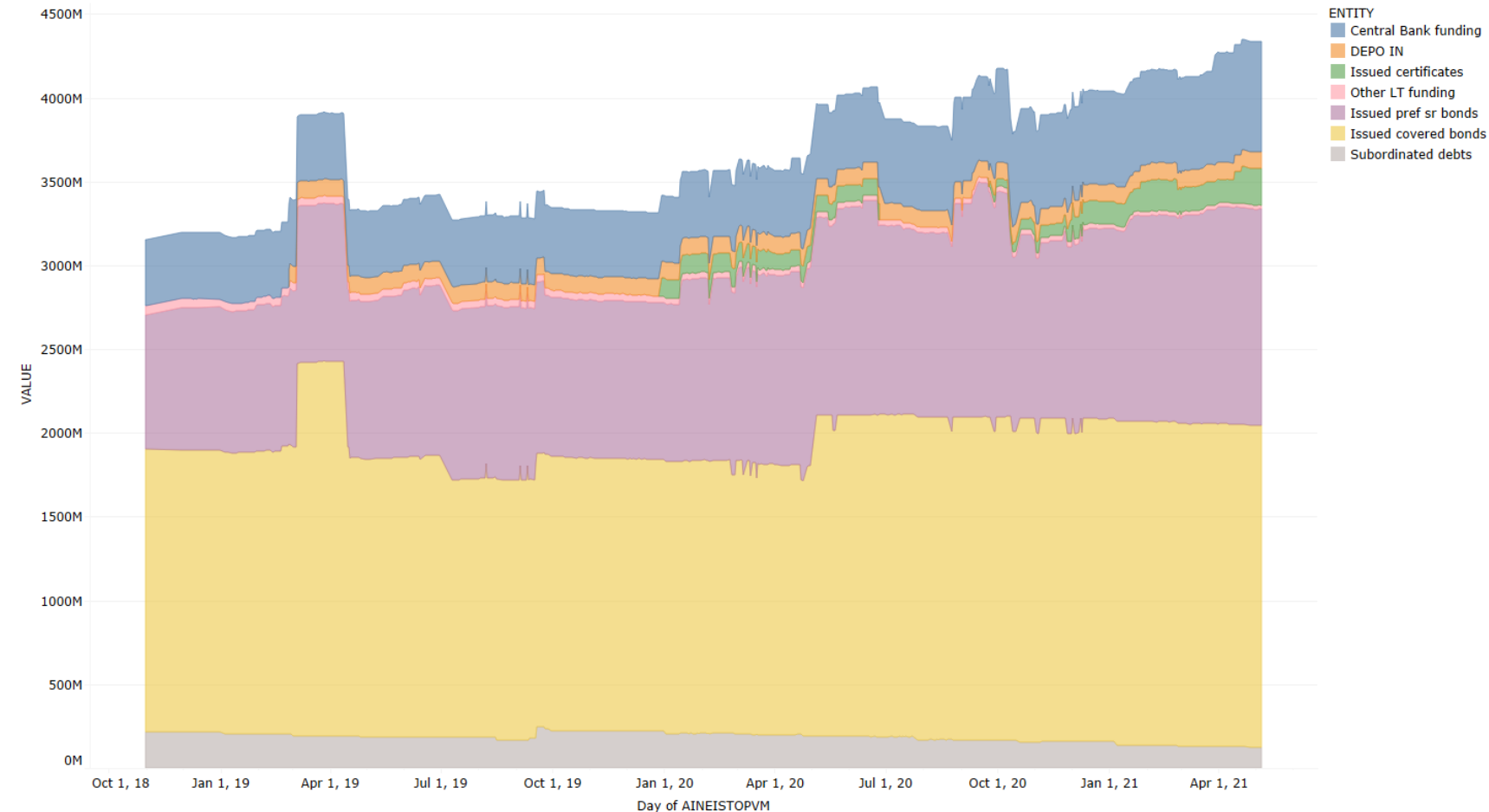
Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities decreased to EUR 4,371 (4,466) million. Aktia's market share of deposits was 3.0% (3.1%) at the end of March.

The value of bonds issued by Aktia Bank totalled EUR 2,871 (2,720) million. The total is excluding the EUR 300 million retained Covered Bond issued in May 2021.

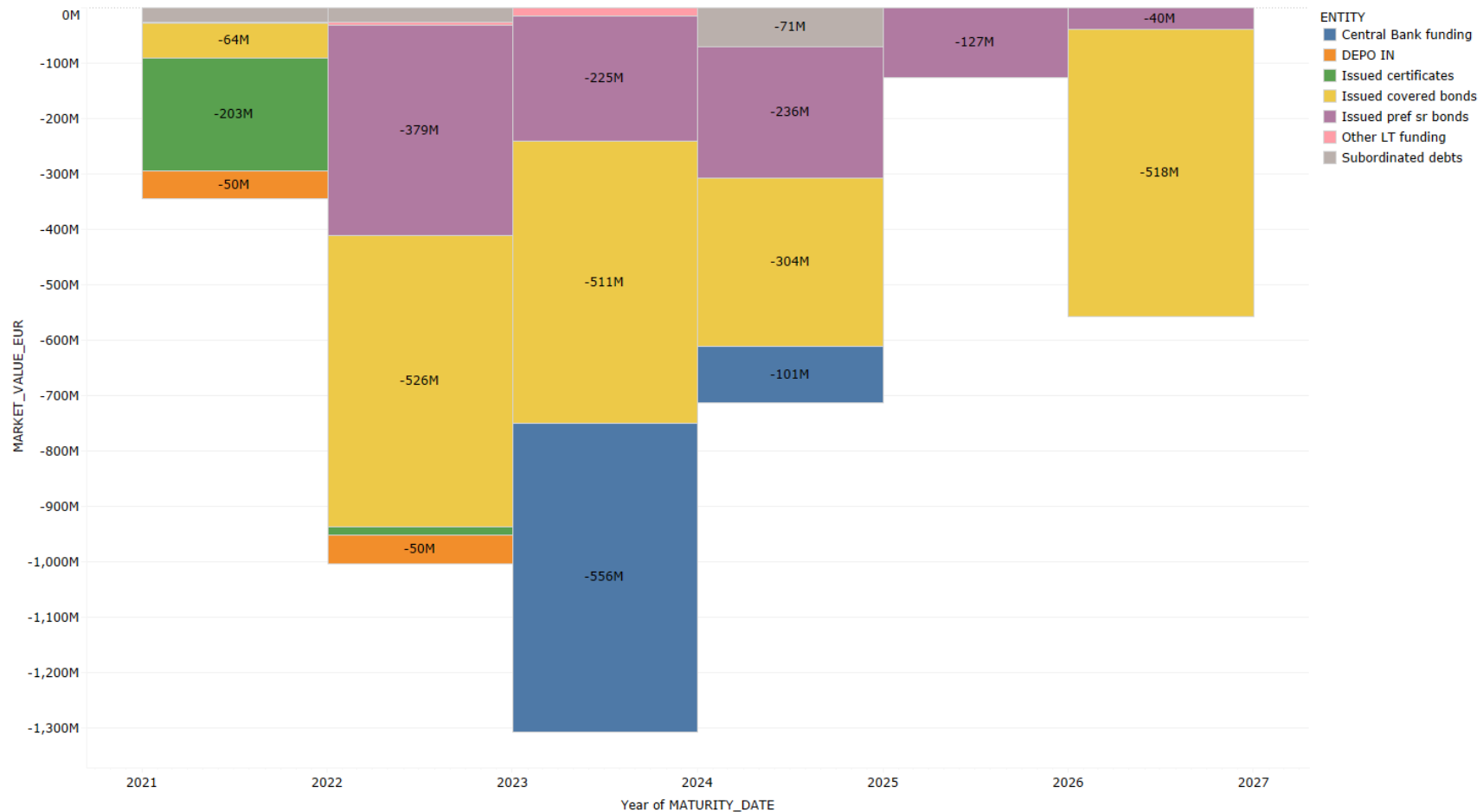
Funding Structure



Redemption schedule

The year 2021 is gentle on redemptions but growth increases volumes

Funding Maturity Structure 5/6/2021



Aktia Bank as covered bond issuer

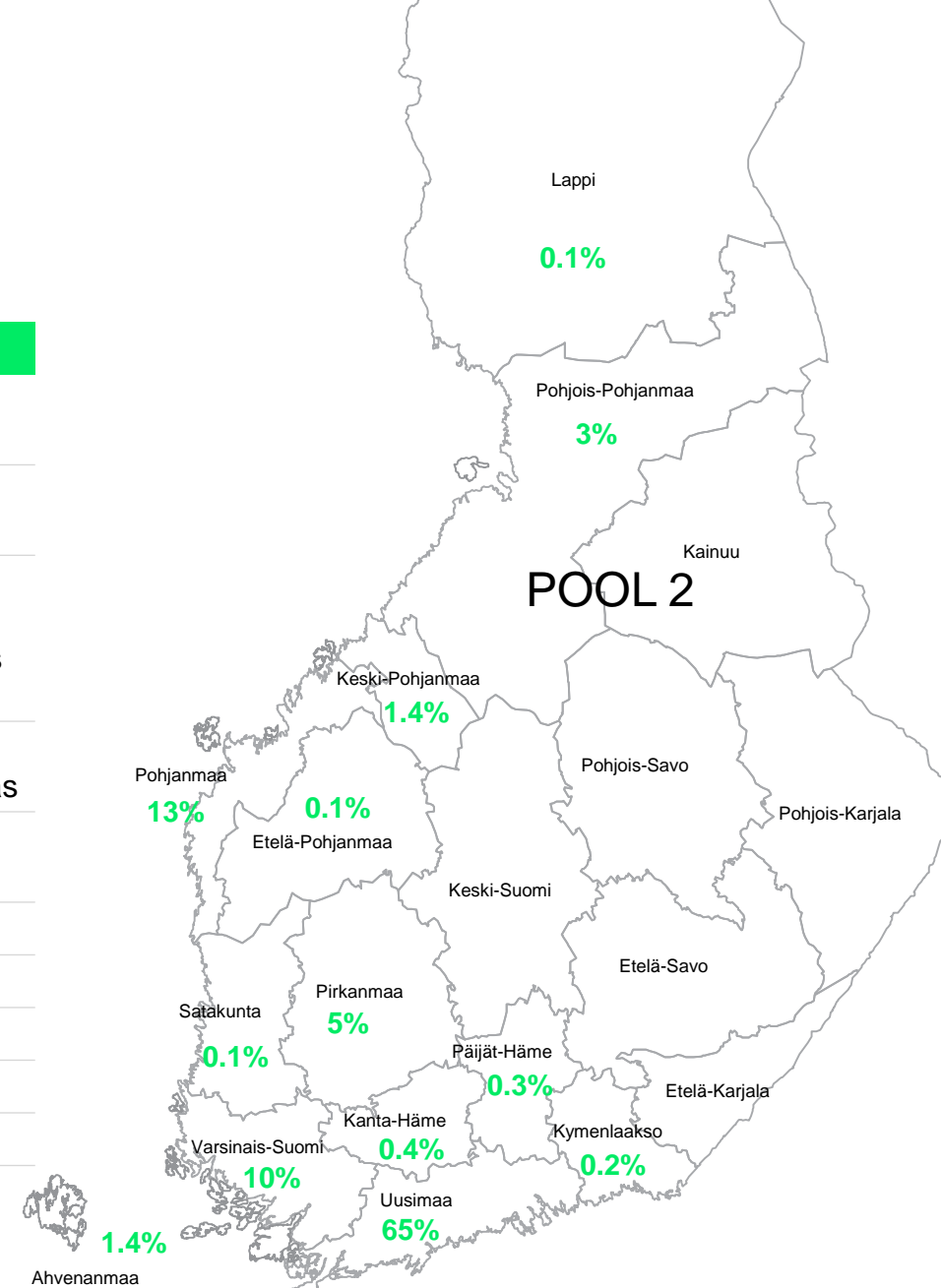
Aktia Bank operates under the legislation as mortgage bank (Act on Mortgage Credit Bank Operations, MCBA 688/2010) and issues the covered bonds directly from the bank's balance sheet.

- 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
- 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
- Bank has used retained Covered Bonds as collateral in ECB

Cover pools

1Q 2021

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,240 million	EUR 124 million
No of loans / average loan balance	35,280 / EUR 63,501	1,858 / EUR 66,536
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	45.07%	35.28%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 97%, fixed 3%	floating 98%, fixed 2%
WA seasoning	68.1 months	103 months
Overcollateralisation (%)	21.76% (committed 10%)	187.50% (committed 12%)
Moody's Collateral Score	5.00%	5.00%



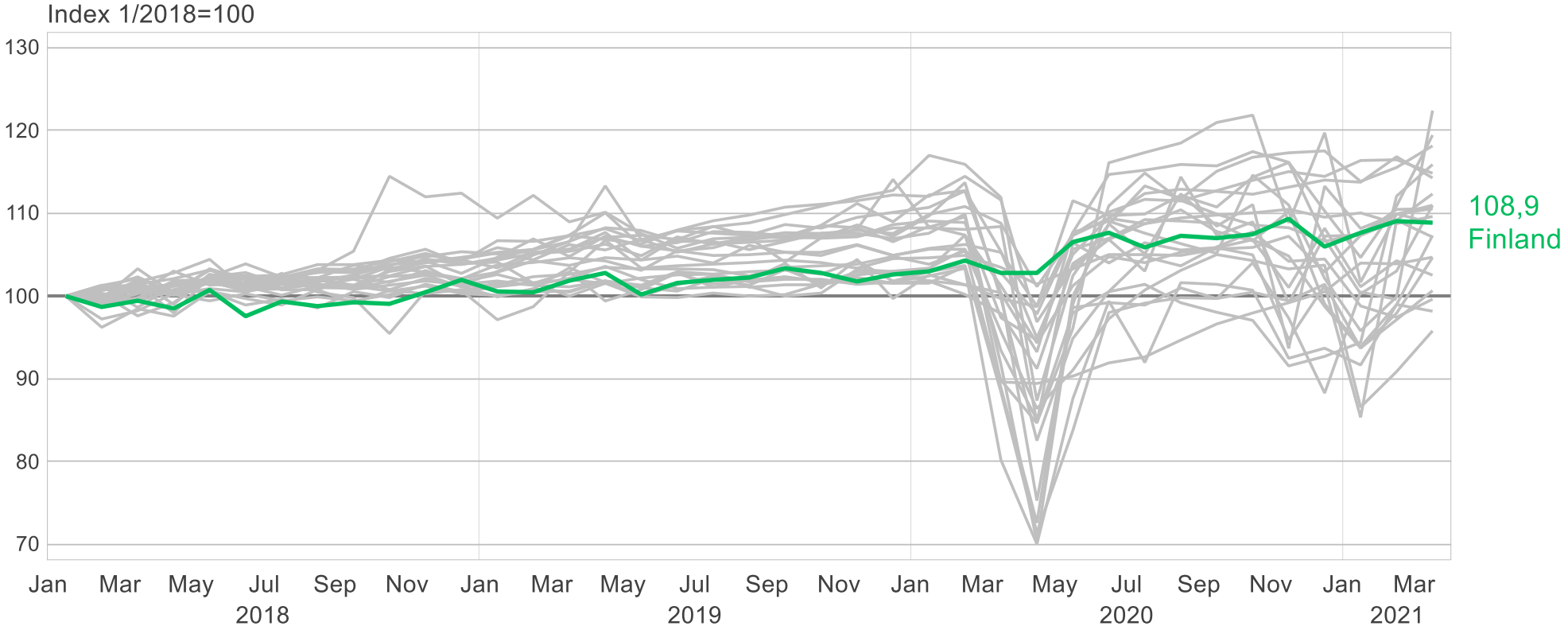
Aktia

Finland – a strong but very export driven economy

Finnish economy proved resilient during pandemic

Retail trade volume in EU-countries

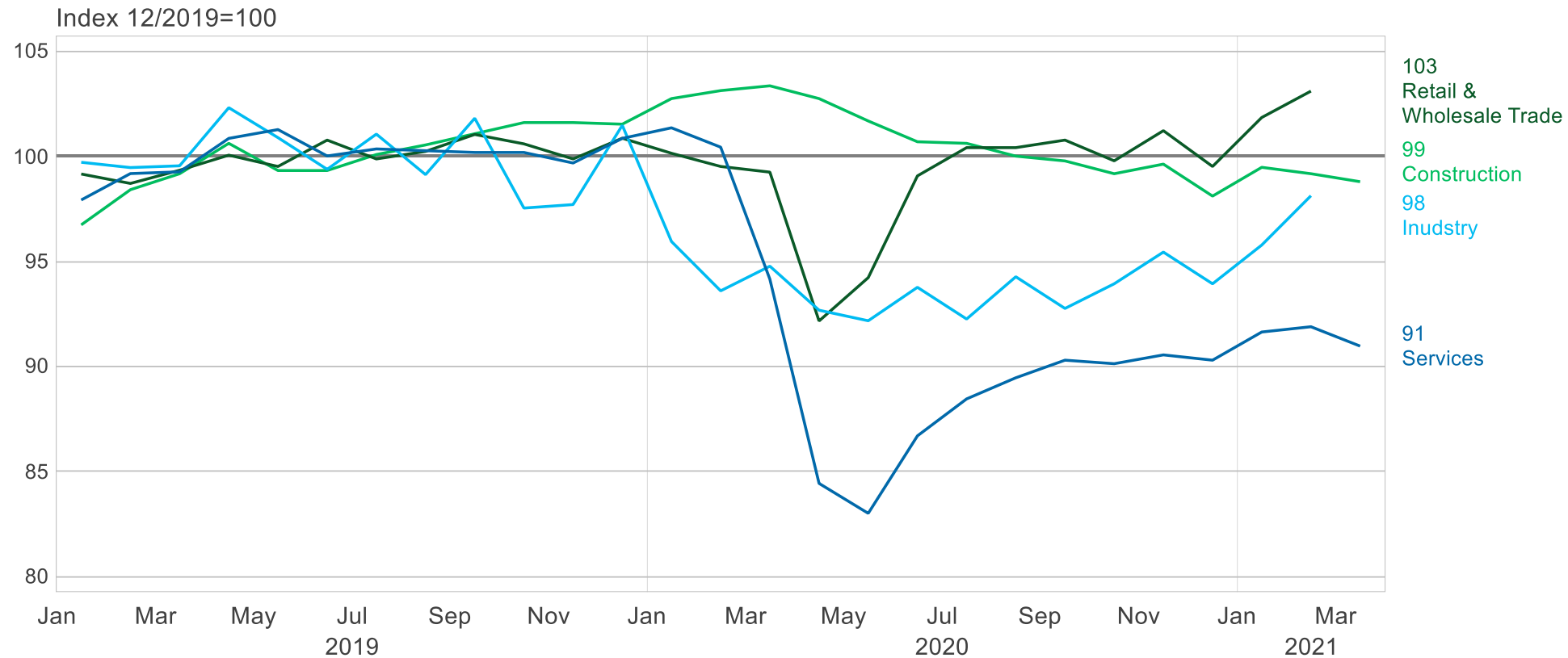
Seasonally and working day adjusted. Excluding motor vehicles.



Source: Aktia, Macrobond and Eurostat.

Economic rebound well under way

Industries' turnover

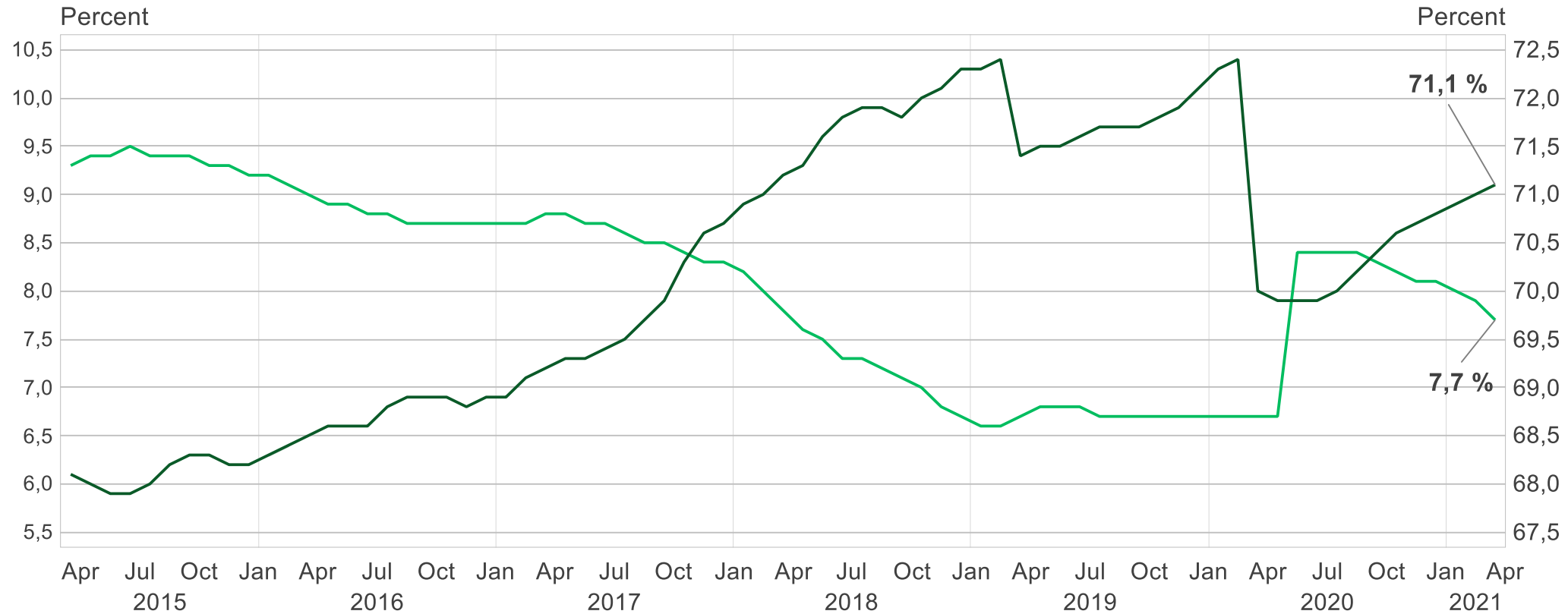


Source: Aktia, Macrobond and Statistics Finland.

Employment improving

Finland: unemployment and employment rates, trend

— Employment (15-64), right — Unemployment (15-74), left

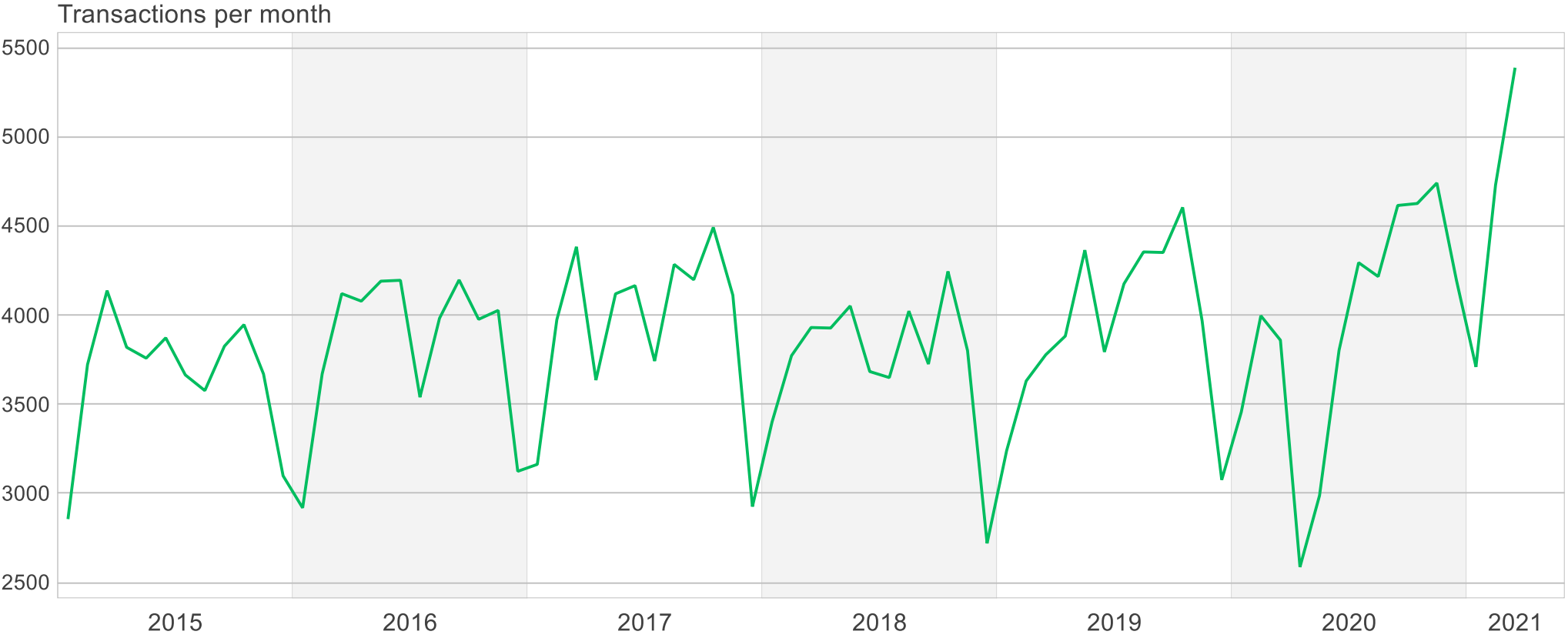


Source: Aktia, Macrobond and Statistics Finland.

Housing market rallies

Number of transactions, old dwellings

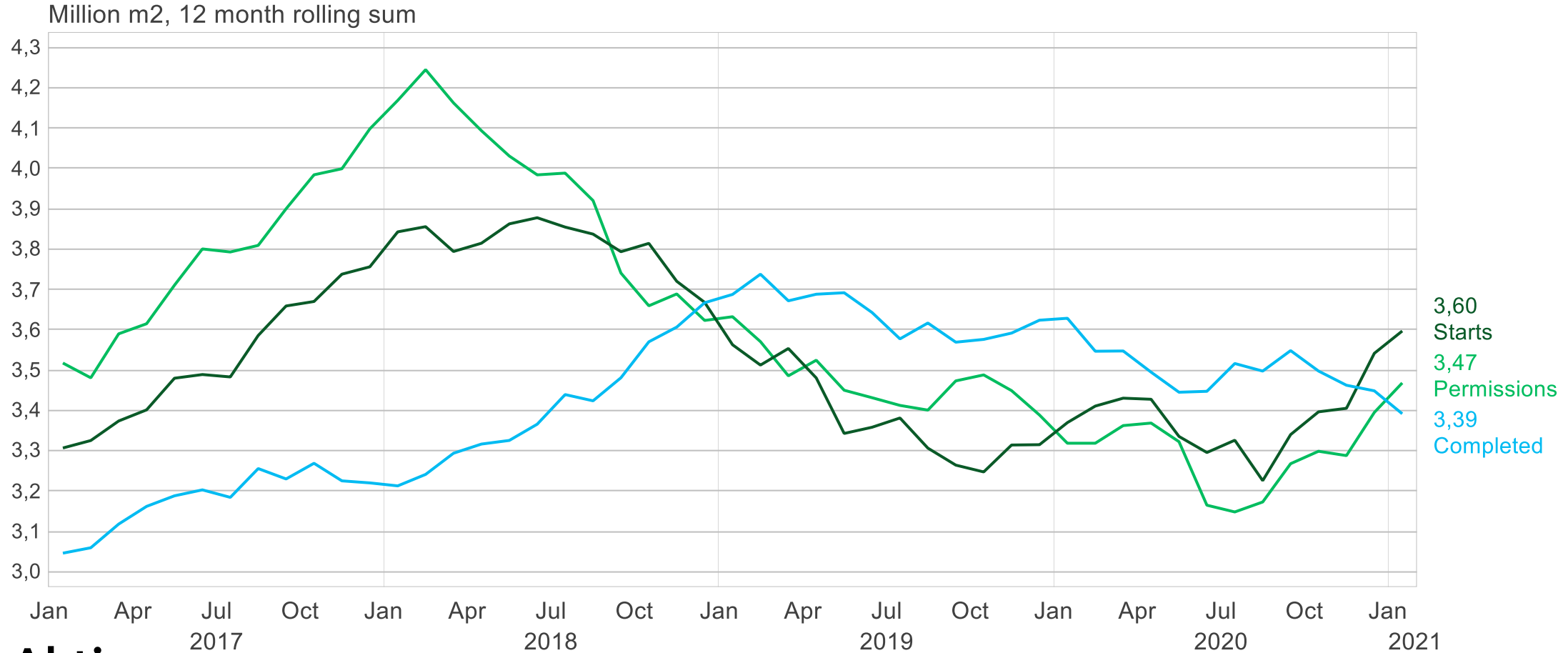
Real estate brokers' data



Source: Aktia, Macrobond and Statistics Finland.

Residential construction activity is turning

Residential construction activity



Aktia

Source: Aktia, Macrobond and Statistics Finland.

Contacts and additional information



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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)



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

Aktia

Appendices

Key figures Q1 2021

(Q1 2020)

Net interest income	+8%	EUR 21.3 (19.7) million
Net commission income	0%	EUR 25.0 (25.2) million
Total operating income	+45%	EUR 57.9 (39.9) million
Comparable operating income	+45%	EUR 57.9 (39.9) million
Total operating expenses	+9%	EUR -38.7 (-35.6) million
Comparable operating expenses	+9%	EUR -38.7 (-35.6) million
Comparable operating profit	+508%	EUR 16.9 (2.8) million

EPS
EUR 0.20
(EUR 0.03)

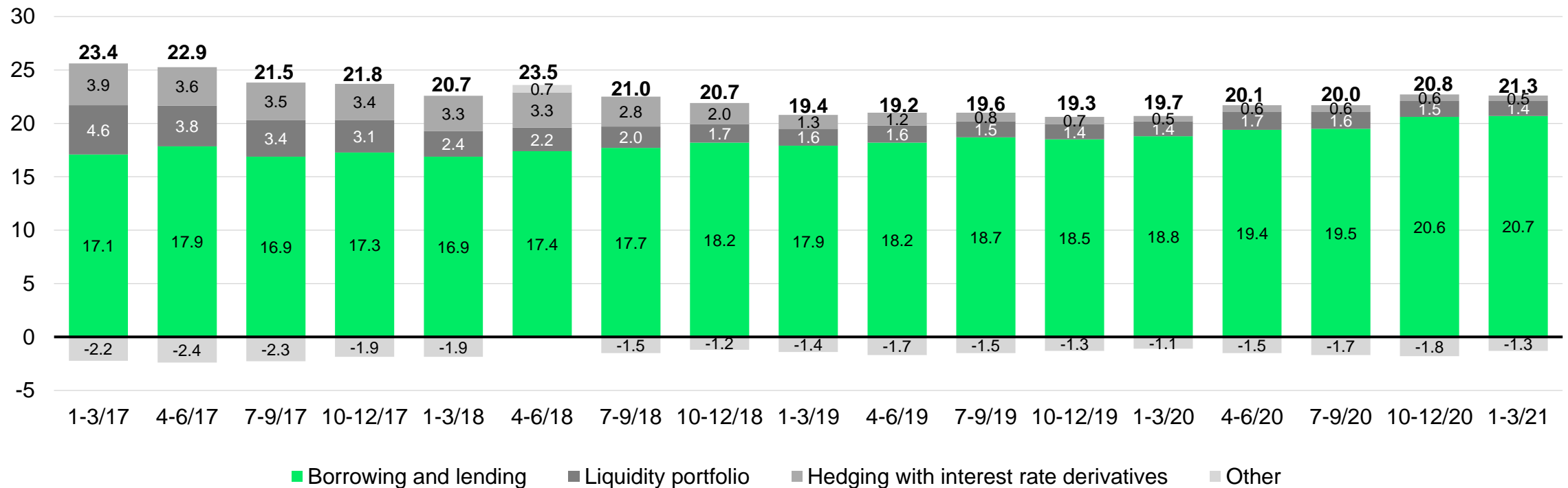
Comparable C/I ratio
0.67
(0.89)

ROE
8.6%
(1.4%)

CET1
13.8%
(31 December 2020; 14.0%)

Net interest income mix

EUR million



Net commission income mix

