

4 AUGUST 2020

Q2 Results

Aktia



Aktia's Q2 2020 in brief

- Continued organic growth in net interest income
- Market recovered after the steep decline in March, which contributed to positive value changes. Together with increased net subscriptions this led to a significant improvement in assets under management (AuM)
- Increased use of digital banking services among customers
- Solid credit quality
- Liquidity and capital adequacy remained strong



Outlook 2020 (updated)

Aktia Group's results for 2020 is still very much dependent on how a possible new escalation of the COVID-19 pandemic will affect market values, customer behaviour and impairment levels during the end of the year. The visibility for 2020 is therefore very poor. Aktia is for the moment suspending its outlook for the operating profit 2020.

Despite the weak result due to the coronavirus during the first half of the year, the financial performance is expected to be stable during the second half of the year, provided market and social conditions are stable:

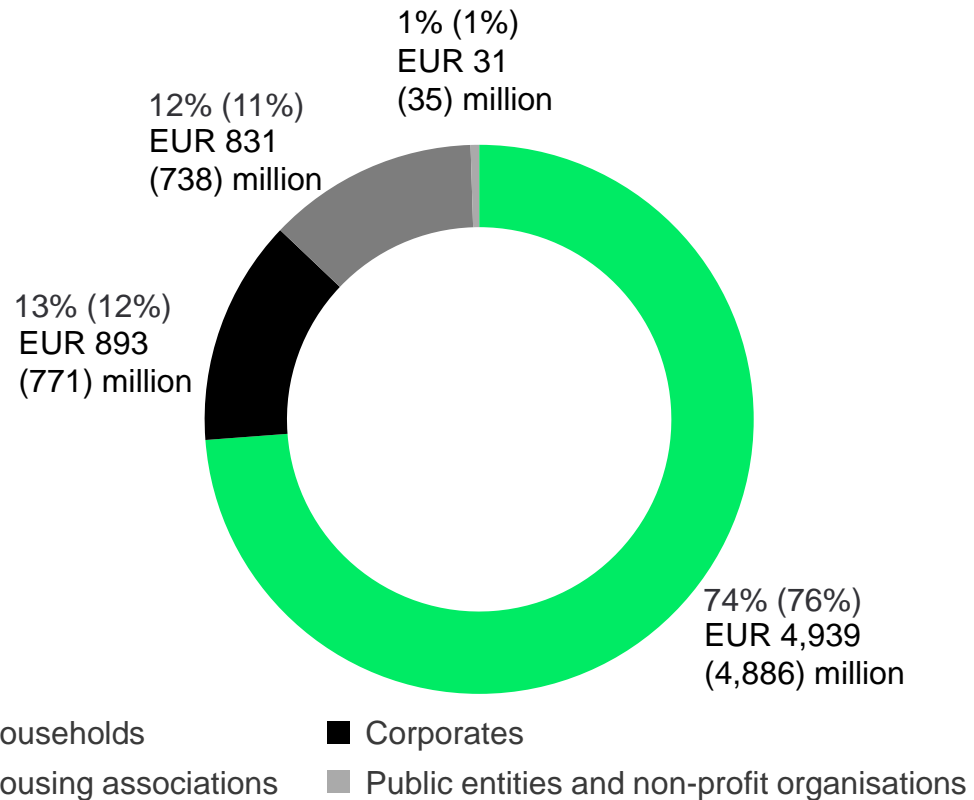
- Continued growth in net interest income. The recovery in commission income from especially fund and asset management is dependent on changes in market values.
- Net income from life insurance is still very much dependent on changes in market values.
- Provisions for expected future credit losses are expected to continue on a moderate level during the second half of the year at the same time as Aktia's liquidity and capital adequacy is still strong.

Structure of lending and deposits

30 June 2020 (31 December 2019)

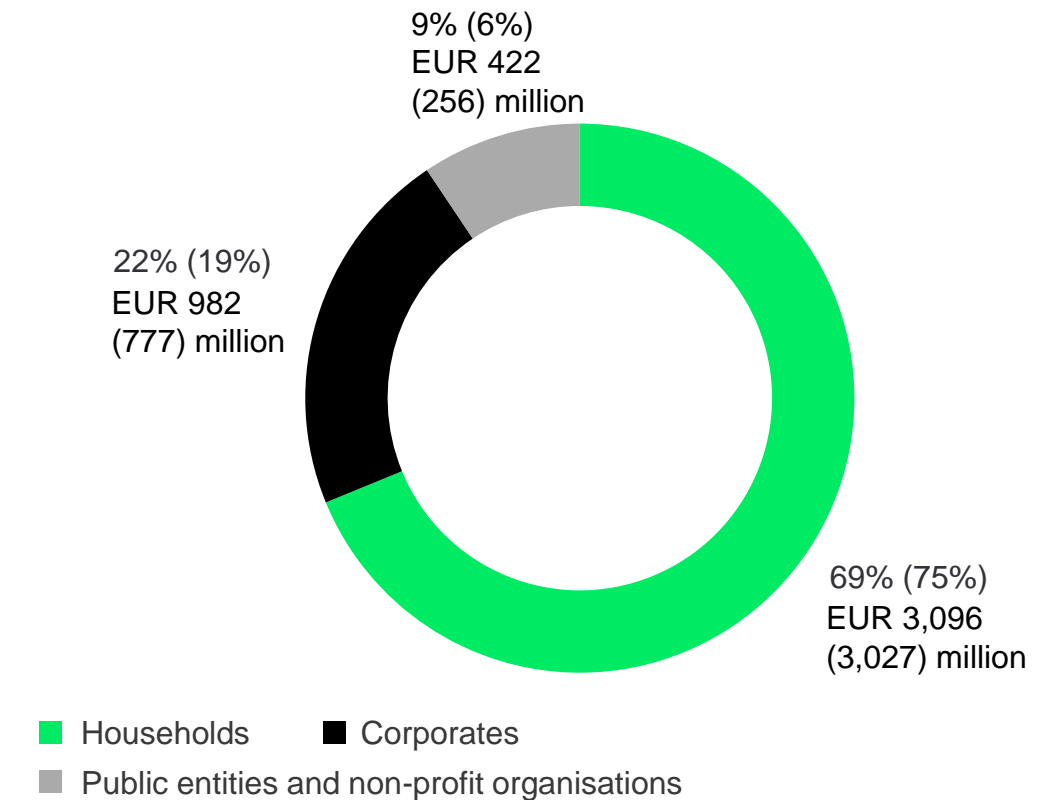
Lending

Total EUR 6,694 (6,429) million



Deposits

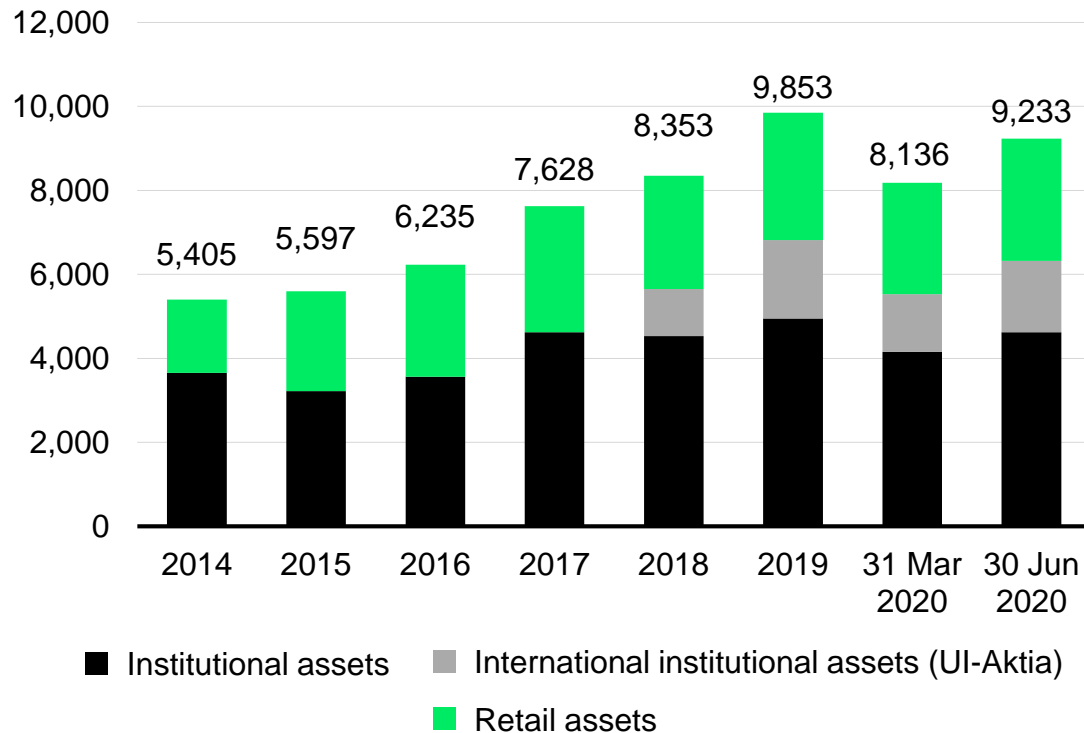
Total EUR 4,500 (4,060) million



Positive development in Asset Management

Asset Management

Assets under management excluding custody (AuM)
EUR million



Aktia

Asset Management

- Assets under management (AuM) amounted to EUR 9,233 million
- Customer assets under management increased considerably during Q2 due to the recovery in market prices for more high-risk assets
- Net subscriptions during Q2 amounted to EUR 435 million and the change in the market value to EUR 662 million

Life Insurance

- Net income from life insurance recovered supported by the market
- The demand for personal coverage was strong, partly due to the uncertainty brought on by the coronavirus
- The acquisition of Liv-Alandia's life insurance portfolio was completed

Use of digital banking services grew considerably

Banking Business

Private customers

- Aktia launched a campaign allowing instalment-free periods free of charge for housing loans. The number of granted applications from private customers amounted to approx. 11,000 (20% of loan book)
- The use of digital banking services increased considerably during the spring
- The demand in digital housing transactions continued to grow. However, the pressure in housing loan margins remained high
- The household consumption weakened somewhat, which decreased the use of cards
- Aktia's discretionary mandates performed well despite the turbulent environment

Corporate customers

- The operational focus was to find solutions and offer flexibility to corporate customers' financial needs caused by the coronavirus
- Aktia provided corporate customers with the opportunity for an instalment-free period in order to balance their economy in the current economic situation
- After the easing of the corona restrictions, companies' needs for investment financing has gradually recovered

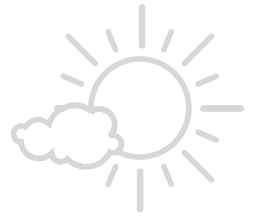
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COVID-19: impacts and measures

Coronavirus pandemic: impacts and measures

- Business is still very much dependent on how the COVID-19 situation evolves
- As an agile organisation, Aktia is very well prepared for a possible second wave of the coronavirus
 - Operational reliability is ensured through active crisis management and business continuity plans
 - Risk management is actively following the development in the loan book
- As restrictions have been removed, Aktia has returned to more normal operations in everyday business
- Remote customer meetings have become a part of everyday business

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

The financial targets for 2023

**Comparable
operating profit
EUR 100 million**

1–6/2020;
EUR 19.3 million

(1–12/2019;
EUR 68.2 million)

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

30 June 2020;
4.9%

(31 December 2019;
10.3%)

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

1–6/2020;
0.76

(1–12/2019;
0.66)

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

30 June 2020;
**5.9 percentage points over
the minimum capital
requirement 9.8%**

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

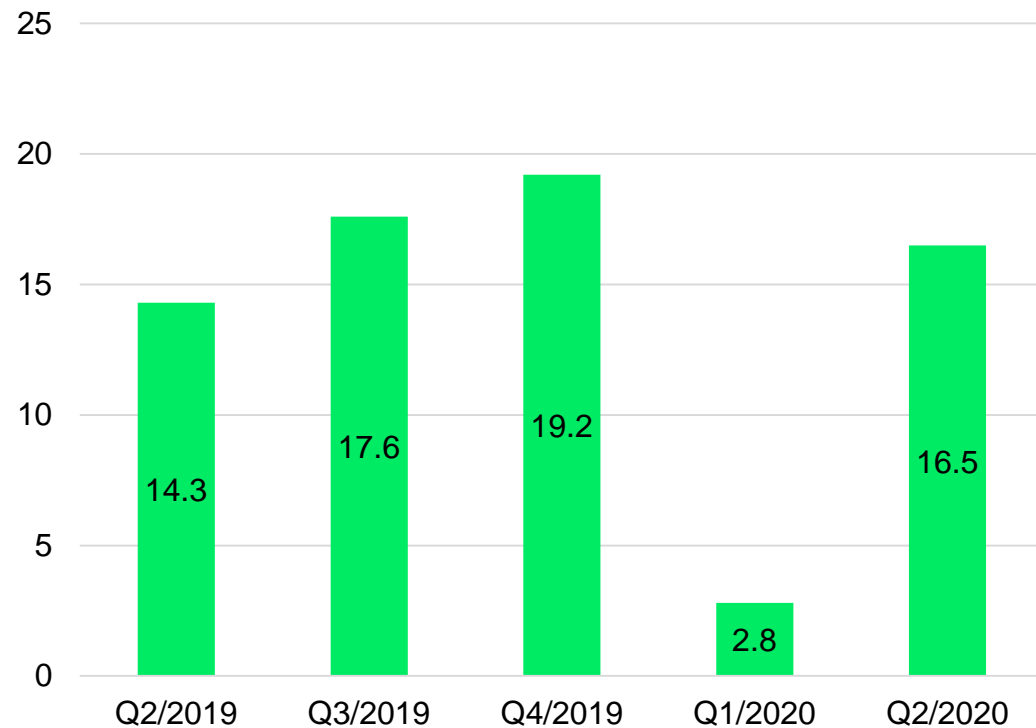
Financial overview

Comparable operating profit

Q-o-Q

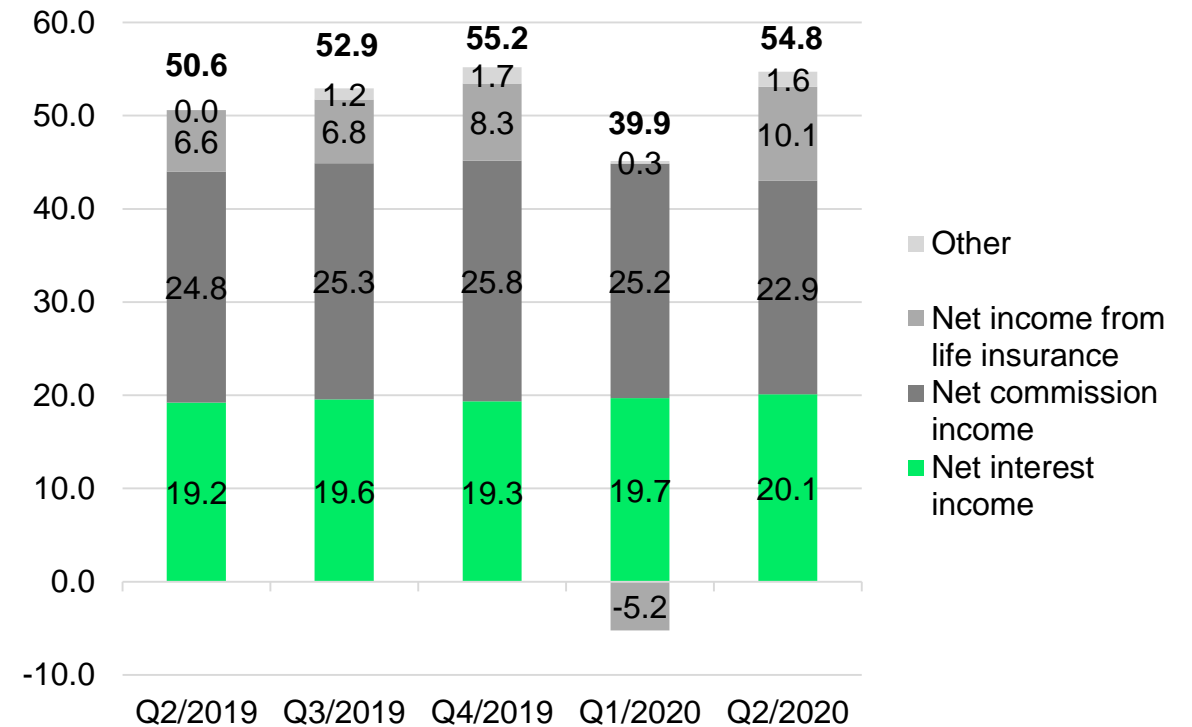
Comparable operating profit

EUR million



Comparable operating income

EUR million



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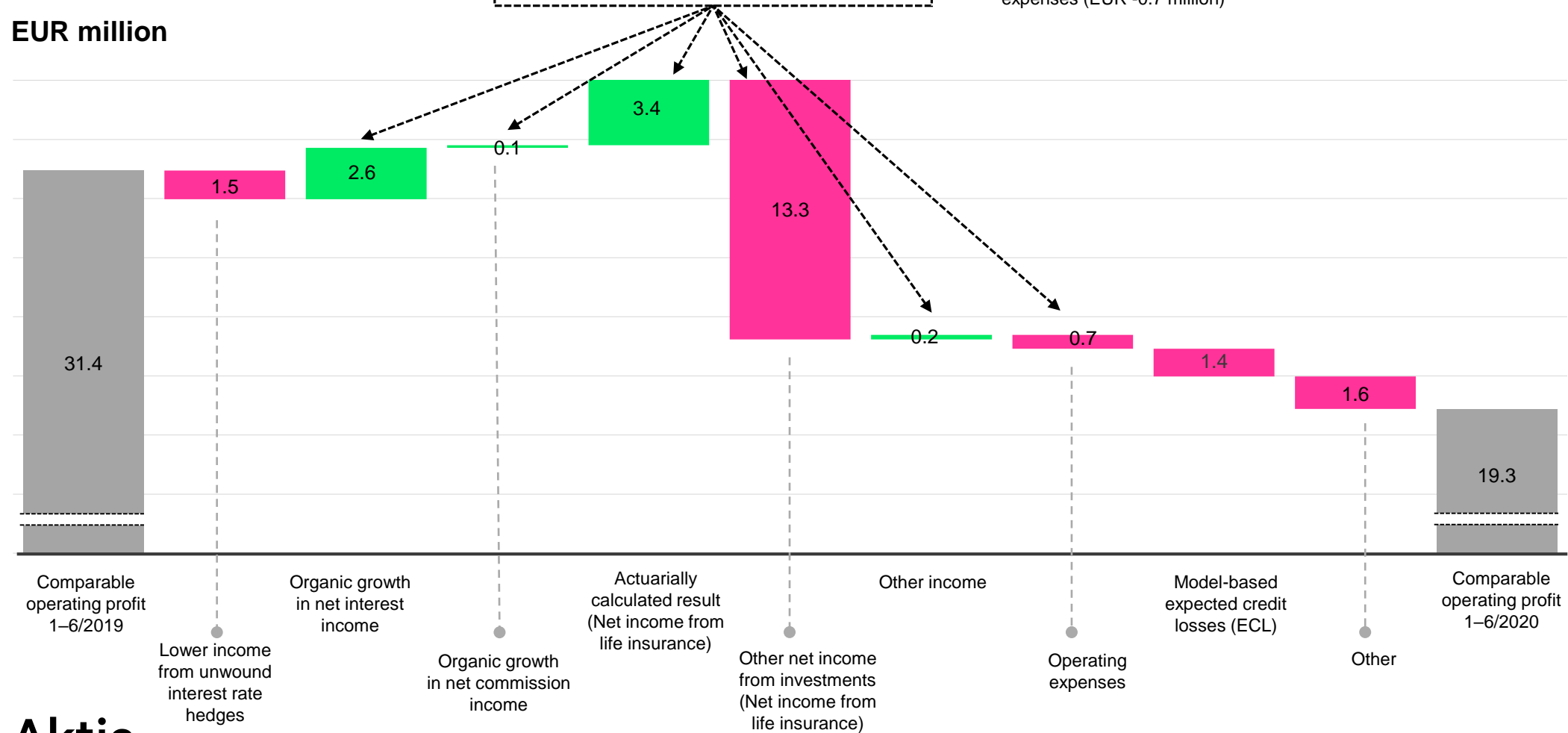
Comparable operating profit

1-6/2020 vs 1-6/2019

**+2% underlying profit growth
(without unrealised value changes)***

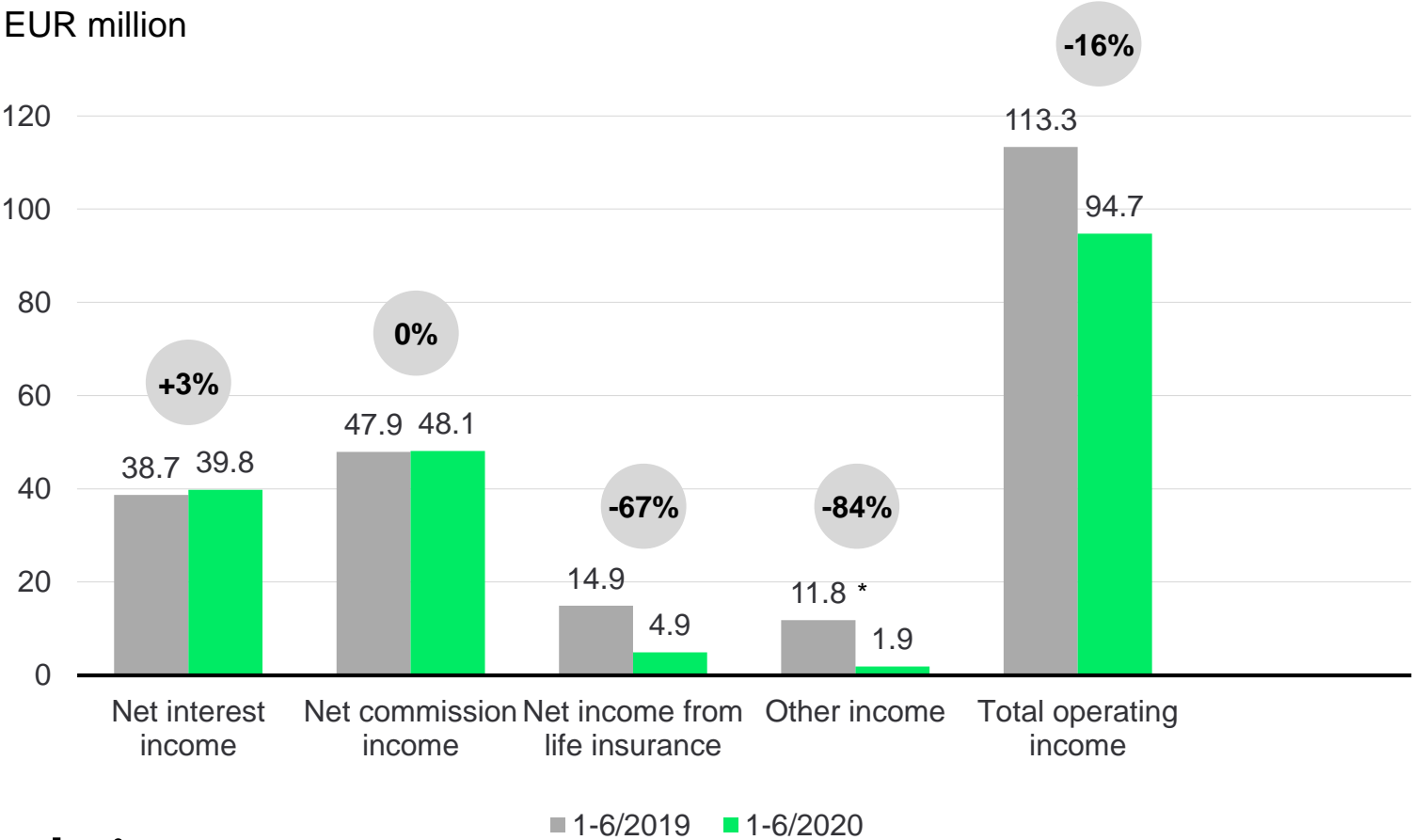
* Organic growth in net interest income (EUR 2.6 million), net commission income (EUR 0.1 million), net income from life insurance (EUR -1.9 million), other income (EUR 0.4 million) and operating expenses (EUR -0.7 million)

EUR million



Total operating income decreased by 16%

Income mix
EUR million



Aktia

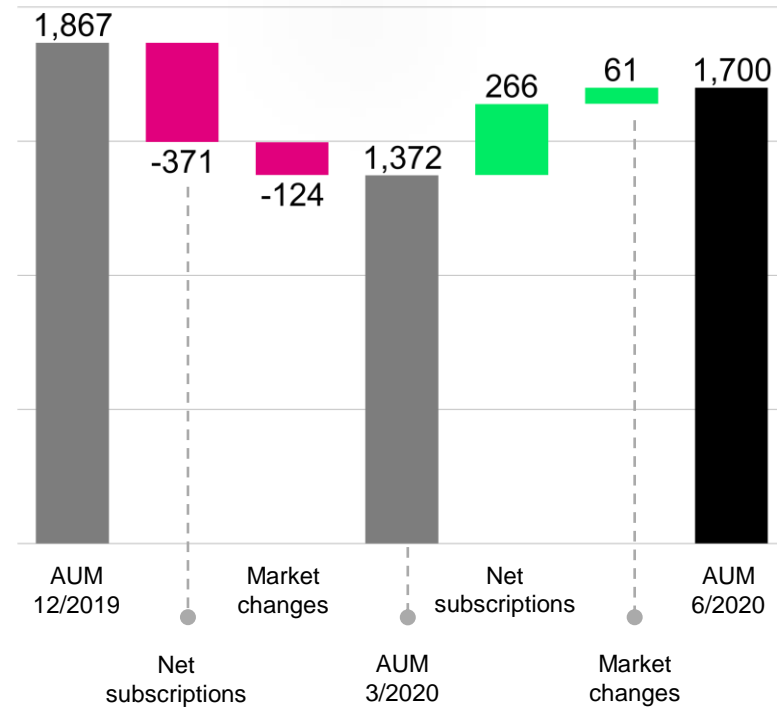
* including a profit of EUR 9.6 million from the divestment of shares in Samlink Ltd and additional income of EUR 0.5 million from the sale of Visa Europe



Recovery driven by positive net subscriptions and market changes

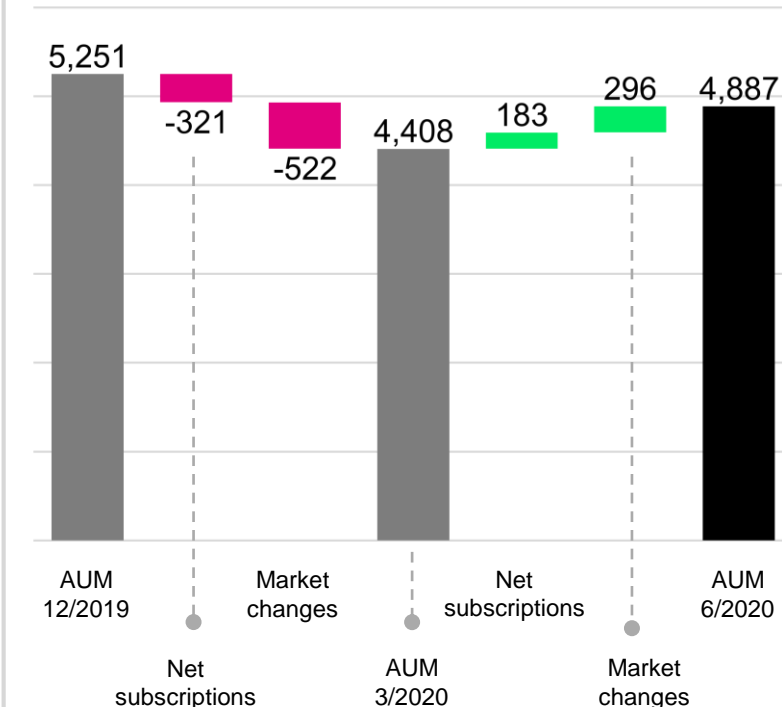
Asset Management, Aktia UI 1–6/2020

EUR million



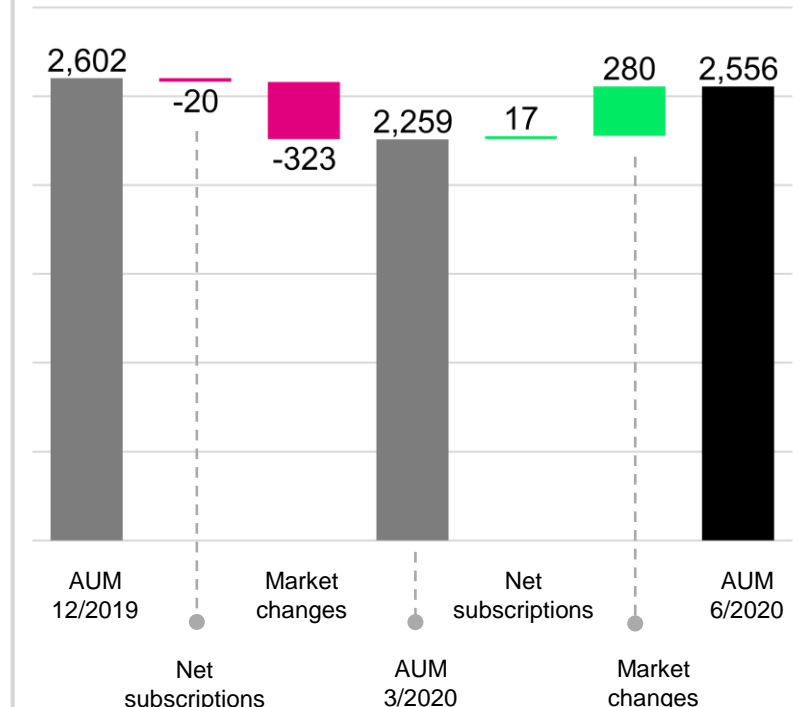
Asset Management, domestic 1–6/2020

EUR million



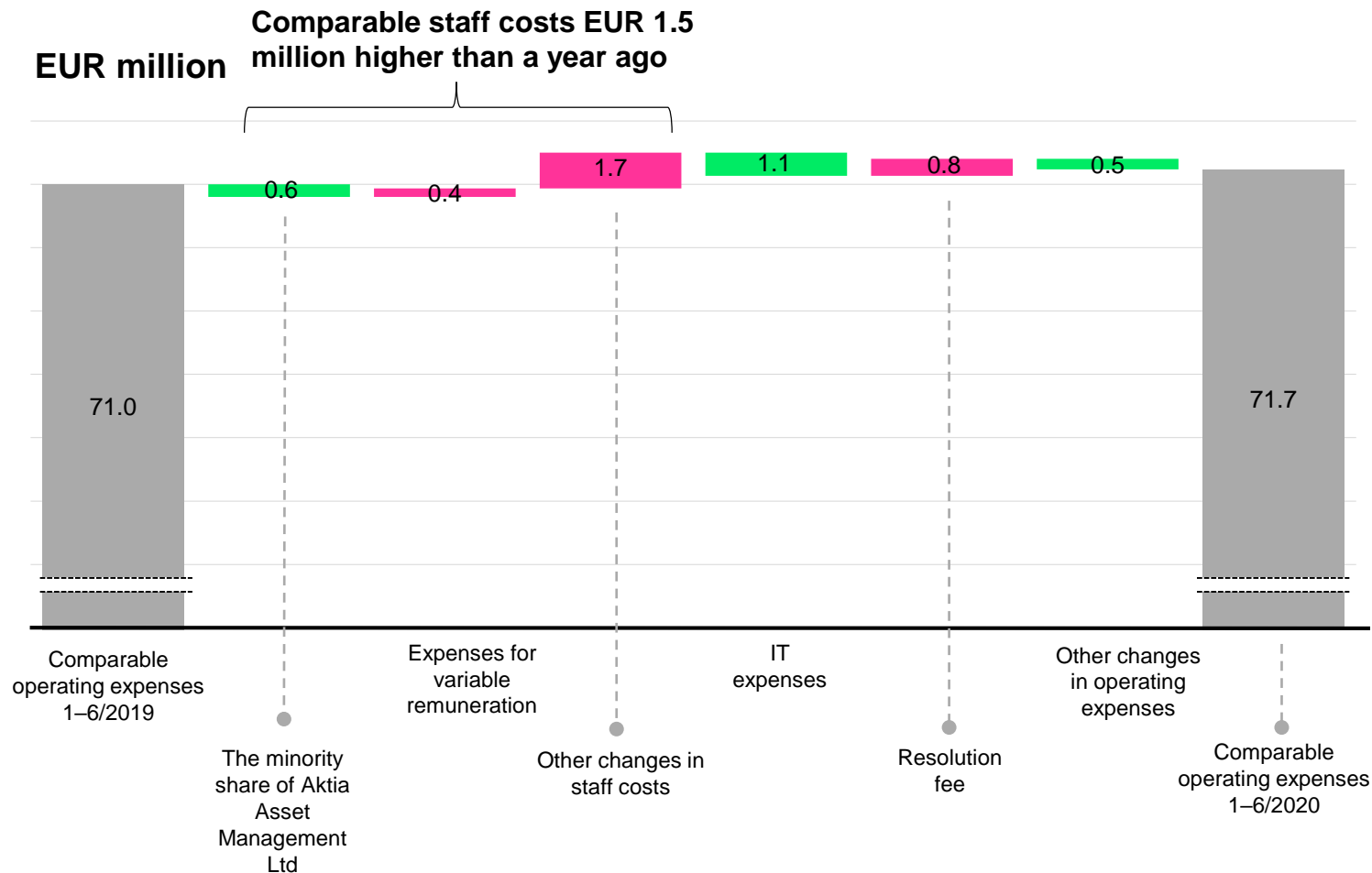
Banking Business, Retail 1–6/2020

EUR million



Operating expenses flat

1-6/2020 vs 1-6/2019



Staff costs:

Comparable staff costs increased by 4% to EUR 34.8 (33.3) million. The increase pertains to higher running staff costs and to higher costs for variable compensation.

IT expenses:

IT expenses decreased to EUR 11.9 (13.0) million, mainly as a result of lower costs for IT consultants.

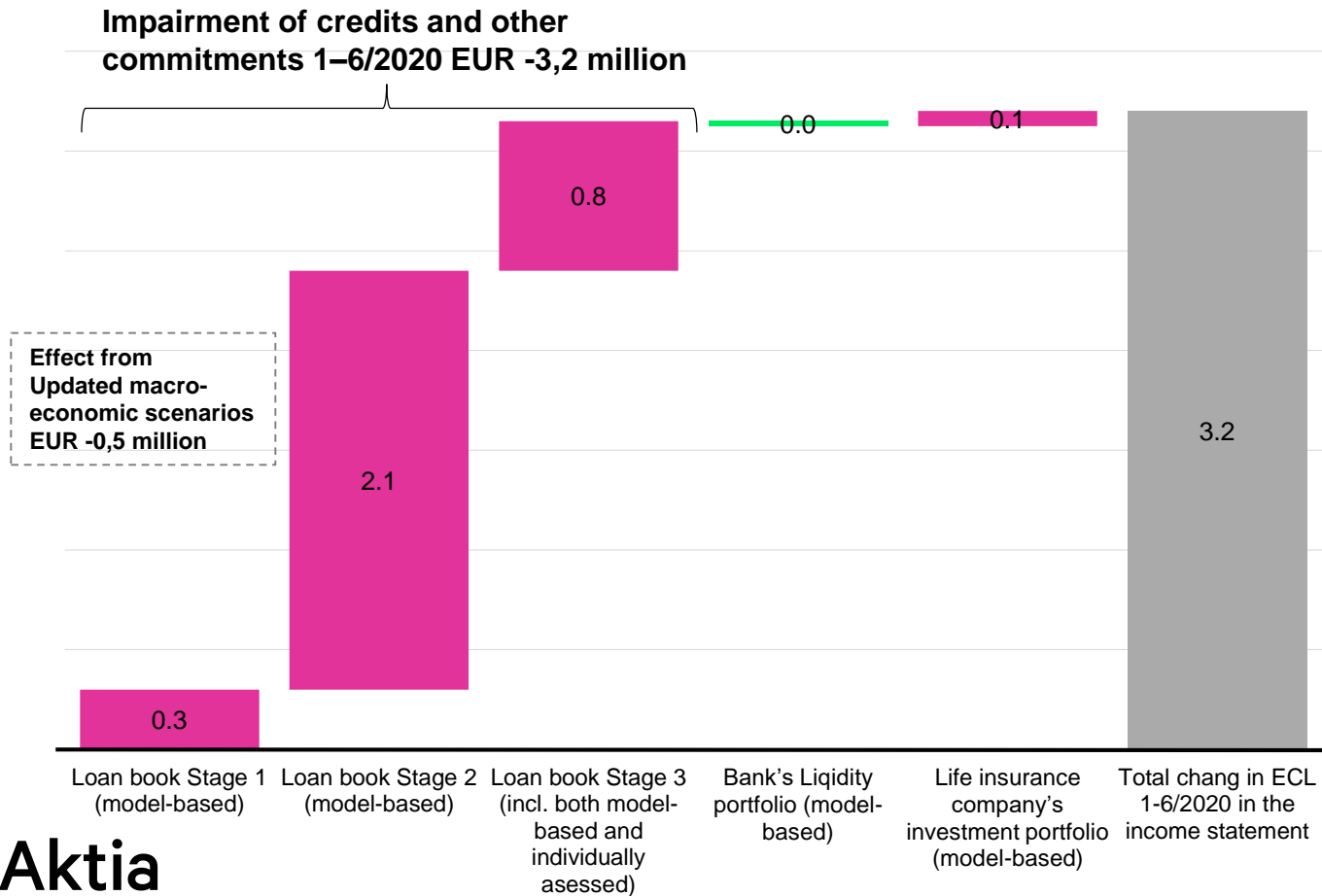
Other operating expenses:

Other operating expenses increased to EUR 15.6 (14.9) million. The increase from last year is mainly related to a EUR 0.8 million higher cost for the stability fee, in total EUR 2.8 million for 2020.

Provisions for future expected credit losses

Change in Estimated Credit Losses (ECL) 1–6/2020

EUR million

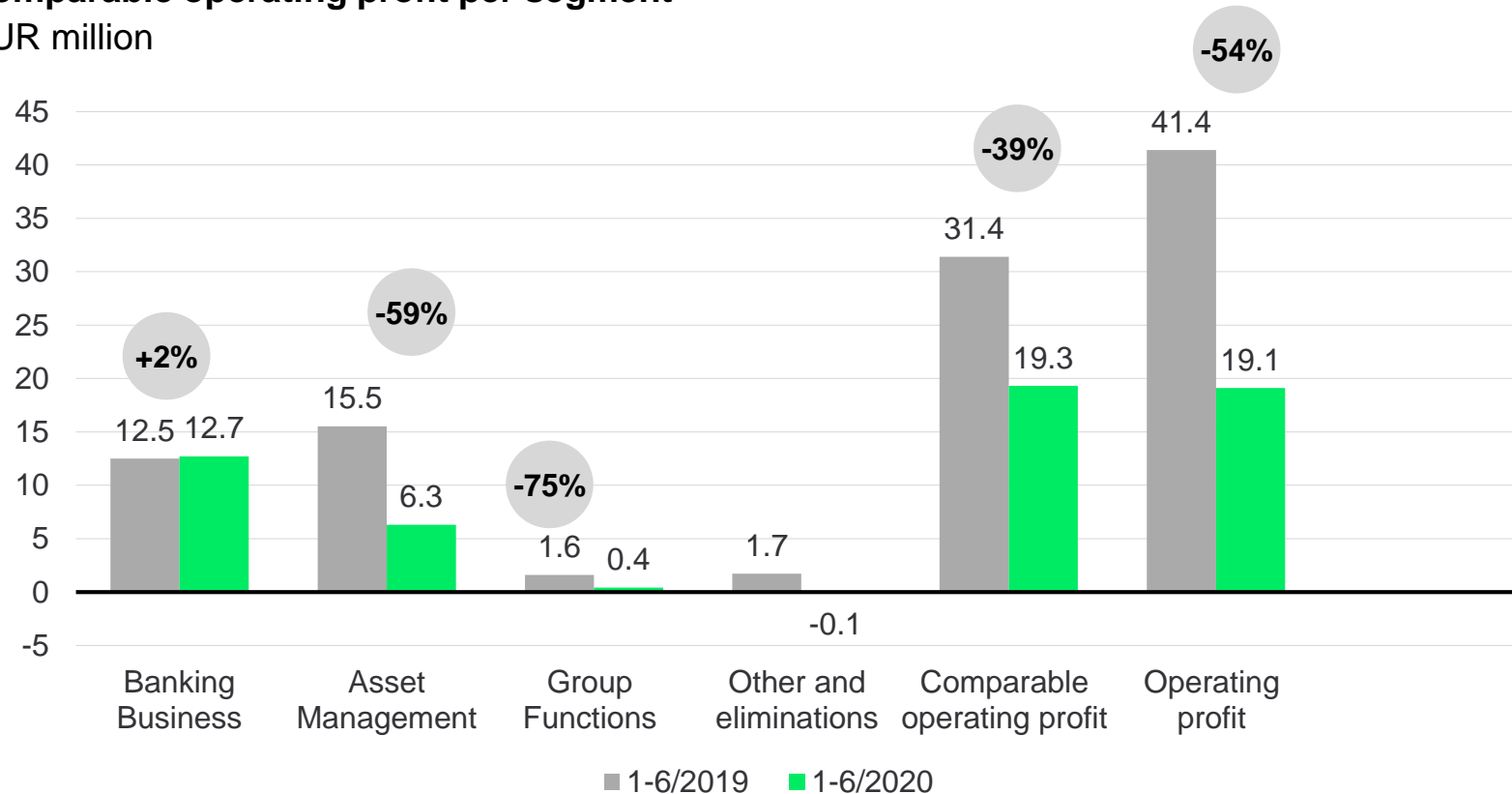


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- Model-based provisions regarding healthy credits have increased during the second quarter as the model-based ECL calculations for the current quarter are now better taking into account the impact of the corona crisis.
- Additional information on the consequences of the pandemic is available for the ECL-calculations, e.g. observed customer behavior, risk assessments and assumptions on future development, which has resulted in a more precise estimate
- ECL estimated (model-based) for both the liquidity portfolio of the Bank Group and the life insurance company's investment portfolio has returned to levels prior to the corona crisis due to lower credit spreads.

Comparable operating profit decreased by 39%

Comparable operating profit per segment EUR million



The decline in asset management operating profit mainly driven by changes in market values of life insurance company investments in Q1

Financial summary Q2 and YTD

EUR million	Q22020	Q22019	Δ, %	1-6/2020	1-6/2019	Δ, %
Total operating income	54.8	60.6	-10%	94.7	113.3	-16%
Net interest income	20.1	19.2	5%	39.8	38.7	3%
Net commission income	22.9	24.8	-8%	48.1	47.9	0%
Net income from life insurance	10.1	6.6	53%	4.9	14.9	-67%
Other income	1.6	10.0	-84%	1.9	11.8	-84%
Total operating expenses	-36.3	-35.0	4%	-71.9	-71.1	1%
Impairments of credits and other commitments	-1.8	-1.4	24%	-3.2	-2.5	27%
Operating profit	16.3	24.2	-32%	19.1	41.4	-54%
Comparable operating profit*	16.5	14.3	16%	19.3	31.4	-39%
Earnings Per Share (EPS), EUR	0.19	0.30	-37%	0.22	0.50	-57%
Return on Equity (ROE), %	8.4	13.7	-39%	4.9	11.8	-59%
Cost-to-income ratio (comparable)	0.66	0.69	-4%	0.76	0.69	10%
Common Equity Tier 1 capital ratio, %	15.7	16.5	-5%	15.7	16.5	-5%

*) Excl. items affecting comparability

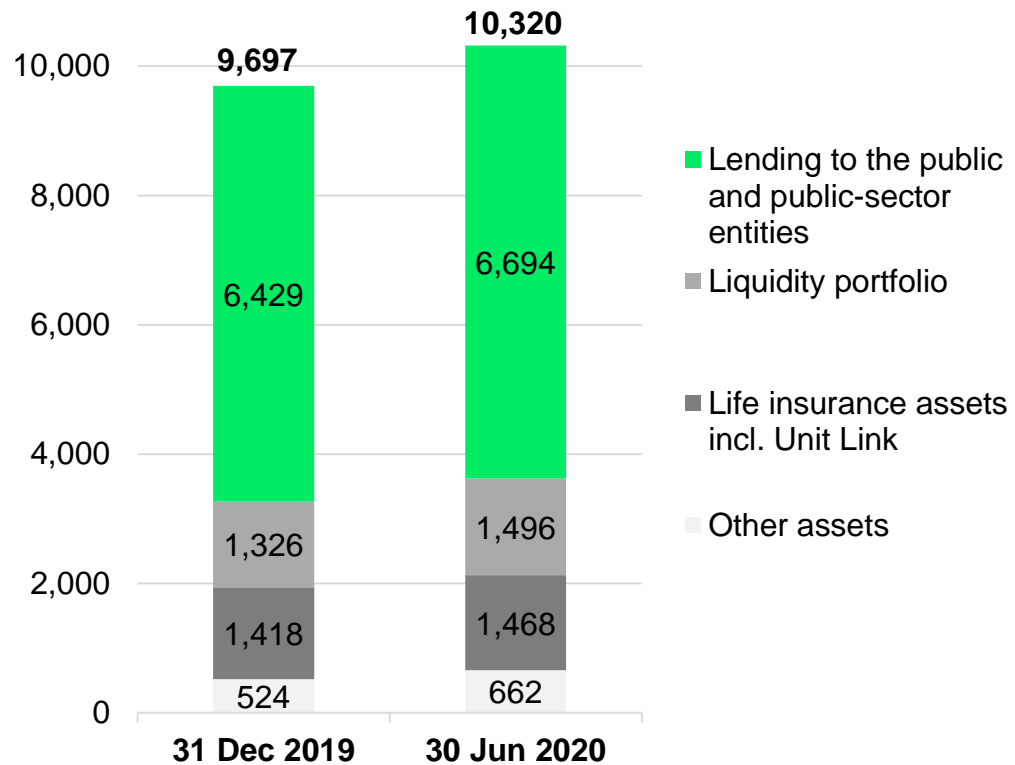
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Balance sheet total increased to EUR 10,320 million

30 June 2020

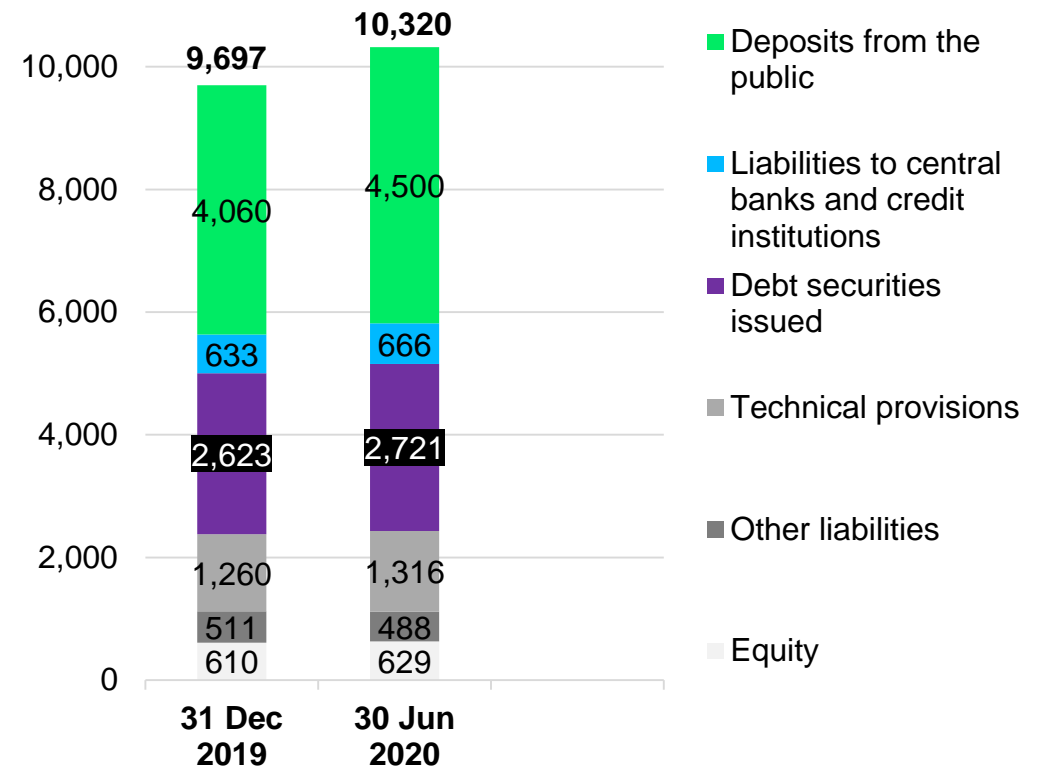
Total assets

EUR million



Total liabilities and equity

EUR million

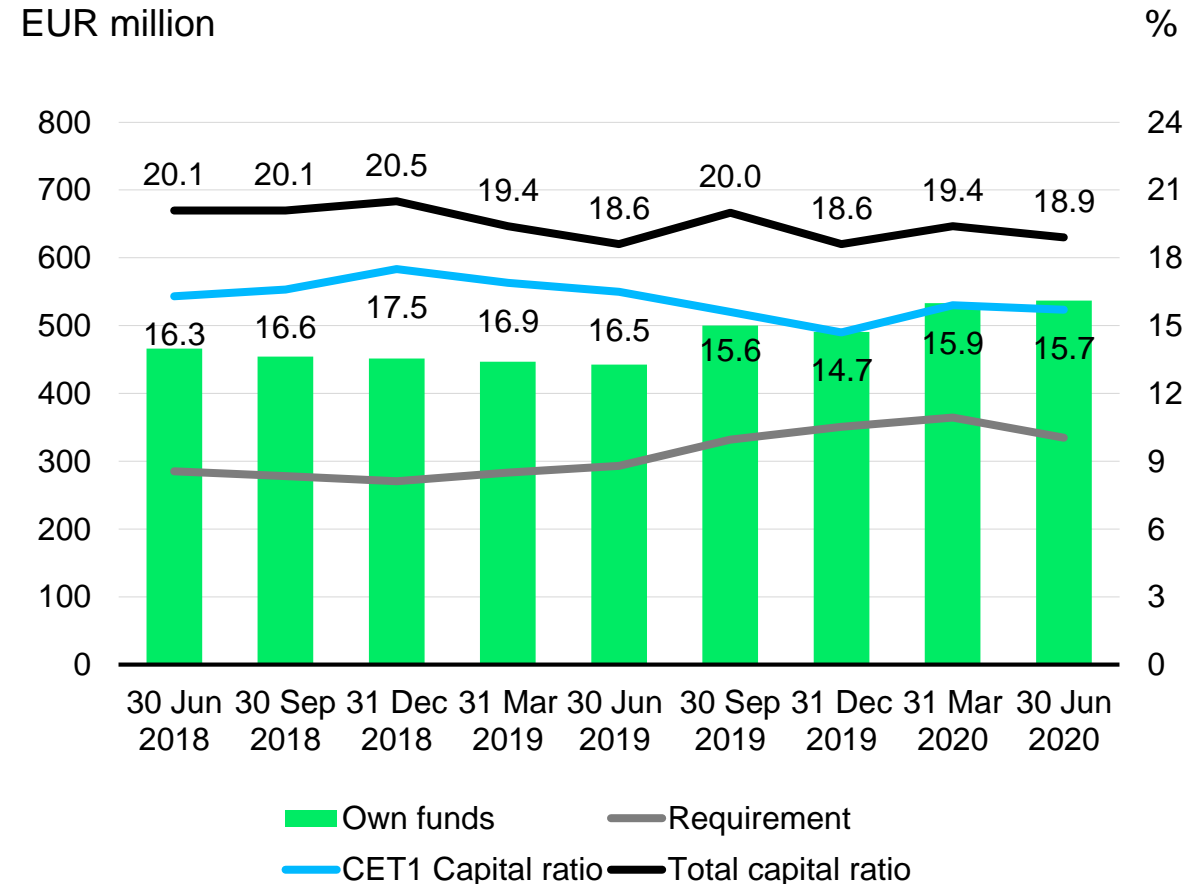


CET1 on a solid level above the target range

Capital Adequacy

- At the end of the period, the Group's Common Equity Tier 1 (CET1) capital ratio was 15.7%.
 - Target range at the end of period 11.3–12.8%.
- The CET1 ratio increased during the period 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 207.8 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 lowered Aktia's capital requirement by 1 percentage point.
- The updated Pillar 2 requirement of 1.25% entered into force on 30 June 2020 (previously 1.75%).

CET1



Aktia's liquidity on solid level

- During the first half of the year 2020 Aktia has been an active issuer in the senior preferred market. We have completed nine private placement type of transactions and two tap issues to existing bond under EMTN-program. The total volume is close to EUR 475 million with maturities in the range of 2–15 years. Aktia is planning to issue further EUR 300–400 million worth of senior debt during this year.
- In May, Aktia issued for the first time Retained Cover Bond of four years maturity for collateral purposes. The issue has been set as collateral to the European Central Bank.
- Aktia's liquidity situation has been very solid. The LCR ratio has been comfortably over the regulative and higher internal limit being 137% at the end of Q2. Also the cash level has been very good. We have been able to fully benefit from the ECB tiering structure.
- Aktia participated in the ECB targeted financing TLTRO III by refinancing the redeeming TLTRO II EUR 200 million tranche with additional financing of EUR 100 million in June. The proceeds of the TLTRO III will be used for supporting Aktia's corporate lending.

The main 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 Q2 2020

(Q2 2019)

Net interest income	+5%	EUR 20.1 (19.2) million
Net commission income	-8%	EUR 22.9 (24.8) million
Total operating income	-10%	EUR 54.8 (60.6) million
Comparable operating income	+8%	EUR 54.8 (50.6) million
Total operating expenses	+4%	EUR -36.3 (-35.0) million
Comparable operating expenses	+3%	EUR -36.1 (-34.9) million
Comparable operating profit	+16%	EUR 16.5 (14.3) million

EPS
EUR 0.19
(EUR 0.30)

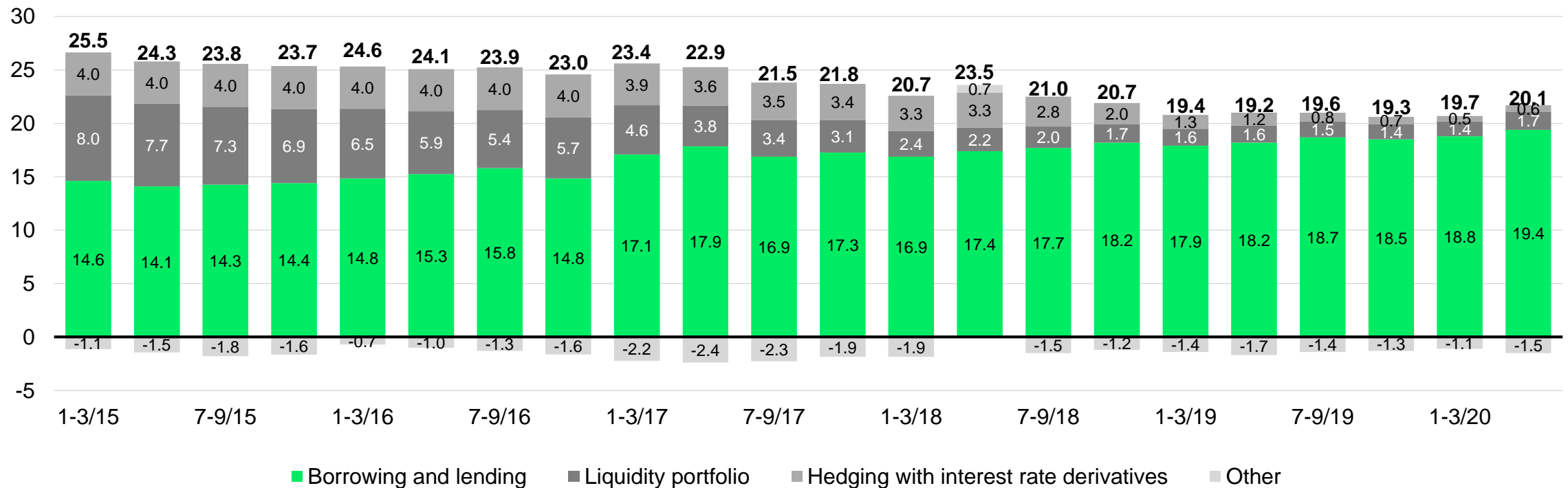
Comparable C/I ratio
0.66
(0.69)

ROE
8.4%
(30 June 2019; 13.7%)

CET1
15.7%
(30 June 2019; 16.5%)

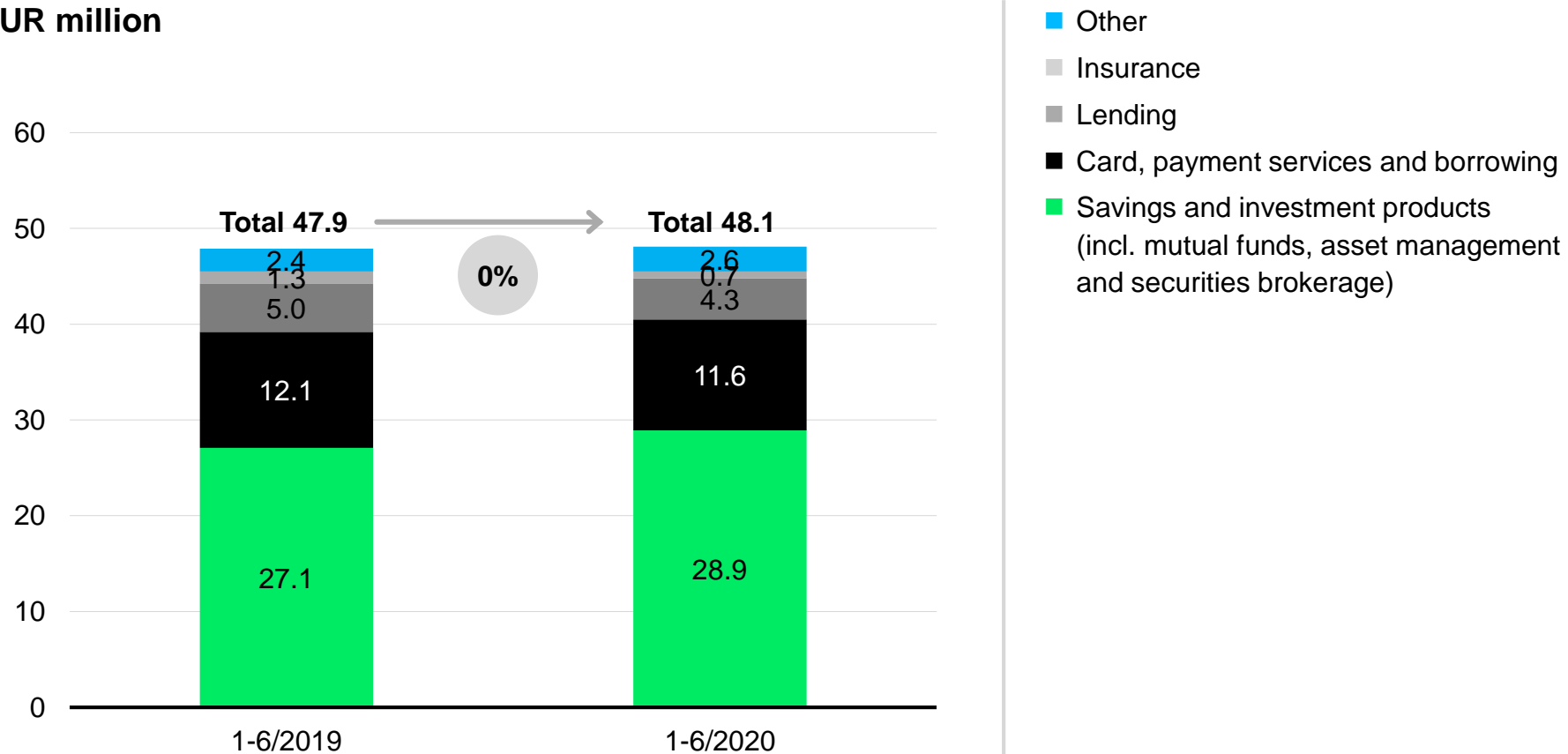
Net interest income mix

EUR million



Net commission income mix

EUR million



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The good bank. And a great asset manager.

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