

5 AUGUST 2021

# Q2 Debt investor presentation

Aktia

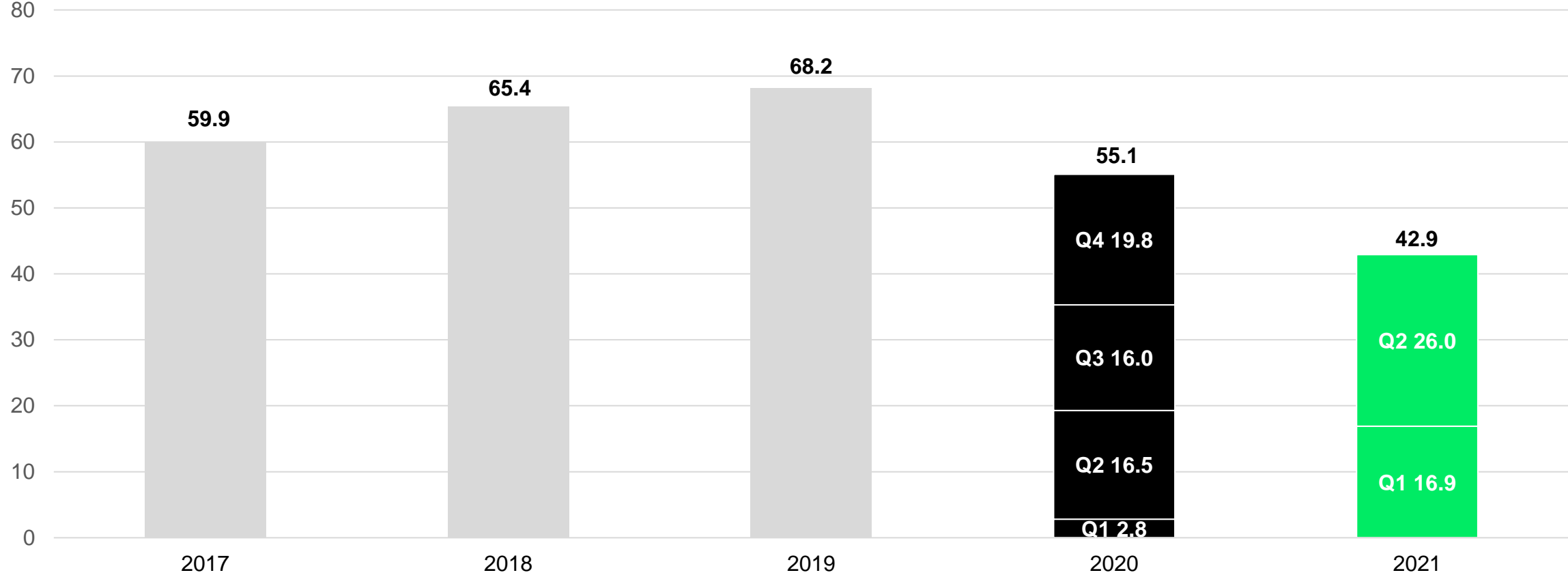
# Record-strong second quarter

EUR million	2Q2021	2Q2020	Δ %
<b>Total operating income</b>	<b>73.3</b>	<b>54.8</b>	<b>34%</b>
Net interest income	27.7	20.1	37%
Net commission income	31.7	22.9	39%
Net income from life insurance	10.5	10.1	4%
Other income	3.4	1.6	111%
<b>Total operating expenses</b>	<b>-48.8</b>	<b>-36.3</b>	<b>35%</b>
Impairments of credits and other commitments	-1.4	-1.8	-20%
<b>Operating profit</b>	<b>23.0</b>	<b>16.3</b>	<b>41%</b>
<b>Comparable operating profit</b>	<b>26.0</b>	<b>16.5</b>	<b>57%</b>
EPS, EUR	0.25	0.19	32%
ROE, %	10.1	8.4	20%
Cost-to-income ratio (comparable)	0.63	0.66	-5%
CET1, %	10.8	15.7	-31%

- The comparable operating profit at an all-time high
- Strong increase in all income categories
- The half-year report includes Taaleri's wealth management business (May–June)
- The increase in expenses is attributable to the costs related to the acquisition

# Comparable operating profit 2017–2Q2021

EUR million



# Asset Management

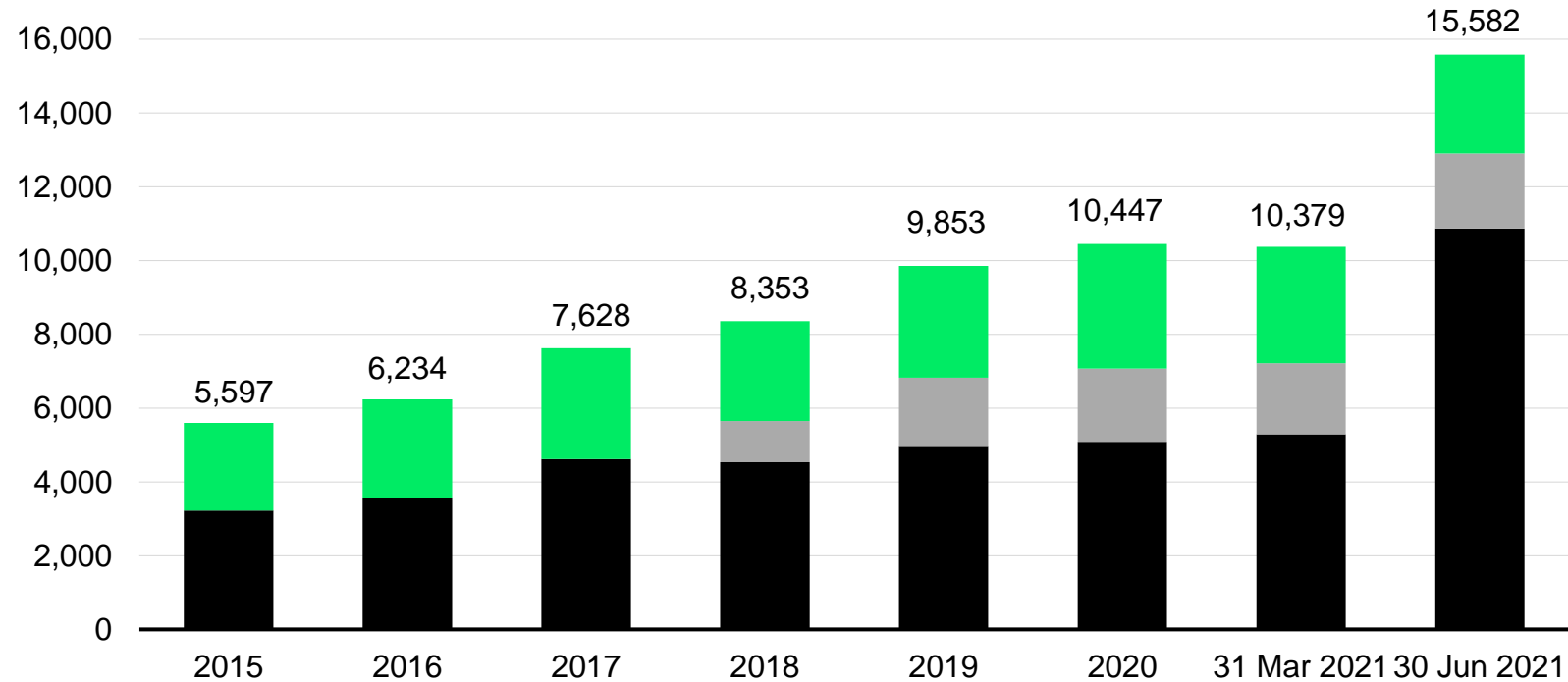
- Aktia acquired Taaleri's wealth management business – the transaction was completed on 30 April 2021
- The transaction brought together two strong players completing each other services
- Private Banking transferred to the Asset Management business area and reported segment
- Strong sales particularly to private individuals
- Easing of travel restrictions support international sales



# Taaleri wealth management included in AuM during Q2

Assets under management excluding custody (AuM)

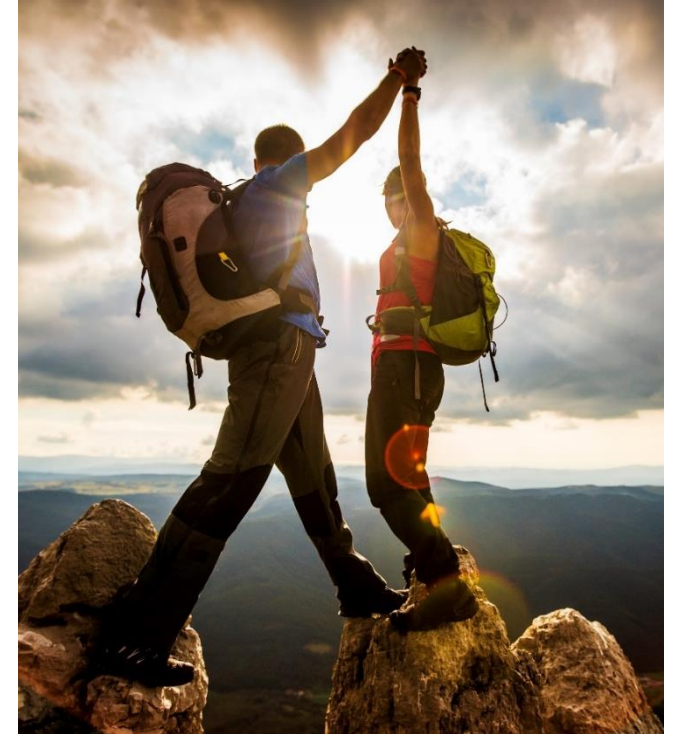
EUR million



- Institutional assets, including private banking (30 June 2021)
- International institutional assets (UI-Aktia)
- Retail assets, excluding private banking (30 June 2021)

# Taaleri integration proceeding as planned

- Taaleri integration has proceeded according to plans and timetable
- Focus on income and cost synergy targets. The work in terms of these has progressed well
- Organisations unified, a more comprehensive product selection to all customers
- The additional sales and cross-selling of several fund products has started to both new and old customers (e.g., Impact and Emerging Market funds). The harmonisation of the fund selection has started
- The work for a mutual working model and business culture is well under way



# Banking Business

- Quarterly sales of mortgages reached all-time high levels
- The improved credit process and quicker indicative offer for mortgages have enabled the growth
- Expected credit losses remained on a low level
- Corporate customer business continued to grow strongly: active acquisition of new customers led to very strong growth of the loan book and net interest income

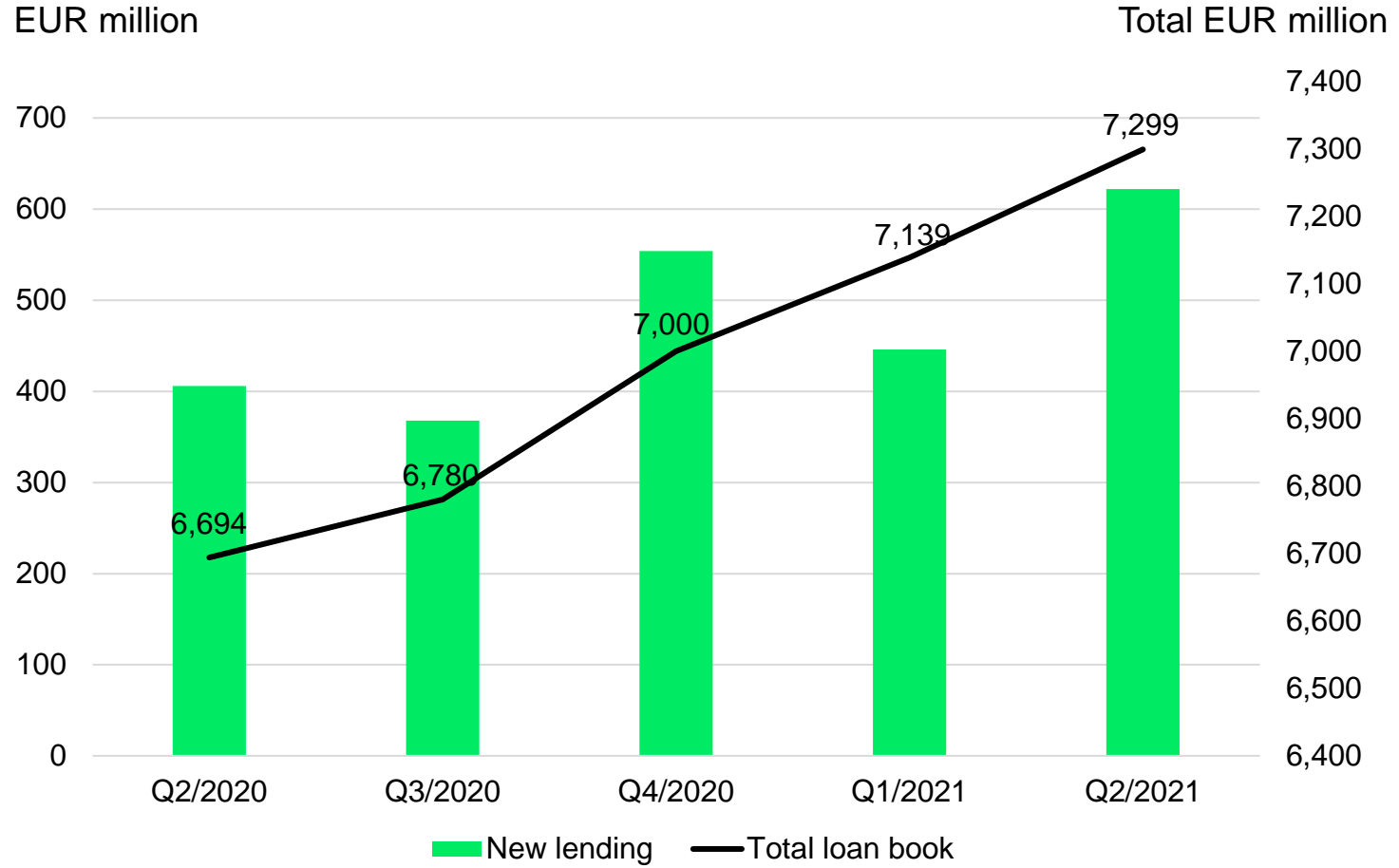
**Aktia**

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# Growth in total loan book continues

Total loan book EUR +160 million (+2%) Q-o-Q



# Life Insurance

- Strong market development together with successful new sales of unit-linked products contributed to good result in Life Insurance
- The risk life new sales showed steady growth during the second quarter
- Preparation for broadening the investment alternatives in the unit-linked insurances started after Taaleri acquisition



# Aktia makes determined efforts on CSR

Highlights in 1–6/2021

## Clarified responsibilities

- Markus Lindqvist appointed Director, Sustainability

## Governance

- Updated responsible investment policy and implemented first obligations under the EU Sustainable Finance Disclosure Regulation

## Impact investing

- Special investment fund “Impakti” became part of Aktia’s product portfolio

## Climate

- Assessment of CO2 emissions and flood risks of Aktia’s loan portfolio

## Engagement

- Acted for the first time as investor lead in CDP’s annual Non-Disclosure campaign to engage with companies to report on climate related issues

**Aktia**

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Solid and reliable



Partner for economic well-being



Environmentally responsible actor



Most desired employer in the sector

# Aktia's Capital Markets Day

Aktia arranges a **Capital Markets Day** for investors, analysts, bank representatives and media in Helsinki on **8 September 2021**.

Aktia's CEO Mikko Ayub, CFO Outi Henriksson and other members of the Group's Executive Committee will present at the event.

Information on registration and the more detailed agenda will be published later in August.



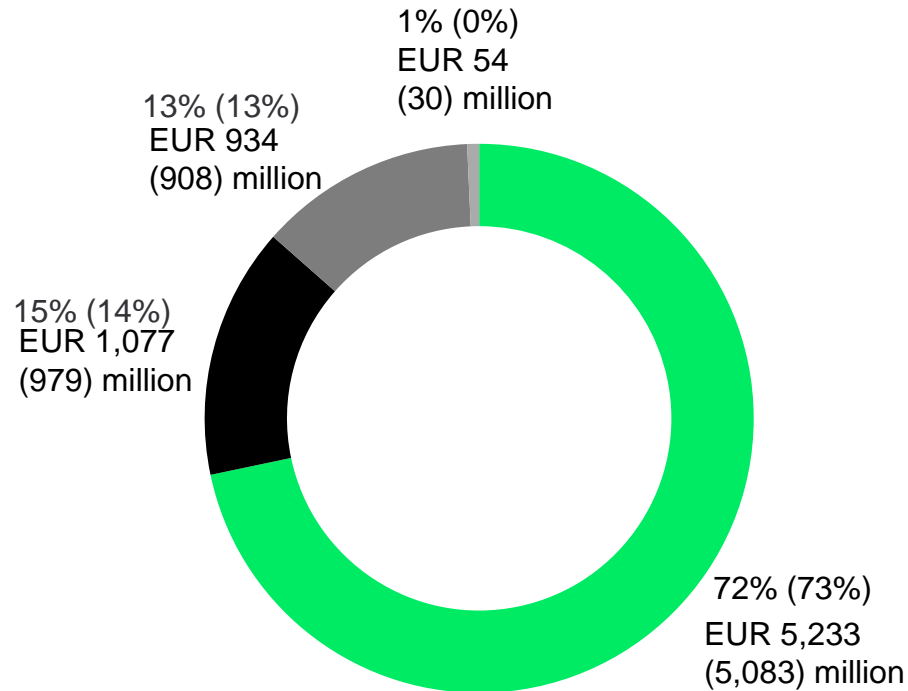
# Financial overview

# Structure of lending and deposits

30 June 2021 (31 December 2020)

## Lending

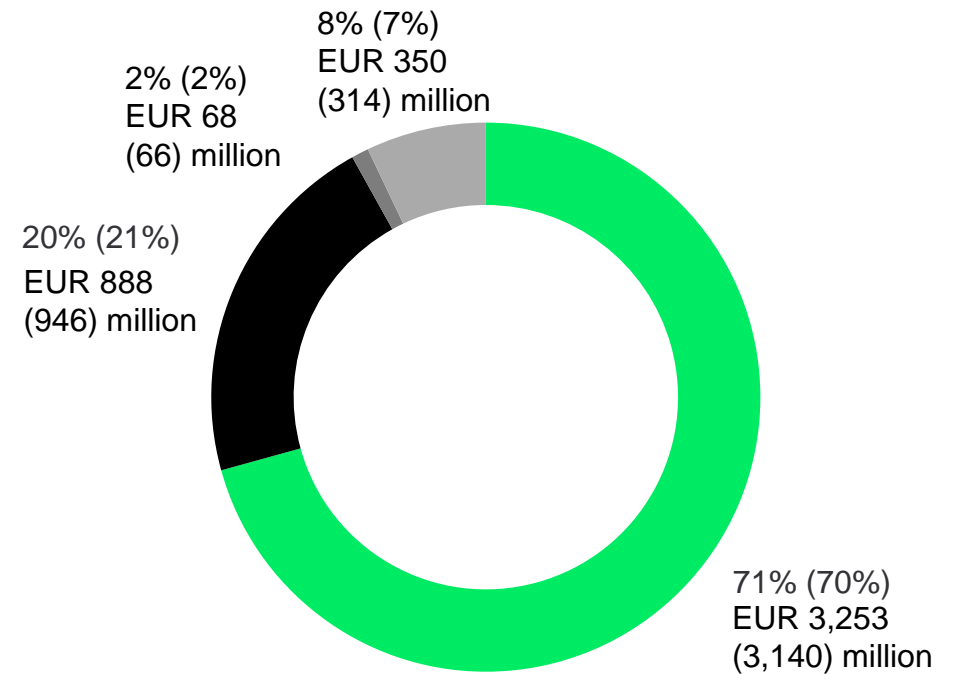
Total EUR 7,299 (7,000) million



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

## Deposits

Total EUR 4,560 (4,466) million



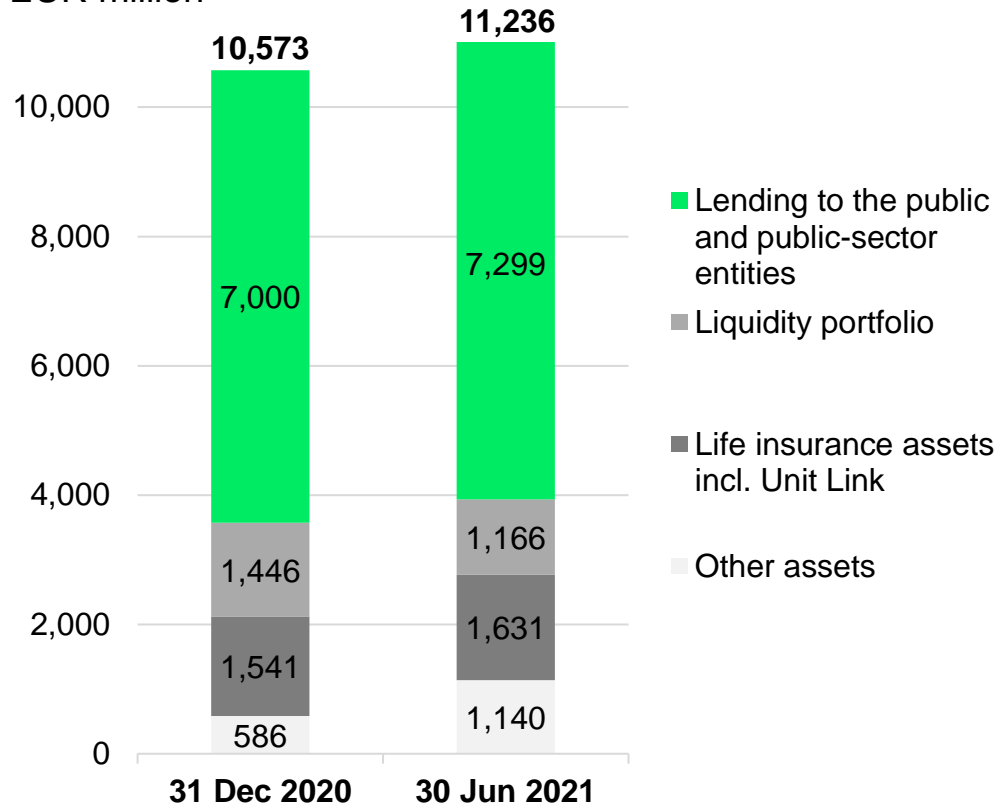
■ Households      ■ Corporates  
■ Housing associations      ■ Public entities and non-profit organisations

# Balance sheet total increased to EUR 11,236 million

30 June 2021

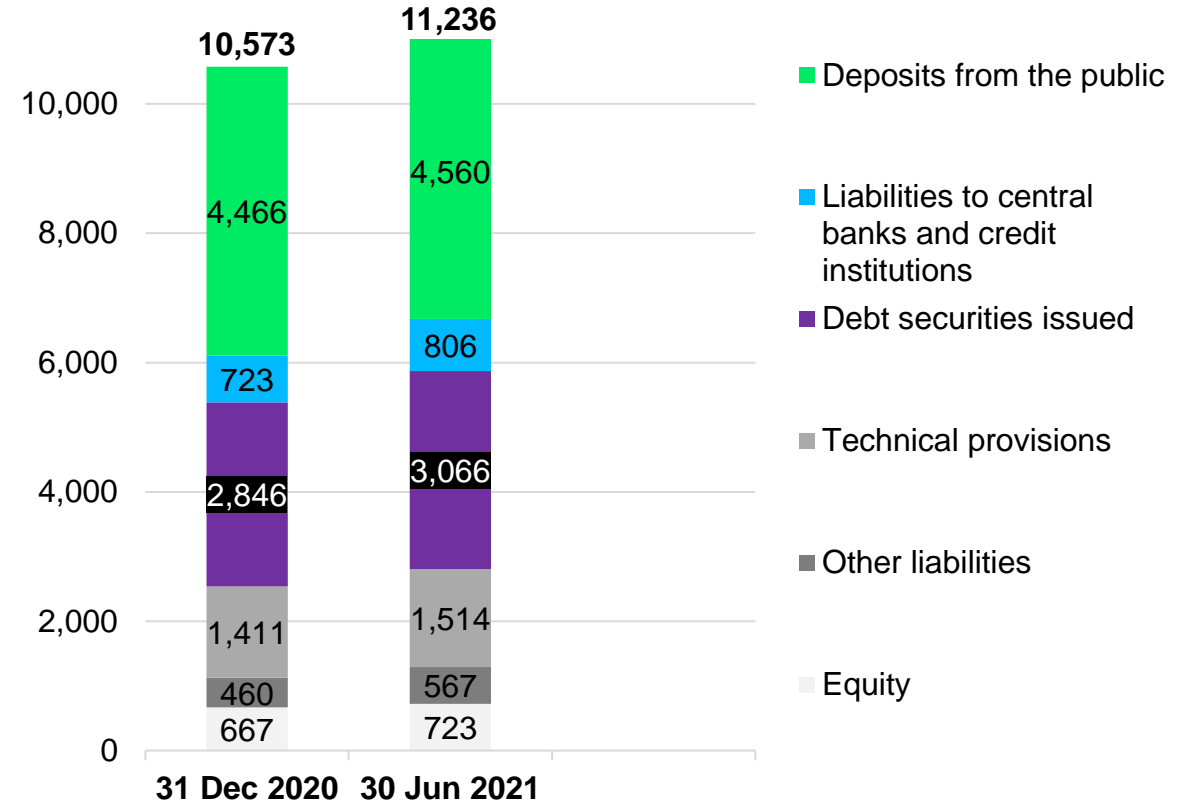
## Total assets

EUR million



## Total liabilities and equity

EUR million



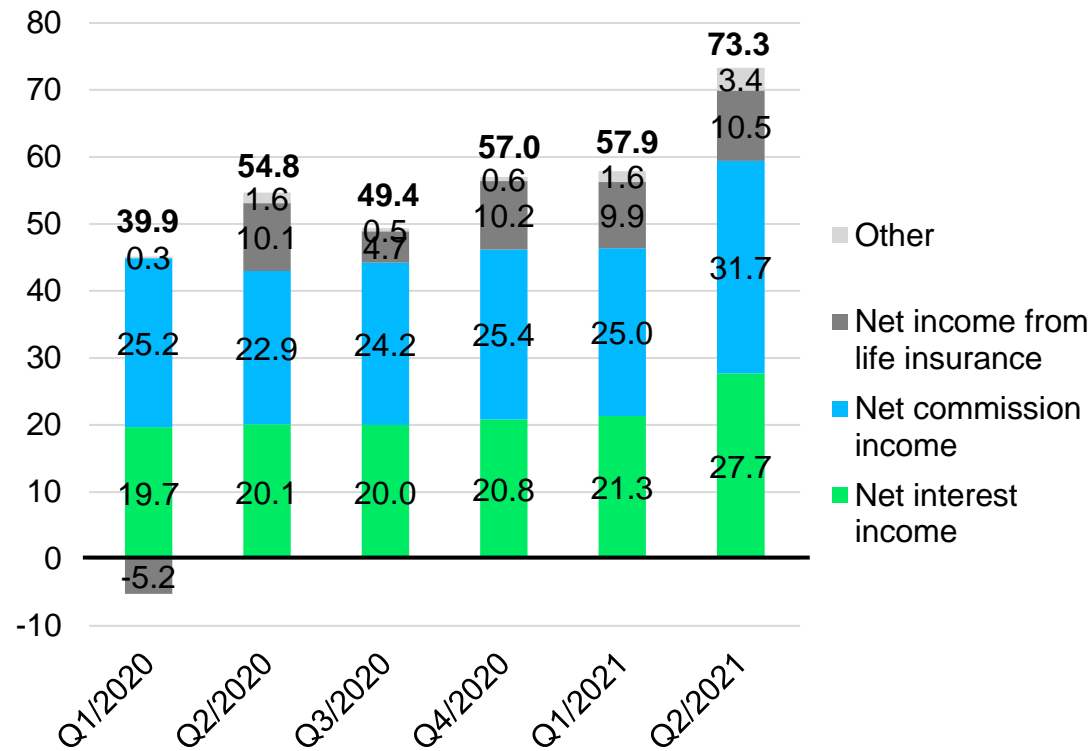
**Aktia**

# Comparable operating profit and income

Q-o-Q

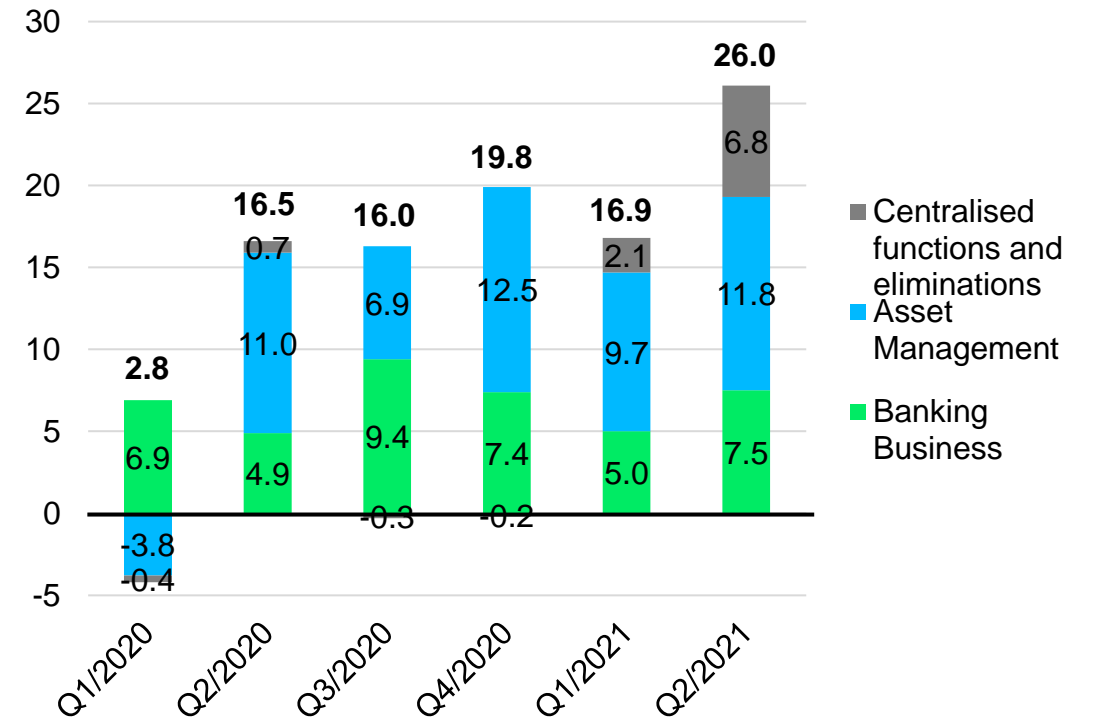
## Comparable operating income

EUR million



## Comparable operating profit

EUR million

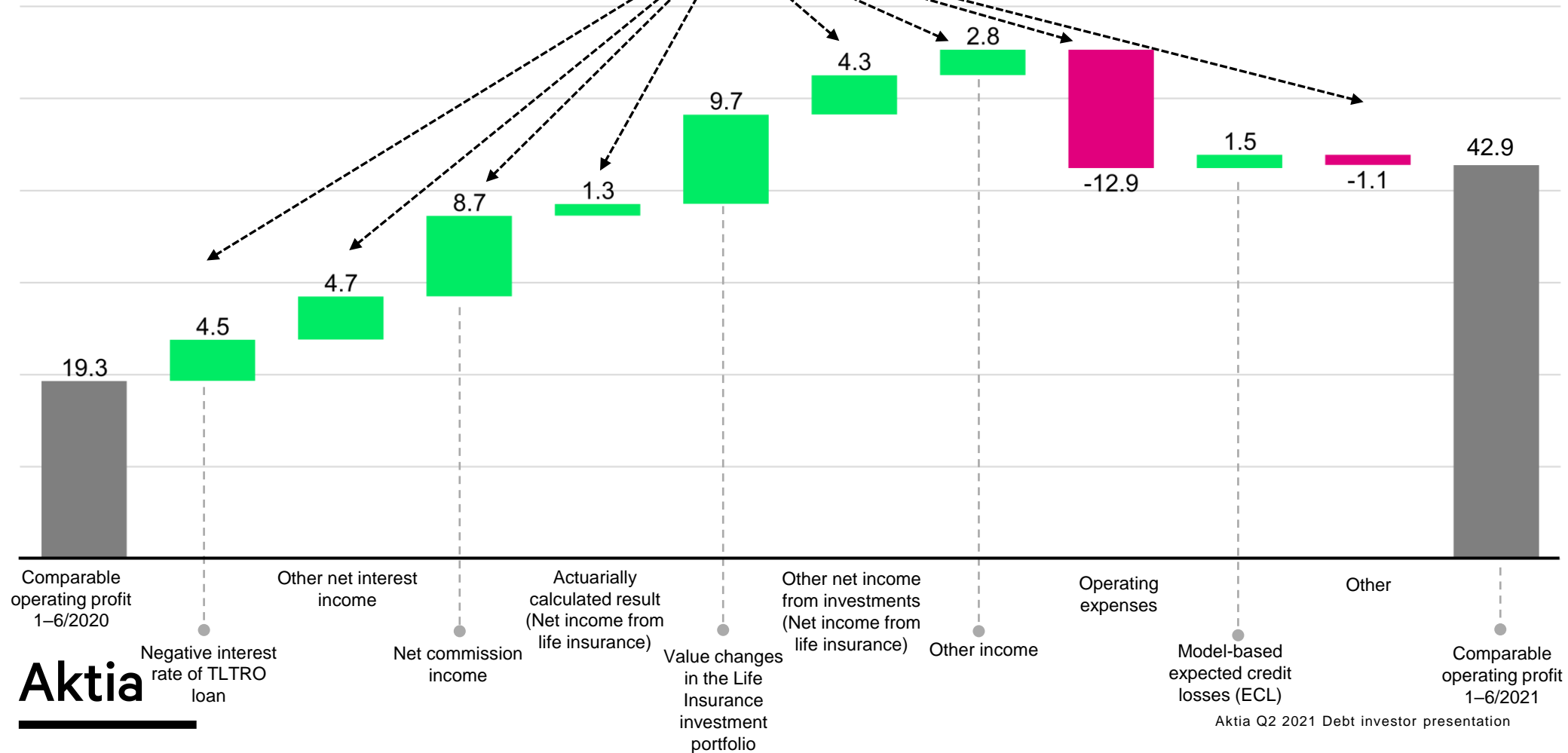


# Comparable operating profit

1-6/2021 vs 1-6/2020

**+68% underlying profit growth  
(without unrealised value changes)**

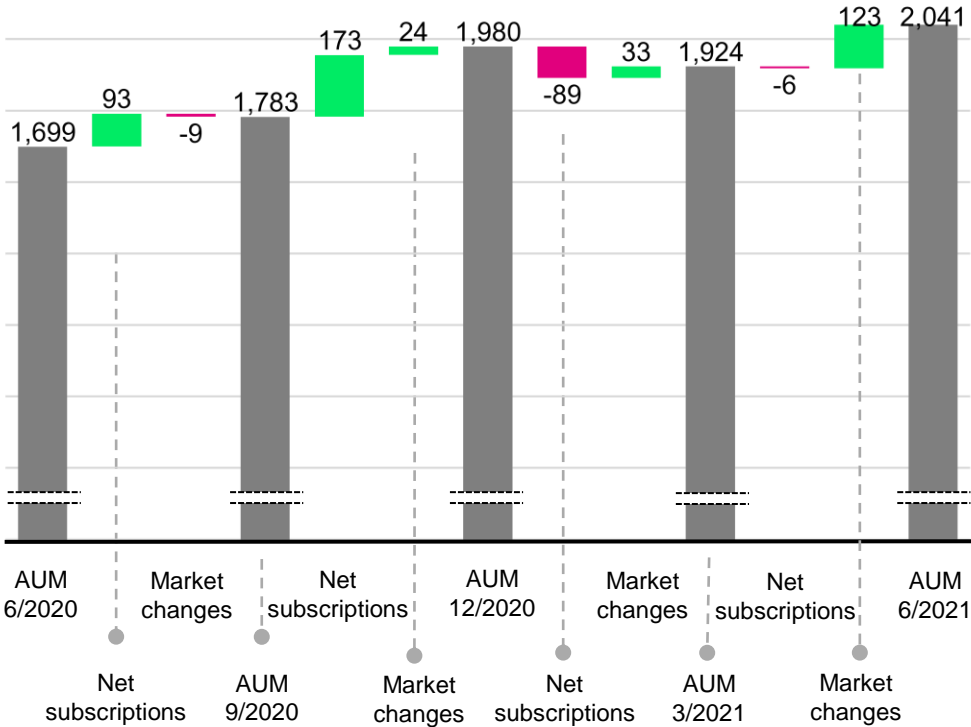
EUR million



# Assets under Management – Net subscriptions and market changes

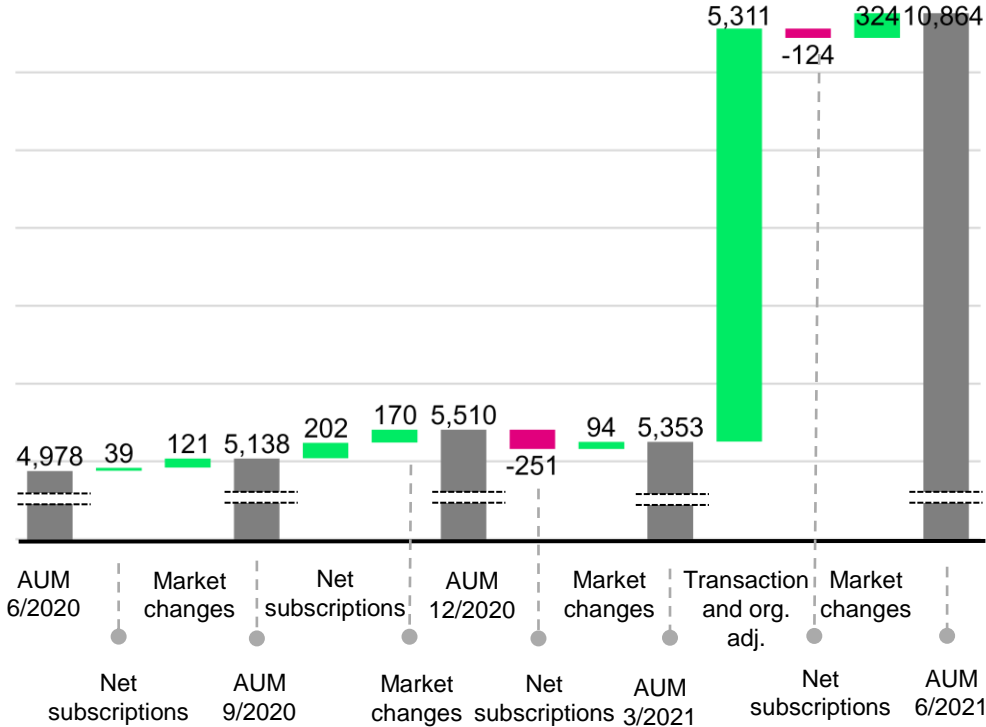
## Asset Management, Aktia UI Q-o-Q

EUR million



## Asset Management, domestic Q-o-Q

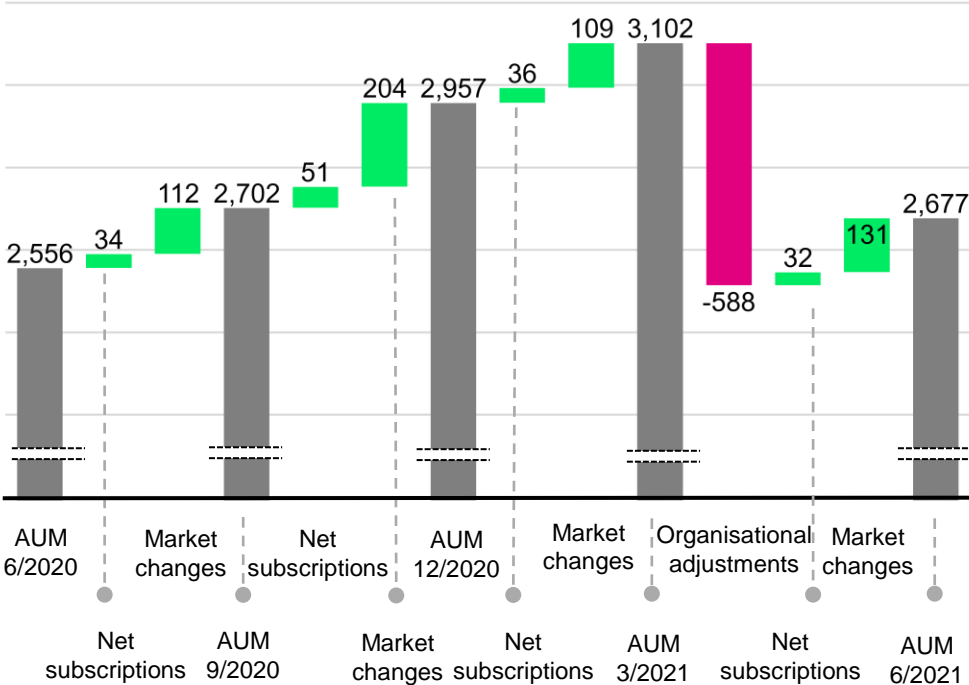
EUR million



# Assets under Management – Net subscriptions and market changes

Banking Business, Retail Q-o-Q

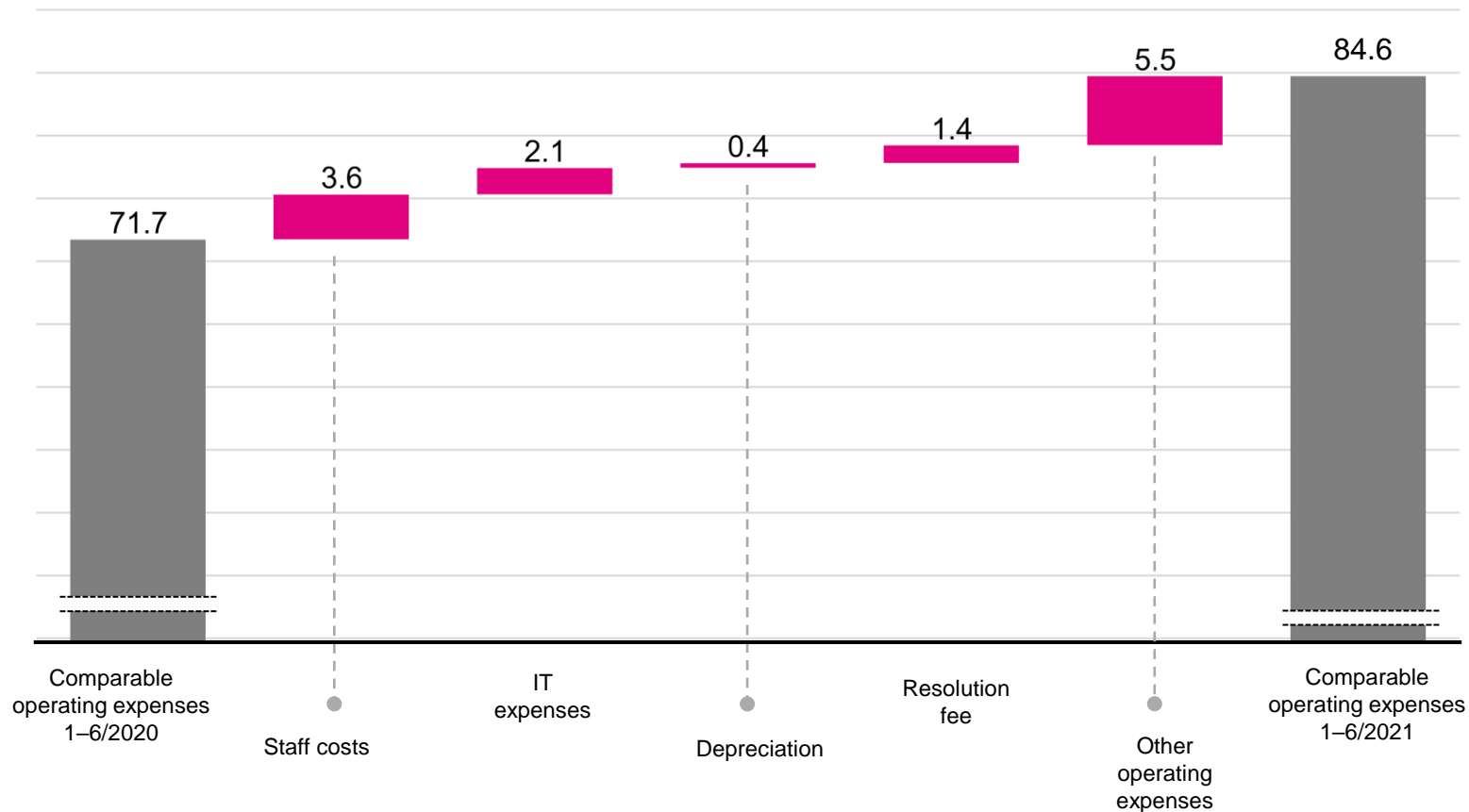
EUR million



# Comparable operating expenses

1–6/2021 vs 1–6/2020

EUR million



## Staff costs:

The comparable staff costs increased by 10% to EUR 38.3 (34.8), which is mainly attributable to Taaleri's wealth management acquisition with approximately 100 new employees.

## IT expenses:

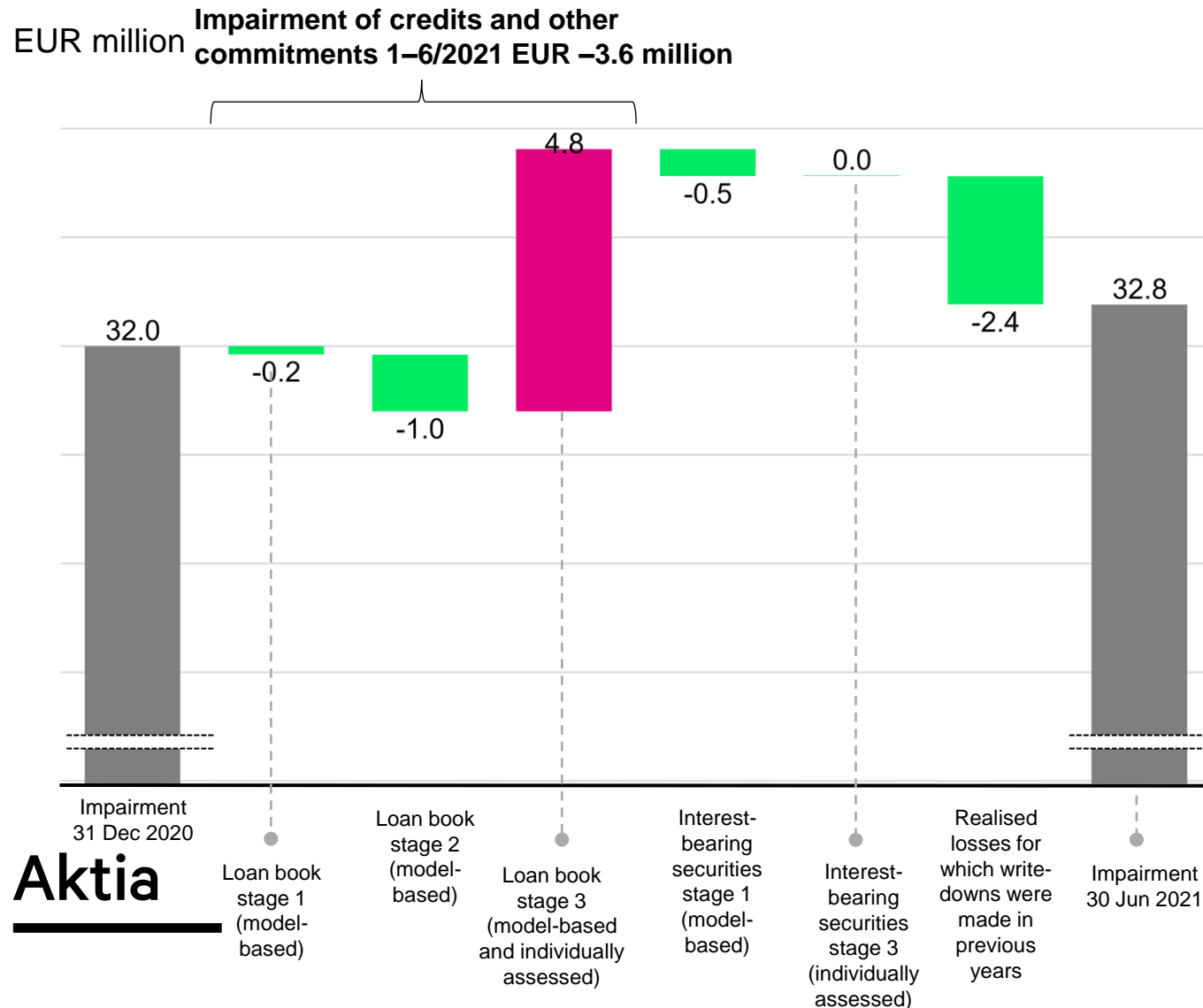
IT expenses increased by 17% to EUR 14.0 (11.9) million mainly due to the acquisition as well as a greater number of IT projects.

## Other operating expenses:

Other comparable operating expenses increased by 44% to EUR 22.5 (15.6) million mainly due to the transaction costs of one-time nature, related to the acquisition of Taaleri' wealth management. Other increases include the cost for the stability fee that increased to EUR 4.1 (2.8) million as well as other expenses. Depreciations of intangible assets related to the acquisition were EUR 0.75 million for H1.

# Impairments for future expected credit losses

## Change in expected credit losses (ECL) 1–6/2021



- Impairments on credits and other commitments increased to EUR -3.6 (-3.2) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -1.2 (-2.1) million, whereas other impairments on credits increased to EUR -2.4 (-1.0) 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 Q2, no material impact (EUR +0.6 million in Q1).
- We still have not observed any major covid-related new risk concentrations in our credit portfolio.

# The debt investment case

## Credit ratings

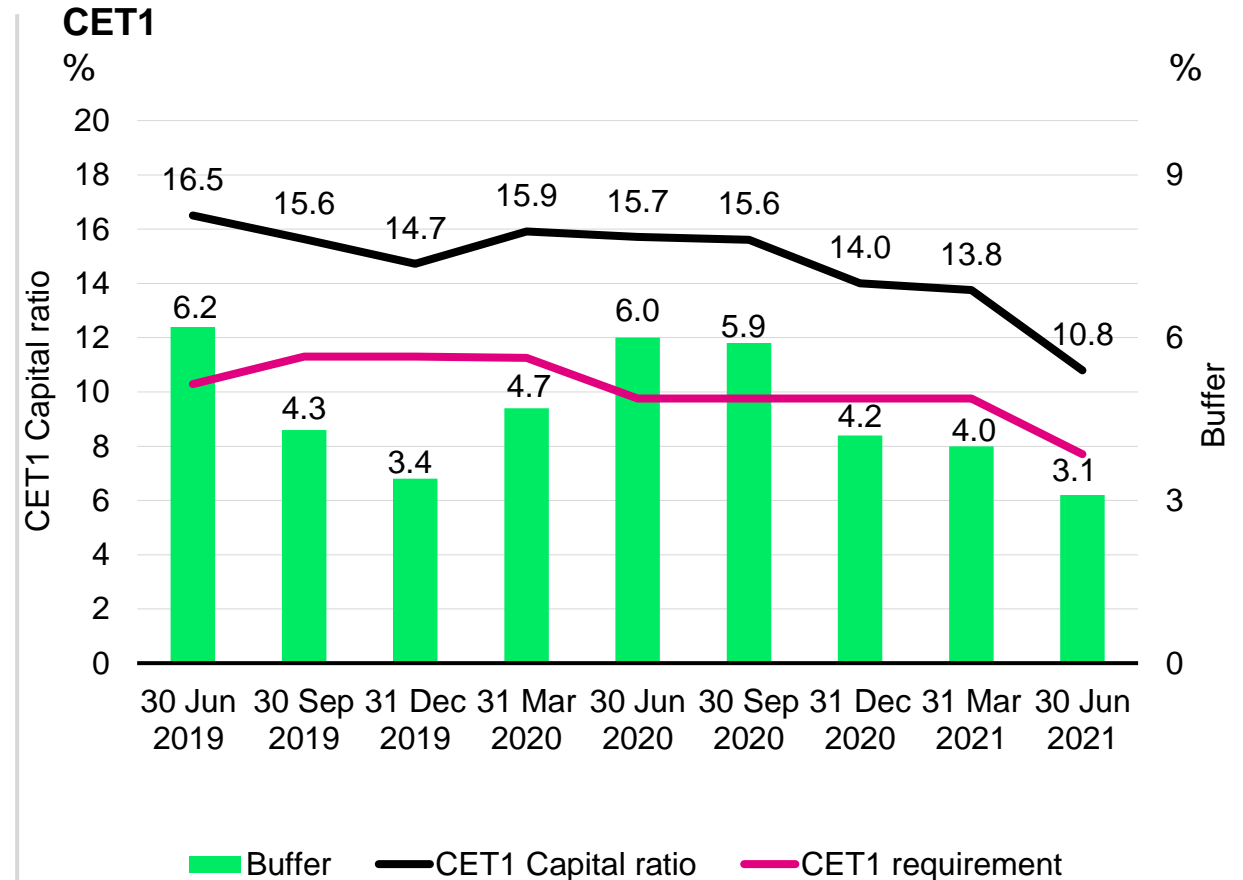
Moody's: A1 / P-1, stable, Covered Bonds: Aaa

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

# CET1 ratio close to the upper limit of the target

## Capital Adequacy

- At the end of the period, the Bank Group's Common Equity Tier 1 (CET1) capital ratio was 10.8%
  - Target range at the end of period 9.2–10.7%
  - AT1 requirements now covered with AT1 capital
- CET1 capital decreased by EUR 112.7 million during the period as expected
  - The decrease was mainly as a result of increase of intangible assets and goodwill accounted for the successful closing of the Taaleri transaction
  - The maximum proposed 2020 dividend, EUR 0.43 per share, has been deducted from the CET1 capital, which affected the CET1 capital ratio by 1.2 percentage points
- Aktia has issued AT1 capital of EUR 60 million during the second quarter
  - Tier 1 ratio was 12.9%
- Total capital ratio 15.5% (minimum requirement 11.76%)



# Aktia meets regulative targets

- Minimum CET1 requirement ratio is 7.71 % (2Q21 CET1 10,8%).
- Total minimum capital ratio requirement 11.76% (2Q21 Total capital:15.5%).
- Aktia Bank Group's leverage ratio was **3.8%** (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 576.3 million
  - Own funds and eligible liabilities EUR 1,499.4 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>

# Funding activities

- During the Q2 2021 Aktia completed one private placement transaction. During the first half of the year 2021 Aktia Bank has issued 12 senior preferred debts under the EMTN program. The total volume being approximately EUR 195 million with maturities in the range of 3–10 years.
- In May Aktia Bank issued successfully inaugural transaction of Additional Tier 1 unsecured fixed to fixed rate notes of EUR 60 million. The Notes bear a fixed interest at the initial rate of 3.875 per cent per annum. The Notes are rated Baa3 by Moody's Investors Service and listed on Nasdaq Helsinki Ltd.
- Aktia's liquidity situation is very good. The LCR ratio has been well over the regulative limit being 161% at the end of Q2. The cash level has been equally very good. The ECB tiering structure has been in full use for nearly the whole period.

# High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 161%.

- 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 1,433 million on 30 June 2021 (4Q20: EUR 1,368 million).

## Unencumbered Liquidity reserve, market value

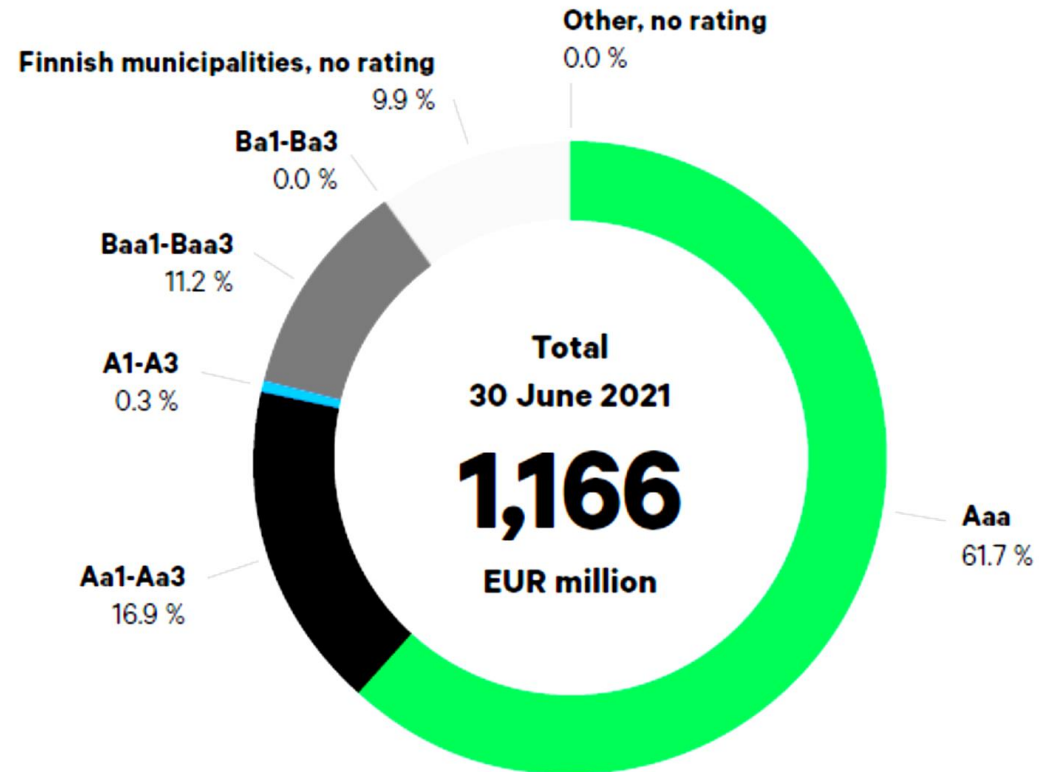
	30 Jun 2021	31 Dec 2020
<b>EUR million</b>		
Cash and holdings in central banks	667	250
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	217	226
Securities issued or guaranteed by municipalities or Public sector entities	115	132
Covered bonds	434	755
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
<b>Total</b>	<b>1,433</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
- Senior notes eligible for Central Bank operations
- Commercial or Municipalities issued short term papers

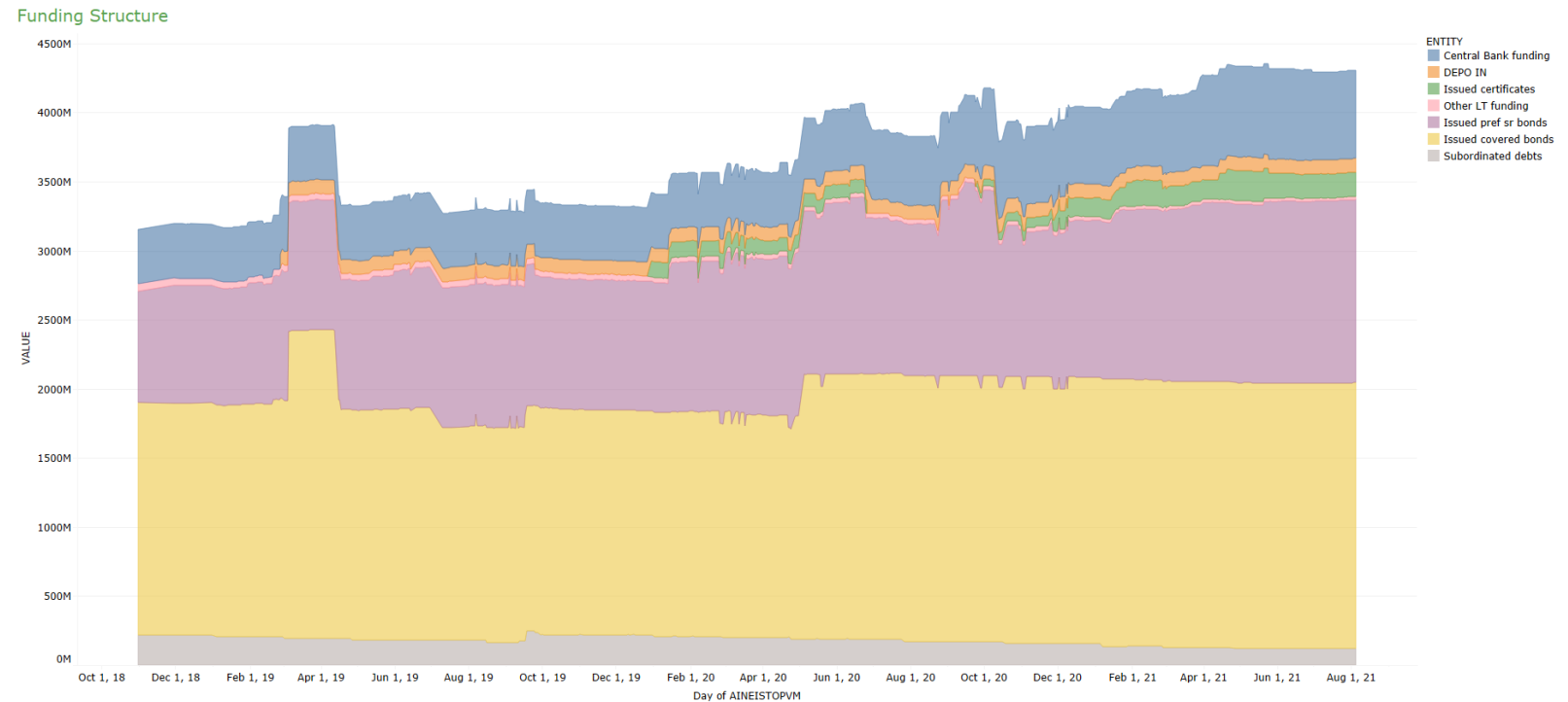


# Sound funding profile

## Covered Bond issuance and customer deposits dominate

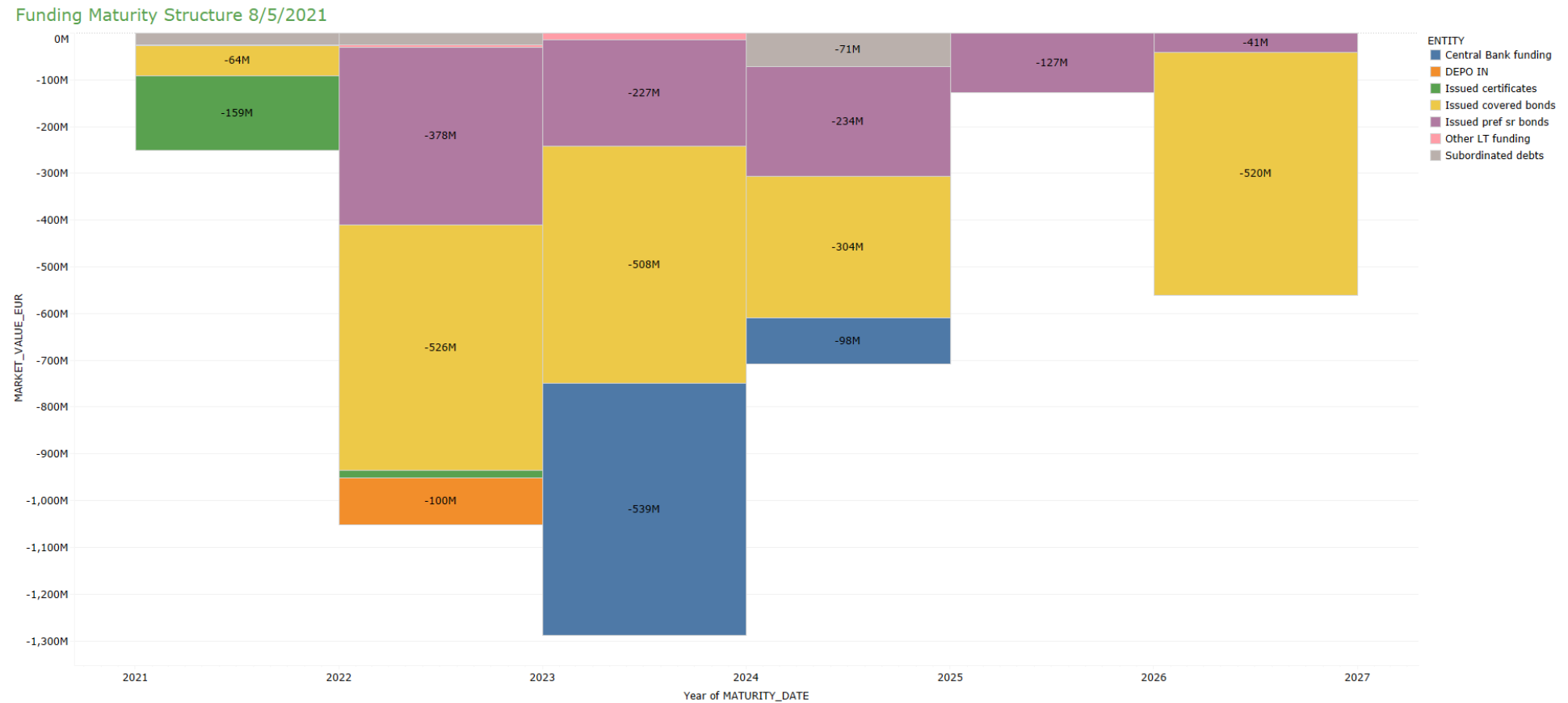
Borrowing from the public and public-sector entities increased to EUR 4,560 (4,466) million. Aktia's market share of deposits was 3.0% (3.1%) at the end of June.

The value of bonds issued by Aktia Bank totalled EUR 2,890 (2,720) million. The total is excluding the EUR 300 million retained Covered Bond issued in May 2021.



# Redemption schedule

The year 2021 is gentle on redemptions but growth increases funding volumes



# 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.**

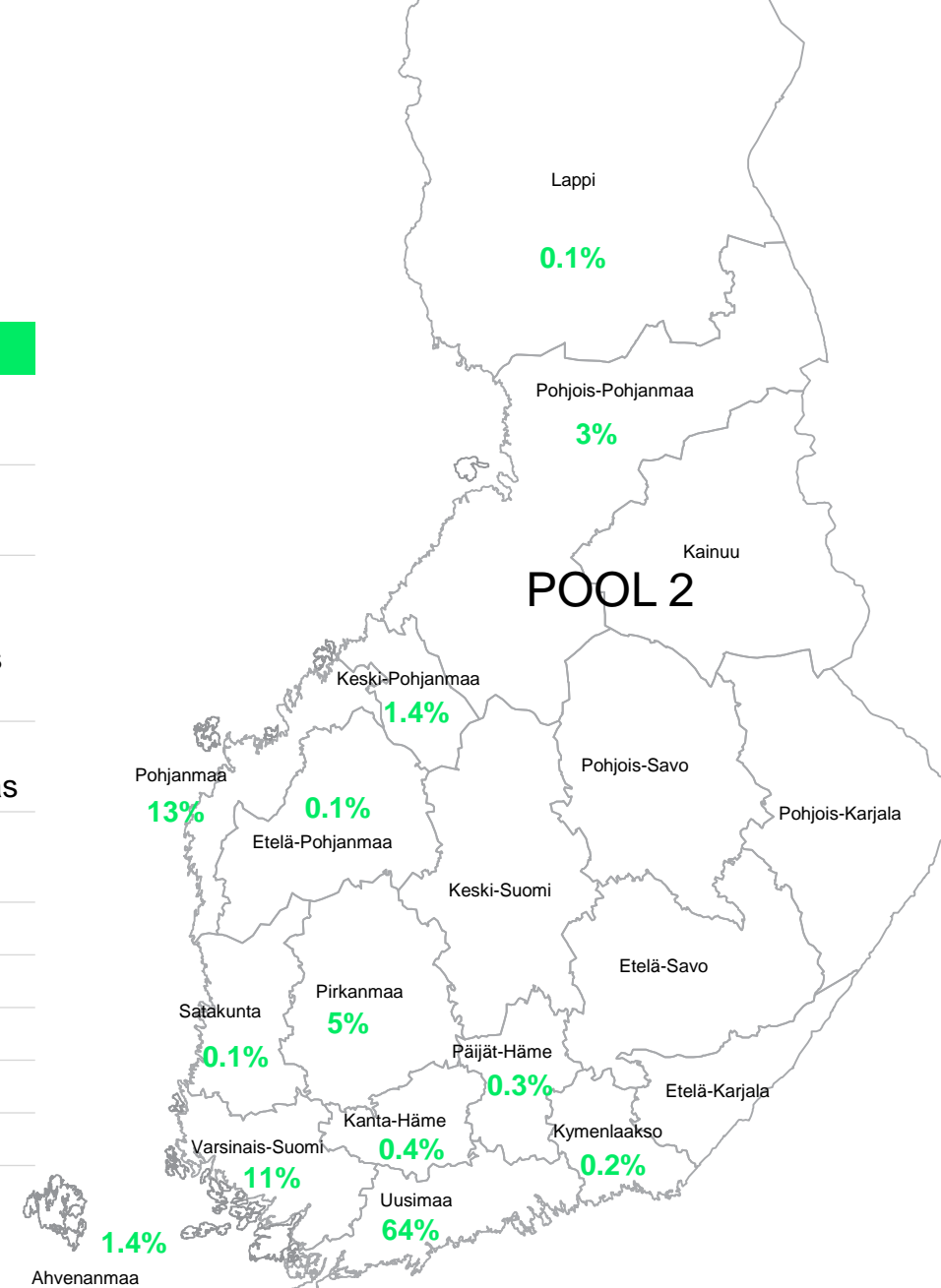
**The Finnish Covered bond legislation is to be updated during the year 2021 to comply with the Directive (EU)2019/2162 and the regulation (EU) 2019/2160 of the European Parliament and of the Council**

- 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
- 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

2Q 2021

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,343 million	EUR 117 million
No of loans / average loan balance	36,176 / EUR 64,779	1,787 / EUR 65,356
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	45.55%	34.53%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 96%, fixed 4%	floating 97%, fixed 3%
WA seasoning	65 months	106 months
Overcollateralisation (%)	27.36% (committed 10%)	171.61% (committed 12%)
Moody's Collateral Score	5.00%	5.00%



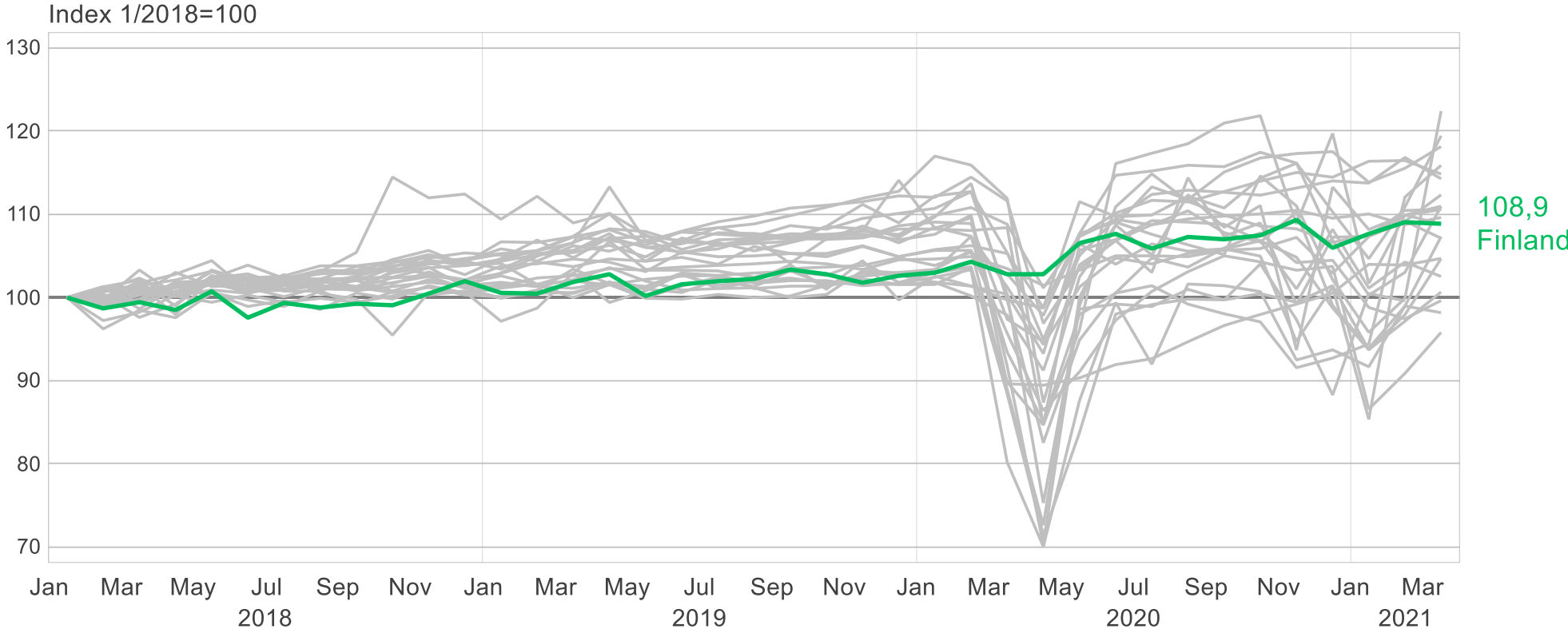
**Aktia**

# Finland – a strong but very export driven economy

# Finnish economy proved resilient during pandemic

## Retail trade volume in EU-countries

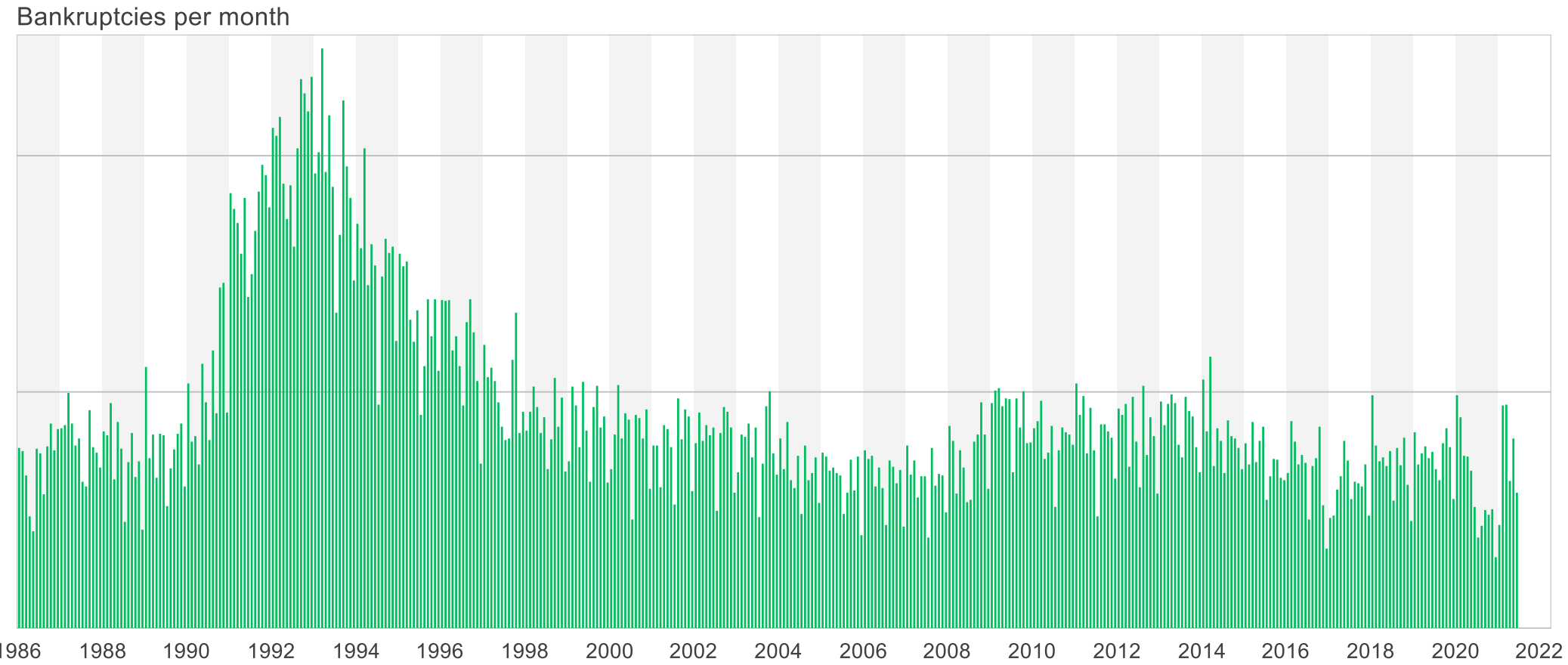
Seasonally and working day adjusted. Excluding motor vehicles.



Source: Aktia, Macrobond and Eurostat.

# Bankruptcy wave did not materialize

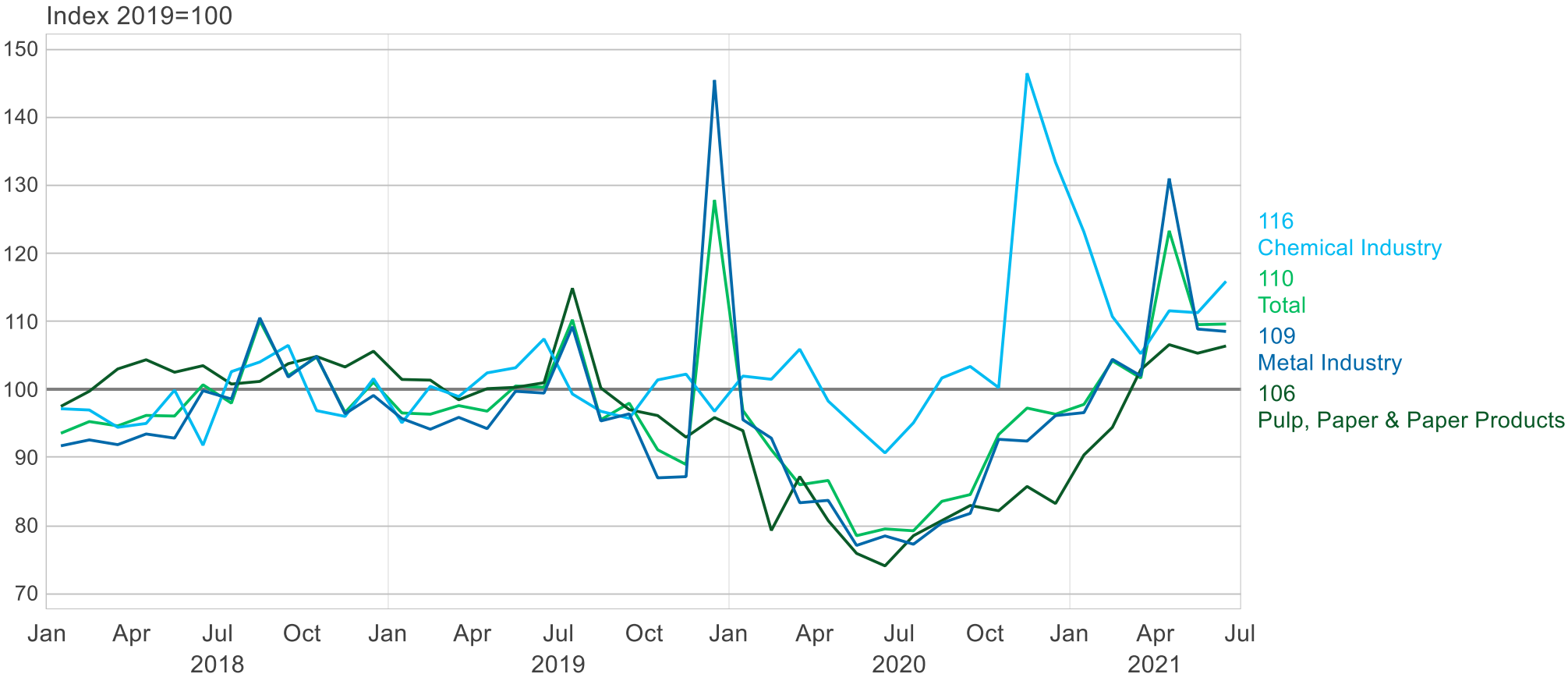
## Number of bankruptcies in Finland



Source: Aktia, Macrobond and Statistics Finland.

# Order intake give a positive short term view

## Order intake in finnish manufacturing industries

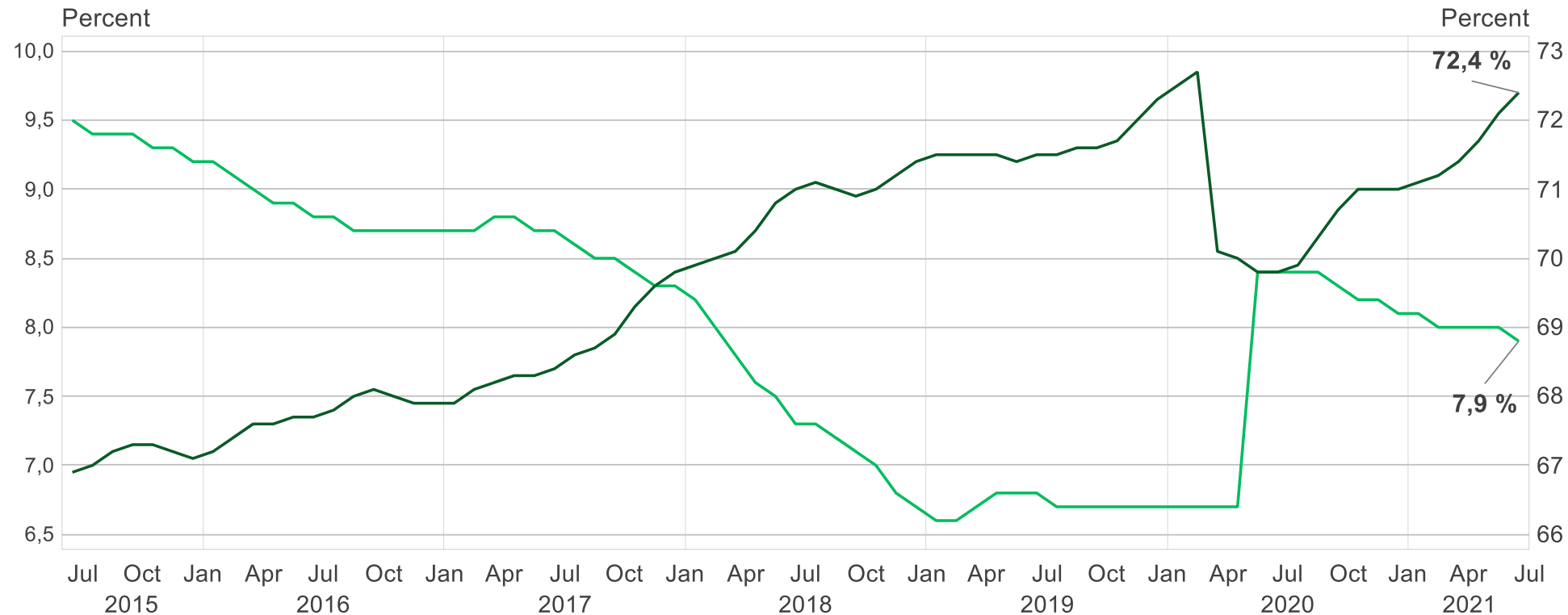


Source: Aktia, Macrobond and Statistics Finland.

# Employment improving

## Finland: unemployment and employment rates, trend

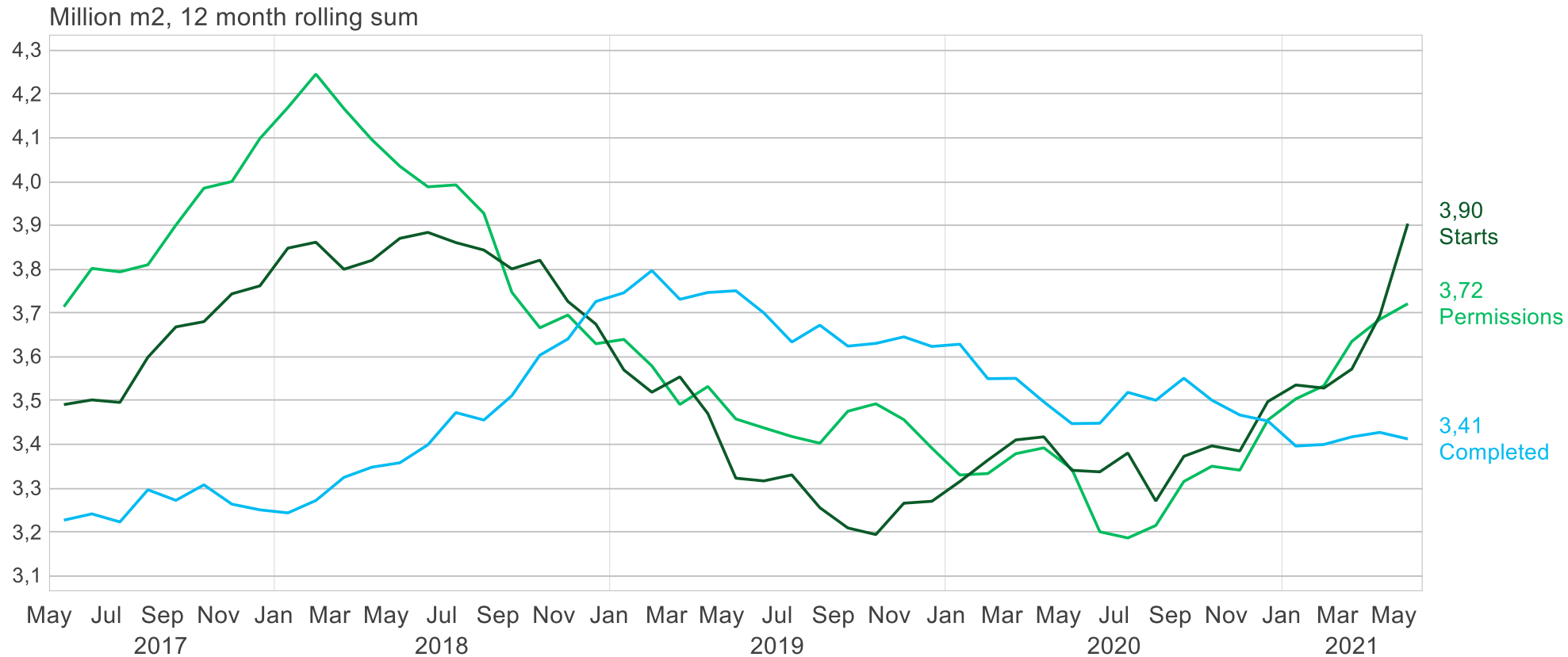
— Employment (15-64), right — Unemployment (15-74), left



Source: Aktia, Macrobond and Statistics Finland.

# Residential construction activity is turning

## Residential construction activity

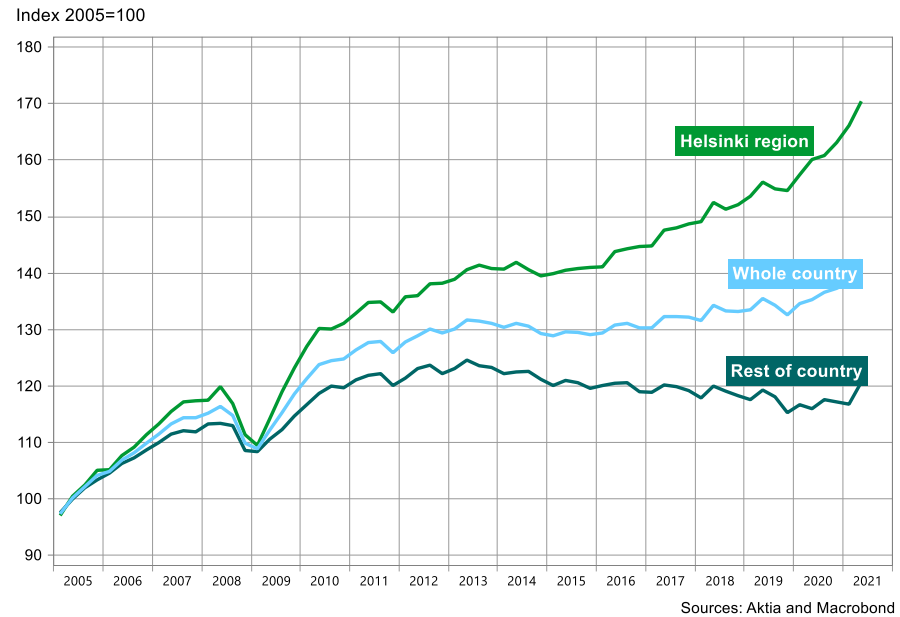


Source: Aktia, Macrobond and Statistics Finland.

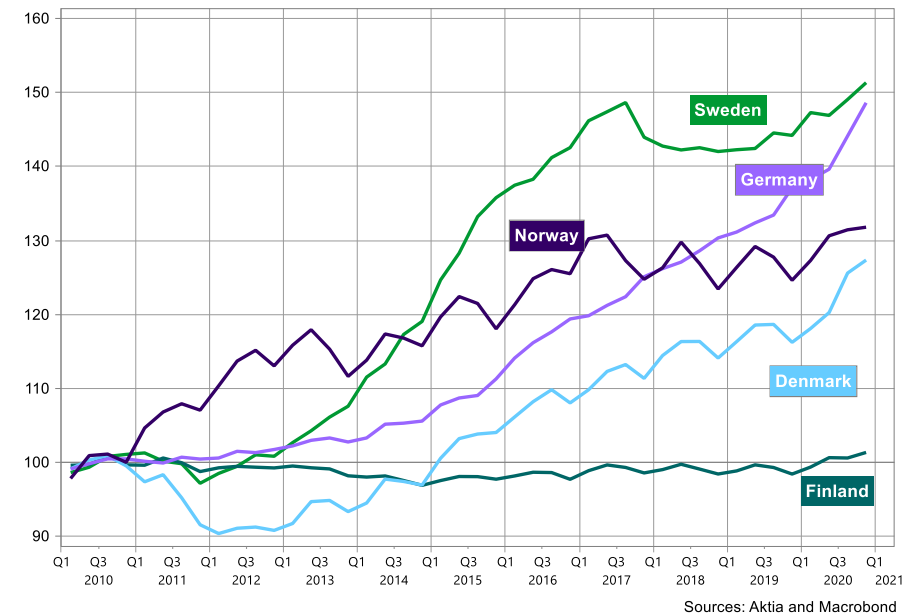
# Finnish housing market

Solid and stable market, positive development focused on growing cities

Finland: Prices of old apartments



Real House Prices, 2010=100



# Contacts and additional information



**Outi Henriksson**  
CFO  
Tel. +358 10 247 6236  
outi.henriksson@aktia.fi



**Lotta Borgström**  
Director, IR and Communications  
Tel. +358 10 247 6838  
lotta.borgstrom@aktia.fi



**Timo Ruotsalainen**  
Head of Treasury  
Tel. +358 10 247 7211  
timo.ruotsalainen@aktia.fi

## 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

# Financial summary Q2 and YTD

EUR million	2Q2021	2Q2020	Δ %	1-6/2021	1-6/2020	Δ, %
<b>Total operating income</b>	<b>73.3</b>	<b>54.8</b>	<b>34%</b>	<b>131.2</b>	<b>94.7</b>	<b>39%</b>
Net interest income	27.7	20.1	37%	49.0	39.8	23%
Net commission income	31.7	22.9	39%	56.8	48.1	18%
Net income from life insurance	10.5	10.1	4%	20.4	4.9	315%
Other income	3.4	1.6	111%	5.0	1.9	168%
<b>Total operating expenses</b>	<b>-48.8</b>	<b>-36.3</b>	<b>35%</b>	<b>-87.6</b>	<b>-71.9</b>	<b>22%</b>
Impairments of credits and other commitments	-1.4	-1.8	-20%	-3.6	-3.2	14%
<b>Operating profit</b>	<b>23.0</b>	<b>16.3</b>	<b>41%</b>	<b>39.9</b>	<b>19.1</b>	<b>109%</b>
<b>Comparable operating profit*</b>	<b>26.0</b>	<b>16.5</b>	<b>57%</b>	<b>42.9</b>	<b>19.3</b>	<b>122%</b>
Earnings Per Share (EPS), EUR	0.25	0.19	32%	0.45	0.22	106%
Return on Equity (ROE), %	10.1	8.4	20%	9.1	4.9	87%
Cost-to-income ratio (comparable)	0.63	0.66	-5%	0.64	0.76	-16%
Common Equity Tier 1 capital ratio, %	10.8	15.7	-31%	10.8	15.7	-31%

\*) Excl. items affecting comparability

**Aktia**

# The financial targets 2023

**Comparable  
operating profit  
EUR 100 million**

1–6/2021;  
**EUR 42.9 million**

(1–12/2020;  
EUR 55.1 million)

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

30 June 2021;  
**9.1%**

(31 December 2020;  
6.7%)

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

1–6/2021;  
**0.64**

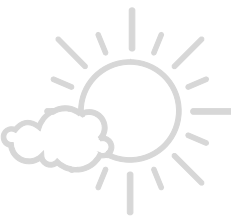
(1–12/2020;  
0.71)

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

30 June 2021;  
**3.1 percentage points over  
the minimum capital  
requirement 7.7%**

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

# Our strategic priorities



2023

① Win in **asset management**

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

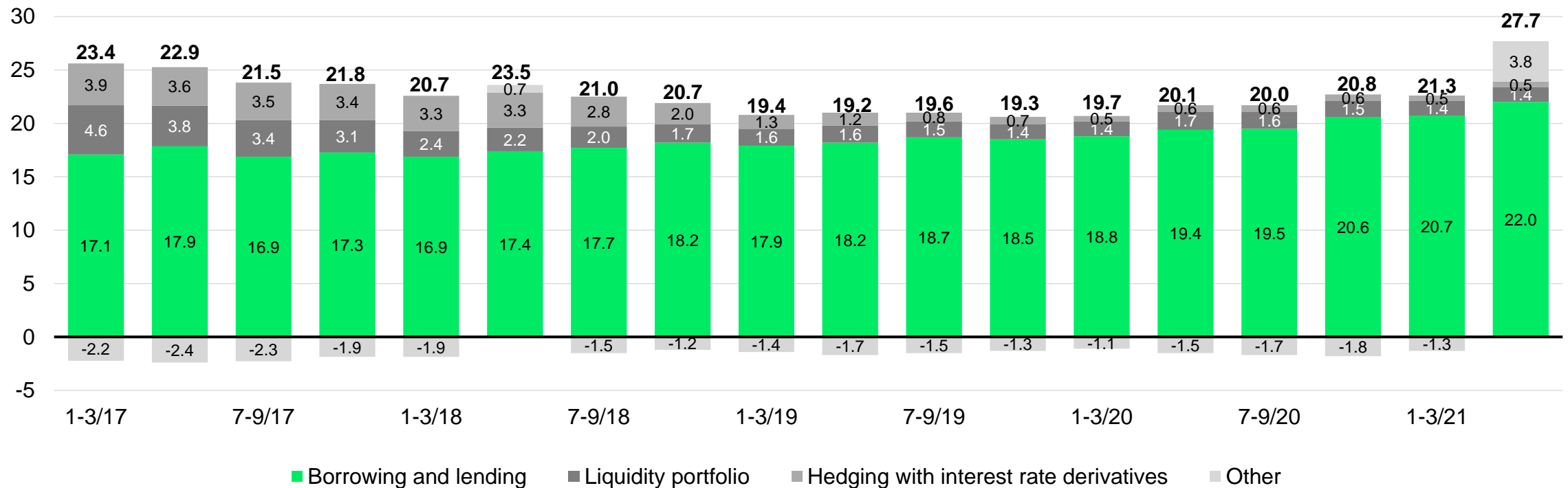
③ **Drive operational efficiency**  
to capitalise on our challenger position

Banking & Insurance

**Aktia**

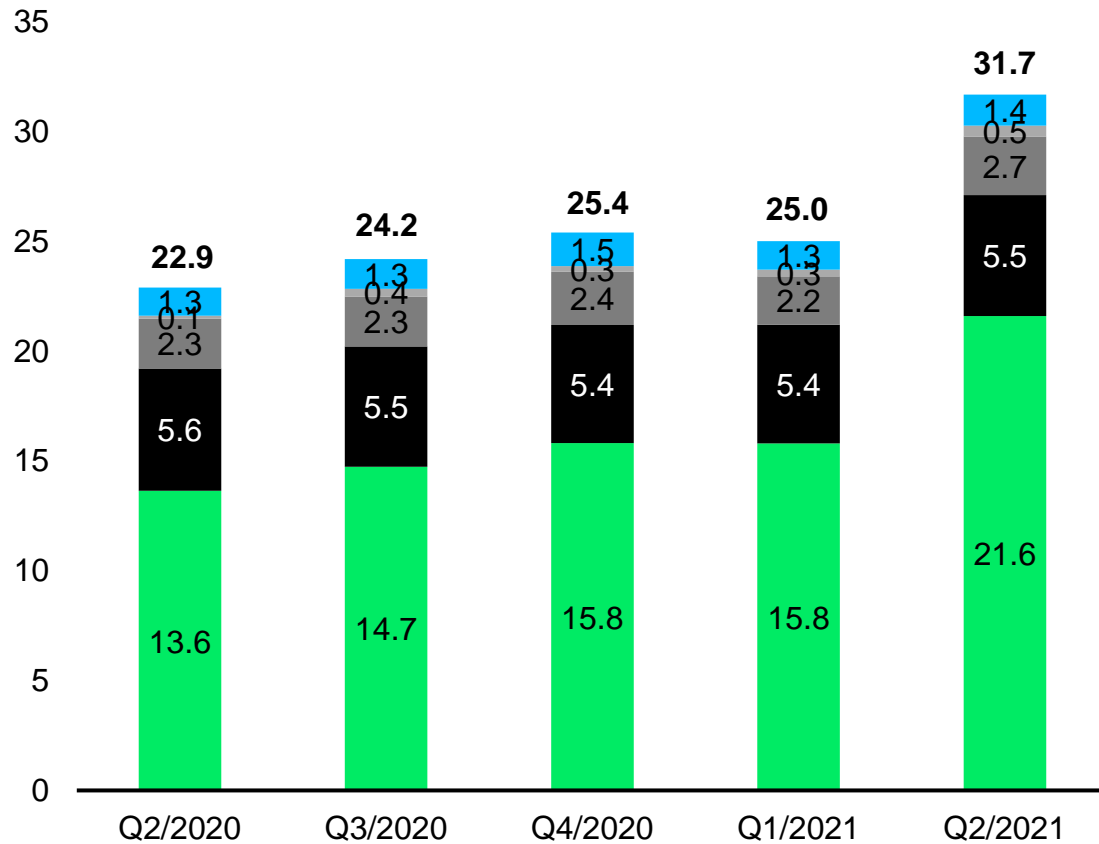
# Net interest income mix

EUR million



# Net commission income mix

EUR million



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