

4 AUGUST 2020

Q2 Investor presentation

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



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 number of granted applications from private customers amounted to approx. 11,000 (20% of loan book)
- 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 operational focus was to find solutions and offer flexibility to corporate customers' financial needs caused by the coronavirus
- Aktia continued the purchase of loans to housing companies from the Mortgage Society of Finland (Hypo) to a value of EUR 48 million.

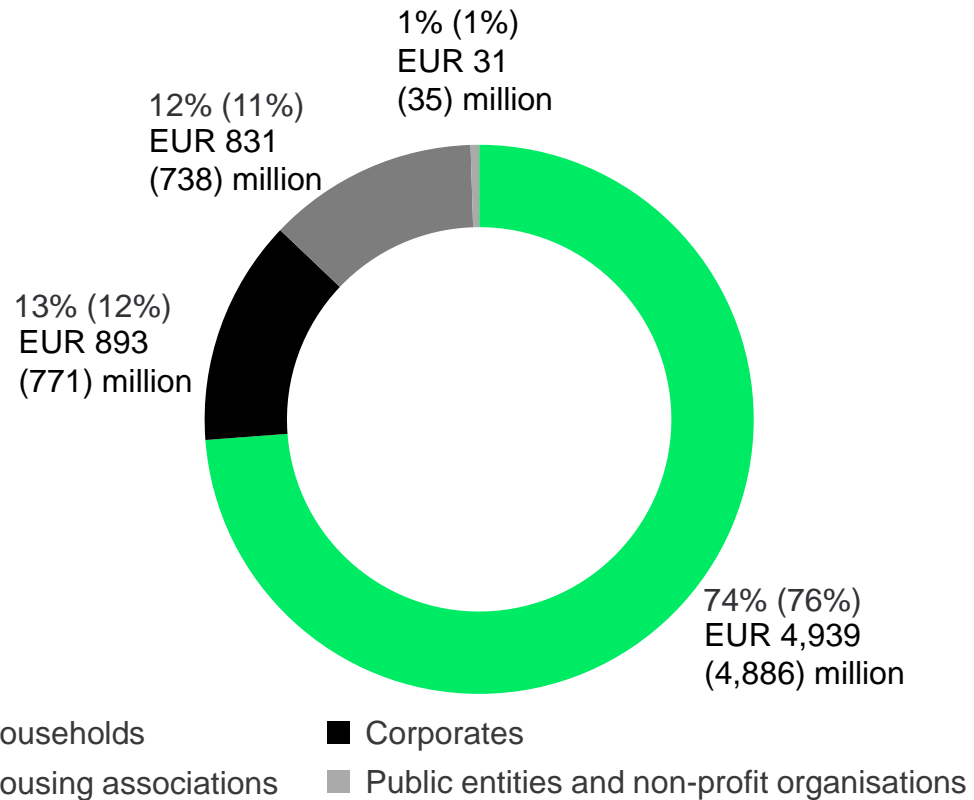
Aktia

Structure of lending and deposits

30 June 2020 (31 December 2019)

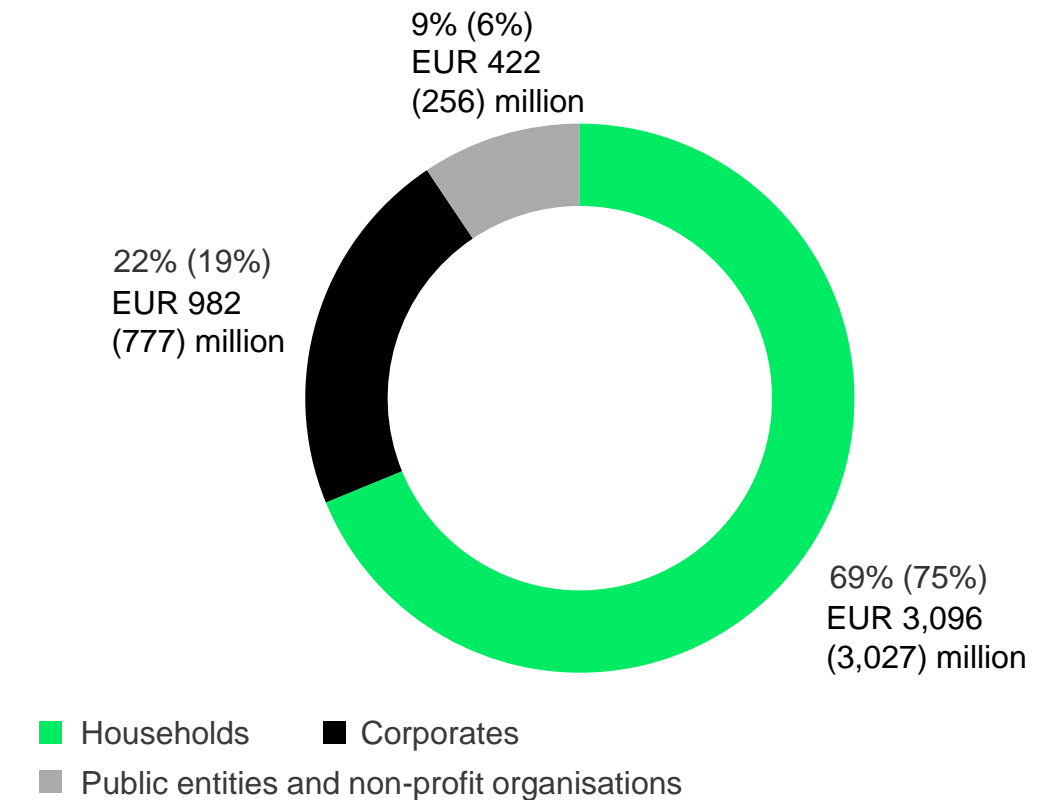
Lending

Total EUR 6,694 (6,429) million



Deposits

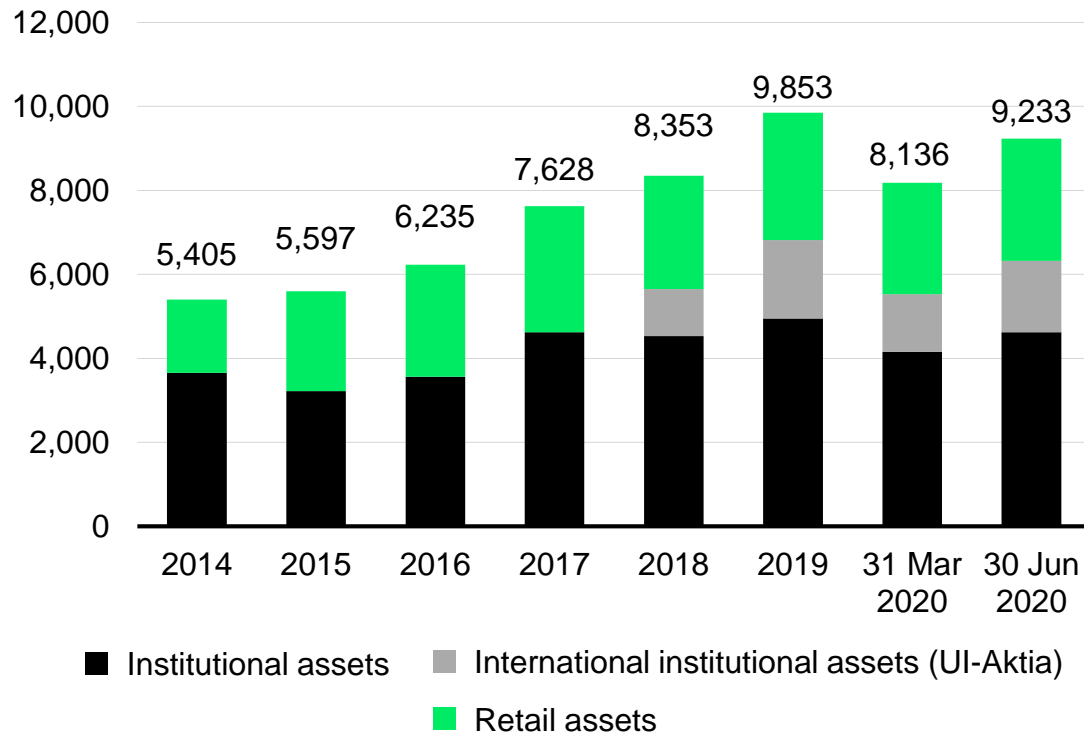
Total EUR 4,500 (4,060) million



Positive development in Asset Management

Asset Management

Assets under management excluding custody (AuM)
EUR million



Aktia

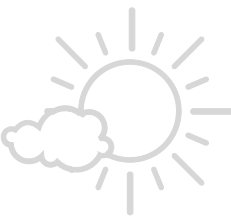
Asset Management

- 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

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%)

COVID-19: impacts and measures

Coronavirus pandemic

We always put safety of our customers and personnel first

- 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
- A rapid change in the way of working: appr. 80% of the personnel worked remotely at the peak of the pandemic.
- A big change in customer behaviour: 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.

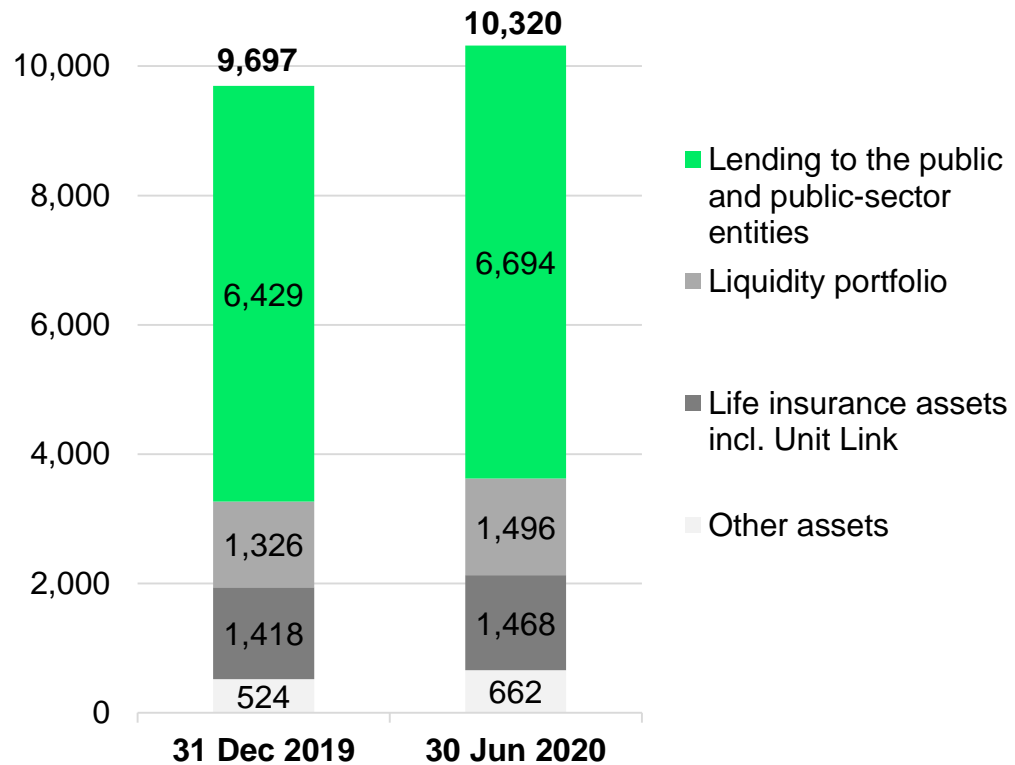
Financial overview

Balance sheet total increased to EUR 10,320 million

30 June 2020

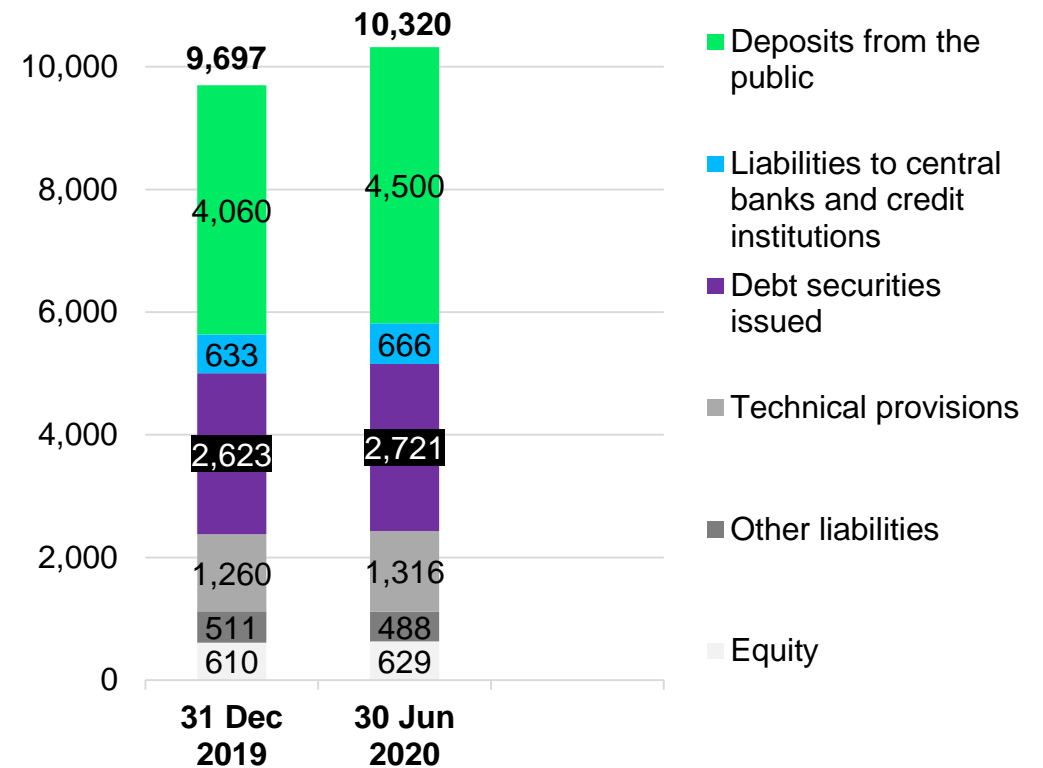
Total assets

EUR million



Total liabilities and equity

EUR million

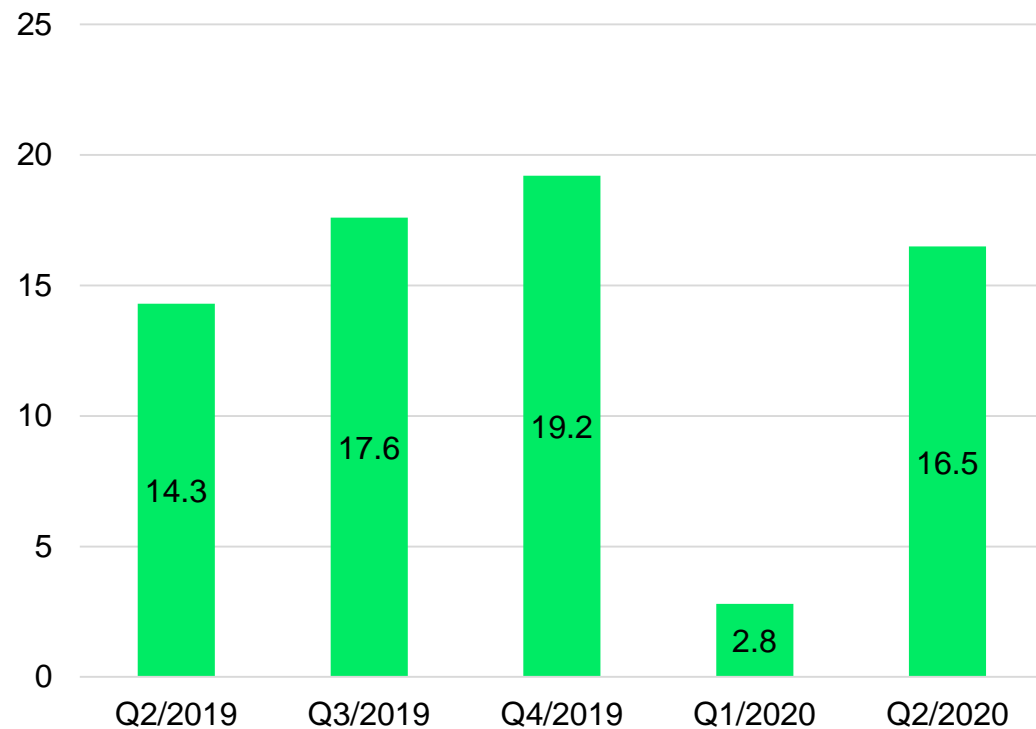


Comparable operating profit

Q-o-Q

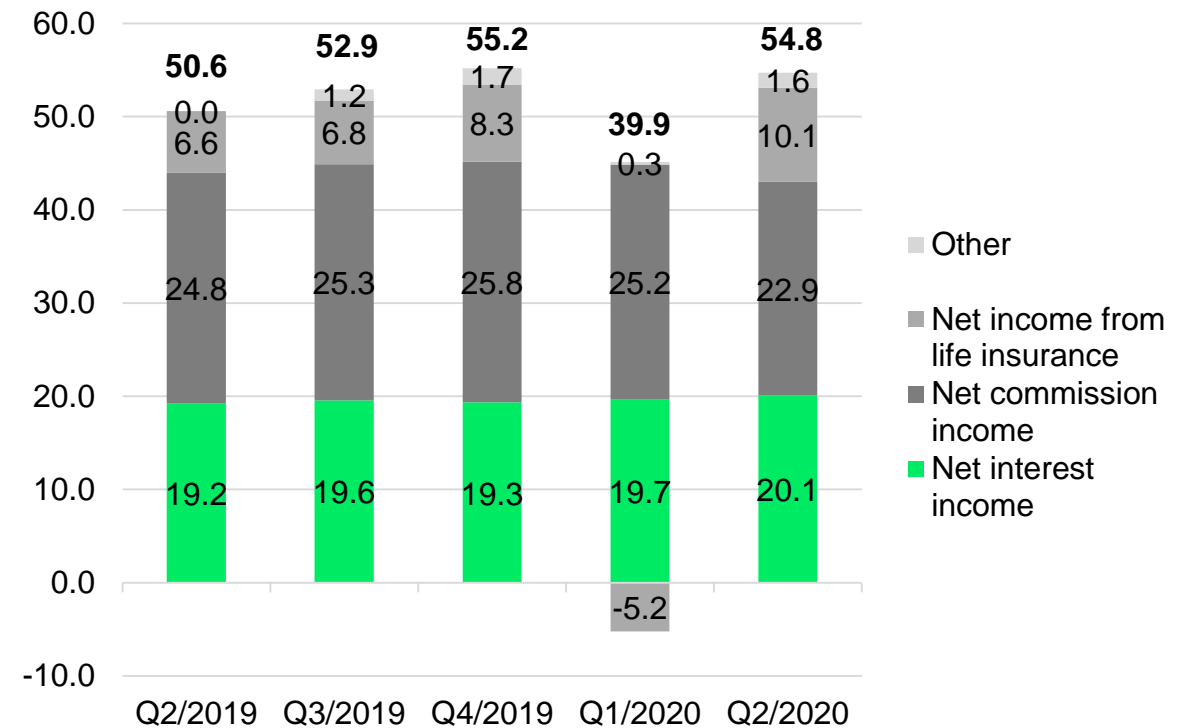
Comparable operating profit

EUR million



Comparable operating income

EUR million



Aktia

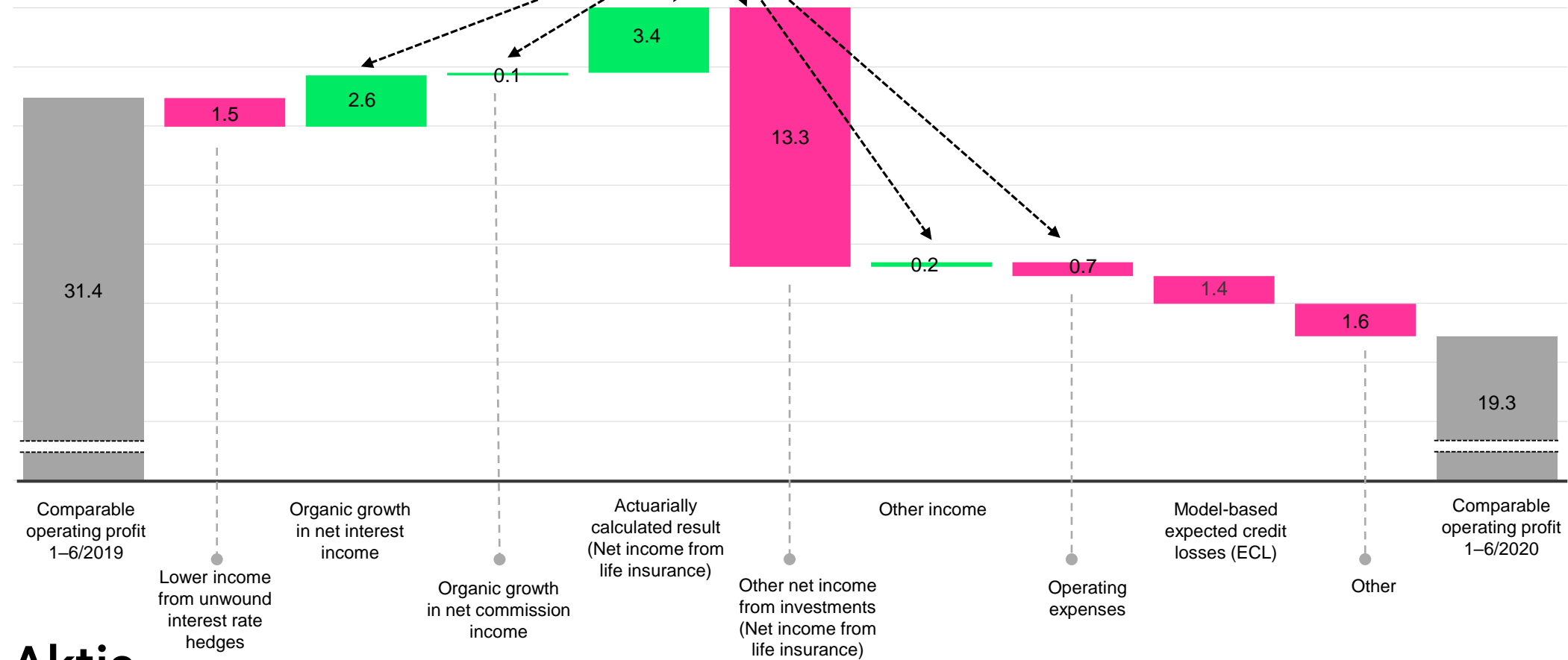
Comparable operating profit

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)

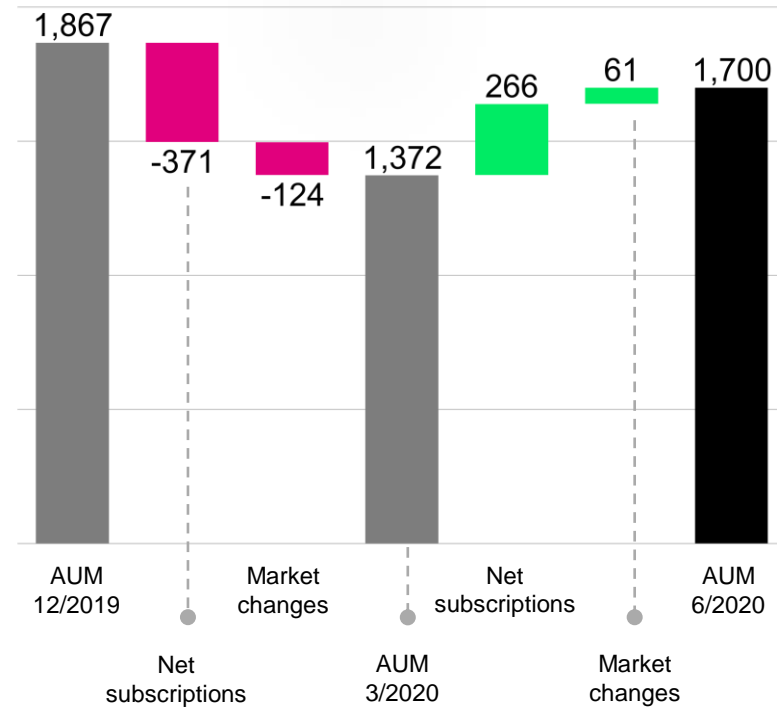
EUR million



Recovery driven by positive net subscriptions and market changes

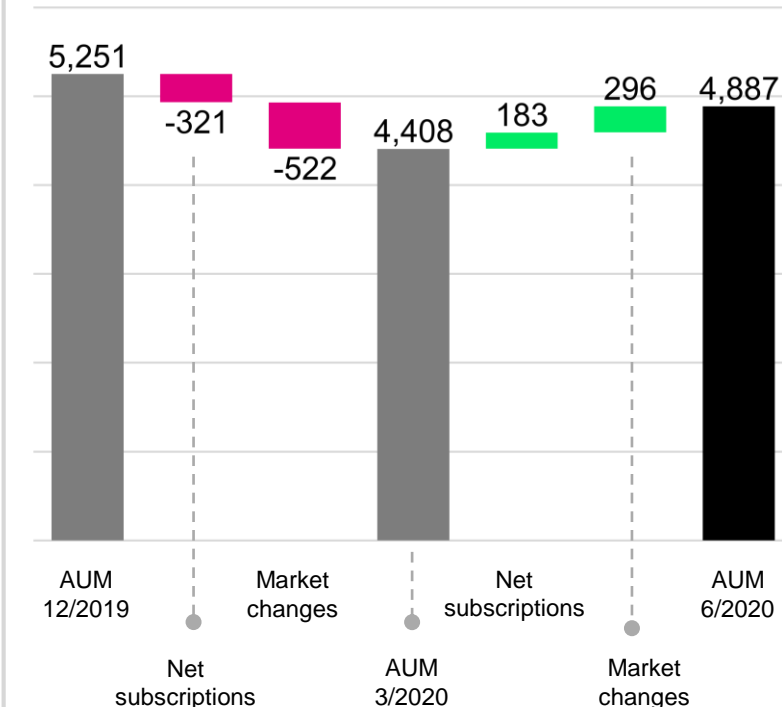
Asset Management, Aktia UI 1–6/2020

EUR million



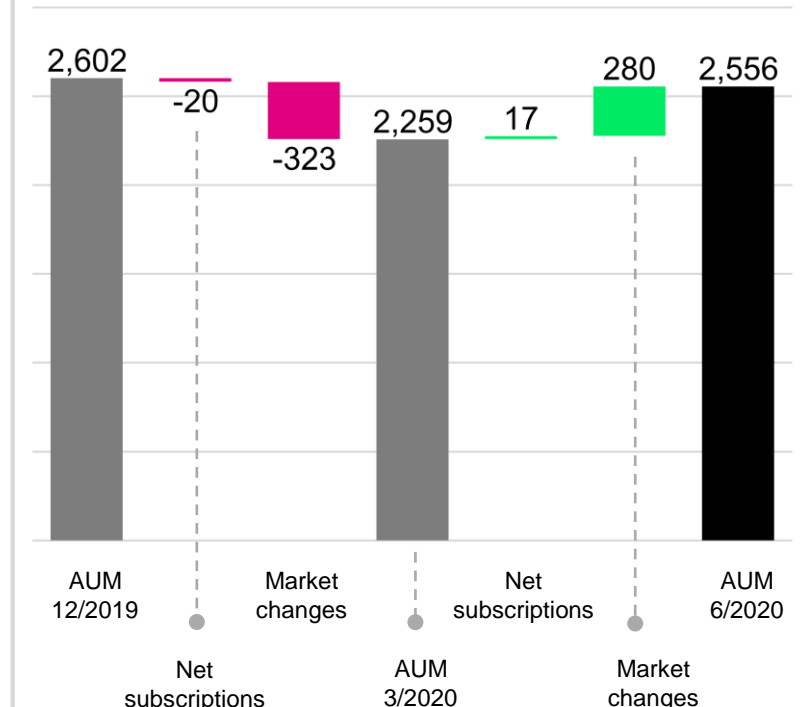
Asset Management, domestic 1–6/2020

EUR million



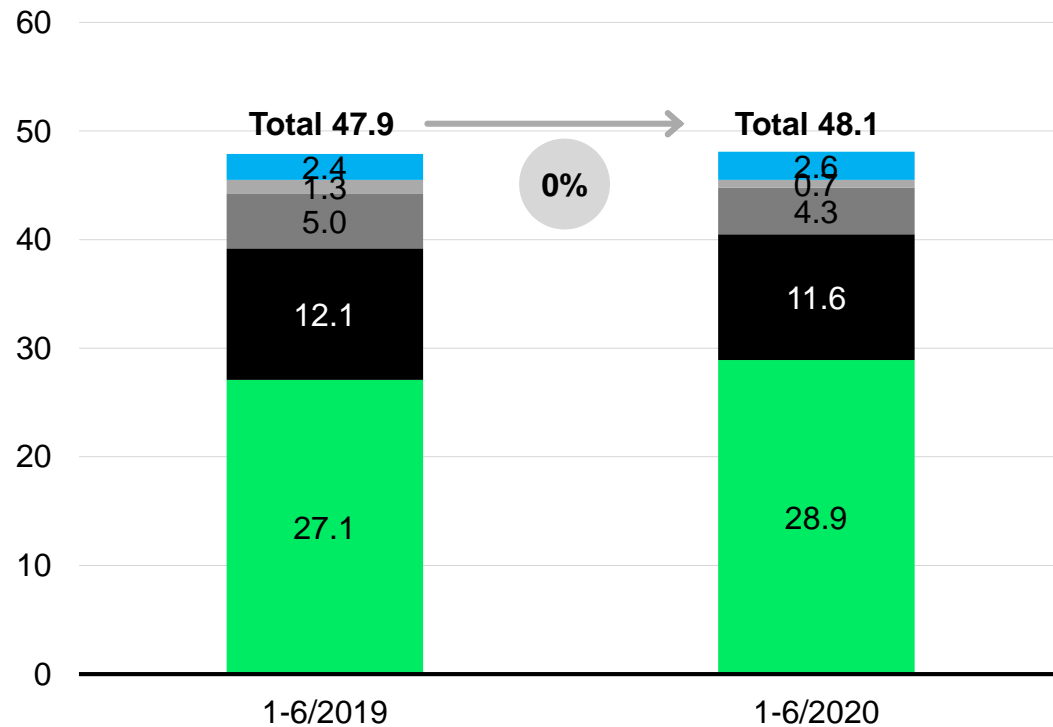
Banking Business, Retail 1–6/2020

EUR million



Net commission income mix

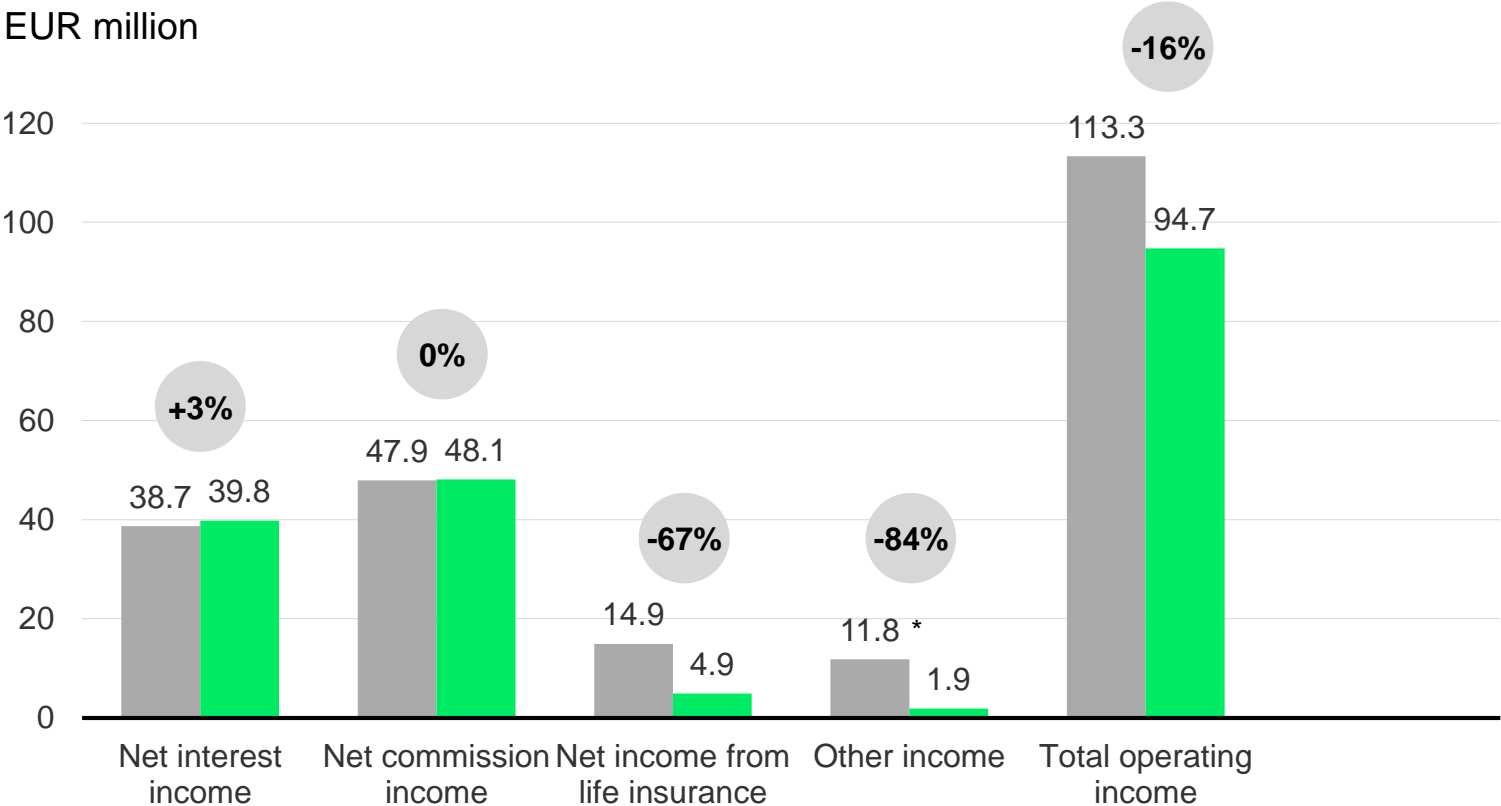
EUR million



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

Total operating income decreased by 16%

Income mix
EUR million



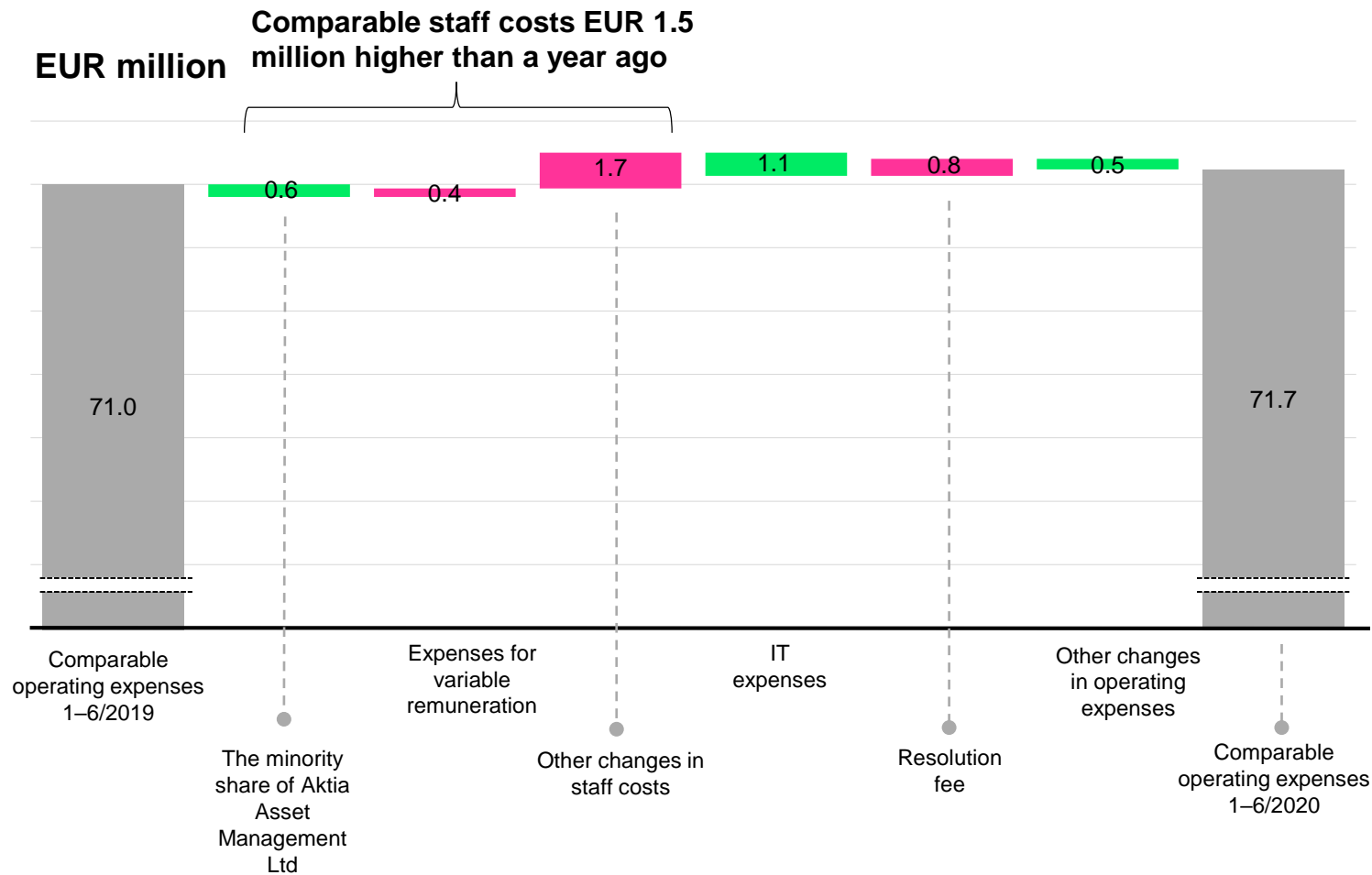
■ 1-6/2019 ■ 1-6/2020

* 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



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.

The debt investment case

Credit ratings

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

CET1 meets regulative targets

Capital adequacy and capital requirement

- Aktia's Common Equity Tier 1 (CET1) Capital is at a good level at 15.7% (1Q20 15.9%)
- Total Capital Ratio is at 18.9% (1Q20 19.4%)
- Target for CET 1 over time is to exceed the regulative requirement (8.26%) with 150–300 basis points.
- Aktia Bank Group's leverage ratio was 4.9% (1Q20 5.0%).
 - **Tier 1 capital** **EUR 447.0 million**
 - **Total exposures** **EUR 9,084.9 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 717.0 million**
 - **Own funds and eligible liabilities** **EUR 1,220.8 million**

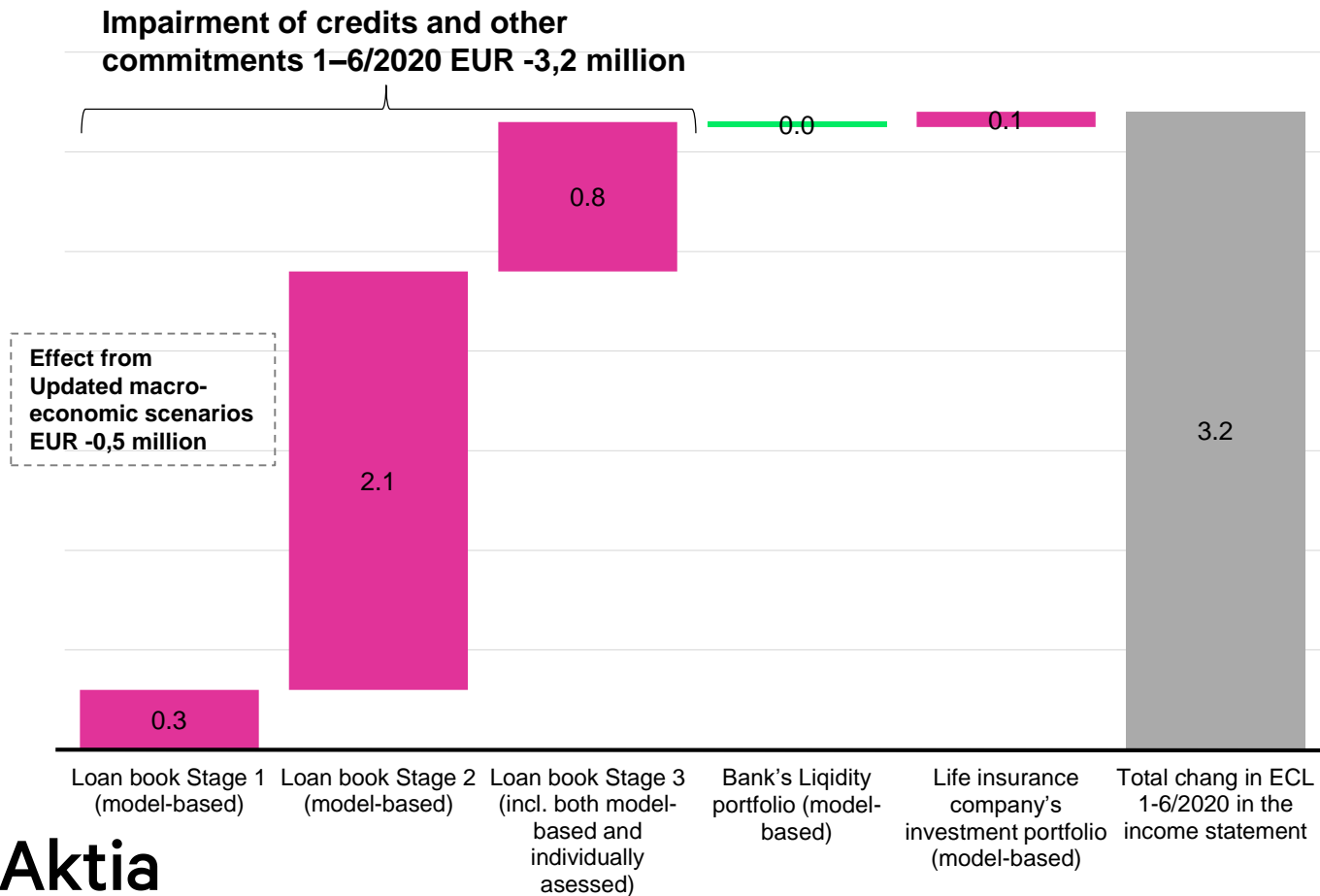
Capital requirement	%
CET1 %	8.0%
Pillar 1 min req	4.5%
Pillar 2 req	1.25%*
Capital Conservation buffer	2.5%
Counter Cyclical buffer	0.01%
Systemic Risk buffer**	0,0%
Total CET1 % req	8.26%
AT1 Capital	1.5%
Tier 2 Capital	2.0%
Total Capital Requirement	11.76%

**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.

Provisions for future expected credit losses

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

EUR million



Aktia

- 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 estimate (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.

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.

High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 137%.

- 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 1,564 million on 30 June 2020 (1Q20: EUR 1,419 million).

Liquidity reserve, market value

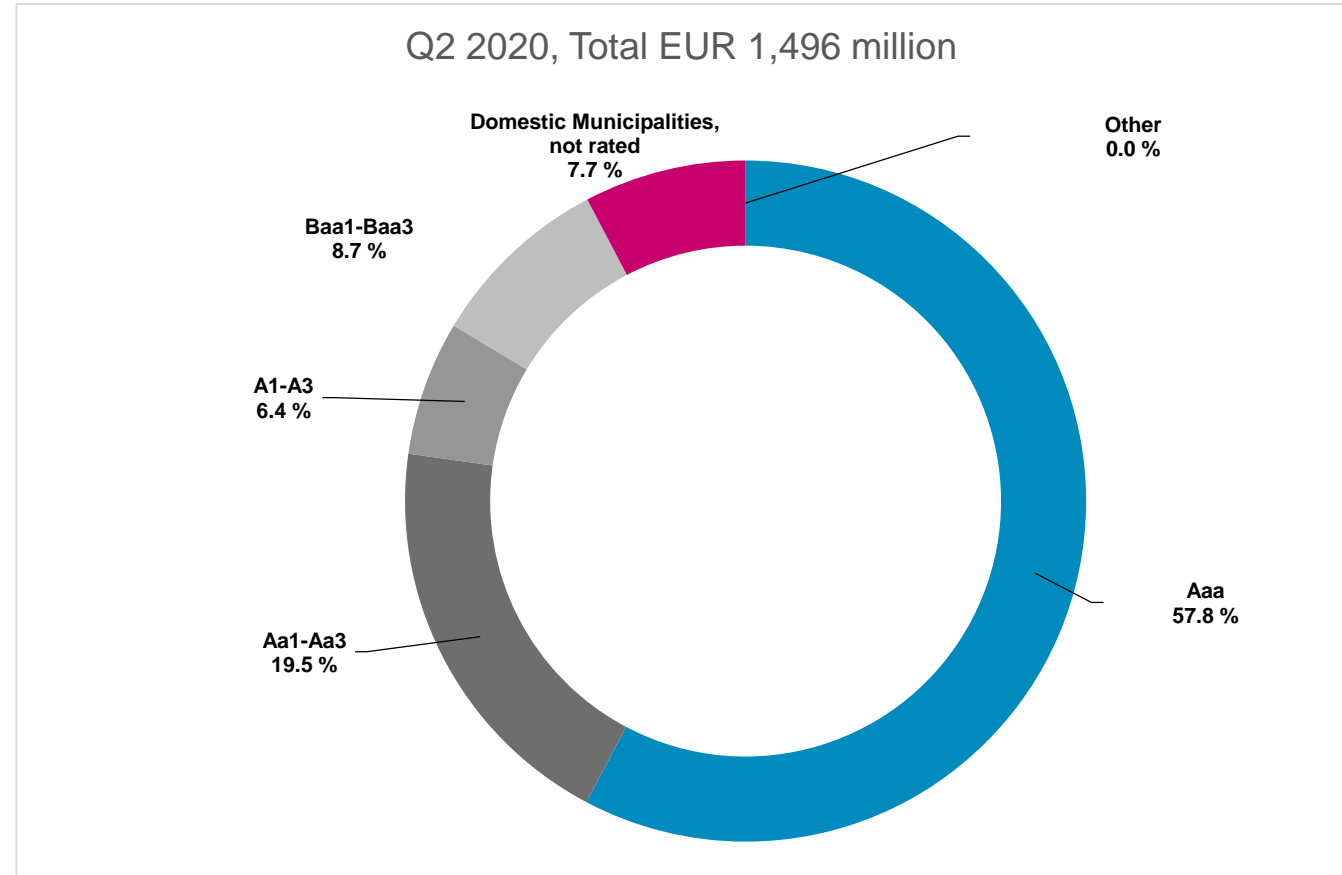
	30 Jun 2020	31 Dec 2019
EUR million		
Cash and holdings in central banks	382	271
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	222	195
Securities issued or guaranteed by municipalities or Public sector entities	115	208
Covered bonds	845	430
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	1,564	1,104

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

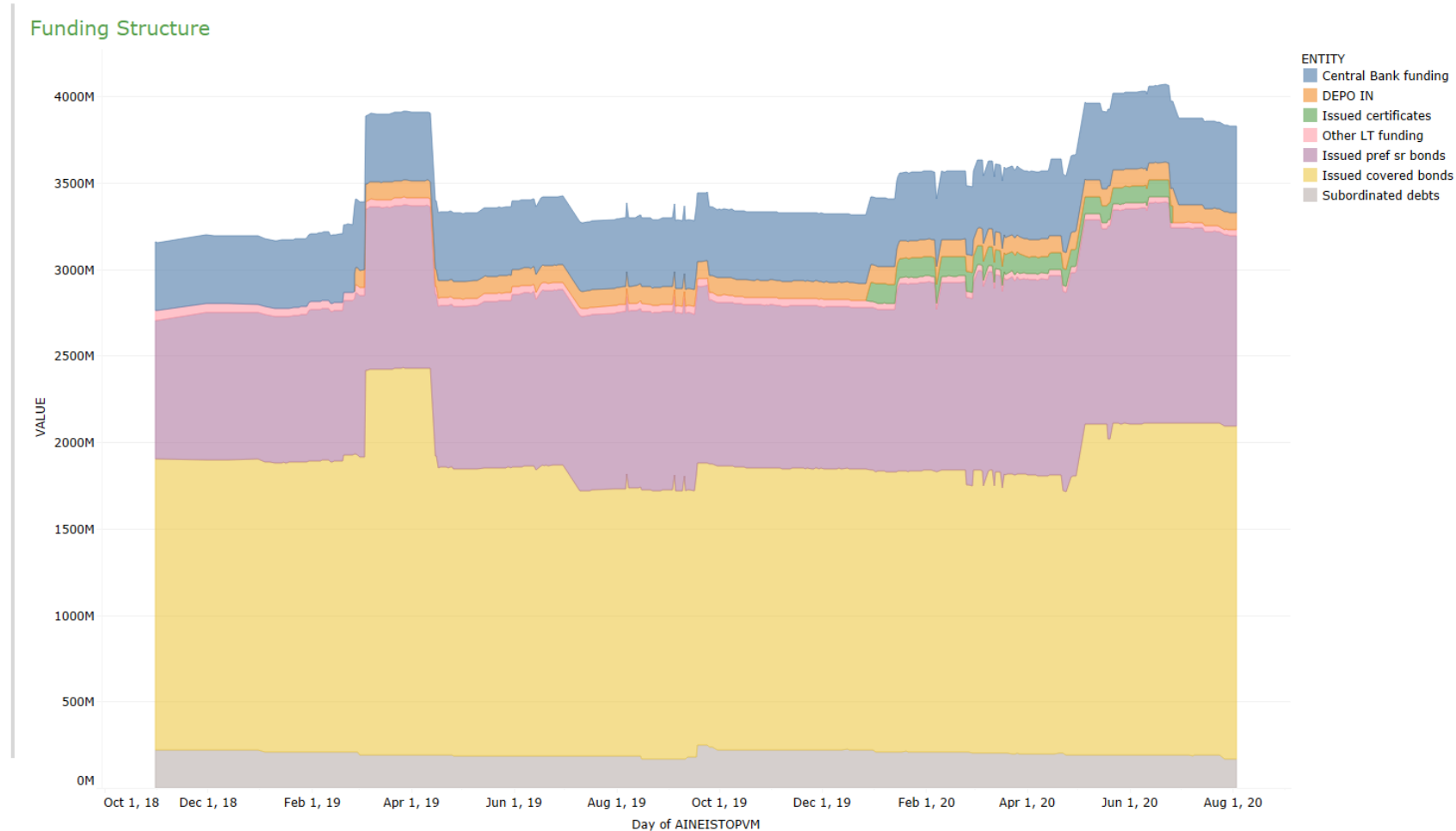


Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities increased to EUR 4,500 (4,060) million. Aktia's market share of deposits was 3.2 (3.2) % at the end of June.

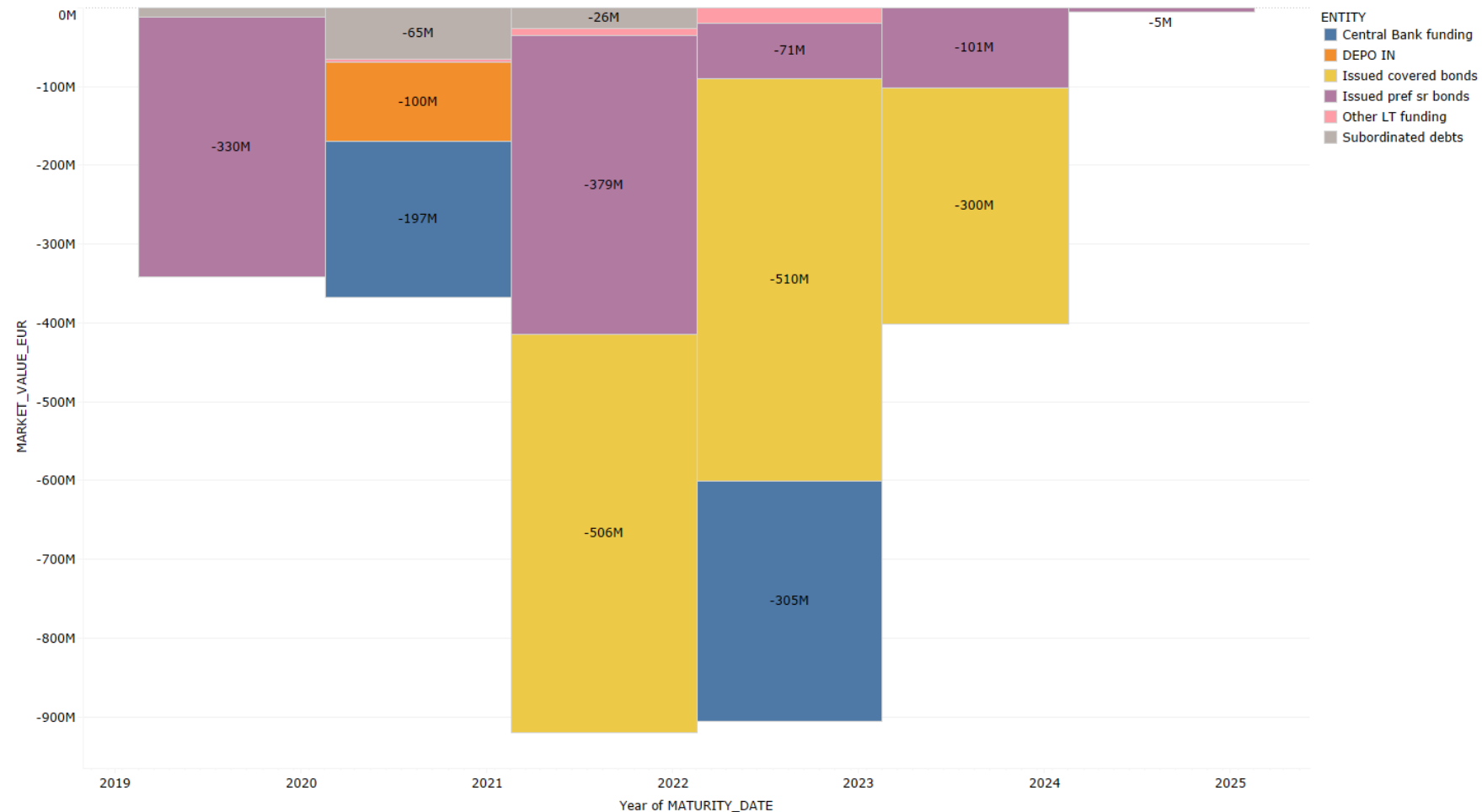
The value of bonds issued by Aktia Bank totalled EUR 2,721 (2,526) million.



Redemption schedule

The year 2020 consists predominantly senior issuance

Funding Maturity Structure 8/3/2020



Aktia Bank as covered bond issuer

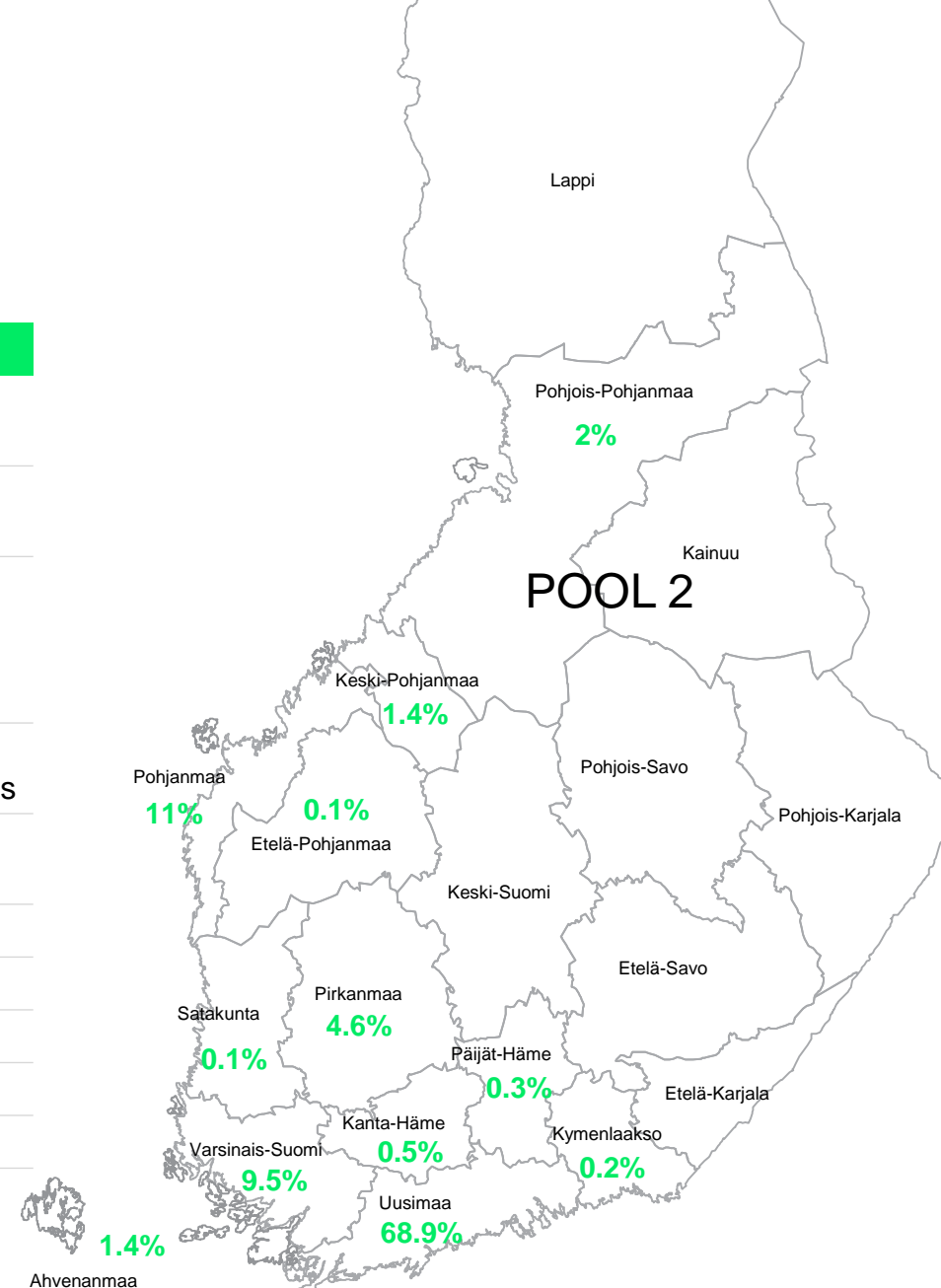
Aktia Bank operates under the legislation as mortgage bank (Act on Mortgage Credit Bank Operations, MCBA 688/2010) and issues the covered bonds directly from the bank's balance sheet.

- 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

2Q 2020

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,300 million	EUR 143 million
No of loans / average loan balance	36,873 / EUR 62,379	2,121 / EUR 67,555
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	44.74%	35.95%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 97%, fixed 3%	floating 97%, fixed 3%
WA seasoning	66 months	94 months
Overcollateralisation (%)	25,01% (committed 10%)	233.22% (committed 12%)
Moody's Collateral Score	5.00%	5.00%



Aktia

The Finnish Economy

Happiest peoples in the world

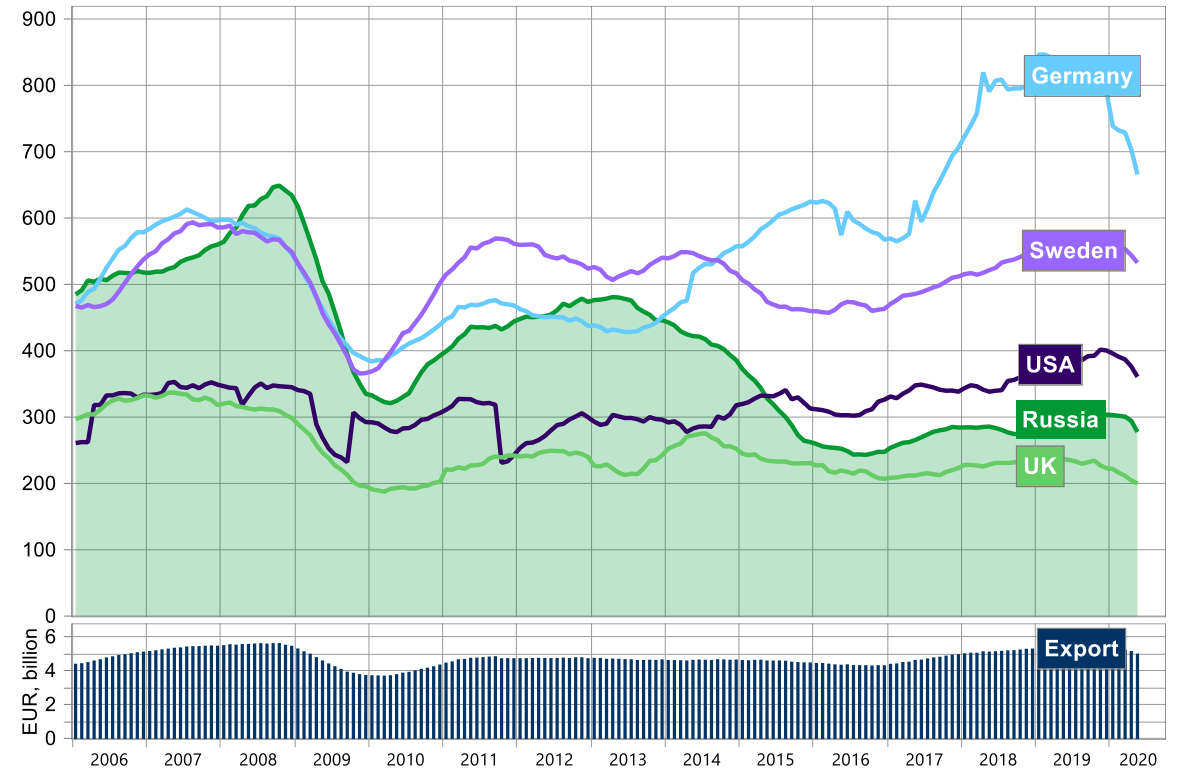
The Finnish Economy

Export needed for growth

Key facts about Finland

- Member of EU and Euro area
- Population: 5.5 million
- Area: 338 430 sq. km
- GDP per capita EUR 38,959 (2016)
- Credit ratings:
Aa1 (stable) / AA+ (stable) / AA+ (stable)

Finland: Export value, mil. euro

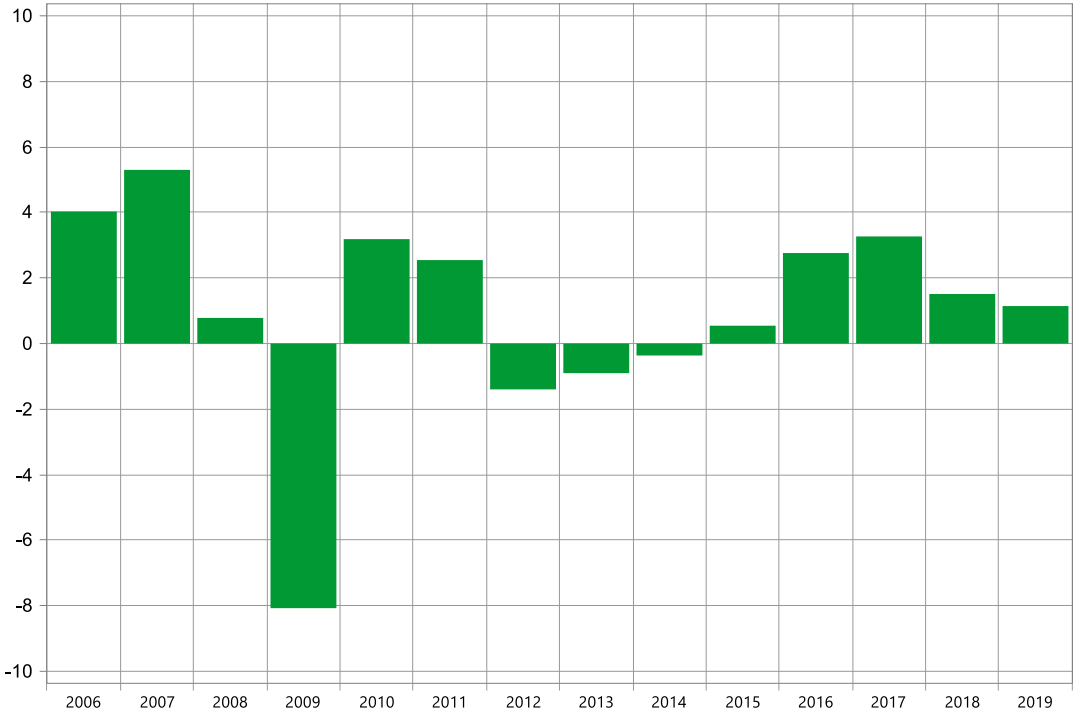


Sources: Aktia and Macrobond

The Finnish Economy

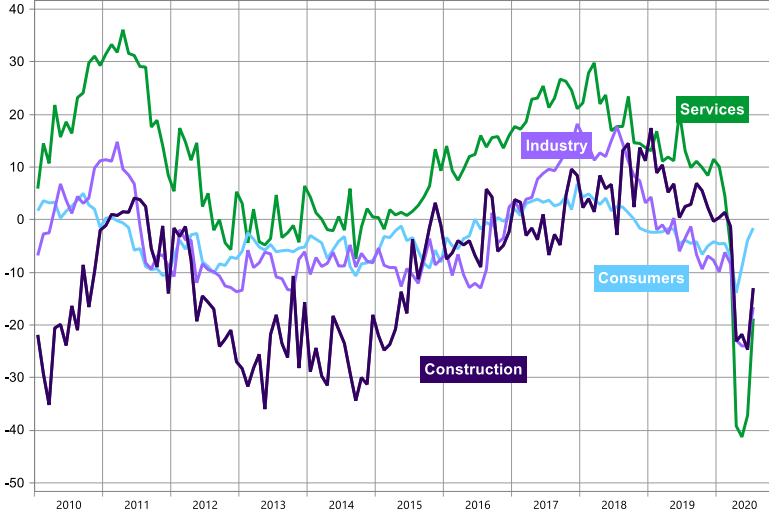
- 2020 GDP is forecasted to decline 6% but growth is expected to return on 2021 (+2.5%) (MoF)

GDP growth, %



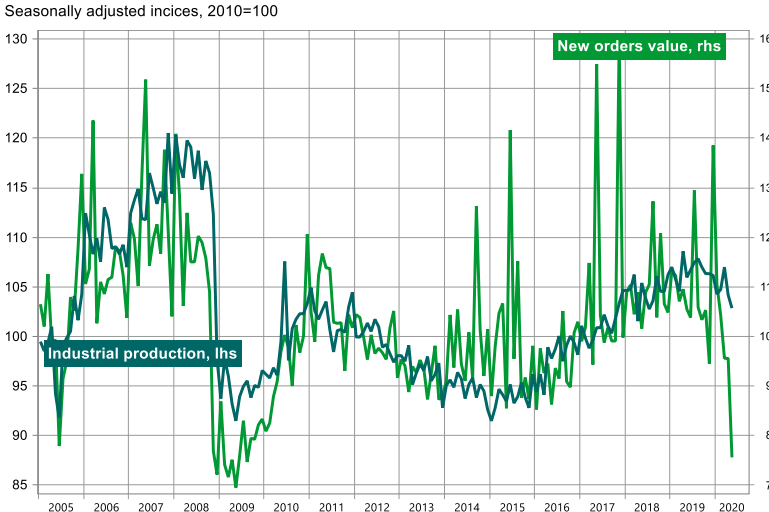
Sources: Aktia and Macrobond

Confidence



Sources: Aktia and Macrobond

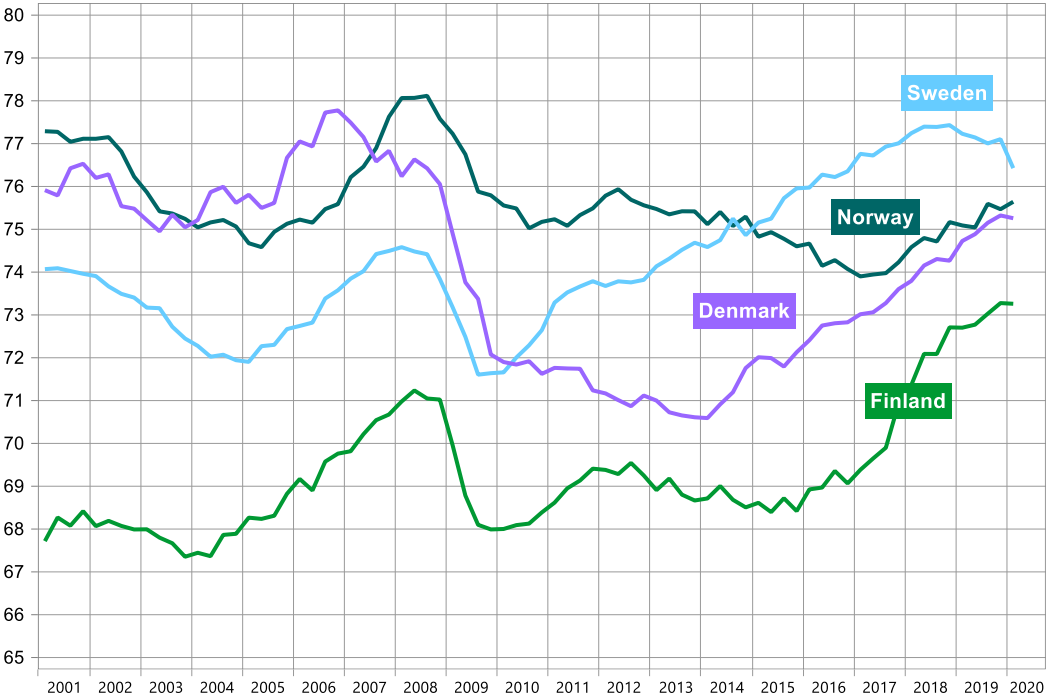
Industrial production and new orders



Sources: Aktia och Macrobond

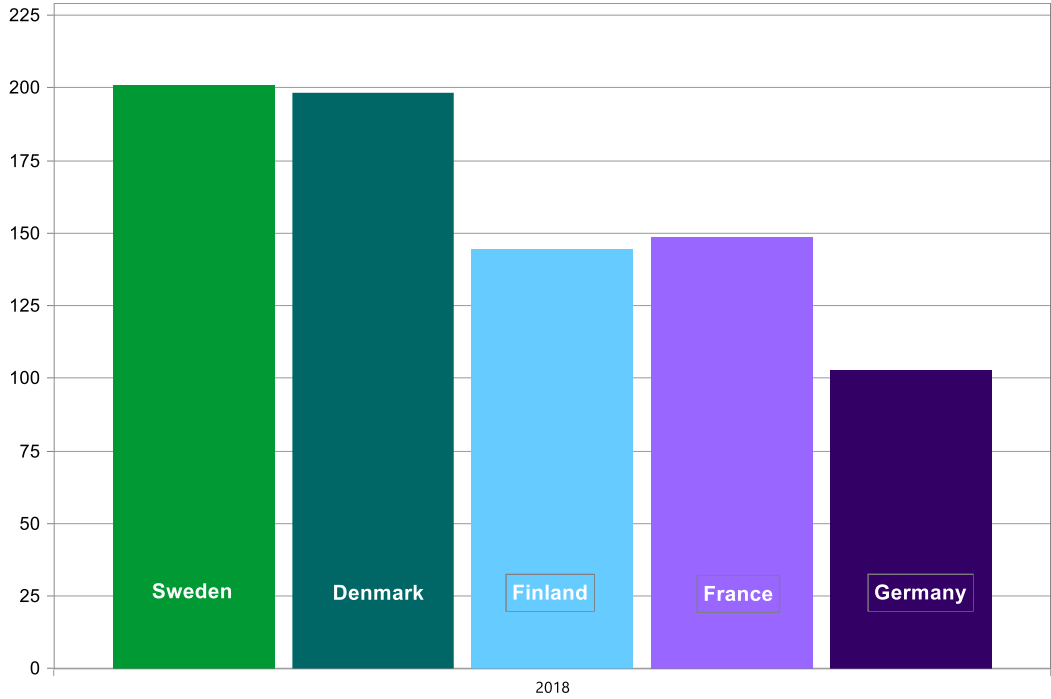
The Finnish Economy

Employment rate, 15-64 year olds



Sources: Aktia and Macrobond

Private debt, % of GDP

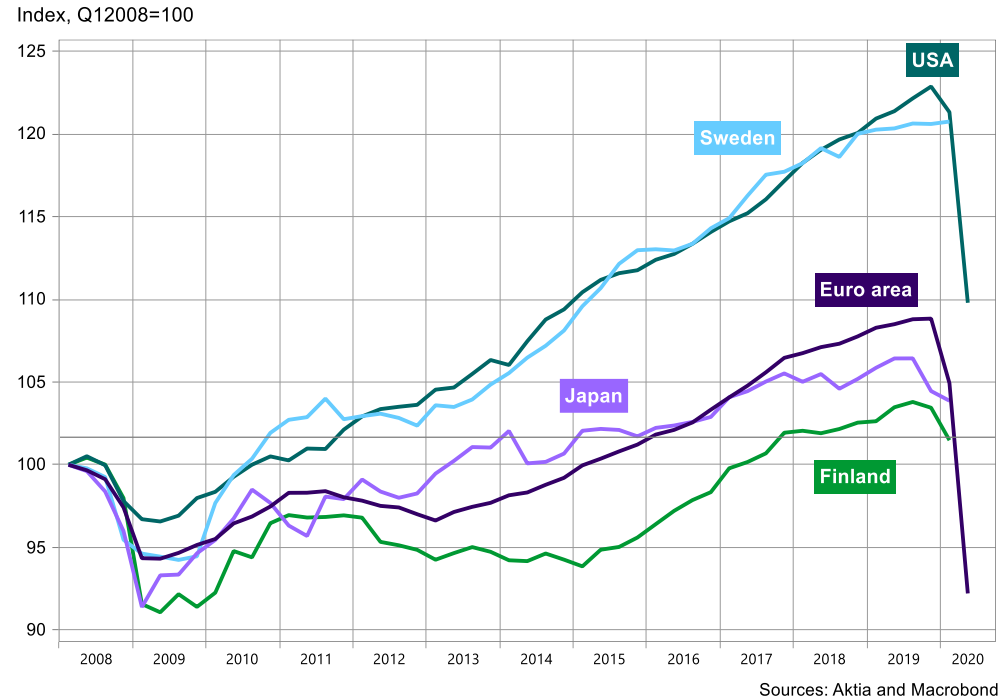


Sources: Aktia and Macrobond

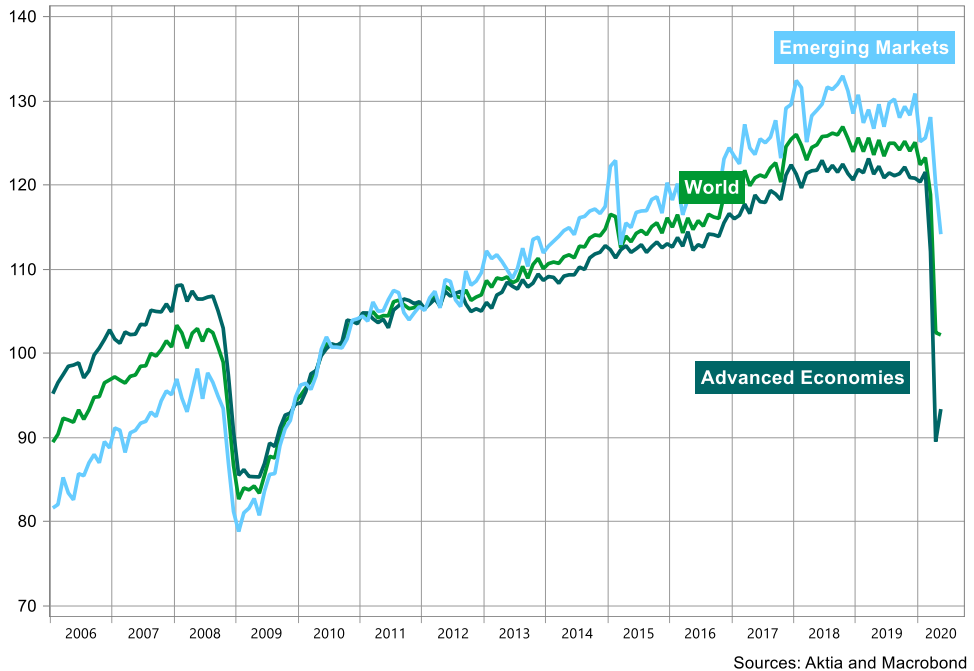
Macroeconomic environment

Unprecedented development

GDP in some countries



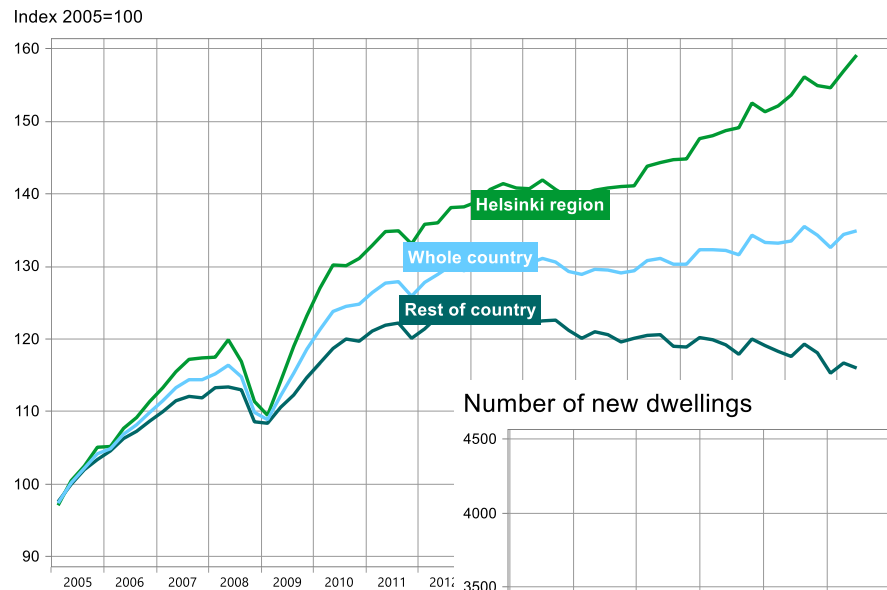
World exports



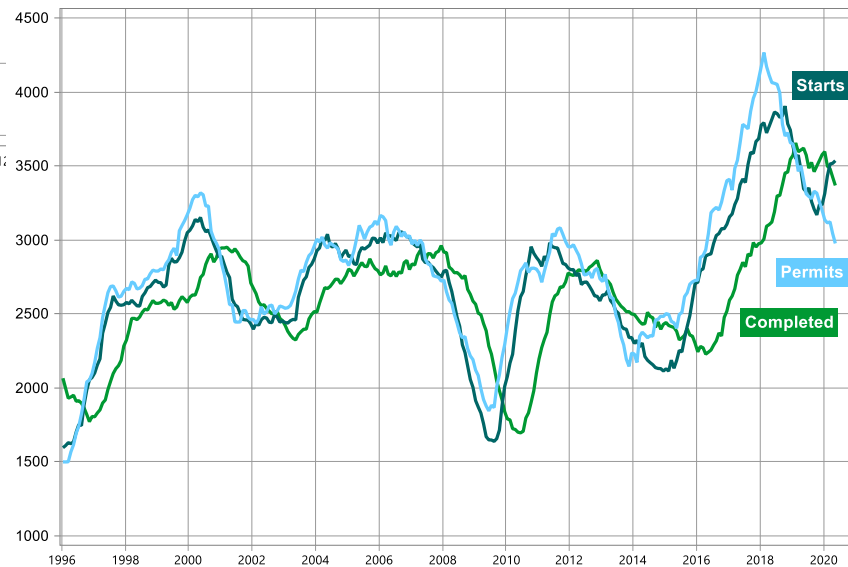
Finnish housing market

Solid and stable market but segregation between areas widens

Finland: Prices, old apartments

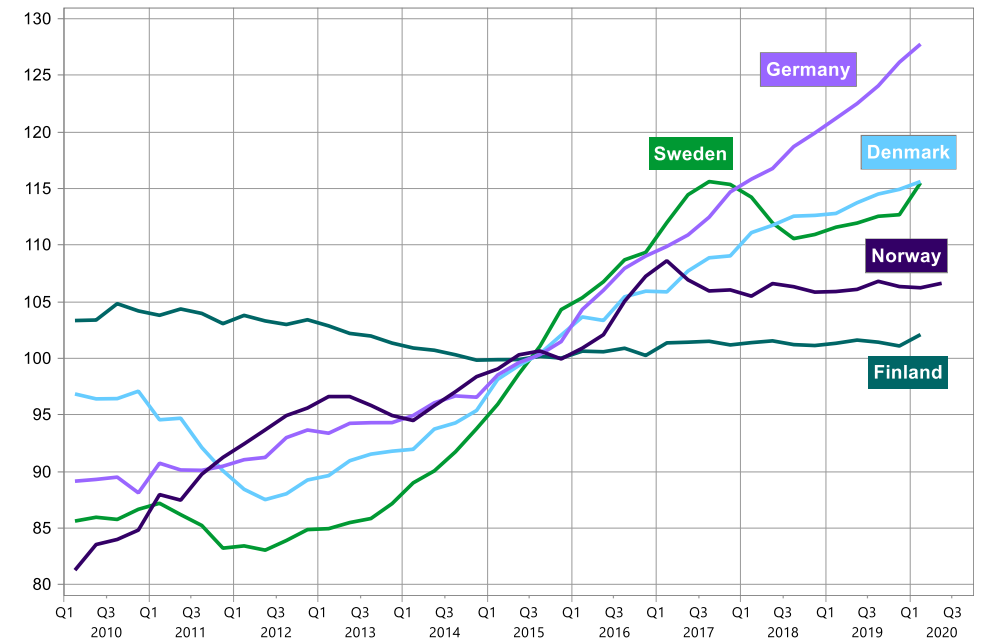


Number of new dwellings



Sources: Aktia and Macrobond

Real House Prices, index 2010=100



Sources: Aktia and Macrobond

Contacts and additional information



Outi Henriksson

CFO

Tel. +358 10 247 6236

outi.henriksson@aktia.fi



Timo Ruotsalainen

Head of Treasury

Tel. +358 10 247 7211

timo.ruotsalainen@aktia.fi

Debt investor information:

<http://www.aktia.com/en/velkasijoittajat> (website)

<http://www.aktia.com/en/julkaisut> (interim reports and presentations)

Aktia



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

Aktia