

3 NOVEMBER 2020

Q3 Debt investor presentation

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Aktia

Aktia's Q3 2020 in brief

- Customers' interest in investment advice increased noticeably, Asset Management's product selection was expanded further
- Stable growth of the loan book and low financing expenses contributed to the good development of net interest income
- Unchanged credit loss provisions – the loan book shows no significant risk concentrations
- Commission income continues to recover, however, lower consumption in households decreased card payments
- The negative value changes in real estate investments affected net income from life insurance negatively

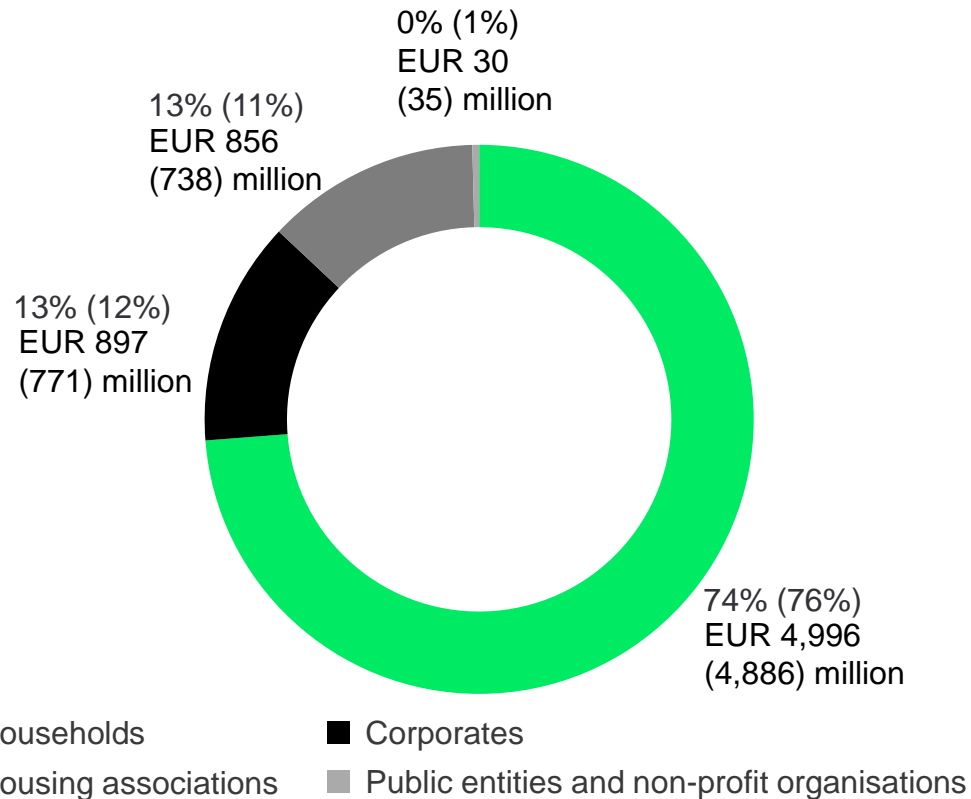


Structure of lending and deposits

30 September 2020 (31 December 2019)

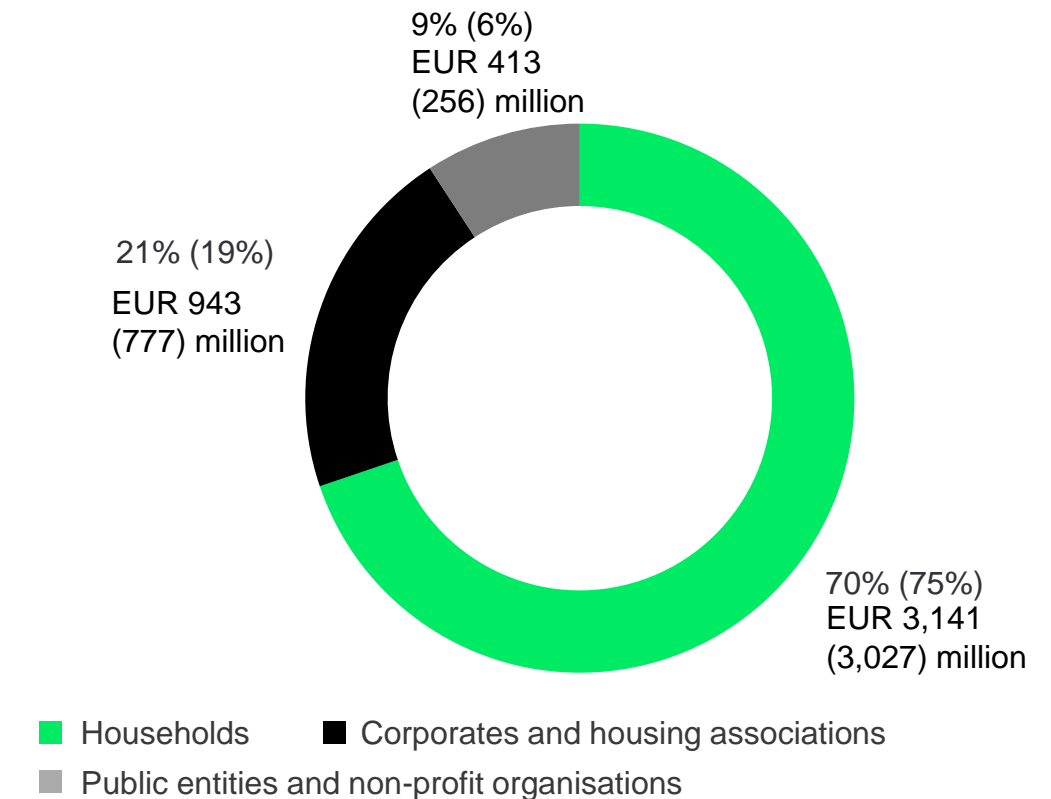
Lending

Total EUR 6,780 (6,429) million



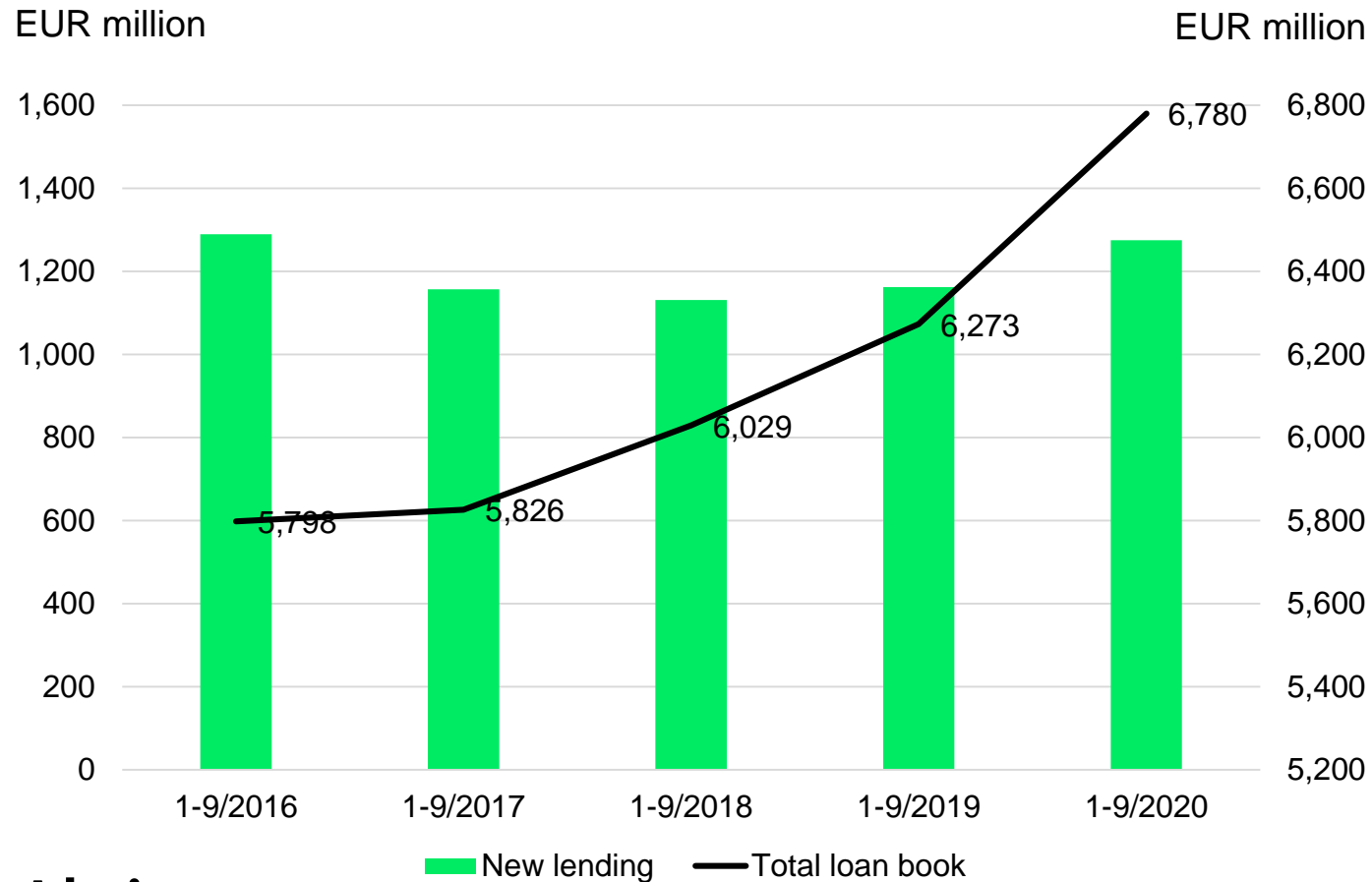
Deposits

Total EUR 4,497 (4,060) million



Remarkable growth in total loan book

Total loan book EUR +351 million and +5% YTD



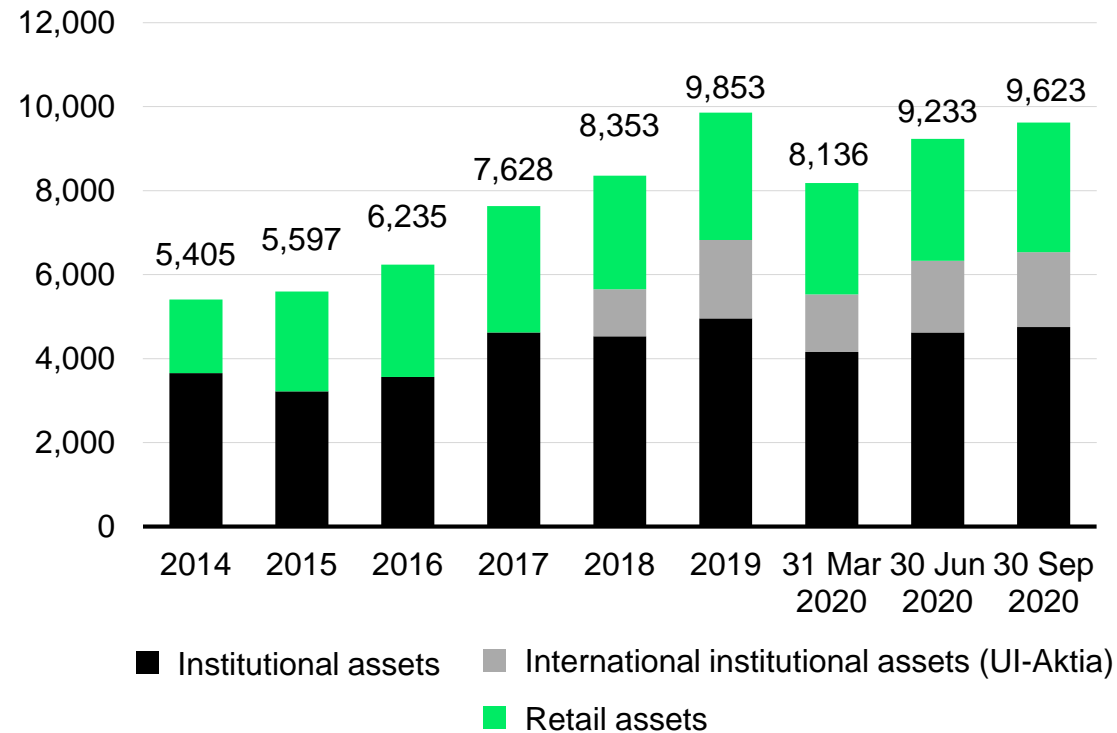
- The Group's lending to the public and public-sector entities increased to EUR 6,780 million.
- Aktia's new lending amounted to EUR 1,275 million.

Stable growth of AuM continues

Asset Management

Assets under management excluding custody (AuM)

EUR million



Aktia

Asset Management

- Aktia acquired Askel Partners' fund business
- Morningstar's ratings of Aktia's funds increased to all-time high levels
- A new distribution agreement for UI-Aktia funds in France

Life Insurance

- Net income from life insurance decreased to EUR 4.7 (6.8) million during the quarter, which is mainly related to unrealised value changes in the life insurance company's real estate investment portfolio
- The demand within the risk life insurance products increased in all distribution channels
- Aktia Life Insurance launched a new capitalisation agreement

Customer activity increased in all digital channels

Banking Business

Private customers

- Aktia's digital solutions were well received by the customers and the interest in advice increased, which contributed to more customer activity in all digital channels and in the telephone service
- Development of the digital service selection continued in order to meet the customers' needs:
 - A chatbot service was implemented in order to further serve our customers and decrease the waiting times
 - Private Banking launched a new portfolio application
 - An indicative loan offer was introduced to our private customers. Interest for digital housing transactions continued to increase

Corporate customers

- Corporate customers' demand for credits has increased after the stagnation following the outbreak of the coronavirus pandemic
- In the spring, Aktia obtained the European Investment Fund's EIF guarantee programme, which has brought Aktia several new corporate customers
- The activity amongst new potential corporate customers was higher during the third quarter than during spring and summer. Meetings were carried out both remotely and as on-site

Outlook 2020

Aktia informed on 18 March 2020 that the significant worsening of the macroeconomic outlook and the grown volatility on the market as a result of the coronavirus outbreak are expected to have a negative impact on Aktia's operating profit in 2020.

Although the comparable operating profit for the whole year is expected to decrease due to the weak result during the first quarter, the underlying business performance is expected to develop steadily during the last quarter of the year, provided market and social conditions are stable:

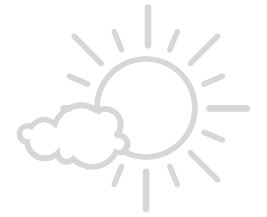
- Continued growth in net interest income is expected to continue. The recovery in commission income from especially fund and asset management is dependent on changes in market values.
- Net income from life insurance is still very much dependent on changes in market values.
- Provisions for possible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

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 has been very well prepared for the 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
- 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**

1–9/2020;
EUR 35.3 million

(1–12/2019;
EUR 68.2 million)

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

30 September 2020;
5.8%

(31 December 2019;
10.3%)

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

1–9/2020;
0.73

(1–12/2019;
0.66)

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

30 September 2020;
**5.8 percentage points over
the minimum capital
requirement 9.8%**

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

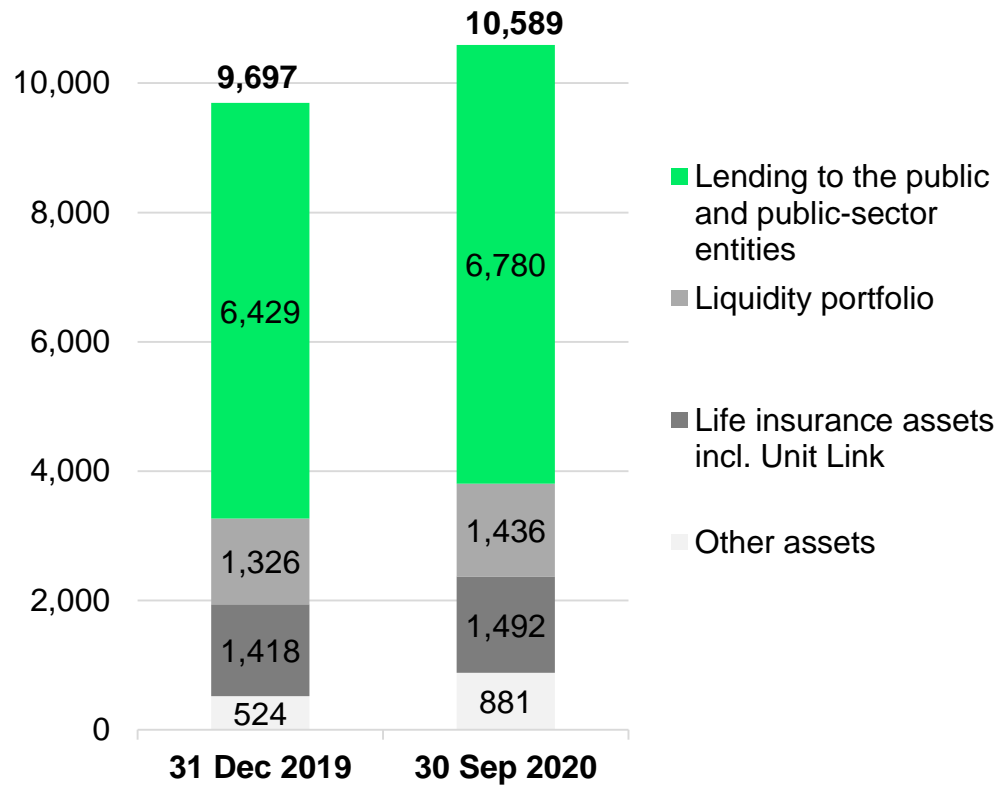
Financial overview

Balance sheet total increased to EUR 10,589 million

30 September 2020

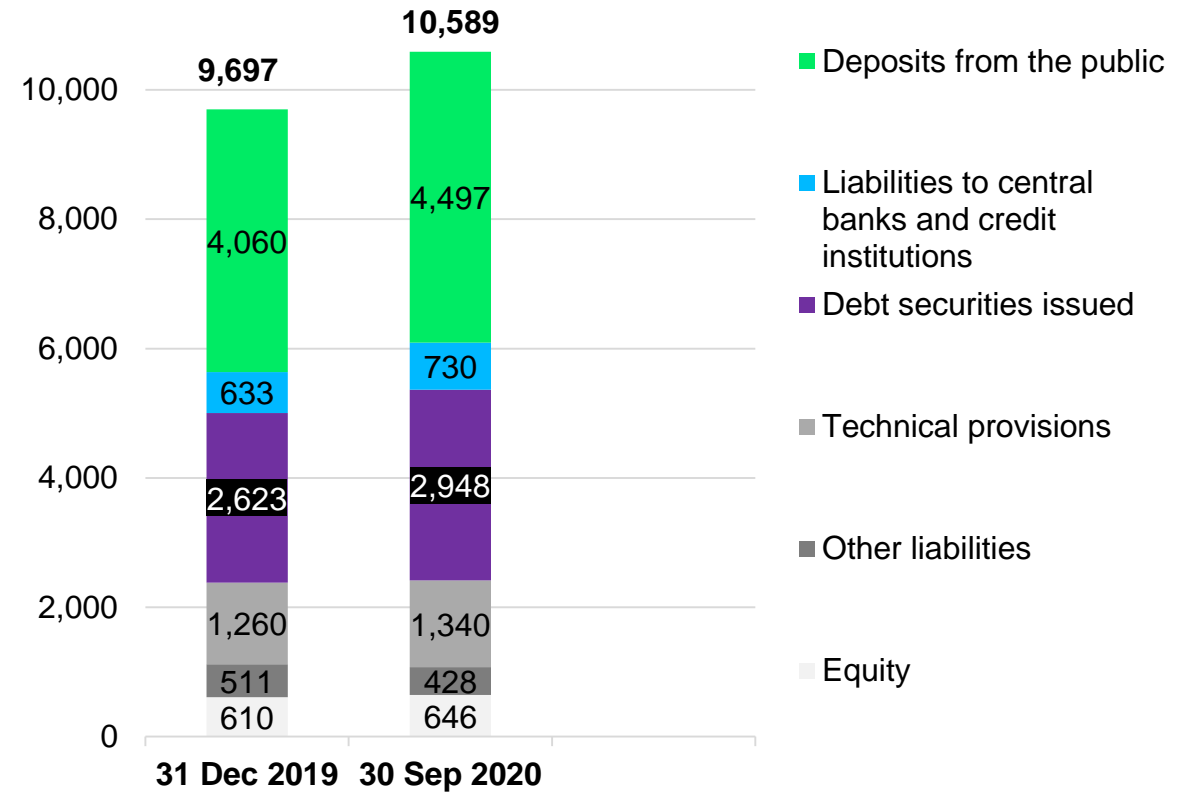
Total assets

EUR million



Total liabilities and equity

EUR million

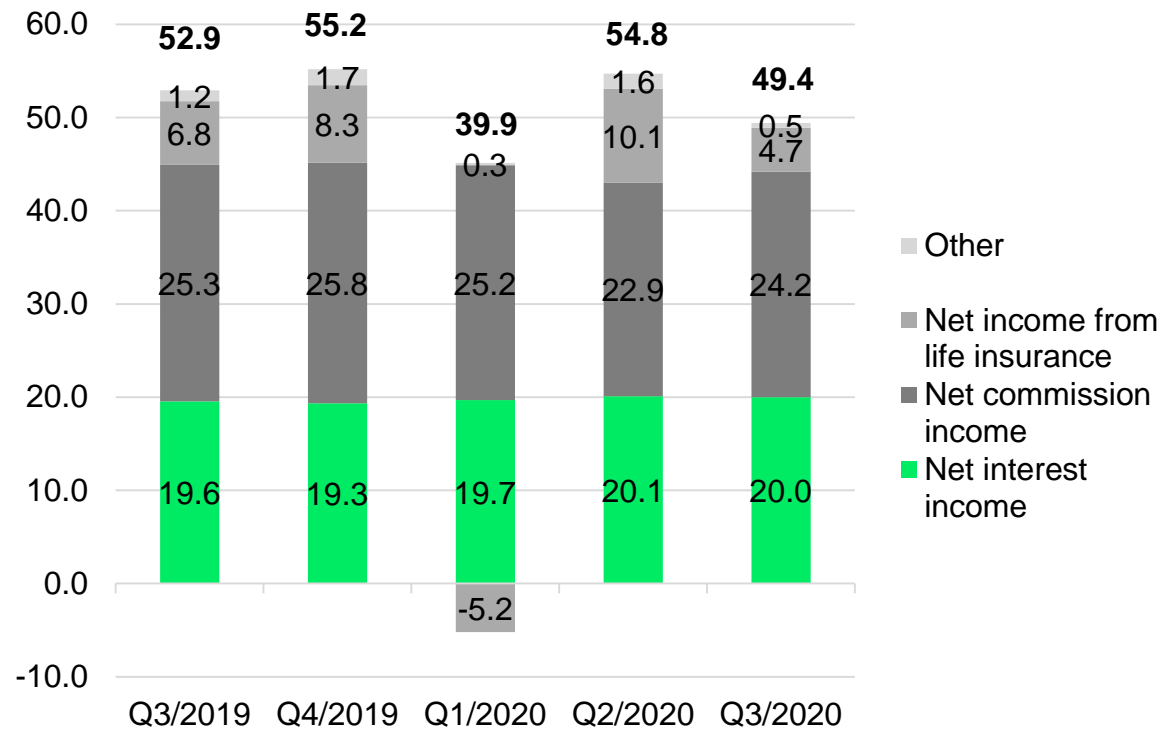


Comparable operating profit

Q-o-Q

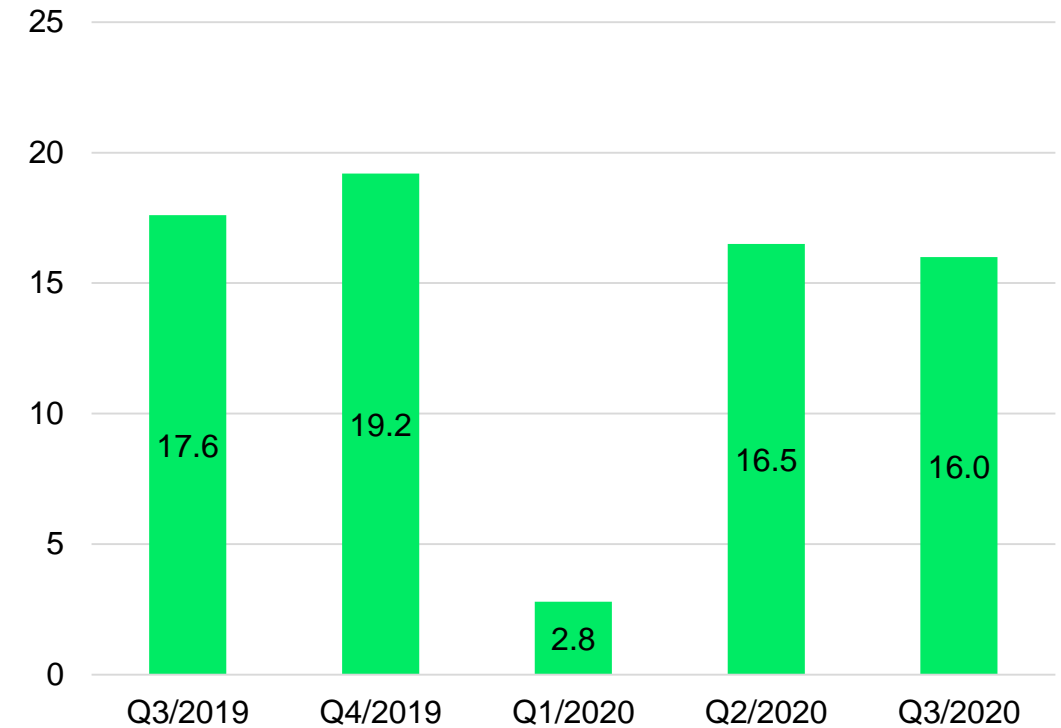
Comparable operating income

EUR million



Comparable operating profit

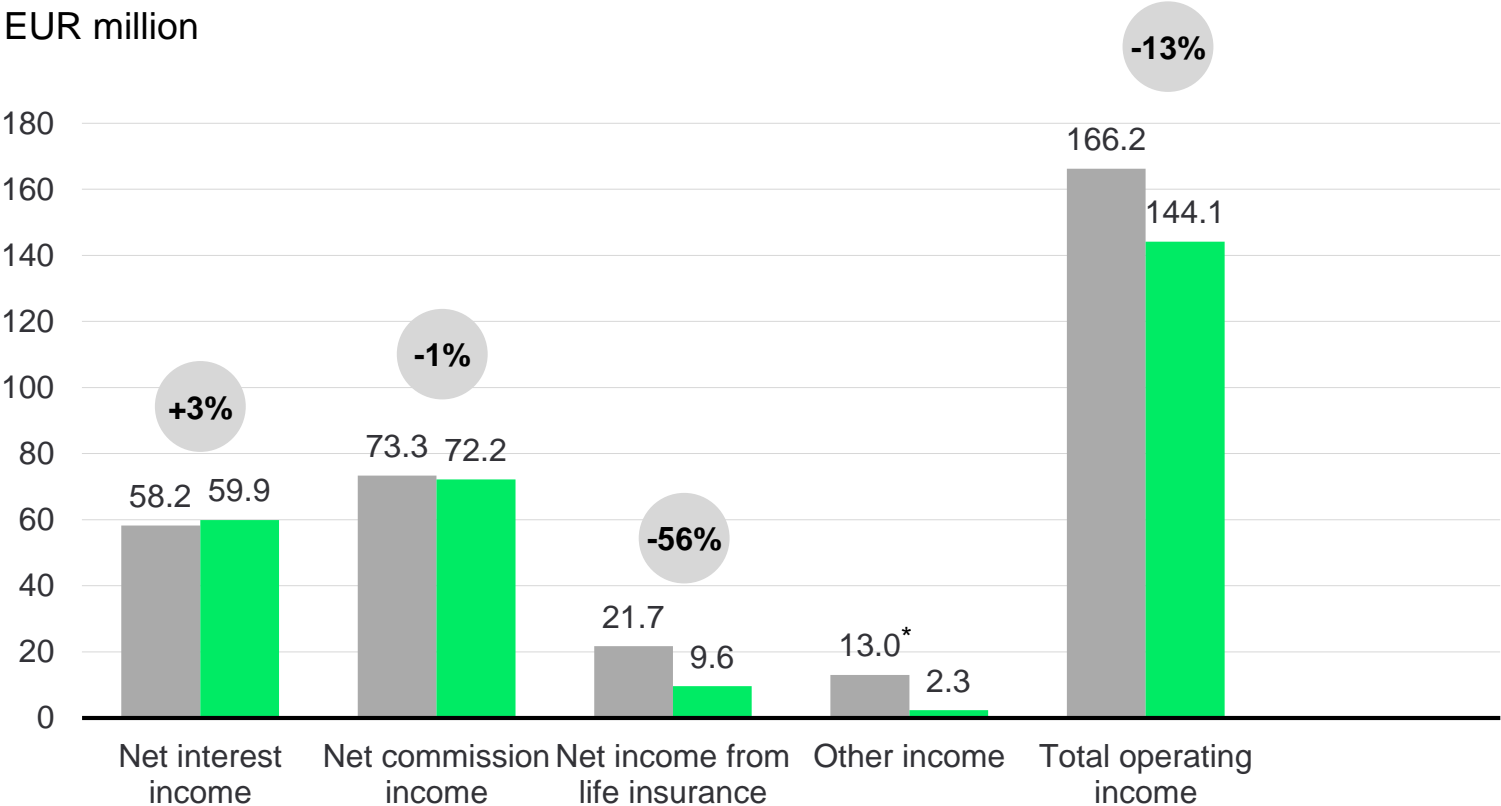
EUR million



Aktia

Total operating income decreased by 13%

Income mix EUR million



■ 1-9/2019 ■ 1-9/2020

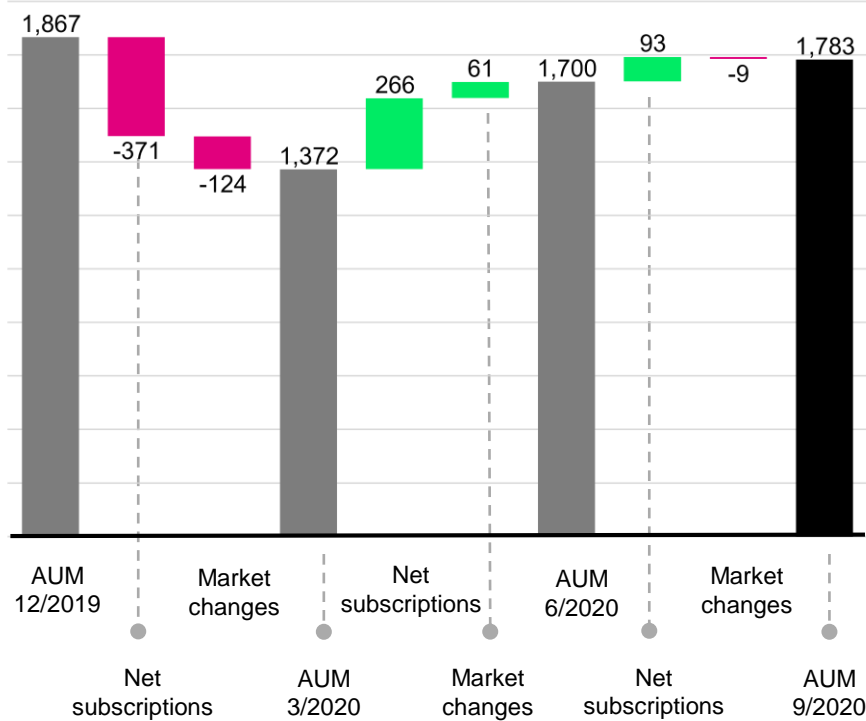
* including a profit of EUR 9.6 million from the divestment of shares in Samlink Ltd and additional income of EUR 0.5 million from the sale of Visa Europe



Recovery of AuM has continued after the drop in the end of 1Q

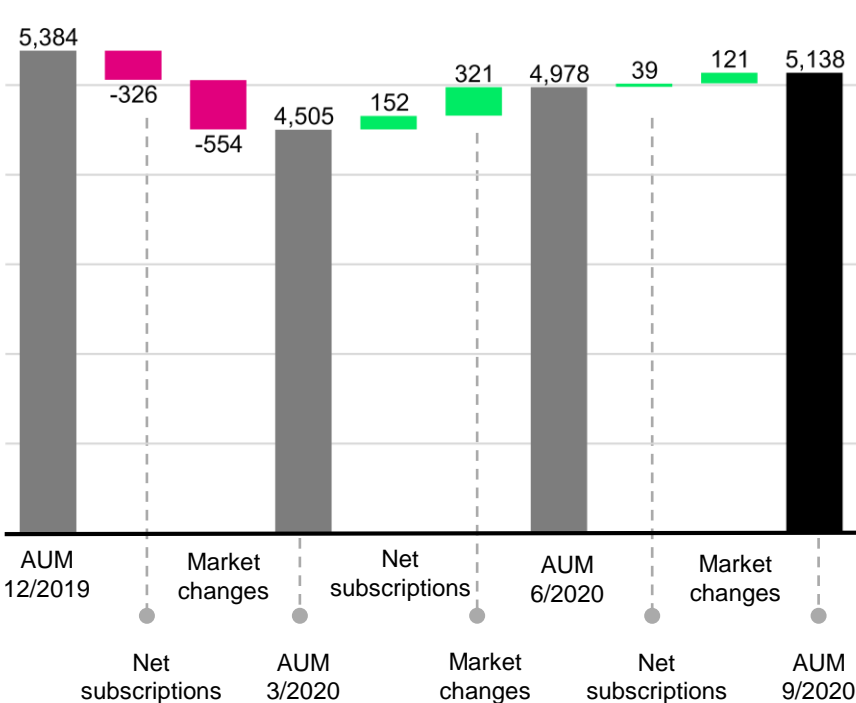
Asset Management, Aktia UI 1–9/2020

EUR million



Asset Management, domestic 1–9/2020

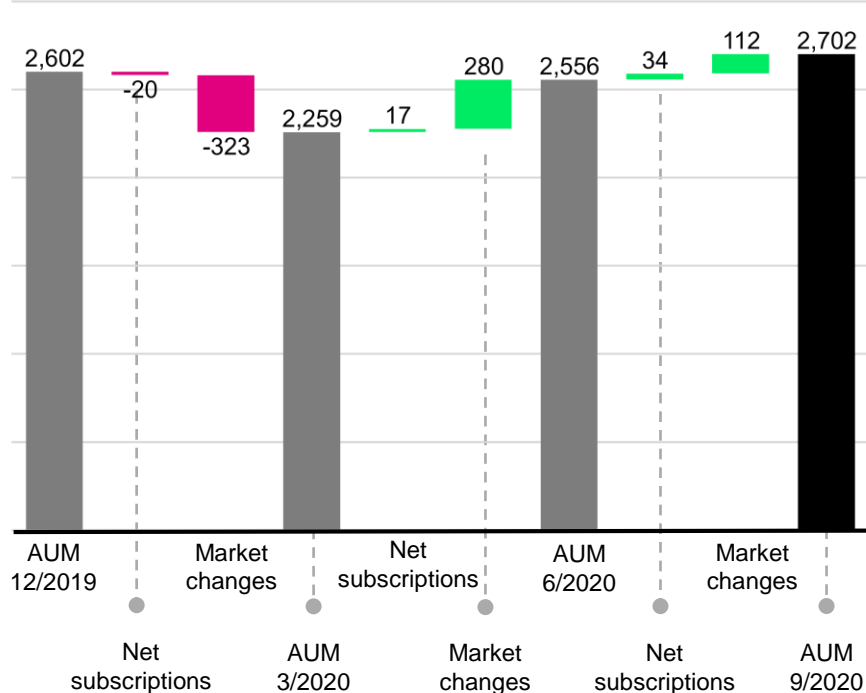
EUR million



Recovery of AuM has continued after the drop in the end of 1Q

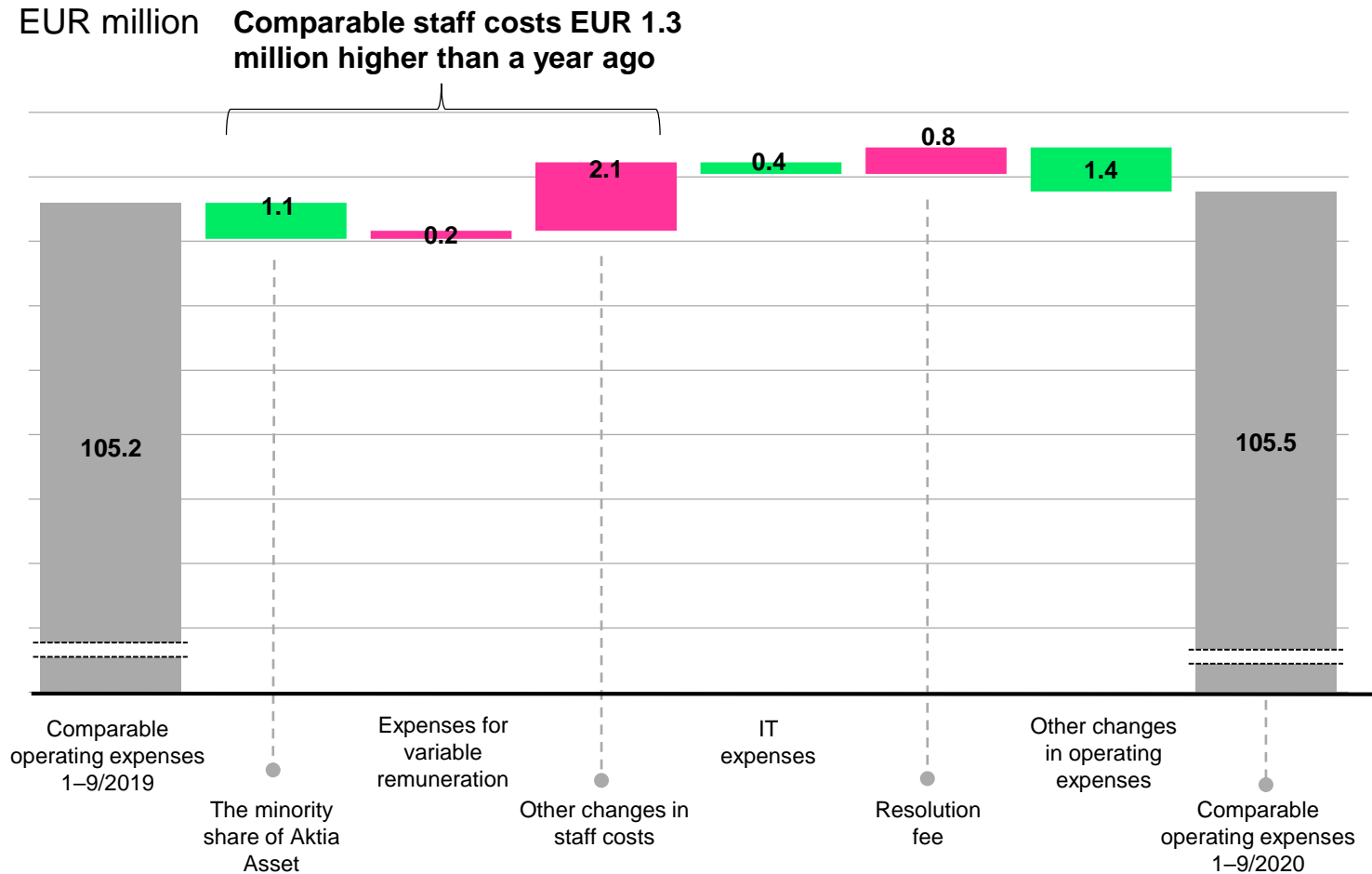
Banking Business, Retail 1–9/2020

EUR million



Comparable operating expenses flat

1–9/2020 vs 1–9/2019



Staff costs:

Comparable staff costs increased by 3% to EUR 51.2 (49.9) million and mainly relate to recruitments to speed up development, process automatization and sales.

IT expenses:

IT expenses amounted to EUR 19.1 (19.4) million. The expenses for IT licenses have increased while the expenses for IT consultants have decreased since last year.

Other operating expenses:

The other comparable operating expenses increased by 2% to EUR 21.6 (21.2) million since the reference period includes EUR 1.3 million restructuring expenses. The expense for the stability fee has increased by EUR 0.8 million from last year while the other comparable operating expenses have decreased.

The debt investment case

Credit ratings

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

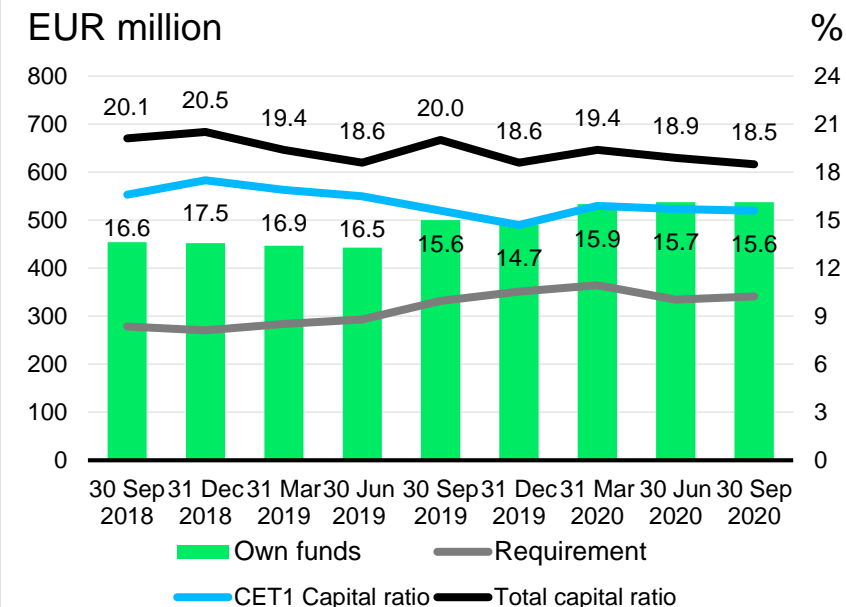
S&P: A- / A-2, neg

Capital is at solid level

Capital adequacy and Capital & MREL requirements

- Aktia's Common Equity Tier 1 (CET1) Capital is at a good level at 15.6% (2Q20 15.7%). CET1 ratio considering the maximum pay-out for 2019 was 14.0%.
- Total Capital Ratio is at 18.5% (2Q20 18.9%)
- 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 453.0 million**
 - **Total exposures** **EUR 9,323.6 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 736.2 million**
 - **Own funds and eligible liabilities** **EUR 1,475.4 million**

CET1

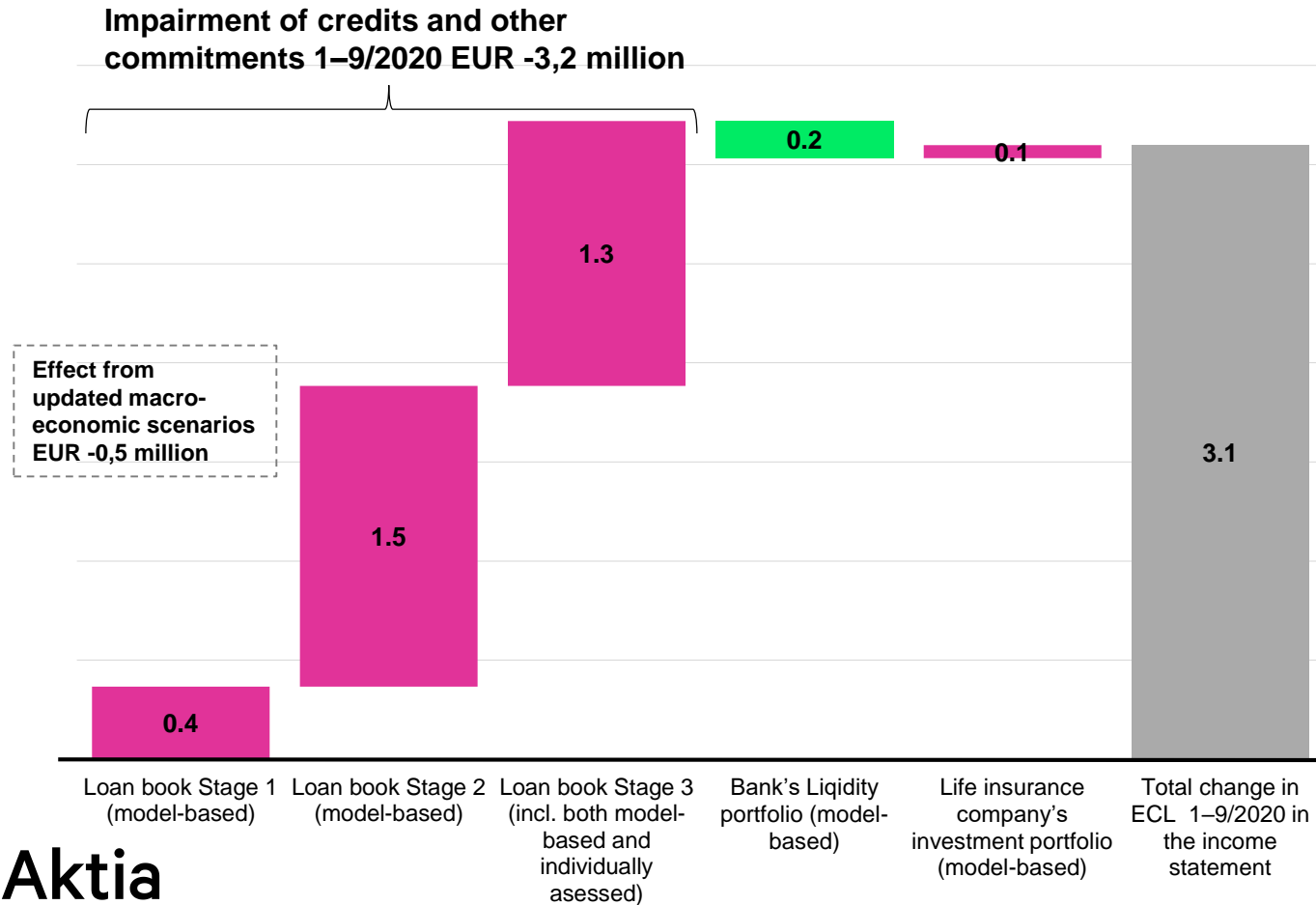


The FIN-FSA updated Aktia Bank's Pillar 2 requirement on 30 June 2020 to 1.25% (previously 1.75%) and removed the systemic risk buffer (1%) on 6 April 2020.

Provisions for future expected credit losses

Change in Estimated Credit Losses (ECL) 1–9/2020

EUR million



- We have not made any significant changes to the model-based credit loss provisions that we reported previously. Macroeconomic assumptions held unchanged in 3Q vs 2Q
- 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

Funding activities record high

- During the year 2020 Aktia has been a very active issuer in the senior preferred market. Aktia has completed 23 transactions under the EMTN program. The total volume is close to EUR 748 million with maturities in the range of 2–15 years. Aktia is considering to issue further EUR 100 million worth of new debt during this year.
- The bank has issued two inaugural NOK denominated bonds with maturities of 4 and 10 years. The combined volume was NOK 800 million. In addition to that Aktia also managed to continue the activities on the Swedish market with combined volume of SEK 1.3 billion in September.
- Aktia's liquidity situation has continued to be solid. The LCR ratio has been comfortably over the regulative and higher internal limit being 124% at the end of Q3. Also the cash level has been very good, and the ECB tiering structure has been in full use for the whole period.
- Aktia participated again in the ECB offered long term targeted financing TLTRO III operation by refinancing the TLTRO II.4 EUR 200 million tranche (original maturity March 2021) with TLTRO III.5 in September. The proceeds of the TLTRO III financing will be used for supporting Aktia's corporate lending.

High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 124%.

- 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 1,496 million on 30 September 2020 (2Q20: EUR 1,564 million).

Liquidity reserve, market value

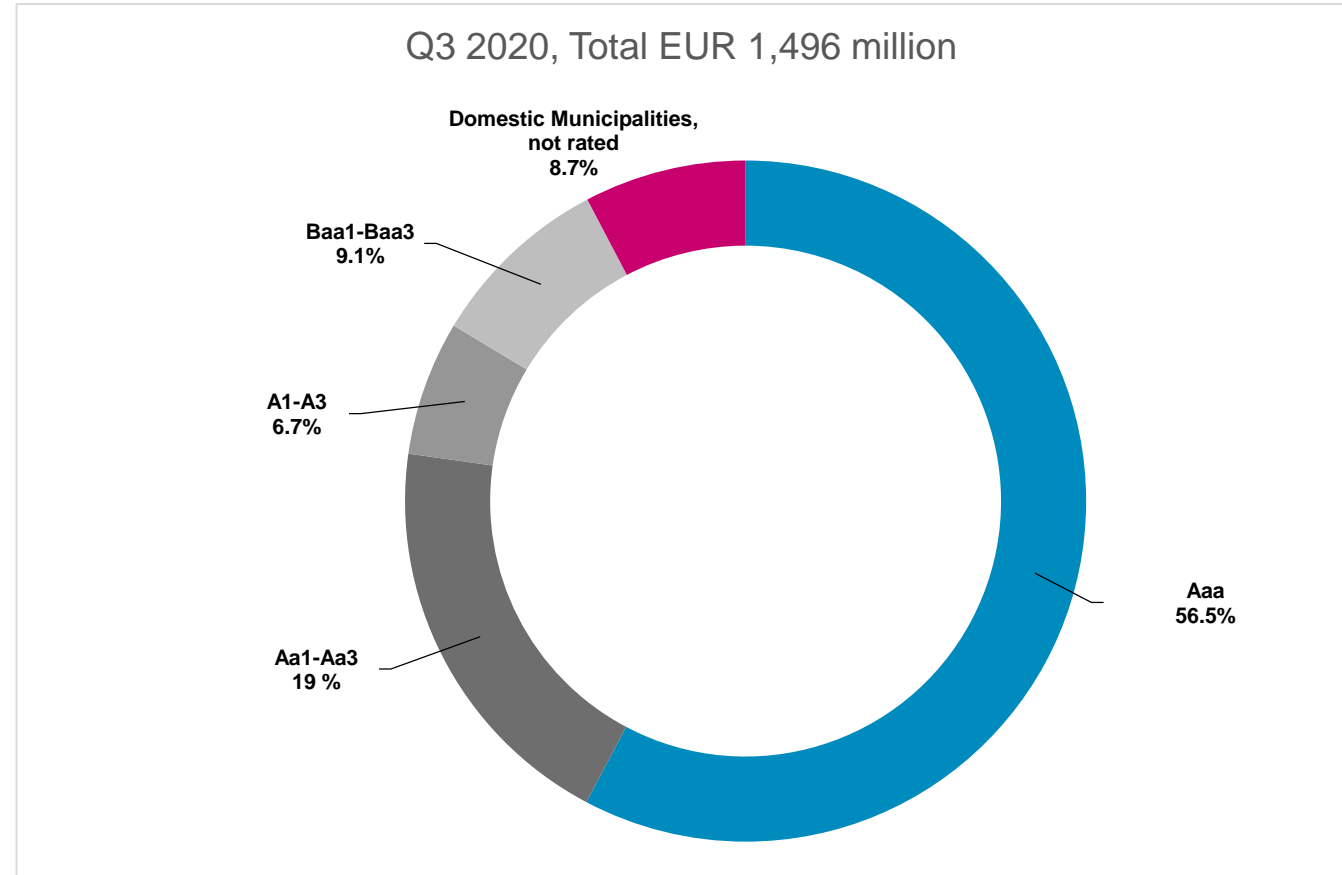
EUR million	30 Sep 2020	31 Dec 2019
Cash and holdings in central banks	625	271
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	224	195
Securities issued or guaranteed by municipalities or Public sector entities	125	208
Covered bonds	772	430
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	1,747	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

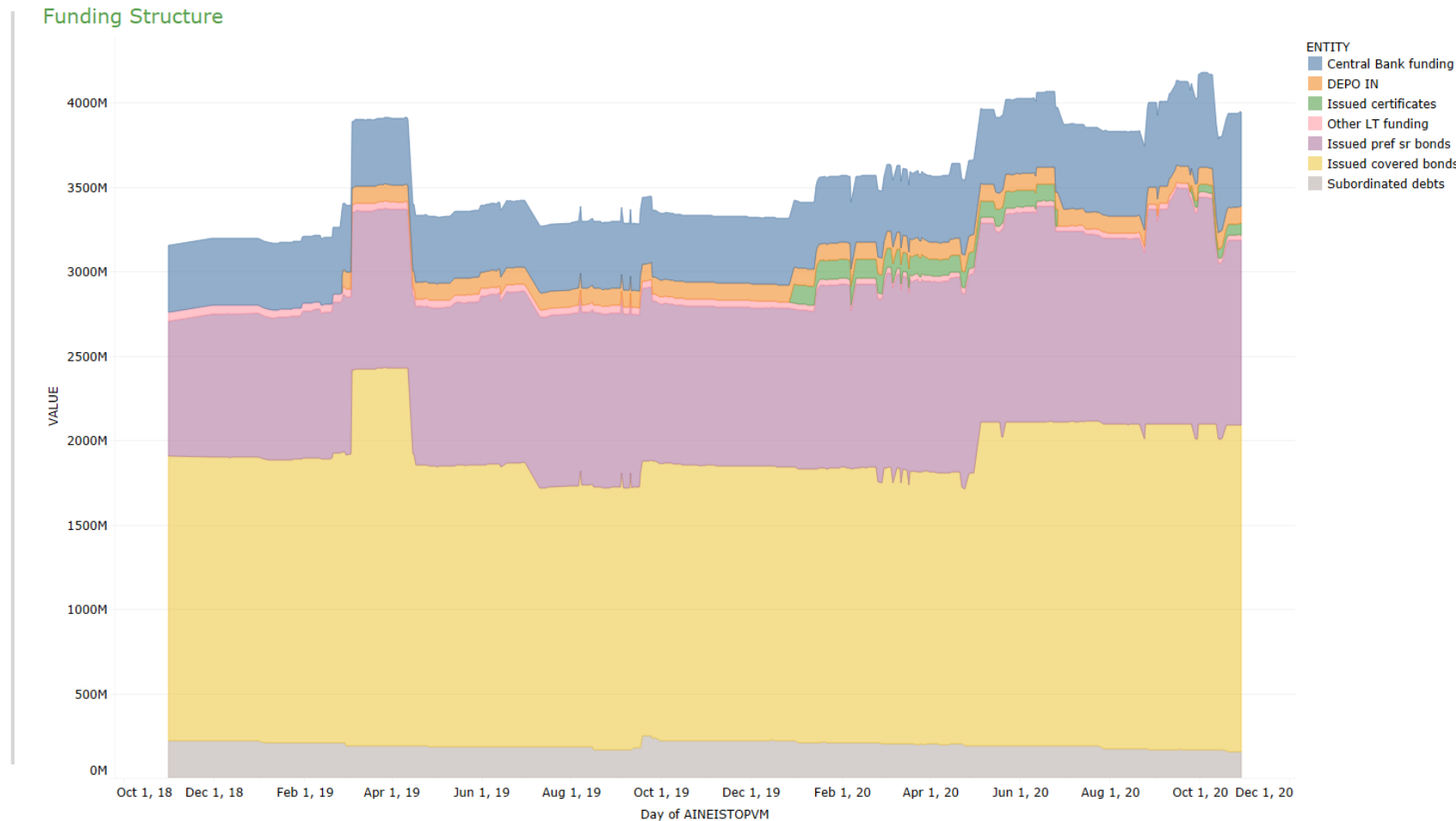


Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities increased to EUR 4,497 (4,060) million. Aktia's market share of deposits was 3.1 (3.2) % at the end of September.

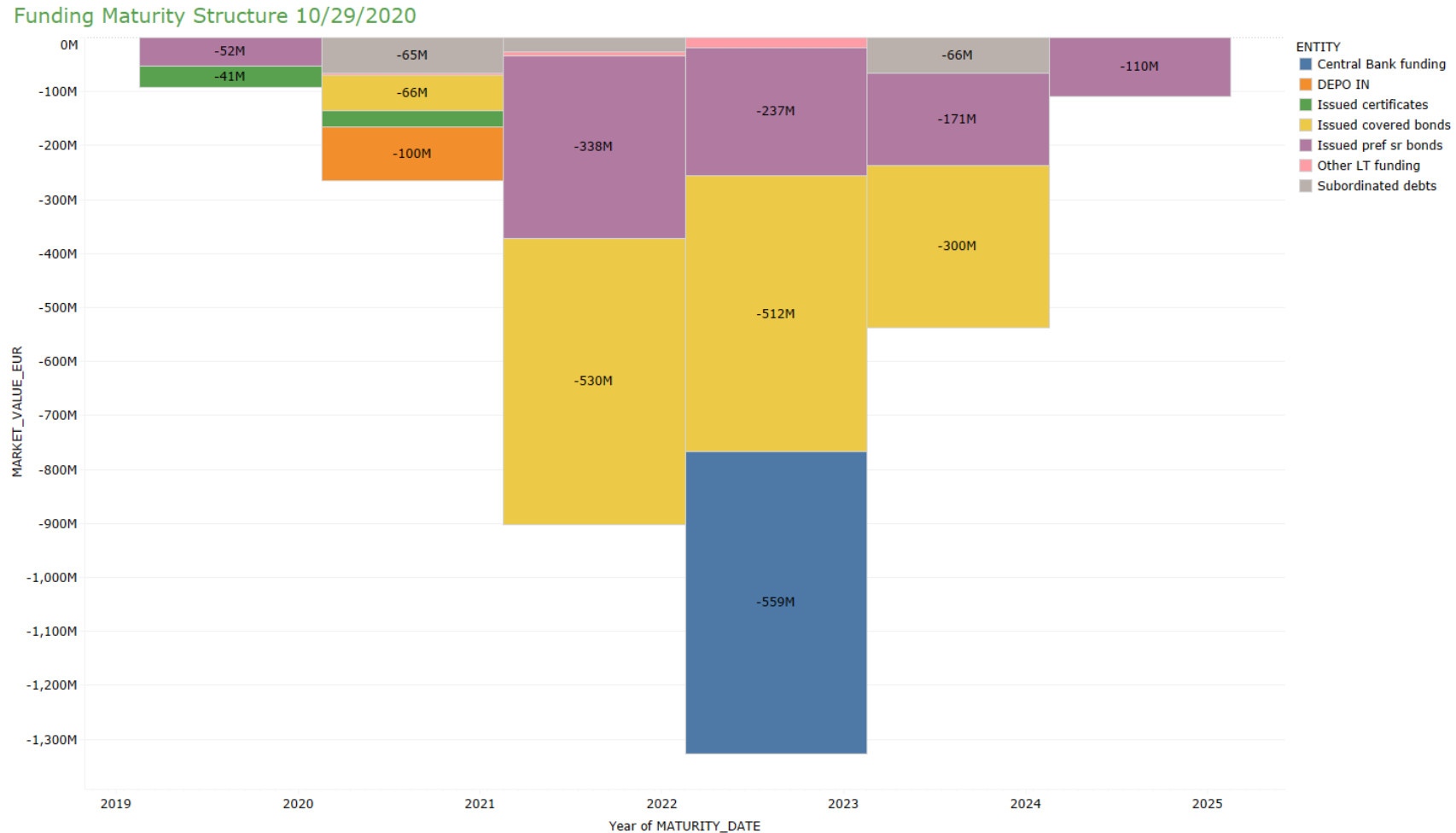
The value of bonds issued by Aktia Bank totalled EUR 2,912 (2,526) million.



Aktia

Redemption schedule

The year 2021 is gentle on redemptions



Aktia Bank as covered bond issuer

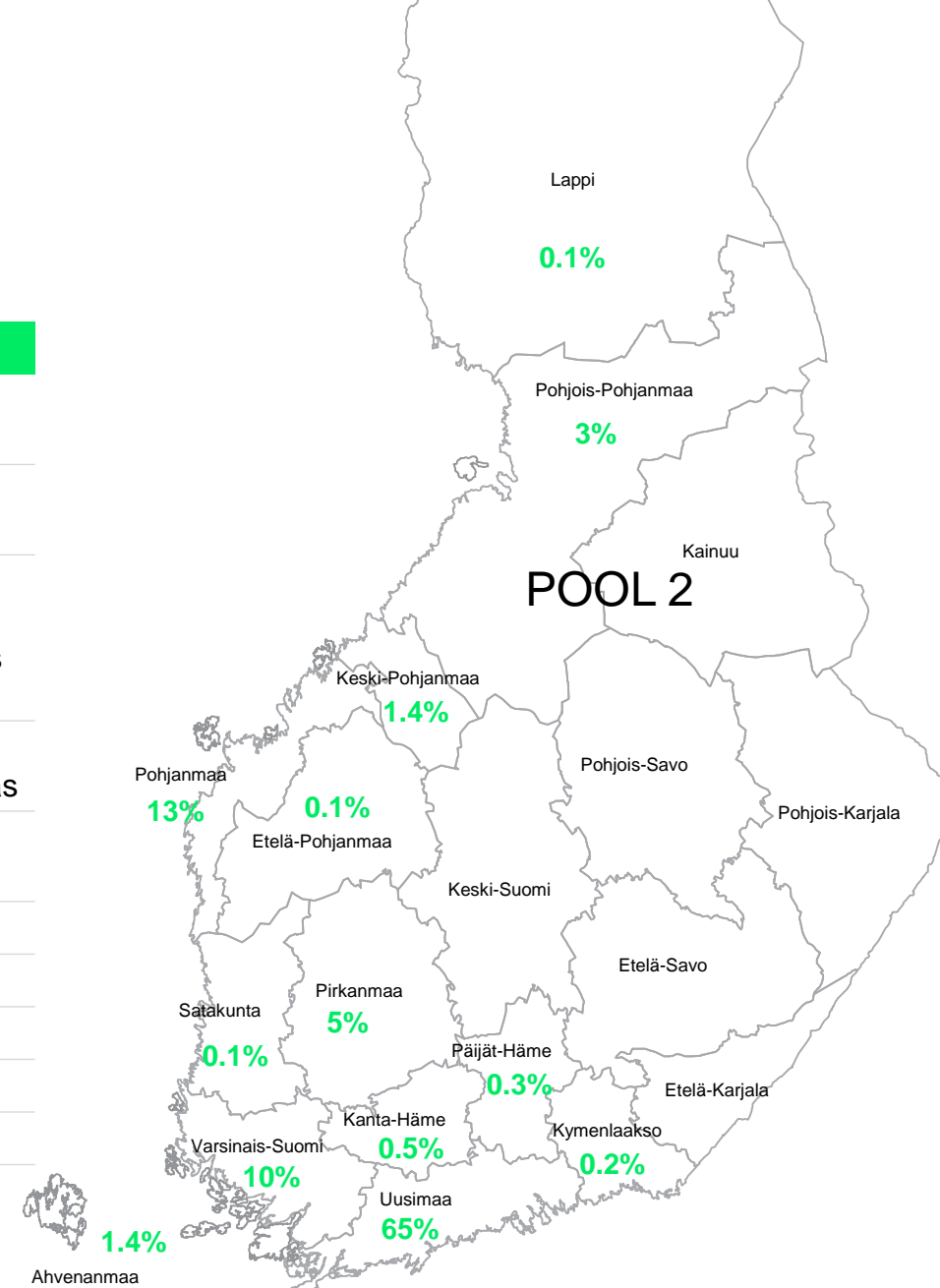
Aktia Bank operates under the legislation as mortgage bank (Act on Mortgage Credit Bank Operations, MCBA 688/2010) and issues the covered bonds directly from the bank's balance sheet.

- 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

3Q 2020

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,200 million	EUR 137 million
No of loans / average loan balance	35,281 / EUR 62,325	2,028 / EUR 67,635
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	44.44%	35.85%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 97%, fixed 3%	floating 98%, fixed 2%
WA seasoning	69 months	97 months
Overcollateralisation (%)	19.50% (committed 10%)	218.98% (committed 12%)
Moody's Collateral Score	5.00%	5.00%



Aktia

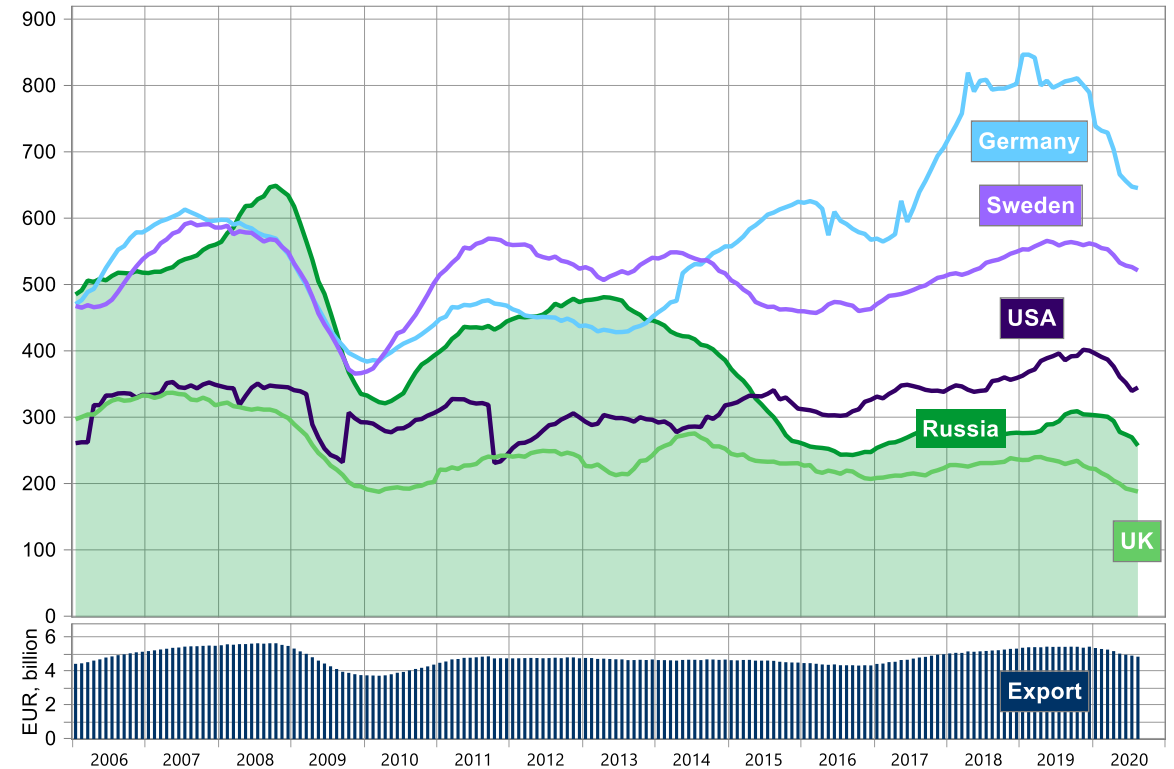
The Finnish Economy

The Finnish Economy

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

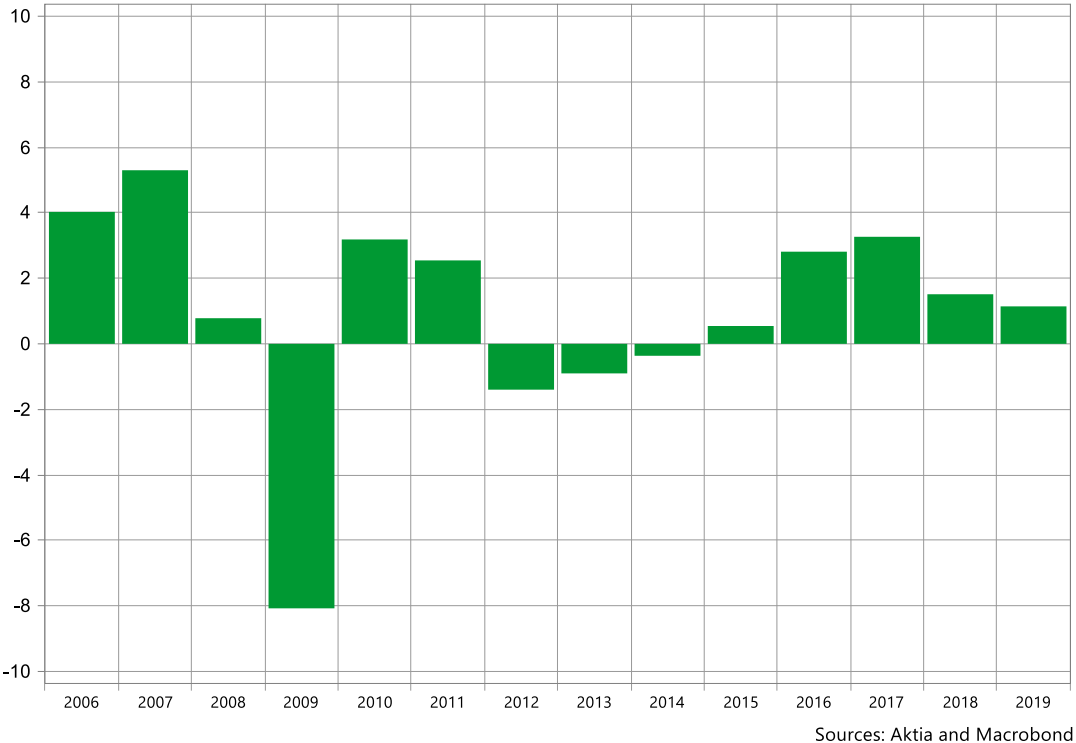


Sources: Aktia and Macrobond

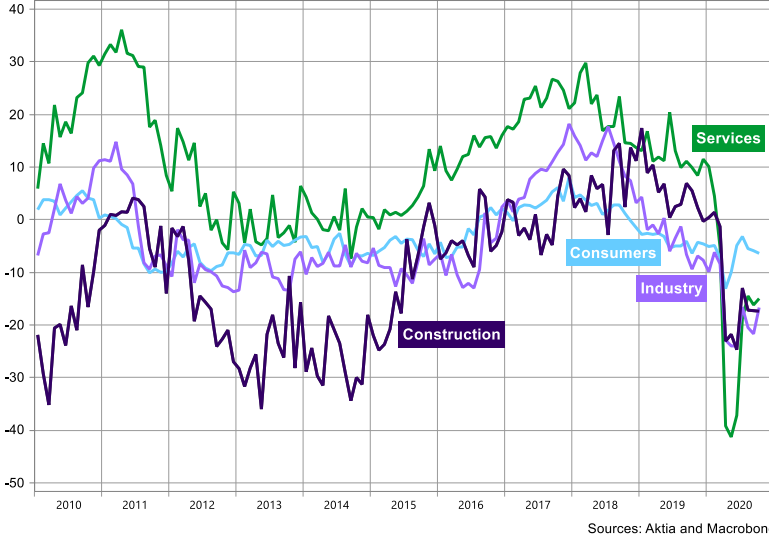
The Finnish Economy

- 2020 GDP is forecasted to decline 4.5% but growth is expected to return on 2021 (+2.6%) (MoF)

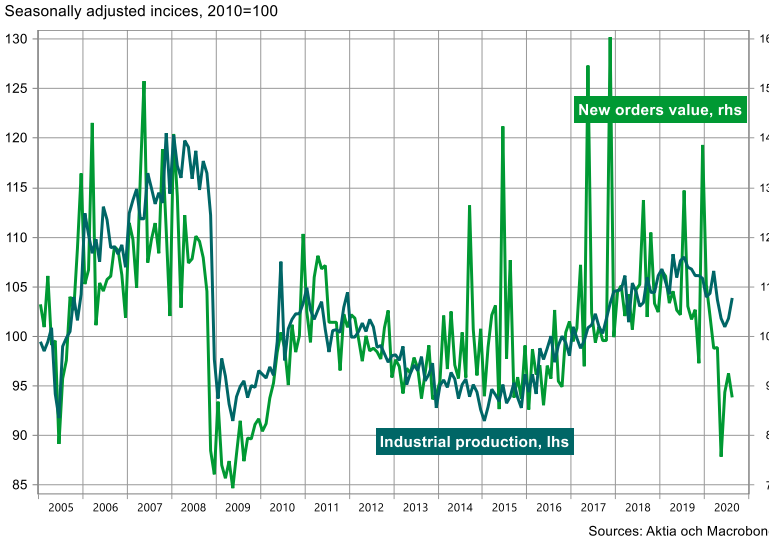
GDP growth, %



Confidence

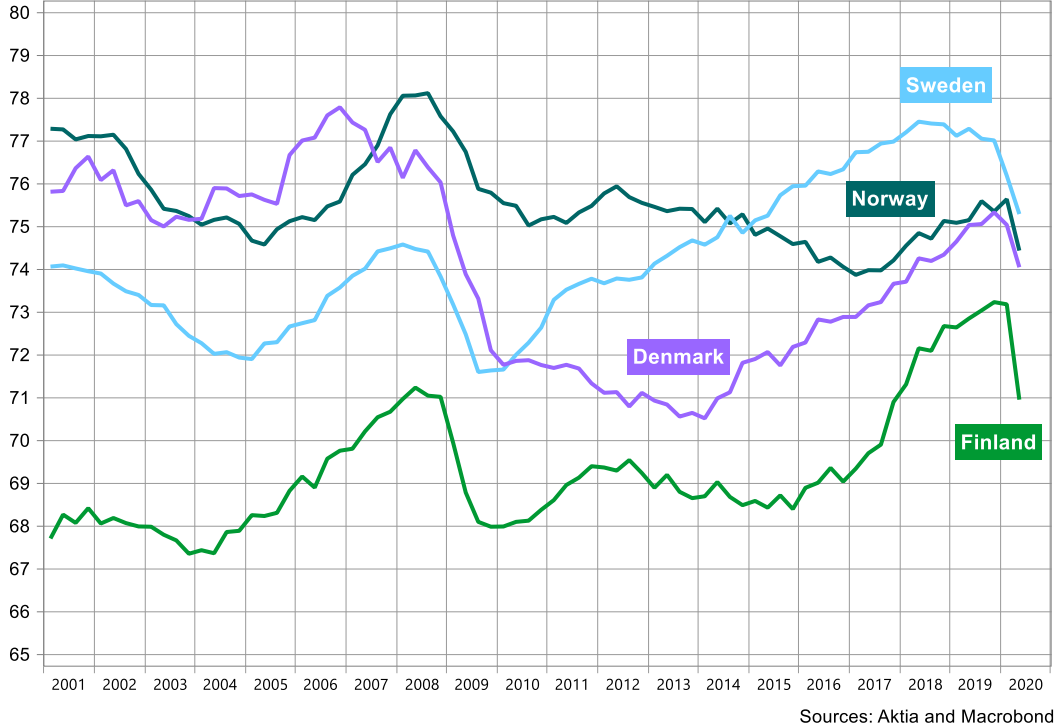


Industrial production and new orders

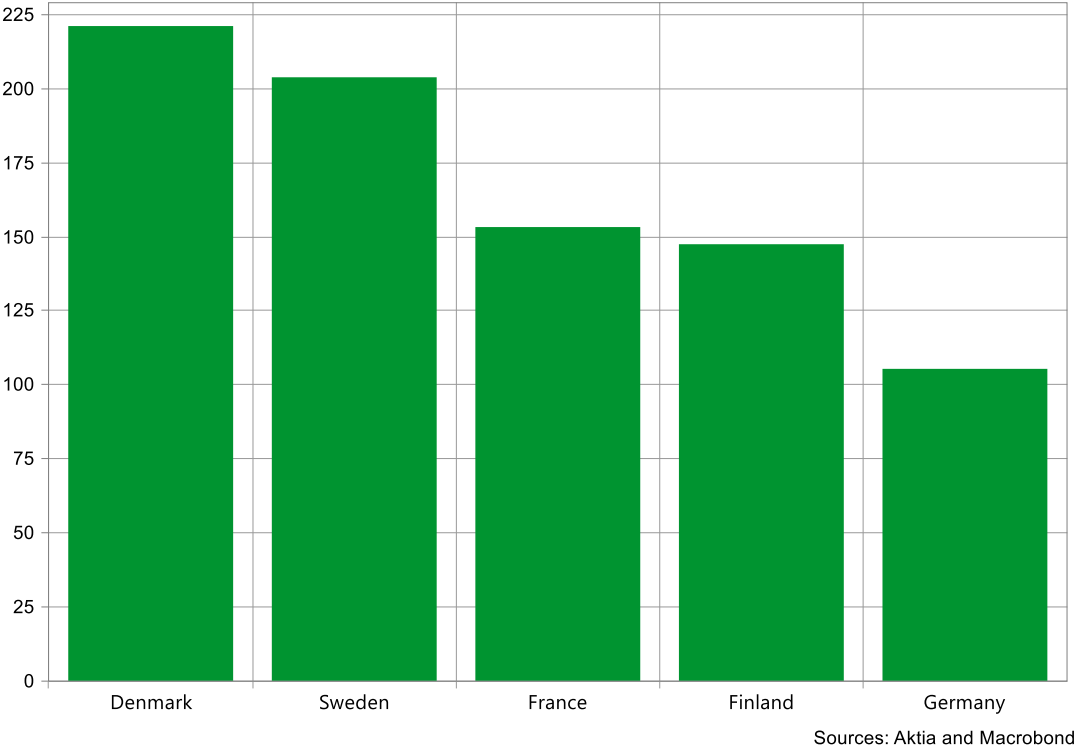


The Finnish Economy

Employment rate, 15-64 year olds



Private debt, % of GDP (2019)

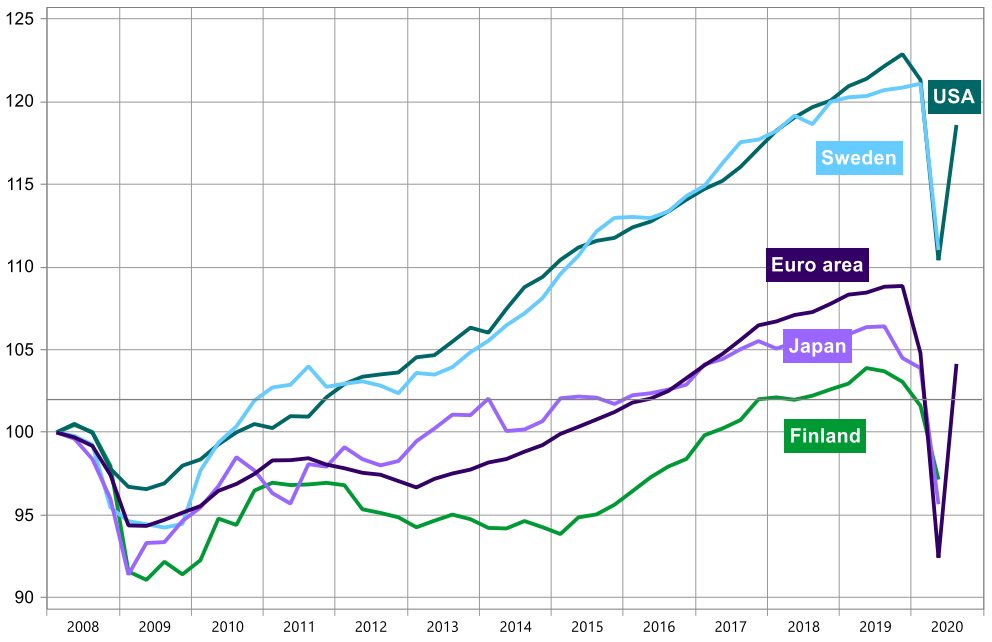


Macroeconomic environment

Macroeconomic environment

GDP in some countries

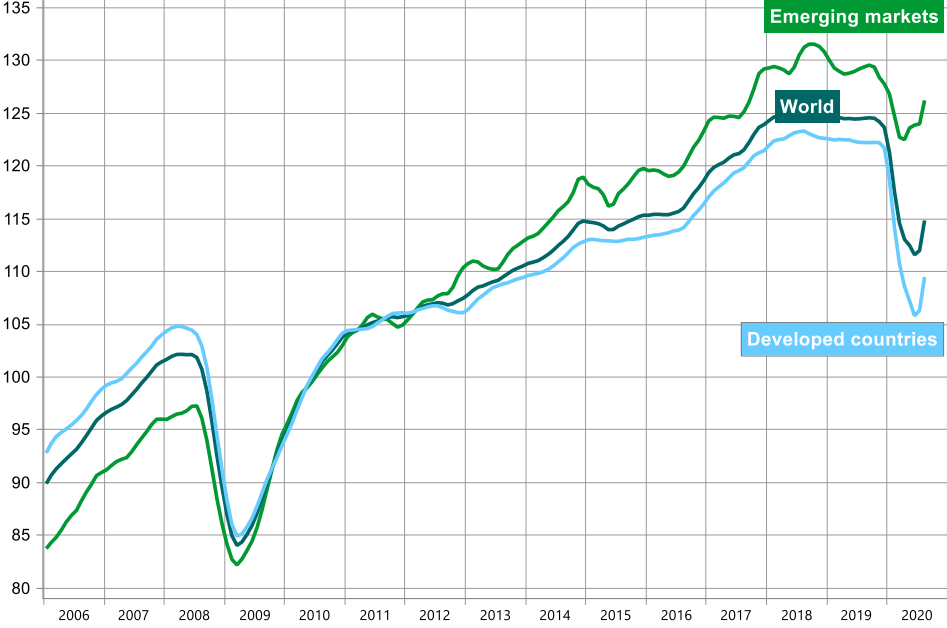
Index, Q12008=100



Sources: Aktia and Macrobond

World exports

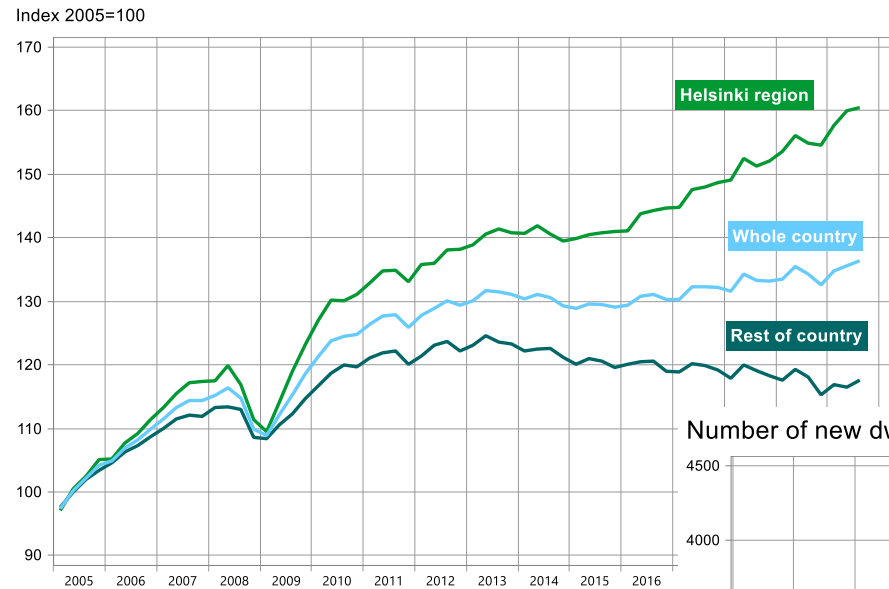
Volyme. Index 2010=100. 6 mMA. Sources: Aktia and Macrobond



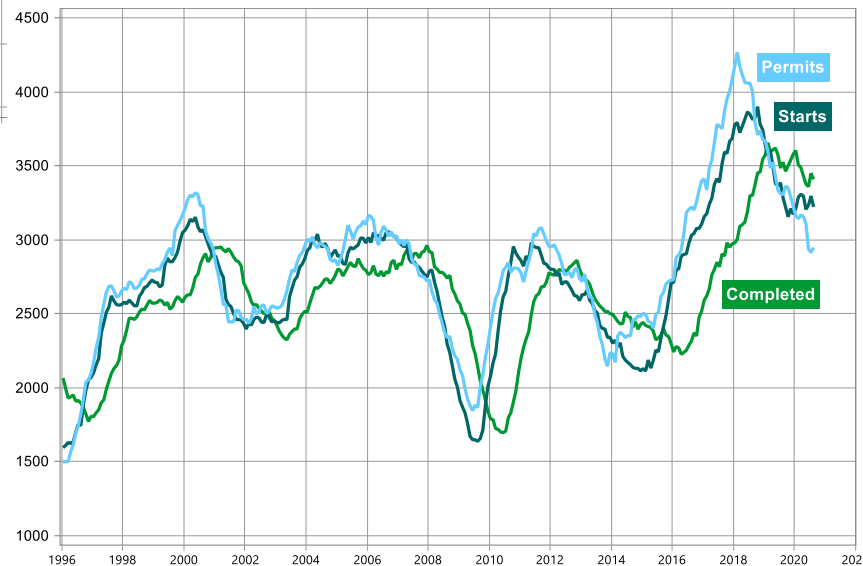
Finnish housing market

Segregating but stable housing market

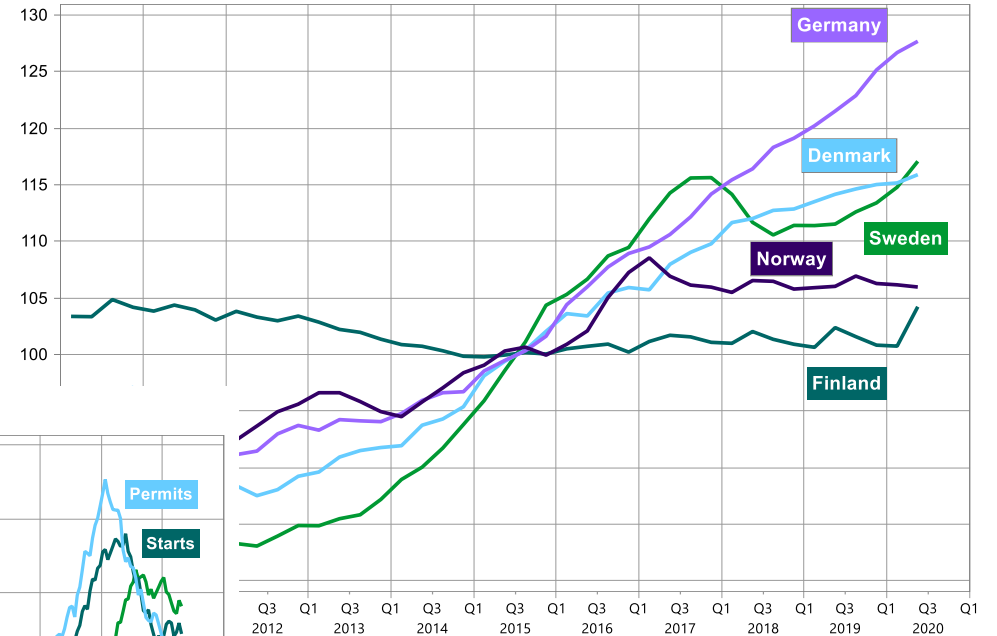
Finland: Prices, old apartments s



Number of new dwellings



Real House Prices, index 2010=100



Sources: Aktia and Macrobond

“In Greater Helsinki, (house) prices rose by 7.1 per cent and in the rest of the country they fell by 2.2 per cent. Compared with the previous quarter, prices of old single-family houses increased by 2.5 per cent.”
(Statistics Finland 3 Sep 2020)

Contacts and additional information



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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

Appendices

Financial summary Q3 and YTD

EUR million	Q32020	Q32019	Δ, %	1-9/2020	1-9/2019	Δ, %
Total operating income	49.4	52.9	-7%	144.1	166.2	-13%
Net interest income	20.0	19.6	2%	59.9	58.2	3%
Net commission income	24.2	25.3	-5%	72.2	73.3	-1%
Net income from life insurance	4.7	6.8	-31%	9.6	21.7	-56%
Other income	0.5	1.2	-61%	2.3	13.0	-82%
Total operating expenses	-33.8	-34.2	-1%	-105.5	-105.2	0%
Impairments of credits and other commitments	-0.1	-1.2	-96%	-3.2	-3.7	-13%
Operating profit	16.0	14.3	12%	35.1	55.6	-37%
Comparable operating profit*	16.0	17.6	-9%	35.3	49.0	-28%
Earnings Per Share (EPS), EUR	0.18	0.16	13%	0.39	0.67	-41%
Return on Equity (ROE), %	7.8	7.4	5%	5.8	10.2	-43%
Cost-to-income ratio (comparable)	0.68	0.65	5%	0.73	0.67	9%
Common Equity Tier 1 capital ratio, %	15.6	15.6	0%	15.6	15.6	0%

*) Excl. items affecting comparability

Aktia

Key Figures Q3 2020

(Q3 2019)

Net interest income	+2%	EUR 20.0 (19.6) million
Net commission income	-5%	EUR 24.2 (25.3) million
Total operating income	-7%	EUR 49.4 (52.9) million
Comparable operating income	-7%	EUR 49.4 (52.9) million
Total operating expenses	-10%	EUR -33.8 (-37.5) million
Comparable operating expenses	-1%	EUR -33.8 (-34.2) million
Comparable operating profit	-9%	EUR 16.0 (17.6) million

EPS
EUR 0.18
(EUR 0.16)

Comparable C/I ratio
0.68
(0.65)

ROE
7.8%
(7.4%)

CET1
15.6%
(30 September 2019; 15.6%)

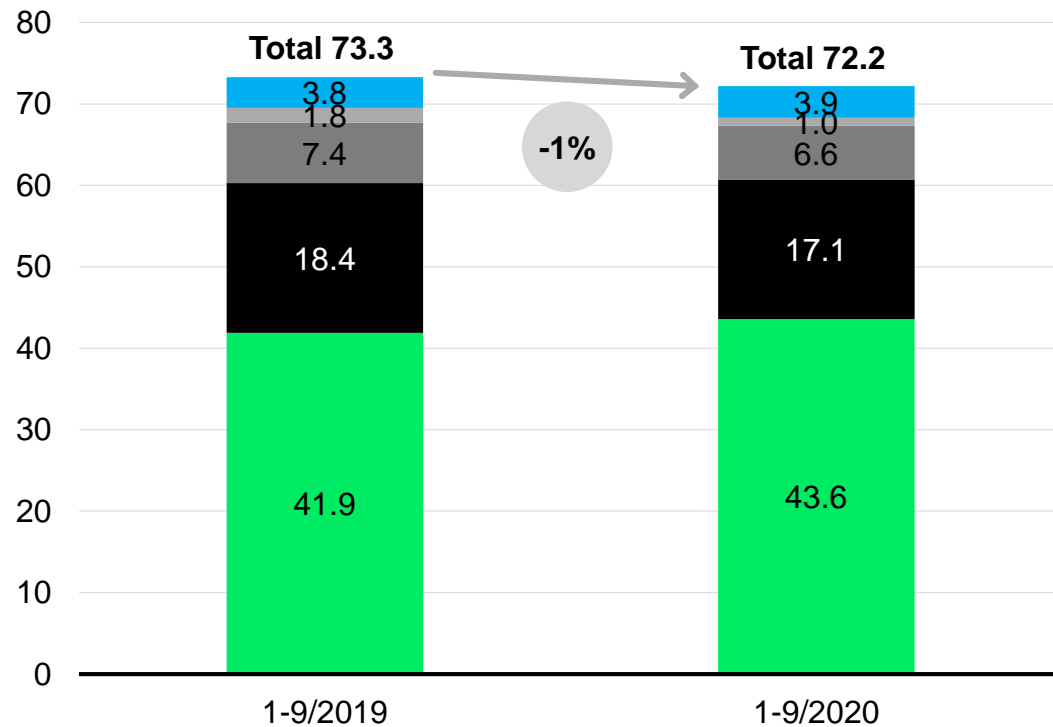
Net interest income mix

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)