

3 NOVEMBER 2020

# Q3 Results

Mikko Ayub  
CEO

Aktia

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# 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



# Outlook 2020 (updated)

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.

# Dividend (updated)

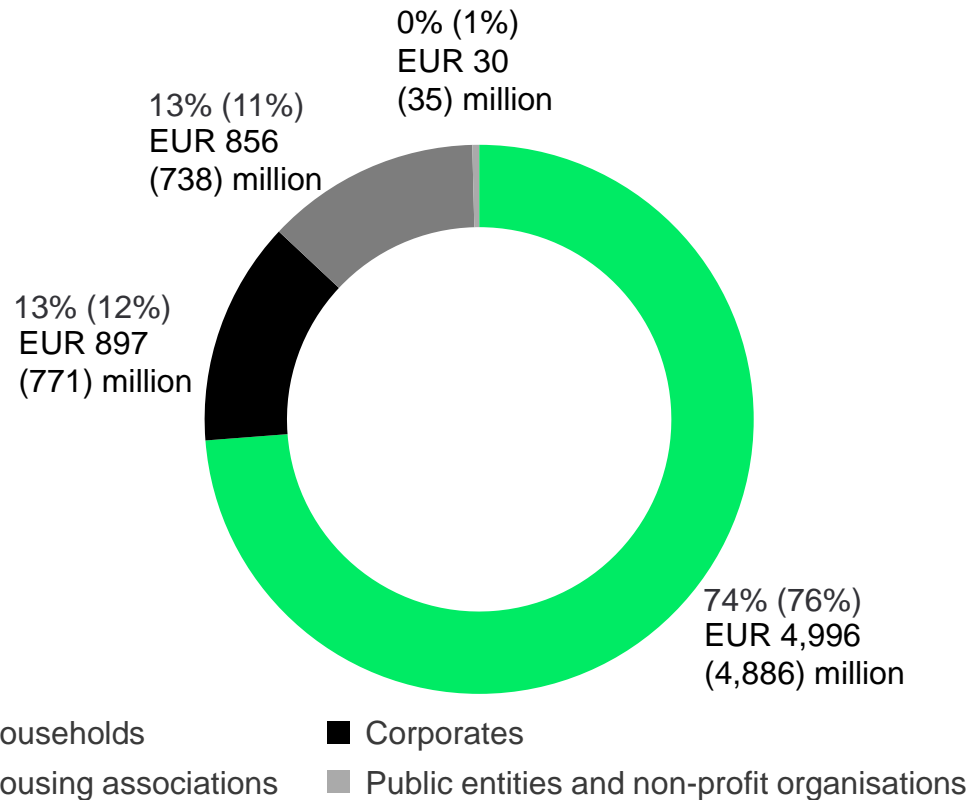
Aktia's capital adequacy and liquidity enable a dividend pay-out for 2019 based on the Annual General Meeting's authorisation for the Board of Directors (a maximum of EUR 0.63 per share). The Board of Directors aims in January 2021 to decide on a EUR 0.63 dividend pay-out per share for 2019, provided that (new) regulatory policies do not hinder this. Aktia will inform about the Board of Directors' decision, record date and pay-out date for the dividend separately.

# Structure of lending and deposits

30 September 2020 (31 December 2019)

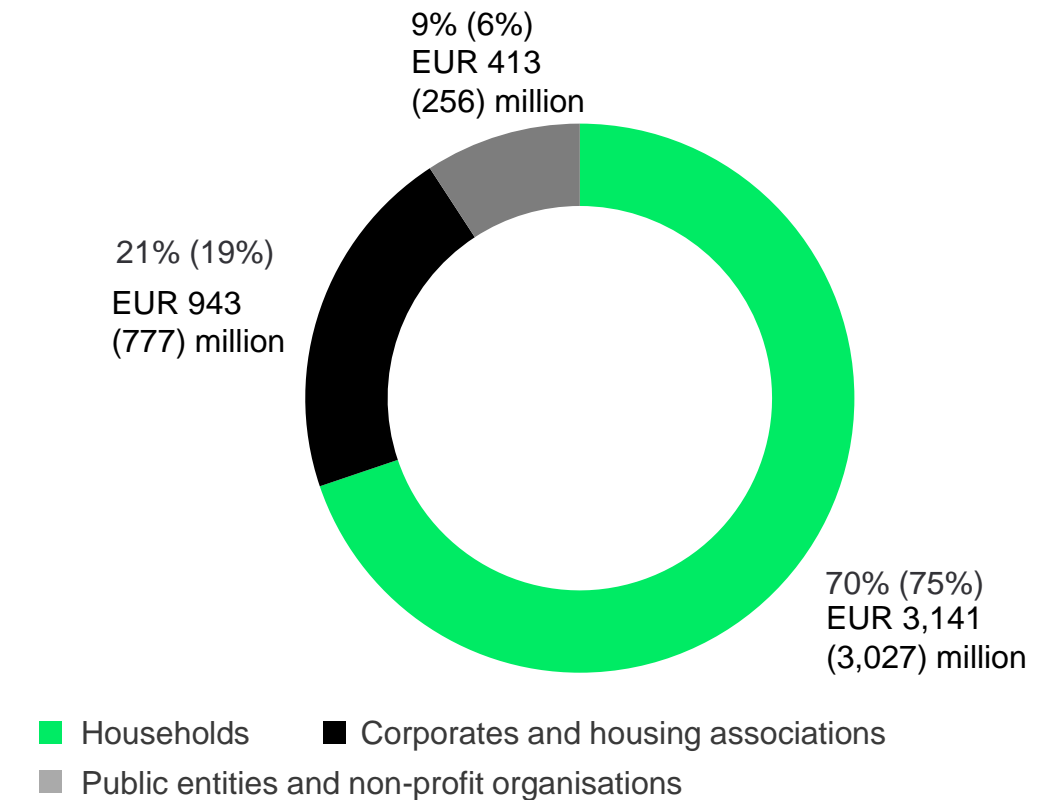
## Lending

Total EUR 6,780 (6,429) million



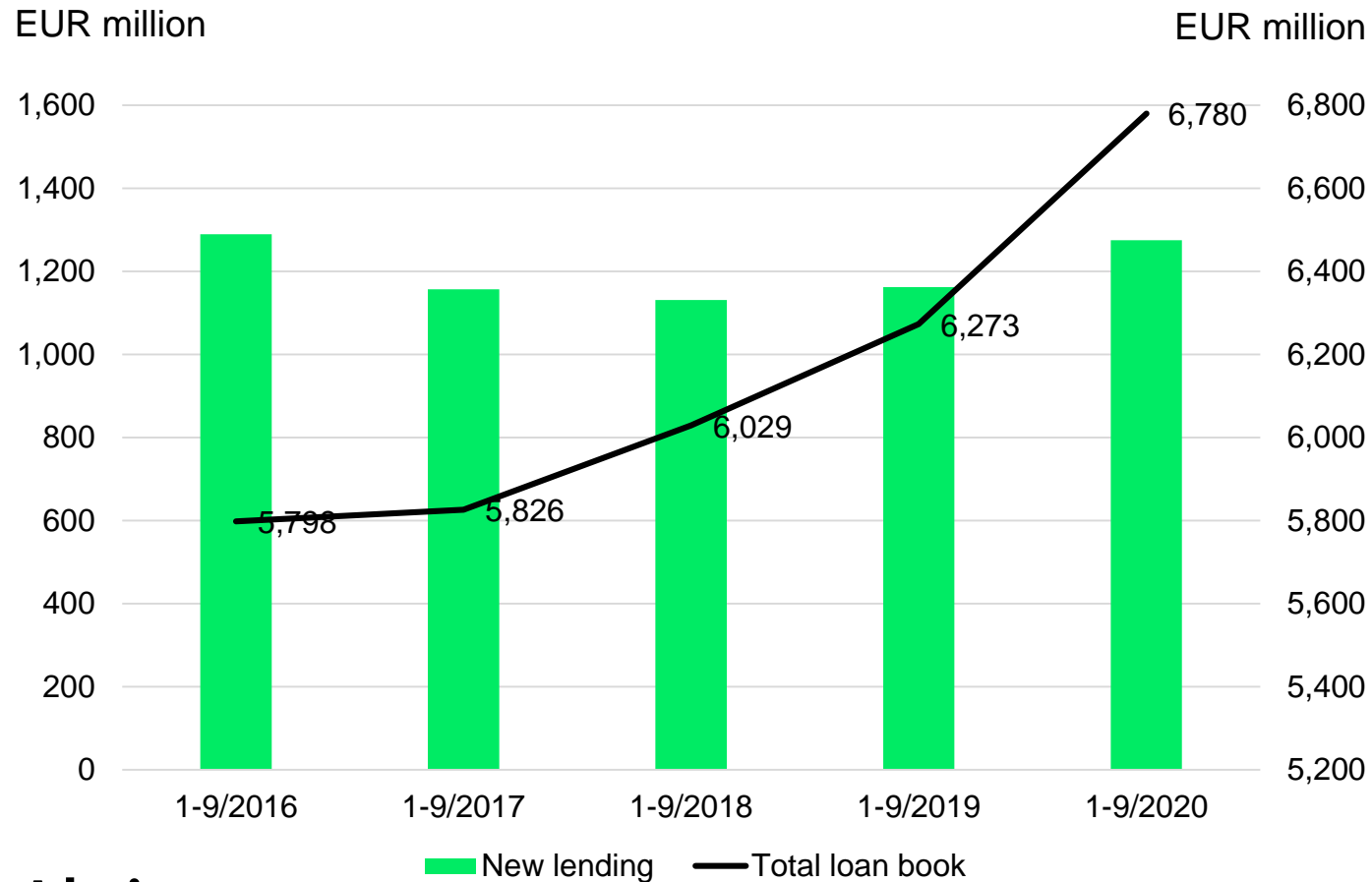
## Deposits

Total EUR 4,497 (4,060) million



# Remarkable growth in total loan book

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



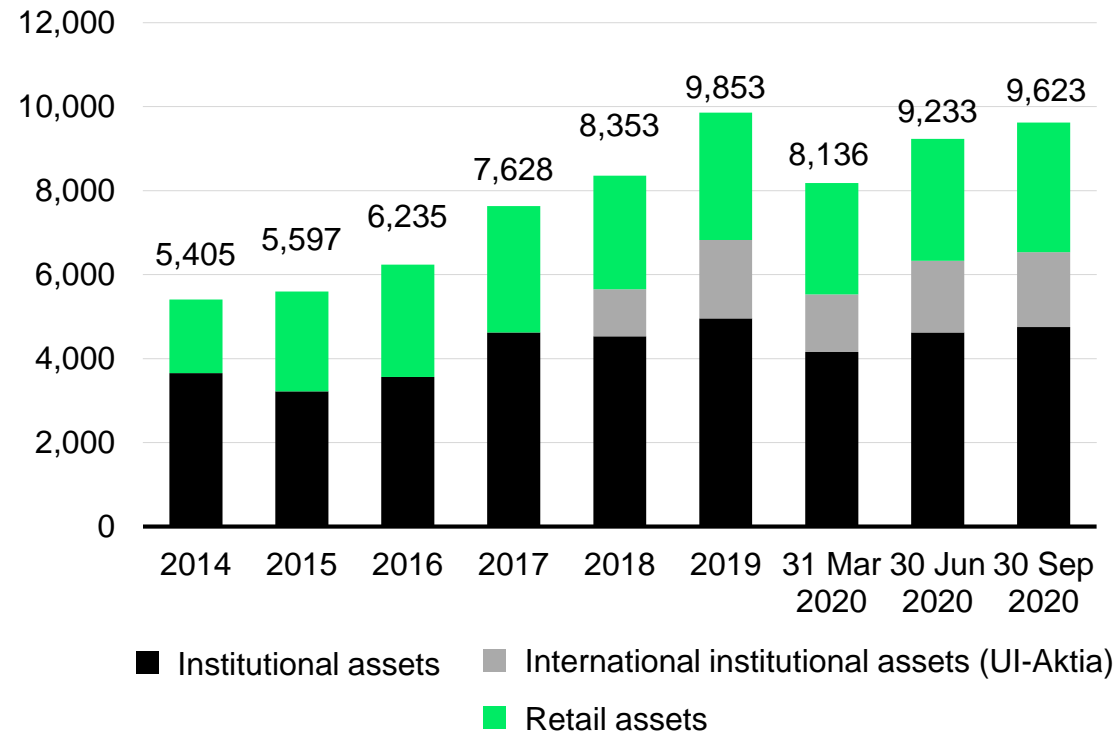
- The Group's lending to the public and public-sector entities increased to EUR 6,780 million.
- Aktia's new lending amounted to EUR 1,275 million.

# Stable growth of AuM continues

## Asset Management

### Assets under management excluding custody (AuM)

EUR million



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### 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

# 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

Outi Henriksson  
CFO

**Aktia**

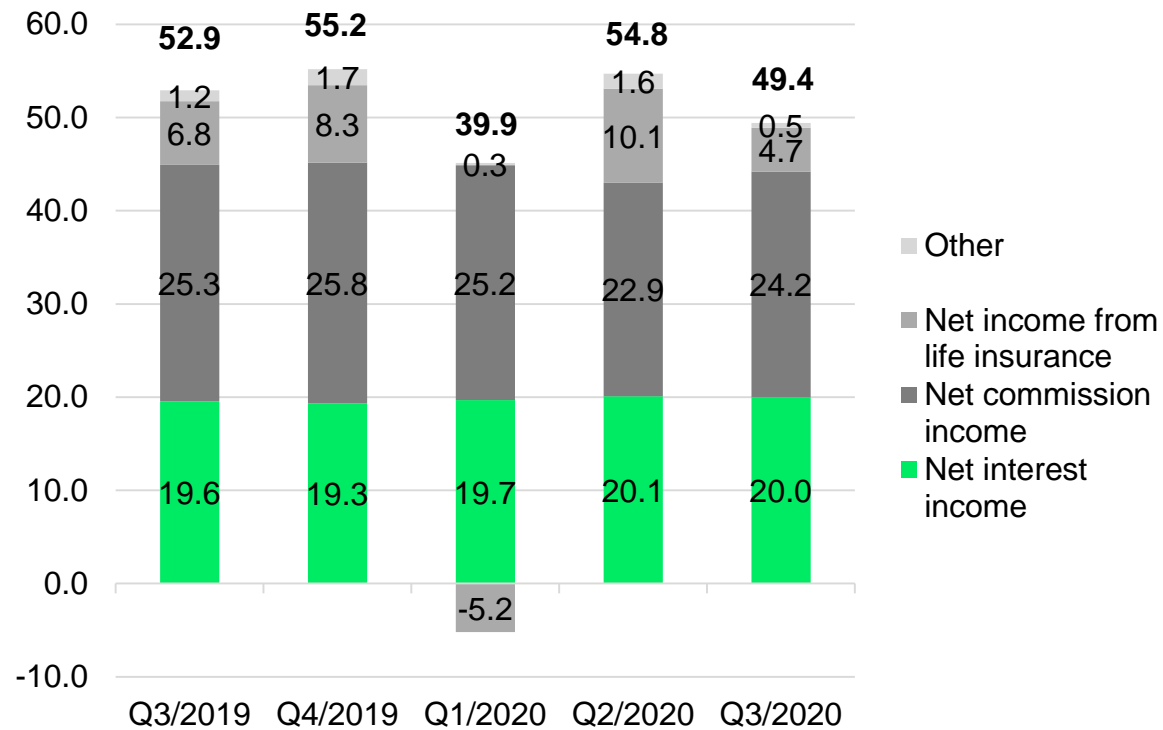
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# Comparable operating profit

Q-o-Q

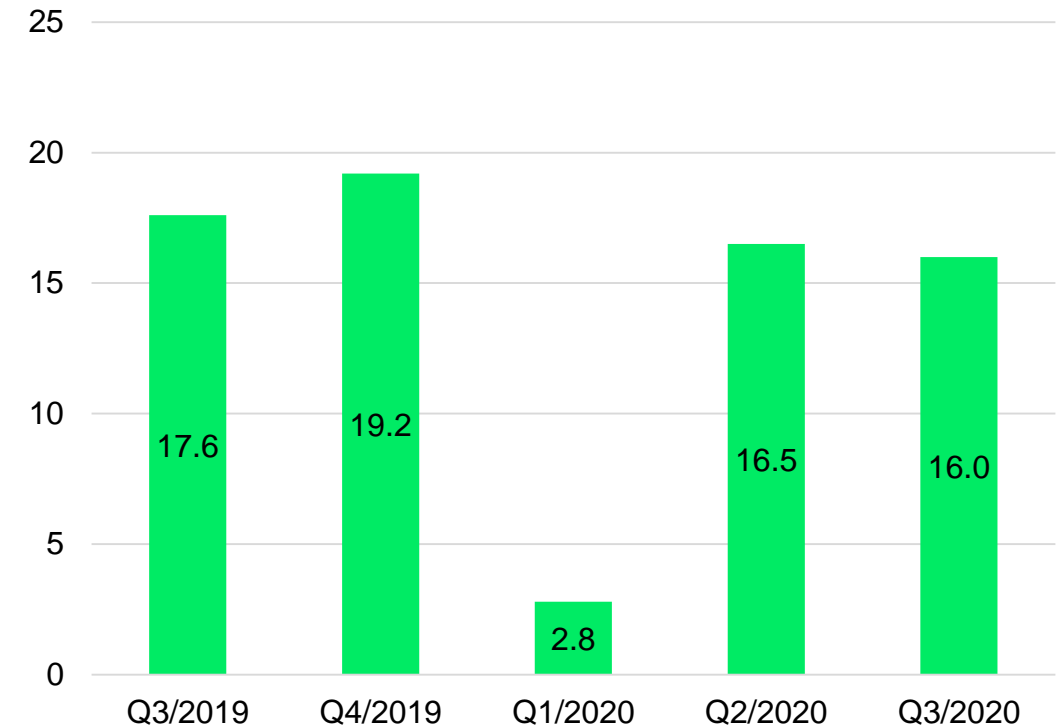
## Comparable operating income

EUR million



## Comparable operating profit

EUR million



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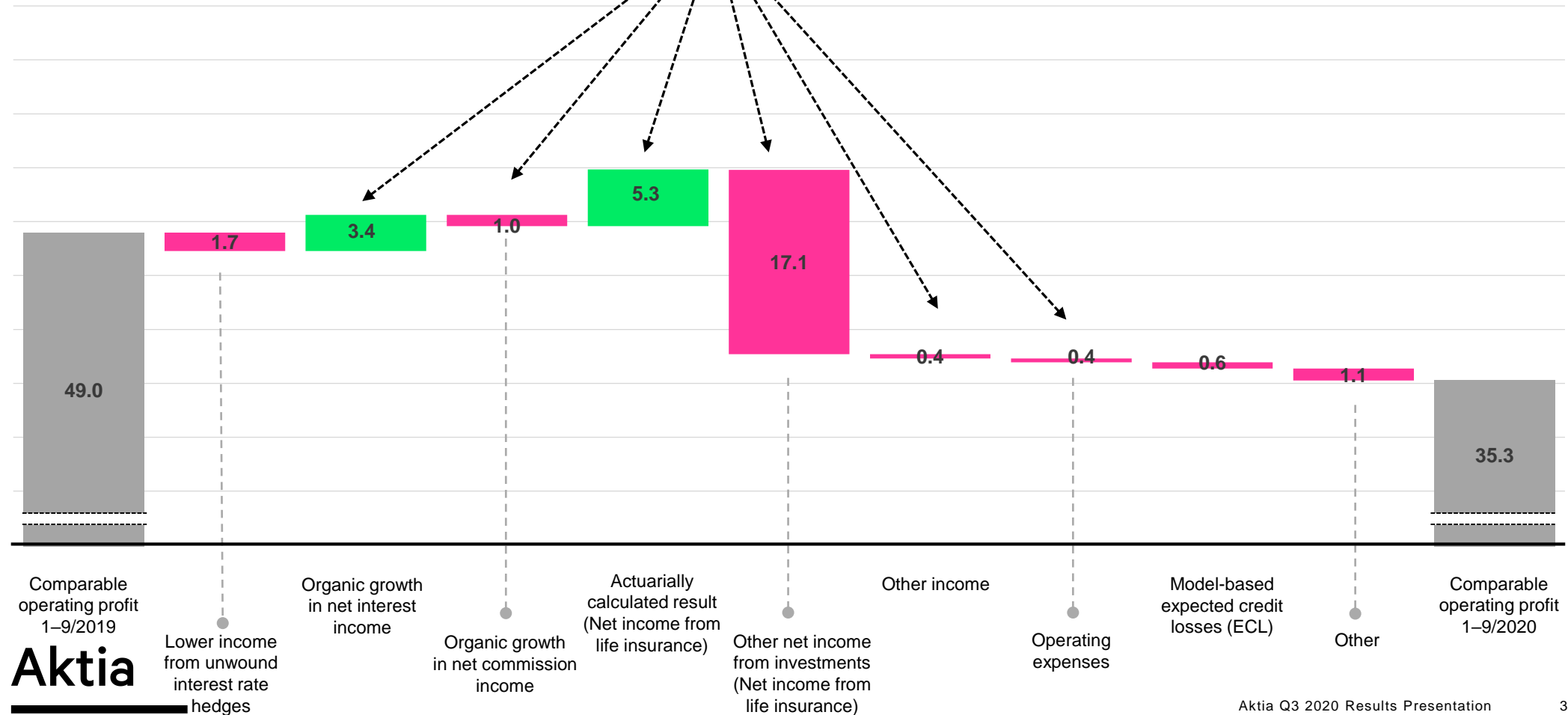
# Comparable operating profit

1–9/2020 vs 1–9/2019

**+3% underlying profit growth  
(without unrealised value changes)\***

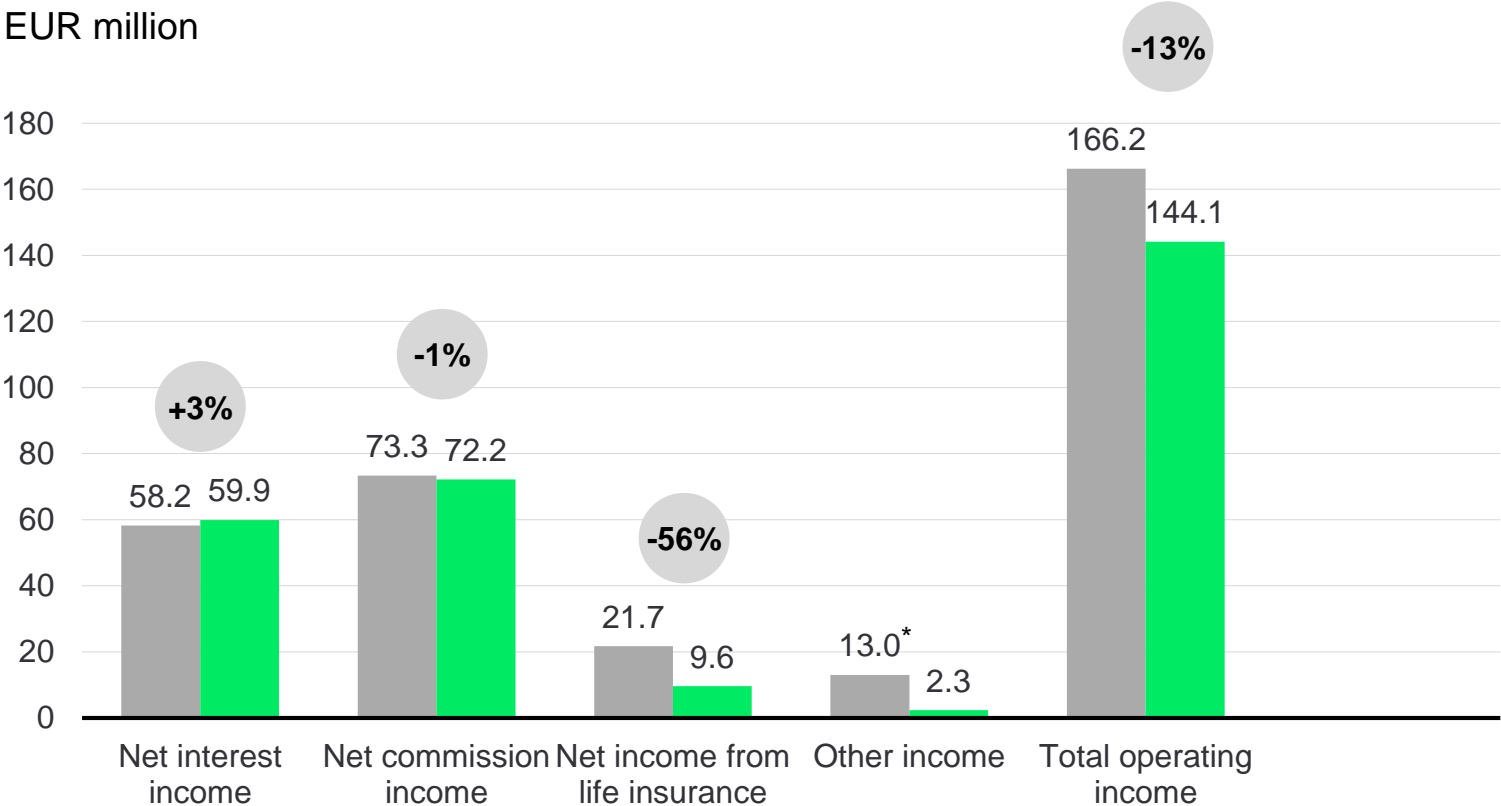
\* Organic growth in net interest income (EUR 3.4 million), net commission income (EUR -1.0 million), net income from life insurance (EUR -0.4 million), other income (EUR -0.0 million) and operating expenses (EUR -0.4 million)

EUR million



# Total operating income decreased by 13%

## Income mix EUR million



■ 1-9/2019 ■ 1-9/2020

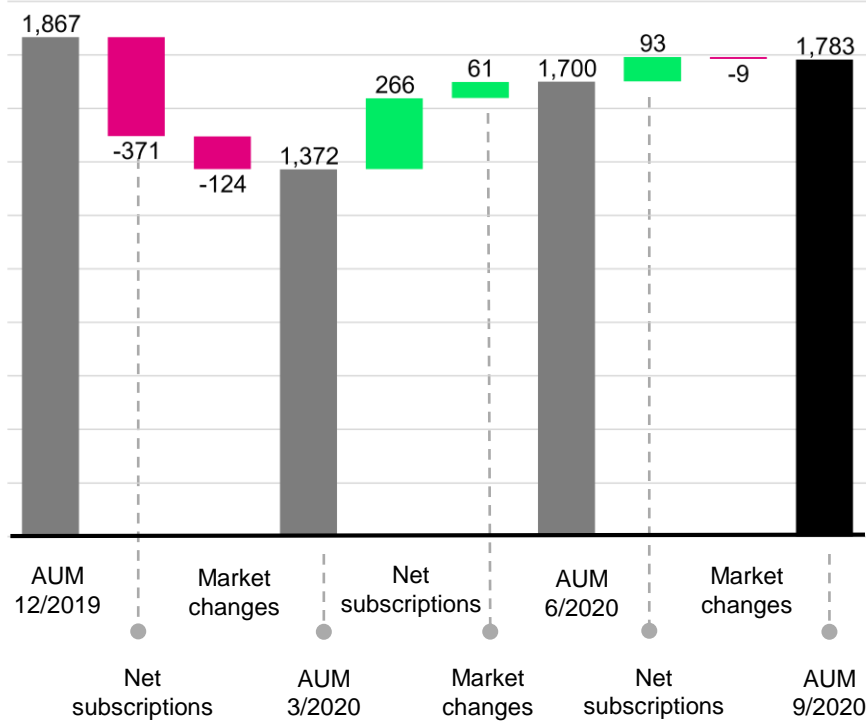
\* including a profit of EUR 9.6 million from the divestment of shares in Samlink Ltd and additional income of EUR 0.5 million from the sale of Visa Europe



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

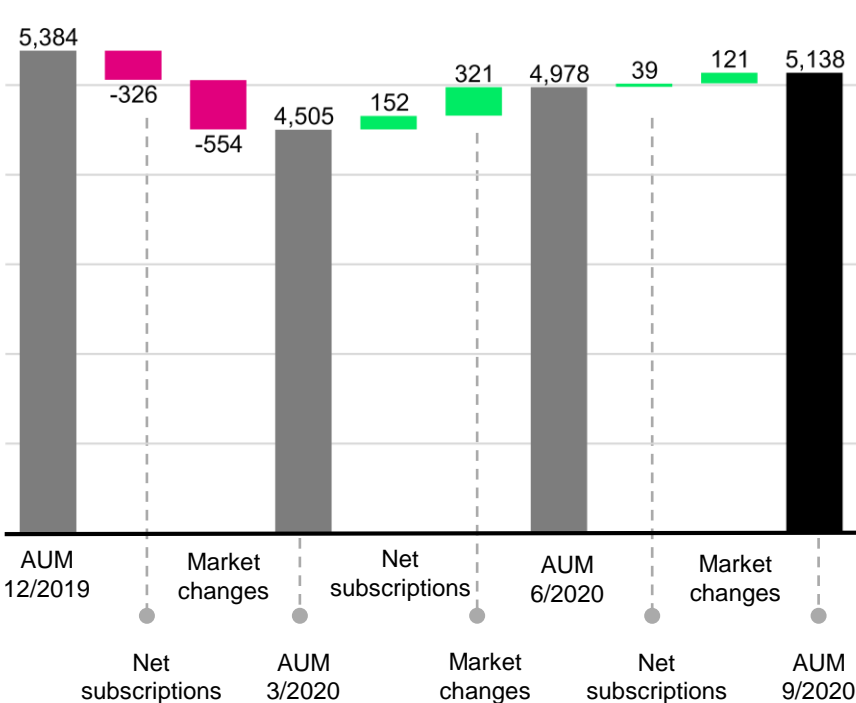
Asset Management, Aktia UI 1–9/2020

EUR million



Asset Management, domestic 1–9/2020

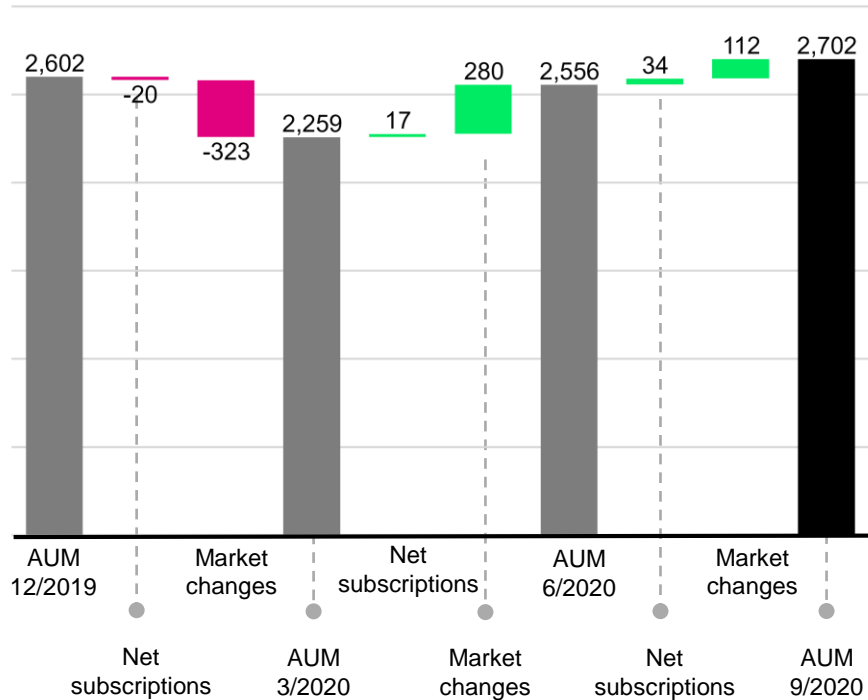
EUR million



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

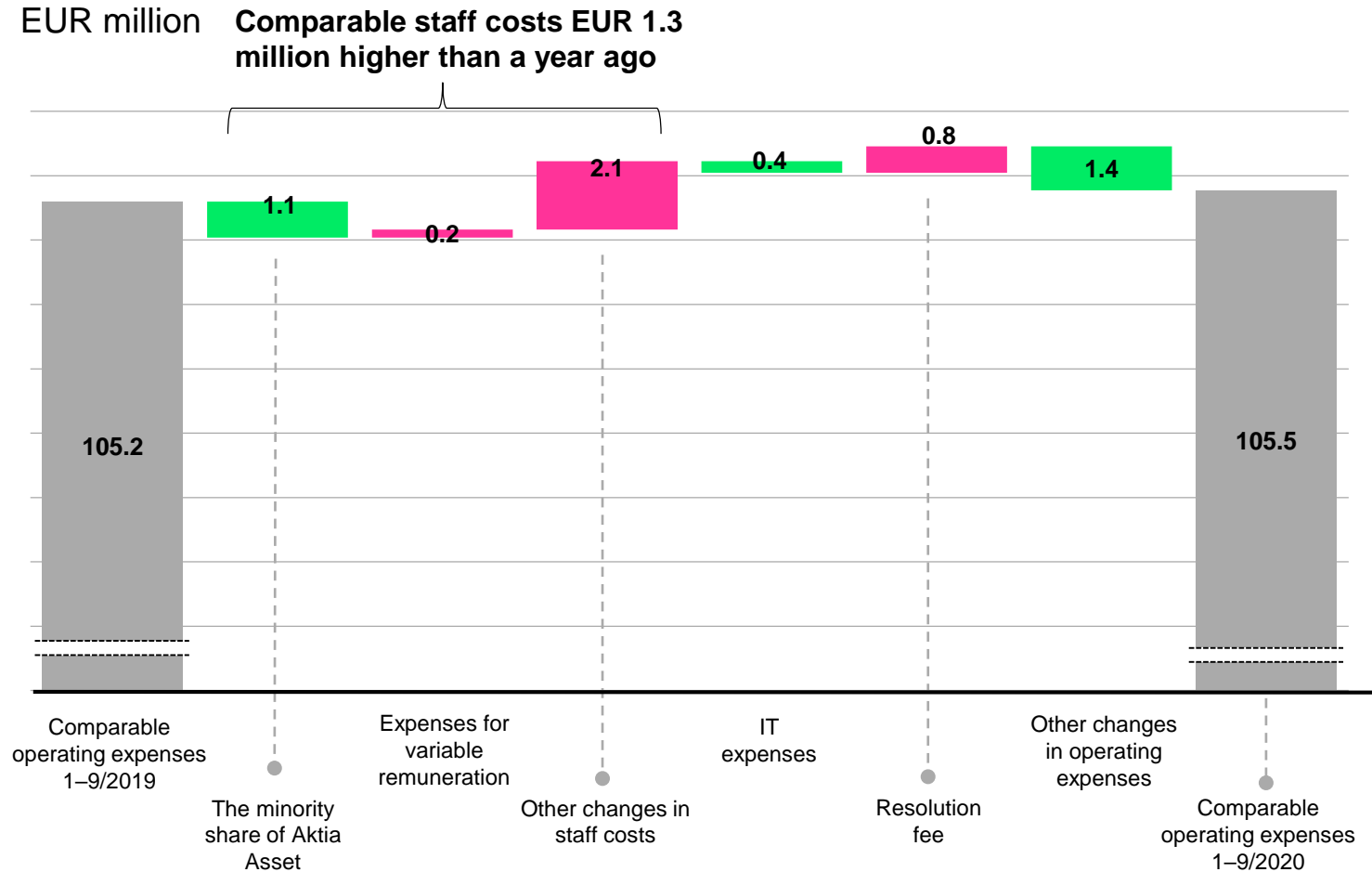
## Banking Business, Retail 1–9/2020

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.

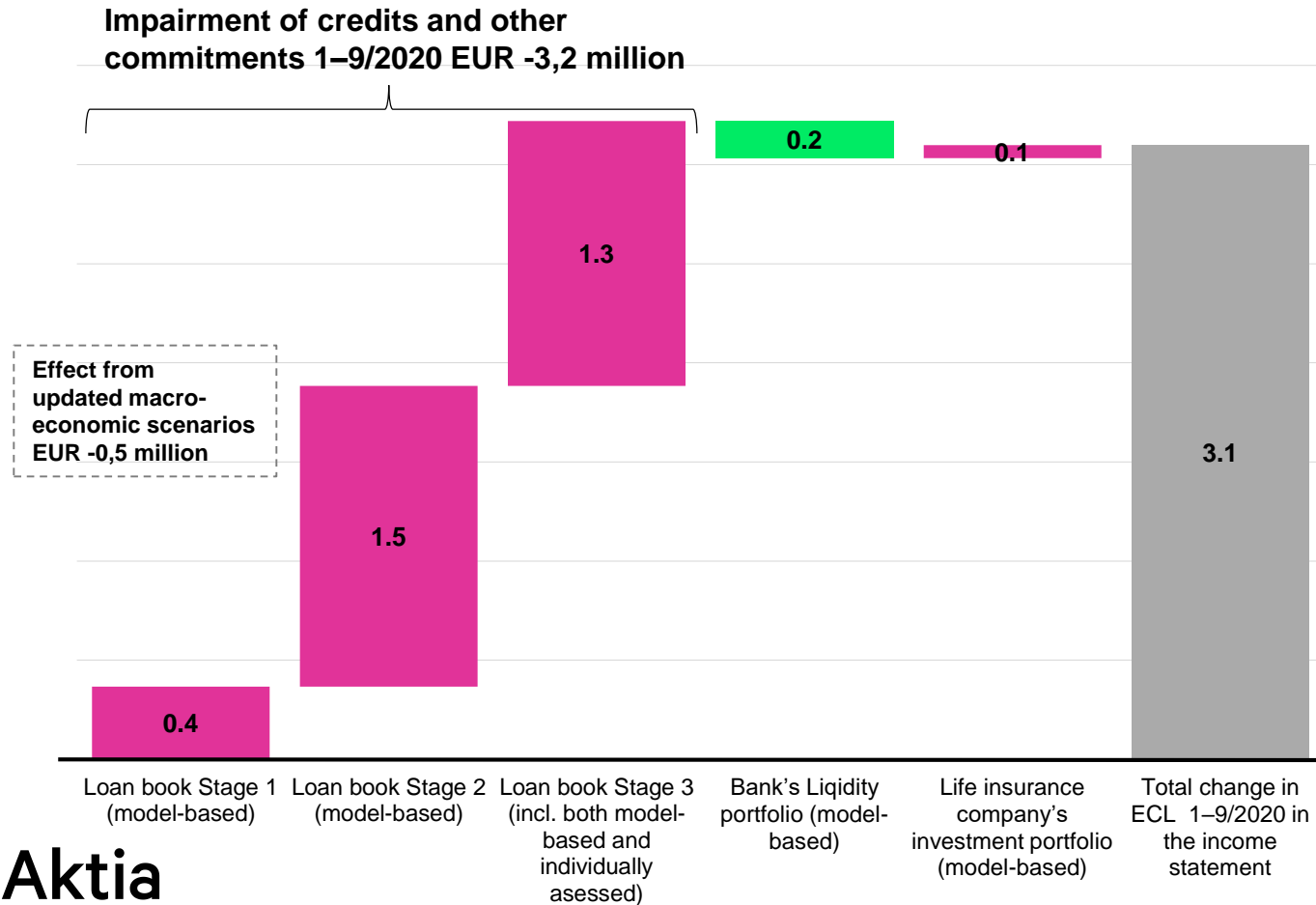
## Other operating expenses:

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.

# Provisions for future expected credit losses

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

EUR million



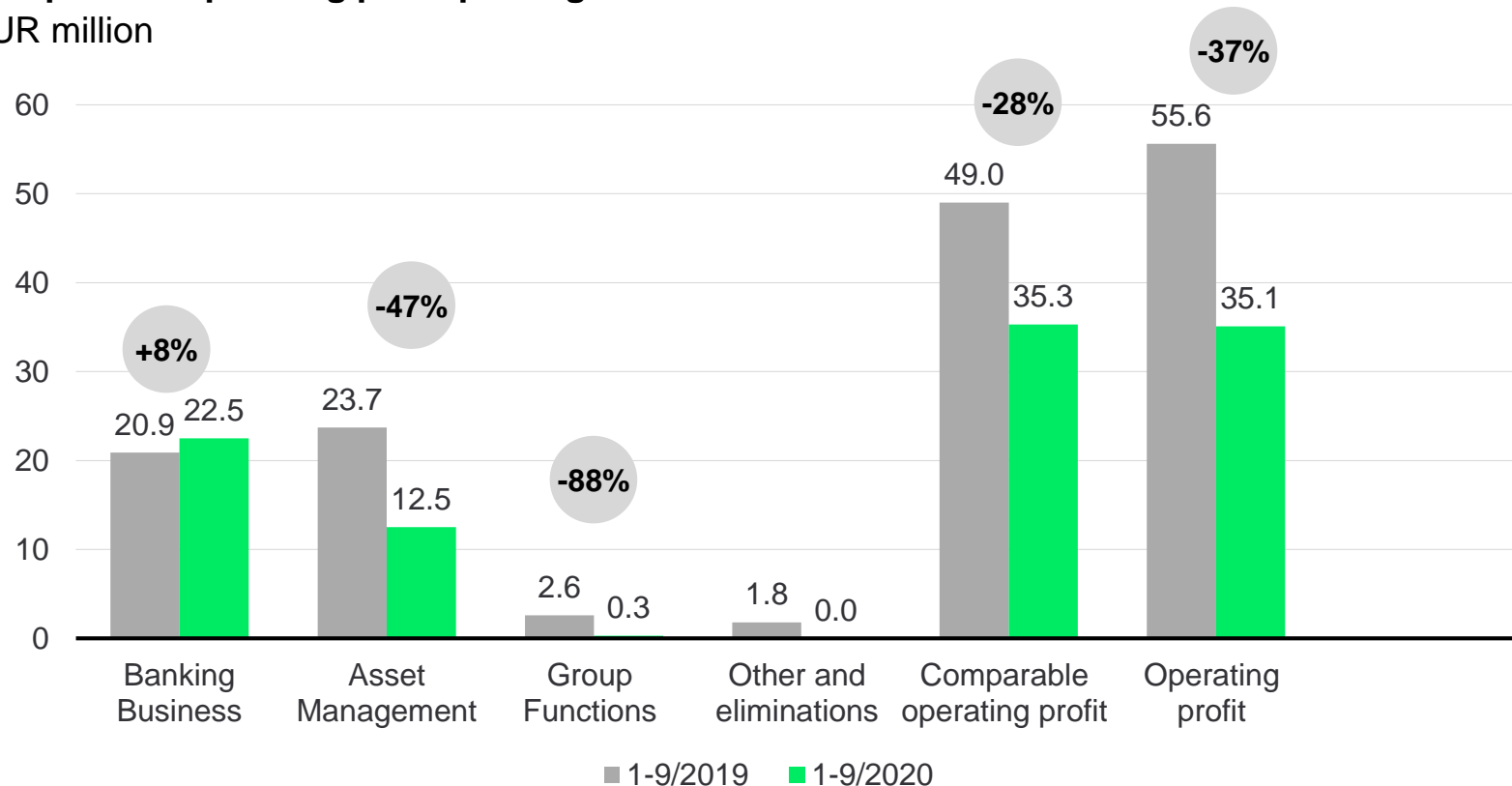
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- We have not made any significant changes to the model-based credit loss provisions that we reported previously. Macroeconomic assumptions held unchanged in 3Q vs 2Q
- Additional information on the consequences of the pandemic is available for the 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

# Comparable operating profit decreased by 28%

## Comparable operating profit per segment

EUR million



- The decreased comparable operating profit is attributable to the outbreak of the covid-19 pandemic and related market reactions in March. While solid recovery of the AuM and life insurance company fund portfolio has taken place in 2Q and 3Q, we are still somewhat below pre-covid levels
- The individually largest negative impact on the income statement pertains to unrealised value changes in the life insurance company's investment portfolio of EUR -8.3 (3.9) million

# Financial summary Q3 and YTD

EUR million	Q32020	Q32019	Δ, %	1-9/2020	1-9/2019	Δ, %
<b>Total operating income</b>	<b>49.4</b>	<b>52.9</b>	<b>-7%</b>	<b>144.1</b>	<b>166.2</b>	<b>-13%</b>
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%
<b>Total operating expenses</b>	<b>-33.8</b>	<b>-34.2</b>	<b>-1%</b>	<b>-105.5</b>	<b>-105.2</b>	<b>0%</b>
Impairments of credits and other commitments	-0.1	-1.2	-96%	-3.2	-3.7	-13%
<b>Operating profit</b>	<b>16.0</b>	<b>14.3</b>	<b>12%</b>	<b>35.1</b>	<b>55.6</b>	<b>-37%</b>
<b>Comparable operating profit*</b>	<b>16.0</b>	<b>17.6</b>	<b>-9%</b>	<b>35.3</b>	<b>49.0</b>	<b>-28%</b>
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

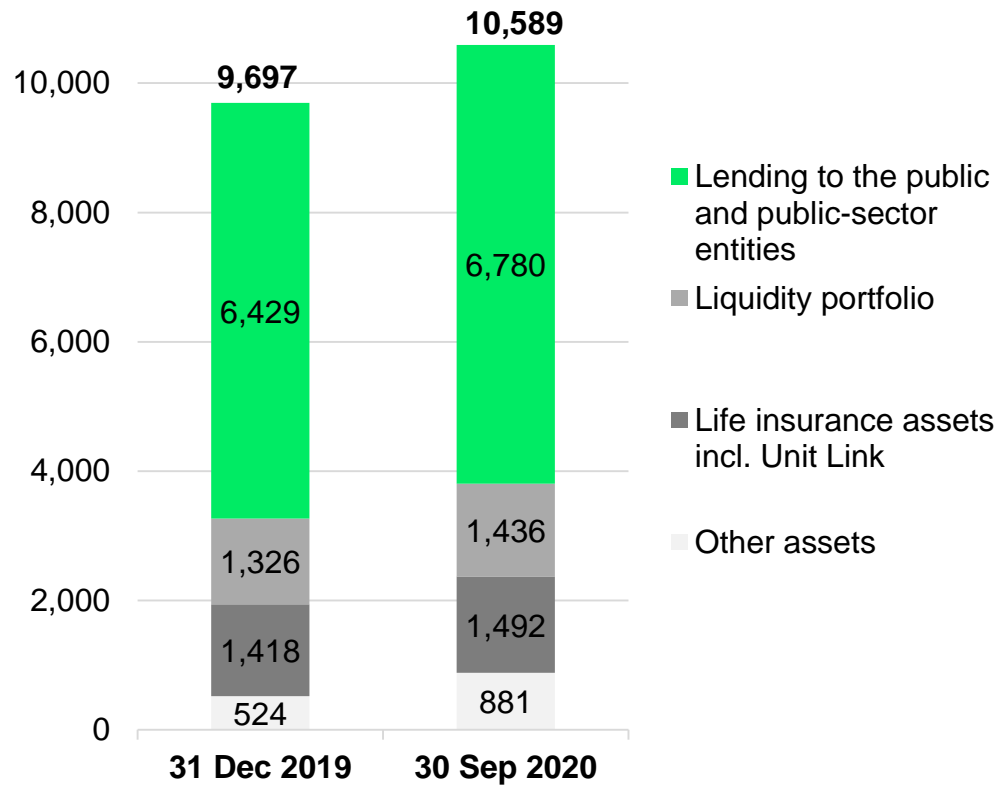
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# Balance sheet total increased to EUR 10,589 million

30 September 2020

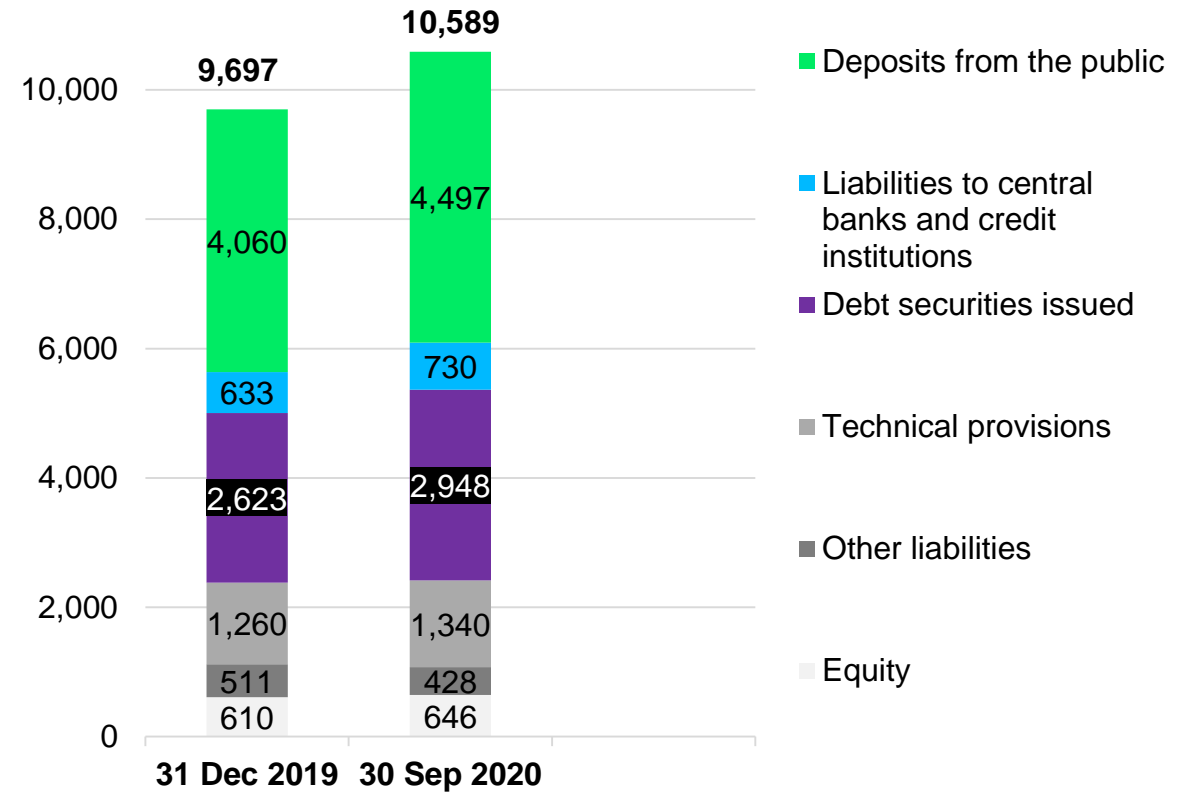
## Total assets

EUR million



## Total liabilities and equity

EUR million



# CET1 on a solid level above the target range

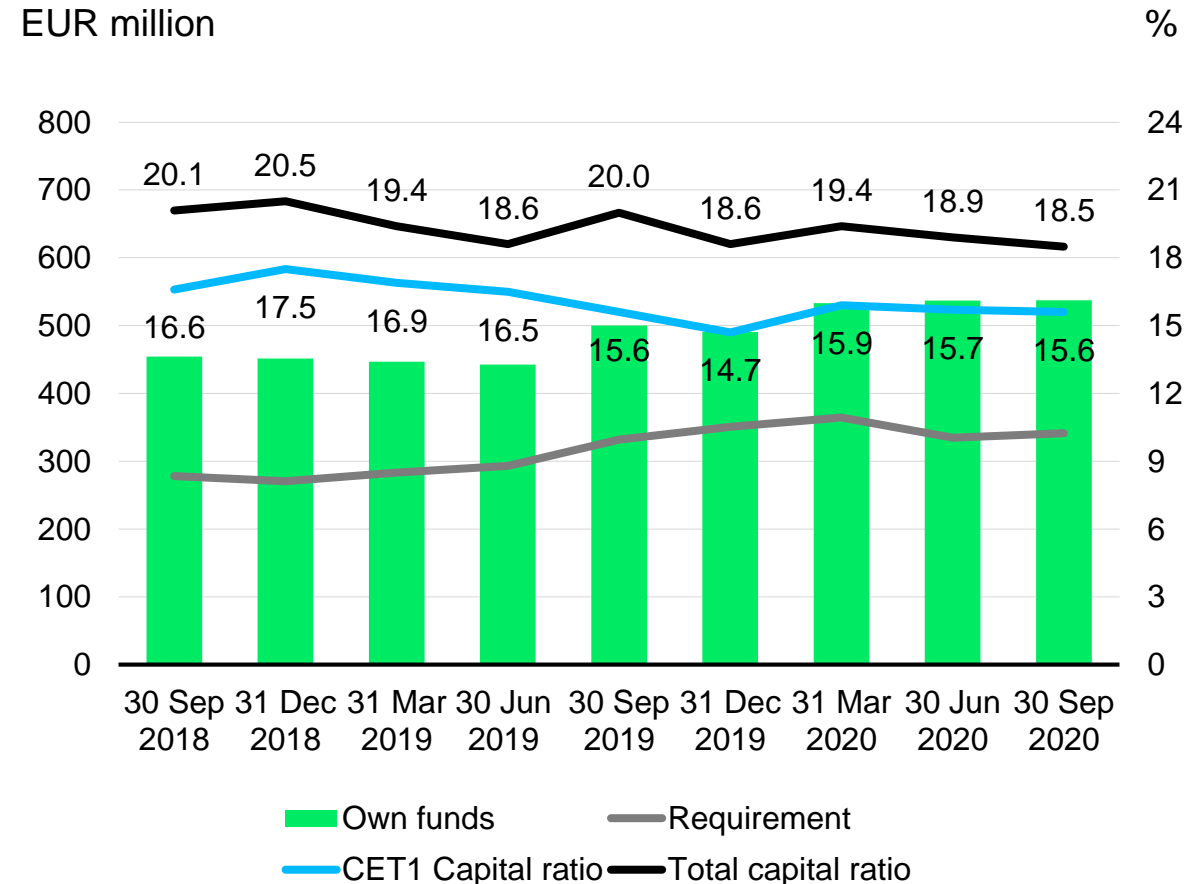
## Capital Adequacy

- At the end of the period, the Group's Common Equity Tier 1 (CET1) capital ratio was 15.6%.
  - Target range at the end of period 11.3–12.8%.
- The CET1 ratio increased during the period as a result of postponing the decision on dividend payment for the financial year 2019 to a later date.
  - CET1 ratio considering the maximum pay-out for 2019 was 14.0%.
- Risk-weighted assets increased by EUR 264 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%).

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### CET1

EUR million



# 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.

# 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 Q3 2020

(Q3 2019)

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

EPS  
**EUR 0.18**  
(EUR 0.16)

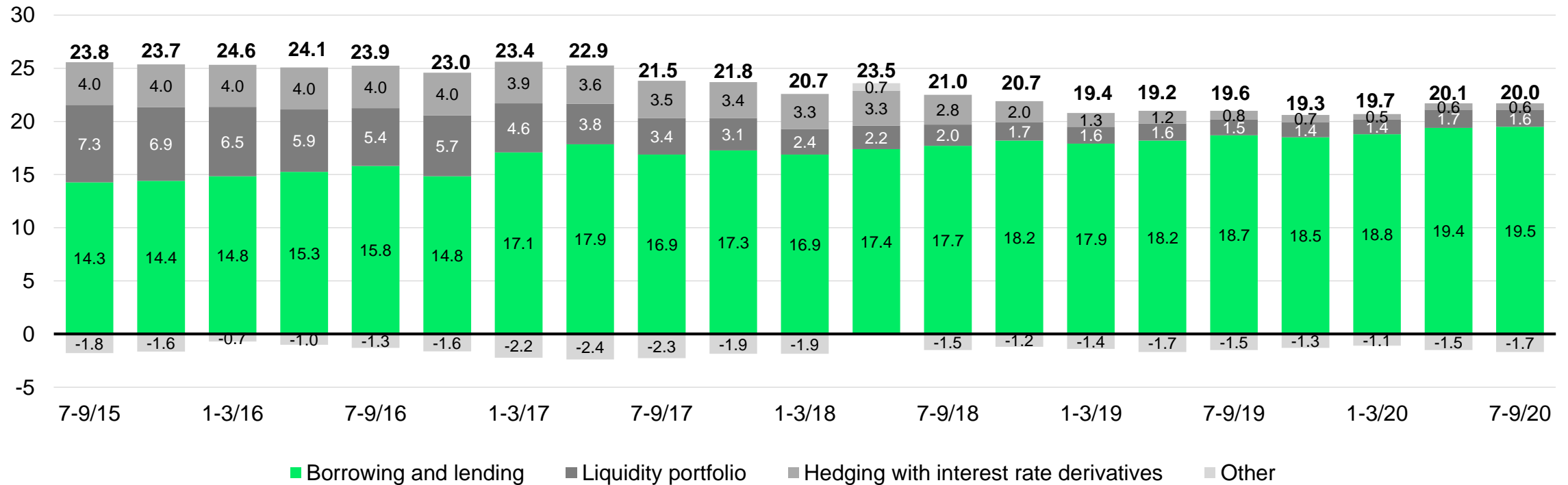
Comparable C/I ratio  
**0.68**  
(0.65)

ROE  
**7.8%**  
(7.4%)

CET1  
**15.6%**  
(30 September 2019; 15.6%)

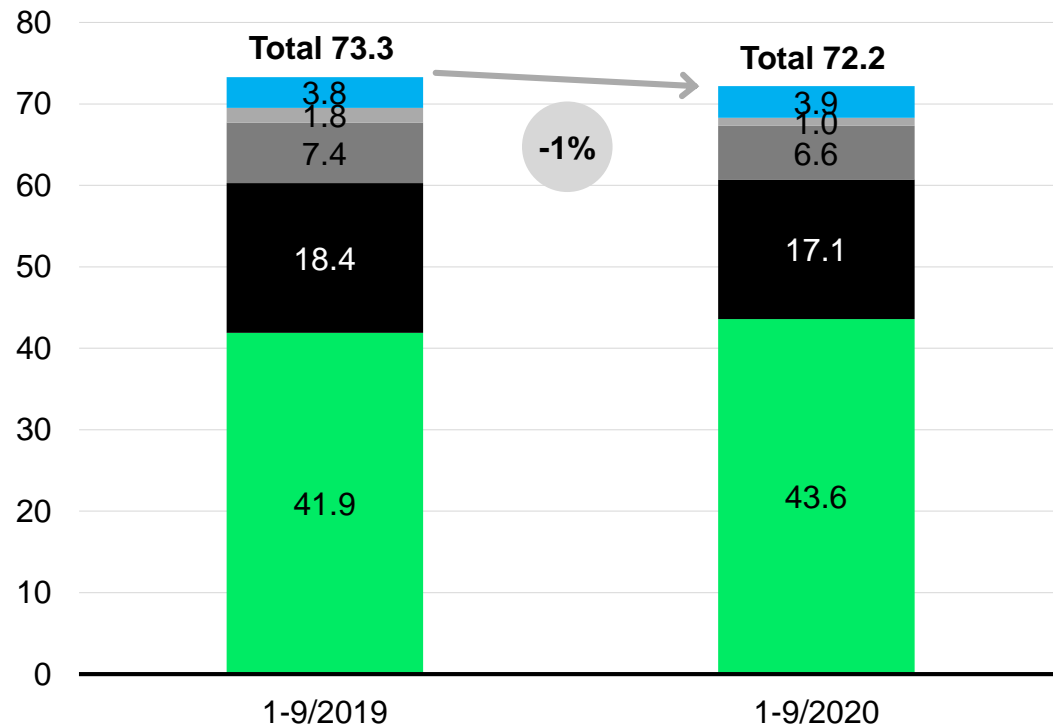
# Net interest income mix

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)



# The good bank. And a great asset manager.

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**Aktia**

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