

4 NOVEMBER 2021

# Q3 Debt investor presentation

Aktia



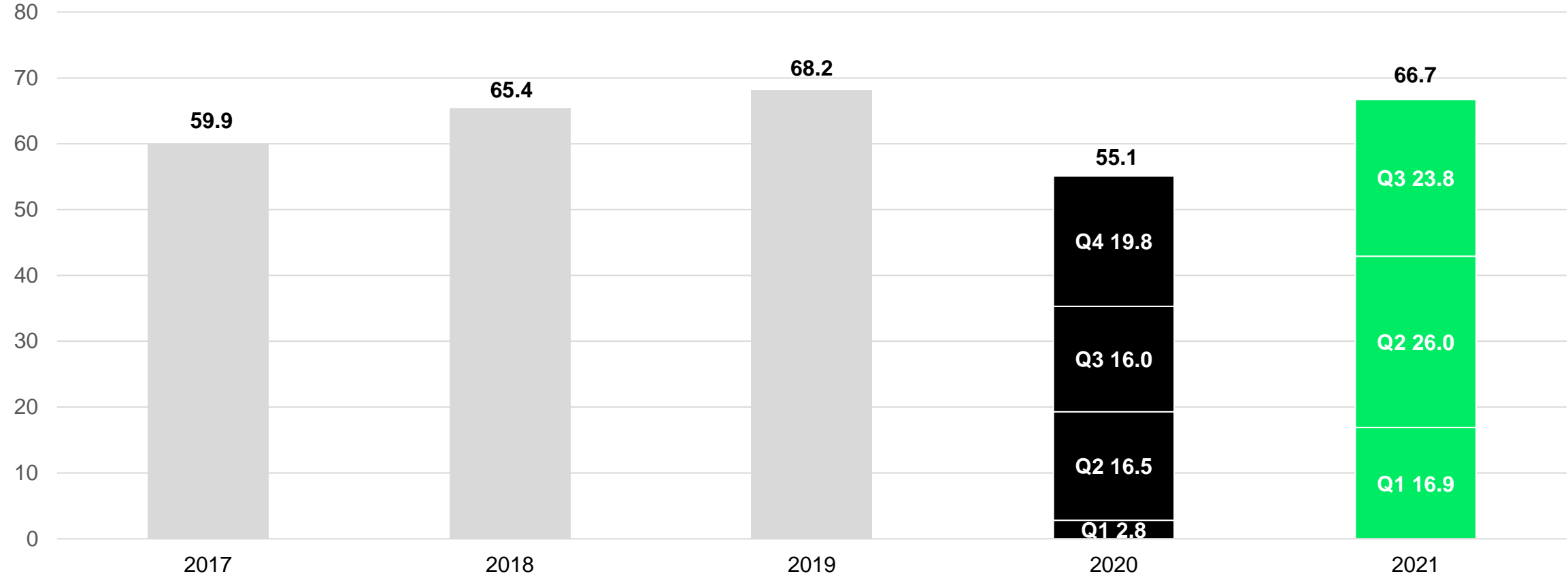
# Continued good performance in all business areas

EUR million	3Q2021	3Q2020	Δ %
<b>Total operating income</b>	<b>67.1</b>	<b>49.4</b>	<b>36%</b>
Net interest income	23.1	20.0	16%
Net commission income	33.5	24.2	39%
Net income from life insurance	9.7	4.7	105%
Other income	0.7	0.5	44%
<b>Total operating expenses</b>	<b>-41.6</b>	<b>-33.8</b>	<b>23%</b>
Impairments of credits and other commitments	-1.0	-0.1	-
<b>Operating profit</b>	<b>24.4</b>	<b>16.0</b>	<b>53%</b>
<b>Comparable operating profit</b>	<b>23.8</b>	<b>16.0</b>	<b>49%</b>
EPS, EUR	0.28	0.18	54%
ROE, %	11.4	7.8	46%
Cost-to-income ratio (comparable)	<b>0.63</b>	0.68	-8%
CET1, %	10.4	15.6	-33%

- Good net interest income
- Net commission income also at a very good level
- Strong net income from life insurance was attributable to good sales and an improved investment income
- Comparable cost-to-income ratio decreased to 0.63
- On 14 October 2021, Aktia paid EUR 0.43 dividend per share for the financial year 2020. The paid dividend amounted to EUR 30.9 million

# Comparable operating profit 2017–3Q2021

EUR million



# Asset Management

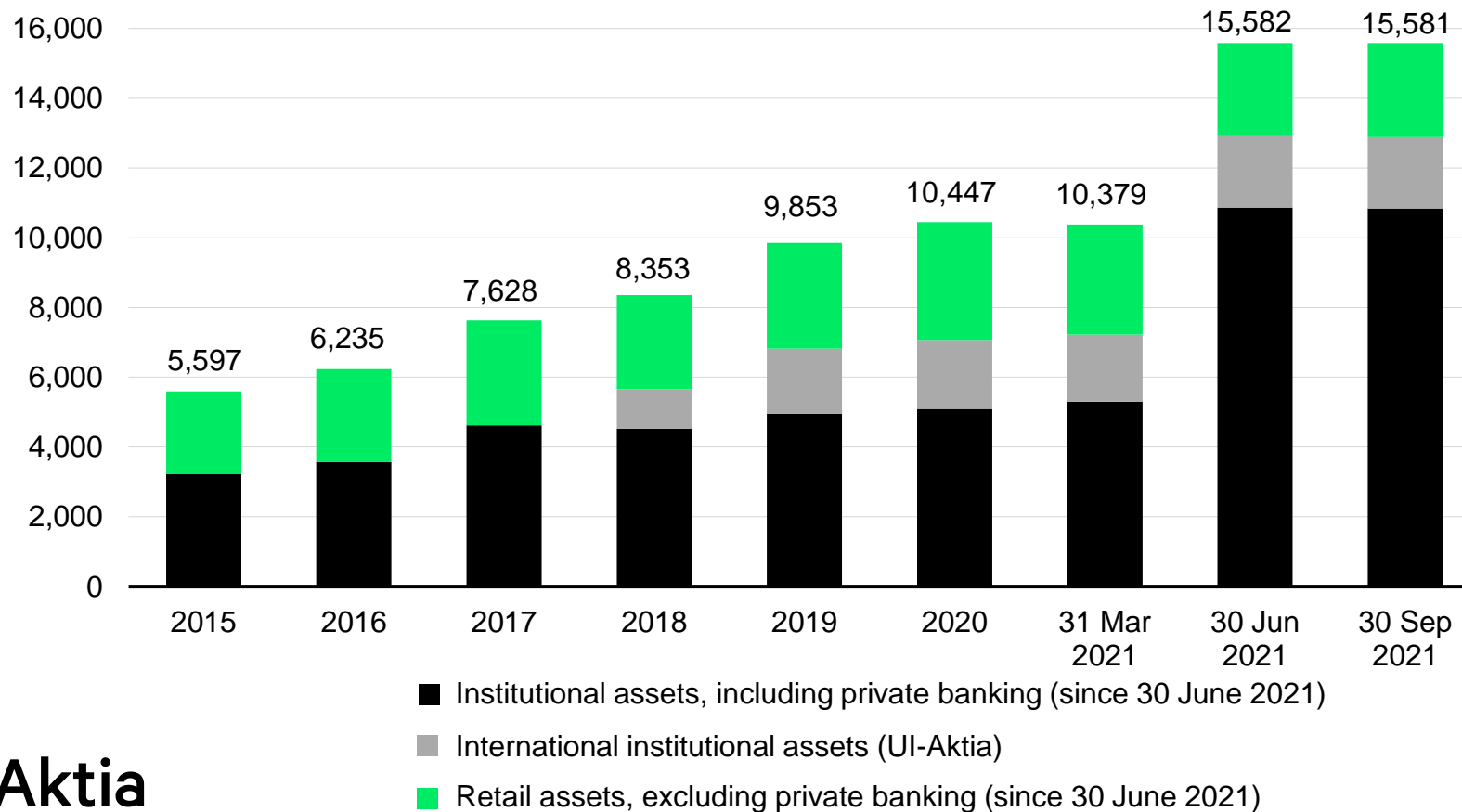
- Integration work continued in Q3 and proceeded according to plans and timetable
- The organisational structure of Aktia's asset management was completed during Q3
- Customer service models merged, and piloting projects initiated during Q3
  - Financing of investments well received by customers
- Preparation for year end legal entity mergers advances
- Returning to office work supports building new culture



# Assets under Management

## AuM excluding custody

EUR million



- Net subscriptions positive during Q3
- Volatility of the equity market and the nervousness of investors weighed the changes in market values

# Banking Business

- Growth in loan book continues
  - Loan margins from corporate customers continued to increase during Q3
- Goal not to increase volume or gain market share as such, we hold strong focus on profitability and good quality of the credit portfolio
- Aktia and Finnair have agreed on co-operation and will introduce a new Finnair Visa credit card into the market in spring 2022, which opens access to customers at the core of our strategy
- Customer satisfaction was at a good level according to surveys in the autumn and the satisfaction of Premium customers in particular was downright excellent
- Particular effort was made to develop the customer service for corporate customers as well as to organise the work, which our customers noticed as shorter waiting and service times
- Aktia's investments in the sales and development of leasing products were also reflected in the profitable growth of the credit book and market share in Aktia's SME sector



**Aktia**

# Life Insurance

- The demand for risk life insurances continued to increase, particularly the sales of critical illness insurances developed well
- Co-operation with Finlands Företagarskydd continued well, strengthening Aktia Life's position particularly amongst SME companies
- Focus within business development has been on improving the risk life insurance underwriting processes and on broadening the investment offering



# Our three strategic priorities

1

## Win in wealth management

- A) The most preferred wealth manager among private and institutional customers
- B) Success in integrating Taaleri's wealth management operations

2

## Growth among customers who are willing to increase their wealth

- C) Acquire new customers to our strategic sweet-spot
- D) Focus on cross-sales and development of our current customer base

3

## Excellent customer experience

- E) Seamless collaboration and holistic service models across all business areas

2025

### OUR VISION

The leading wealth manager bank

### OUR MISSION

Building wealth for our customers and society

**Aktia**

Courageously

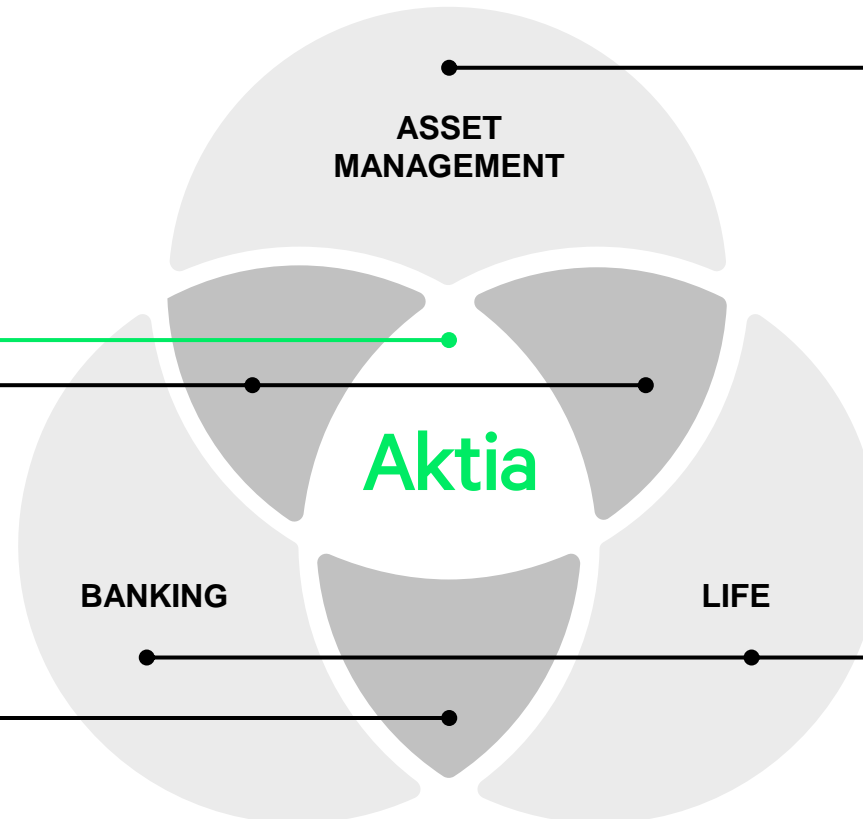
Skillfully

Together

# Focus on guiding customers to our focal point

**Growth in our strategic sweet-spot**  
Offering comprehensive wealth management to our target segments, including wealth plans, financing, asset management services, personal life insurance and convenient banking services

**Growth through cross-selling**  
Focus on cross sales and development of our current customer base



**Focus on excellent customer experience and offering** for single product customers

**Focus on production and service cost** for single product customers

# The financial targets 2025

Comparable  
operating profit  
**above EUR 120  
million**

1–9/2021;  
**EUR 66.7 million**

Comparable  
return on  
Equity (ROE)  
**above 12%**

30 September 2021;  
**10.4%**

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

1–9/2021;  
**0.64**

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

30 September 2021;  
**2.7 percentage points over  
the minimum capital  
requirement 7.7%**

# Sustainability at Aktia

Driver for long term profitable growth

Our goal since 1825 has been to build wealth for our customers and society. At present, sustainability is not only our licence to operate, but is also a major driver of profitable growth in the long term.

**2006**

Aktia's Responsible Investment Policy

**2050**

climate neutrality goal for investments

**TCFD**

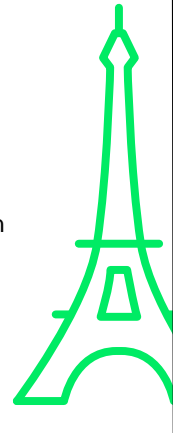
Supporter of Task Force on Climate-related Financial Disclosures recommendations

**2010**

PRI signatory

**56%**

lower carbon footprint in mutual funds compared to the index



## Strong Values of Sustainability

We have strong values of sustainability. Our Responsible Investment Policy, Responsible lending Policy, Stewardship Policy, Climate Policy and Climate Strategy guide all our activities. As part of our values we examine our contribution to UN Sustainable Development Goals. Our Corporate Responsibility Programme is based on stakeholder materiality analysis.



## From Local Presence to Global Impact

Although our operations are based in Finland, we have exposure as well as impact to global ESG megatrends such as climate change, biodiversity, demographic trends and human rights through our global investment activities

## Gender Distribution of Top Management



## Sustainability ratings and assessments



## Active and impactful partnerships

UNPRI, FINSIF, FIBS, CDP, Climate Action 100+, ASCOR (Assessing Sovereign Climate related opportunities and risks), Net Zero Asset Managers Initiative, AIMA (Alternative Investment Management Association), Green Building Council Finland, SBAI (Standards Board for Alternative Investments), ISS-ESG, Morningstar, Upright Project, WWF Green Office

**Aktia**

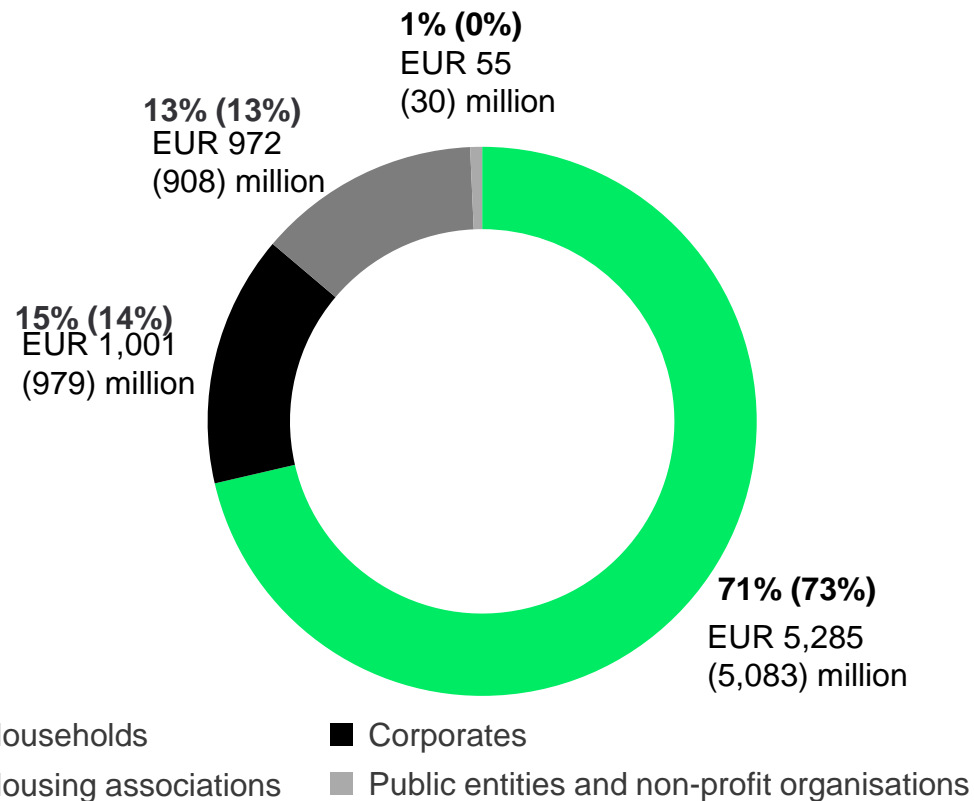
# Financial overview

# Structure of lending and deposits

30 September 2021 (31 December 2020)

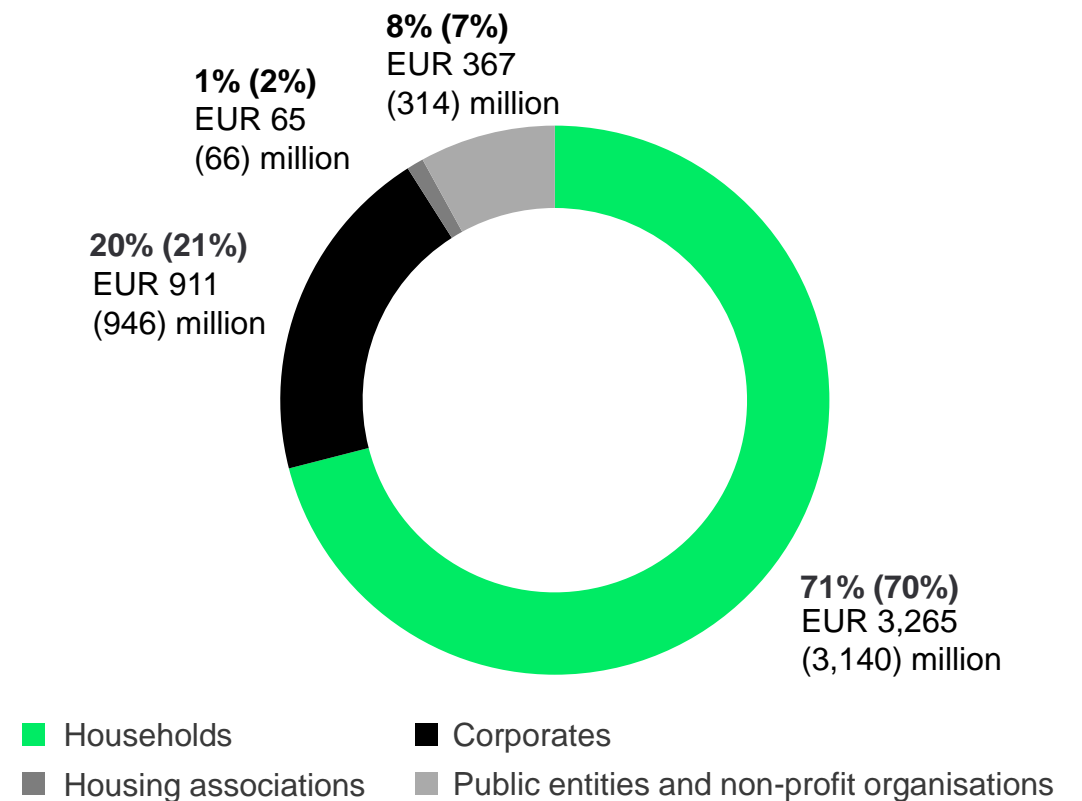
## Lending

Total EUR 7,413 (7,000) million



## Deposits

Total EUR 4,607 (4,466) million

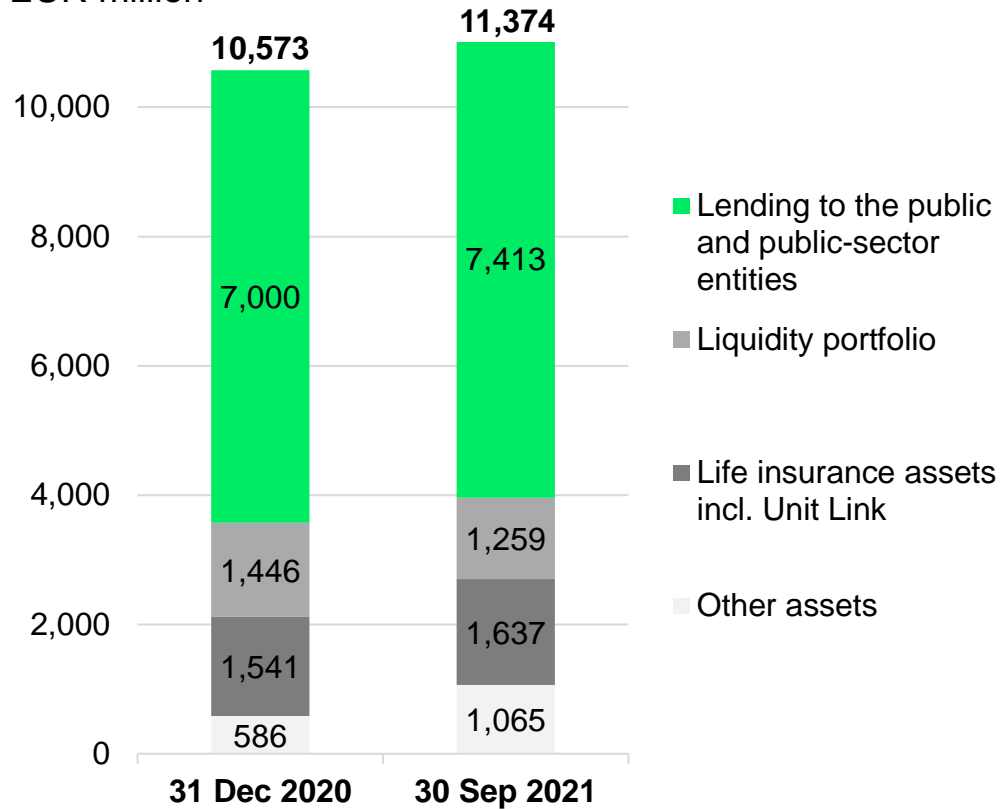


# Balance sheet total increased to EUR 11,374 million

30 September 2021

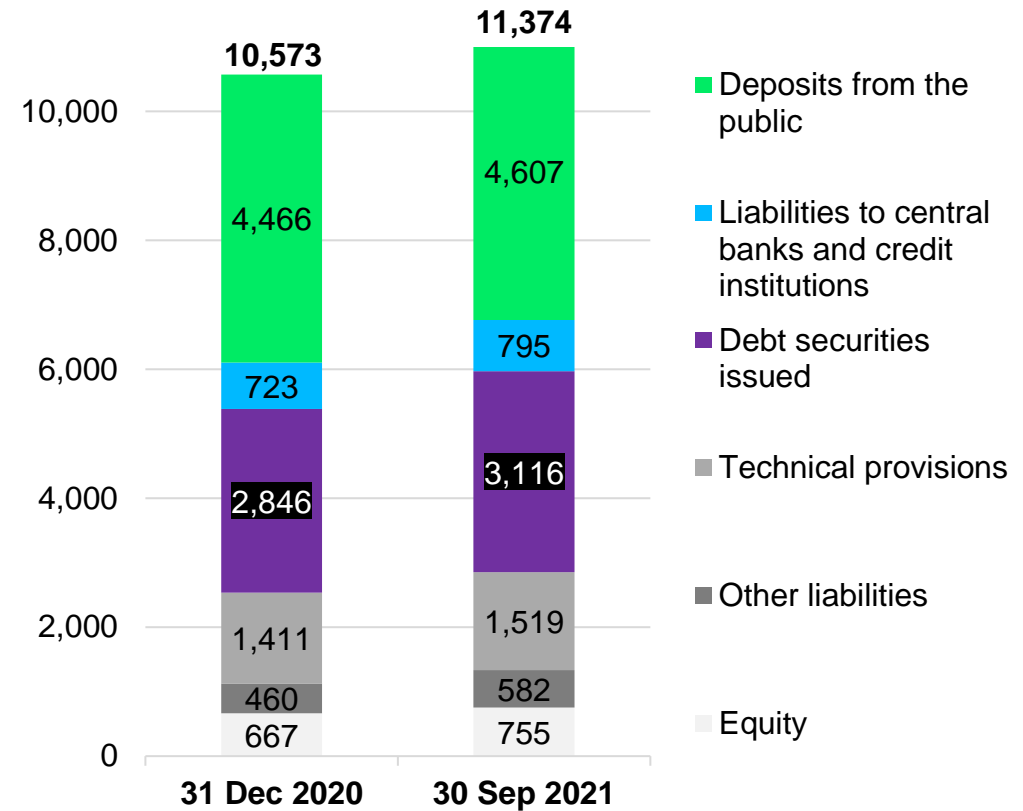
## Total assets

EUR million



## Total liabilities and equity

EUR million



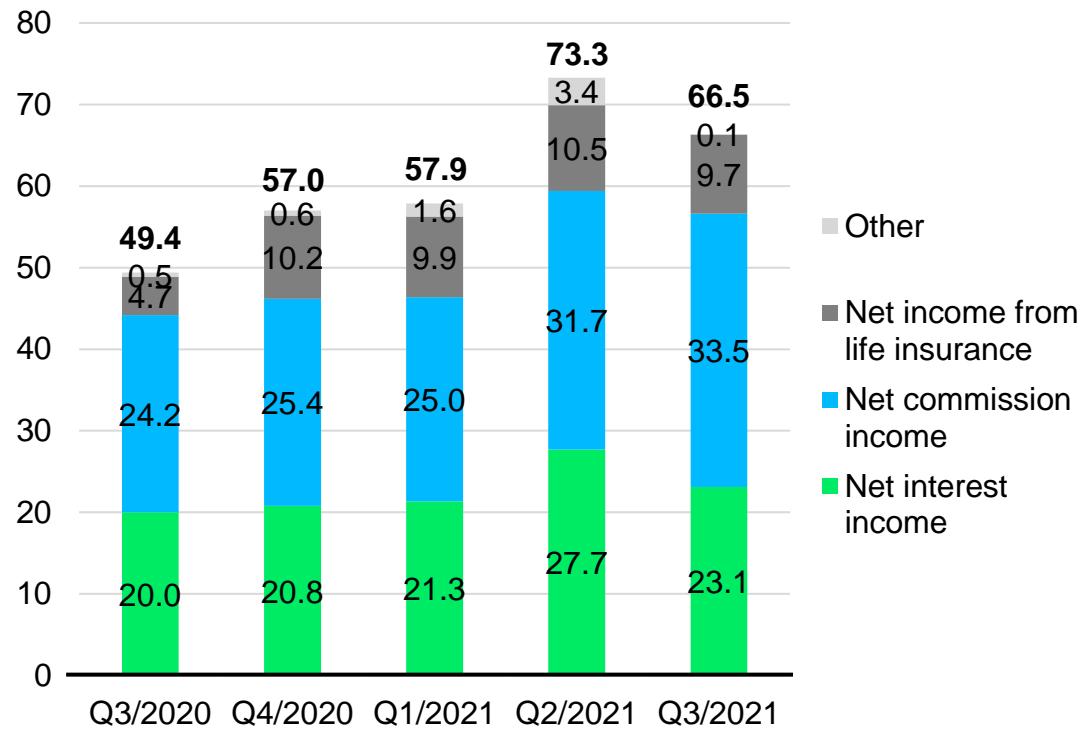
**Aktia**

# Comparable operating profit and income

Q-o-Q

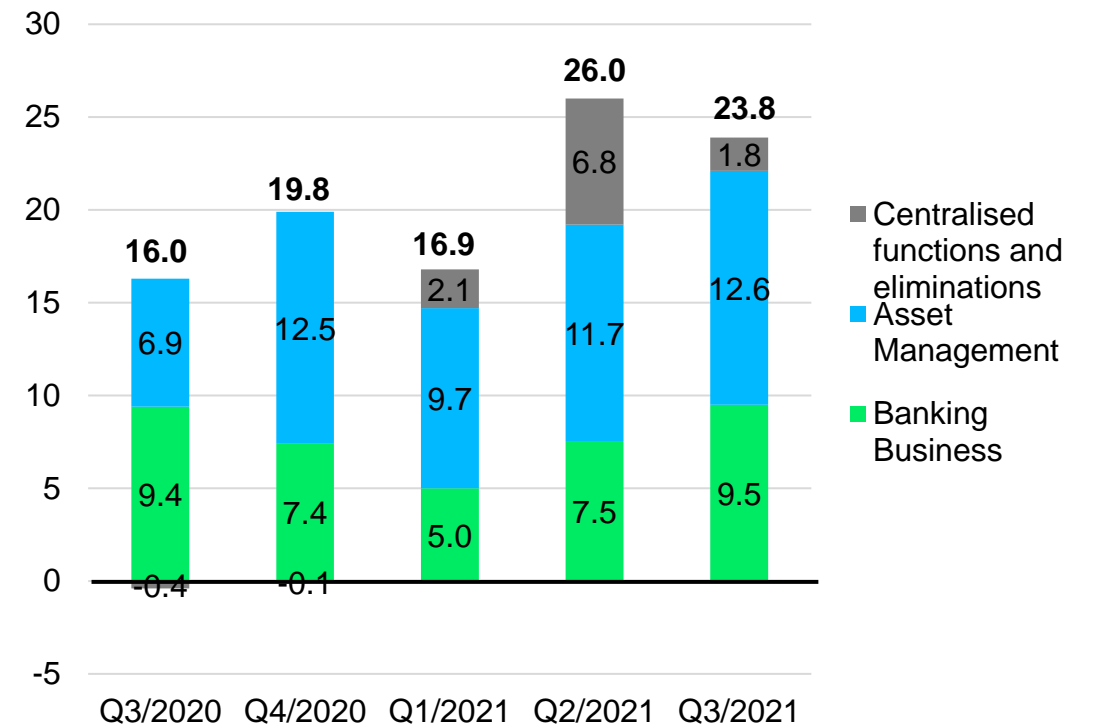
## Comparable operating income

EUR million



## Comparable operating profit

EUR million

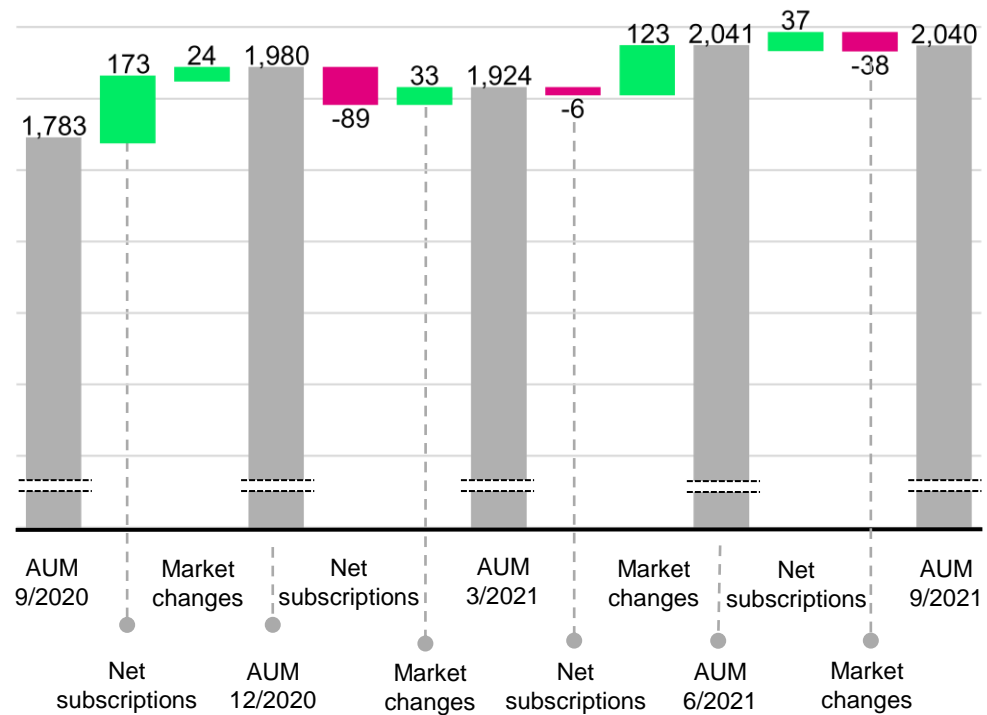


**Aktia**

# AuM – Net subscriptions and market changes

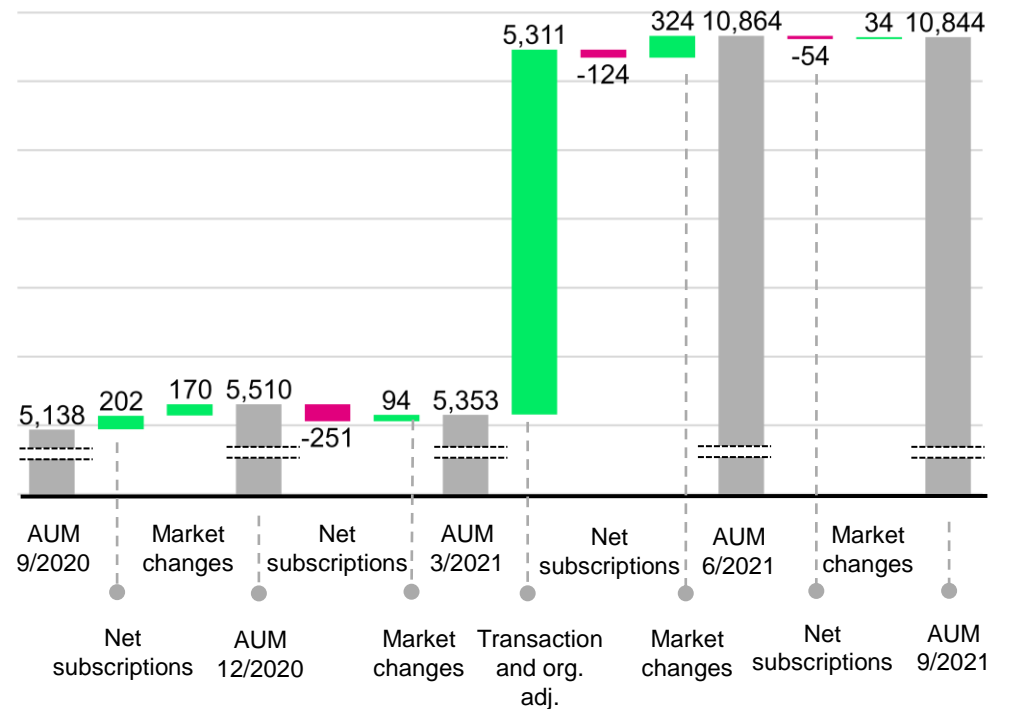
## Asset Management, Aktia UI Q-o-Q

EUR million



## Asset Management, domestic institutions Q-o-Q

EUR million

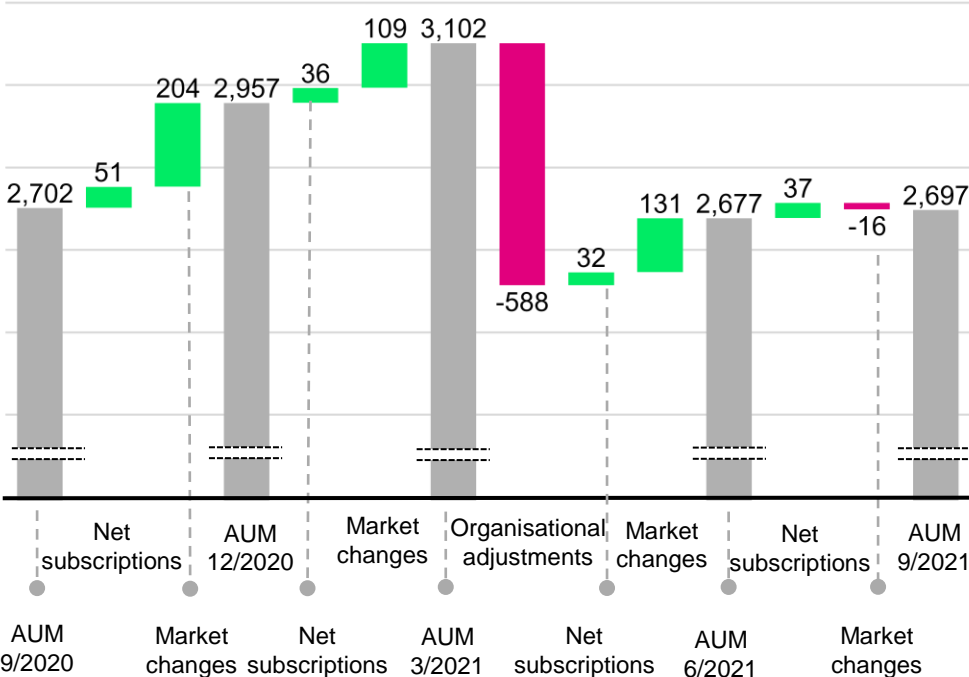


**Aktia**

# AuM – Net subscriptions and market changes

## Banking Business, Retail Q-o-Q

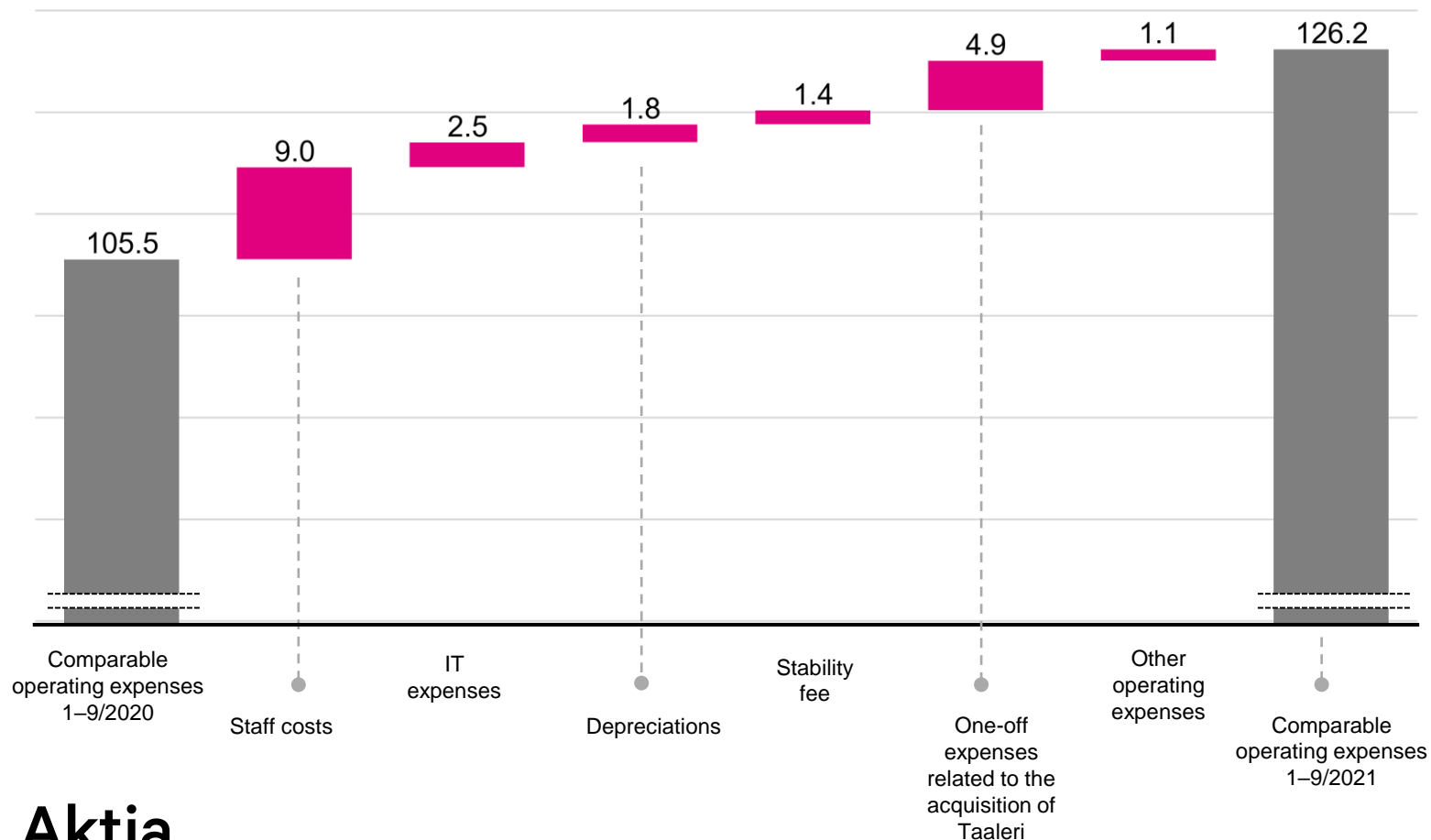
EUR million



# Comparable operating expenses

1–9/2021 vs 1–9/2020

EUR million



## Staff costs:

The comparable staff costs increased by 18% to EUR 60.2 (51.2) million. The increase is mainly attributable to increase in personnel as a result of acquisition of Taaleri's wealth management operations (in 2Q).

## IT expenses:

IT expenses increased by 13% to EUR 21.6 (19.0) million. The difference is mainly attributable to Taaleri's wealth management operations IT expenses as well as a greater number of IT projects than for the corresponding period last year.

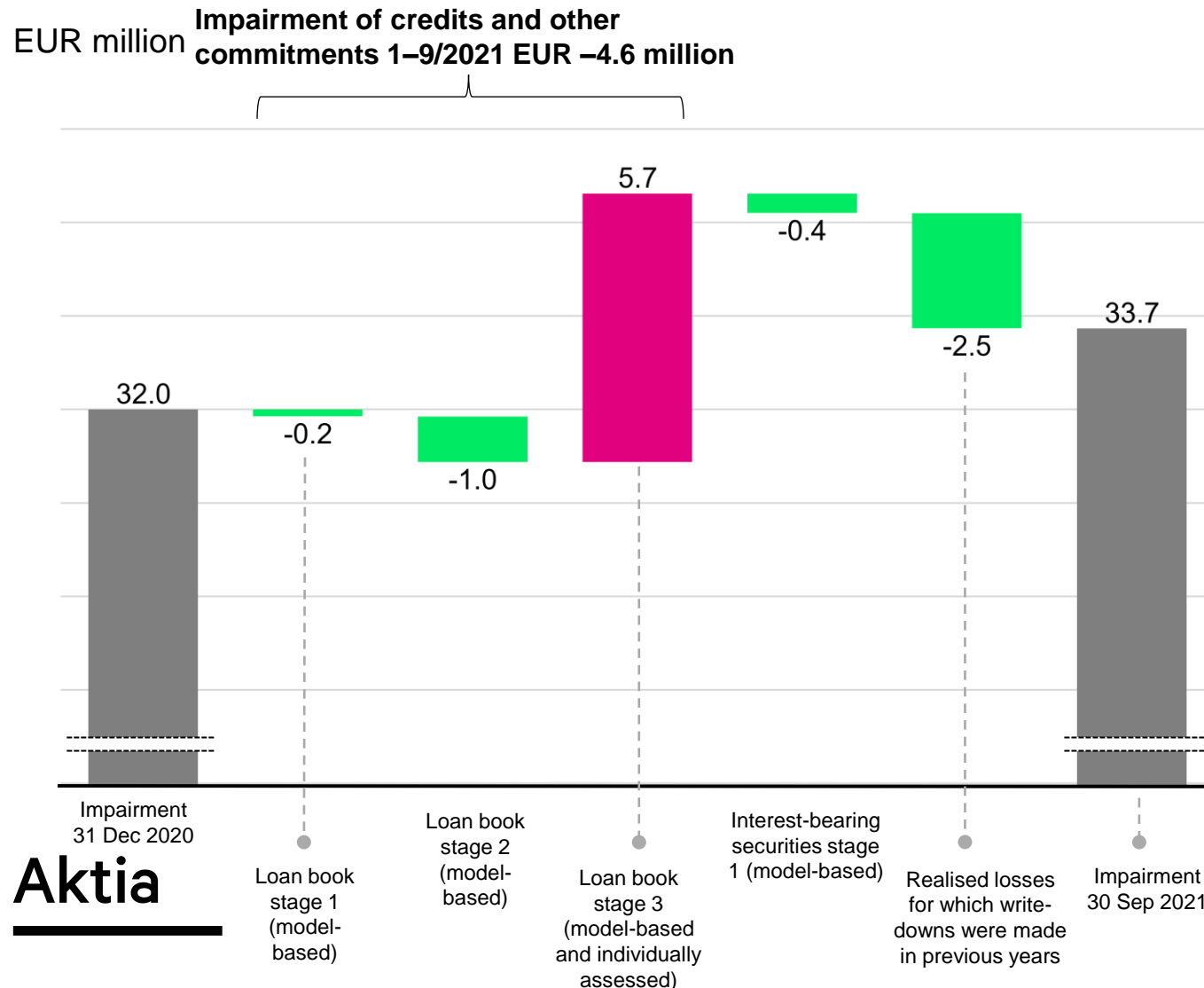
## Other operating expenses:

Comparable other operating expenses increased by 34% to EUR 29.0 (21.6) million. The increase mainly pertains to one-off expenses (advisory fees, transfer taxes) relating to the acquisition of Taaleri's wealth management operations. The stability fee increased to EUR 4.1 (2.8) million.

The depreciations of intangible assets increased as a result of the acquisition of Taaleri's wealth management operations, while Aktia's other depreciations have somewhat decreased.

# Impairments for future expected credit losses

## Change in expected credit losses (ECL) 1–9/2021



- Impairments on credits and other commitments increased to EUR -4.6 (-3.2) million, of which the change in the allowance for model-based credit losses (ECL) amounted to EUR -2.0 (-1.6) million, whereas other impairments on credits increased to EUR -2.6 (-1.6) 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 Q3, no material impact in 3Q.
- We still have not observed any major covid-related new risk concentrations in our credit portfolio.

# The debt investment case

## Credit ratings

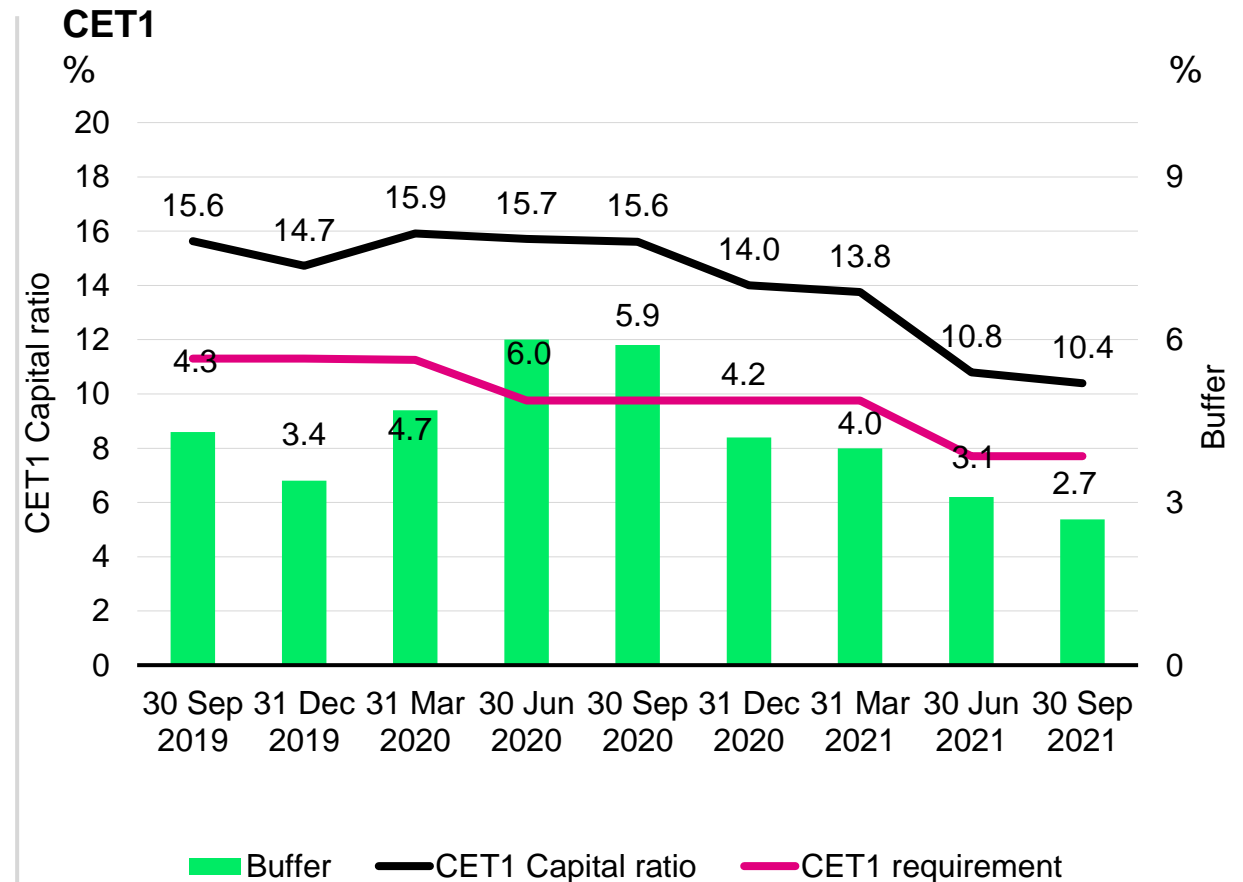
Moody's: A1 / P-1, neg, Covered Bonds: Aaa

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

# CET1 ratio above the requirement

## Capital Adequacy

- **At the end of the period, the Bank Group's Common Equity Tier 1 (CET1) capital ratio was 10.4%**
- **CET1 capital decreased by EUR 115.7 million during the period**
  - The decrease was expected and mainly a result of increase of intangible assets and goodwill accounted for the successful acquisition of Taaleri's wealth management operations
  - The 2020 dividend, EUR 0.43 per share, has been deducted from the CET1 capital
- **Aktia has issued AT1 capital of EUR 60 million during the second quarter**
  - Tier 1 ratio 12.4%
- **Total capital ratio 14.8% (minimum requirement 11.76%)**



# CET1 ratio above the requirement

- Minimum CET1 requirement ratio is 7.71 % (3Q21 CET1 10,4%).
- Total minimum capital ratio requirement 11.76% (3Q21 Total capital:14.8%).
- Aktia Bank Group's leverage ratio was **3.7%** (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 589.7 million
  - Own funds and eligible liabilities EUR 1,464.3 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 Q3/2021 Aktia completed two private placement transactions. From the beginning of the year 2021 Aktia Bank issued 14 pieces of senior preferred debt under the EMTN program. The total volume has been approximately EUR 215 million with maturities in the range of 3–10 years. The bank will continue to issue senior debt during the Q4 to refinance redeeming notes over the year end and beginning of the following year 2022.
- Aktia Bank is working on preparing the inaugural issue out of Aktia Life company. The plan is to issue Solvency eligible Tier 2 issue in Q4/2021 and further strengthen the capital structure of Aktia Life Insurance.
- Aktia's liquidity situation is very good. The LCR ratio has been comfortably over the regulative limit being 125% at the end of Q3. The cash level has been very good. The ECB tiering structure has been in full use for the whole period.

# High-quality liquidity reserve

The Liquidity Coverage ratio (LCR) was 125%.

- 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 1,482 million on 30 September 2021 (4Q20: EUR 1,368 million).

## Unencumbered Liquidity reserve, market value

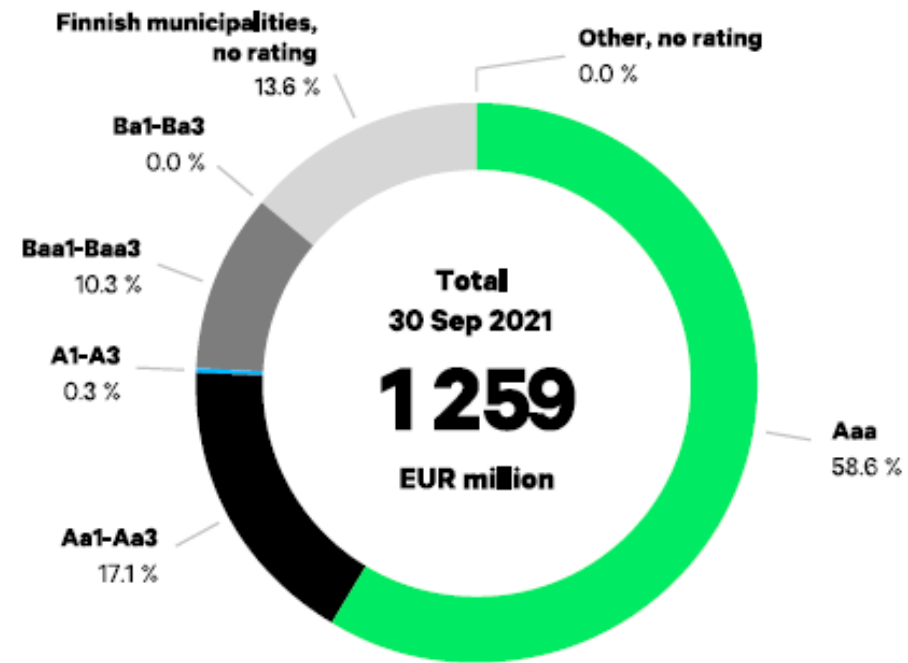
	30 Sep 2021	31 Dec 2020
<b>EUR million</b>		
Cash and holdings in central banks	619	250
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	236	226
Securities issued or guaranteed by municipalities or Public sector entities	171	132
Covered bonds	456	755
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
<b>Total</b>	<b>1,482</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
- Commercial or Municipalities issued short term papers

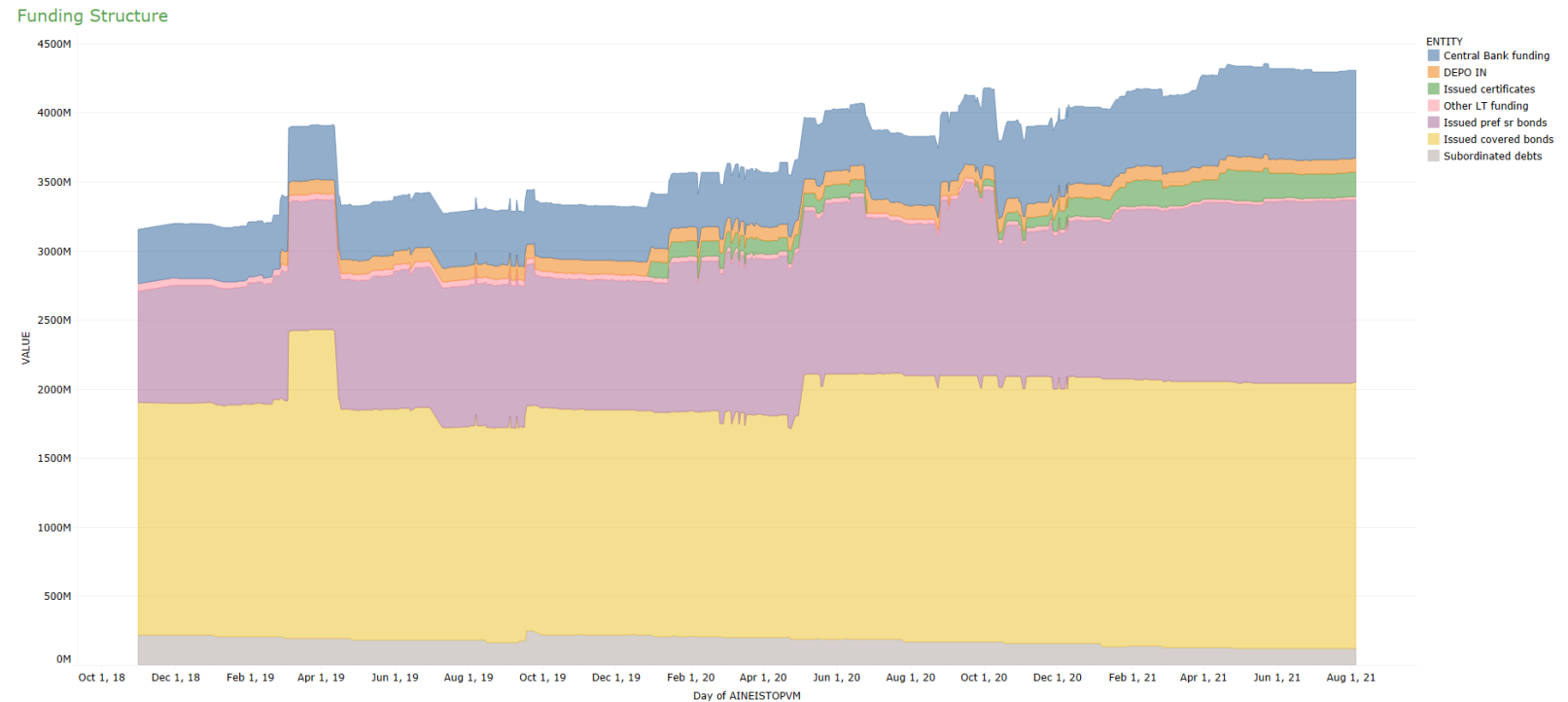


# Sound funding profile

## Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities increased to EUR 4,607 (4,466) million. Aktia's market share of deposits was 3.0% (3.1%) at the end of September.

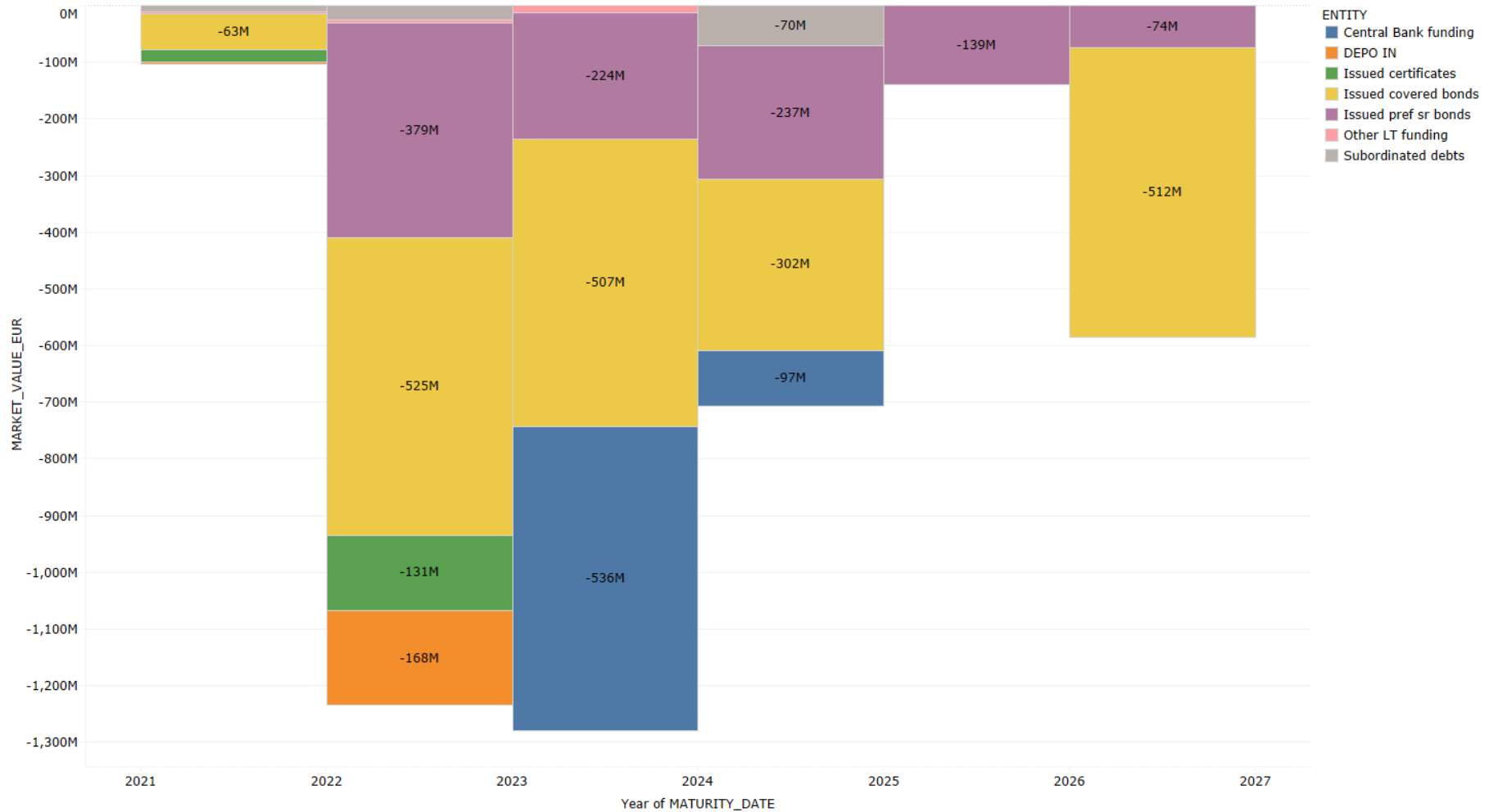
The value of bonds issued by Aktia Bank totalled EUR 2,901 (2,720) million. The total is excluding the EUR 300 million retained Covered Bond issued in May 2021.



# Redemption schedule

The year 2022 redemptions are starting to show in funding activities

Funding Maturity Structure 10/29/2021



# 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.**

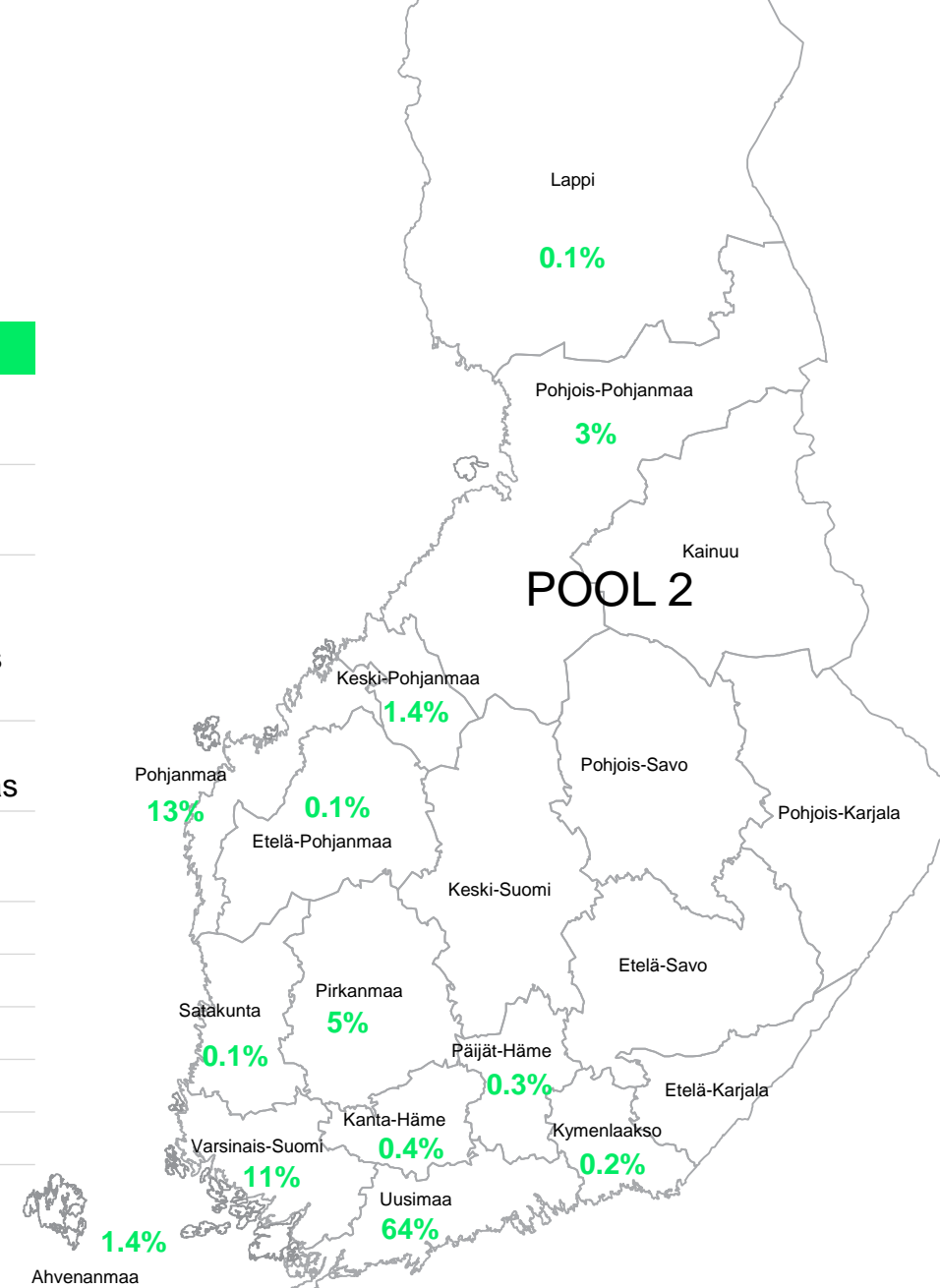
**The Finnish Covered bond legislation is to be updated during the year 2021 to comply with the Directive (EU)2019/2162 and the regulation (EU) 2019/2160 of the European Parliament and of the Council**

- 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

3Q 2021

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,254 million	EUR 111 million
No of loans / average loan balance	34,910 / EUR 64,574	1,712 / EUR 65,031
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	45.21%	34.35%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 96%, fixed 4%	floating 97%, fixed 3%
WA seasoning	67.8 months	109 months
Overcollateralisation (%)	22.52% (committed 10%)	158.91% (committed 12%)
Moody's Collateral Score	5.00%	5.00%



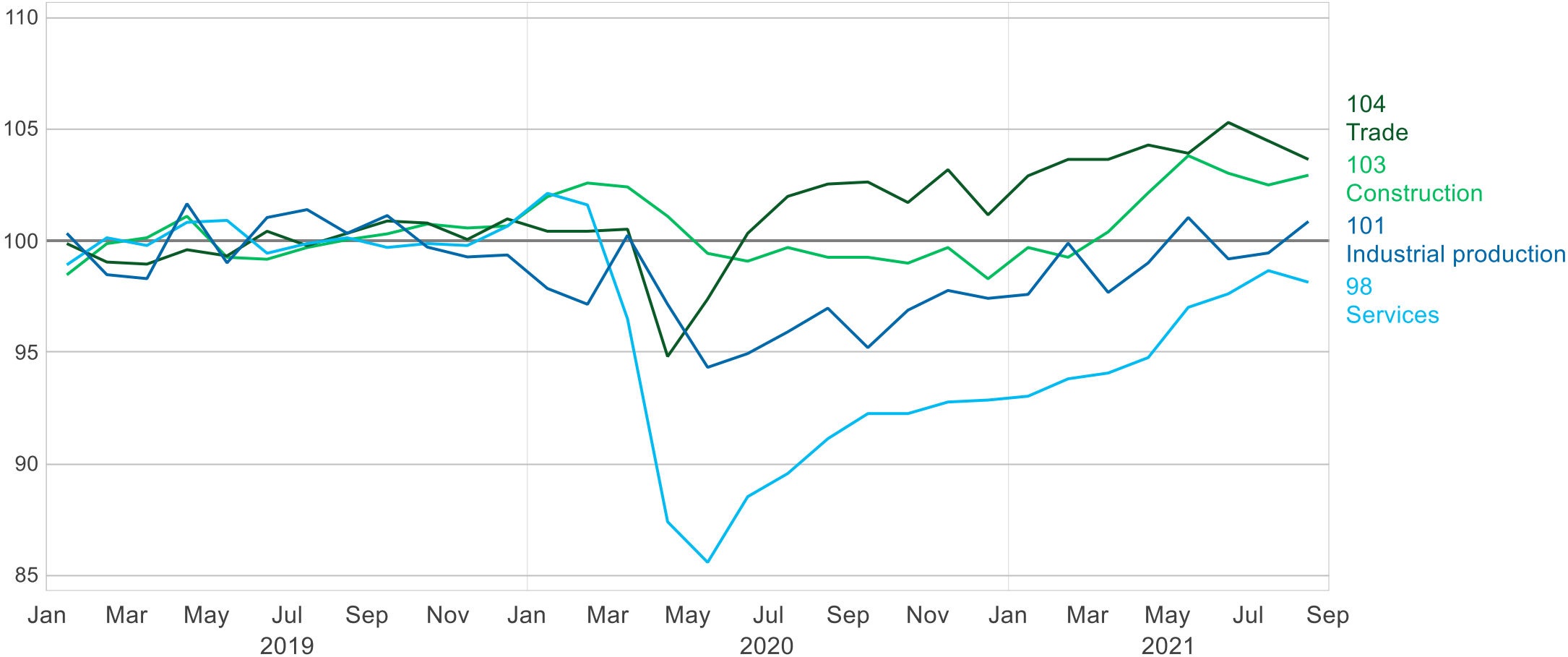
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# Finland – a strong but very export driven economy

# Services only sector which has not fully recovered

## Sales volume and industrial production

Index 2019=100



# Aktia's economic forecast for Finland

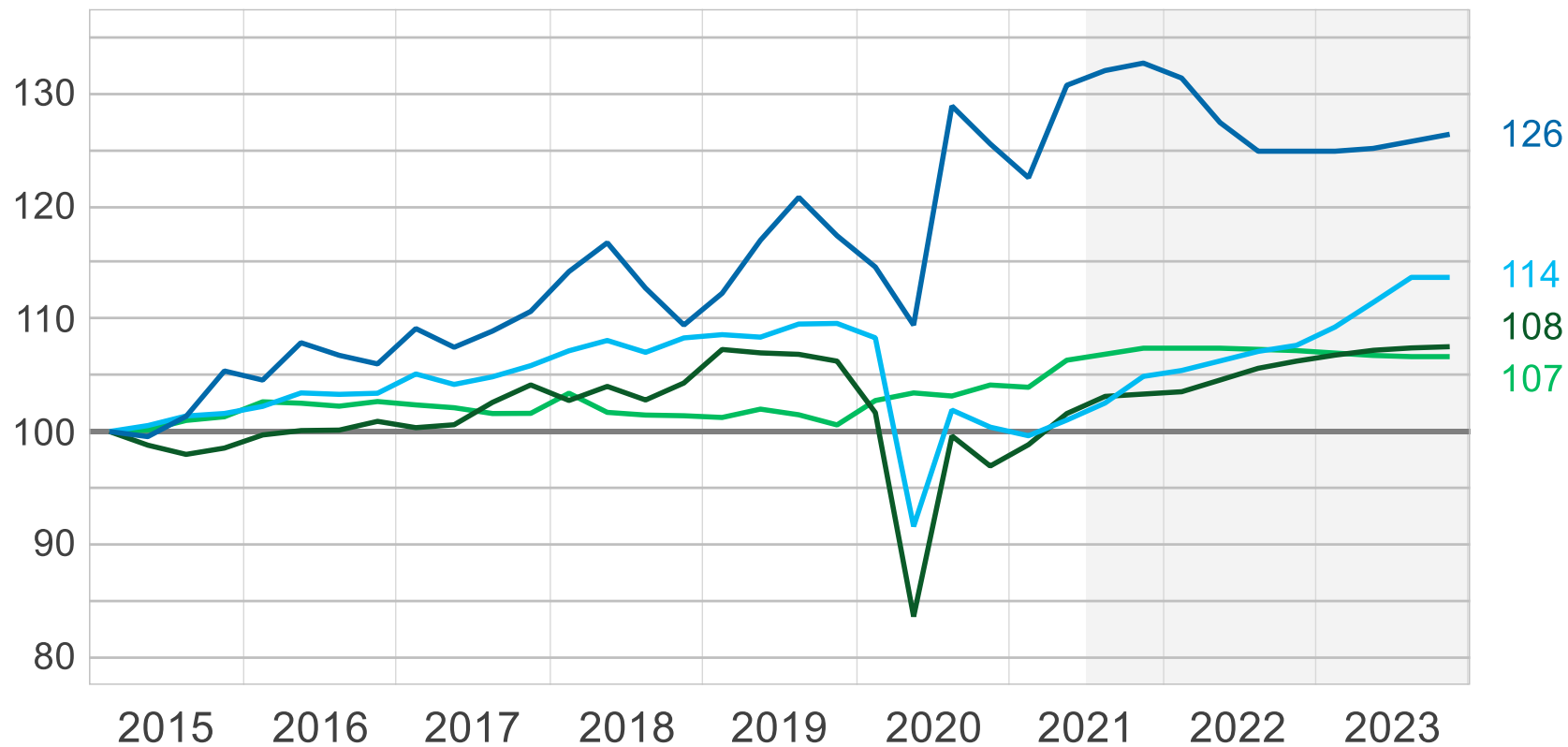
				Forecast		
Annual volume growth, %	2018	2019	2020	2021	2022	2023
<b>GDP</b>	<b>1,1</b>	<b>1,3</b>	<b>-2,9</b>	<b>3,3</b>	<b>2,3</b>	<b>1,2</b>
<b>Exports</b>	<b>1,5</b>	<b>6,8</b>	<b>-6,7</b>	<b>3,9</b>	<b>6,6</b>	<b>1,5</b>
<b>Imports</b>	<b>5,7</b>	<b>2,3</b>	<b>-6,4</b>	<b>3,9</b>	<b>6,5</b>	<b>1,9</b>
<b>Consumption</b>	<b>1,8</b>	<b>1,1</b>	<b>-3,1</b>	<b>2,7</b>	<b>2,1</b>	<b>1,5</b>
<i>Private</i>	<i>1,7</i>	<i>0,7</i>	<i>-4,7</i>	<i>2,8</i>	<i>2,7</i>	<i>1,9</i>
<i>Public</i>	<i>2,0</i>	<i>2,0</i>	<i>0,5</i>	<i>2,4</i>	<i>1,0</i>	<i>0,6</i>
<b>Investment</b>	<b>3,6</b>	<b>-1,6</b>	<b>-0,7</b>	<b>2,4</b>	<b>3,5</b>	<b>0,9</b>
<i>Buildings</i>	<i>4,7</i>	<i>-1,4</i>	<i>-0,4</i>	<i>2,0</i>	<i>4,1</i>	<i>1,0</i>
<i>Machinery and transport equipment</i>	<i>-1,7</i>	<i>-4,9</i>	<i>-0,6</i>	<i>6,5</i>	<i>3,0</i>	<i>1,1</i>
<i>Intellectual property</i>	<i>7,1</i>	<i>1,9</i>	<i>-2,0</i>	<i>-1,3</i>	<i>2,5</i>	<i>0,4</i>
<b>Key figures, %</b>						
<i>Trade balance of GDP</i>	<i>-1,2</i>	<i>0,4</i>	<i>0,3</i>	<i>0,3</i>	<i>0,4</i>	<i>0,2</i>
<i>Unemployment</i>	<i>7,4</i>	<i>6,7</i>	<i>7,8</i>	<i>7,6</i>	<i>7,2</i>	<i>6,6</i>
<i>Inflation</i>	<i>1,1</i>	<i>1,0</i>	<i>0,3</i>	<i>1,9</i>	<i>1,4</i>	<i>1,1</i>

# Private demand: services up and durable goods down

## Finnish households' consumption expenditure

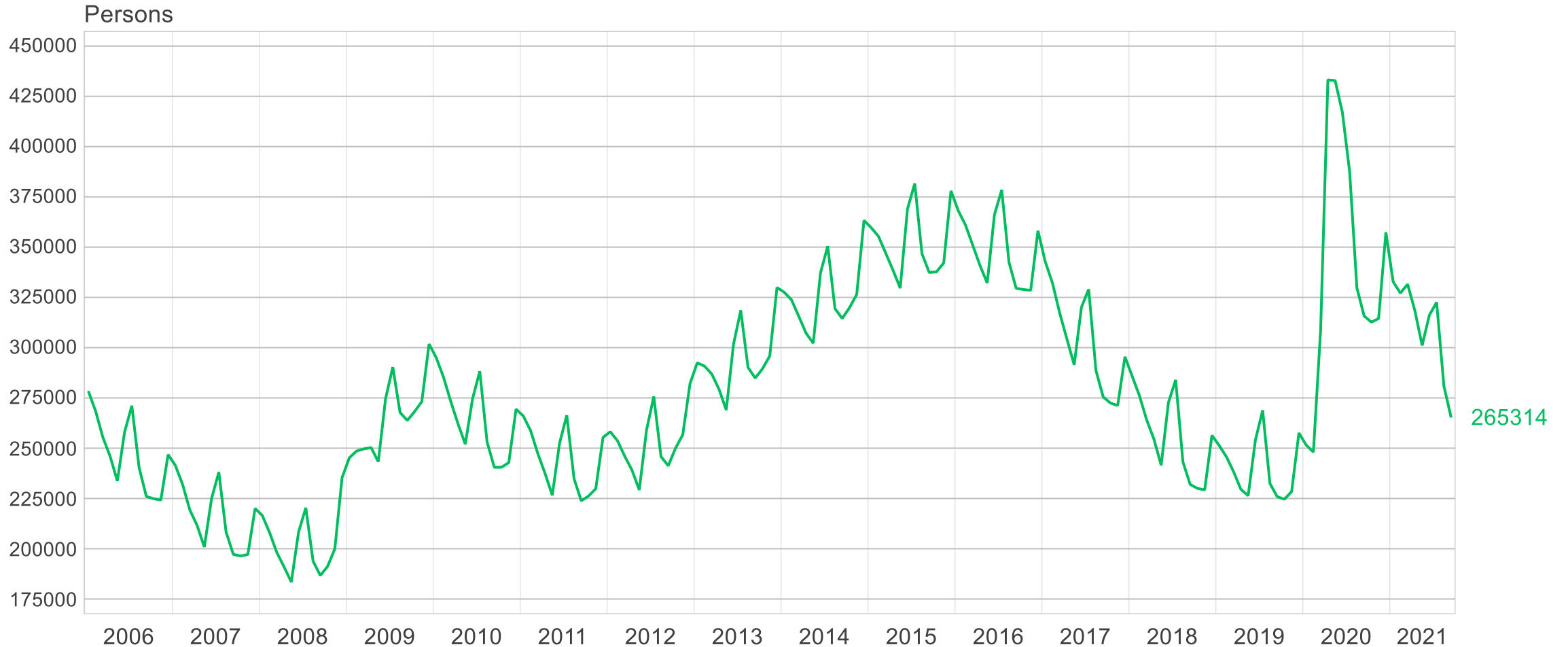
— Durable goods — Services — Semi-durable goods — Non-durable goods

Index 2015=100



# Labour market: almost at pre-corona

## Unemployed persons in Finland

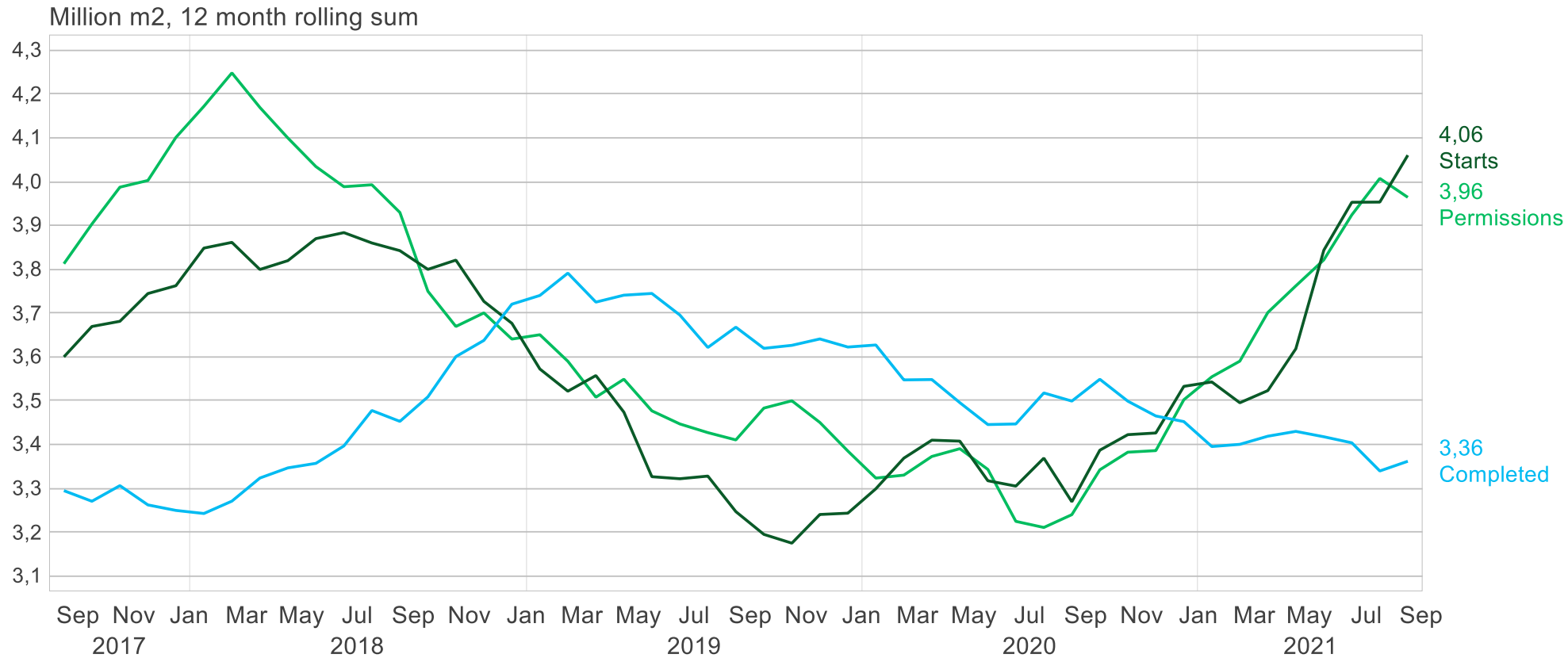


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Source: Aktia, Macrobond, Finnish Ministry of Employment & The Economy.

# Residential construction activity has turned faster than expected

## Residential construction activity



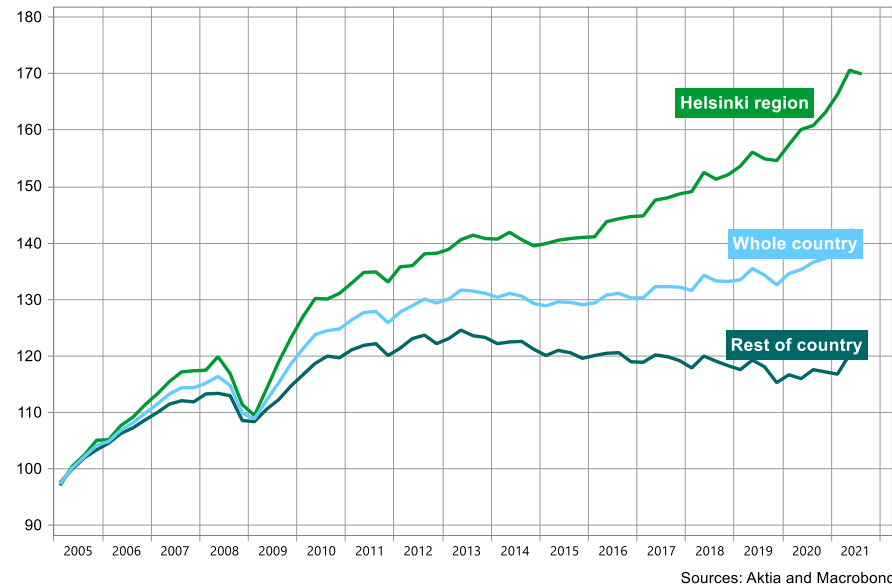
Source: Aktia, Macrobond and Statistics Finland.

# Finnish housing market

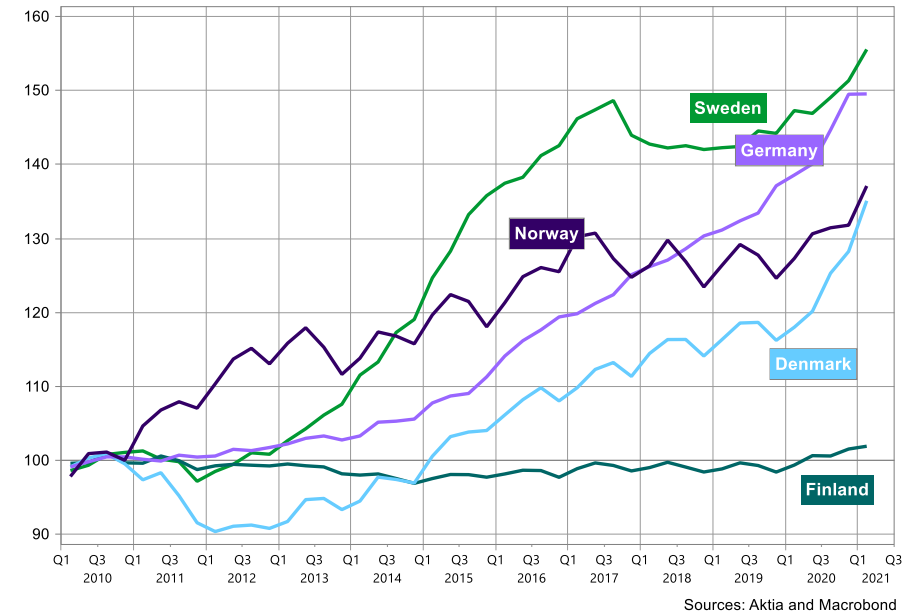
Solid and stable market, positive development focused on growing cities

Finland: Prices of old apartments

Index 2005=100



Real House Prices, <Property IndexBase not found.>



# Contacts and additional information



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## 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)



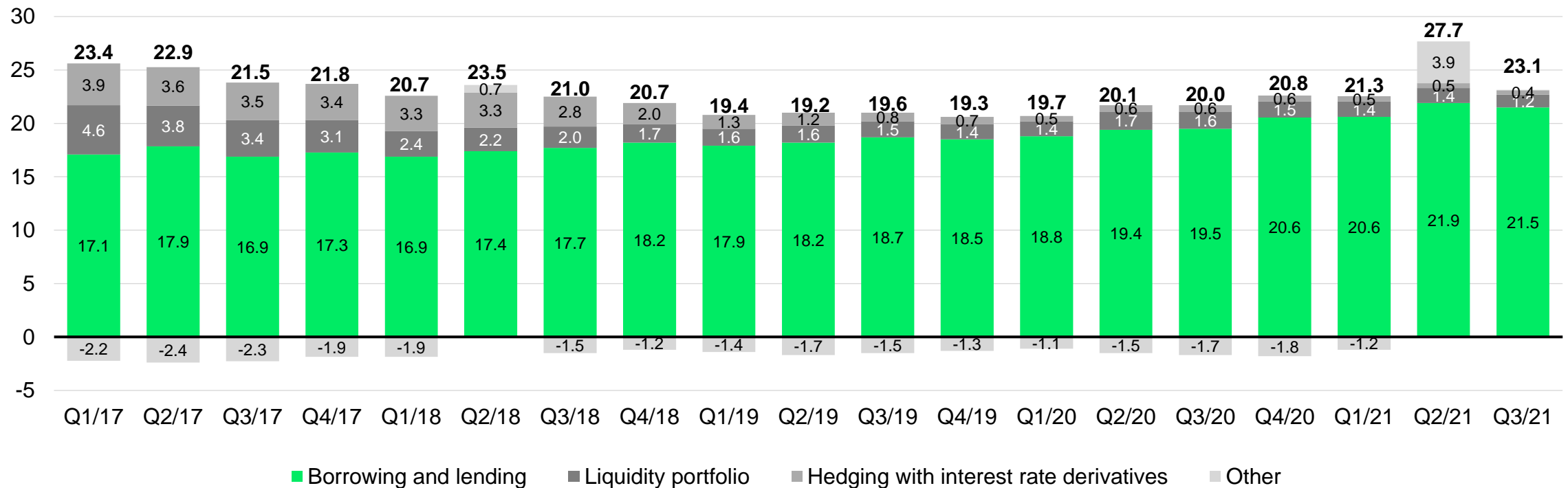
**The good bank.  
And a great asset manager.**

**Aktia**

# Appendices

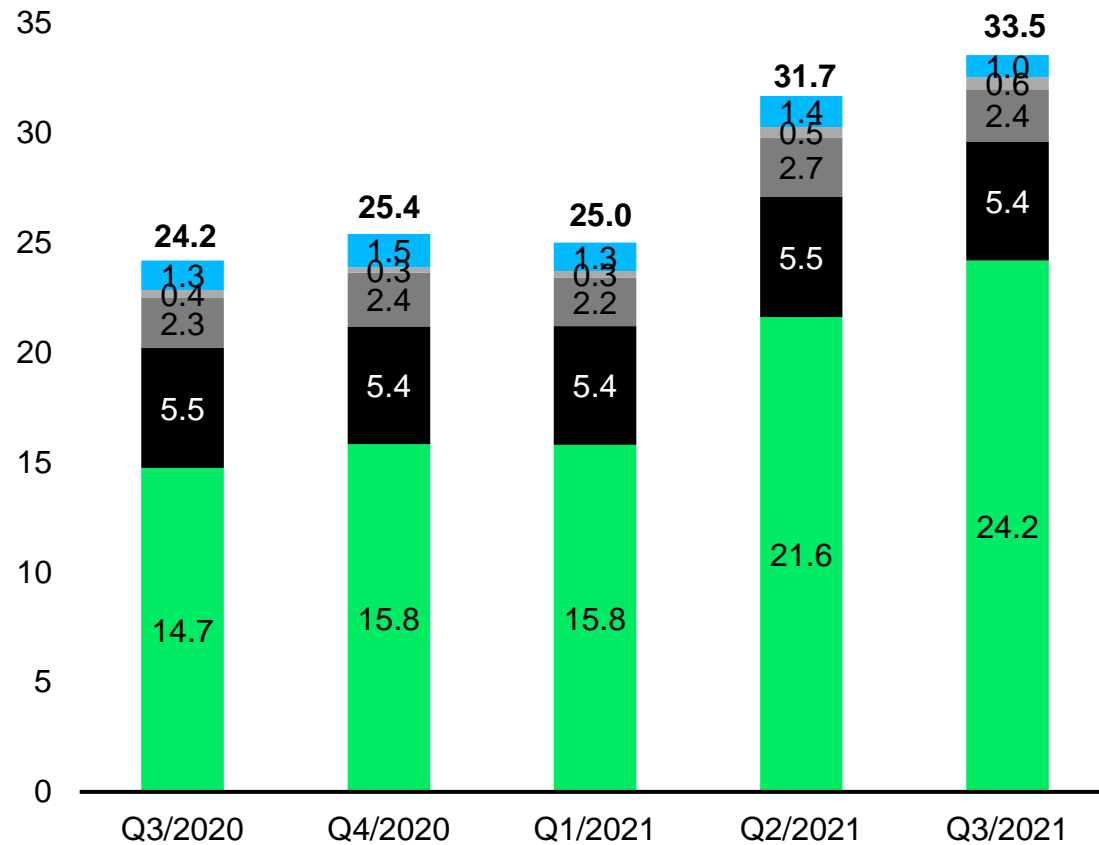
# Net interest income mix

EUR million



# Net commission income mix

EUR million



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