

18 FEBRUARY 2021

Q4 Debt investor presentation

Aktia

Aktia's Q4 2020 in brief

- Stable financial performance continued: the comparable operating profit for the quarter was EUR 19.8 (19.2) million
- Assets under management (AuM) were at an all-time high and amounted to EUR 10.4 billion
- The good development of net interest income continued, Aktia's market share in housing loans increased
- Customers' interest in life insurances grew – the number of sold life insurances increased almost 40% from the previous year
- Growth investments increased staff costs from the previous year



Coronavirus pandemic: overall impacts and measures during 2020

- The market drop during the first quarter led to negative value changes in the life insurance company's investment portfolio and assets under management
- However, the financial performance recovered quickly during the second quarter
- The use of digital banking services increased considerably, remote customer meetings have become a part of everyday business
- During spring Aktia supported its private customers by offering an instalment-free period free of charge and received during the year a total of approximately 15,000 applications
- 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

Outlook 2021

The comparable operating profit for 2021 is expected to be clearly higher than during 2020 provided that the circumstances on the market and in society are stable.

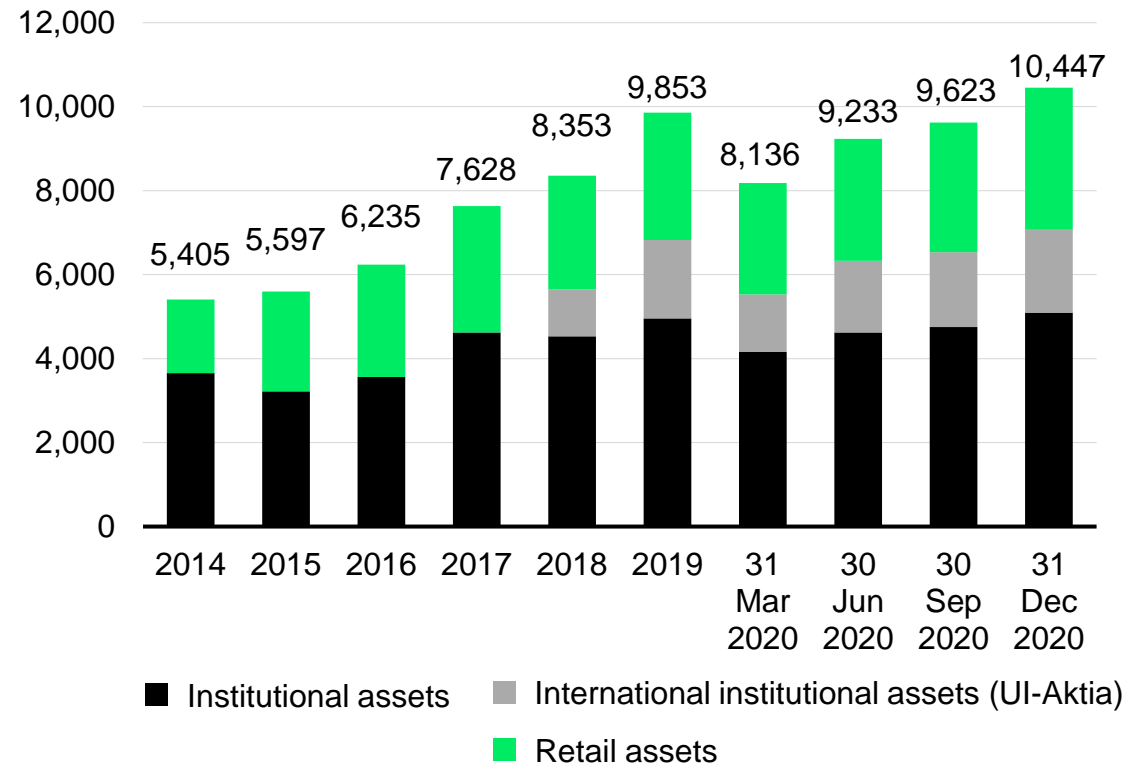
- The increase in net interest income is expected to continue owing to a volume increase and reasonable financing expenses. The margins on housing loans are expected to continue at a low level.
- The increase in commission income from fund and asset management is expected to continue provided that the market circumstances continue stable.
- Net income from life insurance is still very much dependent on changes in market values.
- The expenses are expected to be somewhat higher than during 2020, considering planned development projects.
- Provisions for possible credit losses are expected to continue at a moderate level at the same time as Aktia's liquidity and capital adequacy remain solid.

AuM at an all-time high level

Asset Management

Assets under management excluding custody (AuM)

EUR million



Asset Management

- AuM increased strongly during Q4 due to positive net subscriptions and the increased market prices for risk investments
- A distribution cooperation was started with Nordnet in December
- The return on the Aktia Nordic Small and Micro Cap funds were on top among the Nordic equity funds
- The funds' Morningstar ratings on continuously high level: the average rating increased in December to 4.16

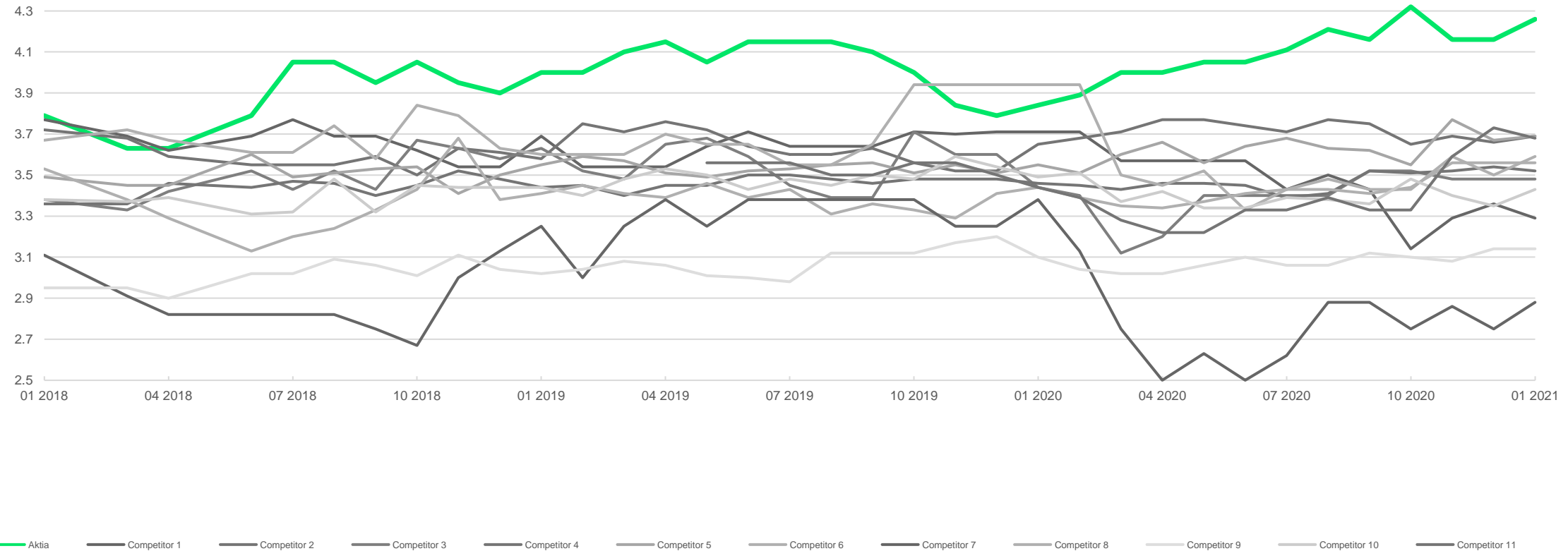
Life Insurance

- The number of sold life insurances increased almost 40% from the previous year
- As a new distribution partner, Suomen Yrittäjäturva started its business at the end of November

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Aktia's Morningstar rating exceptionally strong

01/2021

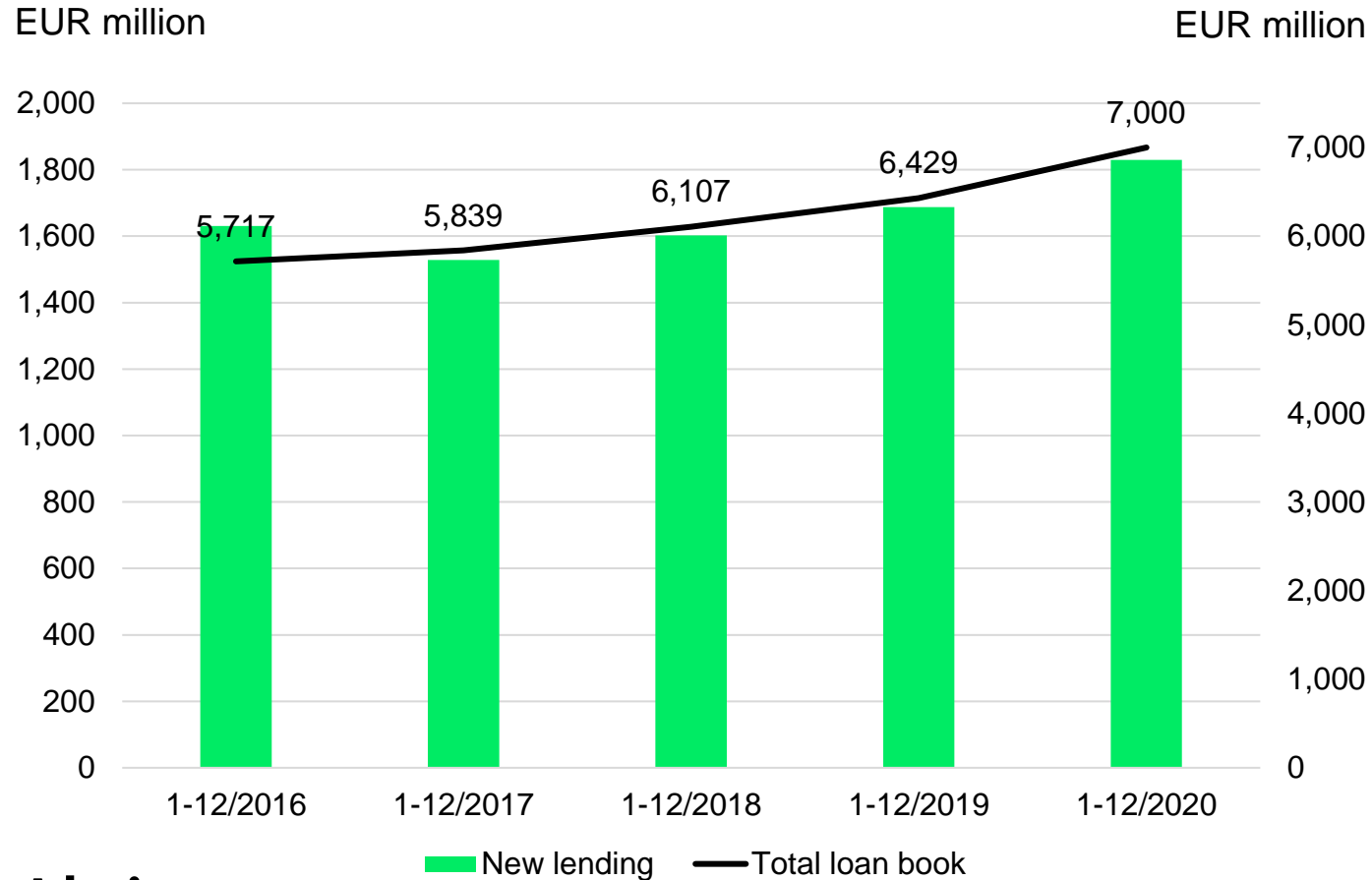


For all fund management companies, the fund unit type of each fund that has the most stars is used in the comparison.

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Remarkable growth in total loan book continues

Total loan book EUR +571 million



- Group lending to the public and public-sector entities increased by EUR 571 million to EUR 7,000 (6,429) million.
- Aktia's total new lending was EUR 1,829 (1,687) million.

Aktia's market share in housing loans increased

Banking Business

Private customers

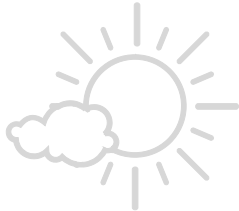
- Virtual customer work continued during Q4 and the demand for digital services continued to increase
- Demand for mortgage loans was stable throughout the year and the digital mortgage loan process with a fast indicative offer contributed to an increased number of transactions
- Good performance of our funds together with our discretionary mandates in Private Banking combined with our increased visibility in media led to an increased interest in Aktia's services

Corporate customers

- Despite the coronavirus pandemic, the demand for corporate loans continued to increase partially owing to the European Investment Fund EIF's guarantee scheme
- The coronavirus has not significantly affected Aktia's corporate customers' will to make changes in their payment plans
- The financing for RS objects continued to increase during Q4. The main focus for the objects is on selected strategic growth areas

Aktia

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

The financial targets 2023

**Comparable
operating profit
EUR 100 million**

1–12/2020;
EUR 55.1 million

(1–12/2019;
EUR 68.2 million)

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

31 December 2020;
6.7%

(31 December 2019;
10.3%)

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

1–12/2020;
0.71

(1–12/2019;
0.66)

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

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

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

Corporate responsibility programme

In 2020, Aktia updated indicators and actions to group's corporate responsibility programme and action plan for 2021–2023.

Aktia reports every six months on the selected indicators of our corporate responsibility programme (carbon footprint of our funds and customer satisfaction (NPS)). In Q4 2020, Aktia added a new indicator: increase of the amount of digital service agreements.

Actions in 2020:

- Integration of ESG risk consideration to the Executive Committee's and the Board's agenda and lending, risk management and remuneration policies.
- Initiation of EU sustainable finance regulation working group and ESG policy updates for investing and lending.
- Implementation of eco-efficient ways of working at the main office and achievement of the WWF Green Office label.
- Priorisation of UN sustainable development goals.

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Aktia's corporate responsibility programme



A+

In categories: Responsible Investment Strategy and Governance and Listed Equity – incorporation.

Signatory of:



B

In Climate Change reporting.



68%

The carbon footprint of Aktia's equity funds was on average approx. 68% smaller than reference market in 2020

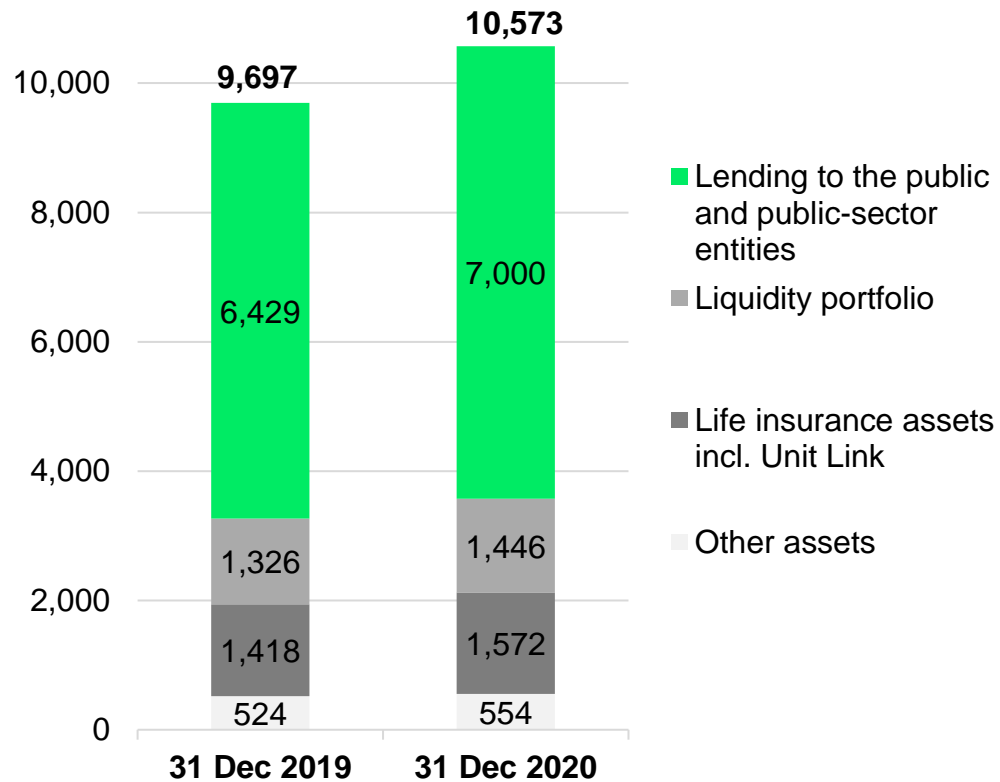
Financial overview

Balance sheet total increased to EUR 10,573 million

31 December 2020

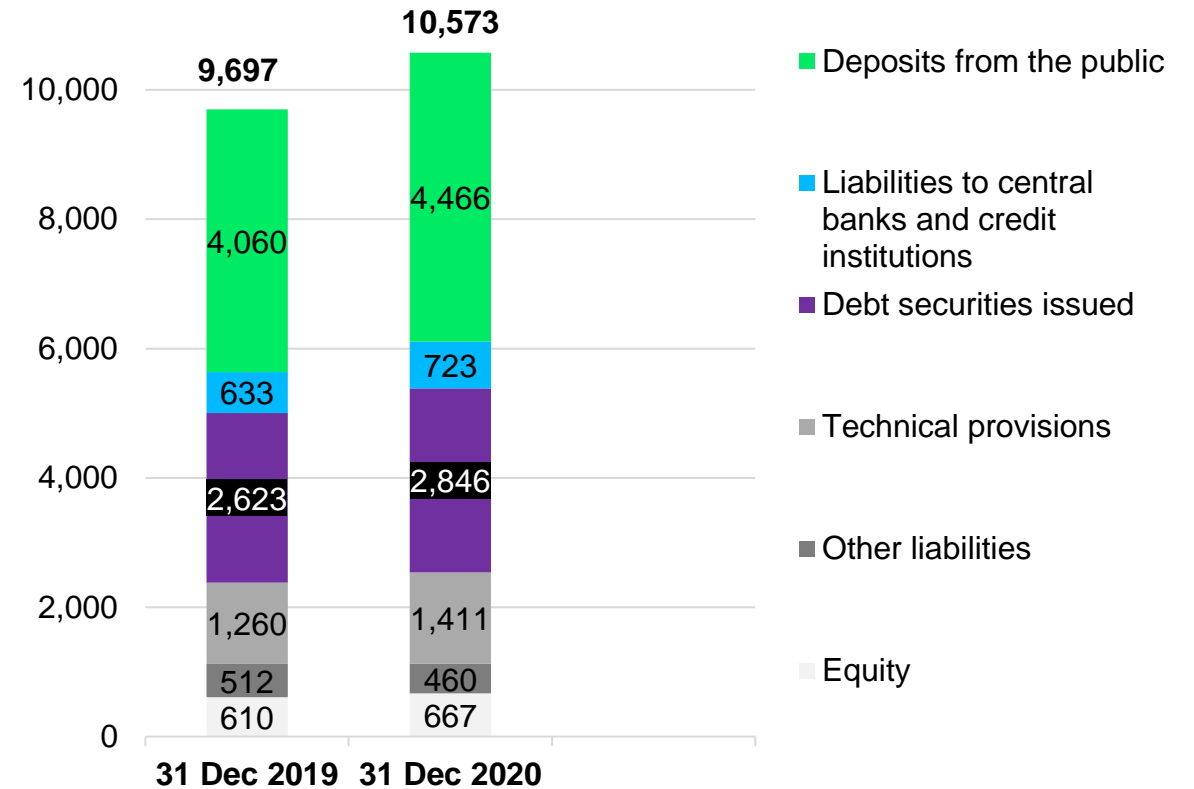
Total assets

EUR million



Total liabilities and equity

EUR million

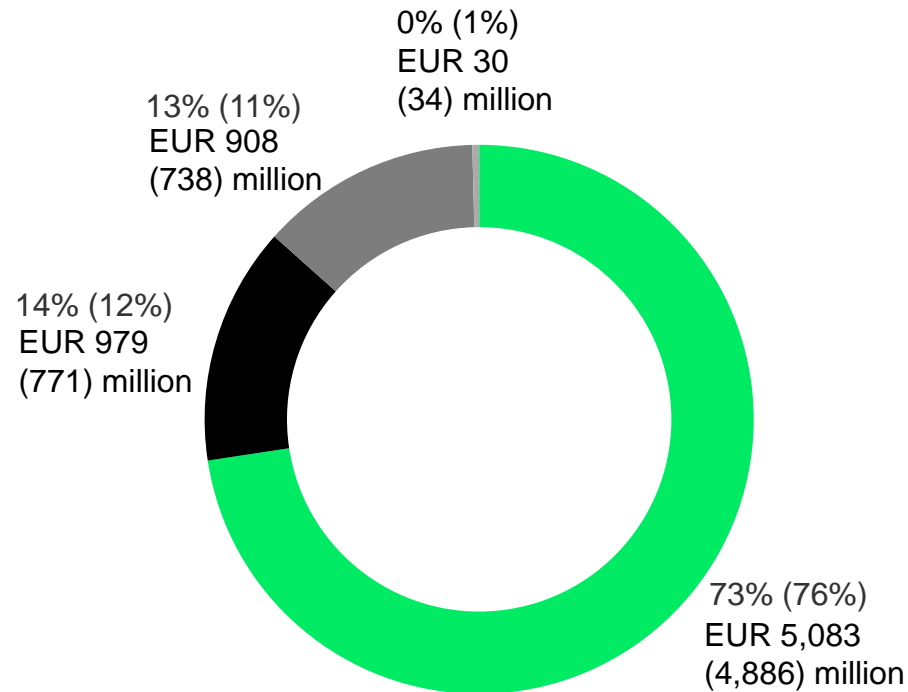


Structure of lending and deposits

31 December 2020 (31 December 2019)

Lending

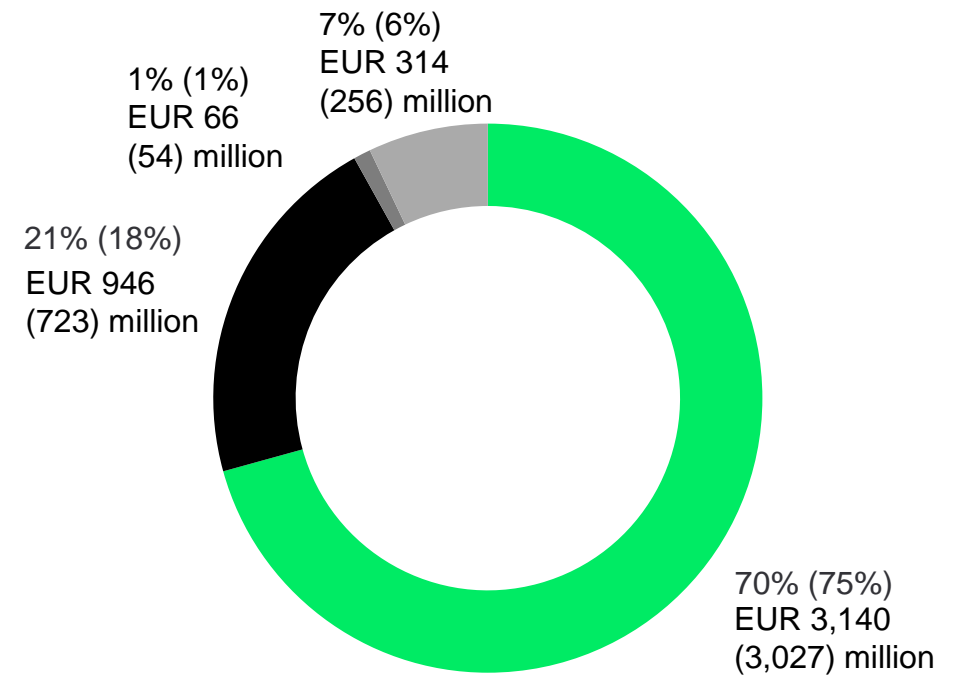
Total EUR 7,000 (6,429) million



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

Deposits

Total EUR 4,466 (4,060) million



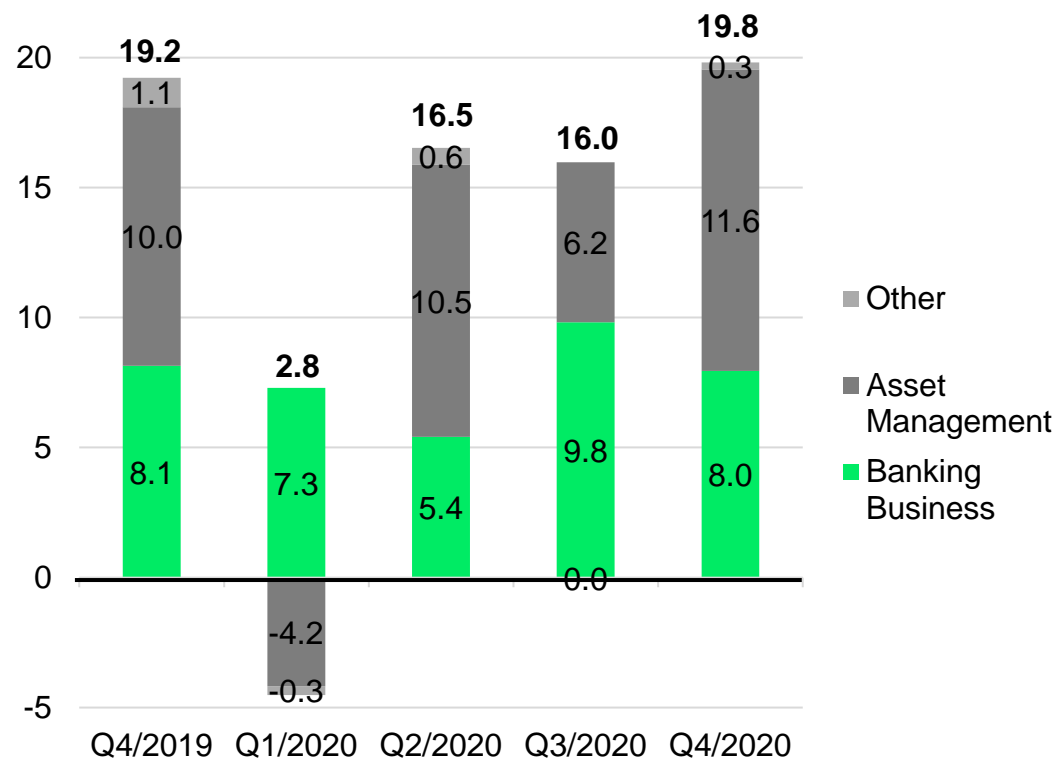
■ Households ■ Corporates
■ Housing associations ■ Public entities and non-profit organisations

Financial performance recovered quickly

Q-o-Q

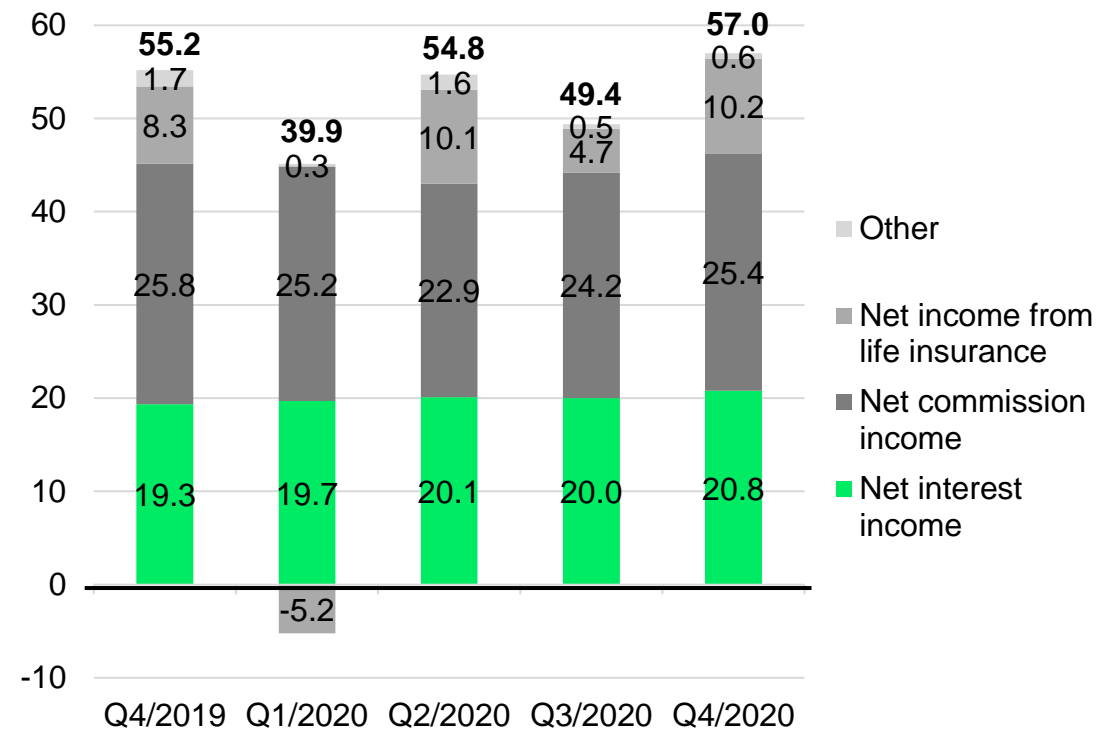
Comparable operating profit

EUR million



Comparable operating income

EUR million

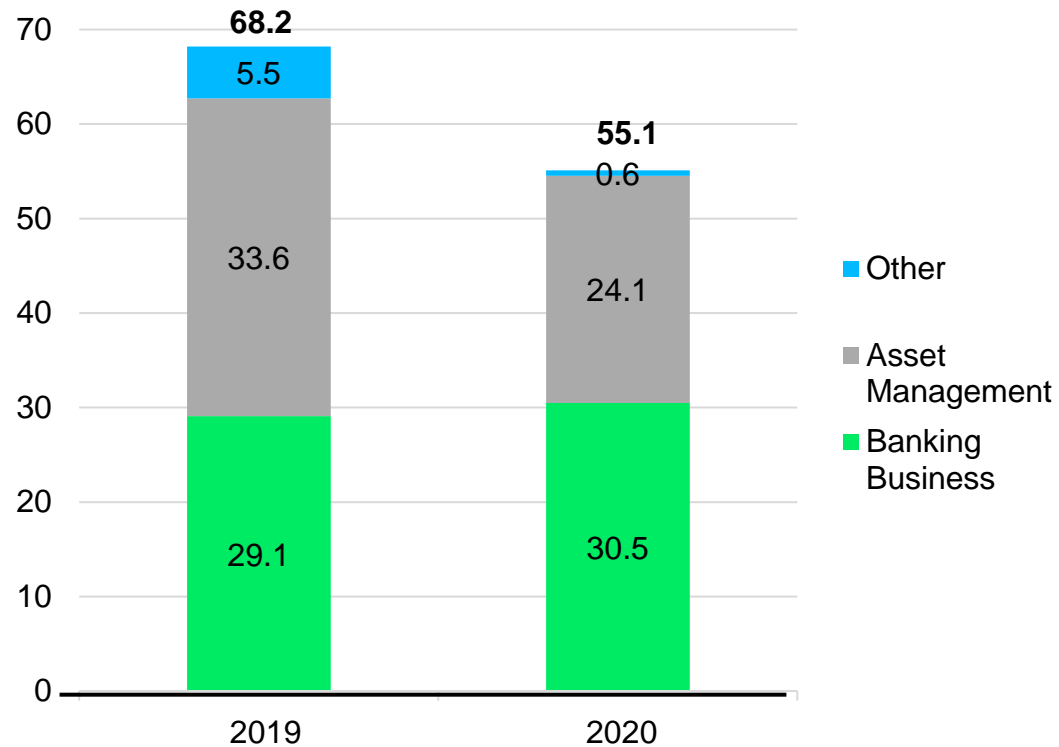


Comparable operating profit and income

Y-o-Y

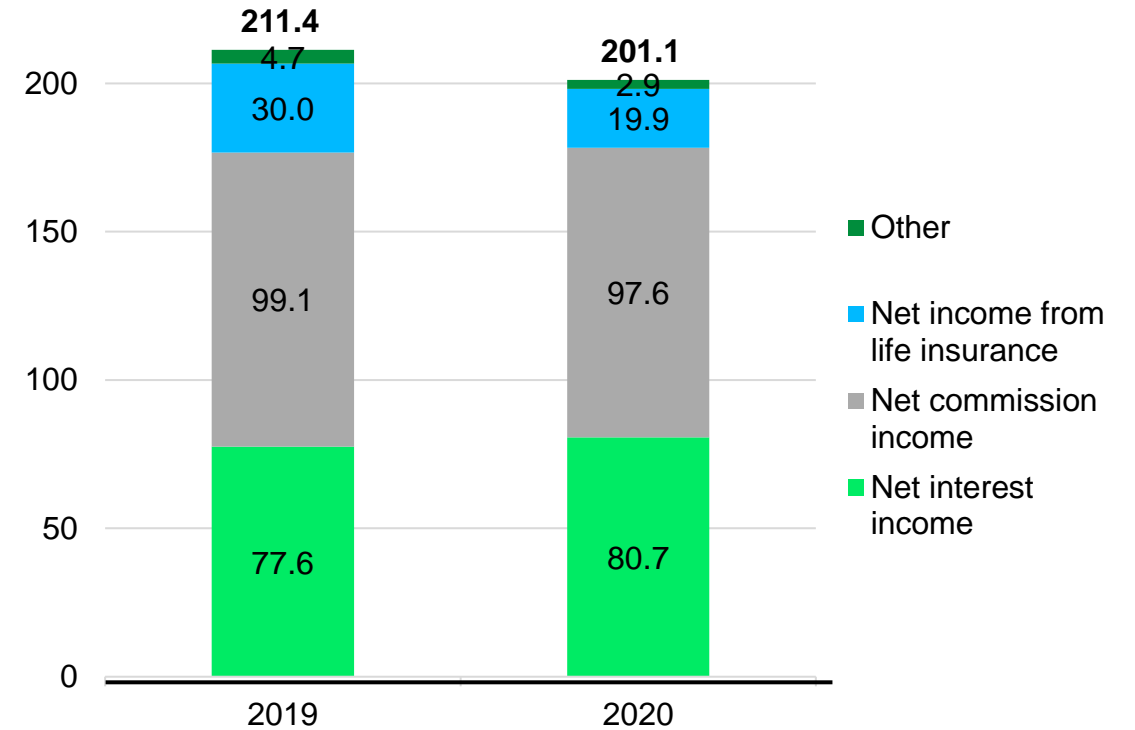
Comparable operating profit

EUR million



Comparable operating income

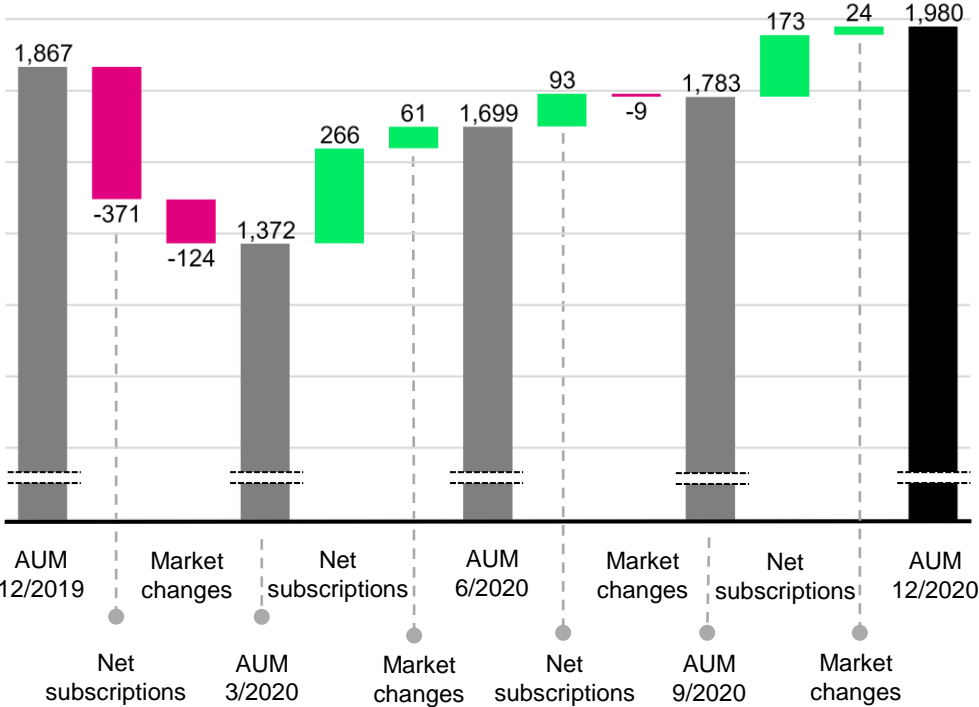
EUR million



Strong recovery of assets under management continued

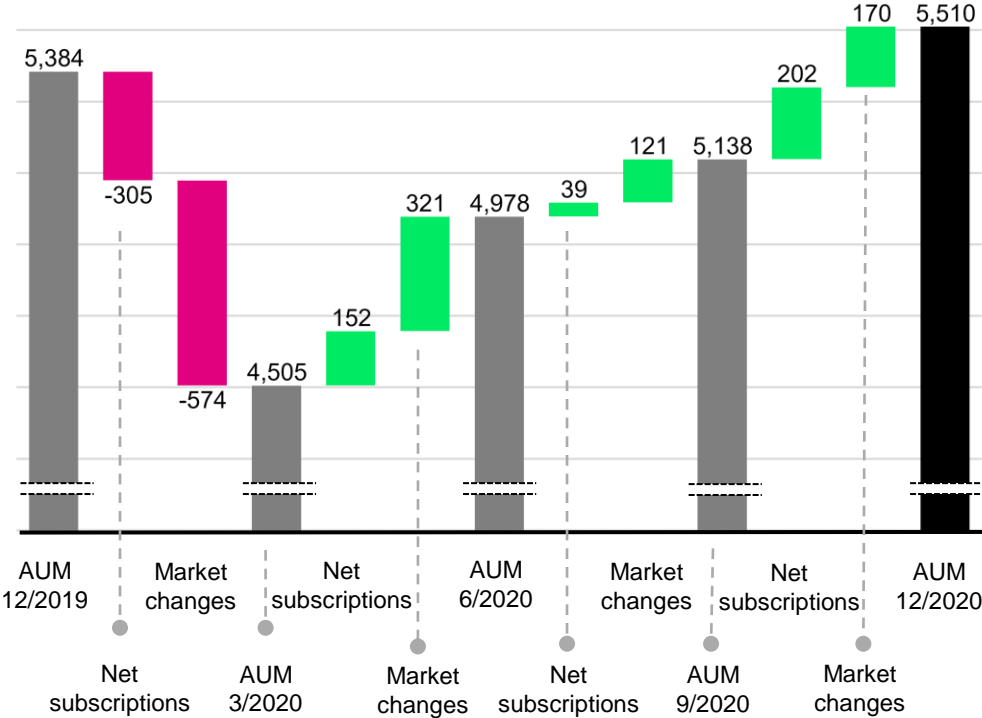
Asset Management, Aktia UI 1–12/2020

EUR million



Asset Management, domestic 1–12/2020

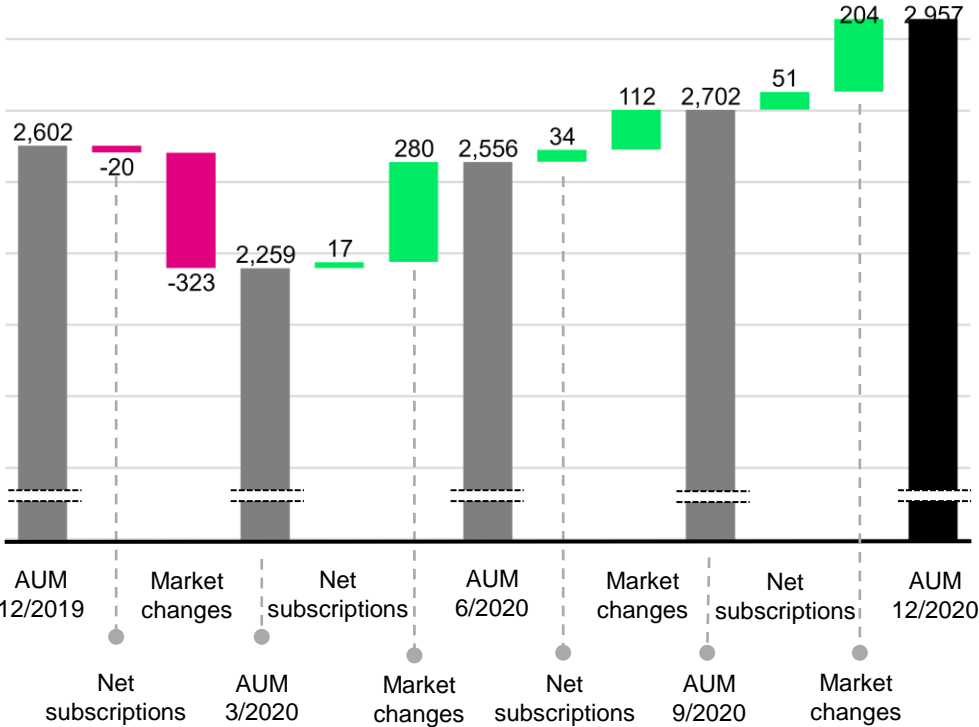
EUR million



Strong recovery of assets under management continued

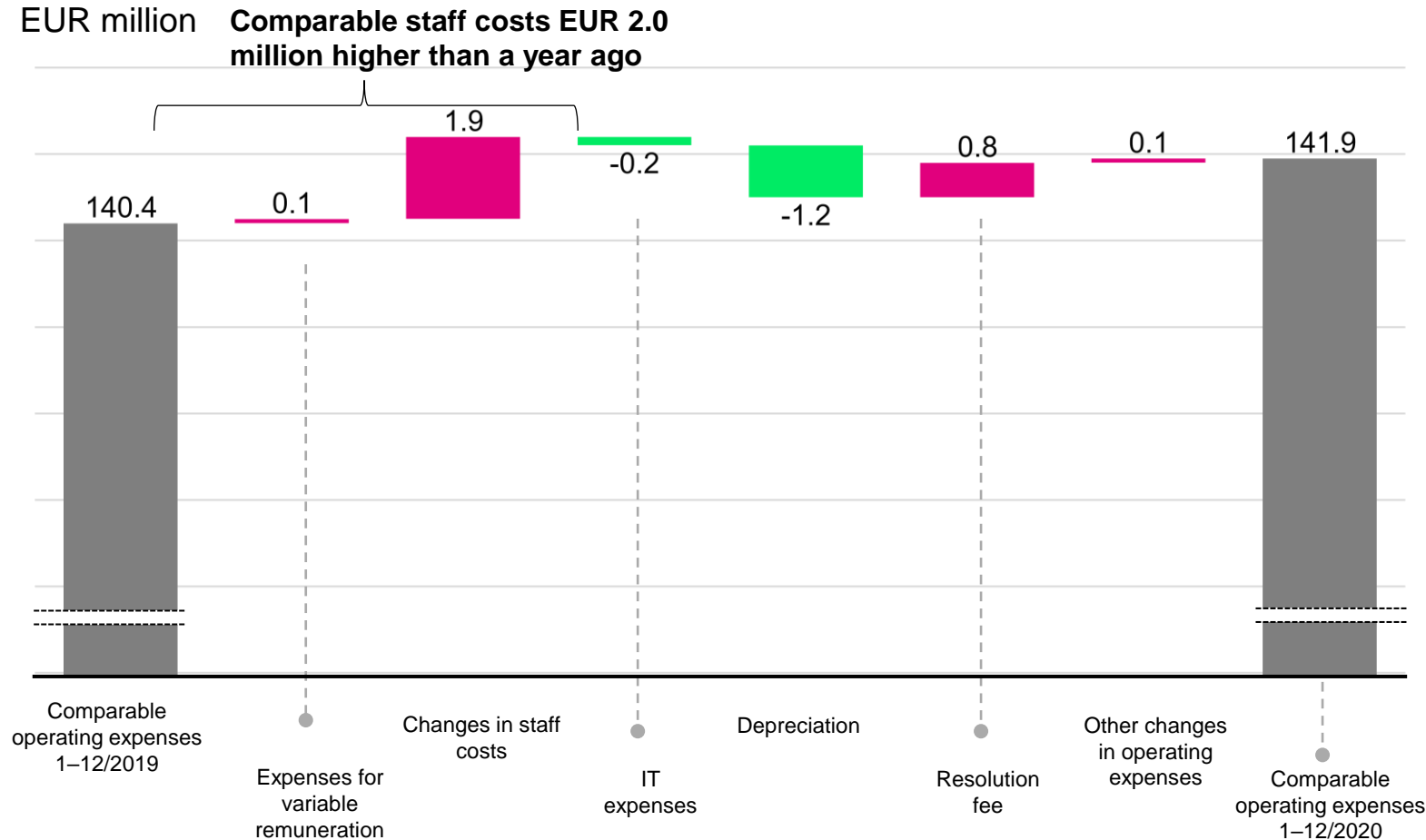
Banking Business, Retail 1–12/2020

EUR million



Growth investments increased staff costs y-o-y

1-12/2020 vs 1-12/2019



Staff costs:

Comparable staff costs increased by 3% to EUR 68.8 (66.8) million. Growth investments increased staff costs from last year

IT expenses:

IT expenses amounted to EUR 26.0 (26.2) 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 3% to EUR 28.8 (27.9) million since the reference period includes EUR 1.3 million restructuring costs. The increase pertains to the cost for the stability fee, which has increased by EUR 0.8 million from last year.

Financial summary Q4 and YTD

EUR million	Q42020	Q42019	Δ, %	1-12/2020	1-12/2019	Δ, %
Total operating income	57.0	55.2	3%	201.1	221.4	-9%
Net interest income	20.8	19.3	8%	80.7	77.6	4%
Net commission income	25.4	25.8	-2%	97.6	99.1	-1%
Net income from life insurance	10.2	8.3	24%	19.9	30.0	-34%
Other income	0.6	1.7	-67%	2.9	14.7	-80%
Total operating expenses	-36.4	-35.3	3%	-142.2	-143.9	-1%
Impairments of credits and other commitments	-0.8	-0.8	10%	-4.0	-4.5	-9%
Operating profit	19.7	19.1	3%	54.8	74.8	-27%
Comparable operating profit*	19.8	19.2	3%	55.1	68.2	-19%
Earnings Per Share (EPS), EUR	0.22	0.23	-4%	0.61	0.90	-32%
Return on Equity (ROE), %	9.2	10.5	-12%	6.7	10.3	-35%
Cost-to-income ratio (comparable)	0.64	0.64	0%	0.71	0.66	8%
Common Equity Tier 1 capital ratio, %	14.0	14.7	-5%	14.0	14.7	-5%

*) Excl. items affecting comparability

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The debt investment case

Credit ratings

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

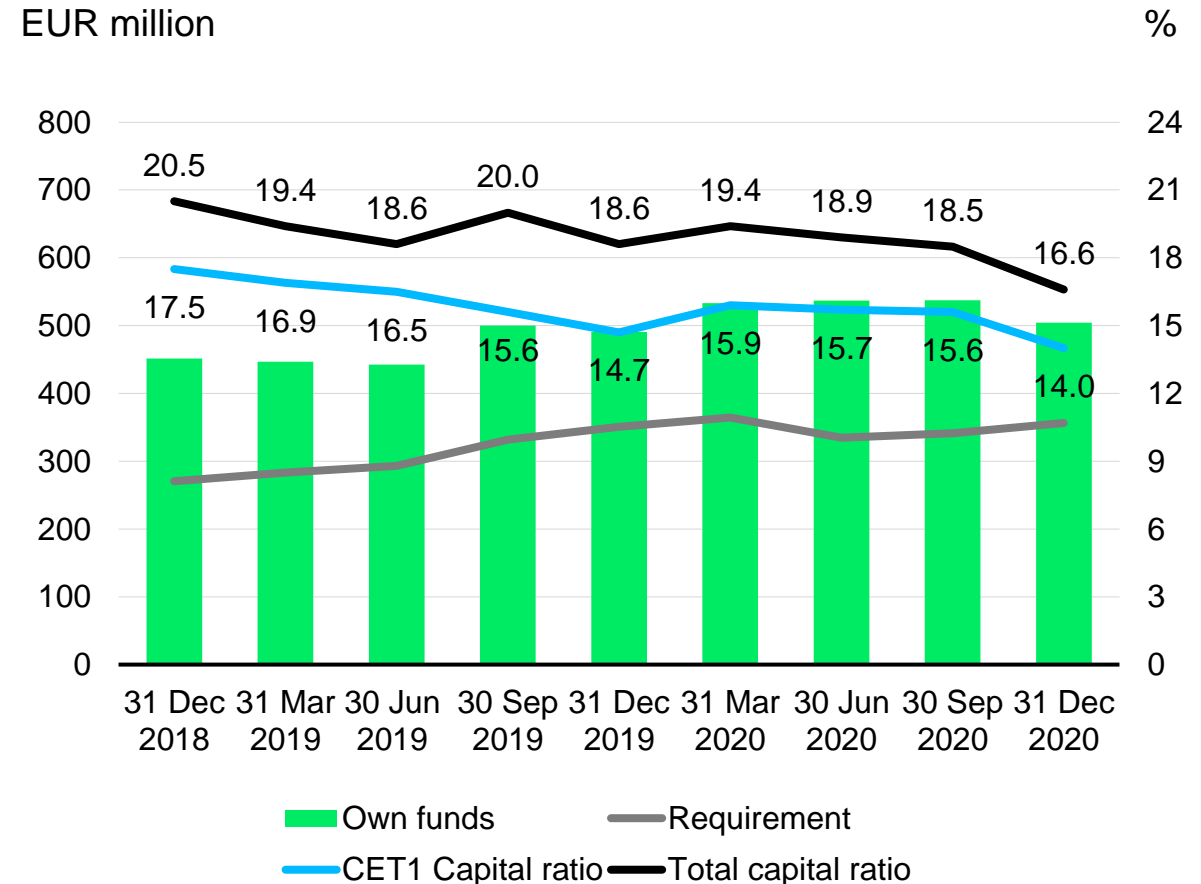
S&P: A- / A-2, stable

CET1 on a solid level above the target range

Capital Adequacy

- At the end of the period, the Bank Group's Common Equity Tier 1 (CET1) capital ratio was 14.0%.
 - The maximum proposed 2020 dividend, EUR 0.43 per share, has been deducted from the CET1 capital, which affected the CET1 capital ratio by 1.0 percentage points.
 - Target range at the end of period 11.3–12.8%.
- Risk-weighted assets increased by EUR 393 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 1.0 percentage point.
- The updated Pillar 2 requirement of 1.25% entered into force on 30 June 2020 (previously 1.75%).

CET1

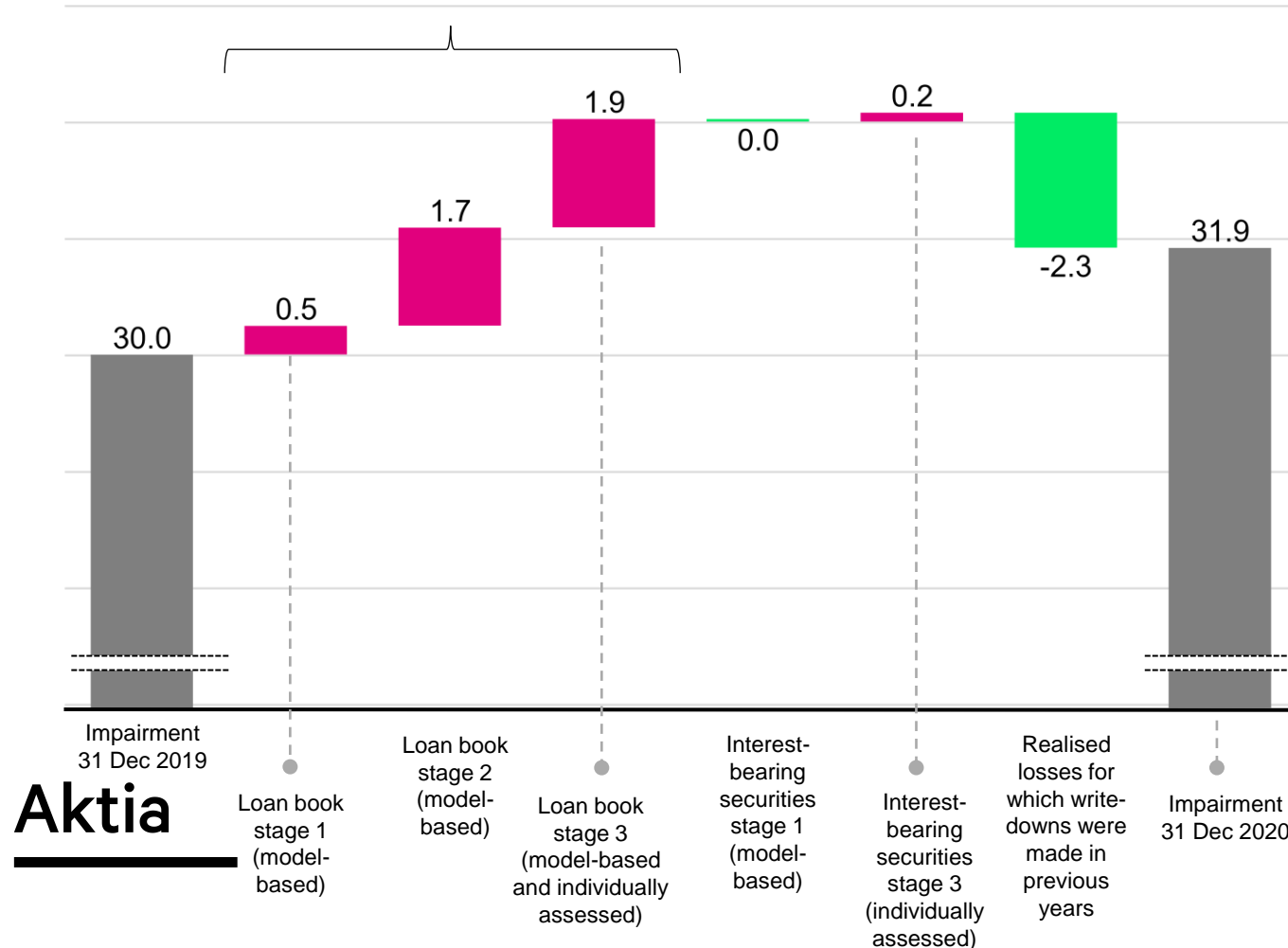


Impairments for future expected credit losses

Change in expected credit losses (ECL) 1–12/2020

EUR million

Impairment of credits and other commitments 1–12/2020 EUR -4.0 million



- Macroeconomic assumptions have been updated in the 4Q, no significant impact
- Impairment of credits and other commitments 31 December 2020 was EUR 30.9 million
- Impairment of interest-bearing securities 31 December 2020 was EUR 0.9 million

Funding activities remained high

- During the year 2020 Aktia has been a very active issuer in the senior preferred market. Aktia has completed over 30 transactions under the EMTN program. The total volume is over EUR 800 million with maturities in the range of 2–15 years.
- Aktia is considering to issue further EUR 100-200 million worth of new debt during the first half year 2021. Potentially included to the total amount of issuance the Bank has been mandated by the Board of Directors to consider issuing inaugural Additional Tier 1 issue to the market.
- Aktia's liquidity situation is solid. The LCR ratio has been comfortably over the regulative limit being 138% at the end of Q4. The cash level has been very equally 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 138%.

- 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 1,368 million on 31 December 2020 (3Q20: EUR 1,496 million).

Liquidity reserve, market value

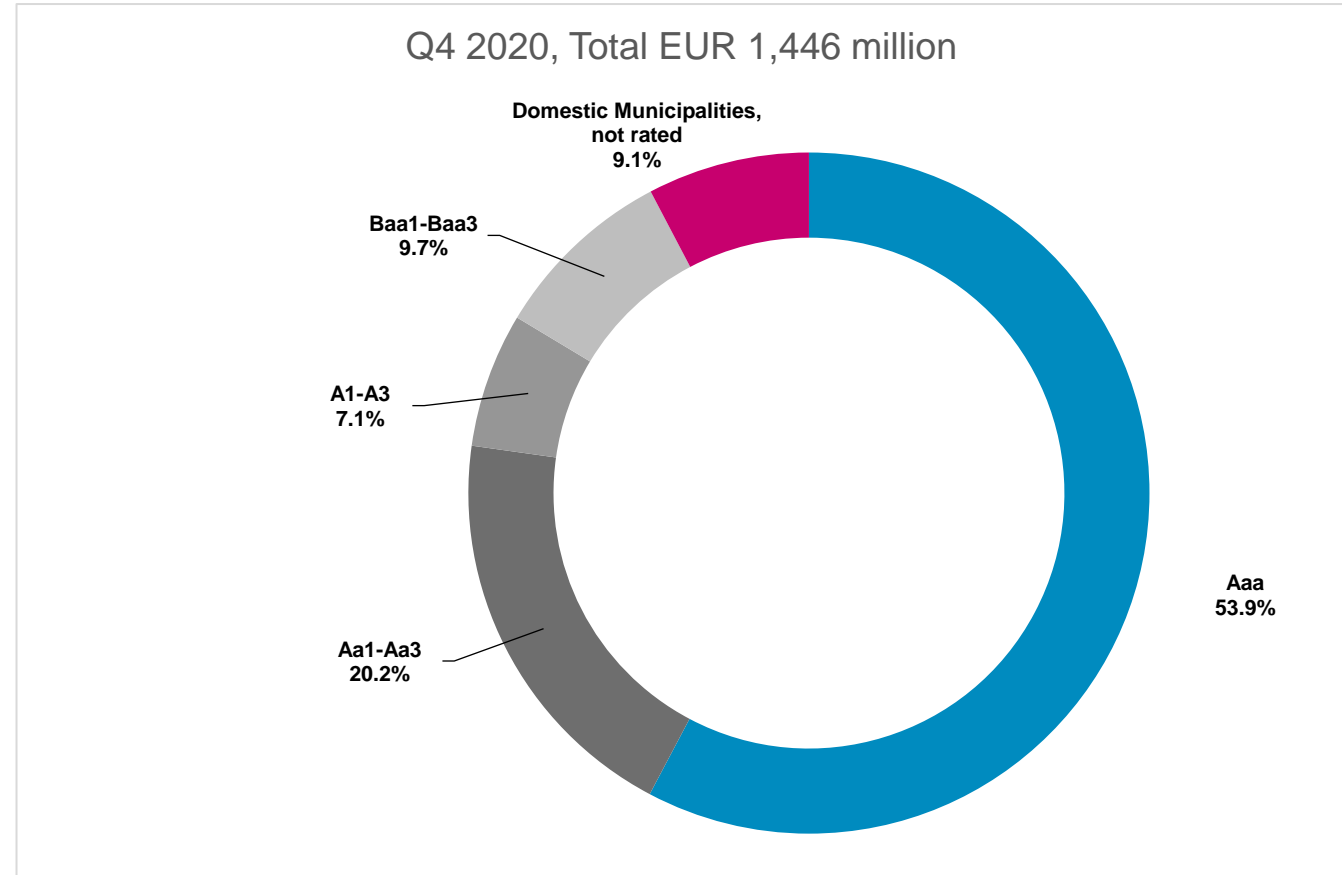
EUR million	31 Dec 2020	31 Dec 2019
Cash and holdings in central banks	250	271
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	226	195
Securities issued or guaranteed by municipalities or Public sector entities	132	208
Covered bonds	755	430
Securities issued by credit institution	0	0
Securities issued by financial corporates (commercial papers)	0	0
Total	1,368	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



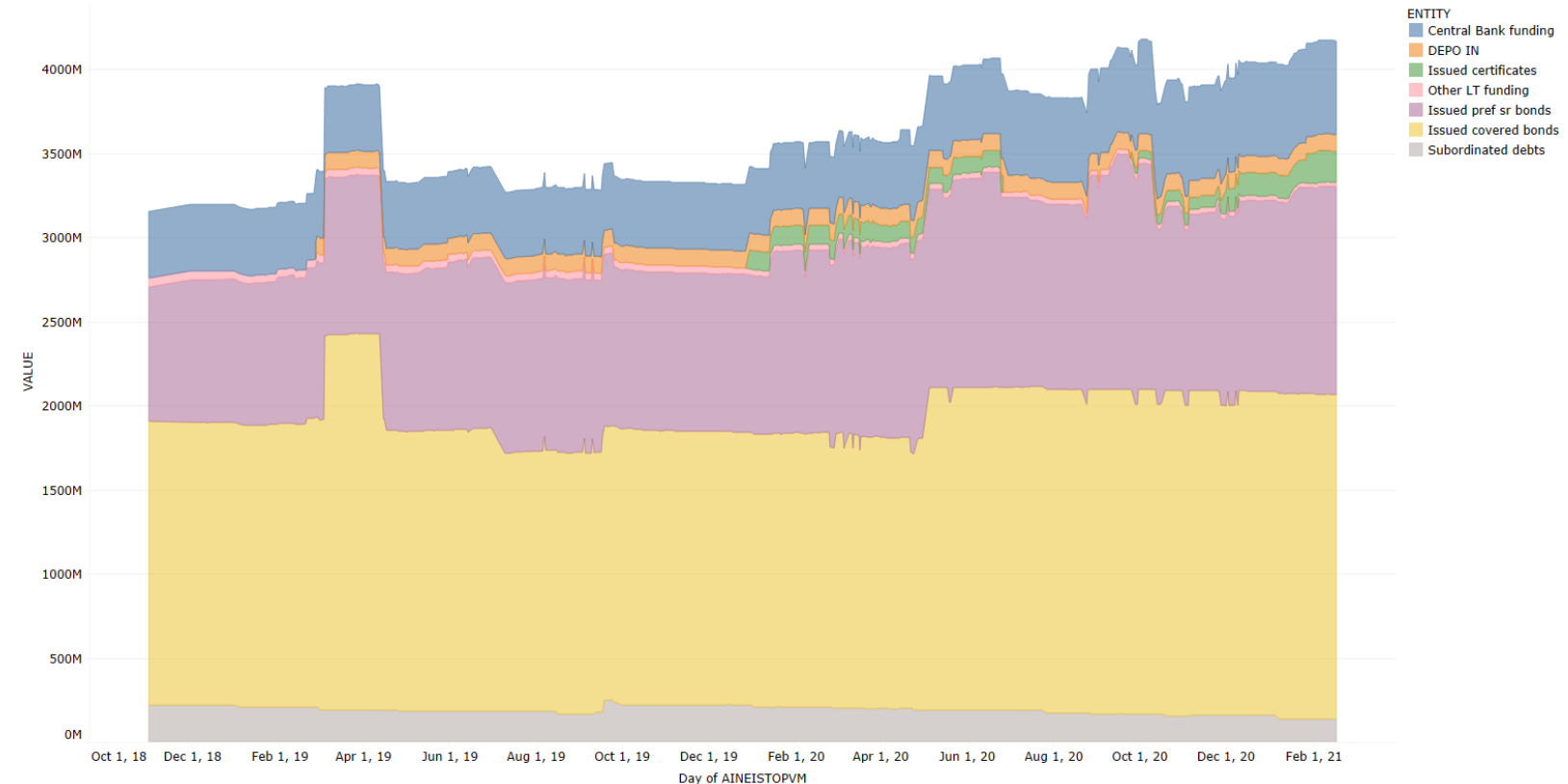
Sound funding profile

Covered Bond issuance and customer deposits dominate

Borrowing from the public and public-sector entities increased to EUR 4,466 (4,060) million. Aktia's market share of deposits was 3.1 (3.2) % at the end of December.

The value of bonds issued by Aktia Bank totalled EUR 2,720 (2,526) million. The total is excluding the EUR 300 million retained Covered Bond issued in May 2021.

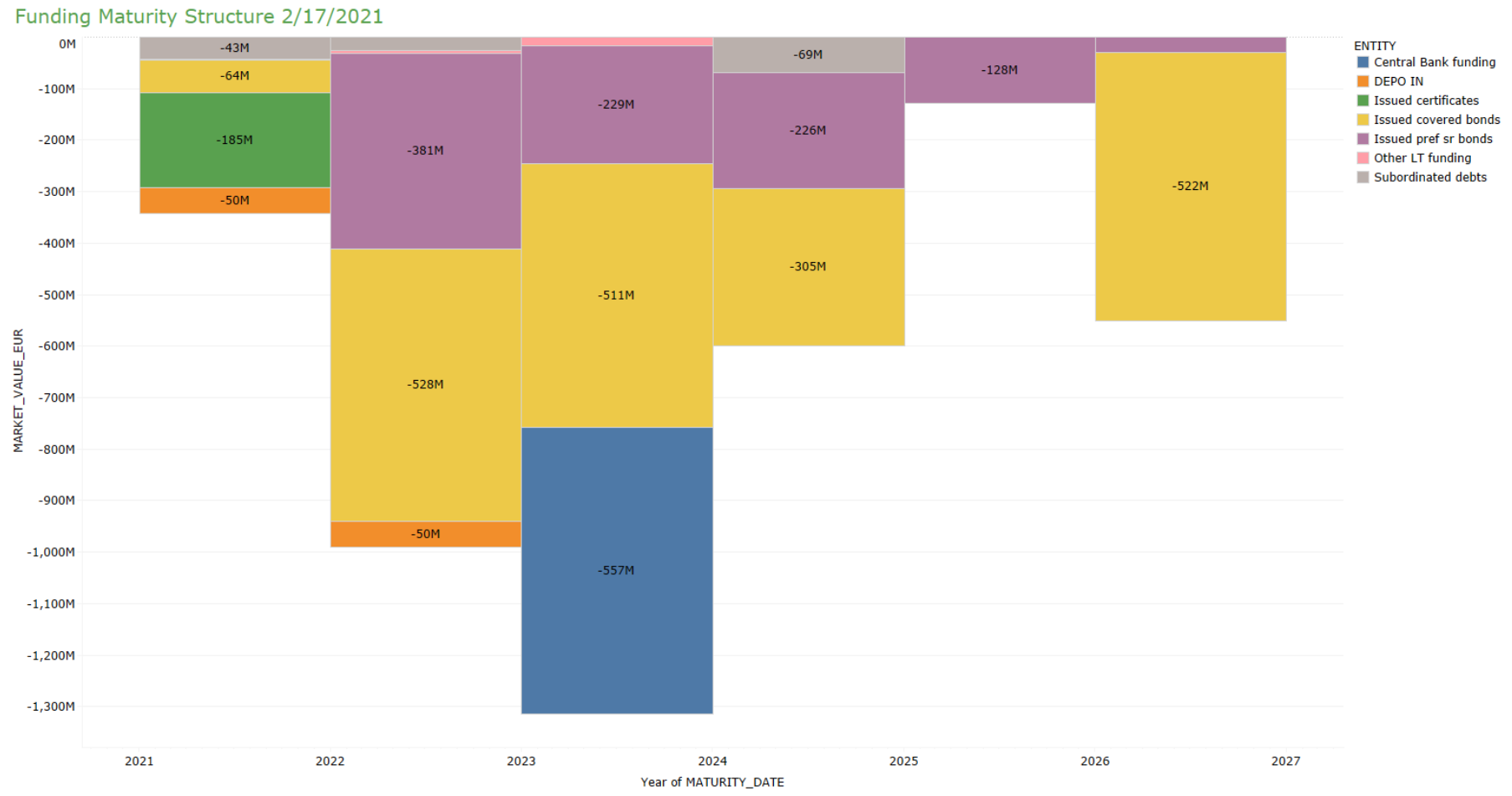
Funding Structure



Aktia

Redemption schedule

The year 2021 is gentle on redemptions



Aktia Bank as covered bond issuer

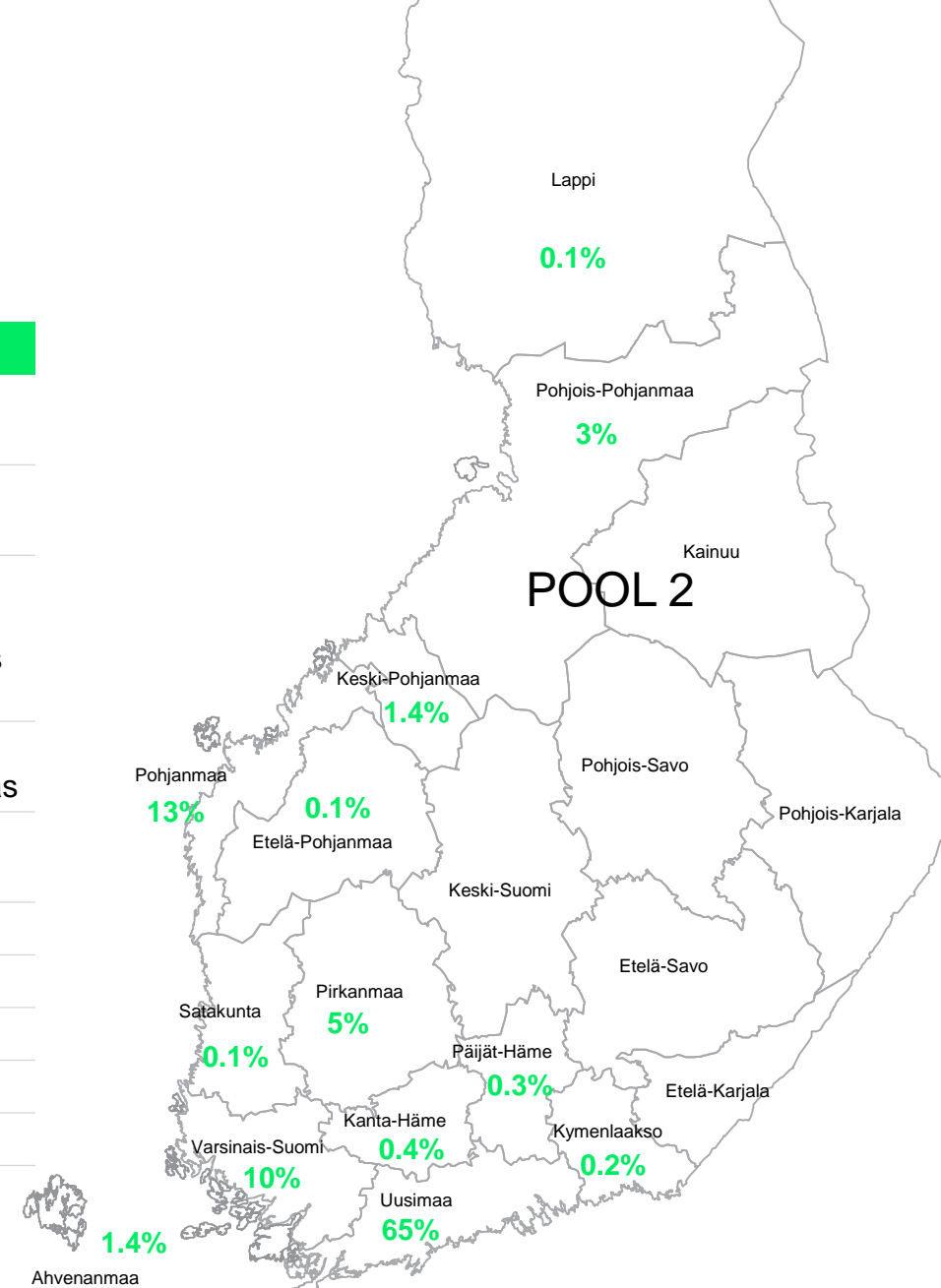
Aktia Bank operates under the legislation as mortgage bank (Act on Mortgage Credit Bank Operations, MCBA 688/2010) and issues the covered bonds directly from the bank's balance sheet.

- 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

4Q 2020

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,340 million	EUR 131 million
No of loans / average loan balance	36,769 / EUR 63,774	1,948 / EUR 67,039
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	45.46%	35.64%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 96%, fixed 4%	floating 98%, fixed 2%
WA seasoning	65.3 months	100 months
Overcollateralisation (%)	27,44% (committed 10%)	203.70% (committed 12%)
Moody's Collateral Score	5.00%	5.00%



Aktia

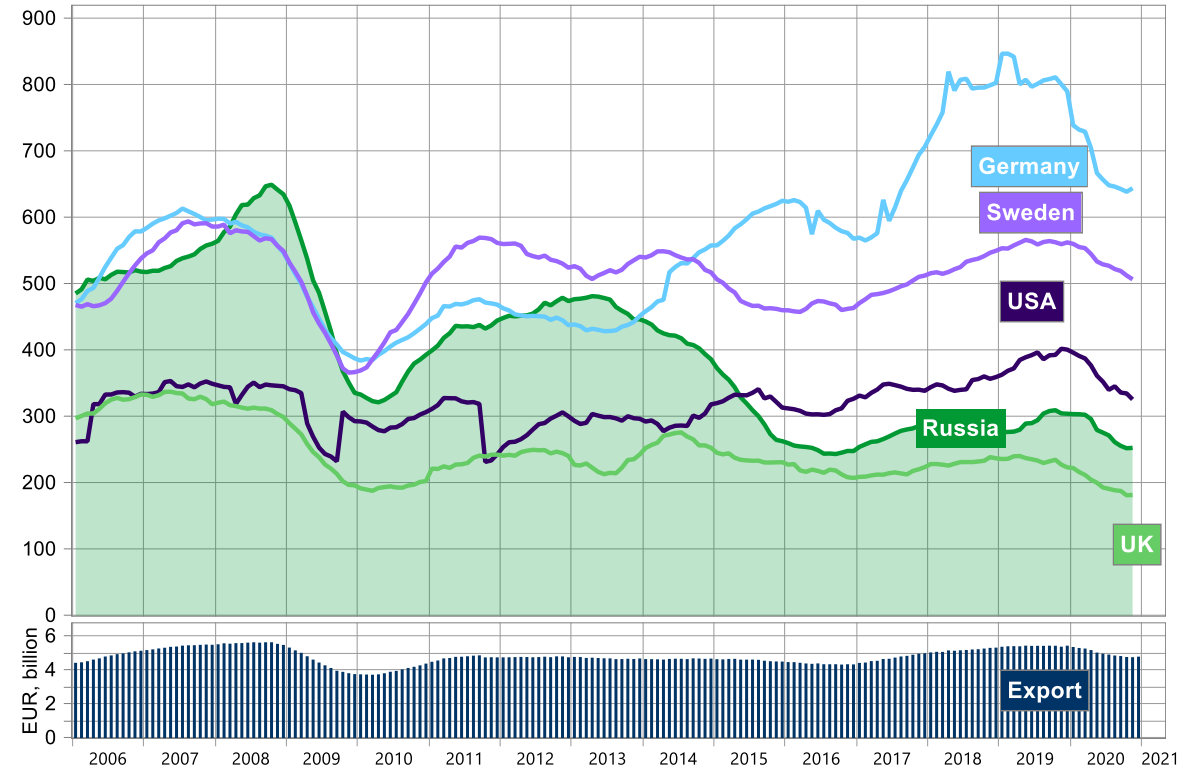
Finland – a strong but very export driven economy

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)

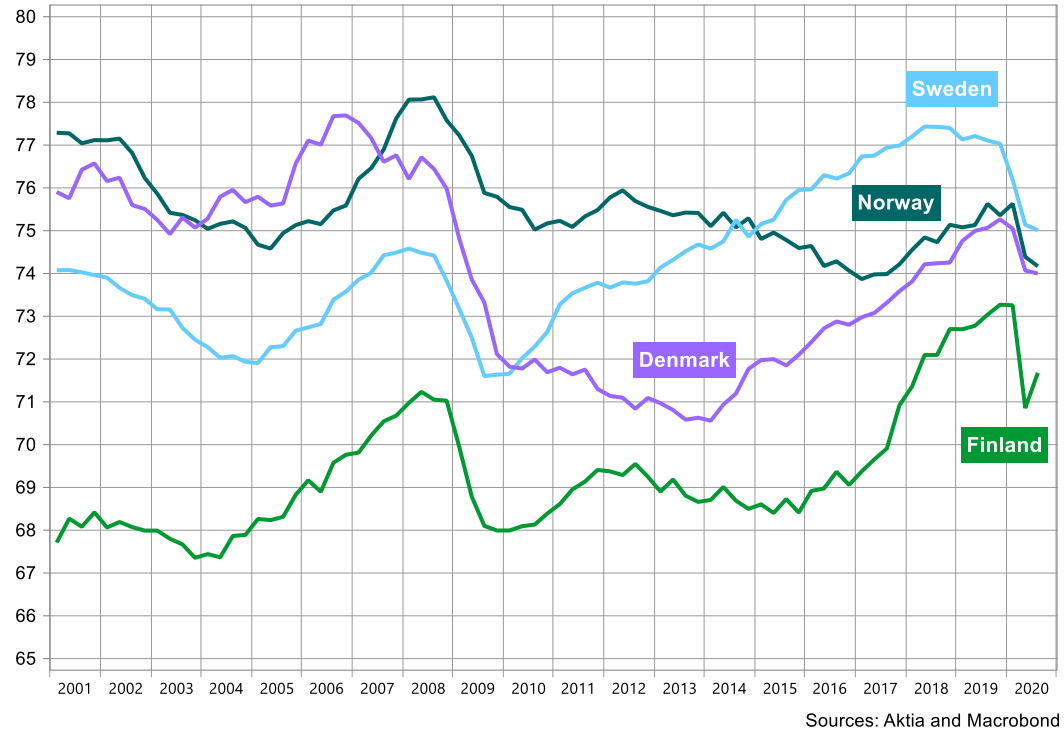
Finland: Export value, mil. euro



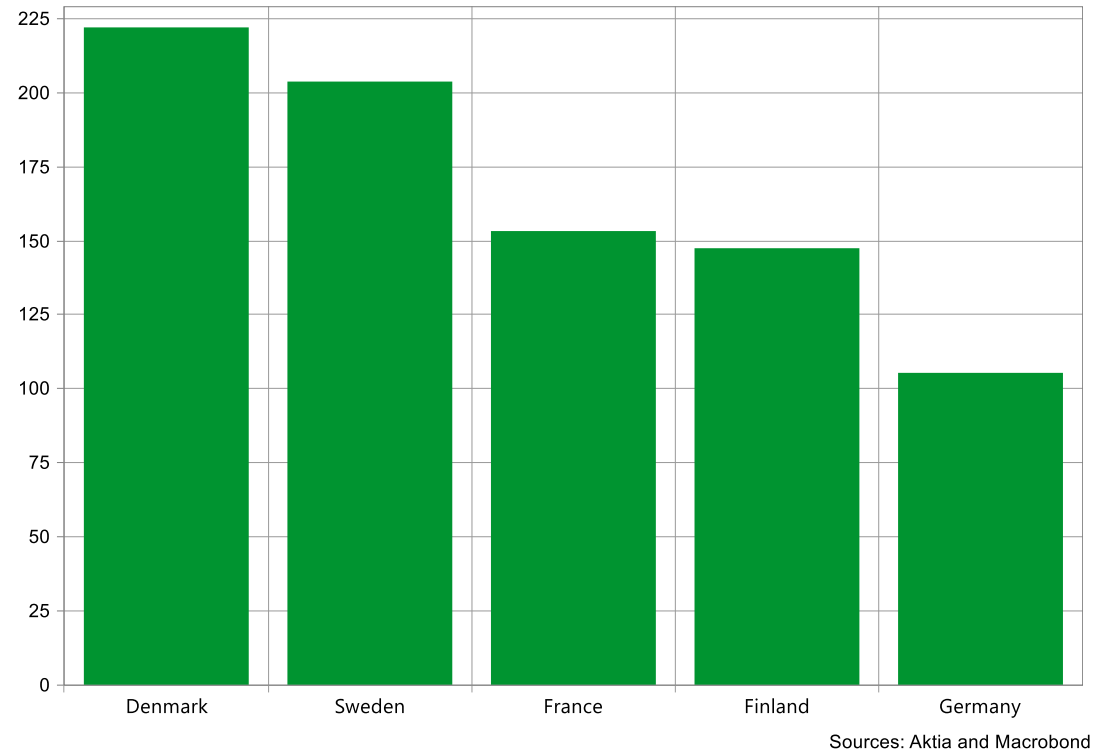
Sources: Aktia and Macrobond

The Finnish Economy

Employment rate, 15-64 year olds



Private debt, % of GDP (2019)

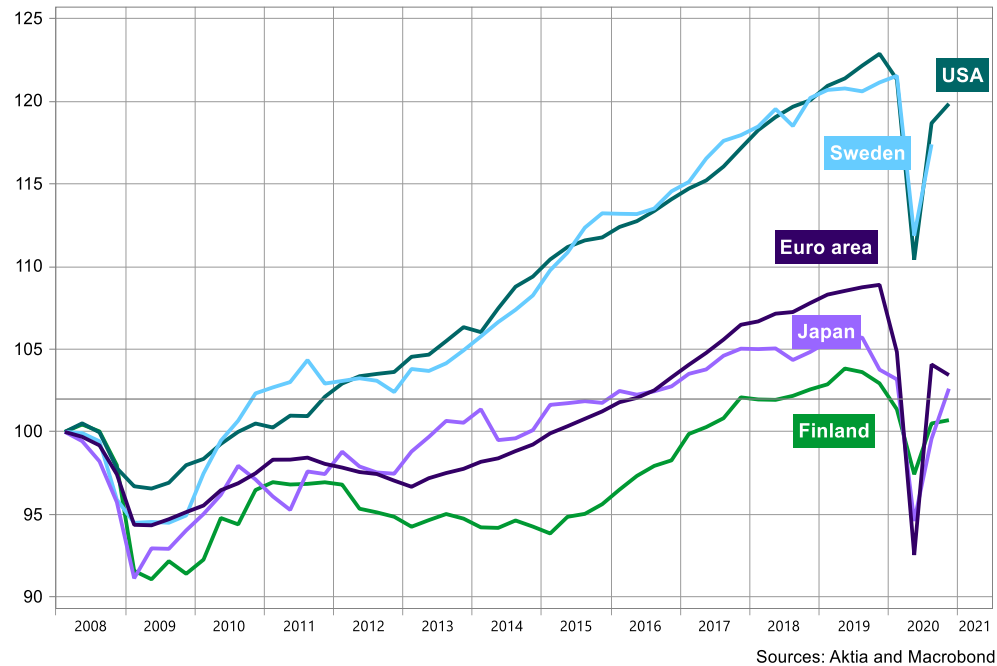


Macroeconomic environment

Rebound visible, growth returns

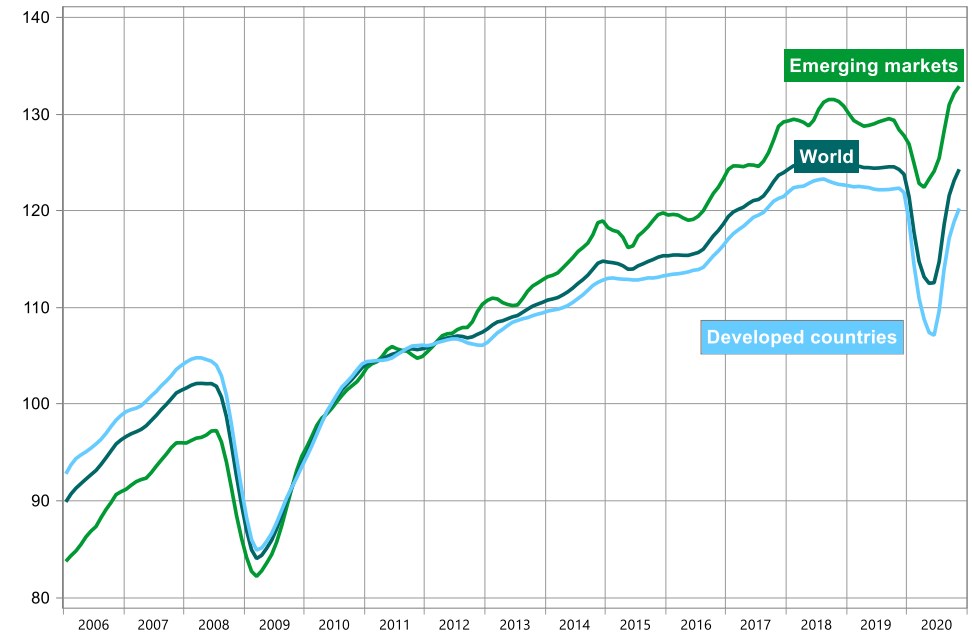
GDP in some countries

Index, Q12008=100



World exports

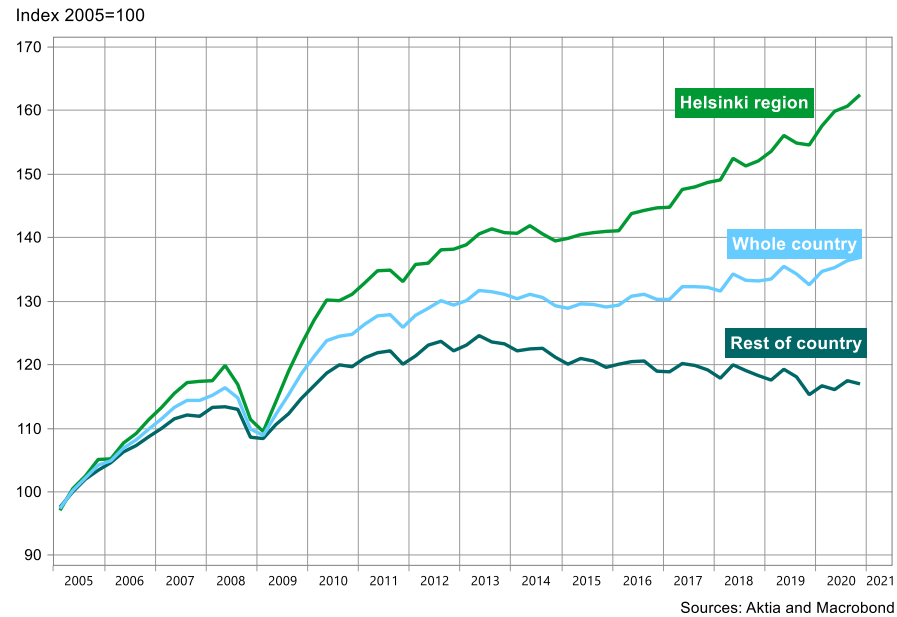
Volyme. Index 2010=100. 6 mMA. Sources: Aktia and Macrobond



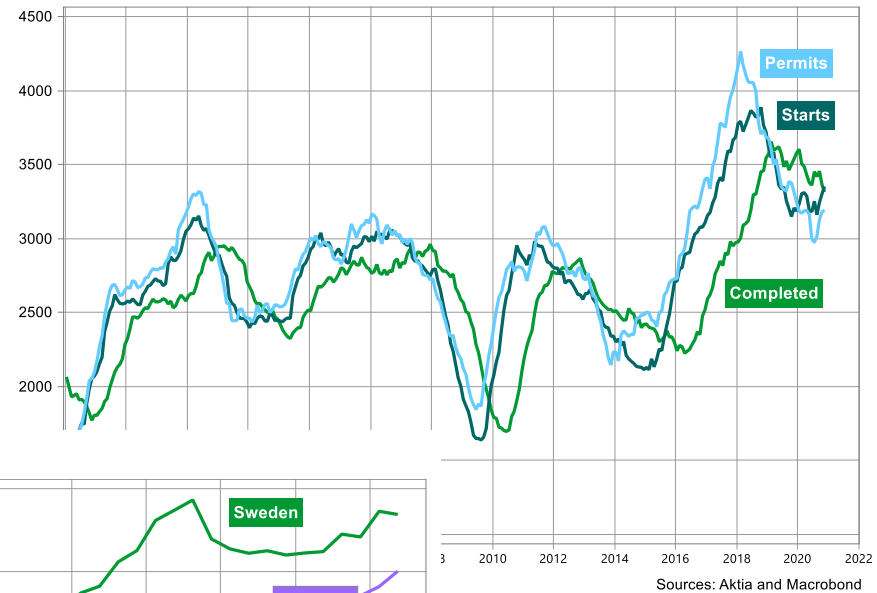
Finnish housing market

Solid and stable market, positive development focused on growing cities

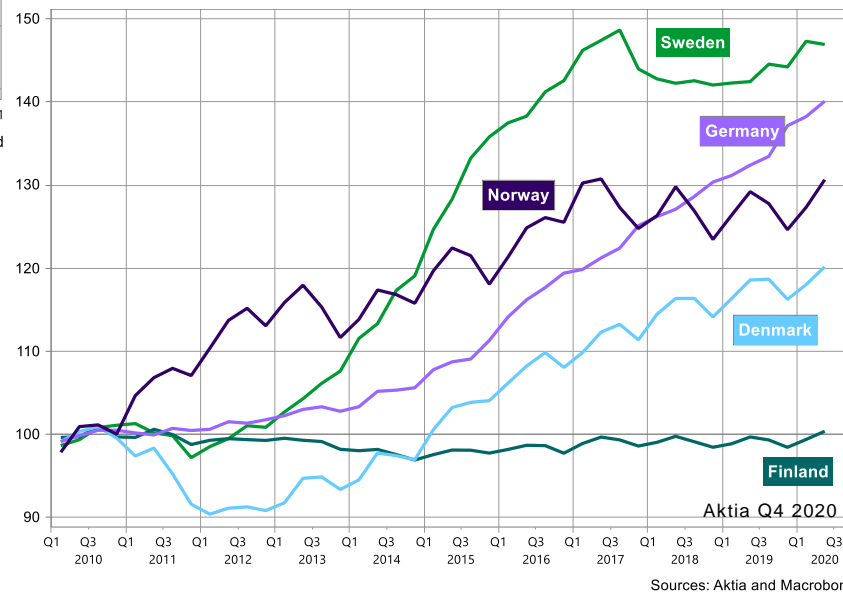
Finland: Prices, old apartments



Number of new dwellings



Real House Prices, 2010=100



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

Key figures Q4 2020

(Q4 2019)

Net interest income	+8%	EUR 20.8 (19.3) million
Net commission income	-2%	EUR 25.4 (25.8) million
Total operating income	+3%	EUR 57.0 (55.2) million
Comparable operating income	+3%	EUR 57.0 (55.2) million
Total operating expenses	+3%	EUR -36.4 (-35.3) million
Comparable operating expenses	+3%	EUR -36.3 (-35.2) million
Comparable operating profit	+3%	EUR 19.8 (19.2) million

EPS
EUR 0.22
(EUR 0.23)

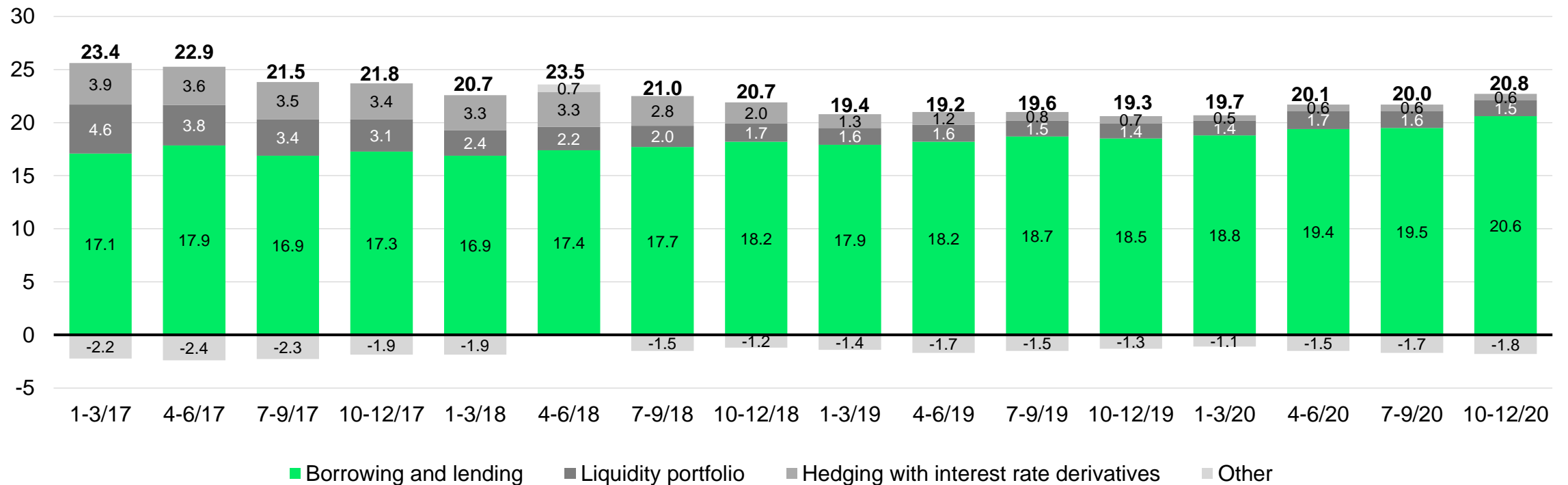
Comparable C/I ratio
0.64
(0.64)

ROE
9.2%
(10.5%)

CET1
14.0 %
(31 December 2019; 14.7%)

Net interest income mix

EUR million



Net commission income mix

EUR million

