

14 FEBRUARY 2020

Q4 Results presentation

Aktia



Aktia's Q4 2019 in brief

- The comparable operating profit was EUR 19.2 million and increased by EUR 9.0 million (+88%).
- Strong lending and high customer activity continued.
- Assets under management (AuM) amounted to EUR 9.9 (30 September 2019; 9.8) billion.
- Life insurance presented a strong result for Q4. Fair value changes in real estate and fund investments supported the performance.
- Comparable operating expenses decreased by 8% to EUR 35.2 million.

Recent arrangements

- Aktia announced the acquisition of Alandia's life insurance portfolio.
- Aktia Asset Management to become a wholly-owned subsidiary of Aktia Bank.

Dividend proposal

- Year 2019 dividend proposal EUR 0.63 (0.61) per share.

Strong lending and high customer activity continued

Banking Business

Private customers

- The service model change proceeded as the merger of branch offices and a reduction in office premises was realised.
- The interest in asset management products and different investment alternatives was growing.
- Aktia's brand renewal continued and was well received by both customers and other stakeholders.

Corporate customers

- Both the investment appetite and building volumes of corporates continued on a good level during Q4.
- The risk level of the corporate loan book remained on a low level.

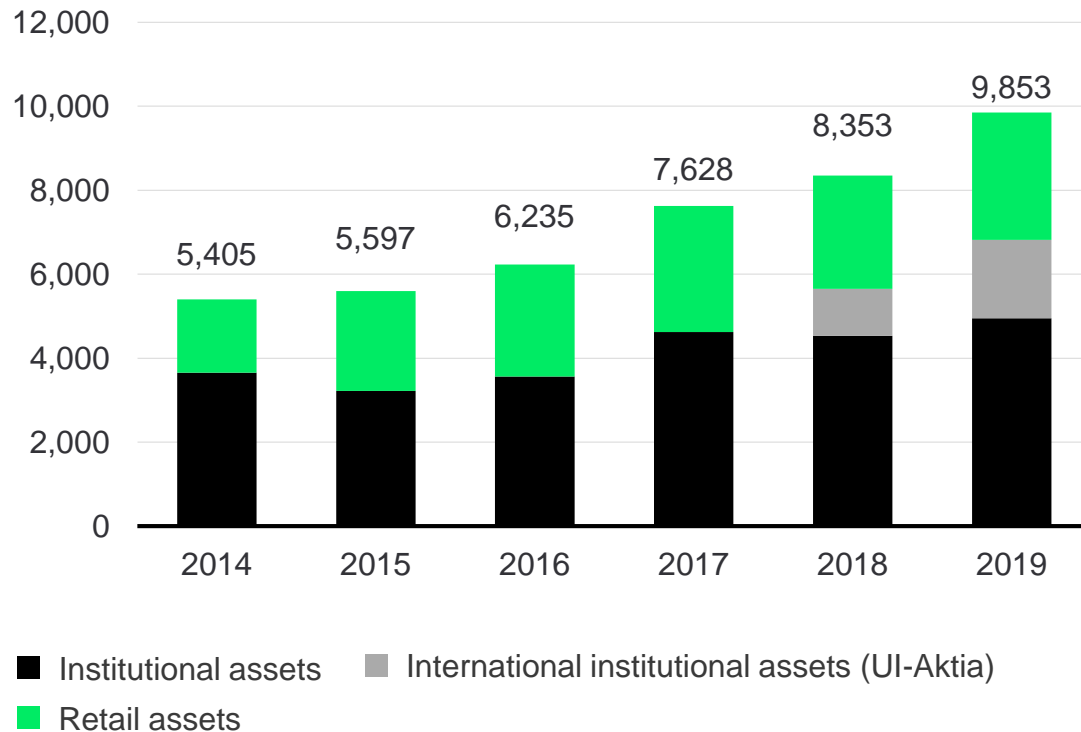
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Assets under Management at record high level

Asset Management

Assets under management excluding custody (AuM) EUR million



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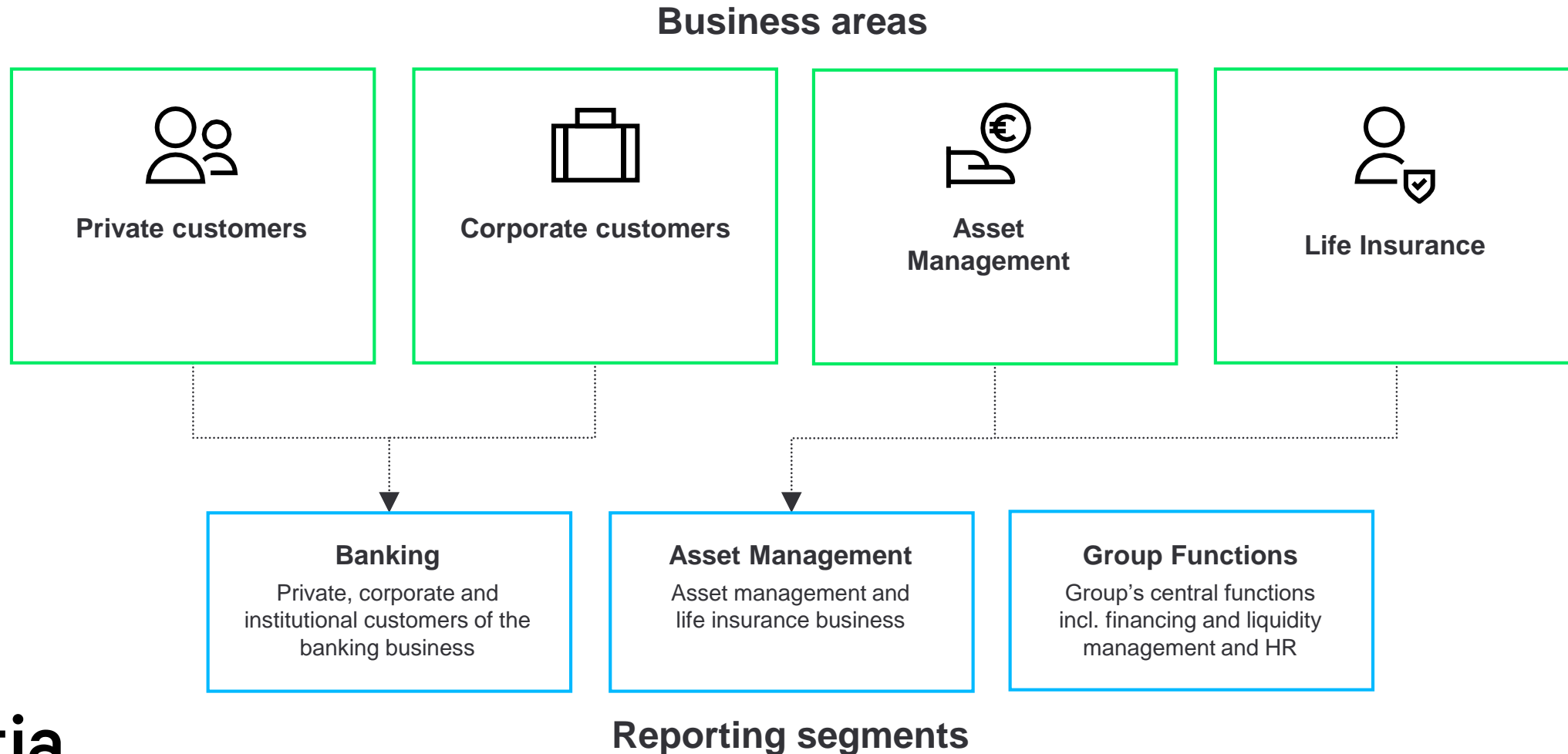
Asset Management

- Assets under Management (AuM) amounted to EUR 9,853 (2018; 8,353) million, which is at the highest level ever.
- The activities for a more extensive range of products continued: Aktia European High Yield Bond fund was launched.
- Aktia's asset management was rewarded during Q4 with the Gold Award among institutional investors in the annual SFR survey.

Life Insurance

- Life insurance made a strong result for Q4. Fair value changes in real estate and fund investments contributed to the performance.
- The decreasing interest-linked stock in combination with a better product mix of risk insurances supported the results.

Aktia's business areas and reporting segments



Aktia 2023 strategy

Our market is changing – clarifying Aktia's role is critical to stay competitive

①

New types of competition and ecosystems

New market entrants
Ecosystem competition
Blurred – competitor or partner?
Margin erosion

②

Changing customer behavior

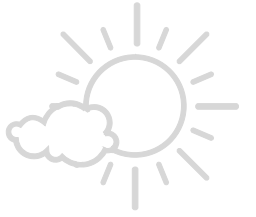
End-of-ownership
Lower customer loyalty
Polarised preferences & segments
Digital & physical combined

③

Macroeconomy and regulation

Low or negative interest rates
Tightening regulation
Transformation of work
Global political instability

Our three strategic priorities



2023

① Win in **asset management**

② Acquire **new customers** in growing **cities**

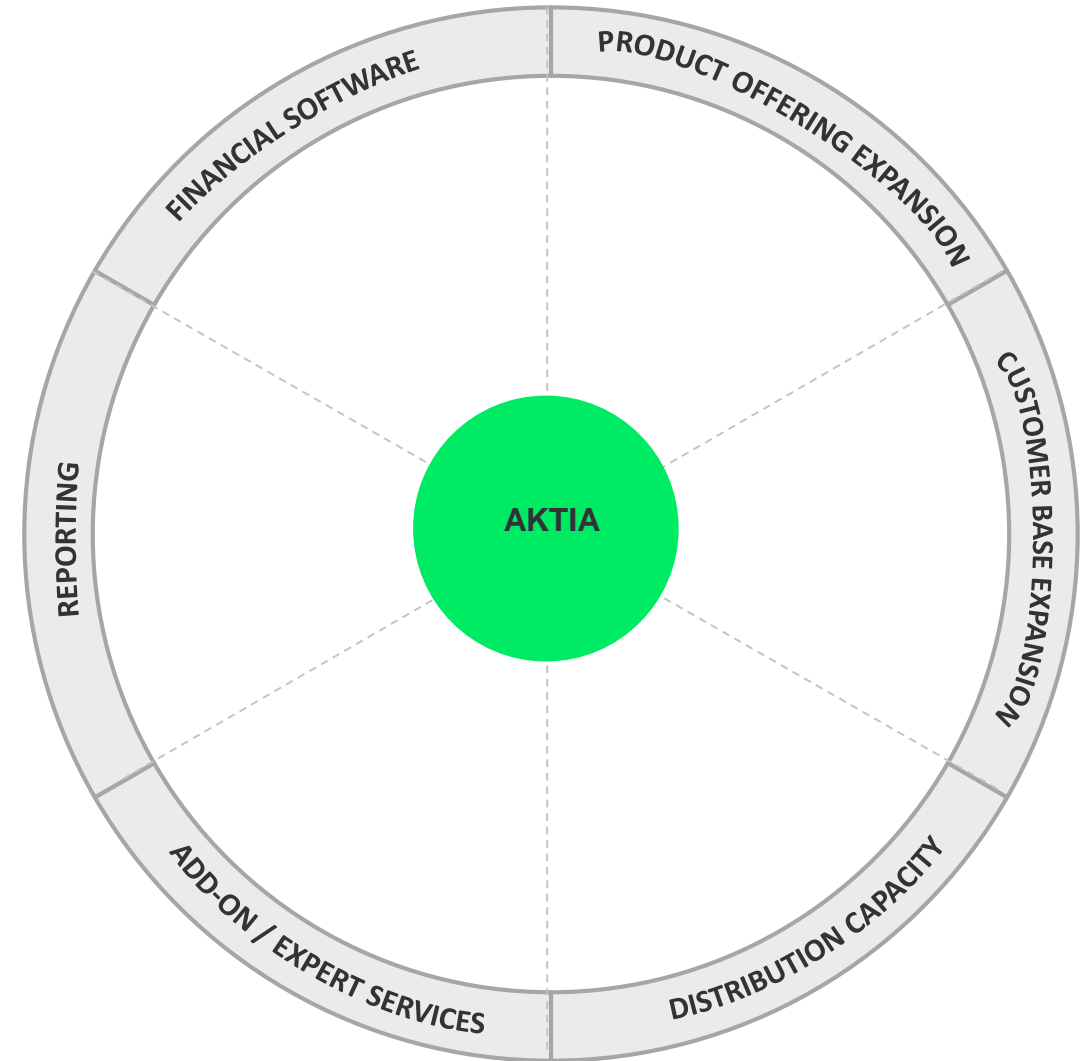
③ Drive **operational efficiency**
to capitalise on our challenger position

Banking & Insurance

Aktia

Inorganic growth: M&A as a part of Aktia's strategy

- Inorganic activities are a viable and increasingly important means to grow for Aktia.
- Aktia assumes an active role in executing its M&A strategy.
- Aktia is also open for opportunistic business ventures if new opportunities in untapped or developing areas are recognised and found viable.
- Execution of inorganic activities during the strategy period until 2023 will also secure Aktia's growth options beyond 2023.



Long-term financial targets 2023

**Comparable
operating profit
EUR 100 million**

1–12/2019:
EUR 68.2 million

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

1–12/2019:
10.3%

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

1–12/2019:
0.66

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

31 December 2019:
3.4 percentage points over
the regulatory requirement

Financial overview

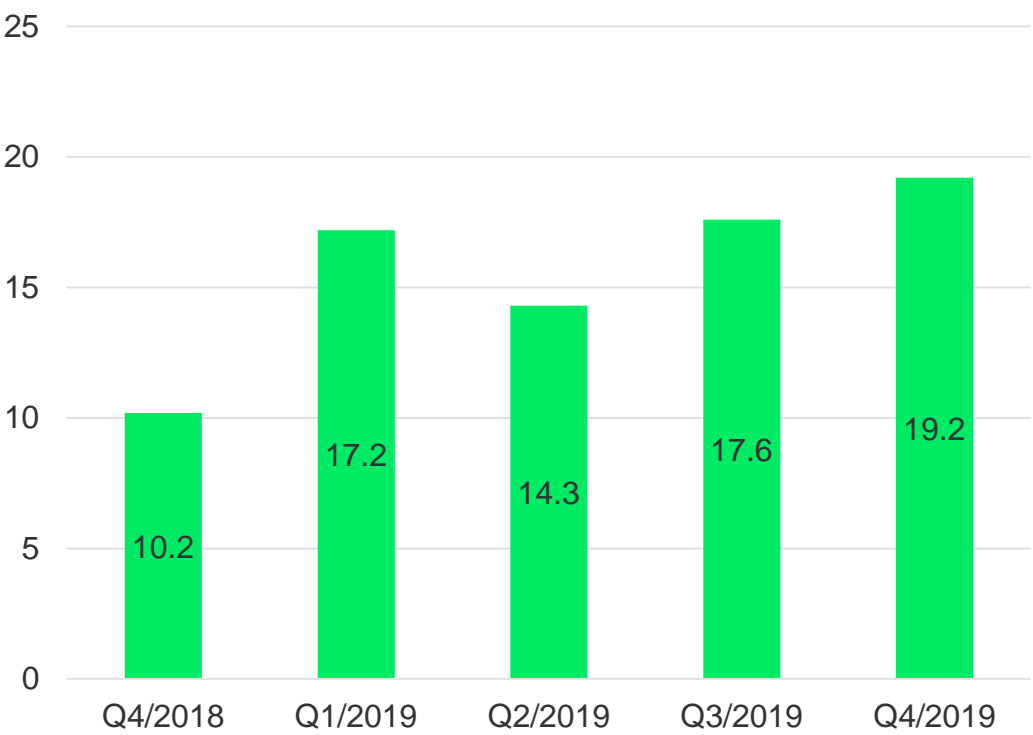
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Comparable operating profit and income per quarter

Q-o-Q

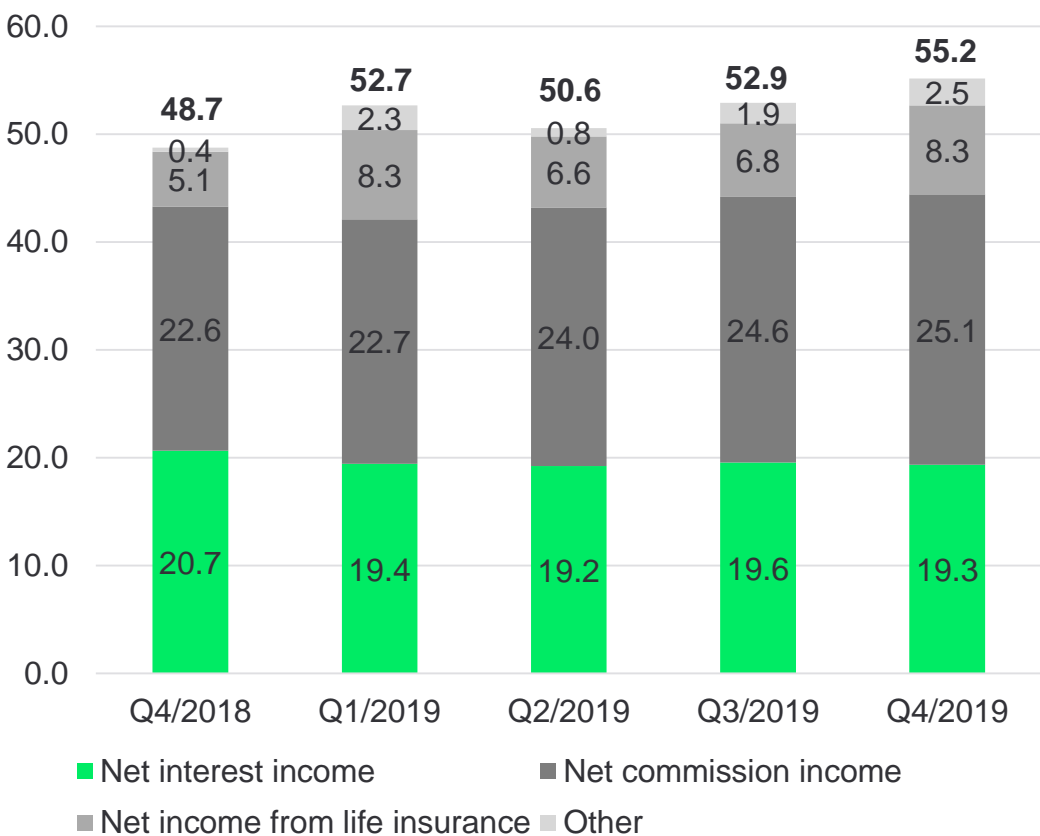
Comparable operating profit

EUR million



Comparable operating income

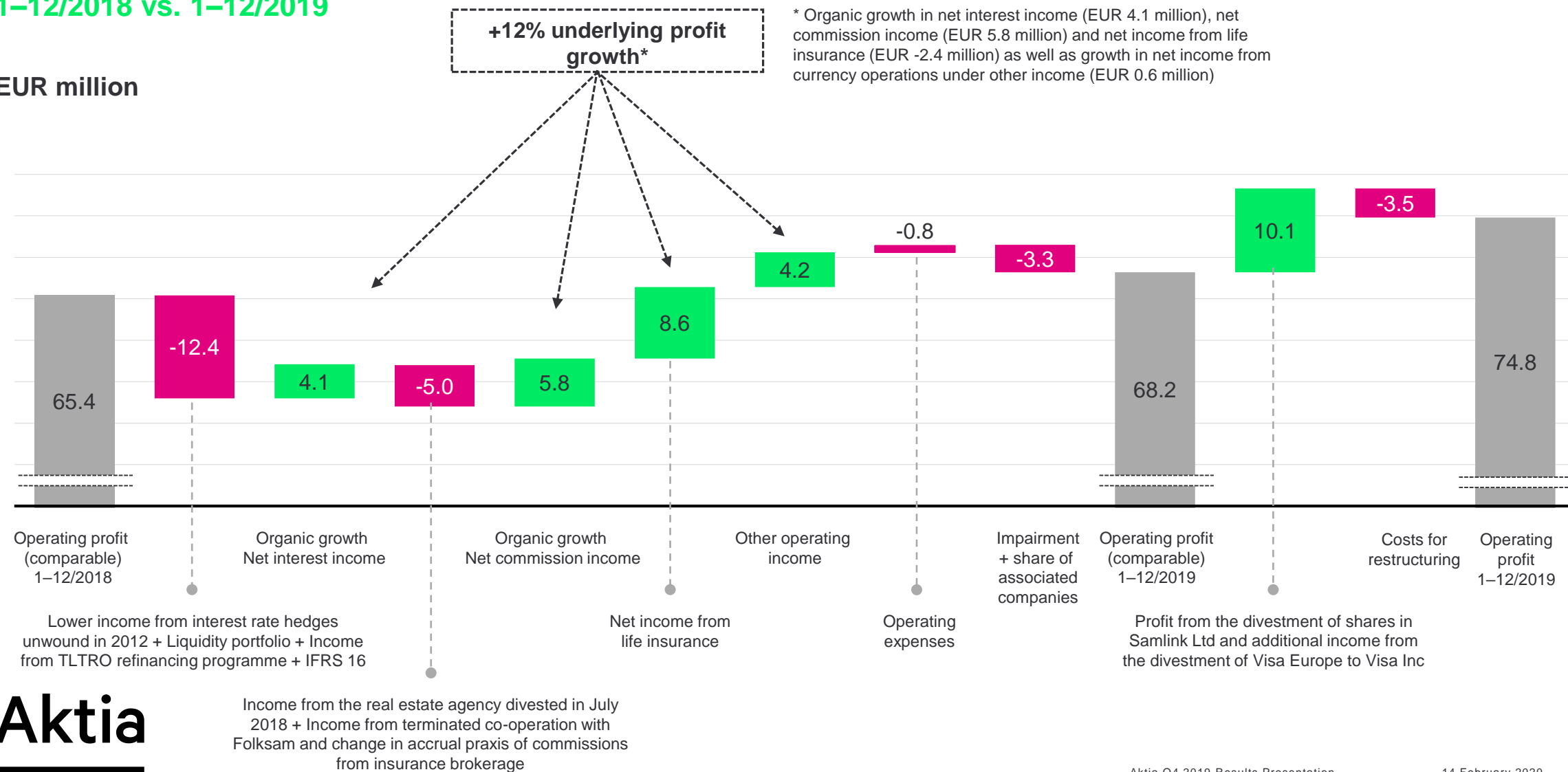
EUR million



Comparable operating profit increased by 4%

1–12/2018 vs. 1–12/2019

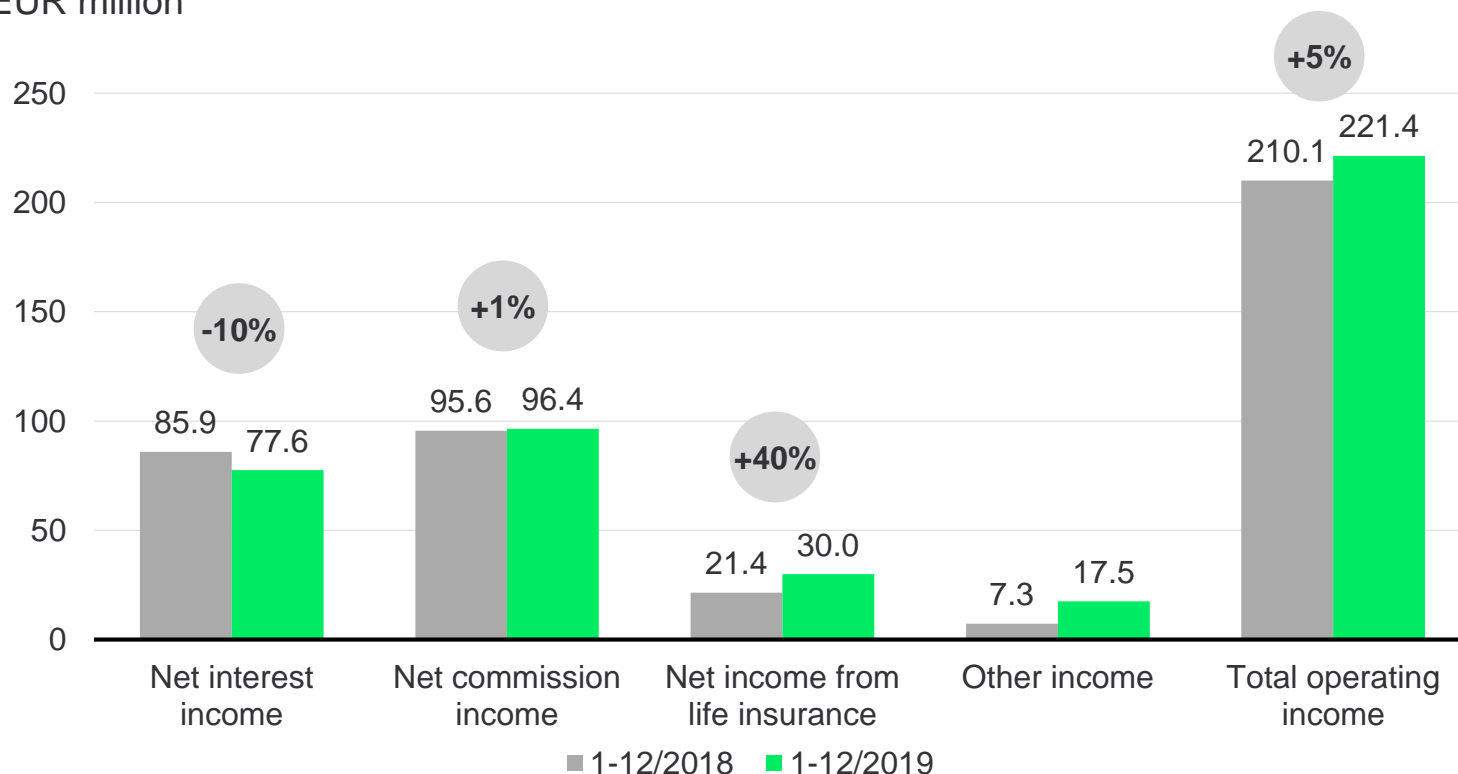
EUR million



Total operating income increased by 5%

Income mix

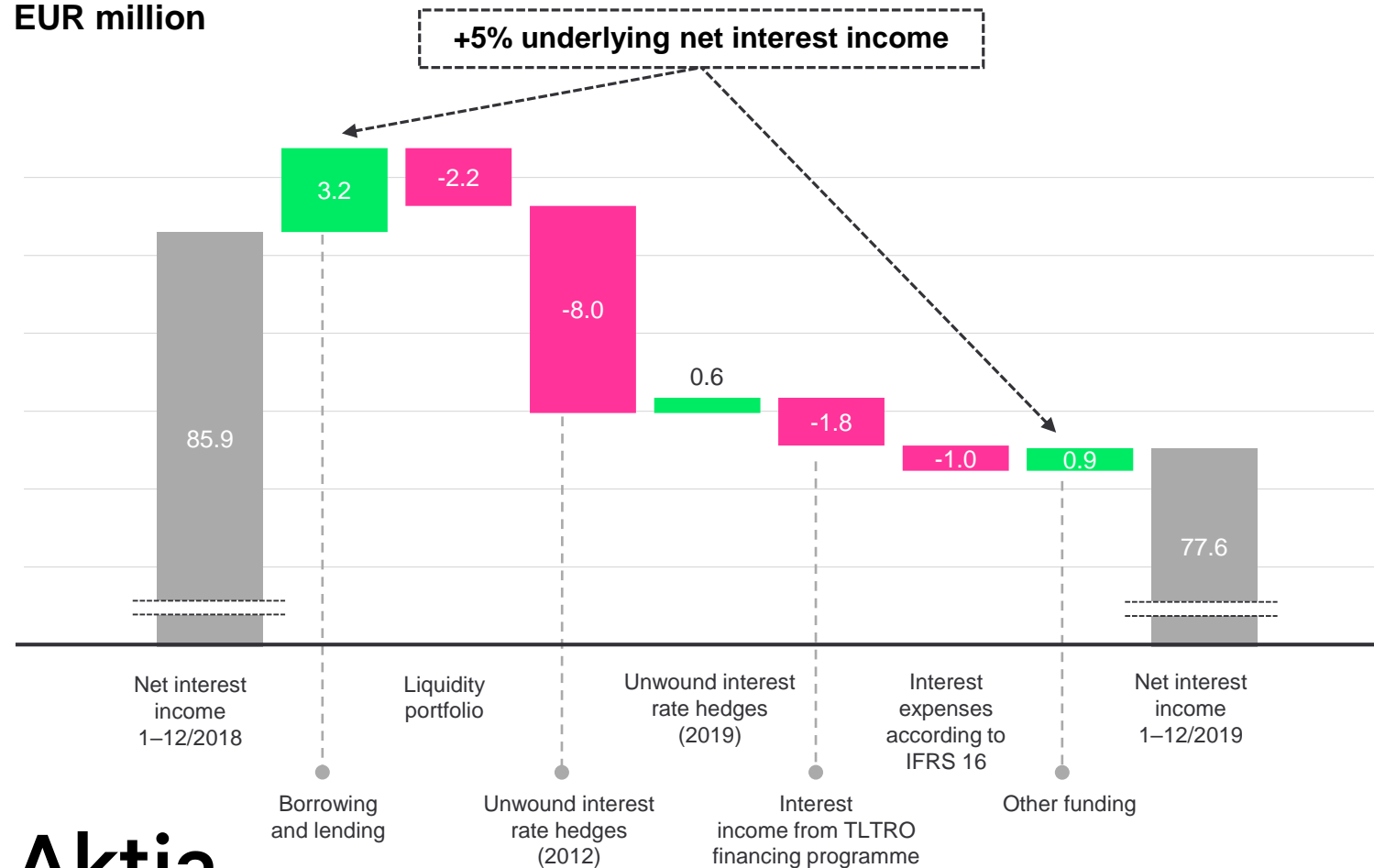
EUR million



Net interest income decreased by 10%

1–12/2018 vs. 1–12/2019

EUR million

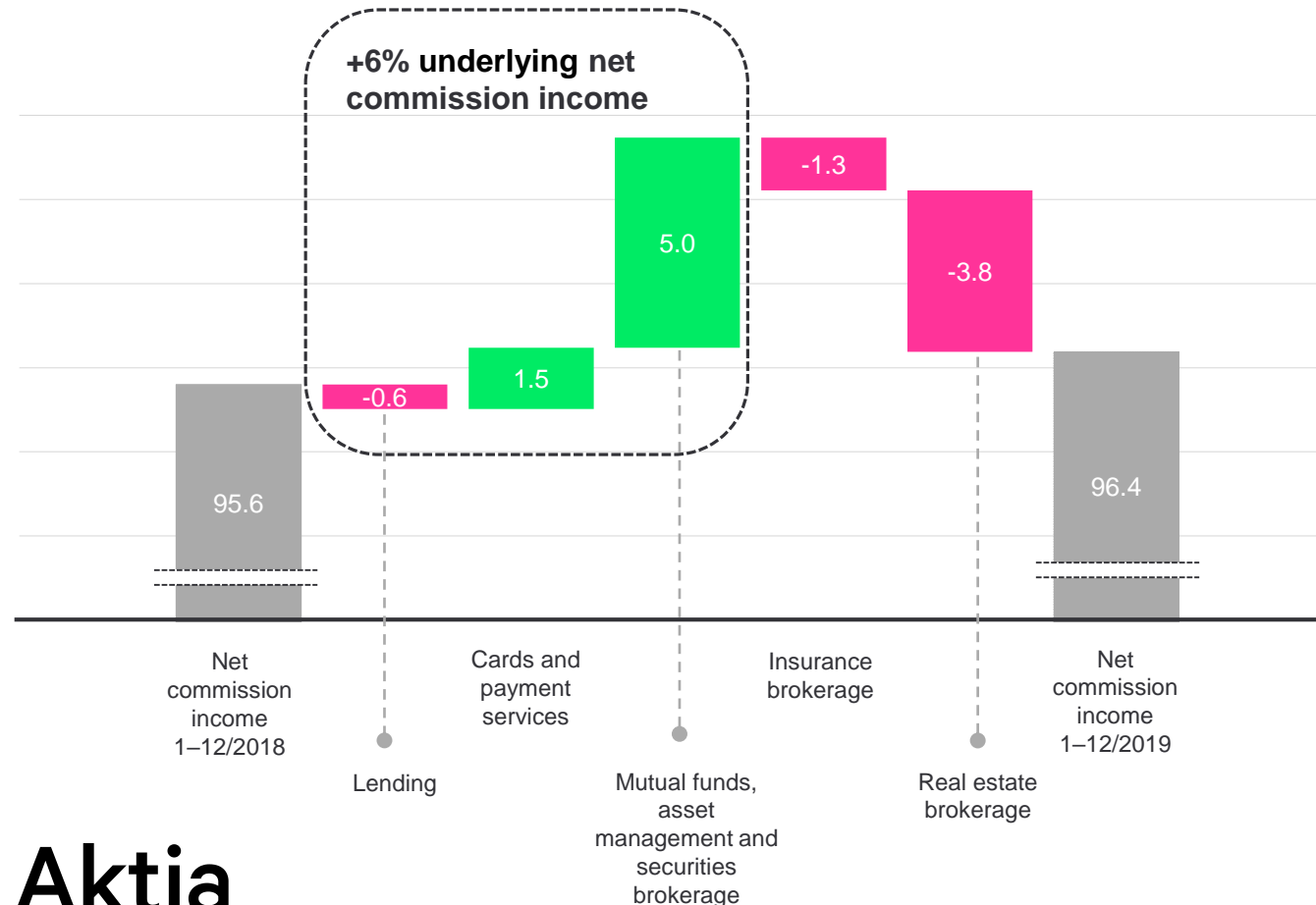


- Net interest income decreased by 10% to EUR 77.6 million.
- Interest income from hedging measures through interest rate derivatives decreased by EUR 7.4 million.
- Net interest income from borrowing and lending increased by 5% to EUR 73.4 million.
- Strong lending and high customer activity during the year, tough competition is still putting pressure on margins.

Net commission income increased by 1%

1–12/2018 vs. 1–12/2019

EUR million



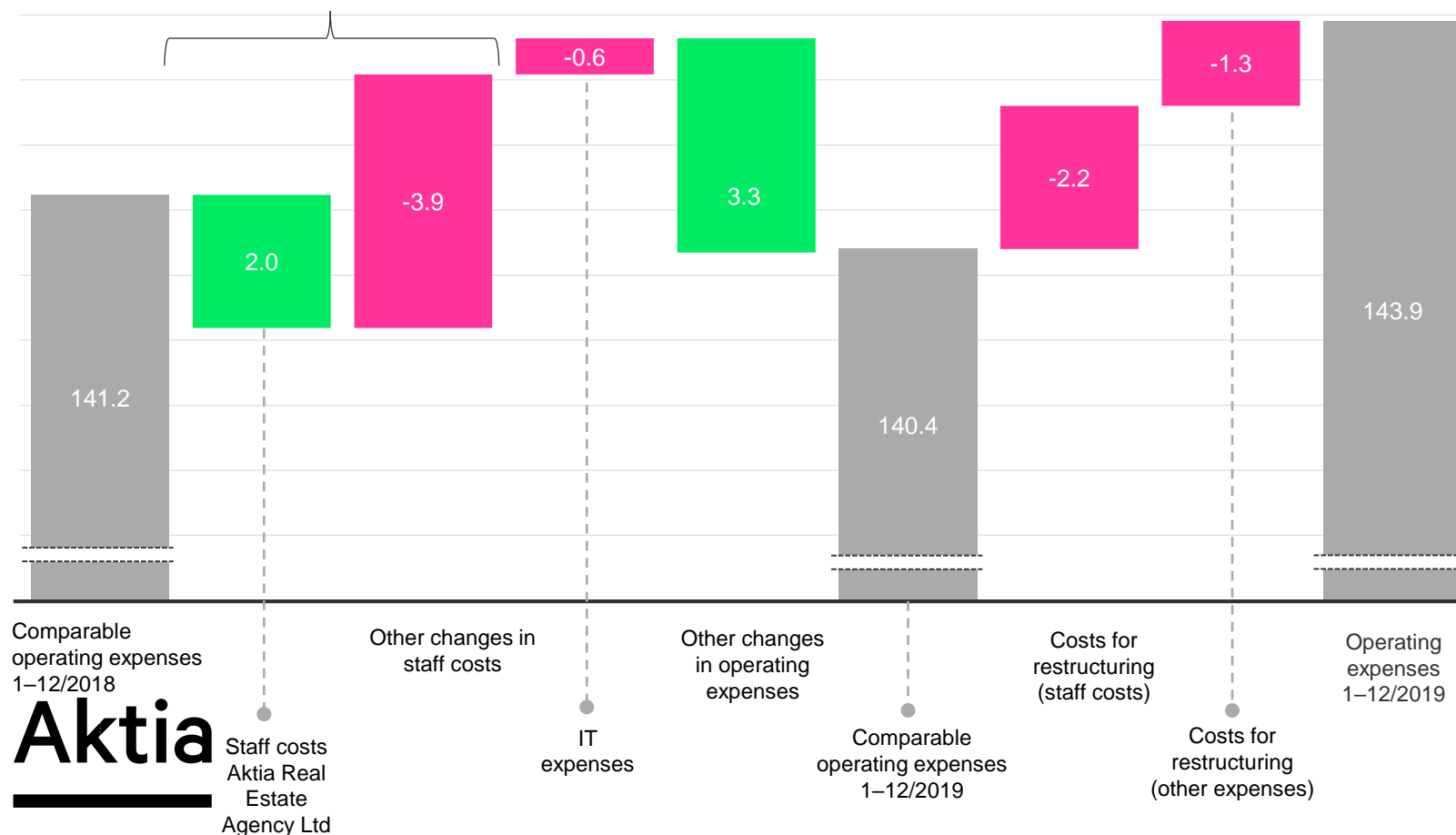
- Net commission increased by 1% to EUR 96.4 million.
- Taking into account structural changes such as the reference period's income from the divested real estate agency and the terminated co-operation with Folksam, the underlying net commission income increased by 6%.
- Positive underlying development mainly due to strong growth in Aktia's international AuM.

Total cost level unchanged

1–12/2018 vs. 1–12/2019

EUR million

Comparable staff costs EUR 1.8 million higher than a year ago



Staff costs:

The increase mainly related to costs for the long-term personnel incentive programmes (AktiaUna). The running staff costs were approximately on the same level as last year.

IT expenses:

The higher expenses are mainly related to higher investments during the first half of 2019 compared to 2018. IT expenses were lower during the second half of the year than the year before.

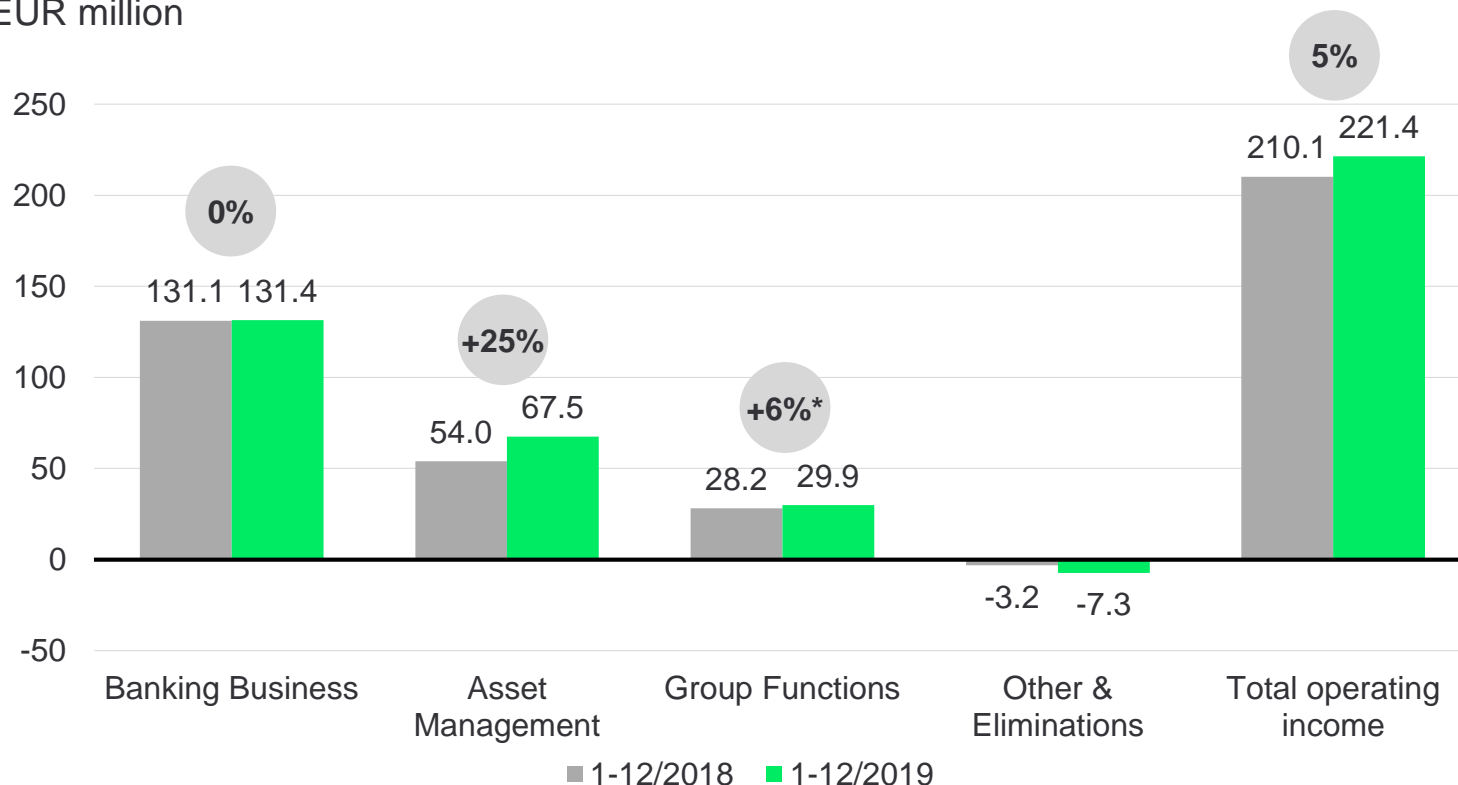
Other operating expenses:

Rental expenses of EUR 7.3 million are from 1 January 2019 reported as depreciations and interest expenses according to IFRS 16. Other expenses that have decreased from last year are mainly related to purchased services, postal costs and manufacturing costs for cards.

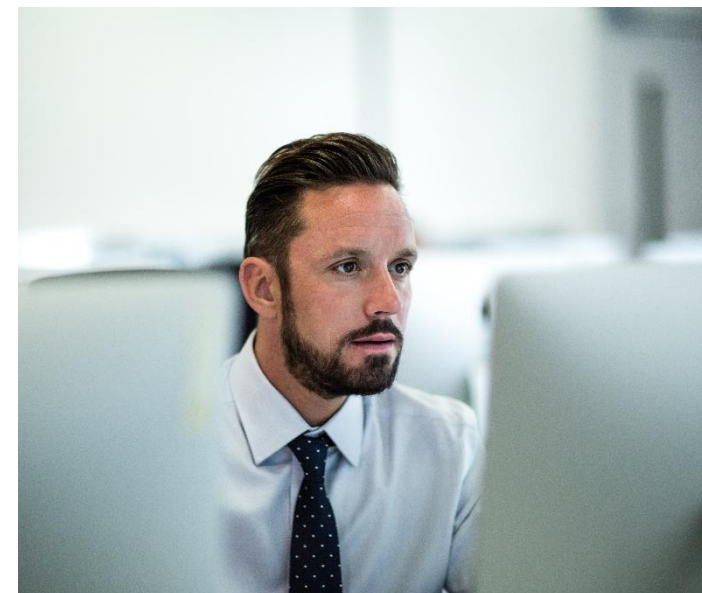
Growth in operating income driven by AuM and life insurance investment portfolio

Operating income per segment

EUR million



* The segment's reported operating income include a profit of EUR 9.6 million from the divestment of the shares in Samlink Ltd.

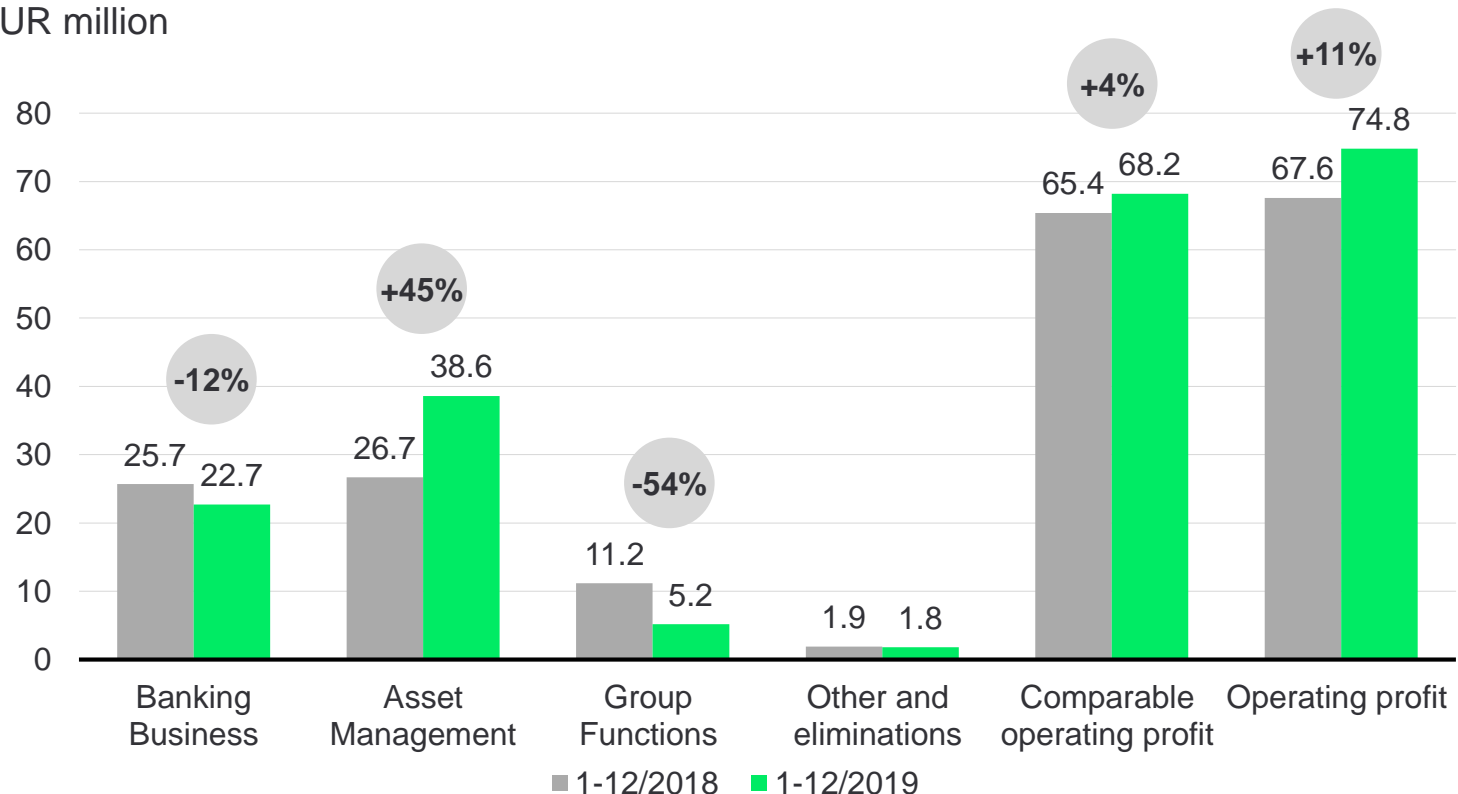


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Comparable operating profit increased by 4%

Comparable operating profit per segment

EUR million



Banking Business:

Strong lending and high customer activity continued.

Impairment on credits and other commitments remained low (EUR -4.5 (-0.8) million). The increase is mainly due to an increase in the allowance for model-based credit losses (ECL) of EUR 1.6 million and to the impairment of two larger credit arrangements.

Asset Management:

The comparable operating profit for the period increased by 45%, which is explained by strong sales, a favourable development on the investment market and positive value changes in the life insurance operations of EUR 6.3 (-4.6) million.

Financial summary Q4 and YTD

EUR million	Q42019	Q42018	Δ, %	1-12/2019	1-12/2018	Δ, %
Total operating income	55.2	47.7	16%	221.4	210.1	5%
Net interest income	19.3	20.7	-6%	77.6	85.9	-10%
Net commission income	25.1	22.6	11%	96.4	95.6	1%
Net income from life insurance	8.3	5.1	62%	30.0	21.4	40%
Other income	2.5	-0.7	-	17.5	7.3	141%
Total operating expenses	-35.3	-39.4	-11%	-143.9	-143.0	1%
Impairments of credits and other commitments	-0.8	-0.1	464%	-4.5	-0.8	431%
Operating profit	19.1	8.0	138%	74.8	67.6	11%
Comparable operating profit*	19.2	10.2	88%	68.2	65.4	4%
Earnings Per Share (EPS), EUR	0.23	0.09	156%	0.90	0.81	10%
Return on Equity (ROE), %	10.5	4.4	140%	10.3	9.4	9%
Cost-to-income ratio (comparable)	0.64	0.79	-19%	0.66	0.69	-4%
Common Equity Tier 1 capital ratio, %	14.7%	17.5%	-16%	14.7%	17.5%	-16%

*) Excl. items affecting comparability

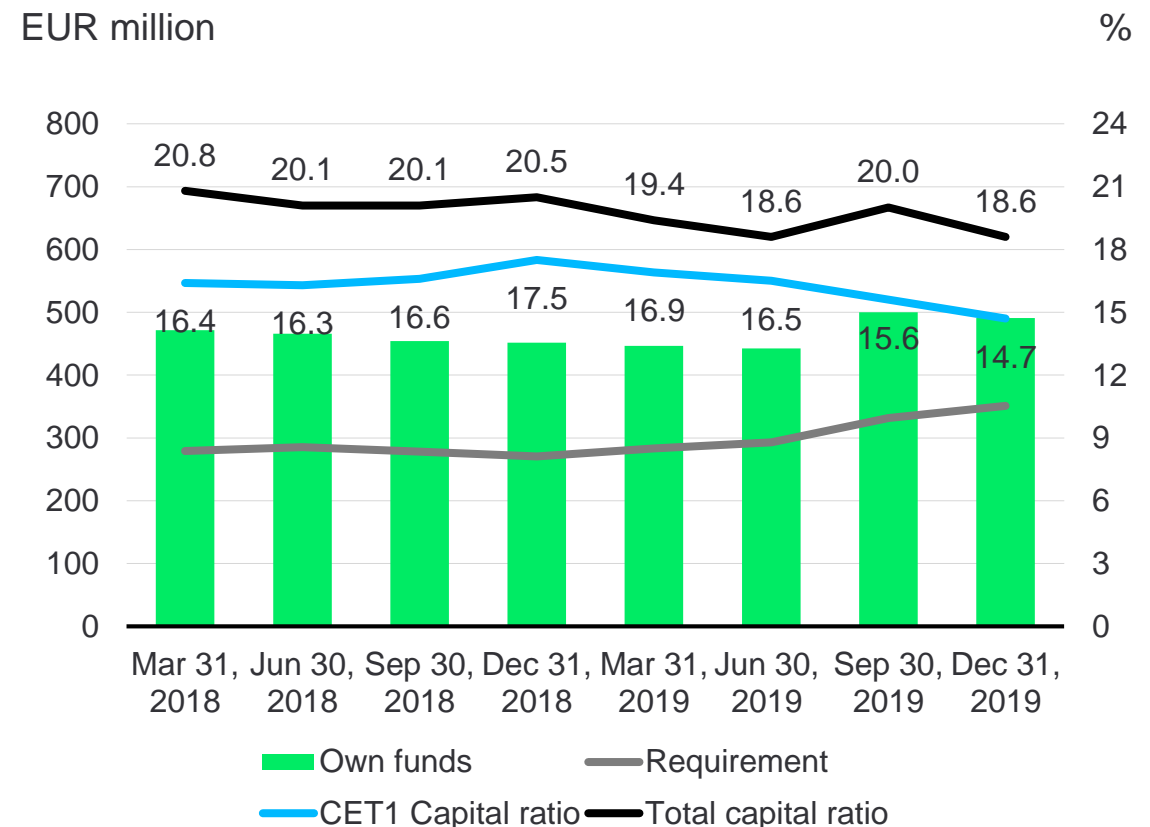
CET1 on a solid level above the target range

Capital Adequacy

- At the end of the period, the Group's Common Equity Tier 1 (CET1) capital ratio was 14.7%.
- After deductions, CET1 capital increased by EUR 3.9 million during Q4 which improved the CET1 capital ratio by 0.1 percentage points.
- Risk-weighted assets increased by EUR 437.7 million which reduced the CET1 capital ratio by 2.9 percentage points.
- The change is mainly attributable to the implementation of the IRB approach to certain corporate exposures and the growth in corporate lending.
- The system risk buffer of 1% (to be met with CET1 capital) entered into force on 1 July 2019.

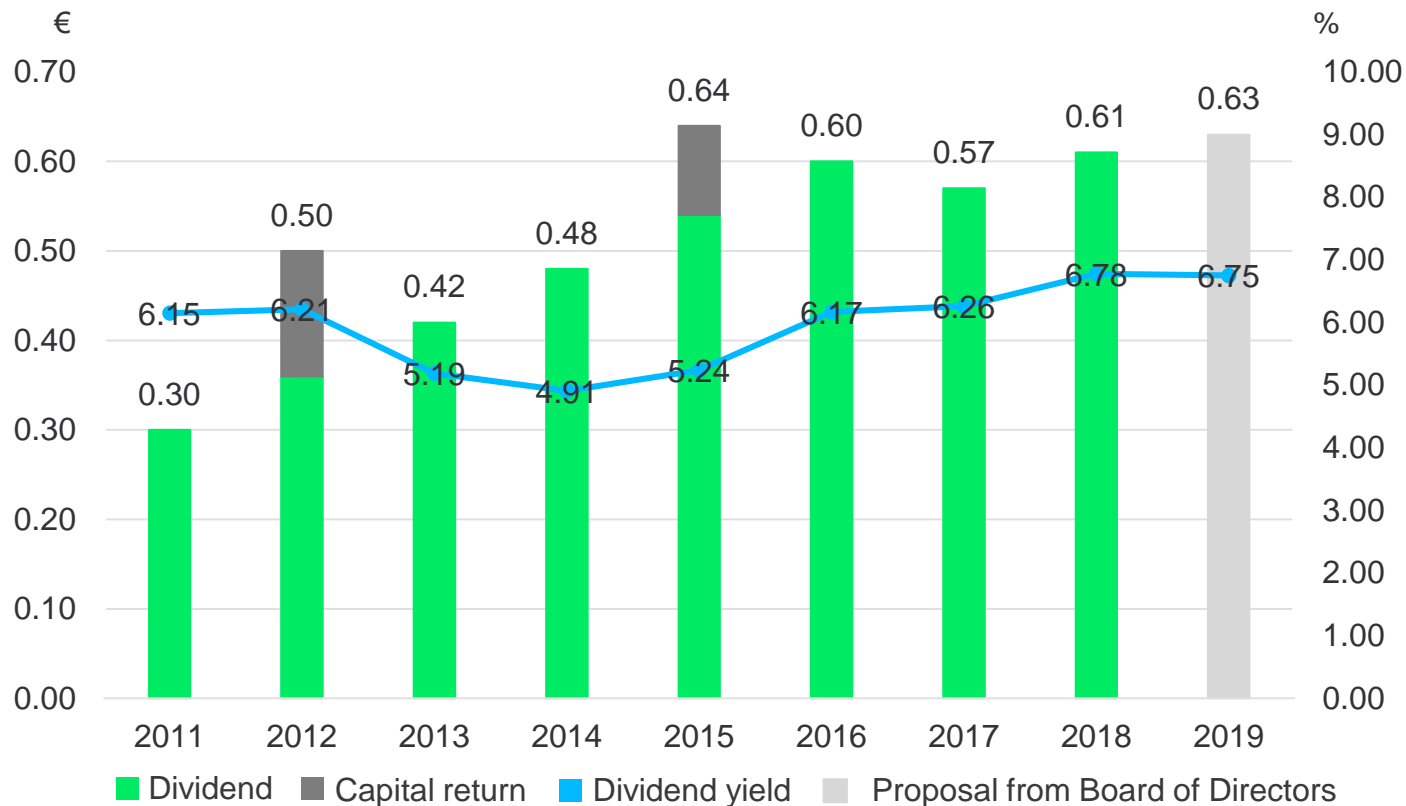
CET1

EUR million



The Board of Aktia Bank proposes a dividend of EUR 0.63 per share

Aktia's dividend per share
(including capital return) 2011–2019



Aktia Bank's dividend policy: Dividend pay out 60–80% of profit for the reporting period.

With the proposed EUR 0.63 per share the dividend payout would be approximately 70% of annual profit.

Aktia

Outlook 2020

- The growth in the loan book and customer assets under management is expected to continue during 2020. The continued low interest rate environment will, however, continue to put pressure on the total net interest income in 2020.
- The uncertainty regarding the future economic development brings still uncertainty to the prognosis, which may have a considerable effect especially on the income from wealth management and investment activities in the net commission income and net income from life insurance.
- **Despite the uncertainty of the economic development, the comparable operating profit in 2020 is expected to be somewhat higher than in 2019.**



Appendices

Key Figures 2019

(2018)

Net interest income	-10%	EUR 77.6 (85.9) million
Net commission income	+1%	EUR 96.4 (95.6) million
Total operating income	+5%	EUR 221.4 (210.1) million
Comparable operating income	+3%	EUR 211.4 (206.1) million
Total operating expenses	+1%	EUR -143.9 (-143.0) million
Comparable operating expenses	-1%	EUR -140.4 (-141.2) million
Comparable operating profit	+4%	EUR 68.2 (65.4) million

EPS
EUR 0.90
(EUR 0.81)

Comparable C/I ratio
0.66
(0.69)

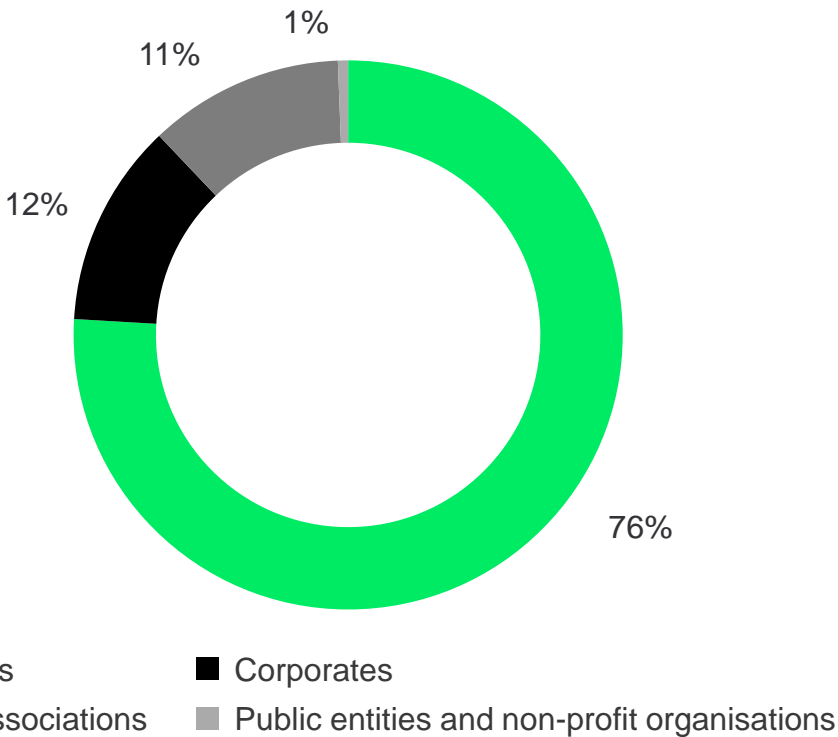
ROE
10.3%
(9.4%)

CET1
14.7%
(17.5%)

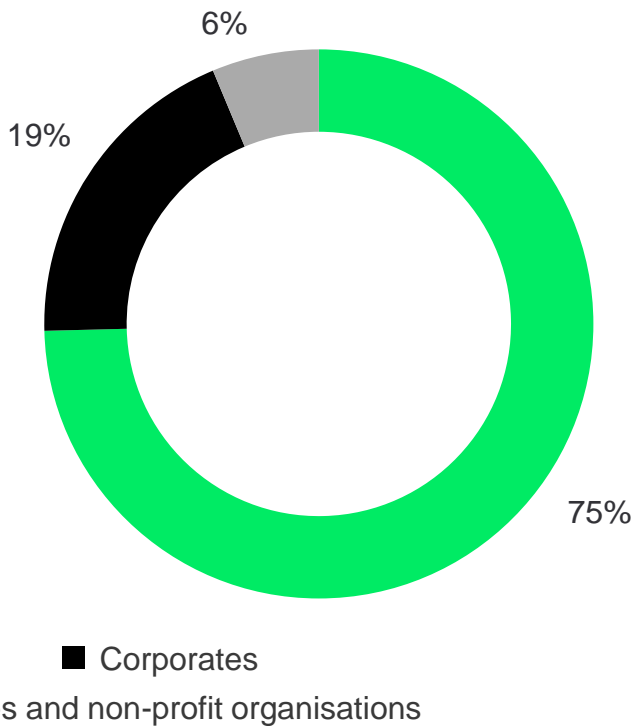
Structure of lending and deposits

December 31, 2019

Lending
Total EUR 6,429 million



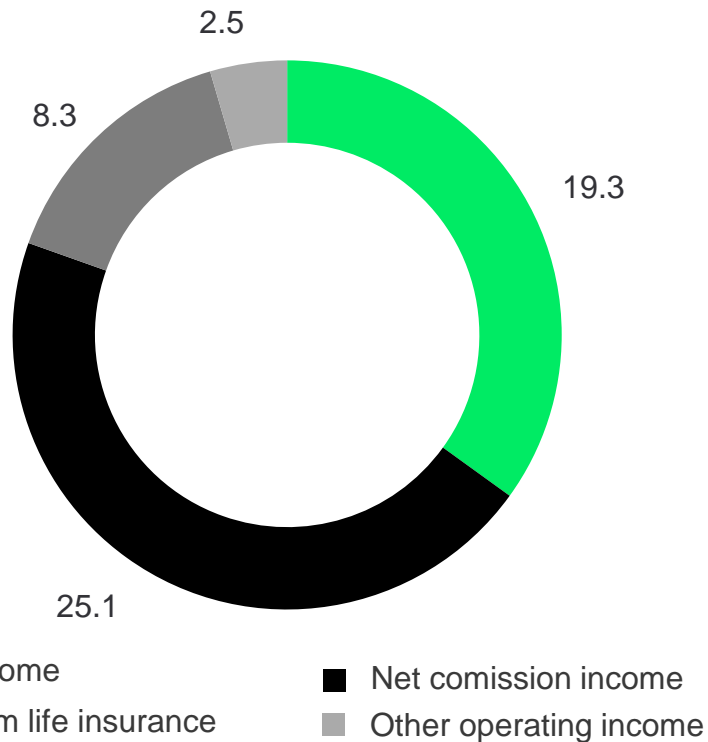
Deposits
Total EUR 4,060 million



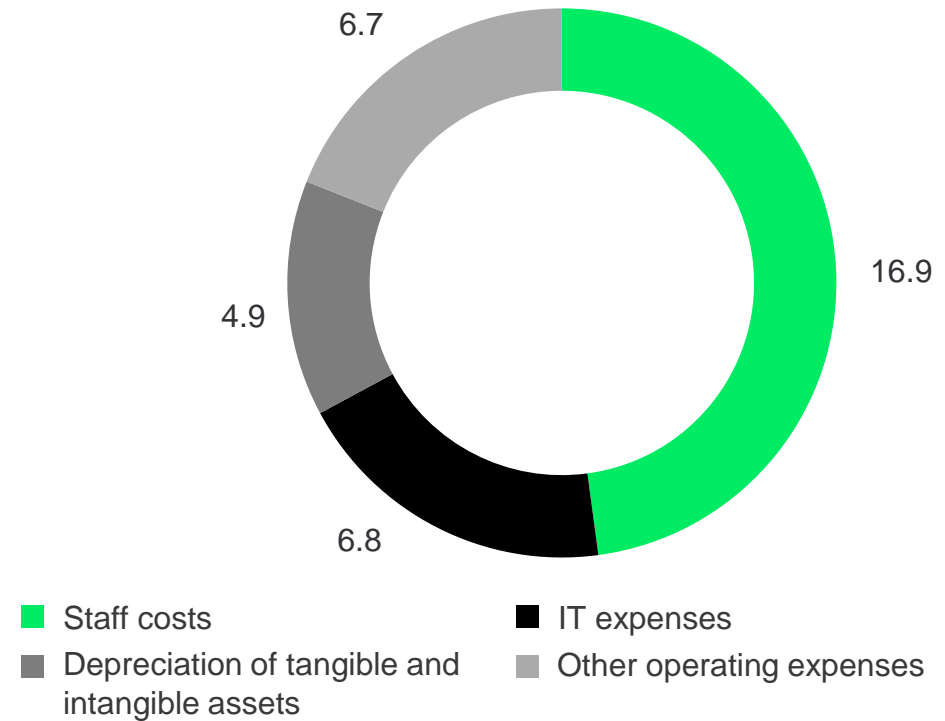
Distribution of operating income and expenses

Q4 2019

Operating income
Total EUR 55.2 million



Operating expenses
Total EUR 35.3 million

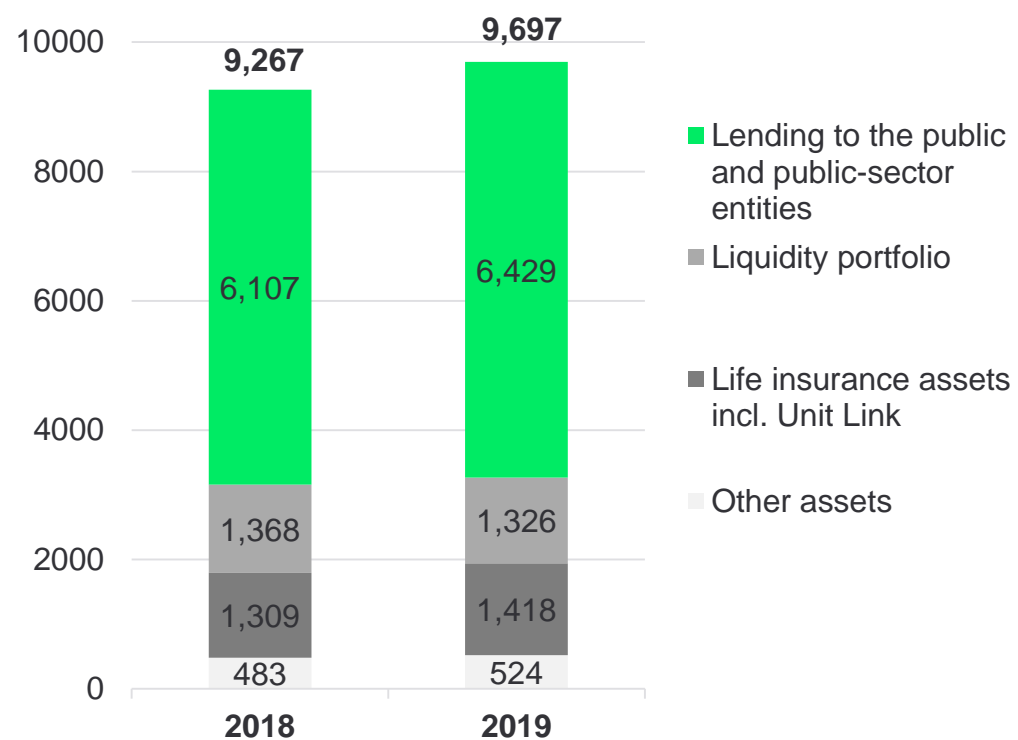


Balance sheet total increased to EUR 9,697

December 31, 2019

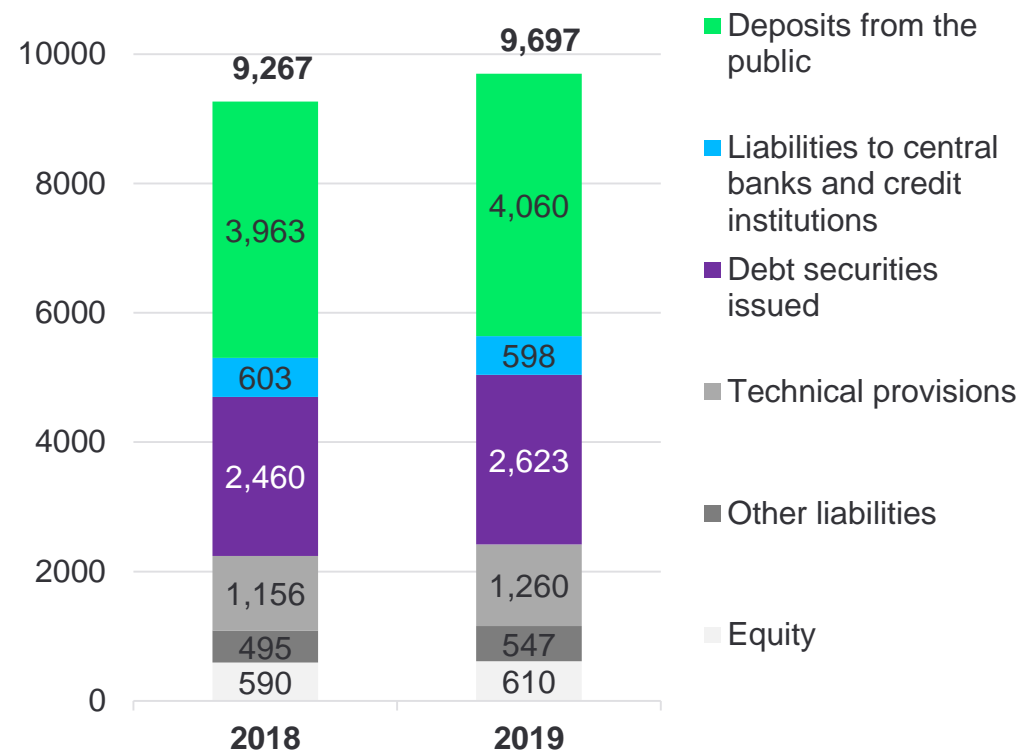
Total assets

EUR million



Total liabilities and equity

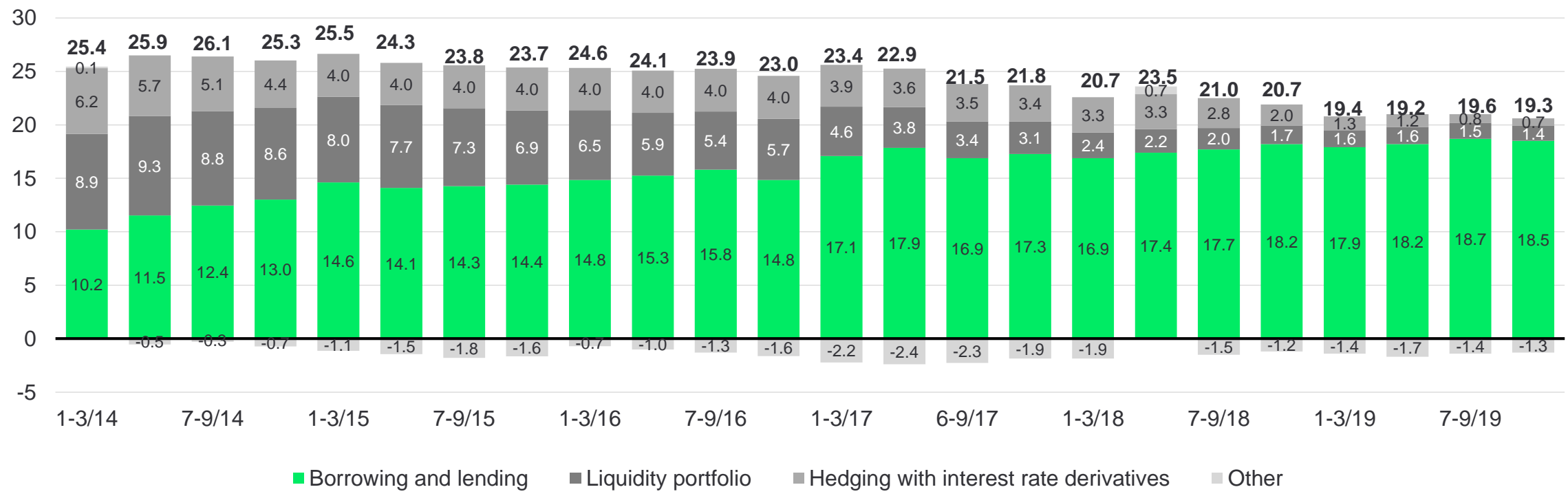
EUR million



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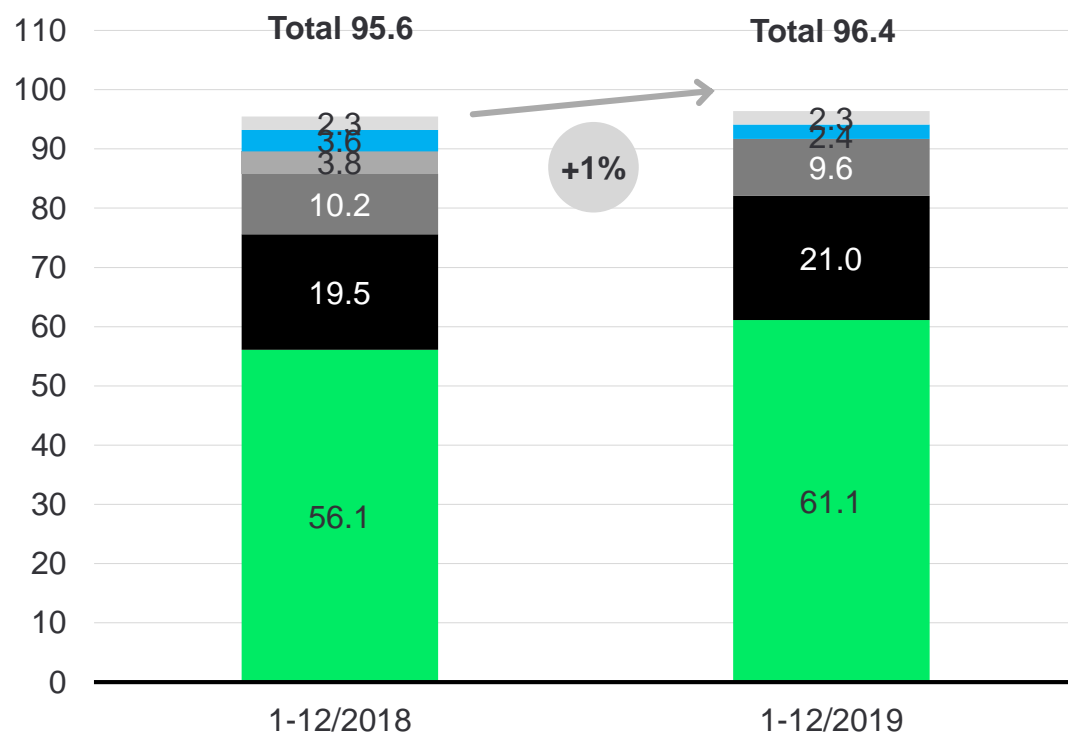
Net interest income mix

EUR million



Net commission income mix

EUR million



Savings and investment products

includes borrowing, mutual funds, asset management and securities brokerage

- Other
- Insurance
- Real estate agency
- Lending
- Card and Payment services
- Savings and investment products



The good bank. And a great asset manager.

Investor Relations contacts:

Lotta Borgström

Director, Investor Relations and Communications

+358 10 247 6838

lotta.borgstrom@aktia.fi

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