

5 MAY 2020

Q1 Investor presentation

Aktia



Aktia's Q1 2020 in brief

- Unrealised value changes the main reason for the lower net income from life insurance of EUR -5.2 (8.3) million and thus the low comparable operating profit of EUR 2.8 (17.2) million.
- Very strong activity among private and corporate customers during January-February supported an increase in the net interest income to EUR 19.7 (19.4) million. Demand for housing loans decreased in March, stable lending margins.
- Net commission income increased to EUR 25.2 (23.2) million. Assets under management (AuM) decreased due to large market movements but the proportion of corona related redemptions was relatively small.
- The expansion of the product selection for asset management continued during the quarter. The distribution contracts for UI-Aktia funds in Chile and Peru were signed.
- The cost level was close to unchanged compared to the previous year.



A good result despite the economic uncertainty

Banking Business

Private customers

- January–February was characterised by high activity within private customers.
- Lending activity was on a good level at the start of the year and the growth of the loan book stable. However, a drop in the demand for housing loans could be seen after the coronavirus outbreak.
- The interest in instalment-free periods increased clearly towards the end of the quarter.
- The demand for Aktia's asset management services increased among private customers.

Corporate customers

- The corporate customer business had a strong growth and a good activity level at the beginning of the year.
- The market situation was still favourable at the beginning of the year and companies' investment appetite was higher than expected.
- However, the coronavirus situation in March caused a fast change on the market. The main focus in March was on giving advice to our customers.
- Aktia continued the purchase of loans to housing companies from the Mortgage Society of Finland (Hypo) to a value of EUR 48 million.

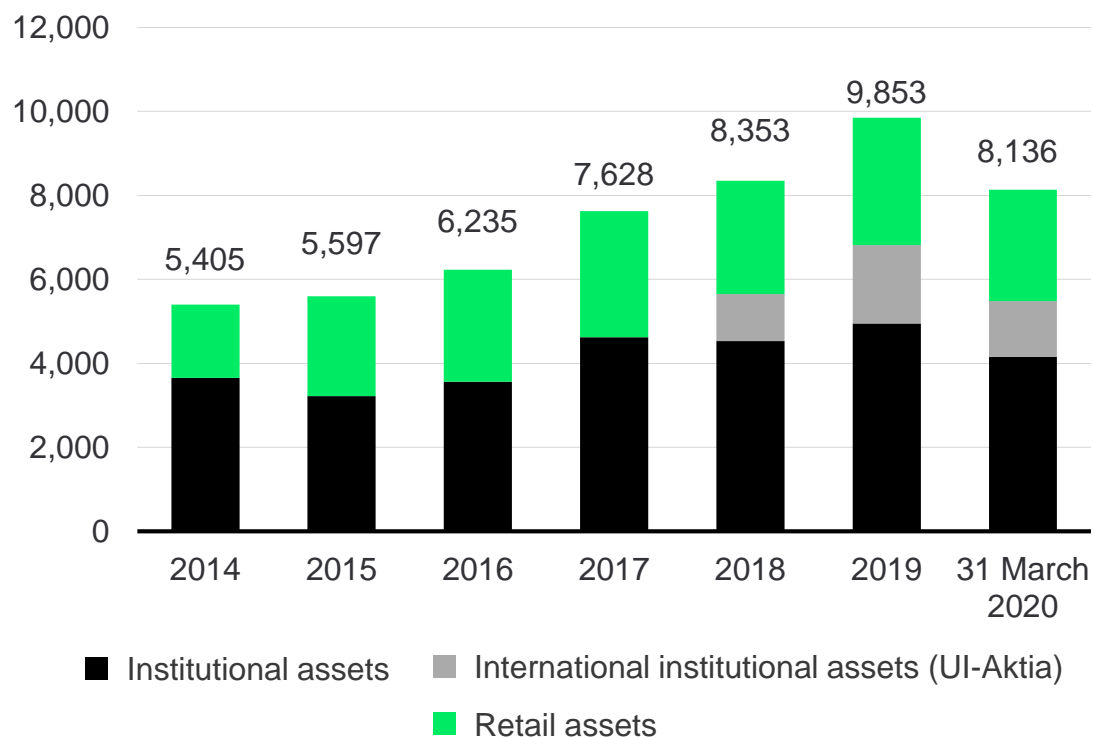
Aktia

The steep market decline had a large impact on the assets under management

Asset Management

Assets under management excluding custody (AuM)

EUR million



Asset Management

- Assets under management (AuM) amounted to EUR 8,136 (31 March 2019; 8,786) million.
- Customer assets under management decreased during the quarter due to strong and negative market movements as a result of the global coronavirus pandemic.
- Aktia's focus on international growth continued. The distribution contracts for UI-Aktia funds in Chile and Peru were signed.

Life Insurance

- The focus on developing the life insurance business continued and led to higher activity levels.
- The demand for personal coverage has increased steadily during the whole quarter compared to the corresponding period last year.

Key Figures Q1 2020

(Q1 2019)

Net interest income	+1%	EUR 19.7 (19.4) million
Net commission income	+9%	EUR 25.2 (23.2) million
Total operating income	-24%	EUR 39.9 (52.7) million
Comparable operating income	-24%	EUR 39.9 (52.7) million
Total operating expenses	-1%	EUR -35.6 (-36.1) million
Comparable operating expenses	-1%	EUR -35.6 (-36.1) million
Comparable operating profit	-84%	EUR 2.8 (17.2) million

EPS
EUR 0.03
(EUR 0.21)

Comparable C/I ratio
0.89
(0.69)

ROE
1.4%
(31 March 2019; 9.4%)

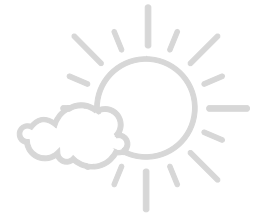
CET1
15.9%
(31 March 2019; 16.9%)

Covid-19: impacts and strategy

Coronavirus pandemic: impacts

- We always put safety of our customers and personnel first
- The operational reliability ensured through active crisis management and business continuity plans
- A rapid and agile change in the way of working: appr. 80% of the personnel working remotely
- A big change in customer behaviour: digital banking solutions at the centre when Aktia takes a big digital leap forward
- Remote customer meetings have become a part of everyday business, the use of digital signatures in conjunction with housing transactions has also picked up
- Almost 9,000 instalment-free period applications from private customers, a significant increase even within corporate banking

Our strategic priorities still valid



2023

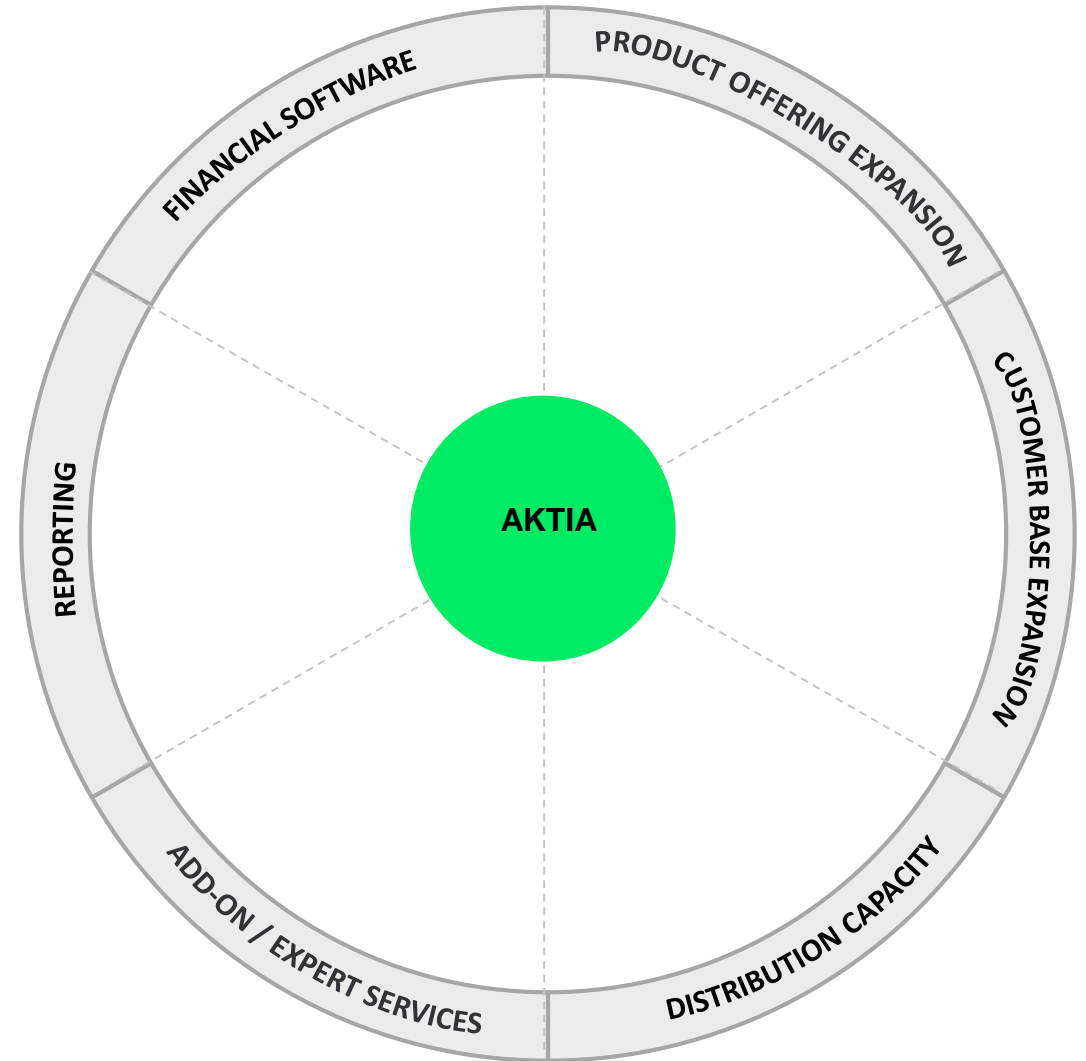
- ① Win in **asset management**
- ② Acquire **new customers** in growing **cities**
- ③ **Drive operational efficiency**
to capitalise on our challenger position

Banking & Insurance

Aktia

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.



The financial targets for 2023

**Comparable
operating profit
EUR 100 million**

1–3/2020;
EUR 2.8 million

(1–12/2019;
EUR 68.2 million)

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

31 March 2020;
1.4%

(31 December 2019;
10.3%)

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

1–3/2020;
0.89

(1–12/2019;
0.66)

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

31 March 2020;
**4.6 percentage points over
the minimum capital
requirement 11.3%**

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

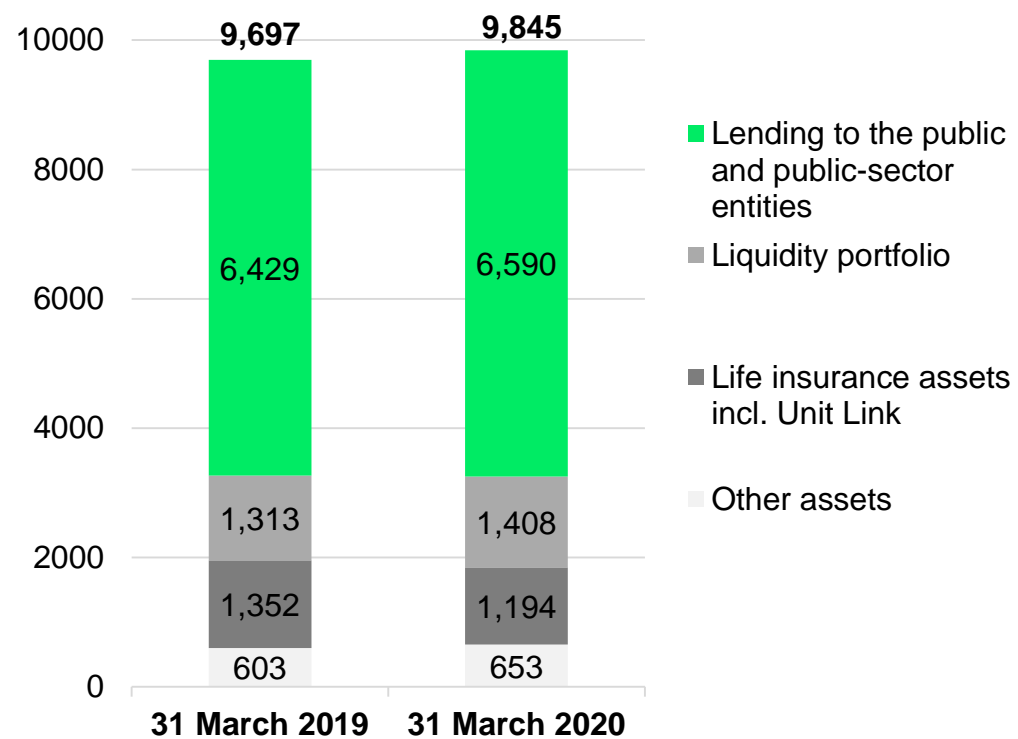
Financial overview

Balance sheet total increased to EUR 9,845 million

31 March 2020

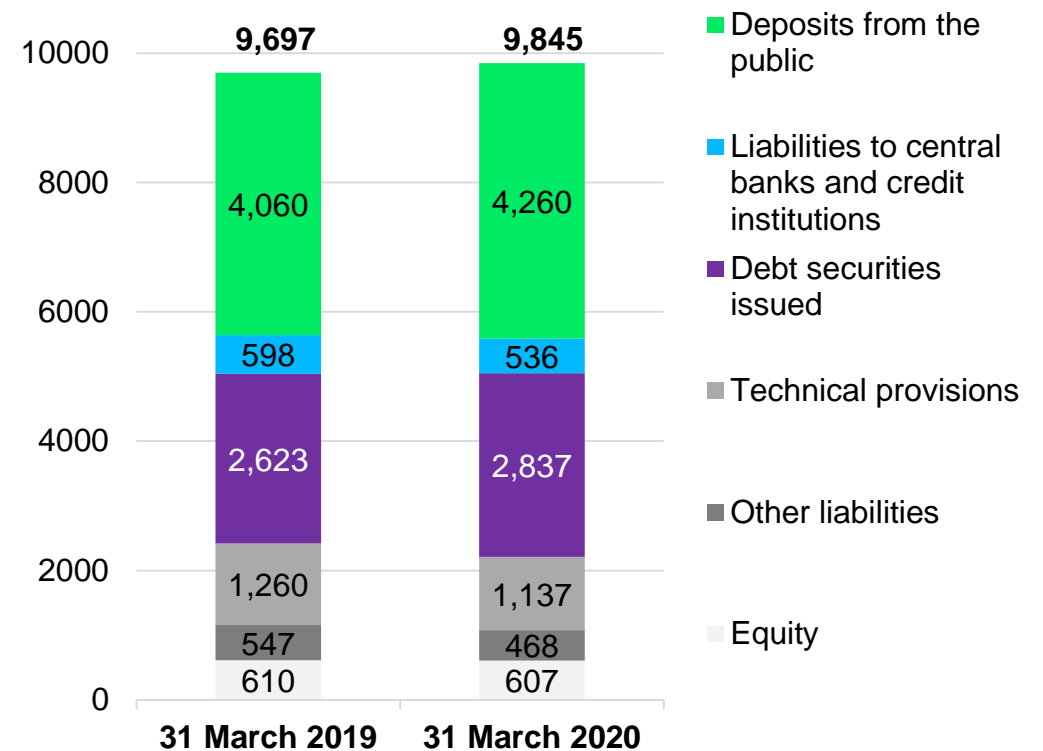
Total assets

EUR million



Total liabilities and equity

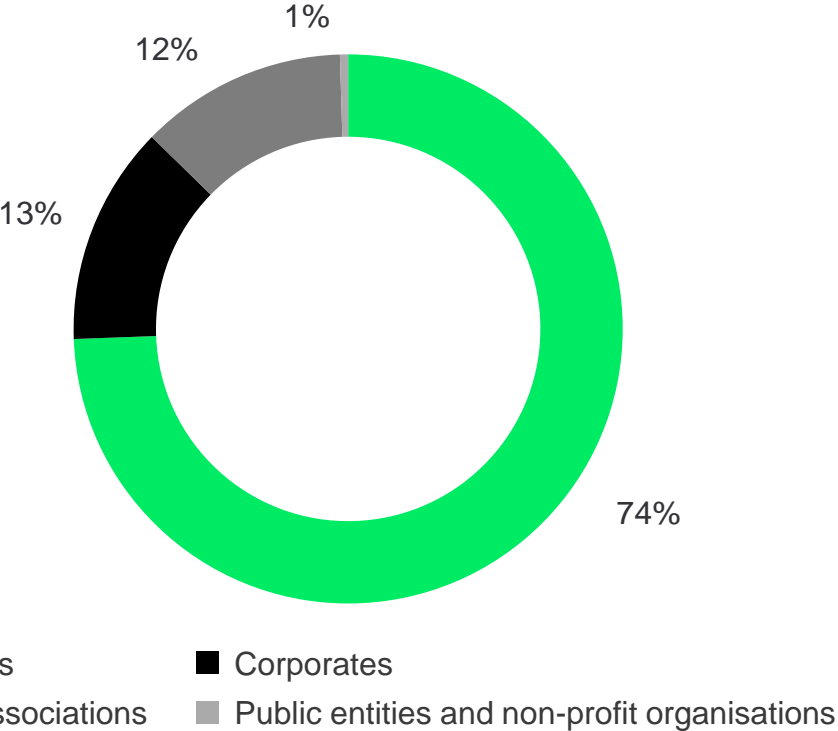
EUR million



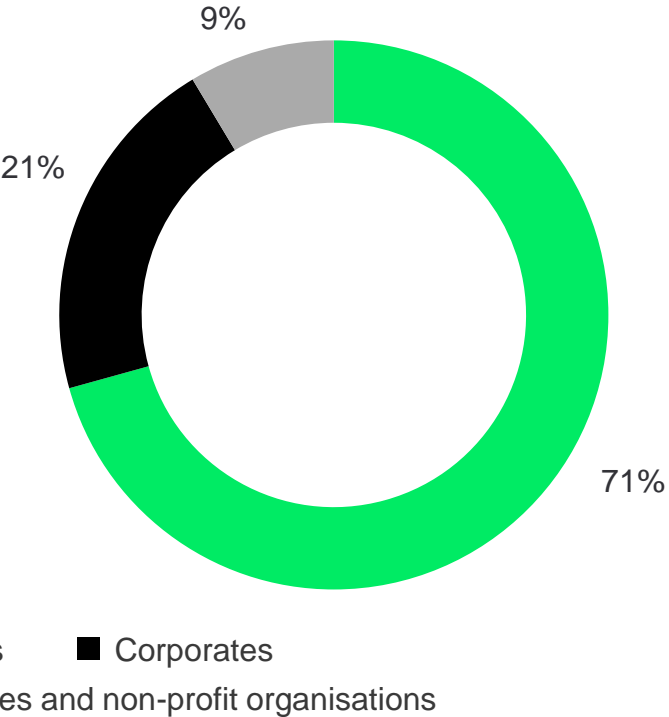
Structure of lending and deposits

31 March 2020

Lending
Total EUR 6,590 million



Deposits
Total EUR 4,260 million

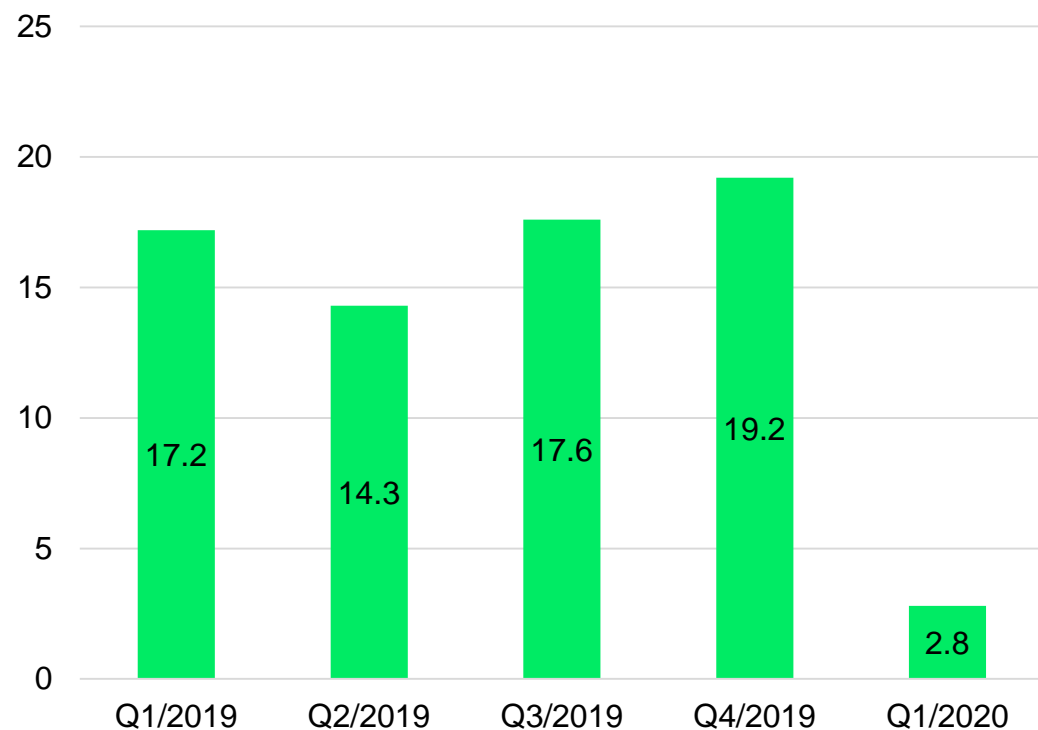


Comparable operating profit

Q-o-Q

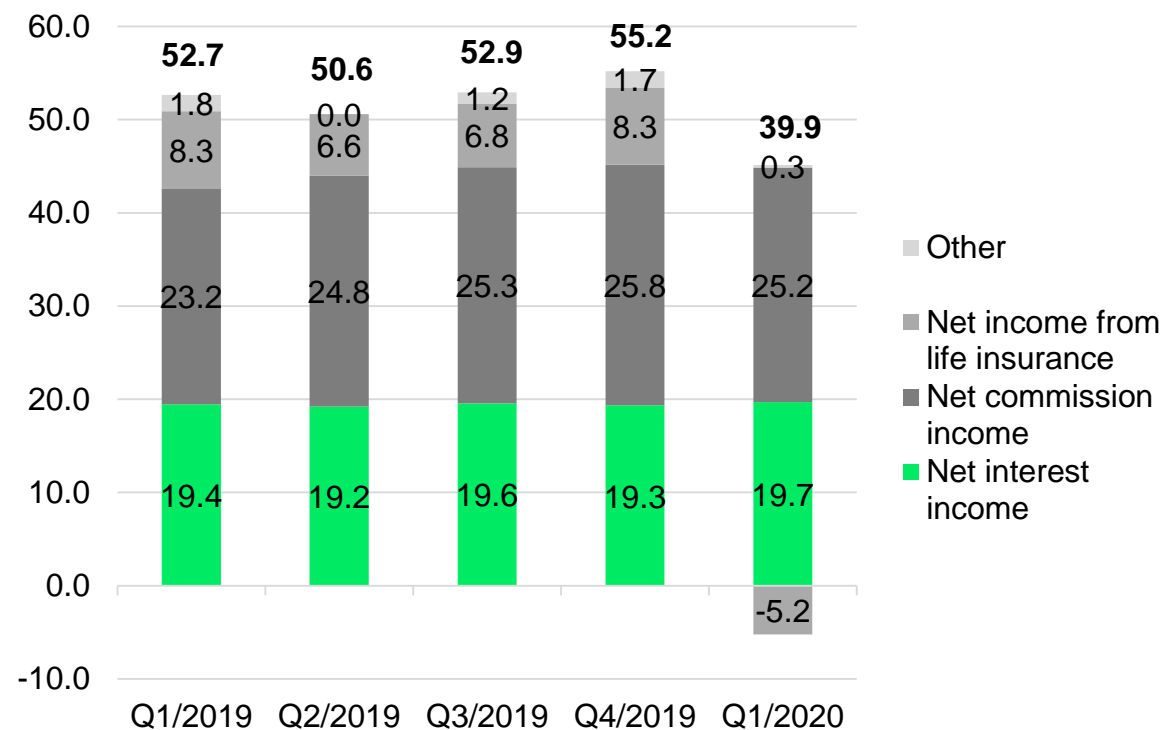
Comparable operating profit

EUR million



Comparable operating income

EUR million

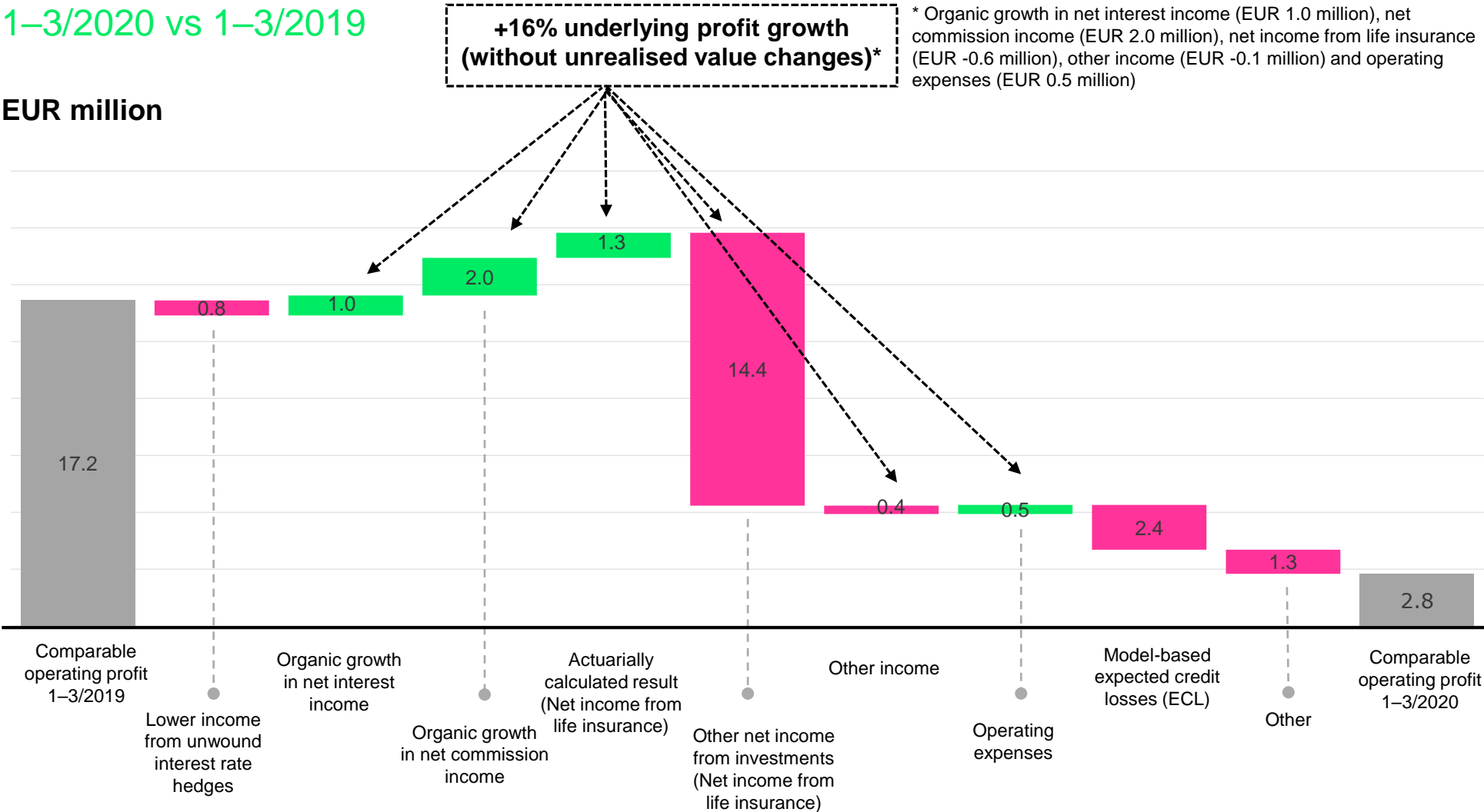


Aktia

Comparable operating profit

1–3/2020 vs 1–3/2019

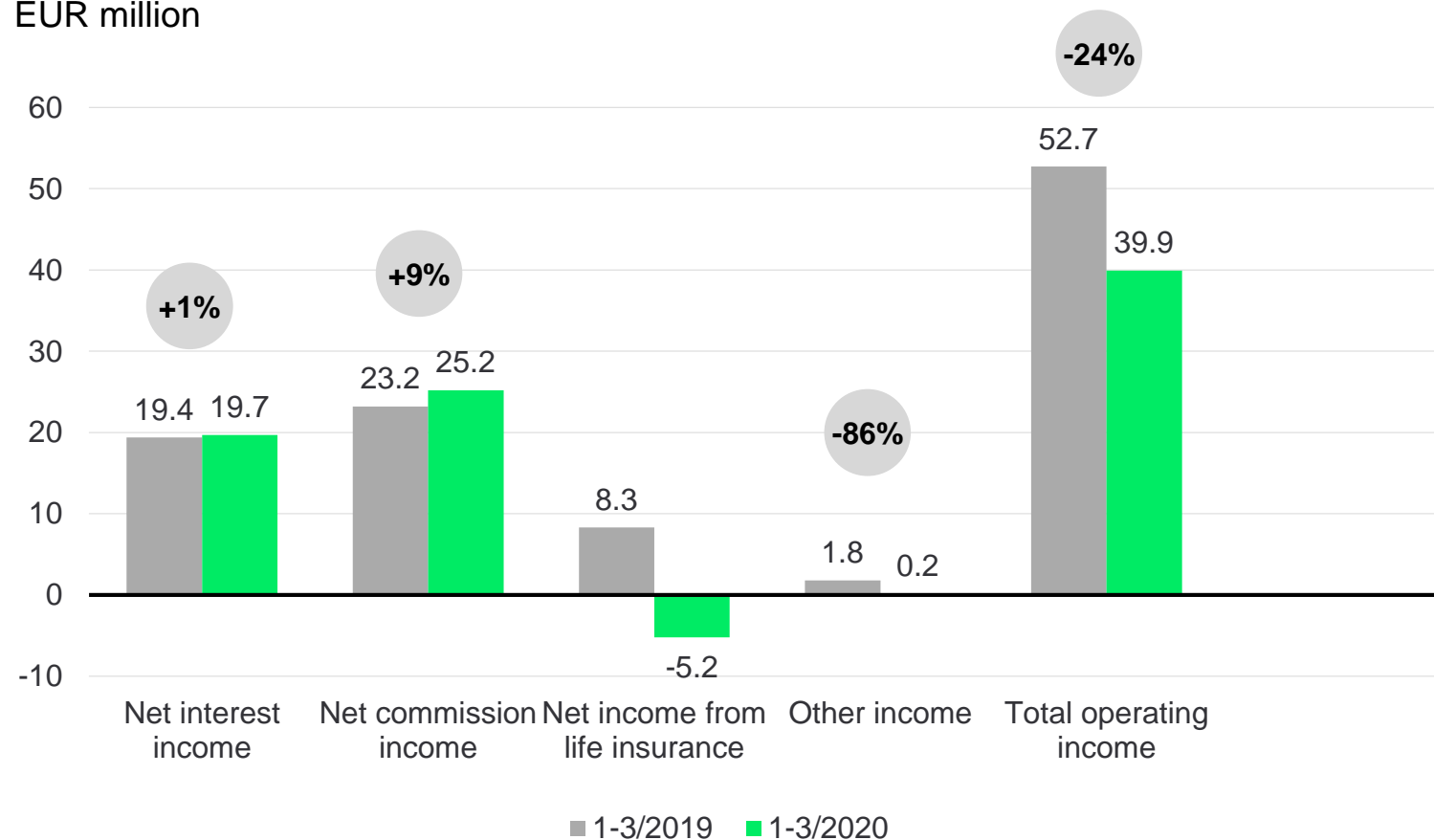
EUR million



Total operating income decreased by 24%

Income mix

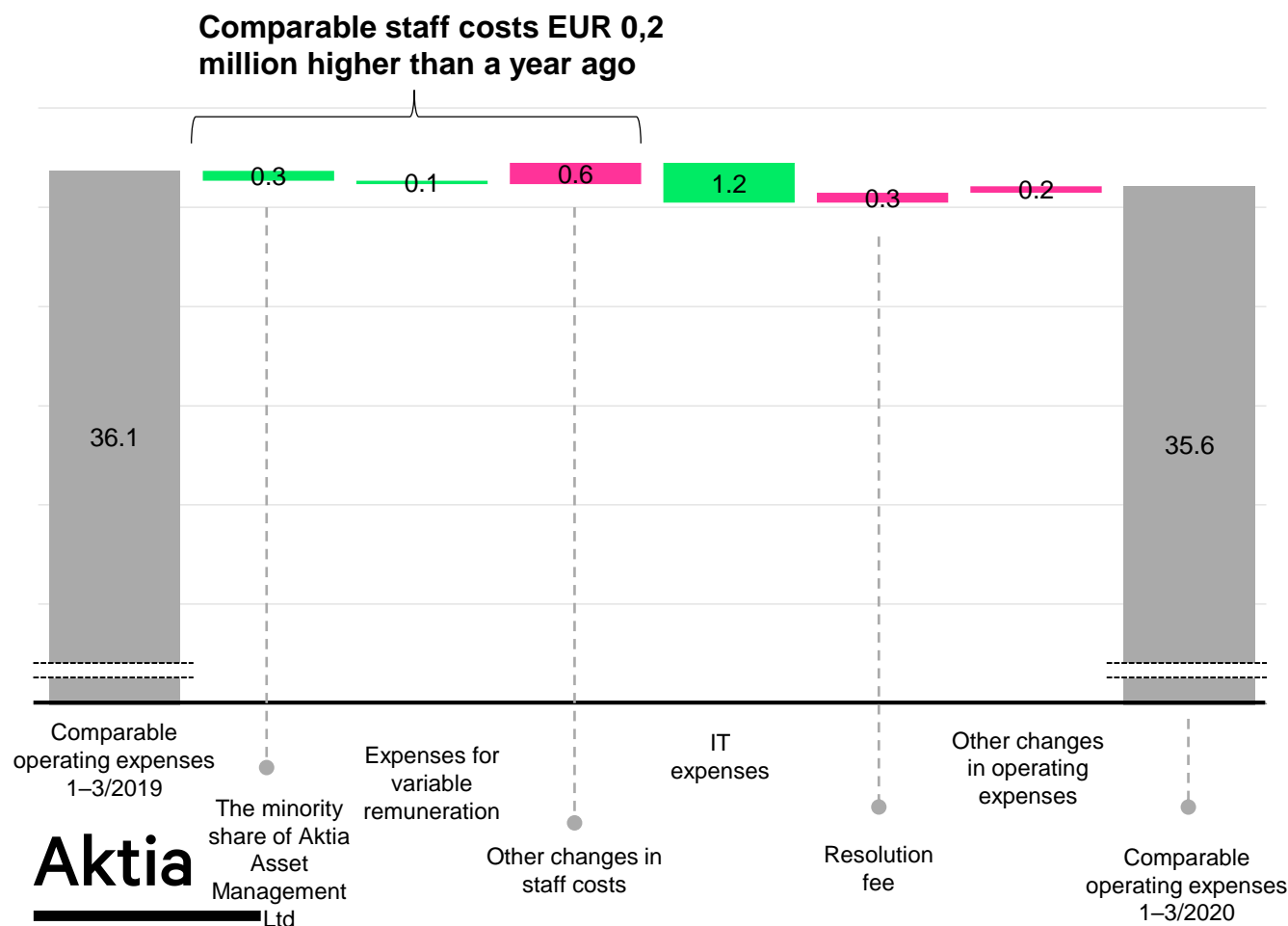
EUR million



Total cost level was close to unchanged compared to the previous year

1–3/2020 vs 1–3/2019

EUR million



Staff costs:

Staff costs amounted to EUR 16.6 (16.4) million. Running staff costs increased somewhat from last year on account of Aktia having recruited staff to compensate for external IT consultants.

IT expenses:

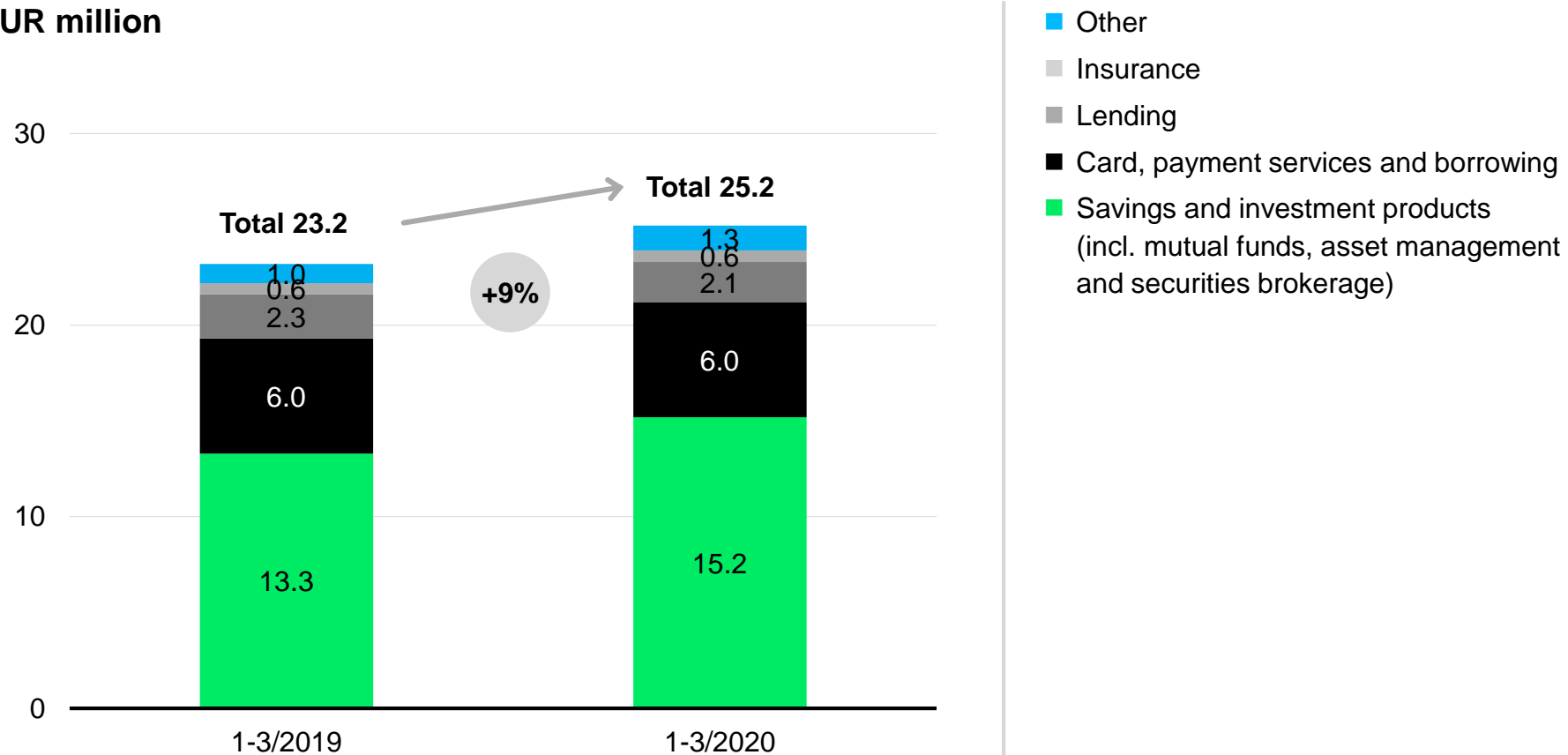
IT expenses decreased to EUR 5.6 (6.8) million, mainly as a result of lower costs for IT consultants.

Other operating expenses:

The estimated cost for the resolution fee increased to EUR 2.3 (2.0) million.

Net commission income mix

EUR million



Aktia

Outlook 2020

- Due to the continuously low visibility and the high volatility on the market it is still very difficult to predict the impacts on the economy.
- Aktia has therefore decided to suspend its outlook for 2020 for the time being. Aktia's goal is to give an update on the outlook in connection with the half-year report to be published on 4 August 2020.



The four interesting 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

The debt investment case

Credit ratings

Moody's: A1 / P-1, stable Covered Bonds: Aaa
S&P: A- / A-2, stable

CET1 meets regulative targets

Capital adequacy and capital requirement

- Aktia's Common Equity Tier 1 (CET1) Capital is at a good level at 15.9% (4Q19 14.7%)
- Total Capital Ratio is at 19.4% (4Q19 18.6%)
- Target for CET 1 over time is to exceed the regulative requirement (9.76%) with 150–300 basis points.
- Aktia Bank Group's leverage ratio was 5.0% (4Q19 4.6%).
 - **Tier 1 capital** **EUR 437.0 million**
 - **Total exposures** **EUR 8,816.2 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 695.1 million**
 - **Own funds and eligible liabilities** **EUR 1,022.8 million**

Capital requirement	%
CET1 %	8.0%
Pillar 1 min req	4.5%
Pillar 2 req	1.75%*
Capital Conservation buffer	2.5%
Counter Cyclical buffer	0.01%
Systemic Risk buffer	1.00%**
Total CET1 % req	9.76%
AT1 Capital	1.5%
Tier 2 Capital	2.0%
Total Capital Requirement	13.26%

*The FIN-FSA has determined new Pillar 2 requirement of 1.25% for Aktia. The updated requirement is valid as of 30 June 2020.

**The FIN-FSA has decided on removing the systemic risk buffer requirement for Finnish credit institutions as of 6 April 2020, which will lower Aktia's capital requirement by 1 percentage point.

Prudent and low-risk lending policy

Low long-term trend in non-performing loans

Aktia Bank operates under strict origination criteria:

- Identification of the customer mandatory (KYC).
- Responsible lending: customer ability to pay stress tested.
- Credit personnel internally educated and examined.
- Rating and behavior based credit risk valuation.
- Collateral only in Finland.

ECL (IFRS 9)

(EUR million)	Stage 1	Stage 2	Stage 3
≤ 30 days	34.3	26.4	0.3
Households	31.6	24.7	0.2
> 30 ≤ 90 days	0.0	22.4	1.0
Households	0.0	21.3	0.8
> 90 days	0.0	0.0	46.5
Households	0.0	0.0	38.8
Total	34.3	48.8	47.8
Households	(31.6)	(46.0)	(40.0)
% of portfolio	0.52	0.74	0.73

Aktia's liquidity on a continuously good level

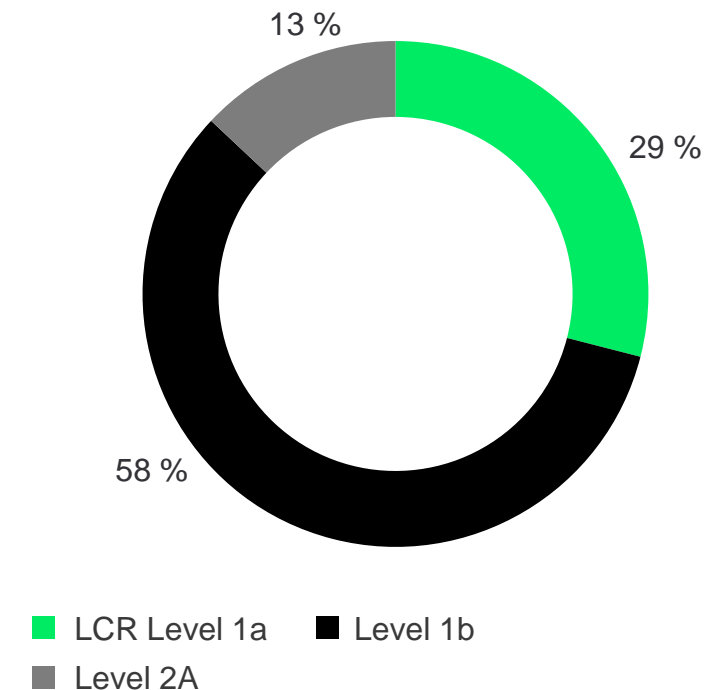
- Aktia has been an active issuer in the senior preferred market in the first third of the year. We have completed five private placement type of transactions and two tap issues to existing bond under our EMTN-program. The total volume is EUR 250 million with maturities in the range of 2–15 years. Aktia is planning to issue further EUR 400–500 million worth of senior preferred debts during this year.
- Aktia's liquidity situation is very good. The LCR ratio has been in the typical range of 120 to 135 most of the time. We have been able to fully benefit from the ECB tiering structure, balancing the cash liquidity to the tiering capacity.
- Aktia prepares to continue the utilisation of the ECB TLTRO III by refinancing the redeeming TLTRO II tranche in June. It is for the first time Aktia will use self-issued covered bonds as collateral for the operation. The proceeds of the TLTRO will be used for supporting the corporate lending as what has been the modus operandi also during TLTRO II.

High-quality liquidity portfolio

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. 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 1,345 (1,104) million on 31 March 2020.

The Liquidity Coverage ratio (LCR) was 129%.

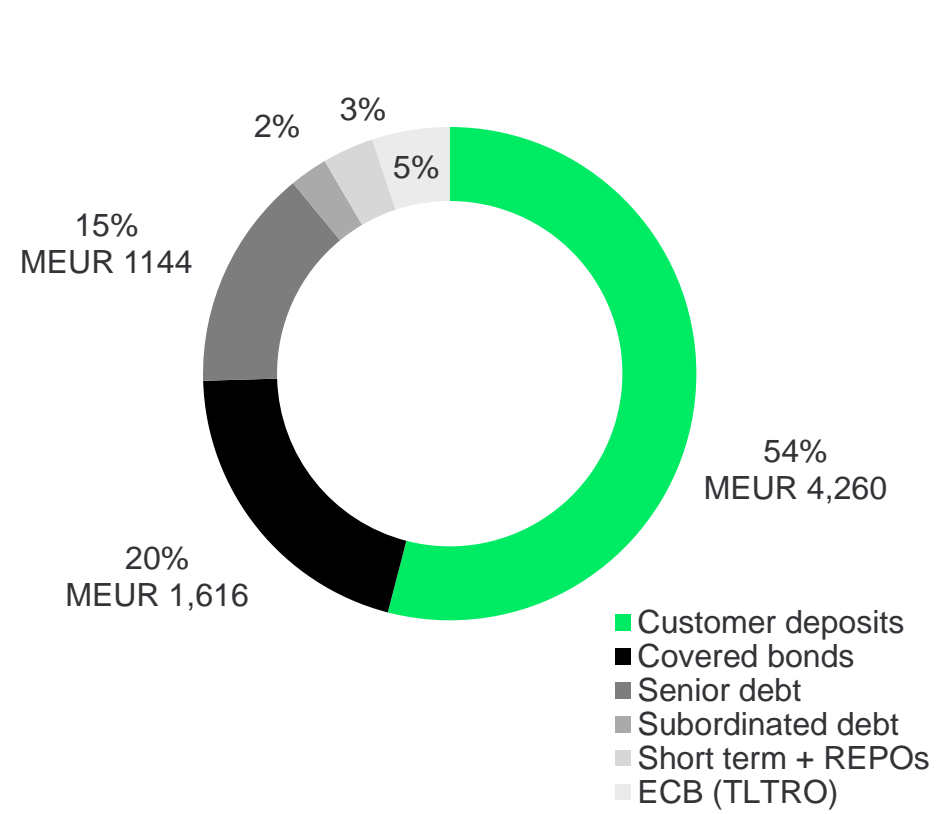
Total Liquidity portfolio	31 March 2020	31 December 2019
EUR million	1,419	1,326
AAA	58.9%	58.5%
Aa1–Aa3	17.3%	18%
A1–A3	3%	3.2%
Baa1–Baa3	9.1%	6.9%
Ba1–Ba3	0.0%	0.0%
Finnish municip. (no rating)	11.3%	13.4%
No rating	0.4%	0.0%
Total	100.0%	100.0%



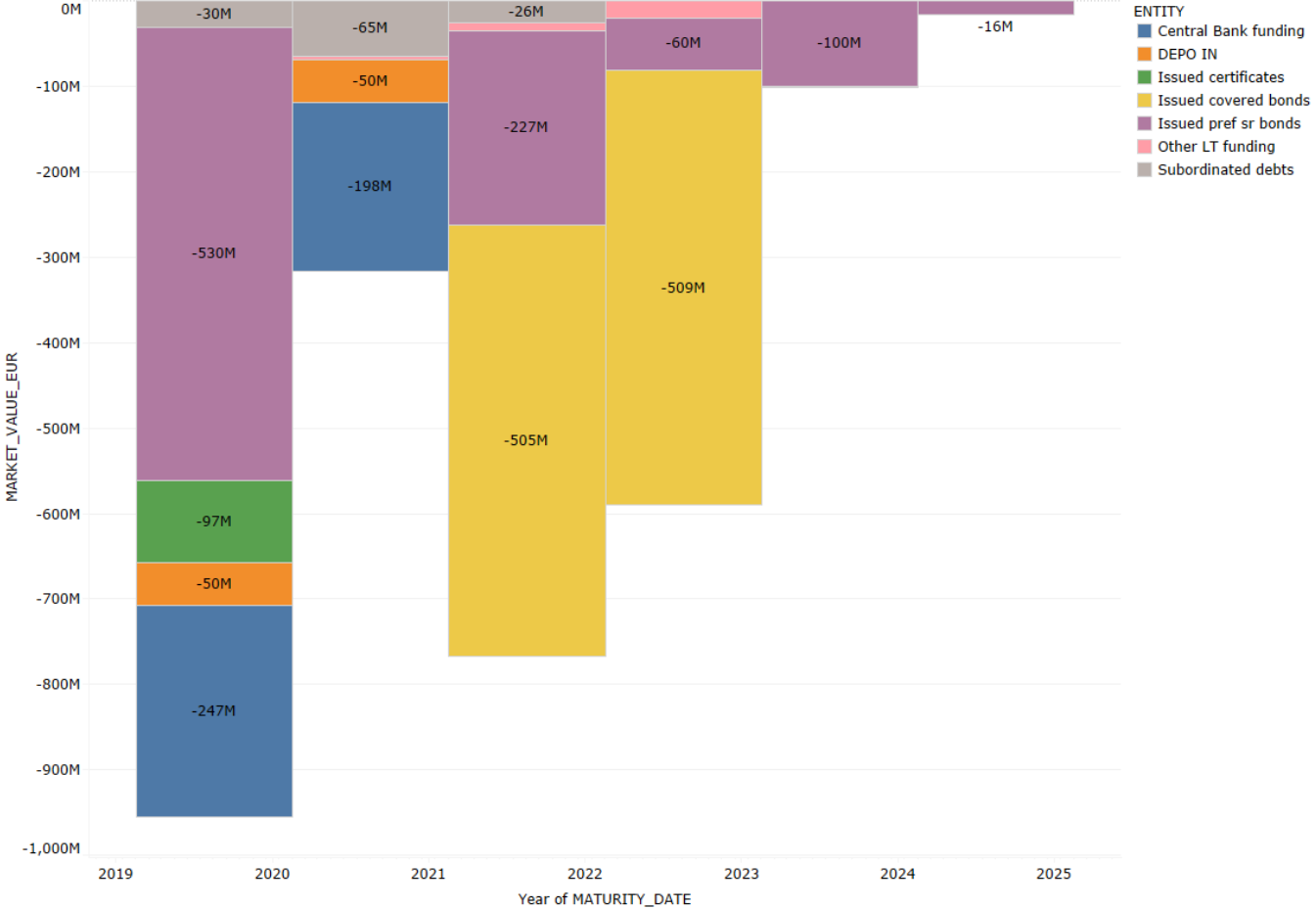
Sound funding profile

The year 2020 will bring substantial senior refinancing interest.

Total 7,117 EUR million



Funding Maturity Structure



Aktia Bank as covered bond issuer

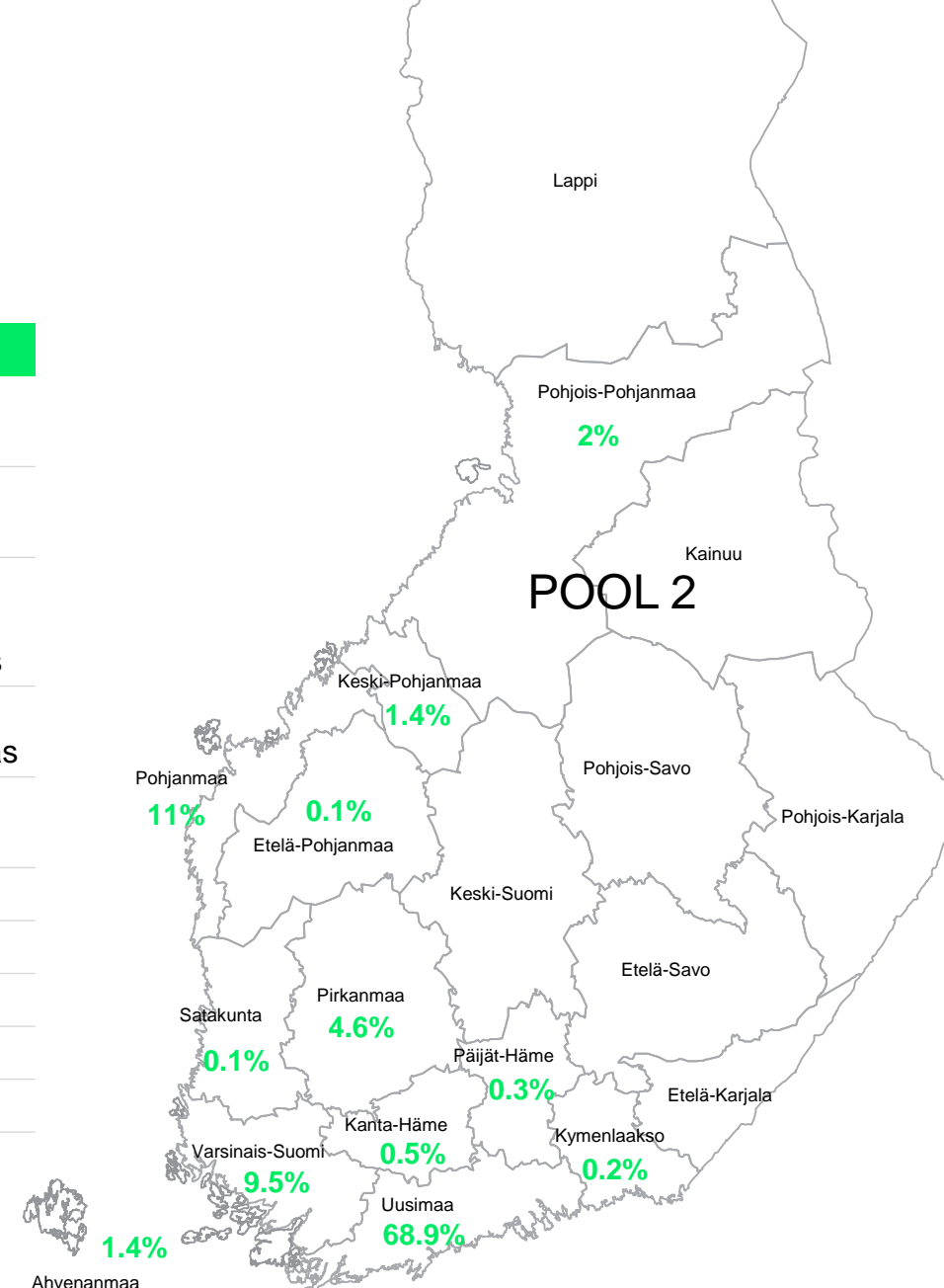
Aktia Bank operates under the legislation as mortgage bank (Act on Mortgage Credit Bank Operations, MCBA 688/2010) and issues the covered bonds directly from the bank's balance sheet.

- The Aktia Bank mortgage loan portfolio is of very high quality:
 - Prime residential mortgage loans and loans for 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 500m public benchmark Covered Bond issues with selective private placement offerings.
- Bank has used retained Covered Bonds as collateral in ECB

Cover pools

1Q 2020

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 2,029 million	EUR 149 million
No of loans / average loan balance	33,529 / EUR 60,513	2,181 / EUR 68,456
Types of loans	First ranking residential mortgages and pledges of shares in 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	46.89%	36.20%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 97%, fixed 3%	floating 97%, fixed 3%
WA seasoning	64.8 months	91 months
Overcollateralisation (%)	31.75% (committed 10%)	247.22% (committed 12%)
Moody's Collateral Score	5.00 %	5.00 %



Aktia

The Finnish Economy

Strong but very export driven Economy

The Finnish Economy

Export driven growth

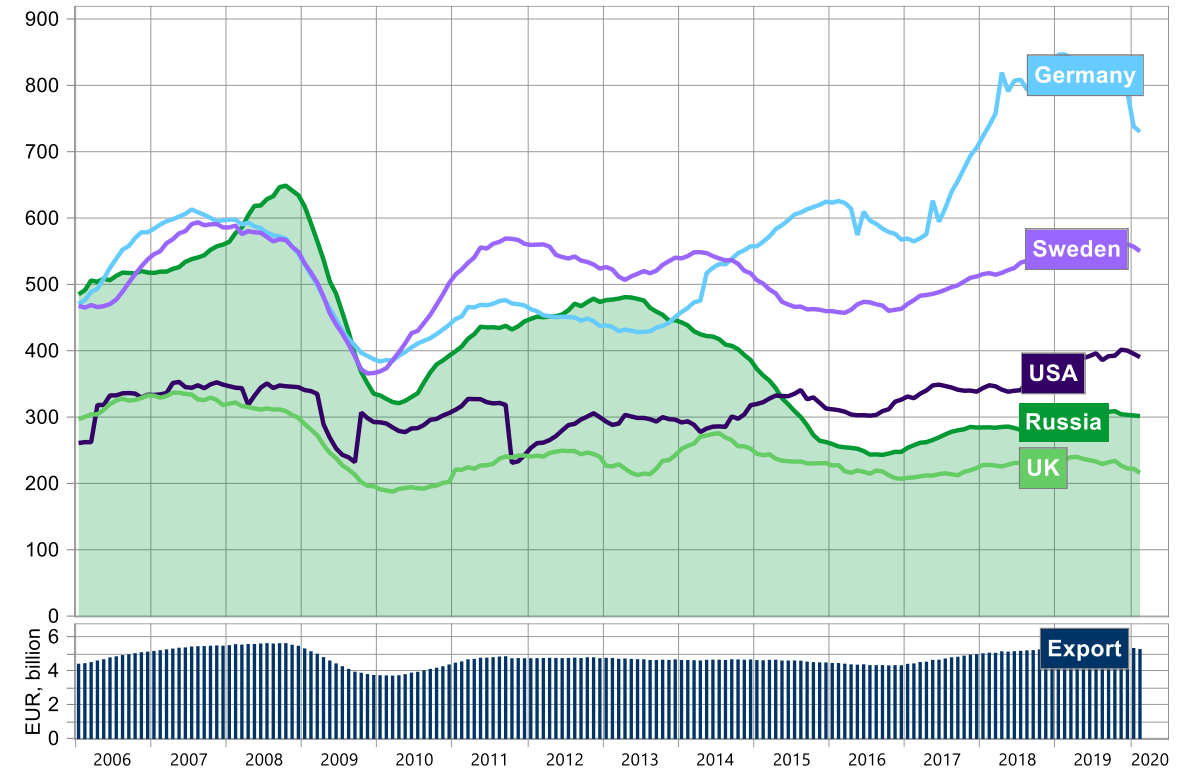
Key facts about Finland

- 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)

Aktia

Finland: Export value, mil. euro

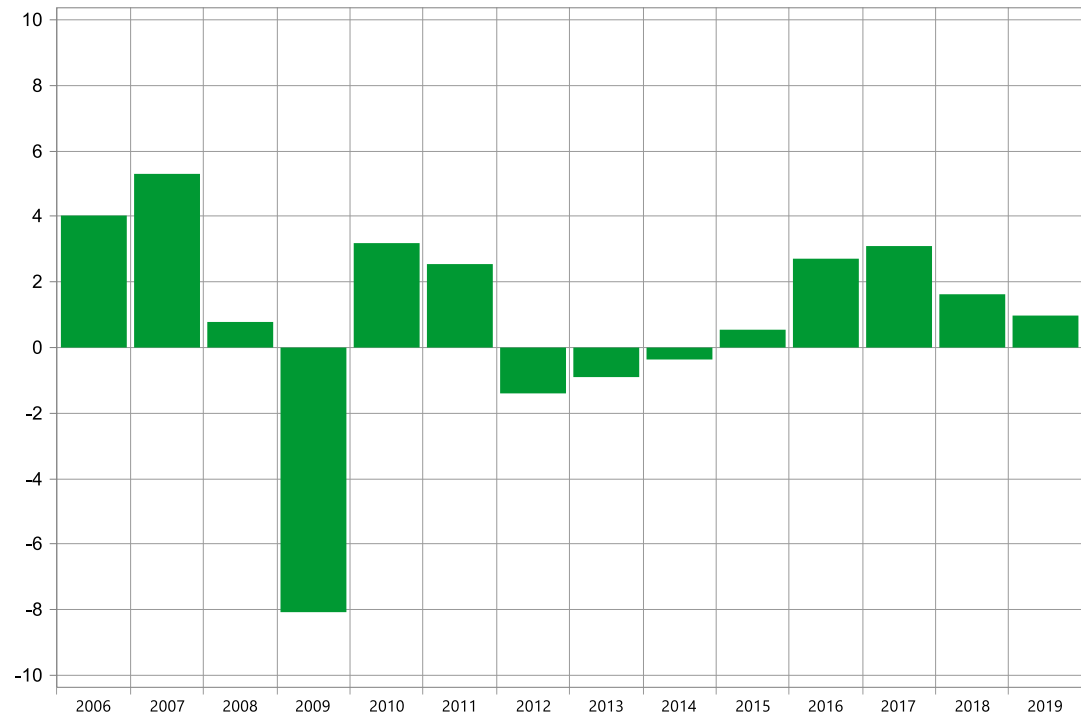


Sources: Aktia and Macrobond

The Finnish Economy

Growth met virus

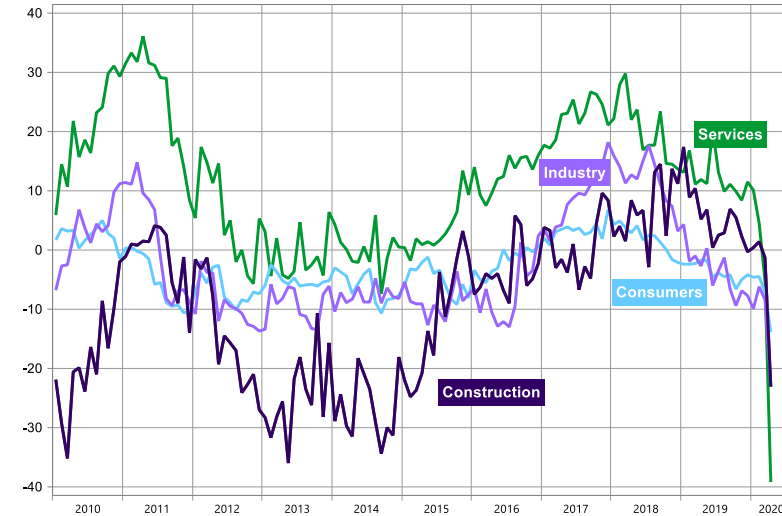
GDP growth, %



Sources: Aktia and Macrobond

Aktia

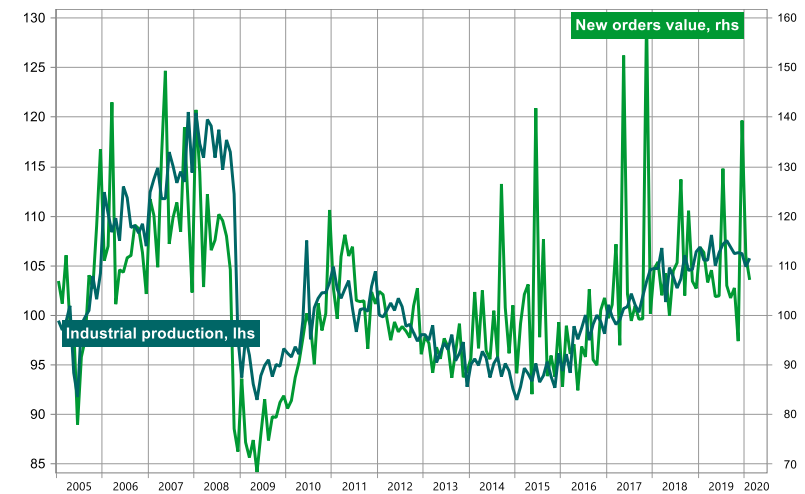
Confidence



Sources: Aktia and Macrobond

Industrial production and new orders

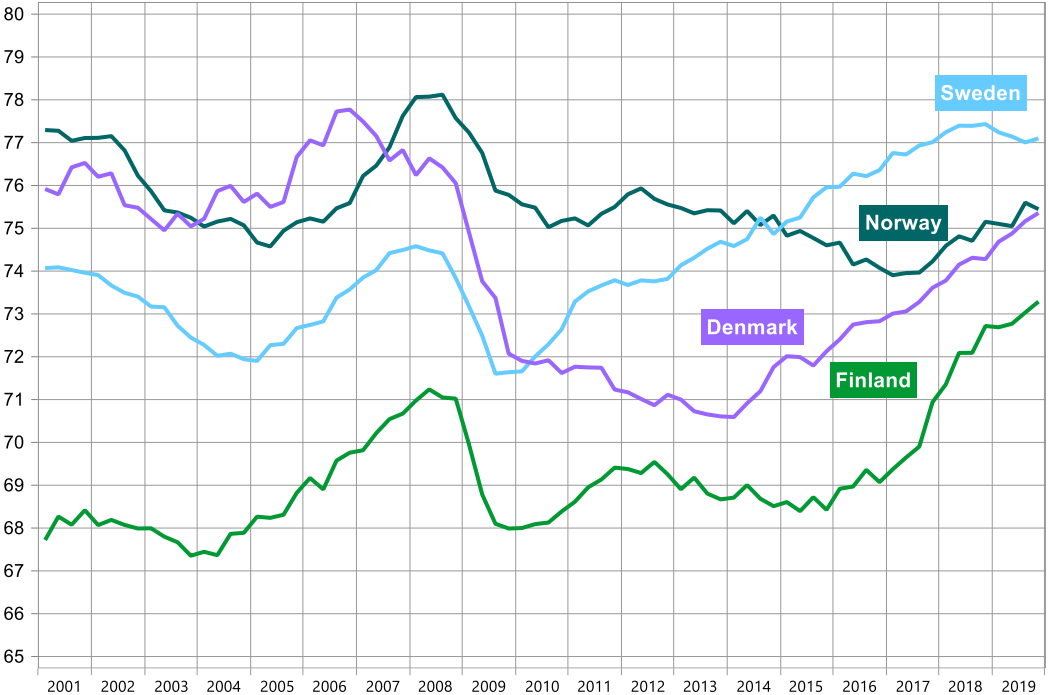
Seasonally adjusted indices, 2010=100



Sources: Aktia och Macrobond

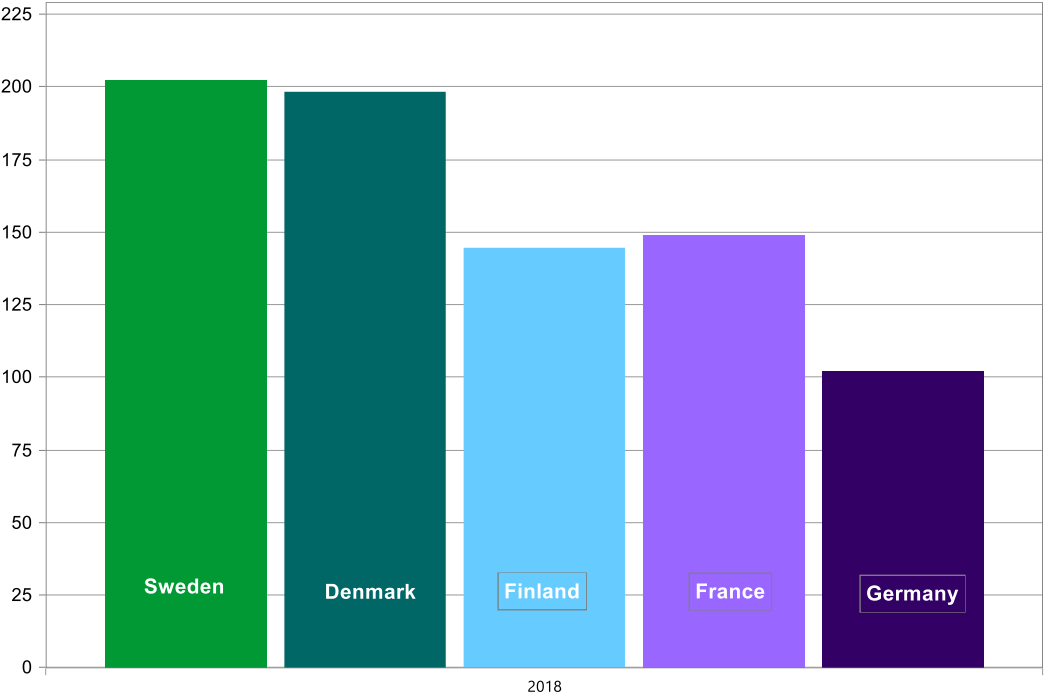
The Finnish Economy

Employment rate, 15-64 year olds



Sources: Aktia and Macrobond

Private debt, % of GDP



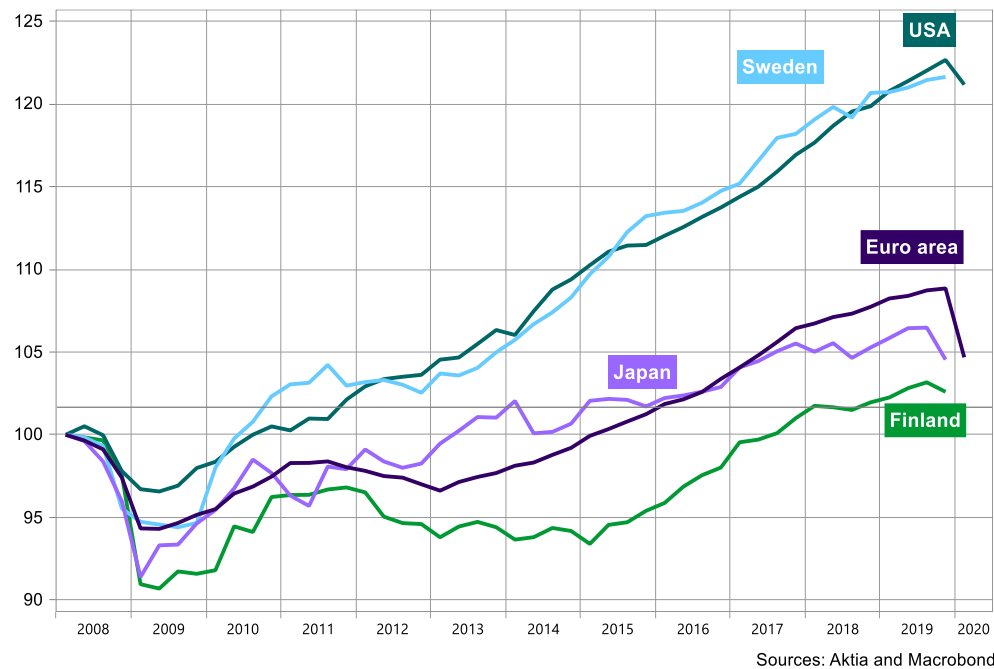
Sources: Aktia and Macrobond

Macroeconomic environment

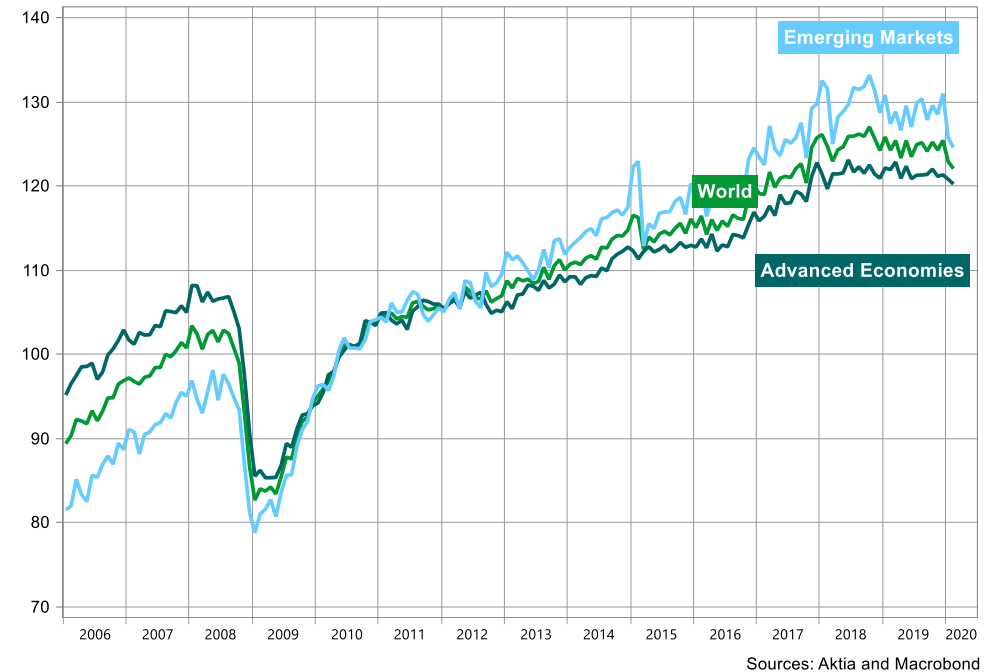
World economies infected by COVID 19

GDP in some countries

Index, Q12008=100



World exports

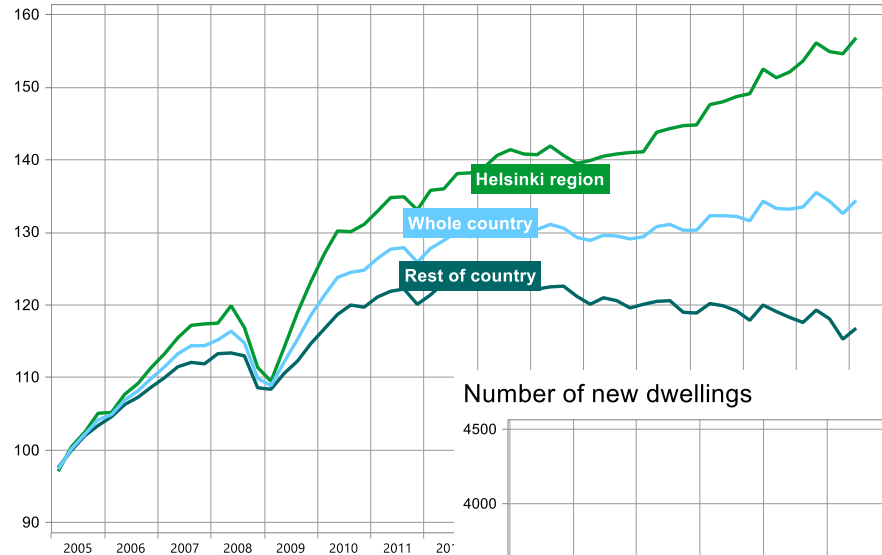


Finnish housing market

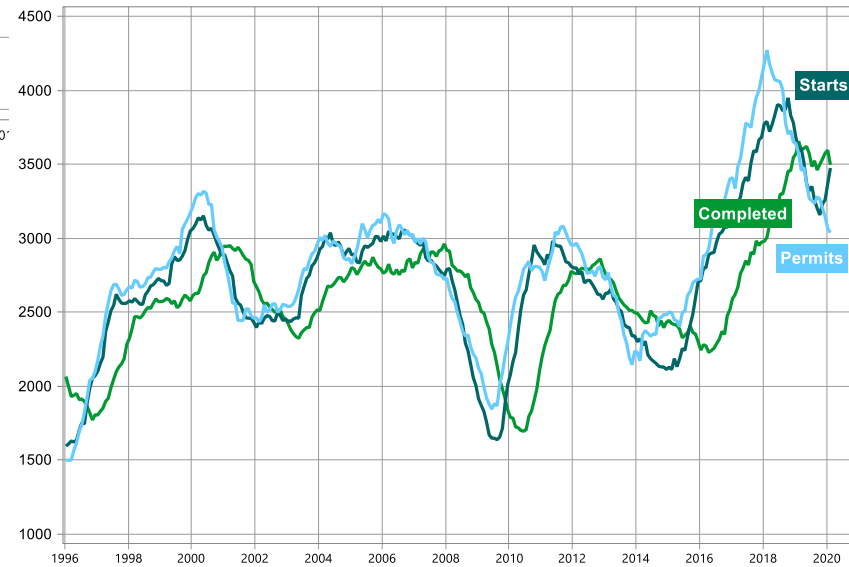
Stable but diversified market

Finland: Prices, old apartments

Index 2005=100

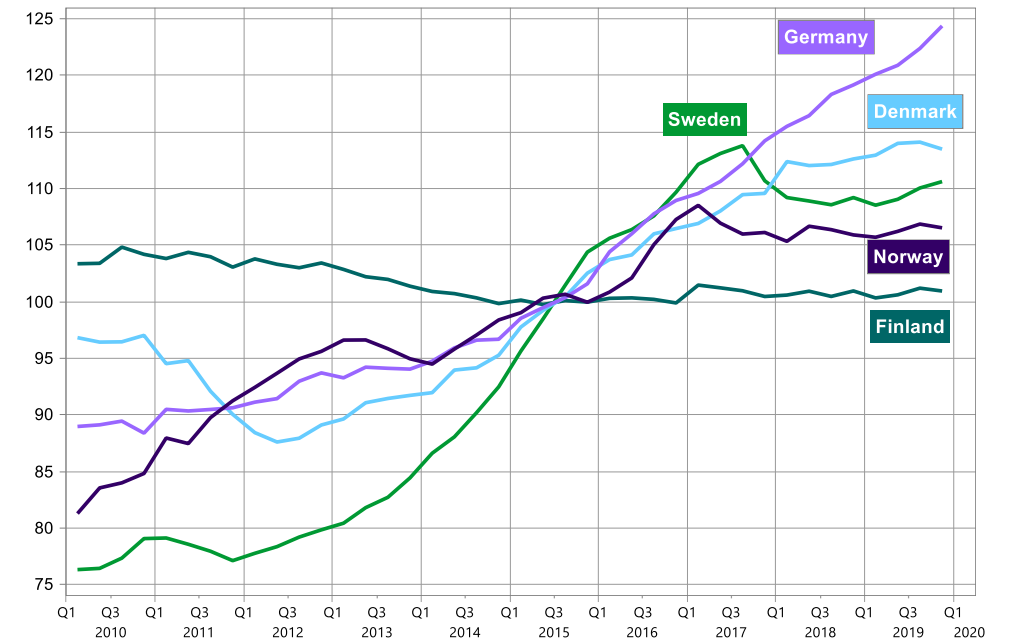


Number of new dwellings



Sources: Aktia and Macrobond

Real House Prices, index 2010=100



Sources: Aktia and Macrobond

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