

14 FEBRUARY 2020

Q4 2019 Investor 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.

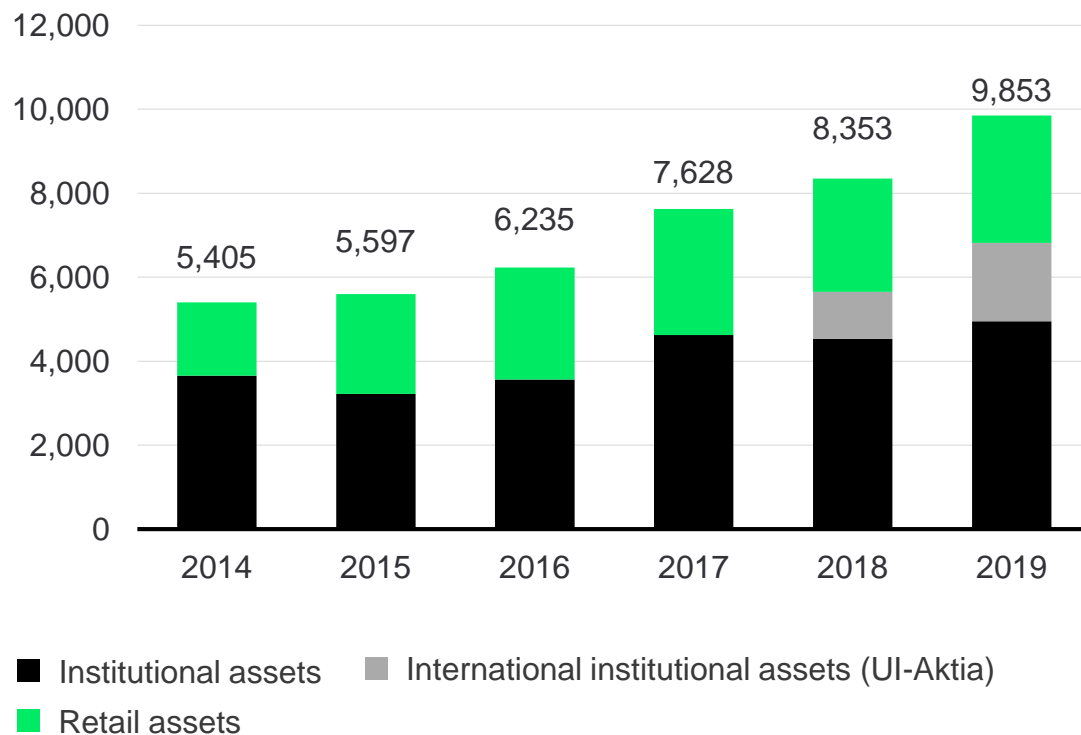
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Assets under Management at record high level

Asset Management

Assets under management excluding custody (AuM)
EUR million



Aktia

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.

Corporate Responsibility Highlights and Actions in 2019

Corporate Responsibility Highlights:

- Aktia reached rating level B in CDP's (former Carbon Disclosure Project) international corporate responsibility ranking, which is over the average in the European financial sector. In CDP Climate Change evaluation, we are among the best banks that operate in Finland.
- In the Institutional Shareholder Services Inc's ESG analysis, where Aktia received the ranking D+, which is better than over 70% of the international banks that ISS has evaluated.



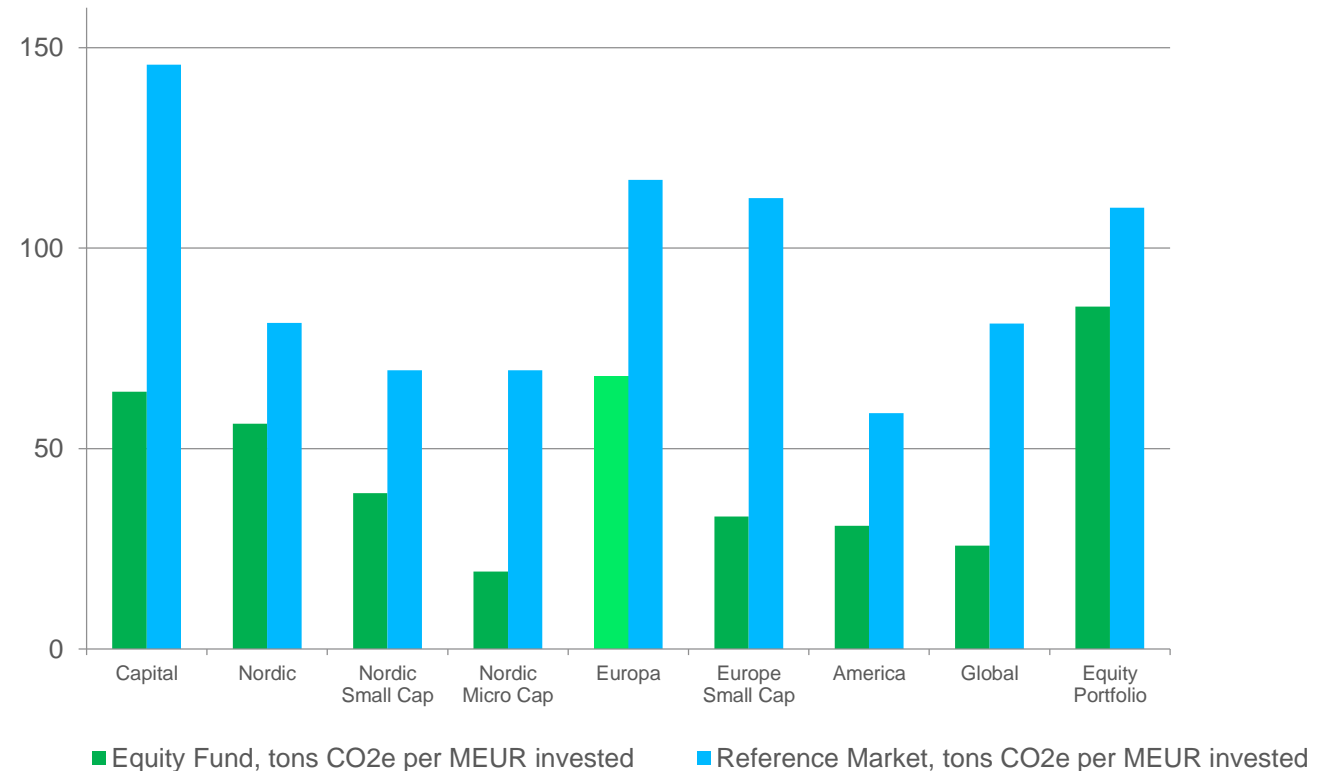
Most significant actions and results:

- We decided that corporate responsibility will be dealt regularly on the agenda of Executive Committee and Board of Directors.
- We chose UN Sustainable Development Goals and targets to guide responsibility actions.
- We created a corporate responsibility action plan for 2019–2023, in which we specified further the responsibility goals and actions.
- We created a green procurement guide, an ethical code of conduct for suppliers, a supplier responsibility risk analysis and updated a climate policy.
- We started to build WWF's Green Office environmental management system in our headquarters.
- The NPS satisfaction level of personal and premium customer meetings was 65.6. (Target is >50).
- The number of customer letters decreased by 23% and 0.5 million pcs from previous year. (Target is 10% annually).

Smaller equity funds carbon footprint than on the reference market

- Aktia will report every six months on the most important indicators of our corporate responsibility programme. The indicators will be complemented in the future.
- The carbon footprint of our equity funds was on average approximately 51% smaller than that of the relevant reference market. (Target < reference market).

The Carbon Footprint of Aktia's Equity Funds



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

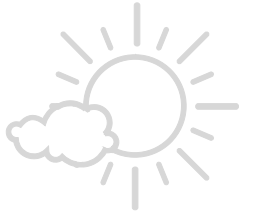
③

Macroeconomy and regulation

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

URBANISATION
NEW TECHNOLOGIES
MEGATRENDS
AGEING POPULATION
SUSTAINABILITY

Our three strategic priorities



2023

① Win in **asset management**

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

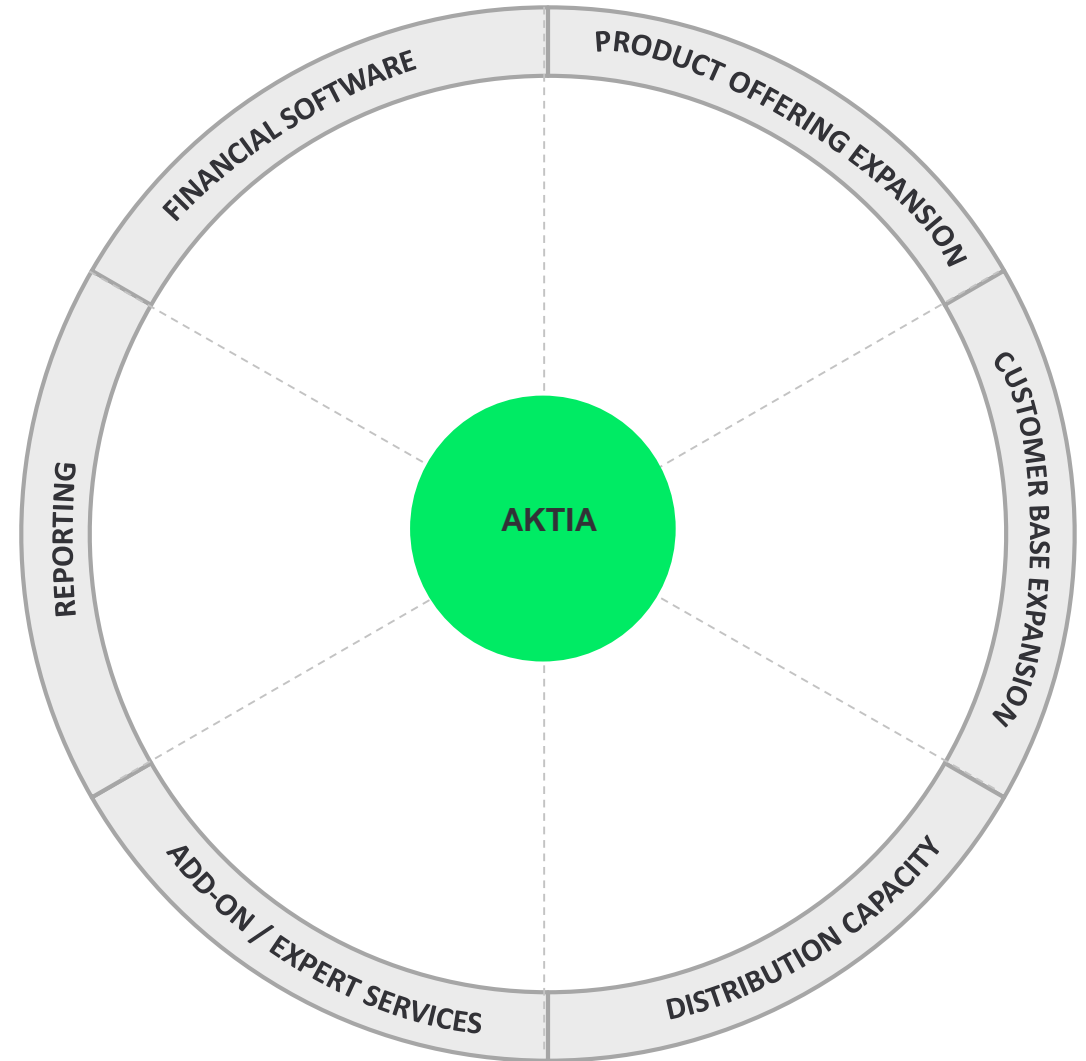
③ Drive **operational efficiency**
to capitalise on our challenger position

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**

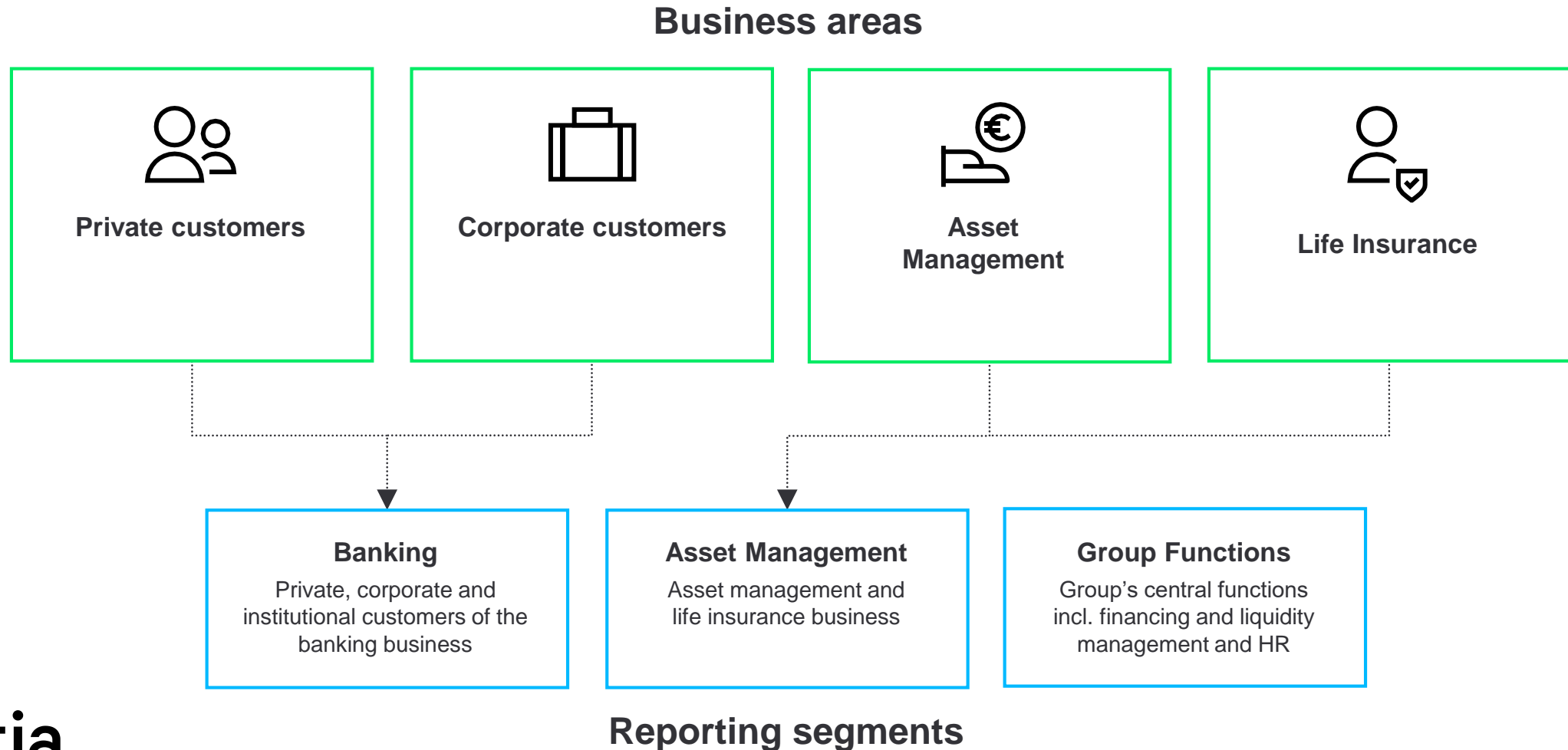
1–12/2019:
0.66

**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

Aktia's business areas and reporting segments



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)

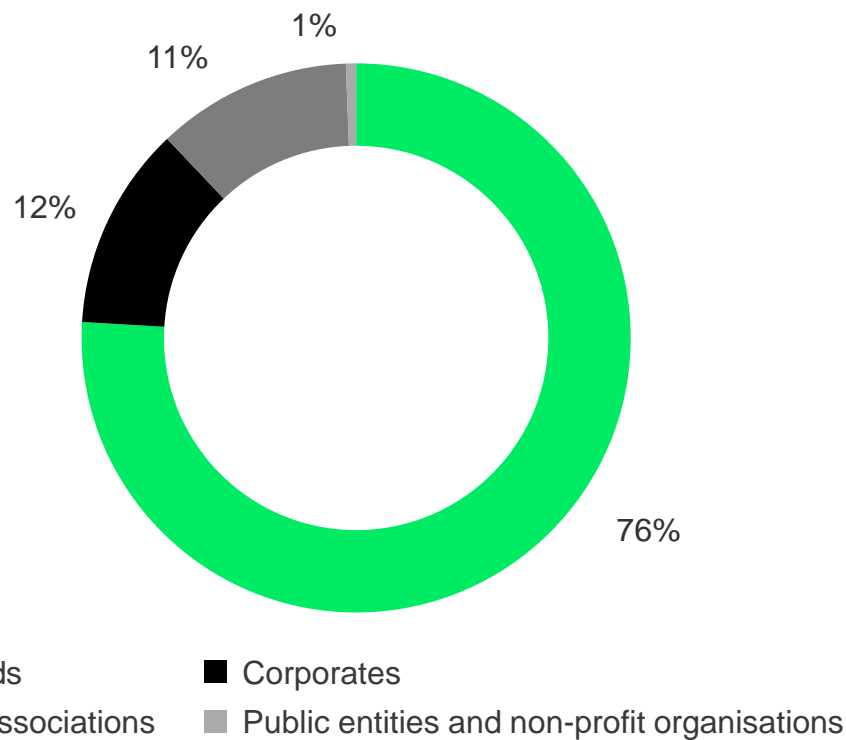
ROE
10.3%
(9.4%)

CET1
14.7%
(17.5%)

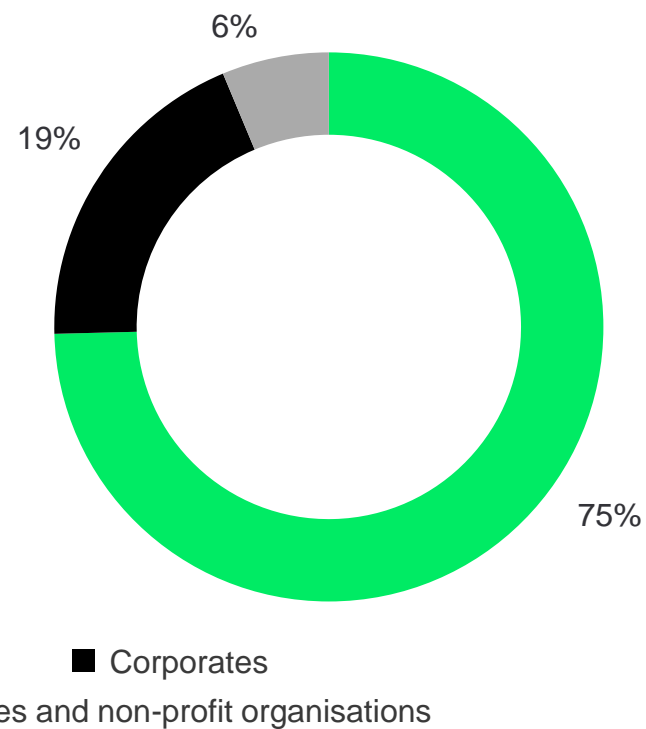
Structure of lending and deposits

December 31, 2019

Lending
Total EUR 6,429 million



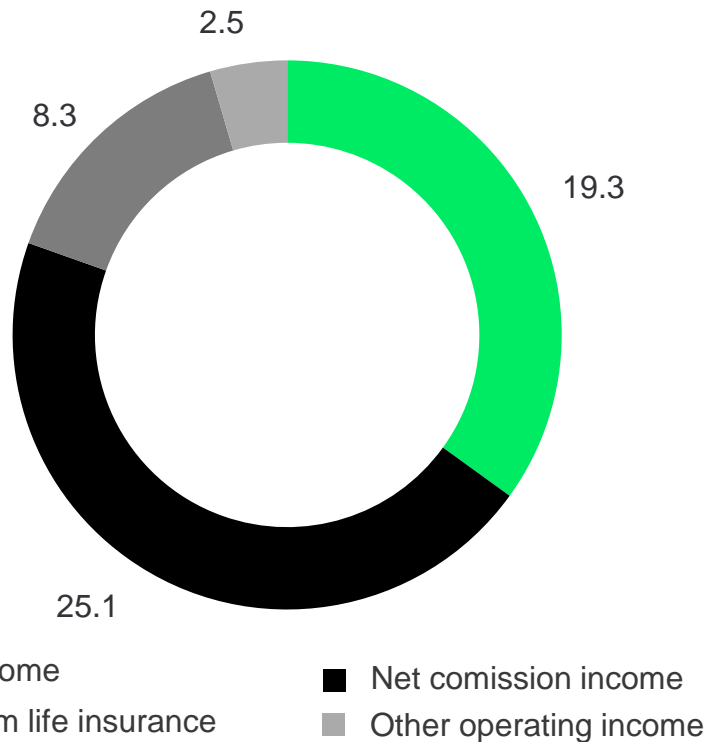
Deposits
Total EUR 4,060 million



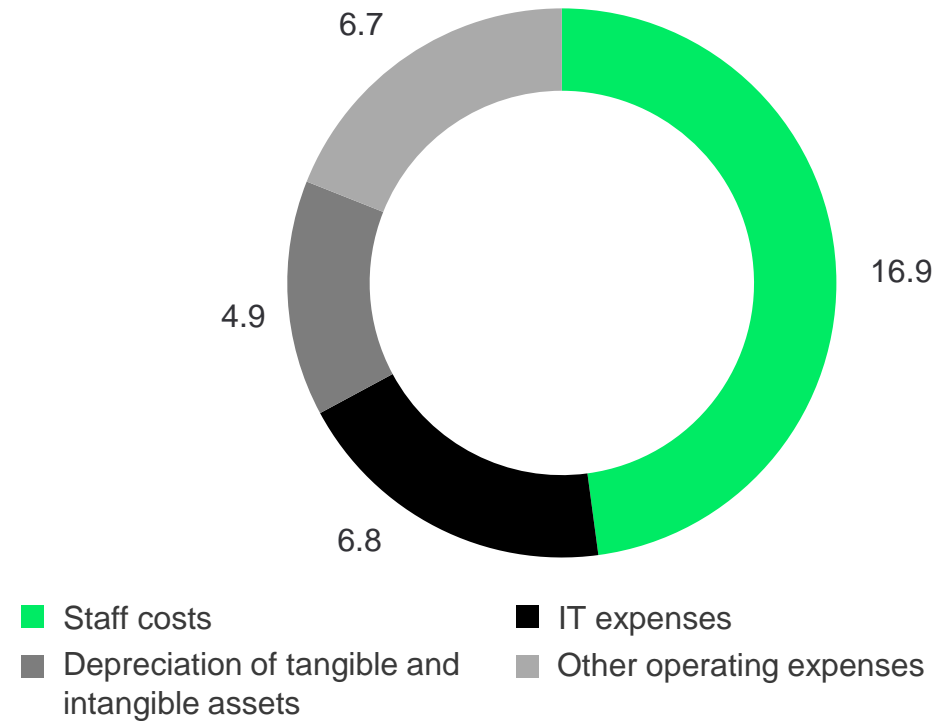
Distribution of operating income and expenses

Q4 2019

Operating income
Total EUR 55.2 million



Operating expenses
Total EUR 35.3 million

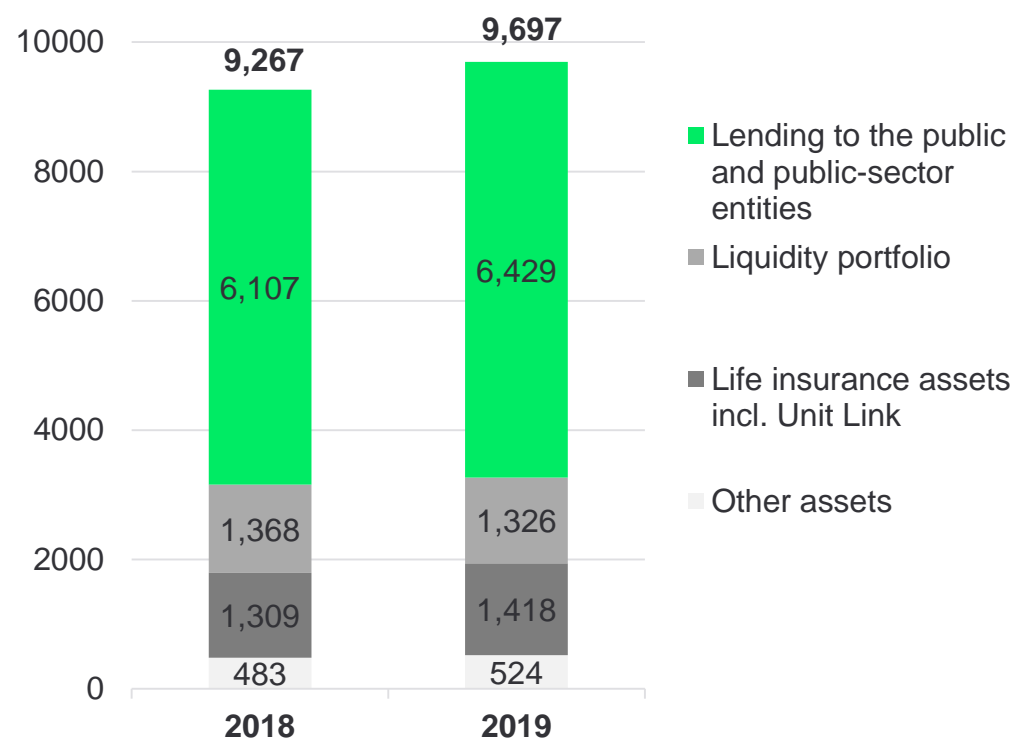


Balance sheet total increased to EUR 9,697

December 31, 2019

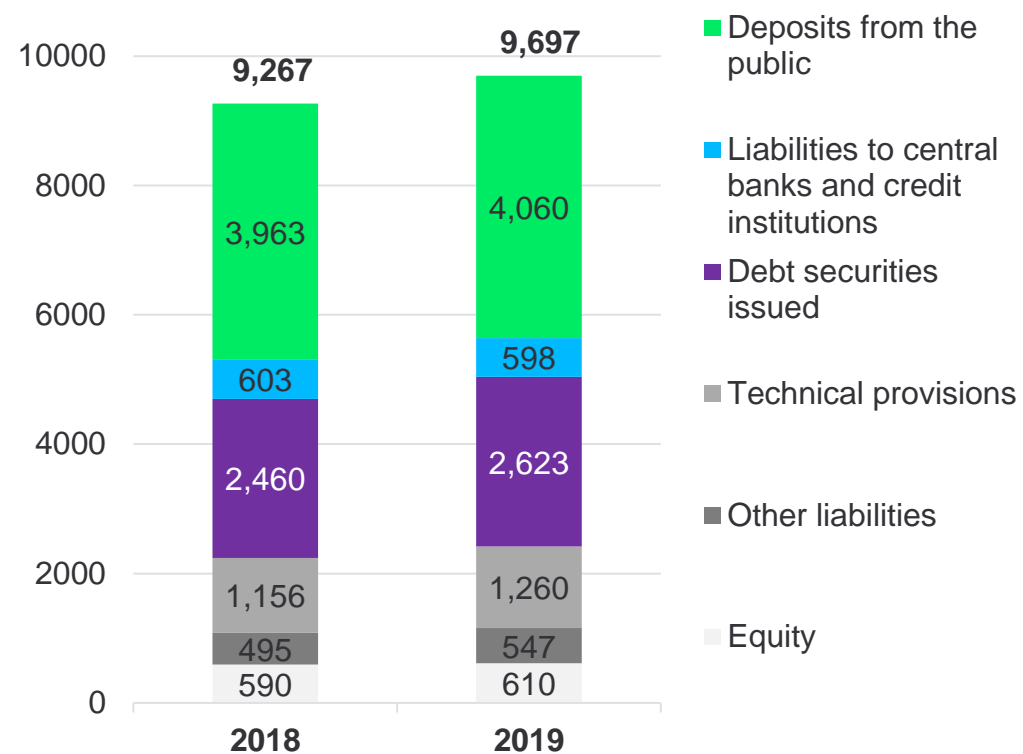
Total assets

EUR million



Total liabilities and equity

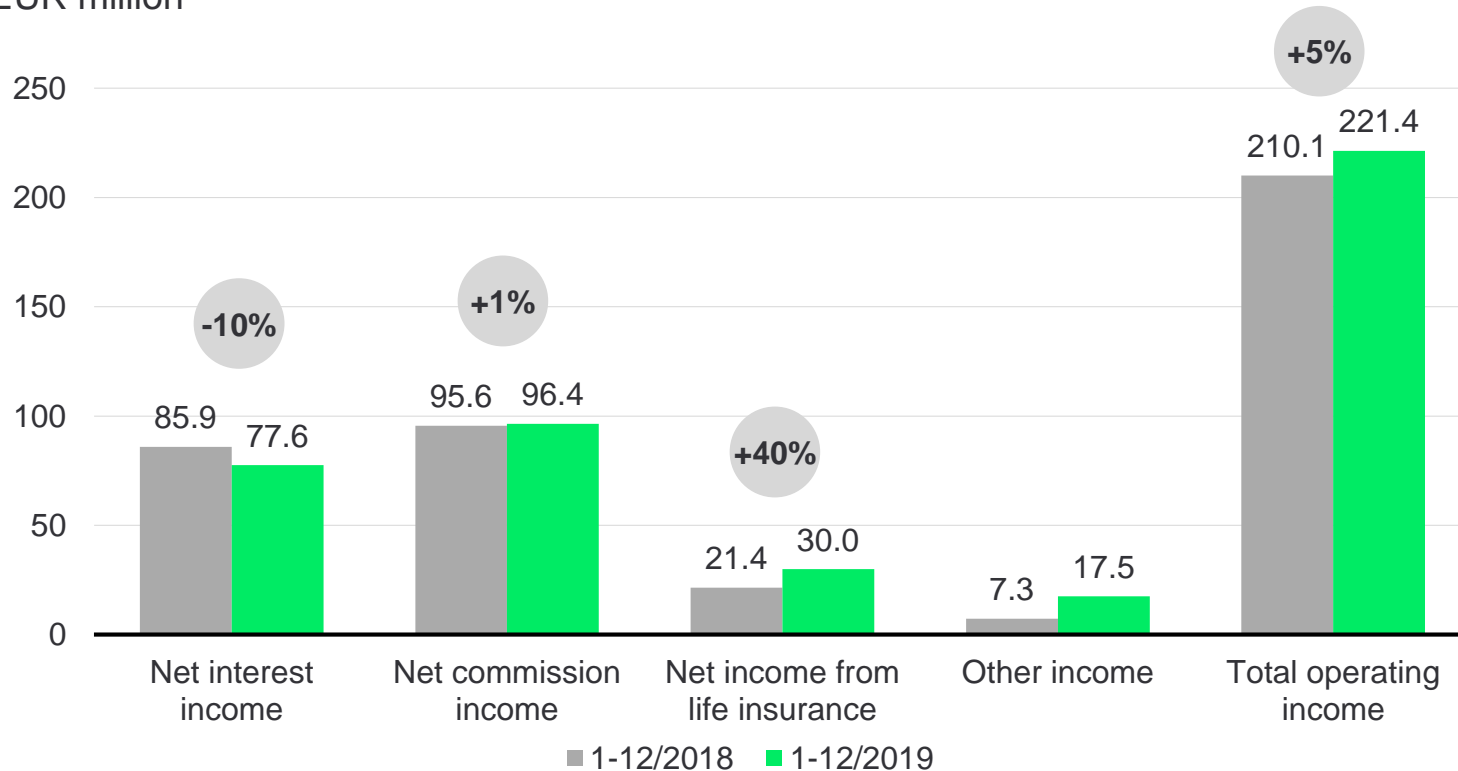
EUR million



Aktia

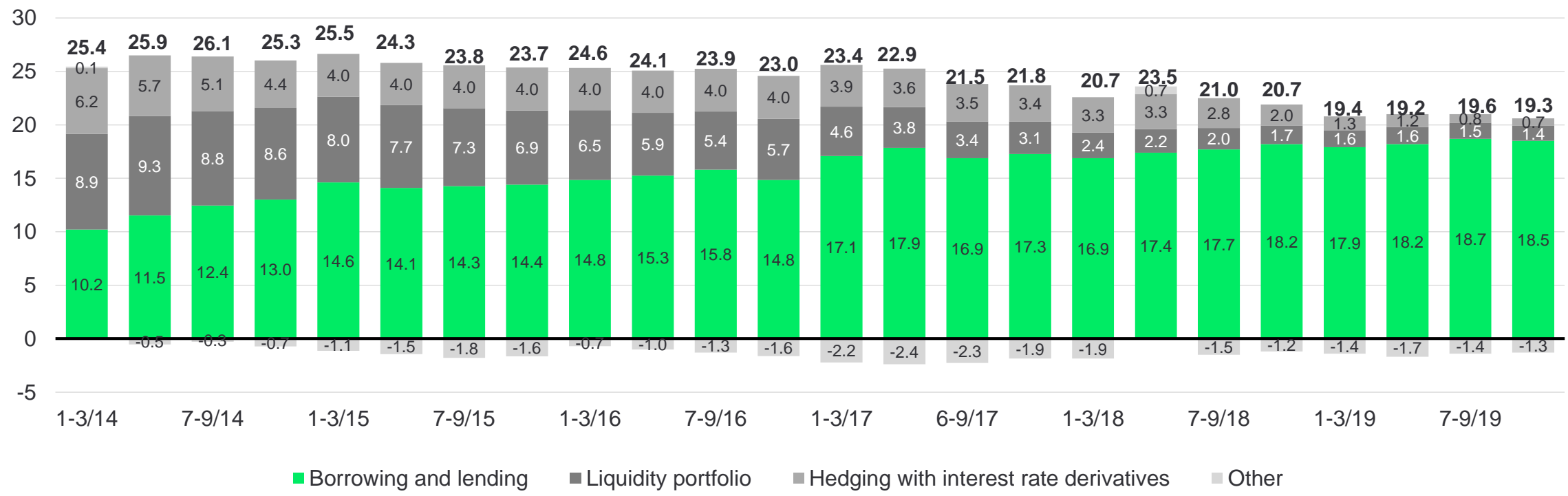
Total operating income increased by 5%

Income mix
EUR million



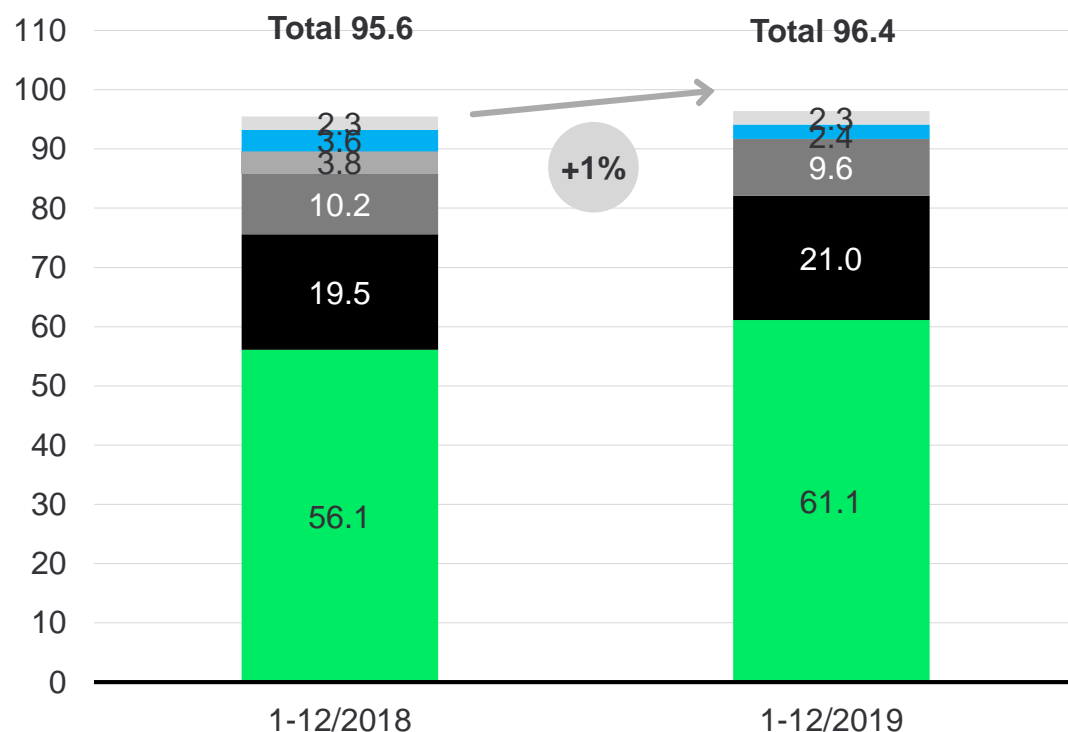
Net interest income mix

EUR million



Net commission income mix

EUR million



Savings and investment products

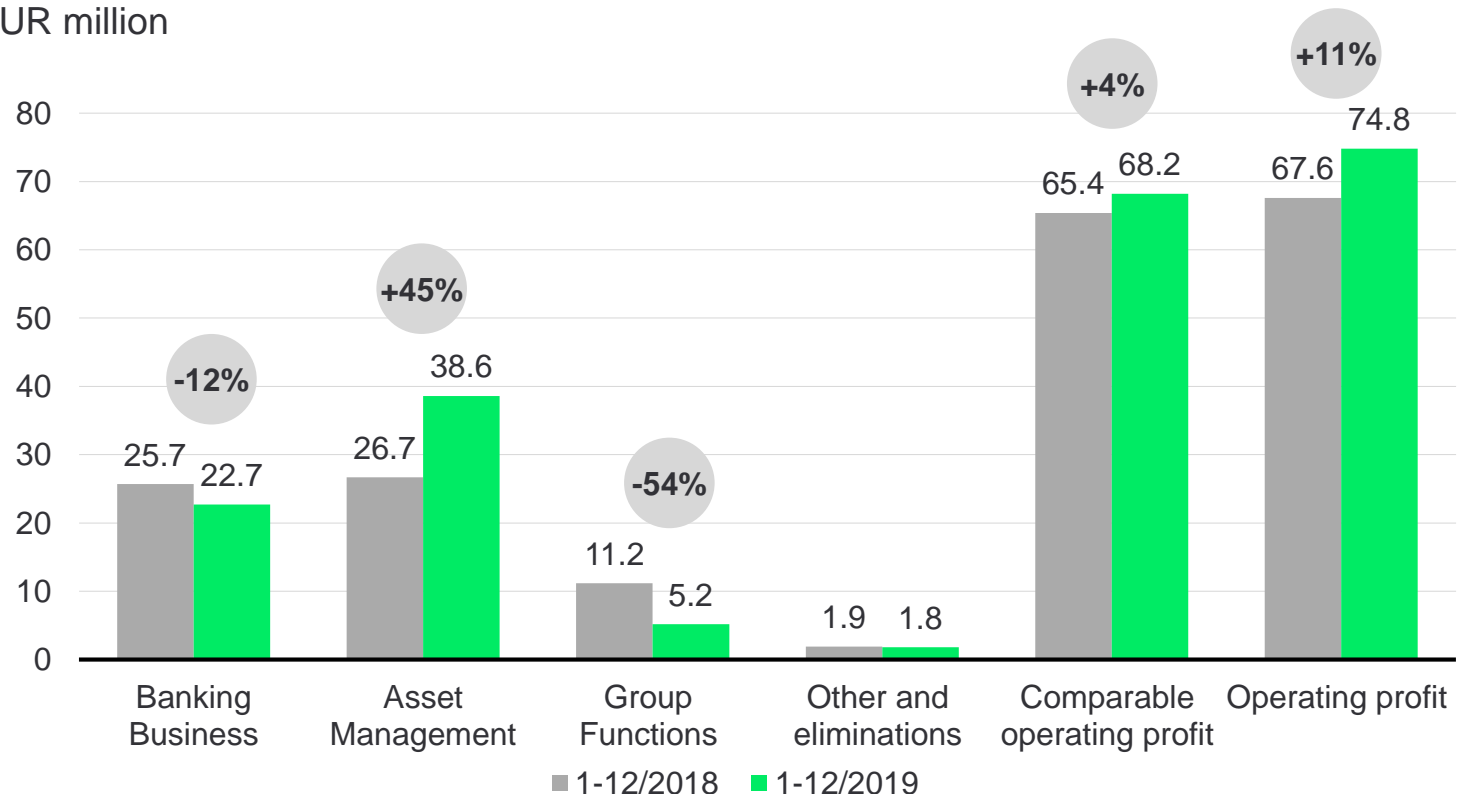
includes borrowing, mutual funds, asset management and securities brokerage

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

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:

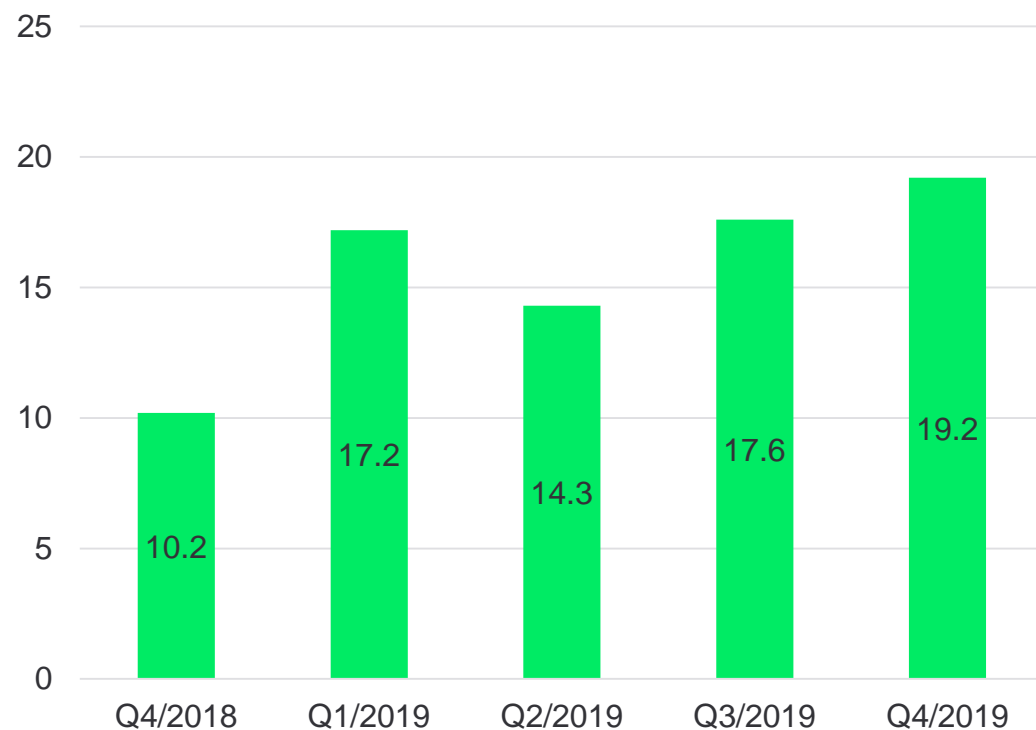
The comparable operating profit for the period increased by 45%, which is explained by strong sales, a favourable development on the investment market and positive value changes in the life insurance operations of EUR 6.3 (-4.6) million.

Comparable operating profit and income per quarter

Q-o-Q

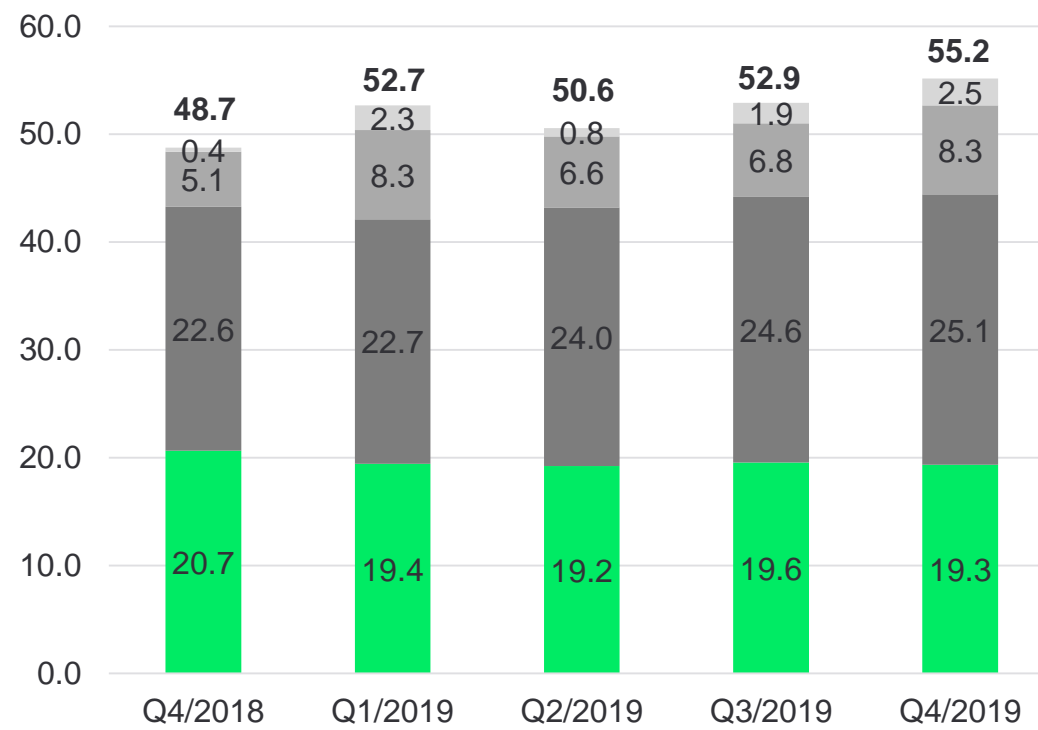
Comparable operating profit

EUR million



Comparable operating income

EUR million



■ Net interest income ■ Net commission income
■ Net income from life insurance ■ Other

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.**



The debt investment case

Credit ratings

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

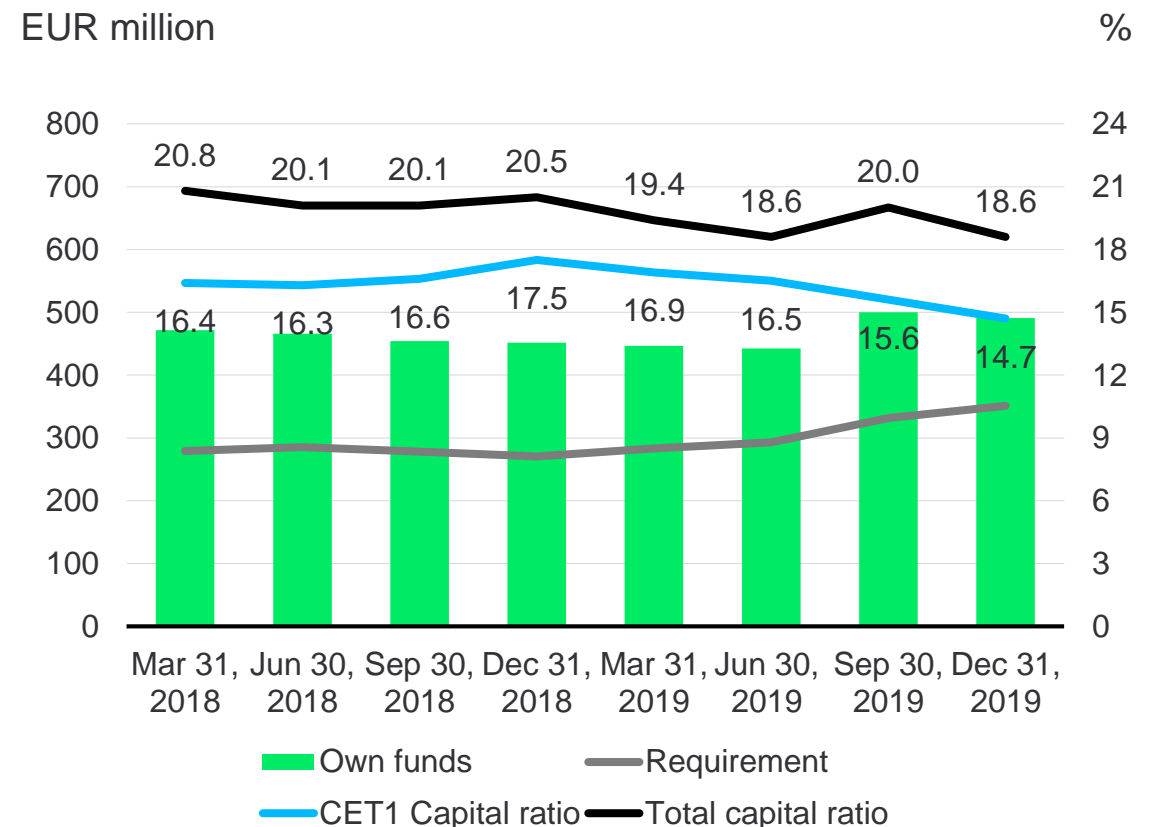
CET1 on a solid level above the target range

Capital Adequacy

- At the end of the period, the 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



CET1 meets regulative targets

Capital adequacy and capital requirement

- Aktia's Common Equity Tier 1 (CET1) Capital is at a good level at 14.7% (3Q19 15.6%).
- Total Capital Ratio is 18.6% (3Q19 20.0%)
- Target for CET 1 over time is to exceed the regulative requirement (9.80%) with 150–300 basis points.
- Aktia Bank Group's leverage ratio was 4.6% (3Q19 4.7%).
 - **Tier 1 capital** **EUR 388.1 million**
 - **Total exposures** **EUR 8,474.5 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 670.9 million**
 - **Own funds and eligible liabilities** **EUR 796.4 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	0.05%
Systemic Risk buffer	1.00%
Total CET1 % req	9.80%
AT1 Capital	1.5%
Tier 2 Capital	2.0%
Total Capital Requirement	13.30%

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)

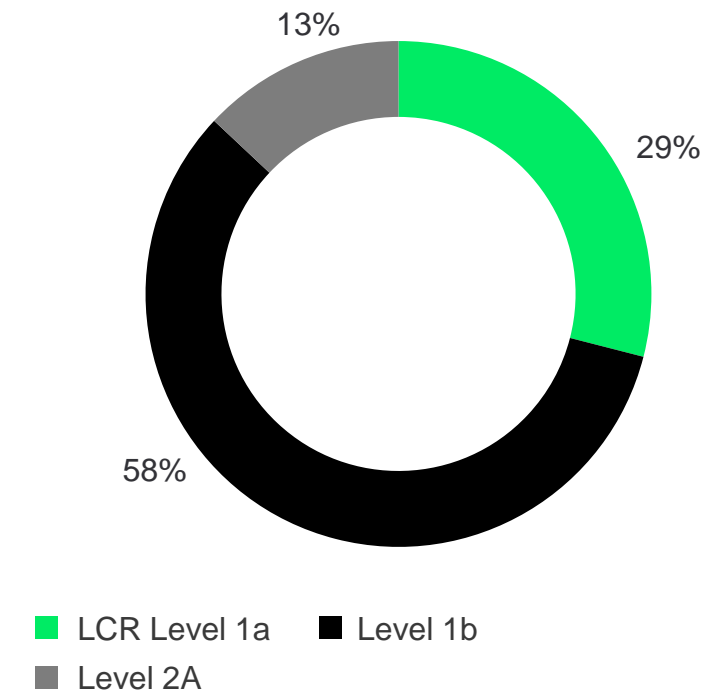
(EUR million)	Stage 1	Stage 2	Stage 3
≤ 30 days	45.9	23.0	0.5
Households	36.3	21.6	0.4
> 30 ≤ 90 days	0.0	26.0	1.4
Households	0.0	23.3	1.1
> 90 days	0.0	0.0	44.4
Households	0.0	0.0	38.0
Total	45.9	49.0	46.3
Households	(36.3)	(44.9)	(39.5)
% of portfolio	0.71	0.76	0.72

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 1,104 (1,155) million on 31 December 2019.

The Liquidity Coverage ratio (LCR) was 118%.

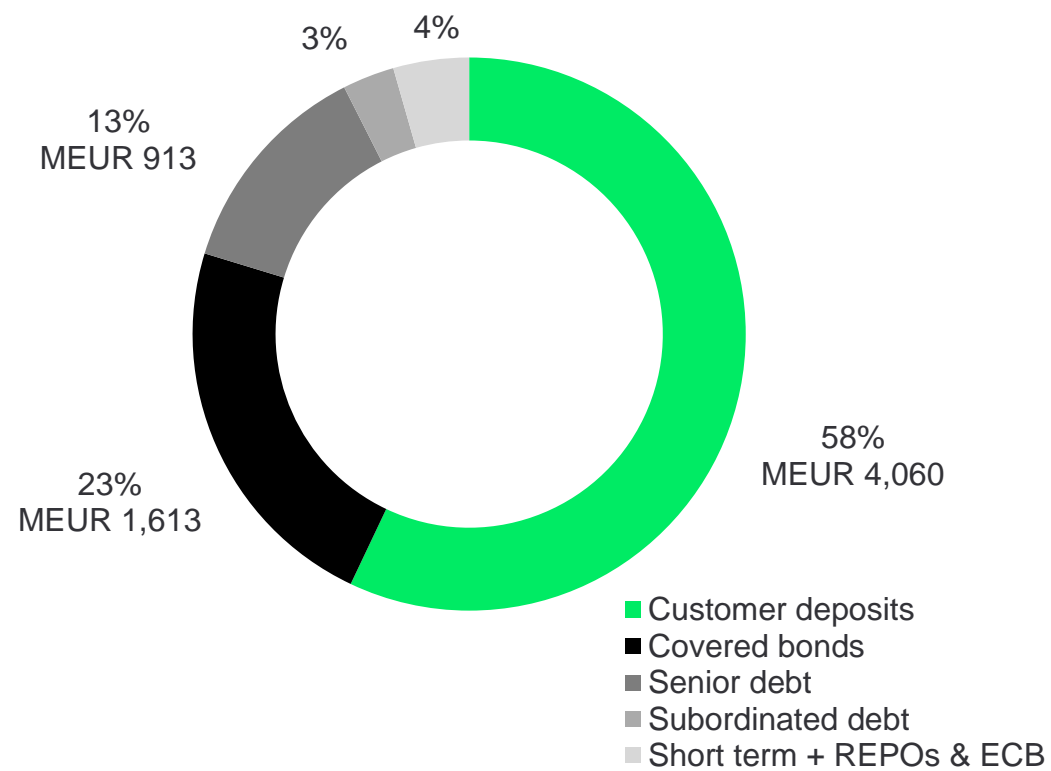
Total Liquidity portfolio	Dec 31, 2019	Sept 30, 2019
EUR million	1,326	1,410
AAA	58.5%	52.4%
Aa1–Aa3	18%	19.2%
A1–A3	3.2%	2.7%
Baa1–Baa3	6.9%	5.9%
Ba1–Ba3	0.0%	1.3%
Finnish municip. (no rating)	13.4%	17.8%
No rating	0.0%	0.7%
Total	100.0%	100.0%



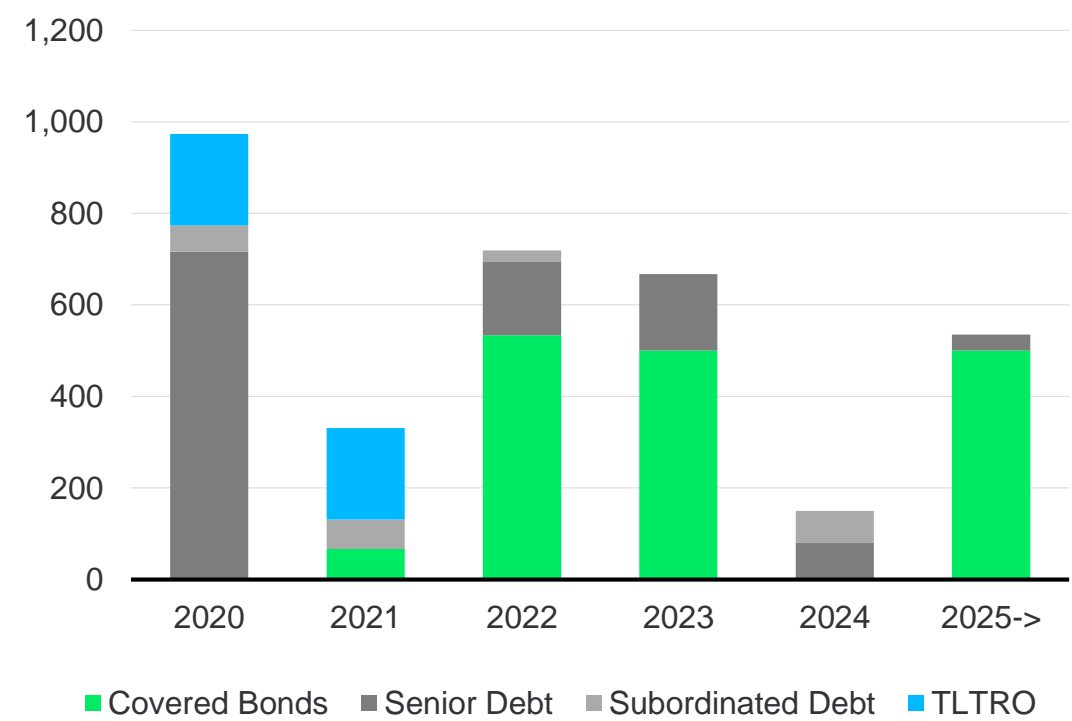
Sound funding profile

The year 2020 will bring substantial senior refinancing interest.

Total 7,117 EUR million



Redemptions
Millions



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.

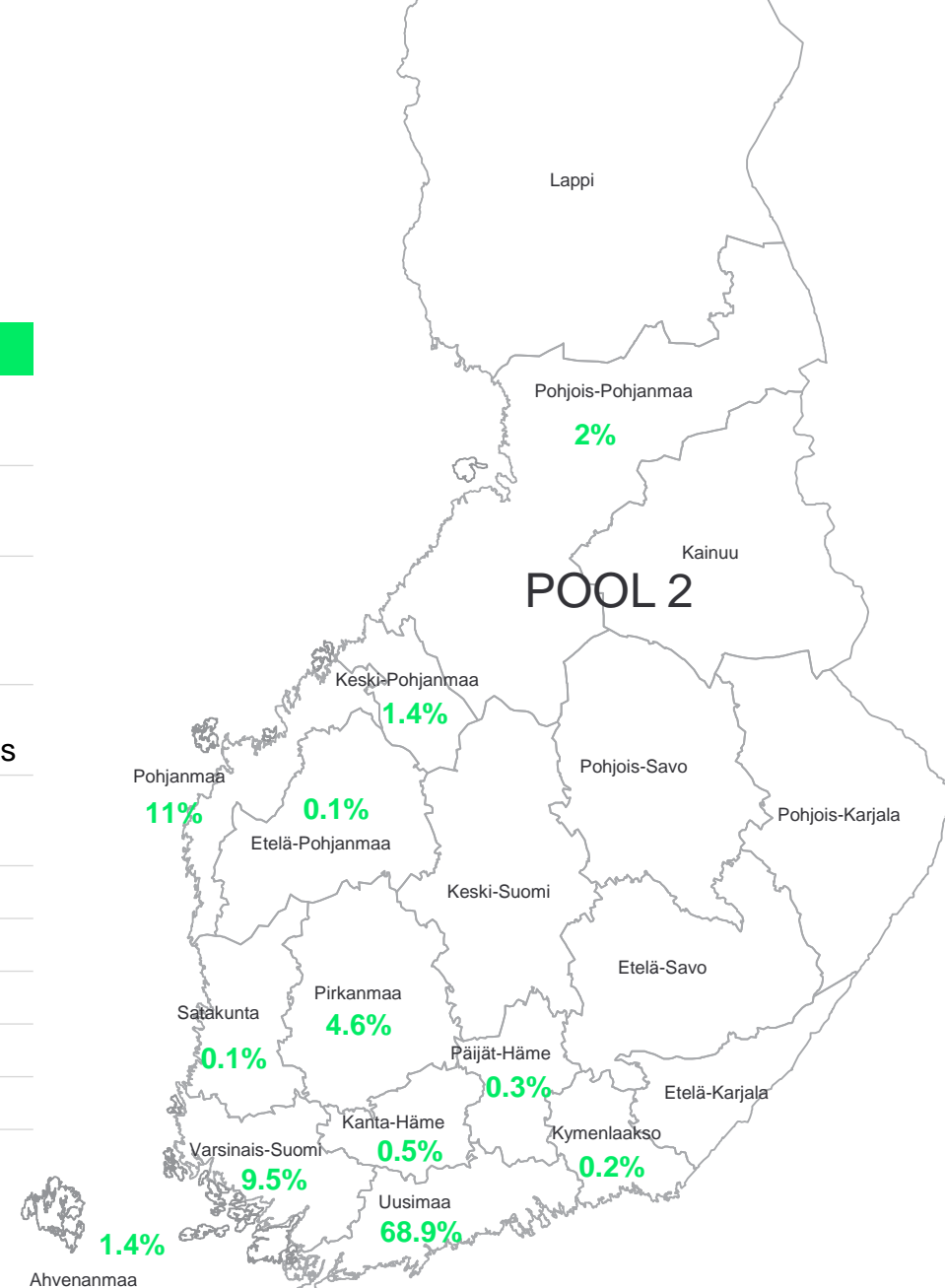
- The Aktia Bank mortgage loan portfolio is of very high quality:
 - Prime residential mortgage loans and loans for Housing Co-Operatives
 - Collateral located in Finland
 - Low average LTV
- Aktia Bank covered bonds are CRR & UCITS, ECB repo and CBPP eligible.
- Bank aims to comply with the ECBC covered 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.

Cover pools

4Q 2019

	COVER POOL 2	COVER POOL 1
Total asset pool (No substitute assets)	EUR 1,874 million	EUR 158 million
No of loans / average loan balance	31,578 / EUR 59,352	2,241 / EUR 70,319
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	46.28%	36.78%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	floating 97%, fixed 3%	floating 97%, fixed 3%
WA seasoning	69.1 months	88 months
Overcollateralisation (%)	21.70% (committed 10%)	266.48% (committed 12%)
Moody's Collateral Score	5.00 %	5.00 %

Aktia



**Finland – growing
but very export
driven economy**

The Finnish Economy

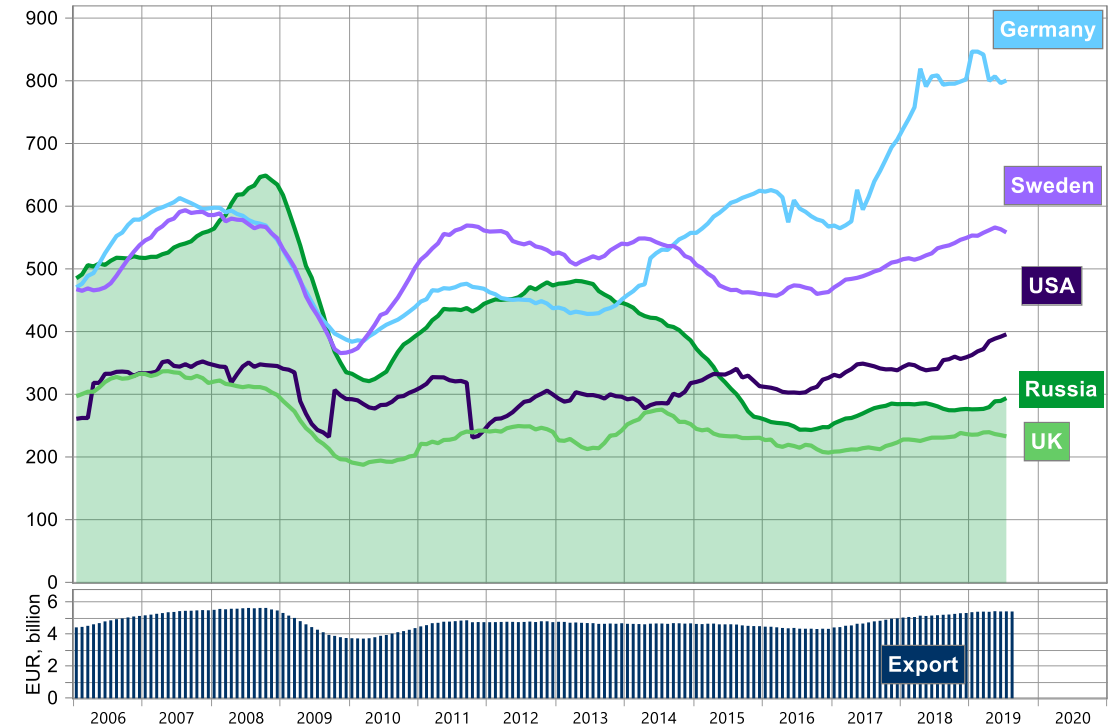
Key facts about Finland

- Member of EU and Euro area
- Population: 5.5 million
- Area: 338,430 sq. Km
- GDP per capita EUR 42,502 (2018)

Credit ratings:

- Aa1 (stable) / AA+ (stable) / AA+ (stable)

Finland: Export value, mil. euro

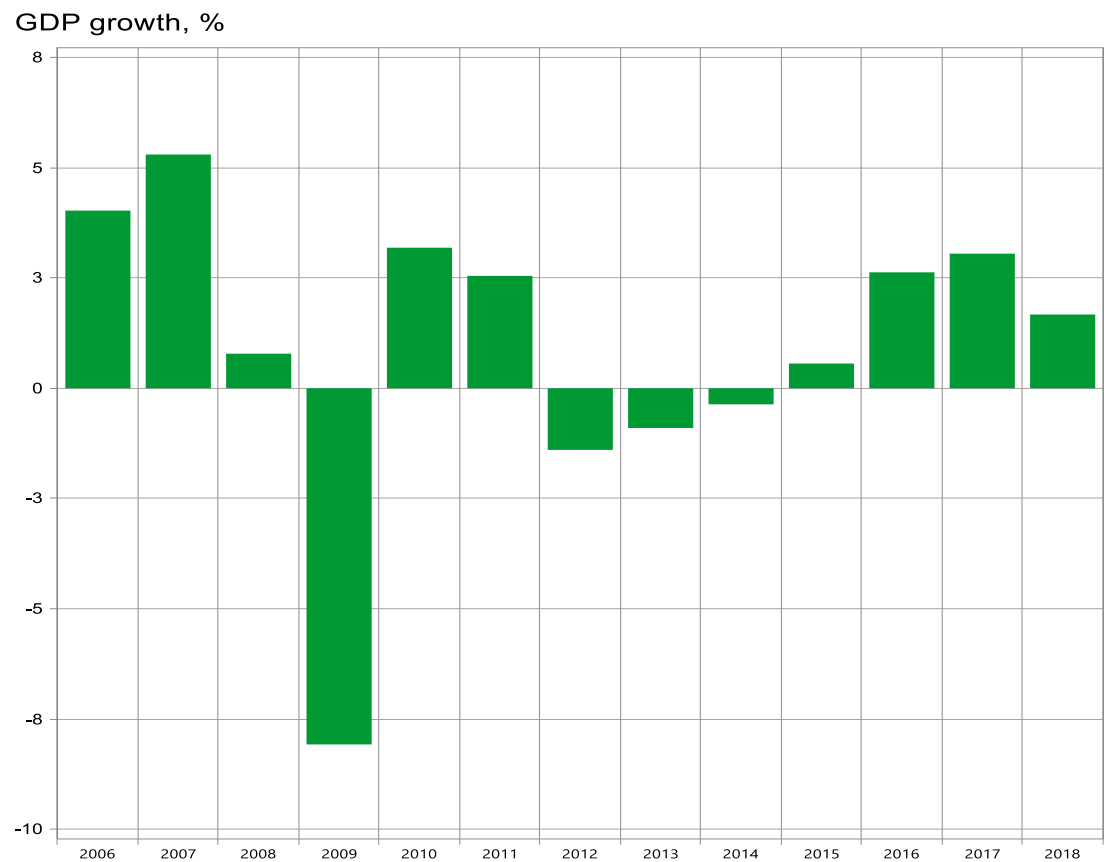


Sources: Aktia and Macrobond

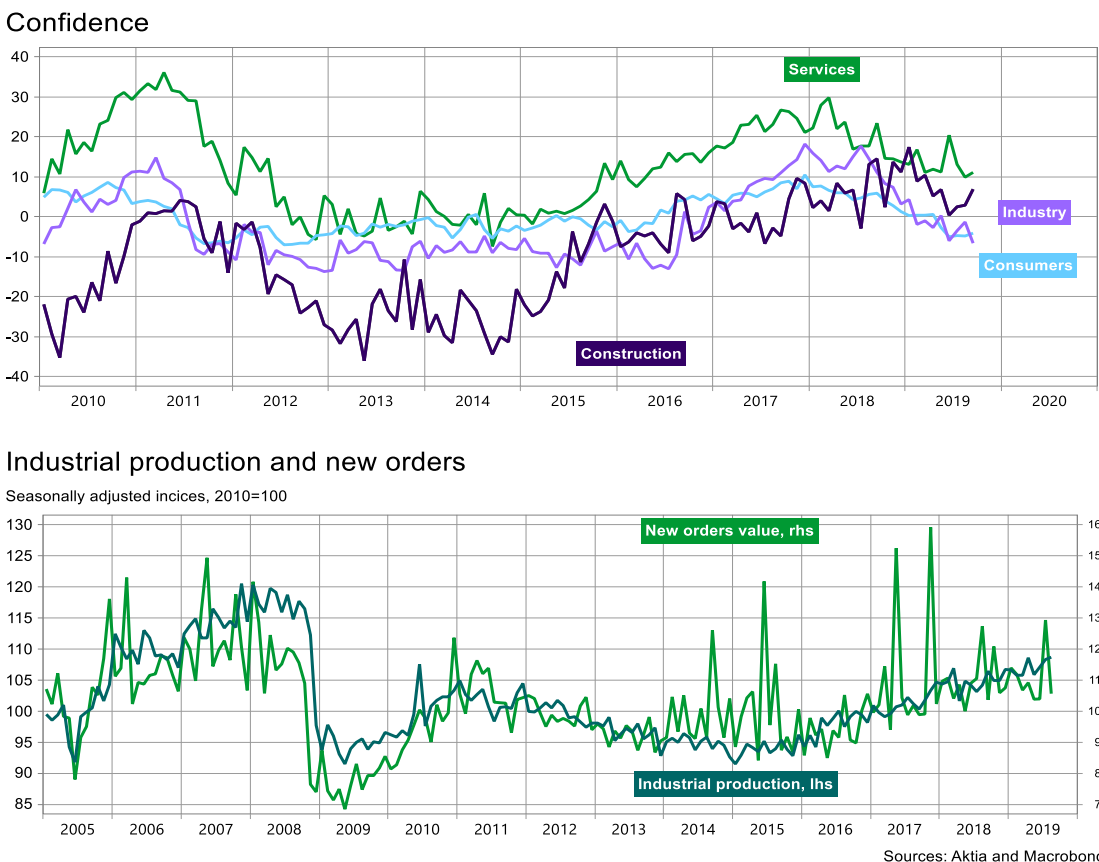
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The Finnish Economy

Growth continues, but weaker

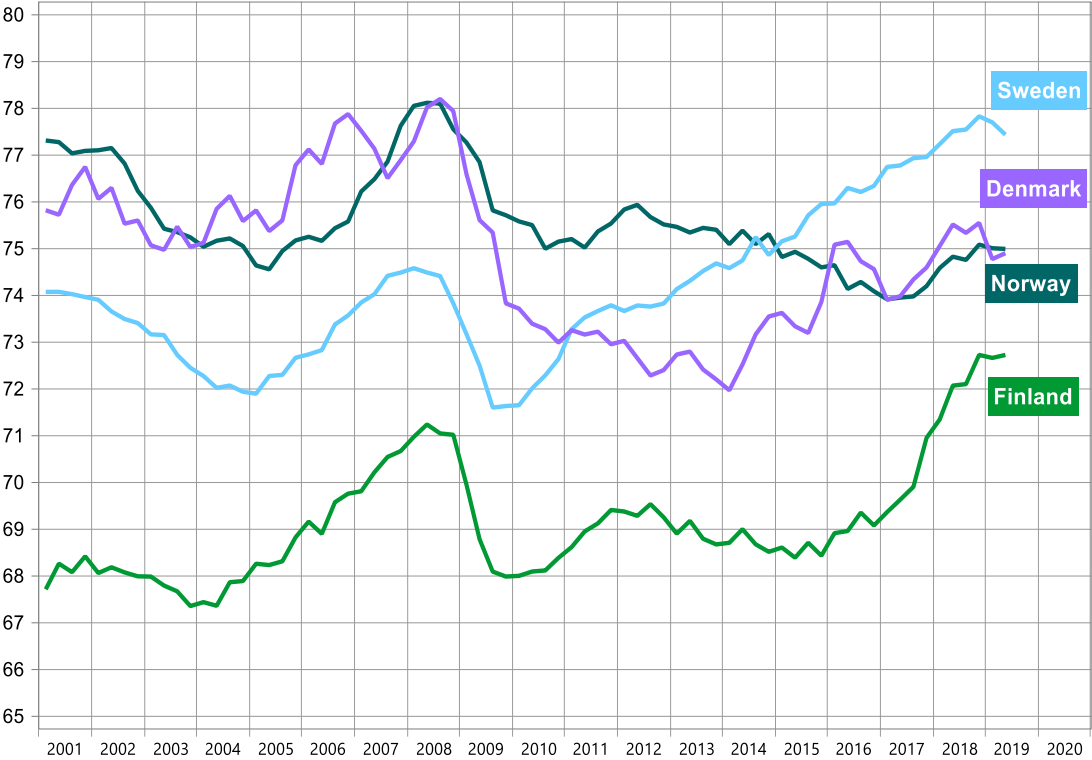


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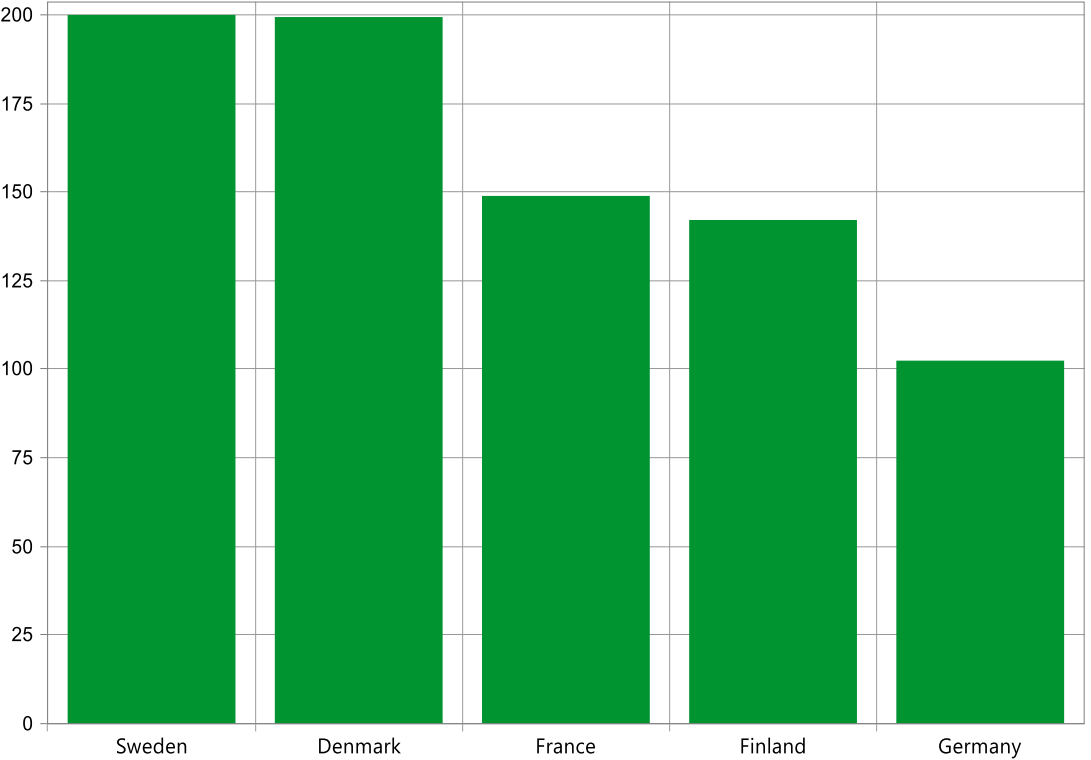
The Finnish Economy

Employment rate, 15-64 year olds



Sources: Aktia and Macrobond

Private debt, % of GDP (2017)



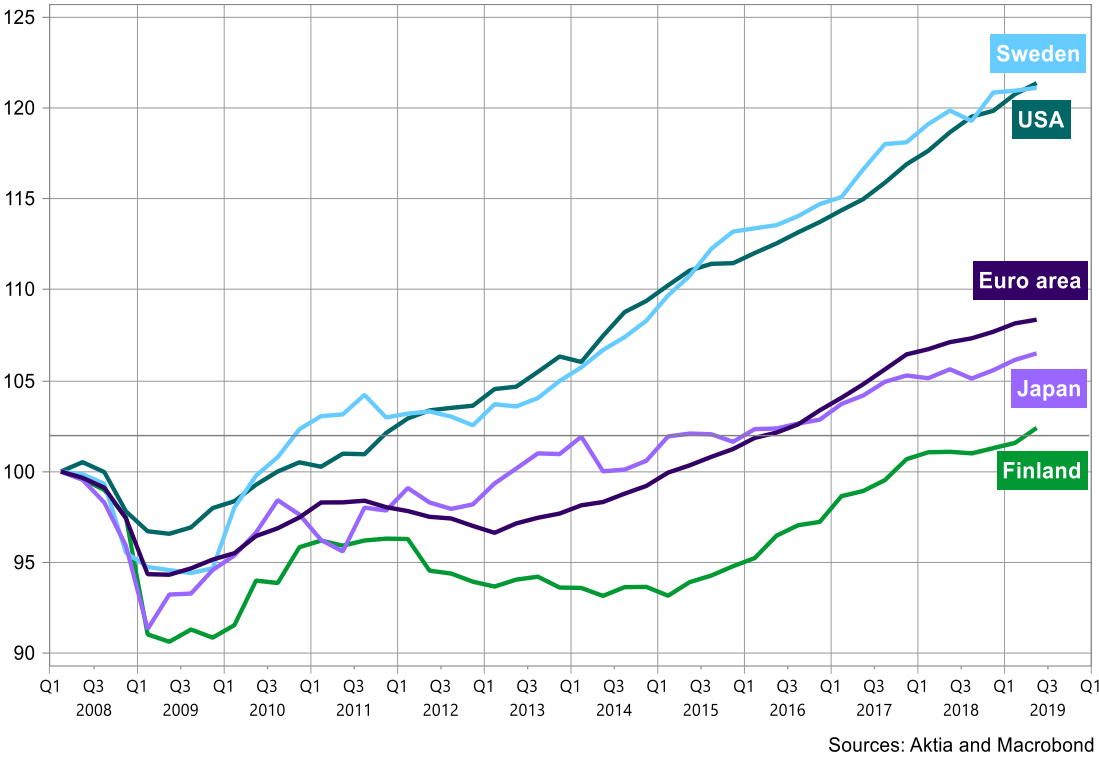
Sources: Aktia and Macrobond

Macroeconomic environment

Worrying environment

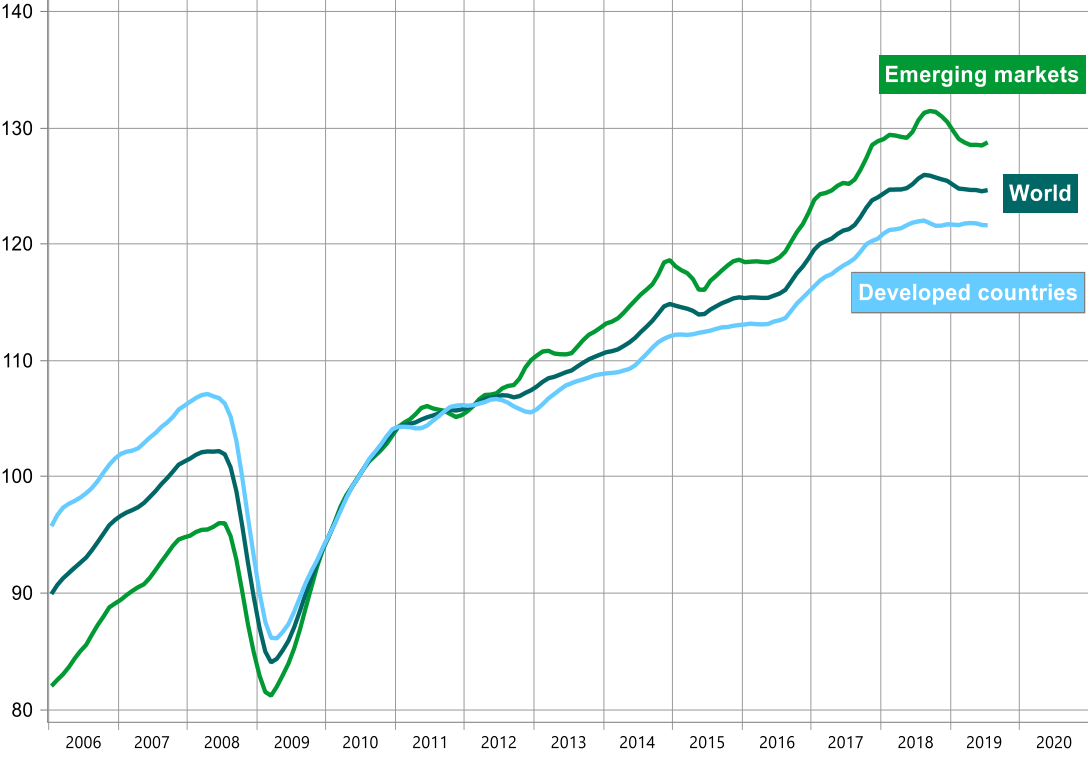
GDP in some countries

Index, Q12008=100



World exports

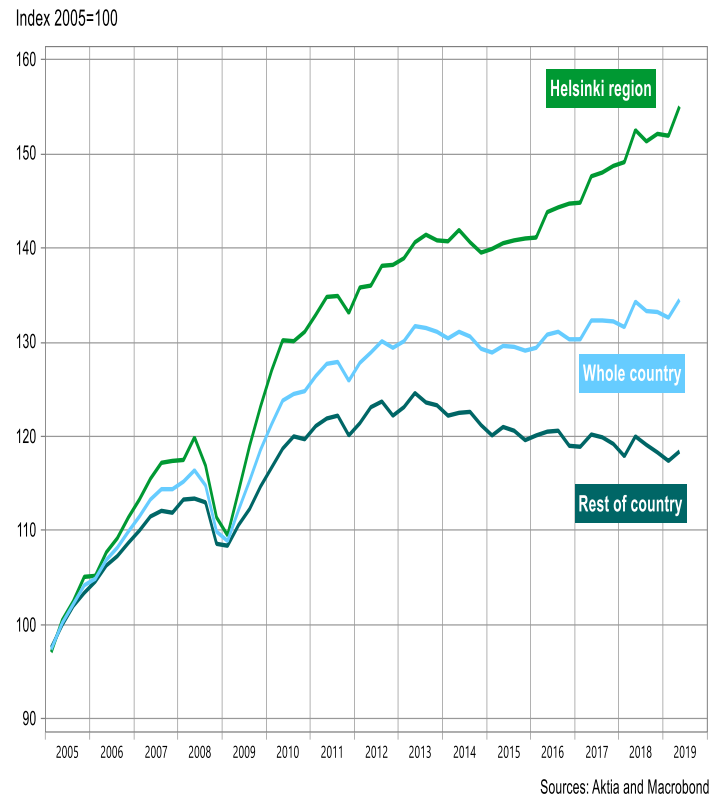
Volyme. Index 2010=100. 6 mMA. Sources: Aktia and Macrobond



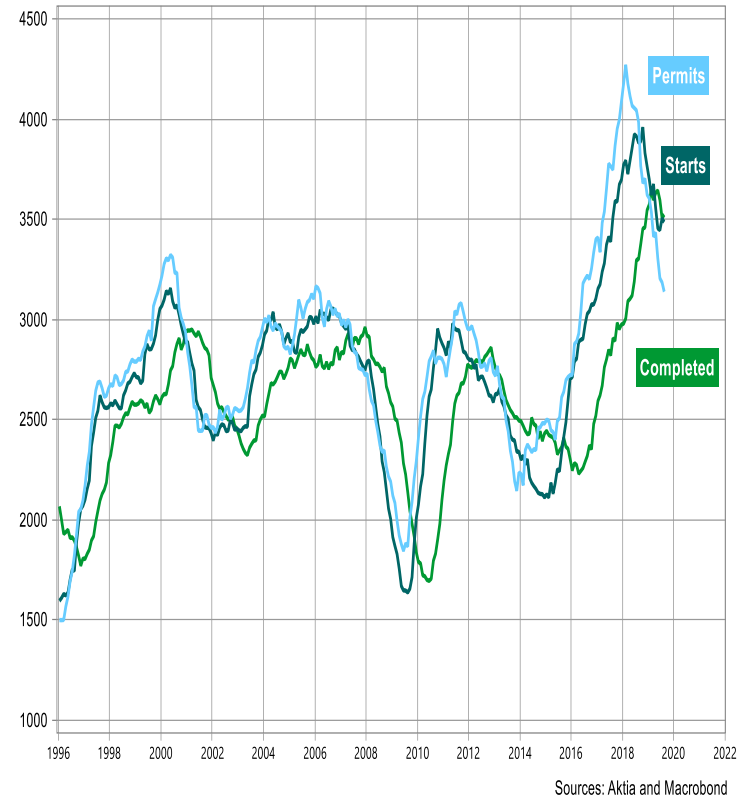
Finnish housing market

Solid and stable market, a slowdown in growth projected

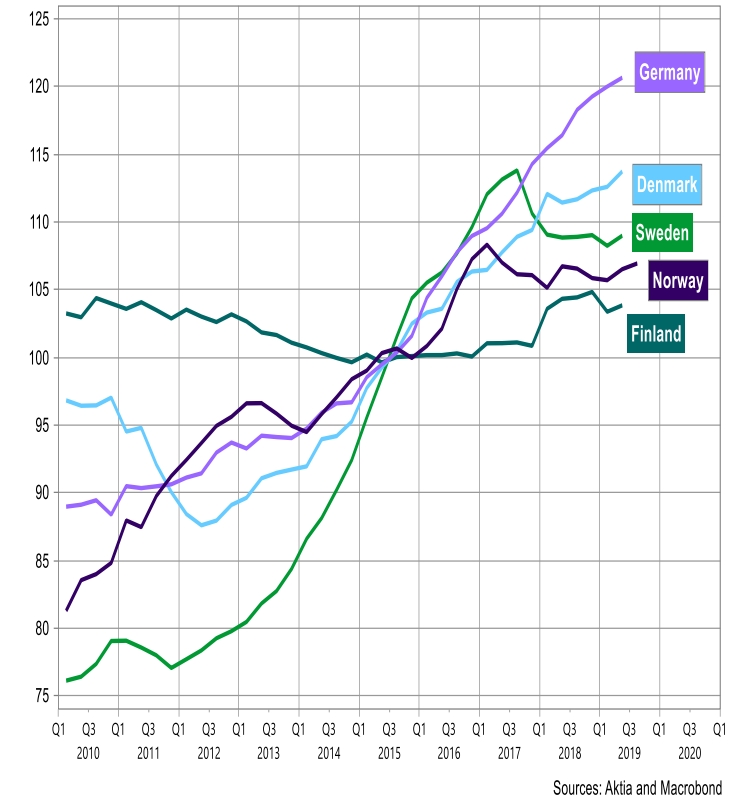
Finland: Prices, old apartments



Number of new dwellings



Real House Prices, index 2010=100



Aktia



The good bank. And a great asset manager.

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Appendices

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

