

Aktia Bank

**Debt Investor
Presentation
30.9.2016**



Executive Summary – Aktia Bank Plc

Aktia

Retail bank with focus on growth areas in Finland

Provides services mainly to private customers, small-sized companies and institutional investors

Business strongly supported by own branch network

Households accounts for 84 % of the loan portfolio and 72 % of the deposit stock

Prudent lending policy and low loan losses

Write-downs EUR 0.7 million (0.01 %) in 1-9/2016, non performing loans 0.80 %

Solid profitability over time

Return on Equity (ROE) 9.2 % in 1-9/2016

Strong Capital Ratio

Tier 1 Capital Ratio 19.2 %

Credit ratings

Moody's: A3 / P-2, pos Covered Bonds: Aaa

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

1	Overview – Aktia Group
2	Financial key figures – Aktia Bank plc
3	Credit ratings
4	The Finnish economy
5	Summary and Contacts

Banking, Asset Management and Insurance services to 300,000 customers

Aktia

- Focus on households, small-sized companies and institutional investors
- Solid capital base, liquidity and funding position
- Market cap EUR 700 million, ~40,000 shareholders
- The majority of shares held by committed long-term owners

Aktia Bank Plc (1-9/2016)

Operating income EUR 160.7 million

Operating profit EUR 52.9 million

Assets EUR 9,548 million

Banking, Operating profit EUR 37.0 million

- Market share in mortgages 4.1 % and in deposits 3.8 %

Asset Management & Life Insurance, Operating profit EUR 16.2 million

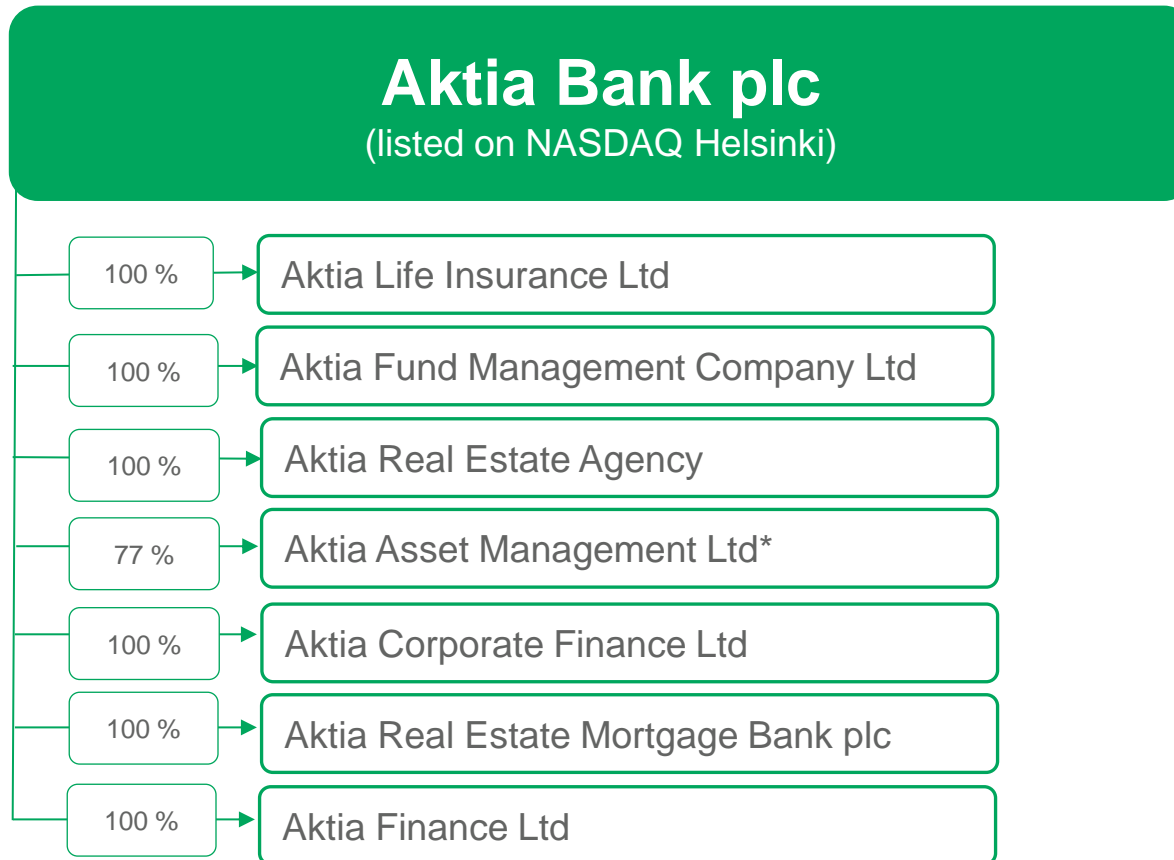
- Market share in mutual funds 6.1 %
- Market share in life insurances 2.3 %

Other services include; Non- life Insurance, Real Estate Services

Sources: Bank of Finland and Federation of Finnish Financial Services

Group structure

Aktia



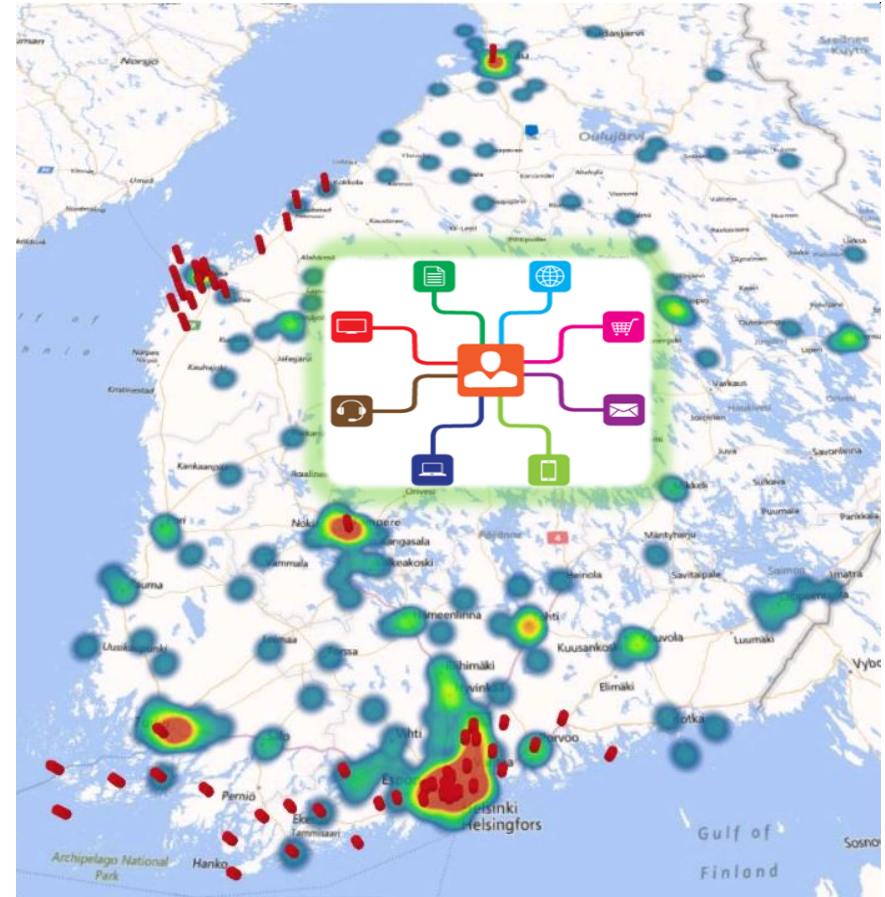
*Minority shares used as incentives for key personnel

Aktia Bank Plc

Focus on retail banking and institutional investors

Aktia

- Aktia Bank is the 4th largest bank in the Finnish retail market with focus on growth areas in Finland such as the Helsinki Metropolitan Area, the coastal area and selected inland growth centres. The majority of Finland's population lives in this area.
- Business strongly supported by own branch network. Aktia has 50 branch offices supported with comprehensive service concept Omni Channel, including web-based services, mobile services, call centre etc.



Aktia has established a position as one of the leading asset & fund management companies in Finland:

MORNINGSTAR® Awards 2013, 2014 and 2015,
Finland Best Fund House: Fixed Income



EUR million	30.9.2016	31.12.2015	change %
Assets under mgmt	7,728	7,138	8 %
Group financial assets	2,668	2,994	-11 %
Total	10,396	10,133	3 %



Aktia Life Insurance

Producer of customer friendly life insurance services

Aktia

Key numbers

- Technical provisions EUR 1,153 million (EUR 702 million unit-linked and EUR 450 million interest rate related)
- Solvency ratio 165.3 %

Several co-operation partners in the finance trade

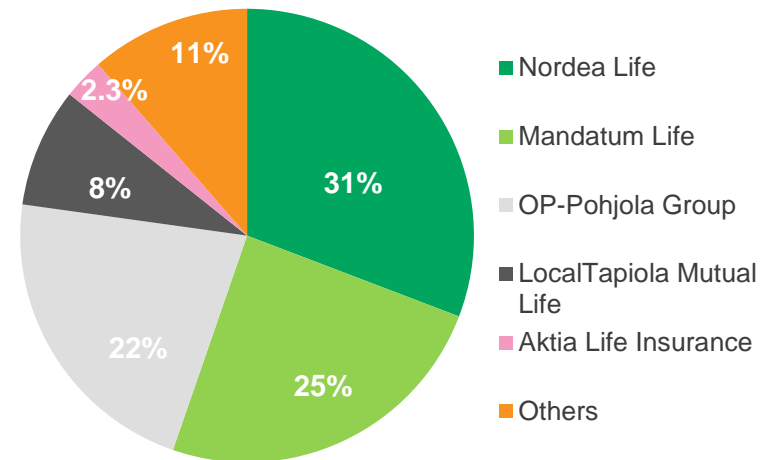
Aktia Bank, Folksam Non-Life Insurance Company, POP Bank Group, Pohjantähti Mutual Insurance Company, Alandia Insurance, Veritas Pension Insurance

Customers

Approximately 106,600 customers
of which 101,000 are private customers
and 5,600 corporate customers

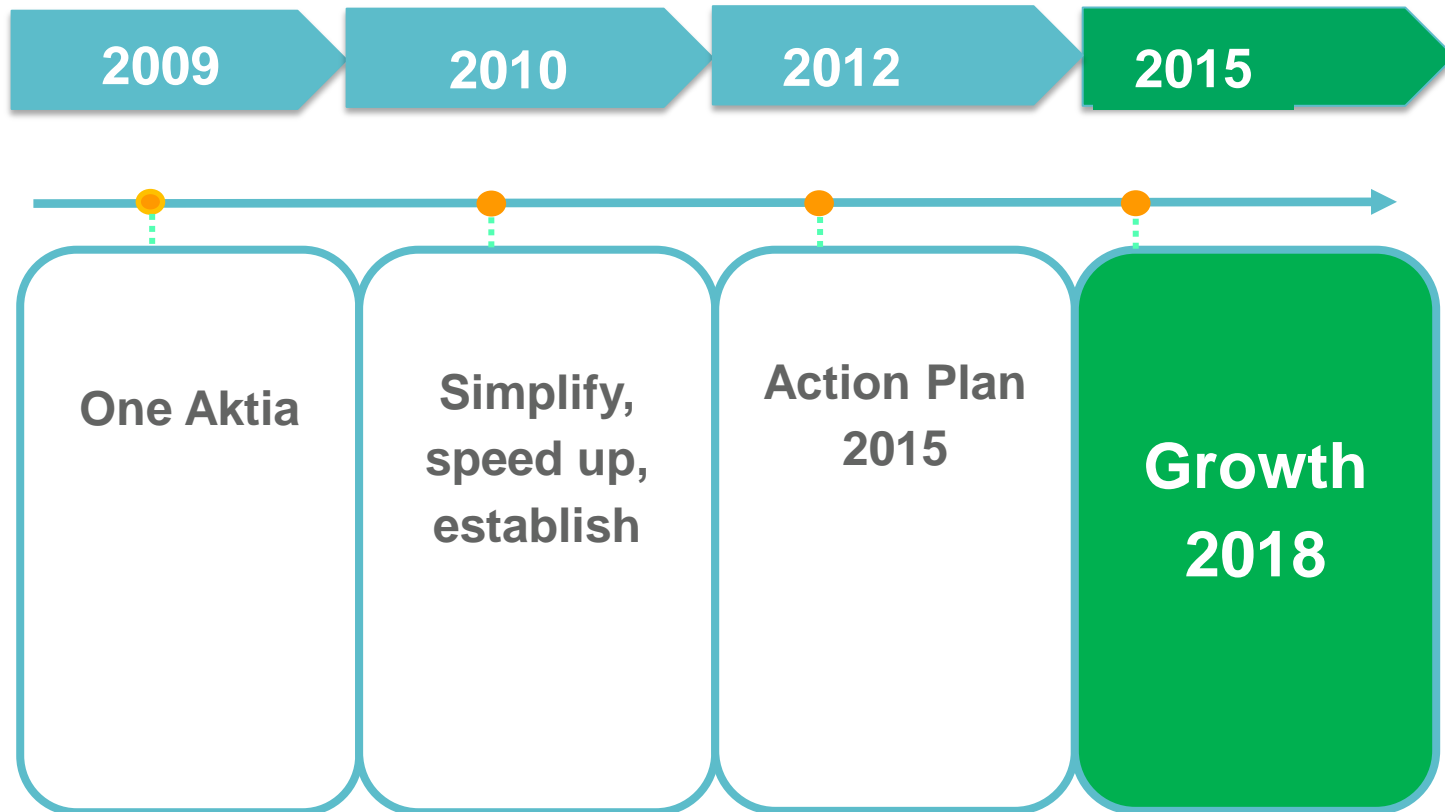
Focusing sales on more profitable, less capital intensive products

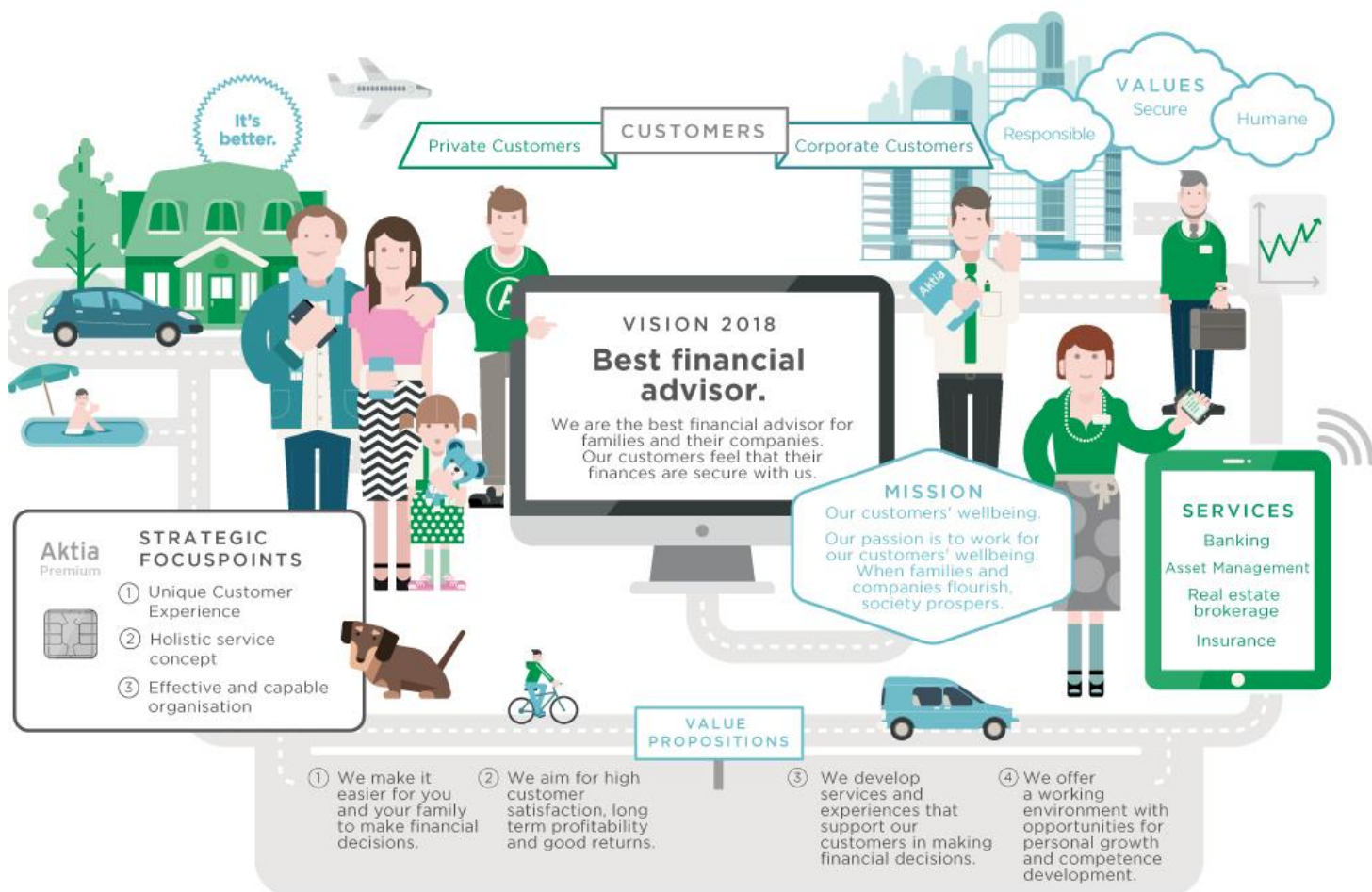
Market share



Development of the Strategy

Aktia





Financial objectives 2018

Aktia

Growth

Double the number of new customers

Profitability

ROE \geq 9%

Cost-to-income ratio down by -10%

Capital adequacy

Common Equity Tier 1 \geq 15%

Dividend pay-outs

Dividend pay-out \geq 50 % of profits for the year

1

Overview – Aktia Group

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Financial key figures – Aktia Bank plc

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Credit ratings

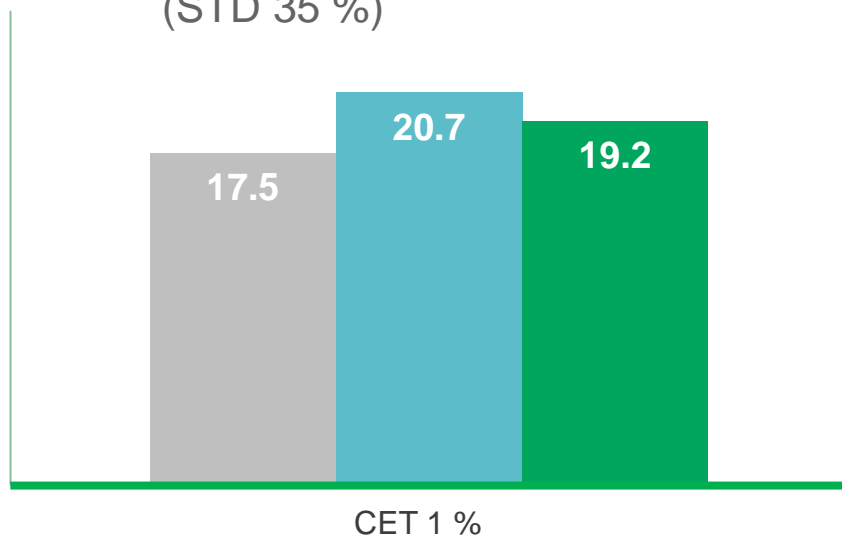
4

The Finnish economy

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Summary and Contacts

- The Financial Supervisory Authority granted Aktia Bank Group permission to apply internal risk classification (IRBA) to the calculation of capital requirement for retail exposures as per 31 March 2015
- A total of 58 % (58 %) of the Bank Group's exposures are calculated according to the IRB approach
- The average risk weight for retail exposures with real-estate collateral is 15 % (STD 35 %)



■ Average for Finnish Banks 2015 ■ Aktia 12/2015 ■ Aktia 1-9/2016

	30.9.16 IRBA	31.12.15 IRBA	31.12.14 STD
Common Equity Tier 1 %	19.2	20.7	14.6
Tier 1 capital ratio %	19.2	20.7	14.6
Capital Adequacy %	25.5	27.1	19.1

Results 1-9/2016

Aktia

EUR million	1-9/2016	1-9/2015	change %	total 2015
Net Interest Income	72.6	73.6	-1%	97.3
Net Commission Income	59.6	61.0	-2%	80.0
Total Operating Income	160.7	156.5	3%	208.4
Total Operating Expenses	-108.0	-103.9	4%	-144.4
Write-Downs	-0.7	-0.1	-	-0.3
Operating Profit	52.9	53.1	0%	64.2
Profit for the period	42.8	42.9	0%	51.6

KEY FIGURES

Banking Business, EUR million	1-9/2016	1-9/2015	2015	2014
Cost-to-Income Ratio	0.67	0.66	0.69	0.68
Return on Equity (ROE) %	9.2	8.4	7.9	8.3
Borrowing from the public	4,254	3,920	3,922	3,979
Lending to the public	5,798	5,934	5,856	6,416
Mortgage Loans	4,558	4,749	4,736	5,229
Capital Adequacy Ratio %	25.5	25.8	27.1	19.1
Tier 1 Capital Ratio %	19.2	20.5	20.7	14.6
Risk-Weighted Commitments	2,114	2,126	1,999	3,263

Assets and liabilities

Aktia

Aktia Group

30.9.2016, EUR million

ASSETS

Loans to public	5,798	61%
Mortgage loans granted by Aktia Bank	4,219	
Other loans granted by Aktia Bank	1,225	
AKTIA REMB loans distributed by Aktia Bank	0	
AKTIA REMB loans distributed by Local Banks	354	
Treasury and money markets	342	4%
Current account at Bank of Finland	127	
Other	215	
Liquidity portfolio	1,979	21%
Government bonds / Municipal bonds	370	
Government guaranteed bonds / Supra	325	
Covered Bonds	933	
Senior bonds issued by banks	290	
Other bonds	61	
Investment portfolio in Life Insurance	613	6%
Invest. for unit-linked provisions, Life Insurance	702	7%
Other assets	114	1%
Total assets	9,548	100%

LIABILITIES

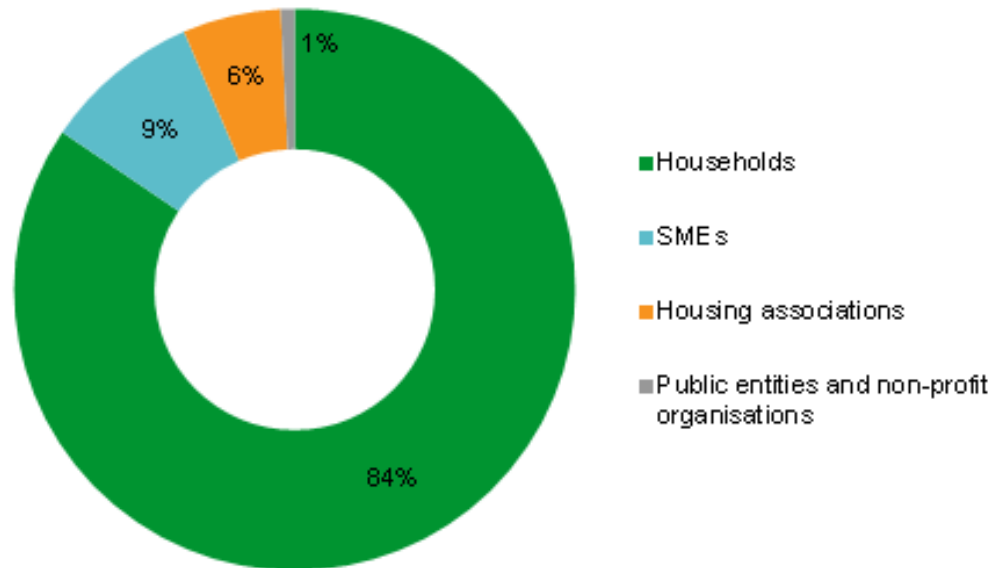
Demand deposits	3,820	40%	RETAIL
Time deposits	434	5%	
Long-term issues to retail market	240	3%	
Senior debt	4		
Subordinated debt	236		WHOLESALE MARKET
Long-term funding	2,716	28%	
Covered bonds	1,648		
Senior debt	868		
Subordinated debt	0		
ECB	200		
Short-term funding	159	2%	
Repos + ECB	0		
CDs & wholesale MM deposits	11		
Received cash collateral	148		
Technical prov. for unit-linked insurances	1,153	12%	
Other Liabilities	404	4%	
Equity	622	7%	
Total liabilities and equity	9,548	100%	

Structure of lending and deposits

Business strongly supported by households through own retail network

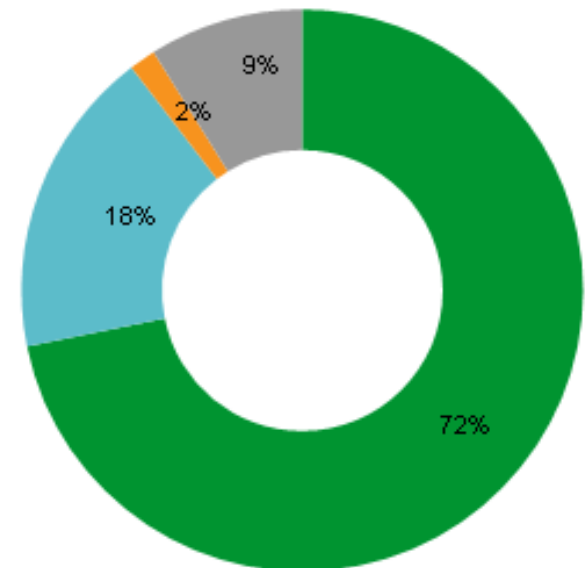
Lending

1-9/2016, EUR 5,798 million
(2015, EUR 5,856 million)



Deposits

1-9/2016, EUR 4,254 million
(2015, EUR 3,922 million)

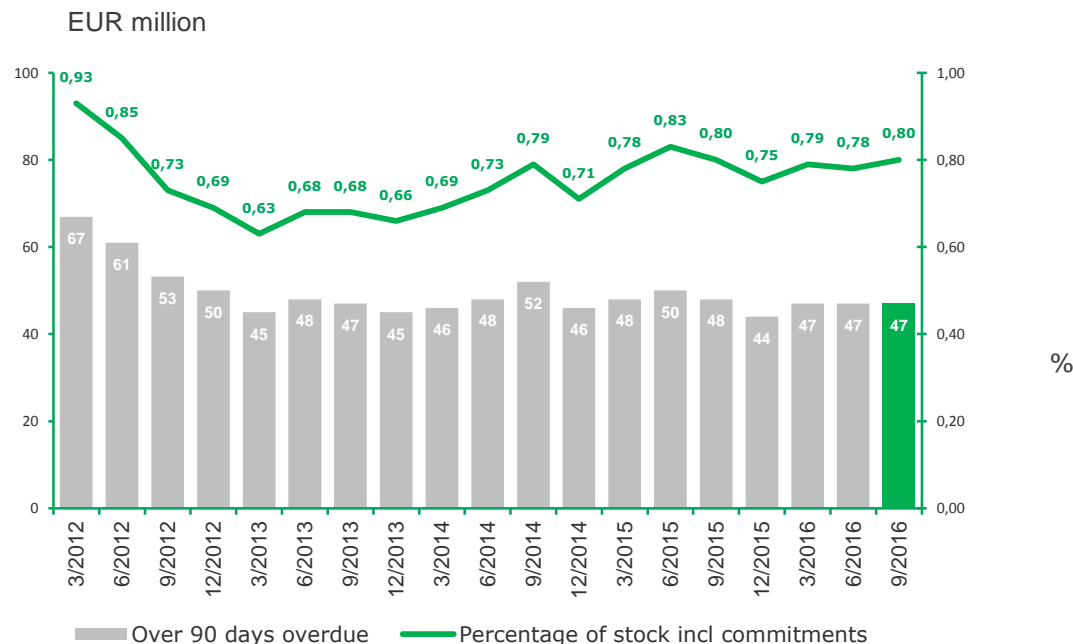


Prudent and low risk lending policy

Aktia

- Aktia Bank operates under strict origination criteria:
 - Identification of the customer mandatory
 - Responsible lending: customer ability to pay stress tested
 - Credit personnel internally educated and examined
 - Rating based credit risk valuation
 - Collateral only in Finland

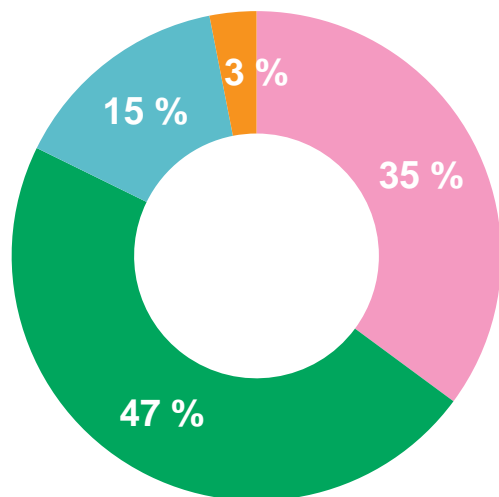
Non-performing loans more than 90 days overdue



High quality liquidity portfolio

Aktia

- At the end of March the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow of finance from the wholesale market for 40 months.
- Aktia meets LCR demands (30.9.2016; 196%)



- Government and gov guaranteed bonds
- Covered bonds
- Financial sector excl. CB
- Corporate bonds

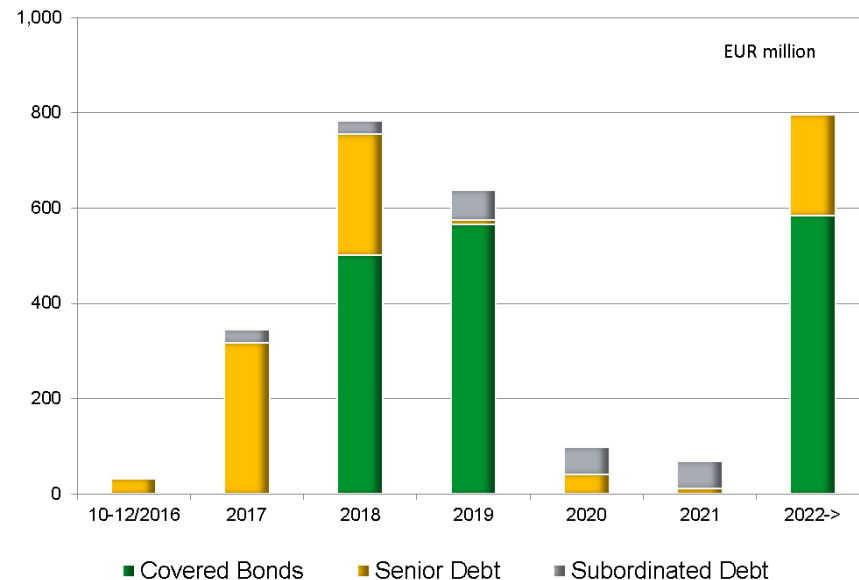
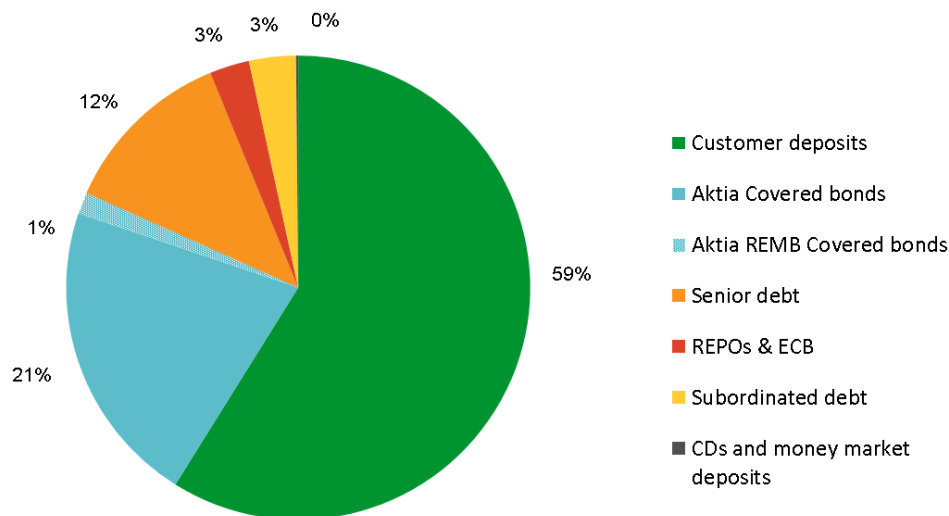
	30.9.2016	31.12.2015
(EUR million)	1,980	2,295
Aaa	50.6 %	59.9 %
Aa1–Aa3	26.7 %	25.1 %
A1–A3	4.3 %	5.5 %
Baa1–Baa3	4.2 %	2.2 %
Ba1–Ba3	0.0 %	0.0 %
Finnish municip. (no rating)	12.2 %	7.4 %
No rating	2.0 %	0.0 %
Total	100.0 %	100.0 %

Sound funding profile

Deposits and Covered bonds dominate

Aktia

Funding profile Q3 2016
EUR 7,225 million
(2015, EUR 7,652 million)



Wholesale Funding, EUR million	Nominal Value
Covered bonds	1,565
EMTN Program	585
Domestic Program	240
Schuldschein	204
Other Funding *	366

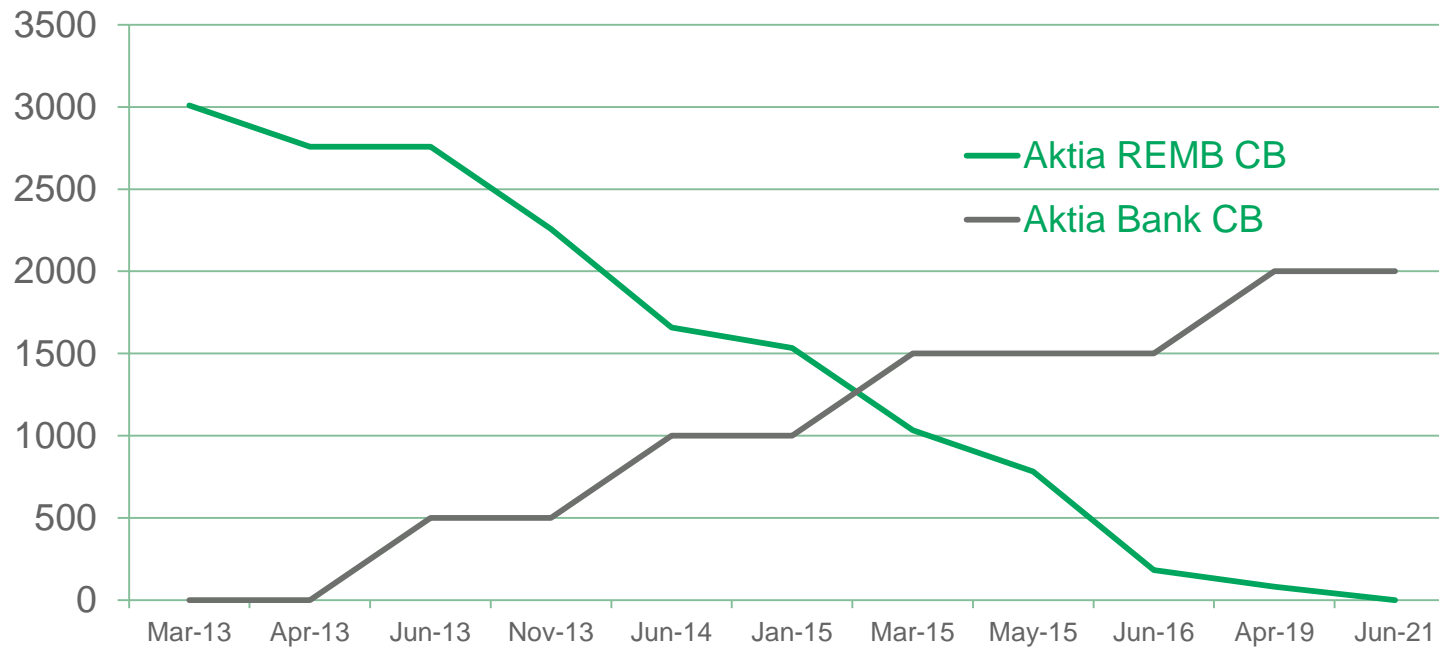
* RCB, EIB, NIB etc.

- Aktia Bank operates under the current 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 Bank replaces the old co-owned Aktia Real Estate Mortgage Bank Plc as the active issuer on the EUR covered bond market.
- The Aktia Bank mortgage loan portfolio is very high quality:
 - Only prime residential mortgage loans
 - Collateral located in Finland
 - Low average LTV
- Aktia Bank covered bonds are CRR & UCITS and ECB repo eligible
- Banks aims to comply the ECBC covered bond label transparency initiative

Aktia Bank

Covered Bond Funding Profile

Aktia



- Stable access to the covered bond market is in high priority
- Aktia Bank will focus at EUR 500m public benchmark Covered Bond issues with selective private placement offerings

Aktia Bank Cover Pool September 2016

Aktia

Asset Pool Total	EUR 2,162m (no substitute assets)
No of loans / average loan balance	35,382 / EUR 61,100
Types of loans	First ranking residential mortgages and pledges of shares in housing companies
Geography	Finland only, well diversified with concentration on growth areas
Non-performing loans (> 90 days in arrears)	0.0
WA LTV	55.76%
WA indexed LTV	55.57%
Maximum LTV	LTV limit: 70%
Interest base	Floating 93%, fixed 7%
WA seasoning	35.5 months
% of largest 10 borrowers	0.40%
Overcollateralisation (%)	40.42% (Committed OC 10%)
Moody's Collateral Score	5,3%

Aktia REMB: Winding Down

- Aktia REMB is a fully owned subsidiary to Aktia Bank Plc since September 2016. The operational winding down process of the bank continues.
- Loan sellbacks to distributing banks continue with partial bond amortizing plans and following redemptions.
- LCR requirement fulfilled with Aktia Bank – concession approved by Finnish FSA.
- Operations will meet all regulative and committed guidelines throughout the process.
- REMB to be merged with Aktia Bank in 2017.

Aktia REMB Cover Pool September 2016

Aktia

Asset Pool Total	EUR 346m
No of loans / average loan balance	6,223 / EUR 55,500
Types of loans	First ranking residential mortgages and pledges of shares in housing companies
Geography	Finland only, well diversified with concentration on growth areas
Non-performing loans (> 3 months in arrears)	0.0
WA LTV	46.70%
WA indexed LTV	46.42%
Maximum LTV	Covered Bond refinancing max LTV limit: 70%, Underwriting maximum LTV limits: 70% ¹⁾
WA seasoning	77.3 months
Overcollateralisation (%)	220.78%

* Pool1 managed under the Finnish Act on Mortgage Credit Bank Operations 688/2010

1) Except where the exceeding loan amount is covered by a state guarantee

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Aktia Bank credit ratings

Aktia

MOODY'S
INVESTORS SERVICE

Senior: A3 / P-2, Outlook Positive
Covered Bonds: Aaa

 **STANDARD & POOR'S**
RATINGS SERVICES
McGRAW HILL FINANCIAL

Senior: A- / A-2, Outlook Negative

For full rating reports please see <http://www.aktia.com/en/velkasijoittajat/luottoluokitus>

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Macroeconomic environment

Open economy with stable institutions

Aktia

FINLAND



Population: 5.5 million

Area: 338 430 sq. km

GDP per capita EUR 37 819 (2015)

Finland is rated Aa1 (stable) / AA+
(stable) / AA+ (stable)



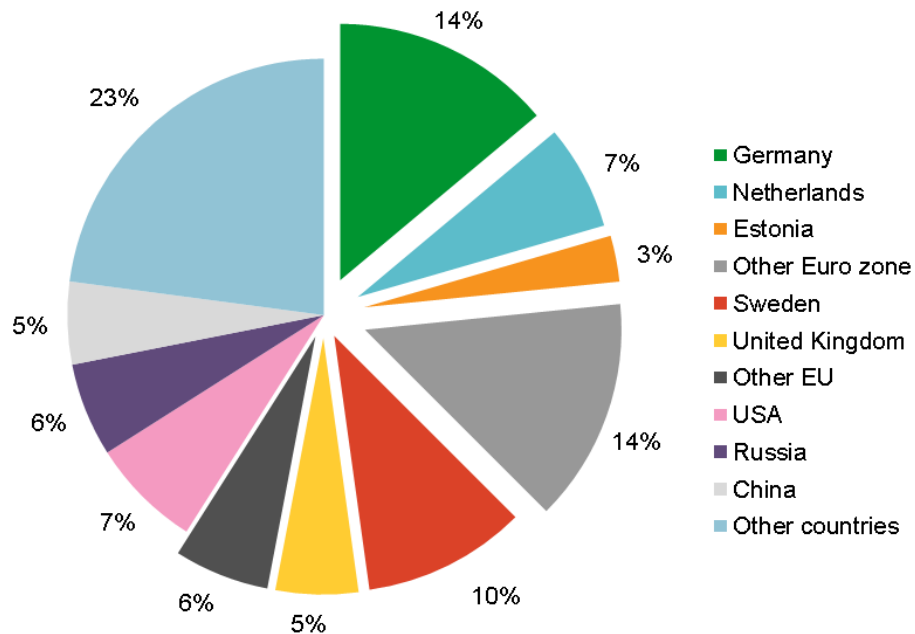
Finland: Supply and demand 2015

	€ billion	% of GDP
GDP	207,2	100,0
Imports	76,6	37,0
Exports	77,3	37,5
Private consumption	115,6	55,8
Public consumption	50,9	24,6
Fixed investment	42,1	20,3

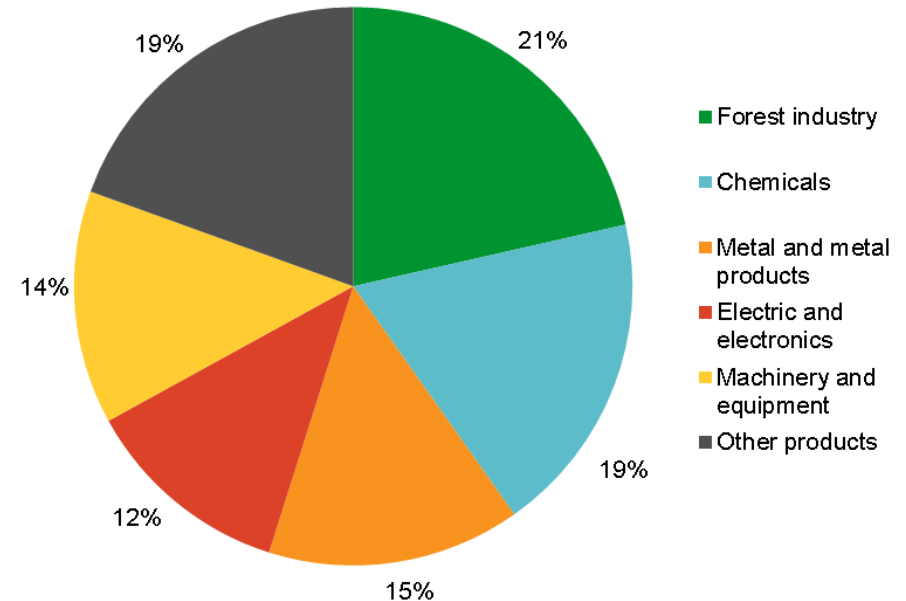
The Finnish economy

Substantial part of exports outside the EU

Exports by country (2015)



Exports by product group (2015)



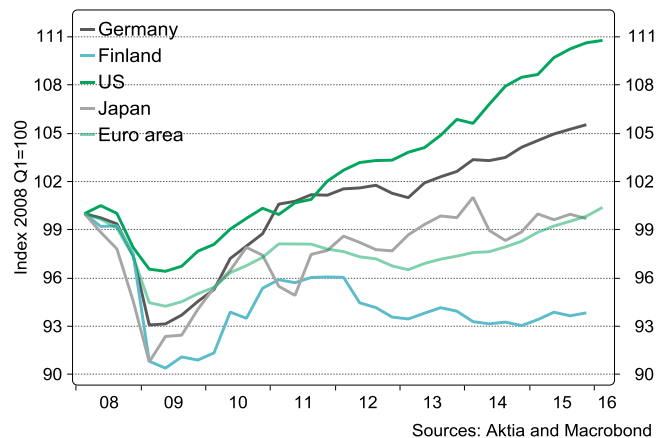
Source: National Board of Customs, Statistics Finland

Macroeconomic environment

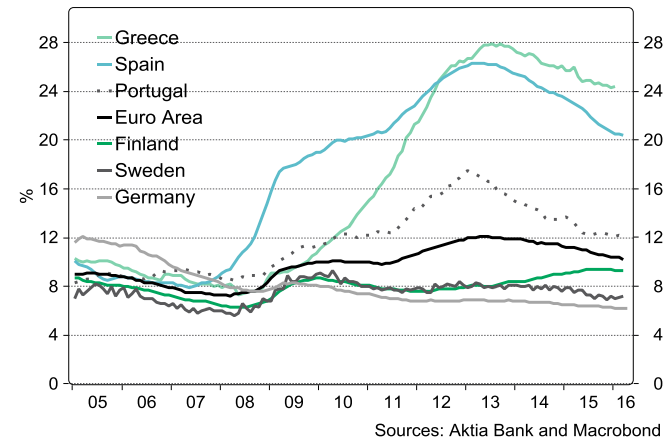
GDP growth still modest, trade growth picking up

Aktia

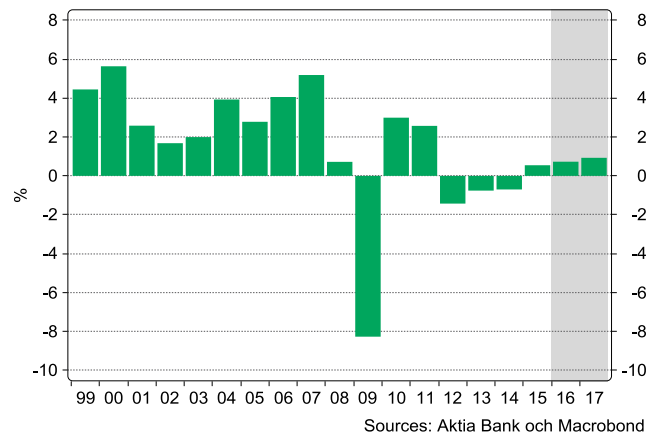
GDP



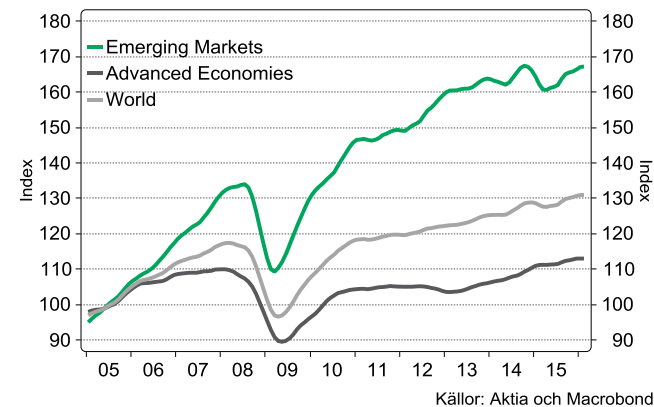
Unemployment rate in various European countries, %



Finland, GDP growth, %

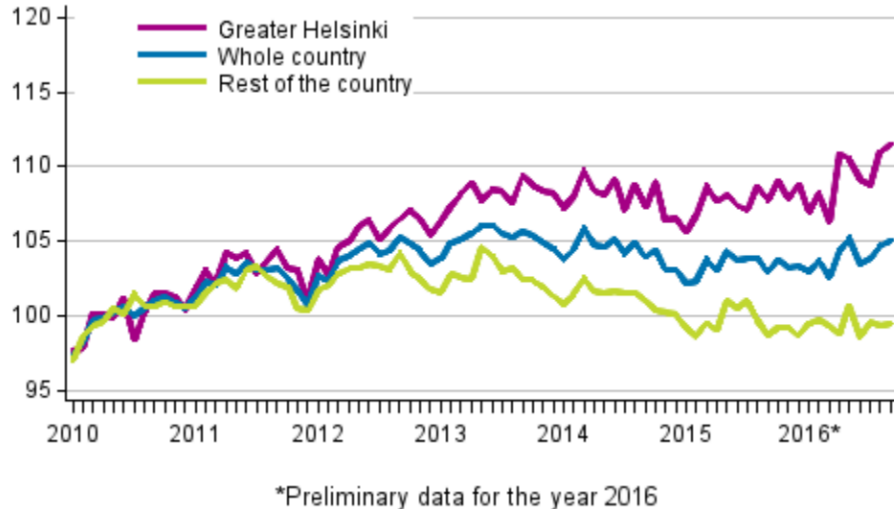


World imports
(6 months ma)



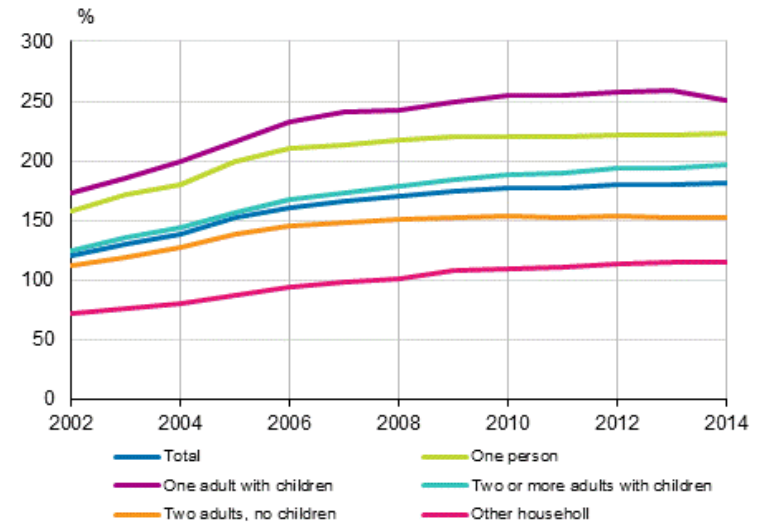
Macroeconomic environment

Development of prices of old dwellings in housing companies quarterly, index 2010=100



Source: Statistics Finland

Share of housing loans in the income of household-dwelling units with housing loans in 2002 to 2014



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S&P:

A- / A-2, stable

Contacts and additional information

Aktia



Timo Ruotsalainen
Head of Treasury
Managing Director, Aktia REMB
Tel. +358 10 247 7211
timo.ruotsalainen@aktia.fi



Anna Gabrán
Investor Relations
Tel. +358 10 247 6501
anna.gabran@aktia.fi

Debt investor information:

<http://www.aktia.com/en/velkasijoittajat>

(website)

<http://www.aktia.com/en/julkaisut>

(interim reports and presentations)

Appendix 1, Geopolitical distribution of investments due to instrument type, Aktia Banking Operations

Aktia

Aktia Banking operations (Eur million)	Government and Govt. guaranteed		Covered Bonds (CB)		Financial institutions excl. CB		Corporate bonds		Equity Instruments		Total	
	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015
<i>Finland</i>	259	182	35	149	91	84	61	-	-	-	447	415
<i>United Kingdom</i>	-	-	225	298	18	19	-	-	-	-	244	317
<i>Norway</i>	-	-	218	283	-	-	-	-	-	-	218	283
<i>Netherlands</i>	25	25	165	189	60	85	-	-	-	-	249	299
<i>France</i>	68	65	109	142	32	47	-	-	-	-	209	255
<i>Sweden</i>	-	-	74	75	89	120	-	-	-	-	163	194
<i>Denmark</i>	-	-	84	84	-	-	-	-	-	-	84	84
<i>Austria</i>	26	26	-	54	-	-	-	-	-	-	26	80
<i>Germany</i>	49	48	-	9	-	-	-	-	-	-	49	58
Supranationals	214	228	-	-	-	-	-	-	-	-	214	228
Others	54	54	23	28	-	-	-	-	-	-	76	82
Total	695	629	933	1311	290	355	61	-	-	-	1980	2295

Appendix 2, Geopolitical distribution of investments due to instrument type, Aktia Life Insurance

Aktia

Aktia Life Insurance (Eur million)	Government and Govt. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Equity Instruments		Total	
	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015	9/2016	2015
<i>Finland</i>	37	34	6	6	30	56	68	61	84	82	3	3	-	-	228	242
<i>France</i>	42	38	89	86	1	1	10	10	-	-	-	-	-	-	142	135
<i>Netherlands</i>	10	10	31	31	13	13	2	2	-	-	-	-	-	-	56	56
<i>United Kingdom</i>	-	-	36	36	3	3	1	1	-	-	0	0	-	-	41	40
<i>Austria</i>	24	22	6	6	-	-	-	-	-	-	-	-	-	-	31	29
<i>Denmark</i>	-	-	19	19	1	-	1	2	-	-	-	-	-	-	22	22
<i>Germany</i>	16	17	-	-	-	-	1	4	-	-	-	-	-	-	17	21
<i>Sweden</i>	-	-	-	-	13	9	2	-	-	-	0	0	-	-	15	9
<i>Norway</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supranationals	7	6	-	-	-	-	-	-	-	-	-	-	-	-	7	6
Others	22	21	-	2	5	5	33	21	-	-	-	0	-	-	60	50
Total	158	150	187	186	66	88	118	101	84	82	3	3	-	-	616	609

Aktia

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We see a person in every customer.

