

AKTIA BANK Plc

Debt Investor presentation

30.9.2015

Aktia



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 88 % of the loan portfolio and 77 % of the deposit stock

Prudent lending policy and low loan losses

Write-downs EUR -0.1 million (0.00 %) in 1-9/2015, non performing loans 0.80 %

Solid profitability over time

Return on Equity (ROE) 8.4 % in 1-9/2015

Strong Capital Ratio

Tier 1 Capital Ratio 20.5 %

Credit ratings

Moody's: A3 / P-2, stable

Covered Bonds: Aaa

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

Presentation outline

Aktia

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 732 million, ~42,000 shareholders
- The majority of shares held by committed long-term owners

Aktia Bank Plc (1-9/2015)

Operating income EUR 156.5 million

Operating profit EUR 53.1 million

Assets EUR 9,938 million

Banking, Operating profit EUR 44.4 million

- Market share in mortgages 4.1% and in deposits 3.9%

Asset Management & Life Insurance, Operating profit EUR 16.2 million

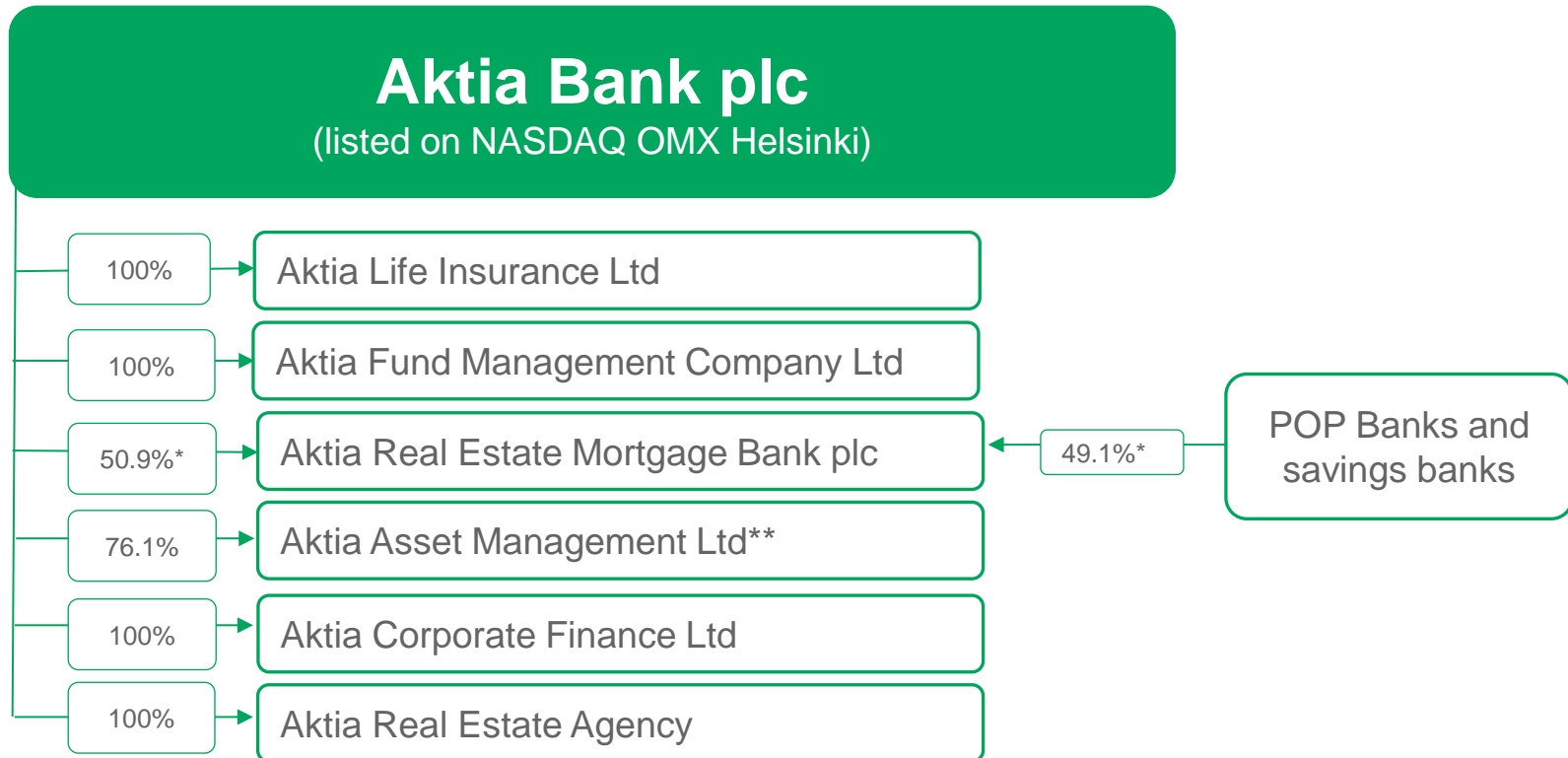
- Market share in mutual funds 6.1%
- Market share in life insurances 2.3%

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

Sources: Bank of Finland and Federation of Finnish Financial Services

Group structure

Aktia



*Aktia will acquire minority shares 49.1% in Aktia REMB after the final accounts 2016 and merge the entity into Aktia Bank

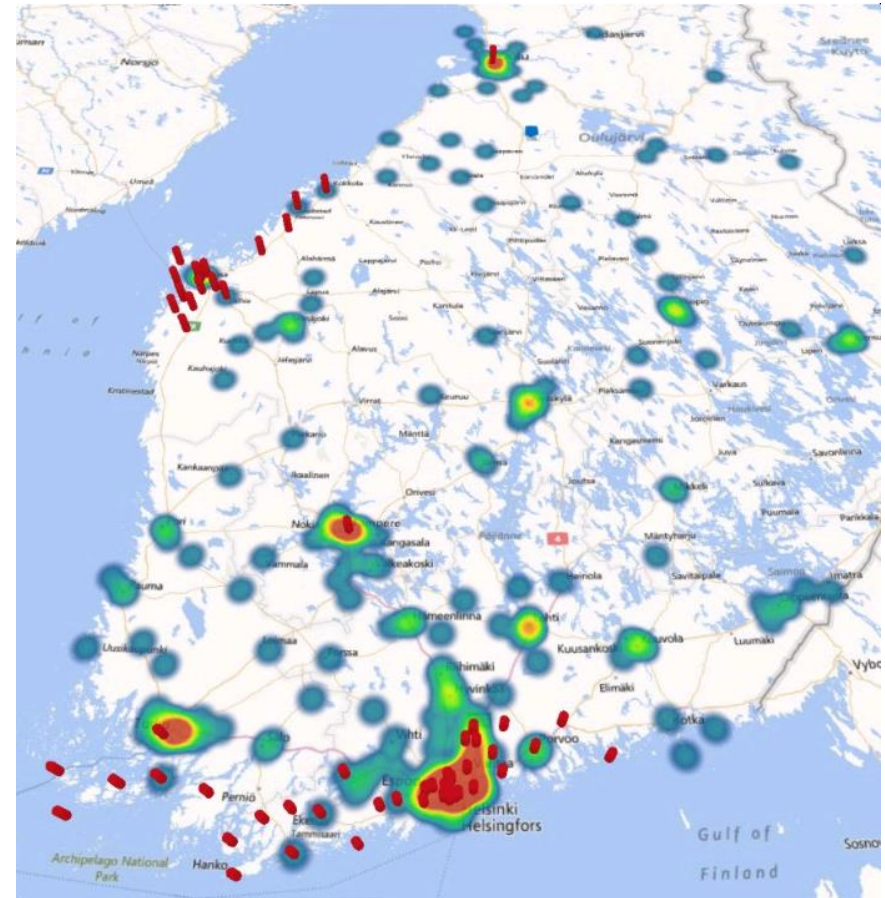
**Minority shares used as incentives for key personnel

Aktia Bank Plc

Focus on retail banking and institutional investors

Aktia

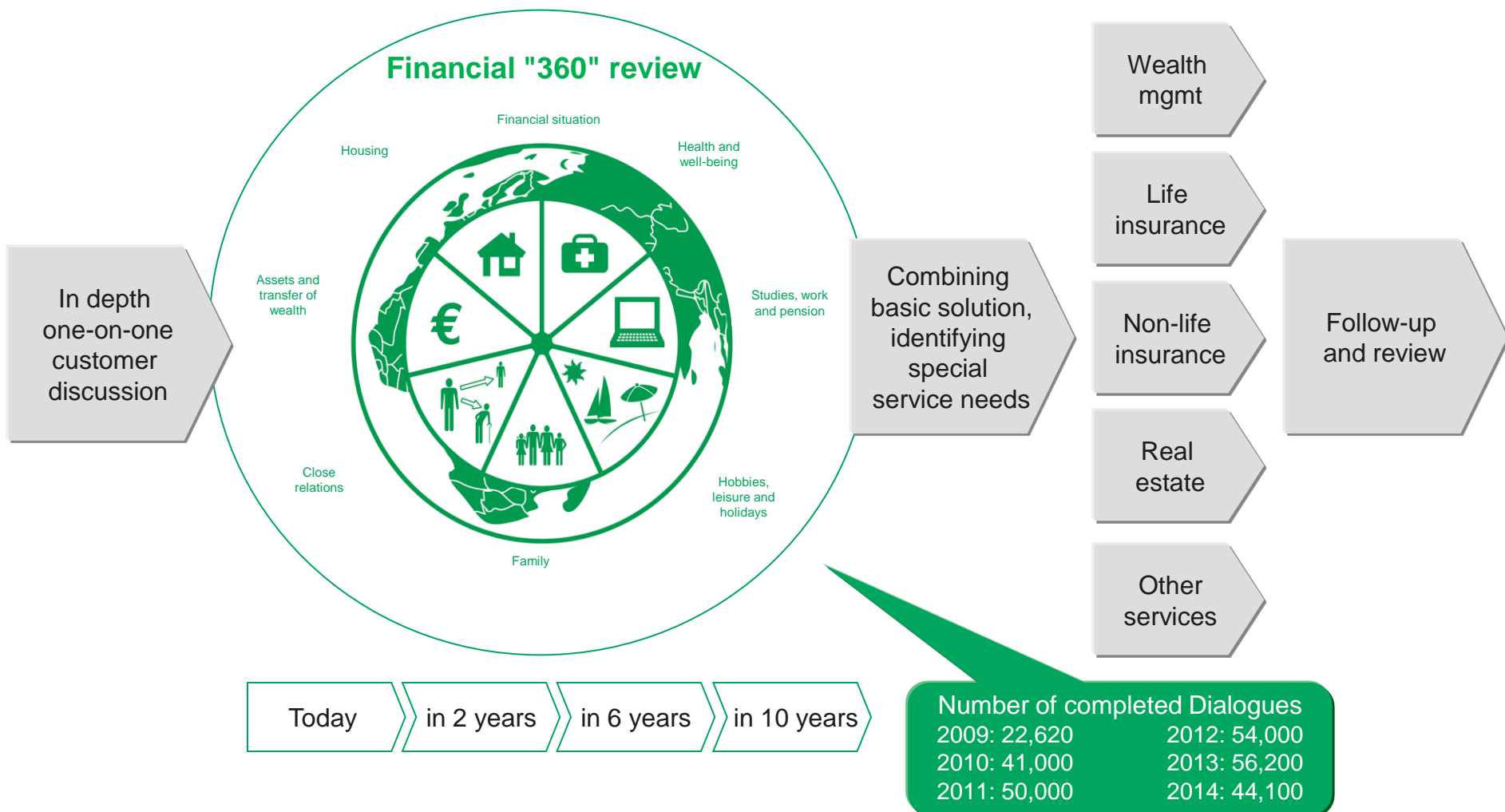
- Aktia Bank is the 4th largest bank in the Finnish retail market with focus on growth areas in Finland such as the Helsinki Metropolitan Area, the coastal area and selected inland growth centres. The majority of Finland's population lives in this area.
- Business strongly supported by own branch network. Aktia has 50 branch offices.
- Households accounts for 88% of the loan portfolio and 77% of the deposit stock.



The Dialogue concept

A successful tool for achieving cross-selling

Aktia



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

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



EUR million	30.9.2015	31.12.2014	change %
Assets under mgmt	6,815	6,783	0%
Group financial assets	2,949	3,282	-10%
Total	9,765	10,065	-3%



Aktia Life Insurance

Aktia

Producer of customer friendly life insurance services

Key numbers

- Technical provisions EUR 1,087 million (EUR 614m unit-linked and EUR 473m interest rate related)
- Solvency ratio healthy 22.3%

Several co-operation partners in the finance trade

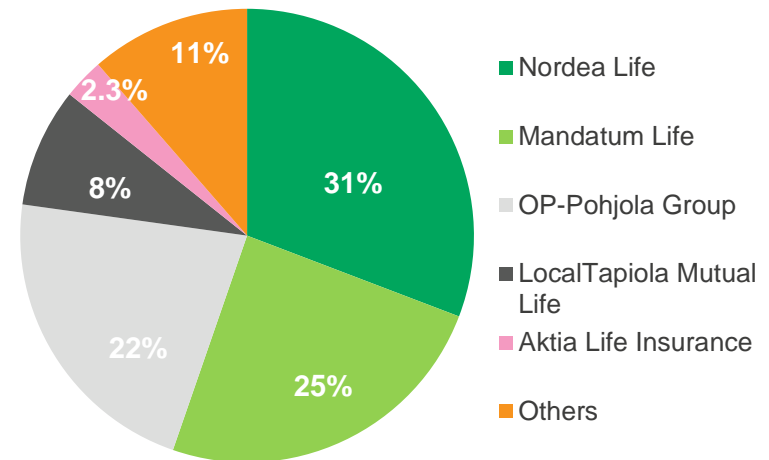
Aktia Bank, Folksam Non-Life Insurance Company, POP Bank Group, Pohjantähti Mutual Insurance Company, Alandia Insurance, Veritas Pension Insurance

Customers

Approximately 108,000 customers of which 102,000 are private customers and 6,000 corporate customers

Focusing sales on more profitable, less capital intensive products

Market share



Action plan 2015

Renewal of core banking system

Termination of services as central credit institution 2015

Renewal of card operations

Implementation of One Net

IRBA

Measures to enhance effectiveness

Simplification of Group structure

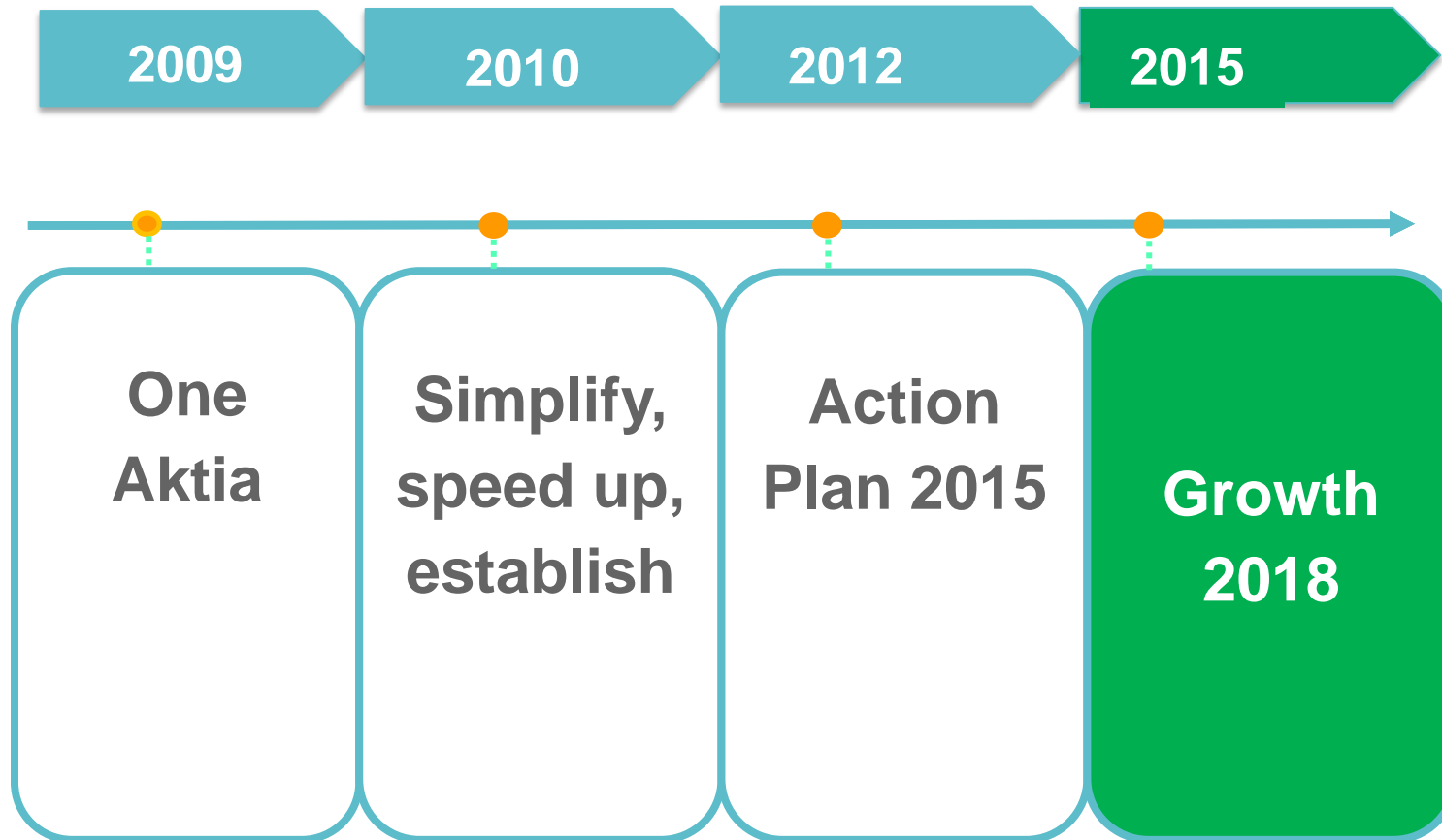
Aktia Bank was granted mortgage bank concession

Aktia REMB to be merged with Aktia Bank

What's left?

- **Core Banking Project completed**
- **Enhancing effectiveness**

Development of the Strategy



Financial objectives 2018

Growth

Double the number of new customers
Develop and increase range of services for SMEs
Offer institutional customers long-term, comprehensive solutions

Profitability

ROE $\geq 9\%$
Cost-to-income ratio down by -10%

Capital adequacy

Common Equity Tier 1 $\geq 15\%$

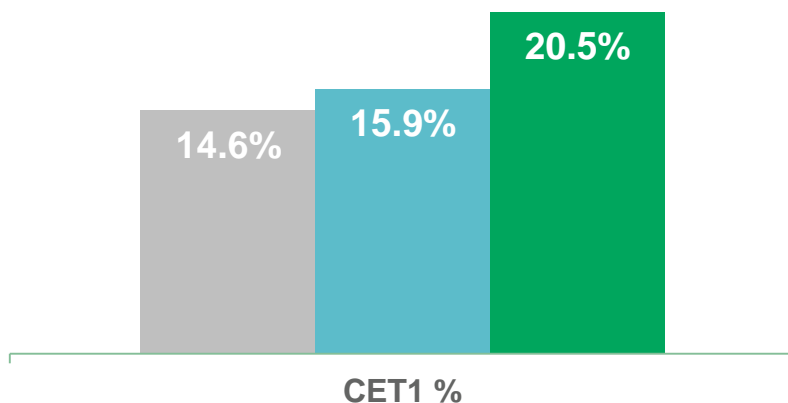
Dividend pay-outs

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

Presentation outline

1	Overview – Aktia Group
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- 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
- The average risk weight for retail exposures with real-estate collateral is now 15% (35%).
- A total of 58% of the Bank Group's exposures are now calculated according to the IRB approach.
- The CET1% is temporarily lower due to Aktia REMB solution



■ Aktia 2014 ■ Average for banks operating in Finland in 2014 ■ Aktia 9/2015

	30.9.15 IRBA	30.6.15 IRBA	31.12.14 STD
Common Equity Tier 1 %	20.5	22.4	14.6
Tier 1 capital ratio %	20.5	22.5	14.6
Capital Adequacy %	25.8	27.7	19.1

Results 1-9/2015

Aktia

EUR million	1-9/2015	1-9/2014	change %	total 2014
Net Interest Income	73.6	77.5	-5%	102.8
Net Commission Income	61.0	56	9%	74.9
Total Operating Income	156.5	160.6	-3%	212.3
Total Operating Expenses	-103.9	-105.2	-1%	-144.5
Write-Downs	-0.1	-1.7	-	-1.7
Operating Profit	53.1	55.8	-5%	68.3
Profit for the period	42.9	44.7	-4%	55.0

KEY FIGURES

Banking Business, EUR million	1-9/2015	1-9/2014	2014	2013
Cost-to-Income Ratio	0.66	0.68	0.71	0.72
Return on Equity (ROE) %	8.4	9.0	8.3	8.1
Borrowing from the public	3,920	3,991	3,979	3,797
Lending to the public	5,934	6,505	6,416	6,802
Mortgage Loans	5,027	5,297	5,229	5,521
Capital Adequacy Ratio %	25.8	18.4	19.1	15.5
Tier 1 Capital Ratio %	20.5	14.2	14.6	12.1
Risk-Weighted Commitments	2,126	3,426	3,263	3,464

Assets and liabilities

Aktia

Aktia Group

30.9.2015, EUR million

ASSETS

Loans to public	5,934	60%
Mortgage loans granted by Aktia Bank	3,882	
Other loans granted by Aktia Bank	1,106	
AKTIA REMB loans distributed by Aktia Bank	91	
AKTIA REMB loans distributed by Local Banks	854	
Treasury and money markets	335	3%
Current account at Bank of Finland	110	
Other	225	
Liquidity portfolio	2,294	23%
Government bonds / Municipal bonds	283	
Government guaranteed bonds / Supra	326	
Covered Bonds	1,255	
Senior bonds issued by banks	350	
Other bonds	80	
Investment portfolio in Life Insurance	612	6%
Invest. for unit-linked provisions, Life Insurance	616	6%
Other assets	148	1%
Total assets	9,938	100%

LIABILITIES

Demand deposits	3,499	35%	RETAIL
Time deposits	421	4%	
Long-term issues to retail market	230	2%	
Senior debt	11		WHOLESALE MARKET
Subordinated debt	219		
Long-term funding	3,205	32%	
Covered bonds	2,167		
Senior debt	938		
Subordinated debt	0		
ECB	100		
Short-term funding	397	4%	
Repos + ECB	112		
CDs & wholesale MM deposits	131		
Received cash collateral	154		
Technical prov. for unit-linked insurances	1,087	11%	
Other Liabilities	421	4%	
Equity	678	7%	
Total liabilities and equity	9,938	100%	

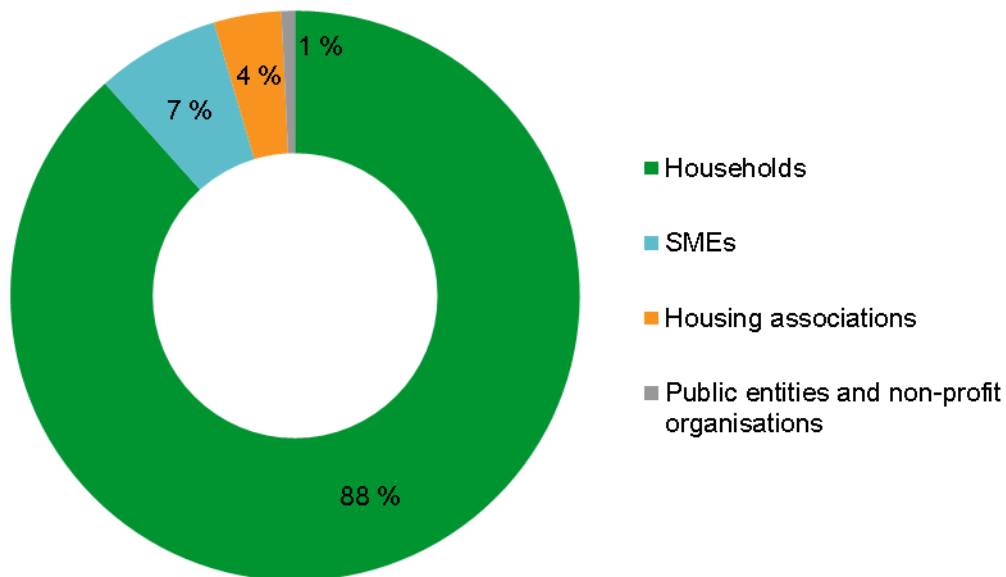
Structure of lending and deposits

Business strongly supported by households through own retail network

Aktia

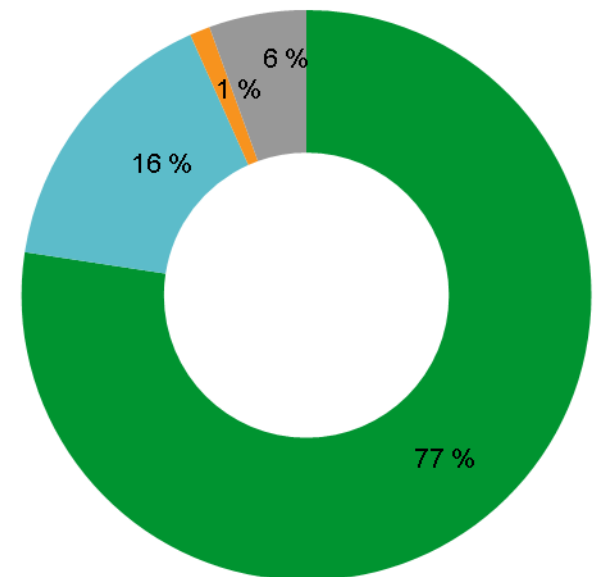
Lending

3Q 2015, EUR 5,934 million
(2014, EUR 6,416 million)

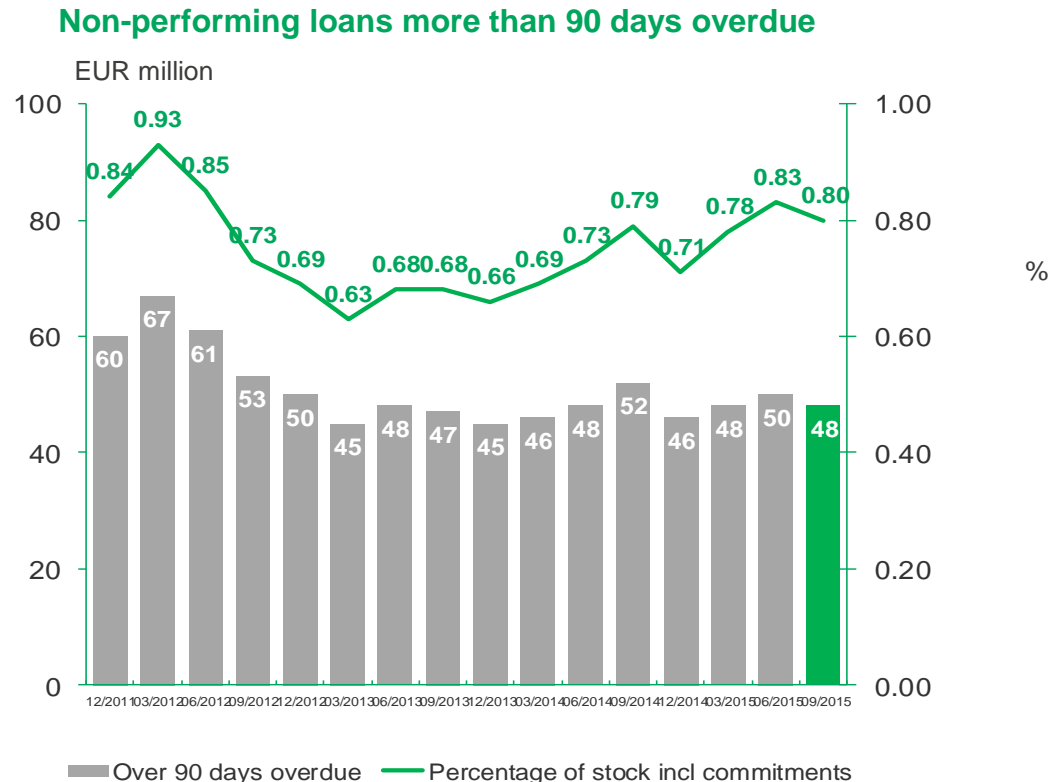


Deposits

3Q 2015, EUR 3,920 million
(2014, EUR 3,979 million)



- 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

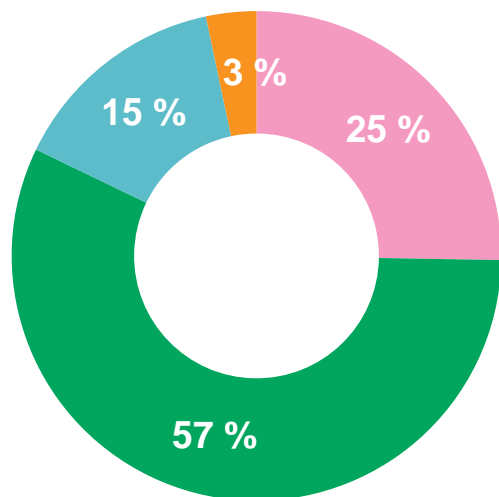


High quality liquidity portfolio

Buffer covering at least 12 months liquidity need

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 36 months.
- Aktia meets future LCR demands (30.9.2015; 221%)



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

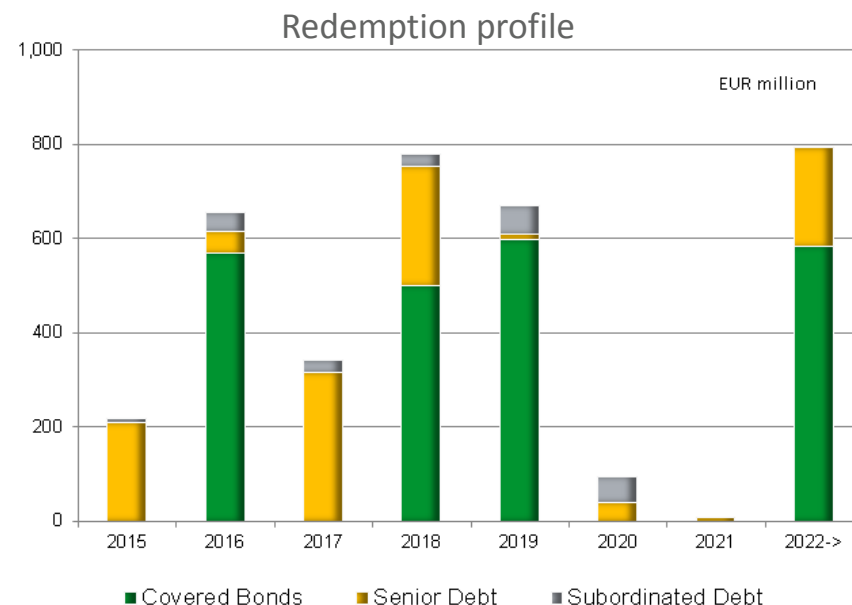
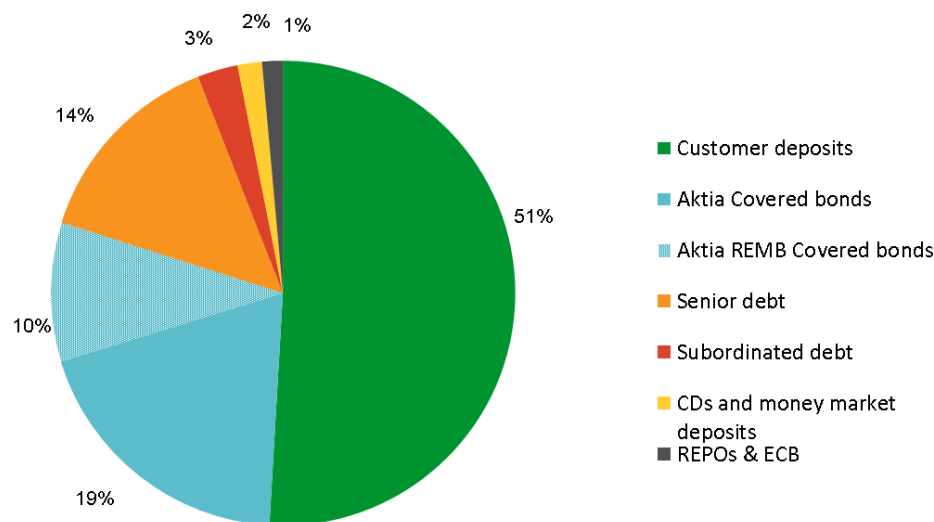
	30.9.2015	31.12.2014
(EUR million)	2,409	2,512
Aaa	59.1%	50.9%
Aa1–Aa3	24.3%	29.7%
A1–A3	5.6%	13.5%
Baa1–Baa3	1.7%	0.6%
Ba1–Ba3	0.6%	0.0%
Finnish municip. (no rating)	6.2%	5.3%
No rating	2.5%	0.0%
Total	100.0%	100.0%

Sound funding profile

Deposits and Covered bonds dominate

Aktia

Funding profile 10/2015
EUR 7,770 million
(2014, EUR 8,485 million)



Wholesale Funding, EUR million	Nominal Value
Covered bonds	2,170
EMTN Program	605
Domestic Program	227
Schuldschein	204
Other Funding *	464

* RCB, EIB, NIB etc.

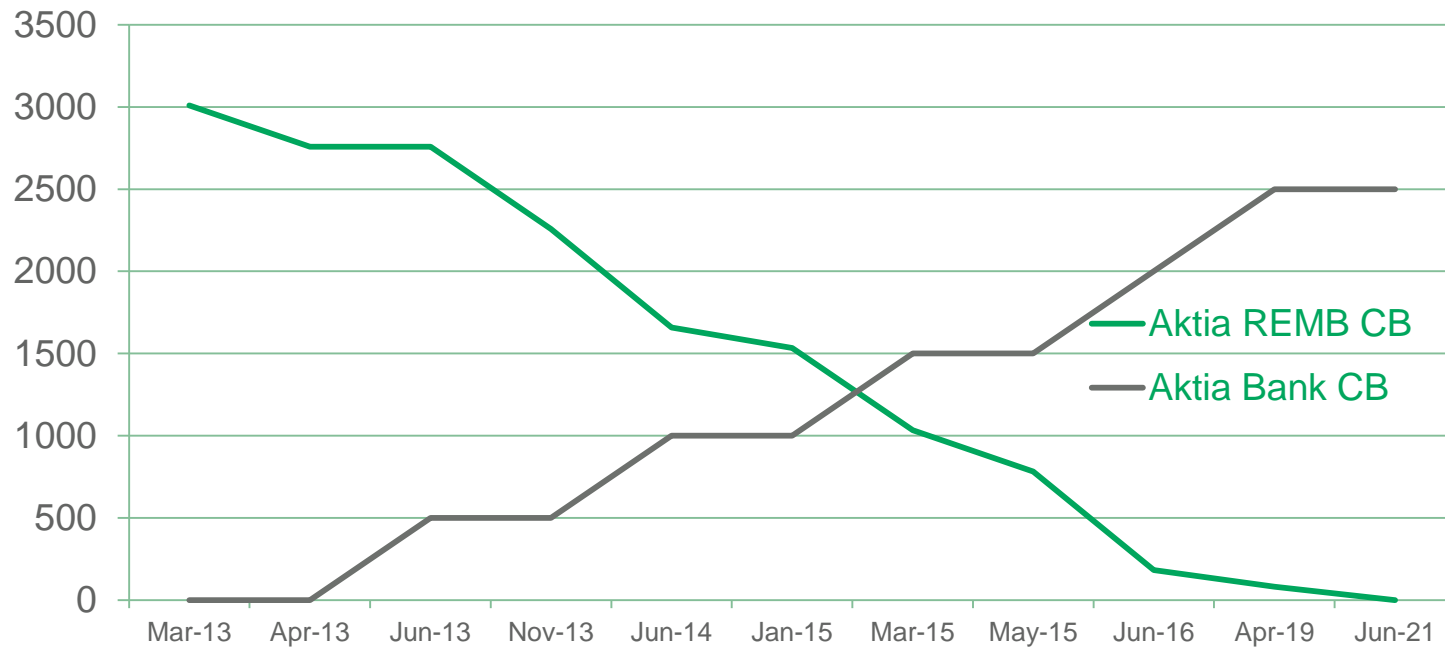
Aktia Bank Plc, a mortgage bank

- 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

Aktia Bank Cover Pool September 2015

Asset Pool Total	EUR 2,010m (no substitute assets)
No of loans / average loan balance	33,898 / EUR 59,300
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	56.08%
WA indexed LTV	55.82%
Maximum LTV	LTV limit: 70%
Interest base	Floating 90%, fixed 10%
WA seasoning	29.6 months
% of largest 10 borrowers	0.41%
Overcollateralisation (%)	33.99% (Committed OC 10%)
Moody's Collateral Score	5,5%

Aktia REMB: Winding Down

- The owners of the Aktia REMB have agreed on terms of the final wind down process of the bank. Process to be completed at the beginning of 2017.
- Senior financing paid back to owners in October 2015.
- 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 2015

Asset Pool Total	EUR 925m
No of loans / average loan balance	14,870 / EUR 62,200
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	49.28%
WA indexed LTV	48.76%
Maximum LTV	Covered Bond refinancing max LTV limit: 70%, Underwriting maximum LTV limits: 70% ¹⁾
WA seasoning	65.7 months
Overcollateralisation (%)	18.08%

* 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



Moody's Investors Service

Senior: A3 / P-2, Outlook Stable

Covered Bonds: Aaa



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

FINLAND



Population: 5.5 million

Area: 338 430 sq. km

GDP per capita EUR 37 351 (2014)

Finland is rated Aaa / AA+ / AAA,
outlook negative



Finland: Supply and demand 2014

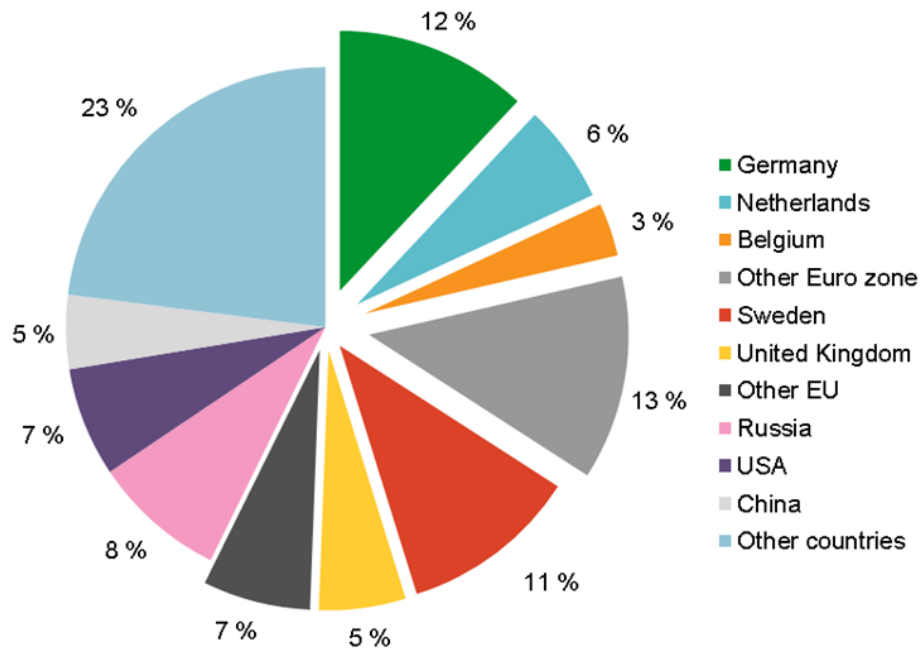
	€ billion	% of GDP
GDP	204,0	100,0
Imports	76,9	37,7
Exports	76,0	37,3
Private consumption	112,7	55,2
Public consumption	51,0	25,0
Fixed investment	40,8	20,0

The Finnish economy

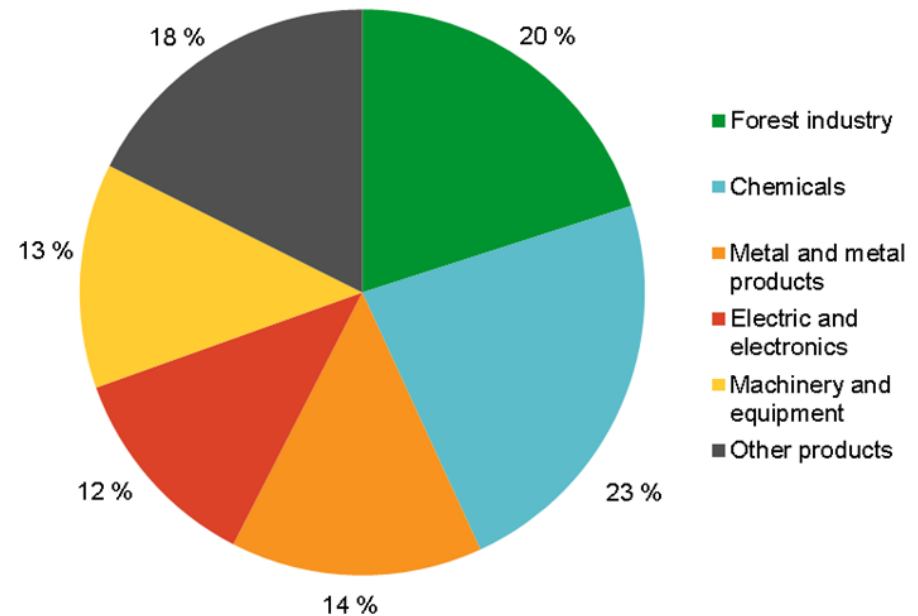
Substantial part of exports outside the EU

Aktia

Exports by country (2014)



Exports by product group (2014)

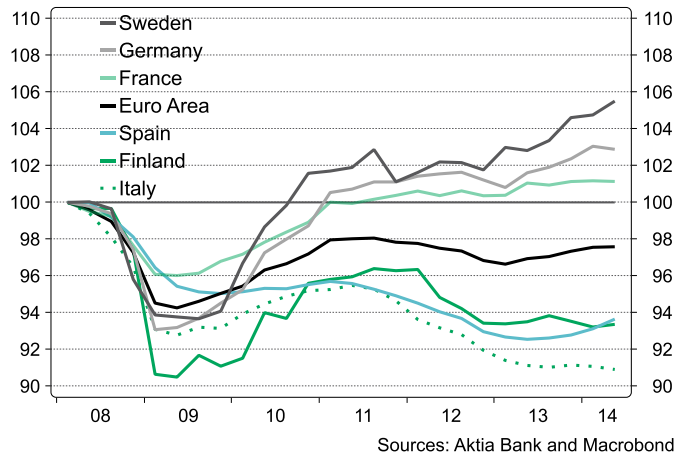


Source: National Board of Customs, Statistics Finland

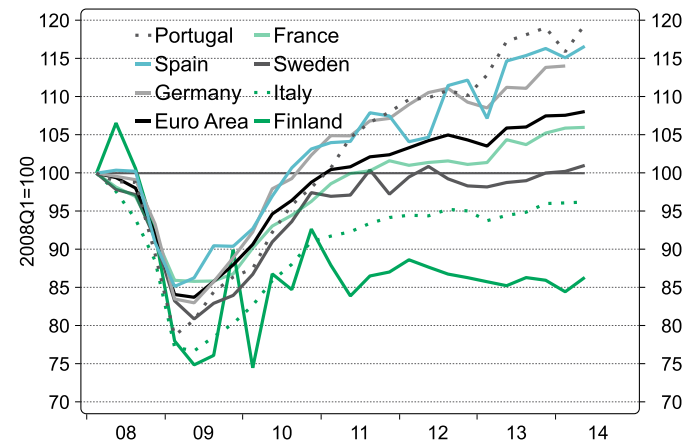
Macroeconomic environment

Weak GDP and labor market outcomes

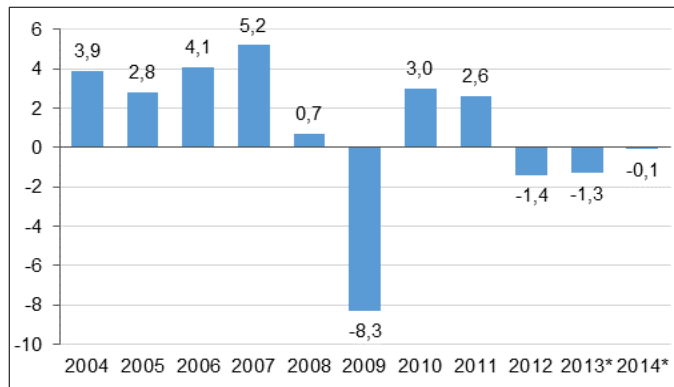
GDP in various European countries



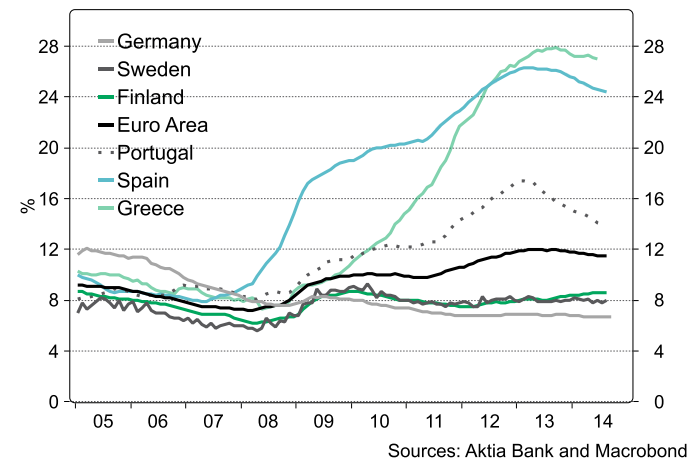
Export volume in various European countries



Finnish GDP



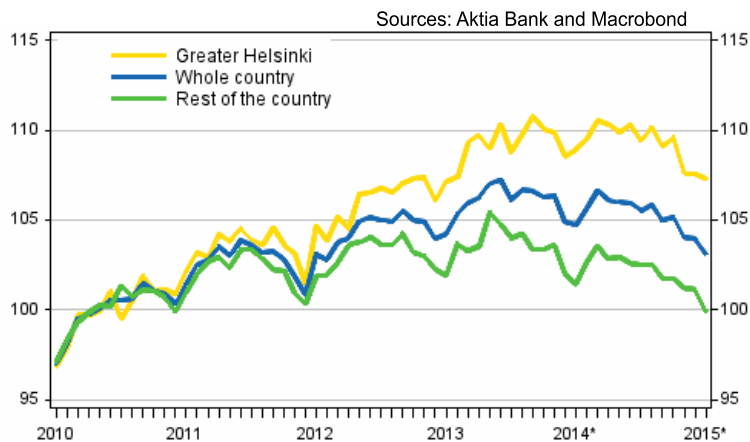
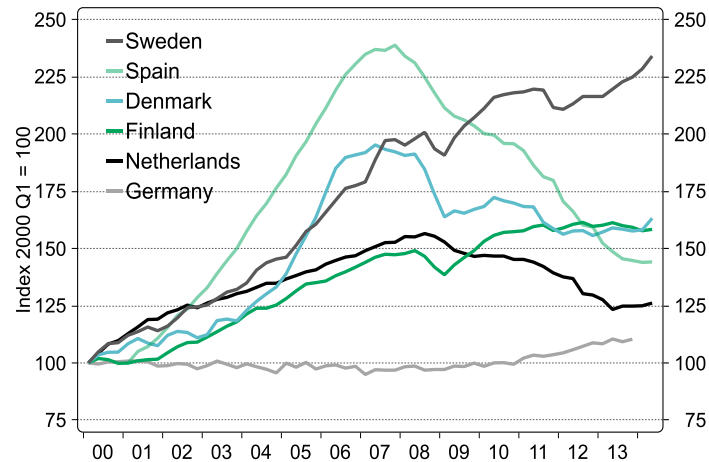
Unemployment rate in various European countries, %



Macroeconomic environment

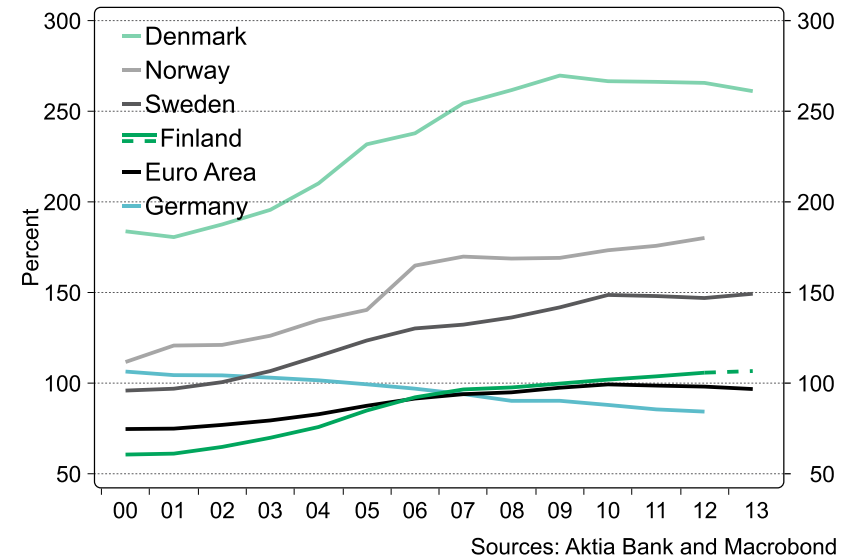
Housing market activity muted

House prices in various countries



*Preliminary data for the years 2014 and 2015

Gross Debt-To-Income Ratio of Households (Eurostat)



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Credit ratings

Moody's
S&P:

A3 / P-2, stable
A- / A-2, neg

Covered Bonds: Aaa

Contacts and additional information

Aktia



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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 exkl. CB		Corporate bonds		Equity Instruments		Total	
	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14
EU-countries	381	357	1093	1210	350	436	80	-	-	-	1903	2002
<i>Finland</i>	162	149	180	239	79	50	80	-	-	-	501	438
<i>Sweden</i>	-	-	75	87	120	96	-	-	-	-	195	183
<i>Denmark</i>	-	-	91	27	-	-	-	-	-	-	91	27
<i>Germany</i>	48	48	9	10	-	3	-	-	-	-	58	61
<i>France</i>	65	66	143	195	47	133	-	-	-	-	256	393
<i>United Kingdom</i>	-	-	302	320	19	25	-	-	-	-	321	346
<i>Netherlands</i>	25	25	200	208	85	129	-	-	-	-	310	363
<i>Austria</i>	26	26	64	95	-	-	-	-	-	-	90	121
<i>Belgium</i>	42	42	-	-	-	-	-	-	-	-	42	42
<i>Greece</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Ireland</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Italy</i>	-	-	27	27	-	-	-	-	-	-	27	27
<i>Portugal</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Spain</i>	12	-	-	-	-	-	-	-	-	-	12	-
<i>Other countries</i>	-	-	-	-	-	-	-	-	-	-	-	-
Europe excluding EU	-	-	267	248	-	10	-	-	-	-	267	258
North America	-	-	11	12	-	-	-	-	-	-	11	12
Other OECD-countries	-	-	-	-	-	-	-	-	-	-	-	-
Supranationals	228	240	-	-	-	-	-	-	-	-	228	240
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total	609	596	1371	1469	350	446	80	-	-	-	2409	2512

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	
	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14	9/15	12/14
EU-countries	124	146	187	198	63	77	99	66	86	86	20	16	-	-	583	589
<i>Finland</i>	34	35	6	6	35	45	65	53	86	86	15	15	-	-	245	240
<i>Sweden</i>	-	-	-	-	11	8	-	-	-	-	0	0	-	-	11	9
<i>Denmark</i>	-	-	19	20	-	-	2	2	-	-	-	-	-	-	22	22
<i>Germany</i>	17	17	-	-	-	-	4	4	-	-	-	-	-	-	21	21
<i>France</i>	39	46	87	88	1	6	10	3	-	-	-	-	-	-	136	143
<i>United Kingdom</i>	-	-	36	37	3	4	1	1	-	-	-	-	-	-	41	43
<i>Netherlands</i>	10	23	31	37	13	13	2	1	-	-	-	-	-	-	56	74
<i>Austria</i>	23	23	6	6	-	-	-	-	-	-	-	-	-	-	29	30
<i>Belgium</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Greece</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Ireland</i>	-	-	-	-	-	-	15	-	-	-	-	-	-	-	15	-
<i>Italy</i>	-	-	-	2	-	-	-	2	-	-	-	-	-	-	-	5
<i>Portugal</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Spain</i>	-	-	2	2	-	-	-	-	-	-	-	-	-	-	2	2
<i>Other countries</i>	2	1	-	-	-	-	-	-	-	-	5	-	-	-	6	1
Europe excluding EU	2	1	-	-	5	6	2	2	-	-	0	0	-	-	9	9
North America	-	-	-	-	-	-	2	3	-	-	0	0	-	-	2	3
Other OECD-countries	3	6	-	-	-	-	-	-	-	-	-	-	-	-	3	6
Supranationals	5	5	-	-	-	-	-	-	-	-	-	-	-	-	5	5
Others	12	17	-	-	-	-	-	-	-	-	-	-	-	-	12	17
Total	147	176	187	198	68	83	102	71	86	86	21	16	-	-	615	630



Aktia

Aktia

We see a person in every customer.