

Aktia Bank

**Debt Investor
Presentation
30.6.2016**



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 86 % of the loan portfolio and 73 % of the deposit stock

Prudent lending policy and low loan losses

Write-downs EUR 0.2 million (0.00 %) in 1-6/2016, non performing loans 0.78 %

Solid profitability over time

Return on Equity (ROE) 9.8 % in 1-6/2016

Strong Capital Ratio

Tier 1 Capital Ratio 19.7 %

Credit ratings

Moody's:	A3 / P-2, pos	Covered Bonds: Aaa
S&P:	A- / A-2, neg	

Presentation outline

Aktia

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Overview – Aktia Group

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Financial key figures – Aktia Bank plc

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Credit ratings

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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 577 million, ~40,000 shareholders
- The majority of shares held by committed long-term owners

Aktia Bank Plc (1-6/2016)

Operating income EUR 109.8 million

Operating profit EUR 37.0 million

Assets EUR 9,729 million

Banking, Operating profit EUR 24.8 million

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

Asset Management & Life Insurance, Operating profit EUR 10.6 million

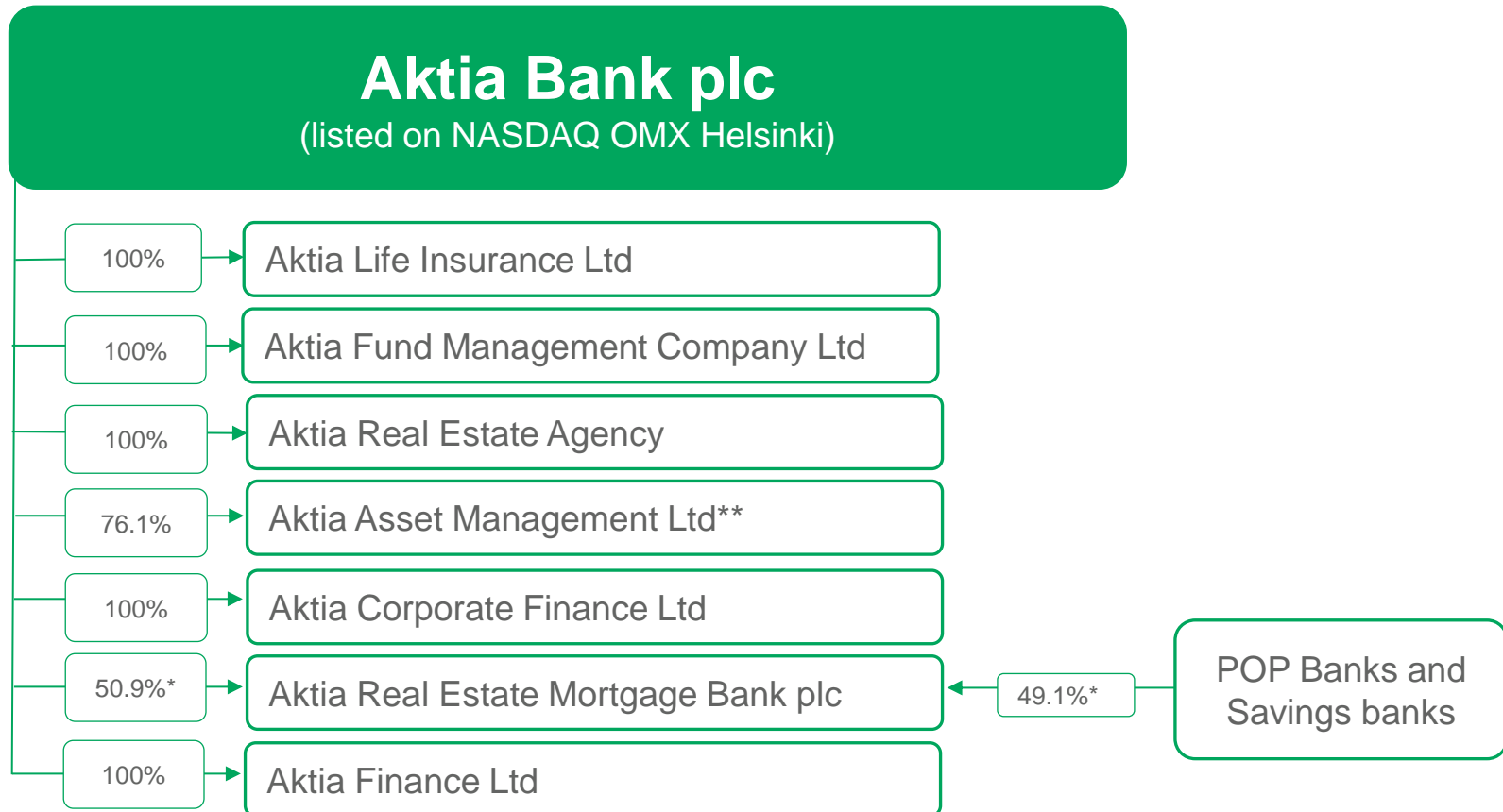
- Market share in mutual funds 6.1%
- Market share in life insurances 2.3%

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

Sources: Bank of Finland and Federation of Finnish Financial Services

Group structure

Aktia



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

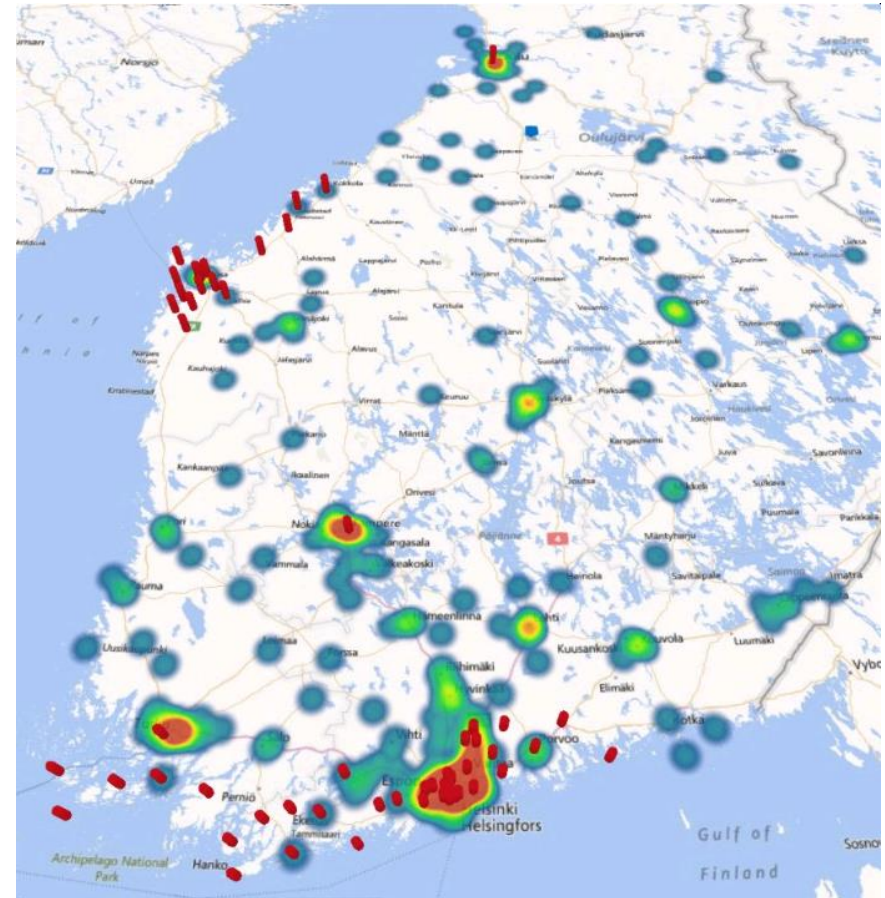
**Minority shares used as incentives for key personnel

Aktia Bank Plc

Focus on retail banking and institutional investors

Aktia

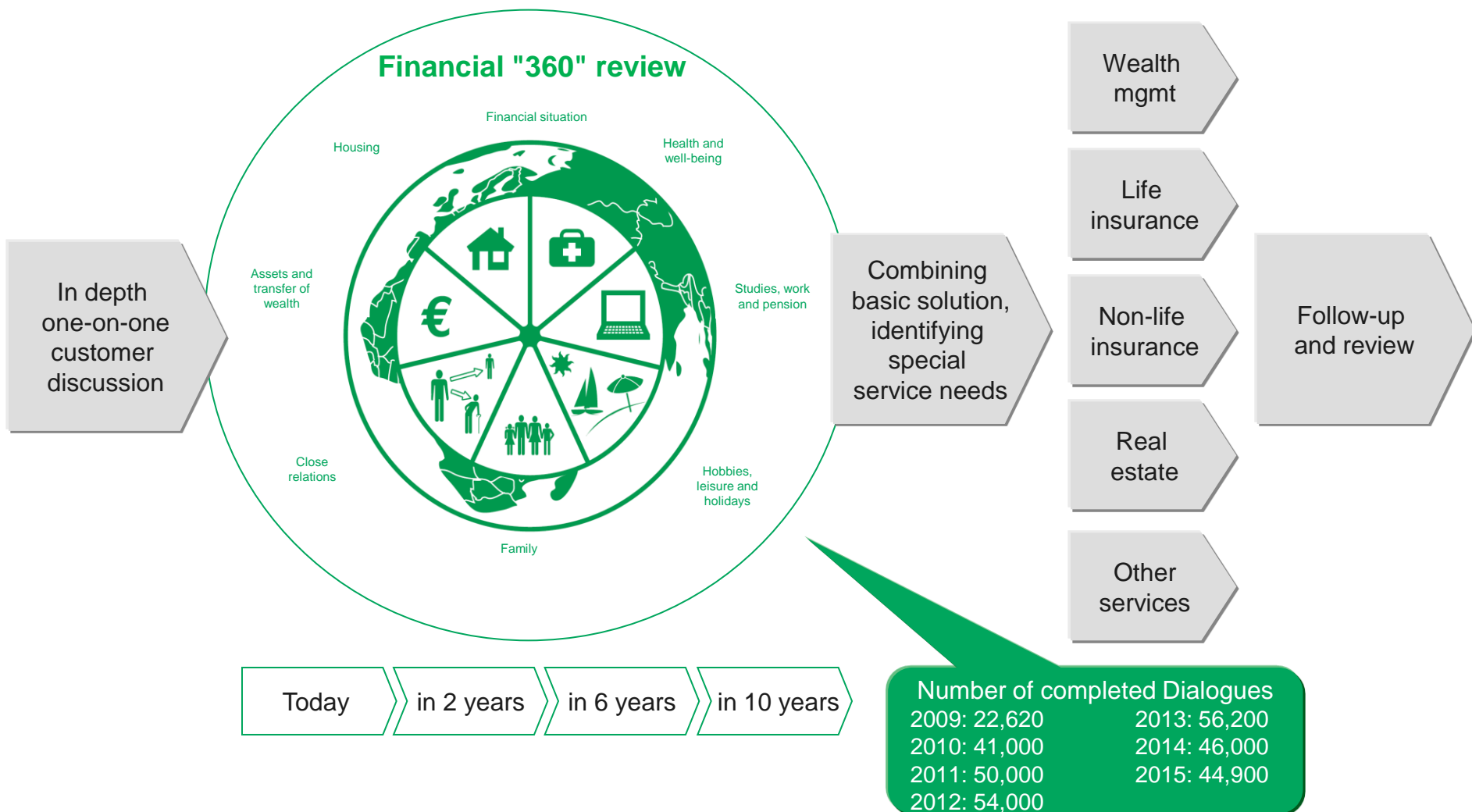
- Aktia Bank is the 4th largest bank in the Finnish retail market with focus on growth areas in Finland such as the Helsinki Metropolitan Area, the coastal area and selected inland growth centres. The majority of Finland's population lives in this area.
- Business strongly supported by own branch network. Aktia has 50 branch offices.
- Households accounts for 86% of the loan portfolio and 73% 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	30.6.2016	31.12.2015	change %
Assets under mgmt	7,298	7,138	2%
Group financial assets	2,692	2,994	-10%
Total	9,990	10,133	-1%



Aktia Life Insurance

Aktia

Producer of customer friendly life insurance services

Key numbers

- Technical provisions EUR 1,129 million (EUR 672m unit-linked and EUR 457m interest rate related)
- Solvency ratio 154.5 %

Several co-operation partners in the finance trade

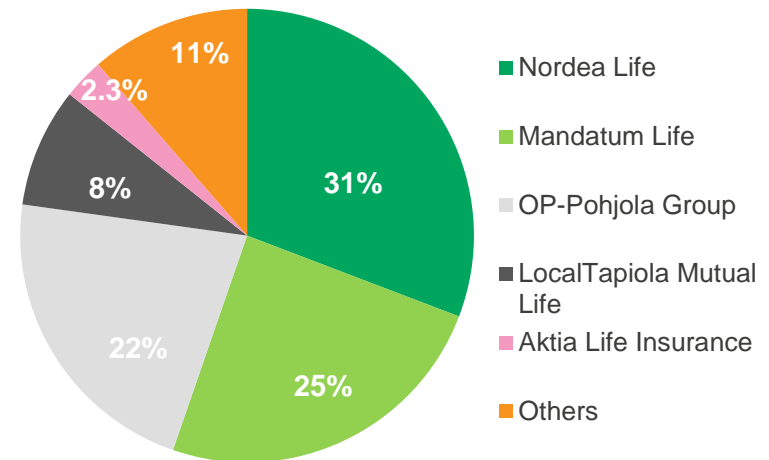
Aktia Bank, Folksam Non-Life Insurance Company, POP Bank Group, Pohjantähti Mutual Insurance Company, Alandia Insurance, Veritas Pension Insurance

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

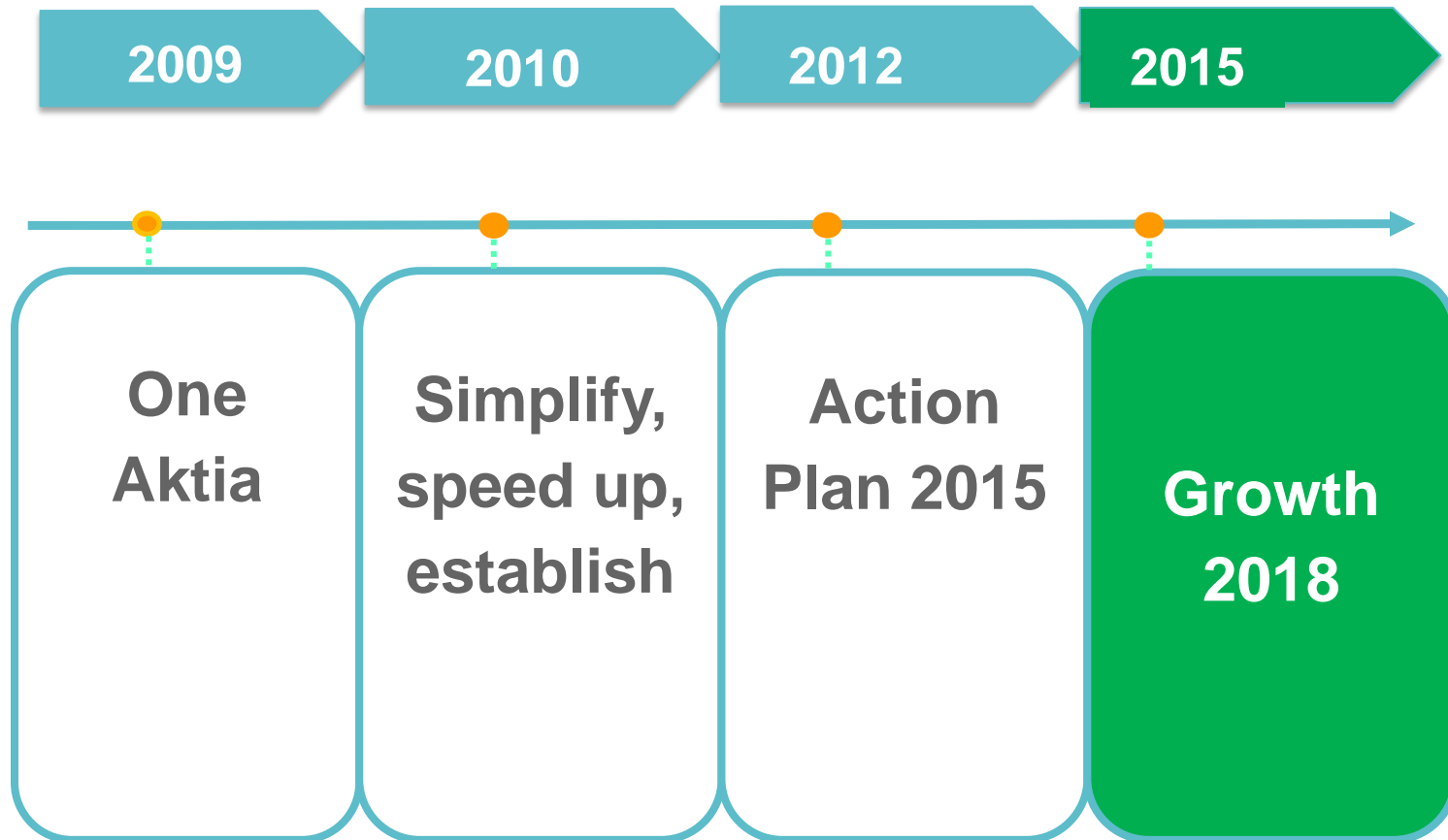
Aktia Bank was granted mortgage bank concession

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

Profitability

ROE \geq 9%

Cost-to-income ratio down by -10%

Capital adequacy

Common Equity Tier 1 \geq 15%

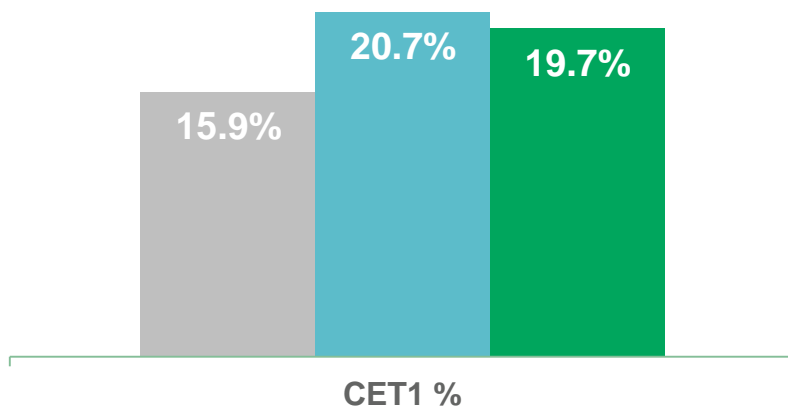
Dividend pay-outs

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

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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
- A total of 59%(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 16% (STD 35%)
- The CET1% is temporarily -1.2 percentage points lower due to Aktia REMB solution



■ Average for banks operating in Finland in 2014 ■ Aktia 12/2015 ■ Aktia 1-6/2016

	30.6.16 IRBA	31.12.15 IRBA	31.12.14 STD
Common Equity Tier 1 %	19.7	20.7	14.6
Tier 1 capital ratio %	19.7	20.7	14.6
Capital Adequacy %	26.2	27.1	19.1

Results 1-6/2016

Aktia

EUR million	1-6/2016	1-6/2015	change %	total 2015
Net Interest Income	48.7	49.8	-2%	97.3
Net Commission Income	39.6	41.3	-4%	80.0
Total Operating Income	109.8	107.1	2%	208.4
Total Operating Expenses	-73.3	-71.5	3%	-144.4
Write-Downs	-0.2	0.4	-	-0.3
Operating Profit	37.0	36.7	1%	64.2
Profit for the period	29.9	29.5	1%	51.6

KEY FIGURES

Banking Business, EUR million	1-6/2016	1-6/2015	2015	2014
Cost-to-Income Ratio	0.67	0.67	0.69	0.68
Return on Equity (ROE) %	9.8	8.7	7.9	8.3
Borrowing from the public	4,235	3,958	3,922	3,979
Lending to the public	5,987	5,975	5,856	6,416
Mortgage Loans	4,749	5,027	4,736	5,229
Capital Adequacy Ratio %	26.2	27.7	27.1	19.1
Tier 1 Capital Ratio %	19.7	22.5	20.7	14.6
Risk-Weighted Commitments	2,073	2,165	1,999	3,263

Assets and liabilities

Aktia

Aktia Group

30.6.2016, EUR million

ASSETS

Loans to public	5,987	62%
Mortgage loans granted by Aktia Bank	4,140	
Other loans granted by Aktia Bank	1,213	
AKTIA REMB loans distributed by Aktia Bank	0	
AKTIA REMB loans distributed by Local Banks	634	
Treasury and money markets	503	5%
Current account at Bank of Finland	281	
Other	222	
Liquidity portfolio	1,851	19%
Government bonds / Municipal bonds	287	
Government guaranteed bonds / Supra	325	
Covered Bonds	945	
Senior bonds issued by banks	282	
Other bonds	12	
Investment portfolio in Life Insurance	615	6%
Invest. for unit-linked provisions, Life Insurance	674	7%
Other assets	99	1%
Total assets	9,729	100%

LIABILITIES

Demand deposits	3,792	39%	RETAIL
Time deposits	443	5%	
Long-term issues to retail market	239	2%	
Senior debt	4		WHOLESALE MARKET
Subordinated debt	235		
Long-term funding	2,716	28%	
Covered bonds	1,648		
Senior debt	868		
Subordinated debt	0		
ECB	200		
Short-term funding	351	4%	
Repos + ECB	157		
CDs & wholesale MM deposits	45		
Received cash collateral	149		
Technical prov. for unit-linked insurances	1,129	12%	
Other Liabilities	449	5%	
Equity	609	6%	
Total liabilities and equity	9,729	100%	

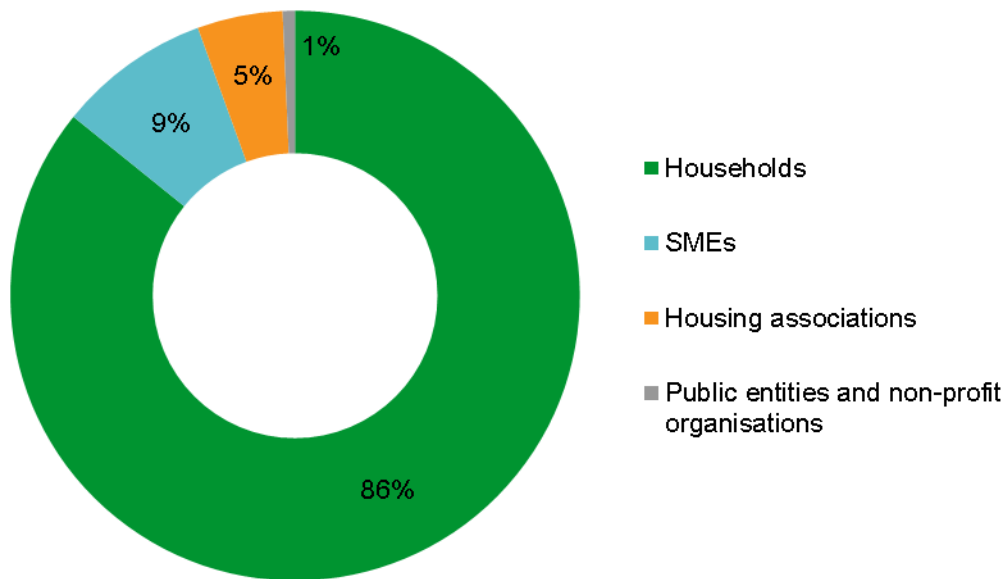
Structure of lending and deposits

Business strongly supported by households through own retail network

Aktia

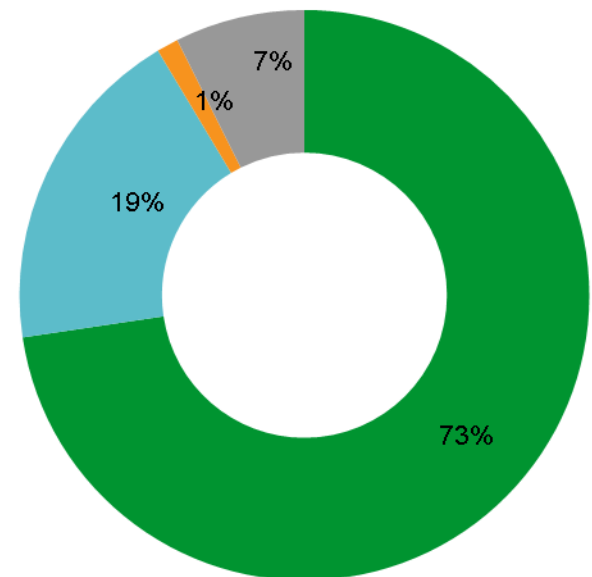
Lending

1-6/2016, EUR 5,987 million
(2015, EUR 5,856 million)



Deposits

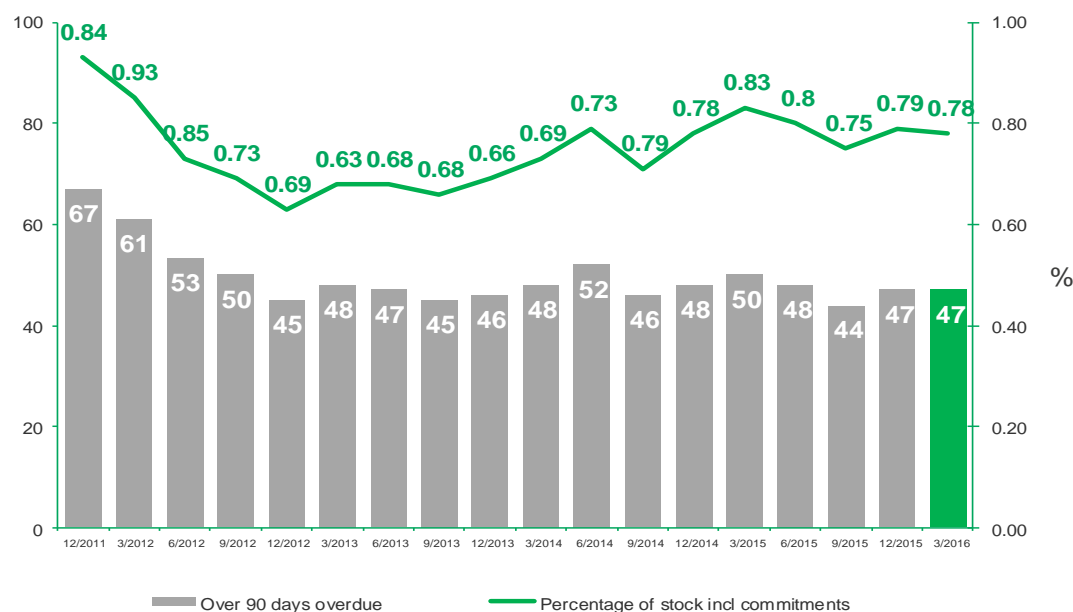
1-6/2016, EUR 4,235 million
(2015, EUR 3,922 million)



- 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

Non-performing loans more than 90 days overdue

EUR million

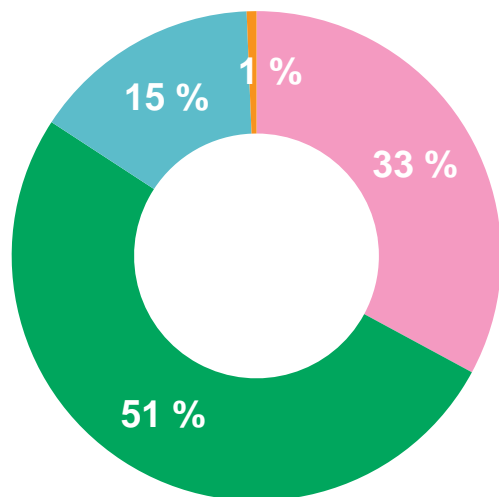


High quality liquidity portfolio

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 34 months.
- Aktia meets LCR demands (30.6.2016; 178%)



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

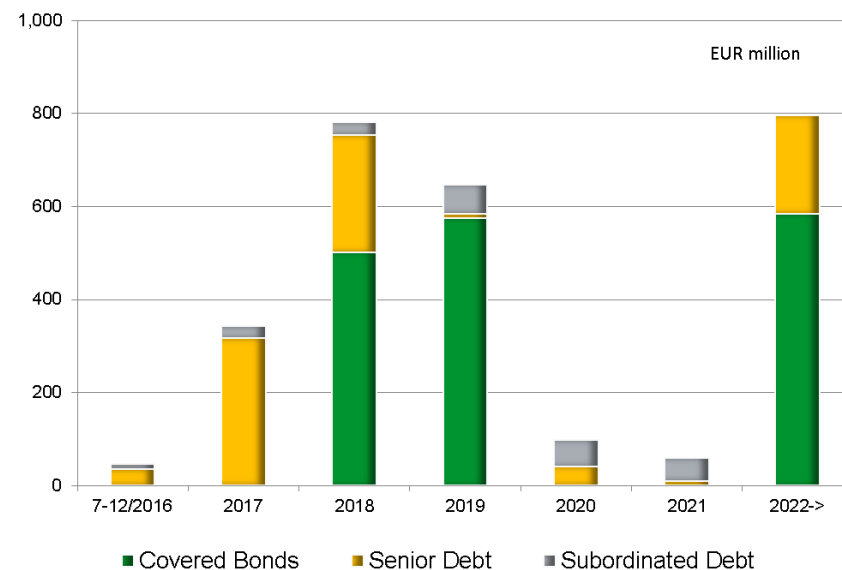
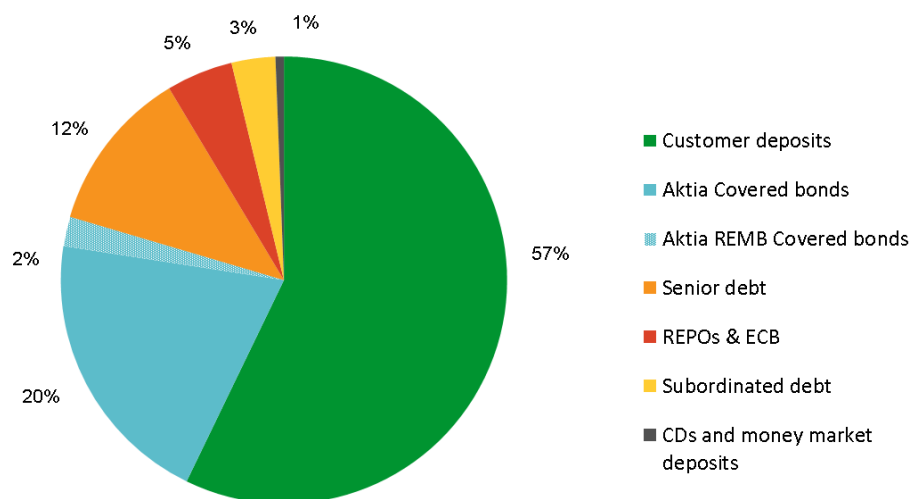
	30.6.2016	31.12.2015
(EUR million)	1,860	2,295
Aaa	54.8%	59.9%
Aa1–Aa3	28.8%	25.1%
A1–A3	4.5%	5.5%
Baa1–Baa3	2.9%	2.2%
Ba1–Ba3	0.0%	0.0%
Finnish municip. (no rating)	8.1%	7.4%
No rating	0.9%	0.0%
Total	100.0%	100.0%

Sound funding profile

Deposits and Covered bonds dominate

Aktia

Funding profile 2Q 2016
EUR 7,406 million
(2015, EUR 7,652 million)



Wholesale Funding, EUR million	Nominal Value
Covered bonds	1,575
EMTN Program	585
Domestic Program	240
Schuldschein	204
Other Funding *	366

* RCB, EIB, NIB etc.

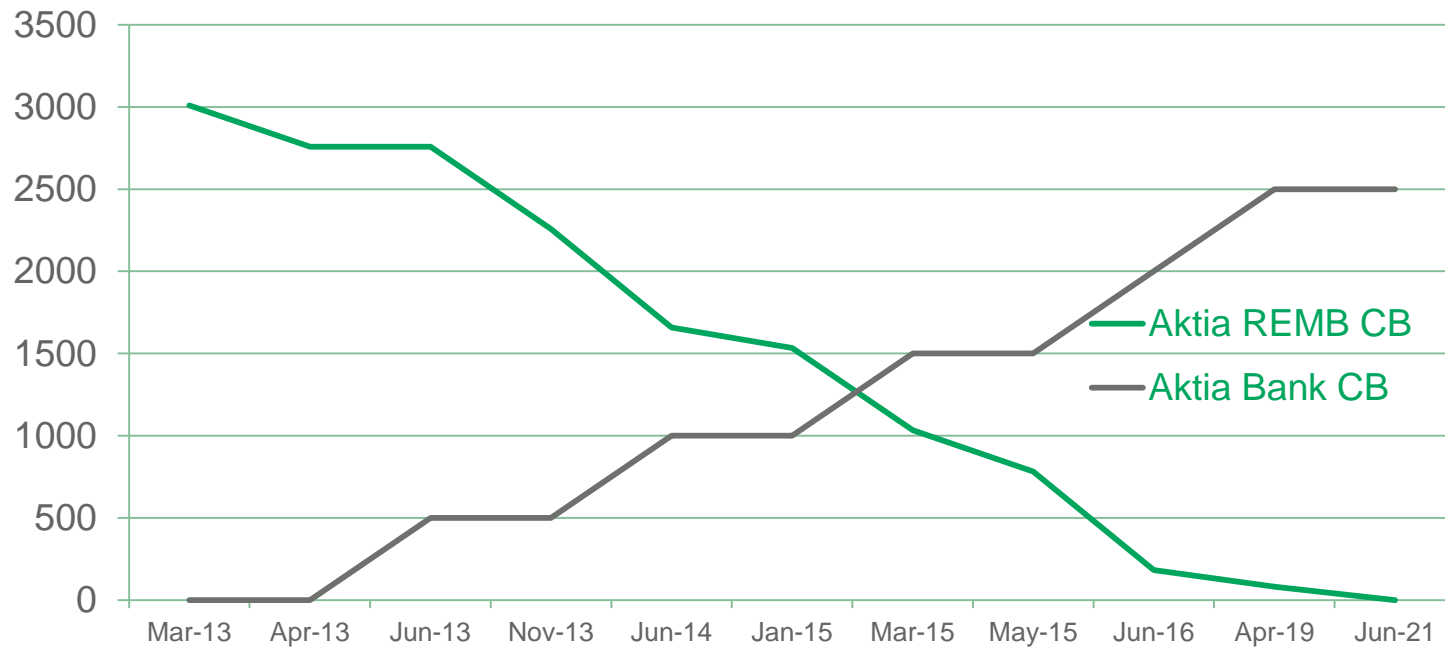
Aktia Bank Plc, a mortgage bank

- 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 June 2016

Asset Pool Total	EUR 2,156m (no substitute assets)
No of loans / average loan balance	35,325 / EUR 61,000
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	55.79%
WA indexed LTV	55.59%
Maximum LTV	LTV limit: 70%
Interest base	Floating 92%, fixed 8%
WA seasoning	33.9 months
% of largest 10 borrowers	0.40%
Overcollateralisation (%)	43.75% (Committed OC 10%)
Moody's Collateral Score	5,4%

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.
- 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 June 2016

Asset Pool Total	EUR 621m
No of loans / average loan balance	10,209 / EUR 60,800
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	48.37%
WA indexed LTV	47.95%
Maximum LTV	Covered Bond refinancing max LTV limit: 70%, Underwriting maximum LTV limits: 70% ¹⁾
WA seasoning	73.7 months
Overcollateralisation (%)	293.45%

* 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 Positive

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 37 819 (2015)

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



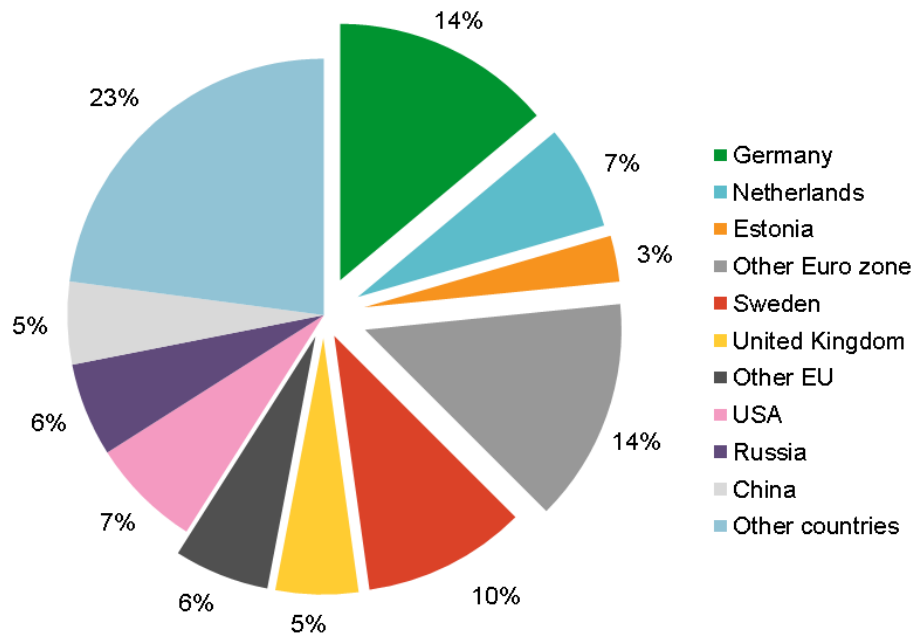
Finland: Supply and demand 2015

	€ 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

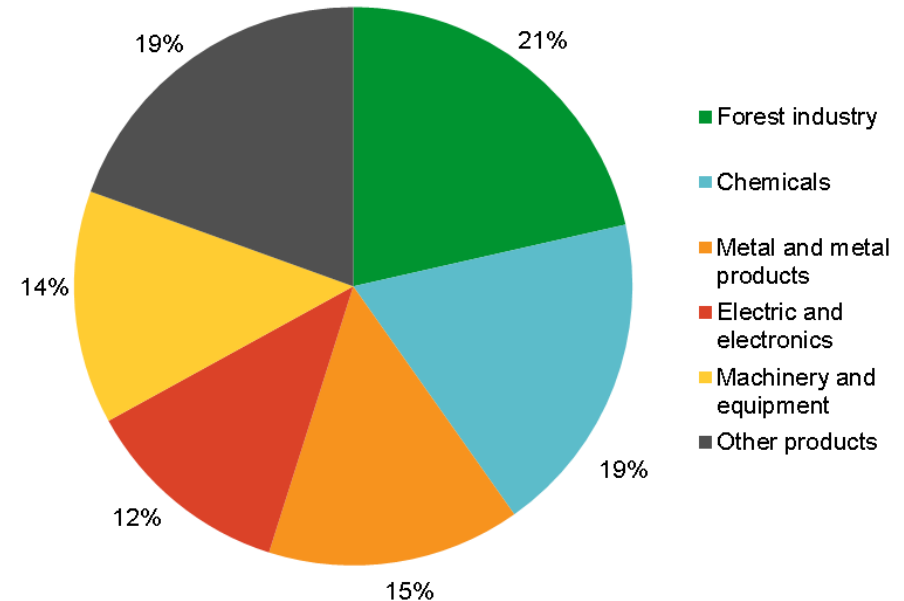
The Finnish economy

Substantial part of exports outside the EU

Exports by country (2015)



Exports by product group (2015)



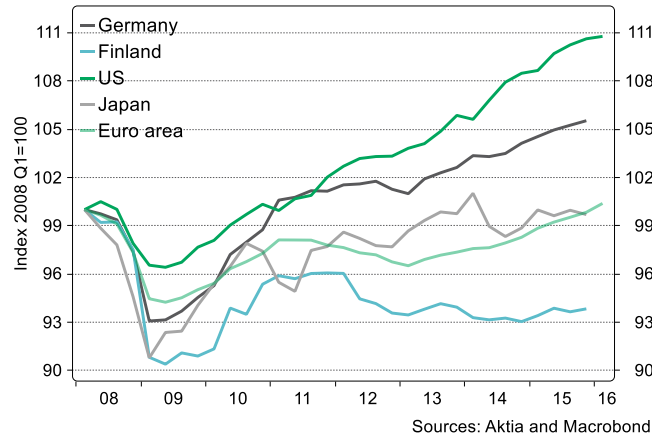
Source: National Board of Customs, Statistics Finland

Macroeconomic environment

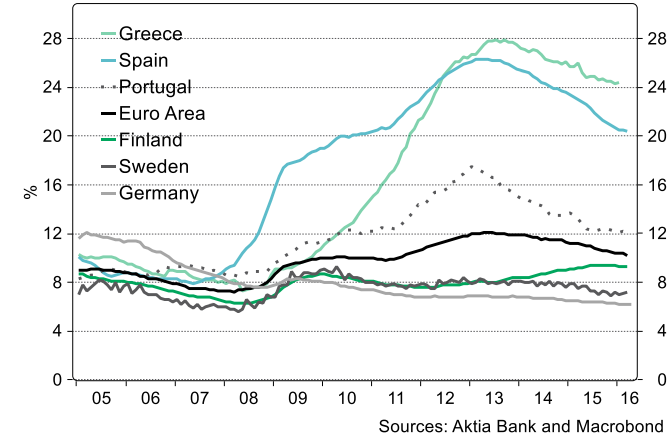
GDP growth still modest, trade growth picking up

Aktia

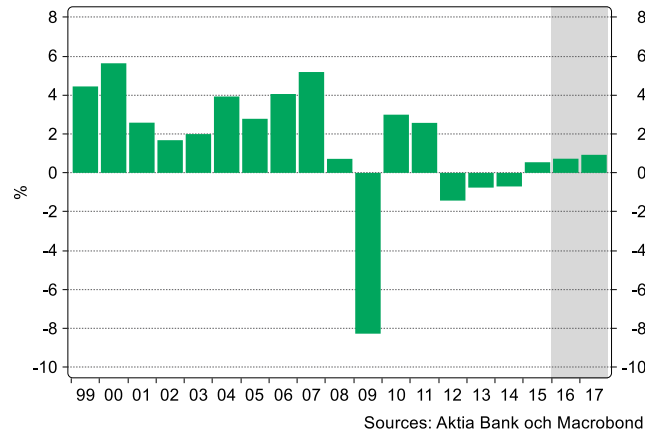
GDP



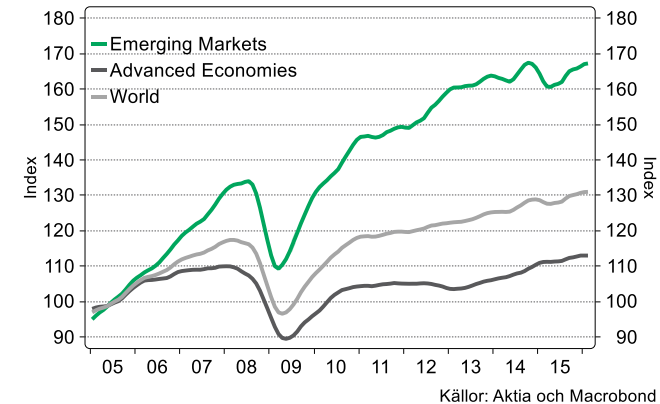
Unemployment rate in various European countries, %



Finland, GDP growth, %



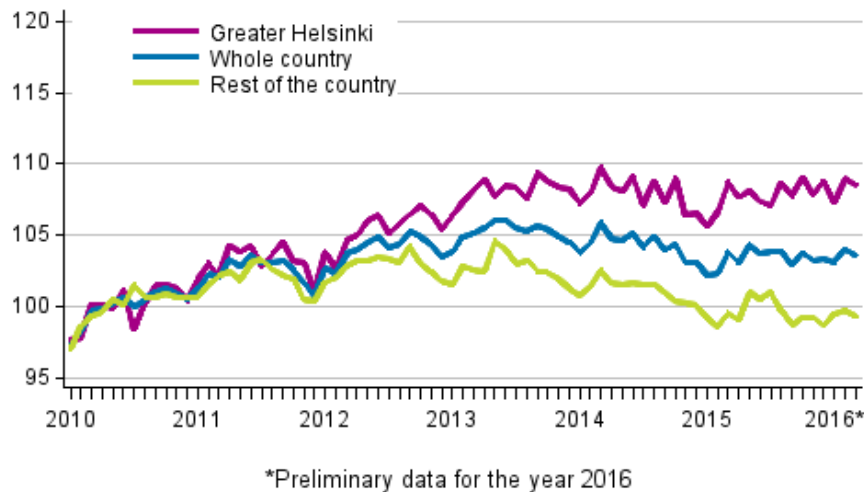
World imports
(6 months ma)



Macroeconomic environment

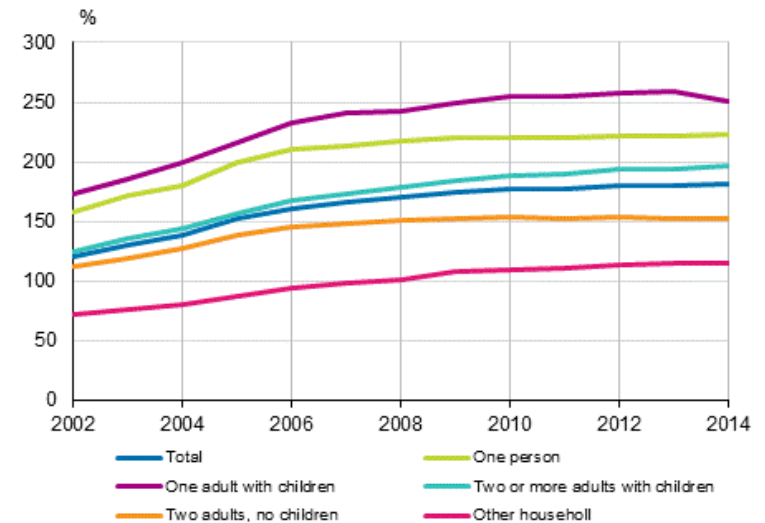
Housing market activity muted

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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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)

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	
	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015
<i>Finland</i>	176	182	47	149	82	84	12	-	-	-	317	415
<i>United Kingdom</i>	-	-	225	298	18	19	-	-	-	-	243	317
<i>Norway</i>	-	-	218	283	-	-	-	-	-	-	218	283
<i>Netherlands</i>	25	25	165	189	60	85	-	-	-	-	249	299
<i>France</i>	67	65	109	142	32	47	-	-	-	-	208	255
<i>Sweden</i>	-	-	74	75	90	120	-	-	-	-	164	194
<i>Denmark</i>	-	-	89	84	-	-	-	-	-	-	89	84
<i>Austria</i>	26	26	-	54	-	-	-	-	-	-	26	80
<i>Germany</i>	49	48	-	9	-	-	-	-	-	-	49	58
Supranationals	215	228	-	-	-	-	-	-	-	-	215	228
Others	54	54	28	28	-	-	-	-	-	-	82	82
Total	612	629	955	1311	282	355	12	-	-	-	1860	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 excl. CB		Corporate bonds		Real estate		Alternative investments		Equity Instruments		Total	
	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015	6/2016	2015
<i>Finland</i>	35	34	6	6	34	56	71	61	83	82	3	3	-	-	232	242
<i>France</i>	42	38	88	86	1	1	10	10	-	-	-	-	-	-	141	135
<i>Netherlands</i>	10	10	31	31	13	13	2	2	-	-	-	-	-	-	56	56
<i>United Kingdom</i>	-	-	36	36	3	3	1	1	-	-	-	-	-	-	40	40
<i>Austria</i>	24	22	6	6	-	-	-	-	-	-	-	-	-	-	31	29
<i>Denmark</i>	-	-	19	19	1	-	1	2	-	-	-	-	-	-	21	22
<i>Germany</i>	17	17	-	-	-	-	1	4	-	-	-	-	-	-	18	21
<i>Sweden</i>	-	-	-	-	12	9	-	-	-	-	-	-	-	-	13	9
<i>Norway</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supranationals	6	6	-	-	-	-	-	-	-	-	-	-	-	-	7	6
Others	46	21	-	2	6	5	7	21	-	-	-	-	-	-	59	50
Total	182	150	186	186	70	88	93	101	83	82	3	3	-	-	618	609

Aktia

Aktia

We see a person in every customer.

