



# **AKTIA BANK DEBT INVESTOR PRESENTATION 1-3/2017**

**Aktia**

	NOTE SELL	TT SELL
USD	0.7368	0.7376
GBP	0.5118	0.5124
EUR	0.6485	0.6495
NZD	1.0621	1.0666
JPY	80.0530	81.3370
HKD	5.8350	5.8955
SGD	0.9903	0.9929
THB	25.6920	25.7200
INR	N/A	49.4220
IDR	9217.90	N/A
MYR	2.8315	N/A
PHP	32.4110	N/A
FJD	2.4920	N/A
CAD	1.3420	N/A

# EXECUTIVE SUMMARY – AKTIA BANK PLC

## **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 82 % of the loan portfolio and 73 % of the deposit stock

## **Prudent lending policy and low loan losses**

Write-downs EUR 0.1 million (0.00 %) in 1-3/2017, non performing loans 0.72 %

## **Solid profitability over time**

Return on Equity (ROE) 8.7 % in 1-3/2017

## **Strong Capital Ratio**

Tier 1 Capital Ratio 18.2 %

## **Credit ratings**

Moody's: A3 / P-2, positive  
S&P: A- / A-2, stable

Covered Bonds: Aaa

**Aktia**

# PRESENTATION OUTLINE

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

- 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 (1-3/2017)

Operating income EUR 53.1 million  
Operating profit EUR 16.4 million  
Assets EUR 9,785 million

### Banking

Operating profit EUR 10.6 million  
Market share in mortgages 4.2 % and in deposits 3.7 %

### Asset Management & Life Insurance

Operating profit EUR 6.4 million  
Market share in mutual funds 4.1%  
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

**Aktia**

# GROUP STRUCTURE

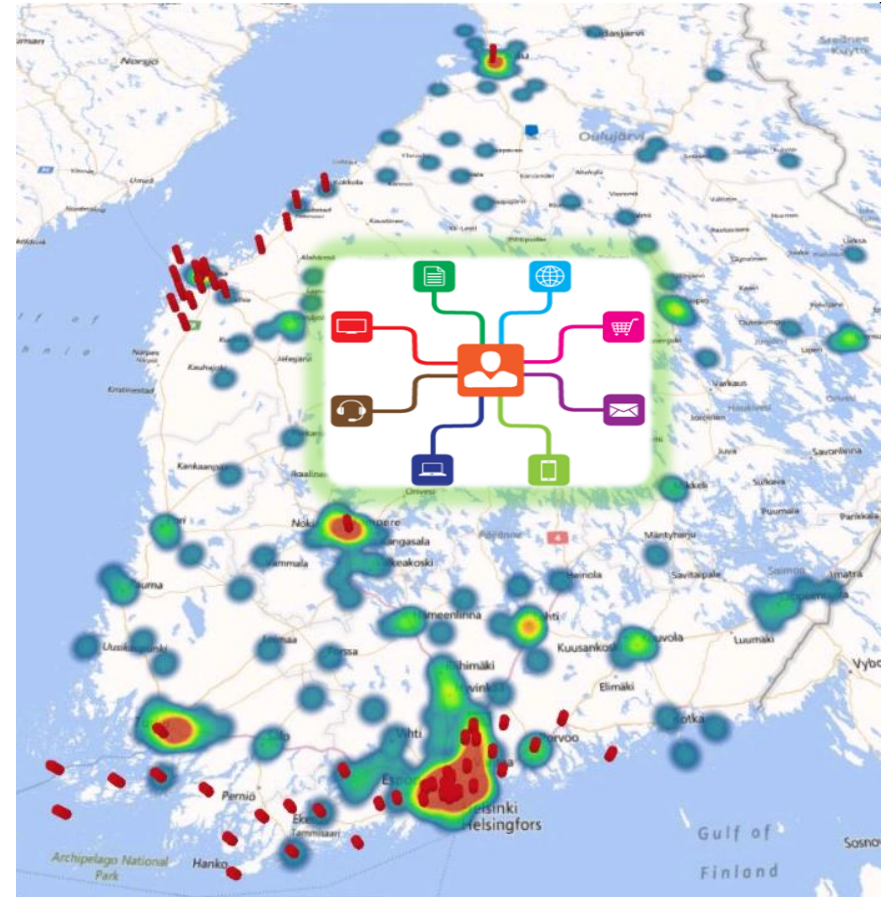


\*Minority shares used as incentives for key personnel

# AKTIA BANK PLC

## FOCUS ON RETAIL BANKING AND INSTITUTIONAL INVESTORS

- 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 45 branch offices supported with comprehensive service concept Omni Channel, including web-based services, mobile services, call centre etc.



# ASSET MANAGEMENT WINNING AWARDS



## Morningstar Awards

- Best Finnish Fund House, Fixed Income 2016, 2017
- Best Fund House, Fixed Income 2013, 2014 and 2015
- Best Balanced Fund (Aktia Secura) 2015
- TOP 3 Fixed Income Fund (Aktia Corporate Bond) 2015, 2016, 2017
- TOP 3 Multi Asset Manager 2013



## Scandinavian Financial Research Awards

- #1 Asset Manager 2010, 2012, 2013 (Platinum Award)
- #2 Asset Manager 2011, 2015, 2016 (Gold Award)



## Nordic Fund Selection Awards (Tell Media Group)

- Finnish Fund Selection Team of the Year 2010, 2011, 2012, 2013, 2014, 2015



# AKTIA LIFE INSURANCE PRODUCER OF CUSTOMER FRIENDLY LIFE INSURANCE SERVICES

## Key numbers

- Technical provisions EUR 1,184 million (EUR 750 million unit-linked and EUR 435 million interest rate related)
- Solvency ratio 185.7 %

## Several co-operation partners in the finance trade

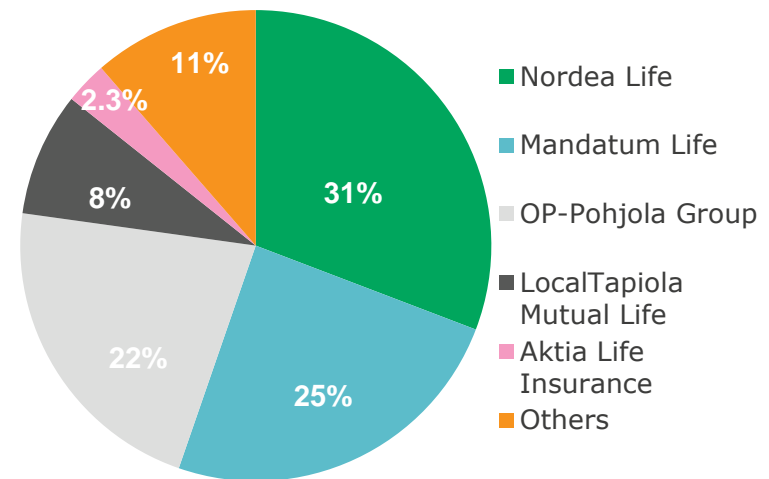
Aktia Bank, Folksam Non-Life Insurance Company, POP Bank Group, Pohjantähti Mutual Insurance Company, Alandia Insurance, Veritas Pension Insurance

## 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



**Aktia**



## FOCUS AREAS DURING 2017

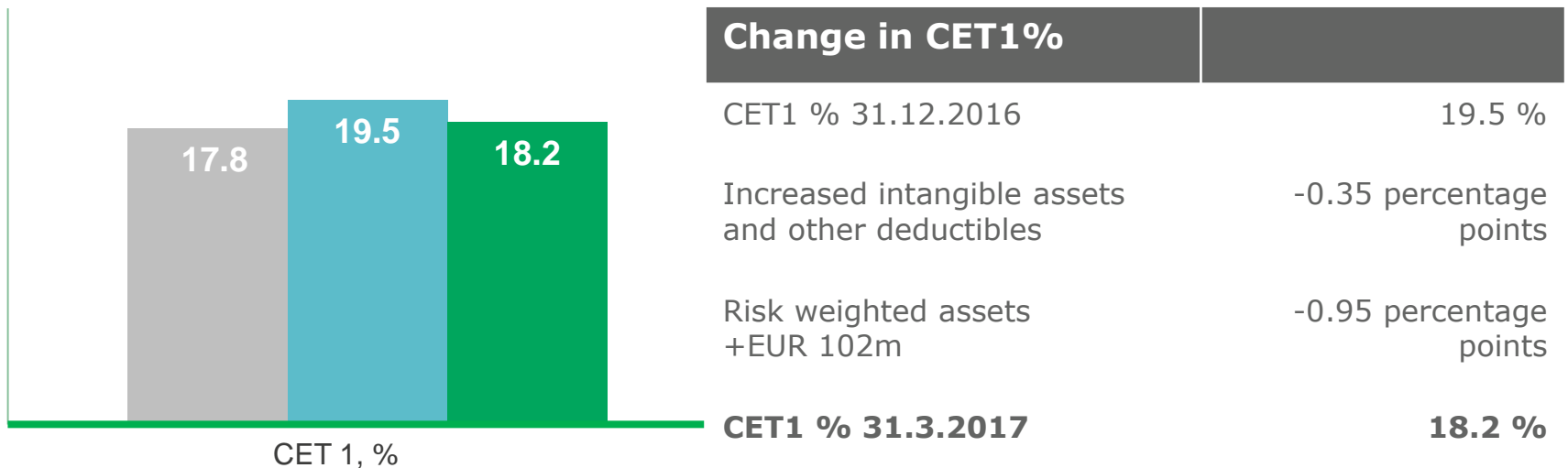
- ▶ Focus on corporate Culture and values
- ▶ Strategic focus on increased profitability
- ▶ Inspired and competent organisation
- ▶ Cost consciousness and Capital efficiency

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# CAPITAL ADEQUACY

- 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 53 % (56 %) 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 14 % (STD 35 %)



■ Average for Finnish Banks 2016 ■ Aktia 2016 ■ Aktia 3/2017

# RESULTS 1-3/2017

EUR million	1-3/2017	1-3/2016	change %	total 2016
Net Interest Income	23.4	24.6	-5%	95.6
Net Commission Income	21.1	18.9	12%	79.7
Total Operating Income	53.1	50.4	5%	211.4
Total Operating Expenses	-37.3	-36.5	2%	-148.4
Write-Downs	-0.1	-0.1	0%	-2.2
Operating Profit	16.4	14.6	13%	61.5
Profit for the period	13.5	11.9	13%	49.3

## KEY FIGURES

Banking Business, EUR million	1-3/2017	1-3/2016	2016	2015
Cost-to-Income Ratio	0.70	0.72	0.70	0.69
Return on Equity (ROE) %	8.7	7.6	8.0	7.9
Borrowing from the public	4,113	3,969	4,164	3,922
Lending to the public	5,703	5,862	5,717	5,856
Mortgage Loans	4,400	4,739	4,482	4,736
Capital Adequacy Ratio %	24.8	25.6	26.3	27.1
Tier 1 Capital Ratio %	18.2	19.5	19.5	20.7
Risk-Weighted Commitments	2,100	2,129	1,998	1,999

# ASSETS AND LIABILITIES

## Aktia Group

31.3.2017, EUR million

### ASSETS

<b>Loans to public</b>	<b>5,703</b>	<b>58%</b>
Mortgage loans (households)	3,981	
Corporate loans	561	
Loans to Housing Companies	401	
Consumer loans (households)	364	
Other loans	396	
<b>Treasury and money markets</b>	<b>667</b>	<b>7%</b>
Current account at Bank of Finland	494	
Other	173	
<b>Liquidity portfolio</b>	<b>1,964</b>	<b>20%</b>
Level 1-eligible	641	
Covered Bonds	978	
Others	346	
<b>Investment portfolio in Life Insurance</b>	<b>584</b>	<b>6%</b>
<b>Invest. for unit-linked provisions, Life Insuran</b>	<b>751</b>	<b>8%</b>
<b>Other assets</b>	<b>116</b>	<b>1%</b>
<b>Total assets</b>	<b>9,785</b>	<b>100%</b>

### LIABILITIES

<b>Demand deposits</b>	<b>3,747</b>	<b>40%</b>	RETAIL
<b>Time deposits</b>	<b>366</b>	<b>4%</b>	
<b>Long-term issues to retail market</b>	<b>246</b>	<b>3%</b>	
Senior debt	0		WHOLESALE MARKET
Subordinated debt	246		
<b>Long-term funding</b>	<b>2,887</b>	<b>30%</b>	
Covered bonds	1,648		
Senior debt	839		
Subordinated debt	0		
ECB	400		
<b>Short-term funding</b>	<b>340</b>	<b>4%</b>	
Repos + ECB	233		
CDs & wholesale MM deposits	0		
Received cash collateral	107		
<b>Technical prov. for unit-linked insuranc</b>	<b>1,184</b>	<b>12%</b>	
<b>Other Liabilities</b>	<b>394</b>	<b>4%</b>	
<b>Equity</b>	<b>621</b>	<b>7%</b>	
<b>Total liabilities and equity</b>	<b>9,785</b>	<b>100%</b>	

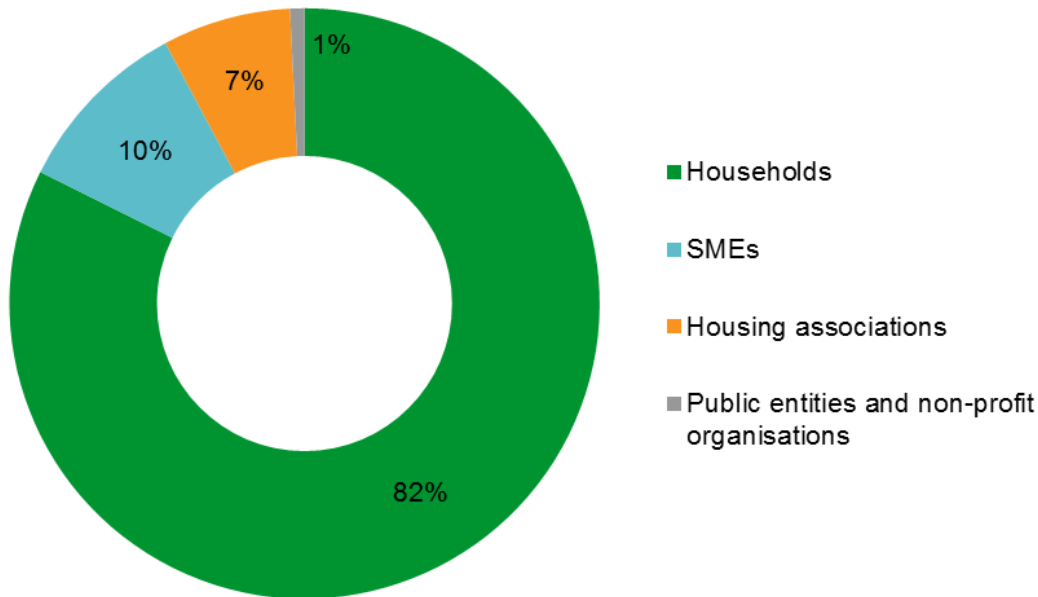
Aktia

# STRUCTURE OF LENDING AND DEPOSITS

Business strongly supported by households through own retail network

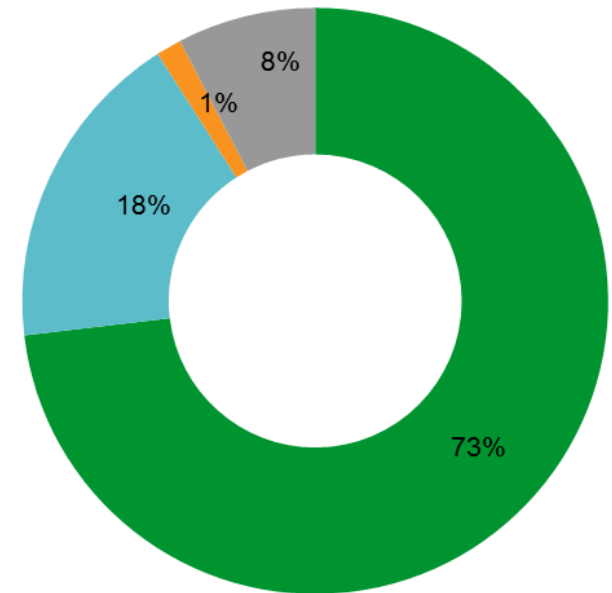
## Lending

1Q 2017, EUR 5,703 million  
(2016, EUR 5,717 million)



## Deposits

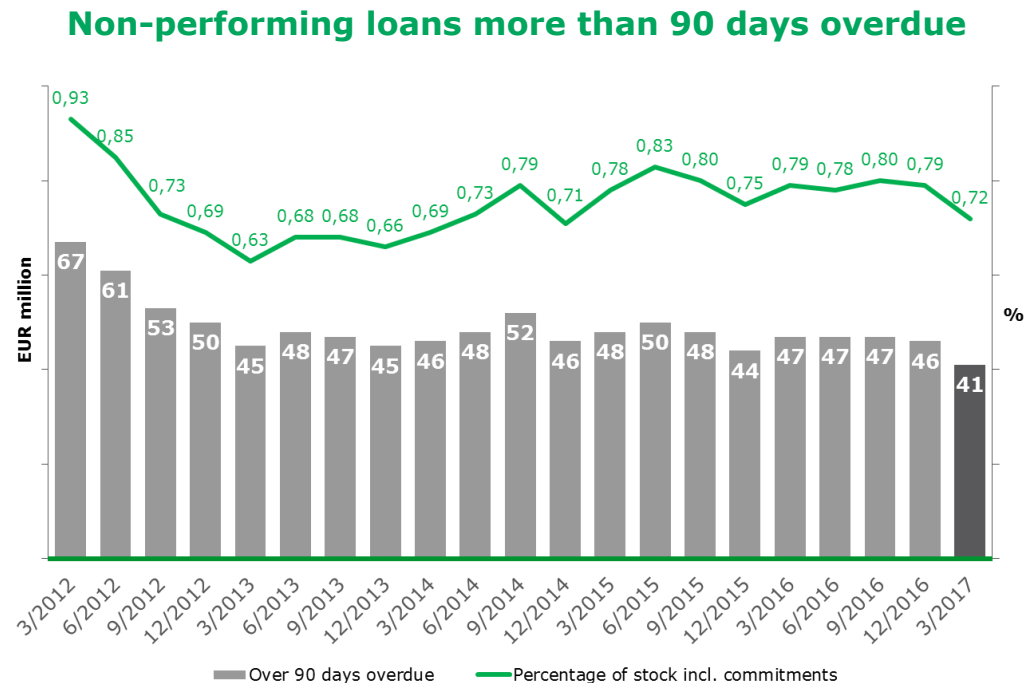
1Q 2017, EUR 4,113 million  
(2016, EUR 4,164 million)



# PRUDENT AND LOW RISK LENDING POLICY

## Aktia Bank operates under strict origination criteria:

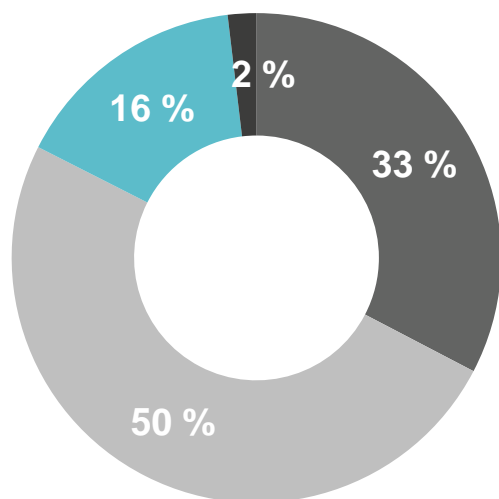
- Identification of the customer mandatory
- Responsible lending: customer ability to pay stress tested
- Credit personnel internally educated and examined
- Rating based credit risk valuation
- Collateral only in Finland





# HIGH QUALITY LIQUIDITY PORTFOLIO

- At the end of December 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 (31.3.2017; 179 %)



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

	31.3.2017	31.12.2016
(EUR million)	1,964	1,794
Aaa	52.4 %	53.3 %
Aa1–Aa3	27.8 %	29.6 %
A1–A3	4.0 %	4.8 %
Baa1–Baa3	2.8 %	3.0 %
Ba1–Ba3	0.0 %	0.0 %
Finnish municip. (no rating)	11.1 %	9.3 %
No rating	1.9 %	0.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

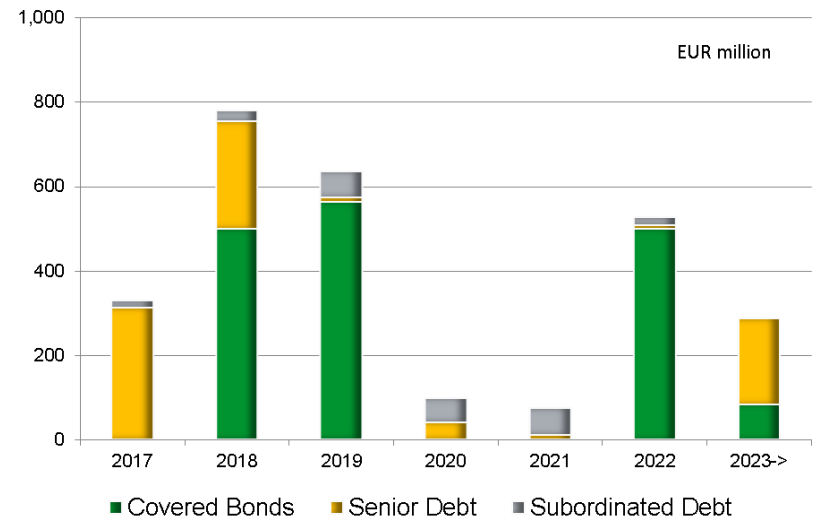
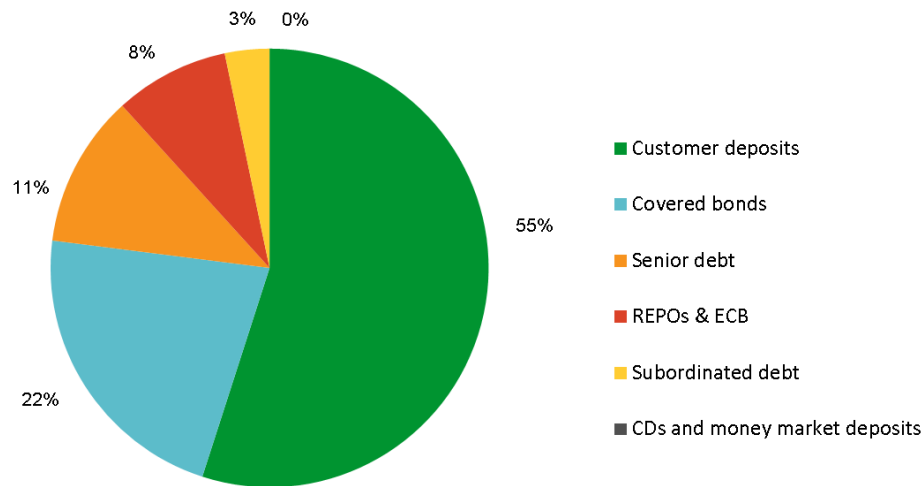
# SOUND FUNDING PROFILE

## DEPOSITS AND COVERED BONDS DOMINATE

### Funding profile 1Q/2017

EUR 7,482 million

(2016; EUR 7,254 million)



Wholesale Funding, EUR million	Nominal Value
Covered bonds	1,565
EMTN Program	565
Domestic Program	246
Schuldschein	204
Other Funding *	556

\* RCB, EIB, NIB etc.

Aktia

# 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
- 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 REMB MERGED INTO AKTIA BANK

- REMB was merged with Aktia Bank 28 February 2017
- Aktia Real Estate Mortgage Bank has ceased to exist as a separate legal entity and its assets and liabilities have been transferred to Aktia Bank plc.

# COVER POOL 1 MARCH 2017

Asset Pool Total	EUR 0,262m (no substitute assets)
No of loans / average loan balance	3,602 / EUR 72,700
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	46.90%
WA indexed LTV	46.63%
Maximum LTV	LTV limit: 70%
Interest base	Floating 81%, fixed 19%
WA seasoning	71.0 months
% of largest 10 borrowers	2.65%
Overcollateralisation (%)	143.17% (Committed OC 12%)

# COVER POOL 2 MARCH 2017

Asset Pool Total	EUR 2,005m (no substitute assets)
No of loans / average loan balance	32,827 / 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	55.20%
WA indexed LTV	55.03%
Maximum LTV	LTV limit: 70%
Interest base	Floating 94%, fixed 6%
WA seasoning	41.0 months
% of largest 10 borrowers	0.32%
Overcollateralisation (%)	30.23% (Committed OC 10%)
Moody's Collateral Score	5,3%

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# AKTIA BANK CREDIT RATINGS



Senior: A3 / P-2, positive outlook  
Covered Bonds: Aaa



Senior: A- / A-2, stable outlook

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 38 959 (2016)

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



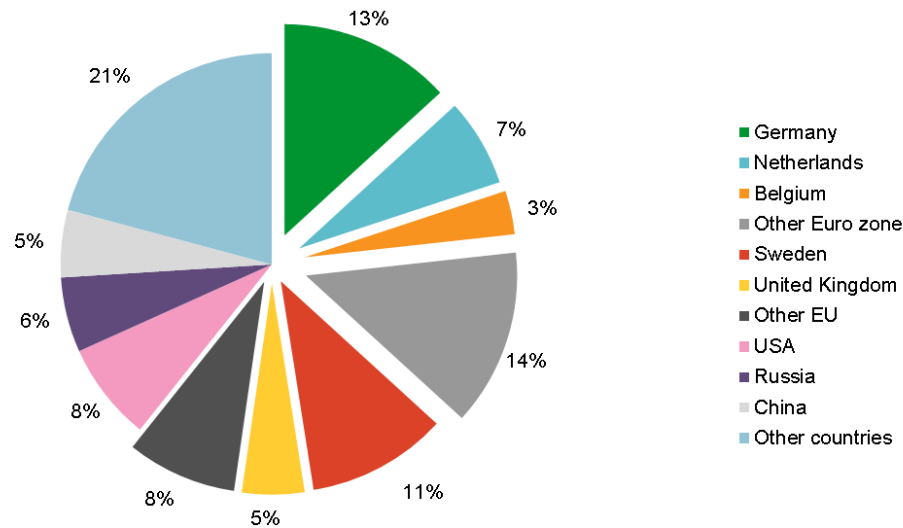
#### Finland: Supply and demand 2016

	€ billion	% of GDP
GDP	214.1	100.0
Imports	78.3	36.6
Exports	75.7	35.4
Private consumption	118.8	55.5
Public consumption	51.9	24.2
Fixed investment	42.8	20.0

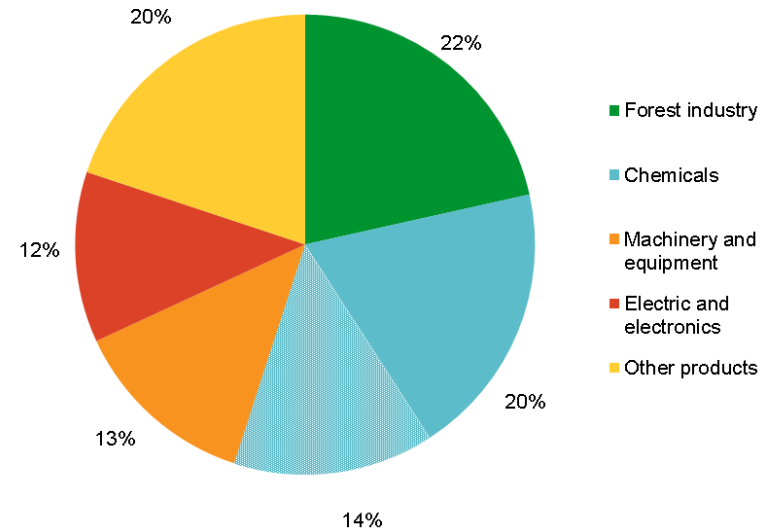
# THE FINNISH ECONOMY

## SUBSTANTIAL PART OF EXPORTS OUTSIDE THE EU

Exports by country (2016)



Exports by product group (2016)

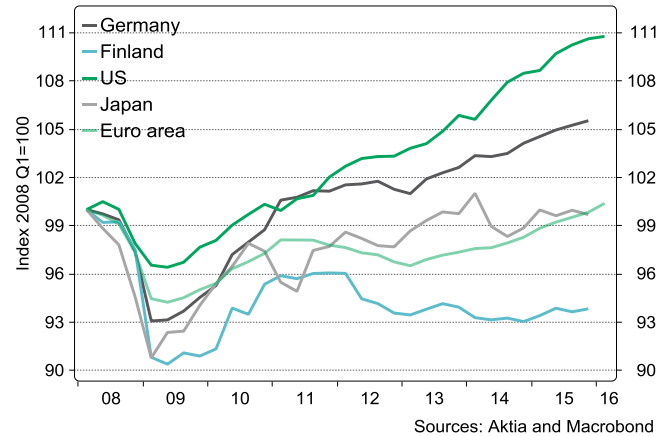


Source: National Board of Customs, Statistics Finland

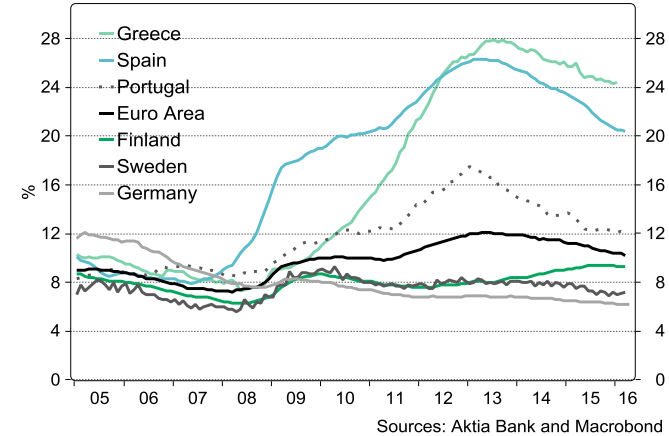
# MACROECONOMIC ENVIRONMENT

## GDP GROWTH STILL MODEST, TRADE GROWTH PICKING UP

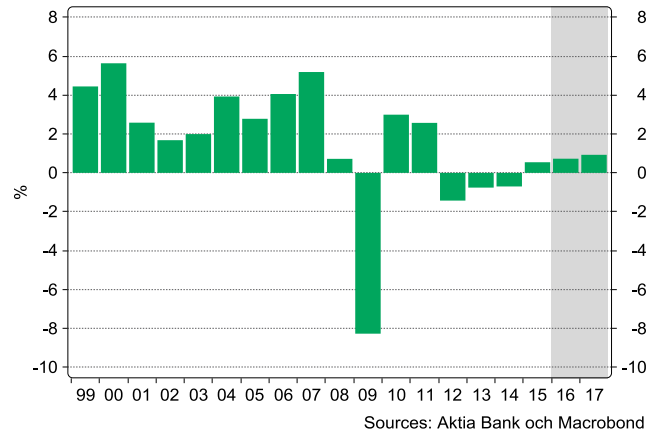
GDP



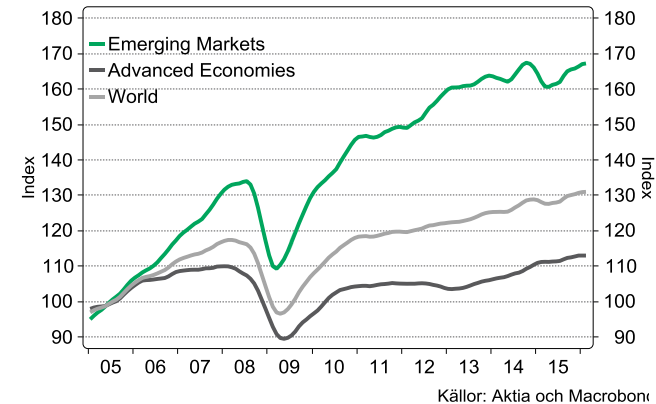
Unemployment rate in various European countries, %



Finland, GDP growth, %

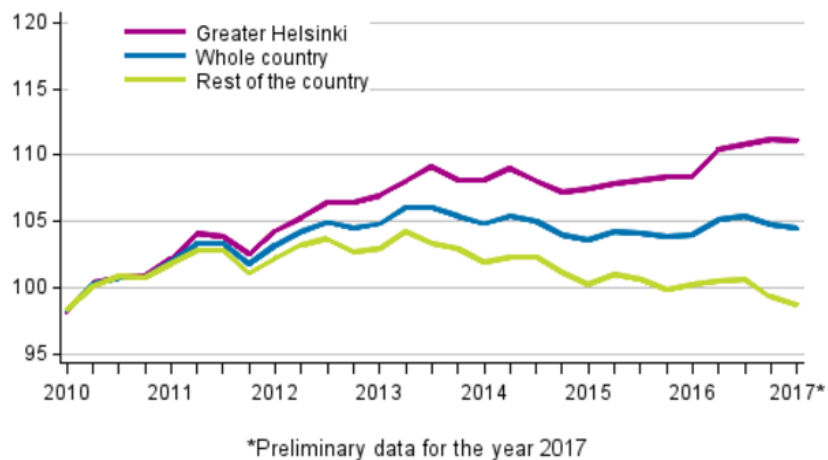


World imports  
(6 months ma)



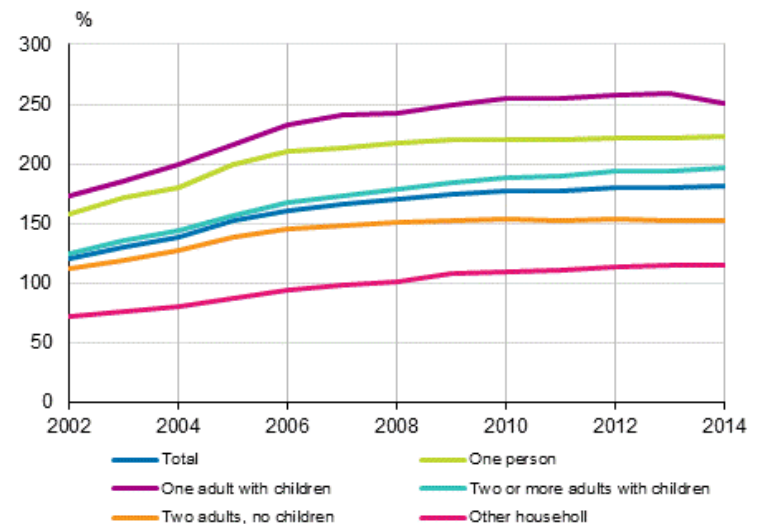
# MACROECONOMIC ENVIRONMENT

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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## **Solid profitability over time**

Return on Equity (ROE) 8.7 % in 1-3/2017

## **Strong Capital Ratio**

Tier 1 Capital Ratio 18.2 %

## **Credit ratings**

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

# CONTACTS AND ADDITIONAL INFORMATION



Timo Ruotsalainen  
Head of Treasury  
Managing Director, Aktia REMB  
Tel. +358 10 247 7211  
[timo.ruotsalainen@aktia.fi](mailto:timo.ruotsalainen@aktia.fi)



Anna Gabrán  
Investor Relations  
Tel. +358 10 247 6501  
[anna.gabran@aktia.fi](mailto: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 Banking operations (Eur million)	Government and Govt. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Equity Instruments		Total	
	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016
<i>Finland</i>	215	185	44	45	107	85	37	-	-	-	403	316
<i>Norway</i>	-	-	235	217	-	-	-	-	-	-	235	217
<i>Sweden</i>	-	-	132	61	97	88	-	-	-	-	229	149
<i>France</i>	66	66	127	108	32	32	-	-	-	-	224	206
<i>United Kingdom</i>	-	-	118	173	12	18	-	-	-	-	130	191
<i>Netherlands</i>	-	25	69	164	59	60	-	-	-	-	128	249
<i>Canada</i>	-	-	89	24	-	-	-	-	-	-	89	24
<i>Denmark</i>	-	-	84	84	-	-	-	-	-	-	84	84
<i>Germany</i>	49	49	-	-	-	-	-	-	-	-	49	49
<i>Austria</i>	25	26	12	-	-	-	-	-	-	-	38	26
Supranationals	232	214	-	-	-	-	-	-	-	-	232	214
Others	54	54	70	16	-	-	-	-	-	-	125	71
Total	641	619	978	892	307	284	37	-	-	-	1964	1794

## APPENDIX 2, GEOPOLITICAL DISTRIBUTION OF INVESTMENTS DUE TO INSTRUMENT TYPE, AKTIA LIFE INSURANCE

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	
	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016	3/2017	2016
<i>Finland</i>	31	31	-	6	30	38	73	65	84	84	2	2	-	-	221	227
<i>France</i>	38	39	81	83	1	1	7	10	-	-	-	-	-	-	128	133
<i>Netherlands</i>	10	10	30	30	12	13	2	2	-	-	-	-	-	-	55	55
<i>United Kingdom</i>	-	-	35	35	-	3	1	1	-	-	0	0	-	-	36	40
<i>Austria</i>	23	23	6	6	-	-	0	-	-	-	-	-	-	-	29	30
<i>Denmark</i>	-	-	19	19	1	1	-	-	-	-	-	-	-	-	20	20
<i>Germany</i>	10	16	-	-	-	-	-	-	-	-	-	-	-	-	10	16
<i>Sweden</i>	-	-	6	-	7	13	2	2	-	-	0	0	-	-	15	15
<i>Supranationals</i>	19	6	-	-	-	-	-	-	-	-	-	-	-	-	19	6
<i>Others</i>	38	21	-	-	5	5	12	33	-	-	-	-	-	-	55	59
<b>Total</b>	<b>170</b>	<b>148</b>	<b>177</b>	<b>179</b>	<b>57</b>	<b>74</b>	<b>97</b>	<b>113</b>	<b>84</b>	<b>84</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>588</b>	<b>600</b>

# Aktia

We see a person in every customer.