

A close-up photograph of a vibrant green leaf, likely from a plant like a peace lily, showing detailed vein patterns. Several clear water droplets are scattered across the leaf's surface, particularly along the lower edge. The background is a soft, out-of-focus green.

# AKTIA BANK

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Debt Investor Presentation 4Q 2017



# EXECUTIVE SUMMARY– AKTIA BANK PLC

## **Retail bank with focus on growth areas in Finland**

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

## **Business supported by own branch network and covering digital services**

Households accounts for 81 % of the loan portfolio and 71 % of the deposit stock

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

Write-downs EUR 0.6 million (0.01 %) in 2017, non performing loans 0.61 %

## **Solid profitability over time**

Return on Equity (ROE) 6.5 % in 2017

## **Strong Capital Ratio**

Tier 1 Capital Ratio 18.0 %

## **Credit ratings**

Moody's: A3 / P-2, positive

Covered Bonds: Aaa

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

# Presentation Outline

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1. Overview – Aktia Group
  2. Financial key figures
  3. Credit ratings
  4. The Finnish Economy
  5. Contacts
- Appendix

# BANKING, ASSET MANAGEMENT AND INSURANCE SERVICES TO OVER 300,000 CUSTOMERS

## Aktia Bank Plc (2017)

Operating income EUR 210.3 million  
Operating profit EUR 49.1 million  
Assets EUR 9,550 million  
Market cap EUR 631 million (~40 000 shareholders)

### Banking

Operating profit EUR 33.5 million  
Market share in mortgages (households) 4.2 % and in deposits 3.5 %

### Asset Management & Life Insurance

Operating profit EUR 28.1 million  
Market share in mutual funds 4.2 %

### Other services include

Non- life Insurance, Real Estate Services

Sources: Bank of Finland and Federation of Finnish Financial Services

# GROUP STRUCTURE



\*Minority shares used as incentives for key personnel

# ASSET MANAGEMENT, WINNING WEALTH MANAGEMENT



**TNS Sifo** Prospera

## 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

- SFR Platinum Award 2010, 2012, 2013
- SFR Gold Award 2011, 2015, 2016, 2017

## Thomson Reuters Lipper Fund Award

- Best Group over 3 years, Overall Group Award, Small Company, Nordics 2017

## TNS Sifo Prosperas

- #3 External Asset Management 2017 Finland



# THE CORNERSTONES OF AKTIA'S STRATEGY

A green square icon with a background image of coins and a pen on a document.

## INCREASE AND SECURE OUR CUSTOMERS' WEALTH

We provide tailored solutions for investments and financing in an easy and sustainable way.

A green square icon with a background image of a person working on a laptop.

## DEVELOP OUR SERVICE MODEL

We enhance our specialist organisation and offer our customers advanced services and individual solutions.

A green square icon with a background image of a digital circuit or network.

## MAKE USE OF DIGITALISATION

We invest in flexible digital concepts and user interfaces in order to offer our services.

## THE CHANGE IS AN OPPORTUNITY

**Changes in operational environment and customer behaviour**



We will offer best customer experience with combination of individual and unique services and easily accessible digital services

We will enhance and safeguard our customers wealth by focusing at wealth management and sustainable lending

**Strong growth in focused customer segments and improved profitability**



# CUSTOMER FOCUS GROUPS

**70 % of Finnish Citizens  
would prefer Financial  
Advisory**

**40% of Aktia Customers  
have dedicated advisor –  
it's the highest proportion  
in Finland**



**Customer Service:**

**Digital Services and Sales**

**Personal Advisory, Digital Services and Call Center personal services**

# STRENGTHS OF OUR BUSINESS MODEL







# Financial key figures – Aktia Bank plc

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# CAPITAL ADEQUACY

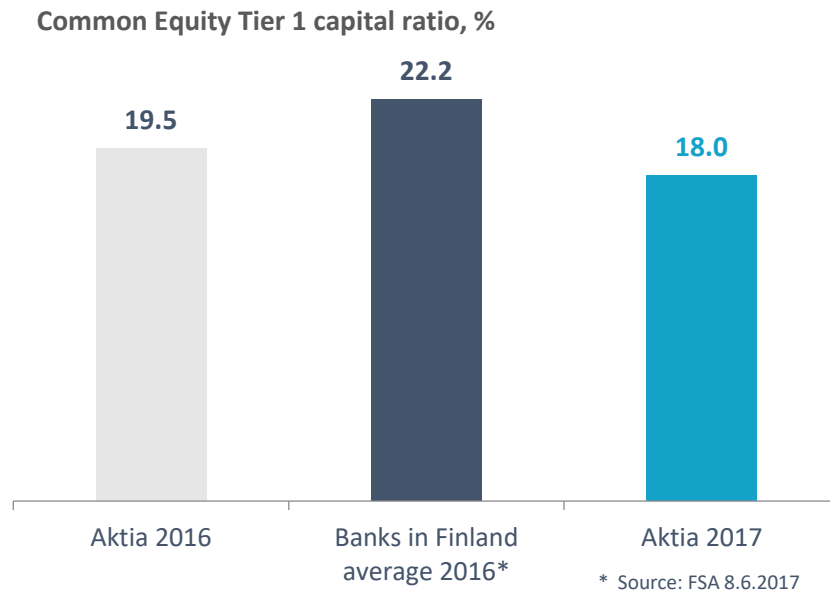
Aktia's Common Equity Tier 1 Capital (CET1 %) on a good level

Aktia's Common Equity Tier 1 Capital decreased due to

New core banking system increased intangible assets

Dividend pay-out

Growth in corporate lending increased risk-weighted assets by EUR 83m



Change in CET1%	
CET1 % 31.12.2016	19.5%
Increased intangible assets and dividend pay-out	-0.7 percentage points
Risk-weighted assets +EUR 208m	-0.8 percentage points
CET1 % 31.12.2017	18.0%

# RESULTS 2017

EUR million	1-12/2017	1-12/2016	change %
Net Interest Income	89.6	95.6	-6%
Net Commission Income	91.4	79.7	15%
Total Operating Income	210.3	211.4	-1%
Total Operating Expenses	-160.7	-148.4	8%
Write-Downs	-0.6	-2.2	-74%
Operating Profit	49.1	61.5	-20%
Profit for the period	39.3	49.3	-20%
Comparable operating profit	59.9	57.5	4%

## KEY FIGURES

Banking Business, EUR million	2017	2016	2015
Cost-to-Income Ratio	0.76	0.70	0.69
Return on Equity (ROE) %	6.5	8.0	7.9
Borrowing from the public	4,119	4,164	3,922
Lending to the public	5,839	5,717	5,856
Mortgage Loans	4,655	4,482	4,736
Capital Adequacy Ratio %	23.4	26.3	27.1
Tier 1 Capital Ratio %	18.0	19.5	20.7
Risk-Weighted Commitments	2,080	1,998	1,999

# ASSETS AND LIABILITIES

## Aktia Group

EUR million

ASSETS	31.12.2017	
<b>Loans to public</b>	<b>5,839</b>	61 %
Mortgage loans (households)	3,971	
Corporate loans	592	
Loans to Housing Companies	491	
Consumer loans (households)	345	
Other loans	440	
<b>Treasury and money markets</b>	<b>422</b>	4 %
Current account at Bank of Finland	278	
Other	144	
<b>Liquidity portfolio</b>	<b>1,816</b>	19 %
Level 1-eligible	589	
Covered Bonds	948	
Others	279	
<b>Investment portfolio in Life Insurance</b>	<b>574</b>	6 %
<b>Invest. for unit-linked provisions, Life Insurance</b>	<b>803</b>	8 %
<b>Other assets</b>	<b>96</b>	1 %
<b>Total assets</b>	<b>9,550</b>	100 %

LIABILITIES	31.12.2017	
<b>Demand deposits</b>	<b>3,930</b>	41 %
<b>Time deposits</b>	<b>188</b>	2 %
<b>Long-term issues to retail market</b>	<b>235</b>	2 %
Senior debt	0	
Subordinated debt	235	
<b>Long-term funding</b>	<b>2,877</b>	30 %
Covered bonds	1,648	
Senior debt	829	
ECB	400	
<b>Short-term funding</b>	<b>223</b>	2 %
Repos + ECB	146	
CDs & wholesale MM deposits	0	
Received cash collateral	77	
<b>Technical prov. Insurances</b>	<b>1,217</b>	13 %
<b>Other Liabilities</b>	<b>282</b>	3 %
<b>Equity</b>	<b>598</b>	6 %
<b>Total liabilities and equity</b>	<b>9,550</b>	100 %

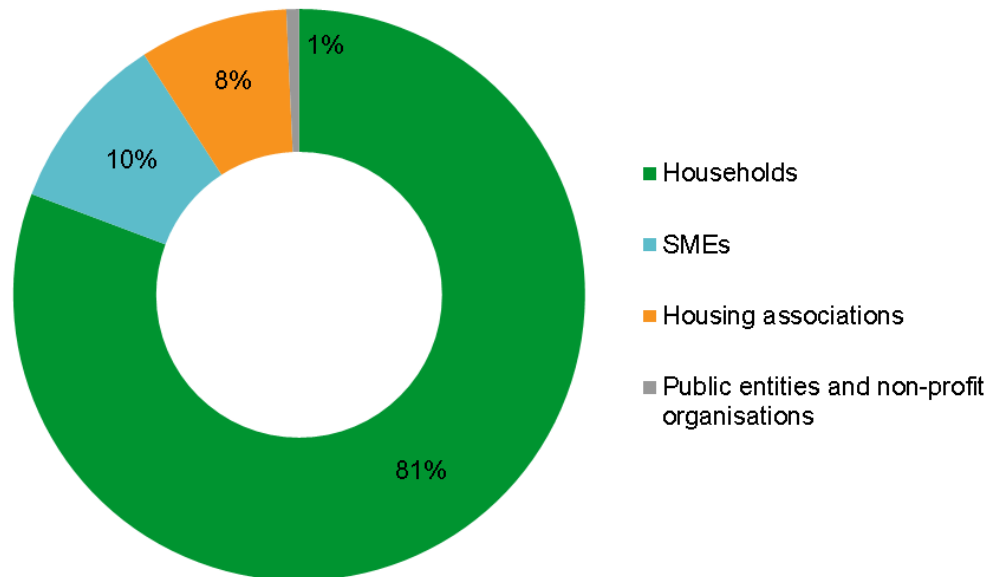


# STRUCTURE OF LENDING AND DEPOSITS

## BUSINESS STRONGLY SUPPORTED BY HOUSEHOLDS

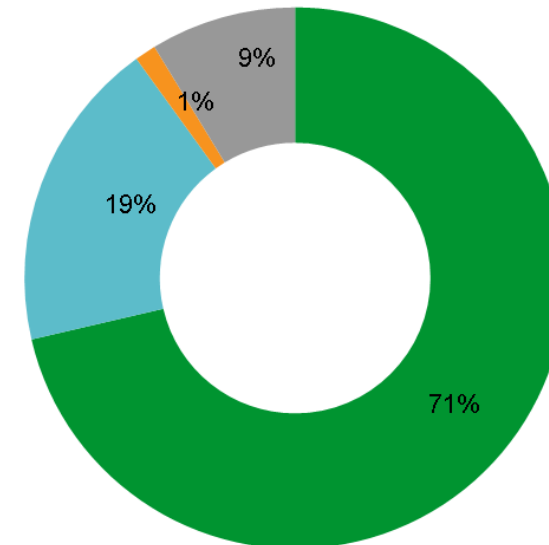
### Lending

2017, EUR 5,839 million  
(2016, EUR 5,717 million)



### Deposits

2017, EUR 4,119 million  
(2016, EUR 4,164 million)

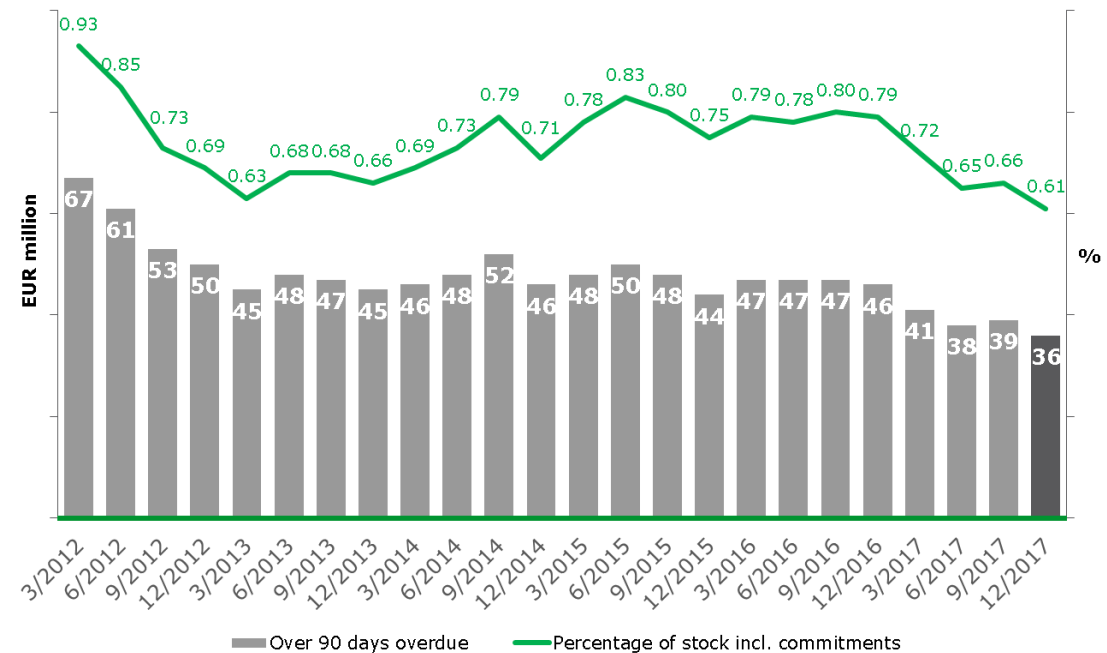


# PRUDENT AND LOW RISK LENDING POLICY

## Aktia Bank operates under strict origination criteria:

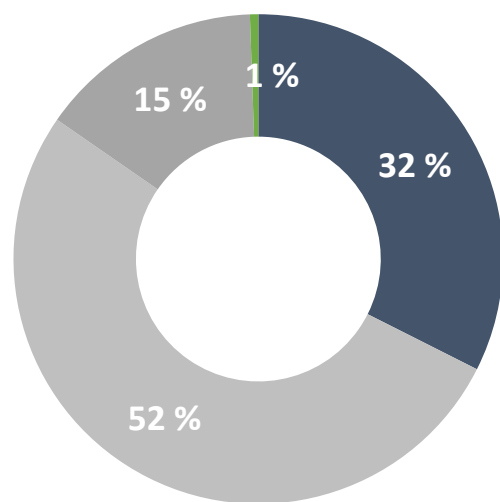
- Identification of the customer mandatory
- Responsible lending: customer ability to pay stress tested
- Credit personnel internally educated and examined
- Rating based credit risk valuation
- Collateral only in Finland

## Non-performing loans more than 90 days overdue



# 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 33 months
- Aktia meets LCR requirement with margin (31.12.2017; 161 %)



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

	31.12.2017	31.12.2016
(EUR million)	1,816	1,794
Aaa	53.1 %	53.3 %
Aa1–Aa3	27.4 %	29.6 %
A1–A3	5.0 %	4.8 %
Baa1–Baa3	2.3 %	3.0 %
Finnish municip. (no rating)	11.6 %	9.3 %
No rating	0.6 %	0.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

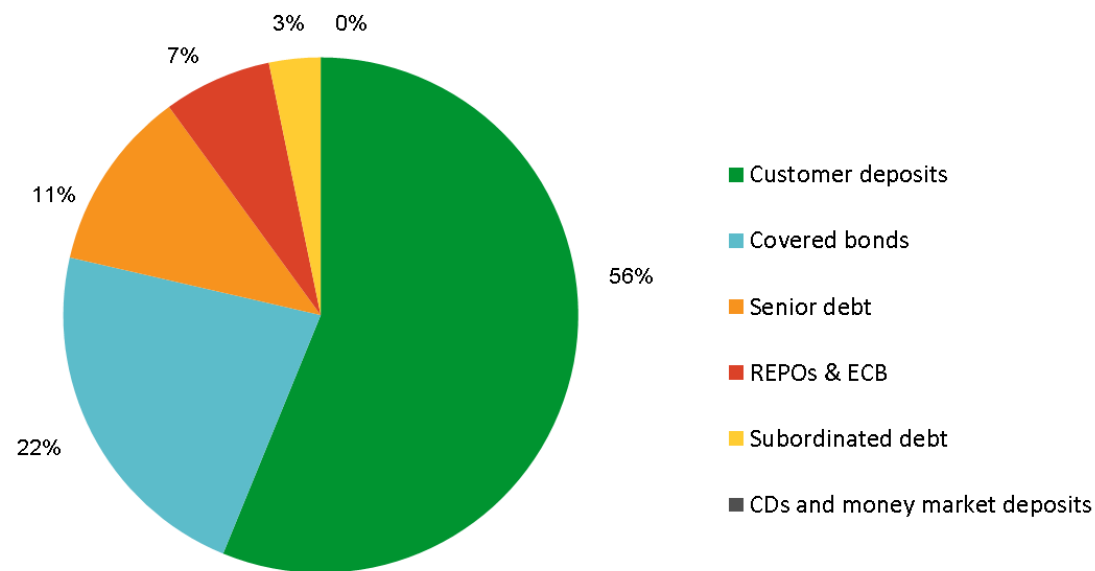


# SOUND FUNDING PROFILE

## DEPOSITS AND COVERED BONDS DOMINATE

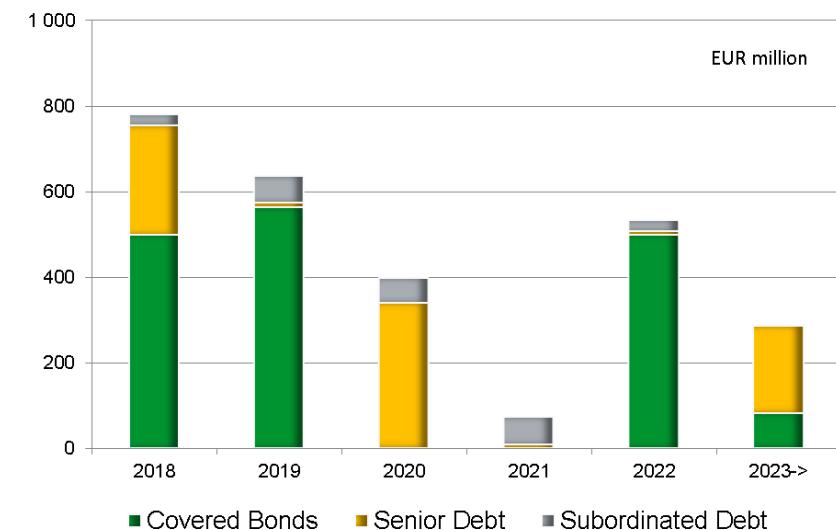
### Funding profile 2017

EUR 7,377 million  
(2016; EUR 7,254 million)



### Long term debt December 2017

Wholesale Funding, EUR million	Nominal Value
Covered bonds	1 565
EMTN Program	565
Domestic Program	235
Schuldschein	204
Other Funding *	543



\* 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 Aktia Bank mortgage loan portfolio is of 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

## COVER POOL 2, DECEMBER 2017

Asset Pool Total	EUR 1,879m (no substitute assets)
No of loans / average loan balance	30,815 / EUR 60,976
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 indexed LTV	47.05%
Maximum LTV	LTV limit: 70%
Interest base	Floating 97%, fixed 3%
WA seasoning	46.4 months
% of largest 10 borrowers	0.32%
Overcollateralisation (%)	22.01% (Committed OC 10%)
Moody's Collateral Score	4,7%



## COVER POOL 1, DECEMBER 2017

Asset Pool Total	EUR 231m (no substitute assets)
No of loans / average loan balance	2,869 / EUR 80,653
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 indexed LTV	39.41%
Maximum LTV	LTV limit: 70%
Interest base	Floating 98%, fixed 2%
WA seasoning	58 months
% of largest 10 borrowers	3.0%
Overcollateralisation (%)	114.75% (Committed OC 12%)



# Credit Ratings

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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>





# The Finnish economy

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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)



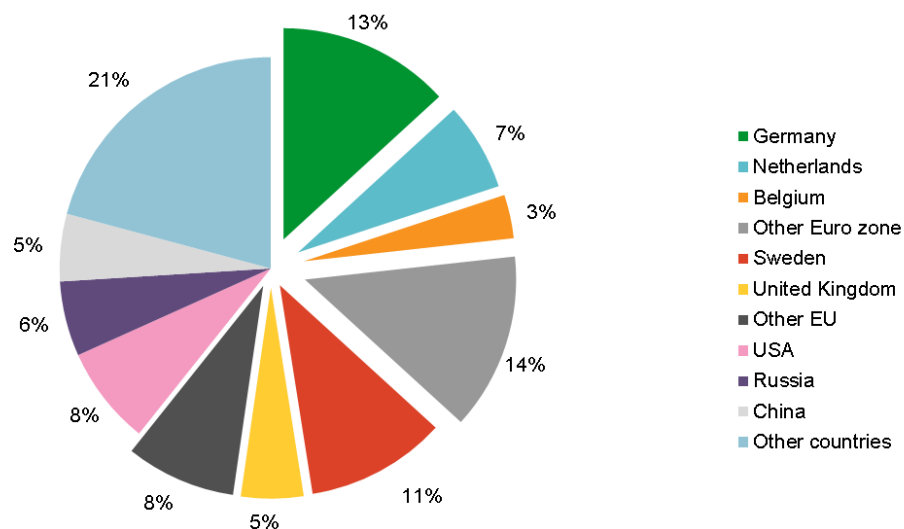
#### Finland: Supply and demand 2016

	€ 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

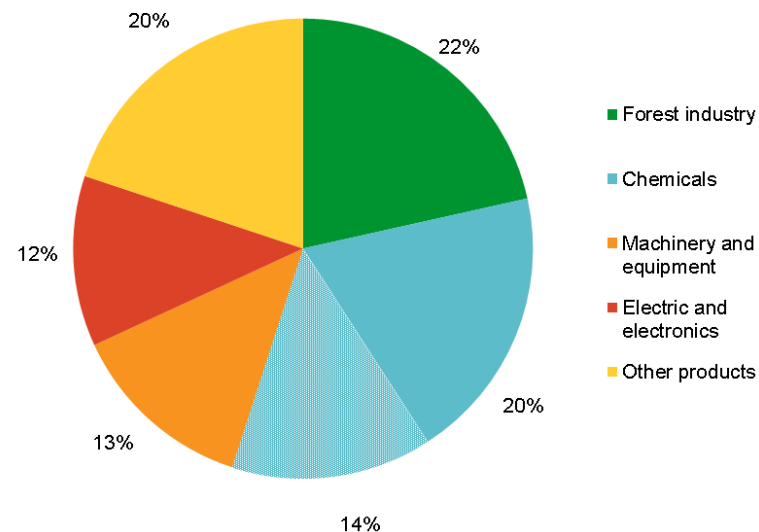
# THE FINNISH ECONOMY

## SUBSTANTIAL PART OF EXPORTS OUTSIDE THE EU

Exports by country (2016)



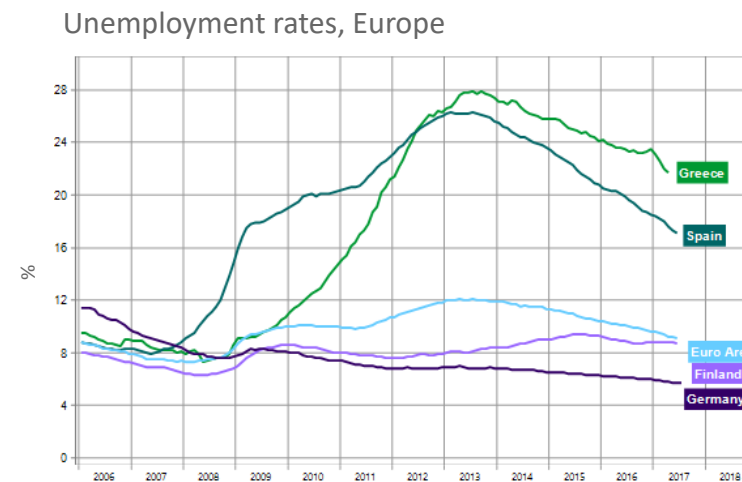
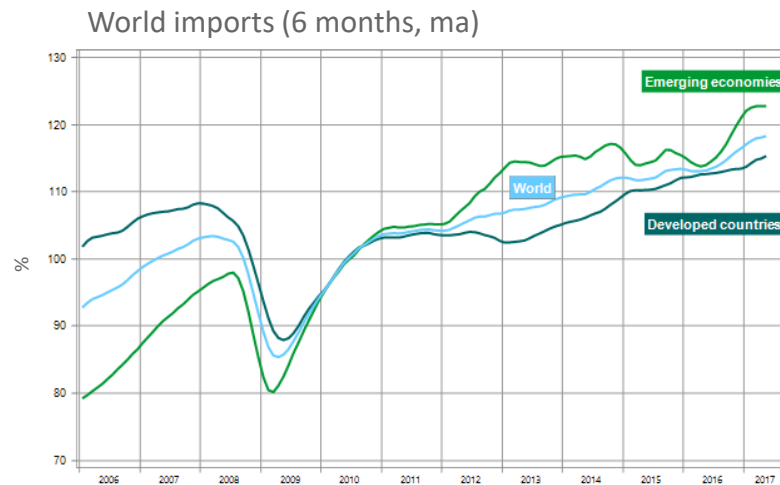
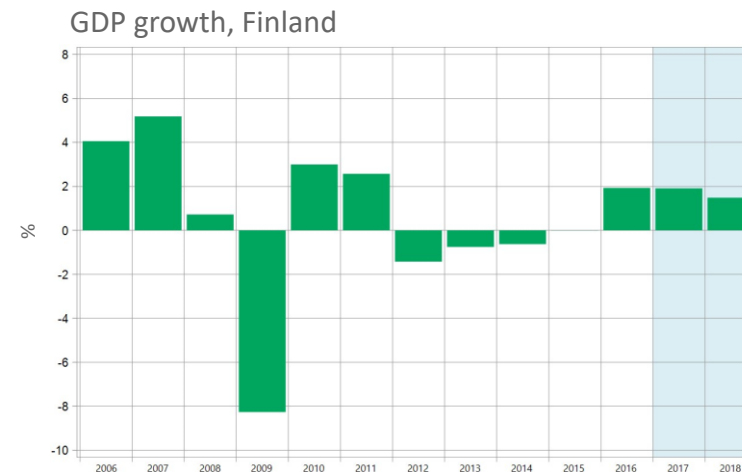
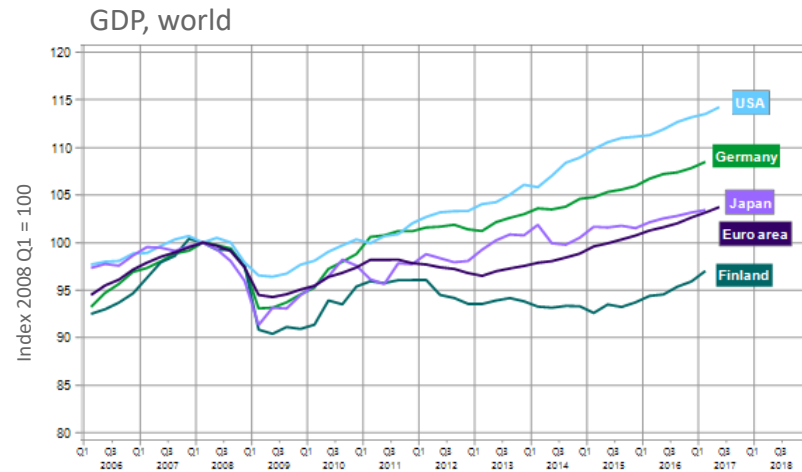
Exports by product group (2016)



Source: National Board of Customs, Statistics Finland



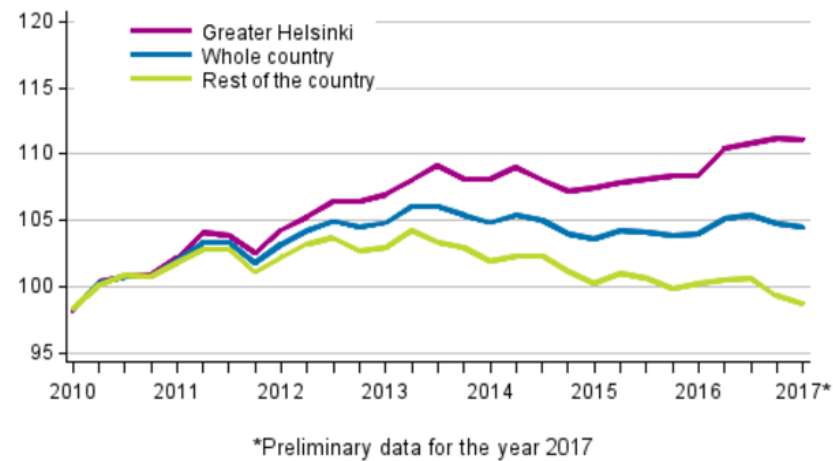
# MACROECONOMIC ENVIRONMENT



Source: Aktia Bank and Macrobond

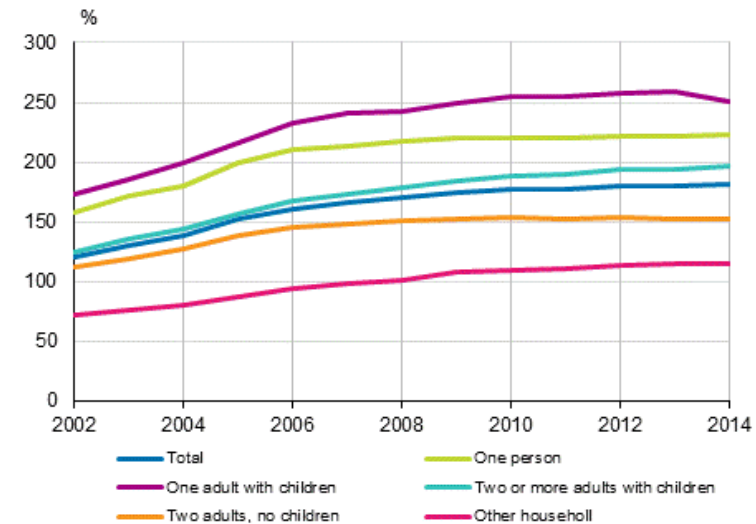
# HOUSING MARKET

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







# Contacts

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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)

**Aktia**