



Debt Investor Presentation

Timo Ruotsalainen, Head of Treasury

Interim Report 2Q 2018

Aktia

Aktia Bank Plc

Executive Summary

Retail bank with focus on growth areas in Finland

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

Business supported by own branch network and digital services

Households accounts for 79 % of the loan portfolio and 72 % of the deposit stock.

Prudent lending policy and low loan losses

Expected Credit Loss EUR 0.6 million (0.1 %) in Q1 2018, non performing loans 0.74 %.

Solid profitability over time and strong Capital Ratio

Return on Equity (ROE) 10.2 % and Tier 1 Capital Ratio 16.2 % in 1Q 2018.

Credit ratings

Moody's:	A1 / P-1, stable	Covered Bonds: Aaa
S&P:	A- / A-2, stable	

Planned transaction

EUR Benchmark Covered Bond with intermediate tenor

Aktia overview and recent result

- Implementation of new strategy.
- New core banking system enables improved digital operations and customer service.
- Good financial performance in January – March 2018.

Background and strategy

Aktia is the oldest deposit bank in Finland.



1826 Helsinki Savings Bank started its business operations.

1991 Today's Aktia was born when Helsinki Savings Bank merged with seven other savings banks. More mergers followed until the new millennium.

2009 Aktia's shares were listed on Nasdaq OMX Helsinki.

October 2017 Aktia's introduced a new strategy:

- **Increase and safeguard the customers' wealth** in a sustainable and easy way.
- Give our customers the best possible customer experience in **asset management and financing** through **individual service and user-friendly digital platforms**.
- New customer segments: Personal & Corporate Banking and Wealth management.

Aktia in numbers

Aktia is a local Finnish bank serving private customers, small and middle sized corporates and institutional investors. Aktia's share (AKTIA) is listed on the list of Nasdaq Helsinki Ltd.

Aktia Bank, 2017:

Operating income: EUR 210.3 million	C/I: 0,7	CET1: 18.0%
Operating profit*: EUR 59.9 million	ROE: 6.5%	AUM: EUR 9,680 million

New segment reporting as of 1.1.2018 (reported restated numbers for 2017) :

Personal and Corporate Banking

Private customers
Premium customers
Corporate customers

Operating income:

EUR 117.3 million

Operating profit*:

EUR 25.3 million

Market shares:

- Mortgages (households): 4.2%
- Deposits: 3.5%

Wealth Management

Private Banking customers
Asset Management customers
Life Insurance customers

Operating income:

EUR 64.9 million

Operating profit*:

EUR 25.4 million

Assets under management:

EUR 9,680 million

Market share:

- Mutual funds: 4.2%

Group functions

Support and staff
functions incl. Treasury
and risk- and financial
control.

Operating income:

EUR 28.6 million

Operating profit*:

EUR 8.3 million

Financial targets for 2018-2022:

Comparable
operating profit
to **EUR 80 million**

Return on equity
to **9.7%**

Comparable
cost-to-income
ratio to **0.61**

Common Equity Tier 1
capital ratio, CET1
to **1.5-3 over regulatory
requirements**

350,000

private customers

30,000

corporate and
institutional customers

32

branches

40%

of Aktia customers have a
personal financial advisor

796

full-time employees
on 31.3.2018

*Comparable operating profit.

Aktia

January–June 2018:

Higher net commission income and lower costs contributed to improved profitability

EUR million	2Q2018	2Q2017	Δ, %	1–6/ 2018	1–6/ 2017	Δ, %
Total operating income	55.8	54.2	3 %	107.0	107.3	0 %
Net interest income	23.5	22.9	3 %	44.2	46.2	-4 %
Net commission income	26.2	24.6	7 %	50.1	45.7	9 %
Net income from life insurance	5.0	5.8	-14 %	10.8	12.8	-16 %
Other income	1.1	1.0	13 %	2.0	2.6	-23 %
Total operating expenses	-38.3	-39.7	-4 %	-71.8	-77.0	-7 %
Operating profit	18.2	14.4	26 %	35.9	30.8	16 %
Comparable operating profit*	18.5	16.9	10 %	36.6	32.8	11 %
Earnings Per Share (EPS)	0.21	0.16	32 %	0.43	0.36	21 %
Return on Equity (ROE) %	10.1	7.4	37 %	10.2	8.2	25 %
Cost-to-income ratio (comparable)	0.68	0.69	-1 %	0.66	0.70	-5 %
Common Equity Tier 1 capital ratio	16.3	18.0	-10 %	16.3	18.0	-10 %

*Excl. items affecting comparability, mainly costs for restructuring.

January-June 2018:

Transformation proceeding well

New services and better economic governance and reporting with the new core banking system. Increased net commission income and cost savings are leading to results. New products, customer concepts and digitalisation initiatives are introduced. New CEO appointed 6 August 2018.

- Combination of R and A shares.
- New segment reporting
- Share savings plan for employees
- Issue of 5 year EUR 500 million covered bond at good terms.
- Upgraded credit rating by Moody's.
- Decreased holdings in Aktias' Real Estate Agent business*
- Insurance agency for Folksam Non-Life Insurance ended*

**Events after the end of the period.*

Make use of digitalisation

- Automated balance certificates and robotised customer enquiries.
- Electronic signatures.
- Loan application through new channels.
- Automated authority queries and credit decisions.
- A new CRM implemented.
- Launches in autumn 2018:
 - New digital marketing platform, Wealth Path (robotised advisory platform); Aktia's code app; Aktia's mutual funds and consumer credits through new web portals.

Core banking system in place and in use

Digital banking

- The new core banking system introduced in summer 2017
- The core banking system enables combined automated processes and robotics in our service solution eg. automated loan decisions.
- Versatile Mobile Bank allows eg. fund subscription.



emric
Part of Tieto Group



New Core Bank



Cloud as a platform



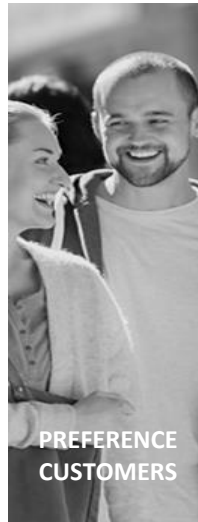
Data and analytics



Automation everywhere

Aktia

Aktia's customer groups according to new strategy



70 %

of Finnish citizens would prefer Financial Advisory

40%

of Aktia's customers have a personal financial advisor – the highest proportion in Finland

Service offering:
Digital Services
and Sales

Service offering:
Personal Advisory
Digital Services
Call Center personal services

Aktia

Award winning wealth management: Growing Asset Management

INSTITUTIONAL
CLIENTS AUM

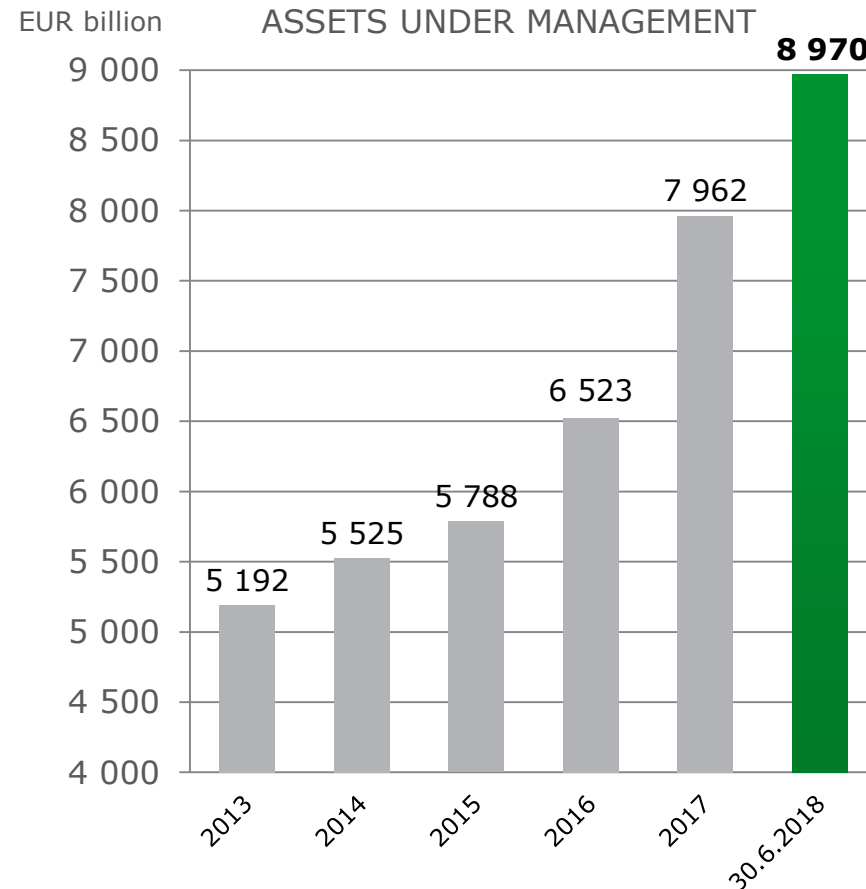
5.2

EUR billion

EMERGING
MARKETS SHARE

2.1

EUR billion



- **EMD funds:** The institutional customer base becoming increasingly international.
- **Equity funds:** New products and broader institutional customer base
- New **alternative investment** products
- **First real estate fund** expected to launch during H2 2018

All figures per 30.6.2018 unless otherwise indicated.

Aktia – the debt investment case

Moody's

Senior loan: A1 / P-1, stable outlook

Covered bonds: Aaa

Standard & Poor's

Senior loan: A- / A-2, stable outlook

Complete rating reports on www.aktia.com/en/velkasijoittajat/luottoluokitus

Aktia

Capital adequacy:

CET1 on a good level

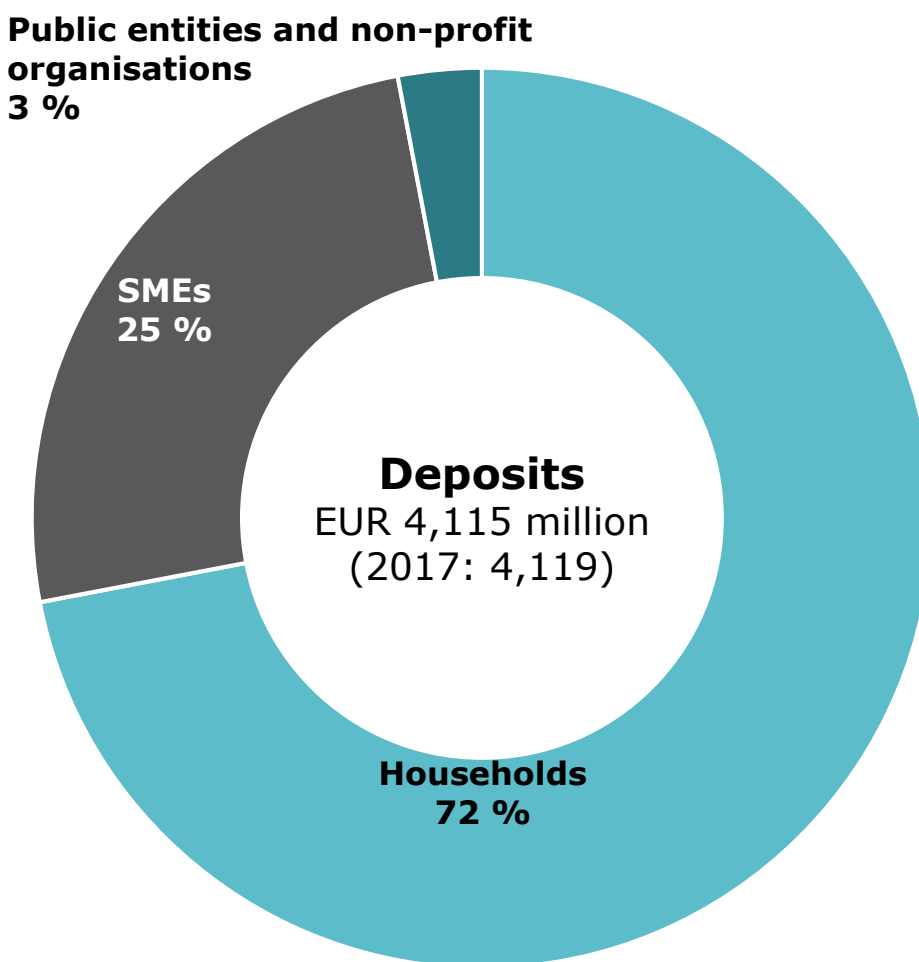
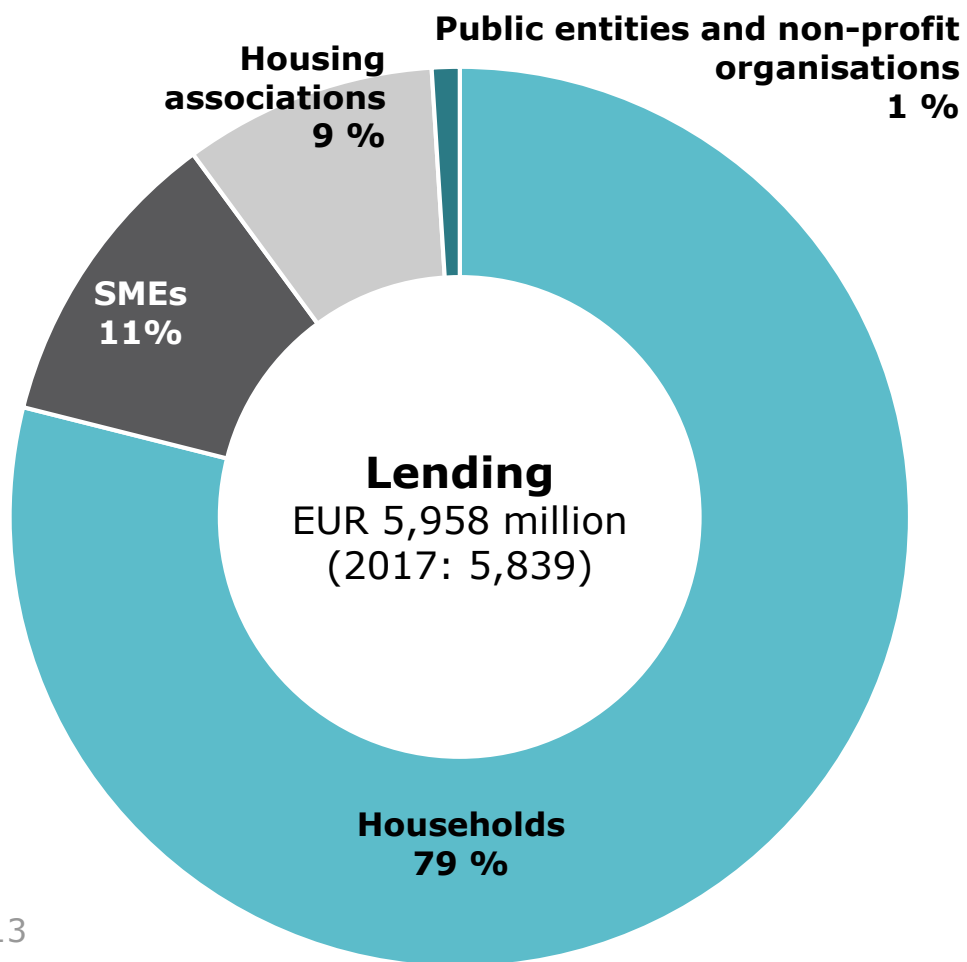
- Aktia's Common Equity Tier 1 (CET1) Capital is at a good level at 16.3 % (18.0 % on 31 December 2017)
- Aktia's Common Equity Tier 1 Capital decreased due to:
 - The introduction of the risk weight floor of 15% for housing loans increased risk-weighted commitments by EUR 168 million.
 - The corporate lending also increased the risk-weighted commitments.

Change in CET1%

CET1 % 31 December 2017	18.0%
Introduction of the risk weight floor	-1.3 percentage points
Other increase in risk-weighted commitments	-0.5 percentage points
Increase in CET1 capital base	+0.1 percentage points
CET1 % 30 June 2018	16.3%

Structure of lending and deposits:

Finnish households a key business driver



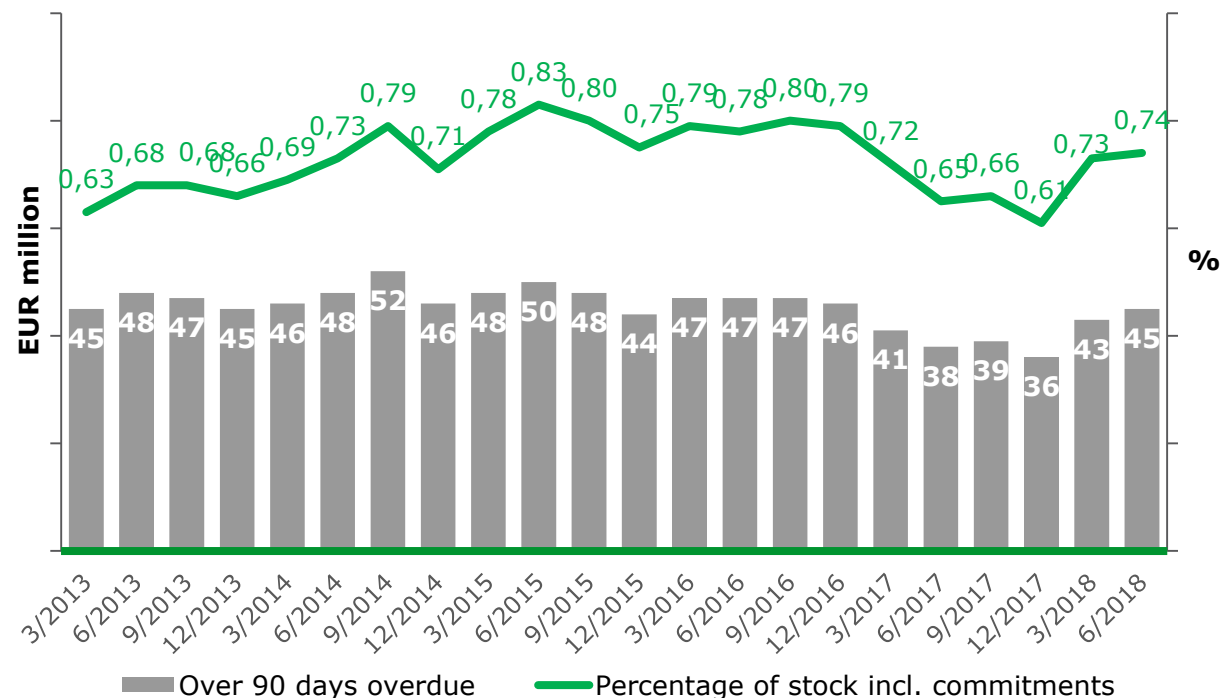
Stable long-term trend in non-performing loans:

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 and behavior based credit risk valuation
- Collateral only in Finland

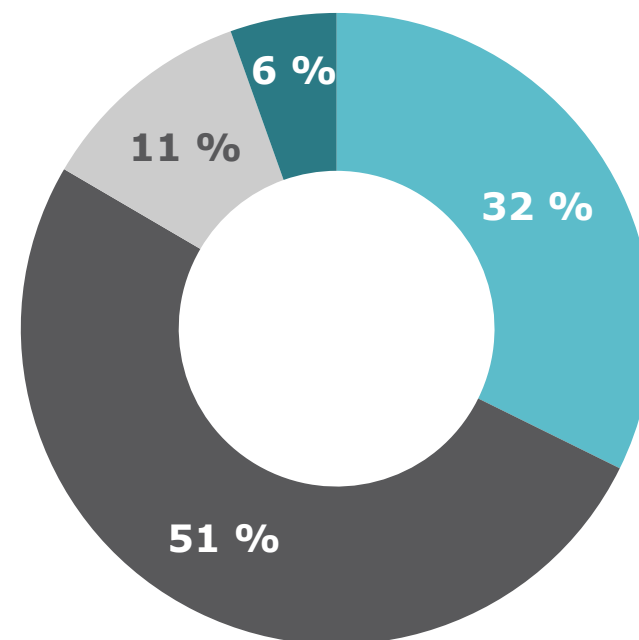
Non-performing loans more than 90 days overdue



High-quality liquidity portfolio

At the end of March 2018 the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow of finance from the wholesale market for 27 months. The Liquidity Coverage ratio (LCR) was 143%.

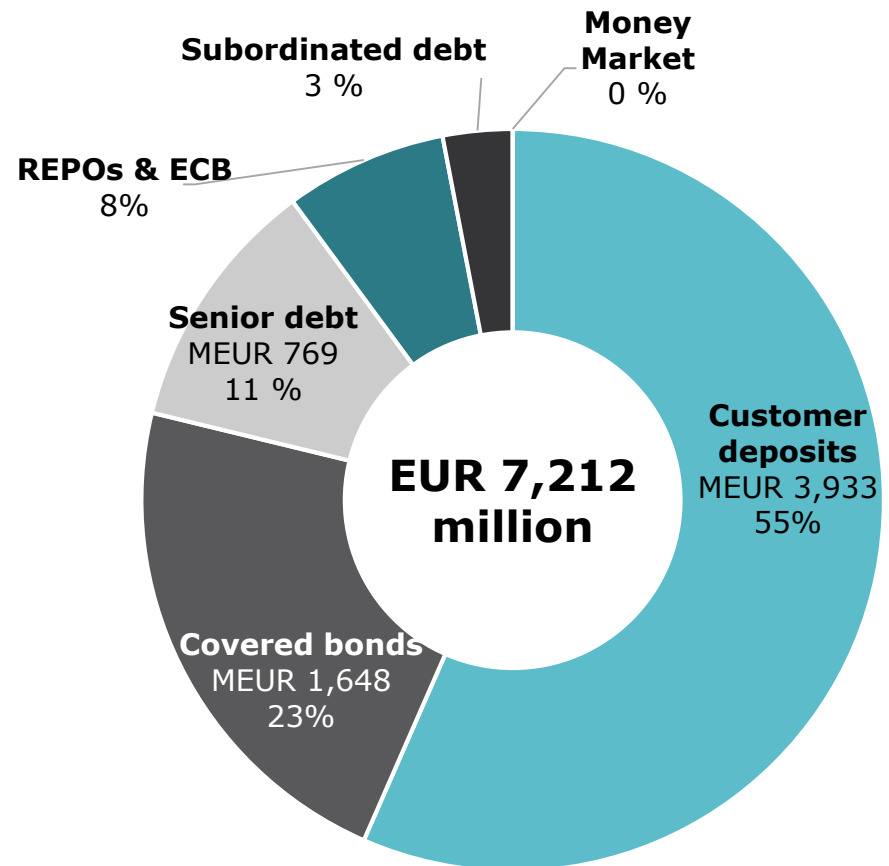
	31.3.2018	31.3.2017
EUR million	1,816	1,816
AAA	51.7 %	53.1 %
Aa1–Aa3	24.5 %	27.4 %
A1–A3	3.2 %	5.0 %
Baa1–Baa3	3.0 %	2.3 %
Ba1–Ba3	1.2 %	0.0 %
Finnish municip. (no rating)	12.8 %	11.6 %
No rating	3.6 %	0.6 %
Total	100.0 %	100.0 %



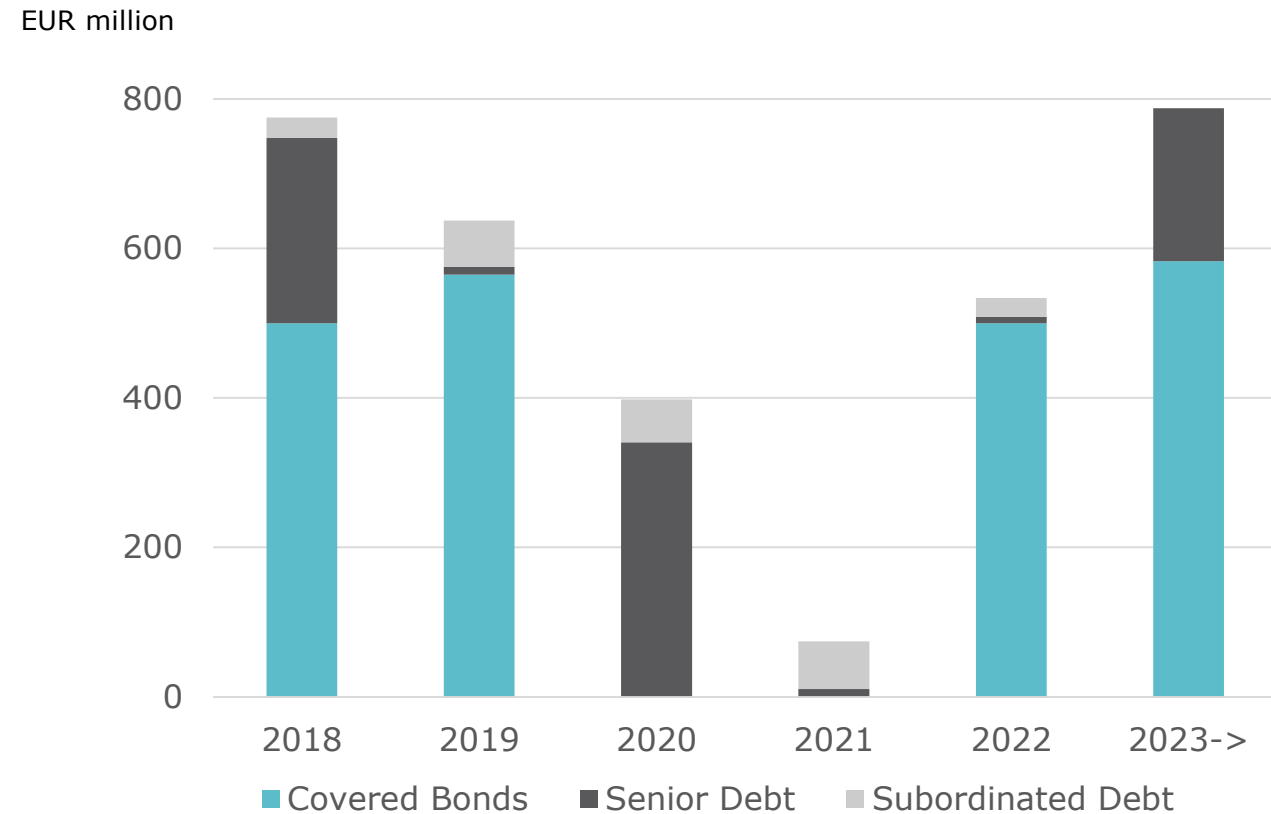
- Government and gov guaranteed bonds
- Covered bonds
- Financial sector excl. CB
- Corporate bonds and CP

Sound funding profile

Customers deposits and covered bonds dominate



Debt maturity profile



Aktia Bank as covered bond issuer

- 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, ECB repo and CBPP eligible
- Bank aims to comply with the ECBC covered bond label transparency initiative
- Stable access to the covered bond market is in high priority
- Aktia Bank will focus on EUR 500m public benchmark Covered Bond issues with selective private placement offerings

Aktia Bank operates under the 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.

Cover pools

May 2018

	Cover Pool 2 (Active pool)	Cover Pool 1
Total asset pool No substitute assets	EUR 2,379 million	EUR 216 million
No. of loans / average loan balance	39,365 / EUR 60,424	2,751/ EUR 78,630
Types of loans	First ranking residential mortgages and pledges of shares in house companies	First ranking residential mortgages and pledges of shares in house companies
Geography	Finland, well diversified with concentration on growth areas	Finland, well diversified with concentration on growth areas
Non-performing loans >90 days in arrears	0.0	0.0
WA index LTV	48.13%	38.77%
Maximum LTV	LTV limit: 70%	LTV limit: 70%
Interest base	Floating 97% / Fixed 3%	Floating 98% / Fixed 2%
WA seasoning	57 months	70 months
% of top-10 borrowers	0.28%	3.04%
Overcollateralisation, %	54.45% (committed OC 10%)	100.75% (committed OC 12%)
Moody's Collateral Score	4.7%	5.0%

The Finnish Economy

Strong Economy (with the happiest people of the world)

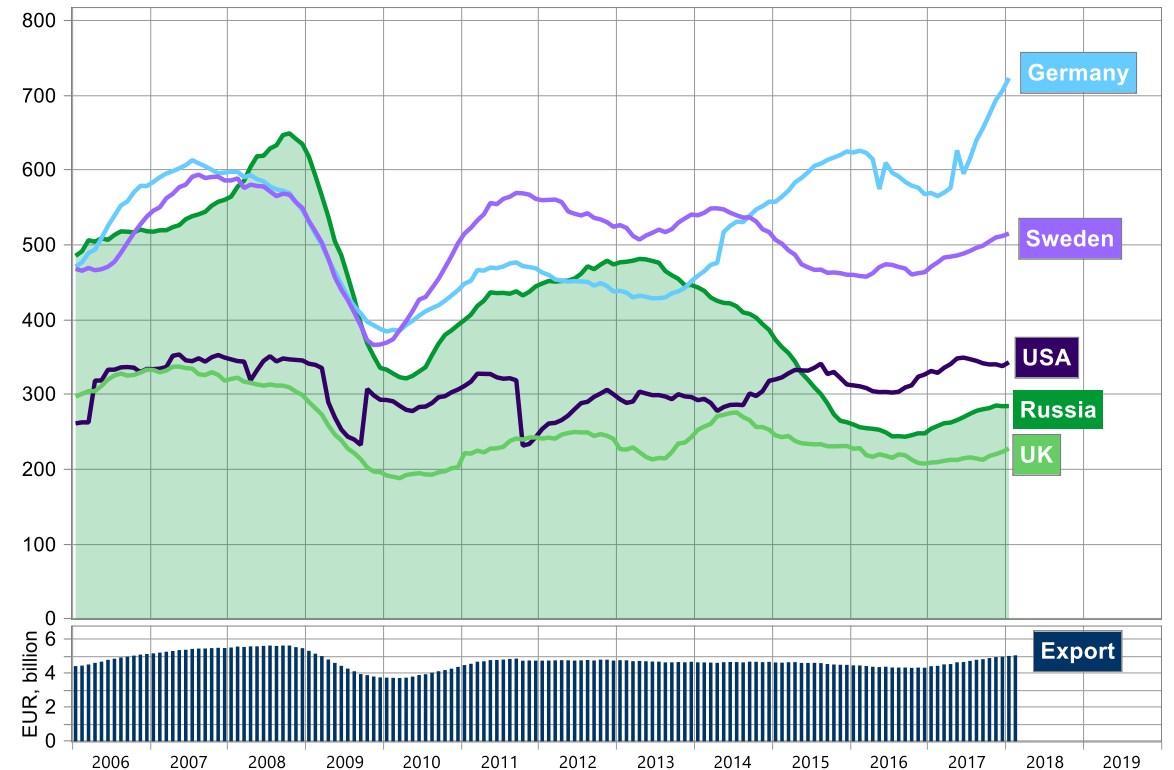
The Finnish Economy

Export driven growth

Key facts about Finland

- Member of EU and Euro area
- Population: 5.5 million
- Area: 338 430 sq. km
- GDP per capita EUR 38 959 (2016)
- Credit ratings:
Aa1 (stable) / AA+ (stable) / AA+ (stable)

Finland: Export value, mil. euro

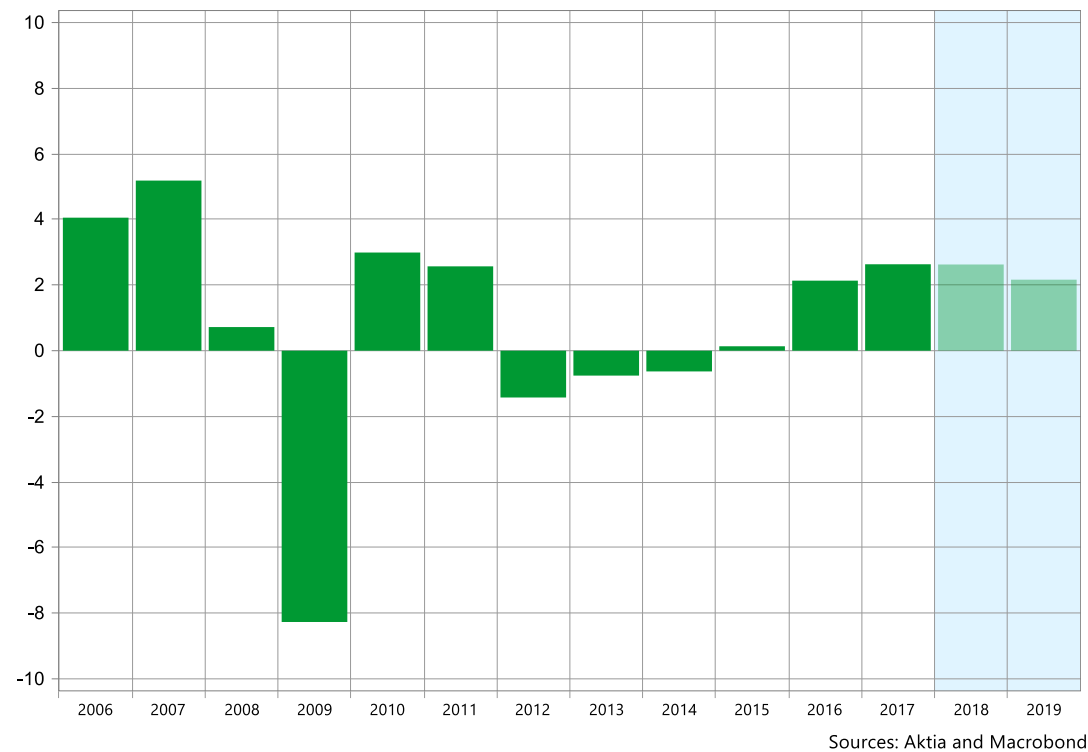


Sources: Aktia and Macrobond

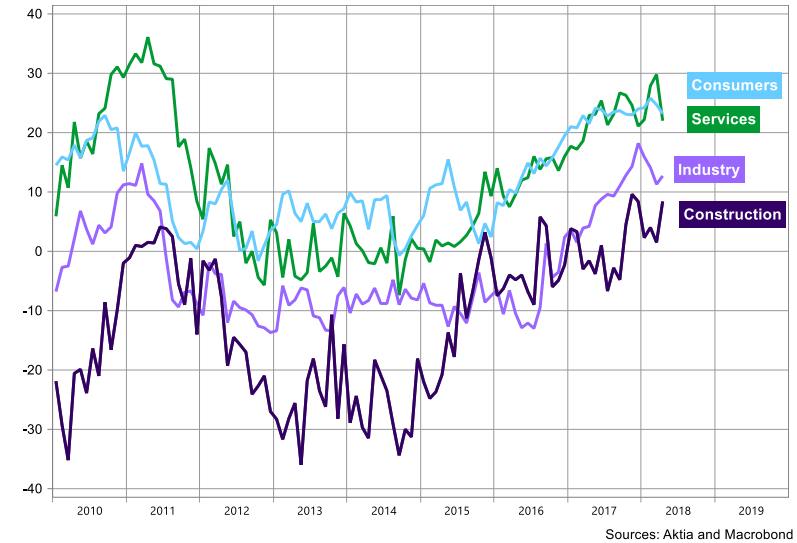
The Finnish Economy

Growth continues

GDP growth, %

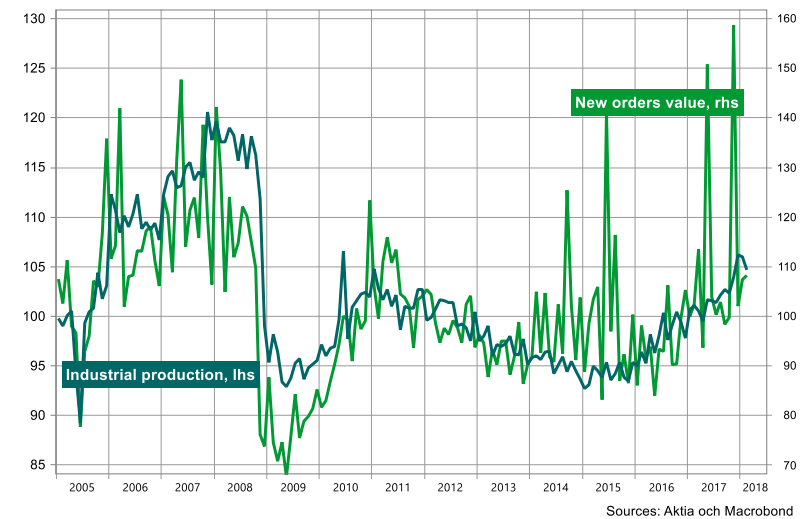


Confidence



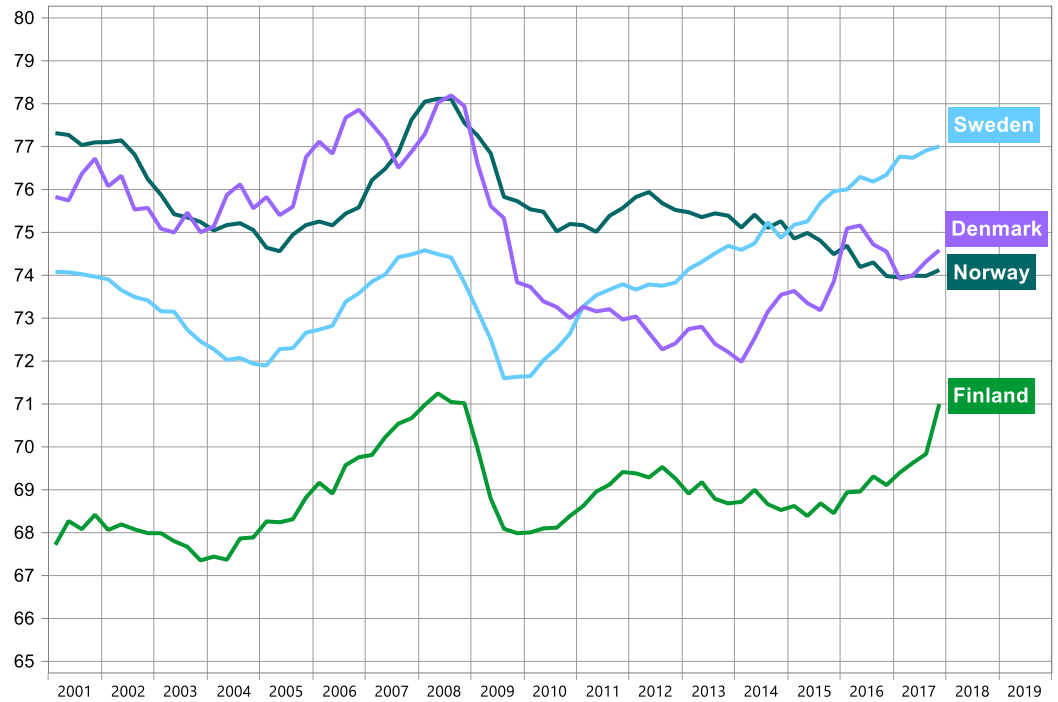
Industrial production and new orders

Seasonally adjusted indices, 2010=100



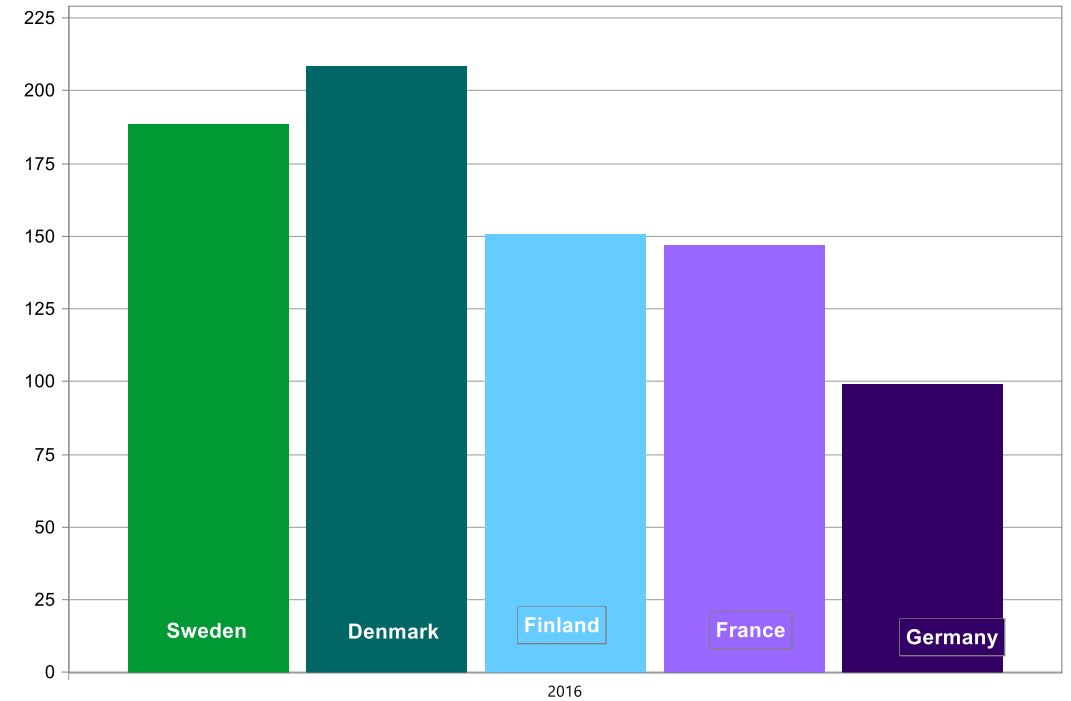
The Finnish Economy

Employment rate, 15-64 year olds



Sources: Aktia and Macrobond

Private debt, % of GDP



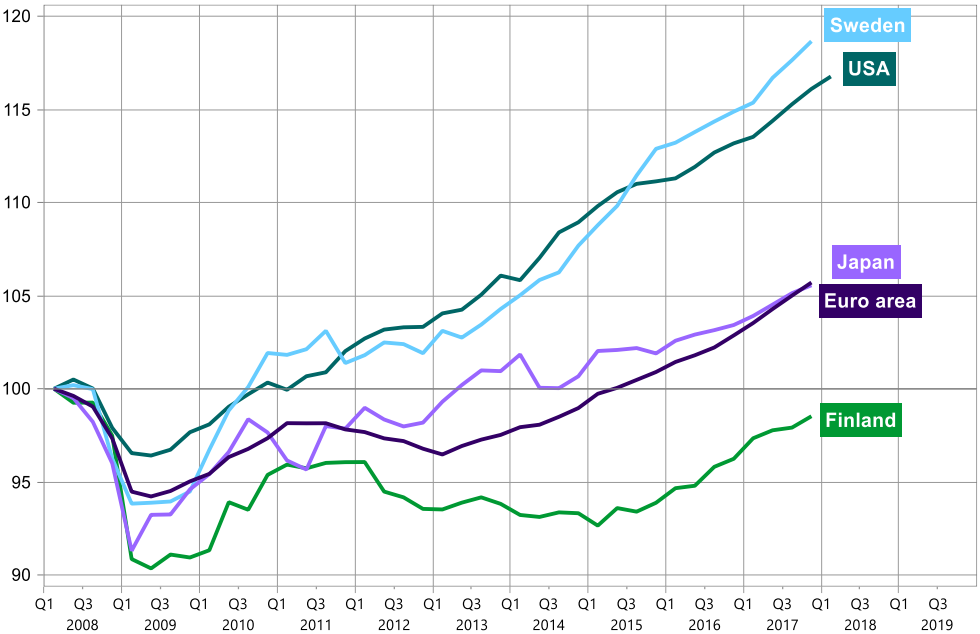
Sources: Aktia and Macrobond

Macroeconomic environment

All is well, for now.

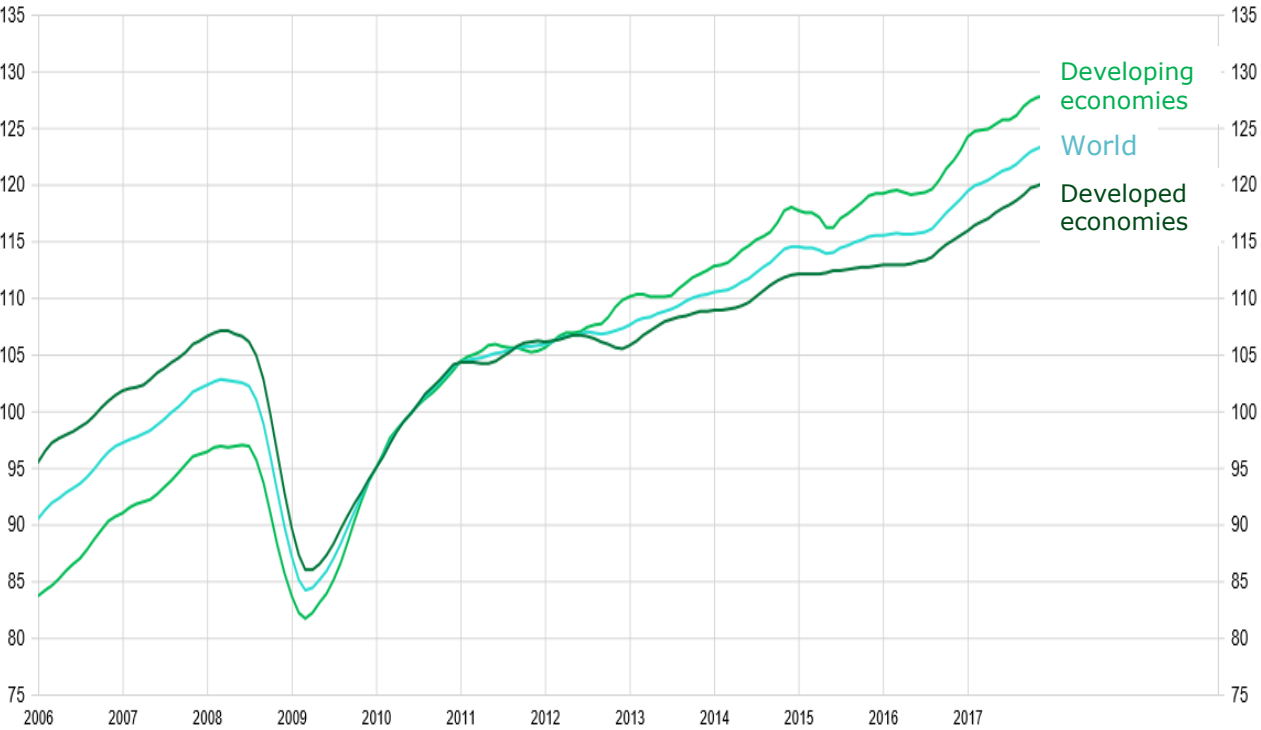
GDP in some countries

Index, Q12008=100



Sources: Aktia and Macrobond

World exports



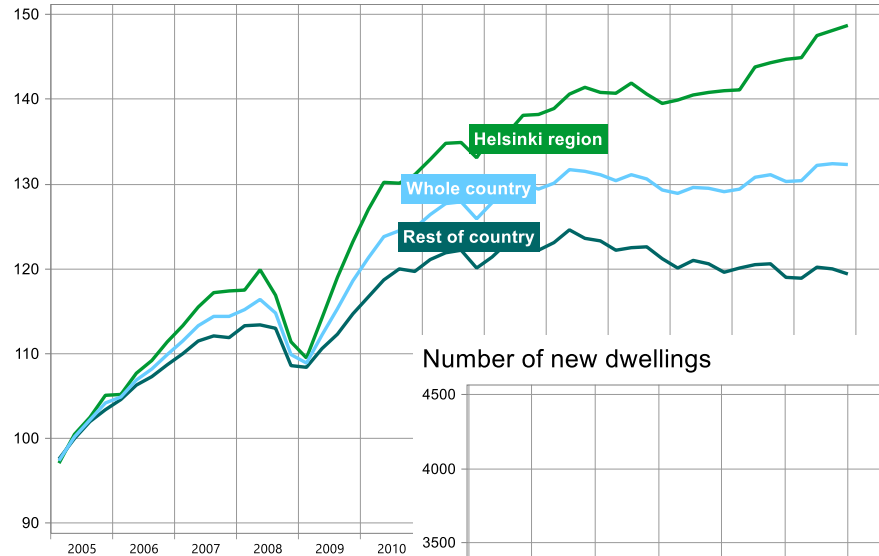
Sources: Aktia and Macrobond

Finnish housing market

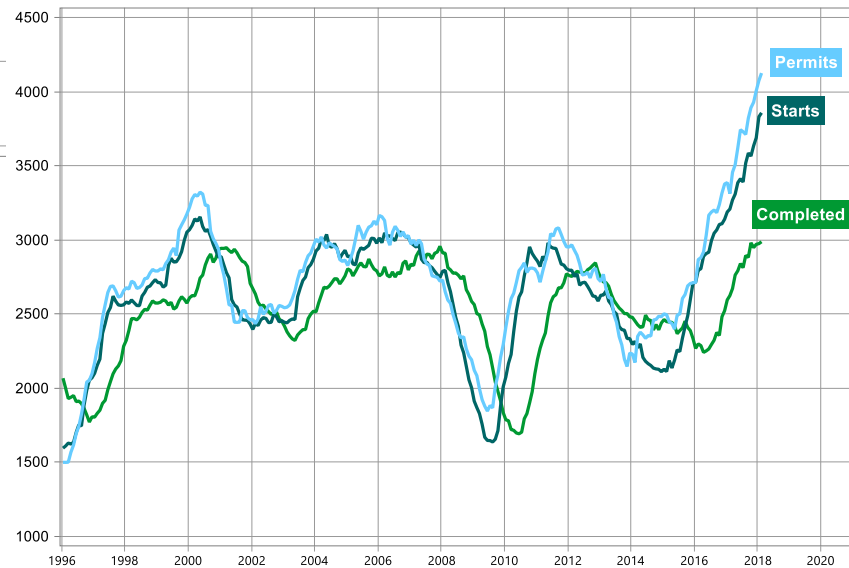
Solid and stable market

Finland: Prices, old apartments

Index 2005=100

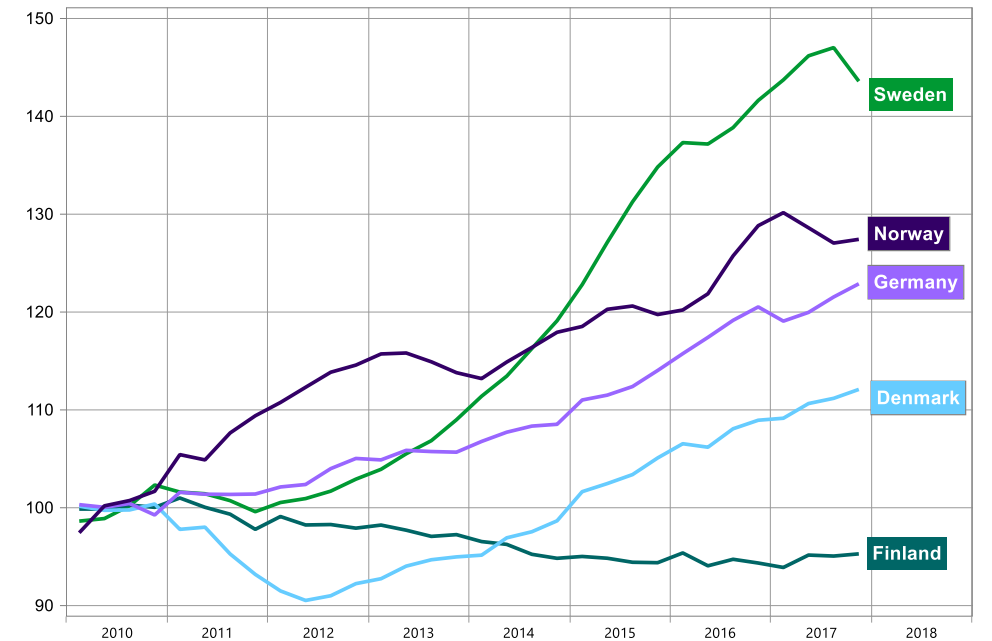


Number of new dwellings



Sources: Aktia and Macrobond

Real House Prices, index 2010=100



Sources: Aktia and Macrobond

**Courageously.
Skilfully.
Together.**



Aktia

Contacts and additional information



Outi Henriksson
CFO
Tel. +358 10 247 6236
outi.henriksson@aktia.fi



Timo Ruotsalainen
Head of Treasury
Tel. +358 10 247 7211
timo.ruotsalainen@aktia.fi

Debt investor information:

<http://www.aktia.com/en/velkasijoittajat> (website)

<http://www.aktia.com/en/julkaisut> (interim reports and presentations)

APPENDIX

"Happiest People of the world" 😊

Finland Wins Double Gold in World Happiness Report 2018

14 Mar 2018

ROME, March 14 – This year Finland takes the top spot as the happiest country as measured by surveys undertaken by Gallup from 2015-2017. Rounding out the rest of the top ten in order of overall happiness are Norway, Denmark, Iceland, Switzerland, Netherlands, Canada, New Zealand, Sweden, and Australia. In addition, Finland's immigrants are also the happiest immigrant population in the world, based on the available data from 117 countries.



Kyu Lee, klee@ei.columbia.edu