

# **Aktia Bank**

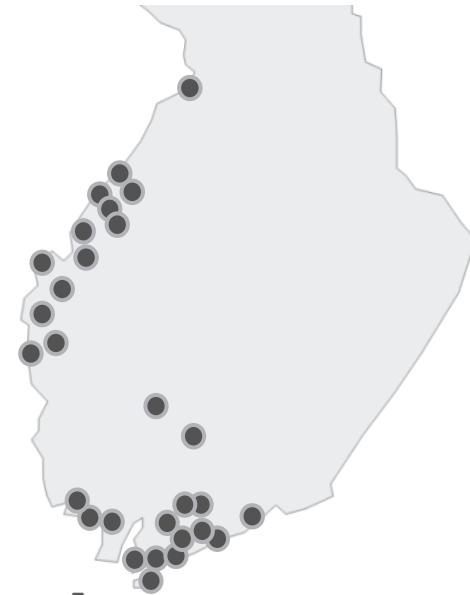
**Investor  
presentation  
1-6/2016**



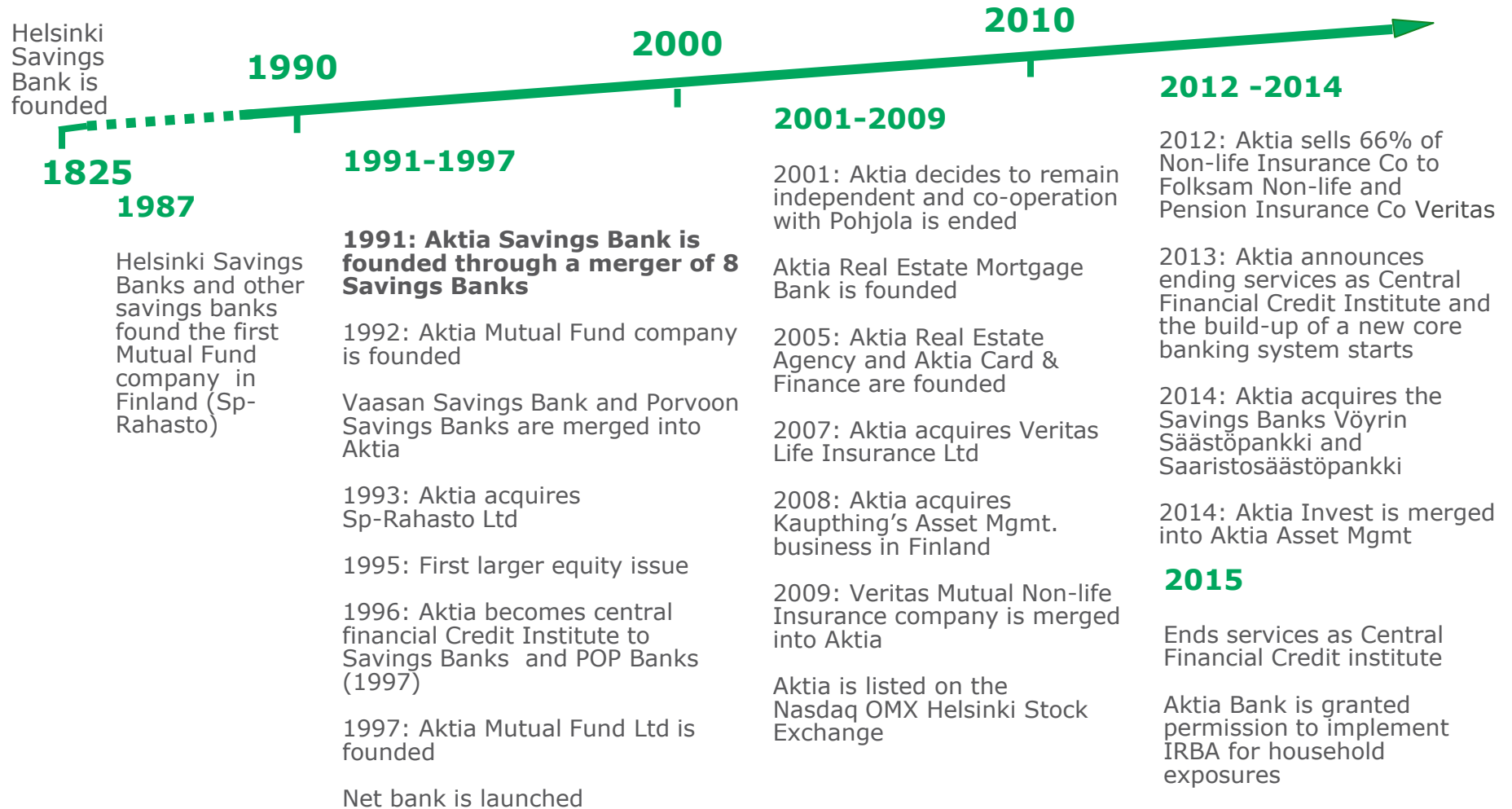
# Overview

- **Strongly capitalised (CET1: 19.7%), retail bank with a solid liquidity and funding position**
- **Focus on households, SMEs and institutional investors in growth areas of Finland**
- **Balance sheet EUR 9,7bn of which mortgages EUR 4,7bn**
- **Prudent lending policy and low loan losses**
- **Market cap ~EUR 580m, 42,000 shareholders**
- **Credit ratings**  
Moody's: A3 / P-2, positive  
S&P: A- / A-2, negative

**Covered Bonds: Aaa**



# Aktia's history

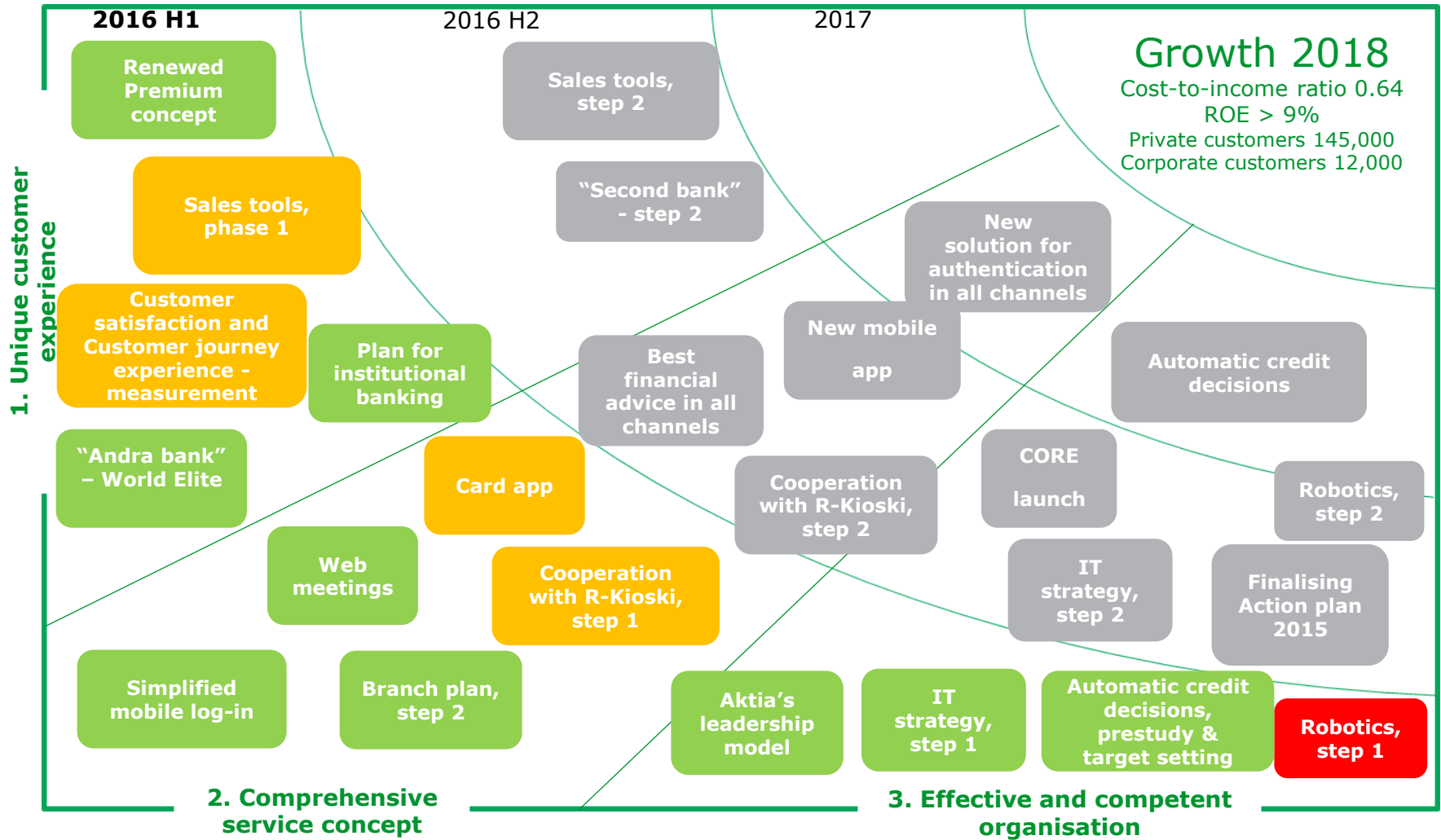


# Growth 2018

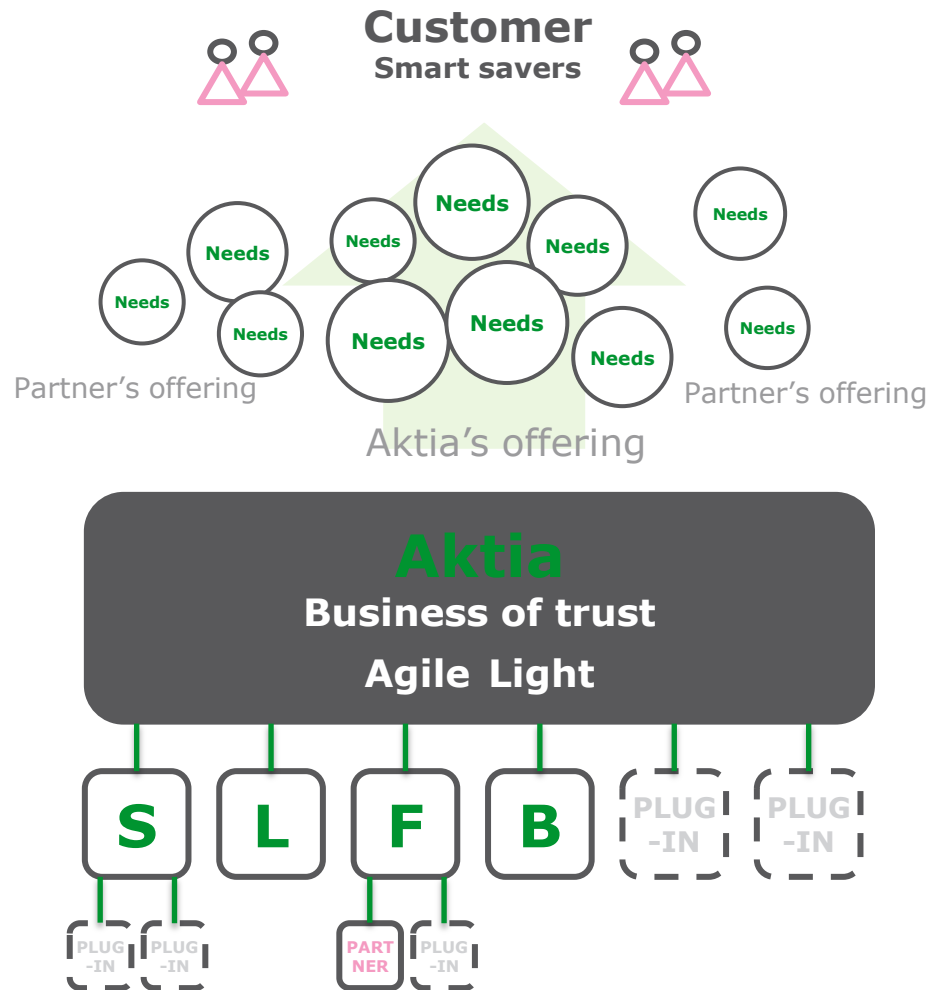
## Three year plan

- **Aktia's objective is to double the annual number of new primary customers before the end of 2018.**
  - In 2016, the objective is an increase of 3,000 new customers (2015; 1,300)
  - During 1-6/2016 new private and corporate primary customers; 1,300
- **Develop and increase range of services for SMEs**
  - Conscious aim to increase credits to corporates and to housing associations
- **Improve offer to institutional customers** to long-term, comprehensive solutions

# Growth 2018 – Must Wins status H1/2016



# Future: Aktia and Partners



# Growth does not just happen, we need new customers and new channels

## – Case: **R kioskki**

- JV started in December 2015 with sales of Aktia prepaid cards at all 630 R-kioski stores
- During Christmas campaign the R-kioski chain sold 4x more cards than Aktia's own branches
- JV was expanded during summer when payment transactions were moved to Aktia
  - Consumers can pay their bills at R-kioski
- R-kioski maybe a future distribution channel for Aktia's standard products and services

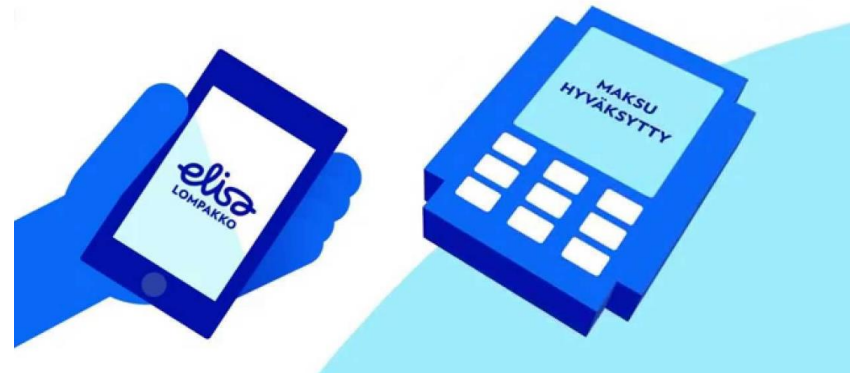


R-kioski is part of Reitan Group and has 630 branches in Finland (2,500 in total)

**Aktia**

# Aktia Finance Ltd started operations in July 2016

- Aktia acquired Elisa Rahoitus Oy in July 2016 and Aktia Finance Ltd was formed
- Aktia Finance Ltd will offer further improved mobile services to Aktia's customers
  - Elisa Lompakko and Aktia's card app are combined into a new application *Aktia Wallet*
- The acquisition provides Aktia with new customer contacts
  - *Aktia Wallet* has 11,000 active users
  - Cooperation with the student card organisation Frank Oy; Each year 43,000 new students are offered to apply for both the student card and Aktia's MasterCard Gold card
  - 4,000 Mastercards have been sold



frank ALENNUKSET KORTTI KESÄTYÖT INFO KIRJAUDU

YLIOPISTO-OPISKELIJA

TILAA OPISKELIJAKORTTI TÄÄLTÄ

KORTTIVAIHTOEHDOT

ISIC-YHDISTELMÄKORTTI 30,10 €

OPISKELIJAKORTTI MAKSUMINAISUUDELLA 15,10 €

OPISKELIJAKORTTI ILMAN MAKSUMINAISUUTA 15,10 €

LISÄKSI

Aktia Mastercard Gold -luottokortti



# Interim Report 1 January – 30 June 2016

1	FINANCIAL PERFORMANCE
2	CAPITAL ADEQUACY
3	BALANCE SHEET AND OWNERS
4	OUTLOOK AND TARGETS

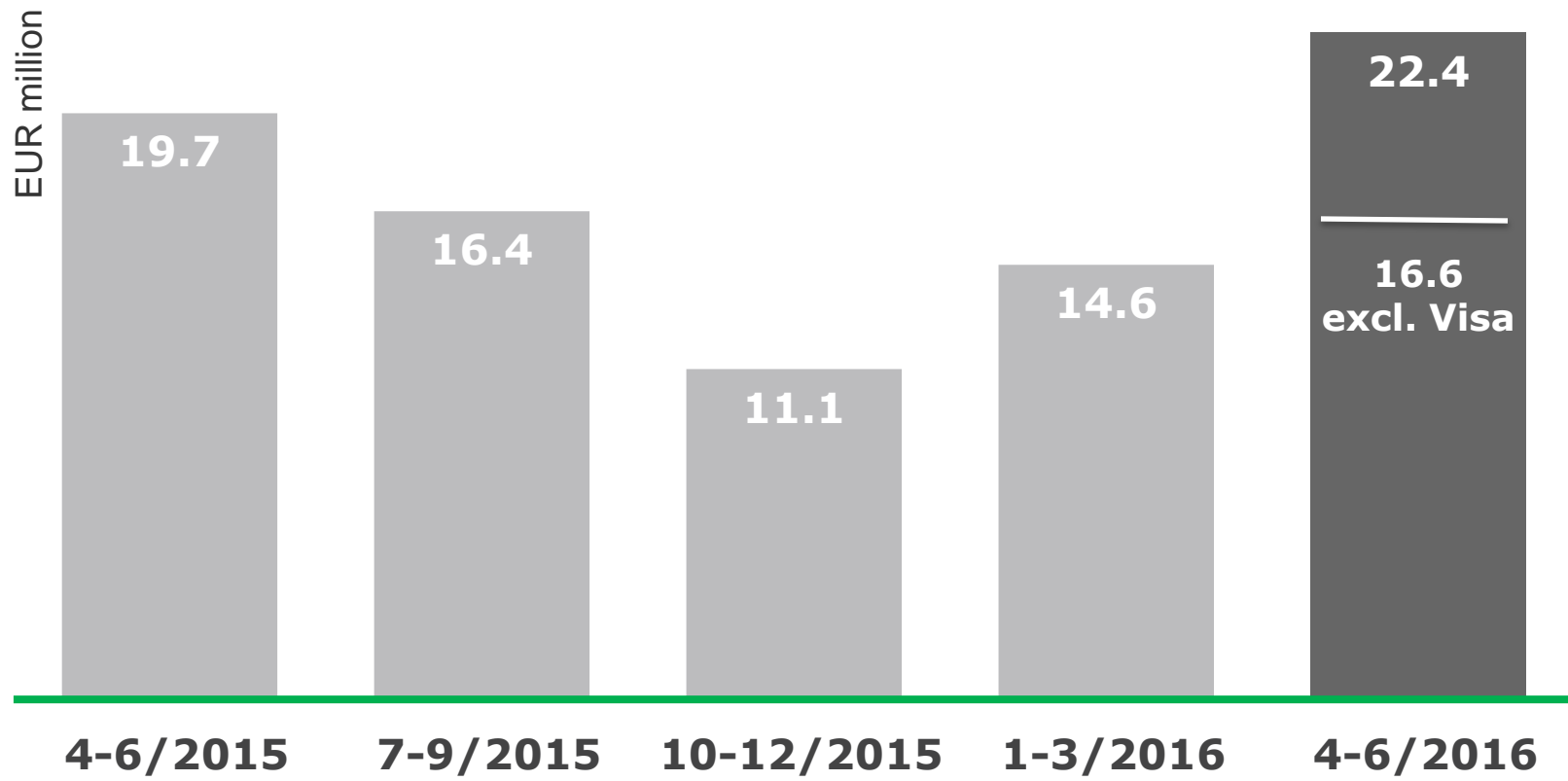
## **1-6/2016: Challenging market early in the year**

- **Operating profit was EUR 37.0 (36.7) million.**
- **Net commission income decreased 4% to EUR 39.6 (41.3) million and NII decreased by 2% to EUR 48.7 (49.8) million.**
- **Operating expenses increased 3% to EUR 73.3 (71.5) million.**
- **Write-downs on credits and other commitments amounted to EUR -0.2 (+0.4) million.**
- **Profit amounted to EUR 29.9 (29.5) million. Earnings per share (EPS) was EUR 0.45 (0.45).**
- **CET1 was 19.7 (20.7)%**
- **Outlook 2016 (unchanged) : Aktia's operating profit for 2016 is expected to reach an approximately similar level as in 2015**

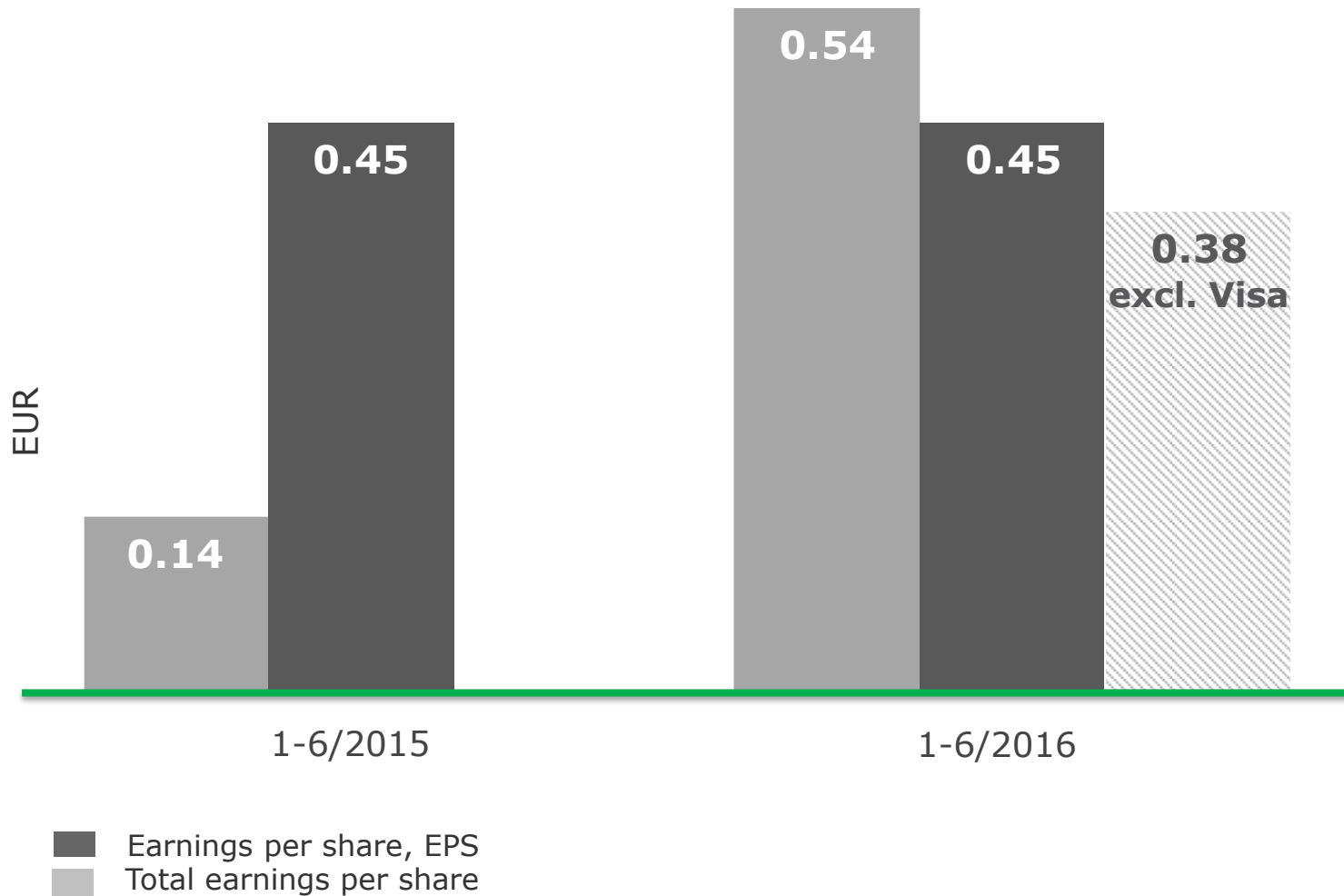
# Events after the reporting period

- **The core banking system launch will be implemented step-by-step during Q4 2016**
  - The total investment is estimated to exceed EUR 65 (previously exceed 55) million
- **Moody's improved Aktia's outlook to positive** (previously stable) and kept the rating unchanged at A3/P-2
- **Aktia acquired Elisa Rahoitus => Aktia Finance Ltd**
  - Acquisition price was EUR one (1) million
    - No significant impact on Aktia Bank's result

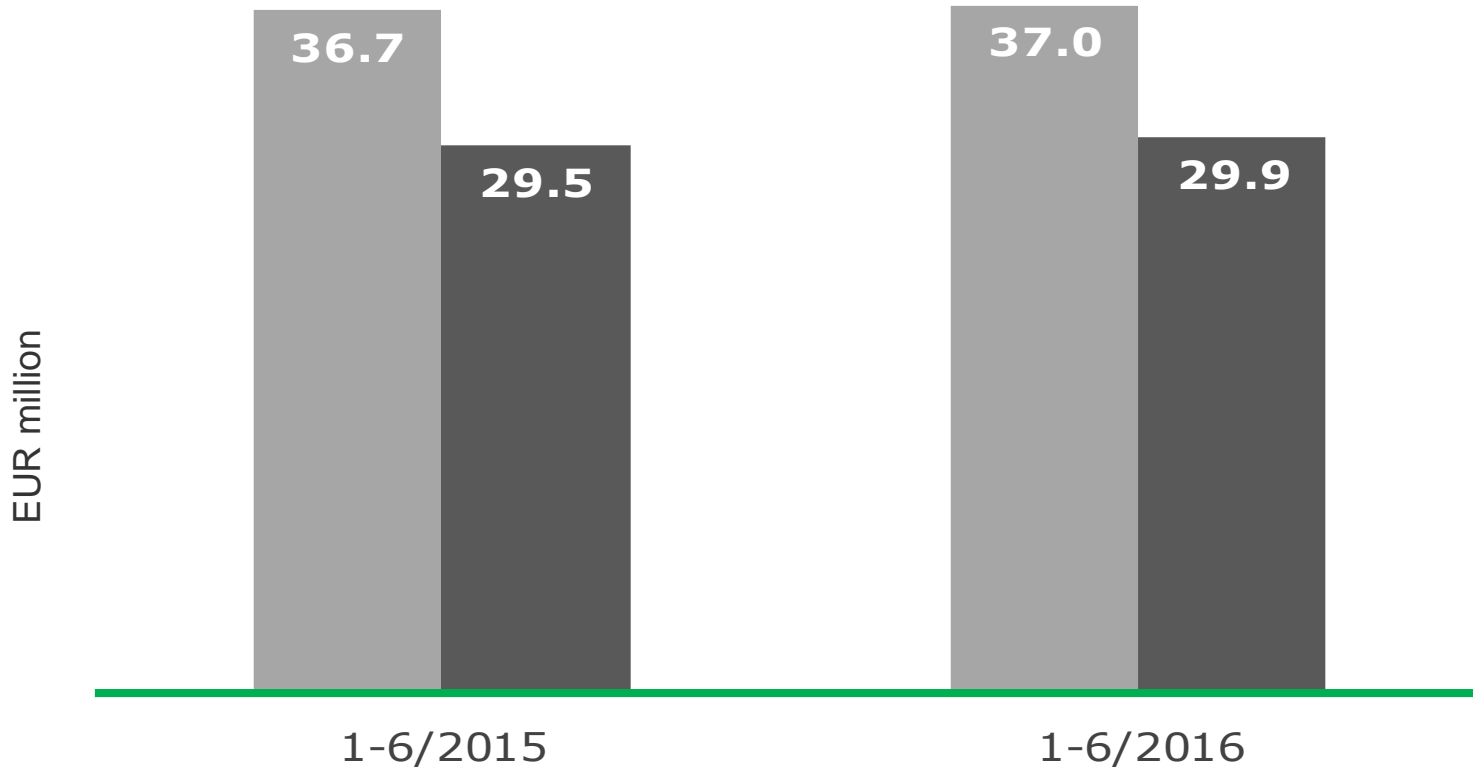
# Operating profit for the quarter



# Earnings per share 1-6/2016

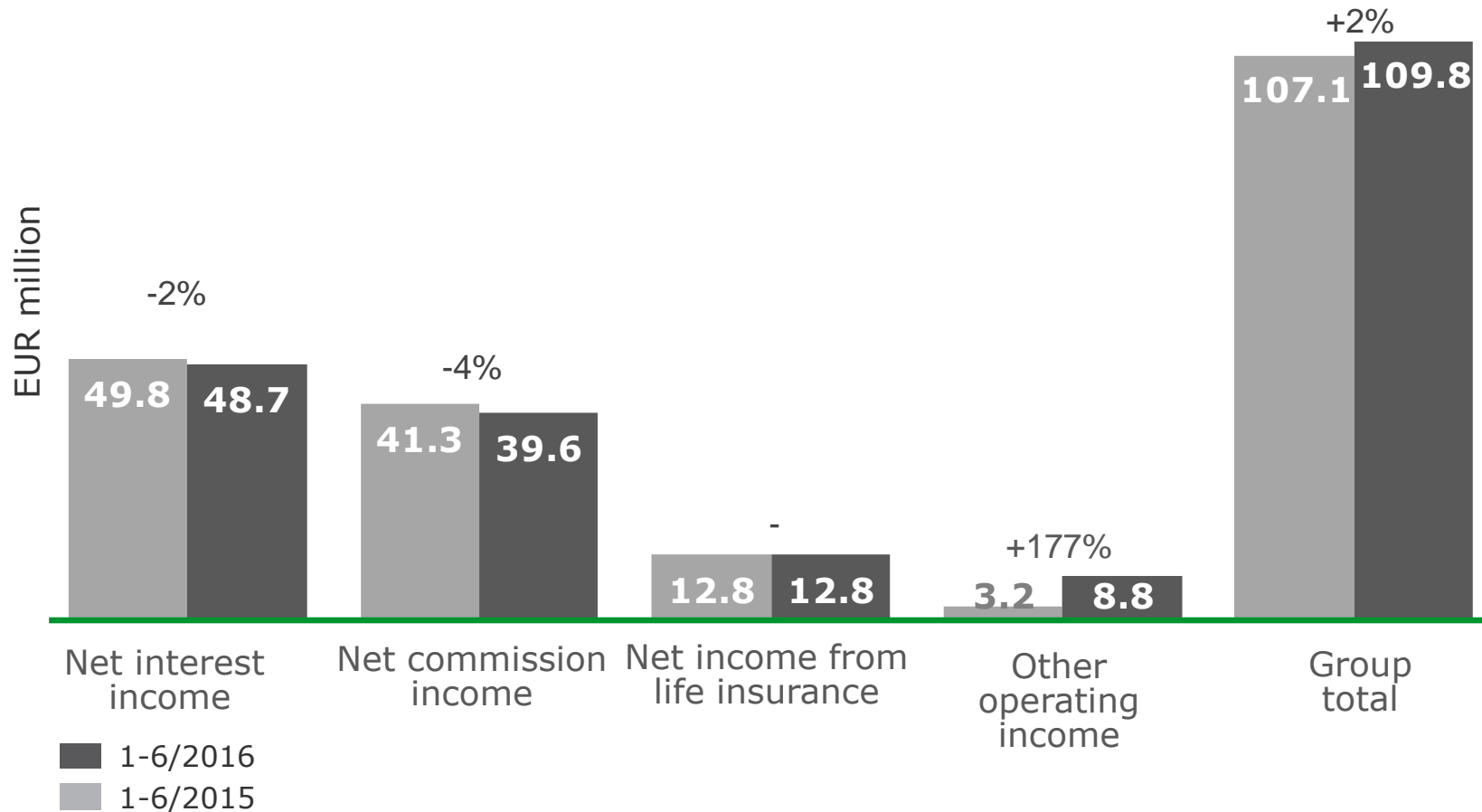


# Result before and after tax



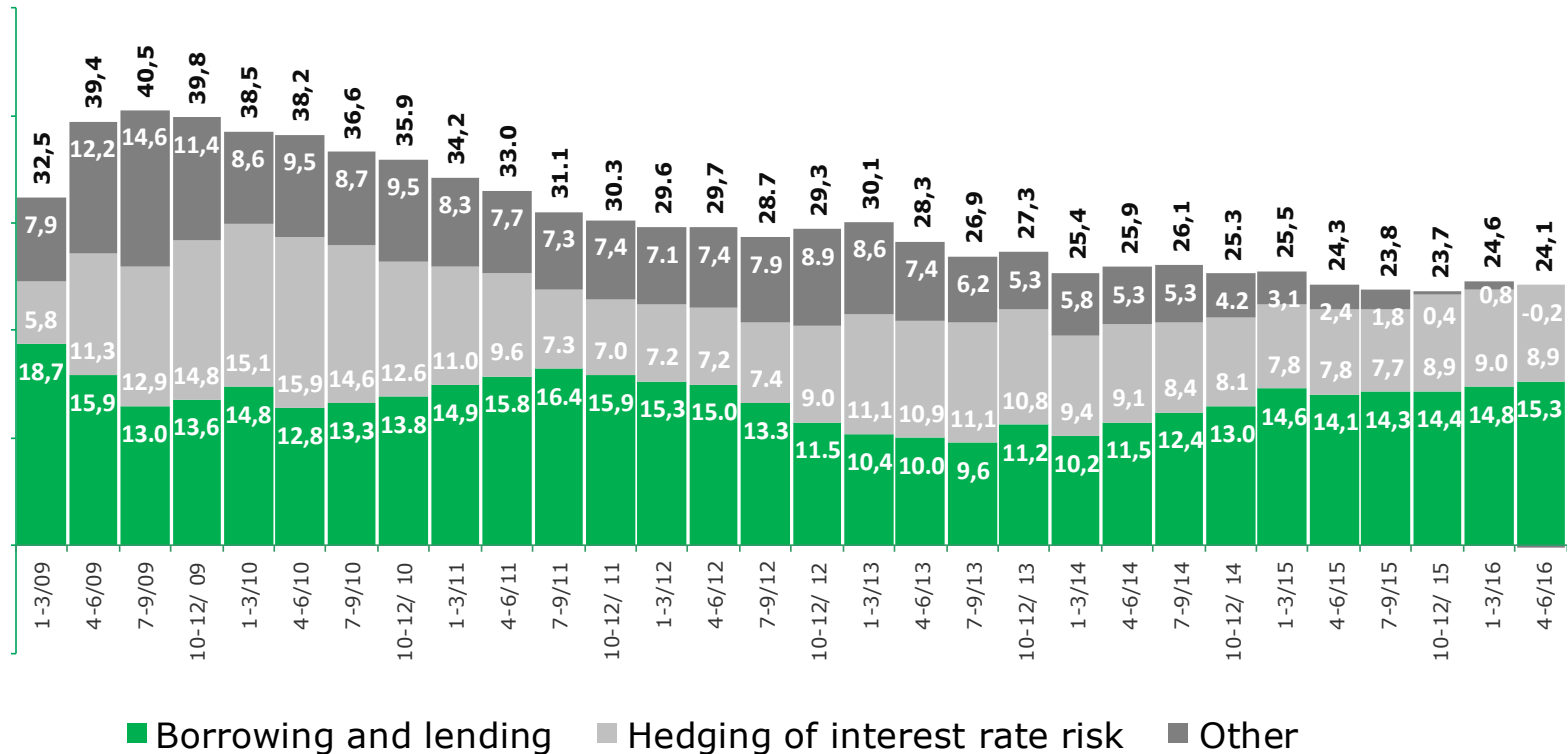
■ Result before tax  
■ Result after tax

# Income, increased by 18% from previous quarter (EUR million)



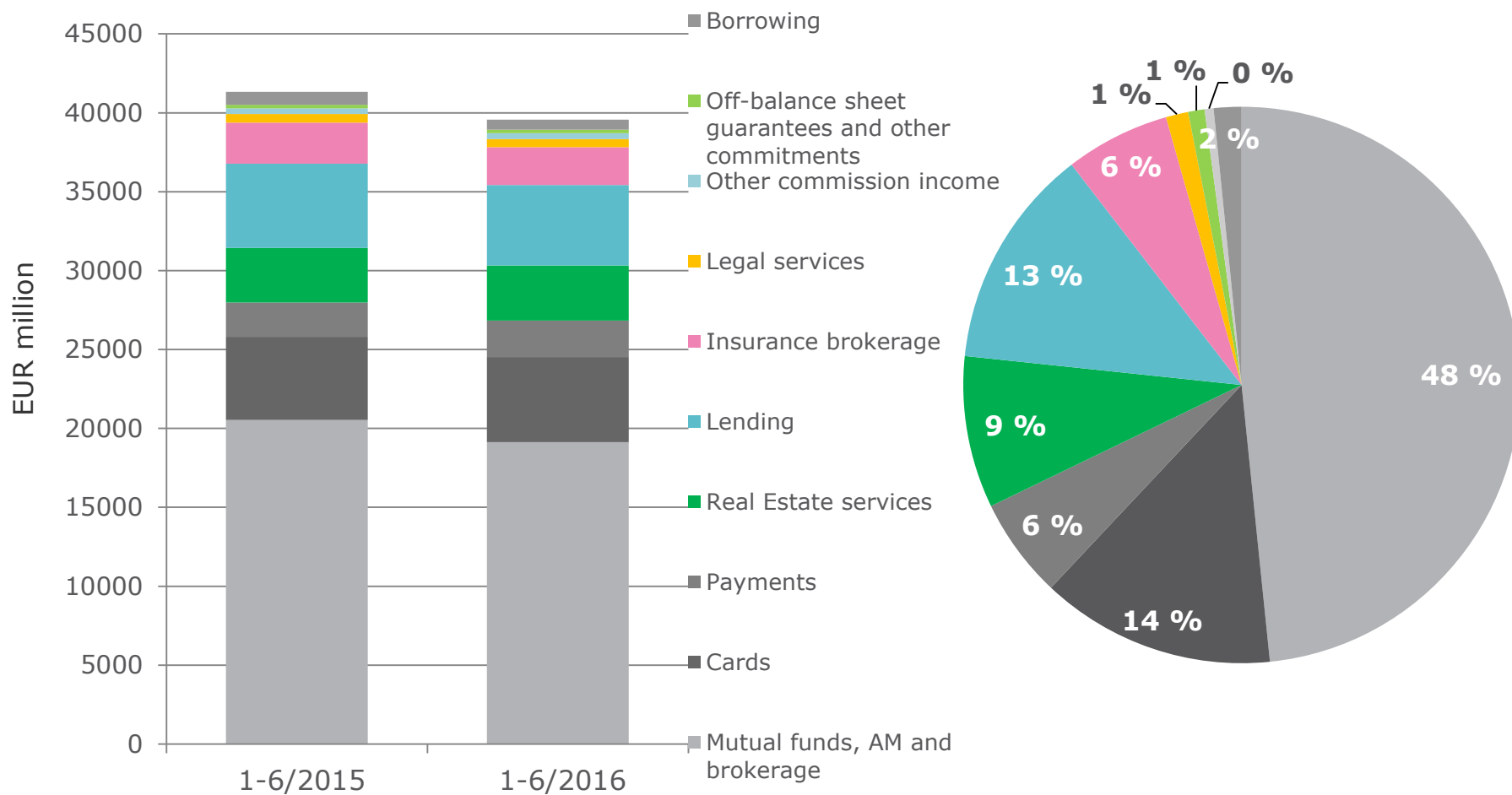
# Net interest income (NII)

EUR million





# Commission income decreased 4%

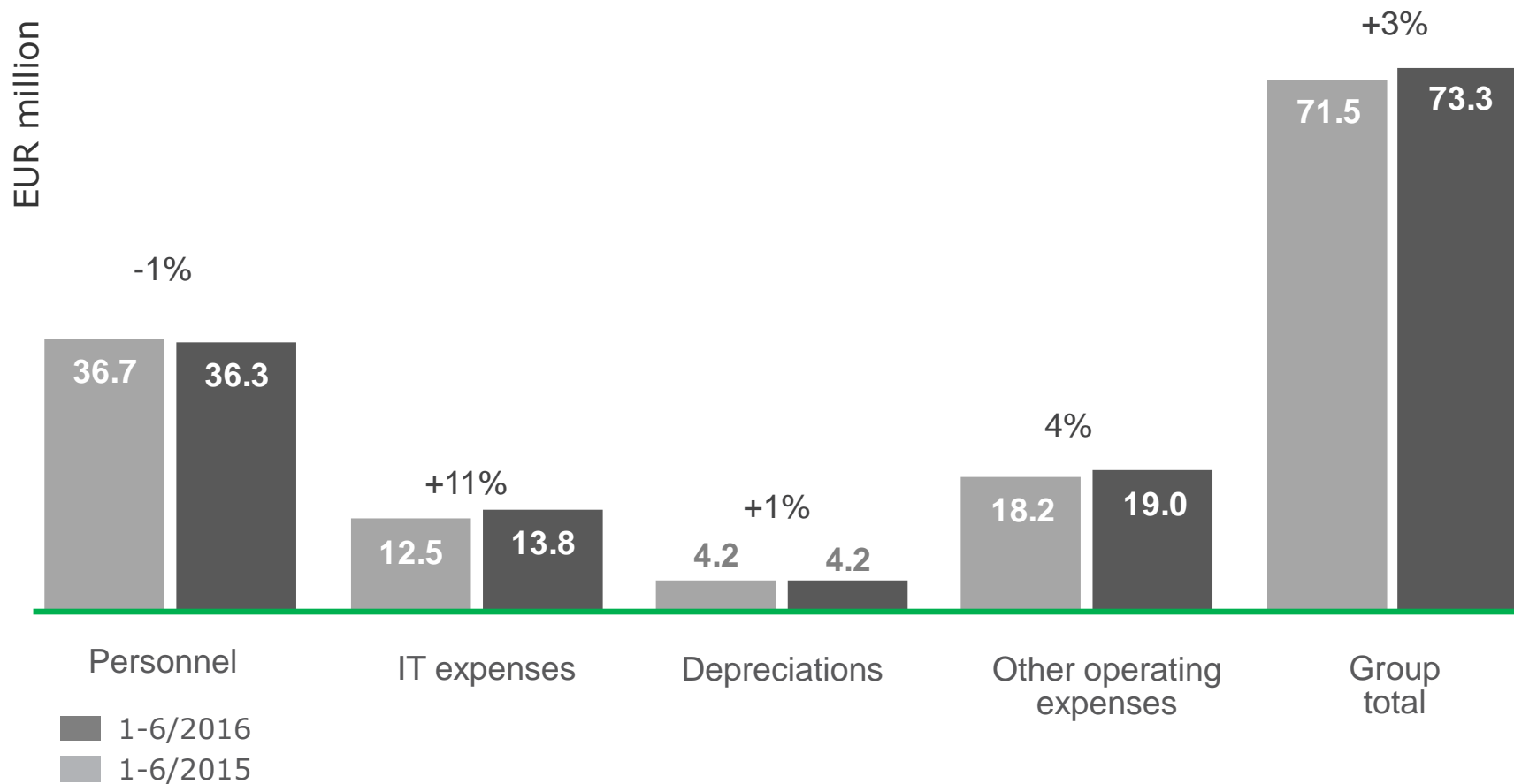


## Asset Management & Life Insurance Assets under Management

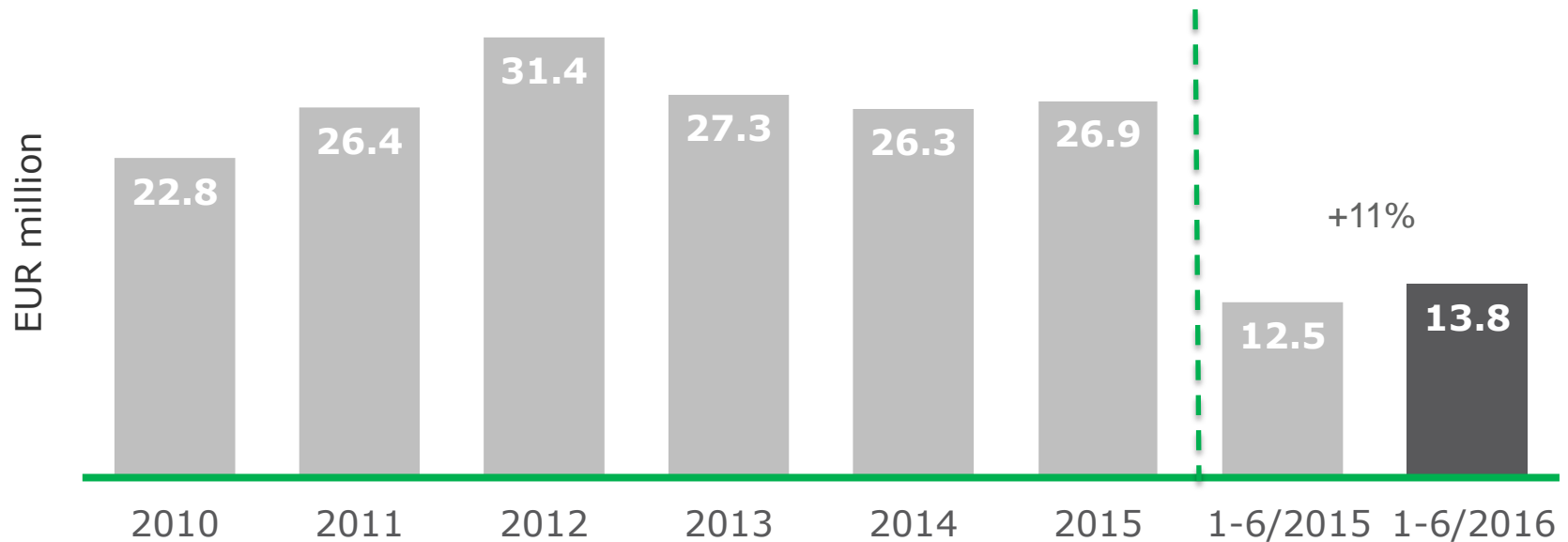
(EUR million)	30.6.2016	31.12.2015	Change %
Aktia Fund Management	3,892	3,764	3%
Aktia Asset Management	6,197	6,011	3%
Aktia Life Insurance	674	667	1%
Eliminations	-4,801	-4,655	3%
<b>Total</b>	<b>5,962</b>	<b>5,788</b>	<b>3%</b>

# Expenses, IT-expenses increased

(EUR million)



## IT expenses (EUR million)



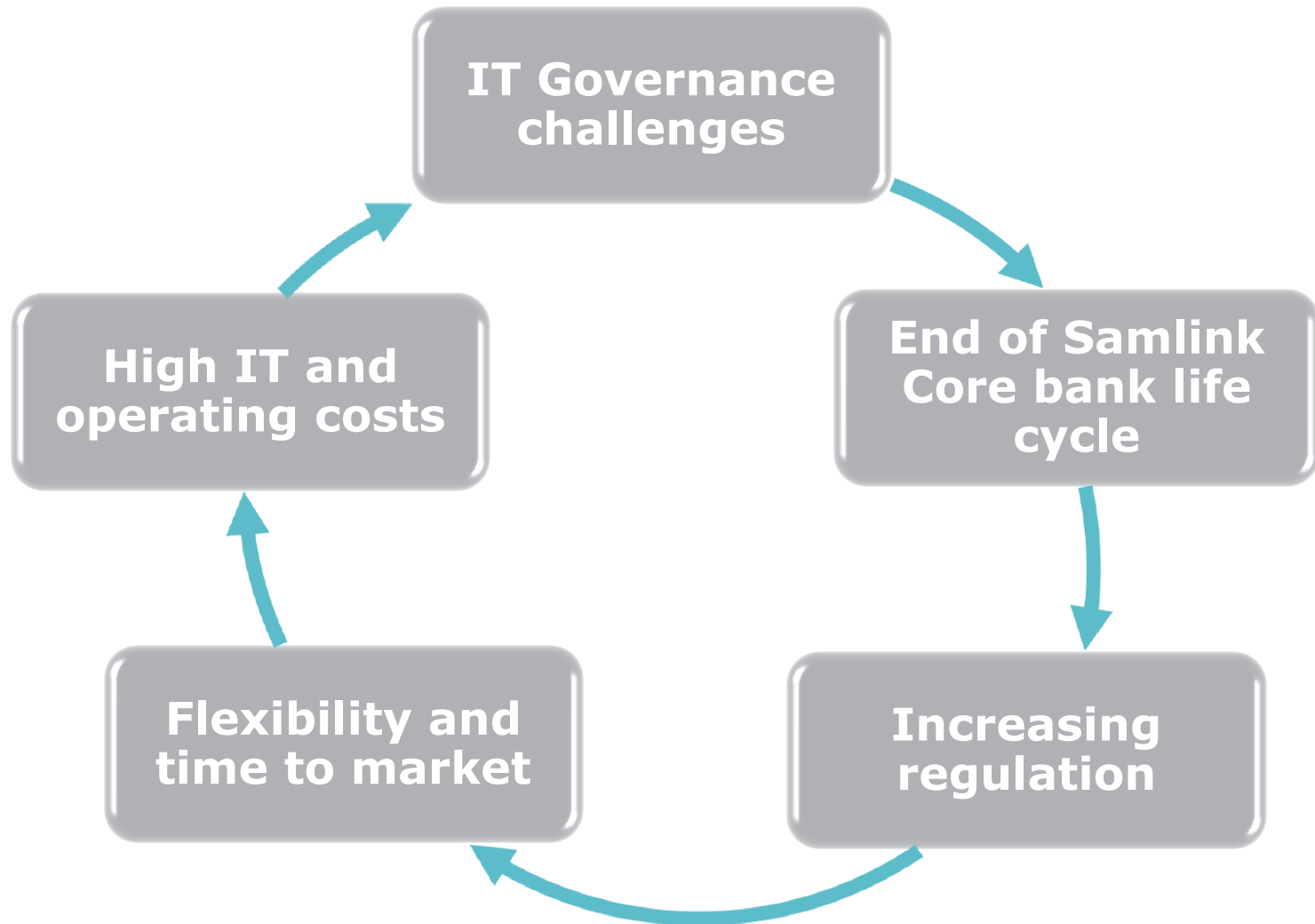
- In 2012 a larger one-off cost/provision for change of IT provider
- Provision 31 June 2016; EUR 2.0 million
- Provisions released during H1 2016 EUR +0.4 (+1.2) million

### Core banking project:

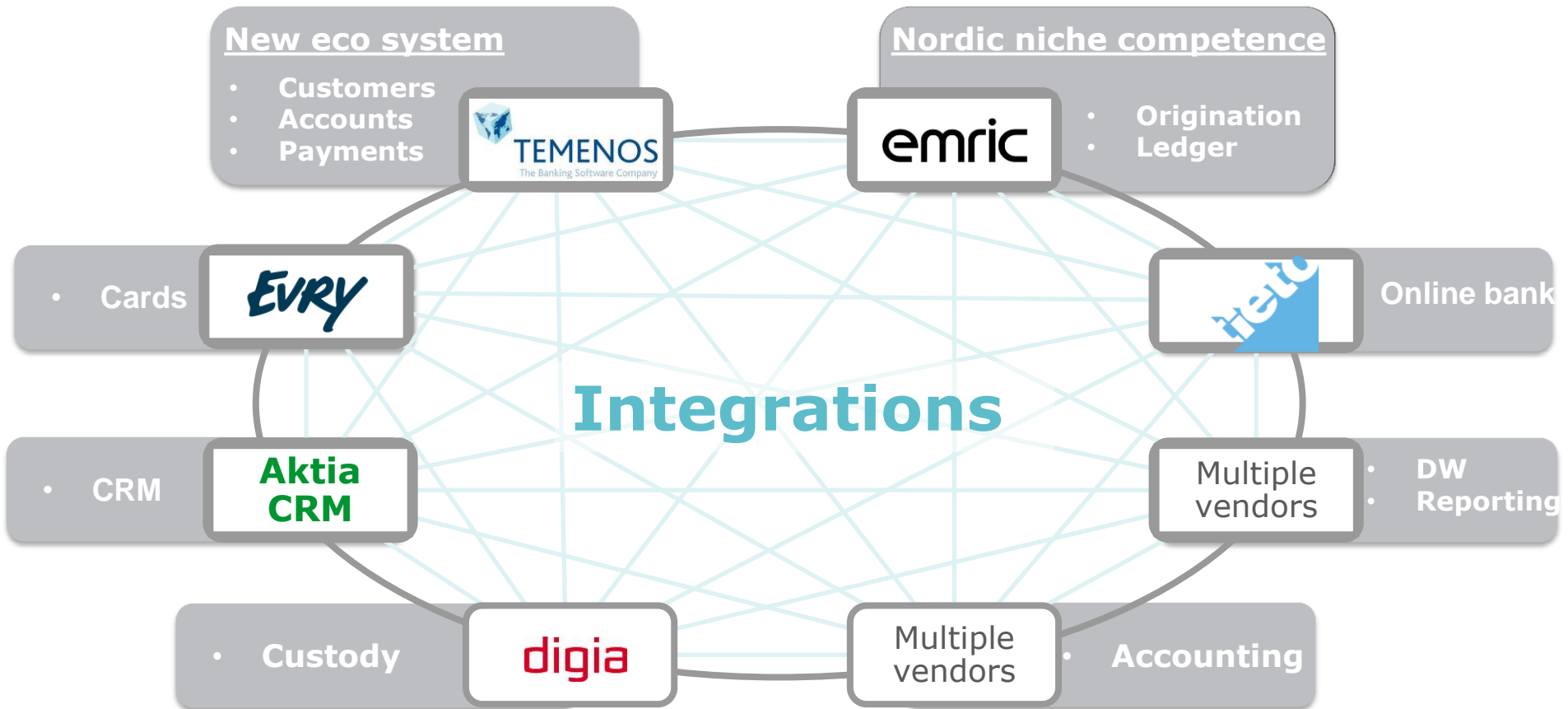
- Cumulative investment as per 30 June 2016; EUR 48 million
- Impact on result through depreciations from implementation 2017 →

# What triggered the IT transformation

Year 2012

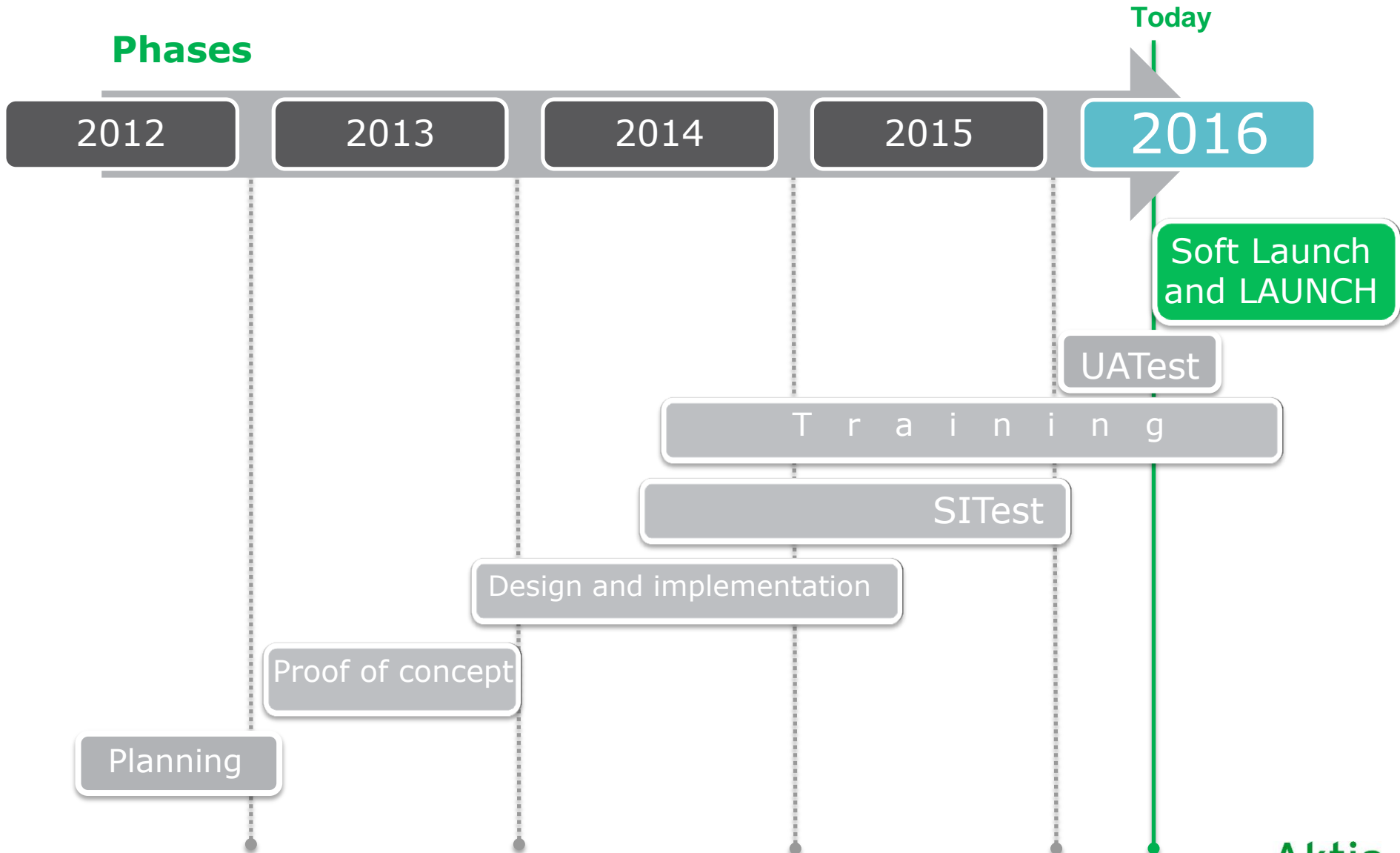


# Renewal of the Core Banking system



# Core Banking project

## Phases



# Economies of scale from new core bank

## Key benefits from new core bank

- **Simplified and tuned environment**

- We have simplified our product portfolio and fine tuned all our processes

- **Focus on new innovations**

- Regulatory and market standard functionality can be taken off the shelf

- **Time to market**

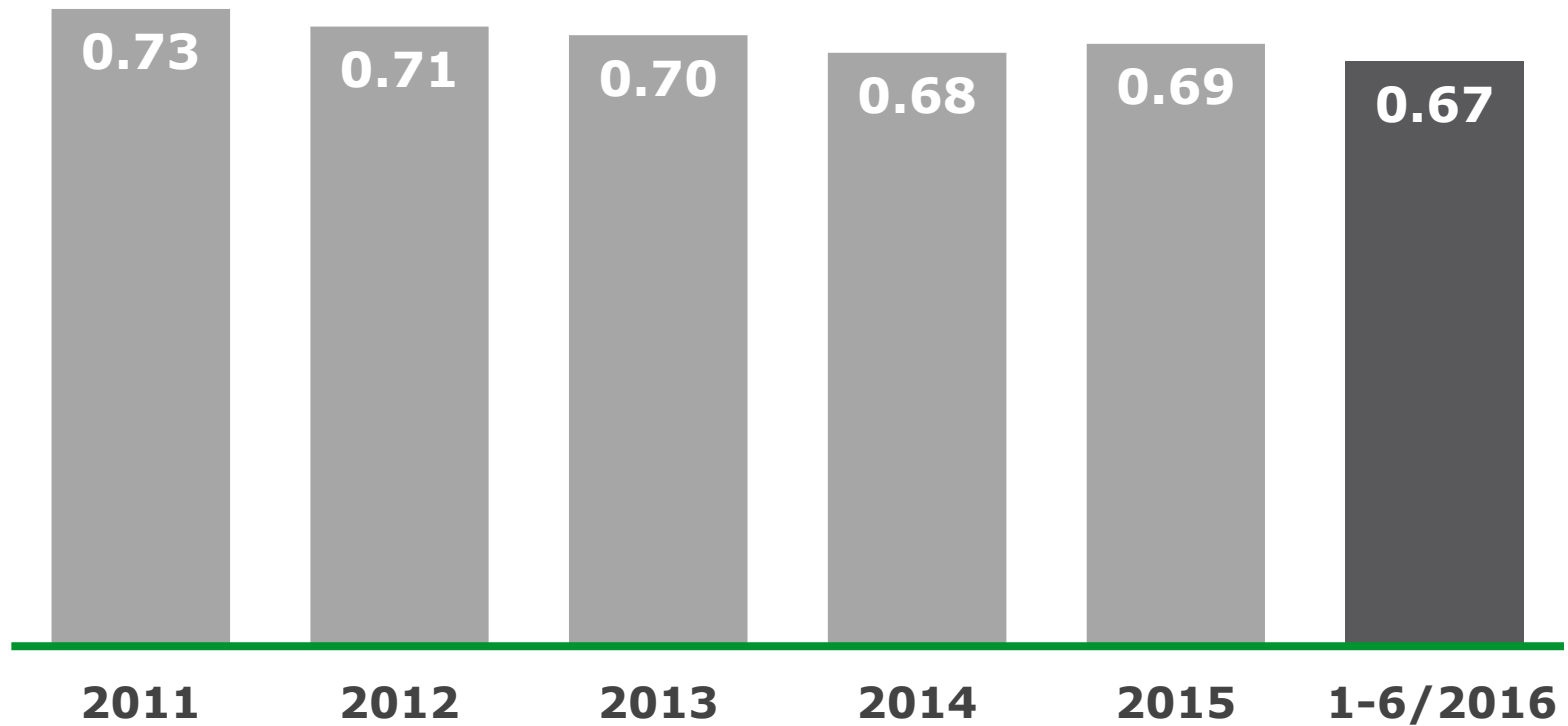
- Automated environments and release process
- Automated testing

- **Reduction of operational risk → less time spent firefighting**

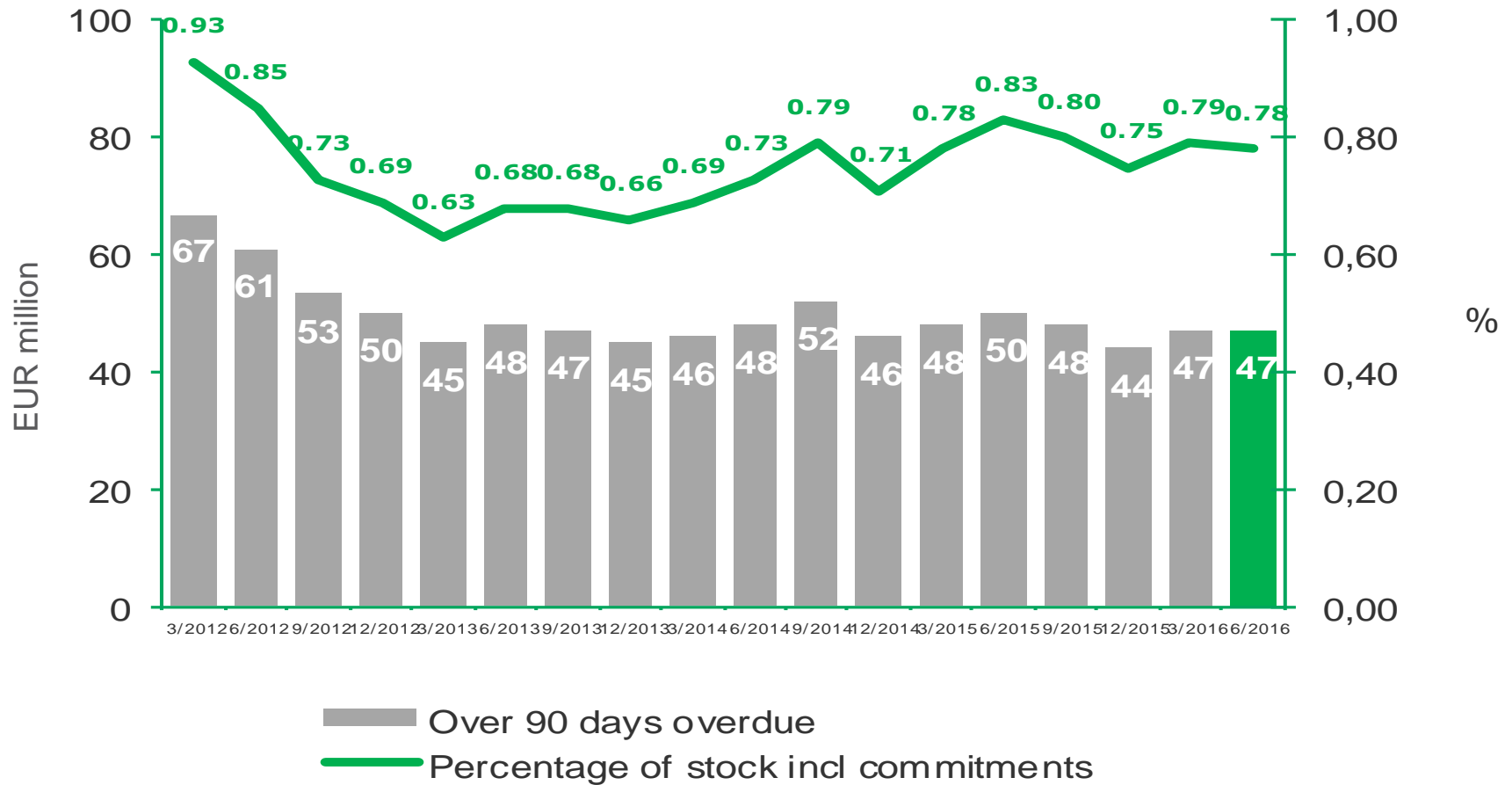
- Automation
- Extensive monitoring – react before warning signs become incidents



# Aktia Group Cost-Income ratio

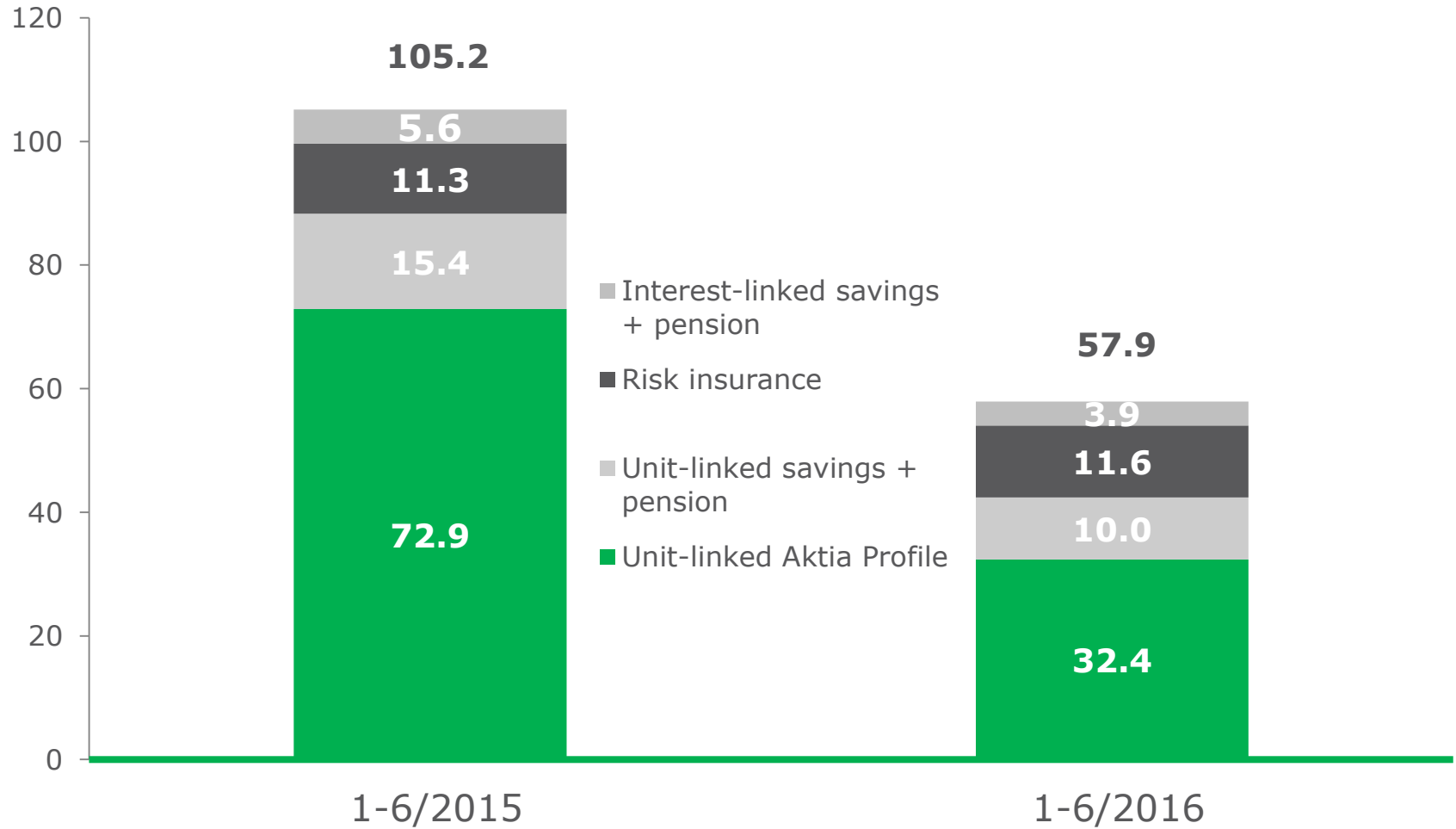


# Non-performing loans more than 90 days overdue

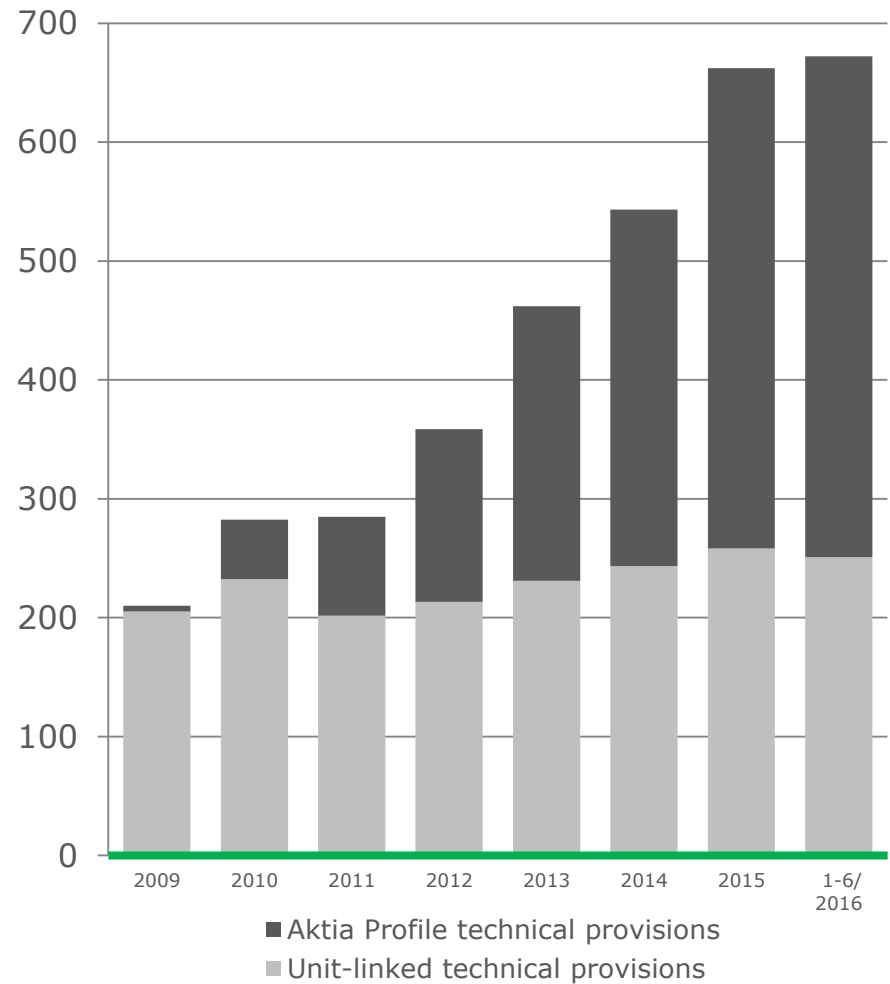
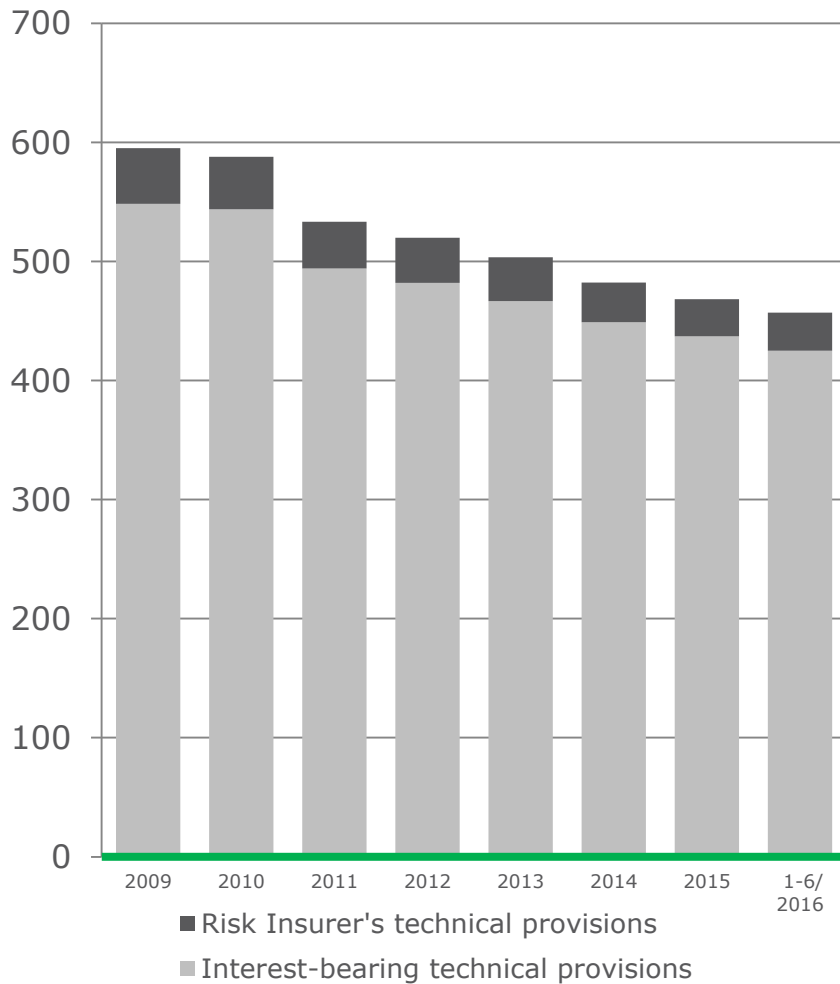


# Life Insurance, premiums written

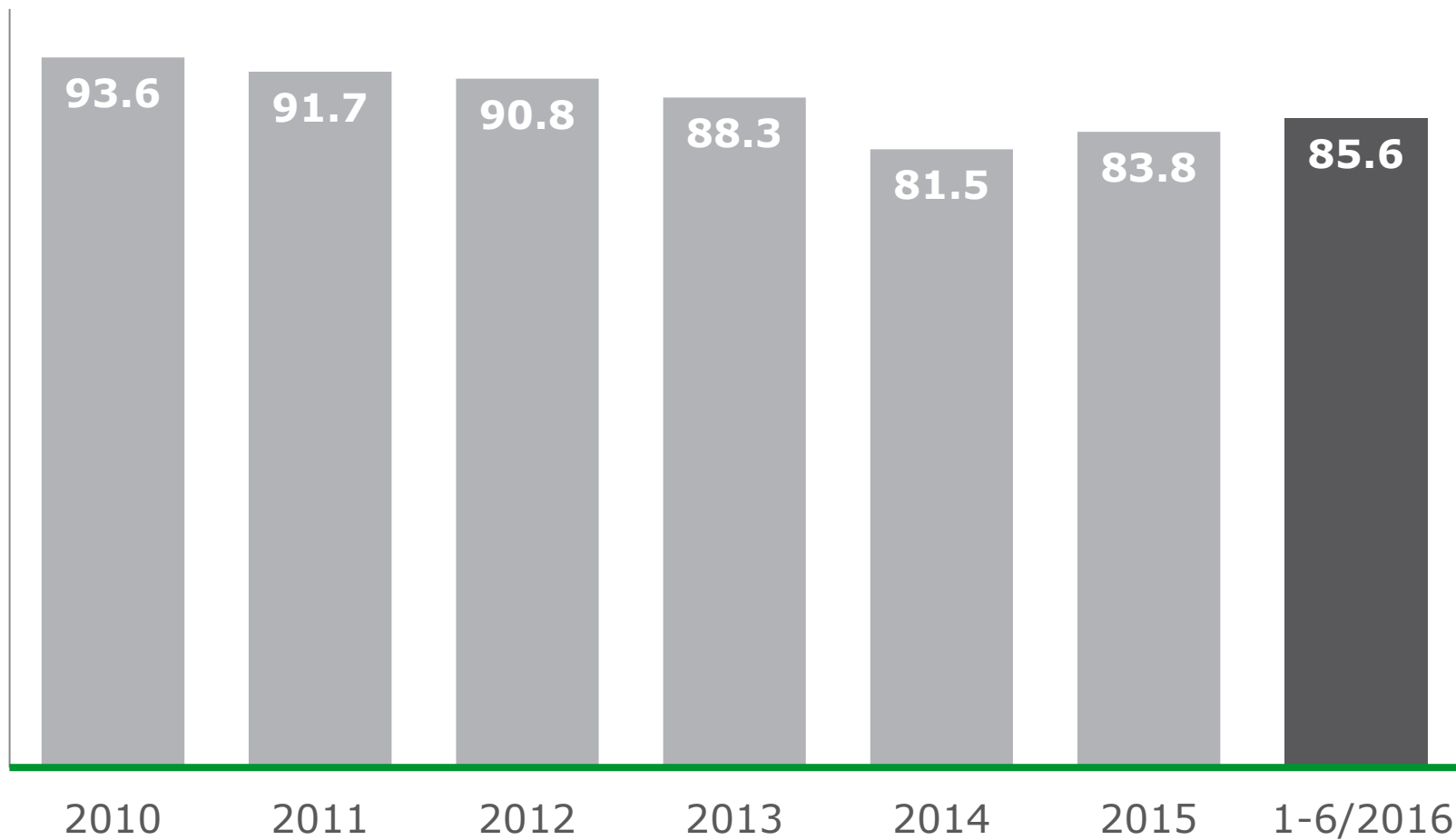
EUR million



# Interest-linked insurance decreased, unit-linked increased (EUR million)



# Expense ratio for life insurance, %



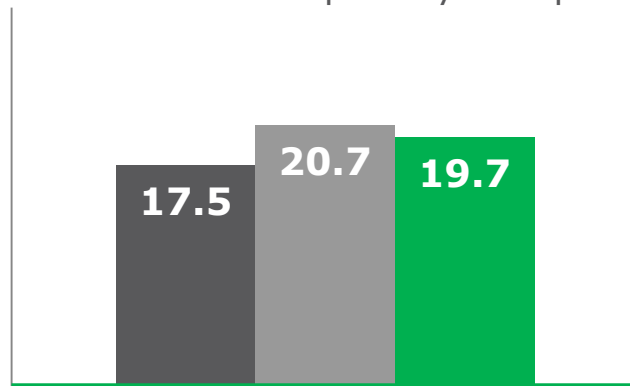
# Interim Report

## 1 January – 30 June 2016

1	FINANCIAL PERFORMANCE
2	CAPITAL ADEQUACY
3	BALANCE SHEET AND OWNERS
4	OUTLOOK AND TARGETS

# 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 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



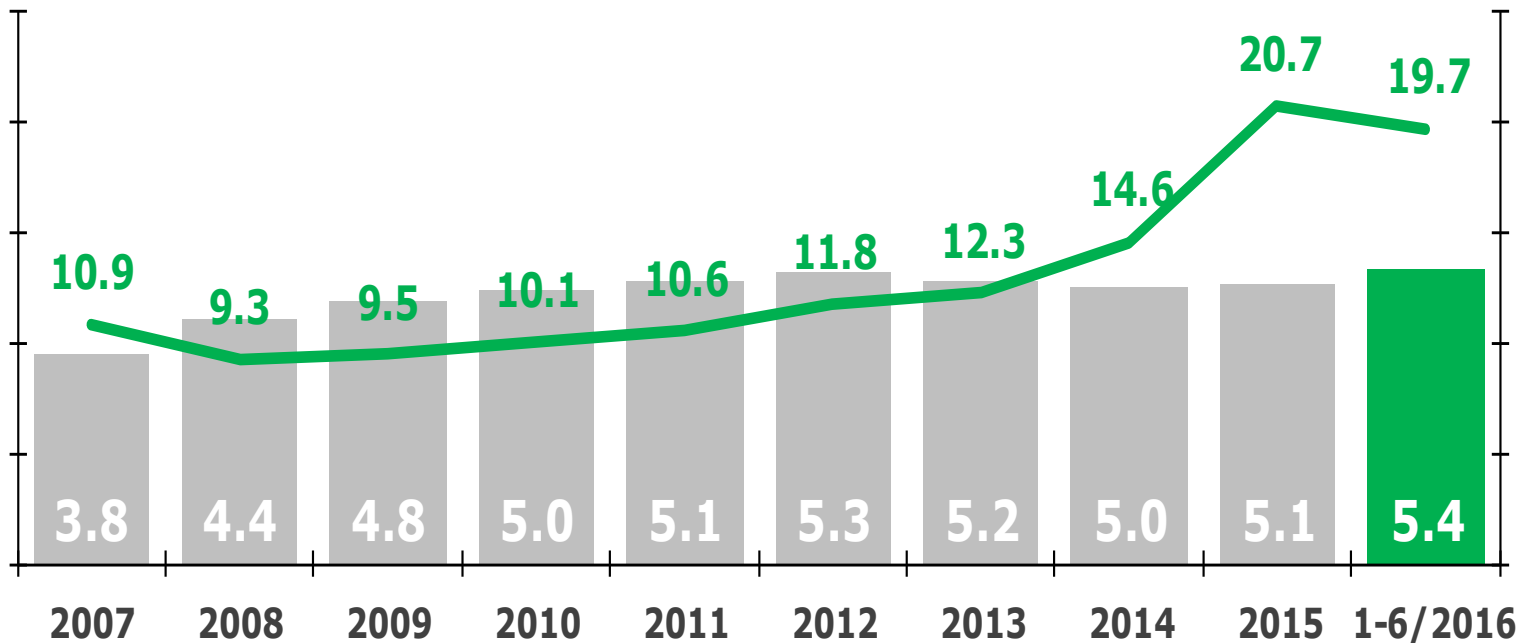
- Average for Finnish Banks 2015
- Aktia 12/2015
- Aktia 1-6/2016

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

# Loan book (1,000 million) vs. CET 1 (%)

Loan book

CET1, %

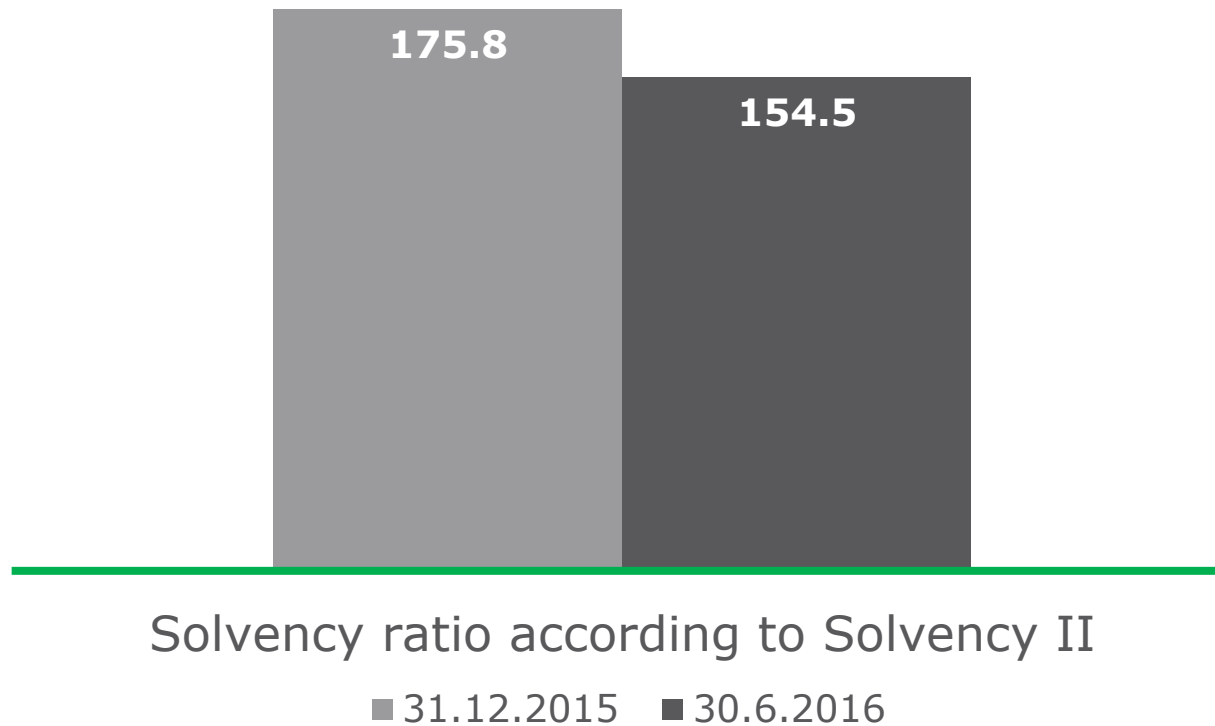


Basel II 2006-2012, Basel III 2013, CET1% 2014-



# Life insurance Solvency ratio

Solvency ratio = Solvency capital/Solvency capital requirement (SCR)



# Interim Report

## 1 January – 30 June 2016

1	FINANCIAL PERFORMANCE
2	CAPITAL ADEQUACY
3	BALANCE SHEET AND OWNERS
4	OUTLOOK AND TARGETS

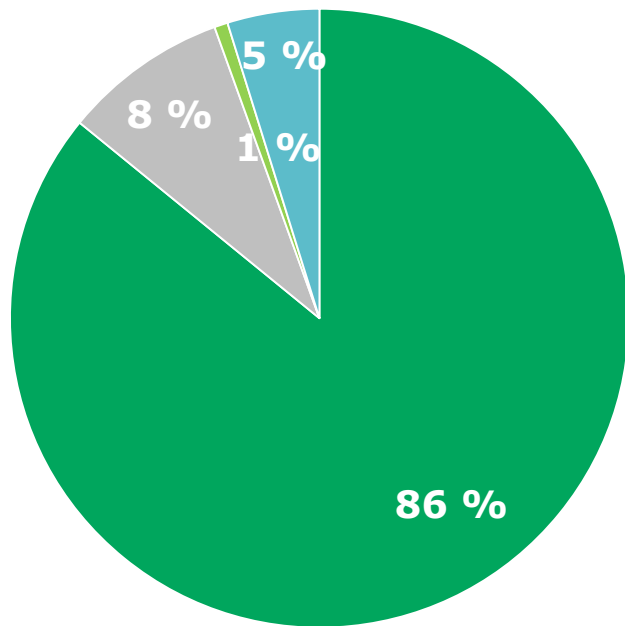
# Balance & Equity 30.6.2016

- **Total Assets EUR 9,7bn (-2%)**
  - Decline in assets due to phasing-out of Aktia REMB
- **Lending to public EUR 6.0bn (+2%)**
  - Growth in Aktia's own loan book of EUR +271 million since year-end
  - Loan book stock through REMB decreased EUR -140 million
- **Treasury's Liquidity portfolio EUR 1.9bn**
  - Total portfolio EUR -435 million since year-end
- **Borrowing from public EUR 4,2 bn (+8%)**
  - Despite lowered interest rates
  - Increase mainly from corporates and institutions
- **Bond issues EUR 2.5bn (-17%)**
  - No issues planned for 2016
  - Aktia REMB Covered bonds EUR 480 million fell into maturity in June
- **Aktia Life Insurance unit linked stock EUR 672 million (+1%)**
  - Volatile capital market and lower volumes, down in January –recovery during spring
- **Equity EUR 609 million (31.12.2015: EUR 615 million)**
  - Fund at fair value; EUR 81 million (EUR 75m)
  - Holding in Visa Inc. in Fund at fair value

# Credit and deposit stocks 30 June 2016

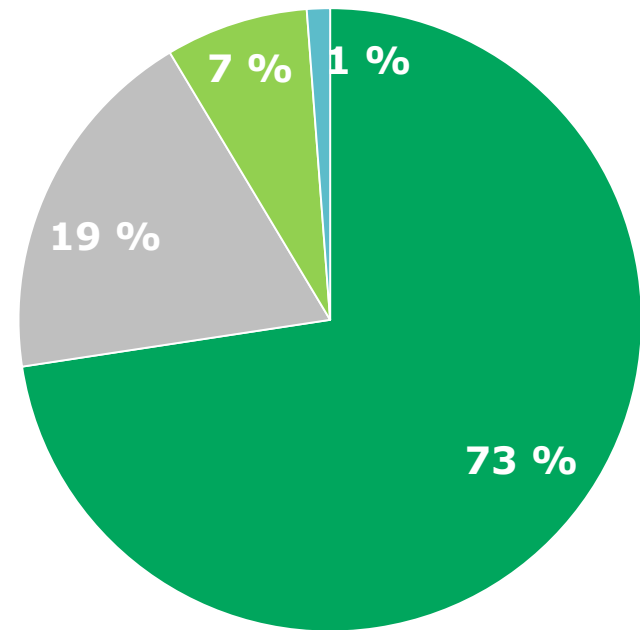
## Credits

EUR 5,987 (5,856) million



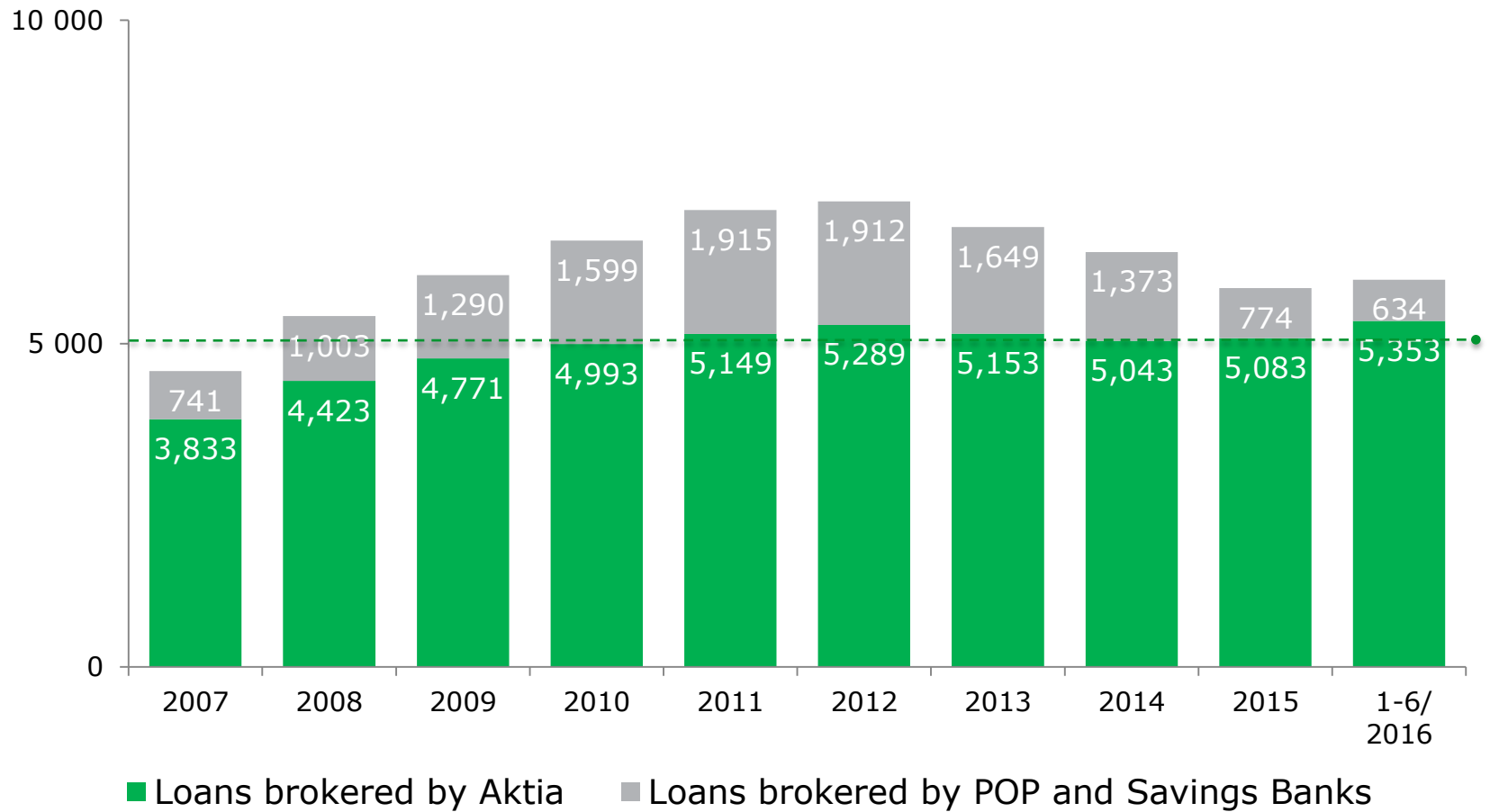
## Deposits

EUR 4,235 (3,922) million



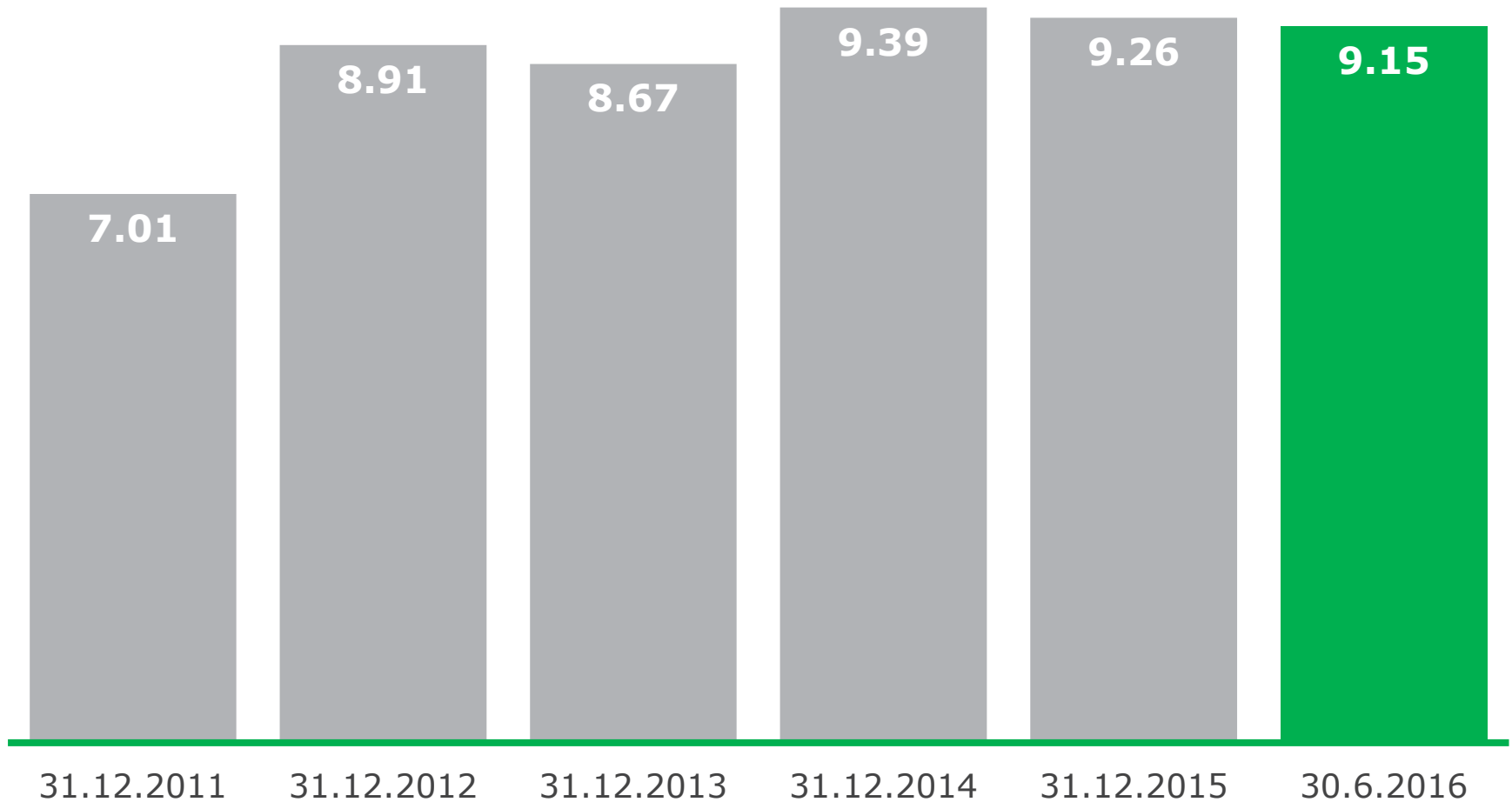
- Households
- SME
- Non-profit and public organisations
- Housing companies

# Loan book development 2007-2016



# Equity per share (NAV)

EUR/share



# Share capital and ownership 30 August 2016

The 20 largest shareholders	Series A shares	Series R shares	Shares total	Shares %	Votes, %
Stiftelsen Tre Smeder	1,291,925	4,606,804	5,898,729	8.86	21.04
Veritas Pension Insurance Company Ltd.	3,627,469	2,154,397	5,781,866	8.68	10.52
Svenska litteratursällskapet i Finland r.f.	4,864,205	789,229	5,653,434	8.49	4.65
Sampo Plc (Mandatum Life, Sampo plc)	3,814,057	-	3,814,057	5.73	0.86
Oy Hammaren & Co AB	1,905,000	950,000	2,855,000	4.29	4.71
Åbo Akademi University Foundation	1,595,640	751,000	2,346,640	3.52	3.74
Aktia foundation in Porvoo	1,312,297	656,348	1,968,645	2.96	3.25
Life Annuity Institution Hereditas	-	1,646,106	1,646,106	2.47	7.41
Aktia foundation in Vaasa	978,525	547,262	1,525,787	2.29	2.68
Aktia foundation Espoo-Kauniainen	-	1,338,708	1,338,708	2.01	6.03
Savings Bank foundation in Kirkkonummi	844,206	458,350	1,302,556	1.96	2.25
Aktia foundation in Vantaa	14,541	1,222,000	1,236,541	1.86	5.51
Savings Bank foundation in Karis-Pojo	787,350	393,675	1,181,025	1.77	1.95
Föreningen Konstsamfundet rf	1,176,173	-	1,176,173	1.77	0.26
Varma Mutual Pension Insurance Company	1,175,000	-	1,175,000	1.76	0.26
Nordea funds (Nordea Life, Fennia fund)	921,790	-	921,790	1.38	0.21
Savings Bank foundation in Inkoo	412,669	349,552	762,221	1.14	1.67
Savings Bank foundation in Sipoo	464,254	234,201	698,455	1.05	1.16
Vöyri Savings Banks Aktia foundation	615,460	10,500	625,960	0.94	0.19
Aktia Savings Bank foundation in Maalahti	361,138	177,600	538,738	0.81	0.88
<b>The 20 largest shareholders</b>	<b>27,083,489</b>	<b>16,285,732</b>	<b>43,369,221</b>	<b>65,13</b>	<b>79,43</b>
Other	19,623,234	3,586,356	23,209,590	34,87	20,57
<b>Total</b>	<b>46,706,723</b>	<b>19,872,088</b>	<b>66,578,811</b>	<b>100.00</b>	<b>100.00</b>

# Interim Report

## 1 January – 30 June 2016

1	FINANCIAL PERFORMANCE
2	CAPITAL ADEQUACY
3	BALANCE SHEET AND OWNERS
4	OUTLOOK AND TARGETS



## Outlook for 2016 (unchanged)

The continued low interest rates have a negative impact on Aktia's net interest income, and the increased uncertainty on the capital markets makes it challenging to reach the same level of growth in commission income as in 2015.

Write-downs on credits are expected to remain low in 2016.

**Aktia's operating profit for 2016 is expected to reach an approximately similar level as in 2015.**

# 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

# Outcome of financial objectives 1-6/2016

	1-6/ 2016	1-6/ 2015	Change %	Objectives for 2018
<b>C/I ratio</b>	<b>0.67</b>	<b>0.67</b>	<b>0%</b>	<b>-10%</b>
<b>ROE %</b>	<b>9.8</b>	<b>8.7</b>	<b>+13%</b>	<b>≥9 % p.a.</b>
<b>CET1 %</b>	<b>19.7</b>	<b>22.4</b>	<b>-3 percentage points</b>	<b>≥ 15%</b>

# Calendar 2016-2017

Interim report 1-9/2016	17.11.2016
Accounts Announcement 1-12/2016	14.2.2017
Annual General Meeting	5.4.2017
Interim report 1-3/2017	11.5.2017
Interim report 1-6/2017	8.8.2017
Interim report 1-9/2017	8.11.2017

# 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  
Head of Investor Relations  
Tel. +358 10 247 6501  
[anna.gabran@aktia.fi](mailto:anna.gabran@aktia.fi)

## Interim reports and presentations

<http://www.aktia.com/en/julkaisut>

## Debt investor information:

<http://www.aktia.com/en/velkasijoittajat>

# Aktia

We see a person in every customer.