



Annual report 2016



CEO's Report

At the beginning of 2016, the joint migration project of Crosskey and S-Bank became the IT project of the year in Finland. The project involved the incorporation of S-Bank and LähiTapiola's IT systems; we are pleased that even outsiders saw the work as a model for other projects.

Furthermore, the Swedish savings app Dreams was launched. It is a collaboration between the Bank of Åland in Sweden and the fully digital financial service Dreams. Within the framework of the cooperation, Crosskey developed a core banking system for the Bank of Åland and integrated the Dreams application. This makes the Crosskey banking system one of the few banking systems in the Nordic markets that already has effective integrations with so-called Fintech players. An additional Fintech player was integrated into the Crosskey core banking system, when the payment app Trustly initiated its cooperation with the Bank of Åland in Sweden later in 2016.

The conversion of the card system of S-Bank, one of the largest card issuers in Finland, into the Crosskey card system took place over Easter. The project was completed without any disruption to our customers, and we consider this as a very successful launch.

The development of Crosskey's new capital market offering continued in 2016 in collaboration with our technology partner Model IT. The new system will be introduced by the Bank of Åland in Sweden in 2017, and after that in Finland.

At the end of the year, Crosskey gained two new customers in the Swedish market. Since November, we have delivered through Sparbankernas Kort both a card system and a complete card service to over twenty independent Swedish savings banks and other banks that have joined the partnership. Crosskey's cooperation with Remium Finance was also launched in November. Remium Finance provides financial services to small and medium-sized enterprises. Remium Finance relies on Crosskey's core banking system and Internet solutions. The full implementation project was carried out within the impressive timeframe of five months.

The operating result amounted to just under 2.5 million euros during the year, an increase compared to the result for 2015, which was approximately 2.2 million. From a quality perspective, Crosskey maintained its high level, and after this year's audits was re-certified against both ISO and PCI DSS standards.

Crosskey's annual employee satisfaction survey shows a continued high level of employee satisfaction, which we are happy and proud of. In addition, customer satisfaction remains strong. During the year, a third of Crosskey's surveyed customers recommended Crosskey as a provider of banking systems. Half of the respondents think that Crosskey is their most valuable partner.



About us

Crosskey's systems and services make it easier to achieve profitable financial services business.

We cover the full spectrum of transactions, and make your products available through all the channels today's end-customers want. Our flexible modular systems enable you to select precisely the functionality you need, and make it easy to expand and adapt in line with your business needs.

All this is supported by expert consultative and managed services that assure a smooth path to success.

Consolidated Income Statement

A summary for the year 2016 (EUR 000s)

	01.01-31.12.2016	01.01-31.12.2015
Sales	30 577	30 752
Production for own use	1 708	1 540
Other operating income	177	51
Total Turnover	32 462	32 343
Materials and services		
Purchase of materials	-3 225	-3 403
Purchased services	-2 170	-2 010
Total materials and services	-5 395	-5 413
Personnel costs		
Salaries and other remuneration	-11 854	-12 128
Payroll overheads		
Pensions costs	-2 033	-2 147
Other payroll overheads	-1 132	-1 053
Total personnel costs	-15 019	-15 328
Depreciation	-2 133	-2 546
Total Depreciation and write-downs	-2 133	-2 546
Other operating expenses	-7 437	-6 873
Operating profit	2 477	2 183
Financial income and expenses		
Other interest income and financial income	4	0
Interest and other financial expenses	-110	-86
Total financial income and expenses	-105	-86
Income before appropriations and taxes	2 372	2 097
Extraordinary costs, group contribution	-300	-2 020
Profit before taxes	2 072	77
Income tax	-370	-26
Change in deferred tax	-40	-45
Minority interest	0	-1
Profit for the financial period	1 662	5

Consolidated Balance Sheet

A summary for the year 2016 (EUR 000s)

ASSETS	12/31/2016	12/31/2015
Fixed assets		
Intangible assets		
Intellectual property rights	1 975	1 583
Projects in progress	2 467	1 952
Other long term expenses	430	636
Total intangible assets	4 873	4 171
Tangible assets		
Machinery and inventories	1 355	912
Other assets	16	16
Total tangible assets	1 371	928
Total fixed assets	6 244	5 099
Current assets		
Current receivables	6 033	4 679
Cash and Bank	341	1 550
Total current assets	6 374	6 229
Total Assets	12 618	11 328

LIABILITIES	12/31/2016	12/31/2015
Equity	6 281	4 638
Minority interest	12	11
Statutory reserve	0	202
Total short-term liabilities	6 325	6 477
Total Liabilities	12 618	11 328

Business processes



Customer Management

Customers are the key to any business. We are committed to giving you the right tools to ensure a smooth and easy experience for your customers. We give you an instant 360° view of the customer you're working with, ensuring you always have full control and the relevant information at your fingertips.

All of our customer management processes (open/change deposits and accounts, credit approval, payment handling, etc.) start from this 360° view. We give you the tools you need for effective sales and a great dialogue with customers, including an advisory tool for efficient sales processes.

Crosskey's comprehensive customer register contains all the relevant customer data and makes it easily available through the channels that match your needs. Our register can function as a customer master or is easy to integrate with an external customer master.

The customer register simplifies everything from address management to collection of authority-related customer data such as AML and KYC information. It also allows you to segment and evaluate customers in order to maximize business potential. Customer information can be updated automatically as well as manually, and you can also give end-customers the possibility to update some of their information via the internet bank. All changes are logged for review.



Deposit & Account

To help you secure new business, we make deposit products clear and straightforward. Our deposit/account products are highly parameterized, and it is always up to you to decide how new products should work. The products are then created in line with that by parameter updates. We believe it should be easy for you to open new products, and for your end-customers to open new accounts/deposits. We have all your product needs covered – from simple user accounts to limit management, advanced fixed rate products,

dynamic interest management and overdraft management. Account/deposit management can be made available through any channel you prefer, and we handle most currencies and interest constants.

Naturally, we provide all necessary account/deposit related documentation such as terms, agreements and other documentation needed for activities such as mandatory reporting.



Lending & Credit

Profitable lending and credit depends on accurate customer assessments and an easy credit decision process. Our efficient automated credit-approval process is a great basis for building successful business. We can also manage the entire credit lifecycle, from application to invoicing and final payment.

We focus on making the credit-approval process and credit lifecycle as user-friendly as possible. For example, we strive to ensure that the same information does not have to be given more than once. This decreases risks connected to mismatch of information, as well as eliminating unnecessary work. Our credit processes are accessible via branch, internet and intranet solutions.

Our solution handles several types of products, including secured and unsecured loans. Our loans/credits products can be connected to a variety of repayment plans and interest calculations. We also have good collateral management, which is a necessity if you want to offer your customers loans connected to collateral. We support standard risk management methods and scoring, and our system is IRB compliant.



Payments

Payments are the lifeblood of business. We enable smooth and highly secure payment and transaction solutions for both domestic and international markets. Should you decide to enter a new SEPA country, our

SEPA solution can easily be added to an existing core bank. We have our finger on the pulse when it comes to market demands for new and more convenient ways to pay. We help you adapt through channels such as internet bank, mobile bank, Front Office and Back Office.

Our offering includes STIPS and SWIFT for international payments; SEPA payments for Finnish banks; national payments for Sweden, including standing orders, private transfers and bank transfers; E-services such as online identification, e-salary and e-payments; E-invoicing and direct debit; and peer-to-peer payment solutions. Our payment solutions also support access to domestic and international payment networks (e.g. Autogiro, VISA and MasterCard), and creation of closed-loop payment solutions.



Card Management

Crosskey makes it simple to offer the card services your end-customers want. Crosskey systems are adaptable and flexible. They are also easy to implement and reconfigure. Our modular concept enables you to select precisely the functionality you need, and allows you to add on additional products. Pricing is flexible too – our opex-oriented pricing model means low initial investment costs.

Our online system enables real-time clearing and balances. And with PCI-DSS compliance, the highest level of security is assured.

We support issuing of debit, credit, prepaid, and corporate cards – under your brand or co-branded. Our payment handling capabilities include P2P (in-house and outgoing), as well as incoming and outgoing payments. Additional services include fraud prevention, dispute handling, 3D secure and card block service.



Capital Markets

We enable you to develop more effective business processes by creating solutions that support STP (straight-through processing) and automation of the entire business flow – from Front Office and execution to Back Office and reporting.

This way you get a clearer focus on your core business and can drive sales and services more effectively. We offer service solutions based on SaaS (software as a service). Choose one, several or all of our service

modules according to your needs. Or you can even out-source your Back Office processes partly or completely to Crosskey.

We provide comprehensive business support solutions for many areas of capital markets, including trading, asset management and fund management. Functionality includes order management, execution of trades, clearing and settlement processing, NAV calculation, portfolio valuation, authority and/or client reporting of fund or securities-related products and transactions.

We provide all this through modern applications and effective interfaces and communication channels. This includes customized GUIs; online clients and execution tools; communication solutions such as online access to market places; and integration to internet and mobile banking.



Corporate Solutions

Your end-customers want to purchase in new and different ways. E-services are a key requirement for many. Crosskey corporate solutions give end-customers the services they want and simplify your processes. With our full-scale corporate internet bank functionality at your disposal, it's easy to do business.

Our ISO ISO20022 (PAIN) compliant solution enables you to send salary payments, SEPA-payments and foreign payments. You can collect account statements and reference files on a daily basis, and balances and transactions can be collected on the fly, giving full control over your daily business. This functionality is in line with ISO ISO20022 (CAMT). All customer communication is handled in accordance with the latest security standards.

We also offer full e-invoice handling, including sending and receiving of e- B2B and B2C invoices. In addition, we handle proxies towards end-customers, as well as the agreements between the bank and the corporate customer.

Our broad range of e-services includes e-payment, enabling you to charge end-customers for services via the "pay button". We also support refund of e-payments. Our e-identification service is based on the TUPAS standard. End-customers can identify themselves on sites such as the tax office, postal service and customs. Through our e-salary service, internet bank end-customers can get their salary specifications electronically. The specifications are stored with a service provider and can easily be accessed online. We also support creation of group account structures, which can help simplify your daily liquidity management.

Interfaces



Card

We understand the important role cards have in the end-user's daily life – and the business potential they offer you. Our card solutions enable you to increase loyalty, open up new revenue streams and develop exciting new consumer products and offerings.

Whatever your plans, we can support them. We have a solution for every type of card, including plastic, virtual and contactless cards. We can provide private, corporate or co-branded cards. Crosskey is a VISA and MasterCard Member Service Provider, and our system connects directly to VISA and MasterCard.

Our security is second to none, and naturally we are a Level 1 PCI DSS certified provider.



eBanking

Today's end-customer values a personalised solution that is secure, highly accessible and easy to use. Our eBanking solution lets you give your customers the service and peace of mind they want, enabling you to build deep and long-lasting relationships.

Our highly modern platform brings you closer to your customers through tailored branding, well-designed interactivity, effective dialogue, and a user-friendly interface to all major bank products. The eBanking platform is a hub that integrates all your product and customer systems in order to provide a consistent user experience in web and mobile channels. Integrated products are available in all your digital customer channels.

Customer identification is a central aspect of any eBanking solution. Our CAM module enables us to integrate the eBanking platform with any identification solution. We have, for example, ready-made integrations to BankId for the Swedish market. Most importantly, the CAM module's open architecture means you can integrate the identification and signing solution that works best for your business – and implement it across all your digital channels.

Communication is a strong aspect of our platform. Our secure inbox gives direct dialogue via messaging between the bank and the end customer. Automatically generated notifications and alarms can be configured as needed. Features such as Personal Financial Management functionality enable you to give your customers better understanding and control over their economy.

The system also facilitates targeted sales, making it easy to segment your customers and deliver relevant personalised campaigns.



Mobile

Today's end-customer wants a bank that is with them everywhere, allowing them to make secure transactions any time and any place. We make that possible.

We offer a sophisticated mobile app built on top of our eBanking platform, with an easy-to-use interface that works across all relevant mobile devices. Tailored to your brand's graphic look and feel, the wide range of functionalities are made accessible to users in a clear and systematic way.

Our mobile banking solution includes all the main functionalities a customer expects from their bank, including easy-to-use payment solutions, peer-2-peer payments, transfers, and a clear view of accounts, cards, balances and transactions.



Customer Overview, Sales & Support

The success of financial services depends to a large extent on how well customers are supported, and how great an understanding of them you can gain.

To ensure good customer relations, and that relevant products are offered, it is important to understand the customer's overall engagement. We offer flexible solutions for customer support and advisory services,

ranging from simple saving products to complex solutions. The aim is to give you a 360° view of your customers. To ensure this we make it easy to integrate customer information from other systems.

Crosskey's banking products enable client advisors to see all the customer's commitments, making it easy to

target the right customer with the right offer. Security monitoring is provided by a modern accessing system.

We believe that effective support demands simple processes. That's why we prioritise easily accessible systems and integrated information.

Services



Consulting

When you invest in financial systems, it's essential to get things right from the start. Our consulting services ensure you do just that. Our consultation covers new services or expansion of existing offerings. Our expertise includes procurements, management consulting, investigations, regulatory surveillance and permit application assistance.

We also offer PCI DSS compliance expertise, including issuer processing, account management, clearing and settlement, and billing management.



Co-branded & White Label Solutions

When needed, we have the capability to offer white label or co-branded services.. We can provide a complete bank or payment service provider solution. Crosskey assumes the credit risk and holds the credit license and bank charter.

We also offer Back Office services, where Crosskey holds the credit license.



Managed Services

We offer most of our software as a service, so you can always depend on smooth-running operations and optimal results. In addition, we offer a range of modular managed services, securing optimal performance in key areas of your financial services business.

Our services enable faster time to market and more efficient business processes without the headache of major IT investments. You don't buy hardware and software – you buy a successful outcome and new business opportunities.

Managed services enable you to focus resources and time on your core business, while giving you the certainty that you are delivering the best possible customer experience. You can also outsource administration and/or personnel partly or completely to Crosskey. We offer this for all types of financial business, whether it be cards, capital markets or banking. You still hold the license and the right to distribute credit.

Board & Management

Board



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CEO, Ålandsbanken



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Management



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