

# AKTIA BANK PLC

INTERIM REPORT 1-3/2014

Aktia



# Strong Net commission income, Expenses down 4%

Aktia

Operating profit was EUR 16.4 (19.5) million.

Net commission income was up 11% but NII down to EUR 25.4 (30.1) million.

Profit amounted to EUR 13.1 (14.8) million.

Earnings per share (EPS) was EUR 0.20 (0.22).

Write-downs on credits and other commitments decreased to EUR 0.4 (1.1) million.

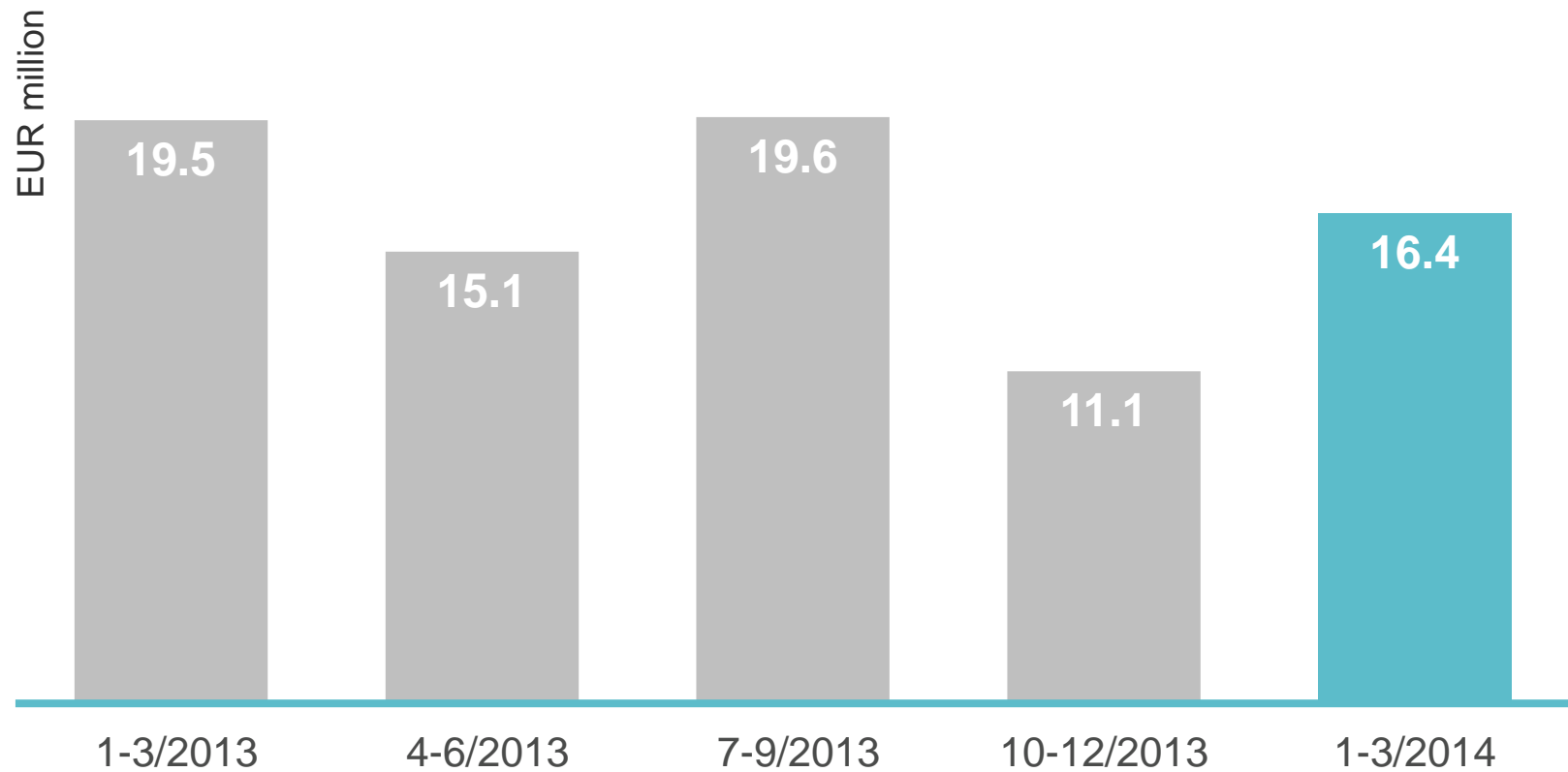
Outlook for 2014 (unchanged): **Despite the persistent low interest rate level, the Group's operating profit for 2014 is expected to reach approximately the 2013 level.**

## Interim report 1 January - 31 March 2014

1	Financial performance
2	Capital adequacy
3	Balance sheet and owners
4	Outlook and targets

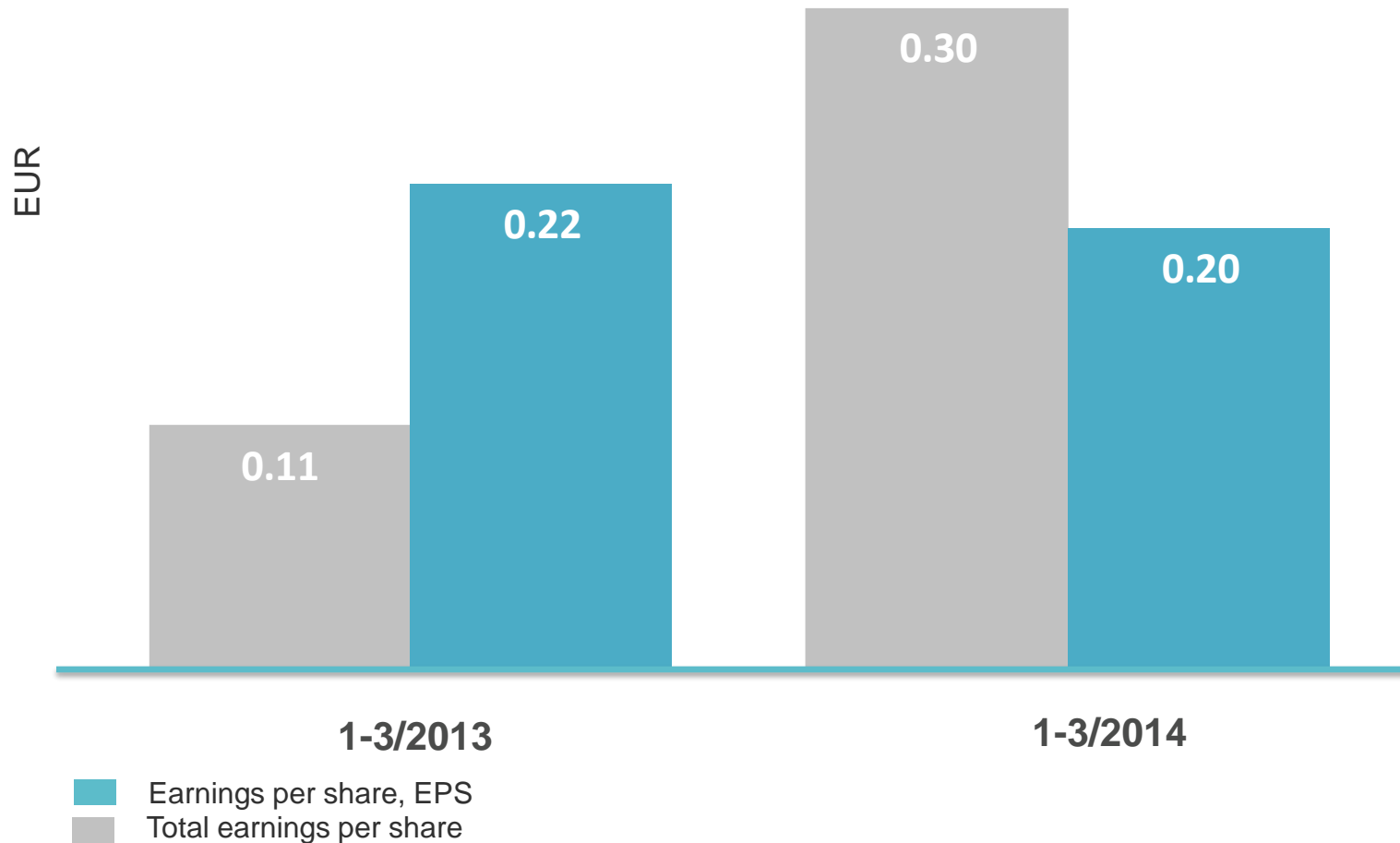
# Operating profit for the quarter

Aktia

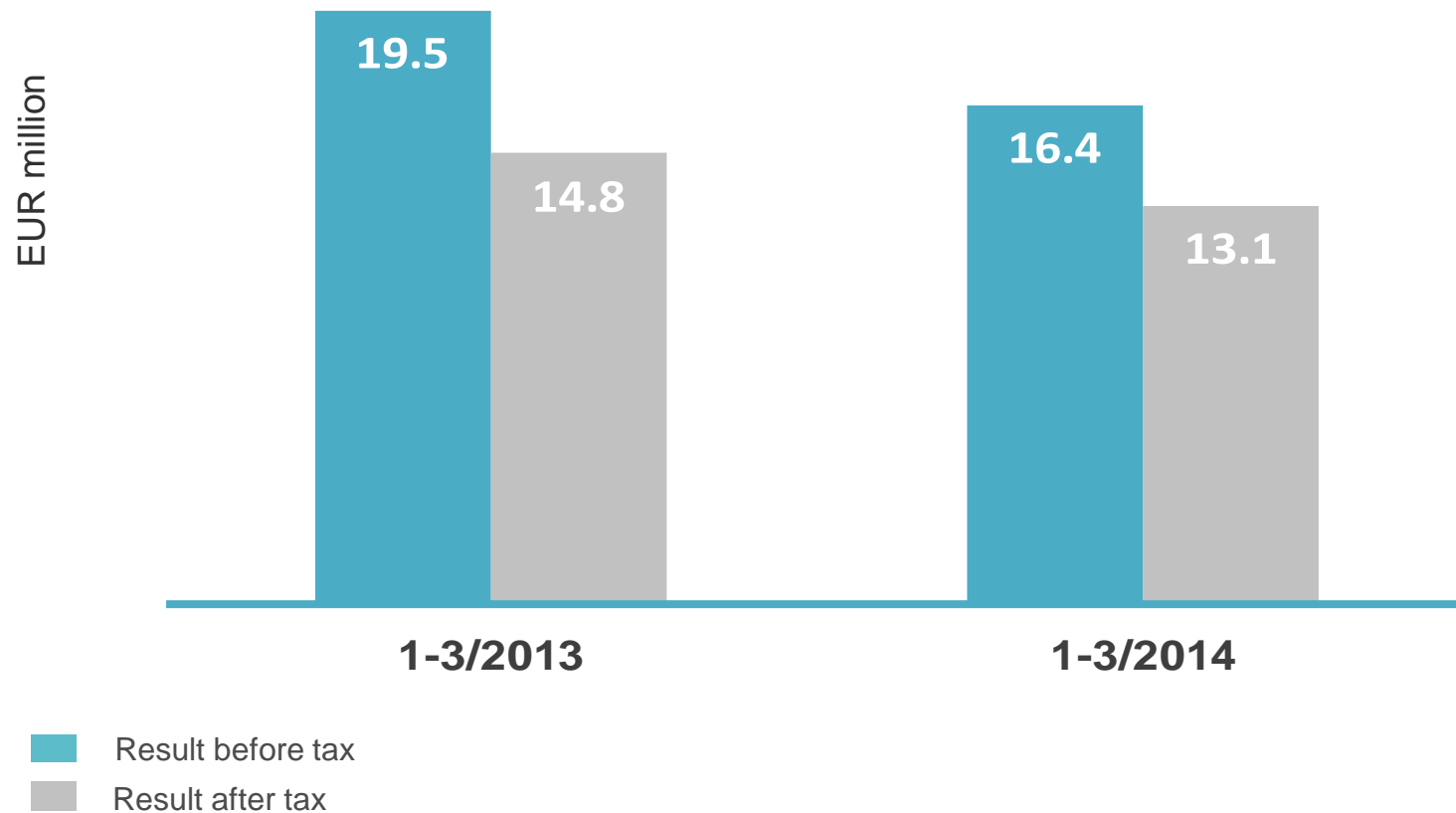


# Earnings per share 1-3/2014

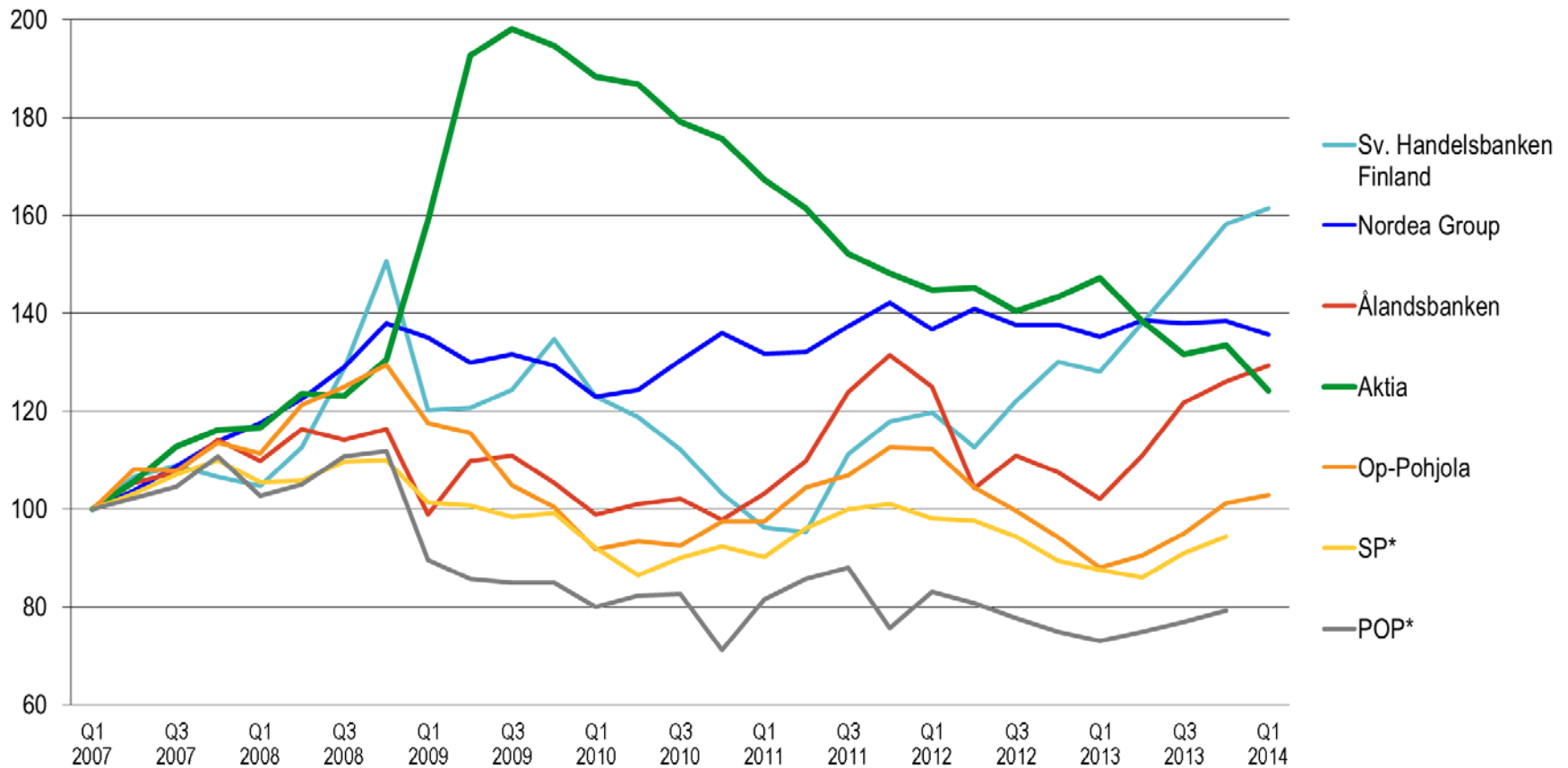
Aktia



# Result before and after tax

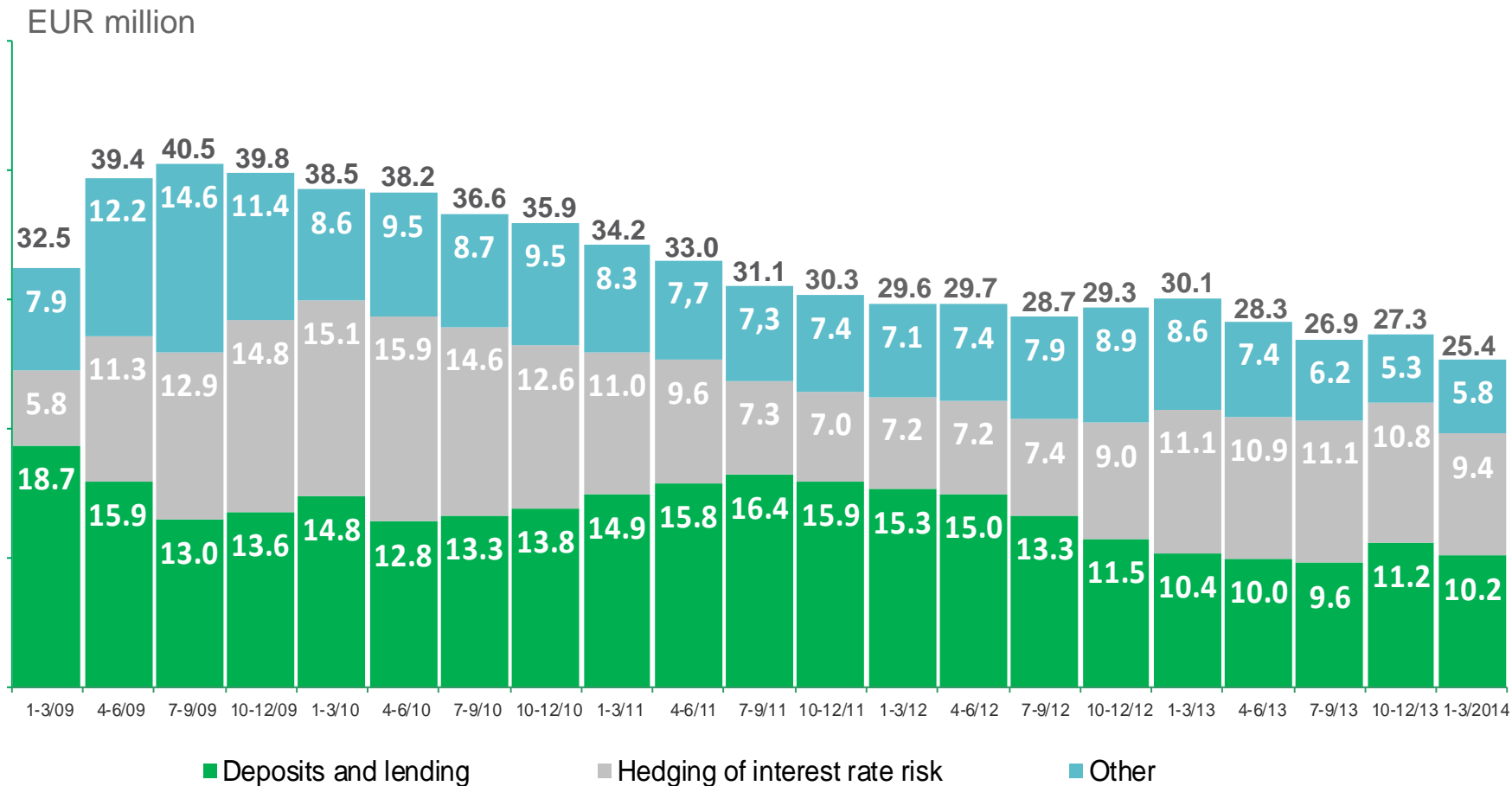


## Net interest income (1/2007 = 100) Finnish Banks



\*1Q/2014 not published

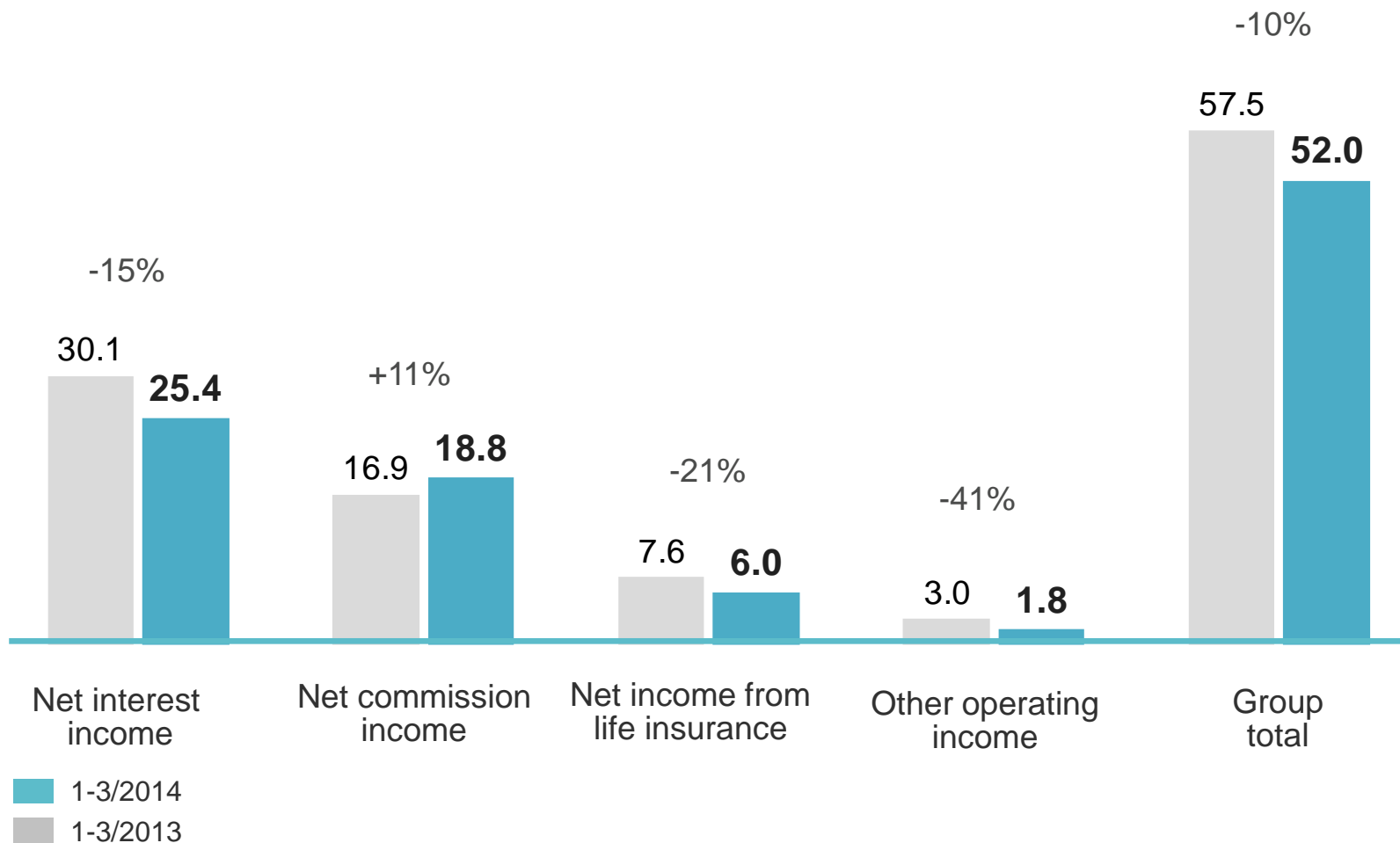
# Net interest income



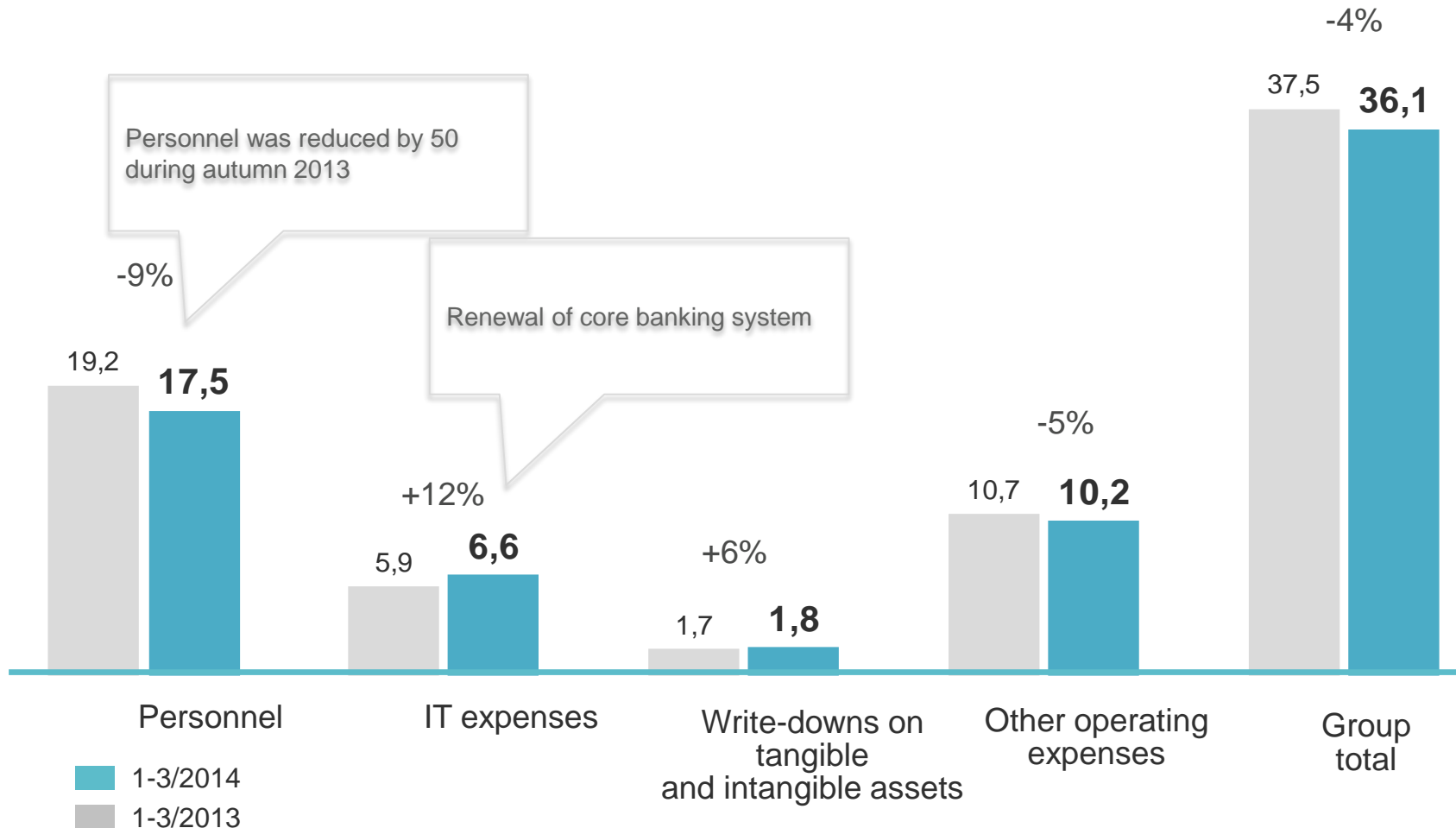


## Income (EUR million)

## Maintained growth in net commission income



# Expenses down by 4% (EUR million)



## Targets

- **Resources focused on core business**
- **Utilise credit capacity to own customers rather than to the cooperation with the local banks**
- **Simplified group structure and modern systems allow for lower costs**
- **Minimise costs from Basel III**

# Action Plan 2015

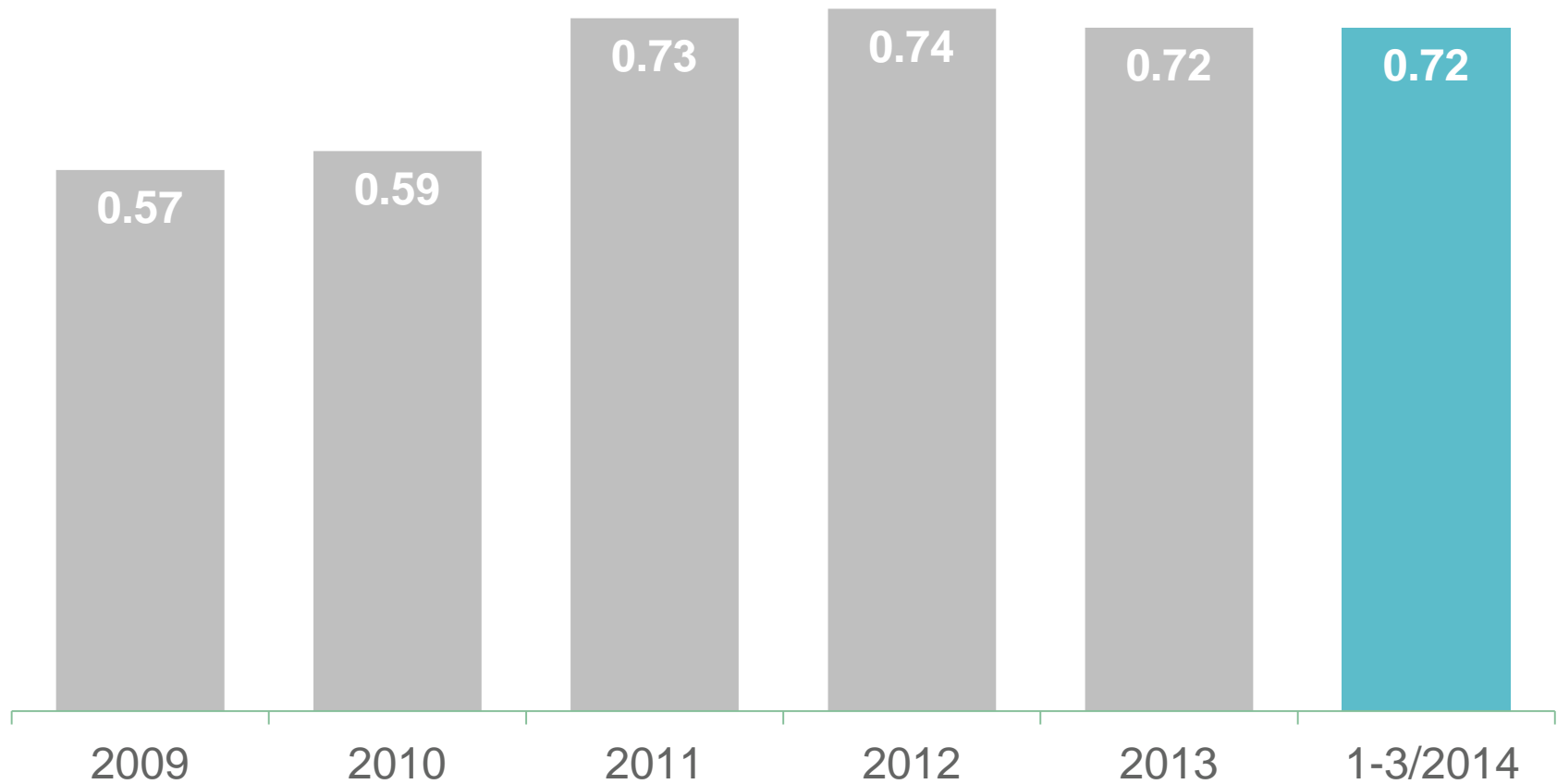
## Achievements

Aktia

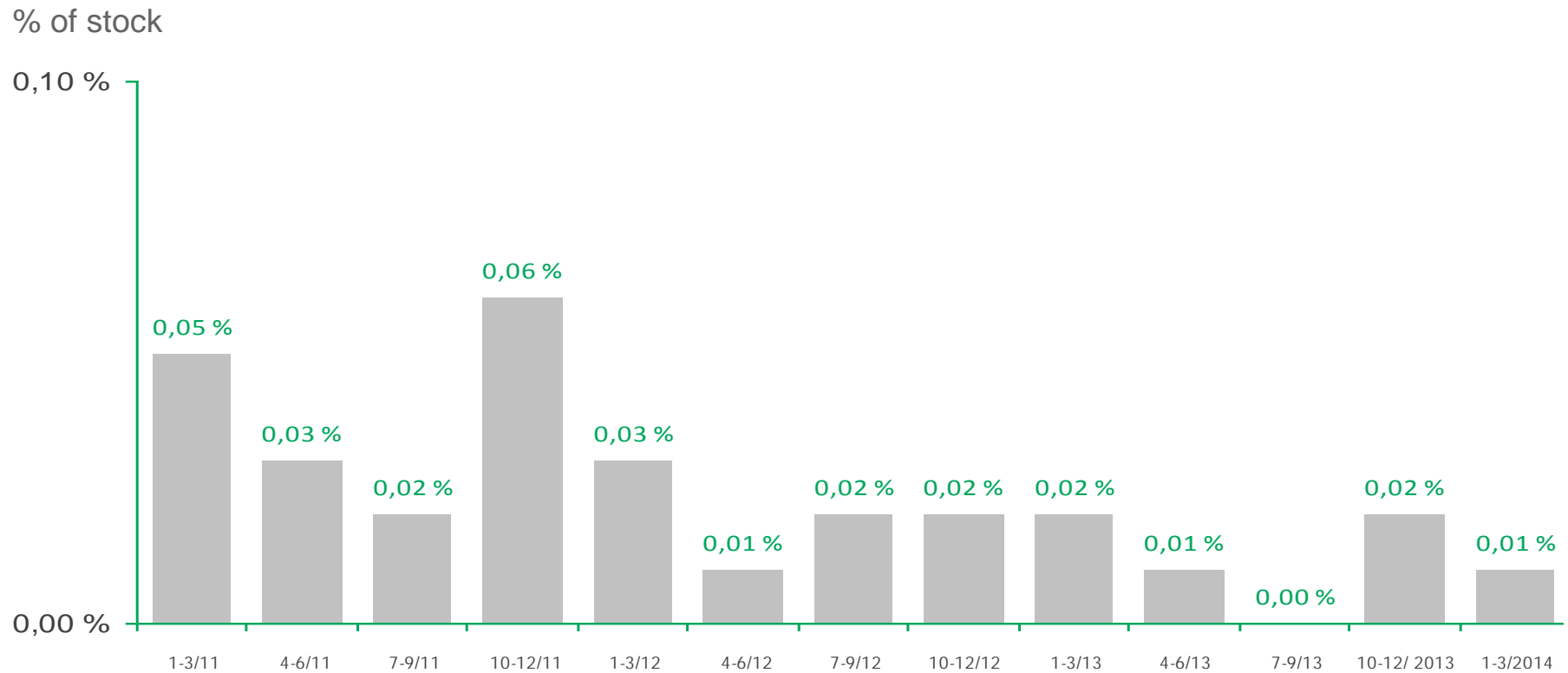
- **New core banking system 2015**
  - Core banking system providers chosen, agreement with Samlink renegotiated
- **End services as central financial institution 2015**
- **Aktia Bank granted concession as Mortgage Bank**
  - First CB issue in June 2013
- **Group structure has been simplified**
  - New segment division
  - Merger with Aktia plc 1 July 2013
  - Asset Management reorganised
- **Card business renewed**
  - New technical platform
  - The card stock acquired December 2013
- **Measures to enhance effectivity started**
  - Staff reduction of approx. 50
  - Branch network reduced by 8
- **One Net finalised**
  - Group IT-workstations in one network

# Cost-Income ratio

Aktia

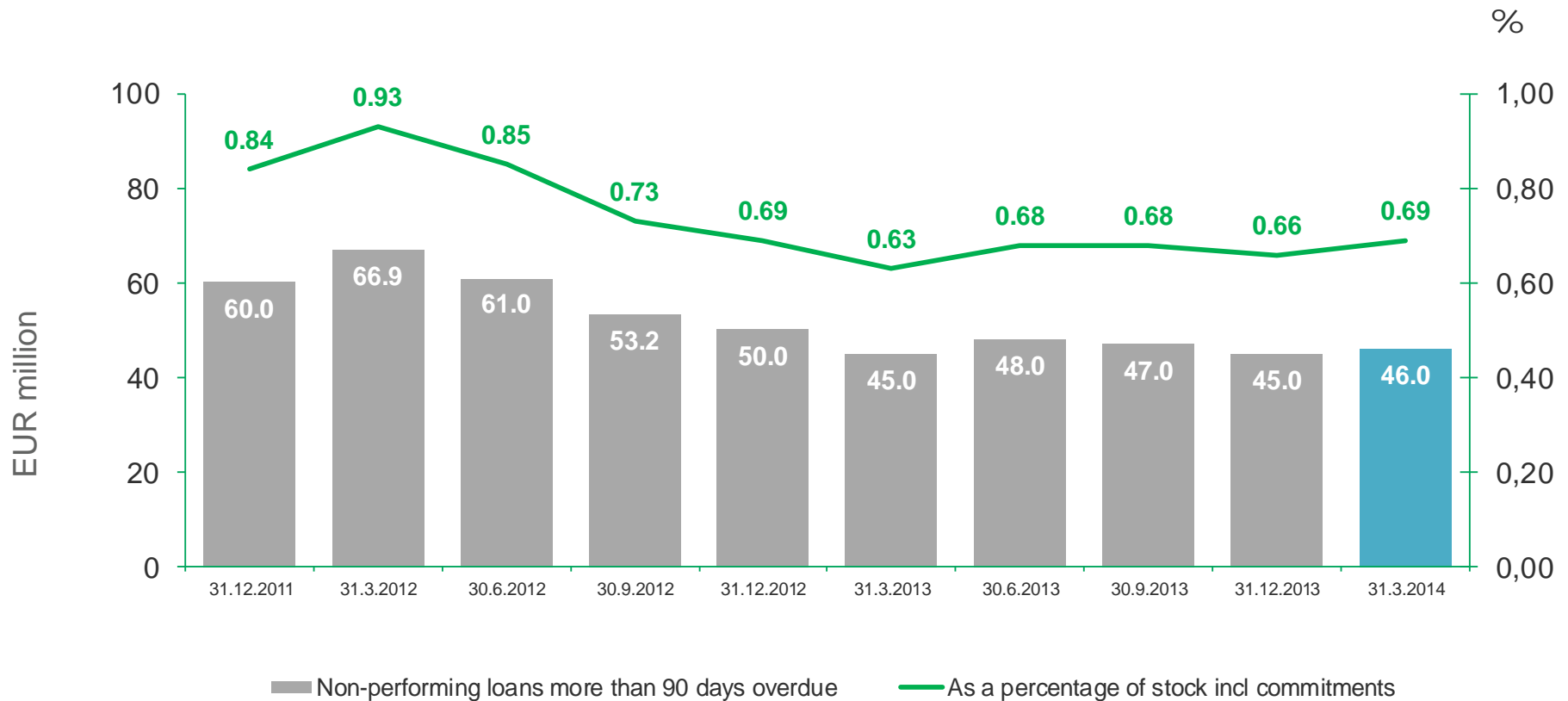


# Write-downs on credits (per quarter)



# Non-performing loans more than 90 days overdue

Aktia



# Non-performing loans by days overdue

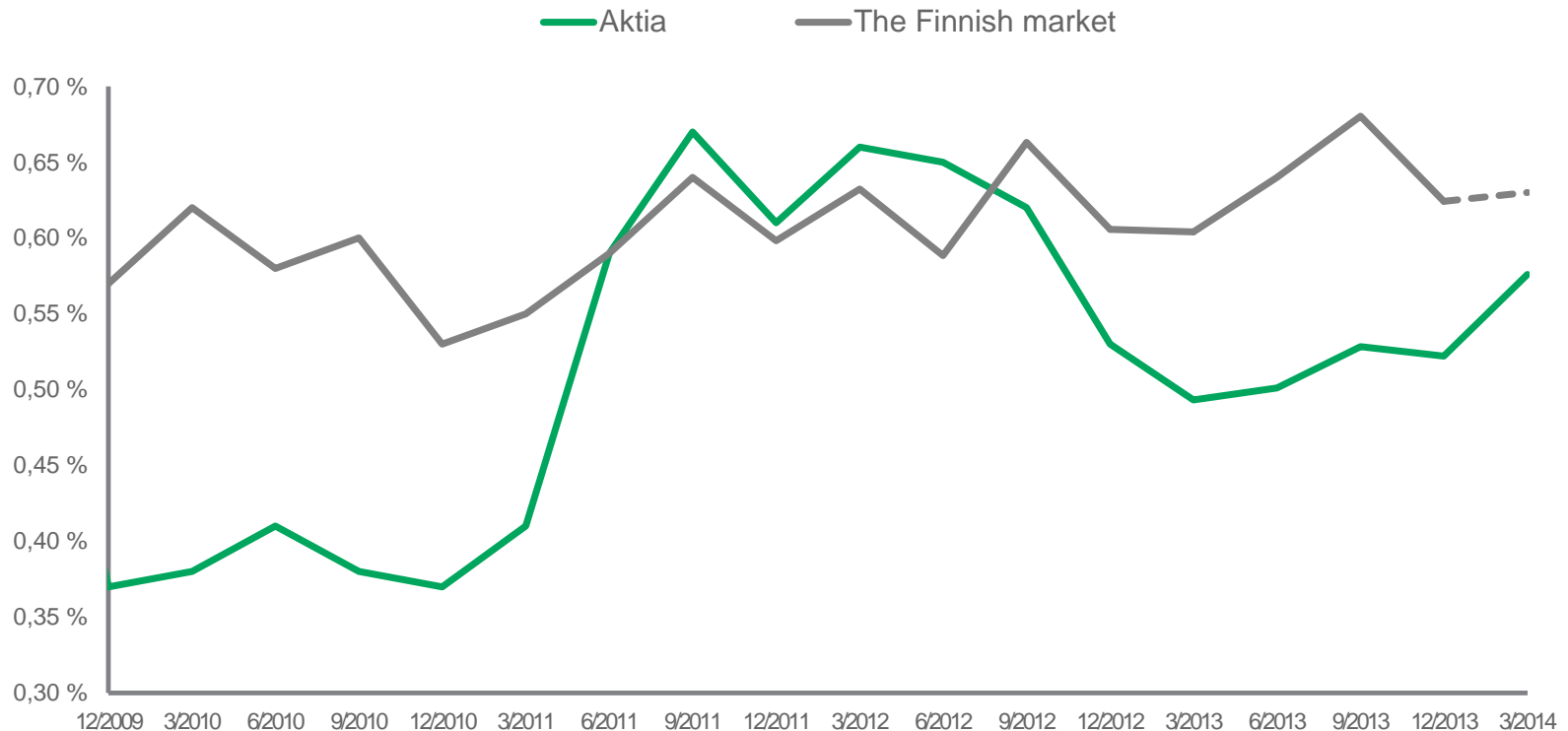
Aktia

Days	31.3.2014	% of credit stock	31.12.2013	% of credit stock
<b>3-30</b>	<b>106</b>	<b>1.58</b>	<b>114</b>	<b>1.66</b>
of which households	96	1.43	106	1.55
<b>31-89</b>	<b>49</b>	<b>0.73</b>	<b>34</b>	<b>0.49</b>
of which households	40	0.60	28	0.42
<b>90-</b>	<b>46</b>	<b>0.69</b>	<b>45</b>	<b>0.66</b>
of which households	34	0.51	31	0.46



# Non-performing loans (>90 days) - share of loans to households

Aktia

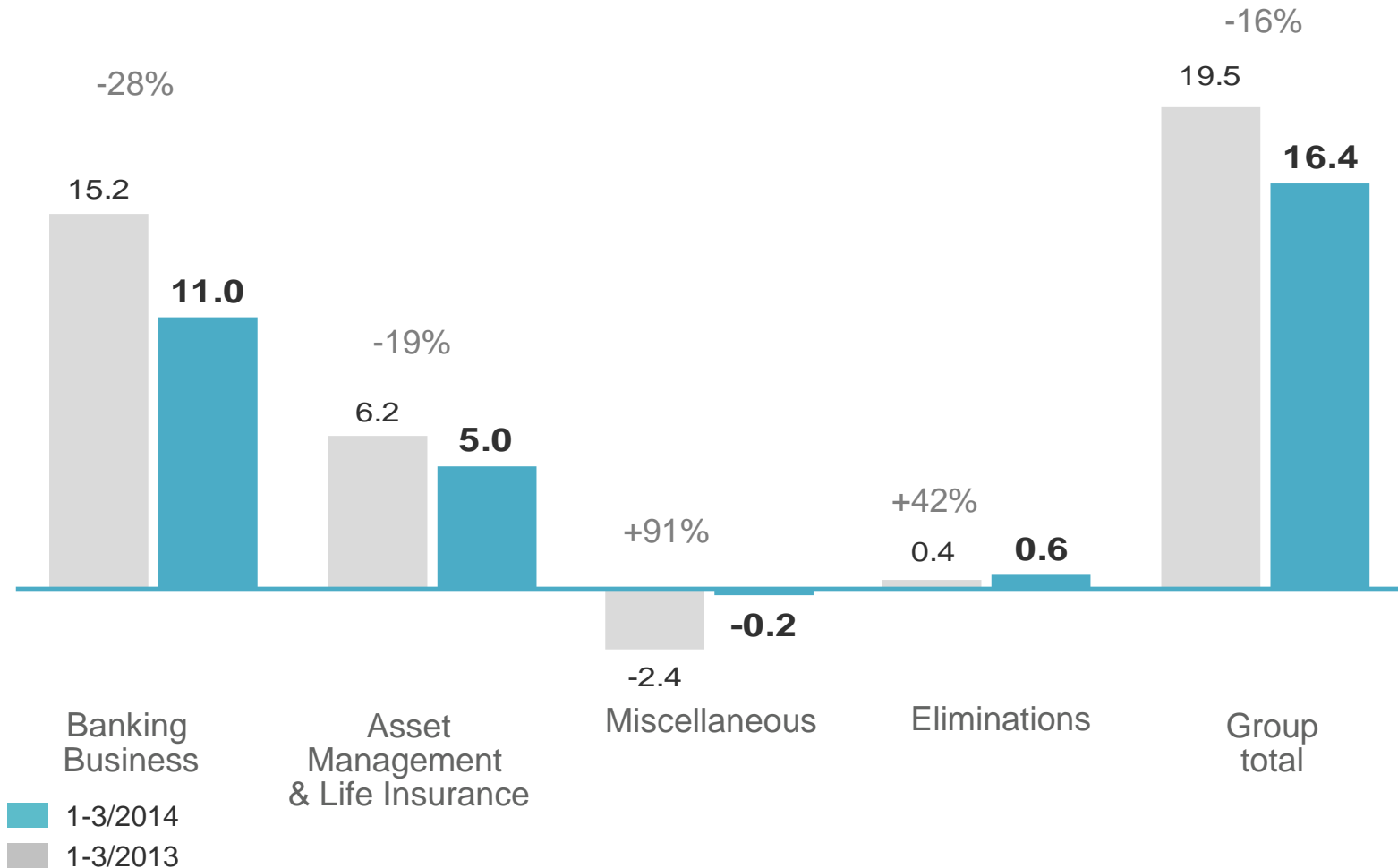


Source: Publication from Finnish Financial Supervisory Authority about the credit market

## Write-downs on credits and other commitments

- Total write-downs on credits and other commitments stood at EUR 0.4 (1.1) million.
- Of these write-downs, EUR 0.2 (0.0) million could be attributed to households and EUR 0.2 (1.1) to companies.

# The segments' contribution to the operating profit



# Asset Management & Life Insurance Assets Under Management

Aktia

(EUR million)	31.3.2014	31.12.2013	Change %
Aktia Fund Management	3,050	3,053	0%
Aktia Invest	2,627	2,452	7%
Aktia Asset Management	4,551	4,843	-6%
Aktia Life Insurance	476	451	6%
Eliminations	-5,430	-5,608	-3%
<b>Total</b>	<b>5,275</b>	<b>5,192</b>	<b>2%</b>

# Top ranked asset management (SFR)

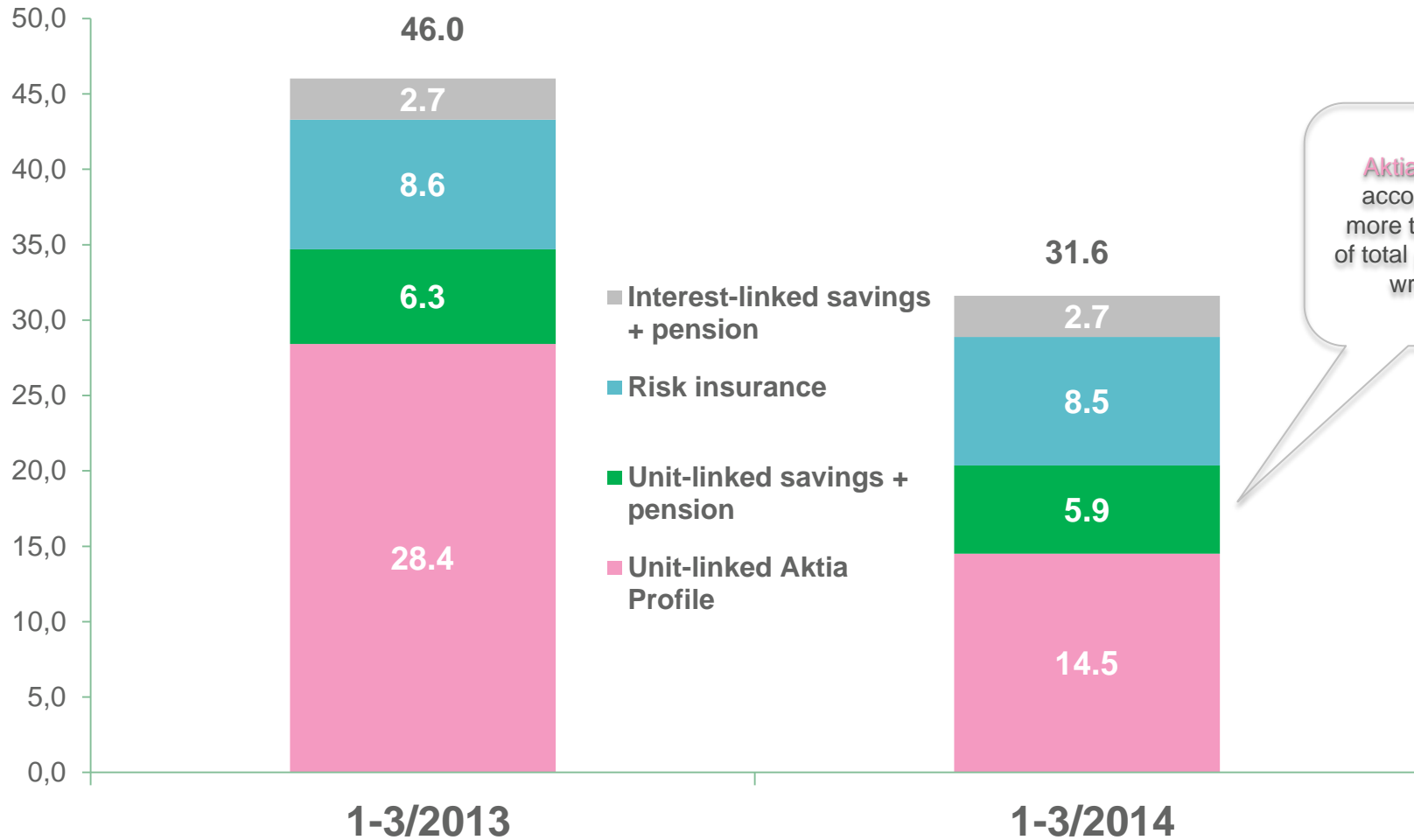
**Aktia**

- **Highest marks for transparent investment philosophy**
- **Best understanding of the customer's needs**
- **Aktia Invest's fund analysis among the best**
- **For the third year in a row we received the highest mark for Quality of Administration**
- **Highest marks for good reputation and stable organisation**

# Life Insurance, premiums written

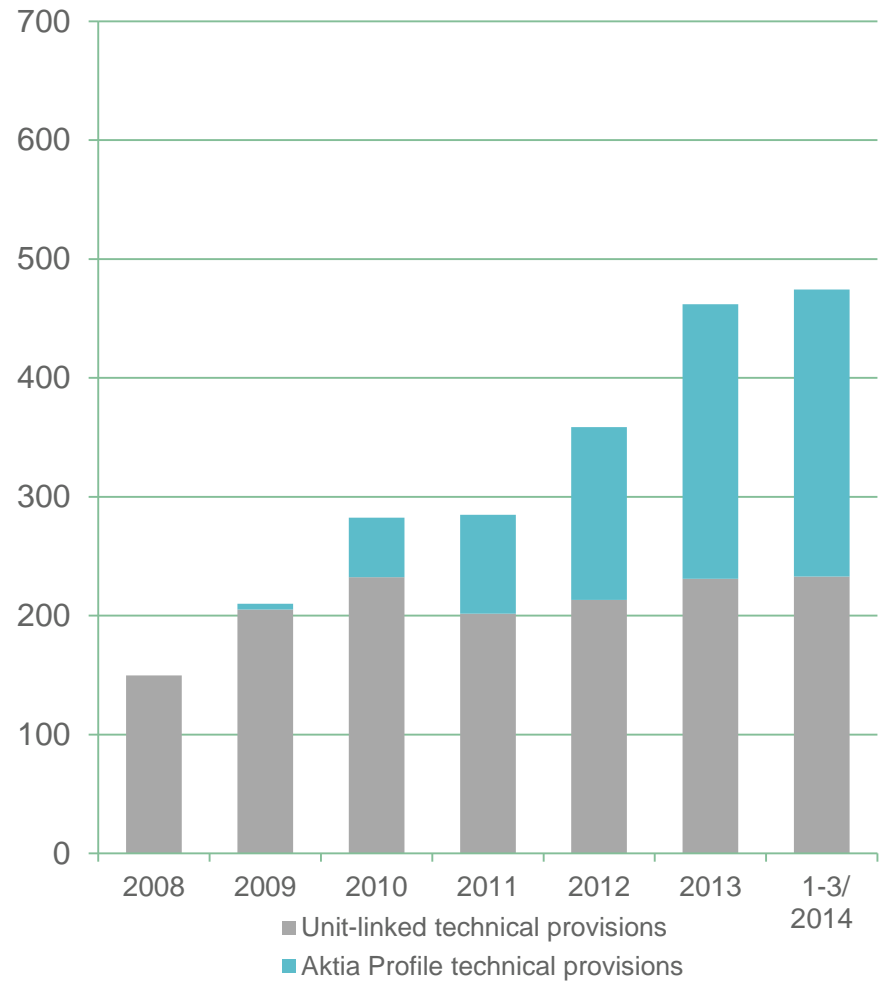
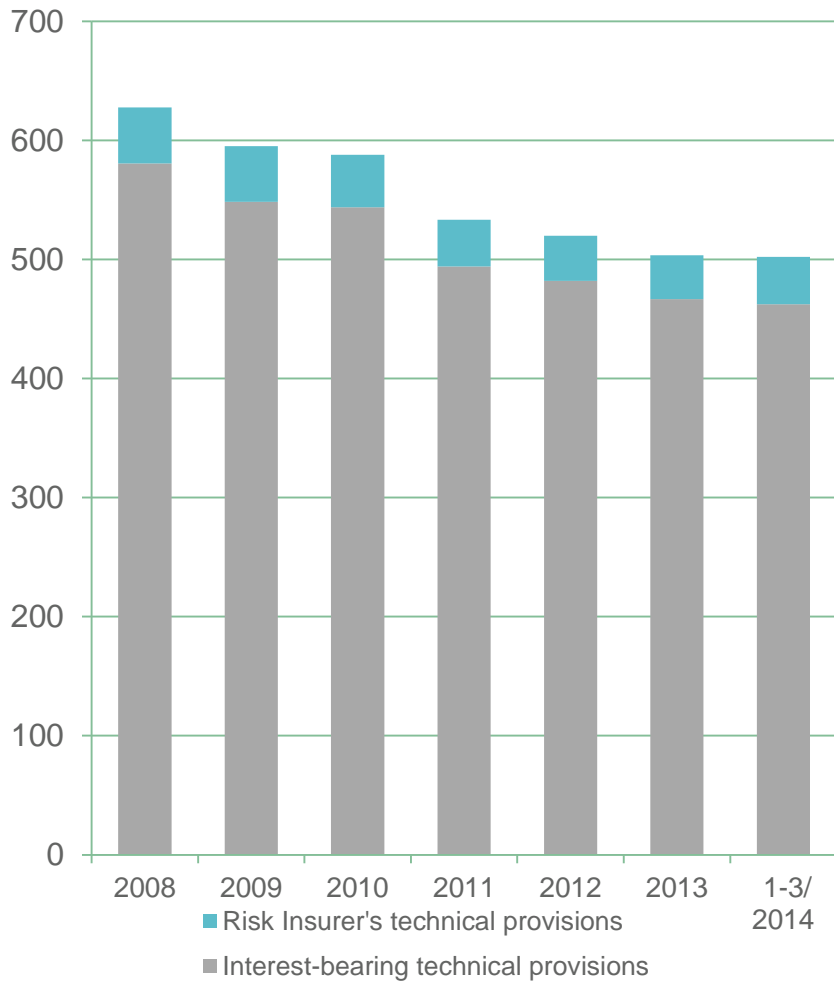
Aktia

EUR million



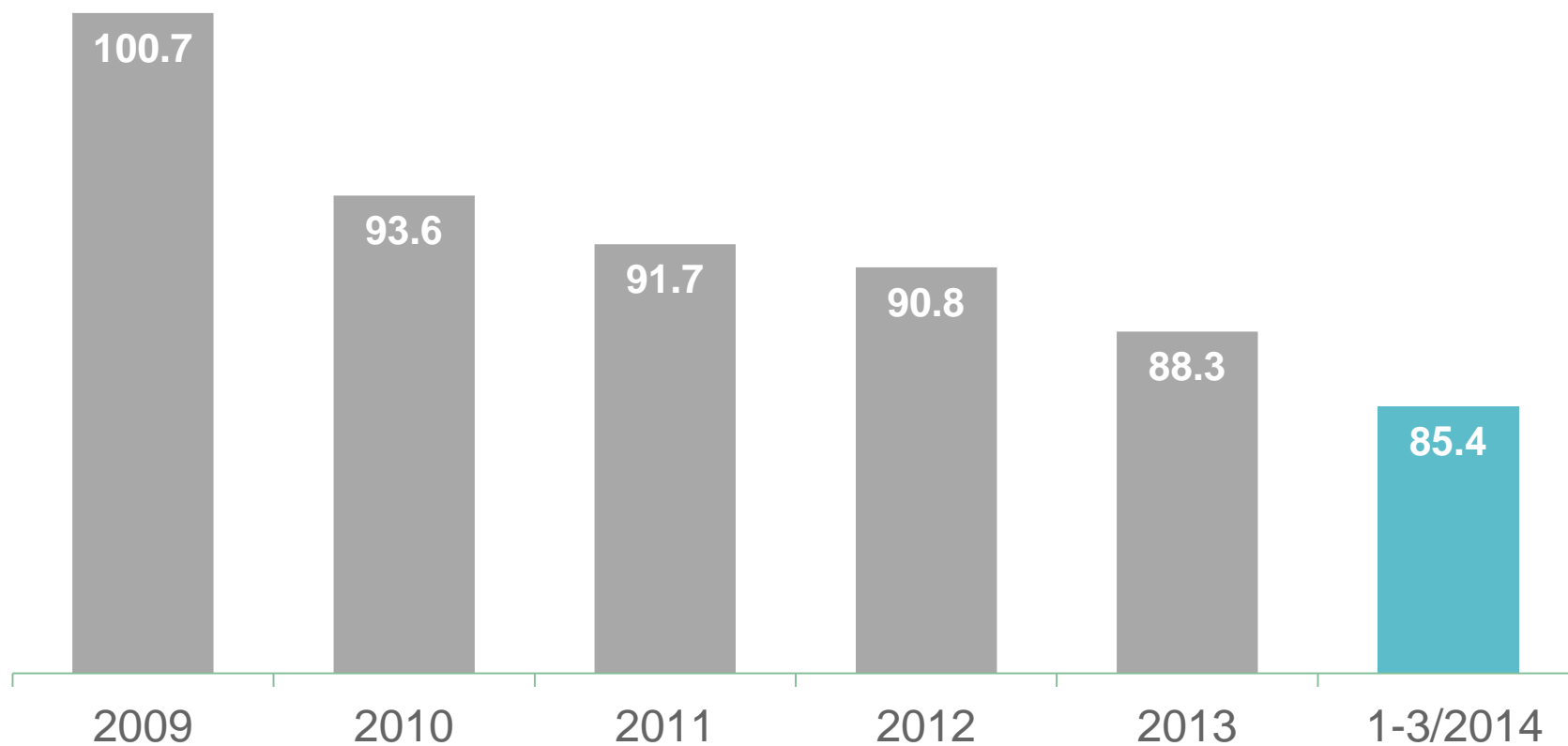
**Aktia Profile** accounts for more than 45% of total premiums written.

# Decreased stock of interest-linked insurance, Aktia increase in unit-linked products (EUR million)



# Expense ratio for life insurance, %

Aktia





# Summary:

## Operating profit Jan–Mar 2014

Aktia

### Profit

Operating profit amounted to EUR 16.4 (19.5) million.

Profit for the period amounted to EUR 13.1 (14.8) million.

### Income

Income totalled EUR 52.0 (57.5) million.

Net interest income decreased to EUR 25.4 (30.1) million.

### Expenses

The Group's operating expenses decreased by 4% to EUR 36.1 million (37.5) million.

### Write-downs

The Group's write-downs on credits and other commitments decreased by 63% to EUR 0.4 (1.1) million.

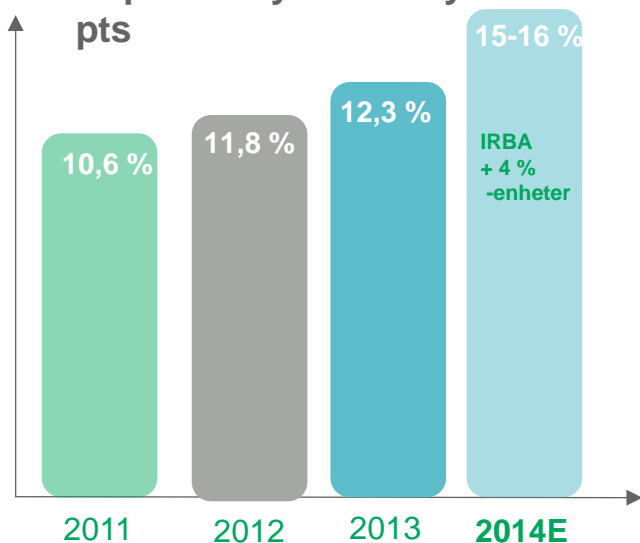
# Interim report 1 January - 31 March 2014

Aktia

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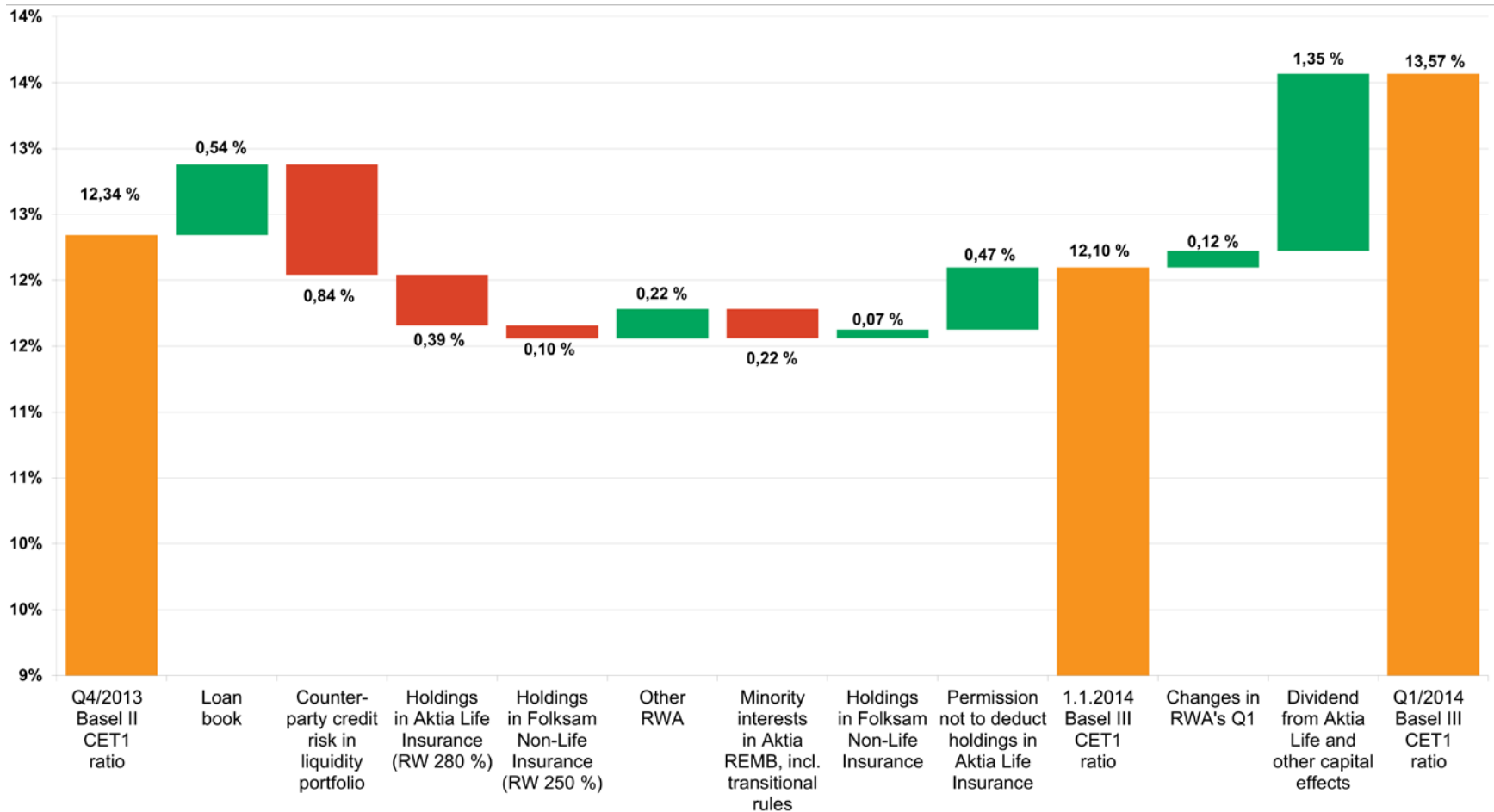
# The Bank's capital adequacy

- **Basel III legislation in effect as of 1 January 2014**
  - Effect on Core Tier 1 limited, -0.2 %
  - Larger negative effect on Capital Adequacy, -3.9% mainly due to stricter demands on maturity on issued debentures
  - Temporary exceptional permit 2014 concerning holdings in Aktia Life Insurance, risk weight 280%
- **Stronger Capital Adequacy during 1Q2014 due to positive result and a dividend from Aktia Life Insurance Co; 17.3 %**
- **IRBA application was submitted in August 2011 and is reviewed by Financial Supervisory Authority. IRBA is expected to increase Tier 1 capital ratio by at least 4%-pts**

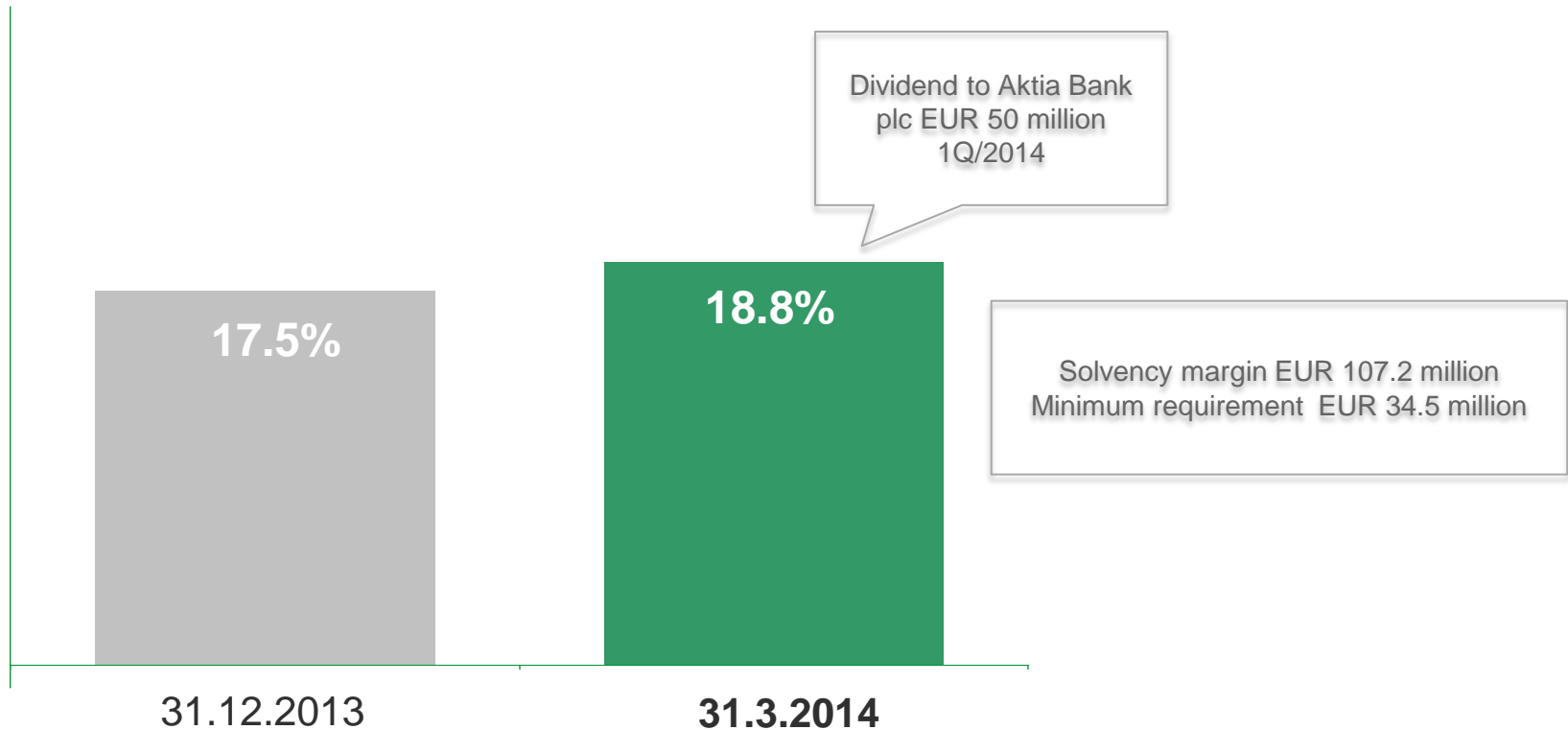


	31.3.2014 Basel III	31.12.2013 Basel III	31.12.2013 Basel II
Core Tier 1 ratio	13.6 %	12.1 %	-
Tier 1 ratio	13.6 %	12.1 %	12.3 %
Capital Adequacy	17.3 %	15.5 %	19.3 %

# Effects of new regulation Basel II to Basel III



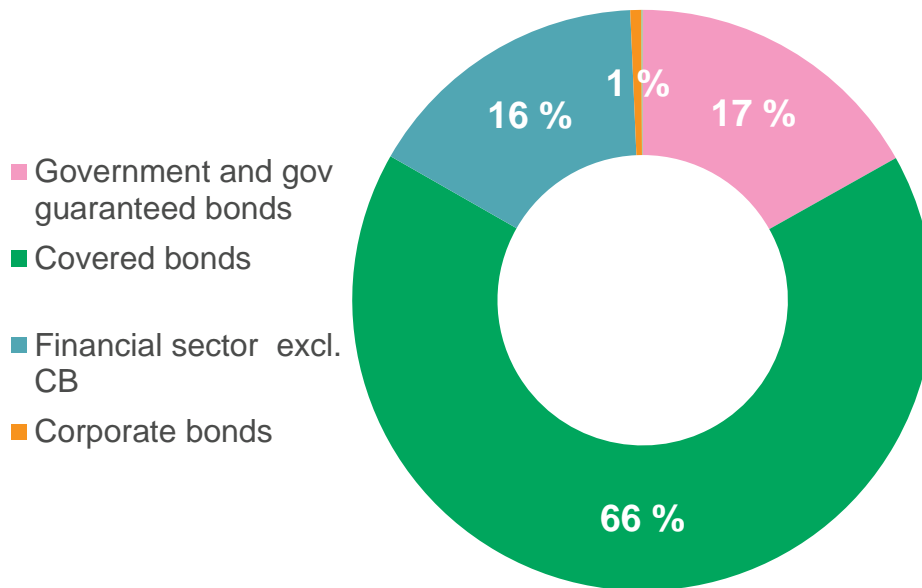
# Life insurance Solvency ratio



# The Bank Group's liquidity portfolio and other interest-bearing investments

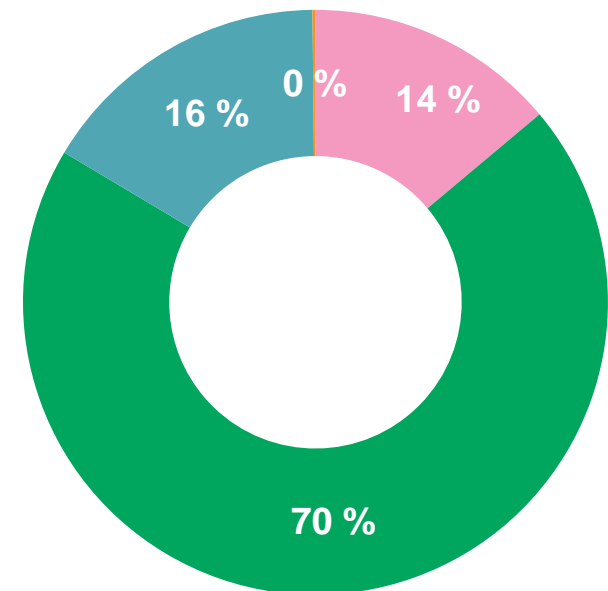
Aktia

EUR 2,624 million



31.3.2014

EUR 2,424 million

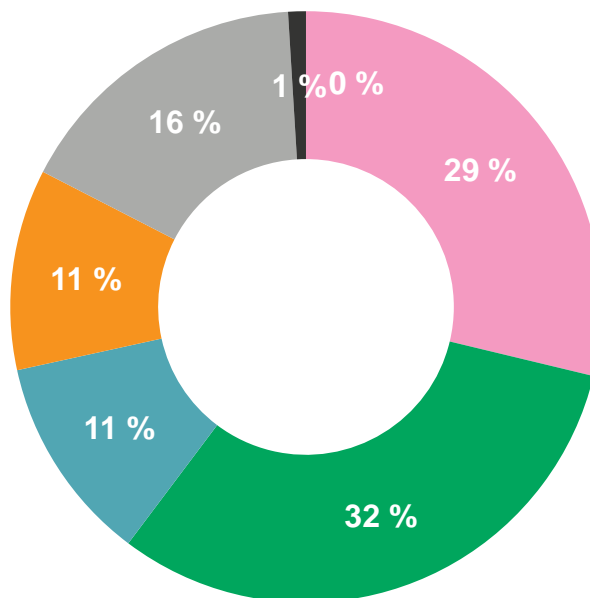


31.12.2013

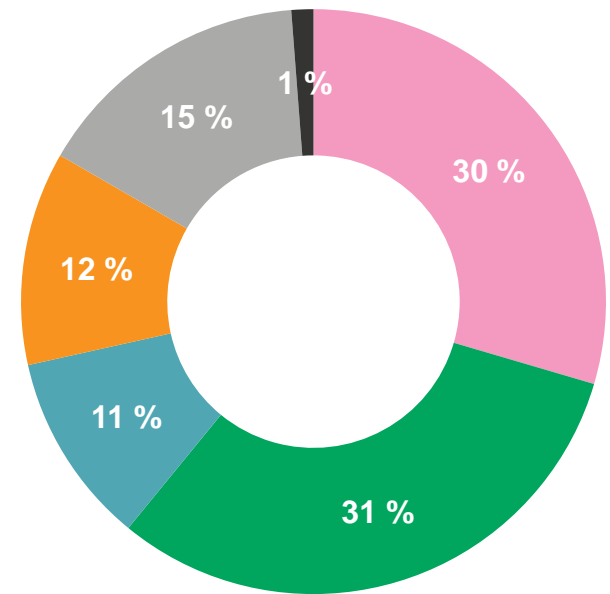
# Continued convergence towards Solvency II Aktia Life Insurance Company

Return on investments 1.9 (0.5)%  
Duration 5.6 (5.6) years

- Government and gov guaranteed bonds
- Covered bonds
- Financial sector excl. CB
- Corporate bonds
- Real estate
- Alternative investments
- Equity



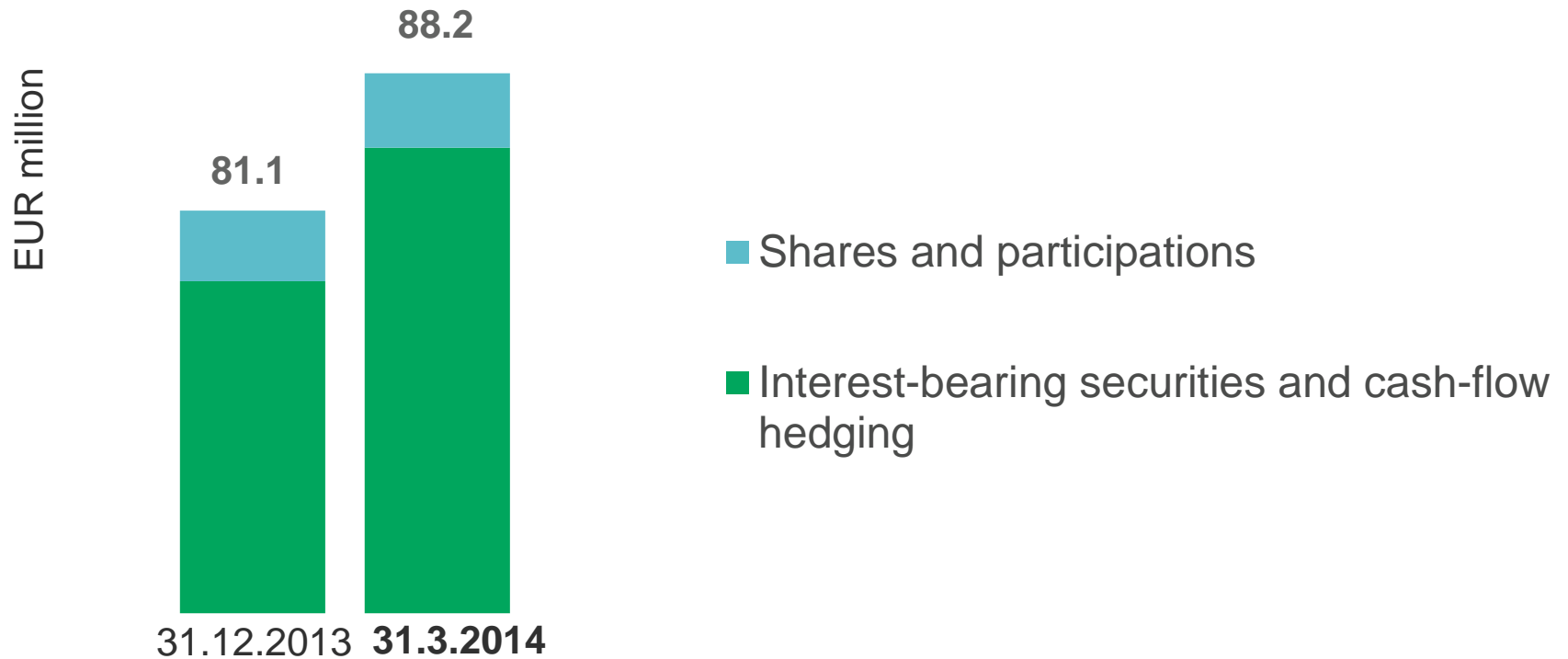
31.3.2014



31.12.2013

# Fund at fair value

Aktia

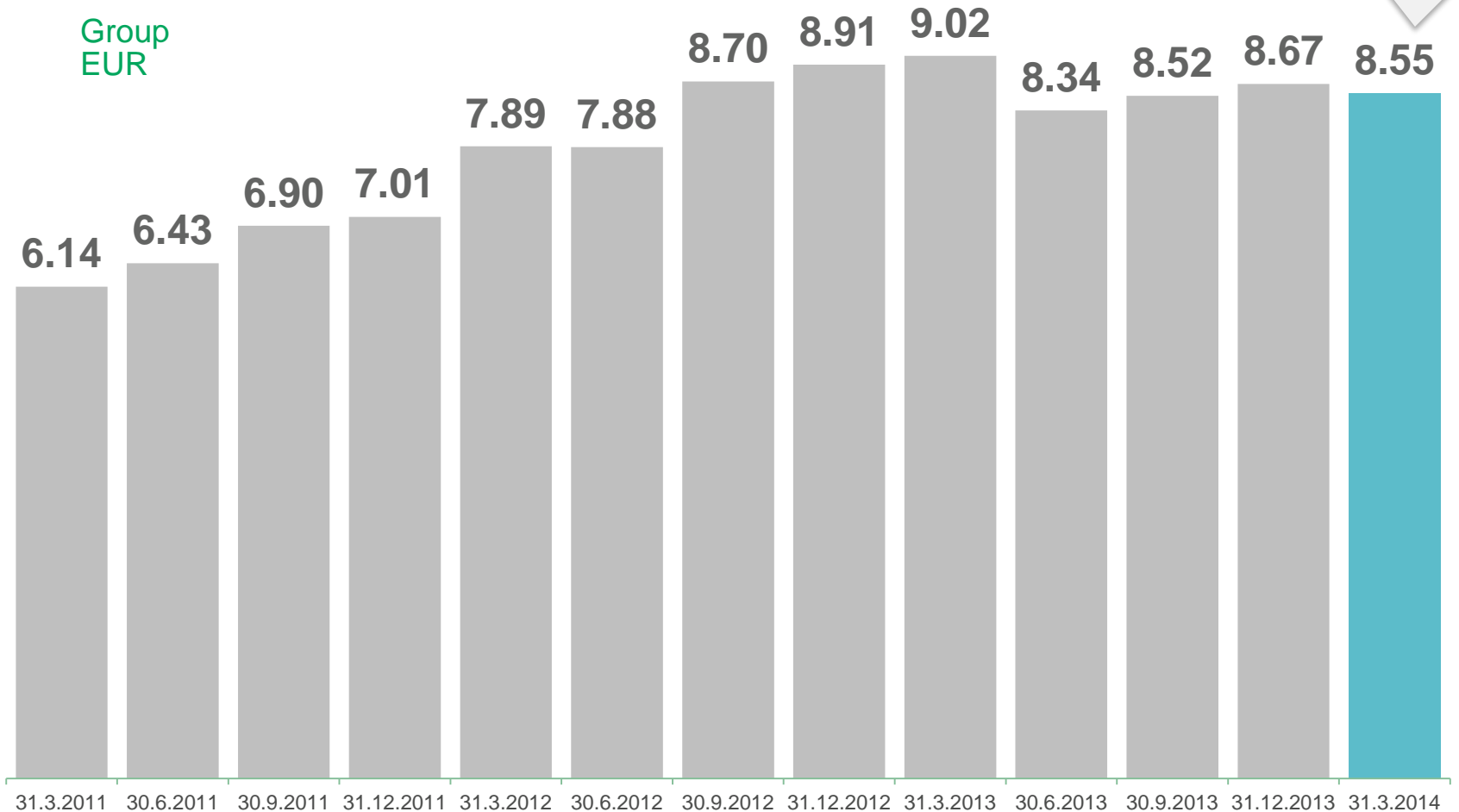




# Equity per share (NAV)

**Aktia**

After dividend pay-out of  
EUR 0.42 in April



# Interim report 1 January - 31 March 2014

Aktia

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# Balance sheet 31.3.2014

Aktia

The Group's balance sheet total was down somewhat and amounted to EUR **10,856** (10,934) million.

Borrowing amounted to EUR **3,861** (3,797) million.

Lending to the public amounted to EUR **6,693** (6,802) million.  
Loans to **private households** amounted to EUR 5,896 million or **88.1%** of the credit stock.

The housing loan stock amounted to EUR **5,446** (5,521) million

**Corporate lending** continued to be moderate

The credit stock amounted to EUR **473** (541) million, corresponding to **7.1%**

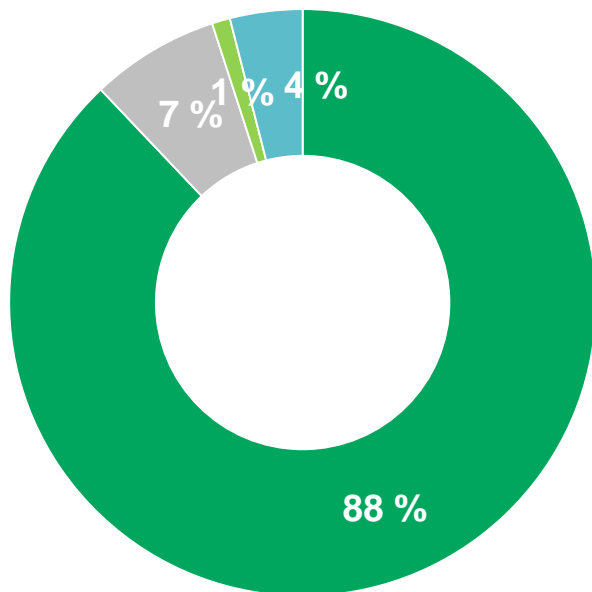
# Credit and deposit stocks

## 31 March 2014

Aktia

### Credits

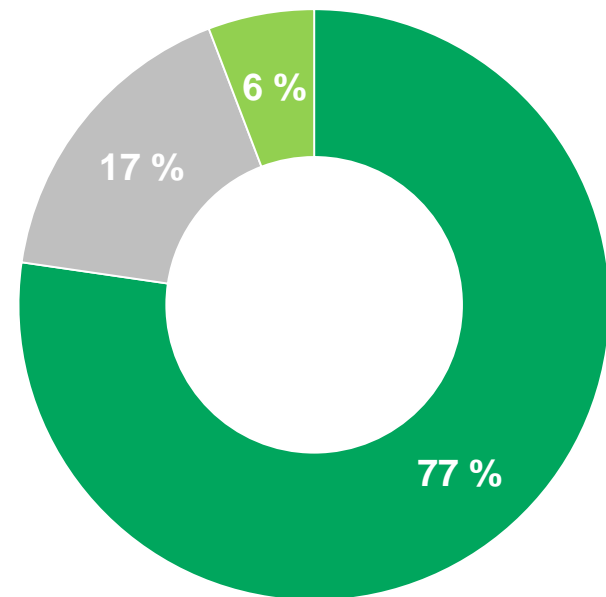
EUR 6,693 (6,802) million



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

### Deposits

EUR 3,861 (3,797) million



# Share capital and ownership

## 30 April 2014

Aktia

The 20 largest shareholders	Series A shares	Series R shares	Shares total	Shares %	Votes	Votes, %
Stiftelsen Tre Smeder	2,571,925	4,280,216	6,852,141	10.29	88,176,245	19.85
Life Annuity Institution Hereditas	4,648,114	2,066,106	6,714,220	10.08	45,970,234	10.35
Pension Insurance Co Veritas	4,027,469	2,134,397	6,161,866	9.25	46,715,409	10.52
The Society of Swedish Literature in Finland	2,139,832	789,229	2,929,061	4.4	17,924,412	4.04
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.29	20,905,000	4.71
Varma Mutual Pension Insurance Company	1,595,640	751,000	2,346,640	3.52	16,615,640	3.74
Stiftelsen för Åbo Akademi	1,303,370	651,525	1,954,895	2.94	14,333,870	3.23
AktiaStiftelsen i Borgå	978,525	547,262	1,525,787	2.29	11,923,765	2.68
AktiaStiftelsen i Esbo-Grankulla	1,490,000		1,490,000	2.24	1,490,000	0.34
AktiaStiftelsen i Vasa		1,338,708	1,338,708	2.01	26,774,160	6.03
AktiaStiftelsen i Vanda	876,529	441,733	1,318,262	1.98	9,711,189	2.19
Sparbanksstiftelsen i Kyrkslätt	787,350	393,675	1,181,025	1.77	8,660,850	1.95
Sparbanksstiftelsen i Karis-Pojo	1,176,173		1,176,173	1.77	1,176,173	0.26
Föreningen Konstsamfundet rf	1,175,000		1,175,000	1.76	1,175,000	0.26
Sparbanksstiftelsen i Ingå	28,541	1,138,588	1,167,129	1.75	22,800,301	5.13
Ab Kelonia Oy	549,417	308,662	858,079	1.29	6,722,657	1.51
Sparbanksstiftelsen i Sibbo	502,669	336,818	839,487	1.26	7,239,029	1.63
Sparbanksstiftelsen i Sjundeå	462,002	232,001	694,003	1.04	5,102,022	1.15
Aktia Sparbanksstiftelsen i Malax	361,138	177,600	538,738	0.81	3,913,138	0.88
Mutual Fund Nordea Fennia	512,000		512,000	0.77	512,000	0.12
<b>The 20 largest shareholders</b>	<b>27,090,694</b>	<b>16,537,520</b>	<b>43,628,214</b>	<b>65.51</b>	<b>357,841,094</b>	<b>80.57</b>
Other	19,616,029	3,334,568	22,950,597	34.49	86,307,389	19.43
<b>Total</b>	<b>46,706,723</b>	<b>19,872,088</b>	<b>66,578,811</b>	<b>100.00</b>	<b>444,148,483</b>	<b>100.00</b>

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Aktia

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# Outlook for 2014

Aktia is striving to grow slightly more than the market in the sectors focusing on private customers and small companies.

Aktia's Action Plan 2015 includes several individual measures and will be realised in steps with the aim of reaching the financial objectives for 2015.

Aktia's aim is to improve competitiveness and to become the Finnish champion of customer services in selected customer segments. Aktia will continue to strive for efficient and customer-friendly service, and to provide financial solutions for households, business owners, small companies and institutions.

**OUTLOOK (unchanged): Write-downs on credits are expected to be on the same level as in 2013.**

**Despite the persistent low interest rate level the Group's operating profit for 2014 is expected to reach approximately the 2013 level.**

# Group structure 1.2.2014-

# Aktia



\*of share capital Aktia Bank holds 70% of votes.

\*\*Minority shares used as incentives for key personnel



# Objectives for 2014–2015

**Aktia**

## Growth

Increase the cross-selling index by 20%  
Increase commission income by 5% p.a.

## Profitability

Expenses -5 % p.a.

## Capital adequacy

Tier 1 capital ratio at least 13 % over an economic cycle (post-IRBA)

## Dividend pay-out

Dividend pay-out 40–60% of profit after taxes

## Best customer service in Finland

Increased customer proximity and further improved customer service

# Outcome 1-3/2014 and 1-3/2013

Aktia

	1-3/2014	1-3/2013	Change, %	New objectives for 2015
Commission income	20.8	19.0	+10%	+5% p.a.
<b>Expenses</b>				
Staff costs	17.5	19.2	-9%	-5% p.a.
IT costs	6.6	5.9	+12%	
Other	12.0	12.4	-3%	

# Balance sheet, assets

Aktia

(EUR million)	31.3.2014	31.12.2013	Δ	31.3.2013
<b>Assets</b>				
Cash and balances with central banks	228.3	414.3	-45 %	295.1
Financial assets reported at fair value via the income statement	0.1	0.1	-1 %	0.0
Interest-bearing securities	2,264.9	2,157.0	5 %	2,158.2
Shares and participations	86.4	99.5	-13 %	98.8
Financial assets available for sale	2,351.3	2,256.5	4 %	2,257.0
Financial assets held until maturity	497.4	499.3	0 %	362.5
Derivative instruments	209.6	197.6	6 %	270.8
Lending to Bank of Finland and credit institutions	188.0	95.1	98 %	129.0
Lending to the public and public sector entities	6,693.0	6,802.2	-2 %	7,132.6
Loans and other receivables	6,881.0	6,897.3	0 %	7,261.6
Investments for unit-linked provisions	476.9	465.9	2 %	401.1
Investments in associated companies	20.5	19.3	6 %	21.2
Intangible assets	24.0	20.3	18 %	14.5
Investment properties	61.1	60.4	1 %	28.3
Other tangible assets	6.6	6.6	0 %	5.4
Accrued income and advance payments	67.4	66.2	2 %	70.8
Other assets	10.4	8.8	18 %	124.9
Total other assets	77.8	75.0	4 %	195.7
Income tax receivables	4.6	3.7	25 %	0.9
Deferred tax receivables	15.4	16.2	-5 %	22.3
Tax receivables	20.0	19.9	1 %	23.1
Assets classified as held for sale	1.2	1.2	0 %	1.4
<b>Total assets</b>	<b>10,855.7</b>	<b>10,933.8</b>	<b>-1 %</b>	<b>11,137.7</b>

# Balance sheet, liabilities

Aktia

(EUR million)	31.3.2014	31.12.2013	Δ	31.3.2013
<b>Liabilities</b>				
Liabilities to credit institutions	998.5	1,095.5	-9 %	983.5
Liabilities to the public and public sector entities	3,861.1	3,797.5	2 %	3,631.8
Deposits	4,859.5	4,893.0	-1 %	4,615.2
Derivative instruments	123.7	128.6	-4 %	161.6
Debt securities issued	3,522.0	3,657.9	-4 %	3,888.1
Subordinated liabilities	227.7	232.2	-2 %	274.2
Other liabilities to credit institutions	123.5	123.5	0 %	250.8
Other liabilities to the public and public sector entities	87.3	92.4	-5 %	128.7
Other financial liabilities	3,960.6	4,106.0	-4 %	4,541.8
Technical provisions for interest-related insurances	502.0	503.5	0 %	517.0
Technical provisions for unit-linked insurances	474.3	461.9	3 %	400.5
Technical provisions	976.4	965.4	1 %	917.4
Accrued expenses and income received in advance	105.7	96.5	10 %	100.5
Other liabilities	135.9	40.5	235 %	39.8
Total other liabilities	241.6	137.0	76 %	140.4
Provisions	5.7	6.4	-10 %	6.9
Income tax liabilities	1.6	5.2	-69 %	24.1
Deferred tax liabilities	53.1	50.4	5 %	64.8
Tax liabilities	54.7	55.6	-2 %	88.9
Liabilities for assets classified as held for sale	0.2	0.2	-1 %	0.2
<b>Total liabilities</b>	<b>10,222.4</b>	<b>10,292.1</b>	<b>-1 %</b>	<b>10,472.4</b>
<b>Equity</b>				
Restricted equity	251.5	244.5	3 %	212.9
Unrestricted equity	317.5	332.7	-5 %	387.4
Shareholders' share of equity	569.0	577.1	-1 %	600.2
Non-controlling interest's share of equity	64.3	64.6	0 %	65.1
<b>Equity</b>	<b>633.3</b>	<b>641.7</b>	<b>-1 %</b>	<b>665.4</b>
<b>Total liabilities and equity</b>	<b>10,855.7</b>	<b>10,933.8</b>	<b>-1 %</b>	<b>11,137.7</b>

Aktia

Aktia

We see a person in every customer.

