



**17.11.2015**

## **Interim report 1-9/2015**

## **7-9/2015: Stable development**

- **Operating profit was EUR 16.4 (17.3) million.**
- **Net commission income was up 12% and NII decreased by 9% to EUR 23.8 (26.1) million.**
- **Operating expenses decreased by 1% to EUR 32.4 (32.8) million.**
- **Write-downs on credits and other commitments stood at EUR -0.5 (-0.5) million.**
- **Profit amounted to EUR 13.4 (13.6) million. Earnings per share (EPS) was EUR 0.20 (0.19).**

## 1-9/2015: Net commission income up

- Operating profit was EUR 53.1 (55.8) million.
- Net commission income was up 9% while NII decreased by 5% to EUR 73.6 (77.5) million.
- Operating expenses decreased by 1% to EUR 103.9 (105.2) million.
- Write-downs on credits and other commitments decreased to EUR -0.1 (-1.7) million.
- Profit amounted to EUR 42.9 (44.7) million. Earnings per share (EPS) was EUR 0.65 (0.65).
- CET1 increased to 20.5 (14.6)%
- **Outlook for 2015 (changed):** Aktia's operating profit for 2015 is expected to be EUR 62-65 million.

# Major events 1-9/2015

## Acquisition of minority shares in Aktia Real Estate Mortgage Bank

- The balance sheet of Aktia Real Estate Mortgage Bank decreases in 2016, acquisition and merger in 2017
- The Group's equity will decrease by approximately EUR 65 million, but this will have no effect on the equity share of Aktia's shareholders (equity → liabilities). (4Q)
- Positive impact on ROE approx. +0.5% points (4Q)
- Temporary negative impact on CET1 -2 % points (3Q)

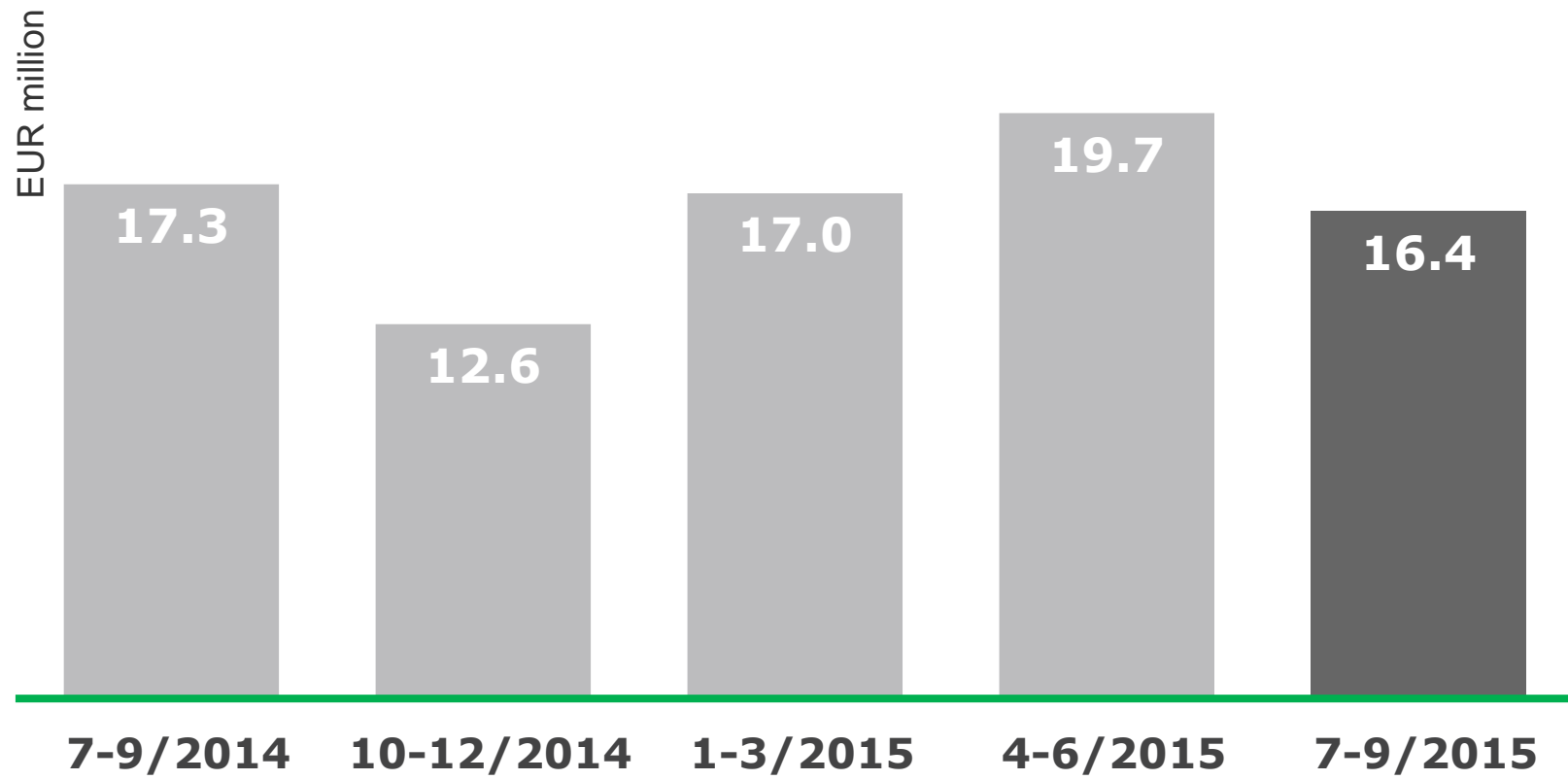
## Core banking system

- Testing of the new core banking system continues, and the implementation is expected to be during 2H 2016 (previously; 1Q 2016 at the earliest).
- Due to the delay in implementation the investment cost is estimated to exceed EUR 55 million (previously: exceed EUR 40 million).
- The savings in annual IT costs are still expected to amount to EUR 5 million and materialise in 2017.

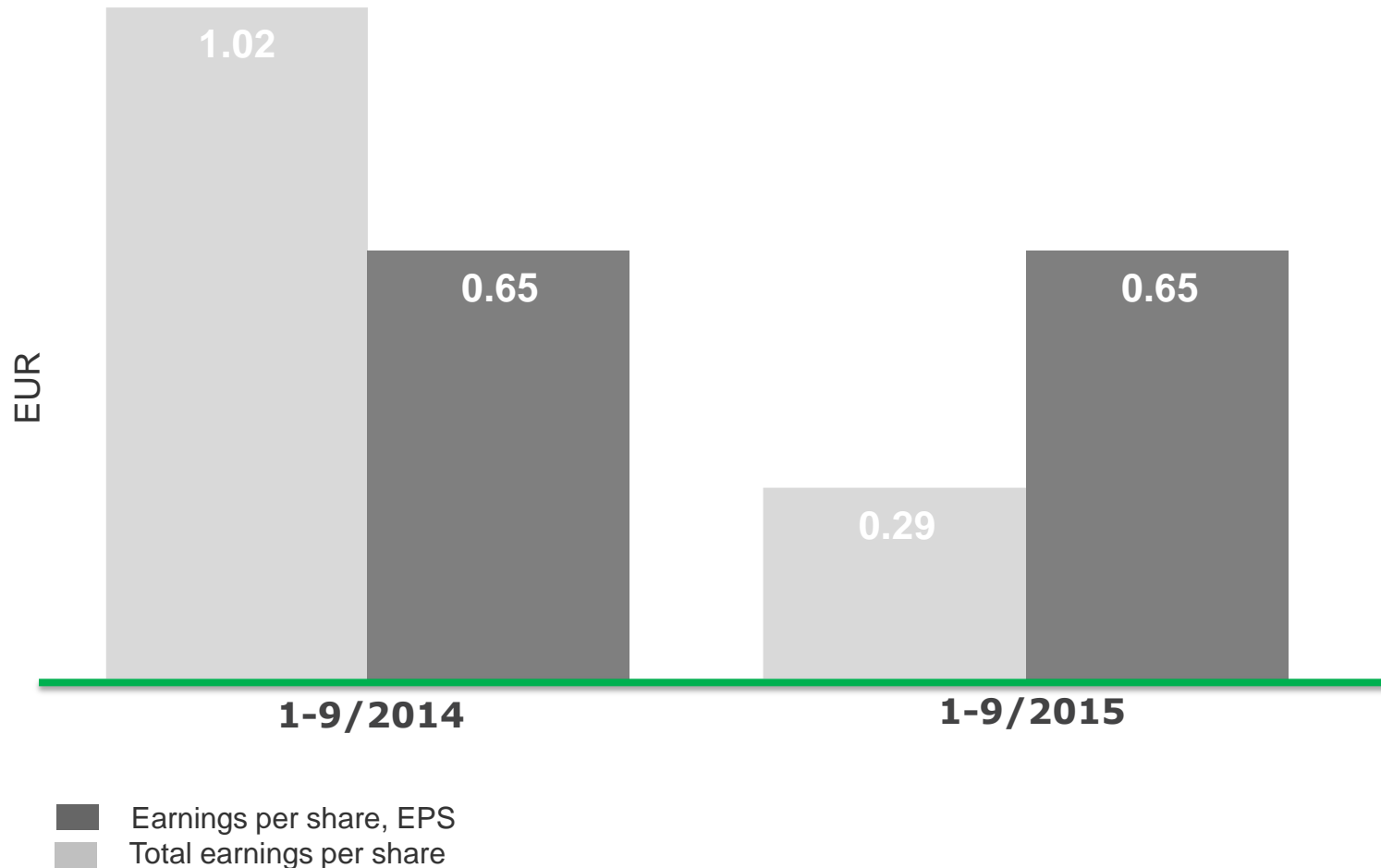
# Interim report 1 January – 30 September 2015

1	FINANCIAL PERFORMANCE
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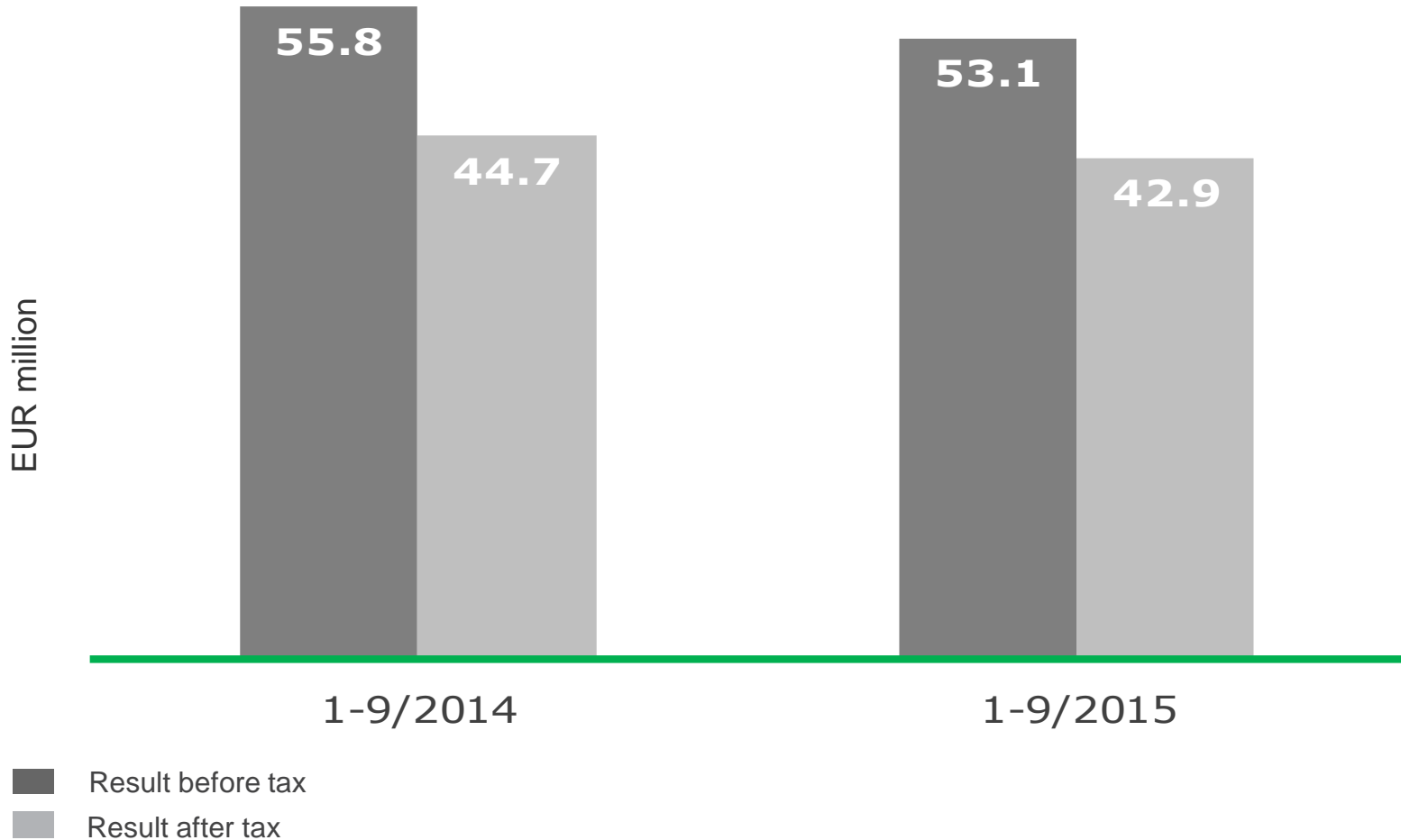
# Operating profit for the quarter



# Earnings per share 1-9/2015

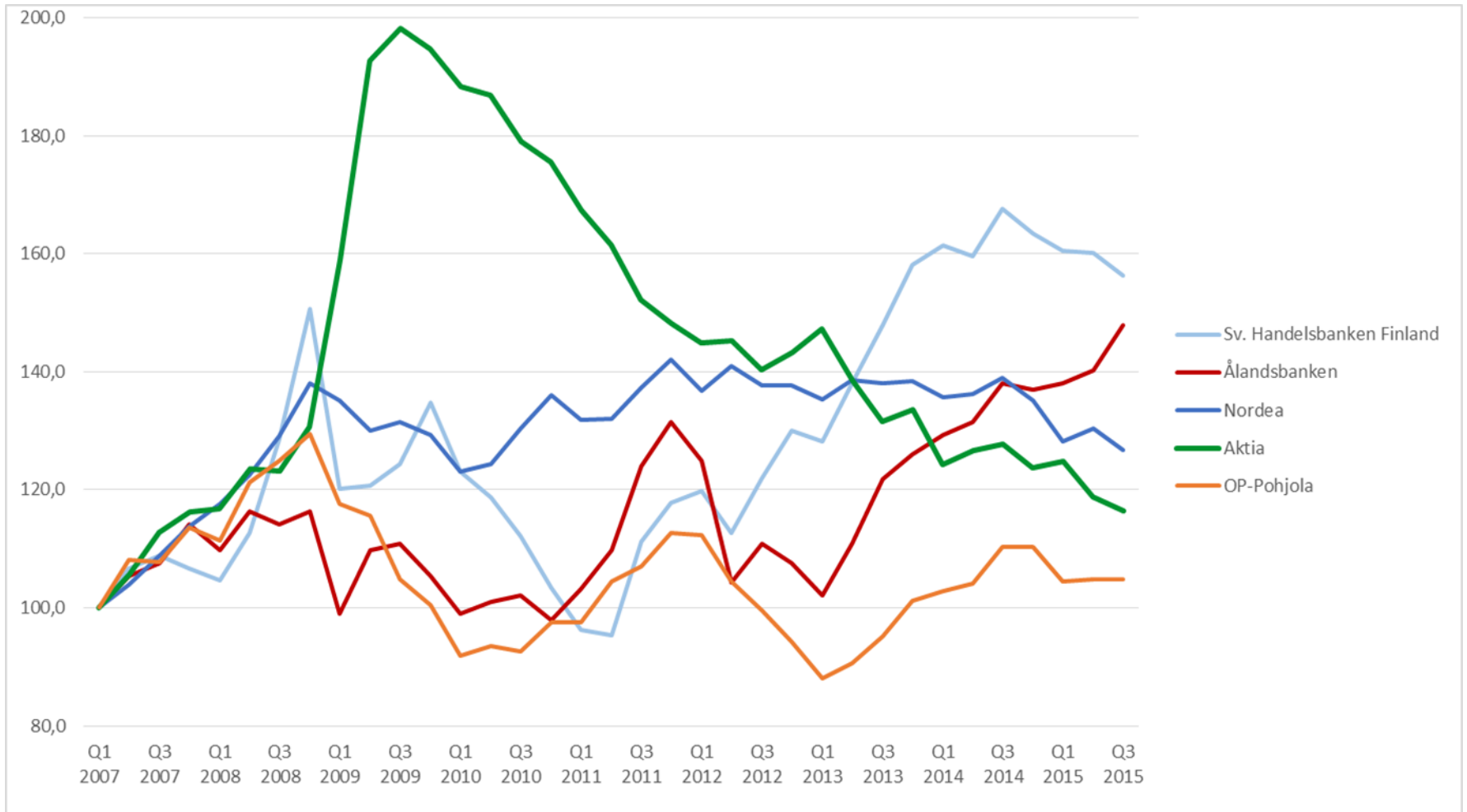


# Result before and after tax





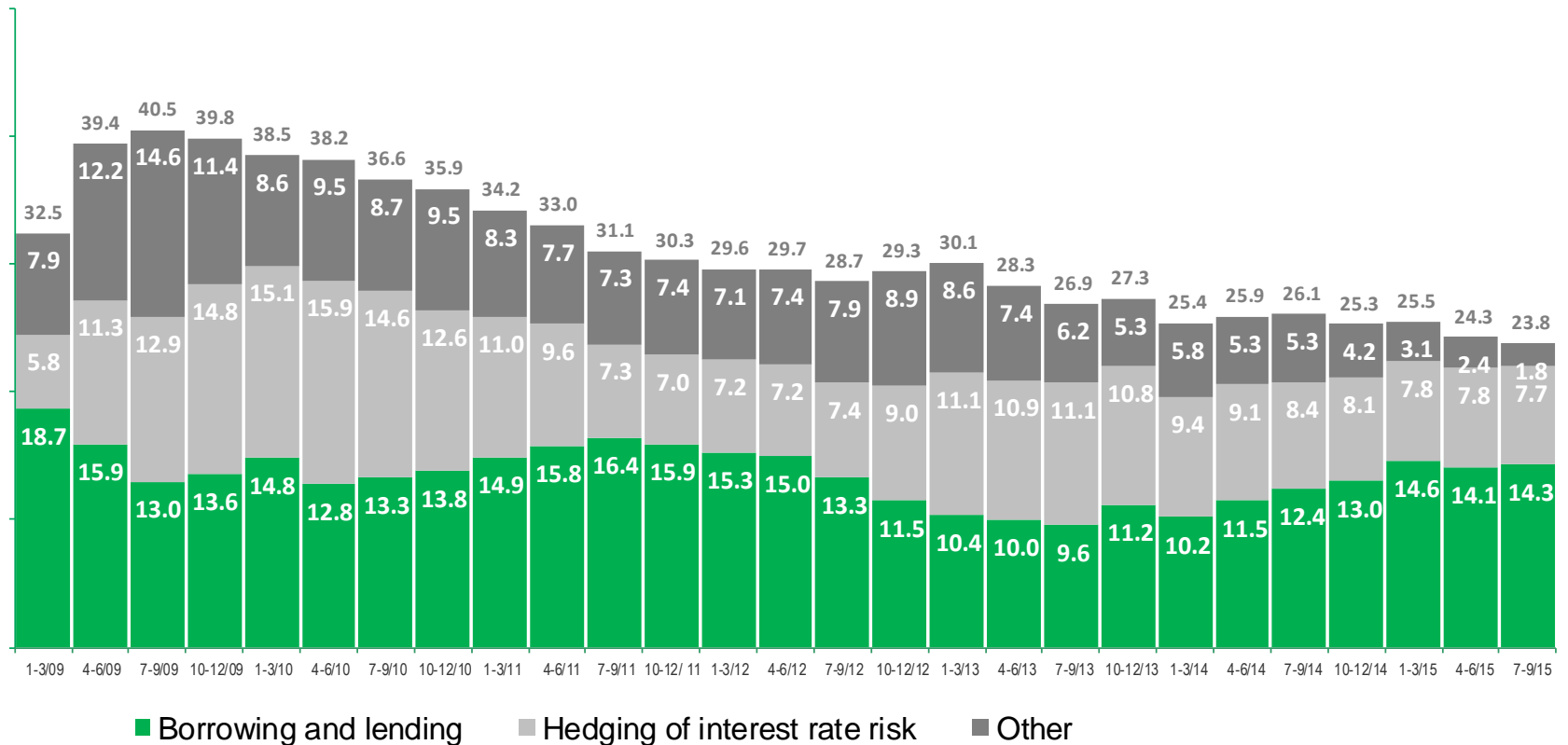
# Net interest income (1/2007 = 100) Finnish Banks



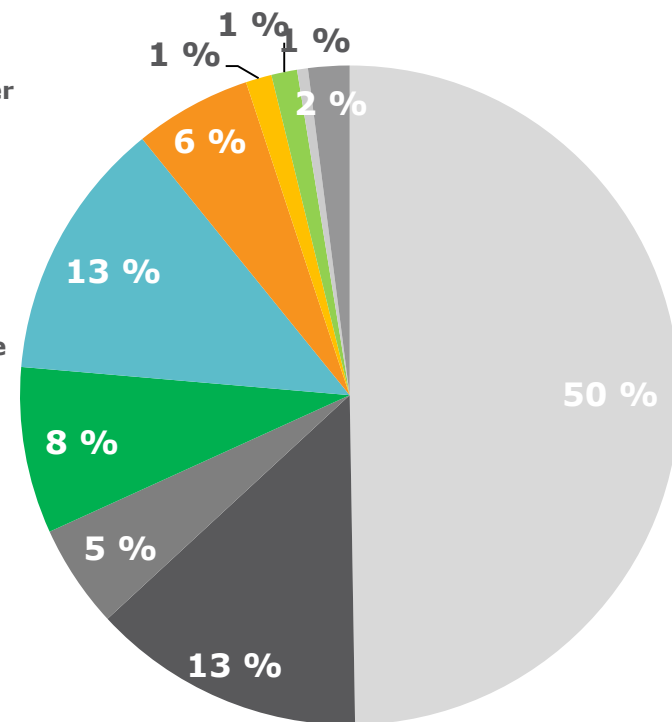
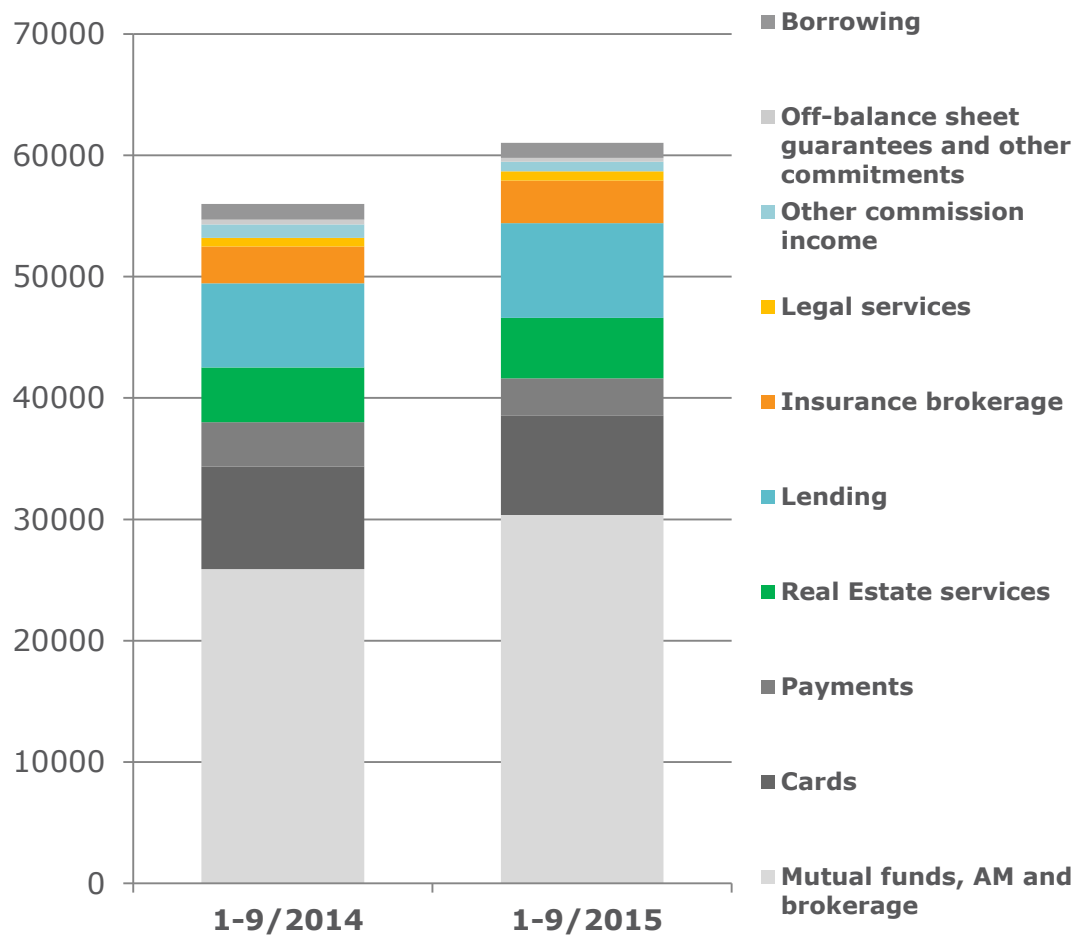
\*3Q/2015 not yet published

# Net interest income (NII)

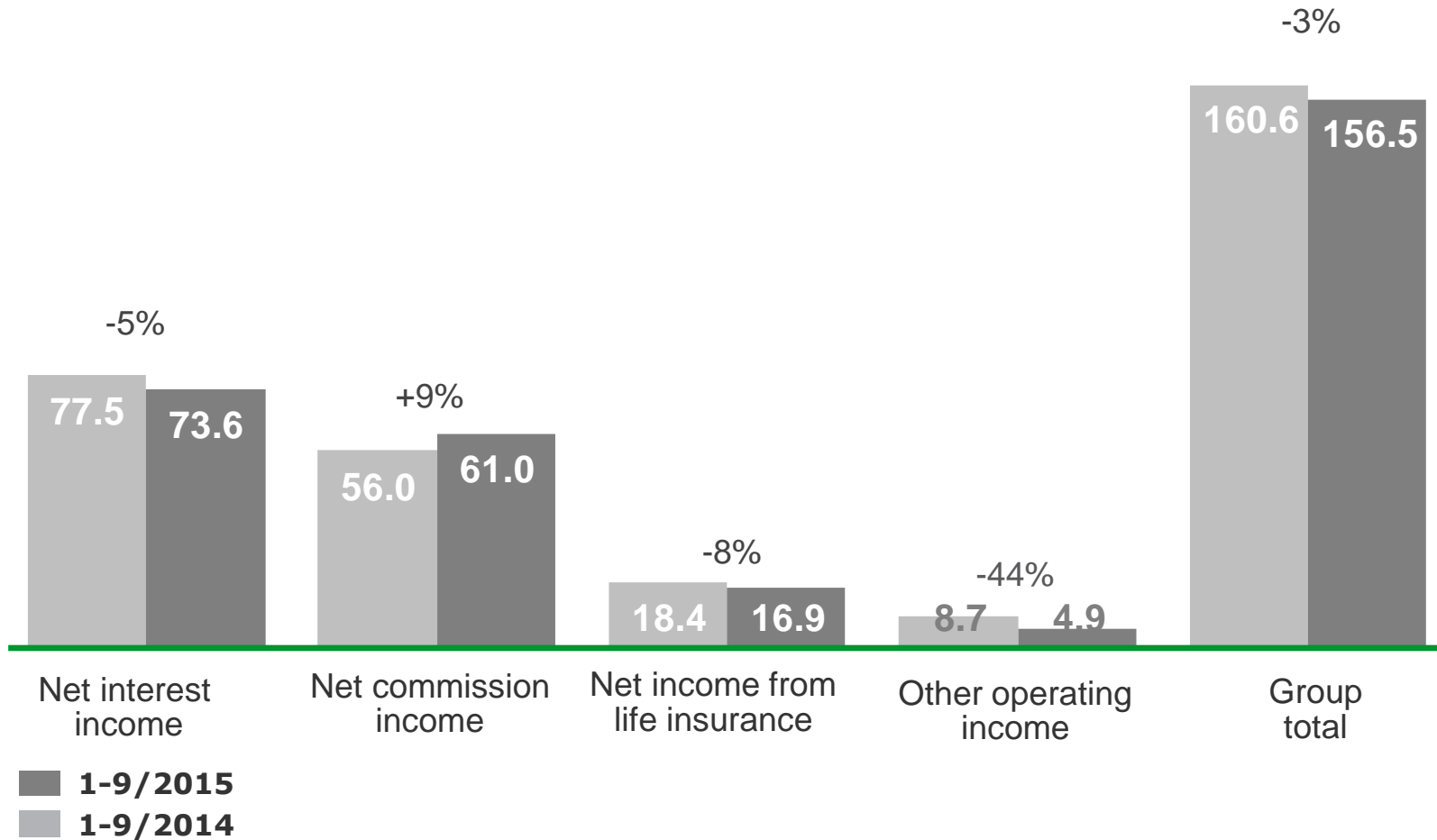
EUR million



# Commission income up 9%

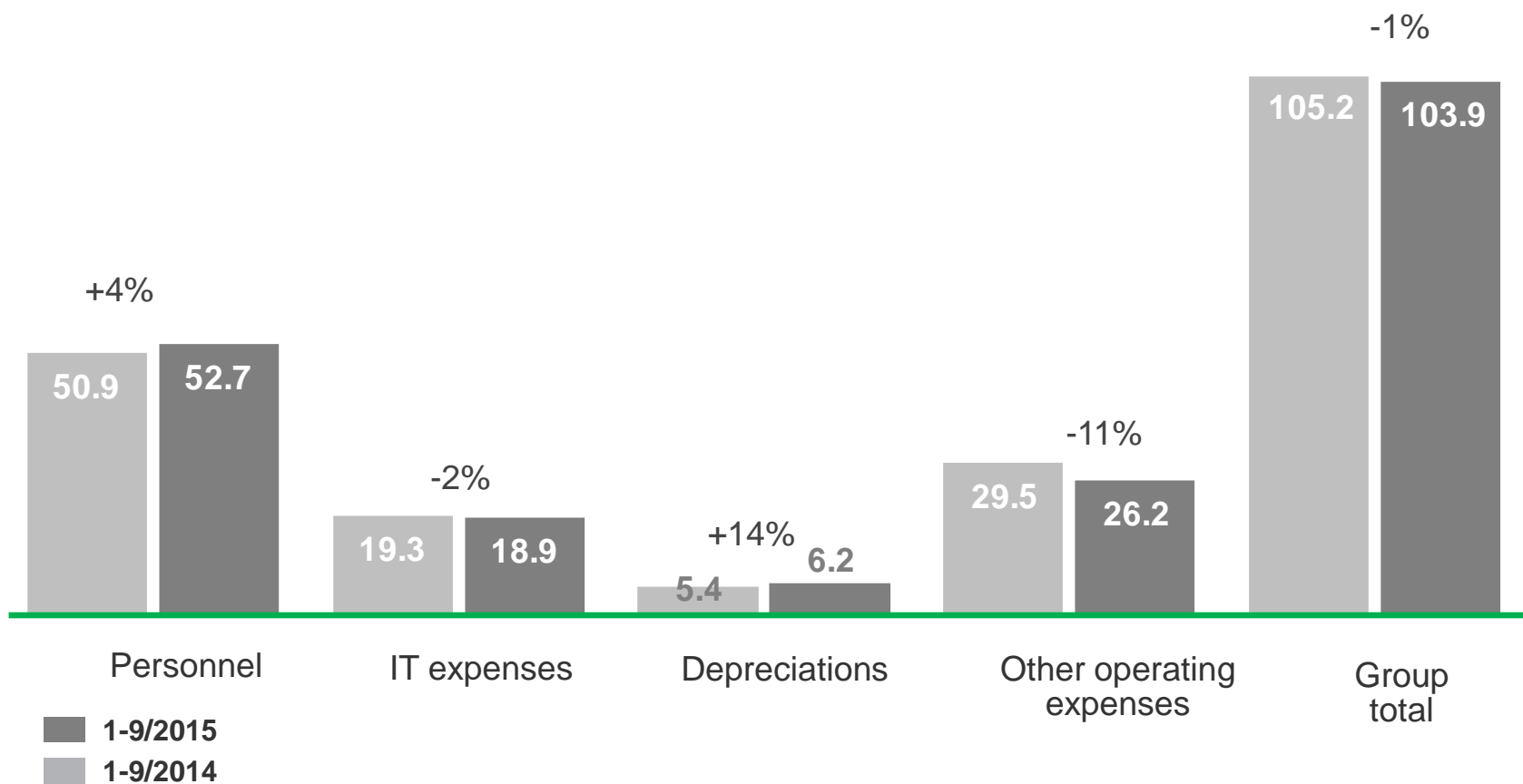


# Income (EUR million)

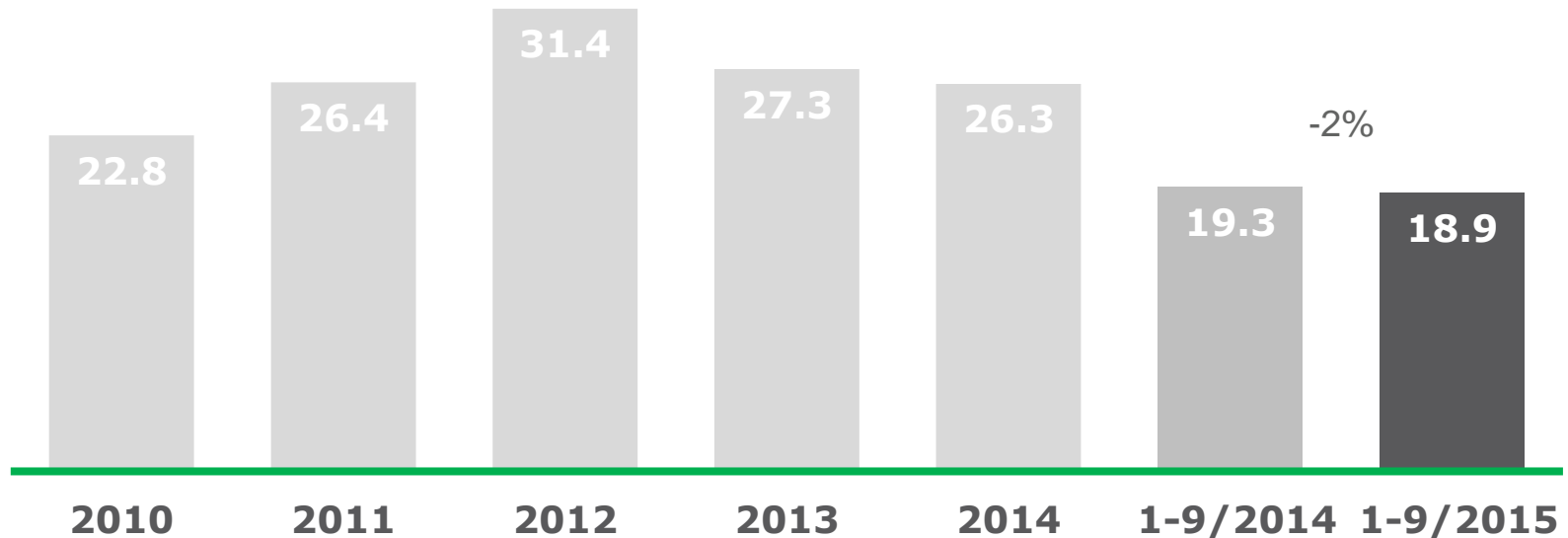


# Expenses unchanged

(EUR million)



## IT expenses (EUR million)



- In 2012 a larger one-off cost/provision for change of IT provider
- During 1-9/2015 a provision utilised against IT expenses of EUR 1.6 million (reservation 30 Sept 2015; EUR 2.0 million)
- As of Q2 2014 somewhat lower running costs from IT provider Samlink

### Core banking project:

- Cumulative investment as per 30 September 2015; EUR 35.8 million
- Impact on result through depreciations from implementation 2016 →

# Action Plan 2015

Renewal of core banking system

Termination of services as central credit institution 2015

Renewal of card operations

Implementation of One Net

IRBA

Measures to enhance effectiveness

Simplification of Group structure

Aktia Bank was granted mortgage bank concession

Aktia REMB to merge with Aktia Bank

What's left?

- ***Core Banking Project completed***
- ***Enhancing effectiveness***

**Aktia**

# Growth 2018

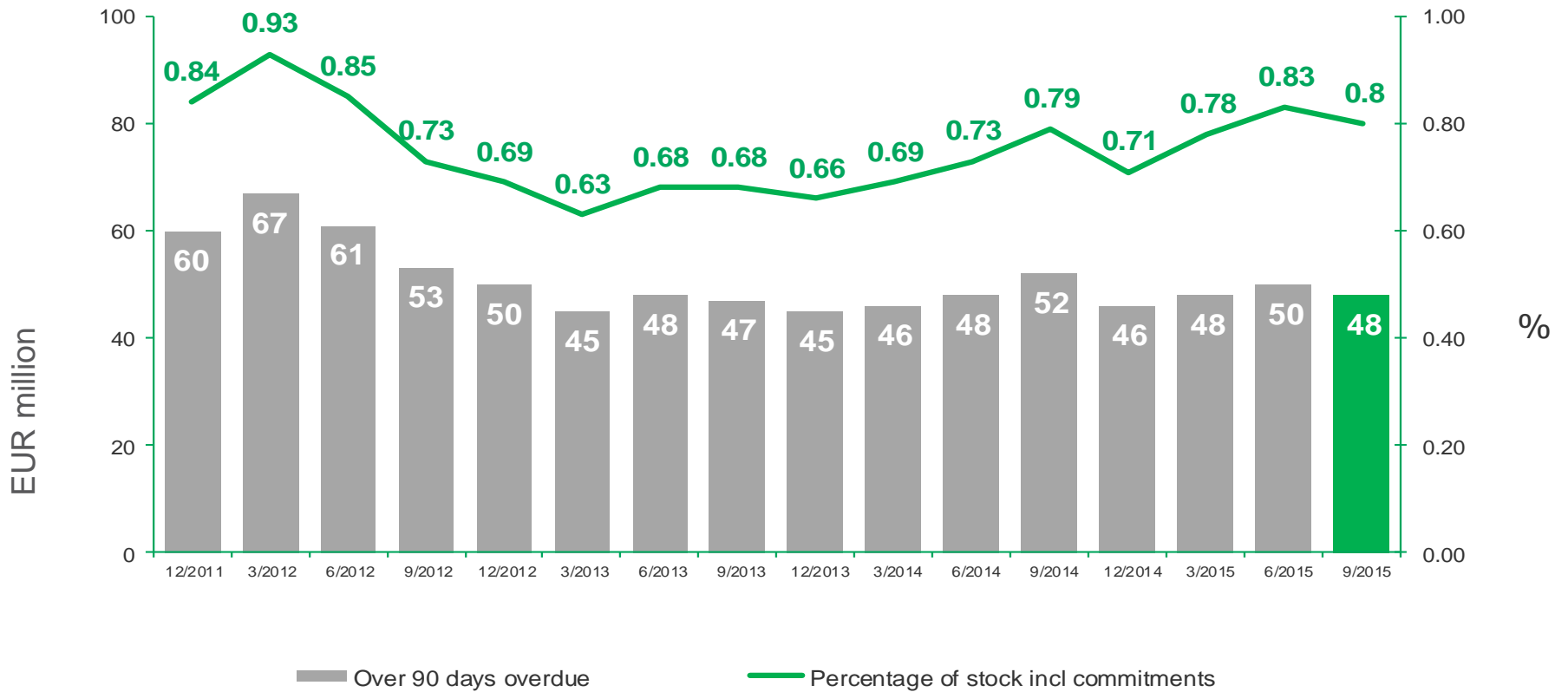
- ➔ Double the number of new customers
- ➔ Develop and increase range of services for SMEs
- ➔ Offer institutional customers long-term, comprehensive solutions



## Cost-Income ratio in Banking business



# Non-performing loans more than 90 days overdue



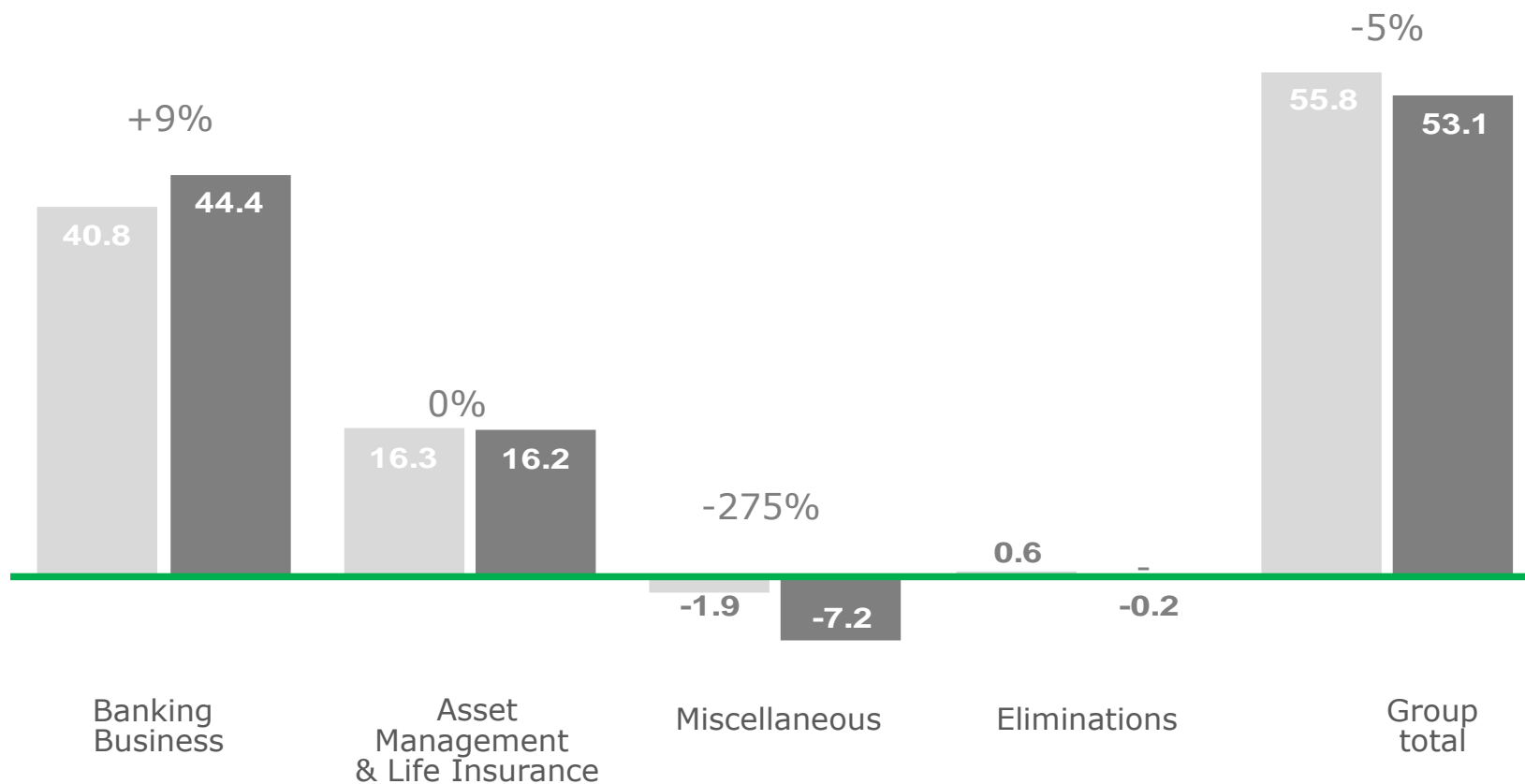
## Non-performing loans by days overdue

Days	30.9.2015	% of loan book	31.12.2014	% of loan book
<b>3-30</b>	<b>78</b>	<b>1.31</b>	<b>101</b>	<b>1.57</b>
of which households	73	1.23	94	1.46
<b>31-89</b>	<b>34</b>	<b>0.56</b>	<b>41</b>	<b>0.63</b>
of which households	28	0.47	34	0.53
<b>90-</b>	<b>48</b>	<b>0.80</b>	<b>46</b>	<b>0.71</b>
of which households	38	0.64	36	0.56

## Write-downs on credits and other commitments

- Total write-downs on credits and other commitments stood at EUR -0.1 (-1.7) million.
- Of these write-downs, EUR -0.6 (-1.9) million could be attributed to households and EUR 0.5 (0.2) to companies.

# The segments' contribution to the operating profit



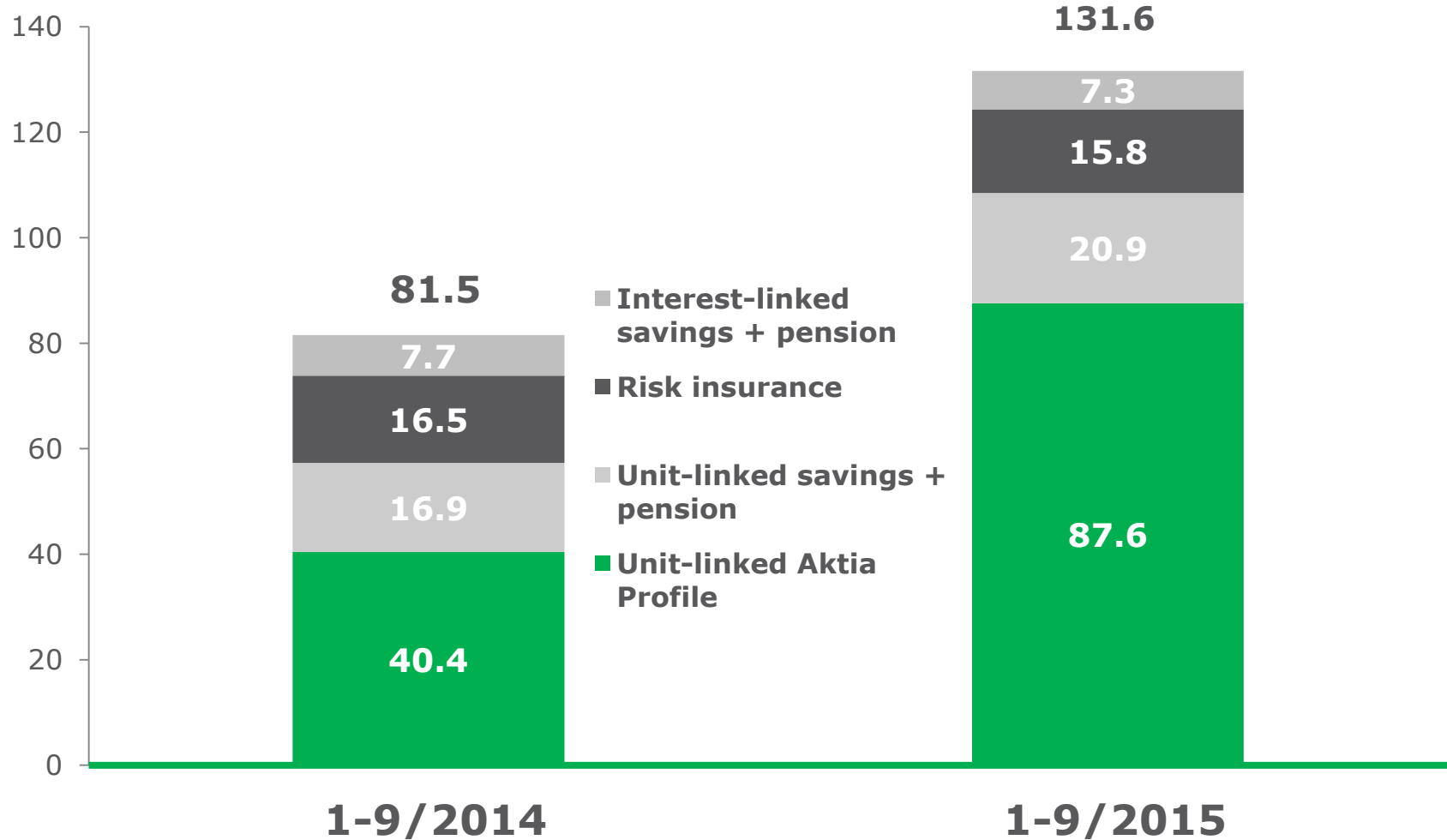
■ 1-9/2015  
 ■ 1-9/2014

## Asset Management & Life Insurance Assets under Management

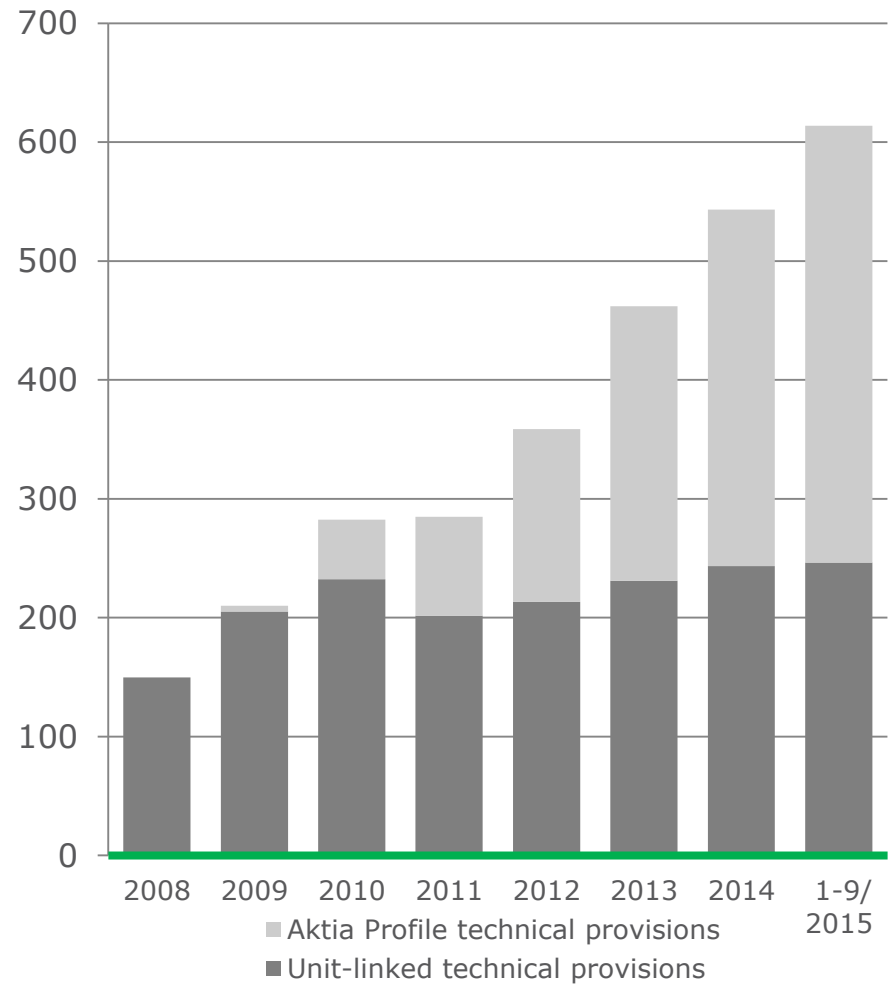
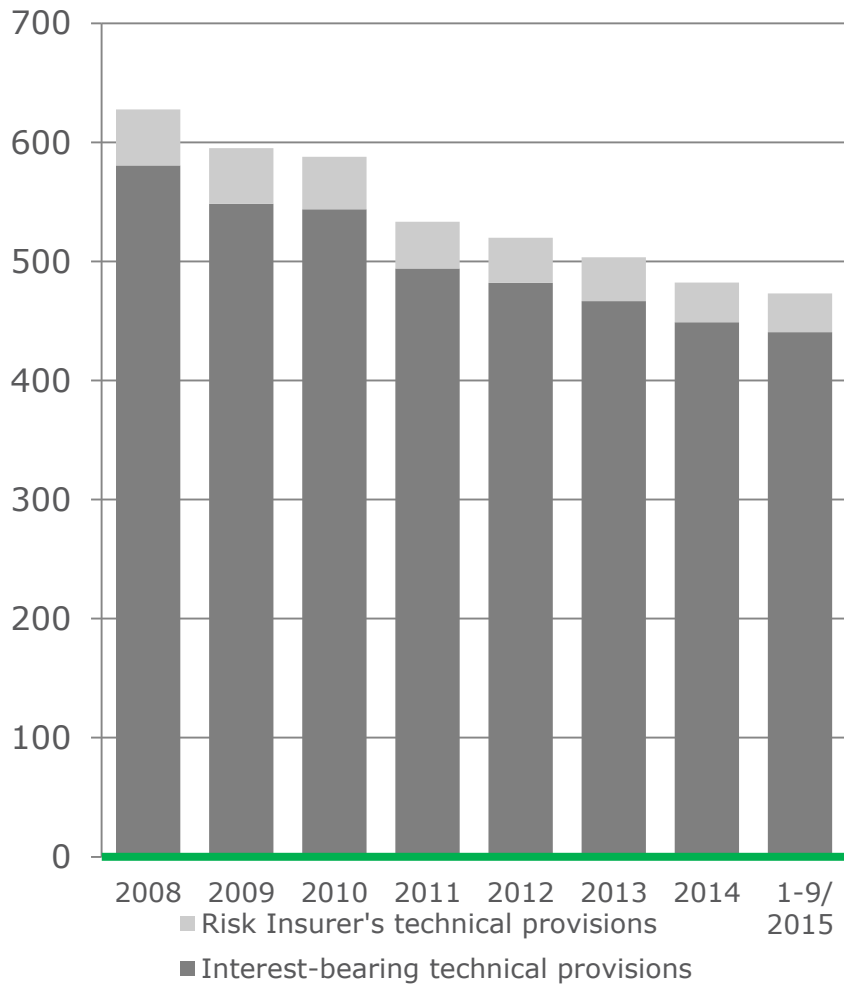
(EUR million)	30.9.2015	31.12.2014	Change %
Aktia Fund Management	3,673	3,450	6%
Aktia Asset Management	5,778	5,677	2%
Aktia Life Insurance	616	545	13%
Eliminations	-4,520	-4,147	9%
<b>Total</b>	<b>5,546</b>	<b>5,525</b>	<b>0%</b>

# Life Insurance, premiums written

EUR million

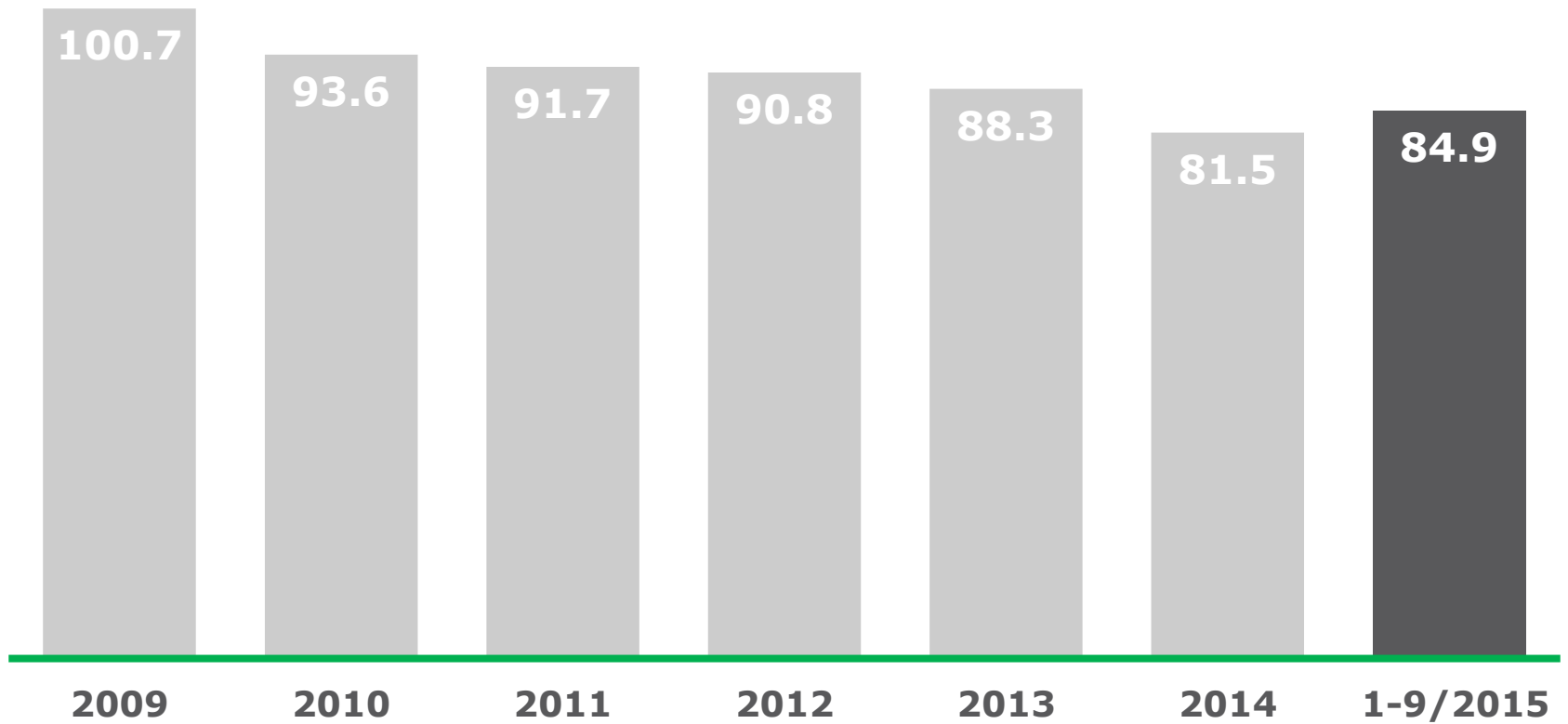


# Interest-linked insurance decreased, unit-linked increased (EUR million)





# Expense ratio for life insurance, %

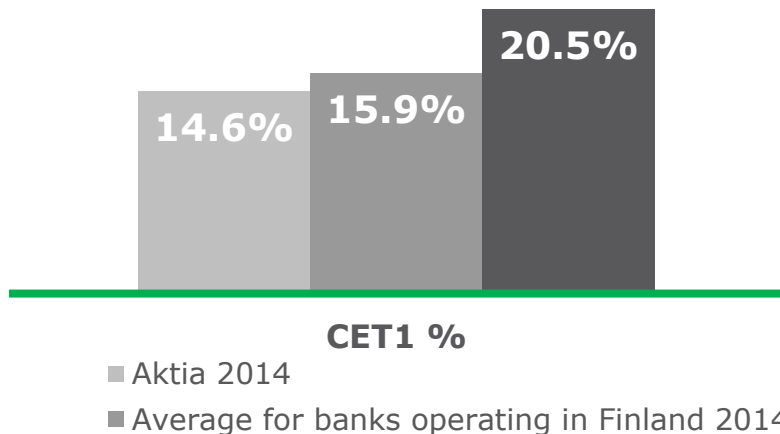


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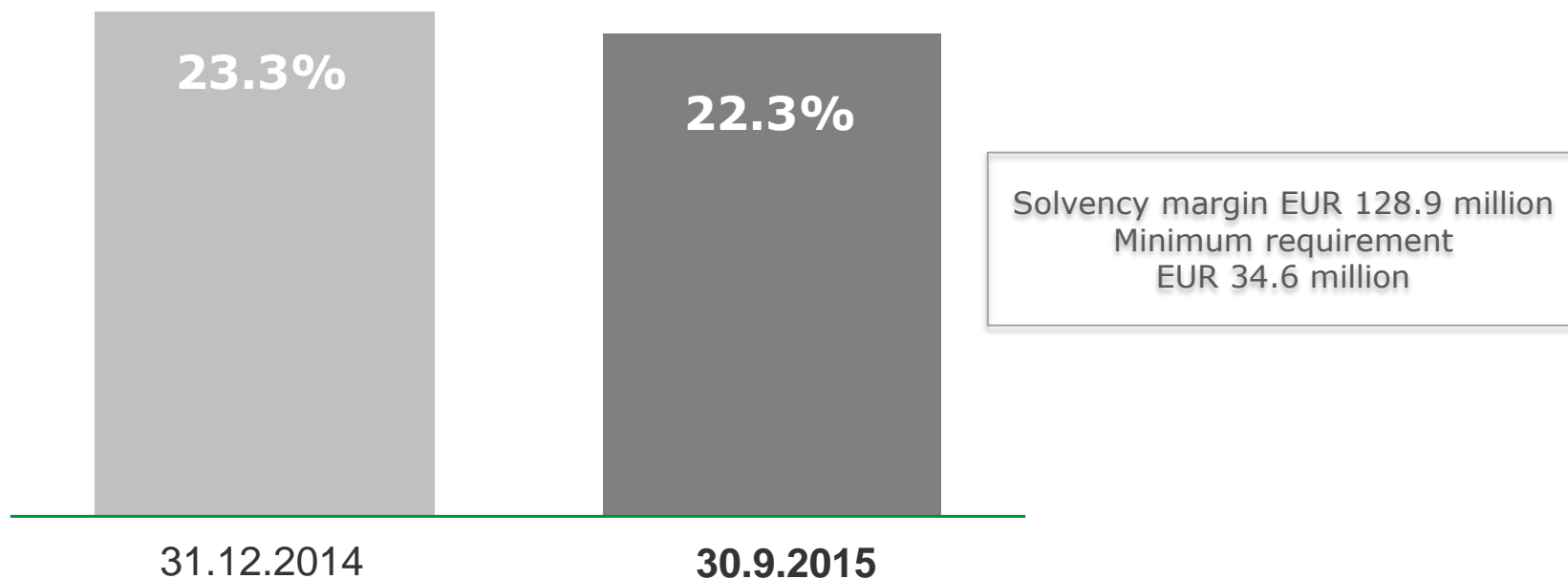
# Capital adequacy

- 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
- The average risk weight for retail exposures with real-estate collateral is now 15% (35%).
- A total of 58% of the Bank Group's exposures are now calculated according to the IRB approach.
- The CET1% is temporarily lower due to Aktia REMB solution



	30.9.15 IRBA	30.6.15 IRBA	31.12.14 STD
<b>Common Equity Tier 1 %</b>	<b>20.5</b>	<b>22.4</b>	<b>14.6</b>
<b>Tier 1 capital ratio %</b>	<b>20.5</b>	<b>22.5</b>	<b>14.6</b>
<b>Capital Adequacy %</b>	<b>25.8</b>	<b>27.7</b>	<b>19.1</b>

# Life insurance Solvency ratio



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# Balance sheet 30 September 2015

**The Group's balance sheet** total amounted to EUR 9,938 (10,707) million.

**Borrowing** amounted to EUR 3,920 (3,979) million.

**Lending** to the public amounted to EUR 5,934 (6,416) million of which Aktia's lending to EUR 4,404 (4,357) million.

**Loans to private households** amounted to EUR 5,239 million or 88.3% of the credit stock.

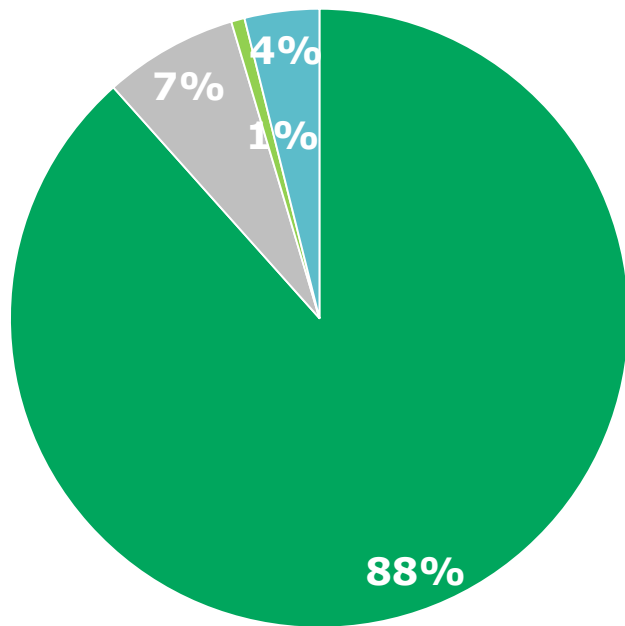
**The housing loan stock** amounted to EUR 4,786 (5,229) million. Aktia's new lending to households increased by 24% to EUR 454 (366) million.

**Corporate lending** stabilised and amounted to EUR 426 (420) million, corresponding to 7.0% of the credit stock.

# Credit and deposit stocks 30 September 2015

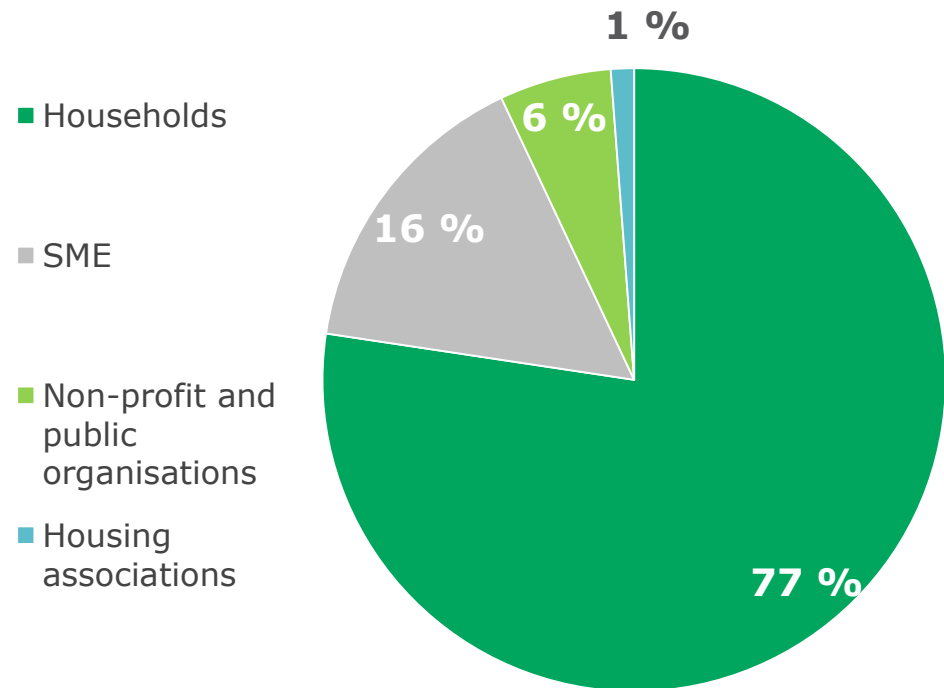
## Credits

EUR 5,934 (6,416) million



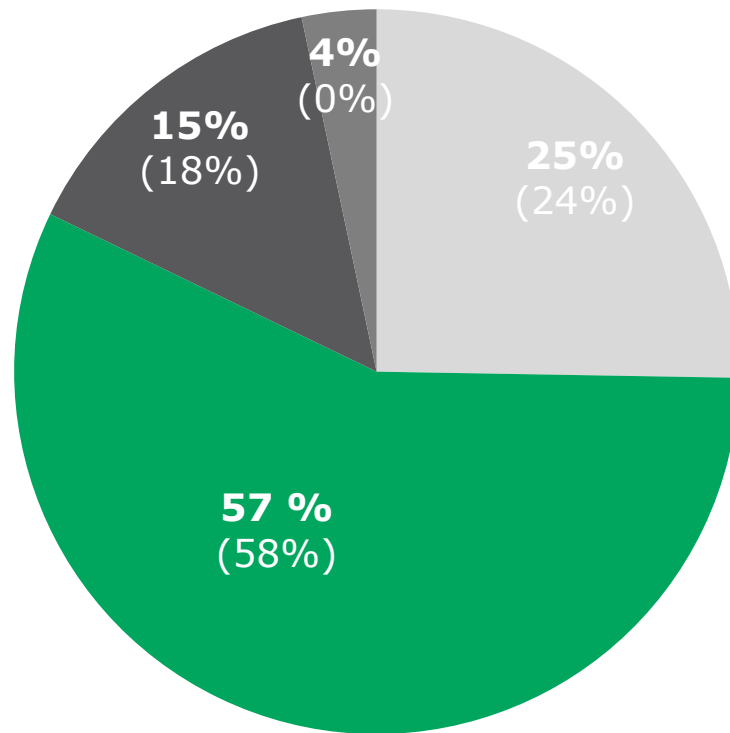
## Deposits

EUR 3,920 (3,979) million



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

**EUR 2,409 million**  
(31.12.2014; 2 512 million)



**30.9.2015**

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

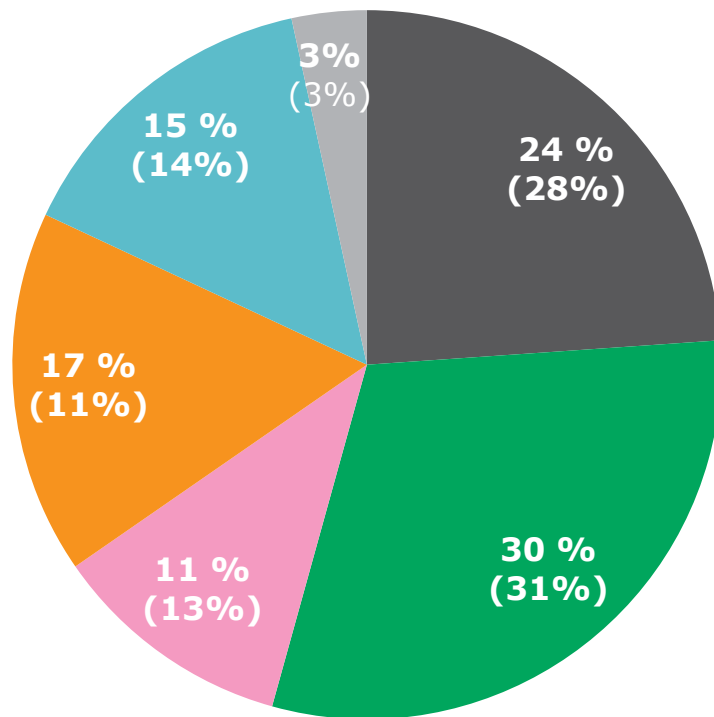
**Aktia meets future LCR demands  
(30.9.2015; 221%)**



# Continued convergence towards Solvency II Life Insurance Company

**EUR 615 million**  
(31.12.2014; EUR 630 million)

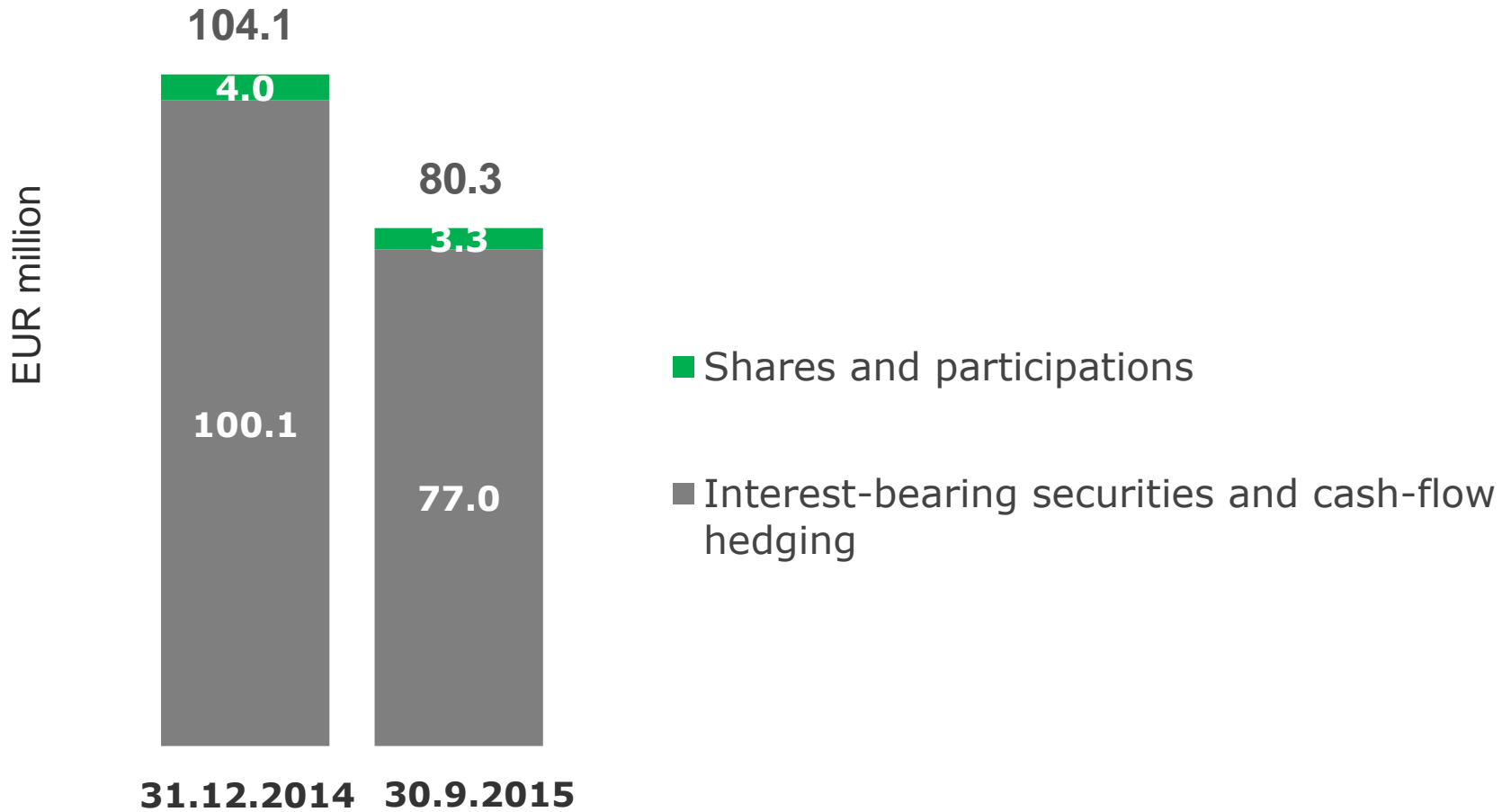
**Return on investments 0.7 (6.6)%**  
**Duration 4.9 (5.5) years**



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

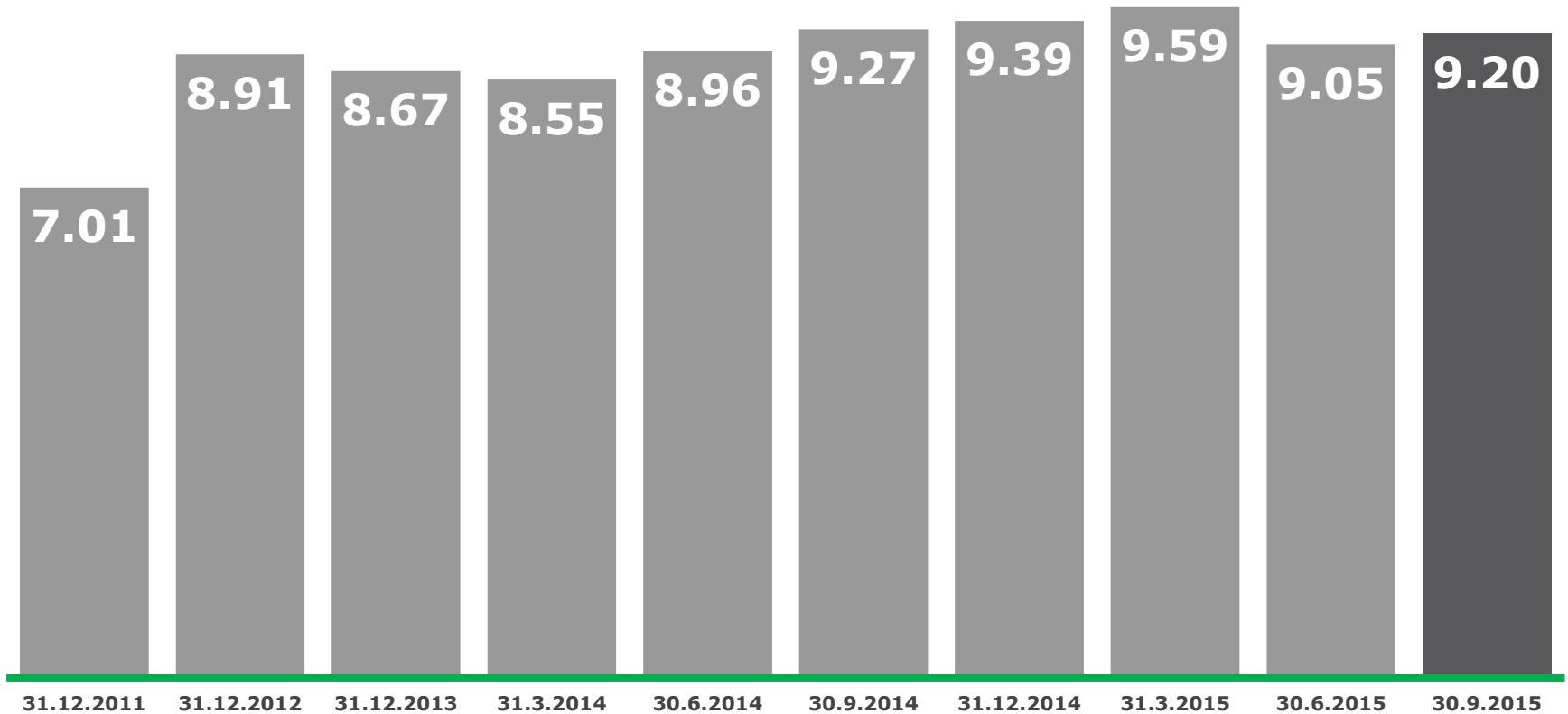
**30.9.2015**

# Fund at fair value



# Equity per share (NAV)

EUR/share



# Share capital and ownership

## 31 October 2015

The 20 largest shareholders	Series A shares	Series R shares	Shares total	Shares %	Votes, %
Stiftelsen Tre Smeder	1 971 925	4 606 804	6 578 729	9.88	21.19
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 (Sampo Plc, Mandatum Life)	4 051 857		4 051 857	6.09	0.91
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
Nordea (Fennia fund, Nordea Life Ins., Nordea Bank Finland)	1 413 209	0	1 413 209	2.12	0.32
Aktia foundation Espoo-Kauniainen		1 338 708	1 338 708	2.01	6.03
Savings Bank foundation in Kirkkonummi	844 206	453 392	1 297 598	1.95	2.23
Aktia foundation in Vantaa	28 541	1 222 000	1 250 541	1.88	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
Savings Bank foundation in Inkoo	412 669	349 349	762 018	1.14	1.67
Savings Bank foundation in Sipoo	464 254	233 214	697 468	1.05	1.15
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>27,584,918</b>	<b>16,279,584</b>	<b>43,864,502</b>	<b>65.87</b>	<b>79.51</b>
Other	19,121,805	3,592,504	22,714,309	34.13	20.49
<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>

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## Outlook for 2015 (changed)

The persistent low interest environment has a negative effect on Aktia's NII. The fourth quarter will likely be strained by one-off costs from the finalising phase of the Action Plan 2015.

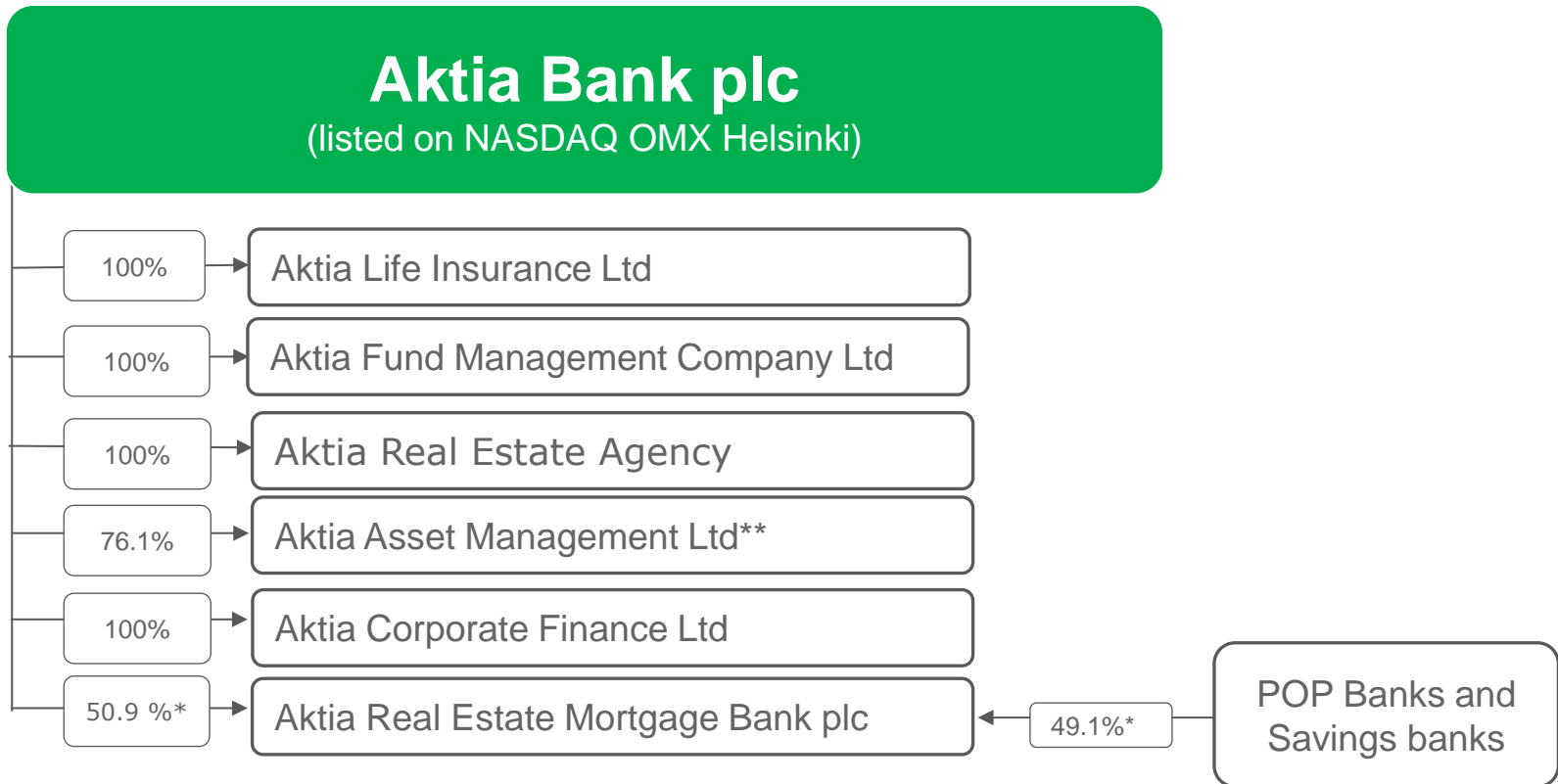
**During 2015, write-downs on credits are expected to be lower than during 2014.**

(Previously; write-downs on credits are expected to be on the same level as in 2014)

**OUTLOOK (changed): Aktia's operating profit for 2015 is expected to EUR 62-65 million.**

(Previously; reach a similar level as in 2014).

# Group structure



\*Aktia to acquire minority shares 49.1% in Aktia REMB after the final accounts 2016 and merge the entity into Aktia Bank

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

# 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

	1-9/2015	1-9/2014	Change	2014	Objectives for 2018
C/I ratio	0.66	0.68	-3%	0.71	-10%
ROE %	8.4	9.0	-7%	8.3	≥9 % p.a.
CET1 %	20.5	14.2	+6 % units	14.6	≥ 15%

# Balance sheet, assets

(EUR million)	30.9.2015	31.12.2014	Δ	30.9.2014
<b>Assets</b>				
Cash and balances with central banks	116.3	395.9	-71 %	374.0
Interest-bearing securities	2,192.0	2,290.0	-4 %	2,409.9
Shares and participations	102.0	85.4	19 %	81.7
Financial assets available for sale	2,294.0	2,375.4	-3 %	2,491.5
Financial assets held until maturity	483.4	488.5	-1 %	490.2
Derivative instruments	175.8	231.3	-24 %	228.8
Lending to Bank of Finland and other credit institutions	40.7	45.8	-11 %	117.1
Lending to the public and public sector entities	5,934.4	6,416.0	-8 %	6,504.9
Loans and other receivables	5,975.1	6,461.8	-8 %	6,622.0
Investments for unit-linked insurances	616.4	545.3	13 %	513.9
Investments in associated companies	0.0	23.6	-100 %	23.2
Intangible assets	46.9	36.3	29 %	31.0
Investment properties	62.0	57.1	9 %	60.4
Other tangible assets	8.2	8.2	0 %	7.3
Accrued income and advance payments	57.6	57.2	1 %	68.7
Other assets	87.1	8.6	908 %	23.0
Total other assets	144.7	65.9	120 %	91.7
Income tax receivables	4.8	3.4	40 %	6.2
Deferred tax receivables	10.5	13.0	-19 %	13.9
Tax receivables	15.3	16.4	-7 %	20.1
Assets classified as held for sale	0.0	1.1	-100 %	1.2
<b>Total assets</b>	<b>9,938.2</b>	<b>10,706.7</b>	<b>-7 %</b>	<b>10,955.2</b>

# Balance sheet, liabilities

(EUR million)	30.9.2015	31.12.2014	Δ	30.9.2014
<b>Liabilities</b>				
Liabilities to Bank of Finland and credit institutions	560.8	776.6	-28 %	954.8
Liabilities to the public and public sector entities	3,920.0	3,979.2	-1 %	3,991.0
Deposits	4,480.8	4,755.7	-6 %	4,945.7
Derivative instruments	94.5	113.2	-17 %	120.9
Debt securities issued	3,007.6	3,534.5	-15 %	3,555.9
Subordinated liabilities	218.8	222.5	-2 %	215.7
Other liabilities to credit institutions	91.8	99.8	-8 %	136.4
Liabilities to the public and public sector entities	79.1	73.9	7 %	80.5
Other financial liabilities	3,397.3	3,930.7	-14 %	3,988.5
Technical provisions for risk insurances and interest-related insurance	473.2	482.3	-2 %	491.4
Technical provisions for unit-linked insurances	613.8	543.1	13 %	512.7
Technical provisions	1,086.9	1,025.4	6 %	1,004.1
Accrued expenses and income received in advance	67.6	78.1	-14 %	91.7
Other liabilities	70.8	47.2	50 %	54.4
Total other liabilities	138.3	125.3	10 %	146.1
Provisions	2.0	3.5	-44 %	4.5
Income tax liabilities	1.5	2.6	-41 %	3.0
Deferred tax liabilities	58.9	59.2	-1 %	59.6
Tax liabilities	60.4	61.8	-2 %	62.5
Liabilities for assets classified as held for sale	-	0.1	-	0.2
<b>Total liabilities</b>	<b>9,260.2</b>	<b>10,015.8</b>	<b>-8 %</b>	<b>10,272.5</b>
<b>Equity</b>				
Restricted equity	243.3	267.4	-9 %	269.0
Unrestricted equity	368.4	356.5	3 %	348.2
Shareholders' share of equity	611.6	623.9	-2 %	617.2
Non-controlling interest's share of equity	66.4	66.9	-1 %	65.5
<b>Equity</b>	<b>678.0</b>	<b>690.9</b>	<b>-2 %</b>	<b>682.7</b>
<b>Total liabilities and equity</b>	<b>9,938.2</b>	<b>10,706.7</b>	<b>-7 %</b>	<b>10,955.2</b>

# Calendar 2016

Accounts Announcement 2015	12.2.2016
AGM	12.4.2016
Interim report 1-3/2016	10.5.2016
Interim report 1-6/2016	10.8.2016
Interim report 1-9/2016	17.11.2016

# Contacts and additional information



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## Interim reports and presentations

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

## Debt investor information:

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



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