

Aktia Bank

**Interim Report
1-3/2016**



1-3/2016: Challenging market depressed net commission income

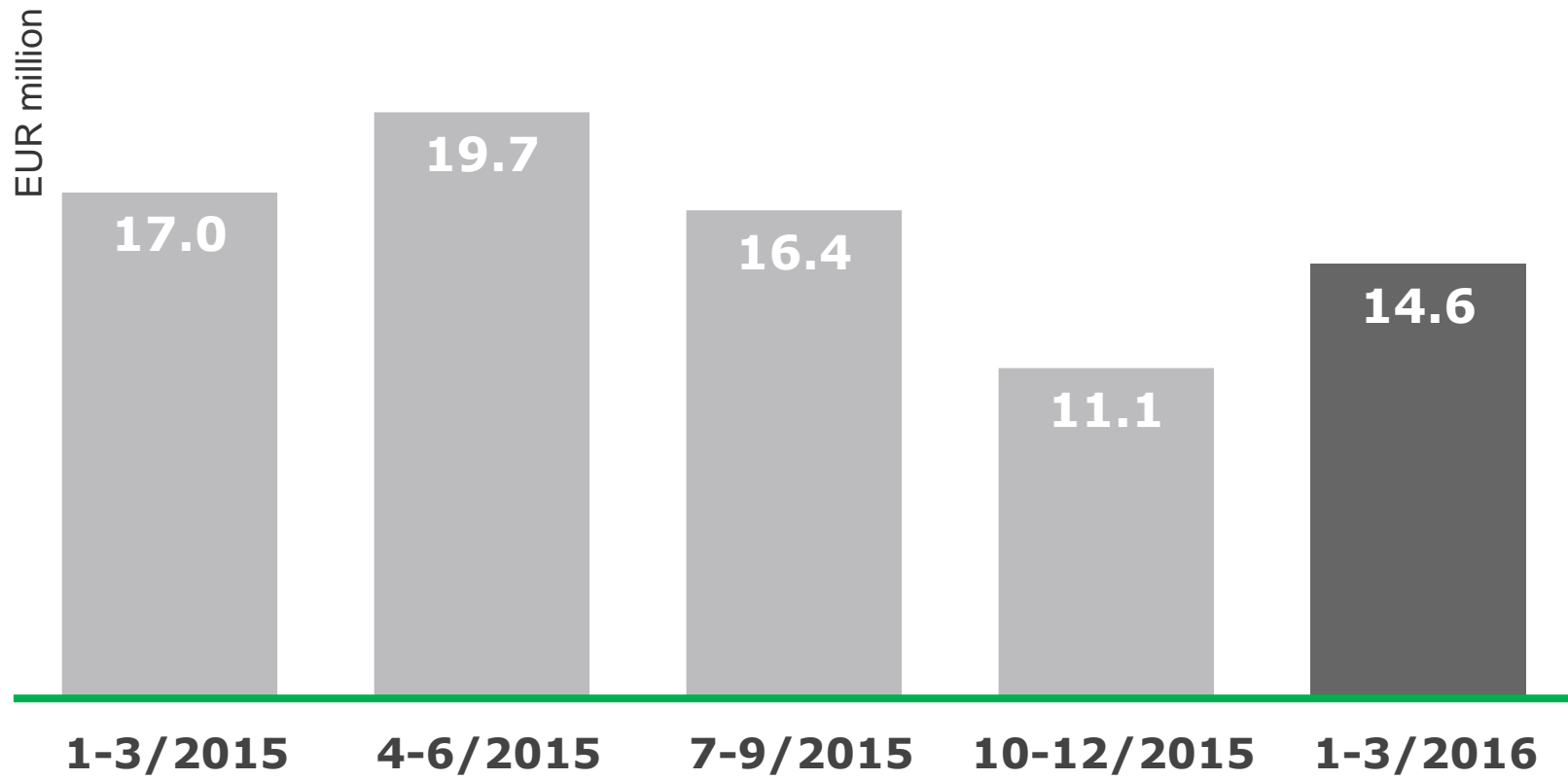
- **Operating profit was EUR 14.6 (17.0) million.**
- **Net commission income decreased 4% and NII decreased by 3% to EUR 24.6 (25.5) million.**
- **Operating expenses increased slightly to EUR 36.5 (35.7) million.**
- **Write-downs on credits and other commitments decreased to EUR -0.1 (-1.0) million.**
- **Profit amounted to EUR 11.9 (13.0) million. Earnings per share (EPS) was EUR 0.18 (0.20).**
- **CET1 was 19.5 (20.7)%**
- **Outlook 2016: Aktia's operating profit for 2016 is expected to reach an approximately similar level as in 2015**

Interim Report

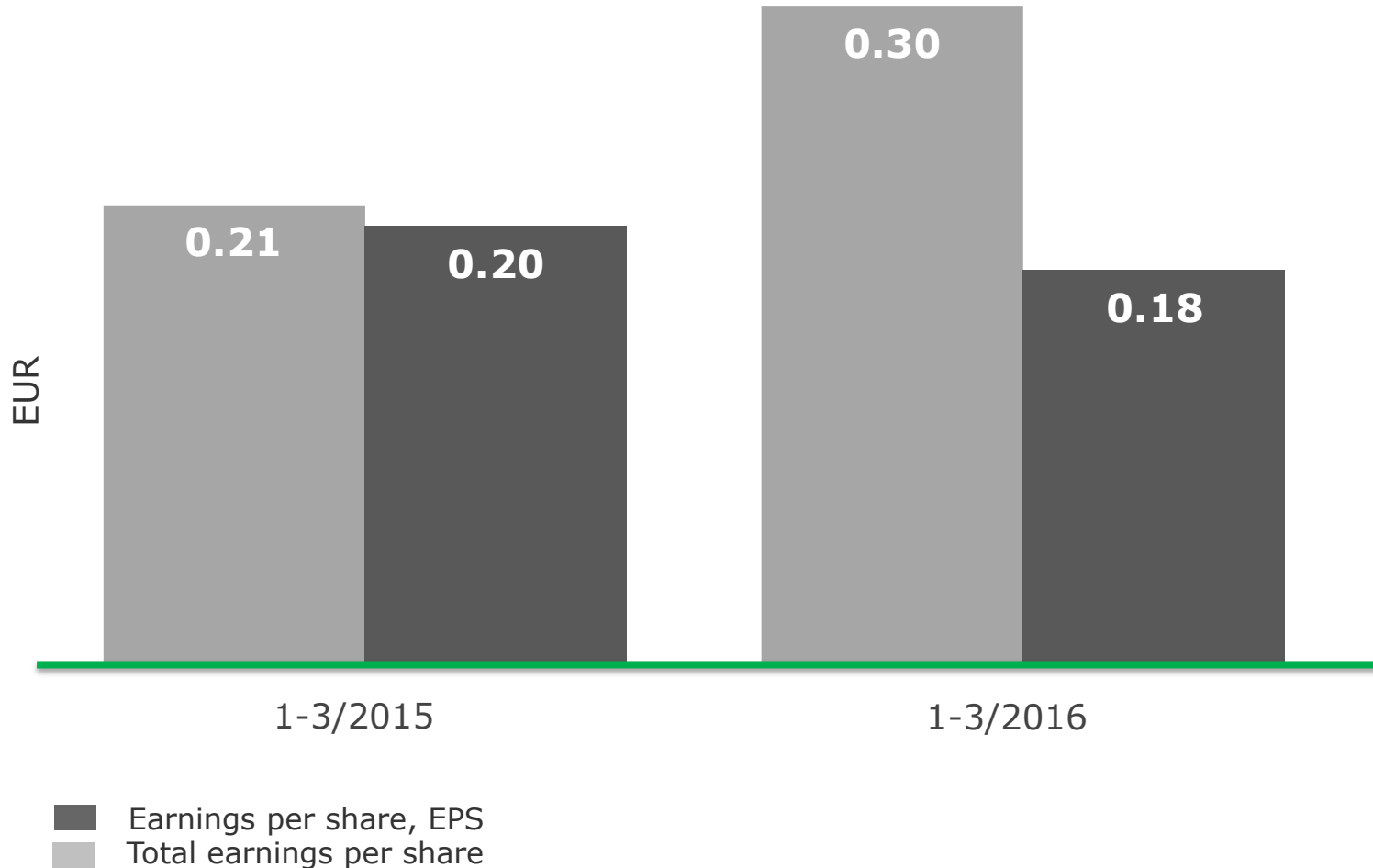
1 January – 31 March 2016

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

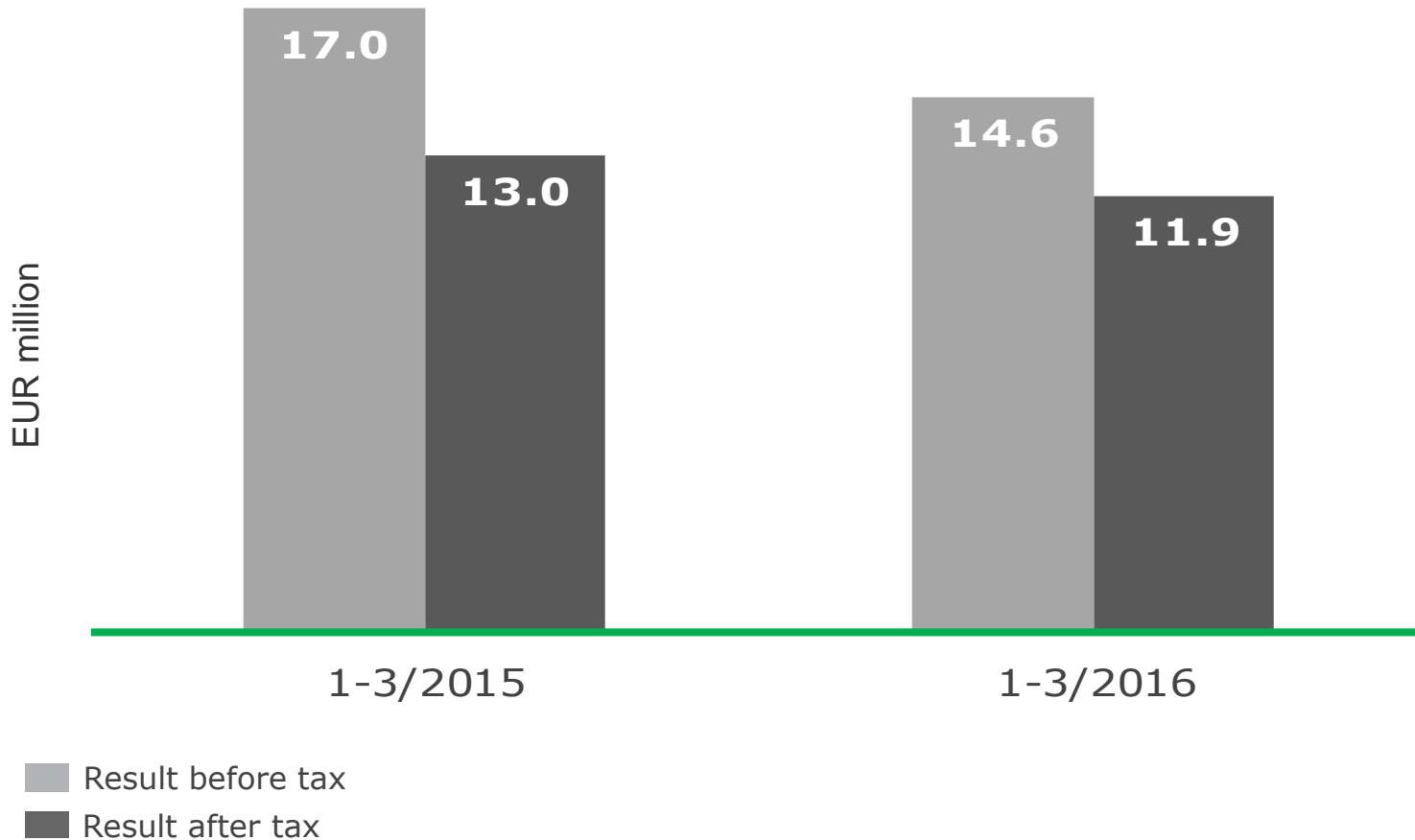
Operating profit for the quarter



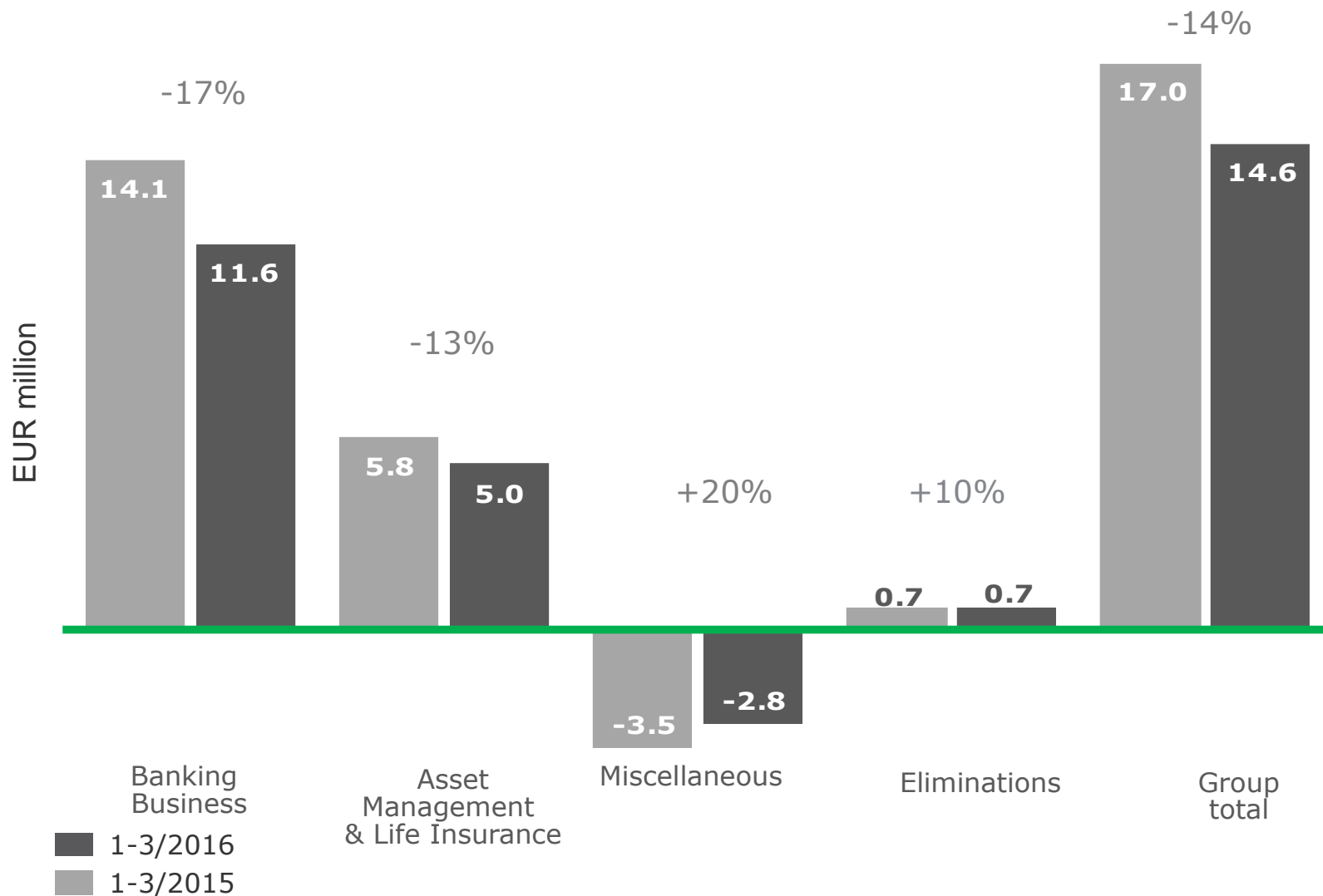
Earnings per share 1-3/2016



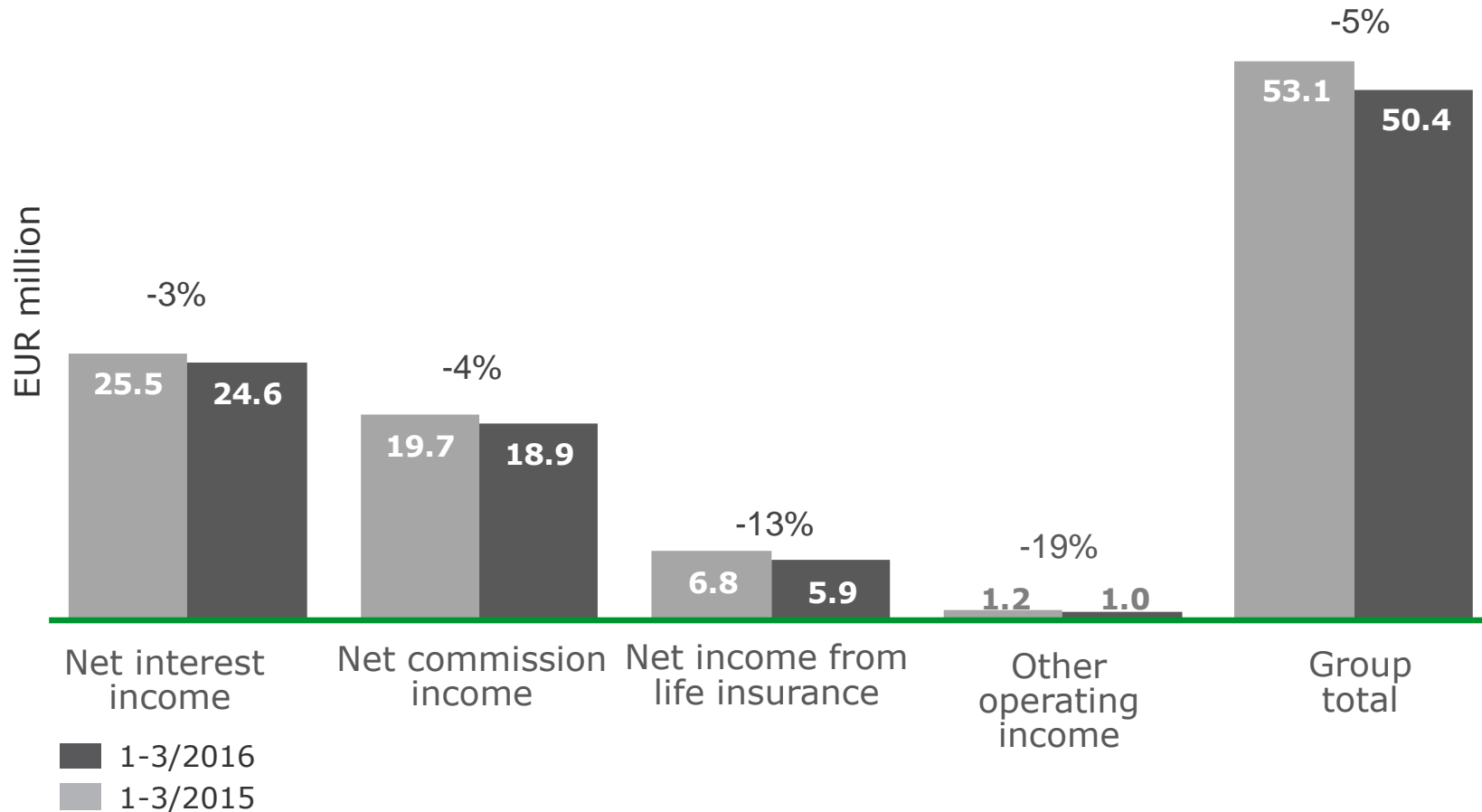
Result before and after tax



The segments' contribution to the operating profit

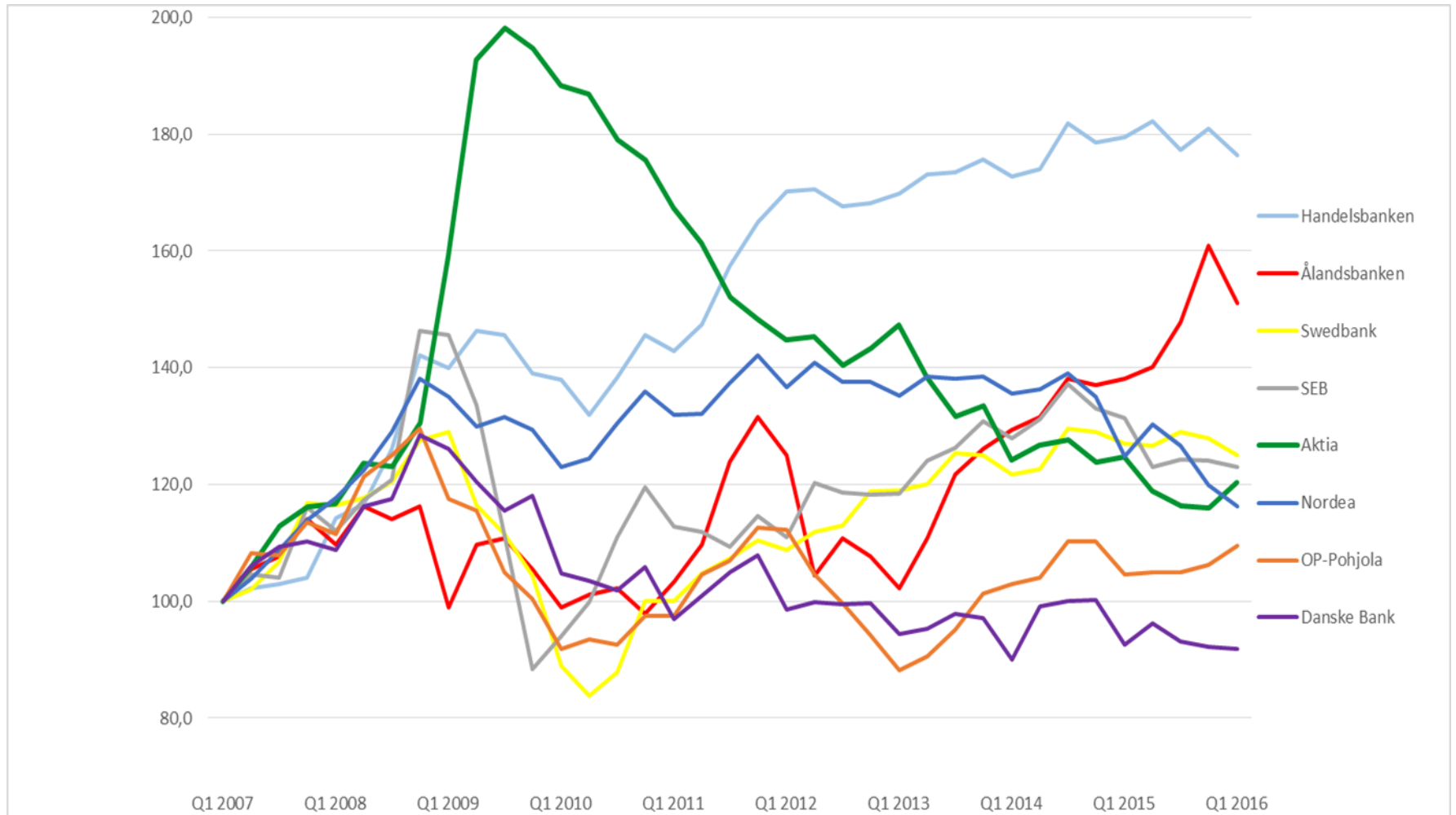


Income, negative effect from difficult market conditions (EUR million)



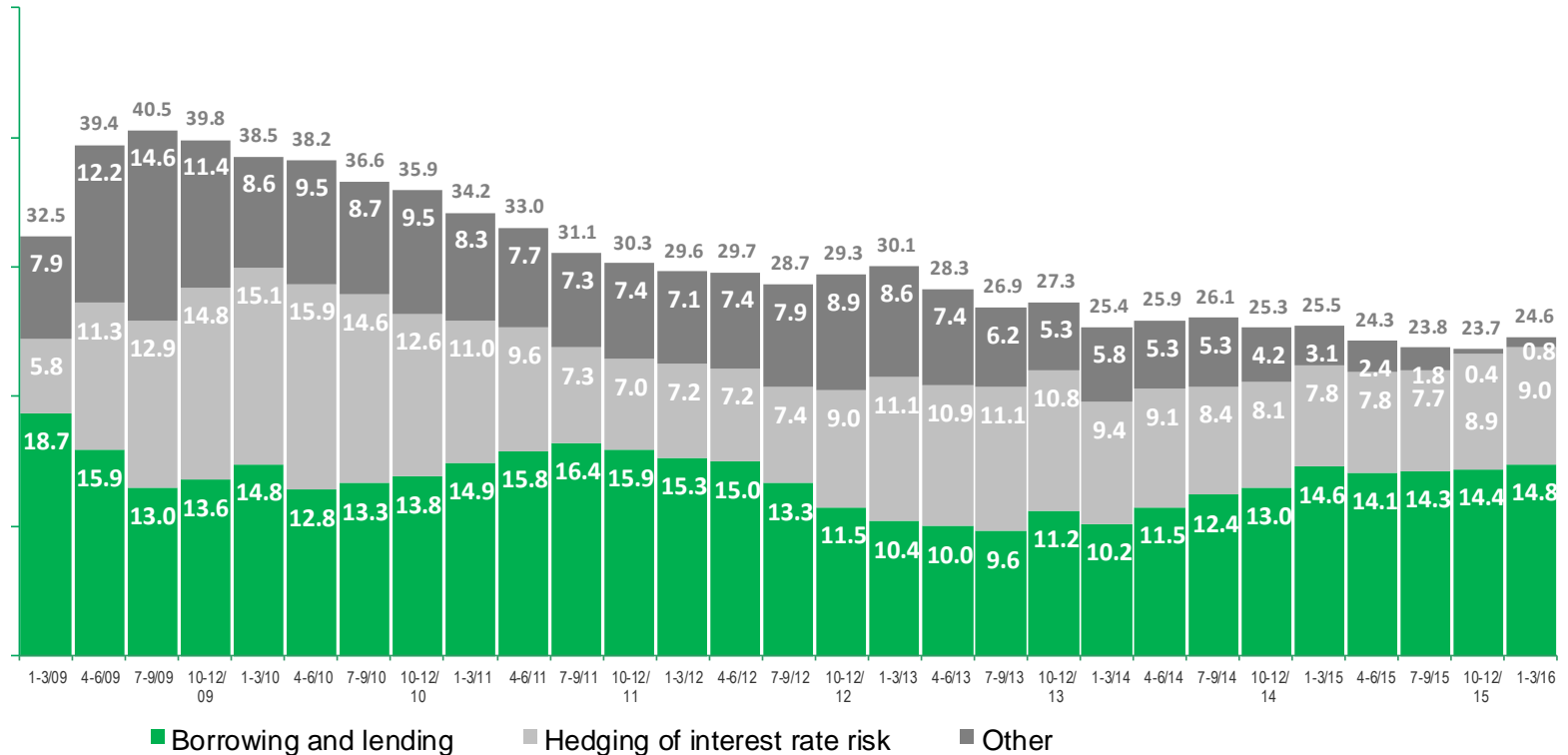
Net interest income (1/2007 = 100)

Nordic banks

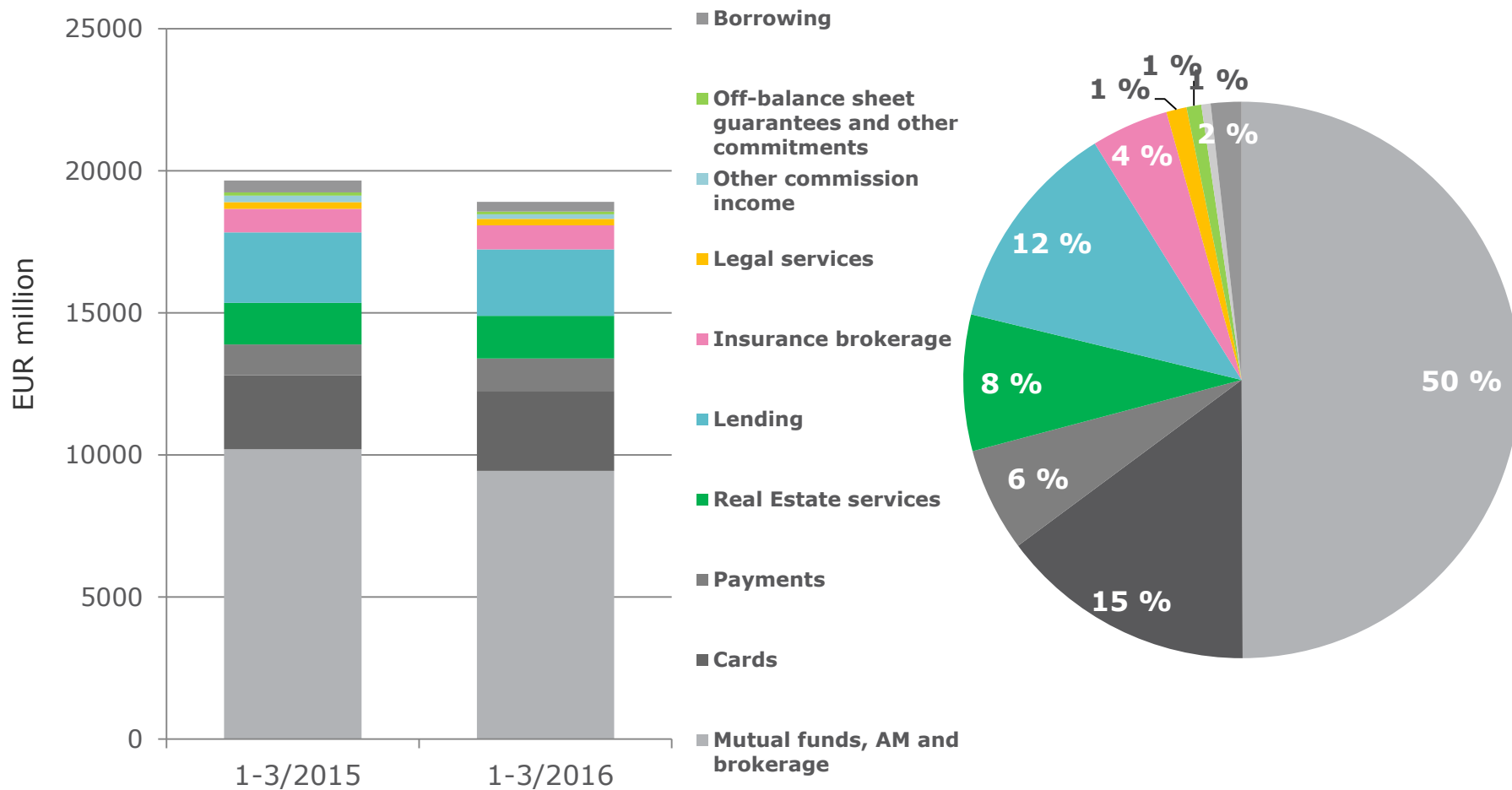


Net interest income (NII)

EUR million



Commission income decreased 4%



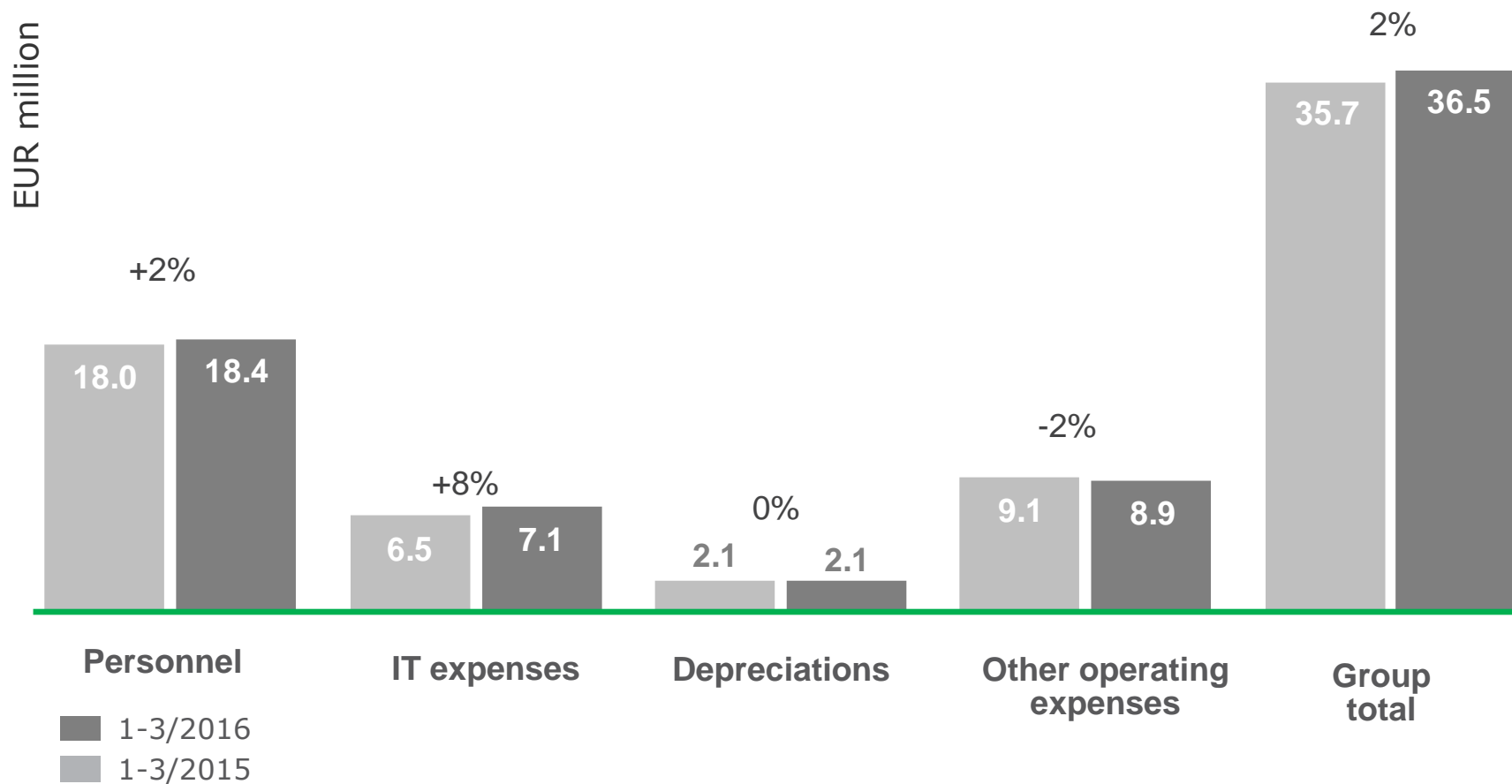
Asset Management & Life Insurance

Assets under Management

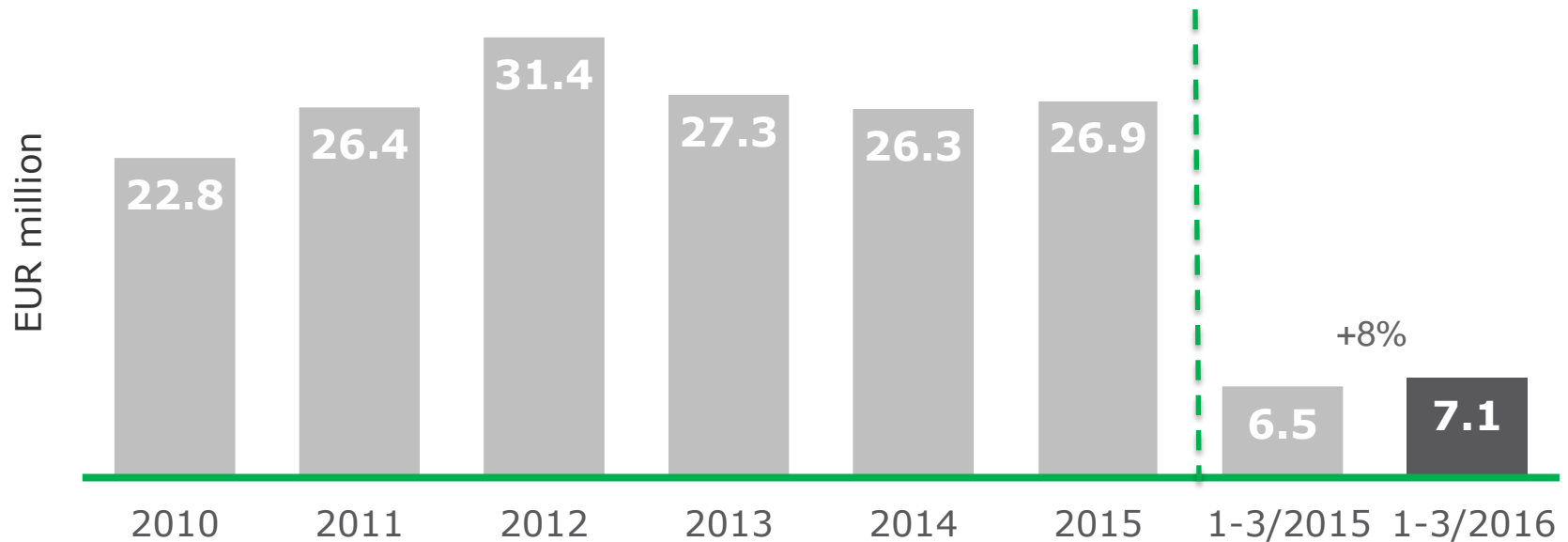
(EUR million)	31.3.2016	31.12.2015	Change %
Aktia Fund Management	3,755	3,764	0%
Aktia Asset Management	6,098	6,011	1%
Aktia Life Insurance	660	667	-1%
Eliminations	-4,644	-4,655	0%
Total	5,869	5,788	1%

Expenses under control

(EUR million)



IT expenses (EUR million)

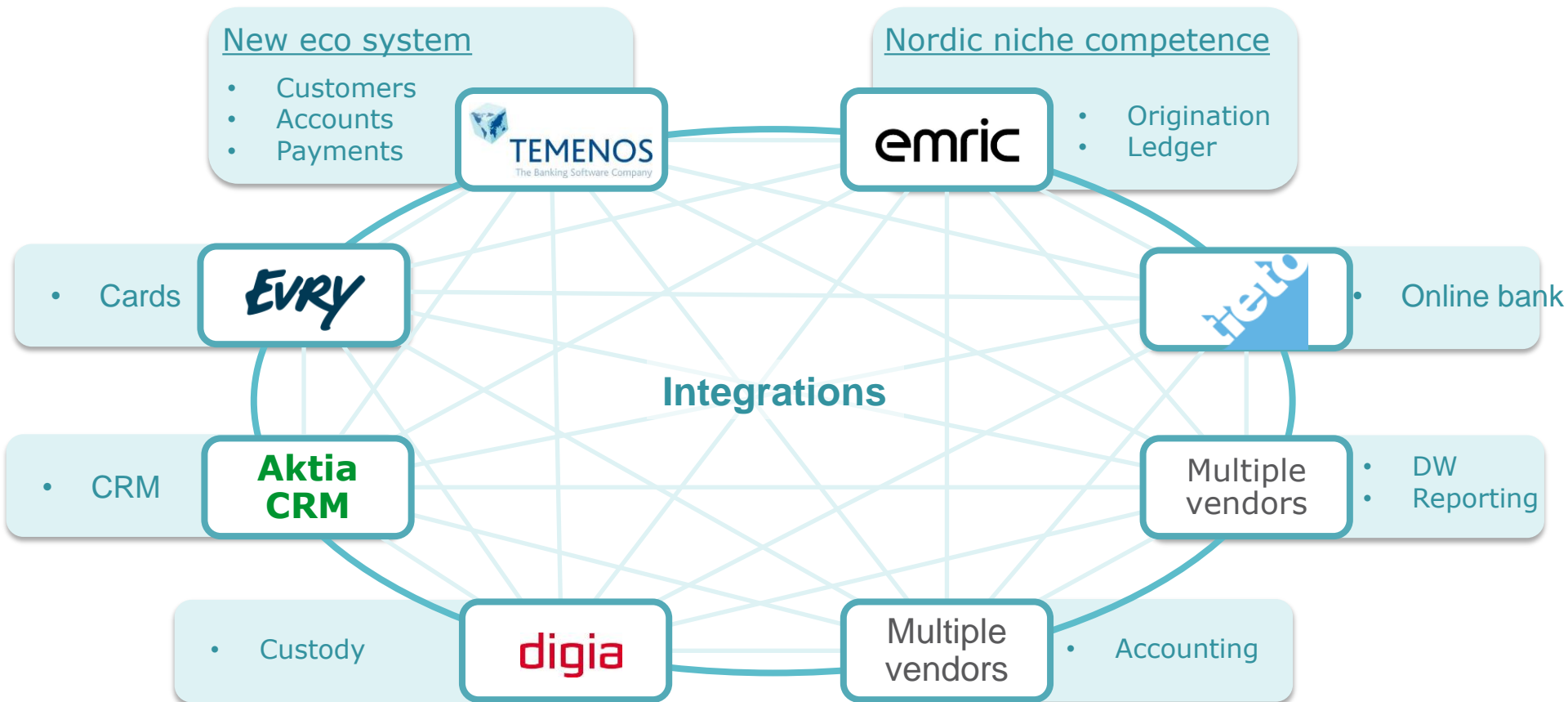


- In 2012 a larger one-off cost/provision for change of IT provider
- Provision 31 March 2016; EUR 2.1 million (during Q1 2016 decrease of EUR -0.2 million)

Core banking project:

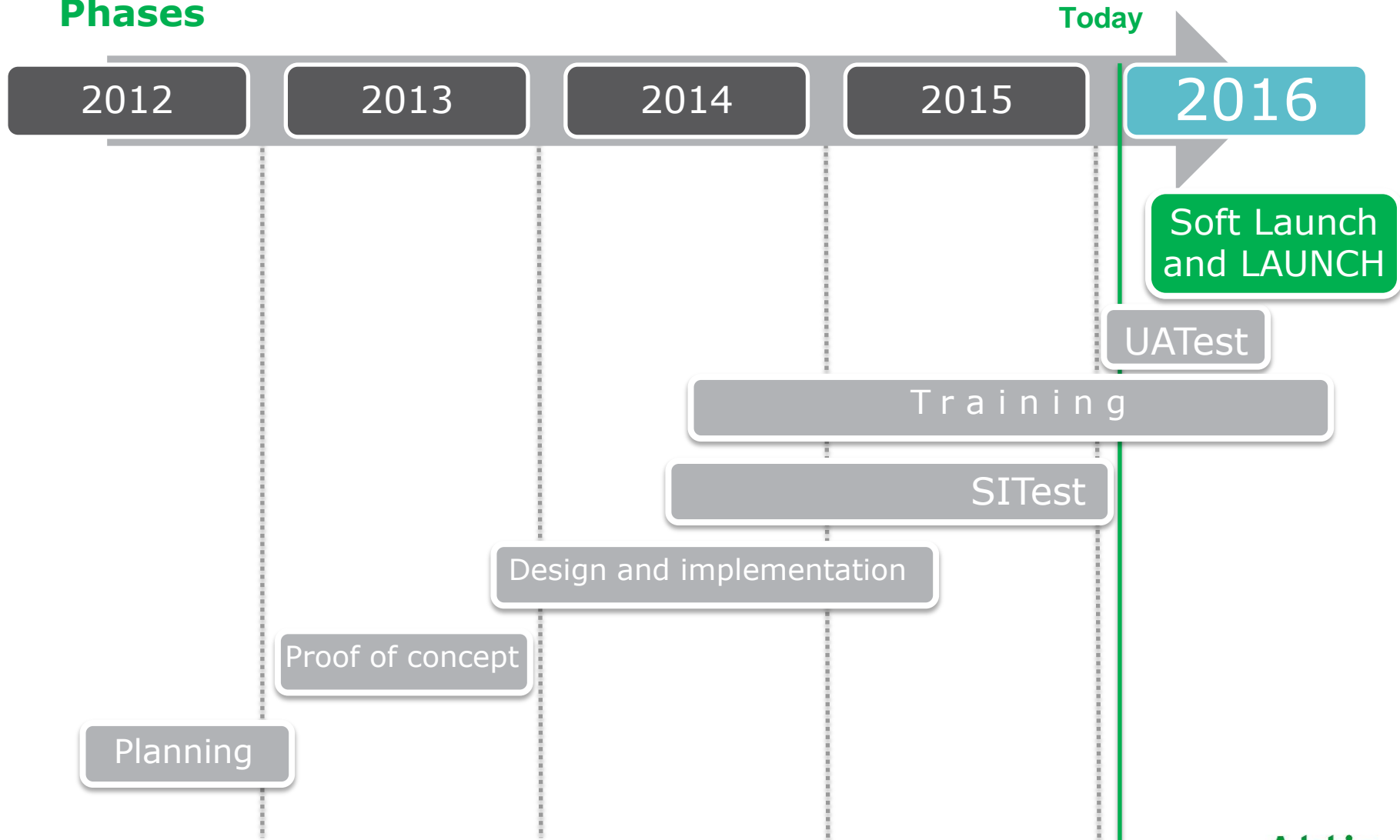
- Cumulative investment as per 31 March 2016; EUR 44.2 million
- Impact on result through depreciations from implementation 2017 →

Renewal of the Core Banking system

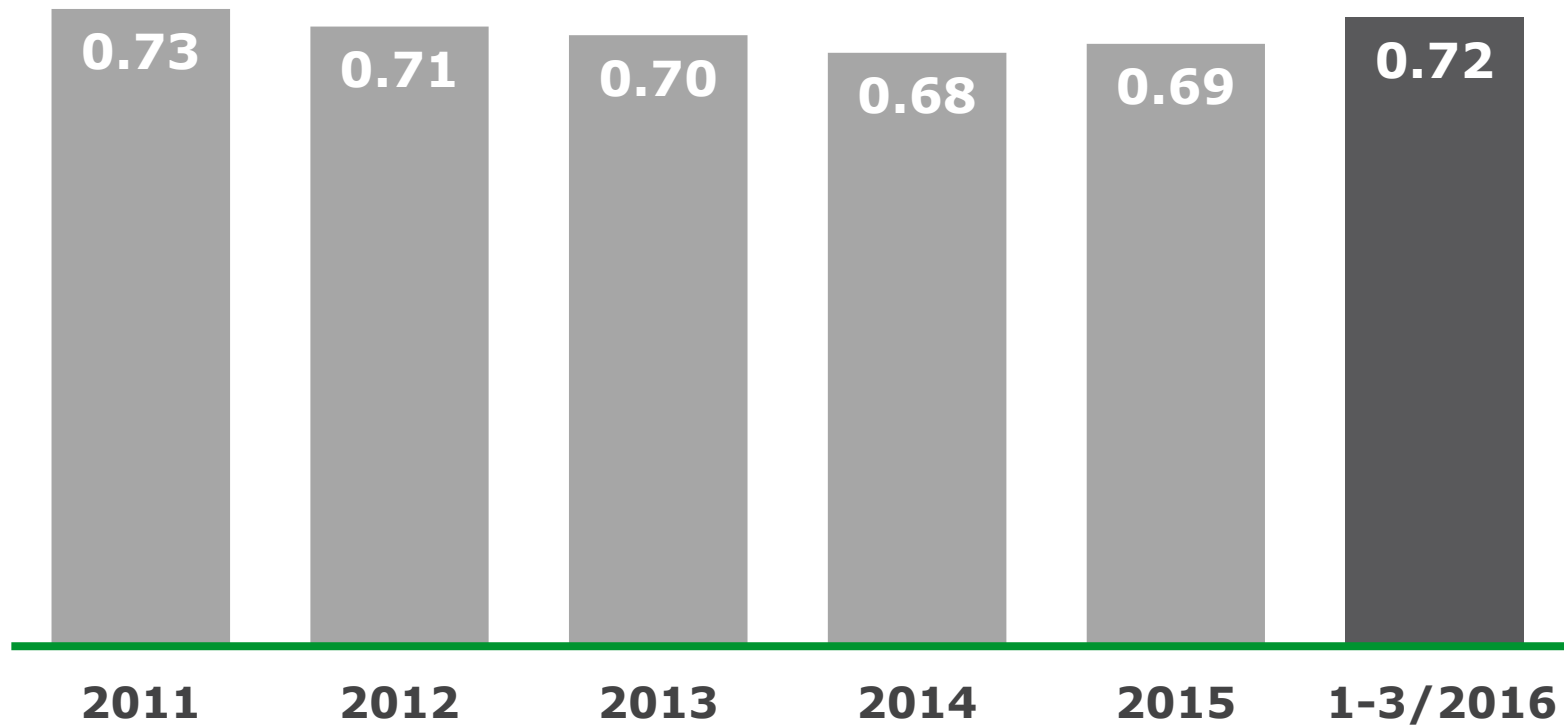


Core Banking project

Phases



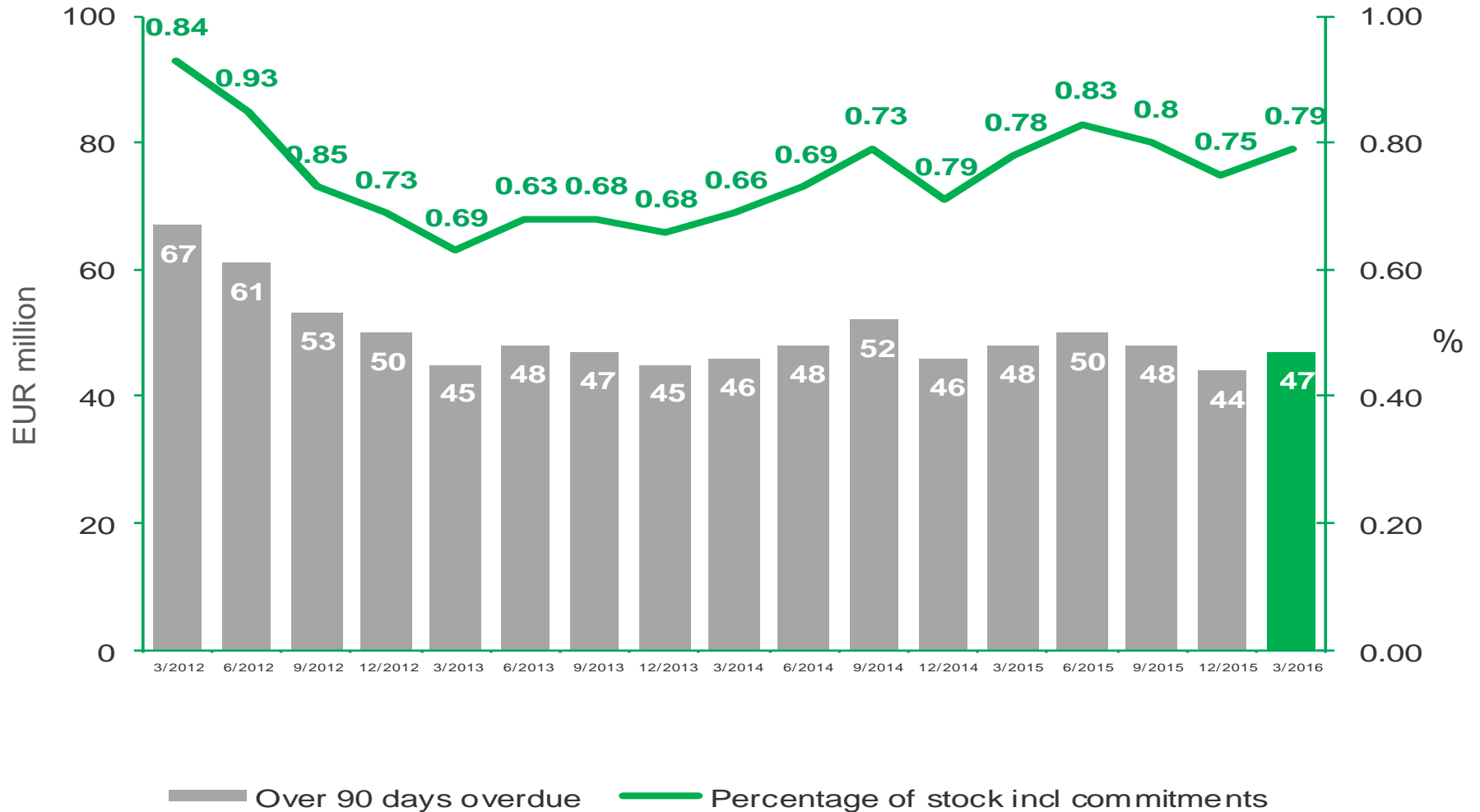
Aktia Group Cost-Income ratio



Write-downs on credits and other commitments

- Total write-downs on credits and other commitments stood at EUR -0.1 (-1.0) million.
- Of these write-downs, EUR 0.0 (-0.3) million were attributable to households and EUR -0.1 (-0.8) to companies.

Non-performing loans more than 90 days overdue

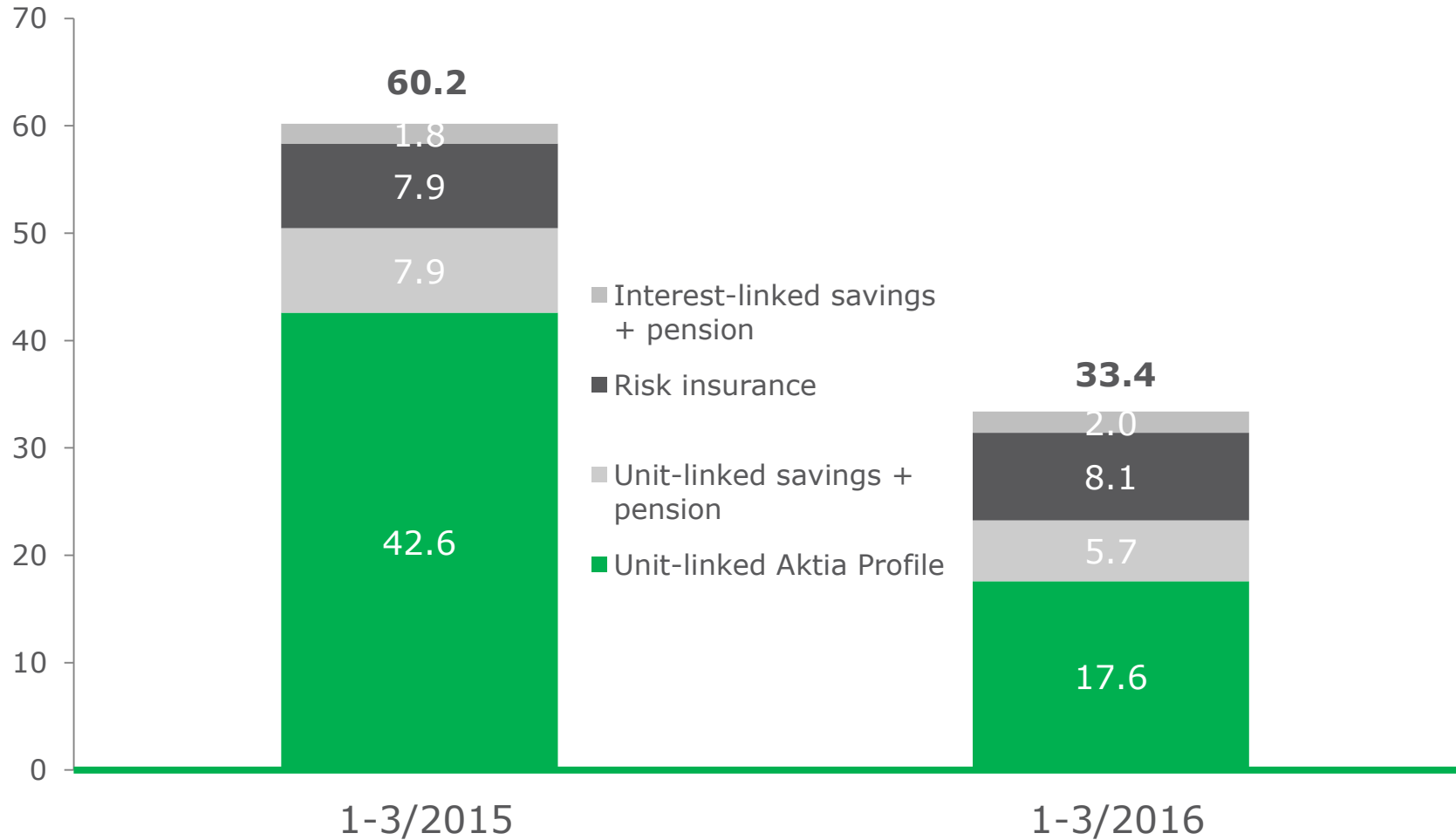


Non-performing loans by days overdue

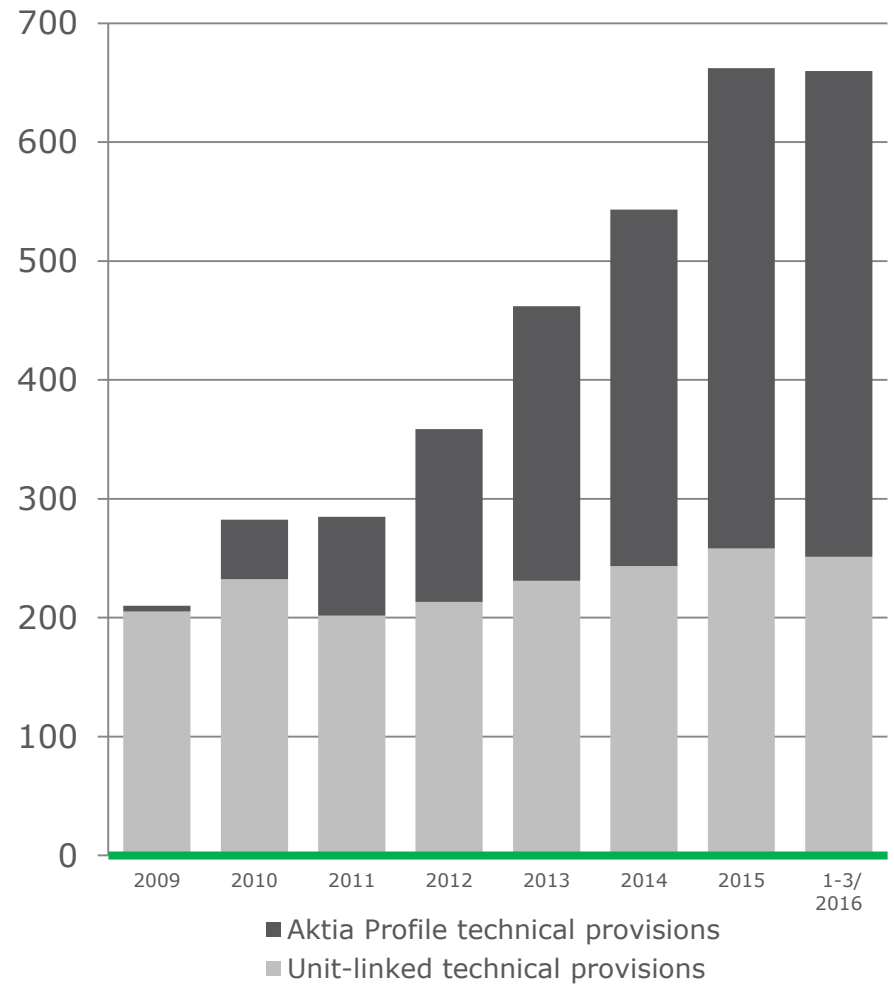
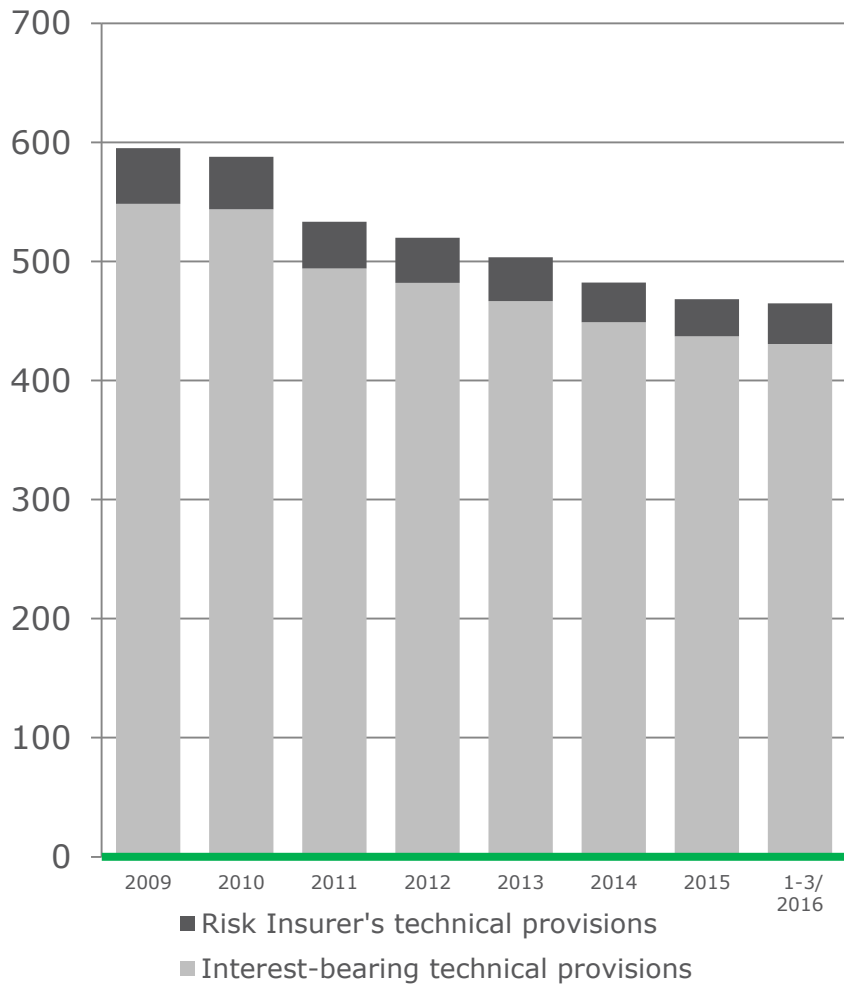
Days	31.3.2016	% of loan book	31.12.2015	% of loan book
3-30	81	1.37	76	1.29
of which households	77	1.31	71	1.20
31-89	41	0.70	28	0.48
of which households	35	0.59	26	0.44
90-	47	0.79	44	0.75
of which households	40	0.67	37	0.63

Life Insurance, premiums written

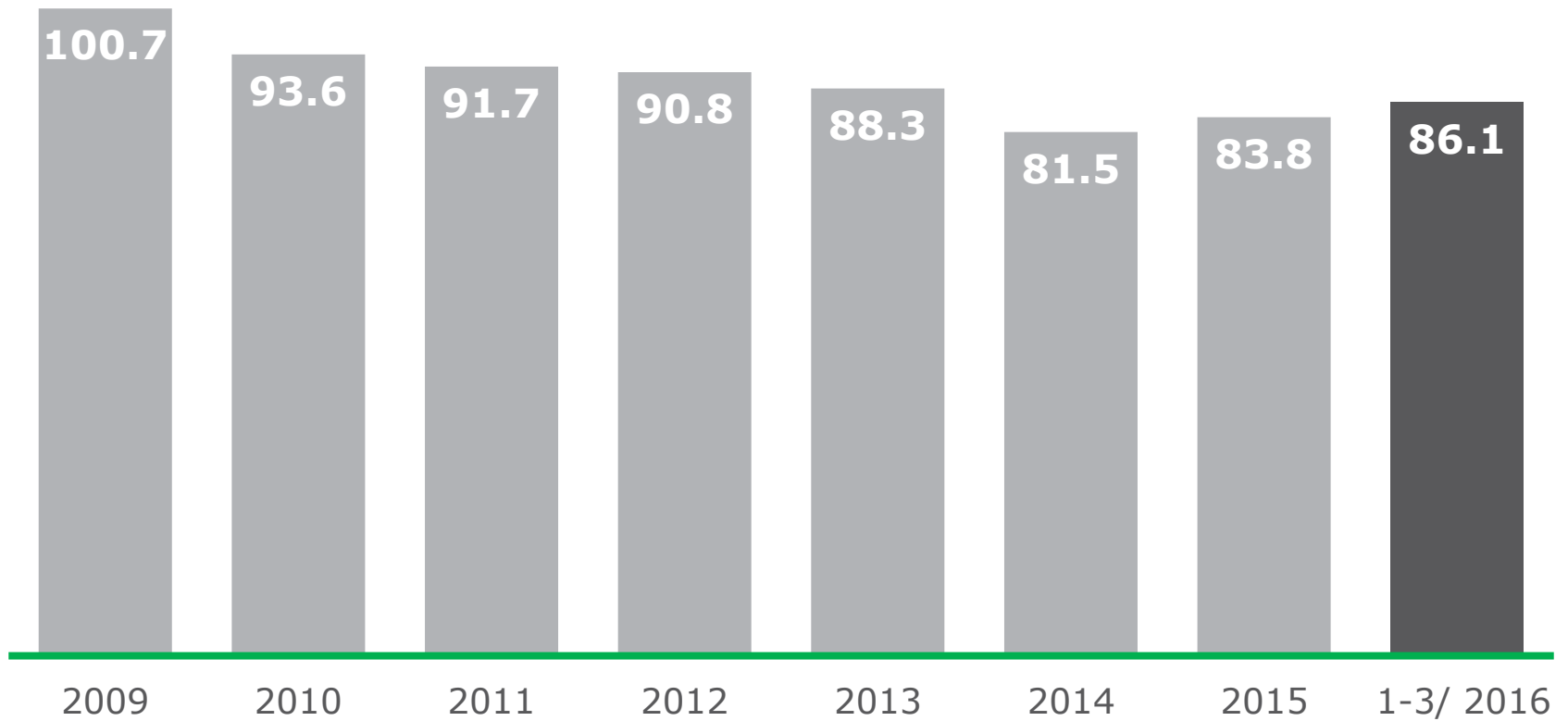
EUR million



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



Expense ratio for life insurance, %



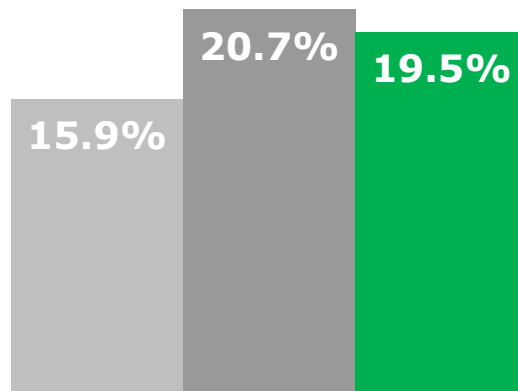
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Capital adequacy

- 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
- 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 -1.4 percentage points lower due to Aktia REMB solution



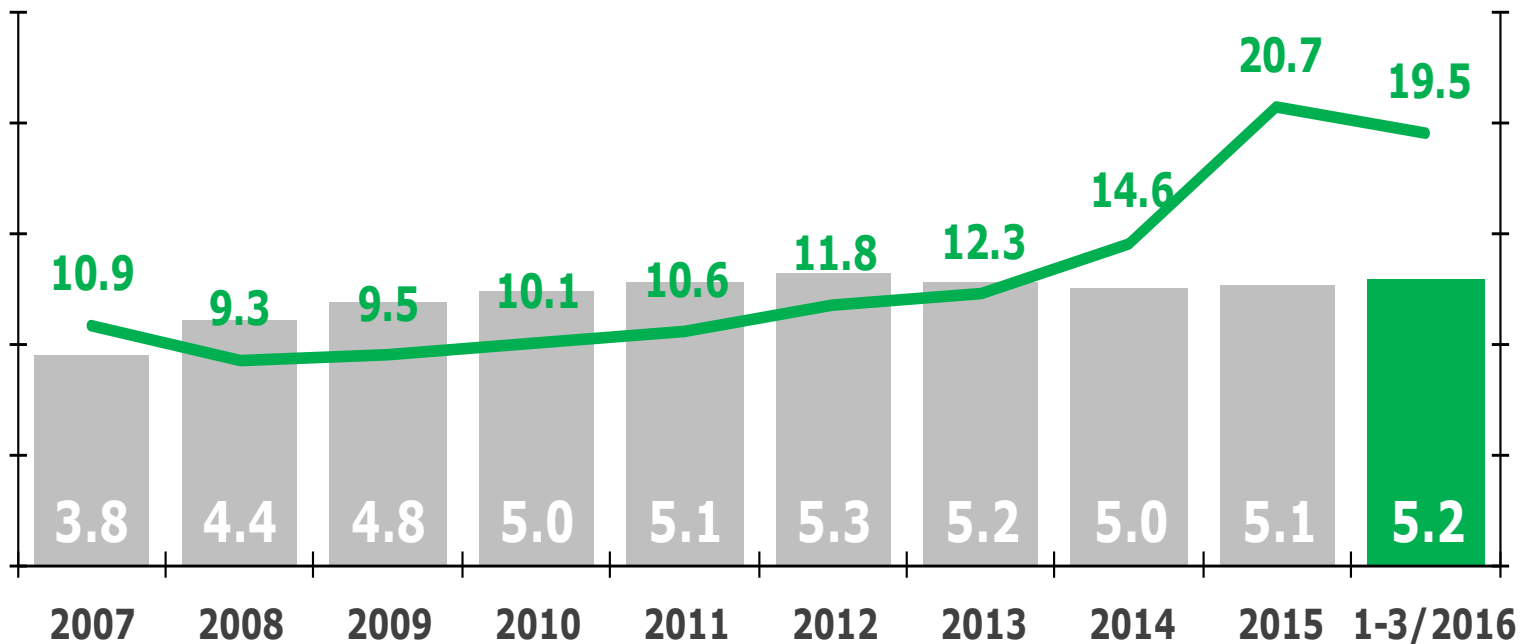
- Average for banks operating in Finland 2014
- Aktia 12/2015
- Aktia 1-3/2016

	31.3.16 IRBA	31.12.15 IRBA	31.12.14 STD
Common Equity Tier 1 %	19.5	20.7	14.6
Tier 1 capital ratio %	19.5	20.7	14.6
Capital Adequacy %	25.6	27.1	19.1

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

Loan book

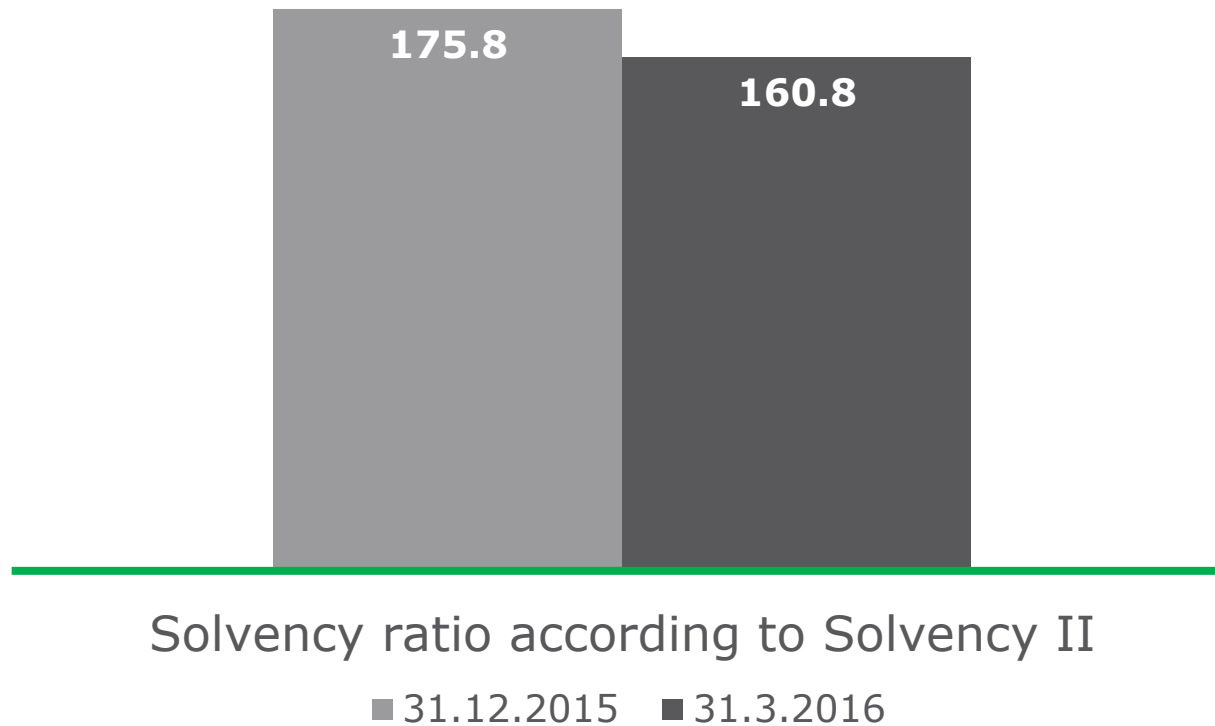
CET1, %



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

Life insurance Solvency ratio

Solvency ratio = Solvency capital/Solvency requirement (SCR)



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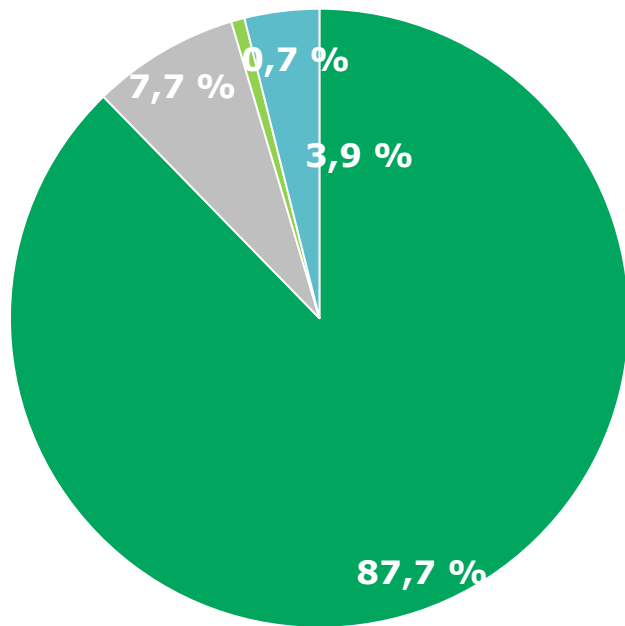
Balance & Equity 31.3.2016

- **Total Assets EUR 9,8bn (-1 %)**
 - Slight decline in Assets due to Aktia REMB run-off
- **Lending to public EUR 5,9bn (+/-0 %)**
 - Growth in Aktia's own credit stock of EUR +78 million since year-end
 - Credit stock through REMB decreased EUR -73 million
- **Treasury's Liquidity portfolio EUR 2,1bn**
 - Total portfolio EUR -165 million since year-end
- **Borrowing from public EUR 4,0 bn (+1 %)**
 - Despite lowered interest rates
- **Bond issues EUR 3,0 bn (-1 %)**
 - No issues planned for 2016
 - Aktia REMB Covered bonds EUR 480m fall into maturity in June
- **Aktia Life Insurance Unit linked stock EUR 660 million (+/- 0 %)**
 - Volatile capital market and lower volumes, down in January – slight recovery in March
- **Equity EUR 636 million (31.12.2015: EUR 615 million)**
 - Fund at fair value; EUR 83 million (EUR 75m)
 - Holding in Visa Europe in Fund at fair value as of March

Credit and deposit stocks 31 March 2016

Credits

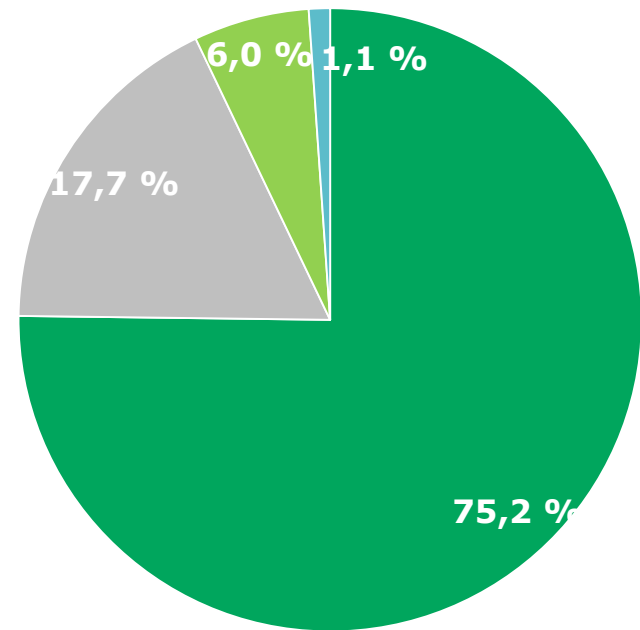
EUR 5,862 (5,856) million



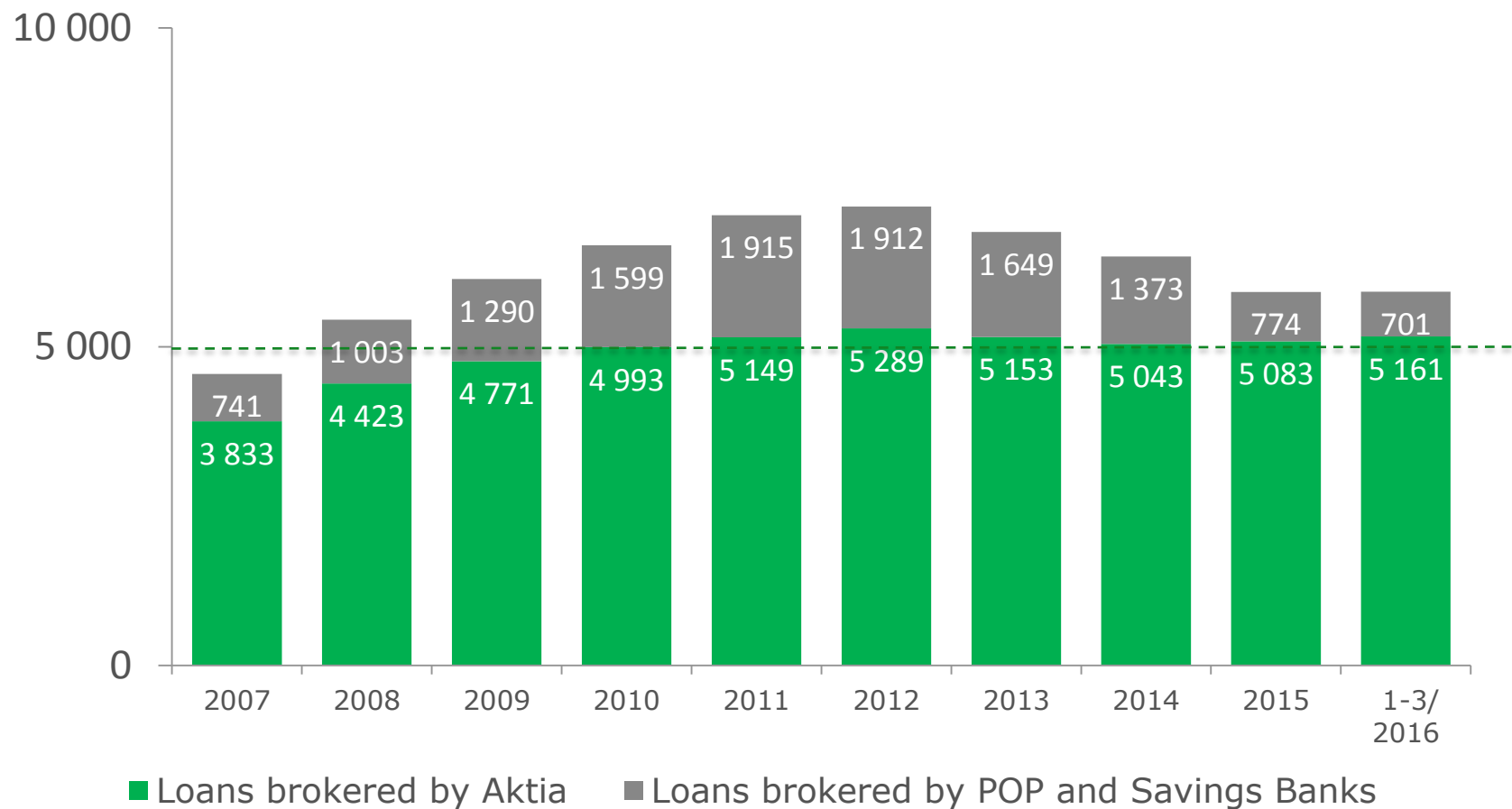
Deposits

EUR 3,969 (3,922) million

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

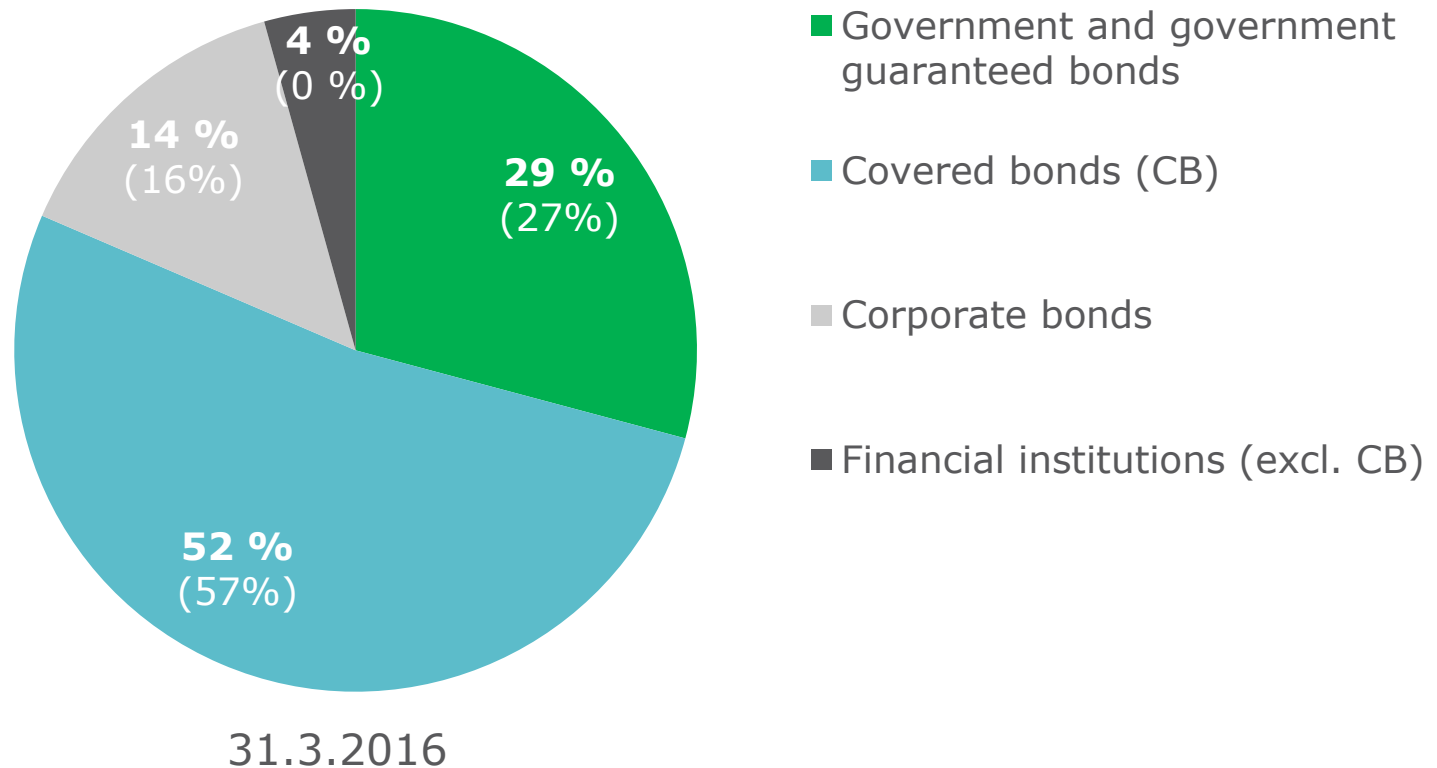


Loan book development 2007-2016



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

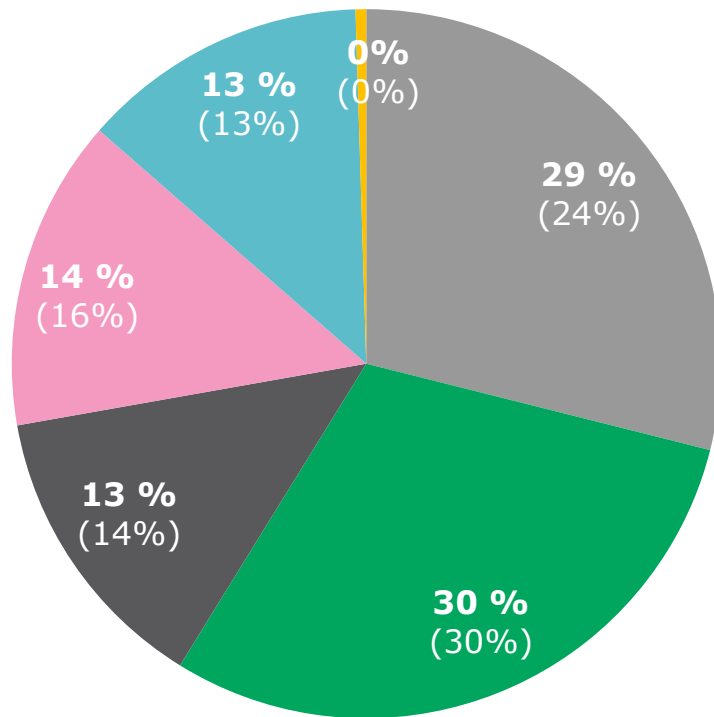
EUR 2,130 million
(31.12.2015; 2 295 million)



Life Insurance Company's investment portfolio

EUR 619 million
(31.12.2015; EUR 609 million)

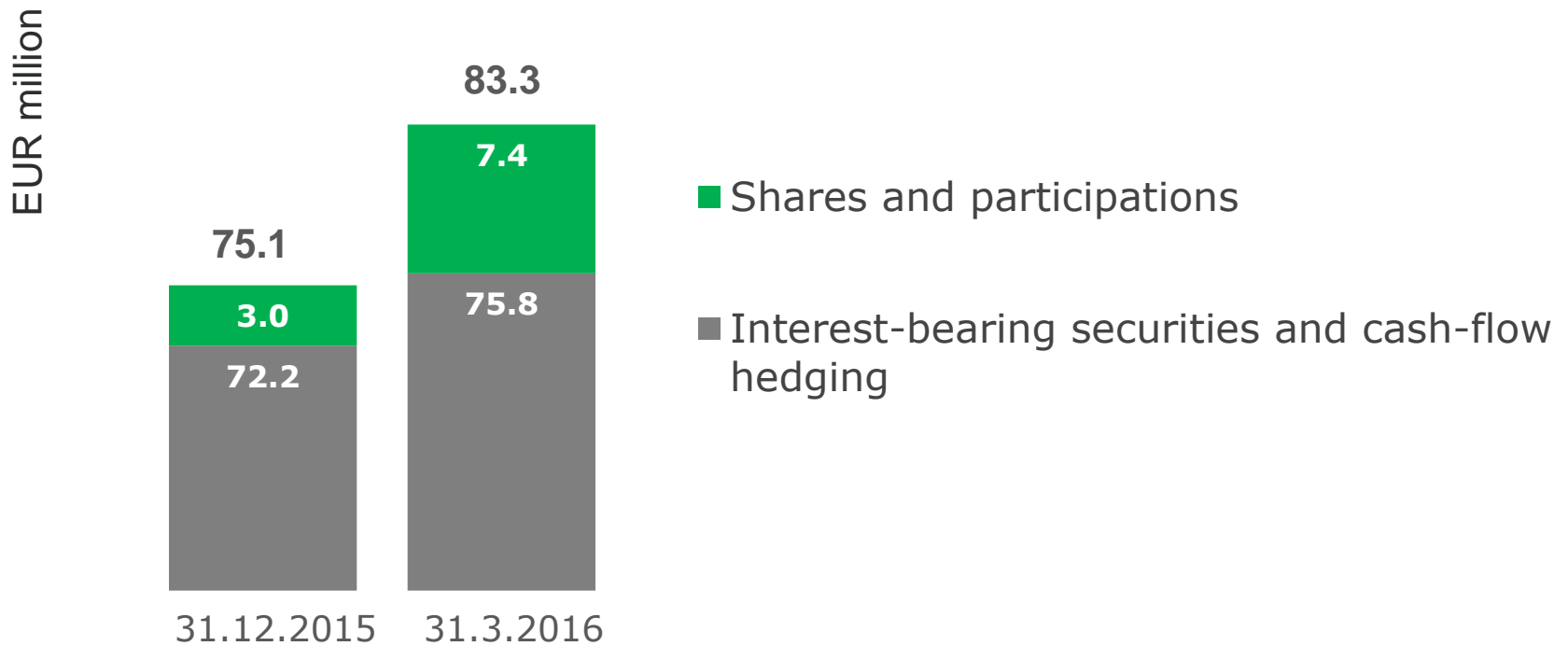
Return on investments 2.0 (2.0)%
Duration 4.6 (5.3) years



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

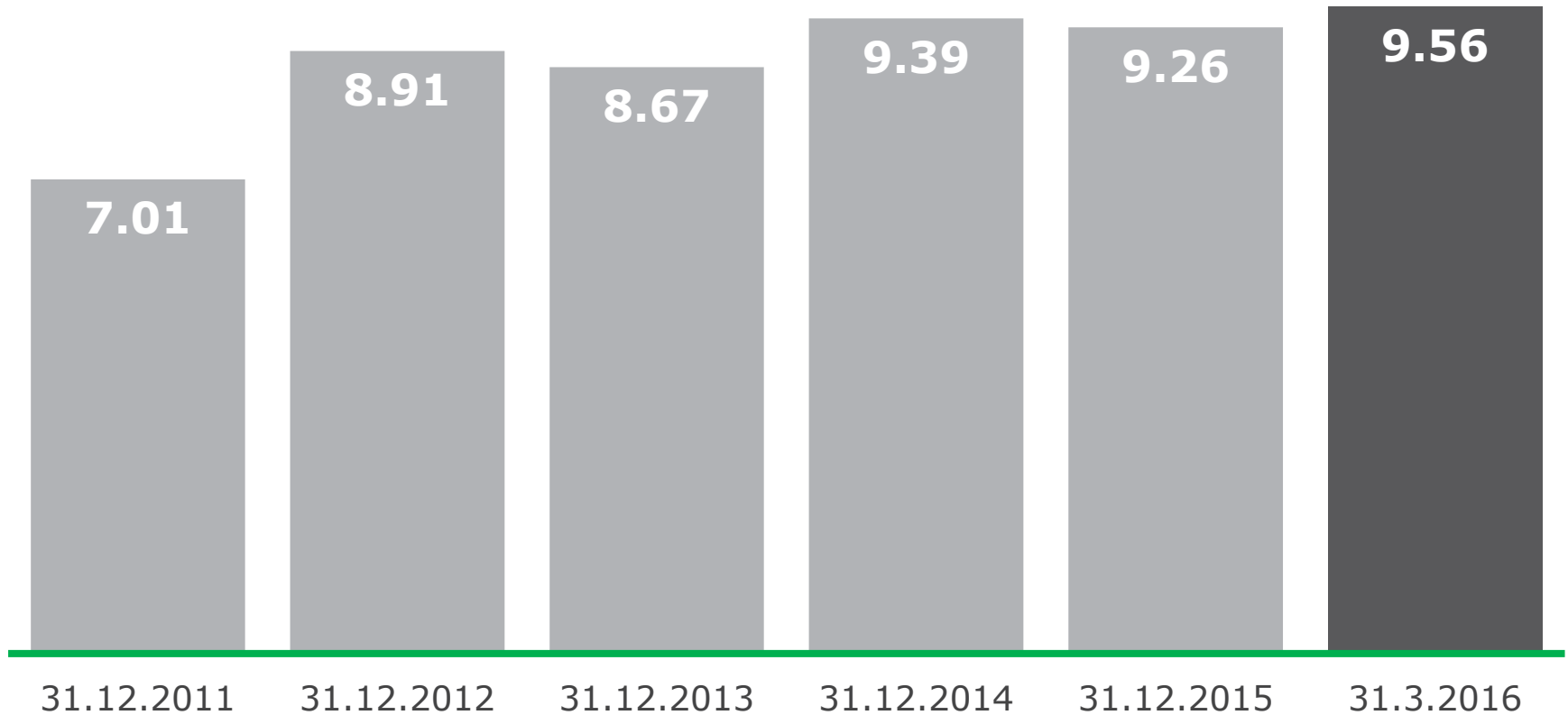
31.3.2016

Increase in Fund at fair value



Equity per share (NAV)

EUR/share



Share capital and ownership 30 April 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
Nordea (Nordea Life, Fennia fund, Nordea Bank plc)	1,348,432	0	1,348,432	2.03	0.30
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	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	349,552	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
The 20 largest shareholders	26,602,341	16,285,732	42,888,073	64.41	79.32
Other	20,104,382	3,586,356	23,690,738	35.59	20.68
Total	46,706,723	19,872,088	66,578,811	100.00	100.00

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Outlook for 2016 (unchanged)

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

During 2016 Aktia expects to receive a larger one-off income from the sale of Visa Europe. Write-downs on credits are expected to remain low in 2016.

Aktias operating profit for 2016 is expected to reach an approximately similar level as in 2015.

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 1-3/2016 new private and corporate primary customers; 735
- 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

Operative plans during 2016

- **Finalise the core banking project**
 - Improve efficiency in processes
- **Launch new mobile solutions**
- **Expand Premium concept for private customers**
- **Invest in digital advisory and sales**

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

	1-3/ 2016	1-3/ 2015	Change %	Objectives for 2018
C/I ratio	0.72	0.67	+7%	-10%
ROE %	7.6	7.5	+2%	≥9 % p.a.
CET1 %	19.5	22.6	-3%-units	≥ 15%

Balance sheet, assets

(EUR million)	31.3.2016	31.12.2015	Δ	31.3.2015
Assets				
Cash and balances with central banks	191.1	268.4	-29 %	472.3
Interest-bearing securities	2,059.5	2,103.2	-2 %	2,254.4
Shares and participations	104.8	94.4	11 %	97.0
Financial assets available for sale	2,164.3	2,197.6	-2 %	2,351.4
Financial assets held until maturity	472.3	481.7	-2 %	486.8
Derivative instruments	192.7	172.5	12 %	223.9
Lending to Bank of Finland and other credit institutions	48.1	43.9	10 %	39.3
Lending to the public and public sector entities	5,861.7	5,856.3	0 %	6,189.5
Loans and other receivables	5,909.9	5,900.2	0 %	6,228.9
Investments for unit-linked insurances	660.4	667.7	-1 %	637.7
Investments in associated companies	0.0	0.0	-	0.0
Intangible assets	53.9	50.8	6 %	40.3
Investment properties	53.7	53.7	0 %	57.0
Other tangible assets	8.4	8.7	-3 %	8.0
Accrued income and advance payments	53.4	51.6	4 %	58.4
Other assets	22.6	18.2	24 %	16.6
Total other assets	76.0	69.8	9 %	75.0
Income tax receivables	0.9	0.8	11 %	3.6
Deferred tax receivables	9.0	9.7	-8 %	12.2
Tax receivables	9.9	10.5	-6 %	15.9
Assets classified as held for sale	-	-	-	0.5
Total assets	9,792.5	9,881.5	-1 %	10,597.6

Balance sheet, liabilities

(EUR million)	31.3.2016	31.12.2015	Δ	31.3.2015
Liabilities				
Liabilities to Bank of Finland and credit institutions	368.5	474.8	-22 %	718.3
Liabilities to the public and public sector entities	3,969.4	3,922.0	1 %	3,903.5
Deposits	4,337.9	4,396.8	-1 %	4,621.8
Derivative instruments	77.5	86.2	-10 %	106.4
Debt securities issued	3,017.9	3,033.4	-1 %	3,456.1
Subordinated liabilities	234.3	235.0	0 %	215.5
Other liabilities to credit institutions	84.8	84.8	0 %	99.8
Liabilities to the public and public sector entities	32.0	74.0	-57 %	84.9
Other financial liabilities	3,369.1	3,427.2	-2 %	3,856.3
Technical provisions for risk insurances and interest-related insurance	464.7	468.3	-1 %	481.9
Technical provisions for unit-linked insurances	659.7	662.2	0 %	637.3
Technical provisions	1,124.4	1,130.5	-1 %	1,119.2
Accrued expenses and income received in advance	71.2	62.7	14 %	78.5
Other liabilities	112.8	101.9	11 %	42.3
Total other liabilities	184.0	164.6	12 %	120.8
Provisions	2.1	2.3	-10 %	3.0
Income tax liabilities	1.1	0.9	22 %	3.4
Deferred tax liabilities	60.4	57.7	5 %	61.5
Tax liabilities	61.6	58.7	5 %	65.0
Liabilities for assets classified as held for sale	-	-	-	0.1
Total liabilities	9,156.5	9,266.3	-1 %	9,892.4
Equity				
Restricted equity	246.3	238.1	3 %	267.9
Unrestricted equity	389.8	377.1	3 %	370.5
Shareholders' share of equity	636.1	615.2	3 %	638.4
Non-controlling interest	-	-	-	66.7
Equity	636.1	615.2	3 %	705.2
Total liabilities and equity	9,792.5	9,881.5	-1 %	10,597.6

Calendar 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>

Aktia

We see a person in every customer.