

# Aktia

ACCOUNTS ANNOUNCEMENT 2011

Aktia

## The year 2011 in short

Operating profit was **EUR 47.0** (77.9) million. Earnings per share (EPS) was **EUR 0.53** (0.83).

The Board of Directors proposes an **unchanged dividend of EUR 0.30** (0.30) per share, which corresponds to a **dividend ratio of 57%**.

**Write-downs on credits and outstanding premiums** stood at EUR 11.3 (14.1) million. Continued strict credit policy, disposal of collateral.

**Aktia's capital adequacy exceeds all limits required by the authorities.** At year-end, capital adequacy amounted to 16.2 (15.9)% and the Tier 1 capital ratio was 10.6 (10.1)%.

**Hard press on Aktia's cost structure in 2012.** Aktia expects the full-year result for 2012 to be lower than in 2011.

## October–December 2011 in short

**Operating profit was EUR 6.6** (13.5) million. Earnings per share (EPS) was EUR 0.12 (0.14).

**Codetermination negotiations** brought extra costs of EUR 1.8 million.

**Moody's took Aktia's rating under review.**

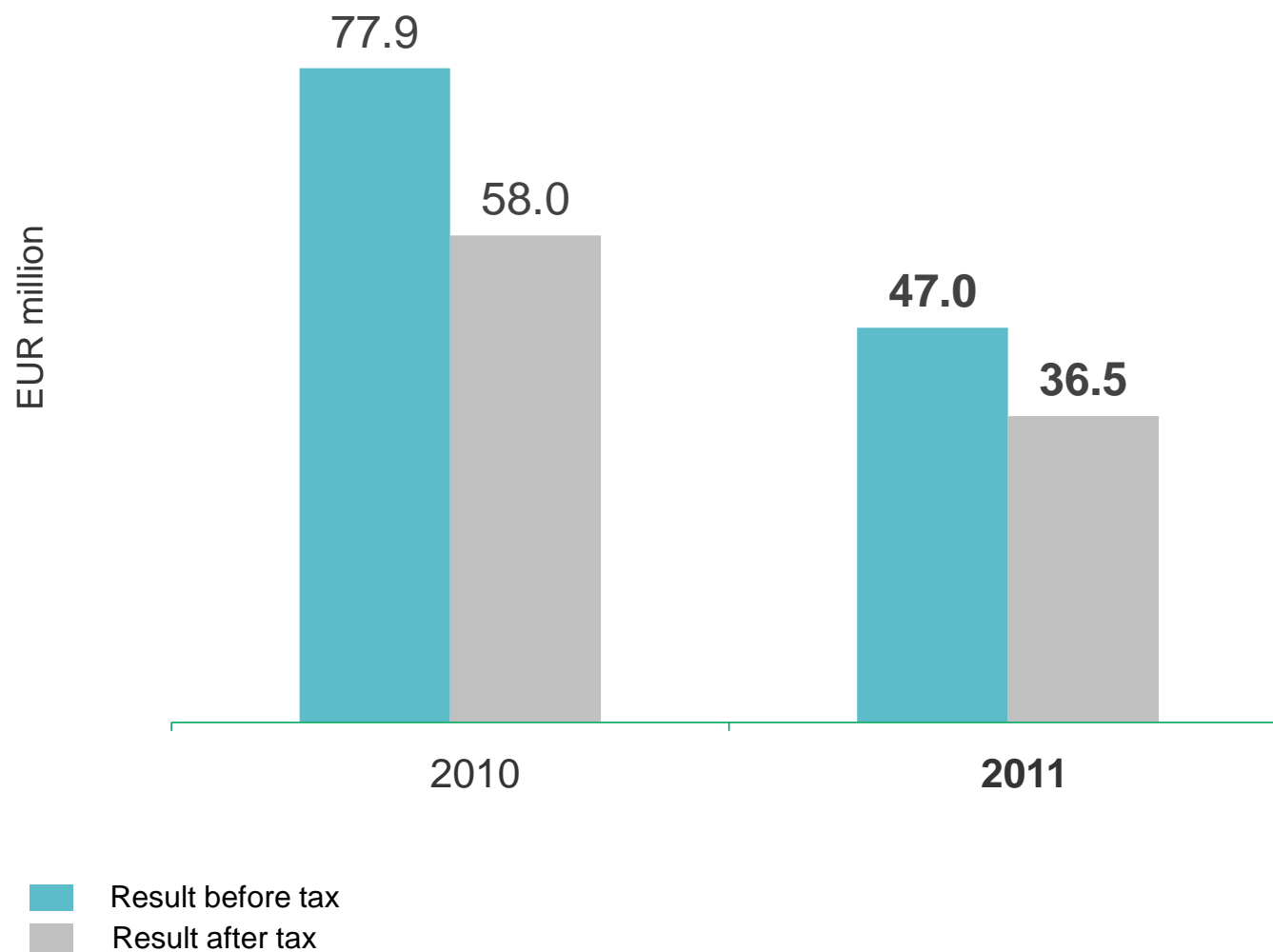
**Write-downs on credit and outstanding premiums** totalled EUR 4.3 (4.3) million.

# Accounts Announcement

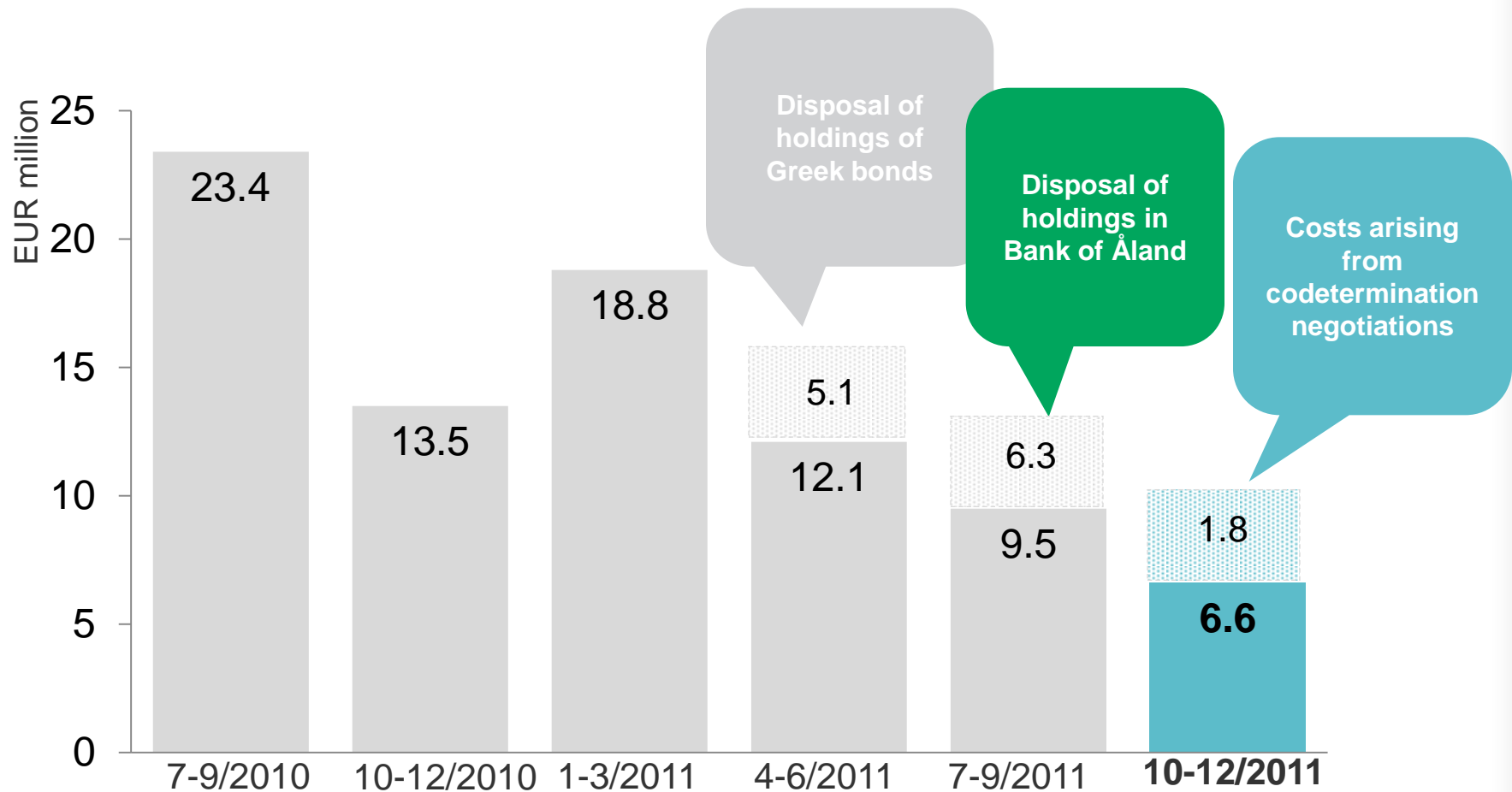
## 1 January - 31 December 2011

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

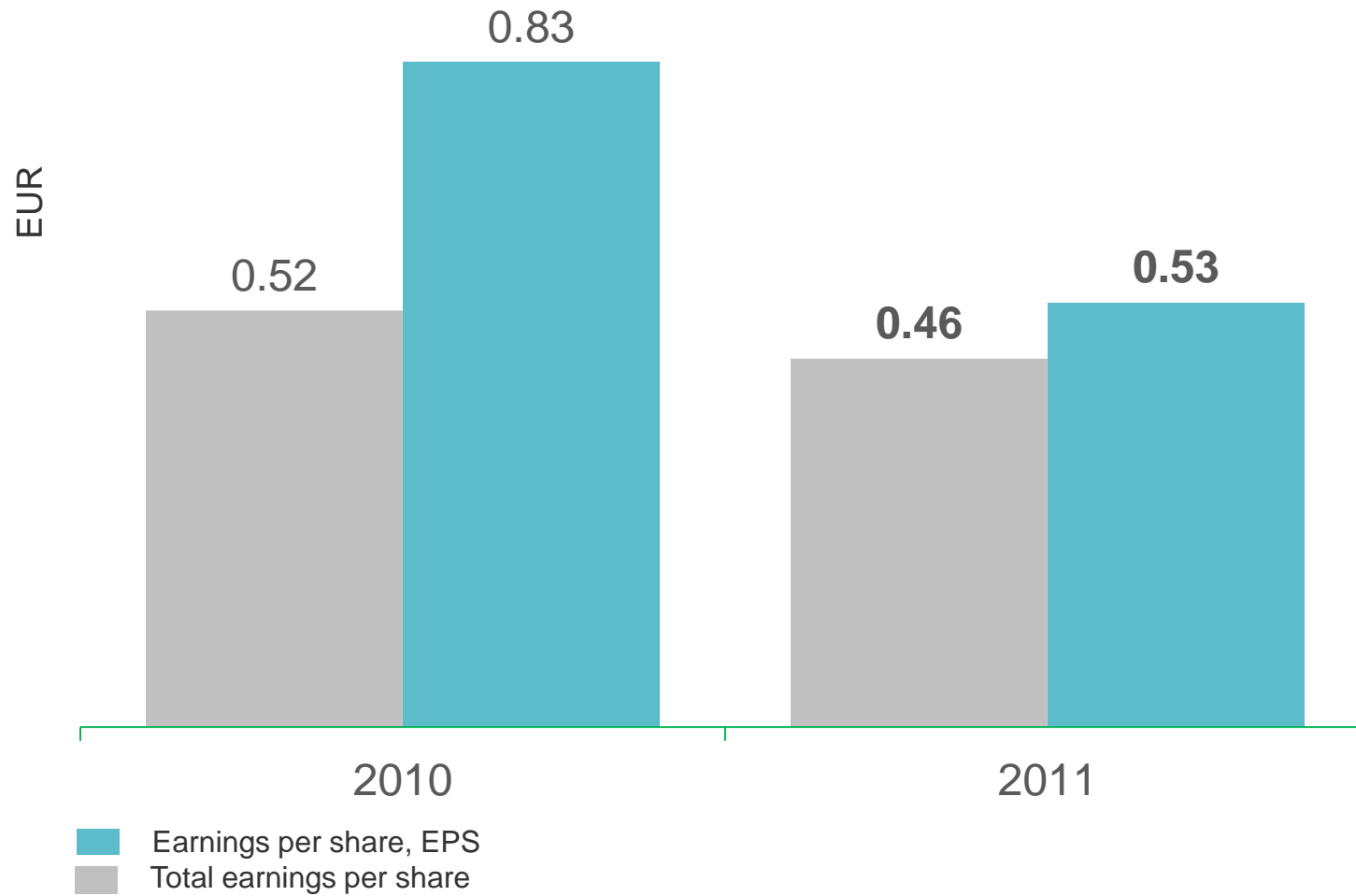
## Result before and after tax



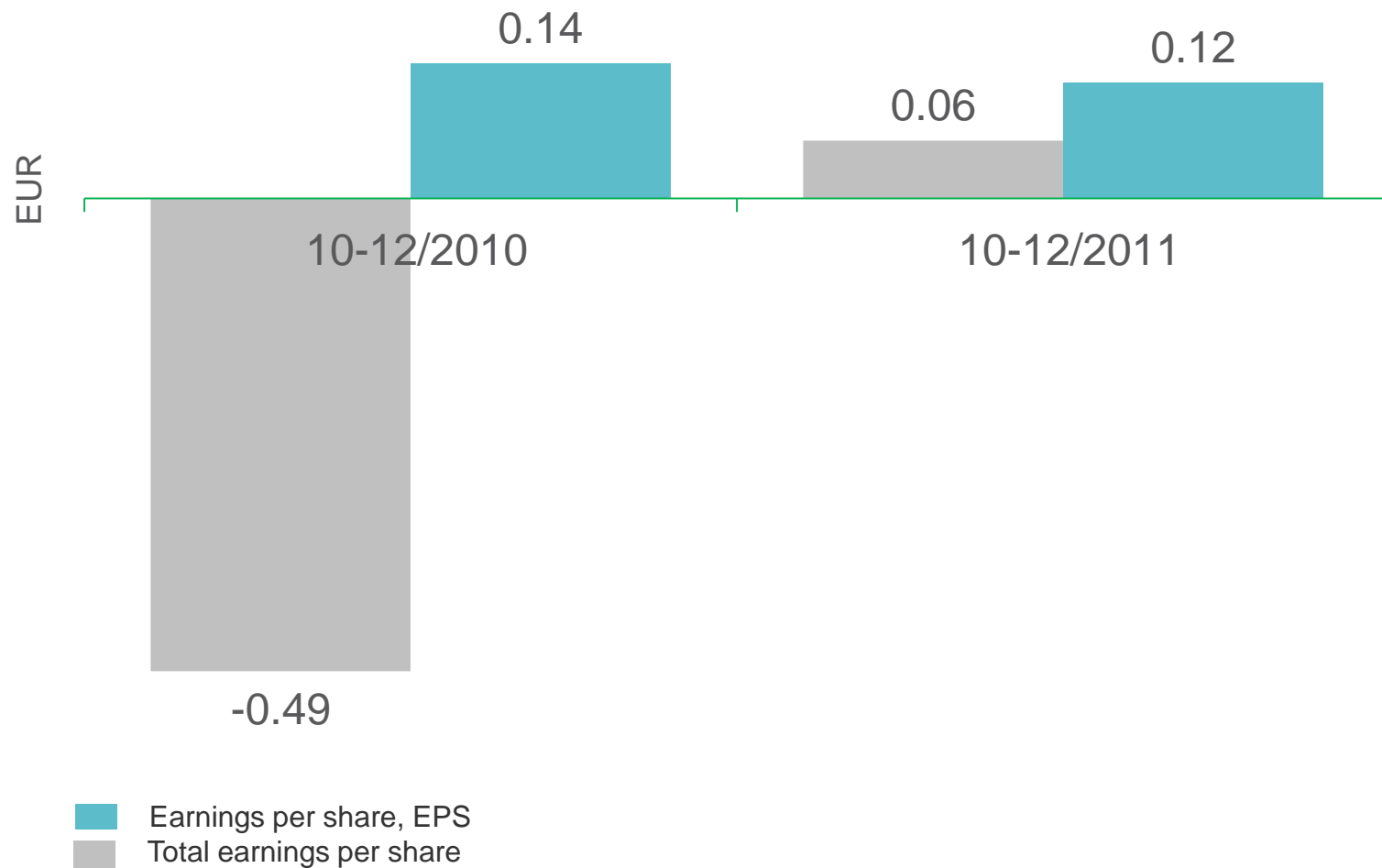
# Operating profit per quarter



# Earnings per share 2011

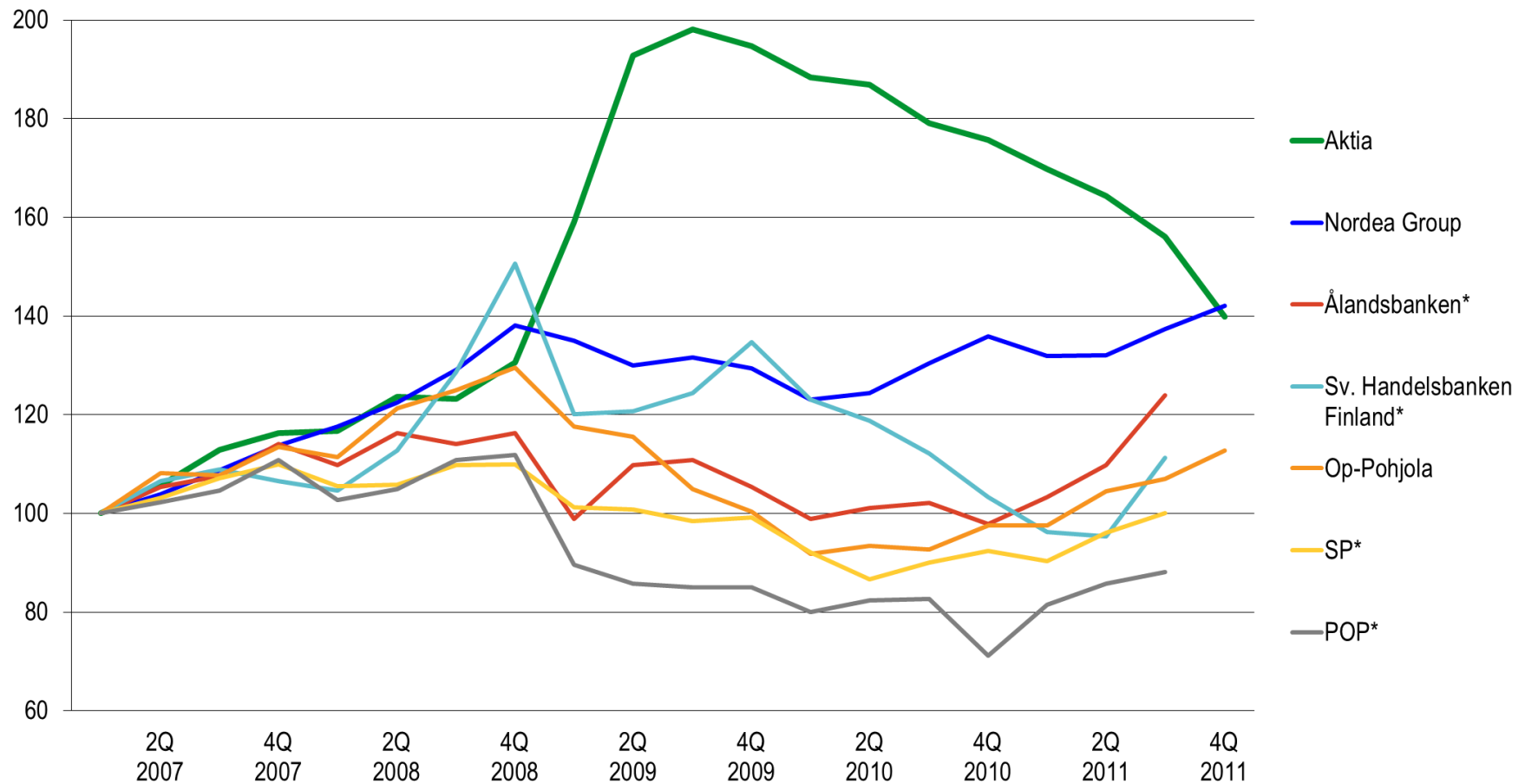


# Earnings per share 10-12/2011



# Net interest income (1/2007 = 100)

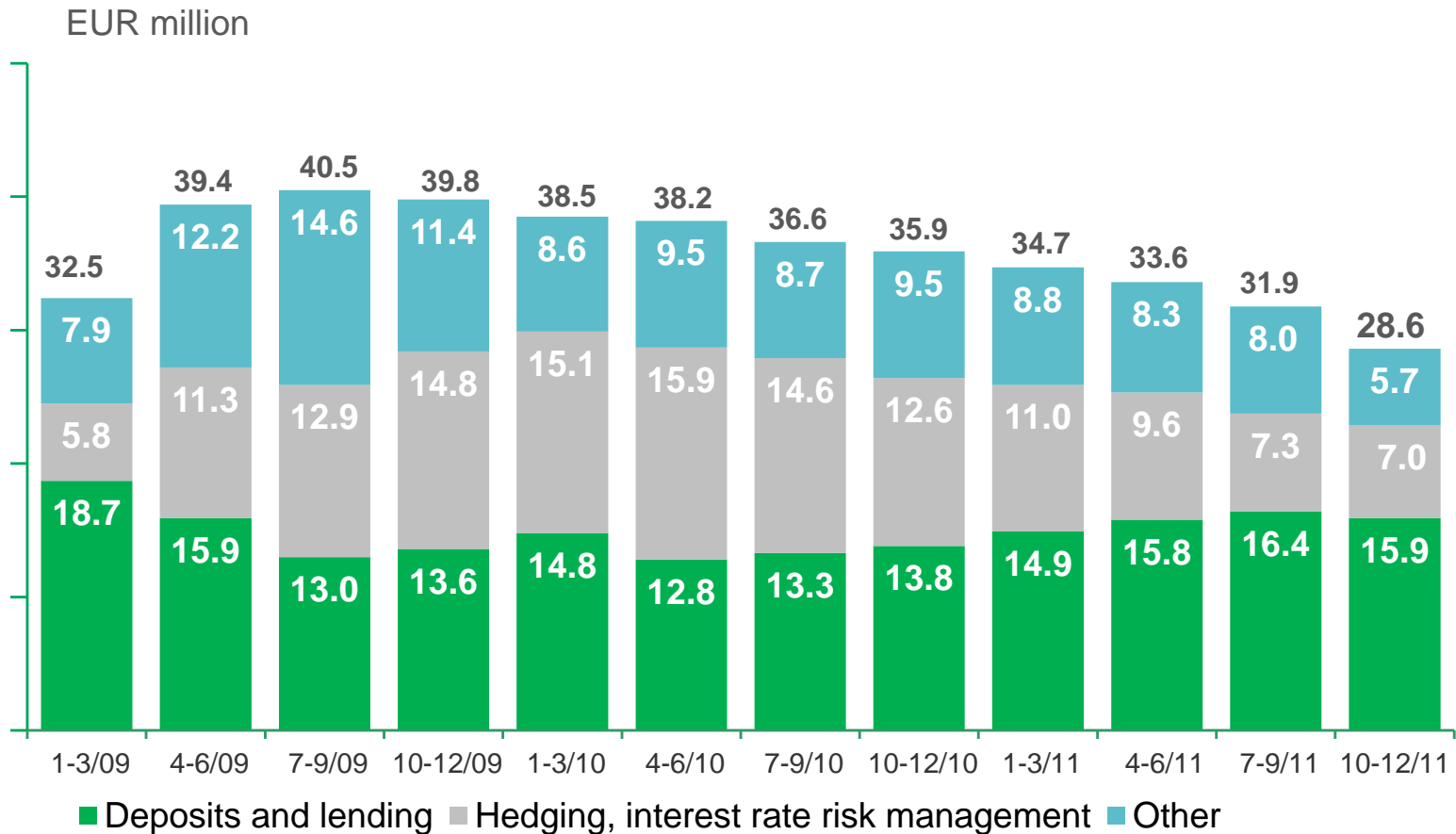
## Banks in Finland



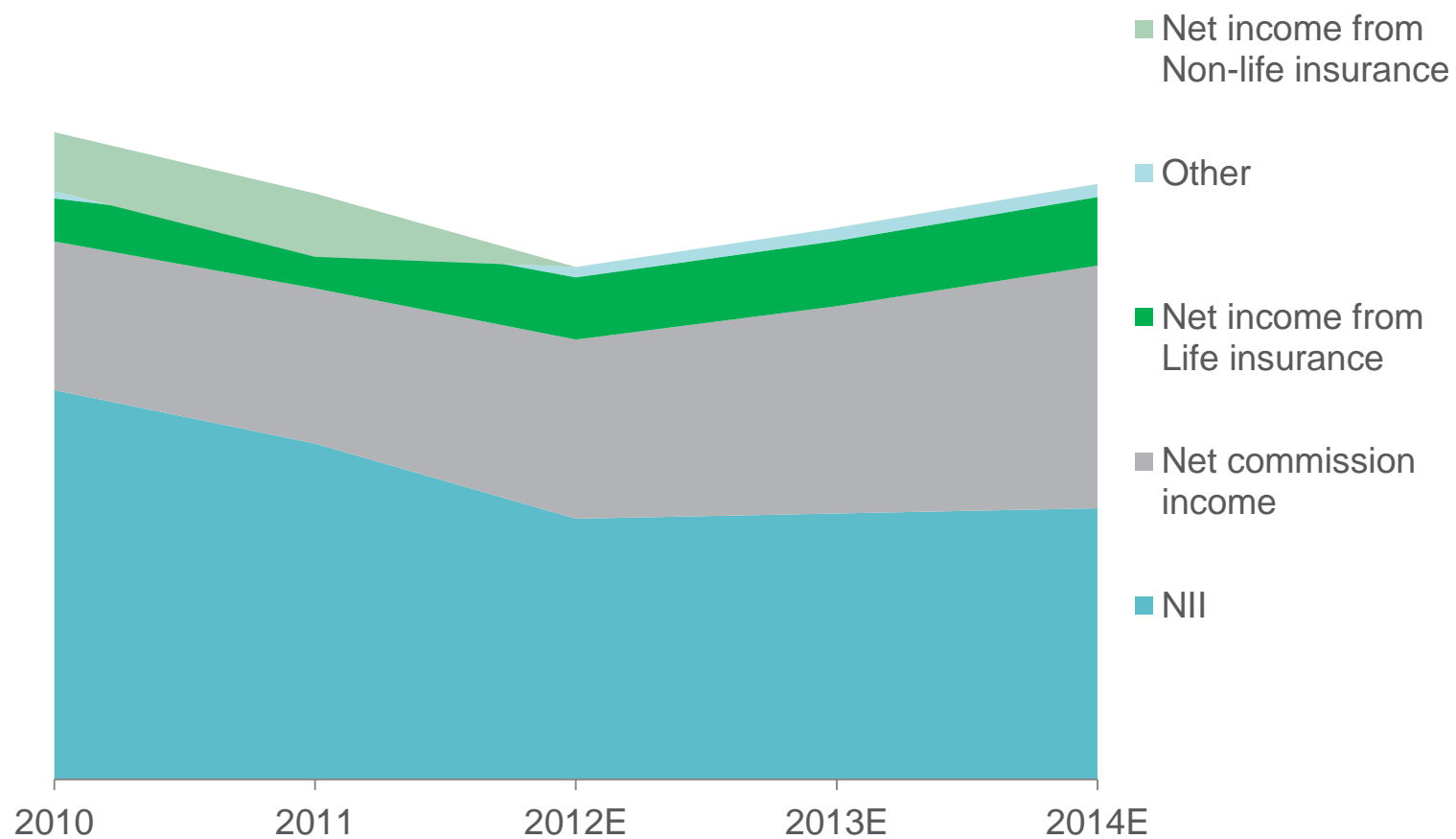
\*3Q/2011

Aktia

# Net interest income, split



# Topline growth



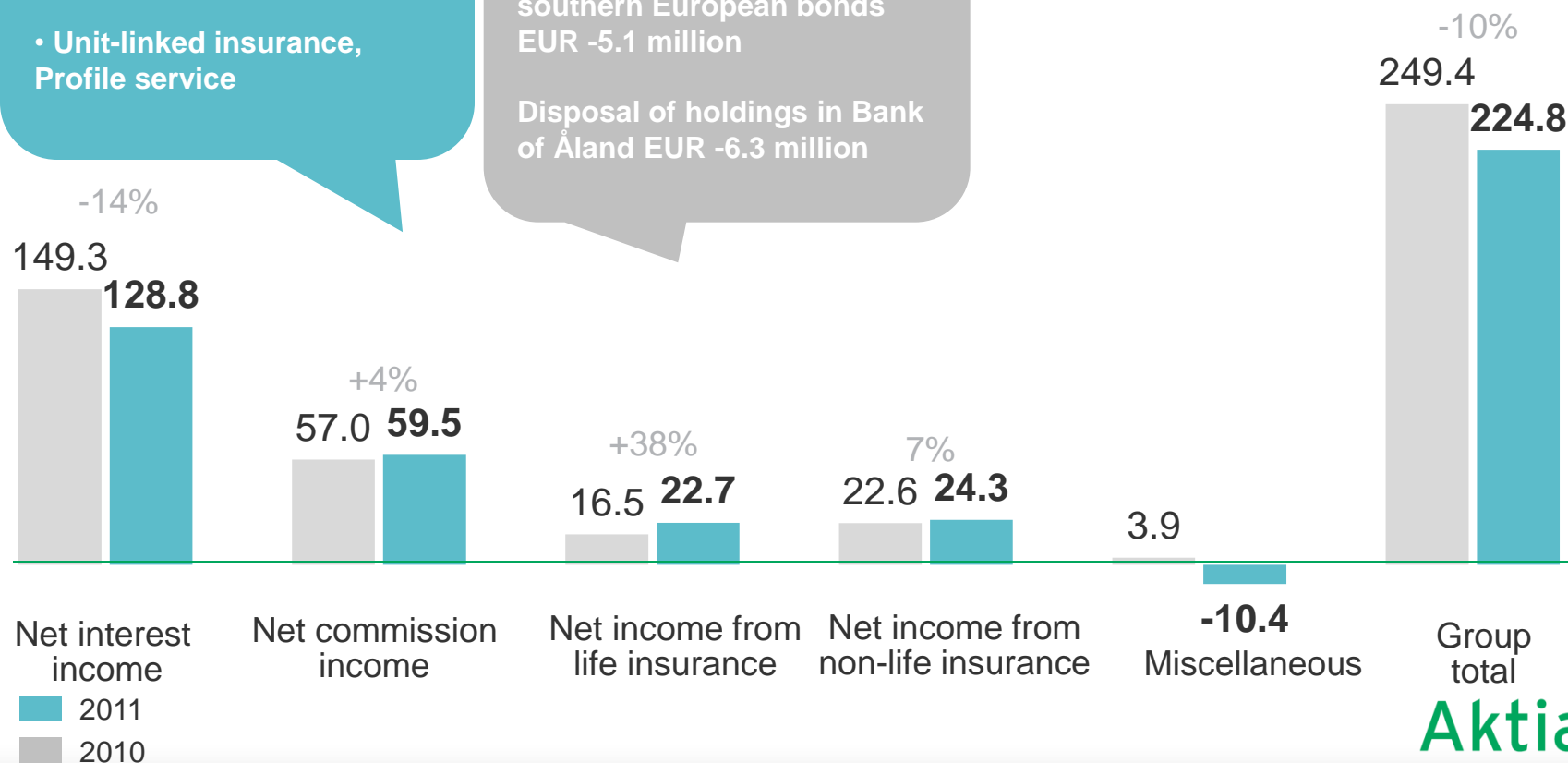
# Income (EUR million)

Increasing long-term savings, positive impact on Net income from life insurance

- Unit-linked insurance, Profile service

Disposal of holdings of southern European bonds EUR -5.1 million

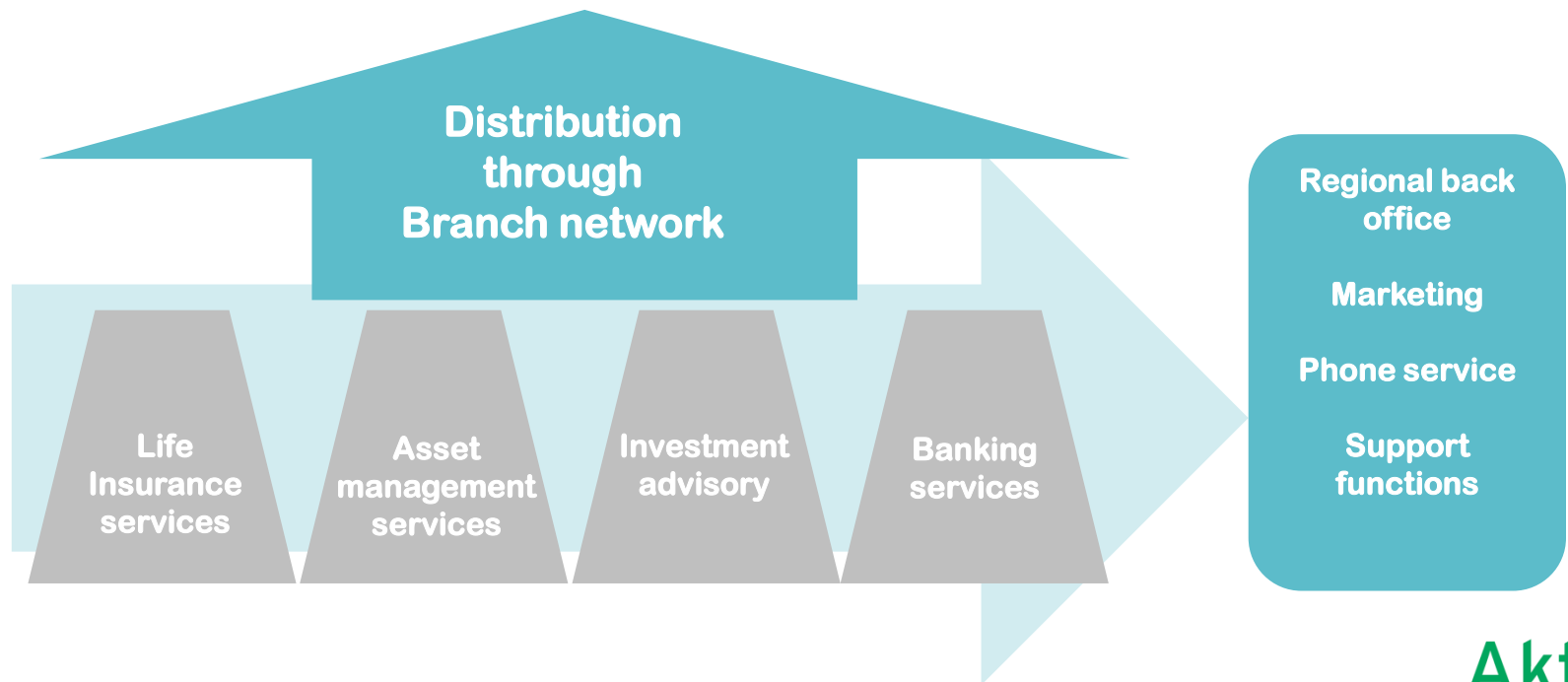
Disposal of holdings in Bank of Åland EUR -6.3 million



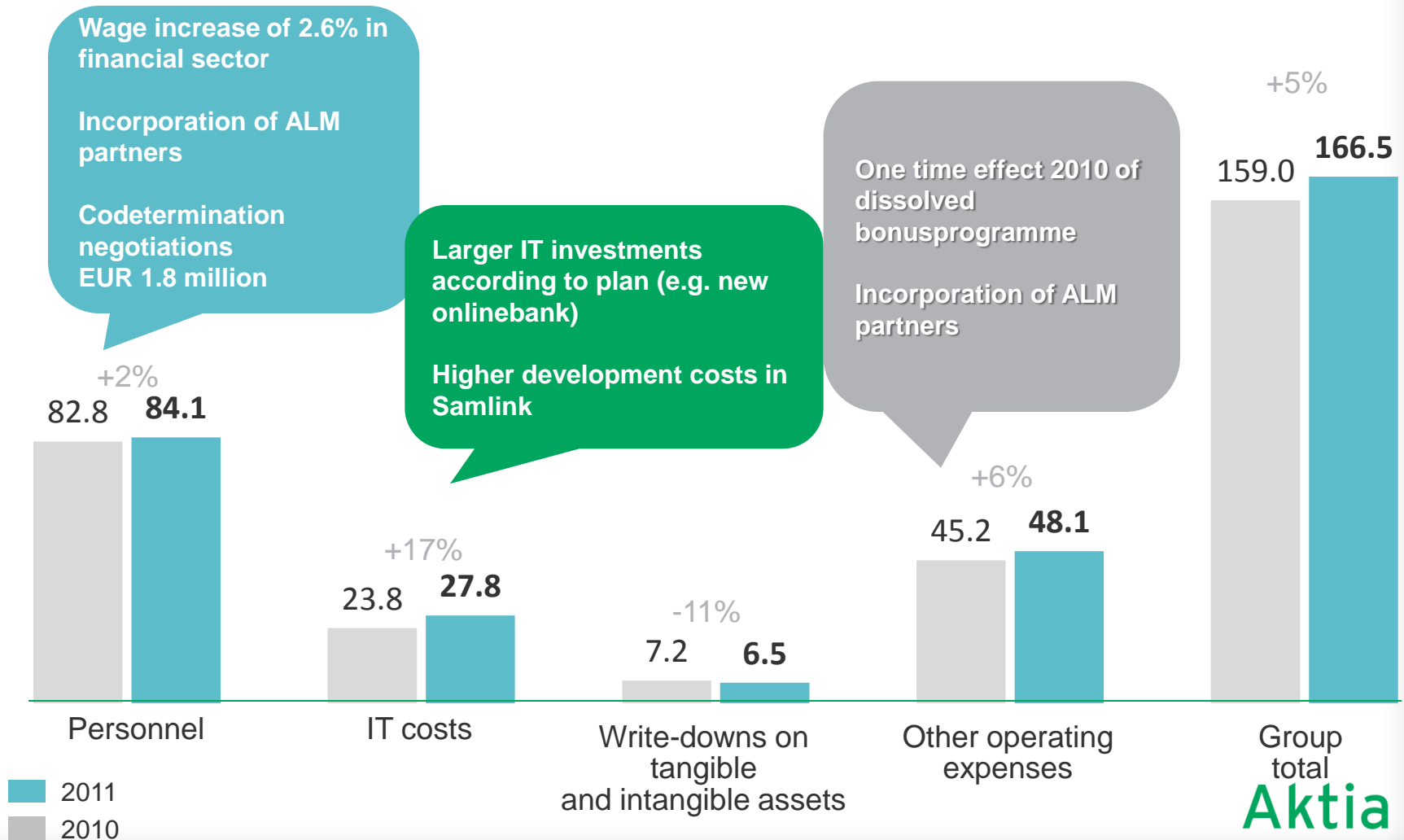
# Improving efficiency

## Actions taken

- Merging distribution of all services
- Centralising functions such as regional back-office, marketing
- IT system upgrade

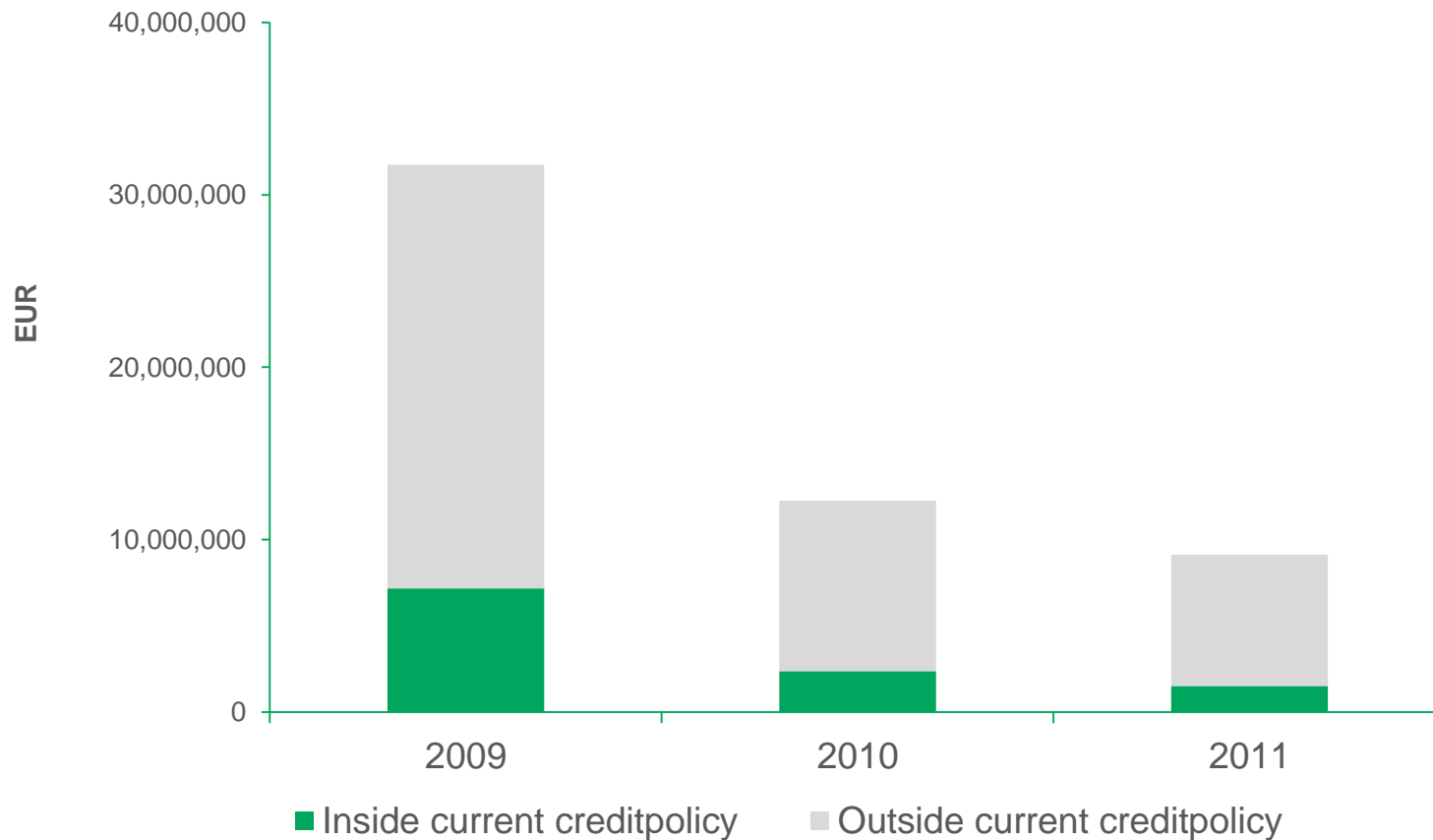


# Expenses (EUR million)



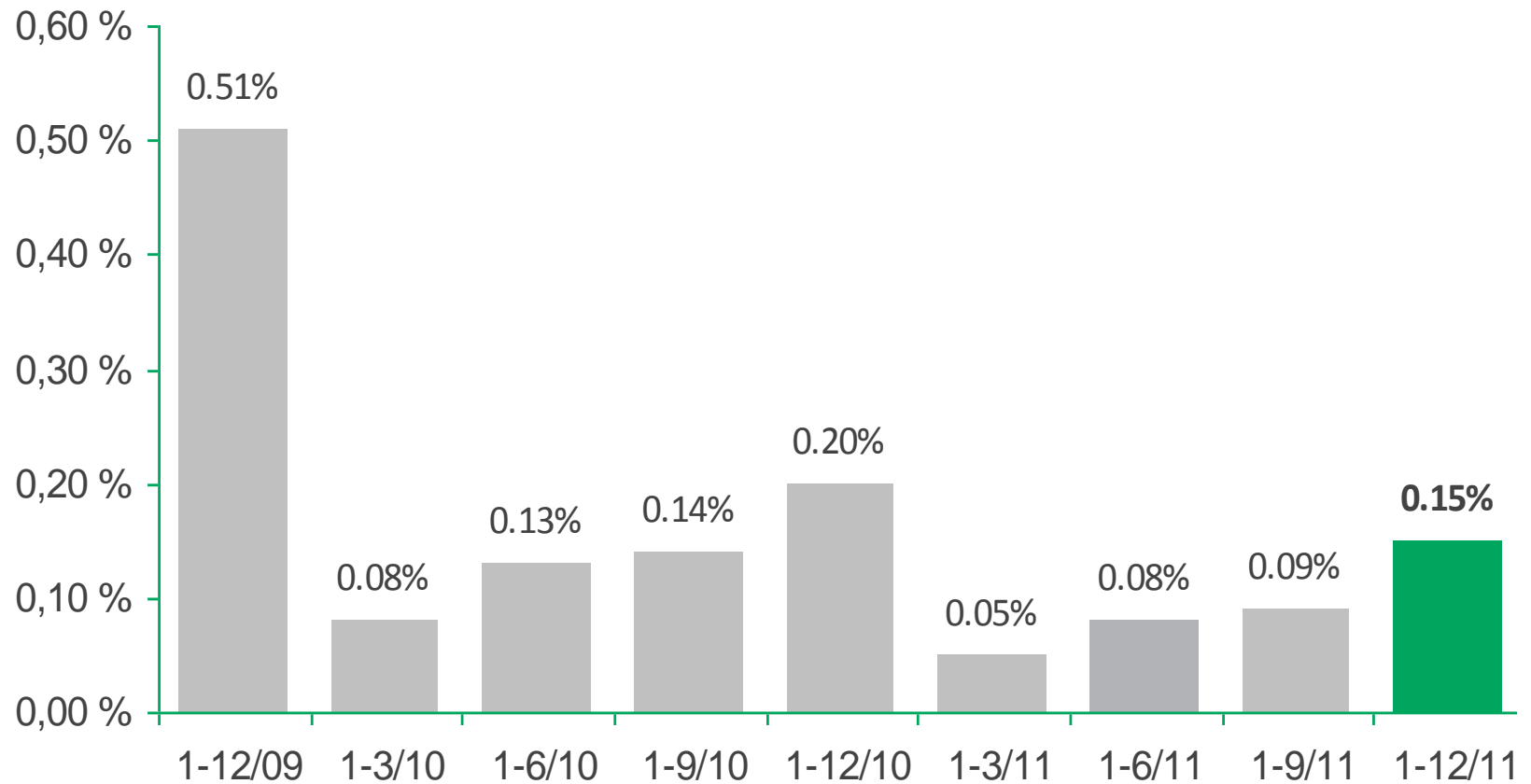
# Net credit losses 2008-2011

## Sharpened credit policy reduces risk



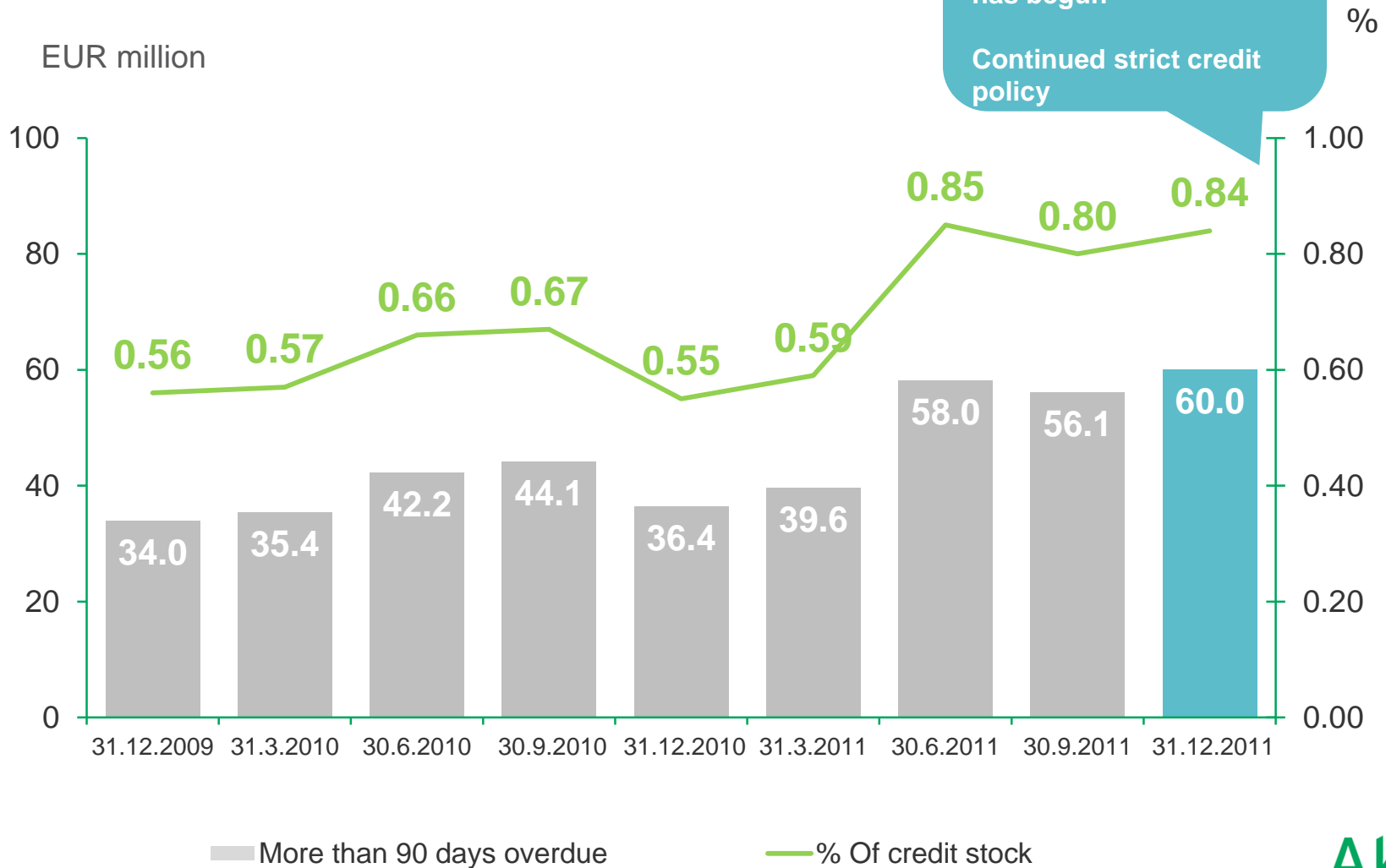
# Cumulative write-downs on credit

% of stock



**Aktia**

# More than 90 days overdue



# Undischarged debts by time overdue

EUR million				
Days	31 December 2011	% of stock	31 December 2010	% of stock
<b>1–30</b>	<b>160</b>	<b>2.25</b>	<b>171</b>	<b>2.58</b>
of which households	115	1.62	118	1.77
<b>31–89</b>	<b>53</b>	<b>0.75</b>	<b>56</b>	<b>0.84</b>
of which households	46	0.64	45	0.67
<b>90*–</b>	<b>60</b>	<b>0.84</b>	<b>36</b>	<b>0.55</b>
of which households	36	0.51	20	0.30

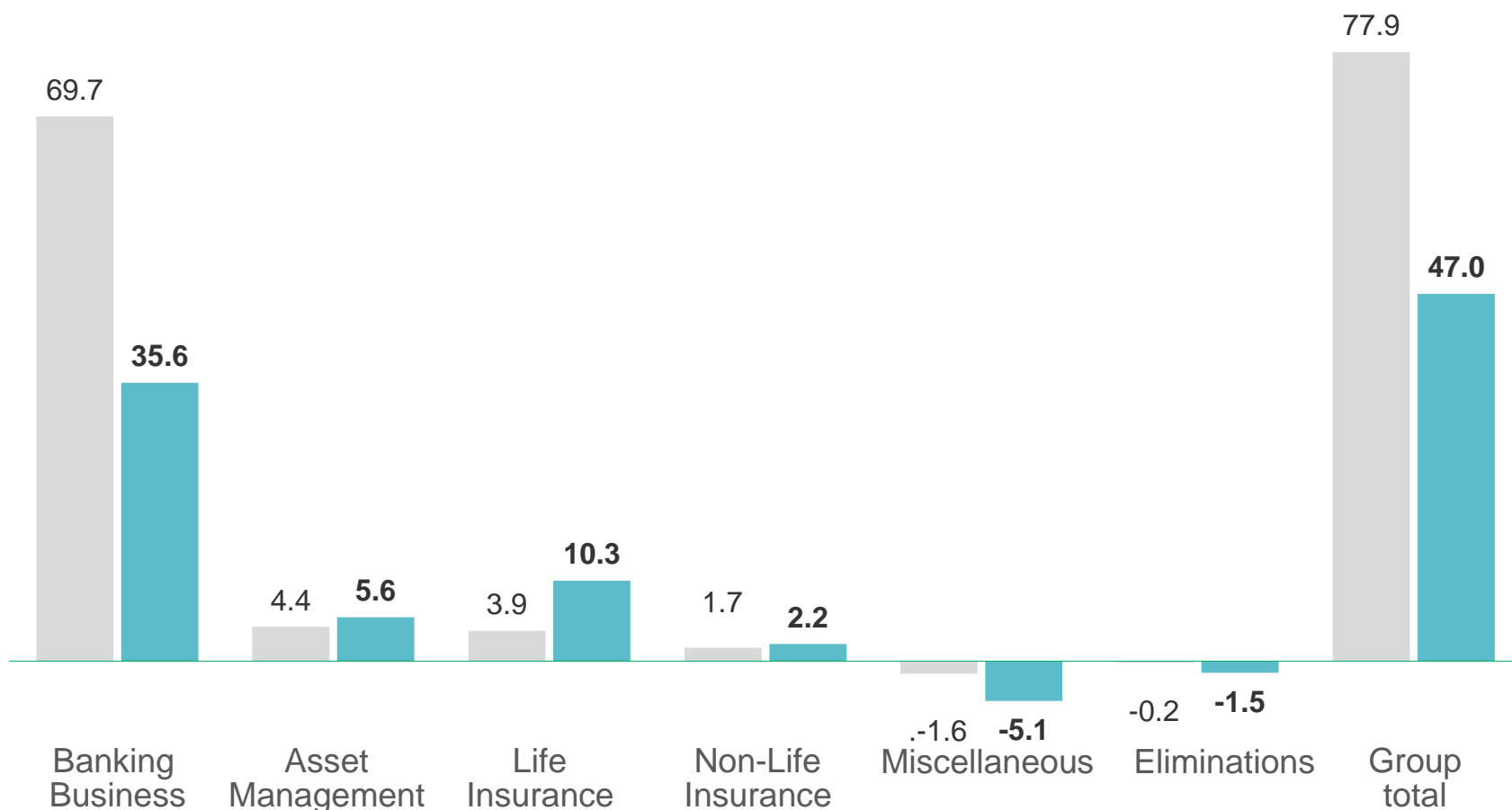
\* collateral accounts for 92% of market value

# Write-downs on credits, guarantee and premium claims

- Total write-downs on credits, other commitments and outstanding premium receivables stood at EUR 11.3 (14.1) million after reversals of EUR 2.8 million for previous years.
- Of these write-downs, EUR 1.4 (0.7) million could be attributed to households and EUR 9.1 (12.3) to companies.
- Write-downs for the non-life insurance company's outstanding premiums were EUR 0.8 (1.1) million.

# The segments' contribution to the Group's operating profit

21



■ 2011  
■ 2010

**Aktia**

# Consolidated income statement

(EUR million)	2011	2010	Change
Net interest income	128.8	149.3	-14%
Dividends	0.2	1.1	-84%
Commission income	74.9	73.8	2%
Commission expenses	-15.5	-16.8	8%
Net commission income	59.5	57.0	4%
Net income from life insurance	22.7	16.5	38%
Net income from non-life insurance	24.3	22.6	7%
Net income from financial transactions	-14.8	-5.6	-165%
Net income from investment properties	0.3	0.5	-49%
Other operating income	3.9	7.9	-50%
<b>Total operating income</b>	<b>224.8</b>	<b>249.4</b>	<b>-10%</b>
Staff costs	-84.1	-82.8	2%
IT costs	-27.8	-23.8	17%
Impairment of tangible and intangible assets	-6.5	-7.2	-11%
Other operating expenses	-48.1	-45.2	6%
<b>Total operating expenses</b>	<b>-166.5</b>	<b>-159.0</b>	<b>5%</b>
Write-downs on credits, other commitments and outstanding premium receivables	-11.3	-14.1	-20%
Share of profit from associated companies	-0.1	1.6	-
<b>Operating profit</b>	<b>47.0</b>	<b>77.9</b>	<b>-40%</b>
Taxes	-10.5	-19.9	-47%
<b>Profit for the reporting period</b>	<b>36.5</b>	<b>58.0</b>	<b>-37%</b>
<b>Attributable to:</b>			
Shareholders in Aktia plc	35.5	55.5	-36%
Holdings where a non-controlling interest exists	1.0	2.6	-62%
<b>Total</b>	<b>36.5</b>	<b>58.0</b>	<b>-37%</b>
Earnings per share (EPS), EUR	0.53	0.83	-36%
Earnings per share (EPS), after dilution, EUR	0.53	0.83	-36 %

# Summary: Result 2011

## Profit

Aktia's operating profit amounted to EUR 47.0 (77.9) million.

## Income

Income decreased to EUR 224.8 (249.4) million.

Net interest income amounted to EUR 128.8 (149.3) million.

## Expenses

The Group's operating expenses increased by 5% to EUR 166.5 (159.0) million.

## Write-downs

The Group's write-downs totalled EUR 11.3 million (14.1) million.

# Accounts Announcement

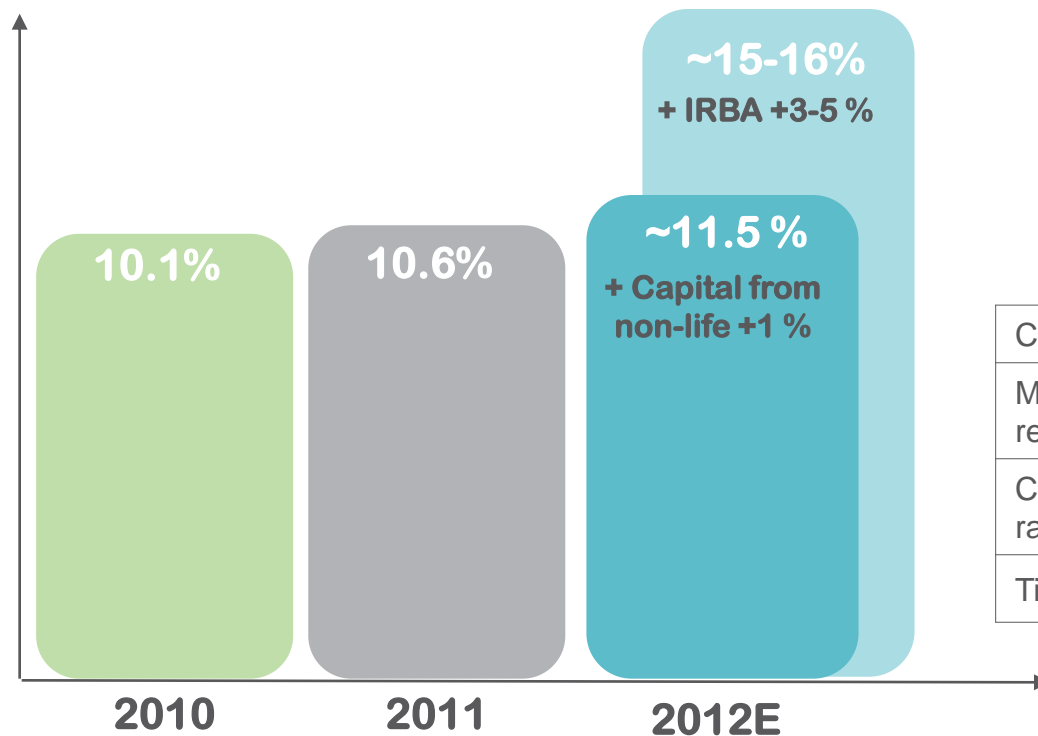
## 1 January –31 December 2011

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# Capital adequacy in banking business

## IRBA expected to increase Tier 1 by 3-5%

- Capital released from sale of the non-life insurance to strengthen the Tier 1 by approx 1%
- IRBA expected to be approved during 2012



	31 December 2011	31 December 2010
Capital buffer	303.5	291.8
Minimum capital requirements	295.5	293.8
Capital adequacy ratio	16.2%	15.9%
Tier 1 capital ratio	10.6%	10.1%

## Post – IRBA targets (preliminary)

	<b>Tier 1</b>	<b>Capital Ratio</b>
• Aktia Bank	~15% (~16-17%)	above 18% (~26%)
• Aktia REMB	above 15% (~19-20%)	above 18% (~22%)
• Banking Group	above 12% (~15-16%)	above 15% (~22%)

## Rating Moody's 1/2012 vs 12/2006

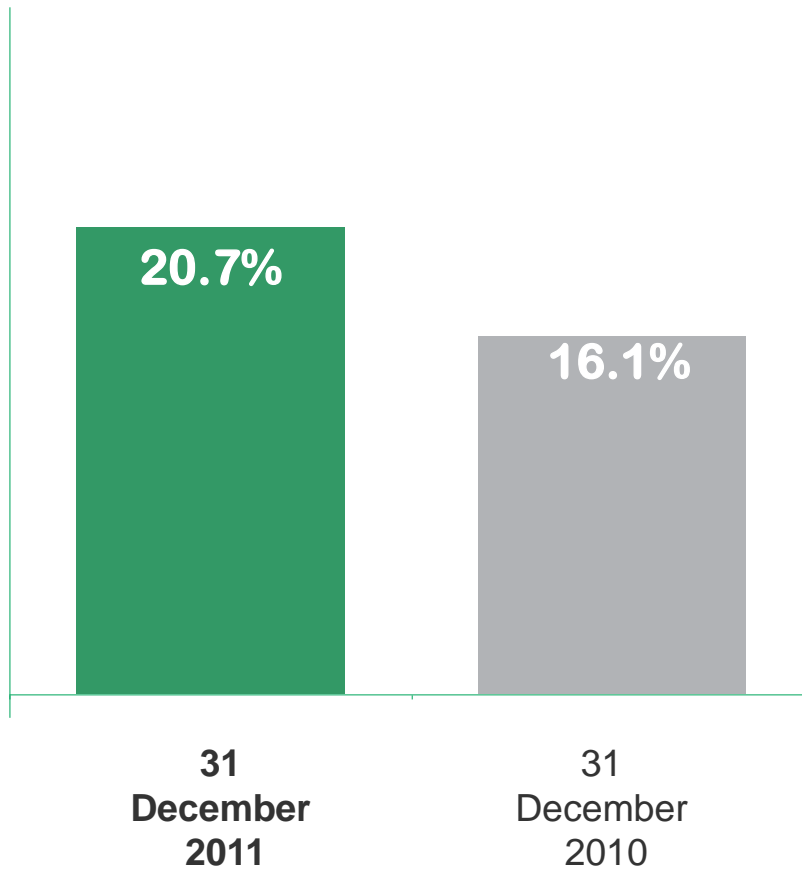
	1/2012	12/2006	Förändring
SHB	Aa2	Aa1	-1
Nordea	Aa2	Aa3	+1
Nordea Finland	Aa2	Aa3	+1
Pohjola Bank	Aa2 (Under review)	Aa2	0
Sampo Bank	A1	A1	0
SEB	A1	Aa3	-1
<b>Aktia</b>	<b>A1 (Under review)</b>	<b>A3</b>	<b>+2</b>
Swedbank	A2	Aa3	-2
Danske Bank	A2 (Negative)	Aa1	-4

## Long-term rating 15.2.2012

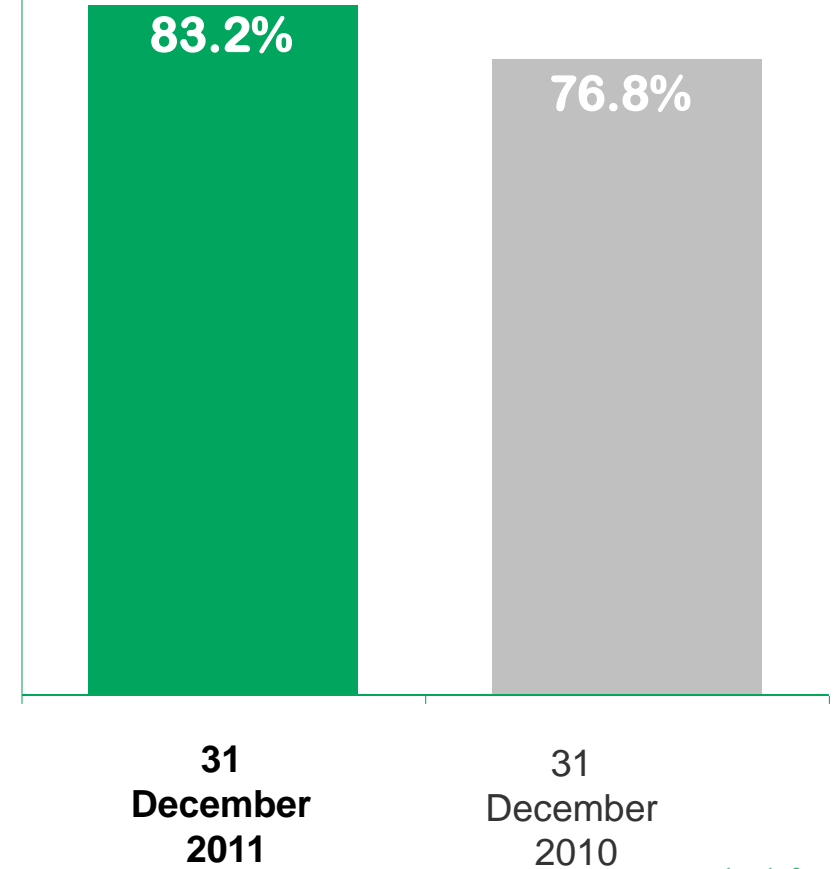
	Moodys	Standard & Poors	Fitch
Nordea	Aa2	AA-	AA-
Handelsbanken	Aa2	AA-	AA-
Pohjola	Aa2, under review	AA-	A+
DNB Nor	Aa3	A+	A+
SEB	A1	A+	A+
Sampo Bank	A1	A, negative	-
Aktia	A1, under review	-	-
Swedbank	A2	A+	A
Danske Bank	A2, negative	A, negative	A, negative
Deutsche Bank	Aa3	A+, negative	A+
BNP Paribas	Aa3, negative	AA-, negative	A+
Credit Agricole	Aa3, negative	A	A
Barclays	A1	A	A
Societe Generale	A1, negative	A	A+, negative
Commerzbank	A2-, under review	A, negative	A+
RBS	A3, negative	A-	A
HSBC	Aa2, negative	A+	AA
Santander	Aa3, negative	A+, negative	A, negative
BBVA	Aa3, negative	A, negative	A, negative
Unicredit	A2	BBB+, negative	A-, negative
Ispim	A2, negative	BBB+, negative	A-, negative
Lloyds	A2	A-	A
Sparebank 1	A1	-	A-
Sparebank Vest	A2	-	A-
Nykredit	A2, negative	A+	-
Sydbank	A2	-	-
SNS Bank NV	Baa1	A-, negative	BBB+

# Stable solvency

## Life Insurance



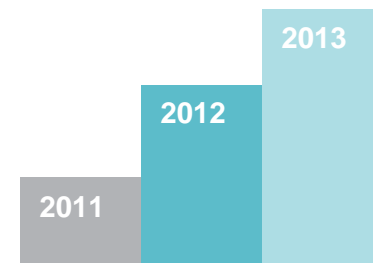
## Non-Life Insurance



# Liquidity

## Actions taken

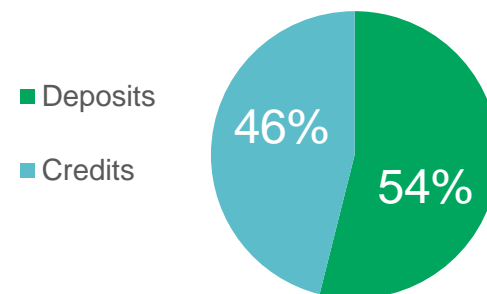
- Aktia Real Estate Mortgage Bank
  - Binding agreement with savings banks and POP Banks on senior funding
  - Higher Tier 1 ambition
  - Credits to housing associations in run-off phase
- Liquidity limit to local banks
  - Volume nearly halved
- Reviewed Corporate (SME) policy
  - Credits outside new policy in run-off unit
  - SME deposits now exceed credits



EUR 320 million



EUR 180 million



■ Deposits

■ Credits

**Aktia**

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

Smaller gross portfolio

Lower loan-to-value

Strengthened liquidity

1,968

21%

69%

10%

31 Dec 2011

2,677

30%

57%

12%

31 Dec 2010



Government and gov. guaranteed



Covered Bonds



Financial sector, excl. CB



Corporate loans

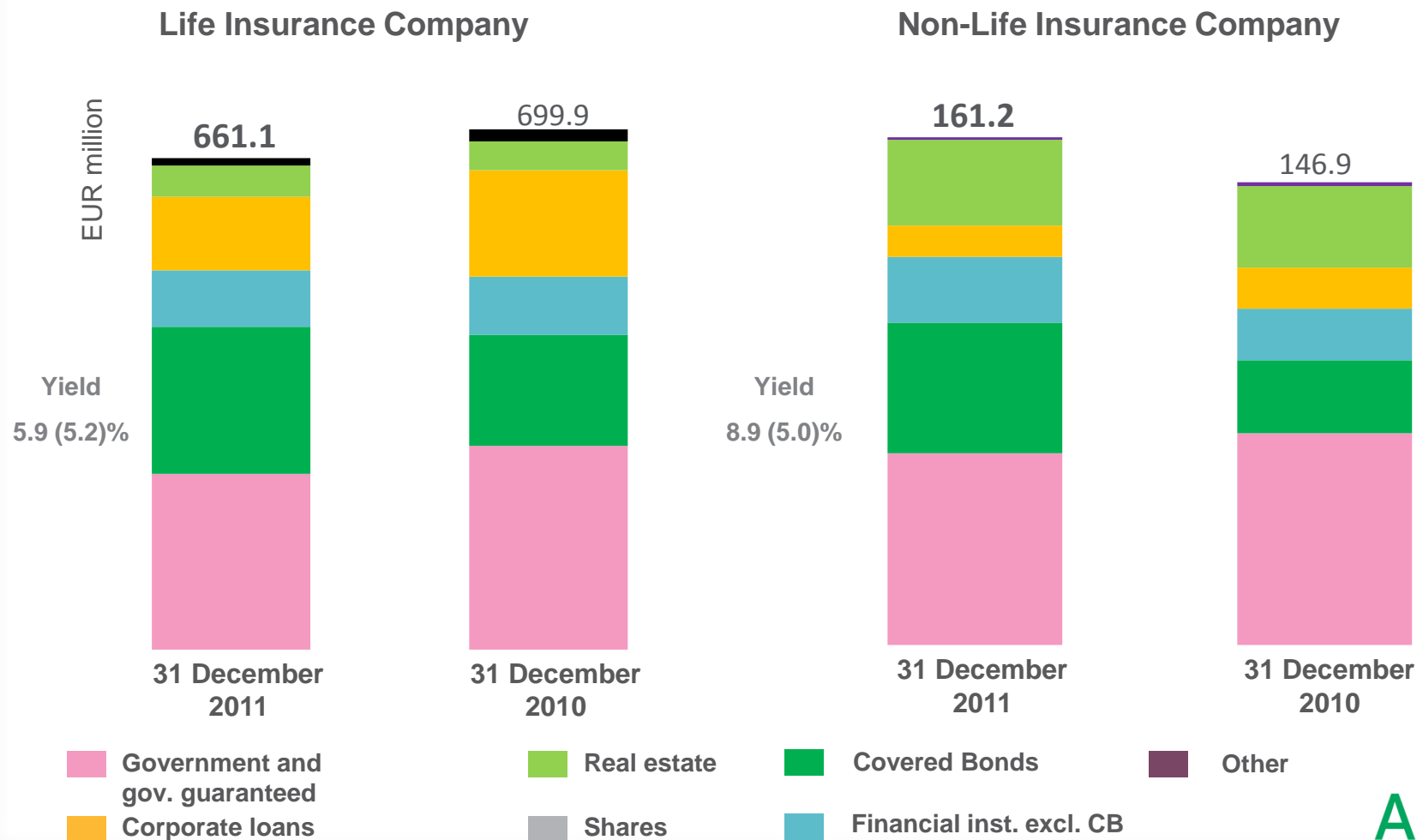


Miscellaneous

## Rating distribution for the liquidity portfolio of the Bank Group

	31 Dec 2011	31 Dec 2010
(EUR million)	1,968	2,599
Aaa	56.0%	53.0%
Aa1–Aa3	21.9%	32.3%
A1–A3	11.9%	10.8%
Baa1–Baa3	5.9%	0.8%
Ba1–Ba3	1.9%	0.7%
B1–B3	0.0%	0.0%
Caa1 or lower	0.0%	0.0%
Finnish municipalities (no rating)	2.1%	1.8%
No rating	0.3%	0.6%
<b>Total</b>	100.0%	100.0%

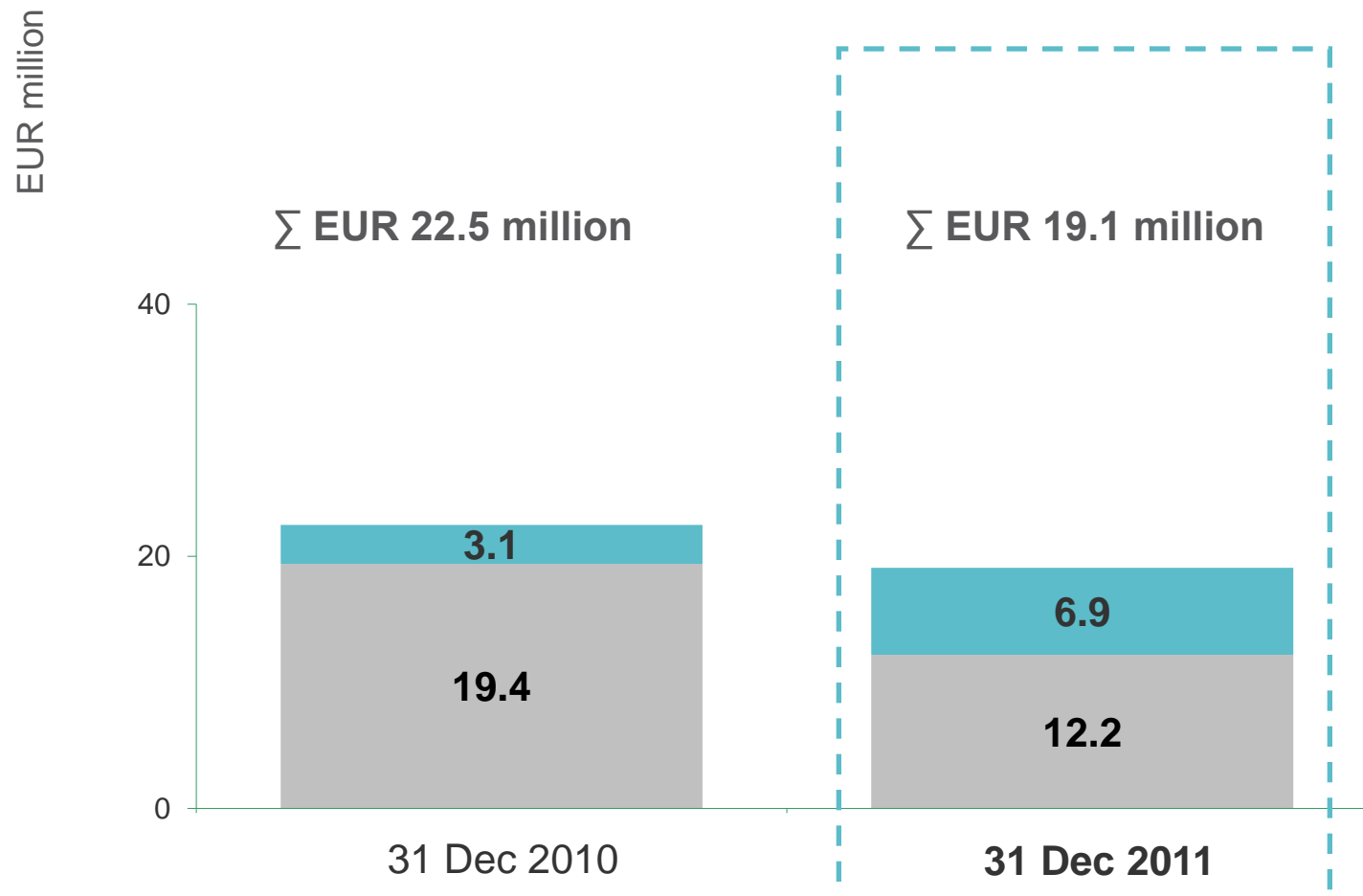
# Continued convergence towards Solvency II



# Rating distribution for life and non-life insurance businesses

Life Insurance (EUR million)	31 December 2011 546	31 December 2010 577	Skadeförsäkring (EUR million)	31 December 2011 116	31 December 2010 113
Aaa	70.5%	58.9%	Aaa	72.9%	57.9%
Aa1–Aa3	8.7%	13.1%	Aa1–Aa3	13.8%	24.4%
A1–A3	11.5%	14.3%	A1–A3	9.5%	7.0%
Baa1–Baa3	4.1%	6.2%	Baa1–Baa3	1.4%	1.4%
Ba1–Ba3	0.8%	2.3%	Ba1–Ba3	0.0%	7.1%
B1–B3	0.0%	0.1%	B1–B3	0.0%	0.0%
Caa1 or lower	0.0%	0.2%	Caa1 or lower	0.0%	0.0%
Finnish municipalities	0.0%	0.0%	Inhemska kommuner	0.0%	0.0%
No rating	4.4%	4.9%	Utan rating	2.4%	2.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Totalt</b>	<b>100.0%</b>	<b>100.0%</b>

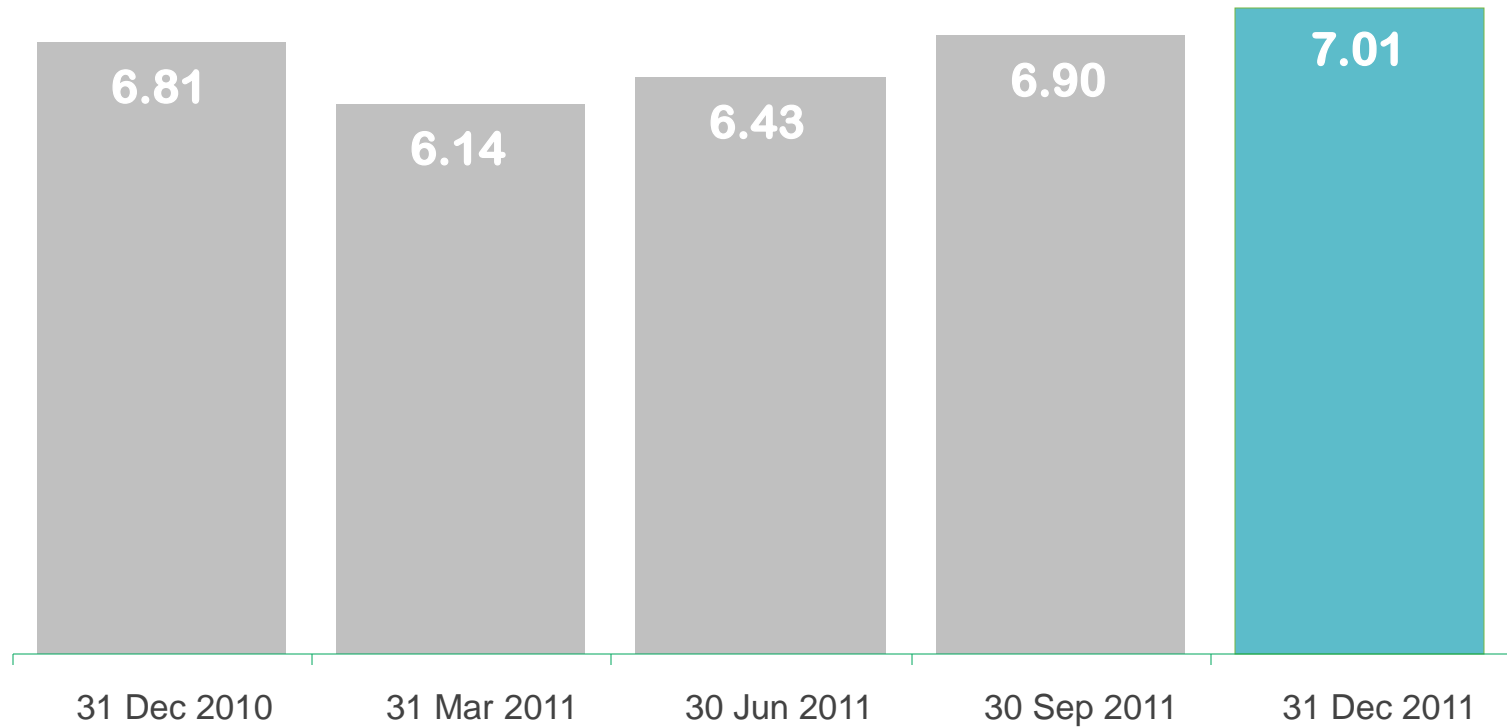
# Fund at fair value



- Interest-bearing securities and cash flow hedging
- Shares and participations

# Equity per share (NAV)

Group  
EUR



# Summary: capital adequacy 2011

## Capital adequacy

The Bank Group's capital adequacy amounted to 16.2 (15.9)%.  
The Tier 1 capital ratio was 10.6 (10.1)%.

## The life insurance company's solvency margin

The solvency margin was EUR 117.3 (98.8) million.  
Solvency ratio 20.7 (16.1)%.

## The non-life insurance company's solvency capital

The solvency capital amounted to EUR 53.2 (46.6) million.  
Risk carrying capacity 83.2 (76.8)%.

## Aktia Bank plc's rating A1/C/P-1

The rating of Aktia Bank was taken under review in November.

The covered bonds issued by [Aktia Real Estate Mortgage Bank plc](#) have a Moody's Investors Service credit rating of Aa1.

# Accounts Announcement

## 1 January – 31 December 2011

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# Balance sheet 31 December 2011

**The Group's balance sheet total was almost unchanged** and amounted to EUR 11,056 (11,019) million.

**Borrowing was up 7 %** to EUR 3,645 (3,397) million.

**Lending to the public increased 7 %**

and amounted to EUR 7,063 (6,592) million. Loans to private households amounted to EUR 5,966 million or 84.5%.

**The housing loan stock amounted to EUR 5,607** (5,121) million, showing an increase of 9%.

**Corporate lending continued to be moderate**

The credit stock amounted to EUR 758 (761) million.

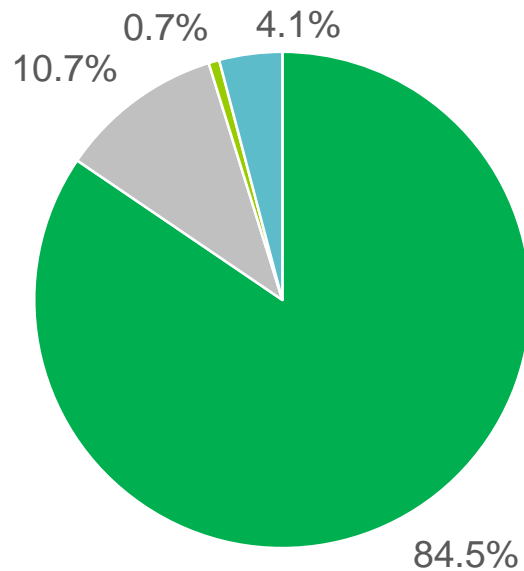
**Aktia Real Estate Mortgage Bank issued** fixed rate covered bonds worth EUR 600 million over 5 years in June.

# Credit and deposit stocks

## 31 December 2011

Credits

EUR 7,063 (6,592) million



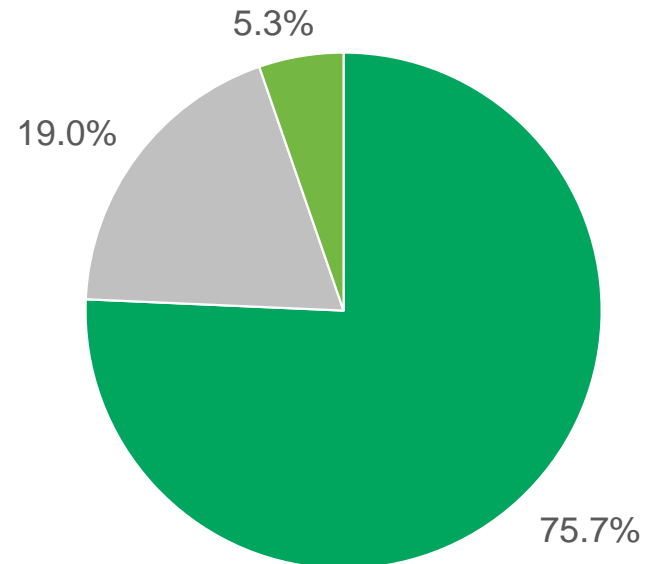
Households

Housing associations

Small and medium sized enterprises (SME)

Deposits

EUR 3,645 (3,397) million



Public sector entities and non-profit org.

# Share capital and ownership 31 Dec 2011

	Series A shares	Series R shares	Shares total	Shares, %	Votes	Votes, %
<b>The 20 largest shareholders:</b>						
Stiftelsen Tre Smeder	3,009,837	3,997,265	7,007,102	10.5	82,955,137	18.5
Livränteanstalten Hereditas	4,648,114	2,066,106	6,714,220	10.0	45,970,234	10.3
Pensionsförsäkringsaktiebolaget Veritas	4,027,469	2,134,397	6,161,866	9.2	46,715,409	10.4
Oy Hammarén & Co Ab	1,905,000	950,000	2,855,000	4.3	20,905,000	4.7
Ömsesidiga arbetspensionsförsäkringsbolaget Varma	2,675,000	-	2,675,000	4.0	2,675,000	0.6
Svenska litteratursällskapet i Finland rf	1,681,786	789,229	2,471,015	3.7	17,466,366	3.9
Aktiastiftelsen i Esbo-Grankulla	1,146,585	1,243,358	2,389,943	3.6	26,013,745	5.8
Stiftelsen för Åbo Akademi	1,495,640	751,000	2,246,640	3.4	16,515,640	3.7
Aktiastiftelsen i Borgå	1,303,370	651,525	1,954,895	2.9	14,333,870	3.2
Aktiastiftelsen i Vanda	900,000	1,045,402	1,945,402	2.9	21,808,040	4.9
Alfred Berg Finland Mutual funds	1,534,505	-	1,534,505	2.3	1,534,505	0.3
Aktiastiftelsen i Vasa	978,525	547,262	1,525,787	2.3	11,923,765	2.7
Sparbanksstiftelsen i Kyrkslätt	876,529	438,264	1,314,793	2.0	9,641,809	2.2
Sparbanksstiftelsen i Karis-Pojo	787,350	393,675	1,181,025	1.8	8,660,850	1.9
Föreningen Konstsamfundet rf	670,040	370,951	1,040,991	1.6	8,089,060	1.8
Sparbanksstiftelsen i Ingå	646,236	324,318	970,554	1.4	7,132,596	1.6
Ab Kelonia Oy	549,417	308,662	858,079	1.3	6,722,657	1.5
Sparbanksstiftelsen i Sibbo	462,002	232,001	694,003	1.0	5,102,022	1.1
Sparbanksstiftelsen i Sjundea	379,377	227,188	606,565	0.9	4,923,137	1.1
Palkkiyhtymä Oy	600,000	-	600,000	0.9	600,000	0.1
<b>Largest 20 owners</b>	<b>30,276,782</b>	<b>16,470,603</b>	<b>46,747,385</b>	<b>69.8</b>	<b>359,688,842</b>	<b>80.3</b>
Other	16,660,126	3,580,247	20,240,373	30.2	88,265,066	19.7
<b>Total</b>	<b>46,936,908</b>	<b>20,050,850</b>	<b>66,987,758</b>	<b>100.0</b>	<b>447,953,908</b>	<b>100.0</b>

# Accounts Announcement

## 1 January – 31 December 2011

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# Outlook 2012

**To strengthen profitability costs will be cut** and risks and capital managed.

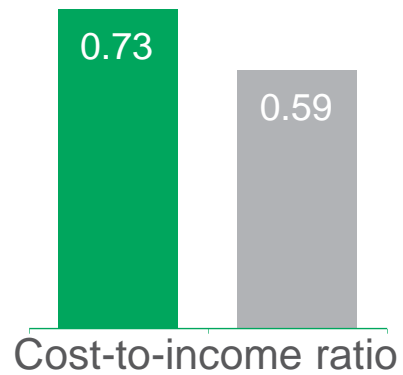
**The interest rate derivatives that temporarily lifted the net interest income (NII) to an exceptional level** have matured. The high NII level from 2009–2011 is therefore not possible to replicate in a low interest rate environment. Write-downs are expected to decrease in 2012. **The operating result for 2012 is expected to be lower than in 2011.**

**Market value may change.** The market value of Aktia Bank's financial and other assets may change as a result of, among other things, a requirement for higher returns among investors.

**New regulation.** The financial crisis has resulted in many new initiatives for regulating banking and insurance businesses, which has brought uncertainty concerning future capital requirements. A change in capital requirements could actualise both capitalisation needs and need for changes in the Aktia Group's structure.

# Cost efficiency

Banking Business



Life Insurance

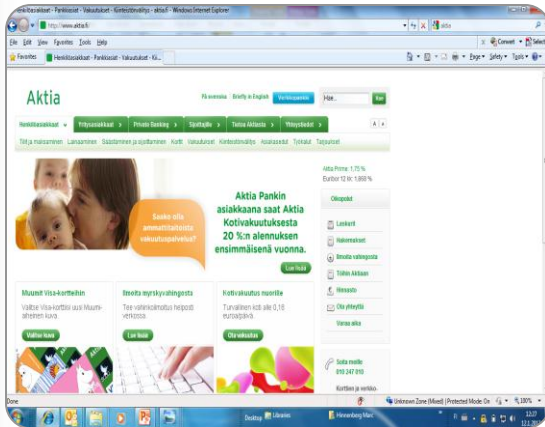


Non-Life Insurance

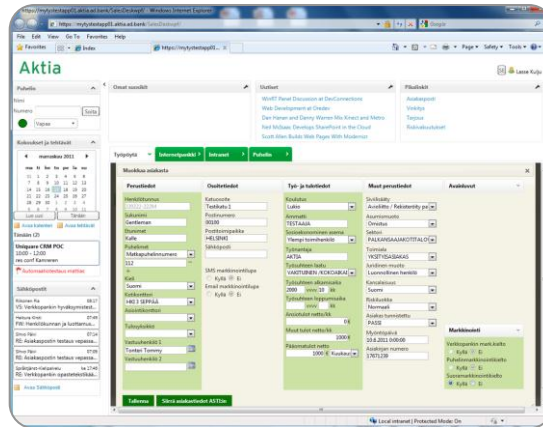


■ 2011  
■ 2010

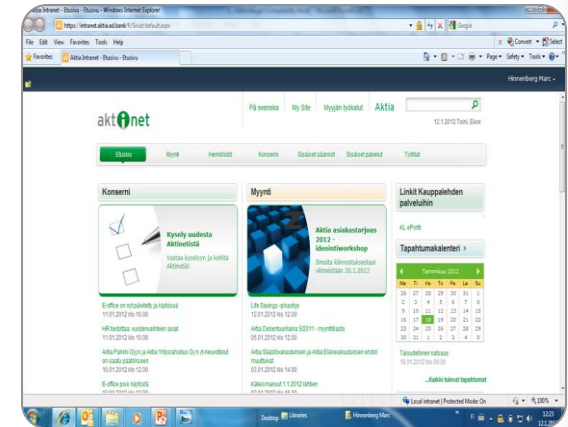
# FOCUS 2013 Development projects



Onlinebank



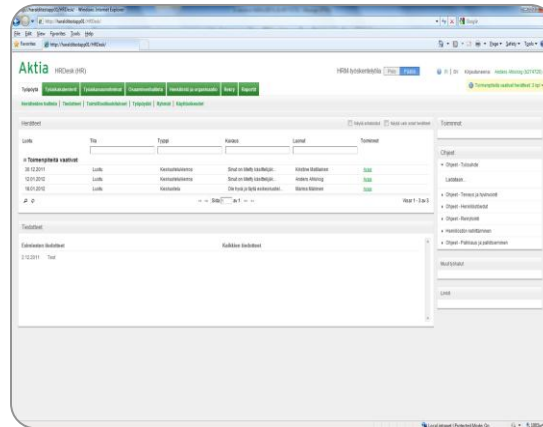
Salesman's desktop



Intranet



Aktia Store



HR projects



Regional Back-office

# Aktia