

Aktia Bank

**Interim Report
1-6/2016**



4-6/2016: One-time gains improved result

- **Operating profit was EUR 22.4 (19.7) million. One-time gain from sale of Visa Europe EUR 5.9 million. Comparable operating profit EUR 16.6 million.**
- **Net commission income decreased 5% to EUR 20.7 (21.7) million and NII decreased by 1% to EUR 24.1 (24.3) million.**
- **Operating expenses increased by 3% to EUR 36.8 (35.8) million.**
- **Write-downs on credits and other commitments amounted to EUR -0.1 (+1.5) million.**
- **Profit amounted to EUR 18.0 (16.5) million. Comparable profit was EUR 13.3 million. Earnings per share (EPS) was EUR 0.27 (0.25).**

1-6/2016: Challenging market early in the year

- Operating profit was EUR 37.0 (36.7) million.
- Net commission income decreased 4% to EUR 39.6 (41.3) million and NII decreased by 2% to EUR 48.7 (49.8) million.
- Operating expenses increased 3% to EUR 73.3 (71.5) million.
- Write-downs on credits and other commitments amounted to EUR -0.2 (+0.4) million.
- Profit amounted to EUR 29.9 (29.5) million. Earnings per share (EPS) was EUR 0.45 (0.45).
- CET1 was 19.7 (20.7)%
- Outlook 2016 (unchanged) : Aktia's operating profit for 2016 is expected to reach an approximately similar level as in 2015

Events after the reporting period

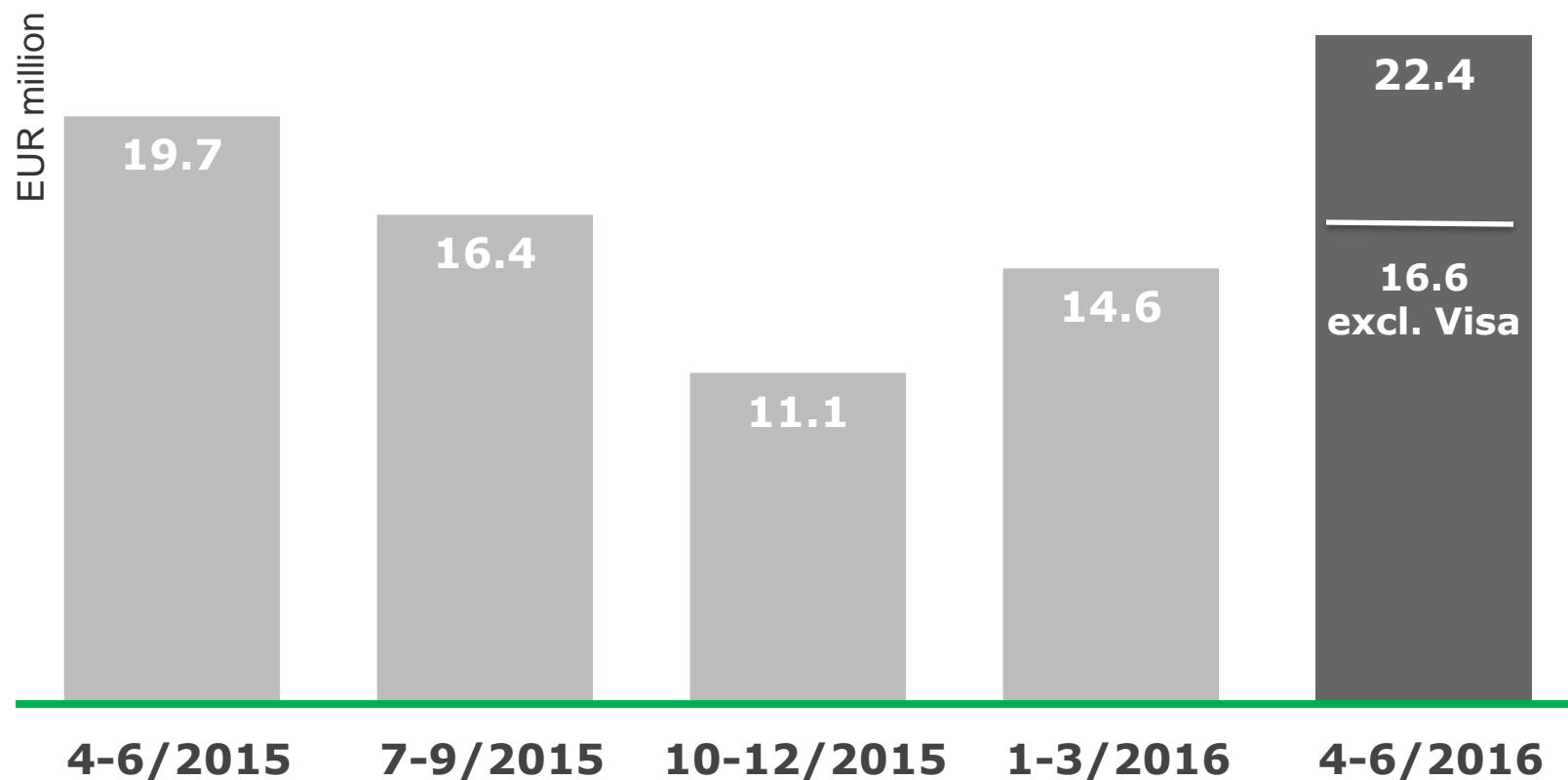
- **Moody's improved Aktia's outlook to positive** (previously stable) and kept the rating unchanged at A3/P-2
- **Aktia acquired Elisa Rahoitus => Aktia Finance Ltd**
 - Acquisition price was EUR one (1) million
 - No significant impact on Aktia Bank's result

Interim Report

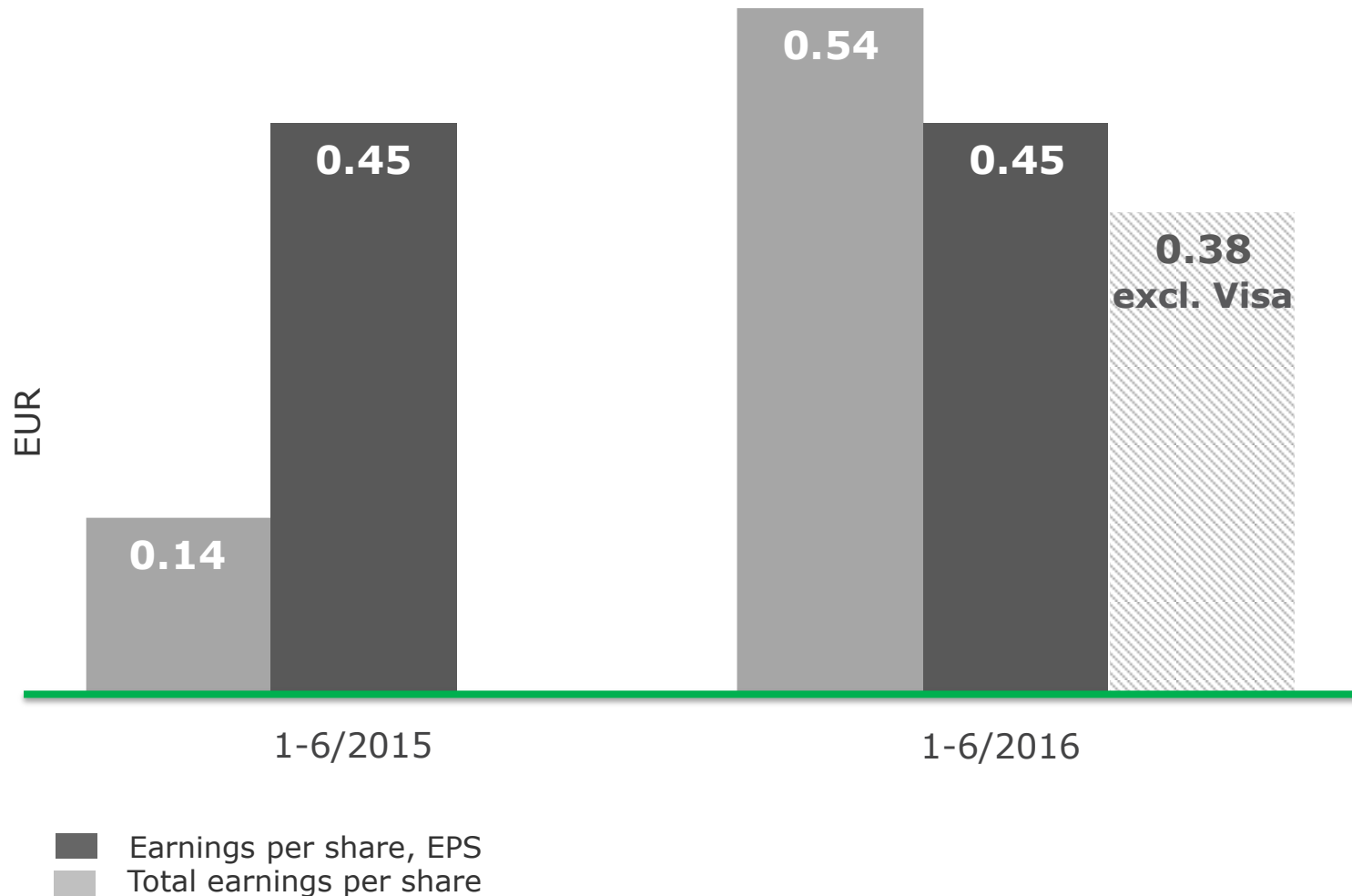
1 January – 30 June 2016

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

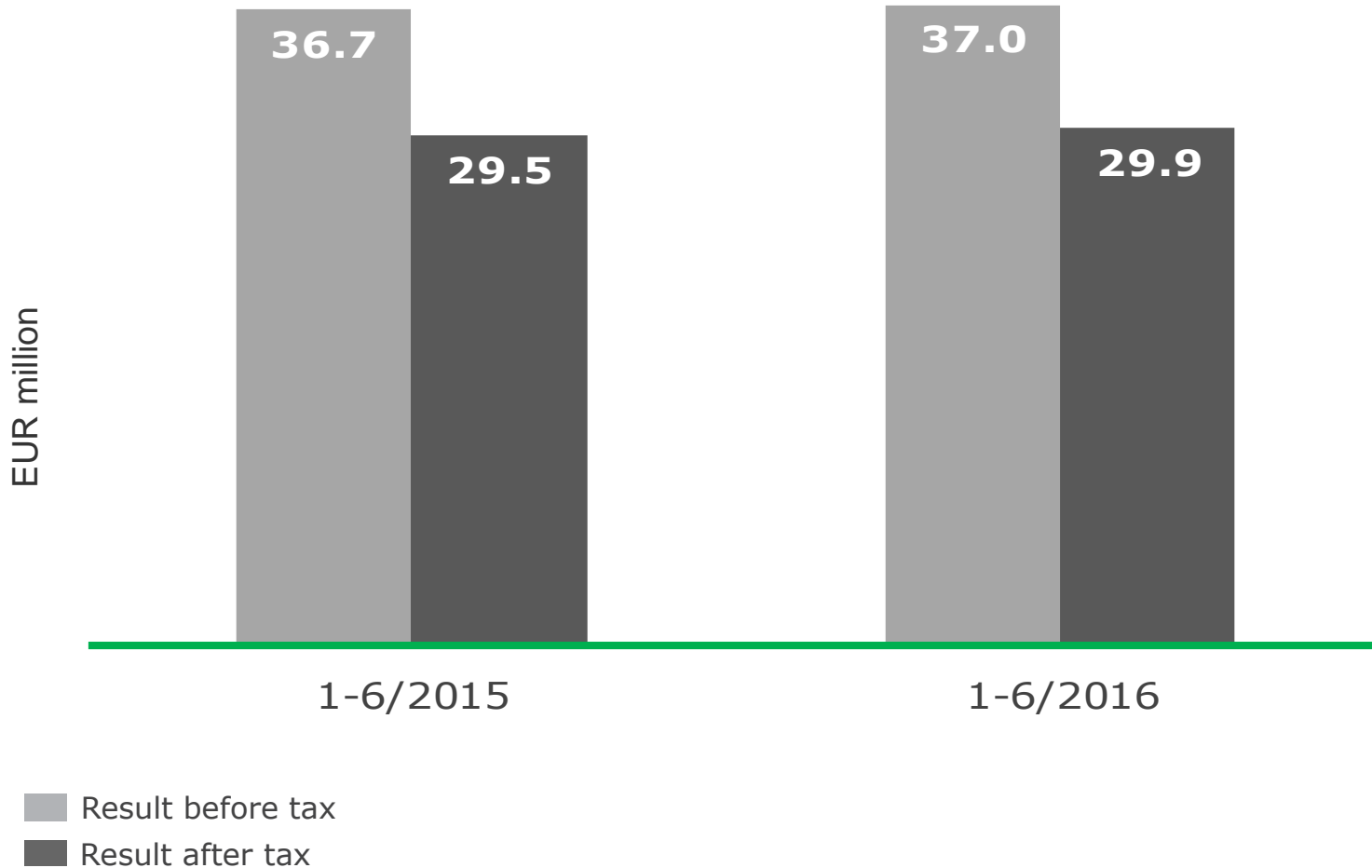
Operating profit for the quarter



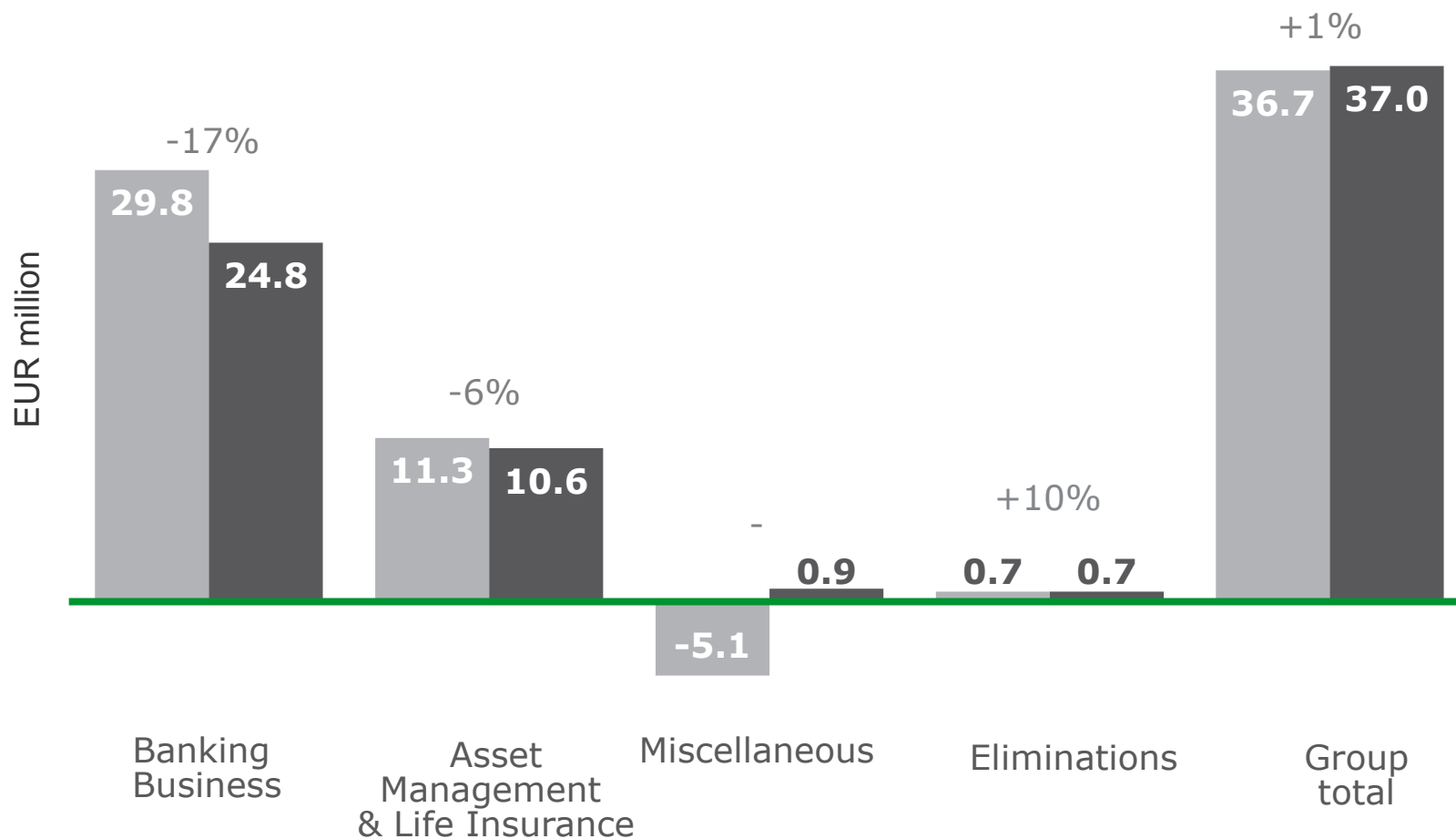
Earnings per share 1-6/2016



Result before and after tax

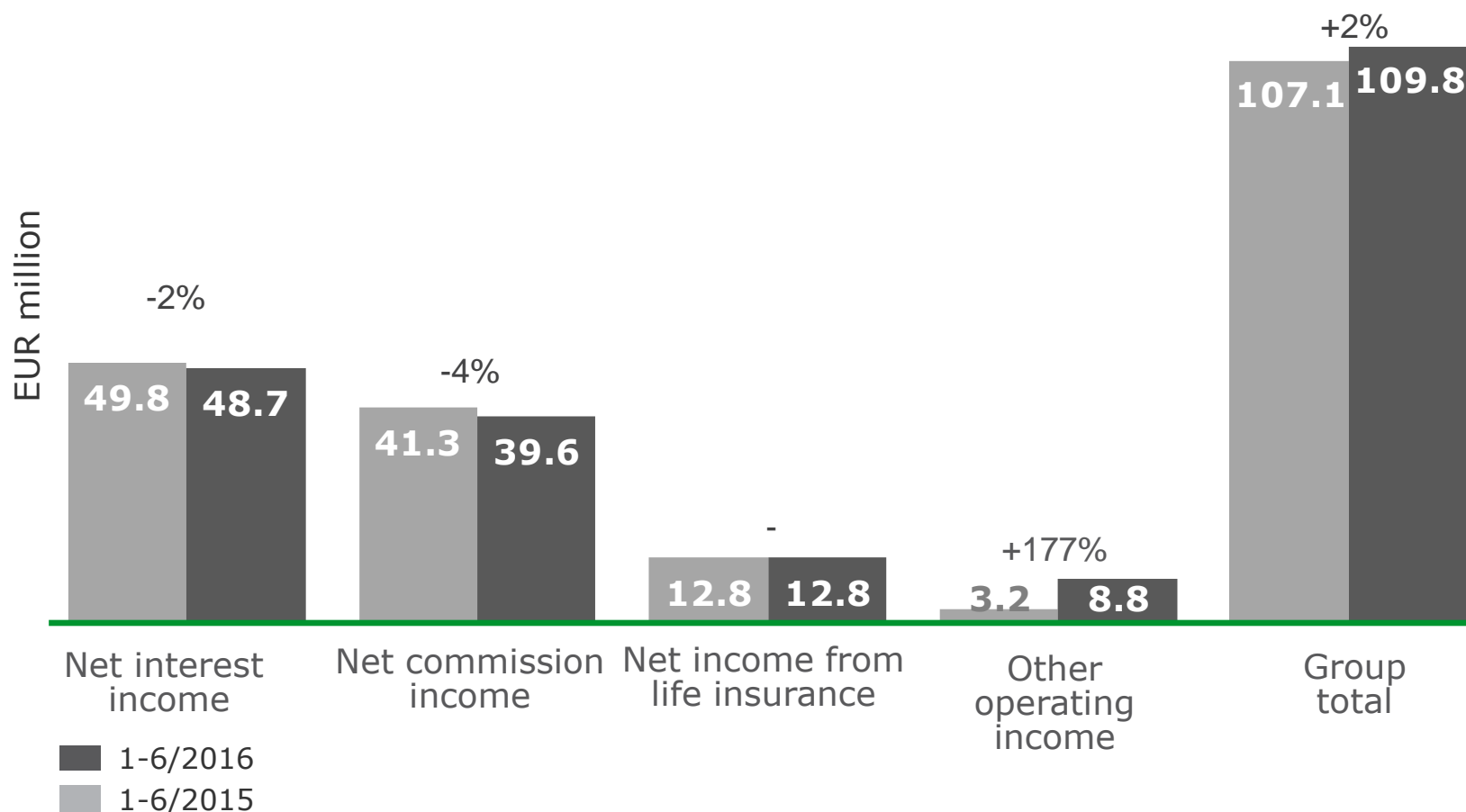


The segments' contribution to the operating profit



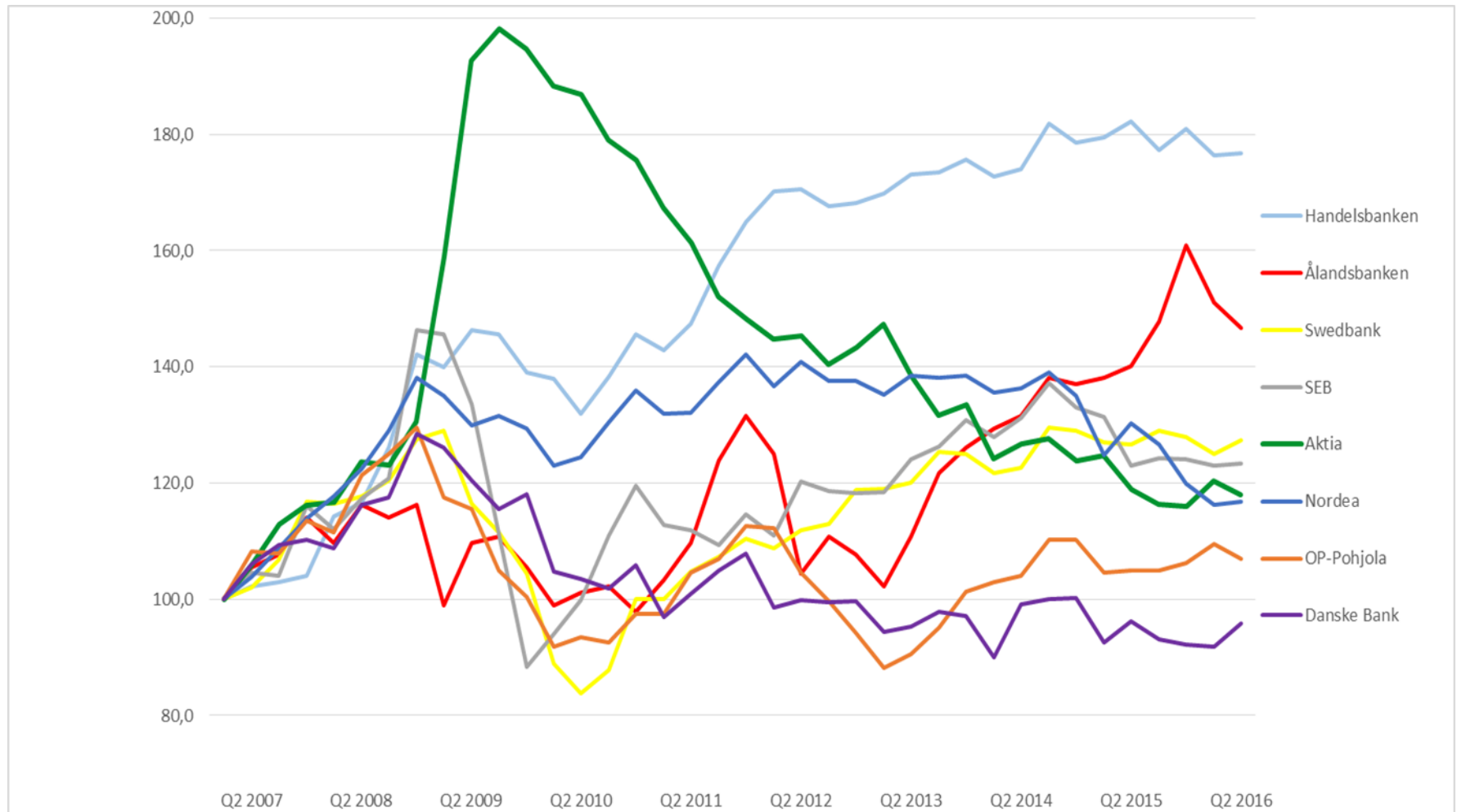
■ 1-6/2016
■ 1-6/2015

Income, increased by 18% from previous quarter (EUR million)



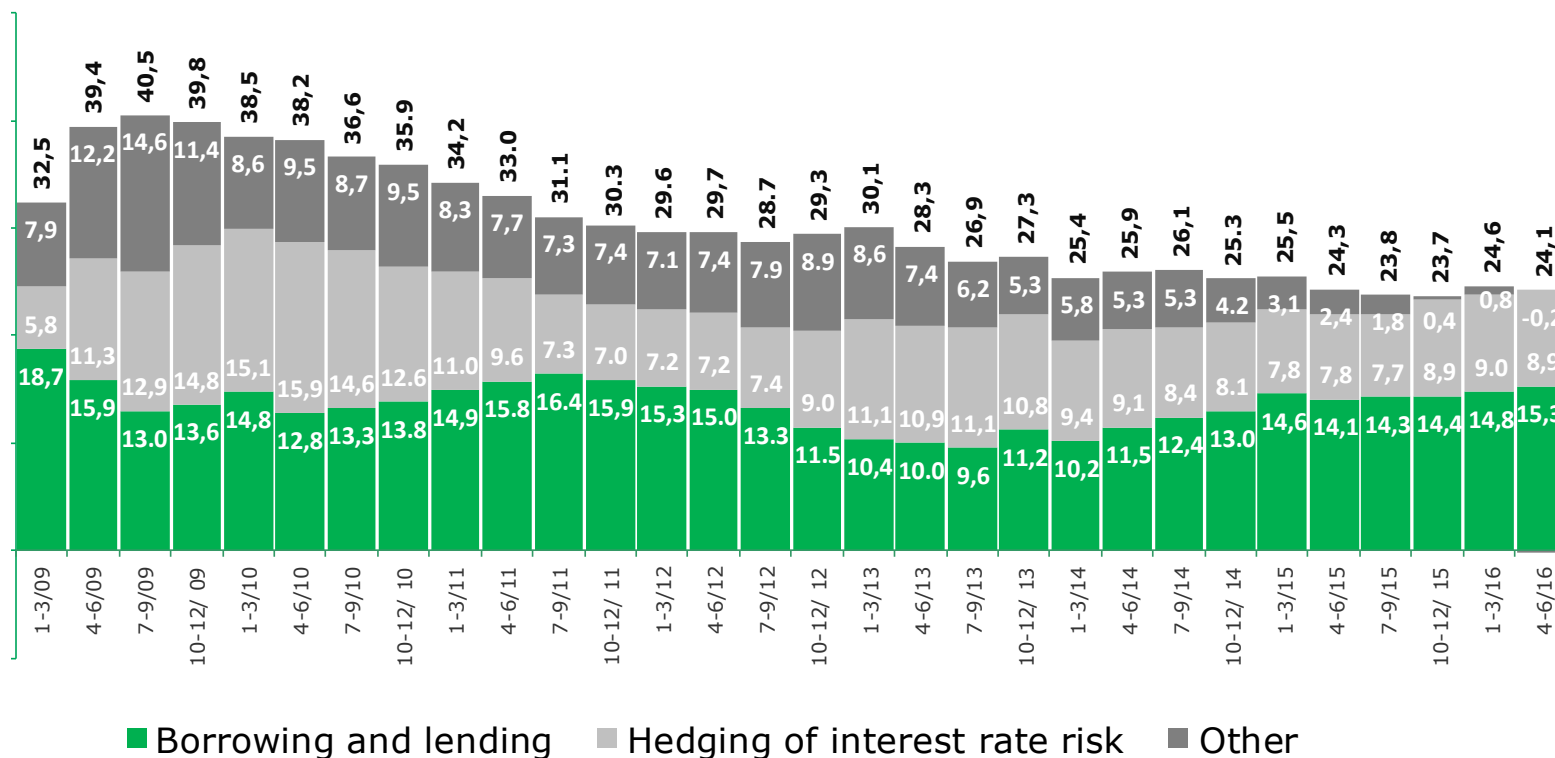
Net interest income (1/2007 = 100)

Nordic banks

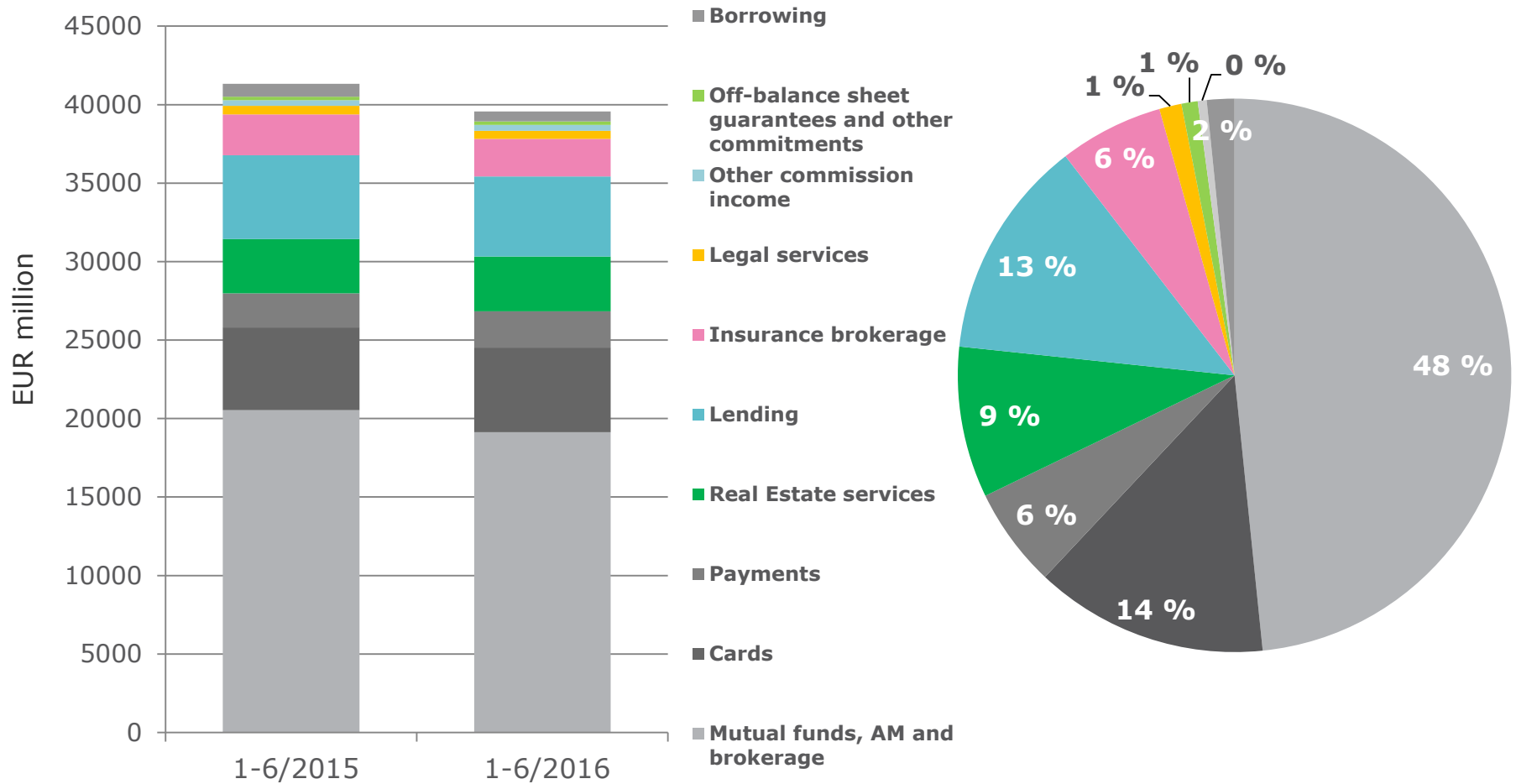


Net interest income (NII)

EUR million



Commission income decreased 4%



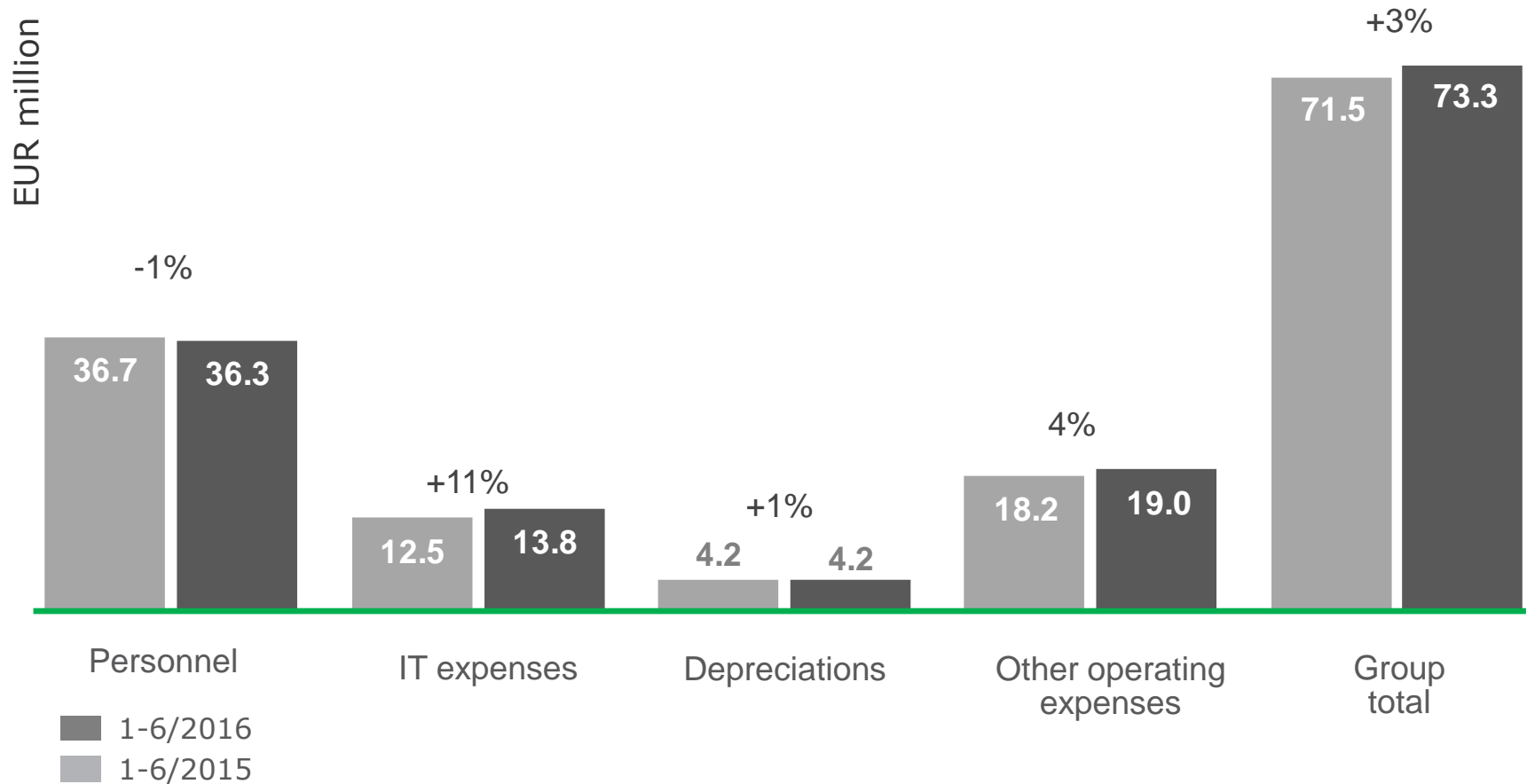
Asset Management & Life Insurance

Assets under Management

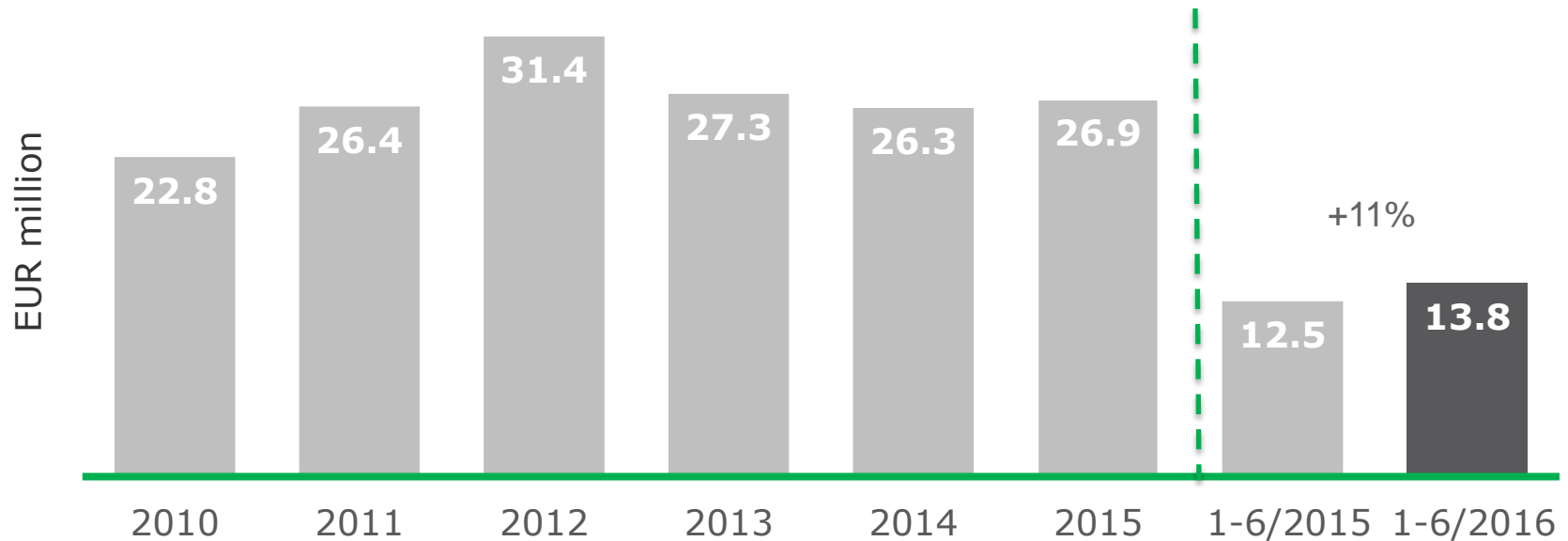
(EUR million)	30.6.2016	31.12.2015	Change %
Aktia Fund Management	3,892	3,764	3%
Aktia Asset Management	6,197	6,011	3%
Aktia Life Insurance	674	667	1%
Eliminations	-4,801	-4,655	3%
Total	5,962	5,788	3%

Expenses, IT-expenses increased

(EUR million)



IT expenses (EUR million)

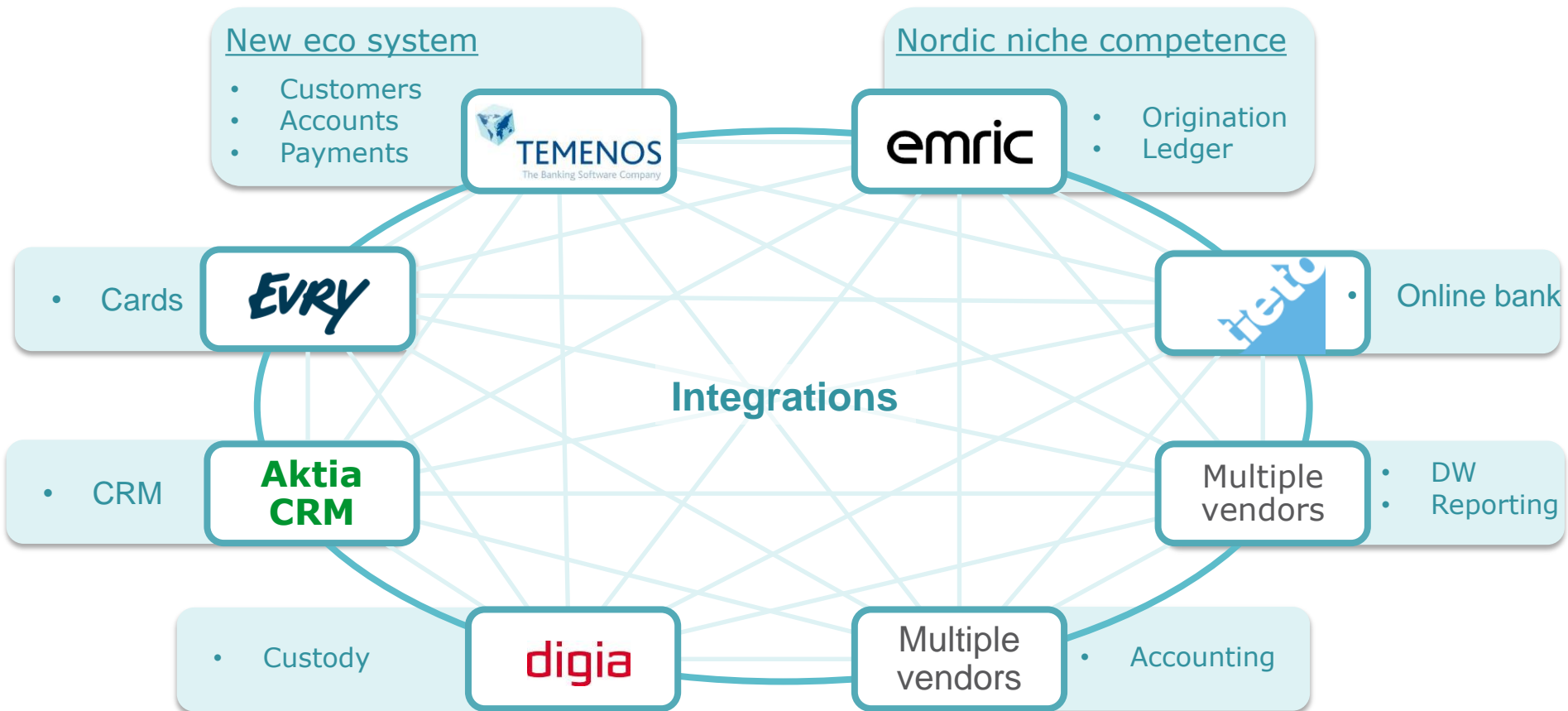


- In 2012 a larger one-off cost/provision for change of IT provider
- Provision 31 June 2016; EUR 2.0 million
- Provisions released during H1 2016 EUR +0.4 (+1.2) million

Core banking project:

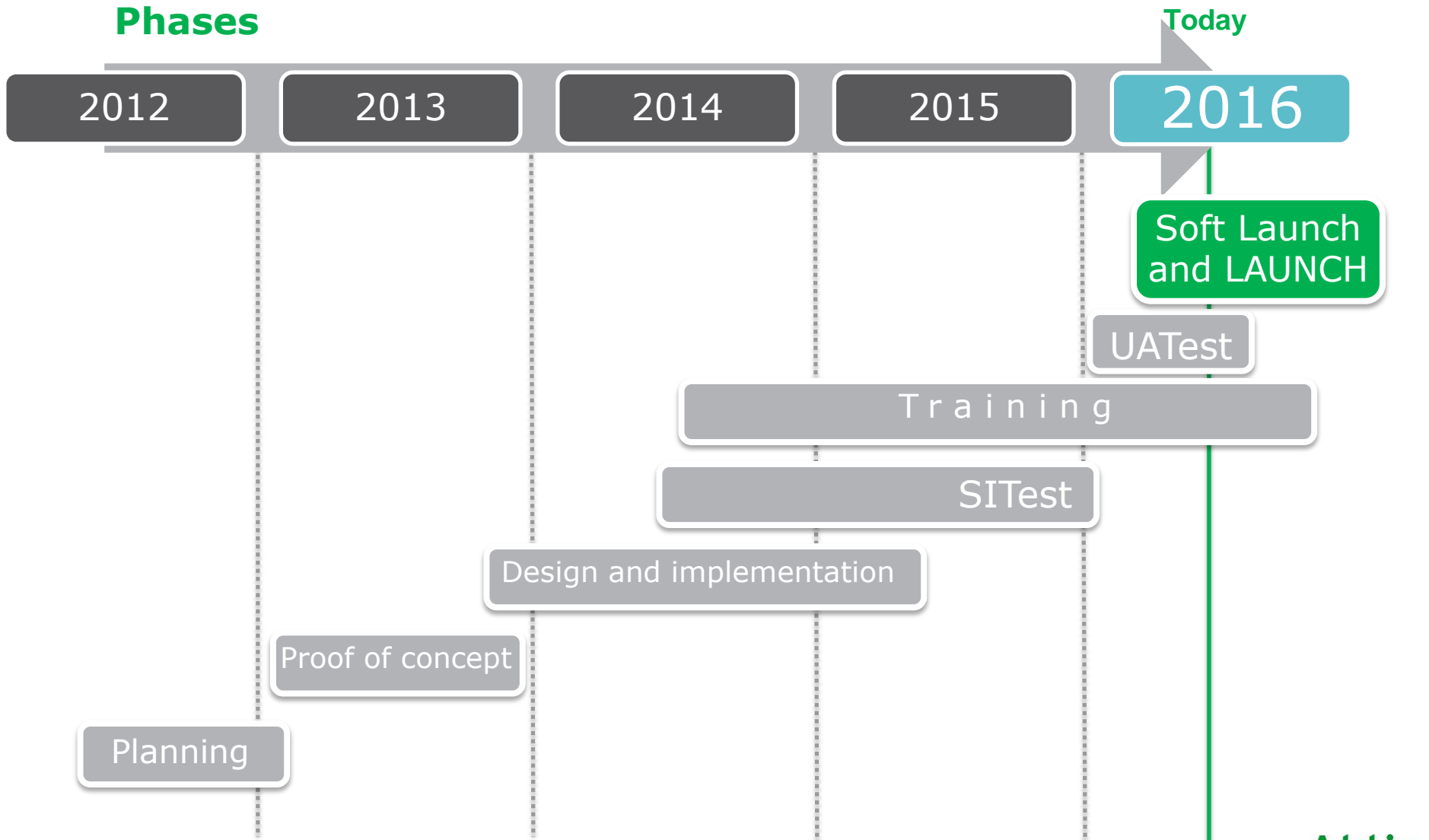
- Cumulative investment as per 30 June 2016; EUR 48 million
- Impact on result through depreciations from implementation 2017 →

Renewal of the Core Banking system

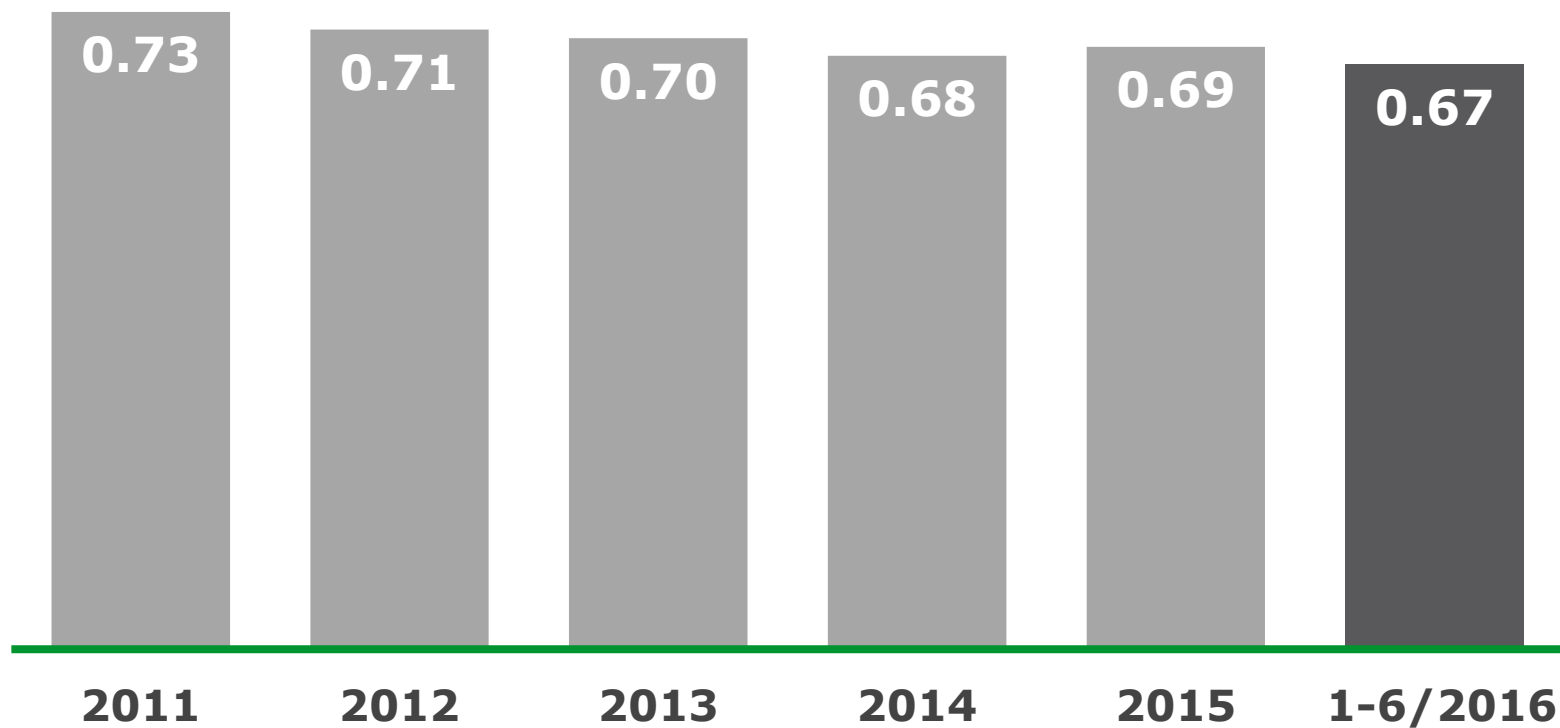


Core Banking project

Phases



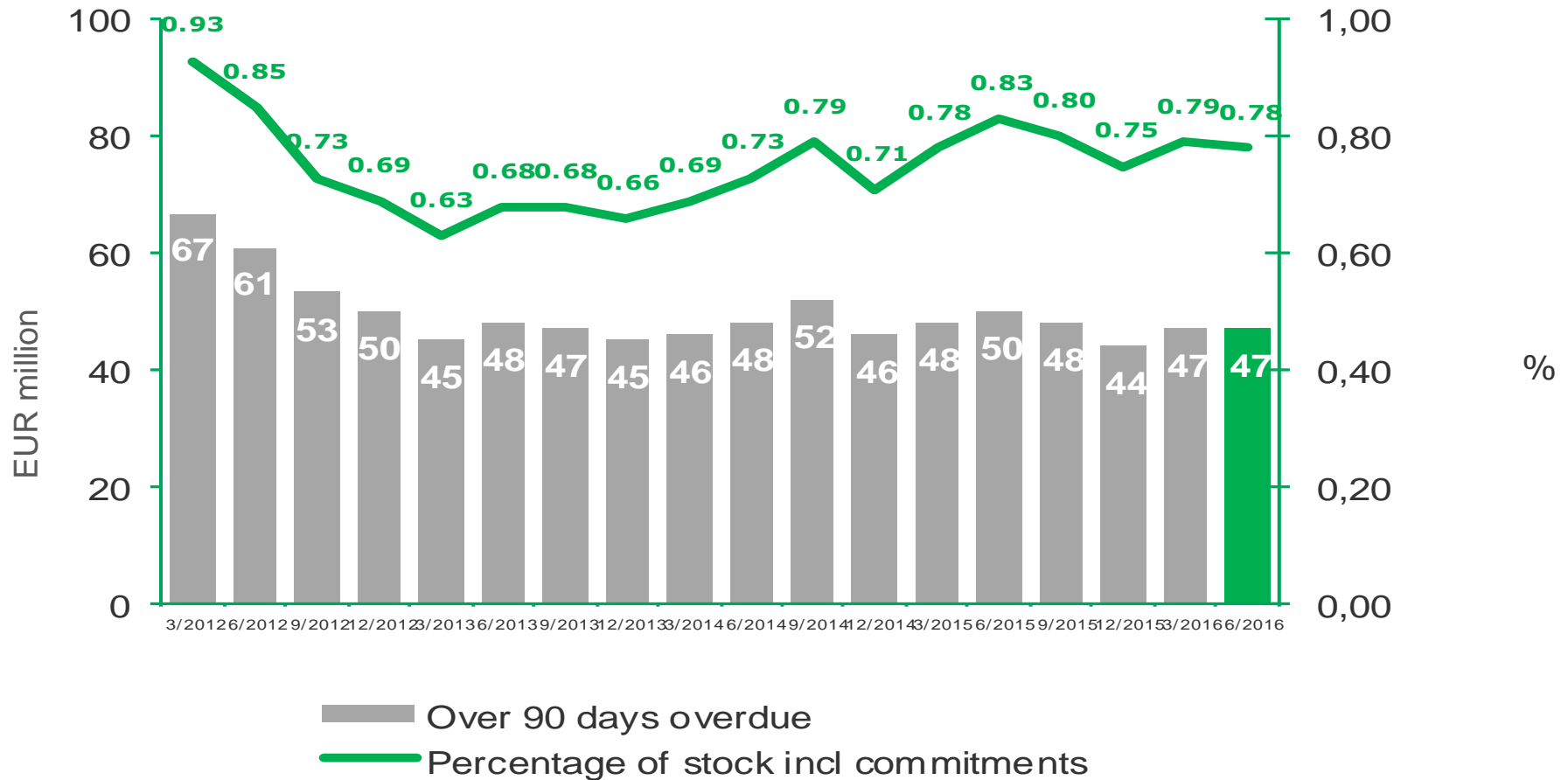
Aktia Group Cost-Income ratio



Write-downs on credits and other commitments

- Total write-downs on credits and other commitments stood at EUR -0.2 (+0.4) million.
- Of these write-downs, EUR -0.2 (-0.3) million were attributable to households and EUR 0.0 (+0.7) to companies.

Non-performing loans more than 90 days overdue

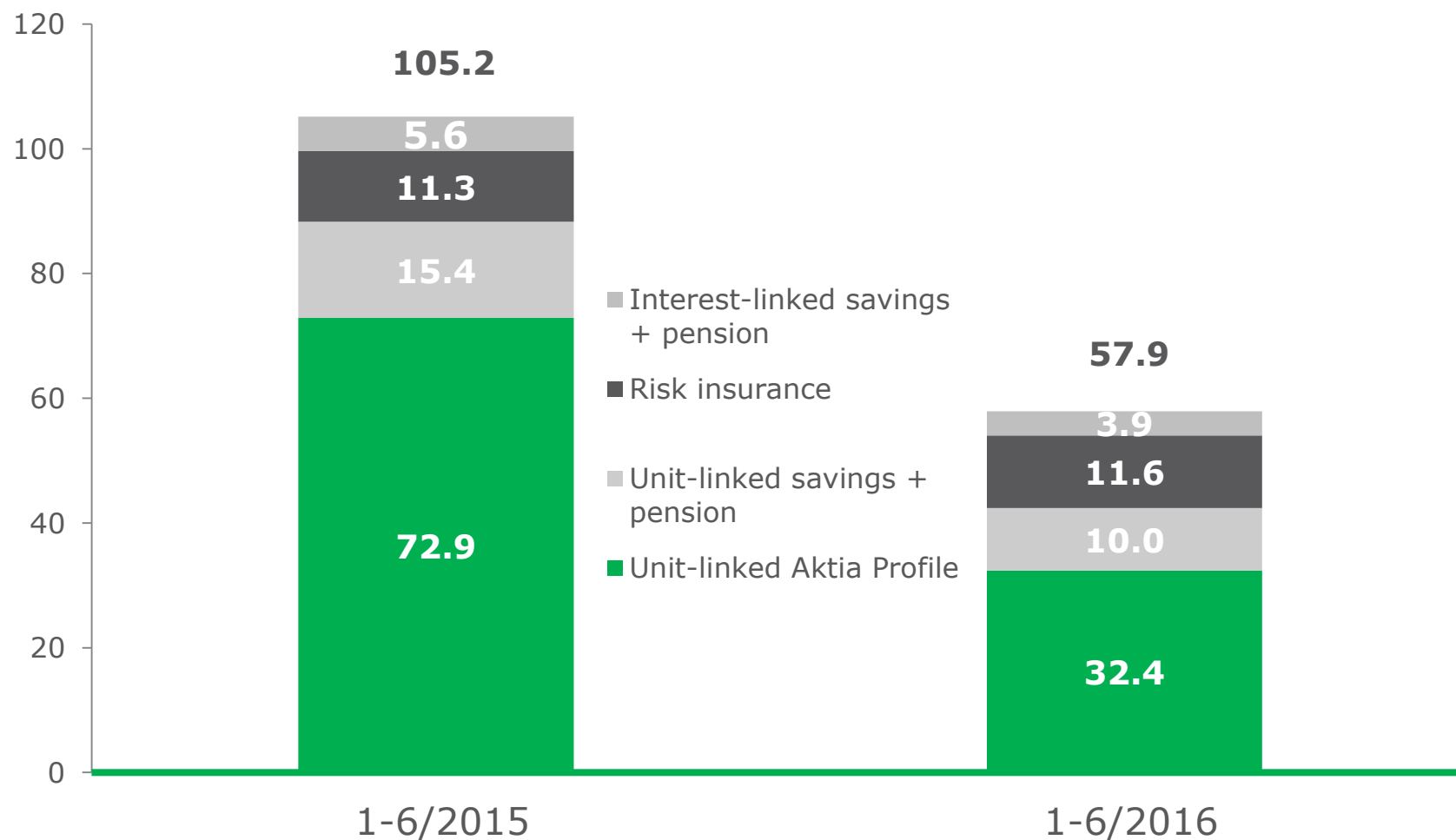


Non-performing loans by days overdue

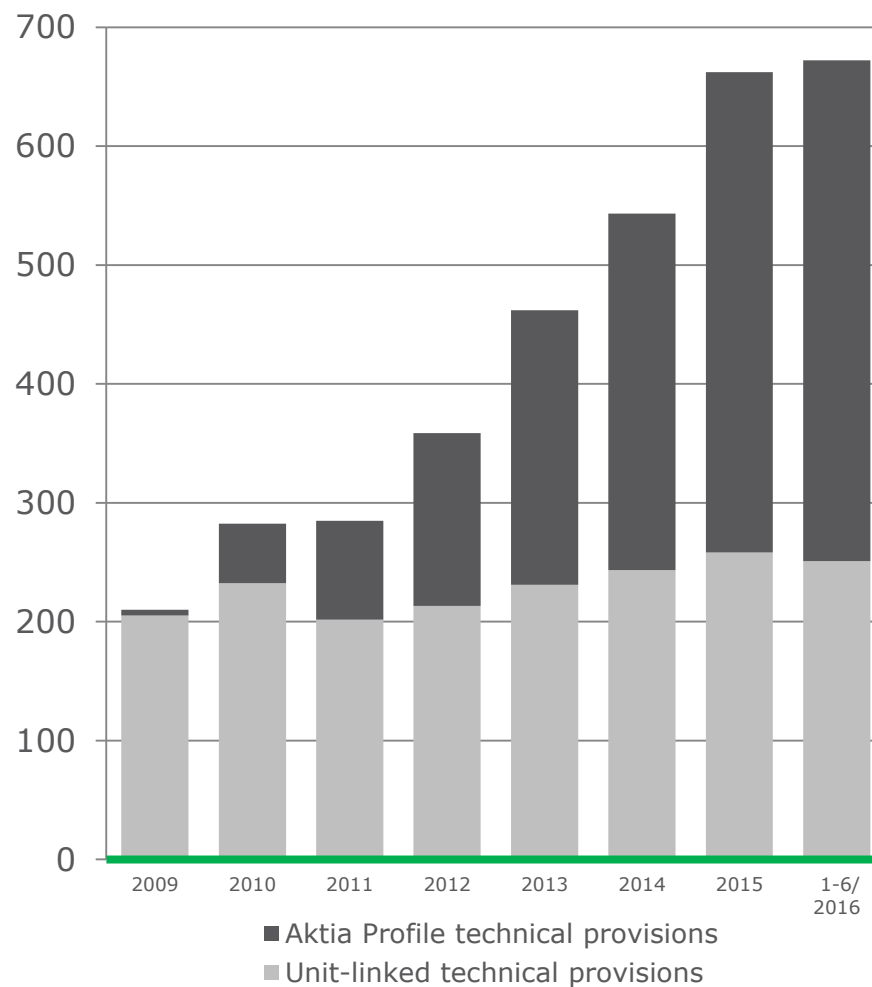
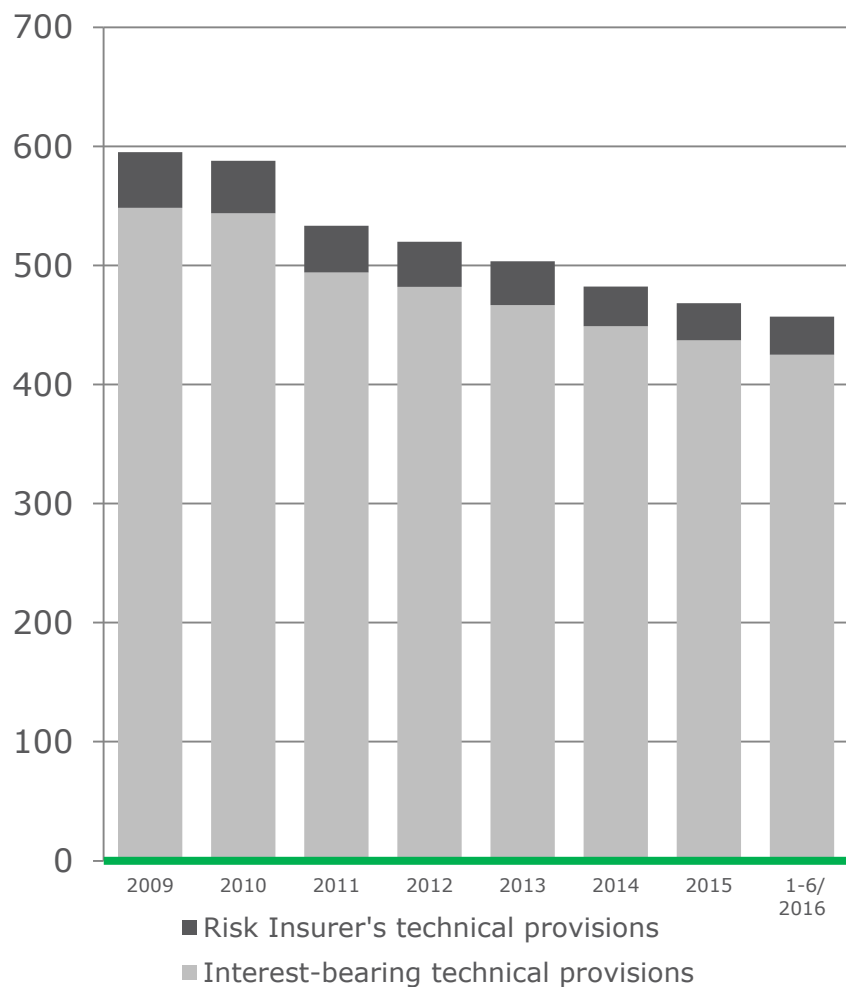
Days	30.6.2016	% of loan book	31.12.2015	% of loan book
3-30	84	1.40	76	1.29
of which households	79	1.32	71	1.20
31-89	39	0.66	28	0.48
of which households	34	0.56	26	0.44
90-	47	0.78	44	0.75
of which households	41	0.67	37	0.63

Life Insurance, premiums written

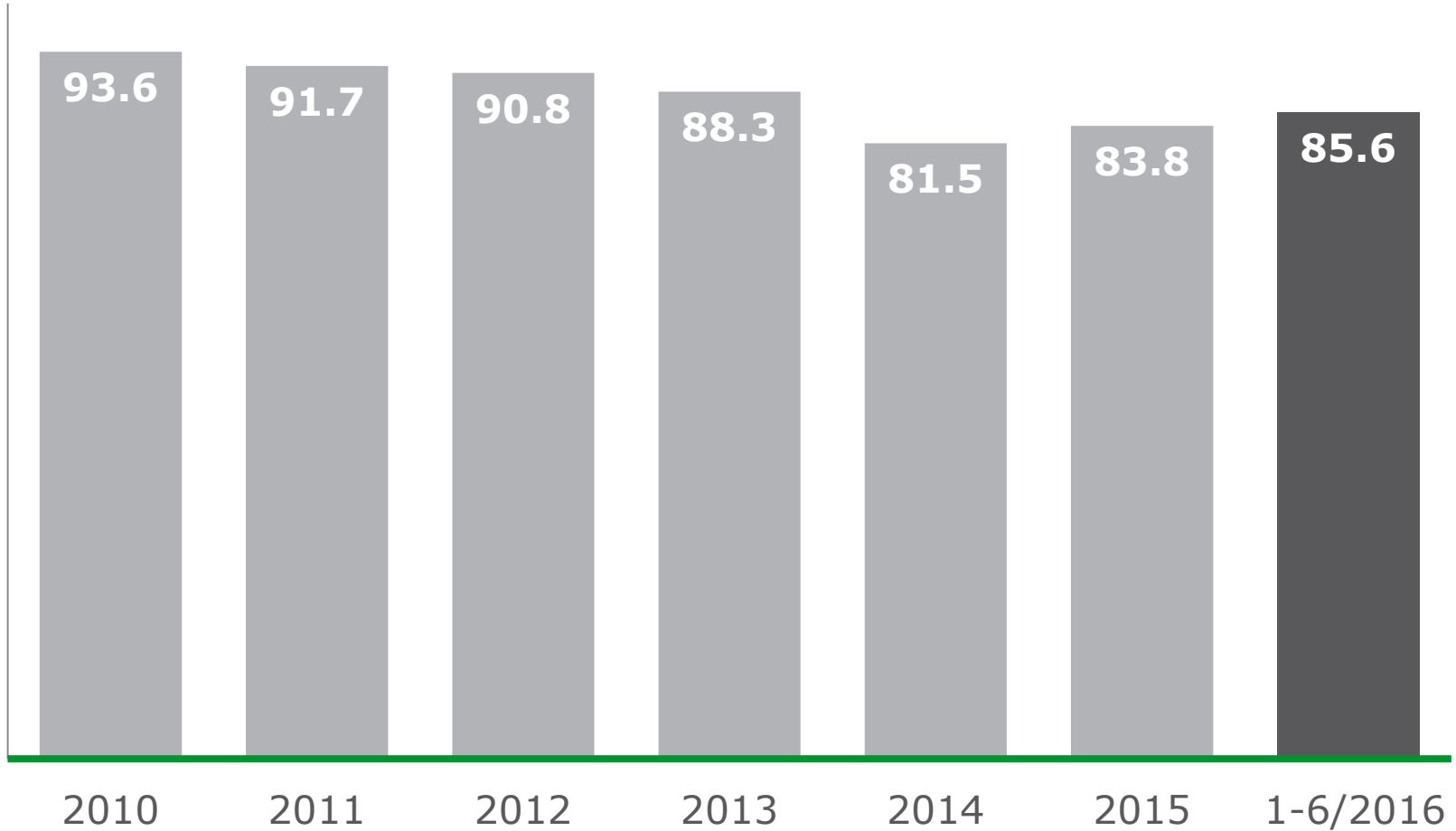
EUR million



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



Expense ratio for life insurance, %



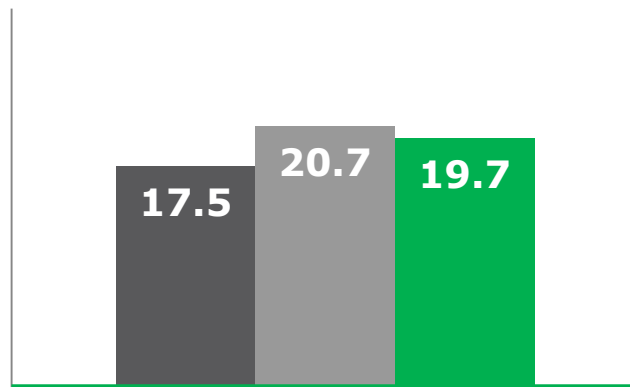
Interim Report

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Capital adequacy

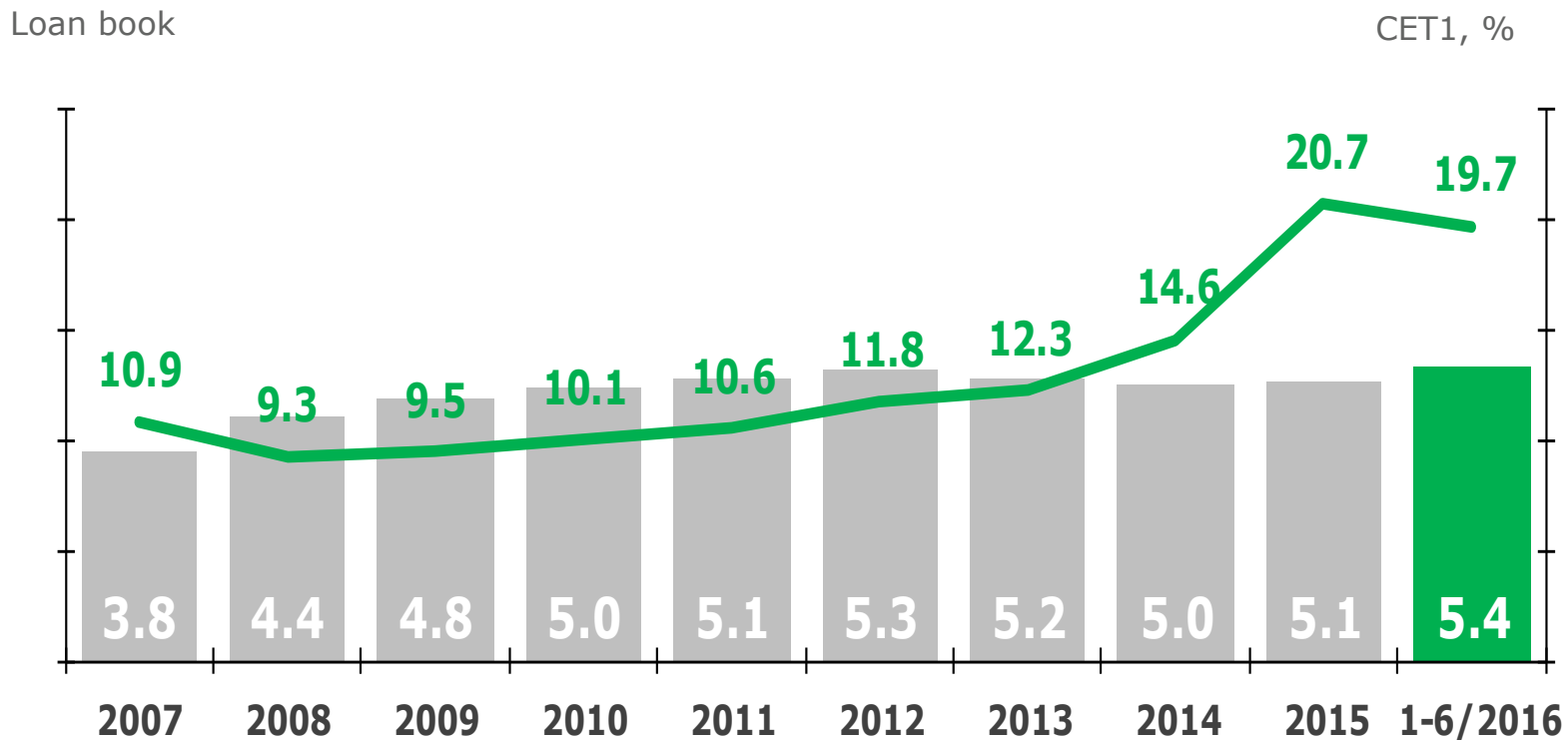
- The Financial Supervisory Authority granted Aktia Bank Group permission to apply internal risk classification (IRBA) to the calculation of capital requirement for retail exposures as per 31 March 2015
- A total of 59 (58)% of the Bank Group's exposures are calculated according to the IRB approach
- The average risk weight for retail exposures with real estate collateral is 16% (STD 35%).
- The CET1 % is temporarily -1.2 percentage points lower due to Aktia REMB solution



- Average for Finnish Banks 2015
- Aktia 12/2015
- Aktia 1-6/2016

	30.6.16 IRBA	31.12.15 IRBA	31.12.14 STD
Common Equity Tier 1 %	19.7	20.7	14.6
Tier 1 capital ratio %	19.7	20.7	14.6
Capital Adequacy %	26.2	27.1	19.1

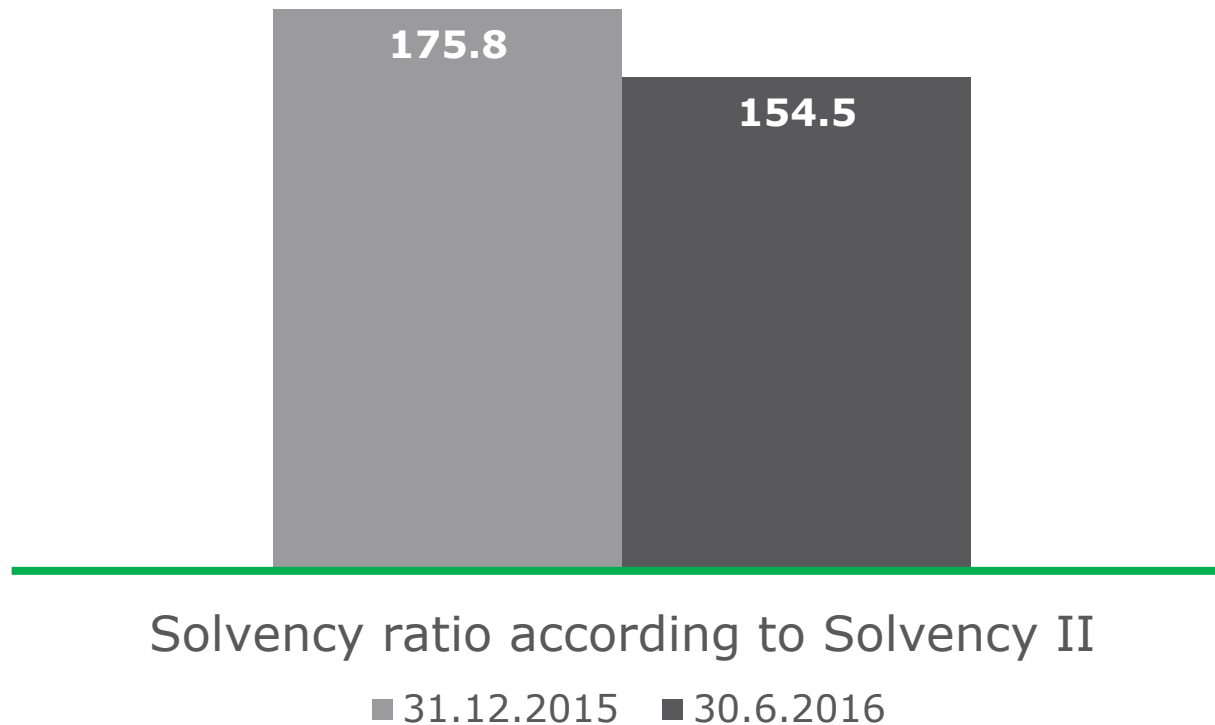
Loan book (1,000 million) vs. CET 1 (%)



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

Life insurance Solvency ratio

Solvency ratio = Solvency capital/Solvency capital requirement (SCR)



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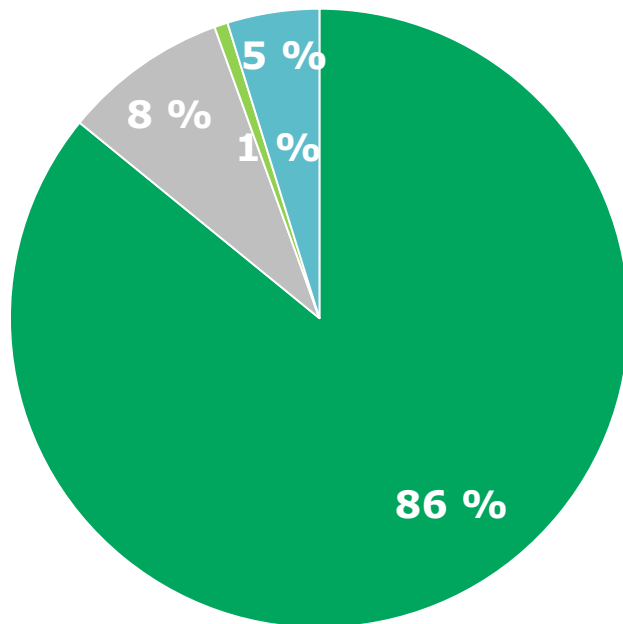
Balance & Equity 30.6.2016

- **Total Assets EUR 9,7 bn (-2%)**
 - Decline in assets due to phasing-out of Aktia REMB
- **Lending to public EUR 6.0 bn (+2%)**
 - Growth in Aktia's own loan book of EUR +271 million since year-end
 - Loan book stock through REMB decreased EUR -140 million
- **Treasury's Liquidity portfolio EUR 1.9 bn**
 - Total portfolio EUR -435 million since year-end
- **Borrowing from public EUR 4,2 bn (+8%)**
 - Despite lowered interest rates
 - Increase mainly from corporates and institutions
- **Bond issues EUR 2.5 bn (-17%)**
 - No issues planned for 2016
 - Aktia REMB Covered bonds EUR 480 million fell into maturity in June
- **Aktia Life Insurance unit linked stock EUR 672 million (+1%)**
 - Volatile capital market and lower volumes, down in January –recovery during spring
- **Equity EUR 609 million (31.12.2015: EUR 615 million)**
 - Fund at fair value; EUR 81 million (EUR 75m)
 - Holding in Visa Inc. in Fund at fair value

Credit and deposit stocks 30 June 2016

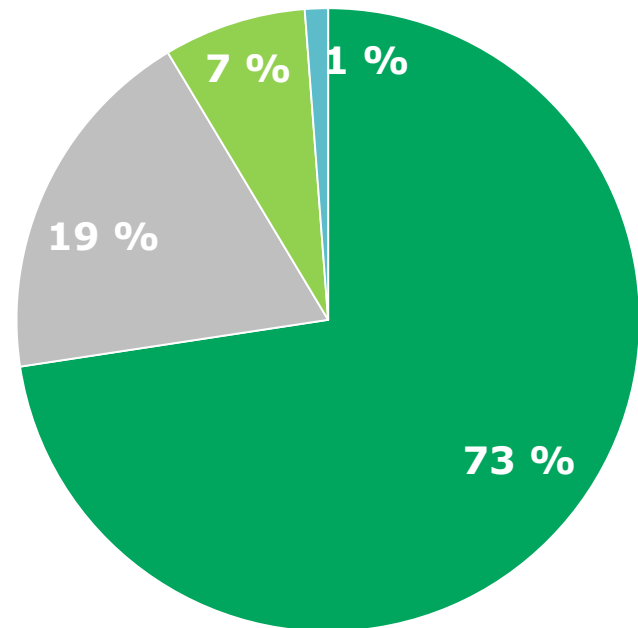
Credits

EUR 5,987 (5,856) million



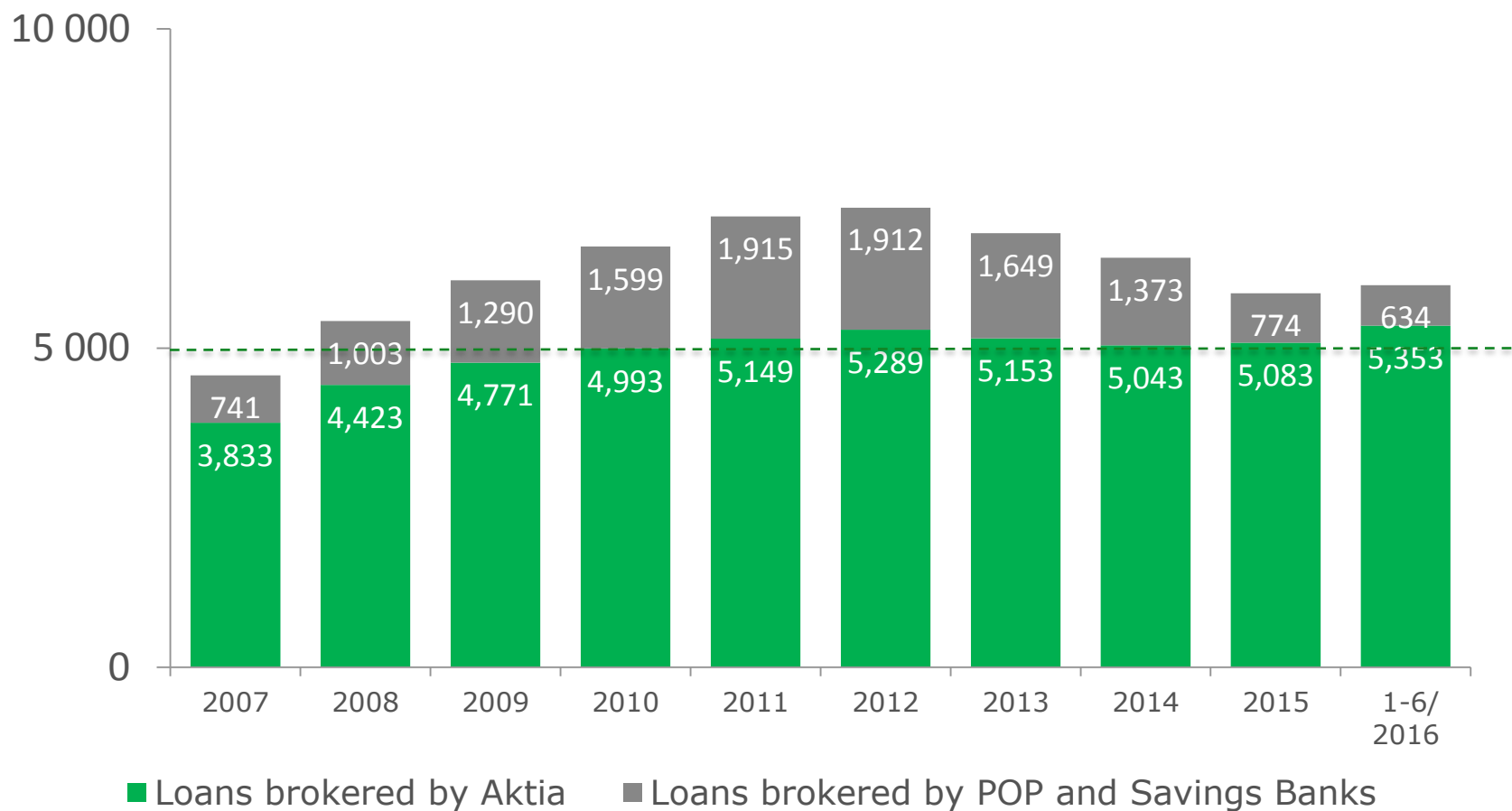
Deposits

EUR 4,235 (3,922) million



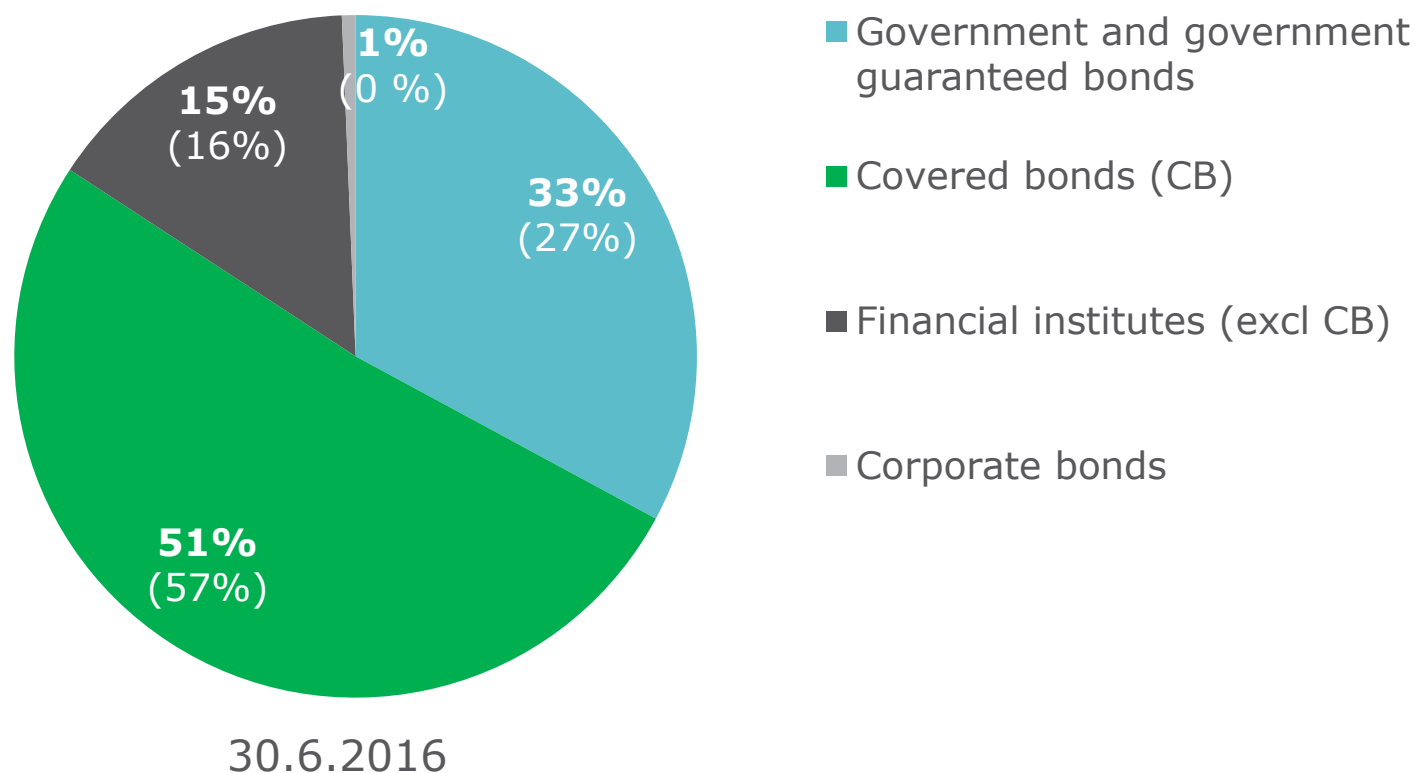
- Households
- SME
- Non-profit and public organisations
- Housing companies

Loan book development 2007-2016



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

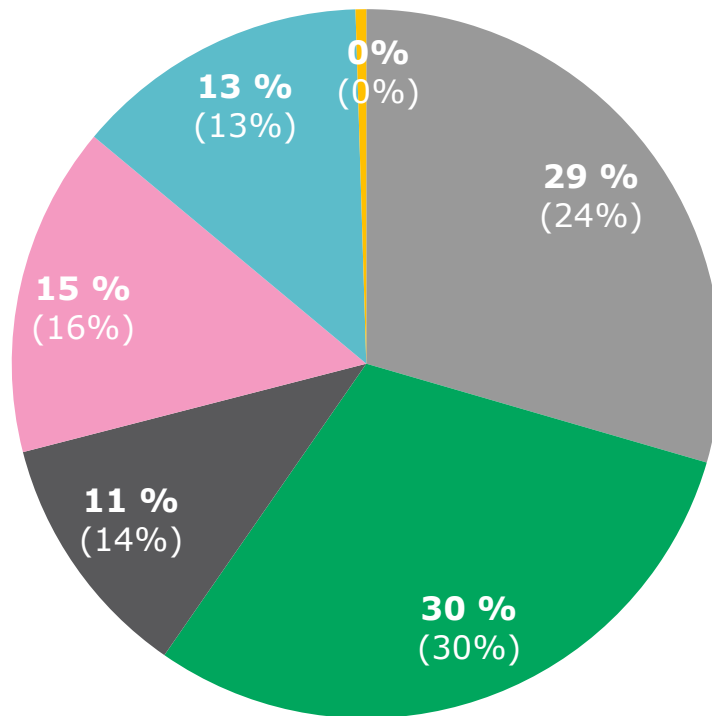
EUR 1,860 million
(31.12.2015; 2 295 million)



Life Insurance Company's investment portfolio

EUR 618 million
(31.12.2015; EUR 609 million)

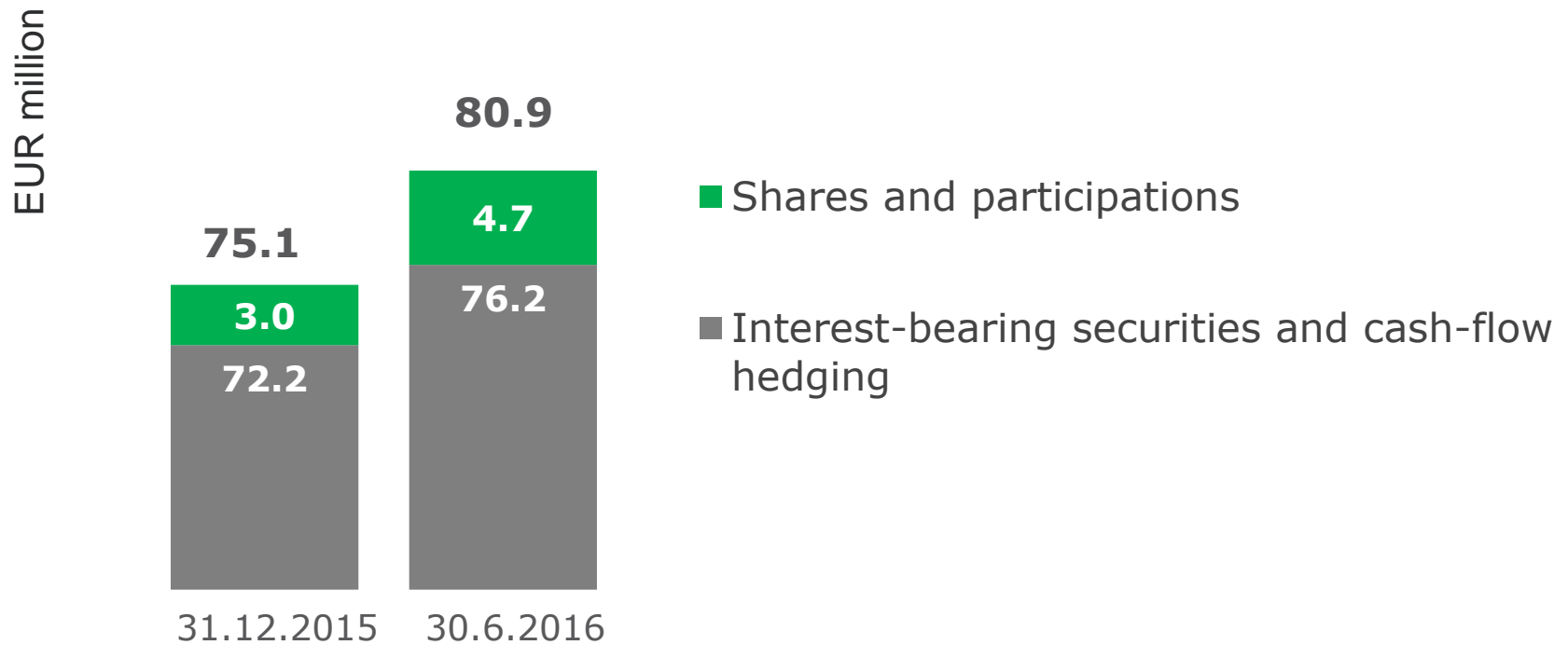
Return on investments 3.6 (0.1)%
Duration 4.6 (4.6) years



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

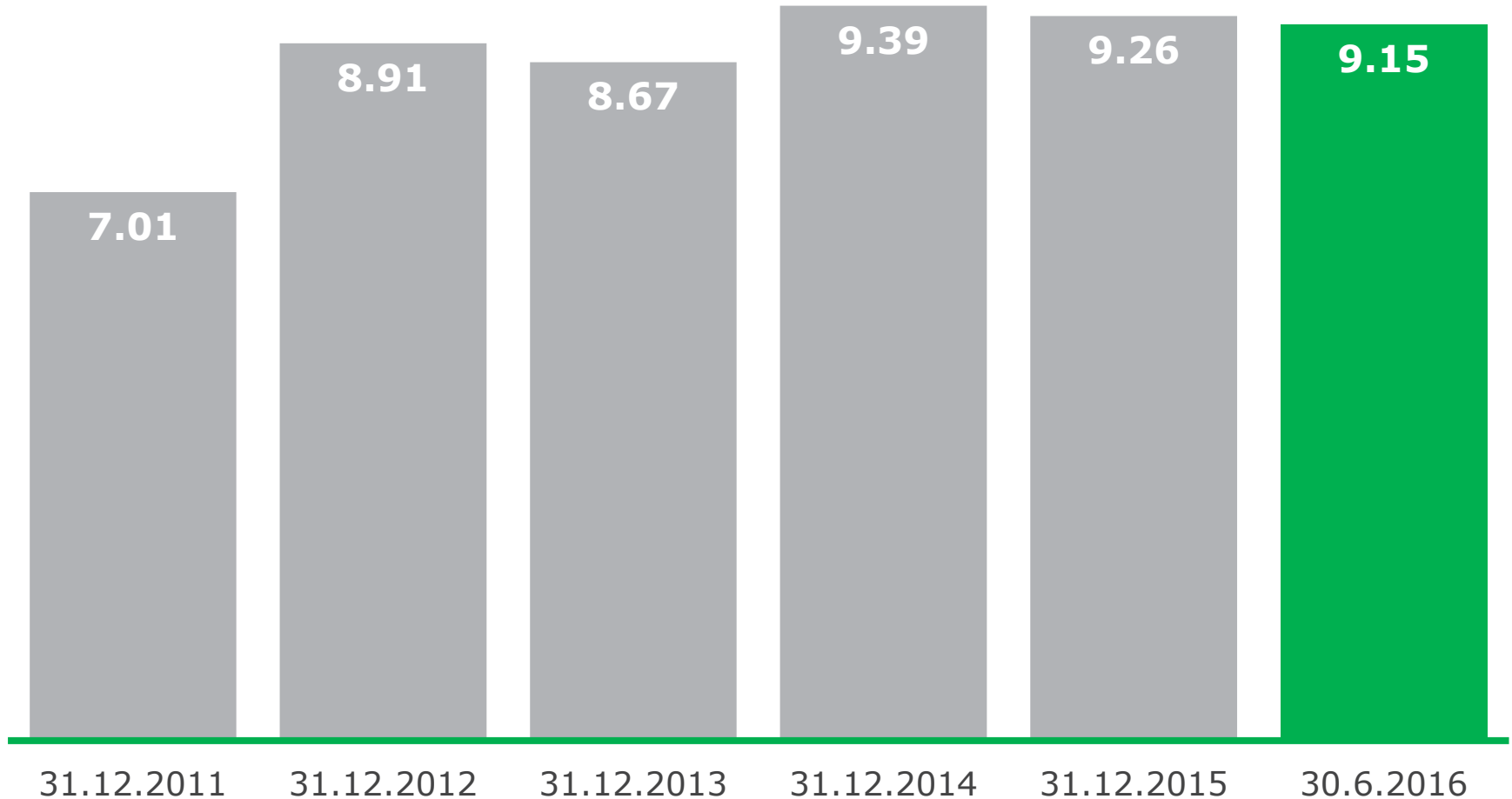
30.6.2016

Increase in Fund at fair value



Equity per share (NAV)

EUR/share



Share capital and ownership 31 July 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)	1,361,946	-	1,361,946	2.05	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	26,615,855	16,285,732	42,901,587	64.43	79.32
Other	20,090,868	3,586,356	23,677,224	35.57	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 increased uncertainty on the capital markets makes it challenging to reach the same level of growth in commission income as in 2015.

Write-downs on credits are expected to remain low in 2016.

Aktia's 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 1-6/2016 new private and corporate primary customers; ca 1,300
- Develop and increase range of services for SMEs
 - Conscious aim to increase credits to corporates and to housing companies
- 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**

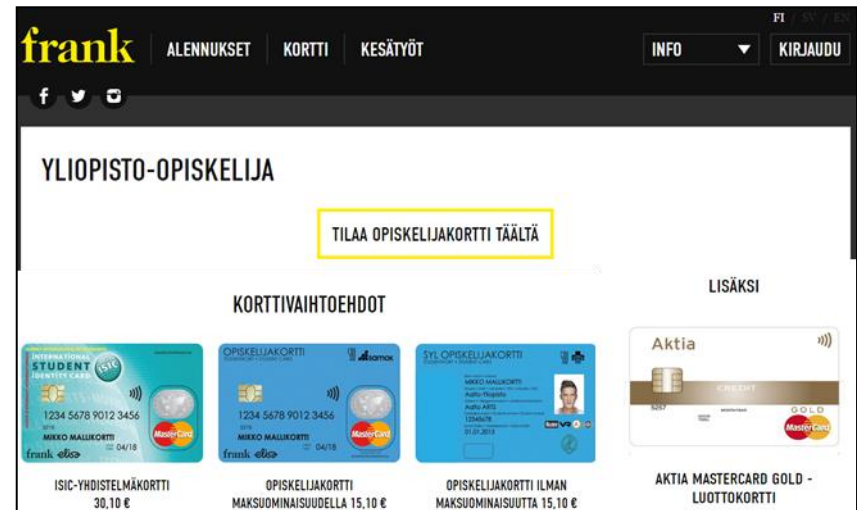
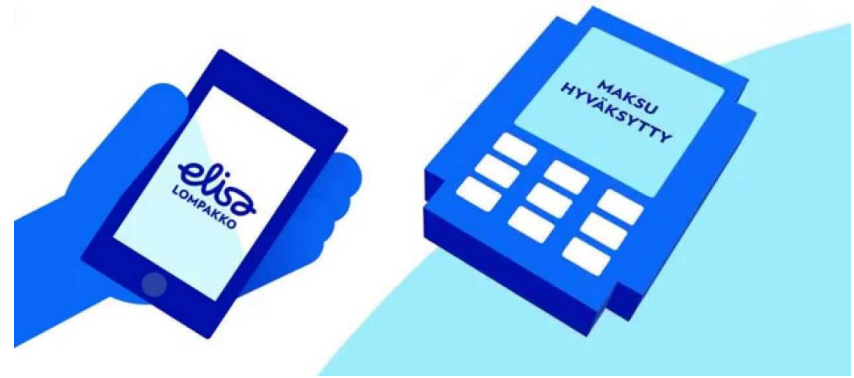
Cooperation between Aktia and R-kioski continues and expands

- The cooperation started in December 2015 with a Christmas campaign of PrePaid cards and the R-kioski convenience stores sold four times as many cards as Aktia's other distribution channels
- The cooperations was expanded i June, when invoice payment services were transferred to Aktia
 - Consumers may pay bills with bar code in the R-kioski convenience stores against a fee of EUR 3
- The R-kioski is an alternative distribution channel for Aktia's standardised products and services also in the future



Aktia Finance Ltd started operations i July 2016

- Aktia acquired Elisa Rahoitus Oy 1 July 2016, and Aktia Finance Ltd was formed
- Aktia Finance Ltd will offer further improved mobile services to Aktia's customers in the future
 - Elisa Lompakko and Aktia's card app will be combined into a new application **Aktia Wallet**
- The acquisition provides Aktia with new customer contacts
 - Present Elisa Lompakko users
 - Cooperation with the student card organisation Frank Oy; students may apply for both the student card and Aktia's MasterCard Gold card



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

	1-6/ 2016	1-6/ 2015	Change %	Objectives for 2018
C/I ratio	0.67	0.67	0%	-10%
ROE %	9.8	8.7	+13%	≥9 % p.a.
CET1 %	19.7	22.4	-3 percentage points	≥ 15%

Balance sheet, assets

(EUR million)	30 Jun 2016	31 Dec 2015	Δ	30 Jun 2015
Assets				
Cash and balances with central banks	286.5	268.4	7 %	195.3
Interest-bearing securities	1,791.2	2,103.2	-15 %	2,245.7
Shares and participations	101.4	94.4	7 %	115.1
Financial assets available for sale	1,892.6	2,197.6	-14 %	2,360.7
Financial assets held until maturity	470.6	481.7	-2 %	485.1
Derivative instruments	164.3	172.5	-5 %	170.2
Lending to Bank of Finland and other credit institutions	51.4	43.9	17 %	38.4
Lending to the public and public sector entities	5,987.0	5,856.3	2 %	5,975.3
Loans and other receivables	6,038.3	5,900.2	2 %	6,013.6
Investments for unit-linked insurances	674.2	667.7	1 %	647.3
Investments in associated companies	0.0	0.0	-	0.0
Intangible assets	58.1	50.8	14 %	44.0
Investment properties	55.7	53.7	4 %	60.4
Other tangible assets	8.8	8.7	1 %	7.7
Accrued income and advance payments	47.7	51.6	-8 %	55.5
Other assets	23.2	18.2	28 %	68.5
Total other assets	70.9	69.8	2 %	123.9
Income tax receivables	0.9	0.8	13 %	3.7
Deferred tax receivables	8.2	9.7	-16 %	11.2
Tax receivables	9.1	10.5	-14 %	15.0
Assets classified as held for sale	-	-	-	0.0
Total assets	9,729.1	9,881.5	-2 %	10,123.2

Balance sheet, liabilities

(EUR million)	30 Jun 2016	31 Dec 2015	Δ	30 Jun 2015
Liabilities				
Liabilities to Bank of Finland and credit institutions	575.9	474.8	21 %	659.8
Liabilities to the public and public sector entities	4,235.4	3,922.0	8 %	3,957.5
Deposits	4,811.2	4,396.8	9 %	4,617.2
Derivative instruments	69.0	86.2	-20 %	107.0
Debt securities issued	2,517.6	3,033.4	-17 %	3,043.2
Subordinated liabilities	235.1	235.0	0 %	217.3
Other liabilities to credit institutions	82.9	84.8	-2 %	91.8
Liabilities to the public and public sector entities	43.0	74.0	-42 %	84.4
Other financial liabilities	2,878.5	3,427.2	-16 %	3,436.7
Technical provisions for risk insurances and interest-related insurance	457.0	468.3	-2 %	478.2
Technical provisions for unit-linked insurances	672.1	662.2	1 %	644.4
Technical provisions	1,129.1	1,130.5	0 %	1,122.6
Accrued expenses and income received in advance	53.7	62.7	-14 %	57.2
Other liabilities	113.7	101.9	12 %	53.1
Total other liabilities	167.5	164.6	2 %	110.3
Provisions	2.0	2.3	-16 %	2.4
Income tax liabilities	1.3	0.9	35 %	1.1
Deferred tax liabilities	61.4	57.7	6 %	57.5
Tax liabilities	62.6	58.7	7 %	58.6
Liabilities for assets classified as held for sale	-	-	-	0.0
Total liabilities	9,119.9	9,266.3	-2 %	9,454.7
Equity				
Restricted equity	243.9	238.1	2 %	246.3
Unrestricted equity	365.3	377.1	-3 %	355.7
Shareholders' share of equity	609.2	615.2	-1 %	602.0
Non-controlling interest	-	-	-	66.4
Equity	609.2	615.2	-1 %	668.4
Total liabilities and equity	9,729.1	9,881.5	-2 %	10,123.2

Calendar 2016-2017

Interim report 1-9/2016	17.11.2016
Accounts Announcement 1-12/2016	14.2.2017
Annual General Meeting	5.4.2017
Interim report 1-3/2017	11.5.2017
Interim report 1-6/2017	8.8.2017
Interim report 1-9/2017	8.11.2017

Contacts and additional information



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Interim reports and presentations

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Aktia

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