



AKTIA BANK PLC
INTERIM REPORT 1-9/2014

Aktia

7-9/2014:

Aktia

Lower costs and a stabilised NII

- Operating profit was EUR 17.3 (19.6) million.
- Net commission income was up 1% to EUR 17.6 (17.4) million but NII decreased by 3% to EUR 26.1 (26.9) million.
- Operating expenses decreased by 5% to EUR 32.8 (34.6) million.
- Result effect from associated company, EUR 0.6 (0.8) million
- Write-downs on credits and other commitments increased to EUR 0.5 (0.2) million.
- Profit amounted to EUR 13.6 (14.7) million. Earnings per share (EPS) was EUR 0.19 (0.22).

1-9/2014: Net commission income up, expenses down

Aktia

- Operating profit was EUR 55.8 (54.3) million.
- Net commission income was up 6% but NII decreased by 9% to EUR 77.5 (85.4) million.
- Operating expenses was down 6% to EUR 105.2 (111.3) million.
- Result effect from associated company, EUR 2.0 (0.4) million
- Write-downs on credits and other commitments remained at EUR 1.7 (1.7) million.
- Profit amounted to EUR 44.7 (40.5) million. Earnings per share (EPS) was EUR 0.65 (0.61).
- 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.**

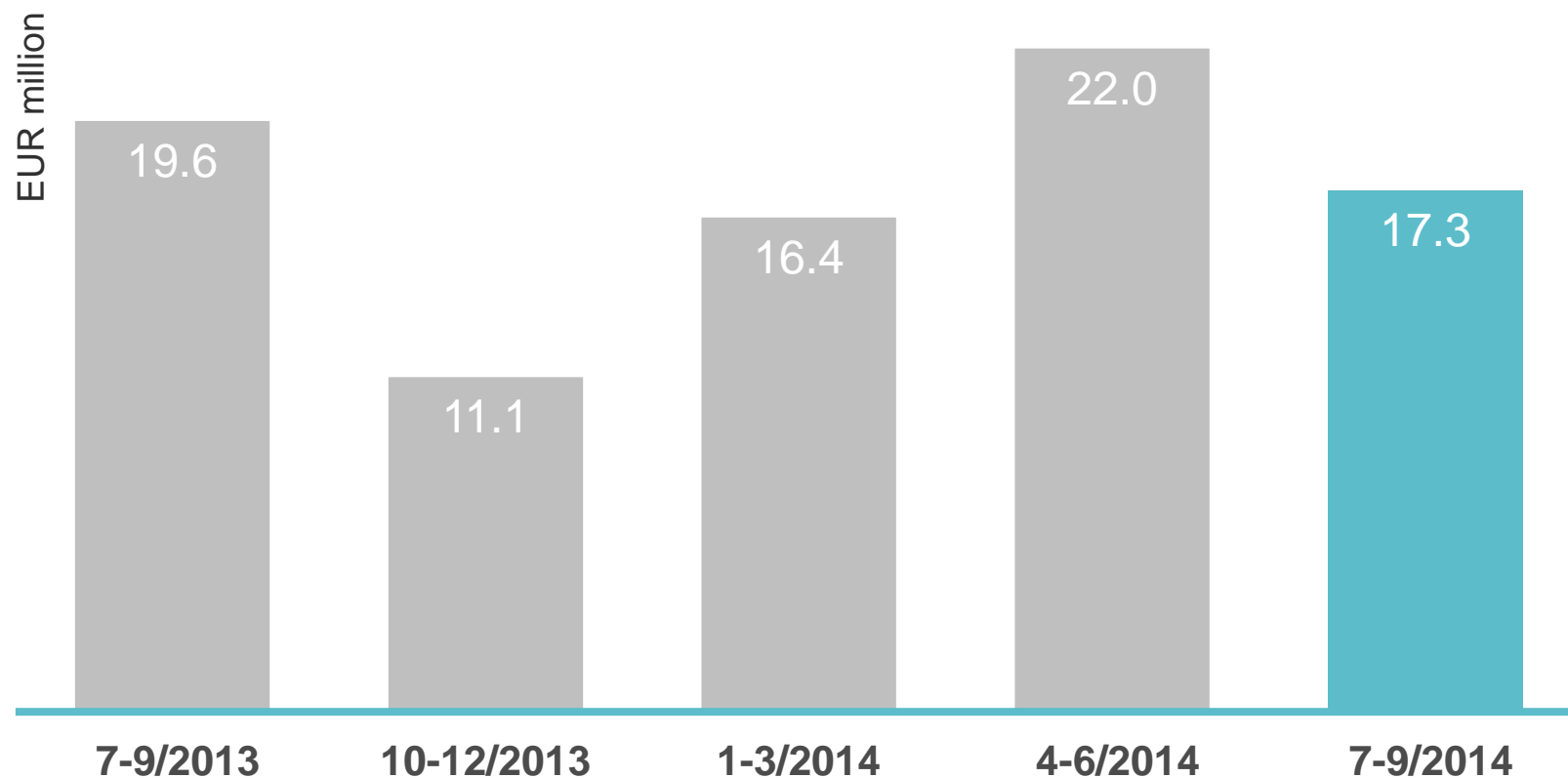
Interim report

1 January - 30 September 2014

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

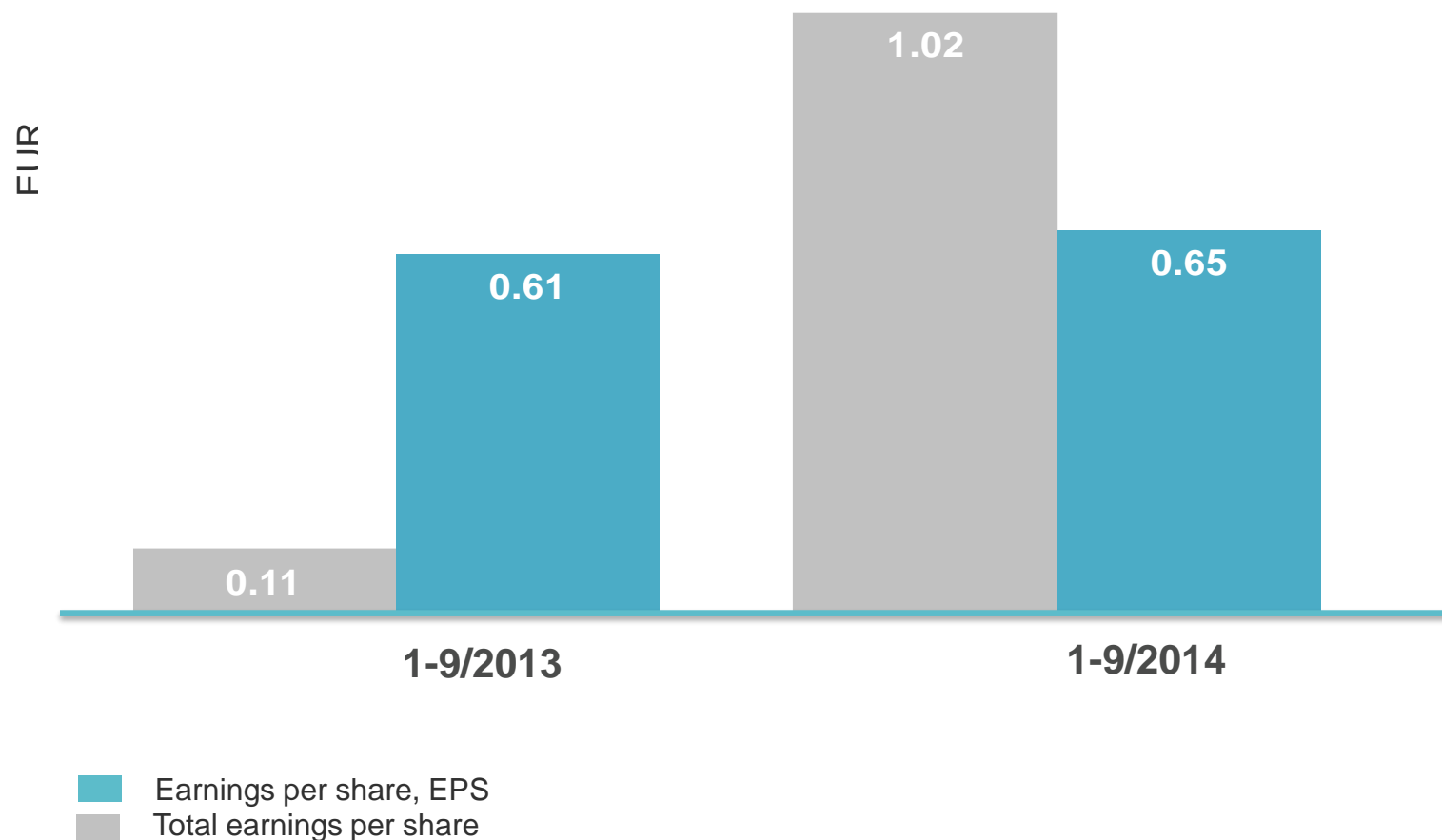
Operating profit for the quarter

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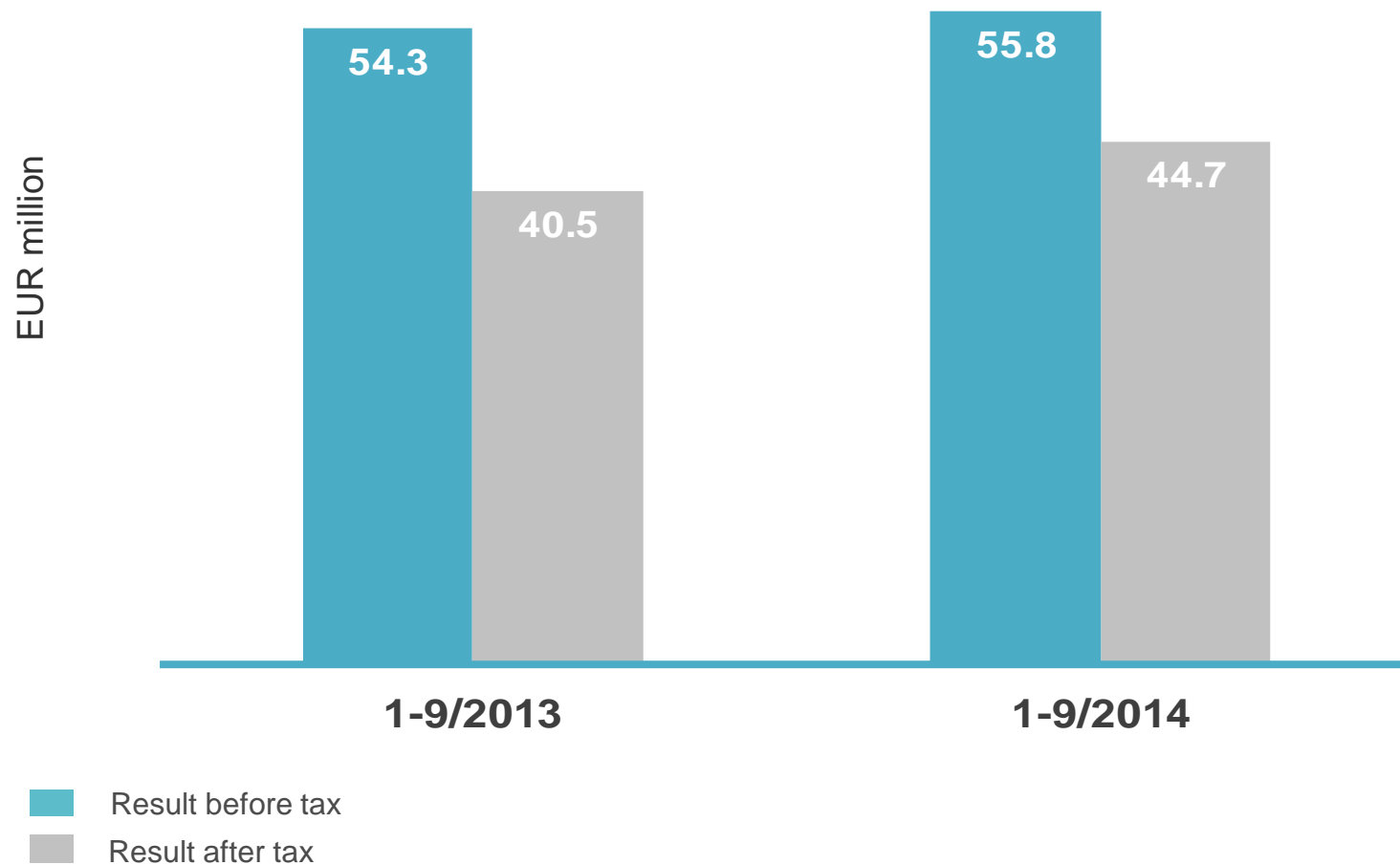
Earnings per share 1-9/2014

Aktia



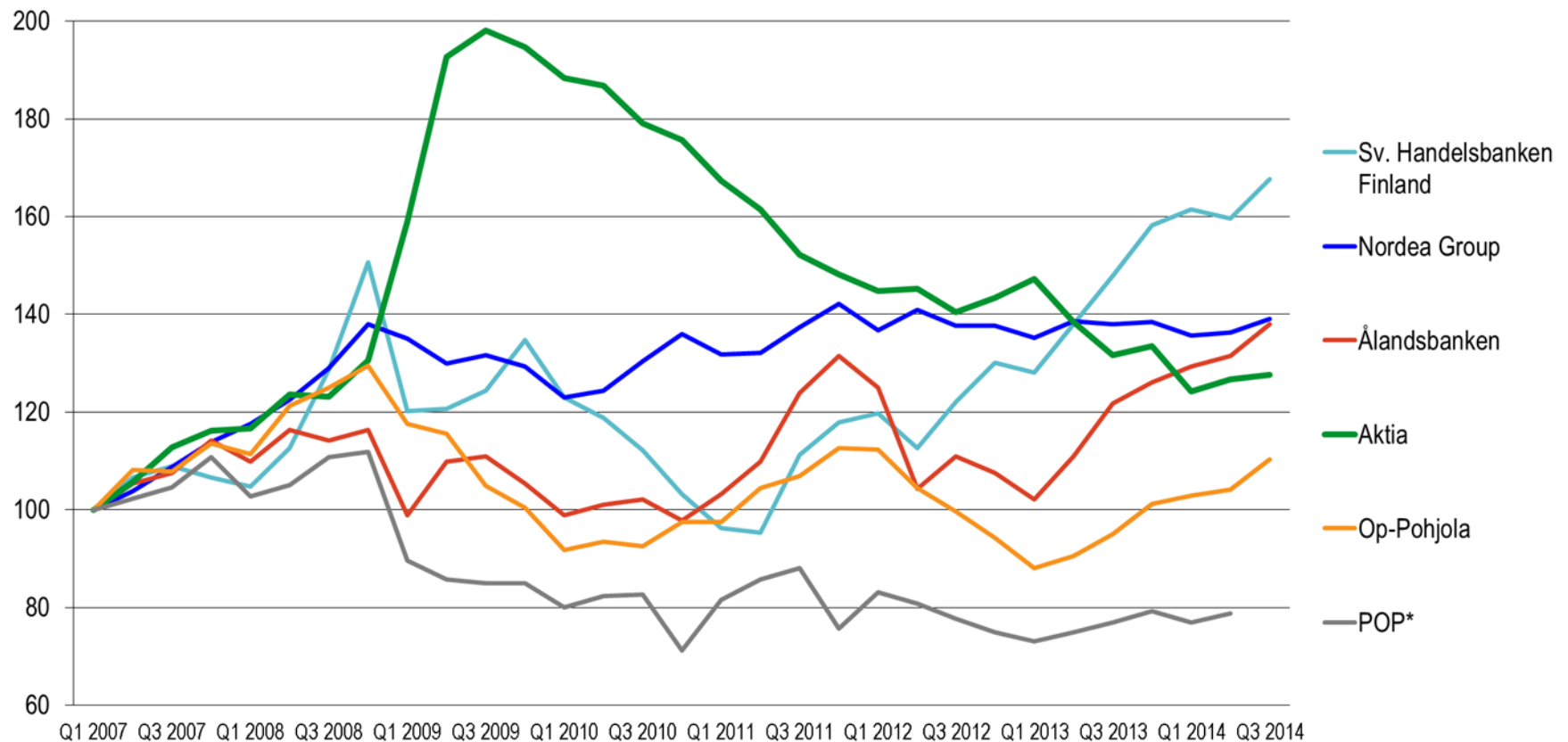
Result before and after tax

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Net interest income (1/2007 = 100)

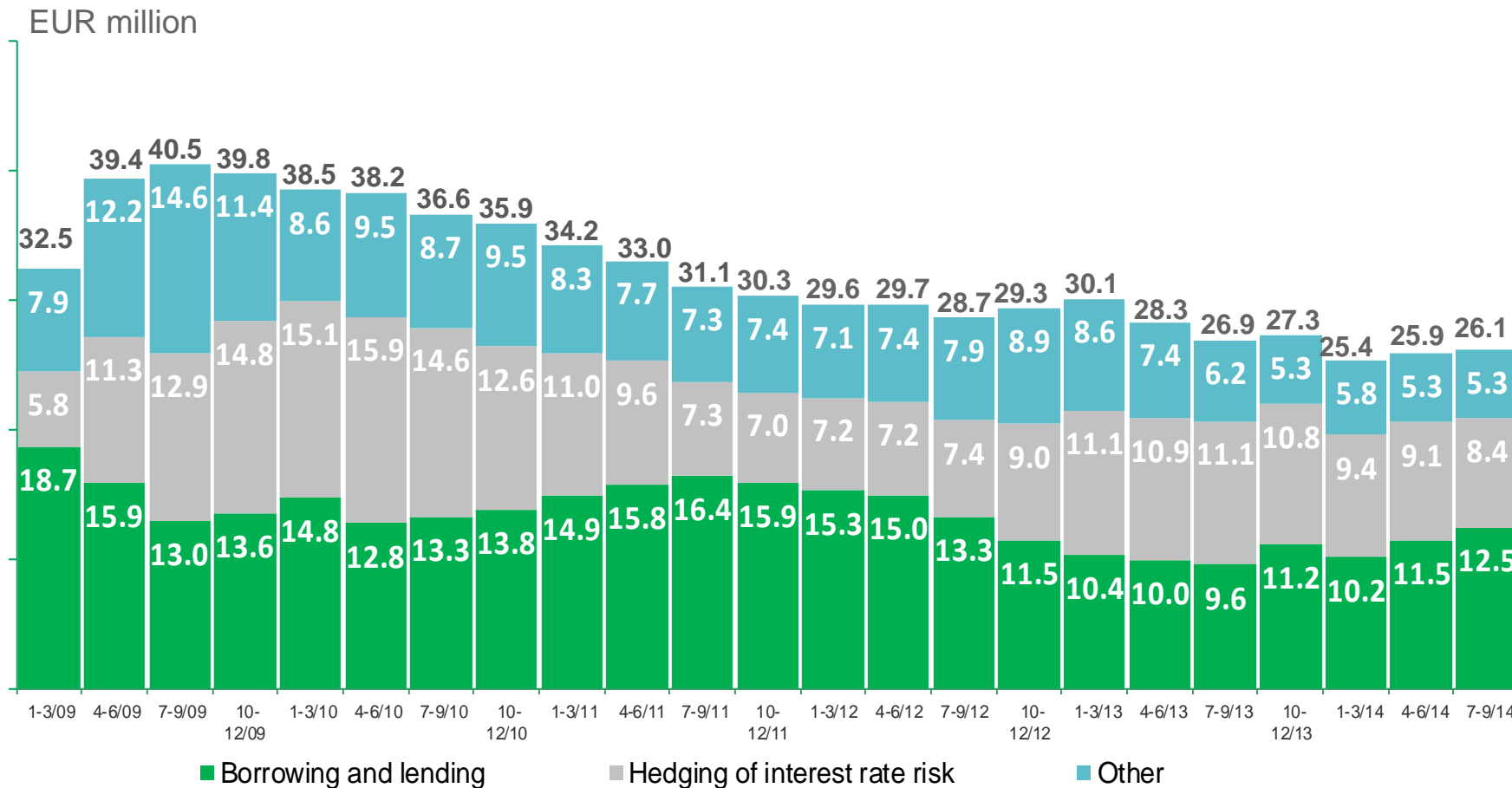
Finnish Banks



*3Q/2014 not published

Net interest income

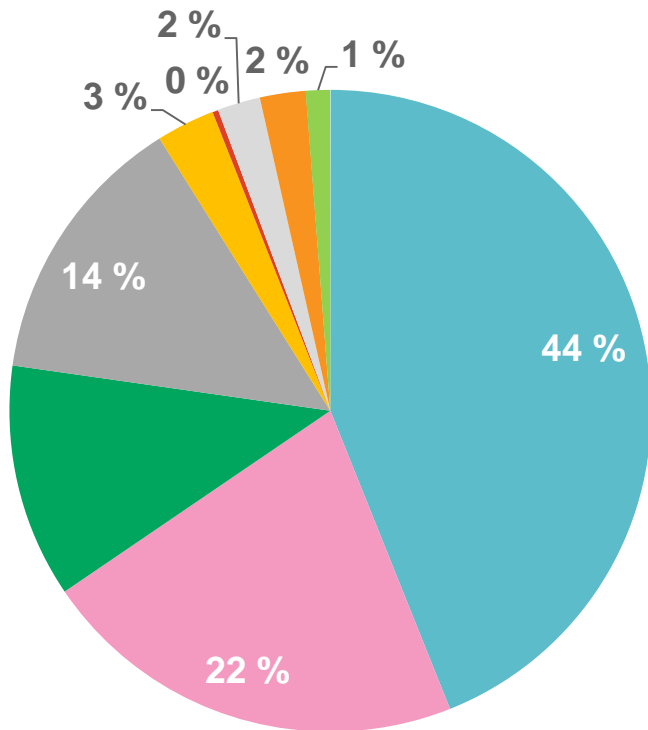
Aktia



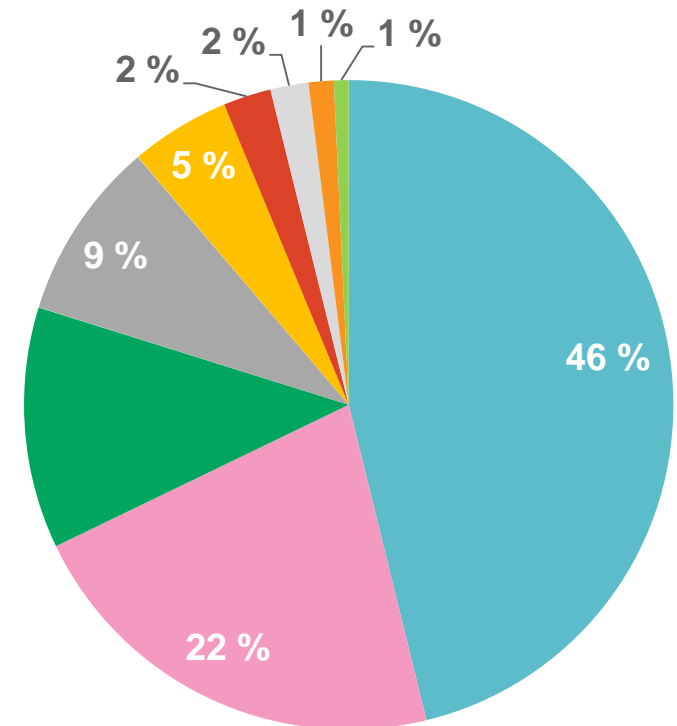
Commission income

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2010; EUR 58 million



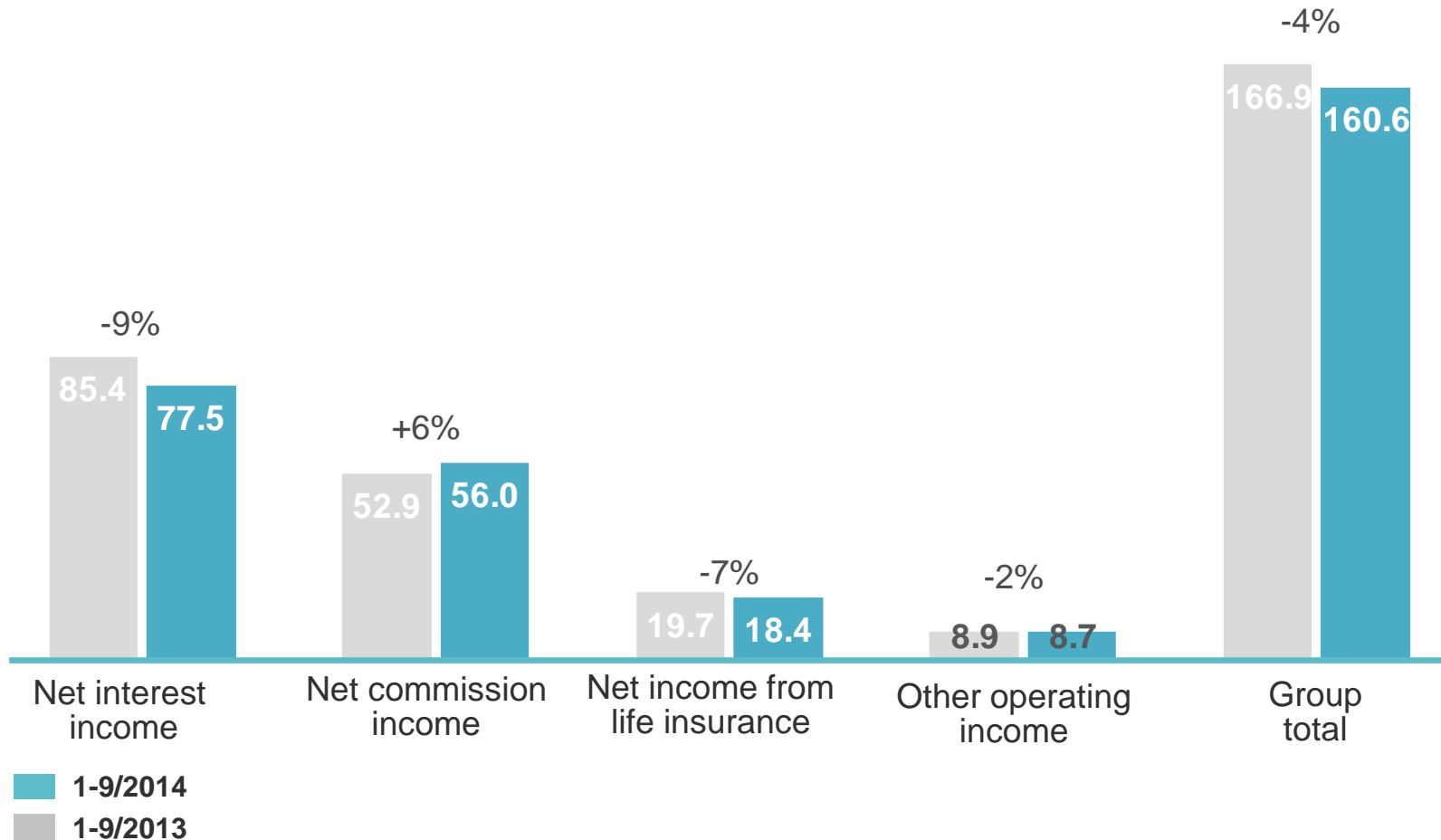
1-9/2014; EUR 56 million



- Mutual funds, AM, and brokerage
- Cards and payments
- Lending
- Real Estate Services
- Insurance brokerage
- Borrowing
- Other commissions
- Legal services
- Off-balance sheet guarantees and other commitments

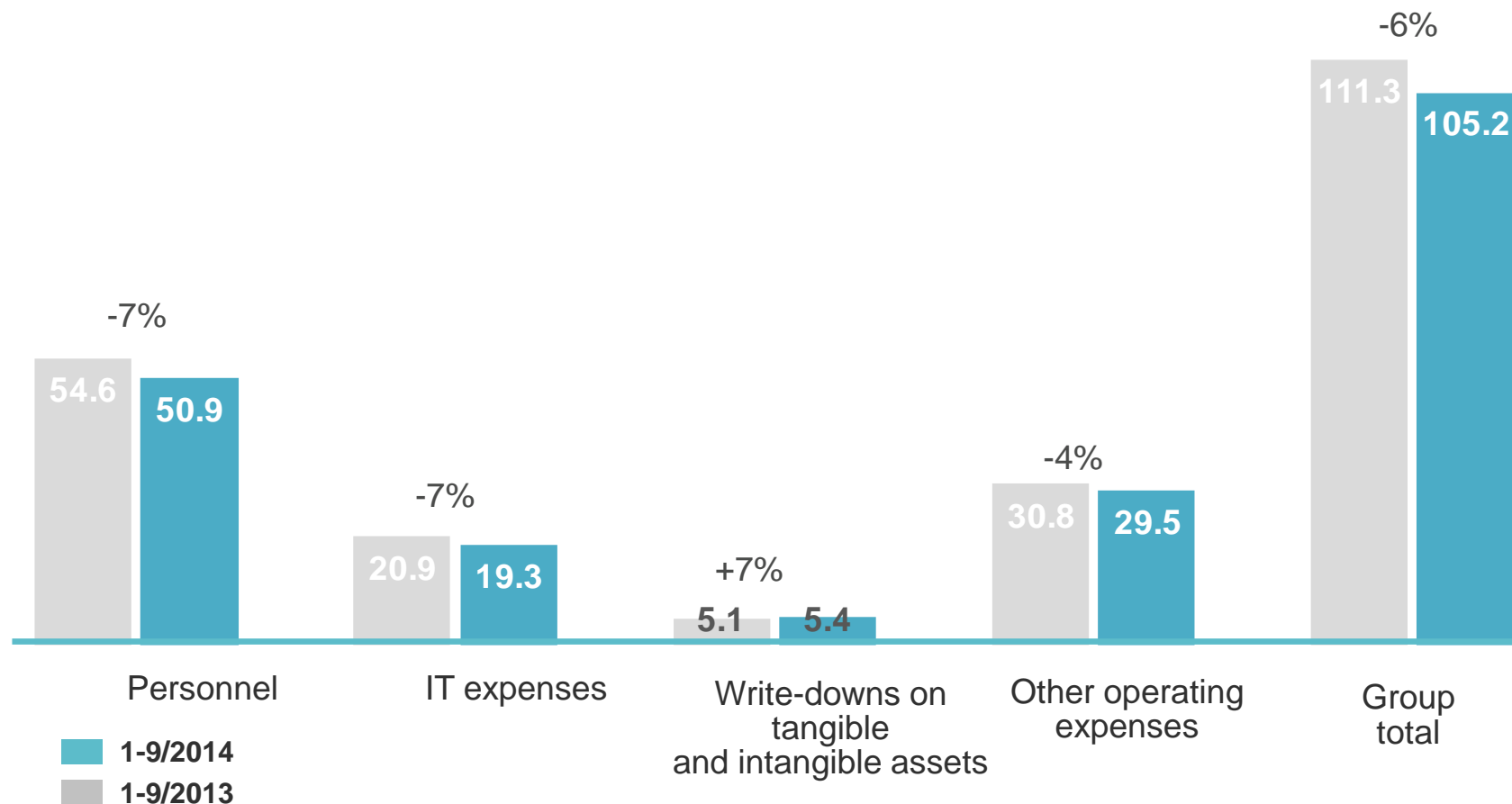
Income (EUR million)

Maintained growth in net commission income

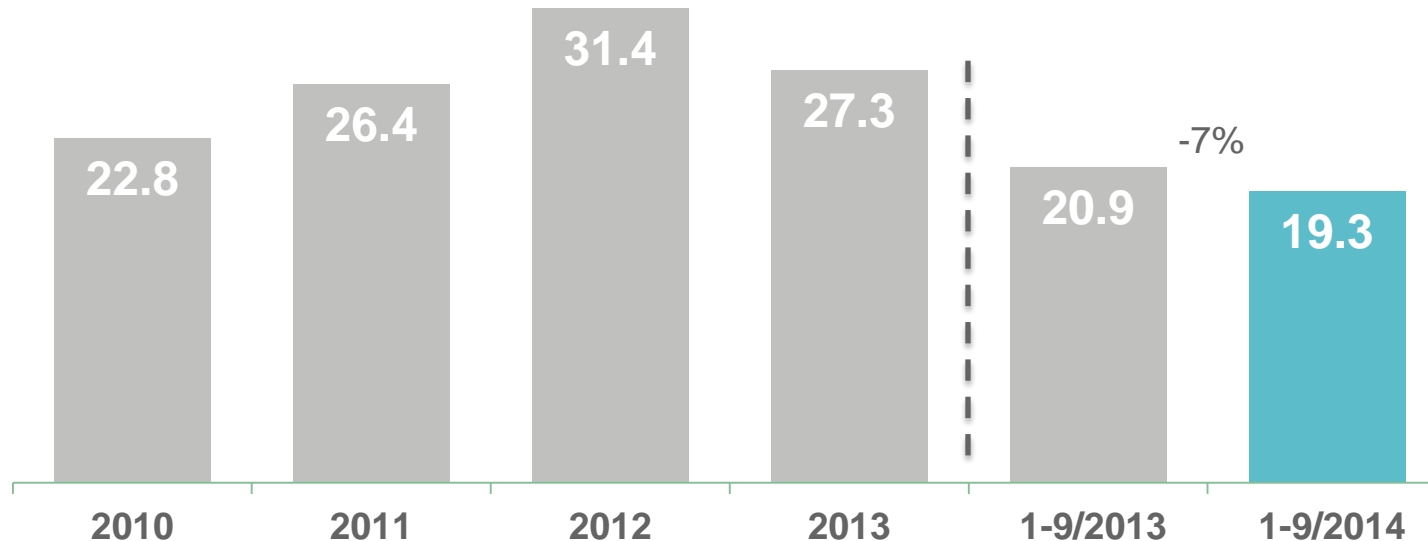


Expenses down by 6% (EUR million)

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Lower IT expenses (EUR million)



- In 2012 a larger one-off cost/provision for change of IT provider
- During 1-9/2014 a provision utilised against IT expenses of EUR 1.9 million (reservation 30 Sept; EUR 4.5 million)
- As of Q2 2014 somewhat lower running costs from IT provider Samlink

Core banking project:

- Investment approx. EUR 30 million, annual cost savings EUR -5 million
- Cumulative investment 30 Sept 2013; EUR 18.4 million
- Impact on result through writedowns as of implementation in 2015 →

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
 - Renewal of core banking system proceeds according to plan
- **End services as central financial institution 2015**
- **Aktia Bank granted concession as Mortgage Bank**
 - First CB issue in June 2013, second in April 2014
- **Group structure has been simplified**
 - New segment division
 - Merger with Aktia plc 1 July 2013
 - Asset Management reorganised
 - Aktia Invest merged with Asset Mgmt
 - Merger with Saaristosäästöpankki completed
- **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
 - HQ offices rationalised
- **One Net finalised**
 - Group IT-workstations in one network

Cost-Income ratio

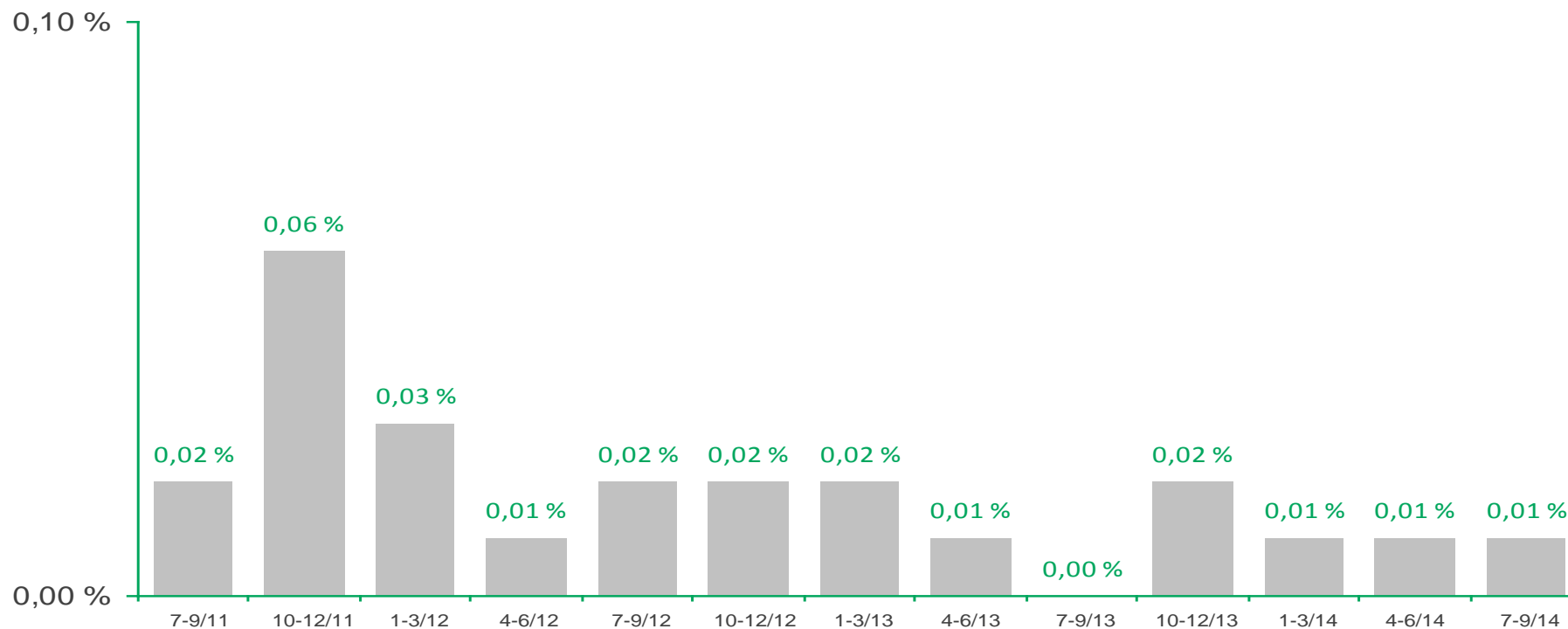
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Write-downs on credits (per quarter)

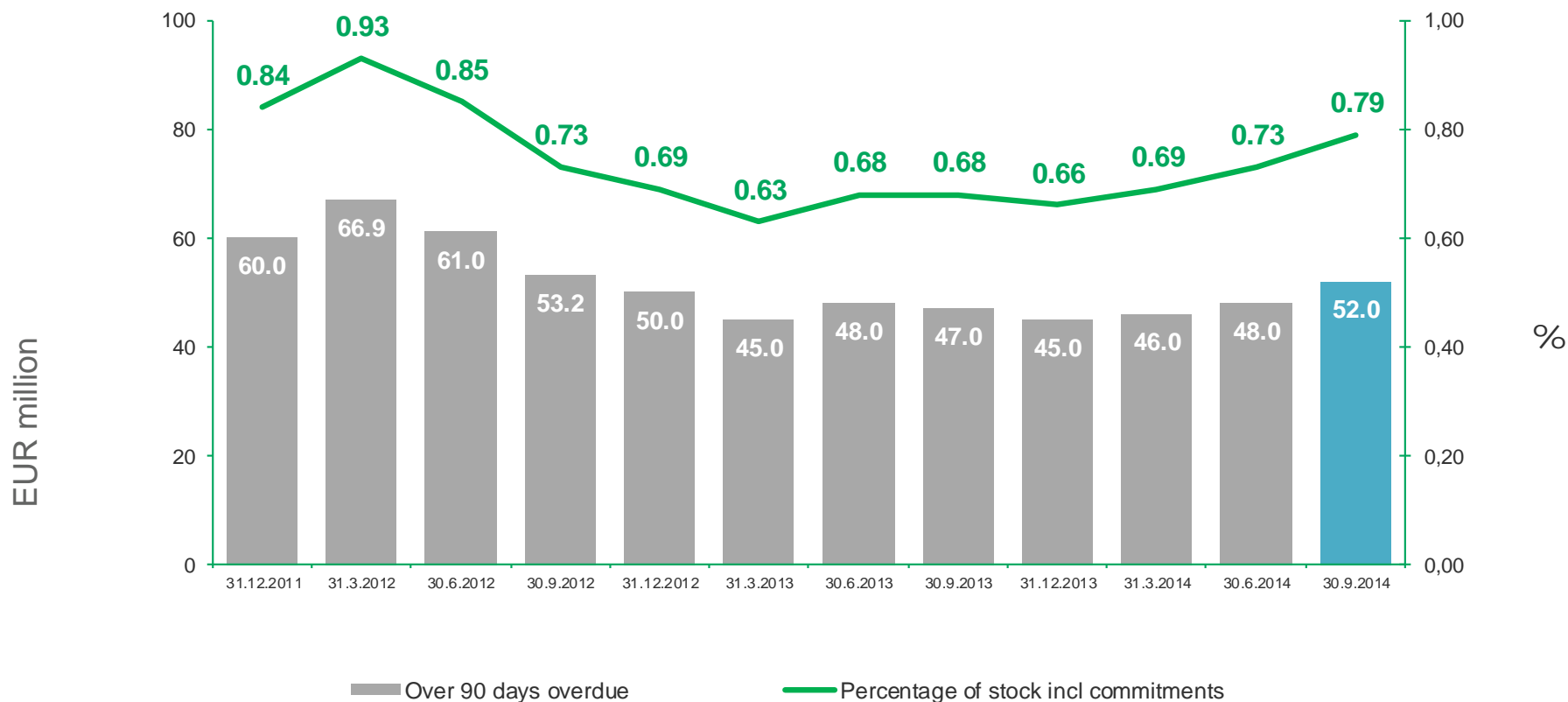
Aktia

% of stock



Non-performing loans more than 90 days overdue

Aktia



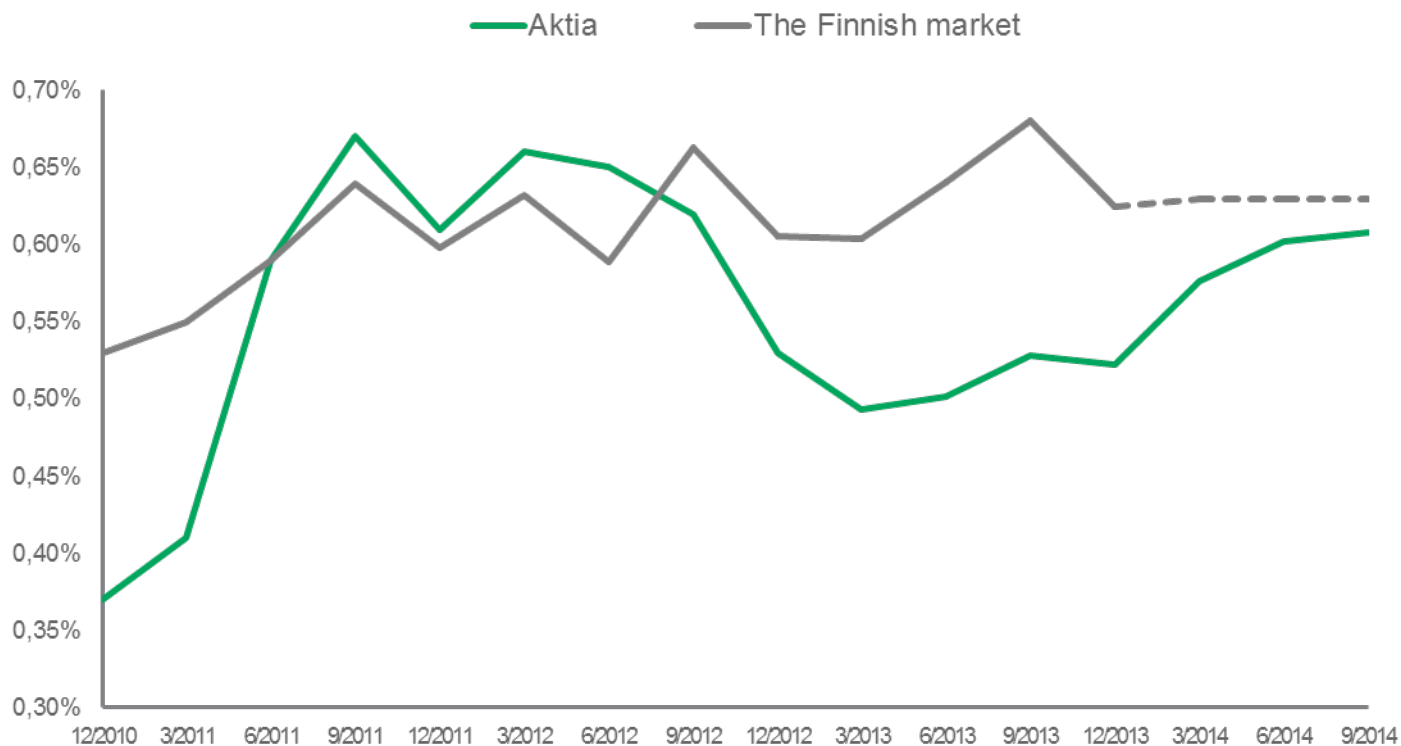
Non-performing loans by days overdue

Aktia

Days	30.9.2014	% of credit stock	31.12.2013	% of credit stock
3-30	112	1.71	114	1.66
of which households	103	1.58	106	1.55
31-89	39	0.59	34	0.49
of which households	33	0.50	28	0.42
90-	52	0.79	45	0.66
of which households	35	0.54	31	0.46

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

Aktia



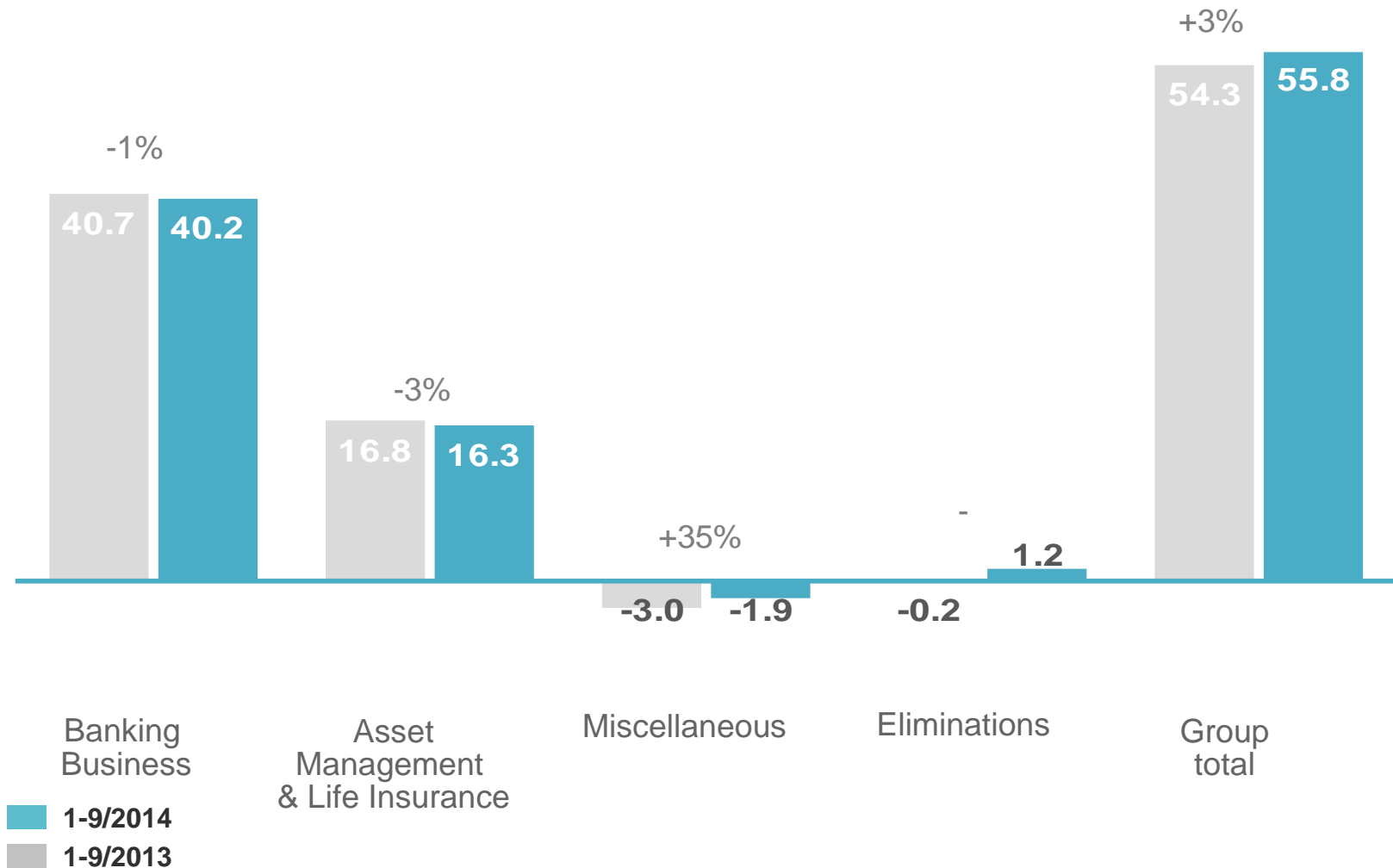
Source: Publication from Finnish Financial Supervisory Authority about the credit market

Write-downs on credits and other commitments

- Total write-downs on credits and other commitments stood at EUR 1.7 (1.7) million.
- Of these write-downs, EUR 1.9 (1.1) million could be attributed to households and EUR -0.2 (0.6) to companies.

The segments' contribution to the operating profit

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Asset Management & Life Insurance Assets Under Management

Aktia

(EUR million)	30.9.2014	31.12.2013	Change %
Aktia Fund Management	3,378	3,053	11%
Aktia Invest	2,650	2,452	8%
Aktia Asset Management	5,056	4,843	4%
Aktia Life Insurance	514	451	14%
Eliminations	-5,967	-5,608	6%
Total	5,631	5,192	8%

Aktia's asset management in shared first place for the second year on a row (SFR)

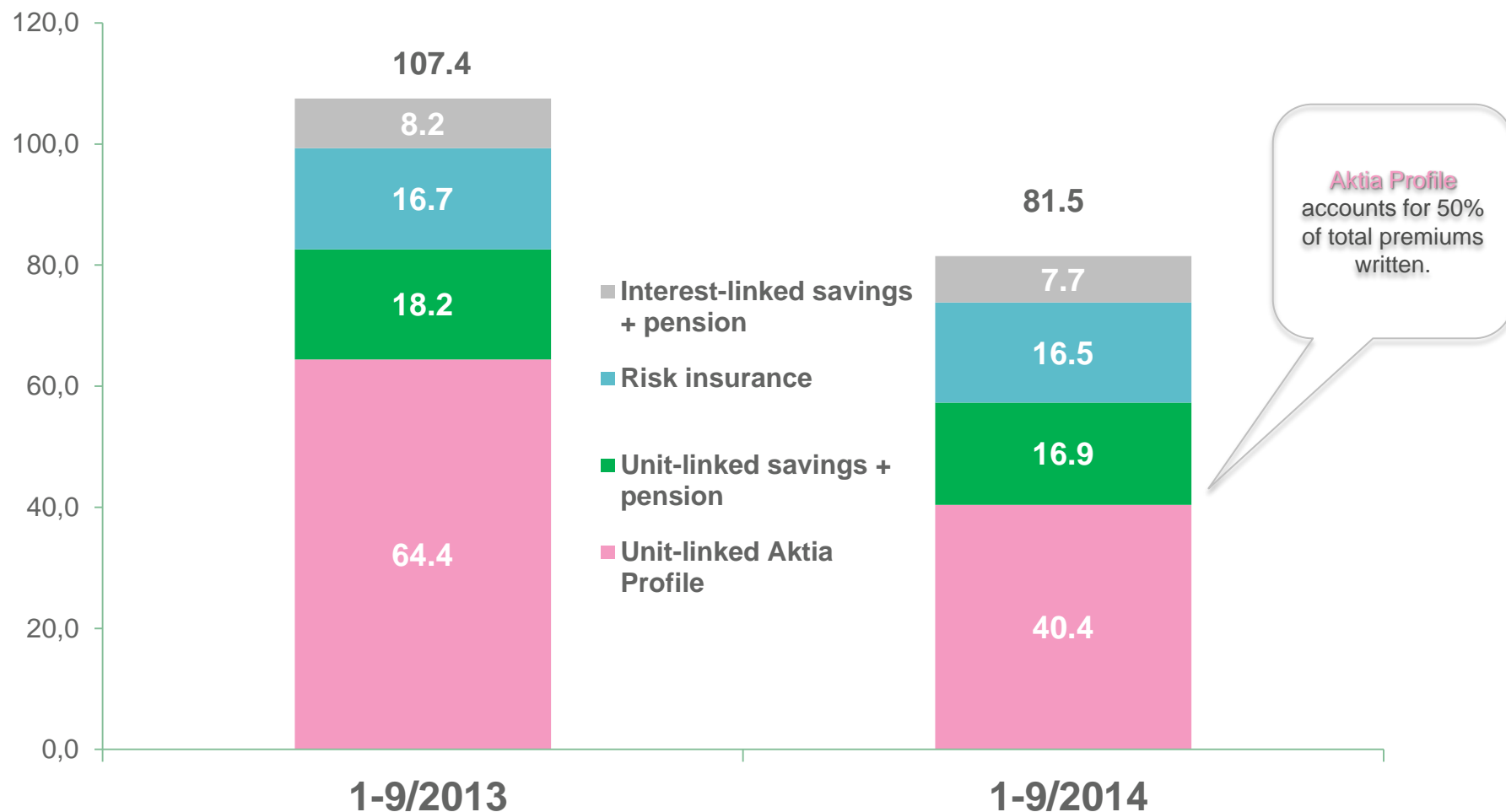
Aktia

- **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

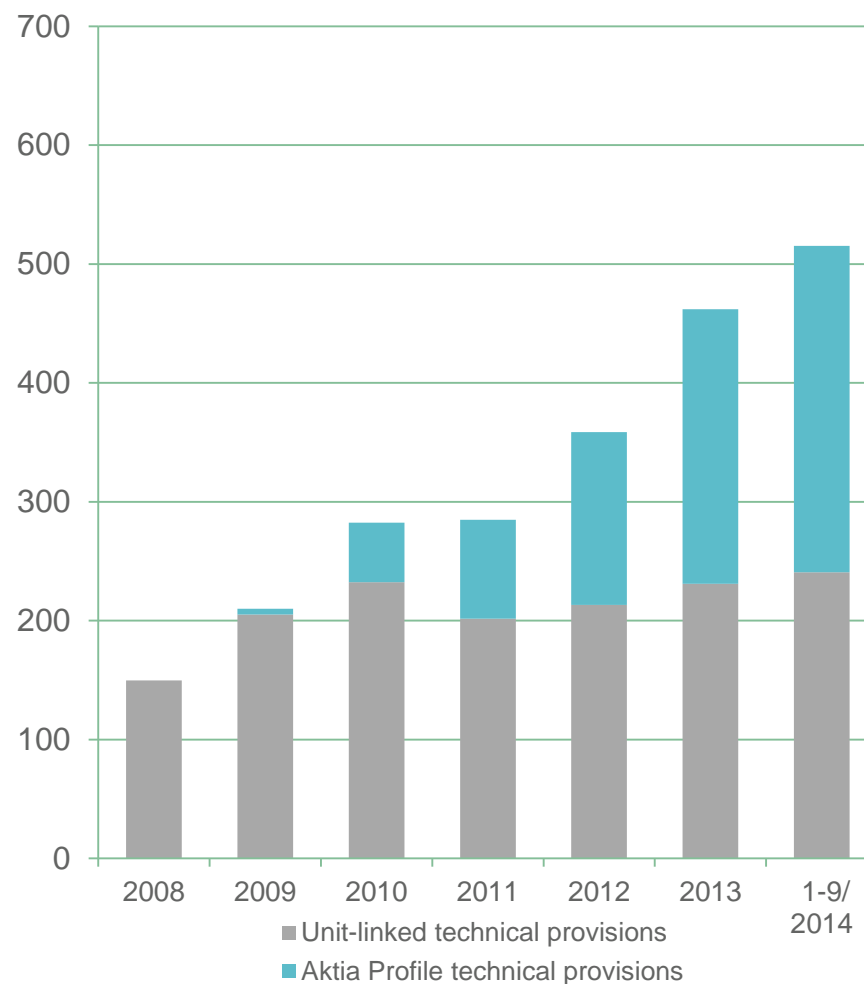
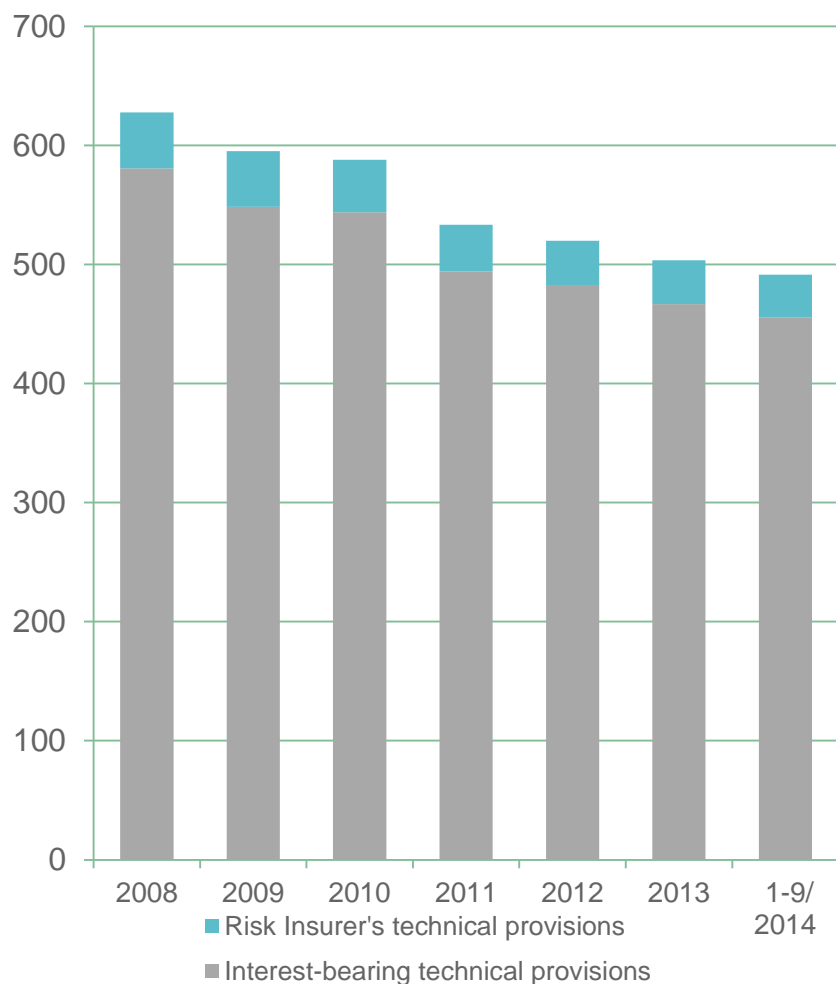
Aktia

EUR million



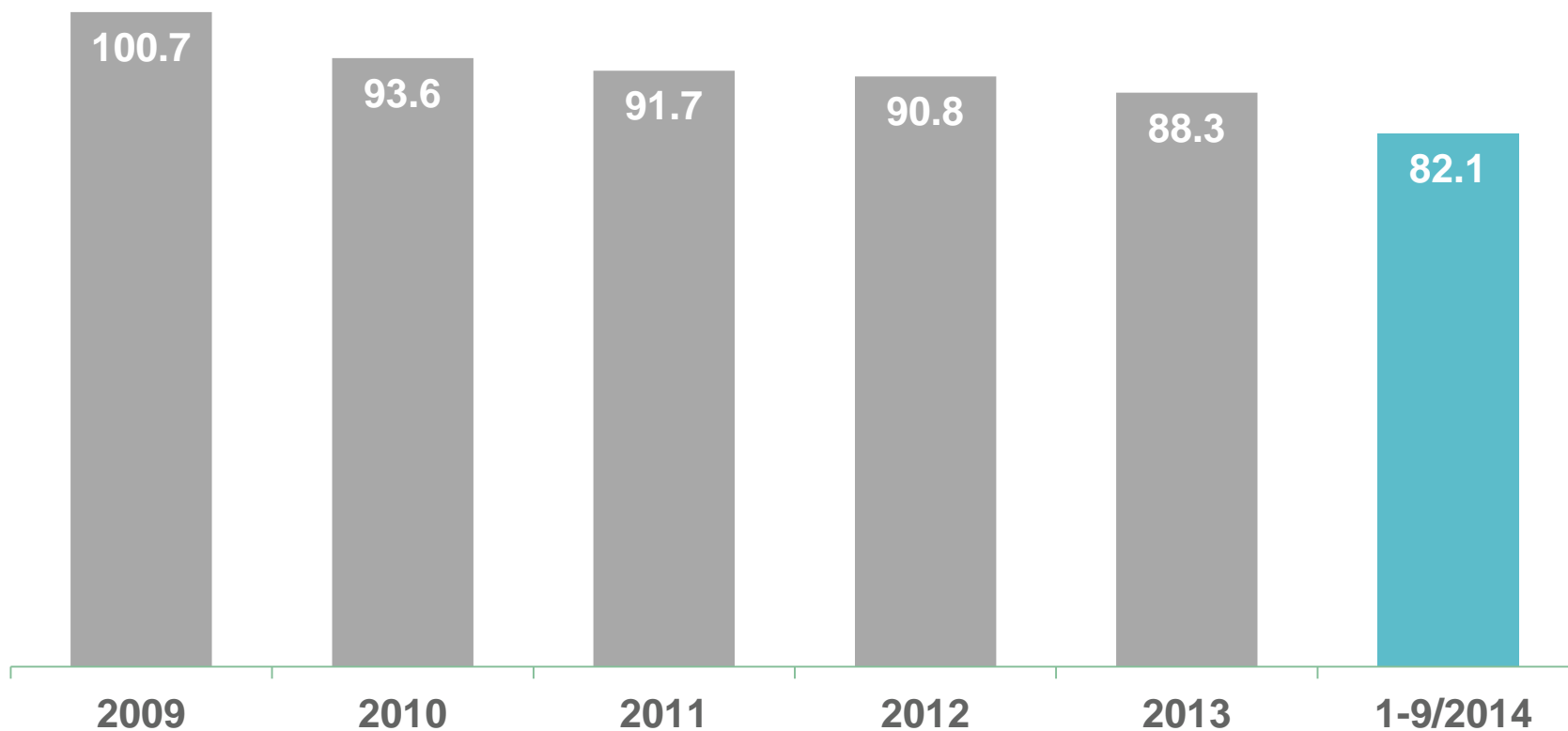
Interest-linked insurance decreased, unit-linked increased (EUR million)

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Expense ratio for life insurance, %

Aktia



Summary: Operating profit January–September 2014

Aktia

Profit

Operating profit amounted to EUR 55.8 (54.3) million.

Profit for the period amounted to EUR 44.7 (40.5) million.

Income

Income totalled EUR 160.6 (166.9) million.

Net interest income decreased to EUR 77.5 (85.4) million.

Expenses

The Group's operating expenses decreased by 6% to EUR 105.2 (111.3) million.

Write-downs

The Group's write-downs on credits and other commitments was EUR 1.7 (1.7) million.

Interim report

1 January - 30 September 2014

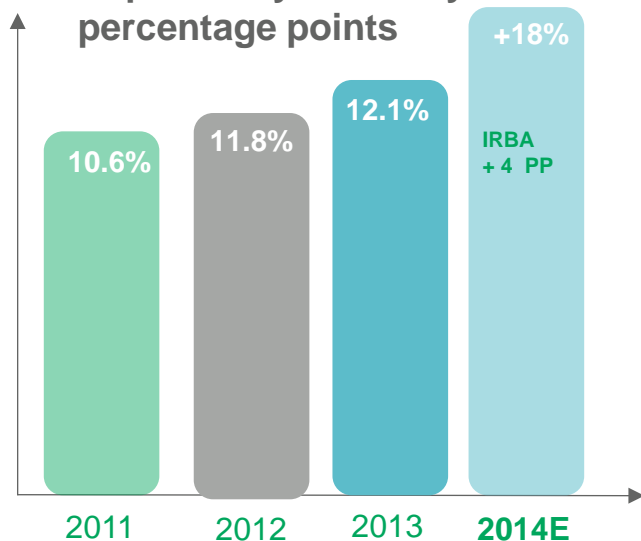
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1	Financial performance
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The Bank's capital adequacy

Aktia

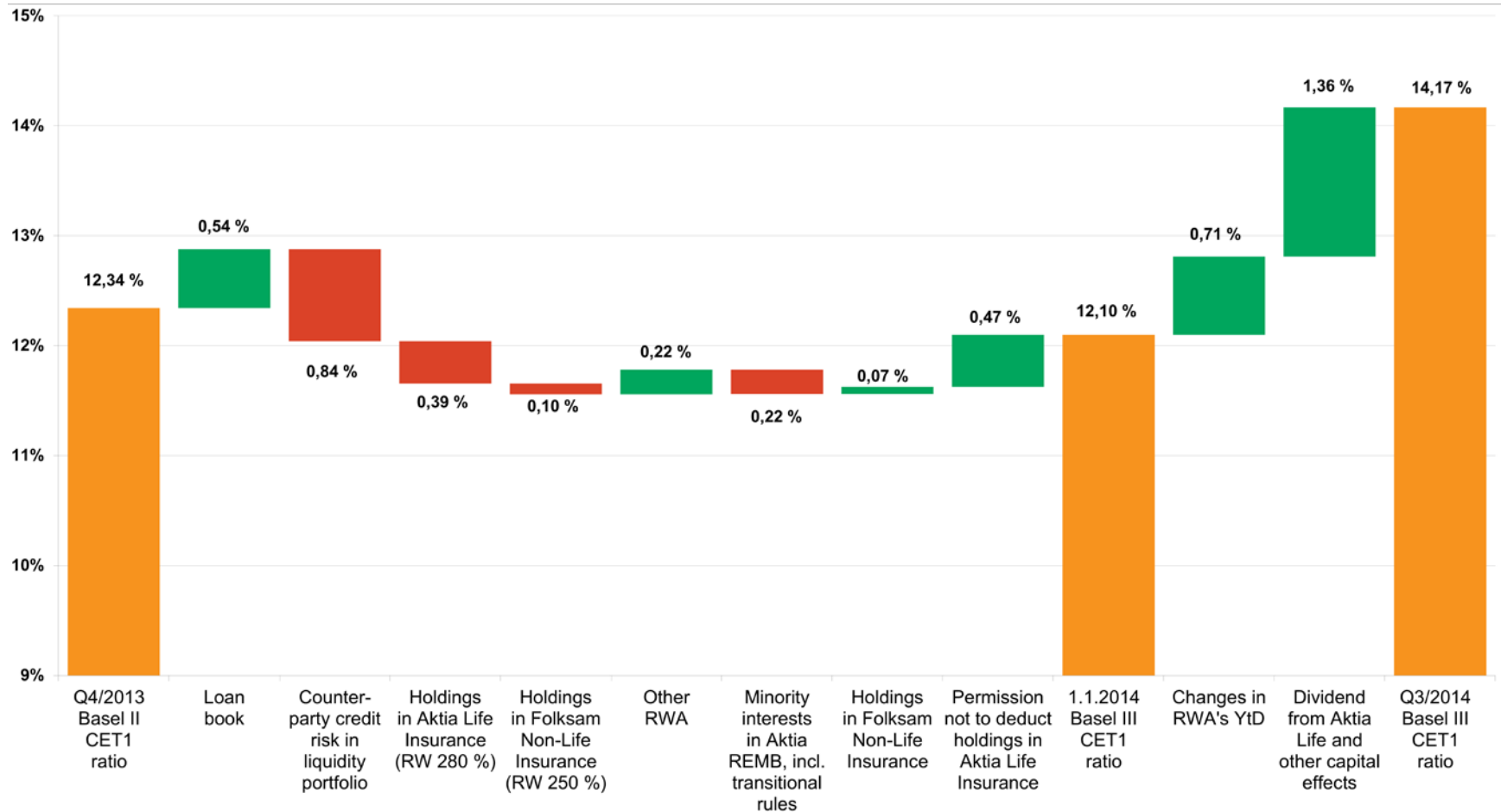
- **Basel III regulatory framework in effect as of 1 January 2014**
 - Effect on Core Tier 1 limited, -0.2 %
 - Larger negative effect on capital adequacy, -3.9% mainly due to stricter demands on maturity on issued debentures
 - Temporary exemption 2014 concerning holdings in Aktia Life Insurance, risk weight 280%
- **Stronger capital adequacy thanks to a positive result and a dividend from Aktia Life Insurance; 18,4 %**
- **IRBA application was submitted in August 2011 and is reviewed by the Financial Supervisory Authority. IRBA is expected to increase Tier 1 capital ratio by at least 4 percentage points**



	30.9.2014 Basel III	30.6.2014 Basel III	31.12.2013 Basel III
Core Tier 1 ratio	14.2 %	13.8 %	12.1 %
Tier 1 capital ratio	14.2 %	13.8 %	12.1 %
Capital Adequacy	18.4 %	17.8 %	15.5 %

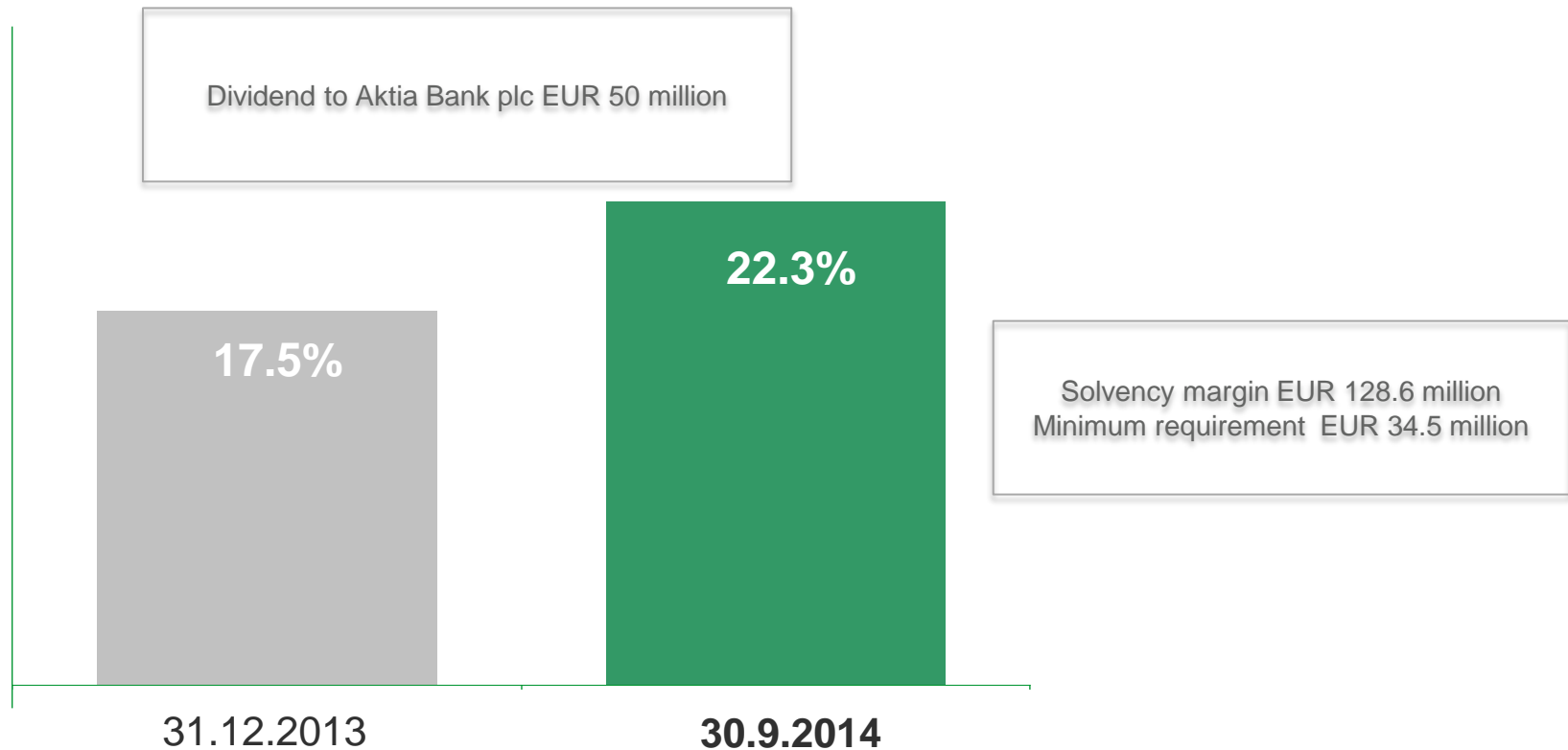
Effects of new regulation Basel II to Basel III

Aktia



Life insurance Solvency ratio

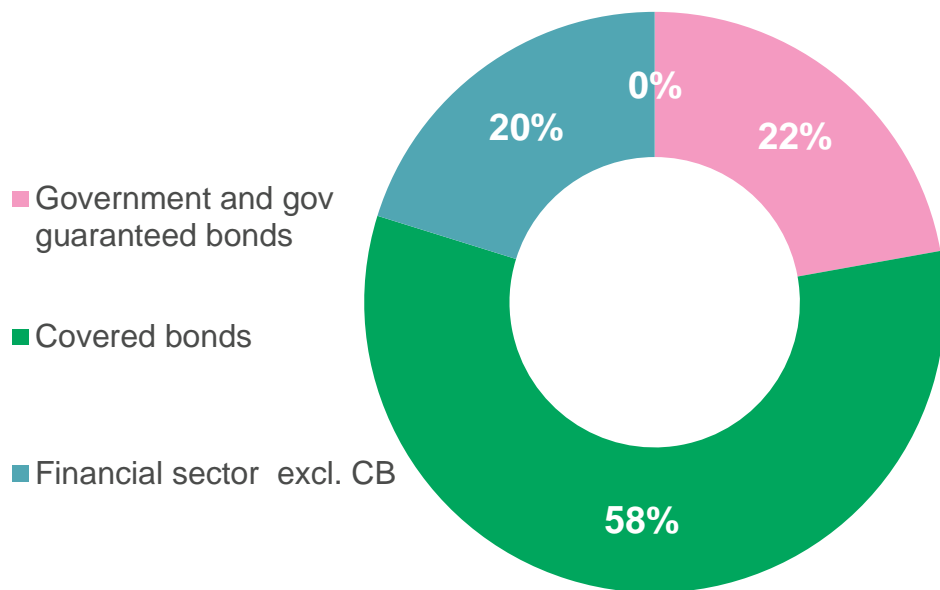
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The Bank Group's liquidity portfolio and other interest-bearing investments

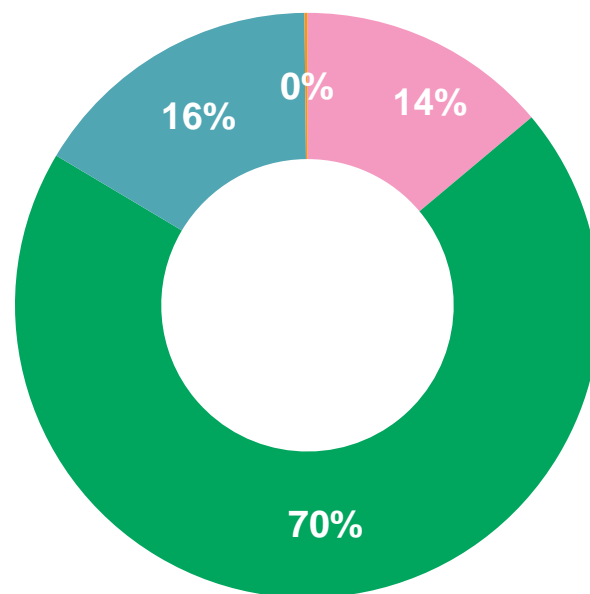
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EUR 2,626 million



30.9.2014

EUR 2,428 million

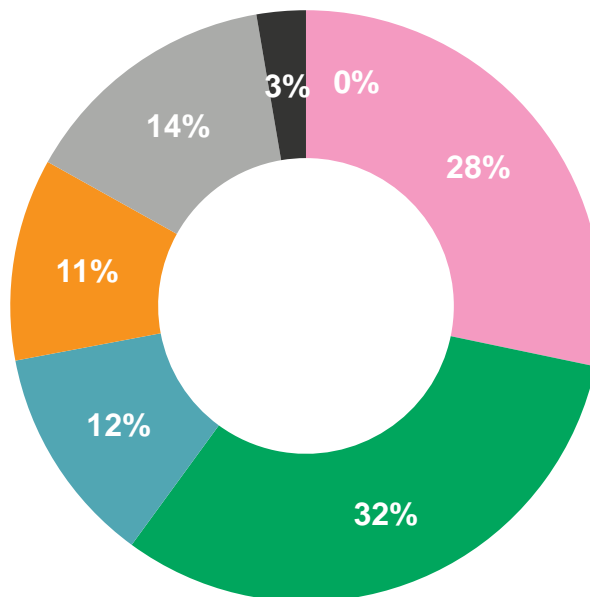


31.12.2013

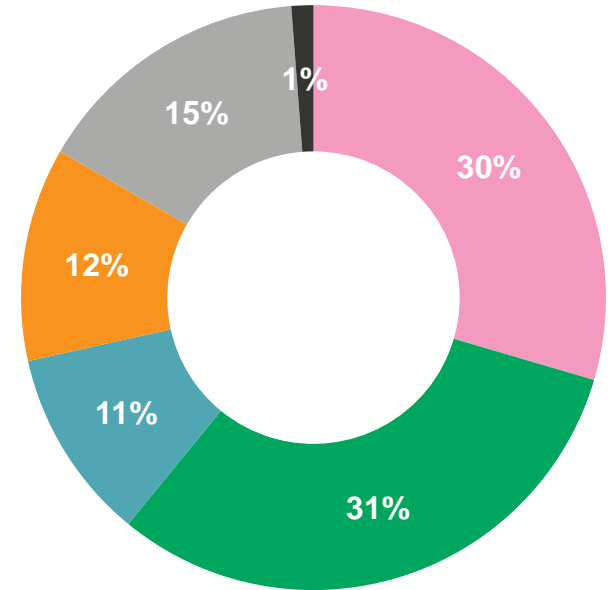
Continued convergence towards Solvency II Aktia Life Insurance Company

Return on investments 6.6 (0.2)%
Duration 5.5 (5.5) years

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



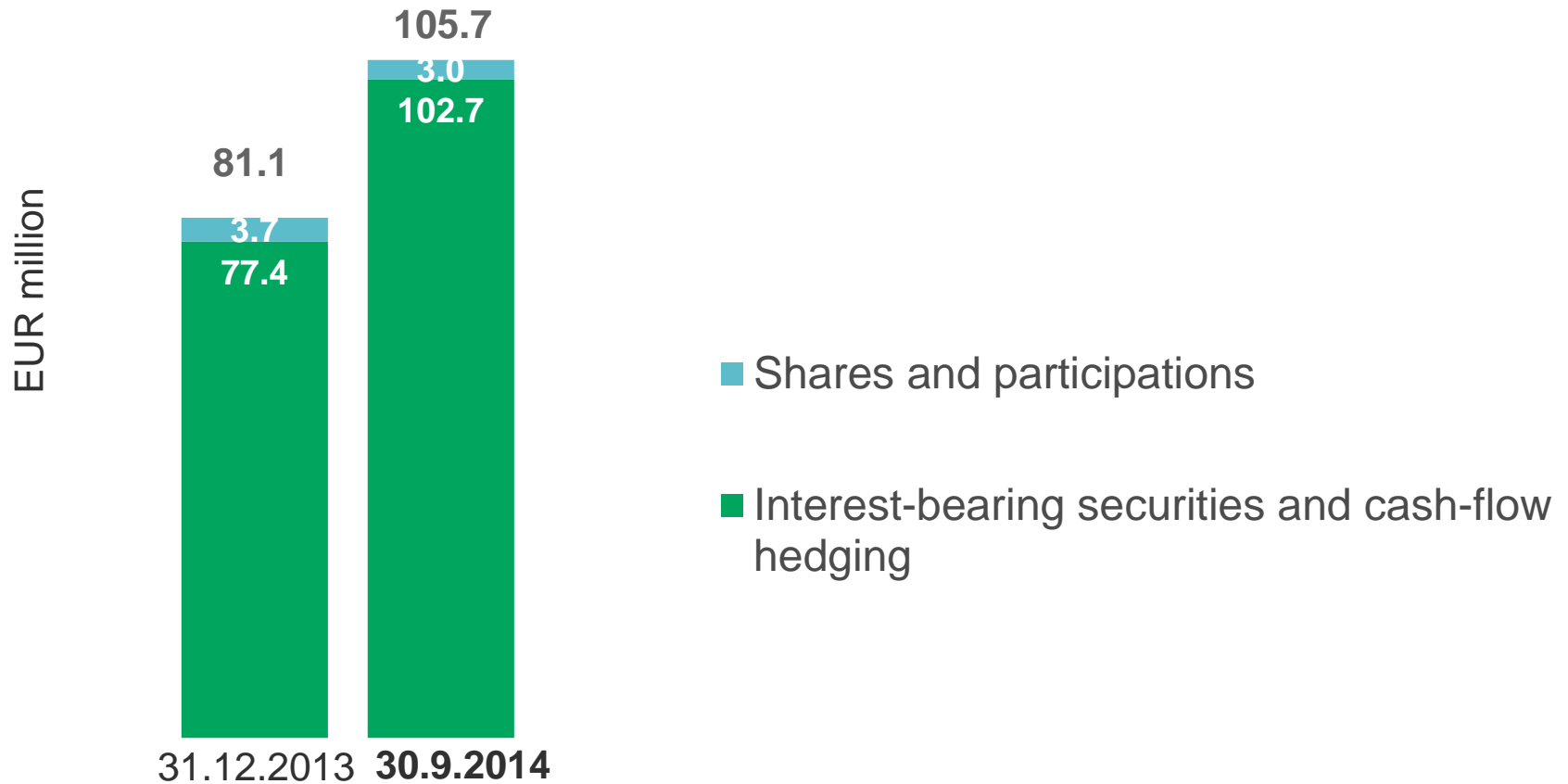
30.9.2014



31.12.2013

Fund at fair value

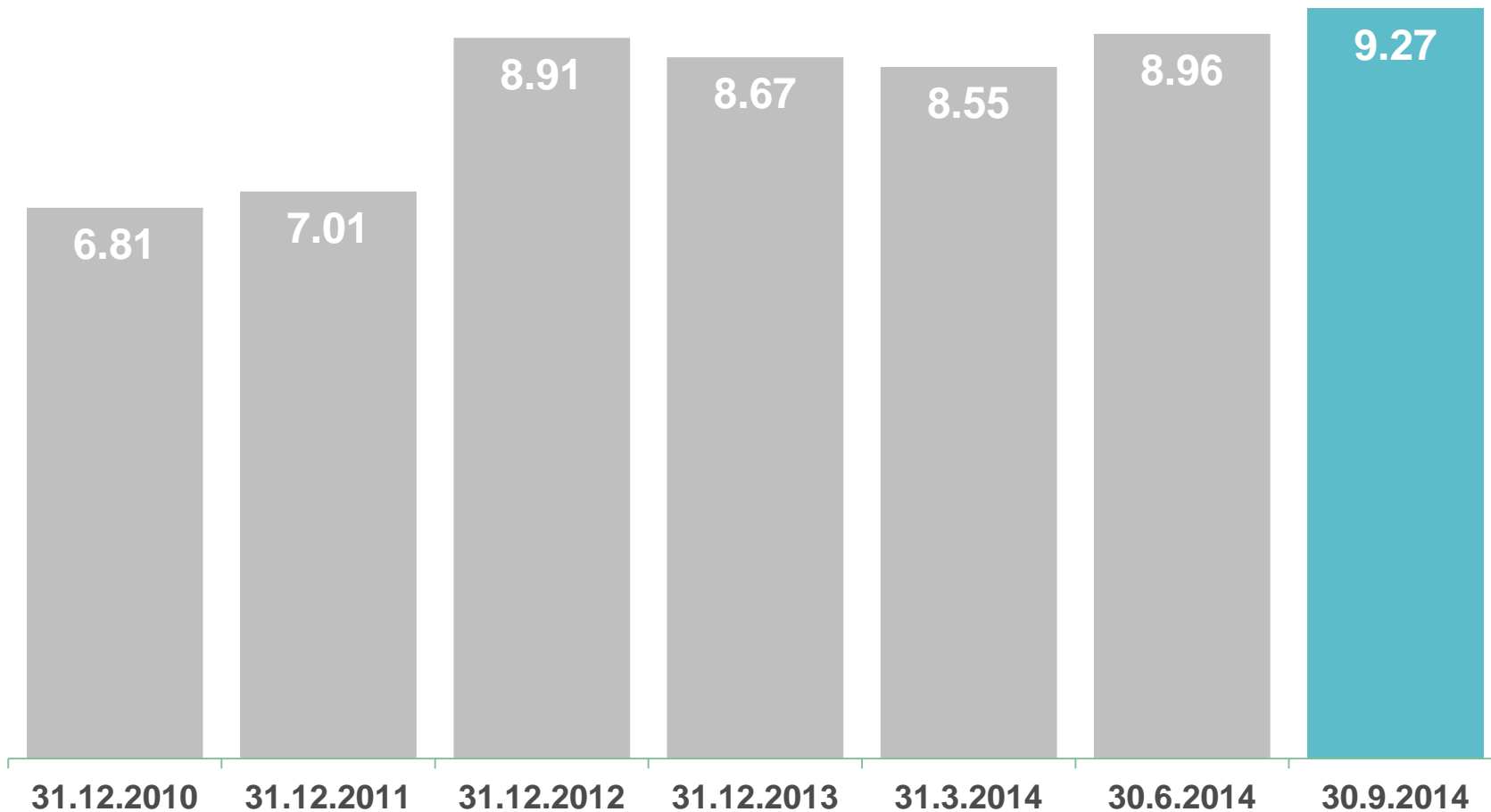
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Equity per share (NAV)

Aktia

EUR/share



Interim report 1 January - 30 September 2014

Aktia

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Balance sheet 30.9.2014

Aktia

The Group's balance sheet total was unchanged and amounted to EUR 10,955 (10,934) million.

Borrowing amounted to EUR 3,991 (3,797) million.

Lending to the public amounted to EUR 6,505 (6,802) million.
Loans to private households amounted to EUR 5,768 million or 88.7% of the credit stock.

The housing loan stock amounted to EUR 5,297 (5,521) million

Corporate lending continued to be moderate
The credit stock amounted to EUR 429 (541) million, corresponding to 6.6%

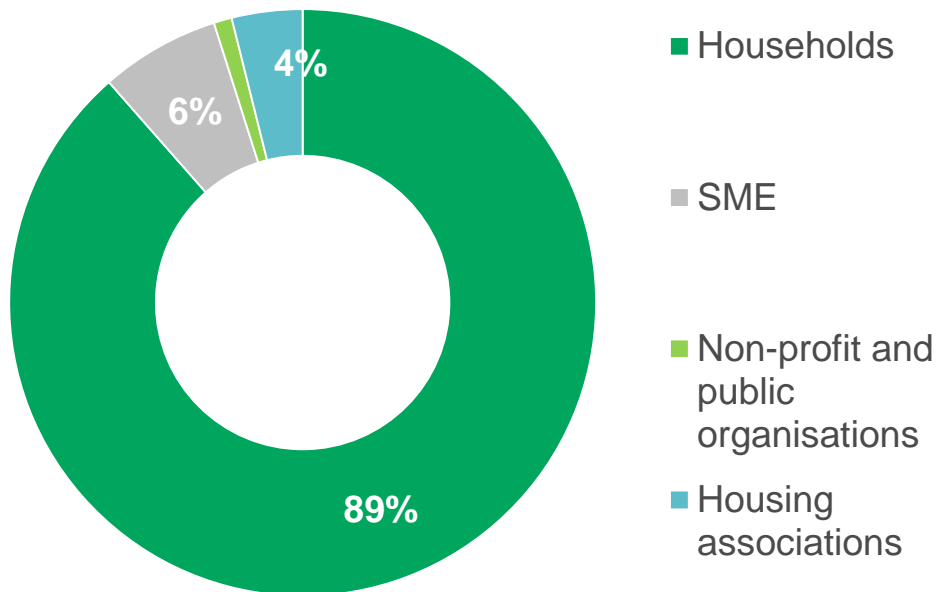
Credit and deposit stocks

30 September 2014

Aktia

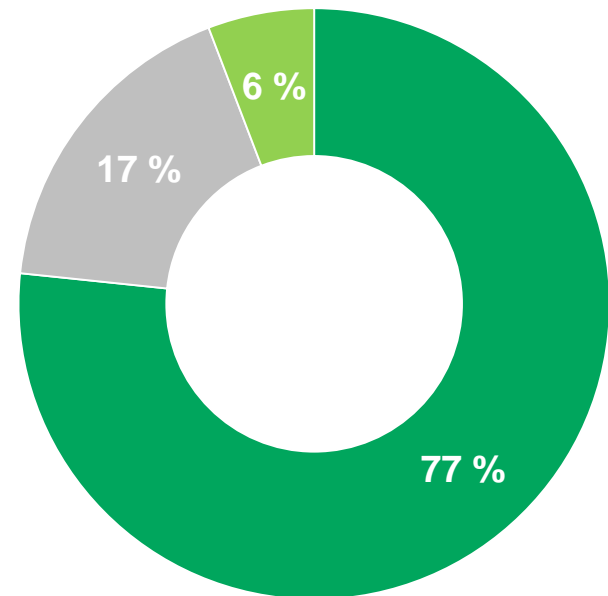
Credits

EUR 6,505 (6,802) million



Deposits

EUR 3,991 (3,797) million



Share capital and ownership

31 October 2014

Aktia

The 20 largest shareholders	Series A shares	Series R shares	Shares total	Shares %	Votes, %
Stiftelsen Tre Smeder	1,971,925	4,310,216	6,282,141	9.44	19.85
Veritas Pension Insurance Company Ltd.	4,027,469	2,134,397	6,161,866	9.25	10.52
Svenska litteratursällskapet i Finland r.f.	4,463,889	789,229	5,253,118	7.89	4.56
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
Life Annuity Hereditas	-	2,046,106	2,046,106	3.07	9.21
Sparbanksstiftelsen in Porvoo	1,303,370	651,525	1,954,895	2.94	3.23
Aktiastiftelsen in Vaasa	978,525	547,262	1,525,787	2.29	2.68
Aktiastiftelsen in Espoo-Kauniainen	-	1,338,708	1,338,708	2.01	6.03
Sparbanksstiftelsen in Kirkkonummi	856,529	441,733	1,298,262	1.95	2.18
Sparbanksstiftelsen in Karjaa - Pohja	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
Aktiastiftelsen in Vantaa	28,541	1,138,588	1,167,129	1.75	5.13
Ab Kelonia Oy	549,417	308,662	858,079	1.29	1.51
Sparbanksstiftelsen in Inkoo	452,669	345,569	798,238	1.2	1.66
Sparbanksstiftelsen in Sipoo	462,002	232,001	694,003	1.04	1.15
Nordea Fennia Fund	568,000	-	568,000	0.85	0.13
Vörå Sparbanks Aktiastiftelse	554,910	10,500	565,410	0.85	0.17
The 20 largest shareholders	26,670,466	16,389,171	43,059,637	64.66	79.79
Other	20,036,257	3,482,917	23,519,174	35.34	20.21
Total	46,706,723	19,872,088	66,578,811	100.0	100.0

Interim report

1 January - 30 September 2014

Aktia

1	Financial performance
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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.

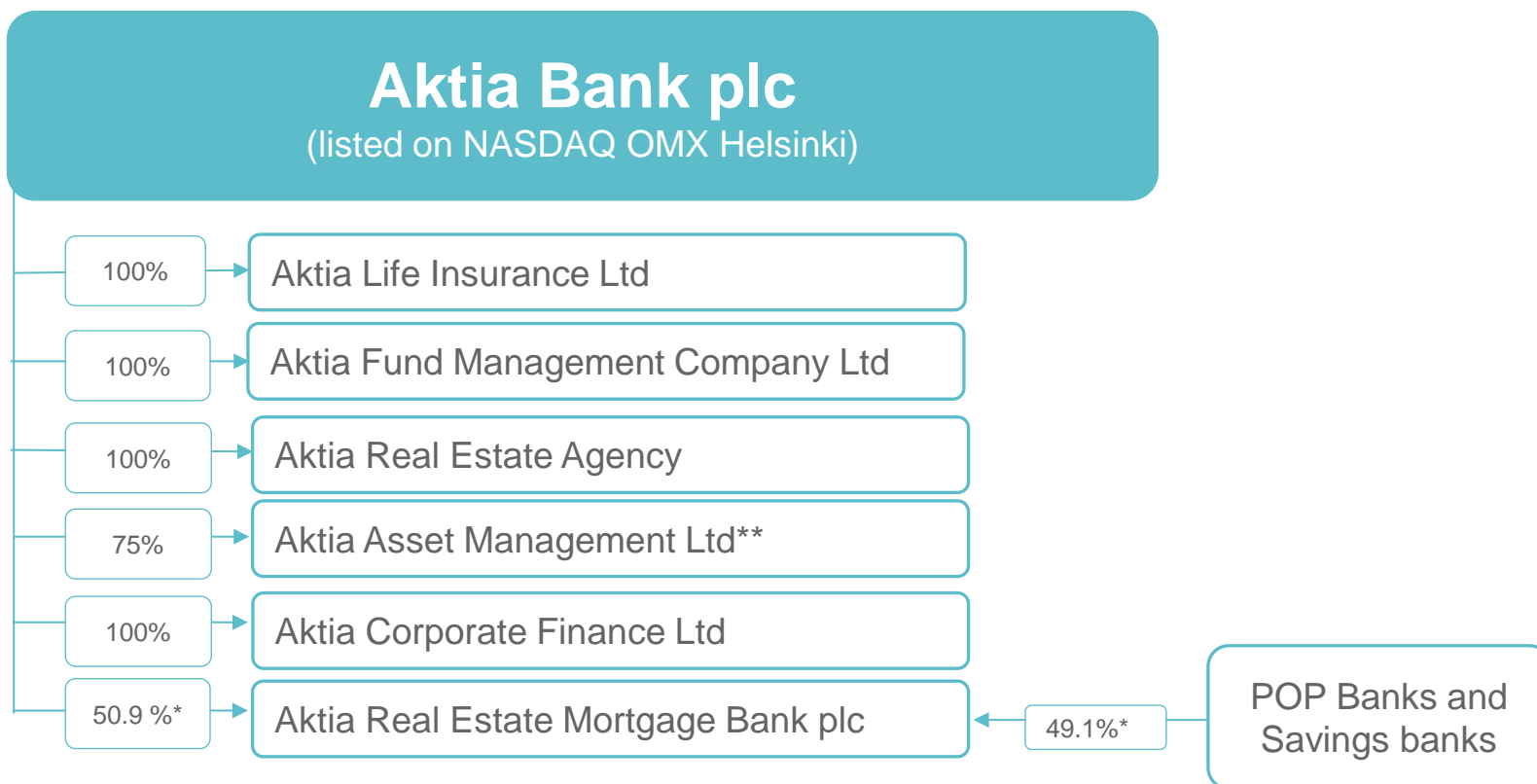
Aktia's aim is to improve competitiveness and to become the Finnish champion of customer services in selected customer segments. Aktia will continue to strive for efficient and customer-friendly service, and to provide financial solutions for households, business owners, small companies and institutions.

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 October 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 1-9/2014 and 1-9/2013

Aktia

	1-9/2014	1-9/2013	Change, %	Objectives for 2015
Commission income	63.0	60.5	+4 %	+5% p.a.
Expenses				
Staff costs	50.9	54.6	-7%	-5% p.a.
IT costs	19.3	20.9	-7%	
Other	29.5	30.8	-4%	

Balance sheet, assets

Aktia

EUR million	30.9.2014	31.12.2013	Δ	30.9.2013
Assets				
Cash and balances with central banks	374.0	414.3	-10 %	188.0
Financial assets reported at fair value via income statement	-	0.1	-	0.0
Interest-bearing securities	2,409.9	2,157.0	12 %	2,538.4
Shares and participations	81.7	99.5	-18 %	97.9
Financial assets available for sale	2,491.5	2,256.5	10 %	2,636.2
Financial assets held until maturity	490.2	499.3	-2 %	396.3
Derivative instruments	228.8	197.6	16 %	208.6
Lending to Bank of Finland and other credit institutions	117.1	95.1	23 %	243.5
Lending to the public and public sector entities	6,504.9	6,802.2	-4 %	6,845.8
Loans and other receivables	6,622.0	6,897.3	-4 %	7,089.3
Investments for unit-linked provisions	513.9	465.9	10 %	438.1
Investments in associated companies	23.2	19.3	20 %	18.8
Intangible assets	31.0	20.3	52 %	14.6
Investment properties	60.4	60.6	0 %	50.9
Tangible assets excl. investment properties	7.3	6.4	14 %	5.7
Accrued income and advance payments	68.7	66.2	4 %	72.6
Other assets	23.0	8.8	161 %	6.0
Total other assets	91.7	75.0	22 %	78.6
Income tax receivables	6.2	3.7	70 %	1.7
Deferred tax receivables	13.9	16.2	-14 %	20.9
Tax receivables	20.1	19.9	1 %	22.6
Assets classified as held for sale	1.2	1.2	-3 %	1.2
Total assets	10,955.2	10,933.8	0 %	11,149.1

Balance sheet, liabilities

Aktia

EUR million	30.9.2014	31.12.2013	Δ	30.9.2013
Liabilities				
Liabilities to credit institutions	954.8	1,095.5	-13 %	1,063.4
Liabilities to the public and public sector entities	3,991.0	3,797.5	5 %	3,742.1
Deposits	4,945.7	4,893.0	1 %	4,805.5
Derivative instruments	120.9	128.6	-6 %	138.1
Debt securities issued	3,555.9	3,657.9	-3 %	3,910.9
Subordinated liabilities	215.7	232.2	-7 %	275.6
Other liabilities to credit institutions	136.4	123.5	10 %	100.5
Liabilities to the public and public sector entities	80.5	92.4	-13 %	112.5
Other financial liabilities	3,988.5	4,106.0	-3 %	4,399.6
Technical provisions for interest-related insurances	491.4	503.5	-2 %	507.9
Technical provisions for unit-linked insurances	512.2	461.9	11 %	436.9
Technical provisions	1,003.6	965.4	4 %	944.8
Accrued expenses and income received in advance	91.7	96.5	-5 %	92.7
Other liabilities	54.9	40.5	35 %	64.0
Total other liabilities	146.6	137.0	7 %	156.7
Provisions	4.5	6.4	-30 %	6.9
Income tax liabilities	3.0	5.2	-43 %	4.1
Deferred tax liabilities	59.6	50.4	18 %	61.2
Tax liabilities	62.5	55.6	12 %	65.3
Liabilities for assets classified as held for sale	0.2	0.2	-1 %	0.2
Total liabilities	10,272.5	10,292.1	0 %	10,517.0
Equity				
Restricted equity	269.0	244.5	10 %	246.5
Unrestricted equity	348.2	332.7	5 %	321.0
Shareholders' share of equity	617.2	577.1	7 %	567.5
Non-controlling interest's share of equity	65.5	64.6	1 %	64.6
Equity	682.7	641.7	6 %	632.1
Total liabilities and equity	10,955.2	10,933.8	0 %	11,149.1

A photograph of a woman and a man in business attire. The woman, on the left, has brown hair tied back and is wearing a light blue blazer over a light blue shirt. She is smiling and looking towards the man. The man, on the right, has dark hair and is wearing a light blue shirt and a dark patterned tie. He is also smiling and looking towards the woman. The background is a plain, light-colored wall.

Aktia

We see a person in every customer.

Aktia