



AKTIA BANK INTERIM REPORT 1-9/2017

CEO Martin Backman 8.11.2017



1

RESULTS & OUTLOOK

2

SEGMENTS

3

ASSETS & LIABILITIES

4

RENEWED STRATEGY

Aktia

THE RESULT JANUARY-SEPTEMBER 2017

- **Total income amounted to EUR 157.6 (160.7) million**
 - Strong sales in Mutual funds and Asset Management increased Net commission income by 14 % to EUR 67.7 (59.6) million.
 - NII decreased to EUR 67.8 (72.6) million
 - NII from borrowing and lending was EUR 51.8 (45.9) million boosted by demand
 - The yield from the bank's liquidity portfolio and hedging decreased to EUR 22.6 (26.8) million.
- **Total expenditure up 10% to EUR 118.7 (108.0) million**
 - The increase in costs derive mainly from restructuring costs of EUR 11.0 million
 - IT costs increased to EUR 22.4 (20.2) million.
- **Operating profit was EUR 38.9 (52.9) million. The comparable operating profit amounted to EUR 48.5 (49.0) million.**

JANUARY - SEPTEMBER 2017

EURm	1-9/2017	1-9/2016	CHANGE %
Total operating income	157.6	160.7	-2 %
Net interest income	67.8	72.6	-7 %
Net commission income	67.7	59.6	14 %
Net income from life insurance	19.2	18.5	4 %
Other income	2.9	10.0	-71 %
Total operating expenses	-118.7	-108.0	10 %
Operating profit	38.9	52.9	-26 %
Comparable operating profit*	48.5	49.0	-1 %
Earnings per share (EPS), EUR	0.47	0.64	-27 %
Return on Equity (ROE), %	6.9	9.2	-25 %

* Excluding e.g. restructuring costs 2017

THE RESULT JULY-SEPTEMBER 2017

- **Total income amounted to EUR 50.3 (50.9) million**
 - Strong sales in Mutual funds and Asset Management increased Net commission income by 10 % to EUR 22.0 (20.0) million.
 - NII decreased to EUR 21.5 (23.9) million
 - NII from borrowing and lending was EUR 16.9(15.8) million boosted by demand
 - The yield from the bank's liquidity portfolio and hedging decreased to EUR 7.0 (9.8) million.
- **Total expenditure up 20% to EUR 41.7 (34.6) million**
 - The increase in costs derive mainly from restructuring costs in personnel of EUR 6.0 million as well as other restructuring costs of EUR 1.3 million
 - IT costs increased to EUR 6.7 (6.4) million.
 - The comparable total expenditure was EUR 34.4 (34.6) million
- **Operating profit was EUR 8.0 (15.8) million. The comparable operating profit amounted to EUR 15.7 (16.8) million.**

JULY- SEPTEMBER 2017

EURm	7-9/2017	7-9/2016	CHANGE %
Total operating income	50.3	50.9	-1 %
Net interest income	21.5	23.9	-10 %
Net commission income	22.0	20.0	+10 %
Net income from life insurance	6.4	5.8	+11 %
Other income	0.2	1.5	-85 %
Total operating expenses	-41.7	-34.6	+20 %
Operating profit	8.0	15.8	-49 %
Comparable operating profit*	15.7	16.8	-7 %
Earnings per share (EPS), EUR	0.10	0.19	-50 %
Return on Equity (ROE), %	4.4	8.4	-47 %

* Excluding e.g. restructuring costs 2017

OUTLOOK FOR 2017 (SPECIFIED)

The operating profit for 2017 is estimated to be **EUR 9–12 million** (previously: EUR 10–15 million) million lower than in 2016, as the restructuring will burden the operating profit for 2017 and no larger one-time gains are expected.

The comparable operating profit is expected to be approximately on the same level (previously: on the same level) **as the comparable operating profit in 2016.**

BUSINESS HIGHLIGHTS 1-9/2017

BANKING BUSINESS

- Continued growth in commission income
- NII decreased (y-o-y) due to lower yield from liquidity portfolio and hedging
 - Sustained NII improvement from borrowing & lending
- Implementation of core banking system increased IT expenses
- Growth in Private Banking client base
- Transformational actions led to changes of organisation and new areas of responsibility
 - Restructuring costs of EUR 9.8m increased total costs

ASSET MANAGEMENT

- Strong market development and sales boosted commission income
- Net inflow increased, mutual funds AuM at all-time high EUR >4,8bn
- Transformational actions led to changes of organisation and new areas of responsibility
- Restructuring cost of EUR 1.1m increased total costs

& INSURANCE

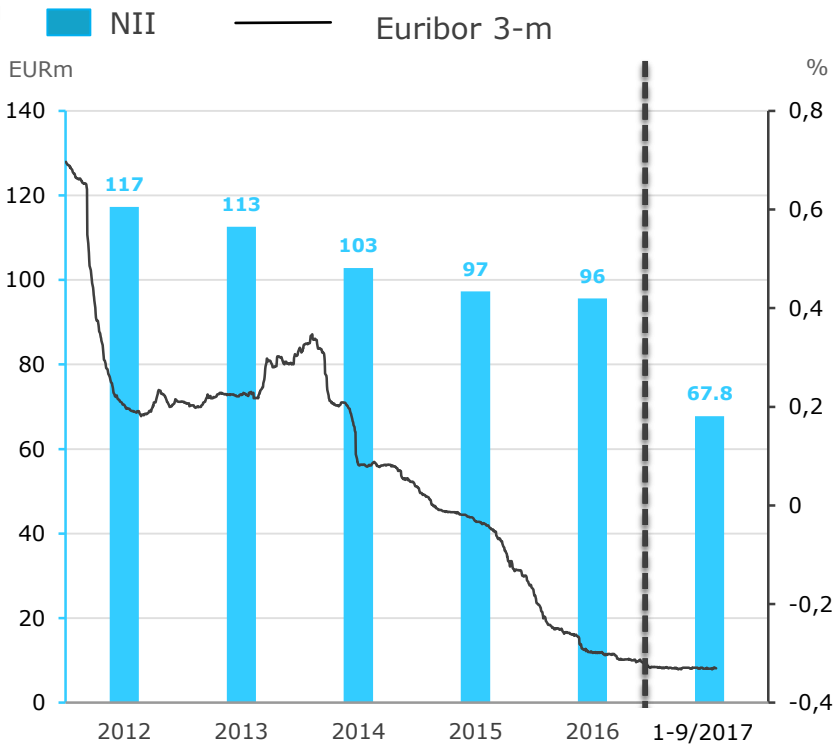
- Life Insurance net investment income decreased
- Yield from Life Insurance portfolio was 1.4 (4.7)%
- Life insurance premiums written increased
- Transformational actions led to changes of organisation and new areas of responsibility

THE TRANSFORMATION OF AKTIA

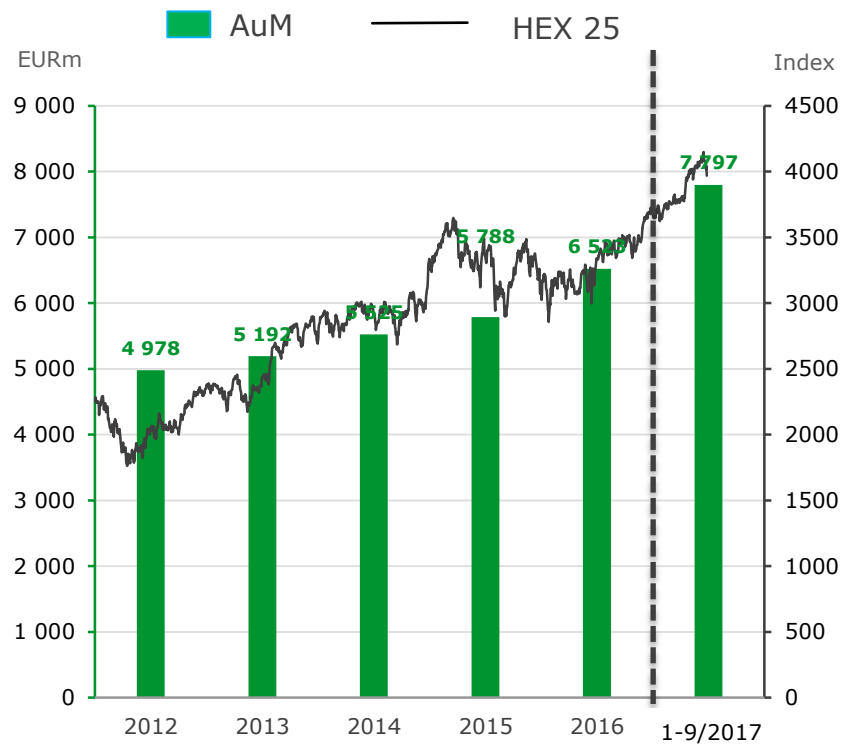
- **Aktia's codetermination negotiations ended in September**
 - of the 160 new job opportunities a main part were filled with previous employees. In total some 260 of present jobs ended.
- **10 new competence centres to be founded, branches will be reduced by 10 to 32**
 - The new competence centres will be founded to support the other branches with advanced customer services and proactive sales.
- **The total restructurings costs during the quarter** amounted to EUR 7.8 million

MARKET DEVELOPMENT

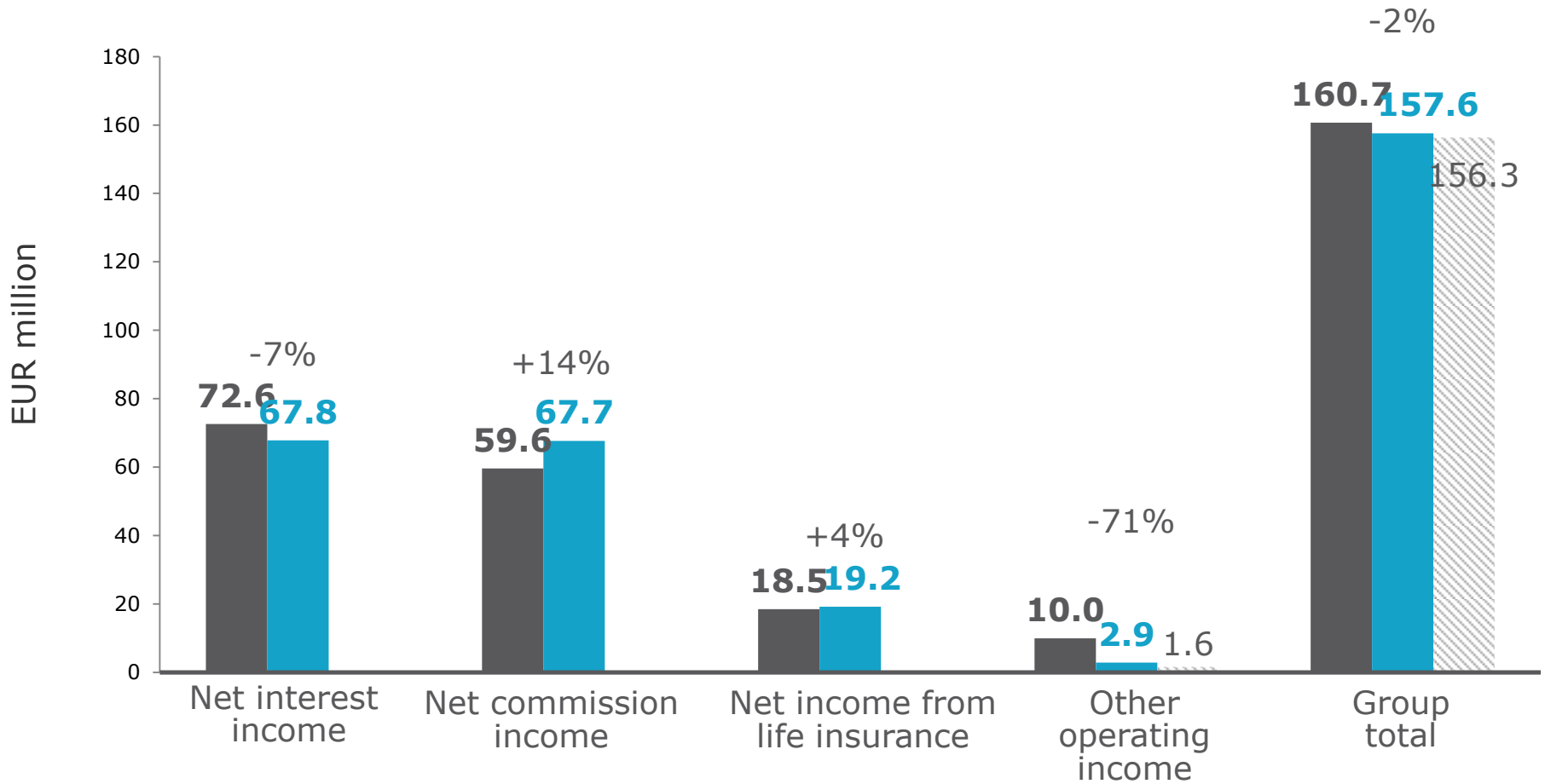
NII progress



Assets under management (AuM)



OPERATING INCOME 1-9/2017

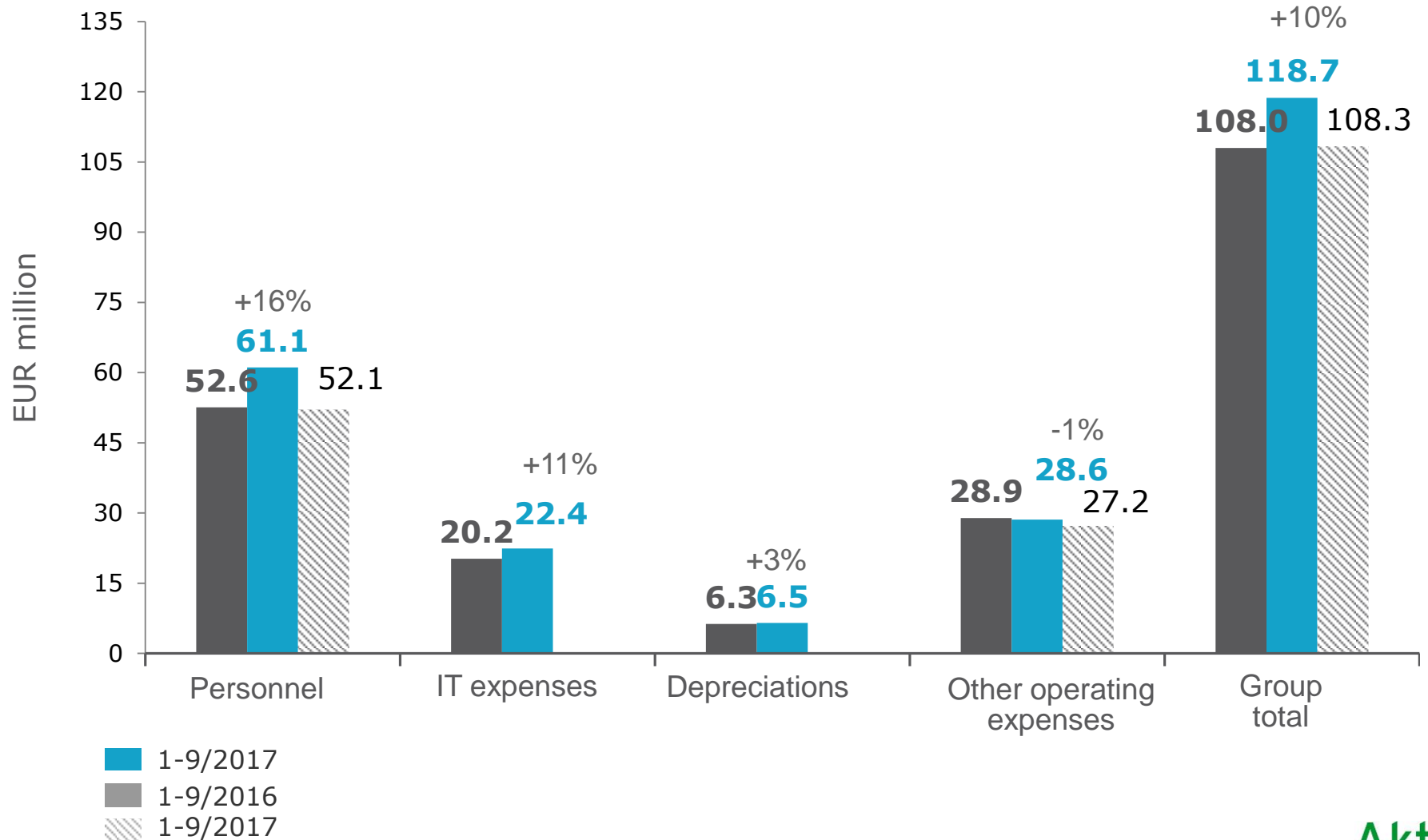


■ 1-9/2017

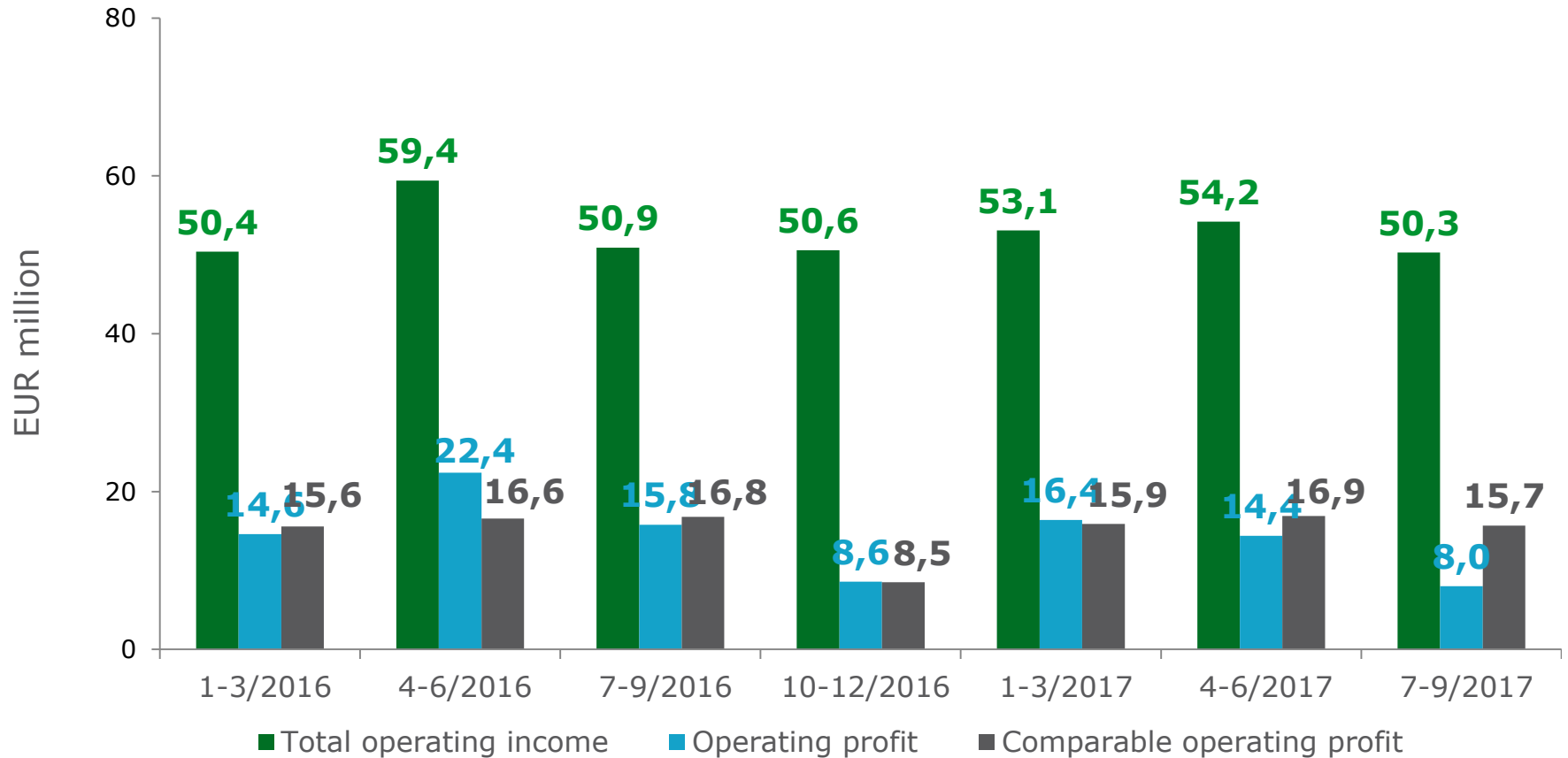
■ 1-9/2016

▨ Excluding non-recurring items 1-9/2017

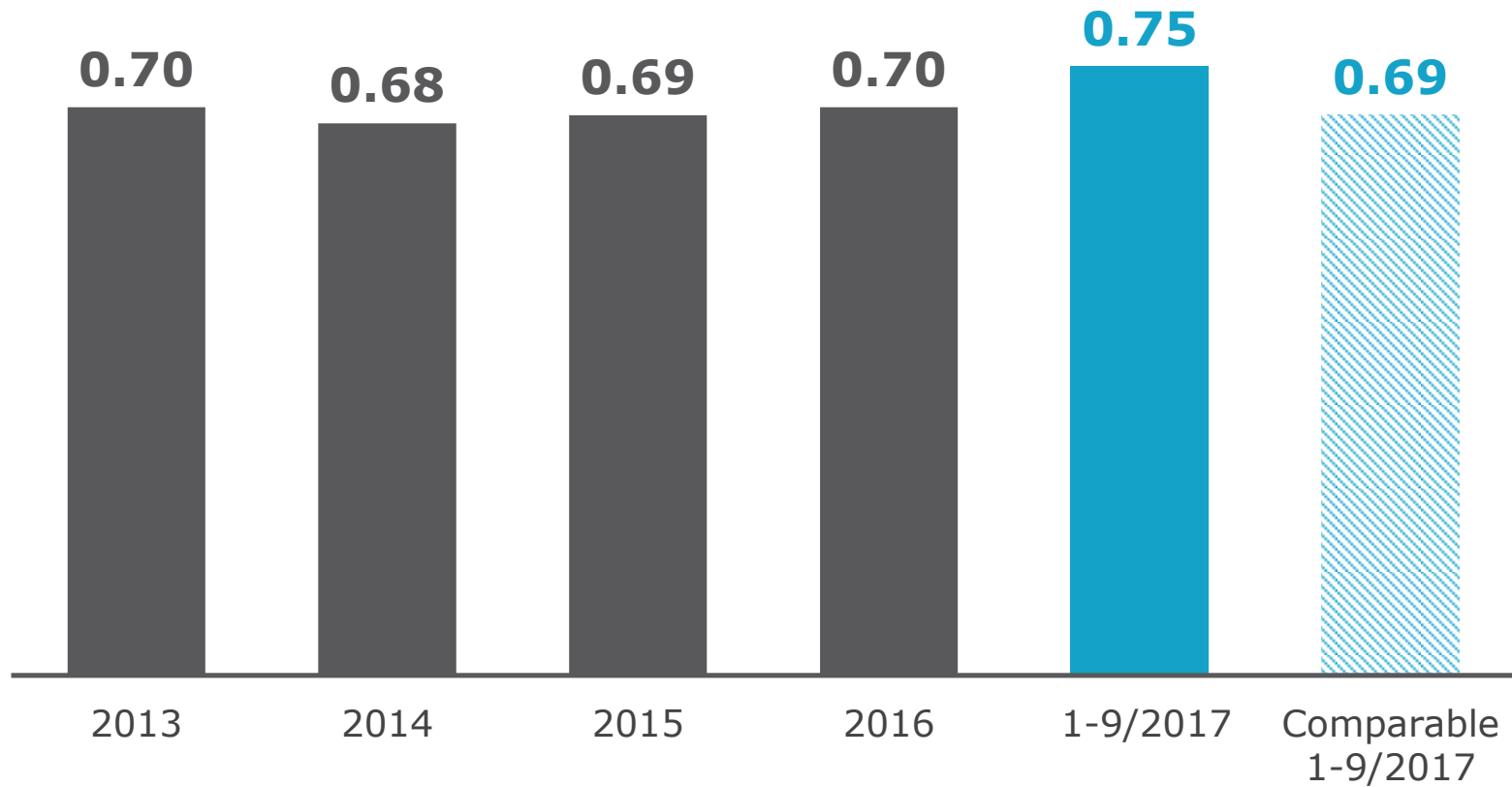
OPERATING EXPENSES 1-9/2017



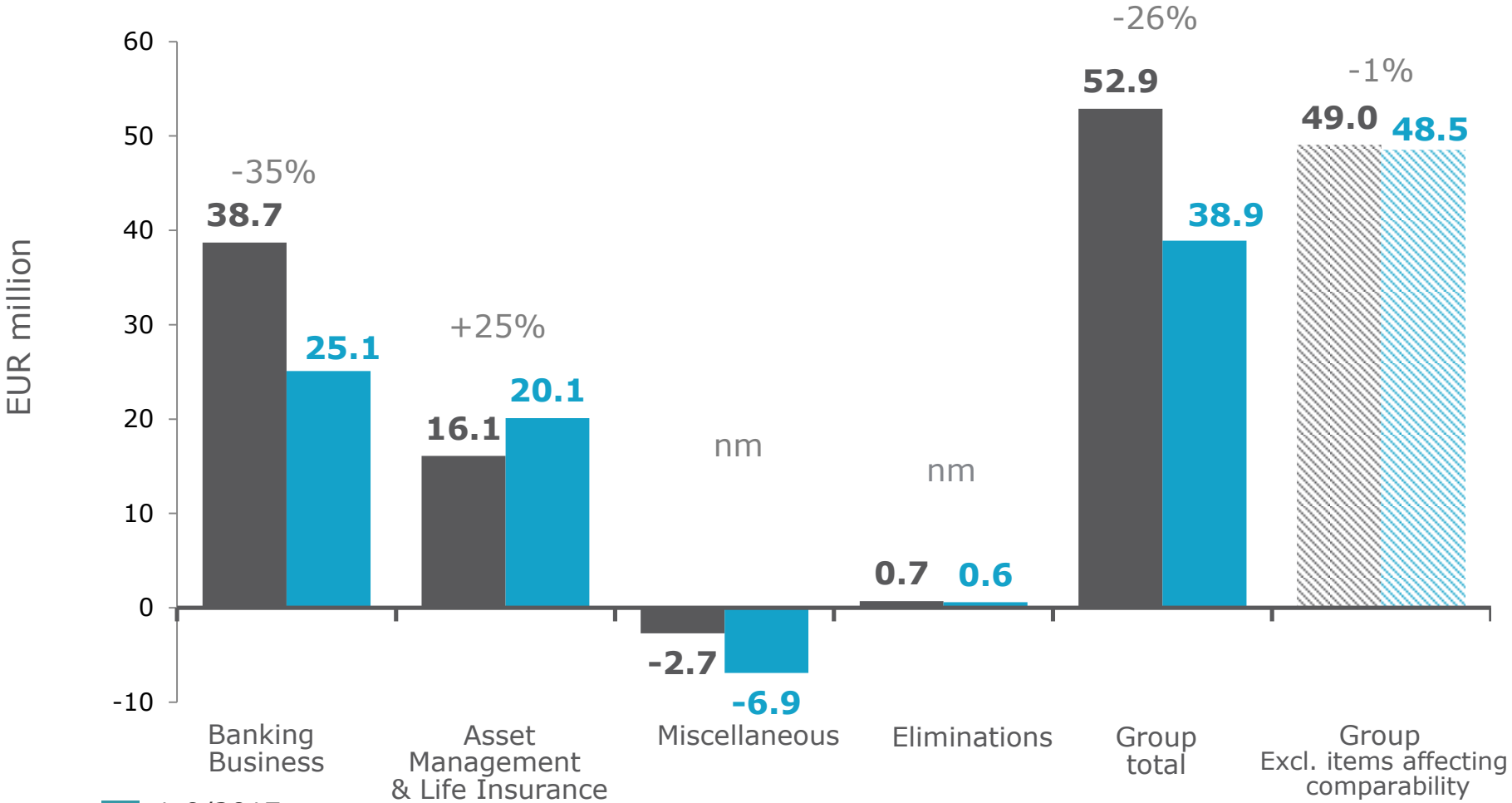
OPERATING INCOME & OPERATING PROFIT (quarterly)



AKTIA GROUP COST-INCOME RATIO



THE SEGMENTS' CONTRIBUTION TO THE OPERATING PROFIT 1-9/2017



15

■ 1-9/2017
■ 1-9/2016

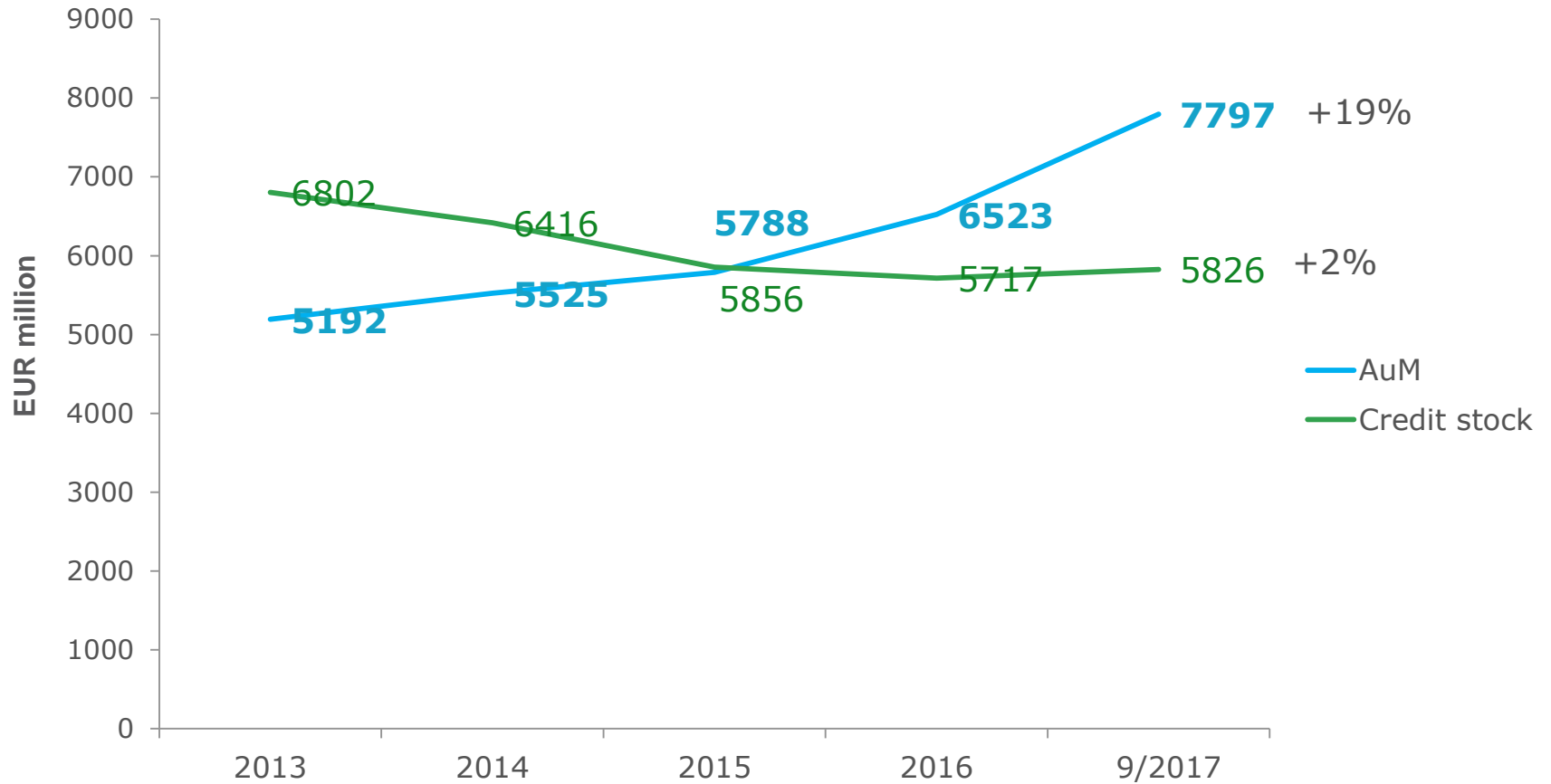
1 RESULTS & OUTLOOK

2 SEGMENTS

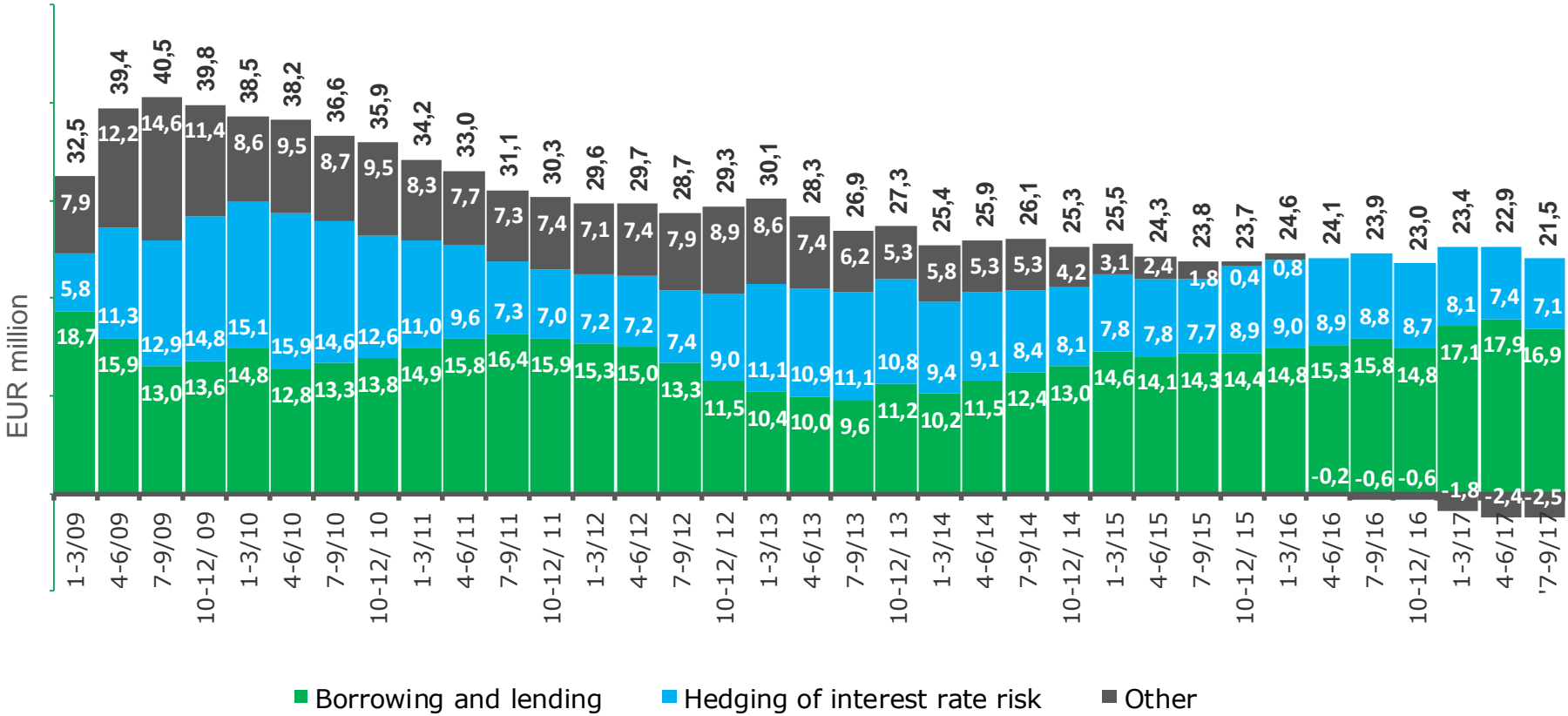
3 ASSETS & LIABILITIES

4 RENEWED STRATEGY

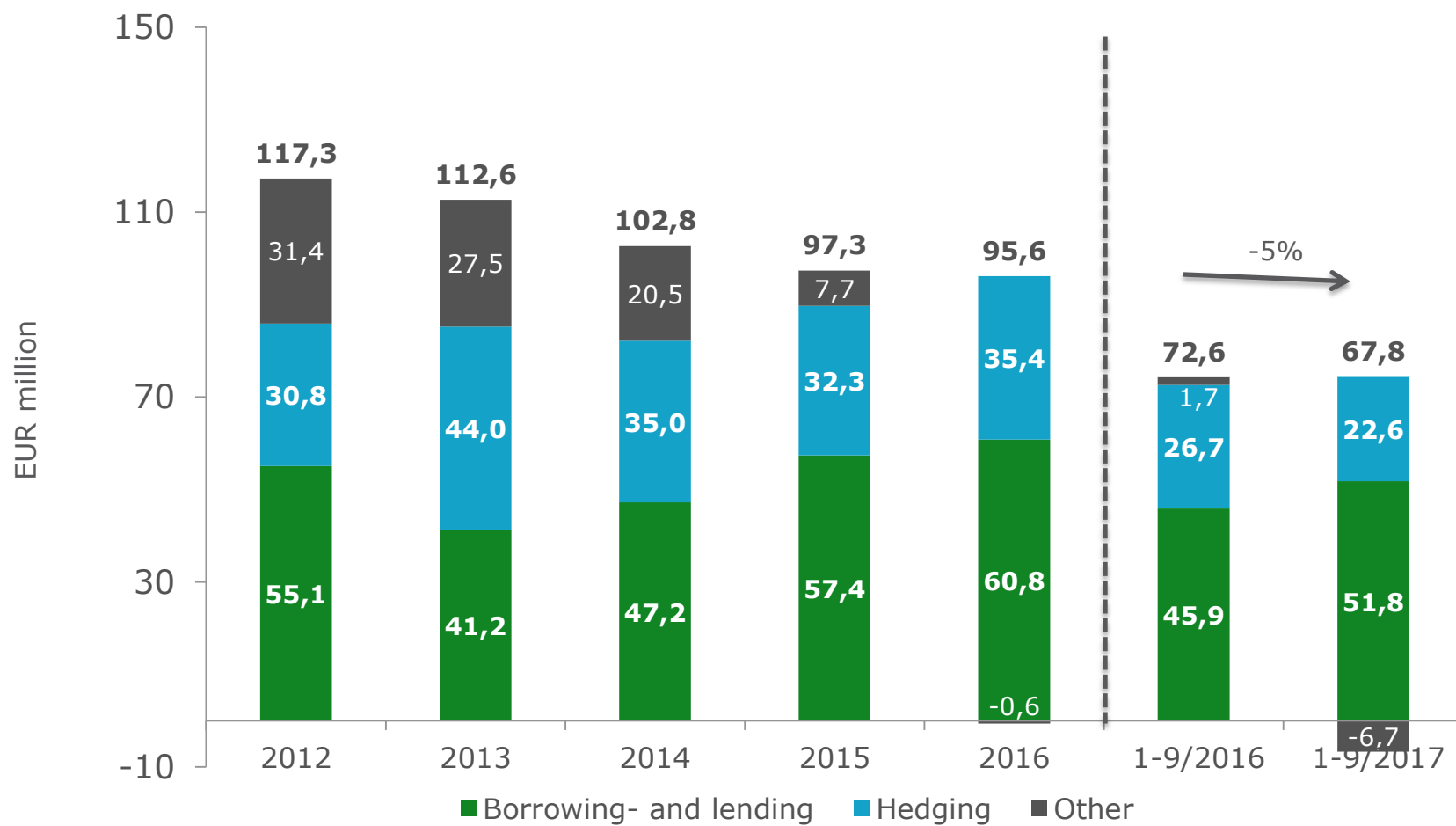
LENDING VS. ASSETS UNDER MANAGEMENT



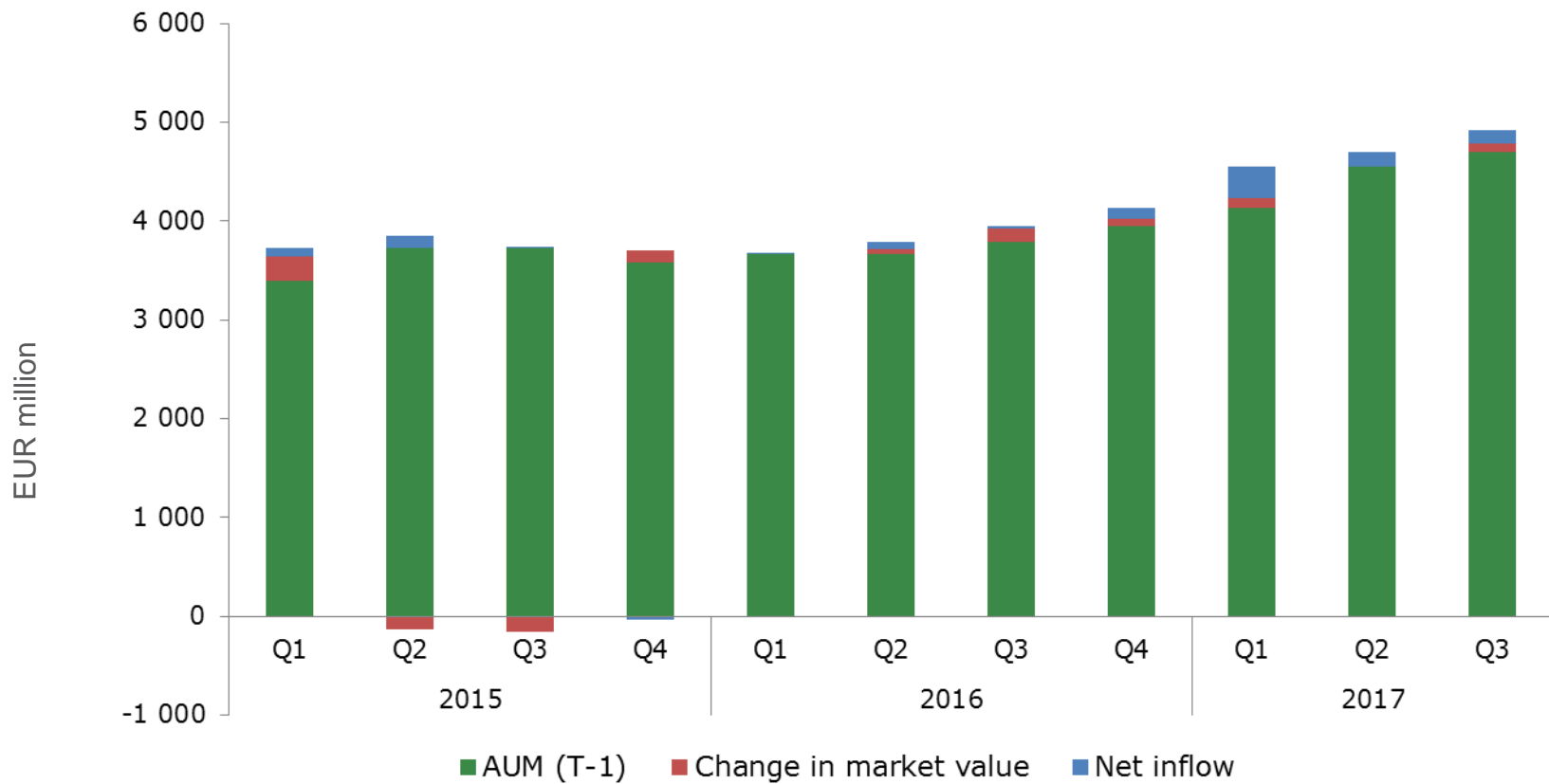
NET INTEREST INCOME (QUARTERLY)



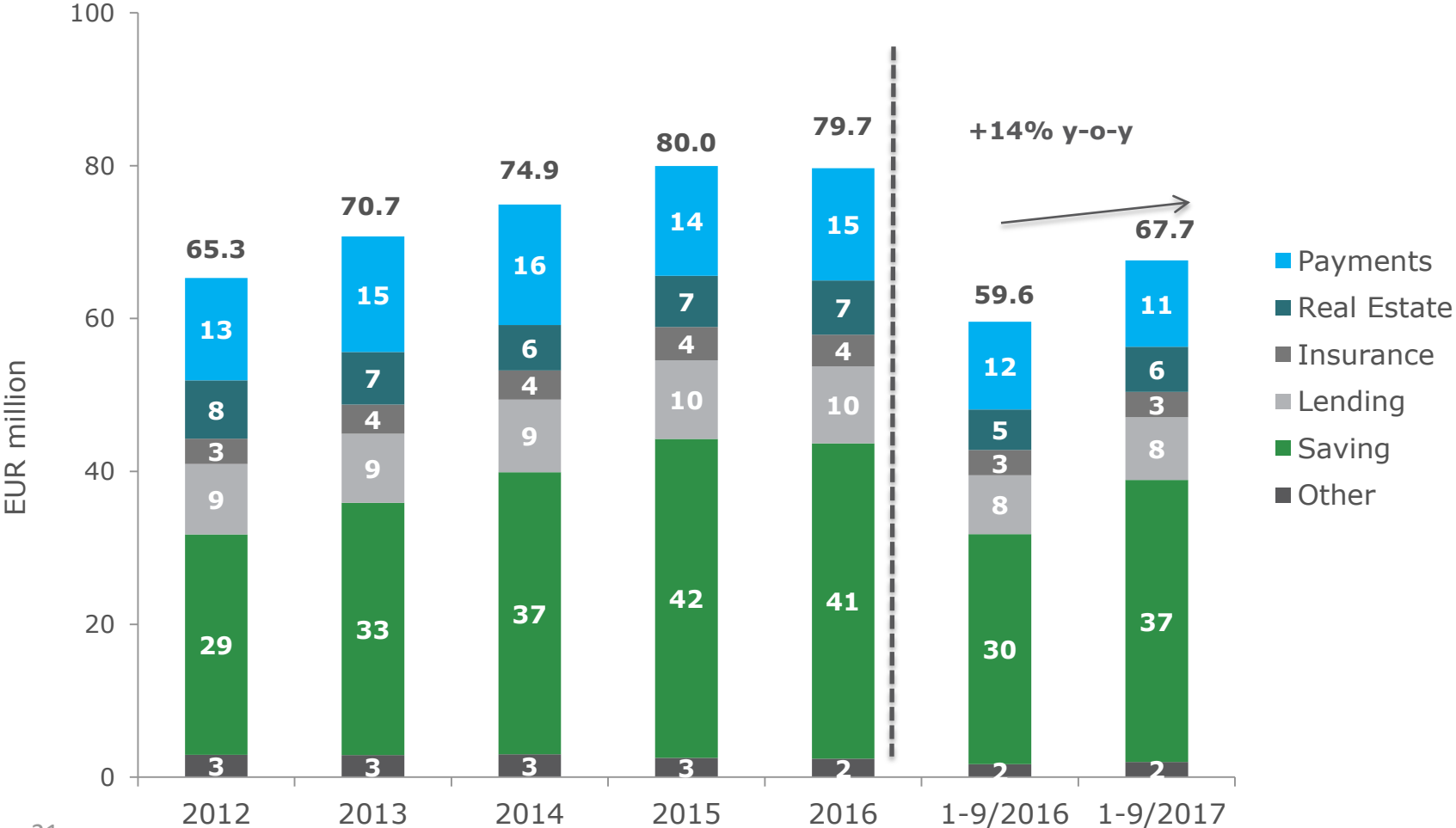
NET INTEREST INCOME (ANNUAL)



AUM & NET INFLOW IN AKTIA'S MUTUAL FUNDS



NET COMMISSION INCOME



1

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2

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3

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ASSETS & LIABILITIES

Aktia Group

EUR million

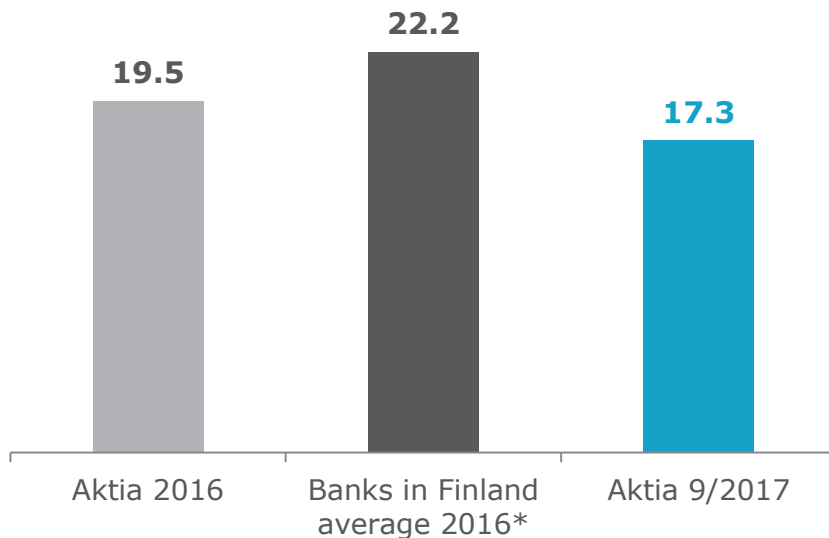
ASSETS	30.9.2017	31.12.2016
Loans to public	5,826 61 %	5,717 60 %
Mortgage loans (households)	3,967	4,077
Corporate loans	605	543
Loans to Housing Companies	463	340
Consumer loans (households)	365	360
Other loans	426	398
Treasury and money markets	276 3 %	559 6 %
Current account at Bank of Finland	135	373
Other	141	186
Liquidity portfolio	1,935 20 %	1,794 19 %
Level 1-eligible	615	619
Covered Bonds	992	892
Others	328	284
Investment portfolio in Life Insurance	575 6 %	596 6 %
Invest. for unit-linked provisions, Life Insurance	784 8 %	723 8 %
Other assets	119 1 %	97 1 %
Total assets	9,515 100 %	9,486 100 %

LIABILITIES	30.9.2017	31.12.2016
Demand deposits	3,875 41 %	3,765 40 %
Time deposits	259 3 %	399 4 %
Long-term issues to retail market	238 3 %	246 3 %
Senior debt	0	2
Subordinated debt	238	244
Long-term funding	2,882 30 %	2,688 28 %
Covered bonds	1,648	1,648
Senior debt	834	840
ECB	400	200
Short-term funding	189 2 %	269 3 %
Repos + ECB	100	146
CDs & wholesale MM deposits	0	6
Received cash collateral	89	117
Technical prov. Insurances	1,205 13 %	1,162 12 %
Other Liabilities	274 3 %	344 4 %
Equity	594 6 %	613 6 %
Total liabilities and equity	9,515 100 %	9,486 100 %

CAPITAL ADEQUACY

- Aktia's Common Equity Tier 1 Capital (CET1 %) on a good level
- Aktia's Common Equity Tier 1 Capital decreased due to
 - New core banking system increased intangible assets and other deductibles
 - Growth in corporate lending increased risk-weighted assets by EUR 208m

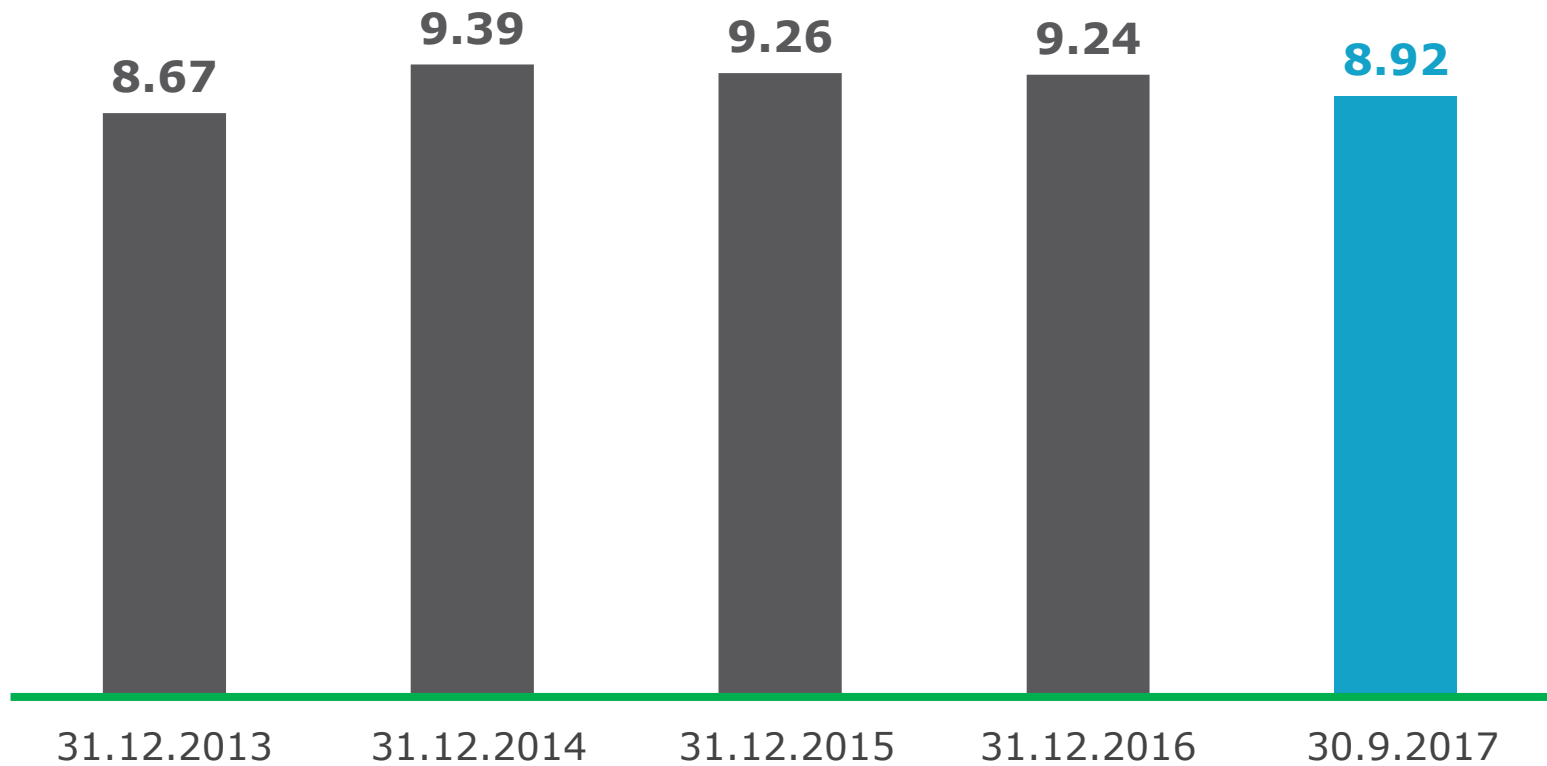
Common Equity Tier 1 capital ratio, %



Change in CET1%	
CET1 % 31.12.2016	19.5%
Increased intangible assets and other deductibles	-0.3 percentage points
Risk-weighted assets +EUR 208m	-1.8 percentage points
CET1 % 30.9.2017	17.3%

EQUITY PER SHARE (NAV)

EUR/share



Aktia



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CHANGES IN THE BUSINESS ENVIRONMENT

Current trends

Challenging market

- Persistent low interest rate level
- Tough competition and aggressive pricing in lending
- Low margins on housing loans, and less requirements on additional services among market participants

Boundaries are breaking down

- Digitalisation breaks down boundaries between the financial sector and other sectors
- The payment directive (PSD2) increases the risk for deserting customers

Increasing competition

- The financial sector is increasingly international
- Global technology companies, including Fintechs, enter the market

Increasing regulation

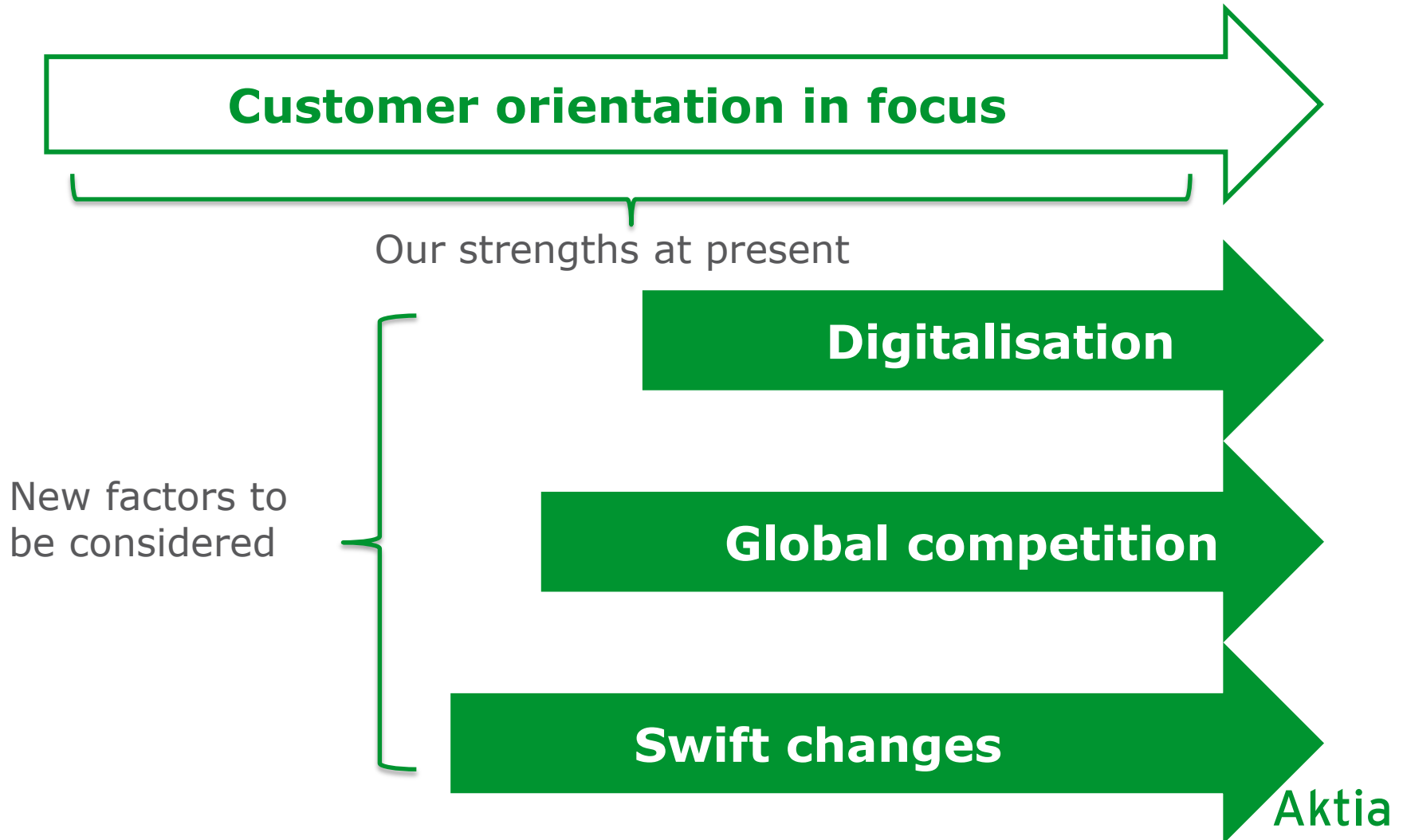
- More stringent regulatory requirements and increased regulation are causes for complexity and price press
- New regulation such as GDPR and Mifid II changes dynamics in competition
- Regulation does not place same requirements on large technology companies and Fintechs

Accelerating speed

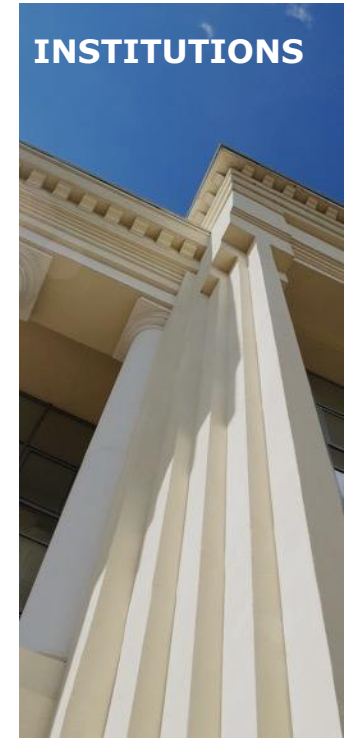
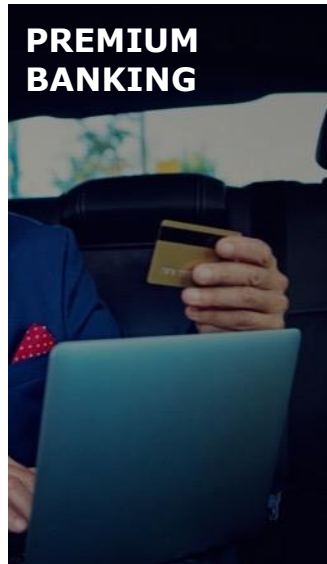
- Market changes are swift and unforeseen
- Demands for choosing the path and for a dynamic pace of change

THE CHANGED BUSINESS ENVIRONMENT

Creates a need for strategic positioning



CUSTOMER SEGMENTS



WE TAKE ADVANTAGE OF THE CHANGES

Our objective is a well defined market position

Changes in business environment and customer behaviour

Best customer experience through a combination of individual service, digital user interfaces, a unique service offering, and smooth execution makes Aktia competitive

We work to increase and secure our customers' wealth and focus on asset management and financing

Strong growth in selected segment will lead Aktia to success also in the future

Aktia

THE CORNERSTONES OF AKTIA'S STRATEGY

INCREASE AND SECURE OUR CUSTOMERS' WEALTH

We provide tailored solutions for investments and financing in an easy and sustainable way.

DEVELOP OUR SERVICE MODEL

We enhance our specialist organisation and offer our customers advanced services and individual solutions.

MAKE USE OF DIGITALISATION

We invest in flexible digital concepts and user interfaces in order to offer our services.

FINANCIAL OBJECTIVES UP UNTIL 2022 AND DIVIDEND POLICY

Financial objectives 2022

- Improve the comparable operating profit to approximately EUR 80 million (2016; EUR 57.5 million)
- Improve the comparable cost-to-income ratio to 0.61 (2016; 0.70)
- Improve Return on Equity (ROE) to at least 9.7% (2016: 8.0%)
- Common Equity Tier 1 capital ratio (CET1) at 1.5-3% over regulatory requirements (2016: 19.5%)

Dividend policy

- Dividend pay-out 60–80% of profit for the period after taxes (2016: 81%)

Aktia

We see a person in every customer.