

31 October, 2018:  
**Interim Report January–September  
2018**

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CEO

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CFO

**Aktia**

## Main events during Q3:

# Continued strong profit development

- The **comparable operating profit** increased by 18% to EUR 18.6 (Q3 2017: 15.7) million.
- **Total operating income** increased by 10% to EUR 55.4 (50.3) million.
- **Net commission income** was EUR 22.9 (22.0) million and **net interest income** was EUR 21.0 (21.5) million.
- The **total operating expenses** decreased by 24% to EUR 31.8 (41.7) million.
- The comparable **cost-to-income ratio** was 0.63 (0.69).

**“Our focus on the new strategy and consequently Aktia’s core business activity now gives clear results.”**

# Outlook for 2018 (unchanged)

- Commission income is expected to increase in 2018. Furthermore, the cost savings measures taken in 2017 are expected to affect profitability in a more favourable way than previously estimated.
- The continued low interest rate environment and decreased income from previously unwound interest-rate hedges (2012) will have a negative impact on the total net interest income for 2018.
- Impairments of credits are expected to remain low in 2018.

**The comparable operating profit for 2018 is expected to be somewhat higher than the comparable operating profit for 2017.**

# July–September 2018 in short

## Main events

- Moody's upgraded Aktia's deposit and senior unsecured ratings to A1.
- Aktia decreased its holdings in Aktia Real Estate Agency to 19%.
- 2 October 2018, Aktia signed an agreement about selling its 10% holdings in Folksam Non-Life Insurance Company to Fennia Mutual Insurance Company.\*



## Wealth Management

- Net commission income developed strongly during the period: +10% within Asset Management.
- International sales through partners continued to bear fruit.

## Personal & Corporate Banking

- Continuous high demand of mortgage loans but tough competition is pressing the customer margins.
- High demand for corporate investments and property financing.
- Renewed pricing led to higher commission income.



**Aktia**

# Financial targets 2022

**Comparable  
operating profit  
to approximately  
EUR 80 million**

1-9/2018: EUR 55.2 million

**Return on Equity  
ROE to 9.7%**

1-9/2018: 11.2%

**Comparable cost-to-  
income ratio  
to 0.61**

1-9/2018 (comparable): 0.65

**Common Equity Tier 1 capital  
ratio CET1  
to 1.5-3 percentage points over  
regulatory requirements**

1-9/2018: 16.6% (6.3 percentage points over  
regulatory requirements\*)

\*Regulatory requirement (minimum capital requirement): 10.3%



# Financial overview

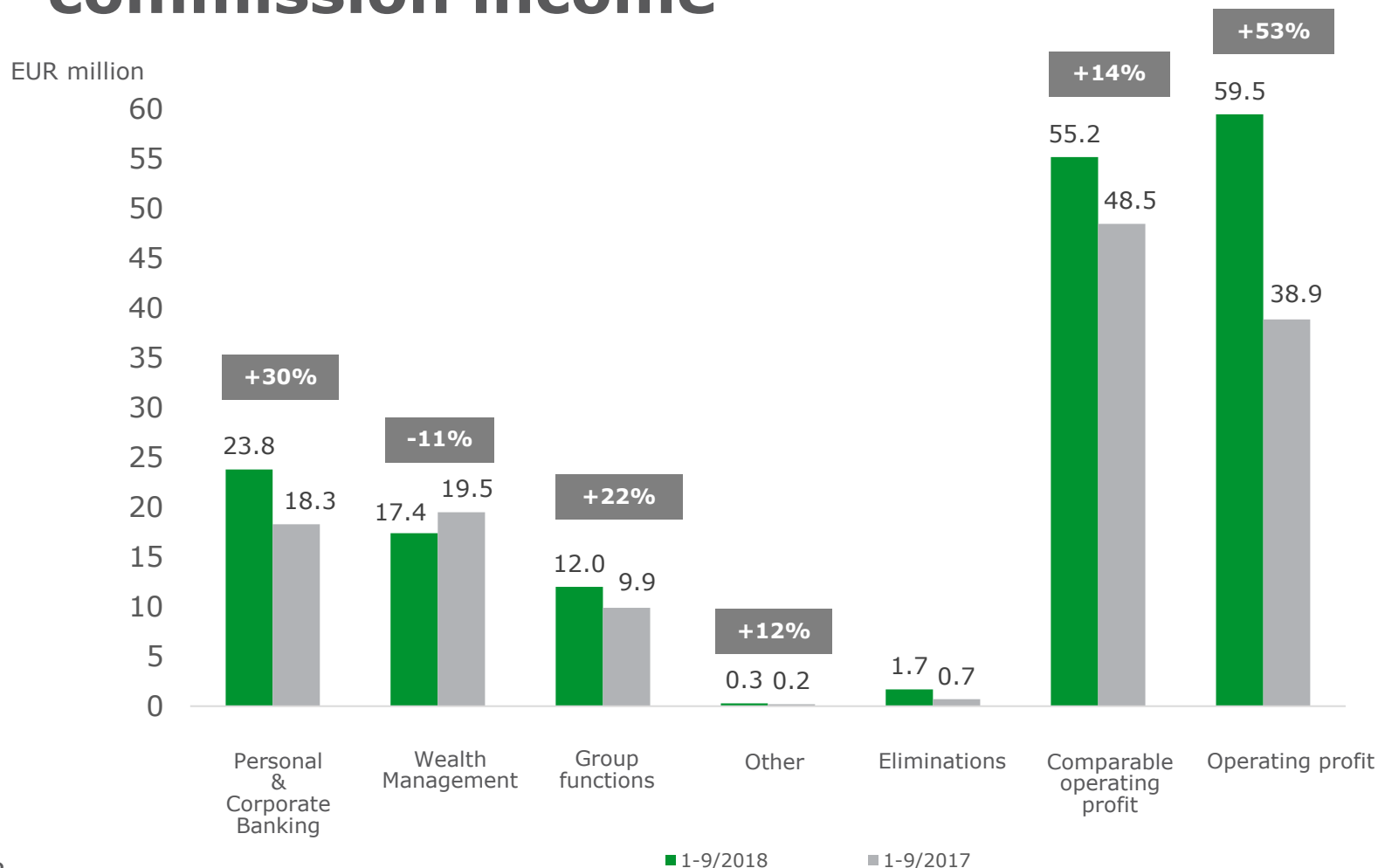
Aktia

## July–September 2018:

**Increased commission income and lower costs contributed to an 18% increase in the comparable operating profit**

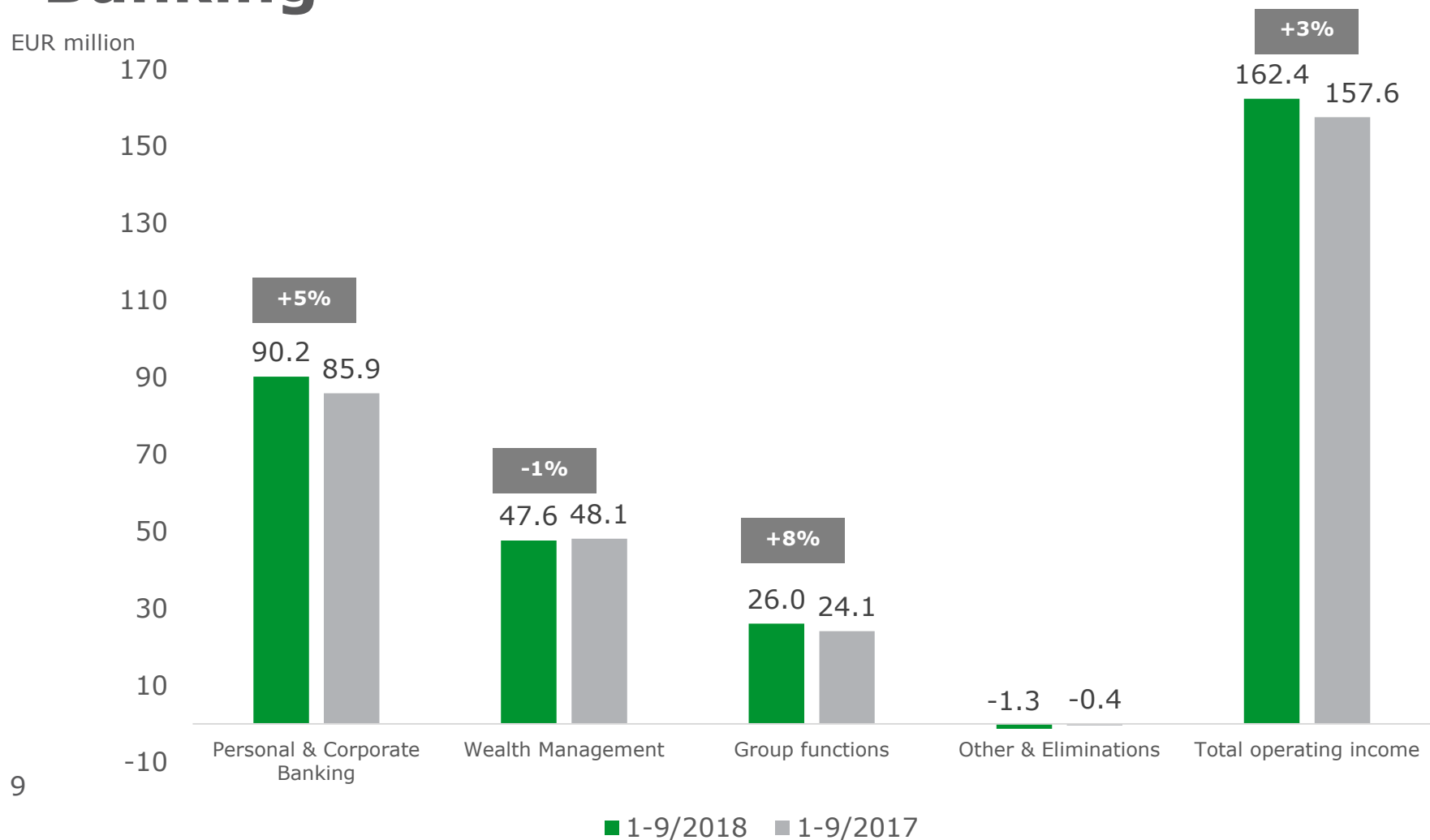
EUR million	3Q2018	3Q2017	Δ, %	1-9/2018	1-9/2017	Δ, %
<b>Total operating income</b>	<b>55.4</b>	<b>50.3</b>	<b>10%</b>	<b>162.4</b>	<b>157.6</b>	<b>3%</b>
Net interest income	21.0	21.5	-2%	65.2	67.8	-4%
Net commission income	22.9	22.0	4%	73.0	67.7	8%
Net income from life insurance	5.5	6.4	-15%	16.3	19.2	-15%
Other income	6.0	0.3	-	7.9	2.9	175%
<b>Total operating expenses</b>	<b>-31.8</b>	<b>-41.7</b>	<b>-24%</b>	<b>-103.6</b>	<b>-118.7</b>	<b>-13%</b>
<b>Operating profit</b>	<b>23.7</b>	<b>8.0</b>	<b>195%</b>	<b>59.5</b>	<b>38.9</b>	<b>53%</b>
<b>Comparable operating profit*</b>	<b>18.6</b>	<b>15.7</b>	<b>18%</b>	<b>55.2</b>	<b>48.5</b>	<b>14%</b>
Earnings Per Share (EPS), EUR	0.29	0.09	205%	0.72	0.45	59%
Return on Equity (ROE) %	13.7	4.4	212%	11.2	6.9	63%
Cost-to-income ratio (comparable)	0.63	0.69	-9%	0.65	0.69	-6%
Common Equity Tier 1 capital ratio	16.6	17.3	-4%	16.6	17.3	-4%

# Comparable operating profit per segment: A strong result due to the stable development of net commission income



- Personal & Corporate Banking:** Strong net commission income and implementation of the new core banking system in 2017 as well as introduction of a new business model and restructuring of the branch network led to strong profit development.
- Wealth Management:** Strong increase in the net commission income was dampened by the EUR -3.3 million unrealised value changes in the net income from life insurance (IFRS 9).
- Group Functions:** Better cost efficiency compensated for the lower liquidity portfolio return.

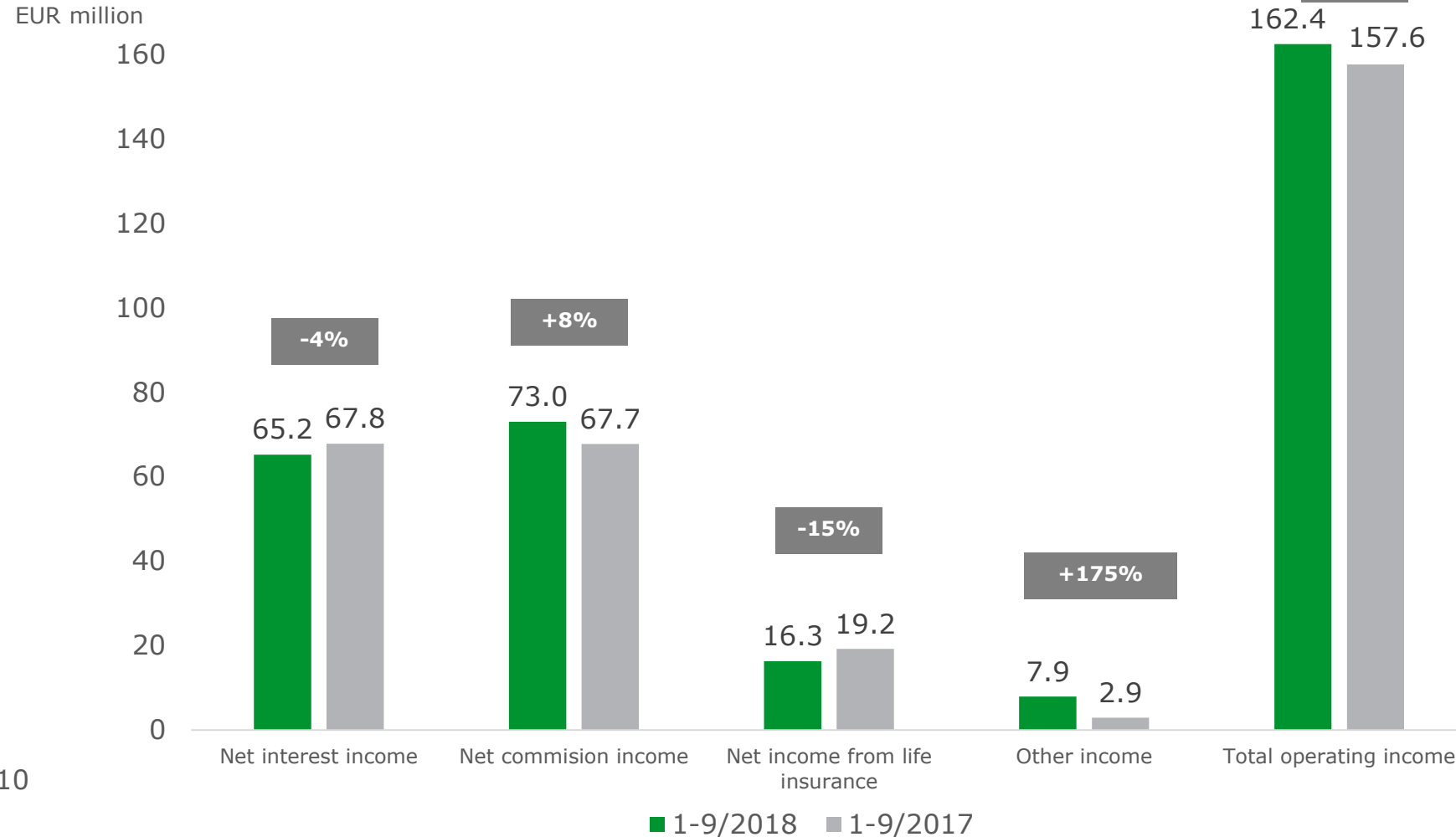
# Operating income per segment: Higher commission income in Personal & Corporate Banking



- Renewed customer concepts and price adjustments led to higher commission income in Personal & Corporate Banking.
- Net commission income for Wealth Management developed strongly during the period.

## Income mix:

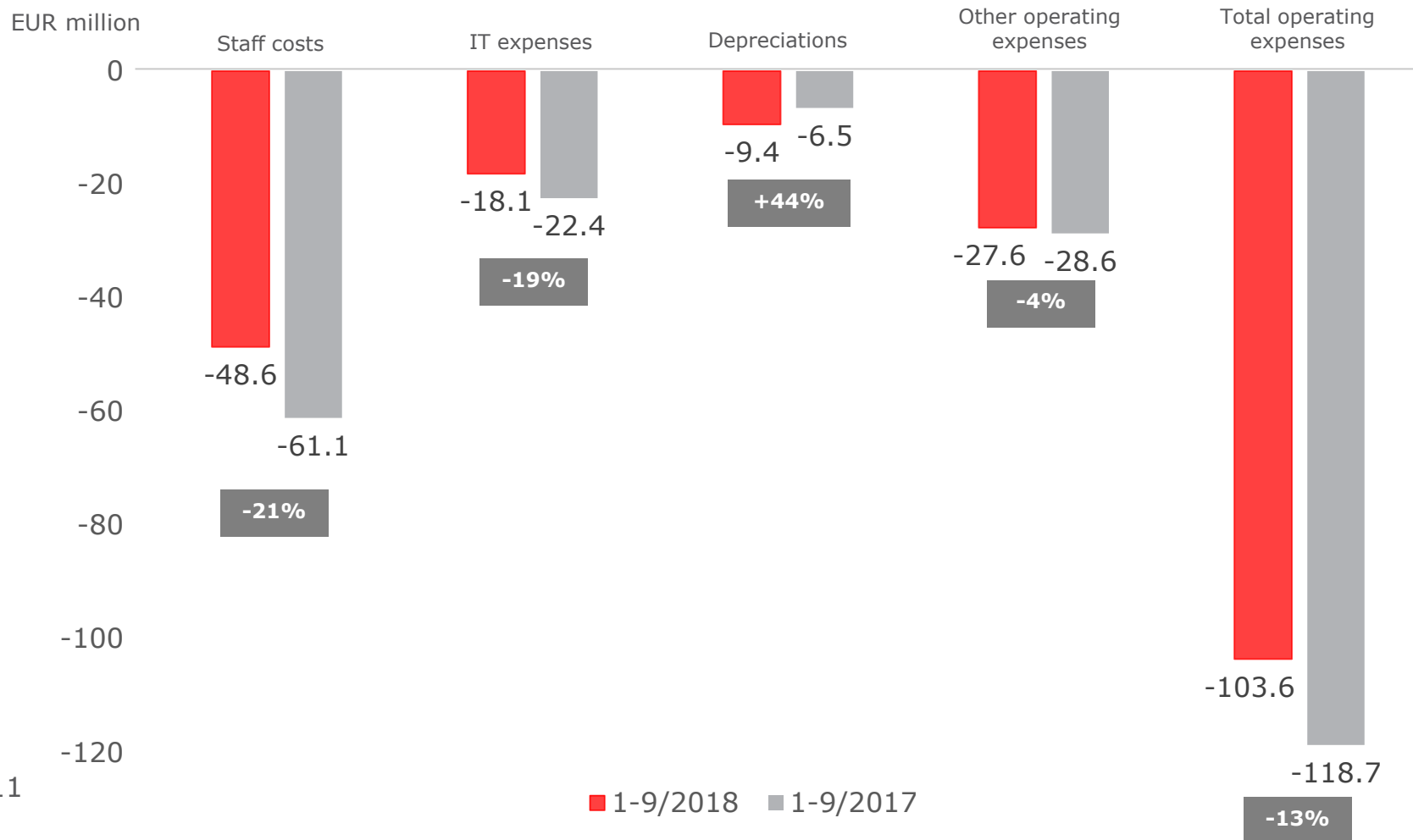
# Strong increase in net commission income contributed to increased total operating income



- Despite lower margins for mortgage loans the average margin for the total loan book was unchanged. Due to increased lending, Aktia's interest income from lending has increased.
- Strong increase in the net commission income, mainly from Asset Management, led to a good development in payment services. Sales in the Real Estate Agency affected the Group's income negatively compared to Q3 2017.
- The net income from life insurance includes EUR -3.3 million unrealised value changes (IFRS 9). The actuarially calculated result increased since last year.

## Operating expenses:

# The Group's cost efficiency improved further

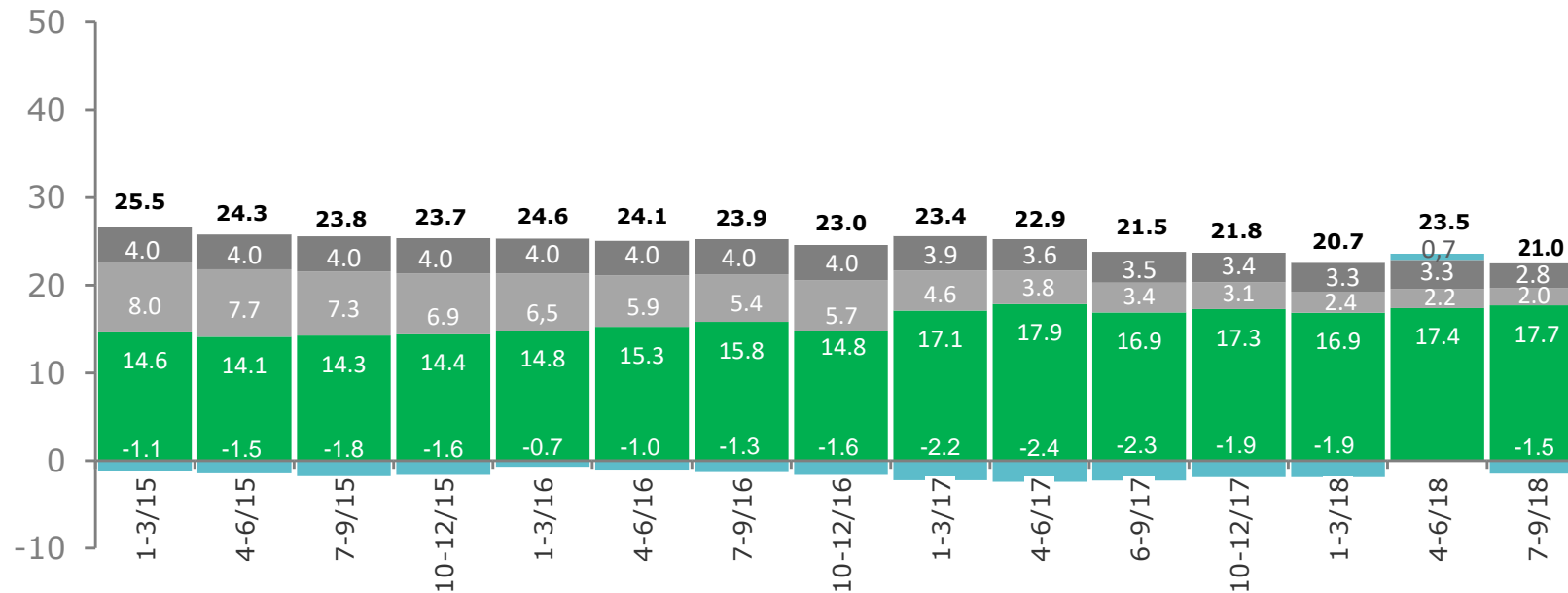


- The staff costs have decreased considerably due to savings from the restructuring in 2017 and a decrease in staff.
- The running IT costs decreased due to implementation of the new core banking system and other measures to enhance effectiveness.
- Higher depreciations due to the new core banking system.
- Other operating expenses are lower than the previous year but include EU statutory expense to the fund for financial stability of EUR 1.7 million. Last year this expense was covered by the bank tax paid during previous years.

## Net interest income mix per quarter:

# Continued increase in borrowing and lending, income from hedging measures and the liquidity portfolio is decreasing

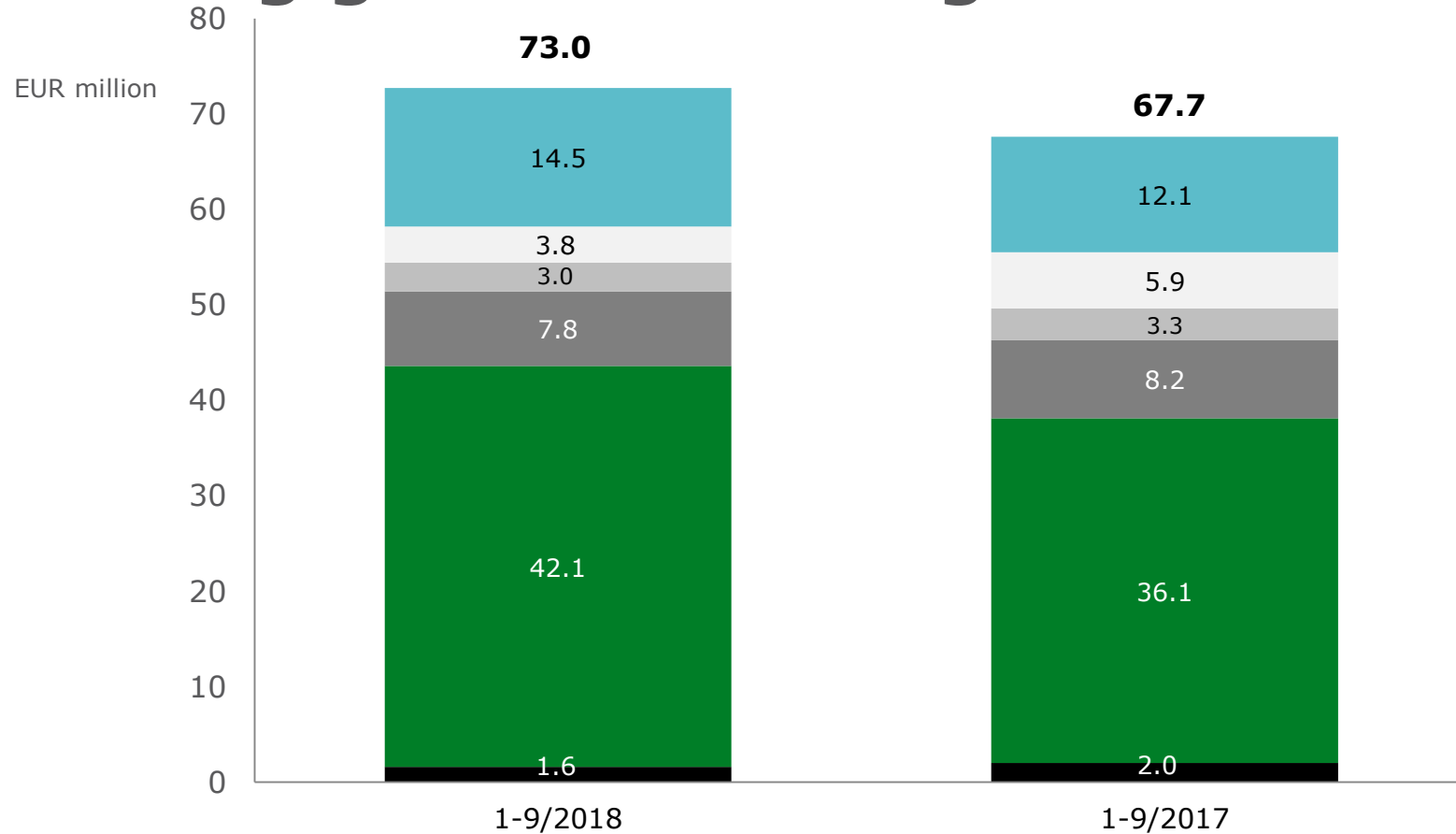
EUR million



- Increased lending compensates for lower return from the liquidity portfolio, unwound interest rate hedges and pressed lending margins.

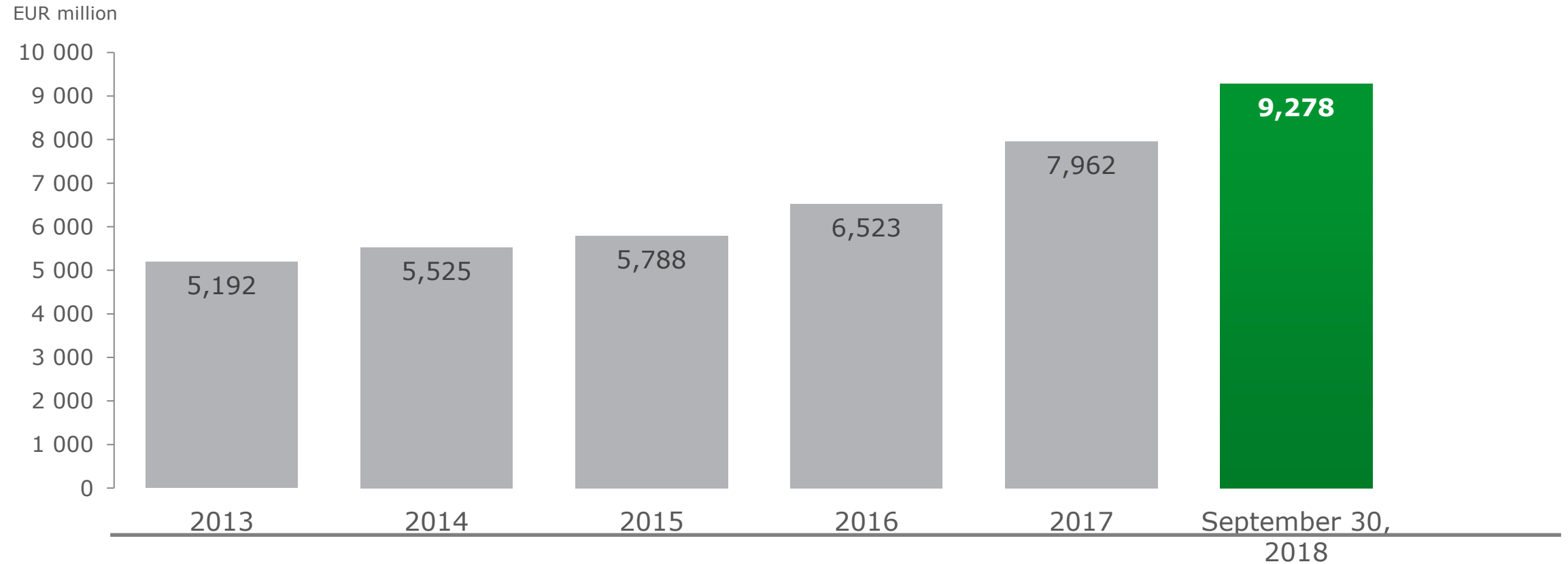
## Net commission income mix:

# An 8% increase in net commission income due to strong growth in savings and investment products



*Savings and investment products includes lending, mutual funds, asset management and securities brokerage*

# Assets under management excluding custody in Wealth Management (AUM): Assets under management increased during the third quarter



## Capital adequacy: **CET1 still on a good level**

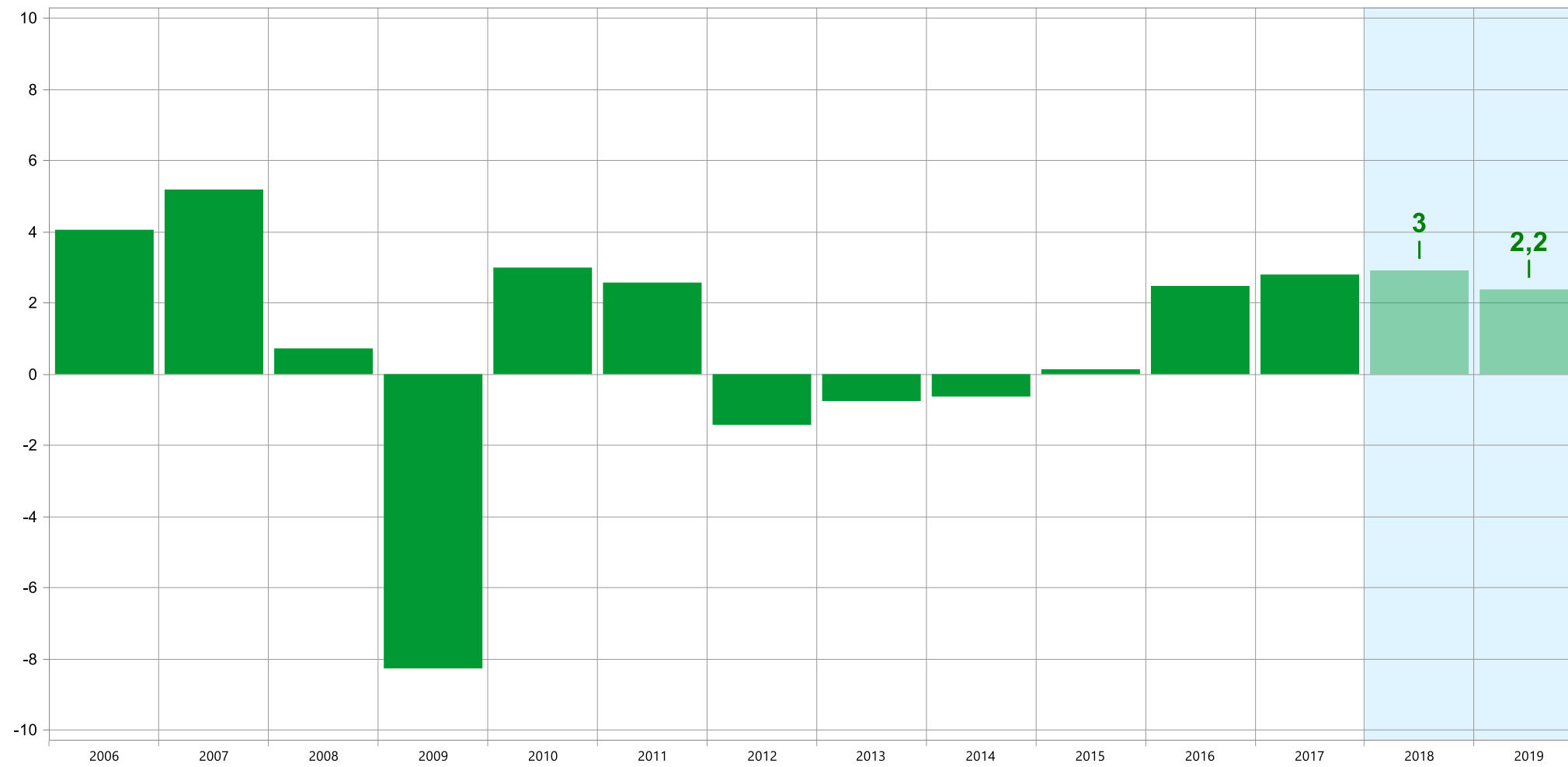
- In the end of the period, the **Group's CET1 capital ratio %** was 16.6% (18.0% per December 31, 2017).
- After deductions, CET1 increased by EUR 0.9 million during the period.
- Risk-weighted commitments increased by EUR 181.8 million which reduced the CET1 capital ratio by 1.45 percentage points. The change is mainly attributable to the risk weight floor of 15% for mortgage loans.
- **Total impairment of credits** amounted to 0.01 (0.00) % of total lending.

**Appendices**

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# The economic outlook still rosy

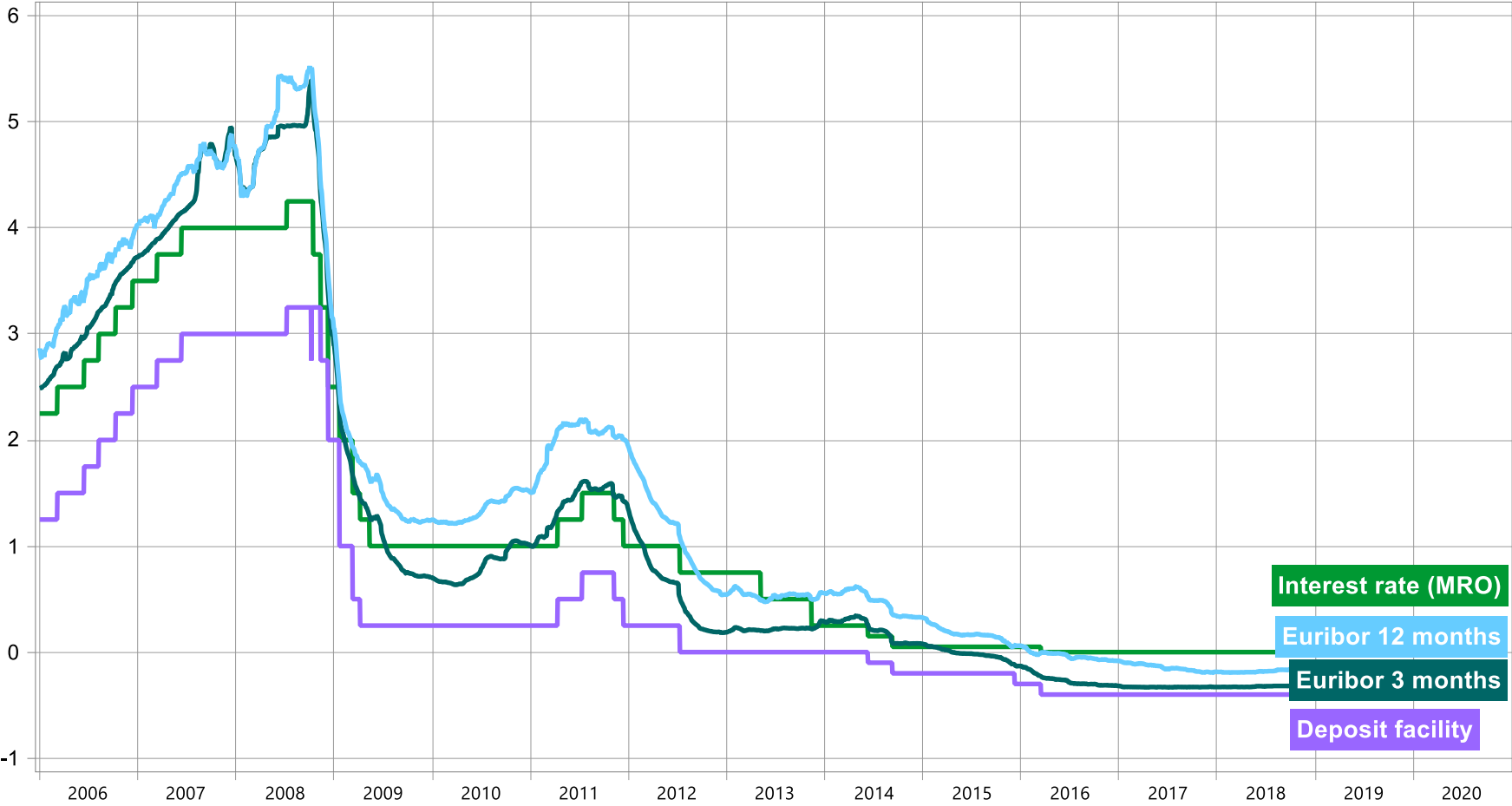
GDP growth, %



Sources: Aktia and Macrobond

# Interest rate situation still challenging

ECB's interest rates and 3 and 12 month euribor interest rate



Sources: Aktia and Macrobond



**Courageously.  
Skilfully.  
Together.**

**Aktia**