

A close-up photograph of a person's hands holding a white coffee cup and a smartphone. The person is wearing a blue jacket and a brown sweater. The background is blurred, showing a dog's head. The text 'AKTIA BANK INTERIM REPORT 1-3/2017' is overlaid on the left side of the image.

AKTIA BANK INTERIM REPORT 1-3/2017

Martin Backman 11.5.2017

Aktia

SOLID START OF THE YEAR

EURm	1-3/2017	1-3/2016	Change, %
Total operating income	53.1	50.4	+5%
Net interest income	23.4	24.6	-5%
Net commission income	21.1	18.9	+12%
Net income from life insurance	7.0	5.9	+19%
Other income*	1.6	1.0	+63%
Total operating expenses	-37.3	-36.5	+2%
Operating profit	16.4	14.6	+13%
Operating profit excluding one-off items**	16.0	14.6	+10%
Write-downs of credits and other commitments	-0.1	-0.1	-29%
Earnings per share (EPS), EUR	0.20	0.18	+13%
Return on Equity (ROE), %	8.7%	7.6%	+15%

BUSINESS HIGHLIGHTS 1-3/2017

BANKING BUSINESS

- Commission income up
- NII decreased y-o-y
 - Lower yield from liquidity portfolio
 - Continued NII improvement from borrowing & lending
- Full-scale implementation of core banking system planned to H2 2017
 - Higher IT expenses increased total costs
- Increased new lending to households
- Continued growth in Private Banking client base and AuM
- Aktia renewed its organisation (5 May 2017)

ASSET MANAGEMENT

- Strong market development and sales boosted commission income
- Net inflow increased, mutual funds at all-time high EUR >4,6bn
- One-time costs from restructuring EUR 0.7 million

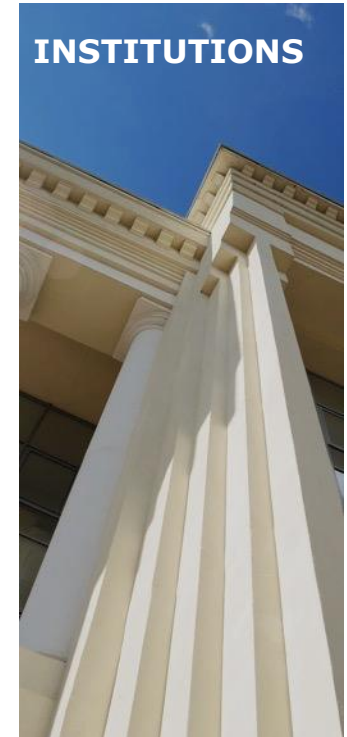
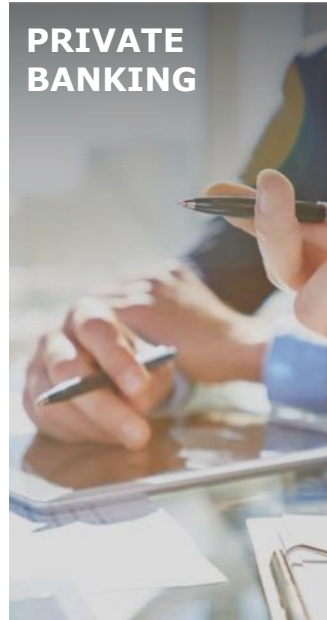
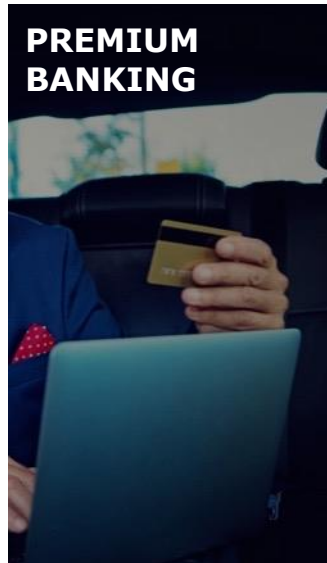
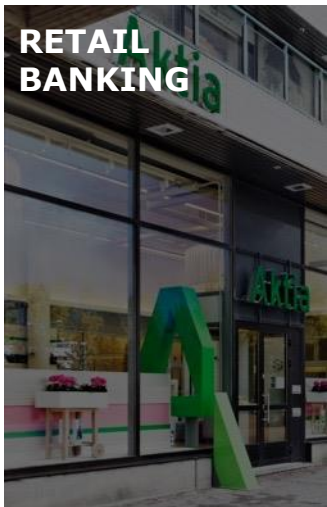
INSURANCE

- Life Insurance net investment income improved by sales gains
- Life Insurance Investment portfolio yield 0.2 (2.0)%
- Life insurance premiums written unchanged

CORE BANKING SYSTEM

- **The full-scale implementation planned to take during the second half of the year.** Implementation of the new core banking system step-by-step commenced in the first quarter of 2017 with a limited group of customers.
- **The total investment,** including migration costs, is estimated to exceed EUR 65 million, and the total activated investment costs for the project are estimated to amount to approximately EUR 60 (previously approx. EUR 55 million) million
- **The implementation step-by-step implies higher running IT costs in 2017.** The cost savings brought by the new core banking platform will materialise gradually from the second quarter of 2017 onwards.

CUSTOMER SEGMENTS



NEW ORGANISATION AS OF 5TH MAY

CUSTOMERS

RETAIL BANKING
EVP Merja Sergelius

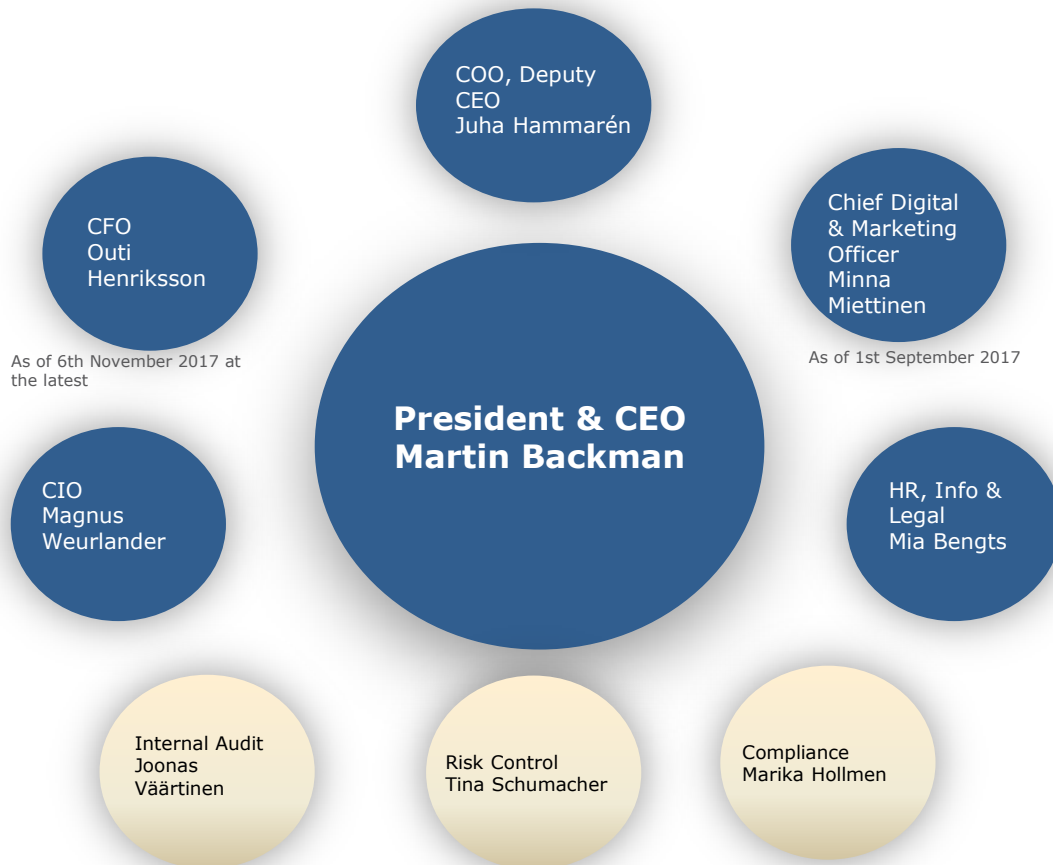
PREMIUM BANKING
VP Sam Olin

PRIVATE BANKING
EVP Carola Nilsson

CORPORATES, FOUNDATIONS, FAMILY OFFICES
VP Irma Gillberg-Hjelt

INSTITUTIONS
EVP Anssi Rantala

As of 20th November 2017 at the latest





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RESULT HIGHLIGHTS

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SEGMENT OVERVIEW

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BALANCE SHEET

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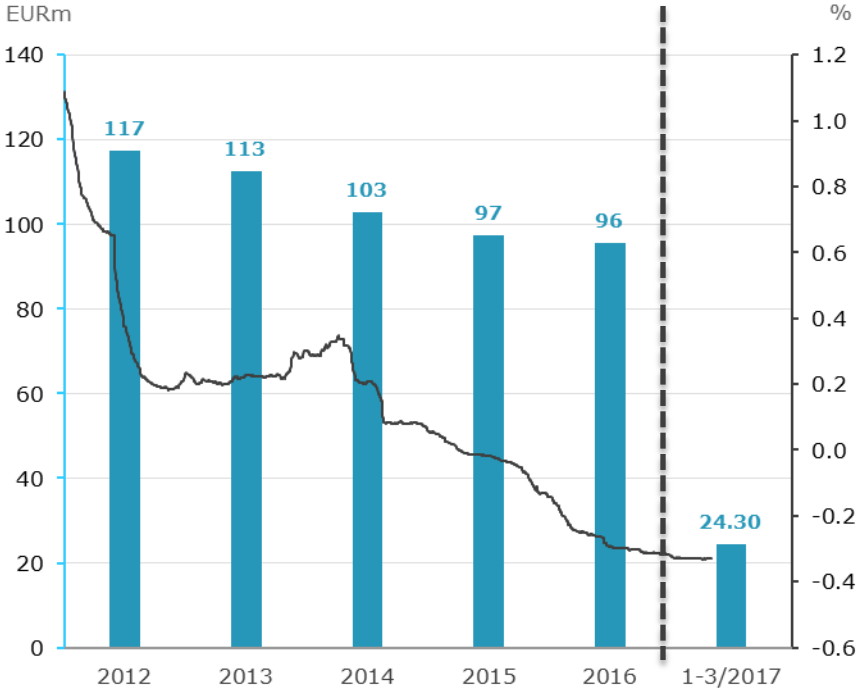
OUTLOOK

Aktia

MARKET DEVELOPMENT

NII Progress

■ NII
— Euribor 3-m

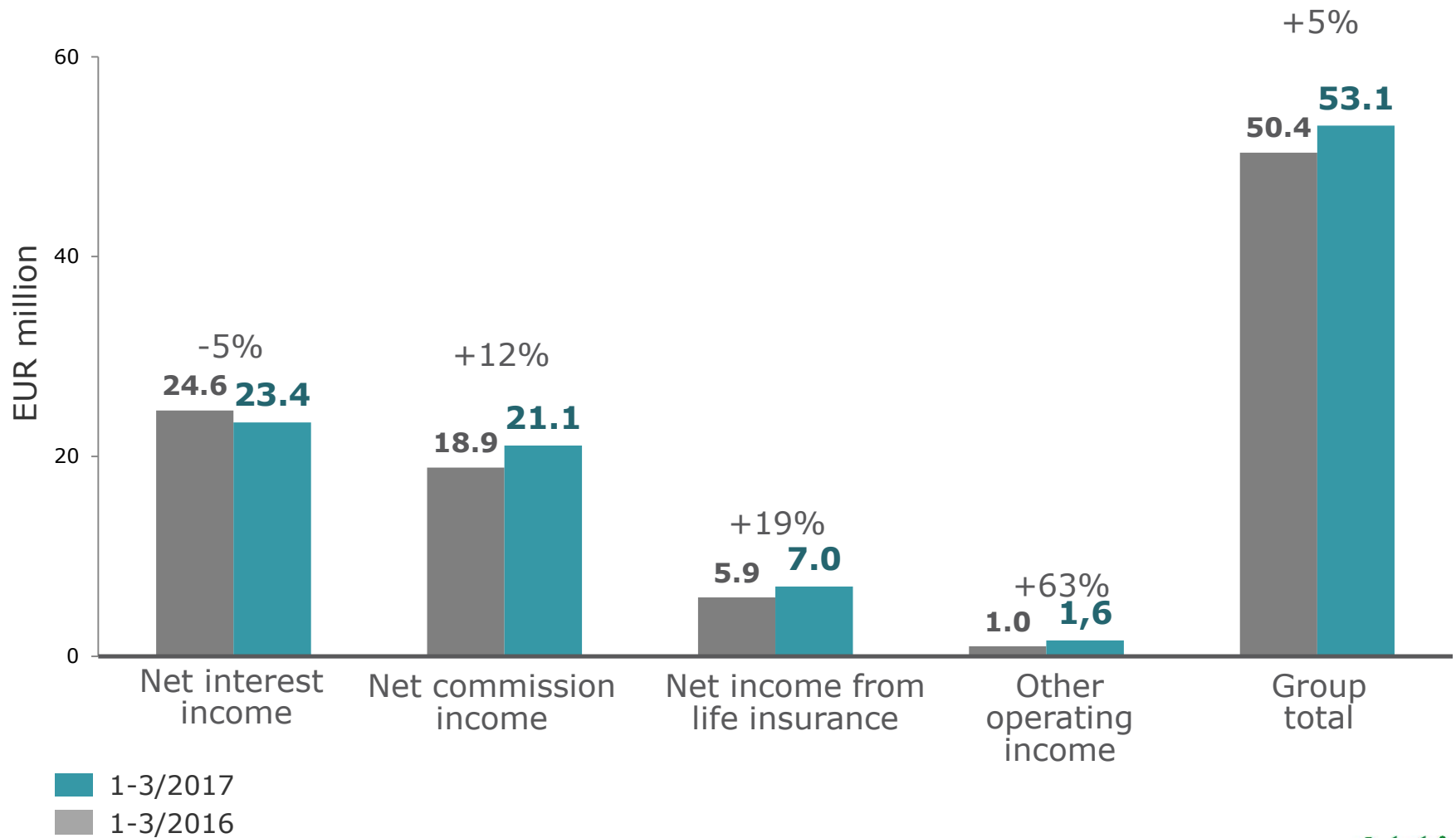


Assets under management

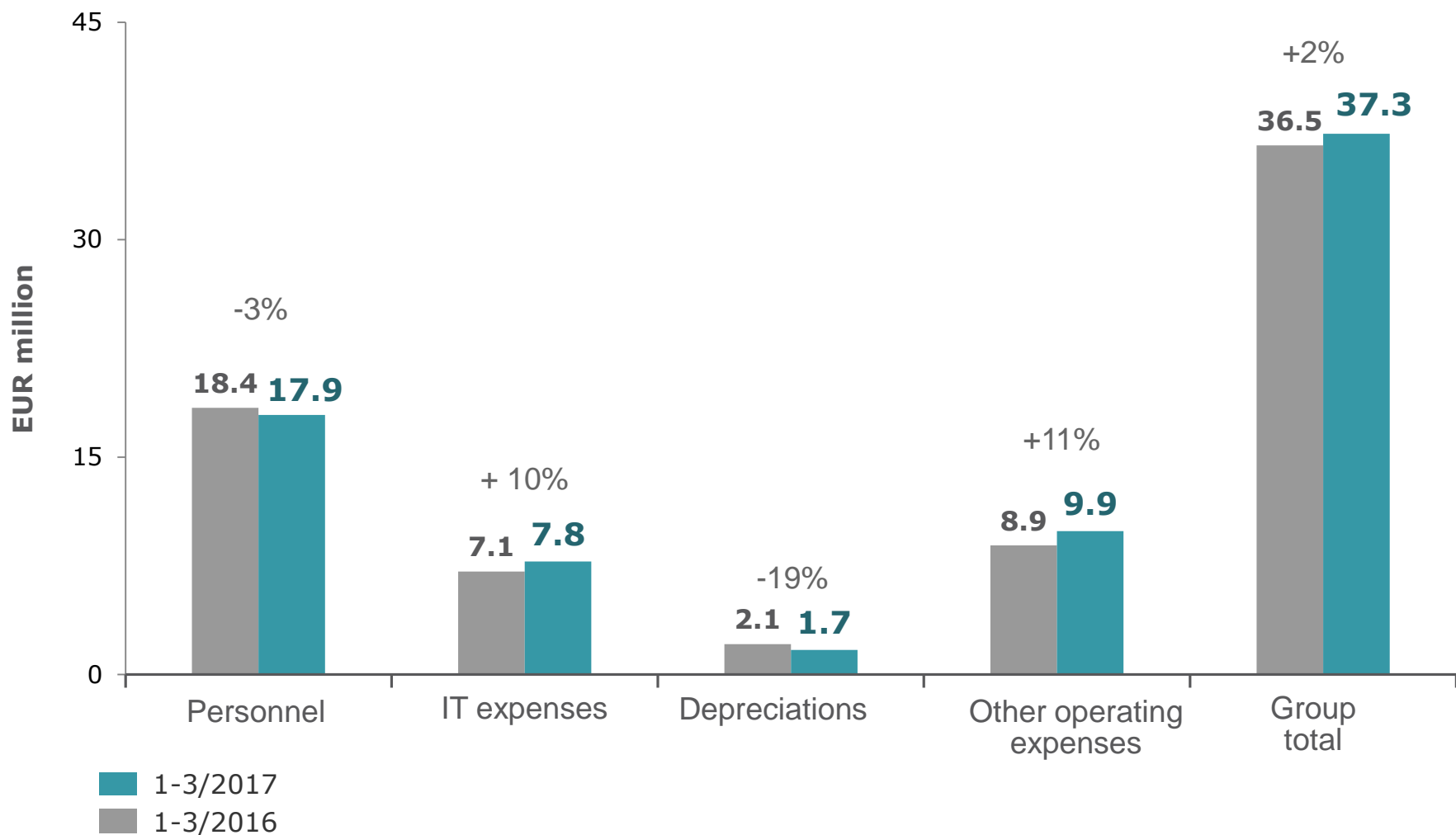
■ AuM
— HEX 25



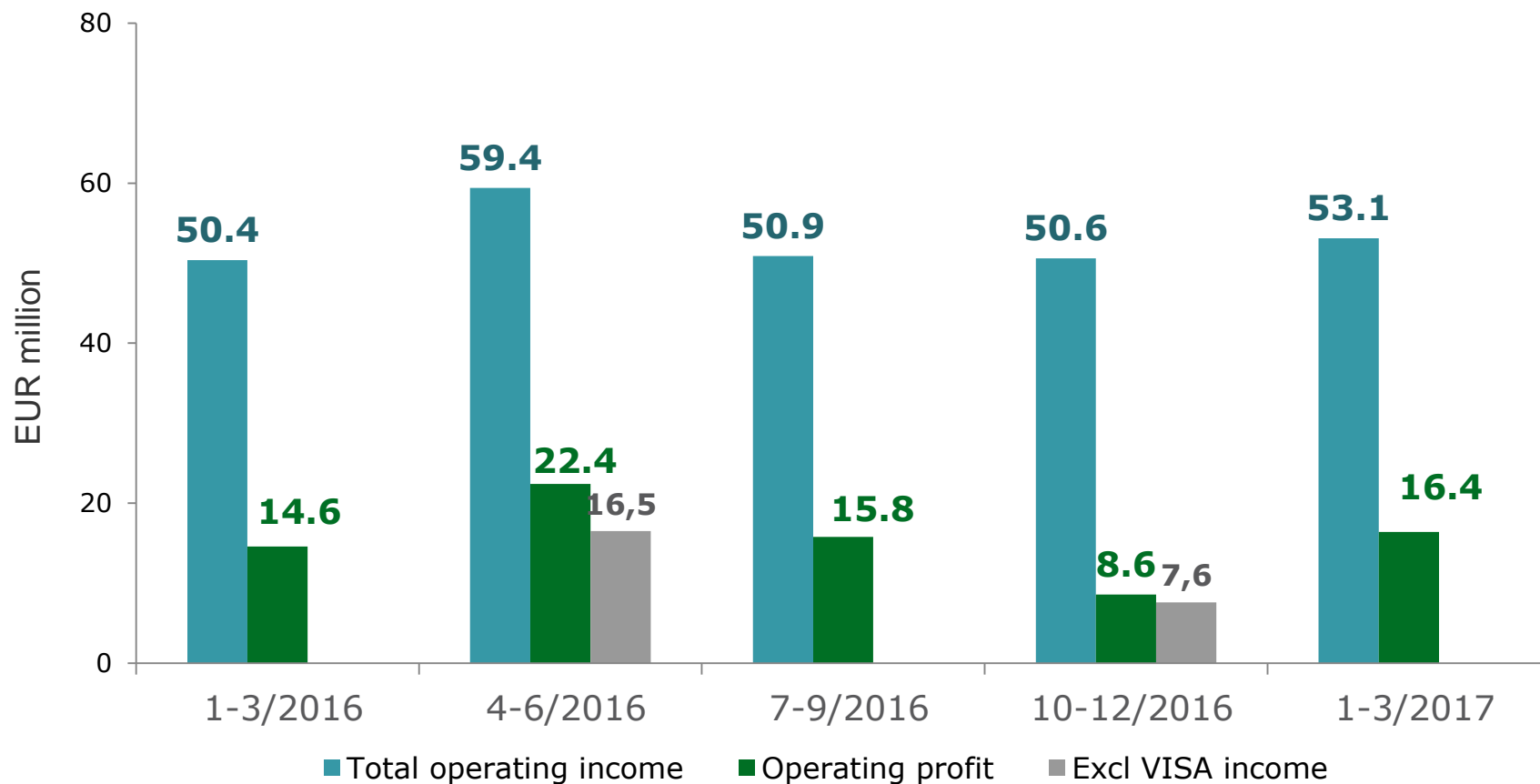
INCOME 1-3/2017



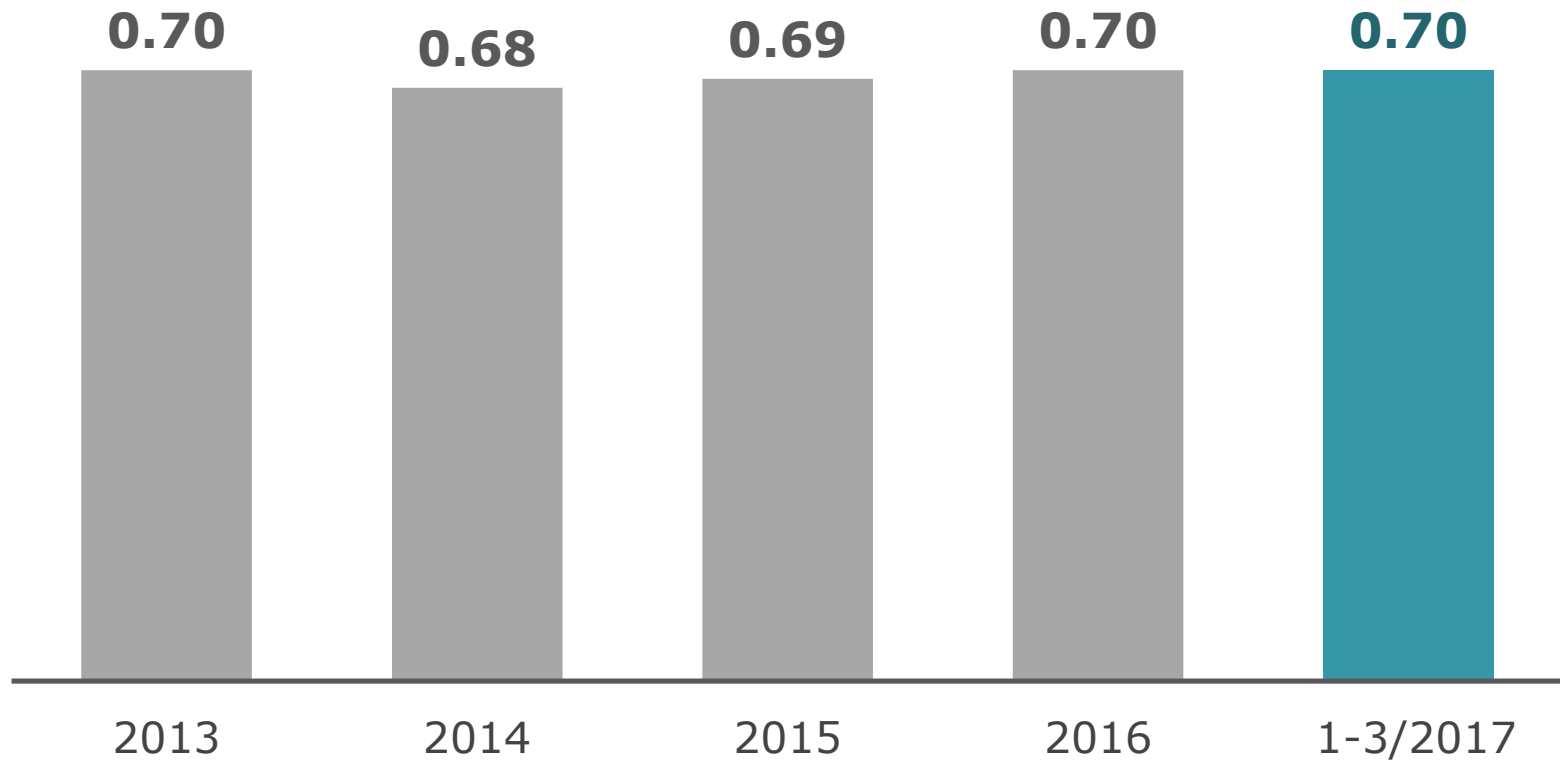
EXPENSES 1-3/2017



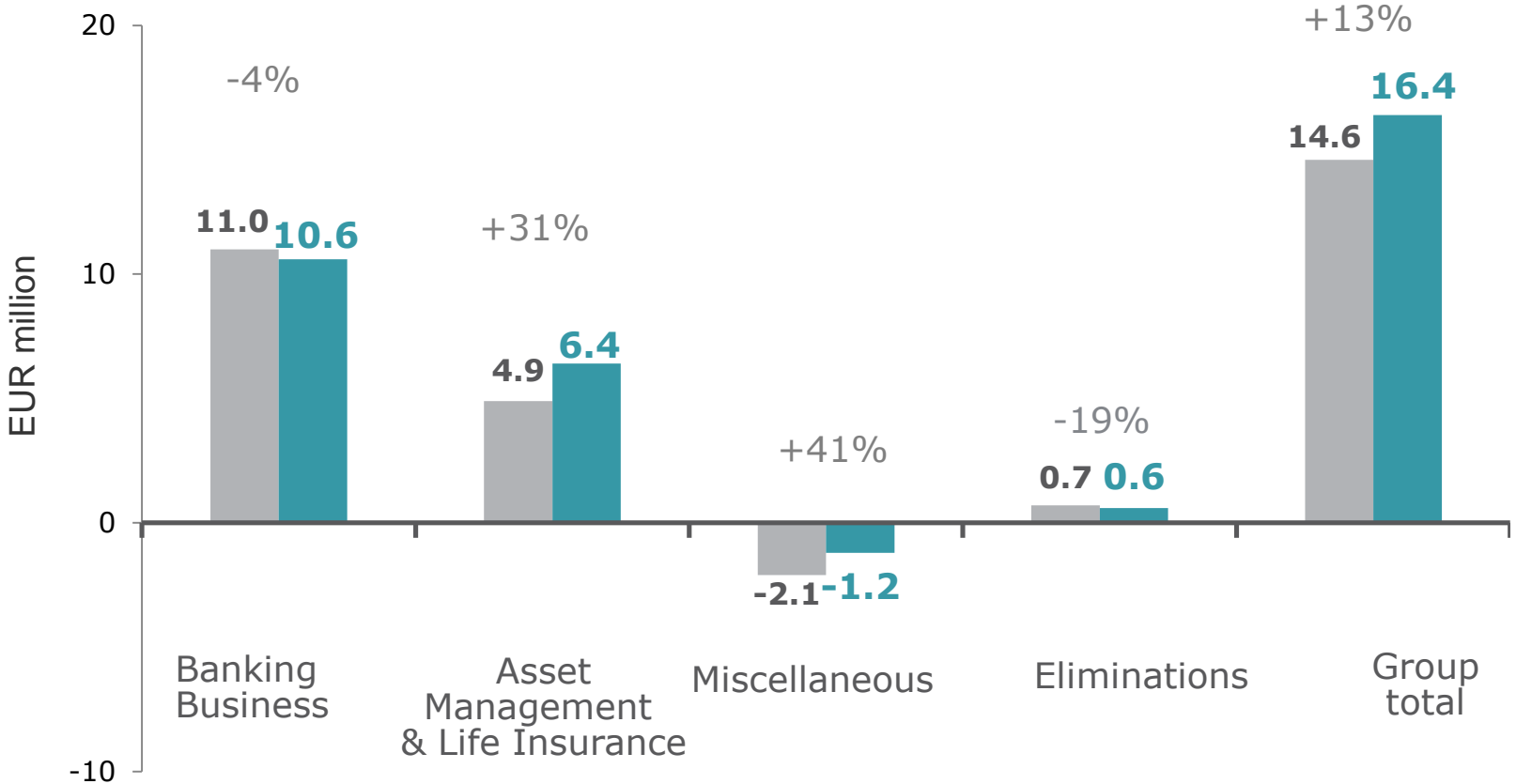
OPERATING INCOME & OPERATING PROFIT 1-3/2017



AKTIA GROUP COST-INCOME RATIO



THE SEGMENTS' CONTRIBUTION TO THE OPERATING PROFIT 1-3/2017



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RESULT HIGHLIGHTS

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SEGMENTOVERVIEW

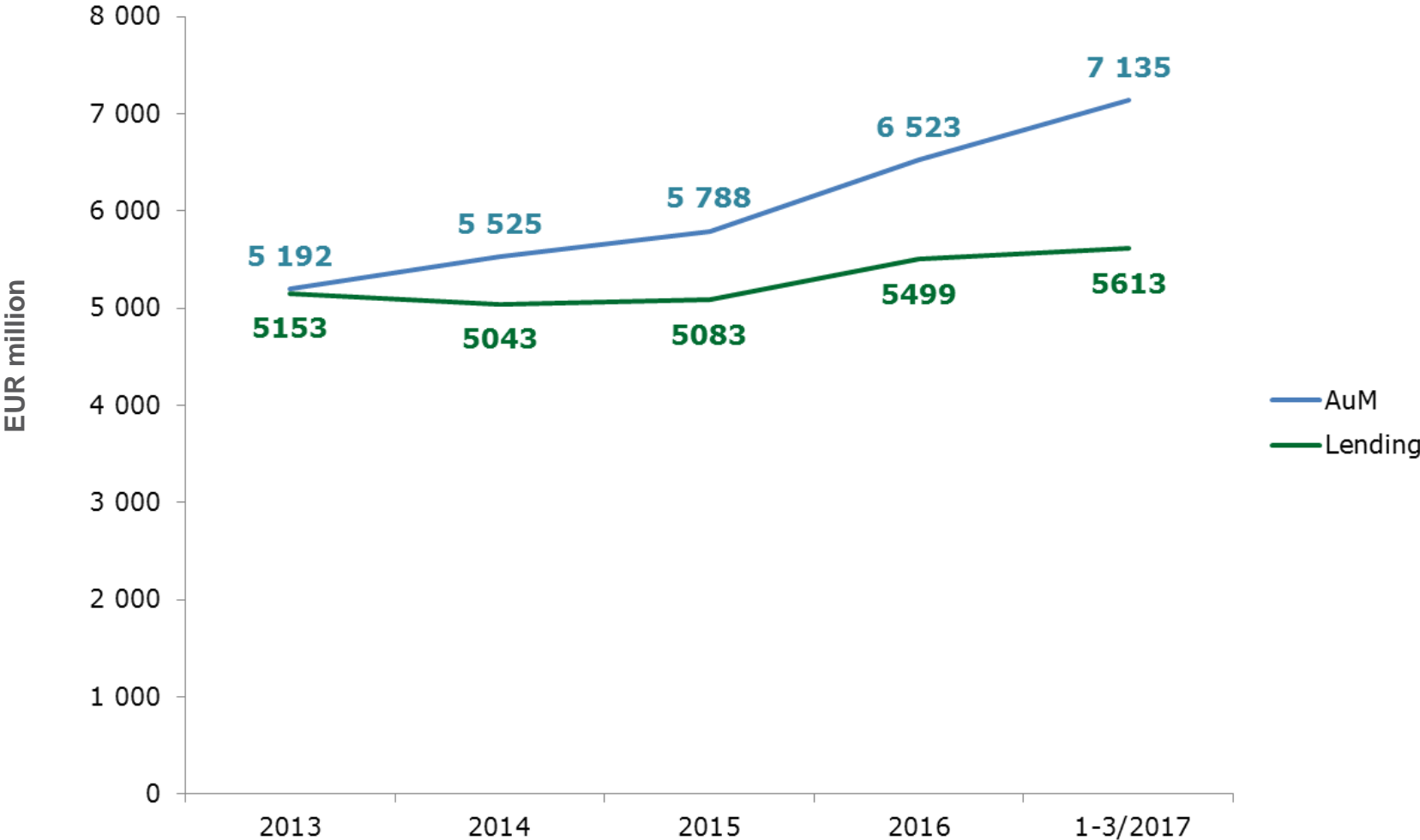
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BALANCE SHEET

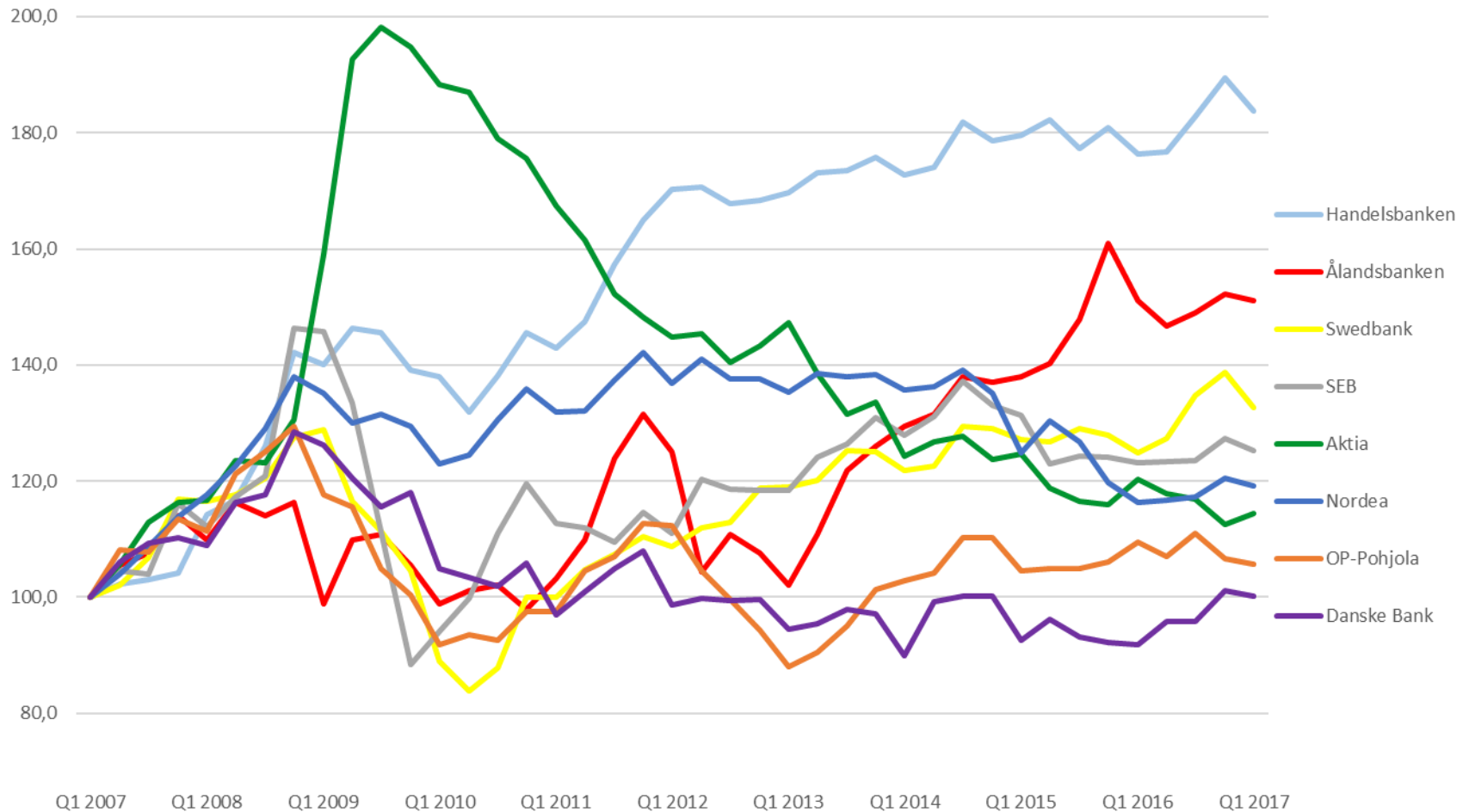
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OUTLOOK

LENDING VS. ASSETS UNDER MANAGEMENT

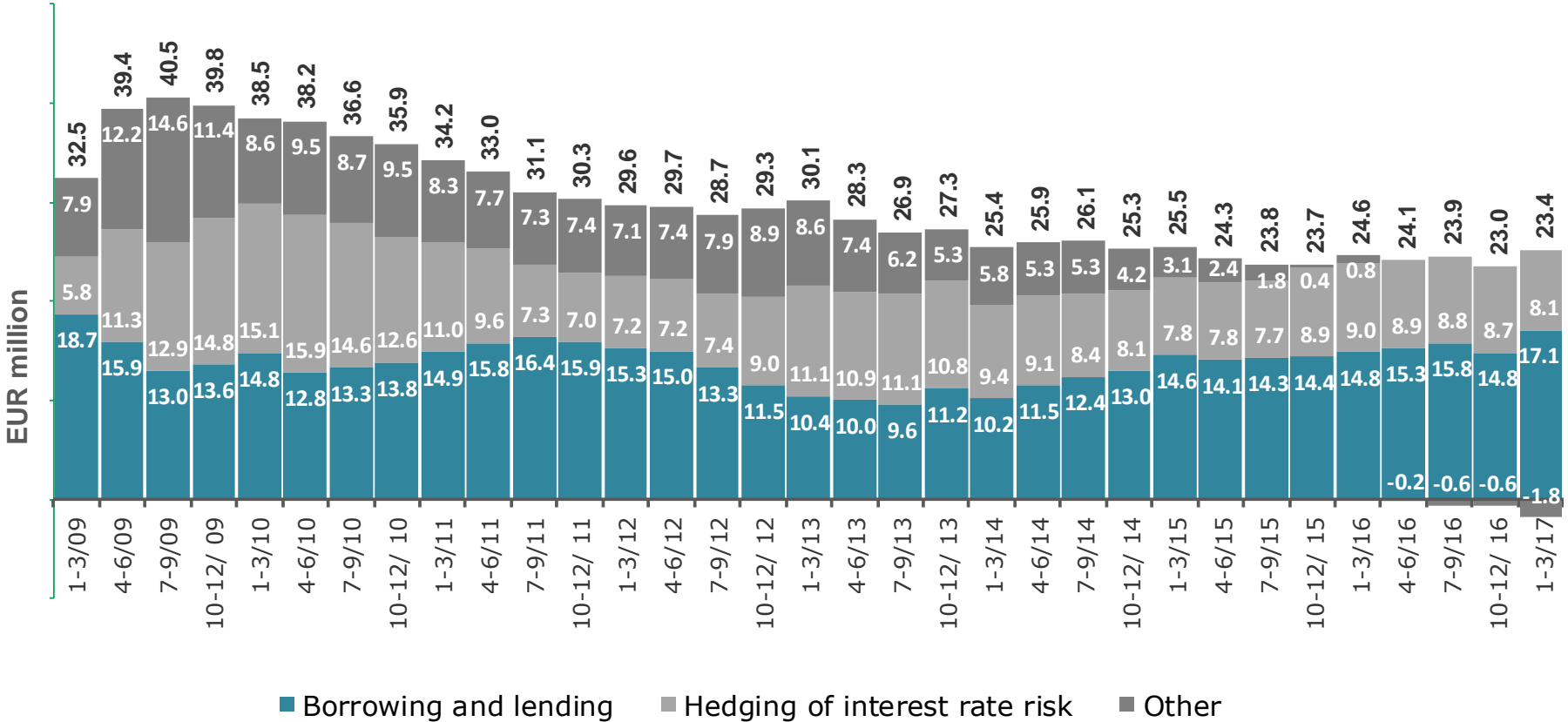


NORDIC BANKS NII

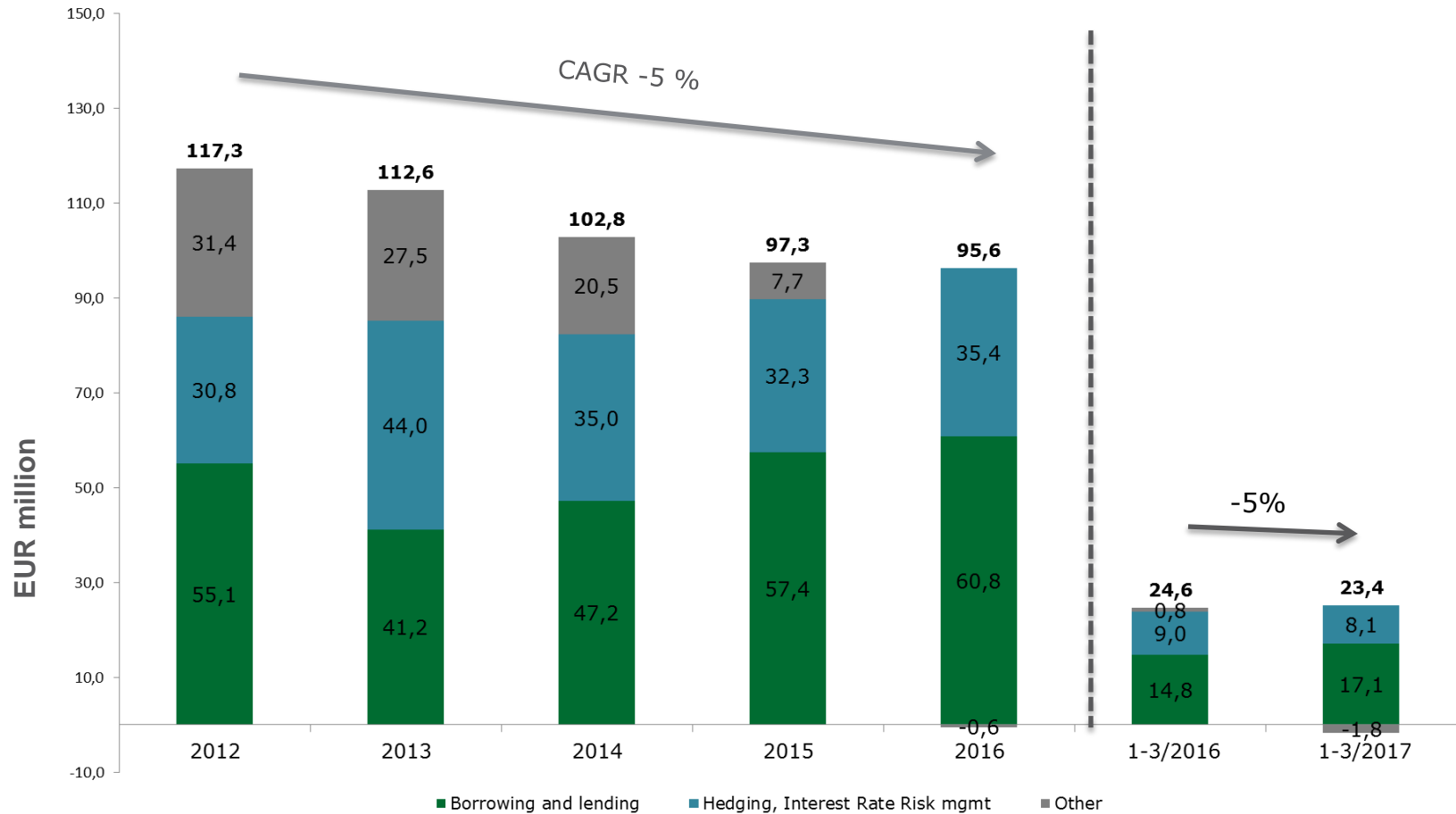


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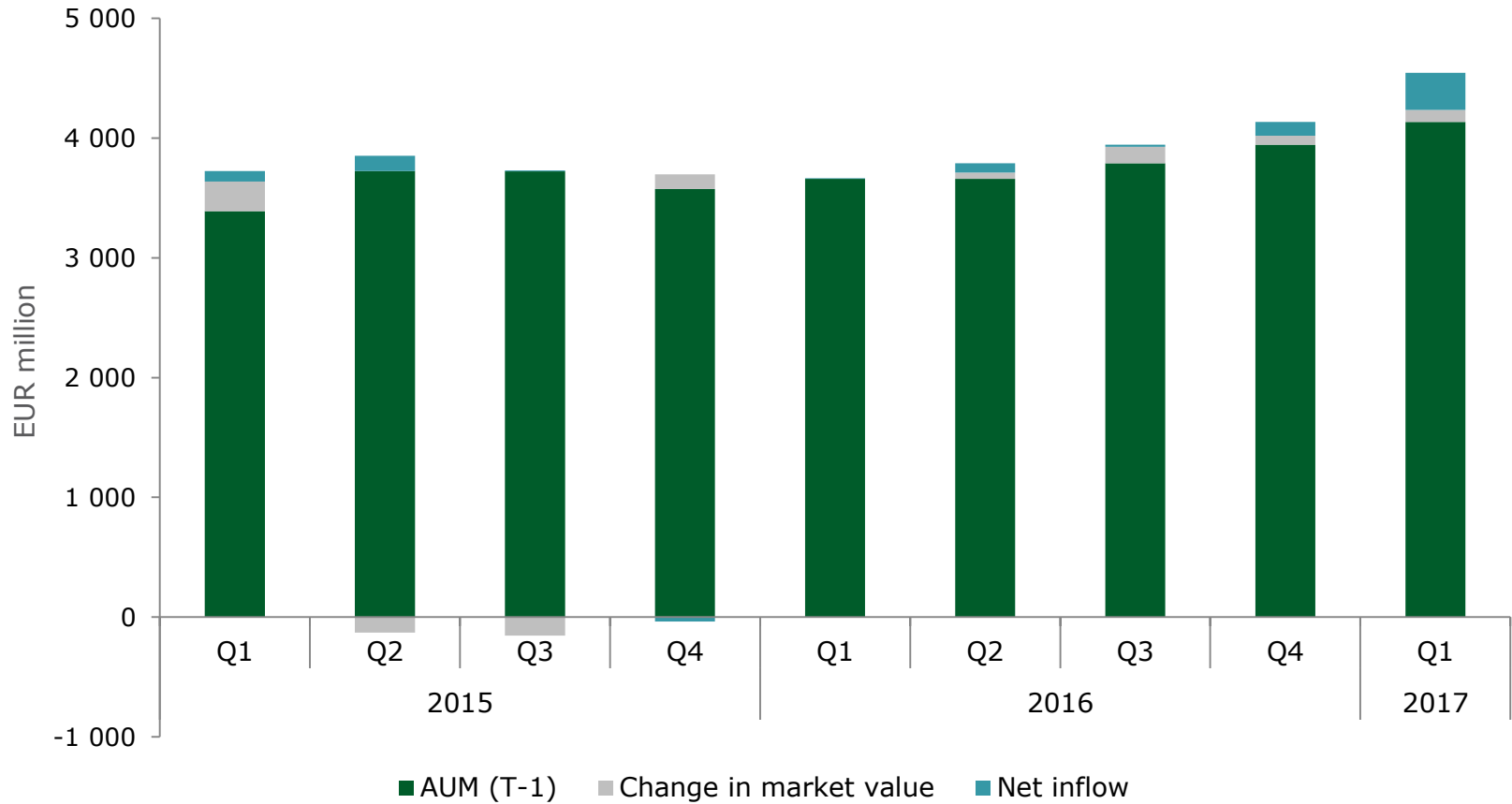
NET INTEREST INCOME (QUARTERLY)



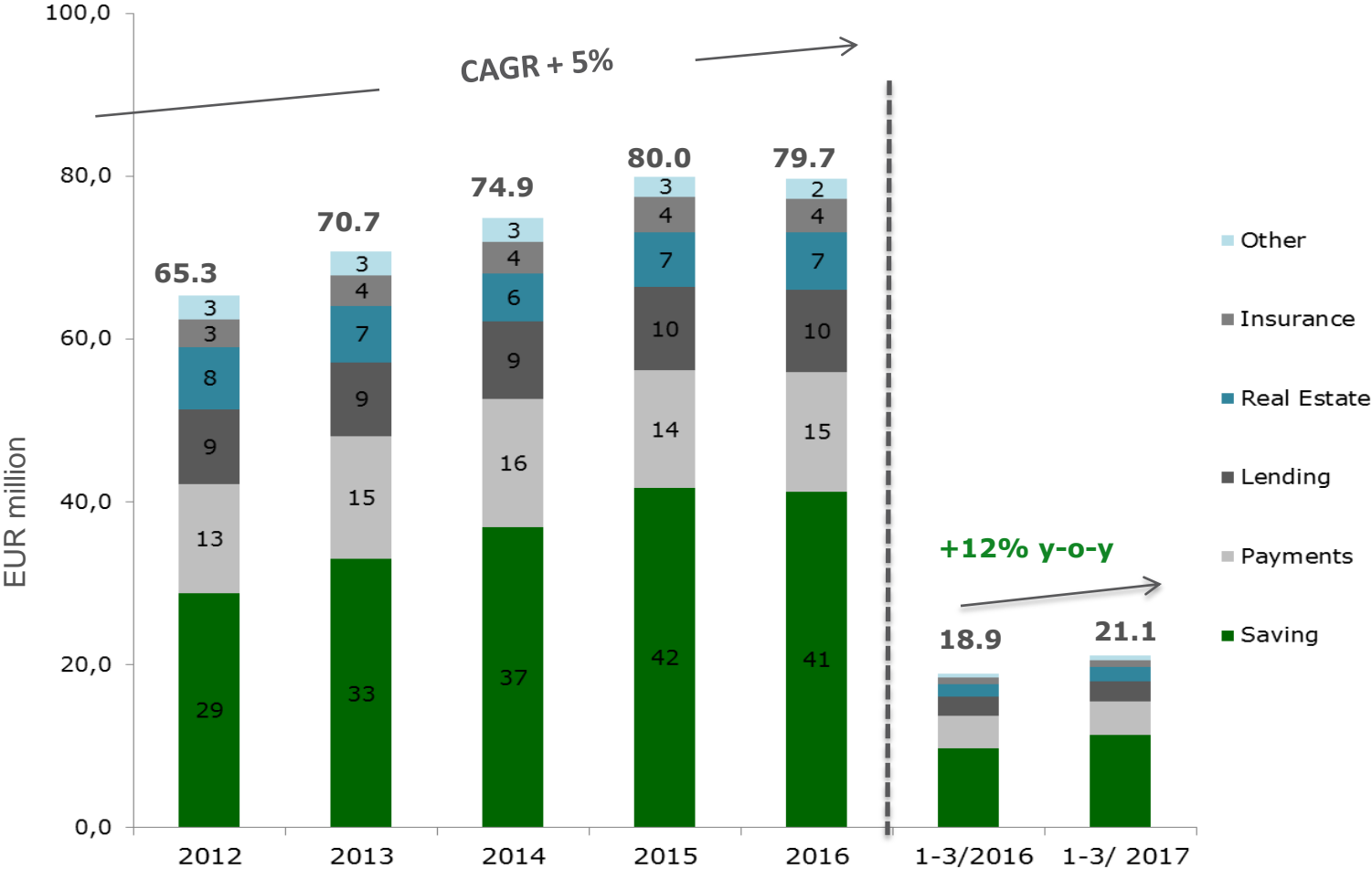
NET INTEREST INCOME (ANNUAL)



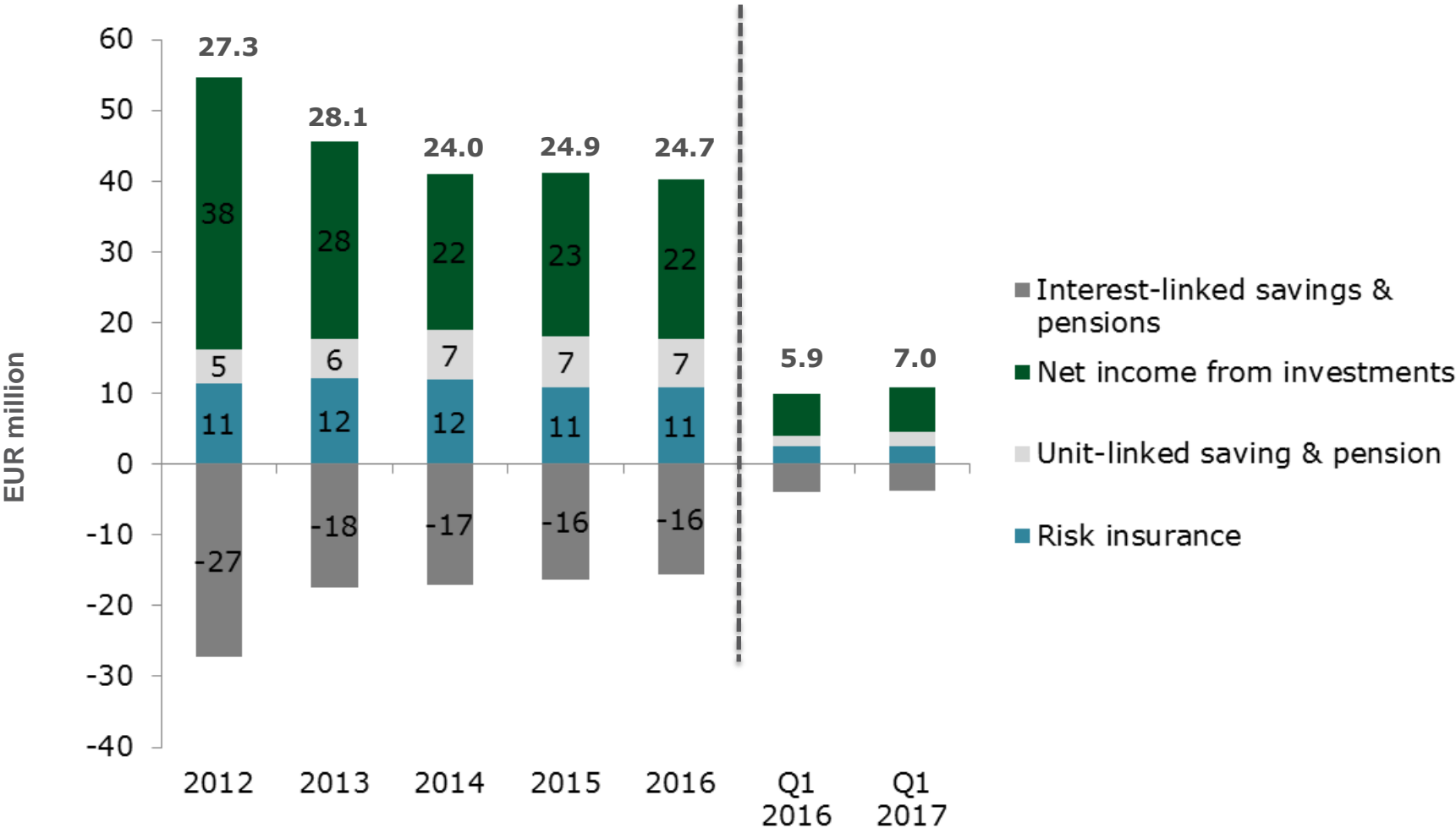
AUM & NET INFLOW IN AKTIA'S MUTUAL FUNDS



NET COMMISSION INCOME



LIFE INSURANCE NET



1

RESULT HIGHLIGHTS

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OUTLOOK

ASSETS & LIABILITIES

Aktia Group

EUR million

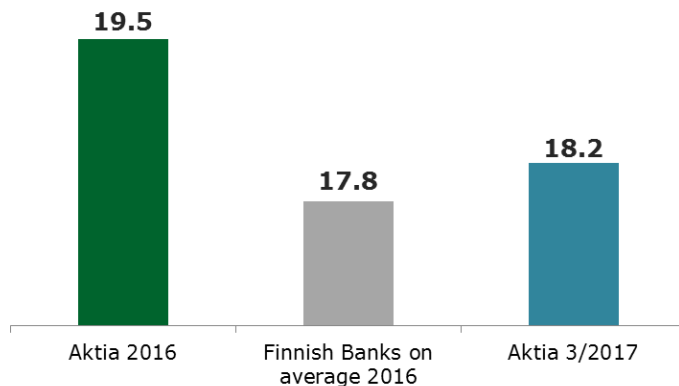
ASSETS	31.3.2017		31.12.2016	
Loans to public	5 703	58 %	5 717	60 %
Mortgage loans (households)	3 981		4 077	
Corporate loans	561		543	
Loans to Housing Companies	401		340	
Consumer loans (households)	364		360	
Other loans	396		398	
Treasury and money markets	667	7 %	559	6 %
Current account at Bank of Finland	494		373	
Other	173		186	
Liquidity portfolio	1 964	20 %	1 794	19 %
Level 1-eligible	641		619	
Covered Bonds	978		892	
Others	346		284	
Investment portfolio in Life Insurance	584	6 %	596	6 %
Invest. for unit-linked provisions, Life Insurance	751	8 %	723	8 %
Other assets	116	1 %	97	1 %
Total assets	9 785	100 %	9 486	100 %

LIABILITIES	31.3.2017		31.12.2016	
Demand deposits	3 747	40 %	3 765	40 %
Time deposits	366	4 %	399	4 %
Long-term issues to retail market	246	3 %	246	3 %
Senior debt	0		2	
Subordinated debt	246		244	
Long-term funding	2 887	30 %	2 688	28 %
Covered bonds	1 648		1 648	
Senior debt	839		840	
ECB	400		200	
Short-term funding	340	4 %	269	3 %
Repos + ECB	233		146	
CDs & wholesale MM deposits	0		6	
Received cash collateral	107		117	
Technical prov. for unit-linked insurances	1 184	12 %	1 162	12 %
Other Liabilities	394	4 %	344	4 %
Equity	621	7 %	613	6 %
Total liabilities and equity	9 785	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 102m

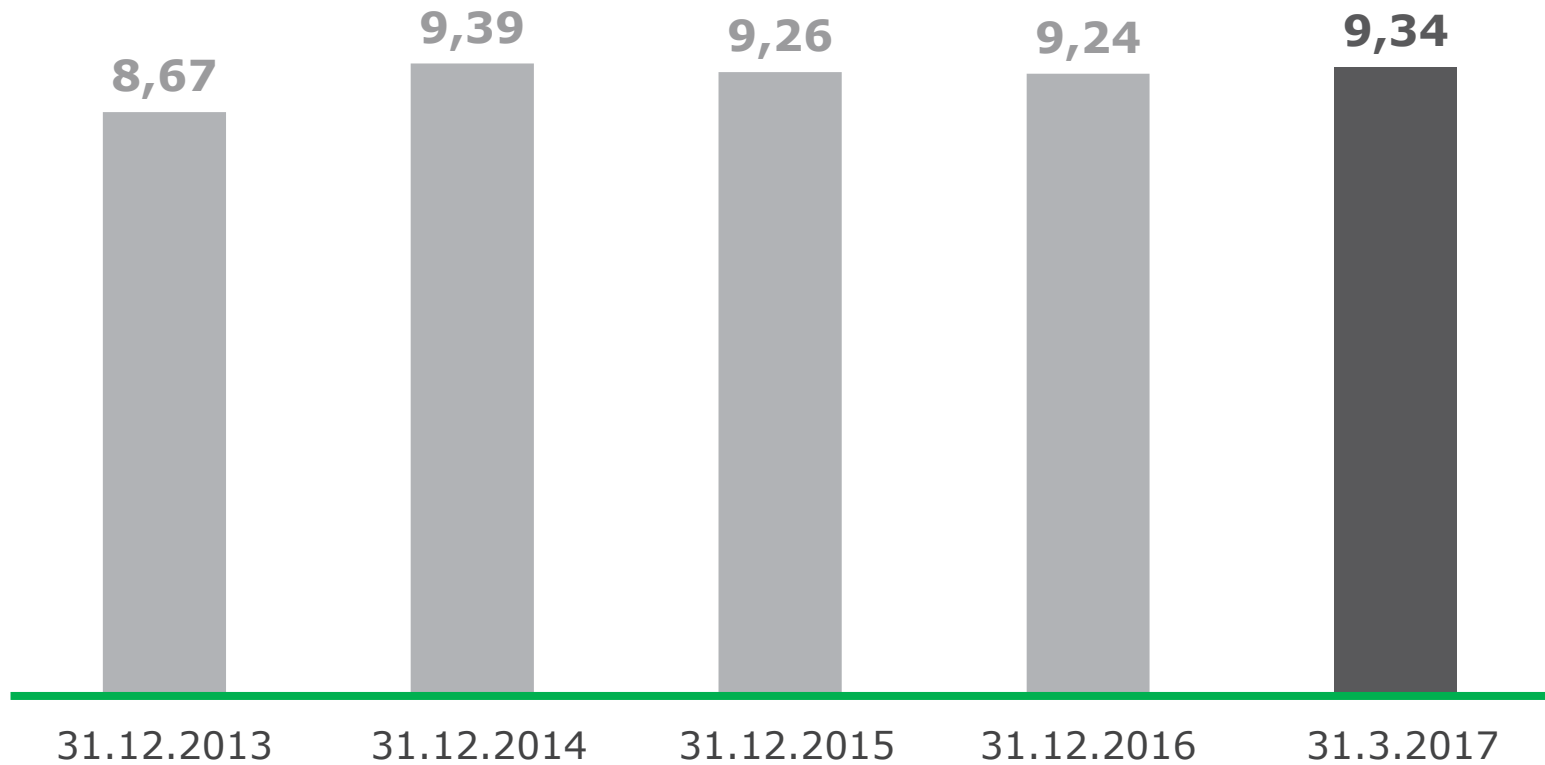
Common Equity Tier 1 capital ratio, %



Change in CET1%	
CET1 % 31.12.2016	19.5%
Increased intangible assets and other deductibles	-0.35 percentage points
Risk-weighted assets +EUR 102m	-0.95 percentage points
CET1 % 31.3.2017	18.2%

EQUITY PER SHARE (NAV)

EUR/share



Aktia

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RESULT HIGHLIGHTS

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OUTLOOK

Aktia

OUTLOOK FOR 2017 (UNCHANGED)

The continued low interest rates have a negative impact on the yield from Aktia's liquidity portfolio, resulting in lower net interest income than in 2016.

Write-downs on credits are expected to remain low in 2017.

The operating profit for 2017 is estimated to be lower than in 2016, as no larger one-time gains are expected.

Aktia

We see a person in every customer.