



AKTIA BANK HALF-YEAR REPORT 1-6/2017

CEO Martin Backman 8.8.2017

THE FIRST HALF-YEAR

- **Total income amounted to EUR 107.3 (109.8) million**
 - Net commission income increased by 16 % to EUR 45.7 (39.6) million.
 - In the reference period, Aktia received EUR 5.9 million from the sale of Visa Europe.
 - Net interest income from borrowing and lending continued to increase, while returns from the bank's liquidity portfolio continued to decrease and net interest income fell by appr. 4 % to EUR 46.2 (48.7) million.
- **The new core banking system was implemented successfully in the first week of July**
- **Total expenditure rose to EUR 77.0 (73.3) million**
 - EUR 3.1 (0.4) million were costs for restructuring related to personnel, and also IT expenses increased by 14 % due to the final implementation of the core banking system.
 - The ongoing organisation changes and the new core banking system are expected to improve efficiency and the cost structure from 2018 onwards.
- **The comparable operating profit amounted to EUR 32.8 (32.2) million.**

OUTLOOK FOR 2017 (UNCHANGED)

The continued low interest rates have a negative impact on the return 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.

JANUARY - JUNE 2017

EURm	1-6/2017	1-6/2016	CHANGE %
Total operating income	107.3	109.8	-2 %
Net interest income	46.2	48.7	-5 %
Net commission income	45.7	39.6	+16 %
Net income from life insurance	12.8	12.8	0 %
Other income	2.6	8.8	-71 %
Total operating expenses	-77.0	-73.3	+5 %
Operating profit	30.8	37.0	-17 %
Comparable operating profit*	32.8	32.2	+2 %
Earnings per share (EPS), EUR	0.37	0.45	-18 %
Return on Equity (ROE), %	8.2%	9.8%	-16 %

* Excluding e.g. gains from sale of Visa Europe 2016 and restructuring costs 2017

APRIL- JUNE 2017 – ASSET MGMT CONTINUED STRONGLY

EURm	4-6/2017	4-6/2016	CHANGE %
Total operating income	54.2	59.4	-9 %
Net interest income	22.9	24.1	-5 %
Net commission income	24.6	20.7	+19 %
Net income from life insurance	5.8	6.9	-16 %
Other income	1.0	7.8	-87 %
Total operating expenses	-39.7	-36.8	+8 %
Operating profit	14.4	22.4	-36 %
Comparable operating profit*	16.9	16.6	+2 %
Earnings per share (EPS), EUR	0.17	0.27	-36 %
Return on Equity (ROE), %	7.4%	11.6%	-36 %

* Excluding e.g. gains from sale of Visa Europe 2016 and restructuring costs 2017

BUSINESS HIGHLIGHTS 1-6/2017

BANKING BUSINESS

- Strong increase in commission income
- NII decreased y-o-y
 - Lower yield from liquidity portfolio
 - Continued NII improvement from borrowing & lending
- Core banking system implemented
 - Higher IT expenses increased total costs
- Increased new lending to households
- Continued growth in Private Banking client base and AuM
- Transformational actions led to changes of organisation and new areas of responsibility

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

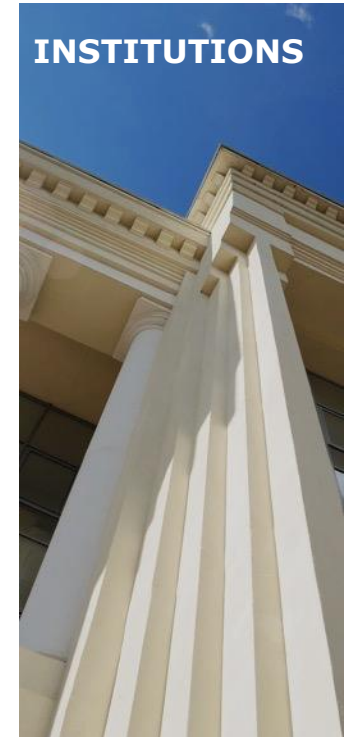
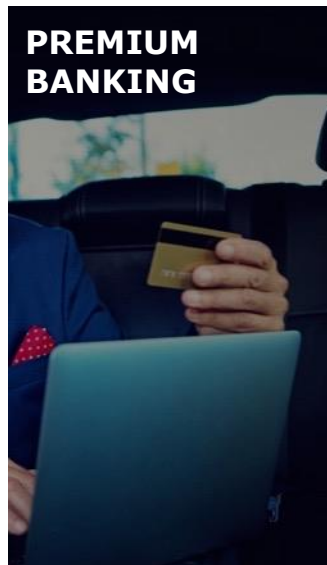
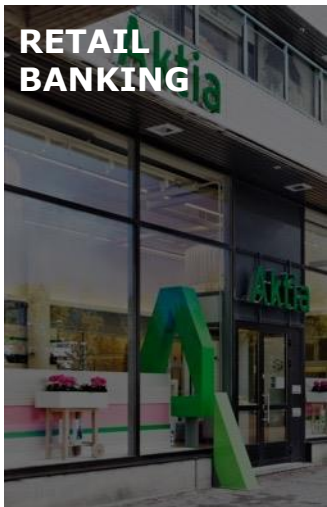
INSURANCE

- Life Insurance net investment income decreased
- Yield from Life Insurance portfolio was 0.1 (2.0)%
- Life insurance premiums written increased
- Transformational actions led to changes of organisation and new areas of responsibility

CORE BANKING SYSTEM SUCCESSFULLY IMPLEMENTED

- **The total investment**, including migration costs, was EUR 67 million, and the total activated investment costs for the project amounted to approximately EUR 61 million.
- **The cost savings** brought by the new core banking platform will materialise gradually from H2 2017 onwards.
- **Depreciation of the project** is planned to take place during 10 years corresponding to an annual depreciation of EUR 6 million.

CUSTOMER SEGMENTS





1

**RESULT HIGHLIGHTS &
OUTLOOK**

2

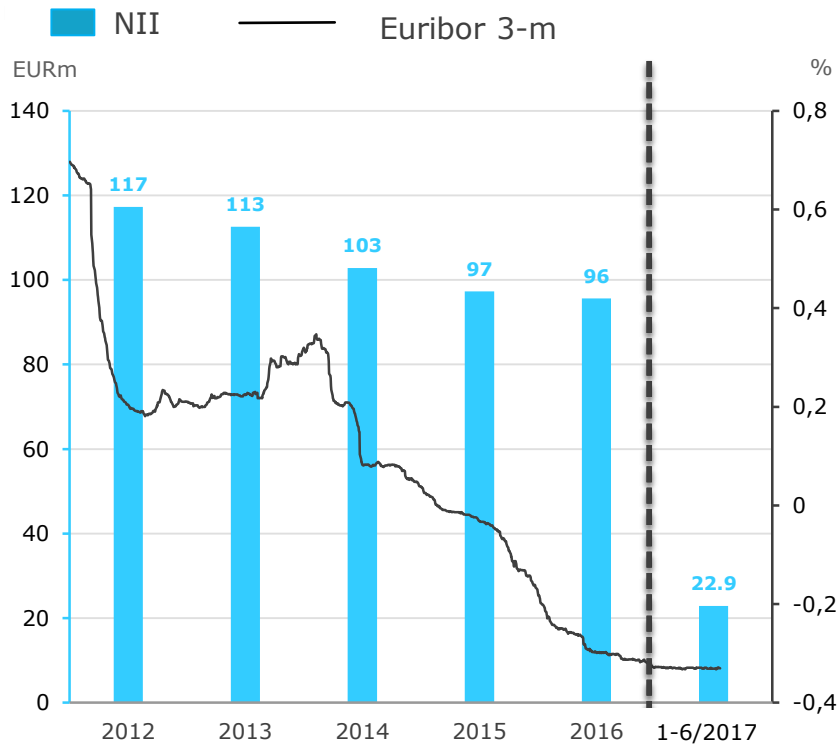
SEGMENT OVERVIEW

3

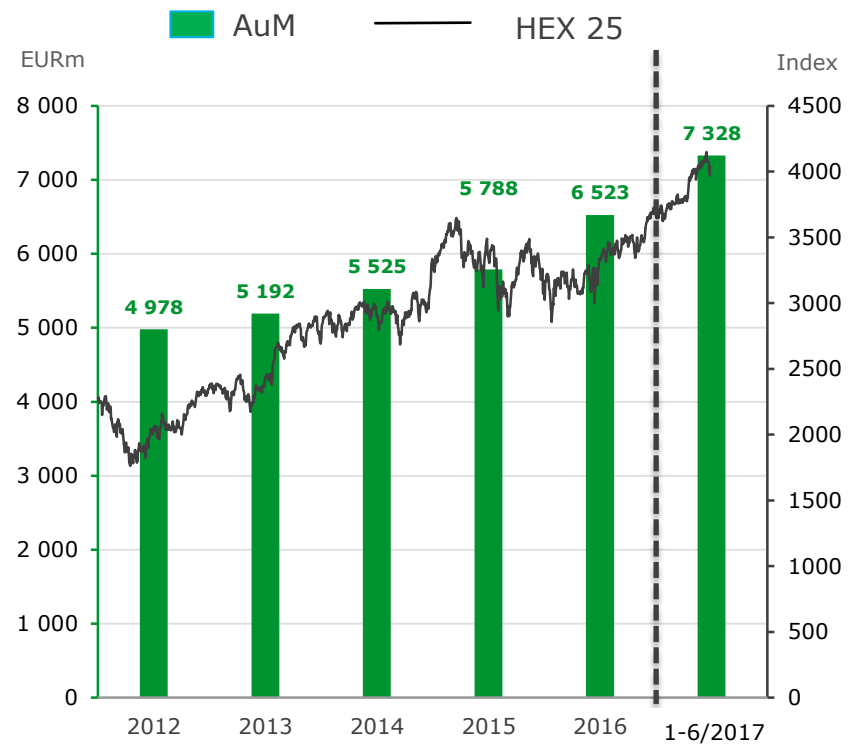
BALANCE SHEET

MARKET DEVELOPMENT

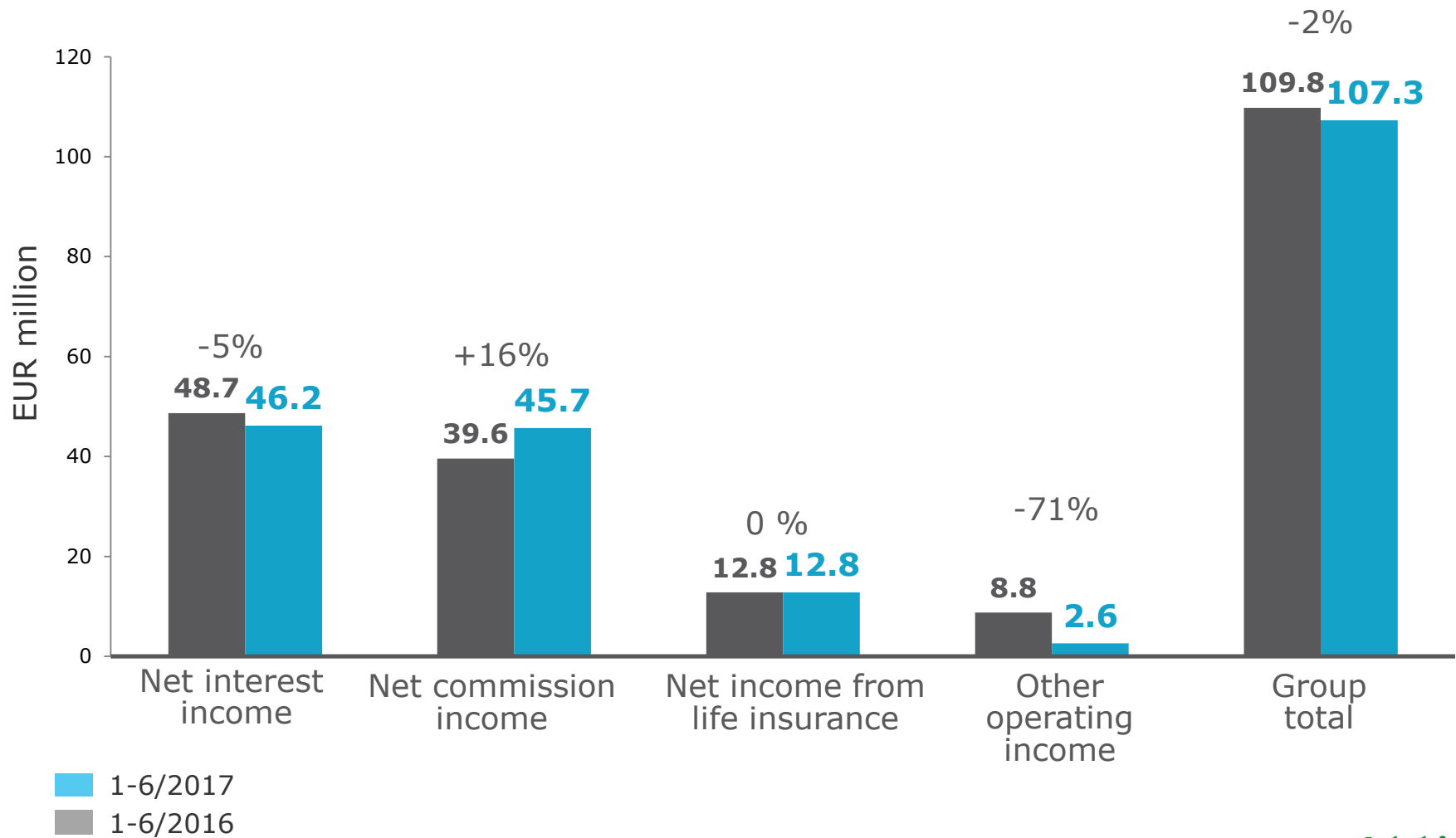
NII progress



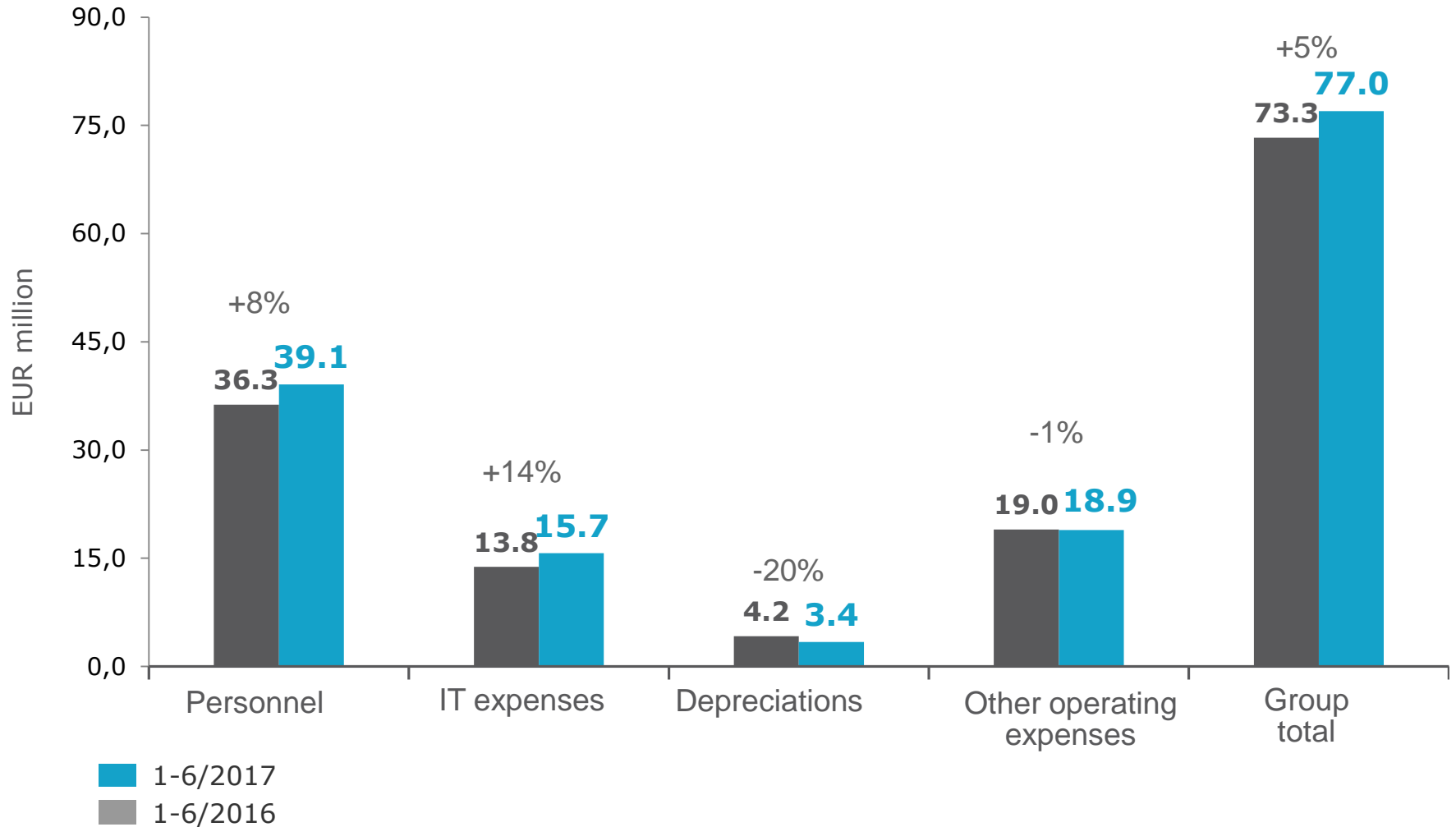
Assets under management (AuM)



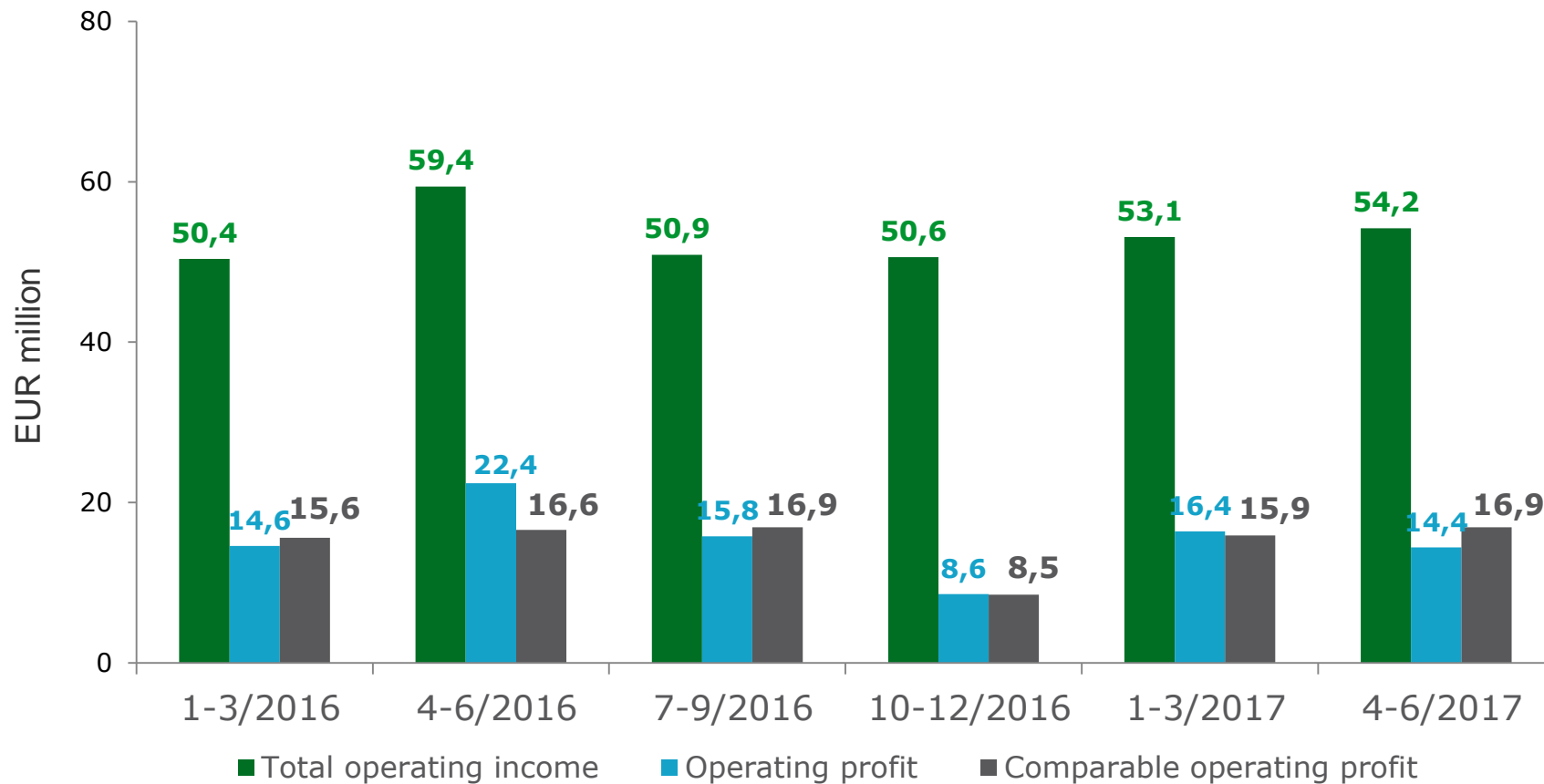
INCOME 1-6/2017



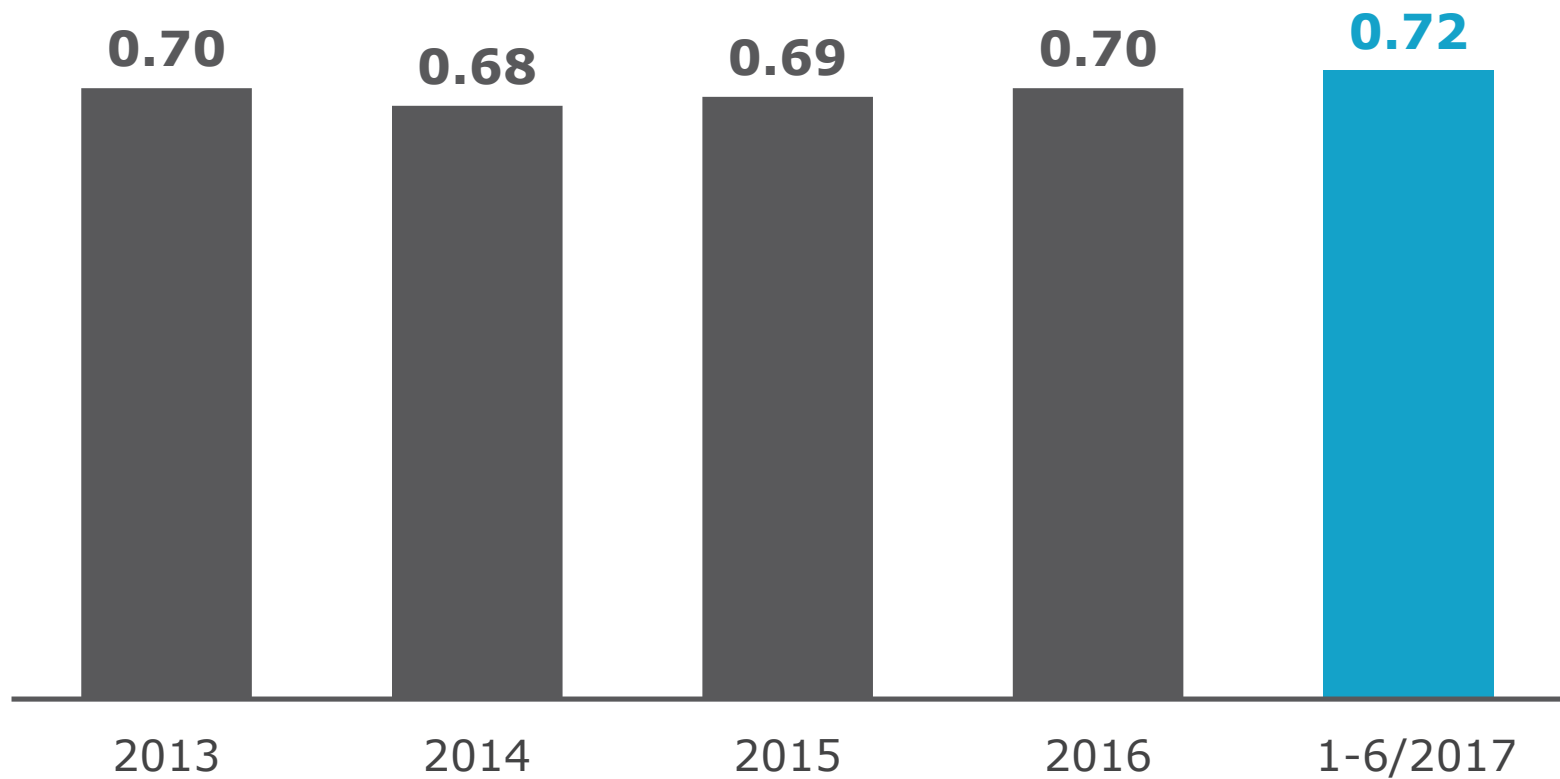
EXPENSES 1-6/2017



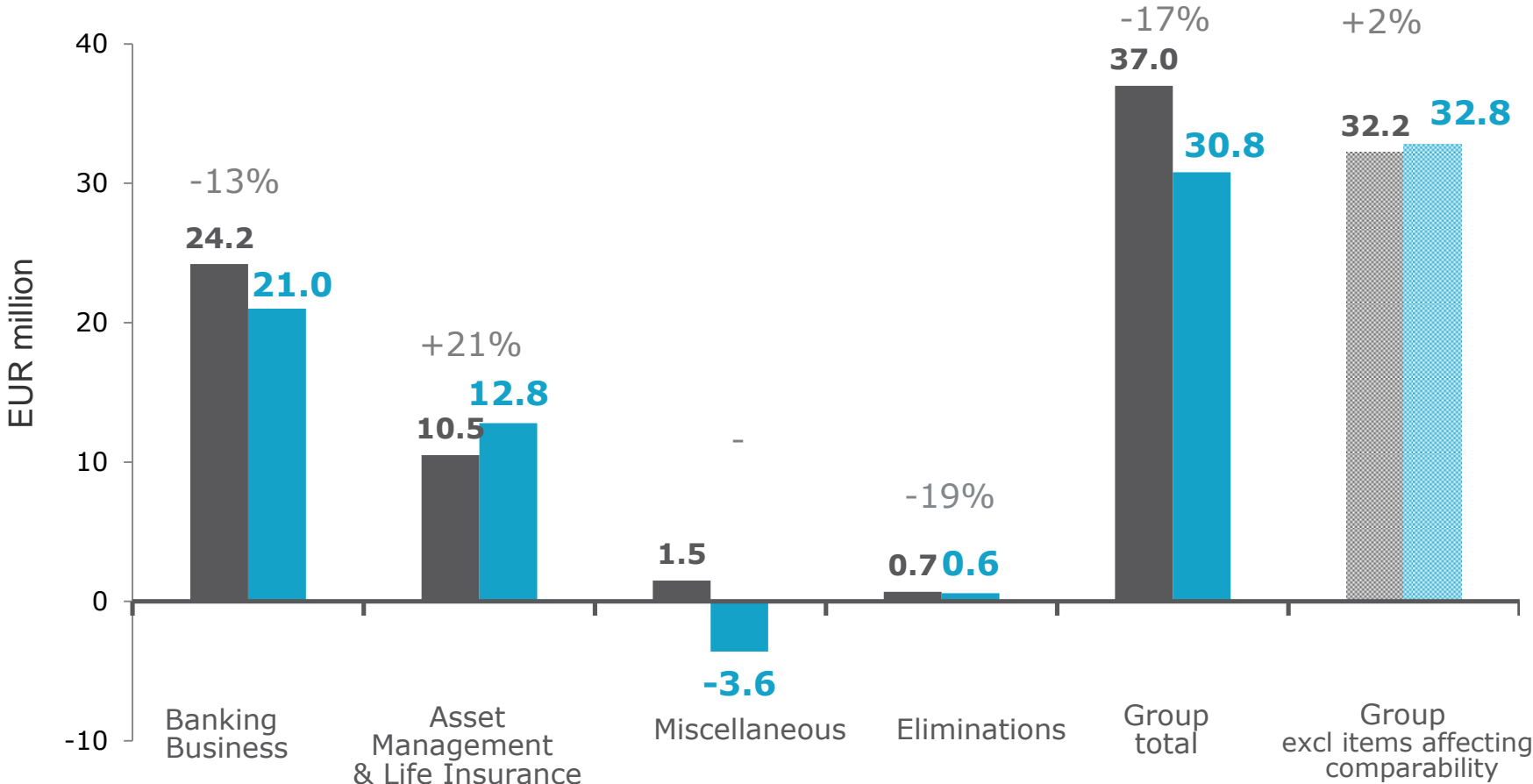
OPERATING INCOME & OPERATING PROFIT



AKTIA GROUP COST-INCOME RATIO



THE SEGMENTS' CONTRIBUTION TO THE OPERATING PROFIT 1-6/2017



15

■ 1-6/2017
■ 1-6/2016

1

RESULT HIGHLIGHTS

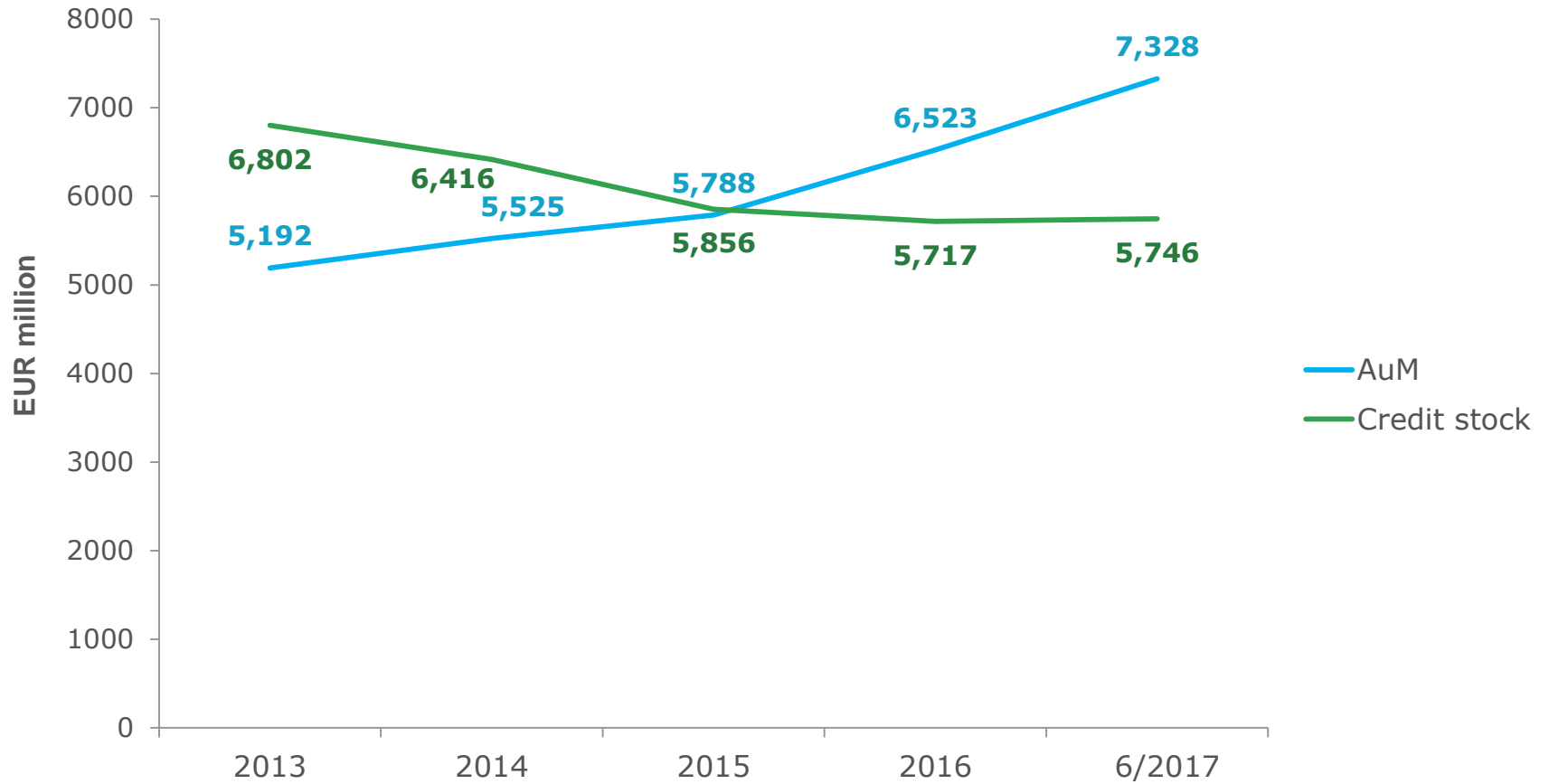
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SEGMENT OVERVIEW

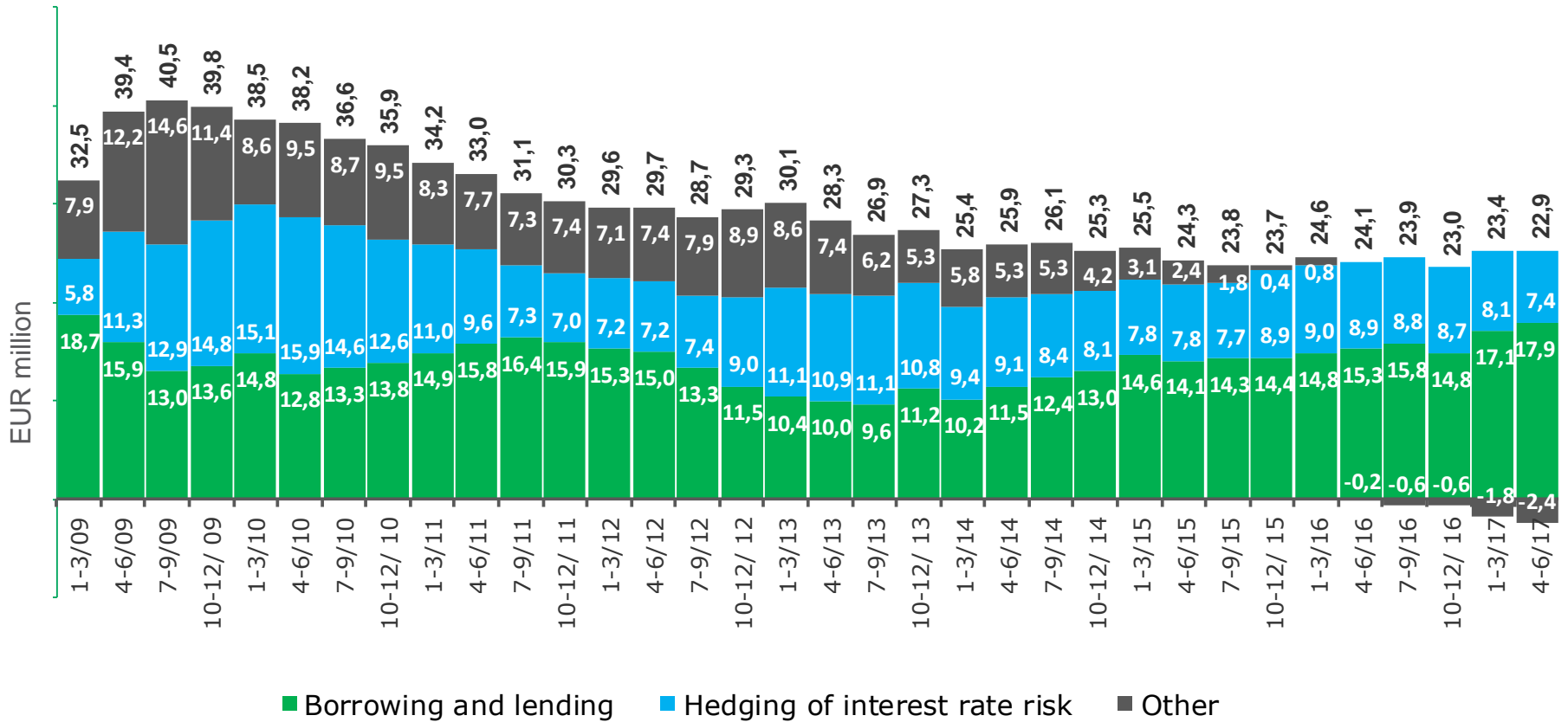
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BALANCE SHEET

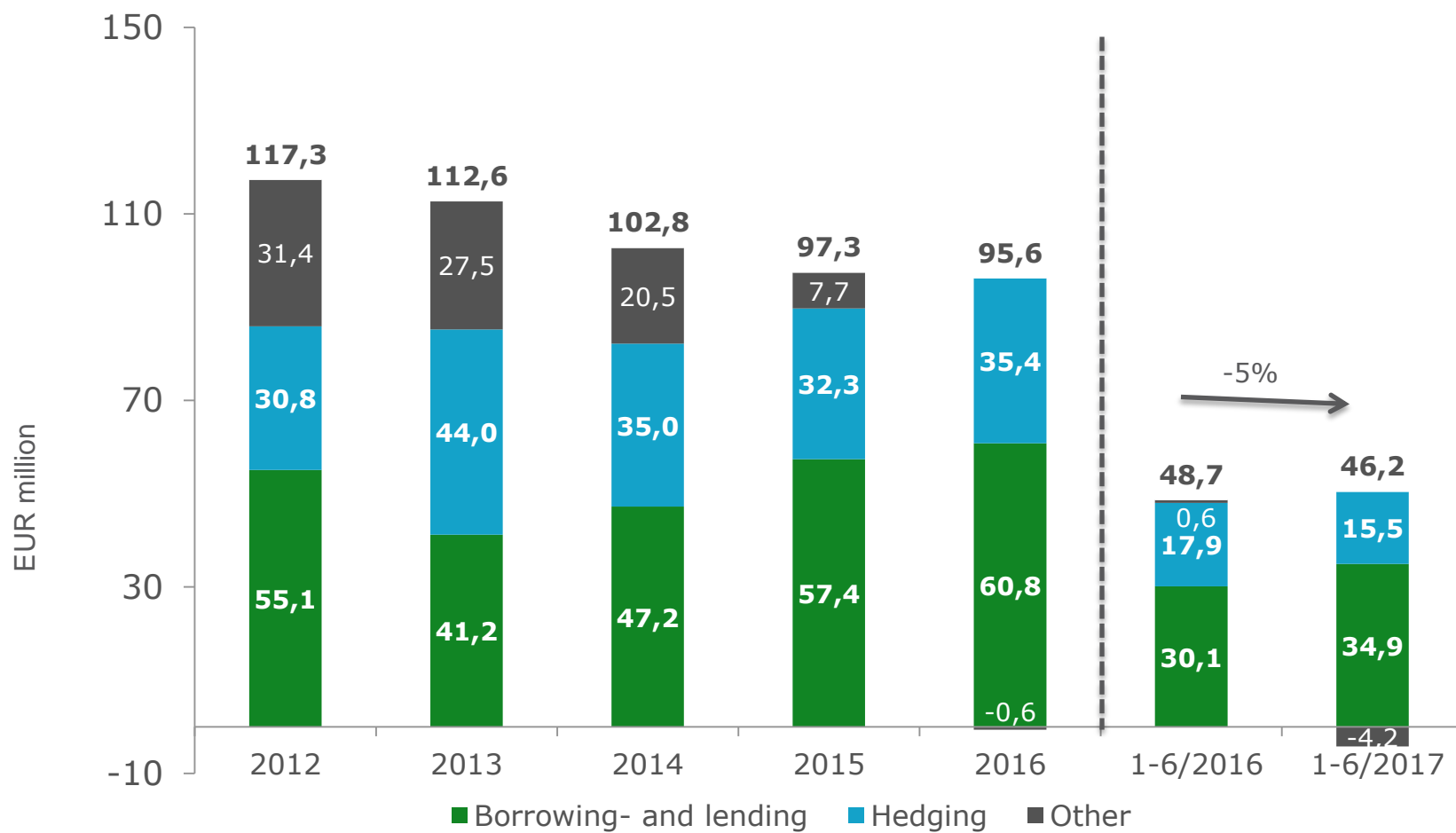
LENDING VS. ASSETS UNDER MANAGEMENT



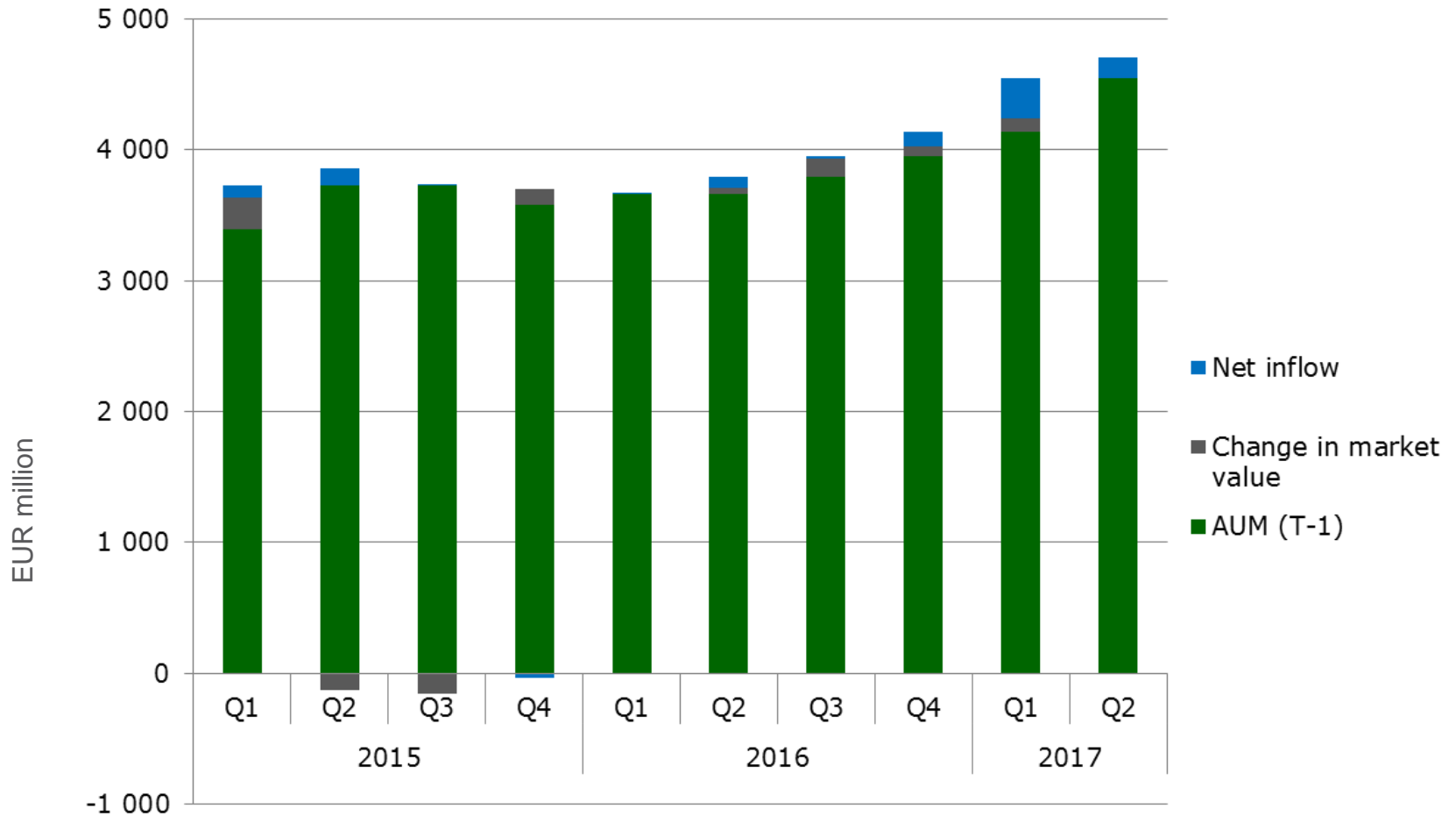
NET INTEREST INCOME (QUARTERLY)



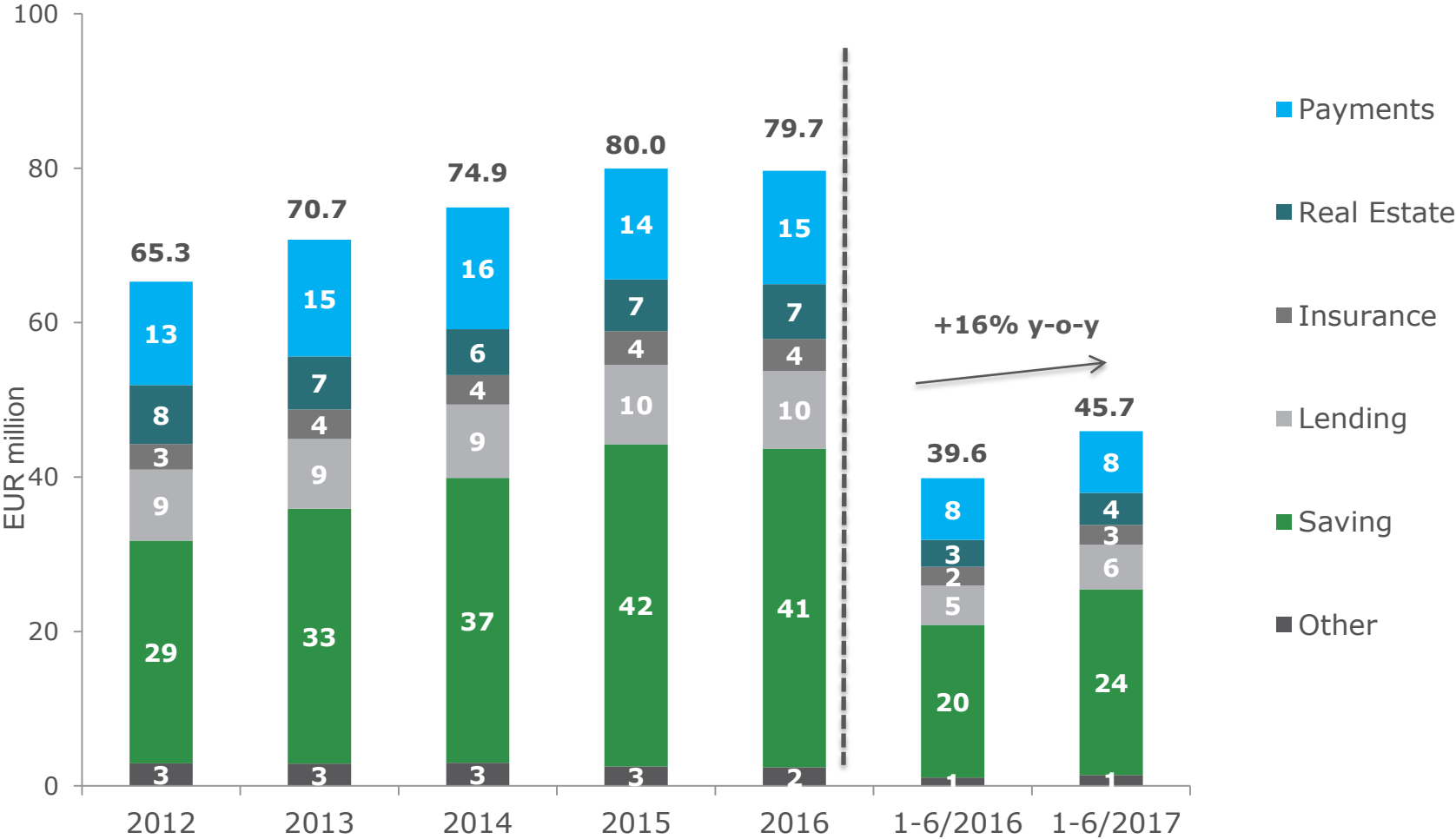
NET INTEREST INCOME (ANNUAL)



AUM & NET INFLOW IN AKTIA'S MUTUAL FUNDS



NET COMMISSION INCOME



1 **RESULT HIGHLIGHTS & OUTLOOK**

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ASSETS & LIABILITIES

Aktia Group

EUR million

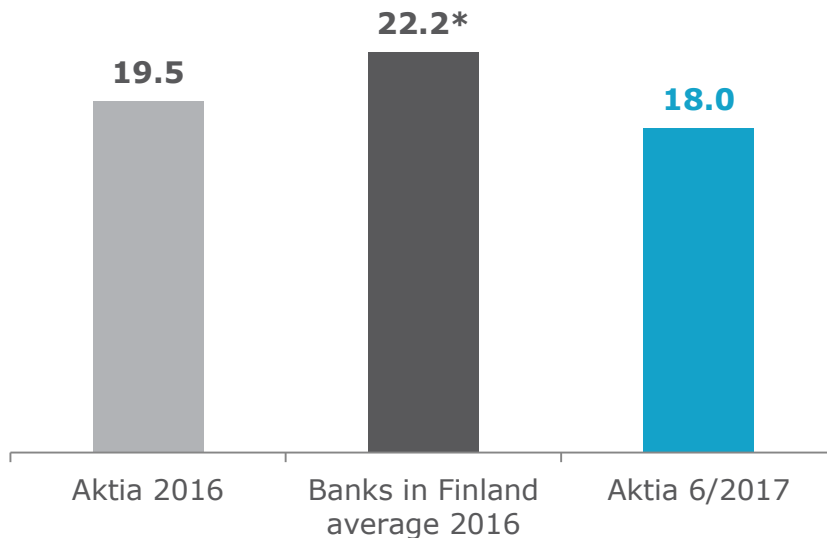
ASSETS	30.6.2017	31.12.2016
Loans to public	5 746 60 %	5 717 60 %
Mortgage loans (households)	3 953	4 077
Corporate loans	590	543
Loans to Housing Companies	433	340
Consumer loans (households)	382	360
Other loans	387	398
Treasury and money markets	338 4 %	559 6 %
Current account at Bank of Finland	189	373
Other	149	186
Liquidity portfolio	1 964 21 %	1 794 19 %
Level 1-eligible	648	619
Covered Bonds	990	892
Others	326	284
Investment portfolio in Life Insurance	580 6 %	596 6 %
Invest. for unit-linked provisions, Life Insurance	765 8 %	723 8 %
Other assets	123 1 %	97 1 %
Total assets	9 516 100 %	9 486 100 %

LIABILITIES	30.6.2017	31.12.2016
Demand deposits	3 883 41 %	3 765 40 %
Time deposits	303 3 %	399 4 %
Long-term issues to retail market	241 3 %	246 3 %
Senior debt	0	2
Subordinated debt	241	244
Long-term funding	2 883 30 %	2 688 28 %
Covered bonds	1 648	1 648
Senior debt	835	840
ECB	400	200
Short-term funding	126 1 %	269 3 %
Repos + ECB	32	146
CDs & wholesale MM deposits	0	6
Received cash collateral	94	117
Technical prov. Insurances	1 193 13 %	1 162 12 %
Other Liabilities	299 3 %	344 4 %
Equity	588 6 %	613 6 %
Total liabilities and equity	9 516 100 %	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 125m

Common Equity Tier 1 capital ratio, %

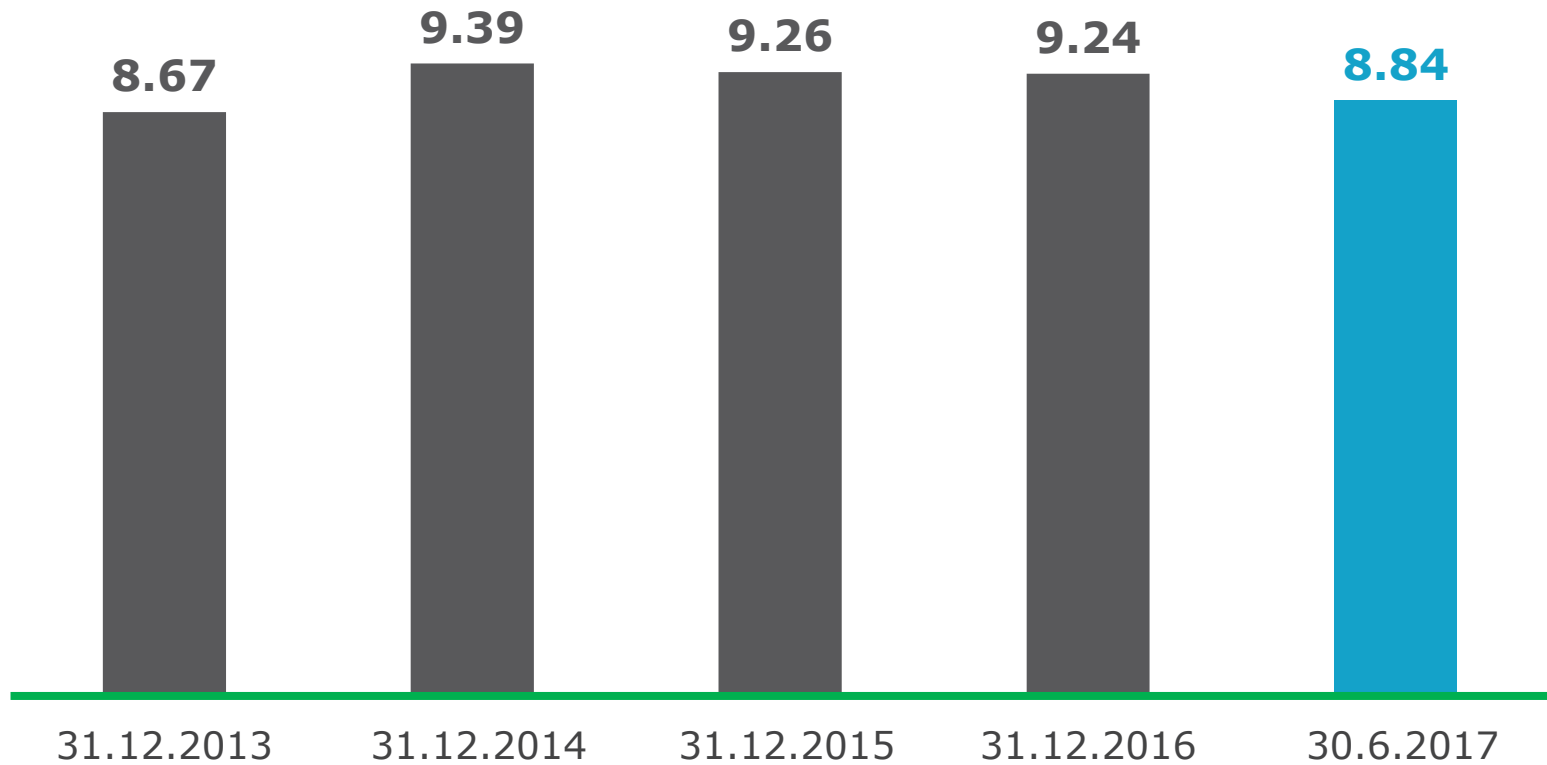


Change in CET1%

CET1 % 31.12.2016	19.5%
Increased intangible assets and other deductibles	-0.3 percentage points
Risk-weighted assets +EUR 125m	-1.2 percentage points
CET1 % 30.6.2017	18.0%

EQUITY PER SHARE (NAV)

EUR/share



Aktia

Aktia

We see a person in every customer.