



AKTIA BANK ACCOUNTS ANNOUNCEMENT 12/2017

Aktia



1 **BUSINESS & STRATEGY**

2 **RESULTS & OUTLOOK**

3 **INCOME MIX**

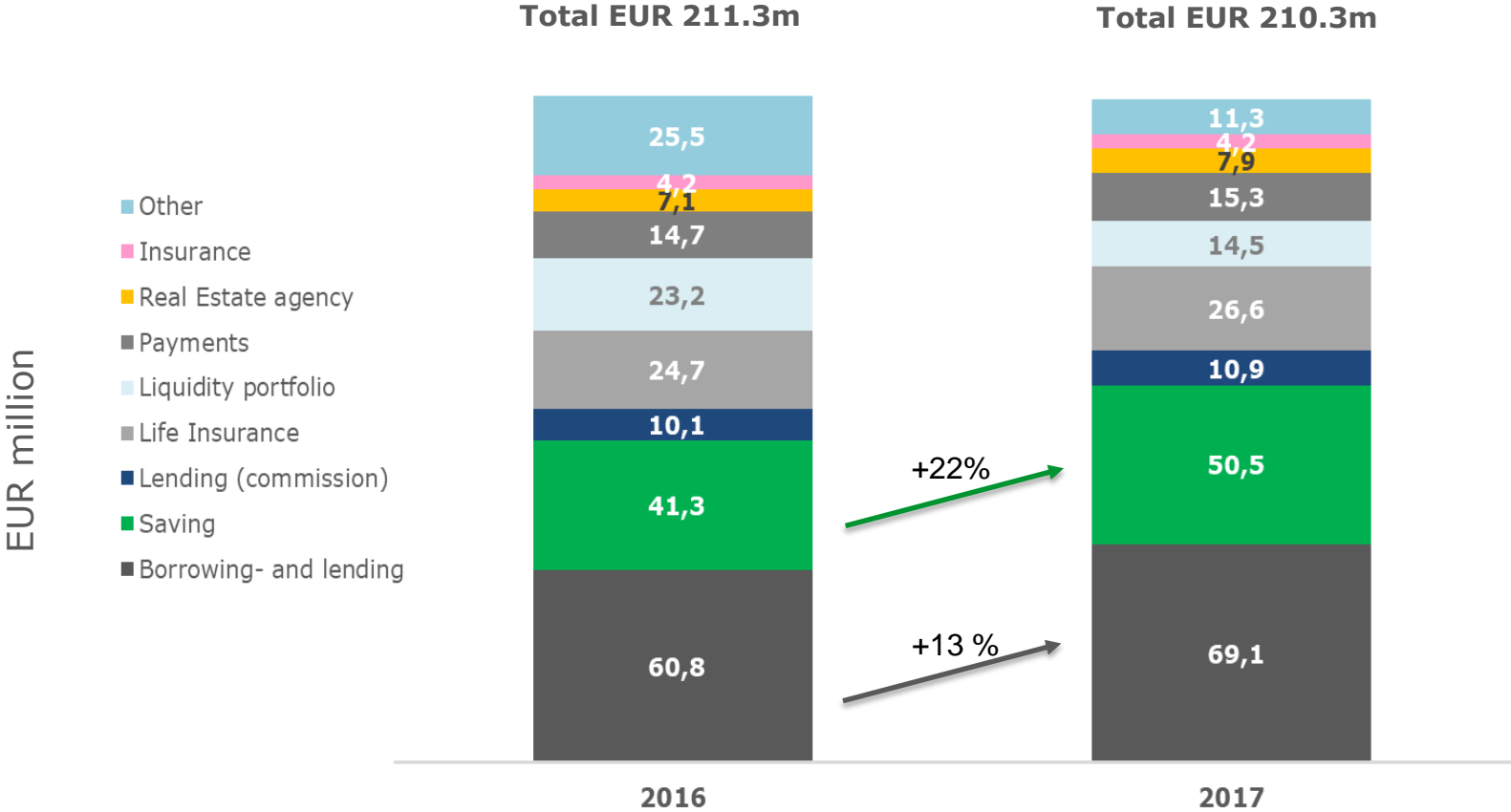
4 **ASSETS & LIABILITIES**

BUSINESS 2017

- **Aktia's new strategy and new financial targets 2022 were presented**
 - Focus on asset management and financing
- **Executive Committee renewed and business transformed**
 - The Executive committee was renewed in order to strengthen customer focus and to transform business operations with the aim to increase profitability.
 - Codetermination negotiations were concluded during Autumn
 - New operational processes were introduced to increase customer focus
- **New core banking system implemented**
 - Allows for effective development of digital services
- **Despite of major operational changes sales developed strongly**
 - The transformation process resulted in large restructuring costs and the Operating profit 2017 was EUR 49.1 (61.5) million.
 - The Comparable Operating profit increased by 4% to EUR 59.9 (57.5) million

Aktia

INCOME MIX




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

FINANCIAL OBJECTIVES UP UNTIL 2022 AND DIVIDEND POLICY

Financial objectives 2022

- Improve the comparable operating profit to approximately EUR 80 million (2017; EUR 59.9 million)
- Improve the comparable cost-to-income ratio to 0.61 (2017; 0.71)
- Improve Return on Equity (ROE) to at least 9.7% (2017: Comparable 7.9%)
- Common Equity Tier 1 capital ratio (CET1) at 1.5-3% over regulatory requirements (2017: 7.7 pp over minimum capital adequacy level of 10.3%)

Dividend policy

- Dividend pay-out 60–80% of profit for the period after taxes

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BUSINESS & STRATEGY

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**OPERATING RESULT &
OUTLOOK**

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INCOME MIX

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ASSETS & LIABILITIES

Aktia

OCTOBER - DECEMBER 2017

EURm	10-12/2017	10-12/2016	Change, %
Total operating income	52.7	50.6	+4 %
Net interest income	21.8	23.0	-5 %
Net commission income	23.7	20.1	+18 %
Net income from life insurance	7.4	6.1	+21 %
Other income	-0.3	1.4	-
Total operating expenses	-42.0	-40.5	+4 %
Operating profit	10.3	8.6	+19 %
Comparable Operating profit*	11.4	8.5	+34 %
Earnings per share (EPS)	0.12	0.10	+20 %
Return on equity (ROE)	5.5	4.2	+30 %

*Excluding e.g. restructuring costs 2017

THE OPERATING RESULT OCT-DEC 2017

- **Total income amounted to EUR 52.7 (50.9) million**
 - Strong sales in Mutual funds and Asset Management increased Net commission income by 18 % to EUR 23.7 (20.1) million.
 - NII decreased to EUR 21.8 (23.0) million
 - NII from borrowing and lending was EUR 17.3 (14.8) million boosted by demand
 - The yield from the bank's liquidity portfolio and hedging decreased and was EUR 6.4 (9.3) million
- **Total expenses up 4% to EUR 42.0 (40.5) million**
 - The increase in costs derive mainly from Other expenses that were EUR 13.0 (10.7) million due to higher expenses on consulting fees and a one-off for changes in the card business.
 - Depreciation increased to EUR 3.0 (1.9) million
 - Staff cost was EUR 17.9 (19.7) million
 - IT expenses increased to EUR 8.0 (8.1) million
 - The comparable total expenses was EUR 41.8 (39.5) million
- **Operating profit was EUR 10.3 (8.6) million.**
- **The comparable operating profit amounted to EUR 11.4 (8.5) million.**

JANUARY - DECEMBER 2017

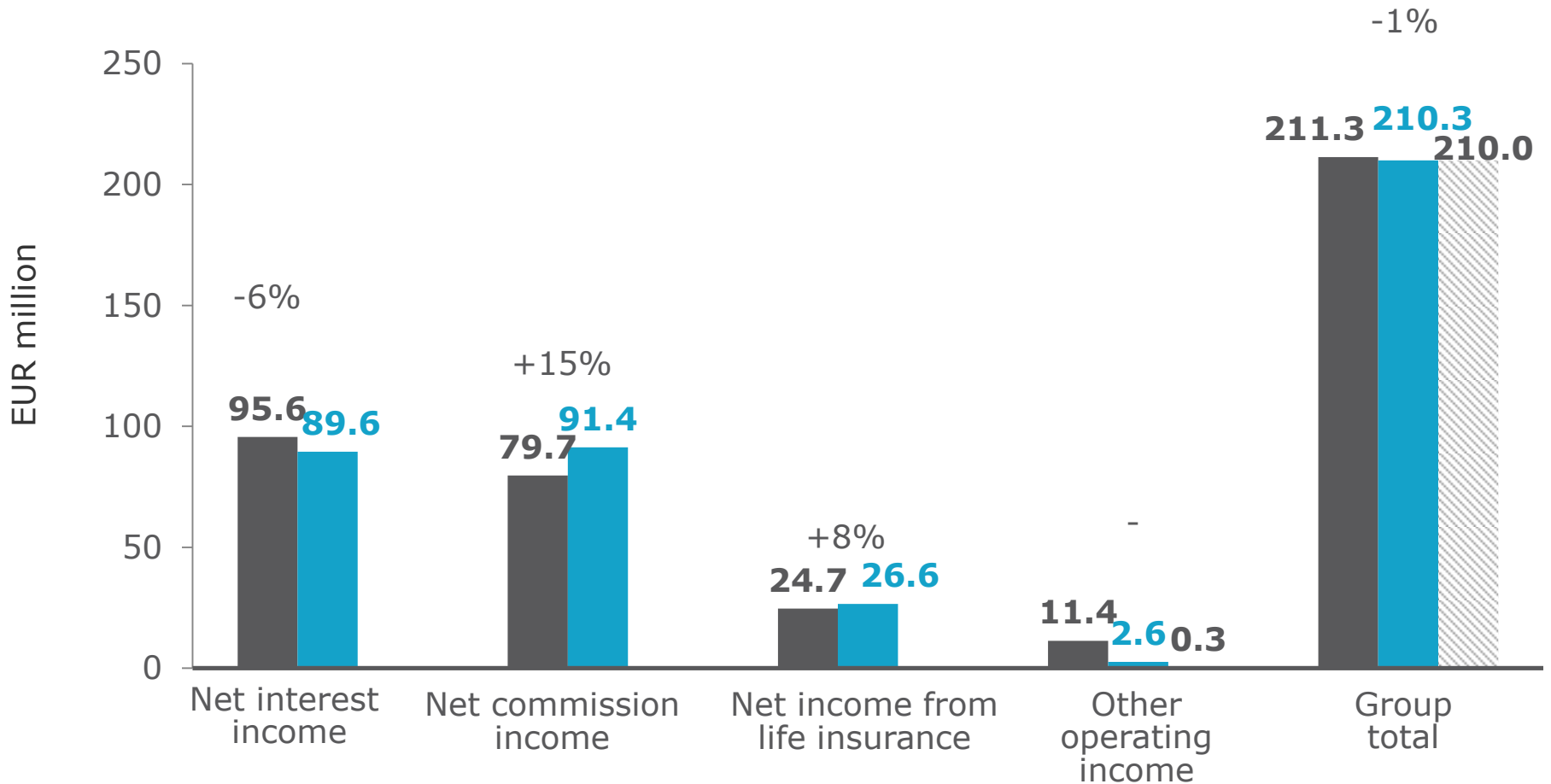
EURm	1-12/2017	1-12/2016	Change, %
Total operating income	210.3	211.3	-1 %
Net interest income	89.6	95.6	-6 %
Net commission income	91.4	79.7	+15 %
Net income from life insurance	26.6	24.7	+8 %
Other income	2.6	11.4	-77 %
Total operating expenses	-160.7	-148.4	+8 %
Operating profit	49.1	61.5	-20 %
Comparable Operating profit*	59.9	57.5	+4 %
Earnings per share (EPS)	0.59	0.74	-20 %
Return on equity (ROE)	6.5 %	8.0 %	-19 %

*Excluding e.g. restructuring costs 2017

THE OPERATING RESULT JAN-DEC 2017

- **Total income amounted to EUR 210.3 (211.3) million**
 - Strong sales in Mutual funds and Asset Management increased Net commission income by 15 % to EUR 91.4 (79.7) million.
 - NII decreased as expected to EUR 89.6 (95.6) million.
 - NII from borrowing and lending was EUR 69.1 (60.8) million boosted by demand.
 - The yield from the bank's liquidity portfolio and hedging decreased to EUR 28.9 (39.1) million.
- **Total expenses up 8% to EUR 160.7 (148.4) million**
 - The increase in expenses derive mainly from restructuring costs of EUR 11.1 (1.4) million.
 - IT costs increased to EUR 30.5 (28.4) million.
- **Operating profit was EUR 49.1 (61.5) million.**
- **The comparable operating profit amounted to EUR 59.9 (57.5) million.**

OPERATING INCOME 1-12/2017

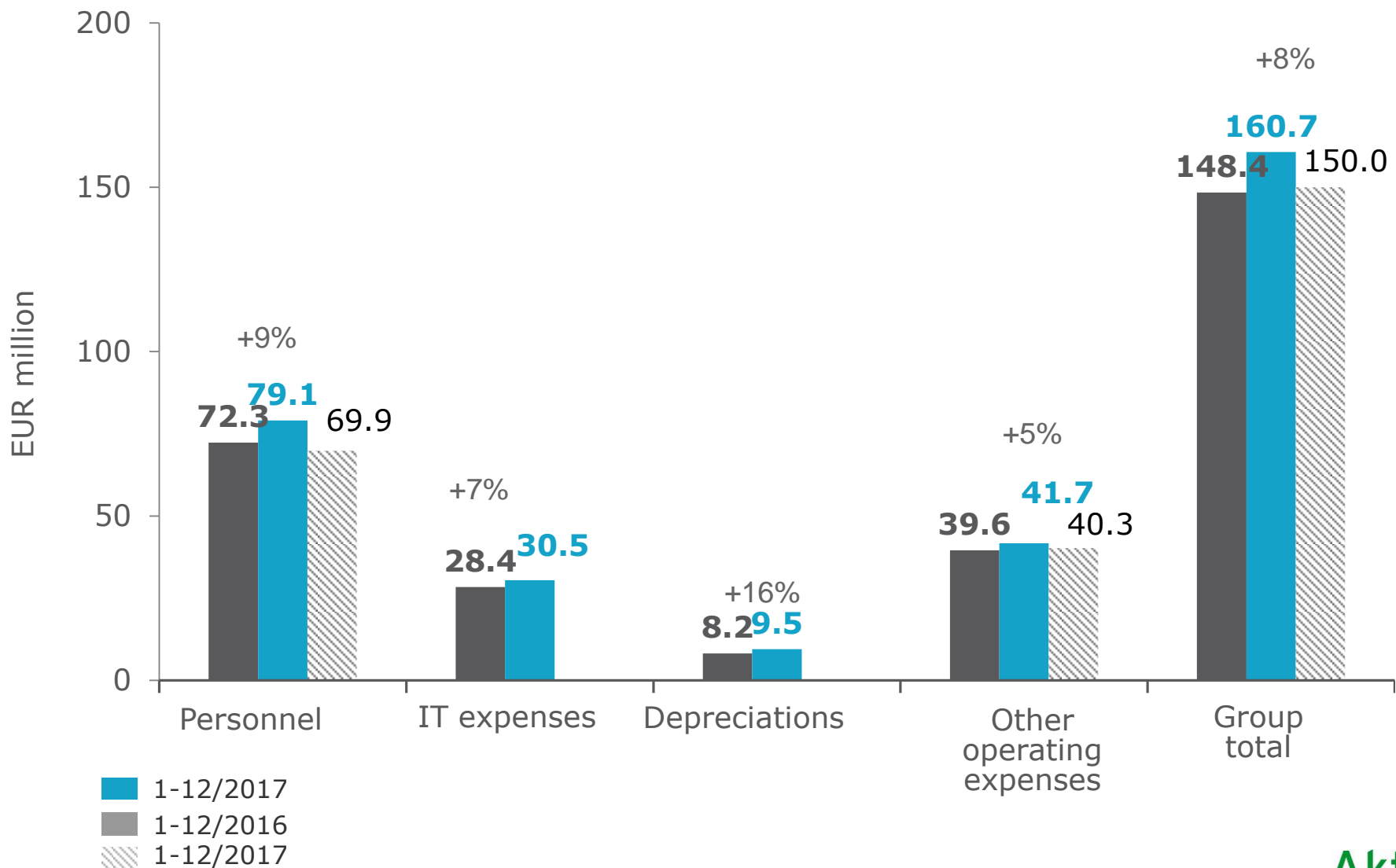


■ 1-12/2017

■ 1-12/2016

▨ Excluding non-recurring items 1-12/2017

OPERATING EXPENSES 1-12/2017



OUTLOOK FOR 2018

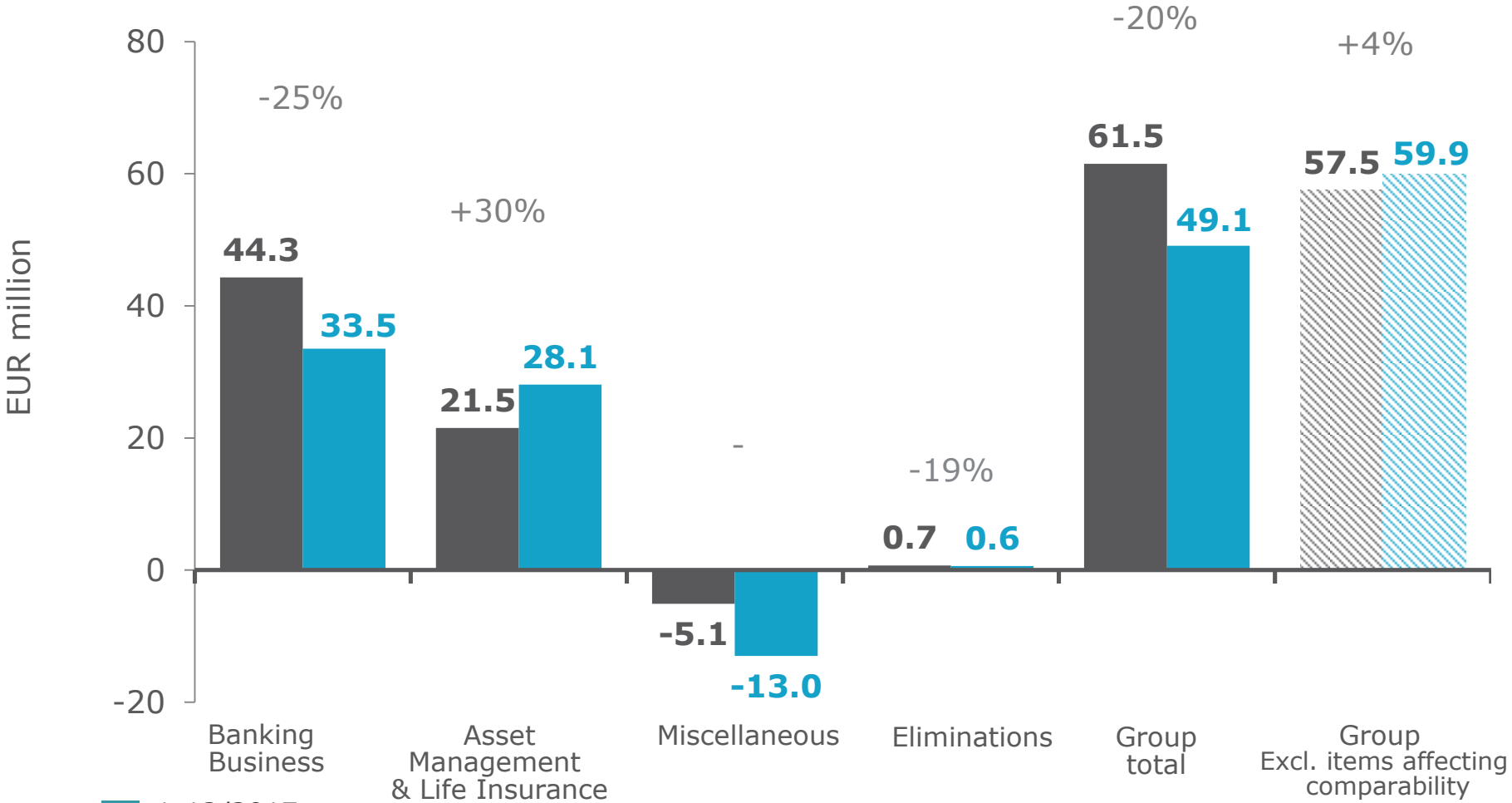
The persistent low interest rate level and decreased income from previously unwound interest rate hedging (2012) will have a negative impact on total net interest income in 2018.

Commission income is expected to increase in 2018. Further, cost savings from 2017 are expected to have a positive impact on profitability.

Write-downs on credits are expected to remain low in 2018.

The comparable operating profit 2018 is expected to be approximately on the same level as the comparable operating profit in 2017.

THE SEGMENTS' CONTRIBUTION TO THE OPERATING PROFIT 1-12/2017



■ 1-12/2017
 ■ 1-12/2016

DIVIDEND PAY-OUT

- **Following the improved Comparable Operating profit, the Board of Directors propose a dividend of **EUR 0.57** (2016; 0.60 of which EUR 0.08 derived from one-off gains) per share.**
- **The proposed record date for the dividend is 12 April 2018 and the proposed day for paying out the dividend is 27 April 2018.**

A man with dark hair is looking at a tablet computer. The background is dark with colorful bokeh lights. The text is overlaid on the left side of the image.

1 BUSINESS & STRATEGY

2 RESULTS & OUTLOOK

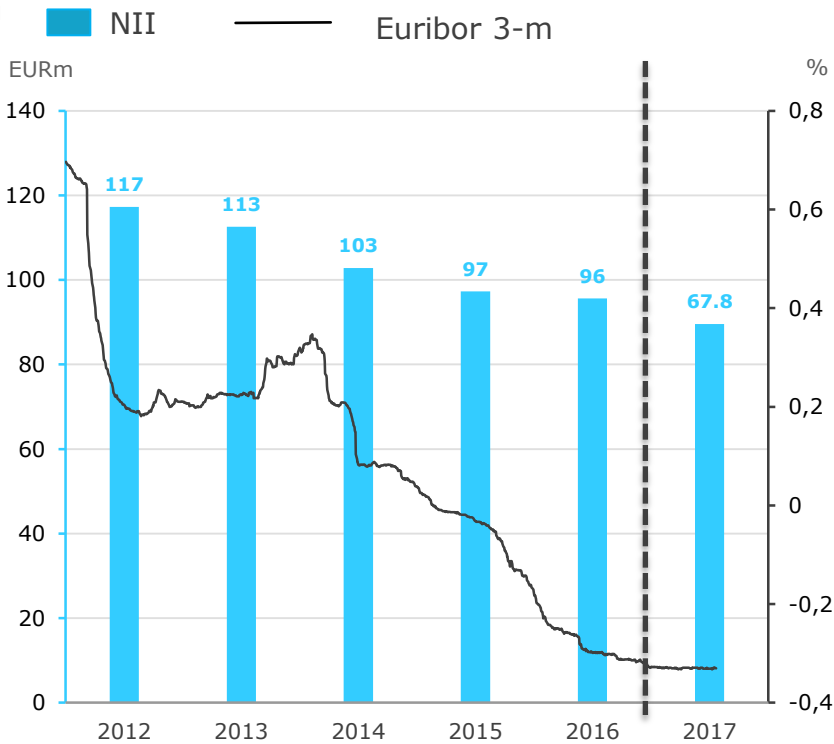
3 INCOME MIX

4 ASSETS & LIABILITIES

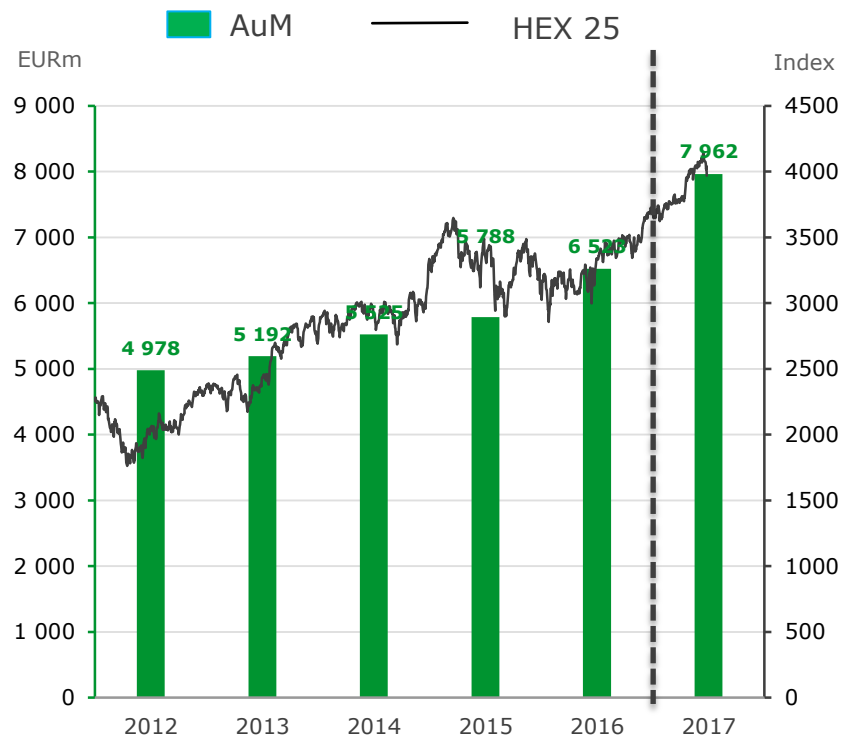
Aktia

MARKET DEVELOPMENT

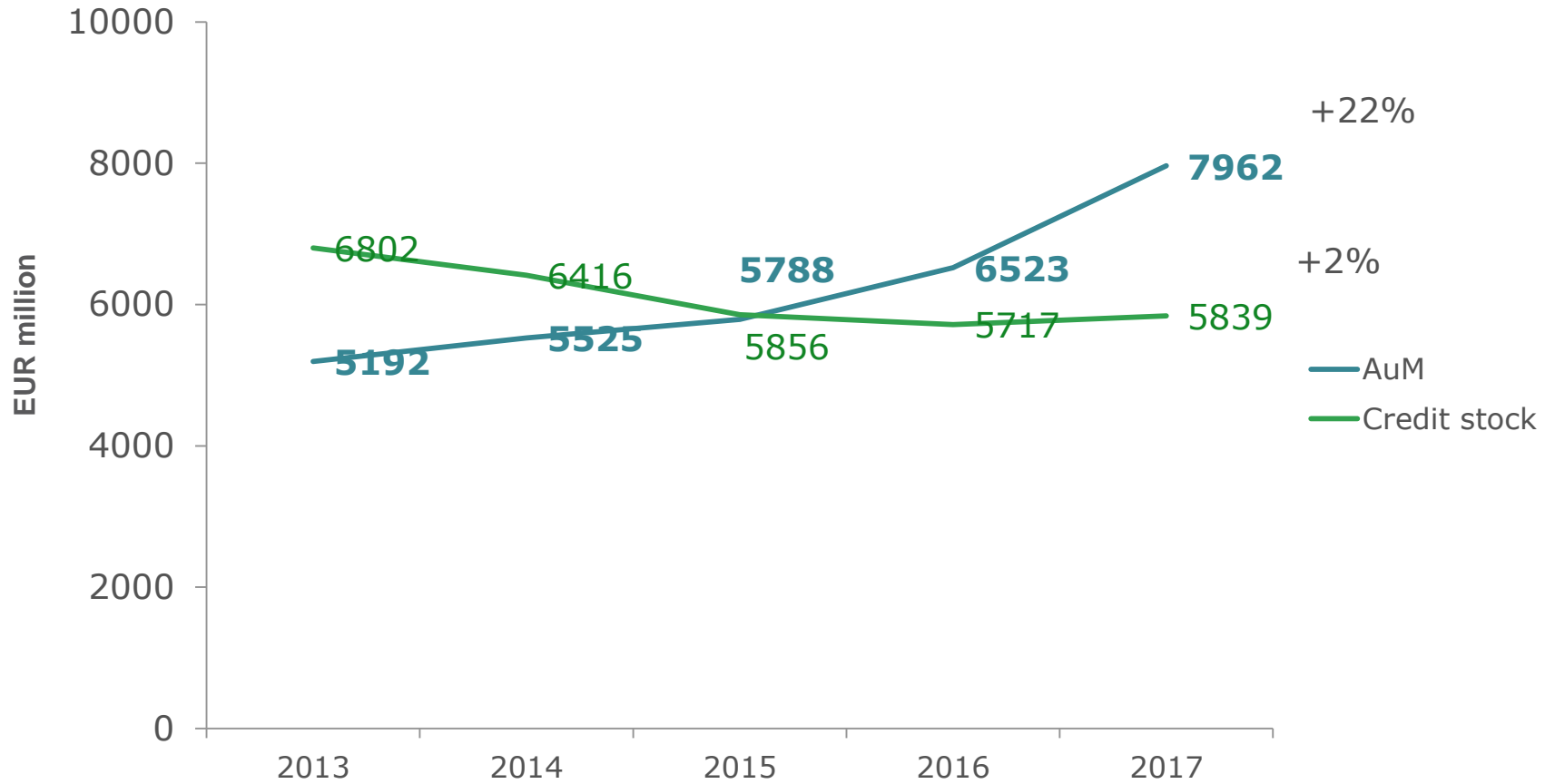
NII progress



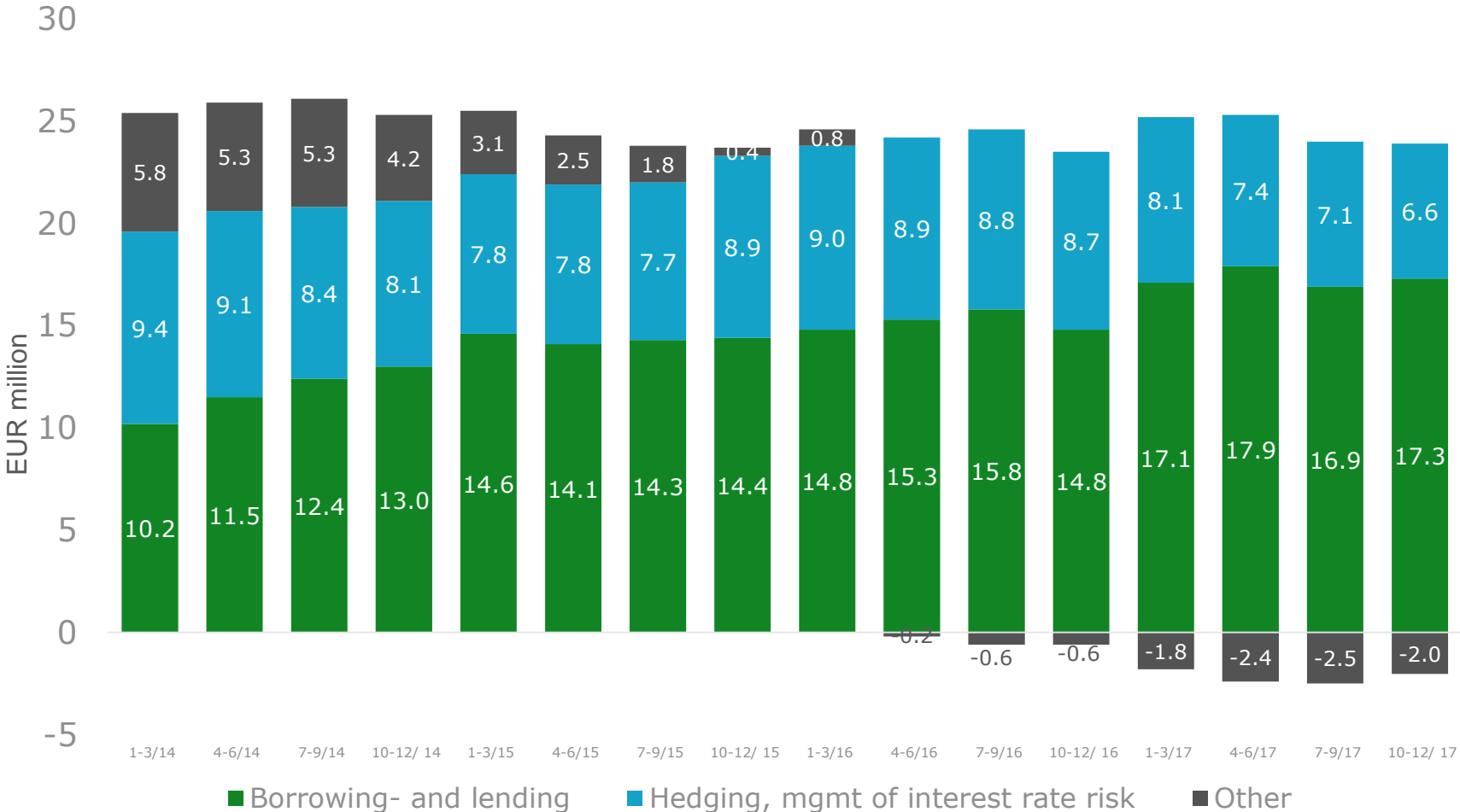
Assets under management (AuM)



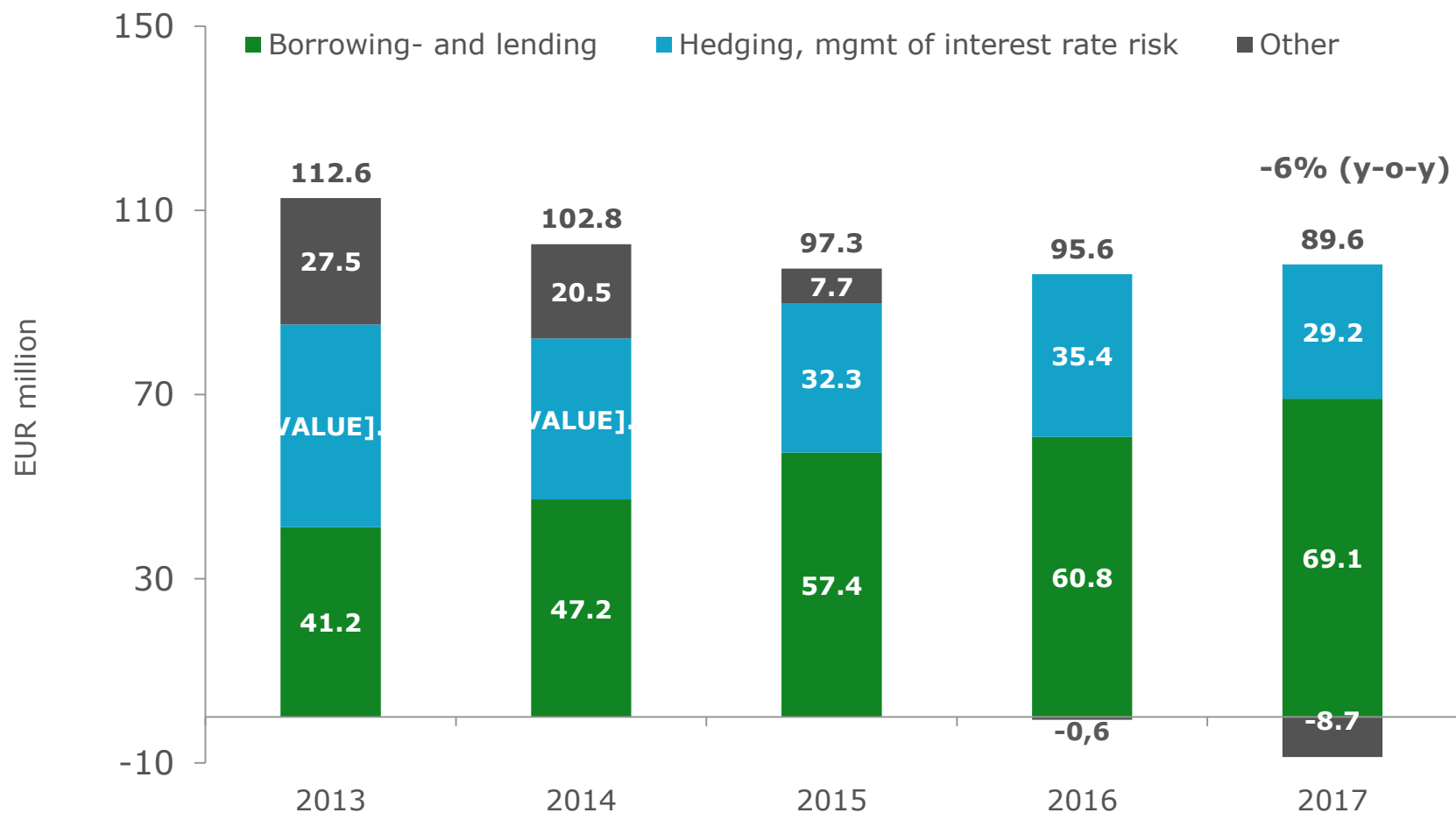
LENDING VS. ASSETS UNDER MANAGEMENT



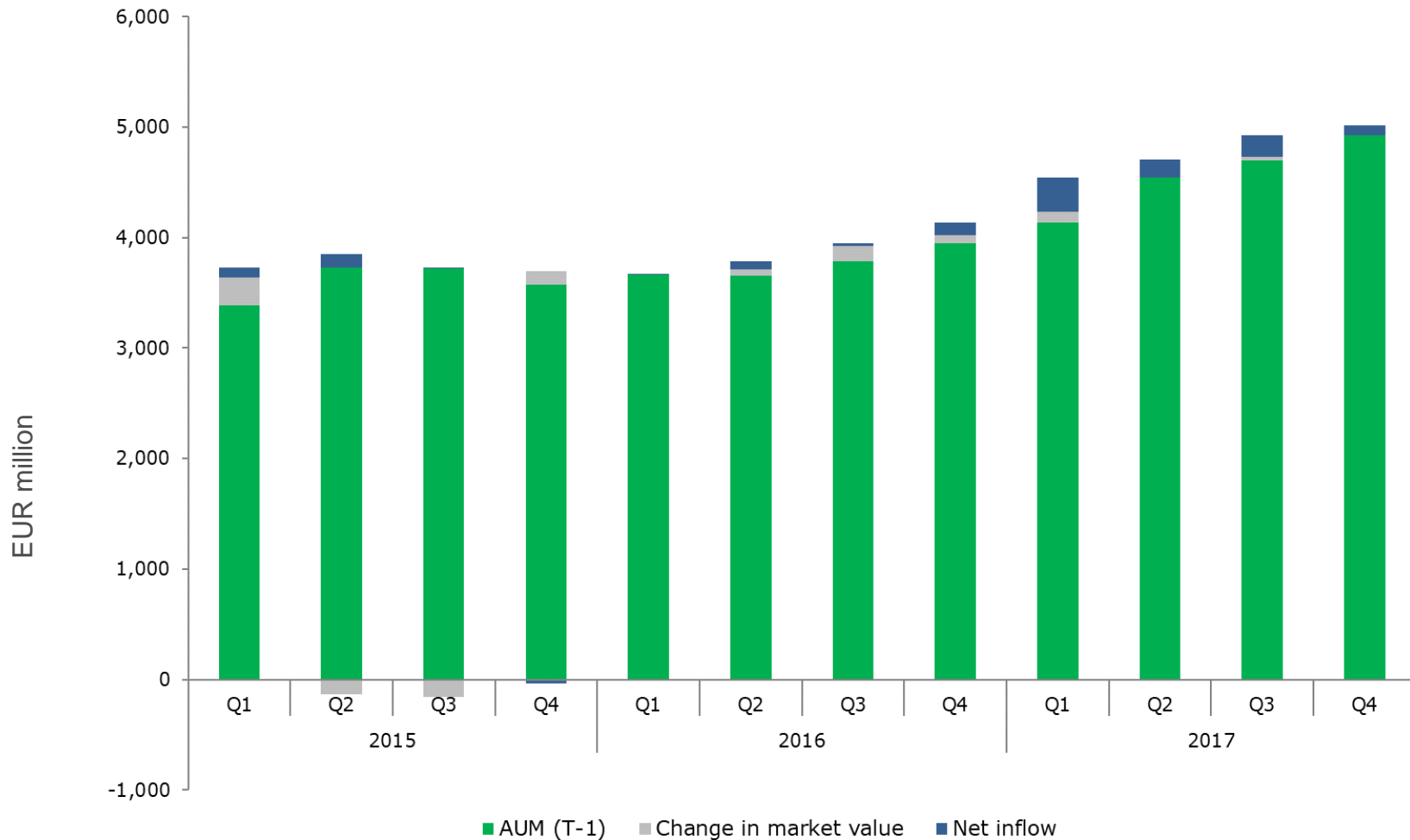
NET INTEREST INCOME (QUARTERLY)



NET INTEREST INCOME (ANNUAL)

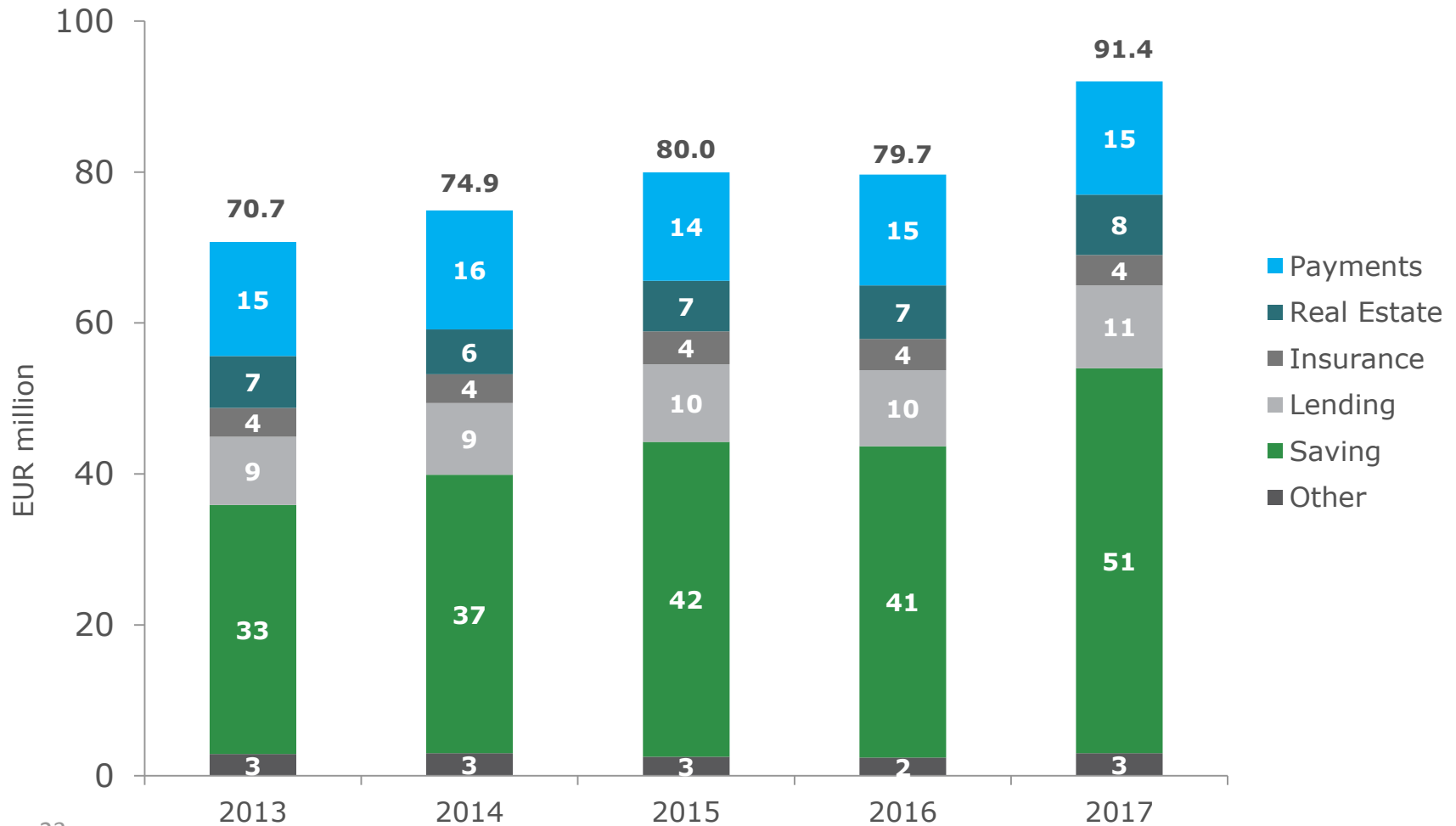


AUM & NET INFLOW IN AKTIA'S MUTUAL FUNDS



NET COMMISSION INCOME

+15% y-o-y



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BUSINESS & STRATEGY

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ASSETS & LIABILITIES

ASSETS & LIABILITIES

Aktia Group

EUR million

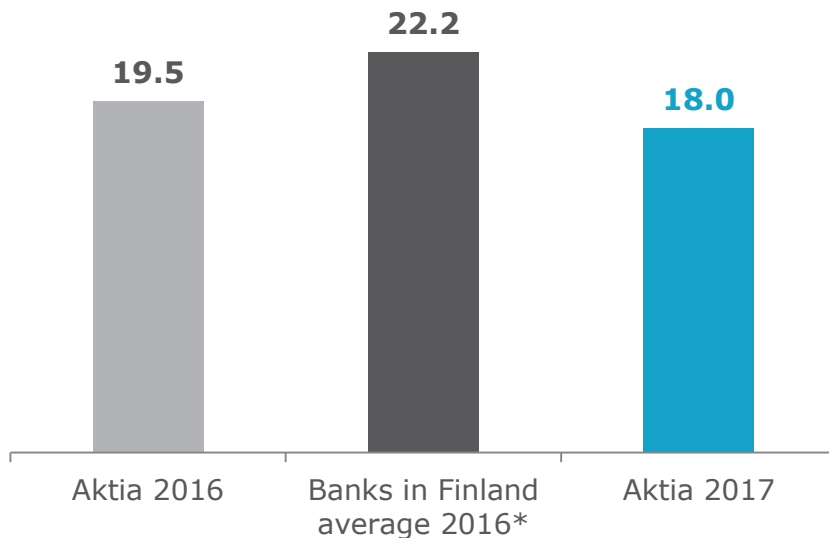
ASSETS	31.12.2017	31.12.2016
Loans to public	5,839 61 %	5,717 60 %
Mortgage loans (households)	3,971	4,077
Corporate loans	592	543
Loans to Housing Companies	491	340
Consumer loans (households)	345	360
Other loans	440	398
Treasury and money markets	422 4 %	559 6 %
Current account at Bank of Finland	278	373
Other	144	186
Liquidity portfolio	1,816 19 %	1,794 19 %
Level 1-eligible	589	619
Covered Bonds	948	892
Others	279	284
Investment portfolio in Life Insurance	574 6 %	596 6 %
Invest. for unit-linked provisions, Life Insurance	803 8 %	723 8 %
Other assets	96 1 %	97 1 %
Total assets	9,550 100 %	9,486 100 %

LIABILITIES	31.12.2017	31.12.2016
Demand deposits	3,930 41 %	3,765 40 %
Time deposits	188 2 %	399 4 %
Long-term issues to retail market	235 2 %	246 3 %
Senior debt	0	2
Subordinated debt	235	244
Long-term funding	2,877 30 %	2,688 28 %
Covered bonds	1648	1,648
Senior debt	829	840
ECB	400	200
Short-term funding	223 2 %	269 3 %
Repos + ECB	146	146
CDs & wholesale MM deposits	0	6
Received cash collateral	77	117
Technical prov. Insurances	1,217 13 %	1,162 12 %
Other Liabilities	282 3 %	344 4 %
Equity	598 6 %	613 6 %
Total liabilities and equity	9,550 100 %	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
 - Dividend pay-out
 - Growth in corporate lending increased risk-weighted assets by EUR 83m

Common Equity Tier 1 capital ratio, %



Change in CET1%	
CET1 % 31.12.2016	19.5%
Increased intangible assets and dividend pay-out	-0.7 percentage points
Risk-weighted assets +EUR 208m	-0.8 percentage points
CET1 % 31.12.2017	18.0%

A close-up photograph of a person's hands writing in a notebook with a fountain pen. The person is wearing a checkered shirt. The word "Aktia" is overlaid in large, white, sans-serif font across the center of the image. The background is blurred, showing a desk with a laptop and other office items.

Aktia