



# 14 February 2019 **Full year result presentation 2018**

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**Aktia**

# Aktia's 2018 in brief

- A year of **solid growth** despite market challenges during the last quarter.
- The total **operating income was on the same level** as the previous year and the operating expenses **decreased by 11%** in 2018.
- The comparable operating profit **increased by 9%**.
- The Board of Aktia Bank proposes **a dividend of EUR 0.61** per share.
- Aktia's **capital adequacy exceeds regulatory requirement** comfortably and is well above KPI levels.



# 2018 Key figures

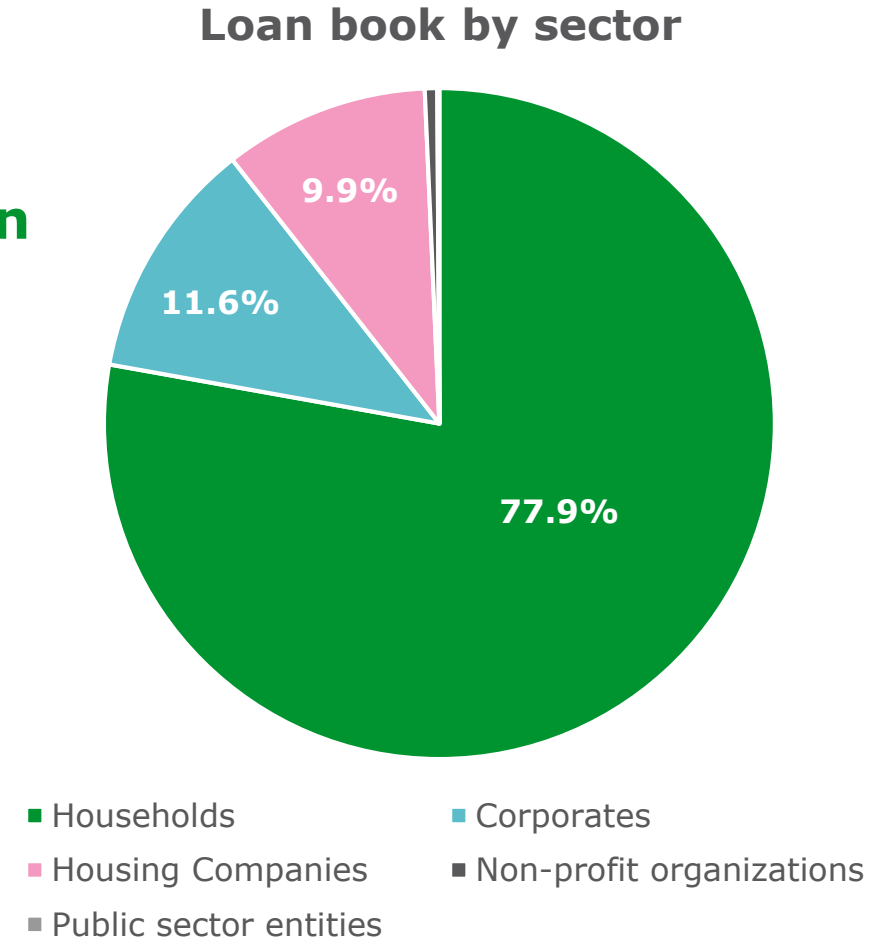
- **Comparable operating profit** EUR 65.4 (59.9) million
- **Total operating income** EUR 210.1 (210.3) million
- **Net interest income** EUR 85.9 (89.6) million
- **Net commission income** EUR 95.6 (91.4) million
- **Total operating expenses** EUR 143.0 (160.7) million
  
- **EPS** EUR 0.81 (0.57)
- **Comparable C/I ratio** 0.69 (0.71)
- **ROE** 9.4% (6.5)
- **CET1** 17.5% (18.0)

## 4Q Key figures

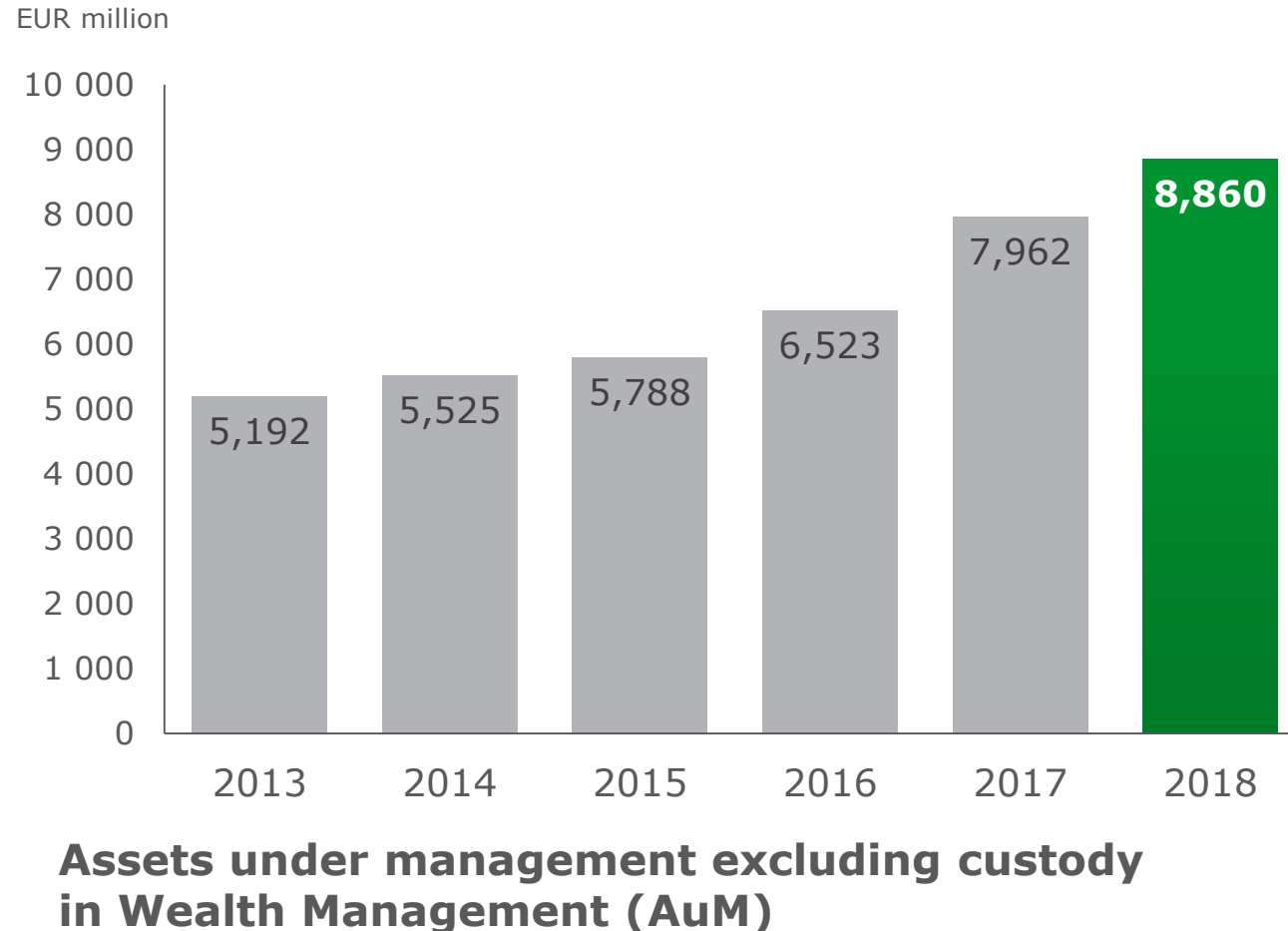
- **Comparable operating profit** EUR 10.2 (11.4) million
- **Total operating income** EUR 47.7 (52.7) million
- **Net interest income** EUR 20.7 (21.8) million
- **Net commission income** EUR 22.6 (23.7) million
- **Total operating expenses** EUR 39.4 (42.0) million
  
- **EPS** EUR 0.09 (0.12)
- **Comparable C/I ratio** 0.79 (0.78)
- **ROE** 4.4% (5.5)
- **CET1** 17.5% (18.0)

## Personal & Corporate Banking: Continuous high demand of mortgage loans

- The demand for housing loans is still high but **hard competition puts pressure on margins**.
- The **19% increase in the corporate business loan book** reflects both our growth efforts within the segment as well as the strong demand for corporate investments and property financing.
- The renewed customer concepts, new strategy and price adjustments resulted in **higher commission income** from payments services and borrowing.
- The **operating expenses decreased** as a result of implementation of a new model of operations and restructuring of the branch network.



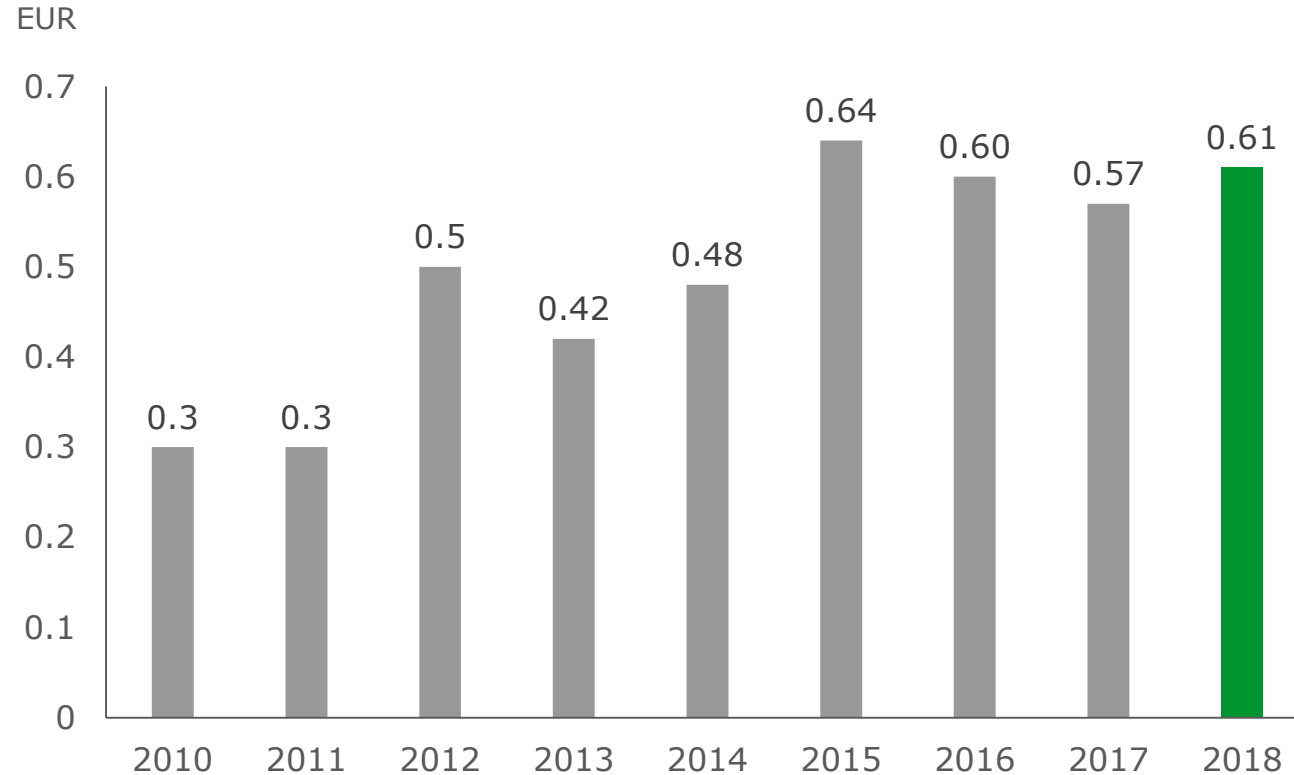
## Wealth Management: Strong growth in international markets



- Great success was reached during 2018 with Nordic and European institutions – the **UI-Aktia mutual fund capital was over EUR 1.1 billion** at the end of December 2018.
- Net commission income **increased by 7% for Private Banking and by 9% for Asset Management.**
- Institutional sales on total continued well despite the market turbulence.

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# The Board of Aktia Bank proposes a dividend of **EUR 0.61 per share**



**Aktia's dividend per share, EUR (including return of capital) 2010–2018**

- Aktia's dividend pay-out target is **60-80% of annual profit**.
- With the proposed **EUR 0.61** per share the dividend pay-out would be **approximately 75% of annual profit**.

# Financial targets 2022

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

1–12/2018: EUR 65.4 million

**Return on Equity  
ROE to 9.7%**

1–12/2018: 9.4%

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

1–12/2018 (comparable): 0.69

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

1–12/2018: 17.5% (7.2 percentage points over  
regulatory requirements\*)

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



# Outlook 2019

- The continued low interest rate environment and decreased income from previously unwound interest-rate hedges (2012) will still have a negative impact on the total net interest income 2019.
- The uncertainty regarding the future economic development brings uncertainty to the prognosis, which may have a considerable effect especially on the income from wealth management and investment activities in the net commission income and net income from life-insurance.
- Impairment of credits are expected to remain on a low level in 2019.

**Despite the uncertainty of the economic development, the comparable operating profit 2019 is expected to be approximately on the same level as for 2018.**

# Priorities for the year 2019

**Operational excellence**

**Reshape customer experience**

**Sales**





# Financial overview



# Operating income was burdened by the unfavourable market development during the last quarter of the year

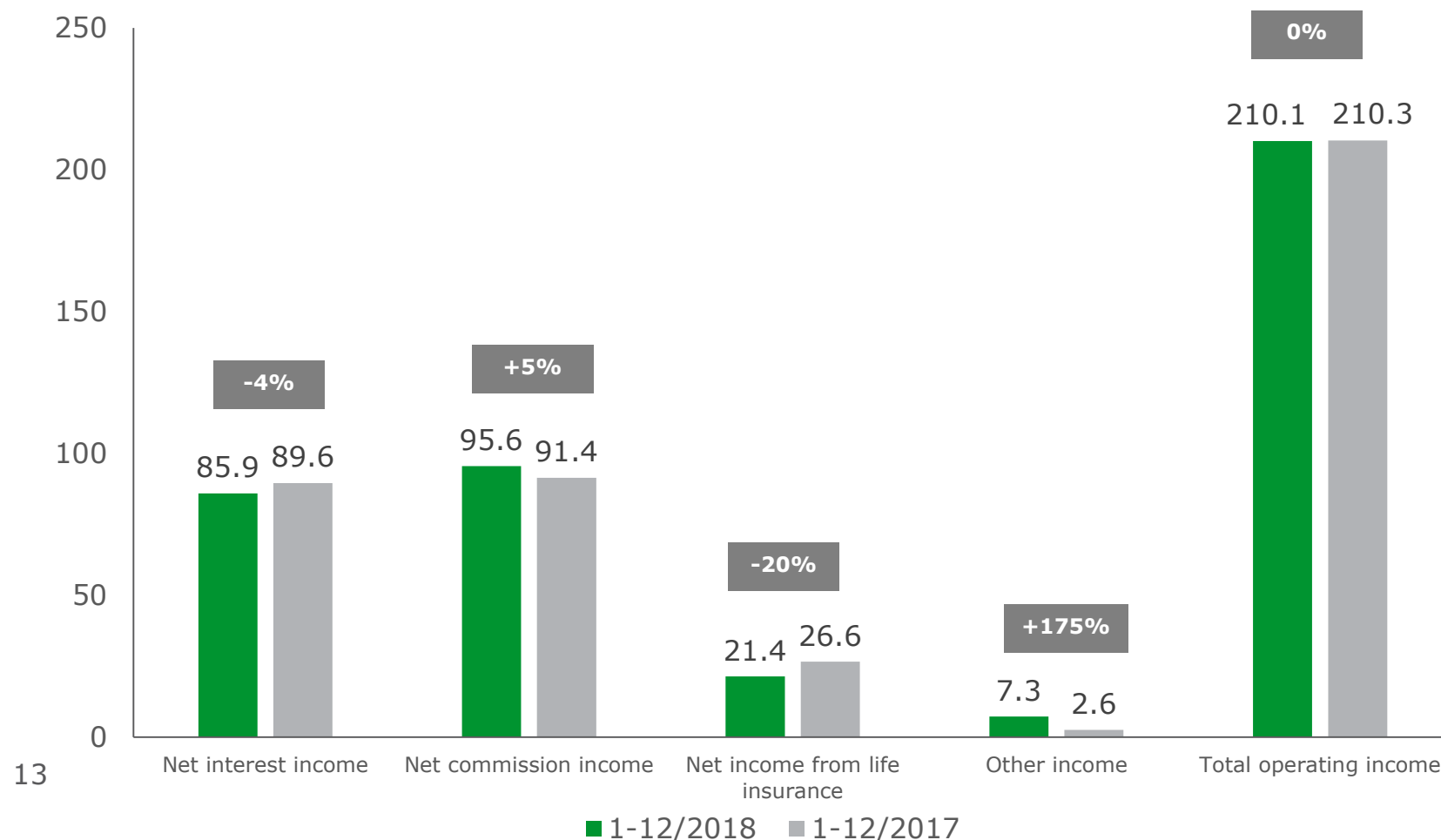
EUR million	4Q2018	4Q2017	Δ, %
<b>Total operating income</b>	<b>47.7</b>	<b>52.7</b>	<b>-9%</b>
Net interest income	20.7	21.8	-5%
Net commission income	22.6	23.7	-5%
Net income from life insurance	5.1	7.4	-31%
Other income	-0.7	-0.3	-169%
<b>Total operating expenses</b>	<b>-39.4</b>	<b>-42.0</b>	<b>-6%</b>
<b>Operating profit</b>	<b>8.0</b>	<b>10.3</b>	<b>-22%</b>
<b>Comparable operating profit*</b>	<b>10.2</b>	<b>11.4</b>	<b>-10%</b>
Earnings Per Share (EPS), EUR	0.09	0.12	-25%
Return on Equity (ROE) %	4.4	5.5	-21%
Cost-to-income ratio (comparable)	0.79	0.78	1%
Common Equity Tier 1 capital ratio	17.5	18.0	-3%

1-12/2018	1-12/2017	Δ, %
<b>210.1</b>	<b>210.3</b>	<b>0%</b>
85.9	89.6	-4%
95.6	91.4	5%
21.4	26.6	-20%
7.3	2.6	175%
<b>-143.0</b>	<b>-160.7</b>	<b>-11%</b>
<b>67.6</b>	<b>49.1</b>	<b>38%</b>
<b>65.4</b>	<b>59.9</b>	<b>9%</b>
0.81	0.57	42%
9.4	6.5	45%
0.69	0.71	-3%
17.5	18.0	-3%

## Income mix:

# Good increase in net commission income regardless Q4 market turbulence

EUR million

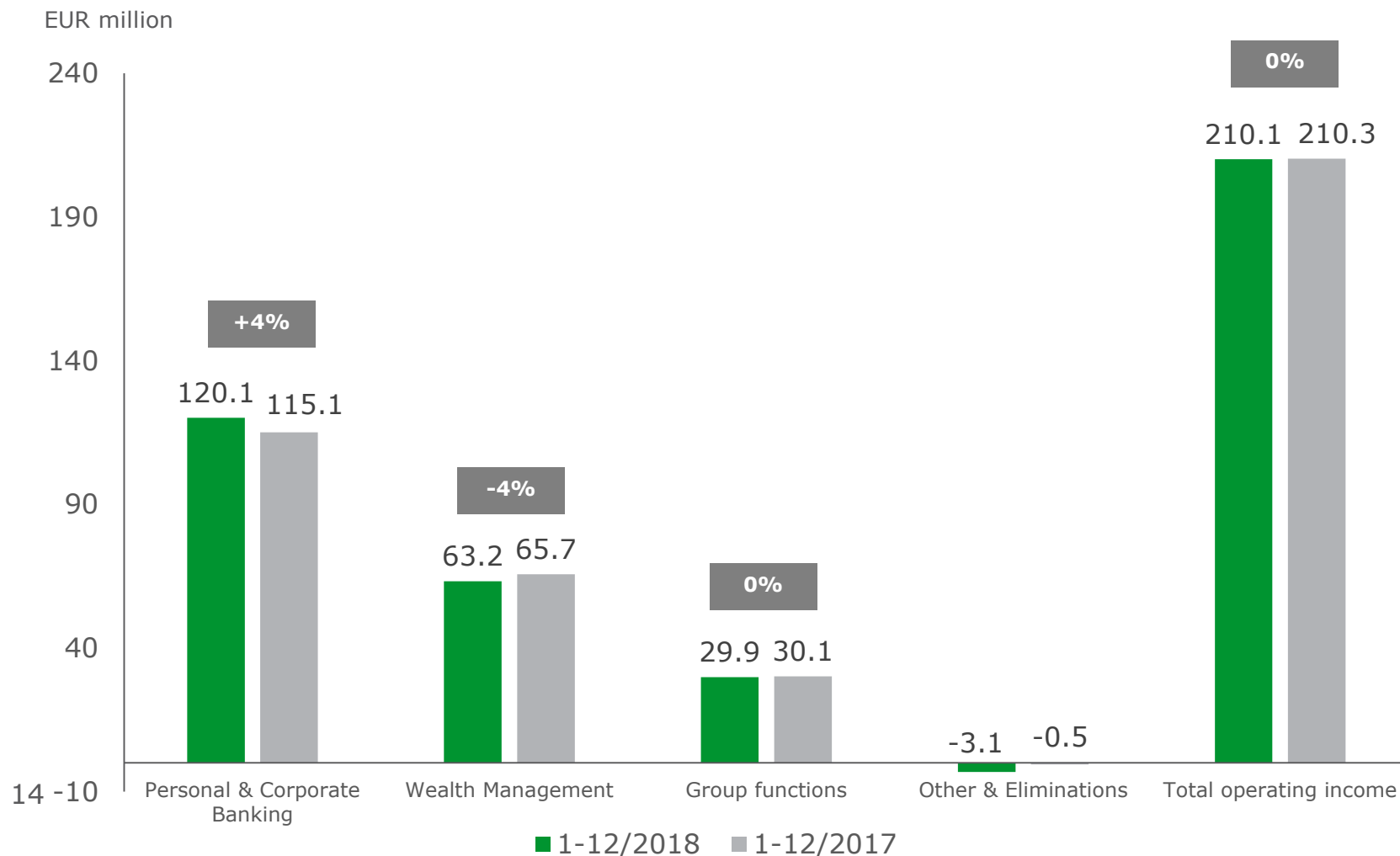


- **Net interest income:** Despite lower margins for mortgage loans the average margin for the total loan book remained stable. Volume growth for lending compensated for low margins in mortgage loans.
- **Net commission income:** Increase in net commission income originates mainly from Asset Management as well as from renewed pricing. As a result of divestment of the holdings in Real Estate Agency shares, the commissioned income was reduced.
- **Net income from life insurance:** The net income from life insurance includes EUR -4.6 million unrealised value changes (IFRS 9). The actuarially calculated result increased since last year.



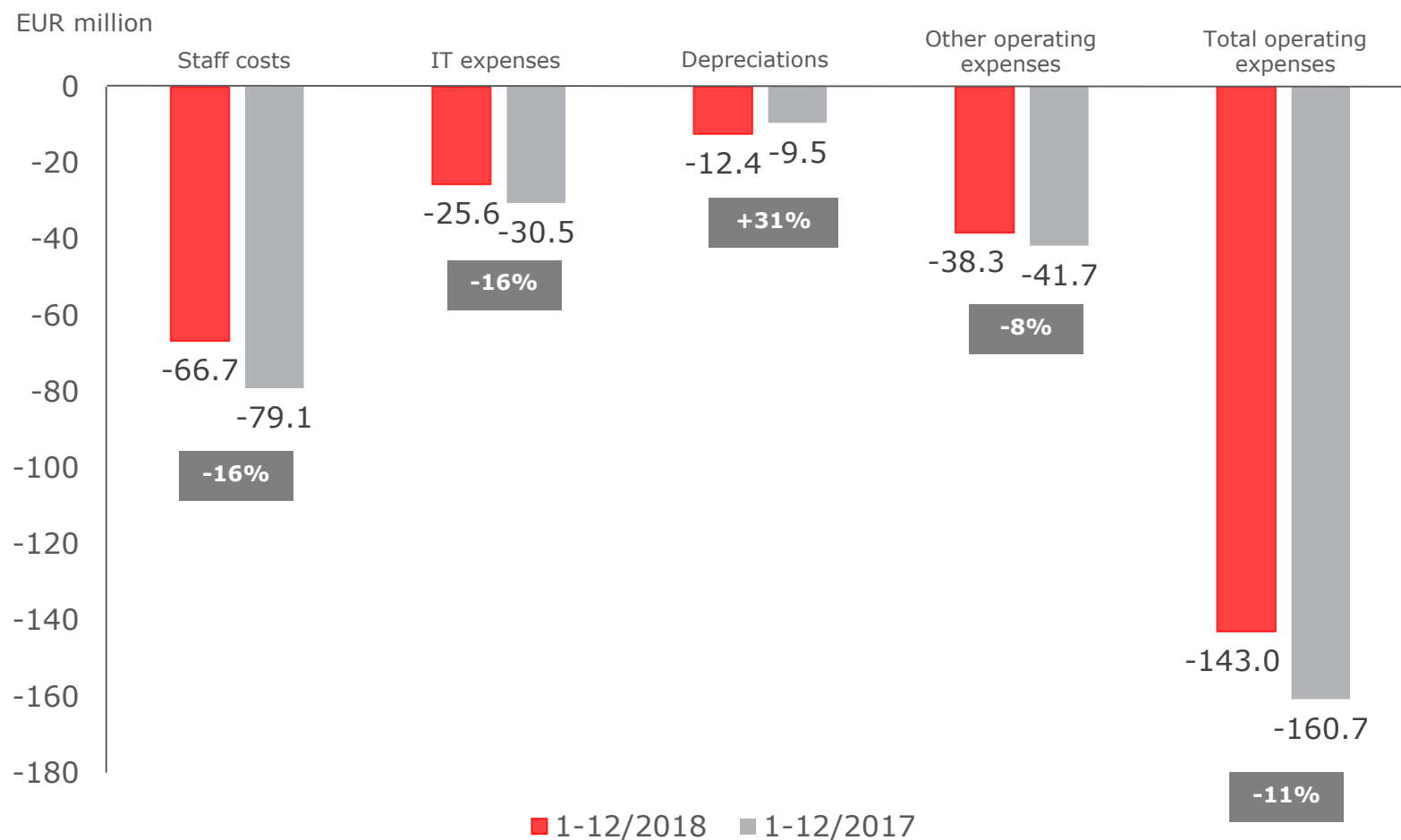
## Operating income per segment:

# Higher commission income in Personal & Corporate Banking



- **Personal & Corporate Banking:** Renewed customer concepts in line with the new strategy and price adjustments resulted in higher commission income in Personal & Corporate Banking.
- **Wealth Management:** Net commission income for Wealth Management increased during the period.

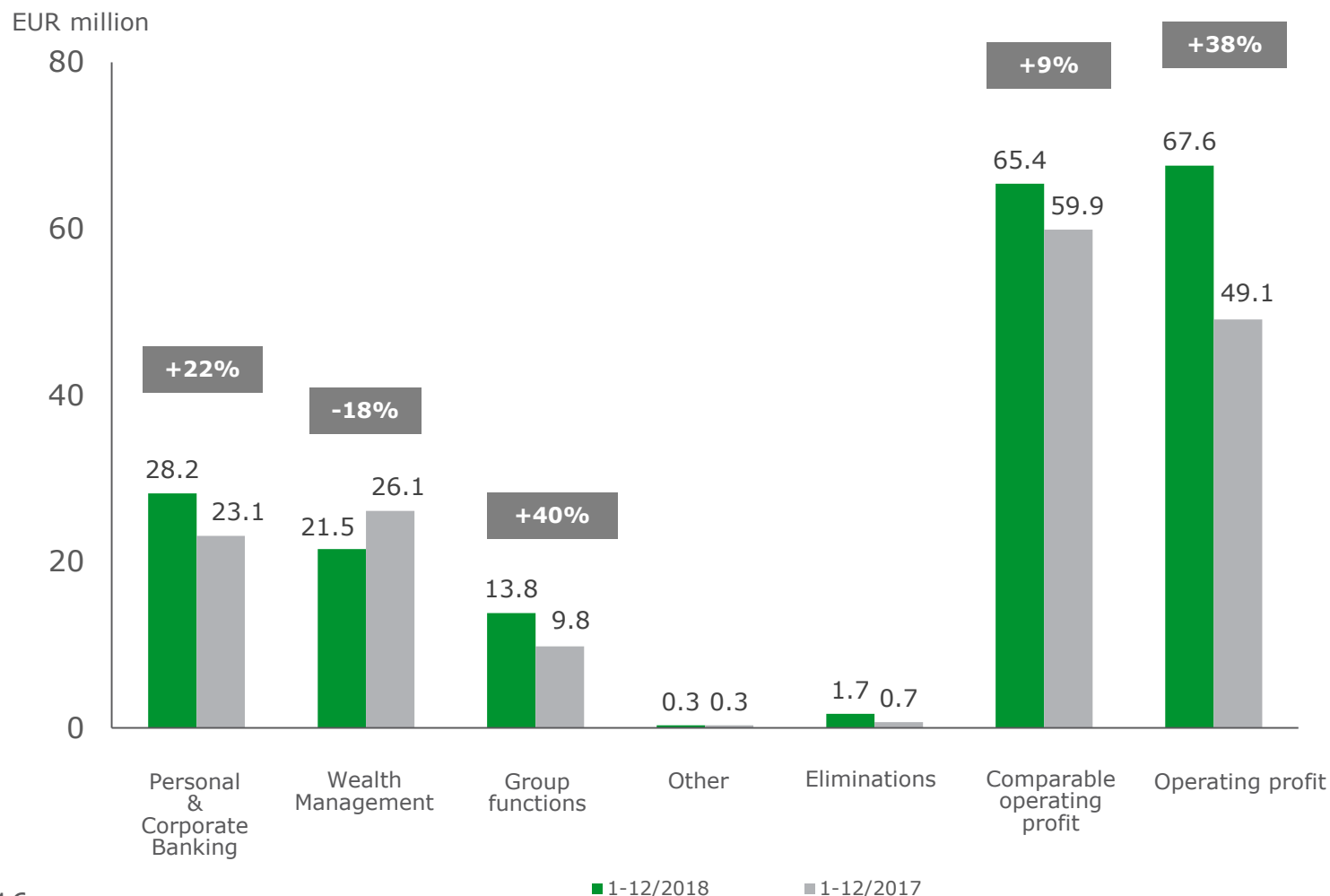
## Operating expenses: The Group's cost efficiency improved further



- **Staff costs:**  
The staff costs decreased considerably due to savings from the restructuring in 2017 and a decrease in staff.
- **IT expenses:**  
The running IT costs decreased as a result of the implementation of the new core banking system and other measures taken in order to enhance effectiveness.
- **Depreciations:**  
Higher depreciations due to the new core banking system.
- **Other:**  
Other operating expenses are lower than the previous year but they include EU statutory expense to the fund for financial stability of EUR 2.3 million. In 2017 this expense was covered by the bank tax paid during previous years.

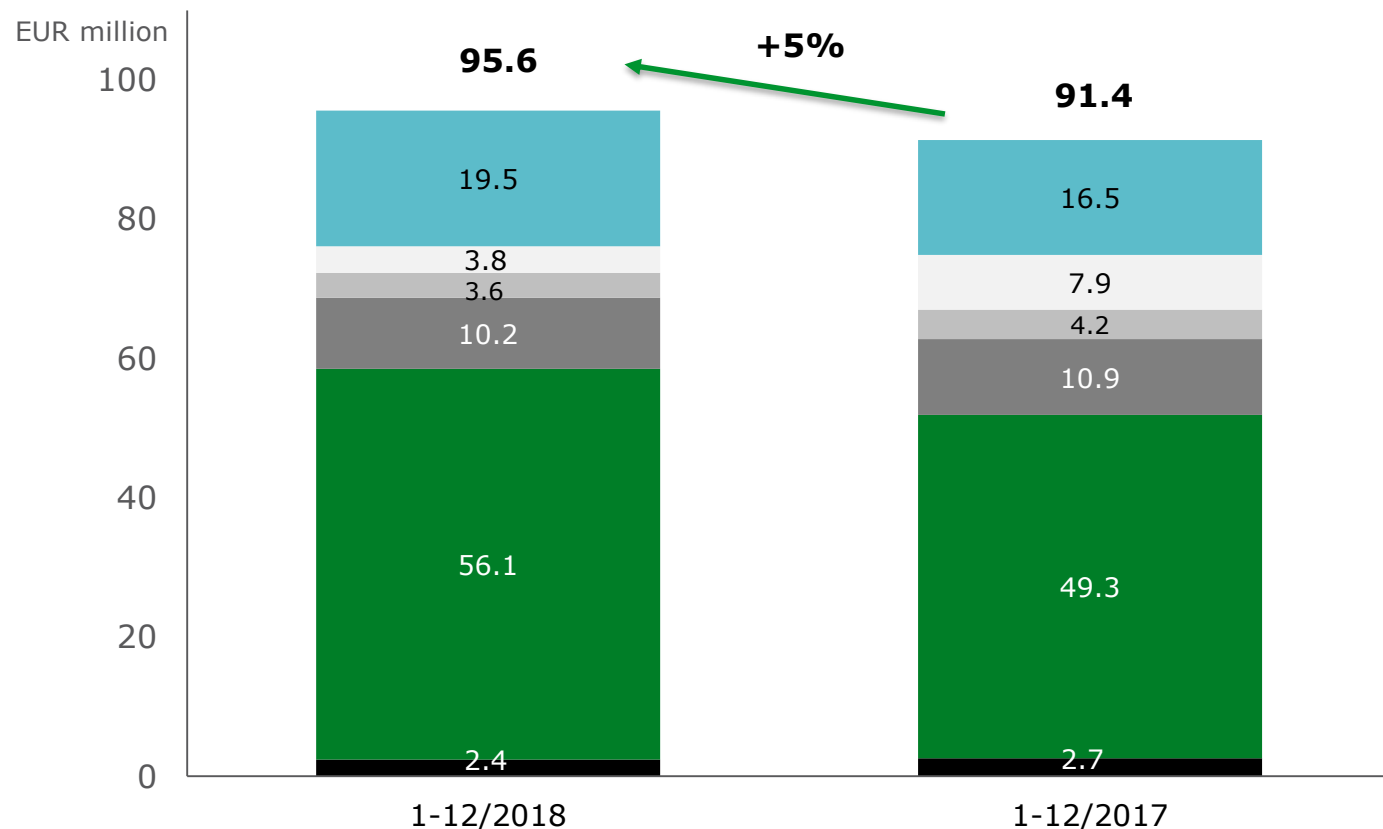
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# Comparable operating profit per segment: Solid development in profitability



- **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 improved profitability.
- **Wealth Management:** Strong increase in the net commission income was dampened by the EUR -4.6 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.

## Net commission income mix: Strong growth in savings and investment products as well as in card and payment services



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

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

- At the end of the period, **the Group's Common Equity Tier 1 (CET1) capital ratio was 17.5%** (18.0% per December 31, 2017).
- After deductions, **CET1 capital increased by EUR 8.7 million** during the period which improved the CET1 capital ratio by 0.4 percentage points. The change is mainly due to retained earnings.
- **Risk-weighted assets increased by EUR 119.0 million** which in turn reduced the CET1 capital ratio by 1.0 percentage points. The change is mainly attributable to the risk weight floor of 15% for mortgage loans.
- Impairment of credits and other commitments remained low.





**Courageously.  
Skilfully.  
Together.**