

17 FEBRUARY 2023

# Q4 Results

Mikko Ayub, CEO

Outi Henriksson, CFO



**Aktia**

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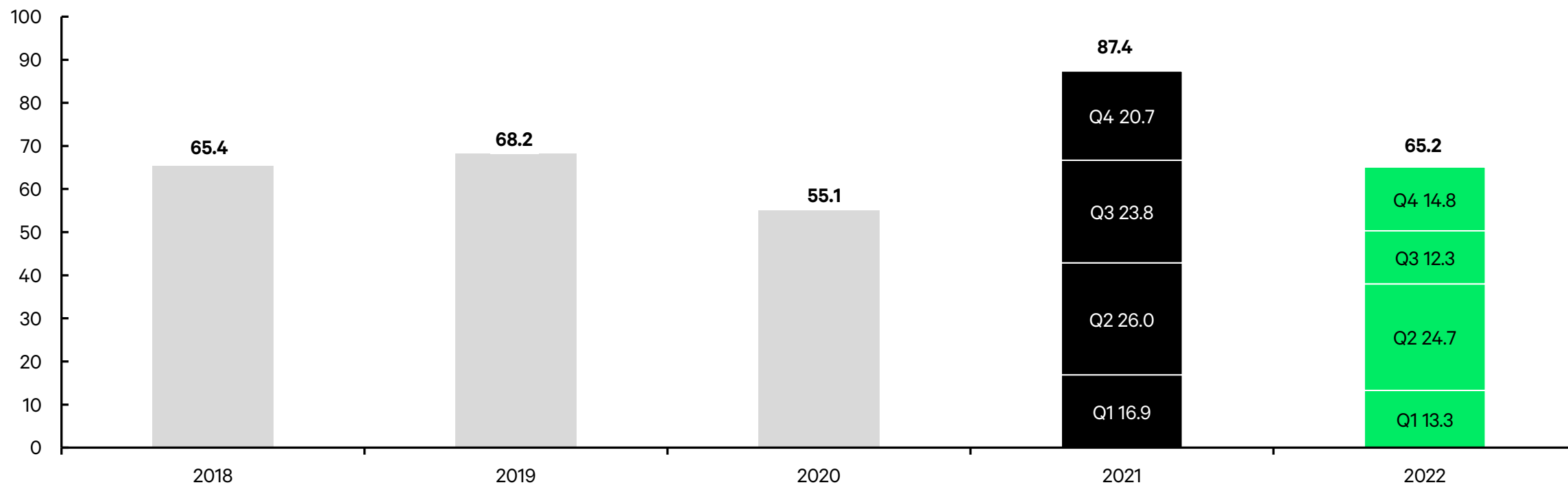
# Highlights Q4

- Interest income from lending grew strongly towards the end of the year. Higher financing and hedging costs weighed down net interest income.
- Strong new sales in asset management, especially in Private Banking. Overall net subscriptions landed slightly negative.
- Expenses were at the same level as the previous quarters.
- The calibration of the ECL model, driven by the regulation, increased the provisions for potential future credit losses. The quality of the credit portfolio remained solid.
- **Outlook 2023:** Aktia's comparable operating profit in 2023 is expected to be clearly higher than in 2022.
- **Dividend:** Aktia's Board of Directors proposes, in accordance with the company's dividend policy, that a dividend of EUR 0.43 per share be paid for 2022, which constitutes 60% of the profit for the reporting period.

# Operating environment weighed down operating profit

## Comparable operating profit 2018–2022

EUR million



# Business areas

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# Increase in interest rates continued

## 12 month Euribor rate

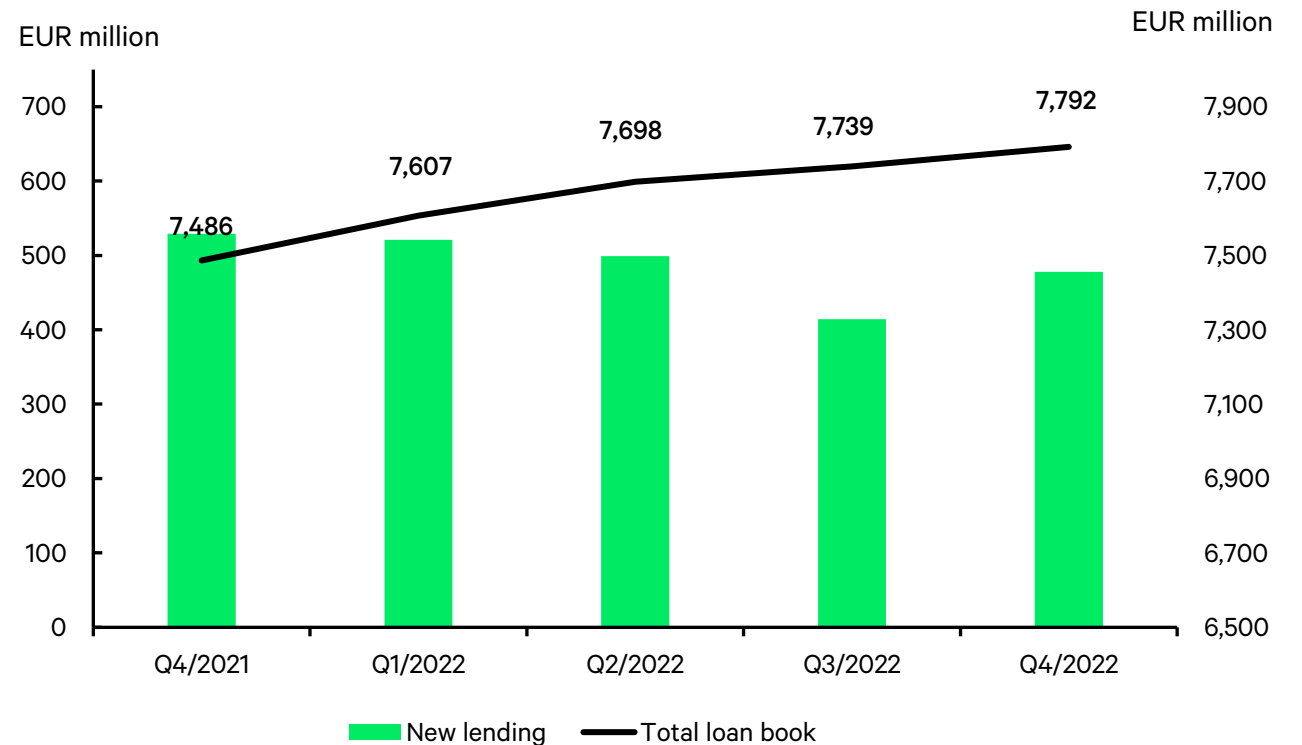


Source: European Money Markets Institute (EMMI).

# Average margin continued to rise

- Mortgage demand continued to decrease due to private customers' weakened confidence in the economy.
- Corporate lending remained strong.
- Active pricing and volume growth increased interest income from corporate customers.
- Average margin of entire loan book continued to improve.
- Credit quality unchanged.

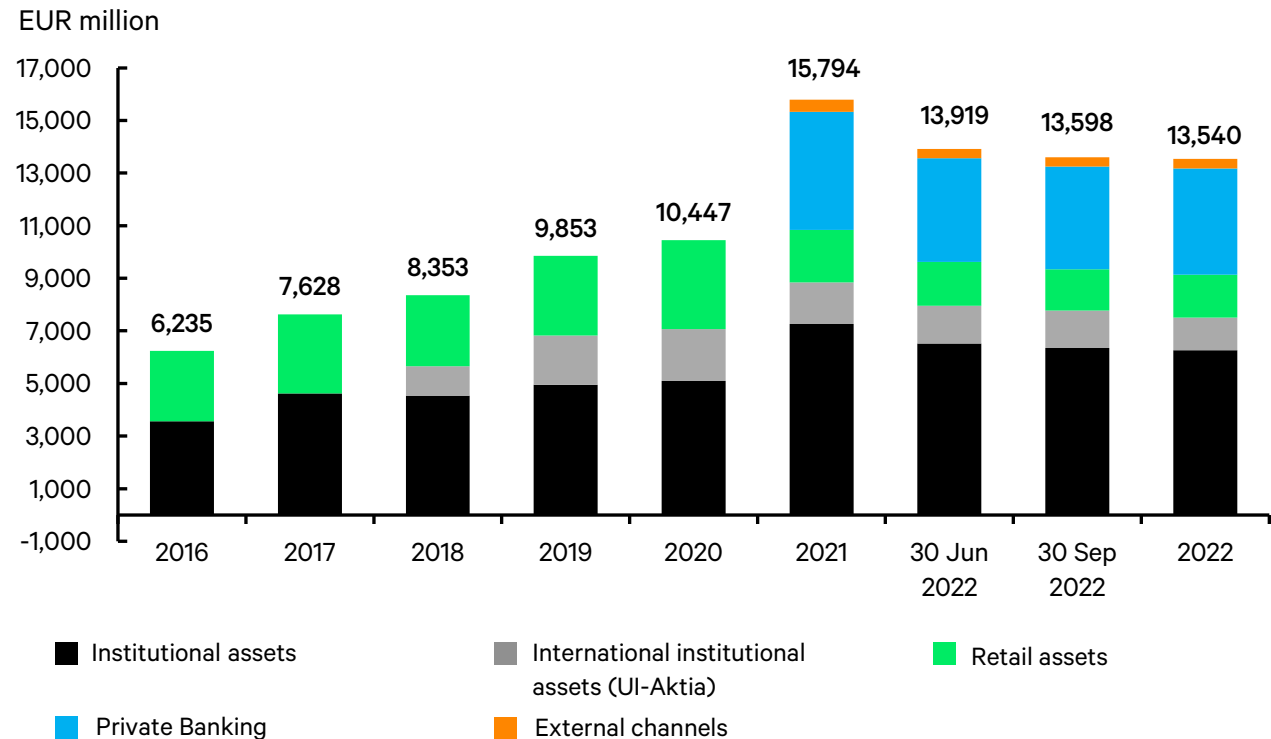
Development of credit portfolio Q-o-Q



# Stable AuM in the quarter

- Best new sales quarter of the year.
- AuM was on the same level as the previous quarter due to stabilised markets.
- Net subscriptions of domestic Private Banking and Institutional customers increased by EUR 190 million throughout the year.
- Net subscriptions in decreased in the fourth quarter and amounted to EUR -62 million.
- The Article 9 Aktia Sustainable Corporate Bond fund, launched in the autumn, reached a size of over EUR 100 million.

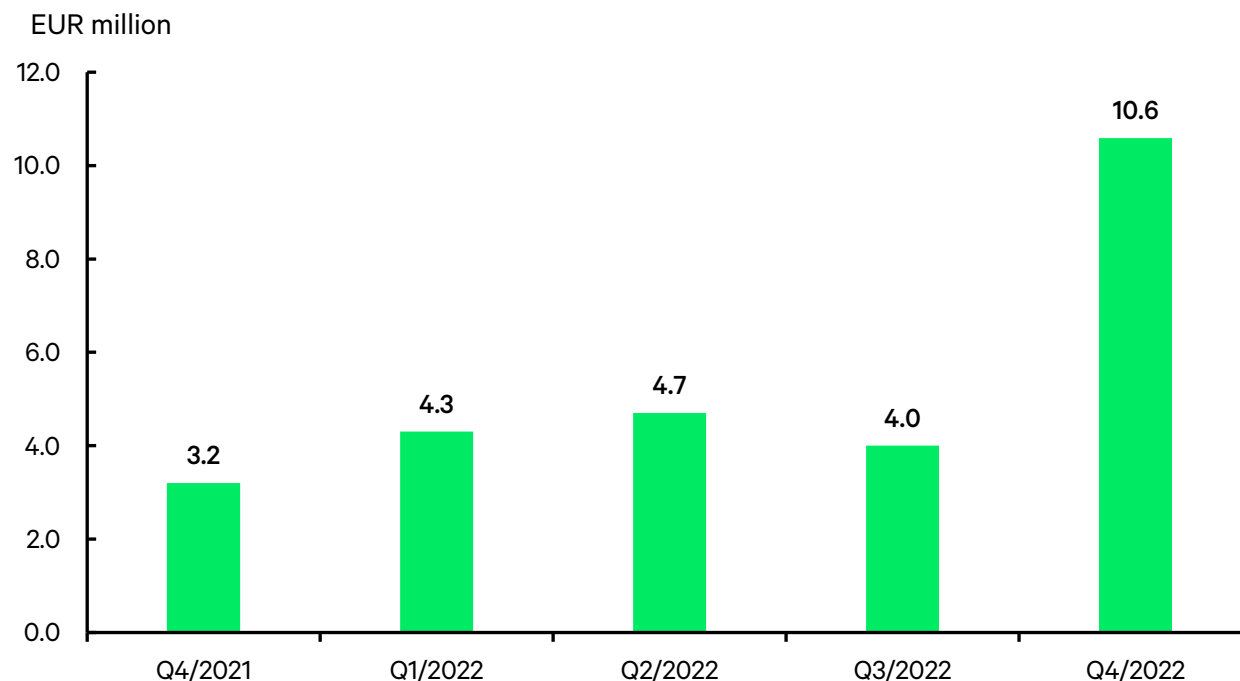
Assets under Management, excluding custody



# Solid performance in Life Insurance continued

- Stable growth in new sales of risk life insurances.
- Interest rate rise reduced the market value of the investment portfolio.
- The extra dissolution of the interest reserve increased the net income from life insurance by EUR 6.3 million.
- Aktia launched new Aktia Avara investment insurance and capitalisation agreements. The first agreements were sold at the end of the quarter.

Development of the actuarially calculated result Q-o-Q



# Aktia's Sustainable year 2022

Our mission is to build wealth for our customers and society, not only today but also for generations to come. During the year 2022 Aktia has worked with implementing the EU sustainable finance regulation, new initiatives, Net Zero targets and scenario analysis to achieve **increased transparency, increased climate action, better risk management and positive real world impact.**

## 2022 highlights

### **Updated sustainability programme**

We updated our sustainability programme to better reflect Aktia's ambition.

### **Interim targets for Aktia's climate strategy**

We set specific greenhouse gas emissions reduction targets for investments, lending and our own operations for 2025 and 2030.

### **Two new sustainable fund launches**

We launched two new SFDR article 9 funds, bringing the overall amount of dark green Aktia funds to three.

# UI-Aktia Sustainable Corporate Bond

**Aktia launched the new UI-Aktia Sustainable Corporate Bond fund on 1 September 2022. Fund reached a size of over EUR 100 million in December.**

In accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation the fund invests only in green, social, and responsible bonds as well as sustainability-linked bonds (SLB), and each investment object is also required to have a positive net impact, considering, for example, the impact on society and the environment.

# Financial targets 2025

Comparable  
operating profit  
above EUR  
120 million

1-12/2022;  
EUR 65.2 million

Comparable return  
on Equity (ROE)  
above 12%

31 December 2022;  
8.0%

Comparable  
cost-to-income ratio  
under 0.60

1-12/2022;  
0.70

Common Equity  
Tier 1 capital ratio  
(CET1) above 1.5  
percentage points  
over the regulatory  
requirement

31 December 2022;  
3.1 percentage points over  
the regulatory requirement  
7.7%

# Financial overview

Outi Henriksson, CFO

**Aktia**

# Financial summary Q4

EUR million	4Q2022	4Q2021	Δ %	2022	2021	Δ %
<b>Total operating income</b>	67.5	65.5	3%	254.3	263.8	-4%
Net interest income	24.2	24.1	0%	99.2	96.2	3%
Net commission income	29.1	33.7	-14%	122.0	124.0	-2%
Net income from life insurance	12.7	7.6	68%	30.5	37.7	-19%
Other income	1.5	0.2	-	2.6	5.9	-56%
<b>Total operating expenses</b>	<b>-46.9</b>	<b>-45.2</b>	<b>4%</b>	<b>-180.3</b>	<b>-174.4</b>	<b>3%</b>
Impairments of credits and other commitments	-7.1	0.1	-	-10.2	-4.5	-127%
<b>Operating profit</b>	<b>13.4</b>	<b>20.3</b>	<b>-34%</b>	<b>64.0</b>	<b>84.6</b>	<b>-24%</b>
<b>Comparable operating profit*</b>	<b>14.8</b>	<b>20.7</b>	<b>-28%</b>	<b>65.2</b>	<b>87.4</b>	<b>-25%</b>
Earnings Per Share (EPS), EUR	0.15	0.23	-34%	0.72	0.95	-24%
Return on Equity (ROE), %	6.8	9.5	-28%	7.8	10.0	-22%
Cost-to-income ratio (comparable)	0.67	0.69	1%	0.70	0.65	8%
Common Equity Tier 1 capital ratio, %	10.8	11.2	-3%	10.8	11.2	-3%

\*) Excl. items affecting comparability

# Outlook 2023

Aktia's comparable operating profit in 2023 is expected to be clearly higher than in 2022.

The outlook is based on following assumptions:

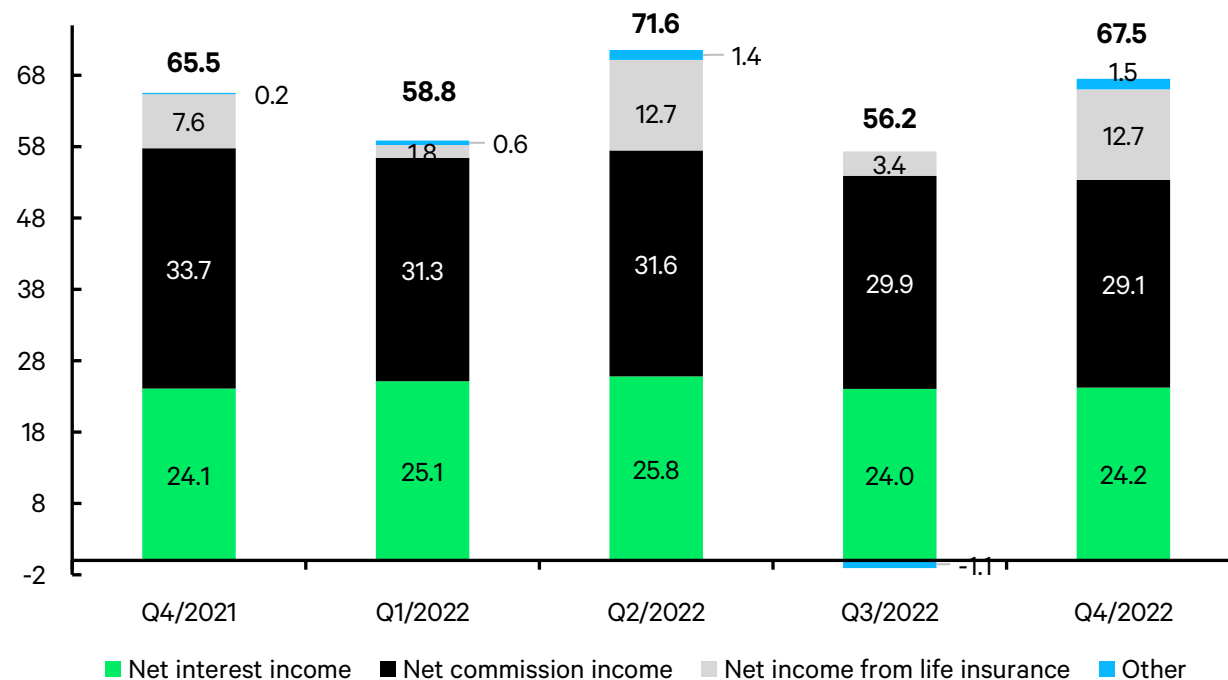
- Net interest income is expected to be clearly higher than in 2022.
- Net commission income is expected to improve slightly in 2023.
- Life insurance business is expected to develop stably. However, the result is dependent on changes in market values.
- Operating expenses are expected to remain at the same level as in 2022.
- Provisions for potential credit losses are expected to be at the same level as in 2022.

# Rising interest rates increased interest income from lending

- Interest income from lending continued to grow strongly.
- Growth in lending was somewhat offset by higher financing costs at net interest income level.
- New sales in Asset Management was at a good level. Net commission income decreased due to flat AuM and slightly negative net subscriptions.
- A partial reversal of the interest reserve had positive impact on net income from life insurance.

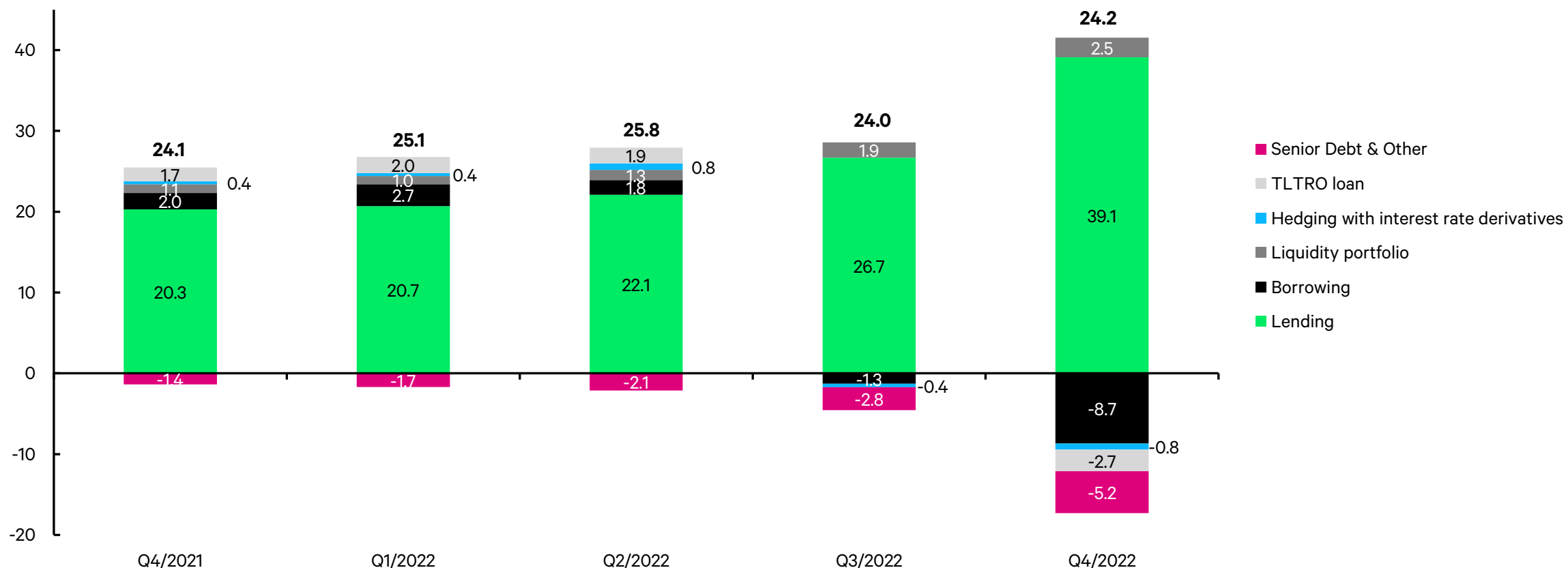
Comparable operating income, Q-o-Q

EUR million



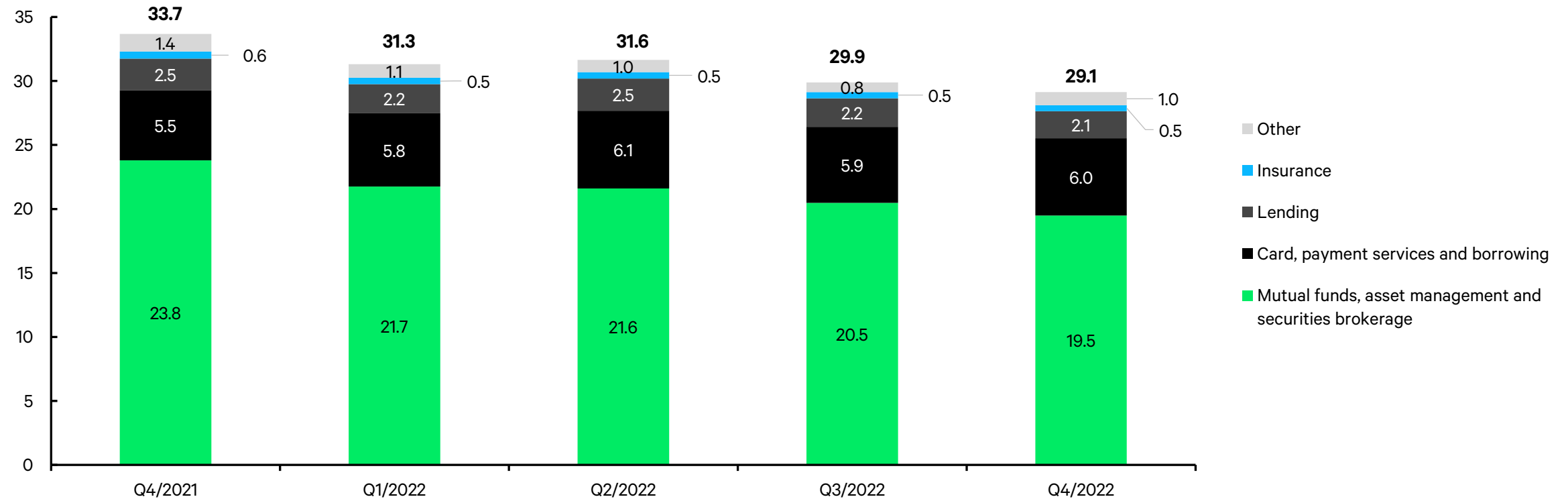
# Composition of the Group net interest income

EUR million



# Net commission income mix

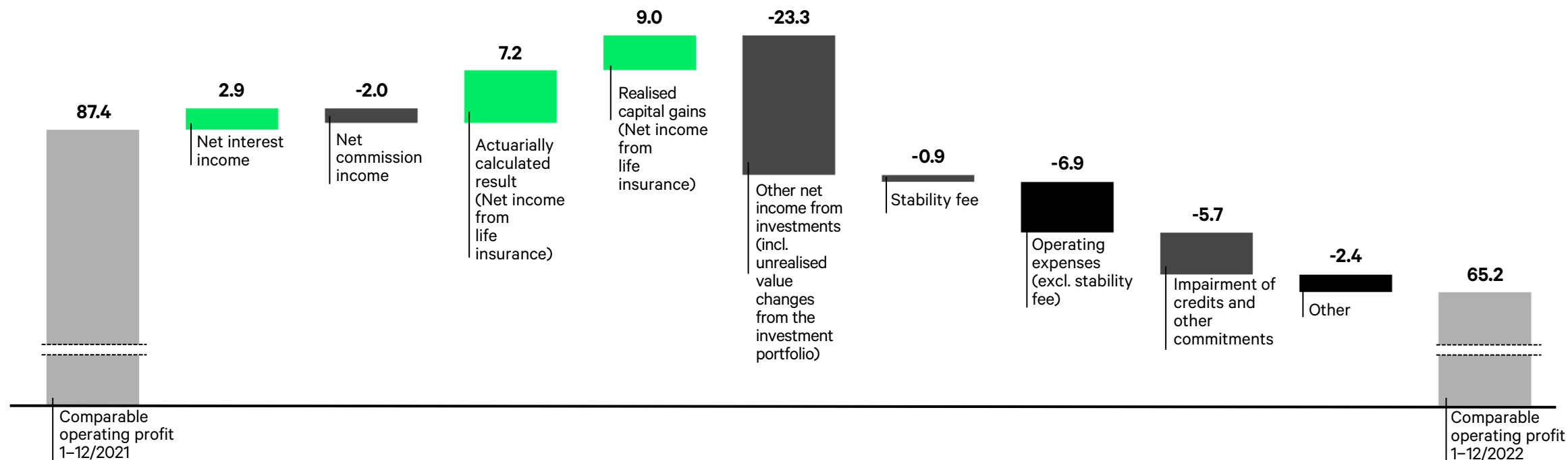
EUR million



# Comparable operating profit decreased

## Comparable operating profit 1–12/2022 vs 1–12/2021

EUR million



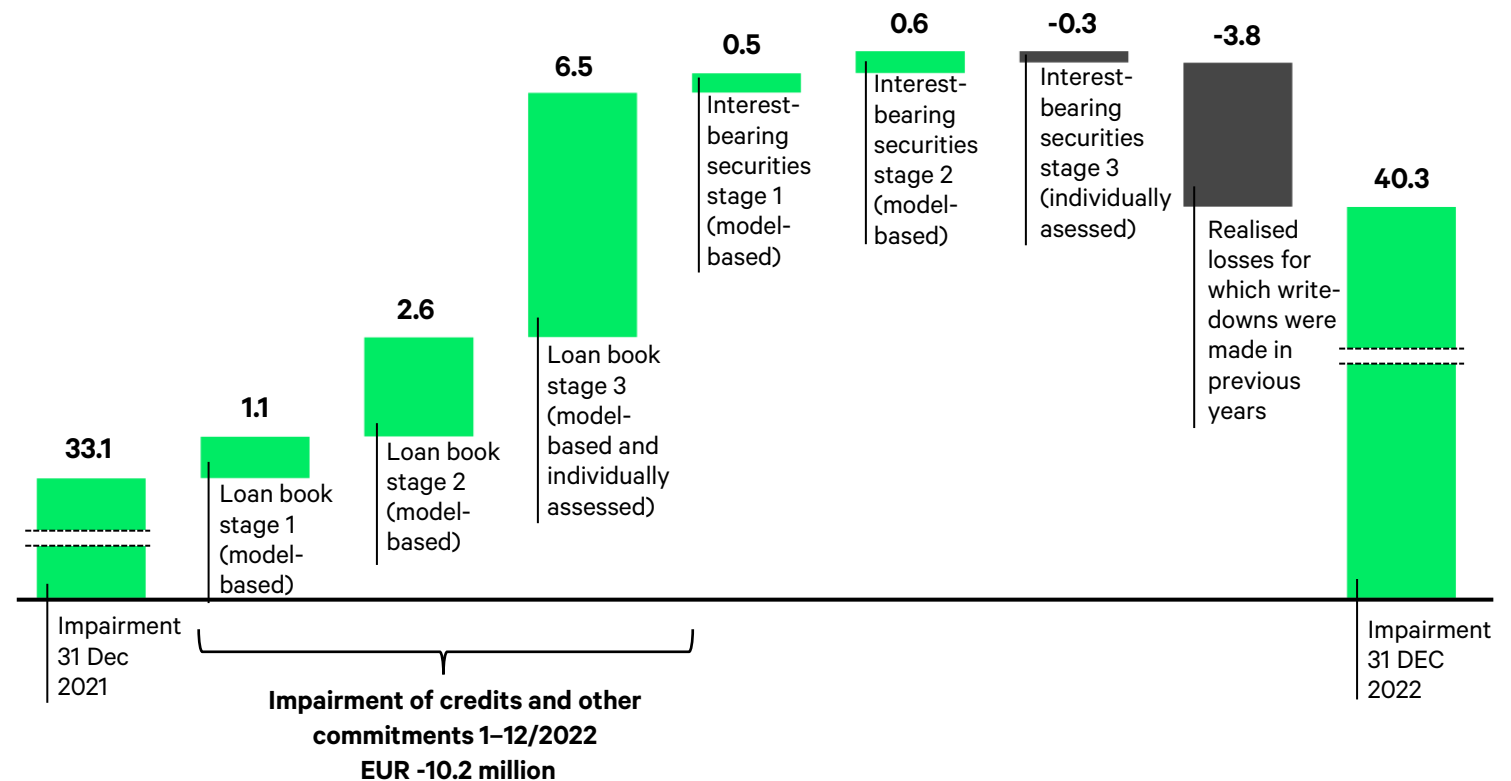
**+4% underlying profit growth (without change in unrealised value changes, capital gains and losses, impairments of credits and other commitments, stability fee and project-related one-off expenses).**

# Quality of the credit portfolio remains solid

- Calibration of the ECL model, driven by regulation, increased the provisions for potential future credit losses by EUR 4.0 million during the quarter. Increase in other provisions during the quarter was EUR 3.1 million.
- The quality of the credit portfolio remained solid.
- We have not observed any major new risk concentrations in our credit portfolio.

## Change in expected credit losses (ECL) 1–12/2022

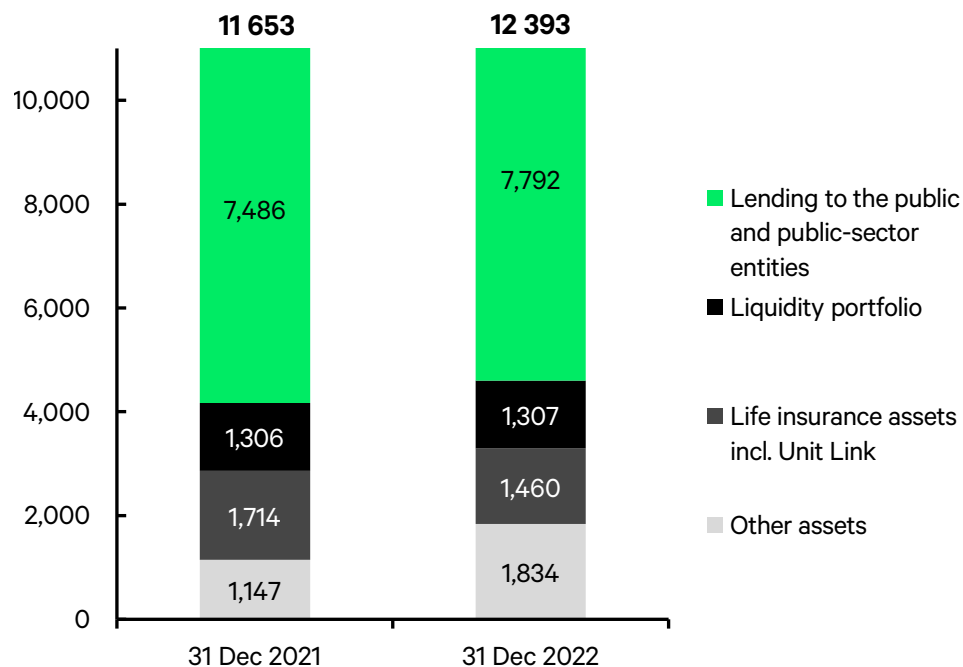
EUR million



# Balance sheet total increased to EUR 12 393 million

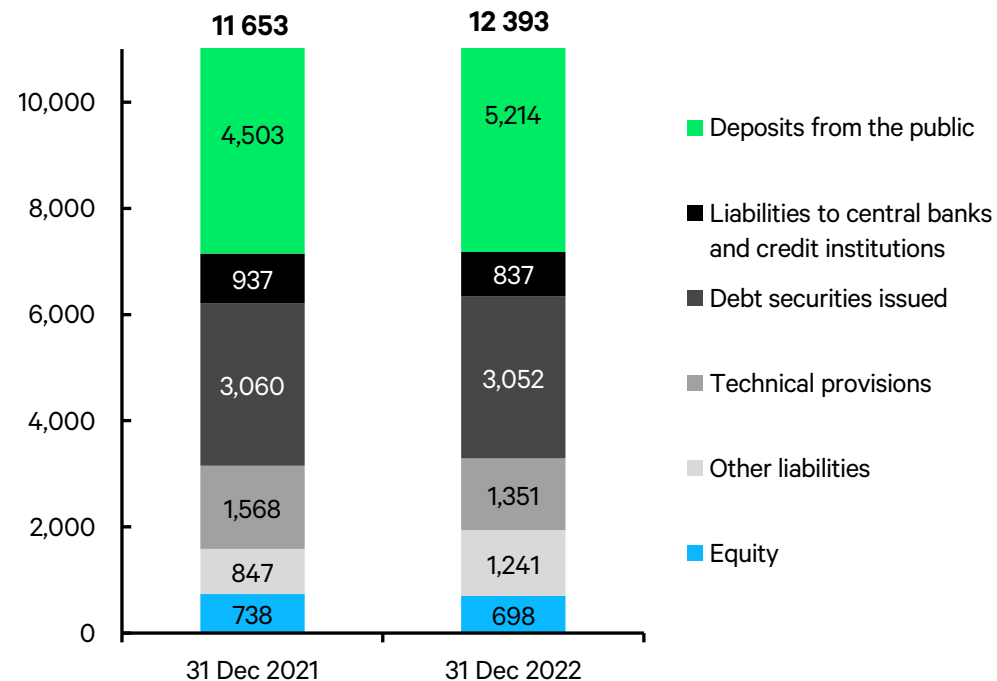
## Total assets

EUR million



## Total liabilities and equity

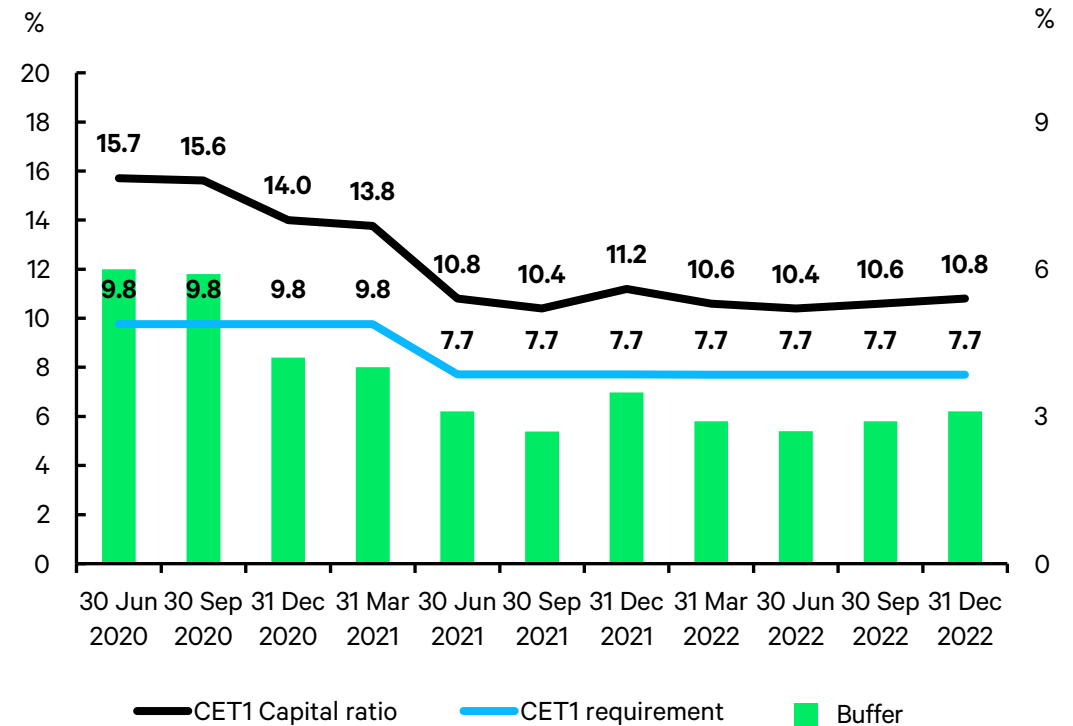
EUR million



# CET1 ratio 3.1 percentage points above the requirement

- The CET1 ratio was 10.8% and increased from Q3 by 0.2 percentage points.
- The risk-weighted assets increased by EUR 47 million in 4Q. Increase from the beginning of the year was EUR 190 million, driven by growth in corporate lending.
- The fair value reserve increased by EUR 1.0 million in the fourth quarter. The fair value reserve was negatively affected by the steep rise in interest rates, which in turn weakened the Bank's CET1 capital by approx. EUR 40 million during the year.
- Aktia Life Insurance Ltd paid a dividend of EUR 15 million to the parent company in June and 20 million in March, which strengthened the Bank's CET1 capital.

CET1



# Funding activities

- During the Q4 Debt Capital Market mood improved significantly. Spread levels remained still wide but investors returned to the market and improved the demand of both covered and senior notes.
- During Q4 2022, Aktia completed seven senior preferred private placement and two Senior Non-preferred transactions. The total volume has been approximately EUR 292 million with maturities in the range of 1–8 years. Aktia was able to execute deals both in NOK and EUR markets.
- The bank will continue to issue senior debt to prefund some redeeming notes and to convert part of the short-term money market funding to longer term issuance.
- The refinancing of the 500mEUR covered bond redeeming in May 2023 will most likely happen during the second quarter of 2023. Also very limited volume of new AT1 issuance is possible.
- Aktia will start paying back the TLTRO III financing prior to the redemption of the tranches in near future. First target is to pay back the Tranche 4 (redeeming in June 2023).
- Aktia's liquidity continued to be at very good level, the LCR ratio being 183% at the end of Q4.

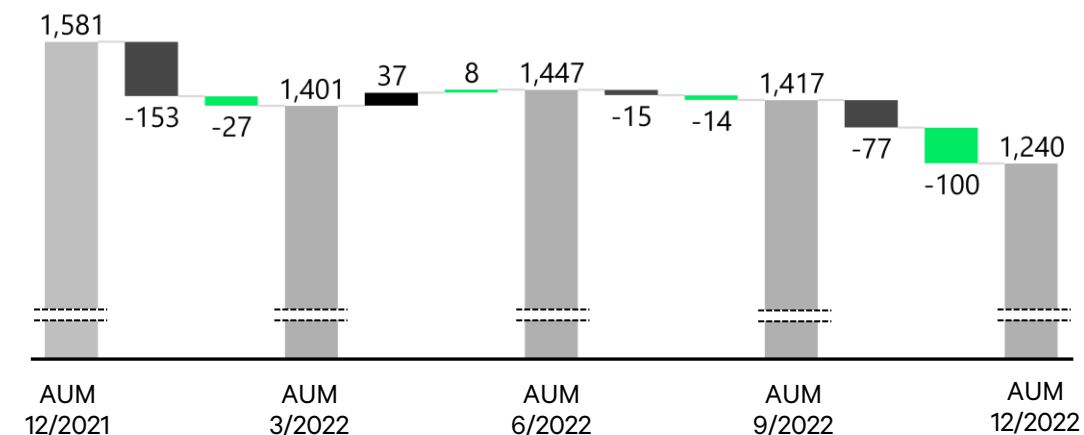
# Appendices

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# AuM: net subscriptions and market changes

## Asset Management, Aktia UI Q-o-Q

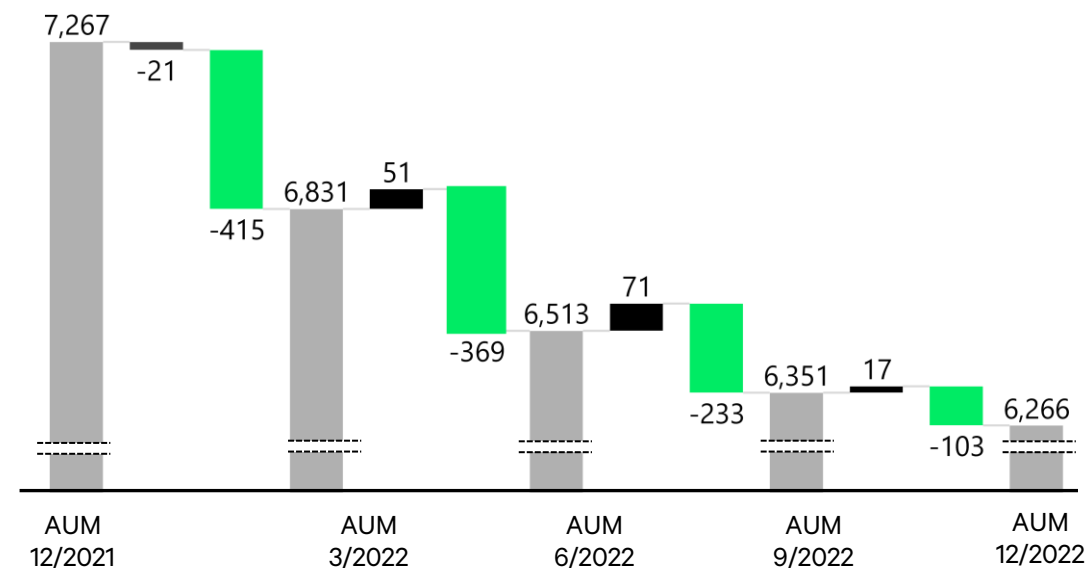
EUR million



■ Net subscriptions ■ Market changes

## Asset Management, Domestic institutions Q-o-Q

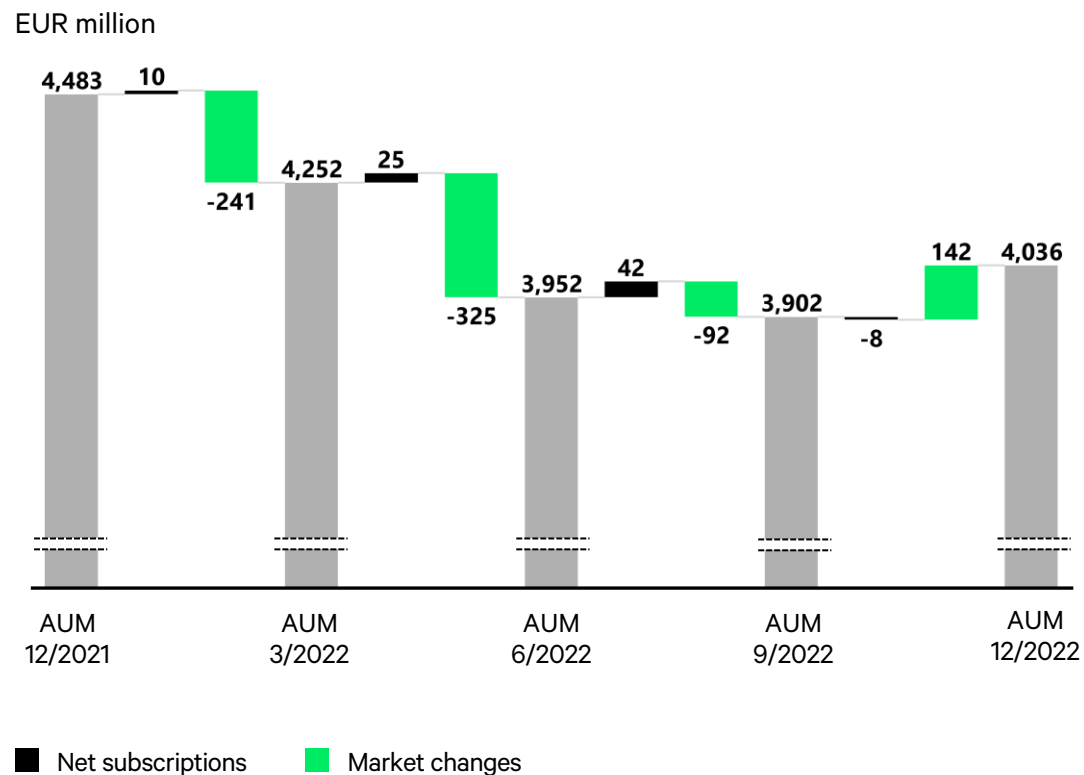
EUR million



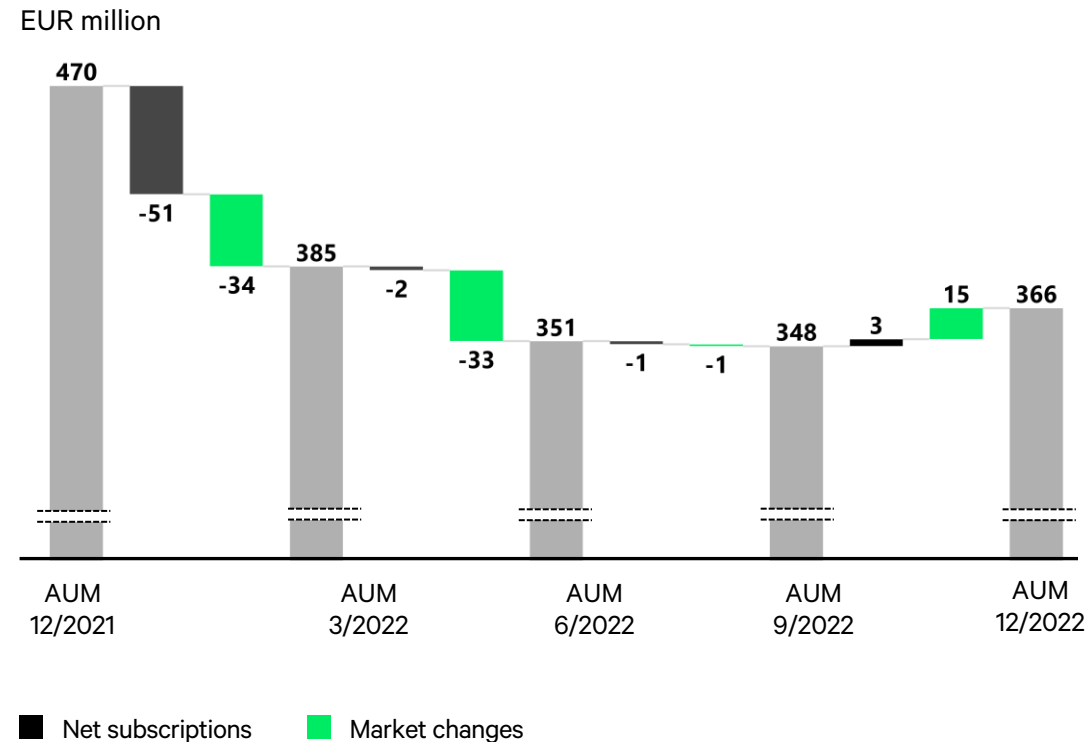
■ Net subscriptions ■ Market changes

# AuM: net subscriptions and market changes

Asset Management, Private Banking Q-o-Q



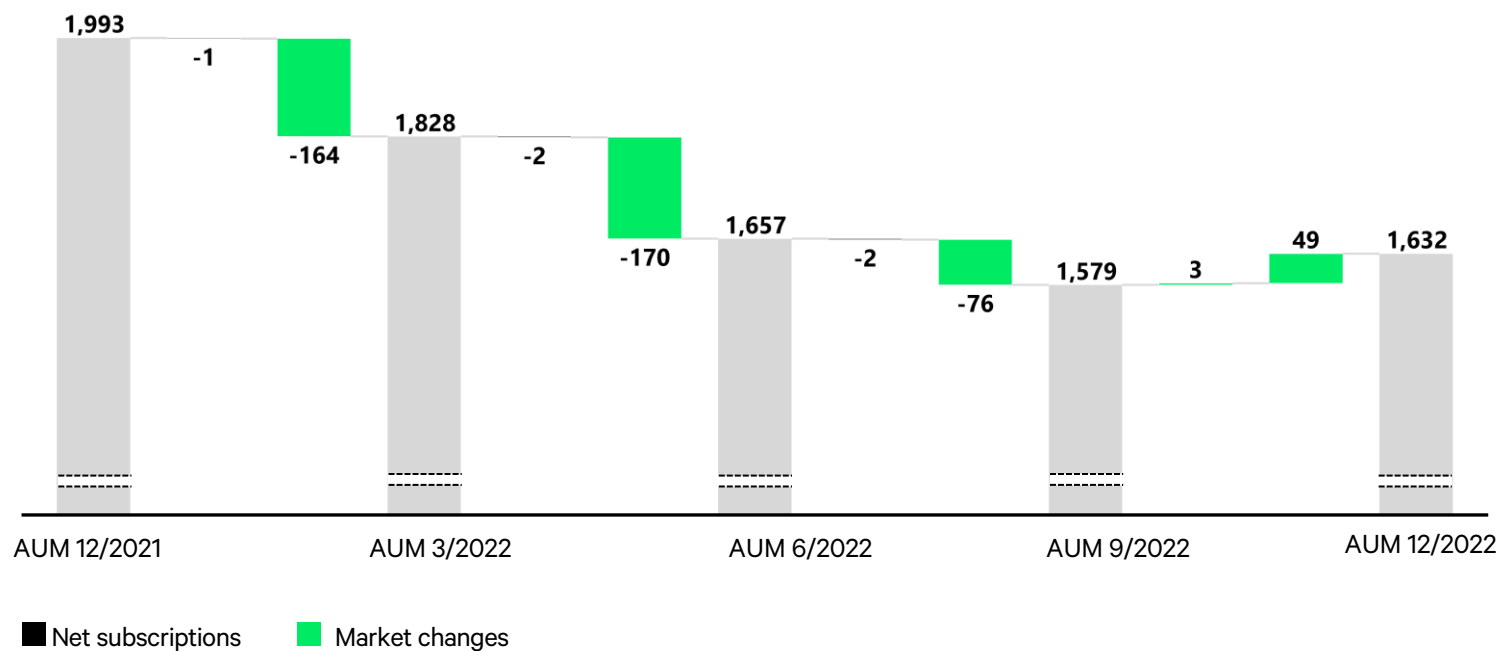
Asset Management, External channels Q-o-Q



# AuM: net subscriptions and market changes

## Banking Business, Retail Q-o-Q

EUR million





# Building wealth for our customers and society

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**Aktia**