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# Aktia Bank PLC

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## Table Of Contents

# Aktia Bank PLC

| SACP | a- |
|---|---|

| | | |
|---|---|---|
| Anchor | a- | |
| Business Position | Moderate | -1 |
| Capital and Earnings | Very Strong | +2 |
| Risk Position | Moderate | -1 |
| Funding | Average | 0 |
| Liquidity | Adequate | |

\+

| Support | 0 |
|---|---|
| ALAC Support | 0 |
| GRE Support | 0 |
| Group Support | 0 |
| Sovereign Support | 0 |

\+

| Additional Factors | 0 |
|---|---|

**Issuer Credit Rating**

**A-/Stable/A-2**

## Major Rating Factors

| Strengths: | Weaknesses: |
|---|---|
| • Well-established local retail franchise in Finland.<br>• Strong projected capitalization underpinned by sound earnings capacity.<br>• Focus on low-risk collateralized lending to retail clients and small and midsize enterprises. | • Concentration risk in the loan book, due to focus mainly on residential mortgage lending in Finland.<br>• Limited geographic, business, and earnings diversification.<br>• Reliance on wholesale funding market as covered bond issuer. |

## Outlook: Stable

S&P Global Ratings' stable outlook on Aktia Bank PLC reflects our view that the bank will continue to maintain its market position as a well-established local retail franchise in Finland. In addition to this, the outlook also reflects our expectation that the bank's capitalization will be supported by sound earnings capacity over the next 24 months. The improving economic conditions in Finland further underpin this view.

We could take a negative rating action if we saw Aktia's position weaken, such that the bank's profitability and market shares decline. The termination of cooperation with independent local savings banks and cooperative banks has temporarily hurt Aktia's risk-adjusted capital (RAC) ratio. If we saw the bank's lending growth would lead to a lower projected RAC ratio, we could also take a negative rating action.

We consider a positive rating action unlikely at this time.

## Rationale

Our ratings on Aktia Bank reflect our 'a-' anchor for Finnish banks and the bank's moderate business position as a regional bank with a concentrated business model focused primarily on retail mortgage lending. Our ratings also encompass Aktia Bank's very strong capital and earnings, mainly due to our expectation of the RAC ratio being above 15% in the next 12-24 months. They equally reflect the bank's moderate risk position, due to concentration risks on its loan book, partly mitigated by a high level of collateralization and a track record of low credit losses, its average funding, and adequate liquidity, owing to a sound level of customer deposits and demonstrated access to capital markets as a covered bond issuer. The SACP is 'a-'.

Given Aktia Bank's status as a top-five retail bank in terms of assets in Finland--where pan-Nordic groups have sizable operations--and its market share of 4.1% in mortgage loans and 3.7% in customer deposits, we consider the bank to have moderate systemic importance to Finland's banking sector. We believe, however, that the prospect of extraordinary government support for the country's banking sector is uncertain and no longer incorporate any uplift above Aktia Bank's SACP for government support.

### Anchor: 'a-' for banks operating only in Finland

Our bank criteria use our Banking Industry Country Risk Assessment's economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a commercial bank operating only in Finland is 'a-', based on an economic risk score of '2' and an industry risk score of '3'.

We view Finland as an innovative and wealthy economy with high education levels. After a mild economic downturn in 2012-2014, we expect economic growth to gradually recover over the next two years, supported by private consumption and by recovery of exports starting from 2018. We believe that the risk of house price correction is becoming more remote as economic prospects and consumer confidence improve. We expect banks' asset quality to remain strong in the next two years, based on the sound financial position of the household and corporate sectors, the banking sector's moderately conservative underwriting standards, and the persisting low interest rate environment.

We do not consider the banking sector's competitive landscape to be distorted, despite concentration stemming from the presence of large pan-Nordic banks and the domestic cooperative banking group OP Financial Group. We also consider the sector's overall profitability and capitalization to be resilient and expect banks to maintain their restrained risk appetite. That said, the sector remains highly interconnected with other Nordic banking systems, which results in potential spillover risks on the Finnish economy from external events. We expect deposits will continue to dominate the banks' funding profiles, and foresee that banks will rely moderately on external funding, given the limited size of domestic capital markets.

**Table 1**

| Aktia Bank PLC Key Figures | | | | | |
|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | |
| **(Mil. €)** | **2016** | **2015** | **2014** | **2013** | **2012** |
| Adjusted assets | 8,699.0 | 9,163.0 | 10,125.1 | 10,447.6 | 10,865.2 |
| Customer loans (gross) | 5,765.0 | 5,911.3 | 6,475.5 | 6,867.2 | 7,266.6 |

**Table 1**

| Aktia Bank PLC Key Figures (cont.) | | | | | |
|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | |
| (Mil. €) | 2016 | 2015 | 2014 | 2013 | 2012 |
| Adjusted common equity | 442.2 | 446.8 | 518.6 | 512.3 | 493.9 |
| Operating revenues | 205.2 | 209.0 | 214.5 | 225.4 | 218.4 |
| Noninterest expenses | 148.4 | 144.4 | 144.5 | 157.2 | 154.2 |
| Core earnings | 43.8 | 51.6 | 55.0 | 52.4 | 42.6 |

### Business position: Solid local retail franchise as top a five bank in Finland

We consider Aktia Bank's business position to be moderate, reflecting its concentrated business model focused primarily on residential mortgage lending.

Aktia Bank is a midsize commercial bank with total assets of €9.7 billion as of March 31, 2017. The bank has a well-established, local retail franchise in growth regions in Finland's coastal areas and larger cities, with about 380,000 customers. Aktia Bank enjoys a stable market share of 4.1% in residential mortgage lending and 3.7% in customer deposits.

However, we view Aktia Bank's regional concentration and narrow product focus on residential mortgage lending as the main weaknesses to its business model. These factors may expose the bank to potential volatility in the real estate market in Finland, or to a downturn in the Finnish economy, although we currently see these scenarios as remote. Diversity benefits from the bank's small corporate banking activities are limited. We understand that Aktia Bank maintains a targeted lending growth strategy to small and midsized enterprises (SME), which should enable further cross-selling potential. In terms of lending to housing corporations, the bank remains opportunistic, as this remains a highly competitive segment in the Finnish banking sector.

We view it as positive that the bank's asset-management and life-insurance activities complement its product offering, and their contribution to revenues will, in our view, increase over time. Together, they make up about 23% of Aktia Bank's operating revenues and 33% of its operating profit. Its asset management activities, with assets under management of €8.0 billion as of Dec. 31, 2016, are steadily growing and hold an estimated 8.5% market share in mutual funds in Finland.

Furthermore, Aktia Life Insurance provides banking clients with insurance and investment products. However, due to Aktia Life's limited size and market share of about 3% in the Finnish life insurance market, its operations bring only moderate diversification benefits to the group, in our opinion.

We do not expect that the bank will expand its network to further regions in Finland. However, we believe that it could gain market share by an increased focus on cross-selling, namely of insurance and savings products, to its existing customer base, and by proving these products through mobile or online solutions to new clients outside its core regions.

Aktia Bank terminated its cooperation with independent local savings banks and cooperative banks at the start of 2013, and also completed the merger of Aktia Real Estate Mortgage Bank (AREMB) with Aktia Bank in February 2017 after acquiring the remaining outstanding stakes from partner banks.

We expect these strategic changes will allow Aktia Bank to focus its resources on its own loan growth as shown by its revised strategy regarding SME lending. Moreover given the expectation of gradual economic recovery in Finland and modest private sector credit growth driven by household demand for loans, especially via mortgage loans and loans to housing corporations, we believe Aktia will be able to maintain its well-established local retail franchise in Finland. We consider Aktia Bank's management to be prudent and do not expect the bank to sacrifice its sound underwriting standards. This will, in our view, allow the bank to maintain the stability of its financial position.

**Table 2**

Aktia Bank PLC Business Position

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2016** | **2015** | **2014** | **2013** | **2012** |
| Loan market share in country of domicile | 4.1 | 4.1 | 4.1 | 4.1 | 4.3 |
| Deposit market share in country of domicile | 3.7 | 3.8 | 3.9 | 3.7 | 3.4 |
| Total revenues from business line (mil. €) | 205.2 | 209.0 | 214.5 | 225.4 | 228.2 |
| Commercial & retail banking/total revenues from business line | 77.2 | 79.1 | 78.9 | 79.0 | 70.5 |
| Insurance activities/total revenues from business line | 21.7 | 22.2 | 20.3 | 20.3 | 12.2 |
| Asset management/total revenues from business line | N.A | N.A | N.A | N.A | 11.6 |
| Other revenues/total revenues from business line | 1.1 | (1.3) | 0.8 | 0.6 | 5.7 |
| Return on equity | 8.0 | 8.4 | 8.7 | 8.9 | 9.3 |

N.A.--Not available.

## Capital and earnings: Very strong capitalization, underpinned by sound earnings capacity and asset reduction

We assess Aktia Bank's capital and earnings as very strong. This is mainly due to our expectation that our RAC ratio for the bank will return to above 15% over the next 24 months, compared with 14.5% on June 30, 2016. This is furthermore demonstrated by Aktia Bank fulfilling regulatory capital requirements with a common equity tier 1 capital ratio of 18.2% as of March 31, 2017.

The main driver for the evolving RAC ratio has been the ongoing run-off of AREMB. Based on the arrangement between Aktia Bank and the partner banks in 2015, Aktia acquired the minority stakes in AREMB, and AREMB was merged with Aktia Bank at the beginning of 2017. The transaction decreased Aktia Bank's equity by €65 million and consequently our total-adjusted capital (TAC), our measure of loss-absorbing capital, leading to an anticipated decline in the RAC ratio compared with the June 2015 RAC figure of 16.0%.

At the same time, we have anticipated that a decline in risk-weighted assets over the next 12-18 months would counter some of the recent decline in TAC. As of the first quarter of 2017, AREMB's loan book has now been fully wound down and absorbed by Aktia Bank, having been about €1.9 million in cooperative banks, including mortgage loans through partner local savings banks.

Generally, we expect margins on new loans to remain low, given the strong competition in the Finnish market, and we forecast that margins will likely remain at about 1.1% over the next two years.

We anticipate that the growth in net fee and commission income, driven mainly by the positive development in mutual funds and asset management business, in addition to cost efficiency programs, will support our view that core earnings will remain near €52 million per year. We expect Aktia Bank's organizational streamlining to support its cost-efficiency target to reduce the cost-to-income ratio by 5 percentage points by 2018. While the dividend payout for 2016 was higher than average at about 80% of net profits, as a result of various one-off effects, we expect the bank will return to a 50-60% payout ratio.

We consider Aktia Bank's quality of capital, consisting mainly of paid-in capital, and its earnings, to be adequate. We expect the bank's earnings capacity to improve over time, owing to stable operating revenues, planned cost cuts, and our expectation of low loan losses. This is reflected in our three-year average earnings buffer of close to 150 basis points (bps) for the group.

**Table 3**

**Aktia Bank PLC Capital And Earnings**

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2016** | **2015** | **2014** | **2013** | **2012** |
| Tier 1 capital ratio | 19.5 | 20.7 | 14.6 | 12.3 | 11.8 |
| S&P Global Ratings' RAC ratio before diversification | N.A. | 14.5 | 13.5 | 12.7 | 11.5 |
| S&P Global Ratings' RAC ratio after diversification | N.A. | 12.5 | 12.2 | 11.6 | 10.6 |
| Adjusted common equity/total adjusted capital | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Net interest income/operating revenues | 46.6 | 46.6 | 47.9 | 50.0 | 53.7 |
| Fee income/operating revenues | 38.8 | 38.3 | 34.9 | 31.4 | 29.9 |
| Market-sensitive income/operating revenues | 0.7 | 1.6 | 3.4 | 3.7 | 1.3 |
| Noninterest expenses/operating revenues | 72.3 | 69.1 | 67.3 | 69.8 | 70.6 |
| Preprovision operating income/average assets | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Core earnings/average managed assets | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 |

N.A.--Not available. RAC--Risk-adjusted capital.

**Table 4**

**Aktia Bank PLC Risk-Adjusted Capital Framework Data**

| | **Exposure*** | **Basel II RWA** | **Average Basel II RW (%)** | **S&P Global Ratings' RWA** | **Average S&P Global Ratings' RW (%)** |
|---|---|---|---|---|---|
| **Credit risk** | | | | | |
| Government and central banks | 803,521,445 | 152,350 | 0 | 31,795,235 | 4 |
| Institutions | 1,661,405,526 | 212,697,175 | 13 | 213,337,157 | 13 |
| Corporate | 450,881,528 | 219,635,788 | 49 | 261,645,200 | 58 |
| Retail | 5,734,721,881 | 1,011,303,238 | 18 | 1,416,800,344 | 25 |
| Of which mortgage | 5,513,761,991 | 898,218,375 | 16 | 1,310,167,512 | 24 |
| Securitization§ | 0 | 0 | 0 | 0 | 0 |
| Other assets | 109,904,896 | 109,375,538 | 100 | 108,188,338 | 98 |
| Total credit risk | 8,760,435,276 | 1,553,164,088 | 18 | 2,031,766,274 | 23 |
| **Market risk** | | | | | |
| Equity in the banking book† | 3,912,661 | 131,875,000 | 3,370 | 36,681,197 | 938 |

**Table 4**

| | | | | | |
|---|---|---|---|---|---|
| **Aktia Bank PLC Risk-Adjusted Capital Framework Data (cont.)** | | | | | |
| Trading book market risk | -- | 0 | -- | 0 | -- |
| Total market risk | -- | 131,875,000 | -- | 36,681,197 | -- |
| **Insurance risk** | | | | | |
| Total insurance risk | -- | -- | -- | 577,387,500 | -- |
| **Operational risk** | | | | | |
| Total operational risk | -- | 356,123,175 | -- | 442,039,544 | -- |
| | | **Basel II RWA** | | **S&P Global Ratings' RWA** | **% of S&P Global Ratings' RWA** |
| **Diversification adjustments** | | | | | |
| RWA before diversification | | 2,072,678,600 | | 3,087,874,515 | 100 |
| Total Diversification/Concentration Adjustments | | -- | | 381,583,665 | 12 |
| RWA after diversification | | 2,072,678,600 | | 3,469,458,180 | 112 |
| | | **Tier 1 capital** | **Tier 1 ratio (%)** | **Total adjusted capital** | **S&P Global Ratings' RAC ratio (%)** |
| Capital ratio | | | | | |
| Capital ratio before adjustments | | 407,701,400 | 19.7 | 449,200,000 | 14.5 |
| Capital ratio after adjustments‡ | | 407,701,400 | 19.7 | 449,200,000 | 12.9 |

*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of June. 30, 2016, S&P Global Ratings.

### Risk position: Sound risk management but concentration risk due to focus on retail mortgage lending

We view Aktia Bank's risk position as moderate, mainly due to the concentration risk of the bank's loan book, which exposes it to potential volatility in the domestic real estate market.

We take a positive view of Aktia Bank's focus on low-risk lending, mortgage loans, and loans to SMEs. However, we still consider that the regionally focused retail loan book (84% of the total loan book as of Dec. 31, 2016) exposes the bank to concentration risk and makes it vulnerable to real estate price developments in specific Finnish regions. The concentration is partly mitigated by the retail loan book's high granularity and sound collateralization. Mortgage loans are principally granted in Finland's larger cities, which we consider to be economically stronger and where we assume housing prices remain more stable. The weighted average loan-to-value (LTV) is estimated at around 50%, and less than 5% of the total loan stock has LTV ratios above 70%. We note that Aktia Bank has maintained prudent underwriting standards and, for example, did not offer amortization holidays on mortgage loan borrowers, which were observed in the Finnish market in 2015.

In line with Aktia Bank's revised strategy, we expect the SME portfolio will gradually increase to about 12%-15% of the total loan portfolio over the next few years. As of Dec. 31, 2016, Aktia Bank's SME loan book was €543 million or 9.5% of the total loan book, and did not show any significant single-name or sector concentration. Lending to housing corporations represented about 6% of the loan book as of the year-end, up from 4% in 2015, in line with Aktia Bank's growth strategy.

We consider Aktia Bank's risk culture to be sound and we do not expect the bank to loosen its underwriting standards. The ratio of NPLs to total loans was 0.80% as of Dec. 31, 2016, and consists of mainly household mortgages that were originated before the bank revised its underwriting standards in 2009. The small SME portfolio shows somewhat weaker credit quality, but it is well collateralized. Moreover, our view of low risk of economic imbalances in the Finnish household sector underpins our anticipation that Aktia Bank will maintain a low level of credit losses at about 5 bps-6 bps in the near term, compared with almost nonexistent credit losses in 2016. The bank's market risk is minor, since it has no trading book.

**Table 5**

Aktia Bank PLC Risk Position

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2016** | **2015** | **2014** | **2013** | **2012** |
| Growth in customer loans | (2.5) | (8.7) | (5.7) | (5.5) | 2.0 |
| Total diversification adjustment / S&P Global Ratings' RWA before diversification | N.A. | 15.8 | 11.0 | N.M. | N.M. |
| Total managed assets/adjusted common equity (x) | 21.5 | 22.1 | 20.6 | 21.3 | 22.8 |
| New loan loss provisions/average customer loans | 0 | 0 | 0 | 0 | 0.1 |
| Net charge-offs/average customer loans | 0.1 | 0.1 | 0.1 | 0 | 0.1 |
| Gross nonperforming assets/customer loans + other real estate owned | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Loan loss reserves/gross nonperforming assets | 104.3 | 125.0 | 129.3 | 144.4 | 130.1 |

RWA--Risk-weighted asset. N.A.--Not available. N.M.--Not meaningful.

### Funding and liquidity: Sound funding profile benefiting from regional deposit franchise and covered bonds issuance

Our view of Aktia Bank's funding as average is based on its sound regional franchise and proximity to customers that should continue to provide the bank with a relatively stable and granular inflow of core deposits (56% of funding as of Dec. 31, 2016). Aktia Bank has increased customer deposits gradually over the last five years, demonstrating funding flexibility, in our view. A major part of customer deposits is from households, followed by SME clients, and three-quarters of all deposits are covered by the Finnish deposits insurance scheme. Therefore, we expect Aktia Bank's stable funding ratio to remain at the adequate level of 105%-110% over 2017-2018 (113.95% as of Dec. 31, 2016).

The funding profile also benefits from the bank's access to capital markets through the issuance of covered bonds. Aktia Bank was granted a covered bond license in March 2013 and issued covered bonds totaling €1.56 billion by year-end 2016. We believe that there is sound demand from the investors for further issuance, although in general, with the final transfer of AREMB's assets, there has been a decrease in refinancing need.

In our view, Aktia Bank's funding mix will continue to represent a relatively balanced asset-liability structure with a long-term funding ratio of about 90% as of Dec. 31, 2016. This is in line with the ratios of its domestic peers. As of the first quarter of 2017, Aktia's loan-to-core deposits ratio was about 137%, slightly above that of domestic peers operating solely in retail banking.

Our assessment of Aktia Bank's liquidity as adequate mirrors our estimate of the bank's one-year liquidity ratio (broad liquid assets to short-term funding) of 2.8x as of Dec. 31, 2016. Aktia Bank has an ample liquidity position of about €1.9 billion (Dec. 31, 2016), consisting of cash and securities, mainly covered bonds, which, to a large extent, are eligible for repurchase agreement (repo) transactions at the Finnish Central Bank. With a regulatory liquidity coverage ratio of 209%, Aktia Bank comfortably fulfils the future funding and liquidity requirements under the Basel III framework. Consequently, we believe that, under stressful conditions involving the closure of access to capital market funding and a significant deposit outflow, Aktia Bank could survive for more than six months, but dependence on the central bank through the repo activity could become significant thereafter.

**Table 6**

| Aktia Bank PLC Funding And Liquidity | | | | | |
|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | |
| **(%)** | **2016** | **2015** | **2014** | **2013** | **2012** |
| Core deposits/funding base | 55.7 | 50.1 | 45.8 | 45.7 | 43.4 |
| Customer loans (net)/customer deposits | 137.3 | 149.3 | 161.2 | 165.4 | 178.9 |
| Long term funding ratio | 89.9 | 87.8 | 79.6 | 82.2 | 76.6 |
| Stable funding ratio | 114.0 | 114.2 | 105.2 | 106.5 | 97.4 |
| Short-term wholesale funding/funding base | 10.8 | 13.1 | 22.0 | 19.1 | 25.0 |
| Broad liquid assets/short-term wholesale funding (x) | 2.8 | 2.5 | 1.5 | 1.6 | 1.2 |
| Net broad liquid assets/short-term customer deposits | 33.0 | 41.1 | 25.5 | 31.6 | 13.8 |
| Short-term wholesale funding/total wholesale funding | 24.4 | 26.3 | 40.5 | 35.1 | 44.2 |
| Narrow liquid assets/3-month wholesale funding (x) | 46.2 | 47.2 | 2.9 | 2.8 | 6.1 |

### External support: No uplift for government or ALAC support

We consider that Aktia Bank has moderate systemic importance to Finland based on our assessment on its position as the fourth-largest retail bank in Finland, where pan-Nordic groups have sizable operations, and its market share of 3.7% in customer deposits.

We believe the prospect of extraordinary government support for Finnish banks is now uncertain, following the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers. We therefore classify Finland's tendency to support private sector commercial banks as uncertain.

Our assessment of Aktia Bank's ALAC does not lead us to add any uplift to the ratings. We view the Finnish resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities. That said, the Finnish authorities have not yet formalized the resolution plans for Aktia Bank, and as such it is not certain the bank would be subject to a well-defined bail-in process. This is a pre-condition for us to include ALAC support into our ratings on a bank. A clear statement from the resolution authority on recovery plans, including details on the need to comply with minimum eligible requirements, is needed if we were to consider Aktia Bank's tier 2 capital instruments as a stabilizing factor for the rating on the bank.

## Related Criteria And Research

### Related Criteria

- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015

- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Group Rating Methodology, Nov. 19, 2013
- Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Commercial Paper I: Banks, March 23, 2004

## Related Research

- Banking Industry Country Risk Assessment Update: May 2017, May 5, 2017
- Finland Ratings Affirmed At 'AA+/A-1+'; Outlook Stable, March 17, 2017
- Banking Industry Country Risk Assessment: Finland, Jan. 30, 2017
- Various Positive Rating Actions On Finnish Banks On Improved Economic Conditions, Nov. 17, 2016
- Nordic Banks' Capital Growth Tapers Off, Aug. 2, 2016

### Anchor Matrix

| Industry Risk | Economic Risk | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | **2** | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | a | a | a- | bbb+ | bbb+ | bbb | - | - | - | - |
| 2 | a | a- | a- | bbb+ | bbb | bbb | bbb- | - | - | - |
| **3** | a- | **a-** | bbb+ | bbb+ | bbb | bbb- | bbb- | bb+ | - | - |
| 4 | bbb+ | bbb+ | bbb+ | bbb | bbb | bbb- | bb+ | bb | bb | - |
| 5 | bbb+ | bbb | bbb | bbb | bbb- | bbb- | bb+ | bb | bb- | b+ |
| 6 | bbb | bbb | bbb- | bbb- | bbb- | bb+ | bb | bb | bb- | b+ |
| 7 | - | bbb- | bbb- | bb+ | bb+ | bb | bb | bb- | b+ | b+ |
| 8 | - | - | bb+ | bb | bb | bb | bb- | bb- | b+ | b |
| 9 | - | - | - | bb | bb- | bb- | b+ | b+ | b+ | b |
| 10 | - | - | - | - | b+ | b+ | b+ | b | b | b- |

### Ratings Detail (As Of June 13, 2017)

| | |
|---|---|
| **Aktia Bank PLC** | |
| Counterparty Credit Rating | A-/Stable/A-2 |
| Senior Unsecured | A- |
| **Counterparty Credit Ratings History** | |
| 17-Nov-2016 | A-/Stable/A-2 |
| 12-Dec-2012 | A-/Negative/A-2 |
| **Sovereign Rating** | |
| Finland (Republic of) | AA+/Stable/A-1+ |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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