

ISSUER COMMENT

12 March 2021

 Rate this Research

RATINGS

Aktia Bank

Domicile	Helsinki, Finland
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	A1
Type	LTBank Deposits - Fgn Curr
Outlook	Stable
Baseline Credit Assessment	a3

Source: Moody's Investors Service

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Aktia Bank PLC

Purchase of Taaleri's asset management operations is credit positive

On 10 March, Helsinki-based [Aktia Bank PLC](#) (A1/A1 stable, a3¹) announced that it purchased the asset management operations of Taaleri Varainhoito Oy for €120 million and reached an agreement for Taaleri to distribute all of Aktia's fund products. The transaction is credit positive for Aktia because it complements the bank's strategy of expanding its wealth management and private banking operations, and will increase its commission income and improve its return on assets (RoA).

Boosting net interest income through alternative income sources is increasingly important for banks amid a flat yield curve and lower-for-longer interest rate environment. Wealth management and private banking positively affect returns because they deliver additional income while only marginally increasing assets and capital. Aktia has ample capital and can complete the transaction without weakening its solvency or liquidity.

The transaction will give Aktia access to about 5,600 new customers in the affluent banking segment and increase its assets under management by €4.4 billion, or more than 40%, to €14.8 billion. The pro forma net commission income of the acquired operations was approximately €31.0 million in 2020, equivalent to about 30% of Aktia's net commission income of €97.1 million for that year. The operations' pro forma operating profit was around €10.1 million in 2020, equivalent to about 20% of Aktia's operating profit. Moody's estimates that Pro forma RoA in 2020 would have been around 0.50% rather than the reported 0.42%.

Aktia expects the transaction to deliver synergies through the elimination of some duplicate functions and improve economics of scale, including in information technology and other infrastructure. Aktia estimate annual synergy gains of €8 million, including about €6 million on the cost side and €2 million on the revenue side. The bank expect synergies to be realised in full during 2023.

The €120 million purchase price is on a cash and debt-free basis, up to €10 million of which Aktia can pay with its own shares. The bank reported a Common Equity Tier 1 and Tier 1 ratio of 14% as of year-end 2020, substantially higher than the requirements set by the Finnish regulator of 8.26% for Tier 1 and 9.76% for Tier 2. Aktia intends to strengthen its Tier 1 capital adequacy ratio and previously announced its intention to issue Additional Tier 1 capital in the first half of this year.

As a part of the transaction, Aktia and Taaleri agreed to cooperate to support both their business strategies, including Aktia distributing Taaleri's alternative investment products in Finland. The parties expect to complete the transaction in May 2021, subject to the approval of the Finnish Competition and Consumer Authority and the Financial Supervisory Authority.

Endnotes

¹ The ratings shown are Aktia Bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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