MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Aktia Bank PLC's A2 long-term deposit ratings, outlook changed to negative

24 Sep 2025

Stockholm, September 24, 2025 -- Moody's Ratings (Moody's) today affirmed Aktia Bank PLC's (Aktia) ratings, including its long and short-term Counterparty Risk Ratings (CRR) at A1/P-1, the long and short-term deposit ratings at A2/P-1, the senior unsecured MTN program rating at (P)A2, the subordinate debt ratings at Baa2 and subordinate MTN program rating of (P)Baa2. Furthermore, we affirmed the Baseline Credit Assessment (BCA) and Adjusted BCA at baa1, the long and short-term Counterparty Risk Assessments (CR Assessment) at A1(cr)/P-1(cr) and the other short-term program rating at (P)P-1. We also affirmed the preferred stock non-cumulative rating of Ba1(hyb). The outlook on the long-term deposit ratings was changed to negative from stable.

RATINGS RATIONALE

AFFIRMATION OF THE BCA

The affirmation of Aktia's baa1 BCA is based on our expectation that the bank will maintain sound asset quality, resilient profitability supported by a diversified earnings stream across retail and corporate banking (69% of operating profit in the first half of 2025 excluding group functions), asset management (16%) and life insurance (15%), combined with strengthened capitalisation levels in recent years.

These strengths are balanced against an increase in non-performing loans (NPLs) on a weak economic backdrop in Finland, with the problem loans ratio, measured as stage 3 loans to gross loans, increasing to about 2.5% as at 30 June 2025 from 1.6% at year-end 2023; a modest Tier-1 leverage ratio of 4.4%; and, similar to other Nordic banks, a high reliance on market funding.

Concurrently, recent management turnover, including the departures of the incoming CEO in September 2025, the head of the asset management business in August 2025 and the short tenure of the former CEO, raise some concerns regarding governance oversight and successful execution of the recently launched strategic plan. Notably, Aktia's targeted organic growth in the asset management business, including assets under management reaching €20 billion by year-end 2027 from €15.9 billion as at June 2025, could be jeopardised in the event that top management instability prolongs causing a potential erosion to its wealth management franchise.

ADVANCED LOSS GIVEN FAILURE ANALYSIS

The affirmation of the A2 long-term deposit and (P)A2 senior unsecured MTN program ratings are underpinned by the bank's Adjusted BCA of baa1 and our unchanged assumption of very low loss given failure as per our Advanced Loss Given Failure (LGF) analysis, which continues to result in a two-notch uplift from the bank's BCA.

OUTLOOK

The change to negative outlook on the long-term deposit ratings from stable, reflects heightened uncertainty on the successful implementation of Aktia's strategic plan to improve underlying profitability and boost its non-interest income generated by wealth management. This uncertainty is mainly driven by the lack of stability and continuity in key management and board positions over the past three years.

Accordingly, we have also revised our Governance Issuer Profile Score in our ESG assessment for the bank to

G-3 from G-2. This change takes into consideration our concerns of potential weaknesses in governance oversight and succession planning, alongside limited management track record to deliver on Aktia's updated financial strategy. These challenges are partly mitigated by the bank's strong compliance and risk management functions, as well as the current interim roles for the positions of CEO and head of asset management business. Similarly, Aktia's Credit Impact Score (CIS) has been revised to CIS-3 from CIS-2, indicating that these governance considerations have currently limited negative impact on the ratings, albeit, with the potential to increase over time.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade is unlikely given the negative outlook on the long-term bank deposit ratings. However, the ratings could be upgraded following sustained improvements in the fundamentals of the bank, with increasing contribution from the wealth management franchise supported by stability in the board composition and executive management team, reduced levels of non-performing loans and stronger underlying profitability underpinning robust capitalisation levels. Furthermore, the ratings could be upgraded due to significantly higher cushion of loss absorbing obligations, providing additional protection to senior creditors and depositors in case of failure.

The ratings could be downgraded if the bank experiences an unexpected worsening in its asset quality indicators, with the problem loans ratio rising above 3%, profitability deteriorates sharply, capital ratios decline below the bank's target, or the bank fails to stabilise elevated turnover in key management positions over a sustained period. Also, the ratings could be downgraded if the bank decreases the amount of loss absorbing obligations providing protection to senior creditors and depositors in case of failure.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at https://ratings.moodys.com/rmc-documents/432741. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

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