

**Aktia Savings Bank plc**

# **Financial Statement**

## **31 December 2006**

**Aktia**

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# Report by the Board of Directors

## **The year's activities**

### **Financial result**

The Group's net operating profit rose to EUR 56.4 million, an increase of 7.3 million (+14.8%) on the previous year.

The result includes, as in 2005, significant items of a non-recurring nature. Net income from investment properties and other operating income included capital gains totalling EUR 6.5 million, while the corresponding non-recurring gains for 2005 amounted to EUR 14.5 million. The reversals of previous years' credit losses include a single reversal of EUR 1.5 million, while in 2005, provisions were made for sector-specific credit losses to the value of EUR 7.5 million. After adjustments for these non-recurring items, the Group's operating profit totalled EUR 48.4 million, an improvement of EUR 6.3 million (+14.9%) compared with the previous year.

The improvement in the overall financial performance is primarily attributable to higher commission income and improved net interest income.

Credit losses and provisions for new credit losses based on an individual examination of receivables remained at a low level. Due to the exceptionally high reversals of recorded credit losses from previous years, the net effect of credit losses was positive at EUR 1.6 million.

The share of profits from associated undertakings decreased to EUR 0.7 million (1.0).

Profit for the year rose to EUR 42.3 million, an improvement of EUR 5.2 million (+14.2%). The Group's profitability improved, and the return on equity (ROE) rose to 16.8% (16.3%). If the net change in the fund at fair value is taken into account, the return on equity would be 13.4% (17.7%). Earnings per share increased by 14.3% to EUR 1.20 (1.05), calculated on an average of 35.3 million shares.

### **Income**

The Group's total income rose to EUR 138.0 million (EUR 132.3 million), an increase of 4.3%.

The Group's net interest income rose by EUR 4.5 million (+5.7%) to EUR 84.2 million. The increase in net interest income was mainly attributable to growth in volume of both lending and deposits, as well as the return on the liquidity portfolio, although reduced customer margins, particularly in lending, continued to have a negative effect on the net interest income. The rising interest rate level also contributed to the positive effect on the net interest income. The hedging measures taken in order to reduce the structural interest rate risk continued to have a positive effect, amounting to EUR 3.2 million (8.0), on the net interest income during the financial year, but they are expected to have a dampening effect on the increase in net interest income during 2007.

Commission income increased by EUR 9.5 million (+24.7%) to EUR 48.1 million. Commission income from funds, asset management and brokering increased by EUR 5.1 million. Commission from charge and credit cards increased by EUR 0.4 million, while commission income from payment services decreased marginally. The real estate operations contributed EUR 3.5 million to the increase in commission income.

Net income from investment properties rose to EUR 4.9 (2.1) million, which includes profit of EUR 3.3 million from the sale of 50.02% of the shares in the real estate company Mannerheimintie 14.

Other operating income amounted to EUR 6.8 million (16.3), a reduction of EUR 9.5 million on the previous year when non-recurring income amounting to a total of EUR 14.5 million was included, mainly attributable to Aktia's withdrawal from the Savings Banks' voluntary security fund. Non-recurring income amounting to EUR 3.2 million, related to sales of shares, was also included in the 2006 accounts. This is primarily attributable to the sale of 4.3% of shares in the data company Oy Samlink Ab and 10% of the shares in Aktia Real Estate Mortgage Bank, together with, to a lesser extent, transactions in connection with the sale of shares in the real estate company Mannerheimintie 14.

### **Expenses**

The Group's total expenses rose by 10.9% to EUR 84.0 (75.7) million, of which approximately 5.5 percentage points was attributable to new investment within real estate agency operations and Aktia Kort & Finans.

Personnel costs increased by 7.5% to EUR 41.7 (38.8) million. Most of the increase in expenditure was due to investments that have been made primarily within real estate agency and capital market operations. The excellent result allowed EUR 2.1 million (1.8) to be transferred to the personnel fund, which affected the result for the financial year.

Other administration expenses increased by 18.2% to EUR 26.9 million (22.7). The major cost increase is attributed to real estate agency operations, marketing costs and other costs relating to Aktia's anniversary celebrations. Planned depreciation continued to decrease and fell by EUR 0.4 million to EUR 3.6 million (4.1), primarily as a result of divested real estate properties.

Other operating expenses rose by 16.2% to EUR 11.8 million (10.1), mainly due to increased consultancy and real estate agency expenses.

### **Balance sheet and off-balance-sheet commitments**

On 31 December 2006, the Group's balance sheet total stood at EUR 5,490 (4,553) million. The increase in the balance sheet total is a result of the growth in lending and improved liquidity. Growth has been financed by long-term covered bond issues and retail deposits. Outstanding covered bonds and subordinated debts amounting to EUR 1,100 million were included in the balance sheet total.

ted to a total of EUR 1,322 million, an increase of EUR 558 million.

Off-balance sheet commitments totalled EUR 515 million (380), an increase of EUR 135 million. The increase was primarily attributable to extended credit commitments for local banks.

At the end of the financial year, the nominal value of interest-related derivative instruments for hedging purposes totalled EUR 6,534 million (4,008), while the nominal value of other interest-related derivative instruments totalled EUR 2,395 million (526). The major increase in the utilisation of derivative contracts is attributable to the interest rate hedging provided for local banks; its nominal volume increased by EUR 2,210 million, in addition to which a corresponding amount was used to hedge the positions.

The nominal value of the underlying assets hedged by currency-related and share-related derivative contracts totalled EUR 138 million (115). All share-related derivative contracts, EUR 102.5 million, are related to structured products.

### Capital adequacy

On 31 December 2006, the Group's capital base totalled EUR 367 million, of which EUR 245 million was Tier 1 equity. Tier 1 equity includes the profit for the financial year less the additional dividends of EUR 0.30 per share, totalling EUR 10.6 million, that Aktia's Extraordinary General Meeting of 21 December 2006 decided on, and less the ordinary dividend according to the Board's proposal.

During the year, the Group issued subordinated debts for EUR 68 million. These are taken into account in the Tier 2 equity, which also includes the fund at fair value. All in all, this means that the Tier 2 equity rose to EUR 122 million.

The Group's risk-weighted commitments rose during the year by 16.1% to EUR 2,655 million. The capital adequacy ratio decreased to 13.8%, with the Tier 1 equity ratio being 9.2%. The decrease in the capital adequacy ratio and Tier 1 equity ratio are associated with the additional dividends that were decided upon in the December 2006 General Meeting of Shareholders. These ratios will strengthen again, to 14.7% and 9.8%, when the coupon issue decided upon by the December 2006 Extraordinary General Meeting of Shareholders is implemented in February 2007. The new capital adequacy regulations according to Basel II, which will be implemented during the first quarter of 2007, will further strengthen the Group's capital adequacy and Tier 1 equity ratio due to the lower risk weight of loans secured by housing collateral.

### Personnel

When converted into full-time employees, the number of staff employed by the Group increased by 89 to 772 (683) by the end of the financial year. 63 people were employed in real estate agency operations at the end of the year. The average number of full-time employees during the period was 741 (677).

## Financial result of the main subsidiaries

### Aktia Fund Management Ltd (Aktia's ownership share 100%)

Total saving in Aktia's mutual funds and intermediated funds increased by 46.2% to EUR 1,420 (971) million. Of the increase in fund savings, approximately 70% was due to net subscriptions while the remainder was due to increase in market values.

Aktia Fund Management Ltd's income increased by 35.4% to EUR 17.2 (12.7) million. Commission expenditure incurred by the sales channels amounted to EUR 10.0 (7.1) million. Other expenditure rose to EUR 4.8 million. The profit before tax increased by 47.3% to EUR 2.5 million.

### Aktia Asset Management Ltd (Aktia's ownership share 82%)

Assets under management by Aktia Asset Management rose by 40.6% to EUR 2,008 (1,428) million.

Total income increased by 13.7% to EUR 3.3 (2.9) million. Commission income amounted to EUR 2.8 million, an increase of 19.5%. Total expenditure increased to EUR 1.9 million. The profit before tax was down slightly, amounting to EUR 1.3 (1.4) million.

### Aktia Real Estate Mortgage Bank plc (Aktia's ownership share 75.9%, proportion of votes 70%)

Aktia Real Estate Mortgage Bank Plc, which commenced operations in 2001, is a credit institution that specialises in granting housing loans to private individuals and households secured by real estate or shares in housing co-operatives. The Mortgage Bank's loan products are sold by Aktia Savings Bank plc and by 32 other savings banks and 36 local co-operative banks. Since the local co-operative banks purchased a minority interest in Aktia Mortgage Bank in April 2006, the voting rights in the company are divided as follows: Aktia 70%, other savings banks 20% and the local co-operative banks 10%. Since the end of 2005, Aktia Mortgage Bank's business concept has been changed so that it produces financing services for its owner banks at cost price.

Total income increased to EUR 3.8 (3.3) million, and total expenses rose from EUR 1.2 million to EUR 1.7 million. Profit before appropriations and tax, EUR 2.1 (2.1) million, remained at the same level as the previous year. At the end of the year, total receivables from the public amounted to EUR 1,166.1 (755.1) million, an increase of EUR 411.0 million. The balance sheet total was EUR 1,213.3 (787.2) million.

### Aktia Real Estate Agencies (Aktia's ownership share 60 - 100%)

Aktia's real estate agency operations have been organised as regional real estate agencies that form a part of the Group. The bank makes it a principle to own the majority of each company, while minority interests can

be held by employees of the companies for incentive reasons. Operations commenced at the end of 2005 and were expanded substantially during 2006, which was the first actual year of activity. At the end of the financial year, Aktia Real Estate Agencies was a chain comprising of 10 companies. 880 dwellings and properties were sold during the year, generating total income amounting to EUR 3.5 million. As the total costs rose to EUR 3.9 million, the result before tax was a loss of EUR 0.4 million.

#### **Aktia Kortti & Rahoitus Oy (Aktia's ownership share 82%)**

Subsidiary Aktia Kortti & Rahoitus Oy, which was established at the end of 2005, commenced its actual operations in May 2006.

During the year, the company has supported the bank's distribution network in selling primarily Visa-related cards by means of product development and marketing initiatives, which resulted in an increase of 31% in charge cards. Just under half of them also had a linked credit facility, giving the customer more flexibility when using the card.

The total income amounted to EUR 0.6 million, costs amounted to EUR 0.5 million and the result before tax, EUR 0.1 million.

#### **Vasp-Invest Oy (Aktia's ownership share 75%)**

The total income of Vasp-Invest Oy amounted to EUR 1.3 million, a slight reduction on the previous year. Costs fell slightly from the previous year, i.e., to EUR 0.9 million. The profit before tax was EUR 0.4 (0.3) million.

### **Balance sheet and financial structure**

#### **Assets**

##### ***Receivables from the public***

The demand for housing loans remained high. The Group's total lending amounted to EUR 3,761 million at the end of the year, representing an increase of EUR 511 million (+15.7%). Of the receivables, 83.0% (81.0%) consisted of loans extended to private individuals and households.

The majority of the lending to households was housing loans, constituting 70.8% (68.0%) of the total loan stock. The housing loan stock increased by 20.4% to EUR 2,662 million, of which mortgages constituted EUR 1,166 million, an increase of EUR 411 million (+54.4%). It should be noted, however, that most of the increase in the mortgage loan stock, EUR 320 million, was accounted for by loans distributed by local co-operative banks and other savings banks. The increase in lending less the mortgage loans distributed by other banks amounted to 6.0% for the whole Group, 6.7% for the household sector and 6.1% for housing loans.

Corporate financing rose to EUR 394 (340) million, constituting 10.5% (10.5%) of the entire loan stock. The credit extended to housing associations totalled

EUR 197 (227) million, which represented 5.2% (7.0%) of the entire loan stock.

The structure of the loan stock was well diversified. Approximately 41% (39%) of the entire loan stock consisted of credit to customers whose liabilities corresponded to less than EUR 100,000. The proportion of loans to customers with liabilities of over EUR 800,000 amounted to only around 9% (10%) of the entire loan stock.

The non-performing and non-interest-bearing loans rose from EUR 10.1 to 14.7 million. Their relative share of the entire loan stock, including off-balance-sheet guarantee commitments, thus increased from 0.3% to 0.4%.

The Group's credit losses remained low. During the year, credit losses and new provisions for credit losses based on individual examination of receivables totalling EUR 0.7 million were entered. Reversals of credit losses recorded in previous years amounted to EUR 2.3 million, of which EUR 1.5 million is attributable to a single credit loss reversal. The net credit loss effect was positive at EUR 1.6 million.

No additional provisions for sector-specific credit losses were deemed necessary, and therefore the provisions remain unchanged, amounting to EUR 13.7 million.

##### ***Investments in interest-bearing securities***

Investments in interest-bearing securities are made primarily to manage the bank's asset and liability risks (financing and interest rate risks) and to ensure liquidity. Bonds are divided, according to their intended use, into bonds held for trading and that can be sold and bonds that are retained until maturity.

The trading book has only been used to support customer trading. The bank has received permission from the Financial Supervisory Authority to maintain a "small trading book". At the end of 2006, the total assets of the trading book stood at EUR 7.8 million.

The portfolios booked as bonds that can be sold are administered by the Finance Committee, which is responsible for the bank's asset & liability management. Investment decisions are made with a view to ensuring liquidity, and therefore funds are invested only in debt securities with high liquidity. On 31 December 2006, the balance sheet value of the portfolios was EUR 1,187.9 million, with an average duration of 2.7 years. Compared with the previous year, these investments have increased by EUR 447.2 million. The market valuation of these financial assets that are available for sale is entered against the fair value reserve under equity capital after the deduction of deferred tax. The net change in the fair value reserve entered during the financial year amounted to EUR -9.1 million (-1.1). The total fair value reserve at the end of the year amounted to EUR -0.9 million (7.7).

The Finance Committee also manages investments entered as bonds that are retained until maturity. At the end of 2006, the balance sheet value of the portfolio stood at EUR 47.8 million. The average maturity of the portfolios was 4.0 years. The valuation principles are discussed in more detail in the Accounting policies section.

### **Shareholdings**

Shares included in the balance sheet consist mainly of investments classified as shares that can be sold. This category also includes the shares, corresponding to just under 9% of the capital and around 2.7% of the votes, in the Bank of Åland plc that were acquired in 2003. The Bank of Åland showed a balance sheet value of EUR 24.1 million at the end of 2006.

### **Real estate**

Investments in or ownership of real estate property is not part of Aktia's core business. In line with this strategy, an agreement was entered into in August 2006, under which Föreningen Konstsamfundet r.f. and Veritas Pension Insurance Company purchased 50.02% of the bank's shareholding in real estate company Mannerheimintie 14. Aktia and the new owners are jointly planning development of the property as part of the Forum shopping centre, while Aktia's activities within the property will continue.

At the end of 2006, the amount of Group capital tied up in real estate property stood at EUR 37.0 (92.4) million, of which EUR 12.4 million was made up of real estate property not used by the bank itself. Real estate property accounted for 0.7% of the Group's balance sheet total. The total actual value of the real estate holdings has been valued at EUR 41.3 million. More details on real estate holdings and their actual value are provided in note 2.7.

### **Liabilities**

#### **Deposits from the public**

Deposits from the public increased by 10.6% to stand at EUR 2,533 million at the end of the year. Of the entire deposit stock, households accounted for 77.6% (EUR 1,981 million). The biggest growth was attributable to investment deposits, while savings deposits and prime-rate deposits fell.

At the end of 2006, prime rate accounts accounted for 12.4% (15.0%), accounts with a fixed one-percent interest for 15.9% (19.3%), and actual current accounts for 36.0% (38.1%) of the total deposit stock. Time deposits accounted for 34.6% (25.7%) of the deposits.

The deposit stock is still well diversified. Around 32% (30%) of all deposited funds consisted of deposits in excess of EUR 150,000.

#### **Funding from money and capital markets**

The positive development of lending activities and the improved liquidity increased the bank's need to borrow from the capital market. As in the past, most of the borrowing still consisted of deposits from the public, bonds issued to the public and money market investments by local banks in Aktia.

The Group significantly increased its long-term borrowing, and during the year issued new covered bonds for EUR 548 (301) million and new subordinated liabilities for EUR 68 (55) million. The majority of the new covered bonds were issued by Aktia Real Estate Mortgage Bank plc on the Euromarket, secured by mortgages granted. Aktia Mortgage Bank implemented

two issues, each for EUR 250 million with a duration of 7 and 3 years respectively within the scope of its EMTN (European Medium Term Notes) programme of EUR 2 billion, of which EUR 1 billion was unused on 31 December 2006.

Other covered bonds and subordinated debts, totalling approximately EUR 116 (106) million, were issued on the domestic market to both private individuals and institutional investors. The share of the foreign capital made up of covered bonds and subordinated debts rose during the year from 17.8% to 25.3%. In addition, the bank issued certificates of deposit that stood at EUR 193 (185) million at the end of the year, which represented 3.7% (4.3%) of the foreign capital.

### **Rating**

Aktia's credit ratings as assessed by Moody's Investors Service Ltd after the end of the financial year have been raised from A3 to Aa2 for long-term borrowing, and from P-2 to P-1 for short-term borrowing, while C for financial strength remains unchanged, all with a stable outlook. Aktia, via its subsidiary Aktia Real Estate Mortgage Bank Plc, has also previously issued long-term covered bonds with a very high credit rating of Aa2 from Moody's Investors Service Ltd. Aa2 is the third best and P-1 is the best credit rating a bank can obtain.

## **Risk management**

### **General**

The principal aim of the risk management process is to identify risks, assess the financial or indirect effect, manage the risks through hedging operations and ensure that adequate capital has been set aside for any risk outcome.

The most substantial risk areas in the Group's activities are credit risks, interest rate risks, financing and liquidity risks and operational risks, but other risks are also controlled and managed.

The Board of Directors is responsible for ensuring that the risk management and internal controls are adequate in relation to the scope and risk level of the activity. The Board of Directors defines the principles for management of the Group's business operations and more detailed instructions for risk-taking, including limits, control functions and reporting requirements annually.

In order to govern risk-taking and pricing of risks, a risk-related capital charge is allocated to the business units.

### **Organisation of risk management**

Risk management consists of two functions that are independent of each other. The aim of the risk control function is to follow up on limits and instructions for risk-taking, calculate and analyse the risks and maintain a risk-based capital allocation model. The line organisation manages the risks on business terms through pricing, various types of covenants and security or other hedging measures.

The Group's processes are structured in such a way that business planning, decision-making, implementation and controls are carried out independently of one another

### **Management of credit risks**

Credit risk is defined as result fluctuations caused by a debtor or counterparty not fulfilling their commitments.

Credit risks are measured by assessing ability to repay or credit rating classification and adequacy of security. The Board of Directors annually determine a credit risk strategy that individually allows for lending to households, traditional corporate financing and risk capital financing as well as lending to banks and investment activities.

### **Lending to households**

The majority of the Group's lending is aimed at households and mainly consists of housing loans or loans against housing collateral. The lending is based on a well-defined loan decision process with built-in duality and internal controls.

The lending takes into account whether the customer's ability to repay is adequate in relation to the total liability and also allows for substantial rise in the interest rate level. In order to further develop the credit rating classification within household financing and to provide a basis for more risk-differentiated pricing in the future, a "Credit Scoring" model has been used.

Lending to households is generally against secure collateral in order to maintain an adequate buffer in the security stock with a view to any changes in collateral value.

Within the scope of the limits specified by the Board of Directors, the Executive Committee has delegated credit-granting authority to branches or authorised credit commitments differentiated according to the customer entity's responsibility, credit rating classification or collateral risk.

### **Lending to companies**

Customer assessment within corporate financing is generally based on the latest returns, an external credit rating classification and internal investigations of cash flow, competitive situation, existing investment effect and other forecasts. Local activity is also a starting point for corporate financing and the bank does not generally contribute to financing of companies or projects outside the bank's areas of operation.

The collateral valuation within corporate financing employs separate regulations and allows for any changes in value. The interaction between fixed assets' values and the company's business requirements should be taken into particular account when valuing fixed assets as collateral.

A new business strategy for corporate activities has been formulated with a view to increasing the volumes within this segment while implementing improvements in competence and specialisation. This also means that

risk management within corporate financing will be developed and that, among other things, new methods will be introduced for assessing and following up on credit ratings.

Within the scope of the limits specified by the Board of Directors, the Executive Committee has delegated credit-granting authority to branches or authorised credit agents differentiated according to similar principles to those that apply to household financing, but corporate decision-making is more focused with a view to competence requirements. Principles have been established to avoid large individual customer risks or other concentration risks within corporate financing.

### **Lending to local banks and the Group's own investment activities**

The Board of Directors defines separate limits for short and long-term financing of local banks based on the local bank's capital adequacy. Other instruments (primarily derivatives) with counterparty risk can also be used within the same limits.

The Group's own investment activities are managed by the Treasury Unit and, in addition to liquidity investment, also cover entering into hedging derivative contracts. This takes place according to decisions and limits determined by the Credit Committee appointed by the executive management within the framework of limits granted by the Board of Directors. The bank strives to minimise the counterparty risk through choosing only counterparties with high-class external credit classification (Moody's or equivalent). In order to limit counterparty risks within derivative activities, a CSA procedure is also used.

The Balance Risk Control Unit, which reports to the Finance Committee appointed by the executive management, defines, among other things, the derivative products' credit risk equivalent values and measures and controls the counterparty risks.

As well as conventional credit risks, risk management includes limiting the settlement risk and evaluating country risks. In accordance with the instructions issued by the Board of Directors, the maximum risk is limited in relation to either Aktia's or the counterparty's shareholders' equity.

### **Reporting of credit risks and credit loss provisions**

The Credit Control Unit, which is independent of the line organisation responsible for the bank's financial performance, oversees the decision-making and documentation process and supports the branch offices in the preparation and implementation of loan decisions. All credit decisions regarding customers with a liability of over EUR 2 million or a collateral risk of more than EUR 250,000 or corporate customers with a liability of more than EUR 4 million or a collateral risk of more than EUR 1 million will be reported to the bank's Board of Directors.

Aktia's Board of Directors and the Executive Committee monitor the risk level in lending on a regular basis. The Quantitative Risk Control Unit analyses the

loan stock, changes in the loan stock and changes in payment behaviour on the market and strives to anticipate variations in the risk level of the bank's credit portfolio. Based on the analyses, the line organisation responsible for the bank's financial performance actively assesses the economic relevance of the various types of exposure and makes corrective decisions as required.

Based on individual examination of receivables, provisions for probable credit losses are made where necessary. These analyses, however, are based on probability assessments of future operating environments and other factors, which naturally involves a degree of uncertainty.

Since 2002, the bank has built up sector-specific non-directed credit loss provisions. These provisions are for sectors where operating conditions have clearly changed, which could result in credit losses.

### **Management of financing and liquidity risks**

Liquidity risk is defined as access to refinancing and differences in maturity between assets and liabilities. Management of refinancing risks ensures that the Group can honour its financial obligations.

To raise funds for lending, Aktia refinances its operations through both deposits and investments by the public as well as by borrowing from the money and capital markets. A significant portion of this is made up of long-term borrowing through covered bonds issued by Aktia Real Estate Mortgage Bank secured by housing loans. In order to cover short-term financing requirements, the bank also has the right of issuing certificates of deposit on the domestic money market.

As for market-related refinancing, a diverse range of sources of financing and an adequate spread on various markets should be maintained. Aktia Real Estate Mortgage Bank plc represents a strategically important channel for competitive and long-term borrowing. A liquidity portfolio consisting of first-rate securities has been built up in order to safeguard against short-term liquidity fluctuations, and these securities can also be used as a buffer in the event of market disturbances. The objective is to be able to cover one year's refinancing requirements with existing liquidity.

In managing refinancing risks, Aktia takes into account both its own lending activities and its obligations with respect to savings and local cooperative banks, for which Aktia serves as the central financial institution. These also constitute an important source of funding for Aktia.

The Finance Committee is responsible for managing the refinancing risks. The Balance Risk Control Unit, which continuously follows up on the liquidity risks and associated limits, reports to the Finance Committee. Practical measures to change the liquidity position in accordance with the instructions issued by the Finance Committee are implemented by the Treasury Unit. Similarly, the Treasury Unit is responsible for maintaining the bank's day-to-day liquidity.

### **Management of market risks**

Market risk refers to the impact caused by fluctuations in interest rates, share prices and market values on the bank's financial performance.

By managing the market risk, the bank seeks to ensure steady long-term development of net interest income and financial performance. Limits and principles for market risk management have been established by Aktia's Board of Directors. Market risks are related either to the bank's basic activities (structural interest rate risk) or to individual transactions. The bank does not actively take market risks for trading purposes.

Aktia's Executive Committee is responsible for managing the market risks with the authorisation of the Board of Directors. Responsibility for this activity rests with the Finance Committee subject to certain limits predetermined by the Board of Directors. The Balance Risk Control Unit reports to the Finance Committee. The Finance Committee makes decisions on more detailed risk measurement and monitoring procedures, and submits proposals, when necessary, to the Executive Committee on changes to risk limits within the framework established by the Board of Directors.

### **Interest rate risk**

#### *Structural interest rate risk*

A structural interest rate risk refers to a risk in the development of the net interest income that is due to imbalances between the interest rate ties of the Group's assets and liabilities within the basic activities.

Structural interest rate risk is managed through active hedging by means of derivative contracts and liquidity investments with the aim of keeping the net interest income stable and protecting the result against a low interest-rate level.

The effects of various interest rate scenarios on net interest income, taking into consideration changes to the balance sheet structure and account means, are calculated using a dynamic asset and liability management model. The structural interest rate risk is measured by using various stress scenarios.

The limit for the structural interest rate risk has been set in proportion to the budgeted net interest income and projected net interest income for the following two years. Practical measures to cover the structural interest rate risk and to change the financing position in accordance with the instructions issued by the Finance Committee are implemented by the Treasury Unit.

#### *Price sensitivity risk*

Price sensitivity risk is defined as changes in the market value of certificates of claim as a result of interest rate fluctuations. The changes are reported against the fair value reserve under equity after deduction for deferred tax.

The price sensitivity risk is measured by simulating the effect of a 1% rise in the interest rate level. The Finance Committee determine more specific limits within the framework established by the Board of Directors.

### *Exchange rate risk*

An exchange rate risk refers to a negative change in value in the bank's currency positions caused by fluctuations in exchange rates.

Aktia's currency dealings are based on customer requirements, for which reason most of this activity involves Nordic currencies and the US dollar. Exchange rate risks are primarily managed by means of matching. The Treasury Unit is responsible for managing the bank's daily currency position within the framework of the authorisations given by the Finance Committee. Operations are governed by limits set by the bank's Executive Committee. The position limits have been determined in relation to the bank's capital base.

### *Equity risk*

Equity risk refers to changes in value due to fluctuations in share prices. Limits for equity risks have been established relative to the Group's own funds.

Active share investments are not currently part of the bank's investment policies.

### *Real estate risk*

Real estate risk refers to a risk that arises from a fall in the market value of the real estate stock. Investments in or ownership of real estate property is not part of the Group's core business. To reduce real estate risks, Aktia has cut back on its direct real estate holdings and seeks to improve efficiency in the utilisation of such property and increase returns. More details on the development and valuation of Aktia's real estate holdings can be found in note 2.7. Most of the properties are insured for their full value.

## **Management of operational risks**

Operational risks refer to risks of losses that arise as a result of unclear or incomplete instructions, activities carried out in violation of instructions, unreliable information, deficient systems or actions taken by staff members. The losses incurred due to the risks may be direct or indirect financial losses, or ones that tarnish the corporate image to the extent that the bank's credibility in the market place suffers.

The Group's policy on managing operational risks has been established by the bank's Board of Directors. According to the policy, the essential functions in the Group, including delegated functions, shall be regularly mapped out for risks. The risk mapping concludes with a probability and consequence evaluation, after which the competent decision-making body will decide on how the risks will be handled.

In addition to regular risk mapping, adequate instructions shall also be drawn up as a preventive measure in order to reduce operational risks in the central and risky areas. The instructions should include legal risks, personnel risks, and principles for continuity planning, etc.

In order to verify the reliability of the risk mapping and to follow up on how the risk level develops, all significant incidents must be registered and reported in a systematic fashion.

The responsibility for managing the operational risks is borne by the business areas and the line organisation. Risk management includes continual development of the quality of the internal processes and internal control of the whole organisation. The management of each business area is responsible for ensuring that the processes and procedures are adapted to the goals established by the Executive Committee and that the instructions are sufficient. Special process descriptions are drawn up if necessary.

Each unit manager is responsible for ensuring full compliance with the instructions. Internal Audit analyses the processes at regular intervals and evaluates the reliability of the units' internal controls. Internal Audit reports directly to the Board of Directors.

In addition to the preventive work for avoidance of operational risks, the bank also seeks to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities, etc.

## **Legal risks**

Legal risk refers to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions and loss of goodwill due to a law or official regulations being violated. Aktia seeks to manage the risk of poor agreement documentation by establishing contractual relationships relating to day-to-day activities that are based on standard terms worked out jointly by the banking industry. When finalising non-standardised agreements, branch offices and business units must consult the bank's Legal Services. External experts are relied upon when necessary. The parent bank has special expert resources allocated to support the Group's "compliance", especially in provision of investment services.

## **New capital adequacy regulations – Basel II - and further development of the risk management processes**

The preparations for the transition to Basel II have continued throughout the year, and from 15 February 2007, when the new capital adequacy regulations came into force, Aktia changed to applying the so-called standard model for credit risks and the so-called basic model for operational risks in the official capital calculation. No capital requirement is calculated for market risks due to a small trading book.

During the year, under the management of the Board of Directors, development of an internal method for a comprehensive risk assessment has commenced, taking into consideration adequate stress scenarios, among other things. This work applies the principles for the internal methods for capital adequacy calculation within the Basel II rules and regulations and will be used, among other things, as a basis for risk-based pricing and capital allocation.

## **Effect of forthcoming transition to IFRS**

The Group produces its reports according to FAS (Finnish Accounting Standards), but from the first quarter of 2007 will switch to IFRS (International Financial Reporting Standards).

In order to provide relevant comparative data, an opening balance sheet for 1 January 2006 is being drawn up. One of the new elements to be included in the final accounts is a cash flow statement. The transition to IFRS will have a positive effect on Aktia's equity as of 1 January 2006, but is not expected to have a significant effect on capital adequacy and debt ratio.

The effects of the transition will be reported in a separate stock exchange release. Below is an indicative discussion on what the greatest changes will be.

### **Effect on the balance sheet**

The Group has drawn up annual accounts and interim accounts in accordance with the national changes that came into force from 1 January 2005.

Consequently, financial assets have already been reclassified and valued in accordance with IFRS as per standard IAS 39. In this respect, the transition to IFRS will involve no significant changes (see more in the section entitled Accounting principles after the notes to the financial statements).

The most essential IFRS standards that will have an impact on Aktia's balance sheet and equity are IAS 19 Employee benefits, IAS 37 Provisions and IAS 39 Financial instruments: Recognition and Measurement.

Once Veritas Life Insurance becomes part of the Group, Veritas Life Insurance's financial assets will also be reclassified and valued according to IFRS. In addition, Aktia will analyse Veritas Life Insurance's insurance agreements and treat them in the accounts as either insurance contracts as referred to in IFRS 4 (Insurance contracts), or as investment agreements as referred to in standards IAS 39 and IAS 32. The choice will be based on the insurance risk included in the agreement. An arrangement such as an insurance agreement does not involve any change relative to reporting as per FAS, while an arrangement like an investment agreement involves a change in that the agreements in question must be valued at current value.

The treatment of goodwill under IFRS differs from the present FAS reporting. Goodwill should be allocated to the acquired assets as far as possible. On 31 December 2006, there was no goodwill in the Group's balance sheet. No planned depreciation of goodwill may be undertaken in the future. The value of goodwill must be valued separately and if the value falls below the booked value, a write-down must be implemented. Any future write-downs in goodwill will have an effect on the profit and loss account.

IFRS sets stricter requirements for justification and documentation regarding provisions than FAS. The bank has, among other things, made sector-specific credit loss provisions of EUR 13.7 million. If any portion of the provisions must be released, this will, after deduction of deferred tax liability, have a positive im-

act on equity in the opening balance sheet for 1 January 2006 as per IFRS.

Aktia has, as per FAS, applied the national regulations for hedging accounting, with both hedging item and hedging instrument having been valued at accrued acquisition cost. Under IFRS, hedging accounting will increase Aktia's balance sheet total marginally, by around 0.2-0.3%.

### **Effect on the profit and loss account**

Aktia has documented hedging accounting either as hedging of actual value or hedging of cash flow according to the IFRS regulations. Aktia will apply the "carve-out" version of IAS 39 approved by the European Union, which allows hedging accounting to be applied also for balance sheet items "repayable on demand", for hedging of actual value where the market valuation for both the hedged balance sheet item and the hedging instrument must be reported in the results under net income from hedging accounting, but the effects on profit are not expected to be significant. However, the effective change in the market value of the hedging instrument for hedging of cash flow will be reported under equity; the effect is expected to be negligible.

### **The acquisition of Veritas Life Insurance Company**

The acquisition of Veritas Life Insurance was implemented on 17 January 2007, and so Veritas Life Insurance's annual accounts have not been consolidated to any extent in the Group's annual accounts for 2006. Veritas Life Insurance will be reported on as part of the Group for the first time in the interim report for the first quarter of 2007, which will be prepared in accordance with IFRS (international accounting principles). The acquisition is not expected to give rise to any significant amount of goodwill. The principles for how the acquisition is to be handled as per IFRS are described briefly below.

The acquisition of Veritas Life Insurance will, in accordance with IFRS 3, be handled according to acquisition accounting. Identifiable assets and liabilities in Veritas Life Insurance will be valued at current value.

The acquisition value of Veritas Life Insurance will be made up of the compensation paid in the form of cash payment, outstanding payments, transfer of financial assets or other assets, assumption of liabilities and issue of own securities, as well as costs directly attributable to the acquisition. Both assets and liabilities as equity instruments are valued at actual value as of the acquisition date.

The acquisition value will be divided between the acquired identifiable assets, liabilities and contingent liabilities. According to IFRS, goodwill will be reviewed annually in accordance with IAS 36 with reference to any write-down requirement and reported at acquisition value less accumulated write-down. Acquisition-related intangible assets in connection with the acquisition of Veritas Life Insurance will be separated from goodwill, provided that they fulfil the requirements of the definition of assets and have a financial value. Acquisition-

related intangible fixed assets that can be reported in connection with the acquisition covers various types of intangible fixed assets such as market-related, customer-related, contract-related and technology-based intangible assets.

If the actual value of the acquired net assets exceeds the acquisition value of the shares in Veritas Life Insurance and so-called negative goodwill thereby arises, Aktia will first re-examine the set value of the acquired net assets. If the actual values set for the net assets still exceed the acquisition value, the excess amount will be reported as income in the consolidated accounts.

Provisions for restructuring costs will be entered if at the acquisition date there is an obligation at Veritas Life Insurance that fulfils the terms as per IAS 37 on provisions.

## **Operations and major events in 2006**

### **Anniversary year 2006**

In 2006, the bank celebrated the 180th anniversary of the start of business (as Helsinki Savings Bank) and the 15th anniversary of Aktia Savings Bank in its present form.

The anniversary year was celebrated during the traditional "Aktia Days", which this year culminated in a festive seminar held in Kirkkonummi, a particularly relevant location during the year, as it marked the 50th anniversary of the end of the Porkkala episode. At the seminar, the Savings Bank Foundation in Helsinki and Aktia jointly donated a considerable sum of money to the Clean Baltic Sea project of the John Nurminen Foundation.

In November, an anniversary seminar with prominent speakers was organised jointly with the Swedish School of Economics and Business Administration in Helsinki. Investor and philanthropist George Soros, Sweden's ex-Prime Minister Göran Persson and Mr. Sixten Korkman, MD of ETLA (the Research Institute of the Finnish Economy) shared with the audience their views and perspectives on current economic circumstances and the outlook in the Nordic countries, Europe and the world.

To further mark the anniversary year, a book was published in December under the title "Mänskliga mått, Aktia - en stor liten bank och dess hemlighet" (Human touch; Aktia — a large small bank and its secret). The book was written by Svenolof Karlsson; it had a print run of 9,000 copies and was very well received.

### **Branch office operations**

Aktia continued to focus on accessibility, which was reflected, among other things, in the decision to expand the branch office network. In March, a new branch office was opened in Espoonlahti, Espoo, and another one in November in Kemiö. A branch office will also be opened in Lohja during spring 2007.

Adjusted, more flexible opening hours and the utilisation of modern telephony technology have also improved the level of service in branch office operations

during the year, and more emphasis has been placed on the active provision of advisory services.

### **Savings products**

Over the last few years, Aktia Fund Management Ltd's mutual funds have been ranked by the Morningstar Rating Institute as among the very best of all fund management companies in Finland.

Aktia Fund Management Ltd now has 50 mutual funds in its range of products. As well as having 23 of its own funds, whose portfolio management is the responsibility of affiliated company Aktia Asset Management, Robur's, Hansa Investment Funds' and ABN Amro's funds are all represented. A new mutual fund, Aktia Nordic, was launched during the year, as were two Hansabank funds that invest in the real estate markets of Eastern Europe and in Central Asian shares respectively.

The so-called "Duo" offers were continued throughout the year, and these were in high demand particularly among savings and investment customers. The twofold investment arrangements comprise part high-interest deposit and part fund investment, of an amount at least equivalent to that of the deposit. Two combination deposit accounts with a yield linked to the share price index were also offered.

During the year, Aktia issued seven bonds, two of which were share-index-linked. The Eastern Europe bond issued in the spring was of particular interest to investors.

### **Loan products**

Demand for loans remained strong during the year. We were able to meet the demand for housing finance, both in the form of mortgage loans granted by Aktia's wholly-owned subsidiary Aktia Real Estate Mortgage Bank plc, and in the form of traditional bank loans. As interest rates have increased, customers have become more interested in using Aktia prime as the reference rate, and also in using fixed interest rates. Since the autumn, customers have been able to arrange Interest Rate Caps, with the option of a set maximum loan interest rate along with a tie to short-term market rate. This generally provides favourable loan maintenance costs.

Combining Flexlimit, an overdraft facility, with the financing package as an extra buffer for unforeseen minor expenditure has become increasingly popular. Aktia's customers have opted for loan insurance for approximately one third of all new loans.

The competitive situation in lending to companies and associations became more intense during the year. Aktia succeeded in defending its market position and achieved moderate growth. Development work on enhancing the resources and competence in this area began towards the end of the year. During 2006, Aktia utilised refinancing from the European Investment Bank for small and medium-sized companies.

## Payment products

During the year, the subsidiary Aktia Kort & Finans Oy supported the bank's distribution network in selling primarily Visa-related cards through product development and marketing initiatives, which resulted in an increase of 31% in charge cards. Just under half of these also had a linked credit facility, giving the customer more flexibility when using the card.

In order to offer a more personalised Visa card, in May, Aktia became the first bank in Finland to introduce an option where the customer may self-select a personal picture for their Visa card, using either a photograph of their own or one from a gallery of almost 100 ready-to-use images. During summer and autumn 2006, 12,000 customers have already chosen this type of card solution.

The popularity of Internet banking has continued to increase — in 2006, 66% of Aktia's private customers managed all their payment transactions through the Internet — and more and more customers are switching to receiving their account statements in electronic form. A new version of the Internet bank with a facility for secure e-mail connections between the customer and the bank, and the possibility of communicating even sensitive issues, was introduced during the autumn, together with more extensive information provision regarding the customer's savings, investments and loans with the bank.

The e-invoice was introduced in May for use by the bank's corporate customers. This allows companies invoicing private individuals to send their invoices in electronic form to the customer's Internet bank, saving both time and money for the sender and the recipient of the invoice.

In September, Aktia Savings Bank introduced a new service intended for small companies, farmers, foundations and professionals. In addition to normal payment transactions and account statements in electronic form, these web services for companies also allow invoicing and file transfers, and the number of users is steadily increasing.

## Aktia's real estate agency operations

Following the establishment of the bank's own real estate agency operations at the end of 2005, these have been greatly expanded and developed during 2006. Today, Aktia's real estate agency operations consist of a chain made up of 10 agencies covering the bank's geographic area of operations, excluding North Ostrobothnia.

The number of employees in the agencies, which are all subsidiaries of the Aktia Group, totalled 63 at the end of the year, and they arranged the sale of 880 dwellings and real estate properties during 2006.

The business has extended Aktia's service portfolio, and customers have welcomed the concept of "all services under one roof". The "Real estate property for sale" advertisements have also had a positive impact on Aktia's visibility in the local and national press.

## Changes in the Board of Supervisors, Board of Directors and Executive Committee

- On 30 March, the General Meeting of Shareholders of Aktia Savings Bank plc elected Administrative Director, Assistant Secretary Roger Broo, M.Sc. (Pol.) and MD Kjell Sundström M.Sc. (Econ) as new members of the Board of Supervisors.
- Head of Communications, Carola Teir-Lehtinen, M.A. left her assignment as a member of the Board of Directors for Aktia Savings Bank plc with effect from 1 July 2006 as a result of new commitments with her employer.
- In September, Mr. Stefan Björkman, M.Sc (Eng.) was appointed Deputy MD and a member of the Executive Committee with responsibility for the bank's corporate customers.
- In November, the Board of Supervisors appointed MD Marina Vahtola, M.Sc. (Econ.) as a new member of the bank's Board of Directors.
- In December, Taru Narvanmaa, MA (Econ.) was appointed Bank Director and a member of the Group's Executive Committee with responsibility for life insurance products. In January 2007, Ms. Narvanmaa was appointed Managing Director of Veritas Life Insurance Company recently acquired by the bank.

## Other events

During the year, preparations have been initiated within Aktia for the transition to SEPA (Single Euro Payment Area). The transition will primarily affect the use of the bank's payment and card services.

In March and November, Aktia Real Estate Mortgage Bank plc issued two new covered bonds on the European market. Thanks to the high credit rating of the issues — Aa2 — and the great interest shown by foreign institutional investors in Finnish covered bonds, both issues were again successful and raised EUR 250 million each. They were hugely oversubscribed and achieved a good geographic spread. The loan periods are 7 and 3 years, and the mortgages granted by the Mortgage Bank are used as collateral.

Aktia's personnel fund received a full contribution of EUR 1.8 million following the good financial performance of 2005. The fund will also receive a full contribution for 2006, amounting to EUR 2.1 million.

In April, a number of local co-operative banks acquired 10% of the shares in Aktia Real Estate Mortgage Bank plc.

In April, Aktia also sold 2.3% of the shares in data company Oy Samlink Ab to Handelsbanken in Finland, and in November, 2.0% were sold to local co-operative banks, after which Aktia's holding in Samlink amounts to 24%.

A final agreement, according to which Föreningen Konstsamfundet and Veritas Pension Insurance Company purchased 50.02% of the shares in real estate company Mannerheimintie 14 from Aktia Savings Bank, was signed in August. Aktia and the new owners will

jointly plan the development of the property as part of the Forum shopping centre, while Aktia continues operating in the building.

Aktia's Extraordinary General Meeting resolved on 21 December 2006 to pay an additional dividend of EUR 0.30 per share, and this was paid on 5 February 2007. The General Meeting also resolved to implement a coupon issue consisting of a maximum of 1,764,902 new shares at a subscription price of EUR 9 per share. The subscription period commenced on 6 February 2007 and ended on 23 February 2007.

An agreement was signed in December regarding the purchase of 99.96% of the shares in Veritas Life Insurance Company from Veritas Pension Insurance Company, as well as a conditional agreement regarding the purchase of 80% of the shares in Oy Fondex Ab from Veritas Pension Insurance Company and Fondex management. The acquisition of Veritas Life Insurance Company was implemented on 17 January 2007. If the acquisition of Fondex is carried out, the compensation has been agreed to consist of 560,000 newly-issued shares in Aktia. An agreement is also in place for possible later acquisition of the remaining 20% of Fondex shares depending on how Fondex develops and on fulfilment of certain conditions during 2007 and 2008.

In December, the bank announced that it will reduce the fees for Internet banking agreements and payment cards from the beginning of 2007. Cards with a Visa facility will be free of charge.

### **Deposit Guarantee Fund**

Aktia's deposit customers are still protected through the statutory Deposit Guarantee Fund. Membership of the Deposit Guarantee Fund, which was established in 1998 and safeguards deposits by private investors up to EUR 25,000, is obligatory for all banks. Aktia's total contribution to the fund was EUR 1.4 million in 2006. At the end of the year, the total assets of the fund stood at EUR 422.1 million.

### **Investors' Compensation Fund**

Banks and brokerage firms are members of the Investors' Compensation Fund. The purpose of the fund is to safeguard the interests of small investors in the event that a bank or brokerage firm becomes insolvent. Individual investors may receive compensation up to EUR 20,000. By the end of the year, the total assets of the fund amounted to EUR 5.0 million.

### **Important events after the end of the financial year**

The acquisition of 99.96% of the shares in Veritas Life Insurance Company was implemented on 17 January 2007 for a purchase price of EUR 70 million, of which EUR 31 million was paid in cash and the balance through a directed issue of 3 million Aktia shares to Veritas Pension Insurance Company. The acquisition of the company is in line with Aktia's strategy of focusing on increasing and broadening its range of savings prod-

ucts and concentrating more on small and medium-sized companies. The change in the ownership structure deepens relationships and the collaboration and also facilitates productive synergies. The company will first be reported on as part of the Aktia Group in the interim report for the first quarter of 2007 in accordance with IFRS (International Financial Reporting Standards). The acquisition is not expected to give rise to any significant amount of goodwill. Given that a significant part of the acquisition of the company was financed through equity, it is not expected to have a negative effect on Aktia's capital adequacy and Tier 1 equity ratio.

A total of 1,764,865 new shares were subscribed to in the coupon issue implemented from 6 February 2007 to 23 February 2007, providing the company with EUR 15.9 million in new capital, of which EUR 3.5 million has been entered as share capital and the remainder booked against the fund for non-restricted equity paid in less costs related to the issue. The new shares carry entitlement to dividend and other ownership rights in Aktia once the shares have been entered in the Finnish Trade Register. Accordingly, the new shares are entitled to any dividend decided on by the annual general meeting after their registration.

As part of its renewed process for rating credit institutions, on 26 February 2007 Moody's Investors Service raised Aktia's rating from A3 to Aa2 for long-term borrowing and from P-2 to P-1 for short-term borrowing.

### **Prospects for 2007**

The work of integrating Veritas Life Insurance with the rest of the Group will incur costs of a non-recurring nature, but the acquisition is nevertheless expected to make a positive contribution to the Group's operating profit. The measures taken to reduce the structural interest rate risk will have a dampening effect on the increase in net interest income in the event of a general interest rate rise. The operating profit is expected to improve in 2007 compared to 2006.

The assessment of future prospects is based on the bank's assumptions regarding future developments on the financial market and on an assumption of continued intense competition in the Finnish retail banking services' market, as well as on an assumption regarding the bank's operating costs. The main assumptions forming the basis of the banks assessments for 2007 are that a moderate increase in the general interest rate level will take place, and that the demand for mortgages will remain strong, but lending margins will be under pressure. The favourable development of the capital market and the growth of savings in mutual funds are expected to continue. The cost level of the bank's operations, after eliminating the aforementioned integration costs, is expected to increase moderately.

The bank's management can influence the degree of risk-taking and the cost levels of the bank's operations. However, the interest rate level and general development of the financial market in other respects, the demand for loans, the general incentive for saving in mutual funds as well as the Finnish retail banking market are all factors beyond the bank's control.

## Consolidated profit and loss account 1 January - 31 December

(EUR 000)	Note	2006	2005
Interest income	1.1	181,170	134,053
Interest expenses	1.1	-96,933	-54,355
<b>Net interest income</b>		<b>84,238</b>	<b>79,698</b>
Income from Tier 1 capital instruments	1.2	1,222	1,215
Commission income	1.3	48,107	38,568
Commission expenses	1.3	-8,046	-6,016
Net income from securities and currency trading	1.4	1,384	1,440
Net income from financial assets that can be sold	1.5	-519	-984
Net income from administrative properties	1.6	4,878	2,129
Other operating income	1.7	6,786	16,291
Administrative expenses		-68,561	-61,526
Staff costs	1.8	-41,691	-38,796
Other administrative expenses	1.9	-26,869	-22,730
Depreciation and write-downs on tangible and intangible assets	1.10	-3,639	-4,057
Other operating expenses	1.11	-11,752	-10,115
Write-downs on credits and other commitments	1.12	1,590	-8,535
Write-downs on other financial assets		-	-
Share of profit or loss in companies that were consolidated according to the equity method		711	1,030
<b>Operating profit</b>		<b>56,399</b>	<b>49,138</b>
Taxes		-13,535	-11,852
<b>Profit/loss from ordinary operations after taxes</b>		<b>42,864</b>	<b>37,286</b>
Minority interest in the profit/loss of the financial year		-610	-271
<b>Profit/loss from ordinary operations after minority interest</b>		<b>42,254</b>	<b>37,014</b>
Income from and expenses for other operations		-	-
<b>Profit or loss for the financial year</b>		<b>42,254</b>	<b>37,014</b>

## Consolidated balance sheet 31 December

(EUR 000)	Note	2006	2005
<b>Assets</b>			
Liquid assets		307,907	283,665
Bonds that are eligible for refinancing at central banks	2.1, 2.4	1,157,705	714,726
Claims on credit institutions	2.2	33,843	23,696
Receivables from the public and public sector entities	2.3	3,760,754	3,249,457
Bonds	2.4	85,763	66,336
Public sector entities		11,949	1,896
Other		73,814	64,440
Shares and participations	2.5	56,764	32,385
Derivatives		4,905	4,007
Intangible assets	2.6	2,688	2,735
Tangible assets		42,225	95,562
Administrative properties and shares and participations in the administrative properties	2.7	12,415	45,461
Other properties and shares and participations in real estate corporations	2.7	24,582	46,981
Other tangible assets		5,228	3,121
Other assets	2.8	2,155	53,970
Accrued expenses and advance payments	2.9	35,672	27,028
<b>Total assets</b>	<b>2.11</b>	<b>5,490,380</b>	<b>4,553,469</b>

## Consolidated balance sheet 31 December

(EUR 000)	Note	2006	2005
<b>Liabilities</b>			
<b>Foreign capital</b>			
Liabilities to credit institutions	2.15	885,725	850,991
Other liabilities to the public and public sector entities	2.16	2,677,249	2,338,733
Borrowing		2,552,786	2,308,567
Other liabilities		124,462	30,166
Debt securities issued to the public	2.17	1,321,257	786,321
Derivatives and other liabilities held for trading		2,976	4,013
Other liabilities	2.19	83,165	108,670
Accrued expenses and advance payments received	2.20	41,642	24,274
Subordinated liabilities	2.21	193,752	163,250
Deferred tax liabilities	2.28	22,734	27,743
<b>Total foreign capital</b>	2.25	<b>5,228,500</b>	<b>4,303,996</b>
<b>Equity</b>	2.26		
Share capital		70,596	70,596
Share issue		0	0
Share premium account		1,893	1,893
Other restricted reserves		8,079	8,079
Fund at fair value		-880	7,735
Profit or loss brought forward		130,123	117,817
Profit or loss for the financial year		42,254	37,014
Minority interest of the capital		9,814	6,338
<b>Total equity capital</b>		<b>261,880</b>	<b>249,472</b>
<b>Total liabilities</b>		<b>5,490,380</b>	<b>4,553,469</b>
<b>Off-balance-sheet commitments</b>	3.3		
<b>Commitments provided to a third party on behalf of the customer</b>		<b>75,881</b>	<b>69,033</b>
Guarantees and pledges		47,355	43,206
Other		28,526	25,827
<b>Irrevocable commitments given in favour of a customer</b>		<b>438,810</b>	<b>310,479</b>
Securities repurchase commitments		0	0
Other		438,810	310,479
<b>Total off-balance-sheet commitments</b>		<b>514,691</b>	<b>379,512</b>

## Profit and loss account for the parent company 1 January - 31 December

(EUR 000)	Note	1.1.-31.12.2006	1.1.-31.12.2005
Interest income	1.1	151,285	118,505
Interest expenses	1.1	-73,724	-43,237
<b>Net interest income</b>		<b>77,561</b>	<b>75,268</b>
Income from Tier 1 capital instruments	1.2	2,358	2,400
Commission income	1.3	35,680	31,783
Commission expenses	1.3	-3,913	-4,186
Net income from securities and currency trading	1.4	1,384	1,440
Net income from financial assets that can be sold	1.5	-1,483	-384
Net income from administrative properties	1.6	4,299	1,230
Other operating income	1.7	7,259	17,333
Administrative expenses		-59,095	-57,399
Staff costs	1.8	-36,243	-36,311
Other administrative expenses		-22,852	-21,087
Depreciation and write-downs on tangible and intangible assets	1.9	-2,595	-3,162
Other operating expenses	1.10	-11,352	-10,778
Write-downs on credits and other commitments	1.11	1,590	-8,535
Write-downs on other financial assets	1.11	-	-
<b>Operating profit</b>		<b>51,693</b>	<b>45,011</b>
Appropriations		-15,700	-14,300
Income taxation		-13,979	-8,801
<b>Profit/loss from ordinary operations after taxes</b>		<b>22,014</b>	<b>21,910</b>
Income from and expenses for other operations	1.13	-	-
<b>Profit or loss for the financial year</b>		<b>22,014</b>	<b>21,910</b>

## Balance sheet for the parent company 31 December

(EUR 000)	Note	2006	2005
<b>Assets</b>	2.11		
Liquid assets		307,905	283,665
Bonds that are eligible for refinancing at central banks	2.1	1,108,383	694,107
Claims on credit institutions	2.2	176,046	256,153
Receivables from the public and public sector entities	2.3	2,596,106	2,517,320
Bonds		85,262	65,297
Public sector entities		11,800	1,896
Other		73,463	63,401
Shares and participations	2.5	85,214	62,388
Derivatives		4,905	4,007
Intangible assets	2.6	1,710	1,689
Tangible assets		37,526	69,758
Administrative properties and shares and participations in the administrative properties	2.7	7,973	28,967
Other properties and shares and participations in real estate corporations	2.7	24,597	37,764
Other tangible assets		4,956	3,026
Other assets	2.8	2,085	53,795
Accrued expenses and advance payments	2.9	43,215	31,863
<b>Total assets</b>		<b>4,448,356</b>	<b>4,040,041</b>

## Balance sheet for the parent company 31 December

(EUR 000)	Note	2006	2005
<b>Liabilities</b>	2.25		
<b>Foreign capital</b>			
Liabilities to credit institutions	2.15	889,488	863,106
Other liabilities to the public and public sector entities	2.16	2,682,932	2,347,522
Borrowing		2,558,470	2,317,356
Other liabilities		124,462	30,166
Debt securities issued to the public	2.17	323,677	287,656
Derivatives and other liabilities held for trading		2,976	4,013
Other liabilities	2.19	80,870	107,404
Accrued expenses and advance payments received	2.20	33,536	20,907
Subordinated liabilities	2.21	174,945	151,507
Deferred tax liabilities		-551	2,308
<b>Total foreign capital</b>		<b>4,187,873</b>	<b>3,784,424</b>
Accumulated appropriations		96,940	81,240
<b>Equity</b>			
Share capital	2.26	70,596	70,596
Share issue		-	-
Share premium account		1,893	1,893
Other restricted reserves		8,067	8,067
Fund at fair value		-1,569	6,570
Profit or loss brought forward		62,542	65,341
Profit or loss for the financial year		22,014	21,910
<b>Total equity capital</b>		<b>163,544</b>	<b>174,377</b>
<b>Total liabilities</b>		<b>4,448,356</b>	<b>4,040,041</b>
<b>Off-balance-sheet commitments</b>	3.3		
<b>Commitments provided to a third party on behalf of the customer</b>		<b>75,881</b>	<b>69,033</b>
Guarantees and pledges		47,355	43,206
Other		28,526	25,827
<b>Irrevocable commitments given in favour of a customer</b>		<b>573,305</b>	<b>349,254</b>
Securities repurchase commitments		-	-
Other		573,305	349,254
<b>Total off-balance-sheet commitments</b>		<b>649,186</b>	<b>418,287</b>

# Notes to the Financial Statement (EUR 000)

## Notes to the profit and loss account

### 1.1 Interest income and expenses broken down by balance sheet item 31 December 2006

	Group		Parent company	
	2006	2005	2006	2005
<b>Interest income</b>				
Claims on credit institutions	8,931	4,950	14,859	8,777
Receivables from the public and public sector entities	136,998	105,820	102,201	87,155
Bonds	33,022	20,541	31,968	19,782
Derivatives	1,290	2,299	1,290	2,299
Other interest income	929	442	967	492
<b>Total</b>	<b>181,170</b>	<b>134,053</b>	<b>151,285</b>	<b>118,505</b>

Interest income from claims that were not discharged for at least 90 days have not been taken up as income in the financial statements.

#### Interest expenses

Liabilities to credit institutions	22,995	14,401	22,536	14,688
Other liabilities to the public and public sector entities	38,924	24,622	38,976	24,648
Debt securities issued to the public	32,017	17,544	9,900	7,956
Derivatives and liabilities held for trading	-3,040	-7,133	-3,234	-8,600
Subordinated liabilities	5,747	4,734	5,257	4,357
Other interest expenses	289	189	289	189
<b>Total</b>	<b>96,933</b>	<b>54,355</b>	<b>73,724</b>	<b>43,237</b>

### 1.2 Income from Tier 1 capital instruments

	Group		Parent company	
	2006	2005	2006	2005
Income from financial instruments held for trading	-	-	-	-
Net income from financial assets that can be sold	1,222	1,215	1,132	1,106
Income from companies within the same Group	-	-	257	193
Income from associated companies	-	-	969	1,101
<b>Total</b>	<b>1,222</b>	<b>1,215</b>	<b>2,358</b>	<b>2,400</b>

### 1.3 Commission income and expenses

	Group		Parent company	
	2006	2005	2006	2005
<b>Commission income</b>				
Lending	4,489	3,875	7,063	5,322
Borrowing	112	287	112	287
Payment transactions	9,735	10,089	9,229	10,121
Asset management services	24,984	19,800	13,590	11,209
Brokerage of insurance	3,138	2,426	3,117	2,417
Guarantees and other off-balance sheet commitments	556	577	556	577
Other commission income	5,093	1,515	2,014	1,850
<b>Total</b>	<b>48,107</b>	<b>38,568</b>	<b>35,680</b>	<b>31,783</b>
<b>Commission expenses</b>				
Bank fees paid	646	645	646	645
Other	7,400	5,371	3,266	3,541
<b>Total</b>	<b>8,046</b>	<b>6,016</b>	<b>3,913</b>	<b>4,186</b>

### 1.4 Breakdown of net income from securities and currency trading

	Group		Parent company	
	Capital gains and losses (net)		Capital gains and losses (net)	
	2006	2005	2006	2005
Bonds	76	175	76	175
Shares and participations	0	0	0	0
Other financial instruments	-5	-8	-5	-8
<b>Total net income from securities trading</b>	<b>71</b>	<b>167</b>	<b>71</b>	<b>167</b>
Net income from currency trading	1,313	1,273	1,313	1,273
<b>Total items of the profit and loss account</b>	<b>1,384</b>	<b>1,440</b>	<b>1,384</b>	<b>1,440</b>

### 1.5 Net income from financial assets that can be sold

	Group 2006			Total
	Capital gains and losses (net)	Write-downs	Transfers from the fund at actual value	
Bonds	-1,414	-	430	-984
Shares and participations	519	-	-55	465
<b>Total</b>	<b>-894</b>	<b>-</b>	<b>375</b>	<b>-519</b>

	Parent company 2006			Total
	Capital gains and losses (net)	Write-downs	Transfers from the fund at actual value	
Bonds	-2,431	-	940	-1,491
Shares and participations	8	-	0	8
<b>Total</b>	<b>-2,423</b>	<b>-</b>	<b>940</b>	<b>-1,483</b>

	Group 2005			Total
	Capital gains and losses (net)	Write-downs	Transfers from the fund at actual value	
Bonds	-2,269	-	1,270	-999
Shares and participations	14	-	-	14
<b>Total</b>	<b>-2,254</b>	<b>-</b>	<b>1,270</b>	<b>-984</b>

	Parent company 2005			Total
	Capital gains and losses (net)	Write-downs	Transfers from the fund at actual value	
Bonds	-1,654	-	1,270	-384
Shares and participations	-	-	0	-
<b>Total</b>	<b>-1,654</b>	<b>-</b>	<b>1,270</b>	<b>-384</b>

### 1.6 Net income from investment properties

	Group		Parent company	
	2006	2005	2006	2005
Rental income	2,728	4,009	1,914	2,776
Rental expenses	-	-	-	-
Scheduled depreciation	-499	-619	-46	-46
Capital gains	3,937	418	3,424	-
Capital losses	-186	-213	-	-
Write-downs	-	-	-	-
For write-downs during the financial year	-	-	-	-
Other income	226	72	359	526
Other expenses	-1,328	-1,538	-1,351	-2,026
<b>Total</b>	<b>4,878</b>	<b>2,129</b>	<b>4,299</b>	<b>1,230</b>

The Administrative properties have been valued at their acquisition cost.

### 1.7 Breakdown of other operating income

	Group		Parent company	
	2006	2005	2006	2005
Rental income from commercial properties	67	54	360	491
Capital gains from commercial properties	437	120	437	120
Merger profit	-	-	-	-
Grants from the security fund	-	-	-	-
Other income	6,282	16,117	6,462	16,723
<b>Total</b>	<b>6,786</b>	<b>16,291</b>	<b>7,259</b>	<b>17,333</b>

### 1.8 Staff costs

	Group		Parent company	
	2006	2005	2006	2005
Salaries and fees	32,701	29,564	28,407	27,631
Transfers to the personnel fund	2,100	1,800	1,919	1,683
Indirect employee costs	6,890	7,433	5,916	6,997
Pension costs	4,895	5,756	4,115	5,406
Other staff-related costs	1,995	1,677	1,801	1,591
<b>Total</b>	<b>41,691</b>	<b>38,796</b>	<b>36,243</b>	<b>36,311</b>

1.9 Other administrative expenses	Group		Parent company	
	2006	2005	2006	2005
Other staff expenses	2,933	2,155	2,477	1,952
Office expenses	2,475	1,765	1,969	1,635
EDP costs	13,572	12,373	11,902	11,772
Communication expenses	3,474	3,043	2,903	2,788
Representation and marketing expenses	4,415	3,394	3,601	2,940
Other administrative expenses	0	0	0	0
<b>Total</b>	<b>26,869</b>	<b>22,730</b>	<b>22,852</b>	<b>21,087</b>

#### 1.10 Depreciation on tangible and intangible assets

	Group		Parent company	
	2006	2005	2006	2005
<b>Scheduled depreciation</b>				
Tangible assets	2,330	2,683	1,794	2,110
Intangible assets	1,310	1,375	801	1,052
<b>Total</b>	<b>3,639</b>	<b>4,057</b>	<b>2,595</b>	<b>3,162</b>

#### 1.11 Breakdown of other operating expenses

	Group		Parent company	
	2006	2005	2006	2005
Rental expenses	3,675	3,210	3,310	3,027
Rental expenses for commercial properties	2,152	1,861	1,918	1,741
Rental expenses for machines and equipment	1,523	1,349	1,391	1,286
Expenses for commercial properties	3,103	2,867	3,591	3,977
Capital losses from commercial properties	43	0	43	0
Other expenses	4,930	4,038	4,408	3,774
<b>Total</b>	<b>11,752</b>	<b>10,115</b>	<b>11,352</b>	<b>10,778</b>

#### 1.12 Write-downs on credits, other commitments and other financial assets

Write-downs on credits and other commitments	Group		Parent company	
	2006	2005	2006	2005
<b>Receivables from the public and public sector entities</b>	<b>-162</b>	<b>8,500</b>	<b>-162</b>	<b>8,500</b>
Specific write-downs	580	1,678	580	1,678
Sector-specific write-downs	0	7,500	0	7,500
- reversals of and recoveries of write-downs	-741	-678	-741	-678
<b>Guarantees and other off-balance sheet items</b>	<b>-1,428</b>	<b>36</b>	<b>-1,428</b>	<b>36</b>
Specific write-downs	58	38	58	38
Sector-specific write-downs	-	-	-	-
- recovered guarantee losses and reversed write-downs	-1,486	-2	-1,486	-2
<b>Total write-downs on credits and other commitments</b>	<b>-1,590</b>	<b>8,535</b>	<b>-1,590</b>	<b>8,535</b>
<b>Write-downs on other financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Interest rates on loans that have been written down and other claims have been taken up with the contractual interest

Interest income from claims that were not discharged for at least 90 days have not been taken up as income in the financial statements.

#### 1.13 Income by market and business area 31 December 2006

Field of activity	Group		Parent company
	Finland	Luxemburg	
Banking	123,242	-	122,688
Mortgage bank activities	7,382	-	-
Mutual fund operations	17,243	170	-
Investment firm operations	3,267	-	-
Securities trading	71	-	71
Real estate agency	3,539	-	-
Real estate operations	5,227	-	4,299
<b>Total</b>	<b>159,971</b>	<b>170</b>	<b>127,058</b>

Interest rates on loans that have been written down and other claims have been taken up with the contractual interest

Interest income from claims that were not discharged for at least 90 days have not been taken up as income in the financial statements.

## Personnel by business area

	Group		Parent company	
	2006	2005	2006	2005
Banking	804	765	800	765
Mortgage bank activities	6	7	-	-
Mutual fund operations	31	26	-	-
Investment firm operations	11	9	-	-
Securities trading	-	-	-	-
Real estate agency	63	4	-	-
Real estate operations	2	3	-	-
<b>Total</b>	<b>917</b>	<b>814</b>	<b>800</b>	<b>765</b>

## Notes to balance sheet

### 2.1 Breakdown of bonds that are eligible for refinancing with central banks

	Group		Parent company	
	2006	2005	2006	2005
Treasury bills	-	799	-	799
Government bonds	26,607	64,896	18,902	59,940
Bank of Finland's certificates of deposit	-	-	-	-
Banks' certificates of deposit	258,998	168,417	258,998	168,417
Other	872,100	480,614	830,483	464,950
<b>Total</b>	<b>1,157,705</b>	<b>714,726</b>	<b>1,108,383</b>	<b>694,107</b>

### 2.2 Claims on credit institutions

	Group		Parent company	
	2006	2005	2006	2005
<b>Repayable on demand</b>	<b>8,576</b>	<b>4,794</b>	<b>7,779</b>	<b>4,250</b>
Finnish credit institutions	2,510	-	1,713	-
Foreign credit institutions	6,067	4,794	6,067	4,250
<b>Other</b>	<b>25,266</b>	<b>18,902</b>	<b>168,266</b>	<b>251,902</b>
Finnish credit institutions	14,500	6,500	157,500	239,500
Foreign credit institutions	10,766	12,402	10,766	12,402
<b>Total</b>	<b>33,843</b>	<b>23,696</b>	<b>176,046</b>	<b>256,153</b>

### 2.3 A sector-by-sector analysis of receivables from the public and public sector entities as well as write-downs and reversed write-downs for these.

	Group		Parent company	
	2006	2005	2006	2005
Non-financial institutions and housing associations	562,143	553,814	563,584	576,737
Financial institutions and insurance companies	6,347	12,374	6,347	12,374
Public sector entities	8,179	11,313	8,179	11,313
Non-profit institutions	38,972	40,511	38,972	40,511
Households	3,137,348	2,630,886	1,971,259	1,875,826
Foreign	7,765	559	7,765	559
<b>Total</b>	<b>3,760,754</b>	<b>3,249,457</b>	<b>2,596,106</b>	<b>2,517,320</b>

The bank has in the category receivables from the public and public sector entities only receivables other than those repayable on demand.

### Write-downs during the financial year

	Group		Parent company	
	2006	2005	2006	2005
Write-downs at the beginning of the financial year	41,134	37,938	41,134	37,938
+ specific write-downs that were reported during the year	678	1,565	678	1,565
+ sector-specific write-downs that were reported during the year	-	7,500	-	7,500
- specific write-downs that were reversed during the year	-2,172	-620	-2,172	-620
- actual loan losses during the year, for which specific write-downs had been previously taken	-2,619	-5,249	-2,619	-5,249
<b>Write-downs at the end of the financial year</b>	<b>37,021</b>	<b>41,134</b>	<b>37,021</b>	<b>41,134</b>

	Group		Parent company	
	2006	2005	2006	2005
Total claims for which interest is not accumulated in the accounts	14,676	10,084	14,676	9,868

## 2.4 Bonds grouped by financial instrument

	Group 2006		Parent company 2006	
	Total	Of which bonds eligible for refinancing	Total	Of which bonds eligible for refinancing
		in central banks		in central banks
<b>Bonds held for trading</b>	7,777	-	7,777	-
Publicly quoted	1,496	-	1,496	-
Other	6,282	-	6,282	-
<b>Bonds that can be sold</b>	1,187,848	1,157,705	1,138,025	1,108,383
Publicly quoted	1,182,180	1,157,705	1,132,507	1,108,383
Other	5,668	-	5,518	-
<b>Bonds retained until maturity</b>	47,843	-	47,843	-
Publicly quoted	47,843	-	47,843	-
Other	-	-	-	-
<b>Total</b>	<b>1,243,468</b>	<b>1,157,705</b>	<b>1,193,645</b>	<b>1,108,383</b>

## Bonds grouped by financial instrument

	Group 2005		Parent company 2005	
	Total	Of which bonds eligible for refinancing	Total	Of which bondseligible for refinancing
		in central banks		in central banks
<b>Bonds held for trading</b>	6,890	-	6,890	-
Publicly quoted	5,492	-	5,492	-
Other	1,397	-	1,397	-
<b>Bonds that can be sold</b>	740,715	714,726	719,057	694,107
Publicly quoted	740,216	714,726	718,558	694,107
Other	499	-	499	-
<b>Bonds retained until maturity</b>	33,458	-	43,519	-
Publicly quoted	33,458	-	33,458	-
Other	-	-	10,061	-
<b>Total</b>	<b>781,062</b>	<b>714,726</b>	<b>769,465</b>	<b>694,107</b>

## 2.5 Shares and participations grouped by financial instrument

	Group		Parent company	
	2006	2005	2006	2005
<b>Shares and participations held for trading</b>	-	-	-	-
Publicly quoted	-	-	-	-
Other	-	-	-	-
<b>That can be sold</b>	54,537	29,331	52,251	26,942
Publicly quoted	51,349	25,968	49,063	23,579
Other	3,188	3,363	3,188	3,363
<b>Total shares and participations</b>	<b>54,537</b>	<b>29,331</b>	<b>52,251</b>	<b>26,942</b>
of which credit institutions	24,725	24,145	24,300	23,579
<b>Shares and participations in associated companies</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Credit institutions	-	-	-	-
Other companies	2,227	2,955	2,097	2,293
<b>Total</b>	<b>2,227</b>	<b>2,955</b>	<b>2,097</b>	<b>2,293</b>

The holdings have been valued at their acquisition cost.

	2006	2005	2006	2005
<b>Shares and participations in group companies</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Credit institutions	-	-	23,861	26,248
Other companies	-	-	7,005	6,905
<b>Total</b>	<b>-</b>	<b>-</b>	<b>30,867</b>	<b>33,153</b>

The holdings have been valued at their acquisition cost.

## 2.6 Breakdown of intangible assets

	Group		Parent company	
	2006	2005	2006	2005
Other long-term expenditure	2,688	2,735	1,710	1,689
<b>Total</b>	<b>2,688</b>	<b>2,735</b>	<b>1,710</b>	<b>1,689</b>

## 2.7 Real estate holdings

	Group 2006		Parent company 2006	
	Book value	Actual value	Book value	Actual value
<b>Land and water areas</b>				
Commercial properties	458	491	458	491
Administrative properties	664	914	506	707
<b>Total</b>	<b>1,123</b>	<b>1,405</b>	<b>964</b>	<b>1,198</b>
<b>Buildings</b>				
Commercial properties	1,062	1,138	1,062	1,138
Administrative properties	850	1,169	805	1,126
<b>Total</b>	<b>1,912</b>	<b>2,306</b>	<b>1,868</b>	<b>2,264</b>
<b>Shares and participations in real estate corporations</b>				
Commercial properties	23,061	24,926	23,076	24,926
Administrative properties	10,901	12,678	6,662	7,906
<b>Total</b>	<b>33,962</b>	<b>37,604</b>	<b>29,738</b>	<b>32,832</b>
<b>Total real estate holdings</b>	<b>36,997</b>	<b>41,315</b>	<b>32,570</b>	<b>36,294</b>

	Group 2005		Parent company 2005	
	Book value	Actual value	Book value	Actual value
<b>Land and water areas</b>				
Commercial properties	12,254	13,285	12,254	12,344
Administrative properties	13,326	14,627	13,087	13,561
<b>Total</b>	<b>25,580</b>	<b>27,911</b>	<b>25,341</b>	<b>25,905</b>
<b>Buildings</b>				
Commercial properties	20,273	21,982	1,085	1,094
Administrative properties	21,336	23,414	833	863
<b>Total</b>	<b>41,609</b>	<b>45,395</b>	<b>1,918</b>	<b>1,956</b>
<b>Shares and participations in real estate corporations</b>				
Commercial properties	14,454	15,626	24,425	27,714
Administrative properties	10,798	12,808	15,048	18,839
<b>Total</b>	<b>25,252</b>	<b>28,434</b>	<b>39,473</b>	<b>46,553</b>
<b>Total real estate holdings</b>	<b>92,441</b>	<b>101,741</b>	<b>66,732</b>	<b>74,415</b>

## 2.8 Breakdown of other assets

	Group		Parent company	
	2006	2005	2006	2005
Cash items being collected	150	43,218	150	43,218
Other	2,004	10,751	1,935	10,577
<b>Total</b>	<b>2,155</b>	<b>53,970</b>	<b>2,085</b>	<b>53,795</b>

## 2.9 Breakdown of accrued income and advance payments

	Group		Parent company	
	2006	2005	2006	2005
Interest income	31,326	22,817	37,490	27,865
Other	4,346	4,211	4,342	3,997
<b>Total</b>	<b>35,672</b>	<b>27,028</b>	<b>41,832</b>	<b>31,863</b>

## 2.10 Breakdown of maturity of assets by balance sheet item

Assets	Group 2006					Total
	Less than 3 months	3-12 months	1-5 yrs	5-10 yrs	More than 10 years	
Bonds that are eligible for refinancing with central banks	81,548	221,822	565,758	274,702	13,874	1,157,705
Claims on credit institutions	31,843	2,000	-	-	-	33,843
Receivables from the public and public sector entities	141,902	293,642	1,018,426	845,866	1,460,919	3,760,754
Bonds	18,327	21,483	22,968	22,986	-	85,763
<b>Total</b>	<b>273,620</b>	<b>538,947</b>	<b>1,607,152</b>	<b>1,143,554</b>	<b>1,474,793</b>	<b>5,038,065</b>

Assets	Parent company 2006					Total
	Less than 3 months	3-12 months	1-5 yrs	5-10 yrs	More than 10 years	
Bonds that are eligible for refinancing with central banks	78,949	218,622	525,240	272,096	13,477	1,108,383
Claims on credit institutions	109,046	67,000	-	-	-	176,046
Receivables from the public and public sector entities	129,377	256,865	792,688	563,293	853,884	2,596,106
Bonds	18,178	21,242	22,966	22,877	-	85,262
<b>Total</b>	<b>335,550</b>	<b>563,728</b>	<b>1,340,893</b>	<b>858,266</b>	<b>867,361</b>	<b>3,965,797</b>

### 2.11 Property items in Euros and in foreign currency

Assets	Group 2006		Parent company 2006	
	EUR	Foreign currency	EUR	Foreign currency
Bonds that are eligible for refinancing with central banks	1,157,705	-	1,108,383	-
Claims on credit institutions	19,993	13,880	162,196	13,850
Receivables from the public and public sector entities	3,754,351	6,403	2,589,703	6,403
Bonds	85,763	-	85,262	-
Derivatives	4,905	-	4,905	-
Other assets	410,726	1,013	433,427	1,013
Accrued expenses and advance payments	35,672	-	43,215	-
<b>Total</b>	<b>5,469,114</b>	<b>21,265</b>	<b>4,427,091</b>	<b>21,265</b>

Assets	Group 2005		Parent company 2005	
	EUR	Foreign currency	EUR	Foreign currency
Bonds that are eligible for refinancing with central banks	714,726	-	694,107	-
Claims on credit institutions	9,580	14,117	242,036	14,117
Receivables from the public and public sector entities	3,241,062	8,394	2,508,925	8,394
Bonds	66,336	-	65,297	-
Derivatives	4,007	-	4,007	-
Other assets	467,129	1,089	470,206	1,089
Accrued expenses and advance payments	27,028	-	31,863	-
<b>Total</b>	<b>4,529,868</b>	<b>23,600</b>	<b>4,016,441</b>	<b>23,600</b>

### 2.12 Breakdown of subordinated claims

	Group		Parent company	
	2006	2005	2006	2005
Claims on credit institutions	-	-	-	-
Receivables from the public and public sector entities	-	-	-	-
Bonds	-	-	-	-
Shares and participations in group companies and associated companies	-	-	2,763	10,361
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,763</b>	<b>10,361</b>

### Claims on companies that belong to the same consolidated group and claims on group undertakings

	-	-	2,763	10,361
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### 2.13 Financial instruments appraised at fair value

Fair values	Group		Parent company	
	2006	2006	2005	2005
<b>Financial assets held for trading</b>	<b>7,777</b>	<b>7,777</b>	<b>6,890</b>	<b>6,890</b>
Bonds that are eligible for refinancing with central banks	-	-	-	-
Bonds	7,777	7,777	6,890	6,890
Shares and participations	-	-	-	-
<b>Financial assets that can be sold</b>	<b>1,242,385</b>	<b>1,190,275</b>	<b>770,046</b>	<b>745,998</b>
Bonds that are eligible for refinancing with central banks	1,157,705	1,108,383	714,726	694,107
Bonds	30,143	29,642	25,989	24,950
Shares and participations	54,537	52,251	29,331	26,942
<b>Total</b>	<b>1,250,162</b>	<b>1,198,053</b>	<b>776,936</b>	<b>752,888</b>

Financial liabilities have not been valued at fair value

	Group 2006	Parent company 2006	Group 2005	Parent company 2005
<b>Changes in the value of assets that have been valued at their fair value</b>	-	-	-	-
<b>Financial assets that can be sold</b>	-10,194	-10,998	10,458	8,878
Increases from the fair value	1,682	483	11,259	9,649
Deductions from the fair value	-11,876	-11,482	-801	-771

#### The main financial assets that are entered at acquisition cost instead of at fair value

Shares and participations in companies that are essential to operations have been entered in the financial statement at their acquisition cost; more information can be found on this in notes 5.2 and 5.3. The shares and participations that are essential to operations are intended to be included for the time being. The publicly quoted market value of these assets is not obtained. The recorded value of the holding is indicated in notes 5.2 and 5.3

#### 2.14 Increases and decreases of tangible and intangible assets

	Group		Parent company	
	2006	2005	2006	2005
<b>Intangible assets</b>				
Acquisition cost at the beginning of the financial year	10,319	9,866	8,731	8,281
+ increases during the financial year	1,026	453	822	451
- decreases during the financial year	-	-	-	-
+/- transfers between items	-	-	-	-
- planned depreciation for the financial year	-1,075	-1,318	-801	-1,052
+/- write-downs and reversing items for the financial year	-	-	-	-
+/- accumulated depreciation and write-downs that are included in the decreases and transfers at the beginning of the financial year	1	-	-	-
- accumulated depreciation at the beginning of the financial year	-7,583	-6,265	-7,042	-5,990
- accumulated write-downs at the beginning of the financial year	-	-	-	-
+ accumulated revaluations at the beginning of the financial year	-	-	-	-
+/- revaluations and reversing items for the financial year	-	-	-	-
Book value at the end of the financial year	2,688	2,735	1,710	1,689

	Group		Parent company	
	2006	2005	2006	2005
<b>Commercial properties: Land, buildings and shares and participations in real estate corporations</b>				
Acquisition cost at the beginning of the financial year	46,078	47,430	31,145	31,354
+ increases during the financial year	1,885	-	1,885	-
- decreases during the financial year	-3,231	-208	-3,216	-208
+/- transfers between items	-14,932	-1,145	-	-
- planned depreciation for the financial year	-475	-578	-53	-57
+/- write-downs and reversing items for the financial year	-	-	-	-
+/- accumulated depreciation and write-downs that are included in the decreases and transfers at the beginning of the financial year	6,138	-	-	-
- accumulated depreciation at the beginning of the financial year	-7,392	-6,814	-1,676	-1,619
- accumulated write-downs at the beginning of the financial year	-5,480	-5,480	-5,480	-5,480
+ accumulated revaluations at the beginning of the financial year	13,776	13,776	13,776	13,776
+/- revaluations and reversing items for the financial year	-11,784	-	-11,784	-
Book value at the end of the financial year	24,582	46,981	24,597	37,764

	Group		Parent company	
	2006	2005	2006	2005
<b>Investment properties: Land, buildings and shares and participations in real estate corporations</b>				
Acquisition cost at the beginning of the financial year	44,354	44,882	22,666	22,619
+ increases during the financial year	27	-	22	-
- decreases during the financial year	-10,732	-2,067	-8,407	-2
+/- transfers between items	-14,903	1,539	-	48
- planned depreciation for the financial year	-499	-619	-46	-46
+/- write-downs and reversing items for the financial year	-	-	-	-
+/- accumulated depreciation and write-downs that are included in the decreases and transfers at the beginning of the financial year	5,624	-	-	-
- accumulated depreciation at the beginning of the financial year	-6,230	-5,611	-1,035	-989
- accumulated write-downs at the beginning of the financial year	-5,226	-5,226	-5,226	-5,226
+ accumulated revaluations at the beginning of the financial year	12,563	12,563	12,563	12,563
+/- revaluations and reversing items for the financial year	-12,563	-	-12,563	-
Book value at the end of the financial year	12,415	45,461	7,973	28,967

	Group		Parent company	
	2006	2005	2006	2005
<b>Machinery, equipment and other tangible assets</b>				
Acquisition cost at the beginning of the financial year	42,348	42,924	41,472	40,953
+ increases during the financial year	3,999	622	3,701	577
- decreases during the financial year	-4,182	-87	-4,175	-59
+/- transfers between items	-	-1,111	-	-
- planned depreciation for the financial year	-1,855	-2,105	-1,741	-2,053
+/- write-downs and reversing items for the financial year	-	-	-	-
+/- accumulated depreciation and write-downs that are included in the decreases and transfers at the beginning of the financial year	4,144	821	4,144	37
- accumulated depreciation at the beginning of the financial year	-39,227	-37,943	-38,445	-36,429
- accumulated write-downs at the beginning of the financial year	-	-	-	-
+ accumulated revaluations at the beginning of the financial year	-	-	-	-
+/- revaluations and reversing items for the financial year	-	-	-	-
<b>Book value at the end of the financial year</b>	<b>5,228</b>	<b>3,121</b>	<b>4,956</b>	<b>3,026</b>

## 2.15 Liabilities to credit institutions

	Group		Parent company	
	2006	2005	2006	2005
Central banks	-	-	-	-
Credit institutions	885,725	850,991	889,488	863,106
Repayable on demand	116,374	128,392	120,137	140,538
Other	769,351	722,599	769,350	722,568
<b>Total</b>	<b>885,725</b>	<b>850,991</b>	<b>889,488</b>	<b>863,106</b>

## 2.16 Other liabilities to the public and public sector entities

	Group		Parent company	
	2006	2005	2006	2005
Borrowing	2,552,786	2,308,567	2,558,470	2,317,356
Repayable on demand	1,660,156	1,697,661	1,665,839	1,706,449
Other	892,631	610,906	892,631	610,906
Other liabilities	124,462	30,166	124,462	30,166
Repayable on demand	115,845	20,141	115,845	20,141
Other	8,617	10,025	8,617	10,025
<b>Total</b>	<b>2,677,249</b>	<b>2,338,733</b>	<b>2,682,932</b>	<b>2,347,522</b>

## 2.17 Debt securities issued to the public

	Group		Parent company	
	2006		2006	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	192,886	195,900	192,886	195,900
Bonds	1,128,371	1,129,918	130,791	132,725
Other	-	-	-	-
<b>Total</b>	<b>1,321,257</b>	<b>1,325,818</b>	<b>323,677</b>	<b>328,625</b>

	Group		Parent company	
	2005		2005	
	Book value	Nominal value	Book value	Nominal value
Certificates of deposit	184,961	186,690	184,961	186,690
Bonds	601,360	604,795	102,695	104,795
Other	-	-	-	-
<b>Total</b>	<b>786,321</b>	<b>791,485</b>	<b>287,656</b>	<b>291,485</b>

## 2.18 Derivatives

The nominal value of the underlying property and the actual value of the derivative instrument	Group 2006		Parent company 2006	
	Nominal values	Fair values	Nominal values	Fair values
<b>Hedging derivative instruments</b>	6,672,546	367	7 859,396	12,799
Interest rate derivatives	6,534,250	-11,633	7 721,100	798
Futures	1,265,000	-2,429	1 280,000	-2,418
Interest rate swaps	1,976,350	-6,981	3 148,200	5,439
Options	3,292,900	-2,224	3 292,900	-2,224
Purchased	1,856,900	3,632	1 856,900	3,632
Written	1,436,000	-5,856	1 436,000	-5,856
Currency derivatives	35,794	-328	35,794	-328
Futures	35,794	-328	35,794	-328
Share derivatives	102,502	12,329	102,502	12,329
Options	102,502	12,329	102,502	12,329
Purchased	102,502	12,329	102,502	12,329
Written	-	-	-	-
Other derivatives	-	-	-	-
<b>Other derivative instruments</b>	2,497,752	-4,662	2 497,752	-4,662
Interest rate derivatives	2,395,250	7,667	2 395,250	7,667
Futures	65,000	745	65,000	745
Interest rate swaps	757,350	5,299	757,350	5,299
Options	1,572,900	1,623	1 572,900	1,623
Purchased	696,000	2,046	696,000	2,046
Written	876,900	-423	876,900	-423
Currency derivatives	-	-	-	-
Futures	-	-	-	-
Share derivatives	102,502	-12,329	102,502	-12,329
Options	102,502	-12,329	102,502	-12,329
Purchased	-	-	-	-
Written	102,502	-12,329	102,502	-12,329
Interest rate derivatives	-	-	-	-

Derivative instruments	Group 2005		Parent company 2005	
	Nominal values	Fair values	Nominal values	Fair values
<b>The nominal value of the underlying property and the actual value of the derivative instrument</b>				
<b>Hedging derivative instruments</b>	4,123,113	15,112	4,766,963	21,311
Interest rate derivatives	4,007,804	6,345	4,651,654	12,544
Futures	1,394,000	-1,772	1,470,000	-1,691
Interest rate swaps	458,404	7,904	1,026,254	14,022
Options	2,155,400	213	2,155,400	213
Purchased	1,089,400	4,849	1,089,400	4,849
Written	1,066,000	-4,637	1,066,000	-4,637
Currency derivatives	26,793	97	26,793	97
Futures	26,793	97	26,793	97
Share derivatives	88,516	8,670	88,516	8,670
Options	88,516	8,670	88,516	8,670
Purchased	88,516	8,670	88,516	8,670
Written	-	-	-	-
Other derivatives	-	-	-	-

	Nominal values	Fair values	Nominal values	Fair values
<b>Other derivative instruments</b>	614,616	-7,286	614,616	-7,286
Interest rate derivatives	526,100	1,384	526,100	1,384
Futures	244,000	1,123	244,000	1,123
Interest rate swaps	6,700	-224	6,700	-224
Options	275,400	486	275,400	486
Purchased	126,000	2,340	126,000	2,340
Written	149,400	-1,854	149,400	-1,854
Currency derivatives	-	-	-	-
Futures	-	-	-	-
Share derivatives	88,516	-8,670	88,516	-8,670
Options	88,516	-8,670	88,516	-8,670
Purchased	-	-	-	-
Written	88,516	-8,670	88,516	-8,670
Other derivatives	-	-	-	-

#### Breakdown of the maturity of the derivative instruments

	Parent company 2006			
	Nominal values			Total
	Less than 1 yr	1-5 yrs	More than 5 years	
<b>Hedging derivative instruments</b>	1,623,780	3,350,366	1,698,400	6,672,546
Interest rate derivatives	1,565,000	3,294,800	1,674,450	6,534,250
Futures	1,265,000	-	-	1,265,000
Interest rate swaps	300,000	1,422,700	253,650	1,976,350
Options	-	1,872,100	1,420,800	3,292,900
Purchased	-	1,017,100	839,800	1,856,900
Written	-	855,000	581,000	1,436,000
Currency derivatives	35,794	-	-	35,794
Futures	35,794	-	-	35,794
Share derivatives	22,986	55,566	23,950	102,502
Options	22,986	55,566	23,950	102,502
Purchased	22,986	55,566	23,950	102,502
Written	-	-	-	-
Other derivatives	-	-	-	-
<b>Other derivative instruments</b>	82,986	1,495,366	919,400	2,497,752
Interest rate derivatives	60,000	1,439,800	895,450	2,395,250
Futures	60,000	5,000	-	65,000
Interest rate swaps	-	562,700	194,650	757,350
Options	-	872,100	700,800	1,572,900
Purchased	-	355,000	341,000	696,000
Written	-	517,100	359,800	876,900
Currency derivatives	-	-	-	-
Futures	-	-	-	-
Share derivatives	22,986	55,566	23,950	102,502
Options	22,986	55,566	23,950	102,502
Purchased	-	-	-	-
Written	22,986	55,566	23,950	102,502
Other derivatives	-	-	-	-

#### Breakdown of the maturity of the derivative instruments

	Parent company 2006			
	Nominal values			Total
	Less than 1 yr	1-5 yrs	More than 5 years	
<b>Hedging derivative instruments</b>	1,653,330	3,985,966	2,220,100	7,859,396
Interest rate derivatives	1,594,550	3,930,400	2,196,150	7,721,100
Futures	1,280,000	-	-	1,280,000
Interest rate swaps	314,550	2,058,300	775,350	3,148,200
Options	-	1,872,100	1,420,800	3,292,900
Purchased	-	1,017,100	839,800	1,856,900
Written	-	855,000	581,000	1,436,000
Currency derivatives	35,794	-	-	35,794
Futures	35,794	-	-	35,794
Share derivatives	22,986	55,566	23,950	102,502
Options	22,986	55,566	23,950	102,502
Purchased	22,986	55,566	23,950	102,502
Written	-	-	-	-
Other derivatives	-	-	-	-

<b>Other derivative instruments</b>	82,986	1,495,366	919,400	2,497,752
Interest rate derivatives	60,000	1,439,800	895,450	2,395,250
Futures	60,000	5,000	-	65,000
Interest rate swaps	-	562,700	194,650	757,350
Options	-	872,100	700,800	1,572,900
Purchased	-	355,000	341,000	696,000
Written	-	517,100	359,800	876,900
Currency derivatives	-	-	-	-
Futures	-	-	-	-
Share derivatives	22,986	55,566	23,950	102,502
Options	22,986	55,566	23,950	102,502
Purchased	-	-	-	-
Written	22,986	55,566	23,950	102,502
Other derivatives	-	-	-	-

#### Breakdown of the maturity of the derivative instruments

	Between companies in the Group 2006			
	Nominal values			Total
	Less than 1 yr	1-5 yrs	More than 5 years	
<b>Hedging derivative instruments</b>	29,550	635,600	521,700	1,186,850
Interest rate derivatives	29,550	635,600	521,700	1,186,850
Futures	15,000	-	-	15,000
Interest rate swaps	14,550	635,600	521,700	1,171,850
Options	-	-	-	-
Purchased	-	-	-	-
Written	-	-	-	-
Currency derivatives	-	-	-	-
Futures	-	-	-	-
Share derivatives	-	-	-	-
Options	-	-	-	-
Purchased	-	-	-	-
Written	-	-	-	-
Other derivatives	-	-	-	-
<b>Other derivative instruments</b>	-	-	-	-
Interest rate derivatives	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Purchased	-	-	-	-
Written	-	-	-	-
Interest rate swaps	-	-	-	-
Currency derivatives	-	-	-	-
Futures	-	-	-	-
Share derivatives	-	-	-	-
Options	-	-	-	-
Purchased	-	-	-	-
Written	-	-	-	-
Other derivatives	-	-	-	-

#### 2.19 Breakdown of other liabilities

	Group		Parent company	
	2006	2005	2006	2005
Cash items in the process of collection	68,534	104,377	68,256	104,235
Compulsory provisions	826	1,817	786	1,817
Other	13,804	2,476	11,828	1,353
<b>Total</b>	<b>83,165</b>	<b>108,670</b>	<b>80,870</b>	<b>107,404</b>

#### 2.20 Breakdown of accrued expenses and advance payments received

	Group		Parent company	
	2006	2005	2006	2005
Cash items in the process of collection	18,230	9,766	13,503	8,313
Other	23,413	14,508	20,033	12,595
<b>Total</b>	<b>41,642</b>	<b>24,274</b>	<b>33,536</b>	<b>20,907</b>

## 2.21 Subordinated liabilities 31.12.2006

	Amount of liability	Nominal value	Amount that is included in Tier 1 capital	Perpetuals
No individual debenture loan exceeds 10 % of all the subordinated liabilities				
Total sum of subordinated liabilities other than those mentioned above				
Parent company total	174,945	176,036	110,156	-
Aktia Real Estate Mortgage Bank total	18,807	18,807	17,480	-
Group, total	193,752	194,844	122,623	-

All of the disclosed liabilities are in Euros. The liabilities entered are counted in the calculations for capital adequacy for the lower Tier 2 capital considering that this capital cannot exceed 50 % of Tier 1 equity. Loans targeted at undertakings belonging to the same group or group undertakings do not exist.

### Terms and conditions of early redemption

Aktia or its group may not redeem debentures before the end of the loan period without the permission of the Finnish Financial Supervision.

Creditors are not entitled to demand repayment.

## 2.22 Capital investments and debenture loans

	Group 2006	2005	Parent company 2006	2005
	-	-	-	-

Internal capital investments and debenture loans within the Group are explained in note 7.3

## 2.23 Breakdown of items reported amongst compulsory provisions

	Group 2006					
	Book value at the beginning of the financial year	Increase	Decrease	Reversed	Book value at the end of the financial year	
Staff costs	1,817	-	612	418	786	
Other	-	40	-	-	40	
Total	1,817	40	612	418	826	
						Parent company 2006
Staff costs	1,817	-	612	418	786	
Other	-	-	-	-	-	
Total	1,817	-	612	418	786	

## 2.24 Breakdown by maturity of liabilities by balance sheet item

	Group 2006					
Liabilities	Less than 3 months	3-12 months	1-5 yrs	5-10 yrs	More than 10 years	Total
Liabilities to credit institutions and central banks	749,235	96,190	15,800	24,500	-	885,725
Other liabilities to the public and public sector entities	2,309,337	344,915	14,379	8,617	-	2 677,249
Debt securities issued to the public	101,005	104,475	311,702	804,075	-	1 321,257
Subordinated liabilities	-	21,304	162,449	10,000	-	193,752
Total	3,159,578	566,884	504,330	847,192	-	5,077,983

Liabilities	Parent company 2006					Total
	Less than 3 months	3-12 months	1-5 yrs	5-10 yrs	More than 10 years	
Liabilities to credit institutions and central banks	752,998	96,190	15,800	24,500	-	889,488
Other liabilities to the public and public sector entities	2,315,020	344,915	14,379	8,617	-	2,682,932
Debt securities issued to the public	101,005	104,475	62,797	55,400	-	323,677
Subordinated liabilities	-	21,304	153,641	-	-	174,945
<b>Total</b>	<b>3,169,023</b>	<b>566,884</b>	<b>246,617</b>	<b>88,517</b>	<b>-</b>	<b>4,071,042</b>

Receivables from the public and public sector entities that are repayable on demand:  
Deposits other than time deposits and accounts with credit are reported under “Less than 3 months”.

## 2.25 Liabilities in Euros and in foreign currency

Liabilities	Group 2006		Parent company 2006	
	EUR	Foreign currency	EUR	Foreign currency
Liabilities to credit institutions and central banks	883,272	2,453	887,034	2,453
Other liabilities to the public and public sector entities	2,664,479	12,770	2,670,162	12,770
Debt securities issued to the public	1,321,257	-	323,677	-
Derivatives	2,976	-	2,976	-
Other liabilities	105,898	-	80,319	-
Accrued expenses and advance payments received	41,642	0	33,536	0
Subordinated liabilities	193,752	-	174,945	-
<b>Total</b>	<b>5,213,277</b>	<b>15,223</b>	<b>4,172,649</b>	<b>15,223</b>

Liabilities	Group 2005		Parent company 2005	
	EUR	Foreign currency	EUR	Foreign currency
Liabilities to credit institutions and central banks	848,367	2,625	860,482	2,625
Other liabilities to the public and public sector entities	2,316,232	22,501	2,325,020	22,501
Debt securities issued to the public	786,321	-	287,656	-
Derivatives	4,013	-	4,013	-
Other liabilities	136,413	-	107,404	-
Accrued expenses and advance payments received	24,274	-	20,907	-
Subordinated liabilities	163,250	-	151,507	-
<b>Total</b>	<b>4,278,870</b>	<b>25,126</b>	<b>3,756,990</b>	<b>25,126</b>

## 2.26 Increases and decreases in equity capital during 2006

Group	At the beginning of the financial year	Increase	Decrease	At the end of the financial year
Equity				
Share capital	70,596			70,596
Share premium account	1,893			1,893
Ordinary reserve	8,079			8,079
Fund at fair value	-	7,735	8,615	-880 <sup>1)</sup>
Other restricted reserves	-			-
Available reserves	-			-
Fund at fair value	7,735		7,735	- <sup>1)</sup>
Profit or loss brought forward	117,817	37,014	24,709	130,123 <sup>2)</sup>
Profit or loss for financial year	37,014	42,254	37,014	42,254
Minority interest of the capital	6,338	3,476		9,814
<b>Total equity capital</b>	<b>249,473</b>	<b>90,480</b>	<b>78,073</b>	<b>261,880</b>

Parent company	At the beginning of the financial year	Increase	Decrease	At the end of the financial year
Equity				
Share capital	70,596			70,596
Share premium account	1,893			1,893
Ordinary reserve	8,067			8,067
Fund at fair value	-	6,570	8,139	-1,569 <sup>1)</sup>
Other restricted reserves	-			-
Available reserves	-			-
Fund at fair value	6,570		6,570	- <sup>1)</sup>
Profit or loss brought forward	65,341	21,910	24,709	62,542 <sup>2)</sup>
Profit or loss for financial year	21,910	22,014	21,910	22,014
<b>Total equity capital</b>	<b>174,377</b>	<b>50,494</b>	<b>61,328</b>	<b>163,544</b>

1) According to the new companies act (21.7.2006/624) the fund is included at fair value in the restricted equity capital.

2) The reduction is attributable to dividend payments of a total of EUR 0.70 per share, or a total of EUR 24,708,635.00

#### Breakdown of changes to the fund at fair value

	Group 2006	2005	Parent company 2006	2005
Fund at actual value 1 Jan	7,735	-	6,570	-
Revalued balance sheet items 1 Jan 2005	-	6,551	-	5,914
Increases from the fair value	3,566	3,439	3,255	2,465
Deductions from the fair value	-14,485	-801	-14,091	-771
Transfers to the profit and loss account from the fund at fair value	375	1,270	940	1,270
Changes in deferred tax liability	1,929	-2,723	1,757	-2,308
<b>Fund at fair value 31 Dec</b>	<b>-880</b>	<b>7,735</b>	<b>-1,569</b>	<b>6,570</b>

#### 2.27 Distributable assets in unrestricted equity

	Group 2006	2005	Parent company 2006	2005
Profit or loss brought forward	130,123	117,817	62,542	65,341
Profit or loss for the period	42,254	37,014	22,014	21,910
Other available reserves	-	-	-	-
Non-distributable items	-75,706	-63,318	-	-
Portion of accumulated depreciation difference and reserves included in the consolidated equity capital	-75,706	-63,318	-	-
Other items	-	-	-	-
<b>Total distributable assets</b>	<b>96,670</b>	<b>91,513</b>	<b>84,557</b>	<b>87,251</b>

#### 2.28 Deferred tax liabilities and assets

The deferred tax liabilities of the fund at fair value have been reported in the balance sheet.

Otherwise, there are no deferred tax liabilities or deferred tax assets recognised in the balance sheet by the parent company.

#### Deferred tax liabilities entered in the consolidated accounts 31 December

	Group	
	2006	2005
Credit loss provisions in the parent company and Aktia Real Estate Mortgage Bank	26,599	22,247
Depreciation differences in the subsidiaries	-	-
The entered deferred tax liability caused by revaluation and periodisation differences	-3,562	2,901
<b>Deferred tax liabilities for the fund at fair value</b>	<b>-304</b>	<b>2,595</b>
	<b>22,734</b>	<b>27,743</b>

	Group	
	2006	2005
Tax claims based on periodisation differences in depreciation are not considered	1,210	1,512

## 2.29 Details on issuing of shares, stock options and convertible bonds

Aktia Savings Bank plc's extraordinary general meeting of 21.12.2006 decided on a coupon issue to the bank's shareholders, according to which 20 shares or subscription rights entitle the owner to subscribe to one new share at a subscription price of EUR 9.00 per share during the period 6. - 23.2.2007. The number of shares amounts to a maximum of 1,764,902 new shares. Everyone recorded as a shareholder on the record day 28.12.2006 has the right to participate in the issue. The shareholders have preferential rights to subscribe to shares in the same ratio as they previously owned shares in Aktia Savings Bank plc.

The new shares entitle the owner to dividends and other ownership rights, including the right to vote at the annual general meeting, from the point when the new shares are recorded in the Trade Register. Accordingly, the new shares entitle the owner to any dividend decided on by the annual general meeting after their registration.

The extraordinary general meeting also approved a targeted issue in kind of 3,000,000 new shares in Aktia Savings Bank plc to Pension Insurance Company Veritas, which was executed on 17.2.2007.

The extraordinary general meeting authorised the board of Aktia Savings Bank plc to execute one or more share issues totalling a maximum of one million shares. This authority remains in force from the date of the meeting until 21.12.2011.

Aktia Savings Bank plc has only one existing series of shares, and each share gives entitlement to one vote.

## 2.30 Shareholders 31 Dec 2006

	Number of shares	Percentage of shares and voting rights (%)
15 largest shareholders:		
Helsinki Savings Bank Foundation	7,200,000	20.4
Elinkorkolaitos Hereditas	3,811,550	10.8
Espoo-Kauniainen Savings Bank Foundation	2,234,843	6.3
Oy Hammarén & Co Ab	1,800,000	5.1
Vantaa Savings Bank Foundation	1,538,000	4.4
Svenska Litteratursällskapet i Finland rf	1,500,000	4.2
Veritas Group	1,425,500	4.0
Pension Insurance Company Veritas	1,085,000	3.1
Veritas Mutual Accident Insurance Company	340,500	1.0
Porvoo Savings Bank Foundation	1,241,000	3.5
Åbo Akademi Foundation	1,240,000	3.5
Aktia Foundation in Vaasa	966,215	2.7
Kirkkonummi Savings Bank Foundation	834,790	2.4
Karjaa-Pohja Savings Bank Foundation	749,858	2.1
Inkoo Savings Bank Foundation	615,463	1.7
Föreningen Konstsamfundet rf	583,100	1.7
Ab Kelonia Oy	580,900	1.6

Shareholders by sector	Number of owners		Number of shares	
	Qty	%	Qty	%
Corporations	34	5.45	6,939,455	19.7
Financial institutes and insurance companies	39	6.25	2,265,693	6.4
Public sector entities	2	0.32	1,135,000	3.2
Non-profit institutions	54	8.65	23,840,461	67.5
Households	494	79.17	717,441	2.0
Foreign shareholders	1	0.16	400,000	1.1
<b>Total</b>	<b>624</b>	<b>100.00</b>	<b>35,298,050</b>	<b>100.00</b>
entered in nominee register	1		10,500	

Breakdown of stock	Number of owners		Number of shares	
	Qty	%	Qty	%
1-100	199	31.89	11,725	0.03
101 - 1 000	228	36.54	118,712	0.34
1 001 - 10 000	96	15.38	359,942	1.02
10 001 - 100 000	58	9.29	2,147,624	6.08
100 001 -	43	6.89	32,660,047	92.53
<b>Total</b>	<b>624</b>	<b>100.00</b>	<b>35,298,050</b>	<b>100.00</b>

## Notes to the accounts concerning collateral and contingent liabilities

### 3.1 Assets held by the bank as security for themselves or another party

For the bank 31.12.2006	Type of security	The nominal value of the liability		The value of the security
		debt securities	66,280	
Liabilities to credit institutions				65,982
<b>For the bank 31.12.2005</b>				
Liabilities to credit institutions	debt securities		95,000	95,402
Collateral held by the bank as security for liabilities that have been received by companies in the same Group				
As of 31.12.2006	-	-	-	-
As of 31.12.2005	-	-	-	-

#### For other parties:

The bank has not held securities for other parties

### 3.2 Pension commitments

The personnel's retirement plan is organised via the pension insurance company Veritas and there are not any pension commitments that have a liability deficit.

### 3.3 Breakdown of off-balance sheet commitments

	Group		Parent company	
	2006	2005	2006	2005
Guarantees	47,355	43,206	47,355	43,206
Other commitments provided to a third party on behalf of a customer	28,526	25,827	28,526	25,827
Unused credit arrangements	361,004	269,345	470,498	294,303
On behalf of a subsidiary	-	-	122,000	32,000
On behalf of an associated undertaking	-	-	-	-
Other irrevocable commitments	77,806	41,134	102,807	54,951
On behalf of a subsidiary	-	-	25,001	13,817
<b>Total</b>	<b>514,691</b>	<b>379,512</b>	<b>649,186</b>	<b>418,287</b>

### 3.4 The total amount of sales receivable arising from the selling of assets on behalf of customers and the total amount of accounts payable arising from the purchasing of assets on behalf of the customer

	Group		Parent company	
	2006	2005	2006	2005
	58	254	58	254

## Notes to the accounts concerning the staff and members of governing and supervisory bodies

### 4.1. Number of employees 31 Dec

	Group		Parent company	
	2006	2005	2006	2005
Full-time	749	655	647	621
Part-time	88	89	85	87
Temporary	80	70	68	59
<b>Total</b>	<b>917</b>	<b>814</b>	<b>800</b>	<b>767</b>

### 4.2 Salaries and fees paid to members of governing and supervisory bodies and alternate members in governing and supervisory bodies and pension commitments arising or made in respect of the same

	Group		Parent company	
	2006	2005	2006	2005
Members of the Board of Supervisors and their alternates	172	157	172	157
Members of the Board of Directors and their alternates as well as the Managing Director and his alternate	1,659	1 309	727	880
<b>Total</b>	<b>1,831</b>	<b>1 465</b>	<b>899</b>	<b>1,036</b>

These individuals were paid emoluments of EUR 188,925.57 tied to the company's financial performance.

Aktia Savings Bank plc has taken out supplementary pension insurance during the year as follows:

Managing Director and his alternate	214,265,25 euroa
Board members	18,215,47 euroa
Members of the Board of Supervisors	34,327,78 euroa

#### 4.3 Credits and guarantees extended to members of the governing and supervisory bodies

	Group		Parent company	
	2006 Credits	2005 Guarantees	2006 Credits	2005 Guarantees
Members of the Board of Supervisors and their alternates	1,399	1,663	1,399	1,663
Members of the Board of Directors and their alternates as well as the Managing Director and his alternate	761	569	509	391
Auditors and their deputies	-	-	-	-
<b>Total</b>	<b>2,160</b>	<b>2,232</b>	<b>1,908</b>	<b>2,054</b>

As a rule, the interest rates for the loans are tied to publicly quoted reference rates or the Aktia Prime rate and exceed, except for a few loans of earlier origin, both the base rate and the interest used as a limit for taxable income. Repayments on the loans are made regularly in accordance with the agreed repayment plans, and the loans are extended subject to the same terms and conditions as loans granted to other private individuals.

Members of the Board of Supervisors, Board of Directors, the managing director and his alternate hold a total of 129,657 shares, which is equivalent to 0.37 %.

#### Holdings in other undertakings

##### 5.1 Undertakings included in consolidated accounts (ownership over 50%)

	Domicile	Percentage of all shares	Book value
Financing			
Aktia Real Estate Mortgage Bank Plc	Helsinki	75.92	23,836
Aktia Kortti & Rahoitus Oy	Helsinki	81.98	26
Hsp-Rahoitus Oy (dormant)	Helsinki	100.00	589
Common fund operations			
Aktia Fund Management Ltd	Helsinki	100.00	2,507
Aktia Fund Management S A	Luxemburg	100.00	111
Investment firm operations			
Aktia Asset Management Oy Ab	Helsinki	82.00	351
Real estate agency operations			
Aktia Kiinteistönvälitys Itä-Uusimaa Oy	Porvoo	90.00	90
Aktia Kiinteistönvälitys Raasepori Oy	Tammisaari	100.00	63
Aktia Kiinteistönvälitys Helsinki-Espoo Oy	Helsinki	80.00	80
Aktia Kiinteistönvälitys Sipoo Oy	Helsinki	60.00	51
Aktia Kiinteistönvälitys ISKL Oy	Kirkkonummi	100.00	80
Aktia Kiinteistönvälitys Parainen-Turunmaa Oy	Parainen	80.00	32
Aktia Kiinteistönvälitys Tampere Oy	Tampere	67.00	67
Aktia Kiinteistönvälitys Keski-Uusimaa-Vantaa Oy	Vantaa	100.00	80
Aktia Kiinteistönvälitys Vaasa Oy	Vaasa	60.00	256
Aktia Kiinteistönvälitys Turku Oy	Turku	75.00	76
Robur Invest Oy (dormant)	Helsinki	100.00	8
Vasp Invest Oy	Helsinki	75.00	101
<b>Total</b>			<b>28,404</b>

##### Undertakings not included in consolidated accounts (ownership over 50%)

6 real estate companies with a combined book value of EUR 6,546,907.87 as of 31 Dec 2006.

##### 5.2 Shares in associated undertakings (ownership 20–50%)

	Domicile	Percentage of all shares	Book value
Data processing			
Oy Samlink Ab	Espoo	23.97	1,897
Private equity company			
Unicus Oy	Helsinki	33.33	30
Real estate operations			
Kiint. Oyj Mannerheimintie 14	Helsinki	49.98	11,297
Other real estate companies, total no. 9			5,925
<b>Total</b>			<b>19,149</b>

### 5.3 Shareholdings and participation holdings, essential to operations

	Domicile	Percentage of all shares	Book value
Credit institutions			
Luottokunta	Helsinki	3	168
Insurance companies			
Veritas Mutual Accident Insurance Company	Helsinki	-	500
Other			
S.W.I.F.T. (Society for World Wide Interbank Financial Telecommunications)			25
<b>Total</b>			<b>693</b>

### Other notes to the accounts

#### 6.1 Trustee services and the customer assets being managed

The parent company offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Oy Ab offers institutions discretionary asset management services.

Customer assets being managed	Group		Parent company	
	2006	2005	2006	2005
Funds in a customer funds account	-	2	-	-
Funds in discretionary asset management services	1,916,413	1,332,715	4,167	3,433
Funds within the framework of investment advising according to a separate agreement	590,045	419,181	493,957	321,224
<b>Total funds in asset management services</b>	<b>2,506,458</b>	<b>1,751,895</b>	<b>498,125</b>	<b>324,657</b>

### Notes concerning preparation of consolidated accounts

The principles applied to the preparation of consolidated accounts are explained in the Accounting policy section.

#### Changes to the Group structure during 2006

##### Subsidiaries

On 5.4.2006 Aktia Savings Bank plc sold 10% of its shares in Aktia Real Estate Mortgage Bank plc to 36 local co-operative banks. On 30.5.2006, Aktia Kortti & Rahoitus Oy issued 564 new shares, which were entered into the Trade Register on 30.6.2006. After this the minority interest amounts to 18%.

On 7.6.2006 Aktia Savings Bank plc redeemed the last of its outstanding shares in Aktia Fund Management Ltd, after which Aktia's holding amounts to 100%.

On 31.8.2006 Aktia Savings Bank plc sold 50.02% of its shares in real estate company Mannerheimintie 14 to Föreningen Konstsamfundet and Pension Insurance Company Veritas. Since then real estate company Mannerheimintie 14 has been an affiliate within the Aktia Group.

On 6.11.2006 Aktia Savings Bank plc converted the net capital taken by Aktia Real Estate Mortgage Bank plc into 5,913 new shares without voting rights. The new shares were recorded in the Trade Register on 29.11.2006.

##### Affiliates

On 3.4.2006 and 29.11.2006, Aktia Savings Bank plc sold a total of 5,816 shares from its holding in Samlink Ab, following which Aktia's holding in Samlink amounts to 23.97%.

##### New companies

During 2006, Aktia Savings Bank plc acquired 3 new real estate companies and established 4 new ones. For further details see note 5.1.

The bank's dividend income from inter-group companies is comparable to that earned in 2006 and 2005.

### Notes concerning subsidiaries or group undertakings

For consolidated subsidiaries, please see note 5.1 on the parent company.

No unconsolidated subsidiaries other than real estate corporations exist.

For consolidated associated undertakings, see note 5.2 on the parent company. The method of consolidation is explained in the Accounting policy section.

No unconsolidated associated undertakings exist.

No subsidiaries consolidated in accordance with Chapter 6, section 9 of the Accounting Act exist.

No associated undertakings to be consolidated in accordance with Chapter 6, section 15 of the Accounting Act exist.

The accounts of Group undertakings cover the same financial year as those of the parent company.

No essential items of information have been omitted concerning consolidated companies or other group undertakings (which are not credit institutions, financial institutions or service undertakings) which might be necessary for estimating their value in relation to one another.

## Other notes concerning the Group

No Group goodwill or Group provisions exist.

No joint venture companies to be consolidated in accordance with Chapter 6, section 15 of the Accounting Act exist.

## Notes concerning credit institution belonging to a Group

### 7.1 Information concerning a credit institution belonging to a group

The Group's parent company is Aktia Savings Bank plc. A copy of the Group's financial statement is available at Aktia Savings Bank, Mannerheimintie 14, Helsinki, Finland

### 7.2 From other inter-group companies and financing income and the financing costs paid them

	2006	2005
Interest income	6,539	4,618
Income from Tier 1 capital instruments	1,226	1,294
Interest expenses	-592	-314
Net financing income	7,172	5,598

### 7.3 Receivables from and liabilities to inter-group companies

	2006	2005
Claims on credit institutions	143,000	233,000
Receivables from the public and public sector entities	1,441	22,923
Bonds		
Shares and holdings in group and associated companies	2,763	10,361
Other assets	-	-
Accrued expenses and advance payments	13,213	8,451
Total claims	160,417	274,736
Liabilities to credit institutions	3,763	12,146
Other liabilities to the public and public sector entities	5,683	8,789
Other liabilities	-	-
Accrued expenses and advance payments received	689	402
Total liabilities	10,135	21,336

## Accounting policies

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The bank's financial statement and the Group's financial statement have been drawn up in compliance with the provisions of the Accounting Act and the Credit Institutions Act, the decision of the Ministry of Finance on financial statements and consolidated financial statements for credit institutions and securities companies (31 December 2004/1317) as well as Annual Report Standard 3.1 from the Financial Supervisory Authority (Doc. no. 7/120/2005).

### Scope of consolidated accounts

The consolidated accounts include the annual financial statements of the parent company and its directly or indirectly owned subsidiaries and affiliates. In accordance with said regulations, the subsidiaries, affiliates and joint ventures whose balance sheet total accounts for less than 1% of the balance sheet total of the parent bank and or less than EUR 10 million have been excluded from the consolidated statement, but only if the combined balance sheet total of the said companies falls short of 5% of the consolidated balance sheet total. The exclusion of these companies has no fundamental effect on the result of the Group or its financial position.

More detailed information on consolidated and non-consolidated subsidiaries and affiliates is provided in notes 5.1, 5.2 and 5.3.

### Consolidation

Where the financial statements of the subsidiaries are included in the consolidated financial statements, the accounting principles of the parent company have been applied. For subsidiaries (ownership over 50%), the financial statements have been consolidated line by line in accordance with the past-equity method. Affiliates (ownership 20–50%) have been consolidated according to the equity method.

Internal income and expenses within the Group as well as internal receivables and payables, including distribution of profit, have been eliminated. The minority's share of the result of the subsidiaries and the net capital are entered separately as their own items in the Group's profit and loss account and balance sheet.

### Items denominated in foreign currencies

Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into Euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The difference in exchange rates has been entered in the profit and loss account as net earnings from currency dealing.

### Comparability of profit and loss account and balance sheet

In accordance with the Companies Act (21.7.2006/624) the fund at fair value has been transferred from non-restricted equity to tied equity.

The remaining sections of the profit and loss account and balance sheet are the same as they were for 2005.

### Financial assets

Bonds (debt securities), deposits and claims on the public as well as shares and participations are entered under financial assets. For its financial assets, Aktia applies IFRS regulations, IAS 39, which entered into force on 1 January 2005. Under these regulations, financial assets are divided into four valuation categories.

Financial assets under "Financial assets held for trading" have been entered as debt securities and other publicly quoted Finnish and foreign securities that the bank actively trades in and that have been acquired for the short term with the intent to earn revenue. They have been entered at fair value with changes in value being currently entered in the profit and loss account.

Debt securities as well as shares and participations that have neither been held for active trading nor retained until maturity are entered under "That can be sold". The unrealised changes in value under equity reported under "Fund at fair value" with deductions for tax liability imputed until sold or until the unrealised loss is deemed to be permanent. When sold or written down, the accumulated unrealised profit or loss is transferred to the profit and loss account and included under the item "Net income from financial assets that can be sold". More information on the fund at fair value under equity can be found in notes 2.13 and 2.26.

Debt certificates to be retained until maturity are entered under "Retained until maturity". These securities are entered at accrued acquisition cost. If the probable assignment price for said securities is permanently lower than the acquisition price at the end of the financial year, the difference has been booked as expenses. The difference between the acquisition price and the nominal value has been allocated as interest income or the loss of it.

Under "Not held for trading" claims on credit institutions (deposits) and receivables from the public and on public sector entities are reported. These deposits and claims are reported at accrued acquisition cost.

### Tangible and intangible assets

The Group's real estate property and participations in real estate corporations have been divided up into commercial properties and administrative properties according to how they are used. If only part of the premises is used by the Group, the division has been made according to the square metres reserved for their

respective purposes. Both commercial properties and administrative properties have been included at their acquisition price.

The real estate property was re-evaluated by external property valuers to reflect the current value using the cash flow method. The valuation of the commercial properties used by the bank is based on the rental income that could be earned at market rates. The book value of the real estate property and shares in real estate corporations was not revalued. If the probable assignment value of the property or stakes is essentially or permanently lower than the acquisition price, the difference is entered as expenses in the profit and loss account.

Certain property holdings and stakes in real estate corporations have been revalued in previous years based on the calculations of experts. These revaluations have been approved by the Financial Supervision Authority. If the value of the depreciated holding has been reduced to below the accepted value of the holding or a part of it has been transferred or destroyed, the revaluation is decreased in the same fashion. Depreciations are not performed for revaluations. Real estate is included in the balance sheet at its acquisition price less planned depreciation. Shares and holdings in real estate corporations have been included at their acquisition price.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. The expenses incurred during the complete renovation of owner-occupied flats are entered under tangible assets. Depreciation is charged in accordance with the depreciation plan based on the economic life of the assets with due regard to the general instructions issued by the Accounting Board. Major investments and inventories are depreciated over a maximum of 5 years. Investments in computer systems are depreciated over a period of 3 years and renovations to branch offices over 5 years. The acquisition price for personal workstations and peripherals, whose economic life is less than 3 years, is written off directly. Buildings are linearly depreciated over 40 years.

### **Write-downs on loans and guarantees**

Losses from write-downs on loans and guarantees that have been established as final and probable write-downs and sales losses that were previously considered received through customer financing are entered as loan and guarantee losses.

When write-downs from loan and guarantee losses are booked, the real security for the loans is valued at the probable assignment price either at the time when the bank estimated that full repayment of the loan is unlikely or at a lower assignment price determined later on when non-performing loans are reviewed for collection. Real security that is received through long-term leases is valued according to the return requirement that has been set to secure the present value of the outstanding receivable.

Provisions against loan losses for credits with personal guarantees have had the expected amount to

be recovered upon realisation of the guarantee deducted.

In addition to the provisions against loan losses that are made based on an individual examination of the respective credit items, the bank has built up a reserve in the form of sector-specific credit loss provisions. These provisions are intended to cover possible loan losses in the future that cannot be assigned to the current credit rating for individual debts, but that can be realised because of general problems in a particular branch. No other branch-specific credit loss provisions are deemed to exist for 2006.

The funds that had been entered as losses in previous years, the indemnity that has been paid out, and the profits from assignment that had been considered as losses entered in previous years have been marked collected as deductions for the write-downs from loans and guarantees.

### **Non-performing loans**

The principal of the entire claim is entered as non-performing when no interest payment, repayment on the capital or partial repayment is made over a period of 90 days. Claims on companies adjudicated in bankruptcy are booked as non-performing on the day the company is declared bankrupt. A bank guarantee is entered as non-performing when the bank effects payment based on such a guarantee. The periodised interest income has been cancelled once the claim has been declared non-performing.

### **Taxes**

The income taxes in the financial statement of the bank and its individual group companies has been calculated according to taxable income and entered as such.

The optional reserves for the group companies are divided in the consolidated balance sheet into equity and imputed tax liability as well as the change in them in the consolidated profit and loss statement on the change of the imputed tax liability and the result for the financial year.

Of the positive equity forming part of the fund at fair value, the deferred tax liability has been reported in the balance sheet. Note 2.28 contains information on deferred tax liabilities in the Group.

### **Derivative contracts**

Income or expenses arising from interest-rate swaps, forward rate agreements or interest-rate option agreements that were made in order to secure financial claims are entered under interest income. Income or expenses arising from interest-rate swaps, forward rate agreements or interest rate option agreements that were made in order to secure financial claims are entered under interest expenses.

Value changes in the hedging derivative contracts have been processed in the profit and loss account in the same way as value changes in balance sheet items that ought to be protected.

Income, expenses and value changes arising from contracts included in the consignment stock and made for purposes other than serving as security for a claim or liability are entered under in the financial statement under net income from securities dealing.

Income and expenses items arising from currency-related derivative contracts are entered in the profit and loss account under net income from currency dealing, except for the difference between spot and forward rates that are entered under interest income or interest expenses

## Five-year review for the Group 31 December

(EUR 000)	2002	2003	2004	2005	2006
Turnover	181,549	160,407	159,860	186,670	234,982
Net interest income	76,698	75,288	73,928	79,698	84,236
% of turnover	42.2	46.9	46.2	42.7	35.8
Other income	33,868	37,392	39,259	52,644	53,812
Costs and depreciation	-88,251	-81,214	-75,530	-75,698	-83,952
Profit before write-downs	22,314	31,467	37,657	56,643	54,098
Write-downs on loans and guarantees	-520	-952	20	-1,035	1,590
Sector-specific credit loss provisions	-2,480	-1,310	-1,990	-7,500	-
Operating profit	19,702	30,196	35,838	49,138	56,399
% of turnover	10.9	18.8	22.4	26.3	24.0
Profit for the year	12,579	20,460	22,239	37,015	42,254
Earnings/share	0.36	0.58	0.63	1.05	1.20
Equity/share	5.03	5.44	5.87	6.89	7.14
Dividend/share (EUR)	0.17	0.20	0.25	0.30	0.40
Anniversary dividend share (EUR)				0.10	
Extraordinary dividend/share (EUR)				0.30	
Dividend/profit %	47.7	34.5	39.7	28.6	35.1 <sup>1)</sup>
Incl. anniversary and extraordinary dividend (%)				66.8	
Number of shares at the end of the period	35,258,050	35,258,050	35,298,050	35,298,050	35,298,050
Average number of shares during the period	35,258,050	35,258,050	35,278,050	35,298,050	35,298,050
Balance sheet total	3,513,759	3,511,929	4,076,206	4,553,469	5,490,380
Total return on assets ROA (%)	0.4	0.6	0.6	0.9	0.9
Equity	177,389	191,855	207,209	249,473	261,880
Return on equity ROE (%)	7.2	11.1	11.2	16.3	16.8
Debt to equity ratio (%)	5.1	5.5	5.1	5.5	4.8
Capital adequacy (%)	13.1	13.9	14.1	15.1	13.8
Tier 1 capital ratio (%)	9.0	9.7	9.4	9.8	9.2
Cost/income ratio	0.80	0.72	0.67	0.57	0.61
Borrowing from the public	1,926,286	2,001,793	2,195,768	2,308,567	2,552,787
Lending to the public	2,412,025	2,594,996	2,891,994	3,249,522	3,760,754

1) Includes the new shares subscribed to under the coupon issue of February 2007.

## Capital adequacy of the Group

### Risk-weighted commitments (EUR millions)

Risk rating	Assets		Off-balance sheet items		Risk-weighted commitments	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
0 %	580.0	580.5	289.5	119.3	-	-
10 %	478.5	345.6	-	-	47.8	34.6
20 %	711.9	401.0	11.7	9.5	143.8	81.4
50 %	2,686.6	2,248.0	23.0	22.3	1,350.2	1,130.8
100 %	1,030.9	975.7	112.6	89.6	1,097.0	1,030.4
Derivatives, nominal	-	-	6,892.0	3,433.8	15.8	8.5
<b>Total</b>	<b>5,487.9</b>	<b>4,550.7</b>	<b>7,328.9</b>	<b>3,674.5</b>	<b>2,654.8</b>	<b>2,285.7</b>

## Capital base of the Group

(EUR millions)	31.12.2006	31.12.2005
<b>Tier 1 capital</b>		
Share capital	70.6	70.6
Ordinary reserve	8.1	8.1
Share premium account	1.9	1.9
Profit brought forward	9.8	6.3
Profit for the period	130.1	117.8
Minority interest of the capital	42.3	37.0
Intangible assets	-2.7	-2.7
Dividend reserve for the year of the financial result	-14.8	-14.1
<b>Total</b>	<b>245.2</b>	<b>224.9</b>
<b>Tier 2 capital</b>		
Fund at fair value	-0.9	7.7
Lower Tier 2 capital (debenture loans)	122.6	112.4
<b>Total</b>	<b>121.7</b>	<b>120.2</b>
<b>Capital requirement for market risks</b>	<b>0.0</b>	<b>0.0</b>
<b>Total capital base</b>	<b>367.0</b>	<b>345.1</b>
<b>Capital adequacy, %</b>	<b>13.8</b>	<b>15.1</b>
<b>Tier 1 capital ratio, %</b>	<b>9.2</b>	<b>9.8</b>

## Bases of the calculations for key figures

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The items in the profit and loss account in the five-year report — applicable net interest income, net income from administrative properties and other operating expenses for 2001–2004 — have been corrected to match the format of the profit and loss account that has been valid since 2005.

### **Turnover**

The sum of interest income, income from equity instruments, net income and expenses from commissions, net profit from securities trading and currency dealing, net income from financial assets that can be sold, net income from administrative properties and other operating income.

### **Earnings per share**

Net operating profit minus taxes plus or minus the minority interest in the result for the financial year, divided by the average number of shares for the year (adjusted for share issue).

### **Equity per share**

Equity less minority share divided by the number of shares at the close of the period.

### **Dividend per share**

Dividend proposed by the board to shareholders per share.

### **Dividend per profit**

Dividend proposed by the board to shareholders times the number of entitled shares in relation to the result for the period.

### **Total return on assets (ROA)**

Net operating profit in relation to the average balance sheet total.

### **Return on equity (ROE)**

Net operating profit divided by equity, including minority interest at the beginning and end of the financial year.

### **Capital adequacy**

Equity including minority interest in relation to the balance sheet total at the close of the period.

### **Risk-weighted commitments**

Assets in the balance sheet plus off-balance sheet items valued and risk-weighted in accordance with regulation 106.7 issued by the Finnish Financial Supervision Authority.

### **Capital adequacy ratio**

Ratio of total capital, i.e. first and second-tier equity, to risk-weighted commitments in accordance with regulation 106.6 issued by the Financial Supervision Authority.

### **Tier 1 capital ratio**

Ratio of tier 1 capital to risk-weighted commitments.

### **Cost/income ratio**

The sum of administrative costs, depreciations and general operating expenses in relation to the sum of the total net income from financial operations, the income from equity instruments, net income and expenses from commissions, net profit from securities trading and currency dealing, net income from financial assets that can be sold, net income from administrative properties and other operating income.

## Proposal for distribution of profit

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The equity available for distribution for the parent company is EUR 84 556 607.29, of which profit for the year amounts to EUR 22 014 268.04. The number of dividend-entitled shares is 37 062 915.

The Board of Directors proposes to the Annual General Meeting of the shareholders of Aktia Savings Bank plc that EUR 0.40 per share be distributed to shareholders, or a total of EUR 14,825,166.00. The

date the dividend will be recorded is 3 April, with dividends being paid on 12 April 2007.

There has been no significant change in the company's financial position since the finalisation of the financial statement. It is the Board of Director's view that the proposed distribution of profit will have no detrimental effect on the company's solvency.

Helsinki, 28 February 2007

### The Board of Directors of Aktia Savings Bank plc

Kaj-Gustaf Bergh  
Chairman of the Board

Dag Wallgren  
Vice Chairman

Hans Frantz

Lars-Olof Hammarén

Lars-Erik Kvist

Marina Vahtola

Nina Wilkman

Mikael Ingberg  
Managing Director

## Auditor's report

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### *To the shareholders of Aktia Savings Bank p.l.c*

We have audited the accounting records, the report of the Board of Directors, the financial statements, and the administration of Aktia Savings Bank p.l.c. for the financial year ended December 31, 2006. The Board of Directors and the Managing Director have prepared the Report of Directors and the financial statements, which include the consolidated and parent company balance sheets, income statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, on the report of the Board of Directors and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the

Supervisory Board and the members of the Board of Directors, the Managing Director and his substitute of the parent company have complied with the rules of the Companies Act, the Savings Bank Act and Credit Institutions Act.

In our opinion the financial statements and the report of the Board of Directors have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements and the report of the Board of Directors. The financial statements and the report of the Board of Directors give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The report of the Board of Directors is consistent with financial statements. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board, members of the Board of Directors, the Managing Director and his substitute of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 5 March 2007

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Jan Holmberg  
Authorised Public Accountant

## Statement by the Board of Supervisors

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The Board of Supervisors has compiled the financial statements, the consolidated accounts and the audit report for 2006 and recommends that the financial statements and consolidated accounts be accepted.

*(Approved at the meeting of the Board of Supervisors on 14 March 2007)*

### **Aktias Board of the Supervisors**

*Henry Wiklund*, Chairman of the Board of Supervisors (in office until 2009), Managing Director, M.Sc. (Econ), Chamber Counsellor

*Johan Bardy*, Deputy Chairman (2009), Attorney-at-Law, LL.M.

*Margareta Pietikäinen*, Deputy Chairman (2007), M.A.

*Henrik Sundbäck*, Deputy Chairman (2009),

Consultant, M.Sc. (Agriculture and Forestry)

*Kjell Sundström*, Deputy Chairman (2009), Managing Director, M.Sc. (Econ)

*Lorenz Uthardt*, Deputy Chairman (2008), M.Sc. (Pol.), Agrologist, Honorary Councillor

*Bo-Gustav Wilson*, Deputy Chairman (2007), Audit Manager, M.Sc. (Econ.)

*Harriet Ahlnäs* (2009), Principal, M.Sc. (Eng.)

*Roger Broo* (2009), Administrative Director, M.Sc. (Pol), Under Secretary

*Sten Eklundh* (2007), M.Sc. (Econ.)

*Kurt Forsman* (2008), M.Sc. (Agriculture)

*Christina Gestrin* (2008), Member of Parliament, M.Sc. (Agriculture and Forestry)

*Christoffer Grönholm* (2009), Administrative Director, D.Soc.Sc.

*Torbjörn Jakas* (2007), Managing Director, M.Sc. (Econ.)

*Kari Kyttälä* (2009), LL.M.

*Patrik Lerche* (2008), Managing Director, M.Sc. (Econ.)

*Per Lindgård* (2009), Teacher

*Kristina Lyytikäinen* (2008), Private Entrepreneur, B.A. (Social Sciences)

*Håkan Mattlin* (2008), Administrative Director, M.Sc. (Pol.)

*Clas Nyberg* (2007), M.Sc.(Eng.)

*Jorma J Pitkämäki* (2008), Director of *Development*

*Henrik Rehnberg* (2009), Farmer, Engineer

*Gunvor Sarelin-Sjöblom* (2007), M.A.

*Peter Simberg* (2008), Agrologist

*Carl Eric Stålberg* (2007), Chairman of the Board of Directors in Swedbank AB (publ), M.Sc. (Econ)

*Maj-Britt Vääriskoski* (2007), Financial Director

*Lars Wallin* (2007), Office Manager

*Carl Johan Westman* (2009), Professor, D.Sc. (Agriculture and Forestry)

*Ann-Marie Åberg* (2007), Physiotherapist

*Marianne Österberg* (2008), Administrative Director, LL.M.

## Administrative principles - Corporate Governance

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### General information on the corporate governance of Aktia Savings Bank plc

The following pages provide further information on the group's administrative bodies and affairs with reference to management, independence and transparency in its operations (Corporate Governance).

### Stock exchange's recommendation on corporate governance

Aktia Savings Bank plc has announced its intention to list the company's shares on the stock exchange and has undertaken to follow the stock exchange's rules on publication of information. The bank complies with the recommendation regarding the publication of information as per the recommendation regarding the administration and control systems of listed companies, which has been issued by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (TT). Aktia also observes the other parts of the recommendation, with the exception of derogations brought about by the Board of Supervisors appointing the bank's Board of Directors and it making decisions on matters which are related to the significant restriction or expansion of activities. Separate bodies for dealing with auditing, nomination and remuneration matters have not been set up as board committees. Instead, presiding officers working within the Board of Supervisors prepare matters being dealt with by the Board of Supervisors and a Controlling Committee supervises the Board's activities.

### Regulatory framework

Aktia Savings Bank plc is governed in compliance with the Companies Act and the Credit Institutions Act. In addition, its subsidiaries are managed in accordance with applicable legislation, such as the Mortgage Bank Act, the Mutual Funds Act and the Securities Companies Act. The regulations on corporate governance, which can be found on Aktia's web site at [www.aktia.com](http://www.aktia.com), are also included in the bank's Articles of Association and the rules of procedure adopted by the Board of Supervisors and Board of Directors that define the areas of responsibility of the individual administrative bodies in more detail.

### Annual General Meeting of Shareholders

Ordinary annual general meetings are held annually before the end of May on a date set by the Board of Directors.

Ordinary annual general meetings deal with:

- the financial statements and the report of the Board of Directors for the previous financial year
- payment of dividends
- discharge from liability for the members of the highest administrative bodies

- fees for the Board of Supervisors and the auditors
- election of members of the Board of Supervisors
- election of auditor(s)

The meeting may also deal with other matters mentioned in the summons. Summons to an annual general meeting is communicated to shareholders through announcement in one or more of the daily papers specified by the Board of Directors with general circulation in Finland. The summons must include details of matters to be discussed at the meeting. In order to be able to participate in an annual general meeting, a shareholder must inform the bank by the specific date stated in the summons. This date may be a maximum of ten days prior to the annual general meeting.

Extraordinary general meetings are held under the conditions mentioned in the Articles of Association.

The bank's press release from the most recent Annual General Meeting can be found on Aktia's web site at [www.aktia.com](http://www.aktia.com).

### The Board of Supervisors

#### The duties of the Board of Supervisors

The Board of Supervisors is responsible for the administration of the bank and comments on the bank's final accounts, reports of the Board of Directors and audit reports at the bank's ordinary Annual General Meeting of Shareholders. The Board of Supervisors makes decisions on matters that are related to the significant restriction or expansion of activities. The Board of Supervisors also appoints the bank's Board of Directors and can advise the Board of Directors in matters that are of special importance or fundamentally vital.

During 2006, the Board of Supervisors met four times, its presiding officers four times and its Controlling Committee once.

#### Appointment of the Board of Supervisors and fees

The Board of Supervisors, which consists of no more than thirty members, is appointed by the bank's ordinary Annual General Meeting of Shareholders for a term of office of three years. No person who turns 65 before the beginning of the term can be elected to serve on the Board. Within the Board of Supervisors, there are presiding officers and a Controlling Committee.

Details of the members of the Board of Supervisors can be found on page 27 of the bank's annual report 'Aktian vuosi 2006'.

The remuneration payable to the members of the Board of Supervisors is determined by the Annual General Meeting of Shareholders. The fees established by the 2006 annual general meeting consist of an annual fee and an attendance fee. The fees vary in scale for the chairman, deputy chairman and members. Details on the remuneration paid can be found in note 4.2 in the Group's official final accounts.

## Board of Directors

### The duties of the Board of Directors

The Board of Directors is responsible for the management of the bank in accordance with the provisions of the applicable laws, the articles of association and the instructions issued by the Board of Supervisors. Apart from assignments given by the Board of Directors to its members in individual cases, board members do not have individual duties related to the governance of the bank.

The Board held 20 meetings in 2006 and the average attendance was 93 %.

### The rules of procedure for the Board of Directors

The rules of procedure approved and established by the bank's Board of Supervisors contain more detailed rules on the Board's general duties, meeting procedures, meeting minutes, ordinary meeting business, preparation and reporting of the matters dealt with at Board meetings and on reports from presiding officers to the Board of Directors and from the Board of Directors to the Board of Supervisors.

### Appointment of the Board and fees

The members of the Board of Directors are appointed by the bank's Board of Supervisors for one calendar year at a time. No person who turns 65\* before the beginning of the term can be elected to serve on the Board. For 2006, 7 members were appointed to the Board. Of these however, Carola Teir-Lehtinen, left her post during the course of her term, to pursue new commitments within her employer's (Fortum plc) Group. The bank's Board of Supervisors re-elected the existing members of the Board of Directors for 2007, with one new member being appointed – Marina Vahtola M.Sc (Econ).

Details of the members of the Board of Directors can be found on page 28 of the bank's annual report 'Aktia in 2006'.

In 2006, remuneration totalling EUR 34,180 was paid for serving as chairman of the Board of Directors. For serving as vice chairman of the Board, remuneration amounted to EUR 20,488. For serving as a board member, a sum varying between EUR 17,584 and EUR 18,484, based on varied levels of attendance fees for the different members, was paid out. This remuneration has been provided as cash. Board members do not participate in share-based incentive schemes.

### Independence of Board members

As per the Board's evaluation, all board members, as referred to in HEX, the Central Chamber of Commerce and TT's Corporate Governance recommendation, are independent in relation to the bank. During the process of identifying dependent relationships with important

\* Rise in age limit to 67 to be proposed by Board of Directors to the 2007 ordinary general meeting as a change to the bank's articles of association.

shareholders, it is duly noted that Board members Dag Wallgren and Lars Hammerén sit on the Board of the Helsinki Savings Bank Foundation and Elinkorkolaitos Hereditas respectively. Both these members are considered important shareholders in the above-mentioned recommendation.

## Managing Director

The Managing Director shall see to the bank's day-to-day management in accordance with the instructions issued by the Board of Supervisors and the Board of Directors. The Managing Director is appointed by the bank's Board of Directors. The Board also sets the Managing Director's salary, pension benefits, notice terms and other conditions of employment.

During 2006, the Managing Director received a cash salary worth a total of EUR 346,989.47. In addition, benefits in kind worth EUR 32,434.82 were received.

The period of notice specified in the Managing Director's employment contract is 18 months on the part of the bank and 6 months on the part of the Managing Director. The retirement age for the Managing Director is 60 years. On reaching retirement age, the Managing Director receives a pension of 60% of the pensionable salary.

## Executive Committee

The Executive Committee is involved in making decisions on the bank's current business operations in accordance with the corporate governance instructions for the Group's business operations issued by the bank's Board of Directors. Certain matters related to lending and the handling of the Group's financing, liquidation and market risks as well as administration of office activities are dealt with by committees appointed by the Executive Committee from within its ranks.

The Executive Committee convened 34 times in 2006.

The members of the Group's Executive Committee, with the Managing Director as chairman, are appointed by the Board of Directors of the bank.

Details of the Managing Director and the other members of the Executive Committee can be found on page 29 of the bank's annual report 'Aktia in 2006'.

Remuneration and benefits packages for the Managing Director and the other members of the Executive Committee are set by the bank's Board of Directors. The salaries of the members of the Board of Supervisors are paid in cash.

For 2007, a bonus system has been set up which, depending partly on the bank's operating profit and partly on personal targets, may provide the Managing Director and the other members of the Group's Executive Committee with a bonus amounting to up to three month's salary. Depending on the terms of performance set down in a share-related bonus programme, they may also be awarded an extra bonus to subscribe in the bank's shares (maximum of 24 980 shares in total);

shares are, in this respect, subject to a time restriction on the right of disposal.

Both the Managing Director and the other members of the Group's Executive Committee are also members of the Group's personnel fund.

### **Assurance of the suitability, competence and integrity of the decision-makers**

The suitability and competence of the members of the bank's Board of Directors, the Managing Director and the Managing Director's replacement are verified in accordance with the instructions of the Financial Supervisory Authority, both before appointment and thereafter on a regular basis. The procedure, which includes assurance of the suitability and reliability of the individuals involved and a number of investigations carried out by the bank, is designed to ensure that the members of the bank's highest decision-making bodies continually satisfy the most rigorous requirements for integrity and impeccable management of their own personal financial affairs.

As per the bank's articles of association, the members of the Board of Directors are required to inform the Board of Supervisors of their involvement in the administration of any other companies. The Managing Director may join the administrative bodies of other companies only with express permission to do so. The most important positions of the members of the Board of Directors and Board of Supervisors in other organisations and foundations are listed on pages 28–29 in the bank's annual report "Aktian vuosi 2006".

Credit applications by members of the Board of Directors, the Managing Director and members of the Board of Supervisors are always processed by the Board of Directors, irrespective of the amounts involved. Details on the loans granted can be found in note 4.3 in the Group's official final accounts.

The bank's rules of procedure include provisions on recusation that are more comprehensive than the regulations found in the legislation. The provisions on recusation forbid the processing of matters related to the subject himself and his close relatives or an organisation or foundation in which the subject wields influence.

### **Insider administration**

In addition to the obligatory regulation of insider issues in credit institutions, Aktia Savings Bank plc applies insider rules corresponding to the model rules of the Finnish Association of Securities Dealers.

According to the bank's insider rules, information on a person is entered in the bank's insider register as required by the Securities Market Act and the Financial Supervision Authority. The members of the bank's Board of Directors and the Managing Director and his deputy are entered in the bank's register, which means that their holdings of shares in listed companies is public information. Public disclosure is a way of ensuring that no abuse of market information can take place. Furthermore, the right of people recorded in the bank's insider register to themselves trade in securities is lim-

ited, for instance, in such a way that purchase and sale transactions (or sale and purchase transactions) involving the same securities may not take place with less than a month's interval.

### **Audit**

Every year, the ordinary annual general meeting appoints one or two auditors for the bank. The auditor must be authorised by the Central Chamber of Commerce.

During recent years, the ordinary general meeting has chosen to appoint only one auditor. For 2006, PricewaterhouseCoopers Oy, auditors authorised by the Central Chamber of Commerce, were appointed. Jan Holmberg, also authorised by the Central Chamber of Commerce, has operated as the auditor-in-charge. Apart from a bank giro account, neither the association of auditors nor the auditor-in-charge has any customer relationship with the bank.

In 2006, a total of EUR 156,086.14 in remuneration (excluding VAT) was paid out to the auditors for auditing the accounts of the Group's companies. This sum includes fees for the audit of the mutual funds and PricewaterhouseCoopers' fee for auditing the bank's subsidiary in Luxembourg. For services other than audits, companies in the Group paid fees to PricewaterhouseCoopers totalling EUR 20,639.34 (excluding VAT).

### **Internal audits**

The internal audit at the bank has been set up as an independent unit, which is administratively subordinate to the bank's Managing Director. The bank's Board of Directors makes decisions on employment and dismissal of the manager of the bank's internal audit, whose terms of employment are approved by the chairman of the Board of Directors. Every year, the board establishes an activity plan for the internal audit.

The internal audit regularly reports its observations to the Board of Directors, the Board of Supervisors' Controlling Committee, the external auditors and the Financial Supervisory Authority.

The internal audit also examines the activities of the subsidiaries and reports to the boards of each subsidiary.

### **Risk management**

Information on the bank's risk management strategies can be found in the Board of Director's report under the heading 'Risk Management'.

### **Share capital and ownership**

Information on share capital and ownership can be found on page 26 of the bank's annual report "Aktia in 2006".

**Shareholders' agreement**

The bank has been informed of an agreement concluded between shareholders who together control over 50% of the shares and votes in the bank. The agreement stipu-

lates, amongst other things, that should a party wish to sell its shares, it must offer these first to one of the other parties in the agreement. Under the agreement, the parties aim to represent a unanimous shareholder interest.

# Aktia

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