

Aktia Savings Bank plc

Interim Report 1 January – 30 June 2006

Aktia

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Aktia's operating profit increased by over 10%

Profitability

- Net operating profit for January – June rose by 20.9% to EUR 25.8 (21.4) million. Excluding one-off items, operating profit increased by over 10% to EUR 23.7 million.
- Return on equity (ROE) rose to 15.6% (14.9%).
- Earnings per share increased by 20.7% to EUR 0.55 (0.45).

The period in brief

- Assets managed by Aktia Asset Management rose by 18.0% to EUR 1,568 (1,329) million and those managed by Aktia Private Banking by 29.0% to EUR 734 million.
- Saving by households (deposits + mutual funds) rose by 12.1% to EUR 2,659 (2,372) million.
- The loan stock grew by 13.1% to EUR 3,472 (3,069) million.
- Real estate operations expanded into western Uusimaa with offices opening in Tammisaari, Karjaa and Pohja at the end of the second quarter. Aktia's real estate operations, which were launched at the end of 2005, has grown strongly, with the total number of objects for sale reaching over 300 at the end of June.
- The total number of charge cards rose by 8.8% and the number of cards with credit limit more than doubled.
- Aktia is the first bank in Finland to give its customers the option of choosing their own design for their charge card. Customers can personalise their card using their own digital photos or by selecting from the bank's own extensive picture gallery.

Key figures at period end

	30.6.2006	31.3.2006	31.12.2005	30.9.2005	30.6.2005
Earnings/share, EUR	0.55	0.26	1.05	0.72	0.45
Equity per share, EUR	6.9	7.0	6.9	6.6	6.3
Return on equity (ROE), %	15.6	15.0	16.3	15.6	14.9
Cost/income ratio	0.63	0.63	0.57	0.62	0.64
Deposits from the public, EURm	2,414	2,371	2,309	2,268	2,264
Lending to the public, EURm	3,472	3,344	3,250	3,150	3,069
Mutual fund capital, EURm	1,113	1,136	971	965	876
Capital adequacy, %	14.6	14.6	15.1	14.7	14.5
Tier 1 Capital ratio, %	9.8	9.7	9.8	9.6	9.4
Risk-weighted commitments	2,471	2,400	2,286	2,249	2,212
Staff (full-time resources)	743	719	683	672	676

Financial performance by quarter

	2/2006	1/2006	4/2005	3/2005	2/2005
EURm					
Net interest income	20.8	20.6	20.3	20.0	20.2
Dividend income	1.2	0.0	0.0	0.0	0.2
Commission income	12.1	11.5	10.2	9.4	10.4
Commission expenses	-2.1	-1.8	-1.7	-1.5	-1.5
Net income from securities and currency trading	0.3	0.4	0.4	0.4	0.4
Net income from financial assets for sale	0.5	0.3	-1.6	0.0	0.0
Net income from administrative properties	-0.2	0.7	0.5	0.4	0.5
Other operating income	2.5	0.5	15.1	0.3	0.3
Total income	35.1	32.3	43.2	29.0	30.6
Staff costs	-11.2	-10.0	-11.0	-8.4	-9.9
Other administrative expenses	-6.6	-6.4	-6.4	-4.8	-5.7
Depreciation and write-downs	-0.9	-1.1	-1.0	-1.0	-1.0
Other operating expenses	-3.5	-2.7	-2.4	-2.4	-2.5
Total costs	-22.2	-20.3	-20.7	-16.6	-19.1
Write-downs on loans	-0.1	0.5	-0.9	-0.1	-0.2
Sector-specific credit loss provisions	-	-	-6.5	-	-1.0
Share of the result from associated companies	0.3	0.3	0.0	0.3	0.3
Net operating profit	13.1	12.8	15.1	12.7	10.7

Financial result

The Group's operating profit rose during the first six months of 2006 to EUR 25.8 million, an increase of EUR 4.4 million (+20.9%) on the corresponding period of the previous year. This increase in profit can primarily be attributed to a marked rise in commission income, improved net interest income and other non-recurring operating income.

Loan losses remained low. In net terms, a positive result of EUR 0.3 million was achieved.

Profit for the reporting period rose by 20.7% to EUR 19.3 million, corresponding to EUR 0.55 per share and a return on equity of 15.6%.

Income

The Group's total income increased by 12.1% to EUR 67.4 (60.1) million.

Over the reporting period, net interest income rose by EUR 2.0 million (+5.2%) to EUR 41.4 million. This rise in net interest income resulted from increased volumes and return on the liquidity portfolio. Lower customer margins were offset by increased volumes in lending and deposits. The impact of hedging operations on net interest income was EUR 3.1 (4.0) million during the first six months of 2006.

Commission income rose by 24.5% to EUR 23.6 (19.0) million, largely as a result of higher mutual fund, asset management and insurance commission. Charge card commission increased by 21.2%. Commission income from the newly-launched real estate operations totalled approximately EUR 1 million.

Current building works to incorporate parts of the real estate company at Mannerheimvägen 14 into the Forum shopping centre has affected both net income from administrative properties and other operating expenses.

Other operating income totalled EUR 3.0 (0.9) million, largely due to one-off items relating to sales of shares. This increase can primarily be attributed to the sale of 2.3% of shares in the data company Oy Samlink Ab and 10% of shares in Aktia Real Estate Mortgage Bank.

Expenses

The Group's total costs for January – June rose by 10.6% to EUR 42.4 million.

Staff costs increased by 9.0% to EUR 21.1 million, approximately 5% of which was attributable to regular pay increases based on collective labour agreements and higher performance-based bonuses. The remaining 4% increase is largely due to investments made within real estate and capital market operations.

Other administrative expenses increased by 13.1% to EUR 13.0 million. The largest increases in costs can be attributed to real estate operations, marketing costs and other costs relating to Aktia's anniversary celebrations.

Other operating expenses rose by EUR 0.9 million to EUR 6.3 million. The majority of these increased costs are associated with current rebuilding works.

The cost / income ratio of 0.63 (0.64) remained at the same level as last year.

Business volume

Despite the downturn in the share market during the latter part of the period, volumes continued to grow for both investments in mutual funds and asset management.

Investment in mutual funds grew by 27.1% to EUR 1,113 million, while deposits by the public increased by 6.6% to EUR 2,414 million. Total saving (deposits + mutual fund capital) rose by 12.3% to EUR 3,527 million.

Saving by households (deposits + mutual funds) rose by 12.1% to EUR 2,659 million. Investments in mutual funds by households grew by 31.0% to EUR 751 million and deposits from households increased by 6.0% to EUR 1,907 million.

Sales of new Aktia bonds to the public and institutions during the first six months of 2006 amounted to EUR 47.5 million. On a yearly basis, these new sales amount to EUR 76.9 million.

Assets managed by Aktia Asset Management rose by 18.0% to EUR 1,568 million, while those managed by Aktia Private Banking increased by 29.0% to EUR 734 million.

The Group's total lending rose by 13.1% to EUR 3,472 million. Loans to households totalled EUR 2,830 million (+13.9%). The majority of this growth can be attributed to high demand for housing loans. The housing loan stock increased by 15.6% to EUR 2,395 million, of which mortgages constituted EUR 948 million, an increase of EUR 349 million. Of the mortgage loan stock, EUR 164 million was accounted for by loans arranged by local co-operative banks and other savings banks, contributing to a 5.5% increase in household loans and a 6.7% increase in housing loans.

Corporate lending totalled EUR 371 million.

Balance sheet and off-balance sheet commitments

As of 30 June 2006, the Group's balance sheet total stood at EUR 5,098 million, an increase of EUR 684 million. This increase in the balance sheet total is a result of growth in lending and improved liquidity. Growth has been financed by long-term bond issues and

borrowing. Outstanding bonds and debenture loans amount to EUR 1,068 million, an increase of EUR 310 million.

Off-balance sheet commitments totalled EUR 470 million, an increase of EUR 149 million. This increase was largely due to extended credit limits for local banks.

Risk position

Credit risks

There have been no significant changes to the composition of the credit portfolio during the first six months of 2006. Households continued to account for over 81%, with corporate financing totalling approximately 11%. Housing loans accounted for 69% of the total credit stock.

Non-performing and non-interest-bearing loans fell by EUR 2.0 million to EUR 10.9 million. Their relative share of the entire credit stock, including off-balance-sheet guarantee commitments, thus fell from 0.4% to 0.3%.

The Group's loan losses remained low. During the reporting period, reversals of loan losses posted during previous years were booked to the value of EUR 0.6 million. New loan losses totalled EUR 0.3 million. The net effect of loan losses and reversals was thus positive at EUR 0.3 million.

No additional increase in sector-specific credit loss provisions was required during the first six months of 2006 as these continued to stand at the target level of 0.5% (EUR 13.7 million) of the parent bank's credit stock at the end of the period.

Interest risks

Interest risk comprises both structural and momentary interest rate risk. Structural interest rate risk arises as a result of differences in rate ties between assets and liabilities. To reduce the volatility in the net interest income, structural interest rate risk is primarily contained through the use of derivative instruments used for hedging purposes.

Fluctuations in the interest rate also affect the market value of the Group's liquidity portfolio (momentary interest rate risk). The market valuation of these financial assets which are retained for sale is entered against the fair value reserve under equity capital and deferred tax.

At the end of June, the nominal value of interest-related derivative instruments for hedging purposes totalled EUR 4,616 million (+5.7%), of which EUR 2,381 million was in forward rate agreements and interest rate swaps and EUR 2,235 million was in interest rate options.

Other derivative contracts

The nominal value of other derivative contracts totalled EUR 867 million, of which EUR 769 million was accounted for by interest-related derivative contracts which are attributable to mediated and structured products. All share-related derivative contracts, EUR 98 million, relate to structured products.

Capital Adequacy

As of 30 June 2006, the Group's capital base totalled EUR 361 million, of which EUR 242 million was Tier 1 equity. The Tier 1 equity includes both the profit for the reporting period and deductions for the 2005 dividend determined by the Annual General Meeting of Shareholders, as well as calculated dividends for the reporting period corresponding to last year's dividend level.

The Group's risk-weighted commitments rose by 11.7% to EUR 2,471 million. The capital adequacy ratio was 14.6%, Tier 1 equity being 9.8%.

Personnel

When converted into full-time employees, the number of staff employed by the Group increased by 67 to 743 as of the end of June. 37 people were employed in real estate operations at the end of June. The average number of full-time employees during the period was 697 (673).

Rating

Aktia's credit ratings as assessed by Moody's Investors Service Ltd are A3 for long-term borrowing, P-2 for short-term borrowing, and C for financial strength, all with a stable outlook.

Aktia, via its subsidiary Aktia Real Estate Mortgage Bank Plc, has been able to issue long-term bonds with a very high credit rating of Aa2 from Moody's Investors Service Ltd.

Other events

In early April, Aktia sold 10% of its shares in Aktia Real Estate Mortgage Bank to local co-operative banks. Aktia continues to be the largest shareholder of Aktia Real Estate Mortgage Bank with 70% of the shares.

In early April, Aktia also sold 2.3% of its shares in the data company Oy Samlink Ab to Handelsbanken, which entered into an agreement to start using Samlink's system at the same time. The broad ownership base and Samlink's new customer relationship also means increased economies of scale for Aktia. Aktia's share in Oy Samlink Ab thus totals 25.9%.

In May, Aktia Fund Management Ltd launched a new investment fund – Aktia Nordic. This new fund mainly

invests in value shares on the Nordic markets i.e. in Sweden, Norway, Denmark and Finland.

The private equity company, Unicus AB, which is owned by Aktia, eQ and the company's Executive Committee, made its first investment in the care service provider Oy Esperi Ab at the beginning of June. In addition to the ownership consortium managed by Unicus, Esperi's previous owners, the Finnish Red Cross and the Executive Committee retain significant ownership.

Head of Communications, Carola Teir-Lehtinen withdrew from the Board of Directors for Aktia Savings

Bank Plc with effect from 1 July 2006 due to new commitments within the Fortum Group.

Important events after the end of the reporting period

At the beginning of August, it was announced that a branch office would be opened in Kemiönsaari and a real estate agency established this coming autumn.

Prospects

Operating profit adjusted for non-recurring items is expected to slightly exceed that of last year.

Profit and loss account

(EURm)	1-6/2006	Group 1-6/2005	1-12/2005
Interest income	80.4	65.4	134.1
Interest expenses	39.0	26.0	54.4
Net interest income	41.4	39.4	79.7
Income from Tier 1 capital instruments	1.2	1.2	1.2
Commission income	23.6	19.0	38.6
Commission expenses	-3.9	-2.8	-6.0
Net income from securities and currency trading	0.7	0.7	1.4
Net income from financial assets for sale	0.8	0.6	-1.0
Net income from investment real estate	0.4	1.2	2.1
Other operating income	3.0	0.9	16.3
Total other income	25.9	20.7	52.6
Total income	67.4	60.1	132.3
Staff costs	21.1	19.4	38.8
Other administrative expenses	13.0	11.5	22.7
Depreciation and write-downs on tangible and intangible assets	2.0	2.1	4.1
Other operating expenses	6.3	5.4	10.1
Total costs	42.4	38.4	75.7
Profit before write-downs	24.9	21.7	56.6
Sector-specific credit loss provisions	-	-1.0	-7.5
Write-downs on loans and other commitments	0.3	0.0	-1.0
Write-downs on other financial assets	-	-	-
Share of the result from associated companies	0.6	0.7	1.0
Net operating profit	25.8	21.4	49.1
Appropriations	-	-	-
Taxes for the period and for previous reporting periods	-4.3	-3.4	-9.5
Changes in deferred tax liabilities	-2.0	-1.8	-2.3
Minority interest	-0.3	-0.1	-0.3
Profit for the reporting period	19.3	16.0	37.0

Balance sheet

(EURm)	Note	30.6.2006	Group 30.6.2005	31.12.2005
Assets				
Liquid assets		352.4	245.3	283.7
Bonds eligible for refinancing at central banks	1)	982.1	819.1	714.7
Claims on credit institutions		48.9	31.8	23.7
Receivables from the public and public sector entities		3,472.4	3,069.6	3,249.5
Bonds	2)	72.3	53.5	66.3
Shares and participations	3)	28.6	23.5	29.3
Shares and participations in associated companies		2.4	2.8	2.7
Shares and participations in group companies		0.1	-	-
Derivative instruments		5.8	4.7	4.0
Intangible assets		2.6	3.2	2.7
Tangible assets		94.3	97.8	95.6
Other assets		6.2	36.0	54.2
Accrued expenses and advance payments		30.1	27.2	27.0
Total assets		5,098.1	4,414.5	4,553.5
Liabilities				
Foreign capital				
Liabilities to credit institutions		869.2	774.6	851.0
Deposits from the public		2,414.2	2,263.9	2,308.6
Other liabilities to the public and public sector entities		199.6	45.9	30.2
Debt securities issued to the public		1,037.0	799.5	786.3
Derivative instruments and other liabilities held for trading		3.1	4.7	4.0
Other liabilities		70.4	92.4	106.9
Compulsory provisions		1.4	0.9	1.8
Accrued expenses and advance payments received		32.3	25.8	24.3
Subordinated liabilities		193.5	155.6	163.3
Deferred tax liabilities	4)	26.2	27.4	27.7
		4,846.8	4,190.8	4,304.0
Equity				
Share capital		70.6	70.6	70.6
Share premium account		1.9	1.9	1.9
Ordinary reserve		8.1	8.1	8.1
Fair value reserve	5)	-2.2	8.6	7.7
Profit brought forward		144.2	117.8	117.8
Profit for the period		19.3	16.0	37.0
Minority interest		9.4	0.8	6.3
		251.3	223.7	249.5
Total liabilities		5,098.1	4,414.5	4,553.5

Off-balance-sheet commitments

(EURm)

	30.6.2006	Group 30.6.2005	31.12.2005
Commitments provided to a third party on behalf of the customer			
Guarantees	43.0	44.8	43.2
Other commitments provided to a third party	27.2	24.3	25.8
Irrevocable commitments provided to a third party			
Unused credit arrangements	351.7	201.4	269.4
Other irrevocable commitments	47.6	50.1	41.1
Total off-balance-sheet commitments	469.6	320.6	379.5

Sector-by-sector analysis of receivables from public sector entities

(EURm)

	30.6.2006	Group 30.6.2005	31.12.2005
Households	2,830	2,485	2,631
Corporations	371	381	340
Housing associations	221	150	227
Non-profit organisations	39	43	41
Public organisations	11	10	11
Total	3,472	3,069	3,250

Risk commitments

(EURm)

	30.6.2006	Group 30.6.2005	31.12.2005
Non-performing loans	10.8	12.7	9.9
Non-interest-bearing loans	0.1	0.2	0.2
Total	10.9	12.9	10.1

Non-performing/credit stock incl. guarantee obligations (%)

0.3

0.4

0.3

Capital adequacy

(EURm)

	30.6.2006	Group 30.6.2005	31.12.2005
Tier 1 capital	242	208	225
Tier 2 capital	119	112	120
Tier 3 capital	-	-	-
Capital base	361	320	345
 Risk-weighted commitments	 2,471	 2,212	 2,286
 Capital adequacy, %	 14,6	 14,5	 15,1
Tier 1 Capital ratio, %	9.8	9.4	9.8

Derivative contracts EURm	Group 30.6.2006			Group 30.6.2005			Group 31.12.2005		
	Commitments for hedging purposes	Other	Fair value	Commitments for hedging purposes	Other	Fair value	Commitments for hedging purposes	Other	Fair value
Interest rate-related	4,615.9	768.8	-0.3	4,367.0	294.1	22.0	4,007.8	526.1	7.7
Forward rate agreements	1,555.0	155.0	-2.5	1,760.0	10.0	3.7	1,394.0	244.0	-0.6
Interest rate swaps	825.5	98.4	3.8	451.6	8.7	11.6	458.4	6.7	7.7
Interest rate option agreements	2,235.4	515.4	-1.6	2,155.4	275.4	6.7	2,155.4	275.4	0.7
<i>Purchased</i>	1,249.4	246.0	1.6	1,089.4	126.0	13.4	1,089.4	126.0	7.2
<i>Written</i>	986.0	269.4	-3.2	1,066.0	149.4	-6.7	1,066.0	149.4	-6.5
Currency-related	22.6	0.0	-0.1	53.9	0.0	1.1	26.8	0.0	0.1
Forward rate agreements	22.6	0.0	-0.1	53.9	0.0	1.1	26.8	0.0	0.1
Equity-related	98.3	98.3	0.0	100.5	100.5	0.0	88.5	88.5	0.0
Equity options	98.3	98.3	0.0	100.5	100.5	0.0	88.5	88.5	0.0
<i>Purchased</i>	98.3	0.0	6.5	100.5	0.0	6.2	88.5	0.0	8.7
<i>Written</i>	0.0	98.3	-6.5	0.0	100.5	-6.2	0.0	88.5	-8.7

Notes on key figures

Earnings/share, EUR

Net operating profit after taxes +/- minority share of result for the period
Issue-adjusted number of shares on average during the period

Equity/share, EUR

Equity and provisions – minority interest
Number of shares at end of period

Return on equity, %

Net operating profit – taxes (on yearly basis) x 100
Average equity

Cost/income ratio

Administrative expenses + depreciation and write-downs + other operating expenses
Net interest income + net commission + income from Tier 1 capital instruments
+ net income from securities and currency trading + net income from financial assets which
can be sold + net income from administrative properties + other operating income

Risk-weighted commitments

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

Capital adequacy ratio

Total capital base (Tier 1 capital + Tier 2 capital) x 100
Risk-weighted commitments

Total capital base is calculated in accordance with regulation 106.6 of the Financial Supervision Authority.

Tier 1 capital ratio, %

Tier 1 capital x 100
Risk-weighted commitments

Notes on balance sheet for 2006

1) Bonds eligible for refinancing with central banks			
	30.6.2006	Group 30.6.2005	31.12.2005
Retained for trading	0.0	0.0	0.0
Retained for sale	989.5	808.2	710.2
- revalued against the fair value reserve and deferred tax	-7.4	10.9	4.5
	982.1	819.1	714.7
Retained until maturity	0.0	0.0	0.0
Total	982.1	819.1	714.7
2) Bonds			
	30.6.2006	Koncern 30.6.2005	31.12.2005
Retained for trading	2.0	4.4	6.9
Retained for sale	37.1	20.6	25.9
- revalued against the fair value reserve and deferred tax	-0.3	0.0	0.0
	36.8	20.6	25.9
Retained until maturity	33.5	28.5	33.5
Total	72.3	53.5	66.3
3) Shares and participations			
	30.6.2006	Koncern 30.6.2005	31.12.2005
Retained for trading	0.0	0.0	0.0
Retained for sale	29.1	22.9	23.4
- revalued against the fair value reserve and deferred tax	-0.6	0.6	5.9
	28.6	23.5	29.3
Total	28.6	23.5	29.3
4) Deferred tax liabilities			
	30.6.2006	Koncern 30.6.2005	31.12.2005
Opening balance sheet total	27.7	22.7	22.7
Change via profit and loss account	2.0	1.8	2.3
Bonds eligible for refinancing with central banks revalued against the fair value reserve	-3.2	2.8	1.2
Bonds revalued against the fair value reserve	-0.1	0.0	0.0
Shares and participations revalued against the fair value reserve	-0.2	0.1	1.5
Closing balance sheet total	26,2	27,4	27,7
5) Fair value reserve			
The unrealised changes in value in financial assets and shares and participations available for sale are booked to the fund.			
	30.6.2006	Group 30.6.2005	31.12.2005
Opening balance sheet total	7.7	0.0	0.0
Revalued bonds eligible for refinancing with central banks	-9.3	8.1	3.3
Revalued bonds	-0.2	0.0	0.0
Revalued shares and participations	-0.4	0.5	4.4
Closing balance sheet total	-2.2	8.6	7.7

Helsinki, 22 August 2006

AKTIA SAVINGS BANK PLC

Board of Directors

Auditor's statement

We have reviewed the interim report of Aktia Savings Bank plc as of 31.6.2006. The interim report has in our opinion been prepared in accordance with applicable

regulations. The Group's net operating profit for the period 1.1.-30.6.2006 is million 25,8 euro.

Helsinki, 22 August 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

