

Aktia Savings Bank plc

Interim Report
1 Jan - 30 Jun 2007

Aktia

Contents

The period in brief	4
Key figures at the end of each reporting period	5
Consolidated income statement	11
Consolidated balance sheet	12
Derivative contracts	13
Off-balance sheet commitments	13
Sector-by-sector distribution of lending	13
Risk commitments	13
The banking group's capital adequacy	14
The financial conglomerate's capital adequacy	14
Quarterly trend	14
Key figures by quarter	15
Segment-based reporting	16
Income statement	17
Balance sheet	17
Retail banking	18
Capital market	18
Corporate banking and Treasury	19
Aktia Real Estate Mortgage Bank	19
Life insurance	19
Miscellaneous and eliminations	20
Notes on the financial reports	21
Basis of calculation for key figures	24
Review report on the interim report of Aktia Savings Bank p.l.c. as of 30.6.2007.....	25

The period in brief

- The profit of Aktia Group during the reporting period rose by 71.2 per cent to EUR 32.9 million, and earnings per share improved by 54.1 per cent to EUR 0.83 (0.54).
- The operating profit of Aktia Group increased by 58.1 per cent to EUR 40.5 million (25.6). The insurance business, including the negative goodwill of EUR 11.4 million entered as income, contributed to the increase in profits by approx. EUR 16.9 million. The operating profit of the banking group decreased by EUR 2.0 million compared with the previous year.
- Return on equity (ROE) increased to 21.9 per cent (15.6).
- The total savings in mutual funds increased by 82.1 per cent to EUR 2,027 million. The assets managed by Aktia Asset Management increased by 131.2 per cent to EUR 3,625 million.
- The total number of charge cards increased by 38.4 per cent to approx. 60,000.
- Net commission income increased by 20.7 per cent to EUR 23.8 million (19.7).
- According to Basel 2, the banking group's capital adequacy ratio totalled 18.2 per cent and the financial conglomerate's capital adequacy (capital base in relation to the minimum requirement) totalled 156.9 per cent.
- Moody's Investors Service upgraded Aktia Real Estate Mortgage Bank plc's long-term bonds to the highest possible rating of Aaa from the previous Aa2 in the beginning of June.

Managing Director's comment

"Results that we can be satisfied with. This shows that the initiatives have produced results and that the planned diversification of business is already affecting the figures.

The contribution of Veritas Life Insurance to the development of profits is particularly gratifying. The positive reception of our unique interest funds and the Aktia Real Estate Mortgage Bank issue at a price level somewhat under the market rate are also worth mentioning.

Corporate Banking, where we have concentrated our resources and expertise on corporate customer issues, has started its operations in a convincing manner, as have our real estate agencies that have established themselves with good visibility and active operations.

The positive developments strengthen us in our efforts to benefit our customers and the local communities. Our investment of resources in the Oulu branch office are an example of this," says Mikael Ingberg, Managing Director of Aktia.

Key figures at the end of Q2 2007 and Q2 2006, and the full year 2006

	Q2 2007	Q2 2006	2006
Earnings/share, EUR	0.83	0.54	1.17
Equity per share, EUR	8.16	6.81	7.11
Return on equity (ROE), %	21.9	15.6	16.6
Cost-to-income ratio, banking group	0.67	0.63	0.61
Life insurance group's expense ratio, %	111.3	-	-
Mutual fund capital, EUR millions	2,027	1,113	1,420
Borrowing from the public, EUR millions	2,640	2,410	2,544
Lending to the public, EUR million	4,200	3,475	3,763
Risk-weighted commitments	2,579	2,471	2,655
Capital adequacy ratio, % (banking group)	18.2	14.6	13.8
Tier 1 capital ratio, % (banking group)	12.4	9.8	9.2
Solvency ratio, % (life insurance group)	22.0	-	-
Capital adequacy ratio, % (financial conglomerate)	156.9	-	-
Life insurance business:			
- investments at fair value	971.7	-	-
- technical provisions	641.2	-	-
- provisions for unit-linked policies	195.9	-	-
Average number of shares, millions ¹⁾	39.8	35.8	35.8
Average number of shares at end of period, millions	40.1	35.3	35.3
Personnel (FTEs), average number	921	716	741

¹⁾ Average number of shares, adjusted for new share issue.

Acquisition of Veritas Life Insurance

Aktia completed the acquisition of 99.96 per cent of the shares in Veritas Life Insurance Company on 17.1.2007. The acquisition balance sheet, which is explained in further detail in the Notes section of the report, was produced as at 1.1.2007. The Veritas Life Insurance Group's balance sheet, with assets of around EUR 990 million, and the profit for the first six months of 2007 are included in the Aktia Group's consolidated accounts for the first time for the first six months of 2007. The performance of the insurance business compared with the first six months of 2006 is explained in the comments on the Life Insurance segment.

Financial performance during the first six months of 2007

The results continued to improve during the first six months, and the operating profit of Aktia

Group increased to EUR 40.5 million, an increase of EUR 14.9 million (+58.1%) on the corresponding period of the previous year. The insurance business contributed approx. EUR 16.9 million to the improvement of financial performance after the elimination of all acquisition-related items, including the entry as income of the negative goodwill of EUR 11.4 million during the first quarter, as well as of the elimination of capital gains and other transactions totalling EUR 9.7 million entered as costs. The operating profit of the banking group decreased by EUR 2.0 million, of which 1.3 million was due to shares in profits of associated undertakings and loan losses while the increases in other costs exceeded the increase in income by approx. EUR 0.7 million. The real estate operation's improved profit, which is included in the retail banking segment, totalled EUR 0.4 million.

Net loan losses totalled EUR -0.1 million (+0.3).

The share of profits from associated undertakings decreased to EUR 0.2 million (0.8).

The profit for the reporting period rose to EUR 32.9 million, an improvement of EUR 13.7 million (+71.2 per cent).

As the average number of shares rose from 35.8 to 39.8 million, the improvement in earnings per share was lower, i.e. 54.1 per cent, rising from EUR 0.54 to EUR 0.83 per share.

Return on equity increased to 21.9 per cent (15.6). If the net change of the fund at fair value were to be taken into account, the return on equity would be 23.9 per cent (6.2).

The cost-to-income ratio, which is a traditional measure of performance for banking operations, but not for insurance, was somewhat poorer as a result of the new initiatives that are described in the section on the banking group's costs, moving from 0.63 to 0.67.

The expense ratio of the life insurance business improved to 111.3 per cent from 112.7 per cent for the whole year 2006.

Income

The total income of Aktia Group rose to EUR 152.2 million, an increase of EUR 85.3 million. Of this increase in income, EUR 81.1 million, after internal group transactions, is attributable to the newly acquired life insurance business, while the banking group's income rose by 6.3 per cent to EUR 71.1 (66.9) million.

Net interest income improved slightly from the first six months of 2006 previous year, i.e., to EUR 42.2 (41.5) million. A continued reduction in customer margins, particularly in lending, was largely compensated by the growth in volume, while the increase in borrowing and the increase in interest rates made a definite, positive contribution to the growth in net interest income. However, the measures taken to reduce the structural interest risk now had a negative effect on net interest income of EUR 1.8 million, having had a positive effect of EUR 3.1 million during the first six months of 2006. Finance costs for the acquisition of the shares in Veritas Life Insurance had an impact on net interest income of approx. EUR 0.6 million. The mortgage loans distributed by other banks improved the net interest income by approx. EUR 1.2 million.

Net commission income increased by EUR 4.1 million (+20.6 per cent) to EUR 23.8 million. Commission income from funds and asset management rose by EUR 2.7 million (+30.3 per cent) to EUR 11.7 million. Commission from charge and credit cards grew by EUR 0.4 million (+39.6 per cent) to EUR 1.5 million, while com-

mission from payment services decreased somewhat. The commission income of the real estate agency business rose by EUR 2.6 million (+256.5 per cent) to EUR 3.6 million. Within commission costs, the commissions to local banks for mortgages increased by EUR 0.4 million.

Income from the life insurance business totalled EUR 81.5 million. Of the capital gains from securities sold included in life insurance business net income from investments, the proportion of capital gains arising as a profit between the sales price and the investments' fair value as at 1 January 2007 has been included in the consolidated accounts of Aktia Group. The capital gains posted to profits were thus EUR 29.6 million lower in the Aktia Group than those entered as income in the Veritas Life Insurance Group. As a consequence of this, the fund at fair value relating to the life insurance business in Aktia Group as at 30 June 2007 totalled EUR 12.9 million, while the fund at fair value in the Veritas Life Insurance Group totalled EUR 54.3 million.

The decrease of EUR 1.4 million in other operating income is due to the fact that the previous year's figures included capital gains of approx. EUR 1.8 million related to the sale of shares in data company Oy Samlink Ab and in Aktia Real Estate Mortgage Bank.

Expenses

The total expenses of Aktia Group rose to EUR 111.9 million, an increase of EUR 69.4 million. Of this increase, EUR 64.5 million is attributable to the life insurance business, while the banking group's expenses rose by 11.6 per cent to EUR 47.4 million (42.4). Of the increase in the banking group's expenses approx. 7.2 percentage units were attributable to new initiatives in real estate agency operations, Aktia Card & Finance and the launch of the new customer concept Aktia Bonus

Claims paid by the life insurance business totalled EUR 34.3 million. Interest-based provisions increased by EUR 7.4 million and unit-linked provisions increased by EUR 28.7 million.

Staff costs increased by EUR 6.5 million to EUR 27.7 million (21.1). Of this increase, EUR 3.0 million is attributable to Veritas Life Insurance, while the banking group's expenses rose by 16.8 per cent to EUR 24.7 million (21.1). Most of the increase in expenses was due to investments made primarily in the real estate agencies, retail banking and the capital market.

Other administrative expenses rose by EUR 4.1 million to EUR 17.1 million (13.0), of which Veritas Life Insurance accounted for EUR 2.2 million. The banking group's other administrative expenses rose to EUR 14.9 million (13.0), an increase of 14.7 per cent. 4.8 per cent of the increase in the banking group's expenses is attributable to the real estate agency operation.

Depreciation and write-downs in the banking group fell by EUR 0.4 million to EUR 1.6 million (2.0), primarily because of the reduced real estate portfolio. The life insurance business gave rise to new depreciation & amortisation items amounting to EUR 0.4 million for the Aktia Group, with the result that the total depreciation & amortisation stood at the same level as during the first six months of 2006.

The estimated negative goodwill of a total of EUR 11.4 million arising from the acquisition of Veritas Life Insurance was entered, in line with IFRS requirements, in its totality as income during the first quarter – see also the acquisition calculation in the Notes section of the report. Negative goodwill is still preliminary in the light of the agreement concluded in respect of the settlement of the final purchase price for Veritas Life Insurance. The amount of negative goodwill will be affected by the final results of divesting the real estate holdings of Veritas Life Insurance at the time of acquisition to the degree that interest is either paid or received on the adjustment of the contract price. On the basis of the sales implemented during the first six months, the contract price has increased by approx. EUR 7.0 million. The entry as income of the negative goodwill will be adjusted in accordance with the final calculation no later than for the financial statements for the financial year of 2007. The results of 2007 will be further encumbered by certain integration costs of non-recurring nature.

Balance sheet and off-balance sheet commitments

On 30 June 2007, the balance sheet total of Aktia Group was EUR 7,017 million (5,101). EUR 992 million of the increase in the balance sheet total is attributable to the life insurance business, of which investments at fair value totalled EUR 972 million. Otherwise, the increase in the balance sheet total is a result of growth in lending and a strong improvement in liquidity. The reduced real estate portfolio resulted in a reduction in tangible assets.

Total liabilities increased by EUR 1,816 million, of which technical provisions accounted for EUR 641 million and provisions for unit-linked policies EUR 196 million. Growth in the banking operation has been financed by long-term bond issues and borrowing. Outstanding senior and subordinated debts totalled EUR 1,575 million, an increase of EUR 508 million.

The acquisition of Veritas Life Insurance was financed to a large extent by equity. A direct share issue to the seller, Veritas Pension Insurance Company, of 3 million shares and a coupon issue of 1.8 million new shares, with the Bank's existing shareholders having the priority rights of subscription, increased the share capital by EUR 9.5 million and the unrestricted equity fund by EUR 44.8 million after the deduction of transaction costs of approx. EUR 0.5 million.

Off-balance sheet commitments totalled EUR 624 million (470), an increase of EUR 154 million. This increase was caused primarily by extended credit limits and credit equivalents of derivative contracts with other savings banks and local co-operative banks.

Capital market and borrowing

Total savings in mutual funds, which includes both own and managed funds, grew by 82.1 per cent to EUR 2,027 million, while borrowing (deposits) from the public grew by 9.6 per cent to EUR 2,640 million. Total saving (deposits + mutual funds) rose by 32.5 per cent to EUR 4,667 million.

Saving by households (deposits + mutual funds) rose by 19.3 per cent to EUR 3,167 million. Saving by households in mutual funds grew by 48.1 per cent to EUR 1,113 million and deposits from households increased by 8.0 per cent to EUR 2,054 million.

In addition to this, during the first six months Aktia issued new mutual bonds to the public and institutions to a value of EUR 38 million (87). On a yearly basis, the new sales amount to EUR 67 million.

Assets managed by Aktia Asset Management rose by 131.1 per cent to EUR 3,625 million. In addition to a number of large mandates, the increased collaboration with Veritas Pension Insurance Company made a significant contribution towards the increase in volume. Aktia Private Banking's volume of assets managed grew by 39.8 per cent to EUR 1,142 million.

Life Insurance

As Veritas Life Insurance became a subsidiary in January 2007, the profit from life insurance and corresponding balance sheet items are only included in this interim report for 2007. Because of the elimination effects relating to the acquisition balance sheet, certain figures for Veritas Life Insurance will not match the corresponding figures in the Aktia Group.

Veritas Life Insurance's income from insurance premiums fell by 6.1 per cent to EUR 47.8 million (50.9). In line with the company's efforts to increase the relative share of unit-linked savings and pension insurance policies, premium income for these policies increased while the premium income for interest-linked insurance policies decreased.

Total provisions (interest-based + unit-linked) increased during the first six months by EUR 36.1 million to EUR 837.1 million. The cost ratio improved from 112.7 per cent for the whole of 2006 to 111.3 per cent.

The solvency ratio rose to 22.0 per cent of provisions, compared with 20.9 per cent at the end of 2006.

Payment services

The biggest development area in the retail banking segment was the continued migration from traditional bank cards to internationally charge cards. The total number of charge cards increased by 38.4 per cent to about 60,000. Other preparations for the Single Euro Payments Area (SEPA) also proceeded according to plan.

The number of Internet agreements and Internet payments continued to grow, mainly because of an increasing number of corporate users, for whom a new Internet bank was launched at the end of 2006.

At the beginning of the year e-invoice services made their commercial breakthrough, and this area is expected to expand.

Loans

The demand for housing loans remained high. The total lending of Aktia Group amounted to 4,200 million at the end of June 2007, representing an increase of EUR 725 million (+20.9 per cent). The majority of this growth came from the household sector, whose loan stock increased by

EUR 668 million (23.7 per cent) to EUR 3,492 million.

The housing loan stock increased by 24.3 per cent to EUR 2,990 million, of which Aktia Real Estate Mortgage Bank's loan stock constituted EUR 1,408 million, an increase of EUR 461 million (+48.6 per cent). It should be noted, however, that most of the increase in the mortgage loan stock, EUR 412 million, comprised loans arranged by local co-operative banks and other savings banks.

The increase in lending less the mortgage loans distributed by other banks amounted to 9.5 per cent for the whole Aktia Group, 9.3 per cent for the household sector and 8.1 per cent for housing loans.

Lending to companies grew in line with the new corporate customer strategy by 29.9 per cent to EUR 482 million (371).

Credit risks and losses

There were no significant changes to the composition of the credit portfolio during the period. Households accounted for 83.1 per cent (81.3), while corporate financing's share totalled 11.5 per cent (10.7). Housing loans accounted for 71.2 per cent (69.2) of the total loan stock. Corporate financing's share of the loan stock, excluding mortgage loans distributed by other banks, grew to 13.3 per cent (11.2).

Loan losses and write-downs of the credit stock based on an individual examination of receivables continued to be at a low level, and was matched by reversals of previous years' book loan losses, EUR 0.3 million, resulting in an effect of EUR -0.1 million on profits. Because of a high level of reversals during the first six months of 2006, there was a positive effect on profits of EUR 0.3 million.

In addition to the write-downs based on an individual examination of receivables, Aktia Group has previously made sector-specific write-downs of the credit stock which at the end of June 2007 totalled EUR 11.5 million.

The non-performing and non-interest bearing loans of Aktia Group totalled EUR 16.9 million. Their relative share of the entire credit stock, including off-balance-sheet commitments, was thus 0.4 per cent (0.3).

Interest rate risks

Interest risk comprises both structural and market value interest rate risk. Structural interest rate

risk arises as a result of differences in interest rates between assets and liabilities. To reduce the volatility in the net interest income, structural interest rate risk is primarily contained through the use of hedging derivative instruments.

Fluctuations in the interest rate also affect the market value of the liquidity portfolio of Aktia Group (market value interest rate risk). The market valuation of these financial assets, which are held for sale, is posted against the fair value fund under equity after the deduction of deferred tax. The net change in the fair value fund relating to market value interest rate risk posted during the first six months totalled EUR -8.9 million. At the end of the period, the total fair value fund in the banking group was EUR -11.6 million (4.0).

Investment risks in the life insurance business

As regards the investments that provide cover for unit-linked insurance policies, the policyholder himself/herself bears the investment risk. These investments are evaluated on an ongoing basis at fair value, and any changes in value are posted to provisions for unit-linked insurance policies.

The rest of the investment portfolio that has to cover the technical provisions is evaluated on an ongoing basis at fair value against the fund at fair value. At the end of the first six months of 2007, the fund at fair value relating to the life insurance business in the Aktia Group totalled EUR 12.9 million after acquisition eliminations.

All risks, such as credit risks, interest rate risks, currency risks, share risks, real estate risks, etc. are added together using a VaR model (Value at Risk), applying a probability level of 97.5 per cent.

Capital adequacy

The banking group

Capital adequacy as at 30 June 2007 is shown in accordance with the new Basel 2 regulations that entered into force on 15 February 2007. The standardised approach is used when calculating the capital requirements for credit risks, and the basic indicator approach for operational risks. Capital requirements are not calculated for market risks because of the small trading book.

As at 30 June 2007, the capital base totalled EUR 469 million, of which EUR 319 million was Tier 1 capital. The Tier 1 capital includes both the profit for the reporting period and deduc-

tions for the 2006 dividend determined by the Annual General Meeting, as well as calculated dividends for the reporting period corresponding to last year's dividend level. The capital base was strengthened by a total of EUR 54.3 million from a direct share issue in connection with the acquisition of Veritas Life Insurance and a coupon share issue in February 2007.

Capital adequacy amounted to 18.2 per cent at the end of the first six months compared with 13.8 per cent at year-end and to 14.6 per cent at the end of June 2006. The Tier 1 capital ratio rose to 12.4 per cent compared with 9.2 per cent at year-end and to 9.8 per cent at the end of June 2006. The already good capital adequacy ratio was further strengthened by with the lower risk weighting of loans secured by housing collateral in accordance with Basel 2 (the comparative figures were calculated in accordance with Basel 1).

However, the Basel 2 regulations also entail a capital requirement for operational risks, which, calculated according to the basic indicator approach, totalled approx. EUR 20 million at the end of June 2007.

A comprehensive internal risk and capital assessment process (ICAAP) is being developed under the guidance of the Board of Directors and will be reported in the annual report for 2007.

The life insurance group

The solvency ratio rose to 22.0 per cent of provisions, compared with 20.9 per cent at the end of 2006.

The financial conglomerate

With the acquisition of Veritas Life Insurance, the financial conglomerate's capital adequacy is also calculated according to the consolidation method. As at 30 June 2007, the financial conglomerate's capital adequacy (the conglomerate's capital base in relation to the minimum requirement) totalled 156.9 per cent.

Personnel

When converted into full-time employees, the number of people employed by the Group increased by 182 to 925 (743) at the end of June. The largest increase, 133 full-time employees, came from the acquisition of Veritas Life Insurance. The number of full-time employees in the real estate agency operation increased by 38. The

average number of full-time employees during the period was 921 (716).

Rating

Aktia's credit rating with Moody's Investors Service, the international credit rating institute, was raised on 26 February 2007 for short-term borrowing from P-2 to the best classification, P-1. The credit rating for long-term borrowing was also raised on 10 April 2007, by two notches from A3 to A1. The credit rating C for financial strength remains unchanged.

Moody's Investors Service upgraded Aktia Real Estate Mortgage Bank plc's long-term covered bonds to the highest possible rating of Aaa from the previous Aa2 in the beginning of June 2007.

Share capital

The extraordinary general meeting of shareholders held on 21 December 2006 authorised the Board of Directors to issue a maximum of 1,000,000 new shares. The Board of Directors is entitled to exercise the authority to make the payment for the acquisition of shares in Fondex Oy, and for the creation of share-based incentives for key employees in the Group. This authorisation remains in force for five years from the date of the general meeting, and during this period it may also be withdrawn by a decision of the general meeting.

Of the authorization, a total of 39,021 shares have been used during the second quarter as key personnel incentives. When these shares have been registered, the total number of shares stands at 40,101,936.

In March Aktia announced that the planned acquisition of Fondex will not materialize, but that an agreement with Rahastotori, a subsidiary of Fondex, was signed for the distribution of Odin funds.

Other events

The twenty-fifth savings bank foundation within the Aktia sphere was established in June in the island of Kemiö. The start-up capital amounts to EUR 110,000, and the purpose of the foundation is, like with all other Aktia and savings bank foundations, to promote saving and to support the local region economically by way of aid and donations to individuals and organizations within its geographical area of operation.

Important events after end of the financial year

Aktia branch office in Oulu commenced its business in August in close co-operation with the local Veritas office. The office provides a full range of banking services. The new office represents the core values within Aktia's perception of bank services: human approach, focus on the customers' needs in an appropriate, modern setting. The intention is to supplement the range of services provided by the office with real estate agency business at a later stage.

Outlook

The task of integrating Veritas Life Insurance with the rest of the Group will incur costs of a one-off 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 risk will have a reducing effect on the increase of net interest income. The operating profit is expected to improve in 2007 compared to 2006. As a result of the effects on the profit of the acquisition of Veritas Life Insurance, the profit of the second half of the year is not expected to reach the level of the first six months of the year.

The assessment of future prospects is based on the bank's assumptions regarding future developments in 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 expenses. The main assumptions forming the basis of the bank's assessment for 2007 are that an increase in the general interest rate level will take place, and that demand for mortgages will remain strong, but lending margins will be under pressure. In spite of the increasing uncertainty of the capital markets, the growth of savings in mutual funds is expected to continue. The cost level of the bank's operations, after eliminating the integration costs mentioned above, is expected to increase moderately.

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

Consolidated income statement

(EUR millions)	1.1-30.6. 2007	1.1-30.6. 2006	Change, %	2006
Net interest income	42.2	41.5	1.8	84.4
Dividends	1.1	1.2	-8.3	1.2
Commission income	28.1	23.6	19.3	48.1
Commission expenses	-4.4	-3.9	12.3	-8.0
Net commission income	23.8	19.7	20.7	40.1
Income from insurance premiums	47.8		N/A	
Net income from investments	33.7		N/A	
Income from the insurance business	81.5		N/A	
Net income from securities and currency trading	0.5	0.3	37.5	1.3
Net income from financial assets available for sale	1.4	0.8	64.3	-0.5
Net profit from financial transactions	1.8	1.2	56.7	0.7
Net income from investment properties	0.4	0.4	-13.9	4.9
Other operating income	1.5	2.9	-49.8	6.3
Total operating income	152.2	66.9	127.5	137.5
Insurance claims paid	-34.3			
Change in provisions	-36.1			
Claims paid and change in provisions for insurance business	-70.4			
Staff costs	-27.7	-21.1	30.8	-41.7
Other administrative expenses	-17.1	-13.0	31.5	-26.9
Realised negative goodwill	11.4			
Depreciation of tangible and intangible assets	-2.0	-2.0	-0.7	-3.6
Other operating expenses	-6.1	-6.3	-2.5	-11.8
Total operating expenses	-111.9	-42.4	163.6	-83.9
Profit before write-downs	40.4	24.5	65.0	53.6
Write-downs of credits and other commitments	-0.1	0.3	N/A	1.6
Share of profit from associated undertakings	0.2	0.8	-70.6	0.7
Operating profit	40.5	25.6	58.1	55.9
Taxes	-7.1	-6.1	15.8	-13.4
Profit for the reporting period	33.4	19.5	71.5	42.5
Attributable to:				
Shareholders in Aktia Savings Bank plc	32.9	19.2	71.2	41.9
Minority interest	0.5	0.3	93.2	0.6
Total	33.4	19.5	71.5	42.5
Earnings per share, EUR	0.83	0.54	54.1	1.17

Consolidated balance sheet

(EUR millions)	Note	30.6.2007	30.6.2006	Change, %	31.12.2006
Assets					
Cash and balances with central banks		250.0	352.4	-29.1	307.9
Financial assets held for trading		0.7	2.0	-68.0	7.8
Interest-bearing securities		1,312.7	1,019.0	28.8	1,187.8
Shares and participations		52.6	28.6	84.1	54.5
Financial assets available for sale		1,365.3	1,047.5	30.3	1,242.4
Lending to credit institutions		37.1	48.9	-24.1	33.8
Lending to the public and public sector entities		4,200.0	3,474.8	20.9	3,763.2
Loans and other receivables		4,237.1	3,523.6	20.2	3,797.0
Financial assets held until maturity		47.8	33.5	43.0	47.8
Derivatives for hedge accounting		14.1	6.1	131.9	5.0
Assets of life insurance business	3	989.3		N/A	
Intangible assets		4.7	2.6	83.0	2.7
Tangible assets		43.6	92.0	-52.6	40.0
Investments in associated undertakings		3.9	2.6	46.2	2.2
Accruals and prepaid expenses		47.1	30.1	56.5	35.6
Other assets		4.9	6.3	-20.4	2.2
Total other assets		52.1	36.4	43.4	37.8
Income tax receivables		2.5	0.0	N/A	0.1
Deferred tax receivables		5.5	2.2	148.9	1.1
Tax receivables		8.1	2.2	263.1	1.1
Total assets		7,016.6	5,100.9	37.6	5,491.7
Liabilities					
Liabilities to credit institutions		839.5	743.9	12.9	796.2
Liabilities to the public and public sector entities		2,640.5	2,409.6	9.6	2,544.2
Deposits		3,480.0	3,153.4	10.4	3,340.4
Debt securities issued		1,650.1	1,037.0	59.1	1,321.3
Subordinated liabilities		201.6	193.5	4.2	193.8
Other liabilities to credit institutions		127.8	125.3	2.0	89.5
Other liabilities to the public and public sector entities		166.5	199.6	-16.6	124.5
Other financial liabilities		2,146.0	1,555.4	38.0	1,729.0
Derivatives for hedge accounting		31.0	10.6	193.3	12.8
Liabilities of the insurance business	3	853.5		N/A	
Provisions		0.5	1.4	-65.7	0.8
Accruals and prepaid income		38.2	30.8	24.0	33.4
Other liabilities		64.3	70.4	-8.7	82.3
Total other liabilities		102.5	101.2	1.3	115.7
Income tax liability		3.8	1.6	130.4	8.8
Deferred tax liability		49.9	27.7	80.0	23.4
Tax liabilities		53.7	29.3	82.8	32.1
Total liabilities		6,667.1	4,851.3	37.4	5,230.9
Equity					
Share capital	4	80.4	70.6	13.9	70.6
Legal reserve		8.1	8.1	0.0	8.1
Share premium account		1.9	1.9	0.0	1.9
Fund at fair value		1.4	-4.0	134.2	-1.7
Total restricted equity		91.7	76.6	19.8	78.9
Unrestricted equity reserve		45.0		N/A	
Retained earnings		172.2	155.0	11.1	155.0
Dividends to shareholders		-14.8	-10.6	40.0	-24.7
Profit for the reporting period		32.9	19.2	71.2	41.9
Unrestricted equity		235.3	163.6	43.8	172.2
Shareholders' share of equity		327.0	240.2	36.1	251.1
Minority interest's share of equity		22.6	9.3	141.5	9.7
Equity		349.6	249.6	40.1	260.8
Total liabilities and equity		7,016.6	5,100.9	37.6	5,491.7

Derivative contracts

	Aktia Group 30.6.2007			Aktia Group 30.6.2006			Aktia Group 31.12.2006		
	For hedging purposes	Other	Fair value	For hedging purposes	Other	Fair value	For hedging purposes	Other	Fair value
Interest rate-related	7,542.3	2,893.3	-9.8	4,615.9	768.8	-0.3	6,534.3	2,395.3	-4.0
Forward rate agreements	1,635.0	35.0	0.3	1,555.0	155.0	-2.5	1,265.0	65.0	-1.7
Interest rate swaps	2,279.4	950.4	-7.9	825.5	98.4	3.8	1,976.4	757.4	-1.7
Interest rate option agreements	3,627.9	1,907.9	-2.2	2,235.4	515.4	-1.6	3,292.9	1,572.9	-0.6
<i>Purchased</i>	2,101.9	786.0	-5.4	1,249.4	246.0	-3.2	1,856.9	696.0	5.6
<i>Written</i>	1,526.0	1,121.9	3.2	986.0	269.4	1.6	1,436.0	876.9	-6.2
Currency-related	121.2	0.0	0.0	22.6	0.0	-0.1	35.8	0.0	-0.3
Forward rate agreements	121.2	0.0	0.0	22.6	0.0	-0.1	35.8	0.0	-0.3
Equity-related	101.8	101.8	0.0	98.3	98.3	0.0	102.5	102.5	0.0
Equity options	101.8	101.8	0.0	98.3	98.3	0.0	102.5	102.5	0.0
<i>Purchased</i>	101.8	0.0	11.8	98.3	0.0	6.5	102.5	0.0	12.3
<i>Written</i>	0.0	101.8	-11.8	0.0	98.3	-6.5	0.0	102.5	-12.3
Other	4.3	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Options	4.3	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Purchased</i>	4.3	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
<i>Issued</i>	0.0	4.3	-0.5	0.0	0.0	0.0	0.0	0.0	0.0

Off-balance sheet commitments

	Aktia Group		
	30.6.2007	30.6.2006	31.12.2006
Commitments given to a third party on behalf of customers			
Guarantees	46.4	43.0	47.4
Other commitments to the benefit of a third party	27.5	27.2	28.5
Irrevocable commitments provided on behalf of customers			
Unused credit arrangements	441.3	351.7	361.0
Other irrevocable commitments	109.2	47.7	77.8
Off-balance-sheet commitments	624.4	469.6	514.7

Sector-by-sector distribution of lending

	Aktia Group		
	30.6.2007	30.6.2006	31.12.2006
Households	3,493	2,830	3,125
Corporations	482	371	394
Housing associations	178	221	197
Non-profit organisations	38	39	39
Public sector entities	9	11	8
Total	4,200	3,472	3,763

Risk commitments

	Aktia Group		
	30.6.2007	30.6.2006	31.12.2006
Non-performing loans	16.8	10.7	14.6
Non-interest-bearing loans	0.1	0.1	0.1
Total	16.9	10.9	14.7
Non-performing/credit stock incl. guarantees (%)	0.4	0.3	0.4

The banking group's capital adequacy

	30.6.2007	30.6.2006	31.12.2006
Tier 1 capital	319	242	245
Tier 2 capital	150	119	122
Capital base	469	361	367
Credit risk	2,334	2,471	2,655
Operating risk	245	-	-
Market risk	-	-	-
Risk-weighted commitments	2,579	2,471	2,655
Capital adequacy ratio, %	18.2	14.6	13.8
Tier 1 Capital ratio, %	12.4	9.8	9.2

Capital adequacy as at 30 June 2007 calculated according to the Basel 2 rules, while comparative figures for 2006 are calculated according to Basel 1. 1

The financial conglomerate's capital adequacy

	30.6.2007
The conglomerate's capital	359
Sector-specific items	156
Intangible assets and sector-specific deductions	-100
Other sector-specific, non-transferable items	-23
The conglomerate's total capital base	393
Minimum amount of capital base, total	250
The conglomerate's capital adequacy	142
Capital adequacy ratio, %	156.9

The financial conglomerate's capital adequacy as at 30 June 2007 is based on IFRS and calculated according to the FICO rules.

Quarterly trend

	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	21.7	20.5	21.7	21.2	20.8
Dividends	1.1	0.0	0.0	0.0	1.2
Net commission income	12.1	11.7	10.8	9.6	10.0
Income from the insurance business	43.1	38.3			
Net profit from financial transactions	0.7	1.2	-0.4	-0.1	0.6
Net income from investment properties	0.2	0.1	0.3	4.1	-0.2
Other operating income	0.8	0.7	2.4	1.0	2.4
Total operating income	79.7	72.4	34.8	35.8	34.8
Claims paid and change in provisions for the insurance business	-34.4	-36.0			
Staff costs	-14.5	-13.2	-11.0	-9.5	-11.2
Other administrative expenses	-8.9	-8.2	-8.2	-5.7	-6.6
Realised negative goodwill		11.4			
Depreciation of tangible and intangible assets	-1.1	-0.9	-0.7	-0.9	-0.9
Other operating expenses	-3.1	-3.0	-3.4	-2.1	-3.5
Total operating expenses	-61.9	-49.9	-23.3	-18.2	-22.2
Write-downs of credits and other commitments	-0.1	0.0	-0.2	1.5	-0.1
Share of profit from associated undertakings	0.3	-0.1	0.0	-0.1	0.5
Operating profit	18.0	22.4	11.3	19.0	13.0

Key figures at the end of each reporting period

	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Earnings/share, EUR	0.83	0.50	1.17	0.93	0.54
Equity per share, EUR	8.16	8.21	7.11	7.31	6.81
Return on equity (ROE), %	21.9	26.0	16.6	17.4	15.6
Cost-to-income ratio, banking group	0.67	0.65	0.61	0.59	0.63
Life insurance group's expense ratio, %	111.3	117.5	-	-	-
Mutual fund capital, EUR millions	2,027	1,759	1,420	1,148	1,113
Borrowing from the public, EUR millions	2,640	2,569	2,544	2,442	2,410
Lending to the public, EUR million	4,200	3,944	3,763	3,614	3,475
Risk-weighted commitments	2,581	2,484	2,655	2,537	2,471
Capital adequacy ratio, % (banking group)	18.2	18.3	13.8	15.1	14.6
Tier 1 capital ratio, % (banking group)	12.4	12.4	9.2	10.0	9.8
Solvency ratio, % (life insurance group)	22.0	21.6	-	-	-
Capital adequacy ratio, % (financial conglomerate)	156.9	157.8	-	-	-
Life insurance business:					
- investments at fair value	971.7	930.7	-	-	-
- technical provisions	641.2	641.8	-	-	-
- provisions for unit-linked policies	195.9	180.6	-	-	-
Average number of shares, millions ¹⁾	39.8	39.8	35.8	35.8	35.8
Average number of shares at end of period, millions	40.1	40.1	35.3	35.3	35.3
Personnel (FTEs), average number	921	916	741	715	716

¹⁾ Average number of shares, adjusted for new share issue.

Aktia's operations are divided into four business areas. The business areas are Retail Banking, Capital Market, Corporate Banking & Treasury and Life Insurance. Each business area has its own manager with responsibility for the operation's profits. This division into areas of responsibility also satisfies the new criteria according to IFRS 8, Operating Segments.

Business areas

The branch office operation includes Aktia Savings Bank plc's branch office operation, loans arranged by Aktia via Aktia Real Estate Mortgage Bank plc, Aktia Card & Finance and the real estate agencies.

The Capital Market includes Aktia Savings Bank plc's private bank in Helsinki and the subsidiaries Aktia Fund Management Ltd and Aktia Asset Management Oy Ab.

Corporate Banking & Treasury includes Aktia Savings Bank plc's Corporate Banking and Treasury and the subsidiary Aktia Real Estate Mortgage Bank plc, with the exception of Aktia's own loans arranged via the mortgage bank.

Life Insurance includes the acquired Veritas Life Insurance Group.

Miscellaneous and eliminations includes Aktia Savings Bank plc's real estate operations and certain administrative functions that are not allocated to the various business areas. This business area also includes Vasp-Invest Oy.

Allocation principles

Net interest income in the various segments, especially in the retail banking, includes the margins on volumes of borrowing and lending. Reference interest rates for borrowing and lending and the interest rate risk that arises because of new pricing being out of step are transferred to Treasury in accordance with the Aktia Group's internal pricing. Treasury bears the responsibility for the Group's interest risks, liquidity and balance protection measures for which the management has authorized it. The various business areas receive or are charged with an internal interest based on the average surplus or deficit in liquidity during the period. The costs of central support functions are allocated to the business areas in accordance with various allocation rules.

Until further notice, Aktia Savings Bank plc is not allocating equity to the various business areas. Miscellaneous and Eliminations consists of any items in the income statement and balance sheet that are not allocated to the various business areas.

Internal Group transactions between legal entities are eliminated and reported within each business area, if the legal entities are in the same business area. Internal Group transactions between legal entities in different segments are included in the segment entitled miscellaneous and eliminations.

The share of profits in associated undertakings, acquisition eliminations, the minority interest's share and other group adjustments are included in the segment entitled Miscellaneous and Eliminations.

Income statement (EUR millions)	Retail Banking		Capital Market		Corporate Banking & Treasury		Life Insurance		Miscellaneous and Eliminations		Aktia Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6	1.1-30.6
Net interest income	30.6	31.4	0.8	0.7	10.0	9.1			0.8	0.3	42.2	41.5
Dividends			0.1	0.1					1.0	1.1	1.1	1.2
Net commission income	15.0	12.1	6.5	5.5	-1.5	-0.8			3.7	2.9	23.8	19.7
Income from the insurance business							111.2		-29.7		81.5	
Net profit from financial transactions			0.3	0.4	0.2	0.3			1.3	0.5	1.8	1.2
Net income from investment properties									0.4	0.4	0.4	0.4
Other operating income	0.9	1.6	0.1		0.8	0.4			-0.4	0.9	1.5	2.9
Total operating income	46.6	45.1	7.9	6.7	9.5	9.0	111.2	0.0	-23.1	6.1	152.2	66.9
Claims paid and change in provisions							-90.3		19.9		-70.4	
Staff costs	-14.1	-11.8	-2.3	-2.0	-2.1	-1.8	-3.0		-6.2	-5.6	-27.7	-21.1
Other administrative expenses	-19.1	-17.0	-1.7	-1.4	-2.8	-2.7	-2.7		9.1	8.1	-17.1	-13.0
Realised negative goodwill									11.4		11.4	
Depreciation	-0.7	-0.9	-0.2	-0.2	-0.1	-0.1	-0.4		-0.7	-0.8	-2.0	-2.0
Other operating expenses	-2.4	-2.5	-0.3	-0.3	-0.5	-0.4			-2.9	-3.0	-6.1	-6.3
Total operating expenses	-36.2	-32.2	-4.5	-3.9	-5.4	-5.0	-96.3	0.0	30.7	-1.3	-111.9	-42.4
Write-downs of credits and other commitments	-0.1	0.2				0.1					-0.1	0.3
Share of profit from associated undertakings							0.3		0.0	0.8	0.2	0.8
Operating profit	10.3	13.1	3.4	2.7	4.1	4.1	15.2	0.0	7.6	5.6	40.5	25.6

Balance sheet (EUR millions)	Retail Banking		Capital Market		Corporate Banking & Treasury		Life Insurance		Miscellaneous and Eliminations		Aktia Group	
	30.6. 2007	30.6. 2006	30.6. 2007	30.6. 2006	30.6. 2007	30.6. 2006	30.6. 2007	30.6. 2006	30.6. 2007	30.6. 2006	30.6. 2007	30.6. 2006
	Assets											
Cash and balances with central banks	8.1	7.6		0.1	241.9	344.8			0.0	0.0	250.0	352.4
Financial assets available for sale	0.6	0.4	12.6	9.7	1,303.3	1,012.5			48.9	24.9	1,365.3	1,047.5
Loans and other receivables	3,195.5	2,907.2	15.3	19.4	1,034.6	623.6			-8.3	-26.7	4,237.1	3,523.6
Investments as security for technical provisions and unit-linked provisions							952.2		19.5		971.7	
Other assets	17.3	10.1	3.8	2.8	181.8	68.8	20.2		-30.5	95.7	192.6	177.4
Total assets	3,221.4	2,925.3	31.7	32.0	2,761.6	2,049.7	972.4		29.5	93.9	7,016.6	5,100.9
Liabilities												
Deposits	2,320.5	2,140.9	125.9	89.1	1,039.1	929.8			-5.6	-6.4	3,480.0	3,153.4
Debt securities issued					1,650.2	1,037.0			-0.1		1,650.1	1,037.0
Technical provisions							837.1				837.1	
Other liabilities	30.5	25.6	6.8	5.6	580.7	607.0	38.6		43.3	22.7	699.8	660.9
Total liabilities	2,351.0	2,166.4	132.7	94.7	3,270.0	2,573.8	875.7		37.6	16.3	6,667.1	4,851.3

Retail Banking

Retail Banking includes the traditional deposit, investment, financing and payment traffic business that takes place through Aktia's network of branch offices, as well as the sales of mortgages through Aktia Real Estate Mortgage Bank.

As far as the subsidiaries are concerned, Retail Banking includes both Aktia's real estate agency business and Aktia Card & Finance. In addition, the retail banking business receives commissions for the sale of insurance products in conjunction with financing and investment services.

The operating profit of Retail Banking decreased by EUR 2.8 million to EUR 10.3 million. The result was below the previous year's level, mainly due to certain investments of resources that will produce results with a delay.

Operating income increased by 3.4 per cent, or EUR 1.5 million, to EUR 46.6 million. During the first six months, the reference rate neutral net interest income almost reached the previous year's level and was EUR 30.6 million (EUR 31.4 million in 2006). The good growth of volume compensated the negative effect of lower margins. Commission income increased by 22.0 per cent to EUR 16.1 million, primarily as a result of a steep rise of commission income from real estate agency business compared with the previous year.

Operating expenses increased by 12.5 per cent, or EUR 4.0 million, mainly as a result of investments in expansion and resources. Bad debts increased from the previous year, but their relative share is still small. Targeted write-offs of credit stock are still insignificant.

- The sale of housing mortgages has continued actively in spite of the higher interest rates. The credit stock grew during the first six months somewhat faster than the total market.
- The rising reference rates of interest, new capital adequacy regulations and the ever-intensifying competition of lending customers was reflected in the lending margins that continued to decrease.
- In addition to the vivid sales of new fund products, the positive development of share prices has also increased the market value of funds. This has a positive impact on the amount of fund-related commissions received.

- The customers have actively given up their traditional bank cards and replaced them with international charge cards; their number increased by 14.8 per cent during the first six months.
- Insurance saving is becoming increasingly popular. The stock increased by 16.8 per cent during the first six months.

Capital Market

Aktia's capital market units include Aktia Asset Management, Aktia Fund Management and Private Banking in Helsinki.

The units continued to perform favourably during the first six months. Net income, i.e. income after reversals to other Aktia Group units and business partners, increased by 18.6 per cent to EUR 7.9 million during the first six months compared with the first six months in 2006. The operating profit increased by 23.1 per cent to EUR 3.4 million. The business's volumes increased significantly, primarily as a result of good net sales and a favourable business environment.

- The funds managed and brokered by the Aktia Group totalled EUR 2,027 million. The increase from the corresponding date in 2006 was 82.1 per cent. Aktia's branch office business represents approx. 40 per cent of the total volume of funds.
- Aktia Group's market share in funds increased to 2.9 per cent at the end of June from the 2.3 per cent at the beginning of year. Aktia's share of the net growth of the total fund capital on the market was approx. 6.8 per cent during the first six months.
- Aktia Asset Management exercises discretionary management of customer assets and manages Aktia Fund Management's own funds. Aktia Asset Management reported a healthy increase in managed capital at the beginning of the year. At the end of June, the assets managed by Aktia Asset Management totalled EUR 3,625 million. This is an increase of 131.1 per cent on the previous year. This increase is based on a number of large mandates and successful sales of our new interest funds.
- The private banking operation also performed well, with a 39.8 per cent increase in managed assets. Customer assets totalled EUR 1,142 million.

Corporate Banking & Treasury

Corporate Banking

In order to create the prerequisites for Aktia to improve its service to corporate customers, resources from the Central Banking unit as well as parts of the company offices in Helsinki and Espoo were reassigned to Corporate Banking. Corporate Banking specialises in four customer segments: Building & Real Estate, Ownership Structures, Cash & Trade and Banking & Finance. These customer segments are supported by the Transaction Centre.

The organisation of Corporate Banking has been reinforced and will be moving into shared premises in Ruoholahti, Helsinki this June. The service offering will be supplemented with financing company and insurance services during the third quarter.

Risk management routines and credit regulations have been reworked in order to provide better support for services to business customers. In addition, support for local enterprises has been established and functions in conjunction with Corporate Banking, supporting the branch office business in their work with entrepreneurs, local companies and local community.

In spite of the change project, Aktia succeeded in strengthening its market position while maintaining its revenue levels and increasing its credit stock during the first six months. Investments, mainly in the form of new recruitment, burden the financial results of the first six months through an increased cost level. The investments are expected to generate additional revenues during the latter part of the year.

Treasury

The general increase of interest rates has as such improved the bank's net interest income. The high rates of interest have resulted in losses from the hedging derivative contracts. The evening out of the rate curve has in turn had the effect that the financing costs of the liquidity portfolio have increased faster than the income from the portfolio. These factors have resulted in lower net interest income. Therefore, the net interest income for the second quarter stood at the same level as that for the corresponding period in the previous year while it had been clearly lower in the first quarter. The net interest income for the first six months is lower than for the corresponding period last year.

The maintained cost level and somewhat higher income result, in spite of the poor development of net interest income, to a slightly better operating profit for the six months than for the corresponding period last year.

Growth areas where Treasury's expertise is used are:

- Asset & liability service for local banks
- Capped interest products for Aktia's Retail banking and Aktia Real Estate Mortgage Bank
- Customised products for Corporate Banking

Aktia Real Estate Mortgage Bank Plc

The lending of Aktia Real Estate Mortgage Bank has increased strongly, resulting in higher net interest income and higher commission costs compared with the corresponding period last year. Most of the growth in the loan stock during the first six months was delivered by other saving banks and local co-operative banks.

In order to finance its growth, the Mortgage Bank implemented its fifth issue of covered bonds secured by real estate. In spite of the difficult market situation, the interest rate for the loan could be set lower than for any of the previous issues. Moody's Investors Service Ltd upgraded the Mortgage Bank's covered bonds to the highest possible rating of Aaa in the beginning of June. The upgrade both improves the liquidity of the Mortgage Bank's loan and makes the bank better known among the investors.

The Mortgage Bank implemented a share issue to local banks during the first quarter in order to guarantee the capital adequacy ratio for planned growth in 2007. This took place in accordance with the shareholders' agreement, and the share issue did not affect Aktia's share of voting rights.

The Mortgage Bank launched capped interest loans and loans to housing corporations. The demand for capped interest loans, in particular, has been high.

Life Insurance

As Veritas Life Insurance became a subsidiary in January 2007, the profit from life insurance and corresponding balance sheet items are only included in this interim report for 2007. Because of the elimination effects relating to the acquisition balance sheet, certain figures for Veritas Life Insurance will not match the corresponding figures

in the Aktia Group. This section also includes comparative figures for Veritas Life Insurance in order to provide better information.

- Insurance premium income for January-June was 6.1 per cent lower than in the previous year, EUR 47.8 (50.9) million. Customer demand for unit-linked savings and pension insurance policies continued to increase, while there was a significant drop in sales of interest-based policies.
- The sales of Veritas life insurance policies through the Aktia office network and local co-operative banks has been successful.
- The claims expenditure including surrender has increased by 11 per cent to EUR 34.3 (30.2) million.
- At EUR 6.0 million the operating costs were somewhat lower than in the previous year in spite of the fact that they include certain costs of non-recurring nature. The life insurance group's expense ratio was 111.3 per cent (114.9).
- The company's technical provisions totalled EUR 837.1 million (EUR 789.6 million as at 31.12.2006). The interest-based provisions were strengthened by approx. EUR 20 million which means that the average interest requirement of the entire interest-based stock was 2.9 per cent. The share of provisions for unit-linked policies was 23 per cent or EUR 195.9 million (EUR 166.9 million as at 31.12.2006).
- The company's investment portfolio, which at fair value stood at EUR 754.4 million, consisted of 54.1 per cent bonds and other interest-bearing instruments, 26.8 per cent shares and 19.1 per cent real estate. The return on the company's investments based on fair val-

ues was 6.4 per cent for the first six months, representing an annual return of 12.8 per cent.

- The realised capital gains in Veritas Life Insurance are significantly higher than the year before, primarily because the sales of real estate assets has begun. The capital gains totalled EUR 32.0 million (9.2). The capital gains entered as income are, however, EUR 29.6 million lower for the Aktia Group due to the fact that the realisation of valuation differences that existed at the time of acquisition on 17 January 2007 does not affect the consolidated financial results of Aktia Group.
- The solvency ratio for Veritas Life Insurance strengthened further. Solvency capital accounted for 22.0 per cent of provisions (20.9 per cent as at 31.12.2006).

Miscellaneous and Eliminations

The financial results for the first six months of 2007 were burdened by the elimination of capital gains from the life insurance sector, amounting to EUR 29.6 million that had been entered as income and created as the result of the selling price and the fair value of the assets according to the acquisition calculation for Veritas Life Insurance dated 1 January 2007. The result has been compensated by entering the preliminary value of negative goodwill, EUR 11.4 million, to the profit and loss account, as well as by the reinstatement of the adjustment to provisions amounting to EUR 19.9 million that were made in the acquisition calculation as the company has entered the corresponding adjustment of provisions as a cost during the first six months.

Note 1 Changes in the Group structure

In addition to some small real estate agencies, Aktia acquired 99.96 per cent of Veritas Life Insurance Company on 17 January 2007. The following acquisition analysis was drawn up as at 1 January 2007. The financial report is a preliminary one, and will be updated definitively before the end of 2007.

EUR millions	1 January 2007
Assets	922.4
Liabilities	839.9
<u>Net assets according to IFRS</u>	<u>82.5</u>
Purchase price	70.0
Transfer tax	1.1
<u>Acquisition value</u>	<u>71.1</u>
<u>Difference</u>	<u>11.4</u>
<u>Negative goodwill</u>	<u>11.4</u>

When drawing up the acquisition balance sheet, the presence of customer-related intangible assets was also examined, but as these were not considered significant in relation to total assets they were not assigned any value in the acquisition balance sheet. No other intangible assets were allocated in the acquisition balance sheet either.

As the net assets according to the acquisition balance sheet exceeded the total acquisition value, a sum of so-called negative goodwill arose to the

order of EUR 11.4 million, one quarter of which, EUR 2.9 million, was not allocated but instead posted as income, in line with IFRS requirements, of the Aktia Group during the first quarter of 2007. The negative goodwill is still preliminary in the light of the agreement concluded in respect of the settlement of the final purchase price for Veritas Life Insurance. The amount of negative goodwill will be affected by the final results of divesting the real estate holdings of Veritas Life Insurance at the time of acquisition to the degree that interest is either paid or received on the adjustment of the contract price. On the basis of the sales implemented during the first six months, the contract price has increased by approx. EUR 7.0 million. The entry as income of the negative goodwill will be adjusted according to the final calculation for the financial statements for the whole year 2007 at the latest.

Note 2 Transition to reporting in accordance with IFRS

As from the first quarter, Aktia Group has made the transition to producing financial reports in accordance with IFRS (International Financial Reporting Standards). This means, among other things, that interim reporting also contains segment reporting. The overall effects of the transition from FAS (Finnish Accounting Standards) to IFRS are described in the interim report for the first quarter of 2007 in the section on the transitional effects of IFRS.

Note 3 Assets and liabilities of the insurance business

(EUR millions)	30.6.2007	30.6.2006	31.12.2006
Interest-bearing investments	352.3	-	-
Shares and participations	317.5	-	-
Real estate	103.3	-	-
Other	0.8	-	-
Investments for technical provisions	773.9	-	-
Investments for unit-linked provisions	197.8	-	-
Total investments	971.6	-	-
Accruals and advance payments	9.0	-	-
Other assets	7.0	-	-
Cash and bank balances	1.7	-	-
Assets of life insurance business	989.3	-	-
Intangible assets	0.9	-	-
Tangible assets	0.3	-	-
Income tax receivables	1.2	-	-
Total assets of life insurance business	991.5	-	-
Technical provisions	641.2	-	-
Provisions for unit-linked insurances	195.9	-	-
Accruals and advance payments	10.2	-	-
Other liabilities	6.1	-	-
Liabilities of the life insurance business	853.5	-	-
Subordinated liabilities	4.2	-	-
Deferred tax liabilities	24.1	-	-
Other liabilities	3.1	-	-
Total liabilities of the life insurance business	884.9	-	-

Note 4 Change in the Group's equity

(EUR millions)	Share capital	Legal reserve	Share premium account	Fund at fair value	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Minority interest's share	Total equity
Equity as at 1 January 2007	70.6	8.1	1.9	-1.7	0.0	172.2	251.1	9.7	260.8
Share issue	9.8				45.0		54.9		54.9
Change in valuation of fair value of financial assets available for sale				5.6			5.6		5.6
Change in valuation of fair value of cash flow hedging				-1.4			-1.4		-1.4
Transferred to the income statement				-0.1			-0.1		-0.1
Share of deferred taxes direct to equity				-1.1			-1.1		-1.1
Dividends to shareholders						-14.8	-14.8		-14.8
Profit for the reporting period						32.9	32.9	0.5	33.4
Other change in minority interest's share of equity							0.0	12.3	12.3
Equity as at 30 June 2007	80.4	8.1	1.9	1.4	45.0	190.2	327.0	22.6	349.6
Equity as at 1 January 2006	70.6	8.1	1.9	7.8	0.0	155.0	243.4	6.2	249.6
Share issue									
Change in valuation of fair value of financial assets available for sale				-13.5			-13.5		-13.5
Change in valuation of fair value of cash flow hedging				-2.4			-2.4		-2.4
Transferred to the income statement									
Share of deferred taxes direct to equity				4.1			4.1		4.1
Dividends to shareholders						-10.6	-10.6		-10.6
Profit for the reporting period						19.2	19.2	0.3	19.5
Other change in minority interest's share of equity								2.8	2.8
Equity as at 30 June 2006	70.6	8.1	1.9	-4.0	0.0	163.6	240.2	9.3	249.6

Basis of calculation for key figures

Earnings/share, EUR

Profit for the year after taxes attributable to the shareholders of Aktia Savings Bank plc

Average number of shares over the period (adjusted for share issues)

Equity/share, EUR

Equity attributable to the shareholders of Aktia Savings Bank plc

Number of shares at the end of the period

Return on equity (ROE), %

Profit for the period (on annual basis) x 100

Average equity

Cost/income ratio - banking group

Total operating expenses

Total operating income

Life insurance group's expense ratio, %

(Operating expenses before the change in capitalised insurance acquisition costs + cost of claims paid) x 100

Total expense loadings

Total expense loadings are a position which, according to actuarial calculations, should cover the costs.

The operating costs do not include the re-insurers' provisions. The total expense loadings include all payment positions.

Risk-weighted commitments – banking group

Total assets in the balance sheet and off-balance sheet items, including derivatives valued and risk-weighted in accordance with the standardised approach of the family of standards 4.3 issued by the Finnish Financial Supervisory Authority. The capital requirements for operational risks have been calculated and risk-weighted in accordance with regulation 4.3i issued by the Finnish Financial Supervisory Authority.

Capital adequacy ratio, % - banking group

Capital base (Tier 1 capital + Tier 2 capital) x 100

Risk-weighted commitments

The capital base is calculated in accordance with standard 4.3a issued by the Finnish Financial Supervisory Authority.

Tier 1 capital ratio, % - banking group

Tier 1 capital x 100

Risk-weighted commitments

Solvency ratio, % - life insurance group

Solvency capital x 100

Technical provision – equalization provision - 75% of provisions for unit-linked insurance

The technical provision is calculated after deduction of the re-insurers' share.

Capital adequacy ratio, % - financial conglomerate

The total capital base of the conglomerate (equity including sector-specific assets and deductions) x 100

Minimum requirement for the conglomerate's own assets (credit institution + insurance business)

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates as well as by the related decree.

Helsinki, 23 August 2007

AKTIA SAVINGS BANK PLC

Board of Directors

Review report on the interim report of Aktia Savings Bank p.l.c. as of 30.6.2007

We have reviewed the interim report of Aktia Savings Bank p.l.c. as of 30.6.2007. The Board of Directors and the Managing Director have prepared the interim report. At the request of the Board of Directors we issue our review report on the interim report.

The review was conducted in accordance with the Finnish Institute of Authorised Public Accountants' recommendation on review engagements. Thus we have planned and performed the review in order to obtain a lower degree of assurance than obtained through a normal audit about whether the interim report is free of material misstatements. A review consist primarily of collecting information from company personnel and analytical procedures and thus the conclusion

expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit. We have not performed an audit and, accordingly we do not express an audit opinion on the interim report.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with the rules and regulations governing the preparation of interim reports, and the that the interim report does not give a true and fair view of the result and financial position of Aktia Savings Bank p.l.c.

Helsinki, 23 August 2007

PriceWaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

Aktia

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