

Aktia Savings Bank plc

Interim report
1 January - 30 September 2006

Aktia

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Strong financial performance continues for Aktia

Profitability

- Operating profit for January - September rose by 34.0% to EUR 45.6 (34.0) million. This profit incorporates capital gains of EUR 5.5 million.
- Return on equity (ROE) rose to 17.7% (15.6%).
- Earnings per share increased by 32.6% to EUR 0.96 (0.72).

The period in brief

- Assets managed by Aktia Asset Management rose on the corresponding period last year by 12.1% to EUR 1,614 (September 2005: 1,440) million and assets managed by Aktia Private Banking by 33.6% to EUR 843 million.
- Saving by households (deposits + mutual funds) rose by 11.9% to EUR 2,730 (September 2005: 2,439) million.
- The loan stock grew by 14.7% to EUR 3,612 (September 2005: 3,150) million. Excluding the Mortgage Bank's loans distributed by local cooperative banks and other savings banks, growth stood at 7.7%.
- The total number of charge cards rose by 9.2% up to over 99,000 during the last 12 months.
- Föreningen Konstsamfundet r.f. and Veritas Pension Insurance Company both signed a final agreement with Aktia to buy 50% of the real estate company Mannerheimvägen 14 from Aktia. Each purchaser is to receive 25% of the shares.
- Aktia's real estate agencies have had a very good start. The total number of objects for sale totalled approx. 450 at the end of September.
- Aktia has decided to open branch offices in Lohja and on Kemiönsaari. Aktia's real estate agencies will open in connection with both new offices.

Key figures at the end of the reporting period

	30.9.2006	30.6.2006	31.3.2006	31.12.2005	30.9.2005
Earnings/share, EUR	0.96	0.55	0.26	1.05	0.72
Equity per share, EUR	7.3	6.9	7.0	6.9	6.6
Return on equity, % (ROE)	17.7	15.6	15.0	16.3	15.6
Cost/income ratio	0.58	0.63	0.63	0.57	0.62
Borrowing from the public, EURm	2,444	2,414	2,371	2,309	2,268
Lending to the public, EURm	3,612	3,472	3,344	3,250	3,150
Mutual fund capital, EURm	1,148	1,113	1,136	971	965
Capital adequacy, %	15.1	14.6	14.6	15.1	14.7
Tier 1 Capital ratio, %	10.0	9.8	9.7	9.8	9.6
Risk-weighted commitments, EURm	2,537	2,471	2,400	2,286	2,249
Personnel (full-time employees)	759	743	719	683	672

Financial performance by quarter

(EURm)	3/2006	2/2006	1/2006	4/2005	3/2005
Net interest income	21.1	20.8	20.6	20.3	20.0
Dividend income	0.0	1.2	0.0	0.0	0.0
Commission income	11.4	12.1	11.5	10.2	9.4
Commission expenses	-1.8	-2.1	-1.8	-1.7	-1.5
Net income from securities and currency trading	0.3	0.3	0.4	0.4	0.4
Net income from financial assets for sale	0.0	0.5	0.3	-1.6	0.0
Net income from administrative properties	4.1	-0.2	0.7	0.5	0.4
Other operating income	1.2	2.5	0.5	15.1	0.3
Total income	36.3	35.1	32.3	43.2	29.0
Staff costs	-9.5	-11.2	-10.0	-11.0	-8.4
Other administrative expenses	-5.7	-6.6	-6.4	-6.4	-4.8
Depreciation and write-downs	-0.9	-0.9	-1.1	-1.0	-1.0
Other operating expenses	-2.1	-3.5	-2.7	-2.4	-2.4
Total costs	-18.2	-22.2	-20.3	-20.7	-16.6
Write-downs on loans	1.5	-0.1	0.5	-0.9	-0.1
Sector-specific credit loss provisions	-	-	-	-6.5	-
Share of the result from associated undertakings	0.2	0.3	0.3	0.0	0.3
Operating profit	19.8	13.1	12.8	15.1	12.7

Financial result

The Group's operating profit rose during the first nine months of the year to EUR 45.6 million, an increase of EUR 11.6 million (+34.0%) on the corresponding period last year. This increase in profit can primarily be attributed to significantly higher commission income, improved net interest income together with non-recurring net income reported from administrative properties and other operating income.

New loan losses over the reporting period remained low. Due to the exceptionally high reversals of booked loan losses from previous years, net effect was positive at EUR 1.8 million.

Profit for the reporting period rose by 32.6% to EUR 33.9 million, corresponding to EUR 0.96 per share and a return on equity of 17.7%.

Income

The Group's total income increased by 16.4% to EUR 103.7 (89.1) million.

Over the reporting period, net interest income rose by EUR 3.1 million (+5.3%) to EUR 62.5 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 3.4 (6.0) million during the first nine months of 2006.

Commission income rose by 23.5% to EUR 35.0 (28.4) million, largely as a result of higher mutual fund, asset management and insurance commission. Charge card commission increased by 21.9%. Commission income from the newly-launched real estate operations totalled approx. EUR 2.2 million.

Net income from administrative properties rose to EUR 4.6 (1.6) million, which includes profit of EUR 3.3 million from the sale of 50% of the shares in the real estate company Mannerheimvägen 14.

Other operating income increased to EUR 4.2 (1.2) million, largely due to one-off items of EUR 2.2 million relating to sales of shares. This is primarily attributable to the sale of 2.3% 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 the real estate company Mannerheimintie 14.

Expenses

The Group's total costs for January – September rose by 10.3% to EUR 60.6 million.

Staff costs increased by 10.3% to EUR 30.6 (27.8) million, approx. 5% of which being due to the investments

which have been made, primarily within real estate agencies and capital market operations.

Other administrative expenses increased by 14.4% to EUR 18.7 million. The largest increases in costs can be attributed to real estate operations, marketing costs and other costs relating to Aktia's anniversary celebrations.

The cost/income ratio improved to 0.58 (0.62).

Business volume

Savings in mutual funds grew by 18.9% to EUR 1,148 million, while deposits from the public increased by 7.8% to EUR 2,444 million. Total saving (deposits + mutual funds) rose by 11.1% to EUR 3,592 million.

Saving by households (deposits + mutual funds) rose by 11.9% to EUR 2,730 million. Savings in mutual funds by households grew by 22.5% to EUR 782 million and deposits from households increased by 8.2% to EUR 1,948 million.

Sales of Aktia's issued bonds to the public and institutions during the period amounted to EUR 63.5 million. New sales during the last 12 months amounted to EUR 84.1 million.

Assets managed by Aktia Asset Management rose by 12.1% to EUR 1,614 million, and assets managed by Aktia Private Banking increased by 33.6% to EUR 843 million.

The Group's total lending rose by 14.7% to EUR 3,612 million. Loans to households totalled EUR 2,956 million (+15.5%). The majority of this growth can be attributed to high demand for housing loans. The housing loan stock increased by 17.6% to EUR 2,512 million, of which mortgages constituted EUR 1,052 million, an increase of EUR 367 million. Of the mortgage loan stock, EUR 252 million was accounted for by loans distributed by local co-operative banks and other savings banks, contributing to a 8.6% increase in volume growth for household loans and a 10.3% increase in housing loans.

Corporate lending totalled EUR 407 million.

Balance sheet and off-balance sheet commitments

As of 30 September 2006, the Group's balance sheet total stood at EUR 5,189 million, an increase of EUR 762 million. This increase in the balance sheet total is a result of the 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 1,073 million, an increase of EUR 318 million.

Off-balance sheet commitments totalled EUR 475 million, an increase of EUR 180 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 reporting period. Households continued to account for just under 82%, with corporate financing totalling over 11%. Housing loans accounted for 69.5% of the total loan stock.

Non-performing and non-interest-bearing loans rose by EUR 3.9 to 17.3 million. Their relative share of the entire loan stock, including off-balance-sheet guarantee commitments, thus rose from 0.4% to 0.5%.

The Group's new loan losses remained low at EUR 0.4 million. At the same time, reversals of loan losses booked for previous years were booked to a value of EUR 2.2 million, of which EUR 1.5 million is attributable to a single loan loss provision. The net effect was thus positive at EUR 1.8 million.

At the end of the period, sector-specific loan loss provisions were in line with the target set of 0.5% (EUR 13.7 million) of the parent bank's credit stock.

Interest rate risks

Interest rate risk comprises both structural net interest income risk and market value interest rate risk. Structural interest rate risk arises as a result of differences in duration between assets and liabilities. To reduce the volatility in the net interest income, structural interest rate risk is primarily reduced 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 (market value interest rate risk). The market valuation of these financial assets which are available for sale is entered against the fair value reserve under equity capital and deferred tax.

At the end of September, the nominal value of interest-related derivative instruments for hedging purposes totalled EUR 5,606 million, of which EUR 2,550 million was in forward rate agreements and interest rate swaps and EUR 3,055 million was in interest rate options.

Other derivative contracts

The nominal value of other derivative contracts totalled EUR 1,815 million, of which EUR 1,717 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, are hedging to structured products.

Capital Adequacy

As of 30 September 2006, the Group's capital base totalled EUR 382 million, of which EUR 254 million was Tier 1 capital. The Tier 1 capital 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 12.8% to EUR 2,537 million. The capital adequacy ratio was 15.1%, with the proportion of Tier 1 capital being 10.0%.

Personnel

When converted into full-time employees, the number of staff employed by the Group increased by 87 to 759 as of the end of September. 48 people were employed in real estate operations at the end of September. The average number of full-time employees during the period was 715 (674).

Rating

Aktia's credit ratings as assessed by Moody's Investors Service Ltd remained unchanged: 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

Föreningen Konstsamfundet r.f. and Veritas Pension Insurance Company both signed a final agreement with Aktia Savings Bank plc on 31 August to buy 50% of the real estate company Mannerheimvägen 14 from Aktia. Each purchaser is to receive 25% of the shares.

Stefan Björkman (43) has been appointed Deputy MD and member of the Executive Committee with responsibility for the bank's corporate customers. Mr Björkman leaves his post as MD at Oral Hammaslääkärin Oyj for the transition to Aktia.

Aktia Fund Management launched two new equity funds on 18 September – Hansa Eastern Europe Real Estate Equity Fund and Hansa Central Asia Equity Fund. Both funds have great potential for growth and high returns are expected. Both are categorised as high risk funds.

Aktia has decided to open branch offices in the centre of Lohja and on Kemiönsaari. Aktia's real estate operations will be expanded in connection with both new offices. It is expected that the office on Kemiönsaari will open during the autumn while the office in Lohja is scheduled to open at the beginning of 2007.

Important events after the end of the reporting period

At the beginning of October, the decision was announced to expand real estate operations to Parainen and Turunmaa archipelago. Operations in Parainen will commence during autumn.

Prospects

The Group's operating profit for the year is expected to exceed that of last year.

Profit and loss account

(EURm)		Group	
	1 - 9/2006	1 -9/2005	1 - 12/2005
Interest income	127.7	99.0	134.1
Interest expenses	65.2	39.6	54.4
Net interest income	62.5	59.4	79.7
Income from Tier 1 capital instruments	1.2	1.2	1.2
Commission income	35.0	28.4	38.6
Commission expenses	-5.7	-4.3	-6.0
Net income from securities and currency trading	1.1	1.1	1.4
Net income from financial assets for sale	0.8	0.6	-1.0
Net income from administrative properties	4.6	1.6	2.1
Other operating income	4.2	1.2	16.3
Total other income	41.2	29.7	52.6
Total income	103.7	89.1	132.3
Staff costs	30.6	27.8	38.8
Other administrative expenses	18.7	16.3	22.7
Depreciation and write-downs on tangible and intangible assets	2.9	3.1	4.1
Other operating expenses	8.3	7.8	10.1
Total costs	60.6	55.0	75.7
Profit before write-downs	43.1	34.1	56.6
Sector-specific credit loss provisions	-	-1.0	-7.5
Write-downs on loans and other commitments	1.8	-0.1	-1.0
Write-downs on other financial assets	-	-	-
Share of result from associated undertakings-	0.7	1.0	1.0
Operating profit	45.6	34.0	49.1
Appropriations	-	-	-
Taxes for the period and for previous reporting periods	-14.6	-5.5	-9.5
Change in deferred tax liabilities	3.4	-2.8	-2.3
Minority interest in period's profit/losses	-0.5	-0.2	-0.3
Profit for the period	33.9	25.6	37.0

Balance sheet

(EURm)	Note	30.9.2006	Group 30.9.2005	31.12.2005
Assets				
Liquid assets		231.4	200.0	283.7
Bonds that are eligible for refinancing at central banks	1)	1,018.1	703.6	714.7
Claims on credit institutions		131.9	108.0	23.7
Receivables from the public and public sector entities		3,612.0	3,150.3	3,249.5
Bonds	2)	67.2	60.3	66.3
Shares and participations	3)	28.4	26.2	29.3
Shares and participations in associated companies		2.7	3.1	2.7
Shares and participations in group companies		-	-	-
Derivative instruments		5.6	4.2	4.0
Intangible assets		2.6	2.9	2.7
Tangible assets		40.1	96.9	95.6
Other assets		13.8	40.3	54.2
Accrued expenses and advance payments		35.1	31.2	27.0
Deferred taxes recoverable		-	-	-
Total assets		5,188.8	4,427.0	4,553.5
Liabilities				
Foreign capital				
Liabilities to credit institutions		886.2	796.4	851.0
Borrowing from the public		2,444.3	2,267.9	2,308.6
Other liabilities to the public and public sector entities		210.1	56.2	30.2
Debt securities issued to the public		1,033.6	773.5	786.3
Derivative instruments and other liabilities held for trading		4.3	4.2	4.0
Other liabilities		75.5	82.1	106.9
Compulsory provisions		1.3	0.9	1.8
Accrued expenses and advance payments received		47.7	28.5	24.3
Subordinated liabilities		195.5	155.8	163.3
Deferred tax liabilities	4)	21.7	28.3	27.7
		4,920.2	4,193.9	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
Fund at fair value	5)	0.2	8.4	7.7
Profit brought forward		144.2	117.8	117.8
Profit for the period		33.9	25.6	37.0
Minority interest		9.7	0.8	6.3
		268.6	233.2	249.5
Total liabilities		5,188.8	4,427.0	4,553.5

Off-balance-sheet commitments (EURm)		Group	
	30.9.2006	30.9.2005	31.12.2005
Commitments provided to a third party on behalf of a customer			
Guarantees	41.4	40.0	43.2
Other commitments provided to a third party on behalf of a customer	27.6	25.0	25.8
Irrevocable commitments provided on behalf of a customer			
Unused credit arrangements	340.5	183.9	269.4
Other irrevocable commitments	65.2	46.1	41.1
Off-balance-sheet commitments	474.6	294.9	379.5

Analysis of receivables from the public and public sector entities by sector

(EURm)		Group	
	30.9.2006	30.9.2005	31.12.2005
Households	2,956	2,560	2,631
Corporations	407	312	340
Housing associations	199	226	227
Non-profit organisations	39	42	41
Public sector entities	11	10	11
Total	3,612	3,150	3,250

Risk commitments

(EURm)		Group	
	30.9.2006	30.9.2005	31.12.2005
Non-performing loans	17.2	13.2	9.9
Non-interest-bearing loans	0.1	0.2	0.2
Total	17.3	13.4	10.1

Non-performing/credit stock incl. guarantees (%)	0.5	0.4	0.3
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Capital Adequacy

(EURm)		Group	
	30.9.2006	30.9.2005	31.12.2005
Tier 1 capital	254	215	225
Tier 2 capital	127	116	120
Tier 3 capital	-	-	-
Capital base	382	331	345
Risk-weighted commitments	2,537	2,249	2,286
Capital adequacy, %	15.1	14.7	15.1
Tier 1 Capital ratio, %	10.0	9.6	9.8

Derivate contracts (EURm)	Group 30.9.2006			Group 30.9.2005			Group 31.12.2005		
	For hedging purposes	Other	Actual value	For hedging purposes	Other	Actual value	For hedging purposes	Other	Actual value
Interest rate-related	5,605.7	1,716.8	2.7	3,970.5	289.1	17.5	4,007.8	526.1	7.7
Forward rate agreements	1,410.0	110.0	-1.6	1,355.0	5.0	2.0	1,394.0	244.0	-0.6
Interest rate swaps	1,140.3	271.4	4.5	460.1	8.7	11.6	458.4	6.7	7.7
Interest rate op tion agreements	3,055.4	1,335.4	-0.2	2,155.4	275.4	3.9	2,155.4	275.4	0.7
<i>Purchased</i>	1,659.4	656.0	2.2	1,089.4	126.0	7.8	1,089.4	126.0	7.2
<i>Written</i>	1,396.0	679.4	-2.4	1,066.0	149.4	-3.9	1,066.0	149.4	-6.5
Currency-related	30.1	0.0	0.1	50.6	0.0	0.3	26.8	0.0	0.1
Forward rate agreements	30.1	0.0	0.1	50.6	0.0	0.3	26.8	0.0	0.1
Equity-related	98.0	98.0	0.0	91.9	91.9	0.0	88.5	88.5	0.0
Equity options	98.0	98.0	0.0	91.9	91.9	0.0	88.5	88.5	0.0
<i>Purchased</i>	98.0	0.0	8.6	91.9	0.0	8.2	88.5	0.0	8.7
<i>Written</i>	0.0	98.0	-8.6	0.0	91.9	-8.2	0.0	88.5	-8.7

Basis of calculation for key figures

Earnings/share, EUR

$$\frac{\text{Operating profit minus taxes +/- minority interest in the result for the period}}{\text{Average number of shares over the period (adjusted for share issue)}}$$

Equity per share, EUR

$$\frac{\text{Equity and provisions - minority interest}}{\text{Number of shares at the end of the period}}$$

Return on equity, % (ROE)

$$\frac{\text{Operating profit (on annual basis)}}{\text{Average equity}} \times 100$$

Cost/income ratio

$$\frac{\text{Administrative expenses + depreciation and write-downs + other operating costs}}{\text{Net interest income + net commission income + Tier 1 capital instruments + net income from securities and currency trading + net income from financial assets for sale + net income from administrative properties + other operating income}}$$

Risk-weighted commitments

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

Capital adequacy, %

$$\frac{\text{Capital base (Tier 1 capital + Tier 2 capital)}}{\text{Risk-weighted commitments}} \times 100$$

The capital base is calculated in accordance with regulation 106.6 issued by the Financial Supervisory Authority.

Tier 1 Capital ratio, %

$$\frac{\text{Tier 1 capital}}{\text{Risk-weighted commitments}} \times 100$$

Notes on Balance sheet for 2006

1) Bonds eligible for refinancing with central banks	Group		
	30.9.2006	30.9.2005	31.12.2005
Held for trading	0.0	0.0	0.0
Held for sale	1,022.9	695.3	710.2
<u>Revalued against the fund at fair value and deferred tax</u>			
- Opening balance sheet total	4.5	0.0	0.0
- Change on year	-9.3	8.3	4.5
- Closing balance sheet total for fund at fair value and deferred tax	-4.8	8.3	4.5
	1,018.1	703.6	714.7
Held to maturity	0.0	0.0	0.0
Total	1,018.1	703.6	714.7
2) Bonds	Group		
	30.9.2006	30.9.2005	31.12.2005
Held for trading	2.9	4.0	6.9
Held for sale	16.5	22.7	25.9
<u>Revalued against the fund at fair value and deferred tax</u>			
- Opening balance sheet total	0.0	0.0	0.0
- Change on year	0.0	0.1	0.0
- Closing balance sheet total for fund at fair value and deferred tax	0.0	0.1	0.0
	16.5	22.8	25.9
Held to maturity	47.8	33.5	33.5
Total	67.2	60.3	66.3
3) Shares and participations	Group		
	30.9.2006	30.9.2005	31.12.2005
Held for trading	0.0	0.0	0.0
Held for sale	23.1	23.4	23.4
<u>Revalued against the fund at fair value and deferred tax</u>			
- Opening balance sheet total	5.9	0.0	0.0
- Change on year	-0.6	2.8	5.9
- Closing balance sheet total for fund at fair value and deferred tax	5.3	2.8	5.9
Total	28.4	26.2	29.3
4) Deferred tax liabilities	Group		
	30.9.2006	30.9.2005	31.12.2005
Opening balance sheet total	27.7	22.7	22.7
Change via profit and loss account	-3.4	2.8	2.3
Debt securities eligible for refinancing with central banks revalued against fund at fair value	-2.4	2.1	1.2
Debt securities revalued against the fund at fair value	0.0	0.0	0.0
Shares and participations revalued against the fund at fair value	-0.1	0.7	1.5
Closing balance sheet total	21.7	28.3	27.7

5) **Fund at fair value**

The unrealised changes in value in financial assets and shares and participations available for sale are booked to the fund

		Group	
	30.9.2006	30.9.2005	31.12.2005
Opening balance sheet total	7.7	0.0	0.0
Revalued debt securities eligible for refinancing with central banks	-6.9	6.2	3.3
Revalued debt securities	0.0	0.1	0.0
Revalued shares and participations	-0.5	2.1	4.4
Closing balance sheet total	0.2	8.4	7.7

Helsinki, 2 November 2006

AKTIA SAVINGS BANK PLC

Board of Directors

Auditor's statement

We have reviewed the interim report of Aktia Savings Bank plc as of 30 September 2006. The interim report has in our opinion been prepared in accordance with

applicable regulations. The Group's operating profit for the period 1.1.-30.9.2006 is million 45,6 euros.

Helsinki, 2 November 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

