

## Final Accounts Announcement for 1 January - 31 December 2007

### The year in brief

- Aktia Group's profit increased by 23.0 per cent to EUR 50.7 million (41.2).
- The acquisition of Veritas Life Insurance had a positive impact on financial results.
- Profit per share rose by 10.4 per cent to EUR 1.27 (1.15).
- The operating profit of Aktia Group increased by 18.6 per cent to EUR 65.0 million (54.8).
- Return on equity (ROE) increased to 17.6 per cent (16.8).
  
- The total savings in mutual funds increased by 41.8 per cent to EUR 2,013 million. The assets managed by Aktia Asset Management increased by 85.3 per cent to EUR 3,721 million.
- Net commission increased by 18.2 per cent to EUR 47.3 million (40.1).
  
- According to Basel 2, the group's capital adequacy ratio totalled 15.4 per cent and the financial conglomerate's capital adequacy (capital base in relation to the minimum requirement) totalled 136.7 per cent
- The dividend proposed by the Board of Directors to the Annual General Meeting amounts to EUR 0.50 (0.40) per share.
- Moody's Investors Service upgraded the credit ratings of both Aktia Savings Bank plc and Aktia Real Estate Mortgage Bank plc.

### The CEO's comments

*"Aktia has considerably improved its financial results. The acquisition of Veritas Life Insurance made a significant contribution to the Group's results. The good performance of the life insurance company is primarily due to its successful investment business. The merger has also had a positive effect on the sales of insurance products through Aktia's network of branch offices."*

*The Group's investments in increasing competence in savings and assets have borne fruit in spite of the more difficult market situation. Aktia's local presence has been enhanced with the opening of full-service bank branch offices in Oulu and Lohja.*

*The development of the real estate agency business within the Group has been well received by our customers, and these services are currently available throughout our entire operating territory. The business is profitable in itself, and it also supports the other businesses of the Group. Additional earnings are to be expected of the new product introduced this year, the consumer credit Aktia-Xpress.*

*The increased services to corporate customers, for example establishing the new Corporate Banking and Aktia Corporate Finance units, have borne fruit by increasing the volume of corporate credits,"* says Mikael Ingberg, CEO of Aktia Savings Bank plc.

## Key figures

	1-12 2007	1-12 2006
Profit/share, EUR	1.27	1.15
Equity per share, EUR	8.06	7.05
Return on equity (ROE), %	17.6	16.8
Cost-to-income ratio, banking group	0.67	0.62
Life insurance group's expense ratio, %	110.0	-
Mutual fund capital, EUR millions	2,013	1,420
Borrowing from the public, EUR millions	2,801	2,544
Lending to the public, EUR million	4,574	3,763
Risk-weighted assets	2,875	2,655
Capital adequacy ratio, % - Group	15.4	13.8
Tier 1 capital ratio, % - Group	10.9	9.2
Solvency ratio, % - life insurance group	18.1	-
Capital adequacy ratio, % - financial conglomerate	136.7	
Life insurance business:		
- investments at fair value <sup>1)</sup>	965.6	-
- provisions for interest-linked policies	654.3	-
- provisions for unit-linked policies	200.5	-
Average number of shares, millions <sup>2)</sup>	39.8	35.8
Average number of shares at end of period, millions	40.1	35.3
Personnel (FTEs), average number	940	741

<sup>1)</sup> After the elimination of acquisition-related items and internal Group investments

<sup>2)</sup> 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 stock capital of Life Insurance Company Veritas on 17 January 2007. The preliminary acquisition balance sheet, which is explained in further detail in a separate attachment describing the changes in group structure, was produced as at 1 January 2007.

As shown in the acquisition balance sheet, the estimated preliminary negative goodwill of a total of EUR 11.4 million that was entered, in line with IFRS requirements, in its totality as income during

the first quarter of 2007, has now been calculated to amount to EUR 9.5 million. The difference, EUR 1.9 million, therefore burdened the last quarter results for 2007.

The balance sheet of Veritas Life Insurance, with its assets amounting to more than EUR 980 million and its profits for 2007 was consolidated in Aktia Group for the first time in 2007. The development of the insurance business compared to the corresponding period in 2006 is explained in the comments shown in the Life Insurance segment.

## Financial performance

Aktia Group's operating profit rose, mainly due to the acquisition of Veritas Life Insurance, to EUR 65.0 million, an increase of 10.2 million (+18.6%) on the previous year. After the elimination of all acquisition-related items, including the entry as income of the negative goodwill of EUR 9.5 million, as well as of the elimination of capital gains and other transactions totalling EUR 32.7 million entered as costs, the insurance business contributed approx. EUR 17.3 million to the improvement of financial performance. The operating profit of the banking group (Aktia Group excluding the life insurance business) decreased by EUR 7.1 million, of which EUR 4.5 million was due lower one-off capital gains compared to the previous year and EUR 2.5 million was due to loan losses and shares in profits of associated undertakings. Net loan losses totalled EUR -0.2 million (+1.6). The share of profits from associated undertakings decreased to EUR 0.2 million (0.7).

The profit for the reporting period rose to EUR 50.7 million, an improvement of EUR 9.5 million (+23.0%). As the average number of shares rose from 35.8 million to 39.8 million, the improvement in earnings per share was lower, i.e. +10.4 per cent, rising from EUR 1.15 to EUR 1.27 per share. If the net change of the fund at fair value were to be taken into account, the earnings per share would be EUR 0.87 (0.89).

Return on equity increased to 17.6 per cent (16.8). If the net change of the fund at fair value is taken into account, the return on equity is 12.0 per cent (13.0).

The cost-to-income ratio, which is a traditional measure of performance for banking operations, but not for insurance, was for the banking group poorer, moving from 0.62 to 0.67 primarily as a result of the new initiatives that are described in the section on the banking group's costs.

The cost ratio of insurance business improved to 110.0 per cent from 112.7 per cent.

## Income

The total income of Aktia Group rose to EUR 281.6 million, an increase of EUR 145.2 million. Of this increase in income, after elimination of all internal group transactions, EUR 138.1 million is attributable to the newly acquired life insurance business, while the banking group's income rose by 5.1 per cent to EUR 143.5 million (136.5).

The net interest income increased by 5.6 per cent to EUR 88.9 million (84.1). Of the improve-

ment, approximately EUR 2.5 million is due to mortgages sold by other banks. 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 4.1 million, having had a positive effect of EUR 3.2 million in 2006.

Net commission income increased by EUR 7.3 million (+18.2%) to EUR 47.3 million. Commission income from funds, asset management and securities repository services rose by EUR 6.0 million (+29.3%) to EUR 26.7 million. Commission from charge and credit cards grew by EUR 1.3 million (+58.6%) to EUR 3.6 million. Of the increase, approximately EUR 0.5 million was due to a change in the accounting principles applicable to card commissions. However, the commissions from payment transaction services decreased. The commission income of the real estate agency business rose by EUR 3.9 million (+110.6%) to EUR 7.4 million. Within commission costs, the commissions to local banks for mortgages increased by EUR 1.6 million.

Income from the life insurance business totalled EUR 138.1 million, of which insurance premium income was EUR 99.8 million and net income from investment business EUR 38.3 million. Of the capital gains from securities sold, amounting to EUR 65.1 million, included in the 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 the acquisition date has been eliminated from the consolidated accounts of Aktia Group. The capital gains posted to profits were thus EUR 54.2 million lower in the Aktia Group than those entered as income in the Veritas Life Insurance Group. The eliminations related to the acquisition date also affect the fair value of the life insurance business fund which in the Aktia Group as at 31 December 2007 totalled EUR -5.4 million, while the fund in the Veritas Life Insurance Group totalled EUR 31.8 million.

The total decrease of EUR 6.8 million in net interest income from investment properties and other operating income is mainly due to the fact that the previous year's figures included capital gains of approx. EUR 5.7 million related to the sale of shares in Kiinteistö Oy Mannerheimintie 14 and data company Oy Samlink Ab.

## Expenses

The total expenses of Aktia Group rose to EUR 216.6 million, an increase of EUR 132.7 million. Of this increase, EUR 121.0 million is attributable to the life insurance business, while the banking group's expenses rose by 13.8 per cent to EUR 95.6 million (83.9). Approx. 5.5 per cent of the increase in the banking group's expenses was attributable to new initiatives in real estate agency operations, Aktia Card & Finance and the launch of the new customer concept AktiaBonus. The new branch offices established in new business territories as well as the investments in Corporate Banking also increased the cost levels.

Claims paid by the life insurance business totalled EUR 66.1 million. Interest-based provisions increased by EUR 20.2 million and unit-linked provisions increased by EUR 33.6 million. In addition to the estimated payments to customers in 2007, a provision of EUR 4.5 million for future payments was included in the interest-based provisions.

Staff costs increased by EUR 13.9 million to EUR 55.6 million (41.7). Of this increase, EUR 6.0 million is attributable to Veritas Life Insurance, while the banking group's expenses rose by 18.8 per cent to EUR 49.5 million (41.7). Most of the increase in expenditure was due to investments made primarily in the fields of real estate agencies, retail banking and Corporate Banking. The excellent results allowed a provision to be made for EUR 2.8 million (2.1) to be transferred to the personnel fund, which burdened the financial results for the financial year.

Other administrative expenses rose by EUR 7.5 million to EUR 34.4 million (26.9), of which Veritas Life Insurance accounted for EUR 4.0 million. The banking group's other administrative expenses rose to EUR 30.4 million (26.9), an increase of 13.0 per cent. A large part of the cost increases were due to the investments discussed above.

The estimated preliminary 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 a separate attachment describing the changes in group structure. As stated in earlier interim reports, the preliminary acquisition calculation and negative goodwill will be affected by the final results of divesting the real estate holdings of Veritas Life. The negative goodwill

was now during the last quarter calculated to amount to EUR 9.5 million.

## Balance sheet and off-balance sheet commitments

As of 31 December 2007, Aktia Group's balance sheet total stood at EUR 7,951 million (5,492), an increase of EUR 2,459 million. EUR 984 million of the increase in the assets total is attributable to the life insurance business, of which investments after elimination of all internal group transactions totalled EUR 966 million at fair value.

In other respects, the increase in the assets total is due to an EUR 811 million increase in lending to the public and an increase of EUR 536 million to 1,699 million in bonds eligible for refinancing with central banks. These bonds which in the balance sheet are entered under Financial assets available for sale form, together with Cash and cash equivalents, most of the Group's liquidity buffer.

Total liabilities increased by EUR 2,371 million, of which technical provisions accounted for EUR 855 million. Growth in the banking operation has been financed by long-term bond issues and borrowing. Outstanding senior and subordinated debts totalled EUR 1,793 million, an increase of EUR 471 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.

The fund at fair value, reported under equity, decreased by EUR 16.3 million from EUR -1.7 to -18.0 million. The decrease is attributable to changes in the market value related to current valuations at fair value of financial assets available for sale and the investment portfolio of the insurance business held for covering the interest-linked provisions and to the impact of the bank's strategic hedging against interest rate risks to the extent that the protection has not taxed the net interest income.

The Group Balance Sheet includes direct and indirect investments in so-called Structured Investment Vehicles amounting to approximately EUR 0.9 million. The acquisition price amounted to EUR 3.7 million. The reduction in market value

has been shown through the fund at fair value. Structured Investment Vehicles (SIV) is a basket-type investment with underlying investments with long maturity while the investment basket itself is financed by taking loans with short maturity.

Off-balance sheet commitments increased by EUR 115 million to EUR 630 million (515).

At the end of the financial year, the nominal value of interest-linked derivative contracts amounted to EUR 9,529 million (8,930). Of these, EUR 3,556 million (4,139) made up the protection against the Group's structural and momentary interest rate risks, including those of the Real Estate Mortgage Bank, of which EUR 3,316 million (3,899) fulfilled the criteria for hedge accounting. The other interest-linked derivative contracts included interest rate hedging provided for local banks which after back-to-back protective measures with third parties amounted to EUR 5,885 million (4,703). The rest of the interest-linked derivative contracts, EUR 88 million (88), related to the hedging of structured products.

The nominal value of the hedging currency-related and share-related and other derivative contracts totalled EUR 309 million (241). All share-related and other options contracts, EUR 172 million (205), related to the hedging of structured products.

## Capital markets and borrowing

Total savings in mutual funds, which includes both own and managed funds, increased by 41.8 per cent to EUR 2,013 million, while borrowing from the public increased by 10.5 per cent to EUR 2,801 million. Total saving (deposits + mutual funds) rose by 21.7 per cent to EUR 4,814 million.

Saving by households (deposits + mutual funds) rose by 11.4 per cent to EUR 3,152 million. Saving by households in mutual funds grew by 16.4 per cent to EUR 997 million and deposits from households increased by 9.3 per cent to EUR 2,156 million.

In addition to this, during the year Aktia issued new mutual bonds to the public and institutions to a value of EUR 76 million (116).

Assets managed by Aktia Asset Management rose by 85.3 per cent to EUR 3,721 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 customer base increased by 17 per cent,

and the volume of assets managed grew by 8.1 per cent to EUR 1,153 million.

## Life Insurance

The technical provisions totalled EUR 854.8 million. Unit-linked provisions amounted to EUR 200.5 million and the provisions for interest-linked policies amounted to EUR 654.3 million. The interest requirement for the latter decreased to 2.9 per cent through an increase of provisions by EUR 20.2 million. A provision of EUR 9.1 million was made for payments to customers this year and in the future.

At market values, the investment portfolio stood at EUR 784.3 million excluding the investments of EUR 203.1 million in unit-linked policies.

## Loans

The demand for housing loans remained high. The total lending of Aktia Group amounted to EUR 4,574 million at the end of the year, representing an increase of EUR 811 million (+21.5%). The majority of this growth came from the household sector, whose loan stock increased by EUR 664 million (+21.3%) to EUR 3,789 million.

The housing loan stock increased by 23.2 per cent to EUR 3,280 million, of which mortgages constituted EUR 1,614 million, an increase of EUR 448 million (+38.4%). It should be noted, however, that most of the increase in the mortgage loan stock, EUR 383 million, comprised loans arranged by other savings banks and local co-operative banks.

The increase in lending less the mortgage loans arranged by other banks totalled 12.6 per cent for the whole of Aktia Group, 10.1 per cent for the household sector and 10.1 per cent for housing loans.

Lending to companies grew in line with the new corporate customer strategy by 40.3 per cent to EUR 553 million (394).

## Credit risks and losses

There have been no significant changes to the composition of the credit portfolio during the year. At the end of the year, households accounted for approximately 83 per cent (83), with corporate financing amounting to more than 12 per cent (10). The share of housing loans of the total loan stock increased slightly and amounted to 72 per cent (71). Corporate financing's share of the loan

stock, excluding mortgage loans distributed by other banks, grew to 14.4 per cent (11.6).

At the end of the year, the matured claims more than 90 days overdue and non-interest-bearing credits amounted to EUR 19.4 million (14.7), corresponding to 0.4 per cent (0.4) of the entire credit stock including off-balance-sheet guarantee commitments.

The write-downs of credits and claims are entered individually and in groups. During 2007, the total amount of individual write-downs was EUR 0.8 million, of which EUR 0.4 million is related to private customers and 0.4 million to corporate customers. The reversing entries totalled EUR 0.6 million, after which the net effect to the year's results was EUR -0.2 million. Because of an exceptionally high level of reversals during 2006, the resulting effect was EUR 1.6 million.

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

### **Interest rate risks and investment risk within the banking group**

The interest rate risk within the banking group comprises both structural and momentary 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 the banking group (market value interest rate risk). The market valuation of these financial assets, which are held for sale, is posted against the fund at fair value under equity after the deduction of deferred tax. The net change of the fund at fair value related to market value interest rate risk entered during the financial year amounted to EUR -11.9 million (-9.1).

At the end of the financial year, the total fund at fair value in the banking group was EUR -12.6 million (-1.7).

### **Investment risks in the life insurance business**

The policyholder bears the market risk him/herself regarding the investments providing cover for unit-linked insurance policies. 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 part of the investment portfolio that has to cover the technical provisions of interest-linked insurance is evaluated on an ongoing basis at fair value with reference to the fair value fund. At the end of the year, the fund at fair value relating to the life insurance business in the Aktia Group totalled EUR -5.4 million after acquisition eliminations.

The investment activities are based on a neutral allocation between different types of assets within which the tactical allocation takes place. The highest possible return for the given level of risk is sought by diversification.

The market risks of the investment portfolio are measured using a VaR model, and the limit restricts the maximal loss during the year applying a significance level of 97.5 per cent.

### **Capital adequacy**

The banking group's capital adequacy as at 31 December 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 31 December 2007, the capital base totalled EUR 443 million, of which EUR 313 million was Tier 1 capital. The Tier 1 capital includes both the profit for the reporting period and deductions for the 2006 dividend determined by the Annual General Meeting, as well as the Board of Directors' proposal for dividends for the reporting period corresponding to EUR 0.50 per share. 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.

During the year, the Group issued subordinated debts for EUR 64 million, which is taken into account in the Tier 2 capital. All in all, this means that Tier 2 capital together with earlier reserves that can be included in the capital increased to EUR 130 million.

Capital adequacy amounted to 15.4 per cent compared with 13.8 per cent at year-end 2006. The Tier 1 capital ratio was 10.9 per cent compared with 9.2 per cent at year-end 2006. The already good capital adequacy ratio was further strengthened by the lower risk weighting of loans

secured by housing collateral in accordance with Basel 2 (the comparative figures for 2006 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 21 million at the end of 2007.

### **The life insurance group**

The solvency ratio rose to 18.1 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 31 December 2007, the financial conglomerate's capital adequacy (the conglomerate's capital base in relation to the minimum requirement) totalled 137 per cent.

### **Risk-bearing capacity**

During the year, the Board of Directors confirmed an internal capital adequacy assessment process (ICAAP) in accordance with the new Basel 2 regulations. The purpose of the internal capital adequacy assessment process is to identify and assess the relevant risks, too increase the awareness of the organisation regarding the relevant risks faced by the Group, and to develop "risk-reward" thinking among the decision-makers as well as to ensure that the capital base is sufficient in relation to the risks and that a sufficient buffer against the minimum capital required by authorities is maintained.

The results of the ICAAP for 2007 indicate that the earning capability of the Group is good, well diversified and stable, and that it therefore serves as a strong protection against risks and losses at the same time as the capital adequacy ratio is high. The authorities' requirements regarding capital adequacy are fulfilled with a clear margin even during times of macroeconomic recession, and the economic capital is clearly smaller than the Group's equity with a view of the planned dividends policy.

## **Personnel**

When converted into full-time employees, the number of staff employed by the Group increased by 211 to 983 (772) by the end of the financial year. At the end of the year, the estate agency business had 78 employees, an increase of 15 during the year. Corporate Banking recruited 8 new employees while the branch offices increased the number of full-time employees by 10. The largest increase, 128 full-time employees, came from the acquisition of Veritas Life Insurance. The average number of full-time employees during the period was 940 (741).

## **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 bonds to the highest possible rating of Aaa from the previous Aa2 in the beginning of June 2007.

## **Share capital**

The extraordinary general meeting decided on 21 December 2006 to implement a coupon share issue of 1,764,903 shares and a direct share issue of a maximum of 3,000,000 new shares to Veritas Pension Insurance Company for the acquisition of Veritas Life Insurance Company. These share issues have been implemented. This enabled the share capital to be increased by EUR 9.5 million and the unrestricted equity fund by EUR 44.8 million after a deduction of approx. EUR 0.5 million for transaction costs.

The general meeting also decided to authorise 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 of Aktia Group. This authority 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.

Under the authorisation, a total of 39,021 shares have been issued during the year as incentives for key personnel, following which the total number of shares at the end of the financial year stood 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.

### Proposal for distribution of profit

Aktia's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share (EUR 0.40) should be paid. The proposed dividends correspond to the total amount of EUR 20.1 million. The record date for the dividends will be 4 April 2008, and the dividends will be paid out on 11 April 2008.

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

- The extraordinary general meeting of shareholders of Veritas Life Insurance held on 23 January elected M.Sc. Econ. Taru Narvanmaa as the new Managing Director of the company.
- The AGM of Aktia Savings Bank appointed on 29 March M.A. Agneta Eriksson, Managing Director Anders Nordman and LD.S. Sture Söderholm as new members of the Board of Supervisors. The AGM also decided to increase the number of members on the Board of Supervisors to thirty-two. Elected as new members from the date on which the amendment of the Articles of Association regarding the number of members on the Board of Supervisors was registered and entered into force were Peter Heinström, consul, and Erik Karls, farmer.
- The Board of Directors decided that starting from the 2nd of April, the operations of the business segments shall be reported, both internally and externally, in line with the division into four segments: Retail Banking, Capital Market, Corporate Banking & Treasury and Life Insurance. The following persons have been appointed as heads of segments with profit responsibility: Jarl Sved (Retail Banking), Robert Sergelius (Capital Market), Stefan Björkman (Corporate Banking & Treasury) and Taru Narvanmaa (Life Insurance). Together

with the CEO and Olav Uppgård responsible for Group Services, the heads of segments with profit responsibility form the Working Committee of the Group Executive Committee. At the same time, Gösta Råholm, formerly a Bank Director in Turku, became a member of the Executive Committee with particular responsibility for the branch office business in the Turku Region, Kemiö Island and Western Uusimaa.

- Director Sven Åström, a member of the Group Executive Committee, left his position at Aktia Savings Bank plc on 30 April 2007.
- In its meeting held on 4 December 2007, the Board of Supervisors of Aktia Savings Bank plc re-elected the current Board in its entirety for 2008. In addition, M.Sc. Econ. Kjell Sundström was elected as a new Board member. In connection with his election as a Board member, Kjell Sundström resigned his membership in Aktia's Board of Supervisors from 1 January 2008.

### Important events after end of the financial year

On 31 January 2008, the Board of Directors of Aktia Savings Bank plc elected M.Sc. Econ. Jussi Laitinen as the new CEO. He takes up his position on 4 April 2008. Mikael Ingberg will continue as CEO until then.

### Outlook

The Group has extended its earnings base, strengthened its competitiveness and has a strong capital base and good credit rating. These factors constitute good prerequisites for continued growth and a strengthened market position.

The acquisition of Veritas Life Insurance will increase the volatility of financial results. During 2007, Veritas Life Insurance made a significant contribution to the good financial performance.

The Group's operating profit is expected to remain at a good level, but the investment business in particular is expected to face challenges.

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

## Profit and Loss Account of Aktia Group

(EUR million)	1.1-31.12.2007	1.1-31.12.2006	Change, %
Net interest income	88.9	84.1	5.6
Dividends	1.5	1.2	26.1
Commission income	57.2	48.1	18.9
Commission expenses	-9.8	-8.0	22.3
Net commission income	47.3	40.1	18.2
Income from insurance premiums	99.8	-	N/A
Net income from investments	38.3	-	N/A
Income from the insurance business	138.1	-	N/A
Net income from securities and currency trading	1.0	1.3	-19.7
Net income from financial assets available for sale	1.2	-0.5	N/A
Net profit from financial transactions	2.3	0.7	N/A
Net income from investment properties	0.5	4.9	-90.2
Other operating income	3.1	5.4	-43.6
<b>Total operating income</b>	<b>281.6</b>	<b>136.5</b>	<b>106.4</b>
Insurance claims paid	-66.1	-	N/A
Change in provisions	-53.8	-	N/A
Claims paid and change in provisions	-119.9	-	N/A
Staff costs	-55.6	-41.7	33.3
Other administrative expenses	-34.4	-26.9	28.1
Realised negative goodwill to income	9.5	-	N/A
<b>Depreciation of tangible and intangible assets</b>	<b>-3.8</b>	<b>-3.6</b>	<b>5.7</b>
Other operating expenses	-12.5	-11.8	6.1
<b>Total operating expenses</b>	<b>-216.6</b>	<b>-83.9</b>	<b>158.0</b>
<b>Profit before write-downs</b>	<b>65.0</b>	<b>52.5</b>	<b>23.8</b>
Write-downs of credits and other commitments	-0.2	1.6	N/A
Share of profit from associated undertakings	0.2	0.7	-72.6
<b>Operating profit</b>	<b>65.0</b>	<b>54.8</b>	<b>18.6</b>
Taxes	-13.4	-13.4	0.4
<b>Profit for the reporting period</b>	<b>51.6</b>	<b>41.4</b>	<b>24.5</b>
<b>Attributable to:</b>			
Shareholders in Aktia Savings Bank plc	50.7	41.2	23.0
Minority interest	0.9	0.2	N/A
<b>Total</b>	<b>51.6</b>	<b>41.4</b>	<b>24.5</b>
Earnings per share, EUR	1.27	1.15	

## Balance Sheet of Aktia Group

(EUR million)	Note	31.12.2007	31.12.2006	Change, %
<b>Assets</b>				
Cash and balances with central banks		228.4	307.9	-25.8
Financial assets held for trading			7.8	N/A
Interest-bearing securities		1,726.4	1,187.8	45.3
Shares and participations		54.4	54.5	-0.2
Financial assets available for sale		1,780.8	1,242.4	43.3
Lending to credit institutions		183.3	33.8	N/A
Lending to the public and public sector entities		4,573.7	3,763.2	21.5
Loans and other receivables		4,757.0	3,797.0	25.3
Financial assets held until maturity		45.8	47.8	-4.2
Derivatives for hedge accounting		12.2	5.0	144.8
The assets of life insurance business	3	982.2	-	N/A
Intangible assets		6.1	2.7	128.6
Tangible assets		46.7	40.0	16.8
Investments in associated undertakings		3.6	2.2	59.7
Accruals and prepaid expenses		66.8	35.6	87.5
Other assets		11.6	2.2	N/A
Total other assets		78.4	37.8	107.5
Income tax receivables		3.7	0.1	N/A
Deferred taxes recoverable		5.9	1.0	N/A
Tax receivables		9.6	1.1	N/A
<b>Total assets</b>		<b>7,950.9</b>	<b>5,491.7</b>	<b>44.8</b>
<b>Liabilities</b>				
Liabilities to credit institutions		928.6	796.2	16.6
Liabilities to the public and public sector entities		2,801.4	2,544.2	10.1
Deposits		3,730.0	3,340.4	11.7
Debt securities issued		1,980.5	1,321.3	49.9
Subordinated liabilities		190.6	193.8	-1.6
Other liabilities to credit institutions		429.1	89.5	N/A
Other liabilities to the public and public sector entities		140.7	124.5	13.0
Other financial liabilities		2,740.9	1,729.0	58.5
Derivatives for hedge accounting		20.6	12.8	60.4
Total liabilities of the insurance business	3	863.7	-	N/A
Provisions		0.3	0.8	-68.7
Accruals and prepaid income		77.1	33.6	129.1
Other liabilities		126.2	93.0	35.7
Total other liabilities		203.2	126.6	60.5
Income tax liability		8.6	8.8	-1.9
Deferred tax liability		45.9	23.4	96.5
Tax liabilities		54.5	32.1	69.7
<b>Total liabilities</b>		<b>7,613.2</b>	<b>5,241.8</b>	<b>45.2</b>
<b>Equity</b>				
Share capital	4	80.2	70.6	13.6
Legal reserve		8.1	8.1	0.0
Share premium account		1.9	1.9	0.0
Fund at fair value		-18.0	-1.7	N/A
<b>Total restricted equity</b>		<b>72.2</b>	<b>78.9</b>	<b>-8.4</b>
Unrestricted equity fund		45.3	-	N/A
Retained earnings		169.9	153.4	10.8
Dividends to shareholders		-14.8	-24.7	-40.0
Profit for the reporting period		50.7	41.2	23.0
<b>Unrestricted equity</b>		<b>251.0</b>	<b>169.9</b>	<b>47.7</b>
Shareholders' share of equity		323.2	248.8	29.9
Minority interest's share of equity		14.5	1.1	N/A
<b>Equity</b>		<b>337.7</b>	<b>249.9</b>	<b>35.2</b>
<b>Total liabilities and equity</b>		<b>7,950.9</b>	<b>5,491.7</b>	<b>44.8</b>

## Cash flow statement

(EUR milion)	2007	2006
<b><u>Cash flow from ordinary operations</u></b>		
Operating profit	65.0	54.8
Adjustment for items not affecting cash flow	-5.0	-8.6
Income taxes paid	-20.1	-10.0
<b>Cash flow from ordinary operations before changes in the receivables and liabilities of business operations</b>	<b>40.0</b>	<b>36.3</b>
Increase (-) or decrease (+) in the receivables of business operations	-1,620.2	-947.6
Increase (-) or decrease (+) in the liabilities of business operations	1,556.8	880.5
<b>Total cash flow from ordinary operations</b>	<b>-23.4</b>	<b>-30.8</b>
<b><u>Cash flow from investment activities</u></b>		
Financial assets held until maturity	2.0	-14.4
Acquisition and divestment of subsidiaries and associated companies	-30.0	5.0
Investments in and sales of tangible and intangible assets	-11.9	52.6
<b>Total cash flow from investment activities</b>	<b>-39.9</b>	<b>43.2</b>
<b><u>Cash flow from financing activities</u></b>		
Issued and repaid subordinated loans	-2.9	29.8
Increase of share capital	3.6	-
Increase of unrestricted equity fund	12.3	-
Dividends paid	-25.4	-14.1
<b>Total cash flow from financing activities</b>	<b>-12.4</b>	<b>15.7</b>
<b>Change in liquid assets</b>	<b>-75.7</b>	<b>28.0</b>
Liquid assets at the beginning of year	316.5	288.5
Liquid assets at year-end	240.8	316.5
<b>The liquid assets in the cash flow statement consist of the following items:</b>		
Cash	10.9	10.5
Cash held by the life insurance business	6.9	0.0
Cheque account at the Bank of Finland	217.5	297.4
Receivables from credit institutions, payable on demand	5.5	8.6
<b>Total</b>	<b>240.8</b>	<b>316.5</b>

## Derivative contracts

	<u>Aktia Group</u>			<u>Aktia Group</u>		
		31.12.2007		31.12.2006		
	Hedge accounting	Other hedging and brokered derivatives	Fair value	Hedge accounting	Other hedging and brokered derivatives	Fair value
<b>Interest rate-related</b>	<b>3,316.0</b>	<b>6,212.5</b>	<b>0.5</b>	<b>3,899.0</b>	<b>5,030.5</b>	<b>-4.0</b>
Forward rate agreements	400.0	10.0	0.4	1,200.0	130.0	-1.7
Interest rate swaps	1,436.0	1,980.7	1.2	1,219.0	1,514.7	-1.7
Interest rate option agreements	1,480.0	4,221.8	-1.1	1,480.0	3,385.8	-0.6
<i>Purchased</i>	740.0	2,230.9	3.5	740.0	1,812.9	5.6
<i>Written</i>	740.0	1,990.9	-4.6	740.0	1,572.9	-6.2
<b>Currency-related</b>	<b>0.0</b>	<b>136.8</b>	<b>0.0</b>	<b>0.0</b>	<b>35.8</b>	<b>-0.3</b>
Forward rate agreements	0.0	136.8	0.0	0.0	35.8	-0.3
<b>Equity-related</b>	<b>0.0</b>	<b>163.6</b>	<b>0.0</b>	<b>0.0</b>	<b>205.0</b>	<b>0.0</b>
Equity options	0.0	163.6	0.0	0.0	205.0	0.0
<i>Purchased</i>	0.0	81.8	7.8	0.0	102.5	12.3
<i>Written</i>	0.0	81.8	-7.8	0.0	102.5	-12.3
<b>Other derivative contracts</b>	<b>0.0</b>	<b>8.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Options	0.0	8.6	0.0	0.0	0.0	0.0
<i>Purchased</i>	0.0	4.3	1.0	0.0	0.0	0.0
<i>Written</i>	0.0	4.3	-1.0	0.0	0.0	0.0

## Off-balance-sheet commitments

	31.12.2007	31.12.2006
Commitments given to a third party on behalf of customers		
Guarantees	57.2	47.4
Other commitments to the benefit of a third party	27.1	28.5
Irrevocable commitments provided on behalf of customers		
Unused credit arrangements	418.3	361.0
Other irrevocable commitments	127.1	77.8
<b>Off-balance-sheet commitments</b>	<b>629,6</b>	<b>514,7</b>

## Sector-by-sector distribution of lending

	31.12.2007	31.12.2006
Households	3,789	3,125
Corporations	553	394
Housing associations	184	197
Non-profit organisations	38	39
Public sector entities	10	8
<b>Total</b>	<b>4,574</b>	<b>3,763</b>

## Risk commitments

	31.12.2007	31.12.2006
Claims more than 90 days overdue	19.3	14.6
Non-interest-bearing loans	0.1	0.1
Total	19.4	14.7
Claims overdue and non-interest-bearing credit stock incl. guarantees (%)	0.4	0.4

## Capital adequacy of the Group

	31.12.2007	31.12.2006
Tier 1 capital	313	245
Tier 2 capital	130	122
<b>Capital base</b>	<b>443</b>	<b>367</b>
Credit risk	2,612	2,655
Operating risk	263	-
Market risk	-	-
Risk-weighted commitments	2,875	2,655
Capital adequacy ratio, %	15.4	13.8
Tier 1 Capital ratio, %	10.9	9.2

Capital adequacy as at 31 December 2007 was calculated according to the Basel 2 rules, while comparative figures for 2006 were calculated according to Basel 1.

## The financial conglomerate's capital adequacy

	31.12.2007
The conglomerate's Tier 1 equity	361
Sector-specific items	145
Intangible assets and sector-specific deductions	-115
Other sector-specific, non-transferable assets	-15
The conglomerate's total capital base	376
Minimum amount of capital base, total	275
The conglomerate's capital adequacy	101
Capital adequacy ratio, %	136.7

The financial conglomerate's capital adequacy as at 31 December 2007 is based on IFRS and calculated according to the consolidation method (FICO rules).

## Quarterly trend

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	23.8	23.1	21.6	20.4	21.6
Dividends	0.4	0.1	1.1	0.0	0.0
Net commission income	12.6	11.0	12.1	11.7	10.8
Income from the insurance business	33.6	23.1	43.1	38.3	
Net profit from financial transactions	-0.4	0.8	0.7	1.2	-0.4
Net income from investment properties	0.1	0.0	0.2	0.1	0.3
Other operating income	1.0	0.6	0.8	0.7	2.4
<b>Total operating income</b>	<b>71.0</b>	<b>58.6</b>	<b>79.6</b>	<b>72.4</b>	<b>34.8</b>
Claims paid and change in provisions	-32.5	-17.0	-34.4	-36.0	-
Staff costs	-15.2	-12.7	-14.5	-13.2	-11.0
Other administrative expenses	-9.9	-7.4	-8.9	-8.2	-8.2
Realised negative goodwill to income	-1.9			11.4	
Depreciation & amortisation	-0.9	-1.0	-1.1	-0.9	-0.7
Other operating expenses	-3.2	-3.2	-3.1	-3.0	-3.4
<b>Total operating expenses</b>	<b>-63.6</b>	<b>-41.2</b>	<b>-61.9</b>	<b>-49.9</b>	<b>-23.3</b>
Write-downs of credits and other commitments	-0.2	0.1	-0.1	0.0	-0.2
Share of profit from associated undertakings	-0.3	0.2	0.3	-0.1	0.0
<b>Operating profit</b>	<b>7.0</b>	<b>17.7</b>	<b>17.9</b>	<b>22.4</b>	<b>11.2</b>

## Key figures at the end of each reporting period

	1-12 2007	1-9 2007	1-6 2007	1-3 2007	1-12 2006
Profit per share, EUR	1.27	1.16	0.83	0.50	1.15
Equity per share, EUR	8.06	8.34	8.10	8.16	7.05
Return on equity (ROE), %	17.6	20.7	22.6	26.9	16.8
Cost-to-income ratio, banking group	0.67	0.65	0.67	0.65	0.62
Life insurance group's expense ratio, %	110.0	105.2	111.3	117.5	-
Mutual fund capital, EUR millions	2,013	2,068	2,027	1,759	1,420
Borrowing from the public, EUR millions	2,801	2,739	2,640	2,569	2,544
Lending to the public, EUR million	4,574	4,382	4,200	3,944	3,763
Risk-weighted commitments	2,875	2,712	2,579	2,484	2,655
Capital adequacy ratio, % - Group	15.4	17.5	18.2	18.3	13.8
Tier 1 capital ratio, % Group	10.9	12.1	12.4	12.4	9.2
Solvency ratio, % - life insurance group	18.1	20.5	22.0	21.6	-
Capital adequacy ratio, % - financial conglomerate	136.7	153.6	156.9	157.8	-
Life insurance business:					
- investments at fair value <sup>1)</sup>	965.6	965.9	971.7	930.7	-
- provisions for interest-linked policies	654.3	641.9	641.2	641.8	-
- provisions for unit-linked policies	200.5	197.1	195.9	180.6	-
Average number of shares, millions <sup>2)</sup>	39.8	39.8	39.8	39.8	35.8
Average number of shares at end of period, millions	40.1	40.1	40.1	40.1	35.3
Personnel (FTEs), average number	940	928	921	916	741

<sup>1)</sup> After the elimination of acquisition-related items and internal Group investments

<sup>2)</sup> 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

Retail Banking 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, as well as the new subsidiary Aktia Corporate Finance Ltd from September.

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 Aktia Group's internal pricing. Treasury assumes responsibility for the Group's interest rate risk, liquidity and balance protection measures for which management has issued authority. 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

	Retail Banking 2007		Capital Market 2007		Corporate Banking & Treasury 2007		Life Insurance 2007		Miscellaneous and Elimina- tions 2007		Aktia Group 2007	
	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12
Net interest income	62.0	62.8	1.7	1.4	24.2	19.8			1.0	0.1	88.9	84.1
Dividends	0.0	0.0	0.1	0.1	0.4				1.0	1.1	1.5	1.2
Net commission income	31.3	25.1	13.7	11.0	-3.6	-1.9			5.9	5.8	47.3	40.1
Income from the insurance business			0.4	0.5	0.6	-0.2	192.3		-54.2	0.5	138.1	0.7
Net profit from financial transactions	0.0	0.0							1.3	4.9	0.5	4.9
Net income from investment propert- ies	1.8	2.8	0.2	0.0	1.6	1.5			-0.6	1.1	3.1	5.4
<b>Total operating income</b>	<b>95.1</b>	<b>90.8</b>	<b>16.2</b>	<b>13.0</b>	<b>23.2</b>	<b>19.2</b>	<b>192.3</b>	<b>0.0</b>	<b>-45.1</b>	<b>13.5</b>	<b>281.6</b>	<b>136.5</b>
Claims paid												
change in provisions	-28.1	-24.1	-4.9	-4.2	-4.5	-3.3	-139.8		19.9	-10.0	-119.9	-41.7
Staff costs	-37.3	-34.0	-3.7	-2.9	-6.1	-5.3	-6.0		-12.0	15.3	-55.6	-26.9
Other administrative expenses							-5.6		18.2		-34.4	
Realised negative goodwill to income									9.5		9.5	
Depreciation & amortisation	-1.4	-1.7	-0.4	-0.3	-0.2	-0.2	-0.6		-1.2	-1.4	-3.8	-3.6
Other operating expenses	-5.1	-4.9	-0.6	-0.6	-1.0	-0.8	-152.0		-5.8	-5.4	-12.5	-11.8
<b>Total operating expenses</b>	<b>-71.9</b>	<b>-64.7</b>	<b>-9.5</b>	<b>-8.0</b>	<b>-11.9</b>	<b>-9.7</b>	<b>-152.0</b>	<b>28.7</b>	<b>28.7</b>	<b>-1.5</b>	<b>-216.6</b>	<b>-83.9</b>
Write-downs of credits and other commitments	-0.2	1.5			0.0	0.1			0.0		-0.2	1.6
Share of profit from associated un- dertakings							0.2		0.0	0.7	0.2	0.7
<b>Operating profit</b>	<b>23.0</b>	<b>27.6</b>	<b>6.7</b>	<b>5.0</b>	<b>11.3</b>	<b>9.5</b>	<b>40.5</b>	<b>0.0</b>	<b>-16.4</b>	<b>12.7</b>	<b>65.0</b>	<b>54.8</b>

## Balance sheet

	Retail Banking 2007		Capital Market 2007		Corporate Banking & Treasury 2007		Life Insurance 2007		Miscellaneous and Elimina- tions 2007		Aktia Group 2007	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
<b>Assets</b>												
Cash and balances with central banks	10.1	9.5	0.1	0.0	218.3	298.4			0.0	0.0	228.4	307.9
Financial assets available for sale	0.9	0.5	13.3	12.1	1,716.2	1,179.0			50.4	50.7	1,780.8	1,242.4
Loans and other receivables	3,353.8	3,010.1	18.2	19.9	1,396.2	770.4			-11.2	-3.4	4,757.0	3,797.0
Investments as security for provisions							962.8		2.7		965.6	
Other assets	16.9	13.3	3.6	3.5	244.7	86.8	18.3		-64.3	40.7	219.1	144.4
<b>Total assets</b>	<b>3,381.6</b>	<b>3,033.4</b>	<b>35.2</b>	<b>35.6</b>	<b>3,575.3</b>	<b>2,334.6</b>	<b>981.1</b>	<b>0.0</b>	<b>-22.4</b>	<b>88.1</b>	<b>7,950.9</b>	<b>5,491.7</b>
<b>Liabilities</b>												
Deposits	2,464.9	2,246.2	135.9	132.7	1,136.8	964.4			-7.6	-2.9	3,730.0	3,340.4
Debt securities issued					1,994.7	1,321.3	854.8		-14.2		1,980.5	1,321.3
Technical provisions											854.8	
Other liabilities	26.0	21.3	6.7	6.7	880.9	493.0	32.0		102.2	59.1	1,047.9	580.1
<b>Total liabilities</b>	<b>2,490.9</b>	<b>2,267.5</b>	<b>142.6</b>	<b>139.4</b>	<b>4,012.4</b>	<b>2,778.7</b>	<b>886.8</b>	<b>0.0</b>	<b>80.5</b>	<b>56.1</b>	<b>7,613.2</b>	<b>5,241.8</b>

## 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.

### Financial performance

The segment's operating profit of EUR 23.0 million (27,6) was lower than in the previous year, partly because of investments that are expected to yield results on longer term and partly because of lower earnings as a result of tighter lending margins. The lower lending margins were the result of the new capital adequacy regulations concerning the banking sector, requiring considerably less capital for lending to households secured by housing collateral. In spite of the good growth of volumes, the net interest income for reference rate-neutral credits was therefore EUR 0.8 million, or 1.3 per cent, lower than in the previous year.

Commission income increased by 24.6 per cent to EUR 95.1 million. The improvement was due to a strong increase in revenues, compared to the previous year, from the estate agency business of +111.6 per cent, from payment transaction commissions of +40.7 per cent and from mutual funds of +25.6 per cent. As Aktia expanded its product company holdings at the beginning of the year to life insurance business, the sales of insurance products has been activated and commission income from insurance business has increased by 17.4 per cent from the previous year.

The personnel costs increased during the year by 16.4 per cent to EUR 28.1 million as a result of investments in new branch offices and strengthening of human resources, particularly in estate agency business, long-term saving, corporate services and new product areas. The marketing cost doubled as a result of the increased visibility of the expanding estate agency business and as a result of launching the bank's new customer rewards concept. The loan losses amounted to EUR 0.2 million during the year. The previous year's results included a large non-recurring item of EUR 1.5 million in the form of reversals of the previous year's write-downs.

## Volume trends

The volume of business, i.e. the total savings and lending volumes, increased during the year by EUR 613.3 million, or 9.9 per cent. The credit stock, including mortgage loans arranged by other banks, increased by 11.1 per cent. The volume of housing loans increased during the year by 10.3 per cent to EUR 2,434 million while the volume of other lending increased by 13.6 per cent to EUR 860.1 million. The volume of savings including deposits and brokered borrowing and long-term savings products increased by a total of 8.3 per cent. Insurance saving increased the most, by 18.9 per cent. The positive development in savings in mutual funds during the first six months of the year took a downward turn towards the end of the year as customers moved their investments to interest-bearing instruments as a result of the uncertainties on the stock market. During the whole year, the savings in funds increased by 5.2 per cent.

### Main events in 2007

Aktia enhanced its local presence by opening two new bank branch offices. A branch office was opened in Oulu to provide a complete range of banking, estate agency and insurance services in conjunction with the existing live insurance company branch office. The other branch office was opened in Lohja. The branch office staffs of Veritas Life Insurance and Aktia are now working in the same premises in a total of nine localities. Following the opening of four new local offices during the year, estate agency services are now also available throughout the entire branch office network. Much emphasis has been put on the continuing migration from traditional bank cards to internationally accepted charge cards which during the year increased by 27 per cent in terms of numbers. At the end of the year, Aktia Card & Finance launched a new one-off credit service called Aktia-Xpress. An extended loan insurance product was also launched during the year.

## Capital Market

Aktia's capital market units include Aktia Fund Management, Aktia Asset Management and Private Banking in Helsinki. Aktia Fund Management Ltd administers and markets unit-linked, mixed and interest-linked mutual funds that invest both in the Finnish and international money markets.

Aktia Asset Management manages Aktia Fund Management's own funds and exercises discretionary management of customer assets. The Private Banking operation in Helsinki provides assets management, legal consultation and accounting services to wealthy individuals, foundations and associations.

### Financial performance

The financial results of the Capital Market unit developed favourably during the year. Investments have been made both in human resources and marketing. The investments are evidenced by higher costs, but the positive effects are already visible as increased revenues.

Net income, i.e. income after reversals to other Aktia Group units and business partners, increased by 24.6 per cent to EUR 16.2 million during the period compared with the corresponding period in 2006. The net commission makes up most of the revenues and, thanks to the strong growth of volume, shows an increase of 24.5 per cent.

Operating expenses increased by 19.1 per cent to EUR 9.5 million. The investments have required additional resources which is also shown as increased personnel costs that grew by 16.4 per cent to EUR 4.9 million.

The segment's operating profit increased by 33.4 per cent to EUR 6.7 million as a result of positive developments in the financial performance of all units.

### Volume trends

The funds managed and brokered by the Aktia Group totalled EUR 2,013 million. This is an increase of 41.8 per cent on the previous year. Aktia's branch office business represents approx. 35 per cent of the total volume of funds.

The market share of Aktia's funds increased from 2.33 per cent in December 2006 to 3.05 per cent in December 2007. The net sales of funds have been good during the year. Aktia's share of the net growth of the total fund capital on the market was 12.1 per cent.

At the end of December, the assets managed by Aktia Asset Management totalled EUR 3,721 million. This is an increase of 85.3 per cent on the previous year.

The private banking operation also performed well, with an 8.1 per cent increase in managed assets. The number of customers has increased by approximately 17 per cent from the beginning of

the year. Customer assets totalled EUR 1,153 million.

### Other

During the year, Aktia Fund Management signed an agreement with Standard Life regarding the sale of units in a real estate fund, an agreement with Hagström & Qviberg regarding a number of funds targeted at emerging markets, and yet another with Odin. These agreements will further strengthen Aktia's competitive product portfolio.

### Corporate Banking & Treasury

Corporate Banking operations include of four branch-specific customer teams, the Transaction Centre and Aktia Corporate Finance Ltd. In 2007, the corporate banking branches in Helsinki and Espoo were also included in the segment. The Corporate Banking segment provides a comprehensive range of services to corporate customers, with a special focus on building and real estate, ownership structure, cash & trade as well as banking and financing customers. A corporate support unit operates in conjunction with the Corporate Banking segment, providing assistance to the Retail Banking segment as they serve local corporate customers.

In addition, Corporate Banking includes the Treasury segment and Aktia Real Estate Mortgage Bank plc. The Treasury is responsible for managing the bank's balance sheet and interest rate risks as well as the Group's liquidity and financing. Aktia Real Estate Mortgage Bank is an important part of the funding of Aktia and local banks.

Aktia co-operates with savings banks and local co-operative banks in the following areas:

- central financial institution
- Aktia Real Estate Mortgage Bank Plc
- sales of funds and insurance policies
- balance sheet risk management services
- special payment transaction services and joint financing of corporate customers

### Financial performance

Operating income increased by 21.0 per cent to EUR 23.2 million (19.2).

Aktia's interest rate risk management which in the previous years has made a positive contribution to the net interest income has, with the sharply rising interest rates in 2007, resulted in the net interest income only increasing by 5 per cent compared with the previous year.

The net interest income of the segment increased by 21.9 per cent to EUR 24.2 million (19,8) as a result of the volume growth of the Mortgage Bank, as well as growth of Corporate Banking and Treasury, in particular during the fourth quarter as the bank was able to utilise its good liquidity in the generally tight credit situation.

Net commission income was negative, EUR -3.6 million (-1,9) as a result of the stock of Mortgage Bank credits arranged by local banks growing strongly compared with 2006. During the year, the net commission income of Corporate Banking & Treasury remained at the same level as in 2006.

Operating expenses increased by 22 per cent to EUR 11.9 million (9.7). Personnel costs increased by 36 per cent to EUR 4.5 million (3.3) as a result of investments in recruiting new staff for Corporate Banking. The personnel costs of Treasury and Mortgage Bank remained basically at the 2006 level.

The operating profit increased by 18 per cent to EUR 11.3 million (9.5). All three business areas contributed to the increase in operating profit. Corporate Banking accounted for approximately half of the operating profit.

## Balance Sheet

Financial assets available for sale increased during the year to EUR 1,716 million (1,179). These assets are the bank's liquidity buffer and they are placed in investments that are eligible for refinancing at central banks.

Loans and other receivables increased by 81 per cent to EUR 1,396 million (770), mainly as a result of strong growth in mortgages arranged by local banks as well as the positive development of lending in Corporate Banking, especially during the latter part of the year.

The deposit stock increased because both customers and counterparts sought safe investment alternatives, especially during the latter part of the year. The total deposit stock of the segment increased by 18 per cent to EUR 1,137 million (964).

The debt securities issued increased by 51 per cent to EUR 1,995 million (1,321) as a result of two covered bond issues during 2007.

## Main events in 2007 in Corporate Banking

Corporate Banking was established by merging various units within Aktia, completed by recruitment of new staff. In June, Corporate Banking

moved to its own premises in Ruoholahti, Helsinki.

From September, Aktia Corporate Finance Ltd provides financing secured by collateral objects (hire purchase, leasing, factoring) as a supplement to traditional bank credits. One key activity during the year was the integration of insurance products in the offering of Corporate Banking. Following this, Aktia is now well placed to offer an extensive product portfolio to its corporate customers.

In spite of major restructuring, Aktia has succeeded in serving its customers appropriately and grown in the selected market niches. The credit stock of Corporate Banking, excluding mortgages arranged by other savings banks and local co-operative banks, increased by 23 per cent from EUR 383 million to EUR 472 million.

During 2007, the co-operation with local banks has in particular focused on preparations for the Single Euro Payments Area (SEPA). A joint project for increasing the scale of and co-operation in clearing business outside the current scope was initiated.

## Main events in 2007 in the Mortgage Bank and Treasury

2007 was the sixth year of business for the Mortgage Bank, and the first complete financial year with the expanded ownership base. The Mortgage Bank now offers its services through a total of more than 300 bank branch offices. 60 savings banks and local co-operative banks have agreements with the Mortgage Bank for selling its mortgages. The number of loans increased during 2007 to 21,000, an increase of 5,000 loans.

In 2007, Moody's Investor Service Ltd gave Aktia Real Estate Mortgage Bank's covered bonds an Aaa rating.

During the financial year, the Mortgage Bank had two separate bonds issues of EUR 250 million each.

Martti Porkka has been the Managing Director of the Mortgage Bank since May 2007.

Aktia's liquidity has been good throughout the year, but it improved during the last quarter as a result of the general unrest on financial markets. Borrowing increased both from the public and local banks, and there was good demand for Aktia's deposit certificates.

Treasury sells balance sheet and interest rate risk reporting services to local banks, and also arranges derivatives for them. The business has grown, and the increased requirements for reports submitted

to public authorities provide potential for the continuous expansion of reporting services.

## Life Insurance

Veritas Life Insurance Company provides life insurance for private persons, entrepreneurs and companies in Finland. The company has approximately 112,000 private customers and 7,000 corporate customers that are served through different channels. The most important sales channels are Aktia's branch offices, local co-operative bank offices as well as Veritas Pension Insurance and Veritas Non-Life Insurance Companies. The product portfolio includes life and health insurance, voluntary pension insurance as well as savings and investment insurance.

Veritas Life Insurance became a subsidiary of Aktia Savings Bank on 17 January 2007. As a result, the profit from life insurance and corresponding balance sheet items are only included in this 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 compares the financial performance and solvency of the life insurance business to the company's figures for a previous year in order to improve the clarity of information.

## Financial performance

Veritas Life Insurance succeeded in increasing its sales, and the premium income increased by 5.0 per cent to EUR 99.8 million (95.1). Sales through Aktia's branch offices grew by as much as 96 per cent. The volume of unit-linked savings and pension insurance policies increased the most.

Compensation payments to customers also increased as a result of an increase in policy surrenders. The total amount of compensation paid was EUR 66.0 million (59.6). The loss ratio of risk insurance was almost unchanged at 80.9 per cent.

The operating expenses were somewhat lower than in the previous year in spite of certain non-recurring items and integration costs. The operating expenses totalled EUR 12.2 million (12.4). The cost ratio decreased by 3.2 percentage points to 110.0 per cent (112.7) thanks to increased total expense loadings and lower operating expenses.

The performance of investment markets had two distinctly different periods, and the investment results were mainly accumulated during the first six months. The return on investments at fair value was 6.2 per cent, and the net result of the

investment business amounted to EUR 92.5 million. The share and property risks decreased considerably during the year as a result of selling off part of these investments. New investments were made mainly in interest-linked instruments, hedge funds and raw materials funds. At year-end, the investment portfolio was made up of 60.3 per cent (52.9) of interest-linked instruments, 29.8 per cent (27.3) of shares and participations and 9.9 per cent (19.8) of real estate property. At market values, on 31 December 2007 the investment portfolio stood at EUR 784.3 million (754.1) excluding the investments of EUR 203.1 million (165.6) in unit-linked policies.

Technical provisions increased by EUR 70.9 million to EUR 854.8 million (754.1). Unit-linked provisions amounted to EUR 200.5 million (166.9) while the provisions for interest-linked policies amounted to EUR 654.3 million (617.0). The interest requirement for the latter decreased to 2.9 per cent through an increase of provisions by EUR 20.2 million. A provision of EUR 4.5 million was made for payments to customers in the future. The cost of payments to customers in 2007 amounted to EUR 4.6 million (4.1).

The operating capital decreased to EUR 121.7 million (132.2), which exceeds the minimum requirement three-fold. The solvency ratio was 18.1 per cent (20.9).

The operating profit of the life insurance segment was EUR 40.5 million. The eliminations related to life insurance business are shown under Group elimination items and other items.

## Main events in 2007

The year was characterised by the restructuring of organisation and administration resulting from the merger with Aktia Group.

The most significant change took place in the sales organisation. Veritas Life Insurance had twenty of its own branch offices at the beginning of the year, and nine of them moved to Aktia's premises during the year. The banking business has also been initiated in the Oulu region as a result of the existing operations the Life Insurance Company had there.

In addition, the profitability of Veritas Life Insurance offices was evaluated in areas where Aktia has no local presence. This resulted in five of nine offices being closed down. The five remaining offices of Veritas Life Insurance are now in Pori, Närpiö, Hämeenlinna, Jyväskylä and Joensuu.

Integration has also brought about administrative changes. Veritas Life Insurance has established its

own routines and office systems. The IT environment of Veritas Life Insurance has been integrated with that of Aktia Group, and the entire investment portfolio is now being managed by Aktia Asset Management.

### **Miscellaneous and Eliminations**

The financial results for 2007 were burdened by the elimination of capital gains from the life insurance segment, amounting to EUR 54.2 million, that had been entered as income. The capital gains were created as the result of the selling price and

the fair value of the assets according to the transfer calculation prepared by Veritas Life Insurance dated 1 January 2007. The result has been compensated by entering the estimated value of negative goodwill, EUR 9.5 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 transfer calculation because the company has entered the corresponding adjustment of provisions as a cost. For more details, see Note 1, Changes in the Group structure.

## Note 1 Changes in the Group structure

In addition to certain minor estate agency companies, Aktia acquired 99.96 per cent of the shares of Veritas Life Insurance Company on 17 January 2007. The following final acquisition analysis has been prepared per 1 January 2007.

(EUR million)	1.1.2007		
	Veritas Life	Fair value adjustments	Veritas Life acquisition balance sheet
<b>Assets</b>			
Investments	877.5	53.8	931.3
Other receivables	12.2		12.2
Cash and bank balances	3.8		3.8
Tangible and intangible assets of the insurance business	1.4		1.4
<b>Total assets</b>	894.9	53.8	948.8
<b>Liabilities</b>			
Technical provisions	783.9	19.9	803.8
Other liabilities	6.2		6.2
Net Capital Base	4.2		4.2
Deferred tax liabilities	19.2	7.4	26.6
<b>Total liabilities</b>	813.4	27.3	840.7
Net assets according to IFRS			108.1
Contract price including interest			97.0
Transfer tax			1.5
Acquisition price			98.6
- of which paid in cash			59.6
- of which paid in shares of Aktia Savings Bank plc (3,000,000 shares at EUR 13 each)			39.0
Difference = negative goodwill			9.5

When preparing the preliminary acquisition balance sheet, the customer-related intangible assets were not deemed to have any value in the acquisition balance sheet. No other intangible assets were allocated in the acquisition balance sheet either. This will be reviewed for the final accounts, and it will improve the financial results somewhat and have a marginal positive effect on the Balance Sheet

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, all of which was posted as income for the first quarter of 2007. The final contract price was agreed to de-

pend on the final results of divesting the real estate holdings of Veritas Life Insurance at the time of acquisition. When the final contract price including interest and transfer tax, together with an adjustment of net assets on the basis valuation of real estate property were calculated at the end of the year, the final value of negative goodwill was determined to be EUR 9.5 million. Adjustment of the negative goodwill by EUR 1.9 million has therefore been entered as a cost during the last quarter of 2007.

During 2007, the acquisition of Veritas Life made a contribution of EUR 15.6 million after taxes to the financial results of the year.

## 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. The interim reports for 2007 and the Accounts Announcement for 1 January – 31 December 2007 were prepared in accordance with IAS 34.

During 2005 and 2006, Aktia Savings Bank plc sold series A shares of Aktia Real Estate Mortgage Bank plc and concluded, in conjunction with the sales, a shareholder agreement with the buyers. The agreement guarantees certain accu-

mulated dividend payments from Real Estate Mortgage Bank plc.

According to IAS 32, the series A shares must therefore be classified as liabilities; the sales of series A shares is reversed and the guaranteed dividend payments are reported as rental costs. This interpretation was only established during the year, and it was not shown in the notes related to the transition to IFRS that was announced in the first interim report for the year.

The comparative figures have been adjusted to reflect the interpretation. The effect at the time of transition to IFRS on 1 January 2006 was an increase of other liabilities amounting to EUR 7.1 million and a corresponding decrease of equity. During 2006 other liabilities increased to EUR 10.9 million, and equity decreased by the corresponding amount. The effect on the full year's results for 2006 was EUR -0.7 million.

### Note 3 Assets and liabilities of the insurance business

(EUR million)	31.12.2007	31.12.2006
Interest-bearing investments	345.9	-
Shares and participations	352.1	-
Real estate	64.5	-
<hr/>		
Investments for interest-linked provisions	762.4	-
Investments for unit-linked provisions	203.1	-
<hr/>		
Total investments	965.6	-
Accruals and advance payments	8.2	-
Other assets	1.6	-
Cash and bank balances	6.9	-
<hr/>		
The assets of life insurance business	982.2	-
Intangible assets	1.0	-
Tangible assets	0.3	-
Income tax liabilities	0.0	-
<hr/>		
The insurance operation's total assets	983.5	-
Provisions for interest-linked policies	654.3	-
Provisions for unit-linked policies	200.5	-
Accruals and advance payments	4.1	-
Other liabilities	4.7	-
<hr/>		
Liabilities of the insurance business	863.7	-
Subordinated liabilities	2.1	-
Deferred tax liabilities	19.0	-
Income tax liabilities	6.0	-
<hr/>		
Total liabilities of the insurance business	890.8	-

These do not include the assets and liabilities of the Veritas Life Insurance Group and eliminations attributable to Veritas Life Insurance.

## Note 4 Change in the Group's equity

	Share capi- tal	Legal reserve	Share pre- mium ac- count	Fund at fair value	Unrestricted equity fund	Retained earnings	Shareholders' share of equity	Minority inter- est's share	Total equity
(EUR million)									
Equity as at 1 January 2007	70.6	8.1	1.9	-1.7	45.3	169.9	248.8	1.1	249.9
Share issue	9.6						54.9		54.9
Change in valuation of fair value of financial assets available for sale				-21.4			-21.4		-21.4
Change in valuation of fair value of cash flow hedging				-0.1			-0.1		-0.1
<i>Transferred to the income statement</i>				-0.9			-0.9		-0.9
<i>Share of latent taxes direct to equity</i>				6.1			6.1		6.1
Dividend payment to shareholders						-14.8	-14.8		-14.8
Profit for the reporting period						50.7	50.7	0.9	51.6
Other change in minority interest's share of equity							0.0	12.5	12.5
Equity as at 31 December 2007	80.2	8.1	1.9	-18.0	45.3	205.8	323.2	14.5	337.7
Equity as at 1 January 2006	70.6	8.1	1.9	7.8	0.0	153.4	241.8	0.8	242.5
Share issue							0.0		0.0
Change in valuation of fair value of financial assets available for sale							-12.5		-12.5
Change in valuation of fair value of cash flow hedging				-12.5					
<i>Transferred to the income statement</i>				-1.1			-1.1		-1.1
<i>Share of latent taxes direct to equity</i>				0.9			0.9		0.9
Dividend payment to shareholders				3.3			3.3		3.3
Profit for the reporting period						-24.7	-24.7		-24.7
Other change in minority interest's share of equity						41.2	41.2	0.2	41.4
Equity as at 31.12.2006	70.6	8.1	1.9	-1.7	0.0	169.9	248.8	1.1	249.9

## Basis of calculation for key figures

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### **Profit/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 issue)

### **Equity per 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 – taxes (on annual basis) x 100  
Average equity

### **Cost/income ratio, C/I figure (banking group)**

Total operating expenses  
Total operating income

### **Life insurance group's expense ratio, %**

(Operating 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)**

Assets in the balance sheet plus off-balance sheet items including derivatives valued and risk-weighted in accordance with the standard method set out in regulation 4.3 issued by the Finnish Financial Supervision Authority. The capital requirements for operative risks have been calculated 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 regulation 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 - 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 and its related decree.

The auditor's report for the accounting period is not yet completed.

Helsinki, 14 February 2008

AKTIA SAVINGS BANK PLC

Board of Directors